

# AP Automation and Online Buying: **A perfect match**

WHITEPAPER



*This paper from Pegasus Software looks at how bringing online buying into the AP fold is driving seamless invoice processing, improved cashflow control and enhanced risk management*

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## **ATTENTION ON AP**

Account Payable (AP) Automation is gaining a great deal of attention currently, and with very good reason.

A facet of financial management which is focused on managing payments to suppliers, it involves a broad range of processes from onboarding suppliers, raising and approving purchase orders, to receiving, coding, and reconciling suppliers' invoices, and scheduling, approving, and making payments.



While many areas within the finance and accounting function have succumbed to digital transformation, AP has been a little slower to the table. This is mainly due to the complexity and data format disparity of invoices which traditionally, has leaned on manual re-keying of invoicing data to facilitate workflows and expedite processes.

Invoices land in many forms, from physical documents, e-mails or links via portals. Once received they must be approved, checked, filed and paid. This involves reconciling every invoice against its purchase order and order details to ensure that it contains the relevant information and is for the correct amount. Getting this right is crucial, as even one missed, or incorrect invoice, can cause mismanaged VAT, overpayments and impede cashflow.

## BEYOND OCR

As OCR technologies have converged with automation, platforms have stepped up to address this process chaos, bringing faster, more collaborative and transparent capabilities to AP. Yet **57%** of businesses are still processing invoices manually.

Streamlining AP provides much greater control, and mitigates the risk of errors, while faster processing of invoices and quicker payments helps to create better relationships with suppliers. A reduction in paper-based processes reduces the need for physical storage and expedites audits, while the ability to undertake AP processes from any location removes potential delays or bottlenecks and streamlines approvals. More collaborative working supports greater productivity, and the manual labour saved can be deployed in other areas, adding value to the wider goals of the department.



And of course, with a fully automated process, reporting can be taken to another level. The real-time insights generated boost visibility, contextualise information and ultimately facilitate better decisions. Monthly expenditure can be monitored more tightly, cashflow can be monitored more closely, and annual trends can be mapped and acted upon appropriately.

## THE ERA OF ONLINE BUYING

However, one area of AP Automation which has been missing from the picture, amongst our customer base at least, is online buying.

According to research, **76%** of suppliers are set to withdraw offline catalogues by next year (2025), making online buying the predominant method of procurement, when it comes to non-stock spending.

But while organisations are buying more and more online, this typically occurs in a fragmented, inconsistent and

uncontrolled way, leaving AP teams to process a myriad of expense claims, corporate credit cards, reconciliations, locating invoices, and determining who bought what, when and why. When you add to this the different nominal ledger codes and assigned approval processes, it's easy to see why this area draws vast amounts of time and resources to process and report on, and as such, has the potential to easily spiral out of control.

In fact, the chaos which often engulfs procurement and expense management is such that the average company is only capturing **40%** of total company spend under purchasing, and this is due to so much indirect spending occurring. The nature of these types of costs are such that they are often unexpected until a receipt or invoice appears in an in-tray somewhere, and while often small, high volumes of this kind of transaction can quickly add up.

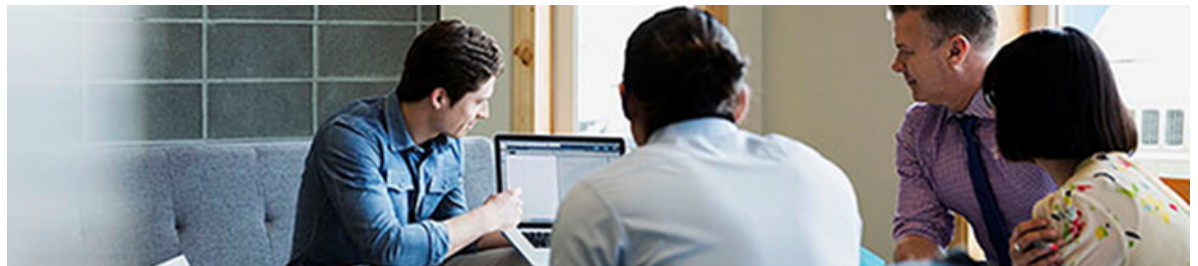
In parallel, this kind of fragmented and uncontrolled process can leave organisations open to fraud. Recent research undertaken amongst CFOs and FDs in the UK and US highlights that exposure to risk and fraud are amongst the top concerns when it comes to AP's challenges. It is estimated that purchasing fraud impacts **1 in 4** SMEs every year and invoice fraud alone is responsible for **55%** of money lost to organisations. Given that most of this kind of spend takes place independently and is only visible to finance once the purchase has been made, it's vital that clear procedures are put in place.



## 360-DEGREE VISIBILITY 100% CONTROL

Introducing an automated system means everything is captured across finance and procurement, giving budget holders across all departments real-time data for a full view of where their budget is going and how it can be better spent. Procurement can then benefit from historical data and supplier information to capitalise on economies of scale, and relationships, to make more informed decisions on purchasing activity.

These automated capabilities not only save time and drive efficiencies, but bring all invoicing and purchasing data, both live and historic, together in one place. This visibility of spending allows all departments, to see precisely whether budget allowances are aligned with spending, where spend is taking place, and for what. With this information stored centrally, department heads, procurement and finance teams can maintain greater control over company spend, and make better, more informed spending decisions.



Online buying, as part of AP Automation, can also de-risk uncontrolled spending, eliminating this multi-faceted bottleneck and give complete visibility and insight to ensure all non-stock spend is managed appropriately, efficiently and in line with budgets.

## A STREAMLINED DIGITAL FUTURE

Managing company spend can be a challenge to say the least, especially in organisations where silos are prevalent, and communication across departments is fragmented. The good news is that achieving best practice in this area doesn't mean a huge overhaul for finance teams, or indeed a large financial investment.

Online Buying, as part of AP Automation, is an incremental but powerful way to expedite processes, bridge bottlenecks and drive greater productivity in finance and procurement.

Intelligent automation is bringing new levels of efficiencies through freeing up time to focus on value-add activities and tasks rather than number crunching, and doing battle with error-prone double data entry and navigating workarounds.

AP Automation, complemented by Online Buying, brings a new dimension to what has traditionally been a manually intensive process and admin-heavy area, allowing resources to be channelled into innovation and future development.

Finance teams with these kind of modern, comprehensive AP capabilities stand to lead the way in championing the best practice necessary for a modern, forward-looking and strategic finance function.

### HOW CAN PEGASUS HELP?

We can help with our AP automation for Opera 3 SE incorporating Online Buying. For further information please contact us today:

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