



Supplier Invoice Benchmark Report:

Exploring the AP Landscape in the UK

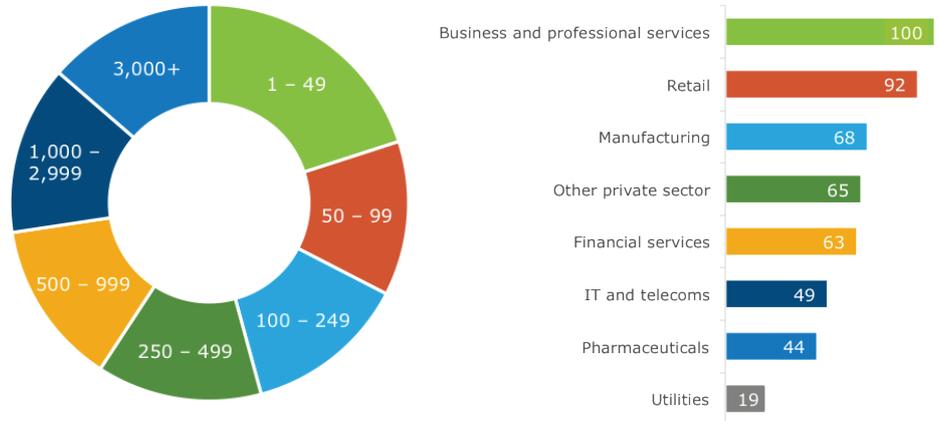




The role of finance is changing as businesses expect more direction and insight from their teams. To step up and become a true partner, it's more important than ever for AP teams to help organisations streamline key internal processes and access spend data to support strategic decision making. This research paper explores the current state of supplier invoice procedures in the UK and the challenges facing a cross section of businesses. We also examine how automation could offer viable solutions.

About this report

Concur, together with independent market research specialist [Vanson Bourne](#), commissioned a study among 500 accounts payable (AP) and finance professionals throughout the UK in August 2015. The respondents were spread evenly across business size and sector, with a goal to explore current invoice processes to identify shortcomings and determine best practices.



Survey sample spread by company size (employees)

Business sector split by respondents (number)

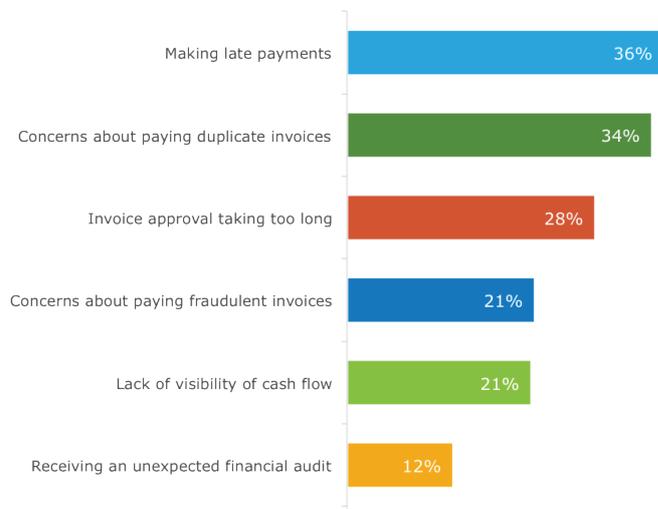
Executive summary

There's a disconnect facing the finance team today. They're expected to step up and perform a more strategic role within the business, yet many of the processes they're asked to manage are by no means optimised. Owing to these inefficient practices, the accounts payable (AP) team is often left struggling with mounting piles of paper, the threat of late payments, errors and duplicated efforts.

Some of the key themes the research uncovered in the supplier invoice process are:

- Outdated procedures, with paper invoices being an established norm.
- Invoices not making it to the right place.
- Late payments, which can have dire consequences for supplier relations.
- Duplicate and fraudulent invoices, which are occasionally paid.
- Poor visibility of cash flow and an inability to anticipate spend.

The study revealed that roughly 15 employees are tied up in every single invoice. Not only that, 63% of companies have actually received a duplicate invoice, highlighting a misalignment of processes.



What are the key supplier invoice challenges facing your finance team?

Businesses of all sizes and sectors are not immune to these stumbling blocks. Understanding the current AP environment and where your organisation stands can help with identifying the next steps on your efficiency journey. After all, nine in ten in the study recognise the value invoice automation can bring. Gaining greater control over supplier invoice workstreams, compliance and cash flow are just some of the ways the finance team can establish itself as a trusted advisor to the business.

This clearly presents a big opportunity – automation can provide the foundation your business needs and the time to exploit it is now.

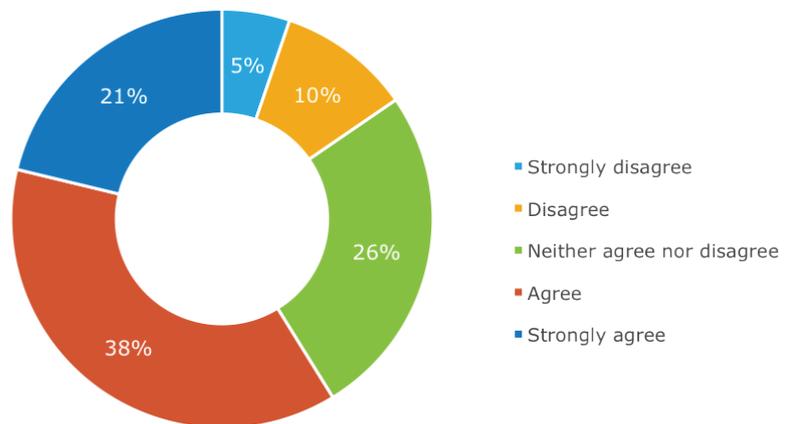
01

The supplier invoice process in the UK today

The study overwhelmingly highlights that most organisations are not at a point where their AP processes are equipped to handle the sheer volume of supplier invoices coming in. In fact, three in five (59%) respondents agree their organisations' invoice process could definitely be improved.

On average, a company receives 323 invoices every month handled by around 15 employees per invoice who are responsible for approving and processing them. You'd expect with all this allocated resource that businesses could cope with an invoice influx. Yet it's clear that invoice procedures need to be streamlined as a third (34%) of those surveyed admit their organisation does not process all their supplier invoices in a timely manner.

The utilities sector most struggles to pay supplier invoices on time and 74% think the process could be improved.



Could your organisation's invoice process be improved?

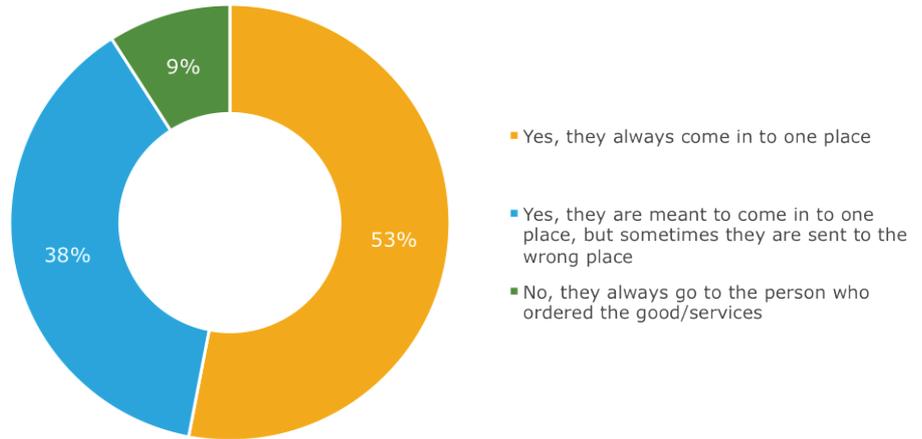
Purchase order practices

Businesses that process a large number of supplier invoices in a month can experience greater control using a purchase order (PO) system. Yet only around half of the companies surveyed generate POs to kick off the buying process, while an additional 39% plan to do so in the future. With the exception of small businesses of up to 50 employees, most respondents in the study recognise the value of POs.

Using POs, companies can easily track the products and services ordered and ensure they match up to what's received. Invoices are also more likely to get routed to the right people.

When you consider that two in five (38%) respondents say invoices sometimes go to the wrong place in their organisation, it's evident a PO system could help remove internal inefficiencies, lost time and delays in payment.

The IT and telecoms industry is most likely (73%) to have a robust PO process set up.



Do all your supplier invoices come into one place?

2 in 5 say their supplier invoices sometimes go to the wrong place.

Established paper processes

The incidence of invoices not making it to the right people is also down to paper processes. Only 43% in the study receive their invoices electronically, suggesting that paper processes are relatively commonplace and a large number of organisations still send out their invoices by post. This is consistent across all business sizes.

While invoices in the form of PDFs attached to emails are the most typical form of electronic submission, they're not foolproof either. There's no guarantee they'll make their way to the right recipients or a central inbox and they may fall outside of an efficient AP tool or finance system. In fact, the first thing most employees do is print off their invoices to hand over to their line manager, so even electronic documents can turn back into paper processes.

Cheques were introduced to the UK over 300 years ago.

Surprisingly, paper cheques are still a popular form of payment with two in five (42%) saying their organisations use them. It's the second most relied on means of payment only behind [BACS](#) (72%). Yet cheques can take up to six days to clear, get misplaced or lost in the post, not to mention the UK government plans to phase them out in 2018.

33% of organisations also use [CHAPS](#) for same-day payment, indicating the need for many organisations to resort to this faster, more expensive method to avoid the consequences of late payments.

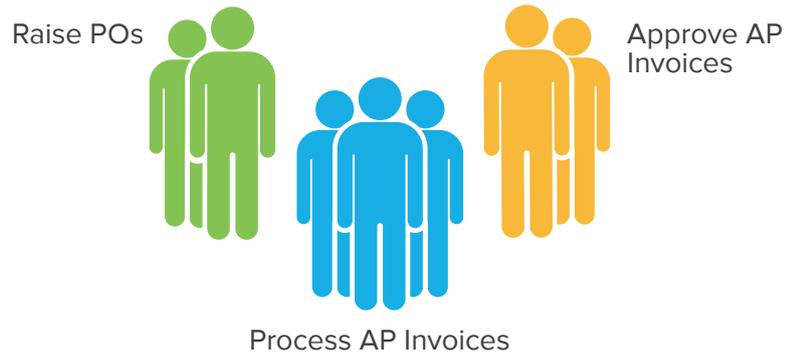


Companies sized between 1,000-2,999 employees have the highest rate (54%) of invoices going to the wrong place.

15 people and counting

Of those organisations surveyed that have a PO system in place, an average of six people are involved in raising each one. Once an invoice is submitted, a further six people are involved in the approval process alone with an additional nine people working on processing the supplier invoice in the backend. Allowing for some crossover of responsibilities, a conservative average of 15 people are directly involved in the AP invoice process.

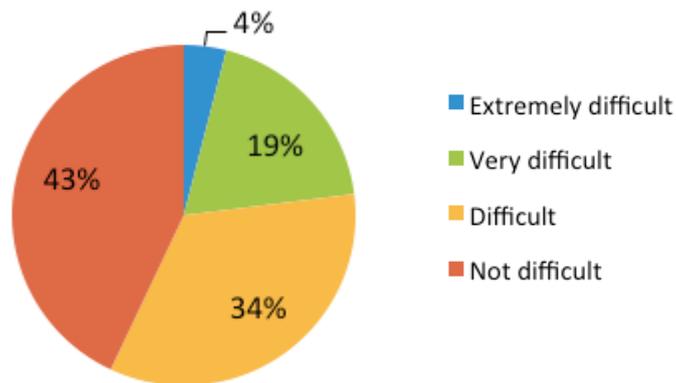
In the IT and telecoms industry, an astounding 28 people are typically involved in approving and processing supplier invoices.



Chasing status

Not only are employees tied up with the invoice process, many find their time is consumed by suppliers following up on the status of payment. 88% of respondents say their organisation regularly fields calls from suppliers chasing updates on payments. In fact, 69% receive these calls at least once a week and sometimes as much as ten times a day. The majority say it's difficult to provide their suppliers the answers they're looking for in the moment.

81% of pharmaceuticals find it challenging to provide invoice updates to suppliers.



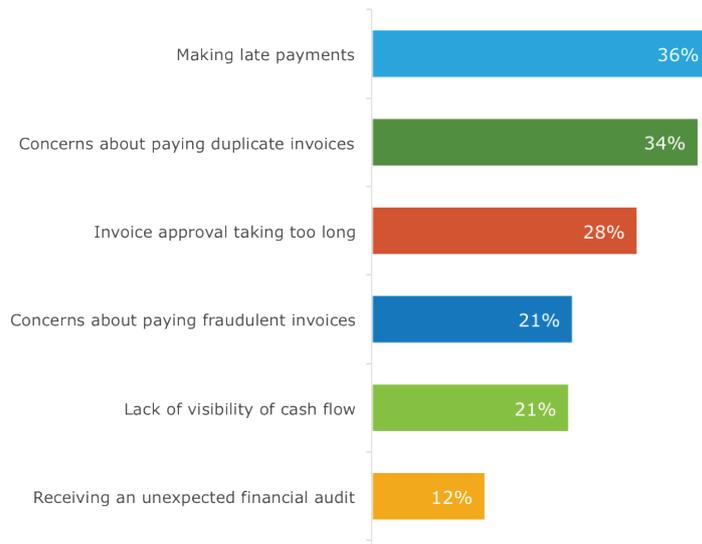
How difficult is it for your organisation to provide invoice updates to suppliers?

02

The top invoice challenges

It's clear there's a lot keeping the finance team up at night when delving into specific supplier invoice issues. Seven in ten (71%) have concerns about their supplier invoice process, with late and duplicate payments top of mind. They're also worried about internal processes taking too long, fraudulent invoices slipping through the net and not having full visibility into their cash flow data. But what concrete consequences are companies suffering as a result?

Large companies with between 1,000-2,999 employees are the most concerned (59%) about paying duplicate invoices.



What are you most concerned about in your current supplier invoice process?

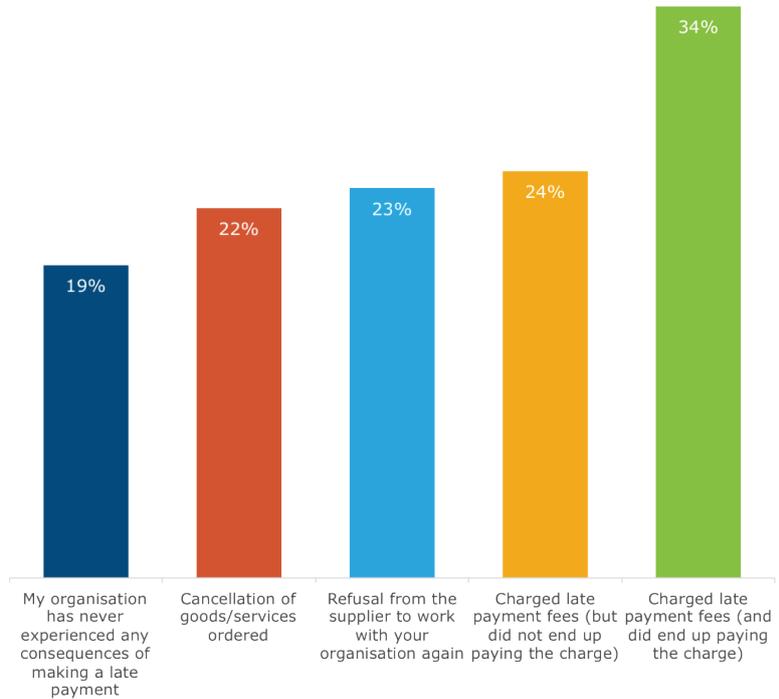
Long processes and late payments

When invoices get stuck in approvers' inboxes, the scope for late payments becomes a reality. Almost eight in ten (78%) respondents admit their organisation has paid an invoice late. Aside from the internal inefficiencies incurred as your teams scramble to meet deadlines, the repercussions of late payments run much deeper, potentially damaging the supplier relationship.

Consider that:

- Nearly 60% have been charged late payment fees.
- One in five has had a supplier cancel their goods or services and even refuse to work with them again.

58% of those in the utilities sector have been forced to pay late fees.

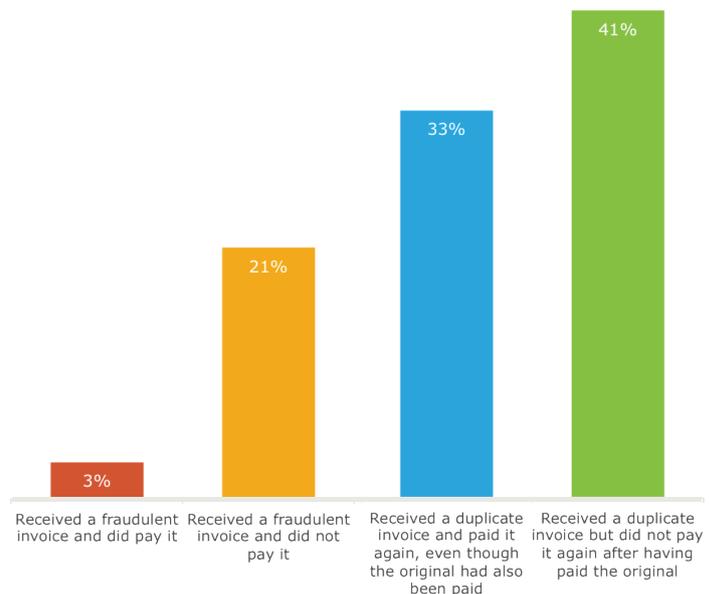


What consequences has your organisation experienced as a result of late payment?

Duplicate and fraudulent invoices

Duplicate invoices are a top concern for many companies. Suppliers may send invoices in both print and electronic form and sometimes resend invoices to prompt speedy payment. An astounding 63% of organisations have received a duplicate invoice from their suppliers. Not only that, a third (33%) admit to actually having paid one – that they’re aware of. Without an automated system in place, the chances of receiving them and paying twice for products and services greatly increases.

3 in 5 companies have received a duplicate invoice from their suppliers.



Have these occurrences ever happened to your organisation?

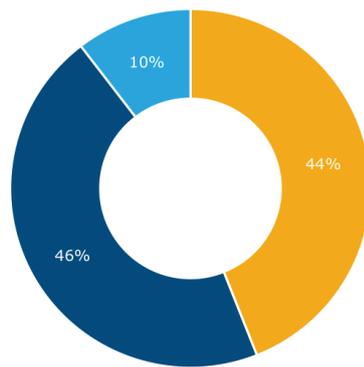
The finance sector ranked the highest as having received and actually paid a fraudulent invoice.

If that wasn't bad enough, fraudulent invoices are also creeping in, with nearly a quarter (24%) of respondents saying they've received an invoice for products or services that were never provided or ordered in the first place.

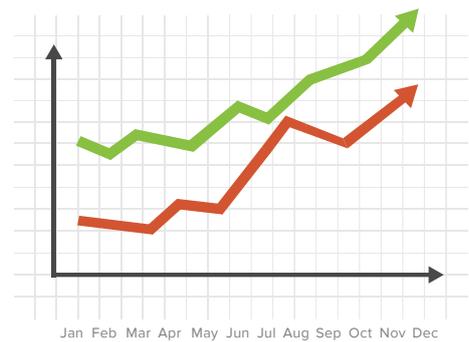
Invisible cash flow

It's important for the finance team to be able to report on spend to the business. The study revealed that 56% of respondents either can't forecast their cash flow or are only able to provide a rough estimate at any given time. This indicates that most finance teams are unaware of their supplier invoice liabilities and find it complex to project spend or trends, let alone empower employees to access invoice statuses. This invisibility of spend is a poor reflection on the finance team.

What's more, without a robust tool to enable accurate year-end reporting, companies could fall short of auditor requirements. Gaining insight into cash flow is an essential role of the AP team and an added benefit of implementing an automated invoice system.



- Yes, we are able to identify the exact amount
- Yes, but it is only an estimate
- No

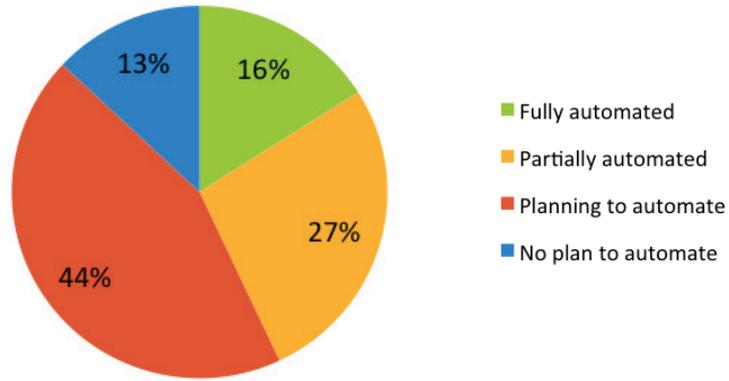


Are you able to accurately forecast invoice liabilities cash flow?

03

Current AP automation practices

Upon examining supplier invoice automation processes today, 57% of those in the study don't automate. 71% have partially automated practices or are planning to automate in the future.



Who automates, who plans to automate and who doesn't?

Automated processes today:

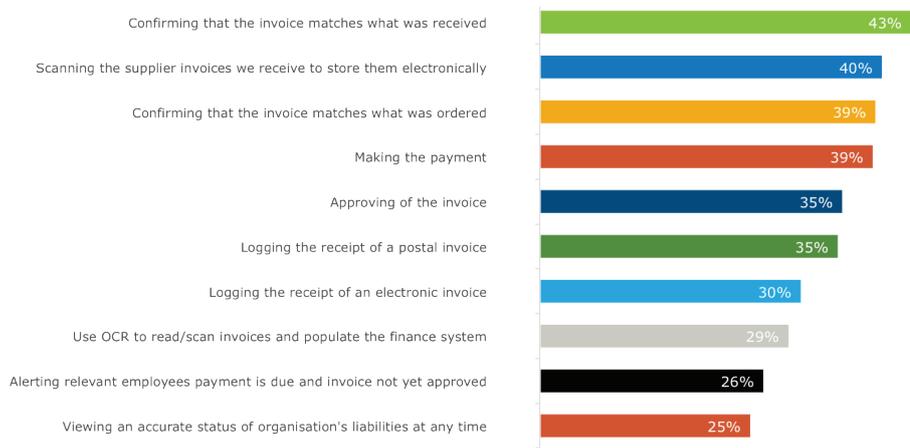
1. Logging electronic invoices
2. Confirming invoices match what was ordered
3. Logging postal orders

Want to automate:

1. Confirming invoices match what was received
2. Scanning invoices electronically
3. Confirming invoices match what was ordered

The AP wish list

When probing what companies most want to be able to automate, matching invoices to what was ordered and received, electronically scanning invoices and automating payment ranks highest. The highly desired functions reflect what companies already automate or plan to streamline in the near future.



Which supplier invoice automation processes would most benefit your organisation?

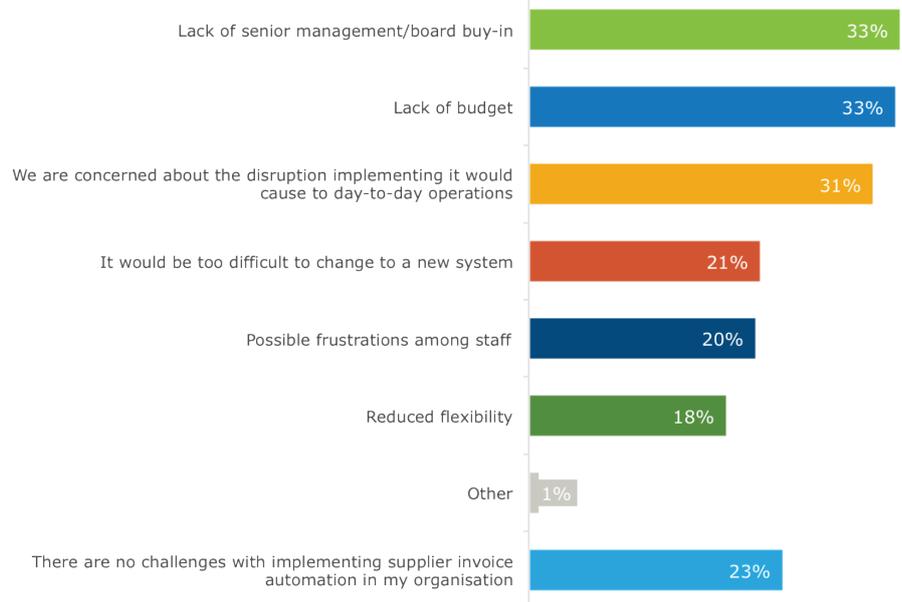
Optical Character Recognition (OCR) is a technology that enables you to convert different types of documents, such as scanned paper documents, PDF files or images captured by camera into editable and searchable data.

These are the quick wins that are easy to get right and can make a big difference. But when we look to the bottom of the wish list – OCR scanning, alerting approvers when invoices come in and viewing the status of liabilities – a lower value is placed on these processes. If we think back to the challenges facing organisations, improving these workstreams can solve a lot of the major concerns:

- OCR scanning technology has advanced in leaps and bounds and can now ‘read’ invoices and prepopulate required fields in AP systems, requiring less time from the finance team to key in data, meaning quicker payments.
- By alerting the average of 15 employees in a chain as soon as an invoice comes in, companies can save days and even weeks where invoices would usually get stuck in individuals’ inboxes.
- By being able to check the status of liabilities, employees can quickly update those suppliers who call on a regular basis, as well as accurately forecast cash flow.

Perceived implementation challenges

There’re a number of reasons companies are hesitant to adopt AP automation: Senior management buy-in, budget restraints and implementation disruptions are the main causes of concern. Over three quarters (77%) report perceived challenges inhibiting invoice automation. Yet most are unaware that the benefits an automated system can bring far outweigh any costs (an efficient AP system could pay for itself in a few short months) or the fact that a cloud-based solution makes implementation disruptions a non-issue.

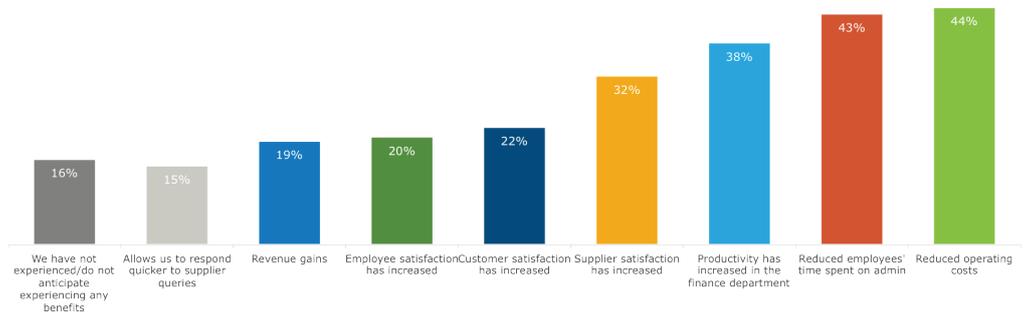


What are the main challenges to implementing invoice automation in your organisation?

04

The real value AP invoice automation can bring

Eliminating paper processes and moving towards streamlined practices can deliver significant paybacks throughout the supplier invoice chain. The vast majority in the study recognise the value of having a streamlined AP system in place with an astounding nine in ten anticipating real benefits from increased automation. And those who already automate report reduced operating costs, less time spent on admin and increased productivity in the business – not to mention improved supplier relations.



Which benefits has your organisation experienced or anticipated with automation?

But many respondents feel their hands are tied due to a lack of management buy-in and budget concerns. While AP automation is often considered the domain of enterprise companies, these challenges equally apply to small- and medium-sized businesses.

Yet cloud solutions don't require on-site installations or huge IT effort, and getting employees up to speed is remarkably quick. When you're dealing with an average of 15 people on every supplier invoice, minimising the scope for error and delays using streamlined processes can transform the way business is done. Approvers can process invoices straight from their mobile devices and are no longer kept away from their day jobs, while the AP finance team can process more invoices at a quicker pace.

Employees who were unable to provide instant updates on the status of their orders now have that information at their fingertips. This reduces churn, not to mention resending of invoices by suppliers. As we've seen, duplicate invoices pose a real threat – not only in terms of actual cash pay-outs, but also when it comes to the time and effort invested by employees trying to recoup and resolve these issues. An automated system would inevitably flag duplicate and fraudulent invoices, cutting them out altogether.

It's also absolutely essential for businesses to be able to accurately forecast operational costs for optimised inventory and cash flow management. If you don't know what's going out and when because it's scattered across your business in the form of innumerable paper documents, you won't be able to provide a holistic picture to the board. Automated technology can give you intelligent insight into an organisation's outgoing spend so you're seen as a valued strategic partner within the business.

Aligning and automating processes to reduce time and effort wasted at every stage of the invoice process – from receiving, capturing, processing and reporting on invoices – will provide the edge that sets modern UK companies apart. The technology exists today to be able to better manage your bottom line and progressive companies are leading the charge.

05

Imagining the ideal invoice process

Every business size and sector can gain huge advantages by incorporating supplier invoice efficiency into their current procedures. With the sheer amount of invoices that the average business processes and the number of employees involved, it makes sense to introduce technology that helps the business gain greater workforce efficiency and cash flow visibility.

Picture a scenario where:

- Invoices are electronically sent to a central place - no printing, scanning, faxing or copying.
- The right people are notified at the right time, even on the go.
- Duplicate and fraudulent invoices are eliminated.
- Manual steps are reduced as OCR technology automatically prepopulates fields into finance systems.
- Every employee in the chain has instant access to the status of invoices.
- Approvers are immediately notified and can action invoices in a few clicks from their mobiles.
- Payments are made on time using the most advanced methods.
- Finance has 360° visibility into outgoing invoice spend.

06

Key findings for small to medium-sized businesses

Small companies (1-49 employees) are the least likely to think that invoice automation would benefit them (44%), yet they're also the most susceptible to cash flow disruption when being able to predict outgoing AP spend can make or break the business.

- 40% don't raise POs or even plan to.
- 49% use cheques as the main form of payment.

The findings also show that companies between 50-499 employees are not exempt from receiving and even paying duplicate and fraudulent invoices and are even more likely to do so than large-scale enterprises with 3,000+ employees. They're also the most concerned about disruption caused to day-to-day activities by implementing invoice automation.

Inefficiencies in processes could be lurking in the background that they're not even aware of, while increased visibility into liabilities could make a big difference. To be taken seriously as they plan to scale for future growth, small businesses need to think about how automation could enable them to use their existing resources more effectively.

Key findings for large businesses and enterprises

While companies with 3,000+ employees are slightly better off when it comes to incorporating invoice automation procedures into their finance systems, large companies with 1,000-2,999 employees are struggling to follow suit and in some cases, even trail behind smaller companies with 500-1,000 employees.

- They're least likely to issue POs at 36% (even small businesses with 1-49 employees trump them).
- They're most likely to have invoices sent to the wrong place (54%).
- A weighty 59% have actually paid a duplicate invoice.

A lack of senior management buy-in and budget constraints seem to plague companies in this group the most. On their journey to becoming well-established enterprise businesses, these companies can learn a lot about supplier invoice automation from both larger businesses and even their mid-sized counterparts. There's a clear opportunity to embrace more sophisticated, automated procedures.

About Concur

Concur, a part of SAP, imagines the way the world should work, offering cloud-based services that make it simple to manage employee spend. By connecting data, applications and people, Concur delivers an effortless experience and total transparency into spending wherever and whenever it happens. Concur services adapt to individual employee preferences and scale to meet the needs of companies from small to large, so they can focus on what matters most.

Concur Invoice – Improve manual invoice processes and eliminate paper. Concur Invoice gives you actionable insight into organisation spend before, during and after it occurs. Employees can stay on top of due dates and payables while easy-to-use reports and dashboards help you identify opportunities to better manage your bottom line.

Concur Expense – Simplify the reporting process while reducing costs and improving internal controls. Employees are able to automate every step of expense reporting, from preparation and approval to business policy compliance, reimbursement and data analysis. Concur Expense allows users to save significant time by creating and submitting accurate, in-policy expense reports.

Concur Travel – Make corporate travel booking easy by automatically enforcing policies and providing visibility through detailed report analysis. Employees are free to make preferential choices while organisations stay in complete control.

If you'd like to find out more about the Supplier Invoice Benchmark Report or see how Concur Invoice can help streamline your business operations, call **+44 (0) 1628 645 100** or visit **www.concur.co.uk**