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Mediocrity as Excellence? How Do You View Your Efforts to Reduce the Paper in AP?

by Chip Martin, Vice President of Product Management, Bottomline Technologies

In baseball, making a square connection between a round bat and a round ball traveling at over 90 miles per hour isn't easy. The nature of this challenge explains the acceptance of a .300 batting average as a "mark of excellence." But if you think about it, it's a pretty mediocre statistic. In order to bat .300, a player must accumulate three hits for every 10 at-bats, or, in other words, fail no greater than 70% of the time. The result? Mediocrity perceived as excellence.

Excellence in AP

Should the same statistics that set the standard for excellence in baseball be used by AP organizations when measuring the success of an electronic invoicing initiative? Only if mediocrity is your ultimate goal.

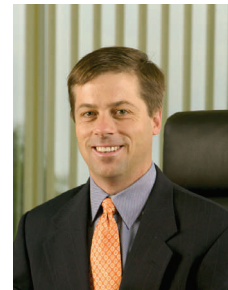
In an effort to meaningfully reduce the amount of paper-based invoice data manually re-keyed

into a company's accounting systems, most AP organizations have been limited to two options: deploy front-end imaging technology to capture line-item data via scanning, or engage with one of the many e-invoicing exchanges currently on the market. Unfortunately, most companies have found that either of these two methods, on their own, delivers the equivalent of a .300 batting average.

With e-invoicing exchanges, the biggest hurdle has traditionally been supplier conversion, or "on-boarding." On-boarding is first persuading and then enabling vendors to submit electronic invoice data files instead of paper invoices. While it has been relatively easy for organizations to secure the support for such initiatives from their highest value vendors, less frequent, lower volume suppliers have been a tougher sell.

And for most companies, these other suppliers constitute the bulk of their supplier relationships and the bulk of the paper that flows through their organization.

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Networks

As a way to circumnavigate this challenge, a number of vendors in the market offer "supplier networks," through which they facilitate e-invoicing on behalf of their customers. The objective of these network vendors is to drive adoption and enforce e-invoicing as the standard. The initiative is typically mapped out over 12 to 18 months.

To the network provider, the hope is that once a specific vendor is driven to submit electronic invoice data files for one client, that "connection" can be leveraged for other payer organizations in a growing network of both buyers and sellers.

By most industry accounts, however, the success rates of these supplier networks for the typical e-invoicing initiative are between 30 - 35%. This means that, after more than a year of concerted efforts as many as 65-70% of a company's given suppliers remain outside the network, continuing to rely on paper-based invoices.

In the face of these lackluster results, many organizations have either avoided or abandoned the effort to convert their vendors to e-invoicing and have instead turned to in-house scanning and workflow software technologies to reduce the amount of paper handling and data entry required. While these imaging initiatives have been suc-

cessful in terms of reducing the amount of paper traditionally stored in file cabinets, and then later manually retrieved for review, the technology (commonly referred to as optical character recognition or OCR), has largely failed to eliminate the need to manually capture line-item data from invoices.

What about OCR?

Certainly, OCR technologies have improved over the years. The advancements have encouraged many firms to apply OCR imaging to invoice documents. However, as many who have deployed these technologies for line-item invoice data capture have discovered not only is it expensive and difficult to manage on a day-to-day basis, but the actual conversion success remains in the .300 batting average ball park.

In the end, for all but a select few who have invested very large amounts of money and internal training resources to make the technology work, most companies find that they spend just as much time reviewing and correcting mistakes or omissions of the OCR technology today, as they previously spent manually keying all the data into their accounting systems in the first place.

The 'Lockbox' Approach

A 30% success rate just won't cut it with most AP organizations looking to realize the process efficiency, spend management, and compliance bene-

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fits of e-invoicing. So an alternative, service-based approach that can deliver in a fast, cost-effective way is desirable. The result is an outsourced invoice data capture service similar in concept to an accounts receivable "lock-box" service commonly used for payments. Clients instruct their vendors to redirect their invoices to a central P.O. address managed by a behind-the-scenes, state-of-the-art transaction center. Bottomline Technologies is one company offering this service.

For more information on
Bottomline's
Purchase-to-Pay solutions,
please visit

[www.bottomline.com/enterprise/
Sprinter.html](http://www.bottomline.com/enterprise/Sprinter.html)

The transaction centers receive and process paper invoices, as well as any electronic data submissions that may already be in place, and convert them all to a data file that can be fed directly into our clients' installed accounting or ERP systems for review and approval.

Or, if the customer prefers to do review and approval outside of their host accounting system, the data is directed to Bottomline's software application which automatically matches in-bound invoices to items such as purchase orders, vendor master files, and price lists, and then flags exceptions or other anomalies to the relevant AP or line-of-business managers for review, approval or rejection.

These transaction centers leverage the investment in more than a dozen different OCR technologies optimized for AP processing and are maintained by a skilled staff of experienced technicians. As a result, the data capture proc-

ess we developed and deploy in these global centers is able to achieve data recognition rates in excess of 95%.

To hit the goal of 100% line-item data completion desired by many of our clients, we then supplement the technology with a team of data experts who manually review and repair data capture exceptions on each and every invoice. Pricing for the service is based on volume, so it maps closely to the actual business value customers receive.

While we deliver faster service for customers who require it, the standard turn-around time from receipt of invoice at a Transaction Center to posting of the electronic file to a client's AP department is just 24 hours.

Unlike alternative on-ramps to e-invoicing which incur high upfront costs, are lengthy to deploy and ultimately bat only .300, this service has proven to get to 100% electronic data from day one, quickly and cost-effectively. By tackling head-on the challenges of reducing paper in AP, we are able to deliver immediate results while creating an evolutionary path to vendor e-invoicing.

Getting Started

The experience we've gained deploying solutions for dozens of global enterprises, and consulting with many more, has taught us some important questions to ask before embarking on an invoice automation initiative. First, what are your organization's goals for investing in automation technologies, and how will you

measure their success? Whether your goals are for more qualitative process improvement, or are more quantitative in nature (i.e. a 20% reduction in administrative costs), documenting and agreeing on them upfront is critical to the success of the project.

In addition, make sure you have a clear understanding of the labor and other resource requirements necessary to not just implement your solution of choice, but also to operate and maintain it for the long-term. Many companies base their cost models on simply get-

ting a solution in place, while significantly underestimating the ongoing investment required to keep it current for their unique specifications. The financial end result is often disappointing to the day-to-day AP team as well as to their managers.

Whatever your goals, when deploying an imaging and workflow solution for AP, don't be afraid to aim high, and never settle for a mediocre outcome. **AP N&T**



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About Bottomline Technologies

(NASDAQ: EPAY) provides payments and invoice automation solutions to organizations seeking more secure and efficient financial processes. The company delivers innovative solutions that complement existing financial processes, business relationships and back-office systems.

Bottomline's solutions have enabled industry-leading corporations, banks and financial institutions to automate, manage and control processes involving payments and collections, invoice approval, cash flow, risk mitigation, reporting and document archive. For more information, visit www.bottomline.com.