

# ACCOUNTS PAYABLE (AP)

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What digitisation can do

# INTRODUCTION

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As a business, if you lose track of how much you owe to others you can't be sure of your financial position. A good process for incoming invoice approval (Accounts Payable (AP)) is at the heart of any business' long-term success. The mismanagement of payments can lead to the financial burdens of late payment fees and interest, damage to a business' reputation and even the loss of critical suppliers, crucial to deliver goods and services to customers.

As a result, frequently businesses do not deliver efficient or reliable AP, despite its importance. The key factor is the lack of integration between paper invoices, email approvals, and legacy green screen systems. Sending copies of invoices around and between departments and your suppliers, creates familiar headaches, such as late payment, duplication, loss of early payment discounts and high processing cost per invoice.

Often EDI solutions are too expensive for medium to small businesses and suppliers, so what solution can fill the gap? Digitisation of the Accounts Payable process is possible using a simpler online Document Workflow Management system, which provides significant benefits. New solutions are coming out all the time and, not knowing your organisation's pain points it can be extremely difficult to know the right route for your business.

Ricoh has published this white paper using data exclusive to Ricoh to shine a light on the traditional AP process. There are approximately 3.6 billion scans on Ricoh office MFD's in Europe each year by their customers. Using Ricoh data from multifunction printers in a survey of customers in the UK, we look at how businesses are approaching Accounts Payable, the main challenges they are experiencing and how an online Document Workflow Management can streamline AP, release significant savings and allow you to take back control of payment of invoices and the wider business.

## METHODOLOGY

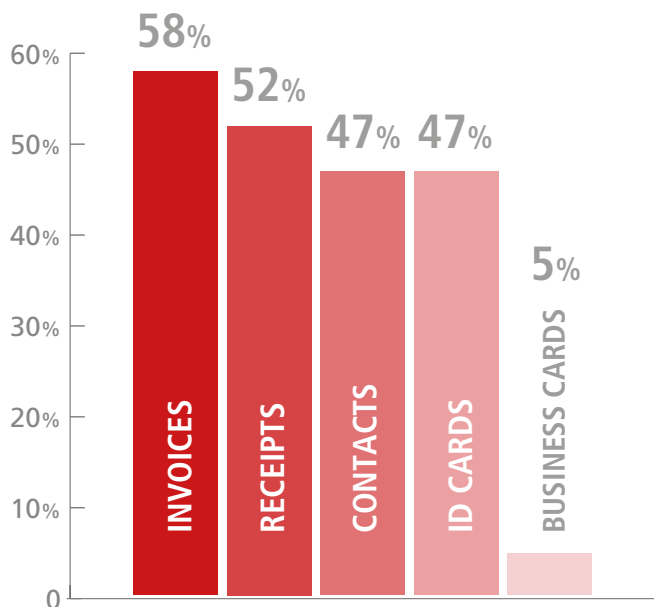
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- **This white paper uses data collected from 96 multifunction printers**
- Respondents were asked to rank the frequency of aspects of their scanner usage from 1 (very low frequency) to 5 (very high frequency)
- **On average, survey respondents carry out 35,107 scans per year and have an average of 9 printers in each organisation**
- Survey respondents include global private companies, charities and educational institutions
- **The majority of customers surveyed are small and medium sized businesses**

# PRESENT CHALLENGES

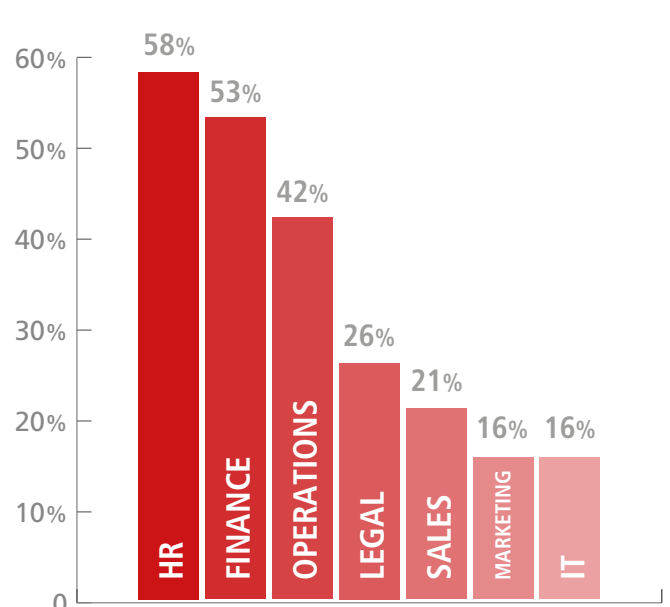
Invoices make up the majority of documents scanned by multifunction printers; 58% of customers scan invoices either highly or very frequently. This was followed by receipts (52%), contracts (47%) and IDs (47%). By contrast, the least popular documents to be scanned are business cards, with only 5% of customers frequently scanning these items.

“Frequent” MFP usage by document type



With that in mind, perhaps it's not surprising that, alongside HR, finance is a key user of scanners, with 58% reporting that they're used either highly or very frequently. This compared to 16% of marketing departments and IT departments, underlining the different working practices – and uses of technology – between the teams.

“Frequent” Scanner usage by document type



Ricoh's research suggests scanning invoices is taking up a significant proportion of employees' time, with high volumes of scanning indicating a broken and inefficient process. The continuing role of paper in the invoicing process can create a range of challenges for the business, not just the Accounts Payable team, which will be explored here.

It's clear from Ricoh's data that paper invoices remain key to the AP processes of many businesses, whether it's how they are received, checked by the finance department or approved by stakeholders within the business.

# DELAYS AND ERRORS PROCESSING INVOICES

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Accounts Payable teams frequently rely on time-intensive, paper-based invoicing processes. Customer data indicates that documents to be printed, annotated and signed by the business are scanned the most often, with 58% of businesses scanning these documents highly frequently or very frequently. Most documents are received in the post (63%), with printed emails a close second.

Despite using scanners frequently, many businesses are not yet taking advantage of in-built technologies that could support this process, such as optical character recognition (OCR). Just one in five (21%) make use of OCR highly or very frequently. In fact, the majority of respondents are unaware of the OCR functionality (58%), as well as how scanners can integrate with document management (58%) or enterprise resource planning (ERP) software (74%).

This highlights the fact that the Accounts Payable team is frequently tasked with logging paper invoices, manually keying in the information and then passing the document around the relevant parts of the business by hand. This creates significant potential for error and loss because of manual data extraction, capture, and large amounts of manual keying.

Is it a new supplier? Does the amount billed match the PO? Is the VAT number correct? It means that AP teams often need to carry out cross-checking for the invoices with the system themselves which is highly time-intensive. There is a risk of either loss or mistakes in the process while documents are being passed around the business by hand.

Ricoh's data indicates that there is an opportunity to use Document Workflow Management (DWM), to not only reduce the amount of time spent on invoice processing but also to cut down on the mistakes made. OCR can enable automatic data capture from documents, converting them directly to digital copies on the system.

DWM can also cross-validate invoices directly against the system, checking for any anomalies in the document itself and also identifying and preventing issues like duplicate invoices. Ricoh's system delivers an in-built rejection processes, including deletion, quality control and

exporting documents and delivering a detailed audit trail for every payment.

From an operational point of view, DWM provides visibility of the end to end Accounts Payable process. This provides better information on how the business is operating; it can also enable the development of KPIs for the AP team and the identification of potential improvements to the AP process. With DWM, it's possible to enhance significantly the productivity of the Accounts Payable team and the efficiency of the wider business.

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# STRAIN ON SUPPLIER RELATIONSHIPS

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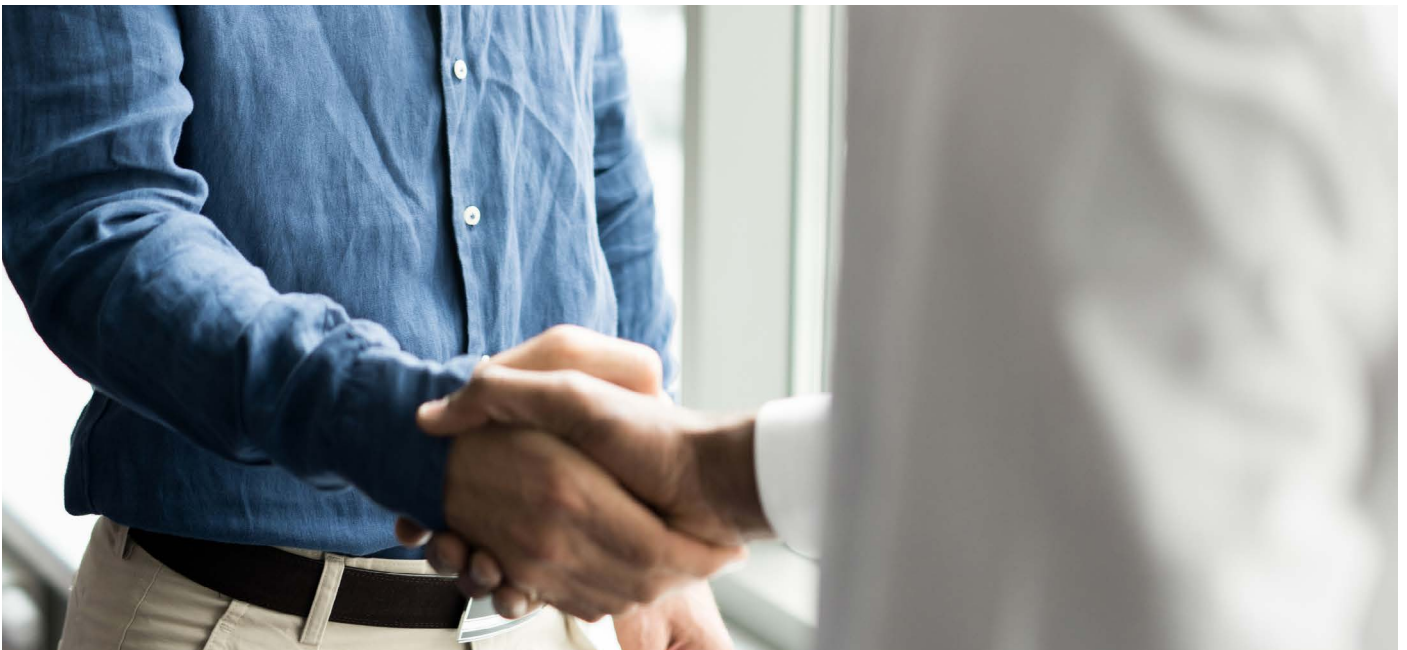
Supplier relationships are hugely important to businesses. Losing a valued supplier can be costly, as they might be key to delivering the best service for customers or provide the best products or prices on the market. There are also reputational risks, as there is currently heightened scrutiny of the issue of supplier relationships; the UK government has made the issue of late payments core to its enquiry on small businesses. Better relationships with suppliers can bring financial benefits, such as prompt payment discounts or preferential terms and it's important to remember that suppliers are often also customers.

Relations with suppliers can, however, be compromised by invoicing processes. Paper-based invoicing processes not only take more time, but significantly increase the risk of mistakes and late or partial payments to suppliers. If invoices are not held centrally by the finance team, it can be very difficult for the AP team to check their status. Ricoh's data indicates that this is a problem in many businesses. Currently 79% of businesses print and scan to file highly frequently or very frequently, while 58% email the document (presumably to themselves).

Receiving a supplier enquiry on the phone and not being able to give an answer is a familiar experience for

some Accounts Payable teams, creating frustration for both sides. Finally, a paper-based invoicing system can make it difficult for a new supplier to be on-boarded quickly, which can create challenges elsewhere in the organisation.

Document Workflow Management can both increase the speed with which invoices are processed and enable businesses to offer a much more consistent payments process to suppliers. Ricoh's system provides a service level agreement (SLA) dashboard, to support AP teams in meeting the payment terms agreed with suppliers.

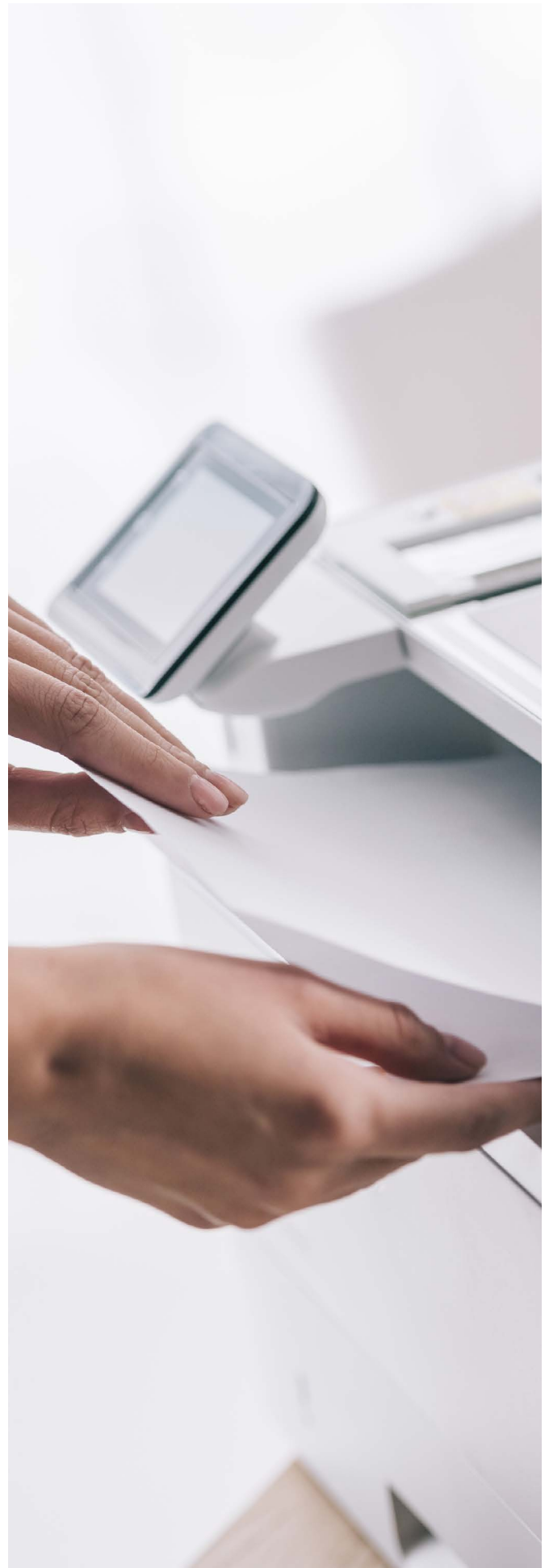


This can enable the business to avoid late payments and importantly to take advantage of savings through early payment discounts or the negotiation of better terms with suppliers. The AP team can easily check the status of an invoice in any given time, providing updates when asked or even offering automatic status reporting for suppliers.

From a procurement perspective, Document Workflow Management can enable the team to track vendor performance over time and identify any gaps or potential savings. Finally, if a new supplier is selected, DWM can reduce the time taken to on-board the company, supporting other parts of the business and enabling any savings to be realised more quickly.

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## LACK OF VISIBILITY FOR FINANCE

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Cashflow is central to the health of a business – and of course, it's dependent on the amount owed to suppliers. Finance teams perform an increasingly strategic role, informing the direction of their organisations, so it's vital that they have an accurate and detailed view of the company's outgoings. Equally, it's important that they're able to assess suppliers and their impact on the business, both in terms of the return on investment (ROI) that these companies offer and their financial stability.

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With a paper-based invoicing system, it can be extremely difficult for finance to get a real-time view of where invoices are sitting and the total outstanding at a given time. This can render cashflow management more challenging. It's also harder to track the performance of suppliers by comparing figures like total spend with vendors' claims about the ROI they deliver. It's also

important to remember that scanning can be a significant drain on the finance team's time, with 58% scanning highly or very frequently. This leaves businesses with both limited data and a limiting process.

By deploying Ricoh AP for invoices, the finance team can gain both visibility and insight into the business' cashflow, now and in the future. This supports the finance team optimising cash management and makes it easier to probe vendor claims about ROI by examining total spend. Importantly, DWM enables the finance team to reallocate the Accounts Payable resource to more valuable tasks, supporting the team's role as a strategic resource for the business.



# THE RISK OF NON-COMPLIANCE

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As almost everyone in the business world will be aware, the new EU General Data Protection Regulation came into force in May 2018, bringing with it strict rules about how businesses treat data. The legislation comes with large penalties for those organisations that mishandle data, including fines of up to €20 million or 4% of global annual turnover. As a result, businesses must pay close attention to where and how data is stored, including on invoices.

GDPR compliance will be harder with paper and digital copies of invoices spread across the business. As Ricoh data shows, employees most frequently either send scans to email or to the server. This creates numerous copies on individual desktops, inboxes and outboxes, and without a clear view of where this data is stored, it would be extremely challenging for business to comply with GDPR data requests from suppliers.

Document Workflow Management enables businesses to centralise the location of all invoices in a central digital archive supporting the business process workflow. This allows businesses to reply promptly to GDPR requests, and be confident that every copy of the data has been captured. Using a cloud-based DWM solution from Ricoh will equally ensure that the solution remains up to date with any subsequent regulation, providing organisations with peace of mind.







# FRUSTRATING WORKING LIVES

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In many businesses, the Accounts Payable team will be frustrated by a significant amount of time spent passing paper invoices around the business, chasing colleagues to check and sign documents or liaising with suppliers on payment dates, sometimes without the information needed. Interactions with both the business and suppliers can become tense. All in all, it can be a thankless task, not often visible to their managers

At present, there is a significant drive from employees for technologies that can improve their working lives. In 2017, research from Ricoh showed that 59% of employees think better technology is the factor that would have the most positive impact on their working day, with 41% most excited by a reduction in repetitive tasks and 36% by the automation of administrative tasks.

Document Workflow Management provides the opportunity for businesses to significantly improve the experience of the AP teams. DWM can reduce the most time-consuming aspects of invoice handling, freeing up the AP team to mainly focus on problematic invoices and so take on more challenging, interesting and valuable work for the business.

DWM helps to improve the team's relationships with suppliers and the rest of the business by reducing errors

and streamlining processes. A DWM deployment gives employees the option to work remotely, rather than being based in the office at all times. This option for remote or flexible working is becoming an increasingly important consideration for employees, meaning DWM supports employee engagement and talent acquisition in the future.

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# THE RIGHT APPROACH TO DIGITISING ACCOUNTS PAYABLE

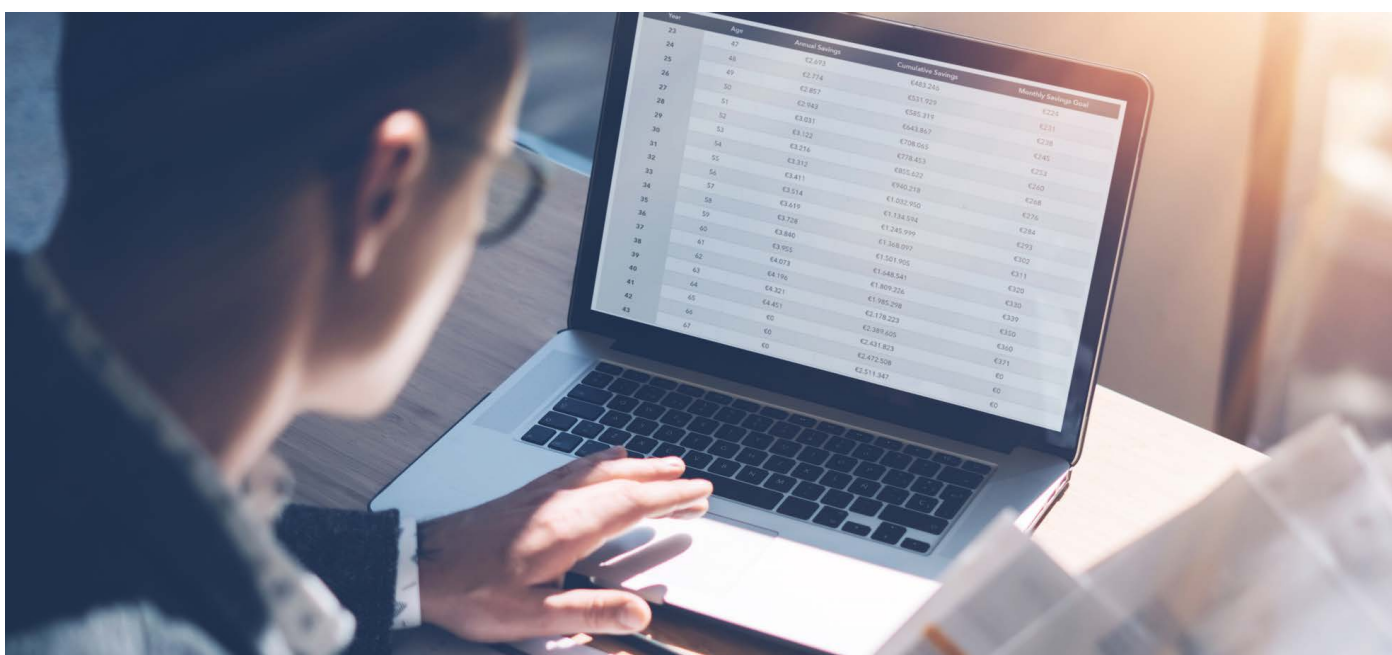
Many businesses are clearly already creating and using digital copies of invoices. However, at present, Ricoh's data shows that only a small proportion of businesses are integrating scanning into other business processes. Only 37% are frequently scanning documents to a specific business process or workflow and 21% to the cloud; in fact, almost half of respondents were unaware of the ability to scan to the cloud (47%). Similarly, at present only 26% are scanning documents into their enterprise resource planning ERP systems, whether frequently or infrequently.

This data indicates digital invoices are not integrated directly into business workflows, which gives a significant opportunity to digitise and streamline invoicing processes and benefit the whole business.

Choosing the right strategy for the organisation can, however, be challenging and value for money is course a critical concern for the IT team. Understanding how Document Workflow Management would fit in with other technology investments can be tricky. Businesses might already employ an on-premise system that has been in use for some time or other technology systems such as ERP software. There may equally be a concern that new digital solutions will be costly to implement and manage.

At the same time, responding to change is an important consideration for IT. With new innovations developing constantly, IT teams may be reluctant to commit to a DWM system that won't enable them to use emerging technologies like Robotic Process Automation or data analytics in the future.

Document Workflow Management does of course represent a significant investment for the business and it's important to find the right fit for you. DWM from Ricoh enables businesses to take advantage of financial models like pay per use or a monthly subscription, improving the total cost of ownership. The cloud-based solution provides greater flexibility, with the option to scale usage according to changing business demand. Cloud-

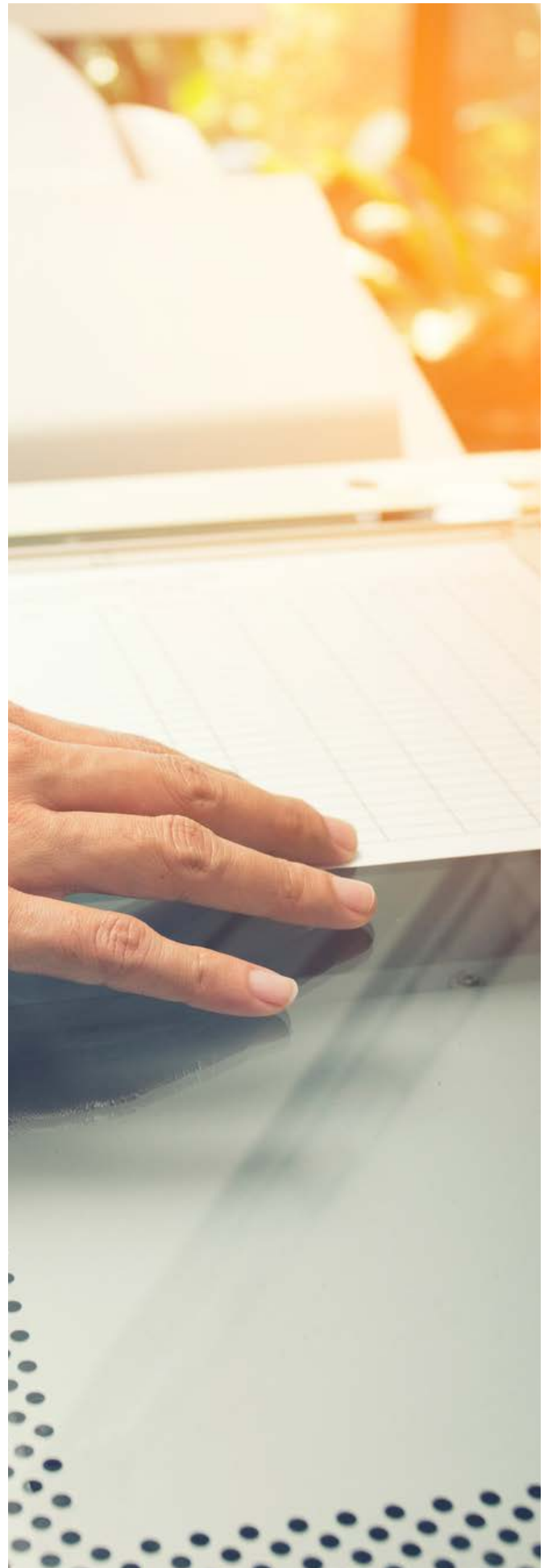


based DWM also mitigates the need for on-premise IT management and means the costs of compliance are integrated into the system.

With Ricoh, customers are able to leverage their investments in ERP technology, as DWM integrates directly into the system. Continued innovation is guaranteed, thanks to an extensive product roadmap. And importantly, advanced insight tools mean that the IT team can support other parts of the business in analysing and understanding their operations and identifying improvements.

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## WHAT'S NEXT?

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Ricoh helps businesses to take a holistic approach to Document Workflow Management, by evaluating how data is used and helping to redesign, implement and manage Accounts Payable processes. With an understanding of document management and workflows, we can work with you to deploy new processes according to the overall needs of the business, balanced with existing IT investments. Importantly, with a global footprint we can provide local support with documentation wherever your offices are.

Digitising Accounts Payable can have a significant impact on both the finance team and the wider organisation. Learn how your business could raise productivity, reduce costs, improve supplier relationships and even enhance your employees' working lives, by visiting:

[www.ricoh-europe.com](http://www.ricoh-europe.com)

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