

READ TIME: 10 MIN

# P2P AUTOMATION: THE SECRET TO IMPROVING SUPPLIER RELATIONSHIPS





# INTRODUCTION

Good relationships don't just happen — they demand time, attention and continuous nurturing in order to create a strong and lasting connection.

Does this sound like the current relationships you have with your suppliers? It should. Because despite all of the rightful attention paid to satisfying customers, establishing a healthy rapport with suppliers can be equally beneficial to your organisation.

There are many solutions to help improve supplier relationships, but few do it as simply and effectively as **purchase-to-pay (P2P) automation**. As you will discover in the coming pages, streamlining accounts payable (AP) and purchasing can have a win-win effect on supplier satisfaction and company success.



## WHAT SUPPLIERS EXPECT

### ON-TIME PAYMENTS

A lot of manufacturers/distributors operate on thin margins, making cash flow greatly important. Want a loyal and considerate supplier? Pay. Them. On. Time.

### PATIENCE & UNDERSTANDING

When issues arise, there's a way to be firm and fair without the finger-pointing. Suppliers like to know that resolutions will be quick, honest and cordial.

### A CLEAR & SIMPLE APPROACH

Are you easy to do business with? Are your expectations of suppliers clear? If you can answer "yes," there's a good chance you'll be viewed favorably.

### AN OPEN DIALOGUE

Everyone likes to know they're appreciated — suppliers included. Whether it's sharing best practices or making referrals, a little goodwill can go a long way.



## HOW SUPPLIER RELATIONSHIPS INFLUENCE YOUR COMPANY

### BOTTOM LINE

The better the supplier relationship, the greater chance you'll be on the receiving end of generous terms, early-payment discounts and other financial perks.

### PRODUCTIVITY

Happier suppliers means fewer staff members handling supplier-related issues. Translation: More time is spent on tasks that add greater value to your business.

### CUSTOMER SATISFACTION

Being on a supplier's good side usually means faster turnaround times. And when you have a reliable inventory, your customers equate it to you being a reliable company.

### SUPPORT

In the event of a rush delivery, you want a supplier that'll go above and beyond. If you're in good standing, there's a greater chance special requests will be met.





# WHERE IT ALL GOES WRONG



What causes supplier relationships to sour? While it's more comforting to think that the root problems stem from something external to your own business — and sometimes they do — it's often the case that the very processes put in place to facilitate communication with your suppliers are ultimately what's harming the relationship.

Consider the P2P business cycle. Traditionally, AP and purchasing were thought of as back-office functions that added no real value to an organisation. While this mindset has evolved in recent years, many businesses still run these processes using manual, paper-based methods. Using a complimentary ERP/business system can help, sure, but it doesn't account for the **myriad of manual touch points and limited visibility** that are inherent to the process.



# RELATIONSHIP KILLERS: SIDE EFFECTS OF TRADITIONAL P2P PROCESSES



The more manual touch points involved in your P2P cycle, the more complications you're bound to encounter when interacting with suppliers. Below are four common issues and why they matter.

ISSUE	HOW IT HURTS YOUR COMPANY	WHY IT ANNOYS YOUR SUPPLIERS
<b>Invoice data is difficult to retrieve in a timely manner.</b>	<ul style="list-style-type: none"><li>▪ Wasted time and resources</li><li>▪ Frustrated/stressed staff</li><li>▪ Complicates auditing</li></ul>	<ul style="list-style-type: none"><li>▪ Wasted time and resources</li><li>▪ Longer dispute resolution</li><li>▪ Unpredictability</li></ul>
<b>Visibility and control of invoice information is limited.</b>	<ul style="list-style-type: none"><li>▪ No real-time tracking</li><li>▪ Can't benchmark how AP and purchasing are performing</li><li>▪ Inability to spot issues before they arise or allocate resources</li></ul>	<ul style="list-style-type: none"><li>▪ Difficulty accessing critical information quickly</li><li>▪ Limited collaboration</li><li>▪ No reassurance that your P2P processes are being evaluated or improving</li></ul>
<b>Invoices are misplaced or processed with errors.</b>	<ul style="list-style-type: none"><li>▪ Damaged business reputation</li><li>▪ Financial losses (e.g., duplicate payments, missed discounts, etc.)</li><li>▪ Longer reconciliation and payment cycles</li></ul>	<ul style="list-style-type: none"><li>▪ Disrupted cash flow</li><li>▪ Lack of trust with your company</li><li>▪ Expending internal resources to resolve invoicing issues</li></ul>
<b>Manual touch points are prevalent throughout the process.</b>	<ul style="list-style-type: none"><li>▪ Higher cost per invoice</li><li>▪ Unproductive/unfulfilled staff</li><li>▪ Increased risk of fraud</li></ul>	<ul style="list-style-type: none"><li>▪ Slowdowns in the supply chain</li><li>▪ Higher potential for errors, putting cash flow in question</li></ul>



# MAKING THINGS RIGHT WITH P2P AUTOMATION

Clearly, manual tasks within the P2P cycle can have a toxic effect on your company's ability to pay suppliers on time and facilitate good relationships. The good news is, virtually every problem associated with paper-based invoicing can be easily resolved through the use of automated AP and/or electronic purchasing tools.

The great thing about automation is that it's not a replacement for your staff or established processes, it's a complement to them — a way to **simplify what you're already doing or accomplish what you wish you could do**. The environment of efficiency, transparency and collaboration that automation creates allows the company/supplier relationship to flourish.

## HOW AP AUTOMATION WORKS ITS MAGIC

If you're looking to streamline the P2P business cycle, a great place to start is the AP department. Why? A lot of people and processes are involved from the time an invoice is received to creation of an accounting book entry in the ERP system.

In an automated system, every AP invoice that goes through your company goes through the electronic workflow. No more manual data entry. No more drawn-out approvals. No more of the traditional pain points that strain relationships.

Here's how it works: Scanned or e-invoices are entered into an automated workflow where OCR technology intelligently captures the necessary data, which is then validated and automatically dispatched to the appropriate parties for approval. Each invoice is archived in a web portal and linked back to the ERP system for as long as needed, providing a full audit trail from invoice receipt to payment posting.

## SWEETENING THE DEAL WITH E-PURCHASING

Of course, AP isn't the only aspect of the P2P cycle that influences supplier relationships and your company's ability to generate added value. Purchasing is also a prime candidate for modernisation. Using an e-purchasing tool not only optimises indirect spend requests and goods/services ordering, it brings greater visibility and efficiency to the entire AP process by allowing you to:

- Quickly place spend requests with online purchase forms
- Benefit from automatic requisition authorisation workflow
- Give requesters instant access to approved items
- Convert non-PO and non-MRO invoices into PO-like invoices
- Gain complete spend process transparency



**BUSINESS FINANCE MAGAZINE ESTIMATES THAT, DEPENDING ON THE SIZE OF AN ORGANISATION, AP AUTOMATION CAN SAVE AN AVERAGE OF £10 ON PROCESSING COSTS PER SUPPLIER INVOICE!**

<sup>1</sup> Ardelean, T. (2013, April 4). Three Steps for Automating Manual, Paper-based Invoice Processing. Retrieved from [www.businessfinancemag.com/treasury/three-steps-automating-manual-paper-based-invoice-processing](http://www.businessfinancemag.com/treasury/three-steps-automating-manual-paper-based-invoice-processing)

# SOLUTION FEATURES: THE SECRET INGREDIENTS TO BETTER RELATIONSHIPS

Far from a one-dimensional tool, P2P automation is multi-faceted, much like the relationships shared with your suppliers. Below are some of the key solution features businesses are starting to clamour for.



FEATURE	HOW IT MAKES LIFE EASIER FOR YOUR COMPANY	WHY YOUR SUPPLIERS WILL LOVE YOU FOR IT
<b>Automated workflow, OCR and electronic archiving</b>	<ul style="list-style-type: none"> <li>▪ Fewer late payment fees; more early payment discounts</li> <li>▪ Increased staff productivity; lower operational costs</li> <li>▪ Ensures invoice accuracy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduced risk of processing errors</li> <li>▪ Faster payment cycle</li> <li>▪ More predictable process</li> </ul>
<b>Packaged KPIs and dashboards</b>	<ul style="list-style-type: none"> <li>▪ 100% visibility and traceability into every invoice processed</li> <li>▪ Enhanced forecasting, issue resolution and resource allocation</li> <li>▪ Increased compliance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Faster response time during payment status calls</li> <li>▪ Reassurance that your P2P processes are continuously improving through KPIs</li> </ul>
<b>Self-service supplier portal</b>	<ul style="list-style-type: none"> <li>▪ Saved time and costs previously allocated to supplier status calls</li> <li>▪ Reduced clerical work</li> <li>▪ Painless supplier on-boarding</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less time and money spent on collection calls</li> <li>▪ Self-service access</li> <li>▪ Improved cash flow</li> <li>▪ Reduced printing/postage costs</li> </ul>
<b>Mobile invoice approval</b>	<ul style="list-style-type: none"> <li>▪ Ability to review and approve any invoice from a mobile device</li> <li>▪ Reduced amount of effort needed for approval</li> </ul>	<ul style="list-style-type: none"> <li>▪ Faster approval times</li> <li>▪ Rapid exception resolution</li> <li>▪ Enhanced trust and reliability</li> </ul>



# A BUSINESS IN FULL BLOOM

## THE STORY OF BALL HORTICULTURAL COMPANY

When you're a renowned breeder, producer and distributor of ornamental plants, growth and nurturing come second nature — just ask Ball Horticultural Company (Ball). Faced with inefficient AP processes that threatened their standing with customers and suppliers, the company turned to automation in order to create a better environment and cultivate healthier relationships.

### TIMING IS EVERYTHING

Mark Morris knew this day would come. As Director & CIO of Ball, part of his job duties entailed understanding the limitations of traditional business processes and knowing when the time was right to move on to greener pastures.

For his company's AP processes, that time was now.

Innovative and modern business practices are things that evolve naturally in some industries. Floriculture is not one of them. For the gardeners, farmers and florists that make up the industry, the use of paper documents is as pervasive as flower petals. Automated processes ... not so much.

So when Ball made it a company commitment to streamline as many O2C and P2P processes as possible in the years leading up to their most recent automation initiative, Morris knew AP would eventually have its day in the sun. After all, a lot was riding on it.

### SEASON OF CHANGE

Being a B2B company, the performance of Ball's AP process was intrinsically tied to their receivables. In other words, the company couldn't invoice customers until their suppliers received payment. Any hang-ups or slowdowns in how inbound AP documents within their SAP® software system were handled and managed ultimately had an impact on both supplier and customer satisfaction.

Throw in seasonal peaks in volume and manual AP processes, and it's easy to see how things could turn ugly. Fortunately, Ball was able to nip the issue in the bud before it became too serious of a problem.

Ball's AP documents had previously been managed by hand and manually entered into their SAP system. To keep up with the spike in invoices during the busy season, Ball would hire a number of temps to help manually process thousands of invoices and other documents.



On its face, the model made sense — when more manual processing was needed, more staff was brought in — but it was evident to those in the organisation, like Morris, that the amount time and labour needed to continue functioning at an effective rate was not sustainable.

And it was a decision Ball had initiated years earlier that ultimately paved the way for an automated replacement.

## PURSuing A PAPER-FREE ENVIRONMENT

The use of automated processing was not a foreign concept within Ball's organisation. The company had first adopted a solution in 2008 to help address the challenges of subscription management, which eventually helped Ball eliminate the need to print and file paper documents. The initiative also provided Ball's customers and suppliers with new levels of efficiency and self-service — giving them the self-service ability to select document media types and designate recipients.

Although Ball wasn't quite ready to pursue improvements beyond subscription management at that time, the option to expand to other business processes using the same automated platform was a key selling point, knowing they would likely need to leverage an AP automation solution in the future.

And leverage it, they did.

By 2013, under Morris' direction, Ball was equipped with a fully automated AP process, complete with intelligent data capture, dashboards for analytics and tracking, and a self-service online portal for even greater customer and supplier convenience.

Ball also leveraged "touchless" processing capabilities whereby the solution can be set to process AP invoices with virtually no human intervention of any kind. When an invoice matches the supplier's negotiated condition, corresponding PO and goods receipts, it is automatically managed and made ready for the next payment run.

**"BEING IN THE INDUSTRY WE'RE IN, NOT EVERYONE IS TECH-SAVVY. MAKING SOMETHING SIMPLE AND EASY FOR BOTH OUR SUPPLIERS AND CUSTOMERS TO USE WAS REALLY IMPORTANT. TODAY, WE NOT ONLY HAVE SCAN AND FILE CAPABILITIES TO REDUCE PAPER USE, WE NOW HAVE 20 MAJOR VENDORS TURNED ON FOR 'TOUCHLESS' PROCESSING."**

**- MARK MORRIS, DIRECTOR & CIO**



## REAPING WHAT WAS SOWN

Following the implementation of AP automation, the benefits came quickly for Ball and Morris' team: elimination of an entire document filing room, lower processing costs and error rates, reduced dependence on temps during seasonal peaks, improved staff productivity, enhanced document traceability, and getting suppliers with the most complex invoices live and touchless on the automated system.

Ball's story proves that growing a healthy business and nurturing relationships with customers and suppliers doesn't have to be a difficult endeavor. All it takes is a good plan and the right tools to make it happen.



# CONCLUSION

It's hard to argue that P2P automation isn't a smart replacement for traditional processes. It's even harder to dispute that supplier relationships don't have a significant impact on business profitability. Yet in most organisations, this has simply not been a point of focus.

Businesses that utilise automation solutions for AP and purchasing not only streamline communication for all parties involved in the P2P cycle, they dramatically separate themselves from the competition. A recent IFO study found that **paper-based invoices still make up 90 percent** or more of the total invoice volume for a majority of AP professionals<sup>2</sup>.

Above all else, companies that want to thrive in today's business landscape must treat their suppliers with respect – as partners rather than cost factors. Sometimes, all it takes is simple and mutually beneficial gift, like P2P automation, to achieve that perfect balance.

<sup>2</sup> 2012 AP Cloud Study, 2012. The Institute of Financial Operations. PDF file.



# ABOUT ESKER

Esker is a worldwide leader in cloud-based document process automation software.

Organisations of all sizes use our solutions to automate order processing, accounts payable, purchasing, accounts receivable and other critical areas of business communication.

After 30+ years of field experience, we have helped over 11,000 companies around the world Quit Paper™ and improve operational efficiency.

Our headquarters are in Lyon, France, but we're located just about everywhere paper needs quitting.

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#### Esker Ltd.

Durham House – Wyvern Business Park  
Stanier Way – DE21 6BF Derby - Derbyshire

Tel: +44 (0) 1332 54 8181 – Fax: +44 (0) 1332 54 8160  
[info@esker.co.uk](mailto:info@esker.co.uk) – [www.esker.co.uk](http://www.esker.co.uk)

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