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By Vijay Ramnathan.

Last year was a wake-up call for businesses trying to run back-office operations. While in the past many were able to do this manually, when the pandemic hit, it quickly became apparent that approach was untenable. Nowhere was the pain felt as strongly as in Accounts Payable (AP). Conducting business, paying suppliers and managing cash flow suddenly hinged upon having someone in accounting or finance available to go into the office to retrieve invoices, physically route them for

approvals, pick up checks, prepare check runs, and get them to the CFO for a

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it deserves. Only 10% of businesses have fully automated their AP process, and only 38% of SMBs have even partially automated it. Instead, businesses have prioritized automation initiatives for revenue-generating processes and workflows in areas such as sales, marketing, and product development. And even for those organizations that have pursued automation in areas such as AP, integration with financial systems and supplier acceptance have slowed adoption. With some accounting software, it can take a lot of time, effort and expense for companies to integrate their ERPs with multiple ePayment types. On top of that, many companies lack the time and resources to contact their suppliers to arrange different ePayment methods.

A business process ripe for automation

Despite some of these challenges, the business opportunity for AP automation is tremendous. North American B2B payments add up to \$27 trillion a year. And, those payments cost businesses a lot of money; it's estimated that companies spend \$510 billion each year on direct/indirect [manual AP costs](#) for payments.

Consider what's involved: staff manually inputting data from hundreds of invoices each month – especially in industries like healthcare where there can be lines and lines of medical devices, equipment and other supplies. Add in the time it takes to manually match invoices to POs, correct errors, and track people down for approvals. When you add it all up, [the average cost for processing each invoice is nearly \\$11](#), and it can be as high as \$25 or more. That adds up pretty quickly for a company processing tens or hundreds of thousands of invoices annually. But it's not just invoices – the same problem occurs on the payment side—manual checking writing, payment processing, paper check costs, postage and more can cost an estimated \$6 each. There are additional costs to consider as well as a result of late payment penalties and lost discounts.

On top of the cost, manual processes obscure visibility. It's more important than ever

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office automation, especially in AP, to gain efficiencies and reduce costs.

The good news is that technology is available today to enable companies to achieve these goals. Modern AP automation solutions make it easy for accounting firms and their clients to take advantage of automation, without the obstacles of the past. These solutions eliminate the traditional roadblocks by providing easy integrations and simplified workflow along with key services such as supplier network engagement, and comprehensive managed services.

At the same time, accountants, CFOs and other business leaders are recognizing the value AP automation can deliver for companies of all sizes. It has enabled them to reduce AP-related costs by more than 75% and achieve ROI within 3-4 months. Companies can also make money by using virtual cards that offer cash rebates.

By having greater control over payments and paying on time, companies also have been able to improve supplier relations. The enhanced visibility and control that AP automation delivers also reduces the threat of financial fraud, and enables accountants and finance teams to make more informed business decisions based on timely, accurate information on outstanding liabilities, spend and cash flow. Adoption of AP automation is poised for rapid growth over the next two years, as it enables companies to create financially savvy, agile finance departments ready to move their businesses forward and take advantage of new opportunities.

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Vijay Ramnathan is the president of [MineralTree](#), a company specializing in AP and payment automation for middle-market and enterprise-level companies. A self-professed fintech and payments geek, Vijay has spent over 20 years in the space including strategic leadership and operational roles at companies including US Bank, Fifth Third Bank, and COMDATA/Fleetcor.

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