



VISA COMMERCIAL SOLUTIONS 

VISA PERFORMSOURCE

PRACTICAL GUIDE TO ACCOUNTS PAYABLE AUTOMATION OVERVIEW



Realize the  
value of  
implementing  
an accounts  
payable  
solution.

In today's business environment, private and public sector organizations are continually looking for ways to operate more efficiently and to reduce operating costs. As a result, the trend toward payment automation is helping many organizations to optimize their expense and cash management. To help companies optimize these processes, Visa commissioned First Annapolis Consulting to:

1. Capture the driving forces behind the trend toward automation,
2. Present the core value proposition for buyers and suppliers, and
3. Summarize the implementation process and develop recommended practices and expected benefits.

In preparing this Practical Guide, First Annapolis gathered data on market trends, interviewed product managers within U.S. and Canadian financial institutions, and interviewed an organization that has recently integrated a payables automation solution.

Visa has developed this Guide to:

- Highlight current trends and services within payables automation
- Present the core value proposition for buyers and suppliers
- Assist clients in identifying and adopting best practices for the Procure-to-Pay ("P2P") process
- Describe the integration requirements and timing for both buyers and suppliers
- Document key challenges and best practices for a successful implementation
- Provide guidelines to assist clients in quantifying the benefits
- Present a case study of an effective end-user organization implementation and adoption

Based on the insight gained from the research on market trends and interviews, Visa and First Annapolis generated recommended best practices and detailed descriptions of steps for implementing automated payables utilizing commercial card payment solutions.

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## **PAYABLES AUTOMATION MARKET TRENDS AND PAYMENT STRATEGIES**

### **COMMERCIAL CONSUMPTION AND THE PREVALENCE OF ELECTRONIC PAYMENTS CONTINUE TO INCREASE**

Currently, the vast majority of business-to-business ("B2B") payments are administered by organizations' accounts payable ("AP") departments through costly and inefficient paper-based processes. Despite an economic slowdown, commercial consumption continues to grow and the sheer volume of B2B payments creates added significance to managing and streamlining AP and accounts receivable ("AR") functions. Although payment is only one component of the procure-to-pay ("P2P") process, many organizations have sought electronic payment solutions to optimize these procedures.

As many corporate financial executives have made automation of the procure-to-pay process a top investment priority<sup>1</sup>, organizations have fine-tuned their sourcing and procurement strategies and are now developing payment automation strategies by which to optimize payments to various types of suppliers.

Organizations not currently utilizing electronic payments are becoming aware of virtual commercial card options and are starting to embrace AP automation as a mechanism to better manage and monitor payments. Currently, 25.7% of Fortune 500 size companies, 21.9% of Large Market companies, 17.2% of Middle Market companies and 12.1% of Government and Not-for-Profit entities surveyed are using a payables automation solution. In addition, organizations who utilize payables automation solutions based on commercial cards, anticipate large volumes on their overall purchasing card programs.<sup>2</sup>

<sup>1</sup> Aberdeen Group, "E-Payables 2010: The Strategic Value of Accounts Payable Automation," August, 2010.

<sup>2</sup> RPMG 2010 Purchasing Card Benchmark Survey Results.

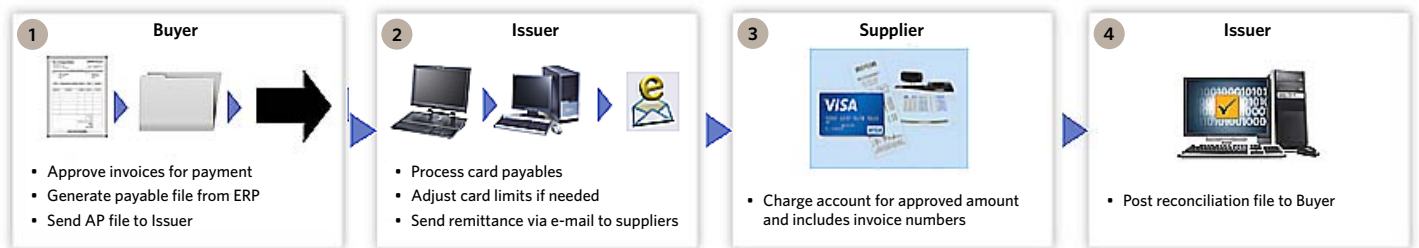
## DEVELOPING A PAYMENT STRATEGY IS A KEY INITIATIVE FOR AUTOMATING PAYABLES

Organizations should consider multiple factors when deciding on the optimal form of payment for suppliers including strategic relationships, supplier payment terms, invoice volumes, and processing costs. Successful payment strategies attempt to balance buyer and supplier objectives such as enhancing cash flow, streamlining the P2P process, minimizing processing costs, and receiving enhanced data. Traditionally, organizations have had a limited number of payment products to consider in developing their AP processes: check, wire transfers, ACH (Automated Clearing House) transactions and plastic purchasing cards. Each of these payment mechanisms has limitations with regards to tracking, settlement times, fees, and data availability. Employing payables automation with virtual commercial cards enables the use of more complex payment tools, which support strong reporting capabilities, working capital improvement, and the elimination of paper checks.

These solutions are designed to easily integrate into an AP system to complete the automation of the P2P process through virtual card solutions such as buyer-held ghost accounts, supplier-held lodged accounts, single-use cards, and buyer-initiated payments.

### How AP Automation Works

Source: Visa and First Annapolis Consulting



## OPTIONS FOR PAYABLES AUTOMATION WITH VIRTUAL COMMERCIAL CARDS

### INTEGRATED PAYABLES SOLUTIONS ENABLE UTILITY BEYOND THE TRADITIONAL PLASTIC COMMERCIAL CARDS

Through global commercial card payment networks and use of virtual cards, buying organizations automate, control, and reconcile transactions. Payables automation solutions allow an organization to retain its purchasing order and invoice processing but simultaneously eliminate costly check payments.

- **Supplier-held lodged accounts:**

Virtual cards that can be established by a buyer to be held or embedded with a certain supplier facilitating consolidated purchase data; easing approval, reconciliation and coding process; and supporting robust reporting capabilities.

- **Single use cards:**

Another form of virtual cards, requested by the buyer for specific purchase transactions allowing dynamic time and dollar range controls and reduction in risk and fraud.

- **Buyer initiated payments:**

Unlike card payments, buyer initiated payments require no interaction with the supplier for settlement. These payments permit the buyer to submit a payment directly through the supplier's acquiring institution for disbursement.

## WHY PAYABLES AUTOMATION?

Buyer and supplier organizations that automate payments through any form of card payment within a payables automation solution can yield significant value within the AP & AR processes.

Benefits to Buyers	Benefits for Suppliers
<ul style="list-style-type: none"><li>Streamline the payment and reconciliation process by potentially reducing cycle time, cost, and financial risk associated with traditional payment activity</li><li>Increase control of purchases and align spending with procurement policies</li><li>Expand purchasing card payments by enabling card payment for purchases that previously had not been paid by traditional plastic cards</li><li>Improve cash flow forecasting with improved visibility to spend and better mitigate risk and identify billing errors, overpayments, unclaimed discounts, and other discrepancies</li><li>Optimize resources currently dedicated to reconciling payment errors and duplicated payments</li><li>Access better reporting with the enhanced data that accompanies card transactions</li><li>Leverage financial incentives that are often available from issuers through the use of commercial cards</li></ul>	<ul style="list-style-type: none"><li>Strengthen and expand relationships with strategic buyers</li><li>Enable faster receipt of funds from the time of invoice initiation which can improve working capital</li><li>Eliminate labor-intensive processes such as invoice presentment and buyer inquiries</li><li>Reduce exceptions, errors, and disputes through enhanced remittance information that accompanies a virtual card-based solution</li></ul>

### CONTENTS OF THE VISA PERFORMSOURCE PRACTICAL GUIDE TO PAYABLES AUTOMATION

The *Practical Guide to Payables Automation* covers a wide range of topics:

- Payables Automation Market Trends** – Describes the trends occurring in accounts payable processes
- Payment Strategies** – Discusses the value proposition of defining payment strategies for various types of suppliers
- Options for Automation** – Describes various methods organizations are employing to automate their payables
- Benefits of Payables Automation** – Describes the key benefits for both buyers and suppliers to automate payments with commercial card solutions
- Best Practices** – Provides recommended best practices for implementing a payables automation solution utilizing commercial card solutions

**To obtain a copy of the *Visa PerformSource Practical Guide to Payables Automation* or if you have additional questions, please contact your Visa Commercial Solutions issuer.**

Note: Survey results, research and best practice recommendations are intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. The actual costs, savings and benefits of a commercial card program may vary based upon your specific business needs and program requirements. When implementing any new strategy or practice, you should consult with your legal counsel to determine what laws and regulations may apply to your specific circumstances. Visa is not responsible for your use of the information contained in this document, including errors of any kind, or any assumptions or conclusions you might draw from its use.