

# 2016 P2P for Indirect Spend Report

Streamlining and Controlling Company Spend with Purchase-to-Pay (P2P) Automation

## Q2 2016 | Featuring insights on...

- » Current Market Trends in Organizations' Indirect Spend Processes
- » The Benefits of P2P Automation for Managing Indirect Spend
- » Features and Functionalities of P2P Software
- » A Leading P2P Software Provider

Underwritten in part by



# Contents

Introduction .....	3
Purchase-to-Pay Concerns in Indirect Spend.....	4
P2P Software Features and Benefits.....	11
Adoption Road Map.....	14
Ariett .....	16
About PayStream Advisors.....	19

# Introduction

In indirect Purchase-to-Pay (P2P), organizations must manage complex procurement, accounting, supplier, and payment data across a wide range of processes, departments, and users. When purchasing indirect goods and services, most organizations deal with a larger supplier base, a different range of products, and higher invoice volumes with lower invoice amounts than in direct spend. Indirect purchasing is usually more at risk of maverick or fraudulent spend than direct goods purchasing, as indirect purchases are more often made outside of sourced contracts, and tend to be placed by employees across many different roles and departments. Procurement and AP managers must keep careful watch over indirect purchasing activity in order to ensure all spend is in compliance with budgets and company policies.

Controlled and streamlined indirect spend management is very important for a company's success, as failure to maintain complete control of P2P processes leads to high processing costs, late payments, supplier dissatisfaction, and non-compliant or fraudulent spend. One of the greatest factors affecting control in indirect P2P is manual-based procedures. Fortunately, P2P automation tools are tailored specifically to the requirements of indirect spend management. These solutions provide organizations with flexibility, visibility, and control throughout the P2P process.

This report explores trends in indirect P2P among today's organizations. It also highlights the features and benefits of advanced P2P automation tools, including eProcurement, eInvoicing, supplier information management, and ePayables solutions.

# Purchase-to-Pay Concerns in Indirect Spend

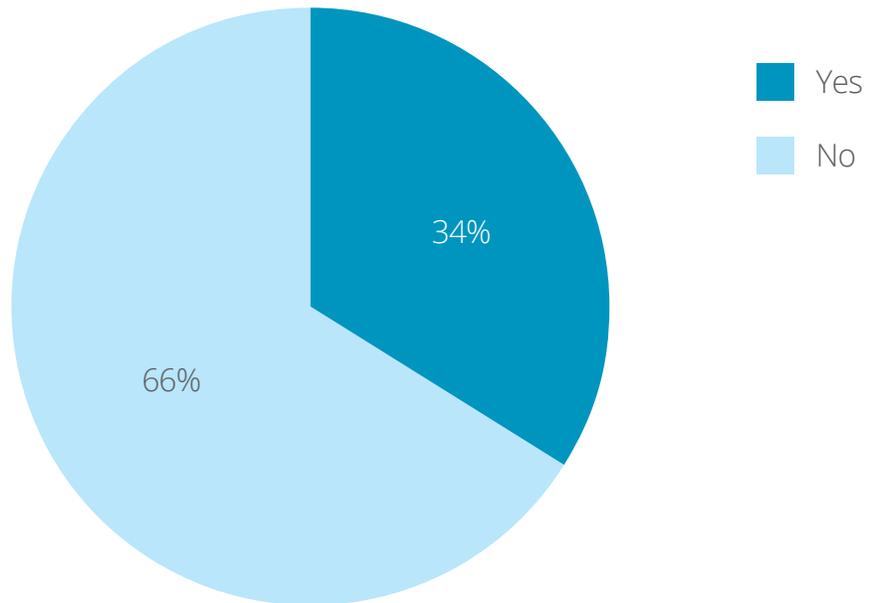
In order to identify indirect P2P trends among North American organizations, PayStream Advisors surveyed over 200 back-office employees across several industries and market segments. Research shows the majority of organizations are operating P2P processes with manual-based methods. For example, when asked if their companies were using an eProcurement solution, most organizations reported that they were not, see Figure 1. The trend continues in other P2P solutions: only 41 percent of organizations are using invoice workflow automation, 22 percent are using eInvoicing, and most businesses (63 percent) are using checks for over 50 percent of their payments.

Figure 1

ORGANIZATIONS' RESPONSES REGARDING EPROCUREMENT USAGE

**Most Organizations Do Not Automate Procurement**

*"Does your organization utilize an eProcurement solution?"*



Under manual procurement, AP, supplier management, and payments, organizations do not have a controlled environment in which they can manage and collaborate on purchasing activity and transaction information. These P2P departments are typically dealing with high volumes of paper (POs, invoices, checks, etc.), and they have limited access to real-time information that is vital for strategic purchasing decisions. These departments are also using inefficient, manual-based methods to route P2P documents between employees and departments, often leading to misplaced or overlooked invoices and late payments.

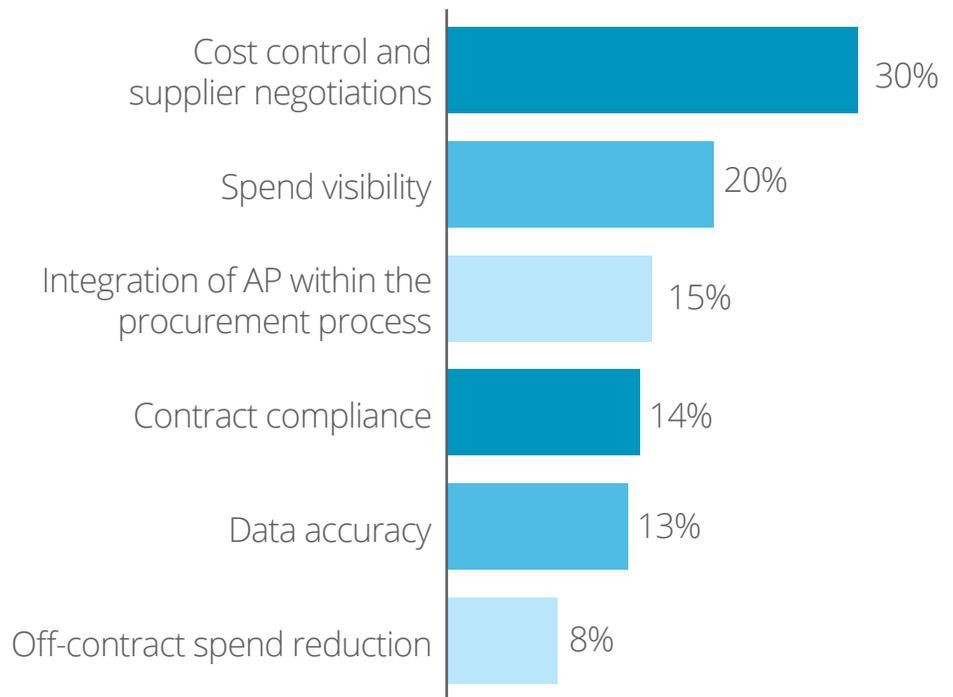
In all, research shows that organizations under manual P2P have little ability to control processes or securely manage data, and experience high processing costs. When asked where they would like to see the greatest improvement in their procurement processes, most organizations listed cost control and supplier negotiations, visibility into spend, and AP and procurement synchronization as their top goals, see Figure 2.

Figure 2

**Most Organizations Want More Control, Visibility, and Synchronization in Indirect Goods Purchasing**

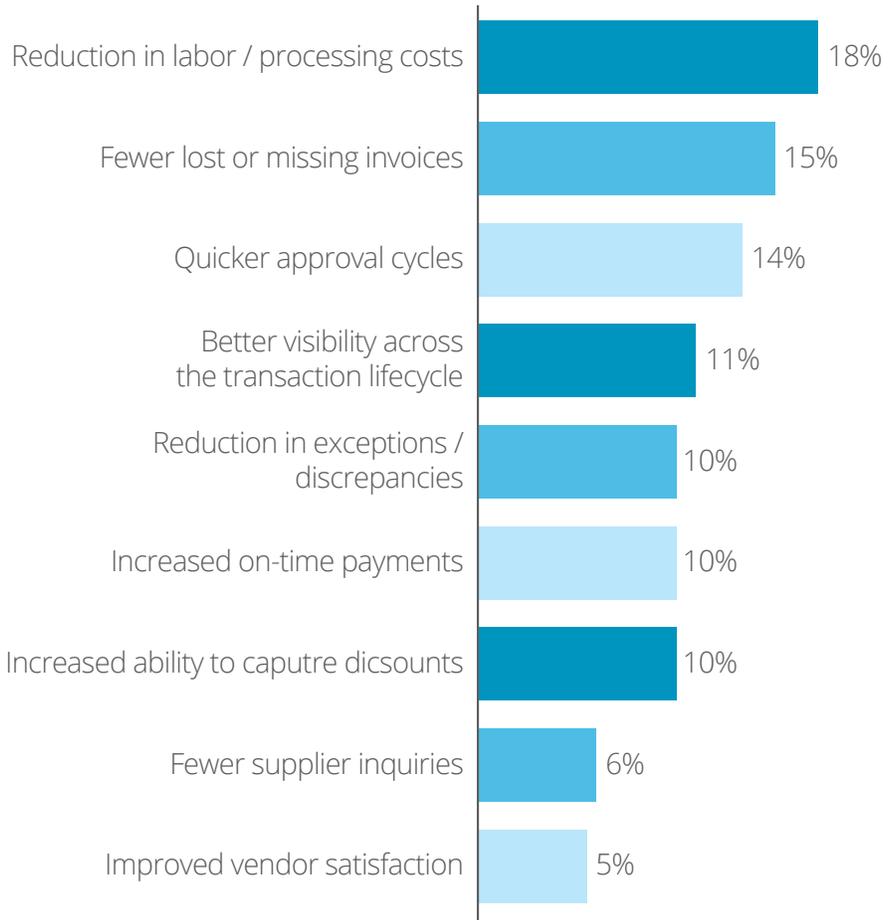
*"In what area would you like to see the greatest improvement to your procurement process?"*

**ORGANIZATIONS' TOP PROCUREMENT IMPROVEMENT GOALS**



When organizations were asked which factors would motivate them to consider an invoice automation solution, most reported they want to improve cost control and visibility, see Figure 3.

**TOP FACTORS DRIVING INVOICE AUTOMATION ADOPTION**



**Figure 3**

**Most Organizations Want to Improve Processing Costs, Invoice Control, and Cycle Times**

*“What are the top three factors driving your organization to consider electronic invoicing and/or an invoice workflow solution?”*

Purchase-to-Pay for indirect spend comes with a unique set of challenges, issues, and requirements, and some industries are affected by these challenges in different ways. For example, in the education industry, organizations’ top motivations for automating procurement are to streamline requisition and procurement processes, create shorter cycle times, and increase visibility across procurement. PayStream believes this is due to the education industry’s decentralized indirect purchasing and payment processes; most organizations’ procurement occurs across many departments and locations.

A similar trend is seen in the healthcare industry, which tends to have widespread, diverse, and non-PO-based purchasing paired with complex approval workflows. The industry's challenges revolve around controlling costs and increasing visibility into spend, and organizations' reasons for automating include streamlining requisition to procurement, and increasing security and data accuracy. This last item is especially important to healthcare, as these organizations are constantly subject to changing federal regulations on how they must process medical records, POs, and supplier payments.

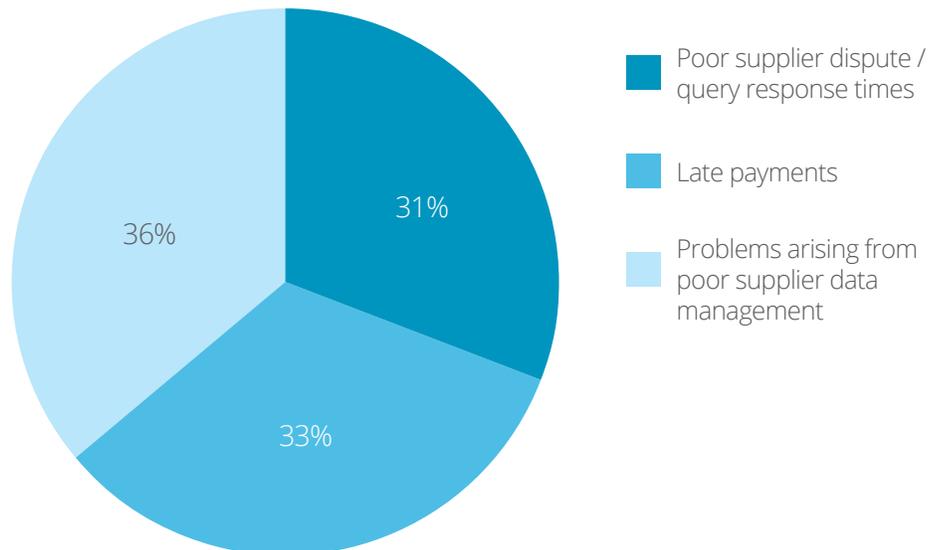
In the manufacturing industry on the other hand, organizations' operations and supply chains depend heavily on direct goods, and companies are less concerned with streamlining indirect spend processes. The industry's challenges revolve less around streamlining AP and procurement and more on controlling costs, negotiating with suppliers, and reducing maverick spend. In addition, PayStream's benchmarking research has found that manufacturing organizations tend to have shorter requisition and invoice approval times than organizations in healthcare and education, even though the manufacturing industry has a lower rate of eProcurement and invoice automation adoption. This is most likely because manufacturing organizations' departments and locations are typically not as spread out as in education and healthcare.

Other indirect P2P challenges that arise across all industries include:

- » **Supplier Management** – Indirect P2P often involves more suppliers than indirect goods purchasing, and organizations’ vendor databases are often very complex. P2P departments must not only maintain accurate and up-to-date supplier information, but also must monitor suppliers’ legal validity and compliance—especially when working with overseas companies. A lack of automation in P2P processes prohibits companies from properly managing supplier information or from properly communicating with suppliers during a P2P lifecycle. In turn, these issues put a major strain on supplier relationships, see Figure 4.

Figure 4

**CHALLENGES TO ORGANIZATIONS’ SUPPLIER RELATIONSHIPS**



- » **Competitive Pricing, Contract Compliance, and Budgeting** – Organizations foster strategic relationships with their suppliers by establishing competitive pricing and mutually beneficial business contracts. Manual-based processes often make it much more difficult for managers to ensure that contracts remain up to date with their organizations’ budgeting needs and with fair market prices, and that all purchases are compliant with contract agreements, preferred vendor lists, and budgets.

**Poor Data Management Can Weaken Organizations’ Supplier Relationships**

*“What is the pain that causes the most damage to your organization’s supplier relationships?”*

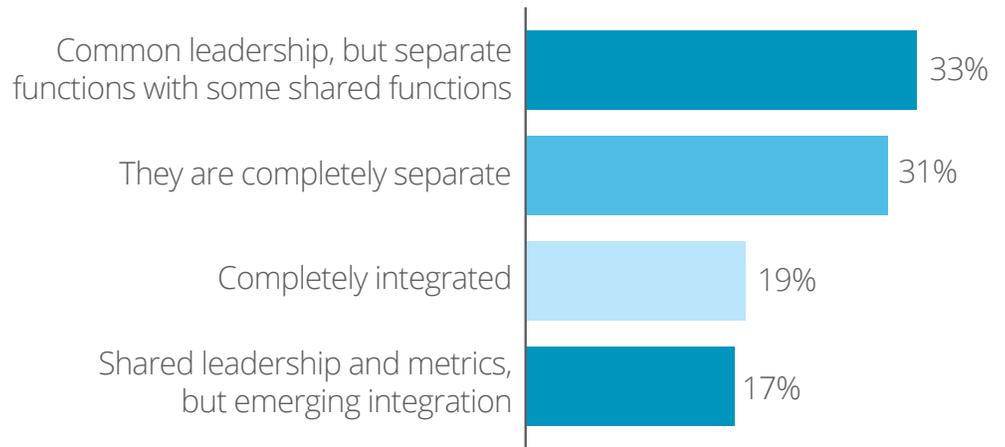
- » **Process Synchronization** – This involves maintaining data and document synchronization across all P2P departments—especially the information between the original purchase and the final payment. This requires communication between Procurement and AP departments, matching requisitions and POs against receipts and invoices, and gaining all correct approvals before payment. Streamlining processes between AP and procurement keeps a company from overspending or paying an incorrect invoice, and it also improves cycle times and future auditing. Unfortunately, survey results reveal that most organizations do not have a fully integrated P2P process, see Figure 5.

Figure 5

**Most Organizations' P2P Processes Are Not In Sync**

*"How would you describe the process flow between procurement, AP, and payments?"*

**ORGANIZATIONS' P2P PROCESS INTEGRATION**



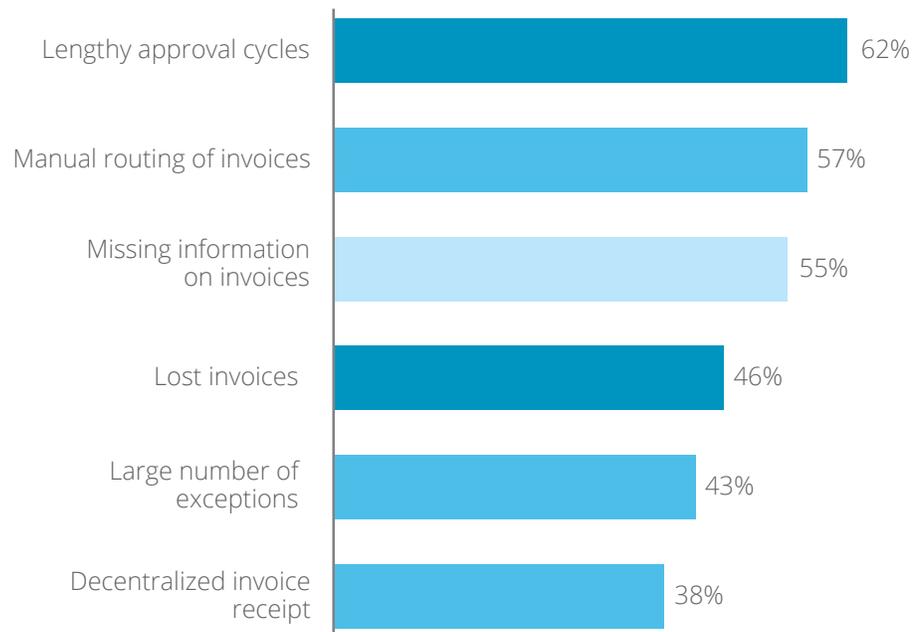
- » **Payment Control and Efficiency** – AP professionals must balance payment speed with payment control and security, especially when it comes to maintaining legal compliance. Manual P2P processes lead to lengthy approval times and late payments, which cause organizations to miss early payment discounts, see Figure 6. Paying supplier invoices with manual methods, such as with checks, also limits the payments’ data security.

**Leading causes of missed early payment discounts**

**Figure 6**

**Lengthy Approval Cycles, Manual Procedures, and Invoice Errors Are the Leading Causes of Missed Discounts**

*“What are the top three problems that lead to late payments and missed discounts at your organization?”solution?”*



- » **Auditing** – Compliance is largely dependent upon the proper recording of all P2P activity, including transaction information from requisition to reconciliation and payment. When it comes to auditing, manual- and paper-based processes can make it difficult to keep track of all B2B documents and financial records, and can put a company at risk for steep legal fines.

# P2P Software Features and Benefits

PayStream attributes the low adoption rate of P2P software to a lack of awareness of the benefits of P2P automation. These benefits include improvements in both process efficiency and cost savings, more control over spend, faster cycle times, and healthier supplier relationships.

P2P automation involves requisitioning, purchasing, receiving, paying for, and accounting for goods and services, see Figure 7.

Figure 7

The Purchase-to-Pay Platform



- » **eProcurement and Order Management** – Procurement technology’s main features include requisition creation and workflow, in-house and punch-out catalogs featuring product information from thousands of suppliers, PO creation, and an order management interface that allows for full visibility into all order activity. These solutions often support PO flip to invoice and integration with AP as well.

- » **Accounts Payable** – AP automation involves paperless invoice processing through electronic invoicing and/or the scanning of paper invoices and data capture, invoice matching and exception management, approval workflow, and integration with electronic payments tools. Most P2P solutions are capable of integration with AP software, facilitating seamless movement from requisition to payment. Many AP solutions also come with working capital tools, including Dynamic Discounting and Supply Chain Financing (SCF) offerings to improve DPO, increase revenue, and promote faster supplier payments.
- » **Electronic Payments** – Many solutions either offer in-house payment capabilities or directly integrate with leading payment solution providers. Leading ePayments strategies include ACH, wire, and commercial card payments. Commercial cards come in a variety of types, including corporate cards, traditional purchasing cards, ghost cards, and Virtual Account (VA) programs.
- » **Supplier Management** – Most solutions offer some level of supplier management—either through self-service supplier platforms or simply via a searchable supplier directory. Other features include supplier data management, supplier risk assessment, and supplier analytics and reporting tools for insights and auditing.
- » **Spend Management** – Reporting and analytics tools allow purchasing, AP, and legal departments to pinpoint inefficient spend activity and identify areas for improvement. Features include out-of-the-box and/or ad-hoc reporting, interactive reporting dashboards with drill-down capabilities, integration with other analytics tools, and industry benchmarking for data analysis.

Besides process automation, P2P automation also brings many benefits that impact the efficient management of indirect spend. These include:

- » **Control** – P2P solutions offer built-in purchasing controls that can be customized to each organization's unique business policies. A company can designate different requirements, restrictions, and workflows for spend according to its characteristics, such as spend category, user, and PO or invoice amount. The solutions facilitate complete, real-time visibility into all spend activity, and many offer budgeting components that promote consistent budgeting

compliance for both general and project-based purchasing. Many solutions also provide support for non-PO spend to ensure that these items are under the same level of control. This support can include special rules and workflows for non-PO invoices, as well as straight-through processing and automatic payment options for certain recurring invoices, such as utility bills. Today's P2P solutions also improve control through back-end analytics, audit trails, and financial process support that automates accruals and postings.

- » **Configurability** – P2P solutions allow customization of more than just internal controls—a company can customize the solution to fit with any business process or requirement, including approval workflows, industry-specific requirements, and IT specifications. In addition, P2P solutions can adapt to any ERP system, and are usually offered either in holistic, end-to-end suites or through modular, standalone units. This allows organizations to easily integrate solutions with existing systems piece by piece, moving towards automation at a pace that suits their budgets.
- » **Collaboration** – Today's solutions allow procurement and AP managers to maintain consistent communication with both their staff and the company's stakeholders through real-time collaboration tools. Users can discuss spend activities at any time during the P2P process through email and chat boxes, and they can collaborate on P2P documents via authoring tools and comments. Mobile technology further promotes this collaboration by allowing strategic P2P professionals to stay in communication on the go by using the software's mobile application.

# Adoption Road Map

A P2P solution allows businesses to control company spend, improve processes, and potentially save millions each year. When selecting a P2P solution, organizations should:

**Build a selection checklist.** Not every solution works with every organization, as company size, industry, and unique business processes and requirements can greatly affect a solution's suitability. Companies should develop a selection checklist in order to choose a provider that complements their own internal strategies and business needs, including the organization's business process flows, unique industry requirements, IT needs, and financial parameters.

**Look at a variety of providers.** There are many different types of P2P providers; some offer more generic solutions that can easily plug into any business type, while others have more experience in a few specific industries, such as healthcare or professional services. In addition, many solutions are built differently according to the market segment the provider caters to; there are solutions with features and pricing options designed for small, medium, and large organizations. A buying organization should evaluate the solution against both of these distinctions.

**Look at the numbers.** It is important to look beyond the initial ticket price of a P2P system, especially when it comes to buying a holistic, end-to-end suite. Organizations should consider the total cost of ownership for the solution, which includes implementation and integration costs, change management costs, ease of use, and scalability. They should compare these costs against the potential savings they will gain by reducing maverick spend and processing times, and speeding up the payment cycle. To help calculate the total cost of ownership (TCO), PayStream has created an easy-to-use TCO calculator. This tool is free to use, and can help an organization decide which solution is the most cost-effective for its needs. It can be accessed at [www.paystreamadvisors.com](http://www.paystreamadvisors.com)

**Gain internal buy-in and enthusiasm.** For an automation overhaul to be successful, the entire organization must be in agreement about the value, need, and primary use of the software. Although procurement, AR, and AP professionals must be on board—as they will have the most

contact with the software—it is vital that senior management also be optimistic and enthusiastic about the new system. Gaining corporate buy-in is the surest way of creating a successful automation initiative. Those proposing the implementation of new software should present a detailed plan for implementation, highlighting the long-term benefits of the solution in both hard and soft costs.

In all, Purchase-to-Pay solutions bring spend into one unified, transparent system, and allow organizations to improve control over their spend, financial health, and competitive advantage. The following profile summarizes the offerings of a leading Purchase-to-Pay software provider.

# Ariett

Ariett released its first .Net web-based procurement product in 2003. Today, Ariett provides a unified cloud solution for Purchase-to-Pay and expense management, with common workflow and user management for handling all indirect spend. Ariett primarily serves mid-market and mid-enterprise customers with 200-20,000 employees.

Founded	1990
Headquarters	Pembroke, MA
Number of Customers	2,200 Companies
Target Verticals	Business Services, Software/Technology, Not-for-Profit, Healthcare, Education
Partners / Resellers	Microsoft Reselling Partners, Intacct Reselling Partners, Microsoft Azure, Intacct ISV Partner
Awards / Recognitions	Microsoft Gold Development Partner (2010-2016); Microsoft Azure Application Case Study (2014); Certified as Microsoft Platform Ready; a leading software provider in PayStream Advisors' 2015 Travel and Expense Management report

## Solution Overview

Built on the Microsoft Azure Cloud platform, the Ariett P2P suite includes the benefits of Microsoft's cloud security and the Azure Active Directory. The platform also gains the benefits of the Microsoft Global Foundation Services (GFS), a program that offers worldwide data centers for storing and backing up data, as well as extensive annual audits. Ariett Purchase and Expense offers a responsive web design (RWD) application that integrates with a number of ERP and accounting systems.

## Purchase-to-Pay

With a single fully-integrated platform, Ariett supports decentralized purchasing at the department level, as well as centralized procurement for managers—allowing them to establish preferred vendors and track vendor contracts, and manage catalog items. Procurement features include requisitioning with approval workflow, access to CXML punch-out catalogs, hosted catalog management, and purchase order creation and delivery.

Ariett provides budget and contract tracking capabilities throughout the purchasing lifecycle, as well as tracking for vendor performance and internal project management. Features include capturing audit trails of approvals, collaborating on decisions, and tracking expirations. In addition, the platform's RWD mobile application allows employees to quickly collaborate on spending requests and contracts from any phone, tablet, or laptop.

Ariett supports a 2- and 3-way receiving match among purchase orders, receipts, and invoices—all while following standard accounting practices and capturing a complete audit trail. From the Receiving screen in Ariett, the employee can view packing slips and shipping notifications (received through the Ariett Document Capture and Automation Service), and automatically select items for reconciliation.

Ariett's Document Automation Service allows suppliers to easily send all invoices to an Ariett customer electronically. After invoices are matched, they are routed for approval based on customer business rules. Ariett offers sophisticated settlement features, with the ability to set GL currency conversion, taxes, and transactions in a multi-entity environment.

Ariett's platform search capabilities allow users to find data among spending trends, transactions, vendors, invoices, and documents. Reporting is bundled with over 200 standard reports from SQL Server Reporting Services (SSRS), and each customer receives a dedicated reporting repository. Ariett's out-of-the-box reports are designed to help customers analyze business spend, evaluate contract and vendor performance, and prepare for month-end closing. Customers can also build their own custom reports.

Ariett automates the import of the Vendor Masterfile information from customers' accounting systems into Ariett. When using Ariett Contract, vendor compliance information can be required and captured during vendor contract approval. Ariett's 2016 release schedule includes the rollout of a Vendor Management Self-Service Portal, as well as ACH and Virtual Credit Card payment processing.

### **Implementation and Pricing**

Ariett Implementations typically entail between 40 and 150 hours of services provided over a 3 to 12 week period of time. This time frame depends on customer size, organizational complexity, policies, and reporting metrics. After implementation, Ariett provides a Customer

Community and Help site for support, inquiry, and add-on service requests, as well as a wealth of product information and videos. Customers can use this site to submit support tickets, review product release notes, and gain useful product tips.

## About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at [www.paystreamadvisors.com](http://www.paystreamadvisors.com)