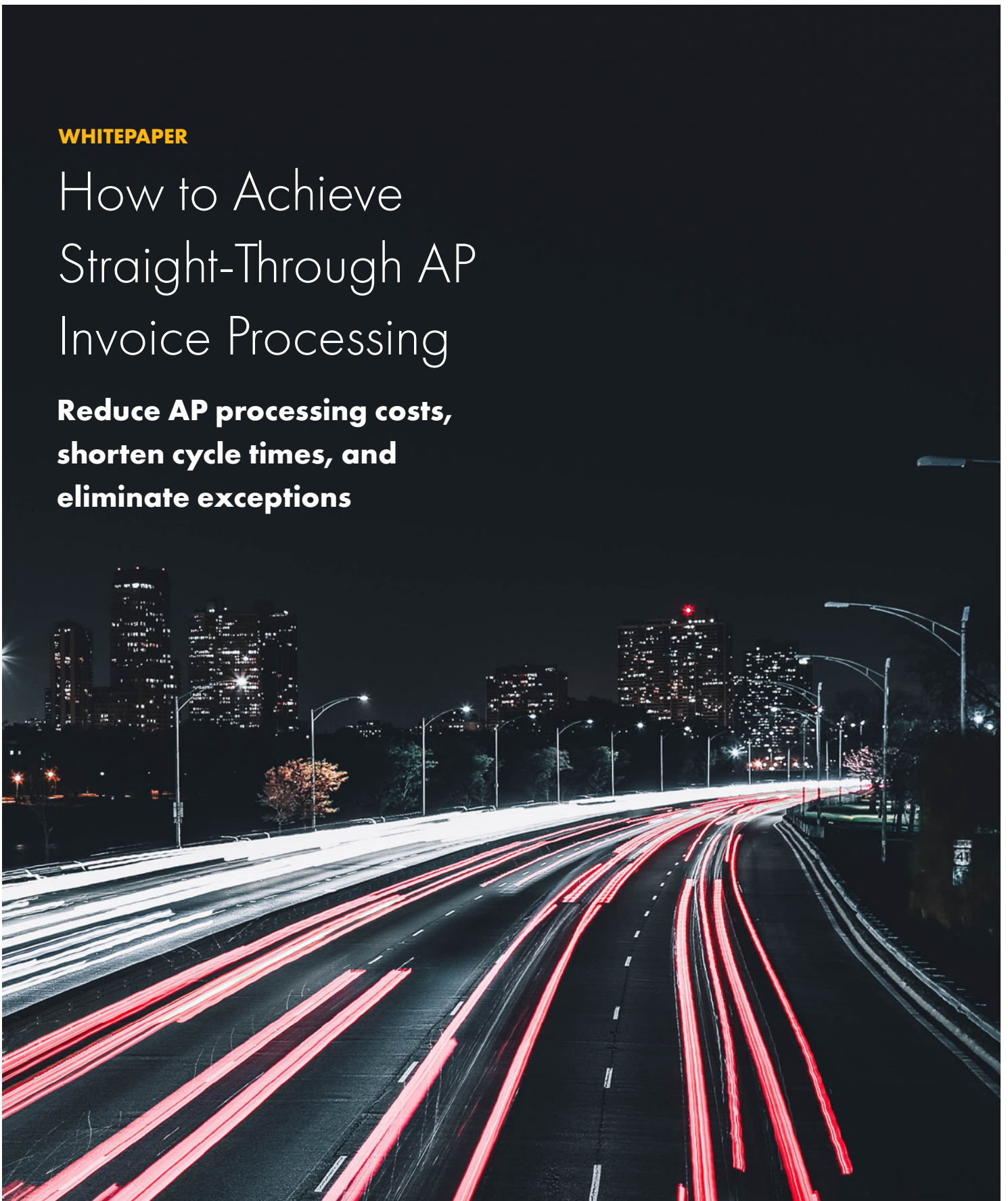


**WHITEPAPER**

# How to Achieve Straight-Through AP Invoice Processing

**Reduce AP processing costs,  
shorten cycle times, and  
eliminate exceptions**



# Introduction

In recent years, straight-through invoice processing has been deployed by hundreds of innovative companies with the goal of reducing invoice exception rates and improving operational efficiency. In this whitepaper we will examine exactly what straight-through invoice processing means, the associated benefits, and how you can easily implement it within your organization to dramatically reduce AP processing costs, shorten cycle time, and eliminate exceptions.

## Turning the tide on manual AP processing

AP departments don't have the time or resources to keep up with the constant deluge of paper and PDF invoices. Today many AP teams still process the vast majority of their incoming invoices using optical character recognition (OCR) to transfer the data into their ERP. This process is time-consuming and inefficient because it leads to invoice exceptions, which are the number one challenge faced by AP professionals today. Invoice exceptions are a problem because they increase costs, slow the approval and payment process, and contribute to internal stakeholder and supplier dissatisfaction.

# 45%

of AP professionals report that invoice exceptions are the biggest challenge that they face on a day-to-day basis.\*

To increase processing speed, AP departments face the unpopular option of hiring more full time employees, which is expensive. Hiring more staff is also a temporary fix if your invoice volume continues to grow. For most companies, more invoices has always meant more employees, but this is no longer the only option.

Businesses are also sensitive to the impact manual AP processes have on their suppliers. Long cycle times put undue pressure on supplier relationships and can hinder overall company growth. To evolve, AP teams need to leverage straight-through processing technology to automate their AP processes, reduce manual labor, and decrease costs.

## Straight-through AP invoice processing explained

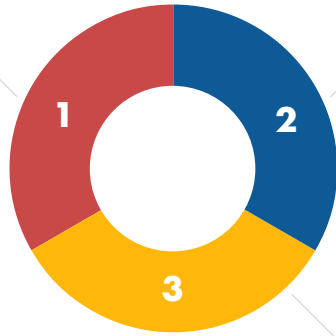
When an invoice is processed "straight-through," it means that when it arrives from a supplier, it is validated and transferred directly into your ERP system, ready to pay, with no manual intervention. Achieving straight-through invoice processing within your organization is easier than you think. Many businesses have already transitioned to straight-through processing and have experienced incredible gains in operational efficiency. To adopt straight-through processing you need to account for three primary categories: **Platform, People, and Process.**

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\* Ardent Partners' 2023 Accounts Payable Metrics that Matter Report

## Platform

A platform capable of straight-through processing



## People

A team that is aligned and optimized for automation

## Process

Processes that remove internal barriers & streamline operations

## Platform

First and foremost you must transition your AP department to a technology platform that is capable of straight-through invoice processing. A key consideration when selecting a new platform is that suppliers are likely to resist major changes to existing processes, so you need to meet them where they are, regardless of their system or sophistication level. Most suppliers send invoices by emailing a PDF. More sophisticated suppliers may prefer to establish a data connection and send invoices via EDI, XML, or CSV. This means that your new platform must be flexible enough to account for a variety of situations and use cases.

Many platforms attempt to convert PDF invoices into a digital format through OCR technology, but this method produces errors that need to be manually corrected. Providers often don't mention they use OCR and claim their solution is driven by AI or another buzzword of the day. Don't be fooled. The best solutions on the market use a digital supplier network to process incoming invoices without OCR, and apply AI to machine-based validation to match invoices to POs without manual intervention. Invoices without POs will have the GL coding automatically applied and routed for approval using workflows.

## People

The second category that must be addressed is your team. Moving from manual invoice processing to straight-through processing will give you the opportunity to shift resources within your AP department. Because straight-through processing eliminates manual labor, the people that once handled OCR errors and invoice exceptions are free to take on new problems. You will also need to ensure that your AP, Finance, and IT teams are working closely with one another so that everyone is on the same page.

## Process

With your new platform and reorganized team in place, the final step is to evaluate your internal processes to identify opportunities for efficiency gains. AP automation provides tremendous benefits, even when organizations do not use POs, however, promoting PO usage across your organization is a great place to start. Using POs will allow your new platform to associate each invoice with a PO, and validate it using two and three-way matching. Straight-through processing will automatically verify invoices and ensure they can be matched and approved without manual intervention. This will help your business remove invoice exceptions, streamline processing speed, and decrease cycle time.





# The benefits of straight-through processing

Straight-through invoice processing will have a huge impact on not only your AP department, but on your entire organization. The ability to digitize incoming invoices, verify accuracy, and route them directly into your enterprise resource planning (ERP) system, ready to pay, removes a massive amount of time, effort, and cost from the AP function. Digitization also enables other departments to gain greater visibility into the supply chain, unlock new opportunities to cut costs, and ultimately increase profit.

## Benefits to Accounts Payable

- Free up resources by removing manual data entry.
- Eliminate invoice exceptions using AI and machine-learning drive invoice validation.
- Eliminate supplier inquiries by providing predictable payment cycles and visibility into the payment process.
- Speed up payment processing and cycle time.

## Benefits to the Organization

- Tighter, more efficient supplier relationships.
- Improved visibility into outstanding liabilities.
- Ability to scale cash management programs.
- Eliminate potential supply chain disruptions.

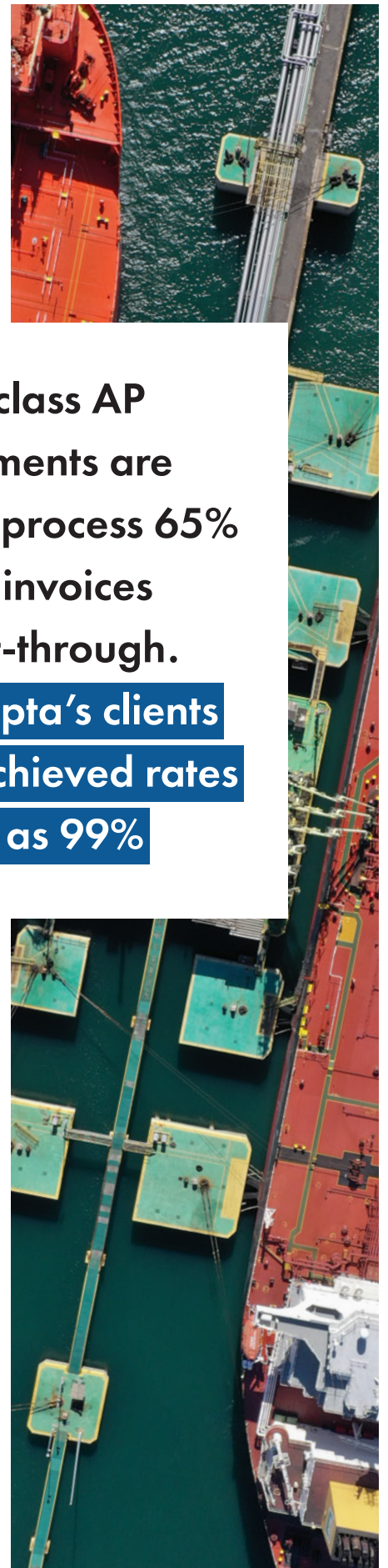
# The relationship between your ERP and invoice processing technology

Your ERP is the hub of your business, consolidating all major AP, procurement and financial functions into a single system. Best-in-class ERPs can save enterprise organizations millions of dollars each year by increasing efficiency and streamlining operations. However, it is important to note that you will need to augment your ERP system with an invoice processing technology that enables straight-through processing.

Some major ERPs offer invoice processing add-ons that are built directly into the application. However these add-ons are powered by OCR Imaging, or document scanning services, which can't remove all manual invoice processing effort. Before adopting a new invoice processing solution, make sure that it integrates with your existing ERP system out of the box. Platform's like Transcepta are built on flexible architecture that enable them to work seamlessly with any ERP, which can remove huge headaches down the road if your company ever migrates to a new system.

**Best in class AP departments are able to process 65% of their invoices straight-through.**

**Transcepta's clients have achieved rates as high as 99%**



## The problem with OCR

OCR is currently the most common method of digitizing incoming PDF invoices. OCR converts an invoice image into an electronic format using a character recognition tool. The major issue with OCR is that the character recognition algorithms often return incorrect information. Most OCR imaging technologies boast accuracy rates of 98%-99% which, in theory, sounds perfectly acceptable, but will create major obstacles to 100% straight-through invoice processing. **Remember, straight-through processing means no manual effort, so even if 98% of an invoice is captured correctly by OCR, your AP team will still need to review it for errors.** Even one wrong character could result in an incorrect payment or an invoice exception.

## Straight-through processing requires a true electronic format

To achieve straight-through invoice processing, invoices are processed from beginning to end in a truly digital format which requires a digital connection to each of your suppliers. Historically, connecting via EDI was the only available approach, but it turned out to be extremely complex and time consuming. For this reason, many companies only expend the budget to connect their largest suppliers, leaving the majority of their suppliers to invoice via paper and PDF.

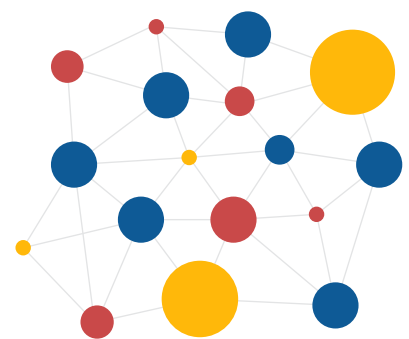
However, Transcepta offers a cloud platform that can easily deliver two-way digital connectivity to all suppliers, regardless of EDI capabilities, without additional effort from your organization. To this end, Transcepta's key differentiator is the platform's ability to convert PDF invoices into a digital format without using OCR. According to Ardent Partners, as of January 2023, 48% of invoices\* are still sent in a PDF format, so it is essential that your platform has this capability. Transcepta uses proprietary technology to map accurately the data from incoming PDF invoices and convert it to a format your ERP can read.

## Building a connected supplier network

As mentioned in previous sections of this paper, connecting your suppliers digitally is an essential step on your journey to 100% straight-through invoice processing. Without a digital connection, all communication must be done manually via email or over the phone, slowing down AP cycle times and putting undue pressure on the team. Digital connection enables the instant transfer of documents between your business and your suppliers and creates an automated system to handle any potential issues.

A connected supplier network also allows your team to collaborate with your suppliers quickly and efficiently. For example, if a supplier sends an invoice that doesn't meet your business requirements, the series of checks and balances within your processing platform will stop the invoice, and automatically request a correction from the supplier, with no manual intervention from the team.

**Transcepta's key differentiator is the platform's ability to convert PDF invoices into a digital format without using OCR.**



\* Ardent Partners' 2023 Accounts Payable Metrics that Matter Report

# Increase efficiency with AI & machine-learning

In recent years, AP departments have begun to understand the impact that artificial intelligence (AI) and machine-learning (ML) can have on their processes. The terms AI and ML are often misused, acting as a catch-all for any type of automation, however, industry-leading platforms like Transcepta are leveraging these technologies for specific use cases that have the largest impact on your operational efficiency.

For example, if you've ever tried to import an electronic invoice without PO line numbers into an ERP system, you understand the mess that can result. The invoice immediately becomes an exception, and your AP team is now required to manually match all of the invoice and PO lines. The vast majority of suppliers are not able to easily put PO line numbers on invoices, if they can at all. Transcepta helps solve problems like this by using advanced technology to predict and populate PO line numbers, even when the supplier hasn't provided them. This specific application of AI can have a measurable impact on your ability to seamlessly process incoming invoices.

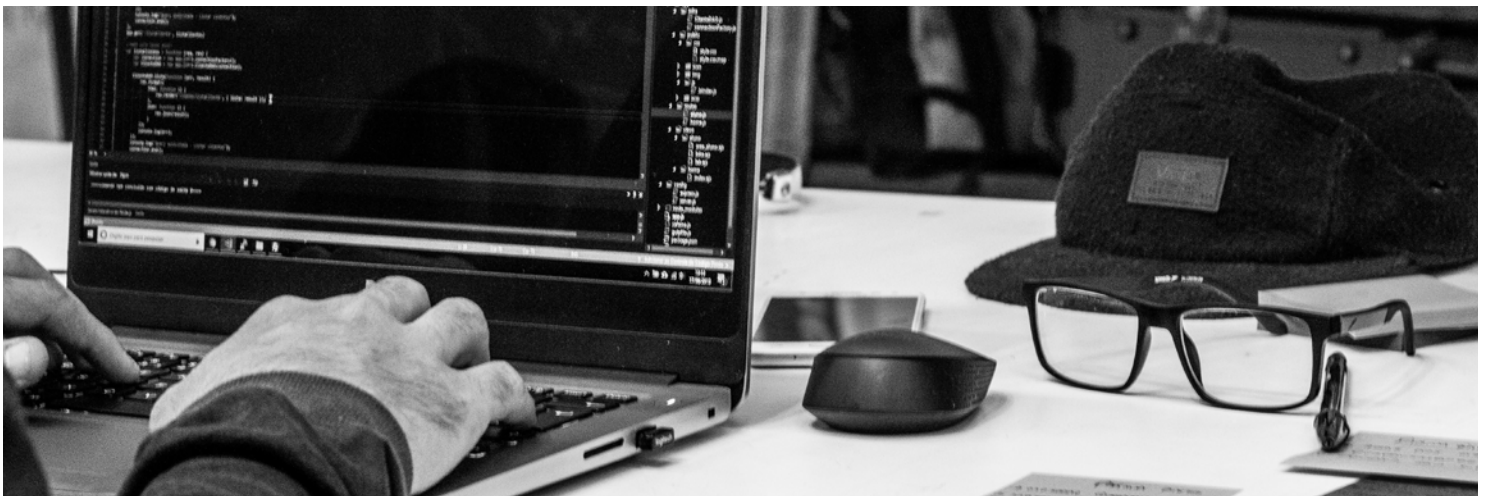
## Straight-through invoice processing checklist

- ☒ Augment your existing ERP with an AP platform that does not use OCR.
- ☒ Align key members from AP, Finance and IT departments.
- ☒ Redistribute internal resources away from manual tasks to value-added activities.
- ☒ Choose a platform provider that connects your suppliers to a digital supplier network.

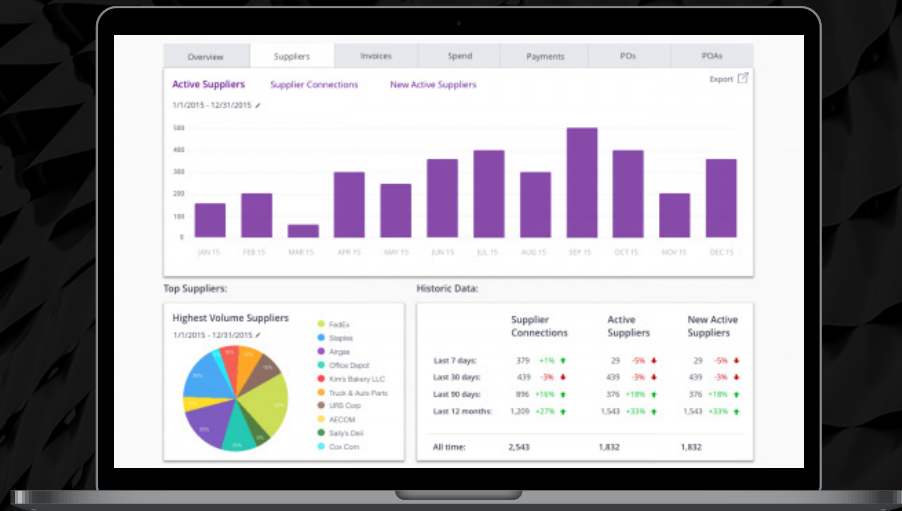
**71% of businesses  
believe that  
smarter systems  
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success.**

**Smart systems  
blend process  
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and real-time  
operations to  
provide enterprise  
executives with the  
power of foresight\***

\* Ardent Partners' 2023 Accounts Payable Metrics that Matter Report







## Automate and streamline accounts payable

Transcepta automates the AP process, end to end. For nearly 20 years, enterprise and mid-market organizations have partnered with Transcepta to connect quickly with suppliers, reduce costs, control cash flow, and make better data-driven decisions. With Transcepta, organizations can move beyond slow, error-prone, and unscalable processes and transition to a fast and accurate online system that is easy for everyone to use.

Visit [transcepta.com/demo](https://transcepta.com/demo) to request a platform demo