PPN Annual Survey 2017

A report prepared by PPN®
In association with SAP Ariba
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With low levels of economic growth and uncertainty over our post Brexit landscape, the background for many organisations remains challenging. Access to cash remains constrained and the potential for risk along the supply chain continues to pose a problem. With average payment terms for 38% of respondents at between 30 – 50 days, and for another 19% at between 50 days and more, it’s likely that some organisations have embedded risk along their supply chains. Late payments and the subsequent lack of liquidity, particularly for smaller suppliers, are likely to be responsible for just over a quarter of this year’s respondents using supply chain finance. However, it was interesting to see that despite this, only 5% of organisations use of dynamic discounting, with 41% stating that it was an option that they were unaware of.

On the whole, companies continue to look at ways to maximise existing resources and to ensure that any new investment in terms of technology, process or people can demonstrate a reasonable ROI. And for the first time in more than 5 years, not being sure of the ROI appeared as a major barrier to further automation. Budgetary constraints appear to be more apparent this year with “lack of budget” topping the list of barriers for the first time in four years. The challenge for solution providers will be to demonstrate that any investment in new automation technology will guarantee a demonstrable improvement in cost savings, efficiencies and facilitate improved process.

P2P Collaboration

Just over 30% of the respondents expect to be affected by the increased collaboration between the different areas of purchase to pay over the next year. Over 27% reported that the different areas of P2P were located physically within the same team, headed up by a Head of P2P (or equivalent). And although 53% said they had no plans to sit within the same team at the moment, it was encouraging to hear that almost half felt that they were able to work well together most of the time, with only 5% saying that they hardly ever did so. The rise in the use of automation has provided the capacity for greater visibility and insight into processes – as well as addressing cost and time efficiencies.

However, a widening knowledge gap, particularly within AP is causing difficulties in a number of organisations. Alongside the greater emphasis on data analysis and reporting, executive expectations of AP staff has grown, and in some cases not matched by appropriate training or change management.

Fraud

Organisations have witnessed rising levels of fraud, with 41% of respondents reporting some instance of fraud over the last 3 years. For the most part the fraudulent activity was spotted and able to be rectified quickly. Some sectors such as retail and construction reported sustained attempts at fraud.

Automation Levels

Automation levels have risen generally across all their different applications this year, with the figures for e-invoicing at 44%. However on deeper inspection, it’s likely that true e-invoicing (identified here as computer to computer exchange of edocuments) levels sit around 28%. The remainder being made up of other forms of invoice automation - OCR/PDF/Scan & capture for example. Scan and capture technology has increased to 58% of respondents this year, and 44% use imaging and workflow technology.

What’s New?

Some of the operational and process challenges faced by AP departments remain the traditional ones of cost reduction and keeping track of invoices – however, the whole area is in the process of a transformation – both in terms of new technology and a new corporate culture. Most (66%) expected to see a growth in e-Invoicing, with 47% recognising that the growth of cloud technology is likely to transform the way the operation is run in the future. Interestingly, almost 24% of respondents expect to be affected by the growth of mobile capture for AP, despite the currently low levels of take up. A further 25% expect that the trend towards greater statistical analysis of data will continue to impact their working environment. Just over 20% of respondents expected to be affected by the growth of robotic processing automation in the near future, and is something that many reported as being on their investigative roadmap.
Introduction

This survey was carried out by the Purchase to Pay Network (PPN), its aim is to explore the key areas that are directly affecting Purchase to Pay professionals across the UK and to see how they might change in the year ahead.

Methodology and sample distribution

This report is derived from a January – June 2017 study incorporating the online results of 100 senior influencers and decision makers involved with Accounts Payable (AP), with many holding responsibility across Purchase to Pay (P2P). The following represents the research data collated, and draws some conclusions as to the major concerns and reactions to trends expressed by all parties involved in the research, supported with information collected from one-to-one interviews and experience over the period. The participants were from a cross section of business including banking, construction, health, manufacturing, retail, oil and gas, logistics and public sector.

The respondents from this sample were from organisations with a turnover of over £50million and the majority were professionals leading their teams.

Figure 1: Respondents by job title

[Pie chart showing job titles]

Figure 2: Respondents by industry

[Pie chart showing industry distribution]
Survey results

Section One - Invoice processing and the rise of automation

The respondents shed light on a fairly complex invoicing and business environment – one where in-roads into faster, more compliant and strategic processing are being made – but also one which is hampered by budgetary and resource constraints, a certain confusion of choice and a noticeable disparity in system maturity.

Many respondents reported an overarching challenge in dealing with the disparate ways in which invoices come into their organisations, and trying to maintain visibility across the function as a whole.

Invoice processing

Figure 3: How many invoices do you process on a monthly basis?

An equal number of respondents (40%) were processing between 500 – 5,000 and 5,000 – 50,000 invoices per month, within industries as diverse as retail, manufacturing, construction, banking, healthcare, travel & tourism to the entertainment industry and public sector. A further 12% were processing more than 50,000. The method each organisation uses to manage this workload is equally as diverse, though driven by many of the same overriding factors – the need for greater cost reduction, process improvement, visibility and a corresponding need for some elements of automation to remove some of the manual processing and increase levels of reporting. However, in some areas, especially those with legacy automation technology – we found that automation itself has become a part of the problem, as issues such as compatibility, ease of supplier on-boarding and time spent analysing different solutions compete with the number of FTEs available and suitably qualified to address them.

What is the take up of Automation within teams?

The general levels of automation increased this year with the number of respondents saying that the majority of processing is manual, reduced to 21%, down from 39% last year. On top of this, the number working within a largely automated environment (less than 20% manual) is at 29%, a slight increase on last year. With the increased awareness of the benefits of automation, and the continued need to find suitable cost cutting measures, that’s a trend which is likely to continue. The take up of automation has had an impact on staffing levels and only around 31% of organisations now have more than 11 AP FTEs. The rate at which the automation trend is able to continue, is likely to conflict with the limiting factors such as the time and budget restrictions and perceived difficulties in automation implementation that the respondents have identified in this survey.
Different types of invoicing engaged in

In many cases the respondents used a combination of invoicing methods, in some cases, choosing the most appropriate and cost effective method in each scenario, depending on the maturity of their own systems and that of their suppliers. In other cases, the suppliers were driven and/or encouraged to be an active participant in the buying organisation’s preferred method. The number of respondents using eInvoicing remained unchanged this year, at 28%. The most widespread type of invoice automation was represented by 62% of respondents making use of invoice scanning and loading to the ERP system, an increase of 6% on last year.
Barriers to further invoice automation

The respondents highlighted several barriers to further invoice automation, and for the first time in four years, a lack of budget tops the list of reasons. This was closely followed by a lack of resources (ie IT time and support etc). With many across purchase to pay struggling to meet the demands to do more, but without access to more resources, many find themselves unable to devote time to a thorough investigation into the new automation solutions which could help them. Others highlighted a situation where the non-interoperability between existing solutions, meant that they didn’t have the necessary resources or sometimes the technical ability to be able to easily overcome the issue.

To some extent, this highlights a conflicting situation where existing processes, often mired to some degree by manual processing, are hindering research into a more time-saving approach. For the first time in more than five years, respondents pointed out that the ROI did not support further investment. Again, this represents a tightening of available budget – but also represents the need for further education on the part of the solution providers to demonstrate the positive impact automation can have on P2P operations.

Just over 20% of respondents said that gaining supplier adoption remained a difficulty for them. For 16%, the hurdle was that they, or their key stakeholders felt that the “current processes work well enough.” With the number of respondents using a variety of different solutions and invoicing methods, it was no surprise to discover that for 10% of respondents, adding another solution to the existing suite of products was a major barrier to them.

Top Three Barriers:

- Lack of Budget – 47%
- Lack of Resource (time, IT support etc) – 45%
- Not enough ROI – 23%
Reasons and type of invoicing method currently used

The main impetus for invoice automation was highlighted as the need to make time and efficiency savings, closely followed by the need to improve compliance, make cost savings and reduce risk. When we asked what type of invoicing organisations were currently involved in, we discovered that most organisations use several methods – sometimes depending on supplier and at other times depending on their own system functionality.

Scan and capture is being used by just over 58% of respondents (an increase of 6% on last year), with 48% using P-Cards, and 44% using imaging and workflow technology.

We’ve seen a slight rise in the usage of newer technologies such as dynamic discounting (5%, up from 2% last year), mobile apps for AP (7%, up from 2%) and RPA (2% up from zero).

With access to finance still constrained, the number of organisations involved in traditional invoice financing methods sits at 26%.
Section 2 – The importance of metrics and reporting

With pressure on AP departments to not only add more value to the organisation, but also to be able to produce accurate statistics to prove it, the aim of this section was to see how far this was being translated into a thorough analysis of the output from the accounts payable process. To some extent the ability to use those metrics across the organisation has been driven by the growth of centralised processes and the move to shared services. We wanted to see if this trend was likely to continue in 2017.

Metrics captured and their frequency

Those looking at metrics via a form of a constant monitoring system remains fairly low, up one percent this year to 12%. The numbers looking at metrics on a monthly basis has increased slightly to 62%. However, a minority of respondents reported that they seldom looked at metrics, did so on an ad hoc basis, or didn’t know. Although overall the figures have shown an increase since last year, some key metrics are still taken sporadically. For example, only 18% regularly measure their exceptions rates. Just over half of respondents reported measuring their days payables outstanding rates. A further 47% took their supplier spend analysis and the same number looked at the number of invoices processed per FTE. Of those who ticked “other” the majority noted that they currently measured none, or that it was only ever reactive and sporadic, or simply that their systems did not adequately allow them to measure in the way that they’d like.

The number of organisations measuring their manual processing against their einvoicing was 29%.

Some respondents pointed out that rather than measure all metrics over a certain period of time, most took their measurements at different timescales per KPI.

Figure 9: Which metrics do you regularly measure?

29% of organisations measure their manual processing against their einvoicing.
Early Settlement Discounts

A large proportion of respondents (42%) were only able to capture discounts on less than 5% of invoices processed. Surprisingly, 33% of respondents stated that they don’t, or are not able to calculate the number of early settlement discounts taken.

Some respondents stated that some discounts are arranged as part of their supplier negotiations and that sometimes the inability to reach discount terms lies with terms that have not taken normal company policy into consideration.

Others stated that in their industry (e.g., aviation), invoice discounts were not generally offered.

Figure 11: On average, what percentage of invoices are you able to capture an early settlement discount?
Payment Terms

Over the last year, payment terms have remained in the news, with SMEs continuing to suffer from late payment. Although a buying organisation may have sound reasons for holding onto their cash, in an environment where returns on bank deposits are at historic lows, exploring other alternatives is not only good for suppliers, but good for the buying organisations too.

Only one of our respondents reported making payments within 10 days, and only around 4% paid between 10 – 20 days. The largest grouping (38%) made payments between 30 – 50 days, a figure which has stayed the same as last year. A further 19% had average payment terms set between 50 – 60 days and more.

In this context, it was interesting to note that 41% of organisations pointed out that they had never heard of dynamic discounting, although 26% had made use of traditional invoice financing this year.

Figure 12: What are your average payment terms

Cost per Invoice

Regularly used and cited by organisations as a measurement for how efficiently the operation is run, cost per invoice statistics are also the most commonly misquoted and misused. Although it can be a representation of the overall health of the department, particularly if measured against past performance, it’s essential to first understand how the figures are calculated before making comparisons with other organisations, or using as a benchmark. Some departments are measured against figures taken from studies online – but, in the vast majority of cases, these have a US focus and, with the different nature of AP in the US (including the prevalence of cheque processing), these should not therefore be used as anything other than a rough guide.

We asked respondents to take a number of criteria into consideration before calculation. Inevitably, where salaries and overheads are included, the cost will fluctuate, depending on geographical location – a factor which often plays a part in the decision to outsource. The largest proportion stood at 40% who said that they don’t, or can’t calculate, meaning that despite the increase in the usage of metrics, without this being factored in, some organisations continue to operate in the dark.
The next largest grouping was in the £2 - £5 range with 24% stating that their organisations fell within this category. A further 16% stated that it cost anywhere between £6 - £15 per invoice, with a further 3% stating that this figure was in excess of £15.

**Figure 13: Roughly what is your cost per invoice?**
*Definition: total departmental costs, including overheads and staffing, divided by the number of invoices processed annually*

No PO – No Pay Policy

A large amount of an AP professional's time can be spent processing exceptions. There are many reasons exceptions happen, but a common cause is having to deal with invoices which arrive without a corresponding purchase order. A possible solution to this type of exception is to mandate PO compliance. So we wanted to discover how many organisations had implemented, or were planning to implement a no PO, no pay policy.

**Figure 14: Would you consider implementing a No PO, No pay policy?**

It seems to be a policy which is gaining traction, with 38% of respondents saying that they use the policy already with a further 27% saying that there were plans in the pipeline to do so. However, a further 13% said that although the policy was in place, it was ineffective. Where this was the case, the policy had been hampered by a lacklustre approach by senior management in supporting the scheme. In other cases, respondents noted that its partial uptake was mostly the result of internal company structure, lack of the appropriate technology to manage the change and where PO policy was based around spend category. Others stated that it was a policy that they ring fenced around certain top suppliers, or implemented country by country as a first step.
**Master Supplier File Management**

The majority of respondents reported that they monitored their master supplier file on an ad hoc basis, with the next highest category being monthly. However, with levels of fraud on the increase, it was discouraging to see that 6% never monitored it and that for those in the “other” category – it was only something which was looked at when a problem became apparent. We were pleased to see that weekly monitoring was being implemented by some organisations (12%).

**Figure 15: How regularly to you cull/monitor your Master Supplier File?**

![Pie chart showing monitoring frequencies]

**Shared Services, Outsourcing in 2017**

The majority of respondents were not looking to outsource or move towards a shared service centre (51%). For 33% of respondents, they’d already made the move and were already working within a shared service environment, and 4% had outsourced.

Of those looking to outsource or to move to a shared service, the most popular reasons for doing so were to reduce transactional costs, reduce fixed capital costs and improve visibility and control.

**Figure 16: During 2017, is your organisation looking at:**

![Pie chart showing reasons for outsourcing or shared services]
This section explored the way in which AP and P2P departments are being run, what the challenges are and how they’re being met. We looked at the increased levels of collaboration across the different P2P areas, and what was being done to achieve it. With the increased use of technology and a better understanding of its application across the organisation, it’s becoming increasingly common to see organisations using metrics gathered in one department to work with and find solutions for use in another.

Figure 17: Do the different areas of P2P work closely together?

P2P Collaboration

For the most part, respondents said that they worked closely together, with 16% saying they managed to do so all the time, and 44% are able to work closely together most of the time. A further 34% said they were able to work closely together some of the time, with a small number (5%) saying that they were hardly ever able to do so. Respondents noted that where there was clear accountability, and more face to face meetings (46%), the value of the AP department was increasingly being recognised both within Procurement and on an organisational level. Some went on to say the change was led by someone heading up the area as a whole (32%). A small number of organisations pointed out that some of the progress that had been made had been eroded by an increase in staff turnover and a lack of investment by the senior management team. In some cases, this has led to some of the old silos falling back into place.

Figure 18: Does AP sit within a wider P2P Team?
How AP time is spent

The focus of AP staff seems to have shifted to include more statistical analysis, with most respondents stating that this was now their most time consuming activity. The increased time spent on this could be as a result of greater scrutiny across all processing, the emphasis on cost savings, together with the difficulty of drawing metrics from disconnected systems.

It’s worth noting that 44% of respondents stated that they spent more than 50% of their time involved in manual data entry, and 31% spent more than a quarter of their time in exception handling.

Top 3 most time-consuming AP activities:
- Monitoring analytics
- Master supplier file changes
- Audit

Main Challenges Facing AP

With a wide range of challenges facing AP, many respondents highlighted that they were facing several key challenges at the same time. Nevertheless, from the various responses, three key factors shone through. For the first time, respondents pointed out that implementing new technology was a key challenge for them (59%), followed by choosing the right technology (51%) and maintaining standards (45%).

The fact that these three have been highlighted as the top challenges, sheds light on a complicated AP and P2P landscape. The implementation of new technology can help to maintain standards – specifically in terms of visibility and hitting KPIs. However, in the short term it’s likely that a reduced headcount, (while hitting the target to reduce costs) can make it difficult to maintain standards in the near term. And then if organisations struggle to maintain standards, it’s not surprising that keeping up with regulatory issues can be troublesome, especially with the increasingly compliance driven environment. Without an effective change management module built into the implementation piece, staff reduction is likely to be disruptive to existing processes in the period before organisations are able to take full advantage of any savings they’re able to gain from any technology installation.

Top Three Challenges
- Implementing new technology
- Choosing the right technology
- Maintaining Standards

Figure 19: What are the main challenges facing P2P in 2017?
The main operational difficulties

Despite some major advances in AP processing over the last 3 or 4 years, the two difficulties dominating the process were highlighted as “keeping track of invoices” and “making payments on time”. This was followed by monitoring the master supplier file. It seems that in some cases, these issues are exacerbated internally by staff who don’t adhere to company guidelines, sometimes being compelled to go against them by the constraints of their less automated, slow systems.

**Top Three Operational Difficulties:**
- Keeping track of invoices
- Making payments on time
- Maintaining the master supplier file

Figure 20: What are your main operational difficulties?

**Industry Trends**

Most respondents anticipated having to face significant changes to both their roles in the coming years and months, and to the function of AP within their organisations. Most (66%) expect to be affected by the growth in e-Invoicing, many with the expectation that this will provide them with additional visibility with the potential to precipitate a joined-up purchase to pay department. As a result, some respondents expect the job function to change with a shift towards analytics and cash flow management.

A further 47% recognise that the growth of cloud technology is likely to transform the way the operation is run in the future, although some pointed out that data security concerns remain. A further 30% expected to be affected by the growth in collaboration across P2P. Interestingly, although only a small number of the respondents make use of mobile apps for AP, over 24% of respondents expect to see its growth in the near future. A further 21% expect to be affected by the strategic analysis of data and 20% by Robotic Processing Automation.
The prevalence of fraud

A staggering 41% of respondents reported some level of fraud within their organisations over the last 3 years. Even for some of those who responded “no,” a number of fraudulent attempts had been made, but their processes meant that they were uncovered before any loss was suffered. A minority of respondents (particularly in the retail and construction sectors) reported sustained and significant attempts at fraud.
Section 4

How do you gather your information?

We found that the respondents gathered their information about solution providers and industry news in a variety of ways. The top three were via discussions with peers, simple web search and industry webinars.

The top three:

- Discussion with peers
- Web search
- Industry webinars

Figure 23: How do you gather your information
Conclusion

Many P2P teams are being challenged to achieve more and make cost savings at the same time, and are looking to automate processes to do this. However, it’s important for organisations to spend time in researching existing processes and policies before making any decisions and implementations in order to achieve the planned ROI. Making sure that change management is a priority and part of that initial decision making process, is a crucial element in making that happen.

“Make change management a priority”

Stripping paper out of the system and introducing reporting capabilities into processes means that organisations can not only reduce their exposure to error, risk and the potential for fraud, but are able to gain deep, real-time insight into the business at the same time. In fact, the need for transparency is pushing finance and procurement professionals to automate across the entire purchase to pay process, dissolve the boundaries between departments and gain access to critical information about suppliers, purchases, spend and cash flow. By leveraging analytics, dashboards and reports, key stakeholders can drill down into the data, analyse issues and uncover opportunities.

The main focus of Purchase to Pay remains one of making sure best practices are in place to manage the organisation’s cash flow, ensuring payment to terms while maintaining cost effectiveness and efficiency. But the ways in which this is achieved have changed dramatically over a few short years, helping to break down the old siloed way of working and moving towards a transformation in the way we do business. With greater emphasis on statistical analysis, driven in part by the technology which straddles the end to end process, AP and P2P practitioners are starting to have greater career prospects and strategic influence in their organisations.
Appendix – Sponsor Overview

SAP Ariba

About SAP Ariba

SAP Ariba is how companies connect to get business done. On the Ariba Network, buyers and suppliers from more than two million companies and 190 countries discover new opportunities, collaborate on transactions and grow their relationships.

Buyers can manage the entire purchasing process, while controlling spending, finding new sources of savings and building a healthy supply chain. And suppliers can connect with profitable customers and efficiently scale existing relationships – simplifying sales cycles and improving cash control along the way. The result is a dynamic, digital marketplace, where more than $1 trillion in commerce gets done every year.

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