

Transport Topics

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Use Pixels Not Paper

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With the transportation industry challenged by extraordinary economic conditions, executives are devoting much time and effort to dealing with factors beyond their direct control, such as escalating fuel, vehicle and equipment costs. I believe they are leaving money on the table by not streamlining back-office processes that can offset these often-unforeseen external costs.

A prime example is processing supplier invoices, something transportation companies generate a lot of because of the many different types of vendors required to run their businesses. Studies have estimated the cost of paper-based invoice handling — including processing, postage and reconciliation — at \$20 to \$60 per invoice. It's easy to see how supplier transaction handling and processing can drive up costs quickly.

Manual invoice processing leads to costly errors and inefficiencies. For example, an average organization makes 19 copies of each document and spends \$20 in labor costs filing each one.

Companies also spend about \$120 in labor costs searching for missing or misfiled bills and other paperwork. Businesses lose one out of every 20 documents and wind up spending an average of 25 labor hours getting new copies.

Capturing invoice data, invoice approval, invoice archiving/retrieval and missed cash discounts due to slow processing account for 72% of what it costs to process an invoice.

Traditional invoicing also limits profitability, because as a business grows, so does invoicing and the staff needed to manage it. It's estimated that one accounts payable employee is required for every additional 75 invoices processed manually each day.

Smart transportation companies are turning to electronic invoice presentation and payment, also known as EIPP, a process by which companies present and manage invoices through the Internet and make payments to one another for goods and services — not to be confused with simply e-mailing invoices to customers.

Just a few years ago, less than 1% of U.S. companies were making electronic transactions. Today, that number is more than 20%, helped in large measure by new technologies that can convert any type of file — paper, flat or electronic data interchange — into a digital format. The result can be significant cost reduction and increased efficiency across supply management, accounts payable, accounts receivable and corporate treasury functions.

Companies can use several different models for electronic invoicing, including:

- The “seller-centric” method, in which vendors dictate the invoicing process and companies adjust their processes to accommodate the invoicing capabilities of their supplier base.

- The “buyer-centric” method, in which customers come up with their own solutions for receiving and processing supplier invoices.

- The “consolidator” method, with suppliers delivering invoices to a third-party consolidator in whatever means works best for the supplier. The consolidator then provides the customer and its vendors with an electronic portal to manage all their accounts payable and accounts receivable transactions

Whichever solution your company chooses, I recommend choosing one that can replace paper with digital content and human effort with automation in as many stages of invoice processing as possible. It also should be flexible enough to accommodate your company's existing workflow and business rules.

Once in place, electronic invoicing can slash by more than half the price-per-invoice handling cost, saving thousands of dollars annually in staff handling, postage and filing expenses.

EIPP virtually eliminates human intervention, allowing companies to produce, on average, 15% to 30% more transaction volume while holding the line on or even reducing accounting staff. With EIPP, paper chases are completely eliminated — there's no more need to make copies and file paperwork or to search for missing or misfiled documents. Meanwhile, the accounts payable department can be redeployed from performing clerical work to high-value tasks, such as analyzing cash flows or supplier performance.

EIPP also can expedite invoice approvals — a source of major delays and difficulties in the transportation industry, often resulting in missed prepayment trade discounts. That's because with EIPP, invoices are readily available for review online, the approval process is streamlined and accounts are settled much faster, enabling companies to take full advantage of early pay discounts.

Another reason I believe transportation companies must shift from traditional invoicing and payment to a paperless environment is because it's the right thing to do for the environment. The electronic processing of 1.7 million transactions saves an estimated 832 trees and 18.7 million pieces of paper, while reducing solid wastes as well as the CO₂ emissions related to paper production.

Finally, EIPP can help improve spending management by automatically capturing electronic data that can be used to analyze spending patterns, helping companies negotiate price discounts, for example. Without EIPP, the raw data needed for this analysis would have to be entered manually, and, realistically, probably would not be captured at all.

I predict that companies that seize the day, transforming their accounts payable operations from paper-based to paperless, will be the ones poised for future growth as economic conditions improve.

Corcentric, McLean, Va., helps transportation companies reduce the costs associated with processing business-to-business transactions by taking them from paper-based to electronic processing.



Opinion

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