



Addressing Business Process Challenges with AP Automation: A Guide for Fast Growing Retailers

Optimizing Efficiency, Collaboration
& Cost Savings for **Retail Financial
and Accounting Departments**



Table of Contents

Executive Summary	3
What's In Store: Key Business Realities that Retailers Face.....	4
A Chain of Challenges: 5 Goals Every Retailer Wants to Achieve	6
See the Savings: The Benefits of Accounts Payable Automation.....	12
Shopping for the Solution: 5 Factors to Consider When Evaluating Automation Technology	14
Miria ActiveOps for Retail: AP Automation for Multi-Location Retailers & Restaurants	16
Conclusion	17
About Miria	18

Executive Summary

Let's look at a very common scenario in the retail industry: a local store manager compiles and mails his or her various vendor invoices and paperwork to the company's central headquarters each week. The financial corporate manager receives, opens, and enters each invoice into the financial system for processing, manually verifies each vendor's information, and then contacts the local manager for re-approval before actually issuing payment—which could be up to five days later. **Multiply this by 50 chain locations and you'll see why streamlining these processes can dramatically impact productivity.**

While rapidly growing retailers and restaurants are poised to capitalize on the exciting opportunities that come with expansion, they also face the increasingly overwhelming challenge of consistently managing financial business processes across their many geographically distributed locations.

For Accounts Payable (AP) departments, the time-consuming tasks related to manually processing invoices are already bogging down efficiency, and are exacerbated as newly added stores exponentially drive up the amount of paper-based documentation they must receive and manage.

Although business process management has been a growing focus for businesses in all industries, it is easy to see how operationally dispersed but centrally managed companies—a common model in the retail realm—could reap significant benefits from optimized methods to quickly capture, analyze, report, control, and act on the business-critical operating data found in the hundreds of thousands of documents they obtain from a wide array of sources each day. Traditional inefficiencies, coupled with the need to stay ahead of changing compliance laws and regulations, is making retailers look to business process automation as a real opportunity to streamline tasks, secure unstructured data, and drive quantifiable ROI.

This eBook examines the accounts payable business process challenges that are uniquely inherent to the retail industry, and how an AP automation solution can deliver the time, productivity, and cost savings that will help these companies maintain a competitive edge in their crowded markets.

Did You Know?

The industry average cost of processing a single invoice is \$19.00, however when best-in-class accounts payable automation is employed, the cost can drop below \$2.00.¹

What's In Store: Key Business Realities that Retailers Face

Businesses in the retail environment must account for several unique financial-related realities that result from their distributed operating model. Any retailer or restaurant centrally managing multiple store locations needs to have in place a plan to address some or all of these business challenges:

1 The need to maintain regional buying power.

Retailers often lack the ability to centrally buy for their distributed locations, due to issues related to shipping certain goods across borders, ensuring delivery timeliness, and allowing for locational inventory variety. Restaurants in particular need the ability to purchase from local vendors to ensure fresh food quality and on-time delivery of perishable items. While regional purchasing empowers local teams, it creates a challenge for corporate headquarters to maintain true oversight of buying across locations.

2 The need to keep local managers involved in the supply chain.

Because local managers are directly involved in local purchasing, they must be kept in lock step with the rest of the buying supply chain. Corporate managers must collaborate regularly with their distributed teams to ensure vendor information, payment terms, and invoice amounts are correct and authorized accordingly. Without a centralized resource from which to manage these interactions, significant time is wasted on calls, emails, and faxes asking and answering questions between parties.

Retailers often lack the ability to centrally buy for their distributed locations, due to issues related to shipping certain goods across borders, ensuring delivery timeliness, and allowing for locational inventory variety.

3 The need to process large volumes of invoices in small intervals of time.

Local stores are typically bringing in inventory on at least a weekly, if not daily, basis, from a wide range of vendors requiring different payment terms. These invoices need to be processed in short order to maintain the trust and business of the vendors, some of whom may be bringing in fresh goods that are critical to the restaurant's menu or retailer's cafe. Late payments can be extremely detrimental to these vendor relationships. In fact, even liquor payment timeframes can cause issues, as restaurants can be subject to penalties or fines if those invoices aren't paid in a timely manner.

4 The need to optimize payments and cash flow.

Processing payments is complex and costly. Many retail organizations receive high volumes of invoices each month against thousands of different suppliers, each with preferred or limited methods of receiving payment. Without clear visibility into payments and the flexibility to best choose who gets paid, which invoices to pay, how to pay them (e.g. check, ACH, card) and when payments occur, organizations risk significant costs in the form of increased expenses and foregone savings. The ability to have visibility and control over this process can dramatically improve cash flow.

Many retailers execute payments through separate processes, systems and departments (e.g. Treasury). A single, integrated solution can automate AP from invoice capture, payment optimization and execution through reconciliation.

When evaluating a business process automation solution, these factors should be considered to ensure the end-product will holistically address these key realities in an efficient and consistent manner.

A Chain of Challenges: 5 Goals Every Retailer Wants to Achieve

Beyond the pointed concerns that arise from a distributed operating model, retailers today also need to overcome the business process issues that any large-scale company would face. These challenges drive inefficiency, add risk, and can even compromise business health if not properly addressed.

As such, businesses in the retail industry should be looking to achieve these key objectives:

1 Total Visibility.

It is critical for a business to fully understand the total liability structure of the organization as a whole, at any given time. This challenge becomes much more complex when your organization exists in more than one location. In today's technological world, retailers not only have multiple stores with multiple business systems in place, but more information that needs to be pulled and analyzed from those sources. When working in a disintegrated environment, it is challenging to have a complete view of operational effectiveness, and the outstanding liabilities that could impact the company's overall risk.



A Look at Financial Visibility

Take for example a local manager who decides to buy a \$1,000 piece of equipment from a regional vendor, and makes the purchase without a P.O. He receives the invoice but it gets lost in other paperwork on his desk for several weeks. With no purchase order, corporate headquarters is not aware of this open bill, and cannot properly account for the liability, including penalties from late payment. If each local manager regularly makes his or her own purchases like this, the liability level grows exponentially.

To achieve total visibility, retailers need a centralized interface from which to enter and access real-time information. This 'dashboard view' will provide the most accurate data to help answer questions like:

- ① How do I run my operations more efficiently?
- ② How many invoices do I have out there aging?
- ③ How late can I pay these invoices without penalty?
- ④ If I pay this batch of invoices by ACH, how much will I save?

In a survey conducted by the Aberdeen Group, the top pressure driving interest in accounts payable improvements is the lack of visibility into invoices and documents **(45%)**.



2 Compliance Assurance.

Enforcing compliance, not just with regulatory regulations but also with established internal processes, is a critical component of the corporate managers' role—whether as controller, CFO, or Head of AP. An organization may have great processes in place, but if they are not performed properly by staff throughout the company then the whole system is compromised.

Centrally managed retailers need a mechanism in place to assure process rules are consistently followed in every operating location, so that each entry—from an invoice to an expense report—is processed in a way that conforms to the standards established and workflows set forth.



The Cost of Poor Financial Compliance

Sarbanes-Oxley has had a dramatic impact on the financial reporting landscape. Controllers and CFOs can be held personally and criminally liable if found to be responsible for financial negligence. This drives the need for complete financial transparency, accurate audit trails, and proactive management of issues like fraud.

Because compliance is such an important issue, many retail organizations will engage a third party to audit this unstructured data and validate conformance—an added expense that is still largely reactive (vs. identifying and solving the problem in real-time). To truly own proactive compliance management, and have total confidence in the approach, retailers need a system that ensures complete transparency.

More than 90% of companies surveyed—regardless of size—seek advice on compliance.³

3 Complete Accountability

Hand in hand with visibility and compliance is the need to optimally manage accountability. Because retailers tend to have many parties involved in the execution of their business processes, including team members from both the central office and the numerous dispersed locations, accountability checks and balances must be enacted to ensure decisions are made by the managers with the proper authority. Who approved the decision, when, and why—this data must be captured and made part of the audit trail.



Holding Accounting Accountable

Oftentimes local managers are empowered to make their own purchasing decisions, but only up to a certain sized budget. The example of a local manager purchasing a high-value piece of equipment without alerting corporate is made worse if that manager lacked the authority to approve that transaction in the first place. Alternatively, corporate AP personnel may need to route their invoices to a manager for sign off, but decide to make the approvals on their own. Without parameters in place to ensure financial accountability, liabilities and risk ensue.

Accountability is a core driver in the need for retailers to implement an automation solution that allows for rules-based workflows. With the right parameters in place, actions will be automatically elevated to the proper personnel, and block unauthorized employees from making risky decisions.

Research demonstrates the correlation between employee engagement and productivity—and an average of 12% higher profits for companies with highly engaged employees.³

4 Back Office Optimization.

Many times, when it comes to financial documents, more time is spent administering the paperwork than processing it. Inefficiencies abound just in the AP department, where corporate receives thousands of invoices from all different sources—by mail, email, and fax -and then must manually key in invoice data, manually route each for approval, and reach out to the local manager via email or call if exceptions arise. And this is the streamlined process, assuming all invoices are coming into the AP department (not lost on a desk) and include a P.O.

In a survey of over 300 AP professionals, 47% considered manual data entry & inefficient processes as their biggest AP challenge.⁴



Centralize Tasks for Corporate Managers

In order for corporate managers in financial departments to do their job effectively, they need centralized access to all the documents and data most relevant to them. If financial data can be captured and collected without manual interference, not only will it save immense administration time, but greatly reduce entry errors. This collected data is then easily available to search through, analyze, report on, and act on, making the whole department more profitable and productive.



Keep Local Managers Customer Focused

Retail managers in the field should be focused on their customers, not wrapped up in administrative tasks. Retailers need a solution to repurpose their local teams' time away from low-value processing of operational paperwork, and instead improve their efficiency in their customer-facing roles. If these managers can cut down the time needed to get their documents to corporate from hours to minutes, and gain easy visibility into the status of those submissions, their productivity in their true role will be optimized.

With automation, corporate managers are able to quickly receive and intelligently manage the unstructured content they need to do to their jobs best, and local managers can be unburdened by document administration but remain integrally looped in the process.

A report by the Aberdeen Group shows that the top internal challenge cited by 58% of organizations surveyed is too much time being spent on manual transactions.⁵

5 Strong Vendor Management.

Healthy vendor relationships are particularly important in the retail and restaurant industry, as regular delivery of inventory is needed to sustain optimal operations. If vendor invoices fall through the cracks, it can quickly impact the vendor's willingness to do business, especially on an efficient basis.

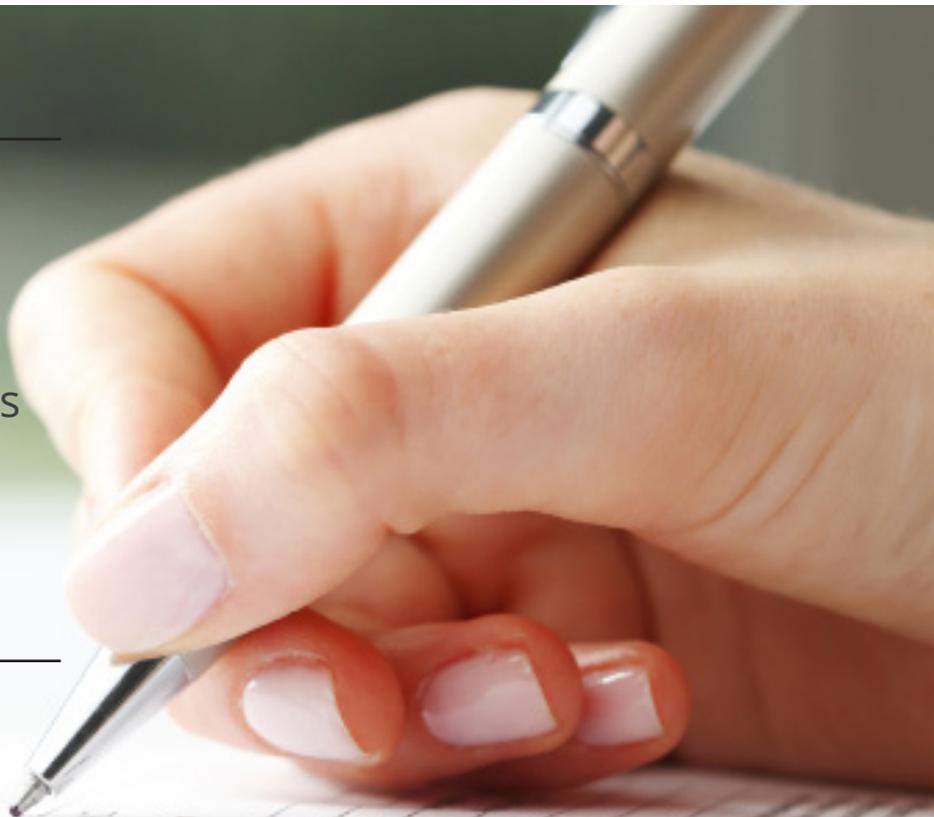
Delayed payments can also cause retailers to lose out on potential vendor discounts, which are often offered to businesses that pay on reduced terms. When dealing in a high-volume invoice environment, these discounts can add up to millions of dollars saved, so prompt processing is critical to growing profits.

Additionally, vendors today prefer to have their own visibility into the status of their payments, through a self-service portal or the like. Not only does this save the retailer time fielding vendors calls, but allows the vendor opportunity to see when payment is scheduled and incentivize for faster payment if desired.

To keep vendors happy and take advantage of the significant cost savings they offer in return, retailers need an automation tool that helps to keep payments on time and on track.

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According to the Institute of Financial Operations' AP Automation Study, nearly **80%** of respondents have at least **50%** of their total invoice volume still paper based.⁶



See the Savings: The Benefits of Accounts Payable Automation

So what can AP automation do to address the above realities that retailers and restaurants face, while enabling them to achieve the business efficiency goals that keep them competitive?

While there are many benefits, these are some of the most powerful reasons to automate:

Empower local managers while maintaining corporate oversight.

Automation allows local managers to maintain authority and visibility into the AP processes that they are responsible for—but enables corporate managers to have ultimate control and oversight of the data and the actions made around that information. With rules-based workflows set in place, every transaction and communication is automatically recorded and routed to the right manager(s), ensuring sign-off is given only by those with the power to make the final call.

Gain real-time visibility into financial and AP performance. An automation solution brings traditionally paper-based, unstructured data into a searchable, trackable electronic format, providing a 360 degree view of the information via a centralized 'dashboard' view. This means content is always complete and up-to-date, giving managers the intelligence to understand true liabilities and performance gains.

Enforce compliance to established processing standards across operating locations.

As soon as someone receives an invoice or AP-related document, it is immediately captured and tracking begins. Automated rule-based workflows ensure proper follow up and compliance for every transaction, communication, and document.

Automatically compile a complete audit trail.

Automated tracking allows retailers to generate a full report on each document's history, including every touch point it went through and the staff that interacted with it at each stage. If any compliance issues arise, the system can immediately lock down the documents in question to ensure no tampering occurs prior to legal review.

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Automate accountability.

As soon as a document is scanned, it is automatically routed to the proper authorities based on the roles the company configures. If someone tries to approve a document without the proper credentials, the system will escalate the piece to the managing boss for action.

Streamline processing, no matter where the document originates.

Automation allows the information to be accessed in one central location that all relevant parties can act on without duplication, eliminating the inefficiencies of mailing, multi-routing, calling with questions, etc.

Reduce data entry costs and mitigate entry errors.

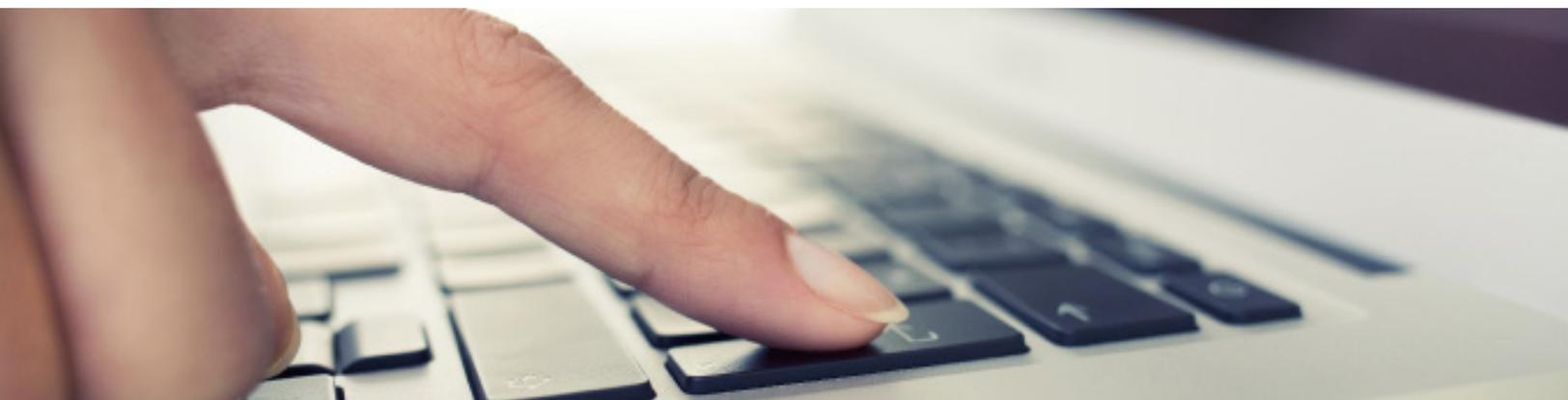
Not only is manual data entry a low-value, time consuming task, it also brings in the element of human error. By intelligently capturing the document, an automation solution essentially 'reads' the data and auto-fills the needed information—saving significant manual work, reducing entry errors, and allowing managers to refocus on the high-value initiatives that bring profit to the business.

Save paper storage costs and support disaster recovery.

Instead of physically housing hundreds of thousands of paper-based transactions and documentation, automation enables complete access via a single, online interface. Nothing gets lost in stacks on a desk or in filing cabinets, and provides full backup of data in case of natural disaster, fire, or the like.

Automation helps to reduce the cost of each document, from receipt to action. By dramatically shrinking the cycle times it would normally take to manually administer this content, AP automation enhances productivity and allows all staff and managers to put their focus back on the real objectives of the company.

AP Automation saves significant manual work, reducing entry errors, and allowing managers to refocus on the high-value initiatives that bring profit to the business.



Shopping for the Solution:

5 Factors to Consider When Evaluating AP Automation

While most growing retail organizations have some technology systems in place that begin to move them toward achieving simple forms of automation, most are still lacking a robust, comprehensive solution.

They may have a capture tool tied to their finance system, but only scan paid invoices for archiving promote a “paperless environment”. These situations still create stovepipes, causing duplication and other time-consuming challenges. In order to scale effectively, and integrated automation solution is needed.

So as you assess your automation product options, what are the factors to consider?

1 It's the processing volume that counts.

The first question is, should you automate? While company size has always been the typical approach to understanding the ‘tipping point’ of systems build out, in retail it is most important to assess the amount of documentation being processed each day. When handling thousands of invoices per month, saving even \$1 per document in administration costs with automation can yield fast and significant ROI.

When considering whether or not to automate, it is most important to assess the amount of documentation being processed each day, rather than company size alone.

2 Map the requirements to your business need.

Sit down with your corporate team and local managers to identify the real issues and bottlenecks that are happening in the finance and accounting departments and select the solution that optimally addresses those obstacles.

3 Look for domain expertise.

When assessing products from potential vendors, relevant experience is key. Do they understand the retail marketplace and the unique workflow challenges associated with it? Have they built their solution to meet those needs?

4 Consider costs and deployment time.

Cost is always a factor in assessing an AP automation solution, but your focus should be on time to value. If your prospective solution can be up and running, and producing a return on investment within a year, then you'll have turned a cost center—your AP department—into a profit center in short order.

5 Make employee ramp-up easy.

Once the product is implemented, you'll need your staff trained on the automation tools. You will need to account for the skill levels of various personnel across many store locations, but on-site training becomes very cost-prohibitive. As such, the solution must be user friendly and intuitive, with minimal training requirement needed for any role.

With these aspects properly weighed, your decision will yield a solution that is best for your business, your staff, and your bottom line.



Miria ActiveOps for Retail: AP Automation for Multi-Location Retailers & Restaurants

As a 25-year leader in the AP automation field and an expert in the unique needs of the retail industry, Miria has developed a robust suite of financial process automation applications to address retail’s biggest operational challenges.

ActiveOps—Miria’s solution platform that can be tailored specifically for centrally managed, operationally distributed retail and restaurant chains—consolidates access to a powerful suite of financial and operational software applications within a single collaborative web portal; all of which are configured with automated workflow rules that ensure proper follow up and compliance for every transaction, communication, and document.

Having successfully deployed automation solutions for major chains like Cabela’s, Miria is well versed in the content management challenges facing rapidly expanding retailers and restaurants, and leverages built-in workflows developed specifically to conform to retail best practices. On premise or Cloud deployment gives flexibility in configuration and optimizes time to value.

Built on IBM’s industry-leading Digital Business Automation (DBA) platform, ActiveOps amplifies the efficiencies of automation as a solution for rapid deployment, cost-effective operation, and simplified management of these tools:

ActiveOps Core Applications



Active Mailroom



Active AP



Active Pay

Add-on Applications

- Expense Management
- Requisition Management
- Use Tax Management
- Document Workflow
- Journal Entry Management
- Advanced Search
- Supplier Portal
- Incident Management
- IBM Navigator
- Reporting & analytics
- Vendor Management
- Case Management

Conclusion

Retailers today need a solution to break through the traditional inefficiencies that arise from centrally managing many distributed locations – particularly in their financial departments, where managers are processing hundreds of paper-based invoices and documents each day. Implementing a solution for business process automation provides corporate and distributed operational teams with the tools to significantly streamline the receipt, capture, and management of this critical operating data – and drive down processing costs in return.

But retail organizations must account for the unique business realities that are inherent to their industry, in addition to addressing the challenges that any multi-location company would face. It is important to consider these parameters in the decision-making process and in evaluating potential vendors with business automation products. The best solution will be one that maps optimally to the objectives of the financial departments, delivered by a partner with the domain expertise to understand and work to the workflow processes intrinsic in the retail realm.

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About Miria

Miria empowers operationally dispersed but centrally managed retail companies to work smarter for less cost, delivering powerful tools to automate the management of traditionally paper-driven accounting and financial business processes. Through its highly configurable Cloud-based software platform, ActiveOps, the company is able to deploy robust applications for the intelligent capture and management of unstructured content with unprecedented speed – enabling unmatched time to value, accelerated ROI, and rapid scalability to support continued growth. Miria is an IBM Gold Business Partner, certified IBM Digital Business Automation Expert and a subsidiary of OSG Billing.

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