

Drive Greater Business Value from Modern Cash-flow and Payments with Intelligent Invoice Processing

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In the wake of COVID-19, there was a major shift in the adoption of Paperless technologies and the way they were utilized for Corporate Finance and Accounting (F&A). COVID-19 provided a sense of urgency towards the digitization of paper assets, and it also forced organizations to rethink how they were automating and processing their newly digitized content.

This report will first outline the definitions of the most common digitizing technology, OCR and Intelligent Document Processing (IDP) and its traditional applications in Accounting. It will then cover current pain points in invoice processing and pose more customer-centric opportunities for paperless technologies.

Finally, this report will provide two case studies on organizations that have utilized this customer-centric approach. It will detail the business value seen by the senior leadership and the overall impact on F&A.



Introduction

In June of 2019, Gartner reported that the Intelligent Document Processing (IDP) market could be expected to grow up to 80% in two years. Since the global pandemic has forced the rapid digitization of paper assets in business administration, the appetite for paperless processing has only grown.

At the helm of this transformation is the market shift from utilizing basic Optical Character Recognition (OCR) tools to the adoption of more advanced Intelligent Document Processing (IDP).

For the uninitiated, OCR is a tool that converts data from scanned documents and photos into machine-encoded text. OCR enables a physical document image to be read and for that data to be routed and extracted. Advances in paperless technology, however, have provided new opportunities for more complex data extraction, categorization and analysis. In contrast to OCR, IDP utilizes artificial intelligence (AI) and machine learning (ML) to capture data from a document, classify its format, and then extract structured and unstructured data. While OCR has been around for decades, IDP is relatively new. Due to the AI component, IDP is able to learn over time and automate complex data-handling decisioning to improve its extraction accuracy, thereby enabling straight through processing without intervention. This streamlined paperless processing means the employees overseeing these functions can use the content being extracted to make more strategic business decisions quickly on a larger scale than was ever possible before.

These new parameters have also turned the tech into a commodity offering for organizations purchasing full-stack automation solutions. While 2020 - and the advent of scaled remote work - is an obvious culprit, this shift has occurred over the past three years.

What does this mean for Accounting?

Realwire reports that AP employees spend almost a quarter of their time dealing with invoice processing mishaps such as mismatched purchase orders and invoices, missing data, and disputed payments.

By chaining together document scanning, capture, workflow, management software, and intelligence, Accounting has the opportunity to transform modern cash-flow and payments management into a radically more effective operation. The obvious advantages of automation and workflow excellence translate to faster productivity, using less resources with higher accuracy.

APQC reports that the bottom 25% of companies surveyed spent more than \$10 in processing per invoice, while the top 25% spent \$2.07 or less. Automation and paperless technology were cited as two significant factors causing such cost savings for top performers.

In the following pages, this report will discuss the common pain points of paperless technology, how IDP solves this and how business can transform to be more customer-centric once the repetitive work is shifted from employees to bots, enabling employees to focus on more high-skill tasks.

Paperless Pain-Points

One of the critical challenges of OCR is that it only provides rudimentary paperless services. Traditionally, Corporate Finance and Accounting (F&A) will use OCR to process documents, like invoices, by scanning them, organizing the data, and then entering it into business systems for cleanup. In many ways, it exists outside of the business function as a post-process archiving add-on. Traditional OCR, even when used with complete capture systems, was cumbersome with a lot of manual entry/correction, often extensive services engagements for implementation and a rigid template-based recognition paradigm. Under digital transformation initiatives, F&A has attempted to automate tasks with Robotic Process Automation (RPA). The move to IDP from traditional OCR or even capture is driven by the need to modernize operations. Rather than being embedded in system applications or being part of the mailroom function, IDP has shifted in purpose and importance to be a critical set of enterprise capabilities that have become embedded in F&A processes.


Another common pain point within invoice processing is that document digitization depends on how quickly, and effectively, the employees overseeing the project can manage decisions on exception-based handling. Unfortunately, OCR's rudimentary capabilities lead to a high percentage of exceptions with manual processing. IDP replaces much of this heavy systems architecture with modern machine learning approaches that reduce the upfront 'training' burdens, implementation time and added adaptability to new document types and formats.

However, IDP isn't without its pain points. A shared challenge of IDP and OCR is adoption. In a 2019 report by the Economist Intelligence Unit, of over 500 business practitioners surveyed; 91% of organizations reported using automation technologies while only 51% made extensive use of them. Moreover 29% reported both lack of relevant skills and employee resistance to the technology as two key hurdles to automation adoption. Nearly a year into working from home in the US and processes, workarounds and habits have become engrained in employee processes. Introducing any more new processes is met with resentment and little to no enthusiasm. Moreover, employees are used to automation and its role in processes but aren't comfortable with how it works. There's a driving need for paperless tech to be less obtrusive in their working lives. Bending employees and tech to the will of so-called optimized processing benefits neither the employee nor the organization.

ARE YOU EXPERIENCING THESE COMMON PAIN POINTS IN THE DIGITIZATION JOURNEY?

- You may have gone paperless but your customers and vendors are still sending physical billing, faxes and checks
- There is a growing backlog of content to be scanned, categorized, and indexed
- A lack of employee training and adoption are causing continued errors, varied processes and inefficiencies
- Different departments in the finance function have embedded OCR and IDP into different processes preventing standardization of the tools





Opportunities for Seamless Accounting

Two major trends have driven the shift towards reorganizing invoice processing in the organization. Firstly, burgeoning efforts to streamline back-office processes to prioritize customer experience have reorganized the positioning of paperless tech from an operational excellence tool to a service enabler.

Why does the User Experience Matter to Automation?

Designing automation projects to be more user friendly is a key component of customer centricity. McKinsey reports that when a large insurance carrier brought frontline employees into the conversation around identifying use cases, defining modeling and integrating with business processes for an automation tool they saw a 30% increase in adoption rates.

F&A is following suit. From paying bills by smartphone to communicating through email, text, and chat, customers have higher Accounts Receivable (AR) expectations. Likewise, Accounts Payable (AP) is prime for a customer-centric model to deliver better service levels to both internal customers and vendors.

How does this relate to paperless processing?

It has the opportunity to help organizations deliver faster (and trackable) transactions, credit issuance, shipments, and returns. Digital processing enables greater self-service for vendors to quickly on-

What is Customer Centricity?

It's a business philosophy that places the customer at the center of operations, service level agreements, business decisions and organizational strategy.

The approach aims to win long-term customer loyalty and steadily grow their wallet-share by providing a relationship between them and the organization unmatched by any competition.

Consider these Stats

According to Forbes...

- 73% of companies that delivered an above-average customer experience reported higher financial outcomes
- US companies lose \$1.6 trillion due to poor service that leads to customers switching service providers
- 90% of CEOs surveyed by PWC reported that customers had a high or very high impact on their strategy

board and check payment statuses. Automation tools have themselves advanced to provide more embedded seamless user experiences. As automation tools such as vendor self-service become easier to use and more embedded in background processes, there also is a growing appetite for paperless technology to also blend seamlessly into the automation tech stack.

This leads to the second shift in how organizations are utilizing digital tech. Organizations have realized that content (i.e., unstructured information) is an essential part of their business processes; they've had to re-think how they use it. They're recognizing that documents have shifted in importance from being merely a source of raw data to being information in context that yields decisions and actions. Bringing together AI with document processing to enable more automated decision making has caused a major shift in how these capabilities are consumed but also how important they are to the smooth operation of the process and effective customer experience.

For AP, Intelligent Invoice Processing can automatically extract data from complex and unstructured documents and inject it into an F&A platform without manual entry. This provides one of the most significant accounting automation opportunities: as data input and management from unstructured documents become more automated, it becomes more actionable. This enables analytics, and therefore dashboards, to make forward-facing business decisions. Moreover,

leaving the extracted data in the robots' care means that the employees overseeing the process can focus on more value-added tasks. This capability in paperless technology from data entry to knowledge enhancement and assistance provides another additional opportunity for accounting...

This report will outline two case studies that demonstrate re-designing processes with a customer-centric lens in the following pages. While one organization had already invested in automation workflow and OCR, they found their invoice, and claims processing was still starved for resources. They decided to set aside the operational model and re-think what modernization meant, starting with designing payments-as-a-service. This shift marked a move away from pure operational excellence and towards experiential excellence leading operations. As mentioned previously, user adoption can be the defining difference between an automation tools that works and that which fails. These case studies accomplished this shift by developing these new paperless processes as a set of services that could be deployed outward and replicated without a heavy development effort. This opportunity has created a shift in how paperless tools and capabilities are used and consumed in automation and business applications. The content of the documents themselves is no longer just relegated to archiving systems of record; rather, it becomes an active participant in operational and customer decisions.

With intelligent document processing, F&A can better manage cash flow

From effectively managing inventory to negotiating early payment options and digital payments, Intelligent Invoice Processing provides the opportunity for both accounts receivable and payable to seamlessly track, manage and analyze the money going into and out of the company each month.

The Impact of Intelligent Invoice Processing

30%

less time responding
to inquiries



81%

faster invoice processing time

91%

lower invoice processing costs

400%

increase in employee
productivity



12%

fewer late
payments

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Case Study One: Fender chooses ABBYY Digital Intelligence to transform the accounts payable process and increase employee job satisfaction.

Since 1946, Fender has revolutionized music and culture as one of the world's leading musical instrument manufacturers, marketers and distributors. Fender Musical Instruments Corporation (FMIC)—whose portfolio of brands includes Fender®, Squier®, Gretsch® guitars, Jackson®, EVH® and Charvel®—follows a player-centric approach to crafting the highest-quality instruments and digital experiences across genres. Since 2015, Fender's digital arm has introduced a new ecosystem of products and interactive experiences to accompany players at every stage of their musical journey. This includes innovative apps and learning platforms designed to complement Fender guitars, amplifiers, effects pedals, accessories and pro-audio gear, and inspire players through an immersive musical experience. FMIC is dedicated to unlocking the power of musical expression for all players, from beginners to history-making legends. Their Accounts Payable team is based in Scottsdale, AZ and processes global invoices. They chose ABBYY's Digital Intelligence platform to expedite invoice processing automation. The whole team now benefits from optimized use of financial and intellectual capital.

CHALLENGE

- Staff manually moved vendor emails containing invoices into folders and then inputted them into SAP. Fender recognized the opportunity for a more efficient and accurate process.
- More than 2,000 vendors sent invoices in different layouts and languages. The solution had to be flexible.
- Needed seamless integration with UiPath and SAP financial software.

SOLUTION

- ABBYY's platform automates the entire invoicing process. It extracts PDFs, captures data from a variety of formats and languages, and extracts a diverse range of fields.
- After data capture, classification extraction and analysis, the data goes through a verification station where close to 80% of documents pass through without human touch.
- Invoices that do not are difficult for even a human processor to understand.
- Documents are then passed to a UiPath robot so that the process flows seamlessly to SAP.

VALUE

- Staff time is now redirected to activities that optimize operations and strengthen the customer experience.
- Improved efficiency and accuracy. Reduction in time to process vendor invoices.
- Better use of financial and staff resources

"We were looking for a solution that allowed us to not only reduce the time needed to process vendor invoices but one that improved our payment flow. Luckily, ABBYY's unique platform has an amazing ability to learn and pick out the right data from our invoices. The efficiency of ABBYY has allowed our team to work on other projects to keep Accounts Payable as current as the needs of our business change."

— **Michele Sease**, Finance Manager, **Fender Musical Instruments Corporation**

Case Study Two: Costain Transforms Its Finance Department Using ABBYY Content Intelligence

Costain is a leading smart infrastructure solutions company serving the UK's energy, water, transportation and defense markets. As part of its digital transformation strategy, it wanted to transform its procure-to-pay operation and upskill its finance team.

CHALLENGE

- Highly manual invoice processes strained limited internal resources.
- Daily process started with employees printing invoices as they came in. They organized invoices into piles based on the person responsible for each vendor.
- Back office systems needed to be updated to attract and retain top talent and meet customer demands to get the best results for the business.
- Needed a robust Content Intelligence solution that integrated with and enhanced its existing RPA solution to deliver a higher level of accuracy when extracting unstructured data from invoices.

SOLUTION

- ABBYY Intelligent Document Processing platform, FlexiCapture, integrated with UiPath to create a seamlessly automated processing system that captures line items on the face of invoices and delivers meaningful analytics.
- FlexiCapture ingested the invoices as they arrive from the vendor, does the recognition with a high level of accuracy, and processes them straight through.
- 80% of all invoices are processed by FlexiCapture without any human touch.

VALUE

- ABBYY Content Intelligence skills transformed the finance department to be more agile and empower staff to focus on higher value tasks.
- 400K invoices are processed through ABBYY FlexiCapture, speeding up processing time, and reducing employee and customer pain points.
- 9-minute reduction in invoice processing time, generating significant cost savings for the company.
- 80% straight through processing of invoices, with the introduction of ABBYY.
- Employees are freed up to add value in ways they could never have imagined.

“We’re looking at processing 400,000 invoices through ABBYY FlexiCapture. 400,000 invoices, times 9 minutes saved (per invoice processed), is a huge, huge savings for the business, and it is generating an enormous capacity so that our people can add value.”

— **Steven Still**, Head of Automation, **Costain Group PLC**

Conclusion

By providing a seamless user experience through intelligent invoice processing, organizations can achieve the kinds of ROI that give hours back to the Accountant's workday. Previously perceived as a pipedream, achieving this kind of productivity not only wins over employee adoption for automation – a key challenge for many companies – it also drives real customer-focused improvements to invoice processing.

The case studies for both Fender and Costain demonstrate how the implementation of intelligent invoice processing has had drastic impacts on F&A and the customer (and employee) experience.

For Fender, the technology has enabled better use of financial and staff resources. With improved efficiency and accuracy, staff time is now redirected to higher skilled tasks that can optimize operations and improve the customer experience.

For Costain, ABBYY Flexicapture enabled 400K invoices and counting to be processed. This hasn't just sped up processing time and reduced employee and customer pain points. ABBYY Content Intelligence skills has also drastically transformed the finance department into a more agile workplace.

This report asserts four key takeaways readers should pay close attention to. First, OCR's rudimentary capabilities lead to a high percentage of invoice exception handling. As more Accounting departments adopt IDP, document recognition requires less decision making interference to enable straight through processing

Second, IDP meets senior leadership appetite for modernization, which focuses on delivering a seamless customer experience and requires user adoption for success

Third, because of this maturing technology, the placement of invoice document processing is experiencing a shift. Organizations are now paying closer attention to how processing time can improve the customer experience.

Fourth, experiential excellence, as a design criterion, should have user adoption as its central goal. User adoption is the difference between automation that works and that which fails

More Questions about intelligent invoice processing?

Reach out to our point of contact...

Reggie Twigg

Director of Product Marketing
intelligence@abbyy.com

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