The future of purchase to pay:
trends report

Introduction

In our ever-changing world, there is no doubt that organisations are always looking for ways to increase and maintain good profitability. In regards to processes related to Purchase to Pay (P2P), the development of digital support has happened relatively quickly. Many businesses have streamlined and automated their operations, especially when it comes to managing supplier invoices.

However, development continues, and it's not easy to keep tabs on and properly understand where we're heading. As a software system supplier, we are pushing development, helping to create new trends, and collaboratively making conditions better for administrative processes related to purchasing and payment.

As a decision maker or expert in your field, you play an important part. With this document, we want to contribute to increasing your knowledge regarding technical solutions for the process of purchasing and payment. This way, you can provide expertise when the business is looking for new, innovative solutions.

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How did it all start?

In the 1990's, the first systems with the ambition of streamlining the P2P process saw the light of day. The focus was always on invoice management, and an important part was that the technology allowed for interpretation of paper invoices. In other words, in contrast to manually entering the invoice data it can be scanned and the text data automatically interpreted.

This paved the way for smart solutions where the electronically scanned invoice could be sent for approval via e-mail. Being able to manage invoices electronically was a new thing, and the accounting rules were not suited to the digital format. Among other things, you had to mark the invoices with serial numbers, and you had to get creative in order to find efficient solutions.

Even though we managed to create an electronic process for invoices, there was a whole lot of manual labour to start things off. Every individual invoice had its own itinerary in the system. This was usually handled by the finance department.

Either way, it was a revolution. The difference between manual invoice management and electronic invoice management was enormous, and if there were any teething problems they were quickly forgotten as the profits were so evidently large.

However, we have seen constant development over the years. The technology has progressed, scanned paper invoices have been replaced with e-invoices, and regulation in regards to filing has eased up. With a couple of exceptions, we are today seeing global acceptance towards e-invoices as a legal document for filing.

How is it looking today?

Many businesses have made great strides in terms of automation. Primarily, many businesses have focused on invoice management. Today, businesses have reduced administration costs per invoice to very low levels. The technology has advanced making it possible for an electronic invoice to go directly to payment without human involvement.

Also, certain grey areas surrounding invoices have now disappeared and we have full control over our invoices and payment flows. Payments are made on time with reduced costs for past due fees which gives us stronger relationships with our suppliers.

There are still businesses on the market that haven't implemented digital support for either invoice management or purchasing. However, we're also seeing how certain businesses have made great strides in their ambition to streamline and take control, and continue to drive development by taking their solution a step further.

Our vision

Implementing systems in this day and age is supposed to be simple and to support current technologies. Systems are supposed to be mobile, responsive and cloud based. Security and user-friendliness are two other keywords. As a customer today, you should be able to have the same high standards on a cloud based solution as the solution that you previously installed in your own environment.

Many businesses want to use tested, standardised software that can be used by everyone, so called Best Practice solutions. However, needs are often the complete opposite. Today, businesses and organisations put great value in suppliers who have the ability to listen to specific demands and requests.

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There are great pulls to streamline, and globally we can observe trends that follow us and lead us in the right direction for our goal of automation.

There are several trends in the field, all of which will greatly impact the process of P2P. Some are challenges and others are great opportunities to drive process streamlining to a whole new level.

Technology is not a one size fits all solution. Today, innovation is as much development of smart technologies as it is the ability to give smart advice.

The clearest trends we can observe today are:

→ **100% Digitalisation (Touchless invoice)**

→ **Expand the control of purchasing**

→ **Authorities' requirements on digitalisation**

→ **Cloud based solutions**

→ **Best-Practice vs. Flexible**

→ **One system, one common process for the entire P2P**

→ **Electronic venues for buyers/sellers**

→ **Connection of suppliers' web shops**

The trends

→ **100% Digitalisation (Touchless invoice)**

As much as possible, you want to get away from being dependent on paper, and many CFOs are today frustrated with getting stuck in development. To many, this comes down to 100% e-invoices. However, if you expand this to also include purchasing, there is potential for even more digitalisation, as purchasing today often includes manual labour and a whole lot of paper. We often hear terms such as Touchless Invoice and One-ClickBuy.

Touchless Invoice:
The invoice arrives electronically and gets matched automatically against an order or a contract. If everything matches certain established guidelines, the invoice can proceed automatically to payment.

One-Click-Buy:
A term to describe simplicity in searching for products and ease of purchasing. With the digital purchasing systems we have today, there are conditions set in place for automation, and clients can perform purchases with just one or two clicks.
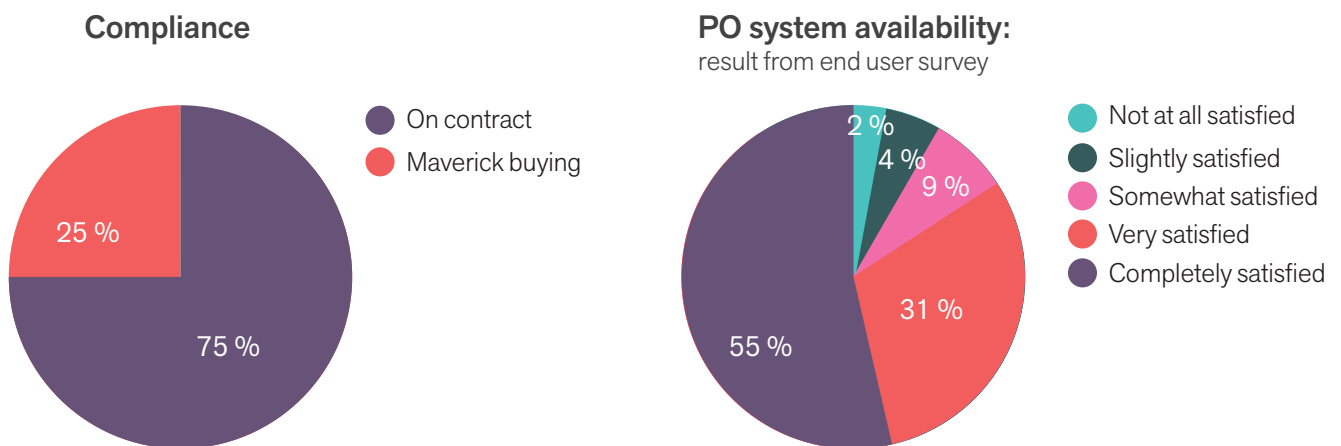
→ Expand the control of purchasing

Corporate purchases are now partly controlled, professional, and they are based on supplier contracts governing prices and other conditions. We are seeing an increase in strategic purchasing by corporations where other, uncontrolled groups of goods are included, for example what we usually call indirect material.

Purchasing is not only an issue for the purchasing department. The financial department should also be included, and collaboration between purchasing/financial is an important aspect of success when you want to deliver successful automation throughout the entire P2P process.

An additional purchasing system with the ability to pre-approve orders is seen as a good investment for easier control of the operation against company rules and policies for purchasing.

With full insight and control over all the company's purchases, we can more easily control against the total budget or savings targets.

Both time and money can be saved here, primarily in terms of price but also in the process, as we are able to make purchases more easily. There's also big profits to be had in financial administration by automatically matching invoices that are already approved at purchase and delivery.

Compliance

PO system availability:
result from end user survey

- On contract
- Maverick buying

25 %

75 %

- Not at all satisfied
- Slightly satisfied
- Somewhat satisfied
- Very satisfied
- Completely satisfied

2 %
4 %
9 %
31 %
55 %

We ensure easy access to the purchasing process and therefore we are able to create the best prerequisites for purchase policy compliance. By constantly liaising with collaborators and understanding their levels of satisfaction, we can continuously check that the goods and services needed within the organisation are available in the chosen purchasing system.

→ Authorities' requirements on digitalisation

The Nordics have been leading the development of e-invoices, and we have seen requirements from authorities that paper invoices are no longer acceptable. In 2005, Denmark implemented a requirement for e-invoices for authorities. This has greatly contributed to the development of e-invoice distribution.

We have seen other countries with similar initiatives. Latin America is a good example, where Brazil today stands out as one of the most successful markets in the world in terms of development of e-invoices. Other countries in Latin America have also come a long way.

We are also starting to see initiatives from the US authorities demanding certain criteria for e-invoices. We believe that this will ultimately contribute to the requirement for increased usage of the e-invoice in the US.

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→ Cloud-based solutions

There are still technological choices to be made. A lot has to do with matching your own environment and your own competence with the supplier. Every year, more people and businesses are choosing cloud based solutions for their services in P2P.

What alternative you choose depends on the needs of your organisation, current IT infrastructure, strategy for IT investments, and internal requirements on security.

→ Best-Practice vs. Flexibility

Today, there is a trend that solutions are packaged by needs, company size, volume, ERP systems etc. The suppliers have many years of experience, and can show how the system is to be set up and used. For cloud based solutions, this has come to dominate the market. However, we can also observe a distinct counter-trend. Customers request the ability to adapt systems to demands and desires specific to their organisation.

→ One system for all processes

A large number of people in the organisation are involved in the P2P process including finance and accounting decision makers, buyers and those with authorisation for approvals. This requires systems to be simple and intuitive, and to look the same whether I'm making a purchase, pre-approve an order or approving an invoice. Gathering all processes in one common system with the same login makes it easier for users.

At the same time, it gets easier to administer such a system where integration towards ERP – accounting information, companies, suppliers etc. – is managed in just one place.

→ Electronic venues for buyers/sellers

Developed standards for e-invoices/e-orders and online venues increase our ability to collaborate between buyer and seller. The technology helps us in a big way, and both buyers and sellers benefit from getting closer and becoming more integrated. This paves the way for tighter affiliations and better conditions for both parties, both in terms of purchasing and invoice management.

After all, the foundation to becoming 100% digital is built through dialogue with our suppliers. Other than the technology, more and more services are provided in order to help buyers/sellers to cooperate. However, in order to create conditions for the "Touchless Invoice", we need to connect our suppliers earlier on in the chain. We need technology solutions that enable us to establish a digital flow throughout the entire purchasing process – in collaboration with ALL our suppliers.

We also need to be able to easily connect to our suppliers to be able to digitally shop from them. The level of maturity varies in our suppliers, and we need to be prepared to work with this. If the supplier is worth a lot to us, then maybe we can help the supplier develop their solutions. Otherwise, we will try to meet the suppliers where they are today.

→ Connection of suppliers' web shops

Traditionally, electronic purchasing has mostly been catalogue based – suppliers provide current price catalogues administered in the customer's purchasing system. We are seeing that more and more are using internet technologies to connect their purchasing system with their supplier's web shop.

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This is to reduce administration concerning catalogues, and in many instances to create better conditions for correct purchases. We call this punchout technique.

Primarily, this punchout technology has been used internally within the organisation by professional purchasers to suppliers with large assortments or frequently fluctuating prices, e.g. the computer industry. However, we look to broaden this to also include other assortments that are made available to more buyers within the organisation.

The ERP system: the core in the business

The core of our business is often reflected in our ERP system. Integration with the ERP system is essential and may be the single most important component when we are looking at implementing new types of technology support systems in the organisation. The ERP systems that we work with today have become more of a container for gathering data for accounting and there is a need to search for more niche products to support business processes- for example P2P.

A flexible system park brings freedom – for example, the freedom to easily add value with a specialised solution for P2P. The project for introduction and upgrades will be reduced and thus safer to implement. In an ever-changing world, it's important to be able to easily upgrade all of your systems in order to take advantage of and embrace new innovative solutions that can develop the business further.

Working with a niche supplier, you as a decision maker get an increased support for you decisions regarding the P2P processes. Reports in real time go without a saying, but are perhaps more of a buzz word than a requirement. More important is perhaps that the reports are simple, graphically presented, and include the ability to be distributed to relevant decision makers in the organisation. Using one system for P2P, you get uniform statistics throughout the entire process.

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To sum it up

100% digitalisation in combination with Touchless Invoice is perhaps the best way to sum up the trends. If we can reach Touchless Invoice, we have a 100% measured process all the way from purchase to payment. In this digital P2P flow, we are creating the best possible conditions for the business to be able to maintain or increase good profitability. With a complete view over our processes we become more agile in an ever-changing world.

Being at the forefront of technology is important, but perhaps even more important is to be at the forefront of innovative technology solutions to fully support the company on its way towards 100% digitalisation. When we talk about technical solutions, we mean that we take the entire landscape into consideration – products to support the P2P process connected to the ERP system and the ability to reach and communicate electronically with your suppliers.

Moving from manual to automated in terms of P2P will result in large profits from day one – you will get reduced administration, a streamlined business, increased profitability, and better control.

As a trendsetter, it's important to find solutions that help organisations to further develop their digital processes. This is another area where we can observe how profits in the organisation are realised fast.

Following trends and seeing how others develop their business gives us the best conditions to ensure that the organisation doesn't lag behind in development, and that it can compete on equal terms.

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Palette is a market leading provider of financial process automation software with over 3 500 customers across 50 countries. We help companies transform and automate their Purchase to Payment Processes utilising their existing ERP and finance system investment.

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