

AUTOMATING PAYABLES

In this issue

PRODUCT SPOTLIGHT

Invoice Automation with A/P Advantage

QUICK TIPS

A Step-by-Step Approach to Payables Automation

NATIONAL ECONOMIC UPDATE

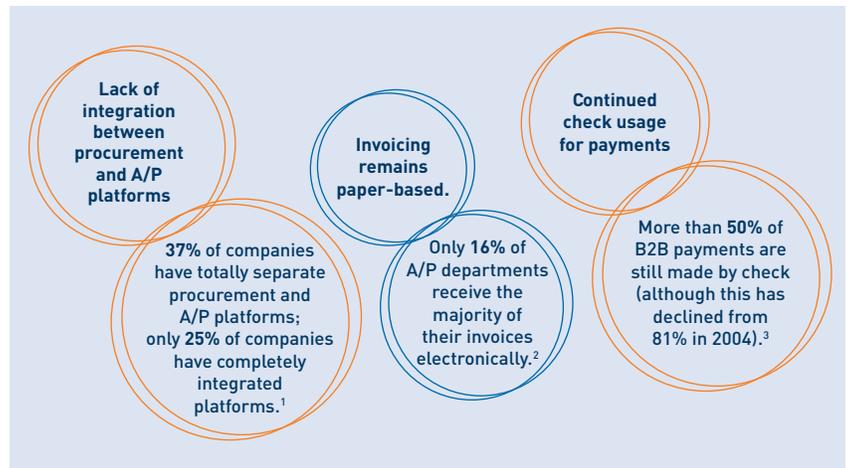
A NOTE FROM JEFF FELSER, SENIOR VICE PRESIDENT



In navigating through the sluggish growth environment of recent years, U.S. companies have increasingly focused on improving efficiency throughout their organizations.

Many companies have found significant opportunities for efficiency gains by introducing automation into their accounts payable (A/P) operations. In addition to helping with efficiency, automation can offer a number of other benefits, including reduced costs and greater visibility into their pending financial obligations. However, the majority of companies have been slow to commit to systems and practices that would automate some or all of their payables processing, and remain captive to paper-based practices.

MANY U.S. COMPANIES REMAIN RESISTANT TO AUTOMATED, INTEGRATED AND ELECTRONIC PAYMENTS



¹ Electronic Procurement: Creating Buyer/Supplier Collaboration through AP and Procurement report, PayStream Advisors report, August 2013

² PayStream Advisors Report, March 2013

³ AFP [Association for Financial Professionals] Electronic Payments Survey 2013

WHY THE RELUCTANCE?

Companies cite a number of reasons for their reluctance to embrace payables automation, including:

- **Inertia:** Internal stakeholders can be resistant to change, in particular if this change is seen to threaten their or their colleagues' jobs. In addition, employees tend to be comfortable with tried-and-trusted processes. A survey by PayStream Advisors found that the biggest barrier preventing companies from adopting a procurement automation solution was the belief that current processes work.⁴
- **Lack of resources for implementation:** There are many groups within an organization that have a direct role or indirect influence on the payables process (e.g., IT, finance, procurement, administration and audit). Gaining a consensus among these groups and devoting both financial and human resources to set up and implement a more efficient payables process can be daunting.
- **Perceived supplier reluctance to embrace electronic payments:** Companies expect that the inertia in their organization is also manifest in suppliers, even if companies have never discussed the mutual benefits of automating payment processing with their suppliers.

INTEGRATION HAS ITS ADVANTAGES

Naturally, companies need to understand how the benefits of changing from existing processes can outweigh the costs in a move to payables automation. The principal benefits of a fully integrated accounts payable process include:

- **Cost savings and more effective resource deployment:** In addition to directly reducing paper and postage expenses, a more automated A/P process leads to significant savings in administration, allowing administrative staff to be redeployed to more value-added tasks.
- **Greater insight into working capital needs:** With automation providing much greater transparency at all stages of the transaction lifecycle, companies can quickly obtain a much more accurate gauge of their working capital needs at any point in time.

- **Improved accuracy:** While a streamlined payables process may not completely eliminate paper checks (there will always be some suppliers who prefer to be paid via check), increasing the use of automated payments should help to reduce the number of errors (and the time spent correcting them).
- **Enhanced buyer/supplier relationships:** Suppliers' reluctance to change the way that they submit invoices and other bills is seen as one of the key barriers to companies embracing payables automation. However, suppliers can also derive significant benefits from engaging in these new processes, like getting paid more quickly and dealing with fewer transaction disputes. Suppliers who choose not to change their billing and receivables processes risk losing customers to more flexible competitors.

SOLUTIONS PROVIDER AND TRUSTED ADVISOR

Even companies that are aware of the many benefits of automating their A/P processes may worry that they do not have the required level of internal knowledge to get these processes up and running. This is where you see the true value in engaging the services of a bank like PNC. As a pioneer in the payables space for more than 20 years, PNC has extensive experience in A/P automation and continues to lead the industry with a robust set of products and services, as well as best-in-class support.

Our automation offerings are centered on **Payables Advantage**, a consolidated payables platform that enables clients to submit a single payment file containing ACH, wire, card and check payments. PNC also offers **A/P Advantage**, which streamlines invoice receipt, processing and payment. Most recently, PNC worked closely with Tungsten™ Network—which provides a leading electronic invoicing network—to incorporate e-invoicing into our Invoice Automation solution. (See this issue's [Product Spotlight](#), for more information). And, in keeping with PNC's commitment to provide our clients with a fully integrated end-to-end solution, PNC provides a range of settlement options, including **ActivePay**®, which integrates commercial cards as a settlement option within existing A/P processes.

⁴ "Electronic Procurement: Creating Buyer/Supplier Collaboration through AP and Procurement" report, Paystream Advisors, July 22, 2013

PNC'S PAYABLES CONTINUUM

PNC has developed a suite of services designed to streamline portions of the payables continuum including processes for invoice receipt, review and approval, payment authorization, and initiation.

Capabilities range from core payment methods to value added, payables services that can be used as payment channels (either as stand-alone solutions or in combinations) to further optimize the payables process.

Core Payment Methods

Check Issuance

- Controlled Disbursement
- Account Reconciliation
- Positive Pay / Payee

ACH

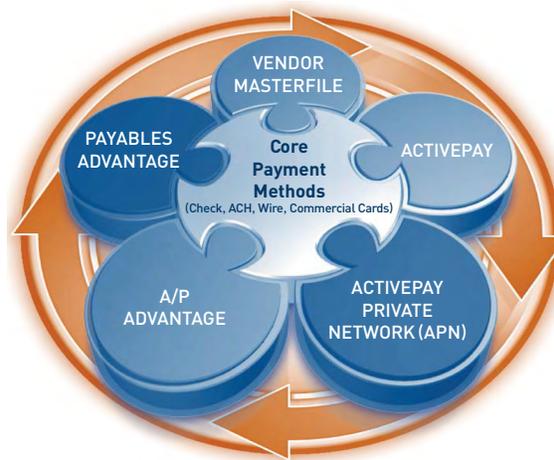
- Payment direct to supplier
- Variety of data standards
- Low cost payment methods used with known suppliers
- ACH Positive Pay

Wire Transfer

- Large dollar items with same day settlement
- Payment is final
- Limited payment detail

Card Services

- AP Card Usage
- Distributed Purchasing or Corporate Card



Value Added Solutions

Payables Advantage

- Single file for all payment types
- Full client control
- Payment detail
- Option for outsourced check printing

A/P Advantage

- Electronic invoice review / approval
- Auto-settlement of invoices and payment
- Workflow and spend reporting
- Multiple payment options

Vendor Masterfile

- Vendor ACH Enrollment
- Eliminate checks

Card Services

- ActivePay
- Single Use / Virtual Accounts
- Exact Match Authorization
- Vendor Enrollment Support
- ActivePay Private NetworkSM (APN)

PNC also provides dedicated advice and support to address client concerns and effectively set up and implement payables automation. This support is led by our **automation consultants**, who have an in-depth understanding of existing client processes

and structures, as well as their financial need and usage patterns. These consultants work together with clients and additional PNC resources to develop a payables automation strategy and plan for a seamless implementation.

Discover how PNC can deliver ideas, insights and solutions to help you achieve your automation objectives. Contact your PNC Treasury Management Officer or Account Manager, or visit pnc.com/treasury.

INVOICE AUTOMATION WITH A/P ADVANTAGE

Companies are continually looking for ways to drive efficiencies in their payables process and optimize their working capital. One of the most effective ways to achieve both is through invoice automation.

The right invoice automation solution can simplify payables processing, save time and money, and reduce the incidence of errors. And yet, for many companies, invoice processing remains largely paper-based. A recent E-invoicing Adoption Benchmarking Report by PayStream Advisors found that 52% of invoices in North America were exchanged via paper in 2013 (although this was down from 59% in 2012).⁵ However, reliance on paper is declining and as more companies come to understand the benefits of invoice automation, demand will continue to grow.

A COMPREHENSIVE OFFERING

In response to client needs, PNC developed **A/P Advantage**, a centralized, easy-to-use invoice automation solution. Our highly customizable solution is unique in that it can address three separate challenges:

1. **Invoice document processing:** Our **data capture** operation receives invoices via post office, e-mail or fax, digitizes the content with Optical Character Recognition (OCR) technology and sorts out correspondence on behalf of clients. In addition, business rules validate purchase order number and vendor name prior to the delivery of invoice images and metadata to workflow or ERP.
2. **Process control:** Leveraging industry-leading on-line **workflow capabilities** to review, adjust and approve invoices, this robust A/P workflow automates the routing of invoices and exceptions, and can be easily adjusted, linked to other workflows.

⁵ "Electronic Invoice Management" report, Paystream Advisors, January 22, 2014

3. **E-invoicing:** PNC's **electronic invoicing solution** is provided through our working relationship with Tungsten Network. Through Tungsten, clients have access to a global network of more than 168,000 suppliers and worldwide supplier recruitment capabilities. As part of this service, PNC assists clients with supplier onboarding to improve invoice delivery by significantly reducing the need for manual intervention. E-invoicing has particular appeal for companies that process large invoice volumes and use purchase orders.

TUNGSTEN NETWORK

Founded in 2000, Tungsten Network, built on OB10 e-Invoicing, is the global e-invoicing network. The network serves 55% of the Fortune 500, which includes large corporate and governmental buyer groups and more than 168,000 suppliers.



TANGIBLE BENEFITS

Current clients cite a wide range of benefits that PNC's A/P Advantage solution provides:

- It offers an **integrated invoicing solution** for both paper and electronic invoices from a single provider, with a single contract.
- Automating invoice processing and eliminating paper can lead to **significant reductions in administrative costs** for clients, both centrally and in the field.
- Throughout the invoicing process, PNC's A/P Advantage invoice automation solution captures real-time data on spending volumes with specific vendors, providing valuable insight which may be used to **negotiate better terms with suppliers**.

- Invoice automation may lead to **improved supplier relationships** because payments to suppliers tend to be quicker and more accurate. In addition, a growing number of suppliers see the benefits of both being part of a global supplier network and using a robust supplier portal to receive status updates.
- With an automated, single-source solution, the **match rate of invoices to purchase orders is significantly increased**, while less paper handling can help you **reduce errors and disputes**.
- A/P Advantage provides 16 real-time reports. These reports enable clients to track invoices and gain **comprehensive visibility** into invoice data and cash flow forecasting. In addition, the **increased transparency** enables clients to identify bottlenecks in how invoices are handled and quickly implement solutions.
- Because the solution is provided by PNC, it can be **integrated with additional treasury management services** like PNC's Payables Advantage.
- Lastly, building a custom workflow can be accomplished with **very little IT engagement**.

MAKING THE SWITCH

Some companies have been reluctant to embrace invoice automation. The most common reasons for this include:

- Belief that they do not have the IT resources for implementation (according to the 2013 AFP survey, 71% cited this as a barrier to the adoption of electronic payments).⁶
- Time to win support within the organization, with multiple stakeholders involved in the decision.
- Organizational inertia, as well as a culture that believes that bills should be paid as late as possible.

PNC recognizes these concerns. PNC has created a robust implementation process for your seamless transition to invoice automation. Clients are assisted by a dedicated PNC team with extensive experience in A/P, invoicing and payments. The team includes:

- **A/P subject matter experts**, who can address the special circumstances of each client's solution and advise clients on best practices for success.
- **Automation Consultants**, who provide project management and support during invoice automation program set-up and implementation.
- **Account Managers**, who have a deep understanding of client structures, characteristics and needs.

During an implementation, PNC's team provides hands on support as well as guidance to assist with a transition. The client's project lead champions invoice automation internally, wins approval from key stakeholders, and manages client resources.

GETTING STARTED

While clients and suppliers understand the benefits of e-invoicing, they may not yet be in a position to realize these benefits. The use of paper invoices is declining, but for many businesses, paper will continue to be part of the mix for the foreseeable future. For these companies, portions of PNC's A/P Advantage invoice automation solution can be deployed to begin replacing legacy paper-based invoice processing. Additional functionality can be added over time, as a given client's needs change.

Meet with your Treasury Management Officer or Account Manager to determine if you would be a good candidate for A/P Advantage.

⁶ 2013 AFP [Association for Financial Professionals] Electronic Payments Survey, published November 13, 2013

A STEP-BY-STEP APPROACH TO PAYABLES AUTOMATION

Many clients are interested in realizing the potential bottom-line benefits of payables automation, but are unsure of how to introduce automation within their own organizations. The ten steps below outline how companies can make a move toward payables automation.

- 1 **Reach out to your Treasury Management Officer** to diagnose your current payables practices, needs, opportunities and challenges.
- 2 **Craft a strategy** to incorporate automation into your payables process.
- 3 **Obtain active buy-in** from senior management, and ensure that this executive support is clearly communicated throughout the organization.
- 4 **Designate an executive sponsor** to champion payables automation within the organization, and organize and manage resources for each stage of payables automation implementation.
- 5 **Form a payables automation project team**, with representation from various units within the organization that have a vested interest in your payables processes, and leverage the team to gather feedback on current payables processing as well as payables automation.
- 6 **Gather the necessary information**, which PNC outlines in a prerequisites document delivered to clients at the start of the project.
- 7 **Create a project plan**, which includes a detailed schedule with specific roles and responsibilities for you and PNC.
- 8 **Identify potential obstacles** and communicate these with your PNC automation consultants so that these issues can be anticipated and remedied.
- 9 **Communicate internally** during project implementation to ensure that all constituencies are kept fully informed of progress.
- 10 **Continue to work closely with PNC** post launch to monitor the rollout, identify and address outstanding issues, and identify additional spending areas that would benefit from automation.

Meet with your Treasury Management Officer or Account Manager to determine if you would be a good candidate for payables automation.

This PNC Payments Solution News was prepared for general information purposes and is not intended as legal, tax or accounting advice or as recommendations to engage in any specific transaction, and does not purport to be comprehensive. Under no circumstances should any information contained in this newsletter be used or considered as an offer or commitment, or a solicitation of an offer or commitment, to participate in any particular transaction or strategy. Any reliance upon any such information is solely and exclusively at your own risk. Please consult your own counsel, accountant or other advisor regarding your specific situation. Neither PNC Bank nor any other subsidiary of The PNC Financial Services Group, Inc. will be responsible for any consequences of reliance upon any opinion or statement contained here, or any omission.

Tungsten is a trademark of Tungsten Corporation Plc and protected by law.

PNC and ActivePay are registered marks and ActivePay Private Network is a service mark of The PNC Financial Services Group, Inc. ("PNC").

Bank deposit, treasury management and lending products and services are provided by PNC Bank, National Association, a wholly owned subsidiary of PNC and Member FDIC.

Lending and leasing products and services, including card services and merchant services, as well as certain other banking products and services, may require credit approval.

©2014 The PNC Financial Services Group, Inc. All rights reserved.