Procure to pay technology: Taking integration to the next level

June 11, 2012 - Design / Build

The current economic environment has forced many real estate companies to assess their existing processes for savings and productivity improvement opportunities. Traditional revenue drivers are under stress and internal resources are stretched to perform more activities; manual, time-consuming tasks accentuate the pain. In response, a growing number of owners and operators are blending information and technology across functional areas, including accounting and procurement, to improve productivity and reduce expenses.

Over the past few years, the commercial property management industry's technology emphasis has shifted from core property management and accounting systems to technology that streamlines front office processing and tenant-facing services. With these systems in place, property management companies can reap the benefit of solutions and services that help them operate even more efficiently.

One area that has seen improvement over the traditional paper-based, manual process is procurement. Until about a decade ago, property managers created purchase orders by hand and routed them for approval by mail. Managers often had limited access to real-time budget information or the financial impact of purchases. Lack of insight further resulted in the inability to monitor or enforce corporate-wide purchasing standards, often leading to "maverick" spending.

Seeking new opportunities to rein in operational expenses, commercial real estate companies turned their attention to harnessing more efficient methods of purchasing supplies and services. As a result, the early 2000s saw an increase in online procurement offerings focused on maintenance and operating supplies. Vendors such as HD Supply, Grainger and Wilmar developed catalogs that allowed customers to place orders online. SiteStuff, Inc. and other aggregators soon introduced integrated online purchasing systems that allowed customers to purchase items across multiple categories from one location, creating a true "one stop shop."

Today, up to 83% of best-in-class companies are structured under a centralized supply chain management organization (Aberdeen Group, "Supply Chain Visibility Excellence," March 2012), making it a significant best practice. Next-generation systems in the marketplace offer opportunities for new efficiency and cost savings in selecting and purchasing maintenance, repair and operating supplies and services. They employ automated, electronic procure to pay solutions that combine online supply catalogs from e-procurement systems with the payable system. These end-to-end solutions enable systematic matching of invoices to electronic purchase orders directly in the accounts payable system.

By integrating procurement with the payables process, managers can track purchase orders from requisition to reconciliation. This produces improved decision-making cycles and access to operational spend from a single source. Further benefits include customized workflow approval

processes that are fully automated and based on company business protocols. In support of sustainability initiatives, companies are also seeing the advantages of a paperless process. The original invoice often is the only piece of paper and payments to vendors can be made via electronic funds transfer, eliminating tons of paper from the waste stream while also reducing processing fees associated with mailing.

Companies using centralized procure to pay systems report requiring 30% to 40% less time to process invoices, giving staff members more time for higher-value tasks. Savings of 5% to 10% on the cost of products and services such as invoice copying, storage and mailing, and invoice late fees are also common.

Birmingham, Ala.-based REIT Colonial Properties Trust is one of many companies that have undertaken business initiatives aimed at seeking operational improvements through new, fully integrated procurement and invoice processing systems. "Performing accounting, property management and procurement in one easily accessible database was very attractive to us. The real-time data should enable us to provide a better overall picture of performance to our internal customers as well as increase our service level to our residents and tenants," Ray Thornton, VP of information technology for Colonial, said in a Yardi press release announcing the company's selection of a new, centralized system in 2011.

The financial savings generated from these systems are proving valuable across departments through lower courier costs, reduced invoice processing time and tighter cash control. Soft cost savings in improved efficiency and increased visibility into the invoice processing workflow, sustainability gains, and more staff productivity represent additional dividends.

As real estate professionals continue to operate at lightning speed and leverage technology to streamline processes, increase asset value and improve tenant relations, procure to pay technology promises to unleash a wave of new and valuable best practices.

Chris Detrich is a director and general manager of SiteStuff, Yardi Systems, Santa Barbara, Calif.