



Electronic invoicing: Little paper, but plenty of payoff

May 22, 2009 - Spotlights

Does cutting hundreds of thousands of dollars from your invoice process costs sound appealing? You can do that by replacing the paper-heavy, costly, often inefficient and error-prone payables process - used by an estimated 75% to 80% of U.S. businesses - with a centralized, automated process that routes invoices electronically via the Internet.

Here's how paperless A/P works: An advanced software system converts a business's paper invoices into electronic files (data and images). The system then uses the Internet to route them to the appropriate people for approval. The invoices are integrated with the existing general ledger/accounting system, and payment is completed by paper check or electronic funds transfer (EFT).

Contrast this with traditional paper routing that entails dozens of touch-points as each invoice passes through multiple hands, with each point representing a resource drain and opportunities for error.

Documented results of paperless invoice systems are impressive. They include:

- * Per-invoice hard-cost reductions of up to 35% for real estate clients, not including "soft" cost savings due to productivity gains, vendor reliability and tenant satisfaction.
- * A savings of almost \$11 per invoice in fully automated A/P process across all businesses, according to a study conducted by the Aberdeen Group. That translates to nearly \$1.1 million in savings per 100,000 business-to-business payments.
- * Reduced payment time from as many as 45 days under a paper-oriented system to five days, as demonstrated under a recent initiative undertaken by CB Richard Ellis.

Paperless processing systems capable of delivering such value play an important role in making a business more efficient. They centralize the invoicing process, standardize policies and controls, auto-generate notices to managers, integrate fully with the property management system, give rise to profits by cutting costs and maximizing cash flow, and allow drill-down to underlying data. Along with eliminating errors produced by manual entry, electronic invoicing also frees up staff members for higher-value tasks.

What's more, a paperless A/P system need not require your company, or its vendors, to replace existing financial systems or change processes. And, perhaps best of all, with invoicing being an ongoing process, acquiring such a system generates an immediate return on investment.

Along with cost reduction and business efficiency improvements, paperless A/P systems carry significant sustainability implications. Invoices are responsible for 10% of the trees cut down each year around the world, according to global e-invoicing network OB10, and a year's worth of invoices takes up as much landfill space as 10 football fields, each stacked more than 100 deep with paper. The production of invoices consumes as much electricity annually as 20 million homes. Businesses seeking to incorporate sustainability goals into their strategic business plans should take heed of

these facts and consider the potential benefits of paperless processing.

In these challenging times, real estate businesses need to wring every last bit of value from every dollar spent. Businesses are starting to recognize the strategic importance of A/P in maximizing efficiencies; in the past two years, the role of A/P has become more strategic in 56% of enterprises, according to Aberdeen Group. Paperless accounts payable systems can help them gain value, immediately and over the long run.

Joel Nelson is a senior real estate industry analyst for Yardi Systems, Santa Barbara, Calif.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540