

A/P Cost Analysis

The average cost of processing a freight payable is more than \$28. Epay can reduce this cost by 75%.



Every Penny Counts

Imagine saving up to 75% on every payable you process.

Summary

A study by Ernst & Young revealed that the cost of processing a transportation invoice is between 2 and 4% of the value of the invoice. Other studies estimate this figure to be between \$12 and \$50 per invoice. Epay Manager was developed to assist transportation companies in reducing the time and cost of processing transportation payables by 50-75%.

By automating the accounts payable process, Epay eliminates the need to exchange paper documents through the US mail. These documents include paper invoices, proof of deliveries and checks. As a result, Epay reduces the processing time of an invoice by up to 10 days and the processing cost by as much as 75%. The good news is these results can be achieved without changing management or accounting software, business procedures or investing substantial resources in hardware or software.

Cutting costs and increasing efficiency have always been a priority for successful businesses. These activities take on even greater importance in the transportation industry, where many companies experience low profit margins.

One of the more significant costs a transportation company faces is the expense of processing transportation payables. So why aren't these companies seeking alternative, cost effective solutions to this problem? The answer lies in the lack of high quality, comprehensive alternative, low-cost solutions that are easy to implement and maintain. Until now, the only electronic option many companies had was exchanging data through EDI.

Today, Level One Technologies has made the electronic option more attractive and complete than ever before. For three years, our staff of specialists researched, designed and tested a payables solution to create, review, approve and pay transportation invoices electronically. The result is an application that is fully developed, easy to use, scalable and costs nothing to get started.

Traditional Payment Processing

For decades, transportation companies have relied on traditional paper-based methods for processing freight payables. Experience has shown these methods to be costly, time consuming, inefficient and prone to errors. A typical process is as follows:

- o Driver mails or delivers P.O.D. to carrier's office. Office receives documents, prepares invoice, attaches P.O.D. and mails to shipper.
- o Shipper opens mail, keys in data, audits invoice, reviews P.O.D., makes copies, creates file and stores documents.
- o On payment date, clerk prints check, makes copies and stores documents.
- o Check is signed, placed in envelope, metered and mailed to carrier.
- o Check arrives at carrier's office, clerk opens mail, verifies amount, keys in data, detaches check, makes and files copies, endorses check, prepares deposit ticket and drives deposit to bank.
- o Bank receives deposit, keys information into computer system. Funds transfer electronically from shipper's account to carrier's, via Federal Reserve.

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Because of technology and changes in the law, unaltered and imaged delivery documents are the legal equivalent of original documents. There's no longer any reason for shippers to require a paper original. As a result, traditional processing methods are quickly becoming obsolete. Epay used this foundation to create an imaging process that allows drivers to fax original delivery documents, toll-free to our system where they are automatically imaged, indexed and linked to an electronic, pre-audited invoice. This system gives shippers the ability to move away from traditional systems and realize the benefits of electronic invoice processing.

Assumptions

To illustrate the potential processing savings of Epay, we compared the steps of a traditional processing system and with the corresponding steps in Epay (See Figure 1, on page 2). This comparison shows that Epay automates nearly 75% of the process and in doing so lowers costs by an equal amount.

If you assume that an average accounts payable clerk is paid \$30,000 per year and a department manager is paid \$51,000 per year, the clerk's cost is \$0.32 per minute and the manager's cost is \$0.55 per minute.

The Institute of Management and Administration (IOMA) used these figures to estimate the time and cost of processing an accounts payable transaction.

Cost Analysis

The Institute of Management and Administration estimates that it takes approximately 80 minutes to process and pay a single transportation payable at a cost of approximately \$30.00.

Figure 1

Step	Action Performed	Traditional Procedures <small>Paper-Based</small>		Epay Manager <small>Web-Based</small>	
		Minutes	Extended Cost	Minutes	Cost Using Epay Manager
1	Receive PO & documentation, date stamp, file as pending	8	\$ 2.56	Automated	\$ 0.00
2	Receive invoice, match receiving support & attach PO to invoice	20	\$ 6.40	Automated	\$ 0.00
3	Verify prices, extensions, etc.	5	\$ 1.60	Automated	\$ 0.00
4	Code the A/P Voucher	3	\$ 0.96	Automated	\$ 0.00
5	A/P enters data into A/P system	3	\$ 0.96	Automated	\$ 0.00
	Cost of check & postage	N/A	\$ 0.60	N/A	\$ 0.00
6	A/P clerk requests pre-list	3	\$ 0.96	3	\$ 0.96
7	Match pre-list to support	3	\$ 0.96	Automated	\$ 0.00
8	Exception handling	5	\$ 1.60	5	\$ 1.60
9	Request checks	3	\$ 0.96	3	\$ 0.96
10	Print checks	3	\$ 0.96	Automated	\$ 0.00
11	Assign check number in system	1	\$ 0.32	Automated	\$ 0.00
12	Print check register	3	\$ 0.96	3	\$ 0.96
13	Cancel supporting documentation	3	\$ 0.96	Automated	\$ 0.00
14	Manager reviews check register & support before releasing checks	5	\$ 2.75	5	\$ 2.75
15	A/P clerk separates checks	3	\$ 0.96	Automated	\$ 0.00
16	Mail checks	2	\$ 0.64	Automated	\$ 0.00
17	File check register	2	\$ 0.64	Automated	\$ 0.00
18	File all support	5	\$ 1.60	Automated	\$ 0.00
19	Receive & reconcile supplier statement	3	\$ 0.96	Automated	\$ 0.00
		83	\$ 28.31	19	\$ 7.23

Cost Savings

Even though most companies begin the payment cycle in electronic form, they rely on paper documents throughout the process. It has been shown that paper documents create processing delays and increases the chance for human error, including the incidence of lost documents. Epay eliminates these risks by linking a member's management and accounting systems to the ACH network, allowing them to exchange important documents and communicate through our exclusive web-based interface.

