

## Options for Electronic Processing

*By: Jason Kirkpatrick (Article appeared in the February 2007 issue of "The Logistics Journal")*

Last month we explored the concepts of electronic invoicing and payment and the benefits these systems bring to 3PLs. We discussed the range of options available to companies who wish to implement an electronic solution. This month, we'll examine some specific issues your company should consider, before deciding to automate your accounts payable process.

One of the first topics to discuss is your desired level of automation. How will your company collect invoices, delivery documents and make payments? To answer this question, you'll need to determine which procedures you wish to automate. More importantly, you'll need to decide if your solution focuses only on your company's internal processes or also streamlines processes for your carriers.

In general, systems that only benefit the payer are relatively simple and inexpensive to implement. They focus on activities that occur after the invoice has been received and as a result, they can require data re-entry. Companies who fail to recognize these additional steps also overlook their associated costs and as a result overestimate their actual savings. Payers who install fully integrated document imaging systems and electronic payment software generally experience a reduction in both processing time and cost.

Many companies believe that developing a document imaging system is the first step towards making their office electronic. While this may be true, the importance of these systems can be overstated. Typically, imaging solutions only solve the problem of storage and retrieval and ignore the larger issue of receiving and handling paper. Although most agree that imaging documents is preferable to storing paper, the scanning process can actually increase the workload; mail that was once routinely copied and filed must now be scanned and indexed. As a result, these systems do not remove incoming paperwork or their handling costs. Their real purpose is to store and retrieve documents more efficiently. Companies that want greater results must develop alternatives that allow carriers to submit documents electronically, creating a fully automated system that benefits all parties.

A similar issue exists for third parties who want to pay carriers electronically. Most third parties continue to pay invoices by check, despite the availability of online banking interfaces. The reason is that most interfaces do not automate the process of collecting and storing a carrier's bank information, establishing payment preferences or preparing an ACH file. In addition these interfaces don't reduce the cost of processing, auditing and storing paper invoices. As a result, there's little motivation to accelerate payment to a carrier without a compensating benefit. However, when invoices and delivery documents are received electronically, they can be automatically audited and paid without additional data entry. In a practical sense, unless a company can automate the receipt of invoices and reduce or eliminate the audit, it's difficult to justify the additional time and cost of an electronic payment interface.

Some companies, with strong IT departments and larger budgets, have chosen to develop proprietary systems that address these specific issues. Other companies, without technical resources must find fully developed, "off the shelf" solutions that offer many of these same benefits.

Which ever path your company takes, there are several factors that should you should consider as you go forward. First, you should make sure you understand your company's objective and plan accordingly. Small, but important gains can be made by installing imaging systems or connecting to your bank to pay carriers electronically. As you look beyond these initial objectives, you should expect benefits to increase with systems that offer more advanced features. Finally, you should expect the greatest gain to come from systems that fully integrate with data from your management and accounting systems, provide two way communications and enter into a mutually beneficial relationship with your carriers.

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