



How Vendor Self-Service Reduces Cost and Enhances AP Customer Service

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— *Special Report* —



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Introduction

Every day accounts payable works with many different departments, companies, organizations and people within and outside the organization. They include employees, purchasing, vendors and regulatory agencies. This makes accounts payable unique in the sense that its “customers” are not those that buy their company’s products or services, but individuals and organizations that have an interest in some input, status or output of the AP process. AP’s internal customers are the organization’s employees — those who directly purchase goods or services for which AP has invoice processing and payment responsibility, as well as employees who are reimbursed for T&E. AP’s external customers are vendors.

Vendors, in order to manage their own cash and working capital needs, often contact via phone and email, either the person in the organization who directly purchased the goods, or AP, to determine the status of invoice receipt, approval or payment. Studies show that more and more accounts receivable departments and collectors call or email well before the invoice is due in an effort to ascertain that the invoice has been received and when payment will be made. For the accounts payable department, answering these calls and inquiries can be time-consuming. In fact, some companies have one or more employees dedicated solely to answering customer-service inquiries. If a vendor contacts their buyer directly, there can be even more work involved since the buyer may contact AP to ascertain the status of the invoice, at which point AP has to research the invoice and respond to the buyer, and the buyer has to get back to the vendor with the invoice status.

Researching and responding to vendor and internal inquiries increases processing cost per invoice and takes staff away from other responsibilities. In addition, the interruption of taking the staff member away from what they were doing may increase invoice-processing errors. If the caller is upset that an invoice has not been paid and is unpleasant and demanding, morale and hence, productivity, may suffer.

Vendors can't be faulted for wanting to know this information. And, it is usually AP's job to provide customer service between their company and its vendors, as well as playing an important role in managing the relationships with those vendors.

Vendor self-service includes functionality that provides vendors and internal staff with online access to information regarding invoice payment status, submission of vendor registration documents including W-9's and W-8's, and requests to trigger payments. Online self-service eliminates the need for the vendor to call or email, which reduces manual AP tasks.

This report will explain how vendor self-service can help vendors answer invoice inquiries by themselves and streamline vendor registration. In many circumstances this leads to recouping thousands of hours for AP operations, increasing control over vendors, providing visibility into vendor behavior, generating actionable metrics and analytics and highlighting operational insights into process improvement opportunities.

The Cost of Providing Service to Vendors

Vendor Inquiries

Research shows that the majority of the calls and emails that come to AP concern invoice payment status. Whether the organization has a dedicated AP customer service staff or individual AP team members who are balancing customer service duties with other tasks, these activities incur a cost that is not always shown separately as a component of cost per invoice. But, in reality, this can be a significant component of invoice processing cost when including salaries, benefits, taxes, equipment, supplies and training for members of the customer service team, plus their manager's time. This does not include the soft costs that are incurred when AP staffers are balancing customer service with other tasks and errors made when workflow is interrupted. There is also the soft cost of dealing with difficult personalities, which can be distracting to AP team members.

Across all industries, on average, inquiries are made on 11% of all invoices received and take 8 minutes each to resolve. Here is an example of AP customer service cost for an organization processing 10,000 invoices monthly:

Invoices Processed per Month	10,000
% of Inquiries on Invoices Processed	11%
Total Inquiries per Month	1,100
Average Time to Handle a Query	8 Minutes
Average Time to Re-engage	2 Minutes
Hours per Month to Handle Queries	146
Cost per Hour	\$20
Monthly Cost to Handle Queries	\$2,920
Annual Cost	\$35,040

To understand if vendor self service would be beneficial, it is necessary to understand the metrics of the current process and compare those metrics to what a self-service

portal will bring to the table in order to compare them to what the organization could be doing. In our experience, 80% of the inquiries will move to vendor self-service, so the example would look like this:

Invoices Processed per Month	10,000
% of Inquiries on Invoices Processed	11%
Total Inquiries per Month	1,100
Self-service Inquiries	880
Manual Inquiries	220
Average Time to Handle a Query	8 Minutes
Hours per Month to Handle Queries	30
Cost per Hour	\$20
Overhead	
Monthly Cost to Handle Queries	\$600
Annual Cost	\$7,200
Annual ROI	\$27,840

If invoice payment status inquiry metrics are not readily available in an organization, capturing them will help determine if vendor self-service will be beneficial.

InvoiceInfo has developed a free tool, the Invoice Inquiry Activity Capture Survey, which puts these metrics at your fingertips immediately. To learn more about the Invoice Inquiry Activity tool, contact us at info@invoiceinfo.com or call (678) 335-5735.

Vendor Registration

Analysis into the value of vendor self-service can also include the cost of registering vendors and risk mitigation activities.

Vendor registration is a tedious, paper-intensive process. Vendor information including government forms, such as W-9's and W-8's must be collected and verified for accuracy. Activities include verifying vendor name, address, taxpayer identification number (TIN), whether or not the vendor is listed on the Treasury Department's Office of Foreign Assets Control (OFAC) lists of entities with whom it is illegal to do business, and whether the vendor is already in the vendor master file. Incorrect TIN's and vendor presence on OFAC lists can result in substantial fines. Duplication in the vendor master can result in duplicate payments.

W-8's are particularly onerous on both vendors and companies because it is difficult for the vendor to select the correct W-8 version to use, while the forms' inherent complexity make them difficult to complete accurately. This causes companies receiving W-8's from vendors to spend additional time manually checking them for errors and communicating with vendors to make corrections. And, if withholdings are not handled properly, organizations can be faced with high penalties.

Manual workflows, compliance verification and error checking are activities that lend themselves to automation and may benefit from vendor self-service.

Why Consider Vendor Self-Service

By automating customer service via a self-service application, 80% of vendor inquiries can be handled online 24/7, drastically reducing calls, emails and interruptions. One or more vendor registration activities are also candidates, as self-service improves accuracy, streamlines efforts and mitigates compliance risk.

Converting manual customer service to vendor self-service is a best practice for AP operations not only because it reduces cost and increases productivity, but self-service also helps AP departments improve service to their internal and external customers to foster stronger relations and enhance AP's reputation.

Implementing vendor self-service can help AP organizations:

- Sharply reduce inbound calls and emails regarding receipt and payment status that AP staff previously handled personally
- Provide answers to invoice inquiries real time with no need to exchange messages or calls and wait for responses
- Service international customers 24/7 with no concerns for servicing various time zones
- Eliminate distractions from vendor calls
- Increase confidence in data when vendors can access invoice and payment information themselves
- Onboard vendors more efficiently
- Increase information accuracy when onboarding vendors
- Verify compliance of vendors with regulations and company policies and mitigate risk
- Enhance vendor services and relationships

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- Foster relationships with vendor relationship managers
 - Free up AP staff for higher-value assignments by transferring the efforts of responding to vendor inquiries and registering vendors to a secure, online location where vendors can access answers themselves and complete forms online that facilitate automated verification and error detection

Types of Vendor Self-Service

Once it is determined that vendor self-service is feasible, it will be helpful to understand how it can be delivered. There are three ways to facilitate self-service portals: build it in-house; buy a module as part of your ERP or AP automation software or use a specialized provider.

1. **Build It In-House.** If your company is like many others, AP struggles to get IT resources, and the concept of a self-service portal often does not rise to the top of the priority list since it takes time and talent away from other critical business initiatives. However, some companies may perceive the benefit of no capital investment and potential cost savings of an internally built portal and push to get IT resources. The build (and maintain) it internally version can require significant, ongoing IT resources that are often hard to come by. Changing priorities can affect IT's availability for the project and the application's functionality. In addition, maintenance and update needs will take time and effort and take IT away from other projects.
2. **Vendor Portal as Part of a Suite.** Many ERP suites and accounts payable automation solution providers offer modules for vendor portals as part of their software services. These systems are primarily designed for AP departments to get invoices processed and paid on time and accurately. Often the invoice query module is a feature that can be complex to activate, inflexible and expensive. The user might find upfront costs for licensing and set-up fees. Upgrades and new releases can also be expensive. The benefit is that it ties into the existing ERP system, which can also be a negative with regard to security and adoption-related issues.
3. **Standalone Vendor Self-Service.** The third option is a solution that specializes in vendor self-service. This is the core business of these specialized providers who focus 100% of their efforts on building the best possible self-service experiences for their clients and clients' vendors. These systems are

more feature-rich, less expensive and faster to implement. They may also be expensed rather than capitalized. Ideally, stand-alone vendor self-service is ERP-neutral, provides greater security and delivers greater adoption.

Conclusion

According to a study by The Accounts Payable Network, except for the very smallest, organizations of all sizes benefit from vendor self-service. As the world continues embracing self-service on the Internet, vendor self-service is a timely fit and has become an expectation since it helps both AP and vendors save time and enjoy improved service at reduced cost — a win-win. ■

About InvoiceInfo

InvoiceInfo, from the founders of The Accounts Payable Network, simplifies AP customer service with a powerful, yet easy-to-use vendor self-service solution. InvoiceInfo transfers manual invoice inquiries and vendor onboarding to a self-service application that maximizes efficiency, security and compliance. It's a win-win for AP, vendors, internal customers and IT. Contact InvoiceInfo today at info@invoiceinfo.com or call (678) 335-5735 to learn more.