



## Why true invoice matching matters

Imagine a world where your supplier invoices all arrive in electronic format, float seamlessly through your AP workflow system, get automatically matched against purchase orders, contracts and receipts, then go straight through to your ERP for final posting and payment. Within many retail and manufacturing organizations, this is still a dream scenario and in most cases invoices require a manual and time consuming review to be matched to a purchase order, goods receipt or contract. But the dream can come true: best practices show that organizations who focus on improving the level of automation can achieve up to 95% straight-through processing of vendor invoices.

When you take your invoice matching to the next level, invoices will flow through the AP process seamlessly in a fully touchless process where the AP invoice automation system does all the heavy lifting behind the scenes. We call this *true matching*.

The list of benefits is extensive - time savings, resource optimization, accuracy, quality, timely payments and strong supplier relationships, to name a few.

But, there is a caveat... True matching cannot be achieved by just implementing an AP invoice automation system or taking a few ad-hoc actions. True matching is the result of an iterative process where you continuously improve in five different areas of the AP process. It's not just about the quality of the matching engine, as important as that is. Implementing true matching requires a vision and a structured action plan that set directions for continuous improvements in the entire process. Continue reading for best practice tips on how to optimize your AP process in order to achieve true matching and straight-through AP invoice processing.

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## 5 optimization tactics: How to achieve true matching

In this document you will find five tactics to help you get started on a journey towards true matching and end-to-end automation of the AP process. Remember, touchless AP processing will not happen overnight and is a long term process of continuous improvements. These tactics will help you guide your organization in the right direction and deliver both quick gains and long term direction in order to achieve process efficiencies as well as cost and time savings.

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### 1: Improve quality of invoice information

It's only natural that you start by looking at the beginning of the process - the purchase order and invoice data you enter into the AP process. Everything that happens after that is a direct result of the quality of the input data. Think about what you can do to improve the quality of the data you enter into your AP invoice automation system:

- Can you ask more vendors to send electronic invoices?
- Is purchase order data created correctly and communicated to the vendor?
- Are goods receipts correctly registered in the ERP with accurate received quantities?
- Do vendors include all necessary data with line item details on their invoices?
- Can you move more purchases to a PO-based process?

We recommend that you perform a supplier and invoice data audit to understand the quality level of your current input data.

The audit will help you set goals, since the quality of invoice information defines what level of automation you can reach. The audit also helps you identify high-impact actions and prioritize your next steps.

### 2: Select a matching engine that is both flexible and specialized

If you want to achieve true matching, you need to make sure you use a matching engine that does most of the job for you, i.e. that can match invoices according to your organization's specific requirements and processes. Make sure that your AP invoice automation solution includes a matching engine that is both flexible and specialized.

Flexibility is needed to be able to dynamically match invoices on different levels (such as line item, line total or header) for the same vendor depending on which information is available and match against purchase order information.

Specialized matching functionality is required to provide straight-through processing. This should include configurable rules to support all relevant matching scenarios as well as the ability to automate management of additional fees such as freight, customs and environmental charges.



Can your current AP invoice automation solution support your most complex matching scenarios?

- Line item matching with multiple purchase orders and goods receipts
- Line total matching when units differ between invoice and order/receipt
- Invoices with expected and unexpected additional fees
- Matching invoices to orders from multiple ERPs

Challenge your AP invoice automation solution provider or consider moving to a next generation solution in order to enable matching of all your different invoice scenarios and achieve a fully automated process. Need help getting started?

[Download this checklist](#) to identify which purchase order matching functionalities and scenarios your current setup supports and where you have gaps in the process.

### 3: Make it easy to handle exceptions

Let's face it, there will always be exceptions that will need to be handled by a staff member with business expertise. But you can take actions to optimize this exception process by making sure these tasks are easy, streamlined and quick as possible.

This is where your AP invoice automation solution's level of usability makes a difference in terms of user adoption and efficiency.

Ensure that your AP invoice automation solution provides a smart user interface that allows you to simplify exception management, such as with:

- Flexible routing rules that direct the invoice to the right person at the right time within the organization depending on the exception type (price, item, amount etc.).
- Display of only the deviating line items of an invoice so that the user can make a quick decision to approve or decline these items.
- Provision of coding templates and intelligent automation rules for how to code and manage an approved or declined deviation.
- Set rules, based on your business requirements, for tolerances in percentage or in a determined currency amount per supplier.



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#### 4: Ensure high quality system integration

Complete integration with the backend ERP is critical for a truly automated process. Data needs to synchronize seamlessly and accurately from the ERP system to the AP invoice automation software and back again. The integration requires a certain level of depth to provide up-to-date and detailed invoice information to the ERP system. This might seem complex, but once it is done, your organization will benefit from major automation efficiencies.

Do your ERP and AP invoice automation-solution talk to each other at the detailed level needed to support your business?

- Full integration with the purchasing functionality of the ERP for automated allocation of all related costs on the invoice, enabling detailed cost and margin analysis on the item level in the ERP.
- Differentiated ERP postings defined by the actions taken in the workflow such as approved or rejected exceptions.
- High frequency (multiple times a day) integration to ensure best possible synchronization between AP invoice automation system and ERP.

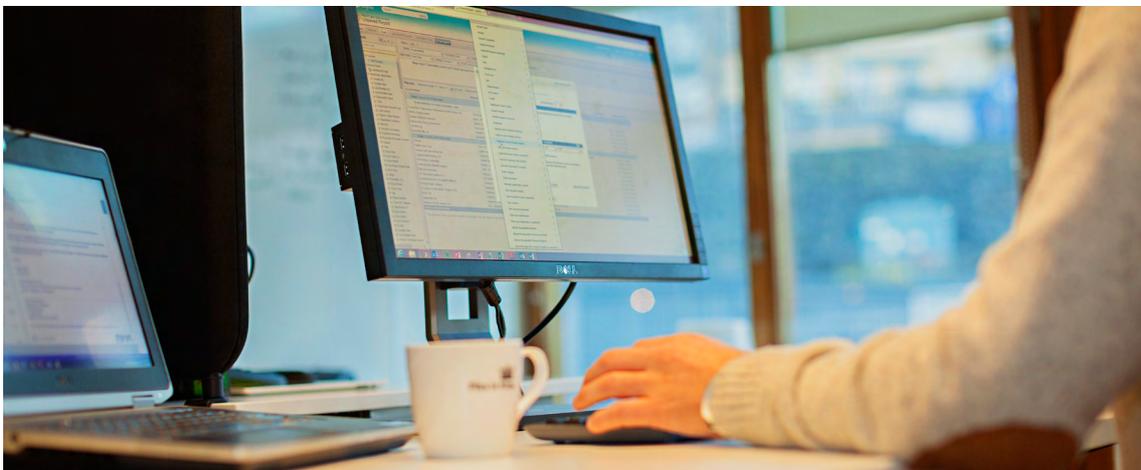
- Smart and flexible postings of VAT or sales tax handling with ERP tax codes on header or line level for the different business units.
- Efficient, robust and easy-to-use integration exceptions within the AP invoice automation tool, enabling the AP department to be self-sufficient and in control.

#### 5: Use reporting to identify gaps and opportunities for improvement

Reporting should be used to identify opportunities for improvement with the objective of reaching a touchless process. Again, this is an ongoing process and you need to continuously monitor your reports in order to identify bottlenecks in the process or new vendors who have not followed the instructions for invoice format, fields etc.

It is recommended that you identify and monitor a number of KPIs that are relevant to your business, such as:

- Ratio of touchless invoices
- Average number of manual invoice tasks
- End-to-end processing times
- Percentage and amount of early payment discounts
- Percentage of PO-based invoices



### Summary: So now what?

Touchless AP invoice processing should be the #1 vision for your AP invoice automation initiatives. True matching is the way to get there, and the five tactics above will guide you in the right direction. Now how do you turn this into an actionable plan for your organization?

We recommend a 3-step approach:

- **Audit your current process** in each of the five tactics presented above. How well are you doing in each area? Create a task list with actions and goals. Some will be quick gains to save time in your daily work and some will be more long term and ongoing tasks that will help you drive continuous improvements.

- **Challenge your AP invoice automation solution provider** and make sure you have the best solution in place to support true matching in each area of the AP invoice process. Can your current provider match your needs or do you need to look for a next generation solution?
- **Start taking actions** on the task list and implement the routines and processes needed to turn your organization into a champion of true matching. Monitor your success so that you can justify further investments in tools and processes.

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### About Medius - How we can help

Medius is a leading provider of AP invoice automation in the cloud. Our solution MediusFlow is the most powerful and dynamic AP invoice automation solution on the market today. It is intuitive and easy to use and implement; yet powerful and dynamic enough to meet the demands of global organizations. Medius is the true matching expert - invoice matching is in our DNA and at the very core of what we do.

Our comprehensive solution enables organizations to automate and enhance their AP invoice processing with unique and powerful matching capabilities that boost accounts payable efficiency, generating tangible and sustainable business value. Founded in 2001, Medius has grown steadily and now serves more than 1,700 customers across the globe, with high density in the retail, manufacturing and services sectors.

Medius has more than 200 employees working out of offices in Sweden (HQ), the USA, Norway, Denmark, Netherlands, Poland, Malaysia and Australia.