

The Shocking Truth about Paper Invoicing and Payment

For most companies the invoicing and payment process is a slow and painful one. Whether paying out for services received, or trying to get hold of money owed, everyone knows that it can take weeks if not months to see the process through to the end. In business time is money, and when you are at the mercy of a slow, paper-based process the shocking truth is that you can end up wasting an awful lot of both. Let us take a closer look at both the accounts receivable and payable process to find out exactly where the main costs are incurred. *Note: Figures for the "Getting Paid" section are from Gartner (www.gartner.com) and figures for the "Paying Up" section are from Celent (www.celent.com).

Getting Paid

1. Sending an Invoice

Once an invoice has been created it needs to be printed out onto paper. Ink costs money, and so does paper, especially if a particular invoice paper is required. Then comes the fun part – folding invoices and stuffing envelopes. This is a monotonous procedure that can last hours if not days, thus taking valuable time away from employees who could otherwise be involved in cash-generating activities. Once the envelopes have been sealed they need to be franked or, in the worst-case scenario, stamped manually. **Costs Summary: ink, paper, envelopes, postage, labour. Total Cost: £1-3 per invoice (\$2-5, €2-5)**



2. Processing an Invoice

You've printed, folded and dispatched your invoices ... now you wait. How long you wait depends on a number of things – are there any postal delays, is it a public holiday or weekend, how busy is the accounts payable department you are invoicing, how often do they process their invoices and finally, will you be at the top or at the bottom of the pile? This wait can be frustrating because you do not know the status of your invoice; has it arrived, has it been opened, is it being processed? This makes cash-flow forecasting even more difficult. When you can't wait any longer you may need to start chasing your invoice. "Chasing" is such an appropriate word, as trying to find out the status of your invoice can end up a game of lengthy phone calls, endless trips back and forth to the filing cabinet and lots of searching and sorting. If you're unlucky enough to fall victim to the "lost in the post" excuse then you will need to start the process again by dispatching a new invoice and incurring further charges.

- **Dealing with a dispute:** Congratulations, your invoice has arrived and is being processed. However, if there is a reason for your invoice to be disputed then celebration will be the last thing on your mind as a disputed invoice can prove to be very costly. In some cases, arguing your cause will cost you more than your invoice is actually worth. Invoice disputes are normally handled inefficiently, involving even more lengthy phone calls and trips to the filing cabinet. According to Gartner, customers dispute about 15% of their invoices, so there is a real potential for wasting a lot of time and money on this part of the process.



- **Chasing Payment:** After what can sometimes seem like a century, all disputes have been settled and you are ready for payment. However, in these difficult times payments are taking longer and longer to process. According to the Federation of Small Businesses, late paying customers are one of the key causes of small business failure with some large companies taking 90 days to pay up. Chasing payment can also involve sending out paper statements, invoice reminders and many, many phone calls. Furthermore loss of interest on money owed and loss of early payment terms from suppliers can further affect cash-flow. **Costs Summary: time, phone calls, labour, paper, envelopes, postage: Total Cost: £31 per invoice (\$50, €47).**

3. Processing a manual payment

When you have finally received payment for your invoice it may be in the form of a cheque. The cheque will need to be manually processed, which involves physically going to the bank and may incur bank charges. Finally you will need to manually update your accounting package with the payment details. **Cost Summary: time, labour, fuel. Total Cost: £6 per invoice (\$10, €9)**

Grand Total: £40 per invoice (\$65, €61)

Paying Up

1. Processing an Invoice

Once you have received a paper invoice you will need to enter the data into your accounting package or spreadsheet. Re-keying invoice data has a number of costly drawbacks. Firstly it is very time consuming, especially when your accounts payable department receives hundreds every day. Secondly, there is no escaping the fact that it is a monotonous task, and monotonous tasks can lead to lack of concentration, which in turn, can lead to errors. Data entry errors are not uncommon and they are one reason for many disputed invoices, costing businesses a fortune. Finally, paper invoices need to be filed and archived, which takes up time and space. **Cost Summary: time, labour, space - £4 per invoice (\$7, €6)**

2. Disputing an Invoice

We have highlighted how costly the dispute process can be for the supplier, and many of the associated costs also apply to customers too. Many companies do not have an official dispute procedure, so trying to get to the bottom of your particular problem can take time and involve lengthy (and abrupt!) phone calls that can sometimes harm your business relationship. If you hold off payment too long, you may also incur late payment charges. **Cost Summary: time, phone calls, labour - £7 per invoice (\$12, €11)**



3. Processing a manual payment

If you still send your invoice payment by cheque then you will need to write out the cheque and post it. This involves stuffing envelopes, franking or sticking on stamps and posting. Also, you may incur bank charges for depositing a cheque. **Cost Summary: labour, paper, envelopes, postage - £1 per invoice (\$2, €2)**

Grand Total: £12 per invoice (\$21, €19)

And there it is. It really is surprising just how much time, money and energy is wasted on this old-fashioned approach. But what is really more surprising, perhaps, is just how easy it is to start saving, straight away by adopting an automated, electronic process. By making the transition from paper to electronic, you and your customers can more than halve your monthly invoicing costs immediately, giving you instant access to the resources you need to improve customer relationships and drive your business forward. Instant invoice dispatch, real-time invoice status reports, data import facility, automatic debtor control, electronic dispute process and electronic payments are all features that contribute towards a streamlined, more efficient process.

Furthermore, you can now profit from sending your documents electronically. As an Accountis user you will automatically become an Accountis affiliate, and receive a financial reward every time one of your customers or suppliers signs up with us.

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www.accounttis.com

Email: info@accounttis.com

UK Telephone: 0845 120 8050

US Telephone: 1-866-817-0990

Europe Telephone: +44 1248 672670



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