Manual Invoice Processing Costs – The Burden Enterprises Unwillingly Bear!

Infographic

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About Us

Kanverse.ai is headquartered in San Jose, California, with U.S. offces in Philadelphia and Los Angeles.

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Enterprises must keep close track of their operating costs in today's rapidly changing business environment to ensure that inefficient and manual resource-heavy operations are not dragging down bottom-line growth. For example, invoice processing is a business function that heavily relies on manual efforts, leading to processing errors and increased costs, and hampering efficiency and productivity.

02 Per invoice processing costs which enterprises are unmindful of-

Based on the IOFM (Institute of Finance Management) report "The True Costs of Paper-Based Invoice Processing and Disbursements" and according to research conducted by a leading L&D organization – The Association for Image and Information Management (AIIM).

1 The average per invoice processing cost stands at **$12.90 U.S**., while the median is **$7.90 U.S**.

2 The average cost of processing a Non-PO-based invoice is between **$18 to $25 per invoice**.

3 **1/4** of businesses claim that processing invoices without Purchase Orders (PO) is three times more expensive than invoices with purchase orders.

4 Also, during mid-2020, PYMNTS.com cited that it takes **8.6 days** to process an invoice.

According to IOFM estimates, Enterprises processing less than 50,000 invoices pay the highest per invoice processing costs, an average of $13.97, compared to organizations processing invoices greater than 100,000 annually, which come to around an approximated average of around $5. For moderate invoice volume (50,000 – 100,000), organizations pay up to $7.10 per invoice processing costs while processing manually.

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Factors that lead to an increase in invoice processing costs

Large and ever-increasing volumes of invoices

As the business scales, an increase in the number of invoices overwhelms AP teams and the need for additional resources becomes the need of the hour, which in turn, increases costs and burdens operating leverage.

Processing Errors

Processing invoices often require reconciliations that are done manually using tribal knowledge built in the AP teams. This is painstaking and manual work that takes time and slows processes down leading to high cycle times of days and weeks.

Low productivity handling repetitive tasks

Billing based on hours spent processing invoices manually is inefficient and unproductive. A human gets bogged down undertaking repetitive grunt work leading to inadvertent errors, and low morale which in turn affects productivity.

Vendor relationships

Manually identifying duplicate invoices or errors in invoices sent by vendors is time-consuming and challenging.

Missed Early Payment Discounts

Since these invoices are manually handled which leads to long cycle times of weeks or days, the early payment discounts are missed.

Non-PO-based invoice

Processing non-PO-invoice is more time-consuming than invoices with PO. When the number of non-PO invoices increases, it significantly impacts costs

AP (Accounts Payables) Fraud

AP units are highly vulnerable to fraudulent attempts; falling to their victim has the potential to hamper the entire business operations.

Printing costs

Printing invoices for processing costs enterprises about $0.06 per sheet. According to researchers at Xerox - "About half of the documents printed in a typical office are thrown away within 24 hours."

Native OCR Solutions

Many accounting software provides native document extraction capabilities; however, such systems fail to extract documents with high accuracy (typically at 60-70% accuracy) or process diverse types of invoices - as a result, manual intervention becomes necessary, thus increasing costs and defeating the purpose of an AP Invoice Automation tool.

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Learn How - Zero-touch invoice processing with Kanverse helps enterprises achieve

80%

Reduction in invoice processing costs

99.5%

Data extraction accuracy from invoices

98%

Reduction in cycle time

*All currency values are in United Sates dollar ($)

Sources :

special_report_the_true_costs_of_paper-based_invoice_processing_and_disbursements.pdf (concur.com)

How Economic Downturn Drives AP Automation Need (pymnts.com)

IOFM's 2021 World Class AP Performance: Efficiency Benchmarking Metrics Report | Institute of Finance & Management

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