



# *Invoice Scanning and Capture Survey*

**September 2006**





## Executive Summary

*In the Spring of 2006, more than 400 Accounts Payable managers participated in this survey, sponsored by Datacap, Fujitsu and IOMA. This is the first survey focused on invoice processing practices and automation strategies, specifically related to imaging. It addresses AP's awareness of scanning, optical character recognition (OCR) and other automation, as well as benefits, expectations, and satisfaction levels with current invoice processing methods. Results were tabulated and analyzed by the Power Decisions Group of San Francisco.*

### **Key Findings**

Participants represented a wide range of industries, organization sizes and invoice volumes. Respondents spend an average of \$15 to process an invoice manually and 65% of respondents indicate they are not satisfied with their current process. 51% reported that they were not scanning or capturing invoices. While 49% are scanning, only 16% use OCR to automate indexing and/or data entry. Invoice volume is increasing for a majority of organizations, yet Electronic Data Interchange (EDI) and other electronic invoice transmission methods have remained relatively steady at 15%-20% of total invoice volume.

Respondents that scan invoices reported a higher level of satisfaction and greater efficiency than non-scanners; OCR users scored even higher. A significant number of respondents who don't currently scan, indicated that they are considering scanning (34.5%), but many pointed to internal obstacles, including inability to justify the cost and failure to get management to consider AP automation a priority. 52% named the CFO as the primary decision maker regarding the purchase of imaging and OCR systems.

### **Tradition Versus Innovation**

Accounts Payable is the original back-office process. Historians say that as early as 3700 B.C., Sumerians had developed a system for accounting, and there's evidence that writing was developed first by accountants as a way to keep track of transactions and debts. Indeed, paying bills is as old as the hills and, around the world AP practices have changed little since the Bronze Age. At least until now.

Accounting software and Enterprise Resource Planning (ERP) systems are helping to manage debits and credits between organizations and their vendors, but they require the invoice data. It's only recently that scanning and capture applications have evolved to automate the processing of incoming invoices. Invoice imaging eliminates the need for paper handling and storage, replacing it with electronic images that can be indexed and stored on a server for instant retrieval. OCR extracts data from invoice images to automate indexing and data entry into ERP and accounting systems. Today's OCR has evolved to handle the nuances of AP processing, including the location of data fields on the high variability of invoice layouts, PO number look-ups, and validation of line item detail.

The benefits of imaging and OCR include shorter processing time, increased accuracy and reduced cost. A recent IOMA study ("AP Department Benchmarks & Analysis," 2005) reported that the average time to process



an invoice from receipt to approval dropped from 16.07 days to 6.53 days on average after imaging systems were installed, a 59% reduction. The same study notes that organizations with a high level of automation are seeing heightened productivity from AP staffers, improving 45% from 2,221 P.O. invoices processed per month to 3,222.

The data collected in this survey provides a snapshot of a community undergoing a dramatic transformation. While some AP managers toil in obscurity, performing tasks that would be familiar to the ancient Sumerians, others have propelled themselves into the 21st century with imaging, OCR and other automation technologies. In scanning, the haves and the have-nots split almost evenly, yet as we shall see, dissatisfaction with processing methods is across the board, indicating a strong desire for more automation and more resources in AP.

**Participants**

Just over 400 participants completed the survey. Organizations of all sizes were represented, from less than 100 employees to companies with more than 5,000 employees (Figure 1). This broad participation provides an excellent sampling

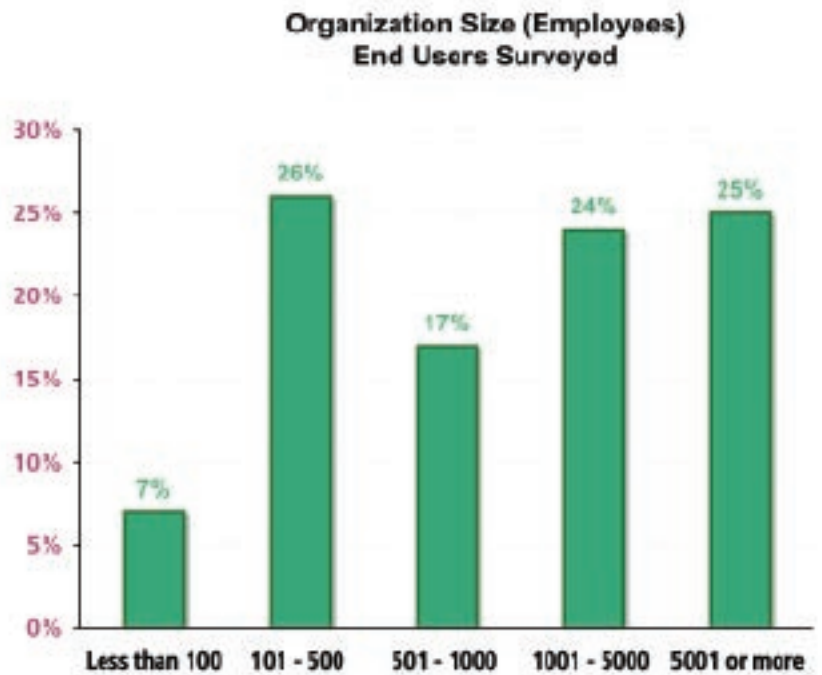


Figure 1

to analyze the current trends in Accounts Payable automation.

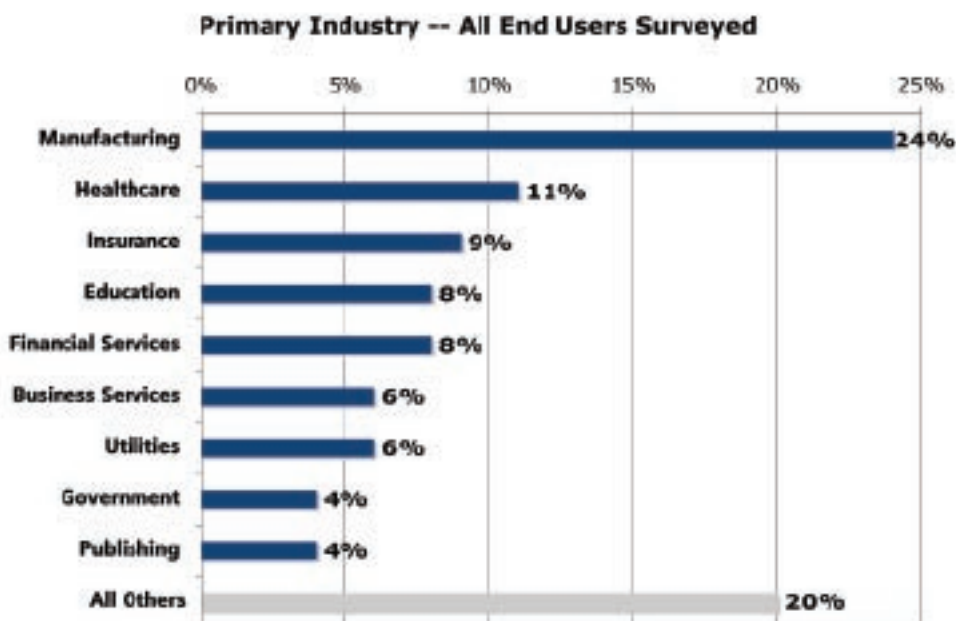


Figure 2

A wide range of industries is participated as well. Manufacturing is the largest industry sector represented, which is to be expected as manufacturers with a supply chain receive a significant invoice volume. Healthcare, Insurance, Education and Financial Services were evenly represented (Figure 2). Other industries represented include Telecom, Consumer Services, Construction, Entertainment, Legal, Real estate, Software, and Wholesale.



## How Are Invoices Processed?

The survey sought to measure adoption rates for a variety of imaging and automation techniques.

### Scanning: 50/50 Split

The survey was open to all Accounts Payable managers, regardless of the imaging status of their organizations. Responses were evenly split between those currently scanning and those not scanning. Since invoices are often handled differently, depending if they are P.O., non-P.O. or travel & entertainment invoices, the survey tracked AP organizations that scan 100% of their invoices as well as those who less than 100% (Scan Some) (Figure 3).

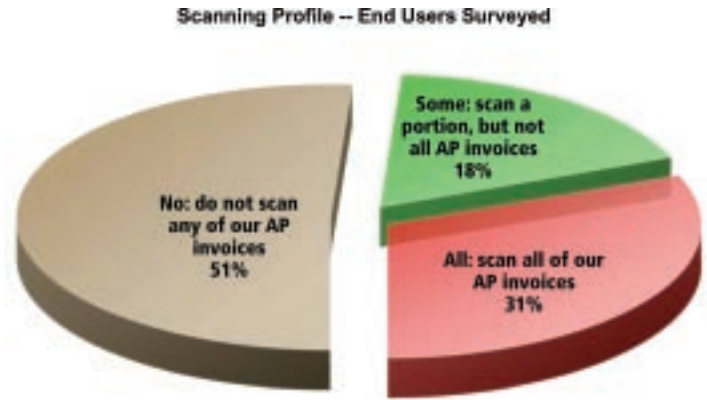


Figure 3

### Low Incidence of Outsourcing

While outsourcing is commonly viewed as the primary alternative to internal manual data entry, this is not true for Accounts Payable. The survey indicates that 85% do not outsource invoice scanning or data entry at all (Figure 4). With heightened awareness of Sarbanes-Oxley and other regulations that affect financial data, there is clearly a hesitancy to relinquish control of invoice data outside the enterprise.

### EDI and Electronic Invoicing: Not Widely Used

Since the introduction of Electronic Data Interchange (EDI) 20 years ago to automate the procurement process for organizations and vendors, paper invoices have been predicted to shrink. Yet, after an initial burst of success, EDI has leveled out at a small percentage of total invoices. With electronic invoicing via the Internet and e-mail, once again, paper is predicted to fall.

Outsourcing of A/P Scanning -- A/P Scanner Users

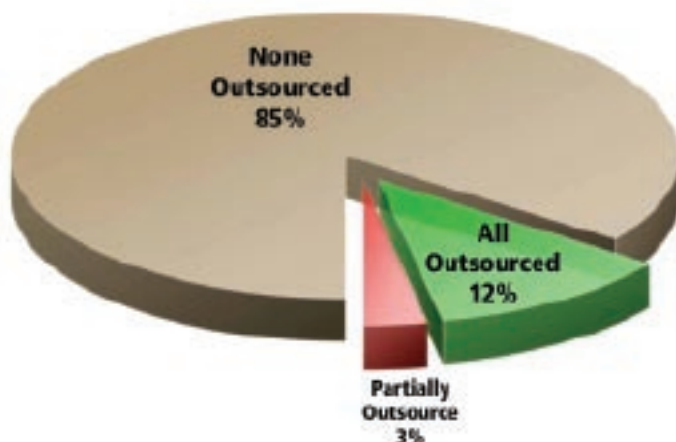


Figure 4

However, this survey confirms that electronic invoicing has not made much, if any, additional headway. 70% of participants reported that 9% or less of their invoices are electronic (Figure 5), though a handful (4%) report e-invoices at better than 50%. EDI is expensive to install and requires IT support and maintenance for both the vendor and customer, making it the choice only for the largest vendors in the supply chain. This is supported by the data, with 100% increase in electronic usage among larger organizations.



**OCR: Used By 33% of Scanners**

One goal of the survey was to gauge how far optical character recognition (OCR) has penetrated into the AP world. At first glance, it seems, not too far. Two thirds of participants who scan don't use OCR. They are manually indexing and entering data (Figure 6). 26% of scanning AP departments are using OCR to automate indexing, which is a step towards automation. However, just 7% are using OCR to read invoice data from invoices and reduce the data entry involved in processing invoices. This suggests that there is still significant opportunity for additional efficiency.

Taken together, OCR-automated indexing and data entry systems total 16% of all AP departments represented in this survey. Clearly, there is still plenty of opportunity for OCR growth in AP, and since OCR is dependent on imaging systems, it would indicate that a significant number of AP departments can enjoy rapid cost savings.

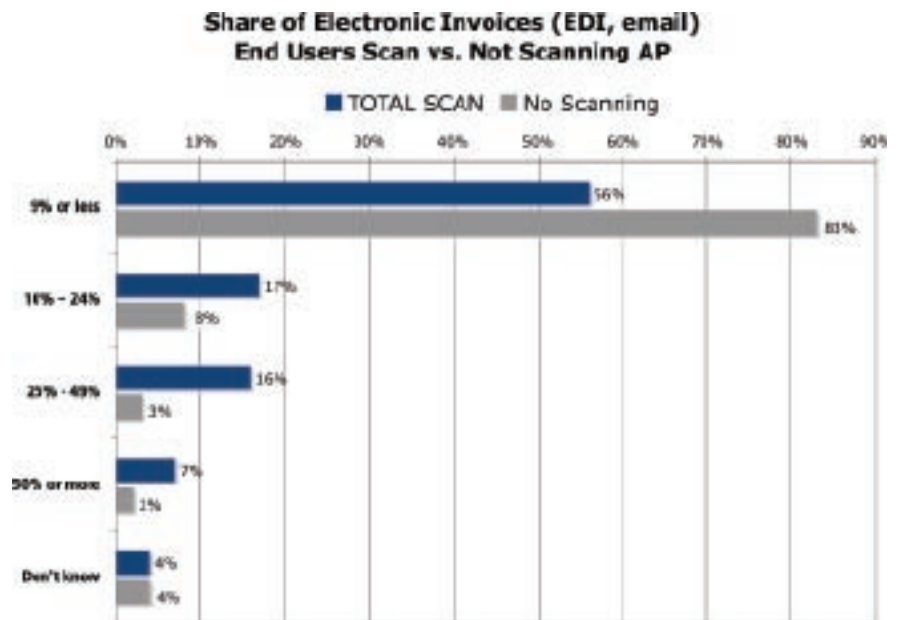


Figure 5

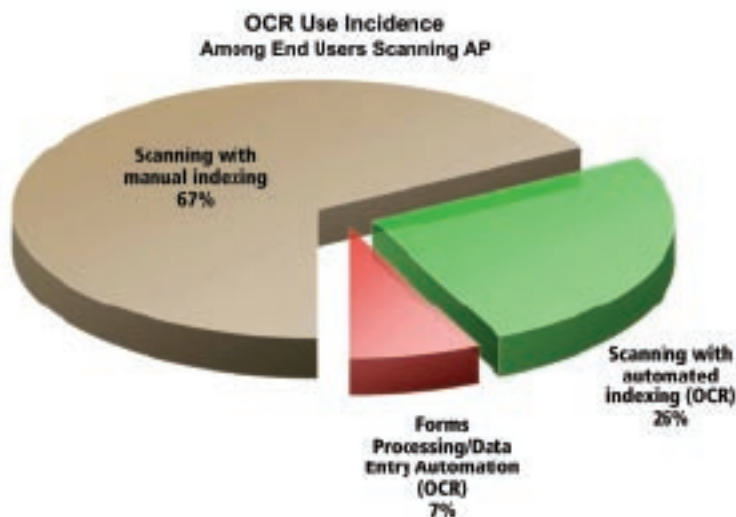


Figure 6



**Invoice Volume: Evenly Distributed**

The chart in Figure 7 shows the invoice volume distribution among the respondents (line) alongside the same distribution of total and partial scanners (bars).

**Invoices Volumes: Growing**

Even with supply chain reduction programs, invoice volume is increasing for a significant majority of respondents. Only 9% report that their invoice volume has decreased in the past 12 months with 23% stating that it is essentially the same as a year ago. The remaining 69% report an increase (Figure 9). The chart also indicates that paper volumes are growing at a faster rate than electronic.

**Manual Invoice Processing: Cost is High**

Accounts payable benchmarking has made excellent progress since organizations like IOMA began promoting the benefits of having accurate metrics. As a result, more AP departments can make a fairly accurate estimate of what it costs to process one invoice.

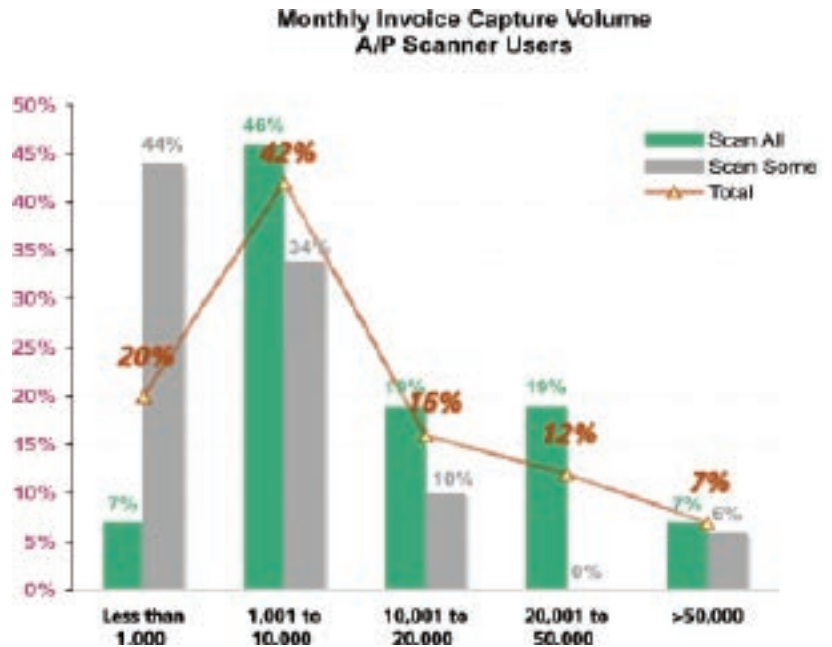


Figure 7

**Growth Rate Analysis -- End Users Scanning All AP**

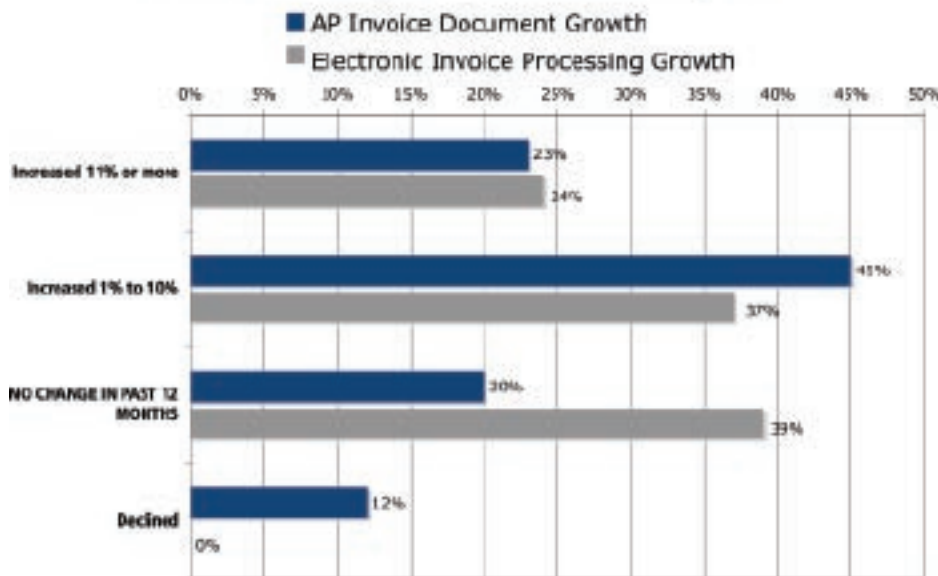


Figure 9

What is striking in the data gathered for this survey is how much of a range is reported (Figure 10). A quarter of respondents say they have processing costs down to \$4 or less, yet another quarter report \$10-\$19, yet another quarter are paying \$20 or more to process one invoice! Some respondents reported costs as high as \$75 and \$115 to process a single invoice.

We attribute this range to organizations with lower volumes, the degree of multi-page invoices, invoices with numerous line items (utility invoices, for example), but mostly, inefficient, labor-intensive processes. One organization re-



ported that invoices were often paid multiple times. With no visibility into the payment status, purchasing managers would simply submit another copy of the invoice.

While there was no significant change in cost, among those who were scanning invoices, there was a significant difference among respondents who use OCR. Data entry automation consistently delivered about a 40% cost savings when compared to those not scanning. Figure 11 shows another view of OCR's potential benefit: Among AP departments that are processing an invoice for \$4 or less, 36% are using OCR. Conversely, among those who are paying \$20 and up, 29% are not scanning at all. It's not too much of a leap to connect cost savings and OCR, especially when you consider that manual data entry is the "heavy lifting" of AP.

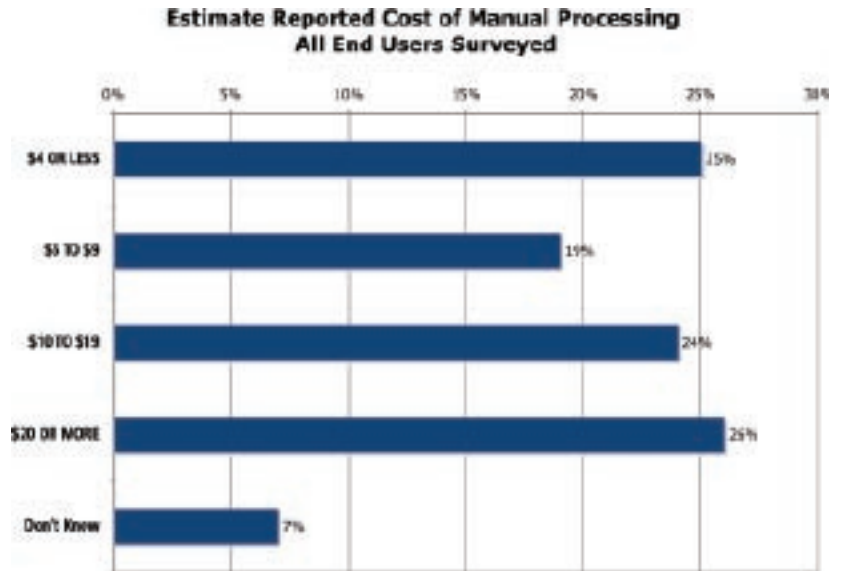


Figure 10

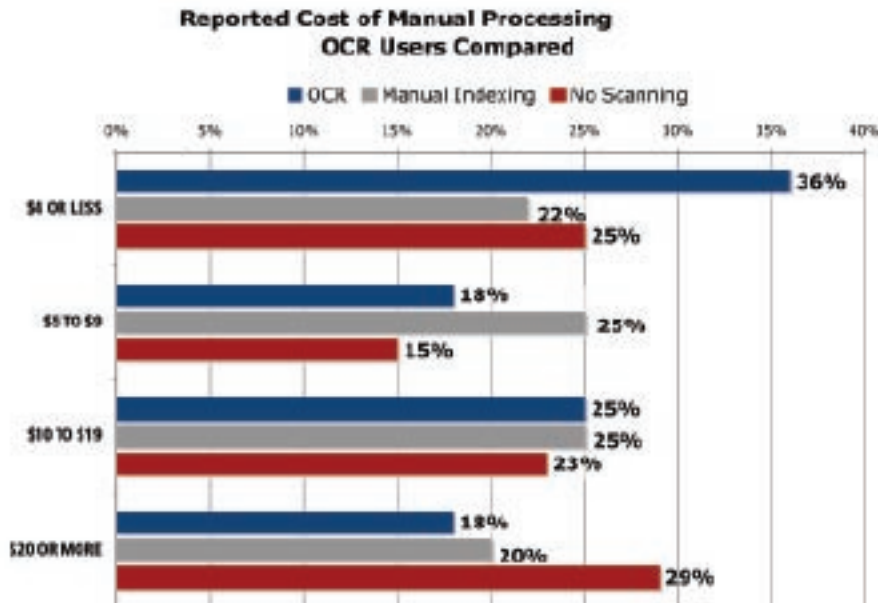


Figure 11

## Link Between Satisfaction and Imaging

We've reviewed the methods organizations use to process invoices, let's see how AP managers rate their satisfaction with these process.

### High Rate of Dissatisfaction With Current Process

Asked if they were satisfied with their AP process, 65% of those surveyed report that they are dissatisfied (Figure 12) while 27% are satisfied and 8% were neither.



Is there a relationship between scanning and satisfaction? Figure 13 finds that, of the satisfied, 59% are scanning. Conversely, 45% of the dissatisfied are not scanning.

In an open-ended question, the survey asked participants to write-in the reasons they were either satisfied or dissatisfied. 50% of the dissatisfied participants reported that their process is inefficient. The table below (Figure 12) shows a clear link between scanning and efficiency, with a much higher reported incidence of inefficiency (64%) among non-scanners.

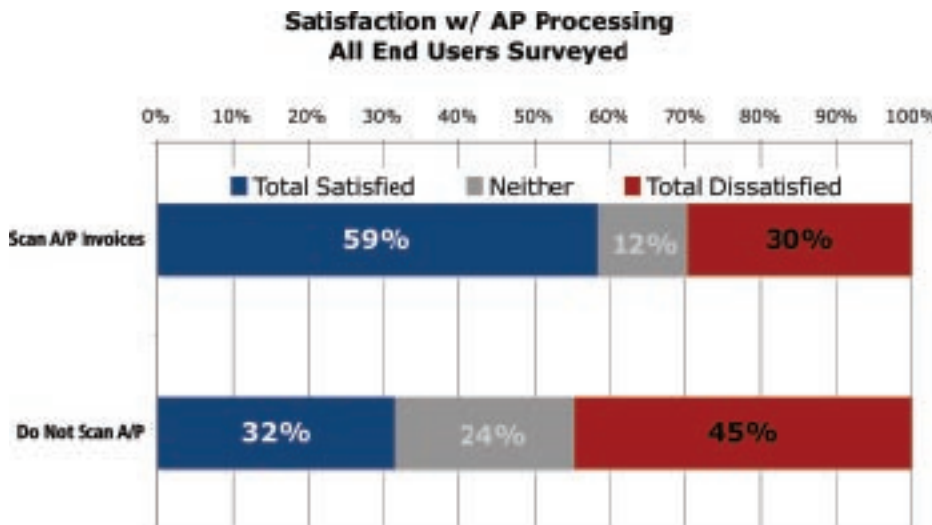


Figure 11

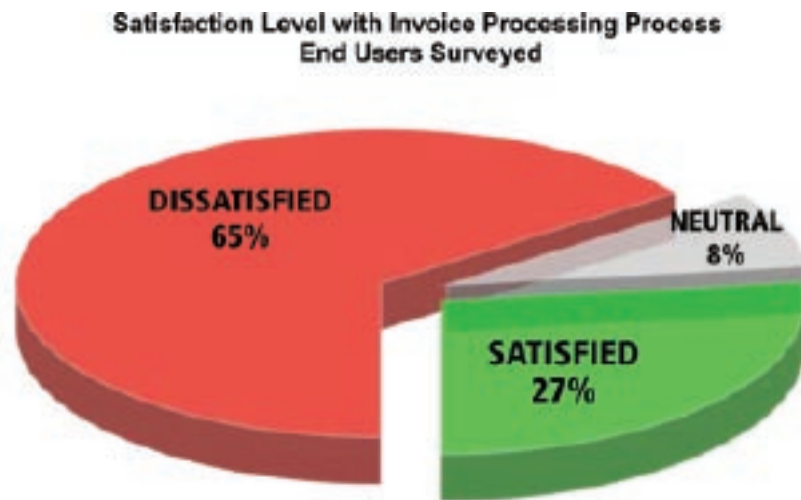


Figure 12



## Link Between Satisfaction and Imaging

We've reviewed the methods organizations use to process invoices, let's see how AP managers feel about their current process.

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### Inefficiency: the top-of-mind mention about invoice processing

When asked to provide areas that caused people to be less than satisfied with the invoice processing process, "inefficiency" was by far the dominant mention.

Total "Inefficient" Mentions	AP Invoice Scanning		
	Scan All	Scan Some	Do Not Scan
Inefficient, too manual and paper intensive	8%	14%	31%
Inefficient, Need more automation	6%	19%	13%
Inefficient, processing takes too long	6%	11%	12%
Inefficient, Should process more invoices electronically	15%	0%	6%
Inefficient, need workflow	6%	6%	2%
	<b>41%</b>	<b>50%</b>	<b>64%</b>

Table 1

Based on the qualitative feedback, the high rate of dissatisfaction among AP managers seems to stem from frustration with department inefficiencies, a lack of automation and a sense that things could and should be done better, but are not.

A brief sampling of dissatisfied write-in explanations provides a glimpse of AP frustration:

"We are very labor intensive and it's difficult to locate documents"

"Our manual process is time-consuming and keeps us from advancing"

"Too many invoices for current AP Staff. Too much time to process, which doesn't leave time for review"



Conversely, following is a sampling of write-in explanations from satisfied AP Managers:

“We have implemented a scanning process. We route invoices electronically for approval, which has improved AP performance and visibility dramatically”

“Use of imaging and workflow processing for a geographically-dispersed organization has helped manage the voluminous amounts of AP paper”

“Scanning and workflow have made the processes involved more efficient with greater accountability”

“Over the last three years, we have: implemented OCR, added Web Inquiry, and eliminated 1/3 of positions (33 to 23); no significant SOX issues; working toward standardized and consistent practices”

Again, a majority point to some form of automation, chiefly imaging, as the reason for their satisfaction. What emerges from the data is that AP departments who are imaging invoices have a better feeling about what they do than those who aren't scanning. Figure 14 shows a clear relationship between satisfaction and the degree of automation being deployed. 69% of those using OCR to automate indexing or data entry are satisfied with their department's process, 59% of those scanning but manually indexing are satisfied, and only 32% are satisfied who are not scanning.

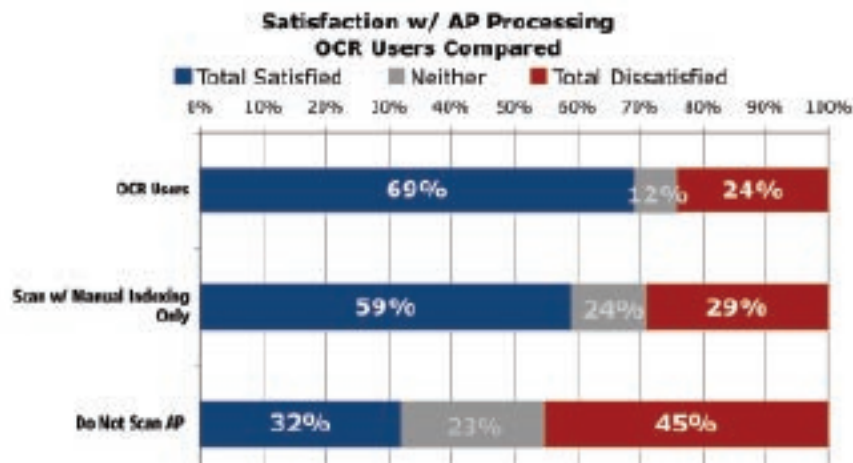


Figure 14



**Additional AP Document Types**

Participants were also surveyed to measure the expansion of scanning to include other AP documents. Once a department has committed to digitize invoices for easy storage and retrieval, to what extent would they digitize other AP records for the same reason? According to Figure 15, 29% are only feeding invoices into their scanners, however 41% are adding expense reports into the mix, 31% include receipts, and 29% image purchase orders.

**Automation Goals**

For perspective on AP's system of values and the criteria by which they judge the success of an automated solution, the survey presented a series of benefits and asked for a rating of importance. Figure 16 presents the answers provided by all end users, whether they are scanning or not.

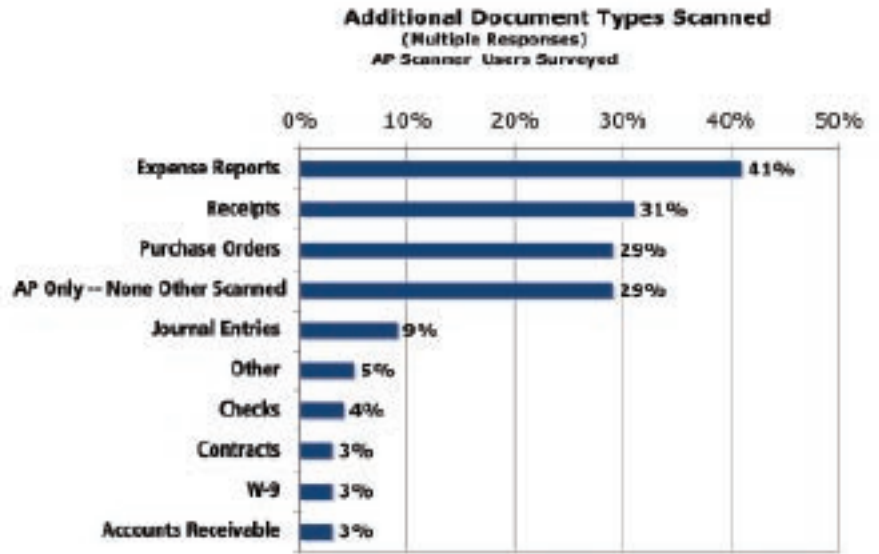


Figure 15

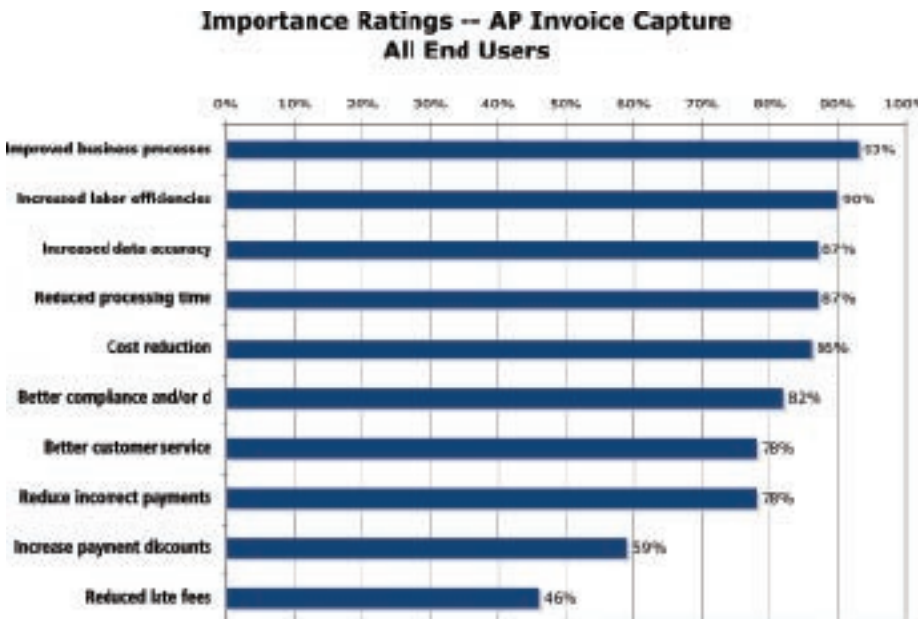


Figure 16



Clearly, improvements of any kind are important and desirable, but it's interesting to note that efficiency, accuracy and turnaround time all rate higher than cost reduction. We attribute this to an awareness that the real business benefits lay in greater efficiency and accuracy, which result both in cost savings and better customer service, which can improve top line results.

### **Expectations For Scanning and OCR**

It's common wisdom that customer satisfaction is a direct result of missed or met expectations. This survey sought to measure AP's expectations of scanning systems and how they fared after implementation. Figure 17 presents a list of criteria and corresponding satisfaction levels.

Judging by the results, scanning and OCR vendors are delivering on key areas of importance for AP. Clearly, they are reasonably satisfied with training, cost and overall performance. Areas for improvement include flexibility, implementation speed, accuracy and reporting.

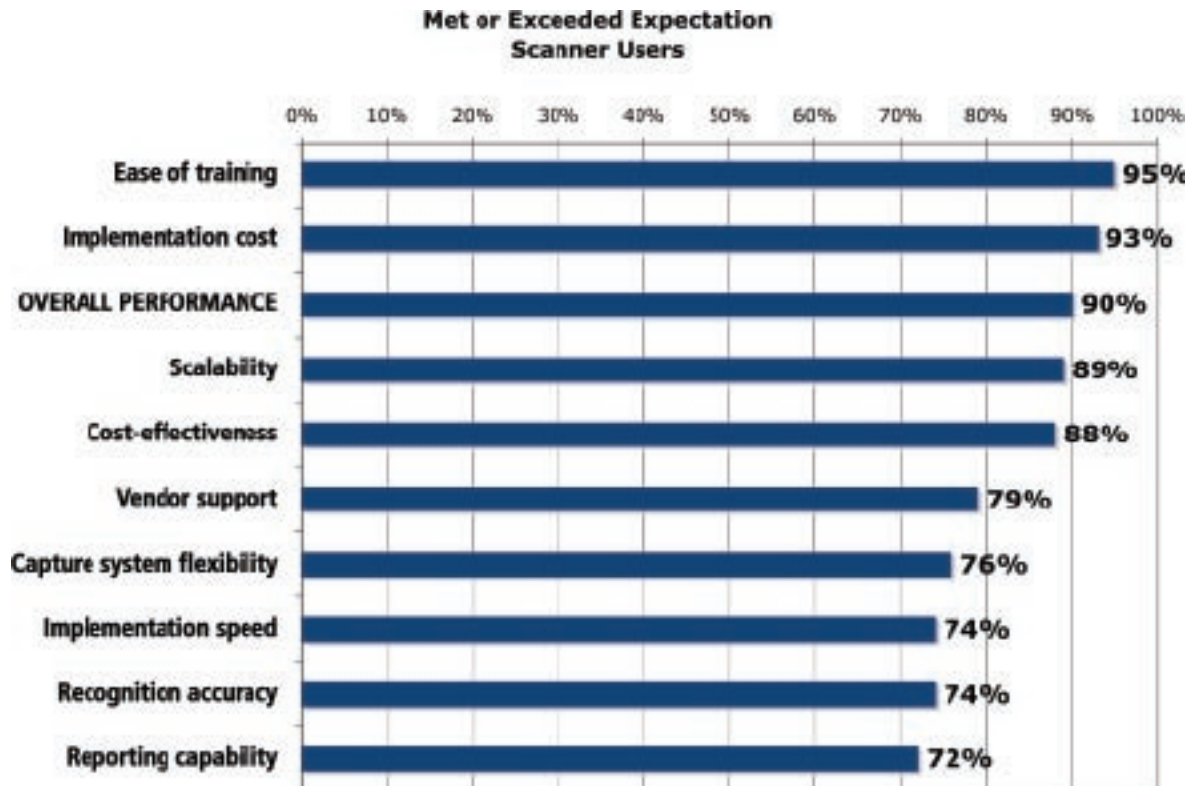


Figure 17



## Respondents Not Scanning

### Many Considering Scanning

When asked if they would consider adding scanning capabilities within the next 12 months, a significant percentage of non-scanners replied that they would. Figure 18 shows the positive replies, sub-divided by their monthly invoice volume. Not surprisingly, as volumes climb, so does willingness to automate through imaging.

### Obstacles to Scanning

If scanning and OCR can contribute to a higher rate of satisfaction, and a high percentage report that they have or would consider scanning, then what are the reasons that AP departments haven't deployed scanning and OCR?

This survey reveals that, among non-scanners, 5% are currently deploying a system and 13% said they had plans to install a system within the next year. 16% said scanning was too expensive, which suggests that most of them cannot justify system cost, based on a smaller volume of invoices. However, 30% said that scanning was not a priority at their company. One interpretation, supported by the qualitative responses, is that many AP managers are struggling to get internal buy-in for investments in automation and process improvements.

**Will Consider A/P Scanning In Next Year by Non-Users**

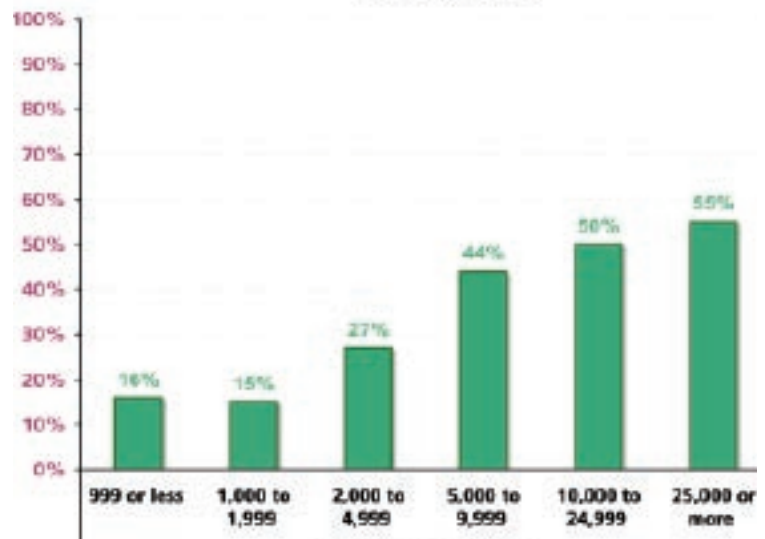


Figure 18

**Decision Makers Choosing Scanner Solution (Multiple Responses)**  
AP Scanner Users Surveyed

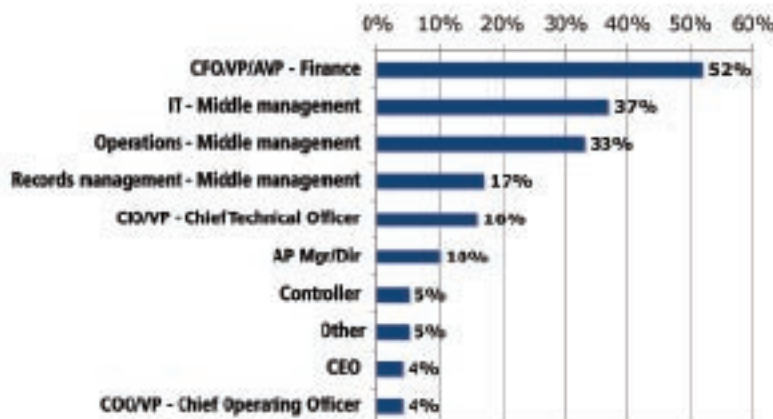


Figure 19

### Primary Decision Makers

To determine the location of the bottleneck, the survey asked participants to list the primary decision-makers involved in the purchase of a scanning/OCR system (Figure 19). Many participants listed more than one, but the primary decision-maker for a majority (52%) of AP departments is the CFO. IT Middle Management (37%) and Operations (33%) were numbers two and three respectively.

There are several reasons that CFOs outweigh all others. Many AP departments report to the Finance department, organizations will involve the CFO in purchasing decisions that involve staff



reductions, and CFOs often rely on AP for visibility into the enterprise's spend management status. Indeed, those AP departments that have embraced automation and accelerated processing, are able to provide real-time reports to the CFO on the financial pulse of the company.

## Conclusions

### ***A Time Of Transition for AP***

The Accounts Payable world has one foot in the past and one in the future. Some AP managers are slogging through paper like a modern-day Bob Cratchit, grumbling that Mr. Scrooge won't provide adequate resources, while others have convinced IT and Finance to embrace the Brave New World of automation. Rest assured that the competitive advantage provided by AP automation will drive more companies to scanning.

As OCR-based systems prove their worth by automating the indexing that scanning requires as well as the data entry, it's now possible to envision a paperless AP universe, where invoices are digitized and entered into ERP systems the same day they arrive in the mailroom, giving the CFO access to accurate AP information at his or her fingertips.

What this survey suggests is that when it comes to getting approval for imaging and OCR systems, the key to moving forward is the ability to sell the CFO on the business benefits. This requires an AP Manager to make the case in a way that will get buy-in from the CFO.

If CFOs aren't getting the message, there may be several reasons. While some CFOs are clinging to the outdated notion of AP as an unavoidable paper-intensive process, yet others may be too pre-occupied with other more urgent issues in the organization to consider implementing efficiencies in AP.

AP managers need to examine their own commitment to process improvements. If they are convinced that imaging and OCR can deliver cost savings, efficiencies and increased accuracy, they'll need to think like upper management and present proposals that clearly communicate all the business benefits with an emphasis toward return on investment. They'll need to provide supporting data, such as case studies from similar organizations, project timetables, and budgetary requirements with projected payback.

Indeed, some AP managers may have to assert themselves more forcefully to champion AP automation internally and call the organization's attention to the process improvements, increased compliance – and associated cost savings – that await them. The data in this survey suggests that it is worth the effort. Imaging and OCR has proven its value in the form of staff productivity, cost reduction, and increased satisfaction for AP managers.

The bar has been raised and organizations that don't change with the times and view AP a strategic asset for the enterprise will fall behind their competitors.



### **About Datacap**

*Founded in 1988, Datacap is the leading provider of data entry automation solutions with scanning and recognition technologies. Datacap's Taskmaster For Invoices is a leading invoice data entry automation solution, currently used by corporate AP departments, such as Georgia-Pacific worldwide, as well as utility invoice processors, including Kansas City Board of Public Utilities and USEnergy. <http://www.datacap.com>*

### **About Fujitsu Computer Products of America, Inc.**

*Fujitsu Computer Products of America, Inc. conducts engineering and marketing activities in Sunnyvale, CA and sales operations throughout the United States. Fujitsu Computer Products of America currently offers products and services including scanners and scanner maintenance, hard disk drives, Magneto-Optical drives, palm vein recognition technology and 10Gb Ethernet switches. Fujitsu Computer Products of America is located at 1255 East Arques Avenue, Sunnyvale, CA, 94085. For more information about Fujitsu products and services, call us at 800-626-4686 or 408-746-7000. For more information, please see: <http://www.fcpa.fujitsu.com>*

### **About IOMA**

*IOMA is the acknowledged leader in providing practical information to the accounts payable profession. From Report on Managing Accounts Payable newsletter and our numerous special reports to its highly-regarded conferences and training seminars, IOMA's contributions to AP education are considered the gold standard around the world. The IOMA/TAPN Accounts Payable Certification Programs have enabled thousands of AP professionals to prove their skills and distinguish themselves by passing a comprehensive exam. All IOMA AP products offer APCP certification CEU credits. <http://www.ioma.com>*

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