

Building Your Case

Building a business case for an AP automation solution can be complicated. The typical business case outlines the goals and objectives for the project, the costs associated with implementation and ongoing production, and the savings that are expected both initially and in the long term. Oftentimes, an ROI assessment is performed to understand the project's financial benefits. An ROI is an objective way of comparing the returns of one project versus another. We routinely help customers in the development of a business case and an ROI assessment. After all, we have a lot more experience in this area compared to a customer that is implementing their very first AP automation solution.

Costs are Complicated

There are many different AP automation solutions in the marketplace. Some of them are cloud-based, while others reside on-premise. Most of them price based upon the number of invoices processed, but some solutions have surcharges based on the number of users or modules deployed. In general, the costs for AP automation fall into three categories: Implementation, hardware and software, and ongoing support.

Implementation

Implementation is a catch-all for several discrete tasks. Typical tasks include installing and configuring software, establishing connections between interdependent systems, loading data into test and production environments, and configuring the system to match the business processes. Depending on the AP automation solution, implementation costs range from several thousand to tens of thousands of dollars. We often hear of implementations that run into hundreds of thousands of dollars. Why the range? Well it largely depends on the connectivity between the AP automation solution and the back-end ERP system.



Master data located in the ERP system form the foundation of the AP automation experience. In a typical implementation, data from more than 20 separate tables must be mapped between the two systems, including the chart of accounts, sub-ledger, address book, supplier master, company master, business unit master, purchase order header and detail, PO receipts and user-defined codes. AP automation solution systems also push data back to the ERP system.

AP automation vendors approach integrations in one of two ways: API-based or file-based integration. A comparison of the two approaches is summarized in Table 1 at the end of this paper. Suffice it to say that API-based approaches have significant technical and cost benefits compared to file-based approaches.

There Are Two Options: On-Premise and SaaS

There are two options for acquiring and running an AP automation solution. Option one is to license software and run it on your own servers. This is typically referred to as "on-premise." Option two is to select an AP automation vendor that provides a software-as-a-service solution, running in the cloud. This option is referred most commonly referred to as "SaaS." Both options are available in the market. Some vendors offer both, but that is a difficult balance to maintain. Inevitably, one platform receives less attention from the marketplace, a concomitant smaller investment, and ultimately atrophies.

On-Premise

On-premise solutions are often considered to be dated, both in terms of the licensing model and the technology itself. On-premise solutions require a capital expenditure. The project must deliver a favorable return on investment and compete against other capital projects during the annual budgeting cycle. Getting through the capital expenditure gauntlet is sometimes reason enough to abandon this option and go down the SaaS road instead. However, intrepid AP professionals are accustomed to fighting battles, and the ROI associated with AP automation typically ensures victory.

On-Premise, On-Going Support

It's often a hollow victory. On-premise solutions put the onus on the organization to deliver a secure, scalable and reliable solution. Software licenses require annual maintenance fees, ranging from 15% to 25% of the original license fee. Likewise, servers have ongoing maintenance contracts. In total, one could easily be paying 30% to 40% a year in support contracts.

On Premise	
Software and hardware licenses	\$\$\$
Software and hardware maintenance	\$\$
Security, reliability, ability to scale	Customer dependent
Installing and configuring software	\$\$
Upgrades	\$\$

However, the biggest drawback to on-premise solutions is the upgrade process. Every on-premise customer is essentially running its own, customized version of the AP automation solution. When a new version of the software is released (usually once or twice a year), the customer is encouraged or required to upgrade to the new release for bug fixes and access to new functionality. Naturally, software vendors downplay the effort level associated with an upgrade. However, it can be painful. There are many companies running on unsupported software systems that will never be upgraded, simply because of the effort level and expense.

Software-as-a-Service

Focus on the last word...*service*. AP automation solutions delivered on a SaaS platform truly are a service, just like a building maintenance contract, a food service contract, or a contract with a company that waters the plants in the executive suite. There are no capital expenditures required since you never own the software license nor the servers on which it runs. There is only one copy of the software, shared by all users.

Ongoing Support, Software-as-a-Service

Bug fixes and upgrades are seamlessly integrated into the underlying software license. Enhancements and new functionality are available to all users. And the responsibility to deliver a secure, scalable and reliable solution rests solely with the vendor. Platforms like Microsoft Azure and Amazon Web Services have the highest availability rates and comply with the most stringent security and data protection requirements. Moreover, they have an infinite ability to scale as invoice volumes increase. On-premise solutions are just not equipped to meet the same standards of proven platforms like SaaS alternatives.

SaaS	
Software and hardware licenses	Included
Software and hardware maintenance	Included
Security, reliability, ability to scale	Best in class
Installing and configuring software	\$
Upgrades	Included

Summary

The costs for AP automation fall into three categories: Implementation, hardware and software, and ongoing support. API-based solutions have significant benefits compared to file-based approaches, both in terms of initial implementation costs and ongoing support. Implementations for API-based solutions are much faster since they leverage their connectivity with the ERP system to populate and synchronize data. SaaS-based AP automation solutions are based on a "service" model. They include both software and hardware and are highly scalable and reliable. The underlying software is continuously enhanced and upgraded, eliminating expensive upgrade processes and delivering superior functionality at a lower total cost of ownership.