Your Guide to AP Automation in 2025

Modernize Your Accounts Payable Department with AI-Enhanced Software

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"Automated AP
is a no-brainer.
I've seen AP
done both
ways and I am
amazed at how
impactful my
employees can
be when they
are freed from
time-consuming,
manual work."

Dede Franklin, CFO,
Hampton Golf

Automation is not just a technological upgrade but a strategic imperative for organizations, according to the **Institute of Finance & Management (IOFM).**

Introduction

Organizations are increasingly turning to technology to boost productivity, create efficiencies, and gain strategic advantages. In accounting and finance departments, many companies are recognizing the value of automating processes to streamline operations and reduce manual work.

Accounts payable (AP) automation enhanced with artificial intelligence (AI) and supported by real people allows businesses to leverage technology to improve efficiency with expert oversight.

By automating the AP process, businesses can experience benefits, including faster invoice processing, reduced errors, better visibility into cash flow, and improved supplier relationships. Automation also helps eliminate tedious manual tasks, allowing teams to focus on more strategic work, ultimately enhancing overall productivity.

This guide provides information on AP automation software – from understanding what it is and how it integrates within your procure-to-pay process to tips on selecting the best provider for your specific business needs.

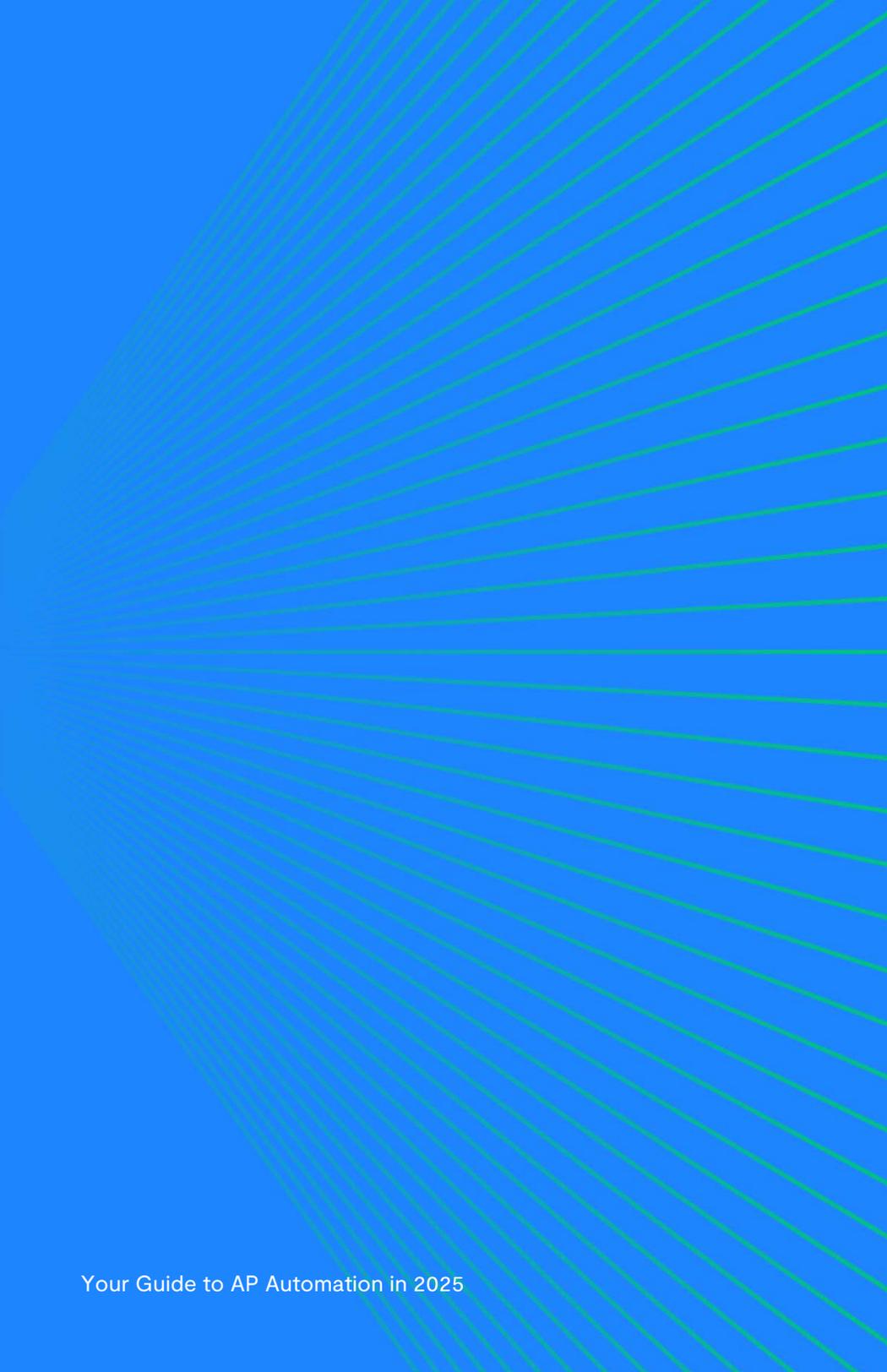**Read on to get started on your journey to AP automation.**
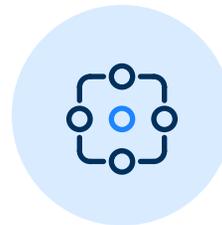
How Intelligent AP Software Works

Automating the Purchase-to-Pay Process

Making AP Automation a Reality

Part 1

How Intelligent AP Software Works

Read more from real businesses that have achieved results transitioning from paper-based to automated AP:

1. **Real estate brokerage NAI Earle Furman shaved 4+ days off AP processing each week**

2. **Construction firm Robert High Development cut invoice processing time in half**

3. **Christ Church Episcopal School reduced paper clutter and improved payment speed**

The Problem with Paper

Traditional paper-based AP processes can be time-consuming and reliant on repetitive manual work. This can be burdensome for businesses, causing inefficiencies like data entry errors, lost invoices, and late payments. These processes often require significant manual effort from AP staff, causing frustration and preventing them from focusing on more strategic activities that bring value to the organization.

There's another way to process accounts payable ...

Many organizations are shifting to intelligent AP software as part of their digital transformation efforts. With a paperless system, the AP process remains the same, but many tasks take place digitally.

Intelligent AP software can streamline workflows by digitizing invoices and automating data entry, which can prevent mistakes and lost documents. It can speed up approvals and provide real-time tracking, ultimately improving efficiency, compliance, and overall control over financial processes.

The transition to paperless AP can bring about many changes. Some of the primary differences include those listed here:

The Differences Between Paper-Based and Paperless AP Processes		
	Paper-based AP	Paperless AP
Document handling	Manual handling, filing, and retrieval. High potential for losing invoices.	Digital routing. Less risk of loss with backup and recovery options.
Document storage	Physical space for filing cabinets. Difficulty locating specific documents.	Digital storage of files. Easy retrieval of documents through search and filters.
Processing time	Time-consuming manual entry; physical routing and processing stalls approvals.	Fast digital processing; instant approvals.
Cost	Hard costs like paper, ink, postage, and storage. Soft costs for salaries related to manual processing.	Lower hard and soft costs with no paper and automated processing.
Errors	High risk of human errors in data entry and processing.	AI and electronic systems flag discrepancies, helping to reduce errors.
Visibility	Difficulty tracking invoice and payment status. Manual work at audit time.	Teams have real-time, cloud-based status visibility at the click of a button. Audit trails are automated.
Reporting	Reports are time-consuming and created manually.	Reports and analytics are generated automatically, providing key performance insights.
Security	Potential for unauthorized access to financial data. Increased likelihood of internal (e.g. fake invoices) and external fraud (e.g. check fraud).	Encrypted storage, controlled access, and detailed audit trails protect financial data. Fraud risk reduced by real-time security monitoring.

Intro to AP Automation

AP automation transforms the AP process by leveraging technology to streamline workflows, eliminate manual tasks, and enable processes to run automatically, resulting in greater efficiency and reduced errors.

While it is possible to use ad hoc systems to automate certain AP duties, AP automation software helps promote consistency and visibility across the full AP process.

How Does AP Automation Work?

Most AP automation systems use optical character recognition (OCR), a type of AI technology, to extract information from invoices and enter it into the workflow. These systems can then automatically match invoices against purchase orders (POs) and delivery receipts for verification, flagging errors or inconsistencies.

AP automation systems can then electronically route invoices to approvers based on predefined rules set by the company – automatic alerts and reminders can help expedite the process.

After the invoice is approved, AP automation can enable automatic payments based on the supplier's preference, including electronic methods like virtual credit cards or traditional paper checks.

Finally, AP automation can automate reconciliation, matching payments to bank statements using AI. Some systems may use this data to create reports that can help inform business decisions, including identifying spending patterns and opportunities for terms negotiation.

Certain AP automation systems can include a supplier self-service portal where suppliers can submit invoices and track payment status.
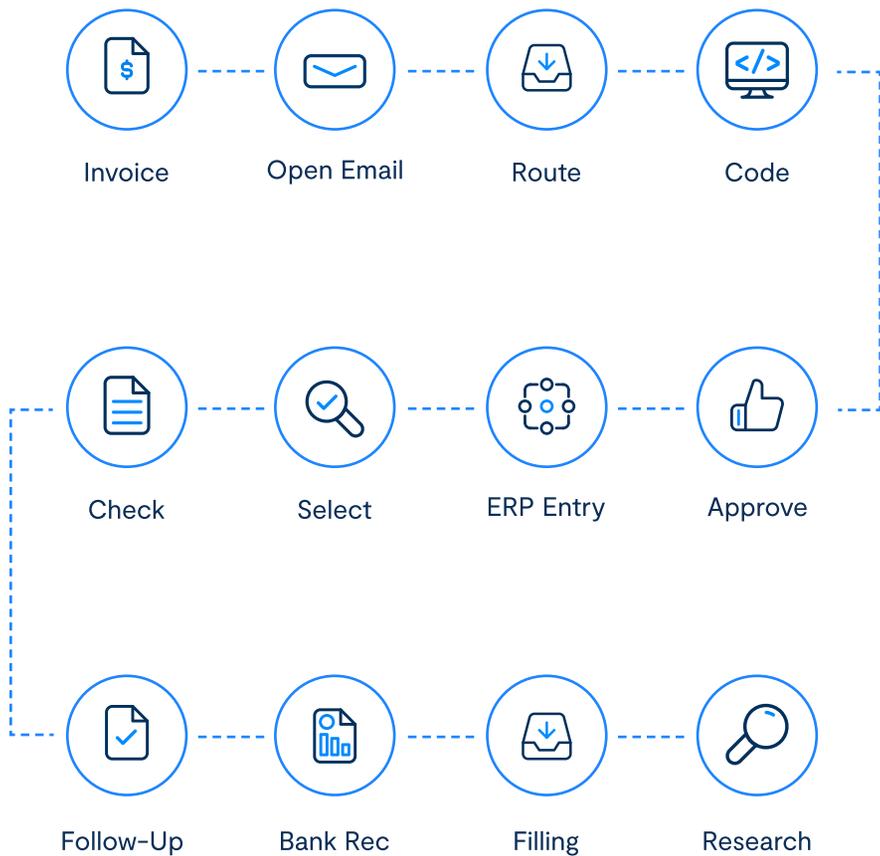
"Years ago, a company would have a giant machine that folds and stuffs invoices and payments. Then they would go through a postage machine. Now that has been eliminated through automation."

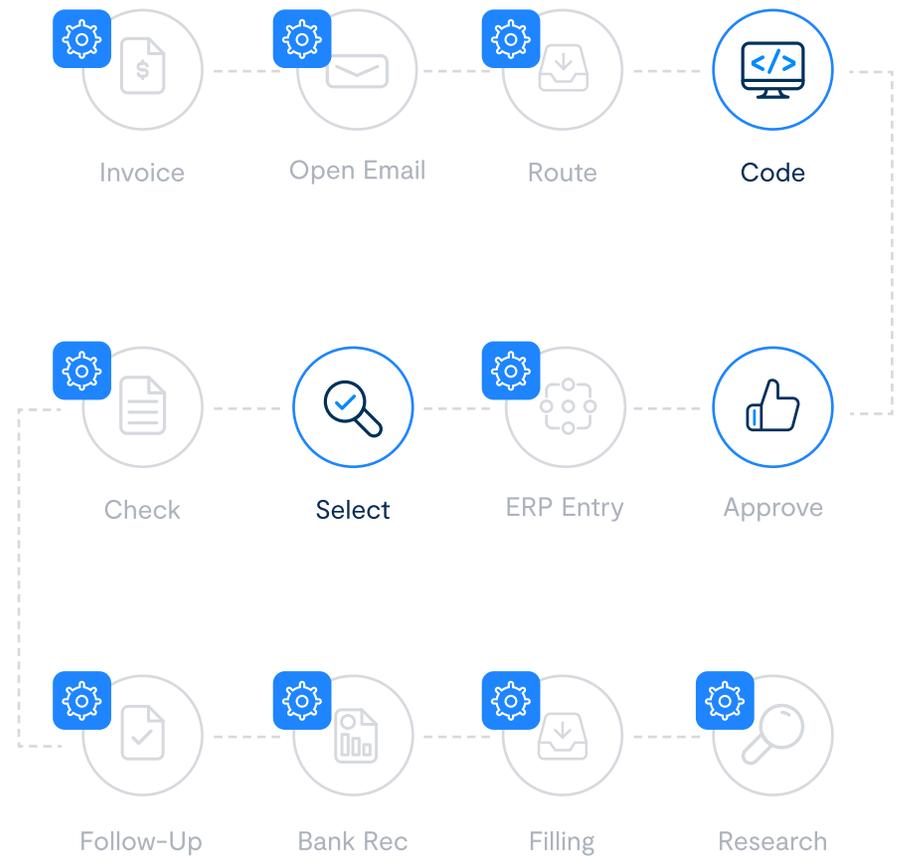Matt Sandars, AP Specialist,
Orthodontic Partners

Automation reduces the number of manual tasks in the AP process.

Before AP Automation

Invoice — Open Email — Route — Code

Check — Select — ERP Entry — Approve

Follow-Up — Bank Rec — Filling — Research

After AP Automation

Invoice — Open Email — Route — Code

Check — Select — ERP Entry — Approve

Follow-Up — Bank Rec — Filling — Research

The Benefits of AP Automation

Replacing paper-based processes with intelligent AP software offers many benefits for businesses. A few of the most common include:

Increased Efficiency

Automated systems are designed to process invoices in a fraction of the time it takes to handle them manually, freeing up staff to focus on more strategic work.

Cost Savings

Manual processing involves labor-intensive tasks that require time and resources, leading to higher operational costs. By automating these processes, businesses can reduce the hours spent on AP tasks, lowering labor-related expenses. They can also reduce hard costs on things like paper, postage, and ink.

Enhanced Accuracy

AP automation minimizes errors by automating data capture and validation using technologies like OCR and machine learning, which help check that invoice information is correctly recorded and accuracy is constantly improving.

Improved Record-Keeping and Audit Readiness

Accounts payable automation ensures that all invoices, payments, and related documents are stored in a centralized, digital repository. This makes it easy to retrieve any document needed for audits or compliance checks, reducing the time and effort required.

Data and Business Intelligence for Strategic Decision-Making

AP automation can provide timely visibility into financial data, allowing businesses to monitor cash flow and track spending. These systems can employ AI to identify trends and other financial insights to inform decision-making.

Support for Business Growth

Automated AP tools can provide the scalability needed to handle increased transaction volumes without sacrificing efficiency or accuracy.

Part 2

Automating the Purchase-to-Pay Process

End-to-End AP Automation

Automating the AP process can streamline operations in three key phases: procurement, invoice processing, and payment.

Automating the procurement process enhances control over spending, automated invoice processing speeds up approvals, and payment automation helps support timely, error-free transactions.

This approach reduces manual tasks and improves overall efficiency in AP workflows.

The End-to-End AP Process

Purchase Order

1 PO creation and approval

2 Invoice receipt and entry

3 Invoice/PO matching

4 Invoice approval

5 Data synced to accounting system

Invoice

6 Payment issued

7 Supplier receives payment

8 Reconciliation

Payment

Understanding Purchase Order Automation

PO automation can transform procurement by streamlining and simplifying a traditionally manual process. With PO automation software, businesses can eliminate tedious paperwork, reduce errors, and speed up approval times, all while maintaining greater control and visibility over spending.

What is PO Automation?

PO automation is the process of using software to streamline and digitize the creation, approval, and management of purchase orders.

Traditionally, POs are handled manually, involving paperwork, multiple approval steps, and back-and-forth communication with suppliers, which can be time-consuming and prone to errors. With automation, POs are generated electronically, sent for approval through predefined workflows, and automatically forwarded to suppliers once approved.

The PO automation process is designed to reduce manual data entry, decrease the risk of mistakes, and ensure faster, more efficient procurement processes. PO automation can also provide real-time visibility into spending, help enforce compliance, reduce the likelihood of procurement fraud, and improve overall procurement efficiency.

Why Use PO Automation Software?

By digitizing the PO process, businesses can reduce paperwork and data entry mistakes, leading to more accurate procurement records.

Another potential advantage of purchase order automation is faster processing times, as approvals and order submissions are conducted electronically. This can also enhance accuracy and compliance, helping ensure that orders follow internal protocols and regulatory standards.

Automating POs can foster better supplier relationships by improving communication and reducing delays, resulting in smoother transactions.

> "Paper adds all kinds of inefficiencies to the process. When you're trying to manually route invoices for approval – walking them down the hall or sending a scanned copy in an e-mail – you're adding a lot of time to the process and increasing the odds of a document getting misplaced."
>
> – Rhonda Greene,
> Principal Solutions Consultant,
> **AvidXchange**

Streamlining Invoice Management

Managing digital invoices is simpler and more efficient than dealing with paper invoices. AP automation streamlines this process by enabling the receipt of digital invoices or converting paper invoices into a digital format for easier handling.

Many AP automation systems leverage advanced technologies like OCR and AI to "read" invoice data, automatically code it, and enter it into your approval workflow. This not only helps eliminate time-consuming manual work but also reduces the risk of human error.

The next step in invoice processing is matching. Invoice matching is the act of checking an invoice to make sure the information on it aligns with the information on the corresponding PO or sales receipt, helping ensure you received what you paid for.

A business can have a person match invoices manually. Or the business can use AP automation software, which is designed to automate invoice matching using AI-enhanced technology, among other tasks.

2-Way vs. 3-Way Matching

2-way matching checks that the data on the PO and invoice align. 3-way matching goes one step further and checks that the data on the invoice, PO, and sales receipt are the same.

	2-Way Matching	3-Way Matching
Purchase Order	✔	✔
Invoice	✔	✔
Receipt or Packing Slip	✘	✔

Automated matching can help teams identify and solve mismatches quickly. Staff only need to intervene when necessary to resolve a potential issue.
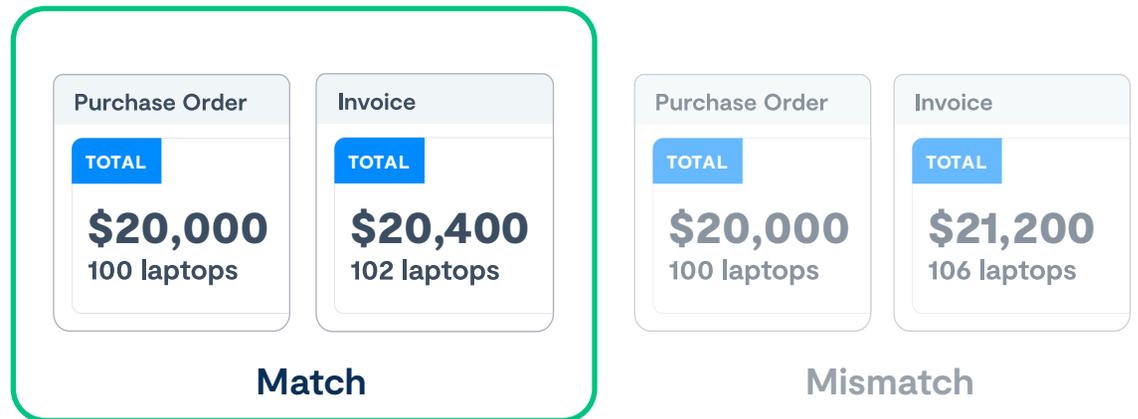
2-way matching generally takes less time, because it involves checking two documents instead of three. However, 3-way matching is more likely to find mistakes because it involves checking three documents rather than two. Many businesses prefer 3-way matching to protect against overpayments, duplicate payments, and fulfilling fraudulent invoices.

In your evaluation of 2-way and 3-way matching, consider whether your business deals mostly with recurring vs. non-recurring purchases. Typically, 2-way matching is sufficient for recurring (regular) purchases. 3-way matching may be a better fit for non-recurring purchases.

AP departments that use automated invoice matching can set a threshold for tolerating mismatches. For example, your system will flag an invoice for manual review only when the difference between the invoice and PO exceeds 5%.

5% Mismatch Tolerance

Purchase Order	Invoice
TOTAL	TOTAL
$20,000	**$20,400**
100 laptops	102 laptops

Match

Purchase Order	Invoice
TOTAL	TOTAL
$20,000	**$21,200**
100 laptops	106 laptops

Mismatch

Efficient payment processes contribute to overall financial stability, enabling a business to focus on growth and sustainability while avoiding the disruptions that delayed or missed payments can cause.

The Importance of Automated Payments

Making supplier payments can be a time-consuming and complex task for finance departments – different suppliers prefer varying payment methods, offer different terms, and require certain procedures depending on the situation.

Automated payments offer a solution for businesses that can increase the efficiency of their AP departments. Payment automation is designed to reduce manual errors, streamline financial workflows, and ensure timely transactions. Additionally, it improves security by mitigating the risks associated with manual payments.

What is an Automated Payment?

An automated payment is a financial transaction in which funds are transferred electronically without manual intervention. This process relies on pre-authorized instructions or scheduled arrangements, enabling effortless transfers between parties.

Automating payments can help your organization avoid late payment fees, strengthen supplier relationships, and free up time for your AP team. Additionally, payment automation opens potential savings and rebate opportunities.

Ultimately, automating payments fosters financial transparency and contributes to overall operational effectiveness. It allows for better cash flow management and financial forecasting.

Some payment automation platforms offer cash-back rebates that increase based on the volume of payments processed, enabling AP departments to generate consistent income and essentially function as a profit center.

Businesses may experience these advantages of using payment automation.

On-Time Payments
Pre-scheduling payments via automation helps businesses make on-time payments to suppliers. This fosters trust and strengthens supplier relationships – it may even lead to preferential terms.

Security
Automated payments are usually encrypted electronic transactions, which can be more secure, minimizing the risk of physical tampering or interception. Electronic payments employ authentication measures and access controls, reducing the likelihood of unauthorized access.

Support for Business Growth and Scalability
Automated payment tools can provide the scalability needed to handle increased transaction volumes without sacrificing efficiency or accuracy.

Remote Payment Execution
Cloud-based automated systems allow AP staff to process and approve payments from anywhere with an internet connection.

Outsourced Supplier Setup
Some payment automation platforms take over supplier enrollment on your business's behalf, freeing up significant time and resources for your AP team.

Part 3

Making AP Automation a Reality

What to Evaluate Before Automating Your AP

If you're considering automating AP at your organization, these questions will help guide you in the right direction.

01

Is AP Automation a Good Fit Based on Transaction Volume and Growth Forecast?

If your organization processes fewer than 100 invoices or payments per month, managing the workload may remain feasible. If your company is expecting growth, your accounting department may want to consider AP automation to manage the increasing workload.

02

Will AP Automation Change Our Accounting Processes?

Your AP automation software should only change the parts of your accounting process you want changed. The right tool will streamline tasks like data entry and invoicing while preserving control over routing and approvals.

03

### How Will AP Automation Work with Our Current Accounting System?

Since not all solutions integrate with every accounting system or ERP, ensure compatibility early. Choose an AP automation solution that connects directly, either via an application programming interface (API) or file-based methods, to your existing systems.

04

How Will the Implementation Process Work?

AP automation implementation typically takes 30 to 45 days once you've chosen a solution. Some providers may offer dedicated experts for a full-service implementation and ongoing support to address any future issues.

If your team is ready for AP automation software and you're shopping for a solution, consider these important elements when determining the best fit for your organization.
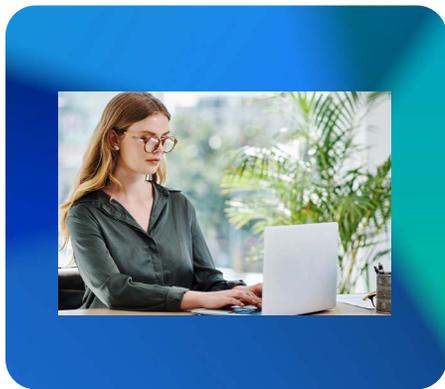
Choosing the Right AP Automation Provider

Intelligent Technology

The best AP automation providers will constantly improve their solutions, incorporating the latest technology, like AI, to help businesses enhance productivity, reduce errors, and provide deeper insights into spending. Providers that embrace cutting-edge innovations help your organization stay competitive, optimizing processes and delivering long-term value with intelligent solutions.

But reliance on technology to handle tasks without oversight or critical thinking can lead to liabilities. The best solutions will offer support and guidance from real people to deliver the best of both worlds – innovation backed by knowledgeable experts.

Accessibility

Cloud-based systems offer the flexibility of being accessible from any location or device with an internet connection. This allows authorized personnel to work on the go, which is ideal for today's remote and mobile workforce.

Customizable Workflows

Customizable workflows allow your business to align approval processes with your organizational structure and policies. This flexibility enhances efficiency and leaves room for change as the business grows and evolves.

System Integration

It's important to ensure your AP automation software connects with other key business systems across procurement and accounting. Integrated systems enhance efficiency by minimizing the need for employees to toggle between various platforms and manually input data.

"We've significantly reduced the time our AP department spends on invoice routing and approvals thanks to automation. In fact, our AP department cut our invoice processing time from 20 hours per month to 4 hours per month."

– Fred Herbst, Controller, **FL Star Group**

Data Validation

Data validation and invoice matching support accuracy by preventing errors in order processing. The most accurate automation tools support 3-way matching between the PO, invoice, and order receipt. Automating these matches streamlines processes and saves time while helping confirm payments are error-free.

Current and Future Needs

Identify your department's specific needs. Consider factors like the volume of invoices you process, the intricacies of your invoicing processes, and whether potential solutions can support those requirements.

Security and Compliance

Make sure your AP automation software protects confidential financial data with robust security features like encryption, access controls, and compliance with regional and worldwide data security regulations.

Reporting and Analytics

Solutions equipped with built-in business intelligence features can help transform data into actionable insights, guiding financial decisions, highlighting areas for improvement, and tracking team performance.

Support and Training

Assess the quality of customer support and training provided by the software vendor, both during onboarding and on an ongoing basis. Reliable support from people using cutting-edge technology is important in case your team encounters issues or has questions in the future.

Cost and Pricing Model

Evaluate the pricing structure, including upfront costs, recurring fees, and any additional charges for extra users or features. Consider your budget and make sure there are no hidden costs.

Steps to Automating Your AP Process

01 **Build a Business Case**

Gather data like invoice volume, average cost per invoice, and other AP metrics to build a strong business case for AP automation. Highlight clear numbers that show potential savings by comparing current costs with projected costs under AP automation.

Provide a cost estimate with a projected return on investment (ROI), factoring in staffing costs, hard costs, and IT resources to give a realistic view of both upgrade costs and long-term savings.

02 **Rally Support from Senior Management**

Take your business case up the chain of command. AP managers, controllers, and CFOs are key leaders in the AP automation transition process. Demonstrating clear ROI will help get them onboard.

Consider setting up a committee of leaders from departments including accounting, procurement, supply chain, and other impacted teams to establish a consensus around the best solutions.

03 **Determine System Requirements**

While some AP solutions offer strong automation out of the box, many companies need custom development. Make a list of your unique requirements and use them to inform a project roadmap with development milestones, operational goals, and target dates for the upgrade.

04 **Choose a Software Provider**

Identify AP automation providers and contact them to request a demonstration or software trial. Alternatively, you can issue a request for proposal (RFP) to the providers you're considering. Include questions about how the provider integrates new innovations, like AI, in their offerings, and whether they have knowledgeable experts on staff to provide oversight.

While there's more than one way to successfully implement AP automation in your organization, following these general guidelines can help your team get started.

05 Finalize the Details

Review the details of your contract to ensure adherence to your company's policies. Understand costs, including implementation, service fees, and termination penalties. Align with internal teams to ensure it's within your budget.

06 Conduct a Pilot Project

Once your contract is set, consider starting with a pilot project or proof-of-concept. This small test doesn't require full installation or integration, but it gives quick insights into functionality and helps refine your roadmap and deployment timeline.

07 Communicate with Internal Stakeholders

Strong communication with internal teams during planning and deployment can generate support and excitement for your automated AP system. Regular updates, especially to impacted employees, can boost acceptance.

08 Engage Suppliers

Gaining the maximum benefits from AP automation requires supplier cooperation. Remind vendors that upgrades benefit them too by reducing costs and speeding up payments. Some AP automation providers offer full-service vendor onboarding. If the provider you choose does not, start planning for the time and resources this task will require.

09 Launch the System and Make Adjustments

After rolling out your automated AP system, evaluate performance to ensure continuous improvement. Set benchmark goals and analyze any improvement opportunities.

10 Monitor and Optimize

New technologies and evolving business needs present ongoing opportunities for improvement. Regularly assess and refine processes once you've automated AP. And check in with your provider to confirm they're keeping up with the latest innovations, like AI.

"Automation is a game-changer for modern AP professionals. Not only does it improve work/life balance and enable access to data-driven analytics, but it also empowers finance teams to work on more strategic initiatives."

– Dan Drees, President, AvidXchange

AP automation can drive ROI by lowering costs, improving operational efficiency, enhancing security, and supporting better financial decision-making, making it a smart investment for modern finance departments.

Getting the Most Out of Your Investment

Automating AP can yield significant ROI for businesses by reducing operational costs and increasing efficiency.

Traditionally, manual AP processes are time-consuming, labor-intensive, and prone to errors, which can lead to costly mistakes and slow payment cycles. Automation, however, can streamline the workflow, allowing invoices to be processed faster and with greater accuracy.

Automated systems reduce the need for paper, postage, and physical storage, cutting down on material expenses. It also can decrease labor costs, as fewer hours are required for data entry and error correction, freeing staff to focus on more strategic tasks and improving job satisfaction. Additionally, faster processing times can lead to early payment discounts from suppliers, contributing to savings.

Beyond direct cost savings, AP automation can deliver insights through data analytics, helping finance teams identify spending trends and make informed decisions. This can improve cash flow management and enable businesses to negotiate better terms with suppliers. Moreover, AP automation can help lower the risk of financial fraud with built-in security protocols.

To fully realize the ROI of AP automation, it's important to invest in training staff and upskilling them to use the new systems effectively. By empowering your team with the knowledge and tools they need, your organization can ensure a smooth transition, maximize efficiency, and foster long-term success.

Automating AP with intelligent solutions that offer real human support is the obvious choice for most businesses. It can provide innumerable benefits while reducing costs and positioning your organization for growth.

About AvidXchange®

AvidXchange is a trusted, leading provider of accounts payable ("AP") automation software and payment solutions for middle market businesses and their suppliers. AvidXchange's Software-as-a-Service ("SaaS") based, end-to-end software and payment platform digitizes and automates the AP workflows for over 8,000 buyer customers, and it has made payments to more than 1.2 million supplier customers of its buyers over the past five years. Additionally, AvidXchange, Inc. is a licensed money transmitter for US B2B payments, licensed as a Money Transmitter by the New York State Department of Financial Services, as well as all other states that require AvidXchange to have an applicable license.

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