

# AP Benchmarking: IOFM's Latest Data

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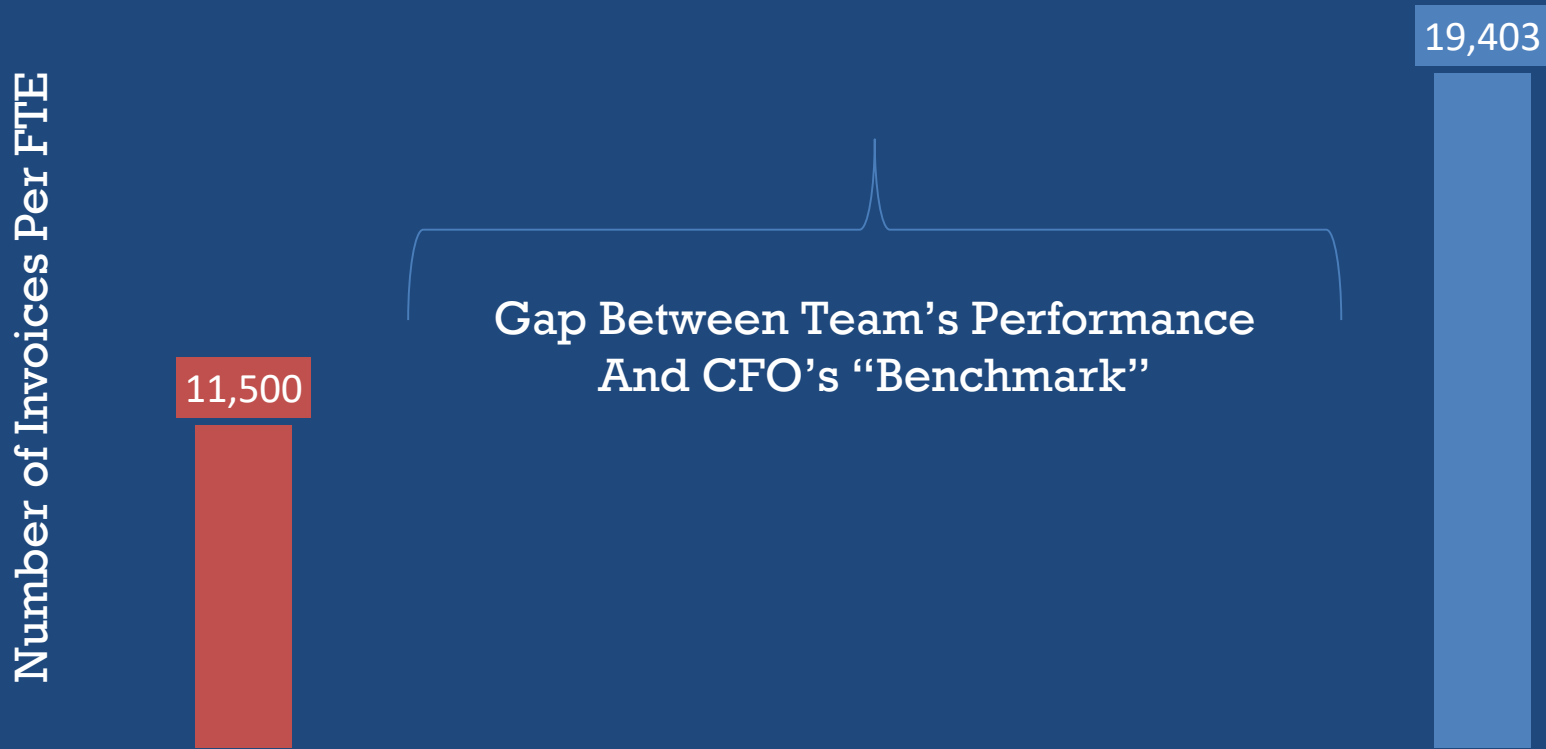
Jess Scheer  
Executive Editor, IOFM

# Why Benchmarking Matters



“I thought I was  
good at my job.”

# Why Benchmarking Matters



# Why Benchmarking Matters

Cost Per Invoice

\$10.00

Gap Between Team's Performance  
And CFO's "Benchmark"

\$4.03

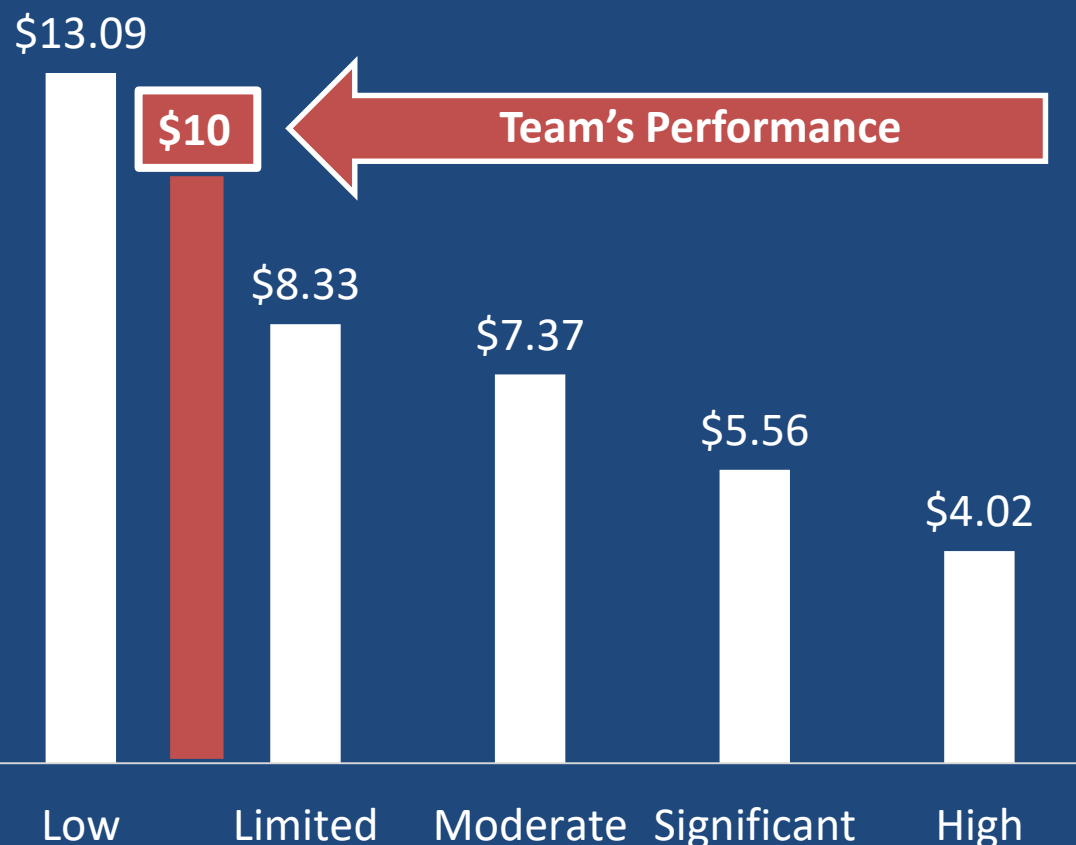
# Why Benchmarking Matters

## AP AUTOMATION DRIVES EFFICIENCY

Level of Automation	Share of Invoices Received Electronically
Low	<10%
Limited	10%-29%
Moderate	30%-50%
Significant	51%-80%
High	>80%

Source: Measuring Your AP Performance: Efficiency Metrics

## Cost Per Invoice



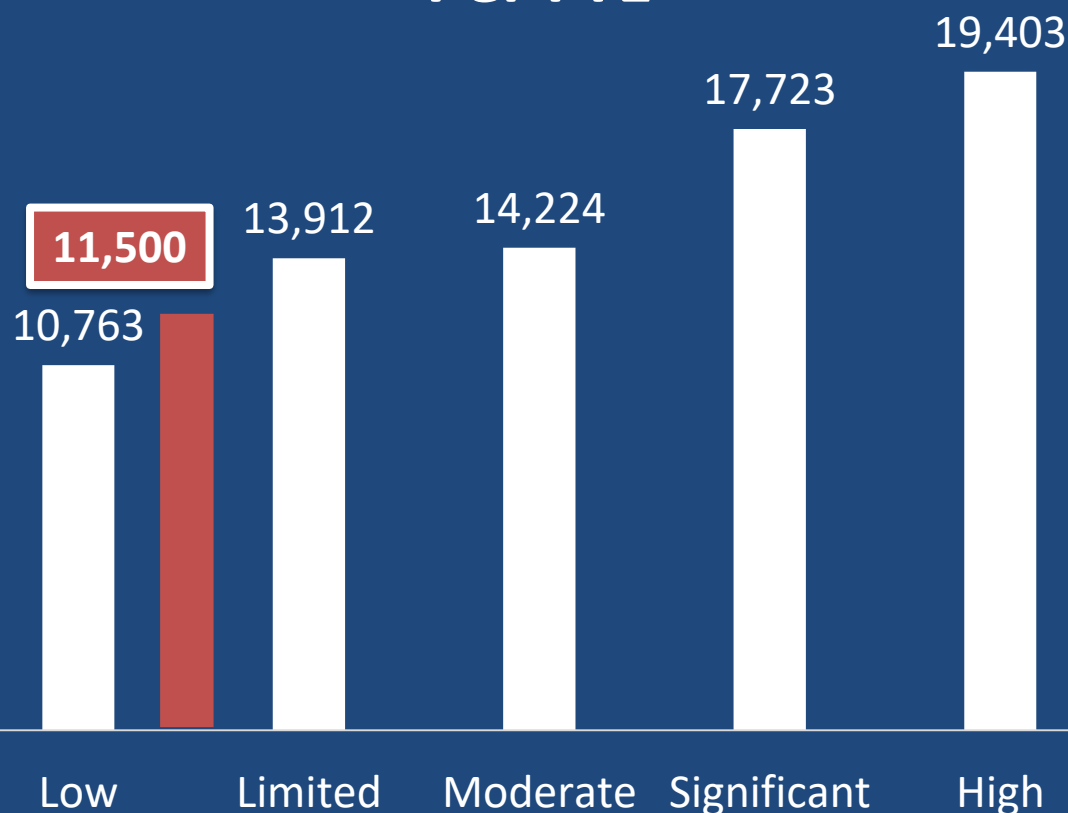
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## Annual Number of Invoices Per FTE



# Why Benchmarking Matters

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# Why Benchmarking Matters

## If Done Poorly, Benchmarking Can:

- Set unrealistic expectations
- Undermine staff morale

## If Done Well, Benchmarking Can:

- Assess current performance
- Help improve decision-making
- Reset goals as you invest in performance improvements

# IOFM's 2019 Benchmarking Report Series

**Three Year Study of 388 AP Practices  
Conducted From Fall 2017- Fall 2019**



# Peer Groups: Invoice Volume and Level of Automation

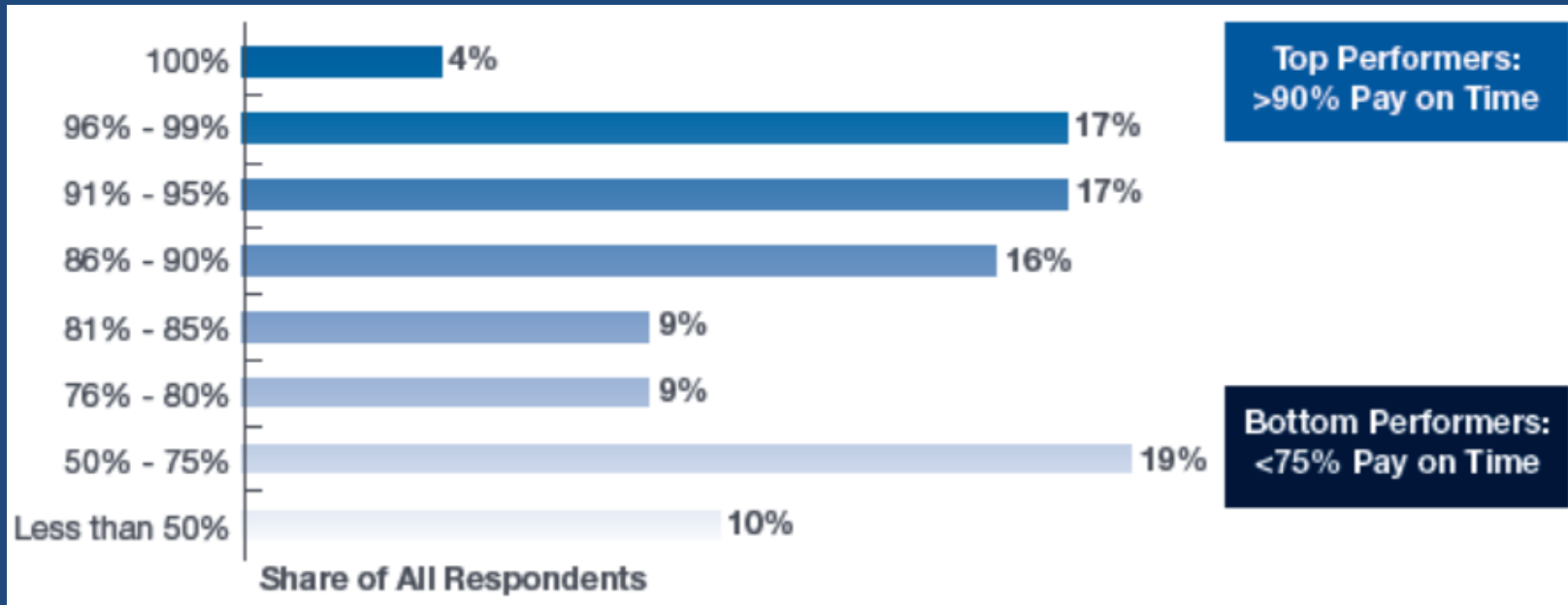
## How IOFM Defines AP/P2P Peer Groups

	Low	Limited	Moderate	Significant	High
<b>Annual Invoice Volume</b>	< 10,000	10,000-49,999	50,000-99,999	100,000-999,999	> 1 million
<b>Level of Automation<sup>1</sup></b>	< 10%	10%-29%	30%-50%	51%-80%	> 80%

<sup>1</sup> For the purposes of this report, level of automation is determined based on the extent to which AP receives invoices electronically – i.e., enabled to be processed without any manual intervention. There are too many automation tools in the marketplace, variations of utilization (i.e., user training), and inter-dependence with other systems (i.e., outputs from procurement) to measure automation directly. E-invoicing as a proxy enables statistically viable comparisons because: 1) The more invoices received electronically, the more automation – of any kind – can be enabled; and, 2) E-invoicing tends to be one of the first processes addressed when investing in automation.

# Efficiency Metrics: Paid On Time Rates

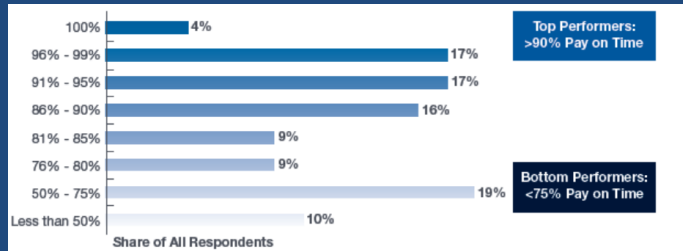
## Paid on Time Rates



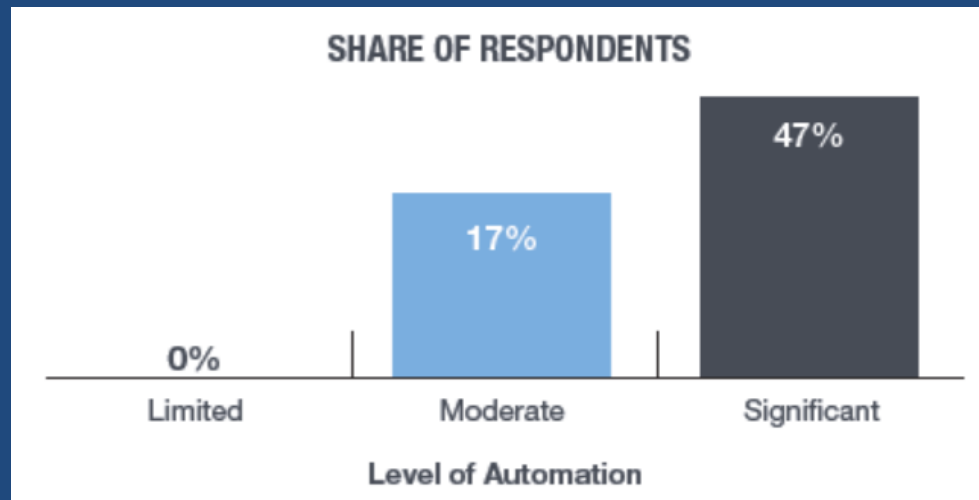
Source: Measuring Your AP Performance: Efficiency Metrics

# Efficiency Metrics: Paid On Time Rates

## Paid on Time Rates



## Distribution of Top Performers



Source: Measuring Your AP Performance: Efficiency Metrics

# Peer Groups: Centralization of Operations

## Decentralized

This AP structure usually involves groups in different physical locations, each with its own management team having some degree of autonomy in making business decisions.

## Partially Centralized

While the organization has AP operations in different geographic areas, there is management at a primary location.

## Centralized

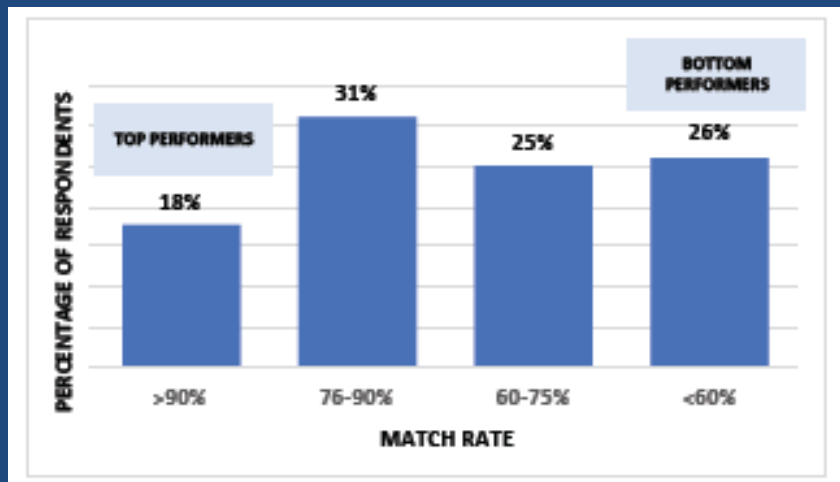
These AP departments are generally located in a single place and have a unified management team that makes the decisions.

## Shared Services Center

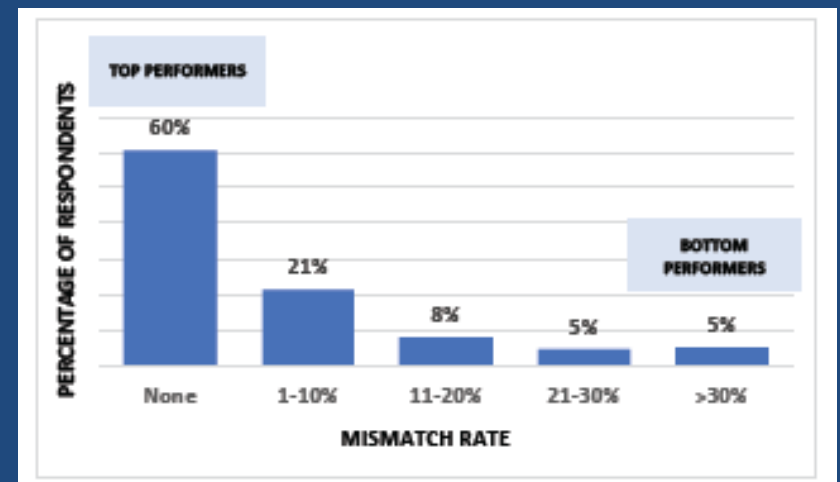
This is an aggregate department housed in a single location with a unified management team that oversees several “back office” functions.

# Effectiveness Metrics: Processing POs

## PO First-Pass Match Rate



## POs With A Mismatch

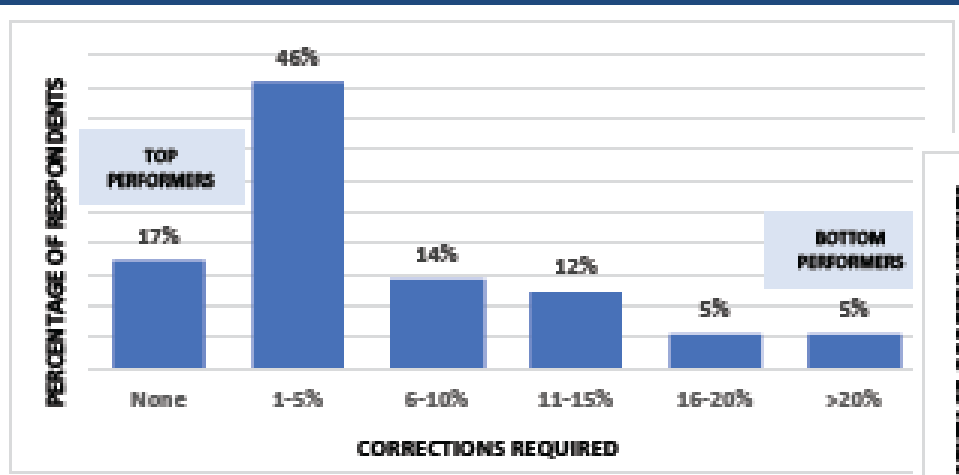


Example Data: Centralized Operations

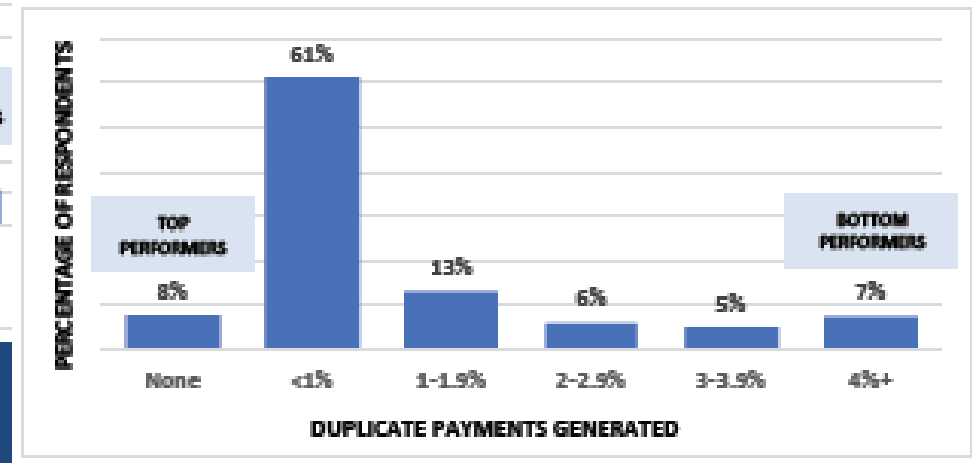
Source: Measuring Your AP Performance: Effectiveness Metrics

# Effectiveness Metrics: Corrections And Errors

## AP Transactions Requiring Corrections



## Share of Duplicate Payments



Example Data: Centralized Operations

Source: Measuring Your AP Performance: Effectiveness Metrics

# Early-Pay Discounts: Best Practice Performers

## Rule of Thumb:

\$3 Million to \$5 Million For Every \$1 Billion in PO Spend

## Best Practice: Early Pay Discounts

Potential	20% of total PO volume
Opportunity	2% of invoice amount
Results	98% of potential opportunity

## Calculating Early Pay Discounts

Annual PO Spend (\$)

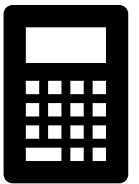
x .20

x .02

x .98

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Annual Early Pay Discount (\$)



Source: Measuring Your AP Performance: Early Pay Discount Benchmarks

# What Metrics Should YOU Measure

## How Most Organizations Benchmark

### Collect

What data do we have easy access to?

### Analyze

What metrics do we crunch based on that data?

### Report

What do we need to update from last year's report?

# What Metrics Should YOU Measure

**This Approach is Static and Backwards Looking**

## Collect

What data do we have easy access to?

## Analyze

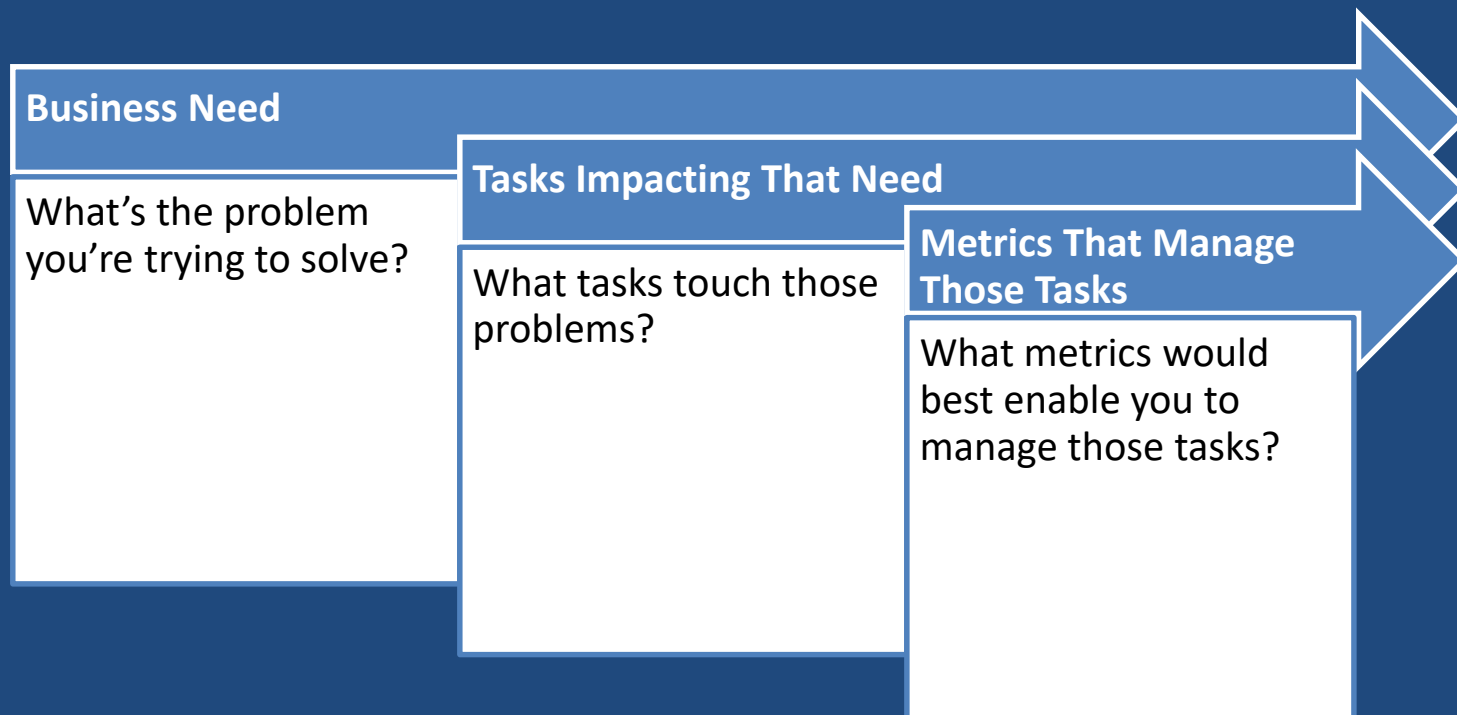
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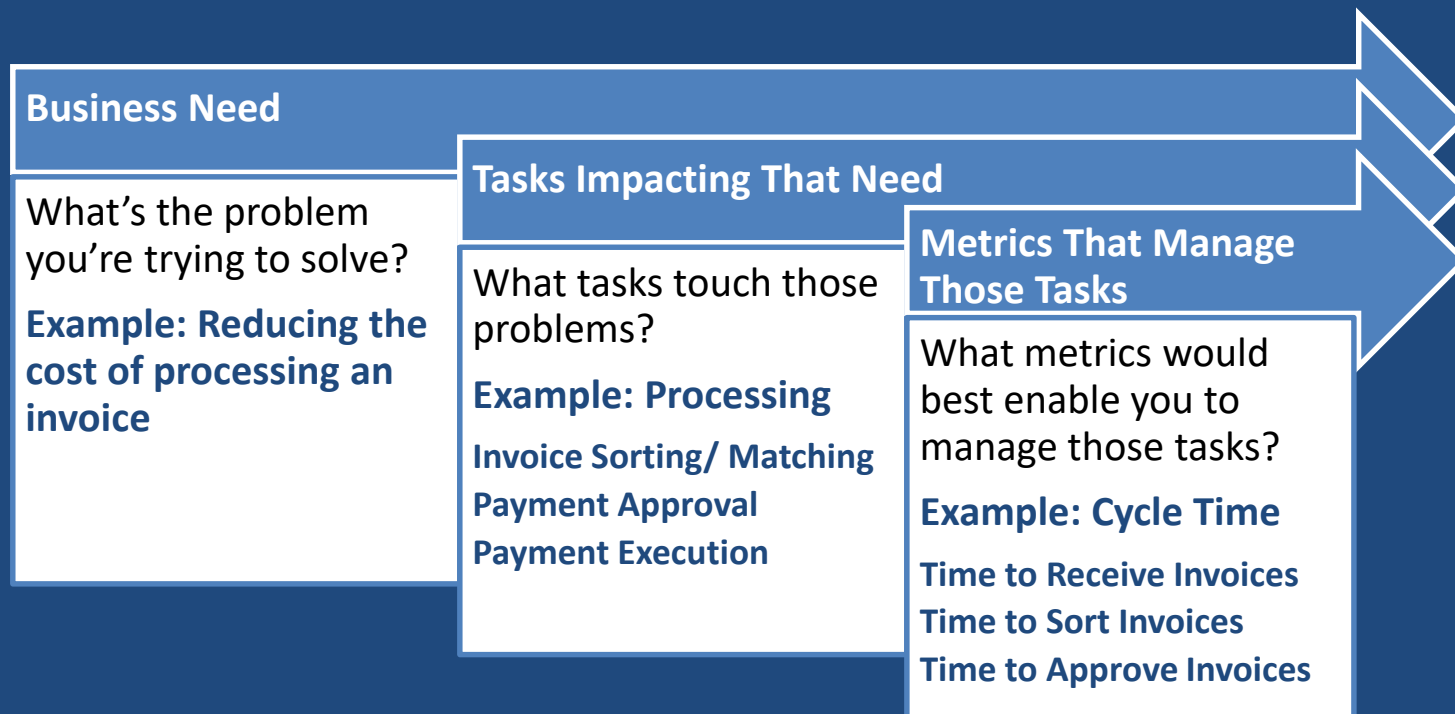
# What Metrics Should YOU Measure

**Instead, Consider a Dynamic and Forward-Looking Approach**



# What Metrics Should YOU Measure

**This Approach Is Static and Backwards Looking.  
Instead, Consider a Dynamic and Forward-Looking Approach**



# What Metrics Should YOU Measure

## Step 1a: Prioritize Business Needs

	Cost/Savings	Frequency	Boss' Priority	TOTAL
Business Need #1	1	3	5	9
Business Need #2	1	5	5	11
Business Need #3	5	3	5	13
Business Need #4	2	5	3	10

Start with a simple scale: 1= low impact or frequency; 5 = big impact or frequency

# What Metrics Should YOU Measure

## Step 2a: Identify Common Tasks

Unique ID	Framework ID	Typical Process Tasks
10869	9.6.1.1	Verify AP pay file with purchase order vendor master file
10870	9.6.1.2	Maintain/Manage electronic commerce
10871	9.6.1.3	Audit invoices and key data in AP system
10872	9.6.1.4	Approve payments
10873	9.6.1.5	Process financial accruals and reversals
10874	9.6.1.6	Process payroll taxes
10875	9.6.1.7	Research/Resolve payroll exceptions
10876	9.6.1.8	Process payments
10877	9.6.1.9	Respond to AP inquiries
10878	9.6.1.10	Retain records
10879	9.6.1.11	Adjust accounting records

Source: APQC Process Classification Framework ([www.apqc.org/pcf](http://www.apqc.org/pcf))

# What Metrics Should YOU Measure

## Step 2b: Map Tasks to Business Needs

Unique ID	Framework ID	Typical Process Tasks	Business Need #1	Business Need #2	Business Need #3	Business Need #4
10869	9.6.1.1	Verify AP pay file with purchase order VMF				
10870	9.6.1.2	Maintain/Manage electronic commerce				
10871	9.6.1.3	Audit invoices and key data in AP system				
10872	9.6.1.4	Approve payments				
10873	9.6.1.5	Process financial accruals and reversals				
10874	9.6.1.6	Process payroll taxes				
10875	9.6.1.7	Research/Resolve payroll exceptions				
10876	9.6.1.8	Process payments				
10877	9.6.1.9	Respond to AP inquiries				
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# What Metrics Should YOU Measure

## Step 2b: Map Tasks to Business Needs

Unique ID	Framework ID	Typical Process Tasks	Business Need #1	Business Need #2	Business Need #3	Business Need #4
10869	9.6.1.1	Verify AP pay file with purchase order VMF	1	1	1	1
10870	9.6.1.2	Maintain/Manage electronic commerce	1	1	1	1
10871	9.6.1.3	Audit invoices and key data in AP system	1	1	1	1
10872	9.6.1.4	Approve payments	1	1	1	1
10873	9.6.1.5	Process financial accruals and reversals	1	1	1	1
10874	9.6.1.6	Process payroll taxes	1	1	1	1
10875	9.6.1.7	Research/Resolve payroll exceptions	1	1	1	1
<b>10876</b>	<b>9.6.1.8</b>	<b>Process payments</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
10877	9.6.1.9	Respond to AP inquiries	1	1	1	1
10878	9.6.1.10	Retain records	1	1	1	1
10879	9.6.1.11	Adjust accounting records	1	1	1	1

# What Metrics Should YOU Measure

## Step 3: Identify Metrics Tied to The Most Relevant Tasks

Unique ID	Framework ID	Typical Process Tasks	Metric #1	Metric #2
10869	9.6.1.1	Verify AP pay file with purchase order VMF		
10870	9.6.1.2	Maintain/Manage electronic commerce		
10871	9.6.1.3	Audit invoices and key data in AP system		
10872	9.6.1.4	Approve payments		
10873	9.6.1.5	Process financial accruals and reversals		
10874	9.6.1.6	Process payroll taxes		
10875	9.6.1.7	Research/Resolve payroll exceptions		
<b>10876</b>	<b>9.6.1.8</b>	<b>Process payments</b>		
10877	9.6.1.9	Respond to AP inquiries		
10878	9.6.1.10	Retain records		
10879	9.6.1.11	Adjust accounting records		

# Know You're Good At Your Job



# Questions

The screenshot shows a web browser at the URL [iofm.com/ap/benchmarking/latest-iofm-data](http://iofm.com/ap/benchmarking/latest-iofm-data). The IOFM logo is in the top left. The top navigation bar includes links for Membership, Certification, Events, Community, About, and Help, along with a 'Join Today' button. A secondary navigation bar shows 'Accounts Payable & P2P' as the active section, with sub-links for Compliance, Benchmarking (highlighted), Process Improvement, Team Management, and Organizational Structure. The main content area features the article title 'Latest IOFM Data' with social sharing icons (Share, Facebook, Twitter, LinkedIn, Email). Below the title is the subtitle 'Measuring Your AP Performance: Efficiency Benchmarks, Part 3'. On the right, a 'Need Answers?' section contains three buttons: 'Ask An Expert', 'Ask Your Peers', and 'Glossary'.

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