

Yardi Insights

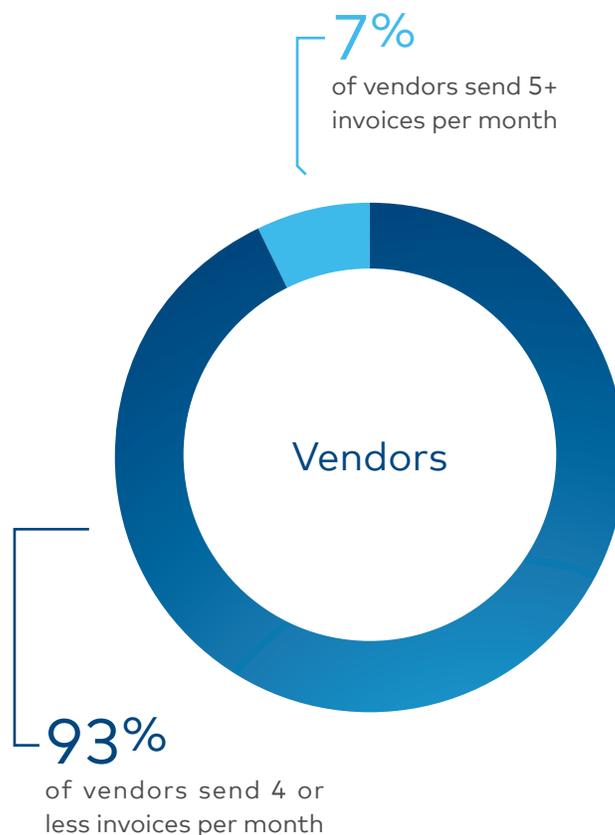
Invoice processing

Creating efficiency in procure to pay processes

Managing vendors and processing payables are significant cost drivers for real estate companies. Processing a vendor invoice manually often takes up to 30 days and costs \$25 to \$35 per invoice. Real estate businesses commonly receive thousands of invoices each month, so efficiency gains in the procure to pay workflow can yield substantial cost savings while freeing up staff time.

Understanding your vendor base

Vendors are the lifeblood of the accounts payable process; making them more efficient is one of the quickest ways to make your accounts payable more efficient. To understand real estate organizations' vendor bases, we analyzed 25 million invoices processed via Yardi Procure to Pay over the past year. These invoices were submitted by approximately one million vendors to more than 1,000 real estate businesses in multiple countries. Through this analysis, we found a consistent segmentation of vendors – those who send up to four invoices per month to a client (low-volume vendors) and those who send five or more invoices per month (high-volume vendors).





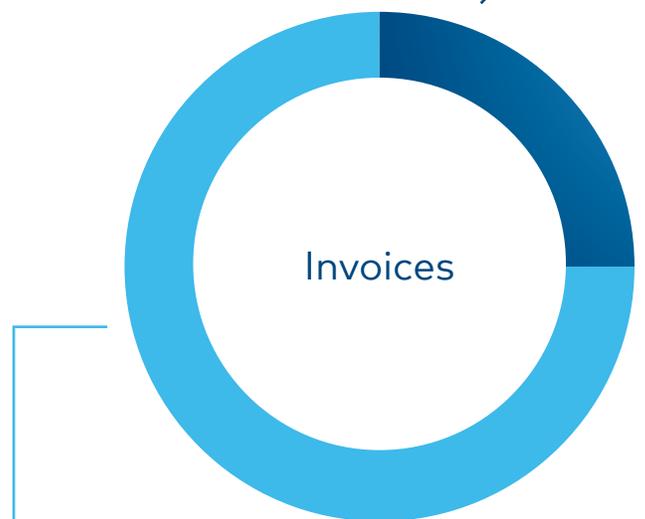
Low-volume vendors

Vendors who send up to four invoices per month account for 93% of vendors, but only 25% of invoices. These low-volume vendors range from small local shops to larger businesses used for specialty services or out of convenience. Because the volume of invoices, and typically spend, is small, these relationships generally do not have any single owner at the customer company. If they do not receive a clear response to invoices, vendors often repeatedly call client properties about the status or send duplicate invoices until they are paid. The resulting duplicate invoices and/or payments, voided checks and status calls take up significant time and effort from accounting departments and site staff.

High-volume vendors

Businesses that send five or more invoices a month make up just 7% of vendors, but generate 75% of invoices. Accounts payable or property teams often spend significant time scanning, keying and verifying these large invoice volumes. Large, high-volume vendors typically have a designated relationship owner who manages contracts, pricing and payments.

25%
of invoices come from vendors
sending 4 or less per month



75%
of invoices come from vendors
that send 5 or more per month



Creating vendor efficiencies

Based on the different processes and concerns associated with low- and high-volume vendors, we recommend distinct approaches to creating efficiencies in your procure to pay workflows.

Low-volume vendors

We recommend taking an assertive stance in working with these vendors to increase your organization's efficiency.

- **Online vendor management**

Giving low-volume vendors an online portal can drastically reduce the time and effort your company spends dealing with duplicate invoices, rejected invoices and voided checks. Through an online vendor portal, they should be able to update their profile, check the status of invoices themselves and send electronic invoices if desired by the client or vendor.

- **Self-service invoice status checks**

Enabling small-volume vendors to view invoice status online is critical in managing the relationship and benefits them as well as your company. Eliminating the need to contact your properties for this purpose increases their comfort level and saves both parties time and effort.

High-volume vendors

Having a dedicated contact at your company makes it easier to communicate with vendors and adjust initiatives based on their feedback.

- **Automating the invoice process**

Moving high-volume vendors to electronic invoicing saves your staff hours of time and shortens the invoice-to-payment cycle. Electronic Data Interchange (EDI) is the most efficient option if a vendor can support it; however, many vendors have not invested in this technology. In that case, if the vendor is willing to submit invoices through an online platform, we recommend you sign them up to start submitting invoices electronically through the vendor portal.

- **Outsourcing manual invoice processing**

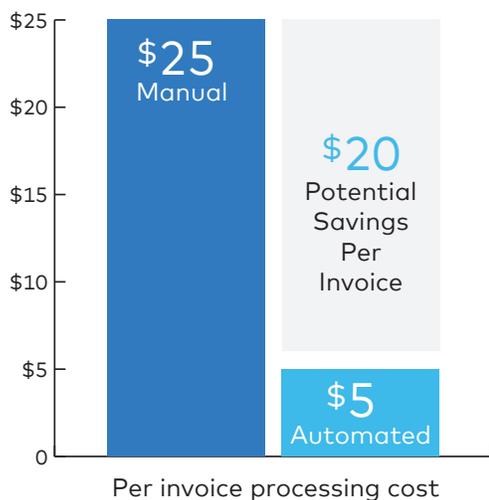
If electronic invoicing is not a viable option, outsourcing invoice scanning and data entry frees your staff from these labor-intensive tasks. This lets your employees focus on maintaining positive vendor relationships by managing contracts, pricing and aging.



Unlocking potential value

Tremendous value can be unlocked by effectively managing vendors. Leveraging electronic invoicing or outsourcing the scanning and keying of invoices has the potential of reducing your cost per invoice from \$25 to under \$5.

For your lower-volume vendors, increasing transparency into invoice status will reduce the amount of duplicate invoices you receive, which in turn reduces reversed payables and voided checks that result from duplicate invoices to under 2%. Reducing these errors to under 2% can unlock immense time and energy to devote to higher value AP and vendor management activities.



Conclusion

Many real estate organizations today contend with lengthy, costly and highly error-prone procure to pay processes. Taking steps to automate the way you receive, process, and pay invoices can shorten your invoice cycle, prevent errors and overpayments, and improve your relationships with small and large vendors. By giving your vendors the tools to work more efficiently, you can streamline the entire procure to pay process.