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2017 AP & Working Capital Report

Unlocking Cash Flow and Savings with Working Capital Optimization Tools

Q3 2017 | Featuring insights on...

- Current Trends in Working Capital Management
- Leading Working Capital Optimization Tools, including...
  - Accounts Payable Automation
  - Dynamic Discount Management
  - Supply Chain Financing
  - Electronic Payments

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Introduction

Working capital optimization, which is essentially balancing the ratio of cash on hand to liabilities, can be a confusing topic for finance professionals. It only grows more complicated the larger the company and the more suppliers it engages with. When working capital is not managed efficiently, companies suffer from cash flow problems that inhibit their ability to expand, improve, or even properly operate their businesses. They also lose access to their own revenue, as cash gets trapped in lengthy payables and collections cycles related to complicated supply chain processes and poorly structured payment terms. However, when organizations decide it is time to try and optimize their cash flow, they realize that working capital strategies differ depending on their unique business needs and the type of cash flow they wish to improve.

Working capital optimization involves strategically optimizing cash flow by reevaluating and restructuring payment times and terms to make them more favorable for the company. The goal is to improve the buyer's cash conversion cycle without hurting suppliers' own cash flow needs. However, different tools can be used for this purpose, and the varying working capital terminology and methods create confusion among finance professionals. This confusion tends to either prevent companies from attempting optimization at all, or causes them to try to optimize their working capital in ways that do more harm than good.

Within working capital optimization software and services, terms like supply chain financing (SCF) are often used interchangeably with others like dynamic discounting, AP automation software, or electronic payment cards. However, while these tools all help reduce a buyer's days payable outstanding (DPO) in one way or another, they are not identical. Some methods optimize working capital by improving Procure-to-Pay (P2P) efficiency and payables times, while others do so by supporting early payment discount management, or funding supplier payments at competitive financing rates. In the end, a successful working capital tool will support the cash flow needs of both buyer and supplier, and will improve the supply chain health of both parties.

PayStream provides this report to clear up some of the confusion around working capital optimization tools like supply chain financing, dynamic discount management (DDM), and electronic payment cards—explaining both how they work and how organizations can leverage them strategically.

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Working Capital Management Trends

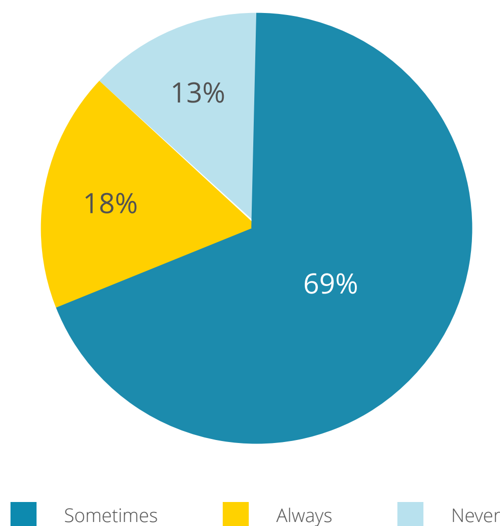
Troubles in working capital vary based on the type of cash flow, whether it is Days Sales Outstanding (DSO), Days Inventory Outstanding (DIO), or DPO. This report focuses primarily on working capital trends for payables cash flows, but it does not ignore the role other cash flow types in working capital optimization goals. For example, while a buying organization may hope to increase its DPO by paying suppliers later, suppliers hope to decrease their DSO by speeding up their collections cycles. An optimized working capital environment between the two is where both buyer and supplier cash conversion cycle needs are met, but accomplishing this balance is rarely easy.

One way businesses have historically tried to offset cash flow pressures is by offering early payment discounts to decrease AP-related costs. Suppliers lower the prices of invoices in return for faster payment from buyers, typically with set discount terms such as "1/10, net 30", or "2/10, net 60". Buyers can prioritize payments based on these discounts, and if they capture discounts frequently enough, they can save thousands or even millions of dollars each year. However, in most cases, organizations cannot capture these discounts very often. According to PayStream's annual Accounts Payable market survey, most organizations can only capture early payment discounts sometimes, see Figure 1.

Figure 1

Most Organizations Only Capture Discounts Some of the Time

"How often is your organization able to capture early payment discounts on invoices?"



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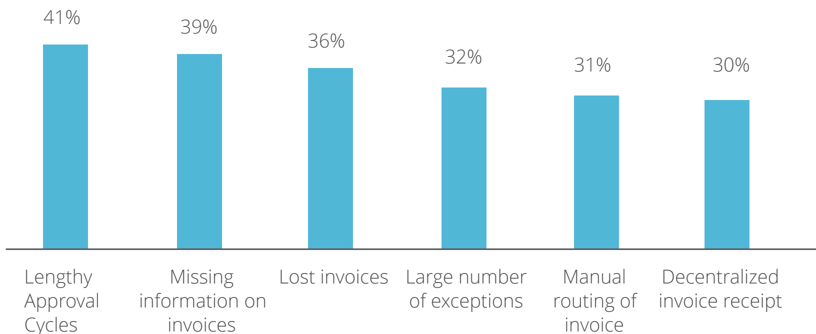
The reasons for missed discounts vary. Sometimes, a company is too small and has too few suppliers for discounts to make much difference in terms of cost savings, and capturing them is not a priority. Another major cause is inefficient P2P and payables processes, which dramatically increase invoice-to-payment times. When finance professionals were asked about the top AP-related reasons for missed discounts, the most cited problems of lengthy approval cycles, missing information on invoices, and lost invoices, see Figure 2. These and other issues often cause buyers to miss the deadlines set in early-payment discount terms.

Figure 2

Lengthy Approval Cycles and Incomplete/ Lost Invoices Are the Biggest Cause of Missed Discounts

"What are the top three problems that lead to late payments and missed discounts at your organization?"

TOP AP PAINS LEADING TO MISSED DISCOUNTS



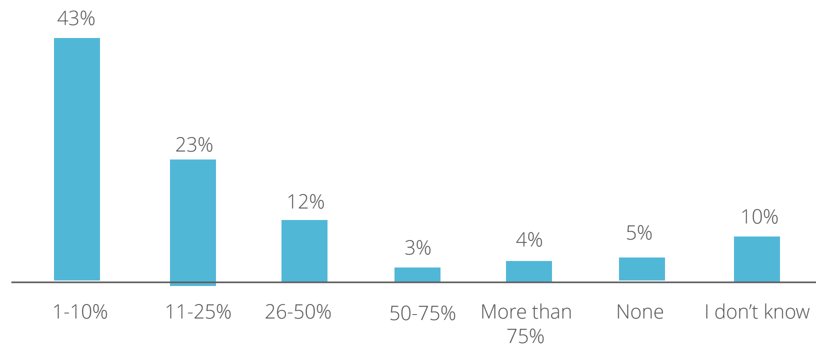
Another reason organizations are unable to capture discounts is because suppliers do not always offer them, see Figure 3. Suppliers typically do not offer discounts when the buying organization has a poor record of meeting payment deadlines. Additionally, suppliers sometimes choose not to offer discounts if they have limited visibility into the statuses of their invoices or payments.

Figure 3

Most Organizations Report Between 1 and 10 Percent of Suppliers Offer Discounts

"What percentage of your suppliers offer you an early payment discount?"

PERCENTAGE OF ORGANIZATIONS' SUPPLIERS THAT OFFER DISCOUNTS



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Capturing discounts is not the only way to improve cash flow, nor is it always an effective method. Balancing working capital between buyers and suppliers becomes more difficult for larger organizations and those that rely on more complex supply chains, such as a large retailer or manufacturer. For these organizations, early payment discounts do little to improve working capital, as DIO goals and the buyer's desire to move their product are hampered by lengthy cash conversion cycles. In these instances, a buyers' cash can be trapped for several months as they attempt to attach revenue to their purchases. For example, large organizations dealing with complex supply chains and numerous suppliers often pay different suppliers under different payment terms. What's more, many organizations do not manage these payment terms strategically—a buyer may have a contract with a supplier that calls for payment 30 days after the receipt of the invoice, but the buyer may not turn the purchase into revenue for another 150 days.

At the end of the day, companies want to strategically optimize their cash flow and save money wherever possible. However, many do not know how to change their methods without harming existing processes. In the previous example, the company is probably aware that the 30-day payment term is not strategic, but does not want to harm the suppliers or supply chain in the process of restructuring terms. What can organizations do to improve working capital in light of their complicated supply chain and financial circumstances?

PayStream identifies the top ways to optimize working capital as AP automation software, dynamic discount management (DDM) software, supply chain financing, and the strategic use of electronic payment cards, all of which are defined below.

» *AP Automation* – AP automation software involves paperless invoice processing through electronic invoicing and/or the scanning of paper invoices and data capture, invoice matching and exception management, approval workflows, and integration with electronic payments tools.

» *Dynamic Discount Management* – DDM tools allow buyers and suppliers to collaborate on how and when discounts are offered and accepted with a sliding-scale discounting platform.

» *Supply Chain Financing* – SCF software allows buyers to leverage third-party funding to finance the supply chain, allowing suppliers to maintain production when their own resources are constrained.

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- *Electronic Payments* – Electronic payment tools like Virtual Accounts give buyers the benefits of extended DPO, payment rebates, and stronger payment security, while offering suppliers faster payments.

These tools can be used both separately and together for different financial and cash flow functions. Determining the right tools and how they should be used depends on several factors, including organizations' structure, size, and business needs, as well as their technology goals and flexibility. Sometimes optimized working capital can be as simple as automating part or all of a company's invoice management process in order to speed up invoice and payment approval times and reduce DPO. Other times, a company may need a mix of working capital strategies, such as a discount management module and a partnership with a SCF services provider that will help them restructure their cash flow process.

These tools benefit organizations through a combination of savings and strategy. Organizations can gain millions of dollars from freed cash flow, early payment discounts captured, and card rebates. They also gain the ability to control cash flow where they could not before, without hurting their supply chain and suppliers. As suppliers play a large role in a company's decision to restructure their payment terms, it is also important to understand the benefits of these tools to suppliers themselves. With working capital tools, suppliers can remain stable amidst payment term extensions, and accelerate cash flow by opting to get paid earlier.

The following section outlines how the four leading working capital tools can be used to free up a companies' cash flow and improve their bottom line.

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Optimizing Cash Flow

Optimizing working capital differs depending on the size of the company and the nature of their supply chain.

Accounts Payable Automation

For many companies, especially those with more indirect spend and high volumes of lower value invoices, the ability to improve working capital greatly depends on the efficiency of the invoice-to-payment cycle. In fact, it is almost impossible to successfully leverage a discount management tool without first automating parts or all the accounts payable process. AP software improves a company's working capital by speeding up the rate at which invoices are received, routed, and approved by AP. Electronic invoices—such as those generated directly from a purchase order or originated electronically via vendor portal or eInvoicing network—optimize the AP process, as does invoice workflow automation.

An AP automation system streamlines and shortens invoice lifecycles, meaning that organizations have a much greater ability to capture early payment discounts. PayStream has found that approval times drop from an average of 45 days with no automation to an average of 5 days with low paper usage and an invoice management solution. The monetary savings depends on the number of invoices an organization receives and the percentage of those invoices that are eligible for discounts, but they can reach millions of dollars per year.

DDM and other working capital applications typically are built into or can be leveraged with most AP and invoice management solutions on the market today. This allows both buyers and suppliers to have more visibility into their discount or financing options as they manage invoices. For example, as AP solutions commonly also feature supplier self-service portals, suppliers can log in and see the status of the invoices, payment, and discounting options from one interface, in real time. Buyers can see when suppliers have accepted early payments on invoices, and can often prioritize approvals on invoices for which suppliers have already requested early payment.

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Dynamic Discount Management

Dynamic Discounting Management software leverages the speed and efficiency of AP automation to unlock cash flow for both buyers and suppliers. Instead of using static discount terms such as “2% 10, net 30,” DDM solutions offer invoice discounts based on variable rates. Early payment discounts decrease as payment deadlines approach, enabling buyers and suppliers to set and select discounts according to their own business and financial requirements.

There are a few different Dynamic Discounting models and features. One is the sliding-scale discounting method, which offers automatic discounts on a predefined set of invoices, starting high but decreasing as the invoice due date approaches. Other Dynamic Discounting strategies offer a collaborative approach that takes into account suppliers’ financial needs, giving them control of APRs and terms. Some solutions allow buying organizations to choose between recurring or one-off discounts, and many give buyers the ability to segment suppliers and discount schemes according to supplier size, geography, spend, and other characteristics.

Early payment discounts, while reducing a supplier’s payment, can be very beneficial for the supplier’s DSO goals and cash flow needs. When a company leverages DDM software effectively, they can greatly improve the health of supplier relationships and supply chain efficiency. However, as noted in Figure 3, not all suppliers offer early payment discounts, which may cause some buying organizations to hesitate to adopt a DDM solution.

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Sometimes suppliers are reluctant to offer discounts because they lack a way to effectively collaborate on discounts with buyers. DDM solutions are designed to reveal every possible savings opportunity by allowing buyers to view discount terms and upcoming due dates at any time within the terms window. DDM also gives suppliers comprehensive control of discounts, providing them with interactive tools that enable them to designate which invoices are eligible for which types of discounts, if any. Figure 4, which contains data from PayStream's 2016 AP survey, reveals that when organizations have a DDM solution in place, more suppliers offer them discounts.

Figure 4

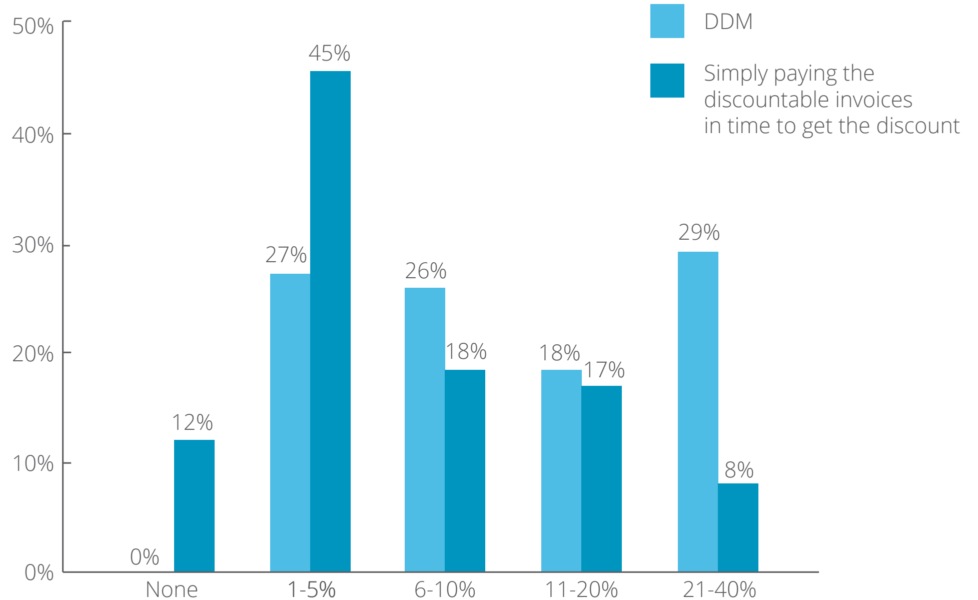
Suppliers Offer More Discounts to Buyers with DDM

"What percentage of your suppliers offer you an early payment discount?"

&

"Which of the following methods does your company use to achieve discounts?"

PERCENTAGE OF SUPPLIER DISCOUNTS OFFERED BASED ON BUYERS' DISCOUNT CAPTURE METHODS



This increase in offered discounts occurs partly because many DDM providers offer supplier onboarding services upon buyers' implementation of a solution, educating the suppliers on the benefits and uses of the program and walking them through registration. In addition, DDM solutions offer greater visibility into invoice approvals, give suppliers more choices in how they can offer discounts, further increasing their willingness to participate.

Of course, one of the most powerful benefits of DDM platforms is their ability to save companies money, which can amount to millions of dollars each year depending on the size of the company, the number of invoices, and annual spend. Despite the potential savings opportunities, DDM is not an effective or relevant working capital optimization tool for every company. Some small companies do not

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have enough spend, invoices, or suppliers to benefit from a full-fledged DDM solution, and would do better to simply automate some or all of their AP process to reduce payment cycles. Conversely, very large companies sometimes operate supply chains that are far too complex for early payment discount capture to have much impact on their cash flow. These organizations need a stronger method for optimizing their working capital, which is explored in the next section.

Supply Chain Financing

The goal of SCF is less about capturing discounts and more about unlocking cash flow—both the buyer's via extended DPO, and the supplier's by financially supporting their supply chain and production needs. With a DDM platform, funding for paying invoices early traditionally comes from a buyer's capital, but SCF opens payments to competitive bids and invites banks and third-party funders to participate. While the buyer is still paying an invoice earlier than they could without the funding, they are not doing so solely to capture the discount; rather, they are able to free trapped cash and use it strategically to maintain or expand their supply chain operations and competitive advantage. When used correctly and by larger organizations, SCF has the potential to unlock billions of dollars in a company's cash flow.

Traditionally, SCF is used when suppliers do not have the capital necessary to produce a buyers' order. In some instances, such as in when the buyers are large enterprises, the buyer themselves will finance the supplier's production costs for a large discount (typically between 4-8 percent). In most other cases, third-party SCF companies will finance the supply chain, either by providing letters of credit so that the supplier can request funding from a bank, or by financing the suppliers directly based on performance within their network.

For businesses with complex, widespread supply chains, SCF is a very strategic method for optimizing working capital. It helps buyers reduce cash conversion cycles without dramatically impacting their supply chain or their suppliers' financial needs. It also allows buyers to more easily fund purchases from suppliers in countries where credit is difficult to come by.

SCF can be lucrative for large suppliers who have cash flow needs, as the discount rates associated with SCF are generally lower than the finance rates of short-term loans. Cash-strapped buyers who have other priorities—such as a monthly revolve—or those who are unable

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to budget their DPO, generally split the returns from a SCF program, while third parties get a short-term (under 56 days) return well over 100 basis points.

In the SCF space, participation from third parties such as hedge funds is growing as word spreads of its available returns and relatively low risk. In recent years, the World Bank and International Finance Corporation (IFC) have become involved in SCF, and they currently finance suppliers in several regions with instable economic conditions, including Vietnam, Bangladesh, China, and Sri Lanka. In these scenarios, the IFC will typically go and inspect a supplier for social and environmental compliance. They will then pay the supplier to fulfill an order but at a rate that improves if they score well on the order inspection after it is produced. Not only does this create more stability among suppliers with less collateral and volatile economic conditions, it has also helped to improve the factory conditions in some underdeveloped regions.

Other types of SCF are more specialized. One method is known as inventory financing or factoring. In this case, a SCF provider finances a buyer's invoices based on the buyer's inventory, thereby owning the inventory until it is sold and repaid. This type of SCF is typically only offered by specialized providers, as banks are currently prohibited in some cases from participating. A relatively new SCF method enables multiple suppliers under a single buyer to create co-ops or "networks" to get better financing rates together. The idea behind these networks is similar to that of group purchasing organizations (GPOs), except the groups are formed with the purpose of achieving a more stable supply chain instead of increased purchasing power. It also means multiple suppliers are responsible for a buyer's order liability together, which can be appealing to buyers.

Another method suppliers sometimes use to finance their supply chains is invoice factoring. With traditional invoice factoring, an organization would sell its accounts receivable, typically taking a 10-15 percent discount on the balance of their liabilities. However, this method has historically been used to launder money by corrupt institutions, and it is not the most reputable or preferable SCF option. A more modern version of this is known as reverse factoring, which is buyer initiated. The buyer will engage with a reverse factoring service provider if they cannot afford to pay their invoices early, splitting the early payment discounts with the financier. When the program is constructed properly, early payment on invoices does not count as debt for suppliers and does not affect their credit rating, as the funding structure is based on the buyer's credit.

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Sometimes organizations hesitate to use supply chain financing for fear that it will cause upheaval in their supply chain, payment schedules, and supplier relationships. They do not want to disrupt the status quo and put their business and their suppliers at risk, and they fear that their suppliers will be unwilling to engage with SCF programs. These fears are not unfounded, but they are certainly surmountable. By working with the right SCF provider and by building a strong SCF program, buying organizations will not expose their supply chains to unnecessary risk. In fact, by taking the initiative to introduce SCF to suppliers throughout their supply chain, companies often improve suppliers' competitive standing in regions that do not otherwise support consistent or substantial growth.

Supply chain financing is sometimes provided within an invoice automation solution and sometimes through standalone services providers. Leading SCF services and platforms should come through a provider with years of experience in finance, supply chains, and working capital optimization. These providers partner with clients to completely break down and rework their working capital strategies. This often includes helping their clients develop and implement new terms and strategies that meet their cash conversion cycle needs.

SCF providers also work with clients to build effective supplier onboarding campaigns. By presenting SCF programs in a way that clearly highlights the benefits of SCF to the suppliers themselves, buying organizations gain quicker return and an improved working capital state much earlier. Some of the greatest benefits for suppliers are greater visibility into and control over cash flow. For suppliers, leading SCF platforms offer an interactive platform that shows all invoices and payment dates. Suppliers gain more visibility into invoices and payments, as well as increased access to financing at rates that have less impact their own financial status or stability. This is especially important for smaller suppliers, or those based in less developed or less economically stable countries.

Electronic Payment Cards

Automating the payments process with electronic payments tools goes a long way in improving cash flow and savings capture. Efficient payment management and discount capture are closely related, as an accelerated payment cycle increases discount capture rates. With a card payment, invoices are paid and discounts are captured on the same day. Organizations also eliminate costs associated with printing and mailing checks.

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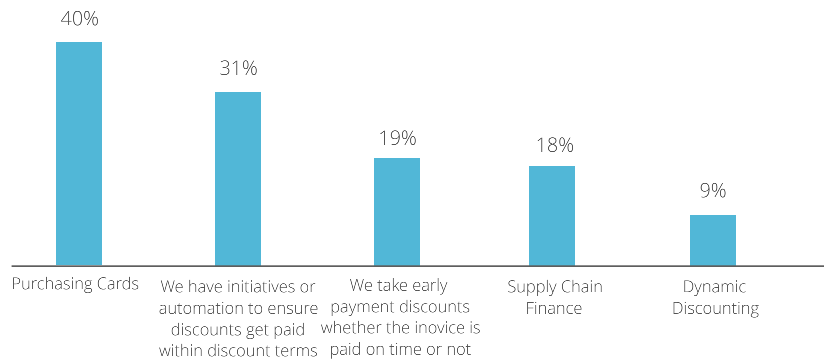
Electronic payments come in a variety of forms, including commercial cards (e.g., purchasing cards), Automated Clearing House (ACH), and wire transfers. Purchasing cards (p-cards) are one of the most common—and easiest to implement—forms of electronic payments, and they are among the most widely-used tools for discount capture, see Figure 5.

By putting supplier payments on commercial cards, buyers are essentially extending their DPO with credit. Rather than adhering to suppliers' typical 30-day invoice payment terms, paying via card can extend the float beyond 30 days. Although p-cards are more widely used, another type of commercial card, Virtual Accounts (VAs), are among the most effective payment methods for enhancing working capital programs, and are rising in popularity among organizations trying to gain savings and more control over cash.

Figure 5

Purchasing Cards Are the Most Common Method for Capturing Discounts and Rebates

"Which of the following methods does your company use to achieve discounts or rebates? (Please select all that apply)



Virtual Accounts (sometimes called Single-Use Accounts) are payment card numbers issued by a bank under a card network and are used to settle invoices. With Virtual Accounts, suppliers can initiate the payment either via virtual terminal or as a direct deposit into a bank account. Virtual Accounts allow organizations to pay their suppliers but retain their funds for another 30-45 days before paying their card-issuing bank. This extends the DPO for the buyer and reduces DSO for the supplier. With a Virtual Account, a buyer can gain early payment discounts, earn card volume rebates, and take advantage of the grace period between payment and monthly statement dates. Rebates can very large when VAs are used the right way—up to hundreds of thousands of dollars.

VAs are better suited for working capital optimization than traditional p-cards, partly because they are often built to integrate with and

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support larger payment functions, such as an organization's approval of supplier invoices. The VA can issue straight-through payment, where a supplier receives a direct payment through the card network or issuer, rather than having to process a charge transaction. Virtual Accounts are more efficient for higher dollar purchases and/or complex purchases warranting invoice review prior to payment.

ePayment solutions like Virtual Accounts also have benefits for suppliers. Not only are suppliers paid more quickly, but they often have access to self-service options on a vendor portal, collaborative dispute resolution, quick delivery of remittance information, and assistance with compliance and auditing. VA also have more robust security features than many other types of electronic payments cards.

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Optimized Working Capital Realized

The following case studies feature hypothetical scenarios of different working capital optimization applications. They show how organizations can use different tools to bring savings, unlock cash flow, and benefit their suppliers.

Case Study 1: Supply Chain Financing

Assumption:	A consumer packaged goods (CPG) manufacturer has a business relationship with a major retailer, and regularly ships $10MM worth of product to the retailer. The business relationship is over ten years old, and the manufacturer's payment terms with the retailer have always stood at 30 days. However, on average, it takes 120 days for the retailer to sell the product and convert it back into cash, creating a 90-day gap in cash flow for the retailer.
Result:	The retailer decides to extend payment terms with the manufacturer and with several ot¬¬her suppliers, and engages a SCF company to develop a program. The retailer tells the supplier it would like to extend payment terms to 120 days. The SCF provides an invoice management and SCF portal for the buyer and supplier to collaborate, and gives the buyer funding through third-party channels for paying invoices early. After the new terms (2/10, net 30) are initiated, the supplier's DSO rate drops to 20 days on average.

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Case Study 2: Dynamic Discount Management

Assumption:	A middle-market professional services organization has $300MM in annual spend. With a manual AP process and no DDM solution in place, the company is offered discounts on 20 percent of its annual spend, and it can capture 5 percent of those discounts with average discount terms of 2/10, net 30. This results in approximately $60,000 in annual savings.
Result:	After the company automates its AP process and implements a DDM solution, it is offered discounts on 30 percent of its annual spend, with the average discount being about 1%. The discount capture rate rises from 5 percent to 80 percent on eligible spend. This results in approximately $720,000 in annual returns savings.

Case Study 3: Virtual Accounts

Assumption:	A middle market hospitality company has $300MM in annual spend. It works with hundreds of different suppliers and is frequently changing which suppliers it uses. The company's IT resources are limited, and it is looking for a simple solution to extend DPO. The treasurer decides to engage in a Virtual Account program for $100MM of the annual spend.
Result:	The company reduces annual processing costs by approximately $450,000 and captures approximately $850,000 in annual rebates, totaling $1.3MM in savings. The company also extends DPO by 30-45 days before paying the bank that issues the card. Suppliers gain improved DSO by 35 days, on average.

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Moving Forward with Working Capital Optimization

Working capital optimization should first entail a careful internal evaluation, one that takes into account a company's cash flow needs, suppliers, and business structure. An organization may need only one of the tools covered in this report, or a mix of several different tools applied in different ways. Any working capital optimization initiative requires gaining cooperation from many different parties—both internal (C-suite, finance teams, etc.) and external (solution/service providers, suppliers, etc.).

It is especially important that a solution/service provider has experience in the areas of the potential client's business and financial needs. For example, one company will be better suited by a provider with a heavy discount management focus, while another will need one that offers experience in and support for building an extensive global SCF program. In order to help organizations make an educated decision in the search for working capital software, the following profile showcases the working capital optimization and AP offerings of one of the market's leading AP and working capital software providers.

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Inspyrus

Inspyrus was founded in 2008 by a team of Stanford and MIT graduates. In 2010, the company released Inspyrus Invoice Automation, and today Inspyrus offers a fully integrated product portfolio that combines advanced invoice automation with supplier enablement tools and a dynamic discounting management platform. In 2013, Inspyrus partnered with Oracle Corporation, becoming Oracle's go-to-market AP solution.

Founded	2008
Headquarters	San Carlos, CA
Other Locations	Pune, India
Number of Employees	50+
Number of Customers	52
Target Verticals	All
Partners / Resellers	Oracle, PWC, TekStream, Red Rock- DXC. Also have additional partner coverage in North America, EMEA and APAC
Awards / Recognitions	Silicon Review Magazine – Top 50 Most Innovative Companies to Watch; Worldwide Business with Kathy Ireland segment

Solution Overview

The Inspyrus solution includes three core products—Invoice Automation, Total Discounting, and Supplier Central. The product portfolio is built using a single application design center, which allows clients to turn on additional solution modules as needed. Inspyrus leverages several patent-pending technologies to increase automation, including direct, real-time integration with all major ERP systems. These systems include SAP, Oracle E-Business Suite, Oracle JD Edwards, Oracle PeopleSoft, Oracle Fusion Applications/Cloud ERP, and IBM Maximo. The solution's bi-directional integration capabilities eliminate the need for clients to routinely load data into the invoice automation solution or do batch updates to their ERP systems. These integrations are provided out-of-the-box and allow clients to connect to multiple ERP systems simultaneously with a single Inspyrus application—potentially delivering significant advantages and cost savings for shared service operations. Other patent-pending technologies include Inspyrus DataEnrich™ and Inspyrus DataValidate™, which clean, enrich,

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and pre-validate invoice and supplier data in real time against the clients' ERP systems to deliver exception-free invoice processing.

Inspyrus offers a dedicated mobile application for its invoice automation solution. The app enables users to perform invoice coding, review, and approval, and many other functions directly from their mobile devices (iOS and Android).

Invoice Integration Capabilities

Inspyrus Invoice Automation includes a complete eInvoicing solution that supports supplier invoices in EDI, cXML, CSV, and other structured data formats. It also offers native support for processing scanned paper, email, and fax invoices. Inspyrus DataEnrich™ is then used to complete automated 2- and 3-way matching with the ERP system instantaneously, and Inspyrus DataValidate™ validates invoices in real time with the ERP system.

Supplier Central provides a self-service portal for suppliers, allowing them to check the status of an invoice or payment, quickly submit invoices or flip POs into invoices electronically, and request early payment discounts. Invoices submitted to Supplier Central are validated in real time with the client's ERP system of record.

The solution's reporting support includes over 80 out-of-the-box reports as well as built-in dashboards that allow users to drill down into key performance indicators (KPIs), invoice details, spend and audit data, and automation levels across all processes. Users can also see detailed statuses and history both at a macro-processes level and for individual transaction instances. This data is visible across all business divisions and operating units, and across all ERP systems.

Working Capital Services

Total Discounting enables companies to maximize early payment discounts from suppliers by combining the best of both traditional discounting and dynamic discounting methods. Inspyrus clients can create discount tiers in which they can map suppliers based on criteria such as size, propensity to offer discount, industry, cost of capital, and spend type. Discount tiers represent APR for the discounts, and are measured on a sliding scale up to the payment due date.

Clients can create a discount cash pool for each week, month, quarter, or year, limiting the amount of early payments made to suppliers based on the cash pool. The client can prioritize the use of the cash pool based on discount tiers. Clients can also prioritize invoice processing

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queues of discounted invoices vs. non-discounted invoices to maximize early payment discounts. The solution currently supports a buyer-funded model; a third-party financing model for buyers and suppliers will be incorporated into the product in 2018.

From the Supplier Central portal, suppliers have several discounting options: they can choose to be "Paid ASAP" on all their invoices automatically, or they can selectively request early payment for a given invoice or group of invoices. They can also request that a certain amount of the invoice be paid on a given date, or they can allow the Inspyrus Total Discounting solution to calculate the optimal discount amount for the supplier from one or more invoices pending payments across all of the suppliers' customers. Because the Inspyrus product portfolio is fully integrated, the suppliers have visibility into their invoices as soon as they submit them, and they do not need to wait for the invoice to be vouchered in the ERP system before they can request early payment.

Implementation and Pricing

Inspyrus offers deployment flexibility for all of its solutions and ERP integrations, including cloud, on-premise, and hybrid deployments. Average implementations run from under one week to 10 weeks, depending on the size of the company and the type of deployment. These implementations are turn-key and include specialized training for clients' business users, end-users, and IT staff. After implementation, Inspyrus provides 2-4 weeks of "hyper-care" support, followed by continued support from the Inspyrus Managed Services team.

The Invoice Automation solution is offered through a perpetual license model with annual support fees, and a SaaS model that includes per-invoice fees charged on a monthly or annual basis. The Total Discounting option is priced on a gain-share model, with no upfront license or subscription fees. Supplier Central is included at no charge with the Total Discounting solution, or with per-supplier user fees when not used with Total Discounting.

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PayStream ADVISORS

About PayStream Advisors

PayStream Advisors is a research and advisory firm focused on business process automation in sourcing, supply chain management, procurement, accounts payable, payments, and expense management. PayStream's team of experts provide targeted research and consulting services to address the changing needs of finance and procurement professionals. In short, PayStream is dedicated to maximizing returns and minimizing risks associated with technology investment. PayStream's research reports, white papers, webinars, and tools are available free of charge at www.paystreamadvisors.com. PayStream Advisors is a division of Levvel, an IT consulting firm specializing in technology strategy, design, architecture, and DevOps.

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