Why Put the "Pay" in Your Procure-to-Pay?

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Take Your P2P Process to the Next Level

Payments are often left out of the procure-to-pay (P2P) process, traditionally being managed by ERP systems focused on internal business functions. While a comprehensive P2P system is valued for supplier interactions, integrating payments remains a crucial but overlooked step.

Evolution in Payments

Let's take a trip back to the year 2000. eBay was in its early stages and online payments were a whole different ball game. In those days, after winning an online auction you mailed a check to the seller. After a few days of wondering if they were going to steal your money, the seller would deposit the check and ship your item. It was a nerve-wracking experience. In 2002, to address the friction in this experience, eBay acquired PayPal to offer secure and hassle-free payments.

Fast forward to 2024. Most eBay sellers won't even accept check payments. The process of paying for goods purchased is frictionless, thanks to PayPal. It is so seamless that you can't help but realize the incongruence between B2C and B2B commercial interactions.

B2B Payments Today

Procure-to-pay is the B2B equivalent of an eCommerce platform like eBay. However, unlike eBay and PayPal, integrated B2B payments are often an afterthought on eCommerce platforms like P2P. Surprisingly, many businesses are still stuck in the old ways of paying invoices by check, reminiscent of the early 2000s eBay experience.

There are several reasons to attribute to the slow evolution of B2B payments. Buyer/supplier relationships tend to be long-term compared to consumer businesses, leading to the use of familiar payment methods over many years. Buyers typically select new vendors through a sourcing process, so checkout friction and cart abandonment have little to do with customer acquisition. One of the main reasons, however, is that the B2B payment process is closely tied to accounting and typically resides within the ERP, so while payment completion may not be impacted by checkout friction, there is still room for improvement in the B2B payment landscape.

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End-to-End Automation

When you add the ability to make payments within your P2P system, you not only streamline the process, but you are truly putting the "pay" in your P2P process. This means no more bouncing between systems to generate and submit payment batches. In today's AP teams, invoices are reviewed and approved in the P2P system, then transferred to the ERP for payment batch processing. This back-and-forth between systems can lead to errors and delays. Approvals are often done manually, with no clear rules for compliance. On payment run day, someone is usually logging into the ERP to execute the batch manually. It's time for a more efficient and integrated approach to payments.

By incorporating the payment process in the P2P system, these inefficiencies can be eliminated. Everything from supplier onboarding, payment account and remittance collection, shopping, ordering, invoicing, and payments, can be managed seamlessly in one system. Invoices can be automatically scheduled for payment based on due dates or discount dates. Approvals can be set up using auditable rules to streamline the process. Once the batch is approved and scheduled, it can automatically be submitted for processing to avoid single points of failure and error-prone manual processes. Finally, the payment settlement status is automatically reconciled, and general ledger entries are made in the ERP system of record via integration, leaving JAGGAER as the single user interface.

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