



INDUSTRY GUIDE

AP AUTOMATION
FOR FRANCHISE
BUSINESS MODEL



INTRODUCTION

The franchising business world is thriving with new ideas, new models and new tools to make it better, smarter and more global. While it gives all the benefits of a sole proprietorship to the franchisee, the franchisor gets to expand in different geographic locations and build brand value. Today, this highly successful business model directly accounts for 733,000 establishments in the US alone¹. Whether it is tradename/product franchising model or the more complex business format franchising, the relationship between the franchisor and the franchisee and the success of the model depends a great deal on how well it is executed.

Running a successful franchise is not easy in terms of managing the chain information, getting all franchisee outlets or locations on a single system for orders and payments, or recording information. As the number of outlets increase, so does the risk of errors in processing or making payments.

On the whole, what you need is an eagle eye over the operations because one slip-up by a single franchisee can potentially damage the public perception of other franchise locations in the market. As a franchise owner that oversees multiple franchised locations, can you ensure that they are all maintaining the same level of efficiency in cost, quality, visibility, access, controls and security?

Yes, you can, with automation.



MAKE ACCOUNTING YOUR KEYSTONE

Accounting functions typically include financial policy and planning, budgeting, cost control, fraud control, tax planning, auditing, record keeping, and legal compliance. Strategizing each function is key to running a successful franchise operation. Bookkeeping, cashflow analysis, budgeting, royalty fee audits, inventory management, and vendor management are just some of the aspects that franchiser always needs to stay on top of. A rock-solid back office structure is an absolute necessity but that doesn't mean piles of paper stacked up against the walls and employees poring over documents for hours on end, trying to match invoices to purchase orders to GL codes.

With increasing employee and real estate costs, it doesn't make sense to devote either full time employees (FTEs) or space to documents that can easily be digitized, automated and stored in a central location. Sure, you must be having a finance or an accounting software system that worked great in the '90s but they are called "legacy" systems for a reason. These legacy systems may serve the purpose but may not suit current operating systems, browsers and IT infrastructures. The same applies to ERPs as well- what worked a decade ago may not work today and in turn may turn out to be more complex and costly to maintain. The only way is to integrate your existing IT systems with latest tools that will transform your operations and make your entire business model dynamic.

Another major mistake that companies make is keeping labor-and-time-intensive operations such as invoice management or accounts payable/receivable out of the ERP. This leads to several bottlenecks which will ultimately reflect in the overall bottom line. This e-book addresses these issues and details how franchise businesses can benefit from automating accounts payable and integrating it with their ERP.





REDEFINING
VISIBILITY AND
CONTROL

DATA IS YOUR ALLY

The biggest challenge that any business faces today is unprecedented data from multiple sources - web and mobile apps, social media, website visits, portals, order and purchase gateways etc. However, data can also be your biggest advantage when used smartly. Managing financial and accounting data can be the cornerstone for business success and this is possible only by having automated systems in place that will sieve unwanted, irrelevant and redundant data and convert it into key performance indicators (KPIs) that can be readily used for decision making.

Everyone knows that access to information is important. The first thing companies need to consider is how they are going to use data:

- For visibility and control over key data
- For gaining efficiency in operations
- For ensuring compliance with regulations
- For security to prevent fraud or misuse
- For faster and better decision making

A combination of some of or all these priorities should help a company determine how automation will help to achieve its goals.

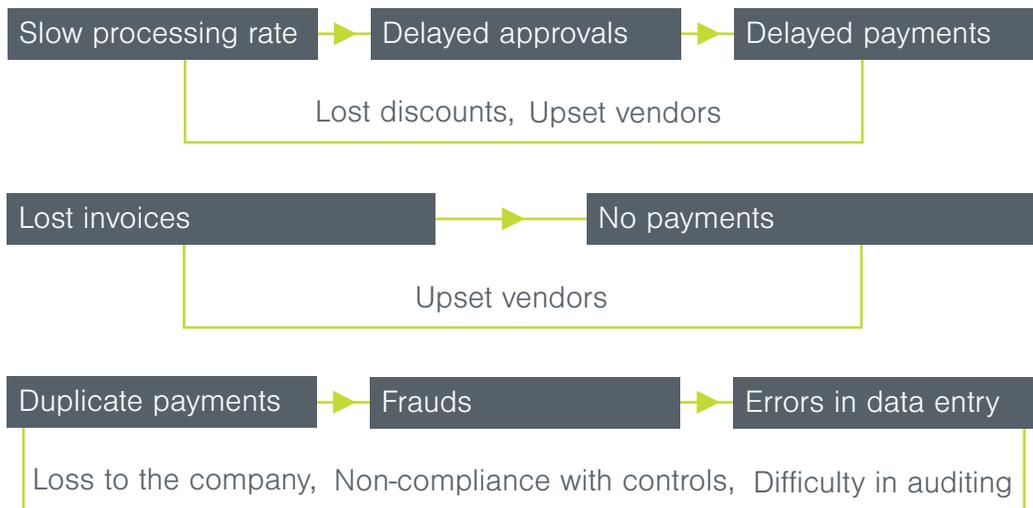
THE ACCOUNTS PAYABLES CONUNDRUM

One of the processes that generates a lot of data on a day to day basis is the accounts payable. Businesses deal with hundreds, if not thousands, of invoices per month that need to be approved and paid on time.

The process of invoice management from receiving them to making payments can be quite challenging, especially for multi-outlet companies which will have to manage several vendors for multiple locations at the same time. This can quickly spiral out of control as more locations are added. For a global franchise, vendors may also be in different geographic locations, even for the same product. Getting invoices from these multiple vendors from multiple locations to follow a particular invoice format or medium may not be possible.

Typically, every franchisee will have an accounting department that receives the invoices (majority of which are still in paper format), routes them to the appropriate departments, waits for approval, sends them for payment and then updates the vendor. In most companies, this process is only partially automated- the process of entering the data from the invoices or routing them to the proper approver is still done manually.

There is no doubt that these semi-automated methods do work- but they are often fraught with several challenges and disadvantages, both direct and indirect:



The good news is that, All of these challenges can be overcome with the right automation tools in place. Furthermore, adopting these tools is not necessarily cost-prohibitive and is in fact, low-cost in the long run.



AUTOMATION AND
CONFIGURATION

ADVANTAGES OF AUTOMATION IN FRANCHISING

Now that you know that automation is inevitable, how can you get the best out of it? Automation can be applied to every part of your purchase-to-pay process. How well you adopt it is and to what part differentiates the extent of success from it. While some companies benefit from automating the approval workflows, others may take advantage from the review workflow or the automated bill pay process.

AP automation provides numerous benefits to franchise operations, including:

- Integration between all stores/locations
- Automated import of data into a single accounting software
- Accuracy in data extraction from different formats and forms of invoices
- Quicker workflows
- Improved productivity because FTEs can focus on more value-added tasks rather than mundane data entry
- Lower costs as a single system does the work of multiple FTEs
- Real-time visibility into performance
- Release of bottlenecks
- Quickened payments (time to pay)
- Eradication of errors like missing invoices/duplicate payments
- Real-time metrics, dashboards to show progress of processing or payments
- Better communication across the franchise network
- Greater control over franchisee accounts
- Monitoring of benchmarks across multiple locations
- Greater control over KPIs
- Inbuilt exception handling

CUSTOMIZATION IN AP AUTOMATION

Part of a well-run AP organization is a clear delineation of responsibilities: Data entry clerks enter data, approvers approve, and the payer executes the payments. With this systematic approach, the process is not only streamlined, but necessary checks and balances are enforced within. AP automation tools offer the technology needed to enforce the rules you define, and apply them automatically, with minimal human intervention required, across these different nodes.

Automation does not mean that these roles are cut and dried; In fact, it's just the opposite. Rules can be configured as per the company's specific work rules and roles. You can determine the number of approvers or reviewers, set the payment timeline and channels and ensure that only select individuals have the power to approve payments.

Most AP automation solutions are customizable or at least configurable as per clients' unique requirements. They allow you to set defaults and business rules or design workflows at multiple areas of the process which will give the feel of complete customization.

Here are some ways in which you can get the best out of AP automation:

- Touchless/digital PO matching
- Set PO matching tolerances
- Set fields that can be automatically computed
- Create multi-step approvals
- Automatic invoice routing, exception handling and defaults
- Automatic approval workflows can be configured with dollar limits and privileges or for a specific subset of invoices
- Provide multiple options for invoice submission
- Utilize communication tools better interaction between suppliers and various departments



OPTIMIZATION
WITH CLOUD

UNMATCHED VISIBILITY

AP automation gives franchisors the power to keep a finger on the pulse of every single franchisee. The same applies to owners of multiple franchised locations. Are they handling payments on time or falling behind? Are all the suppliers approved? Are there any abnormal changes to expected vendor pricing? Are there any abnormal number of invoices for a particular vendor? Are there any rounded-off invoice values? Are there any after-hours logins or modifications to invoice or vendor bank account records?

These are just some ways which will raise a red flag that can be monitored remotely from a centralized location by the franchisor. Using these simple metrics can help to see where a particular franchisee needs help or training, where costs can be optimized or to detect any potential fraudulent activities.

CLOUD-BASED AP AUTOMATION THE NEXT STEP

There are several tools in the market today that will automatically capture data from your invoices, route it through the workflow and approval process and take it all the way to the payments. All this is instantly synchronized with your existing ERP or accounting software.

With almost all companies using cloud-based ERPs and CRM applications in some part or on whole, an AP automation solution that integrates with a cloud-based solution makes sense. Most AP automation applications work on both public, private as well as hybrid clouds as well as on-premise environments. Public or hybrid cloud-based applications have several advantages vis a vis an on-premise solution from an IT infrastructure perspective. With cloud solutions, applications are deployed faster, internal data center infrastructure is reduced, and resources are freed up to take on more innovative projects.

Cloud AP solutions have several other benefits in terms of:

- **24X7 access via web and mobile devices**
So that approvers can log-in and complete their tasks from anytime, anywhere. On the other hand, On-premise applications require approvers to log in securely into the company's internal network.
- **Faster implementation**
With other Cloud-based ERPs or accounting software whereas an on-premise solution requires a complex and lengthy installation
- **Lower TCO (Total Cost of Ownership)**
As cloud-based solutions provide subscription billing, even for upgrades.
- **Predictable Costs**
So that CFOs aren't caught surprise when an upgrade is required. All upgrades are automated and are part of the cloud package.
- **Never gets outdated**
As new releases and upgrades are released automatically and simultaneously to all users.

THE FUTURE OF ACCOUNTS PAYABLE

Accounts payable may seem like a routine and insignificant part of your overall operations but it's exactly the opposite. A lot can be hidden in the data generated in that obscure back office which will indirectly add to your bottom-line in the form of vendor discounts for early payments or by eliminating fraud or losses. All it takes is a simple integration of this key function with your existing ERP or accounting software to get a lifetime of benefits.



IN CLOSING

The future of AP automation holds many more promises in terms of e-invoicing or cloud-based invoicing, dynamic discounting, workflow management, interactive apps and supplier portals, and robotics.

Change with time and give your franchisees the automation advantage.

REFERENCES

1. Robert Cresanti, Franchising Industry: A Reference for U.S. Exporters, US Commercial Service, US Department of Commerce, 2018 Edition, https://www.franchise.org/sites/default/files/2019-05/USCS_Franchising_Resource_Guide_2018.pdf, From the International Franchise Association



CIRCULUS

The Circulus AP automation solution was created to provide businesses with the tools they need to harness the power of an automated and online AP workflow. It is our goal to offer a solution that is affordable to any business, while not compromising on technology or features. With Circulus, we have developed a solution which allows users to streamline processes, enhance data quality, tighten AP controls, and consolidate bill management into a single interface.



www.circulus.io