AP AUTOMATION
FOR HOSPITALITY

CIRCULUS

INTRODUCTION

You are committed to providing exceptional experiences and driving referral and repeat business - it's why you chose to be in the hospitality industry. However, while front-of-house is where your business makes its mark in the eyes of your patrons, the back office operations are equally crucial. On top of all of this, you still need a keen eye on the financial operations of any number of services, offerings, and possibly even multiple locations.

It's a lot, to be sure.

Like many businesses, a reliable back-office organization, while crucial, rarely receives the same amount of attention afforded to customer-facing tasks. There just aren't enough hours in the day to be present for both front and back-of-house needs, much less when multiple locations are involved. This function can impact your operations significantly, affecting everything from vendor relations and credit management to optimized spend and fraud prevention.

Hospitality is a fiercely competitive industry, serving a demanding public – taking advantage of any opportunity to increase revenue while lowering cost is critical. The good news is that technology is providing more and more opportunities to streamline operations, and doing so is becoming more affordable.

Even with advancements in tools, transforming into an automated accounts payable organization takes buy-in and internal support to succeed. Once you get up and running, however, you will soon realize that the benefits of such a solution extend far beyond what may be visible from the surface.

This e-Book sets out to uncover some not-so-obvious benefits of automated accounts payable and lays the foundation for making a case for the switch.

UNIVERSAL CHALLENGES

While some challenges are unique to the hospitality industry, there are a handful of difficulties that apply to accounts payable, regardless of industry. These typically revolve around four topics:

Visibility & Access – Businesses need to be able to access information at any time, from any place. Otherwise, bottlenecks can creep in and disrupt the payables process.

Efficiency – Tools which cause extra time and work to operate certainly don't provide value. Companies need a way to solve their problems to focus resources elsewhere quickly.

Controls & Security – Certainly security and controls are paramount, especially when it comes to financial access. This applies not only to deliberate dishonesty but simple oversight and human error as well.

Cost Savings – Operations are increasingly being pressured to run a lean organization, and the tools available should provide value, while still being budget-friendly.

These likely all apply to you to some degree, but it's the combination of priorities that make AP automation a good idea. For some industries, the approval workflow is paramount. For others, it's about the ease of access to critical information. Others still, the synchronization with accounting software is worth its weight in gold. Regardless of where your particular needs place emphasis, it's likely that automating you payables and migrating to the cloud offers measurable benefit, if not solving several pain points at once.

How automation helps hospitality operations, in particular, extends far beyond these universal benefits, and can help you commit to moving to a cloud-based workflow.

DEFINING ROLES
&
ACCESS

One size does not fit all when it comes to accessing outbound funds. While some employees need access to bank accounts or payment approvals, others simply need to promptly submit invoices, enter supplier credits, or even just to provide an extra set of eyes. In the traditional paper-based workflow, it's difficult to regulate controlled access while still accounting for the day-to-day reality of getting invoices submitted, approved and paid on time.

Part of a well-run AP organization is a clear delineation of responsibilities. Data entry clerks need to enter data. Approvers need to approve, and so on. In doing so, the process is not only streamlined, but necessary checks and balances are implemented automatically. AP automation tools offer the technology required to enforce the rules you define, and apply them automatically, with little human intervention required.

Even the ability to define and modify the role-based accesses themselves are easily adjusted. Migrating AP to the cloud allows your organization to standardize access, and make adjustments in real time, as needed.

DEFINING ROLES

For those new to formalizing the accounts payable process, some of the more standard roles to consider are:

Clerk
This function typically collects invoices, extracts the data, enters any available credits, and sends the document into the workflow for completion. For companies who don't have a dedicated resource for this type of work, many turn to outsourced resources trained explicitly in data entry.

Reviewer
For companies who are looking for an additional set of eyes on a particular invoice at any time, the Reviewer role is a good fit. Frequently, employees in this position are expected to evaluate invoice data, ensure everything is associated with the right division or expense class, and provide any additional details on assignment rules.

Approver

This role is critical regardless of industry. In hospitality, you no doubt have a fast-paced process – one in which approvers may or may not be readily accessible. Due to such processes, accurate and complete information is critical to avoid hangups in the approval process, frequently for spend which requires prompt attention.

Payer

This role is the last line of defence regarding fraud prevention and the role which can execute payments. This permission is typically reserved for a company owner, CFO, Controller, or senior accounting personnel.

Admin

This role has all capabilities, including overrides and the ability to create and assign permissions to all other users. This function is typically reserved for company owners, regional/multi-location managers, or the highest-ranking employee with access to financial information.

Accountant

When it comes to expenditures, granting your accountant immediate access to payables is helpful concerning oversight and cashflow. This role is flexible, functioning in a fashion beneficial to both parties.

Some of the ways in which an Accountant can leverage AP automation on your behalf include:

- Managing and editing vendor bank accounts
- Onboarding suppliers for ACH payments
- Financial reporting and advice
- Statement preparation and audit management
- Equipment repair vs. replace considerations

These are just a few examples of roles commonly utilized in this type of work, and most automation tools provide various levels of customizing to fit a company's unique needs.

PROTECTING
YOUR
BUSINESS

It's easy to think that internal misdoing is impossible in your organization. You have a solid team in place, and the idea that someone would take advantage of the company seems entirely far-fetched.

For the vast majority of businesses, this is true. However, given the frequency of adding new vendors and the constant paying of invoices, it's a comfortable environment for fraud to go undetected. In fact, 78% of hospitality survey respondents have experienced asset misappropriation.

You may be surprised to learn that almost 30% of internal fraud can be attributed to of a lack of internal controls. Not only that but that the accounting function alone accounts for over 16% of total fraud. Also, for companies still writing paper checks, it gets even worse – check fraud accounted for a whopping 77% of all fraud cases.

AP automation technology offers many benefits which obviously can't guarantee fraud prevention but can provide the capabilities to identify red flags.

78%
Of respondents have experienced asset misappropriation

30%
Of fraud is attributed to the lack of internal controls

77%
Of total fraud is attributed to check fraud

LEVERAGE AUDIT TRAILS

Among the many strengths of a digital ecosystem is the sheer amount of data at your fingertips at any given moment. Not too long ago, this exercise littered with filing cabinets, sticky notes, and hallway updates has become a mere click of the computer mouse. Did an employee make multiple updates to a specific produce supplier within a short amount of time? Was bank account data for linen services modified? Was an employee not typically associated with a given supplier unusually active with their invoices? Was a principal approver omitted from the process?

If suspicion arises, digital audit trails can provide granular detail on any aspect of the bill lifecycle. You can quickly access dozens of invoice, user, and payee attributes and who executed a given action, and precisely when it was performed.

A SAVVY MANAGER
CAN EASILY SPOT
DEVIATIONS FROM
THE NORM

KNOW YOUR BUSINESS

The hospitality inherently provides ample opportunity for internal theft, based on the fast-paced, nonstop nature of the industry. Register skimming, unusual tipping, and outright food, beverage or supply theft are just a few of the daily concerns to monitor. So while these are examples of physical theft eating into your margins, a more inconspicuous threat can be found in the accounts payable function itself.

How can a business owner or accounting manager keep tabs on the pulse of their payables quickly and easily? While it may sound obvious, it comes down to knowing the business. By having a handle on averages, seasonalities, volumes, and pricing, a savvy owner can spot deviations from the norm. So while fraudsters are inherently resourceful and crafty, some tell-tale signs may be helpful to raise an eyebrow or pique your interest into a deeper dive:

- Invoices are missing important details, such as GL, class or quantity.

- Vendor details include PO boxes or public emails, such as Gmail or Yahoo.

- Abnormal change to expected vendor pricing.

- Approved amounts are just below the approval limits of a given user.

- Rounded invoice values ($25.00, $50.00, etc.).

- Invoice volume for a particular vendor is significantly higher than usual.

- After-hours logins and modifications to invoice and vendor bank account records.

CONSOLIDATION
&
OPTIMIZATION

BUSINESS RULES & WORKFLOW

A lot goes into something as simple as paying a supplier. Within in the rapid pace of checking in and inspecting deliveries for quality, quantity, and accuracy, submitting invoices can easily go overlooked. Add into the mix multiple locations, and you can see how quickly this seemingly simple process can escalate.

Again, the cloud and technology come to the rescue. By utilizing workflow and business rules, virtually all of the processing overhead can be minimized, if not eliminated. This also removes mistakes or non-compliance with internal invoice routing and processing policies – it is enforced digitally and can be modified as needed by assigned company administrators only. Some of the more common uses of systems and workflows offered by AP automation platforms include:

- Multi-step approvals
- Individual approval thresholds
- Exception handling workflow
- Recurring payment scheduling
- Digital PO matching

REMOVE LOCATION-LEVEL PAYMENTS

If your company operates multiple locations, bringing the AP function into a consolidated corporate role can make a significant impact. Which locations keep up with their payables and which fall behind? Do some properties frequently incur late payment penalties while others receive early payment discounts? Are all locations using approved suppliers? Unless you have a centralized view of payables activity, it can be difficult to tell.

By consolidating into a single cloud payables platform, you can remove the need for locations to manage their payables, in favor of merging it into a focused company-wide function. This helps find areas of improvement, identify possible cost savings, and illustrates where additional employee training may be needed.

ACCURATE ATTRIBUTION

Many in the hospitality industry struggle with adequately coding expenses. By integrating with accounting software, AP automation tools provide the data needed to ensure that your organization correctly codes supplier payments, across all operating units and/or locations. For food service companies, this could require coding invoices at the line level across a variety of operating classes such as party food, hot buffet or full service catering items. For those in resort management, it gets even trickier when line item detail is required across multiple operating units such as housekeeping, marketing, F&B, and facilities.

REMOVE FRICTION

Maintaining a positive working relationship with suppliers and service providers is not only good business but can also minimize distractions in your daily routine and avoid cessation of services. When your focus is on keeping patrons happy, the last thing you need is to find yourself in a panic to find an emergency replacement of a critical supplier. Imagine the impact this could have on offerings such as menu specials, event-themed cocktails or heavily promoted amenities or spa services.

One way to keep things running smoothly is to make sure your vendors are consistently paid on time. That can be more easily said than done, but developing a frictionless workflow can make a world of difference.

Having access to data at the moment needed is crucial. Busy hospitality managers are not tethered to their desk and can be hard to track down when timely action is required. It's a daily mad dash between front and back-of-house, or between or even across multiple geographical locations. However, while this is the nature of the profession, suppliers expecting payment do not wait for you to slow down.

MAXIMIZE SPEND

When done at an average level, the AP function can keep things moving along. When done well, it can operate as a profit center. It takes effort and discipline in the approach, but enforcing consistent processes can benefit many factors which can affect your spend.

Avoid Erroneous Payments

With so many suppliers, it's easy to pay a vendor twice accidentally or to pay the wrong vendor entirely. After all, in a hectic accounting workflow, "Marcos Floral" and "Marcus Foods" can look pretty similar. The AP automation tools platform can automatically alert you about potentially duplicate invoices, while the oversight provided by our approval workflow can help prevent misdirected payments.

Increase Purchasing Leverage

When it comes to pricing, volume is your most significant source of leverage. For many in the hospitality, there are purchase s required across all units. Be it linens, cleaning supplies, or condiments, there are opportunities for unit savings. If locations are independently securing their own suppliers for these types of goods, you could be missing out on substantial cost savings. By consolidating suppliers, your overall purchase volume can have a direct impact on your unit price.

ENFORCING CONSISTENT PROCESSES CAN BENEFIT MANY FACTORS AFFECTING SPEND.

IN CLOSING

It's a lot to think about, and the prospect of switching to an automated cloud approach may seem daunting. However, rest assured, tools exist which make this surprisingly simple, with integration consisting of a few clicks, and ramp-up a matter of a few hours. You will find that the investment in the time up front can provide measurable results almost immediately, and let you get back to focusing on providing unique customer experiences.

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CIRCULUS

Circulus SMB was created to provide small and medium-sized 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 SMB, 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.

Bill Pay Has Never Been Simpler.

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