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feature article

The Impact of Self-Service Applications on Corporate Accounting and Its Customers

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Automated customer self-service represents a powerful trend in a broad range of consumer and business environments, including, increasingly, the corporate accounting department. Self-service applications offer two compelling benefits to accounting departments: (1) substantial cost savings due primarily to reduced staffing necessary to serve external and internal customers, and (2) increased satisfaction on the part of those customers. Because of the increased demand in our society for customer self-service, organizations that provide it may also reap reputational benefits. While some accounting departments have acquired self-service automation as part of company-wide enterprise resource planning (ERP) software, such systems require large expenditures, as well as buy-in across many departments, including often resource-strapped information technology (IT) departments. Research shows that many ERP systems also experience implementation budget and schedule overruns. Alternatively, some accounting departments are adopting more highly targeted, remotely sited online self-service applications, which bring costs down by orders of magnitude, while reducing IT requirements and shortening implementation times.

Self-service is creating a sea of change in customer service in nearly every industry—for external customers, for internal customers, and for corporate staff responsible for serving both constituencies. This trend is having salutary effects on corporate accounting and financial departments—primarily by reducing costs and increasing satisfaction of internal and external customers.

The fundamental principle of customer self-service is to provide a company's internal and external customers the power—usually via an automated, online software application—to get the information they want, anytime they want it, by themselves.

For external customers, we see such applications in online banking, air travel preflight check-in, express shipment tracking, auto insurance pricing, and account status look-up for many online retailers. For internal customers, self-service is now being used by HR to provide employees access to their timesheet and vacation and benefits status, by procurement to streamline the purchasing process for internal customers, and by accounting managers to automate a variety of financial supply chain functions, such

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as expense reporting and online vendor access to invoice status.

Such automated customer self-service provides two major benefits: First, it reduces staff time spent in conversations and correspondence with customers, which translates to significant cost savings. Second, it increases customer satisfaction, which additionally supports corporate branding and reputation.

COST SAVINGS FROM SELF-SERVICE

Using online vendor access to invoice status as an example, cost savings are easy to ascertain. Empirical evidence gathered from clients of Financial Operations Networks suggests that approximately 11% of all invoices received by the accounts payable department of a purchaser company generate a vendor query—such as payment timing, invoice approval, reconciliation, or other issues. In fact, a 2013 study identified late payments as the single most common vendor complaint about AP departments (The Accounts Payable Network [TAPN], 2013).

While such inquiries often come directly to the accounts payable department via phone or e-mail, vendors often direct their invoice status questions to the procurement department, or directly to the individual who initiated the purchase. Companies that have tracked these queries report that such vendor inquiries normally require about eight minutes of AP staff time to resolve. In response to such queries, staff members, in essence acting as research intermediaries, typically access the accounting department database, then report invoice status to the supplier orally or via e-mail. When staff in another department contact AP on behalf of a vendor, of course, the workload doubles.

Thus, an accounts payable department that processes only 10,000 invoices a month will likely answer questions on about 1,100 of them. Using the eight-minute-per-call benchmark, such a volume of inquiries will require about 146 hours per month of staff time. Assuming a fully loaded staff cost of $30 per hour, this would amount to an annual cost of some $52,560 to answer vendor invoice queries. Of course, for multibillion-dollar firms, such as members of the Fortune 500, which typically process tens or even hundreds of thousands of invoices per month, these customer service activities can incur staff costs in the low to mid six figures annually.

Increasingly, companies are reducing costs associated with such staff-intensive duties through automation. For example, vendor inquiries that are handled through automated online portals allow suppliers to bypass direct staff involvement in about 80% of cases. Vendors initiating queries may securely access an invoice status portal and *directly* ascertain the status of their invoices.

INTERNAL AND EXTERNAL CUSTOMERS PREFER SELF-SERVICE

Not only do such automated customer service systems reduce accounting department staff time and cost, they are also generally welcomed by its internal and external customers. Using vendor invoice status as an example: When AP staff and those in other departments are called on to research invoice status, they are performing a relatively unchallenging, low-value task. What's more, vendors who request a status update are often disgruntled about a perceived payment delay and/or may be cash strapped and feeling desperate. Such vendors may take out their impatience and sometimes anger on staff at the buyer company. This obviously increases stress levels for company staff.

However, anecdotal evidence from companies that use automated systems indicates that, like most consumers, corporate accounting departments' external customers actually *prefer* "anytime, anywhere" self-service systems. It's instructive to review recent research on the growing customer preference for automated self-service and on its effect on corporate reputation.

Forrester reports that as of 2014, "web self-service was the most widely used communications channel for customer service, surpassing the use of the voice channel for the first time." Based on this research, Forrester predicts that "customers will continue to demand effortless interactions over web and mobile self-service channels" (Legget, 2014).

Another recent study confirms this preference, noting that "across every generation, online customer service is currently the most preferred type of customer service." For so-called Millennials, 19 to 37 years of age, they report, this preference for online self-service is even stronger. What's more, the study authors found,

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self-service that leads to resolution of a customer's issue can improve a company's reputation. It concludes that "65% of all Americans say they feel good about themselves and the company when they can solve a problem without talking to customer service" (Dorsey & Gagnon, 2015).

OBSTACLES TO SELF-SERVICE ADOPTION

With such momentum driving toward automated self-service, we can fairly ask why so few financial departments have adopted software systems that provide it. In fact, a 2013 study showed that only 11% of companies had implemented an accounts payable customer service web portal (TAPN, 2013).

Reasons for relatively slow adoption of automated customer service solutions by corporate accounting can be narrowed to five primary issues, the first three of which relate to company-wide enterprise resource planning (ERP) software, which ties together various information systems within a company, including financial and accounting functions.

These five obstacles are (1) high initial cost of complex, multifunction ERP platforms; (2) shortcomings of ERP software, of which self-service accounting modules may be a part; (3) ERP systems generally must be implemented universally by entire companies, thus requiring buy-in across numerous operational (and corporate political) territories; (4) limited corporate IT resources necessary to implement automated customer service solutions; and (5) security concerns relating to protection of proprietary company and vendor financial information.

Nonetheless, developers of automated customer service software have over recent years streamlined and refined their systems to overcome many of these obstacles. In particular, the advent of software-as-a-service (SaaS)-based software systems, which address specific accounting applications, have substantially changed the implementation complexity and cost equations for automated customer service applications.

1. *Cost*. While implementing large-scale ERP systems still requires a major investment—averaging $7.1 million yearly (or 5.5% of an organization's annual revenue)—one industry study shows that this cost has dropped by as much as 30% from previous years (Panorama Consulting Services, 2013). On the other end of the automation spectrum, the implementation cost of more targeted, SaaS applications is substantially lower, corresponding with their greater simplicity and narrower focus. For example, a fully functional SaaS-based AP vendor self-service portal can be maintained for less than $10,000 per year with one-time installation costs in the low four figures—a small fraction of expected annual savings.
2. *ERP shortcomings*. While the ERP systems market continues to grow, doubts about early-version shortcomings have not been completely erased. Budget and scheduling overruns continue to plague a majority of ERP projects, and some 60% of one study's respondents report they realized less than half the benefits they anticipated (Panorama Consulting Services, 2013). On the other hand, implementation costs of smaller-scale automation solutions in corporate finance are understandably more controllable. Financial Operations Networks, for example, guarantees fixed-price implementation and operating costs for its SaaS-based InvoiceInfo portal. Likewise, since the functionality of such targeted solutions is less complex, the realization of their benefits is clearer and more immediate.
3. *Universal ERP adoption*. Most ERP systems attempt to link human resources, procurement, customer services, corporate performance and governance, production, distribution, and sales, in addition to accounting functions. Designing and implementing such universal solutions necessarily requires substantial coordination among departments and corporate political forces. Not surprisingly, most schedule overruns of ERP project implementation are blamed on organizational issues. By contrast, smaller-scope automated financial solutions, such as the SaaS-based AP self-service vendor portal, will generally require buy-in and coordination only by corporate financial and IT departments (and occasionally procurement). Indeed, the scope, cost, and process for such narrowly focused solutions make them commensurately simpler and more easily navigated.
4. *IT services*. Scarce corporate IT resources are

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increasingly the focus of fierce competition among a company's departments for their wide variety of information needs. Given the broad scope of ERP projects, it's no surprise that the IT department is critical to their implementation. Indeed, an ERP project will represent both a major draw on IT resources and a substantial portion of the project's internal cost. Average implementation of an ERP system today requires almost 18 months, requiring continuous IT department involvement (Panorama Consulting Services, 2013). For comparison, implementation of Financial Operations Networks' InvoiceInfo automated vendor portal generally requires less than 16 IT staff hours and is on average implemented within 10 business days.

5. *Security concerns*. Whenever a company makes its financial data available through an automated system to outside or even internal entities—whether customers, vendors, or staff—security concerns become justifiably paramount. Because most complex ERP systems are maintained on premises, ultimate responsibility for security falls to the IT department. In the wake of much-publicized security threats, such responsibility requires increased IT spending. Alternatively, ERP consultant Panorama Consulting Services (2013) finds that externally hosted providers "typically provide more secure and reliable solutions … which is an important point for executives to consider during the software selection process."

THE INEVITABILITY OF AUTOMATED CUSTOMER SELF-SERVICE IN THE CORPORATE ACCOUNTING DEPARTMENT

Automated customer self-service is a rapidly growing, seemingly inevitable trend in both consumer and business worlds. The increased adoption of online self-service is motivated by two powerful forces: cost reduction and customer preference. The effects of these forces are playing out increasingly in corporate accounting departments, despite some obstacles to implementing automated systems. An automated vendor invoice status portal, for example, can immediately effect as much as hundreds of thousands of dollars in savings annually for an investment only a small fraction of that amount. A majority of customers across all demographics, but particularly Millennials, show a distinct and growing preference for online customer service. Companies may also be able to realize an added *reputational* benefit of automated customer self-service, since research shows that such automated solutions make customers feel better both about themselves and the company providing the service. While some ERP software may comprise modules that deliver automated features to corporate accounting departments, these complex, large-scale ERP solutions are fraught with high entry costs and long implementation periods, and overruns in both areas are common. Highly targeted, remotely sited (such as SaaS) applications that address specific accounting functions, such as online vendor invoice status information, mitigate such problems by offering simpler and lower-cost, as well as easier- and faster-to-implement systems. While some adopters of automated accounting software have hesitated to implement systems hosted offsite because of security concerns, expert experience indicates that such systems actually offer superior security protection compared with on-premise-hosted solutions.

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