

GAIN AUTOMATIC DIVIDENDS FROM AUTOMATED PROCURE TO PAY



By Joel R. Nelson, Yardi Systems

Historically the procurement process frequently represented a drain on commercial and residential real estate managers' resources. Until a decade or so ago, procurement was exclusively paper-based and manually executed. Property managers typically created purchase orders by hand and routed them for approval by company or U.S. mail. Maintenance and property management staff members placed orders with vendors over the phone, through fax machines, or in some cases on vendor websites.

These interactions took time and often disrupted property operations, diverting staff members from their tenant- and resident-facing tasks. Moreover, senior managers had limited access to widely dispersed paper purchase orders, invoices and other documents, limiting their insight into, and control over, their organization's purchases. Enforcement of corporate-wide purchasing standards was difficult. These limitations sometimes led to "maverick" spend, or purchases made outside company guidelines. The time and cost to copy, route, mail and store paper invoices further drained resources and efficiency.

Online capabilities advance

Procurement technology began to advance in the early 2000s, when such vendors as HD Supply, Grainger and Wilmar developed online catalogs that allowed customers to place orders online. Soon thereafter SiteStuff, Inc. and other aggregators introduced integrated online purchasing systems that allowed customers to purchase items across multiple categories from one location, a true "one stop shop."

Today, with economic pressures prompting managers to seek ways to streamline operations and cut costs, technology again is the catalyst for new best practices that culminate the evolution of procure to pay over the last decade.

Fully automated, electronic procure to pay has created new opportunities for efficiency, cost savings, and sustainability in selecting and purchasing maintenance, repair and operating supplies and services. This new best practice combines online



supply catalogs available from e-procurement systems with electronic paper invoice scanning to link the electronic purchase order directly in the accounts payable system. Invoices are converted into electronic transactions (data and images) and digitally routed through the approval process. The approval process is fully automated and based on a company's approval rules, contrasting with the labor-intensive, error-prone traditional paper routing. With advanced procure to pay systems, the original invoice (if not electronic) is the only piece of paper; it is scanned into the property management system and routed electronically. Payments to vendors can be made via electronic funds transfer.

The payoff

Today's procure to pay systems can pay for themselves through the savings they generate. These savings include elimination of courier costs associated with routing invoices to different locations, reduction of invoice processing time from weeks to days, and tighter cash control that can also enable early-pay discounts. There are also inherent efficiencies, such as stronger control of procurement through centralization, increased visibility into the invoice processing workflow, sustainability gains, and more productivity from staff members who can devote more time to revenue-generating activities.

Kathy Whitman, executive vice president of Dallas-based apartment management company LumaCorp Inc., confirmed the benefits. "We offset the cost of implementing procure to pay within three months just by eliminating the cost of transporting invoices by courier," Whitman said. "The new products and process changes will continue to drive significant cost reductions and let our staff members devote more time to revenue-generating activities."

Procure to pay automation has also helped San Diego-based Pacific Medical Buildings LLC reduce by 40% the time it and its property management subsidiary company, PMB Real Estate Services LLC, spend processing invoices while reducing the time and costs associated with procuring the company's maintenance, repair and operating supplies.

"Before we had this integration, we spent too much time on manual data entry and too much time sending invoices around our 10 office locations, and sometimes they got lost along the way, said Ryan Ahlf, PMB's controller. "Procure to pay integrates with our property management system to centralize, streamline and expedite the process. We can easily customize the approval workflow so each invoice goes only to the right people. As a result, we take 30-40% less time to process invoices than



we used to, giving staff members more time for higher-value tasks. In addition, we saved a significant amount of money by eliminating invoice copying, storage and mailing, and by reducing invoice late fees. When we added seven medical office buildings to our portfolio, we needed no additional Accounting personnel to handle the increased invoice workload. Procure to pay makes the job easier for everybody—not just Accounting, but our property managers and our Construction department as well.”

Companies such as LumaCorp and Pacific Medical Buildings demonstrate the benefits of understanding technology’s impact and making careful, strategic technology choices. As the property management business grows in scope and complexity, managers find that they must turn toward new technology of increased sophistication and versatility. Automated procurement represents a compelling example of technology that has fully matured as a strategic business element over the past decade, maximizing potential for growth and success. Its key advantages—extending existing resources, mitigating risk through tighter budget oversight, promoting sustainability, lowering costs—can help property managers maximize business in both good and bad economies.

About Yardi

Yardi Systems has been committed to the design, development, and support of real estate investment management and property management software for more than 28 years. With its [Yardi Multifamily Suite™](#), [Yardi Commercial Suite™](#), and [Yardi Investment Suite™](#), the Yardi Voyager™ system is the most comprehensive single real estate management platform on the market today. Yardi serves clients around the world from offices in Asia, Australia, Europe and North America. More information about Yardi products and services is available at www.yardi.com.

