

IREM® From the Front Lines Podcast

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Episode 5.3

2/6/24 release

Procure to Pay

Welcome to another edition of From the Front Lines, where we discuss both the day to day and one of a kind issues facing real estate managers. In this episode, David Franklin from IREM Industry Partner Yardi discusses how to streamline purchasing and payables through automation. Welcome to the podcast, David.

Thank you. Happy to be here.

First, would you mind introducing yourself and Yardi?

I am David Franklin, I've been in the technology and real estate game for many, many years. I've been an IT person primarily, that's kind of the core piece of my background. But I've also been at the intersection of business and real estate for some time. I've been with Yardi Systems now for about seven years and have learned that the real estate industry is a fantastic and wonderful and interesting place to spend your time. But yeah, Yardi, we are primarily a property management and accounting platform. But recently, we've expanded quite dramatically into asset management, trying to round out the portfolio of applications that allow for an owner or operator to be able to really run the entire business on our platform. So yeah, it's been an adventure. And I'm happy to be here, both representing Yardi, but also just to talk about technology in general.

What solutions are available for purchasing? What can you do to get a handle on issues like compliance and inventory management?

Purchasing. Wow, that's one of those challenges, isn't it? Well, in the past, what would you do? You'd have your guys go down to a local hardware store and maybe hit Home Depot and buy something, which, you know, it still happens, it's not ever gonna go away, you know, you have an emergency where you need a piece, and you just have to have it now. But I think one of the directions that I've seen is moving to more online purchasing and online purchase management for compliance and thinking about how do I make sure that my team has the ability to get the stuff that we need to run our buildings, but without potentially buying things and having to return them because we already have in stock or, or buying something that just wasn't authorized.

So online shopping, right? It's, I guess, a little cliché, but think about Amazon. That's been a revolution for me personally, like, I run my entire life off of Amazon, it seems. And interestingly enough, the systems of the day are now integrated into the purchasing lifecycle, meaning you already, we have a tool called Marketplace, it allows our clients to let their employees make purchases online through a tool that's very much like Amazon. But instead of putting down a credit card at the end of the transaction, and say, Okay, go ahead and ship that product to me, what we do is we generate a purchase order, and then that purchase order can go through a lifecycle where it gets approved, right, it's reviewed, and only once it hits that final approval is the sort of next step taken, where the fulfillment is actually going to occur.

So I see a lot of control now being possible by having electronic purchasing. And I think that's really where the future is, you know, when you're talking about inventory management, like looking at what you have on hand, that's always a really tricky thing. Yardi actually tried to go down that road of managing actual stock levels. And we found that there was a limitation there on the human side. It's just too easy to go into the stock room and grab that part. It's like, oh, I just need this one thing. Let me just grab it, I'm in the middle of doing the repair, I've got a leak. I don't have time to go in and mark it down. And then you don't really remember to go back. Ah, no, I forgot to do that. So now your inventory level doesn't match reality. So that's probably more of a human issue than necessarily a technology issue. But these are the things that you need to consider as you're thinking about purchasing, compliance, and inventory management.

How can this technology help with vendor management both when you first start working with a vendor and to manage the ongoing relationship?

Well, managing vendors has always been a challenge. And it's almost like herding cats, right? Vendors are very busy. They're running around trying to solve problems not just for you, but for all of their clients. So as we think about onboarding a vendor, technology is definitely an enabler. One of the things that we've seen at Yardi is that when we onboard a vendor, we can get some economies of scale because that one vendor onboarding can be applied to multiple Yardi clients, because a single vendor, I'm a plumber, right, I don't just work for one client, I work for many clients and because of Yardi's market share, we find that there's a pretty good chance that any given vendor is going to have multiple Yardi clients.

So when we think about onboarding, that vendor, part of it's just getting basic contact information into a database, which is important, you have to be able to contact the vendor and know what their business hours are, and things like that. But importantly, the thing that's now differentiating is the ability to then pay that vendor, to interact with that vendor electronically. And the electronic payment process has traditionally been something where the vendor had to manage it themselves; they have to accept credit cards, which means, Alright, I'm gonna go get a merchant account. And that's not a trivial thing to do.

So what you've already done is we've absorbed that process. So we make it very easy for both the vendor to be able to accept payments electronically, as well as for the client, right, for the property manager, to be able to initiate those payments electronically. And then not only just send the payment and forget about it, like if you put something in the mail, a check in the mail, it's like the check's gone. As soon as you drop it in the mailbox, you have no visibility, you don't know what's happening. We've tried to extend that capability to the point where there's a portal, so the vendor

can log in, they can see the status of payments, maybe something got rejected, like there's an invoice that was submitted, but for some reason, it's not going to get paid, rather than the vendor just being like, how come they never paid that invoice, they have visibility, they can see that. From the client side, being able to see the history of payments and what's going on, it's possible for the vendor to even submit those payments electronically through our portal. So I think having some sort of vendor interaction that's online, where there is a platform for communication, for tracking, for visibility, that's really the future of where things are gonna go.

Let's talk a little bit more about payments. How does automating the process of receiving, approving, and paying invoices work? And what are the benefits?

Well, I think we're going to start with the portal again, right, I think that's a really great way of making sure that everybody has the technology that they need to simplify the process. So if you put yourself in the vendor's shoes, I've done some work, and maybe we can even start before I do the work. I've gotten a purchase order, I didn't think about what this process might look like, I get a purchase order to do something. And many companies use purchase orders to control expense, but also to ensure that they have some tracking for authorization and compliance of the work that's being done. So that purchase order comes in. They say, okay, great, I'm gonna go do that work. Now that I've done the work, I want to invoice for it. But interestingly enough, that purchase order already has all the information, like what was ordered, its materials or supplies, what the expectation is, in terms of the work scope that I was supposed to do. So I can manage that, through my portal, see that and convert that purchase order into an invoice with minimal effort.

And so having these kinds of tools makes it much easier for the vendor. It also gives the property manager the ability to visualize that process and authorize the steps as they go along. Right now, that invoice comes in electronically, and I want to pay it. My AP team needs to have both visibility into the invoice but then also the approval lifecycle to make sure that this invoice is authorized and that it should get paid, that it, you know, I need to manage cash as well. So yes, I approve this for payment. But I also need to do my treasury management and not overdraft any accounts.

So having process and software in place that lets all of those pieces happen allows for a high level of control without incurring too much overhead, because it is electronic. It's not like you're moving pieces of paper around, but also giving that visibility and that ability to manage the process start to finish. So I think software is, software is the answer, right? It's the answer to all our woes, assuming that it's well implemented, and it's utilized in a business process that is appropriate for the people that are involved as well, because it's always this combination of humans and software. You've got to make sure that the people are trained and doing the process as it's been designed, and the software is the enabler that lets that happen easily.

Can you talk about how the Yardi Procure to Pay solution works across the large geographically dispersed portfolio of properties?

Ah, I like to talk about bits of data versus atoms of matter, right? It's a, it's a technical way of thinking about the difference between the old school and the new school. Atoms of matter are hard to deal with. A piece of paper, right? I have to send it to somebody, I have to put it in the mail. If

you think about the mail, it's pretty complex and involved, takes a huge amount of human labor to get an invoice from physically one place to another. Whereas bits of data traveling across a network, like the internet, they move at the speed of light, they don't weigh anything. They're very inexpensive. And it allows me to do things like create geographically dispersed payment processing. So if I have properties that are perhaps around the country, I've got East Coast and West Coast, I've got this huge portfolio, I can now very quickly and easily move all of that processing into an online electronic medium that doesn't require the time of physically moving pieces of paper around the expense they're in. And it allows me to build a process that is distributed, yet still unified.

So here's how we approach that at Yardi. We have PayScan, which is our AP automation tool. Because it is a completely online thing, as invoices come into the system, I could be sitting in my office here in lovely Denver, where I live, I could be back in New York, where I just moved from, I could be in California, I could be on a beach in Tahiti, sipping a Mai Tai, approving payables. The only difference is a few milliseconds, right? There's no limitation to my geographic location. It's kind of like, back in the day in New York, they had a saying for the lottery, all you need is \$1 and a dream. Well, with payables that are online, all you need is a browser and an internet connection. That's it.

And so the tools enable this geographic dispersion without then incurring additional delay or overhead associated with trying to move piles of paper back and forth. So having that tool set that is based on internet technology is revolutionary; it totally changes the parameters for how somebody approaches this. And what is nice about having software, not just, if you've got an email, you've got Excel, Word documents, right, it's possible to do AP in a remote type of fashion without necessarily having a specific piece of software. But the extra level that that software gives you, control, automation, is that it is a system that's designed to pipeline all of these invoices, payables as they go through a process, and so yet process is controlled. And you can make sure that again, back to compliance, back to authorization approval, all of that is done. And it's integrated into that software so that everybody's on the same page. And things are done according to the rules that the business has defined.

What advice would you give listeners on selecting and implementing a solution for automating purchasing through payables?

Yeah, there are a lot of great systems out there. Of course, I'm biased for Yardi. I've been here a long time, and we like to think that we're the best, but everybody thinks that they're the best. And in many cases, we're all right, because the answer is, what is best for you? I have a friend who's a personal trainer, and everybody always asks him, oh, what exercises are the best for doing this? I want to get big biceps or, you know, I want to improve my flexibility and they say, What's the best thing to do? And his answer is always, Well, what is the best for you? It depends on who you are and how your body reacts to certain things. So same thing with your business.

We like to think that the advantage that we have is integration. So if you're already on the Yardi platform for accounting, right, as the back end, it makes sense to utilize your Yardi toolset for payables. I think that is a good story, because the process is well-refined, and it's completely integrated. But if you're on a competing platform, there may be other solutions that are going to be better for your particular business. Some of the leading tools out there are pretty much brand

names at this point. Everybody's heard of Avid, Nexus, and there are even some point solutions and some startups that are coming out with some very interesting technology, especially around artificial intelligence, the ability to use large language models to ingest data. It's actually a direction that Yardi is going. We're looking at how to make this even better.

So I'd say, Look at the marketplace. Look at the pillars that are out there, those that have been around for a long time. But don't discount the startup community because this is one of those things where real estate tends to move slowly. But technology companies can move quickly. And if you're in the business of procuring software, it might make sense to keep an open mind as to what new things are coming out and how they will tie into your process. But importantly, don't forget that it is a unified solution; it has to be part of a bigger picture. So whatever you're going for, make sure that you're not thinking about it in a vacuum; you want it to be part of your overall business process. And lastly, remember that humans are going to be the make or break component of any implementation for software. If the people involved are not onboard, or they're not committing enough time, energy, enthusiasm to the process, you're gonna have a failed implementation, because the greatest software is nothing without the people to run it. It's really not going to be successful.

Thanks for joining us, David.

Well, thank you so much for having me. This has been fantastic, and I hope your listeners have gleaned something useful from today's conversation.

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For more information on Yardi Procure to Pay, visit yardi.com/products/yardi-procure-to-pay.