

SSON ESSENTIALS GUIDE TO SUPPLIER-FIRST AUTOMATION

Everything you think you know about AP
Automation is wrong. Here's how to solve it.

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Introduction: The Broken Promise of AP Automation

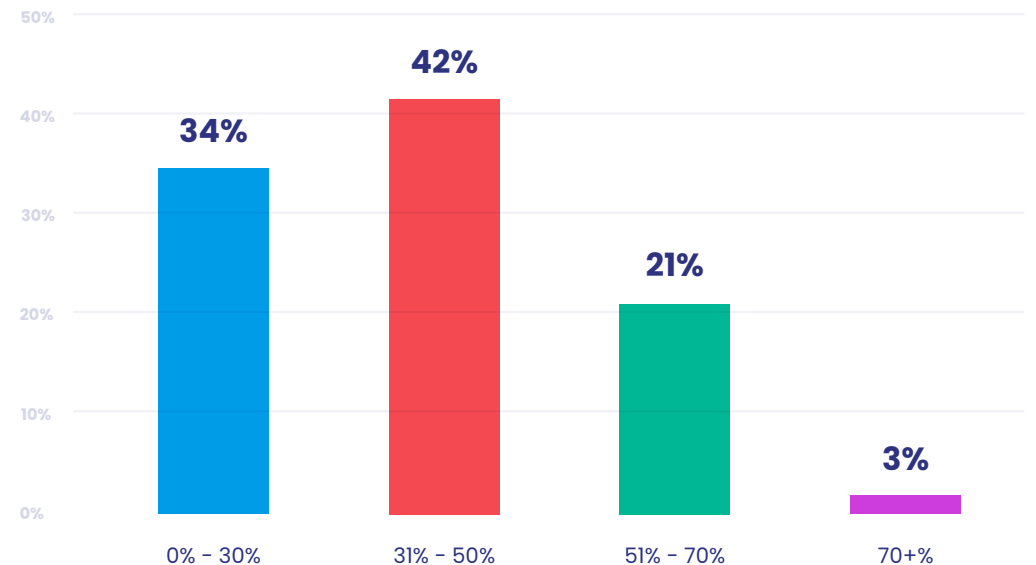
In the past 15 years, we've seen a surge of AP automation tools enter the market. And yet the results are lacking impact. According to SSON research data, **76%** of organizations' AP functions are still less than **50%** automated. Even where automation exists, it often fails to deliver, leaving processes riddled with delays, workarounds, and manual interventions.

Why is this? Traditional AP automation focuses solely on the needs of the buyer and the technology provider, completely ignoring the supplier. Metrics like cost per invoice and processing speed may look impressive on paper, but they fail to capture the full picture of inefficiencies and friction in the broader efficiency ecosystem. The current model creates the assumption that suppliers will simply adapt and comply. This one-sided approach, however, has the adverse effect of hurting every party involved, including the supplier and the buyer.

The good news is that a better path is possible. One that values suppliers in the process, drives real foundational collaboration, and unlocks end-to-end efficiency with long-term value.

FIGURE 1

What is the processing automation level in your P2P procedures?



Source: AP Automation Virtual Summit March 2025

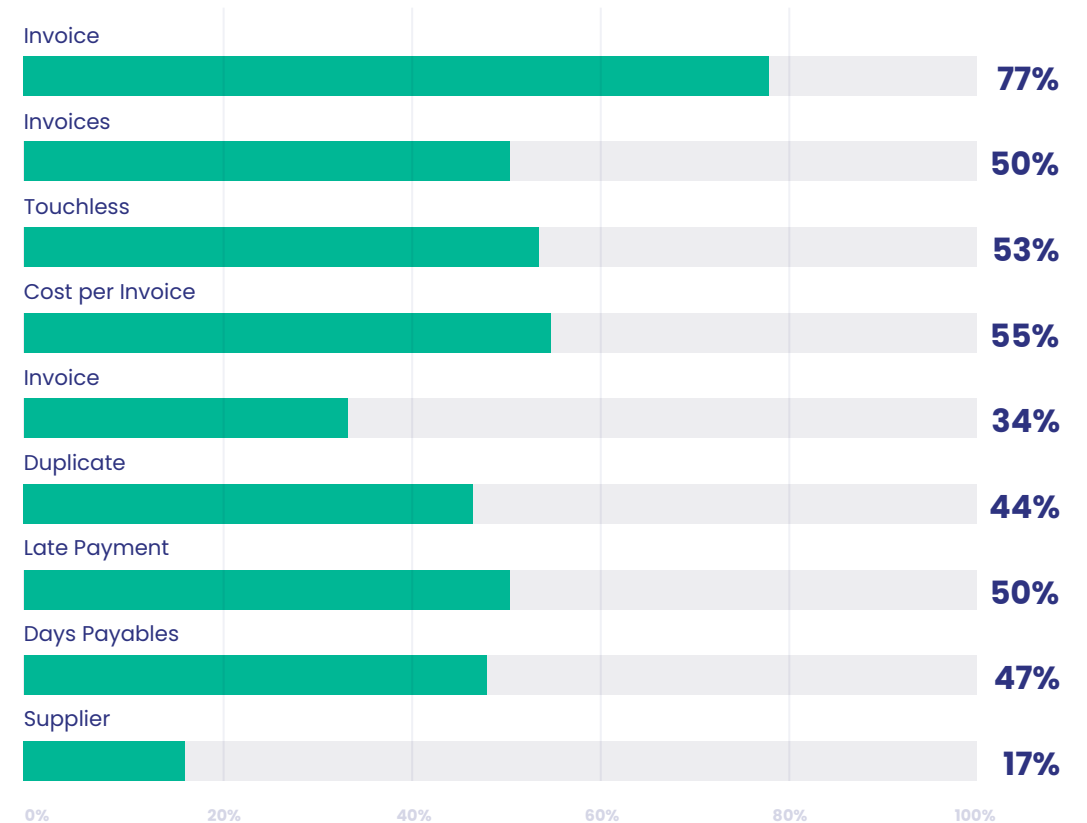
The Supplier Blind Spot: Passing the Problem Downstream

Instead of reducing inefficiencies and solving challenges, many AP automation programs have simply passed these issues on to suppliers. The power dynamics are imbalanced, driven by the prioritization of buyers with significant purchasing power. This is especially evident in sectors like FMCG, retail, and manufacturing, where automation efforts have favored internal gains over ecosystem-wide efficiency.

Without aligned incentives, suppliers had little motivation to engage meaningfully. That lack of engagement ultimately hurt both sides. The statistics speak volumes, with SSON research data finding that only **17%** of shared services organizations consider **'supplier experience'** a key metric to track within AP. Meanwhile, supplier portals, which were meant to streamline communications, have become a new burden – riddled with a patchwork of logins, formats, and processes, creating confusion. The result? Frustrated suppliers, clogged AP helpdesks, and missed opportunities for real collaboration. ***It's time to wake up!***

FIGURE 2

What are the most important metrics to track within AP?



Source: AP Automation Virtual Summit March 2025

The Financial Trap: Hidden Costs in “Free” Models

Hidden Costs in “Free” Models

Despite the allure of the ‘free-to-supplier’ label, traditional AP models come with underlying and hidden costs. Financial engineering shifts the cost burden onto suppliers through extended payment terms, often ranging from **60 to 90 days or more**, causing a strain on cash flow and disrupting working capital.

Adding to this challenge, tech vendors skim off the top, with fees reaching up to 25% on accelerated payments. This skimming costs suppliers tens of thousands of dollars each year. These fees force buyers to increase rates, with suppliers ultimately left paying the price. Instead of a fair and efficient approach, this traditional model exploited delays and late payments.

What is needed is a true win-win: Creating a supplier-first approach that delivers real, mutual value.

Traditional Model

Extended Payment Terms (60–90 days)

Hurts supplier cash flow

Early Payment Discount Fees (up to 25%)

Vendors skim supplier profits

Complex Portals

Multiple logins and formats frustrate suppliers

“Free” Isn’t Free

Hidden costs still fall on the supplier

VS

Supplier-First Model

Early Invoice Approval

Faster payments, fewer disputes



Transparent Pricing

No hidden fees or vendor cuts



Real-Time Visibility

Suppliers track invoice status easily



Win-Win Incentives

Fair terms for both buyers and suppliers



The Supplier-First Future: Rebuilding AP on Win-Win Principles



Here are 3 Key Principles of Supplier-First Automation:

The typical approach to AP Automation needs a massive overhaul to align the successes in the hands of the buyer and the supplier. AP experts at [Direct Commerce](#) have identified three core principles essential for successful next-generation AP automation.



Creating a Culture of Supplier Participation:

Empower suppliers with clarity and control to drive collaboration at scale

1

The most effective AP automation doesn't just optimize workflows; it transforms supplier relationships. When suppliers are given tools that offer real-time visibility into invoice status, payment timelines, and communication, they feel included in the process rather than 'left in the dark' chasing updates. This transparency builds trust, encourages adoption, and reduces the frictions that typically slow down invoice processing.

More importantly, it sparks a mindset shift: suppliers are no longer passive participants but active contributors. When suppliers can experience the process working for them, with fewer surprises, faster payments, and shared benefits, they become more willing to align with your processes. Elevating the supplier experience in this way lays the groundwork for a more efficient, responsive, and scalable AP function.



Prioritize Early Approved Invoices: **Approve invoices earlier, unlocking cash flow and reducing exceptions**

2

An early approved invoice can be a powerful asset. Early approvals are a small shift that creates a large, transformative impact. They free working capital for suppliers, create manageable payment cycles, and dismantle the financial asymmetry that has historically favoured the buyer. Critically, prioritizing an early approved invoice is what truly changes supplier behaviour when it comes to adhering to AP policies. It incentivizes suppliers to participate in automation efforts because they see real, tangible value. This creates a foundation for more strategic improvement in supplier relations and drives meaningful ROI for both sides.



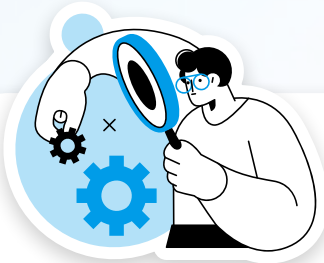
Fair Pricing Systems: **Design incentives that benefit both sides**

3

Create pricing structures aligned to mutual benefit; eliminate hidden costs and misaligned incentives. In the past, technology providers drove a wedge between buyers and suppliers by pushing fees onto the supplier and skimming off every accelerated payment.

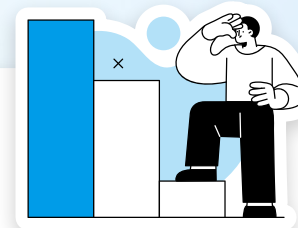
Direct Commerce's model is different. To quote the [Direct Commerce manifesto](#): "Suppliers pay a reasonable annual membership fee, and buyers only pay a one-time implementation fee. Buyers commit to the Supplier Pledge™: offering the lowest possible early payment rates. Every early payment discount goes to the buyer's bottom line – not a third-party fintech – Direct Commerce keeps 0% of Dynamic Discounts."

5 Practical Supplier Tips for AP Automation



Audit Your AP Automation Technology Stack to Ensure it's Supplier-Centric

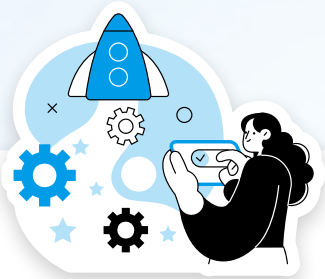
Examine every touchpoint your suppliers have with your organization. Are these touchpoints aggravating or empowering? Many companies are using AP automation setups that cobble together multiple systems or features. Examine whether your stack has the critical componentry suppliers need. These include self service capabilities, the ability to submit invoices in a way that works for them, notifications for potential disparities, transparency and control, as well as the ability to raise disputes at the line-item level.



Ask Yourself: What is Our AP Automation Objective?

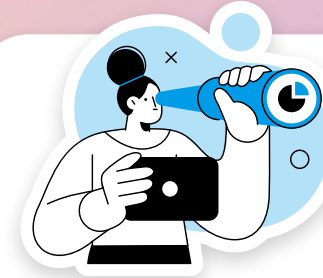
Too many companies and AP departments attempt to automate for the sake of automating. But before you can implement a strategy that will work for your business and your supply chain, you need to examine your true goals for AP Automation. Are you looking to drive efficiency and stronger relationships with your supply chain? Are you hoping to reduce inquiries and free up your team for more strategic work? Answering this question will help inform how to best approach AP Automation in a way that makes sense for your unique business.

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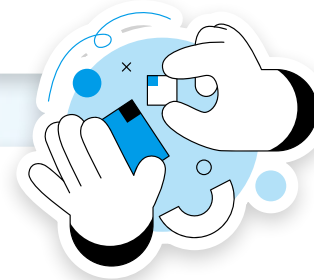
Facilitate Supplier Engagement

Even with the right objectives, it's important to ensure that suppliers are actually empowered and incentivized. If they are engaged, they're going to be more self-reliant, reducing inquiries, freeing up your team, and accelerating invoice approvals. Talk to suppliers about the features and information they need in order to self-serve, conduct surveys on what's working and what's not, and track data on how engaged suppliers are through every step of the AP process.



Choose vendors with transparent and fair pricing models

Select technology or service providers who clearly explain their costs and don't charge hidden fees or unfair charges. Be especially cognizant of those that use gainshare – or skimming off the top of each and every early payment – as a way to make a profit. Fair pricing helps build trust and ensures the solution benefits your whole supply chain – and eliminating gainshare maximizes the money in you and your supplier's pocket.



Shift from payment term extension to early-approval strategies

Think about your strategy when it comes to getting invoices approved early. Early approved invoices can be a golden ticket for many businesses: as early approval speeds up payments, reduces disputes, and can unlock discounts for buyers and better access to capital for suppliers.

Conclusion & Strategic Recommendations

Traditional automation has delivered underwhelming results, solving internal buyer problems, which in turn create new ones for suppliers. To unlock concrete efficiency, organizations must reimagine AP as an integrated value driver – One that drives beneficial outcomes across the entire ecosystem. SSON and Direct Commerce recommend that those wanting to improve their AP Automation take the following steps:



Move from AP Chaos to AP Clarity.



Shift the focus from solving buyer issues at the supplier's expense to creating supplier-first ecosystem-wide strategies.



Reimagine AP as a shared-value function.



Design processes that eliminate friction and promote transparency



Commit to a win-win approach that benefits both buyers and suppliers and unlocks sustainable growth.



Direct Commerce, the AP Intelligence™ platform, is transforming accounts payable from chaos to clarity through its innovative Supplier-First™ platform. Built on visibility, aligned incentives, and genuine partnership, the AI-powered Direct Commerce platform gives suppliers control and transparency, while empowering buyers through strengthened supply chains and the elimination of costly fees. By combining the best of technology and human collaboration, Direct Commerce creates a system that finally works for everyone.

www.directcommerce.com



The **Shared Services & Outsourcing Network** (SSON) is the largest and most established community of shared services and outsourcing professionals in the world, with over 220,000 members. Established in 1999, SSON recognised the revolution in support services as it was happening and realised that a forum was needed through which practitioners could connect with each other on a regional and global basis. SSON is a one-stop shop for shared services professionals, offering industry-leading events, training, reports, surveys, interviews, white papers, videos, editorial, infographics, podcasts and more.

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