CLOUDX®

Auto Dealership of the Future: Accounts Payable Edition

Automation is changing the face of dealership accounting, and utilizing this technology in accounts payable could make the difference between your auto dealership accelerating or falling behind.

Table of Contents

Future-Proofing Accounts Payable with Dealership Automation

As you build strategies for your auto dealership's long-term success, one of the more critical aspects now and in the next decade will be managing your business's digital transformation through accounts payable (AP) automation.

This shift toward automation couldn't come at a better time for dealership accounting departments since some of the bigger problems today are related to manual invoice processing, security threats, and mismanagement of data.

A few statistics worth more attention…

Businesses with higher AP automation spend just over $2 per invoice while those with limited to no automation spend $10 per invoice (American Productivity & Quality Center).

80% of businesses in the U.S. were victims of B2B payment fraud attacks or attempts in 2023 (Association for Fraud Professionals).

On average, 55% of all B2B invoiced sales in the US were overdue in 2023 (Atradius).

The reality is, that auto dealerships still relying on manual AP processes are prone to a myriad of increasing problems as technology advances, including:

- Excessive invoice processing errors
- High invoice processing costs
- Lack of dual control
- Cash flow difficulties
- Inability to scale the dealership
- Compliance and tax reporting issues
- Increased incidents of theft and payment fraud
- Employee burnout
- Poor vendor relationships
- Difficulty managing records and archivals

If any of these problems sound familiar, then it's time for your dealership to consider onboarding an AP automation solution like APSmart by CloudX®.

As you look at options, this eBook will:

- Describe the common challenges of manual AP processes.
- Provide valuable insights on how AP automation is changing accounts payable.
- Show you how to implement AP automation in your dealership.
- Describe the technologies behind AP automation.
- Highlight several dealership case studies.

Get more information about making automation part of your AP operations here.

Emerging Trends in Accounts Payable Automation Before 2030

The accounting profession is poised for a new era in which automation will catalyze change and reshape the future of finance. The resulting innovations will streamline operations and empower CFOs and controllers to make more informed, strategic decisions across finance operations.

For auto dealerships, this translates to increased cost savings in the back office, higher profits, and opportunities to scale operations and grow. Here are changes you can expect to see in the near future:

Predictive analytics for financial forecasting and decision making

An automation solution digitizes and centralizes financial data, capturing and storing historical data so businesses can analyze payment behaviors, cash flow patterns, and expenditure trends. By integrating this data with a DMS, a dealership can gain a comprehensive review of all financial data and manage working capital more effectively.

Automated matching and payments processing

Invoice data is automatically captured and matched against purchase orders and receiving documents, a process that minimizes errors and discrepancies in accounts payable. Invoices are then routed for approval according to predefined workflows and readied for payment processing. The AP automation solution automatically processes payments and handles all scheduling, payment execution, and recording.

Real-time data sharing and collaboration across departments

With financial data available on a permissions-based, unified platform, all invoices, payment statuses, and financial documents are digitized and updated in real time. This shared access eliminates silos and ensures all relevant teams are working with the most current data. Automated workflows also route tasks, approvals, and notifications.

Streamlined audit trails and compliance processes

Because AP automation technology records every transaction, approval, and account action automatically using a centralized system, the resulting audit trail is easily accessible and transparent. These features help businesses comply with regulatory requirements and ensure compliance with internal controls and policies through standardized workflows. During audits, the AP automation solution allows auditors to quickly retrieve digitized documents and transaction histories, making the entire process efficient and reliable.

Increased accessibility and scalability of accounting software

The technology available through AP automation means a seamless integration with a dealership's existing DMS or accounting system, in a cloud-based environment. This integration allows users to access permissions-based financial data from anywhere, enabling remote access and easy collaboration. As a dealership grows, the automation solution scales easily to handle higher volumes of invoices and payments–often without the need for additional labor.

The Current Landscape of Dealership Accounts Payable

Auto dealerships have relied on manual accounting methods for decades to manage financial operations. After all, there weren't any other options. But today, these methods are becoming increasingly siloed and are failing to align with the technological requirements of the modern business environment.

Manual Invoice Processing

Until the advent of data technologies like optical character recognition (OCR) and robotic process automation (RPA), an AP employee had to manually enter every invoice, purchase order, receipt and payment into their dealership's accounting system.

While inputting data in this manner does provide a hands-on approach to managing finance operations, it is inefficient, costly, and prone to human error. Some perspective: On average, it takes an AP employee one hour to process five invoices, and just one typo or missed entry can result in discrepancies and significantly lower invoice processing time.

At least 81% of accounting teams were still relying on varying degrees of manual invoice data entry in 2023 (MineralTree).

Paper-Based Recordkeeping and Reporting

While paper-based recordkeeping provides a tangible way to store transactions, it presents challenges that frustrate AP employees and prevent them from spending time on more advanced tasks in the dealership.

For one, retrieving documents for audits or reviews is cumbersome, and the potential for misfiled or lost records is high. Relying on paper-based records also makes it difficult to generate timely and accurate reports since all relevant data must be manually compiled and entered into spreadsheets or accounting software. Paper-based records also require physical filing systems, which take up significant space and must be manually organized and maintained.

Almost half of AP teams believe that slow invoice and payment approvals are their biggest challenge (Bottomline).

Manual Payment Processing

A number of U.S. dealerships still process payments manually–whether they're paying vendors or stakeholders–and this involves obtaining approvals, printing checks, and physically mailing remittances. While paying by paper check does allow for control over cash flow, it's time-consuming, expensive, and prone to delays.

Manual payments also require meticulous tracking to ensure that payments are made on time and that duplicate or erroneous payments aren't being made. Overall, the lack of automation in this process can lead to missed payments, strained vendor relationships, and fraudulent activity.

One in three U.S. businesses still rely on cash and checks as the primary method of B2B payment (eMarketer Forecast).

Challenges with Manual Accounts Payable Practices in Dealerships

Manual AP practices have always played a critical role in auto dealership management, but they are becoming increasingly inefficient in the face of modern business demands. The related challenges often hinder a dealership's ability to operate optimally and scale upward, therefore inhibiting dealership growth. Major challenges include:

⊗ High Susceptibility to Errors and Fraud

One of the most significant problems with manual accounting practices is their high susceptibility to errors, from transposing numbers and entering incorrect amounts on invoices to omitting line items or entering incorrect vendor data. Combined, these errors lead to inaccurate financial statements and affect a dealership's ability to cash forecast and manage cash flow effectively.

What's worse, the lack of automation and real-time oversight in manual processes creates opportunities for fraudulent activities. For instance, a dishonest employee could change records or create fake invoices to steal funds. Or, a manipulative vendor could raise the amount due on an invoice, knowing that the dealership won't catch the error. Without robust internal controls and automated document matching, these activities can easily go unnoticed.

Tasks are Too Labor-Intensive

Manual accounting work is notoriously time-consuming and labor-intensive due to the many steps involved in data entry, payment processing, and reconciliation. The time it takes AP staff to manually process invoices not only slows down financial operations but also diverts resources away from more strategic activities. The nature of these tasks can result in dealerships working with outdated financial information, which leads to delays in financial reporting.

Cash Flow Management is Difficult

Outdated accounting practices like manual data entry, paper-based invoicing, and paper check payments create a lag time between transactions and their recording, often leading to inaccurate or outdated cash flow statements. These problems make it difficult for a dealership to accurately forecast cash needs, subsequently increasing the risk of liquidity issues.

A lack of real-time visibility into payments and receivables also makes it more difficult to identify cash flow trends and shortages. As a result, financial executives are less likely to be able to effectively manage payment cycles, optimize working capital, or make informed financial decisions.

Heightened Risk of Compliance Issues

Manual data entry increases error risk, which sometimes leads to non-compliance with financial regulations. Paper-based records are also easily lost or damaged, making it difficult for AP staff to maintain the accurate and complete documentation required for audits.

Lack of Qualified Labor

Like many other industries, the accounting industry is experiencing labor shortages, and the demand for skilled accounting professionals often outstrips supply. This not only makes it difficult for dealerships to adequately staff their accounting departments, but it also overburdens existing employees and puts them at risk for burnout. This vicious cycle makes it difficult to retain experienced AP staff, further weakening financial operations.

Strained Vendor Relationships

When slow and error-prone invoice processing results in delayed payments, it can frustrate vendors and erode their trust. On top of all this, lack of real-time visibility into payment statuses also means vendors cannot immediately find out when they'll get paid, creating additional uncertainty and dissatisfaction. If relationships become strained as a result, an auto dealership may begin seeing delays in goods and services or lose their contracts with vendors altogether.

How Automation Is Transforming Dealership Accounts Payable

?
- → Are your AP employees struggling to keep up with the workload?
- → Does your dealership struggle to pay vendors on time?
- → Is there a lack of visibility and control in your dealership's accounting practices?

If you answered yes to any of these questions, then it's time to explore AP automation at length and find out how it can help you achieve your auto dealership's goals in the coming years. Whether you're planning to offer more flexible vehicle sales and service options, expand dealership locations, or optimize staffing numbers in accounting, AP automation can bring a host of benefits to your entire organization.

Here's what AP automation can do for your dealership right now:

Increase the Accuracy of Invoice Processing and Payments

Incorrect dollar amounts, missing invoices, and duplicate payments are all too common with manual AP processes. Left unchecked, they can lead to financial losses, strained vendor relationships, and more.

This is where AP automation comes in. With it, invoices are automatically scanned and then data is extracted and loaded to your AP automation platform for processing and approval. By minimizing discrepancies, automation ensures that only accurate, verified invoices are processed for payment, therefore reducing the likelihood of costly mistakes.

Faster approvals and payment processing are additional benefits of automation. An AP automation solution will streamline approval workflows by automatically routing invoices to the appropriate approvers and sending reminders for all pending actions. If an exception is found, the automation solution will also flag the problem and send it to a designated staff member for review.

Once invoices are ready for payment, the automation solution will move approved invoices onward for payment processing according to vendor specifications. Most solutions will allow your dealership to pay vendors by check, ACH, credit card, or virtual credit card, and payment statuses can be reviewed online–from anywhere and at any time. Payments by virtual cards can even help your dealership generate valuable cash rebates over time.
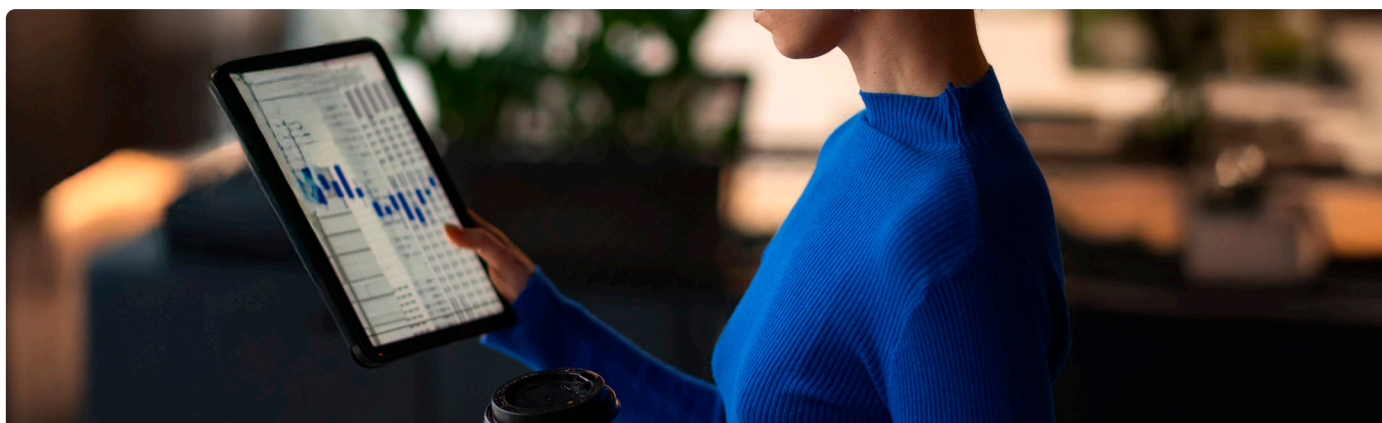
Reduce Processing Costs and Help the Dealership Operate More Efficiently

An AP automation solution can reduce the costs of manual invoice processing by streamlining repetitive tasks. This reduces your cost per invoice and also reduces the need for staffing, so it's realistic to increase your number of invoices without increasing labor. As a result, your dealership can reallocate staff hours to more value-added activities, ultimately lowering labor costs and increasing productivity.

Beyond cost savings, AP automation accelerates financial reporting and decision-making by integrating data across the dealership and providing real-time visibility into financial metrics. This real-time access enables your dealership managers and executives to make informed decisions quickly, whether they need to adjust budgets, manage expenses, or identify areas for improvement.

Improved cash flow management is another significant benefit of AP automation. Automated systems ensure that invoices are processed and paid on time, reducing the risk of late fees. By optimizing payments, your dealership can then maintain a healthier cash flow and gain the flexibility to invest in growth opportunities such as expanding inventory or upgrading facilities.

Provide Enhanced Data Analysis and Reporting Features

One key benefit of automation software is access to real-time financial insights and dashboards. While traditional AP processes rely on manual data entry and delayed reporting, AP automation provides up-to-the-minute data through intuitive, cloud-based dashboards so your dealership can monitor key financial metrics in real-time. This immediate access to financial insights enables your team to make informed decisions quickly, adjust strategies, and maintain a clear picture of the dealership's financial health at all times.

With real-time data at your fingertips, the seamless integration of financial data across different departments provides a comprehensive view of dealership operations—a crucial factor in identifying trends, forecasting future financial needs, and setting realistic business goals. Additionally, built-in reporting tools can generate detailed financial reports with ease, giving your dealership the information needed to monitor performance against benchmarks and make more data-driven decisions.

Promote a Shared Services Environment

A shared services model centralizes business functions, such as accounts payable, allowing multiple departments or locations to use the same processes and resources. When combined with AP automation, the model becomes particularly effective by standardizing processes across the entire organization.

Automation plays a key role in standardizing AP tasks by ensuring uniform procedures for activities like invoice processing, payment approvals, and reporting. By removing inconsistencies in how these tasks are handled across departments or locations, automation creates a more streamlined, predictable workflow. This reduces the risk of errors, improves compliance, and ensures that all parts of your dealership follow the same high standards.

Additionally, AP automation enables centralized control of services, a critical aspect of the shared services model. With centralized control, your dealership can manage all AP activities from a single point, providing better oversight and coordination across all locations.

How to Transform Your Dealership's AP into a Profit Center

When you're ready to choose an accounts payable (AP) automation solution for your dealership, it's important to find one that fits your operational needs and supports the scalable growth of your business. Follow these guidelines to get started.

01 **Assess Your Needs and Set Goals**

To begin, assess your current AP processes by identifying pain points and reviewing existing workflows. Map out each step from invoice receipt to payment and identify all manual tasks, bottlenecks, and areas where errors or delays are occurring.

☀ Tip: Utilizing [a process mapping tool](#) is a good way to review your workflows and assess the needs of your auto dealership.

02 **Determine Your KPIs**

Next, determine your key performance indicators (KPIs) to see where your metrics are at. Make a list of KPIs your dealership needs to improve on and keep the information for a future discussion with potential AP automation providers.

☀ Tip: [See this CloudX blog](#) to help you determine your top accounts payable KPIs.

03 **Choose the Right AP Automation Provider**

Once you know what your future operational needs are, it's time to choose an automation provider who's able to serve you efficiently and in the most cost-effective manner. Use this checklist to narrow down your choices:

☐ **Conduct Market Research.** Gather a list of potential AP automation providers by consulting industry reports, analyst reviews, and customer testimonials. Websites like G2, Capterra, and Trustpilot offer reviews and ratings that can provide insights into various solutions.

☐ **Evaluate the Automation Provider's Expertise.** Shortlist automation providers with a proven track record in the automotive industry. If they are experienced in your sector, they are more likely to understand your unique needs and offer you tailored, customizable solutions.

☐ **Request Demos and Trials.** Hands-on experience with software is crucial. During the demo, assess how intuitive the software is, its customization options, and how well it aligns with your dealership's needs. Trials offer a risk-free way to test software in your real-world environment, allowing you to assess performance under actual working conditions.

☐ **Examine Integration Capabilities.** Seamless integration with your existing DMS or accounting systems is essential for maintaining data accuracy and efficiency. During your evaluations, ask automation providers about their integration capabilities and whether they have pre-built connectors or APIs for your current systems.

☐ **Assess Scalability and Flexibility.** Examine each automation solution's scalability. How does the solution handle increasing transaction volumes? Flexibility is equally important too. Is the solution easily customizable and able to adapt to changing business needs and regulatory requirements? How does the solution manage vendor payments?

☐ **Investigate Customer Support and Training.** Reliable customer support is crucial for smooth implementation, employee training, and ongoing use. Assess the quality and comprehensiveness of each solution's training programs as well as the availability of resources such as live support, user manuals, video tutorials, and knowledge bases.

☐ **Analyze Total Cost of Ownership.** Compare pricing models and assess the total cost of ownership for each automation solution, including upfront costs, subscription fees, and implementation charges. Evaluate your ROI by considering potential cost savings in terms of reduced manual labor, fewer errors, and expedited payment cycles.

☐ **Gather References and Case Studies.** Ask automation providers for references and case studies to understand how they have addressed their clients' automation needs. Speaking to a provider's existing client can provide insights into the solution's real-world performance, ease of use, and quality of customer support.

☐ **Evaluate Security and Compliance.** Ensure the automation solution complies with industry standards and regulations relevant to your auto dealership. Inquire about the automation provider's data security measures including encryption, access controls, and data backup protocols.
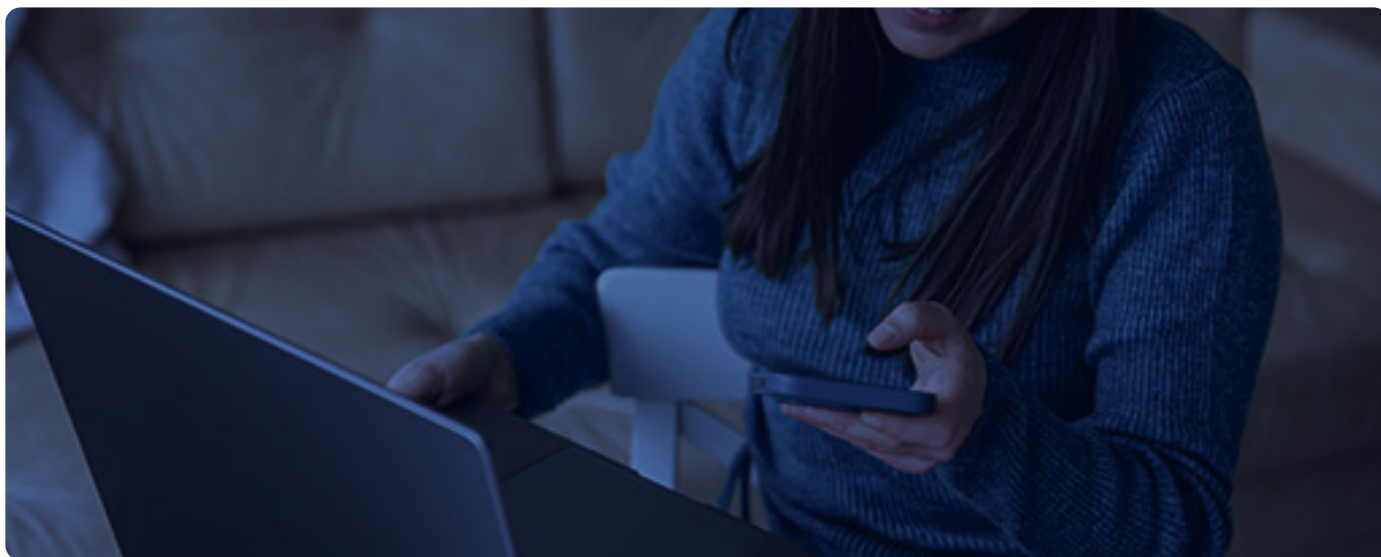
The Future of Vendor Payment Processing in Your Dealership

One of the most significant shifts in B2B payments today is the movement away from manual, paper check payments. While paper checks have been a long-standing method of paying vendors, their inefficiency and the rise of digital alternatives are driving a change toward more streamlined, secure, and cost-effective payment methods. The future of vendor payments is increasingly digital, and dealerships are beginning to realize the importance of adopting automated solutions that enhance speed, security, and accuracy.

Why Moving Away from Paper Checks Is So Crucial

Businesses are increasingly ditching paper checks in favor of electronic payments due to the inefficiencies associated with traditional methods. Paper checks are not only slow and prone to errors, but they also have high processing costs. According to the Association for Finance Professionals (AFP), only 33% of B2B payments in the U.S. and Canada were made by check in 2023—down from 80% in 2004. This shift to digital payments is gaining momentum and for good reason, especially for auto dealerships like yours.

The reality is, that handling paper checks requires manual tasks such as writing, mailing, and reconciling payments. On average, it costs between $4 and $20 to process each paper check, compared to just pennies for electronic payments. More importantly, paper checks expose businesses to significant security risks because checks can be lost in transit, stolen, or altered, creating the potential for fraud. As cybercrime continues to evolve, relying on paper checks in B2B environments is becoming increasingly risky and costly.

💲 Streamlining Payments with AP Automation

End-to-end AP automation solutions are revolutionizing how businesses manage vendor payments. By automating the entire accounts payable process, your dealership can eliminate the need for paper checks, reduce manual intervention, and cut down on processing time. The resulting automation streamlines approval workflows, payment scheduling, and invoice reconciliation, enabling businesses to make faster, more accurate payments.

One key benefit of AP automation is the centralization of payment data. Once you adopt an end-to-end automation solution, it's easy for both your dealership and your vendors to access payment information from a single platform, giving you real-time visibility into payment statuses and transaction history. Besides increasing efficiency, this benefit strengthens vendor relationships by providing transparency and reducing time spent answering queries or resolving payment discrepancies.

💳 Virtual Card Payments: A Secure and Rewarding Option

An exciting innovation in the B2B payments space is the use of virtual cards, which utilize single-use credit card numbers generated for specific transactions. These digital cards are a highly secure option for paying vendors because they provide instant payment and bypass the delays associated with paper checks or traditional credit card payments.

Virtual cards also offer a significant financial benefit: cashback rewards. Many virtual card providers offer 1-2% cashback on transactions, which can quickly add up for businesses that make frequent payments. For dealerships, this can be a valuable source of additional revenue that helps offset operational costs. In some cases, the cashback benefits pay for the AP automation solution entirely. Overall, the flexibility of virtual cards means that businesses can receive rewards on every payment made, turning routine vendor transactions into an ongoing revenue stream.

In addition to providing rewards, virtual cards offer enhanced security. Since they are only valid for a single transaction or set of transactions, the risk of fraud is dramatically reduced. Unlike traditional payment methods, virtual cards are not stored or reused, protecting businesses from potential data breaches and fraud.

The convenience of virtual cards extends to reconciliation as well. Automated AP systems can capture payment details and match them to corresponding invoices automatically, making the reconciliation process much faster and more accurate.

Embracing the Future of Digital Payments

Moving away from paper checks is essential for any dealership looking to improve efficiency, reduce costs, and minimize risks in their accounts payable processes. With AP automation and digital payment solutions like virtual cards, dealerships can streamline their payment workflows, enhance security, and earn valuable cashback rewards.
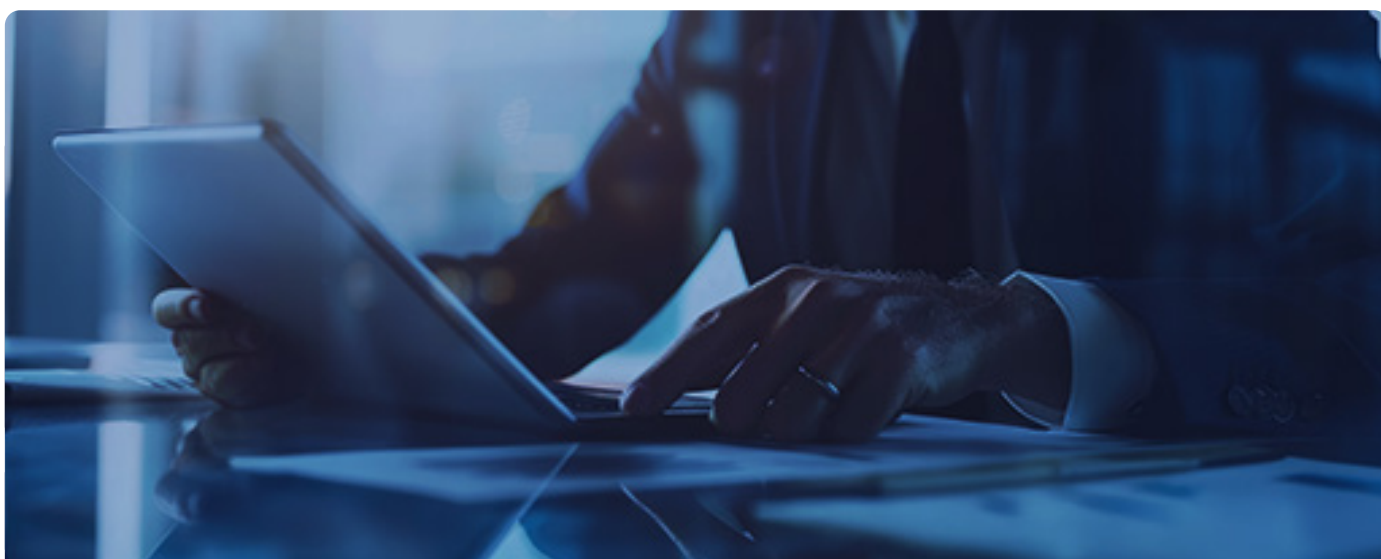
Key Accounts Payable Automation Technologies

You've probably heard talk of the "paperless office" for years, and thanks to the digital technologies we have available today, this dream has become a reality for a growing number of businesses as they adopt automation solutions.

But what's behind automation and how does it work to streamline your AP processes? Here are four key technologies behind AP automation and how they perform.

01

Optical Character Recognition (OCR)

- Converts paper invoices into searchable digital files, making it easier to retrieve and review documents.
- Minimizes manual data entry, reducing the likelihood of errors and leading to more accurate financial records.
- Helps maintain accurate, digital records of invoices, making it easier to comply with regulations and prepare for audits.

02

Robotic Process Automation (RPA)

- Automatically captures, validates, and routes invoices for approval, reducing manual handling.
- Matches invoice data with purchase orders and receipts, speeding up the 2-way and 3-way matching process.
- Automates payment scheduling and execution, ensuring timely payments and optimizing cash flow management.
- Reconciles accounts by comparing transaction records across different systems, and identifying and correcting discrepancies.
- Compiles and generates financial reports, providing real-time insights into accounts payable performance.

03

Machine Learning (ML)

- Analyzes historical transaction data to identify patterns and detect anomalies that may indicate fraudulent activity.
- Forecasts cash flow by analyzing payment patterns and trends.
- Learns from past data to improve the accuracy of 2-way and 3-way matching.
- Analyses vendor terms, payment history, and cash flow to recommend the best payment timing, maximize discounts, and manage working capital.
- Categorizes and resolves exceptions in invoice processing by learning from past resolutions, reducing the need for manual intervention.

04

Artificial Intelligence (AI)

- Automatically captures, interprets, and processes invoice data.
- Analyzes payment patterns and behaviors to identify and flag suspicious transactions before fraud occurs.
- Enhances 2-way and 3-way matching by accurately matching invoices with purchase orders and delivery receipts.
- Analyzes cash flow and vendor terms to recommend the best times to make payments.
- Offers predictive insights into AP trends, helping businesses forecast cash needs, identify potential issues, and make data-driven decisions.

Auto Dealership Case Studies and Success Stories

With the right automation capabilities, your dealership can overcome common AP problems like slow invoice processing time and lack of visibility over payment processing.

Read the following case studies to see how AP automation helped our clients transform their operations, grow, and scale effectively.

Ferman

DMS:
Dealertrack by Cox Automotive

Solutions:
APSMART PAYSMART

Problems: Limited visibility of accounting operations and employees were overwhelmed with manual invoice and payment processing.

Goals: Streamline AP processes and reduce labor costs. Move AP operations to one, centralized location.

Achievements: 70% reduction in invoice processing time each month. 4 hours per day saved in check processing.

⬇ **Read the full case study here**

H&H AUTOMOTIVE

DMS: TEKION

Solutions: APSMART PAYSMART

> ⓘ **Problems:** Slow invoice and payment processing. DMS did not have the capabilities to scale accounts payable at maximum efficiency.
>
> ◎ **Goals:** Scale upward to include two new locations. Avoid hiring more AP staff.
>
> 🏅 **Achievements:** 100% increase in AP process visibility. Scaled upward without having to hire new employees.

⬇ **Read the full case study here**

LOU FUSZ AUTOMOTIVE NETWORK
"WE ARE ST. LOUIS"

DMS: Dealertrack by Cox Automotive

Solutions: APSMART

> ⓘ **Problems:** Discrepancies in AP processes from one location to another. All processes were paper-based and unscalable.
>
> ◎ **Goals:** Establish process visibility while enhancing operational control and efficiency. Eliminate manual data entry.
>
> 🏅 **Achievements:** 100% paperless invoices and statement processing management. Scaled dealership from 9 to 12. 100% visibility across locations.

⬇ **Read the full case study here**

Schedule a Demo   info@cloudxdpo.com   cloudxdpo.com

Fast Track Your Dealership's Future With CloudX

CloudX is a global team of technical experts, innovators, developers, and engineers who provide accounting automation solutions for automotive dealership finance leaders worldwide. Our intelligent automation solutions are designed to put your auto dealership on the leaderboard and help your business adapt quickly and efficiently to changing economic landscapes as technology advances.

We want to hear from you! Please fill out our online form for more information, or contact us at either of the following:

📞 Tel: 860-787-5323

✉ Email: info@cloudxdpo.com

CLOUDX ®