# The end of
# OCR

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## Introduction

The digital transformation of accounts payable (AP) processes is advancing rapidly, driven by the need for efficiency, compliance, and cost reduction. This white paper, aimed at CFOs, AP managers, and Shared Service Center (SSC) leaders, will explore the paradigm shift away from Optical Character Recognition (OCR) toward more intelligent, integrated solutions for invoice processing. We will delve into the reasons traditional OCR is becoming obsolete and how technologies like e-invoicing and next-generation AI-powered tools, such as NXT AP, are shaping the future of AP automation.

# The Rise of E-Invoicing

Governments worldwide are increasingly mandating e-invoicing for business-to-business (B2B) transactions. E-invoicing—structured invoice data shared electronically—offers multiple benefits over traditional image-based invoicing:

- **Compliance**: E-invoicing ensures adherence to regulatory requirements across different countries, reducing the complexity of compliance.

- **Data Quality**: Electronic invoices deliver precise, structured data without the need for manual intervention, significantly reducing errors.

- **Automation**: By facilitating straight-through processing (STP), e-invoicing automates the AP workflow, enabling faster invoice approvals and payments.

Countries like Germany, France, Spain, Italy, Mexico, and Singapore have made B2B e-invoicing mandatory or will mandate B2B invoicing within the next three years.

As this trend grows, traditional image-based invoices, typically processed with OCR, will become less common.

**Beyond traditional OCR**

# Azure Document Intelligence and NXT EDGE

Despite the rise of e-invoicing, many businesses still receive and process image-based invoices. This is where traditional OCR technology faces limitations:

- Limited Data Capture: OCR struggles with accurately capturing both header and line-item details, often requiring significant customization and manual validation.

- Error-Prone: OCR systems may fail when faced with complex or inconsistent formats, leading to errors that need human correction.

- Inefficient Processing: OCR-based systems often rely on batch processing, which can delay real-time invoice handling and disrupt financial operations.

In contrast, NXT EDGE, powered by Azure Document Intelligence, offers a more advanced solution. It goes beyond the limitations of OCR by using Computer Vision and GPT-4 to accurately capture, validate, and process invoices directly within SAP.

# Comparison: Traditional OCR vs. NXT EDGE with Azure AI

| Feature | Traditional OCR | NXT EDGE with AZURE AI |
|---|---|---|
| Data extraction | Requires customer-specific customization and access to copies of the supplier master data and PO data to provide decent results | Captures full invoice data including line-items without templates and master-data less. |
| Accuracy | High error rates, requiring manual correction | Near-perfect accuracy with AI validation against SAP data in real-time. |
| Processing time | Delayed due to batch processing. | Real-time processing in under 5 seconds per invoice. |
| Integration | Requires complex interfaces and third-party systems. | Seamlessly integrates with SAP for real-time validation |
| Data security | Risk of data exposure during external processing. | Processes data securely within SAP without storing invoice images. |

# Case Study: Transforming AP in High-Volume Environments

Let's consider a high-volume financial shared service center processing thousands of supplier invoices per day. Traditional OCR methods would require substantial customization, manual intervention, and batch processing, leading to inefficiencies and delays. However, with NXT EDGE, the AP team can **achieve full automation** —from invoice receipt to parking—in **under 5 seconds per invoice**.

This transformation enables:

- **Zero Manual Data Entry**: Invoices are automatically captured and validated using Azure AI, eliminating the need for human input.
- **Full Compliance**: With built-in validation against SAP master data and local VAT/GST regulations, compliance is ensured.
- Immediate visibility as 100% of all supplier invoices are parked
- **Reduced Costs**: Faster processing and fewer errors lead to cost savings, allowing finance teams to focus on strategic tasks.

# Real-time AP matching : A step beyond OCR

One of the key advancements with NXT AP and NXT EDGE is their ability to leverage real-time data from SAP. Traditional OCR solutions rely on outdated or incomplete data, often leading to reconciliation issues. In contrast, NXT AP accesses live data from SAP, ensuring that every invoice is matched against the most current purchase orders and goods receipts, which enhances accuracy and streamlines the matching process.

**For example**, a global retail company using NXT AP can ensure that invoice matching takes place within seconds, allowing for near-immediate invoice processing without the need for manual intervention.

# Future proofing your AP process

By moving away from OCR to a more advanced solution like NXT AP, businesses can future-proof their AP operations. Here's how:

- **Accelerated Invoice Processing**: With AI-driven automation, businesses can reduce the time taken to process invoices, resulting in faster payment cycles and better supplier relationships.

- **Scalability**: NXT AP's architecture allows businesses to scale their AP processes easily, accommodating growth without adding complexity.

- **Compliance with Global E-Invoicing Networks**: Through native integrations with more than 30 national e-Invoice networks, NXT AP enables seamless compliance with e-invoicing mandates.

# Conclusion

Traditional OCR is rapidly becoming obsolete as businesses transition to more advanced and efficient AP automation technologies like NXT AP and Azure Document Intelligence. By embracing these innovations, organizations can:

- **Reduce processing times and costs with real-time automation.**
- **Improve accuracy by eliminating manual data entry and validation errors.**
- **Ensure compliance with global e-invoicing standards.**
- **Future-proof AP operations with scalable, AI-driven technology.**

As CFOs and AP leaders, now is the time to move beyond OCR and embrace a future of fully automated, AI-powered AP processes. Contact us to see how NXT AP can transform your AP function and position your organization at the forefront of financial automation.

nxt4sap Pte Ltd is specialized in digitalization and automation of finance-related processes in SAP. We are proud to have an experienced team of experts working out of Singapore, Germany, UK, USA and India, all with many years of experience in consulting, implementing, and supporting solutions automating finance functions.

nxt4sap solutions are built on proven SAP-processes and Azure AI-services, which are seamlessly integrated in our SAP-certified add-ons. Find more information about nxt4sap and solutions online **www.nxt4sap.com**.

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