

How Automating Back-Office Processes Helps Commodities Companies Thrive in Turbulent Times

Reasons Senior Executives Are Increasing Investments in Automation



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Introduction

Managing commodities has never been more challenging.

Climate events, inflation, a dramatic increase in interest rates, and the crisis in Ukraine are impacting agriculture commodities markets worldwide. Ensuring a continuous supply of commodities while remaining resilient to future uncertainty during these turbulent times is paramount.

If you're relying on manual processes to get data into your systems and for reconciling critical tasks like trade confirmations or inventory visibility, chances are your organization is at great risk of being negatively impacted to each new situation.

Worse, you'll miss new opportunities where speed and agility are required.

Time consuming and error-prone, these legacy processes prevent commodities companies from having the accurate, real-time data they so vitally need to take advantage of new business opportunities and support optimal decision making.

Many companies are starting to realize that automating back-office processes is no longer a choice — it's a requirement. In fact, McKinsey & Company research shows that while 90% of companies have launched some flavor of digital transformation, only a third of the expected revenue benefits, on average, have been realized.¹

In the following pages we'll reveal:

- Why digitizing and automating back-office processes is so important
- What challenges are posed by manually managing three common back-office functions
- How AI-based solutions are uniquely equipped to address those challenges

But first — what do we mean by automation?



1. Lamarre, Eric, Kate Smaje, and Rodney Zimmel. "[Rewired to Outcompete](#)." McKinsey & Company, June 20, 2023.



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What is automation?

Automation. Digitization. Digital transformation. These terms are often used interchangeably but refer to different things.

Automation refers to using technology to accomplish tasks without human intervention.²

Digitization, on the other hand, refers to the process of converting information into a digital format.³

And **digital transformation**? That's a much broader term that, according to Gartner, can refer to anything from IT modernization to digital optimization, but often includes automation and digitization.⁴

2. David Bevans, "[Digitization and Automation: What Are They, and How Do They Relate?](#)," May 19, 2021, Mendix Technology.

3. "[Digitization](#)," TechTarget.

4. "[Digital Transformation](#)," Gartner.



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Why is automating back-office processes so important?

Automating manual tasks related to invoice approvals, trade confirmations, inventory management, procurement and other back-office functions delivers significant benefits that can make the difference between thriving or just surviving in a turbulent market.

One benefit is speed. Because automation software can process hundreds of documents within just minutes, the accurate digitized data needed to make decisions big and small is always available. You can more quickly identify issues and process more transactions faster.

Another major benefit is increased accuracy. Studies show employees spend up to 50% of their time identifying and correcting errors, as well as validating data from sources they don't trust.⁵

Automating back-office processes ensures everyone has one complete and accurate "source of truth" so employees can move away from transaction processing and focus on more strategic tasks including analyzing the data.

Automation can also dramatically cut costs: McKinsey research shows that digitizing and automating just one document could save \$6.5 billion in direct costs and enable \$40 billion in global trade.⁶

In addition, automation has been shown to increase revenue. According to Think Automation, businesses that are highly automated are six times as likely to see revenue growth of at least 15%.⁷

In today's market, there is no upside to manually managing critical business processes. Commodities companies that cling to the manual way of doing things put themselves at a great disadvantage, inevitably falling behind their more agile competitors.

5. ["The overlooked admin challenge costing \\$140 billion per year,"](#) Think Automation.

6. ["The Multi-Billion Dollar Paper Jam: Unlocking Trade by Digitalizing Documentation,"](#) October 4, 2022, McKinsey & Company.

7. ["Why business process automation is essential for growth,"](#) June 3, 2020, Business Matters.

Deloitte research shows automation saves companies between 25% and 40% on average by streamlining business processes and improving productivity.⁶

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Challenges of manual back-office processes

It's very common for commodities companies to manually reconcile trade confirmations, approve invoices and reconcile inventory balances. While these legacy approaches may appear to be working just fine, they slowly chip away at margins, causing financial damage that may be irreversible.

Here are three use cases which further illustrate the inefficiencies previously discussed.

Trade confirmation statement reconciliation

Traditional means of reconciling the information on trade confirmation statements against the information in commodity trading and risk management (CTRM) systems are slow, tedious processes that tie up valuable time, and can easily result in costly discrepancies slipping through the cracks.

Spreadsheets and macros can relieve some of the manual burden, but companies still incur the risk of missed errors and inconsistencies in data.

Due to formula errors, it's estimated that 88% of spreadsheets include mistakes.⁸ And then, there's also the risk of irreparable data corruption from viruses, system outages, and other adverse events.

At the end of the day, one misplaced decimal point can cost you millions of dollars. And if the discrepancy comes to light down the road? Staff must put aside other, more high-value projects and attempt to resolve the issue.



8. ["What Are The Shortcomings Of Spreadsheets?"](#), April 4, 2019, Forbes.



Invoice approvals

While many organizations understand the inherent risks and costs in the manual approaches of invoice processes, much of the automation efforts and investment have gone elsewhere. Business as usual works, so why upset things?

As such, employees painstakingly match the data on paper or digital invoices to the data in accounts payable systems, the inevitable errors occurring as their focus wanes. This process is especially challenging for fuel retailers, who often receive stacks of new invoices every day, and must race against the clock to meet 10-day payment terms.

The consequences of missing discrepancies can include outdated, inaccurate financial data, eroded profit margins, and, for companies that resell commodities, damaged relationships if customers must be notified about errors in invoices they've already processed.

And what's worse, without the support of automation, an employee has to sift through hundreds of correct data points to find one that's incorrect, a tedious, frustrating task which negatively affects job satisfaction.

The costs required to support this detrimental process are staggering: A Goldman Sachs report puts the annual cost of labor and other expenses related to manual invoice processing at around \$2.7 trillion — but also states that automation can reduce those costs up to 75%.⁹

“When you have different people manually entering data, there can be errors and inconsistency in how items are coded. We were paying out overtime to process thousands of monthly freight invoices and then to review and correct any errors.”

– Mike Kelliher, commercial controller for ClearDox client Gulf Oil

9. [“How the next payments frontier will unleash small business,”](#) September 16, 2018, Goldman Sachs.

Inventory management

Relying on manual processes for inventory data entry and balance reconciliation poses significant challenges.

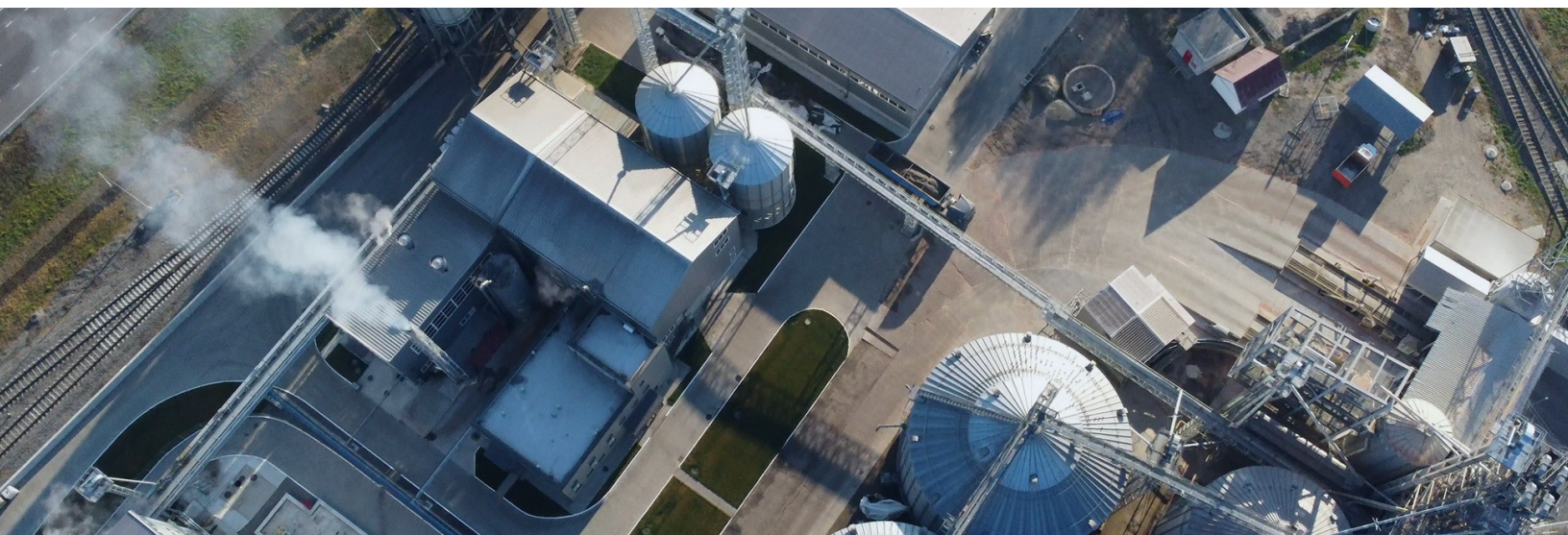
Teams are tasked with reviewing inventory balances for grains, oil, and other commodities at multiple locations, and then with reconciling that information against the data in CTRM and trade finance systems.

This time-intensive, error-prone process means the inventory data within internal systems is rarely — if ever — up to date or accurate. This subjects commodities companies to a significant amount of financial risk, negatively impacting their profitability by making it difficult for them to hedge their positions ... or make business decisions with any degree of confidence. This is even more critical as the costs of financing excess inventory have nearly tripled.

Furthermore, if inventory balances are inaccurate, companies may find themselves:

- Selling inventory they don't have, which negatively affects customer satisfaction
- Purchasing products they don't need, which is costly especially when high interest rates are involved
- Facing logistics challenges, due to having a lack of clear visibility
- Suffering legal and reputational damage, if the inaccurate inventory results in a missed business commitment or worse, loss of an important client

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How AI digitization and automation solutions help

Automating back-office processes gives commodities companies the agility to operate with maximum effectiveness, regardless of how uncertain market conditions or supply chains may be.

To realize optimal results, increased efficiency, and optimal decision-making, these companies can look to automating their processes from start to finish. Solutions such as ClearDox that are fit-for-purpose in commodities and that use AI to digitize and automate critical data and tasks are a great option for that.

With our commodities-focused solution, we utilize AI approaches including OCR Templates, ML, NLP and large language models to quickly extract data from paper or digital documents, reconcile it, then integrate cleansed data into CTRM, accounts payable or other internal systems.

Our solutions are capable of handling all document formats — structured, semi-structured or unstructured — and can easily scale to accommodate new opportunities as business needs evolve.

These types of solutions empower commodities companies to:

Optimize decision making and improve profitability

Because AI-based solutions can rapidly process large volumes of documents, accurate financial data, inventory balances and other information becomes available almost instantly. Continuous access to accurate, timely data ensures teams can make optimal decisions that improve profitability and quickly take advantage of new business opportunities.

Mitigate risk

Automating data entry and reconciliation significantly mitigates operational and financial risk by eliminating keystroke errors and ensuring discrepancies are never missed. Solutions like those from ClearDox will alert staff when discrepancies are identified, so they can be immediately resolved and don't end up affecting your P&L.

Reduce costs

Automation dramatically reduces the exorbitant expenses that are often required to support manual processes, as well as the monetary and intangible costs associated with human errors.

Improve productivity and efficiency

The current labor shortage has made entry-level positions hard to fill and keep filled.¹⁰ Because AI-based solutions handle significantly greater throughput than their human counterparts, commodities companies can do more with less, eliminating the data bottlenecks that slow them down. Staff that were once consumed with monotonous manual tasks can refocus their energies on higher-value projects that support business growth while increasing their job satisfaction.



10. Olivia Rockeman and Molly Smith, "[Normalizing but not back to normal: The U.S. job market in 2022](#)," January 2, 2022, Bloomberg News.



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Automation is not optional

Commodities companies face a daunting number of challenges. While external problems like supply chain issues, climate events, and other market forces cannot be controlled, internal challenges caused by manual back-office processes can be.

Failing to eliminate manual back-office processes and choosing to incur the significant costs, inefficiencies and risk that go along with them is dangerous even in the best of times. Automating manual processes is a necessity that provides companies with the efficiency and agility required to make it through volatile times unscathed. It also ensures organizations always have the accurate information they need to make profitable decisions and outmaneuver the competition.

To learn more about how automating back-office processes can benefit your business, [schedule a discovery call](#) with one of our experts.

About ClearDox LLC

ClearDox helps commodities companies turn manual processes into a competitive advantage. The ClearDox solution reduces costs, mitigates risk, and improves productivity by automating processes related to invoice processing, trade confirmations, inventory management, movement actualization and more. ClearDox, originally developed to solve data entry and reconciliation challenges for a global commodities merchant, classifies, extracts, and reconciles data using AI, ML and NLP before integrating it into downstream systems. An out-of-the-box solution that's easy to get up and running — and even easier to use — ClearDox has been trusted by companies including Gulf Oil, PBF Energy and Freepoint Commodities to process hundreds of thousands of documents since 2018. For more information visit cleardox.com.