ITFMA Conference
Procure-to-Pay Best Practices

Integrating P2P Best Practices with Technology

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Presentation Outline

- Introduction and Background
- Procure-to-Pay Cycle
- Adopting Best Practice Strategies for AP Transactions
- Purchasing and Receiving Best Practices for AP
- AP Technology Enablers
- Questions & Answers
Procure-to-Pay Best Practices

Introduction and Background
To deliver high-impact business process consulting services and implement industry proven end-to-end Best Practice Solutions™
Soltec’s Best Practices Expertise

Finance, Accounting, Treasury
- Evaluated Receipts Settlement
- Procurement Card
- Financial Closing
- Shared Services
- Travel & Expense Reporting
- Inter/Intra-Company Settlement

Supply Management

Customer Relation Management

Manufacturing

Supply Management
- Production Demand Replenishment
- Material Requirements Planning
- Material Receiving and Movement
- Indirect Materials Rationalization
- Warehouse Management
- Supplier Quality Process
- Defective & Damaged Material

Process Development and Improvement
A series of policies, procedures and processes that eliminate waste and optimize operating efficiencies in the P2P cycle in order to pay suppliers accurately and on time.

**What are P2P Best Practices?**

- **DISCIPLINE**
- **RESULTS**
- **RISK TAKING**
- **WORK ENVIRONMENT**
- **CUSTOMER FOCUS**
- **QUALITY**

**P2P BP Supports Company Values**
Procure-to-Pay Best Practices

Procure-to-Pay Cycle
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- Inaccurate sales information
- Vendor Inquiries & Disputes
- Wrong Payment
- Invoice Entry Errors
- Obsolete Pricing Data
- Open Receivers
- Delayed Inaccurate Order
- Excessive Change Orders
- Shipping Discrepancies
- Receipt Discrepancies
- Vendor Inquiries & Disputes
- Wrong Payment
- Invoice Entry Errors
- Obsolete Pricing Data
- Open Receivers
- Delayed Inaccurate Order
- Excessive Change Orders
- Shipping Discrepancies
- Receipt Discrepancies
Procurement Spends More of the Revenue Dollar Than Any Other Area

- Procurement: $0.55
- Labor: $0.06
- Overhead: $0.03
Procurement Exerts Far Greater Leverage on Earnings Than Any Other Area

Reduction in Procurement: 5%

Adds to Net Profits: 3%
Procurement Costs

Average Cost of Procurement from Acquisition through Payment

- Low $25
- Average Cost
- High $300

Pie chart showing:
- Labor 58%
- Systems 22%
- Other 20%

Categories:
- Purchasing
- Receiving
- Accounting

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Invoice Productivity Level per FTE

<table>
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<tr>
<th>Category</th>
<th>Productivity Level</th>
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<tr>
<td>Standard Processing</td>
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<tr>
<td>Electronic Invoicing</td>
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<td>Best Practice</td>
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Procure-to-Pay Best Practices

Adopting Best Practice Strategies for AP Transactions
Transaction Types

- **Inventory, 50%**
  - Production, Direct Materials, SKUs
  - MRO Materials
- **Non-Inventory (POs), 20%**
- **Check Requests, 5%**
- **Non-PO Invoices, 10%**
- **Payroll Deductions, 2%**
- **Utilities, 3%**
- **Service Rentals, 5%**
- **T&E, 5%**
Procure-to-Pay Alternatives

ERS
- Inventory
  • Production, Direct Materials, SKUs
  • MRO Materials
- Non-Inventory
  • Travel Expense Reports
  • Payroll Deductions
  • Check Requests
  • Utilities

Purchasing Card
- Non-Inventory
  • Misc Expense Materials
  • Construction & Capital
    • Rentals & Leases
    • Services

Apply Best Practices
- Other
  • Travel Expense Reports
  • Payroll Deductions
  • Check Requests
  • Utilities
Processing Options for PO-Based Transactions

- Manual Three-Way Match
- Imaging and Workflow
- Optical Character Recognition (OCR)
- Electronic Invoice Presentation and Payment
- Electronic Data Interchange (EDI)
- Evaluated Receipt Settlement (ERS)

Pie chart showing:
- Inventory, 50%
- Non-Inventory (POs), 20%
What is ERS?

- **ERS is NOT About:**
  - Software
  - Imaging and Workflow
  - Electronic Data Interchange (EDI)
  - Electronic Invoice Presentation and Payment (EIPP)

- **ERS IS About:**

ERS is a process that allows a customer to make supplier payments based on its records and not by relying on supplier invoices (paper or EDI)
Traditional Disbursement Process

- Goods and Packing Slip
- Receipt
- Invoice Data
- Invoice
- Mismatches
- Payment Data
- Mismatches
- Price
- Purchase Order / Negotiated Prices
- Order
- Advice of Shipment
- Price
- Mismatches
- Payment
- Price
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ERS Process

- Evaluate Receipt at PO Unit Price
- Use Packing Slip No. as Invoice No.
- Use Receipt Date as Invoice Date
- Establish Payment Due Date based on PO Term

AP Receipt Evaluation
Present Disbursement Process

**PURCHASE ORDER**
- Currency
- Payment Terms
- Supplier Code
- Part Number
- Purchase Order No.
- Unit of Measure
- Quantity
- Price

**PACKING SLIP**
- Supplier Code
- Part Number
- Purchase Order No.
- Unit of Measure
- Quantity
- Shipment ID No.
- Ship/Received Date

**INVOICE**
- Currency
- Payment Terms
- Supplier Code
- Part Number
- Purchase Order No.
- Unit of Measure
- Quantity
- Price
- Invoice No.
- Invoice Date

When All Match Generate Payment

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ERS Process

**PURCHASE ORDER**
- Currency
- Payment Terms
- Supplier Code
- Part Number
- Purchase Order No.
- Unit of Measure
- Quantity
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**PACKING SLIP**
- Supplier Code
- Part Number
- Purchase Order No.
- Unit of Measure
- Quantity
- Shipment ID No.
- Ship/Received Date

Packing Slip No.
Bill of Lading No.
Customer Order No.

**PRICE** \times **QUANTITY** = **PAYMENT TO SUPPLIER**
ERS Benefits

**Improved:**
- Working Capital
- Receipt Discrepancy Process
- Defective Material and Returns Process
- BOM Prices and Quantitative Records

**Reduced:**
- Mailing and / or Data Transmission Costs
- Data Entry, Imaging and Clerical Costs
- Reconciliation of Price and Quantity Records
- Forms and Stationery Costs
- Freight Costs

**Elimination of:**
- Lost and Duplicate Invoices
- Lost Discounts
- Miscellaneous Charges
- Prepaid and Add Freight Terms
- Monthly Liability Accruals
Processing Options for Non-Inventory (POs) Transactions

- Manual Three-Way Match
- Imaging and Workflow
- Optical Character Recognition (OCR)
- Electronic Invoice Presentation and Payment
- Electronic Data Interchange (EDI)
- Purchasing Card
What is the Purchasing Card?

A process that allows a company to utilize Retail Electronic Payment Networks to pay suppliers for goods and services ordered without the issuance of Purchase Orders, Invoices and Checks. Authorized end-users order directly from the supplier.
Purchasing Card Detail Process

- Shipping
  - Order
  - Price
  - Request
  - Payment
  - Advice of Shipment
  - Ship Materials

- A/R
  - Payment
  - Request

- G/L
  - Account Data
  - Resolution
  - Detail Statement

- Card Provider (Bank)
  - Place Order
  - Payment
  - Billing Statement

- Receiving
  - Materials

- Department End-User
  - Customer Service
  - Customer
  - Supplier

- Supplier
  - Materials
  - Purchasing Card Detail Process

- AP
  - Resolution
  - Payment

- Customer Service
  - Price
  - Payment

- Place Order
Purchasing Card Benefits

**Customer:**
- Reduces Process and Transaction Costs in Purchasing, Receiving and AP
- Reduces Check Processing Costs
- Bank Rebates for Purchases
- Reduces Expenditure Costs
- Accurately States Month End Expenses

**End Users:**
- User Empowerment
- Reduced Workload
- Faster Delivery
- Assured Delivery

**Suppliers:**
- Improves Cash Flow by Providing Faster and More Predictable Payment
- Eliminates Billing and all Associated Costs
Options for Non-PO Transactions

- Purchasing Card
- Online Check Requests
- Repetitive Payment Process
- Imaging and Workflow
- Monthly Drafts for Utilities
- Automatic Feed from Payroll System

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P2P Technology Enablers
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P2P Automation Principles

CAPTURE

MANAGE

ACCESS
Electronic Documents

- Internal financial reports
- Vendor invoices
- Web based forms
- PDF, Text, XML, EDI, Email, Word, Excel, …

100% accurate
No human intervention
Printing and distribution cost savings
Workflow automation & Archive benefits
Paper Handling

Provider System

Document

Workflow

Archive

Indexes
• Full Text
• Fields

Index documents
• Barcode automation
• Data population downloaded from ERP system
• OCR
• Manual entry

Human intervention for scanning and indexing
Some time to process
Workflow automation & Archive benefits
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Q & A

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