

ITFMA Conference

Procure-to-Pay Best Practices



*Integrating P2P
Best Practices with
Technology*

Chris Evanoff: Principal, Soltec, Inc.

Transforming Companies Through Best Practice Education and Implementation





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



Soltec Inc. Consulting Practice

Education



Implementation

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**

**Supply
Management**

**Customer
Relation
Management**

Manufacturing

Finance, Accounting, Treasury

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

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



What are P2P Best Practices?

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

**DISCIPLINE
RESULTS
RISK TAKING**

**WORK ENVIRONMENT
CUSTOMER FOCUS
QUALITY**

P2P BP Supports Company Values

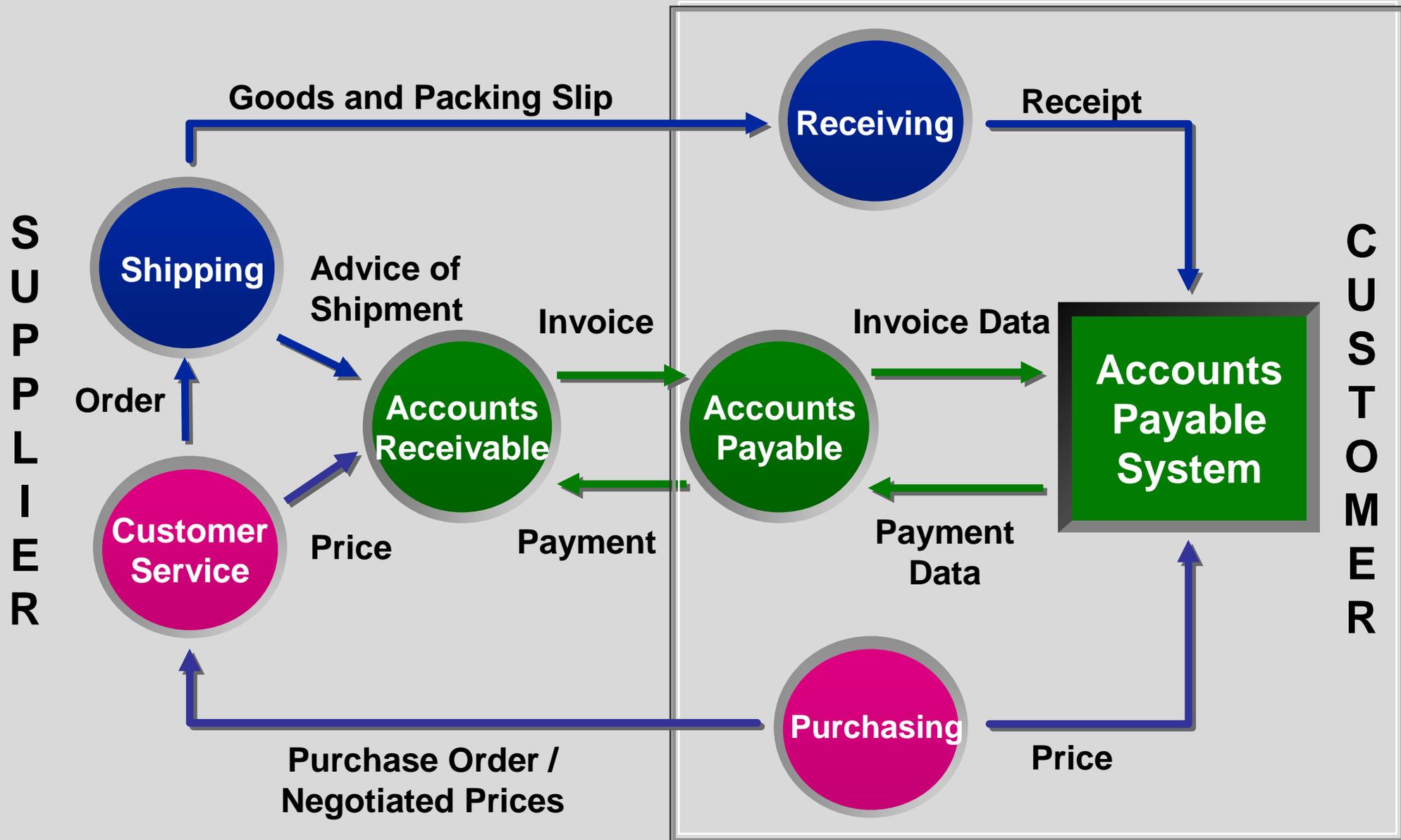
Procure-to-Pay Best Practices



Procure-to-Pay Cycle

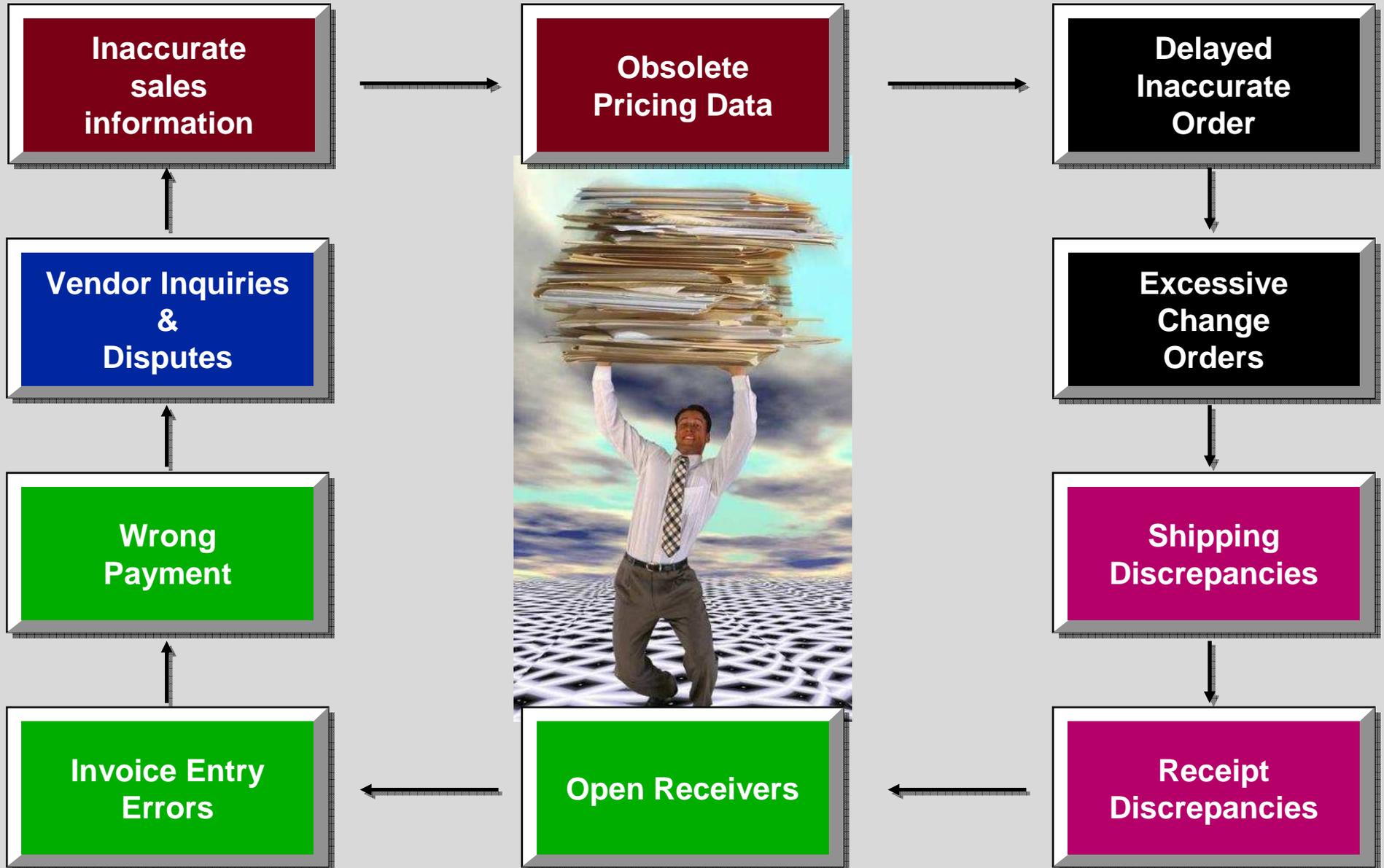


Traditional P2P Cycle





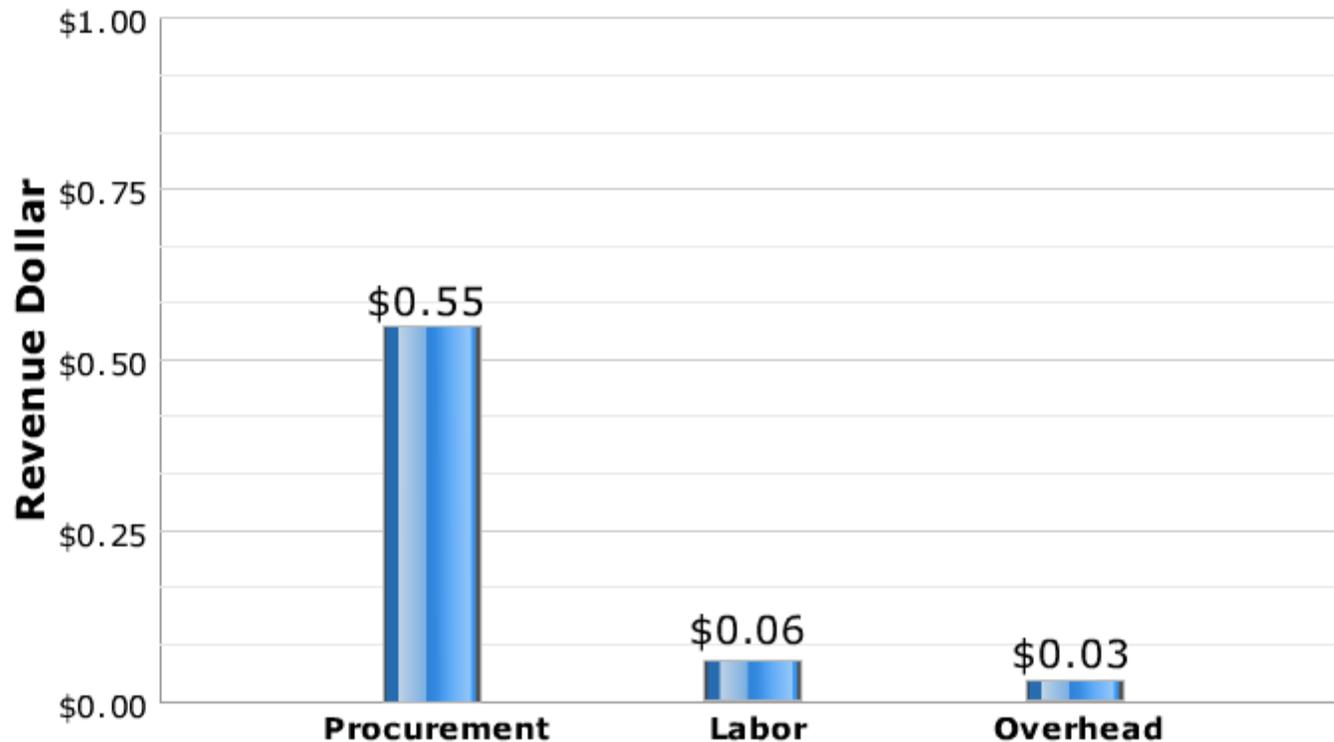
P2P Best Practice Opportunities





Procurement Costs

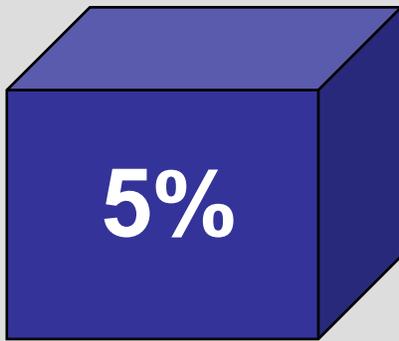
Procurement Spends More of the Revenue Dollar Than Any Other Area



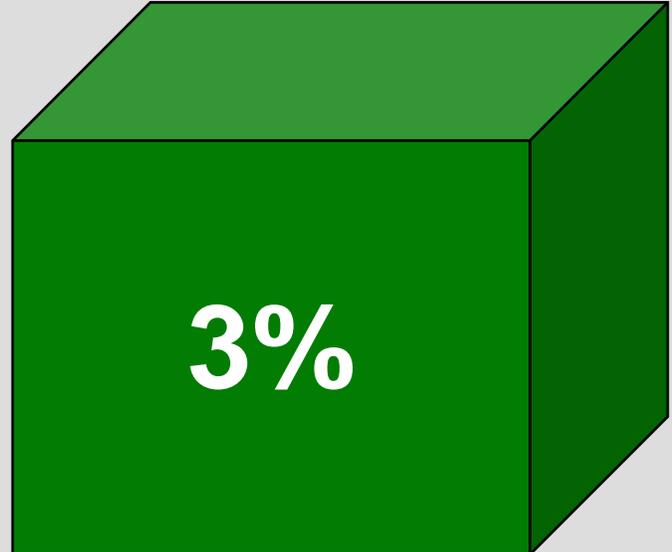
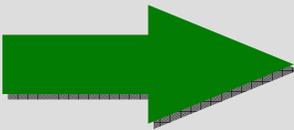


Procurement Costs

Procurement Exerts Far Greater Leverage on Earnings Than Any Other Area



Reduction
in Procurement

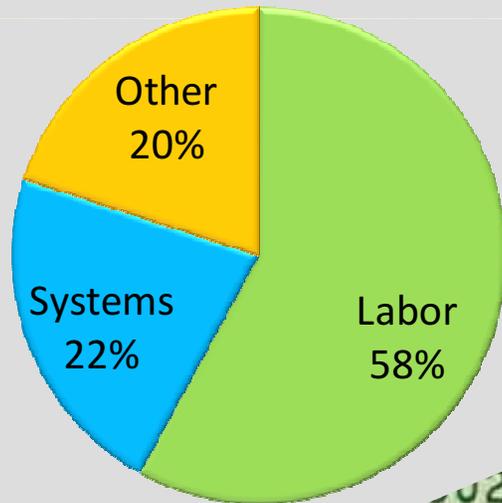


Adds to
Net Profits



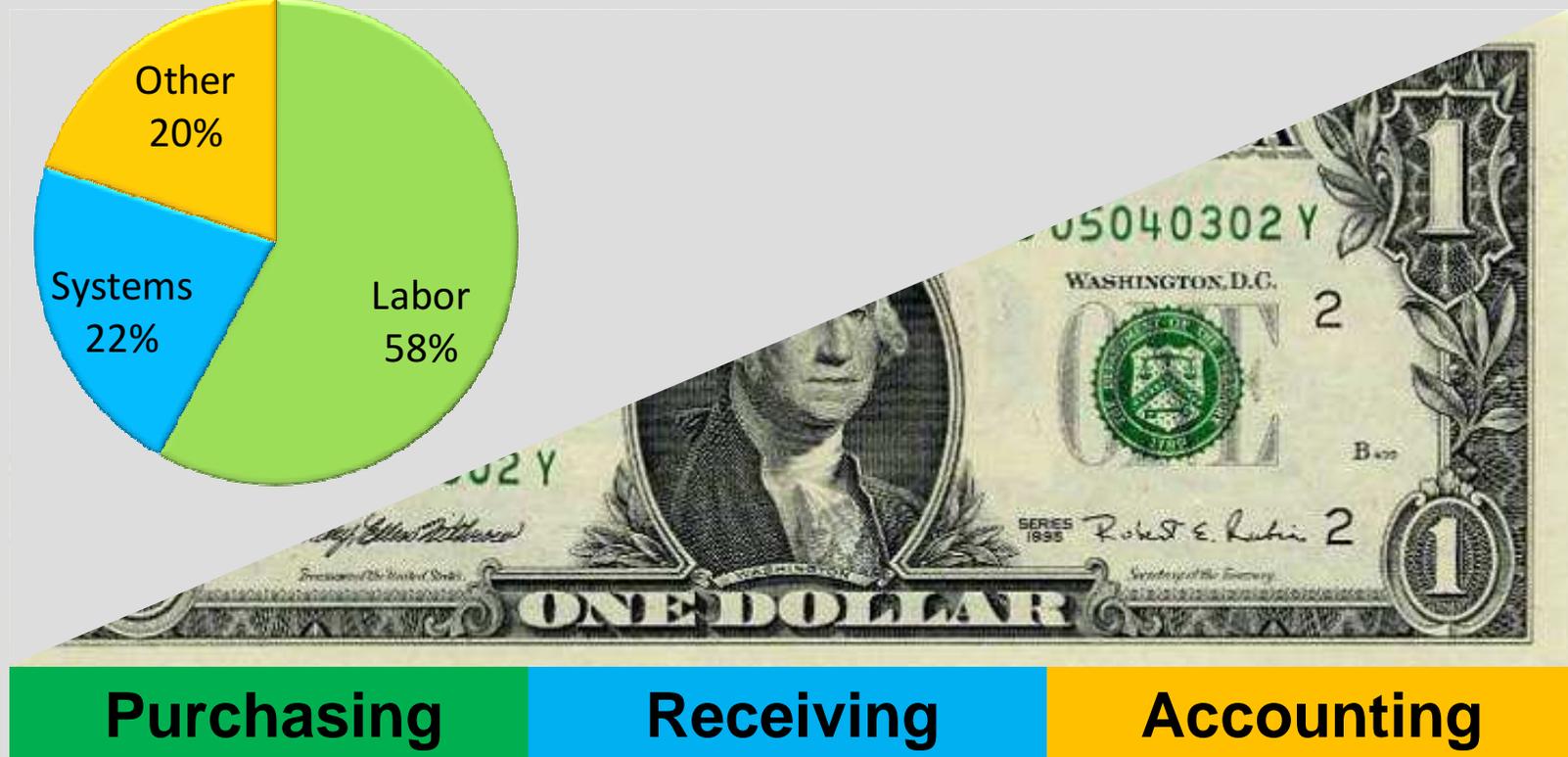
Procurement Costs

Average Cost of Procurement from Acquisition through Payment



Low
\$25

High
\$300

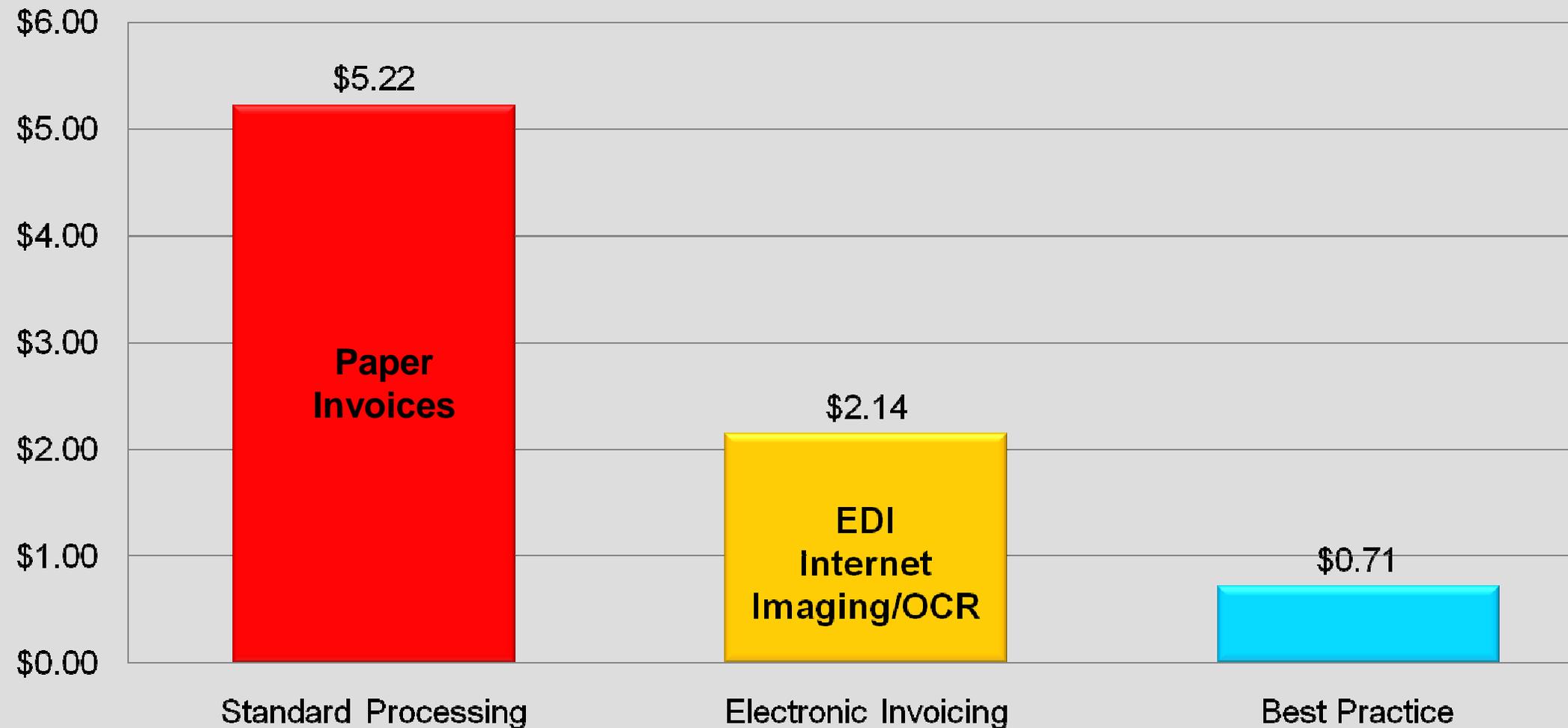


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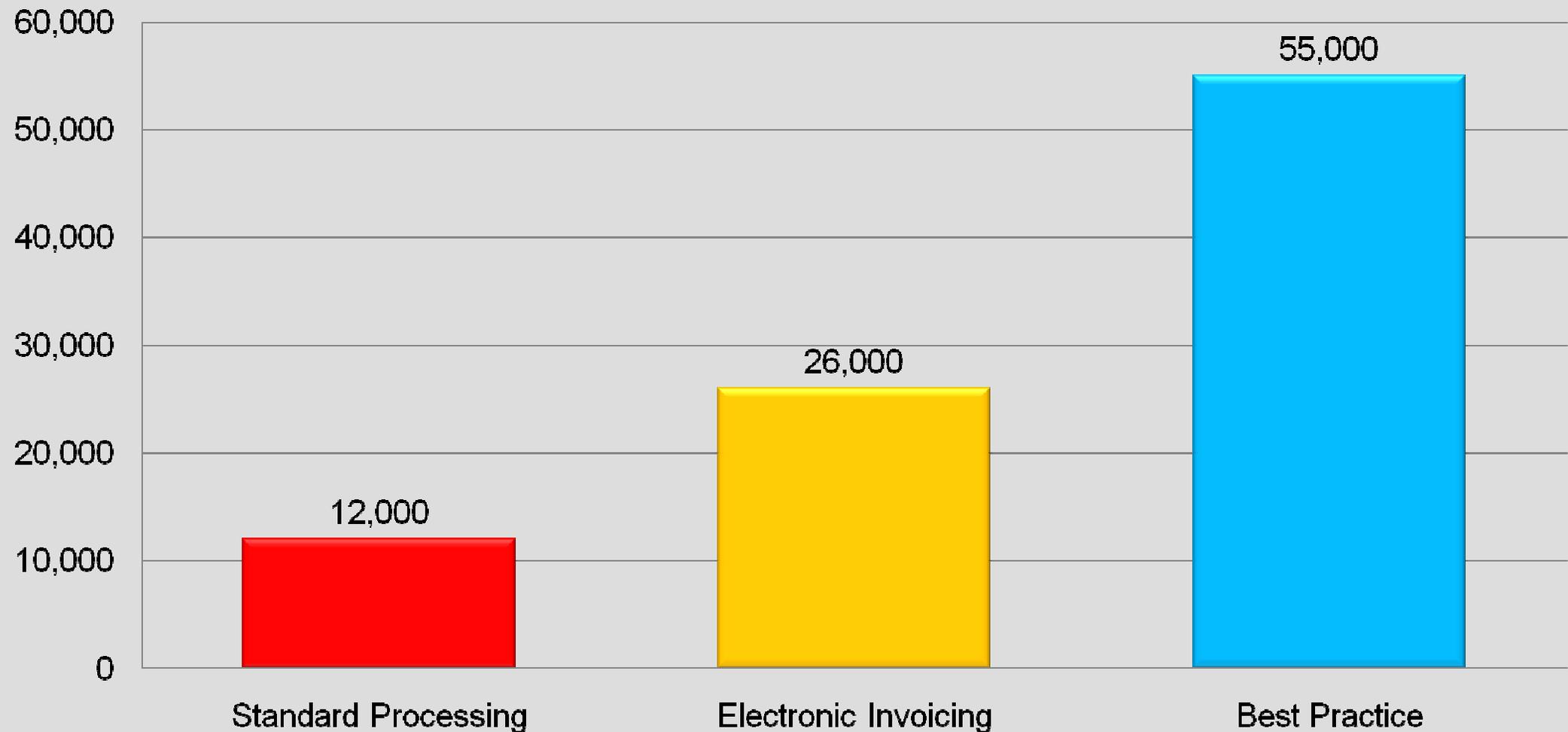


Labor Cost Per Invoice





Invoice Productivity Level per FTE



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Procure-to-Pay Best Practices



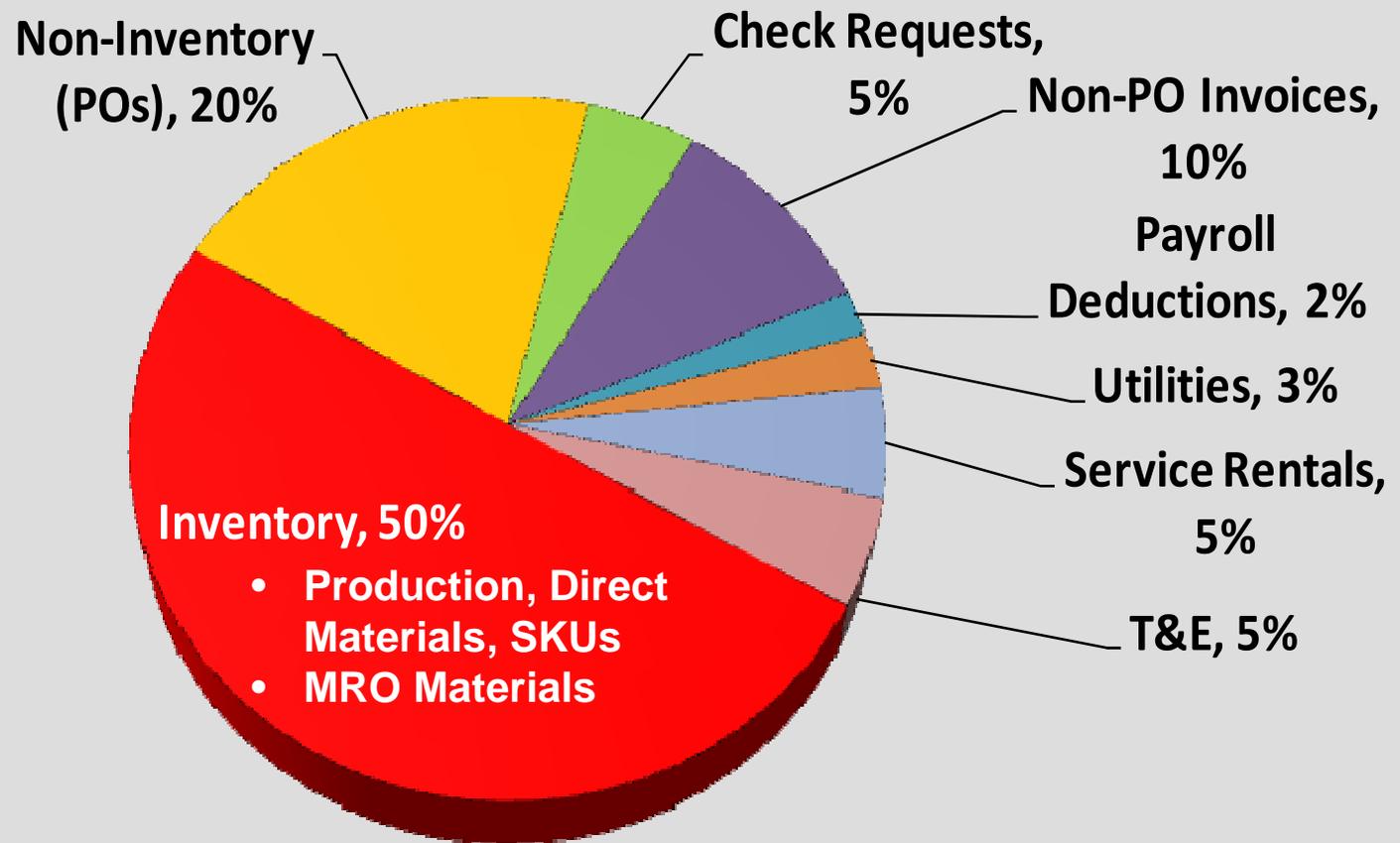
Adopting Best Practice Strategies for AP Transactions

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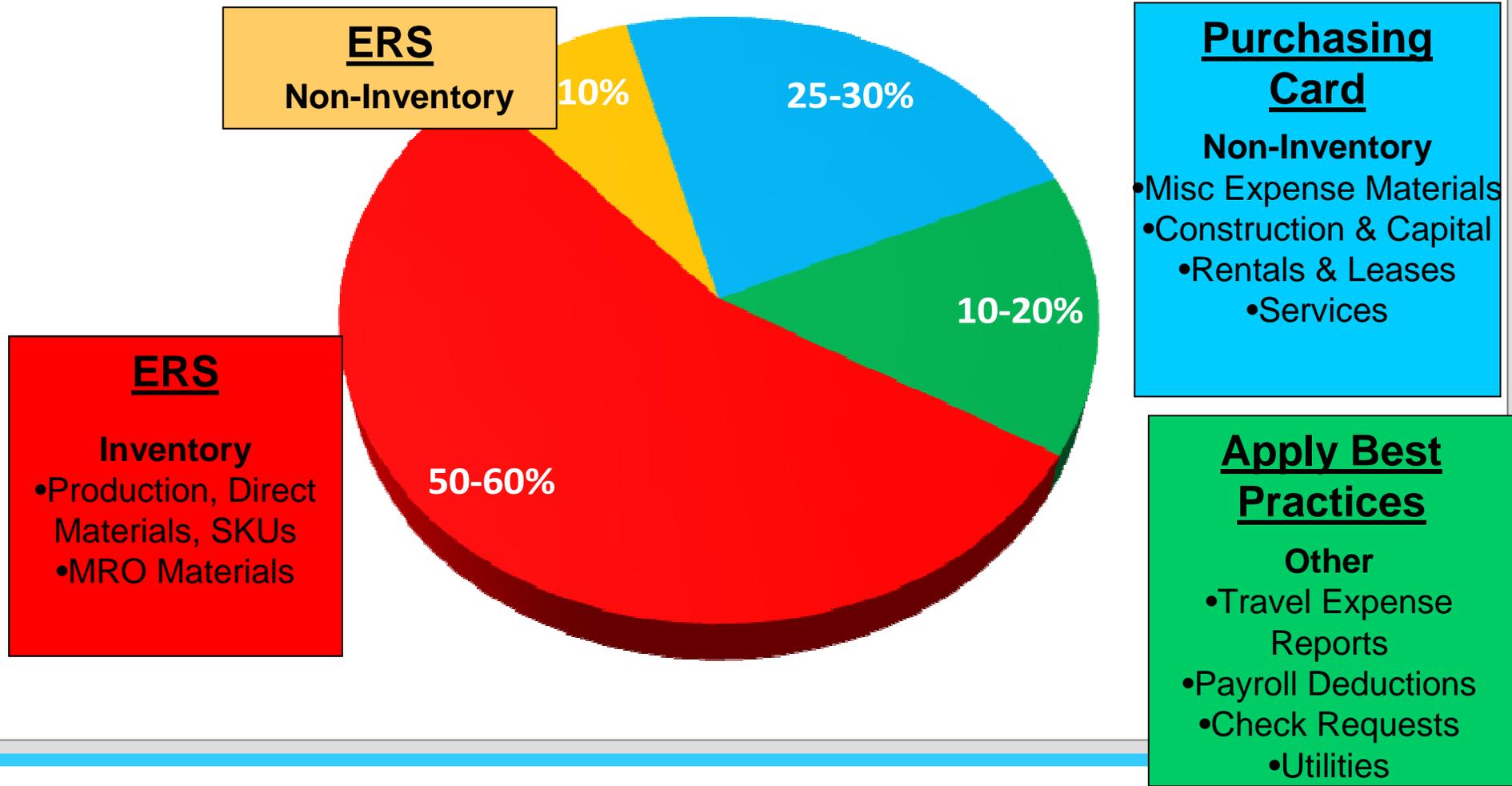


Transaction Types





Procure-to-Pay Alternatives





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)





What is ERS?

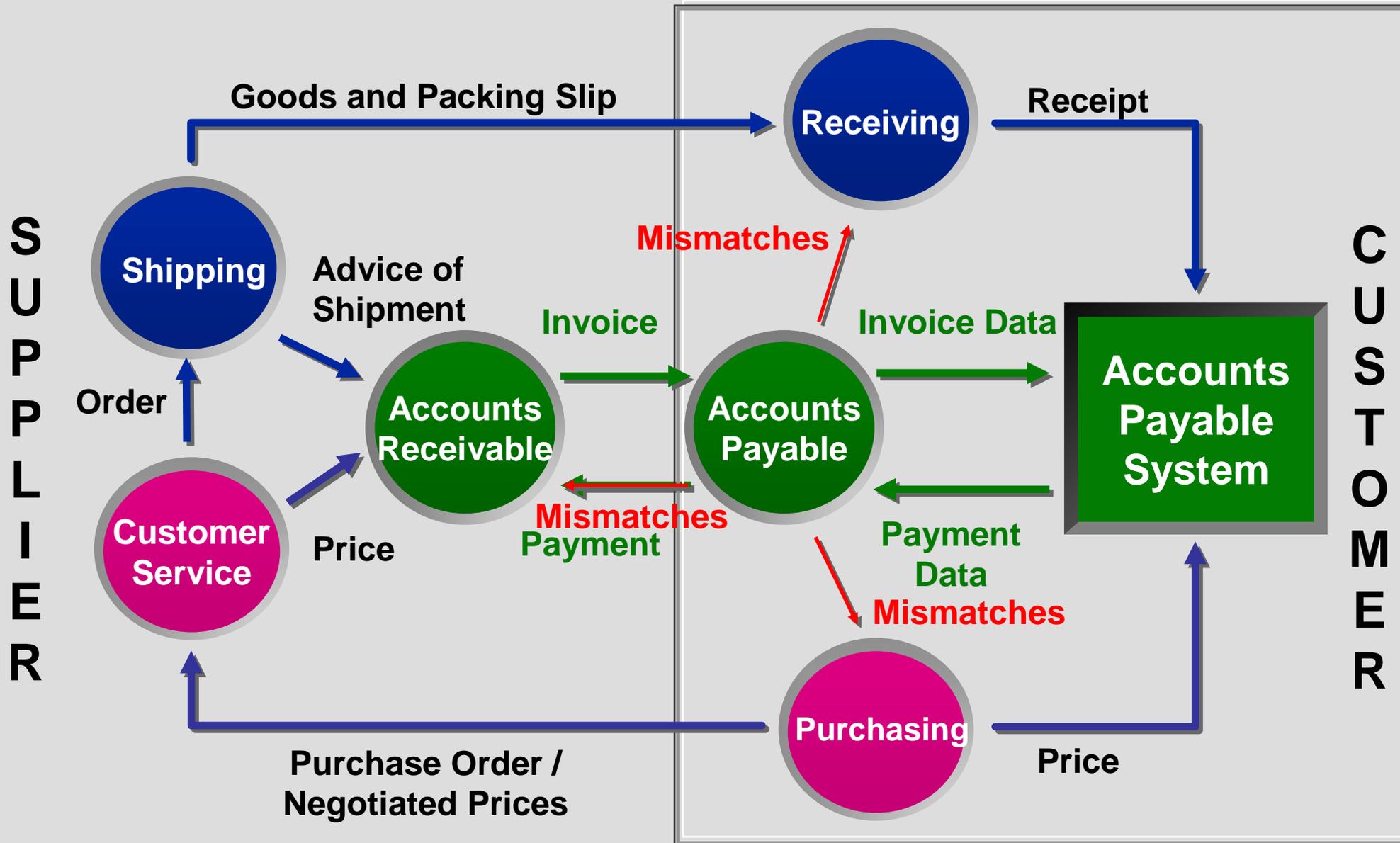
- ERS is NOT About:
 - Software
 - Imaging and Workflow
 - Electronic Data Interchange (EDI)
 - Electronic Invoice Presentation and Payment (EIPP)
- ERS IS About:



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)

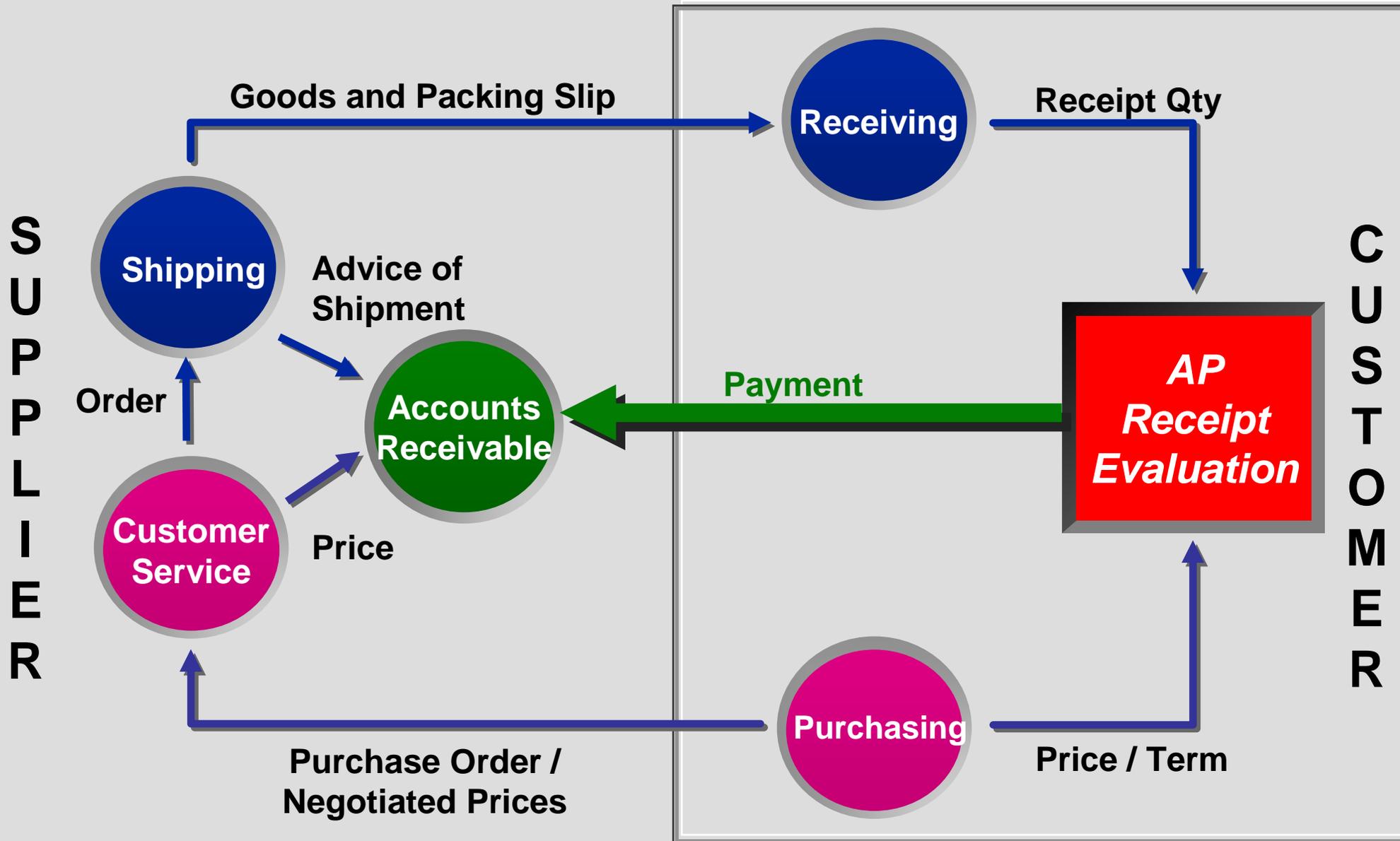


Traditional Disbursement Process





ERS Process



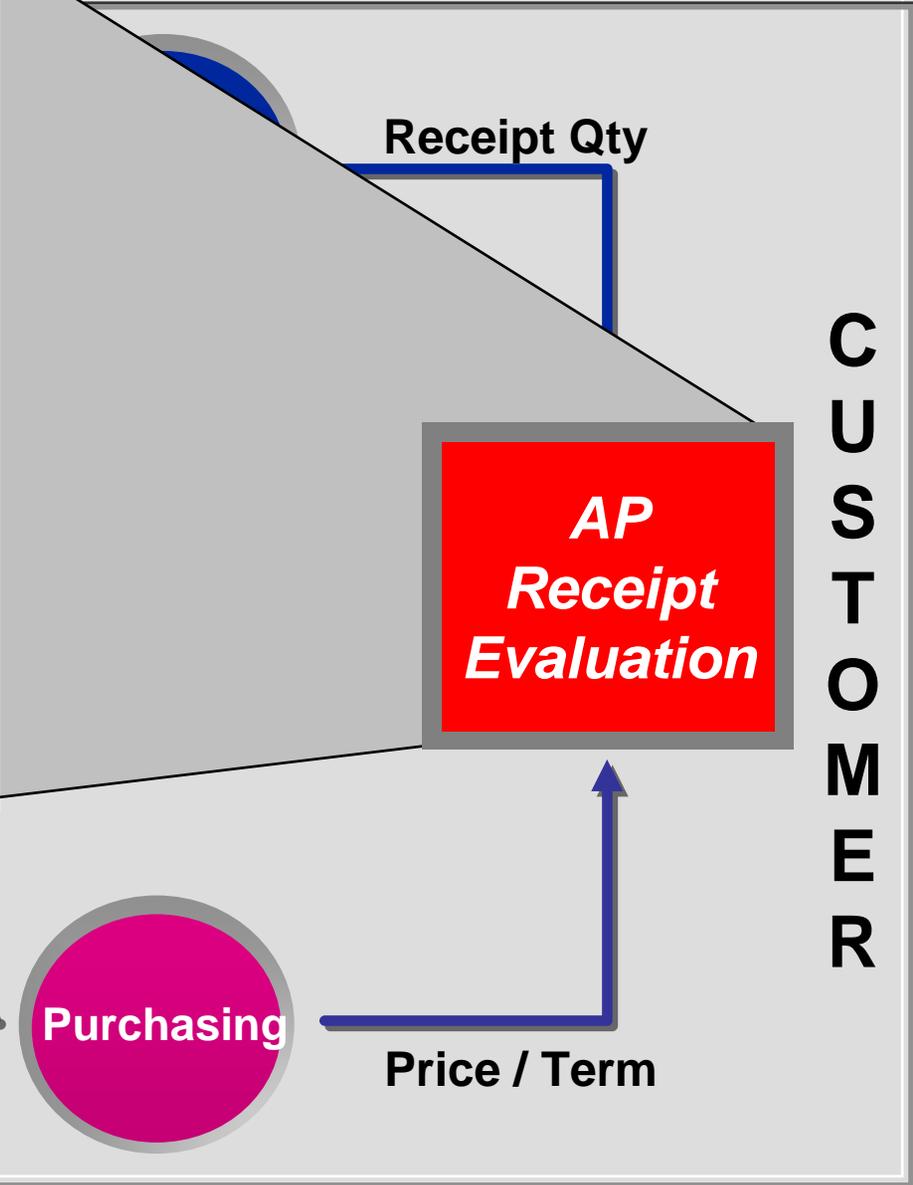
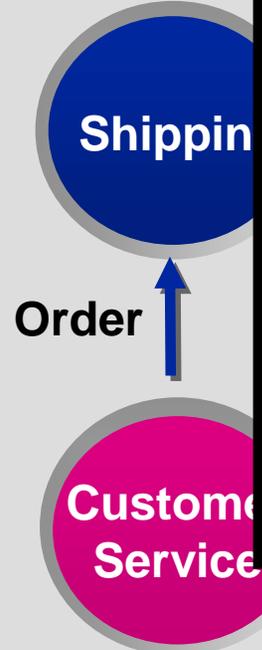


ERS Process

- 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

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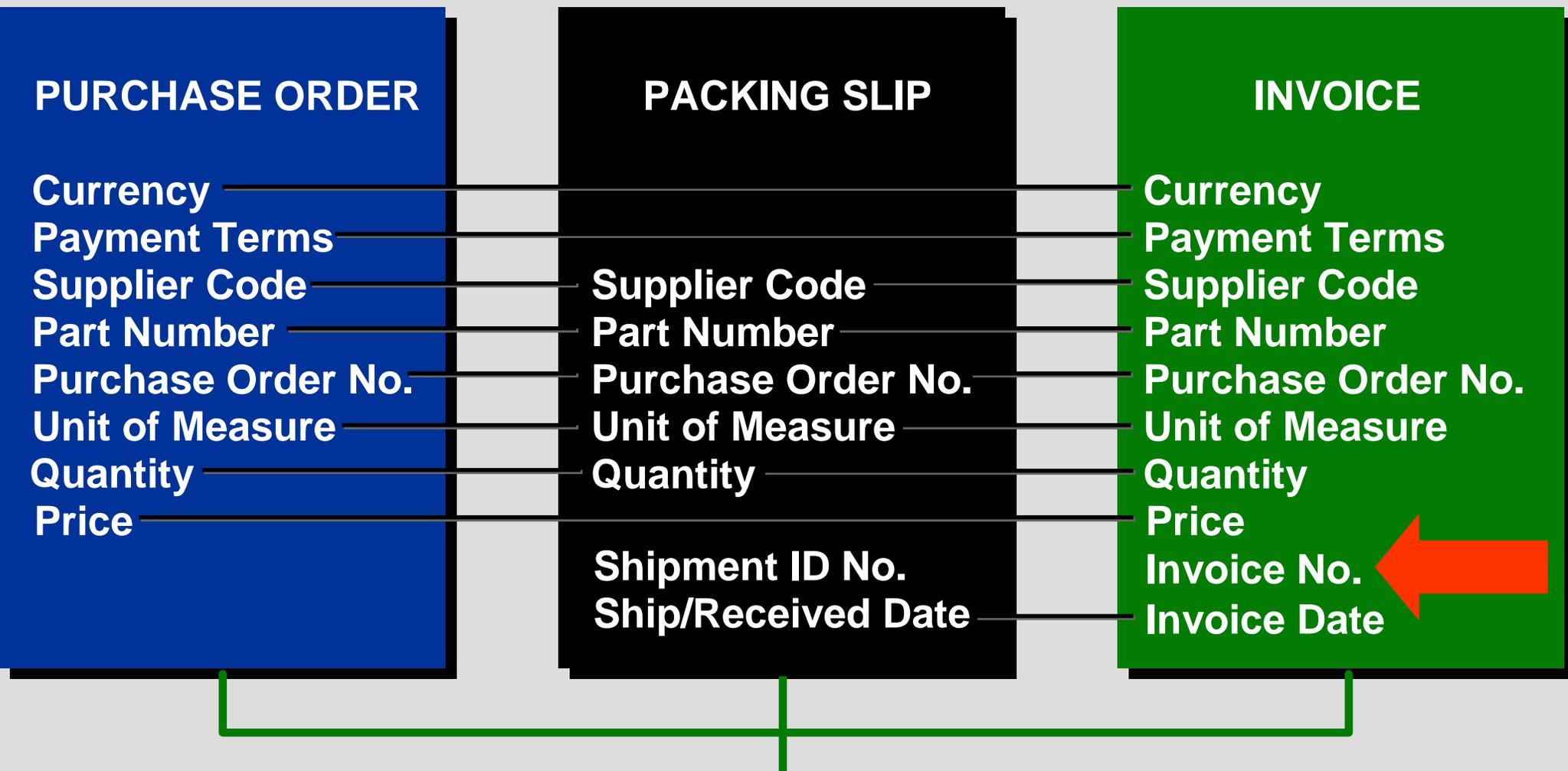


Purchase Order /
Negotiated Prices

Price / Term



Present Disbursement Process



When All Match Generate Payment



ERS 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

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

PRICE

X

QUANTITY

=

**PAYMENT TO
SUPPLIER**



ERS Functional Requirements

Purchasing



Receiving



Accounts Payable





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:

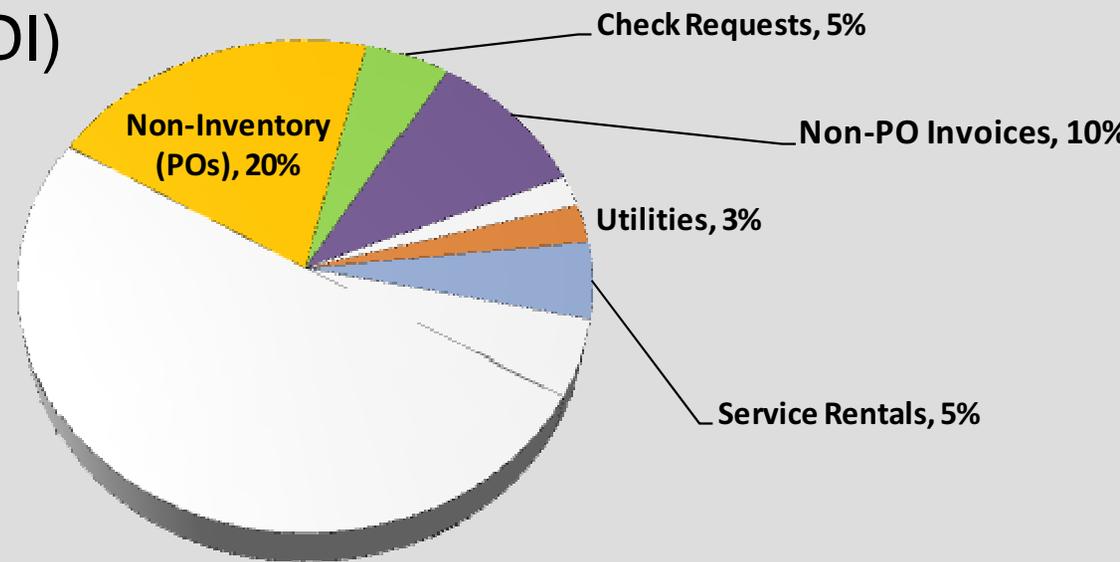
- Lost and Duplicate Invoices
- Lost Discounts
- Miscellaneous Charges
- Prepaid and Add Freight Terms
- Monthly Liability Accruals





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





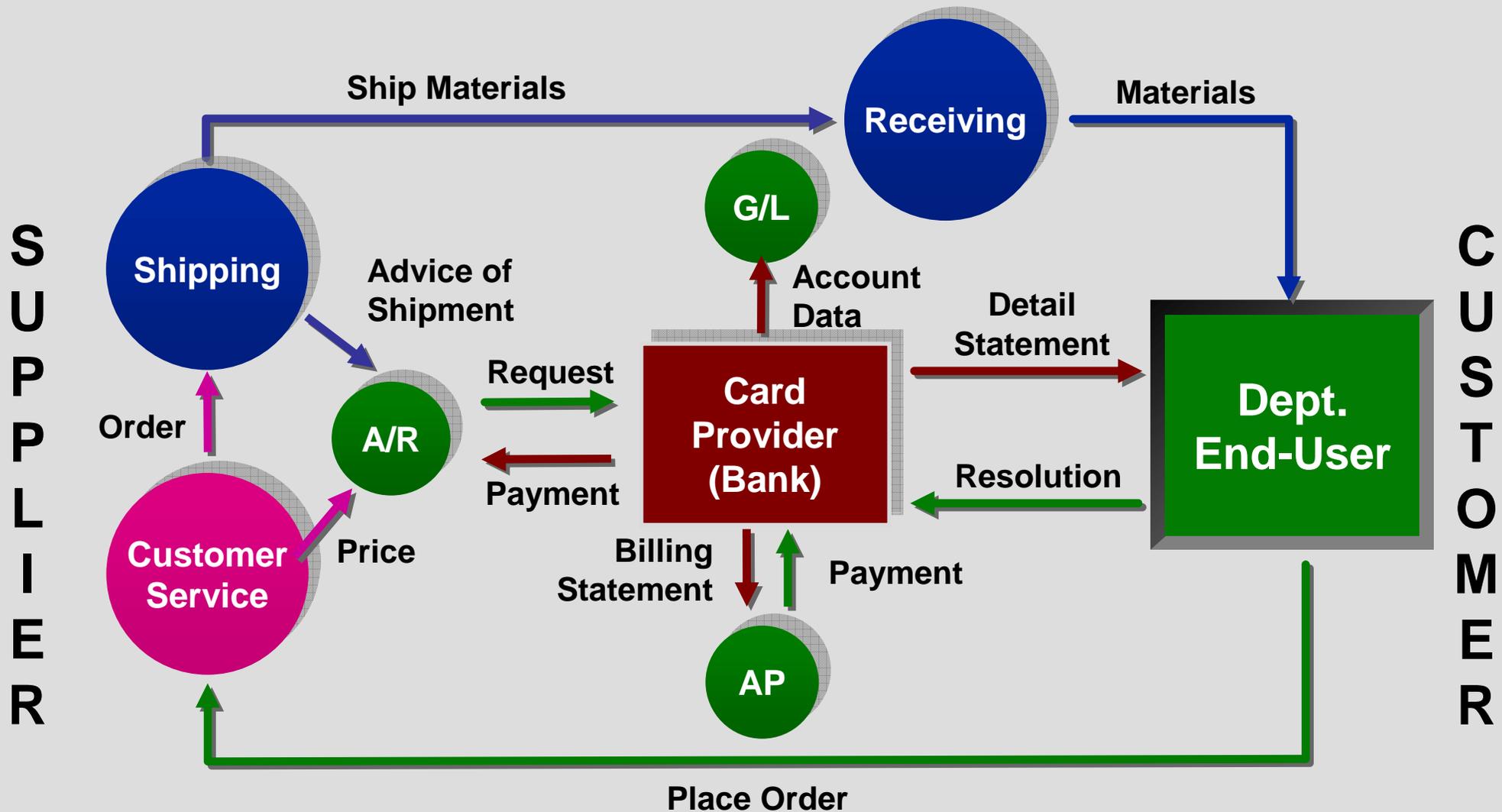
What is the Purchasing Card?

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





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:

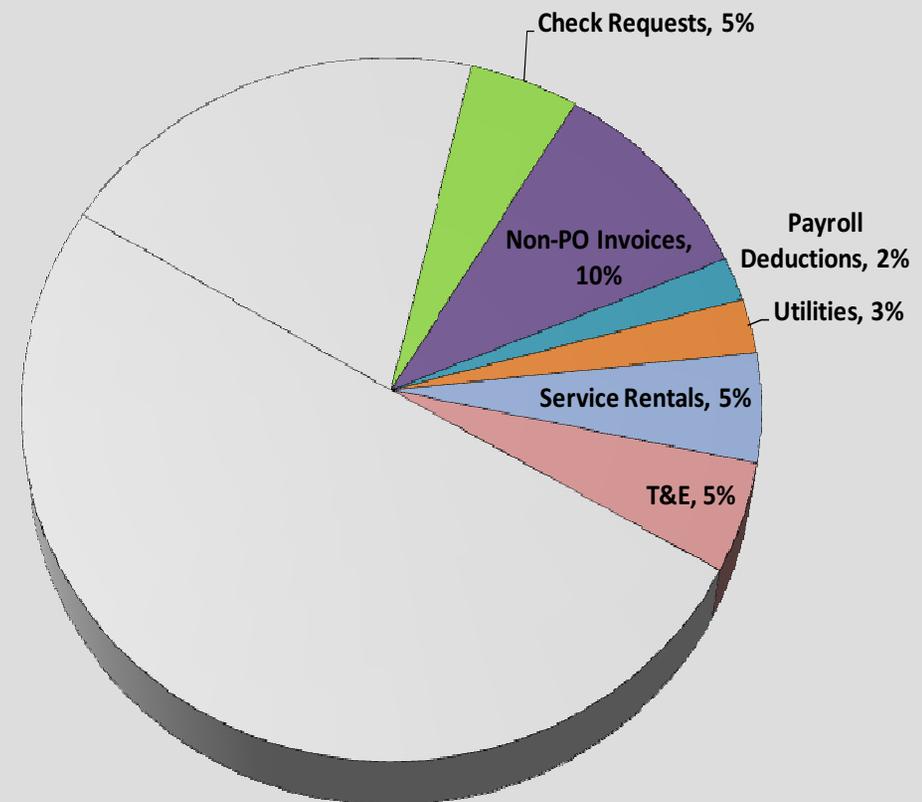
- Improves Cash Flow by Providing Faster and More Predictable Payment
- Eliminates Billing and all Associated Costs





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



Procure-to-Pay Best Practices



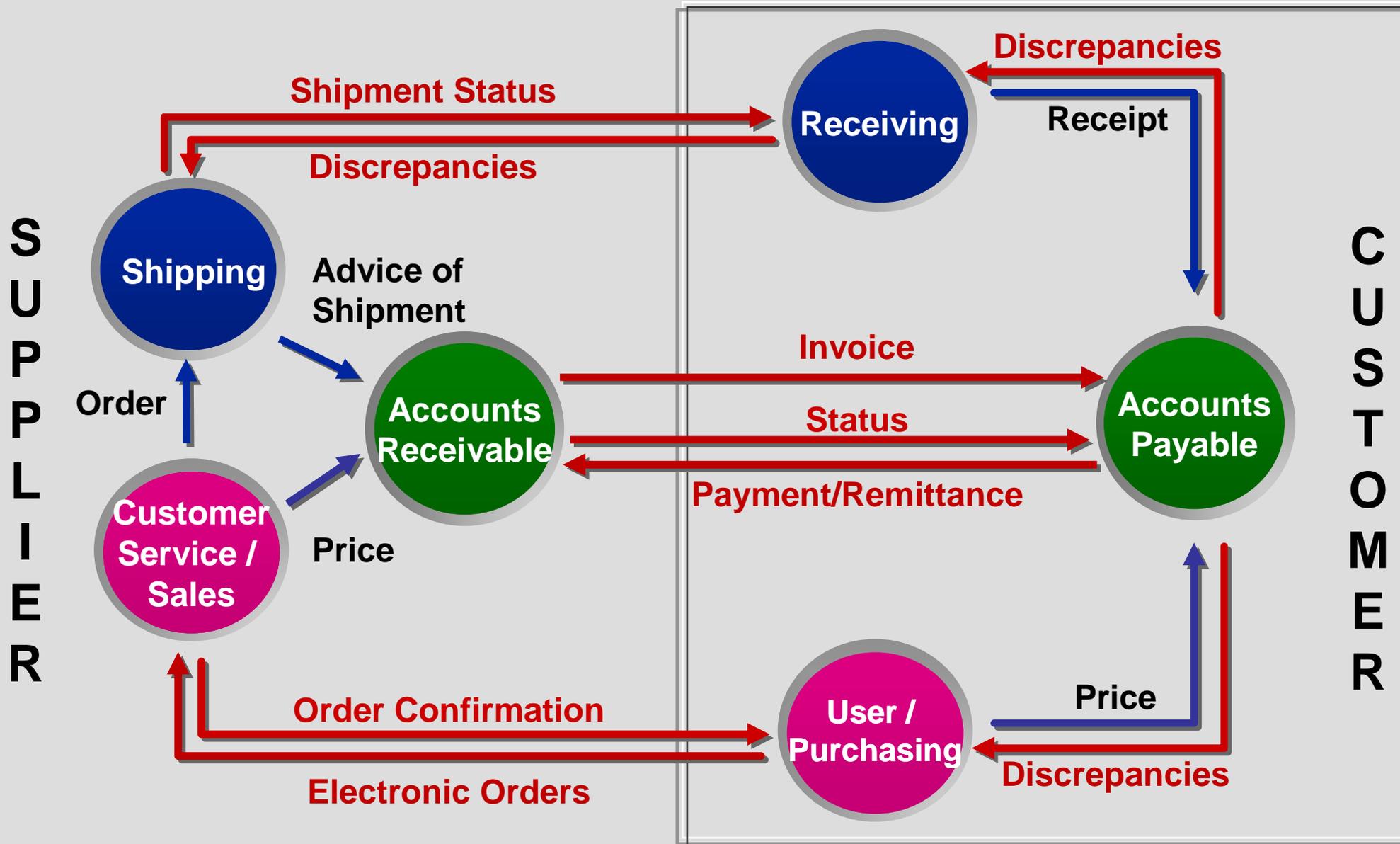
P2P Technology Enablers

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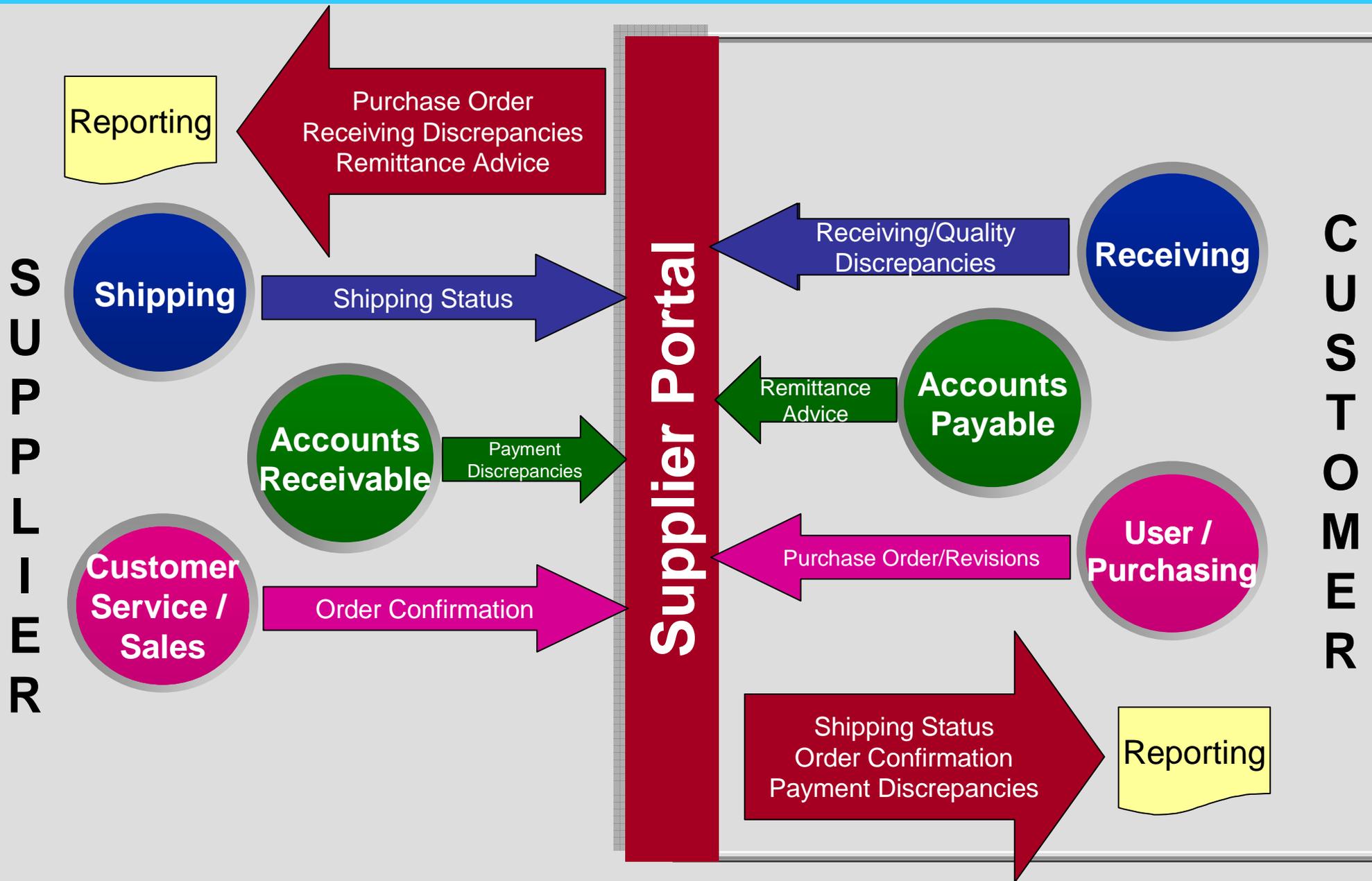


P2P Cycle Technology Enablers





Supplier Portal Role in P2P



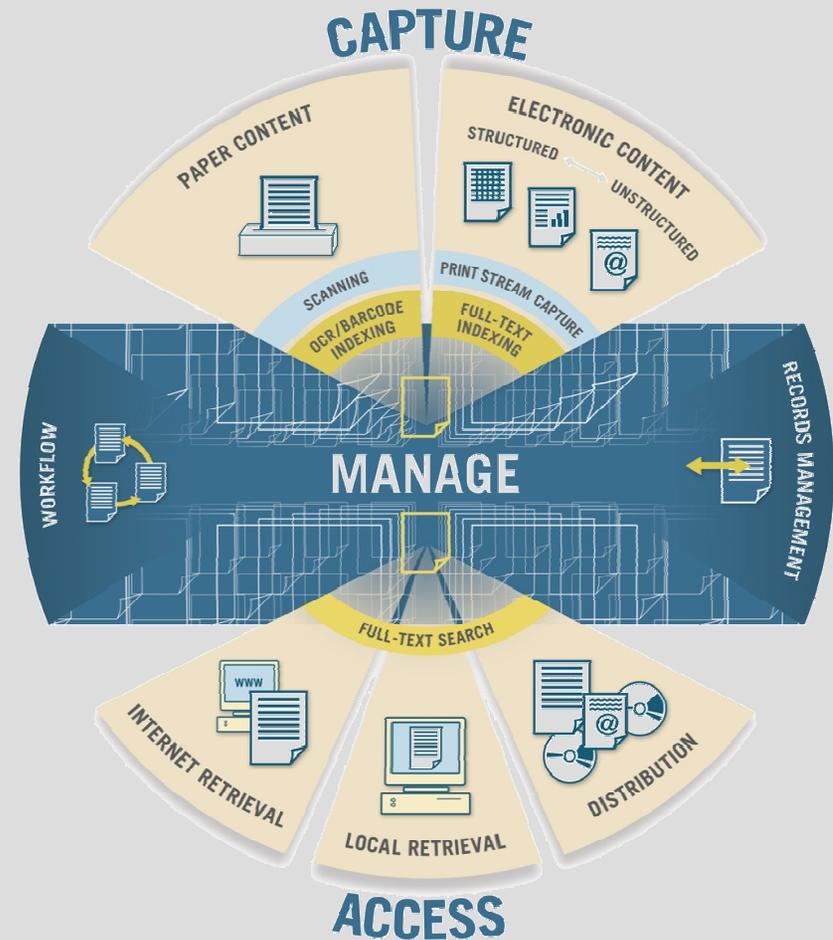


P2P Automation Principles

CAPTURE

MANAGE

ACCESS

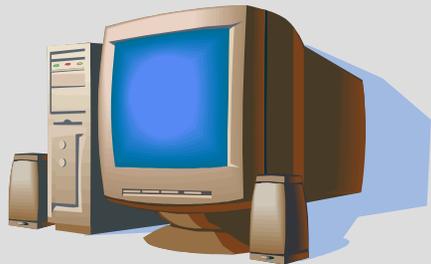


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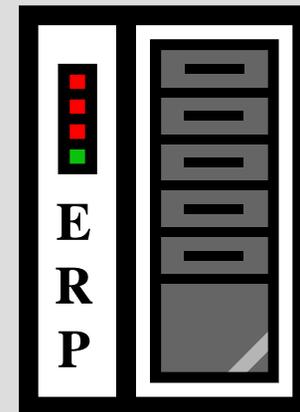
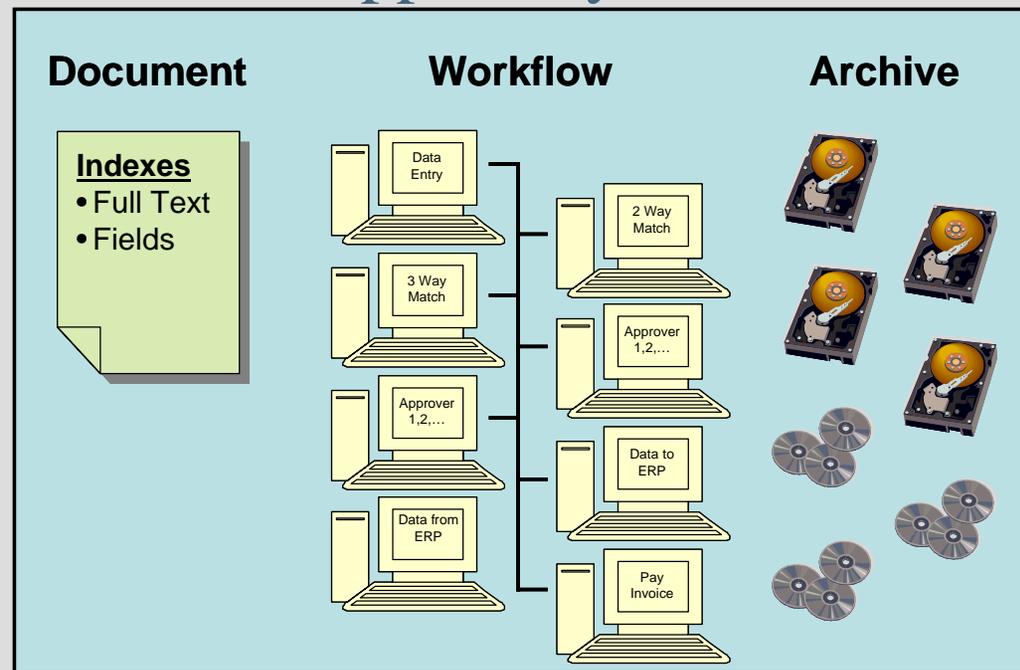
Ideal System



Electronic Documents

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

Supplier System



100% accurate

No human intervention

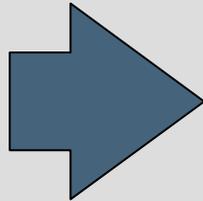
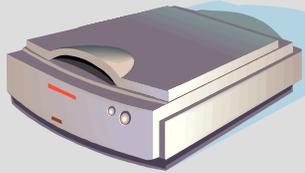
Printing and distribution cost savings

Workflow automation & Archive benefits



Paper Handling

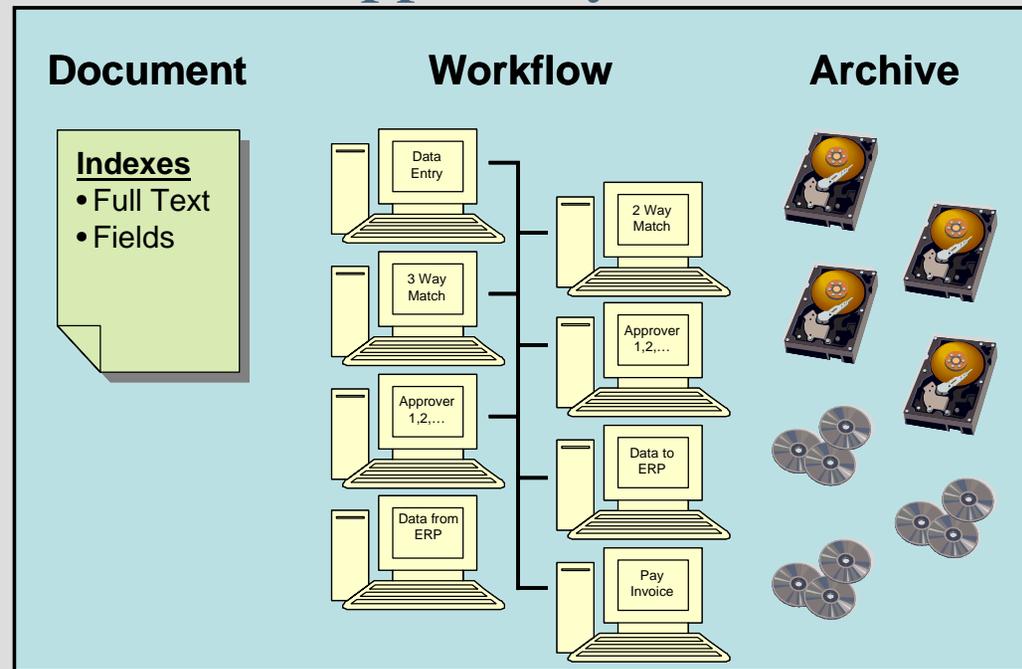
Supplier System



Paper documents scanned internally

Index documents

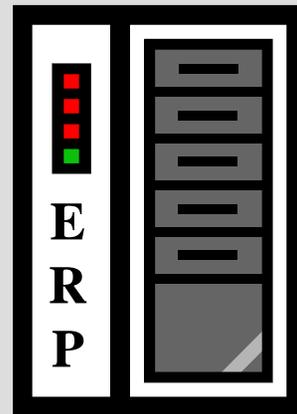
- Barcode automation
- Data population downloaded from ERP system
- OCR
- Manual entry



Human intervention for scanning and indexing

Some time to process

Workflow automation & Archive benefits



Procure-to-Pay Best Practices Q & A



Chris Evanoff
cevanoff@soltecinc.com

Soltec, Inc.
(248) 689-7777

www.soltecinc.com

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