Pepsi Bottling Group:
Evolution of Automated Processing

By Mark Brousseau

The Situation

The Pepsi Bottling Group (PBG), located in Somers, NY, manufactures, sells, distributes, and services approximately 55 percent of Pepsi-Cola beverages and other national brands in the United States. With customers ranging from large retail chains with thousands of locations to smaller independent stores to restaurants and schools, PBG makes 60,000 deliveries a day. PBG currently processes the payments for 15 million invoices annually.

"As an organization we spend a great deal of time asking ourselves how we can move forward and do our work smarter," says Brian Monroe, PBG's Finance Shared Service Center director. By exploring available technology, PBG realized they could shorten the time required to apply cash payments while actually reducing per-payment labor costs. With $15 billion a year in remittances, there was a lot of money and time to be saved.

Knowing Where to Begin

Before 1995, PBG outsourced its remittance processing, maintaining an in-house staff of 30 people dedicated to handling exceptions and errors. "We were paying a million dollars a year and still having to do all this work on our end; we just weren't getting the quality we needed," explained Monroe. In 1995, PBG in-sourced their data with an Online Data Entry (ODE) system and increased the departmental headcount to 60. Bringing the process in-house resulted in fewer errors and less time correcting errors.

Never Being Complacent

In 1999, PBG added optical character recognition (OCR) technology from AnyDoc Software, deploying a combination of EDI, computer-based algorithms, automated data capture with OCR, and manual methods to process incoming remittance payments. At this point, 35 percent of incoming invoices were managed through the automated system with template-based OCR technology. PBG's cost per invoice went from 20 cents to 15 cents and headcount reduced by 10.

Next-Generation Solution

PBG recognized there was still room to improve, especially in regards to cash payments that were not applied after the EDI and algorithm process. In 2007, PBG once again worked with software solution provider KeyMark Inc. and AnyDoc Software, selecting AnyDoc's AnyDoc REMIT as its automated Accounts Receivable (AR) document and data capture solution.

Accepting the Payments Automation award on behalf of Pepsi Bottling Group were John Lawhead from KeyMark and Ken Kriz from AnyDoc Software. The award was presented by Doug Hartsema (left), TAWPI Board Member and Eric Weiheimer, from The Cara Program (right).

AnyDocREMIT is designed to eliminate manual data entry associated with capturing data from incoming remittances and checks, including line item details. AnyDocREMIT's free-form AnyApp technology eliminates the need for templates and automates the process of manually matching captured remittance data to their appropriate invoices.

With the AnyDoc solution, PBG expanded its automated data capture solution to tens of thousands of customers. Sixty-eight percent of incoming invoices were now managed through the automated system and its cost per invoice went from 15 cents down to 9 cents. It also reduced departmental headcount by 17, reallocating those resources.

Today

Each day, PBG's Oracle Financials system receives a cash feed generated from lockbox payments processed through the bank. Oracle — using a combination of EDI remit data and customized in-house computer algorithms — automatically applies the cash payments, closing out 29 percent of the open invoices. The remaining unapplied cash payments, and their associated images, are fed into AnyDocREMIT.

Currently, PBG processes 15 million invoices per year at a cost of 6 cents per remittance. Seventy-five percent of its remittance payments are processed automatically, and it has been able to reallocate their resources. (The remaining 25 percent of payments are manually processed, primarily because they require customer interaction.) PBG has reduced its 6-day processing cycle time down to a single day. Now, fewer people are devoted to remittance processing, and according to Mike Bevilacqua, director of AR for PBG, they've seen a 41 percent reduction in mis-applications, a significant improvement in accuracy.

Other Process Improvements

From a management perspective, PBG has taken full advantage of the AnyDoc Software workflow reporting tools to seek out other possible areas of improvement. They are able to see in real-time when payments are processed, who is processing them, and how long the process is taking.

"As you layer in technology and workflow, you end up with a very powerful reporting tool," Monroe explains. "We know who our strongest performers are. With that, we can provide the necessary training and coaching to raise the performance of the overall team." Bevilacqua added, "We have been able to use this and set appropriate goals for our employees, which has had a huge impact on their effectiveness."

The Results

It's somewhat hard to compare apples-to-apples, but when PBG takes a big-picture look exclusively at the data capture portion, over the 15 years, from 1995 to 2010, they have reduced their Annual Total Cost of Cash Application by $700,000 with a $400,000 investment. Looking at it as a "single investment" and "single win," this equates to a payback period of approximately seven months.