WINNER

AnyDoc SOFTWARE

Go Green And $ave Green In AP/AR

This manufacturer saves nearly $2 million annually since automating processes in its AP and AR departments.

by Vicki Amendola

With the help of AnyDoc Software, Leggett & Platt is saving millions in AP and AR.
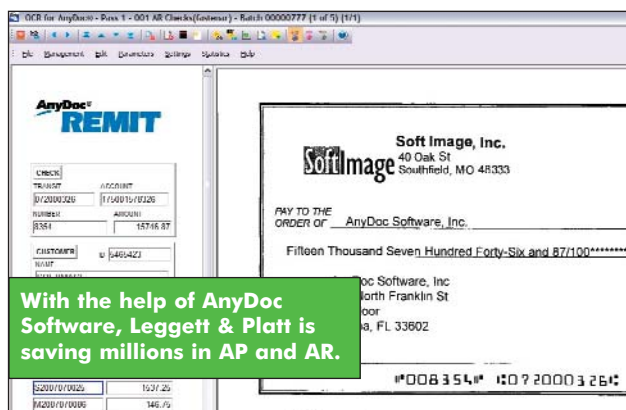
Even if you have never heard of Leggett & Platt, chances are you've had experience with the manufacturer's products. You could be relaxing in a bed or recliner made from Leggett & Platt components, browsing products displayed on Leggett & Platt shelving, or even eating chips from bags using Leggett & Platt products. As varied as the company's product lines are, however, it suffered a pain point that is common to most businesses — strangled AP and AR processes.

The company processes vendor invoices representing close to $3 billion in annual spending. Until recently, these invoices were being manually processed by 120 AP personnel scattered across 250 locations in North America. A migration to a centralized AP environment eased some of the company's invoice processing strain, but manual invoice management remained the biggest burden to the company's AP performance.

The company receives an average of 1200 invoices per day, from more than 55,000 unique vendors. Not all of these invoices arrived by mail. Nearly 50% arrived by fax or email, requiring staff to physically print these documents prior to processing. Regardless of the method of delivery, each invoice had to be hand keyed into Leggett & Platt's PeopleSoft application for later transfer into the company's GEAC mainframe, from which payments are dispersed. While keying the data into PeopleSoft did allow corporate-wide access to invoice data, the original invoice wasn't available for review when questions arose. Once keyed, the physical invoices were placed into file boxes for storage. If a branch called with any question regarding an invoice, a member of the AP staff would need to first locate the missing invoice and then pull the physical document for review. Due to the time-consuming nature of the document retrieval process, this function was taking up a majority of the AP technician's time.

In Leggett & Platt's AR department, where approximately $3.6 billion in payments is received, manual processing methods were causing similar struggles.

Each evening the company would receive an electronic MICR (magnetic ink character recognition) transmission from its bank lockbox, which includes data such as account numbers, payer names, and amounts. This MICR transmission was loaded directly into the GEAC mainframe with the goal of automatically matching and applying the incoming information from the bank to the corresponding receivable accounts. It sounds simple, but with more than 100,000 customer account records stored in the mainframe, Leggett & Platt was experiencing a less than 5% auto-match rate. More than 95% of the payments — roughly 350,000 per year — needed to be applied manually.

Document imaging was being used in the company's AR department. However, imaging was being done at the very end of the cash application process and had little to no impact on the department's overall efficiency. Because items were being scanned for archiving purposes only, the imaging process was not viewed as time sensitive. It wasn't uncommon for there to be as much as a 2-week delay between the time a payment was applied and the corresponding remittance and check was imaged. If a check was required as part of an account review — a frequent occurrence for credit managers needing to make credit decisions and collections calls — it needed to be manually retrieved from the scanning area, interrupting the scanning process and creating further delays.

AUTOMATE AP AND AR

On the heels of centralizing the company's AP and AR functions, Leggett & Platt went on the prowl to identify a solution that could eliminate manual processing, thereby increasing the speed of invoicing and cash application processes. After a very short search, Leggett & Platt developed a relationship with AnyDoc Software and soon opted to automate the critical AP and AR departments with a solution consisting of AnyDocINVOICE and AnyDocREMIT respectively. The solution, which integrates directly with the company's PeopleSoft and GEAC mainframe, has enabled Leggett & Platt to capture data without manual keying or the use of templates.

Using a combination of AnyDoc's OCR software and AnyApp, software for unstructured document processing, Leggett & Platt can automatically capture data, including line item details, from invoices, remittance forms, and checks. Once AnyApp identifies the location of the data on a vendor's invoice or customer's remittance or check, the software 'remembers' the location each subsequent time a document from that vendor or customer is received. This 'memory' technology means that data can be captured from Leggett & Platt's nearly 155,000 unique vendors and customers without requiring the creation, setup, and maintenance of what could otherwise be potentially tens of thousands of corresponding templates.

AnyDoc's Professional Services Group started in Leggett & Platt's AP department, where the first order of business was to introduce imaging on the front end of the process to capture data, rather than on the back end for archive. Paper invoices, approximately 600 per day, are scanned on two high-speed Bowe Bell + Howell scanners. The images are then imported directly into AnyDocINVOICE for data capture and validation. Another 600 invoices still arrive via fax or email; however, these no longer need to be printed for processing. The faxed or emailed invoice data can be electronically imported into AnyDocINVOICE for data capture and validation in the same manner as the scanned paper invoices.

In the AR department, AnyDoc's Professional Services team developed a solution that integrated with Leggett & Platt's bank lockbox, as well as the GEAC mainframe. In the revamped process, checks and remittances are physically sent to a lockbox where they are scanned and metadata is lifted. The data and images are sent nightly to Leggett & Platt. The metadata is loaded into the GEAC mainframe application, while the images are simultaneously sent to AnyDocREMIT. At noon, the captured and validated data is loaded into the GEAC AR application on the mainframe, where 72% of cash lockbox payments are applied automatically — up more than 67% compared to the manual system. Lockbox cash application is more than 85% faster, down to just half a day from the old standard of 3 to 4 days.

CELEBRATE UNDENIABLE ROI

"With AnyDocINVOICE and AnyDocREMIT, we've achieved an ROI in just over 10 months for the combined AP and AR implementations," said Mike Robertson, staff VP of Corporate Shared Services. "Automation allowed us to shorten invoice cycle time to just hours, and the results speak volumes. The average number of invoices processed in 2010 is nearly 220% higher than 2008."

Automation in the AR department produced similar results. A 67% increase in automatic cash application shortened Leggett & Platt's cash application cycle from a 3 to 4 day average down to just half a day. "We are right on top of our cash right now," says Kathy Payne, credit administration and accounts receivables manager. "Seventy-two percent is actually applied by noon on the same day we receive the money, where there used to be a minimum 3 to 5 day lag time." With the increase in automatic cash application, most of the manual validation and hand keying of remittance and check data was eliminated, resulting in an additional $100,000 reduction in labor costs.

Leggett & Platt has also calculated significant hard cost savings as a result of automation, slashing its office supplies budget by 73% through a reduction in files, file boxes, toner, and paper usage. All in all, the company saved more than 250 reams of paper annually, equating to 15 trees a year. With annual labor and operating cost savings approaching $2 million, the combined ROI was achieved in just 10.4 months. And, as each of the company's remaining 21 locations is centralized, Leggett & Platt expects their ROI to grow even more. ■

There is much more to this story. Read it at http://bit.ly/dyy2XB.

Imaging And Capture
FINALISTS

Vendor:	A2iA
End User:	Coutot-Roehrig
Vendor:	BancTec
End User:	Gatehouse Media
Vendor:	Kofax
End User:	Bergelectric
Vendor:	ReadSoft
End User:	Energizer