How a large distributor of heavy-duty truck and trailer replacement parts saved $1.5M annually in AP costs

Summary

The top problems in invoice management include lengthy manual processes, high processing costs, data inaccuracy, and late payments. It's not enough to simply receive invoices electronically. Customers want to eliminate AP exceptions so that invoices are imported into their AP systems, matched to purchase orders, and ready to pay. The total costs of failing to do so can reach millions each year. This case study outlines the AP transformation of a large North American truck and trailer parts distributer who worked with Transcepta to implement true straight-through AP invoice automation and saved $1.5 million in annual AP processing costs.

Fast Facts:

→ Industrial automotive distributor

→ 25,000 invoices waiting for correction

→ Annual saving with Transcepta: $1.5M

→ Processes over 800,000 invoices annually

→ $750K spent on temporary labor

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The Accounts Payable Automation Challenge

Transcepta's client is the largest independent distributor of after-market truck and trailer parts in North America. With locations all over the United States, they process over 800,000 invoices annually.

They had outsourced their AP process to India, where invoices were manually entered and routed back to U.S. AP teams for processing. However, 45 percent of these invoices were going straight to the exception queue, which sometimes had as many as 25,000 invoices waiting for correction. Local AP teams working on these exceptions were increasingly overwhelmed, and Transcepta's client was spending over $750,000 a year on temporary labor to cover the extra work. The errors and delays in processing were also overwhelming field personnel and administrative branches with supplier inquiry calls. On top of these issues, Transcepta's client was experiencing staggering processing costs. With nearly every other invoice going into exceptions, Transcepta's client was spending between 5 and 10 times more in processing costs on half of its invoices.

In some cases, up to five people worked with an invoice before discovering that a supplier hadn't intended to send it to the company at all, or that an invoice had been processed and paid three months prior. They were receiving a small portion of invoices in EDI format, but this system was rudimentary and offered little validation beyond checking if the invoice had a PO. AP staff were often forced to receive the EDI invoices, print them out, and hand-process the documents.

Throughout these difficulties, supplier relationships were suffering. Suppliers that were consistently receiving late payments were putting orders on hold. Even small disruptions in the supply chain can cause major problems for a distribution company, and these credit holds were harmful to the business.
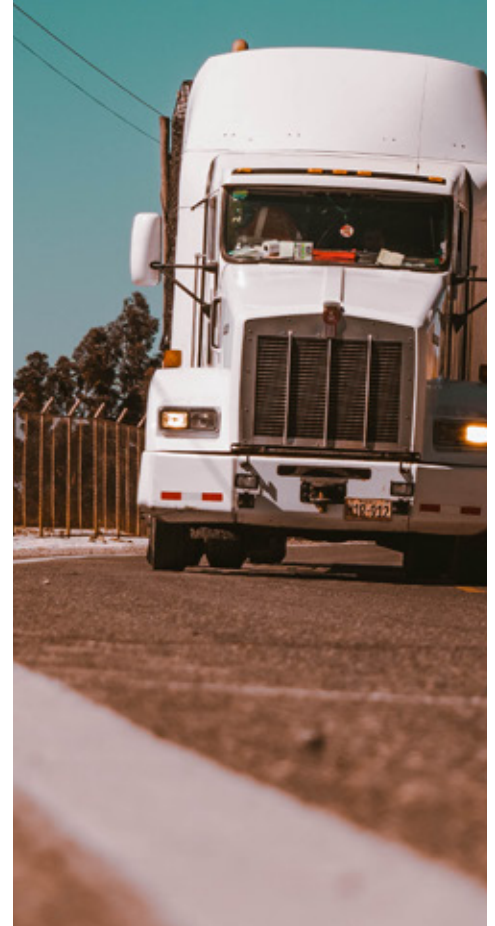
Approach and Implementation

When the company decided to look for an automated AP solution, it chose Transcepta from a group of potential providers. They connected their ERP System to the Transcepta platform and implemented four Transcepta products: E-Invoicing, Invoice Inspect, Invoice Analyze, and PO CloudMatch™

Transcepta Supplier Onboarding

One of the Transcepta features that appealed to the company was Transcepta's supplier onboarding service. While a typical solution offers a generic, one-size-fits-all approach, and requires customers to do much of the onboarding work, Transcepta delivers results with flexible strategies based on 15 years of experience and advanced technology.
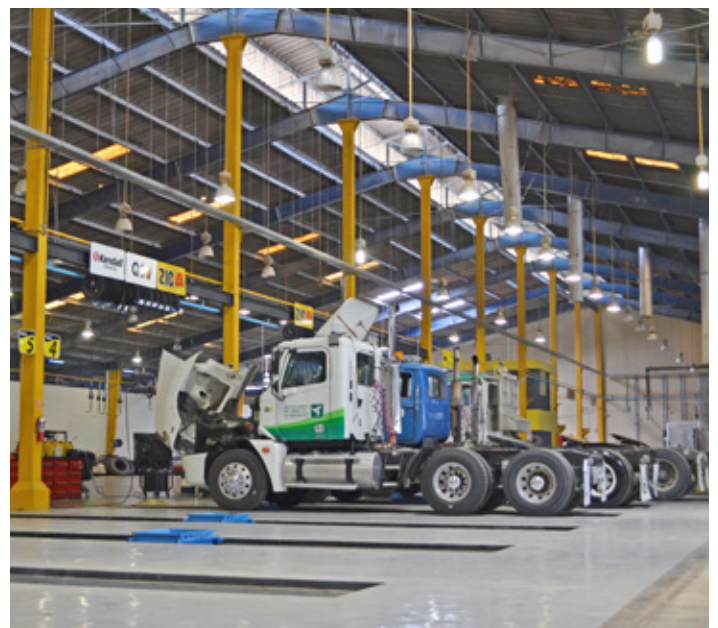
Transcepta AI

Invoice Inspect, Invoice Analyze, and PO CloudMatch are invoice validation products that are each optimized for a different supplier segment. Before beginning the supplier onboarding process, Transcepta analyzed their client's supply chain and determined which invoice validation product was the right fit to achieve the highest straight-through processing rate.

Pilot Program

After a 12-week implementation, the company launched a pilot program with 100 of its top suppliers. They chose its largest suppliers, as well as the ones that consistently sent the most complex invoices. The pilot was highly successful, and afterward, the company aggressively implemented the solution with the rest of its AP processes and suppliers. A unique aspect of their AP transformation process was the aggressive onboarding approach.

After the full launch of the solution, the company moved its largest suppliers, representing over 75 percent of total invoice volume, onto Transcepta within the first three months. Within another three months, they decided to target all remaining suppliers to send invoices electronically.

PO's Required

This approach also required increased discipline concerning the company's own procedures, specifically to ensure that suppliers had accurate purchase orders at the time of purchase. The company admits there was some internal resistance to the initiative from AP, field personnel, and suppliers, but attributes this turbulence to the significance of the transformation. Opposition dwindled as all parties realized the benefits Transcepta would deliver, and suppliers were cooperative as they desired predictable payment cycles.

Complete Shift to Automation

Within six months of the Transcepta pilot's completion, all major inventory suppliers were onboarded, and 90 percent of all inventory invoices at the company's 270 U.S. branches were processed through the system. This distribution company completely shifted from manual, paper-based processing to a controlled, automated, and revolutionary new AP environment. Transcepta now processes 700,000 annual invoices for their client.

The Results

The company describes the transformation of its AP process with Transcepta as remarkable. As soon as the suppliers were onboarded, complaints about late payment from suppliers and field employees virtually disappeared. Today, the company gives suppliers two choices for inventory invoice processing and payment: they can onboard with the Transcepta solution—as most opt to do—or they can be paid with a corporate credit card.

The company saved $1.5 million annually in AP processing costs by switching to Transcepta and increasing operational efficiency.

Exceptions Decrease

One of the biggest improvements was the decrease in the exception rate from 45 percent to 10 percent. Some of the client's largest suppliers consistently achieve an exception rate of less than 5 percent. The high percent straight-through AP invoice processing rate comes from Transcepta's PO CloudMatch, which aligns the invoice, the PO, and the goods receipt before invoices are received.

Cash Savings

The company is saving $1.5 million annually in AP processing costs, as well as estimated millions in additional savings on the cost of goods, as the improved visibility into processing has helped to eliminate the potential for over-billing by suppliers. They are now able to have additional controls surrounding freight costs, which were previously more challenging to isolate and monitor. Also, they are better positioned to capture early payment discounts on many of its invoices— earning even more savings with the Transcepta solution.

Transcepta's client has not only achieved several million dollars in savings each year; it has now also optimized its accounts payable processes. Internal productivity and efficiency have improved, as have its supplier relationships, as suppliers continue to see on-time payment percentages increase.

Automate and streamline accounts payable

Transcepta is an intelligent procure-to-pay platform that enables Accounts Payable and Procurement teams to achieve 100% straight-through invoice processing across their supply chains, without scanning or OCR Imaging. Using artificial intelligence, the platform eliminates invoice exceptions, surfaces potential supply chain disruptions, and transforms the way that enterprise organizations manage and collaborate with suppliers. Since 2005, the world's most respected companies have partnered with Transcepta for eProcurement and accounts payable automation to make informed, data-driven decisions, and drive increased profits.

Visit **transcepta.com/demo** to request a platform demo