Cognizant

AUTOMATION DELIVERS MORE VALUE FOR BARGAIN-HUNGRY FOOD SHOPPERS

Thousands of accounts payable and receivable transactions per day are now handled via robotics software, boosting accuracy and efficiency.

Of all the major segments in retail, the grocery segment is one of the most competitive.

Margins are about 1%[2], even with the tens of thousands of items stocked by a typical large grocery store and the high volume of daily transactions. What's more, consumers are now buying more of their food outside the supermarket.

Given these pressures, grocery retailers must strive to be price competitive. But a supermarket chain cannot reduce prices in its stores unless it can cut costs elsewhere in its operation.

A major U.S. grocery retailer was facing this challenge when it asked us to assess and redesign the inefficient accounts payable (AP) and accounts receivable (AR) operations at its 3,400 stores. Management was concerned about the resources being spent on manual AP/AR processes, which generated no value for store customers.

AT A GLANCE

A large, U.S.-based grocery retailer was committed to improving operational efficiency, and it targeted its highly manual accounts payable and accounts receivable invoice processes. We helped automate these processes with our own robotics solution, improving accuracy and efficiency while cutting handling time and overall costs.

Outcomes

The initiative has allowed the grocer to achieve a number of important productivity targets including:

- A 20% reduction in average handling time (AHT) per invoice.

- 100% compliance with specified process turnaround times per service-level agreement.

- A 0% rate of inputting errors.

We took a bold new approach, implementing our algorithm-based robotics solution, Intelligent Process Automation (IPA), along with an offshore sourcing arrangement, to automate and optimize the stores' manual processes. The results are reduced handling time and consistent, error-free processes. Most important, the initiative is making the business more productive and, therefore, more competitive.

Manually Processing a Mountain of Invoices

For years, the client struggled to efficiently process food deliveries and account for the associated invoices which, accounts payable (AP) had to process. A team of 20 workers was needed to verify the delivery of the food shipments and process some 30,000 invoices per month and more than 1,500 transactions a day.

The team had to input invoice information into multiple systems for verification, validation, reconciliation and processing. Exceptions created the need for additional rounds of manual processing.

At the same time, the accounts receivable (AR) side of the house handled more than 1,000 cash application transactions per day and 20,000 transactions per month. Average handling times (AHT) were high, given the manual nature of the processes.

The client recognized the need for automation, but its IT systems did not allow for it, in part because the data originated from analog sources including images, PDF files and voice messages. Another stumbling block: the more complex exceptions were not captured within the IT systems and had to be documented and processed manually.

Robotics to the Rescue

The grocer asked us to take responsibility for its Direct Store Delivery accounting as well as AP/AR invoice processing. We implemented our own solution, Intelligent Process Automation (IPA), which integrates with Automation Anywhere software to reduce the need for manual processing.

IPA automatically pulls information from multiple source systems and reconciles and updates it for the next process. The system reconciles invoices by applying business rules, performing auto reconciliation and cash posting.

IPA robotics also validates invoice information within different systems, updates information to the source system, performs auto reconciliation on completion and updates the status or flags the invoice for exception.

Unlike the previous approach, the data to be input into the systems is already in digitized form, greatly reducing the number of people it takes to do the work. And with the automated system doing all the processing, accuracy rates have increased to 100%. We are able to process all the invoices within specified timeframes, meeting our service-level-agreements with the grocer.

This initiative was essential in helping the business meet its productivity goals. Line of business (LoB) executives committed to reducing headcount by about 5% every year, allowing the grocer to hold down food cost increases to consumers. Without greater automation, the business would almost certainly not be able to meet these expectations.

Given the success of this initiative, the company is exploring the possibility of expanding its use of automation.

[2]http://smallbusiness.chron.com/industry-standard-gross-margin-groceries-38121.html
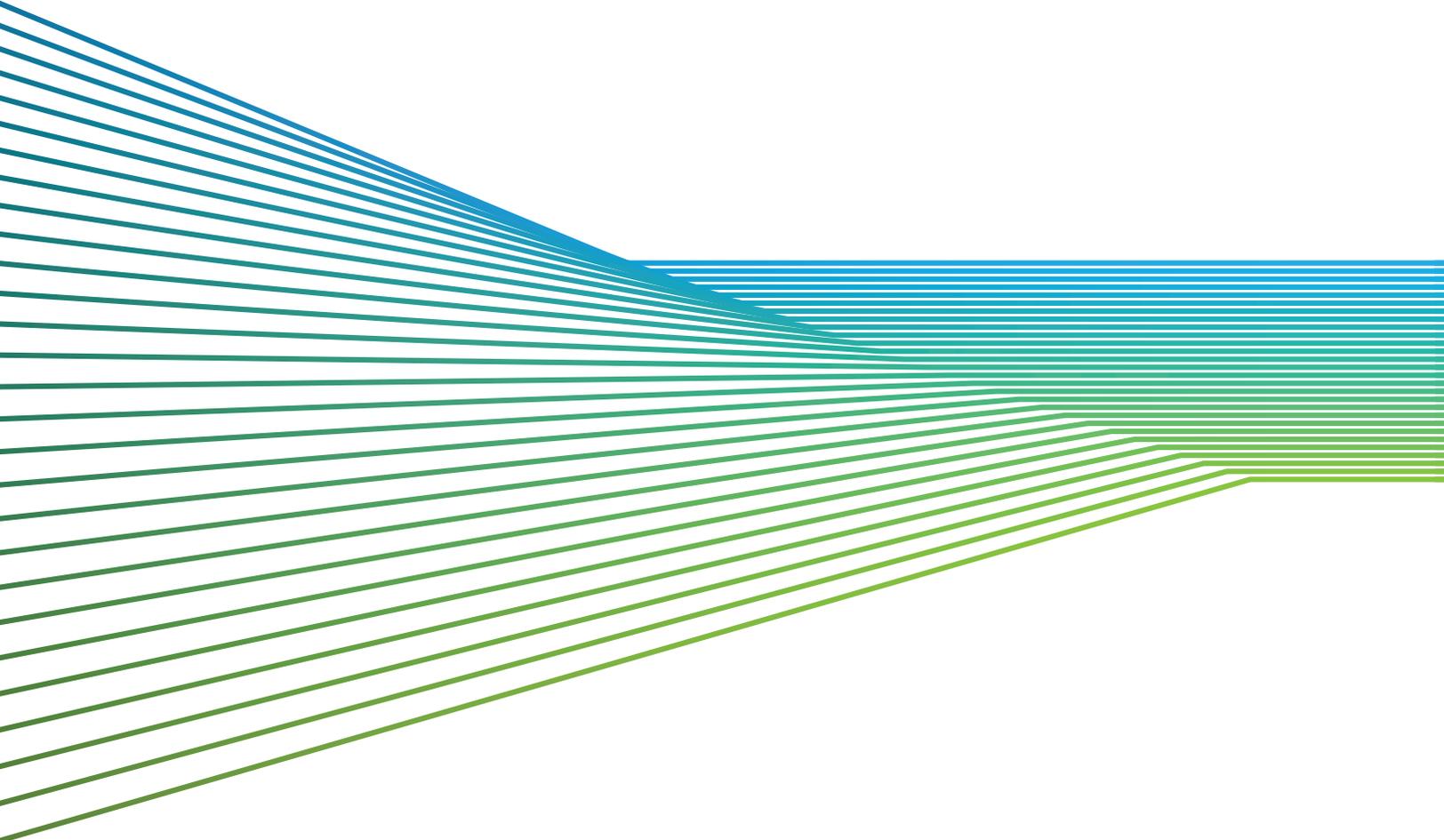
www.cognizant.com/retail

www.cognizant.com/cognizant-digital-operations

ABOUT COGNIZANT

Cognizant (Nasdaq-100: CTSH) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 205 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at www.cognizant.com or follow us @Cognizant.

Cognizant

World Headquarters	European Headquarters	India Operations Headquarters
500 Frank W. Burr Blvd.	1 Kingdom Street	#5/535 Old Mahabalipuram Road
Teaneck, NJ 07666 USA	Paddington Central	Okkiyam Pettai, Thoraipakkam
Phone: +1 201 801 0233	London W2 6BD England	Chennai, 600 096 India
Fax: +1 201 801 0243	Phone: +44 (0) 20 7297 7600	Phone: +91 (0) 44 4209 6000
Toll Free: +1 888 937 3277	Fax: +44 (0) 20 7121 0102	Fax: +91 (0) 44 4209 6060

Codex ID 2947