



Case Study: Manufacturing

Materials conglomerate reengineers accounting workflows

Major European retail construction materials conglomerate digitally retools accounts payable function, eliminating costly errors and reducing reliance on manual processes.

In any business, retailers, service providers and suppliers must be paid in a timely way. As a business grows, its sales need to be tracked accurately for inventory records to be up to date. Outdated workstreams and unreliable systems lead to not only delays but also supplier frustration.

Cognizant's client manufactures, markets and sells retail construction materials and other specialized products at more than 1,000 outlets across Western Europe. Delays in the AP function led to a rising number of queries from vendors about when they would be paid, along with duplicative payments that the company was making to address their complaints. The company also lacked visibility into workflows for purchase orders, inhibiting accurate management of inventory and transparency into the need to manufacture more product.

At a Glance

Cognizant implemented our Digital Finance & Accounting solutions to automate a massive volume of AP and purchase orders at a major manufacturer.

Outcomes

- Reduced total cost of ownership in the AP function by 60% in the first five years.
- Reduced manual entry and reconciliations while eliminating duplicative payments.
- Lowered process cycle-time from five days to one, and lowered costs by more than 80%.
- Improved productivity in P.O. reconciliation by 300% while cutting person-hours by 50% and improving the P.O. match rate from 67% to 81%.

Replacing manual with digital saves time and money

Inefficiency is costly.

Digital accounting and finance solutions not only promote efficiency but increase processing speed and eliminate human error.

Defeating costly delays

Our client has grown substantially through acquisitions, with unlinked processes for AP across the organization. It asked for help in reexamining the AP and P.O. workflows to reduce costly manual processes by digitizing the function.

Its AP process required eight full-time equivalents (FTEs) to print and scan thousands of invoices daily. Vendor statements were entered by hand; tracking and reconciliations were performed on Excel spreadsheets. Access to vendors for entering invoices into the company's enterprise resource planning system was limited to 11 hours a day—and the system could handle only a limited number of invoices.

These constraints led to an ever-growing backlog of open items and inquiries. With vendors calling constantly to get updates, no process or centralized platform allowed queries to be resolved efficiently. Lack of visibility into payment records meant the company often paid the same invoice twice or more, leading to significant revenue losses, delays in updating vendor accounts due to manual tracking, and lack of control over inventory amounts and supporting documents.

Solving for efficiency

Cognizant focused on translating manual processes into digital ones as fully as possible—for example, using optical character recognition technology to scan and process invoice details, automating the mailroom by integrating an email inbox and auto-scheduler, and using a statement reconciliation tool to automate functions otherwise performed manually in Excel.

An inbound query management tool now captures all calls from vendors and suppliers, assigning each a case reference number and recording call history for easy referral. A library of standardized comments allows reconciliation status to be reviewed by any call agent. Our solution allows vendors to enter data offline, increasing the system's processing capabilities and availability. An algorithm identifies duplicate invoices.

We also deployed a stock-taking workflow tool to automatically assign branch certificates for materials, allowing the company to track inventory. A ProMet workflow management tool tracks in-house volume and productivity in real time.

Finance function for the future

Cognizant's Digital Finance & Accounting solution improved processing speeds and operational agility in the AP and inventory-tracking functions, allowing our client to streamline and track information while realizing substantial cost savings. We dramatically reduced the time spent by FTEs on iterative, non-value-added tasks.

Our solution forecasts a 60% lower total cost of ownership of the AP function over the succeeding five years. By replacing existing paper-based processes, our client lowered invoice processing cycle-time from five days to one, and lowered the cost of processing each invoice from \$3.87 to \$0.45. Our solution increased the AP query resolution rate to 99%, reduced order stops and overdue accounts by 50%, reduced by 30% the amount of invoices backed up in the system and eliminated the need for eight FTEs.

The P.O. auto-match rate increased from 67% to 81%, cutting person-hours by 50% and improving productivity by 300%. Average handling time for each incoming inquiry dropped by 200%—from 15 minutes to five. Our client can now support additional store volumes without adding to its total cost of ownership, even while adding 200% more to its managed stock of materials and after growing the number of retail outlets by 200%.

Learn more

To learn more about our Digital Finance & Accounting solution, visit <https://www.cognizant.com/digital-finance-and-accounting-solutions>.

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 193 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.

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