



## Case Study #908

### Manufacturing Company

**Challenge:** Reduce days sales outstanding, to improve use of capital, while achieving major cost savings through improved handling of the invoicing and payment functions.

This company is a national manufacturer of soft goods with more than \$200 million in annual sales. Before utilizing Data Impact's solutions, the company required a staff of five for billing, five in A/R, and four to handle dispute resolution and collections. Annual transactions were 125,000 invoices and 100,000 remits, and all billing and collections work was handled in-house.

Despite the robust staffing, the company found itself falling increasingly behind in billing, which led to a ballooning DSO. The CFO realized that simply increasing staff in order to reduce DSO was not going to be a viable long-term solution, because it drove costs up rather than down. The problem needed to be resolved, because the company was embarking on a major expansion project that promised to bring a sharp increase in the volume of invoices to be processed. The CFO recognized that a change in the entire processing paradigm was essential to the company's long-term financial prosperity.

**Solution:** Implementation of electronic invoice presentment and payment (EIPP) through Data Impact.

Data Impact now provides this company the capability to let all of its customers receive and pay their invoices electronically. Using a combination of incentives and persistent marketing, supported by customer on-boarding materials and best practice guidance from Data Impact, the company has

achieved a high rate of initial customer conversion to fully electronic invoice presentment and payment processing.

Participating clients are notified automatically, via e-mail, when a new invoice is posted. A link in the e-mail takes them to a company-branded site, where they view the invoice and can opt to make immediate or scheduled payment.

Clients have immediate access to their entire invoice and payment history, as well as to all the underlying documents supporting a given invoice. With a click, a customer can access purchase orders, proof of delivery, and the original contract. This has dramatically reduced the number of calls to the company's call center, providing additional cost savings. It has also helped compress the billing/payment cycle, because disputes that often took days to document and resolve can now be self-serviced by the customer at the time the issue arises.

The online transaction creates an electronic record that is automatically integrated into the company's existing A/R software, eliminating the need to manually post. This has shortened the reconciliation process by several days.

## **Benefits**

- A five-day decrease in DSO; improved use of capital
- An immediate reduction in billing/receivables head count of 20% within the first year, and an anticipated reduction of an additional 20% by the end of year 3.
- Improved cash forecasting
- Streamlined reconciliation
- Shorter dispute resolution cycle - many inquiries now "self-serve"
- Hosted solution - minimal upfront investment and no ongoing software or hardware costs
- Very quick implementation - leading to a rapid ROI

## **Analysis**

Automation of the billing and receivables processes allowed this CFO to not only reduce DSO by five days resulting in a \$300,000+ working capital efficiency gain, but also to glean first-year costs savings of more than \$100,000. The CFO has calculated that the ROI is close to 400% with a payback period of approximately six months.

Through Data Impact's highly integrated product suite of electronic invoice presentment, electronic payment, and online document management, this company was able to implement very quickly leading to almost immediate cost savings. They also benefit from having the information housed in a highly secure, fully redundant environment with provisions for disaster recovery.

Implementation of EIPP has not only provided the desired DSO reduction, but it has positioned the company to be more competitive and achieve its growth targets without being limited by scalability of the invoicing and A/R capabilities.