

BY MARTA BRIGHT



Chad Necessary, Director of Corporate Systems (left), and Scott Searls, Senior Vice President and Chief Supply Executive, Alltel

Punctuality Pays

BETTER MANAGEMENT OF EARLY PAYMENT DISCOUNTS KEEPS CASH FLOWING INTO ALLTEL'S COFFERS.

In a business climate where credit is becoming increasingly scarce and due dates are arriving more quickly than ever before, punctuality can definitely pay dividends. Since late 2007, wireless telecommunications giant Alltel has been capitalizing on early payment discounts to the tune of millions of dollars.

Headquartered in Little Rock, Arkansas, Alltel manages a service area that covers more than half of the continental United States and serves more than 13 million customers in 34 states. To manage the constant influx of paperwork generated by vendors in Alltel's broader customer service chain, the company supports daily business operations—including high-speed invoice data capture—through software and technology solutions from both Oracle and its applications partner Brainware.

Together, these technology solutions support rapid data

entry for processing and recording into Oracle's JD Edwards World application suite, now a common business practice, according to Lenley Hensarling, Oracle's group vice president and general manager for JD Edwards.

"Many JD Edwards customers utilize a combination of Oracle and partner solutions to complement JD Edwards World's extensive ERP [enterprise resource planning] capabilities," says Hensarling. "Products from Oracle partners like Brainware help customers rapidly automate data flow into JD Edwards World, which in turn lets them gain additional value faster from their baseline ERP investment."

FEEDING THE DATA MONSTER

Fundamentally, ERP systems are designed to handle business data and processes that range from mundane accounting tasks to highly complex supply chain activities. Without

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precise data, however, the usefulness of an ERP system can be compromised. Before bringing Brainware Distiller into the mix, Alltel's manual invoice processing techniques were preventing the company from feeding information into its JD Edwards World financial applications rapidly enough to control how quickly vendors were paid. Sluggish payment processing also meant that Alltel could not effectively respond to a shift away from its traditional net-30 payment policy to a new policy called 2/10 net 45.

2/10 net 45 provides companies with both a buffer and an incentive. It offers lengthier payment terms of 45 days from the date of invoice receipt, while also providing for potentially significant savings via a 2 percent discount that's offered if the total amount due is paid in full within 10 days of receipt of the invoice. “Given that Alltel spends billions of dollars on operating costs, we were at risk of losing enormous sums of money if we didn't start taking advantage of early payment discounts offered by our various suppliers,” explains Scott Searls, senior vice president and chief supply executive at Alltel.

FALLING INTO THE PAPER WHIRL

Companies sometimes become overwhelmed by the challenge of manual invoice processing—a trap that analysts such as IDC's Melissa Webster see as avoidable. As Webster, IDC's program vice president for content and digital media technologies, explains, “Paper-intensive business processes are often still handled manually, which means they are very expensive, and they take a lot of time. Paper has to be shuffled around, documents get lost, and things are keyed in incorrectly. It's very error-prone, the quality is inconsistent, and there's a big-time delay as the paper works its way through the queue and through the hands of all the people who have to touch it.”

In the recent past, companies may not have had an alternative to a tedious, manual process—but some are seeing a clear path forward. Webster believes that the time is right for companies to begin exploring the benefits that image management and data capture technologies can offer. These technologies are now advanced enough to automate invoice processing and can be deployed with little or no disruption to a company's existing infrastructure.

“‘State of the art’ used to be scanning an image and being able to pull off the invoice number,” says Webster. “Today these systems are much more sophisticated, and they can pull off line items and automatically match the information with data from the ERP system.”

Webster has observed that many people either don't know or don't really believe that these types of technologies can make such a dramatic difference in their company's business operations.

“They often seem to worry that the potential automation of an existing business process equates to massive upheaval or disruption,” Webster says. “The truth is, you can adopt these technologies without disruption.”

BUSTING THE CHAOS THEORY

The trap Webster describes is precisely what was taking place at Alltel. With the company's shift to a 2/10 net 45 payment policy came a hard reality check for Searls, who did not have a clear picture of how chaotic the invoice-handling situation had become. Suppliers were sometimes paid multiple times for the same invoice, and confusion caused by the sheer volume of paper resulted in invoices being mixed in with other documents.

“It wasn't an appropriate way to conduct business,” says Searls. “You have a room filled with people, it's hot, there are pieces of paper and letters and envelopes stacked everywhere, and everybody's uncomfortable and irritated, but they're doing the best they can to move the invoices through a tedious manual process.” On any given day, the backlog hovered at around 2,000 invoices as workers keyed in thousands of invoices from more than 5,500 different vendors.

FUZZY LOGIC, CLEAR RETURNS

“When the issues around effectively managing vendor discounts came to light, we had to really focus our line of reasoning on how we could become more efficient,” says Chad Necessary, director of corporate systems at Alltel. Attaining significant improvements in its accounts payable system would require Alltel to align the JD Edwards World system with an invoice processing solution offering high-value, high-transaction business intelligence (BI) capabilities that could help Alltel with the challenge of tracking thousands of unique vendor invoices.

“Our premise for finding a suitable solution provider focused on automation,” Searls adds. “The emphasis was on how fast we could get there.” The solution that Alltel chose, Brainware Distiller, offered several distinct advantages.

First, it fit cleanly into Alltel's existing Oracle architecture by allowing scanned information to be passed into the JD Edwards World workflow for exception handling. Second, Brainware Distiller is capable of learning by example, which means that the solution is able to recognize many document

variations without templates, rules, or excessive scripting. Third, Brainware Distiller incorporates a very specific type of fuzzy search and validation logic into its architecture.

This proprietary technology helps overcome the common challenges introduced by poor-quality optical character recognition results. It also makes it possible for Alltel's system to automatically recognize and extract specific data fields and invoice line items and then compare them with other datasources such as the vendor master files, a purchase order database, or a general ledger file such as those that exist within a company's current chart of accounts.

MAKING THE RIGHT CHOICE

Addressing a diverse set of invoices is important for Alltel, Searls notes, because it allows PO numbers, invoice numbers, total dollar amounts, and even line item descriptions to be parsed out to quickly display key information about any single invoice from any of the company's several thousand vendors. High-speed scanning, data capture, and BI-based recognition of these unique identifiers, regardless of where they're located on a vendor's invoice, produce significant cost savings by eliminating the need for manual data entry.

"Other vendors came in and told us, 'Look, have all your suppliers put this information in exactly the same place, and that will make reading it a lot easier,'" says Searls. "At first blush, that advice sounds simple, but when you have thousands of suppliers, some of which are very large companies, trying to get them to build a customized invoice to meet our specifications is simply out of the question. Instead, we integrated Brainware into our own systems, and within a matter of weeks, we were able to save the cost of six or seven full-time data entry clerks, so almost immediately we realized a great return on our investment."

SAVINGS IN DUPLICATE

The impact of automating accounts payable goes way beyond timely payment, says Searls, because the company now has the ability to identify invoice issues more quickly and has eliminated the cost of correcting its own mistakes.

"Before, we were paying a company to come in, conduct an audit, help us find where we had made duplicate invoice payments, and then help us recover that money for a portion of the recovery," he says. "Ever since we've put Brainware in place, they say there's so little duplicate payment, it's not worth their time. Our processes are now so tight that they'd rather go work for someone else."

Connecting the dots between Brainware Distiller and JD Edwards World has translated into significant hard dollar savings for Alltel, and Searls couldn't be happier.

"Of course, every business is looking for a big return on an IT investment project, but the reality is that it sometimes takes a year or 18 months, and people are left looking at all kinds of murky financial information that will hopefully prove that it was a good investment," Searls explains. "You have to appreciate that these are millions of dollars

of prompt payment discounts we're achieving. At the outset, the old manual invoice handling process was so cumbersome that I would estimate we were missing out on early payment discounts close to 60 percent of the time. Today we probably miss out on early payment discounts less than 1 percent of the time, which amounts to a savings that is well north of \$15 million annually."

BUDGET WISE

"The good news for the capture and image management market is that these types of IT projects carry a very defensible ROI [return on investment], which makes them very compelling," says IDC's Webster. IT staff members can develop strategies for implementing these types of solutions that allow IT to provide business managers with a clear and substantive proposal that solves a vexing—but common—enterprise problem. The even better news for Alltel is that its ROI far exceeded

management expectations.

"Overall, it's a pretty simple story," concludes Searls. "Brainware Distiller is a rifle-shot application. It did what it was supposed to do. We were very frustrated that we weren't managing the supply end of our cash stream to our satisfaction. It was a really problematic situation that was getting close to being a board-level concern. By allowing us to connect the dots between Oracle and Brainware, it quickly became a nonevent, and it freed up some of our employees for more-strategic tasks. I only wish that we'd done it sooner." <>

MARTA BRIGHT is a senior editor with Oracle Publishing and a frequent contributor to *Profit*.

>> SNAPSHOT

Alltel

www.alltel.com

Location: Little Rock, Arkansas

Revenue: US\$8 billion

Employees: 15,000

Oracle products and services:

JD Edwards World; Oracle Database,

Enterprise Edition; Oracle Real

Application Clusters; Oracle

Enterprise Manager; PeopleSoft

applications; Siebel Call Center;

Siebel Self-Service; Siebel

Configurator; Siebel Customer Order

Management; Hyperion enterprise

performance management appli-

cations; Oracle Premier Support;

Oracle Advanced Customer Services;

Oracle Solution Support Center

Partner products and services:

Brainware Distiller, Kofax Capture,

Open Text Accounts Payable for

JD Edwards World, Balboa Peaks

VIP WorkflowManager

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Oracle's JD Edwards World

oracle.com/applications/jdedwards-world.html

Brainware

www.brainware.com