D&H DISTRIBUTING, INC.

Location
Harrisburg, PA

Type
Private

Industry
Distribution

Website
www.danh.com

Employees
975

Revenue
$3B

ScerIS Solution
AP Invoice Management

ScerIS Platforms
ETCETERA EPM (Enterprise Process Management)
ETCETERA ECM (Enterprise Content Management)
ScerIS PAS Process Automation Systems

ScerIS Products
Invoice Scanning
Automated Rules-based Data Capture
Electronic Document Repository
On-line Workflow
Host Interface - Apprise

"Prior to automating vendor invoice processing, we used ScerIS CM for the scanning and routing of non-PO invoices for account coding and approval and we scanned all paid PO-based invoices. So scanning PO-based invoices upon receipt, rather than after payment, didn't add any work to this process.

The automation of PO-based invoices saved us about 40 hours of invoice voucher processing per day."

- Joe Chaudoin, D&H Distributing, Inc.

Customer Profile

D&H Distributing Company, founded in 1918 has grown to become one of the country's largest technology and consumer electronics distribution companies with many notable distinctions including the distribution of the first color television and the first home PC.

D&H ships more than 3 million packages annually through its six distribution centers in the U.S. and Canada, works with thousands of vendors and customers (including large retailers like Wal-Mart), and processes many thousands of documents every month.

D&H is recognized for its excellence in pricing, service and delivery supporting worldwide clients with cutting-edge hardware, software and technology solutions. Further, D&H prides itself on servicing all customers and manufacturing partners with individual attention.

D&H is an employee-owned Employee Stock Ownership/Option Plan (ESOP) company, so improvements and savings achieved provide a direct benefit to employees.

Challenge

In a way, D&H with corporate headquarters in Harrisburg, PA, was a victim of its own success. As its business expanded, the number of vendors grew, and the volume of invoices, purchase orders and receivers and other supporting documents escalated. Staff spent an increasing amount of time processing this paperwork:

- manually keying data into the company's ERP system, Apprise,
- comparing purchase orders, receivers and invoices,
- copying documents, and
- storing paid invoices and supporting documents in filing cabinets.

Seven full-time employees processed 75,000 merchandise and expense invoices, performed vendor statement reconciliations, and managed a paper based workflow for non-PO invoices. Growth in invoice volumes was estimated to be 25% year over year.

Processing this quantity of invoices was a time-consuming process. Some invoices were 20-30 pages in size with a dozen or more detail lines per page. Reconciling these invoices was no small effort given that the vendors never invoiced the detail in the same order as the detail was listed in the D&H purchase order.

In order to keep up, D&H planned to hire more staff to manage the mountain of paperwork. Couple that with downward pressure on margins from competition and D&H needed a new approach, one that would help achieve the growth plan while reigning in current costs and avoiding future costs.

Solution

The implementation of ScerIS PAS (Process Automation Systems) for automated invoice processing and ETCETERA ECM (Content Management) Workflow for invoice routing for approvals and account coding followed a number of other projects at D&H.

The first project at D&H included the installation of ECM for Scanning and Electronic Reports Management for customer credit files. Invoices were downloaded from the host application, Apprise, and the backlog of customer credit files were scanned in order make the information available on-line to provide better and faster credit decisions. Ongoing daily documentation was also scanned and indexed by staff members. Additionally, ECM seamlessly integrated with Apprise to facilitate the indexing process of scanned documents. With ECM, multiple users across D&H's network can simultaneously view a customer order and payment records. ScerIS also provided a completely secure environment for security instruments and tax exempt certificates with multiple security levels and full audit trails.

ECM provided for the delivery of critical credit information to the desktop while securing the confidential information that credit decisions are based upon. An additional benefit was the reclaiming of valuable floor space, allowing the removal of over 100 file cabinets and the addition of over 30 employees to that area without the need to incur added costs for space.

Twenty-two subsequent projects have included, among others not listed, the accounts payable automation and workflow-based solutions outlined below:

- The design and implementation of a system for managing customer chargeback research and billback management. Managing some 23 types of chargebacks is daunting when considering the volume of returns, marketing and co-op transactions, rebates, sales promotions and more. ScerIS's Pack & Go for Spreadsheets™ allows D&H to download a listing of open items from the accounts receivable system into Excel templates, dynamically gather all of the document images associated with those records and automatically create links to the backup documents from the spreadsheet items for purposes of reviewing billbacks with major clients. "We just take that spreadsheet and all the documents, save the files to a thumb drive for the customer's copy and to our laptop. Instead of carrying a suitcase of paperwork with us, we just take a computer and a thumb drive, and we can send a copy to the customer ahead of our meeting," Joe Chaudoin (Vice President of Credit and Vendor Relations) says. "It went from 20 or 30 hours of preparation to just a few minutes. This has not only saved us enormous amounts of time, but also reduced employees stress levels and made customer meetings go faster, improving the company's standing with its major clients." The typical billback transaction includes five hundred to a thousand customer debits or return-related documents. When credits are issued D&H employees would have to match the credits up to the debit memos to make sure they were correct, a process that has been automated, including the data capture of debit memo detail.

- The creation of a return authorization process for the management of over 14,000 items returned monthly that includes an approval workflow and automated updating of three host applications including the automation of claims against carriers where applicable. The system includes an online interface that is populated by scanning the barcode on a package, identifying the sales order number and interfacing seamlessly with Apprise. A completed workflow initiates the credit in the ERP system, updates the customer record in the AR system and updates the warehouse management system for inventory purposes. If not approved and no RMA exists, the shipment is refused and returned to the customer.

For accounts payable process improvements, D&H implemented improvements on a project-by-project basis.

AP Project 1:
Post-Payment Scanning

Using ECM and ScerIS PAS, D&H implemented a scanning system for invoices following payment.

Prior to scanning, paid invoices were packaged with a copy of the check and payment advice and filed by vendor. As scanning was introduced in the AP department, the same package of paid invoices was scanned. Initially D&H scanned the paid batches one at a time and entered the check number as a batch number. In ECM the batch number can be assigned to one of the indexes, enabling the batches to be archived with no further manual entry.

After about one week of entering the check numbers, D&H implemented ScerIS PAS to automate the identification of the check number on the check and remittance advice copies and eliminated all manual entry of the check number.

The system included an automated backfill from the Check Register report that added the Vendor Name, Check #, Check Date, Check Amount and for each invoice paid backfilled the Invoice #, Invoice Date and Invoice Amount, all as searchable indexes. ECM uses a parent/child relationship between check and detail level index sets allowing for robust searches.

All paid invoices are now online, available at the fingertips of accounting and auditing staff requiring vendor invoices and eliminated manual filing, repackaging paid invoice files for off-site storage, and the inefficiencies of retrieving invoices from paper filing systems.

AP Project 2:
ScerIS Workflow for Non-PO Vendor Invoices

Non-PO vendor invoices were received by either accounts payable or directly by the department manager. There was a lack of insight to all invoices in process, both for the purpose of timely payments and for visibility to invoices for monthly AP accruals. To resolve this, D&H implemented the workflow function within the ECM software and set up a rules-based routing and approval workflow for non-PO invoices.

Managers receive invoices for review, approval and account coding online. First, an email notification provides them with a link to their pending work. Within the standard ECM workflow interface, they can review the invoice and suspend, deny or approve the invoice. AP has a view to all in-process work and was able to respond to vendor inquiries without a callback action. Suspended, denied and approved invoices had notes attached that indicated the reason for the action, which was communicated to vendors.

Invoices were routed to AP for completion, check-in and commitment to the ECM document repository.

AP achieved their requirements for controlling all Non-PO vendor invoices, having a view to all in-process work, having escalation capability and committing completed transaction to the online repository. Since these invoices were saved to the repository prior to payment, following payment an automated attendant updated the index structure for each invoice for the check on which the invoice was paid to include Check Number, Check Date and Check Amount so that all invoices for a check could by virtually reassembled within ECM, as needed.

AP Project 3:
Automated Processing of PO Invoices

D&H implemented ScerIS PAS to automate the three-way match and reconciliation process required for PO vendor invoices. Vendor invoices were scanned with no particular order. No presorting by vendor was necessary as multiple vendors' invoices were processed together.

D&H uses a purchase order format that includes six numeric characters followed by a single alpha character. Looking for a match for this format within the text produced from a full text OCR process required simple scripting. The system automatically performed a look-up into the Apprise purchasing and receiving databases (Progress) and validated the unit price and quantity received.

For a number of vendors, the part number invoiced wasn't the same part number used on the purchase order, so the system used the same logic that an AP operator uses, utilizing the unique pair sets of quantity received and unit price to automatically identify the part number in Apprise and return it to the recognition and automated data extraction environment.

Both the part number provided by the vendor and the part number from Apprise were stored with each record, and in order to have an invoice posting file that posted to Apprise without error, the file included the part number expected by Apprise.

Some of D&H's vendors have special terms or other considerations, so a vendor-specific management table was developed and implemented. D&H maintained the table and table data was employed to determine the processing rules used during the data validation process.

AP Project 4:
Automated Processing of Vendor Statements

D&H uses ScerIS PAS to facilitate automation of the reconciliation of vendor statements, something that D&H found was previously nearly impossible given the workload and daily demands in AP.

Now vendor statements are automatically compared to open AP, recent payments and debits to determine what items are indeed open and due. Vendors are paid faster with fewer discrepancies requiring reconciliation by AP personnel.

This is a true "exception-only" processing environment, requiring work on only unmatched items, further reducing the time to process vendor statements.

Results

D&H Distributing is an employee-owned ESOP company, so the savings the company realized from improved business and accounting processes provides a direct benefit to employees, a fact that helped encourage employee acceptance of the new technology.

Savings have been substantial. Discounts taken have risen sharply while late fees have been eliminated. Billback recoveries increased and fully reconciled billback activity assure D&H of a complete and accurate document set. Space was freed up and employees were reassigned to higher value work while automated systems managed much of the transactional activity in accounting processes. Lastly, vendor and customer communications were also improved.

Future Endeavors

D&H is converting from their legacy Apprise application to Microsoft Dynamics AX and is also taking all of the ScerIS value with them as part of that conversion. Marketing, Sales, AR, AP and other areas of the company will all benefit from the connection to the enhanced ERP functionality that Microsoft Dynamics AX is providing while still operating in the familiar interface that brings information from and about customers and vendors alike to the desktop at the click of a button.

The Payoff

- Reduced invoice processing times
- Improved bottom-line results by taking advantage of early-payment discounts and reduced late payment fees
- Elimination of duplicate payments
- Improved Internal Controls
- Achievement of Compliance Objectives
- Re-allocation of Data Entry Staff to greater value-added work
- Improved Vendor Relations
- Reduced first-year costs in excess of $735,000
- ROI achieved in less than 9 months

ScerIS®

Contact Us

ScerIS, Inc.
201 Boston Post Road West
Suite 102
Marlborough, MA 01752

Tel: 978-218-5000
Fax: 978-218-5099
Email: info@sceris.com
www.sceris.com