

## **CASE STUDY**

### **FORTUNE 50 CORPORATION GLOBAL B2B ORDER-TO-CASH AND E-INVOICE MANAGEMENT**

#### **Business Challenges**

A fortune 50 Corporation identified three key order-to-cash business goals for the implementation and global deployment of Direct Insite's electronic invoice management and workflow solutions: (1) significantly improve customer satisfaction; (2) improve overall invoice processing economics, and (3) achieve cost savings by reducing Days Sales Outstanding (DSO).

#### **Customer Satisfaction**

The Corporation conducted two customer surveys – one with a population of 270 of their largest users, and the other with their Customer Advisory Council. The survey results highlighted a number of customer invoicing concerns, including, dissatisfaction with summary invoices (which did not include important line item detail), the inability to dispute an invoice online and resolve issues in a timely manner, and limited options for providing invoices with their associated 'attachment' compliances to support or explain a given line item or invoice total. Customers also identified a number of areas where improvements were needed, including:

- **Invoice Consolidation:** Customers received an unconsolidated invoice, which often meant a customer received a different paper-based invoice from disparate lines of business. This invoicing process made customers think they were dealing with multiple companies instead of a single corporate business partner.
- **'Debit/Credit' Invoice Netting & Online Payment:** Customers wanted the ability to apply a credit invoice against a debit invoice in effect allowing a settlement to take place with the customer paying the netted amount.
- **Minimize Manual 'Paper-Based' Invoicing (Spreadsheet Billing):** Customers span 62 countries and in some locations billing was completed manually, with hardcopy invoicing. This process involved a number of full-time invoice preparation resources researching and collecting materials releases and 'services completed' milestone data, and then manually re-keying the data to create an invoice.
- **Provide Historical Reporting & Financial Trend Analysis:** From a long term perspective, customers expressed the need to have easy access to historical invoices along with a reporting function that would allow trends in IT spend to be easily tracked.

#### **Cost Savings**

This global Corporation generates millions of invoices each year in 62 countries and 15 languages. Operating costs associated with the generation of each invoice, its distribution, and compliance with internal accounting was between \$75 and \$125 per invoice. When billing for more complex services, invoices were generated manually, and costs for each invoice ranged from \$600 to \$1500. This Corporation selected Direct Insite to achieve the following business objectives:

- **Dramatically reduce manual invoice preparation and distribution costs.**
- **Reduce Daily Sales Outstanding/Receivables:** The Corporation wanted to reduce DSO by optimizing workflow associated with routing the invoice to various associates to

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assure accuracy, completeness, and compliance.

- **Minimize Customer Support related costs:** The Corporation wanted to achieve cost reductions from customer support related costs associated with resolving charges or obtaining proper supporting materials to show proof-of-delivery, compliance with contractual requirements, and other related 'invoice' documents.

### **Direct Insite Solution & Business Results**

Prior to the Direct Insite deployment, only 27% of this Corporation's customers were satisfied with the manual invoicing process. Based on the results of the customer survey, there were 68 separate requirement statements – all of which were within the configuration capability of the Direct Insite electronic invoice management and workflow solution. The design point for the Direct Insite solution included function to address each of the 68 highlighted areas identified in the survey and to deliver significant cost savings.

From an operating cost perspective, costs associated with the generation of a manual invoice, its distribution, and resolving inquiries were between \$75 and \$125 for each invoice. This cost applies to those invoices with varying levels of "Information Systems Support". Complex services invoices were primarily generated manually, increasing the per invoice costs to between \$600 and \$1500.

Costs to generate an invoice divided into three areas: (1) cost of accumulating invoice related information and generation of the invoice; (2) workflow associated with "routing" the invoice to various associates to assure accuracy, completeness, and compliance, and (3) customer support related costs associated with resolving charges or obtaining proper supporting materials to show proof of delivery, compliance with contractual requirements, and other collateral materials. In general, this Corporation determined that a traditional 80/20 rule applied as related to customer support costs. Specifically, approximately 80% of all disputes were associated with just 20% of the invoice population – where such invoices are the most complex – and often services rather than product oriented invoices.

### **Process Transformation & Optimization**

Direct Insite configured specific functions to address each of the operating cost areas. These functions included: (1) web-based line item detail presentment for all invoices in addition to summary cost data, (2) the ability to dispute a line item or an entire invoice in a self-service web portal, (3) the 'attachment' of collateral information associated with an invoice such as an electronic copy of a contract required for contract compliance.

### **65% Reduction in Invoice Disputes via Preliminary Invoice Validation & Workflow**

In the case of workflow, Direct Insite configured automated routing and quality assurance business rules to efficiently route an invoice through the accounts receivable and delivery departments. This workflow automation added significant field verification to services related invoices reducing the complex invoice disputes and overall costs by nearly 65%.

### **75% Process Improvement derived from Manual Invoice Transformation & Automation**

Another area of cost reduction was associated with the elimination of manual invoicing by moving invoices to the electronic form. The analysis of the generation of manual invoices showed there were three reasons for generating manual invoices:

(1) The systems used by the Corporation did not allow for a consolidated invoice to be generated – only a collection of independent invoices stapled together was supported. To obtain a consolidated view – as may be required by the contract – manual intervention was required;

(2) To obtain the proper mapping of product description or matching the purchase order to the invoice naming convention required manual intervention; and

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(3) To apply the proper adjustments to an invoice to reflect pricing agreements or discounts often required manual intervention.

Direct Insite supports functions that eliminate the need for manual invoicing including line item rollup and rename, invoice consolidation, custom invoicing, and invoice rebill or recharge capabilities. The inclusion of these functions resulted in the elimination of approximately 75% of the manual invoices with the resulting electronic invoice generated and distributed via the Direct Insite web self-service portal. In effect the \$600 to \$1500 per invoice cost was reduced to less than \$25. Direct Insite is currently consolidating over 70 billing feeds from legacy billing environments.

### **4 to 5 Day DSO Reduction**

Direct Insite's electronic invoice management and workflow solution delivered a significant improvement in the Days Sales Outstanding of the Corporation's business. In the second full year of operation, the lines of business supported by Direct Insite electronic invoice management experienced, on average, a 3 to 5 day reduction in DSO. Collectively, this amounted to a nearly \$50M positive cash impact, with a \$4.0M annual savings in DSO interest.

Finally, in addition to the above benefits and improvements in customer satisfaction, this Corporation explicitly decided to implement their global electronic invoice management solution using Direct Insite's Application Service Provider (ASP) model. The reason for this approach was cost and shorter time to market. Direct Insite deployed the Americas geography within 5 months of signing a contract, and the EMEA deployment was achieved within 120 days of contract signing. This allowed the benefits and cost savings to be achieved in the shortest time period with the program break even achieved in the first year of operation.

A second survey was conducted 6 months post go-live of Direct Insite with the result being an overall customer satisfaction of 72% - a significant improvement in an extremely short time period.

Currently, Direct Insite's electronic invoice management and workflow solution has been deployed globally across sixty-two (62) countries in fifteen (15) alternate languages with customer adoption rates exceeding 45% and \$80M in realized business benefit.

### **Contact**

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