

CASE STUDY: \$1MM Reduction in Annuity Cost in 12 Months Via Invoice Exchange

GENPACT

FINANCE & ACCOUNTING CASE STUDY



THE CLIENT

Global pharmaceutical major

INDUSTRY

Pharmaceutical

BUSINESS NEED

To decrease invoicing costs by 20% through increased vendor use of e-invoicing in US and UK

GENPACT SOLUTION

Began an aggressive program of enrollment of vendors into Invoice Exchange in both countries

BUSINESS IMPACT

- End-to-end AP cycle time reduced from 33 to 9 days
- Per invoice cost reduced from \$4.47 (paper) to \$1.72 (e-invoice)
- \$1MM annual cash flow impact
- UK (OB10): 90% OB10 and 94% e-invoicing penetration (Best in Class)
- 30% reduction in supplier query calls to AP Helpdesk
- 30% reduction in AP team
- US (Ariba): 1750 suppliers enrolled in 11 months
- 55% Ariba and 84% e-invoicing penetration
- 40% reduction in AP team

A global Pharmaceutical company with operations in the US and the UK needed to reduce costs by 20% in both countries within one year. It needed to dramatically raise e-invoicing penetration in the UK, and the US operation required an e-invoicing platform and customer portal to convert its large volume of paper invoices into electronic format. Genpact's solution increased vendor enrollment in e-invoicing to best in class and produced a 30% (\$1MM) reduction in annuity cost within one year.

THE BUSINESS CHALLENGE

The client operation had slightly different challenges in the UK and the US. The UK operation had been using OB10 as an Invoice Exchange tool since 2004, but had only achieved 55% e-invoice penetration by April 2009. In 2010 the client asked Genpact to help raise the e-invoicing penetration to 85%. In the US, a large number of vendors (around 12,000) were still submitting paper invoices, entailing significant manual effort in processing. In both countries, costs were driven up by high percentages of paper invoices, with high error rates and long invoice receipt cycle times. The CFO mandate was the same in the US and in the UK: to reduce costs by 20% between January 1 and December 31, 2010.

THE GENPACT SOLUTION

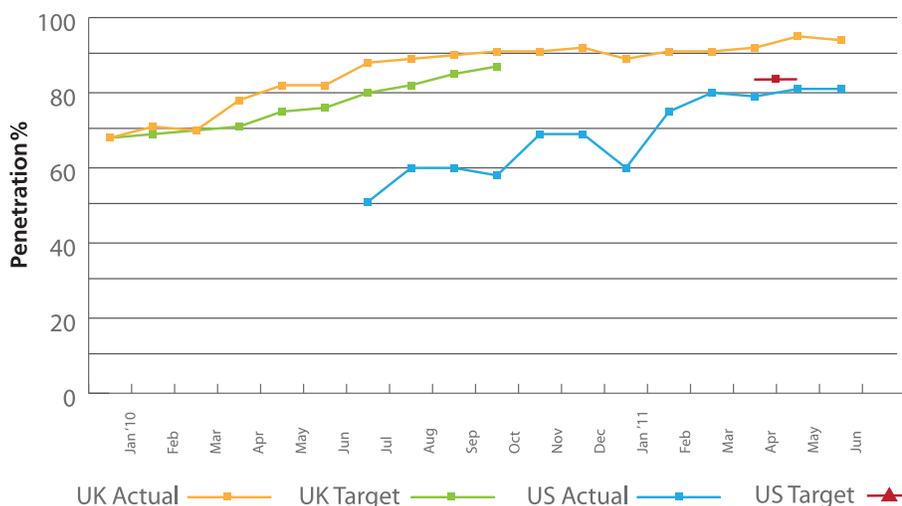
Genpact began by identifying key factors driving up costs, such as paper processing, high error rates and high volume of supplier queries to AP Helpdesk. Then the team mapped out a strategy for meeting the client's goals of greater efficiency and cost reduction. This included:

- Increasing enrollment of suppliers in the Invoice Exchange tool by implementing multiple waves of supplier enablement
- Better new-vendor onboarding processes
- Implementation of a vendor portal
- Increasing compliance to e-invoicing by making process changes in AP like 'Paper Rejection of enrolled suppliers'

In the US, the entire database of suppliers was matched against both Ariba and OB10 to determine which system had the higher number of suppliers set up and conducting transactions on their network. That proved to be Ariba. Genpact then undertook an active campaign in both the US and the UK to enroll vendors and encourage use of Invoice Exchange for faster and more efficient processing of benefit to both the client and its suppliers.

E-invoicing Penetration

GENPACT



With lower costs and increased productivity as goals, Genpact focused on two primary areas to drive the necessary improvements for achieving them:

Automation

In the UK, some 45% of invoices were processed on paper; in the US, 48% (the rest were on EDI). Genpact, in collaboration with its global strategic partners, OB10 and Ariba, began an aggressive program to encourage suppliers to enroll and comply with electronic invoicing, including personal calls to vendors, rejection of paper invoices submitted by enrolled vendors, and stipulating that new vendors must enroll in Invoice Exchange. Automation included:

- Setting up electronic receipt of POs and submission of invoices by suppliers
- Automating two-way match at submission
- Creating a vendor portal, including invoice, PO and payment status updates, which led to a reduction in supplier queries at the AP helpdesk

Best Practices and Change Management

Part of the overall success of the project came from key stakeholder buy-in and implementation of measures designed to move the organization forward toward its goals. These included:

- Executive sponsors defining key invoicing targets
- Scheduled biweekly steering committee reviews
- Obtaining procurement buy-in and aligning change management champions
- Establishing frequent communication with suppliers, employing strong and persuasive language that outlined benefits, clear deadlines and consequences
- Including e-invoicing compliance in all new supplier contracts

Genpact is the leader in Business Process Management, offering a broad portfolio of fundamental business and industry specific services that focus on process effectiveness and business outcomes.

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- Creating a robust paper rejection process to curb delinquency

Together, Genpact and this client moved e-invoicing penetration to 94% in the UK, achieved 84% penetration in the US, and exceeded the client's cost reduction goal by 10%.

BUSINESS IMPACT

Genpact strives to provide the highest possible return to our clients from all sources. Our focus is therefore on overall business impact, which is the cumulative effect derived from lowering costs, improving the customer or vendor relationship, and boosting revenue.

For this client, the business impact came from:

- End-to-end AP cycle time was reduced from 33 to 9 days
- 62% reduction in per-invoice cost

UK:

- 30% reduction in AP team size and supplier query calls to the help desk
- e-invoicing penetration (best in class) rose from 55% to 94%

US:

- 40% reduction in AP team size
- e-invoicing penetration rose from 52% to 84%

Genpact's focus on overall business outcomes provides a higher overall rate of return. The permanent process improvements and cultural change achieved consistently result in ongoing savings and enhanced revenue.

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