How Evaluated Receipts Settlements Can Boost Productivity for Your Company

About the Speaker

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Chris is president and managing director of Soltec, a leading business-process consulting firm specializing in implementing Best Practice Solutions™ to achieve dramatic cost reductions for their clients. Chris brings more than 30 years of senior management and business experience to the field, and has been recognized as an innovator and is uniquely skilled at making change happen. As a result, Chris has developed a national reputation as an expert in core business process redesign and has earned the title of the “Father of Evaluated Receipts Settlement (ERS) in North America.”
Agenda

- Soltec Background
- ERS Introduction
- ERS Process
- Benefits
- ERS Implementation
- Next Steps
- Question & Answer

Soltec Background
To deliver high-impact business process consulting services and implement industry proven end-to-end Best Practice Solutions™

Best Practices Expertise

- Finance, Accounting, Treasury
  - Evaluated Receipts Settlement
  - Procurement Card
  - Financial Closing
  - Shared Services
  - Travel & Expense Reporting
  - Inter/Intra-Company Settlement

- Supply Management
- Customer Relation Management
- Manufacturing

- Process Development and Improvement
  - Production Demand Replenishment
  - Material Requirements Planning
  - Material Receiving and Movement
  - Indirect Materials Rationalization
  - Warehouse Management
  - Supplier Quality Process
  - Defective & Damaged Material
Accounts Payable Productivity Summit 2010
How Evaluated Receipts Settlements Can Boost Productivity for Your Company

Client List (Partial)

- 3M
- Abbott Laboratories
- AG Communications
- Alcoa
- Altrich Chemical
- Allens Hatchery, Inc.
- Allied Signal
- America West Airlines
- Amertech
- AT&T
- AutoZone
- Avery Dennison
- Avail, Inc.
- Baltimore Gas and Electric
- Baxter Healthcare Corp.
- Bell Atlantic
- Beloit
- BioPort
- Bon-Ton Stores, Inc.
- Boston Edison
- Boston Globe
- BP Oil
- Campbell Soup
- Carpenter Technology Corp.
- Chevron USA
- Chiquita Brands Intl.
- Ciba-Geigy
- Clark Refining and Marketing
- Club Car, Inc.
- Coleman
- Commonwealth Electric
- Consumers Power
- Corning, Inc.
- Covariant
- DeVibiss Health Care, Inc.
- DSC
- Eaton
- EG & G Mound
- El Paso Natural Gas
- Eureka
- Ford Motor
- Fujitsu
- The Gap
- General Datacomm
- General Electric
- Georgia-Pacific Corp.
- GM
- GTE Supply
- Heatcraft
- Hewlett Packard, Inc.
- Hillshire Farm and Kahr's
- Hitachi Data Systems
- Illinois Power
- Intel
- James River Paper
- Johnson Controls
- Kehoe
- KPMG
- Lennox Intl.
- Marshalls, Inc.
- McDonald's
- Mellon Bank
- Merametco Group
- Mercury Marine
- Miles, Inc.
- Mitre
- Morgan Stanley, Inc.
- Morton Intl.
- Motorola
- National Sanitary Supply
- National Steel
- NEC Electronics
- NY State Electric & Gas
- NORTEL
- NYMEX
- Ohio Edison
- Oracle
- Dryx Energy
- Osh Kosh Truck
- Pfizer
- Phillip Morris U.S.A.
- Presto Products
- Public Service of NM
- Ralston Purina
- Random Access, Inc.
- Rhone-Poulenc Rover
- Roadmaster
- Rockwell Intl.
- Sandia National Laboratories
- Sandor, Inc.
- SCIMED Life Systems, Inc.
- Sealed Air
- Service Experts
- Siemens
- SNED
- Stroh Brewery
- Sun-Diamond Growers
- Syntax Chemicals
- Target Stores
- Tower Records
- TRW, Inc.
- Tyson Foods, Inc.
- Union Camp
- United Technologies
- Warner Manufacturing Co.
- West Bend
- Westinghouse
- York Intl.

ERS Introduction
What is ERS?

A process that allows a customer to make supplier payments based on its records and not by relying on supplier invoices (paper or EDI)

ERS Supports Company Values

DISCIPLINE
RESULTS
RISK TAKING

WORK ENVIRONMENT
CUSTOMER FOCUS
QUALITY

What is ERS? (Cont’d.)

• ERS is NOT About:
  — Software
  — Imaging and Workflow
  — Electronic Data Interchange (EDI)
  — Electronic Invoice Presentation and Payment (EIPP)

• ERS IS About:
  — Elimination of the invoice from the procurement and disbursement process
  — Transforming AP from transactional processing to analysis, control and reporting
  — Establishing a high performing partnership between purchasing, receiving, AP and suppliers

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ERS Evolution

1970
ERS becomes a standard for doing business among Japanese manufacturing companies

1985
Ford Motor Company benchmarks against Mazda of Japan; benchmark results identified major variances

1987
Ford launched ERS across all North American Operations

Today
ERS is used by several hundred major companies in many diverse industries

Ford reported $5.00 per car savings in A/P with ERS $25 Million Dollars Annually

Success Stories

WEST BEND
ArvinMeritor

Hunter Douglas

KNAPE & VOGT

Lennox International

Bell Atlantic

Dow

Anheuser Busch Companies

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ERS Process

Traditional Disbursement Process

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Session 7
April 22, 2010

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**Traditional Disbursement Process (Cont’d.)**

- **Supplier**
  - Shipping
  - Customer Service

- **Customer Service**

- **Purchasing**
  - Purchase Order / Negotiated Prices

- **Receiving**
  - Goods and Packing Slip
  - Advice of Shipment
  - Price
  - Mismatches

- **Accounts Receivable**
  - Invoice
  - Mismatches

- **Accounts Payable**
  - Payment
  - Payment Data Mismatches
  - Price

- **Customer**

**ERS Process**

- **Supplier**
  - Shipping
  - Customer Service

- **Customer Service**

- **Purchasing**
  - Purchase Order / Negotiated Prices

- **Receiving**
  - Goods and Packing Slip
  - Advice of Shipment
  - Price

- **Accounts Receivable**
  - Invoice

- **A/P Receipt Evaluation**
  - Payment
  - Price / Term

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ERS Process (Cont'd.)

Quality Check
- Firm Price with all Costs
- Collect or Prepaid Freight
- FOB Term
- Payment Term

Receiving
- Goods and Services
- Quality Check
- Receipt Qty

Customer Service
- Verify PO Price and Terms & Conditions
- Change Price to agree with PO Price
- Notify Purchasing for Resolution

Purchasing
- Purchase Order / Negotiated Prices

A/P Receipt Evaluation
- Price / Term
- Collect or Prepaid Freight

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ERS Process (Cont’d.)

- Receiving Goods and Packing Slip
- Receipt Qty
- Quality Check
  - Packing Slip/SIN
  - PO Number
  - Customer Part Number
  - Quantity with PO Unit of Measure
- Price
- Customer Service
- Accounts Receivable
- Order Payment
- A/P Receipt Evaluation
- Evaluation

- ERS Process (Cont’d.)
- Receiving
- Order
- Shipping
- Customer Service
- Accounts Receivable
- Order Payment
- A/P Receipt Evaluation
- Evaluation

- Goods and Packing Slip
- Advice of Shipment
- Price / Term
- Purchasing
- Contact Supplier
- Shipping for Discrepancies
- Receive goods daily
- Verification Controls
- Contact Supplier
- Shipping for Discrepancies
ERS Process (Cont’d.)

- Evaluate Receipt at PO Unit Price
- Use Packing Slip No. as Invoice No.
- Use Receipt Date as Invoice Date
- Establish Payment Due Date based on PO Term

Present Disbursement Process

- When All Match Generate Payment
## ERS Process

<table>
<thead>
<tr>
<th>PURCHASE ORDER</th>
<th>PACKING SLIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency</td>
<td>Supplier Code</td>
</tr>
<tr>
<td>Payment Terms</td>
<td>Part Number</td>
</tr>
<tr>
<td>Supplier Code</td>
<td>Purchase Order No.</td>
</tr>
<tr>
<td>Part Number</td>
<td>Unit of Measure</td>
</tr>
<tr>
<td>Purchase Order No.</td>
<td>Quantity</td>
</tr>
<tr>
<td>Unit of Measure</td>
<td>Shipment ID No.</td>
</tr>
<tr>
<td>Quantity</td>
<td>Ship/Received Date</td>
</tr>
</tbody>
</table>

Price \( \times \) Quantity = Payment to Supplier

## Transaction Types

### Inventory Items
- Raw Materials
- Packaging
- Components & Parts
- MRO
- Stock-Keeping Units (SKUs)
- Merchandising Items

### Non-Inventory Items
- Misc. Expense Materials
- Office Supplies
- Computers and Supplies
- Contracted/Temporary Labor
- Misc. Services
- Construction & Capital
Basic Requirements for ERS

- Shipping Document and/or Barcode Shipping Label from Suppliers
- On-line Receiving System
- Process to Extend the Quantity Received By the PO Price to Calculate the Amount Owed
- Maintenance of Accurate and Timely Material & Purchasing Records
- Establish Business Practices that Support and Promote the ERS Process

ERS Functional Requirements

**Purchasing**
- P.O. Price
- Unit of Measure
- Misc. Charges
- Special Pricing
- Freight Terms
- Price Adjustments

**Receiving**
- Normal Receipt
- Verification
- Receipt Discrepancy
- Returns

**Accounts Payable**
- Payment Terms
- Payment Schedule
- Remittance Advice
- Analysis & Reporting
ERS Functional Requirements (Cont'd.)

Purchasing
- P.O. Price
- Unit of Measure
- Freight Terms
- Price Adjustments

Receiving
- Normal Receipt
- Verification

Accounts Payable
- Payment Terms
- Payment Schedule
- Remittance Advice

ERS Benefits

Improved:
- Working Capital
- Receipt Discrepancy Process
- Defective Material and Returns Process
- BOM Prices and Quantitative Records

Reduced:
- Mailing and / or Data Transmission Costs
- Data Entry, Imaging and Clerical Costs
- Reconciliation of Price and Quantity Records
- Forms and Stationery Costs
- Freight Costs

Elimination of:
- Lost and Duplicate Invoices
- Lost Discounts
- Miscellaneous Charges
- Prepaid and Add Freight Terms
- Monthly Liability Accruals
Implementation Cost

**Supplier**
- Zero to Minimal
- Change Receivables System to Accept ERS Payments
- Change Billing System to Stop Printing Invoices

**Customer**
- Project Preparation & Launch Activities
- Changes to Purchasing/Receiving System to Generate “Self Invoice”
- Changes to Accounts Payables System to Process “Self Invoice”
- Resistance to Business Practice Changes

Critical Success Factors

**Project Sponsors & Key Process Owners**
- Purchasing
- Accounting
- Receiving
- Treasury
- Information Systems

**Critical Success Factors**
- Powerful Business Case
- Change Specific Communication
- ERS Education
- Vision Clarity
- Stakeholder Commitment
- Integrated Planning & Teams
- Organization’s Change Capability
- ERS Education
- Accountability
- Purchasing
- Accounting
- Receiving
- Treasury
- Information Systems
Implementation Timeline

Month 1  Month 2  Month 3  Month 4  Month 5  Month 6  Month 7  Month 8  Month 9

ERS Pilot Launch

ERS Full Launch

Next Steps

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Next Steps – Considering ERS

Company Specific Webinar (Collaborative Session)
- Executive Overview (1 Hr)
- Benchmark Data and ERS Benefits (10 Min)
- Implementation Requirements (20 Min)

One Day, On-Site Education & Awareness Program
- Executive Overview (1 Hr)
- Detailed Education Session (5 Hrs)
- Implementation Requirements (1 Hr)

Contact Soltec to Schedule your On-Site Seminar or Webinar

Next Steps – Currently on ERS
- Expand ERS Usage to 100% of Inventory Suppliers
- Adopt All ERS Best Practices
- Review Current Policies & Procedures
- Provide Internal and Supplier Communications
- Provide User Custom Education
- Provide Process Measurements Across Purchasing, Receiving and Accounts Payable
Questions

To ask a question, please press *1 on your phone or submit your question using the chat function within the Webinar interface.

If you have further questions, please e-mail them to wvail@TheAPNetwork.com
Thank You!

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