



# Composites One

## *Eliminating Touch Points in Inventory Accounts Payable*

**Product + People + Process = Performance**

# Composites One



- Composites One LLC was formed in April 1999
- Sales of \$700 million; 500+ employees
- 36 locations in North America, 1 in China
- Composites One is the largest composite materials distributor in North America with 10,000 customers
- Over 450 suppliers
- Combination of plastic, reinforcement, and in some cases, cores, fillers and gel coats

# Composites Applications



# Eliminating Touch Points



- Focus on each area of 3 way match to improve operational efficiency:

Invoice

Purchase Order

Receipt

# Invoice



- Work with largest suppliers to provide electronic file of invoice information
- File mapped to replicate manual posting process – auto vouch
- Success with largest supplier with almost 70% hit rate
- Result is more than 10,000 invoices for this 1 vendor did not require any handling by AP staff
- Process in place with 5 other supplier partners

# Tolerance Levels



Cash application logic transferred to automated and manual invoice vouching

Cash application – over / short payment tolerance

Invoice vouching – purchase price variance (PPV)

Invoice will "rapid" vouch if within acceptable threshold.

Threshold designed to capture 80%

Time spent to research PPV is 20 minutes – (conservative)

# Purchase Order and Receipt



**Invoices with PPV above threshold require:**

- \* communication with buyers to confirm price**
- \* if inventory sold will carry PO cost and not reflect true cost**

**Overall operational inefficiency as well as potential for inaccurate inventory costs throughout the accounting system.**

# PPV Reporting

- Year over year distribution center summary
- Monthly PPV detail by distribution center with quarterly rollup
- Monthly distribution center PPV detail
- Monthly ranking of buyers by total reconciled receipt variance by total reconciled receipt
- Monthly buyer PPV detail
  
- Company wide focus resulted in
  - \* 2005 - 3.99%
  - \* 2006 - 2.08%
  - \* 2007 - 1.27%
  - \* 2008 - 0.52% YTD

# Eliminating Touch Points Summary

- While some initiatives require IT recourses and support, simply reporting PPV in a comprehensive manner provided incredible results.
- Overall these efforts have allowed staffing for inventory accounts payable processing to be reduced by 2 FTEs.
- Allows for continued focus on improving the exception handling processing.