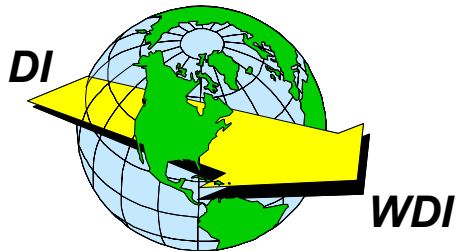


2002 Users Conference

e-Transaction Management Case Study

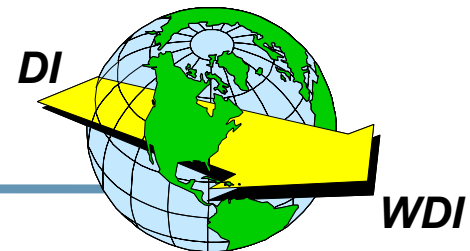
**Randy Smith
eSI2, Inc.**

The Next Generation



Agenda

- ★ **Case Study – Background / Overview**
- ★ **Corporate Management Challenges – Known**
- ★ **Corporate Management Challenges - Discovered**
- ★ **Business Landscape**
- ★ **eTransaction Management Model / Solutions**
- ★ **Implementation / Evolution Approach**
- ★ **Results / Metrics Summary**
- ★ **Q/A**



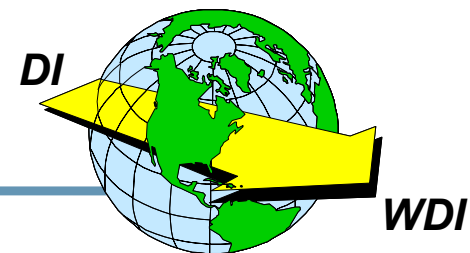
Case Study – Background / Overview

★ Corporate Background:

- Industry: Consumer Products / Manufacturing
- Annual Revenue - \$11 Billion
- Multi-Conglomerate - 5 International Corporations/Divisions

★ Initial symptoms of a bigger problem.....(“the pain”)

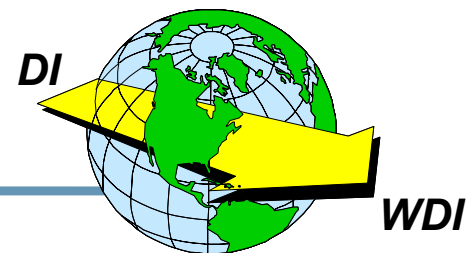
- **40% increase in Customer complaints during the last 12 months**
 - ✓ Lost or incomplete orders and/or shipments
- **Customer Service overwhelmed with with inquiries/problems/research**
- **Additional Staff added in handle increased volumes:**
 - ✓ Customer Service Order Entry Groups
 - ✓ Procurement Groups Accounts Payable Groups
- **Procurement Groups:**
 - ✓ Alarming increases in “lost” or “incomplete” Purchase Orders
 - ✓ Increases in manually created Purchase Orders
 - ✓ Last 12 months – over 25,000 corrected PO’s issued
- **Accounts Payable Groups:**
 - ✓ Fewer Invoices were matching the associated Purchase Orders
- **Shipping Groups:**
 - ✓ 22% increase in partial Customer shipments



Corporate Management Challenges:

What they knew

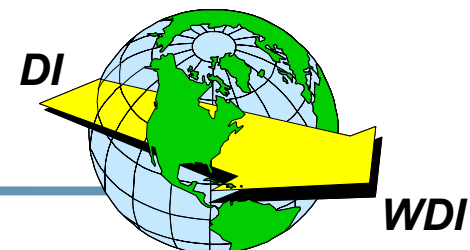
- ★ 35% increase in Customer Service costs in 12 mos.
- ★ Customer Satisfaction dropped from 96% to 84%
- ★ Losing corporate reputation for delivering quality
- ★ Revenue Losses
- ★ Losing “some” Customer Orders
- ★ Increased Procurement costs
- ★ “Expedited” shipping costs were up substantially
- ★ Profits down
- ★ Multiple Customer / Supplier Interfaces



Corporate Management Challenges:

What we discovered....

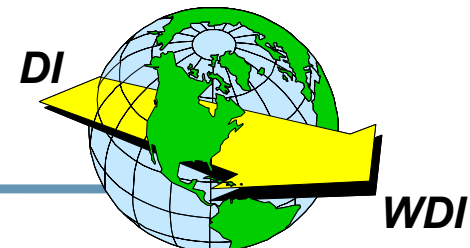
- ★ 35% increase in Customer Service costs in 12 mos.
 - Only 6% of this increase was related to business growth
 - The remaining 29% was directly attributed to Order “quality”
 - Customer Service
 - ✓ Approx. 75% of the increased volume was caused by:
 - Lost or incomplete Orders
 - Customer requests for order status / partial shipments
- ★ Customer Satisfaction dropped from 96% to 84%
 - Customer satisfaction began to drop approx. 13 months ago when new Procurement and ERP applications were placed into production
- ★ Losing corporate reputation for delivering quality
 - Primary reason/source: Lost / inaccurate Customer Orders



Corporate Management Challenges:

What we discovered....

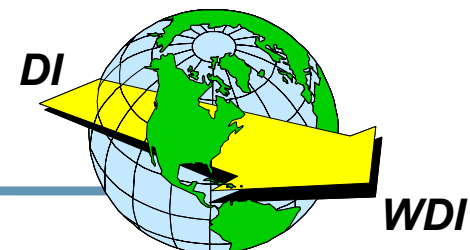
- ★ Revenue Losses
- ★ Losing “some” Customer Orders
- ★ Increased Procurement costs
 - **Procurement: Purchase Orders**
 - ✓ More than 1.5% of all Purchase Orders were “lost” or “incomplete”
 - ✓ Manually creates more than 80,000 annually, plus 25k more in corrected POs
 - ✓ Annual costs of correcting PO errors - \$1.75m
 - **Accounts Payable: Invoices**
 - ✓ Less than 60% match the associated PO(s)
 - ✓ Estimated annual costs of manual PO/Invoice matching - + \$22m
- ★ “Expedited” shipping costs were up substantially
 - **Shipping / Transportation**
 - ✓ On average 1 out of every 5-6 Customer orders required more than 3 shipments to complete the original order (17-20%)
 - ✓ 90% of multiple shipments were shipped via an expedited delivery method



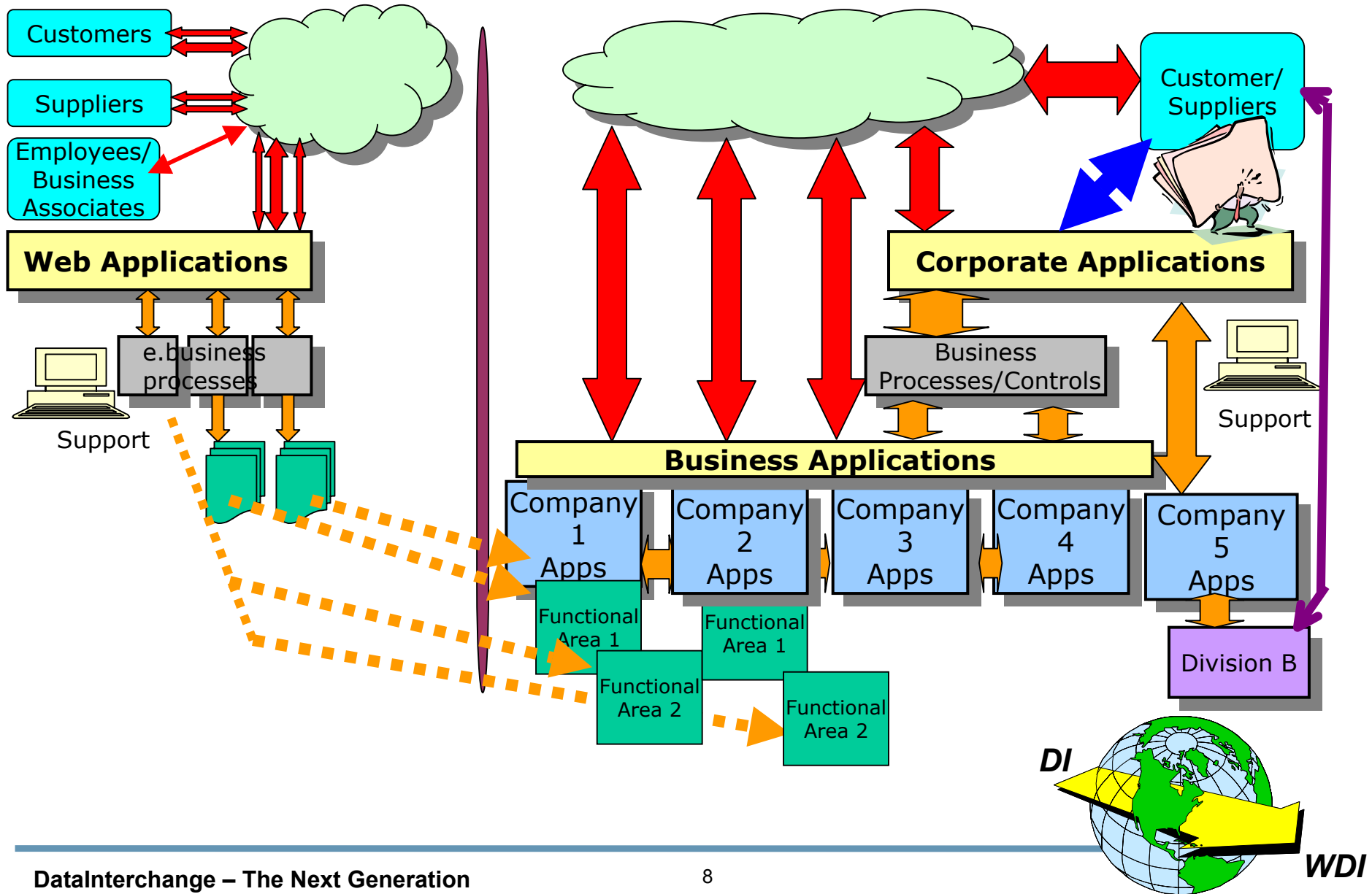
Corporate Management Challenges:

What we discovered....

- ★ Profits down
- ★ Multiple Customer / Supplier Interfaces
- ★ Other key business drivers / discoveries
 - ✓ Few Business Application Interfaces
 - ✓ Manual / Duplicate Processes (re-entry of data)
 - ✓ Inaccurate / missing business information
 - ✓ Inconsistent or non-existent Business Rules
 - ✓ Lack of Business Transaction management/process controls
 - ✓ Redundant Client Support organizations
 - ✓ Duplicate costs and overhead
 - ✓ Lack of transaction / accounting controls
 - ✓ No method to reconcile inter/intra company transactions / processes
 - ✓ Many “single-entry” transactions within different business applications
 - ✓ No way to track, cross-reference PO/ASN/Invoices



Corporate Business Landscape – (The Source of the pain)

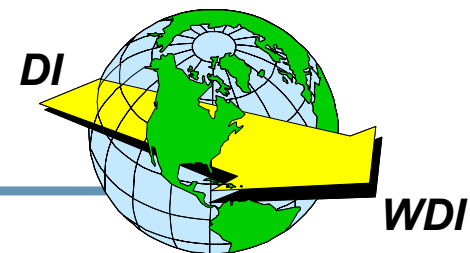


Business Reality Check.... A Perspective

★ ***Fact: The average large organization:***

- *Maintains 6 operating environments*
- *Has over 150 different workflow applications on desktops alone*

Gartner Group - 2001



e-Transaction Management Model

★ *Three Tier Architecture*

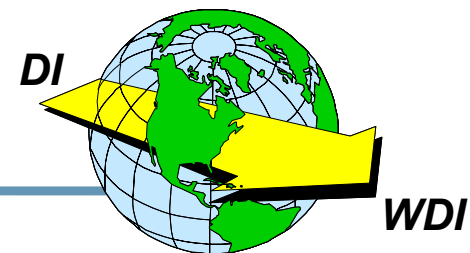
- *Communications Layer*
- *Middleware*
 - ✦ *Translation / Transformation / Transport Layer*
- *Integration Layer*

★ *Transaction Management*

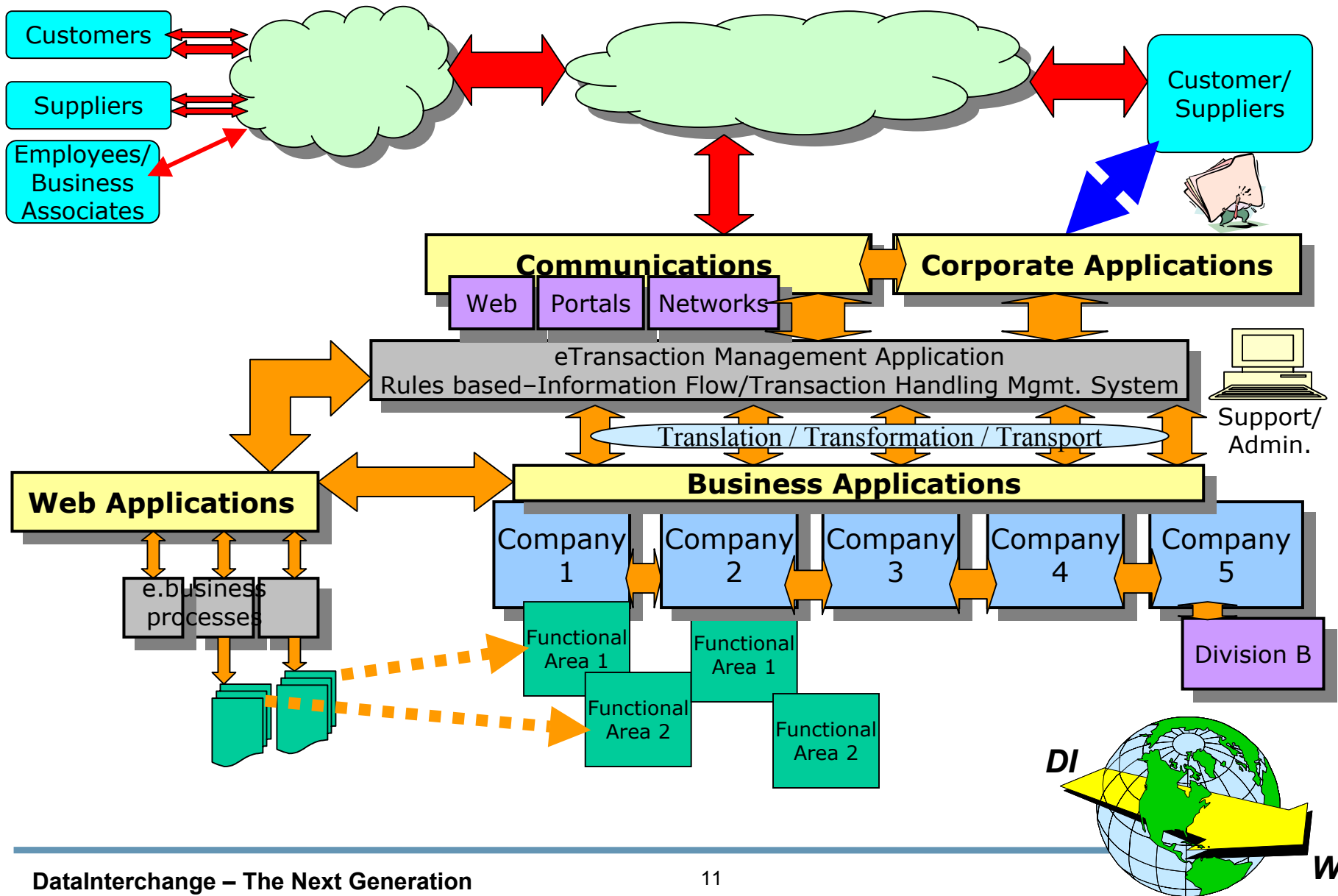
- *Controls*
- *Administration*

★ *Integration*

- *Vertical*
- *Horizontal*
- *Functionally*

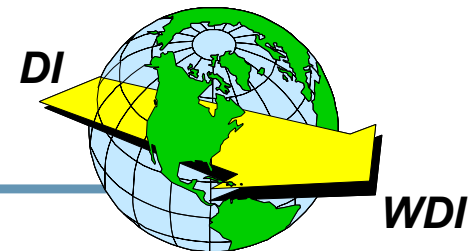


eTransaction Management Solution



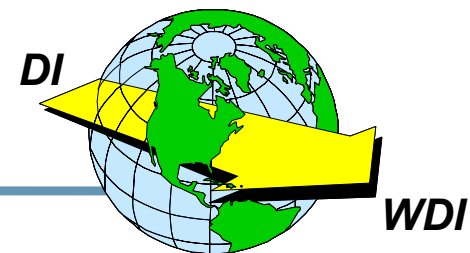
e-Transaction Management Architecture – Implementation / Evolution

- ★ **Major process transformation requires identification of all sub-processes within each functional area and application**
 - ⚡ Focus on the business and information process flows
- ★ **Define, design, integrate with your business needs and requirements**
 - ⚡ Adaptation of processes, controls
 - ⚡ Involve each of the functional areas during the requirements definition phase
- ★ **Integrate with core operations**
 - ⚡ Leverage business-proven systems, applications, business rules, processes and controls already in place
 - ⚡ Consistency across all business units
- ★ **Transaction management / Controls / Administration**



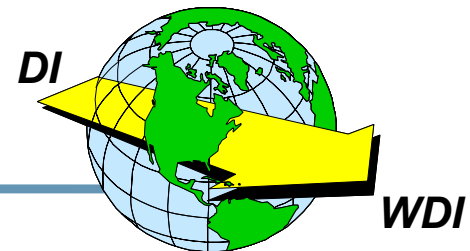
e-Transaction Management Architecture – Implementation / Evolution

- ★ **Evolve the solutions – build/learn from each success**
- ★ **Integrate vertically, horizontally, functionally**
(where possible)
 - Systems
 - Applications
 - Processes
 - Controls
 - Operations / Support
 - People!
- ★ **Eliminate duplication of processes**
- ★ **Remember, exceptions are just that....exceptions**
- ★ **Design for flexibility and Change**



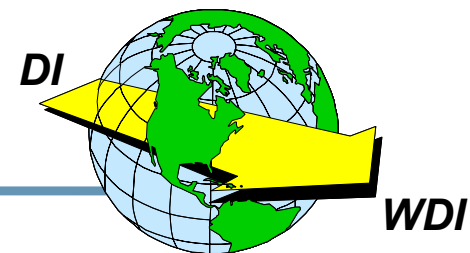
Results / Metrics - Corporate Level

- ★ 34% decrease in Customer Service costs in last 12 mos.
- ★ Customer Satisfaction rating = 96.5%
- ★ Corporate reputation for delivering quality improving
- ★ Year-to-Year Revenue Increased 14%
- ★ 100% of Customer Orders received are handled
- ★ Increased Procurement costs
- ★ “Expedited” shipping costs down 25%
- ★ Profits increased (year to year)



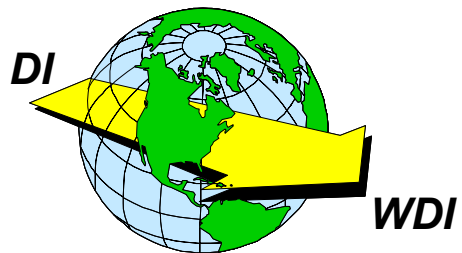
Results / Metrics – Functional Level

- ★ **44% decrease in Customer complaints during the last 12 months**
- ★ **10% overall decrease in staff within the four functional areas:**
 - ✔ Customer Service
 - ✔ Procurement Groups
 - ✔ Order Entry Groups
 - ✔ Accounts Payable Groups
- ★ **Procurement Groups:**
 - ✔ Manually created Purchase Orders down 70% (from 25k – 7.5k)
 - ✔ Last 12 months – only 6,600 corrected PO's issued
- ★ **Accounts Payable Groups:**
 - ✔ Invoice / PO match rate = 93% (that's a 72% increase in the match rate)
- ★ **Shipping / Transportation**
 - ✔ Just over 3% of Customer orders require more than 2 shipments to complete
 - ✔ 90% of multiple shipments were shipped via an expedited delivery method



Q / A

The Next Generation



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