

Accounts Payable Profit Recovery Project

A Service offered by Clicks & Mortar Consulting

The need to control costs and continuously improve profits has never been more imperative, than it is today!

- ❖ *Retailers leave funds on the table through payment errors, missed discounts, routing violations, un-claimed Co-Op allowances, missed volume and new store discounts. These errors @ 1/10 of a of a percent can result in millions of dollars back to your bottom line.*
- ❖ *Errors take place for a multitude of reasons and most are tied to a lack of system checks and balances. Not only do we have the audit programs to run over your data and recoup funds from the past, we also provide software to check for issues in the future.*
- ❖ *We will complete a full interview process with each merchant to obtain all deals and allowances. We will meet with the Co-Op department to review process flows of Co-Op claims. We will meet with the manager and leads in the AP to review there job functions. And last but not least we will meet with the Logistics manager to obtain the routing guide and freight payables policies and procedures.*

Our industry experts rapidly assess the opportunities for profit recovery through a quick on-site interview process and data dump.

- ❖ Utilizing Clicks & Mortar industry expertise we will identify, through a short on site evaluation, the immediate opportunities in the recovery of funds through our audit process. We will also identify medium and longer term system enhancements to capture these funds prior to erroneous payments and missed discounts in the future. We are flexible and can perform an off-site or on-site audit, depending on space availability, expense reduction, and your staff comfort. Once we complete our review, you will have the ability to know where issues may reside, and how to fix those issues in the future.
 - ❖ *Can we achieve a step improvement in the invoice entry process. Is EDI being used to its fullest capability?*
 - ❖ *Can terms be changed to age our invoices so we have a longer float on our payables?*
 - ❖ *Are all the affected departments receiving all the needed information?*
 - ❖ *Are vendors truly partnering with us to make us competitive against our competition?*
 - ❖ *Can we reduce the number of invoice payment errors by a business process change?*

Our track record of delivery of improvement

- ❖ **Specialty Retailer:** We identified erroneous payments for retailer with \$250 million in yearly sales through our pay what you get for program that put over \$400,000.00 back to the bottom line. This was completed electronically to identify the errors, then we pulled the actual invoices to support the claims. Would it be a benefit for this money to come back to your company?
- ❖ **Specialty Retailer :** Expansion is a very exciting time at a retailer, except when over one half of a million dollars is left on the table. Missed new store allowances for forty locations were reviewed and claimed through our new store start-up funding programs. This finding alone paid for the salary of the entire A/P trade staff. Would it be a benefit for this money to come back to your company?
- ❖ **Grocery retailer:** Designed systems to capture Co-Op allowances for a company with over three billion a year sales. This was completed with our extensive knowledge in the grocery business, our top notch technical staff, and of course the employees of our client. This was projected to save over two million dollars a year once implemented. Would it be a benefit for this money to come back to your company?

We quickly assess the situation, define the opportunities and make our recommendations

Discovery

- ❖ Understand current A/P invoice process flow.
- ❖ Review existing merchant deal sheet process.
- ❖ Review the routing guide.
- ❖ Understand how repayments are processed.
- ❖ Identify purchasing arrangements

Assessment

- ❖ Consolidate findings from discovery phase
- ❖ Validate current state by benchmarking
- ❖ Analyze strengths & weaknesses
- ❖ Conduct joint opportunity development session(s)
- ❖ Develop improvement strategy

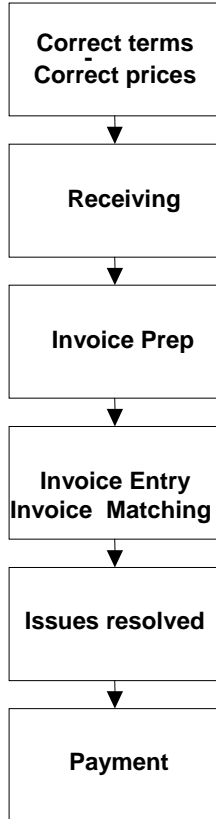
Recommendation

- ❖ Produce high level implementation plan
- ❖ Highlight quick wins for rapid payback
- ❖ Recommend longer term investments in efficiency

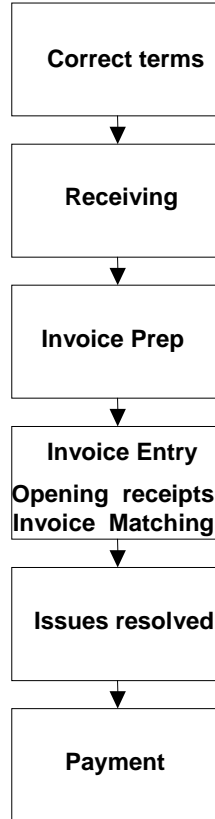
Profit Recovery Process Analysis

Payables and Receivables processes examined and effectiveness assessed

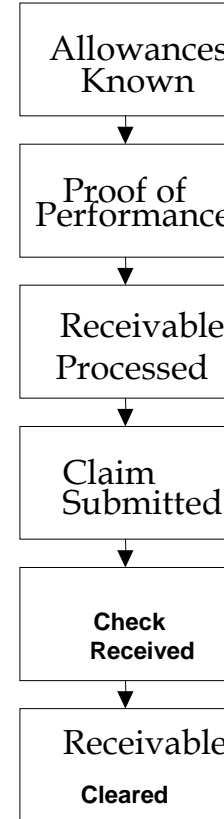
Purchase Orders Process flow



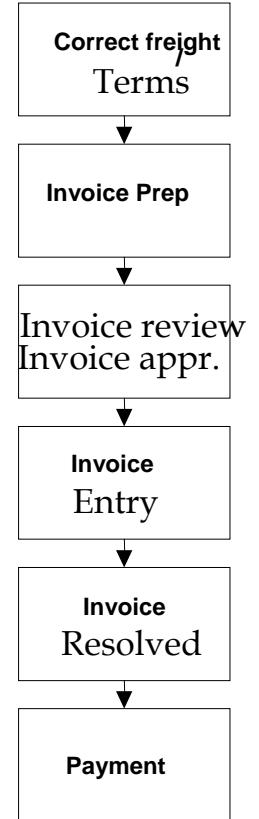
New Store Orders Process Flow



Co-Op Allowances Process Flow



Routing guide



Indicative Timeline of a Medium Sized Assessment

We hit the ground running, have an aggressive timeline and exploit joint opportunity development

Week	Phase	Activities
-1	Preparation	Data returned
1	Discovery	Site visits/interviews Technology/Asset/Process/People reviews
2	Discovery	Site visits/interviews Technology/Asset/Process/People reviews
3	Assessment	Consolidation of discovery Data Reviews
4	Claims	Process a few claims in each area. Synthesis
5	Recommendations	Development and presentation of plan

*Low cost,
high value &
fast delivery*

- ❖ Clicks & Mortar will deploy industry experts: Key members of our team will be on site for review of the outlined processes in this document, or any part of that the client deems needed. A fixed fee and project timeline will be determined in conjunction with the client, based on the agreed upon scope, depth and breadth of the assessment.
- ❖ We will require time input from your key executives in company management, including distribution, procurement, transportation, logistics, IT and financial control.
- ❖ We will prepare a pre-visit survey which helps to shortcut the discovery and evaluation timeframe.
- ❖ A report will be prepared off site and delivered to you within two weeks of the completion of the on site activity. This will highlight the quick wins, prioritize medium term opportunities & recommend longer term investments in efficiency. The time spent preparing this report is part of our client investment.
- ❖ Expenses for transportation, accommodation and meals will be billed net. Every effort is made to keep expenses and time spent to a minimum.

Resources for this project will be determined once the client decides on the needs of the audit. All C&M resources are pre-qualified in specific areas and will be dispatched to meet the client needs.

- ❖ *The Clicks & Mortar Advantage*
- ❖ *Relevant Case Studies*
- ❖ *Representative Clients*

Our Value Proposition

Retail Experience

- ❖ Our depth of experience enables us to identify opportunities and provide practical solutions and benefits quickly
- ❖ Everyone on our team is a seasoned professional with hands on senior executive experience

Knowledge

- ❖ We use our broad knowledge base of industry best practice to achieve superior performance
- ❖ This strength enables us to determine what will work and why.

Collaboration and Teamwork

- ❖ We work closely with the client's executive and operational management to transfer knowledge
- ❖ We communicate clearly and candidly during the on-site assessment

Approach

- ❖ We use clear, precise and logical steps throughout all of the phases of the project
- ❖ We highlight the quick wins, prioritize medium term opportunities & recommend longer term investments in efficiency

Case Studies

Put money back to the bottom line.

The business issue: Retailer had antiquated systems that provided no matching information and as a result overpayment for received and un-received product was possible. Also, there were Proof Of Deliveries provided to A/P and after further investigation, it was determined that many shipments were in fact returned to the vendor and full payment took place.

The assignment: We created a new business process for receipts of goods for the store and warehouse receiving personnel. All locations had the same standard process, which made the new process easy to enforce. We completed a full audit of accounts payable and compared it to the freight company to determine the instances that this issue took place. This improved inventory management, reduced shrink, and increased profitability.

The results: The business process correction and training of the store and A/P personnel excluded this from being an issue in the future. The audit of the invoices recovered over \$400,000 for one chain.

Case Studies

Put money back to the bottom line.

The business issue: Deal Information negotiated by the merchant group, not passed to the effected areas of the business. It was discovered that the merchant group did an admiral job negotiating terms with the vendor community, however there was little or no communication with the rest of the organization.

The assignment: We developed a process flow, to supply the effected business areas with the needed deal information. By completing an extensive audit of deal sheets we discovered missed deals and recaptured over \$150,000 in missed deductions.

The results: We implemented a new business process to route all deal sheets to all effected areas. We put in place a audit of merchant files on a regular basis so all effected areas would receive the needed information.

Case Studies

Put money back to the bottom line.

The business issue: Purchase Order terms and agreements not adhered to by the vendor on a regular basis, which resulted in overpayments and added labor cost in the A/P area.

The assignment: Developed a understanding of how price issues caused payment issues to the A/p clerks which resulted in a charge back process to vendors who deviated from the Purchase Order contract. transportation spend is currently managed.

The results: Charge backs in the first year were over \$25,000 and relations suffered. After the first year however, compliance was @ 93% and chargeback's were under \$2,000. Matching statistics were at 97% and this was removed from being a public audit finding.

Clicks & Mortar Representative Clients

Consumer Electronics

Best Buy
CompUSA
GT-Video
Victor Technologies

Specialty Retail - Hardlines

Claire's
OfficeMax
Barnes and Noble
General Nutrition Centers
W.H. Smith
Crown Books
Cole National

Specialty Retail - Softline

Cole-Haan
Dress Barn
J. Crew
Lane Bryant
After Hours Formalwear
Wet Seal
Urban Brands
Gymboree
Petrie Stores
Distant Replays
Factory Connection

Drug

Eckerd
Thrift Drug
Thrifty Drugs
Standard Drug

Duane Reade

Supermarket

Hannaford
Winn-Dixie
Publix
Von's
Kings Supermarkets
Kash 'N Carry Food Stores

HE Butts

Ralph's

Automotive

Advance Auto parts
Western Auto
MAC Tools
CSK Auto

Home Improvement

Pier 1 Imports
Home Depot
CCA Global Partners

General Merchandise

Alexander's
Federated Department
Stores
Family Dollar
Liberty House
Richway
Aeon Jusco (Japan)
Zeller's
Luria & Sons
Blain Supply
Rich's Discount Stores

Factory Outlet

Phillips - Van Heusen
London Fog
William Carter

Wholesale Distribution

Fleming Foods
Southeast Frozen Foods
Associated Wholesale
Grocery
Arthur Wells Group