



a Tesco company

Customer Story

itim Invoice Matching and Project 'Fix Shrink'

The challenge

Fitting with their *raison d'être* – to invest in people and price – One Stop convenience stores needed to address annually rising shrinkage costs in order to allow investment in these areas. In response, project 'Fix Shrink' was launched.

An important proof point in this project's complexity, and the vision and success cited against it, is the definition of shrinkage. Categorised into two types – known and unknown. The former covers markdowns and wastage – visible, quantifiable and easy to address. The latter, however, and the type on the agenda at One Stop, covers theft, non-delivery and supplier overcharges. Unknown shrinkage is hard to address.

One Stop knew the root cause and value attributed to each shrinkage type was wrapped up in a complex knot of internal (store and central) and external (supplier) procedural issues. So, where to start?

Through elimination, the key to this problem was identified as the ability to confidently match the Stock Ledger with actual stocks in store at product level.

In turn, suppliers could be paid confidently, at the correct cost price, for goods that were actually received rather than believed, or estimated, as received. With supplier non-delivery and overcharges known, the remaining discrepancy would be theft, and processes to fix this could be developed.

Excellence in invoice matching was required

Existing invoice matching – one of three disconnected systems in place to address shrinkage – only partially automated the process. Furthermore, matching was at header rather than product level. 42% of invoices weren't matched, passing over 300,000 invoices annually into an intensely manual matching process, outsourced to HSC in India. At most, an HSC clerk matched 150 invoices per week and, again, only at header level. Any further discrepancies were passed back to store, into another laborious process, for staff to resolve. Intolerable supplier payment backlogs, levels of discrepancies and staff time wastage remained. Throwing headcount at the problem just wasn't an option.

In October 2006, One Stop turned to itim to implement Didos – their highly advanced invoice matching solution, which automatically matches enormous invoice volumes, at product level.

The 'Fix Shrink' team was formed and an immovable 'go-live' date set for 1st March 2007 – the beginning of the financial year, and only five months away.



"This was a detailed and complex project, which touched all areas of the business. Didos has improved profitability by delivering real savings, and enabled visibility of shrink at cost, by store and by product.."

Mark Everitt,
Finance Director

The challenges faced and how they were overcome

One month in, presenting their project to Itim's Didos User Group, the One Stop team members became acutely aware of the enormity of their challenge. 'Normal' invoice matching projects are complex, impacting numerous business functions and processes, and invariably taking longer than five months, even with plenty larger teams than theirs. Compounding this, One Stop faced further challenges in parallel: introducing a new stock ledger, their day jobs, year end workload, supplier objections and disruptive strikes in India where HSC, their third party invoice matching company, is based.

But challenges and doubts were faced with determination, tight timescales overcome and the project's ultimate delivery was beyond expectations.

The key to timely delivery was a succinct plan, which was, by any definition, 'out of the ordinary'. A first imperative was the Board-set objective – 'simple for store'. But procedural change meant cultural change, requiring careful consultation against all related queries.



The main contention was delivery “drop and drive” – quite prevalent, and requiring process overhaul. A unique delivery unit reference was the answer, attached via labels to delivery notes. No reference back to this on invoice – no payment. Simple, but requiring supplier buy-in.

Itim also faced mapping huge amounts of remnant GRNI data from the legacy system failings, so One Stop asked suppliers to reduce the amount of data to cut over as well as changing their processes and invoicing references. Lengthy, difficult and numerous negotiations ensued. But cost benefits were proved and deals were done.

With so much in the mix, full team co-operation and communication was also a must. Itim specialists were made constantly available, and HSC worked to UK time, overcoming time differences. But complex process maps were required. Unfamiliarity with western retail store processes impaired HSC’s input. Seven weeks of in-store training in the UK from a cultural level up were required. Since Didos was to be operated at HSC, two weeks of reciprocal visits were required too for clerk training. Operator tests and certification ceremonies motivated rapid uptake and ensured correct usage on go-live.

Unwavering trust in itim’s specialist skills wrapped the package. Didos needed to be flexible but enticing benefits were continually uncovered. Itim’s experience and advice in Invoice Matching best practice kept a firm eye on the objective.

Pragmatism and tight change control on One Stop’s part avoided scope creep.

And finally came the crucial ‘Go, No-Go’ decision – the huge risk of cutting over a massive 75,000 remaining GRNI records from legacy to Didos. The ‘Go’ was confident, Didos coped and go-live on 1st March was flawless.

But what is hitting a date without also exceeding the expected results?

Customer Profile — One Stop

£1 billion +

approximate annual revenue (2018)

800 +

stores (2018)

1.3 million +

supplier invoices a year (2018)

Challenge

One Stop needed to address rising shrinkage costs to be able to invest in people and price.

Solution

Itim’s highly advanced invoice matching solution was chosen to automatically match invoices against delivery notes at product level.

Results

- Aggressive time and financial targets met
- Like-for-like shrink declined 15% in the first financial year alone
- Invoice matching rates of 74% reached in the first two weeks
- Store booking-in compliance increased 30% in the first week
- Improved supplier relations
- Increased investment in people and price

The benefits realised as a result of implementation

Day One saw Invoice Matching rates, this time at product level, rise by 16.25 percent. By March 14th, only two weeks in, this increased to 74 percent – an enormous 5,000 more matches in this time alone, at £1 tolerance! Matching clerks now work on thorough checks and a quality, not quantity, remit. Discrepancies are identified at product level and reverse debit notes are now a rarity. Far fewer anomalies are passed back to store, and these are now automated and logically presented.

One Stop has taken control of their supply chain. Commercial teams can now spot differences between One Stop and supplier prices. Queries no longer hold up payment. Better terms mean better buying leverage and improved cash flow all round. New Proof of Delivery processes increased store booking -in compliance to 94 percent – an increase of 20 percent, in week one. Staff and suppliers' workload has reduced, saving One Stop significant in-store labour costs. Store shrink accountability can now be enforced. Greater visibility allows central teams to nurture problem stores and resolve problems logically.

Theft identification has commenced too. Susceptible products are protected via store layout changes, additionally improving customer flow and store layout for profit. Margins are no longer wiped out on high-risk lines. Profitable lines are identified and optimised. Stock availability corrections are turning lost sales into more sales.

Overall, like-for-like shrink has declined 15 percent in the 2006/2007 financial year alone. This was mirrored in the following year.

Prior to implementation, One Stop lacked visibility of the real reasons for shrinkage. Today that position has changed. Radically. Success has been immediately visible and, less than one month from go-live, go-ahead has been given for 'Fix Shrink II' – to obtain even more savings based on increased visibility.

Mark Everitt, Finance Director at One Stop, concludes: "Didos has improved profitability by delivering real savings, and enabled visibility of shrink at cost, by store and by product. Processes are simplified everywhere, particularly in store, and we've achieved control over our direct delivered products to over 500 stores."

"There is a great sense of achievement around the business. The project was delivered absolutely on time and within budget and the team should be truly congratulated."

