

Integrated Solutions

FOR ENTERPRISE CONTENT MANAGEMENT

Ease Growing Pains With

OCR

(L to R) Stacie Baures, accounting scanning lead; Luke Beardseth, IS development support manager; and Amy Jilk, accounting scanning manager; Fastenal

Document imaging and OCR (optical character recognition) helped \$1.8 billion Fastenal increase the productivity of its accounting department 60%.

Ease Growing Pains With OCR

Document imaging and OCR (optical character recognition) helped \$1.8 billion Fastenal maintain growth by increasing the document processing productivity of its accounting department 60%.

by Ken Congdon

Installation Profile

Technology User: Fastenal is a \$1.8 billion distributor of industrial and construction supplies. The company operates more than 2,000 stores throughout the United States and carries an inventory that includes fasteners (e.g. screws, nuts, bolts), safety supplies, and welding equipment.

Problem: Fastenal was growing at a rate of more than 20% a year and wanted to continue this expansion without adding human resources in its centralized accounting department. A specific concern was processing invoices and remittances in a timely manner by eliminating the bottlenecks that were prevalent in the existing manual workflow of these documents.

Solution: Fastenal implemented a technology solution that consisted of BÖWE BELL + HOWELL 8125 Spectrum document scanners, AnyDoc®INVOICE and AnyDoc®REMIT data capture software, and EMC Documentum Application Xtender document management software. Using OCR (optical character recognition), this solution automatically locates and extracts relevant invoice and remittance data from a scanned image and uploads it into Fastenal's existing PeopleSoft system. Using this system as a catalyst, Fastenal was able to increase the document processing productivity of its accounting department and maintain company growth without hiring additional personnel.

Whether it's in terms of revenue, profit, customer base, or geographic presence, most companies strive to grow. However, just like anything else, growth must be properly managed in order to have a positive impact on your business. Grow too quickly, and your organization may find itself unable to cope with increased capital costs or ill-equipped to properly service its customers. This is exactly the scenario Fastenal wanted to avoid. Fastenal is a \$1.8 billion distributor of industrial and construction supplies, including fasteners (e.g. screws, nuts, bolts), safety supplies, and welding equipment and tools. The company operates more than 2,000 stores throughout the United States and has been consistently growing at a rate of more than 20% a year since 2000. The company wanted to sustain its domestic and global expansion without adding human resources to its centralized AP (accounts payable) and AR (accounts receivable) departments. Of particular concern was Fastenal's ability to quickly and efficiently process customer remittances and vendor invoices.

MANUAL DATA PROCESSING REQUIRES TOO MANY BODIES

Each month, Fastenal receives 190,000 to 200,000 customer remittances and 130,000 to 145,000 supplier invoices. Historically, these documents were processed manually by members of Fastenal's centralized AP and AR departments. Remittance documents, checks, and vendor invoices would all enter a central Fastenal mailroom. Incoming mail contained specific PO box information that identified it as a customer remittance or vendor invoice. This mail was then sorted by mailroom staff and dispersed accordingly among AP and AR personnel, who would then open each envelope, extract the contents, and manually enter the necessary account information into Fastenal's existing PeopleSoft ERP (enterprise resource planning) system.

This manual process was tedious and time-consuming, particularly when the transaction was complicated. For example, oftentimes customers would pay multiple invoices with one check. In those instances, the AR representative would key that check information into PeopleSoft, manually apply that check against all open invoices for that customer, and ultimately create a deposit report so the funds could be placed in the bank.

Fastenal began to look at how much this manual process could potentially cost the company in light of its projected growth. "Our combined team of 100 AP and AR employees could manually process an average of 10,000 invoice and remittance documents a day," says Luke Baardseth, IS development support manager for Fastenal. "At the time, we were roughly a \$1 billion company and these productivity figures were acceptable. However, with projections of Fastenal becoming a \$4 billion to \$5 billion company in as little as five years, we realized, at the pace we were going, we would need to hire an additional 200 to 400 people just to handle the increase in remittances and invoices we would receive. This wasn't something the company wanted to do."

Another problem with Fastenal's manual processing environment was that highly trained and knowledgeable AP and AR employees were spending a large portion of their workday performing tasks such as opening mail and manually keying in data. Fastenal realized it would make more sense

“At the pace we were going, we would need to hire an additional 200 to 400 people just to handle the increase in remittances and invoices. ...”

Luke Baardseth, Fastenal

economically if this manual labor was performed by lower-paid, part-time employees. This move would also free up AP and AR employees to focus on exception transactions and account management functions.

COMBINE DOCUMENT SCANNING WITH OCR TO ENHANCE PRODUCTIVITY

Fastenal began looking to technology as a way to improve its processing capabilities and cope with its projected growth. The company initially focused on document scanning, figuring it could cut some time out of the processing cycle by eliminating paper from the workflow and keying data from invoice and remittance images rather than the paper documents themselves. However, Fastenal quickly realized scanning alone would not increase its processing capabilities significantly enough. “Initial product demonstrations proved to us that while scanning would be central to the solution we decided to implement, simply creating a document image wouldn’t do us much good if we still had to manually key data into PeopleSoft,” says Baardseth.

That’s when Fastenal added OCR software to its project wish list. After evaluating three OCR software packages, Fastenal selected AnyDoc®INVOICE and AnyDoc®REMIT OCR solutions from AnyDoc Software (see sidebar on this page). The AnyDoc Software modules would

enable Fastenal to automatically locate and extract relevant data from the scanned image of a remittance document or vendor invoice and, following both automatic and human validation, upload this data into the company’s PeopleSoft system.

Fastenal decided it would establish a centralized scanning facility that would be outfitted with two BÖWE BELL + HOWELL 8125 Spectrum scanners and approximately 14 PC terminals equipped with the AnyDoc Software modules. Fastenal would staff this scanning facility with a combination of full-time employees from the existing AP and AR teams and new part-time hires.

This is where Fastenal faced a harsh reality — people don’t like change. Employees often reject a new technology deployment simply because it forces them to change their daily routine. Fastenal compounded this potential resistance by actually breaking up existing teams to staff the new scanning facility. Negativity such as this has doomed many other technology deployments to failure, but Fastenal made a dramatic and effective move to get its employees to use and embrace its automated remittance and invoice processing solution.

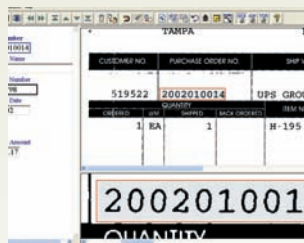
“During AnyDoc’s product demonstrations, we witnessed that it was possible to achieve productivity increases of more than 50% using OCR software,” says Baardseth. “Our

Does Your OCR Software Have A Good Memory?

One of the reasons Fastenal selected AnyDoc®INVOICE and AnyDoc®REMIT OCR (optical character recognition) software as part of its solution was that the two modules are specifically designed for the types of documents the distributor needed to process. For example, AnyDocINVOICE minimizes manual data entry by automatically capturing and processing invoice data to determine the appropriate vendor as well as invoice numbers, invoice dates, purchase order numbers, line-item descriptions and charges, payment terms, shipping charges, and taxes. Similarly, AnyDocREMIT helps to automatically feed back end systems, such as ERP (enterprise resource planning) systems, with account data from remittance documents and checks.

However, what really convinced Fastenal to choose these OCR options from AnyDoc Software was the memory capability

embedded in both modules. “In most cases, AnyDocINVOICE and AnyDocREMIT automatically locate key data fields,” says Luke Baardseth, IS development support manager for Fastenal. “Plus, after the invoice or remittance is scanned once, the software will remember where those fields are located on the document the second time through. If one or more key data fields are not found automatically, a verifier simply clicks on the fields and they are then memorized for subsequent use. This makes data capture more efficient by increasing the chances that the correct data is extracted. We felt this was a technical advantage over some of the other OCR packages we evaluated.”



The memory capability embedded in AnyDocINVOICE and AnyDocREMIT was a deciding factor for Fastenal.

For More Info. On AnyDoc Software

Go To www.anydocsoftware.com

CFO said that if Fastenal could increase overall finance productivity by 30% through the OCR project, he would increase wages by a certain percentage for all employees in the scanning, AP, and AR departments. His willingness to share the company's savings with the employees led to a groundswell of motivation behind the technology."

CROSS-TRAIN EMPLOYEES TO ACCOMMODATE PEAK PROCESSING PERIODS

Ten full-time employees were transferred from the AP and AR departments to manage the Fastenal scanning facility, and these employees were joined by 14 part-time hires. With the new solution, all mail is delivered to the centralized scanning facility where employees open all envelopes and separate documents by type (i.e. remittance versus invoice and single-page versus multipage). These documents are then scanned, and the digital images are automatically grouped into batches of 50 to 100. Next, these image batches are run through the AnyDocINVOICE and AnyDocREMIT software modules, where employees confirm that the images themselves are of high quality (e.g. the images aren't blurry or skewed). The software then automatically locates, identifies, and extracts all relevant data in each document image. Once operators verify that the data identified and extracted by the AnyDoc Software modules is correct, the image batches are released to a server for automatic upload into PeopleSoft. The images themselves are ultimately stored in an EMC Documentum ApplicationXtender repository for later retrieval.

Anywhere from 10 to 14 people at any given time perform image verification in the scanning center, but Fastenal has ensured that its entire AP and AR staff is also cross-trained on the verification process. A common occurrence in a mailroom environment is that mail doesn't come in evenly distributed over a month. There are days, such as Mondays or after a holiday, where there is a heavy flow of incoming mail. By cross-training its accounting staff on the verification process and installing AnyDocINVOICE or AnyDocREMIT modules on their PCs, AP

and AR employees can pitch in during these peak mail periods to ensure invoices and remittances are processed quickly.

The AnyDoc Software modules also help streamline collection efforts by allowing users to prioritize image batches. For example, if some large remittances and checks come in at the end of a month or quarter, Fastenal employees can program the software to ensure those remittances are processed first. This helps improve Fastenal's cash flow by allowing large checks to be deposited more rapidly.



"Our automated remittance and invoice processing solution ... increased the number of invoices processed daily from 10,000 to 16,000. ..."

Luke Baardseth, Fastenal

OCR PRODUCTIVITY GAINS RESULT IN 14-MONTH PAYBACK

Fastenal has experienced some significant benefits as a result of this technology deployment. "Since the implementation of our automated remittance and invoice processing solution, we increased the number of invoices processed daily from 10,000 to 16,000," says Baardseth. "This represents a 60% increase in productivity without adding any

personnel to the centralized AR and AP departments."

This productivity increase is largely due to reductions in manual data entry, with 25% of remittance documents and 12% of invoice documents processing through verification in less than 10 seconds. The estimated cost savings that resulted from these productivity gains allowed Fastenal to receive full payback on its technology investment in only 14 months. Finally, further cost justification for the solution is made by the fact that lower-paid, part-time employees now handle most of the tedious tasks associated with processing a transaction and higher-paid AP and AR employees are free to devote their time to more important accounting issues, such as collections.

While Fastenal's automated remittance and invoice processing solution has certainly helped the company successfully absorb growth for the time being, the distributor is by no means finished growing. It is currently seeking ways to squeeze more productivity out of the existing system by adding check truncation capabilities that will allow Fastenal to automatically route check images to its bank for clearing. This practice will further reduce the time it takes for money to be deposited in the company's account and improve cash flow. Fastenal also plans to implement AnyDoc Software's Infiniworx™ automated capture workflow and classification product to streamline the sorting and routing of its customer remittance documents. Fastenal has learned from experience the role technology can play in helping a business successfully manage growth. Keep this experience in mind to ensure you don't grow beyond your capabilities. □



Ken Congdon is the content management editor of *Integrated Solutions*. He can be reached at: kenc@corrypub.com.

AnyDoc[®]
SOFTWARE

Posted with permission from Integrated Solutions. Copyrighted 2007.

For subscription information, call (814) 868-9935 or visit www.IntegratedSolutionsMag.com.

#1-21591691 Managed by Reprint Management Services, 717.399.1900. To request a quote online, visit www.reprintbuyer.com.