

KOFAX

Capita Cuts Over 70% Off the Cost of Processing an Invoice

Capita Group plc, a FTSE top 50 company, is the UK's largest business process outsourcing (BPO) and professional services company, with annual revenues of £2.7 billion. Capita Group's existing purchase-to-pay (P2P) processes were labour-intensive, requiring significant manual keying and re-keying of inbound paper invoices into SAP. Requiring around 40 employees at multiple UK sites, the process had proved slow and error prone, with inefficient approval cycles and excessive queries.

CHALLENGE

The lack of adequate controls or visibility of processes, plus the large volumes of paper movement and storage the process created was unacceptable. Richard Good, SAP Programme Manager at Capita, explains: "It was a major task dealing with inbound invoice management and approvals, and as a result we had gained a reputation for late payments. The cost per invoice processed was also high, at around £8, well above the industry standard." In order to ensure operational excellence and added value to clients, as well as to maintain mutually beneficial relationships with suppliers, Capita sought to lead by example, and improve its own Business Process. To achieve this, the company's goal was to establish a UK Shared Services Centre and offshore AP processing to India; implement a new SAP ERP (Enterprise Resource Planning) system; and automate its manual purchase-to-pay (P2P) processes.

SOLUTION

Capita Document & Information Services (CDIS) division was tasked with creating and running the new Shared Services Centre located in Darlington. CDIS created a consolidated single central delivery address, with different PO box numbers for each of Capita Group's legal entities. All inbound invoices were then received and scanned by the Capita CDIS team. Capita also demanded an implementation of OCR (Optical Character Recognition) technology for centralised, high-volume invoice scanning, integrated with SAP. This, as Good observes, would: "Enable us to automate our inbound paper invoice processing, reduce our people costs and store scanned documents in a single place."



CAPITA

Listed on the London Stock Exchange, Capita Group plc is a UK-based provider of business process management and integrated professional support service solutions, employing a staff of 75,000 across 94 multi-service business centres in the UK, Northern Europe, India, South Africa and Dubai. Capita clients include both public (47%) and private (53%) sector organisations, encompassing:

- Local government
- Central government
- Education
- Transportation
- Health
- Life and pensions
- Insurance

Other private sector organisations, including financial services

As of 2015, Capita had observed at least six years' continuous growth in underlying revenue, operating profit, pre-tax profit and earnings per share. Capita spent more than £400m on acquisition activities in 2015. Their supply chain includes nearly 40,000 suppliers (76% are SMEs), and spend is roughly £1.8bn annually.

PRODUCTS IN USE

Kofax ReadSoft Invoices™
Kofax ReadSoft Process Director™

To achieve this Capita turned to document process specialist Kofax. Kofax recognises that manual sorting, distribution, and preparation bleed unacceptable amounts of time and resources. Kofax ReadSoft Invoices™ OCR software is classifying, sorting and distributing incoming documents.

“We’ve cut the cost of per-invoice processing to just over £2 (down from £8 per invoice).”

ReadSoft Invoices can process any type of invoices, including handwritten documents, automatically extracting, identifying and verifying Capita’s invoice data. With invoices captured, the software is able to detect and verify supplier and buyer identities, the type (general expense or purchase order) as well as whether it is an invoice or a credit note. Thus the correct business rules are automatically applied.

Extended line item tables and multiple VAT rates may be extracted, with all information checked, using either calculations or by comparison with resident data, such as ERP ledgers. If every-thing is correct and the invoice corresponds to an approved purchase order, it can bypass manual verification and be posted automatically. Any invoices not passed through automatically are escalated to Capita’s back-office AP processing facility in India, where staff check and verify any queries before passing the invoice back into the approval cycle. Any noncompliant invoices are rejected and sent back to the vendor.

Verified invoices are routed for approval via electronic workflow using Kofax ReadSoft Process Director. This provides Capita with an electronic workflow for processing invoices in SAP. Operators can have a personalised inbox containing only the invoices they are authorised to handle. Process Director uses the existing SAP system which means that Capita users can work in a familiar environment they know well to handle exceptions, coding and invoice approval. Any correction is automatically revalidated according to the predefined rules.

Operators have clearer sight of where invoices are in that process even when out of the office, preventing bottlenecks. “Users are able to log in to a customised Web portal to check and approve invoices, and do not need access to SAP,” said Steve Long, Project Team Lead, Capita. “They can log in from wherever they are, it’s simple to use, and we save on SAP user licences and training.”



RESULTS

According to Richard Good, automating manual purchase-to-pay (P2P) processes now means, “Invoices received by mail in the morning are scanned and are available same day on the system. Payment on-time has increased, significantly enhancing our reputation, and we have far fewer query escalations.”

Despite the rising number of invoices received and processed, around 400,000 per annum, Capita is seeing significant benefits from its new automated Shared Services Centre operation. “We’ve cut the cost of per invoice processing to just over £2, and reduced our back office resources from 40 in the UK to 20 in India, saving in excess of £1 million per annum,” said Good. “We achieved ROI on scanning in the first year of operation, and have been able to implement better controls and improved visibility of our invoicing processes, avoiding fraud and duplicate payments which previously cost us hundreds of thousands of pounds a year.”

Deploying ReadSoft Process Director has also helped meet the demands Capita established to implement a new SAP ERP system. With all data within SAP it now has a much faster, accurate and reliable way to get its invoices through the purchase to pay process with approved invoices paid via SAP. Further reductions in invoice processing costs are anticipated from initiatives such as purchase order and invoice matching in SAP, and integration with SWIFT, the online banking payments community.

Using Kofax solutions, Capita has managed to cut the cost of processing a single invoice to just over £2 from £8 per invoice – a 70% cost reduction.

Capita have reduced back office staff from 40 in the UK to 20 in India and are saving £1 million pounds per year.

The company opted to use the ReadSoft Invoices and Process Director solutions.

The Kofax solutions were integrated with Capita’s SAP ERP system and helps them process more than 400,000 invoices each year.

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