

CHEMICALS

Specialty Chemicals Company Released \$13M in Cash Flow

25:1

*Return on
Investment*

CHALLENGE

Optimize Working Capital with Focus on Accounts Payable

A construction products technologies company dedicated to the development of high-performance products had continuous declining cash flow and poor credit standing. The organization asked for help in optimizing working capital, focusing on Accounts Payable.

OUR FINDINGS

Identified 8 items for improvement

- **Poor invoice payment performance** with only 52% paid on-time or slightly late due to late invoice postings; quarter-end holds and antiquated invoice capture technology
- 23% of invoices paid early, including **15% of spend paid almost immediately**
- **55% of early payment discounts lost** and discounts available represent less than 20% of the industry benchmark
- **Over 60% of spend had terms of 45 days or less**, versus an industry benchmark of 60 days average
- **An excessive number of Vendors and vendor terms with considerable duplication and needless complexity**
- **Opportunity to reduce invoice processing costs** by addressing a significant volume of invoices below \$500.00
- **Excessive level of invoice postings** without full distribution classification/descriptions for proper review and reporting
- **Underperforming commercial card program** with a lack of global footprint

SECTOR
Specialty Chemicals

CAPABILITY
Working Capital

REFERENCE
09-CC

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IMPLEMENTATION

We focused on 6 areas to improve cash flow and optimize Accounts Payable

- Tiered suppliers by the level of spend and importance to our client and developed a strategy for each tier
- Immediately addressed ALL spend with terms spend of less than 7 days to determine the validity
- Reviewed over 11,000 supplier profiles to determine appropriate vendor terms or extensions
- Introduced new policies and procedures to control and reduce Supplier Advances & Deposits
- Developed and communicated new Global Terms Policy and Delegation of Authority for any deviations
- Implemented new invoice capture software to improve payment timeliness and added Supply Chain financing features to provide suppliers portal access and options to increase early payment discounts

RESULTS

All delivered at a 25:1 client ROI

Cash Releases **\$13M**

Annualized Savings **\$1.8M**

Reduction of the number of supplier terms (170 to 42) **75%**

Reduction in frequency of payment runs (daily to bi-weekly) **71%**

Increased early payment discounts **20%**



“This workstream made a big difference for our business, and the timing and speed of execution could not have been better.”

CFO / Treasurer

