

MANUFACTURING

Global Construction Materials Company Improved Cash Flow by \$13M

25:1

Return on Investment

CHALLENGE

Optimize Accounts Payable

A global construction materials client faced a 2-3% year-over-year increased cost of goods sold in a highly competitive and price-sensitive marketplace. Our client had continuous declining cash flow and a low credit standing. The organization asked for help in optimizing working capital, focusing on Accounts Payable.

OUR FINDINGS

Identified 8 items for improvement

- Over 60% of spend had terms of 45 days or less, versus an industry benchmark of 60 days on average
- 23% of invoices paid early, including 15% of spend paid almost immediately
- 55% of early payment discounts lost. Discounts available represented less than 20% of the industry benchmark
- Poor invoice payment performance with only 52% paid on-time or slightly late due to late invoice postings, and quarter-end holds and antiquated invoice capture technology
- An excessive number of Vendors and vendor terms with considerable duplication and needless complexity
- Opportunity to reduce invoice processing costs by addressing the 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 lack of a global footprint

SECTOR
Building Products

CAPABILITY
Working Capital

REFERENCE
12-MC

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IMPLEMENTATION

We focused on 6 areas of impact to improve cash flow and credit standing

- Tiered the supplier base on level of spend and importance to our client and developed a strategy for each tier
- Immediately addressed ALL spend with terms of less than seven 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**,
4:1 cost savings

Cash Releases **\$13M**

Cost Savings **\$1.8M**

Reduction of supplier terms
(170 to 42) **76%**

Extended payment tax
entities (0 days to 10 days) **>25%**

Vendors extended
payment terms with a
target of 60 days **>40%**

Improvement of early
payment discounts taken **20%**



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

CFO / Treasurer