

The e-Business Audit

Add 0.5% to 2% Points
To Your Gross Profit



Allen Ray Associates, Ltd





What is E-Business?

The transformation of internal business processes using Internet technologies.

E-business improves performance, creates value and strengthens relationships with customers and suppliers while adding profit to your organization.



We Ask...

**What would
0.5% to 2.0%
In Increased
Gross Profit
Mean to
YOUR
Business?**



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The Bottom Line on 0.5% to 2% Points of GP

	Available Profit from Productivity Gains	
	Min	Max
Annual Revenues	0.50%	2%
\$40,000,000	\$ 200,000	\$ 800,000
\$60,000,000	\$ 300,000	\$ 1,200,000
\$80,000,000	\$ 400,000	\$ 1,600,000
\$100,000,000	\$ 500,000	\$ 2,000,000
\$150,000,000	\$ 750,000	\$ 3,000,000
\$200,000,000	\$ 1,000,000	\$ 4,000,000
\$300,000,000	\$ 1,500,000	\$ 6,000,000
\$400,000,000	\$ 2,000,000	\$ 8,000,000
\$500,000,000	\$ 2,500,000	\$10,000,000

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If You Answer “Yes” to 7 of 10, We Can Add \$’s to Your Business

1. \$40 million minimum annual revenues or greater?
2. Are you doing a minimum of 1 EDI transaction sets with <8 Manufacturers?
3. Using unsynchronized, uncertified product and price data?
4. Manually process more than 30% of invoices?
5. Manually load more than 10% of SPA prices?
6. Manually claim SPA credits?
7. Accounts payable + SPA personnel exceed **five** FTE people?
8. Waiting more than 1 week to receive SPA credits from manufacturers?
9. Are you receiving more than 10% of your product information directly from your manufacturers?
10. Is your product and pricing information updated at least monthly?

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Where Are Profits Hidden?

\$ Inadequate Gross Margins

\$ High Ordering Costs

\$ High Accounts Payable Costs

\$ High SPA administration costs

\$ High Cost of VAN Services



Breaking It Down Further

- ✓ **Inadequate Gross Margins**
 - ✓ Cause: costs and resale price information incorrect or not up to date
 - ✓ Cause: Not claiming all SPAs you are due
- ✓ **High Ordering Costs**
 - ✓ Cause: UPC numbers, prices or standard package quantity information doesn't match manufacturer
- ✓ **High Accounts Payable Costs**
 - ✓ Cause: Manual invoice processing
 - ✓ Item and price data does not match manufacturer's increasing labor to handle manual exceptions
- ✓ **High SPA administration costs**
 - ✓ Cause: Manual claims process extremely time consuming
 - ✓ Cause: Incorrect reference costs result in inaccurate claims calculations vs manufacturer
- ✓ **High Cost of VAN Services**
 - ✓ Cause: paying more than 7 cents per kilochracter
 - ✓ Cause: paying for product data uploads and downloads



The Two Culprits

1. Unsynchronized Product Data

- UPCs don't match
- Costs don't match
- Costs not up to date
- Resale pricing not up to date

2. Manual Processes

- Fax and Phone Ordering
- Manual 3-way match Invoice Processing
- Manual SPA Price Loading
- Manual SPA claims and credits processing

The Opportunity Areas

From	To
Unsynchronized Data	Synchronized data with the IDW2. Right costs, UPC numbers, and std package quantity ensures expected margins, less line item rejections
Fax and Phone Ordering	Automate ordering with EDI 850 and web ordering
Manual Invoice Processing	Automate Accounts Payable with EDI 810 invoice processing
Manual SPA price loading	Automate SPA price loading with EDI 845 price notifications from manufacturers
Manual SPA claims and credits processing	Automate SPA claims with EDI 844 claims and EDI 845 credits

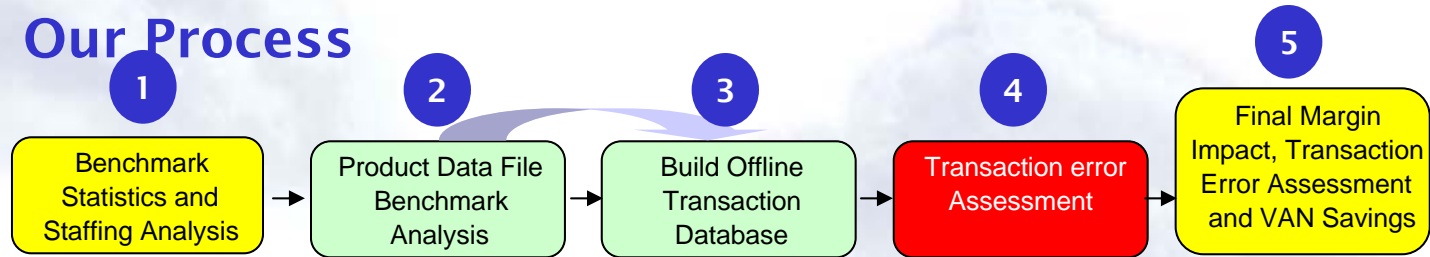
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How To Get There: The eBusiness Audit

- We'll Determine Your Hidden eBusiness Profit potential
 - Product Data Cleanup Profit Potential
 - Process automation profit potential
 - Other Profit Potential (VAN savings, pricing practices, etc.)
- We'll Prepare An Outline Of Key Initiatives And Key Resources For Getting Things Done
 - Product Data Cleanup and reloading
 - Pricing Initiatives
 - Process Initiatives
 - Process reengineering recommendations for ordering, A/P, SPA claims
 - Supplier Prioritization
 - Business Systems Applications and Modifications
 - Functional reorganizations and rationalizations

Our Process



- Source of Product Data
- Pricing Practices
- Personnel by Function
- Suppliers using EDI
- EDI documents by supplier
- VAN usage and costs
- Warehouse automation Practices
- SPA practices and statistics
- Transaction Statistics
- Transaction Line Item Error statistics

- Venn "Three Circle" Analysis
- Match your data file against Your Data Suppliers data file and certified IDW2 Data on
 - UPC
 - Cost
 - Min Order Qty
 - Column (Trade) Pricing
- Record Diagnoses:
 - Matching records
 - Records not matching
 - Fields out of sync
 - Required additions
 - Obsolete SKUs requiring record pointer to new UPC number

- Use to calculate economic impact of errors and error reductions for differentiation types of transactions
- Transactions
 - Orders to mfgrs
 - Invoices from Mfgrs
 - Orders and invoices from customers
 - SPA claims and credits
- Files
 - Customers
 - Suppliers
 - Line Items
 - Product Master and Pricing Master
 - IDW2

- Determine per error costs from headcount costs, time allocation to task and number of errors.
- Compare benchmark error rates to client error rates
- Savings is difference in rates times number of transactions times cost per error

- Margin loss from improper selling prices
- Productivity Savings form transaction error reductions
 - Orders
 - Invoices
 - SPA claims
- Potential headcount reduction by function
- VAN charges savings

Increasing Competition, Decreasing Margins Leads to Need for Profit





Next Steps

- Phase I – Benchmark Statistics
 - Assessment Areas
 - Source Of Product Data
 - Pricing Practices
 - Personnel By Function
 - Suppliers Using EDI
 - EDI Documents By Supplier
 - VAN Usage And Costs
 - Warehouse Automation Practices
 - SPA Practices And Statistics
 - Transaction Statistics
 - Transaction Line Item Error Statistics