

Ecommerce Leader Outsources Accounts Payable to Better Scale and Support Hyper-Growth



Client Profile

Our client is a high-growth online specialty retailer headquartered on the West Coast. Backed by private equity, it specializes in clothing and outdoor recreational gear for hiking, camping, biking, climbing, fishing, and many other categories focused on the outdoor enthusiast.

BUSINESS CHALLENGE

Unlike many industries, the pandemic generated overwhelming business growth for our client as an increasing number of consumers started buying more online and looking to do more outdoor activities.

After experiencing several years of exponential growth, the client realized that it had outgrown the capabilities of its current Accounts Payable (AP) organization in the U.S. The client's operation was performing well below industry benchmarks from a cost, efficiency, and service perspective.

The current AP Operation was “transactionally” focused and suffering from the following:

- Manual operations typical of a much smaller or start-up organization.
- Lack of process discipline and automation, creating a dependency on people and limiting the client's ability to scale during peak seasons and as it continues growing.
- A high volume of process exceptions due to multiple other P2P (Procure to Pay) process inefficiencies happening outside AP, including Purchasing and Receiving.
- Vendors were continually putting the client on hold as it struggled to pay on time due to the high number of exceptions and the typical time to resolve them.
- The ability to work with a large, fragmented set of vendors to increase product assortment was foundational to the client's growth strategy (the more products they could offer, the quicker they could grow). However, challenges keeping vendor payments current to have product available had put this growth strategy at risk.
- High turnover and employee burnout was a serious issue since the client was located in the suburbs of a remote population hub with limited talent available.



These challenges combined to create an environment where the client's AP team was unable to keep up with the high volume of transactions and exceptions without continually adding headcount.

Finally, the client was upgrading its ERP to a scalable cloud-based solution while also launching several process improvement initiatives within P2P. The client needed a partner who could add to this initiative and be flexible enough to keep pace in an environment with changing processes.

SOLUTION

Given the urgency, the client and Auxis agreed to take a rapid, proof of concept approach to outsourcing. Auxis quickly established connectivity to the client's environment and assembled an initial 7-person Accounts Payable team from Costa Rica for a small set of vendor and invoice types. Auxis leveraged the client's existing documentation and training processes, allowing the team to be hired and "work ready" in 4 weeks.

Auxis and the client established weekly processing and service-related targets to ensure the team was capable of exceeding the client's performance standards. After quickly surpassing all targets, a second team was added, along with a lead and supervisory structure. This allowed the client's AP manager to focus on other Procure to Pay improvement initiatives while Auxis handled the core AP functions (processing, exceptions management, and inquiries) for an even larger set of vendors and invoice types.

As part of the transition, multiple process improvement initiatives were implemented focused on efficiency and quality of service:

- ✓ Restructured the team by separating invoice processing from vendor inquiries to **allow specialization** and higher productivity.
- ✓ Implemented **QA processes** to ensure accuracy.
- ✓ Created **Power BI dashboards** to provide visibility and transparency to both team and individual performance vs. KPIs.
- ✓ Implemented a **performance management process** where daily metrics were reviewed and incorporated into individual coaching and feedback sessions.
- ✓ Supported several P2P improvement initiatives by providing subject matter expertise around the process and requirements, testing IT changes, and working directly with vendors to align invoice formats to support automation and electronic invoicing initiatives.



RESULTS

The initial AP outsourcing pilot was a smashing success. Auxis is currently operating as an extension of the client's team and has continued to take on greater volume as the team and relationship have matured.

Key results achieved include:



90%+ Reduction of Vendors on Hold - The average number of vendors who have put the client on hold in a month has declined more than 90% since outsourcing to Auxis. This improvement has allowed the client to grow its product assortment and have product in stock to fulfill orders in support of its growth strategy.



25%+ Labor Savings - While cost savings was not a focus of the initiative, standing up the AP operation in Auxis' nearshore Costa Rica center delivered labor savings of more than 25% vs. the client's U.S.-based operation. Once automation initiatives are fully implemented (e.g., RPA (Robotic Process Automation), Intelligent Data Capture), the total projected cost savings are estimated to reach 40%+.



25%+ Productivity Gains - The outsourced team has been 25% more productive in lines processed per user than its U.S. counterparts.



Better Accuracy - Accuracy has continuously improved, with tenured AP processors consistently processing above 99% accuracy.

Most important, by trusting Auxis as its outsourced partner, the client has been able to quickly scale up to continue absorbing growth while focusing attention on more strategic P2P initiatives like expanding EDI and exploring AP automation with Auxis support.

