Auxis Outsourcing Solution Transforms Health & Beauty Giant's AR Function

Client Profile

Our client is a global, publicly-traded, health and beauty company with annual revenue of $1.6 billion and 7,000+ employees. Founded in 1932, its diversified product offering is sold through a variety of channels, including big box retailers, high-end department stores, convenience stores, and beauty salons.

Business Challenge

To better serve its Americas operations, the company had consolidated several business units and locations into a hybrid shared services model, leveraging Auxis as its BPO provider. The company's goal was to initially "lift and shift" operations to Auxis. But several broken processes were discovered in the Order to Cash (OTC) function during the migration, with the biggest challenges in Accounts Receivable (AR):

» **Customer credit limits had not been reviewed for several years and were not being managed or enforced as customers placed new orders.** Culturally, both customers and the client's sales force were resistant to the enforcement of credit policies. Once credit policies were reinstated, several accounts and orders were put on "credit hold," blocking the release of orders and impacting revenue and cash flow.

» **Collections lacked best practices.**
- » Aged balances were not appropriately managed.
- » As collection efforts were renewed, it was discovered that several aged balances had to be written off because the customers had gone out of business before their accounts could be handed over to legal or outside collections.
- » Several customers were not educated around their payment terms and bills that were coming due. They only made payments as orders were put on hold.

» **Within Cash Application, payments were being incorrectly applied at the customer level instead of the invoice level – creating nearly five years of misapplied cash.** This led to billing disputes, misapplied credits, and a large backlog of customer reconciliations to true up previous period billing and payment activity.

» **The client was managing trade deductions poorly - handing Auxis more than $2.3 million in unprocessed deductions aged greater than two years.** This led to countless billing disputes and payment delays.

» **A general lack of visibility into volumes, processing metrics, and aged customer balances made it very difficult to hold the legacy team accountable to manage the OTC function.** Operating metrics were not regularly calculated or reviewed. Service Levels were also not defined and therefore not regularly reviewed and discussed.

The general lack of standardized policies, controls, and process discipline across the OTC function required immediate action. As a result, the client expedited the migration of its AR function to Auxis - accelerating the termination of internal process owners and requiring Auxis to develop and implement new processes.

Solution & Approach

Auxis quickly mobilized a team of Order to Cash subject matter experts from its consulting and operations teams to perform a rapid review and triage of current issues for the company. The review included:

Walkthroughs and strategic interviews with key stakeholders to understand pain points.

Issues identification categorization to support deeper actions based on root cause analysis.

Upon completion of the review, Auxis constructed an action plan with a two-pronged focus:

Short-term triage activities

Designed to quickly improve visibility, quality, oversight, and responsiveness while stabilizing the AR function.

1. **Stood up and trained a new outsourced team under Auxis management that was focused on cleaning up historical operations.** Initial work involved:
    »   Correctly reapplying and reconciling customer payments from the previous five years to create an accurate view of remaining customer balances and their ages.
    »   Reviewing and applying the $2.5 million+ backlog of deductions to resolve customer billing and payment disputes.

2. **Developed Excel reports providing one version of the truth for key AR metrics.**
    That included size of balances, accurate aging, time to process, productivity of collectors, accuracy of processors, and credit hold order statistics.

3. **Implemented a daily cross-functional standup meeting** including the commercial team, finance, and AR to manage the process for reviewing, curing, and releasing orders on credit hold until the backlog returned to normal levels.

4. **Reviewed and redesigned the current end-to-end OTC process,** developing standard operating procedures (SOPs) prioritizing key tasks.

Long-term fixes to greater operational issues

Longer-term process improvement initiatives included automation, reporting, process efficiencies, and more.

1 **Implemented robust Quality Assurance (QA) and Performance Management processes.** The processing team performs QA audits on significant samples of processed transactions to collect quality and efficiency statistics. Individual and team performance are reviewed daily with the processors to drive performance.

2 **Improved Cash Applications.** After the team was fully retrained on the correct Cash Applications process, Auxis implemented daily bank reconciliations to easily catch any errors. 100% of items processed by new hires are audited for about two weeks during the learning curve. Any errors that are found become a learning experience for the entire team. Overall or customer-specific SOPs are also updated to include those scenarios as applicable.

3 **Migrated AR reports to PowerBI dashboards.** This supports a robust Performance Management process that incorporates established Service Level Agreements (SLAs), personalized targets, regular metrics reviews, and frequent feedback and coaching to individual processors. Service Level review rhythms were also established to ensure an open avenue for reviewing and escalating client service issues quickly.

4 **Implemented a process to regularly review customer credit limits, external credit scores, and payment activity.** Ultimately, the goal is to gradually move credit limits so they balance sales opportunities with credit risk.

5 **Reorganized the department to create a specialized deductions management team** focused on reviewing, disputing, and clearing deductions.

6 **Moved to a paperless environment.** All reviews and approvals are supported via workflow emails and electronic documentation saved in SharePoint for archival and audit purposes.

7 **Implemented customer education and reminder processes within the Collections team.** Ensuring customers are aware of payments coming due helps prevent credit holds from blocking the order release process.

8 **Launched a Continuous Improvement program** along with a cross-functional client team to implement automation and address other long-term fixes to the end-to-end Procure to Pay (P2P) process.

Results

By accelerating the AR migration to Auxis, the OTC function stabilized quickly. With Auxis support, the client has been able to shift from fighting fires to focusing on the continuous improvement of end-to-end Order to Cash with the following results:

The balance of unprocessed trade deductions is now below $150,000, with none aged more than 90 days.

Auxis identified and **recovered more than $500,000 in deductions** that customers tried to claim twice.

The average cycle time to process payments has been reduced by more than 70% from 3.2 days to less than 1 by a leaner, more efficient team that utilizes automation and metrics to drive further efficiencies.

Time to review, process, and release an order on hold has been reduced nearly 85%, from 6 hours to 1 hour.

With the implementation of QA audits and Performance Management processes, **processing accuracy, which could not be tracked previously, is now consistently well above 98%.**

Within a matter of months, **Auxis was able to "re-apply" cash from the previous two years to reconcile customer balances.**

Auxis and the client created a standard set of Service Level metrics that have stayed in "green," indicating **long-term consistent performance above the agreed-upon service and performance targets.**

Auxis-developed **dashboards have been fully incorporated into the AR process,** providing insights into the management of customers and processing statistics to manage operations.