

Global Retailer Leverages Auxis' AP Outsourcing for Latin America to Support Expansion to 150+ Stores



Client Profile

Headquartered in Europe, the client is a \$3B leading jewelry manufacturer and retailer with a global network of franchisees and retail partners. Publicly traded, the company has more than 27,000 employees and their products are sold in more than 100 countries.

BUSINESS CHALLENGE

Over the previous five years, the client's Americas Division had experienced massive growth. To quickly support an aggressive expansion into Latin America, it created "emergency" Accounts Payable (AP) processes designed to meet the minimum and immediate requirements of getting the business off the ground.

A U.S.-based team provided AP support for Latin America using immature processes that were built before expansion in those markets was ever considered. But by focusing on establishing AP operations quickly, the client sacrificed quality design and controls.

As a result, the AP function experienced several deficiencies that created an unstable environment:

- **High cost of AP resources** in the Northeast, with limited Spanish capabilities and experience working with Latin American markets.
- An **outdated, manual invoice process that relied on paper files and individual emails** to manage approvals and inquiries.
- An **uncontrolled backlog of unprocessed invoices** awaiting purchaser approval, with no mechanism for understanding what invoices to expect or ensuring they arrived at the right location.
- **Sporadic negotiation of payment terms impacted cash flow**, with most vendors submitting invoices as "due on receipt."



- Adhoc payment runs to satisfy manual urgent payments for vendors, **lacking controls and a research function to avoid duplicate payments and other errors.**
- **Lack of visibility into expenses paid on behalf of Latin American entities**, making it difficult to true-up their Profit & Loss (P&L) once local bank accounts were established or ensure that certain expenditures were capitalized appropriately.
- An **unreconciled AP module** with open balances more than 3 years old.
- **Lack of visibility into outstanding obligations** made it challenging to ensure entities had enough available cash to fulfill them.
- **General lack of best practices** to ensure the AP team could pay vendors on time while maintaining control of the purchase and payment cycle.

SOLUTION & APPROACH

Given Auxis' extensive experience in Latin America and in Accounts Payable operations, the client decided **to outsource AP among other finance functions to the Auxis BPO Center in Costa Rica.**

As part of the AP outsourcing transition, Auxis mobilized a team of Procure to Pay (P2P) experts to perform a rapid review and triage of the client's AP challenges, pain points, and opportunities for improvement.

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

Short-term triage

As the Auxis team worked to create a mature, long-term solution for the client at its nearshore Global Delivery Center in Costa Rica, it **stabilized the existing operation with immediate improvements to visibility, quality, oversight, and responsiveness:**

1. **Created basic AP policy and approval guidelines for the Latin American operation**, including:
 - An Authority Matrix for purchase limits and approvals.
 - "Pre-approved" invoice rules for recurring expense types like rent, insurance, utilities, and armored car and security services.
2. **Defined the operating rhythm for key AP processes**, including:
 - Processing cutoff rules that define when invoices must be submitted and approved for inclusion in scheduled payment runs.
 - Processing and approval turnaround standards. For instance, the business must approve invoices within 7 days and approved invoices must be processed within 48 hours.
 - Establishment of weekly payment runs with a strict policy for requesting and approving urgent manual payments.



3. **Implemented a daily cross-functional standup meeting** to review, manage, and cure the exceptions backlog until it returned to normal levels.

Long-term fixes to greater operational issues

1. **Implemented process improvements** such as establishing a centralized AP mailbox to receive invoices and inquiries for each country, instead of relying on individual purchasers to forward them to the AP Department. Auxis also deployed the **SysAid service management** tool to track and manage invoices and exceptions.
2. **Supported the client's implementation of a Basware AP module with better workflow, OCR (Optical Character Recognition), and invoice automation technology** to greatly reduce processing volume and errors for large countries like Mexico.
3. For smaller countries with less volume, Auxis **deployed SharePoint to support key AP processes** like manual payment requests, vendor master data setups, and invoice processing with an image repository that improved research and workflow for approvals.
4. **Implemented stronger processes and controls surrounding customs activities**, reducing operational delays and ensuring product/expense types are recorded accurately and appropriate tax rates applied.
5. **Created PowerBI dashboards to provide one version of the truth for key AP processing metrics.** That includes invoice volumes, processing time per invoice, invoice errors and processing accuracy, and exception backlog statistics.
6. Reconciled AP subledgers and vouched payments made from bridge accounts to **true up payments made while Latin American operations were being established.** This included implementing a vendor reconciliation process and working with vendors to match previous remittances to appropriate payments.
7. **Implemented robust Quality Assurance (QA) and Performance Management processes.** Performing QA audit on significant samples of processed invoices enables the processing team to continuously improve quality and efficiency. Individual and team performance is reviewed daily with team members.
8. **Established standard default payment terms, with exceptions requiring appropriate documentation and approval.** Auxis also **managed communication of the policy change** with the business and vendors.
9. **Launched a Continuous Improvement program** and cross-functional client team to address long-term improvements to the end-to-end P2P process.



RESULTS

By implementing process improvements, cutting-edge automation, performance reporting, and more, the Auxis AP Outsourcing solution quickly stabilized the client's AP function and laid a solid foundation for supporting long-term growth across Latin America.

Key results include:

- **Supporting rapid growth from 0 to more than 150 stores with minimal additional AP headcount.** Auxis maintains a centralized, mature, scalable, and efficient AP function from its Costa Rica-based nearshore center that currently supports 6 Latin American countries.
- **Quality, multilingual talent at a fraction of the cost.** Moving back office support to Costa Rica reduced costs by **56%** versus the current cost of operating the team in the US - creating an Internal Rate of Return (IRR) of 225% and a payback period of less than 6 months. The client also gained access to local market expertise and language skills missing in its U.S.-based operations.
- **99%+ accuracy of invoice processing.** Auxis significantly improved the quality of the AP function, with few escalations from the business.
- **97% of payments issued on time.** Exceptions typically stem from lagging approvals by expense owners, not errors from the AP team.
- **Near-100% payment accuracy for more than 8 months.** Zero duplicate payments have been issued in that time.
- **Cleared exceptions backlog.** Currently, most invoices are approved and processed within less than 4 days.
- **New insights for managing operations.** With reporting dashboards fully incorporated into the AP process, teams can utilize statistics for better management of vendors, the payment process, and overall AP operations.
- **In-house Finance teams freed to focus on higher-value work.** With Auxis in control of the AP function, it moved from a state of constant firefighting to a proactive, efficient operation. With outsourced operations running smoothly, the client's in-house staff has the bandwidth to work closely with the business on its strategic growth agenda.

