

Honda Logistics Turns AP into a Profit Center with Document Automation

Based in Ohio, Honda Logistics North America, Inc. was founded in 2013 and operates nine separate companies under Honda Logistics, Inc. In total, the organization is comprised of Honda Logistics North America, Midwest Express, One World Logistics, One Solution Logistics, South East Express, New South Express, Promex, Komyo de Mexico and Komyo Logistics, most of which were established long before 2013. Honda Logistics is the central service company for these nine entities that support Honda Manufacturing. The company's line of business includes providing special warehousing, storage services, freight, sub-assembly, transportation, logistics and parts for Honda.

Challenge

Brad Gerritsen, Accounts Payable Coordinator, manages the Accounts Payable department for Honda Logistics' seven of the nine companies. He has been in the industry for 21 years, spending the last 11 years in Finance under Midwest Express and now Honda Logistics. Honda Logistics processes 135,000 invoices per year, which were all previously handled manually by a team of people, requiring lots of time and data entry into their JD Edwards system. Gerritsen knew there was a better and faster way to process invoices, so he began researching invoice automation at industry conferences.

After proving that a streamlined automation solution was the right path, the Manager of Finance gave Gerritsen the approval to spearhead the automation project and move forward. Gerritsen researched and vetted three different companies that would satisfy the requirements of handling all companies' invoices and the associated workflow and approval routing into JD Edwards. Tungsten Network was a clear winner by meeting all the prerequisites using a combination of Ephesoft Transact and Tungsten Network Workflow platforms. "We needed a system that could manage all seven companies' invoices separately as well as having a clear authorization matrix for approvals. Tungsten Network offered us the best solution for a complex business," said Gerritsen.



Customer

Honda Logistics, North America

Industry

Transportation & Logistics

Application

Accounts Payable

Partners

Tungsten Network & Fujitsu

Results

- AP department has transformed into a Profit Center with SUA payments
- Cashflow visibility allowing deep discounts and cash management
- Ability to track 135,000 invoices per year with 2 staff
- Ageing process has decreased from 90 days to 2 days
- Fast, seamless audits and reporting
- Job satisfaction with strategic decision-making
- Improved vendor relations

Solution

In October 2015, Tungsten Network successfully implemented Ephesoft for intelligent document capture and Tungsten Network Workflow tool for routing, approvals and integration into JD Edwards. Gerritsen trained all new vendors to send in an electronic PDF format, but the vendor paper invoices still dominate because of One World Logistics brokerage requires a paper process. The brokerage, which contracts out freight services, processes approximately 2,000 to 2,500 invoices per week, often with multiple backup documents. Once the invoices arrive, they are barcoded and scanned using Fujitsu scanners. The scanner separates the invoices by barcode to tell the system which company it relates to and then goes to the list of authorized approvers, who all use a centralized general ledger (GL) codes.

In Ephesoft, the platform uses its patented, machine learning technology to read and determine that the invoice is from a valid vendor based on a vendor number. Every invoice is validated internally as part of their thorough process and is then sent into Tungsten Network Workflow to an approver who assigns a GL code, authorizes the payment and finally sends it to JD Edwards to be paid. Once the payment is made, JD Edwards sends the payment data back into Workflow to complete the cycle. Every night, updates or information from tables are automatically made from JD Edwards back into Workflow. This ensures auditors have all the remittance data easily accessible. “The integration between all the systems is streamlined and offers us tremendous efficiency,” explained Gerritsen.

Results

“The solution has freed up our time by transforming data entry roles into more managerial roles. We can now quickly answer vendor questions, track invoices and monitor cash flow. We have visibility into all of our documents, so when auditors come, they have immediate access to all information, which saves us an entire week’s worth of work,” said Gerritsen. “Productivity has increased because we don’t have to track down invoices and open file cabinets. And, I have more time to make strategic decisions.”

Further, he explained how there are no more lost invoices. Other benefits are that the ageing process has gotten better and no invoices go unpaid longer than 90 days, where as previously they often went longer because tracking was so difficult. Now, invoices are validated within 48 hours, which makes more accurate accruals possible. Once the invoice goes through Ephesoft, Gerritsen described how the team has access to manage the check flow of about \$2.5 million to \$2.8 million per week. “The platform gave us a clear picture of our cash flow so we could make better decisions. We now have increased flexibility with vendor payments. Additionally, with visibility into our cash flow, we can work with vendors on deep discounts,” noted Gerritsen. With the insight from Ephesoft and Workflow, month end reporting became easier and faster with access to their data.



Single-Use Account Payments

One of the most exciting results is that Gerritsen is using his freed-up time to turn the AP department into a profit center. Due to visibility and efficiency, the AP department can strategically save money by negotiating deep discounts, but more importantly, they are driving revenue through rebates.

Originally, Gerritsen learned about Single-Use Account (SUA) payments at a conference he attended. With SUA payments, Honda Logistics receives a percentage of the payment back in the form of a rebate, similar to how some credit cards work. A SUA is a card-based payment solution that acts like a check by providing a 16-digit virtual account number for each payment, which allows you to set each SUA with a credit limit that matches the specific payment amount.

Chase Bank contacted Honda Logistics to find out if they were interested in using SUA payments with their vendors. Because they were already clients,

Chase Bank had insight into which vendors had existing SUA payments set up or were using ACH (Automated Clearing House) or electronic payments, which was approximately 20% of Honda Logistics' vendors, who were considered "low hanging fruit" to participate in the program. The other 80% percent of vendors would not likely benefit from the program due to the challenge that some of the vendors' banks are charging them a fee or adding a surcharge to the transaction.

Gerritsen is actively recruiting more vendors to convert to using SUA payments to help grow his AP profit center. "Now that I have more time from automating our processes, I can focus my efforts into transitioning the AP department into a profit center, making a bigger impact and bringing in revenue for the company," stated Gerritsen. Larger companies are trending towards making departments like AP and Purchasing into profit centers thanks to their buying power volume.

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Today, out of about 2,200 vendors, only 19 of them are using SUA payments. “We are processing anywhere between \$60,000 to \$180,000 per week in invoices using SUA payments with these few vendors, and it works great!” said Gerritsen. “The transactions are seamless, and we haven’t encountered one single problem. It’s easy to track with our bank’s online dashboard and it only takes about 15 minutes to enroll a new vendor.” Honda Logistics receives a rebate that depends on volume and paper amount.

In an effort to push vendors away from paper invoices, Gerritsen’s team is in the process of creating new parameters to incentivize vendors to move to either ACH and SUA payments. Their accounting department is working on setting terms to net 45 days for paper checks, net 30 for ACH payments and net 7 or due upon receipt for SUA payments. This allows Honda Logistics to keep their cash flow longer for non-electronic payments, while rewarding those who use ACH and SUA. Although the challenge of converting vendors to SUA payments remains, the accounting department is seeing good results as a new profit center.

“I would encourage other companies to automate their AP processes. To digitally transform processes and incorporate SUA payments, it’s important to have strong relationships with the bank, vendors and internal departments – especially procurement, accounting and finance – in order to leverage information and make the program effective,” advised Gerritsen.

Future

Honda Logistics North America has already started the move to upgrade their Ephesoft platform, which is expected to increase productivity and visibility even more. Gerritsen explained that they have been live for two years with proven success and now, they will be able to continue growing. The significant time savings, insight into cash flow and the transformation of AP to a profit center will all contribute the success of Honda Logistics North America and its multiple companies.



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