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Imaging Pays Off In AP Efficiency
Document imaging helped \$2.2 billion
Rent-A-Center streamline AP (accounts
payable) processing and jump-start a 67%
increase in staff productivity.

Integrated Solutions, July 2004

Written by [Tom von Gunden](#)

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Even though I advocate the use of information technologies, I'd make a lousy IT buyer. I'd be the kind of hesitant, late adopter who would miss opportunities to gain a technology-driven competitive edge. I'm no Luddite, but I'm utterly cost-conscious when it comes to functional items, and, to me, business technology primarily serves a function. And, I suspect, many IT directors and line-of-business managers share that view, particularly as they nod in agreement during meetings with CEOs and CFOs.

In my case, the attitude echoes my typical approach as a consumer. Let's say, for instance, I'm considering a new toaster. As long as the thing can manage to brown but not burn, ding when it's done, I'm in love. Leave the toaster ovens to those less easily wooed. I adopt an even more determined minimalist stance when it comes to high-ticket items, especially those that tempt many buyers to spring for style over substance. Take the purchase of a car, for example. As long as the engine kicks over, the wheels go round and round, the seat doesn't kill my lower back, and the floor mats come at no extra charge, I'm ready to sign.

But, that kind of deliberately narrow mind-set doesn't serve most IT purchasing endeavors. Sure, the people involved in reviewing and recommending technologies must be mindful of the organization's IT or project budget. After all, in most organizations, that budget is far from being limitless. (C-level executives, feel free to lead the nodding; everyone else, join in.) Plus, for some, the act of opening conversations with technology vendors is akin to walking onto a car lot. Start kicking a few tires and, before you know it, you're luxuriating in a leather seat, heading out for a test drive. But, an overly

Installation Profile

Technology User: The accounts payable (AP) department for \$2.2 billion rent-to-own company Rent-A-Center (RAC) (Plano, TX) processes invoices from the chain's more than 2,800 outlets. Arriving each week at RAC's corporate headquarters are, on average, 3,500 invoices, reflecting expenses for daily operations and facilities maintenance.

Problem: RAC's AP department had 25 full-time employees dedicated to manually processing incoming invoices. Not only were they responsible for keying in information from invoices, but they were also charged with retrieving paper invoices in the event of a tax audit or supplier inquiry. With years' worth of invoices stuffed in filing cabinets or archived off-site, the task of retrieving old invoices had the accounting staff struggling to keep up with new invoices.

Solution: With the help of Business Imaging Systems (Edmond, OK), an integrator specializing in document imaging and management, RAC automated much of its invoice processing. Using Böwe Bell & Howell scanners and capture software from Kofax, RAC now directly feeds information from scanned images of invoices into its payment processing system. By storing invoices in a LEGATO-based image archive rather than in paper files, RAC has greatly reduced document retrieval delays.

cautious approach to technology can close off consideration of a beyond-the-basics solution that could powerfully benefit the organization. Put simply, there are some leather seats you'll want to try out, some product demos you'll want to sit through, including the sections on advanced features. A willingness to be surprised by functionality -- and to be sold on an expanded solution -- should filter into searches for even the most point-specific technologies. (I did say I'm an advocate.)

A good example of a focused yet open-minded IT buyer is Kristi Toupal of Rent-A-Center (RAC). As director of accounting distributions for the \$2.2 billion rent-to-own giant, Toupal led recent efforts to automate many of RAC's AP (accounts payable) processes. The company's initial goal was a very basic one, common to organizations where daily operations are dominated -- and often derailed -- by paper processing. For them, the initial directive regarding paper is crystal clear: get rid of it. And, that's exactly what Toupal set out to do. So, off she went, in search of a solution that would convert paper invoices into images.

She came back with plans for much more than that. Not only would RAC have fast access to scanned invoices, but data from those invoices would be automatically readied for payment processing. How did a granular need blossom into an expansive solution? Well, for starters, Toupal was not afraid to stride onto a car lot -- er, trade show floor -- and kick a few tires.

Capture Images, Push Data

The show Toupal attended was the IOMA (Institute of Management and Administration) AP Conference & Expo in 2002. As a representative from a forms processing software vendor recently told me, attendees at the IOMA event typically have an immediate need for a point-specific imaging solution. "They're often facing a specific business problem related to paper invoice processing, and they know exactly what they need the solution to do," he says. "It's not the kind of show that people attend just to see where the technology is heading."

Kristi Toupal was definitely on a mission. Back at the ranch, paper was piling up, and document retrieval was slowing to a crawl. These headaches were a direct result of the primary function of RAC's AP department. It handles all invoice processing related to store operating expenses: utilities, maintenance, pest control, carpet cleaning, and so on. And, because it's a centralized corporate entity, AP provides that service for all of the more than 2,800 RAC stores. Collectively, across the enterprise, invoices accumulate at an average weekly rate of 3,500 invoices totaling 15,000 pages. The stores collect these invoices, mail them in, and then Toupal and her team take over.

Traditionally, taking over meant manually entering invoice data into RAC's Lawson-based payment processing system. In terms of labor inefficiencies, maintaining 25 full-time employees to do invoice processing was bad enough. Adding to the pain was the need to file and retrieve paper invoices. The most significant demand for invoice retrieval came from tax auditors and store managers requesting copies of invoices. According to Toupal, document retrieval was becoming a time-consuming distraction. Worse, the resulting delays threatened to damage RAC's reputation as a conscientious, efficient payer. "The burden of invoice retrieval fell completely on the AP department," Toupal recalls. "When we were pulling invoices for sales tax and tax audits -- sometimes hundreds at a time -- we weren't always able to keep up with the data entry workload. There probably were some strained vendor relationships because our payment processes kept getting interrupted by requests to locate and retrieve files."

Given Toupal's reaction during her first few conversations with vendors at the IOMA show, she may as well have been on a car lot. But, Toupal's sticker shock didn't come from seeing the price tags on individual products. Rather, it came from the realization that a solution limited to converting paper into digital images might not significantly reduce labor costs -- if it reduced them at all. "I quickly learned that, if we installed the imaging system we were looking for, we might not realize any labor savings," Toupal reports. "In fact, I could see that we might actually have to add staff just to scan invoices because our existing staff would still be dedicated to doing data entry."

Though initially taken aback, Toupal hung onto her all-important open mind and continued making the rounds at the show. After talking with several capture software vendors and discovering some surprising advances in structured and unstructured forms processing capabilities, she began to envision a broader rollout. "To be honest, until I started bouncing questions off vendors at IOMA, I wasn't aware that data from invoices could be captured, auto-indexed, and imported into a payment processing system and retain a high degree of accuracy throughout the process. Initially, I didn't quite believe it," Toupal admits. Then, Toupal discovered that the index fields in the imaging system could be set up to match the fields used for paying invoices out of the Lawson system. "At that moment, I realized we could do more than just eliminate paper document retrieval," Toupal says. "We could save money on labor costs by greatly reducing our reliance on manual data entry."

Imaging Ignites Process Automation

The solution Toupal and RAC eventually purchased is built on Kofax' Ascent for Payables, a capture software package designed specifically for AP processing. With the help of Kofax reseller Business Imaging Systems, RAC was able to configure the new system to push captured information in two key ways. During the imaging process, Ascent for Payables obtains a scanned copy of the paper invoice. Ascent also extracts invoice data, such as date, amount, invoice number, vendor name, vendor address, and vendor telephone number. When it has completed the extraction process for an invoice batch, Ascent releases the scanned images, which are automatically routed to RAC's new digital archive. Ascent simultaneously releases the extracted data to an XML (extensible markup language) file that populates fields on validation screens. With extracted data appearing side-by-side with the image of the original invoice, operators can quickly verify matches. Once validated, those fields are forwarded to a file from which data can be imported into the Lawson system for final processing.

Considering that RAC receives variously sized and shaped invoices from more than 85,000 vendors, Toupal is pleased to report that overall read accuracy is 80%. Combined with the ability to quickly retrieve invoices from a digital image archive, the high accuracy rate has helped RAC attack the labor crunch head on. Through attrition, the AP staff has comfortably slimmed down from 25 to 15 full-time employees. And, those remaining 15 are not just holding their own; they're thriving. "Our AP employees have increased their hourly productivity by 67%," says Toupal. Additionally, RAC has seen a reduction in payment errors. Taken together, these benefits related to cost, efficiency, and accuracy have enabled RAC to blow through its payback predictions. "We set a payback goal of two years for the new imaging system," Toupal says. "We came in way ahead of that."

The success in RAC's AP department has encouraged other departments to adopt imaging technologies. Customer service, legal, human resources, risk management, inventory management, advertising, and acquisitions are among RAC operations that have joined AP. In most instances, those departments have thus far taken a walk-before-you-run approach. Several, for instance,

use imaging only as a backup to paper filing, which is still relied on for primary access. There's definitely a toaster, not toaster oven, crowd in those areas. By contrast, RAC's legal department is already scanning all case documentation and retrieving, tracking, and routing the images within its core litigation system.

As RAC's imaging rollouts evolve, several departments may opt for leather seats. But, don't forget: someone had to kick the first tire. That's more than you or I might have done. Kudos to AP.

Let Capture Software Help Your Business Rules Rule

When the AP (accounts payable) department at Rent-A-Center (RAC) went in search of an imaging solution, its initial goals were simple: find a solution that would allow scanned invoices to be quickly retrieved in digital format. But, those goals got loftier after RAC Director of Accounting Distributions Kristi Toupal met with representatives from capture software vendor Kofax. They convinced Toupal that, by integrating document capture and data extraction with its existing Lawson financials application, it could automate most of the steps involved in indexing scanned invoices. Toupal realized that the same index fields could be imported into the Lawson system, facilitating the task of processing invoices for payment.

At the recommendation of Kofax, RAC brought in Business Imaging Systems (BIS) (Oklahoma City), a VAR boasting a key in-house resource. Its software development team was capable of building interfaces between Kofax' Ascent for Payables capture software and the Lawson package that honored RAC's preferred business rules. What's more, BIS had expertise in taking a document all the way from paper, through capture, and on into digital image storage. So, along with BIS came Böwe Bell & Howell 8080D scanners, the Kofax software, and LEGATO's (now Documentum's) Application Xtender product, which manages the retrieval of archived images.

According to Toupal, working with a systems integrator helped RAC uncover key business rules. These had to be accommodated for the new system to work with, rather than against, RAC's existing processes. RAC wanted automation with minimal process alteration. "We spent a good two or three days with BIS discussing our processes and identifying business rules," Toupal explains. "The exploration was really valuable because we identified things we do that we had been taking for granted. When we identified a business rule that we had been handling manually but didn't want to give up, BIS continually came back with a program they developed or a Kofax interface that would automate the processing of that business rule."

One key piece of functionality BIS worked into the installation is automatic matching between vendor locations and RAC's AP vendor master file, maintained in Lawson. In a manual system, AP staff must study an invoice to determine which vendor to post it to in the payables system. Making that determination can be a challenge for a large chain, like RAC, which processes invoices from several thousand locations. Just as RAC has many branch operations carrying its corporate name, so do some of its suppliers. There can be dozens, if not a hundred or more, instances of the same supplier name, even though each account is different: Acme Pest Control of Mobile, AL; Acme Pest Control of Duluth, MN; ACME Pest Control of Erie, PA; and so on. So, BIS mapped connections that allow invoices to be automatically posted to the correct vendor number based on address and phone information captured during imaging.

An Image Archive Can Sit On A SAN

When the accounting department at Rent-A-Center (RAC) brought in a document imaging solution to facilitate invoice processing and retrieval, it brought in a lot of components. Document scanners and capture software provided the core front end parts. A content management application, Application Xtender from LEGATO (now Documentum), was also brought in to manage the access and delivery of scanned images stored in RAC's new digital archive.

One component RAC didn't need to add was the actual back end storage housing the archive. RAC's IT department had already wisely consolidated the company's storage servers onto a centralized SAN (storage area network). That system is backed by tape storage, which provides removable media for off-site vaulting.

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