FERRERO

CASH APPLICATION | COLLECTIONS | DEDUCTIONS

Sweet Results

Find out how Ferrero reduced open deductions by 58% in less than one year and increased executive visibility

> *Everything is integrated in modules which everyone can access. Everything is married to each other.*
>
> **Kay Rogers**
> *Senior Credit & Deduction Manager, Ferrero*

About Ferrero

Ferrero is an Italian manufacturer of branded chocolate and confectionery products, and it is the third largest chocolate producer and confectionery company in the world.

Headquarters: Alba, Piedmont, Italy
Industry: Food
Revenue: € 10.3 billion (2016)
Founded: 1946

Receivables Landscape

The A/R department in Ferrero focuses on Cash Application, Collections, and Dispute Management. With a relatively small team, many manual tasks were performed such as aggregation of documents and corresponding with customers, which was very time consuming.

To solve this problem they needed a solution that provided:
• A single platform for all A/R teams
• Visibility to Broker and KAM (Key Account Manager) teams
• Managerial visibility into all A/R processes

Bitter Accounts Receivable Picture

1. Time Lost in Manual Processing
• Gathering remittance and payment information
• Collecting claims and backup document
• Creating prioritized worklist for collections

2. Internal and External Collaboration
• Collaborating with customers for information on missing remittance
• Coordination with brokers and key account managers
• Gathering all information for collection invoices, claims, and remittances
• Collaboration between deductions and collection teams for pre-deductions

3. Limited Process Visibility
• No visibility into other teams and processes
• Independently interacting with customers and their internal teams

All operations related to Cash Application, Collections, or Dispute Management were manually done by the team.

Challenges In Cash Application

For Cash Application, the team had to manually extract data from various remittance sources and match it with the payment files sent by the Bank.

Challenges in Collection

In Collections, the entire dunning process was performed manually.
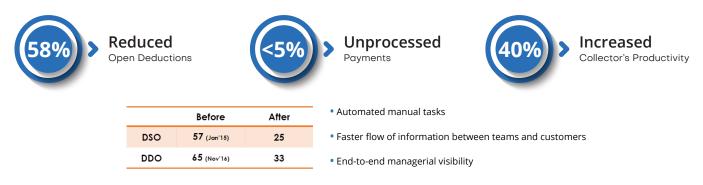
Challenges in Disputes Management

In case of Dispute Management, the tasks performed by the team consisted of:
• Gathering claims from customers and backup documents from brokers
• Manually matching promotions to deductions
• Manually corresponding with the customer for validation of the claim

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Successful Outcomes

58% > **Reduced** Open Deductions

<5% > **Unprocessed** Payments

40% > **Increased** Collector's Productivity

	Before	After
DSO	57 (Jan'15)	25
DDO	65 (Nov'16)	33

- Automated manual tasks
- Faster flow of information between teams and customers
- End-to-end managerial visibility

About the Solution

Cash Application

Plenty of manual effort was spent aggregating remittances from various sources. This process was automated by aggregating remittances from:

1. Checks: The Cash Application solution has an OCR Engine which can capture remittance details from paper checks and automatically apply it to the system without any human involvement.

2. Email Attachment: With the help of an Email Parsing Engine, the solution can pull remittance details received in the form of Email Attachment.

3. EDI: The EDI Parsing Engine allows capture of remittance details from the EDI files sent across various formats.

There are some cases where the remittance does not include the Invoice Number as Reference Number. In those instances, the system is capable of matching it to the correct invoice with the help of certain rules.

Deductions

Claims Aggregation: All of the claim documents are automatically downloaded into the system, thereby eliminating the effort spent manually collecting claim documents from customers.

Capturing of Data: The system is able to capture the data from the claim documents such as disputed amount.

Deductions Worklist: A prioritized deduction worklist is generated so that the high priority accounts can be resolved first. The claim documents related to the account are linked automatically with the deduction case.

Changing Deductions Processor: An option is also provided to assign the analyst working on a particular deduction.

Keeping a Tab on Deductions: Reports can be generated to gain insight on the performance of processors, such as generating a weekly report to identify deductions by processors and sharing the report with stakeholders to expedite resolution

Pre-Deductions: Pre-deductions can also be created based on certain assumptions so that the system is able to act on disputes which are yet to be received. All of the information and backup data on the pre-deduction is recorded on merging with the actual deduction.

Collections

Prioritized Worklist: The system automatically creates a prioritized worklist. The system decides customer priority based on parameters such as Score, Risk Class, and Payment History. With the help of the prioritized worklist, analysts can act on high-risk accounts first.

Bulk Correspondence: The analysts no longer need to manually correspond with each and every customer. The analysts now only need to select the method of correspondence, the customers to be contacted from the customer worklist, and the built-in package that needs to be sent. It can then be sent with one click.

"The fact it is a one-stop shop for all information is one of the biggest benefits.

Kay Rogers
Senior Credit & Deduction Manager, Ferrero

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