

Trendset Nets Vendor Discounts and Cash Savings from FlexiCapture

ABBYY's FlexiCapture Studio software helps Trendset continue setting industry trends.

By Arthur Gingrande, Partner, IMERGE Consulting

Summary

Recently, Trendset, a provider of advanced freight accounting and payment solutions, found itself stymied by a daily mountain of paperwork that severely limited the number of documents it could process for its customers. Since that time, however, the deployment of ABBYY's FlexiCapture Studio software has dramatically changed Trendset's data processing operations. In fact, Trendset's data entry operation is far more productive than it ever was. Now that FlexiCapture software has put Trendset on top of the situation, turnaround time is twice as fast. After FlexiCapture Studio extracts the data new system needs, it checks to see if an invoice has been prepaid, and finds duplicate invoices by comparing the data on newly arrived invoices with the data on carrier invoices already processed. Moreover, by aging payments of billing documents against its clients' preferences, Trendset guarantees that each customer pays its freight carriers the bare minimum required by existing contracts.

Background on Trendset

Founded in 1982, Trendset provides advanced freight accounting and payment solutions to its customers, on behalf of whom it annually processes 12,500,000 invoices and pays a total of \$1.5 billion for invoices audited against contracts. At the Trendset Website, customers can use the firm's proprietary set of integrated software applications called *TrendTools* to interact with the company's reporting system and retrieve real-time freight payment, logistics and financial information. Trendset's long list of corporate clients includes numerous Fortune 1000 companies, both domestic and international.

Historically, managing and streamlining shipping costs has always been difficult for a manufacturer to control; in fact, shipping continues to be one of the most expensive costs of getting goods to market. Handling the delivery process is a never-ending one of creating paper trails that end up filling roomfuls of cabinets and file drawers with receipt slips, sign-off sheets, and copies of shipping documents.

Manufacturers, mail order houses, and other companies can eliminate having to process most of the paperwork around the delivery of goods and avoid lost discounts by outsourcing to Trendset the tracking, accounting, and payment of shipping costs. Trendset's core services transform vendor processes, like handling requests for tracking freight shipments, into real-time database information that shows the current status of shipments, pending vendor requests, and amounts due.

The problem: a daily mountain of paperwork

In line with its mission-critical, core capabilities, one of the most important services provided by Trendset is *pre-auditing*, which is by far the most efficient form of freight bill inspection. Enabled by proprietary Web-based, accounting programs, Trendset's pre-auditing of freight bills is an ongoing process of checks and balances. Using rules derived from the shipping contract of each client, the online system constantly verifies the accuracy of rates, contracts, classifications and other issues that affect freight and shipping costs. It alerts customers to

any issues that need attention prior to payment of the freight bill. Trendset's pre-auditing system annually produces hundreds of thousands of dollar savings for its largest customers, with comparable savings for the smaller ones.

Trendset's services include electronic data interchange (EDI) as well as paperwork processing - in fact, the ratio is 80-20 percent in favor of EDI. However, the ratio of labor to processing time with respect to each media category is vice-versa. As the daily workload grew over the years, the sheer volume of paper that the company had to process each day to meet customer demands became unduly burdensome, even for Trendset.

The mountain of paperwork that Trendset continually processed for its clients every week had to be converted into computer-usable data within a narrow window of time, measured in only a few days. Hiring more workers was not the answer, because the cost of staffing up would have cut too much into Trendset's profit margin. At the outset of 2006, Trendset decided it had to face the problem head-on, by either slowing down the growth of its customer base or increasing the risk of error by stretching its resources too thin. Neither alternative was acceptable. It was clear that the solution lay in acquiring technology that could successfully automate the processing of a recurring mountain of paper that topped 50,000 invoices amounting to more than 150,000 pages per week.

The Solution: ABBYY FlexiCapture Studio

Had Trendset's documents been forms that were virtually identical to one another - such as order entry forms that are sent to customers for them to fill out and return back to the company of origin - the problem could have been solved by acquiring forms processing software readily available in today's market. In fact, Trendset had already partially automated the processing of its scanned invoices, bills-of-lading, and other shipping documents with a conventional forms processing system. It required, however, the creation of a variety of templates that enabled the batch-processing of different types of forms once they were sorted, scanned and grouped together - and then the templates had to be tweaked regularly to maintain accuracy standards after that. This restriction severely limited the number of documents per day that Trendset's could process automatically.

Trendset's major problem, however, was that the majority of the shipping documents and forms that the firm dealt with each day were not suitable for batch-processing because they were either *semi-structured* or *unstructured*, meaning that, as a whole, their layout was neither similar or consistent in design. This lack of design consistency mandated a flexible system that, ideally, required the forms to be scanned, recognized, and processed "on the fly" when they entered the mailroom, without benefit of creating special templates for batch processing. After interviewing and testing a number of systems that were judged unsatisfactory, Trendset discovered ABBYY's *FlexiCapture Studio* software at a major industry trade show. ABBYY agreed to demonstrate FlexiCapture Studio on a representative number of randomly-chosen documents.

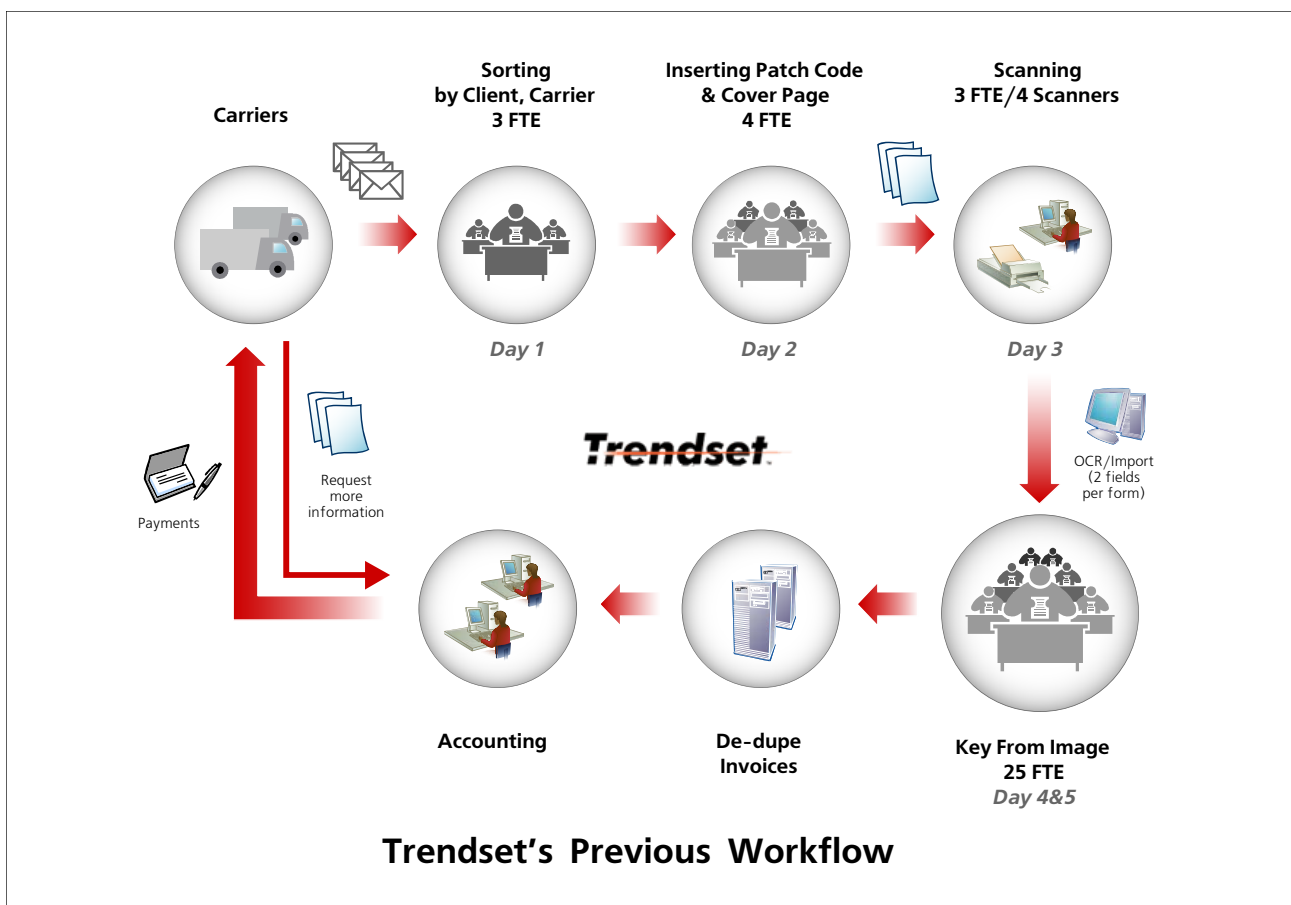
The demo showed that ABBYY's intelligent document recognition (IDR)-based software could automatically capture and convert imaged data on unstructured paper forms into computer-usable data, at an extremely high accuracy rate. It far outstripped the performance of competing optical character recognition (OCR) software on the market, according to Jay Johnson, head of Trendset's Information Technology department. Jay was no stranger to recognition technology, either. In fact, he had been trained extensively on OCR systems that represented state-of-the-art, conventional forms processing technology. He was more than familiar with the caliber of performance of other recognition software products on the market. Jay's experience allowed him to set up a realistic plan for deploying FlexiCapture Studio and for setting benchmarks that measured each step of software implementation as it assimilated more and more of Trendset's daily workload.

Processing shipping documents at Trendset: before and after

Before installation of FlexiCapture Studio

Trendset already had in place an industrial strength scanning system powered by four high-speed scanners into which documents from the mailroom were fed. The mailroom was staffed by three full-time personnel who opened and extracted documents from flat envelopes, and then sorted the incoming invoices each day by placing all mail documents in separate trays arranged by client and by carrier. Next, the trays were delivered to scanning stations where four full time document-prep personnel would pull out any staples or paper clips from the documents, smooth them out, and put separator sheets in-between each invoice, bill of lading, and delivery receipt to enable scanning them at high speeds. Afterwards, they removed the sheets and archived the paper documents to fulfill retention requirements. In this way, they scanned all of the mail sent to their department from the mailroom: some 120,000 to 150,000 pieces of paper that arrived in 40,000 to 50,000 flat envelopes per week.

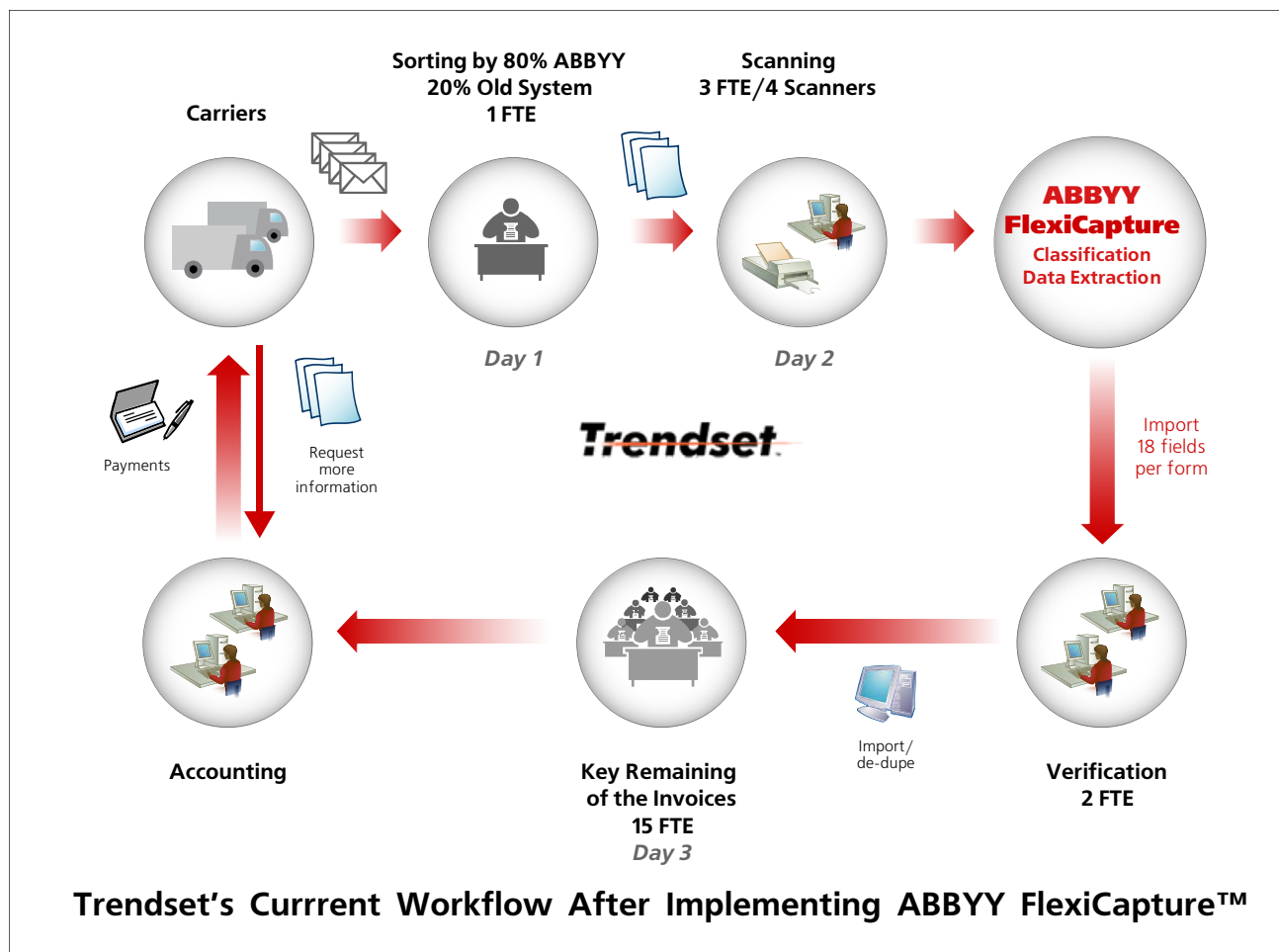
After the invoices, bills of lading, and delivery receipts were all scanned, they were recognized by the existing ICR system that captured the data from all forms at an average of two fields per form. At this acceptance rate, in addition to the two fields recognized, 25 data entry operators were required to key in the data from sixteen more fields on each form that the ICR system could not locate and classify. Trendset needed this much labor to speedily extract all the information from the forms necessary to compute, track and audit the volume discounts due to its customers; and then to immediately report this data to clients via the Web on demand.



After installation of FlexiCapture Studio

In four months, the deployment of FlexiCapture Studio dramatically changed Trendset's data processing operations. Due to FlexiCapture Studio's extraordinary document classification accuracy, the number of mailroom personnel is now one staff member instead of five. The pre-sorting step has been completely eliminated because the new system automatically differentiates invoices from supporting documents and detects the first page of every new invoice document. But the largest improvement has occurred in reducing the data entry staff. Instead of 25 data entry operators, there are now only 17 of them: two workers perform OCR verification while the rest manually enter the remaining of the invoices into the system.

But staff reduction is only part of the story. Trendset's data entry operation is far more productive than it ever was: now the FlexiCapture Studio system extracts all the necessary data from each form - as many as 18 fields on a form instead of the two fields captured by the old system. Moreover, the average turnaround time per document has been cut by 40 percent from five days down to three. Also, because FlexiCapture Studio's classification accuracy is so high, there is now no need for cover pages and separator sheets. The expense reduction that results from eliminating the paper separator sheets alone yields annual savings of \$60,000!



Cutting turnaround time virtually in half created some welcome breathing room for Trendset. There is more time to plan for meeting payment deadlines. Managing the operation can be done more thoroughly and efficiently. Trendset's clients can access their data faster and they also gain more control over cash disbursements.

Faster throughput truncates the average processing time and allows Trendset to age payments against billing documents at the client's preference. As soon as an invoice is scanned, FlexiCapture Studio takes over. First it extracts the address of the client from the invoice and compares it with purchase order data that the client supplies. Then the system normalizes all of the data on the invoice for comparison against a lookup table of contract and billing provisions specific to that particular invoice. For example, the system checks to see if the invoice has been prepaid, and it finds duplicate invoices by checking the data on newly arrived invoices versus those invoices from the carrier that are already processed.

Carriers typically pre-bill on 10 days notice. Once a billing notice comes in, depending upon the day of the week – 70 percent of the week's work arrives on Monday and Tuesday – it will be processed by FlexiCapture in three days. Trendset ages the invoice until the tenth day, and then seeks the carrier's permission to pay it. By the time bill payment is made and the check clears, frequently a second notice, a "balance due" invoice, has already arrived and crossed paths with the check already in the mail to that shipper, but because FlexiCapture Studio software allows Trendset to stay on top of the situation, there is no danger of paying the same bill twice – or paying more than the customer should under the existing contract.

Trendset's customer base tends to follow the 80/20 rule: the company receives 80% of all invoices from less than 20% of carriers. By using ABBYY's software it managed to get these "Top 20%" carrier/vendors up and rolling online., Trendset captures 18 different data elements (minus tables) including aging terms. The company expects to have the capability of capturing tabular data up and running shortly, which will further reduce its data entry needs.

Jay Johnson could hardly be happier with the outcome of his war on paperwork. "Sure, there were a few bumps in the road to a successful installation; there always are," Jay said, "but ABBYY's professional services group was always there to provide engineering support for FlexiCapture Studio during the implementation phase, and now they're helping me tweak the system as we continue to bring more and more documents online." Jay's assessment of ABBYY's software compared to the rest of the market is straightforward enough. "From what I can see," he says, "ABBYY's software is light years ahead of the competition."

The Bottom Line:

	Before	After FlexiCapture Studio
Full-time Employees (including Mailroom, Document Prep/Scanning, and Data Entry Staff)	35	21
Fields Automatically Captured by System	2	18
Processing Time	5 days	3 days (50 percent time savings)
Annual Savings		\$60,000 in cost of separator sheets alone; plus the saving of 14 FTE

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