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PURCHASE-TO-PAY EXCELLENCE IN RETAIL

ACCOUNTS PAYABLE DIAGNOSTICS

Executive Summary

Competition drives improvement and sophistication, even in the more remote corners of your operation. But are your old best practices on par with today's new best practices? When a regional grocer waved good-bye to a veteran Accounts Payable Manager taking retirement, management wondered: was there room for operations improvement? Perhaps, but since they lacked activity metrics and benchmarks, our client called in the experts: PRGXSM Advisory Services.

PRGX went to work - first by benchmarking our client's A/P processes creating a business case for change. Next, they mapped all processes and activities, creating a FTE and "time-for-task" grid that clearly showed the path towards operational efficiency. The work identified operational changes that would increase process efficiency by over 46%, while improving A/P output quality and timeliness. Now that's a best practice in one of the most critical links between buyers and vendors.

Regional Retail Grocery Store

Challenge

- Client suspected that their A/P department was over staffed, but lacked proof and a process for assessment
- No baseline comparisons available to benchmark operations

Approach

- Document the A/P processes and personnel activities
- Benchmark processes against industry standards
- Identify redundancies and reduction opportunities

Results

- Justified a 46% improvement in efficiency
- Identified improvements to dramatically reduce manual effort with process changes and automation

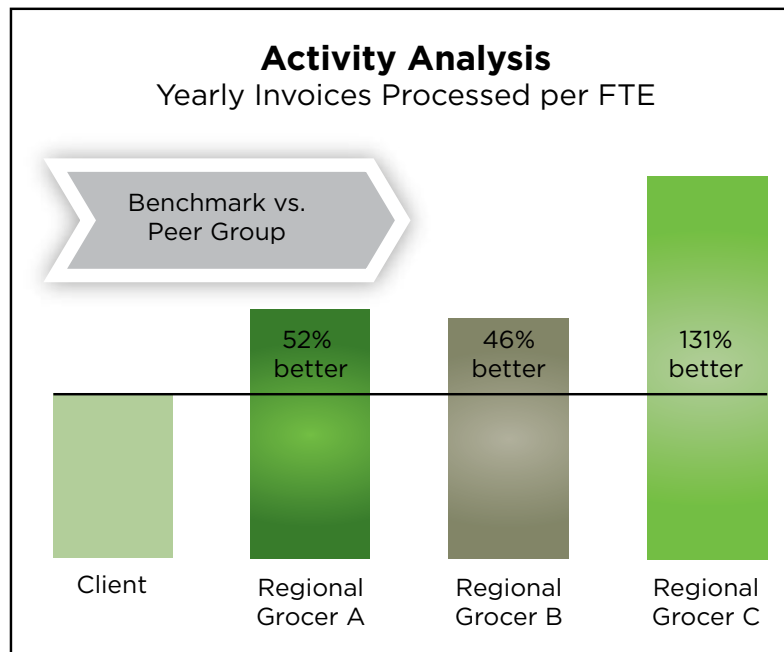


“Are We Really Doing the Best?”

Over the last decade, our client, a leading regional grocery chain, had doubled in size. The market strategy was a success: different formats and brands enabled the company to serve different “demographic neighborhoods” with the appropriate mixture of products and services to meet the needs of their customers. But the approach of tailoring to specific market needs translated down into the A/P department, creating a tangled knot of activities and processes. Management wondered whether its heavily-customized payable processes and high A/P headcount were competitive with other regional grocers. But when the department head retired, all “institutional” knowledge went out the door, and without A/P process documentation or activity metrics, the grocer was in a pickle.

Re-engineer and Rationalize

Enter PRGX Advisory Services. We believe that the principles of designing back-office processes are fairly simple. First, design jobs around an objective or outcome, not a functional task. Second, unite information about the activity with the people performing the activity, leveraging technology and data systems wherever possible. Third, capture information once and at the source. And lastly, coordinate parallel activities to gain efficiencies and scale. But before all of these steps, you need to start from a foundation of shared understanding. For our client, that’s exactly where PRGX’s unique approach was highly relevant.



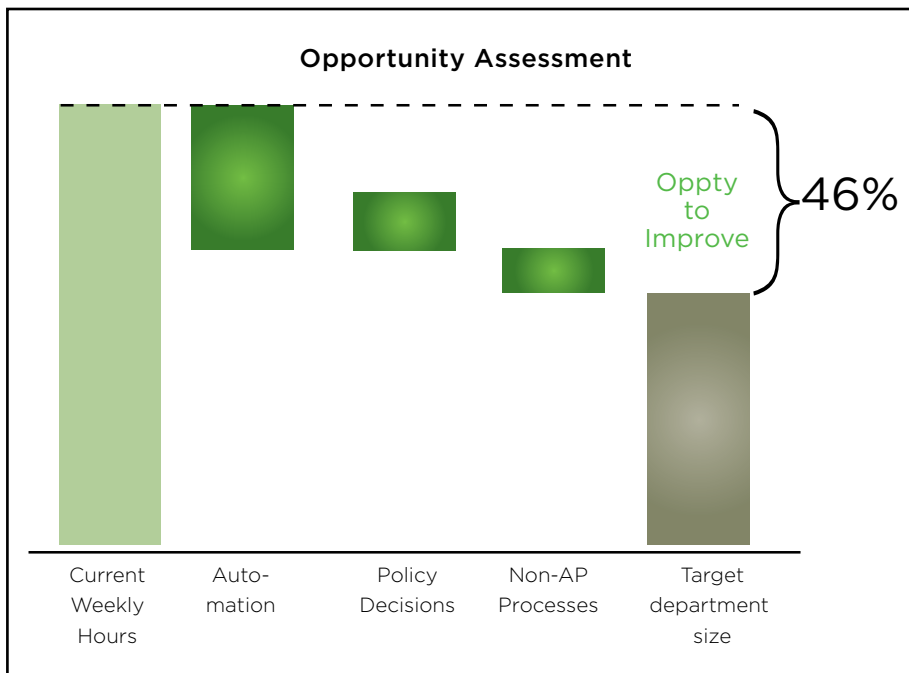
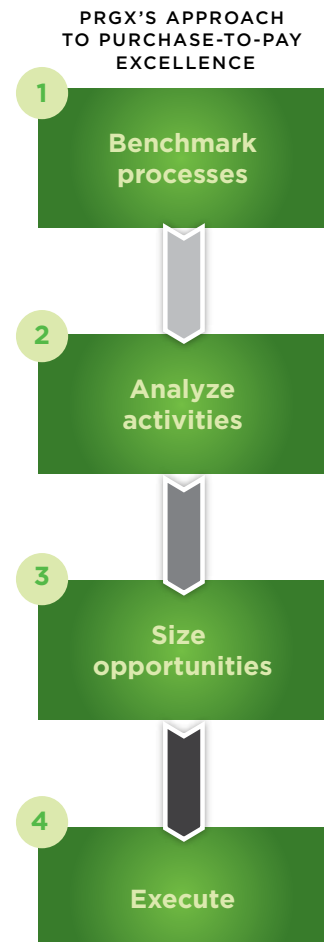
Phased Approach

PRGX quickly surmised that the usual methods for reducing overhead and boosting performance — layoffs, process rationalization and automation— wouldn't yield the desired improvements. Foundational benchmarks were paramount: our client needed to know how bad it was before they could embrace how good it could get.

First step: PRGX analyzed the A/P processing efficiency to determine whether or not an opportunity for headcount reduction did indeed exist. The results identified an enormous gap with best practices. It also galvanized management: the business case for change was clear.

Next, PRGX documented every process in the A/P department and ran a detailed activity-based model to identify how people were spending their time (on what, with whom, how much, etc.)

Third, PRGX sized opportunities for activity changes, process automation and headcount rationalization. By mapping the total hours and segmenting FTE time spent 1) on processes that could be easily automated, 2) time wasted due to poor or non-existent policies, and, 3) unnecessary non-A/P processes, PRGX found that our client could improve the speed and quality of the purchase-to-pay operation.



\$ RESULTS METER

- 46% operational Improvement
- Best practice benchmarks identified



Lessons Learned

Resource allocation decisions can only be executed when a foundation of current process and headcount documentation exists. Otherwise you may make small, meticulously planned steps that do little to capture the value of an efficient operation. Our client discovered that it needed to know its baseline before beginning. That foundation gave the grocer the courage to take the big steps required down the line.

Benchmarking operations versus the industry is also key. Not only do such comparisons validate hypotheses and strengthen the business case for change, they also shed light on what's possible in staffing, processes and automation changes. And benchmarks can push you hard.

Finally, improving operations like A/P often means changing legacy policies. Like most companies, our client operates according to a great many unarticulated rules. "Payment decisions are made by the payment department." "Some invoices need to be checked manually because you can't trust the system." "That payment needs this form completed for finance." PRGX helps you break away from the old rules on how you run back-office operations. We take a fact-based, analytical approach to build a business case, validate the opportunity and identify the required changes. Just ask your friendly neighborhood grocer: with PRGX, you can expect quantum leaps in performance and well above "double-bagger" returns on your project investments.

About PRGX Advisory Services

Finance executives regularly require outside help to identify and realize profit improvement opportunities. Our advisory services combine data analytics, deep functional expertise in Finance & Accounting, and a practical hands-on approach to help clients improve their operating margins.

We help senior finance executives optimize working capital, reduce enterprise costs, transform the finance function and improve corporate performance.

Headquartered in Atlanta, Georgia, PRGX is publicly traded on NASDAQ under the symbol PRGX.

For more information, go to: www.prgx.com



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