

**Payment Systems: On-Line Invoicing Cuts Office Depot's Costs**

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By Ken Clark

Retailer's on-line payment leads to on-time payment

Here are two of the numbers that led Office Depot to push the envelope on e-commerce and payment innovation: 140,000 business customers and 110,000 statements per month.

A slight majority of the retailer's sales, 51%, are the result of corporate accounts, business customers who typically place their orders over the phone or via the Web. With these customers in mind, the office-supply retailer has introduced a streamlined invoice-payment system that takes time and costs out of invoicing, dispute management, reconciliation and payment process, according to Jan Gallagher, senior manager of billing and payment systems at Office Depot.

"We're providing customers with an additional offer to do business with us," Gallagher said. "We can only make pencils and pens so exciting."

As a result of the electronic invoicing and payment program, the retailer realizes benefits, as well, she said.

The Delray Beach, Fla.-based office-supply chain is part of a growing trend toward electronic invoicing and payment, the key benefit of which is reduced costs. In fact, in a study on electronic invoicing and payment published recently by the Needham, Mass.-based TowerGroup research firm, some 10% of companies in the United States will use electronic delivery to invoice their business customers this year. The leading reason to offer electronic invoicing or billing, according to the survey of 52 companies: cost reduction, which was cited by 73% of the respondents.

The TowerGroup survey further revealed that customer-retention statistics indicate that once a customer uses electronic billing or invoicing, the customer will be hooked. Companies reported between 70% and 100% of customer converts have stayed converted, with an average retention of 95%.

Other retailers in the forefront of electronic billing and invoicing include The Home Depot and Saks, Inc., according to Elizabeth Robertson, author of the TowerGroup report.

Office Depot uses a financial-relationship-management solution called BizCast, from San Francisco-based Avolent. The tool provides automated receiving, approving, disputing and paying invoices on line as part of the retailer's BSDnet B-to-B on-line network, which was launched in 1998.

The efficiencies led to accelerated cash flow, lower printing and postage costs, and provides a valuable service to the customer, Gallagher said.

It took some time for business customers to adopt the paperless invoice and payment strategy, but the method is now widely accepted.

When the chain first offered corporate customers the chance to manage their accounts on line, a December 2000 survey found that fewer than 1% of those surveyed said they would want to pay

invoices on line. But in December 2003, 65% of those using the on-line tool wanted to have the option. Large customers have their own departments capable of keeping track of the finances, but the smaller customers often don't.

"If we sent them yellow file holders and they wanted green file holders, they can dispute it on line, and the dispute is routed automatically to the right place," she said.

The invoicing tool also has been integrated to Office Depot's proof-of-delivery system in a way that allows both shippers and receivers to verify point-of-delivery (POD) signature documents.

The system actually shows the signature of the delivery recipient, along with the invoice, which prevents delivery-related confusion.

The efficiencies add up. According to Gallagher, the system cuts seven to 14 days out of the order-to-payment process, compared to the days before the BSDnet. The paperless alternative to printing, processing and mailing invoices adds up to about \$1 million a year. The chain sees particularly strong savings in the area of reprints for customers who say they lost their paper invoice.

One disappointment is that the tool's dispute feature isn't being used as often as the company had hoped, as customers continue their habit of calling reps on the phone.

But the lack of electronic complaints isn't such a bad problem.

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