

Skechers plans locally, deploys globally to achieve process efficiency and compliance

Overview

■ Business Challenges

Reduce cost and eliminate inefficiency in accounts payable process (AP)

Implement an AP process complying with Sarbanes Oxley (SOX) requirements

Manage accounts payable process centrally and deploy worldwide as a shared service

■ Solution

Accounts payable application built by IBM partner Avrio on the IBM FileNet ECM platform, leveraging business process management, content and eforms with integration to PeopleSoft Financials via Avrio's APConnector

■ Key Benefits

Reduced cost and greatly increased efficiency in accounts payable process

Consistent, enforceable AP process achieves SOX compliance

Faster approvals result in timely payments to vendors, taking advantage of discounts

Real time invoice tracking eliminates end of quarter unrecorded liabilities due to missing invoices



With over \$1 billion in annual revenue, Skechers is the fastest growing company in its industry.

Skechers USA, Inc. is a global leader in the lifestyle footwear industry. A billion dollar company, Skechers' success stems from its high-quality, varied product offering, diversified domestic and international distribution channels, and cutting-edge print and television advertising. Through global distributors Skechers sells its products to department and specialty stores in over 100 countries and territories as well as directly to consumers through more than 150 company-owned and operated retail stores worldwide.

Business Challenge

Trendy, savvy and cutting-edge were not the words to describe Skechers'

“The system allows us to conform to SOX controls, process invoices faster with fewer errors, and position ourselves so that we can handle volume increases without adding to the headcount, which we would not be able to do using old methods of processing.”

– Daphne Sumner
Accounts Payable Manager
Skechers USA Inc.

Skechers

Headquarters

- Manhattan Beach, California

Industry

- Retail, Footwear

Applications

- Accounts Payable, PeopleSoft integration

Products

- IBM FileNet Business Process Manager
- IBM FileNet Content Manager
- IBM FileNet Forms Manager
- IBM Records Manager
- Avrio APConnector for PeopleSoft

Benefits

- Significantly increased efficiency in accounts payable process by leveraging process automation, such as automated voucher creation, through advanced capture and business process management technologies with integration to PeopleSoft Financials
 - AP process achieved SOX compliance
 - Handling more invoices without increasing AP staff
 - Allow invoice processing via the familiar PeopleSoft interface
 - Eliminated misplacement or loss of documents
 - Automated approval process escalation ensures invoices are approved in a timely manner
 - Real time tracking of invoices eliminates end of quarter unrecorded liabilities due to missing invoices
 - Lower operational and administrative cost of a centrally managed shared service
 - Automated check capture processing
-

accounts payable process. The manual process was rife with inefficiency. Lost documents, duplicate copies, postal and courier costs, lack of standard process, inability to determine invoice status, the expense of storing paper documents and end-of-quarter surprises describe a process that was hardly Sarbanes Oxley (SOX) compliant. With over 6,000 domestic invoices being processed monthly, in addition to the 1,000 invoices originating in the EU and Canada, the volumes and problems would only increase with Skechers' burgeoning growth. An earlier attempt to remedy the problem – having invoices scanned by an outside service – reduced the overhead of dealing with paper, but often resulted in poor quality images, causing the AP staff to revert to the original document for accurate information.

After careful consideration, Skechers developed a comprehensive, long-term strategy for improving the accounts payable process. Their goals: improve AP process efficiency, assure the process conforms to SOX requirements, and adapt a centrally managed accounts payable processes to their international operations. Skechers also wanted to leverage their investment in PeopleSoft, by having their accounts payable staff continue to work in the familiar PeopleSoft environment.

The Solution

After evaluating several different enterprise content management (ECM) vendors Skechers chose an accounts payable solution from Avrio, a very experienced IBM partner. The solution was built on the IBM FileNet P8 platform and integrated with PeopleSoft Financials. According to Daphne Sumner, manager of Skechers accounts payable operations, the Avrio solution was “exactly how Skechers envisioned the AP process,” allowing Skechers to automate their accounts payable process through leveraging IBM FileNet ECM capabilities from within the familiar PeopleSoft Environment.

Avrio's APConnector accounts payable solution utilizes the integrated capabilities of the IBM FileNet P8 platform – business process management, content management, and electronic forms with integration to PeopleSoft Financials to process more than 6,000 non-merchandise invoices monthly. The system establishes and maintains authority levels to control the processing, review and approval of invoices by more than 100 employees. By participating in the approval process via email notifications and using electronic forms and images of the invoices the approvers never touch paper. For accurate verification of invoice approvals exceeding \$5,000 Skechers incorporated Topaz signature pads.

Skechers began the project with the intention of eventually deploying the application internationally. Avrio's demonstrated success implementing ECM applications for large clients gave Skechers the confidence that Avrio could manage both domestic and international deployments. After the successful implementation in the Manhattan Beach headquarters, Skechers extended the capability to process Canadian invoices and then to Europe, enabling invoices to

be captured and paid in their respective countries, while managing the review and approval process from corporate headquarters.

The Benefits

The solution allowed Skechers to achieve its SOX compliance goals, establishing a more efficient process that is easily monitored and audited. Skechers now saves thousands of dollars annually in comparison to the previous scanning outsourcing agreement. Invoices are no longer misplaced or lost, eliminating time consuming manual searches. There has also been a significant reduction in paper storage and handling costs.

Invoice status can be immediately determined, making it easy to respond to vendor inquiries. Delays in approval processing are automatically escalated and expedited ensuring invoices are processed in a timely manner. Every invoice is subject to a consistent process and is therefore auditable. This alone has greatly reduced the number of hours devoted to tax and financial audits, further reducing costs. Additional processing improvements have been achieved through automatic approvals of invoices that meet certain criteria. Skechers can also assess the process efficiency via reports that summarize processing time and volume, queued invoices, exceptions and delays.

Taking a comprehensive view of the accounts payable process, Skechers set a goal of capturing all documents relevant to the process. In addition to purchase orders and invoices, Skechers has also automated the capture of electronic copies of all checks issued and cancelled checks returned by their bank, thereby maintaining an auditable record of the entire AP process.

Benefits extend internationally. Canadian invoices are captured and paid in Canada but processed in the US, allowing Canadian staff to focus on customer service, accounts receivable and financial reporting. Processing European invoices presented a challenge because of language, cultural and different accounting and regulatory practices among countries. Invoices that were being processed by staff in each country are now processed by a single staff member at the European corporate headquarters, while controllers and approvers can continue to review invoices in their own countries.

Continued ROI

Skechers calculated an 18 month return on their initial investment. Tens of thousands of dollars were saved by eliminating the outsourced scanning service alone. Additional savings comes from streamlining and automating the invoice process for greater accuracy and efficiency, providing the ability to take advantage of early payment discounts, and eliminating end-of-quarter unrecorded liabilities and time consuming manual searches associated with missing invoices.

Skechers anticipates continuing ROI. The system provides Skechers with a hedge against future international growth and expansion by leveraging US operations, giving them the ability to accommodate larger volumes of work without need of staff increased. Based upon the successful accounts payable implementation in the US and Europe, Skechers plans expansion to its Asian and South American operations.

Skechers also realizes that the investment made in the IBM FileNet P8 platform and Avrio's APCconnector has potential well beyond the accounts payable application. They plan to deploy a broader range of content management applications to: capture, process and retain financial documents; and automate the purchasing, accounts receivable, credit collection and employee cash advance processes.

For details on Avrio's APCconnector and other ECM solutions see www.avriocorp.com



© Copyright IBM Corporation 2008

IBM Corporation
3565 Harbor Boulevard
Costa Mesa, CA 92626-1420

Produced in the United States of America

02-08

All Rights Reserved

IBM and the IBM logo are trademarks of IBM Corporation in the United States, other countries or both. All other company or product names are registered trademarks or trademarks of their respective companies.

This case study is an example of how one customer uses IBM products. There is no guarantee of comparable results.

References in this publication to IBM products and services do not imply that IBM intends to make them available in all countries in which IBM operates.

For more information, visit
ibm.com/software/data/cm.