

How Warner Brothers Reduced Deductions and Chargebacks Processing Costs by 80%

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Large retailers require vendors to upload claims and backup documentation into their retailer portals. At Warner Bros. it's a detailed and time-consuming process because each claim has to be organized and uploaded. Usually it means training resources to upload claims to retailer portals. Every portal is different, from navigation to data and documents required, then compilation order of the documents necessary for each claim package.

Prior to retailer portals, Warner Bros. submitted claims via mail or e-mail. Retailers' mandatory requirements to use their portals created different challenges even though new technologies were being introduced. This manual method for creating and uploading each claim package to a portal required data and documents to be gathered from different departments, systems and modules like their ERP system, cash application, accounts receivable, order management, claims from retailer portal themselves, and proofs of delivery (POD's) and other documents from carrier websites. After collecting and organizing the documents, the claim package were assembled per the requirements of each portal and uploaded to the retailer portal. This required someone to navigate the portals and input various pieces of data as well as attaching various documents.

To achieve this successfully, resources had to be trained to access or gather all the required data and documents in addition to training on each retailer portal's requirements for claims

submissions. If there were changes to the portals, the employees had to be retrained – which was often the case. Below are two examples of varying retailer requirements:

1) Example 1 (Retailer 1)

a) Data:

- Supplier claim code
- Store #
- Disputed amount
- Invoice #
- Claim data

b) Documents and their order:

- Invoice
- Claim
- POD (for some reason codes)
- Attachments like variance analysis or e-mails

2) Example 2 (Retailer 2)

a) Data:

- Document #
- Dispute amount
- Reason code

b) Documents and their order:

- Claim form
- Invoice
- Credits (if applicable)
- POD (for some reason codes)
- Attachments like variance analysis or e-mails

An analysis of time and monies involved in accomplishing the process manually showed

that it usually took a very motivated and trained resource between 5 to 8 minutes to organize a claim and 5 to 7 minutes to upload a claim into a portal. That's a total of 10 minutes to 15 minutes per claim. At minimum, it would take one FTE resource per month to process 1,000 claims. Warner Bros. averaged one-and-a-half FTE resources per month for 1,000 claims. Realizing costs, at \$20/hour, it would cost anywhere between \$3,200 and \$5,000 per 1,000 claims. That's between \$3.20 and \$5.00 per claim! Additional training and retraining costs per year due to portal changes, internal systems changes and resource turnover was roughly 200 hours and cost approximately \$10,000 per year.

It should also be noted that the time taken to file each claim was directly proportionate to the time pending claim resolution. Theoretically in the above example, the 1,000th claim takes a month to get uploaded into the retailer portal. It was observed that in an extremely efficient organization, deductions received in one quarter were processed in the next quarter and invalid deductions or claims would be sent to the customer the following quarter. That's almost two quarters after a deduction is received or a quarter after a deduction is resolved into a credit or claim.

Automation at the retailer portal created different challenges at Warner Bros. and the manual process was costly and time-consuming. With an automated system, it was possible to control the cost of uploading claims to \$1 per claim and uploading happened as soon as a deduction was deemed a denied claim, resulting in faster payments. Research, experience, and observation suggest that the following four components are essential for system design:

- 1) **Internal document/data extraction programs:** can be built in-house by IT or by third party IT firm. It does not usually cost much, because it's a straightforward extraction of documents and data. Extraction programs being one of the easiest IT tasks, it should not take more than 50 hours of business time for design and testing, and approximately 80 hours of IT for design and development.
 - a) Extract documents from
 - Invoice (A/R system)
 - Order (sales system)
 - b) Gather data from
 - Cash application system
 - A/R system
 - Order management system
- 2) **External document/data extraction programs:** for gathering documents from external websites for claims and proofs of delivery, it's best to use SaaS (Software as a Service) providers as this is their area of expertise. SaaS providers normally provide this service for a small monthly fee or on a transaction basis. Building in-house takes a lot of time.
 - a) Gather documents from websites
 - Claims
 - POD's
- 3) **Organizing engine:** sophisticated programs or engines. SaaS companies that provide this service for a small monthly fee or by transaction is the recommended way to go forward.
 - a) Sort documents by
 - Vendor
 - Reason code
 - Document type
 - Claim



- Invoice
 - Order
 - POD
 - b) Create claim package per claim, vendor, and reason code
- 4) Upload engine: again, sophisticated programs or engines. SaaS companies that provide this service for a small monthly fee or by transaction is the recommended way to go forward.
- a) Upload each claim package to portals by
 - Vendor and reason code
 - When there is no portal
 - Print and ship
 - E-mail

The above approach took Warner Bros. two to three months for automation to be put in place and allow them to realize benefits. Costs involved were minimal – in-house development initially and ongoing fees for SaaS companies. In-house development estimates ranged from \$10,000 to \$15,000 dependent on complexity.

Before making a decision to implement the solution it was important to perform a “proof of concept” with SaaS companies. There were two

parts to the solution. The backend, which consisted of gathering the documents; this was where \$10,000 to \$20,000 of the implementation costs or “sunk-in” costs went.

The other was the frontend, which involved organizing data and documents by retailer and reason code, and then uploading them into various retailer portals. The frontend resulted in ongoing monthly SaaS fees ranging from \$0.75 to \$1 per claim. It was recommended that the business sent a few sets of data and documents manually to SaaS vendors engaged via e-mail or FTP and let the frontend transpire to prove the workings of the system.

The advantages of automation realized were:

- Time to organize and file a claim: 24 hours vs. 3 to 6 months
- Retailer upload resource effort per 1,000 claims: 0 hours vs. 160 to 250 FTE hours
- Yearly training/retraining: 0 hours vs. 200 hours
- Cost: 80% savings, \$1 vs. \$5 per claim

Based on the results, automation proved to be a “must” to keep up with retailer portal requirements, providing various cost savings in time and resources.

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