

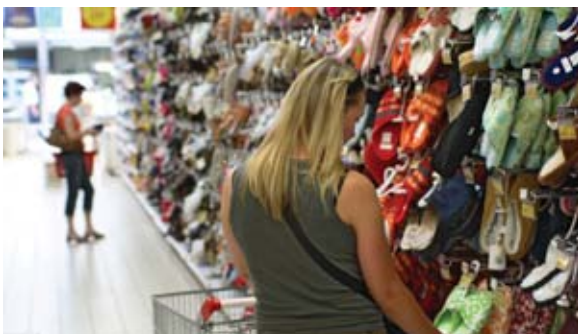


Liverpool Mexico Case Study

Founded in 1847, El Puerto de Liverpool S.A. de C.V. (Liverpool) is comprised of three main divisions - commercial, real estate, and credit - all backed by its services division. As Mexico's leading department store, Liverpool has a total of 74 stores, 49 of which operate under the name of Liverpool and 25 under the name of Fabricas de Francia. Liverpool's real estate division is a partner, shareholder, or joint owner of major shopping malls. The enterprise also has the private label Liverpool Card, accepted in any of the 74 stores it operates and the Liverpool Premium Card that may be used anywhere.

Challenges

One of the main functions of any enterprise is invoicing. Establishing, receiving, and managing invoices, both internally with customers and with the Tax Administration Service, are processes that require fixed financial and accounting resources in all enterprises. Additionally, they are also subject to reviews, errors, and inconsistencies that create an extra workload for the staff involved.



Liverpool's invoicing is a vital function in the company. With over 3,500 suppliers, many hours are spent on documenting financial transactions. Likewise, as it is a service enterprise, it is not only important that this process is transparent, but also that it is carried out properly to ensure satisfied customers and suppliers.

Liverpool receives an average of 2500 invoices a day, of which, in 2006, 25% needed to be checked for incorrect sums, incorrect calculation of taxes, errors in quantities or in its name. Before deploying the electronic invoicing system, these queries entailed a long document receipt process and too much down time.

To conduct its business more efficiently, Liverpool developed its IT infrastructure and introduced applications for the purchasing, stock control, credit, administration and finance, human resources, and real estate management departments. In the second half of 2005, the enterprise invested in technology for administering the new electronic invoice. As an organization of Liverpool's size, which handles a countless number of transactions, the company recognized it would greatly benefit from automating this process.

Partnering with AMECE – GS1 MEXICO

The company has always had the goal of using the latest technology available in the industry. As the enterprise was aware that the private sector now had access to electronic invoicing, the logistics department looked into how the





enterprise could be a pioneer in the use of this technology. The main aim of introducing electronic invoicing was to cut down on the large number of invoices queried and thus reduce the time and resources spent.

The results of a benchmarking study led to Liverpool developing the first stage of deployment, consisting of receiving documents using the electronic invoicing system with the use of GS1 eCom Standards. The enterprise received its first electronic invoice November 23, 2005, and by the end of the year four of its suppliers were using this system. Liverpool's electronic invoicing system was launched formally on March 9, 2006, at the Centro Banamex, when the enterprise presented the advantages of the system to 1000 of its suppliers.

Objective

The aim of Liverpool was to substantially reduce the time spent on the invoicing process and to benefit directly the accounts payable and tax departments, as they would be able to:

- **Increase productivity**

By the reduction in administrative processing time, the speed and reliability in exchanging information, speed in receiving goods, and improved customer service.

- **Save on administrative and office costs**

By the reduction in the amount of paperwork, mail, faxes, and other fixed expenses, better use of office space, no longer having to enter information, the reduction in editing and sending time, and fewer discrepancies on invoices.

- **Reduce operating time**

By reducing the supply and invoicing cycle and time spent on raising invoices.

Deployment

Liverpool began deployment of the electronic invoicing system with the standard based on GS1 XML on March 9, 2006. After deploying electronic invoicing with the standard based on GS1 XML, Liverpool had entered 984 of its suppliers on the system by August 21, 2006.

Certain adjustments needed to be made to Liverpool's existing logistics processes when the new system was introduced. For example, a field had to be added to the SAP (a solution that Liverpool has used since 2002 for internal administration purposes) for entering serial numbers that the suppliers must specify and required by the electronic system.



This also meant, apart from holding discussions with suppliers, that Liverpool's current systems had to be upgraded. Although this required additional investment, the cost was minimal in comparison with the savings afforded by the new invoicing system.

Liverpool soon began to reap major benefits from using the new system, namely, a 3% decrease in the number of invoices queried, and staff spending much less time on checking invoice discrepancies, thus avoiding down time on receiving documents and allowing staff to spend more time in areas that had previously been neglected.

By the end of 2006, 1003 suppliers were using the system and they began to see how their own business benefited. By September 2007, 1765 suppliers had adopted the electronic invoicing system, an increase of 57% between 2006 and 2007. Liverpool's suppliers have made a major joint effort to incorporate the system, which has made it a great success.

By the end of 2007, the number of invoices queried had been reduced to 7%, a major improvement in comparison with 2006, in which 25% of invoices had been queried. Before electronic invoicing was deployed, the document

receipt process was very long and drawn out and there was much down time.

Liverpool now receives an average of 40,000 electronic invoices a month with the standard based on GS1 XML. To date, 2,149 suppliers are entered on the system and the major benefits that this system affords their own business have now become apparent.

The Deployment Process

Before 2005: 3000 suppliers submitted conventional invoices.

Stage 1: 1700 suppliers using the electronic invoicing system.

Stage 2: 2,145 suppliers to be using the system by the end of 2008.

Liverpool's suppliers have made a major joint effort to incorporate the system, which has made it a great success.

Costs and Benefits

To date, the benefits, advantages, and guidelines of the new system have been made known to both suppliers and employees.





Costs of Deployment

The main cost of deploying electronic invoicing with the use of GS1 eCom Standards were:

- Software
- Maintenance and support
- Planning and deployment
- Training

Planning and deployment includes the cost of allocating Liverpool employees, who spent around 320 hours on the electronic invoicing deployment project between 2005 and 2006. Allocation of these employees created a cost for the enterprise according to the number of hours set aside for the project.

The only item that has remained as fixed investment is maintenance and support, which is provided on an ongoing basis.

Benefits of GS1 eCom Standards

Liverpool first used electronic invoices on March 9, 2006, and the benefits first began to appear at the end of 2006/ beginning of 2007, including savings in staff costs and administrative costs, and increased productivity. The company has seen tangible net benefits since of 2009.

Some of these include:

- Savings in staff costs
- Savings in administrative costs
- Increased productivity

Liverpool's return on investment for deployment of the system was 317% by the end of 2009, in other words, Liverpool recovered its initial investment on the project after the first year of use, thus arriving at the break-even point. The enterprise's investment has been more than justified in view of the benefits gained.

Conclusion

The enterprise's long-term view is that any process that involves receiving and sending may be automated. Therefore, at further stages, invoicing may be automated for consignment, credit notes, receiving invoices from big ticket suppliers, as well as in the maintenance, display, supply, services and issue departments.

Any change requires a certain time of adjustment and it is hoped that as time goes by, more and more suppliers will use the electronic invoicing system to save on paperwork and to reduce invoice processing time and the time spent monitoring payments. In order for the suppliers to invoice electronically, they must register with the Tax Administration Service, for which they may ask AMECE – GS1 MEXICO for advice.

AMECE – GS1 MEXICO has and will continue supporting its associate companies in the efficient deployment, use, and operation of the electronic invoicing system with the use of GS1 eCom Standards, so that it becomes a reality for the Mexican business community.

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With special thanks to :

