

SOLUTION SNAPSHOT:

- **Industry:** Energy
- **Challenge:** Reduce the cost, improve the quality and streamline supplier invoice processing
- **Solution:** GXS Managed Services

BENEFITS:

- Eliminated considerable paper processing
- Automated complex processes
- Reduced human errors
- Lowered costs

Exelon Corporation

About Exelon

Headquartered in Chicago, Illinois, Exelon Corporation distributes electricity to approximately 5.4 million customers in Illinois and Pennsylvania and gas to about 480,000 customers in Philadelphia. The company is also a major electricity generator, operating the largest fleet of nuclear plants in the U.S. and generate more than \$15 billion in annual revenues.

The Business Challenge

As you can imagine, a company as large and complex as Exelon depends on many suppliers. Dealing with the 5,500 supplier invoices that, on average, come into the company every week could be a costly administrative nightmare if not managed efficiently.

Not all that long ago, all invoices, along with supporting documents such as blueprints, estimates and quotes, arrived on paper. That hadn't changed much until recently. Before the company implemented its CIA (Contract Invoice Automation) project in 2006, 100% of invoices for services supplied to Exelon were paper-based and 49% of the materials invoices came in on paper.

Shuffling all of that paper through the accounts payable process was labor-intensive enough, but that wasn't the biggest problem. Not all of the invoices were in perfect order. Dealing with the exceptions was particularly costly.

On average, problems with about 700, or almost 13%, of the 5,500 weekly invoices made it impossible to enter them into Exelon's systems. In addition, on an average, the quality of the data on approximately 200 additional weekly invoices was less than it should have been, leading to the need for additional interventions and research. Furthermore, the company received roughly 300 duplicate invoices each week. Obviously, those duplicates had to be weeded out to prevent paying the vendor twice for the goods or services.

These manual, paper-based accounts payable functions were cumbersome, fallible and, therefore, costly. Exelon wanted a solution that would digitize much of the transfer of invoices and related documents, thereby allowing the energy provider to automate many of its accounts payable activities in order to reduce errors, lower costs and speed up invoice processing. Exelon turned to GXS to provide part of the solution.

A Complete Solution

Partnering with Exelon, GXS developed a Web Portal solution that allows Exelon's suppliers to send invoice data and supporting documents electronically.

The application's design assures that only valid contract numbers associated with a supplier are available when the supplier logs on to the Web Portal. The supplier then enters any required additional data, such as the invoice number, invoice date and line item descriptions and amounts, thereby completing all of the necessary invoice information required for payment. The application also allows the supplier to upload invoice images from the supplier's computer by either keying in the image location manually or by using a directory browse function to find it. Uploaded images can be in any of a variety of common formats, including DOC, RTF, TIF, JPEG, GIF, TXT and PDF. While Exelon receives all images in a standard PDF format, suppliers have the flexibility to use any of the most popular image formats. The GXS application transforms all images to Exelon's preferred format.

Every day, the invoice and image data is sent to Exelon. The first step after the data is received by Exelon from the Web Portal is to validate the invoices. Exelon sends invalid data back to the portal and notifies the supplier.

GXS retains invoice images online for 30 days and in archival storage for seven years.

The Results and Benefits

"The value that we've already derived from the [GXS] solution has been tremendous," said Tom Hall, eBusiness Analyst at Exelon, "and we expect that value to continue to grow as we bring more suppliers on board. The Web portal has allowed us to eliminate paper and manual processing in many more supply chain transactions than in the past, dramatically streamlining the whole procure-to-pay cycle, reducing human errors and, thereby, significantly lowering costs in that area."

The numbers back up Hall's assertion. In the first vendor enrollment phase, GXS and Exelon partnered to bring on board approximately 400 vendors, which represents somewhat less than half of Exelon's suppliers. After completion of this first phase, 78% of invoices for materials are now paperless, compared to 51% before the implementation of the Web Portal. Furthermore, 55% of the invoices for services are now paperless, compared to none in the past.

The Web Portal has delivered considerable benefits in the area of invoice data quality improvements. The number of invoices that can't be entered into Exelon's accounts payable system as provided has declined from 700 down to 325, a drop of more than 50%. The number of invoices with other data quality problems dropped from 200 to 100. And the number of duplicate invoices was cut by more than two-thirds—from 300 to just 81.

Not surprisingly, the increase in the number of "perfect orders" and clean transactions, coupled with the automation of some of the previously manual accounts payable processes,

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ANALYST EXELON

has led to considerable labor savings. Exelon has been able to reduce human resource costs for accounts payable support by the equivalent of four full-time staff.

Exelon isn't finished yet. Its goal for the next phase is to enroll another 400 vendors in the program. Once that happens, the vast majority of Exelon's suppliers will be sending paperless invoices and supporting documents through the Web Portal, thereby allowing Exelon to further streamline accounts payable processes, improve the quality of those processes and reduce costs.

Exelon used GXS Managed Services to implement a suppliers' Web Portal and, in the first phase, enroll 400 vendors. The solution allows suppliers to enter invoice details and upload electronic images of both invoices and supporting documents, thereby streamlining Exelon's accounts payable processing, reducing errors and lowering costs.



About GXS

GXS is a leading provider of B2B e-commerce solutions and operates the world's largest and most expansive network of integrated business communities. The company's software and services simplify and enhance businesses process integration and collaboration among networks of trading partners. Organizations worldwide, including more than 75 percent of the Fortune 500, use GXS solutions to extend their supply chain networks, optimize product launches, automate warehouse receiving, manage electronic payments and gain supply chain visibility. Based in Gaithersburg, Maryland, GXS has operations and offices around the world. For more information, see <http://www.gxs.com>, <http://blogs.gxs.com> and <http://twitter.com/gxs>.

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