



SupplyChainDigest™

Case Study: ADP Brokerage Services

ADP Uses Web-Based Portal to Integrate Suppliers, Improve Visibility, and Streamline Inbound Material Flows

Company

ADP's Investor Communication Services, an arm of the company's Brokerage Services Division, is a leading provider of fulfillment and communication services for financial companies, brokerages and publicly traded corporations.

Logistics/Supply Chain Profile

- ❑ Eight key commodity suppliers
- ❑ 1000+ different SKUs/commodities ordered
- ❑ Distribution of over 800 million mailings per year for its investment/brokerage customers
- ❑ 435,000 square foot main DC (Long Island, NY), with additional off-site storage
- ❑ Peak receiving volumes of almost 2500 pallets per day

The Issue/Opportunity

With continued growth in customers and unit volumes, ADP needed to invest in process improvement and supporting technology. Step one was implementation of an advanced Warehouse Management System (HighJump Software's Warehouse Advantage) to automate overall distribution center operations.

Following that deployment, ADP saw an opportunity to reduce costs through improved integration with suppliers. ADP has eight key suppliers of commodity products, such as envelopes, packaging material, paper, and related products. With this concentration of suppliers, ADP generates substantial purchase order, shipping and receiving activity with each vendor.

Prior to the supplier integration project, ADP had little visibility to what inventories its suppliers had in stock or planned for production – phone calls, emails and spreadsheets were the most common “visibility” tools, with the usual problems associated with such traditional processes in terms of timeliness, accuracy and processing effort.

Purchase orders and acknowledgements were manual, paper-based activities. Though ADP buyers tried to purchase in full truckload quantities to minimize transportation expense, the lack of visibility sometimes meant commodities moved in more expensive partial truckload shipments. This might happen, for example, because a supplier did not have enough inventory available to make a full truck.

The suppliers did not generate Advance Ship Notices (ASNs) for their shipments, meaning the ADP distribution center had to perform manual, labor intensive counts and data entry to receive inbound goods.

The Solution

ADP implemented a web-based portal and supplier integration system (HighJump Software's Supplier Advantage application). The system allows ADP to automate and improve a variety of processes related to procurement, transportation and receiving of goods.

There are really three main aspects to the system:

1. The ADP purchasing/procurement side, where buyers have the capability to see current ADP inventory levels and demand, view supplier inventories, create purchase orders, build truckload order quantities, receive supplier acknowledgements and receive status updates/track deliveries on-line.
2. The supplier side, in which the suppliers use a simple web-based application to receive their purchase orders, enter acknowledgements and status updates, update on-hand inventory information, generate ADP-compliant bar codes, and create ASNs.
3. The ADP distribution center, which uses ASN receiving functionality in the WMS to greatly reduce the time it takes to process incoming shipments through use of the bar code scanning and vendor-generated ASNs.

These three components work together to automate the entire "procure to pay" process. The new supplier portal is integrated both with the warehouse management system and ADP's Ariba purchase order system, and requires very little system infrastructure on the supplier side: basic PC with a web browser and internet access, a bar code scanner and bar code printer.

Key Results Drivers

- **Development of a web-based supplier portal (HighJump Software's Supplier Advantage) to automate key procurement processes, improve visibility, and streamline inbound flows**
- **Combination of "carrot and stick" approach with suppliers – use of the portal became a requirement for doing business with ADP, but ADP focused on supplier business benefits and ease of use of the system**
- **Detailed, multi-functional definition of requirements and workflows focused on real business needs – system delivered very closely match expectations for functionality and results.**

The Result and Key Business Benefits

The project had a number of hard and soft savings/benefits for ADP.

- ❑ **Substantial reduction in receiving times** – as much as 75%. Receiving processes that used to take as long as an hour have been reduced to 10-15 minutes through use of the vendor ASNs and associates receiving processes based on simple scans.
- ❑ **Reduced transportation expense:** Visibility into vendor inventories enables ADP buyers to consistently order in full truckload quantities, without worry that the order will not be full due to supplier out-of-stocks. The system has also reduced the need for expedited freight.
- ❑ **Reduced overhead costs:** Significantly reduced time associated with purchase order creation and tracking – automated communication processes. Significant reduction in phone calls/emails, leading to reduction in total procurement cycle times.

- ❑ **Reduced inventories:** Improved visibility and accuracy of supplier inventories and inbound goods information has enabled ADP to reduce its on-hand inventory levels for key commodities by reducing uncertainty.
- ❑ **Improved metrics:** The system can now generate a wide variety of vendor-related metrics on vendor performance that ADP can use to evaluate their performance and drive continuous improvement.

Deployment and Time Line

The project kicked off in September 2003. A decision was made to roll the system out by item/commodity type (e.g. envelopes, roll paper). It picked one of its more advanced vendors to participate in the first go-live, which occurred in January 2004. It rolled the system out to a second vendor in mid-February, 2004. Another –12 vendors were then brought on-line each succeeding month.

As next steps, ADP plans to increase the integration between Supplier Advantage and the Ariba purchase order system, and potentially to expand the use of the portal to inbound processes for its customers' goods, even though it does not directly purchase these materials.

Key Lessons/Insights

ADP believes there were two primary keys to the project's success:

1. **Care taken upfront to map system requirements and the new workflows that would be required across multiple scenarios:** This involved getting personnel from multiple areas (distribution, procurement, IT) together as from the outset, and really focusing on how the system should work for the benefit of the business. As a result, the system delivered closely matched the needs of ADP and its supplier, and began to quickly generate the expected benefits.
2. **Overall approach and time taken to work with its vendors:** Although use of the portal has become a requirement of doing business with ADP, ADP worked collaboratively with vendors on introduction of the new system, focusing on the ease of use and the benefits the suppliers themselves would achieve (streamlining of processes, increased order quantities). Though the actual vendor training typically only took a day, due to the ease of use of the system, ADP created an excellent Supplier Training Guide for each vendor, provided very hands-on on-site training, and staffed a support line for vendors to call with any questions.

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