

MODERN DISTRIBUTION MANAGEMENT

VOL. 37, NO. 04
FEBRUARY 25, 2007

The Newsletter for the
Wholesale Distribution Channel

Reprinted with permission of Modern Distribution Management

■ Case Study

Outsourced Billing

Mayer Electric moves away from in-house mailings

By Lindsay Young

In the mid-1990s, Mayer Electric Supply, Birmingham, AL, prepared and mailed its invoices and statements in-house. The distributor had employees who printed the mailings on high-speed printers at night and used a machine to fold and stuff the mailings. It also maintained a Pitney-Bowes postal machine.

"It was quite a cost factor to do all of that," says Mayer Electric CIO Barry Carden.

So Mayer started looking at outsourcing its paper billing. The electrical distributor, which serves mostly the Southeast U.S., found a provider in 2001. Despite a few issues – like some double mailings – the service worked well and saved Mayer time and money. But that company was sold to a larger corporation, which decided to cut smaller customers out of the mix, including Mayer.

Mayer had 90 days to find a new service.

Local Service

Next stop: a local mail house. Several banks are headquartered in Birmingham, so the mail house said it could combine Mayer's invoices and statements with other companies' mailings to get a reduced postal rate. That sounded good, but Mayer soon learned that merging mailings had its downsides as well. If another company made a mistake, and the post office rejected the mail, Mayer's invoices were rejected as well.

"It started out and stayed a really rocky relationship," Carden says. In addition to mail rejections, the mail house had too many single points of failures – mean-

ing just one problem would take down an entire machine. That slowed the outflow of bills and hurt cash flow. "You have to get your invoices out everyday," Carden says. The mail house also made too many errors, including sending bills to the wrong place and making unnecessary delays.

"We decided to move to somebody else," he says.

The next option was BillTrust, which Mayer currently uses and heard about through an Affiliated Distributors email in early 2006. The new service could handle Mayer's paper and electronic billing. Mayer took about four weeks to transition to the new provider.

Moving to Electronic

Up until now, Mayer was managing email delivery of invoices and statements in-house.

Customers would call customer service asking for their invoices to be emailed in lieu of snail mail. Before, Mayer's IT department would have to assist in setting that customer up to receive invoices electronically.

But with the new service, Mayer's customer service representatives could take care of the entire process – this slashed up to two days off the processing time. "That's a reduced cost to us, so that's a huge win," Carden says.

Mayer also set up the system so that customers receive the same invoice via email that they would if they were to receive it in the mail.

Mayer is pushing to get all of its customers on electronic invoicing, though

continued on next page

INSIDE

Single Sourcing on a Smaller Scale

Distributor starts alliance for small distributors to serve smaller customers.

Page 5

Construction to Moderate This Year

Nonresidential will balance residential.

Page 6

Global Growth Faces Headwinds

But U.S. export demand should stay strong.

Page 7

mdm®

the distributor has a long ways to go. In a recent day, just 5 percent of its bills were sent out via email. So far, Mayer has only made customers aware of that option by printing a sentence about the service at the bottom of its paper invoices and statements.

Another benefit of Mayer's outsourced billing is automated signature capture when a shipment is confirmed. That signature is stored on the Web site and printed automatically on the bottom of invoices. This cuts down on time spent searching for the name of the person who accepted the shipment – when the customer receives his bill, he will know.

Mayer's aim is 100 percent electronic signatures.

Mayer's provider also archives invoices online for up to a year. Mayer receives a link where the bills are located – a credit analyst can pull up that invoice when it is needed. In the future customers will be able to view their invoices online, as well.

Reducing Volume

Mayer has decreased its mailing costs through a service called Bullpenning – part of the new system. The service allows Mayer to set a dollar threshold. When a customer reaches \$500, in Mayer's case, a bill is sent. Instead of receiving two or more mail pieces, customers get just one.

If a customer doesn't reach that limit by a certain point during the week, a bill is sent anyway. Mayer can release customers from Bullpenning.

Overall, the move to outsourced billing has helped Mayer with "a lot of little things." It no longer has software in-house, nor does it need high-speed laser printers or the postal machine.

Mayer now employs just one person part-time to prepare the delimited text files to send. The ERP system creates that file. When the company receives the file, it sends an automated email to Mayer. Mayer also gets notice that invoices and statements have been processed.

"I never want to go back to doing it myself," Carden says.

The provider also helped Mayer redesign its invoices in response to complaints from customers. Carden says he has heard no more complaints and that the invoices look more professional. It hasn't been all smooth sailing, but Carden says the provider has been responsive to any problems and needs.

More distribution case studies at www.mdm.com/stories/distcasestudies.html.

Tips for Outsourcing Billing

- ✓ Mayer Electric CIO Barry Carden recommends using the file format the billing provider recommends. "Even if it takes longer initially, use it," he says. With previous companies, Mayer insisted on a different format, and "it never worked out well for us."
- ✓ Make the process as simple as possible by keeping the IT department out of it. Train the credit department for email and fax billings, and customer service representatives to sign customers up for emailed invoices.
- ✓ Ask potential providers whether they have a single point of failure that would shut down their systems, and therefore impede mailing. What are their redundancies?
- ✓ Ask whether your mail will be mixed with the mail of other customers.
- ✓ Ask to see your potential provider's disaster recovery plan.
- ✓ Look at the provider's geographic location and the location of its print facility relative to the footprint of your company. Is an extra day acceptable if that's what it will take to get a mailing from that facility to some of your customers?

MODERN DISTRIBUTION MANAGEMENT

Founded in 1967
by J. Van Ness Philip

Publisher & Executive Editor
Thomas P. Gale
tom@mdm.com

Editor
Lindsay Young
lindsay@mdm.com

Contact Information

Questions, comments, article proposals, address changes or subscription service to:

Gale Media, Inc.
2737 Mapleton Avenue, #201, Boulder, CO 80304
Tel: 303-443-5060 Fax: 303-443-5059
Website: <http://www.mdm.com>

Subscription Rates

To subscribe to Modern Distribution Management, please call 303-443-5060, email tom@mdm.com or <http://www.mdm.com>.

Subscriptions are available by online delivery and/or first-class mail. Three-year archives of MDM are available online to subscribers. Previous-year archives are available at a discounted rate to current subscribers.

Published twice monthly; \$345/yr., \$365 U.S. funds other countries; \$169 each additional subscription to a company (\$189 other countries). For group subscription rates and site licenses, please contact Tom Gale at 303-443-5060.

Copyright © 2007 by Gale Media, Inc. All rights reserved. Modern Distribution Management® and mdm® are registered trademarks of Gale Media, Inc. Material may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. To request permission to copy, republish, or quote material, please call 303-443-5060.

ISSN 0544-6538