



CASE STUDY

CASSINFO.COM

How Aaron's Achieved Process Improvement & Savings Through Managed TEM

Overview

- More than 2,100 stores
- 1,800 fixed & wireless invoices processed monthly
- 100+ telecom carriers

Challenges

- Change management was manual, time consuming and lacked controls
- Spend and usage data was very limited
- Inefficient allocation and chargeback process

Results

- Changes are now supported by the Cass staff and its SaaS software; a closed-loop process ensures that all telecom changes are documented through inventory records, and accurate inventory data informs the invoice audit process for full control
- Visibility provides greater leverage in contract negotiations
- Automated cost allocations to 4,200 GL accounts
- No new telecom staff despite growth

Improved Process. Real Results.





Overview

With more than \$2.7 billion in annual sales, Aaron's Inc. is a growing lease-to-own company. Its stores offer furniture, electronics, computers, and appliances in the U.S. and Canada through more than 2,100 locations, many of which operate as franchises.



Aaron's Focus on Continuous Improvement

In 2005, Aaron's was a relatively early adopter of TEM managed services. Their processes for managing the growing organization's telecom operations were manual and a lack of advanced invoice auditing capabilities left them suspecting expense leakage. Management was concerned about the never-ending pursuit of credits from billing errors, and a very labor-intensive cost allocation process. As a company with a strong cost-control and process-improvement culture, Aaron's sought to streamline its telecom activities for both hard and soft dollar savings.

Forward Thinking: Ahead of Their Peers

When many similar-sized organizations hadn't even heard of telecom expense management (TEM), Aaron's was ahead of the pack in realizing that TEM was an ideal business process to outsource. While they knew it was critical to maintain a high level of control – especially making sure their invoices would be paid accurately and on time – Aaron's management saw outsourcing as an attractive alternative to devoting significant resources to develop in-house competencies for

- managing day-to-day telecom carrier relationships
- working with EDI telecom invoice files, and
- operating a back-office process to audit and pay telecom invoices.

While Aaron's was implementing TEM with Cass, a managed services provider, many other organizations were installing software and using it to the best of their abilities to manage costs. According to AOTMP, the this model continues to decline in popularity as more organizations realize the value of managed services.

Aaron's was ahead of its peers: while they were implementing managed services, others were installing software and struggling to manage TEM on their own.



Converting Carrier Invoices to EDI

The first of many goals for Cass was to work with Aaron's telecom carriers to transition from paper invoices to EDI ANSI 811 standard – the preferred format for telecom invoices because it contains all charge-level detail. (Anything less than the ANSI 811 is considered a summary invoice and doesn't support a robust, granular audit of all charges). Today Cass receives 80% - 85% of Aaron's invoices in this more data-rich EDI format. For every invoice received electronically, Cass' system checks each and every feature charge, also called Universal Service Order Code (USOC) charge against its rules-based system. If there is no match, a ticket is generated, and typically a credit is pursued.

The benefits of working with a true TEM outsourcer include the utilization of automated, best-practice processes, the increased access to valuable data and reliance on experienced telecom professionals who manage telecom expenses across a large portfolio of clients rather than just one organization.

Controlling Constant Change

Aaron's is a dynamic organization, growing 8% - 9% in an average year. During one particular growth phase, the company added 250 store locations in 12 months. Consolidation also occurred as management refocused its strategy: In 2008, Aaron's sold the assets of its Aaron's Corporate Furnishings division, divesting itself of about 50 locations.

In telecom, change management is commonly referred to as "MACD" activity, for "moves, adds, changes and disconnects." Today, when changes occur, Aaron's simply communicates the needed change by creating a ticket using the Cass portal. With their Cass team and technology in place, these changes and subsequent inventory adjustments are made seamlessly, giving Aaron's staff time to focus on more business-critical goals.

Process Improvement Across the Organization

Because of the increased business intelligence now at Aaron's fingertips, their negotiating power has shifted to a position of strength. Taking advantage of its volume, Aaron's continues to negotiate service contracts directly with more than 100 carriers. But they no longer need to rely on the carriers to provide usage and spend data. Using the Cass service platform, Aaron's now has its own reliable inventory data and analysis tools so that at contract renewal time, they can make the best decisions for the company.

On the accounting side, Aaron's Inc. uses a cash accounting system whereby each location maintains its own profit/loss statement, so it's imperative that costs are applied accurately to each store. And unlike many franchise operators, Aaron's maintains control over its data network by providing data connectivity to its franchise locations. This adds complexity to cost allocations since the system must be able to address business rules for company-owned locations versus franchises. The entire cost allocation process is now

When changes are needed, Aaron's opens a ticket in the Cass portal and we take it from there.



automated. According to Candy Ward, IT resource manager, Aaron’s Inc., this is an area where Cass really shines. “Both our Cass auditor and account manager really know our business. When they are looking at reports or even individual invoices, they are able to apply this knowledge – just as if they were Aaron’s employees.” At the end of each month, a Cass-generated file feeds Aaron’s accounting system with charges accurately applied to more than 4,200 general ledger accounts.

TEM - An Ongoing Business Process

One might think that after correcting invoice mistakes with carriers, further errors would be minimal. But new and recurring errors are commonplace among telecom carriers, as Ward can verify. “In our experience, errors occur regularly and across the board – it’s not necessarily a problem confined to any single list of carriers,” noted Ward. “They seem to happen anytime something changes – a new contract, a discontinued line, tariff changes, new services, you name it. That’s why in carrier contracts you’ll often see language that spells out remedies for invoice errors, typically giving the carrier multiple months to fix a problem,” she said.

And new charges from third-party billing and employee abuse can occur at any time. An automated system, with a team behind it checking the anomalies, brings these costly problems to the surface and gets them fixed before they happen again.

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CASS MANAGES THE COMMUNICATIONS LIFECYCLE:





The online portal, used regularly by Aaron's in-house telecom team, is robust and rich with data. They view and download reports, approve invoices that the system has "kicked into an exception mode" requiring human scrutiny, and create service desk tickets to get help with particular questions or issues. "The portal is very user-friendly. We can view expenses by account, by division or by carrier," Ward, said. "The Spike Usage report that calls our attention to unusual increases in spend is also incredibly helpful," she said.

The services from the Cass team go well beyond the technology. During a monthly team call, the companies discuss particular issues such as business changes. Aaron's team at Cass is their front-line advocate with their vendors when credits are due or new services are needed. The personal aspect of the relationship is absolutely critical to the success of this TEM process.

It is so successful, in fact, that even then Aaron's was adding one location every three days, they were able to maintain an internal telecom staff of two. "We believe we have strong control over these expenses, and the Cass portal makes it easy to research any type of question related to telecom expenses. The information is at our fingertips," she said.

Summary

Aaron's Inc. has a best-practice TEM solution in place that it can trust to serve its growing organization. Their original goals – better systems, improved processes and better data – were met early on and enhanced with many more benefits. For Aaron's, outsourcing TEM was a smart business decision that has proven, many times over, even more valuable than anticipated.

Cass Information Systems (Nasdaq: CASS) is North America's largest and leading provider of lifecycle solutions for managing recurring complex payables, such as communications, utilities, transportation and waste. With \$38 billion in payables and more than 1,000 employees, Cass has been in continuous operations since 1906.

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