

# Case Study

Manufacturing



## Hagos eG Turns to Kofax Intelligent Capture & Exchange for Automated Invoice Processing Solution within Open Source Environment

Kofax Provides Germany's Largest Tile Stoves and Air Heating Systems Supplier with Solution to Streamline Processing of More Than 110,000 Invoices Annually

Founded in 1919, Hagos eG is an association of German tile stove builders and heating contractors that supply wholesale products such as stoves, fireplaces and centralized heating systems fueled by gas, oil, electricity or wood to resellers. With nearly 3,000 customers, the Stuttgart-based organization reports annual gross sales exceeding \$130 million and employs more than 280 people.

**“Our invoice processing times have been slashed from weeks to a few days.”**

Guido Eichel, Financial Director at Hagos

As Germany's market leader in the wholesale sector for tile stoves and fireplaces, Hagos supplies industry professionals with components, materials and tools through seven distribution sites located across Germany and Austria. The company also serves as a trade association for more than 1,000 members, providing support through central marketing campaigns and service offerings.

### The Challenge

Hagos was faced with mounting regulations from German jurisdictions and a rapidly increasing volume of paper-based invoices – about 110,000 per year – coming into the accounting department. The group wanted to reorganize document management processes to streamline and automate its accounts payable functions as well as meet compliance requirements. These tasks needed to occur within a system that would support and could be integrated within an open source IT environment, especially since employees had applications such as Linux and OpenOffice already installed on their desktops.

With nearly 10,000 supplier invoices manually flowing into Hagos' financial system each month, the accounting team had become inundated with paper which led to unacceptable levels of invoice processing times. On average, an incoming invoice took several weeks to be classified and presorted, copied and manually entered into the existing inventory management system, routed to the appropriate cost center and manager for approval and then released for payment.

This complex, multi-step process was not only slow, but fraught with risks that resulted from data entry errors, incorrect postings or even the loss of entire transactions. In addition, any noted exceptions – missing documentation, inaccurate cost center coding, misplaced receipts – were typically identified late in the verification process. This delay required time-consuming queries to suppliers and then, once the exceptions were resolved, an invoice would have to “re-start” again at the beginning of the system. This complicated, labor-intensive process required hundreds of staff hours that could have been allocated more productively.

With such a protracted invoice processing system, Hagos found itself missing out on many cost-saving early payment discount opportunities and wasting employee resources. Plus, the organization was concerned about meeting new government regulations for digital data access and auditing as well as computer-assisted accounting structures. Hagos needed to ensure that a completely documented workflow system that included audit-proof electronic storage of business critical data was in place.

## The Solution

Hagos brought in Westernacher Products & Services AG, a Kofax Certified Solution Provider, to help conduct a detailed analysis of available options. Following an intensive evaluation period, Hagos decided to address its document capture needs with an Intelligent Capture & Exchange solution, the centerpiece of Kofax’s strategy to help organizations streamline business processes. The Kofax solution integrates with Alfresco’s ECM Suite, which is used to seamlessly interface with Hago’s open architecture structure.

“From the very first discussions, it was clear that Kofax offered the best, most reliable solution for meeting our data and document capture requirements,” said Alexander Gonzales Casin, Project Manager at Hagos. “Our initial testing proved that to be correct.”

As part of the initial project phase, Hagos conducted a series of workshops to determine technical requirements and ensure that specifications were identified and accurate prior to a full-scale implementation. From there, the decision was made to concentrate primarily on establishing a high-quality, error-free invoice processing system.

To do so, the solution leverages key elements of Kofax Intelligent Capture & Exchange, including:

- **Kofax Capture**, the world’s leading information capture platform, which automates data capture from scanned paper or imported documents;
- **Kofax Transformation Modules (KTM)**, which streamline the transformation of business documents into structured electronic information by automating the processes of document classification and data extraction; and
- **Kofax VirtualReScan (VRS)**, the de facto standard for capture productivity and quality throughout a document’s lifecycle.

## Results

With the Kofax solution in place, Hagos’ new invoice workflow environment has been significantly improved, with invoices now being processed in just a few days rather than taking up to several weeks. Documents are now scanned in batches with image clean-up and enhancement occurring upfront. Once captured, the electronic invoice data is then classified, separated, extracted and delivered into the accounting system where it is verified before being released for payment. Using open source components as part of the overall solution is also providing value to Hagos. High licensing fees are reduced or eliminated, while accounting staff are able to easily learn and operate a system that seamlessly integrates within a computerized operating environment they know.

“Our error rates have been considerably reduced, time-consuming searches for archived invoices are a thing of the past and our invoice processing times have been slashed from weeks to a few days,” said Guido Eichel, Financial Director at Hagos.

“Moreover, our accounting staff has been freed from many routine but very time-consuming tasks,” he added. “We have the same number of employees managing a constantly increasing volume of information far more efficiently than ever before.”

Visit the Kofax web site at [www.kofax.com](http://www.kofax.com) for more information!