



## MCLANE COMPANY

### Leading Distribution Company Chooses OnBase for AP, AR and Legal

A wholly owned subsidiary of Berkshire Hathaway, Inc., McLane Company, Inc. distributes food and non-food products to more than 50,000 customer locations around the world, including convenience stores, drug stores, mass merchandisers, wholesale clubs, quick service restaurants and movie theaters. Headquartered in Temple, Texas, the company is one of the nation's largest wholesale distributors and operates 18 grocery divisions, 18 foodservice distribution centers, and an industry-specific software company. In the international market, McLane operates several distribution centers, providing third party logistics and other services to large multi-national companies.

To maintain its market-leading position, McLane is always evaluating strategies to keep pricing competitive while continuing to offer the highest levels of customer service. By the late 1990s, McLane began to investigate how ECM (enterprise content management) could help to meet this goal by streamlining business processes. "Initially, it was too expensive," recalls Melissa Guhlin, manager of Central Accounts Payable at McLane. "But as prices came down, we began looking more seriously. An outside audit firm we deal with referred us to an OnBase reseller."

OnBase is enterprise-class ECM software that combines integrated document management, business process management and records management in a single web-enabled application. "One of the primary reasons we chose OnBase was that we could implement it in manageable chunks that we could afford," says Ms. Guhlin. "Yet each of those chunks allows us to get some benefit right away." In the past several years, OnBase has evolved from a simple scanning and retrieval application in a single department to managing business processes in several departments while promising enterprise-wide benefits.

### Reducing AP Turnaround Times With Less Labor

McLane chose to implement its first OnBase solution in the AP Department. At the beginning of 2000, McLane began scanning invoices in an attempt to gain control over that process. With several thousand individual vendors sending invoices, maintaining a year's worth of files required eight rows of file shelving packed into a single room. Filing errors and manual retrieval affected productivity, and McLane incurred the cost of filing supplies and manpower. Gradually, the process has expanded from simply storing invoices to automating business-critical processes.

Approximately 2,500 to 3,000 documents are received every weekday, about 1,800 to 2,200 of which are received in electronic formats such as EDI. Paper documents are scanned using Eastman Kodak 5500S Digital Science scanners. Regardless of the source, all invoices are entered into the Initial Queue then routed, via the Distribution Queue, to the load-balanced CAP (Central Accounts Payable) Data Entry Queue. In this queue the documents are indexed with a 12-digit number from the CAP Data Entry system via the Kodak scanners. This data updates the IBM 3270 mainframe host system from which additional indexing information is "screen scraped" and creates a Keyword Update file for OnBase.

Using a custom matching program created by McLane, invoices are compared nightly to host files to see if the items were received per the invoice, even if discount dates are involved. About 80% of the invoices match perfectly and are automatically routed to payables with no other human intervention. Using Workflow, the remaining 20% are routed to one of 40 cost and deal auditors or to research clerks who reconcile discrepancies.

The OnBase repository and cross-referencing capability are crucial to pre- and post-payment research. In addition to images of the invoices themselves, the archive includes all supporting documents such as correspondence and receiving documents. By simply double-clicking on a document, a user can automatically view

#### AT A GLANCE

McLane Company, Inc. is one of the largest wholesale distributors in the country. Since implementing OnBase, McLane has increased productivity and decreased labor in its AP, AR and Legal departments and improved its ability to comply with internal and external regulations.

#### BENEFITS

- Universal availability of documents based on user rights
- Workflow integration allows 80% of invoices to be routed directly to payables
- Auditing and retention tools support compliance with Sarbanes-Oxley and other regulations/policies
- Security features support HIPAA compliance for sensitive documents
- Faster resolution of AP exceptions
- Future support for customer self-service
- Significantly decreased labor requirements in all areas OnBase has been implemented
- Decreased demand on physical resources
- Automated distribution of supporting customer documents

#### APPLICATIONS

- AP
- AR
- Legal

#### ONBASE SOFTWARE

- Document Imaging
- Document Retention
- Electronic Document Distribution
- Document Import Processor
- Document Retention
- E-Forms
- Image Statements
- Workflow
- Web Server

#### COMPLEMENTARY PRODUCT INTEGRATIONS

- Eastman Kodak 5500S document scanners
- Fujitsu Computer Products of America's 4750L document scanners
- IBM 3270 mainframe
- Crystal Decisions Crystal Reports
- Internally developed matching application

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all related documentation. Auditors and clerks can add notes to documents and place them in set-aside queues if additional information is pending.

McLane also uses OnBase Document Distribution and Image Statements modules when paying adjusted invoices. For example, if McLane didn't pay the face value of an invoice because a portion of the shipment was sent back or never received, the vendor in question would require an explanation. In the past, creating itemized lists of these adjustments was a full time job. Now, when the check is cut, the system gathers the supporting documents and automatically e-mails them to the vendor. In addition to labor savings, this process also helps to maintain good vendor relationships by providing this information much sooner than under the manual system.

The productivity increases realized by using OnBase have resulted in much shorter turnaround times on invoices with a significant reduction in labor. Documents are immediately available to anyone in the organization with appropriate privileges, and security settings allow for better access control than file folders while conserving valuable space. McLane's OnBase system also provides an audit trail to identify who has accessed a document and what action was taken on it. Through an integration with Crystal Reports, McLane has also improved productivity reporting.

### Improving Customer Service in AR

Recently, McLane expanded the use of OnBase to include receivables. The AR Department had been outsourcing scanning of delivery packets for some time. However, instead of the universal online access OnBase offers, the service provider was returning CDs, which sometimes took weeks to reach some of the 18 distribution centers.

McLane continues to use outsourced services to scan delivery packet documents, but files are transferred to a central server in Temple each night. The biggest advantage of the OnBase system is customer service. Instead of searching through CDs, users can immediately determine if a delivery was short or the customer was issued a credit. "Cross-referencing is one of our favorite things about the OnBase system," says Chris Robinson, Accounts Receivable Manager. "Before we had OnBase, any customer inquiry might require looking up four separate documents. Now they're all there with a double-click."

OnBase is an important customer retention tool for the AR Department as it allows a customer to resolve a question about any issue anywhere in the country with a single call. This improved customer service is less expensive because it requires less labor to deliver. In the future, McLane plans to further reduce costs by enabling customer self-service, making documents securely available to customers via the Web using the OnBase Web Server module.

### Addressing Regulatory Issues In the Legal Department

The Legal department implemented OnBase technology in April 2003 to help assist in the implementation of meeting requirements for the Health Insurance Portability and Accountability Act (HIPAA). With more than 14,000 employees scattered across the USA in 40+ divisions, McLane's Legal Department was searching for a tool that would provide security, access and automated retention control to Protected Health Information (PHI) documents. McLane must meet the federal requirements for maintaining employee PHI accurately and for the prescribed period of time.

The Legal Department began scanning PHI documents to the OnBase repository utilizing Fujitsu 4750L image scanners and using the Document Retention module to assure that they are maintained according to policy. The security features of OnBase also help McLane meet HIPAA requirements for privacy by preventing access to insurance and other health-related documents by unauthorized users while making the entire file immediately accessible to those who need it.

In the future, McLane plans to utilize OnBase in its People Department. While all HR departments are accustomed to following guidelines and regulations, the amount of paperwork involved in employing workers with CDLs (commercial driver's licenses) increases both the volume and complexity of document management. In addition to the typical applications, there are also the lists of qualifications, certifications, violations and drug tests, and the requirements can vary by state. OnBase will allow McLane to manage and organize these documents, but also carefully track documents that expire, such as routine medical evaluations and HazMat certifications.

### Meeting Enterprise Goals

"My long-term vision is that I'd like to see the use of OnBase grow to other areas," comments Ms. Guhlin. "It's exciting to see two more departments have implemented it based on the success in AP, and I'm looking forward to the day when we have full integration."

While the individual departments can realize benefits from using OnBase, the entire enterprise can also reap the advantages. Not only is OnBase flexible enough to meet a variety of departmental goals, it also offers functionality that ensures that corporate goals are met. For instance, McLane is using the OnBase Document Retention module to ensure that business documents are saved for the period defined by internal or external regulations.

In addition, McLane is voluntarily complying with Sarbanes-Oxley, a corporate oversight legislation that requires, among other things, for organizations to document the integrity of business processes. Tools such as audit trails of workflow processes and the ability to maintain a document history help organizations prove that published policies are followed.

OnBase's modular architecture allows organizations to enhance and expand an existing solution without compromising its initial investment. Because even complex tasks such as Workflow and application integration are point-and-click configurable, an OnBase solution can be deployed quickly and affordably. As an organization's needs grow, OnBase can scale to handle thousands of users, terabytes of data and more than a million transactions a day on a single server.



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