

# [Reference project: Bayer Schering Pharma AG]



## **Bayer Schering Pharma AG:**

Automated invoice receipt recognition at Bayer Schering Pharma AG

## **Focus on profitability**

Over many decades, Schering, now Bayer Schering Pharma AG, has processed incoming invoices according to the same pattern: First, the invoices were received by the various company departments. Here, they circulated until they were signed-off. Finally they were sent to the accounting department, where they were filed. This routine seemed to be written in stone, until FrontCollect Invoice by Beta Systems was implemented – achieving major improvements in efficiency for in-house processing methods.

Bayer Schering Pharma AG is a pharmaceutical research company. Its main operating areas are gynaecology & andrology as well as diagnostic imaging, special therapeutics and oncology. The Bayer Schering Pharma group includes more than 150 subsidiaries. It employs almost 25,000 staff and markets its products to all parts of the world. The accounting department of the company's Berlin headquarters has 50 staff. It also functions as an accounting service centre for 28 German subsidiaries of the Bayer Schering Pharma group, including Bayer Schering Pharma Deutschland GmbH and ALK-Scherax in Hamburg.

"Our invoice processing had not fulfilled its potential," says Andreas Captuller, IT Coordinator and Payment Transactions Manager of the accounting department at Bayer Schering Pharma AG. "Traditionally, invoices were received by the em-

ployee, i.e. researchers, marketing staff or product managers. They had issued the purchase order or received the service at the relevant subsidiary in any part of the world. These employees would stamp and approve the receipts and send them on to our accounting department in Berlin."

However, often the invoices were incomplete, missing legally required data, such as invoice number or the complete invoice address. This meant that the invoices had to be sent back to the respective company department for completion, where the process started all over again. Quite often the processing of the receipts was delayed and reminders needed to be issued. "This was the crucial complaint," says Andreas Captuller. "In some cases, we had no idea, which invoices were circling in-house or where they were at any given point in time – a totally non-transparent procedure."

### **Company**

Bayer Schering Pharma AG is a pharmaceutical research company.

### **Industry**

Pharmaceutical industry

### **Facts & Figures**

Company founded in: 1871  
Employees: 24,000  
Headquarters: Berlin  
Turnover 2005: >5 billion euros  
Chairman of the board: Dr Hubertus Erlen

### **Business challenge**

Quicker processing of approx. 250,000 incoming invoices annually by implementing a smart registration and workflow solution.

### **Products employed**

FrontCollect Invoice

### **Benefits from the employed Beta Systems' solutions**

A high degree of transparency of the invoice receipt process and an increase of efficiency by up to 20%.





## **The strategic "profitability" project at Bayer Schering Pharma – impeccably implemented by the accounting department**

The optimisation of this process was triggered by an in-house Bayer Schering Pharma project, which focused on the long-term securing of the company's profitability. "Between 2002 and 2004, all company departments were asked to reduce costs and increase efficiency, including the administration side of the business," says Karl-Ludwig Pörtl, head of the accounting department at Bayer Schering Pharma AG.

The department wanted a combined solution of reading the invoices and integrating them into the SAP workflow. When choosing the system, Bayer Schering Pharma AG focused on practical examples. "We looked around and were given demonstrations of existing installations of other manufacturers on site, including scanning and validation. In the end, we decided to go for a solution by Beta Systems because we were very impressed by what we saw when visiting another big pharmaceutical manufacturer who was also using this combination of FrontCollect Invoice and SAP workflow. This manufacturer had been highly satisfied with the FrontCollect solution," says Pörtl.

Bayer Schering Pharma AG tendered the project, and it was again Beta Systems who came first with regard to fulfilling Schering's requirements concerning

recognition rate, ability for continuous system learning, processing speed and integration into the SAP workflow. Bayer Schering Pharma AG then commissioned SAP Systems Integration AG with the installation of the combined solution.

## **Beta Systems offers superior products and expertise**

In October 2004, Beta Systems installed FrontCollect at Bayer Schering Pharma AG, and one year later, Beta Systems also implemented a FrontCollect update and further optimised the solution. "This was when the expertise of the specialists of Beta Systems really became apparent. We would use Beta Systems again any time because we are absolutely satisfied with its products and expertise," explains Andreas Captuller. Today, the SAP workflow is maintained by Bayer Schering Pharma AG's in-house IT department.

Since then, the accounting department has been processing more than 250,000 invoices every year, 80% of which are registered by FrontCollect. Receipts from Bayer Schering Pharma subsidiaries in all parts of the world are now gathered by the Berlin accounting department. Here they are registered every morning by two scanning stations. The data is fed into the SAP workflow and sent on to the approval procedure, whether at Schering Asia Pacific or in one of the company's many research departments. A crucial

"FrontCollect has significantly increased the process transparency and provided a better overview of invoices not just in the accounting department but also for all company departments."

Karl-Ludwig Pörtl  
Head of the Accounting Department  
at Bayer Schering Pharma AG



aspect of the system is that FrontCollect is able to provide the collection of all invoice data in a single invoice receipt book. This book was developed within SAP and collects all scanned-in invoices, providing an ideal platform for monitoring the process flow and finding individual invoices.

### Recognizing invoices

The main cost-saving factor of the Beta Systems' software is that today invoices no longer need to be manually entered into the system. Instead, the invoice data is automatically recognized, read and integrated into the SAP system as pre-registered receipts. This means that company staff save time, which was previously used for manually entering the invoice details. And however quick the employees of the accounting department were in entering data manually – they certainly can't compete with the processing speed of Beta Systems' software. Today, numerous suppliers are being fully recognized by the computer because the error rate of the OCR software is negligible. This is mainly due to FrontCollect's ability to learn new skills "on the job". Every morning at 5 a.m., the SAP system employs an additional process in order to provide OCR with an updated set of the complete master data, resulting in maximum data integrity.

"The recognition quality and the graphical display of the invoice content are

simply excellent," says Simone Hermes, who is FrontCollect Project Manager at Bayer Schering Pharma AG. Schering staff have had experience with earlier conventional scanning methods. These were used when invoices had been scanned for documentation purposes for subsequent filing with receipts, which had already been accounted for. "Then there had been difficulties with the recognition of data, such as incorrect logo recognition, misplaced dates, etc., but today the Beta Systems software reads data without any errors," says Simone Hermes. Thereby, Bayer Schering Pharma succeeded in avoid having to reprocess data that had been fully provided on the original invoices.

### Validating invoices: for FrontCollect only a matter of seconds

Should errors occur in the OCR, they can easily be rectified in the course of the subsequent validation step. For this purpose, FrontCollect displays all relevant data fields on the right part of the screen: purchase order, date, invoice number, etc. If details have not been read correctly, they are marked in a certain colour in the recognised dataset as well as on the image, which is shown on the left part of the screen. This way, staff are able to quickly decide if data has been recognised incorrectly and can rectify the error immediately. There is hardly any need for explanations, and Hermes and her colleagues are able to validate

invoices within a few seconds. Andreas Captuller says: "The software's ability to learn is also impressive. Initially we were quite sceptical about this claim, but we soon realized that if for example FrontCollect was taught that supplier X enters his gross amount halfway down the form on the right, the software will always remember this piece of information." This ability to learn has become possible due to Beta Systems' free-form recognition technology, which means that the software is able to recognize invoices in different formats that are written by the same supplier.



"For a long time we had no overview of where invoices exactly were in the company at any given time. Our old procedures were partially inefficient. However, due to FrontCollect this has now significantly changed. Today we are able to process invoices within a few minutes, whereas in the past this could have taken anything up to two days."

Andreas Captuller  
IT Coordinator in the Accountancy Department  
at Bayer Schering Pharma AG



**Easy identification of different invoice recipients**

One of the big challenges for the FrontCollect project at Bayer Schering Pharma AG was the ability to identify invoices that were sent to different recipients, i.e. to Bayer Schering Pharma AG as well as Bayer Schering Pharma Deutschland GmbH or to one of the many other German Schering subsidiaries. This challenge was met: today, all invoices are correctly recognized and automatically handed on to the respective SAP system and the booking circuits without any need for time-consuming pre-sorting.

Bayer Schering Pharma AG achieved the specified and sustainable cost-savings by implementing the FrontCollect solution. Essential benefits are increased efficiency and the realization of cost and time reductions for processes as well as staff involvement. The initial sceptical attitude towards the implementation has long vanished, and today Schering's accountants are totally convinced of the benefits with regard to process simplifications and quality of the FrontCollect solution. FrontCollect has significantly accelerated

Schering's invoice processing. FrontCollect has also clearly increased transparency and overview in the company's other departments. This means that Karl-Ludwig Pörtl is now able to employ his team for more demanding tasks, such as quality assurance for master data maintenance as well as the checking of invoice contents. The investment in FrontCollect has definitely paid-off, and the ROI will be achieved as planned after approx. 3 years.

**Key figures**

Annual incoming invoices:  
250,000  
Percentage of invoices that are registered using FrontCollect: 80%  
Recognition rate:  
100% for all major suppliers

**Beta Systems Software AG**

Beta Systems Software AG is a leading supplier of infrastructure software for essential business applications for automating and securing business processes. The company operates in the following sectors:

- Enterprise Content Management (ECM)
- Data Center Infrastructure (DCI)
- Identity Management (IdM)

Its range of software solutions in the ECM sector is complemented by the Kleindienst scanner/sorter, a Beta Systems Software AG brand. The clients of Beta Systems include more than 1,000 large corporations and IT service providers from the sectors of finance and insurance, industry, retail, telecommunication, logistics and power supply.

**For further information please contact:**

Beta Systems Software AG  
Hübnerstr. 3  
D-86150 Augsburg  
Germany  
Tel.: +49 (0) 821 79 41 0  
Fax: +49 (0) 821 79 41 400  
Email: ecm@betasystems.com

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"We would use Beta Systems again any day because we are delighted with the product and the company's expertise."

Simone Hermes  
"Invoice Reader" Product Manager  
at Bayer Schering Pharma AG

