

CASE STUDY

Mohawk saves multi-millions annually and strengthens supplier relationships with Tungsten Network



Mohawk Industries (NYSE: MHK)

is one of the world's largest suppliers of flooring for both

residential and commercial applications with \$7.3 billion in annual revenue and facilities in the United States, Australia, Brazil, Canada, China, Europe, India, Malaysia, Mexico and Russia.

Mohawk's AP department is responsible for processing invoices for the U.S. operation – interacting with over 8,000 suppliers, ranging from small “mom and pop” businesses to large multinational organizations. Mohawk has substantially grown its number of international suppliers in recent years and now processes more than 550,000 invoices per year, representing more than \$2 billion of spend via their global supplier network. Mohawk's decade-long relationship with Tungsten (and its predecessor OB10) has already resulted in a major overhaul of its invoice submission process. Based on the strength of the relationship, Mohawk and Tungsten have again joined forces for a major SAP migration.

BACKGROUND

In 2004, Mohawk's CEO challenged the Accounts Payable (AP) team to evaluate methods to reduce costs by considering alternative and innovative solutions. At the time, paper dominated the processing environment at Mohawk, preventing the AP department from making the kind of breakthrough needed to significantly reduce operating costs. Combined with the need to address tough new compliance issues resulting from the Sarbanes-Oxley Act, and the need to continue Mohawk's position as one of the best players in its industry, the endeavor represented a major challenge.

CHALLENGE

The initial challenge to Mohawk—a need to reduce costs in AP—led to a focus on labor costs, by far the major cost component for AP. To meet the challenge, Mohawk needed a solution that would address the fundamental problems causes of increased labor costs – paper and exceptions. Since the majority of causes for exceptions can be traced back to paper, Mohawk focused on eliminating paper in the AP process.

A project team was assembled to consider a variety of solutions, including electronic data interchange (EDI) and outsourcing. However, EDI would require a heavy dependence on scarce IT resources that many suppliers might not be able to bear. In addition, while outsourcing might offer potential cost savings, those savings would be offset by concerns associated with logistically implementing an outsourced solution, compliance issues in light of Sarbanes-Oxley, and supplier relationships dependent on the performance of a third party manually handling invoices.

TUNGSTEN NETWORK

SOLUTION

In 2005, Mohawk began working with Tungsten implementing on its JD Edwards ERP. Although Mohawk had thousands of suppliers associated with its US operation, the top 1,135 accounted for more than 600,000 invoices per year at a value of \$3 billion. The transition from paper to electronic invoicing began once Mohawk provided the list of those top suppliers to the Tungsten Supplier enrollment team. Within five months, more than 75 percent of those initial suppliers had enrolled, enabling Mohawk to reduce paper invoices by over 400,000 annually.

Based on the success of their AP project, Mohawk has since initiated a multi-year SAP migration project with Tungsten. The company currently runs Tungsten on parallel ERPs (JDE and SAP) with minimal to no impact to its supplier base – a testament to Tungsten Network's any-to-any data mapping capabilities.



CUSTOMER

ORGANIZATION: Mohawk Industries

SECTOR: Consumer Goods

COUNTRY: U.S.A.

GOALS

- Reduce operating costs
- Reduce paper and exceptions in relation to invoice submission
- Reduce labor costs
- Take advantage of early pay discounts

JOURNEY

Mohawk has expanded its Tungsten service usage since the initial implementation. The company uses Invoice Status Service to provide detailed payment information to its vendor base via the Tungsten Portal. This minimizes calls into the AP Help Desk and provides significant value/visibility to Mohawk vendors.

Also, Mohawk has elected to implement Tungsten PO Services with Extended Validations. By sending its own purchase order data to Tungsten Network, Mohawk has enabled a front-end data validation process that provides a virtual match between vendor invoice and purchase order information. This service places the onus on the supplier to provide quality invoice data. Cleaner data leads to faster processing and less manual intervention. Mohawk's straight through processing metrics improved more than 50% as a direct result of the PO Services implementation. This service is deployed on both ERPs.

In October 2014, Mohawk mandated Tungsten Network for all in-scope vendors. The

RESULTS

- 75% of invoice volume transitioned to electronic in first few months
- Savings of \$3 million in early pay discounts and duplicate payments
- Saving the equivalent of more than 500 trees

response has been staggering, with more than 750 new suppliers enrolling within the first six weeks of the mandate communication.

BENEFITS

E-invoicing has allowed Mohawk to pay its suppliers faster, generate revenue in a way that was not possible before and realize significant cost reductions. Mohawk has seen the largest cost saving from the reduction of labor costs. Through natural attrition and re-assignment to more value-added positions, the company has been able to reduce the accounts payable full-time staff from 54 to 21 people. In all, Mohawk has realized about \$3 million in annual savings since switching to Tungsten.

Utilizing Tungsten enables Mohawk to retain direct control over its invoice processing and supplier relationships, report accurate accrual data essential for Sarbanes-Oxley reporting and streamline invoice processing. Furthermore, e-invoicing has allowed the company to have a positive impact on the environment, saving over 5 million pieces of paper and the equivalent of more than 500 trees.

To put things into perspective, Mohawk uses an audit recovery firm to track how much money

the company could be saving by reducing duplicate or incorrect payments and taking early pay discounts. Before Tungsten Network, the firm was recovering over \$1.5 million a year. After Tungsten Network, that number was reduced to around \$200,000 per year.

FUTURE

The future looks bright for a continued successful relationship between Tungsten and Mohawk. Already, Tungsten's solutions have been rolled out to Ceramic North America and other US divisions, and Wood & Laminate EU is slated as the next expansion project, with the expectation that similar cost and environmental savings can be realized.

According to Mark Dailey, Director Shared Services for Mohawk Industries, "We couldn't be happier with our association with Tungsten. Tungsten Network has accelerated our global invoice process, helped us to reduce labor costs significantly, and allowed us to maintain and even strengthen our relationships with our valued suppliers. We look forward to a long and rewarding relationship."



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