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Streamlining Electronic Payment Processing: Successfully Integrating ACH Payments into Automated Receivables Posting

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Cash Manager

Johnson Controls, Inc.

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J.P. Morgan

About Your Presenters

Liz Blair
Cash Manager
Johnson Controls, Inc.

- 15+ years of treasury experience with Johnson Controls, Inc.
- Operate the global cash netting platform
- Project management integrating several enhancements and process improvements
- Green Bay Packer fan

Matt Vanhouten
Receivables Product Manager
J.P. Morgan Treasury Services

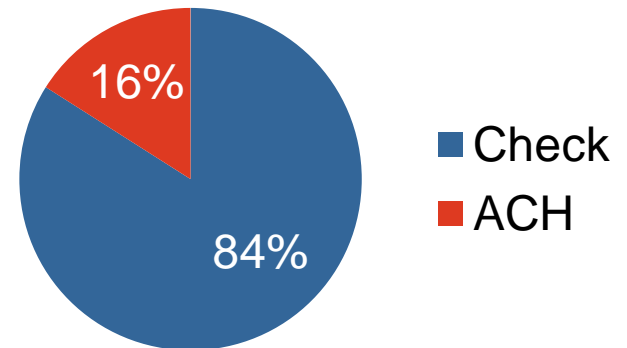
- 10 years experience with Receivables Product Management
- Client Solutions Manager
- Lockbox Product Manager
- Online Receivables Product Manager
- English soccer fanatic

About Johnson Controls, Inc.

- **Ranked 67 in 2012 Fortune 500 list**
- **162,000 employees worldwide**
- **Create quality products, services and solutions to optimize energy and operational efficiencies of buildings; lead-acid automotive batteries and advanced batteries for hybrid and electric vehicles; and interior systems for automobiles.**
- **What does all of that mean? The interior, seating, and battery in your car are most likely supplied by Johnson Controls, Inc. Additionally, climate control, for Empire State Building as one example, is provided by us**
- **Fun Fact: Since 1970, our Battery Group employees have traveled across the U.S. keeping many racing teams supplied with fully charged batteries and offering support for any electrical problems that may arise**

The Electronic Conundrum

- **Collecting receivables payments electronically has numerous benefits:**
 - Lower processing fees
 - Faster collection times
 - Reduced risk
 - Eco-friendly
- **However – remitter behavior complicates Cash Posting**
 - ACH and Wire sent without remittance detail
 - Straight-Through Processing very limited
 - Significant manual cleanup



- **Without a solution, it can be more efficient to get paid via check**

It was Good News – Bad News



The Pressure was Mounting

- **Month End cash posting was a monthly crisis**
- **Cash Posters spent hours applying large payments**
- **Overtime increased**
- **Staff could not focus on value-added exception management**



We Were at the End of our Ropes



Plan of Attack



- **Identify a process to reduce the time and effort associated with applying electronic payments**
- **Leverage capabilities of our receivables bank**
- **Redeploy staff to focus on higher value-add initiatives**
- **Improve cash posting rate from starting point of 40%**

A Call for Support to Our Banking Partner



Data Enrichment to the Rescue!

- **Banking partner offered a set of tools that allow JCI staff to upload remittance detail directly into Receivables Browser**
- **Information is attached to up to 100 payments per day at month end**
- **Once attached, the data is transmitted on the nightly file along with all other payments (Check, ACH and Wire)**
- **Payments are applied 1 – 2 days faster**



What is the Bottom Line?

- **Auto cash posting increased from 40% to 75% (remaining exceptions due to bad data sent by remitter)**
- **\$53MM per month applied 1 – 2 days faster**
- **Electronic payment volume increased by 30% since implemented**
- **Value of electronic payments increased by 61%**

Trends in Remittance Processing¹

- **15.5 billion remittances processed each month in the U.S.**
- **In a recent Aite survey, fewer than 20% of companies surveyed were paid with ACH or Wire at least half the time**
- **Timeliness of receipt of remittance information is the top priority for receivers and payers**



¹Source: Aite Group – July 2012

Trends in Remittance Processing¹

- **Payers generally drive the method of remittance delivery**
- **Only 10% of payments are sent with a standard remittance format**
- **More than 40% of remittances require operator intervention**



¹Source: Aite Group – July 2012

What's it all Mean?



Real World Implications

- **Paper checks and paper remittances are still dominant, although shrinking every year**
- **Remittance information is distributed over a wide number of channels**
- **Receivers often have limited influence over how they get paid**
- **The net effect is that reconciling payments to remittance information requires more time and resources**

What Can You Do?

- **Decide what payment types you will accept**
 - Checks
 - ACH (Credits and/or Direct Debits)
 - Online Bill Pay
 - Wire
 - Card

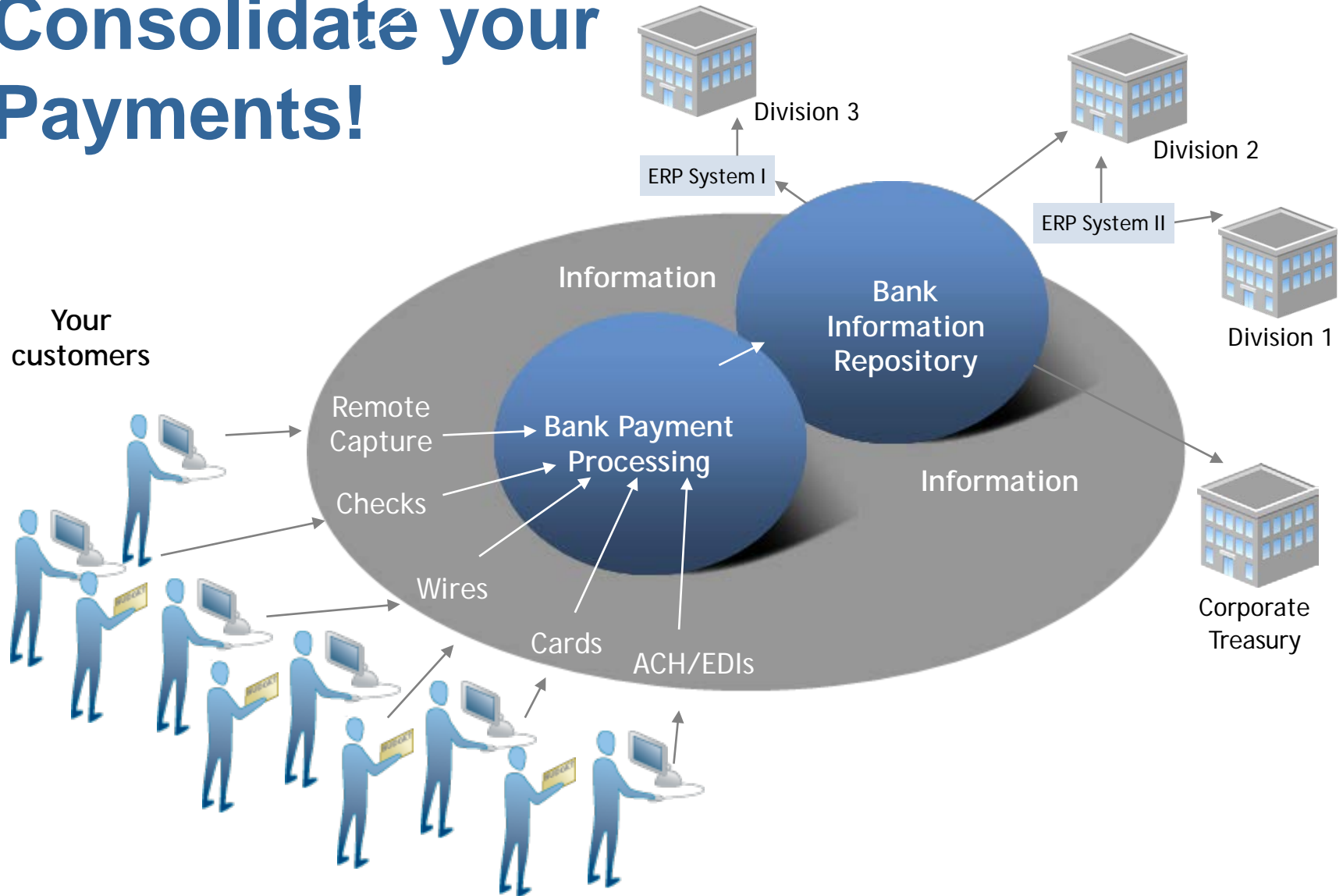


What Can You Do?

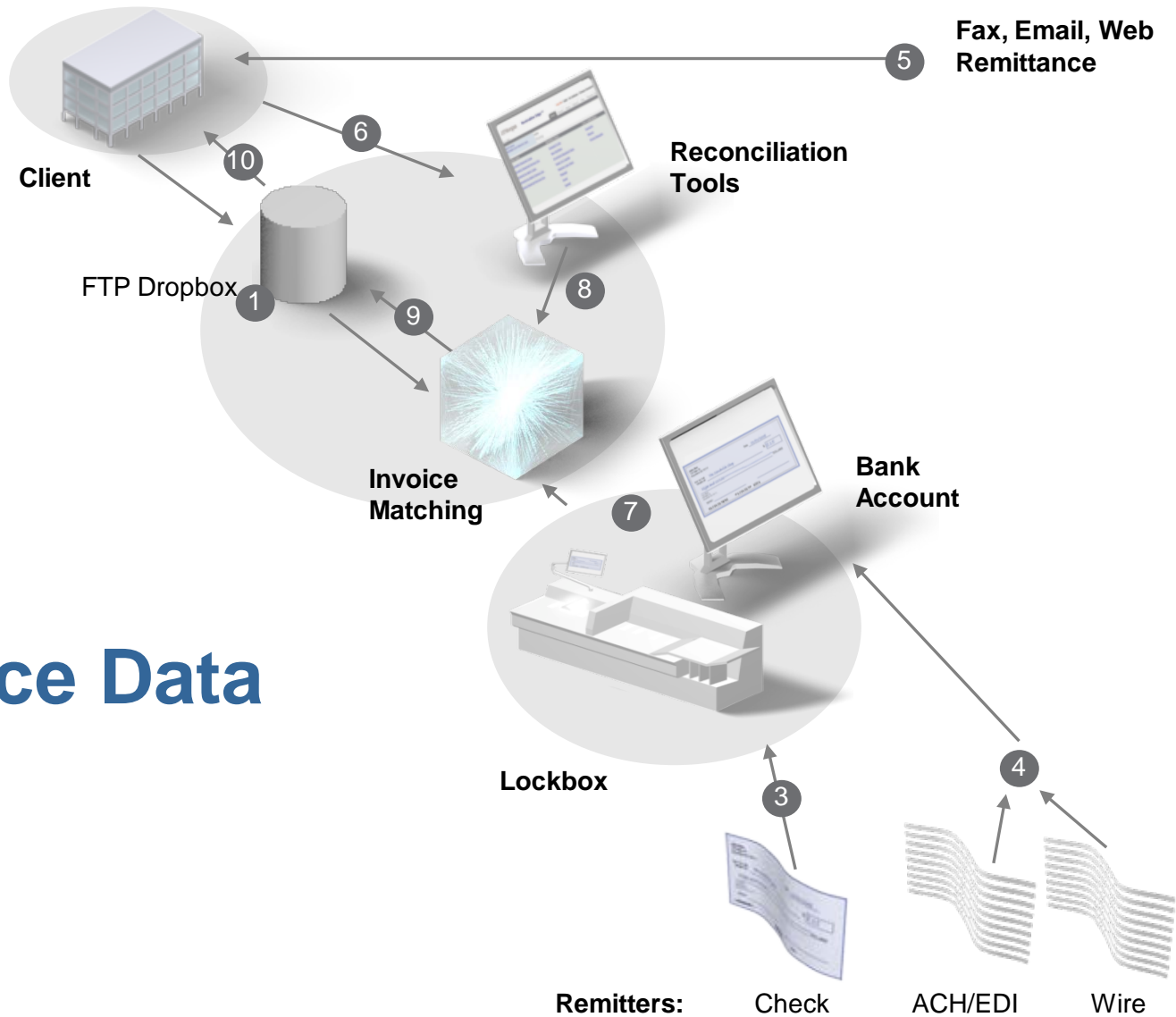
- **How will you collect payments/remittances**
 - Lockbox
 - Remote Deposit
 - Fax
 - Email
 - EDI
 - With payment (ACH CTX or Wire CTP)
 - Web



Consolidate your Payments!



Integrate Remittance Data



What Can Your Bank Do?

- **Process payments through many channels**
- **Provide information and workflow tools to manage remittance data regardless of channel**
- **Assist with outreach efforts**
- **Provide incentives for efficient payments**
- **Most Important – Support your goals to establish and manage a holistic payment process**

About J.P. Morgan Treasury Services

- **We are a full-service provider of innovative cash management services, including payables, receivables and information services**
- **We support clients in the elimination of paper payments and processes using electronic tools and process engineering**
- **We support more than 135,000 corporations, financial institutions, governments and municipalities in more than 180 countries and territories**

Summary

- **JCI took the initiative to address a key pain point with remittance data processing**
- **As a result, \$53MM of invoices are posting 1 – 2 days faster each month**
- **Employees are considerably more efficient and able to focus on value-added tasks**
- **JCI is poised to take further advantage of emerging remittance processing technology**

Q&A

Feel Free to Contact Us

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