

# AFP<sup>®</sup> Annual Conference



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## Financial Supply Chain Automation: Better Access to Cash

# Financial Supply Chain Automation: Better Access to Cash

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With more than 90% of invoices and 70% of business to business payments still transacted via paper, financial supply chain automation presents significant opportunities to:

- ✓ Optimize working capital
- ✓ Reduce costs
- ✓ Increase controls

Approaches to this opportunity vary across corporations; in this session we will hear:

- ✓ How some corporates have seized this opportunity
  - ✓ What trends are surfacing across corporates
  - ✓ How Banks are responding to their clients' pursuit of supply chain optimization
  - ✓ What to look for in best in class solutions/approaches
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## Where is the Market Going?

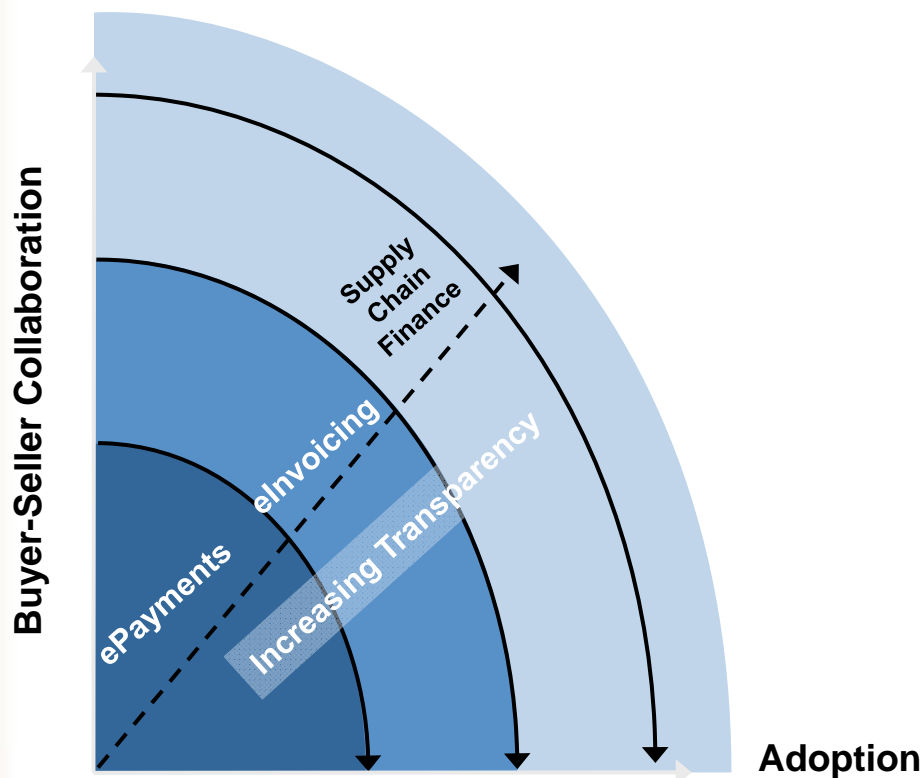
# Where is the Market Going?

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- Electronic payments seen as opportunity to reduce costs, increase cash predictability and controls
- Payments redefined to include Purchase order through settlement
- eInvoicing gaining widespread market adoption as companies drive to next level of cost savings
- Strategic vendor segmentation coupled with buyer/seller networks defines winners in the space
- Payables discounting and Supply Chain Financing adopted at an increasing rate to help optimize cash flow and improve vendor health

# A Broader, Bolder Definition of Payments Procure-to-Pay (P2P) End-to-End Process Transformation

Level of Market Awareness and Adoption



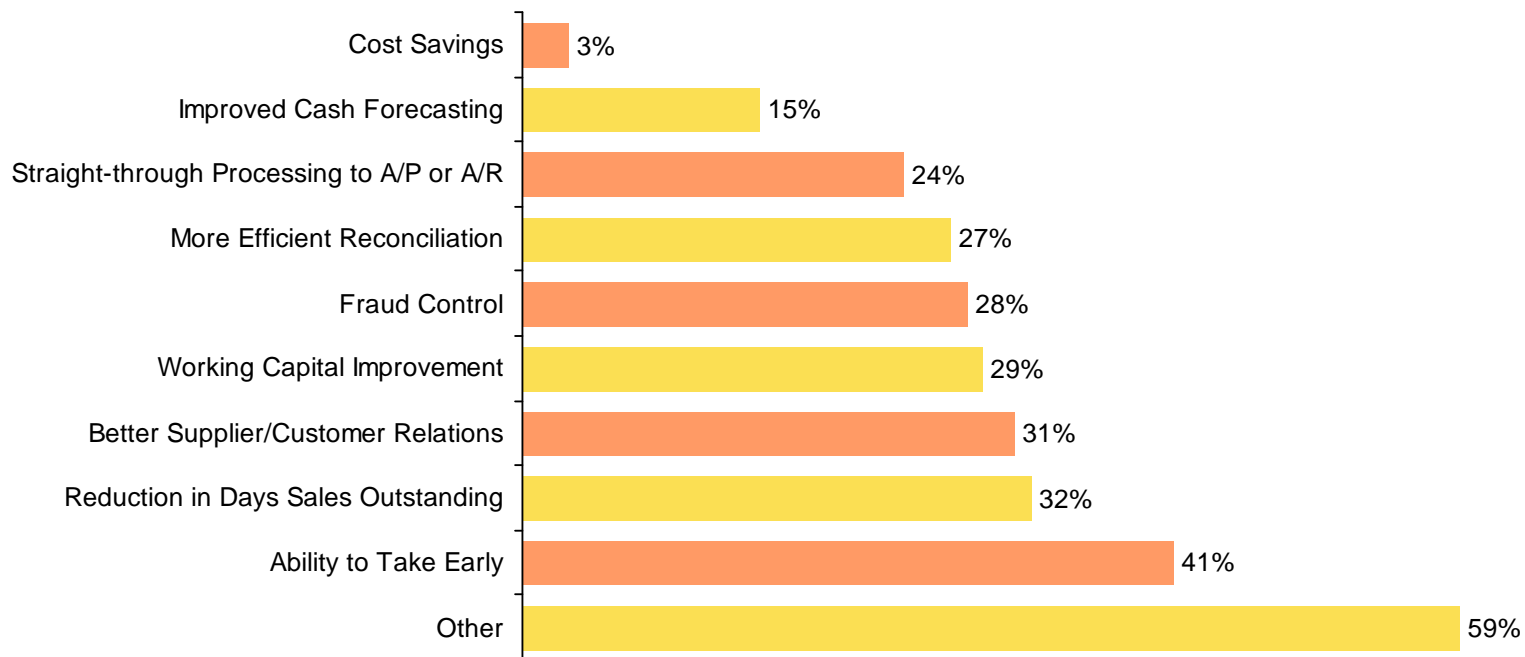
ePayments *Growing*

eInvoicing *Emerging*

Supply Chain Finance *Trailblazing*

# ePayments: Often First Building Block in Procure-to-Pay Optimization

## ePayments Efficiencies Drive Working Capital Optimization



# So Why Has Adoption Been Slow?

## Barriers to Adoption

## Perception

## Best Practices

Supplier resistance to accept ePayments

- Viewed as “difficult” to do
- Not sold on value to adopt

- Use a proven vendor adoption program, experienced in selling vendor value and overcoming objections
- Utilize established vendor networks
- Expectation/goal should be 50%+ ePayment conversion in 12 weeks

Lack of IT resources (payer) to implement

- Seen by IT as a “project.” IT not sold on value to them, and to the company
- Not leveraging ERP investment

- Solution should leverage, not conflict with ERP investment
- Best-in-class solutions map to your abilities/file formats, and eliminate work/report requests in the long run

Security concerns

- Perceived as less secure than current processing.

- Solution should strengthen internal controls and enable audit and compliance routines (e.g. supplier authentication, anti-money laundering, transaction limits, and positive pay)

ROI lacking/question-able business case

- Return on investment not compelling enough to make this investment a priority

- Solution should deliver a compelling business case/ROI with payback measured in months based on direct cost displacement with a proven track record
- Working capital optimization, increased vendor health, and strengthened controls are added bonuses

# Reality – AP Automation can drive:

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- Better working capital management, more efficient terms management and visibility
- Improved vendor relationships, as automation drives value for both parties in the transaction
- Improved controls, audit and compliance, and transaction transparency



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## Our Panel

Innovation Across Financial Supply Chain Automation

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## Wrap Up

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# Summary

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- Technology has dramatically reduced adoption barriers for Financial Supply Chain Automation
- Proven solutions in marketplace today are driving Supply Chain process improvement for parties on both sides of the transaction
  - Best-in-class solutions:
    - Drive effective – and proven – working capital optimization
  - Achieve business goals with little disruption to core business
  - Leverage core systems and strengthen key business processes
  - Provide modular approach to the multi-facets of the supply chain
  - Provide value for both buyers and suppliers
- Leverage the experience – Proven technology with a history of success and growth



## Educating Your Organization and Approaching Suppliers

# Educate Your Organization

- Myth – Our Accounts Payable Department will run a P2E conversion program
- Reality – A/P is just one point of contact for a supplier. Agreement is also needed by Procurement and Treasury to achieve success.
  - Do the appropriate internal stakeholders understand the benefits of moving to e-payments?
  - Where are all the supplier touch points?
- Myth – the vendor will accept electronic payment and agree to share banking information with me
- Reality – Vendors want to rid receivables of paper but their concerns about real savings promoted with e-payments coupled with security fears make them hesitant to share banking information
- Myth – Making electronic payments eliminates your ability to capitalize on check float
- Reality – Payment scheduling in electronic payment solutions allow you to settle payments on any date, and still keep money in your account to earn interest.



## Building The Business Case for E-Payments Conversion

# Great idea! How Do I sell It Internally?

Identify and engage key stakeholder early and often, focusing on how the solutions may enable them to achieve their strategic goals



Treasurer

## What's in it for me?

- Increase cash visibility and forecast accuracy
- Reduce paper check and bank fee costs
- Optimize working capital



AP

## What's in it for me?

- Improve AP performance metrics
- Eliminate manual processes to focus on value-add activities
- Issue payments securely to mitigate risk of error and fraud



Audit

## What's in it for me?

- Institute checks & balances
- Track Positive Pay
- Avoid Escheatment
- Conduct compliance reporting more easily



Purchasing

## What's in it for me?

- Manage spend and supplier relationships
- Seize early payment discount opportunities
- Help ensure contract and regulatory compliance



IT

## What's in it for me?

- Minimize resources required to support e-payment functionality
- Help ensure secure connectivity and data transmission

# 1. Creating a Value Proposition

- Key Questions:
  - What percentage of your AP payments is by check?
  - Does the current process enable you to maximize early pay discounts?
  - Are controls in place to identify and minimize potential late payments?
  - Can you identify where a payment is within the approval process, and what (if any) disputes remain?
  - Does the current process allow payments and cash flow visibility?
  - Is reporting adequate to support effective working capital management?
  - How many times is your organization copying, touching the paper?
  - Are baseline costs measured?



## 2. Achieve Internal Agreement

- Identify key stakeholders (Treasury, Finance, Controller, Procurement, Technology, Audit)
- Document the potential benefits for each stakeholder
- Develop the Value Proposition:
  - Processing cost savings (labor, fees, cash flow, discount attainment)
  - Audit, Risk and SOX compliance improvements
  - Supplier benefits
  - Working Capital Management goals
  - IT project avoidance
- Output: ROI and/or Cost Benefit Analysis supported by all key stakeholders

## 3. Evaluate Options

- Internal or Outsourced?
- How does each impact the Value Proposition?
- Best-in-class SaaS solutions can:
  - Maximize vendor adoption by providing choice and an established network
  - Accept a single payment file type that leverages existing ERP & A/P systems:
  - Allow you to expand up the Supply Chain
    - Seek a vendor that offers modular solutions that allow P2E migration through the complete order-to-pay process

### 3. Evaluate Options– Checklist

- Will adopting the solution result in changing core payment processes and compromise (versus strengthen) existing controls in place?
- Does the provider have proven experience in interfacing with my specific AP system? Will the solution leverage my existing system?
- Is the solution scalable? Can I start with converting paper checks to ACH, paper-check/wire, with one AP interface and single-file? E-Invoicing receipt and processing as well?

### 3. Evaluate Options– Checklist

- How will the solution drive quick, meaningful vendor adoption with minimal disruption to my business? Is there an established network that will deliver Day 1 value?
- Will the provider deliver an ROI analysis based on proven historical vendor adoption and cost savings? Will the provider partner to develop and track milestone, KPIs?
- What is the provider's commitment to investing in the solution for the long term?

# The Business Case Can Be Built!

- Driving change in your current payments process is achievable.
- Successful strategies can include the following:
  - A detailed, accurate view of the current payments process and opportunities to improve
  - Clearly define reasons for change (goals, benefits, and expected results)
  - Link the changes to your company's broader strategy (cost-containment, growth through using technology)
  - Gain consensus to change by key stakeholders by aligning interests
  - Constructing a compelling and believable business case for change
  - Ensure the Accounts Payable department is aligned with finance and procurement groups to agree on and drive change
  - Establish targets that are attainable and measurable – celebrate success

# Summary

- Technology has dramatically reduced adoption barriers for AP Automation
- Proven solutions in marketplace today that drive Supply Chain process improvement for parties on both sides of the transaction
- Best-in-class solutions:
  - Achieve business goals with little disruption to core business
  - Leverage your core systems and strengthen key business processes
  - Drive a strong – and proven - cost/benefit value
- Leverage the experience – Proven technology with a history of success and growth

# Resources

E-Invoicing Calculator : <http://www.paymode-x.com/Is-Paymode-X-For-Me/ROI-Calculators-and-Downloadable-Resources/E-Invoicing-Calculator.aspx>

Checks to E-Payments Savings Calculator: <http://www.paymode-x.com/Is-Paymode-X-For-Me/ROI-Calculators-and-Downloadable-Resources/Check-To-ACH-Savings-Calculator.aspx>

Common Questions: [http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/P-X\\_FAQ\\_FINAL.pdf](http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/P-X_FAQ_FINAL.pdf)

Electronic Payments: Streamline P2P, Reduce Costs (Technology Insights Report by PayStream Advisors): [http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/PayStream-EPayments-Report\\_April\\_2010\\_Bottomline\\_Web\\_FINAL.pdf](http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/PayStream-EPayments-Report_April_2010_Bottomline_Web_FINAL.pdf)

PayStream Advisors White Paper on Bottomline's Paymode-X: [http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/Bottomline\\_PayStream\\_ePayments\\_White-Paper\\_WEB.pdf](http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/Bottomline_PayStream_ePayments_White-Paper_WEB.pdf)

Payment Decision Guide: Dispelling the Myths of "Lost Check Float" with Electronic Payments: [http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/P-X\\_CheckFloat\\_WP\\_FINAL.pdf](http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/P-X_CheckFloat_WP_FINAL.pdf)

Whitepaper: Best Practices for Fraud-Proof Electronic Payments: [http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/BestPractices\\_Fraud-Proof\\_WP\\_FINAL.pdf](http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/BestPractices_Fraud-Proof_WP_FINAL.pdf)

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