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
Where is the Market Going?
Where is the Market Going?

• 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

Increasing Transparency

Buyer-Seller Collaboration

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

**ePayments Efficiencies Drive Working Capital Optimization**

- Cost Savings: 3%
- Improved Cash Forecasting: 15%
- Straight-through Processing to A/P or A/R: 24%
- More Efficient Reconciliation: 27%
- Fraud Control: 28%
- Working Capital Improvement: 29%
- Better Supplier/Customer Relations: 31%
- Reduction in Days Sales Outstanding: 32%
- Ability to Take Early: 41%
- Other: 59%
## So Why Has Adoption Been Slow?

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<thead>
<tr>
<th>Barriers to Adoption</th>
<th>Perception</th>
<th>Best Practices</th>
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<tr>
<td>Supplier resistance to accept ePayments</td>
<td>• Viewed as “difficult” to do</td>
<td>• Use a proven vendor adoption program, experienced in selling vendor value and overcoming objections</td>
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<td>• Not sold on value to adopt</td>
<td>• Utilize established vendor networks</td>
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<td>• Expectation/goal should be 50%+ ePayment conversion in 12 weeks</td>
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<td>Lack of IT resources (payer) to implement</td>
<td>• Seen by IT as a “project.” IT not sold on value to them, and to the company</td>
<td>• Solution should leverage, not conflict with ERP investment</td>
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<td>• Not leveraging ERP investment</td>
<td>• Best-in-class solutions map to your abilities/file formats, and eliminate work/report requests in the long run</td>
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<td>Security concerns</td>
<td>• Perceived as less secure than current processing.</td>
<td>• Solution should strengthen internal controls and enable audit and compliance routines (e.g. supplier authentication, anti-money laundering, transaction limits, and positive pay)</td>
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<td>ROI lacking/question-able business case</td>
<td>• Return on investment not compelling enough to make this investment a priority</td>
<td>• Solution should deliver a compelling business case/ROI with payback measured in months based on direct cost displacement with a proven track record</td>
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<td>• Working capital optimization, increased vendor health, and strengthened controls are added bonuses</td>
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Reality – AP Automation can drive:

- 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
Our Panel

Innovation Across Financial Supply Chain Automation
Wrap Up
Summary

- 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.

**What’s in it for me?**
- Treasurer
  - Institute checks & balances
  - Track Positive Pay
  - Avoid Escheatment
  - Conduct compliance reporting more easily

- Audit
  - What’s in it for me?
  - Institute checks & balances
  - Track Positive Pay
  - Avoid Escheatment
  - Conduct compliance reporting more easily

- 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

- Purchasing
  - What’s in it for me?
  - Management 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


Common Questions: http://www.paymode-x.com/PaymodeX/media/Downloadable-Resources/P-X_FAQ_FINAL.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


More info at www.Paymode-X.com