
Nancy Atkinson  
Senior Analyst  
Aite Group

Fay Deevy  
Assistant Vice President,  
Cash Management and Liquidity  
Sun Life Financial, Inc.

Rue Jenkins  
Assistant Treasurer  
Costco Wholesale Corporation
Our panel

• **Moderator: Nancy Atkinson, CCM**
  – 7+ years as analyst of global business-initiated payments, accounts payable and receivable processing, and trade finance/supply chain finance
  – 20+ years treasury management product and operations experience at a large U.S. domestic bank

• **Aite Group: Partner, Advisor, Catalyst**
  – An independent research and advisory firm focused on business, technology, and regulatory issues and their impact on the financial services industry
Our panel

- **Practitioner: Fay Deevy, CTP**
  - Sun Life Financial (founded 1865) – headquartered in Toronto, Canada – public company (ticker symbol SLF)
  - Leading international provider of protection and wealth accumulation products and services to individual and corporate customers
  - Offices in Canada, the United States, the United Kingdom, Ireland, Hong Kong, the Philippines, Japan, Indonesia, India, China and Bermuda
  - 2012 Operating Net Income  C$1.679 million, 14,890 employees and 125,545 advisors
  - Responsible for North American treasury and cash management activities
Our panel

• **Practitioner: Rue Jenkins**
  – Costco Wholesale Corporation operates an international chain of membership warehouses that carry quality, brand name merchandise
  – Over 627 warehouses worldwide – U.S. and 7 foreign countries
  – Business Delivery, Costco travel, costco.com, costco.ca, costco.uk
  – Sales US$102B+ (LTM)
  – Employs over 107,000 people in the U.S.
  – 109 million US$1.50 hot dog & soda combos sold in FY 12
  – >2 million transactions per day
  – Cash & check – 17%, PIN debit & Amex – 77.5%
  – Responsible for treasury and cash management activities
Portal: Facilitates the exchange of financial information between buyers and sellers, carries out payment settlement, and provides information related to those payment transactions.
Portals by any other name... Exchanges or Trading partner networks

**Accounts payable**
- Buying cooperative
- Reverse auctions
- Electronify received invoices
- Electronic payments
- A/P system updating
- Trend analysis
  - Forecasting

**Accounts receivable**
- Electronic invoicing
- Payment initiation (direct debit or card)
- A/R system updating
- Trend analysis
  - Forecasting

**Trade facilitation**
- Document exchange
- Discrepancies negotiation
- Early payment discounts
- Receivables financing
- Community of buyers and sellers

Source: Aite Group
# Improve STP

Streamlining and automating procurement, A/P, A/R, and treasury processes

<table>
<thead>
<tr>
<th>Accounts payable</th>
<th>Accounts receivable</th>
<th>Vendor management</th>
</tr>
</thead>
</table>
| - Payments initiation  
- Convert paper to lower cost electronic payments  
- Update payables | - Convert paper to lower cost electronic invoices  
- Clear and settle payments  
- Update receivables and credit management | - Requests for proposals  
- Purchase orders |

*Source: Aite Group*
Most business-to-business payments are still check transactions

Payables

Q. Of the number of payments that your company makes monthly, what percentage are ...? (N=90)

- Paper checks or drafts: 6%
- Credit transfers (ACH): 7%
- Wire transfers: 37%
- Cards: 7%
- Direct debits (ACH): 30%
- Cash: 7%

Receivables

Q. Of the number of payments that your company receives each month from other companies, what percentage are ...? (N=150)

- Paper checks or drafts: 11%
- Credit transfers (ACH): 17%
- Wire transfers: 43%
- Cards: 17%
- Direct debits (ACH): 18%
- Cash: 26%

Source: Aite Group survey of 240 senior payables and receivables managers or experts at U.S.-based companies, Q1 2012
Sample functions provided by portals

- Create and present electronic purchase orders (P/Os)
- Create and present electronic invoices
- Reconcile P/Os to invoices
- Generate payments for matched P/Os and invoices
- Provide data about payment and remittance details
- Route payment to clear and settle
- Collect and provide data to improve risk management
- Provide exception notifications

A portal provides online information to all parties and helps them share details regarding the trading partner activity.

Source: Aite Group
Sun Life Financial: 3rd party U.S. vendor payments

• Pain point – processing cheque payments and mailing to U.S. (U$18MM, 1500 cheques monthly)

• Objective – deliver ACH payments to our U.S. vendors with minimal IT or business resources.

• Solution – partnered with payment network to send cheque files and execute ACH payments and provided electronic remittance details to our suppliers.
Costco membership processing

- Pain point - processing “check & list” membership renewals

- Objective – integrate solution into existing process stream with minimal IT resources

- Solution – partner with a vendor to provide an ACH payment file in a check input format
Costco liquor invoice payments

• Pain point – receiving and processing paper invoices for liquor purchases

• Objective – electronic solution for invoice payment processing

• Solution – partner with a vendor for invoice payments and PO reconciliation
## Portal evaluation tool

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Assessment categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of automation around creating electronic trade documents and payments</td>
<td>Complete automation</td>
</tr>
<tr>
<td>Trading partners' level of automation regarding trade documents</td>
<td>Complete automation</td>
</tr>
<tr>
<td>Geographic reach of your company's trading partners</td>
<td>Local only</td>
</tr>
<tr>
<td>Size of current total staff and opportunities to reduce or redeploy if a portal is implemented</td>
<td>0 to 4*: No reduction or redeployment possible</td>
</tr>
</tbody>
</table>

* Actual numbers may vary by specific company, but Aite Group provides these estimates as guidance.  
** Again, actual percentages may vary by company, but these estimates provide guidance.

Source: Aite Group
### Criteria

<table>
<thead>
<tr>
<th>Treasury's visibility into payables/receivables account balances and flows</th>
<th>Complete visibility</th>
<th>Substantial visibility</th>
<th>Moderate visibility</th>
<th>Some visibility</th>
<th>Incidental visibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury's ability to invest excess cash or borrow by location</td>
<td>Complete</td>
<td>Substantial</td>
<td>Moderate</td>
<td>Some</td>
<td>Incidental</td>
</tr>
<tr>
<td>Variances in days payables outstanding (DPO), including missed opportunities for discounts as compared to DPO stretching</td>
<td>None</td>
<td>Some</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Complete</td>
</tr>
<tr>
<td>Current experience with days sales outstanding (DSO) with regard to potential opportunities to shorten them, in particular due to payments exception resolution</td>
<td>None</td>
<td>Some</td>
<td>Moderate</td>
<td>Substantial</td>
<td>Complete</td>
</tr>
</tbody>
</table>

**Source:** Aite Group
## Portal implementation options

<table>
<thead>
<tr>
<th>Build in-house</th>
<th>Use existing portal(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Develop with internal resources?</strong></td>
<td><strong>Partner with vendor?</strong></td>
</tr>
<tr>
<td>Sufficient information technology and financial resources</td>
<td>Software</td>
</tr>
<tr>
<td>Outsourcer</td>
<td><strong>Bank</strong></td>
</tr>
<tr>
<td>Interface with one or multiple banks?</td>
<td>Payments types supported?</td>
</tr>
<tr>
<td><strong>Non-bank</strong></td>
<td>Interface with one or multiple banks?</td>
</tr>
<tr>
<td>Payments types supported?</td>
<td><strong>Source:</strong> Aite Group</td>
</tr>
</tbody>
</table>
For more information

AFP Payments Decision Guides:

http://www.afponline.org/PaymentsGuides/

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