

AFP®



# Annual Conference

OCTOBER 27-30, 2013 | LAS VEGAS

ORIGINAL → ESSENTIAL → UNBIASED → INFORMATION

## Implementing and Leveraging Business Commerce Portals for Straight-Through A/P, A/R, and Payments Processing

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



## Optimizing financial operations

Achieving straight-through processing (STP)

# 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

## Accounts payable

- Payments initiation
- Convert paper to lower cost electronic payments
- Update payables

## Accounts receivable

- Convert paper to lower cost electronic invoices
- Clear and settle payments
- Update receivables and credit management

## Vendor management

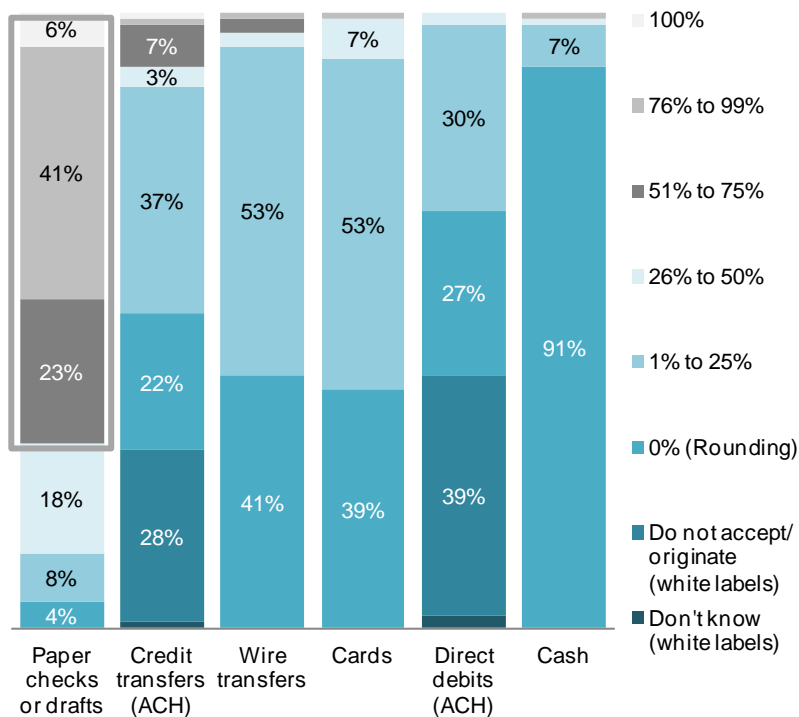
- Requests for proposals
- Purchase orders

Source: Aite Group

# Most business-to-business payments are still check transactions

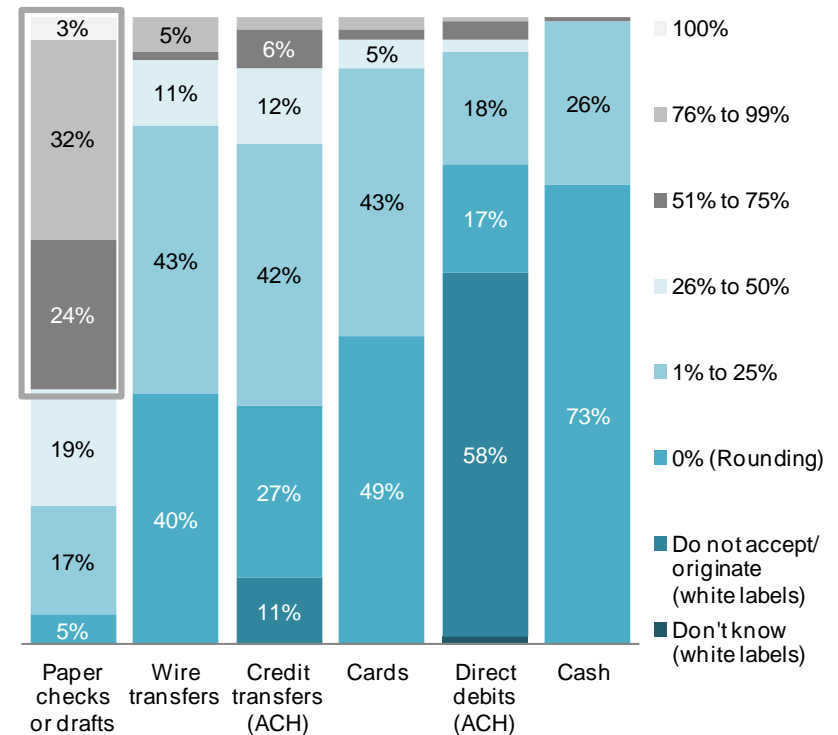
## Payables

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



## Receivables

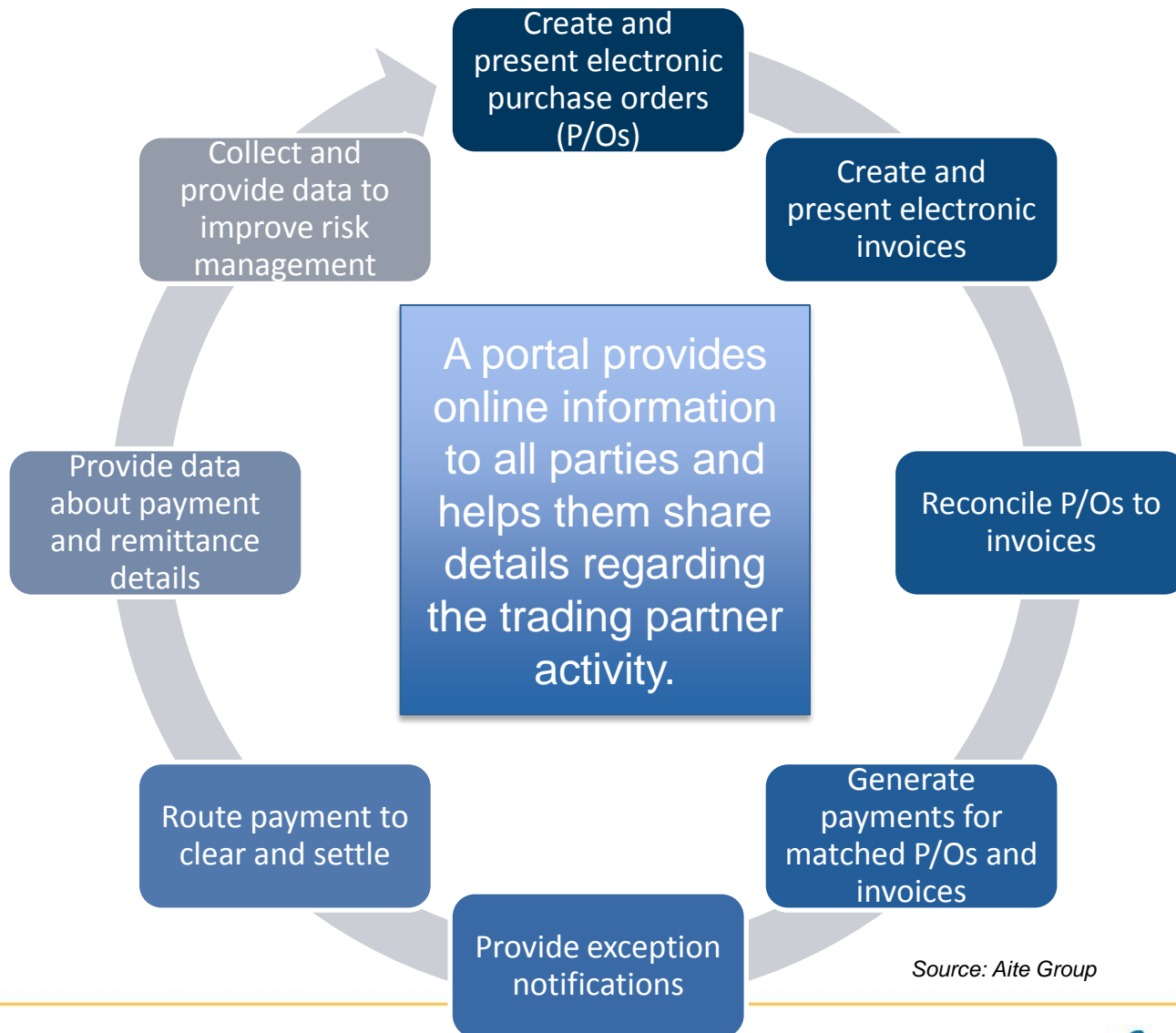
Q. Of the number of payments that your company receives each month from other companies, what percentage are ...? (N=150)



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



# 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

Criteria	Assessment categories				
Level of automation around creating electronic trade documents and payments	<b>Complete automation</b>	<b>Nearly complete automation</b>	<b>Some automation</b>	<b>Limited automation</b>	<b>No automation</b>
Trading partners' level of automation regarding trade documents	<b>Complete automation</b>	<b>Nearly complete automation</b>	<b>Some automation</b>	<b>Limited automation</b>	<b>No automation</b>
Geographic reach of your company's trading partners	<b>Local only</b>	<b>Domestic only</b>	<b>Mostly domestic, but some in other countries</b>	<b>Many other countries</b>	<b>Worldwide</b>
Size of current total staff and opportunities to reduce or re-deploy if a portal is implemented	<b>0 to 4*: No reduction or re-deployment possible</b>	<b>5 to 9*: Limited (10% or less**) reduction or re-deployment possible</b>	<b>10 to 19*: Moderate (11% to 30%**) reduction or re-deployment possible</b>	<b>20 to 29*: Substantial (31% to 49%**) reduction or re-deployment possible</b>	<b>30 or more*: Extreme (50% or more**) reduction or re-deployment possible</b>

\* 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

# Portal evaluation tool, continued

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



Source: Aite Group

# Portal implementation options

Build in-house

Use existing portal(s)

Develop with internal resources?

Partner with vendor?

Bank

Non-bank

Sufficient information technology and financial resources

Software

Outsourcer

Interface with one or multiple banks?

Payments types supported?

Interface with one or multiple banks?

Payments types supported?

Source: Aite Group

# For more information

**AFP Payments Decision Guides:**

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

**Nancy Atkinson**  
Senior Analyst

[natkinson@aitegroup.com](mailto:natkinson@aitegroup.com)

+1.617.398.5038

[www.aitegroup.com](http://www.aitegroup.com)

Aite

**Fay Deevy**  
AVP, Cash Mgt.  
and Liquidity

[fay.deevy@sunlife.com](mailto:fay.deevy@sunlife.com)

+1.416.979.6471

[www.sunlife.com](http://www.sunlife.com)

Sun  
Life Financial

**Rue Jenkins**  
Assistant Treasurer

[rjenkins@costco.com](mailto:rjenkins@costco.com)

+1.425.313.6124

[www.costco.com](http://www.costco.com)

COSTCO  
WHOLESALE