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HAND:

# Payables Trends and Best Practices

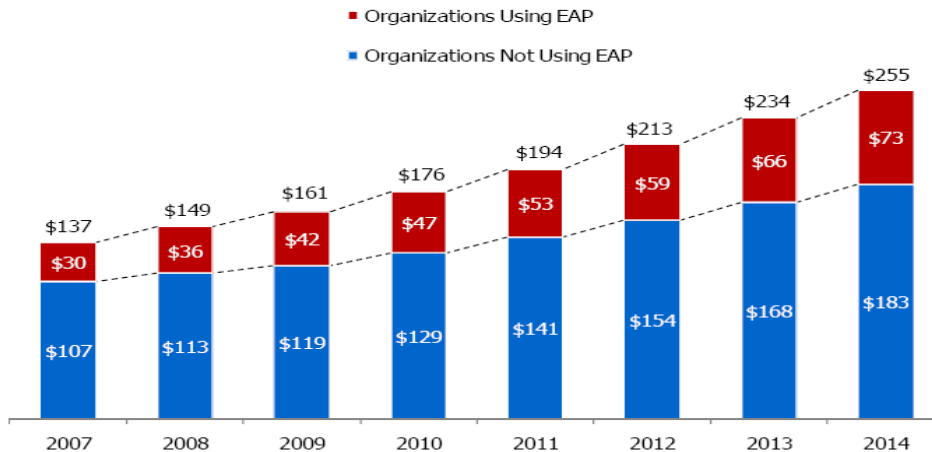
Jeff Pape

Senior Vice President  
Payables Program Strategy

# Business-to-Business Trends

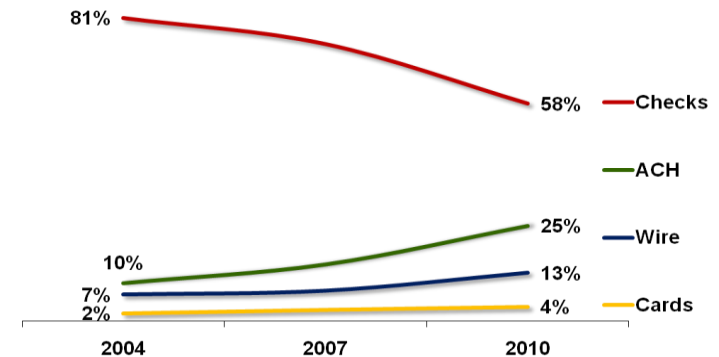
- Growth of commercial cards
- Growing adoption of Electronic Accounts Payable (EAP)
- Expansion of Electronic Invoicing
- Regulatory rulings

**Total Purchasing Card Spending in North America, by Organizations Using and Not Using EAP (in \$ billions)**



Source: 2010 Purchasing Card Benchmark Survey, RPMG Palmer & Gupta

**Business-to-Business Payment Mix (% of total number of transactions)**



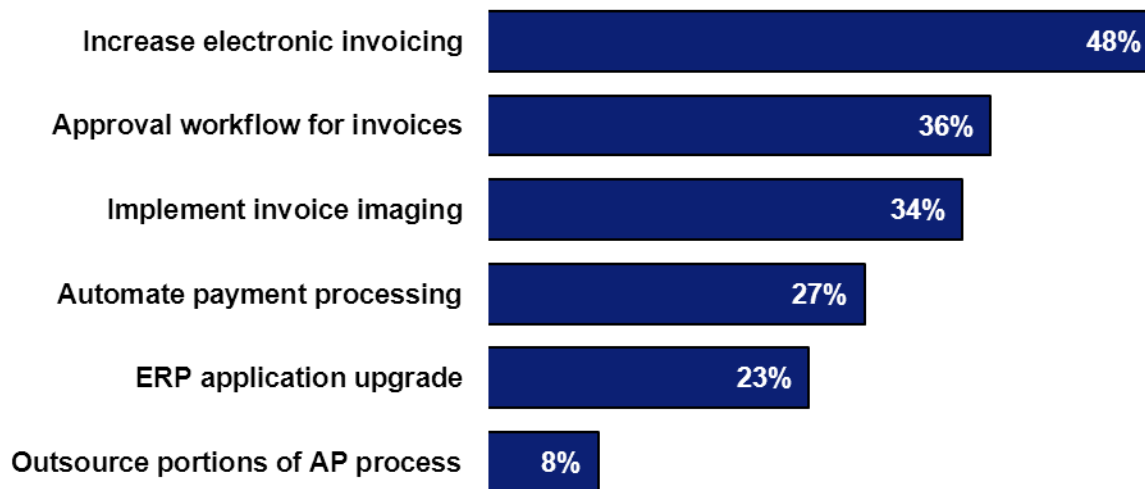
Source: AFP Electronic Payments Survey data for 2004, 2007, and 2010.



# Top Financial Management Goals

CFOs favor technology to reduce invoice processing costs

Top Financial Management Goals in 2009

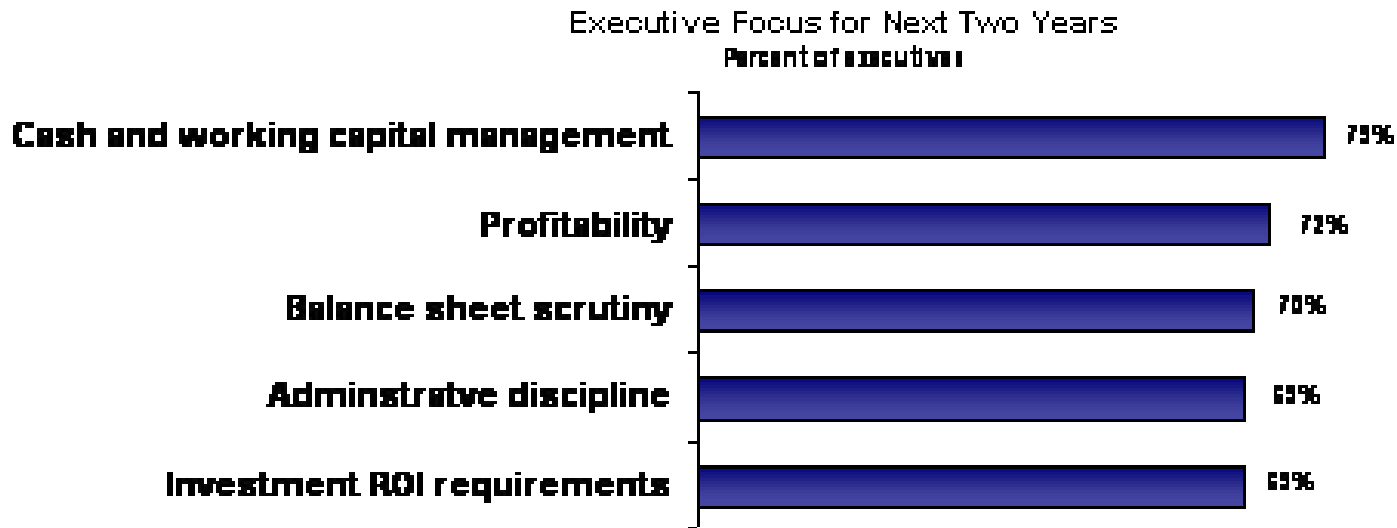


Source: Paystream Advisors 2009



# Top Financial Management Goals

CFOs favor technology to reduce invoice processing costs



Source: Cygnus Supply & Demand-Chain Executive, May 2010.



# Electronic Accounts Payable (EAP)

Turning card transactions on their head

- Evolution of commercial cards over 20+ years has driven new innovation and enhancing additional control features
- EAP enables organizations to:
  - Retain procurement processes – only the payment method changes
  - “Push” a card transaction to suppliers as payment against the invoice
    - Enable new types of transactions from traditional commercial card purchases
    - Reduce cost and financial risk associated with check payments



# EAP Expansion

Organizations expanding use of EAP increasing visibility and control

## Growth of Purchasing Card Programs Using EAP Accounts

	2007	2009
Percentage of Organizations Using EAP	12.6%	16.1%

## Benefits of EAP Accounts

Cost savings

Improved cash forecasting

Fraud control

More efficient reconciliation

Working capital improvement

Better supplier/customer relations

Reduction in days sales outstanding

Ability to take early payment discounts

Source: "Purchasing Card Benchmark Survey," RPMG Research, 2010.

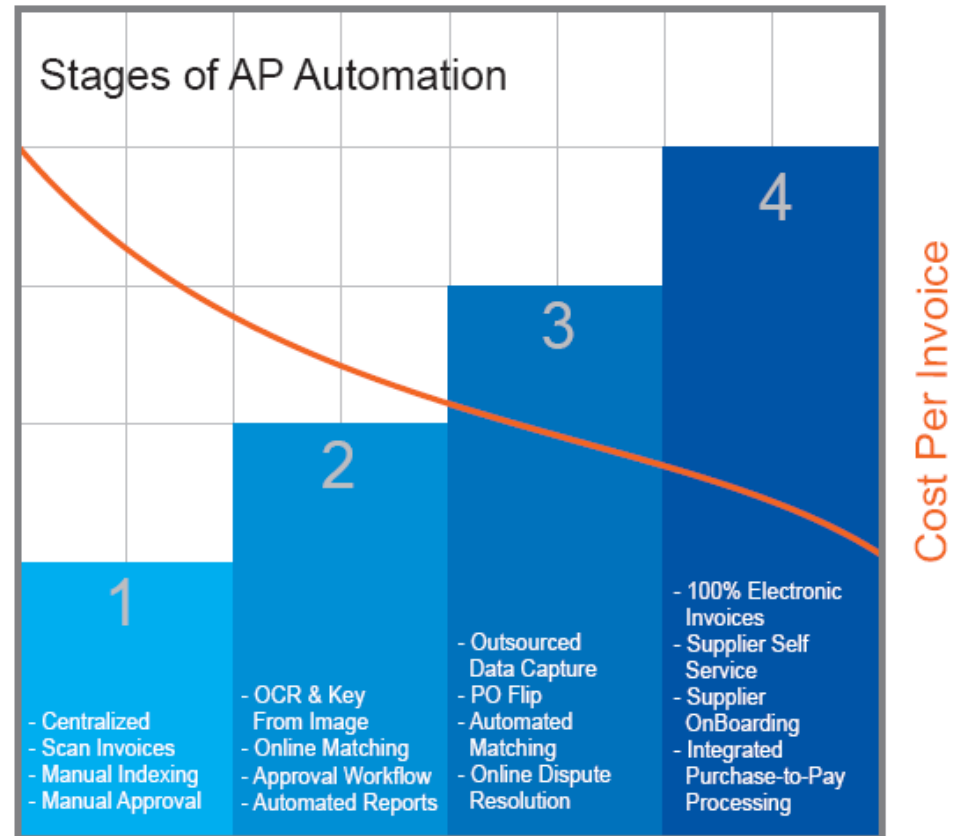


# Electronic Invoicing

- Incremental benefits available... eliminating large capital investment
- Buyer and supplier benefits are not dependent on each other
- EIPP solutions are reaching critical mass

Organizations are recognizing A/P automation as an area offering tremendous potential for achieving tactical and strategic objectives.

Level of Automation



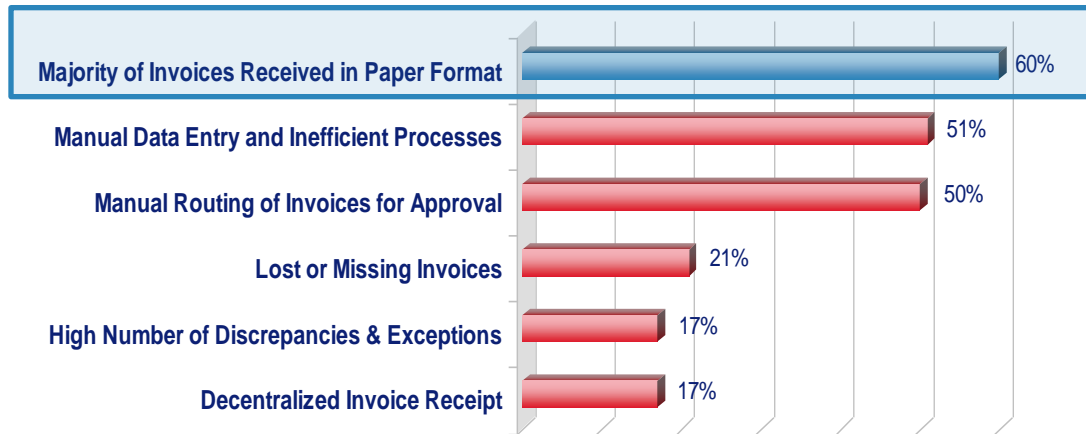
Source: IAPP research 2009.



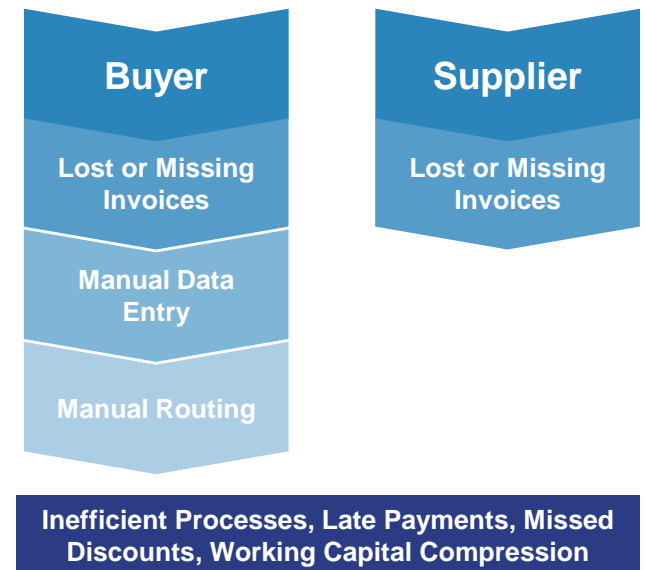
# Invoice Management Challenges

Removing paper mitigates downstream effects

## Challenges Reported in the Invoice Management Process



## Paper Invoice Downstream Effects



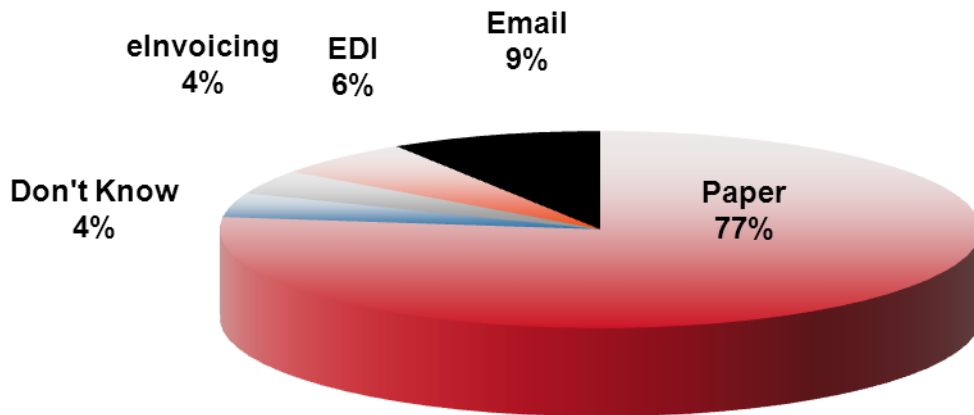
Source: "Electronic Invoice Management, No More Recycling: Get Rid of Paper from the Source," PayStream Advisors Q3 2010.



# Dependency on Paper

Paper invoices are the majority; heavily impacted by manual inefficient processes

## Breakdown of Invoices via Receipt Method



**Question:**  
What percentage of invoices are received in each of the following formats?

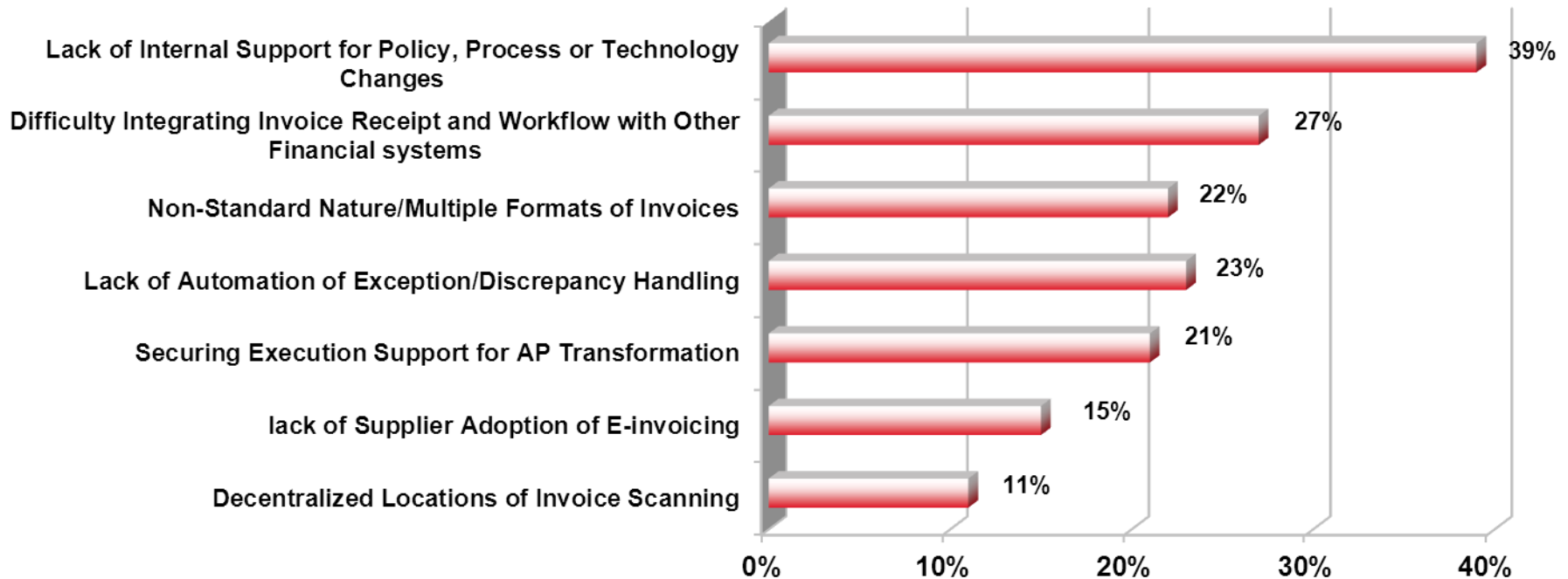
Source: "Invoice Automation: Automating the AP Processes Through Imaging and Workflow", PayStream Advisors, Q3 2010.



# Improvement Challenges

Internal and external barriers are impeding organizations from EIPP

## Top Challenges to Improving Performance

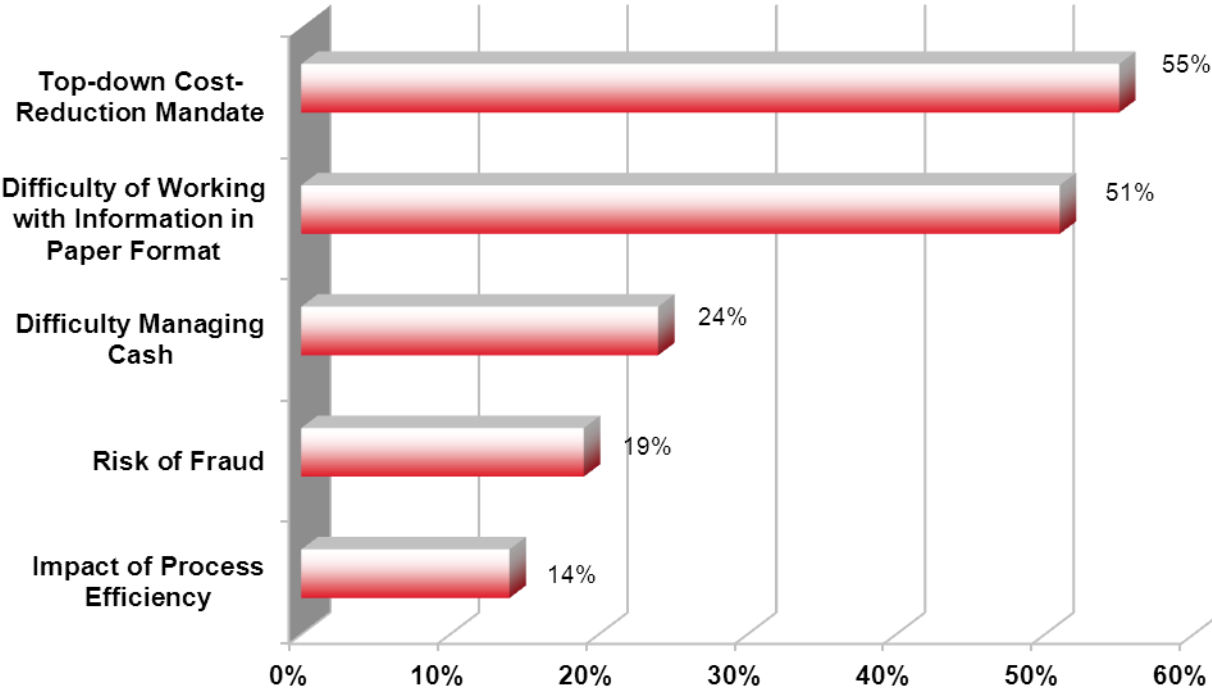


Source: "Electronic Invoice Management, No More Recycling: Get Rid of Paper from the Source," PayStream Advisors Q3 2010.



# Factors Driving Migration – Renewed Interest in EIPP Automation Now

## Internal Factors Driving EIPP Optimization



Source: Aberdeen Group, August 2010.



# Factors Driving Migration – Renewed Interest in EIPP Automation Now

## External Factors Driving EIPP Optimization

- Experience of other organizations
- Competitive business environment
- Early payment discounts
- SaaS models have lower implementation costs and defer costs over a long period of time
- Transform occurring within AP
- End-to-end EIPP solutions are becoming available in the market

Source: Aberdeen Group, August 2010.



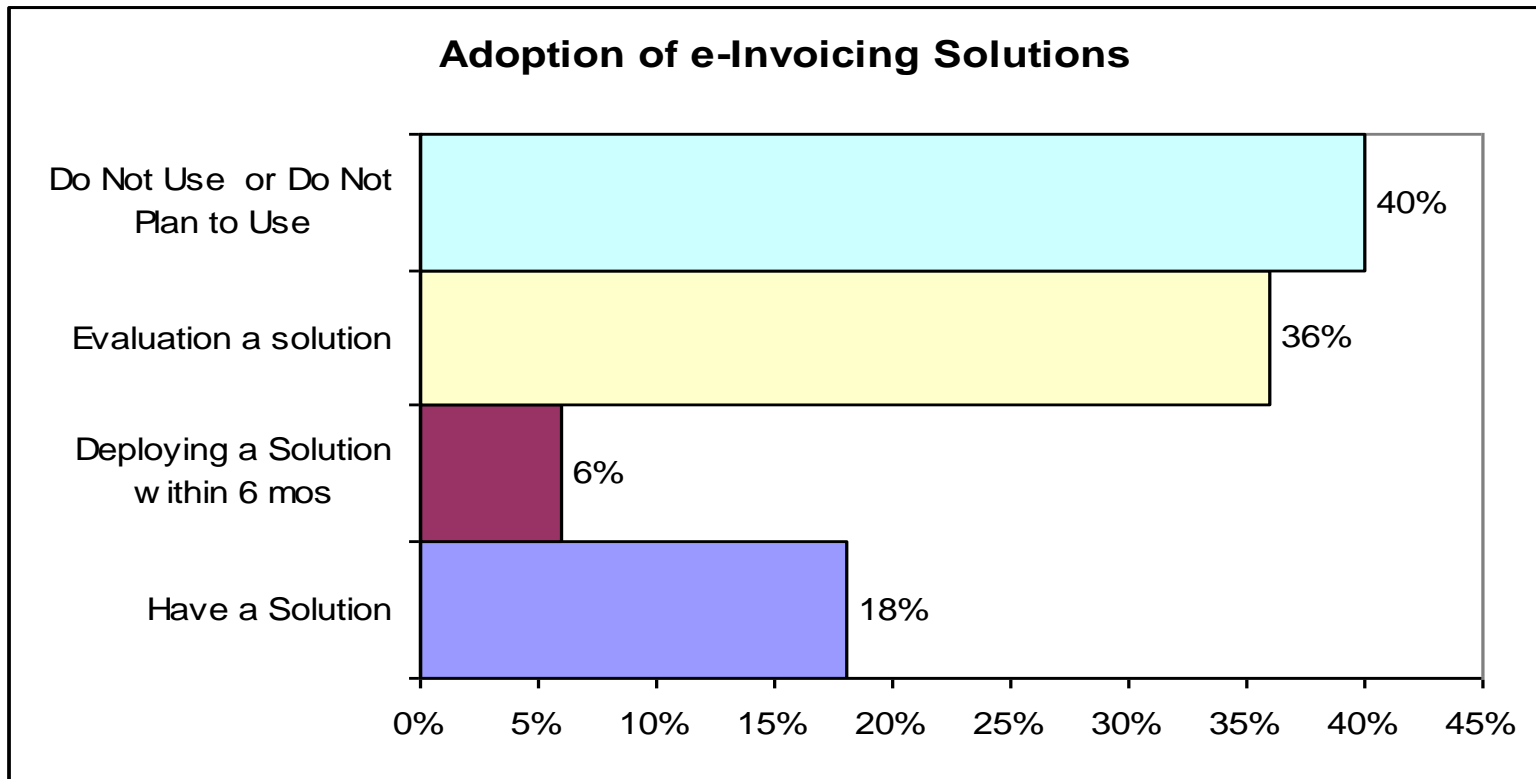
# EIPP: Supplier Enablement

## Making suppliers equal partners in the process

- Most organizations consider their suppliers only when it comes time to make a payment or when they receive an inquiry
- Buyers need to treat their suppliers as partners in the EIPP
- An EIPP solution provides benefits to **suppliers**:
  - Increased visibility / predictability to payment receipt
  - Resolve exceptions collaboratively with buyers online
  - Check invoice statuses and payment details, in real-time



# Key Trends: e-Invoicing and e-Payment



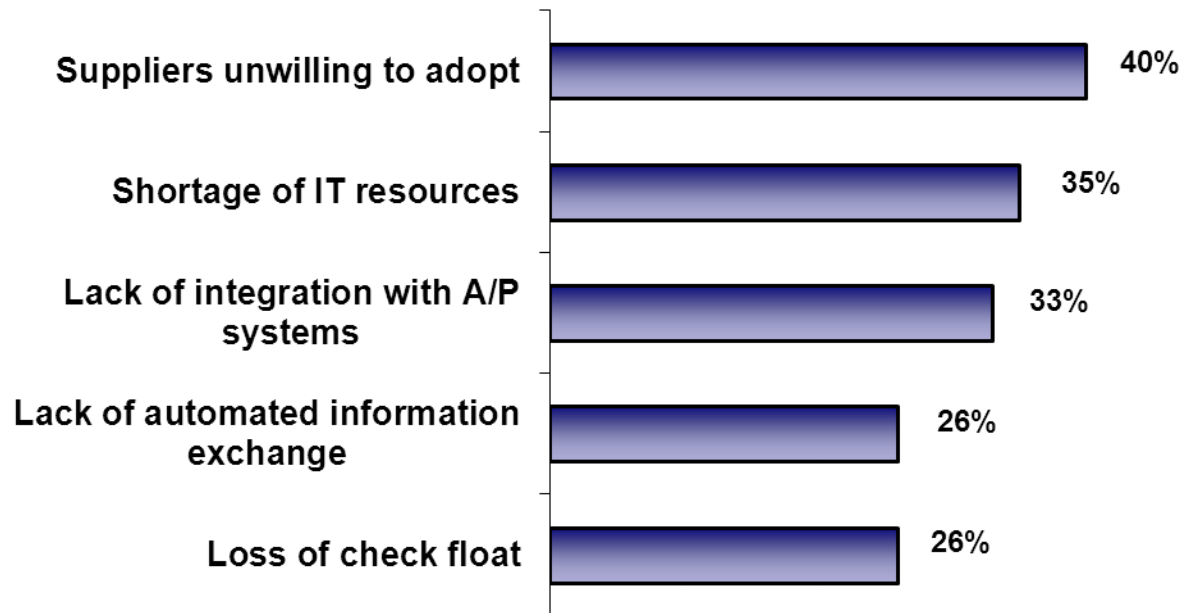
Adoption of e-Invoicing Solutions

Source: Invoice Automation, Automating AP Processes, PayStream Advisors, Q3 2010



# Key Trends: e-Invoicing and e-Payment

**Barriers to Electronic Payment Adoption**  
Percent of organizations

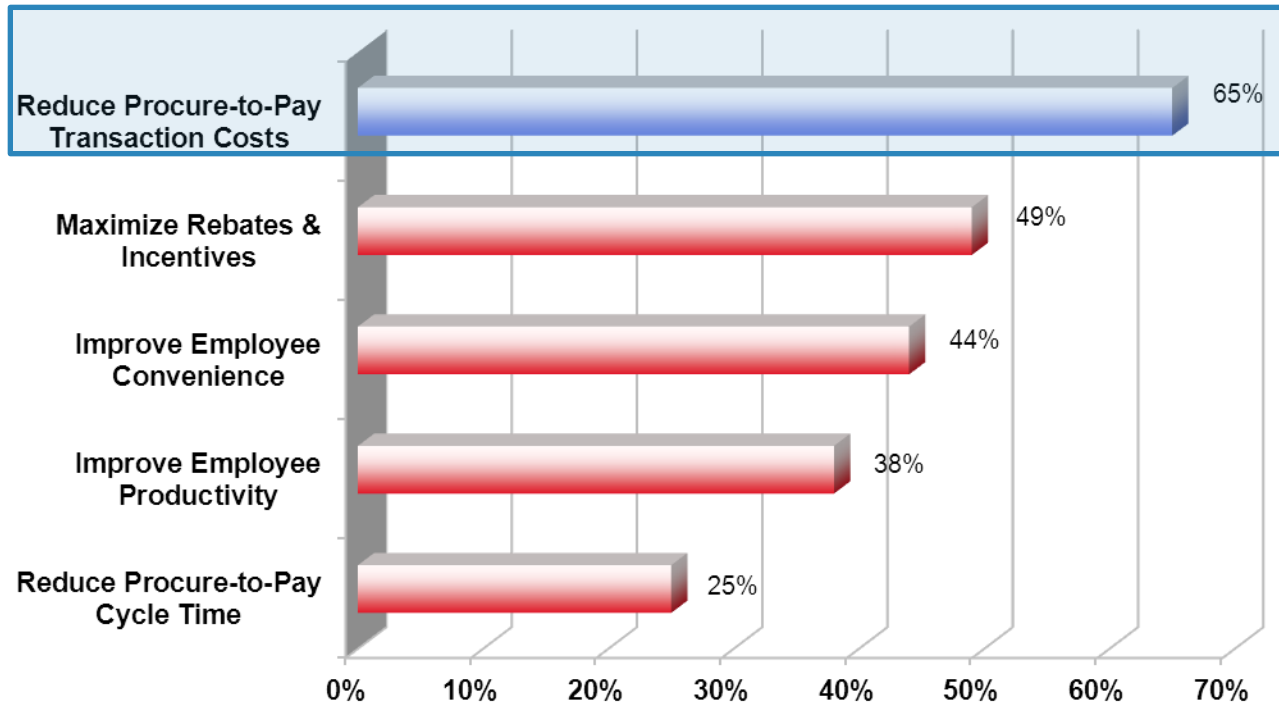


Barriers to Electronic Payment Adoption  
Source: Electronic Payments: Streamline P2P, Reduce Costs, Quarter 2 2010, PayStream Advisors, Inc



# Factors Driving e-Payment Growth – Growth Driven By Focus on Cost Reduction Within Payment Process

## Top Factors Driving Enterprises to Focus on e-Payments



Source: "Electronic Invoice Management, No More Recycling: Get Rid of Paper from the Source," PayStream Advisors Q3 2010.



# Factors Driving e-Payment Growth – Growth Driven By Focus on Cost Reduction Within Payment Process

## Catalysts for Driving e-Payment Activities

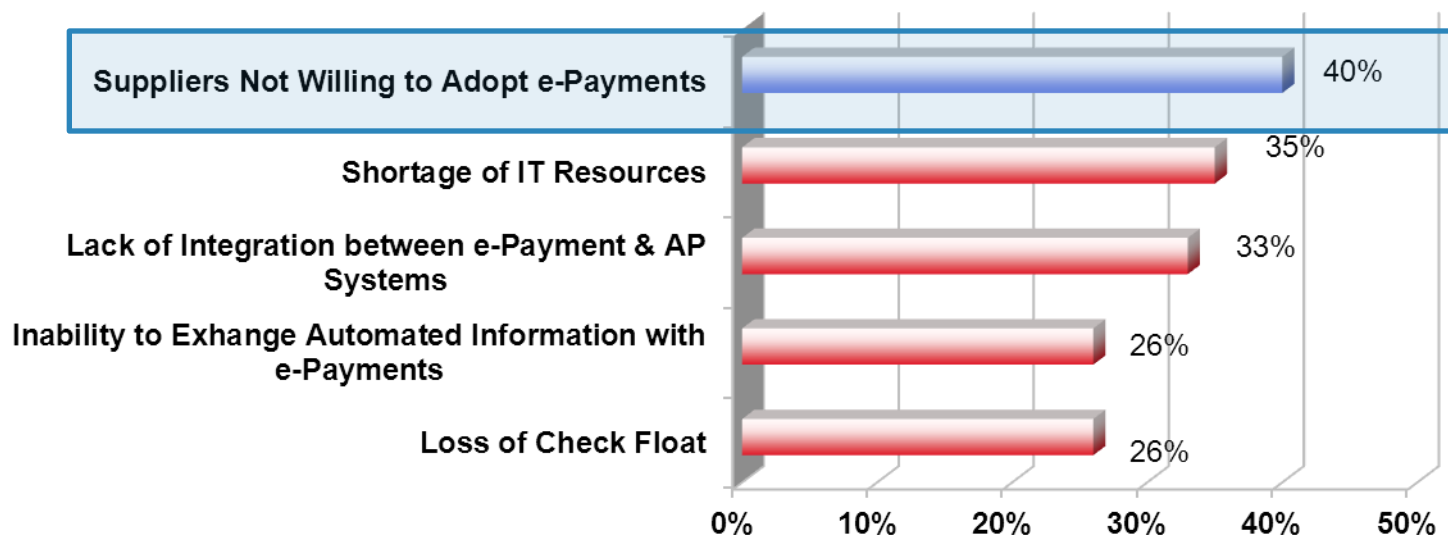
- Mandate to reduce operating **costs**
- Improved operational **efficiency**
- Lack of predictability of **cash flow**
- Growing risk of payment **fraud**



# Challenges to Adoption

- Supplier willingness to accept e-payments is the primary barrier
- On average, 8% of suppliers are paid by EAP accounts

## Top Barriers to E-Payment Adoption



Source: "Electronic Payments Streamline P2P, Reduce Costs" PayStream Advisors Q2 2010.  
"Purchasing Card Benchmark Survey," RPMG Research, 2010



# EAP: Supplier Enablement

## Broadening acceptance of card-based solutions

- Strong collaboration between buyers and suppliers is core...supplier adoption is a key to success
- Buyers need to articulate **supplier** benefits of card payments:
  - Expanded customer base – strengthen, retain and expand buyer/client relationships
  - Improved working capital – enable faster receipt of funds, decreasing DSO and improving cash flow
  - Reduced processing times – eliminate manual processes and inquiries to buyers, simplifying and expediting receivables processing



# In Closing...AP Automation Benefits

- Lower operating costs
  - Manage fewer lost or missing invoices
  - Less paper.....leveraging technology
- Working capital optimization
  - Increase early payment discount capture
  - Enhance cash flow forecasting abilities
- Risk mitigation
  - Enhance visibility and control
  - Minimize fraud and duplicate invoices





# Questions?



# Thank You

**Presentations will be available on**  
**[www.usbank.com/sp2presentations](http://www.usbank.com/sp2presentations)**  
**after the conference**

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