

CELENT

U.S. BANK: POWERING END-TO-END DIGITAL ACCOUNTS PAYABLE

WINNER OF CELENT MODEL BANK 2022 AWARD FOR CLIENT WORKFLOW OPTIMIZATION

Alenka Grealish

March 16, 2022

CASE STUDY AT A GLANCE

U.S. Bank's AP Optimizer® represents a step-changing competitive differentiator in treasury management services. Celent has been advocating that banks move toward a value-add strategy that delivers operational efficiencies and better decisions. U.S. Bank is embracing this strategy, realizing an increase in strategic, consultative conversations with clients.

FINANCIAL INSTITUTION	U.S. Bank
INITIATIVE	U.S. Bank AP Optimizer® (AP=accounts payable)
SYNOPSIS	End-to-end solution, seamlessly combining invoice capture and workflow along with B2B and B2C payments disbursement
TIMELINES	• February 2020: Project kick off • September 2020: Solution in production • November 2020: First client implementation • September 2021: More than 30 committed clients in first year in market
KEY BENEFITS	• Reducing time spent and costs associated with AP invoice processing and payment disbursement • Speeding migration from checks to electronic payments • Creating rebate opportunities • Improving working capital management • Protecting against fraud
KEY VENDORS	Bottomline Technologies

CELENT PERSPECTIVE

In developing AP Optimizer, U.S. Bank has established itself as an AP automation solution provider, supporting entire client workflows, powering more efficient operations and better decisions. U.S. Bank exemplifies numerous best practices through its AP Optimizer initiative:

- **End-to-end digitization:** U.S. Bank recognized that AP departments experience significant pain points throughout the invoice management and payment disbursement process that it could alleviate, saving time and money while creating new rebate revenue opportunity.
- **Cross-functional collaboration:** The core development team numbered about 150 people and included key stakeholders from the front to back office.
- **Tech partner collaboration:** U.S. Bank and its partner Bottomline Technologies excelled at collaboration beyond tech integration, partnering on marketing, sales, and client implementation. They both invested heavily in ensuring a successful product launch.
- **Go-to-market excellence:** U.S. Bank developed a training curriculum to ensure sales and service readiness. They recognized the need to hire sales specialists dedicated to AP Optimizer. Both U.S. Bank and Bottomline hired additional technical solution engineers to support the sales teams as sales conversations transitioned to technical aspects of system integrations and ERP connections. The tech solution engineers also serve as general ERP advisors during system implementation, providing clients with an additional layer of service and support. Marketing teams worked in parallel to the sales readiness teams to begin awareness-building promotion in Q3 2020.
- **As a result of these best practices,** as of September 2021 (within 11 months of launch), U.S. Bank has more than 30 committed clients (contract or verbal award). Half of its users are new payables customers to the bank.

DETAILED DESCRIPTION

Introduction

U.S. Bank is the fifth largest bank in the US based on total assets. Corporate and commercial banking accounted for 17% of its total revenues in 2021. U.S. Bank has been investing heavily in developing and delivering digital solutions to its treasury management customers. The strong results of these efforts are evidenced by two Model Bank 2022 awards: Client Workflow Optimization (this report) and Digital Commercial Client Onboarding.

Table 1: U.S. Bank Snapshot

	U.S. Bank
YEAR FOUNDED	1863
REVENUE	\$22.8 billion (2021)
ASSETS	\$573 billion (Dec. 2021)
GEOGRAPHICAL PRESENCE	US, HQ in Minneapolis, MN
EMPLOYEES	70,000
OTHER KEY METRICS	\$493 million in treasury management fees earned by Corporate and Commercial Banking (2021 preliminary)
RELEVANT TECHNOLOGIES AND VENDORS	Bottomline Technologies Paymode-X Cloud, APIs, artificial intelligence

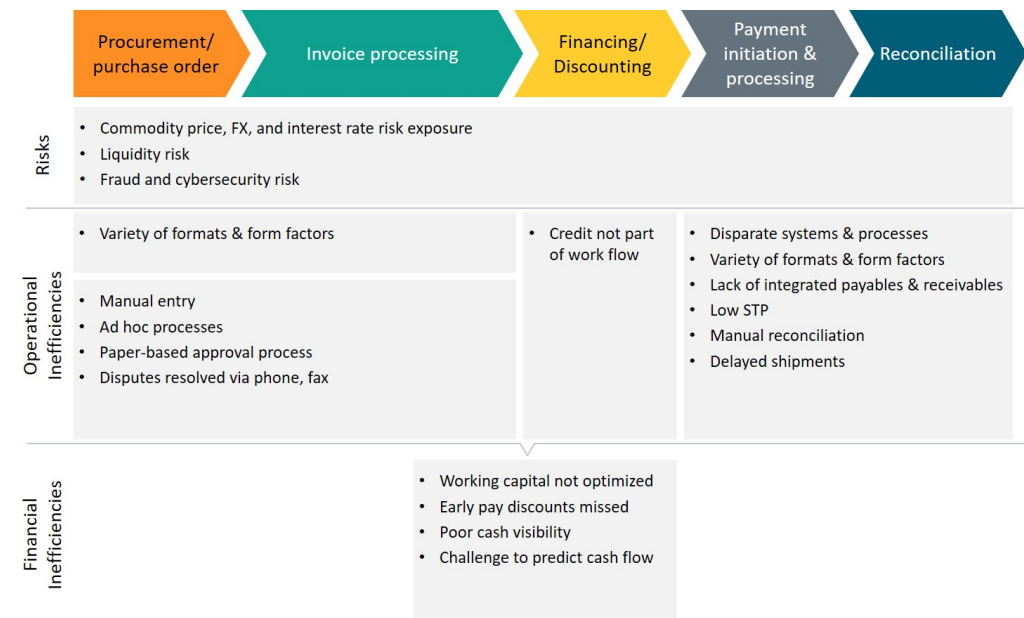
Source: Celent, U.S. Bank, and public financials

U.S. Bank stands out for launching a single-system AP automation solution that integrates into an organization's ERP, spans the entire invoice-to-payment process, provides comprehensive security and fraud prevention technology, and provides access to an extensive supplier network.

Opportunity

A typical company's financial supply chain includes extensive pain points (Figure 1). These fall into three categories: risks (e.g., liquidity risk), operational inefficiencies (e.g., paper-heavy, manual processes), and financial inefficiencies (e.g., sub-optimal working capital management).

Figure 1: Pain Along the Financial Supply Chain



Source: Celent

Technological advances can alleviate these pain points. Robotic process automation and artificial intelligence—coupled with imaging and intelligent character recognition—are gradually removing paper from workflows while reducing exceptions, driving up straight-through processing (STP) rates, and reducing fraud.

The ability to reduce pain points along the AP value chain through technology presents an opportunity for banks to deepen customer relationships, glean additional insight into customers' needs (e.g., credit), and generate additional revenue streams. U.S. Bank has successfully seized this opportunity.

Solution

Overview

U.S. Bank set ambitious goals for AP Optimizer:

- Automate the process of capturing supplier invoices and loading them into client accounting systems
- Match captured invoices to purchase orders when applicable
- Automate the workflow for invoice and payment approvals
- Submit payments across payment types from accounting systems
- Obtain data and reporting that automate reconciliation within client accounting systems
- Provide clients access to a network of more than 475,000 small, middle-market, and large corporate suppliers already accepting electronic payments
- Allow clients to disburse B2C and B2B payments from the same instruction file while allowing consumers to choose their preferred payment method

The core development team numbered approximately 150 people and demonstrated best practices in cross-functional collaboration. The team included professionals representing Risk, Finance, Servicing, Implementation, Operations, Technology, Development, Legal, Credit, CRM, Sales, Marketing, Training, Product Management, Workflow Management, Procurement, and Wholesale Banking.

U.S. Bank recognized that going to market swiftly and successfully would require partnering with an established AP platform provider. After evaluating 15 vendors, Bottomline Technologies rose to the top for several critical reasons. First, its Paymode-X network of 475,000+ payment-ready suppliers is best in class. Second, Bottomline has strong supplier data analysis and enrollment services. Third, its commitment to U.S. Bank's success is evidenced by its allocating two dedicated solutions engineers to partner with the bank's treasury management consultants.

The project kicked off in February 2020. The solution went into production in September 2020, and the first client implementation occurred in November 2020. By July 2021, three clients were live and B2C payment capabilities had been added. By September 2021, the fourth client went live, and U.S. Bank had gained commitments from more than 30 organizations (contract or verbal award).

Solution

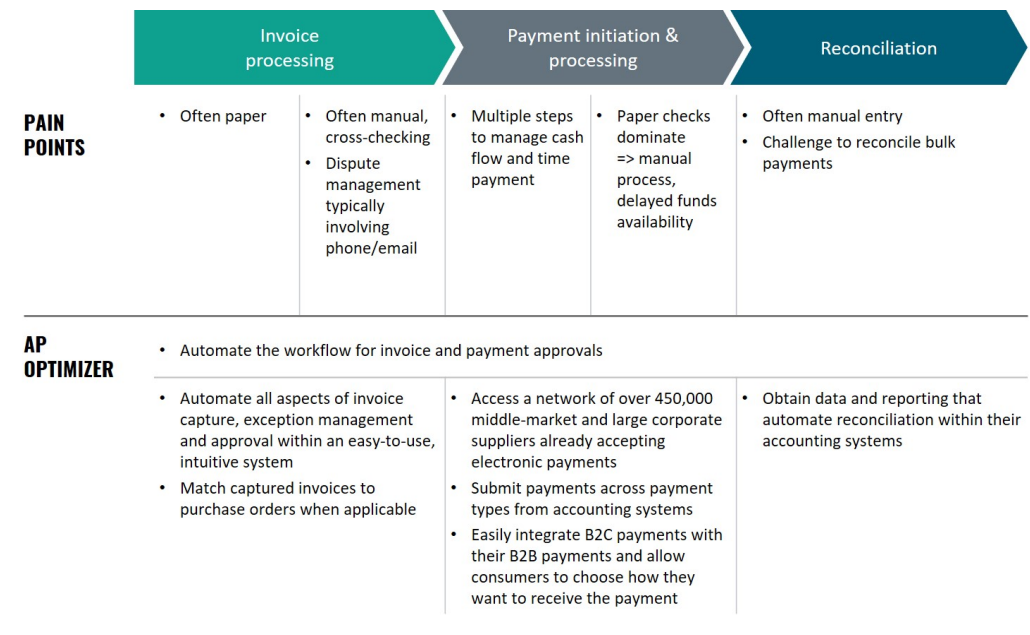
The solution comprises two modules: invoice automation and integrated payables, as outlined in Table 2. Figure 2 summarizes how AP Optimizer solves financial supply chain pain points.

Table 2: AP Optimizer Modules

Module	Value-Add
Invoice automation	- Automates all aspects of invoice capture, exception management, and approval within an easy-to-use, intuitive system - Captures supplier invoices in any format; accommodates both purchase order and non-purchase order invoices - Uses artificial intelligence/machine learning to eliminate hours of manual work entering invoices and preparing them for review-and-approval routing - Automates routing, simplifies exception management, and expedites approvals - Increases ability to earn prompt-pay discounts
Integrated payables	- Supports B2B and B2C payments in a single file - Provides access to Bottomline Technologies' Paymode-X network of 475,000-plus suppliers already accepting electronic payments and its supplier enrollment and management services - Offers a variety of payment options: ACH, virtual card, wire, Zelle, and even checks - Pays rebates on both card and ACH payments, making the solution more attractive to clients - Offers ERP integration options - Protects against fraud¹ — \$1 Trillion in payments processed with 0 Fraud in the last three years - Delivers auto-reconciliation by assigning a unique transaction ID to each payment and delivering it to the payer in a predefined field of the settlement record, enabling fully automated reconciliation of the ERP system

Source: U.S. Bank and Celent research

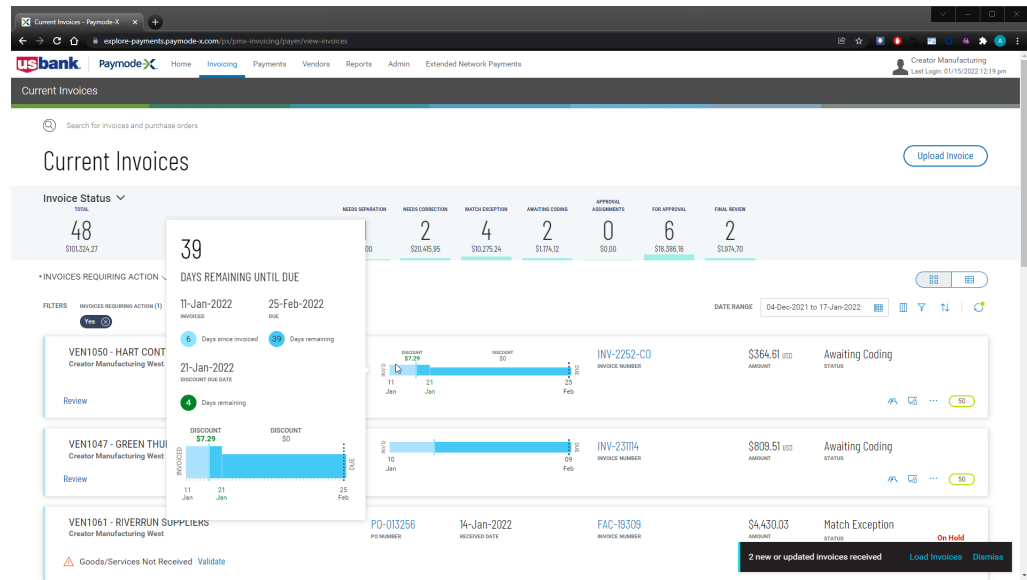
¹AP Optimizer protects against fraud at all points—from invoice receipt through payment disbursement. The prevalence of business email compromise and impostor fraud makes it vital for payers to ensure their payments are directed to a verified supplier. AP Optimizer features advanced supplier authentication and account ownership validation and stores sensitive supplier data on behalf of the payer to reduce fraud risk. Bottomline Technologies has processed more than \$1 trillion in payments over the past three years with no instances of fraud.

Figure 2: AP Optimizer Solves Pain Along the Financial Supply Chain

Source: Celent and U.S. Bank

Digitizing the entire AP process coupled with ERP integration enables a company to quickly benefit from AP Optimizer. Access to an extensive supplier network means AP Optimizer users can quickly migrate from check payments to electronic forms. This not only reduces their operating costs but also generates rebate revenue opportunity. Moreover, users can be assured they have strong fraud protection because Bottomline performs all the tasks associated with enrolling and managing supplier records, authenticating supplier identity, and validating ownership of the enrolling account. This shifts the responsibility for secure storage of supplier information from the client to U.S. Bank, and in the process saves the client time and potential losses. In addition, Bottomline has proven that it has a strong value proposition for suppliers as evidenced by its high retention rate of 90+%.

AP Optimizer makes efficient use of staff time because it is intuitive and easy to use. For example, the invoicing landing page presents all relevant information, including discount opportunity and a fraud risk score for each invoice (Figure 3). If an action is needed, the end-user receives a notification through a convenient alert widget.

Figure 3: User-Friendly Invoicing Landing Page

Source: U.S. Bank

Overcoming Challenges

In order to achieve its vision, the team had to overcome two key challenges. First, it had to bring services together from a variety of U.S. Bank platforms (payables services, virtual card services, banking portals, fraud prevention, file, and API processing) and from the bank's fintech partner, Bottomline Technologies (payment optimization, fraud prevention, invoice capture and matching, and reconciliation). Second, the team had to minimize the IT resources clients needed to implement AP Optimizer and help them manage the process changes required.

The team overcame the first challenges by galvanizing stakeholder-wide support for the initiative. It made a convincing business case to senior management based on customer research and a clear articulation of how the initiative would solve customer pain points. In addition, Bottomline Technologies was "a phenomenal partner," in overcoming internal system integration challenges according to the U.S. Bank team.

Together, U.S. Bank and Bottomline Technologies tackled the second challenge through platforms, process, and people. In terms of platforms, recent advances in API technology have resulted in "ERP connectors" that allow a bank-to-client integration with a minimum of IT support. Second, on the process side, U.S. Bank and Bottomline implementation teams have delivered a single team experience. Third, both partners have invested in solutions engineers who work with each customer to map out what to expect, how to plan for the change, and how to get the most out of the solution.

Results, Lessons Learned, and Future Plans

Results

AP Optimizer's positive business impact is clear. Within 11 months of launch, U.S. Bank has more than 30 committed clients (contract or verbal award). Half of its users are new payables customers to the bank. Client results and attendant satisfaction is driving a strong pipeline and revenue growth. For example, clients are experiencing impressive growth in converting paper payments to electronic payments: 23,000 electronic payments processed representing \$188 million in spend (January–September 2021). The sidebar below provides a snapshot of two client success stories.

Client success stories

Carson Tahoe Health, a comprehensive healthcare network in Nevada.

AP Optimizer met Carson Tahoe's year-one vendor enrollment goal in less than six months of use through its engagement model, which features assigning a dedicated Customer Success Manager to manage all vendor onboarding.

Health system in the Western US with 10 hospitals and multiple clinics.

AP Optimizer has enabled this client to optimize its B2B and B2C payments in a single integration. Two factors drove strong results: Bottomline's extensive supplier network that serves the healthcare industry, and B2C making it easy to pay patient refunds.

Lessons Learned

Through Celent's research on step-changing differentiation in treasury management services, we have learned that it is naturally challenging for banks to migrate from selling products/services to selling client workflow optimization. U.S. Bank faced and overcame the challenge of adopting a consultative, solution-selling approach. Along the way, it learned several lessons. First, be prepared with solution curriculum materials early in the sales training process and invest in messaging and socializing. Second, do not train sales staff too early, because it can lead to the need for retraining. Third, compile stock RFP responses before going live in order to ensure swift RFP responses. Fourth, invest in hiring sales solution specialists and technical solution engineers. In addition, U.S. Bank hired one solution engineer and Bottomline hired two. The solution engineer plays an important role in facilitating the integration of AP Optimizer—in particular for invoice processing—to a client's ERP system as well as a general ERP adviser.

Future Plans

U.S. Bank plans to integrate additional payments, expand invoicing capabilities, and offer more ERP integration options for its clients. Additionally, it sees the opportunity to expand AP Optimizer's client base and serve new markets and segments.

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For more information please contact info@celent.com or:

Alenka Grealish agrealish@celent.com

Americas

USA

99 High Street, 32nd Floor
Boston, MA 02110-2320

[+1.617.262.3120](tel:+1.617.262.3120)

USA

1166 Avenue of the Americas
New York, NY 10036

[+1.212.345.3960](tel:+1.212.345.3960)

USA

Four Embarcadero Center
Suite 1100
San Francisco, CA 94111

[+1.415.743.7960](tel:+1.415.743.7960)

Brazil

Av. Dr. Chucri Zaidan, 920
Market Place Tower I - 4° Andar
Sao Paulo SP 04583-905

[+55 11 5501 1100](tel:+55.11.5501.1100)

EMEA

Switzerland

Tessinerplatz 5
Zurich 8027

[+41.44.5533.333](tel:+41.44.5533.333)

France

1 Rue Euler
Paris 75008

[+33 1 45 02 30 00](tel:+33.1.45.02.30.00)

Italy

Galleria San Babila 4B
Milan 20122

[+39.02.305.771](tel:+39.02.305.771)

United Kingdom

55 Baker Street
London W1U 8EW

[+44.20.7333.8333](tel:+44.20.7333.8333)

Asia-Pacific

Japan

Midtown Tower 16F
9-7-1, Akasaka
Minato-ku, Tokyo 107-6216

[+81.3.3500.4960](tel:+81.3.3500.4960)

Hong Kong

Unit 04, 9th Floor
Central Plaza
18 Harbour Road
Wanchai

[+852 2301 7500](tel:+852.2301.7500)

Singapore

138 Market Street
#07-01 CapitaGreen
Singapore 048946

[+65 6510 9700](tel:+65.6510.9700)