



B2B Holistic Payments Discussion

Banff

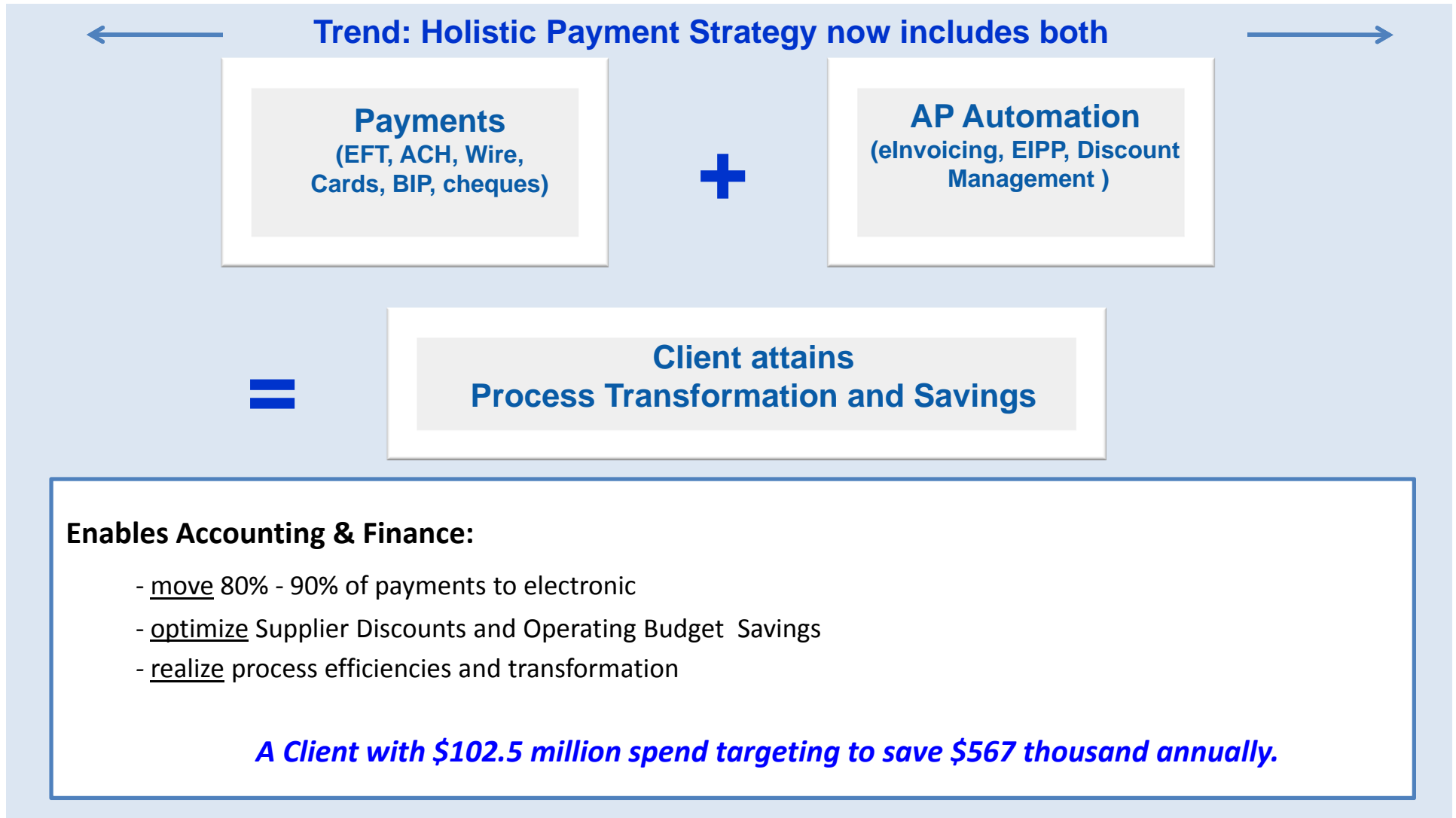
September 2011

AGENDA

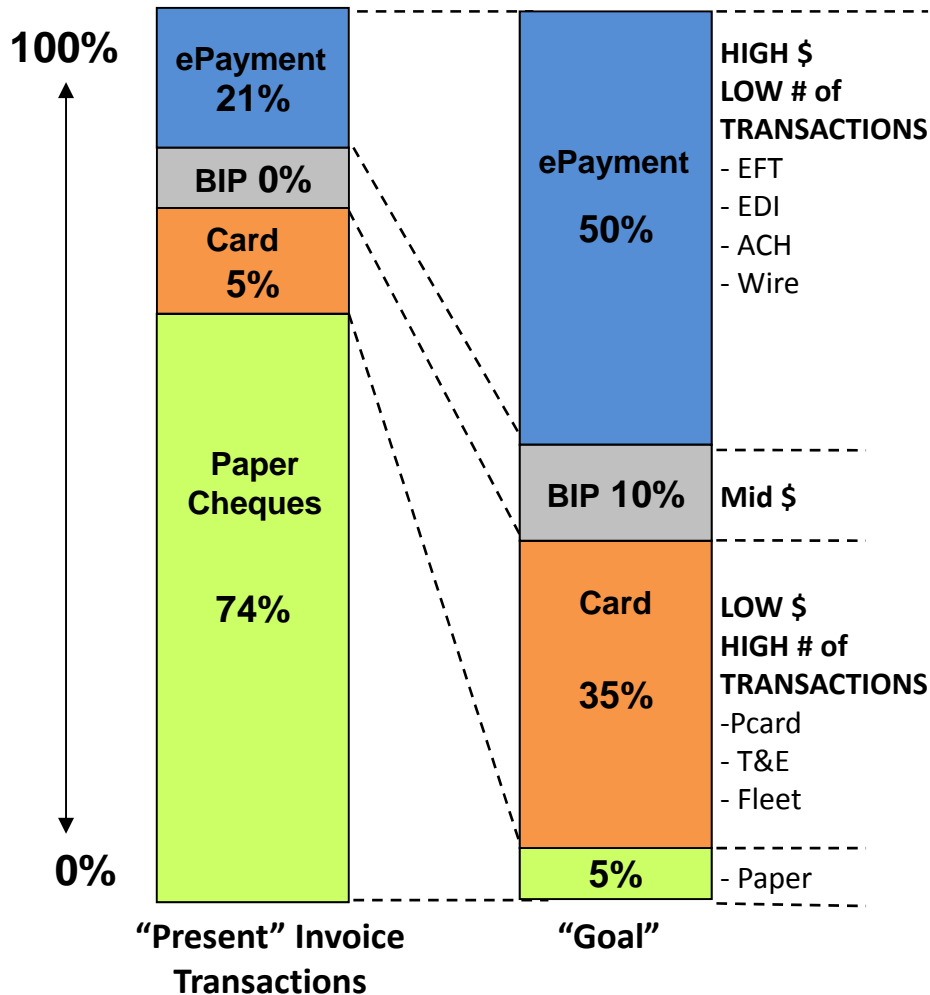
- Introductions
- Goal for this session
- B2B Holistic Payments discussion
 - Trends, Strategies & Solutions
 - Value
 - Where does one begin?
 - Hallmarks of a successful initiative
- Summary and Q & A

B2B Payments Vision & Strategy

..... A New World



B2B Payments Vision ... transform Payments into Performance



PayStream Advisors Inc.
Market Study Report, B2B ePayments, Q3 2010

Cost reduction

- reduced headcount, process efficiency
- reduce duplicate payments and lost cheques
- earn significant card rebates
- reduce data entry errors

Cash Flow

- improved visibility into payments & spend
- better cash flow forecasting

Fraud

- reduce risk of payment fraud,

Positive "Green" impact

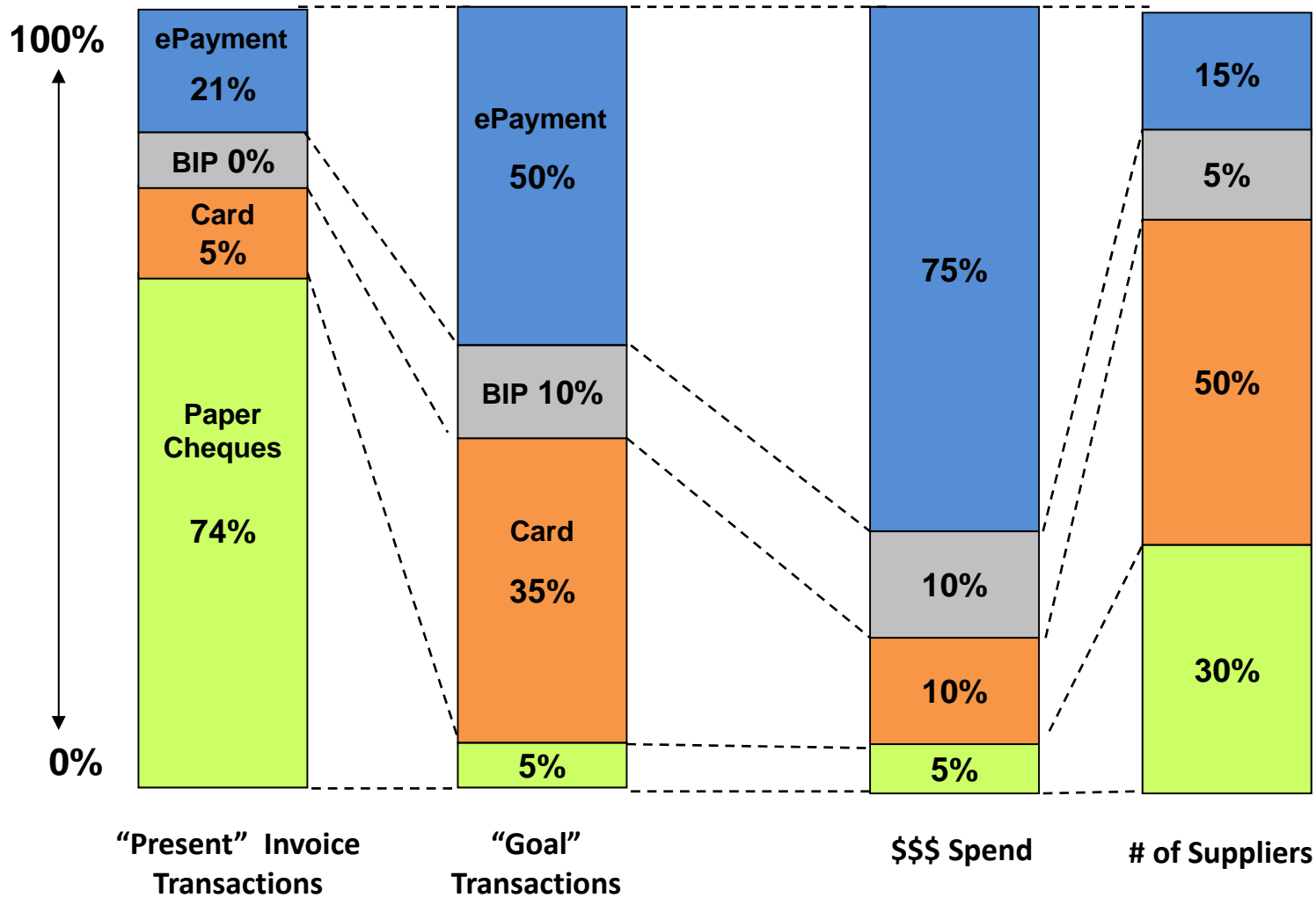
- remove paper

Increase supplier satisfaction

- reduce DSO

Map to Spend \$\$ and Suppliers

..... create holistic roadmap transform processes deliver savings



Results of Holistic Analysis

Client Spend Data:

- **Addressable Spend**

Paid by Card	\$ 1,538,480
Paid by EFT	\$18,461,765
Paid by Cheque	<u>\$82,565,115</u>
Total	\$102,565,360

- **Invoices** 85,820
- **Suppliers** 6,860

Holistic Payment Analysis

- **Target:** 90% electronic payment (Card + BIP + EFT/ACH)

- **Some Analysis Results:**

- Card	Maximum spend per invoice	\$2,500
- EFT payment	Minimum spend per invoice	\$25,000
- BIP	Spend per invoice	>\$2,500 & <\$25,000

**Value of B2B Payment Strategy
(\$102.5 million Addressable Spend)**

Operating Budget Impact:

“Goal” Savings

Card Rebate	\$ 76,924
BIP Rebate	\$ 66,667
ePayment Savings	\$ 89,236
AP Automation	
- Return on Cash & Discounts	\$ 130,685
- Compliance	\$ 153,848
AP Process Savings	<u>\$ 50,000</u>
Steady State Savings (annual)	<u>\$ 567,310</u>

Value & Opportunity: Card “Goal” generates savings

... 35% of transactions ... 10% of Spend ... 50% of suppliers



What are they?

- Corporate Credit cards
- Issued to designated employees and/or key vendors
- To purchase business-related goods and services, fleet, travel and entertainment

Why use them?

- Streamline procurement for high volume, low dollar transactions
- Take costs out .. **Up to 68%** as per Purchasing Card Benchmark Survey
- Earn financial rebates
- Extend DPO

Rebate (total): \$ 76,924

- Card Spend \$10.25 million
- Target Transactions 30,037

Value & Opportunity: Buyer Initiated Payment

.... 10% of transactions ... 10% of Spend ... 5% of suppliers

What is BIP?

- Combination of Corporate Card and Direct Payments
- To purchase goods and services with values too large for card
e.g. >\$2,500 & <\$25,000+
- Payment occurs once invoices 'approved to pay'
- Earn a financial rebate
- Only requires an increase to existing Line of Credit for corporate card



Functionality

- Buyer uses Corporate Card Process
- Buyer sends payment instruction file to Bank
- Bank pays supplier directly into account (EFT/ACH)
- Buyer pays Bank with normal Card Cycle Payment e.g. 1 month + 7, 14, 21 or 27 days
- Straight-Through-Processing (no touch processing) for supplier
- Supplier pays fee, to Bank similar to an early pay discount but less than normal Card fee

Value & Opportunity: Buyer Initiated Payment

.... 10% of transactions ... 10% of Spend ... 5% of suppliers



Value to Buyer

- Control:
 - when to pay (e.g. on receipt of goods and approval) and which suppliers
- Process efficiency:
 - automated payment reconciliation and upload to ERP, GL & AP
- Earn a financial rebate
- Extend DPO:
 - Corporate Card Cycle Payment, up to 57 days
- No cost to Buyer
- Very little Change Management

Rebate: \$ 66.667

- BIP Spend \$ 10.26 million
- Target Transactions 8,582

Value & Opportunity: Buyer Initiated Payment

.... 10% of transactions ... 10% of Spend ... 5% of suppliers

Value to Supplier

- Reduce DSO
 - paid earlier by the Bank
- Increase process efficiency:
 - no-touch, Straight-Through-Processing
 - electronic remittance process
- Maintain privacy
 - no supplier banking information shared with Buyer
- No special technology or software required
- No change in the supplier's process for order fulfilment
- A lower payment fee (35% - 50% lower) compared to standard card fees



Value & Opportunity: ePayment (EFT/ACH)

... 50% of transactions ... 75% of Spend ... 15% of suppliers

New Functionality

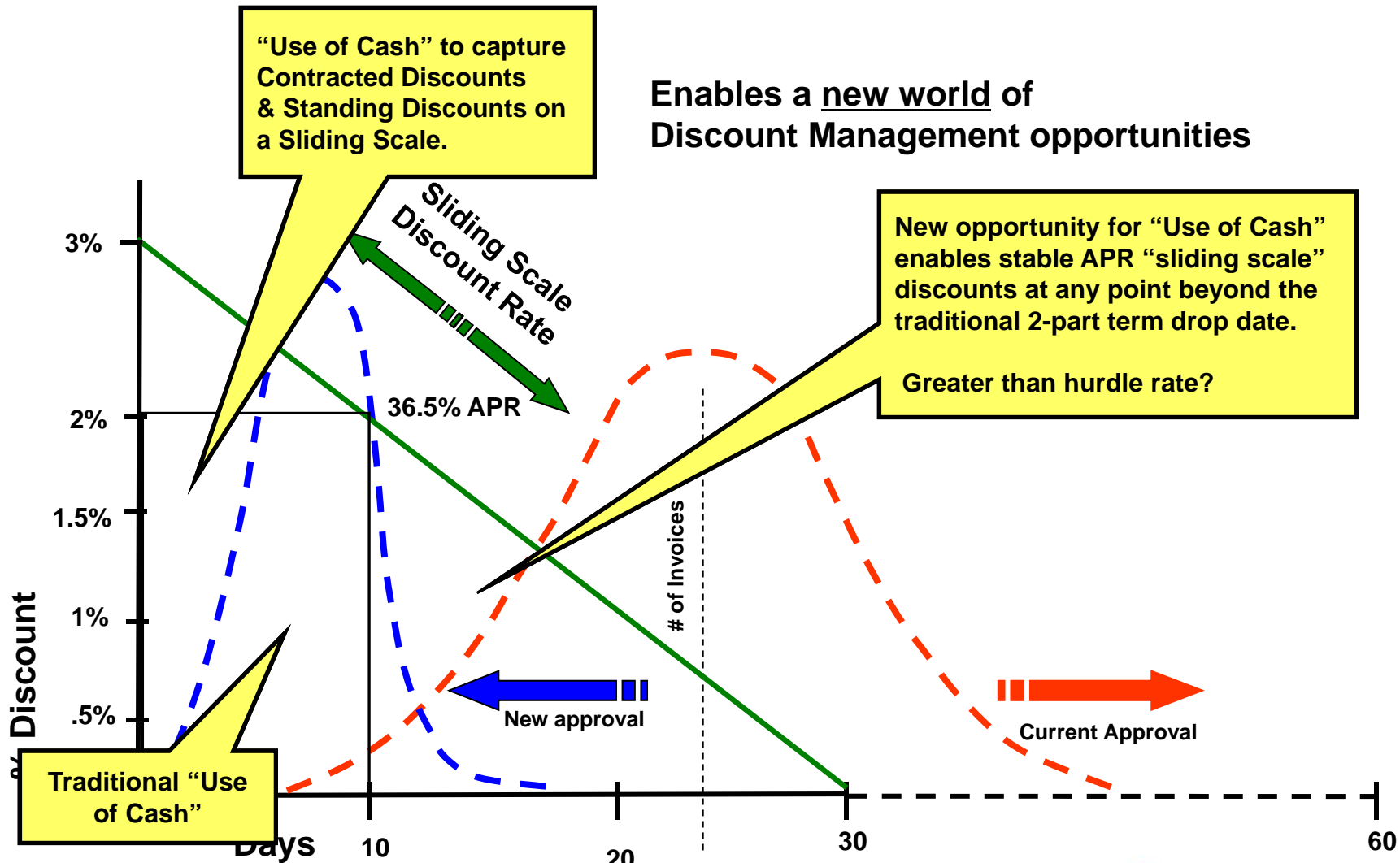
- Makes it easy to transition from paper cheques to ePayments
- Reduces the heavy admin
 - delivers up-to-date supplier banking information.
- Resolves the remittance & reconciliation challenges
 - deliver detailed electronic remittance documents.

Value of “To Be” state to Buyer (using \$102.5 million spend)

"As is" costs				"To be" Target Costs		
<u>Metrics</u>	<u># Pymts</u>	<u>Cost</u>	<u>Fee</u>	<u># Pymts</u>	<u>Cost</u>	<u>Fee</u>
Check	63,507	\$1.57	\$99,706	4,291	\$1.57	\$6,737
ePayment	18,022	\$0.15	\$2,703	42,910	\$0.15	\$6,437
Wire	0			0		
Card	4,291			30,037		
BIP	0			8,582		
Total	85,820		\$102,409	85,820		\$13,173

Move to ePayment generates Savings: \$89,236

Value & Opportunity: ePayment opens the door to AP Automation



Value & Opportunity: AP Automation

1. Standing Discounts with Effective Terms

- Treasury can offer Standing Discounts to suppliers greater than Hurdle Rate
- “Effective Term” provides Treasury control
 - i) dynamically turn on/off
 - ii) seasonal control

2. Dynamic Discounts

- At end of fiscal periods, surge in supplier need for cash
- Now Treasury can dynamically propose an early pay discount to a supplier against specific invoices
- Suppliers can dynamically propose to buyers
- Target **specific** suppliers at a specific point in time

Target Addressable Spend: \$ 76,924 million

Savings: \$130,685 (0.17%)

Most recent Hackett, IOMA & Aberdeen study says 0.3% – 1.0% per \$1B spend

Value & Opportunity: AP Automation drives AP Compliance

Functionality

- 5% of invoices contain errors (IOMA AP Department Benchmark)
- Invoice compliance validation
 - Network Test: Insures only accurate invoices are passed into the Network.
 - Matching Test: 3 & 4 way match.
 - Workflow Test: Approval Workflow.

Savings

- Drives high Compliance
- Target Spend: \$76.9 million

Compliance Savings \$153,848 (0.2%)
(Most recent Hackett: 0.2% – 0.7% of spend in savings leakage)

Value & Opportunity: Process Savings (FTE)

FTE reassignment opportunity:

- 1) Due to Card & ePayment processes 15% - 20%
- 2) Due to BIP processes 5% - 10%
- 3) Due to eInvoicing processes 15% - 20%

Process Savings (FTE) \$50,000
(Reassignment opportunity 1 of 8 FTEs @ \$50,000 loaded cost)

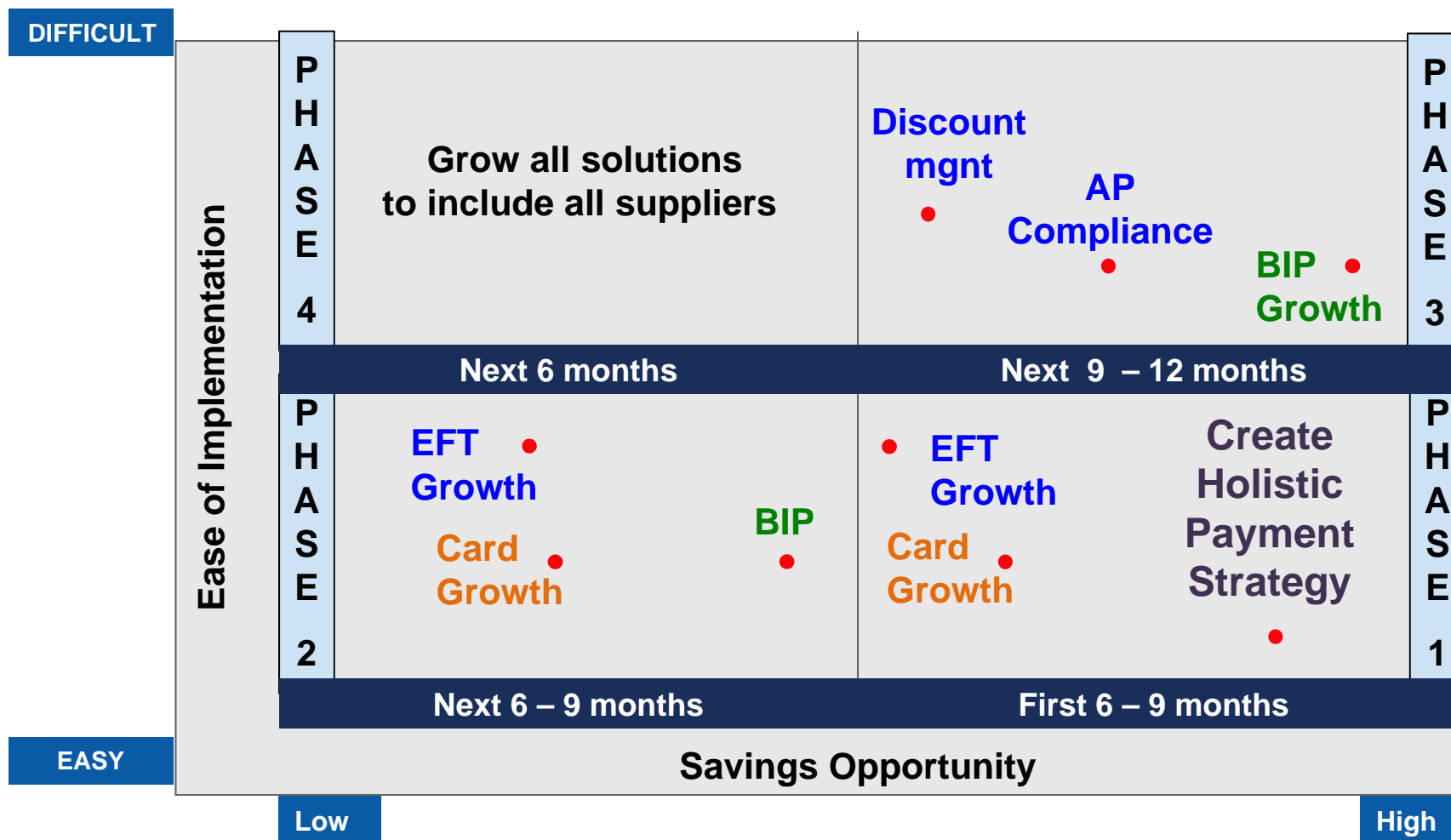
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Where do I start? – Ease vs. Opportunity



Hallmarks of a Successful B2B Payment Strategy & Initiative

Key Success Factors

- ✓ Executive support & buy-in from all stakeholders
- ✓ Supplier Enablement aligned with customer Goals/Objectives
- ✓ Strong supplier compliance position
- ✓ Communicate often
- ✓ Change Management Plan in place

Resources required to be active

- ✓ Executive sponsor
- ✓ Accounting, Treasury, Finance, AP, Procurement and IT

Obstacles to be overcome

- ✓ Lack of executive leadership / program vision-metrics
- ✓ Poor communication both internally and externally to suppliers
- ✓ Creation and execution of a compelling value proposition to suppliers

Summary of Value

- ✓ Creates a roadmap to move 90% of payments to electronic
- ✓ Achieve process transformation & efficiencies
- ✓ Take costs out of Operating Budget
- ✓ Win – Win with suppliers
 - Helps supplier optimize working capital
 - Reduce Days-Sales-Outstanding and take-out costs
- ✓ Infrastructure
 - Enhance (not replace) current solutions

Thank You



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