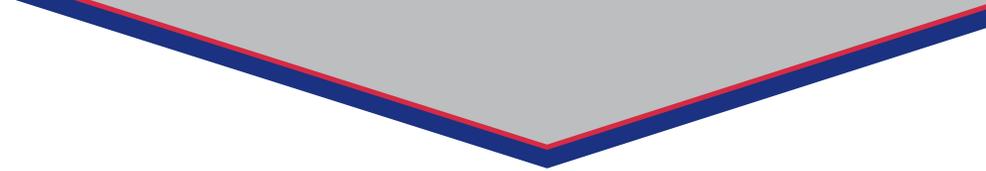


# ***Payables Trends & Best Practices***

Jeff Pape, Senior Vice President Payables Strategy

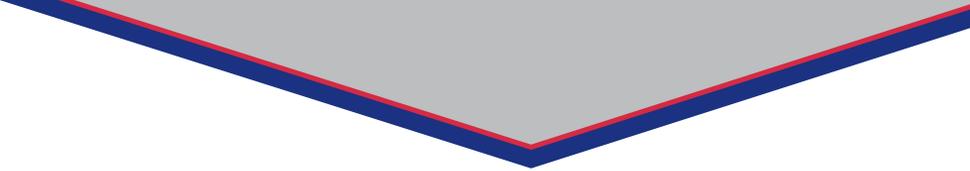
All of **us** serving you®





# Agenda

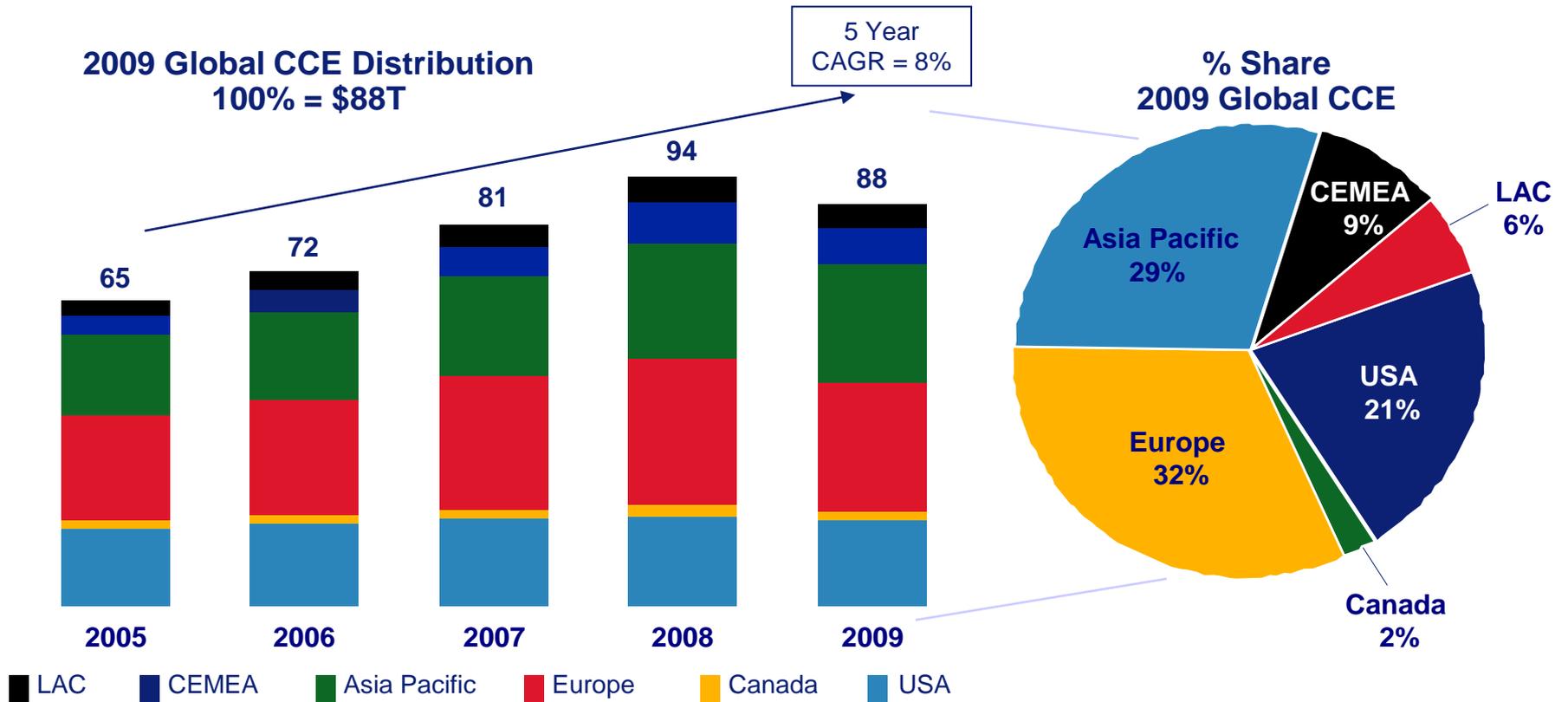
- Review current business-to-business (B2B) market observations
- Explore public and private sector trends
- Examine best practices and solutions
- Discussion and questions



# **B2B Market Observations**

# Global Commercial B2B Market

Commercial Consumption Expenditure (CCE) captures global business to business spend by region



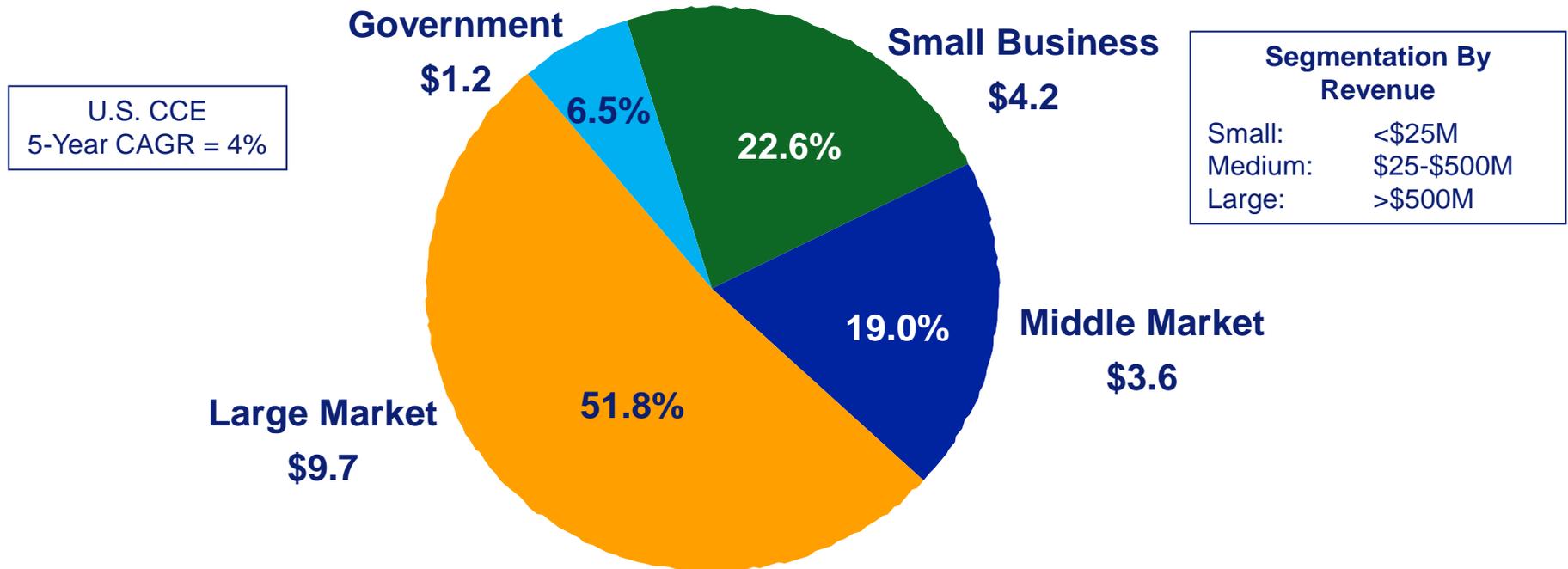
Source: Visa Commercial Consumption Expenditure Index; Economist Intelligence Unit (EIU) modeling and analysis, July 2010. Global CCE index data sources include Bureau of Economic Analysis (BEA), U.S. Census Bureau, Organization for Economic Cooperation and Development (OECD), STructural ANalysis (STAN) Database, EuroStat Database, General Government Accounts from the National Accounts of OECD Countries, United Nations Statistics Division National Accounts Main Aggregates Database, EIU proprietary databases, government data and EIU model estimates where government data was unavailable. Large contracted defense spending not included in CCE index.

# U.S. Commercial B2B Market

The U.S. accounts for 21% of global CCE

## 2009 Global CCE Distribution

100% = \$18.7T



Source: Visa Commercial Consumption Expenditure Index; Economist Intelligence Unit (EIU) modeling and analysis, July 2010. Global CCE index data sources include Bureau of Economic Analysis (BEA), U.S. Census Bureau, Organization for Economic Cooperation and Development (OECD), STructural ANalysis (STAN) Database, EuroStat Database, General Government Accounts from the National Accounts of OECD Countries, United Nations Statistics Division National Accounts Main Aggregates Database, EIU proprietary databases, government data and EIU model estimates where government data was unavailable. Large contracted defense spending not included in CCE index.

# U.S. Market Industry Pain Points

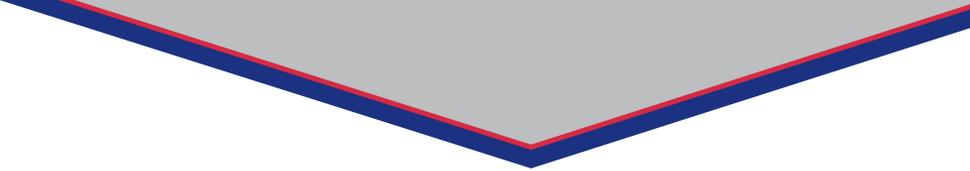
Industries are facing different issues regarding payments

Vertical	Pain Point	Description
<b>Freight</b>	Data Accessibility	<i>The number of companies and intra-enterprise entities involved in shipping and freight logistics require numerous points of access to common data. Lack of a central point of information access creates delays in approvals and, subsequently, payments.</i>
<b>Government</b>	Oversight & Analytical tools	<i>Purchasing cards are the preferred method of payment for smaller transactions. The primary problem has been card payment abuse, or the appearance of abuse. Greater control can help address the problem.</i>
<b>Insurance</b>	Reconciliation	<i>Reconciling charges to authorized work and resulting payments is often a cumbersome problem, including dealing with paper-based exchanges of documentation, information and approvals.</i>

# U.S. Market Industry Pain Points (Continued)

Industries are facing different issues regarding payments

Vertical	Pain Point	Description
<b>Retail / Services</b>	Paper Handling	<i>Despite substantial automation across the industry – widely variable – much ordering, approval and payment continue to rely on paper-based processes to support large volumes of payment activity.</i>
<b>Travel / Meeting</b>	Reconciliation	<i>Because of the similar dollar values of itineraries and the high volume of itineraries processed daily, the need to ensure accurate, timely payments that can be traced to a specific itinerary is both critical and complex.</i>



# Market Trends

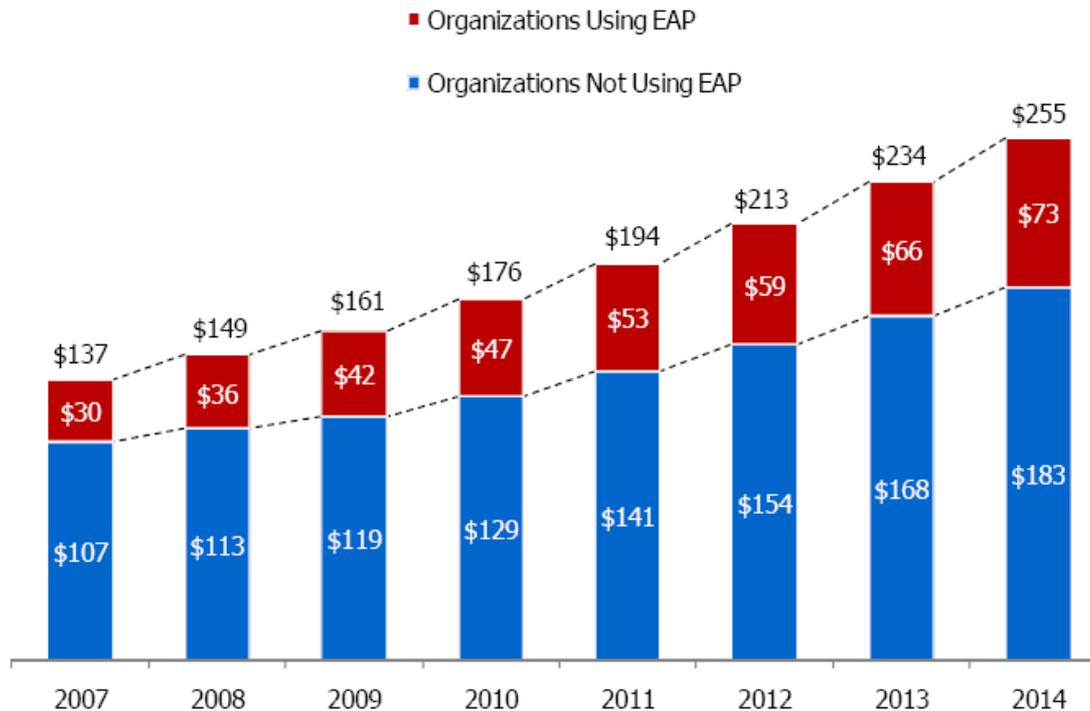
# Commercial Payments Trends

Global commercial business to business market is \$88 trillion, with \$21 trillion located in North America

- Growth of commercial cards
- Growing adoption of Electronic Accounts Payable (EAP)
- Expansion of electronic invoicing

# Commercial Payments Trends (Continued)

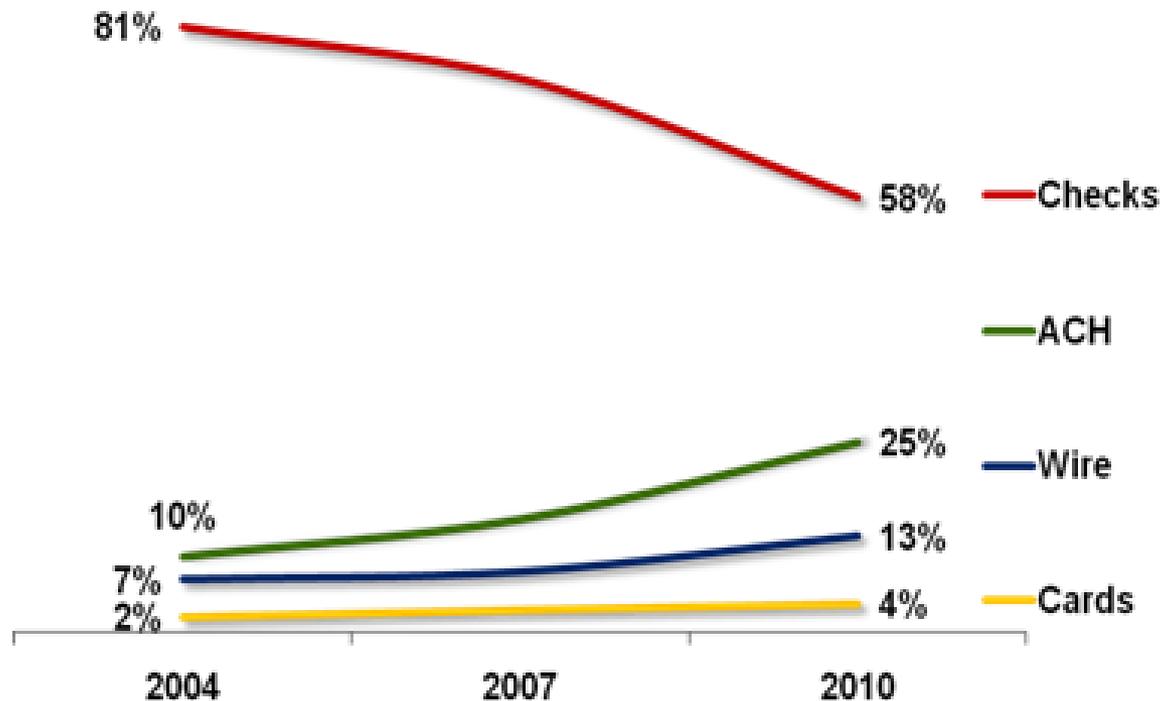
**Total Purchasing Card Spending in North America, by Organizations Using and Not Using EAP (in \$ billions)**



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

# Commercial Payments Trends (Continued)

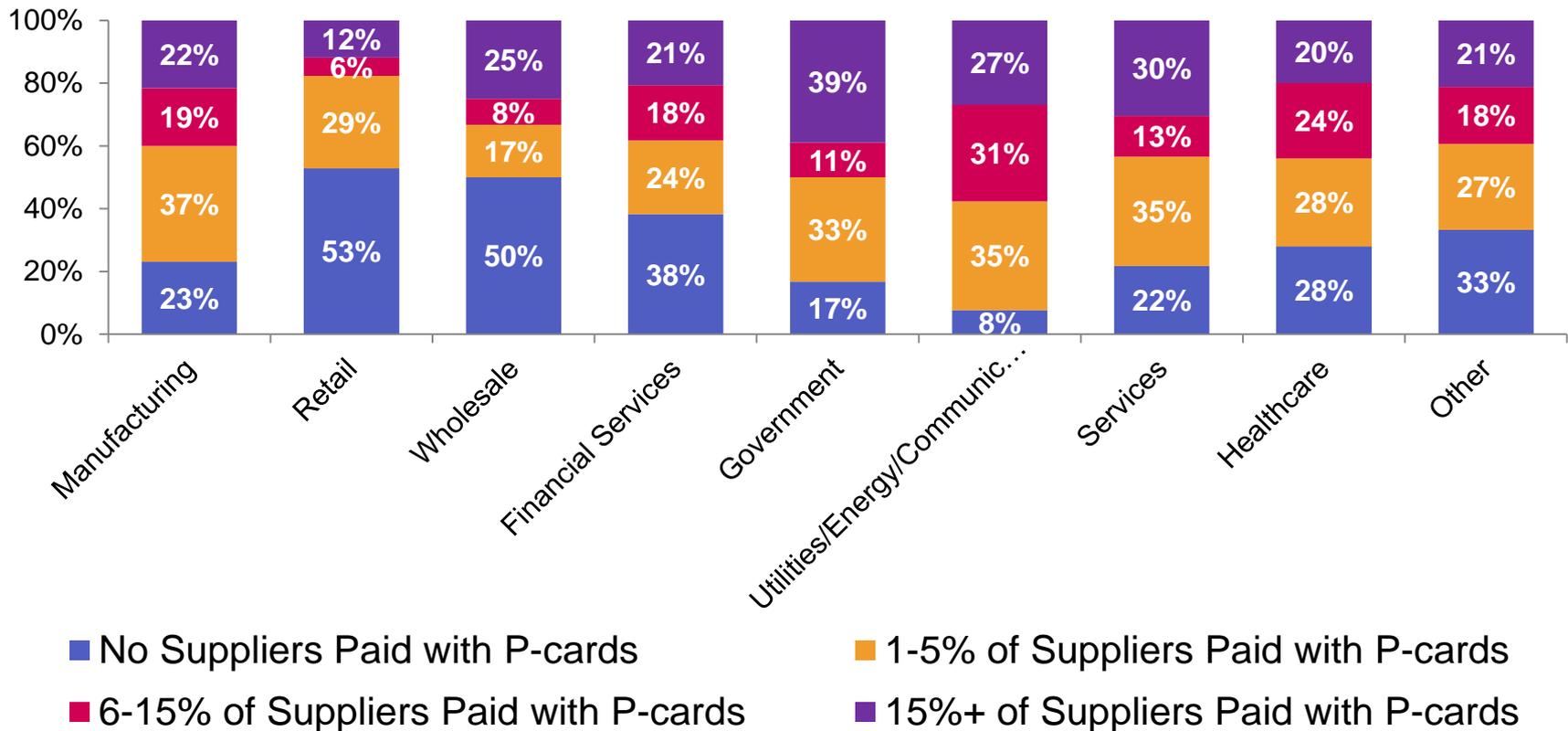
*Business-to-Business Payment Mix  
(% of total number of transactions)*



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

# Purchasing Card Utilization - Industry Type

EAP will continue to play a significant role in purchase card growth



# Payment and Reconciliation

Electronic payments are a significant opportunity for cost savings.

*Greatest cost savings benefits are achievable by moving from paper based payments to Access® Online ePay*

## Payment Costs:

Wire	<b>\$9.86</b>
Check	<b>\$7.15</b>
ACH	<b>\$4.72</b>
Card	<b>\$3.96</b>
EIPP	<b>\$2.35</b>

Aberdeen Group May 2010 study: "Global Payments: Maximizing Cash Flow with Electronic Payments and Process Automation"

## Reconciliation Costs:

Manual	EIPP
<b>\$12.00</b>	<b>\$5.00</b>

Accenture 2007 study: "The Role of Procurement Cards in the Source-to-Settle Process"

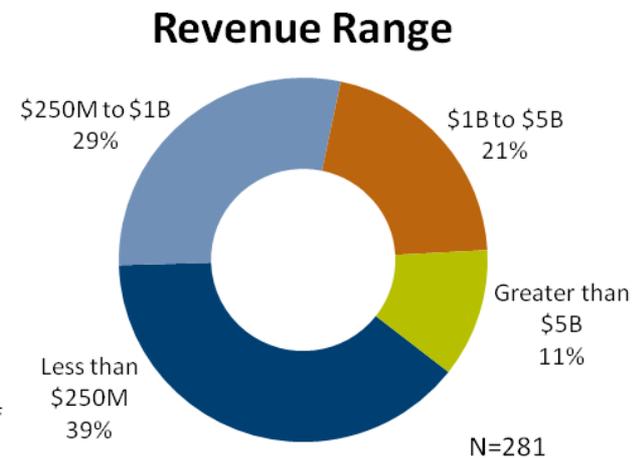
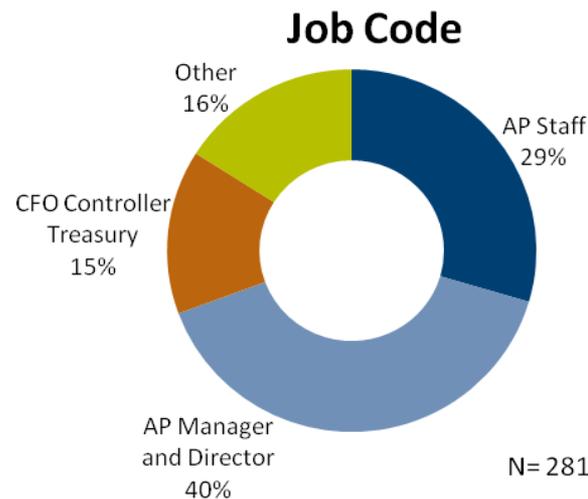
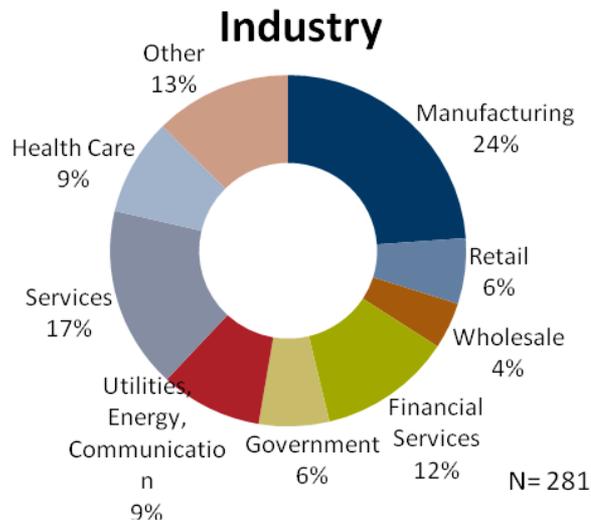
*Automated, electronic reconciliation saves FTE's precious time and allows them to focus on more valuable activities*

# Which Paperless Option is Best?



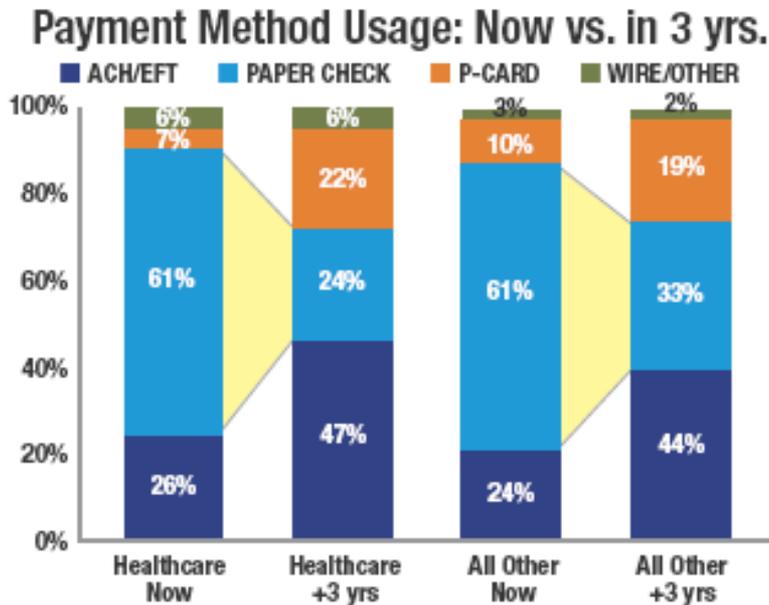
# U.S. Bank/IAPP Research

More than 280 accounts payable (AP) professionals, across a wide range of organizational sizes, industries and job titles, participated in the study.



# Electronic Payment Usage

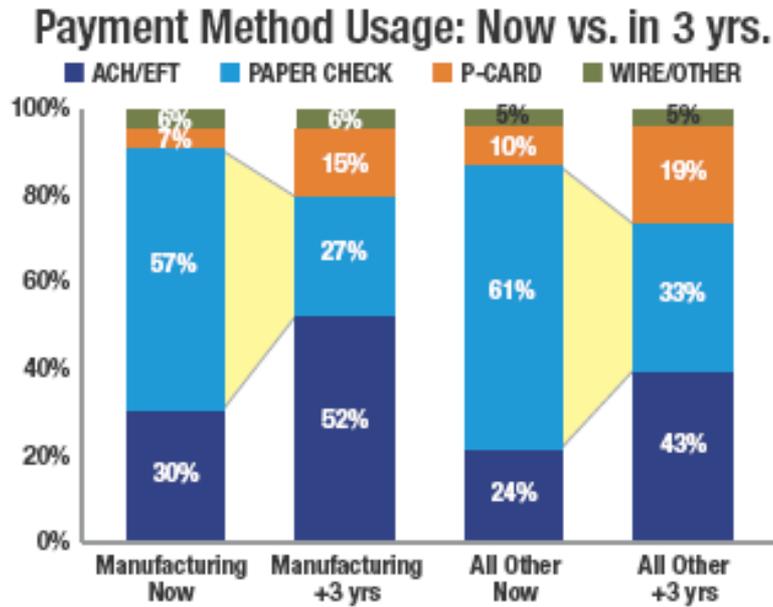
Healthcare & Manufacturing are leading adopters of ePayments



**Healthcare** sees check usage reducing by two-thirds, which is greater than the total respondent expectation, and predicts a three fold increase in the use of purchase cards while others expect a doubling.

# Electronic Payment Usage (Continued)

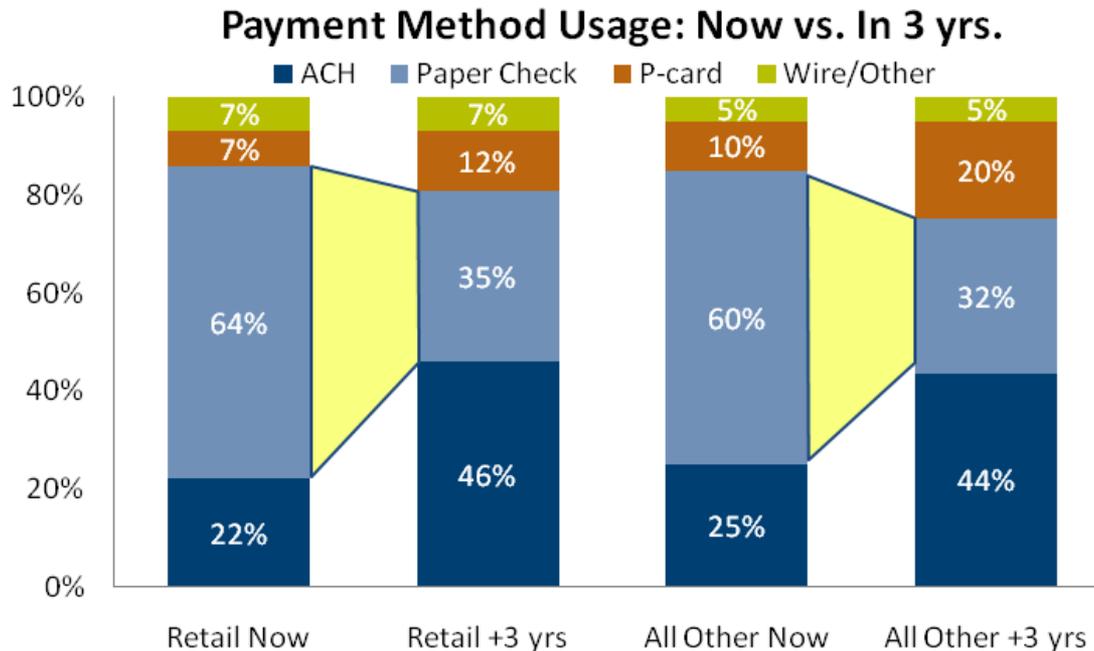
Healthcare & Manufacturing are leading adopters of ePayments



**Manufacturing** expects halving the use of checks and will continue to be the vertical with the highest ACH adoption rate.

# Electronic Payment Usage

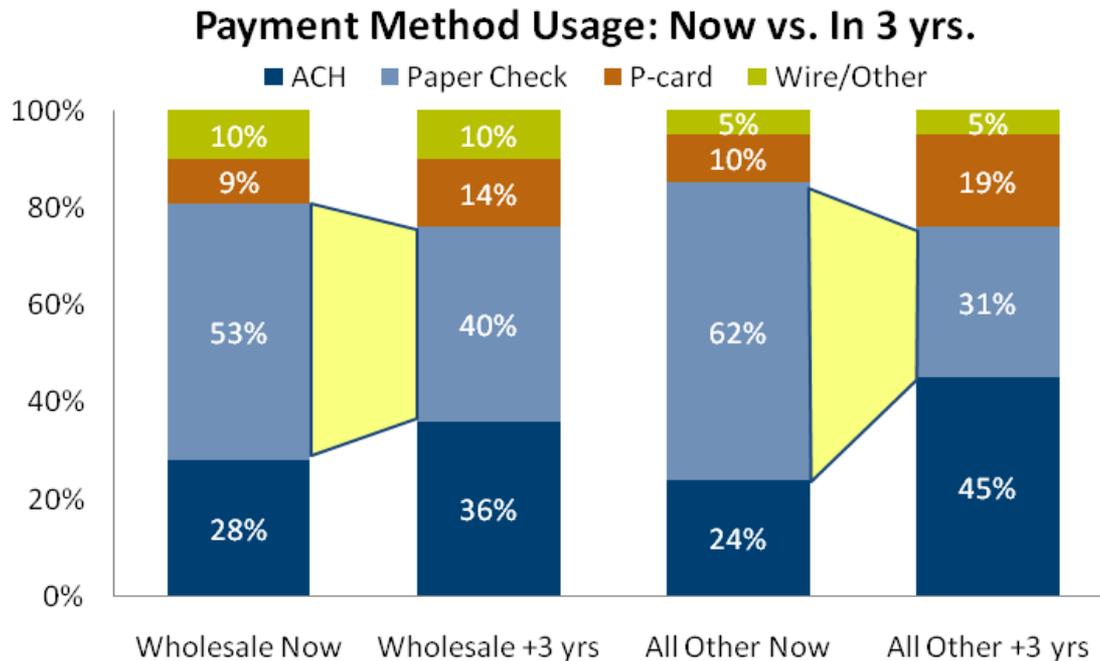
Other market segments will adopt... but at a slower pace



**Retail** anticipates doubling the use of ePayment methods, but will continue to lag behind other industries in the total reduction of checks.

# Electronic Payment Usage (Continued)

Other market segments will adopt... but at a slower pace



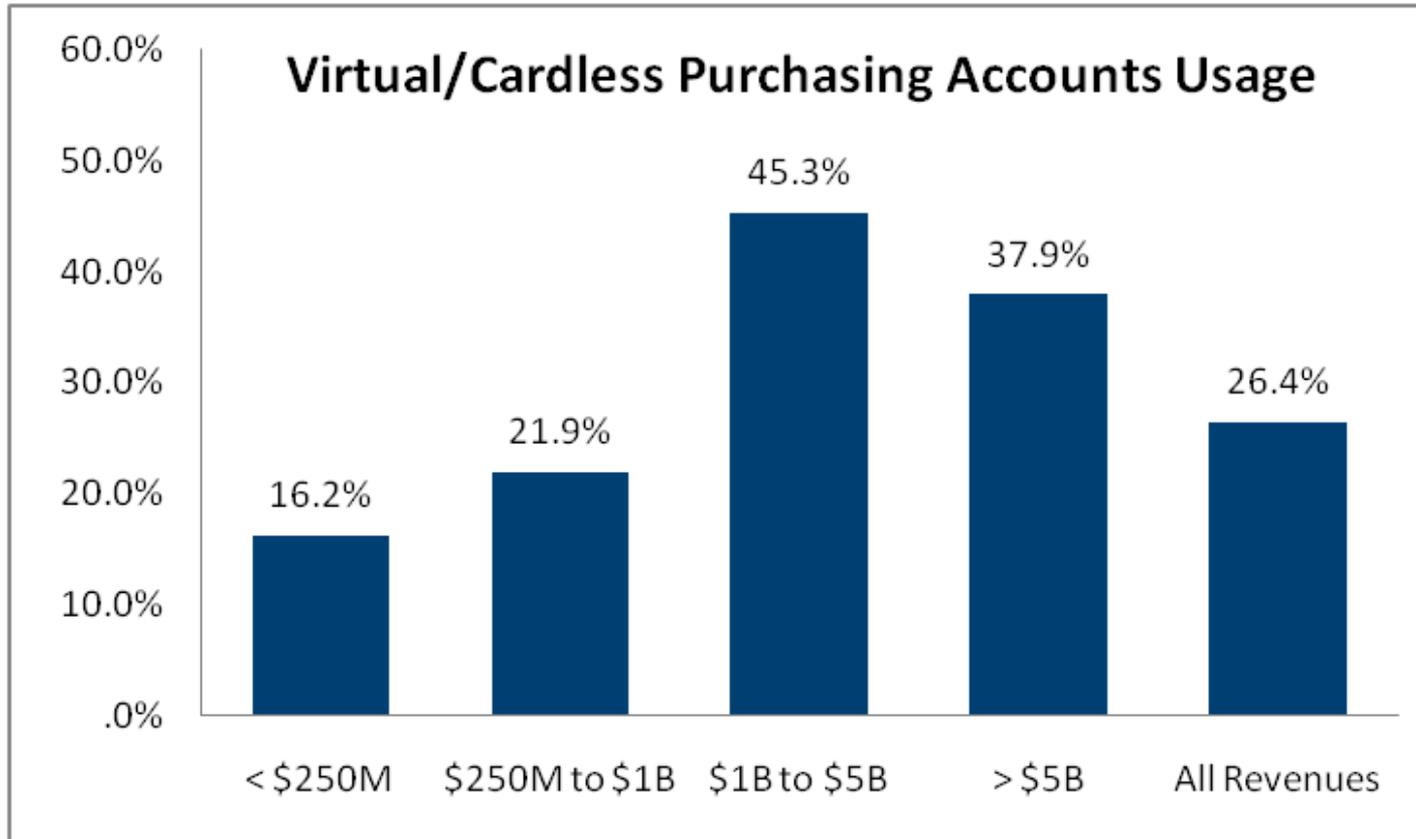
**Wholesale** use of ePayment methods is above the average, their slower adoption rate over the next three years will have them fall behind other industries.

# AP Automation: Electronic Accounts Payable

- Over 25% of organizations have adopted virtual purchasing card accounts (EAP)
  - For organizations with \$1 billion+ revenue, the adoption rate is nearly double.
  - Over the next three years, EAP use will grow by over 40%.\*
- EAP Terms
  - Virtual Card, single-use accounts, straight-through processing, buyer-initiated payments, EIPP

\* Source: 2010 RPMG “Purchasing Card Benchmark Survey Report”

# AP Automation: Electronic Accounts Payable (Continued)

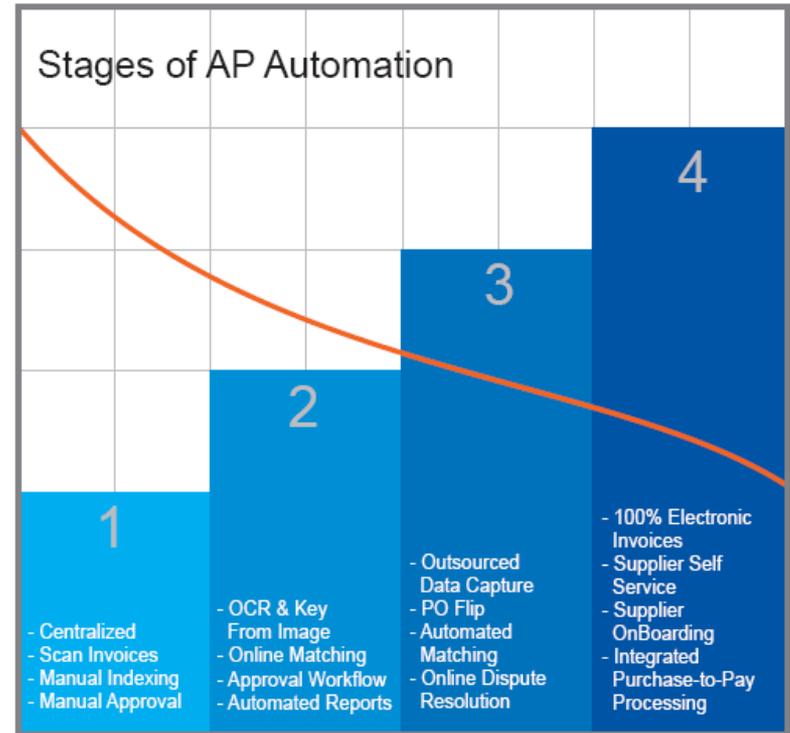


# Electronic Invoicing

- Incremental benefits... eliminating large capital investment
- Independent buyer and supplier benefits
- EIPP solutions reaching critical mass

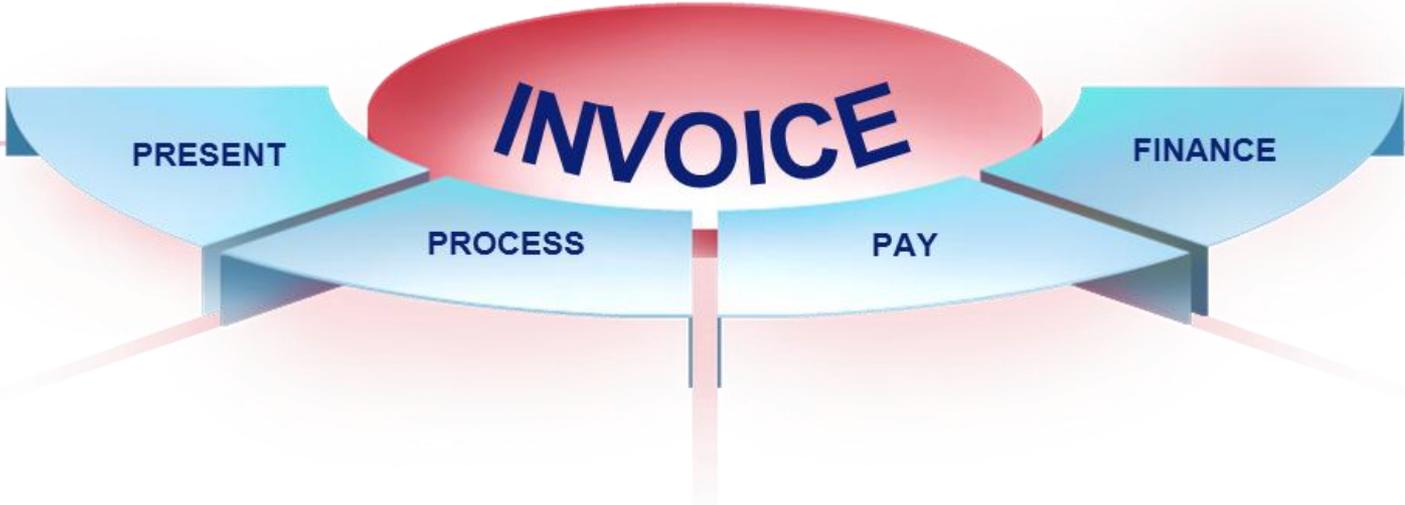
**Organizations are recognizing AP automation as an area offering tremendous potential for achieving tactical and strategic objectives.**

Level of Automation



Cost Per Invoice

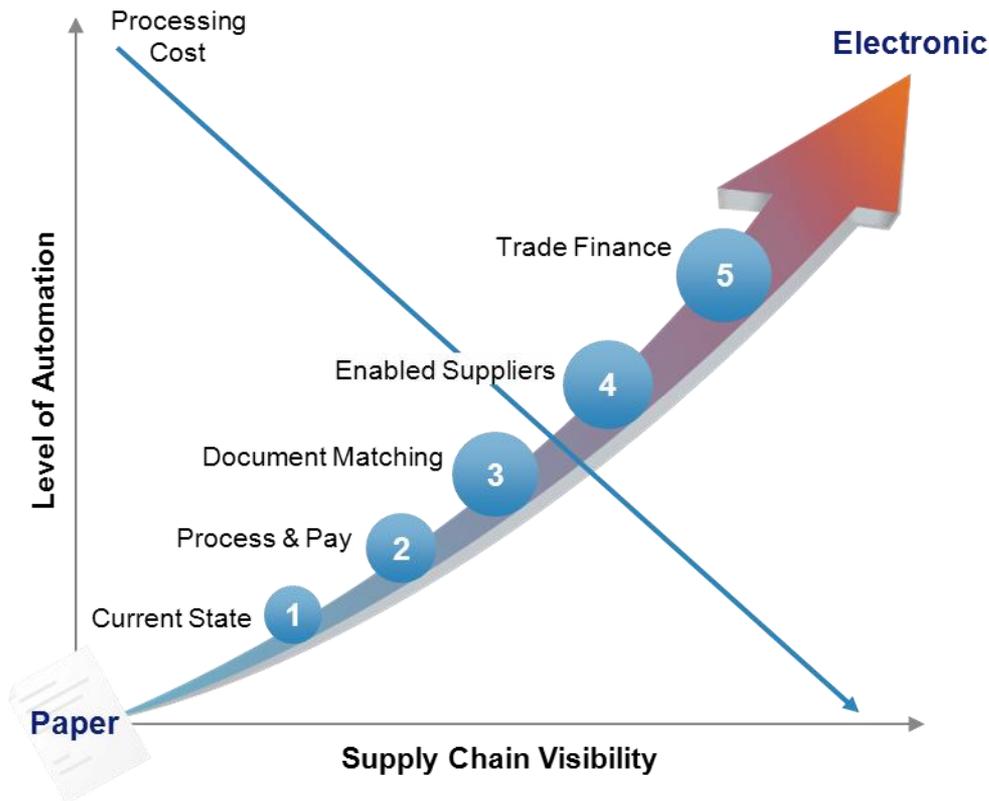
# How Electronic Invoice Presentment and Payment (EIPP) Works



# How Electronic Invoice Presentment and Payment (EIPP) Works (Continued)

- Cooperative approach between two participants
  - Buyer – uses EIPP for AP
  - Supplier – uses EIPP for AR
- Both parties review and manage their transactions online
- Both parties have real-time visibility to invoice and payment status
- Both parties collaborate online to resolve disputes or exceptions

# EIPP Provides a Clear Path to Best-in-Class Payables Processing



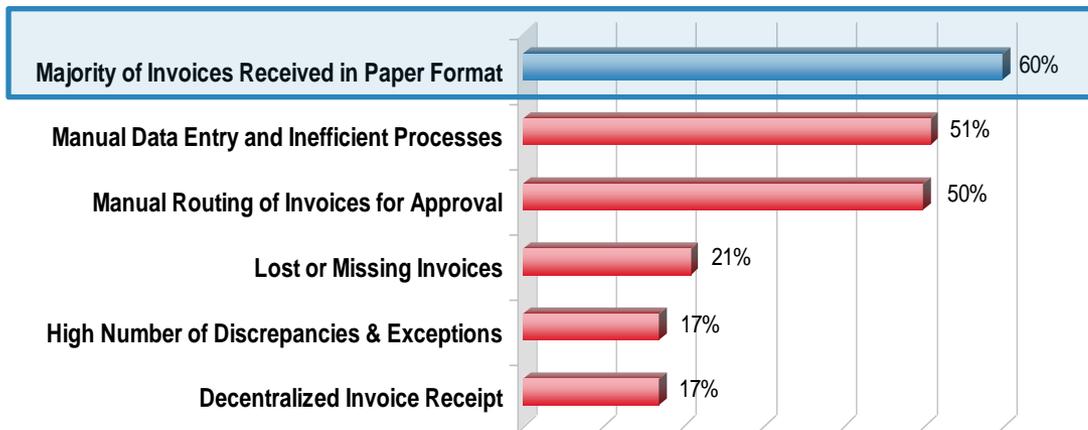
## Evolution of Invoice Processing

1. Reliance on paper-based manual processes
2. Automation of process-to-pay
3. Matching of invoices to buyer reference documents
4. Submission of electronic invoices by suppliers; visibility into payables and receivables
5. Enablement of complete AP-AR view, providing active working capital management and trade finance for buyers and suppliers

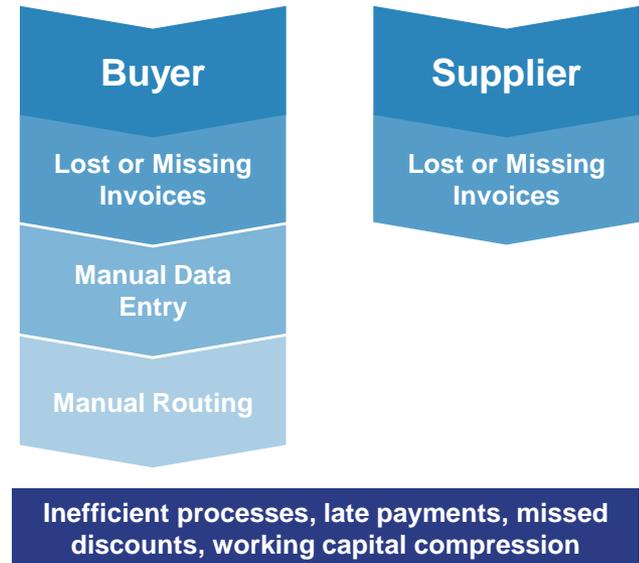
# Invoice Management Challenges

Removing paper mitigates downstream effects.

## Challenges Reported in the Invoice Management Process



## Paper Invoice Downstream Effects

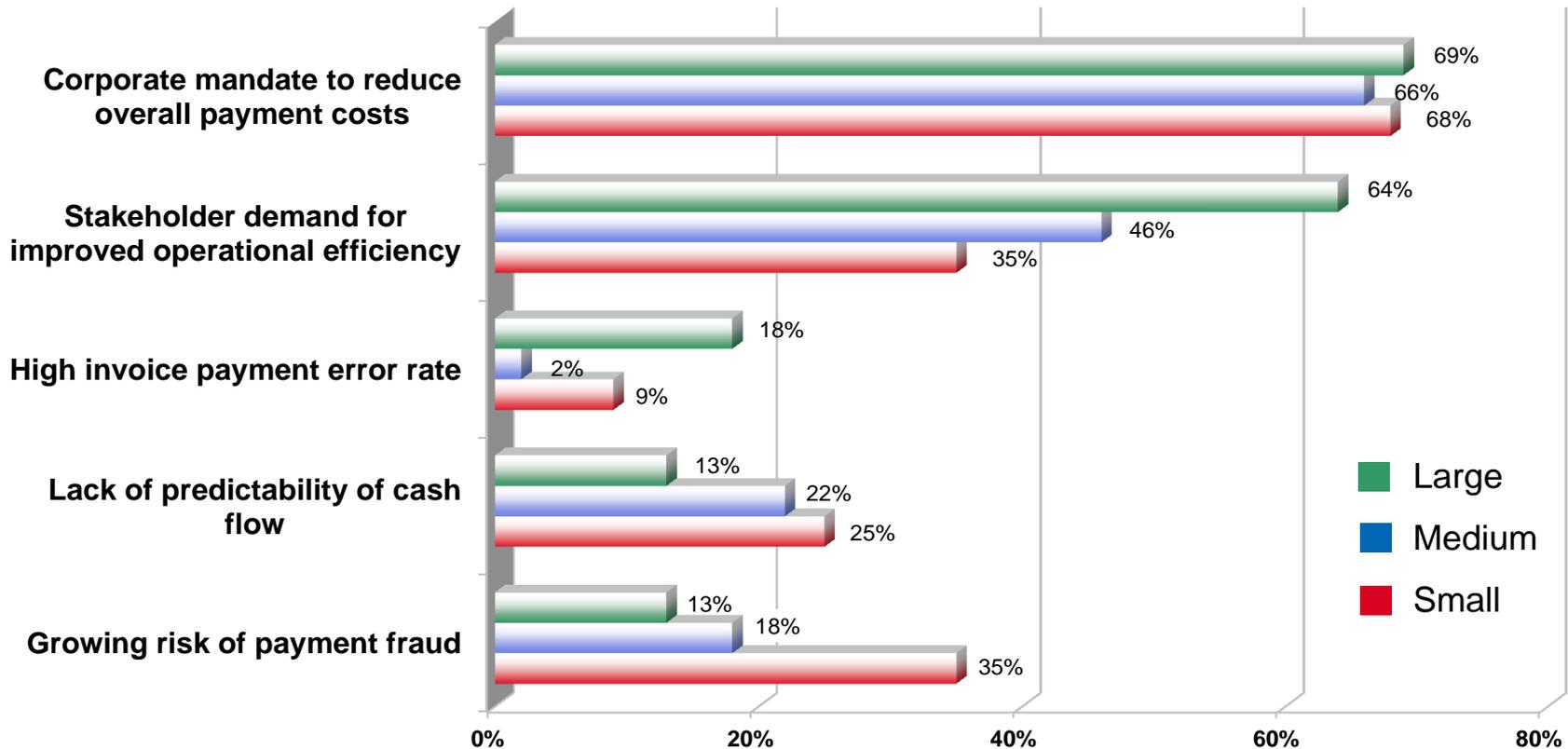


Source: "Electronic Invoice Management, No More Recycling: Get Rid of Paper from the Source," PayStream Advisors Q3 2010.

# Factors Driving ePayment Growth

Catalysts for driving ePayment activities within organizations

Respondents were asked to select two pressures driving ePayment activities



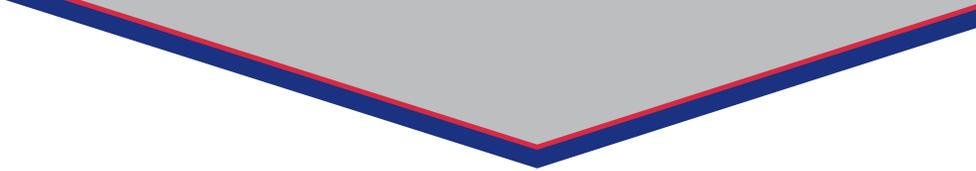
# Market Trends

Regardless of size, organizations face similar headwinds...

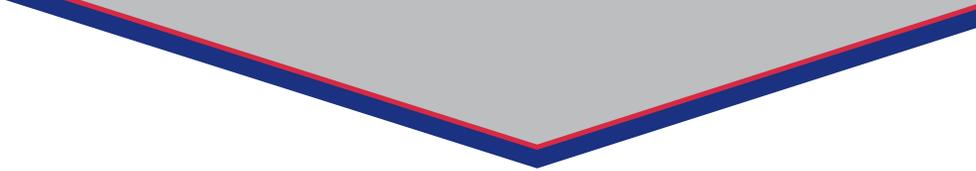
- Lower operating costs
  - Manage fewer lost or missing invoices
  - Less paper... leveraging technology

## Market Trends (Continued)

- Working capital optimization...through growth of ePayables
  - eInvoicing is reaching critical mass
  - Enhance cash flow forecasting abilities
- Risk mitigation
  - Enhance visibility and control
  - Minimize internal misuse and abuse



**Questions?**



# Thank You

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