

Outsourcing Receivables and Payables

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Electronic invoice presentment and payment, or EIPP, has become an important component of many organizations' cash management strategies. These forward-thinking organizations are well aware of the many benefits EIPP brings, including reduced costs by automating processes and eliminating paper, and improved cash flow through greater visibility to payables and receivables activities.

As industry research indicates, organizations that have implemented EIPP programs realize, on average, a 90 percent reduction in invoice processing time and an 80 percent reduction in invoice processing cost, compared with organizations employing more traditional, paper-based processes.

It's no surprise that when I meet with CFOs and treasurers, their top financial management goals revolve around finding the right solution to improve working capital by automating their financial supply chain. While numerous technologies have been available for years, this renewed focus on accounts payable and accounts receivable automation has captured executive management's focus, and increasingly executives are turning to their bank partners to outsource and streamline various functions within their financial supply chains.

One of the key benefits of an EIPP solution is that it allows organizations to select as much or as little automation as they want. The technology is flexible enough to grow as a customer's needs change, or as they and their suppliers get more comfortable with automation.

For example, with U.S. Bank EIPP sellers can submit invoices electronically or via paper. In this way, buyers can implement and benefit from EIPP while not relying on their suppliers to change processes. Buyers can continue to receive paper invoices, which U.S. Bank then standardizes and presents in a queryable format.

Once invoices are converted to electronic format, U.S. Bank EIPP uses customer-defined workflow functions and business rules to simplify the entire approval process. Customers can set up automated approval tolerances and/or manual review thresholds; they can further enforce corporate policies by building workflow around the organization's approval hierarchy and the user's signing authority and role.

These automated business rules also identify audit exceptions, such as duplicate invoices, prior to payment. When exceptions are flagged, customers can use EIPP to automate exception management, ensuring invoices are audited and suppliers are validated before any payment

is made. And while suppliers do not need to join the EIPP network, a major benefit to them is the ability to login to review invoice statuses in real-time and work collaboratively to resolve disputes or exceptions.

EIPP also automates payment by combining the customer's separate payment processes – whether they are issuing checks or sending electronic payments – into one electronic process. The customer simply consolidates payment to U.S. Bank for approved transactions, and U.S. Bank pays suppliers based on the customer's instruction.

U.S. Bank's financing options further extend the benefits of EIPP, helping both trading partners optimize working capital. Buyers can repay U.S. Bank on financing terms to extend days payable outstanding, whereas suppliers can contract for early payment to reduce days sales outstanding.

EIPP's tangible benefits allow organizations to experience hard and soft dollar savings. A great example is Richmond (Indiana) Community Schools. In 2010, the district began its accounts payable transformation with U.S. Bank EIPP, and moved from a paper-based, manual payables system to a fully automated paperless system. The payoff is already apparent. In one recent month, the reconciliation process was completed in a mere five minutes.

Like Richmond Community Schools, organizations of all sizes across all geographies can exponentially improve their business performance, enhance control and compliance, and drive cost savings with EIPP. For a fraction of the cost organizations are paying today to process invoices, they can implement an EIPP solution and see immediate results.

EIPP adoption is rising at a rapid pace. Middle-market companies, government agencies, and education providers can be up and running in 30 days using a centrally hosted web-based platform.



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Massachusetts Bank Reduces Costs through Outsourced Wholesale Lockbox

Eastern Bank Improves Receivables Processing and Grows Customer Base

By Kathy Strasser

SITUATION:

Like most financial institutions, Eastern Bank felt like it was walking a tightrope. The Boston-based financial institution tried to balance the operations impact of declining check volume with the need to better serve its lockbox clients in an expanding banking market. The changing mix of payments demanded a new processing infrastructure, but evolving operations requirements made a technology reboot unrealistic. That's why Eastern Bank decided in 2009 to outsource its lockbox processing operations.

Founded in 1818, Eastern Bank is the largest independent and mutually owned bank in Massachusetts with nearly \$7 billion in assets and more than 80 branches serving communities from the Merrimack Valley to Cape Cod. Eastern Bank offers banking, investments and insurance all under one roof, and serves more than 380 lockbox clients in the Boston area. Regardless of the offering, the financial institution prides itself on working hard to understand its customers' needs to deliver services in a committed and personal way. So it's not surprising that Eastern Bank was responsive to its lockbox clients' requests for help in lowering operating costs, increasing investable cash, and saving time and money.

The decision did far more than reduce Eastern Bank's operations overhead. It also provided the financial institution an integrated receivables platform that is helping it win new business and retain existing clients.

As payment channels and transaction types proliferate, corporate treasurers are facing challenges with managing receivables. Moreover, quick collection and application of cash are even more critical to companies since credit tightened in the recession. This is where lockbox providers come in. They can provide valuable services to streamline payments processing and the application of cash for corporate clients. In fact, 60 percent of corporations aren't fully satisfied with their receivables processing and would rather have the process managed by a financial institution, according to research from Aite Group. Growing the treasury side of their portfolio can help financial institutions make up for weak retail revenues. But there's a hitch: The lockbox processing infrastructure currently used by most banks is check-centric and ill-suited for consolidating multiple payment streams.

Eastern Bank's lockbox operations were no exception. For years, the financial institution managed its customers' payments processing via an in-house solution. But as more of its customers' payments moved to electronic mechanisms, and customer demands for enhanced receivables services rose, the financial institution needed to find a way to lower its operational expenses, move to a more predictable cost structure, enhance its disaster recovery capabilities, and drive lockbox revenues beyond the Boston region.

After reviewing its options, Eastern Bank determined that the best way to meet these objectives was to outsource its payments processing through a partnership with Wisconsin-based WAUSAU Financial Systems Inc. WAUSAU now owns, operates, and is actively expanding the former Eastern Bank remittance processing center.

SOLUTION:

By outsourcing its receivables, Eastern Bank has access to WAUSAU's network of capture sites that is within 150 miles of 80 percent of the U.S. population. Additional capabilities provided by WAUSAU through the partnership include: image cash letter exchange, online decisioning of exceptions, turbo data entry, online long-term archive, onsite redundancy, disaster recovery, lockbox remote deposit capture, and healthcare payments (explanation of benefits) processing. This broad mix of functionality is enabling Eastern Bank to grow revenues as new clients are brought on board. It also allows the bank to offer more efficient clearing capabilities to its clients.

RESULTS:

Combined with WAUSAU's remote deposit capture solution, the network of capture sites eliminates the geographic limitations that have historically stymied most financial institutions, providing them with a nationwide network of capture points to serve their local clients, as well as those across the country. By leveraging WAUSAU's lockbox network and RDC capabilities, Eastern Bank also can quickly and cost-effectively on-board new lockbox accounts or access additional processing capacity. WAUSAU's nationwide footprint also enhances Eastern Bank's disaster recovery capabilities.

"We were faced with declining check volumes and looking for a way to better serve our corporate customers by providing a more robust transaction solution set and decided on an outsourced solution from

WAUSAU Financial Systems,” said Barbara Heinemann, Executive Vice President, Director of Operations & Technology for Eastern Bank. “With the WAUSAU solution, we have been able to reduce operational costs, on board new clients and increase processing efficiencies.”

Outsourcing its lockbox processing to WAUSAU has provided Eastern Bank with significant business benefits – from both the operations and customer service perspectives. Since outsourcing to WAUSAU, Eastern Bank’s lockbox operations costs have declined by more than 17 percent.

What’s more, the bank has implemented 16 new lockbox clients in the past year, with five to 10 more in its pipeline. Eastern Bank has also started providing image lockbox services to eight of its existing commercial accounts. Additionally, the bank has retained all of its lockbox accounts since outsourcing its lockbox processing to WAUSAU. A big reason for this impressive track record is that Eastern Bank has met or exceeded all of its service-based agreements with customers.

Outsourcing to WAUSAU also has provided Eastern Bank with a more tour-friendly lockbox facility for customers and prospects. Some of the tweaks included: segmented rooms for mail and equipment; new workstations; monitors and redundant servers’ enhanced physical security, including closed-circuit cameras; and a highly secure archive storage room.

In the future, Eastern Bank will offer its wholesale lockbox clients image cash letter exchange and online decisioning of exception items.

Through outsourcing Eastern Bank is also achieving:

- Reduced transaction costs
- Decreased labor and management costs
- Expanded geographic footprint
- Lower cost of entry to new markets
- Access to integrated receivables capabilities
- Simplified exception processing
- No hardware or software upgrades
- Streamlined regulatory compliance
- Ability to focus on core competencies

ABOUT WAUSAU FINANCIAL SYSTEMS

WAUSAU Financial Systems is a premier provider of payment and receivables processing solutions, helping businesses of all types move money faster. With its products, services and consulting, WAUSAU works with customers to speed check processing, electronic presentment, ACH payments, transaction processing, distributed capture and enterprise content management. WAUSAU holds the No. 1 market share position in retail and wholesale remittance processing solutions. WAUSAU processes more than \$1 trillion in payments each year through its work with more than 650 organizations, and maintains more than 30 percent of all U.S. lockbox volume. The company works with 13 of the 25 largest financial institutions; in addition, more than 200 financial institutions use WAUSAU’s remote deposit capture service, and industry consultants Celent and Aite Group have ranked WAUSAU’s remote capture functionality above all competitors.

To learn more about WAUSAU’s solutions, e-mail outsourcing@wausaufs.com or visit www.wausaufs.com.



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What's Next in Billing and Electronic Payments Executive Report

Extend your message and reinforce your brand identity by submitting a case study or thought leadership paper for our upcoming executive report. Printed and mailed in the new *Financial Operations Matters* magazine (incorporating *AP Matters*, *today*, and *AR Matters* magazines) and distributed at upcoming tradeshows and conferences, this executive report will reach many of the leading accounts receivable and payables decision-makers across the country.

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To be included and to reserve space, contact Tina Kidd at tina.kidd@TheIAPP.org

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September/October: Healthcare Payments and Payables
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November/December: Lockbox
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