AFP 2018
CHICAGO | NOVEMBER 4-7

Ready, Set, Convert!
A Diligent Path to E-Payments

Richard Emrich, CTP
Director of Treasury in
Financial Operations
Northwestern University

Katie Steinfeld
Director, Sr. Card Account Manager
Bank of America Merrill Lynch

Do You Feel Like Your Payment Function is Stuck in the Dark Ages and Can't Get Out?

AFP 2018

Your Presenters

Richard Emrich, CTP
Director of Treasury
Financial Operation
Northwestern University

- Working capital management
- Operating liquidity management / forecasting
- Short/long-term debt strategy
- Central bank / Treasury pool management
- Implementation of e-payables and e-receivables solutions
- Credit card administration
- PCI compliance / data security
- "Cashless" initiative

Katie Steinfeld
Director, Sr. Card Account Manager
Bank of America Merrill Lynch

- Strategic consultant to program administrators on benchmarking, evaluating program performance and goal setting
- Assists with the development of customized internal policies, including policies and procedures, and cardholder agreements
- Focuses on growth and expansion of card and electronic payments following industry best practices
- Facilitates program optimization
- Introduce and educate on new technologies/functionality

Northwestern University

AFP 2018

The Way Things Were

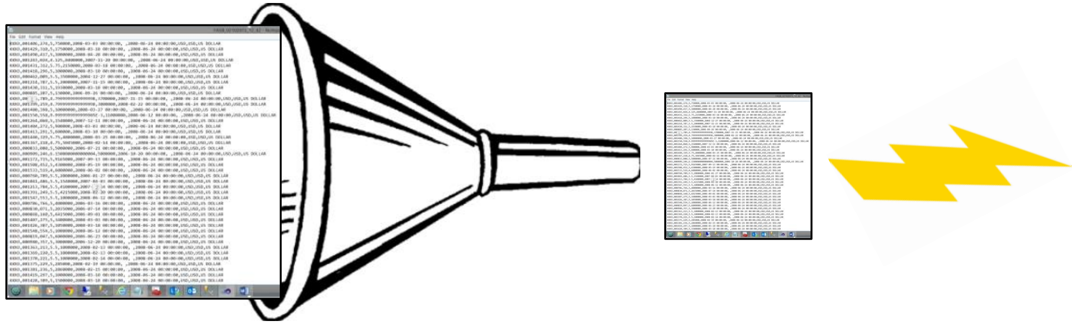
Prior to 2010, Northwestern Accounts Payable was:

- Paying suppliers (even internally) by check.
- A check-printing shop - multiple check runs per day, plus trips to the post office.
- Not measuring the end-to-end cost of a check payment (we still aren't).
- An experienced victim of check fraud, both externally and internally.
- Aware that peer vendor tables had been breached.
- Not yet believing in the promise of cost savings, revenue generation, and fraud reduction.
- Not looking to reduce staff, regarded as a natural outcome of this implementation.

Leading up to 2010

- We were presented with "e-payables" as a source of new revenue, stronger controls, and lower cost.

- We delivered a flat file containing 12 months of AP payments. It took all of one hour to prepare and send.



- We sent them 3 files from 2010 through 2011, and did the same with a second banking partner.

Analysis Revealed

Digging into the numbers:

- Large numbers of vendors receiving checks were set up to receive electronic payments.
- This revealed the potential for conversion.
- Provided detailed info for internal business case, including possible conversion rates and rebate numbers.
- Highlighted how associated cost savings could support in future working capital strategy.

Annual total (non-payroll) AP Check Volume	$
(Less Exclusions)	$
Comprehensive Payables Eligible Check Population	**#**
Total estimated checks migrated to electronic	**#**
Estimated savings per check migrated to electronic	$2.99
Estimated savings checks migrated to electronic	$
Value of float	$
Estimated revenue share: Virtual Payables + ACH	$
Savings: Electronic	$
Total estimated checks outsourced	$
Estimated savings per check outsourced	$
Savings: Check Print/Mail	**$**
ESTIMATED ANNUALIZED NET BENEFIT	**$**
Percentage of payments migrated to electronic payments	**%**

Achieving Management Buy-in

- Business Case was developed in 2010 and presented to our CFO.
  Key decision criteria were:

  - Market maturity of solution
  - Unified platform
  - Peer/Healthcare/NFP adoption and success
    - Detailed case studies
  - Realistic file analysis and estimated financial benefits
    - Analysis also pointed to P-Card program expansion
  - Detailed project / precise resource plan
  - Attentive customer support plan
  - No further “hidden” integrations with bank
  - Well-understood benefits to / impact on suppliers

Achieving Management Buy-in

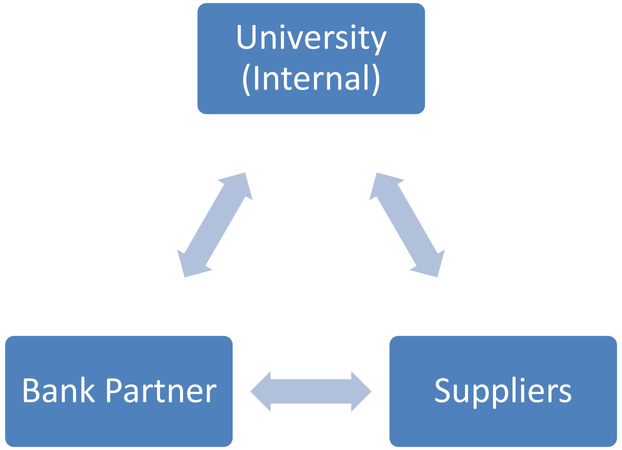
- Knowing what was important to our VP of Finance, Controller, and CFO:
  - Output, methodology and holistic of one solution was extremely well received.
  - Accounts Payable team demonstrated it could become a revenue generator.
  - Also focused on the banking partner that scored highest on key decision criteria.

Harnessing the Power of Excitement and Teamwork

- I will never forget "have you seen these numbers?"

- Assembled cross-functional team to work with our banking partner:
  - Accounts Payable
  - Accounting
  - IT
  - Treasury
  - Purchasing

- Discussed and documented how e-payments would change process flows



Charting a Course for Success

Our banking partner provided a detailed project roadmap, including:

- Working with IT to develop and test a new interface.
- Developing scripts for the bank's recruitment of suppliers to card or ACH.
- Testing our approach on a small segment of suppliers.
- Rolling out electronic payments across the entire organization.

Collaboration and Preparation Were Key

- Before launching the pilot, we brainstormed, addressed potential issues, barriers to success.
- Leveraged banking partner's insights, experience and guidance.
- Sought out peers who had already implemented e-payments for feedback, best practices and key learnings.
- But concerns remained..............

Worst Fears Unfounded

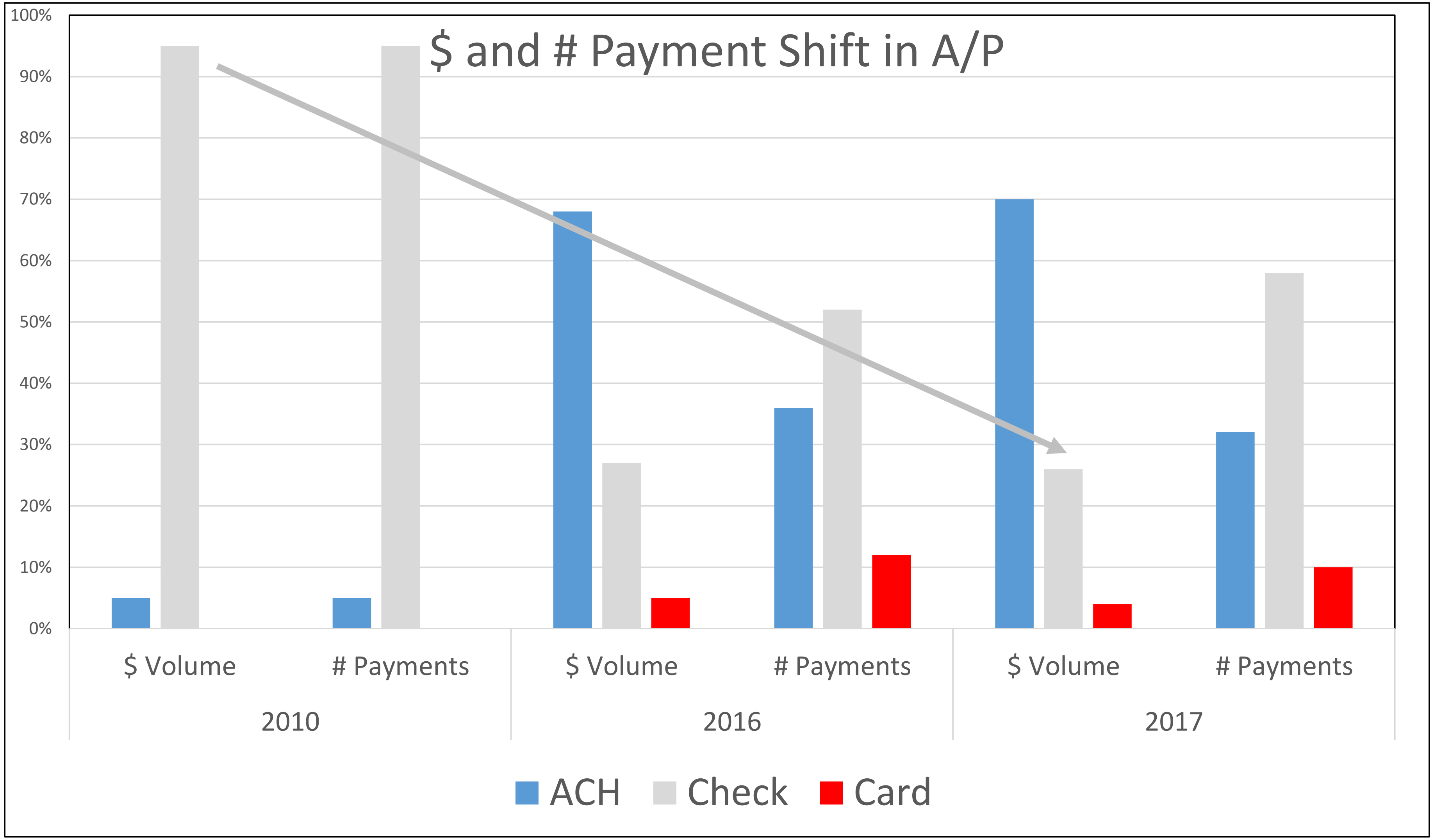
- Concerns that vendors absorbing an interchange fee might result in price increases never materialized.

  - But most suppliers saw this as the cost of doing business and there was never an increase in our payables (contracted or otherwise)

- Card payments were quickly taken by suppliers, any recon issues resolved quickly.

- ACH reconciliation is automated.

Expectations Exceeded



The EAP Conversion Continues.....

- 75% of annual dollar volume paid through electronic methods.
- 43% of payments sent are now electronic.
- Ongoing effort to convert remaining check payments to card and ACH.

Benefits

- Material cost-savings and new revenue have funded
  - additional projects
  - additional headcount
- Improved University working capital
- Bank-side Security: vendor bank data no longer stored within the University's ERP system.

Next Steps

- We continue to strive for greater efficiency and better use of our resources.
  - Exploring wire, international wire/ACH payments and digital disbursements.
  - Integrated payables capabilities - single platform and single interface file.
  - Check outsourcing (interim cost savings)

Key Takeaways

1. Be clear about what you want from the implementation
2. Identify most important evaluation criteria
3. Make sure estimated benefits are realistic
4. Check with peers and create the compelling business case
5. Form a strong cross-organizational team and meet weekly with bank.
6. Leverage your bank's planning tools and support.
7. Keep up the momentum post-implementation.

Industry Perspective

Common Reasons Cited for Deferral of EAP Conversion

- Card issuer is not promoting or unable to provide the EAP.
- Too difficult to set up.
- Fees and transaction-related costs too high.
- Actual or anticipated supplier resistance.
- Lack of appropriate staff to implement.
- Unsure of benefit to the organization.

The Argument for P2E

Challenges around checks :

- Increasing cost of paper processes—including postage costs.
- Slow to reach customers—perceived as poor customer service.
- Loses from fraud and theft—plus the additional costs for stop-payment and reissues.

Top reasons for P2E conversion*:

- Increase efficiency - 88%
- Reduced cost - 82%

* 2015 AFP Payments Cost Benchmarking Survey; Best Estimated Cost for issuing a paper check on a per item basis—mean: $5.91, median: $3.00

Align Goals to Drive Improvements in Working Capital

The Payables and Procurement Teams have the same goals:

- Set appropriate policy/governance.
- Reduce costs of direct and indirect spend.
- Reduce processing time and costs.
- Require purchases be made from approved vendors.
- Set payment type and payment term guidelines.
- Comply with government regulations.
- Adhere to company policy to mitigate risk of fraud.

What's on your mind?

Feel free to contact us…

NORTHWESTERN UNIVERSITY

Richard Emrich
Director of Treasury Financial Operation
(847) 467-0422
r-emrich@northwestern.edu

Bank of America Merrill Lynch

Katie Steinfeld
Director, Senior Card Account Manager
(312) 992-6293
katie.steinfeld@baml.com

Notice to recipient