Reminder: BPC in-person meeting
NACHA Payments in Orlando
Sunday, May 5, 2 – 4 p.m.
RSVP by April 20
business.payments.smb@mpls.frb.org
### Agenda

<table>
<thead>
<tr>
<th>Welcome</th>
<th>Guy Berg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Presentation: Sharpen Your Focus on Smarter B2B Receivables</td>
<td>Marguerite Versacci, Tronox Karin Farnsworth, Wells Fargo Bank</td>
</tr>
<tr>
<td>BPC Updates: e-Invoicing</td>
<td>Todd Albers</td>
</tr>
<tr>
<td>Wrap Up</td>
<td>Guy Berg</td>
</tr>
</tbody>
</table>
Sharpen Your Focus on Smarter B2B Receivables
1. Current environment
2. Best practices
3. Opportunities
4. Achieving your goals
61% Payers sending information separately from payment¹

6 days To manually post and apply payments²

Top Receivables Pain Points

a) Invalid or poorly formatted ACH detail
b) Logging on to payer portals to retrieve remittance data
c) Remittance sent separately from the payment and must be manually matched
d) Short-pays, unauthorized discounts
e) Lack of IT resources/system limitations to automate
### Direct feedback from AR teams

<table>
<thead>
<tr>
<th>Category</th>
<th>Feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate remittance from payment</td>
<td>“With transition to ACH from Lockbox, auto posting has dropped from 75% to 46%.”</td>
</tr>
</tbody>
</table>
| Invalid/Bad CTX records and wire remittance | “80% of our CTX transactions come in with invalid data.”  
“Wires auto posting would be a game changer.” |
| Remittance on a “payer portal”          | “Managing these is painful.”  
“Retrieval, matching, and posting turns what should be a one-step process into three steps.” |
| Managing short pays and discounts       | “We spend too much time managing short-pays and discounts.” |
“We prefer making payments electronically to automate AP, but when our customers ask to send us ACH payments, we think: ‘No thanks, please send a check.’"

AR Clerk
65% of the total payment receipts are manually posted
• All wires (100%) are manually posted
• The remittance information arrives separately from payment
• Researching the remittance emails and matching can take a long time
• Unapplied payments take additional time to research
• Single check payment can be manually split among multiple accounts or invoices in SAP
Tronox Starting Point ACH Analysis

**ACH Transaction Volume (2 months)**

<table>
<thead>
<tr>
<th>SEC</th>
<th>Volume</th>
<th>% of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTX</td>
<td>138</td>
<td>49.10%</td>
</tr>
<tr>
<td>CCD</td>
<td>111</td>
<td>39.50%</td>
</tr>
<tr>
<td>PPD</td>
<td>29</td>
<td>10.30%</td>
</tr>
<tr>
<td>IAT</td>
<td>3</td>
<td>1.10%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>281</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Straight Thru Processing**

<table>
<thead>
<tr>
<th>SEC</th>
<th>Volume</th>
<th>% of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTX</td>
<td>113</td>
<td>42.00%</td>
</tr>
<tr>
<td>CCD</td>
<td>7</td>
<td>2.50%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>125</td>
<td>44.50%</td>
</tr>
</tbody>
</table>

**ACH Advice Matching**

<table>
<thead>
<tr>
<th>SEC</th>
<th>Volume</th>
<th>% of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTX</td>
<td>16</td>
<td>5.70%</td>
</tr>
<tr>
<td>CCD</td>
<td>104</td>
<td>37.00%</td>
</tr>
<tr>
<td>PPD</td>
<td>29</td>
<td>10.30%</td>
</tr>
<tr>
<td>IAT</td>
<td>3</td>
<td>1.10%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>152</td>
<td>54.10%</td>
</tr>
</tbody>
</table>

**Repair**

<table>
<thead>
<tr>
<th>SEC</th>
<th>Volume</th>
<th>% of Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTX</td>
<td>4</td>
<td>1.40%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4</td>
<td>1.40%</td>
</tr>
</tbody>
</table>
1. Current environment
2. Best practices
3. Opportunities
4. Achieving your goals
Best practice: Electronic payments – AR

Partnering with suppliers to receive payments electronically

Percentage of customer remittances that are electronic

- **Peer group**: 65%
- **World class**: 86%

Automatic remittance posting match rate

- **Peer group**: 43%
- **World class**: 66%

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Best practice: Electronic payments – AR

Receiving customer payments electronically drives cost savings

Cash application process cost per remittance

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Cost per Remittance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>$6.44</td>
</tr>
<tr>
<td>1-25%</td>
<td>$5.27</td>
</tr>
<tr>
<td>26-75%</td>
<td>$3.47</td>
</tr>
<tr>
<td>Greater than 75%</td>
<td>$1.26</td>
</tr>
</tbody>
</table>

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What Tronox hopes to achieve:

1. *Identify ways to streamline and further automate the processes in the Accounts Receivable*

2. *Record cash quicker*

3. *Straight thru processing, auto-application and online matching to be at 90% hit rate.*
1. Current environment
2. Best practices
3. Opportunities
4. Achieving your goals
• Reduce DSO
• Scale your business
• Automate cash application and posting

Receivables Goals Solutions

Capture the data
Clean the data
Connect the data
Solution: CAPTURE

Dollars

Remittance advice
*with or without dollars*

Invoice record
Solution: CLEAN

Re-association/Reformatting

Matching invoice record to open AR

Matching outcomes

Perfect match

Fixable error

Research
Solution: CONNECT

Electronic data file

Information reporting

to your ERP
How it can come together

Integrated Receivables Solution

1. Customer remittances
   - ACH, wires & checks

2. Matching Engine
   - Clean file
   - Clean data
   - Repair

3. Decisioning portal
   - Open invoice file

4. Your ERP system
   - Download reporting

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Benefits of a comprehensive solution

- **Payment posting**
- **Working capital**
- **Customer satisfaction**
- **Time spent resolving exceptions**
- **Cost of re-keying information**

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### ACH Payment breakdown

<table>
<thead>
<tr>
<th>Description</th>
<th>2017 Volume*</th>
<th>2017 %</th>
<th>2018 Volume*</th>
<th>2018 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>%Auto-applied ACH with addenda</td>
<td>627</td>
<td>46%</td>
<td>649</td>
<td>44%</td>
</tr>
<tr>
<td>Auto-applied ACH w/email matching or ACH repair</td>
<td>0</td>
<td>0</td>
<td>281</td>
<td>19%</td>
</tr>
<tr>
<td>Matched using online tool</td>
<td>0</td>
<td>0</td>
<td>318</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Auto/online matching</strong></td>
<td><strong>627</strong></td>
<td><strong>46%</strong></td>
<td><strong>1,248</strong></td>
<td><strong>85%</strong></td>
</tr>
<tr>
<td>Exceptions</td>
<td>739</td>
<td>54%</td>
<td>221</td>
<td>15%</td>
</tr>
<tr>
<td>Total ACH payments</td>
<td>1,366</td>
<td>100%</td>
<td>1,469</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Partial year
1. Current environment
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Five steps to optimize B2B receivables

1. **Analyze** your current payment mix
2. Be **proactive** about electronic receivables
3. Plan for **partial payments**
4. Strengthen your **data matching**
5. Process **fewer data streams**
Accounts Receivable Goals

- Improve automation rates for ACH, wire and card payments received
- Enable payer movement to electronic payments
- Reduce days sales outstanding
- Grow business without adding AR headcount
- Enable AR staff to focus on exceptions and other value added activities
Benefits of a comprehensive solution

- Payment posting
- Working capital
- Customer satisfaction
- Time spent resolving exceptions
- Cost of re-keying information

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Thank you!

For more information:
AFP Magazine - 5 Steps to Receivables Optimization
https://www.afponline.org/trends-topics/topics/articles/Details/5-steps-to-receivables-optimization/

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The invoicing semantic model defines:
- parties and roles
- business functions, processes, and rules
- business terms
- cardinality
- data types

- US requirements align closely to the EU invoice semantic model
- Main differences:
  - Business rules for handling tax (sales and use tax vs. VAT)
  - Need to add cross border currency data requirements
  - Need to support Non-PO / Non-Contract Business Process
  - Need additional reference data elements
  - Need to eliminate VAT-specific data elements
- Next steps:
  - Publish assessment document (Q2/Q3)
  - Kick off requirements work group (Q2/Q3)
  - Conduct market validation of “strawman” semantic model (Q2/Q3)
Technical feasibility assessment of the e-delivery messaging network included
• identifiers
• registries
• messaging transport protocols
• messaging envelopes
• security

• Existing e-delivery networks achieve desired interoperability, security, and scalability requirements for the U.S.

• Next steps:
  • Document a “strawman” set of recommendations for an e-Invoice exchange network (Q2/Q3)
  • Publish feasibility assessment and recommendations document (Q2/Q3)

You are invited to attend the e-invoicing workshop of the BPC on Monday, May 13, 2019 from 1 – 5 pm at the Exchange Summit Americas conference in Miami, FL. The workshop will focus on the assessment and requirements for developing an e-invoicing interoperability framework for the U.S.
Thank you for attending today’s call

Not a BPC member?
Join us

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