

# TM Forum

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## Global Finance top pick: U.S. Bank Working Capital DNA

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### U.S. Bank Treasury Management takes top spot in two categories.

U.S. Bank's Working Capital DNA® engagement process has been named the "Best Integrated Working Capital Management Solution" in *Global Finance Magazine's* annual list of World's Best Cash & Treasury Management Providers.

"Our client focused treasury management consultations are consistent with U.S. Bank's overall approach to client advocacy," said Jeff Jones, executive vice president and head of Global Treasury Management for U.S. Bank. "Only by understanding our clients' goals and aspirations at a detailed level will we be in the best position to help them succeed. That requires more listening than talking, and more collaborating than commanding. This is what the Working Capital DNA engagement process is all about."

The process helps clients enhance their payables and receivables procedures by identifying their needs in the context of how those needs fit into their culture — the "DNA" of their organization. The process provides a complete and thorough working capital analysis with just two one-hour sessions of client-required commitment. Since 2012, our sales and relationship specialists have conducted more than 2,000 Working Capital DNA engagement sessions.

"When creating the most powerful long term cash management strategy for a client's



unique needs, it's critical for us to have a holistic understanding of their processes as well as their corporate culture," said Rich Erario, senior vice president and national manager of U.S. Bank Treasury Management Consulting Services. "The key is uncovering this information while respecting the time commitment required from our clients. Our working capital consultants have invested significant energy in developing a consultative framework centered on structured conversations and delivering actionable recommendations with quantifiable ROI results. Our success is reflected in the positive results our clients have achieved and the external validation we've received for our efforts."

The magazine also recognized the bank as the Best Middle Market Provider of Cash and Treasury Management services for the Midwest region of the United States. ■■■



## Unique consultative approach yields improvements to working capital at Airlines Reporting Corporation

Airlines Reporting Corporation (ARC) found that its new banking partner brought an added bonus: a diagnostic review of its cash management processes that helped the company implement a new strategy to optimize working capital. U.S. Bank performed a Working Capital DNA analysis for ARC, a consultative approach that helps the bank understand a company's payables and receivables processes in detail before making improvement recommendations.

The analysis involved two face-to-face meetings between executives from the company's treasury and cash management functions and U.S. Bank Working Capital Consultants. During the first meeting, ARC company executives described their key business processes for payables and receivables. U.S. Bank mapped out these processes and discussed the company's goals and objectives for its treasury operations. The bank also collected payment and company data for analysis.

In the second meeting, U.S. Bank presented its findings. ARC received a customized analysis, a strategy designed to optimize its working capital and tangible estimates of the return on investment (ROI) it could achieve by implementing these recommendations.

### Transactions fly high at ARC

ARC is the financial keystone of the travel industry, providing transaction settlement, data information services, ticket distribution and original travel solutions. The company serves 200 airline carriers and more than 9,400 travel agencies, corporate travel departments, railroads and other travel suppliers. Transaction volume is high, with ARC processing 146 million airline ticket transactions valued at \$89.6 billion in 2014.

U.S. Bank conducted a Working Capital DNA analysis with ARC in March 2014. Bank representatives met with ARC representatives to fully understand its settlement processes, the banking products it uses, and why they use them.

"ARC's payment structure is complex, so we wanted to be sure we understood their settlement process in addition to all of the nuances related to their payables and receivables. We filled up six whiteboards mapping their various processes," says Richard Erario, senior vice president and national manager of U.S. Bank Treasury Management Consulting Services. "By seeking to understand the complexity of its

business, and making recommendations with a phased in approach, we demonstrated to ARC that we want to be their long-term strategic banking partner."

### Recommendations

U.S. Bank came back to ARC with an extensive list of recommendations for both its payables and receivables, along with estimates of tangible ROI that ARC could achieve by implementing them.

ARC has already taken action on several of the bank's recommendations. The company focused first on those involving their payment process and cards, including:

- Looking for contractual discounts and exploring check-printing outsourcing services.
- Optimizing ARC's card program by evaluating its current commercial card use, especially for procurement and travel.
- Seeking ways to leverage virtual cards in Accounts Payable for non-term discount payments.

Additional payables and receivables recommendations will be implemented in later phases.

### Motivated to dig deep

"U.S. Bank was motivated to gain a deep understanding of our business," says Tom Casalino, ARC's chief financial officer. "We were convinced that the technical aspects of the bank's solutions were sound, which is a critical factor for the high volume of transactions that we do within a year. We look forward to continuing our partnership with U.S. Bank."

### A celebrated approach

Global Finance magazine recently recognized U.S. Bank's Working Capital DNA analysis as providing the "Best Integrated Working Capital Management Solution."

"We've completed more than 2,000 Working Capital DNA analysis engagements," notes Erario. "The response has been overwhelmingly positive. Clients appreciate how thoroughly we seek to understand their business processes. It's not a banking product pitch — we really want to learn about a company's working capital, including collection and disbursement payment strategies. From there, we can bring a fresh perspective based on our extensive experience in working with clients across many industries." ■■■

## The benefits of payables outsourcing — and overcoming a key obstacle to implementation

Payables outsourcing is an increasingly popular treasury management solution. Among its many benefits, it's helping companies migrate to various forms of electronic payment.

The strategy allows a business to transmit a single payment instruction file to its bank, in a standard or custom format that contains multiple payment instruments in any combination. In other words, a company can send its bank one file that includes instructions for printing and mailing check payments, as well as initiating electronic payments ranging from Automated Clearing House (ACH) transactions to wire transfers to virtual card payments. Shifting a particular payment from check to card just requires tagging the payment differently in the instruction file.

In recent years, rapid growth in business-to-business payment volume and a continued focus on improving operating efficiency have been key drivers in corporate adoption of payables outsourcing — also known as “integrated payables” or, as we call our offering at U.S. Bank, “Consolidated Payables.”

### A variety of advantages

Beyond supporting a company's migration to electronic payments, payables outsourcing offers a number of potential benefits:

#### **Creates a more streamlined payment process.**

Payables outsourcing is more efficient compared to manually entering payment instructions into multiple systems. It helps automate the back office and promotes straight-through processing.

#### **Leverages the company's technology investments.**

“In addition to helping them do more with less, companies have looked at a payables outsourcing strategy as a way to maximize their major investment in an enterprise resource planning (ERP) system or other accounting application,” says Ed Regina, senior vice president and group product manager at U.S. Bank.

#### **Enhances working capital.**

Companies also see payables outsourcing as a way to gain a working capital advantage, Regina says. “Traditionally, companies looked at bank lines of credit as a primary source of liquidity. Today, however, many of these same companies are discovering that it is more efficient and cost effective to source liquidity by driving working capital efficiencies internally, by developing predictable cash flows, and in some cases making more card-based payments that generate rebates.”

**Reduces security concerns and costs related to check issuance.** “By having your bank issue your checks, you gain more control over payment timing resulting in increased accounts payable efficiencies and better trading partner relationships. You also eliminate fraud exposure related to keeping blank check stock,” explains Mike McKean, senior vice president of working capital solutions consulting at U.S. Bank.

Adds Regina: “By outsourcing payables instead of creating their own checks, companies may eliminate overhead cost



related to protecting the physical paper, and avoid the need to manage obsolete check-printing technology.”

### **Easing the file formatting challenge**

One of the traditional obstacles to payables outsourcing has been companies' limited ability to create payment files in standard formats that banks can accept and process. However, increasingly banks have been able to help by improving their own mapping and data translation capabilities.

With U.S. Bank Consolidated Payables, for instance, clients can send their payment instructions to the bank in a data format native to their systems, reducing the need to revise databases or financial systems to distribute payment instructions. U.S. Bank's data translation features support industry standards such as ANSI X12, as well as proprietary formats.

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Also, through a partnership with ERP vendor SAP, U.S. Bank offers the SAP Consolidated Payables Link. Clients can download systems software onto their SAP ERP that performs any necessary payment data translation. “Clients no longer need to calculate infrastructure impacts of their decision to increase working capital by consolidating payments into one file. Painful file formatting discussions about what they can create or accept have been eliminated. We’ve automated it for them,” McKean says.

### Promoting payment systems efficiencies

“At U.S. Bank, we’re focused on promoting payment systems efficiencies in the business-to-business space,” Regina says. “Consolidated Payables can play a big part in our clients achieving those efficiencies.”

To learn more about U.S. Bank Consolidated Payables, contact your Treasury Management Sales Consultant. ■■■

## Expanded Supplier Enrollment capabilities support migration to electronic payments

Many corporate financial managers would like to pay more of their company’s suppliers electronically, but they don’t have the time or expertise to develop and execute a paper-to-electronic payments migration plan. To help our clients address this challenge, U.S. Bank has launched an expanded Supplier Enrollment solution that can enroll suppliers in either card or Automated Clearing House (ACH) payment options during a single session, using a single tool with a single process.

“Supplier Enrollment gives clients a bank portal for securely onboarding suppliers — through self-enrollment — and offers the option of securely storing a supplier’s bank account information,” explains Ed Regina, senior vice president and group product manager at U.S. Bank. “In addition, our working capital consultants work with clients to design an enrollment strategy for different supplier segments and convey the value proposition of electronic payments to individual suppliers.”

### Portal expands reach, enhances security

The U.S. Bank Supplier Prefer Pay Portal is a key component of Supplier Enrollment. Suppliers are directed to a portal page where they are presented with the payment method options clients choose to offer, along with corresponding payment terms. Suppliers select a payment method, indicate how they want the bank to send payment information, and confirm their selections.

The portal makes it easier for clients to present suppliers with incentives to accept electronic payments, and for suppliers to sign up. It also allows clients to monitor the progress of the enrollment effort. They can see which suppliers have enrolled and which ones may need more encouragement, and they can



drill down to specific information about each supplier, such as which payment method they selected and their payment information delivery instructions.

The portal acts as a data collection tool and repository, which offers a security advantage. Many companies today are worried about the security of sensitive payment data, both when it resides within their systems and when it’s being transmitted. U.S. Bank has responded by offering Secure Storage in conjunction with the portal. Clients can choose to originate their payments by transmitting a supplier ID, which the bank then uses to locate information within the portal to create a properly formatted ACH record and route the payment. The supplier ID can’t be used by itself to infiltrate a bank account.

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## Supplier segmentation

As a first step in a Supplier Enrollment effort, U.S. Bank specialists help clients analyze their supplier list. “We look at which suppliers are already accepting cards, and then segment suppliers into three groups: for card payments only, for ACH payments only, and both card and ACH payment options,” Regina says.

Once this assessment is completed, the bank and the client collaborate on a communication plan to determine:

- Who will contact each supplier (the bank, the client or both in a joint communication).
- What communication method for each group of suppliers will likely be most effective in triggering a positive response (telephone, mail or email).

## Expert help in educating suppliers

As part of Supplier Enrollment, U.S. Bank educates clients about the advantages suppliers can experience by accepting card or ACH payments — or, if the client prefers, communicates those advantages directly to suppliers. Some of those advantages include:

- Process efficiencies through elimination of manually processing paper checks.
- Increased control over payment timing.
- Ease of payment reconciliation.
- Greater payment security through an online supplier enrollment portal.

“We see a greater understanding of these benefits and a growing receptiveness in the supplier community to accepting electronic payments, but effectively communicating the benefits to our client’s remains crucial to a successful enrollment initiative,” Regina says.

## Overcoming migration hurdles

Often, the main reason a client is still paying a supplier by check is that no one has reached out to the supplier to ask about accepting electronic payments. “Clients simply don’t have time to enable a new payment strategy,” notes Mike Jorgensen, vice president, working capital solutions at U.S. Bank, who regularly meets with companies to review their payables processes and suggest efficient practices.

***“With Supplier Enrollment, most of the enrollment work is done by U.S. Bank, making the migration process much more manageable.”***

***— Mike Jorgensen***

“With Supplier Enrollment, most of the enrollment work is done by U.S. Bank, making the migration process much more manageable,” Jorgensen says. Clients work with U.S. Bank to segment suppliers and determine the best terms to offer with each payment option. The convenient Supplier Enrollment portal is then used to manage communication with the suppliers and allow them to safely store their payment choices and bank information online.

To learn more about Supplier Enrollment and the U.S. Bank Supplier Prefer Pay Portal, contact your Treasury Management Sales Consultant. ■■■

