

Order-to-Pay Webinar Series

Understanding Critical Success Factors of AP Automation

Matthew Roy, J.P. Morgan

Douglas Aird, TELUS Corporation

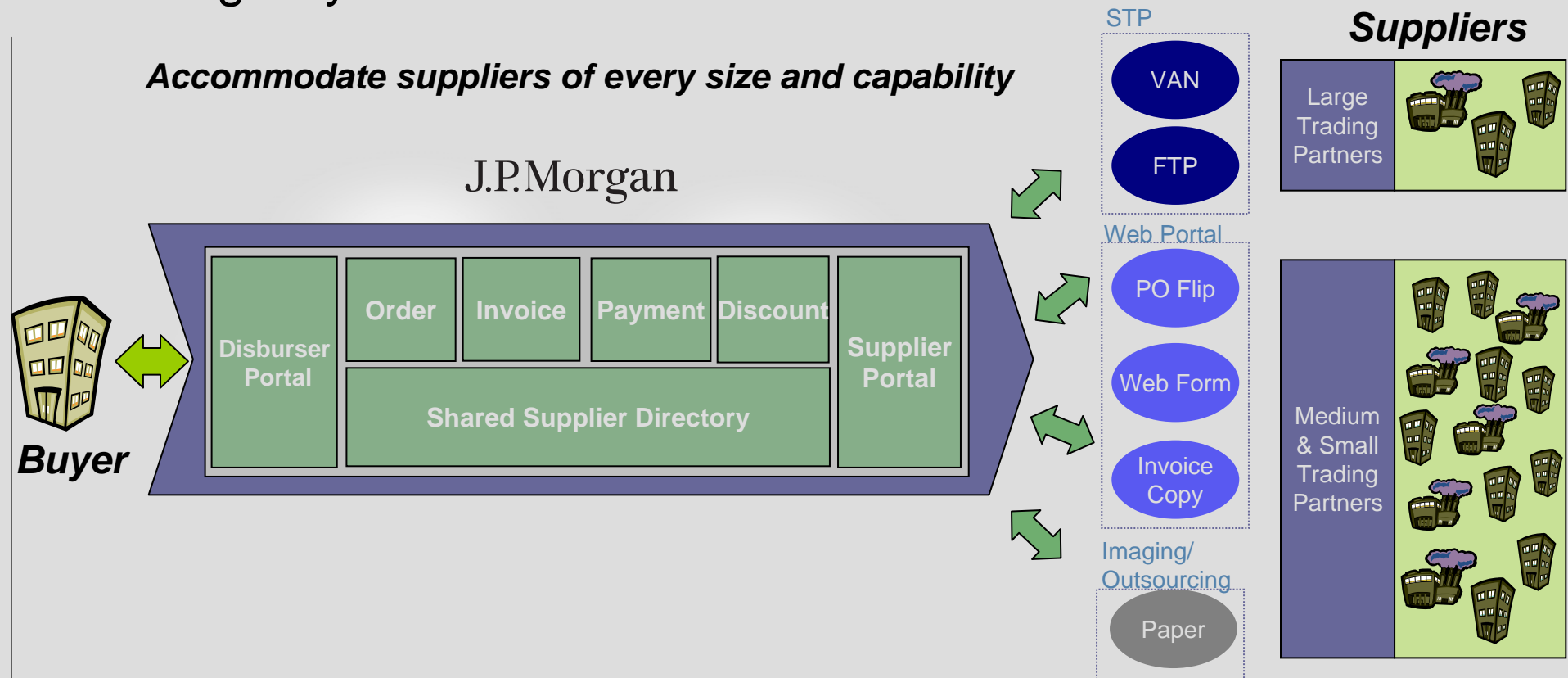
Tricia Choice, TELUS Corporation

STRICTLY PRIVATE AND CONFIDENTIAL

AP Transformation Methodology

- Establish a strategy of eliminating all data entry and receiving ALL invoices in an electronic format
 - Electronic Invoicing/Payment with suppliers
 - Outsourced paper invoice scanning and data entry services
- Provide supplier self-service capabilities
- Establish a strategy for optimizing working capital
 - Early payment discounts
 - Virtual PCard rebates
 - DPO extension
- Utilize benchmarking methodology for projecting early payment discount savings opportunity
- Outsource supplier recruitment responsibilities to electronic invoicing supplier
- Methodology to build the business case to clearly document cost savings and return on investment
- Strategy for measuring success of project & ongoing benchmarking

eInvoicing Key to Success



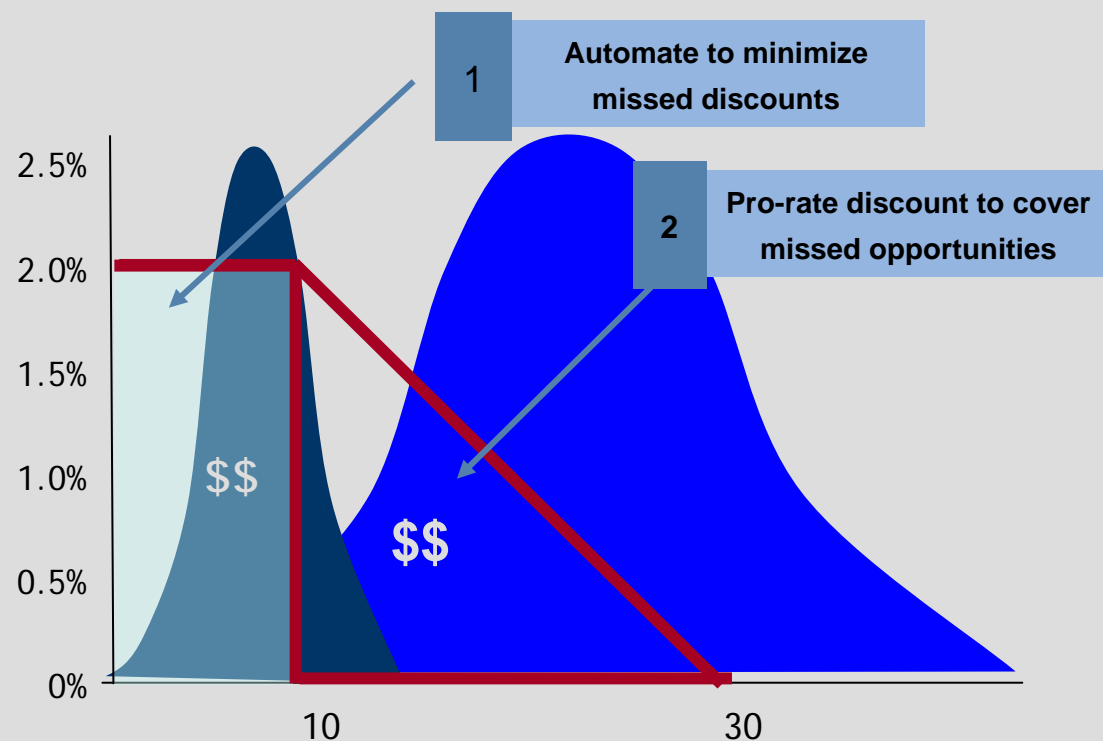
Supplier self-service:

- Eliminate invoice exceptions
- Proactive notifications to suppliers of invoice status when invoice is approved
- Eliminate payment status phone calls
- Ability for supplier to change bank account or vendor address information

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Best Practice Discount Approach



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Leverage network insight to maximize capture

Discount Penetration Rates by Industry

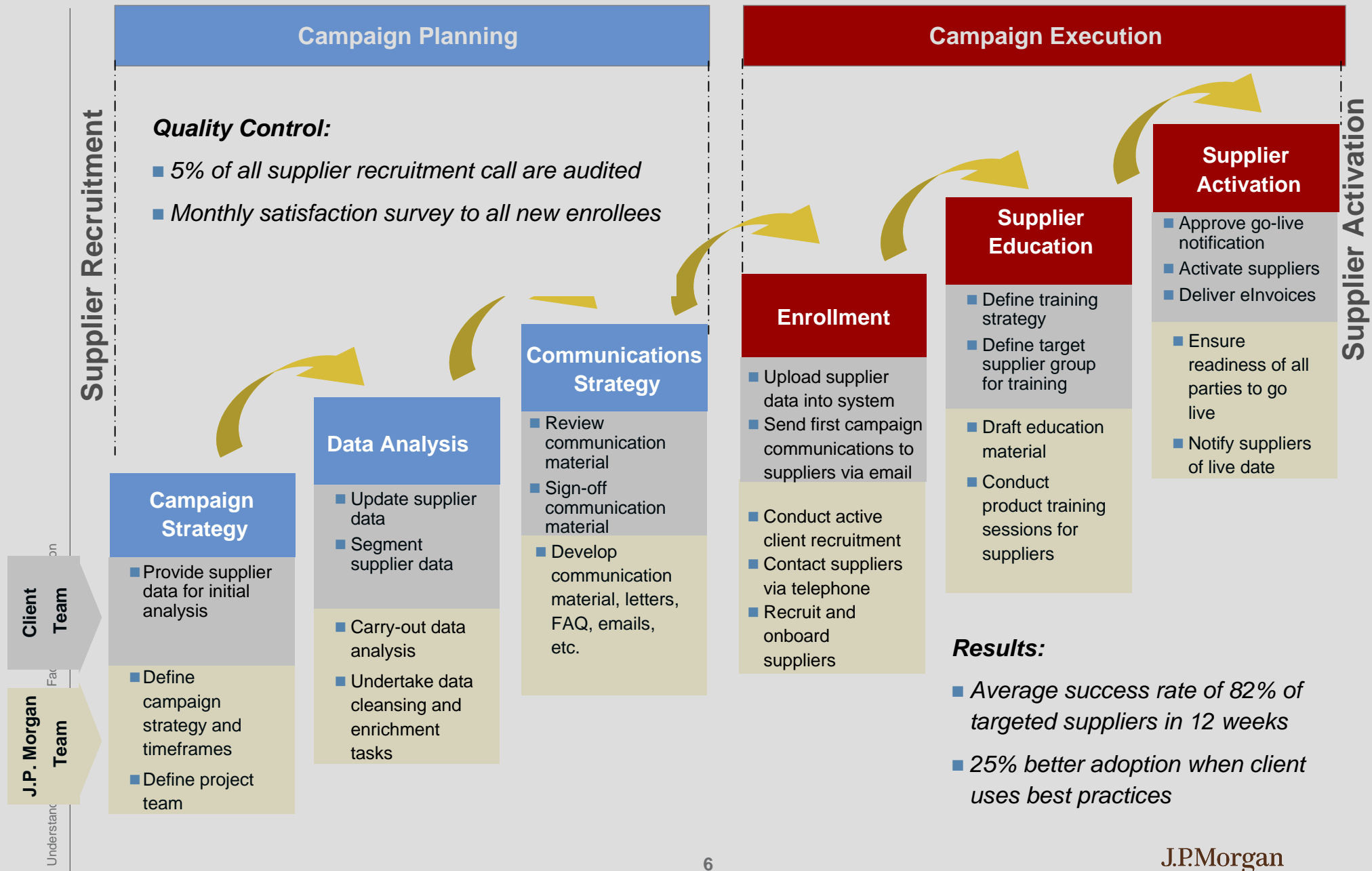
Industry	Supplier	Invoice	Spend	Rate
Paper & Packaging	56%	61%	35%	1.2%
Printing Services	46%	51%	37%	1.5%
Automotive Products & Services	44%	30%	7%	1.5%
Stone, Clay, Glass & Concrete Products	41%	41%	3%	1.1%
Electrical Equipment	40%	47%	39%	0.8%
Metals & Mining	39%	28%	9%	1.5%
Office Equipment & Supplies	36%	37%	15%	1.5%
Industrial Equipment & Supplies	35%	32%	18%	1.4%
Facilities & Maintenance	34%	13%	16%	1.1%
Petroleum Products	34%	13%	17%	1.1%
Rubber & Plastic Products	32%	18%	33%	1.6%
Lumber & Wood Products	32%	28%	29%	1.2%
Retail	32%	38%	19%	1.2%
Construction Products & Services	32%	20%	15%	1.3%
Transportation Services	31%	7%	5%	1.3%
Miscellaneous Products & Services	31%	25%	20%	1.2%

- Automate Accounts Payable to reduce cycle time and minimize missed discounts
- Prorate discounts using J.P. Morgan to cover discounts lost with standard terms
 - ASAP terms (2%, 10 days, Net 30 ASAP)
 - “Pay Me Now” functionality
- Leverage network insight to maximize discount capture

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Supplier Recruitment Process



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Business Case Methodology

JPMORGAN BUSINESS CASE									
J.P.Morgan Confidential: Under Non-Disclosure									
Scope: Paper Invoice Processing, E-Invoicing, Invoice & Paymnet Status, Check to ACH Conversion, and Early Payment Discounts									
Volume/Spend/Supplier Assumptions			Year 1*	Year 2	Year 3	Year 4	Year 5	Total	
Invoice Volume	400,000		400,000	400,000	400,000	400,000	400,000	400,000	2,000,000
Invoice Volume In Scope for Year			200,000	400,000	400,000	400,000	400,000	400,000	1,800,000
Payment Volume	200,000		200,000	200,000	200,000	200,000	200,000	200,000	1,000,000
Payment Volume In Scope for Year			100,000	200,000	200,000	200,000	200,000	200,000	900,000
Spend	\$3,000,000,000		\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$15,000,000,000
Spend In Scope for Year			\$1,500,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$13,500,000,000
Current Cost Assumptions			Year 1*	Year 2	Year 3	Year 4	Year 5	Total	
Invoice Receipt and Data Entry FTEs	10.0	\$50,000	\$250,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,250,000
Paper Check Processing Cost (inlcuding FTEs)		\$1.50	\$150,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$1,350,000
Invoice/Payment Exception FTEs	3.0	\$50,000	\$75,000	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$675,000
Total Invoice & Payment Costs	13.0		\$475,000	\$950,000	\$950,000	\$950,000	\$950,000	\$950,000	\$4,275,000
*Note: Year 1 based on 6 months of production									
Process Automation Benefit Estimate			Year 1*	Year 2	Year 3	Year 4	Year 5	Total	
% of transactions automated via Order-to-Pay			25%	50%	75%	80%	80%		
Invoices Automated			50,000	200,000	300,000	320,000	320,000	320,000	1,190,000
Invoices Still On Paper			150,000	200,000	100,000	80,000	80,000	80,000	610,000
Total Invoices			200,000	400,000	400,000	400,000	400,000	400,000	1,800,000
Payments Automated			25,000	100,000	150,000	160,000	160,000	160,000	595,000
Payments Still on Paper			75,000	100,000	50,000	40,000	40,000	40,000	305,000
Total Payments			100,000	200,000	200,000	200,000	200,000	200,000	900,000
Total Invoice & Payment Efficiency Benefit			\$118,750	\$475,000	\$712,500	\$760,000	\$760,000	\$760,000	\$2,826,250
Estimated FTE Redeployment									
FTE Ongoing FTEs									
*Note: Year 1 based on 6 months of production									
ACH Settlement & Early Payment Discount Benefit Estimate			Year 1*	Year 2	Year 3	Year 4	Year 5	Total	
Total Applicable Spend			\$1,500,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000	\$13,500,000,000
% of spend that is discountable			75%	75%	75%	75%	75%	75%	
Discountable Spend			\$1,125,000,000	\$2,250,000,000	\$2,250,000,000	\$2,250,000,000	\$2,250,000,000	\$2,250,000,000	\$10,125,000,000
% of discountable spend processed via Order-to-Pay			35%	55%	75%	80%	80%	80%	
Processed Spend	Penetration	Discount Rate	\$393,750,000	\$1,237,500,000	\$1,687,500,000	\$1,800,000,000	\$1,800,000,000	\$1,800,000,000	\$6,918,750,000
Early Payment Discount Benefit	18%	1.20%	\$850,500	\$2,673,000	\$3,645,000	\$3,888,000	\$3,888,000	\$3,888,000	\$14,944,500
*Note: Year 1 based on 6 months of production									
Total Benefit Estimate			Year 1*	Year 2	Year 3	Year 4	Year 5	Total	
Operational Efficiency Benefit			\$118,750	\$475,000	\$712,500	\$760,000	\$760,000	\$760,000	\$2,826,250
Early Payment Discount Benefit			\$850,500	\$2,673,000	\$3,645,000	\$3,888,000	\$3,888,000	\$3,888,000	\$14,944,500
Total Benefit			\$969,250	\$3,148,000	\$4,357,500	\$4,648,000	\$4,648,000	\$4,648,000	\$17,770,750

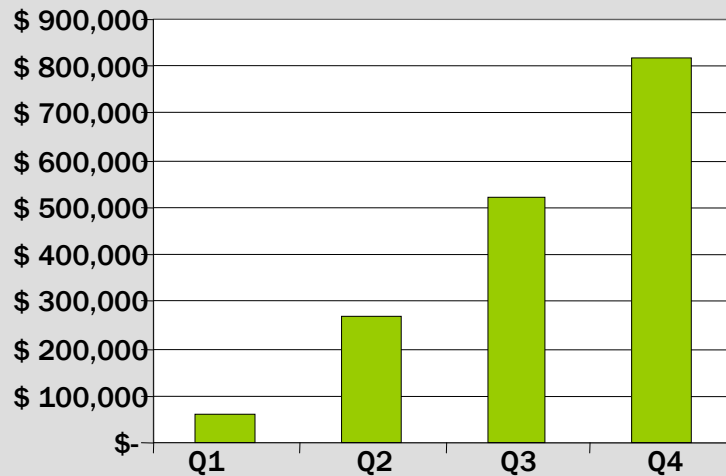
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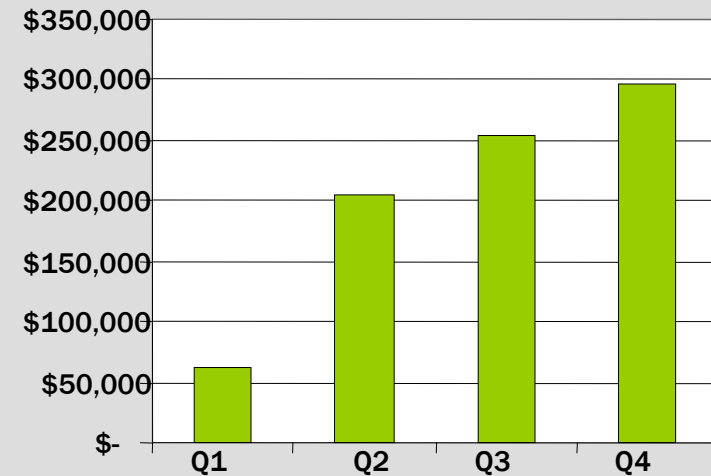
Performance Measurement

Sample data is informational only

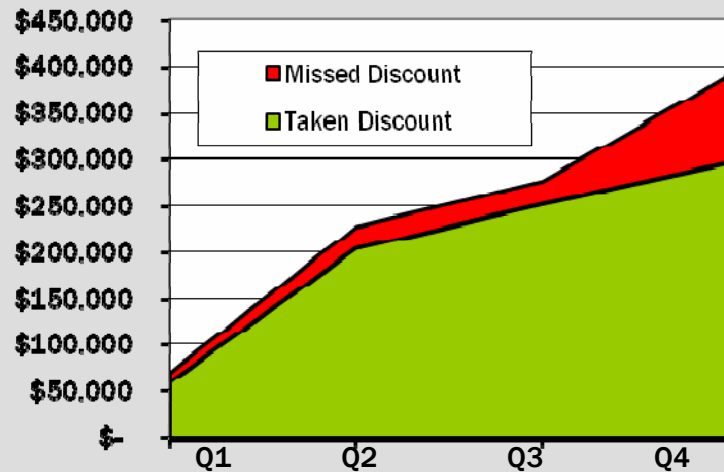
Cumulative Gross Discounts



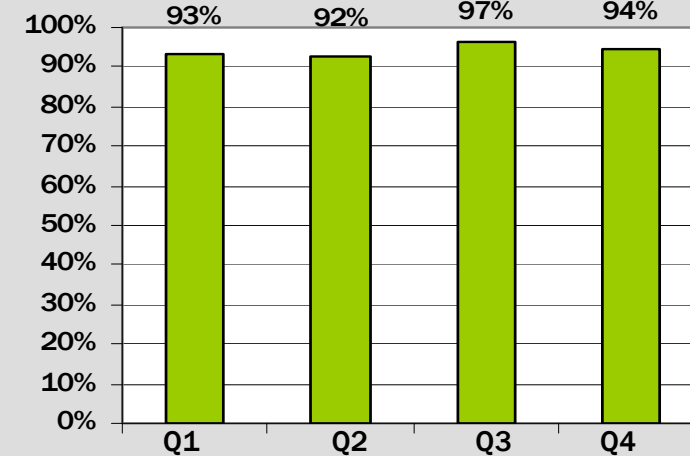
Quarterly Discount Capture



Quarterly Discount Capture



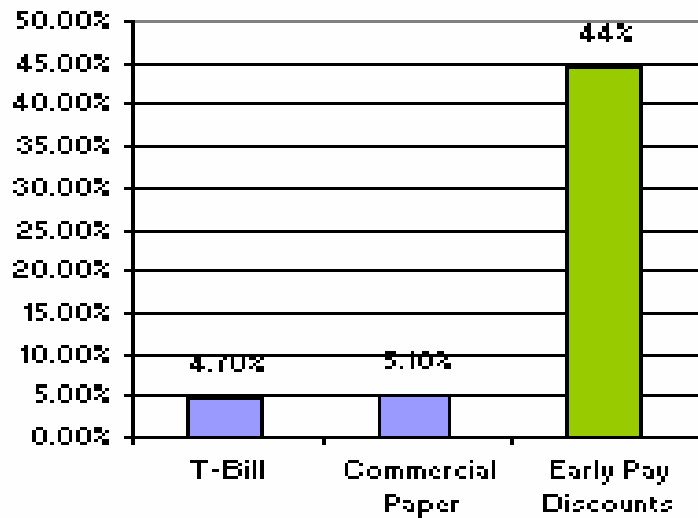
Discount Capture Rate



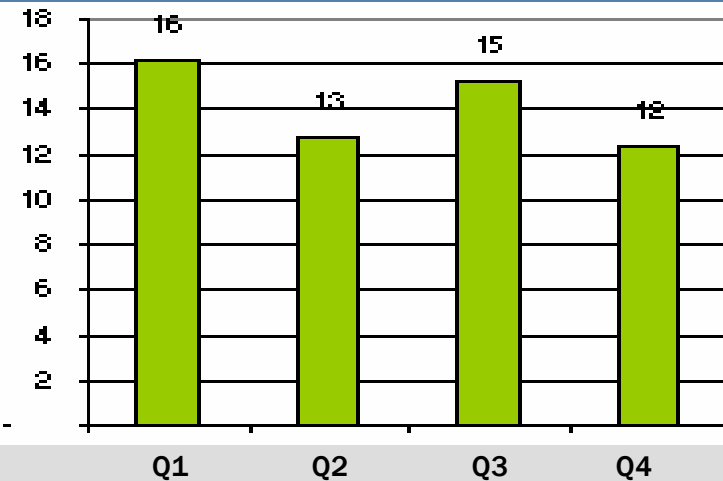
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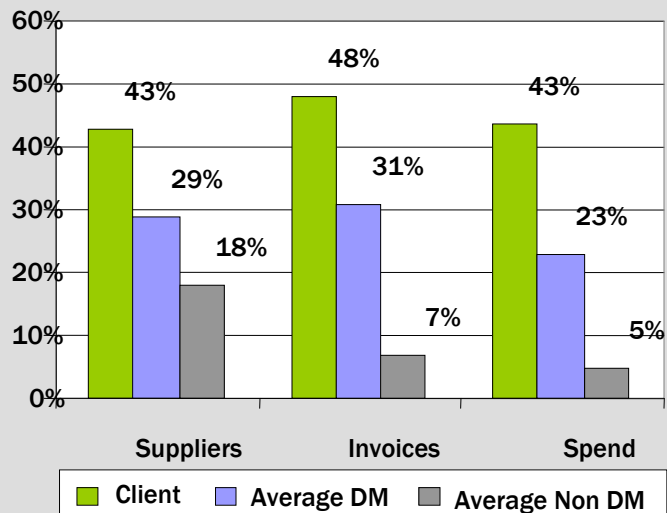
Annualized Return on Discounts



Supplier DSO Improvement



Discount Penetration



Discount KPI

Discount KPI	Client	Network	Rank
Discount Penetration (Suppliers)	43%	29%	<div><div></div></div> 75%
Discount Penetration (Invoices)	48%	31%	<div><div></div></div> 75%
Discount Penetration (Spend)	43%	23%	<div><div></div></div> 75%
Discount Capture Rate	94%	92%	<div><div></div></div> 69%
Average Discount	1.5%	1.4%	<div><div></div></div> 56%
Discounts as % of Xign Spend (bps)	55	28	<div><div></div></div> 75%
Weighted Cash Return	44	27	<div><div></div></div> 88%
Weighted DPO	25	20	<div><div></div></div> 56%
Overall Discount Rating	71%		

J.P.Morgan

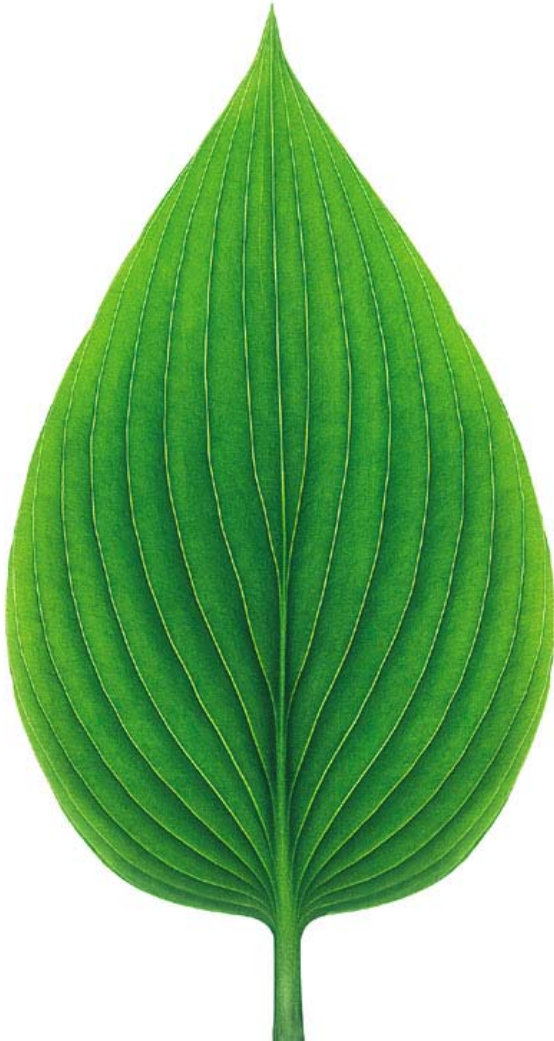
Recap

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TELUS

TELUS AP Automation

February 18, 2010



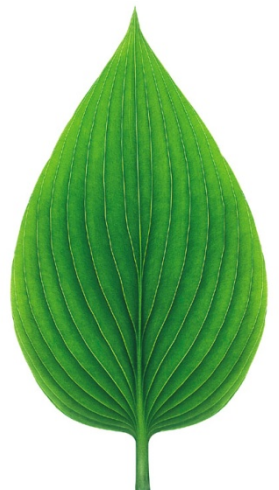
Presented By:

Tricia Choice
TELUS Finance Operations

Douglas Aird
TELUS Finance Operations

Agenda

- Overview of TELUS
- Overview of TELUS AP
- Compelling reasons for Dynamic Discounting
- What we wanted to achieve?
- Why we were looking for a solution?
- Why we chose J.P. Morgan?



TELUS Communications Inc.

TELUS is a leading national telecommunications company in Canada, with \$9.6 billion of annual revenue and 11.9 million customer connections including 6.4 million wireless subscribers, 4.1 million wireline network access lines, 1.2 million Internet subscribers, and more than 100,000 TELUS TV customers.

TELUS employs 35,000 team members.

TELUS provides a wide range of communications products and services including data, Internet protocol (IP), voice, entertainment and video.

Our strategic intent: To unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move.



TELUS Accounts Payable

- Outsourced primary AP functions in Nov 2009
- Number of staff in AP: 25
- Volume of annual transactions: 709K
- Paper invoices processed annually: 210K
- Volumes: PO: 42%, Services 28%, Non PO 11%, Freight 19%.
- System: SAP
- 95% success rate in realizing current pool of available discounts
 - *Limited number of suppliers participate in the program.*



Compelling reasons for Dynamic Discounting

- Increasing competitive industry pressure for lower operational costs to increase profit margins
- Complex manual process to take and capture invoice discounts
- Limited success in current discounts available with suppliers
- Laborious manual processing of paper invoices
- Lost, missing, late invoices
- Voluminous inquiries on invoice status coming to AP



Objective of project

- Generate more early payment discounts
- Reduce OPEX with improved efficiencies
- Eliminate paper from high volume suppliers
- Process higher volumes of invoices in less time
- Pay vendors accurately and on time
- Provide a more effective means for suppliers to query on the invoice and payment status



Process we went through

Business Case:

- Prepared business case for Dynamic Discounting

Research:

- Researched the internet for solution providers and attended webcasts
- Spoke to other companies that have implemented successful solutions

Sourcing

- Developed standard set of interview questions for solution providers based on TELUS business and technical requirements
- Conducted telephone interviews and scored responses for all interviews
- Sent out detailed RFI to selected solution providers
- Shortlisted solution providers and invited them on site for demo
- Collected evaluations scoring from stakeholders & provided recommendation to senior management



Why we chose J.P. Morgan

- Most comprehensive and established solution in the marketplace
- Most sophisticated functionality to run a Dynamic Discounting strategy
- Screens were easy to understand and navigate through
- Technology was compatible with TELUS standards
- Solution provider offers training and support to suppliers and TELUS team
- Cost effective solution
- Strong support from J.P. Morgan through entire evaluation process
- Easy integration with ERP (SAP)



Questions



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