

Improving Financial Performance Through Receivables Management: A Vision Realized

JPMorgan Chase Employs A Dynamic, Client-Driven Model

Receivables management continues to offer great promise for treasurers, yet significant challenges persist. Today, working capital efficiency has been enhanced and funds availability improved through innovations such as lockbox. However, greater opportunities remain in the offing.

In the constant push to improve financial performance, treasurers are seeking a new plateau from which they can strategically manage the entire receivables process. Driven by design requirements outlined by its clients, JPMorgan Chase has employed the latest technologies in its quest to achieve this ambitious plateau.

Client Objectives

Accelerating exception resolution — and eliminating exception items wherever possible — remains a key priority. Exceptions account for about 20 percent of receivables but still create the greatest challenge, lengthening the receivables cycle, adding cost and decreasing processing efficiency.

Treasury, accounts receivable, client service and credit management — key stakeholders in the receivables management process — face continued pressure



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to improve working capital and enhance productivity with limited resources. Rather than engaging in time-consuming back-and-forth communication by telephone, clients wish to leverage the Internet as a more structured, cost-effective and time-efficient way to manage exceptions and handle routine service inquiries. Likewise, rather than continually disrupting their workflow to check transaction status online, clients would prefer immediate, proactive notification of specific transaction events such as, for example, an incoming priority payment.

These requirements form the basis of a more flexible, interactive, client-centric solution, with “client” defined as many users across departments within a company. Information should flow directly to the clients, when they need it, in a way that fits into the workflow of multiple users for multiple purposes — from quicker identification and resolution of exceptions to faster cash application, client servicing, and improved cash-flow forecasting. The issue of shared long-term access also applies to the domain of document storage. To accomplish this, clients need to invest in the ability to capture and store both data and images generated from the invoice presentment and payment collection process. Building a centralized repository and online archive is proving to be an expensive proposition.

Clients also are asking for value-added information management tools — such as data mining and trends analysis — that support enhanced decision-making and improved performance. Finally, clients want solutions that leverage Check 21 to extend the benefits of a receivables management repository to include remote locations.

In response to client requirements, JPMorgan Chase has developed an interactive solution — Receivables EdgeSM — that supports enterprise-wide collaboration around receivables management. JPMorgan Chase's

browser-based capabilities streamline exception management through structured workflow, enabling online dialogue, intraday decision-making, and automating decision-making within client-established parameters. For example, the ability to assign company-defined reason codes and to create notes to transaction allows clients to document their findings related to individual receivables items.

Decentralized access across multiple departments facilitates a workflow structure that matches a company's existing process, giving companies the flexibility to integrate workflow best practices. Real-time data mining supports a collaborative environment for trend analysis and benchmarking.

The design of Receivables Edge has been tailored for intuitive navigation, which facilitates ease of use and ease of access to information. The user experience, including time efficiency, is a key element of this "one-and-done navigation" design concept. For example, whereas some systems might require several clicks to view a check image, with Receivables Edge it can be accomplished in one. In addition, the browser offers proactive notification of transaction events via e-mail, pagers or PDAs, bringing critical information to clients to support liquidity and credit-management decisions.

Looking Forward

JPMorgan Chase's vision for the future of receivables management is one that not only unlocks financial value by compressing the receivables cycle — the role that lockbox has traditionally played — but that unlocks strategic value, enabling treasury and its internal business partners to maximize the use of limited resources to create the greatest value for the company.

With Internet technology as enabler, Receivables Edge expands the accelerated flow of information beyond image capture and presentment. Information takes on a new, two-pronged purpose. On a transactional level, it facilitates intraday decision-making,

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speeds exception identification and resolution and related cash flow. On an aggregate level, it serves as intelligence, organized to support treasury and its business partners in enhancing every aspect of financial performance tied to receivables management.

Interactive, Collaborative, Automated

Information-sharing occurs within a dynamic and interactive Web-based environment that enables online collaboration between all of the parties with a stake in the end-to-end receivables management process — internal departments enterprise-wide, the company and its bank, and the company and its trading partners.

A straightforward example demonstrates strategic collaboration in action. Through Receivables Edge, JPMorgan Chase's solution offers the ability to assign client-defined codes to exception transactions that categorize the reasons for the items. This capability provides an analytical tool for uncovering the root cause of recurring issues to reduce exceptions and improve cash application. From a treasury perspective, exception-item reduction improves the overall certainty of cash-flow timing and supports treasury's efforts to optimize working-capital efficiency.

Proactive exception management, in concert with trend analysis, can reveal the payment patterns of trading partners and can document the corresponding effect on cash flow. Treasury can use this information to improve cash forecasting accuracy and liquidity management optimization. Further, payment patterning becomes a tool for collaboration between treasury, credit management, and the sales function. For example, insights could facilitate an understanding of a trading partner's predicted cash flow. This could trigger a dialogue between trading partners, a reevaluation of contract terms, and, ultimately, improved customer satisfaction. Treasury can assume a pivotal role in the value-added analysis that drives business-process change, impacts working-capital efficiency, and enhances financial performance.

This approach also automates paper processes to help clients migrate further along the paper-to-electronic continuum. JPMorgan Chase's browser consolidates information across paper-based and electronic receivables, including multi-site lockbox, ACH and wires. By providing integrated receivables information across paper and electronic payment instruments — including remote deposit and other distributed solutions arising from Check 21 — the solution advances a true end-to-end electronic environment. Additionally, clients wanting to leverage JPMorgan Chase's robust infrastructure for additional value can utilize the bank's 10-year online image archive, which provides a cost-efficient storage solution.

Within Reach

Despite the compression of time that lockbox drives, time and again the objective of an efficient, client-driven receivables management process that serves working-capital efficiency has eluded the treasurer's grasp. JPMorgan Chase's vision helps treasury assume a strategic role by providing collaborative tools that further collapse the cash-collection cycle, enhancing a company's competitive edge and bottom-line performance.