Payless ShoeSource Automates Order-to-Pay Process
By Vic Nation
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James: We have oftentimes, with the subordinate business units, disparate ERP systems. We find it sometimes difficult to have a consolidated view into our supplier base. With these disparate systems and the fact that still, a predominant amount of our financial transactions are paper based, we really lack adequate visibility into that.

And that means we lose some control; we lose control over — especially in the disbursements aspect of procure to pay; studies show that about 66 percent of fraud occurs in disbursements — and when we seek to automate with many of our ERP systems where we have a supplier portal, and a supplier can be integrated through that, but there's still very few suppliers. It tends to be kind of just a handful of perhaps your most strategic suppliers, your direct suppliers, but that leaves much of your AP spend still paper based and the majority of your suppliers that are still not automated or participating in that supplier portal.

And another issue with this paper based world that still exists to a great extent is that there are so many inefficiencies tied in with that. Just the cost of the processing is not competitive. Many times, Procurement will negotiate contracts, discount terms, based on volume and/or early payment agreements. The fact of the matter is, without the visibility and the automation, over 50 percent of those pre negotiated arrangements are never realized.

And so, of course the bottom line is there's just simply too much paper and cost tied up in this system. In North American alone, this adds up to over $600 billion of excess working capital that's tied up in the procure to pay process. So you know, there's a lot of opportunity for improvement; how do we improve this situation.

And I'm a big fan of this guy Michael Hammer; he was a renowned management consultant and simply said that you can't improve what you can't measure. Performance measurement is one of the most familiar tools in financial management today, yet most managers don't believe that they have an effective set of metrics. And most companies do have measurements for their core areas that they use on a day to day basis; however, they typically don't believe that those metrics are the right ones, or they don't believe they really help the company achieve its operational objectives.

So what is the path to sustained operational improvement and working capital optimization. Well, it begins with selecting the right things to measure. The measures that you have in your particular area of influence, are they kind of self serving metrics — in other words, they're to make you or your group look good — or do they serve the broader goal of the entire business process. So I think we should be selecting metrics that determine the drivers of your business results, for sure, but they ought to be encompassing of alignment, representing alignment between you and the other parts of the business that make this process — in this case, procure to pay — what I like to say is cooking on gas.

Number two, we must measure things the right way, and this begins with good definitions and access to the data that best reflects the reality of your various functions. So precision; a metric must be carefully and precisely defined. I think a simple example is, you know, if one of the measurements is on time payment of invoices, do you define the starting point of on time payment as the point at which the invoice was created, or the point at which the invoice was received by your payables department? So a subtle example, but a good example nonetheless of getting good definition and making sure everyone's working according to a well defined process.

Third, we must embed these measurements in our day to day activities. Even the best designed metrics are of little value if they're not related to our business process. So consider your automobile: You've got a dashboard that's replete with measures for speed and distance, temperature, RPM, et cetera. And these metrics are, if you will, embedded into your driving experience, so you can safely get to your destination. But was your trip to your destination effective and efficient, and how does your travel time compare to your travel plan? I think that's kind of an example we can all relate to.

So the starting point for using metrics to drive performance improvement is to have a target performance level — or a baseline, if you will, a benchmark — for each of your metrics. And these benchmarks are typically found by comparing your business processes to others via a consultative process, acquisition of some kind of a benchmarking report from a reputable analyst firm, things like that.

So whatever the origin of the target, the person responsible for the metric should regularly compare the actual value of the metric against your stated objectives. And this is the notion of performance measurement, and in the context of the payables arena, we're fortunate again to have Vic Nation from Payless ShoeSource with us to share his experience and insight into effectively managing the payables process. So at this point, I'll turn things over to Vic.

Vic: Good afternoon, everyone. As James alluded to, my name is Vic Nation. I'm the payables manager at Payless ShoeSource. And if you take a look at us, one of the things that you'll see is, I'm sure that most of the folks that are in attendance today have seen our stores out and about. We have quite a few customers annually into our stores; we process a great deal of transactions. We have a number of stores, a retail presence in 12 countries. We're truly international, and we're just getting set to start a franchising initiative where we'll have some franchised stores in the Middle East, and we obviously service a very diverse group of customers that come in and interact with our store associates and move on.

Let's talk about typically in payables, and for the true payables folks that are in attendance, this slide really represents some of the pain points that payables processes have. And if we look back to 2003, when we began using this software, this looked like us. We had a large number of paper based transactions. They were obviously expensive to process. We used manual routing; so the piece of paper comes into the building, it sits around for a while, while everyone decides what needs to happen to it or who may need to take action on this. And by the time we get it, most of the invoices that we received were already after due date. So you can imagine that drives a ton of inbound phone calls, a lot of uncertainty among the suppliers that are out there wondering, you know, where's the check, where's the invoice, when am I going to get paid, that type of thing.

If you look on the payment side, we still did a fair number of paper checks. We attempted, at several different times, to increase the number of electronic payments that we were doing, but given the tool set that we had at the time, it was very difficult to deliver full remittance information. The discount terms were out of reach, and that really has to do with the manual, paper based process that was out there. And you know, bank maintenance of the suppliers; it's almost like you needed somebody to manage all that bank information.

And then on the supplier side, you know, we had a huge vendor master file; I think my vendor master has about 70,000 records in it. And not all of those are active suppliers, but it's still a large number of suppliers to manage through. And we heard a lot of feedback, back in the time, that our vendors were looking to get better answers. They didn't want to have to call us every time that they had a question. So I think that this slide accurately represents what payables looks like, if you haven't gone through a process to streamline and improve the process.

There really are five things, I believe, that you need to think about as you look at your payables process, and look at what you can do to improve those things. I mean, these are some of the things you might consider: Outsourcing, electronic invoicing, working capital. Look at the on demand model, and then how you're going to decide how good a job you're really doing. You know, are the transactions that you're processing through your payables area, how do those stack up against other folks that are out there, to make sure that you're doing the right thing at the right time, so to speak.

So if we first take a look at outsourcing, a lot of companies have looked at that model and a lot of companies have gone down that way. And what the research suggests is that you can save about 15 percent of your total AP spend or AP cost by outsourcing your process. And what additional research suggests is that you can gain additional savings by not just outsourcing but by cleaning up your process. Because all you've done by just straight outsourcing is taken some of your pain points and transferred them over to someone else. It's a solution that a lot of people have looked at, but I don't think it's a complete or whole solution.

So if you move down to the next option, which is really electronic invoicing, what we're talking about here is true touchless processing. So we're talking about a system where a supplier can sign in to a portal, create an invoice; the invoice, once created, can be workflowed for your general ledger coding and for approval. And then once that is coded and approved, you can interface that into your payables system, where your payables system ages the invoice appropriately. And once it's aged appropriately, you can pay it using ACH with full remittance information, so that your supplier can successfully process that payment and get it posted.

So essentially, you're looking at a more self contained, holistic process, that improves the speed and quality of the process, which translates into significant process savings. I think the bottom line here is that, you know, if you look at outsourcing, there's one opportunity to save. But if you look at a complete model, you're looking at the ability to save a great deal more money than just looking at an outsource solution, because you've taken the time to clean up your processes and eliminate some of those pain points we talked about in terms of manual routing, inbound supplier calls, and things like that.

The other item that kind of builds on this is your working capital value. I mean, if you look at that slide on the left, what you can see out there is, for process savings alone, there's a value to that. So you know, if we save the process or redesign the process so that it's more efficient, you've obviously got some opportunity to save costs in terms of head count, in terms of mail costs if you're doing a lot of checks, or postage or envelopes or check stock or check printers or all that kind of stuff that us payables folks are always concerned about.

If you fold that into a solution that offers some discounting options, now what you've done is you've taken an inefficient, paper based process, and you've turned it into an electronic workflow process. And now, because you've got your invoices out there where you can see them, you've got some reporting and process around where the invoices are, you've got some supplier enablement stuff going on, what it enables you to do is really begin to capture those early pay discounts that your procurement folks have gone out there and negotiated with your suppliers.

So process automation really unlocks the discount savings. Because if you think about that old paper based world, right, if you've got an invoice sitting on a person's desk and there's an opportunity to earn a discount and you don't know it's out there, it's that whole tree in the forest thing, right? I mean, if that invoice is there and AP doesn't know about it, there's no catalyst or there's no process to get that moving so that you can go out there and in turn get that invoice processed so that you can earn that discount. So you know, a holistic approach — workflow routing, enable discounts, and a complete strategy — is one is makes the most sense.

The other thing to think about, at least one of the things that's important to us — and I don't know if you guys out there look different than we do — is that if you guys look similar to us, everyone is being asked to do more with less. Our IT resources are severely constrained, based on projects that they're working on. And if you look at software as a service or on demand service, look at the traditional model. It's generally got a high up front cost, it's got high maintenance costs. The implementation is usually fairly lengthy. Depending on what your host software looks like, there may or may not be a lot of customizations out there, which then every time you go to upgrade, you've got to carry all those forward and that just increases the cost. Generally there's no supplier integration, there's no supplier support, and it's all internal cost.

So in the traditional model, you can see that generally it's a pretty expensive proposition to build something like this on your own. The nice part about the on demand side is that you buy what you need, you pay as you go. There's no software to install, and the patches and upgrades and fixes and things like that get applied by the supplier, and so you just get to take advantage of the additional features and functionality without necessarily having to do that on your own. So I think that — you know, we've talked about electronic invoicing, we've talked about discount capture, we've talked a little bit about software as a service, and I think you can kind of see we're building a real case here to explain why it's important to look at process and features as you're making a decision.

If we look at the last step on this, it's your ability to benchmark driven performance. So for us, one of our key metrics that we measure all the time is we measure invoice line count, so that we can track productivity. Is that an important benchmark to measure or track? I mean, you really don't know until you understand how what you're doing fits in with everyone else. I mean, you don't really know you're doing a bad job until you sit down and think about it. AP is a real complex animal. Most people think, when they hear AP, that we're a bunch of mean old people and all we're doing is trying to come up with reasons not to pay people, and that's really not the case. I mean, we all know that we have controls in place to ensure that we're not paying for things that we haven't received or services that we haven't received. We know that we have to have the right approvals on invoices to make sure they're being approved by the right person. And I think what you need to do is think about the techniques and strategies necessary to create — you know, what benchmarks or measures can we come up with to create value, to lower cost, and achieve a competitive advantage.

I mean, some of that, if you're trying to invent that on your own, is pretty difficult to think about. So some people use third party benchmarking services that use some kind of predictive measure to set a target and assess accuracy. You know, the third party brings an interesting view of industry trends and best practices within the industry that you're in, and outside the industry. And you can save time by relying on the standard metrics and benchmarking data that a third party can bring to you. I think what that enables, by relying on someone to bring their experience to bear, is you don't have to invent the wheel yourself. You can see what others are doing, you can pick and choose the benchmarks and metrics that make the most sense based on your business model, and then you can begin to measure your performance against those things to see how you're doing.

So let me talk a little bit more specifically about Payless and tell you where we've been and why we chose to go down this path. Now, we've been using the JPMorgan Xign solution since 2003, and if we roll back to 2003, other than me having more hair, these things sitting here on this Payless Business Challenges, the document that you see, is kind of what we looked like in 2003. We had an issue with properly coding and approving about a million invoices a year.

So we call ourselves a medium sized AP shop; there are plenty more that are bigger, and there are plenty more that are smaller. I think the nice part about the solution that we ultimately ended up choosing is it really doesn't matter how big your AP shop is. The solution works well for the AP shop and it works well for the supplier, regardless of whether they're a small mom and pop shop of ours who may clean the carpets in a store, or a large strategic supplier who supplies something that we may distribute to all of our stores across the chain.

So you know, properly coding and approving a million invoices; we had the inefficiencies associated with a paper based process. Still had to do data entry on that stuff. Routing in our old world was all paper based and interoffice mail, and it was fraught with errors. You may have people who don't know the coding string or the accounting string that needs to go on there, so if it comes to AP and it's wrong, we need to interoffice it back to them. And it was a nightmare when a supplier would call and say, "Where's my invoice, where's my check?" If it wasn't in our ERP at the time, we had to try to make a best guess in terms of where it was.

Our existing electronic invoice feeds were problematic; the data came to us without any up front validation. For those of you in the audience who use PeopleSoft, you know that if a voucher comes in to AP and it doesn't have the correct information on it, that stuff sits in Recycle and you have to try and figure out what the answer is. Our recycle report was gigantic on a daily basis. And then inbound EDI controls; we have a number of EDI trading partners who would frequently change the layout of the data that was in their file. So we spent a huge amount of time just managing EDI maps. And in my world, I felt that I wasn't in the EDI map business, I was in the payables processing business, and I had to dedicate an inordinate amount of resource to maintain those maps.

You know, we went down the costs, built a business case, and it doesn't take a rocket scientist to figure out that manual invoices are more expensive to process than an electronic invoice. By the same token, on the next bullet there, we had a high percentage of paper checks, and it's much more expensive to process a paper check than an electronic payment that we transmit through the network. We also had — and I talked a little bit about this a couple of slides ago — limited ACH opportunity, due to the lack of the vendor remittance report. So we could send electronic payments without any problem. The issue was, the detail that was on there in terms of PO IDs or invoice IDs or whatever it was that was going to enable the supplier to successfully post that payment back into their receivables system, we didn't have the ability to do that.

So we were really looking for an opportunity to do something different. I mean, if you kind of look at our business process life cycle, we had a very rudimentary vendor portal as far back as 2000. You know, it was a dump out of PeopleSoft every night where a supplier could sign in, look at invoice and payment information, and that's all they could do. They couldn't download it, they couldn't drill into those invoices and get additional information. And we built that back in 2000 on our own, with the goal of building an invoicing solution. Now, one of the things — and we talked a little bit about this earlier — is do we have the expertise or the resources to do that. And as it turns out, we didn't, and so we went out and found someone who had that expertise, had the software, and that's ultimately where we went.

We had some objectives in mind, obviously, when we wanted to do this. As we looked at our process prior to our partnership with JPMorgan, we wanted to eliminate paper. We had taken a number of our processes here at Payless and made them as efficient as possible. And when we sat back at the end of the day, we realized that we still had a lot of paper based invoices coming into our payables shop. We wanted to do something about us having to maintain and adjust and manipulate all of these files that were coming in from our EDI trading partners. You know, we understand that we've got a ton of data in AP that can be used to drive decision making across the organization, but we spent all of our time doing data entry.

What we really wanted to be able to do was develop higher value add activities in AP, and not be as focused on data entry. We wanted to reduce the amount of detective work needed in order to process the invoices, and we wanted to replace some outdated technology to enable some new initiatives. I mean, we had a lot of legacy based systems here that were being held together with duct tape and baling wire, and we spent so much resource maintaining that that we never had time to think about what we needed to do in the future. We were thinking more about tactics than strategy. And what this has enabled us to think about is what do we need to be doing in two years, what do we need to be doing in three years, and what new initiatives do we need to start working on today so that we still are able to remain as productive and efficient as we are today in three years or five years or ten years.

We wanted to do all this to become a leading AP benchmark operator, and to provide superior customer service to our internal and external customers. And I don't think anything that we've talked about in terms of our pain points and our objectives is anything that's earth shattering. I think it's all common sense; I think it's all pretty straightforward. And what we can say is that we have been wildly successful with our implementation, and we've been able to realize those goals and objectives and reduce or eliminate most of those pain points that we talked about a few slides earlier.

How does a thing like this start? We started like everyone else does: We start with a business case assessment and we look at those hard savings that we talked about — you know, head count, mail, postage, bank fees, all that kind of stuff — and then we looked at some advanced discount capture. One of the things that kind of happens here is if we do a business case and everyone agrees that it's something that we're going to do, they'll take that savings out of your operating budget. It's kind of a double edged sword. On the good side is that it holds you more strictly accountable to delivering your project objectives. So if you talk about what am I measuring, how am I going to measure this, what is it that I'm actually trying to do, this kind of forces you to do that, because once they reduce your budget, you've got to make sure you deliver what's been agreed upon.

We decided to include PO and non PO invoices. We built a customization called buyer side invoice entry for primarily utility companies, where you don't have a lot of leverage to ask them to sign in to someone else's software and create your invoices for you. We wanted to deploy some kind of workflow mechanism that was simple and easy to understand and would enable us to find invoices, or better yet, to enable the supplier to find where that invoice was, so that when they signed into that portal to check their invoice status or to check where the invoice was, that they could look at that invoice and see, and make decisions based on where that invoice was. So ultimately what that was designed to do was to reduce the number of inbound calls that we had to our AP area.

The other thing that we wanted to do was drive some new opportunities through discount capture. In the old world, we had a number of strategic contracts negotiated with some nice early pay discounts. The issue on our side was, we were never able to monetize those discounts because of our inefficient process. And back in '03, as we were laying out our project plan and laying out our work that we'd decided that we were going to undertake to get this done, we decided to offer suppliers select terms at the time of vendor enablement. So what we did was, when we asked our suppliers to enroll, to participate in the network, we asked them to choose what payment terms they would like to offer Payless, because the value in the network is there are a lot of advantages for both sides, and we'll talk a little bit more about those in a few minutes as we get into a few more slides.

But it was a novel idea at the time: Offer the supplier the opportunity to give you an early pay discount. And think about what that means: Normally the way that works is it's either you as a professional or your procurement group sitting in a room and negotiating a contract and coming up with the relevant terms and conditions that apply. And what about a model where, at enrollment, with no pressure and no real work on your side, giving the supplier an opportunity to select an early pay discount upon enrollment. It's a great idea, and it continues to work very well for us. We also wanted to get out of the EDI business, and we wanted to be able to redeploy those mapping resources to other more strategic and value added tasks for projects going on here at Payless.

How to implement. Lots of questions on how to make this successful, how do you get this done. And this — again, for anyone in the audience who has any project experience, this is a work list for the project manager. You know, who's the project team. Now, for us, we tried to be more inclusive, and included Procurement. It included Tax, it included Internal Audit, it included Payables. And we tried to include at least a person from every group that this was going to touch, simply because, you know, on the tax side, are we doing everything on this process that we're going to set up that's going to satisfy our tax department. Do we have the appropriate controls in place so that, when Audit comes to look at our process, do we have audit points that we're not aware of. We talked to our LP folks, because you're going to be sending that data back and forth between — we sent data back and forth between Payless and JPMorgan; is it data secure. You know, is the way that the data gets moved back and forth adequately — are the processes adequately protected.

So we had assembled the right people on the team. We got executive support. I mean, if you think about what a process transformation like this entails, it touches all kinds of people. And there are a lot of people who still wanted to see that piece of paper on their desk. A lot of people were unsure about the workflow; a lot of people — you know, just lots of questions. And what we wanted to be able to do is explain the value to our executive committee, and once we had their support, what we had the ability to do is to nicely explain to any of the other stakeholders who were touched by the process how it worked, and how everything was going to be okay. You know, to pat them on the back, hold their hand a little bit. But if they were still resistant, we still had the ability to rely on the executive to, you know, tell them that this was going to be the process we were using and, you know, to move on from that.

One of the key things — and I think that the next two bullet points are some of the most critical in the whole process. Chances are you haven't done this before, and chances are you don't know what the best practices wrapped around some of these processes are. So, whatever service provider you happen to choose, they should bring to the table a bunch of best practices based on their experience.

And if I were to just grab a number out of the air, let's just grab 50. Let's say in our case that JPMorgan brought us 50 best practices. I think what we did was we adopted 47 out of 50, and we made decisions about those best practices to change our process or to change something we were doing to enable the best practice that JPMorgan brought to the table. And you know, I've talked to peers whose implementations — you know, it runs the gamut. I'd classify ours as wildly successful. And I think one of the reasons we've been so successful with the software is that we followed best practices and we made decisions before we began to develop anything.

Then, based on those decisions and based on those best practices and based on the decisions you made to even go down this path, we set objectives that we thought were attainable, and then we measured results against the objectives that we set, to make sure we were getting what we stated. And then you adjust your objectives accordingly to see, once you've got some experience behind you.

What I can share anecdotally without sharing any of the hard numbers is that, you know, in our first three years, we blew our business case away in terms of discount capture, and we were able to capture our three year operational savings by the end of the first year. So we were probably not as aggressive on a couple of those things as we could be, but we were very pleasantly surprised by the speed with which we were able to obtain some of our objectives. Now, in those cases what it enabled us to do is set some additional targets that were even a little bit more aggressive, and we've continued to do that on some of the objectives that we set, and on others we haven't done quite as good a job. But that's more related to, you know, some of the different things we've been focused on here.

The biggest part in this whole process is supplier enablement. And I think one of the nice parts for us is, if you look at our objectives and then look at the suppliers we went after, we chose high volume, high paying vendors for initial activation partnerships. So we chose the guys that send us tons of invoices on a monthly basis, or we chose the ones who send us PO related invoices without the PO ID on the invoice. I mean, if you're a payables person and you're sitting out there in the audience, you're nodding your head and saying, "Yeah, I see that all the time."

We developed a co branded enrollment site with JPMorgan. We developed or updated contact information. I can't stress enough the importance of that contact information. The hardest part for us in supplier activation was being able to get hold of the right person at the supplier that can make the decision about enrollment. We suggested mandatory participation through multiple vendor communication. We standardized our payment terms across the enterprise, and we sent check stuffers to lower priority vendors suggesting the same mandatory participation. So once you get this process systematized, it's pretty easy to follow, but mining the contact data can be a pretty tough thing sometimes.

Our results to date: Over 90 percent of the suppliers we've targeted have enrolled, and 28 percent of the enrolled suppliers have selected some form of early pay discount. So that's back to what I said earlier: Suppliers that are not on the radar of our procurement group went out there and said, "Yeah, I'd be glad to give Payless an early pay discount." Then you've got me on this side watching the process to make sure we're actually able to capture those discounts and put them in the bank. So supplier activation is a key thing in this whole process.

There's a huge value to the suppliers in this as well. I mean, we've spent 10, 15 minutes talking about the value to you as an organization: This is really what it does for your suppliers. You can automate the full order to pay process, so you can even go so far as integrating your remittance information back into the supplier. You can lower their AR costs, you can improve their collection forecasting. There's a portal that enables them to go out there and check invoice status. There's some dynamic discounting going on, so even if you've got a supplier that doesn't, as a normal course of business, give you an early pay discount, they can go out and schedule their own early payment, based on their own cash needs. Some improved exception management with real time dispute management, so you can go back and forth with the supplier and collaborate on what the amount of an invoice should be. And again, you can accelerate payment with dynamic discounting. The bottom line is — and you can see it there — is improved visibility, improved service, and improved trading relationships, because you've given the supplier a very valuable tool that they use.

In terms of what we've been able to do so far, we've been able to monetize over a million dollars in discount savings. We've been able to, on an annual basis, more than pay for the cost of the software and the project. Thirty eight percent of the transacting suppliers participate in some form of early pay discount. Eight percent of the invoice volume and seven percent of the spend is earning a discount. Our average discount has been 1.9 percent, with an APR of about 36 percent. If you read that fourth bullet point, those numbers aren't fantastic. That's more a reflection of our process. In the last year or so we've kind of lost our focus on supplier enablement, and I know one of the things we're doing is we're starting another huge enrollment campaign. And we would expect that number — the same kind of success we've had. And if we were doing this presentation next year, that number will be substantially larger than what you see today.

There's also a huge organizational impact. I mean, your purchasing folks are going to be able to capture the discounts that they're negotiating in their contracts. They're going to be able to leverage a shared supplier network. I mean, that's a huge thing, because your suppliers are going to say, "Well, I have to go here to invoice Payless and here to invoice Company B, and this site over here to invoice Company C." The nice part about this software is that we have a shared supplier network. So if a supplier enrolls for Company B and they're also a supplier of mine, we're a couple of clicks away from me having that supplier in the network for me as well. You're able to streamline your AP processes. It makes the Treasury folks happy because they can improve working capital, which means that they can invest the money, more money, more timely. They can improve the cash forecasting. And on the IT side, you're able to, with software as a service, almost able to take your IT guys out of the process, and upgrades and things are seamless. And for all of us that are public companies, that SAS 70 Level II certification is very critical.

What does the future hold for us? We want to drive greater economic benefit through monetized discounts. We're about to go down the path of a huge enrollment campaign, and when we see that 38 percent of the suppliers enroll with an early pay discount, just the sheer fact of going down this path will get us more discounts. It'll increase the number of trading partners we have. We need to look at enabling our international suppliers, and we're talking here about targeted supplier recruitment and activation. So that's kind of what's in store for us in the future.

And at this point I'm going to turn it back over to James Tucker, and I'll stick around to the end so if you guys have specific questions for me, I'll sure try and answer them.

James: That's great. Thank you, Vic, and we'll get through these last slides quickly.

I wanted to just spend a couple minutes for those of you less familiar with our service offering to kind of give you the reader's digest on it. J.P.Morgan's order to pay solution is an on demand solution that connects buying organizations with literally tens of thousands of participating suppliers. So if you may already have ERP systems in place, but if you're looking for a better way of electronic connectivity, what we do is we allow you to leverage that investment you've made in your ERP system to collaborate in a real time fashion, if you will, with your trading partners, and get rid of that paper. So if you have an e invoicing initiative, a check to ACH initiative, something like that, that's what our solution can help you with.

We talk about several value drivers with respect to this service. One is process automation, another is working capital optimization, the other is supplier management. And this service will help you improve upon those three areas. This particular webinar is focused on benchmarking and performance measurement across those. Our online webinar program is cycled, if you will, and we cover each of these subjects at various times over each month. So take a look at our website at JPMorgan.com/ordertopay and you'll see the schedule of these events.

So with respect to benchmarking the payables performance process, we look at performance measurement as a methodology, and Vic laid it out very nicely that you have a business case where you sort of benchmark your current processes and set some objectives. So you then forecast your targets; where do we want to be in terms of eliminating paper, in terms of getting suppliers on board, in terms of capturing discounts. And as you're executing, then you measure your results against those objectives.

If you're not achieving the objectives, what are some of the things you can do. Vic talked about initiating a new supplier recruitment and enrollment campaign to get even more. And I've got to say, you know, Payless has automated about 70 percent of their invoices to date, so they are an exceptional company in this regard. But they're going even further and they're launching campaigns to do even better, and that's what I get excited about with these kinds of things: You set an objective and you say, "Look, we can do even better," so you adjust your plan to these new objectives.

Some of the approaches to identifying opportunities that we help our clients with fall around spend categorization. So who do you target in terms of your spend, and we sort of break it out into four groups: Direct spend, indirect spend, those suppliers that may be card accepting — card settlement is an emerging, rapidly growing area that we're really dominant in, and can help you extend your P card program if that's something that you're interested in. Whether it's ACH or check or wire, we'll target the suppliers that can receive those payments and then we'll segment them by industry types. We understand which industry categories have a higher propensity for participating in discounts, so we can help you fine tune and focus your recruitment campaign. Then we'll onboard them, and help you achieve some of the same successes, hopefully, that Vic has seen in Payless.

As far as how do you measure your results against those objectives, we have a relationship management team that works with our clients to help them measure the results against those objectives, fine tune their processes and then reset new objectives accordingly. We provide what we call network benchmarks to allow our clients to see how they're performing relative to others in our network. We process over a billion dollars of spend a week, millions of transactions, and from that we are able to identify best practices, categorize them across process, working capital suppliers, and again help our clients identify where they're at, identify opportunities for improvement.

A solution like this is not only helpful to your AP department, but it's also helpful to your suppliers. They're looking to lower their cost of receivables, to lower day sale outstanding, and there's tools available to them through this service that will improve your connectivity, improve those supplier relationships, and it becomes truly a win/win for you and your trading partners. So obviously we're interested in working with you with our solution, but if you are looking at us or others, the thing you want to look for is a provider that's going to partner with you for your success.

The suite approach is a component of that. You know, there's one off solutions that may help a specific pain point that you have, but really look for a provider that's you're going to be able to grow with. As your business problems expand, does your provider provide you the solution that you can expand with. So if you're starting with payment, as an example, payment automation, next year you may want to do imaging or invoicing or advanced discount, so look for a provider that can help you with all of those things.

Best practices; Vic highlighted this as a critical success factor. We have arguably the most experience in this space in the marketplace. And based on our experience, we're able to provide best practices across the implementation: The change management phase, the spend analysis, the supplier targeting and recruitment. Of course there's the workflow and the payment processes that we've established best practices on, and then there's this whole notion of benchmarking performance measurement.

There's also the technology component; is it best in class technology, and will it help you automate all of these various business processes that you're looking at. And needless to say, having been in this and having had great success over the years, we're certainly a recognized leader in the space and we'll continue to invest and grow this business over the years to come. I think, in closing, that's something to consider, that JPMorgan provides you a single vendor to provide this whole solution, and it's a vendor, obviously, that's going to be around for a long time to come.

Question and Answer Session:

James: And so with that, I will move into the Q&A segment. And let me just say that if you want to ask a question on the phone, simply hit Star 7, state your name and your company name, and then you can proceed to ask your question. To it's Star 7 on your phone if you would like to ask a question.

While we're waiting for folks to get on the phone, there are several questions in the queue. Many of these are for you, so let me just read these to you. Anthony asked, "What says does Payless use to create purchase orders?"

Vic: We have three, actually: We have PeopleSoft, we have a legacy based system, and then we use FoxClocks (phonetic).

James: Got it; okay. And Anthony, obviously if you want to follow up on that, Star 7 on your phone, or you can reach out to me via that contact information on the website. From Candace — Vic, this is also to you — "Are all of your invoices routed out to the specific requester via workflow, or do you have a more centralized AP function?"

Vic: We have a centralized AP function, where our paper based invoices are workflowed out to various associates here at Payless for coding and [unintelligible].

James: This is a question from Will Creach, and this is also to you, Vic. It asks if you are also using purchasing cards, and if so, how do you determine to use order to pay or the purchasing cards.

Vic: Well, we don't have a huge purchasing card program right now; we're looking at that now. We've piloted a couple of different things, but I think you really need to look at the type of leverage and the transaction volume that you have. And I think purchasing card, when combined with an electronic invoicing initiative like this, is a great mix, because then what you've got is where suppliers don't offer an early pay discount but do take the card, you can still pay on the card, pay your card provider in 30 days, pay your supplier right away, and begin to earn some of those rebates.

James: Yeah. And if I may — Will, this is for you — it's not an either/or proposition. JPMorgan is obviously in the business of providing procurement card solutions. The order to pay application offers settlement capabilities via card. And so you have settlement options with order to pay: ACH card. We also can offer a wire check and international ACH capabilities. And so our settlement option in order to pay leverages the power of the bank, and so it's not an either/or proposition. We're bringing the total solution to bear here.

There's a question here from Maureen, asking if there are other benchmarking studies that we're planning to do in the near future. I've been talking a lot about network benchmarking, and let me just say that, because it's an on demand solution, we have constant visibility into this. And the benchmarks that we produce are produced on a quarterly basis; they were available to our clients so that they're then able to benchmark their processes against these network results as a whole. And by providing them quarterly, we're able to trend and see where there are spikes, if you will, in certain areas.

In this time frame that we're in, a financial crisis — if you want to call it that — in America and in the world, it's interesting with tight credit markets that the amount of demand for dynamic discounting — where a supplier requests accelerated payment in exchange for an early payment discount — there's been a spike in the use of that across specific industry verticals. And we're sophisticated enough to be able to see that and help our clients take advantage of that information, so that's something that is constantly available and constantly being updated.

If there are any other questions, we'll have time for one more. If you want to ask it on the phone, hit Star 7. If you want to submit it to the console, you can do that as well.

Ruth: Hello. This is Ruth [Unintelligible] from Telus.

James: Hi, Ruth.

Ruth: I have a question for the gentleman from Payless, and this is regarding vendor enrollment. When you contacted the vendors, did you have to do very much prework in determining the correct contact at your vendor's company? For example, on our vendor master we have the accounts receivable contact the remittance advice, we've got purchasing contacts, but I'm not sure that they're exactly the correct contacts for making dynamic discounting decisions.

Vic: The answer is yes. You have to spend a decent amount of time finding the right contact. One of the things that we know is when we enlisted the help of JPMorgan, they'll assist you in mining the data. If you decide to do it on your own, you have to mine it yourself. But of all the steps in that supplier enablement process, this is the most difficult sometimes.

James: And Ruth, this is James; let me complement that. In our online enrollment process, what we provide the supplier is they're able to push out that enrollment request for a term. And if they're not the right person to select the term, they can push it out to the person that is qualified to make that decision, who can select a term, and then complete the enrollment process. So we do provide tools to help the supplier to do it in a fairly automated fashion.

Ruth: Okay, thank you.

James: Yeah, thank you for your question.

So that concludes this online seminar program. I'd like to thank Vic Nation from Payless ShoeSource.

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