Progressively more sophisticated technology tools are enabling the aggregation and manipulation of data, and its conversion into meaningful information, as never before. Technology is also proving a powerful vehicle for quickly accessing and disseminating that information.

The tools of information and technology, fueled by developments in the Internet and e-commerce, give CFOs and treasurers the power to immediately access, analyze and share increasingly rich data with other key decision makers. Together, decision makers can use the data to collectively advance understanding and improve functioning within their organizations as a whole. Companies increasingly have the ability to use the massive amount of data available to them to both target problem areas for improvement and optimize growth potential. Organizations can better synthesize information from internal departments, suppliers and customers to develop an integrated approach to supply chain management.

Nowhere is the impact of improved information and technology more apparent than in the domain of working capital management. Treasurers, credit managers and operations managers can receive richer data with greater speed and can work together to make decisions that improve efficiency, eliminate barriers to doing business, improve customer relationships and help maintain competitive advantage. As a result of increased coordination, treasurers can forecast cash flow with greater accuracy and make better funding and investment choices to optimize their company’s working capital efficiency. At the same time, companies can use e-commerce and Internet-based technology solutions to speed cash flow and accelerate the asset conversion cycle.

To assist corporations towards these ends, financial institutions have developed a number of technology tools across trade and cash management. Corporations no longer compete on a standalone basis. Today the whole supply chain is in competition with another. A corporation’s ability to source quality products at the right time and price is key. Traditionally, the focus was on building and integrating internal systems in order to capture, obtain and analyze the information flow, which drove the establishment of corporate-wise ERP systems. However, the ability to integrate the different forms of information from each key player in the supply chain has always been a challenge. The developments in Internet technology has enabled partners within the same supply chain to interconnect and build extended ERP platforms, which standardize and integrate trade information from their trading partners, banks and logistic services providers.

The remainder of this article will highlight two examples of solutions that combine rich data with Internet delivery to provide key decision makers in each part of a company with critical information at accelerated speed, thereby allowing better working capital management decisions at an enterprise-wide level. Organizations need to carefully consider what tools they choose to assist them in improving financial processes to achieve breakthrough on the bottom line.

**Trade Information Exchange: Know your Trade Flow**

Throughout the asset conversion cycle one can view value as either moving or static at different points. Liquid assets such as inventory or accounts receivable store value until converted to cash. The perceived risks affect what party to the transaction holds the value, and when, where and how that value moves between buyer and seller. Trade involves an exchange of value through final settlement between commercial counter parties. The terms of a trade transaction carefully balance risk and liquidity factors to enable the movement of value to occur in a way that best supports both buyer and seller. By improving efficiencies in the underlying business activities, e-commerce can quicken the conversion of accounts receivable to cash and strengthen the trading relationship between counter parties.

JPMorgan developed Trade Information Exchange with the recognition that the exchange of timely information throughout the transaction is as vital a component as the ultimate exchange of value. The solution provides a robust information tool to assist buyers and sellers in tracking their trade transactions. By providing rich data on letters
of credit, documentary collections, purchase orders and courier information, companies can closely monitor the progress of their trade business with JPMorgan.

One company’s receivable is another’s payable—this means that the buyer and seller in a given transaction are at different ends of the same financial tight rope. The terms and timing of a trade deal affect the working capital position of the buyer and the seller, by impacting their respective Days Payables Outstanding (DPO) and Days Sales Outstanding (DSO) ratios and the cost of capital for each party to fund its asset conversion cycle. Therefore, an important feature of Trade Information Exchange enables companies to authorize Web access to their staff, agents and authorized supply chain service providers around the globe, for purposes of tracking information and communicating. This linkage across the supply chain for a given transaction ensures more closely coordinated efforts and can help the involved parties better forecast timing and make informed business decisions.

Several key decision makers can use the information to positively impact working capital efficiency. For example, credit managers are charged with reducing DSO and making credit decisions. They can review trends on such historical data as buyer behavior and past performance and refine credit decisions to maximize revenue opportunities where feasible. Operations managers can aggregate the data to perform a root cause analysis on past discrepancies. The goal would be to eliminate repetitive discrepancies and ultimately reduce the time to payment and improve cash flow. Again, this could free the credit line of valued clients to increase sales volume in general or allow for a needed rush shipment to occur.

Trade Information Exchange provides immediate dissemination of critical data via the Internet to any designated member of a company’s internal and external network, in any location. By helping remove the information lag on payables and receivables, solutions like this can strengthen the relationship between buyer and seller.

**Businesses are reaching critical mass in building and linking information arsenals**

**Electronic Invoice Presentment and Payment (EIPP): Latest Invoice Choice**

By using EIPP to streamline the invoicing process, both buyer and seller can reduce costs, streamline procedures, and improve control over transactions. Savings come from lower paper, printing and postage costs, improved dispute resolution, decreased processing errors, and lower costs related to collection and customer service.

Perhaps of greater impact, by reducing invoicing cycle float, companies can reduce their Day Sales Outstandings (DSO) and accelerate the collection of their Accounts Receivables, thus improving their total working capital position.

Sellers can accelerate the collection and reconciliation processes. They can integrate data feeds with their accounts receivable systems to receive more timely and accurate information on payment performance. Again, credit managers can use this data to make better decisions on extending additional credit to valued buyers, thereby improving the client relationship. Treasurers will also benefit from the timeliness and accuracy of direct, electronic data feeds for improved cash flow forecasting.

An EIPP solution helps buyers improve the process of reviewing and disputing an invoice and authorizing payment. The invoice can be electronically routed to the appropriate department. The buyer can dispute individual line items or the whole invoice from supplier defined dispute codes. The on-line exchange of information quickens the adjudication process. To improve control, staff can be authorized to approve payments based on specific monetary limits and other parameters. The buyer can coordinate the approval process with financial objectives to take advantage of discounts and reduce late charges. Finally, buyers can also automatically update their accounts payable systems.

**The Information Arsenal: A Means and an End**

Increasingly, information is becoming a valuable corporate asset. The greater amount of value added information and the increased speed and flexibility with which it can be delivered and manipulated, makes it a powerful tool in both daily and strategic decision making. Businesses are reaching the point of critical mass in building and linking their information arsenals. Companies are only beginning to fully harness the combined power of information and technology and realize the implications, benefits and possibilities.

For further information on JPMorgan Treasury Services please visit the Web at www.chase.com/ts or contact:

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