

An Evolution in Business-to-Business Payments



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REVOLUTIONARY CHANGES
DRIVE WHAT COMPANIES
EXPECT FROM THEIR
WHOLESALE LOCKBOX
PROVIDERS.

The number of checks being processed has diminished but the amount of paper that accompanies business payments continues to escalate. Is your wholesale lockbox solution keeping up with the times?

As the U.S. payments system has evolved over the past several years, companies that use a wholesale lockbox solution have begun to ask their providers how they can maximize the value they derive from this core cash management service. Several issues are in play. First — and possibly foremost — companies need help to capture the glut of information that now often accompanies many business-to-business payments, particularly in paper-intensive industries like healthcare and insurance. Second, they need to find ways to better handle "exception items" that must be outsourced from the normal workflow, impeding cash application and increasing days sales outstanding (DSO). And, finally, as more and more companies use electronic methods to exchange payments and business information, many financial managers are concerned about controlling the costs associated with processing the diminishing number of paper checks that still remain in the payment stream.

Thus, **minimizing** float — which used to be a primary goal for companies using wholesale lockbox solutions — is no longer sufficient in and of itself. Today, many organizations sense the potential for their providers to help them overcome obstacles to efficient collection of receivables and to pursue new opportunities to use their wholesale lockbox service to **capture important business information** and make more informed business decisions.

So, it's not surprising that many businesses are revisiting their wholesale lockbox solution. What **is** surprising, however, is the high number of companies (even those that have outsourced business-to-business receivables for a number of years) that **aren't** moving faster to embrace a solution that will help them keep pace with the changes in how more and more companies now pay their bills — and capture and use data that is often just as (if not more) important than the payment itself.

IT'S ABOUT MORE THAN FLOAT...

In the unlikely case that your sole motivation for outsourcing receivables is to reduce float, a non-automated lockbox will meet your goals. But be aware that gone are the days when this was the **only** benefit you could expect to achieve. As U.S. businesses have changed the way they make payments — embracing electronics in lieu of making payments by check — providers have implemented new lockbox technologies that offer broader value. Today, in addition to serving as an efficient centralized collection point for your money, your lockbox **can** enable you to capture and access important business information in real time.

Do you need this enhanced functionality? If you operate in certain industries like healthcare or insurance where paperwork associated with customer payments abounds, the answer is a resounding yes. For other industries, the call may not be quite as clear...until you examine the benefits nearly any company can derive from automating and/or adding image functionality to a wholesale lockbox solution.

TODAY, IT'S ABOUT BUSINESS INTELLIGENCE...

When you **automate** your lockbox, your provider will capture information from checks and associated remittance documents on the day of deposit and send it to you along with ACH and Wire Transfer payment data via a single transmission. Consider the impacts that this automation could have on your auto-cash, exception processing and customer service areas where your staff may currently spend hours or even days researching payments. With an automated wholesale lockbox, that same information could be available with a few clicks of a PC mouse.

Companies that want to take their solution to an even higher plain in terms of its benefits are also adding image to their automated solution (although image will also work with a non-automated service as well.) **Image** puts you in the driver's seat in terms of access to information. You don't have to wait for a courier to deliver your critical payment detail; you

The ROI of Image

Yes, you'll pay more for your lockbox solution if you use image. But the costs associated with adding image are often offset by a wide range of efficiencies that result from eliminating paper, reducing the need for courier services and deriving faster access to information. Today's image solutions enable you to:

- Search for / view specific transactions on an intraday basis — right from your desk
- Apply cash the day it is deposited into your lockbox
- Begin exception item processing when your staff arrives rather than waiting for your overnight courier
- Eliminate reliance on costly overnight mailings of lockbox detail
- Make more informed credit decisions
- Improve DSO — especially on high-dollar exception items
- Speed decision making by electronically routing images rather than paper

simply log on to a secure Internet site to pull up images of checks, detailed remittance documents (e.g., invoices, check stubs and envelopes), correspondence, and electronic payment detail on an intraday basis. While your lockbox costs will increase if you use image, the efficiencies you can derive from accessing and using this information to support faster, more informed business decisions combined with reduced/eliminated courier fees should more than offset the added expense.

A recent example of where many companies are applying image capabilities to streamline their receivables processes is by using the service to more rapidly address exception items and thereby speed cash application. In this case, by receiving images of exceptions first thing in the morning instead of waiting for hard copies to arrive via courier, AR staff members can get a significant head start on the resolution process — while their organizations cut delivery fees.

IT'S ABOUT HELPING YOUR COMPANY MAXIMIZE FINANCIAL PERFORMANCE...

Just about every company today is striving to find new and innovative methods that will streamline processes and increase efficiency in ways that will measurably impact their bottom lines. Automating and/or adding image to your lockbox solution is low-hanging fruit...easy to implement, simple to use, and obvious in its benefits. And potentially, it's one of the smartest process improvements you may make this year.

The Bank of New York Mellon would like an opportunity to show you how advances in wholesale lockbox technology are transforming the service from a commodity into a highly differentiated powerhouse of business knowledge — and one with impacts that you can measure in dollars and cents. Please call us at **1 800 424-3004** (Option 2) or send an e-mail at to treasury@bnymellon.com to discuss your particular situation.

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