



# Tips for Cutting Edge ePayments & eRemittance Solutions

NACHA Payments 2014

April 7, 2014



# Disclaimer

The opinions expressed are those of the individual presenters & not those of the Federal Reserve System, any Federal Reserve Bank, or the companies represented.



# Panelist Information

- **Claudia Swendseid**, Senior Vice President at the Federal Reserve Bank of Minneapolis, is a member of the Bank's Management Committee and provides executive oversight to various financial services & operations functions. Claudia also leads the Support Office for the Financial Services Policy Committee, an executive body of the Federal Reserve Banks' overseeing Federal Reserve Financial Services, which includes ACH, cash, check, and funds and securities transfers. Finally, Claudia conducts industry relations & represents the Federal Reserve Banks to the Accredited Standards Committee (ASC) X9.
- **Carole Hunt** serves as Assistant Treasurer at Ameren Corporation, an energy company serving 2.4 million electric & 900,000 gas customers in Missouri and Illinois. Carole leads the Ameren Services Center, a shared services group responsible for Ameren's Accounts Payable, Accounts Receivable, Treasury Services, Payroll, Mail & Print Services, Records Management & Employee Administrative Services Departments.
- **Sandra Roth** is Manager of the Trade Financial Management team at Johnson & Johnson Sales & Logistics Company (JJS�C), which represents the J&J consumer companies in the United States & Caribbean. J&J is the world's largest medical devices and diagnostics company; it is the world's eight-largest pharmaceuticals company and sixth largest bio-tech company. Sandra manages supply chain activities related to risk management, collections, and accounts receivable and is the Business and IT expert in this functional area for JJS�C.



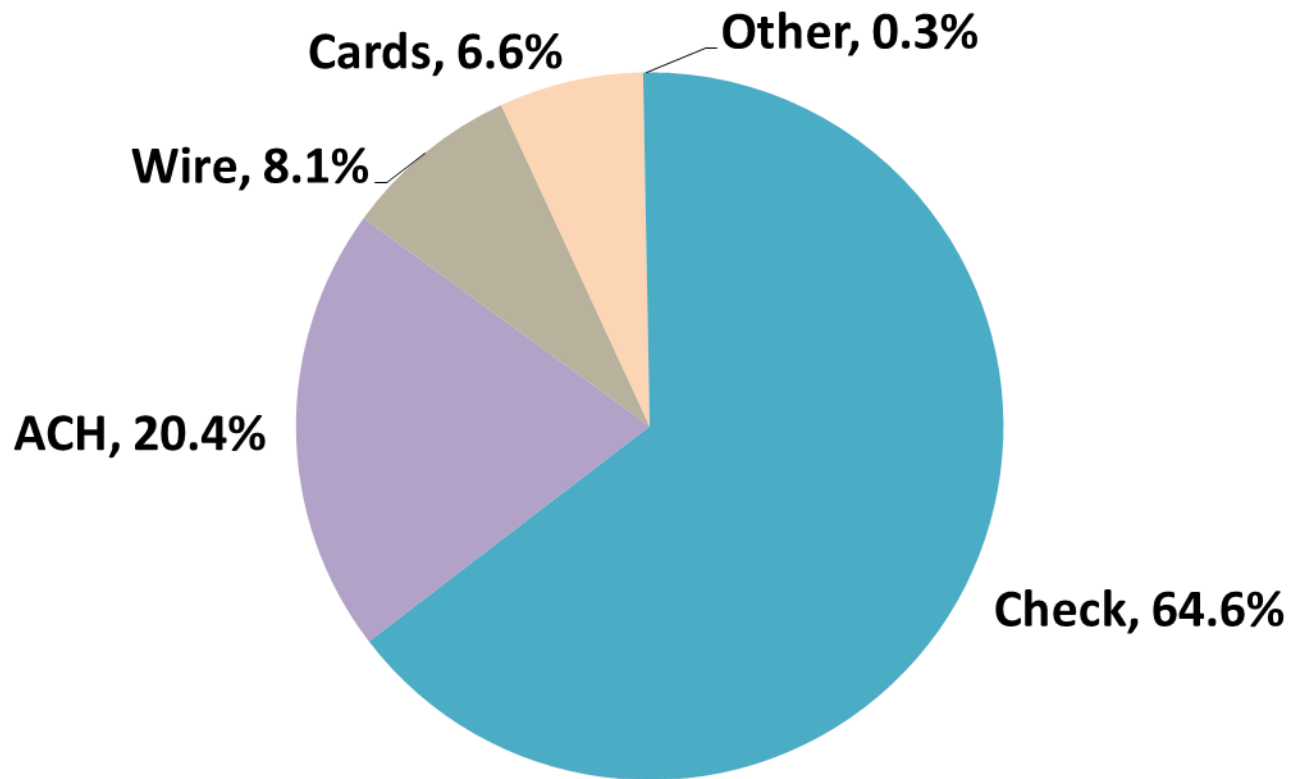
# Session Outcomes

1. Review main challenges for biz looking to move to e-payments & e-remittance
2. Learn about successful strategies to implement e-payments & e-remittance from both AP & AR perspectives
3. Learn about the efforts of the Remittance Coalition & how to join

# Businesses Make Nearly 2/3 of All Outgoing Payments via Check



**% of Transactions Made by Corporations,  
by Payment Type**

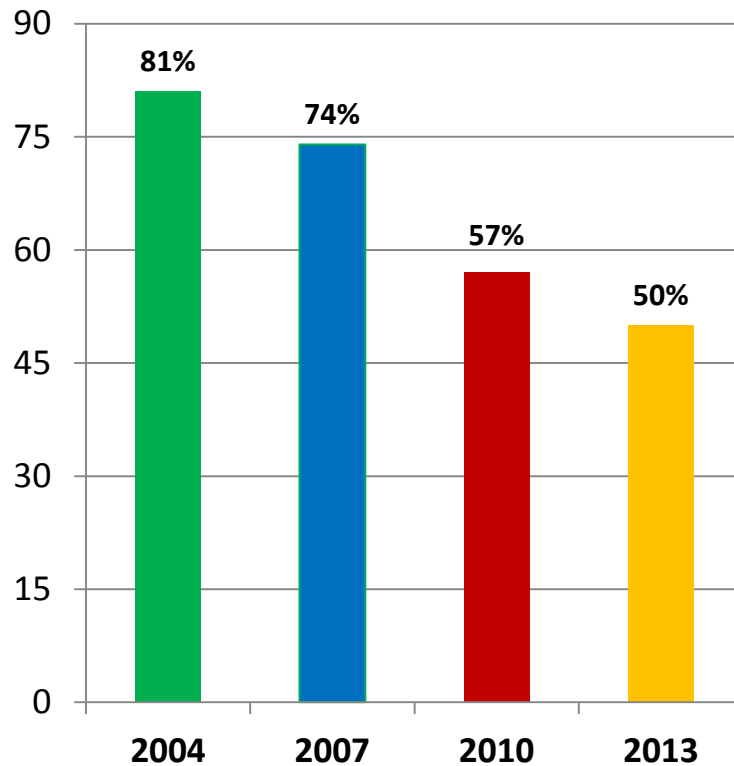


Source: 2013 Phoenix-Hecht Treasury Management Monitor

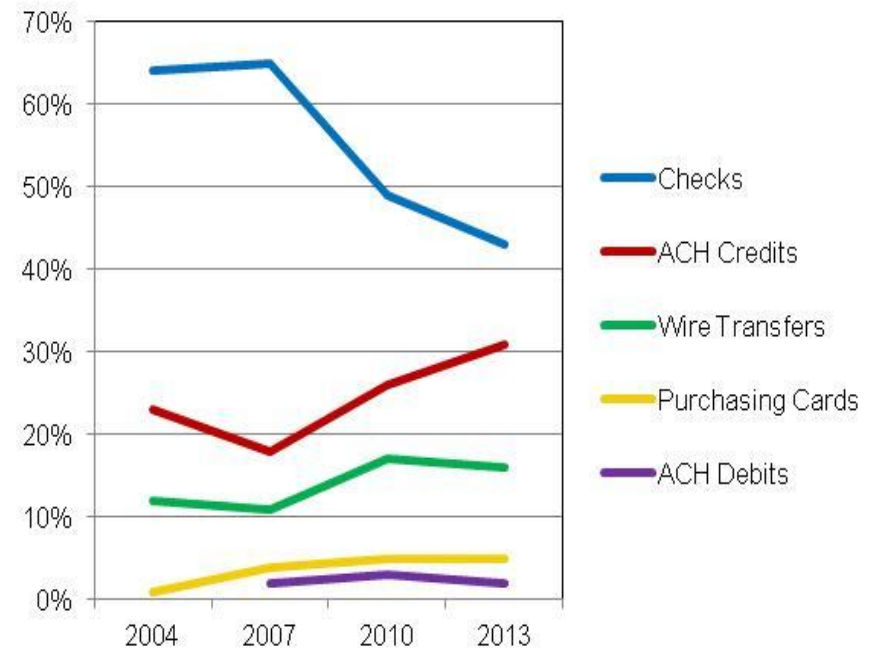


# B2B Payment Types Over Time

## Check Use for B2B Transactions Still High



## Payment Type Used to Pay Major Supplier



- Checks Are Losing Ground
- ACH Credits Are Gaining Ground

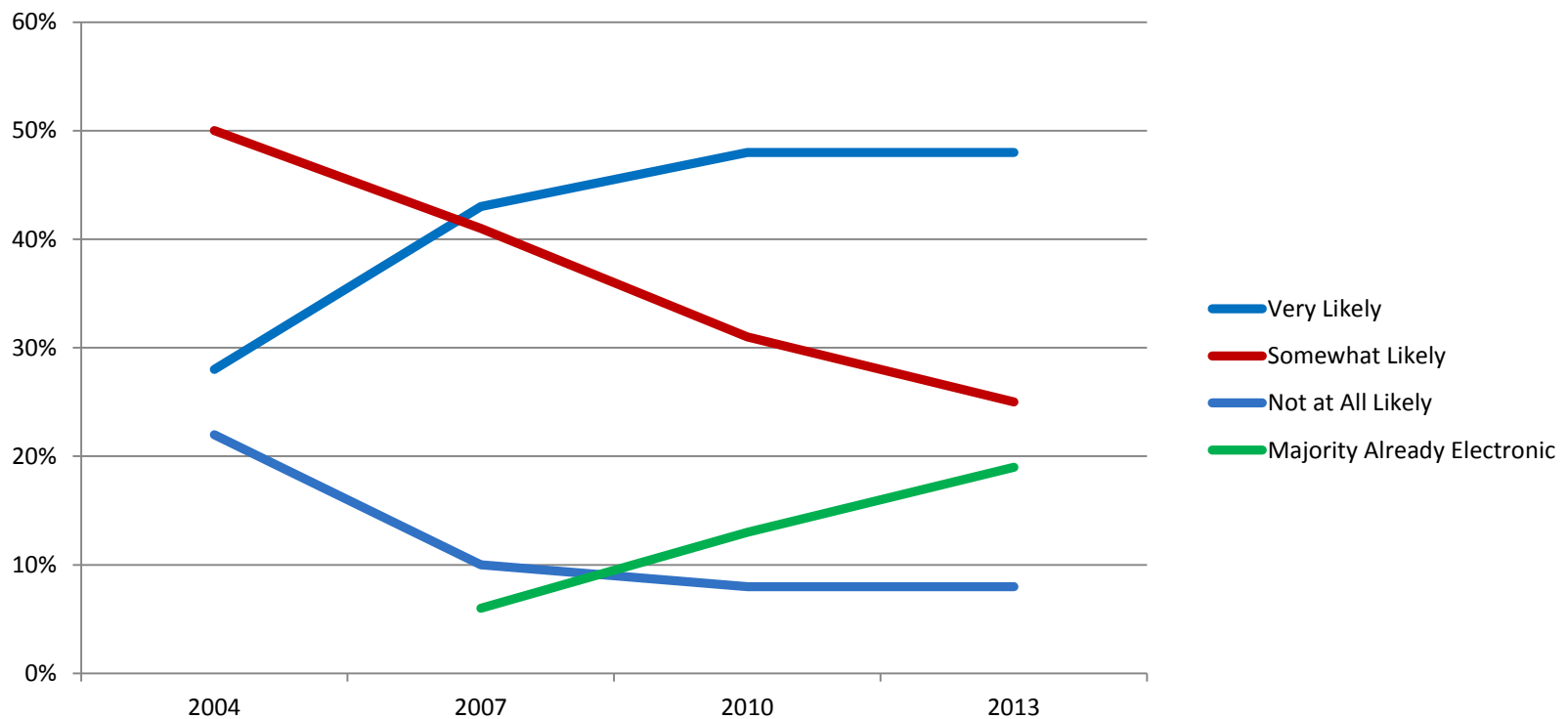
Source: 2013 Electronic Payments, Association for Financial Professionals; findings similar to those found in *The 2013 Federal Reserve Payments Study*.

# Converting B2B to Electronic Payments Over Time



## Likelihood of Converting Major Suppliers to B2B e-Payments, 2004 to 2013

Almost half of respondents think a switch from checks to e-payments for major suppliers is likely



Source: 2013 Electronic Payments, Association for Financial Professionals







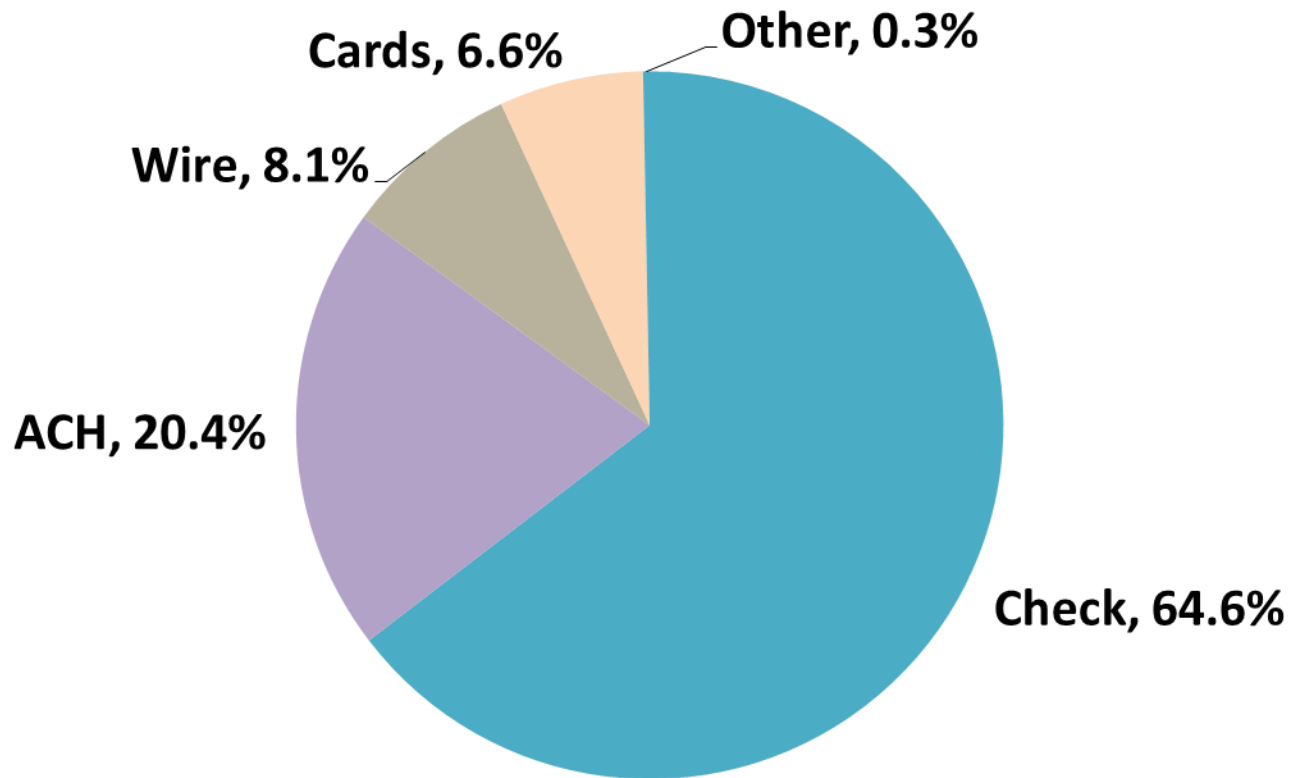
# Ameren Organization Structure



# % of Payments Made by Type: All Businesses



## % of Transactions Made by Corporations, by Payment Type



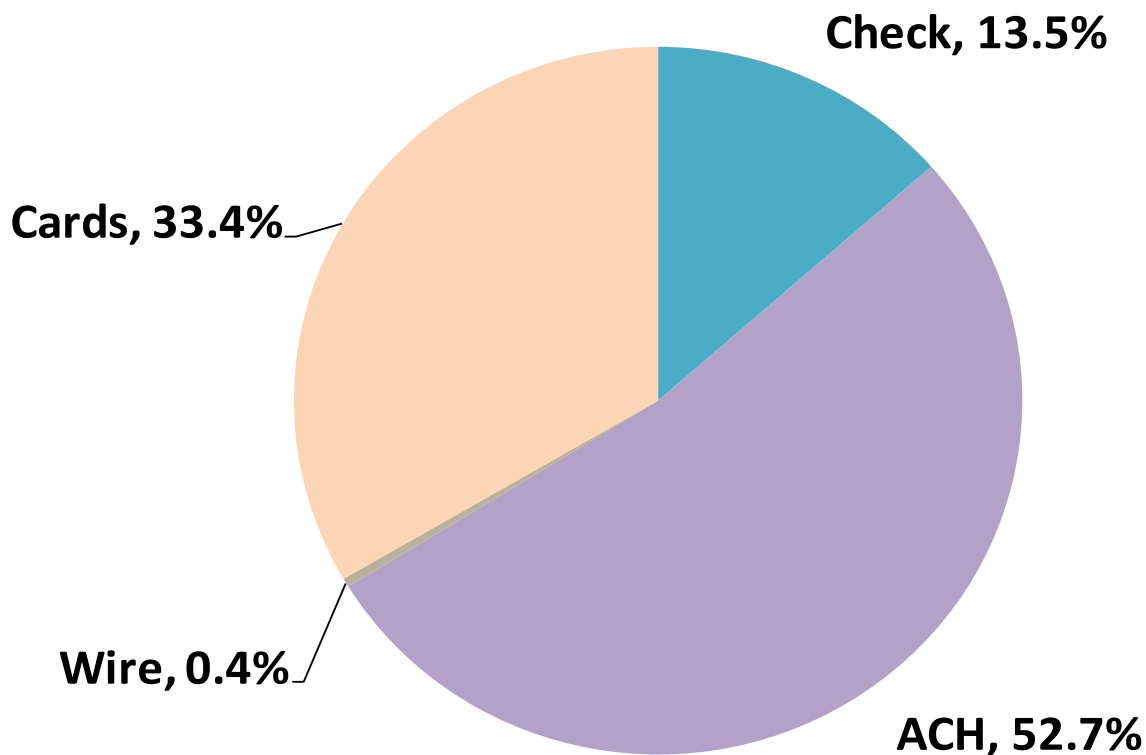
Source: 2013 Phoenix-Hecht Treasury Management Monitor

# % of Payments Made by Type: Ameren in 2013



## 2013 Data

### % of Transactions Made By Ameren By Payment Type

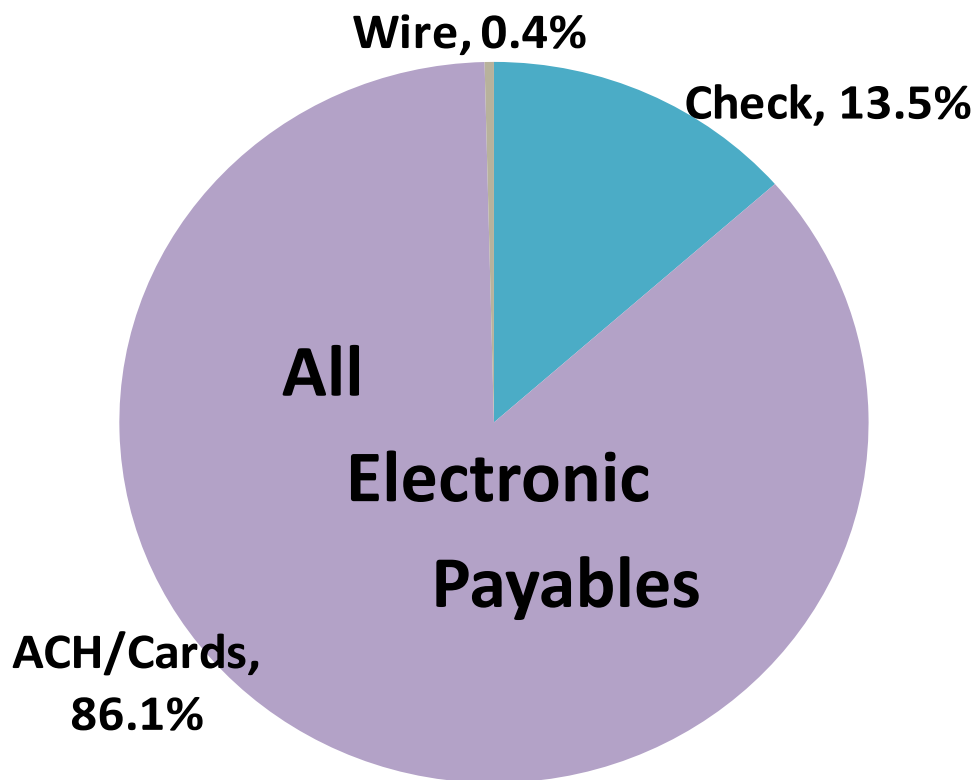


# % of Payments Made by Type: Ameren in 2013



## 2013 Data

### % of Transactions Made By Ameren By Payment Type

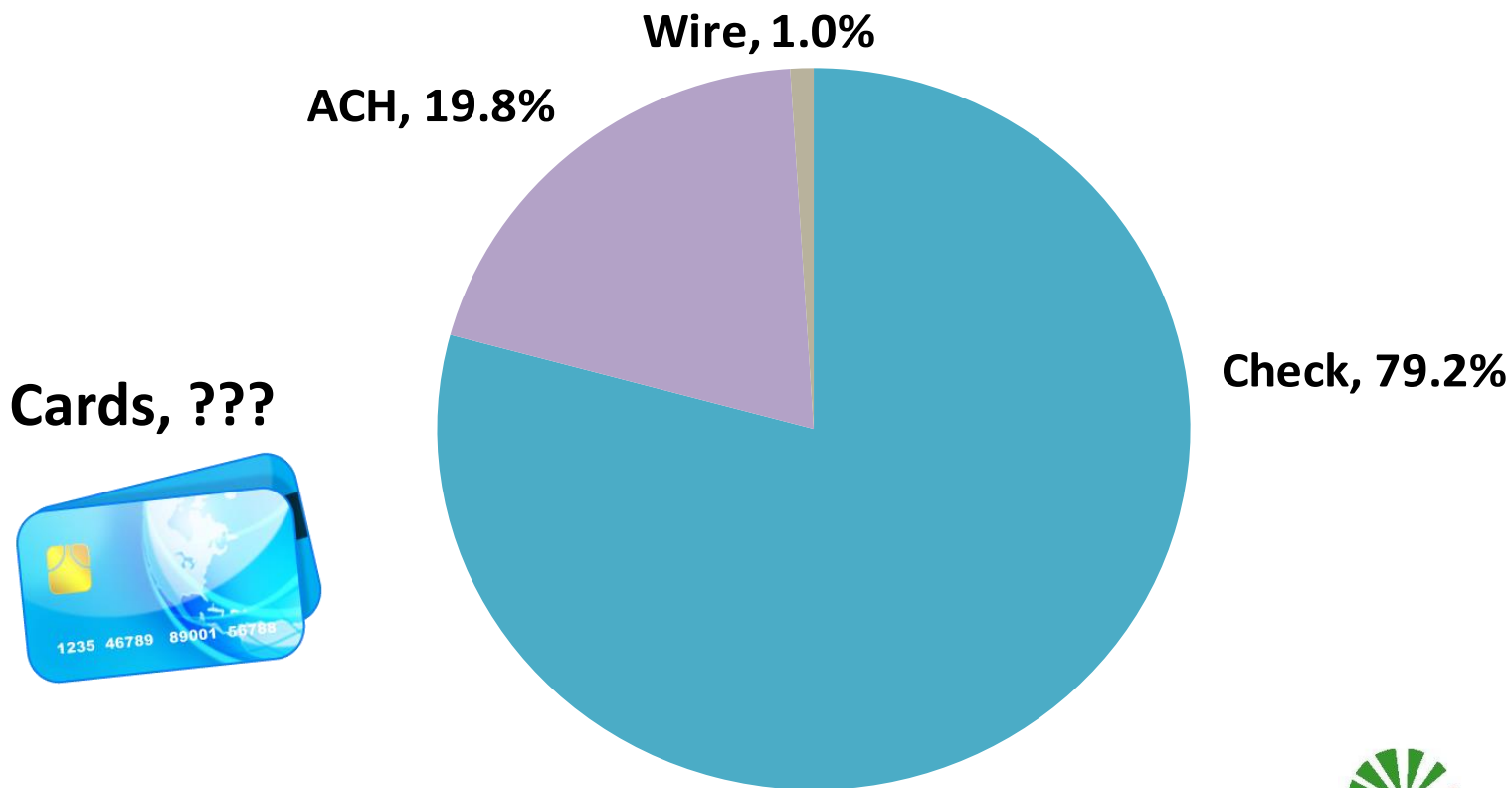


# % of Payments Made by Type: Ameren in 2006



## 2006 Data

### % of Transactions Made By Ameren By Payment Type



# Ameren's Path from Check to ePayables



## How Did We Get to Today?

- Started Measuring Things
  - Created AP Scorecard
- Focused on Creating Value & Minimizing Costs
  - Questioned what we were doing

## 2008

- Migrated Corporate Credit Card Program to AP
- Started Promoting Use of Cards



# Ameren's Path from Check to ePayables



## 2009

- Implemented Corporate Procurement Policy
  - **“No Purchase Order / No Pay”**

## 2010

- Started Contacting Suppliers for ACH Information
  - Historically send ACH - CTX
  - In addition, send Email with invoice/payment information automatically



# Ameren's Path from Check to ePayables



## 2011 – An Extremely Exciting Year

- Focused Effort on Growing ePayables
  - Ameren payment preferences stated in terms & conditions

### Preferred Method Of Payment:

*Ameren prefers to pay suppliers via credit card (Visa), where appropriate, or electronically via the ACH (Automated Clearing House) payment system. For ACH, complete the Supplier Information Form and forward it .....*





# Ameren's Path from Check to ePayables



## July 2011

- Partnered with Different Financial Institution for Cards
- Implemented Oracle iExpense
  - Out of pocket expenses (T&E)
  - Corporate card reconciliation

## August 2011

- Implemented Supplier Ghost Card (ePayables)



# Ameren's Path from Check to ePayables



## 2012

- Suppliers Paid By Check Contacted:
  - Ghost card
  - ACH
- Implemented Virtual Cards (eCards)
  - Procurement portal
  - No plastic issued
  - Two vendors:
    - Office Max, CDW



# Ameren's Path from Check to ePayables



**2013**

- Renewed Emphasis on Requiring Purchase Orders
- Continued Emphasis on e-Invoicing & e-Payables

**The Key:**

**Measure, Measure, Measure  
AND Take Action!**



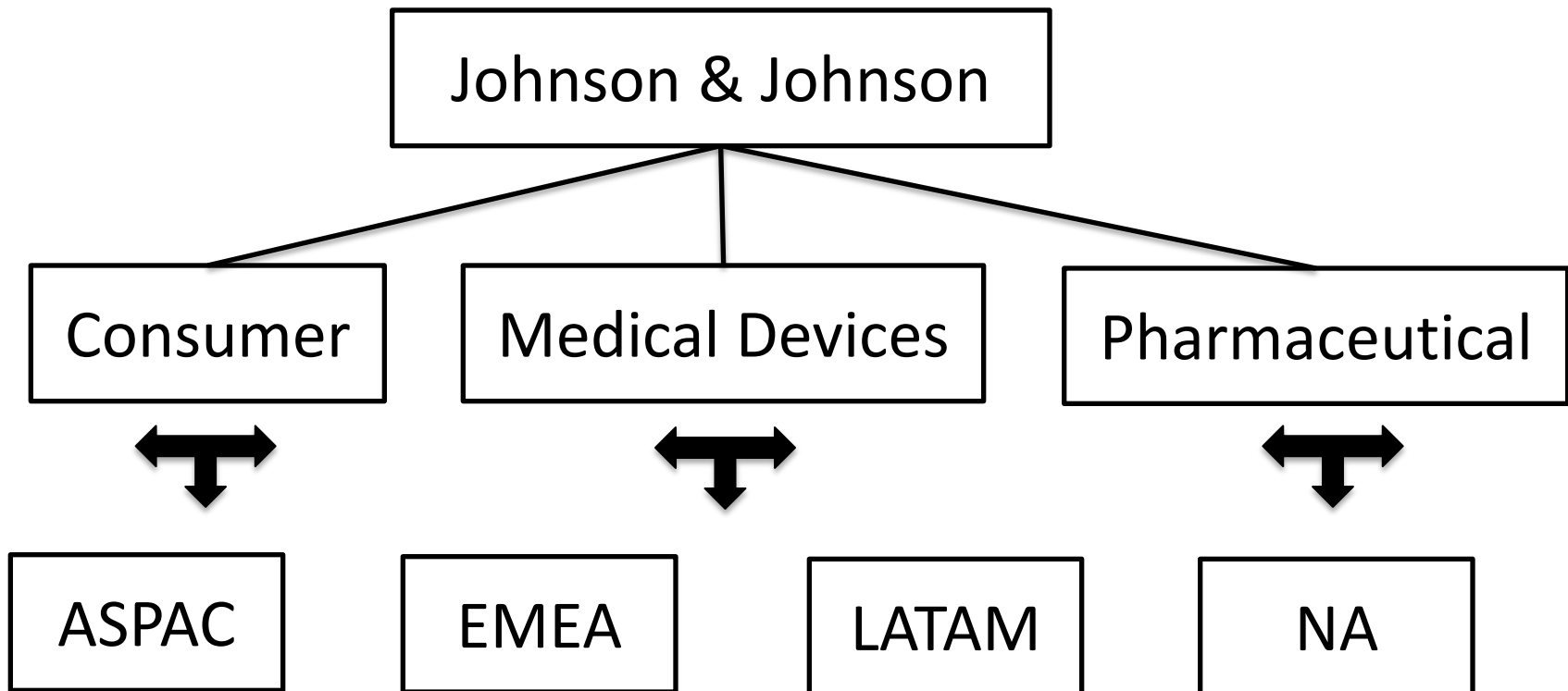


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**SALES AND LOGISTICS COMPANY, LLC**



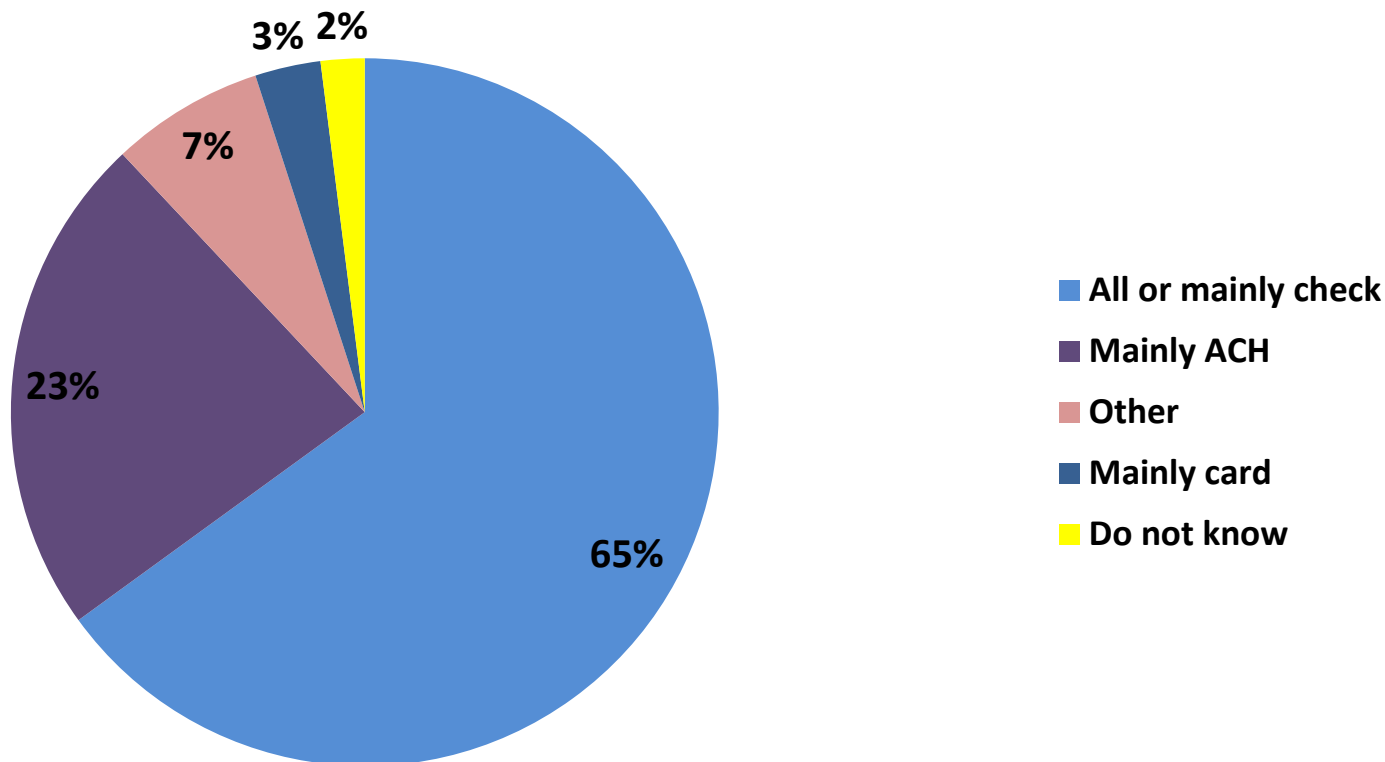
# J&J Organization Structure



# % of Payments Received by Type: All Businesses



## Primary Method for Corporates to Receive Payments



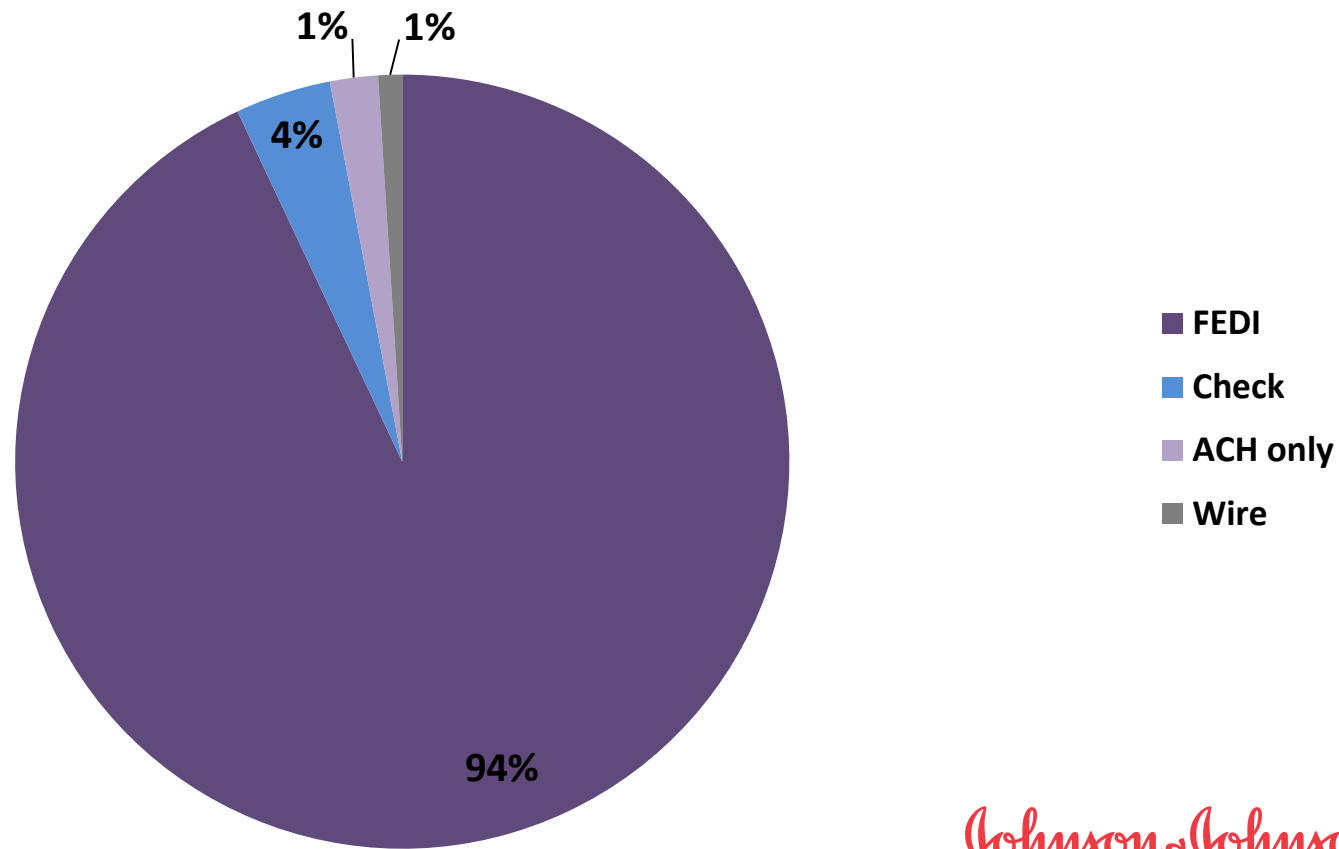
Source: 2012 Survey of Business Practitioners by the Remittance Coalition

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# % of Payments Received by Type: JJSLC in 2013



## Total Dollars JJSLC Receiving Payments



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# JJSLC's Path from Check to eReceivables



## We realized early on...

Electronic Payments meant:

- Faster funds availability
- More efficient use of internal resources
- Increased application automation & accuracy

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# JJSLC's Path from Check to eReceivables

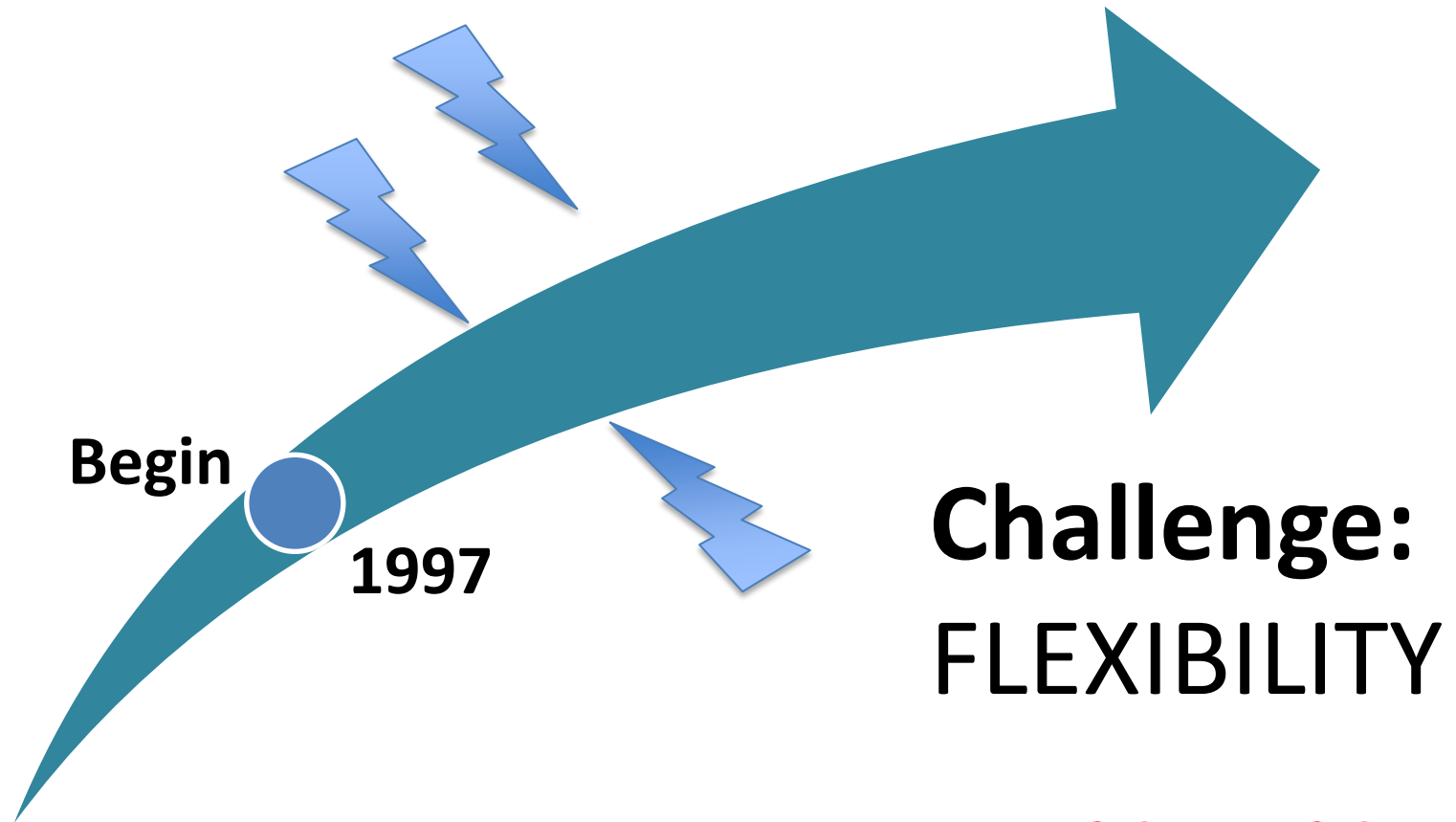


## Our Electronic Payments Journey:

- **1997** = First Financial EDI (FEDI) partnership
- **2002** = Six Sigma Projects begin
- **2003** = Expanded FEDI implementation
- **2004** = Go To Market on Efficiency Strategy
  - Realized 4.7 days improvement in Days Sales Outstanding (DSO) by 2010
- **2014** = Migrated to Cloud Solution

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# JJSLC's Path from Check to eReceivables



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# JJSLC's Path from Check to eReceivables



## 6σ

### Supplier – Input – Process – Output – Customer

**Who are my suppliers?  
Can I influence them?**

**Who are my internal and  
external business partners?**



**What types of  
data are flowing  
into my process  
and how?**

**What are the various  
outcomes of my process?**

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# JJSLC's Path from Check to eReceivables



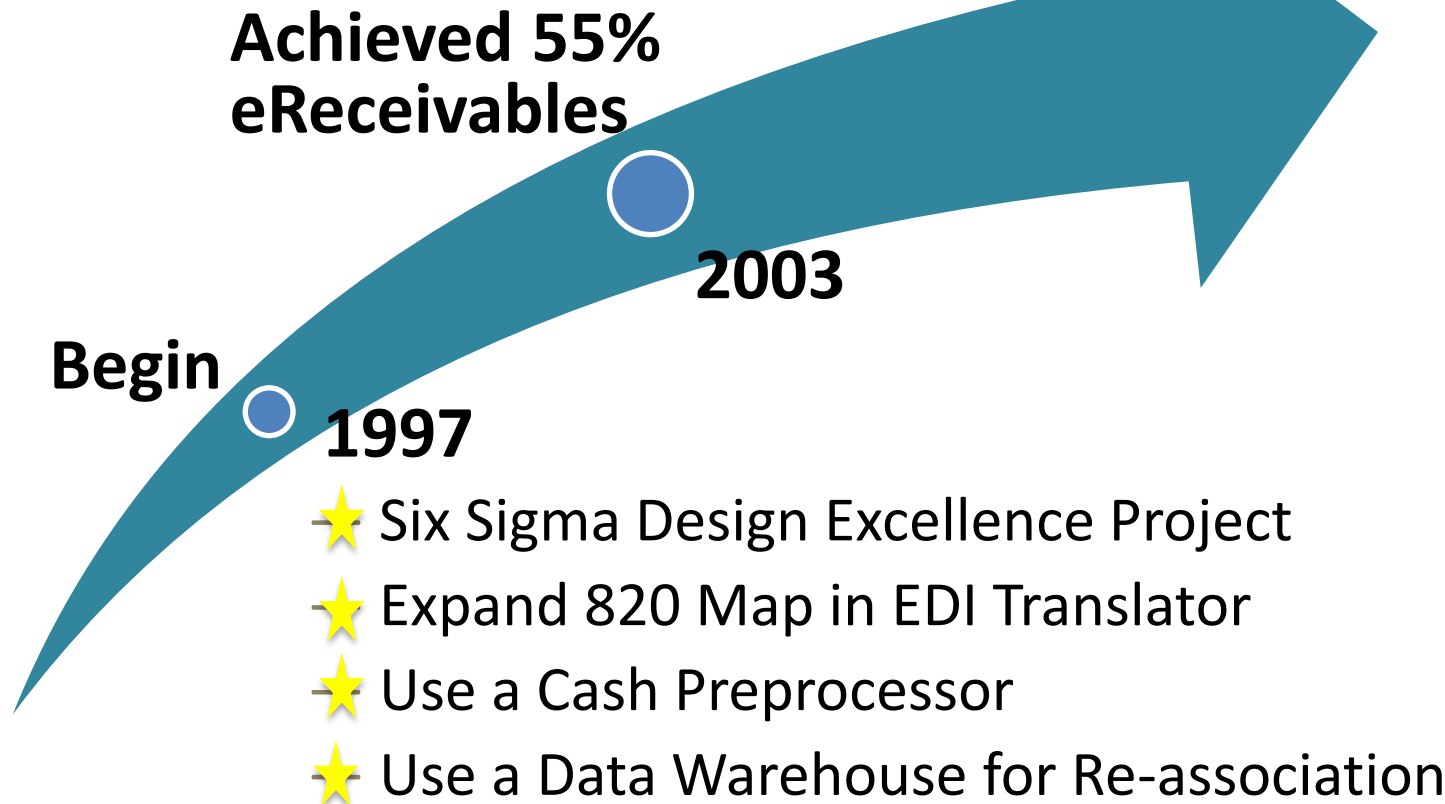
## Critical to Quality:

- Cost/Return
- Flexibility
- Time

## Areas of Opportunity:

- Expand Internal EDI820 Map
- Use Preprocessor
  - Edit
  - Format
  - Validate
  - Reconcile

# JJSLC's Path from Check to eReceivables



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# JJSLC's Path from Check to eReceivables



## 2004: Mandate Move to FEDI

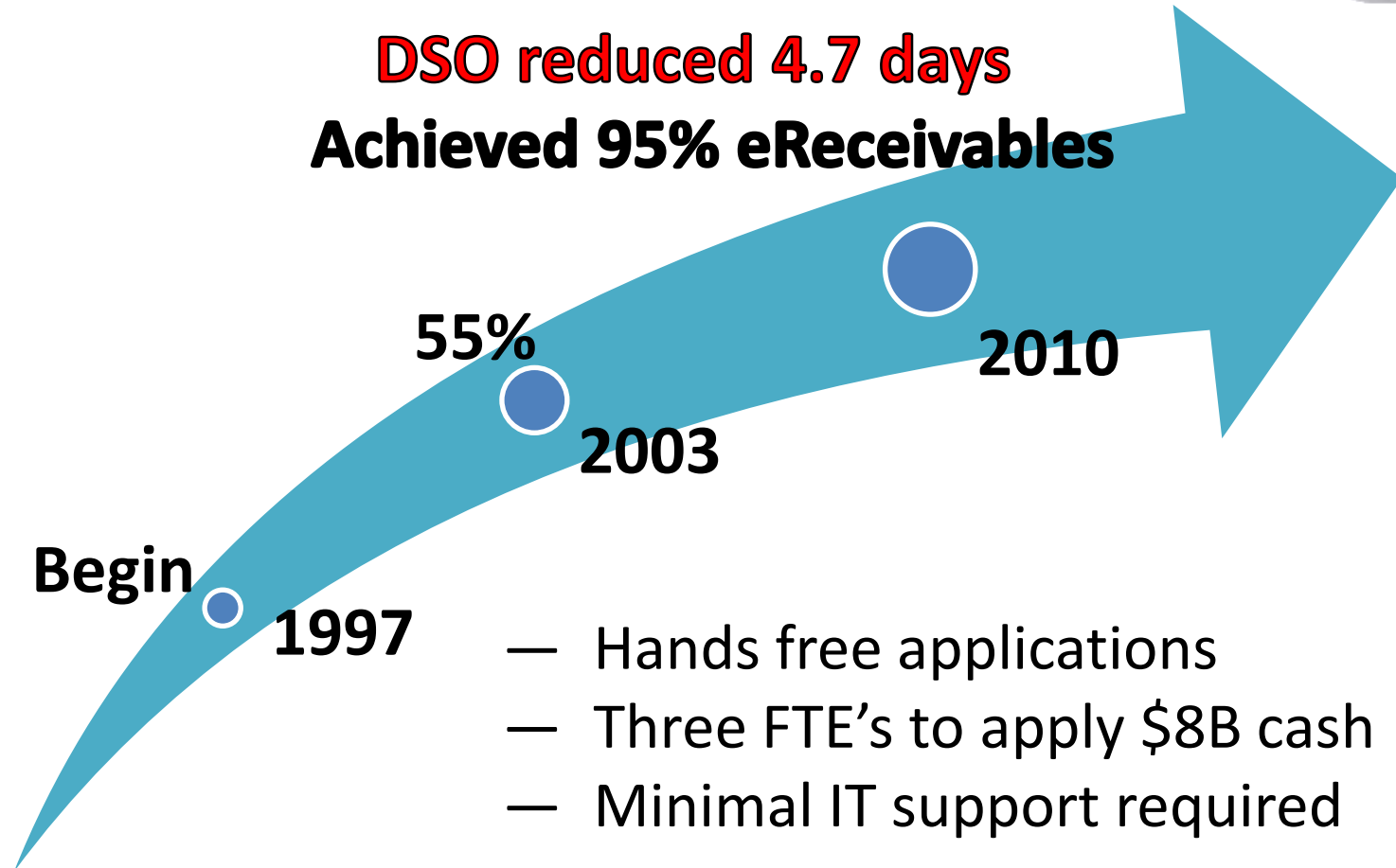
- Gained Senior Leadership Support
- Go To Market on Efficiency Platform
  - Reward trade customers for efficient payment practices
- Resourced to assist customers with technology solutions
- Aligned with J&J's focus on compliance



# JJSLC's Path from Check to eReceivables



**DSO reduced 4.7 days**  
**Achieved 95% eReceivables**



**Begin**  
**1997**

**55%**  
**2003**

**2010**

- Hands free applications
- Three FTE's to apply \$8B cash
- Minimal IT support required

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# JJSLC's Path from Check to eReceivables



## Preprocessor Principles:

- Mirror human logic for general business rules & unique customer nuances
- Reduce need to customize Accounting Systems

## JJSLC Preprocessor:

- 22 Global Rules
- 16 Customer Specific Rules





# JJSLC's Future Work on eReceivables



## Next Steps:

- STP820: The logical next step for medium size trading partners
- Partner with other J&J Companies to provide new self-serve options to our smaller trading partners
- Continue to promote corporate requirements to FI's & the Payments Industry through the Remittance Coalition & NACHA's Councils





# Remittance Coalition



# Remittance Coalition

- **Participation** National group of associations, businesses, financial institutions, technology & software vendors, standards development organizations & others
  - Formed in 2011
  - 335 members & growing
  - No dues or criteria for joining, other than a willingness to work together
- **Mission** Work together to solve problems related to processing remittance information associated with B2B payments in order to promote use of electronic payments & straight through processing (STP)





# How the RC Operates

- Remittance Coalition meets 4 times a year
  - 2 conference calls & 2 in-person meetings (e.g., NACHA, AFP conferences)
- Members volunteer for work groups based on interests & expertise
- Members stay informed via meetings, calls, email & website





# Remittance Coalition

## 2013 Successes:

- Simplified Deduction Code Project
- Remittance Standards Inventory
- Remittance Glossary
- Educational Publications
- Outreach

## 2014 Priorities:

- Continue targeted education & outreach
- B2B Directory Project
- Promote adoption of selected standards & technical reports (ISO Stand-Alone Remittance Message, Simplified Deduction Code Project, & others).

# RC Success Example: Addressing Deduction Code Problems



- Reviewed 650+ codes in EDI 426 code list for adjustments & deductions; unclear definitions; inconsistent use
- Identified about 70 codes as essential for deduction processing
- Mapped to “best fit” codes from 426 code list to minimize need to convert – *426 codes can still be used*
- Codes may be carried in X12 messages or other electronic formats (ACH addenda record) OR may be included in other remittance information exchanges (*e.g., spreadsheet, e-mail*)
- *Next Steps:* Encourage software & technology vendors to support simplified “core” code list; Educate business practitioners about the core code list & encourage adoption
- Download the Technical Report:
  - <http://x9.org/wp-content/uploads/2014/02/TR-42-2014-Core-Adjustment-Reason-Codes.pdf>



# Remittance Coalition Information

- The Federal Reserve Bank of Minneapolis posts information about the Remittance Coalition on its public website:

<http://www.minneapolisfed.org/about/whatwedo/paymentsinformation.cfm>



Visit the website to:

- Join the Remittance Coalition
- Volunteer on a project
- Learn about activities

**Interested in joining?  
Give me your biz card today!**



# Contact Information

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# Appendix: Other RC Successes

- X9 Remittance Glossary Project:  
[http://www.minneapolisfed.org/about/whatwedo/remittance-coalition/X9 Technical Report Remittance Glossary 121920 13 X9C Ballot Version.pdf](http://www.minneapolisfed.org/about/whatwedo/remittance-coalition/X9-Technical-Report-Remittance-Glossary-121920-13-X9C-Ballot-Version.pdf)
- X9 Remittance Standards Inventory Project:  
[http://www.minneapolisfed.org/about/whatwedo/remittance-coalition/X9 TR-44-2013 Final.pdf](http://www.minneapolisfed.org/about/whatwedo/remittance-coalition/X9-TR-44-2013-Final.pdf)
- 2012 Survey of Business Practitioners:  
<http://www.minneapolisfed.org/about/whatwedo/remittance-coalition/12-2012-Remittance-Coalition-Corporate-Survey-Final-Report.pdf>

Selected Features Of Payment	Electronic Payments					Business Check	Cash
	Wire transfer	ACH – Automated Clearing House (preauthorized debits or credits)	Credit Card [purchasing, fleet, commercial, virtual]	Debit Card (PIN & signature)	Internet/ Online Bill Pay from Your Bank <sup>1</sup>		
Acceptance by party being paid	Near universal	More limited	More limited	More limited	Limited	Near universal	Near universal
Fraud risk	Low	Credits low; debits moderate	Moderate	Moderate	Low	High	Low
Funding	Checking or savings account or pre-funded	Checking or savings account or pre-funded	Line of credit	Checking or savings account	Checking or savings account	Checking or savings account	N/A
Funds are directly deposited to account of party being paid	✓	✓			✓		
Must have bank account information of party being paid	✓	✓			✓		
Immediate, irrevocable funds	✓						✓
Remittance data Remittance data refers to anything that explains what a payment is for, including discounts or adjustments taken	Separate from payment or included with wire message	Separate from payment or included with ACH file	May be separate from payment or included with card file	Separate from payment	Separate from payment in most cases	Separate from payment or written on check	Separate from payment
Fee is typically charged by bank to party originating transaction <sup>2</sup>	✓	✓			✓	✓	
Fee is typically charged by bank to party receiving transaction	✓		✓	✓			
Fees Fees vary by bank, location, transaction volume, daily balances, if request is made online or by phone, & so on. Fees may be offset by interest credits on balances.	\$24-30 domestic outgoing; \$12-20 domestic incoming; \$15-50 foreign outgoing	Initial set-up fee of 0-\$100; per batch fee of 5 to 50¢ ; per transaction, e.g. 50-55¢ ; monthly fee of 0-\$50. Rejected & change item fees \$15-30 per item	Card Acceptance Fees: Authorization fees range from 5-60¢ per trx. plus % of amount ranging from 1.5-3% of purchase; monthly fees may also apply	Average: % of purchase, e.g. 2%; plus per transaction fee, e.g. varies by signature vs. PIN	\$0 for monthly access; \$0 per transaction	\$0 to \$30/month; per item fee many apply	\$0
Can schedule future & recurring payments		✓	✓	✓	✓		

<sup>1</sup> Also, electronic invoicing portals from suppliers may provide an Internet/ online bill pay option. <sup>2</sup> Party originating wires & ACH typically pay fees; fees charged for writing business checks & using internet bill pay vary by bank.



# Resources & Reading Recommendations

- National Automated Clearinghouse Association: [www.nacha.org](http://www.nacha.org); for publications see: [www.nacha.org/page/payments-publications](http://www.nacha.org/page/payments-publications)
- Remittance Coalition: [www.minneapolisfed.org/about/whatwedo/remittancecoalition.cfm](http://www.minneapolisfed.org/about/whatwedo/remittancecoalition.cfm)?
- Credit Research Foundation: [www.crfonline.org](http://www.crfonline.org)
- Association for Financial Professionals: [www.afponline.org](http://www.afponline.org)
- The Institute of Financial Operations: [www.financialops.org](http://www.financialops.org)
- Card Payments: [www.visa.com](http://www.visa.com), [www.mastercard.com](http://www.mastercard.com), [www.napcp.org](http://www.napcp.org)