

Getting Your Suppliers to Accept Electronic Payments

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Agenda

- Introductions
- B2B Payments Today
- Valspar's E-Payments Initiative: A Case Study
 - Successful Tactics to Get Suppliers to Give Up Checks
 - Lessons Learned from Valspar's E-Payment Initiative
- Tips to Get You Started on Cutting Costs Instead of Checks

Who We Are

Joyce Olson

Finance Manager -
Disbursements



The Valspar Corporation
Minneapolis, MN

- 25+ years of experience in financial analysis & management
- Strength in the development & implementation of payments strategies
- Responsible for:
 - Accounts Payable
 - Payroll
 - Business Expense (T&E)

About the Valspar Corporation

- Global leader in the paint & coatings industry. Since 1806, Valspar has been dedicated to bringing customers the latest innovations, the finest quality & the best customer service in the coating industry.
- For more information, please visit:
www.valsparglobal.com

Accounts Payable Mission: *To provide timely & accurate expenditure processing of company funds, while maintain an exceptional level of customer service. We are dedicated to continued growth, identifying increasingly efficient ways to achieve our mission, while making a positive contribution to Valspar's bottom line.*

Who We Are

Mary Hughes

Senior Payments

Information Consultant

Federal Reserve Bank of
Minneapolis

Minneapolis, MN



- Payments Information & Outreach Office
- 25+ years experience in financial services & payments
- Active in the Remittance Coalition
- Federal Reserve representative to the EMV Migration Forum & various ANSI X9 subcommittees
- Supports national & district outreach on payments issues

Federal Reserve System

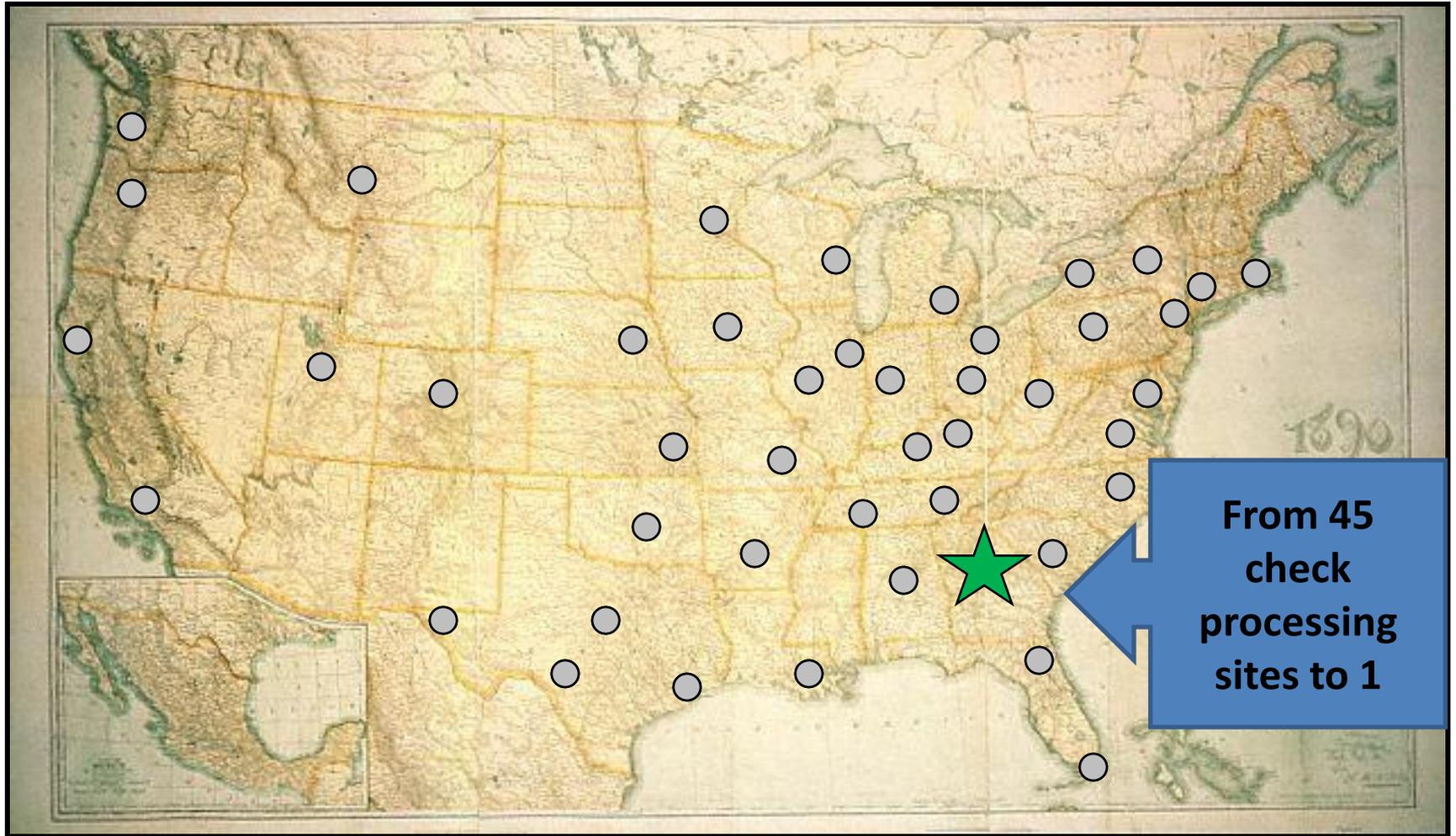
- Establishes & executes U.S. monetary policy
- Promotes a stable financial system
- Supervises & regulates financial institutions (FIs)
- Provides financial services to FIs & U.S. government

Mission in payments: *To foster the integrity, efficiency & accessibility of U.S. payments & settlement systems in support of financial stability & economic growth*

Business to Business (B2B) Payments Today



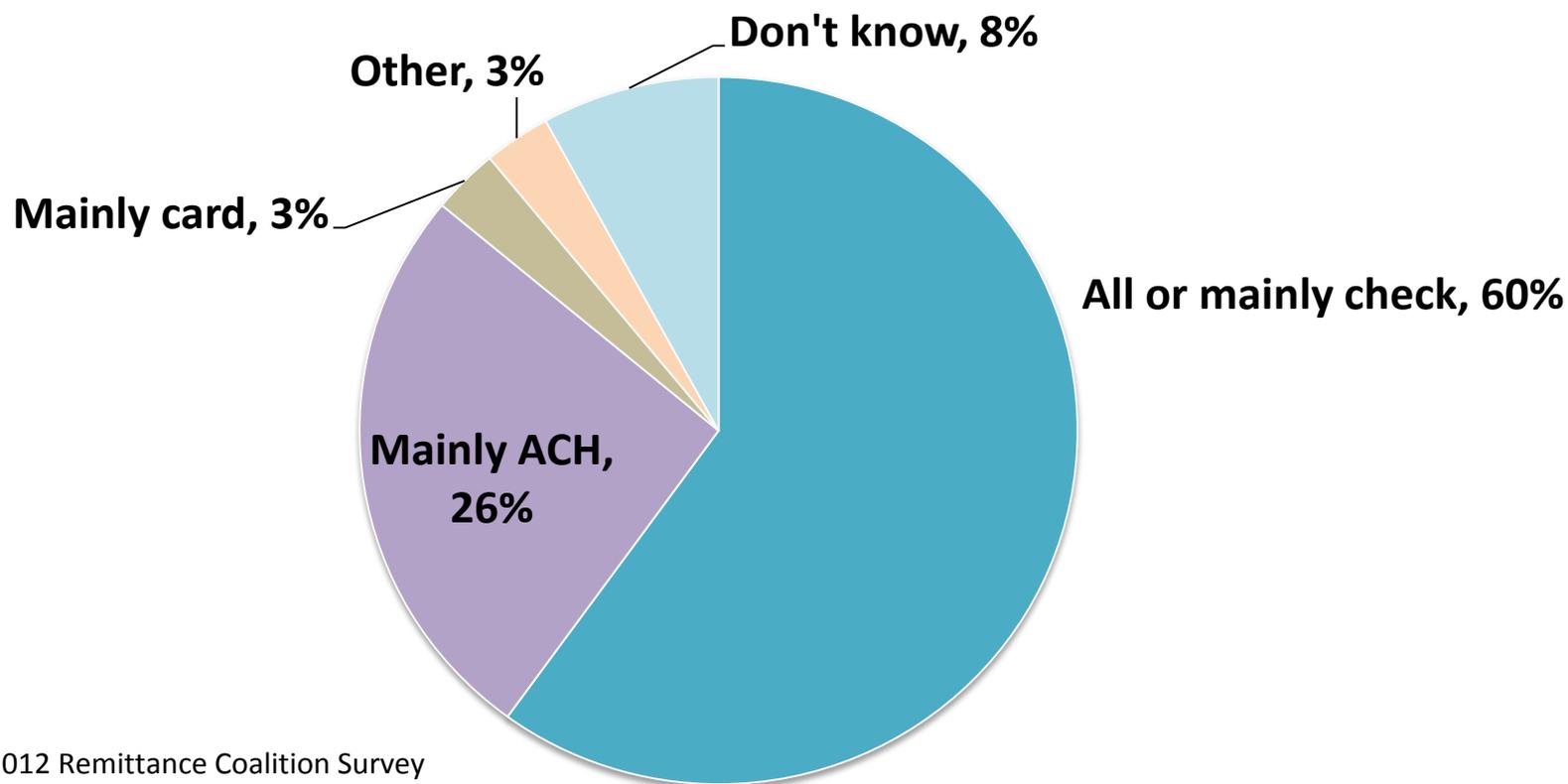
Changes to Fed's Infrastructure



B2B Payments Are Mainly Made by Check

Primary Method for Making B2B Payments

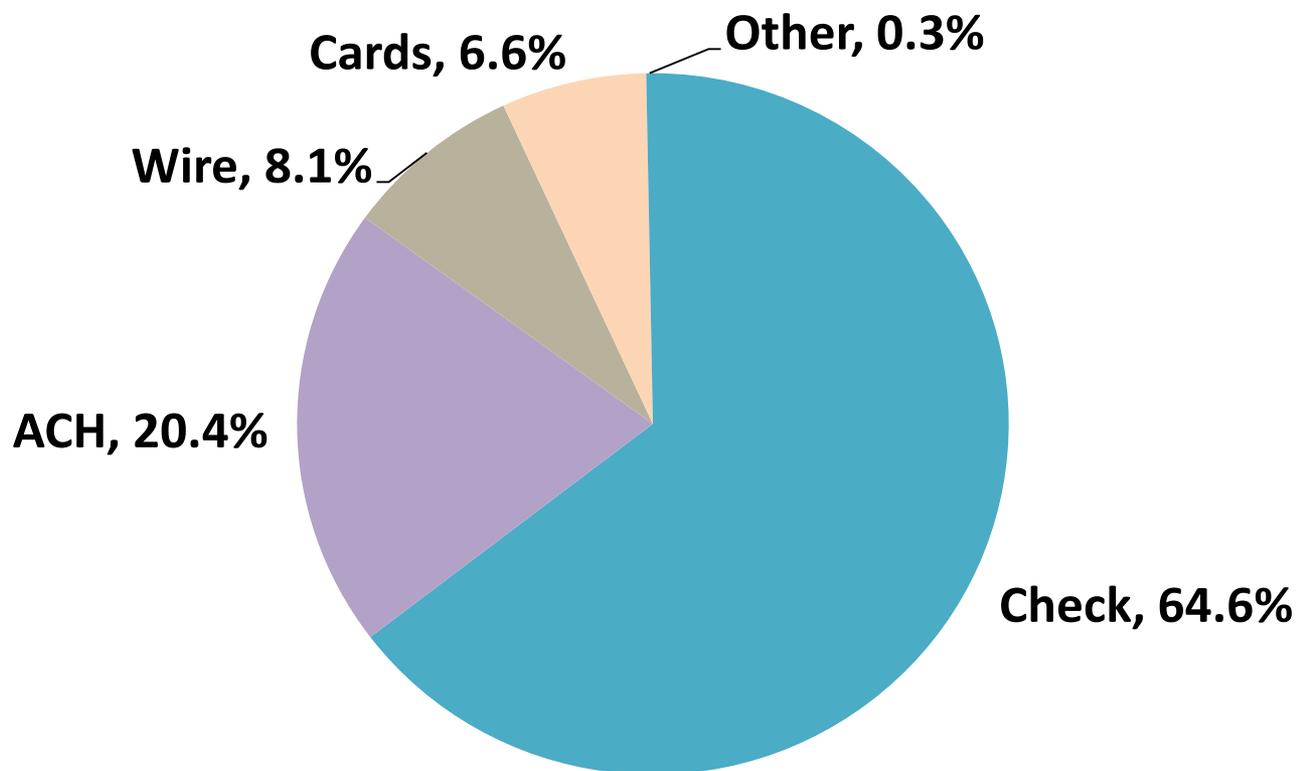
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Source: 2012 Remittance Coalition Survey

% of All Transactions, by Payment Type

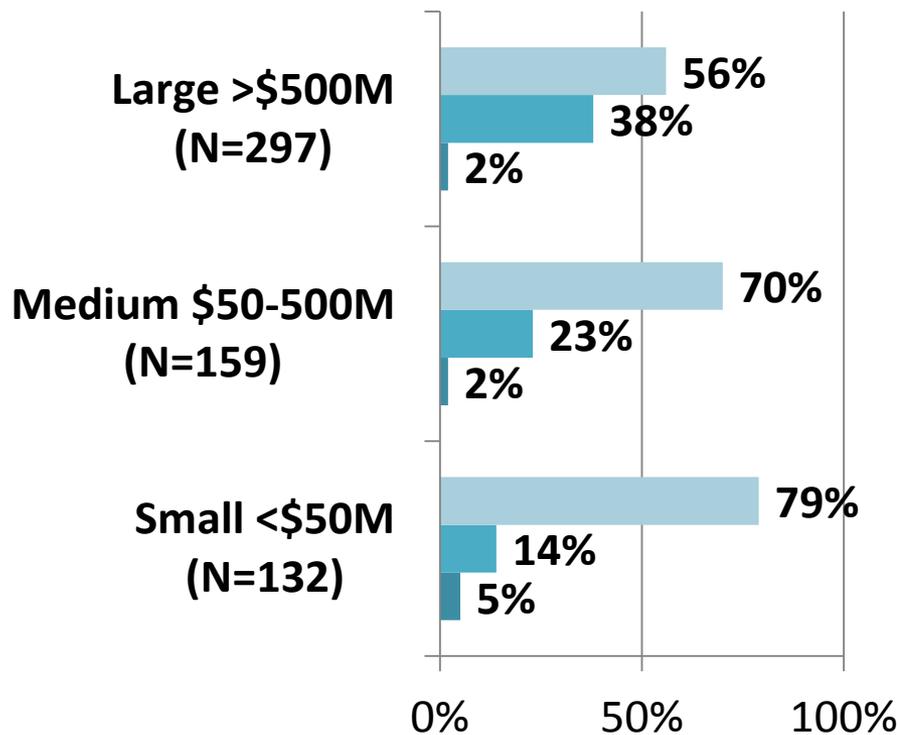
% of Payment Transactions Made by Corporations, by Payment Type



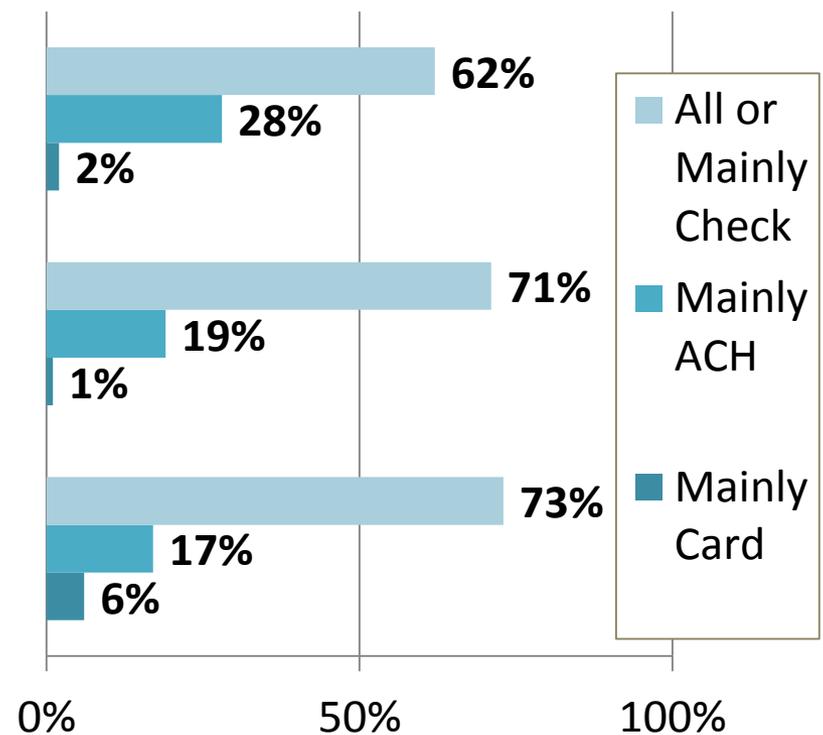
Source: 2013 Phoenix-Hecht Treasury Management Monitor

Checks Are Primary Method for All Organization Sizes

Primary Method for Making Payments



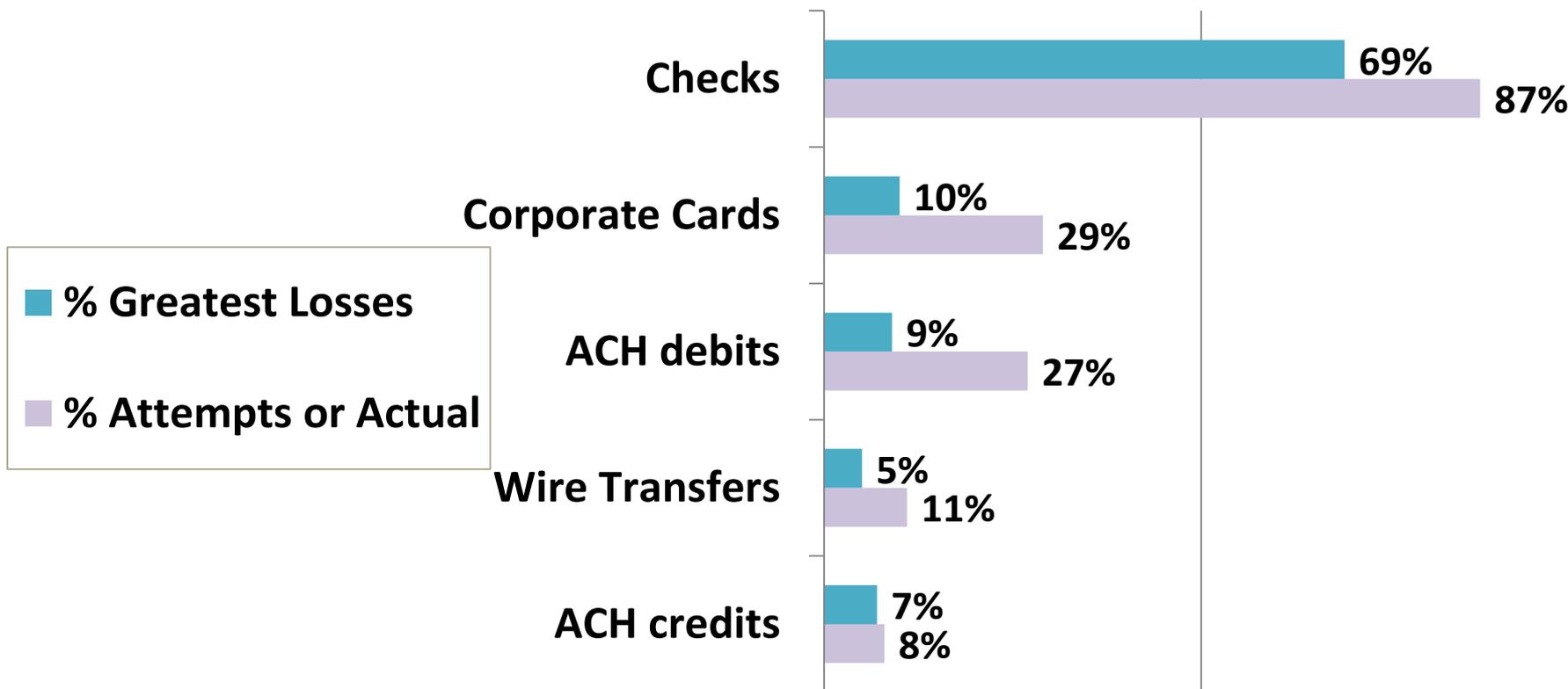
Primary Method for Receiving Payments



Source: 2012 Remittance Coalition Survey

Dominant Fraud Type Experienced by Businesses? Checks!

% of Organizations Subject to Payments Fraud in 2012



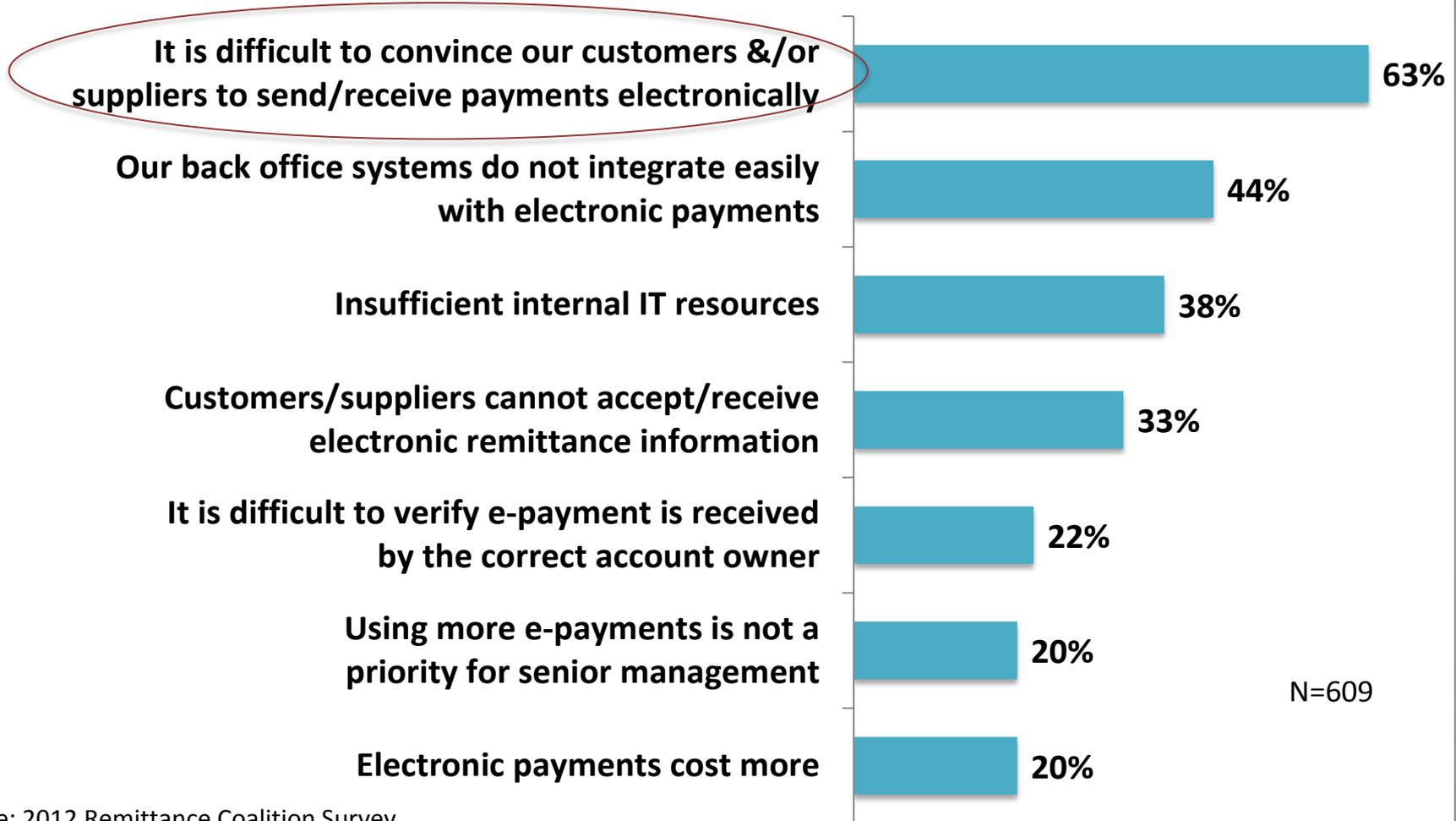
Source: 2013 AFP Payments Fraud & Control Survey, Association for Financial Professionals, March 2013

Benefits of B2B Electronic Payments Adoption

% of Organizations Rating this Benefit in Top Three	All Respondents
Cost savings	52%
Improved cash forecasting	40
Fraud control	37
More efficient reconciliation	32
Working capital improvement	28
Straight through processing to A/P or A/R	24
Better supplier/customer relations	24
Reduction in days sales outstanding	22
Ability to take early payment discounts	18

Source: 2010 AFP Payments Survey

Main Barriers to Sending & Receiving More B2B E-Payments

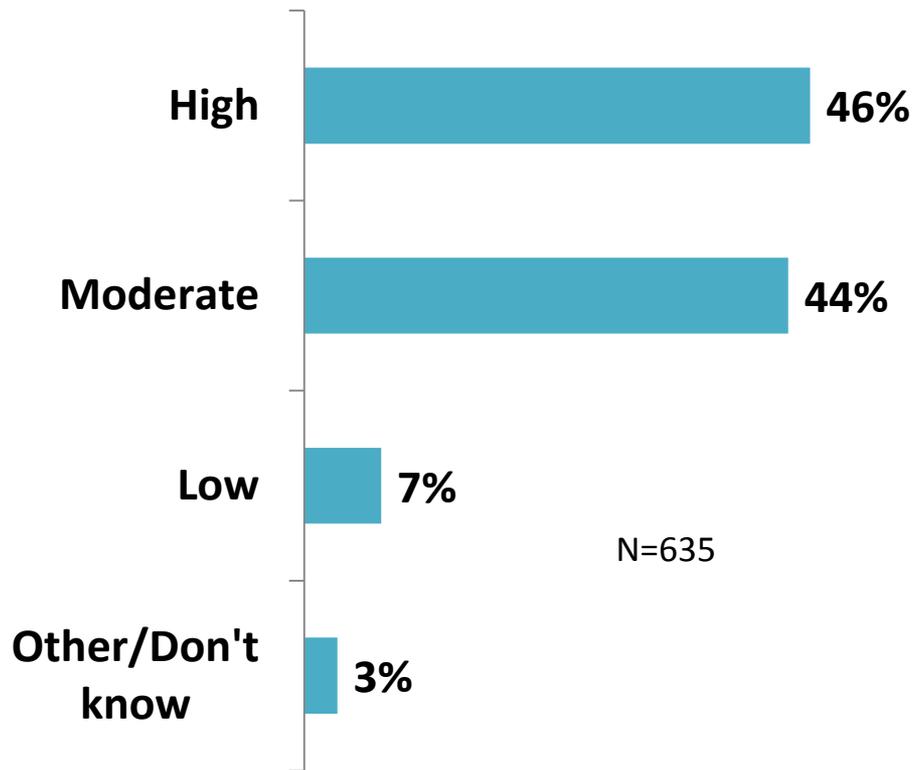


Source: 2012 Remittance Coalition Survey

Businesses Want More E-Payments & E-Remittances

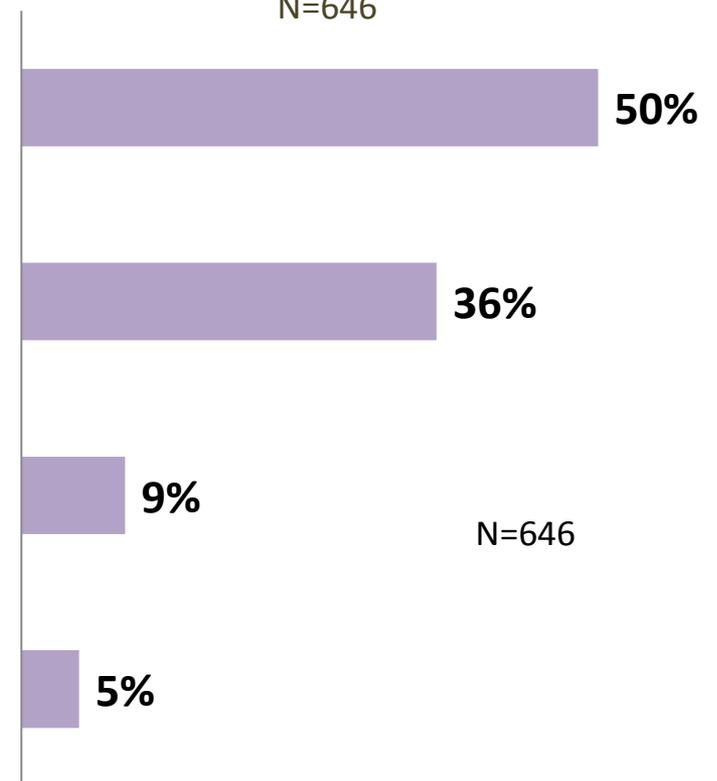
Interest in Making & Receiving More E-Payments

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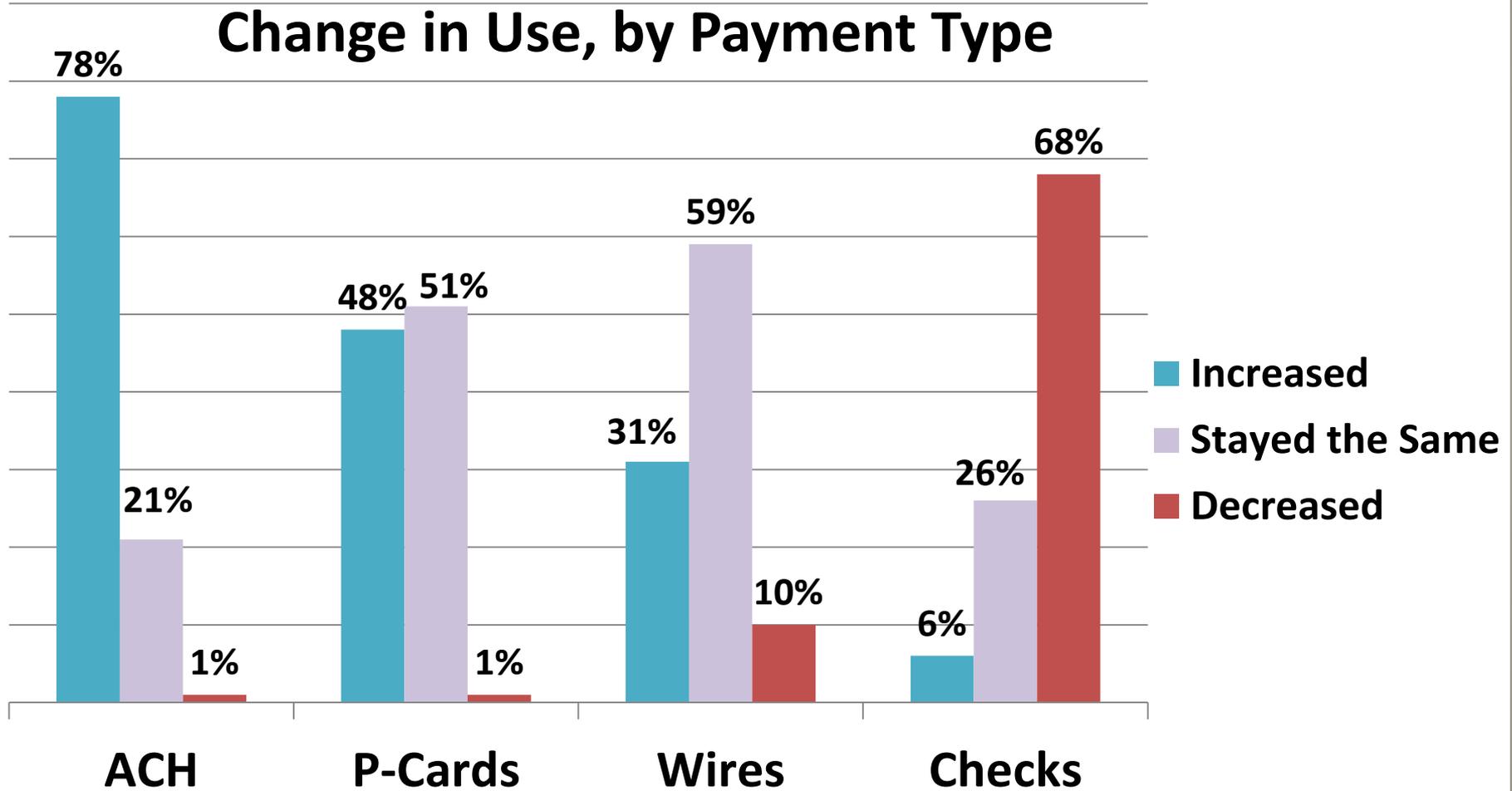
Interest in Automating Exchange & Reconciliation of More E-Remittance Data

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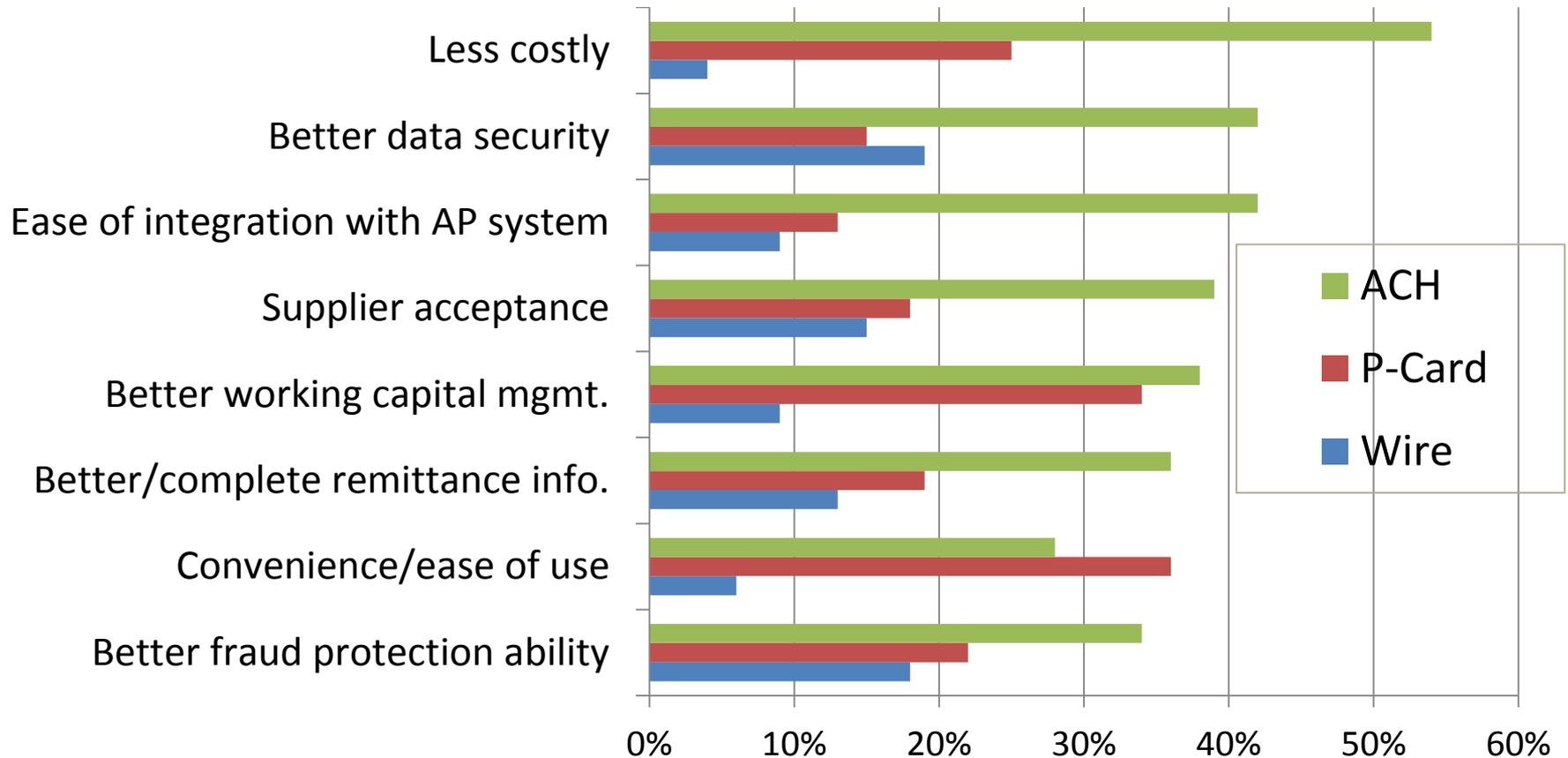
Source: 2012 Remittance Coalition Survey

Trend: Increased Use of E-Payments



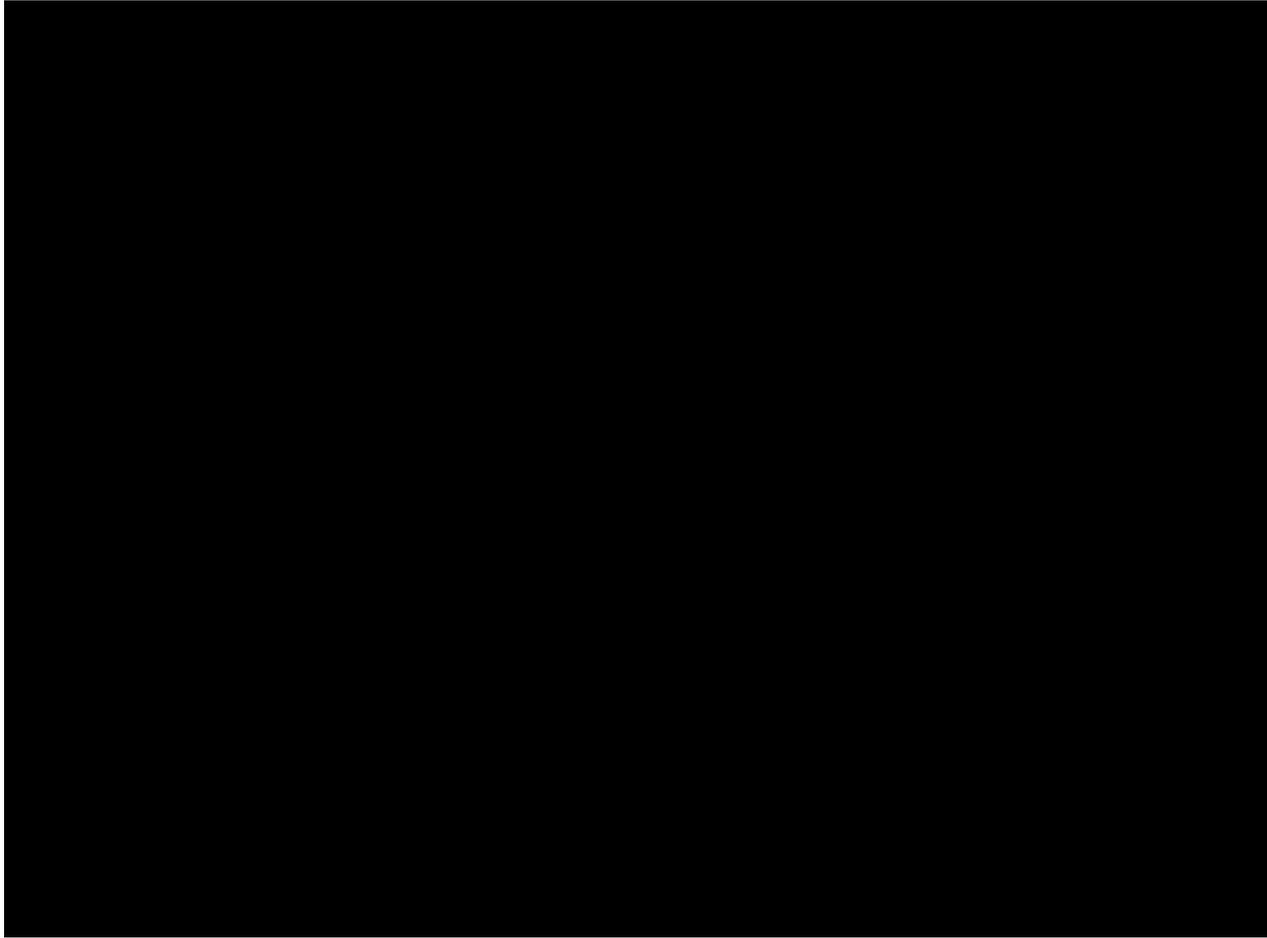
Source: 2012 PayStream Advisors *Electronic Supplier Payments – Pushing Forward with Buyer Initiated Payments*

Top Factors Driving Electronic Payments Usage



Source: 2012 PayStream Advisors *Electronic Supplier Payments – Pushing Forward with Buyer Initiated Payments*

Provide Leadership



Valspar's E-Payments Initiative: A Case Study



How many times per week do you process outgoing payments?

Are you printing checks in-house?

Valspar's Accounts Payable Goals

1. Pay all bills in a timely manner, but no sooner than required
2. Work closely with Purchasing to ensure contract terms & policies are met
3. Maintain excellent relationships with suppliers
4. Understand suppliers' importance to Valspar's businesses; identify specific supplier groups & work with them to accept electronic payments
5. Meet Treasury goals for A/P

Successful Tactics of Valspar

- Conducted segmentation study of our suppliers
 - Direct vs. indirect taxonomy
 - Value/importance to our core businesses
 - % of spend
 - Replacement options
 - Goal: identify best candidates for e-payments
- Analyzed the costs of checks vs. electronic alternatives and the benefits of switching
- Prepared supporting evidence to convince unwilling suppliers

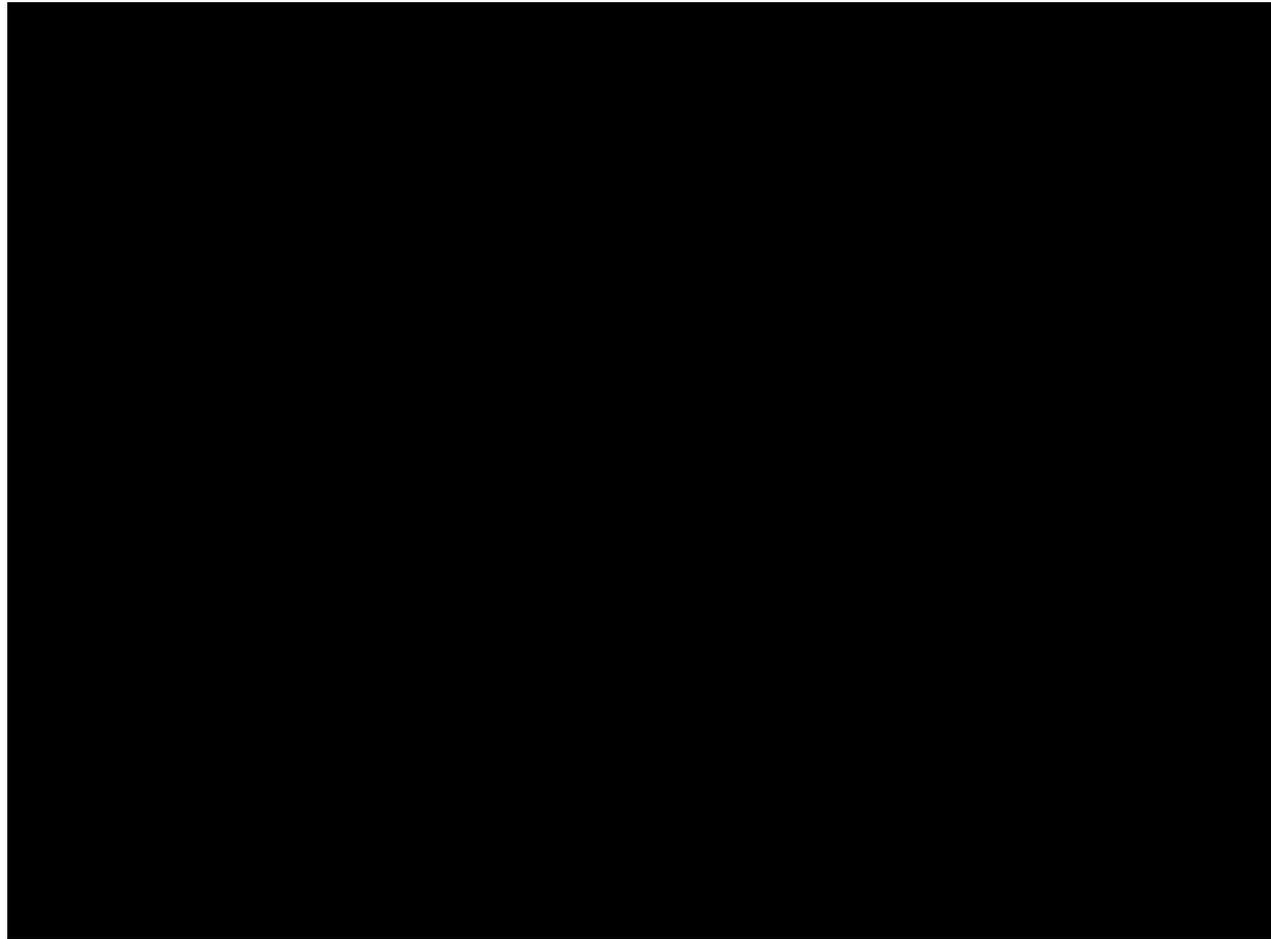
Overcoming Objections

Objection of Supplier	Your Response
“I don’t want to pay an interchange fee on a credit card payment.”	“Our card option comes with a more favorable payment term but ACH at our standard term is also available.”
“What about remittance details? How can I reconcile the P-card payment?”	“We will send you detailed remittance information via email.”
“I don’t want to give you my bank account information.”	“The fraud risk with a check payment is far greater than any ACH payment.”
“My system is set up to accept checks.”	“Electronic payments are faster and more predictable – by far.” “E-payments are safer than checks. Check fraud is rampant.” “Consider the environmental impact: reduce paper and go green.”

Valspar's Approach to Reducing Checks

- Sent letters to suppliers explaining favorable alternatives to checks: e.g., greater reliability, security, cost-effectiveness, etc.
- Continue to slow the check payment process
 - Outsourced check printing & process checks only once per week
- Made e-payments an attractive alternative to checks
- Staggered terms initiative

Offer Incentives



How many organizations have accounts payable processing done in multiple locations?

Of you, how many of these A/P locations are on different systems?

Lessons Learned from Valspar's E- Payments Initiative



Why Valspar Was Successful

- Centralized A/P for North America
- One processing system
- Senior management buy-in to e-payment initiative
- Empowered, educated A/P staff
- Convinced suppliers of e-payment benefits
- Thoughtful rollout to specific supplier groups

Lessons Learned: What Not to Do

- Don't assume suppliers & you speak the same payment terminology. Explain what you are proposing & confirm understanding.
- Don't expect overnight results
- Don't expect to completely eliminate checks
- Don't assume 100% cooperation

Lessons Learned

- Know your suppliers
- Be flexible
- Ask more than once: it may take several appeals to effect the switch to e-payments
- Understand that the trading partner relationship is fluid
- Be transparent about your A/P goals

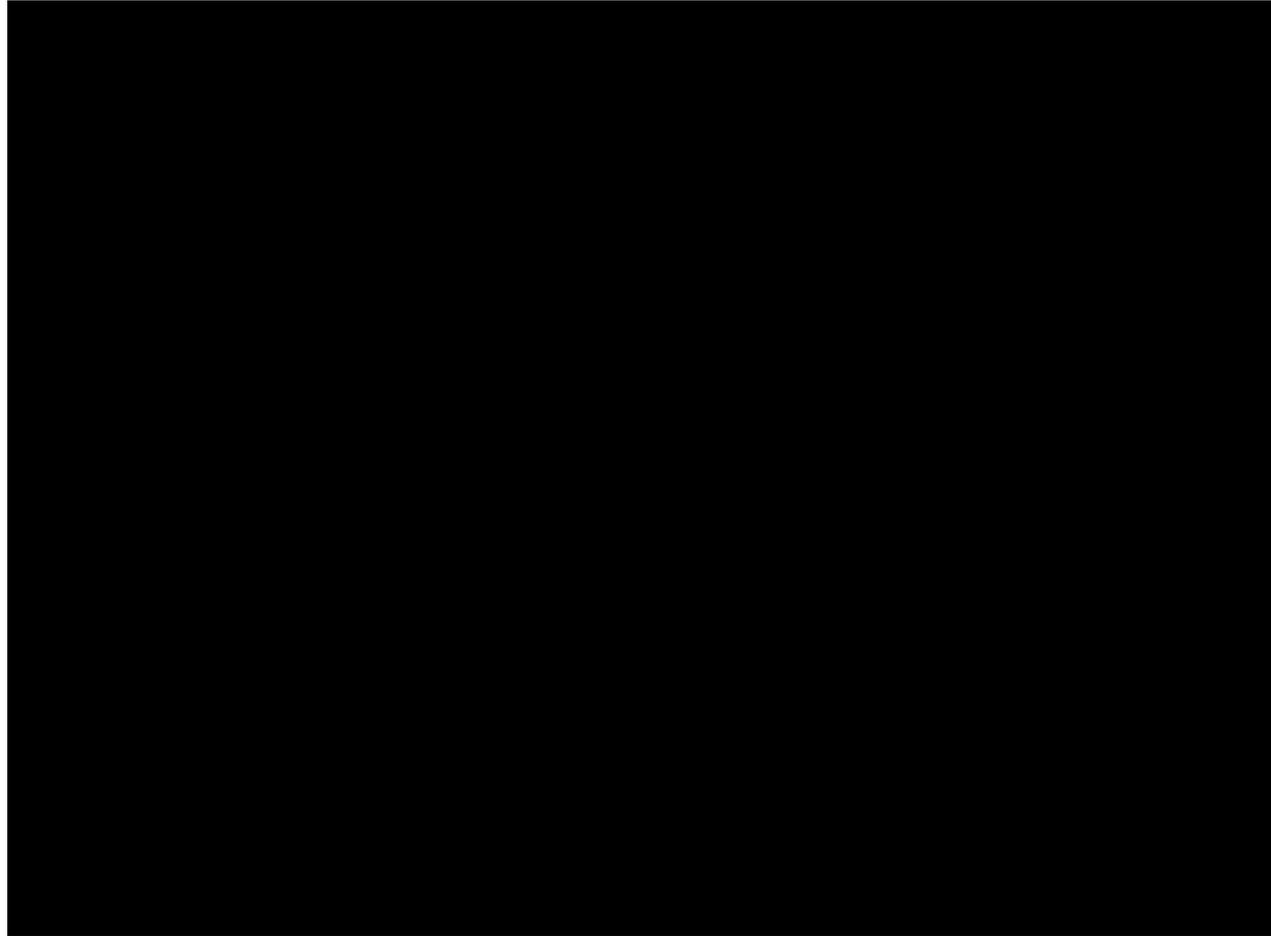
Tips to Get You Started on Cutting Costs Instead of Checks



Tips to Get Started

- Segment your suppliers & identify those most advantageous to move away from checks
- Understand your costs to process checks
- Determine best e-payment alternatives
- Obtain senior management buy-in to concept
- Work with your financial institution(s) to craft solutions that are best for your organization

Work in Harmony



QUESTIONS?



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