



# Scotiabank Visa Payables Automation

May 23, 2013





## Your Payment Professionals Presenting Today:

**Paul Cargnelli – Head of Commercial  
Sales Canada, Visa Inc.**

**Cameron McPhail – Vice President &  
Director Commercial Cards, Scotiabank**



# Important Note



*Survey results, research and recommended practice recommendations are intended for informational purposes only and should not be relied upon for marketing, legal, technical, tax, financial or other advice. The actual costs, savings and benefits of a commercial card program may vary based upon your specific business needs and program requirements. Visa is not responsible for your use of the survey results, research, recommended practices, or other information, including errors of any kind, or any assumptions or conclusions you might draw from their use.*



# Agenda

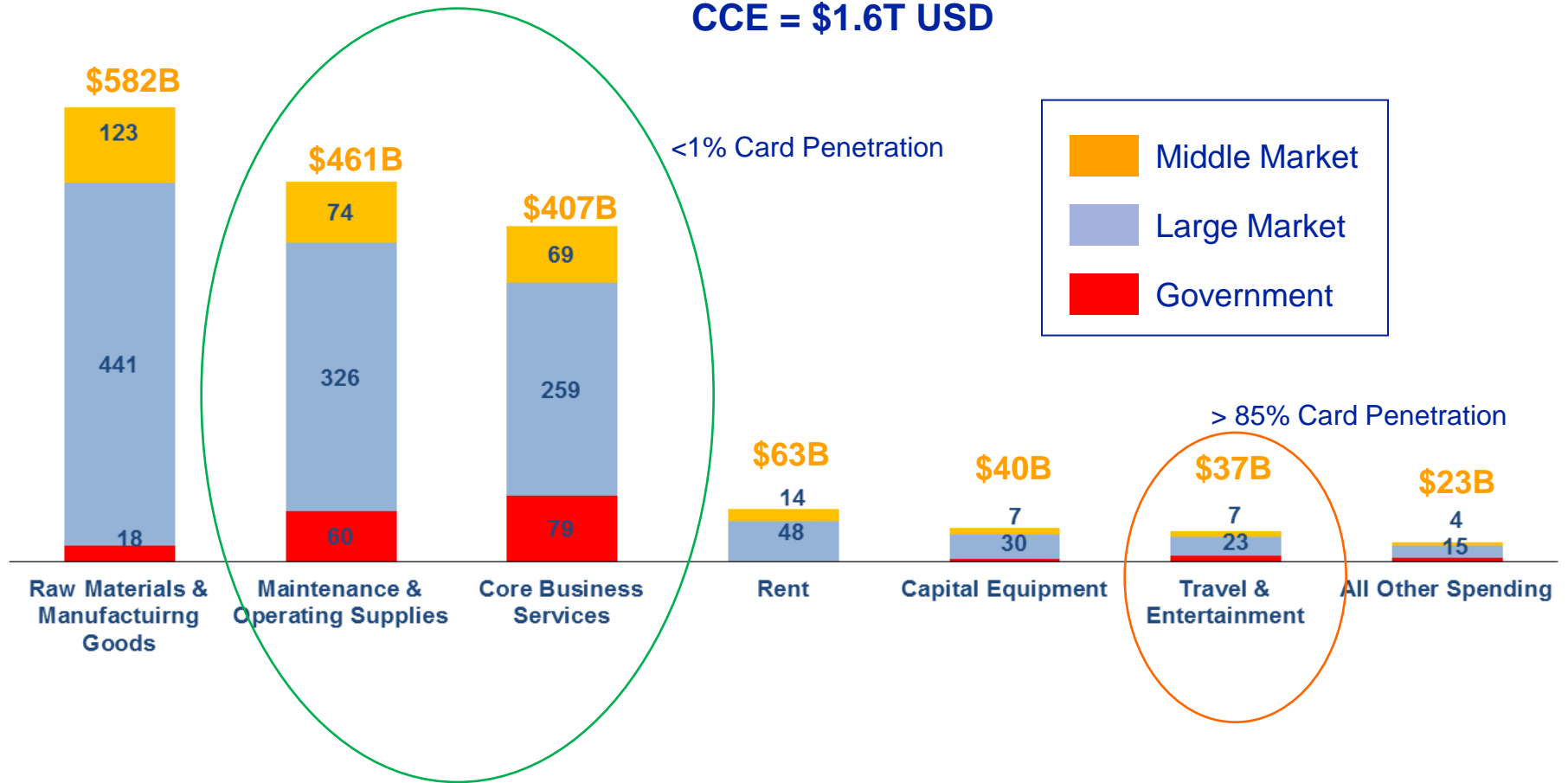


- Market Overview
- Why & When to Automate Payments
- How Payables Automation Works
- Overview of Payables Automation
- How to Identify your Opportunities
- Next Steps and Importance of Supplier Enablement

# Canada Large/Middle Market Spending **USA**

By Spend Category

2011 Canada Middle/Large/Government  
CCE = \$1.6T USD



Source: Visa Commercial Consumption Expenditure Index; Economist Intelligence Unit (EIU) modeling and analysis, September 2012. Global CCE index data sources include Bureau of Economic Analysis (BEA), U.S. Census Bureau, Organization for Economic Cooperation and Development (OECD), STructural ANalysis (STAN) Database, EuroStat Database, General Government Accounts from the National Accounts of OECD Countries, United Nations Statistics Division National Accounts Main Aggregates Database, EIU proprietary databases, government data and EIU model estimates where government data was unavailable. Large contracted defense spending not included in CCE index.

# Commercial Study Highlights

## Global Cash Management Survey



### United States



*When these areas are beneficial to a company, probability is increased that an organization will use commercial card payments*

**Barriers:** *when these areas are barriers, the probability that the organization will use commercial card payments is decreased.*

*Privacy/security of bank account information*



**Order of strength**



Receive rebates



Easier to make payments to infrequent payees



Decreases interest paid on credit line



Increases days payables outstanding without late fees



Enhances control and compliance with corporate policies and procedures



More efficient reconciliation



More complete remittance information

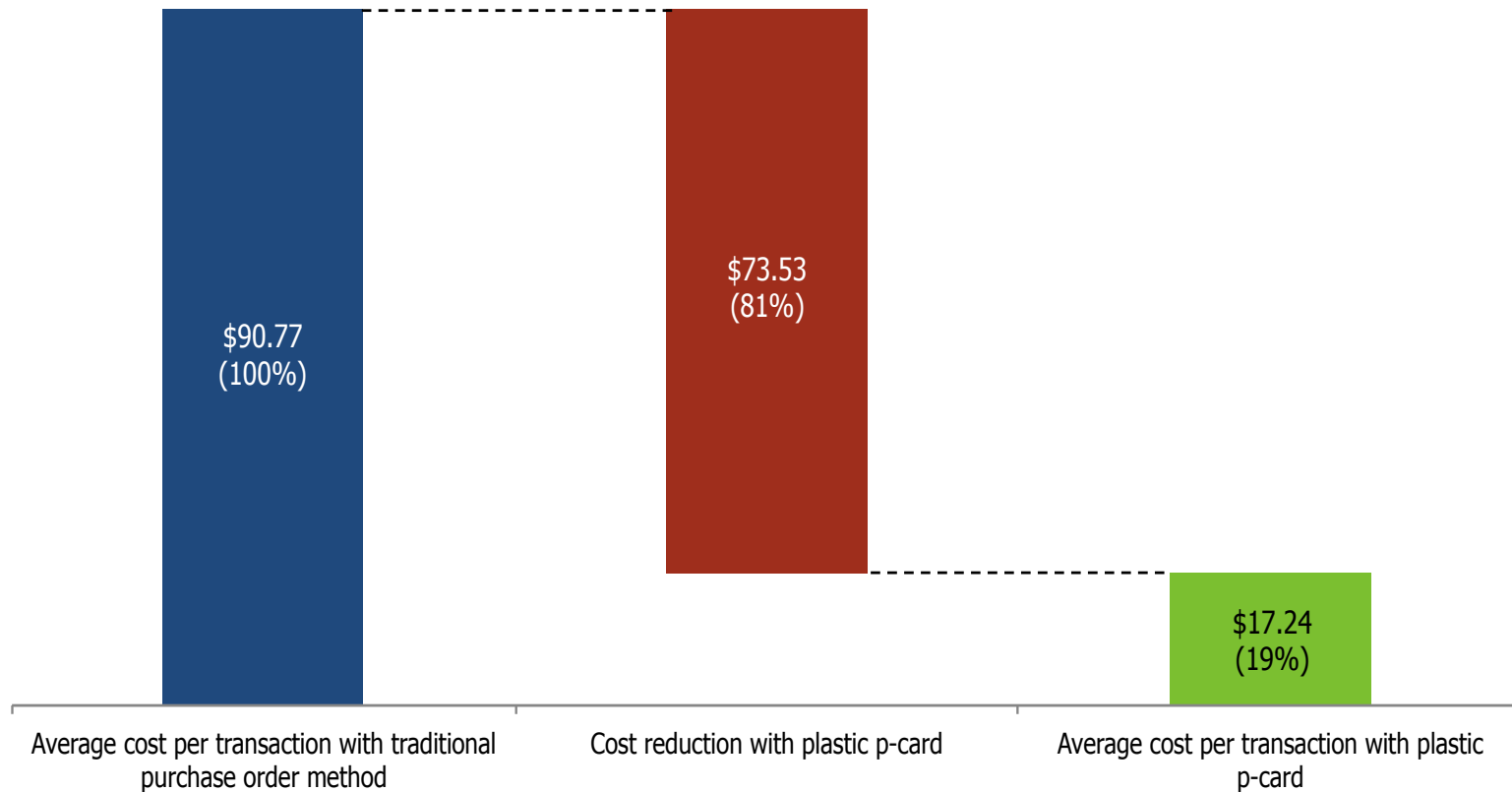


Enables payment data integration with accounting systems

*This data was run using a regression analysis of Q20 (Card Based AP Automation value), Q25 (ERP/AP expense management system importance), Q27 (Purchase Card benefits) and Q29 (Electronic Payment barriers) with the dependent variable of Q7 (payment method=Commercial Card).*

Sample: United States

# Cost Reduction per Transaction by Purchasing Card Use



Source: 2012 RMPG Purchasing Card Study

# Purchasing Card Wallet Share

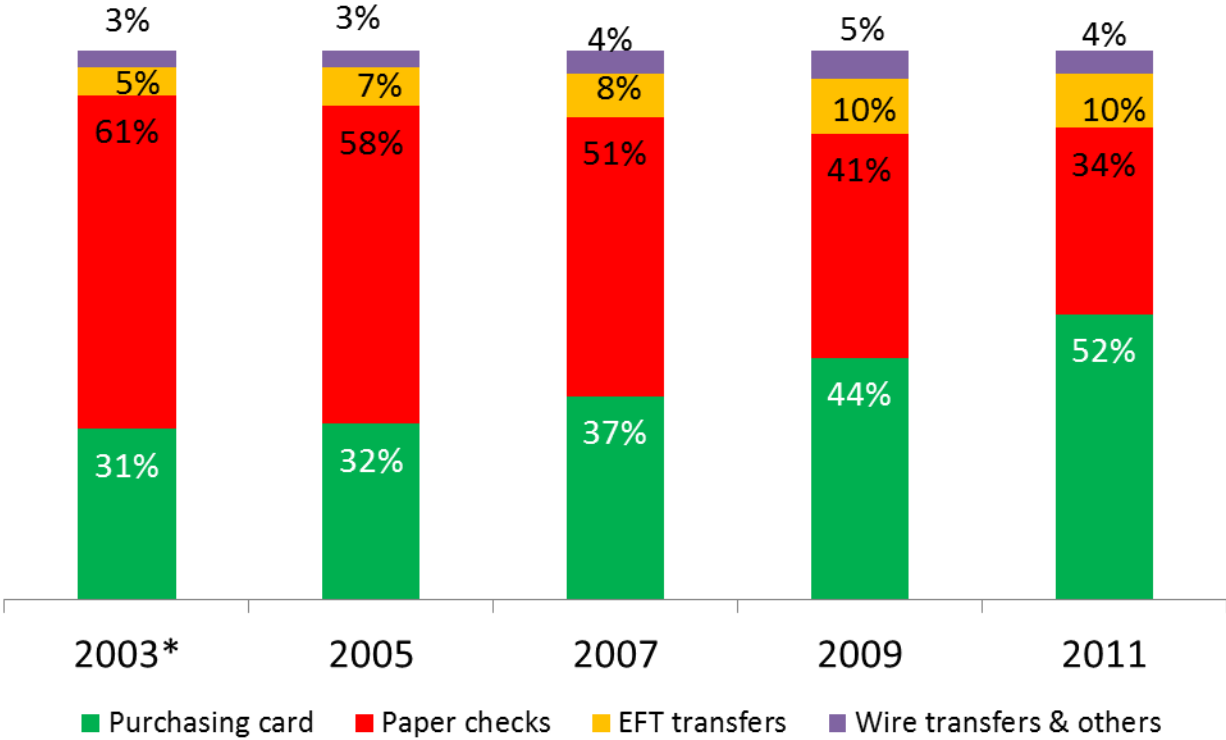


## Transactions under \$2,500

The percentage of under \$2,500 transactions have been increasingly shifting to purchasing cards, largely shifting from paper checks.

*What is the level of capture at your organization?*

Percent of Transactions Under \$2,500 Paid with Card



\* In 2003, the capture category was under \$2,000

Source: 2012 Purchasing Card Benchmark Survey, RPMG Research



# Purchasing Card Wallet Share

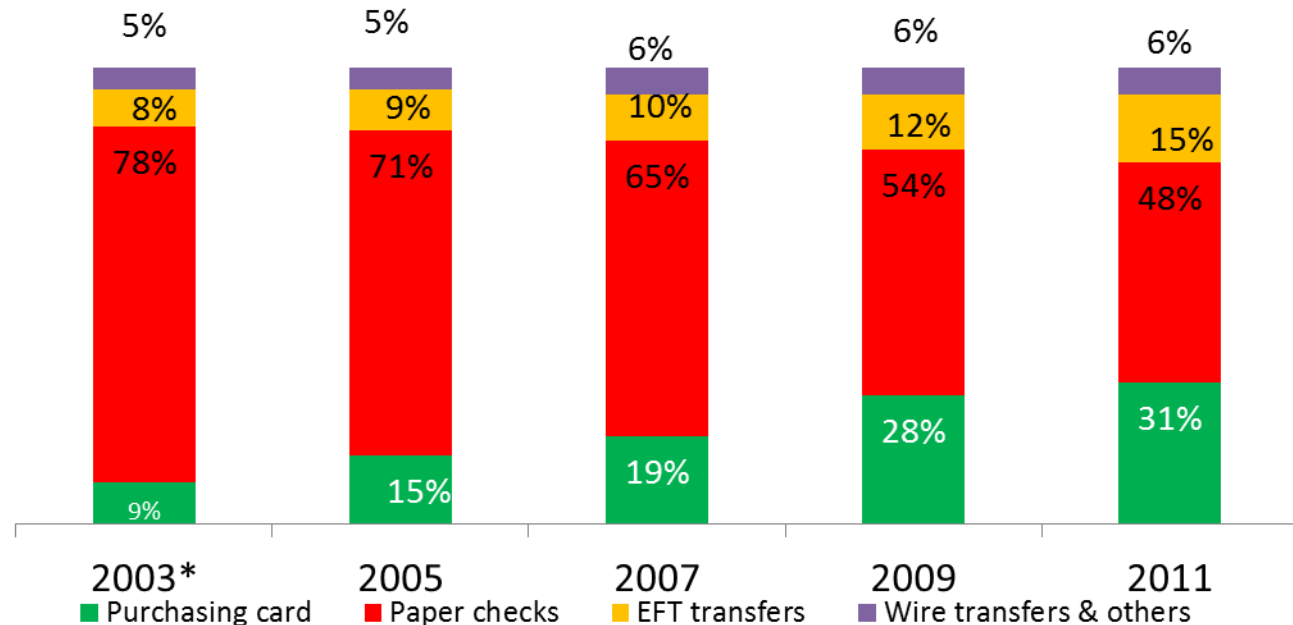
## Transactions \$2,500- \$10,000



The percentage of \$2,500 to \$10,000 transactions have been increasingly shifting to purchasing cards from paper checks.

*Does your organization track its progress “electronifying” payments?*

Percent of Transactions \$2,500-\$10,000 Paid with Card



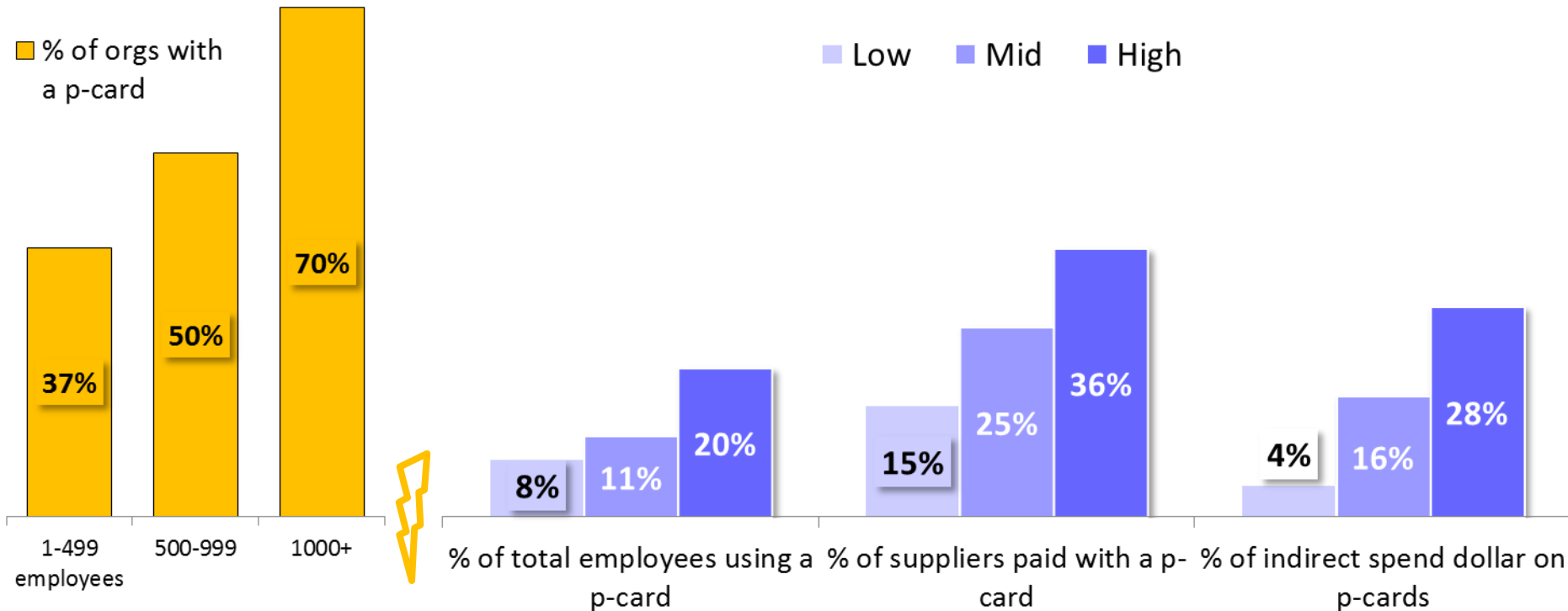
\* In 2003, the capture category was \$2,000-\$10,000

**Note:** Card penetration in \$10-\$100K range is 9%

Source: 2012 Purchasing Card Benchmark Survey, RPMG Research

# Among surveyed end-users, commercial card program penetration varies widely.

**Observed End-User Organization P-Card Penetration Rates**



% of orgs with a p-card: "Visibility: The Not-So-Obvious Real Value of AP Automation," 2010, The Accounts Payable Network.

% of total employees: 2010 RPMG P-Card Benchmarking Survey (n=1900+ purchasing card user respondents). Low = "Needs Improvement" group, Mid = overall results, and High = "Best Practice" group.

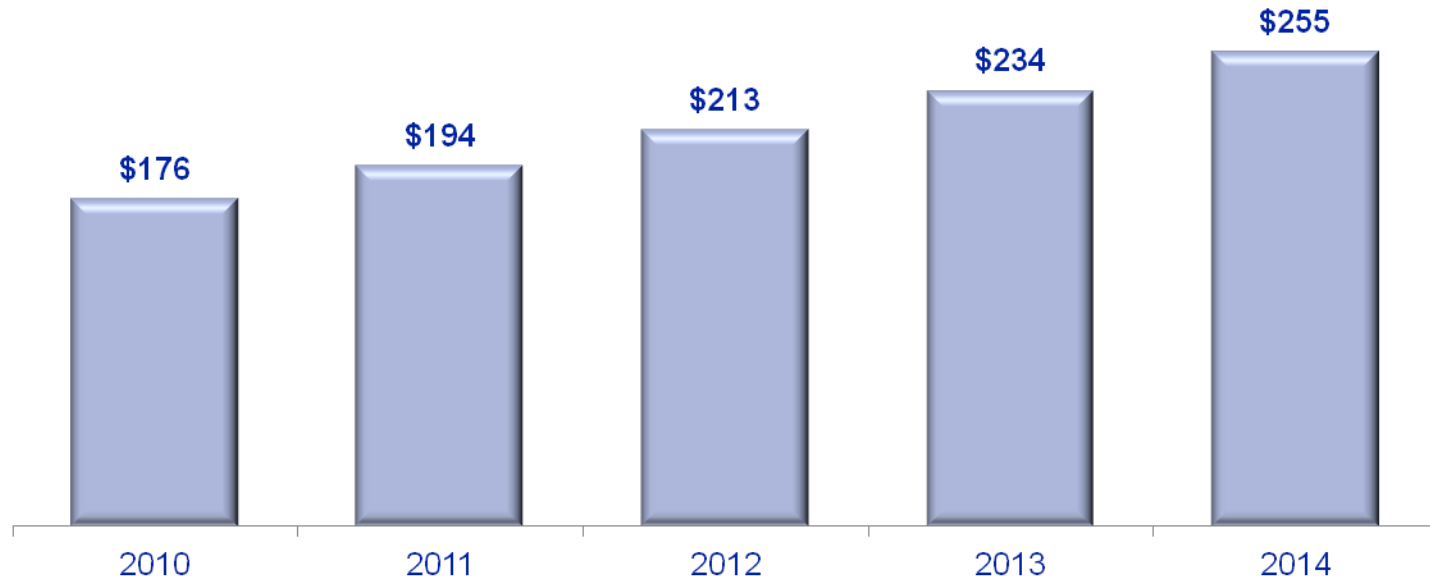
% of suppliers / % of indirect spend: "The Purchasing Card Implementation Report," Aberdeen Group, November 2008, study of 440 organizations in North America (72%), Europe (15%), Asia-Pacific (10%), and other regions (3%). "Low" is for bottom quartile of respondents, "High" is for top quartile, and "mid" is the simple average.

# Payables Automation Trends



For purchasing card growth specifically, RPMG survey respondents expect to experience an 11.6% average annual growth rate between 2009 – 2014.

*Purchasing Card Spending in North America (in \$ billions)*



Source: RPMG 2010 Purchasing Card Benchmark Survey Results. (This data does not reflect any forecast, prediction or expectation regarding Visa's performance or revenues.)

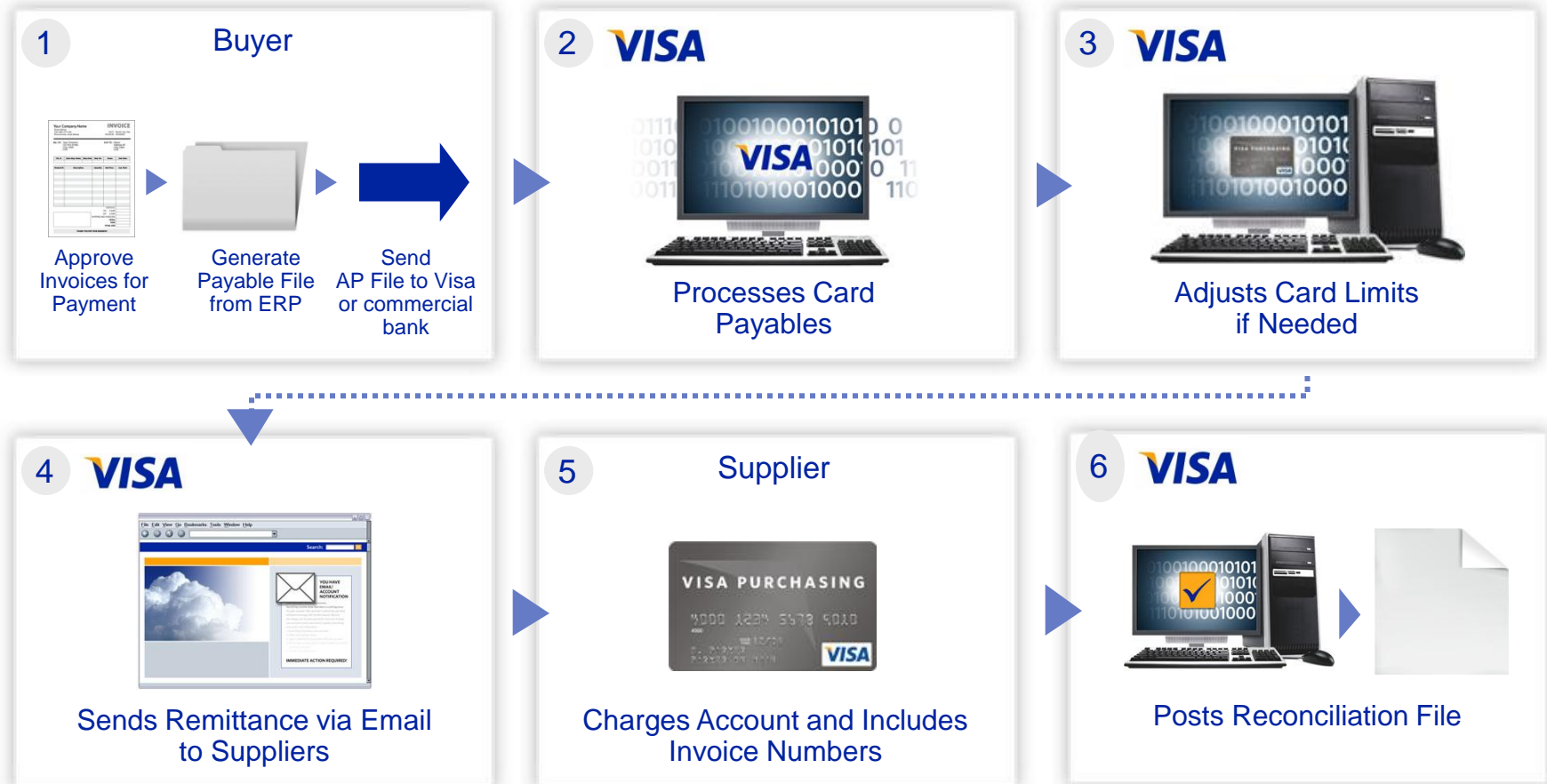
*Sustained electronic B2B payments growth is being driven by organizations seeking to achieve great cost savings with traditionally inefficient functions.*

# How Does Visa Payables Work?

# Options for Payables Automation with VISA Virtual Commercial Cards

AP Automation solutions facilitate a virtual card transaction.

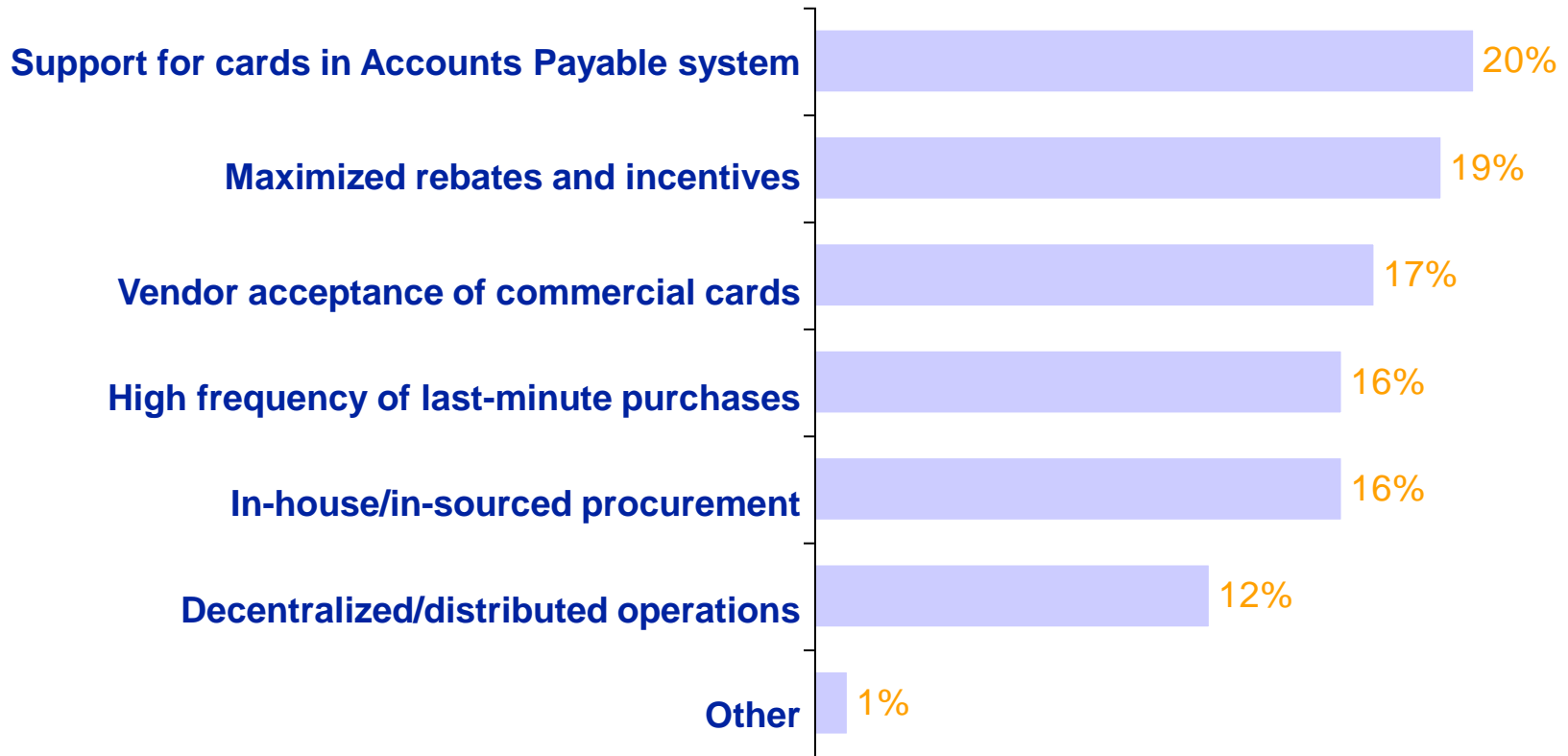
## How AP Automation Works



# Payment Automation Drivers



The increase in companies adopting electronic payments is due to factors including support for cards in the Accounts Payable system and vendor acceptance of commercial cards



*For data on this page, at 90% confidence, a variance of 3% is needed to indicate a significant difference*

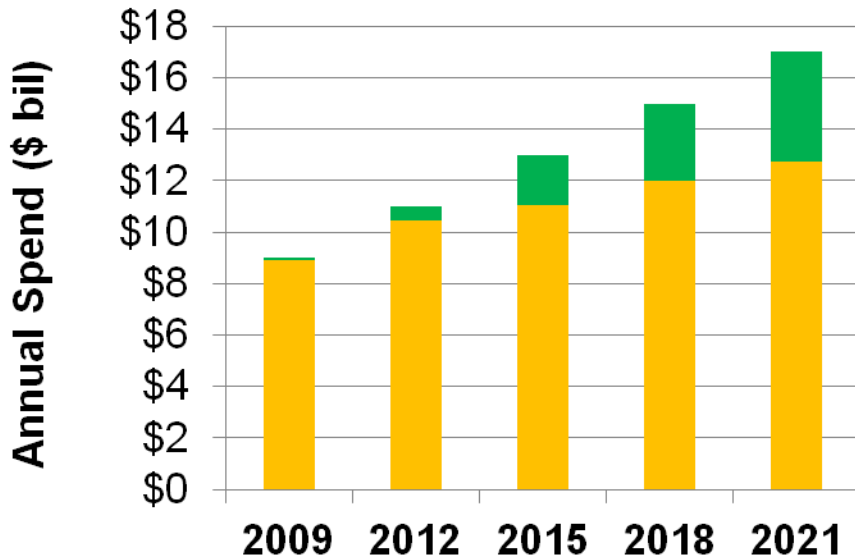
Source: 2011 Global Cash Management Survey: Q28. **Which of the following factors is most important in driving your organization to focus on electronic payments?**

Sample: Mid and large companies

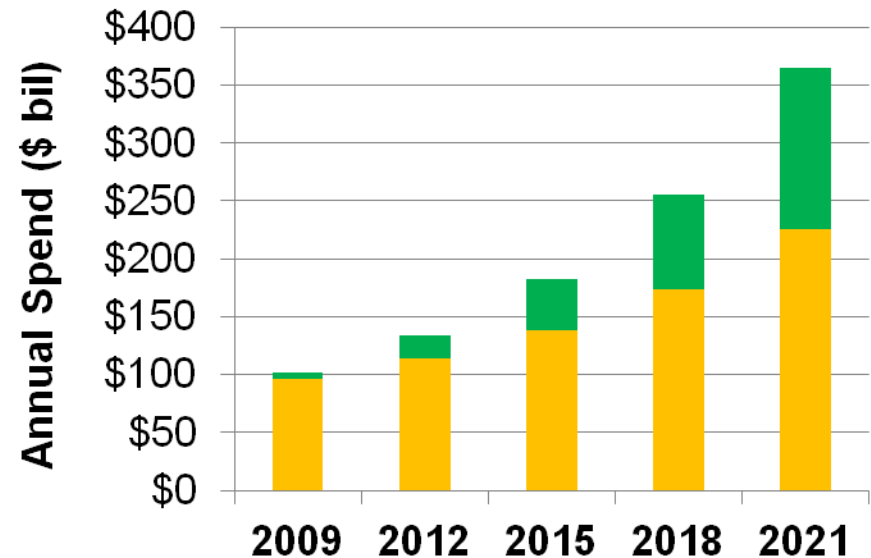
# Emerging Trend: ePayables Growth – Canada / US



■ Virtual card spend  
■ Physical P-Card



■ Virtual card spend  
■ Physical P-Card



- Assumes virtual card/ePayables adoption, which has been sloping up exponentially and reached 50% in 2012, begins to decelerate and eventually converge around 90%.
  - Virtual card/ePayables spend penetration for orgs with same assumed to increase from 26% to 45% on a linear basis.
  - Uses projected 2009 to 2014 spend growth for organizations with and without virtual cards to infer a growth rate specific to virtual card spend.
- Source: "Purchasing Card Benchmarking Survey," RPMG (2010); First Annapolis Consulting good faith forecasting and assumptions.

Source: First Annapolis Consulting good faith estimated forecast.  
(Excludes Travel & Entertainment Spend)

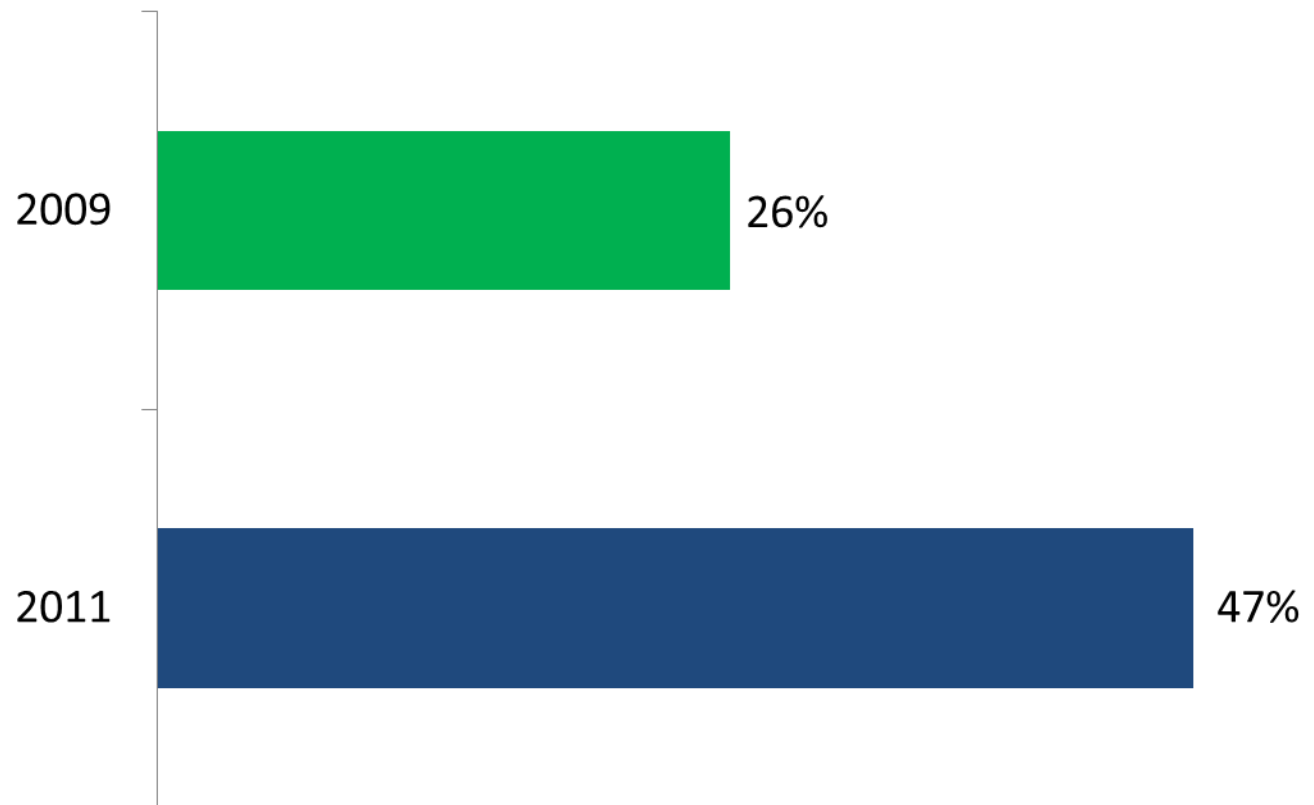
# The Impact of Electronic Accounts Payable (EAP)



The “ramp-up” of EAP spending at most organizations is significant.

Average EAP spending as a percent of total “purchasing card program” spending among respondents has increased notably from 26% in 2009 to 47% in 2011.

EAP Spending as a Percent of Purchasing Card Program Spending



Source: 2012 Purchasing Card Benchmark Survey, RPMG Research



# Why & When to Automate Payments?

Buying organizations that automate payments through any form of card payment can realize material benefits ....



## The Value Proposition for Buying Organizations

### Streamline Payments

Electronic payments help streamline the payment and reconciliation process by reducing the cycle time, cost and financial and operational risks associated with traditional cheque payment activity .

### Increase Control of Purchases

Buying organizations increase control of purchases and help align spending with procurement policies by leveraging a payables automation solution.

### Better Manage Cash Flow

Implementing a payables automation solution can give an organization greater flexibility to increase DPO's and enhance the predictability of cash flow forecasts.

### Expand Purchasing Card Spend

In addition, automating payments can help the buying organization to increase its purchasing card spending by enabling card payment for purchases that heretofore have not been paid by plastic cards.

### Financial Incentives

Financial incentives from issuers may be available through the use of commercial cards. Payables automation will provide incremental opportunities for incentives.

# Why & When to Automate Payments?



Suppliers see a number of benefits from accepting card-based solutions.

## The Value Proposition for Suppliers

### Expand Customer Base

Adoption of virtual card-based solutions may strengthen, retain, and potentially expand buyer / client relationships.

### Reduce Processing Times

Electronic settlement can simplify payment processing by making funds available to the supplier when the transaction is processed and could eliminate manual processes such as invoice presentment and inquiries to buying organizations on payment status.

### Reduce Costs

Eliminate need for credit check on new buyers; reduction in administration costs on lost / stolen cheques; reduced lockbox fees; reduced deposit fees; reduced collection costs; attaining a higher threshold on merchant discount rate

### Enhanced Data

Enhanced remittance data that accompanies a virtual card solution can help improve the payment reconciliation process thereby reducing exceptions, errors, and disputes.

### Improve Working Capital

Electronic payments enable faster receipt of funds from the time of payment initiation, which can decrease supplier DSOs, improve cash flow, and enhance working capital.

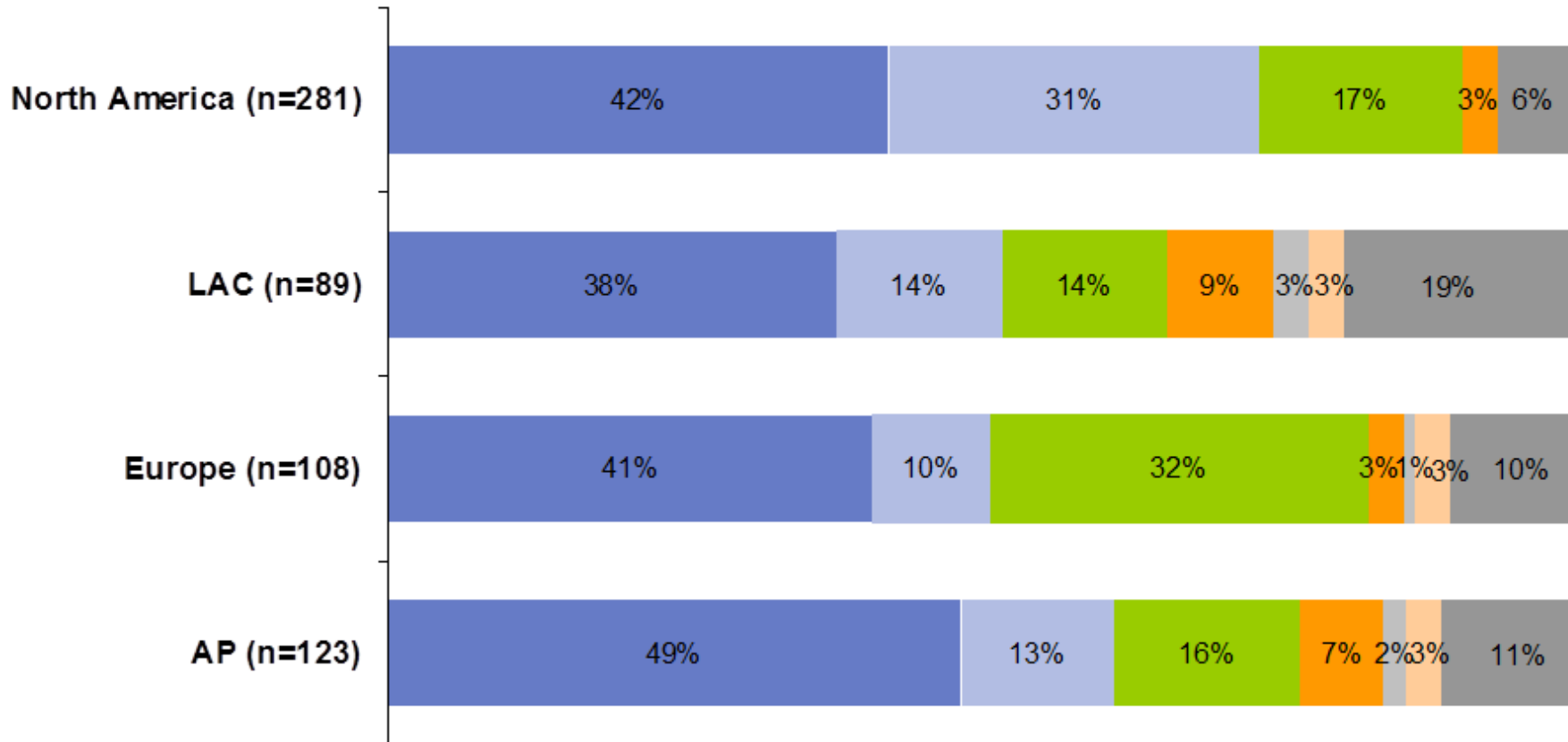
*Strong collaboration between buyers and suppliers is a core component of any buyer's electronic payment strategy since supplier adoption is a key to success.*

# B2B: Primary Cash Flow



## Regional Level

■ Bank line of credit 
 ■ Credit card 
 ■ Invoice factoring 
 ■ Other trade financing options 
 ■ Other 
 ■ No acces to financing 
 ■ No cash flow needs

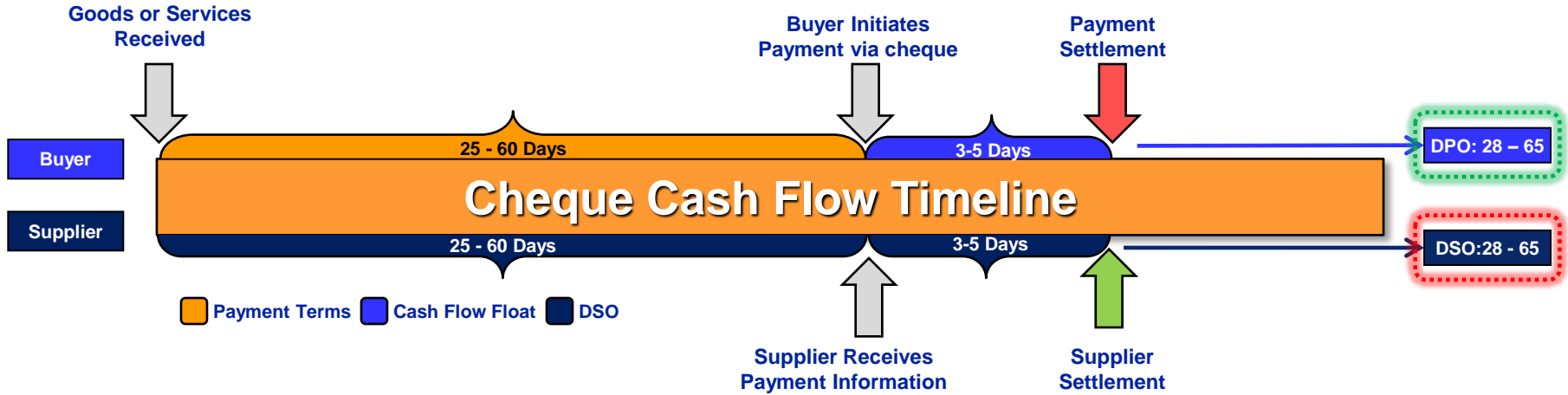


Source: 2011 Global Cash Management Survey: Q15. How does your organization primarily finance its cash flow needs?  
 Sample: Mid and Large Companies

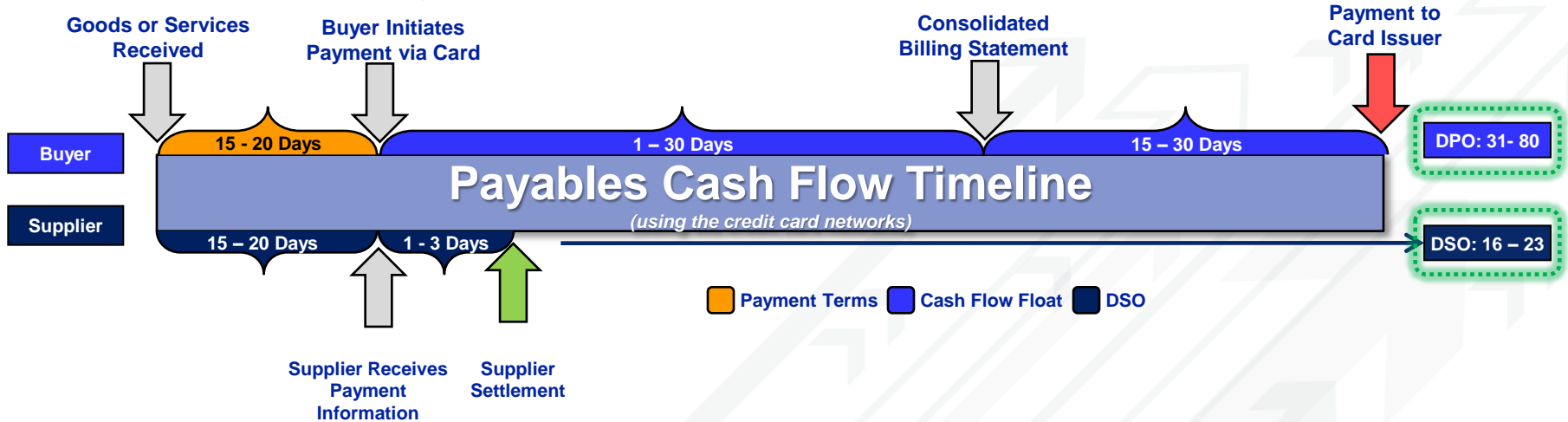


# Buyers and Suppliers see benefits from accepting card-based solutions

## Traditional cheque Cash Flow Timeline



## Payables Automation Cash Flow Timeline



# How to Identify your Opportunities?

# Best Practices for Automating Payables **VISA**

Organizations must take an active role in automating payables, best practices include:

## 1. Conduct AP Spend Analysis

- Create AP file along with a supplier name and address file.
- Work with card issuer to analyze the AP spend file for card-based spend opportunities.
- Identify target suppliers to accept a payables automation card-based solution.

## 2. Develop an Automation Strategy

- Develop an automation strategy that optimizes payments to suppliers.

## 3. Create a Business Case

- Demonstrate the value-proposition of the initiative using current key measures.

## 4. Identify an Executive Sponsor

- Identify a senior executive to support the payment automation strategy..

## 5. Establish Internal Collaboration

- Align resources from AP, finance, accounting, procurement and technology.

## 6. Set Program Goals

- Set goals for your AP automation program based on the output of the AP analysis.

## 7. Target and Communicate with Suppliers

- Identify and communicate to suppliers the AP automation project.

## 8. Develop Requirements

- Draft a detailed integration plan with key stakeholders and verify requirements.

## 9. Conduct Testing & Training

- Perform thorough testing of the solution, train key users on using the system.

## 10. Continuously Manage Program

- Following production, continue to monitor the program and benchmark against pre-set goals.

# Next Steps: A Simple 3 Step Process

## Step (1): Define & Identify the Opportunity

*Have your Scotiabank Account Manager Conduct a Spend Analysis to define program potential & targeted suppliers.*

### Data Required:

- Text file format
- 12 Months of supplier data

### Fields Required:

- Supplier Name
- Supplier Address Information (optional, but recommended)
- Total Annual Supplier Spend
- Total Annual Transaction Count

Supplier Name	Address	City	Prov	Postal Code	Annual Spend	Annual Trans.Count
ABC Plumbing	7111 Kennedy Road	Mississauga	ON	L5S 0A4	1250006	1269
XYZ Supply	5678 Main Ave	Concord	ON		698756	2678
....	....	....	....	....	....	....

# Step (1) Continued

*Your Account Manager will identify and review with you your existing suppliers who already accept payment by Visa*

VISA PerformSource		ABC company	BigBank
Cardable Spend by Suppliers Who Accept Visa		Client Name: ABC Company	Excluded Supplier Name: None
Top Suppliers:	75		
Visa Acceptor	Yes		
Supplier Name	Annualized Spend Amount	No. of Trans	Avg. Tran Amount
OFFICEMAX	35,846,299	3,339	10,736
MSC INDUSTRIAL SUPPLY CO	29,353,608	2,271	12,925
MOTION INDUSTRIES INC	21,433,244	1,740	12,318
AEROTEK	14,364,782	1,127	12,746
DELL COMPUTERS	11,279,021	1,000	11,279
OC TANNER RECOGNITION CO.	10,270,235	689	15,352
BAKER DISTRIBUTING CO	8,796,789	96	91,633
ADVO INC	6,443,535	18	357,974
AMERICAN AIRLINES	5,613,741	40	140,344
LMS INTELLIBOUND INC	4,934,539	111	44,455
SOUTHEAST UNLOADING	4,661,920	34	137,115
DHL	4,478,622	561	7,983
WORLDCOM / MCI	4,177,602	89	46,939
ORLANDO SENTINEL	4,033,326	6	672,221
THE TIMES PICAYUNE	3,892,220	1	3,892,220
HOBART CORPORATION	3,838,637	247	15,541
THE PHOENICIAN	3,823,238	4	955,810
VERTIS INC	3,619,581	10	361,958
ARAMARK UNIFORM SERVICES	3,542,428	385	9,201
AVAYA	3,377,224	460	7,342
CHARLOTTE OBSERVER	2,988,578	2	1,494,289
MIAMI HERALD PUBLISHING	2,630,053	2	1,315,027
QUEST DIAGNOSTICS	2,611,672	14	186,548
SUN SENTINEL	2,514,312	2	1,257,156
BIRMINGHAM NEWS	2,493,601	2	1,246,801
TRM CORPORATION	2,392,356	48	49,841
ST PETERSBURG TIMES	2,252,380	2	1,126,180
ATTAWAY ELECTRIC	2,097,832	104	20,171
FRANKLIN COVEY	1,956,507	103	18,995
HUSSMANN CORP	1,922,722	100	19,227
XEROX CORPORATION	1,918,394	24	79,850

**This report will identify:**

Top suppliers that accept Visa (based on total annual spend) and pick suppliers to target for conversion to card payment



# Step (2) Target VPA Suppliers and Quantify Benefits

*Scotiabank will help you target Suppliers for Payables Automation*

VISA PerformSource		ABC company	BigBank
Payables Automation Spend Amount Opportunity Report		Client Name: ABC Company	Client Name: ABC Company
		Visa Acceptor: Yes	Visa Acceptor: Yes
		Excluded Supplier Name: None	Excluded Supplier Name: None
Top Suppliers:	75		
Spend Amount:	Between 10000 and 1000000		
Cardable Payment Methods:	NON-CARD		
Supplier Name	Annualized Spend Amount	No. of Trans	Avg. Tran Amount
NEXTEL COMMUNICATIONS	990,950	32	45,043
COMMERCIAL HOOD & TRAP SERVICES INC	977,426	65	15,037
HAGEMeyer NORTH AMERICA INC	947,620	361	2,625
TROPIC SUPPLY CO	865,260	14	61,804
COURTYARD MARRIOTT	835,855	16	52,241
D S & S CO	735,865	40	18,397
VALLEY PROTEINS INC	723,295	22	32,877
GRAINGER INC	721,326	12	60,111
KASCO CORPORATION	700,870	125	5,607
CORPORATE EXPRESS	699,478	20	34,974
SECURITAS SECURITY SERVICES USA INC	696,055	22	31,639
SIMPLEXGRINNELL	695,716	25	27,829
IBM CORP	689,218	115	5,993
BIRMINGHAM HIDE AND TALLOW CO	636,133	14	45,438
DISPLAY SPECIALTIES	602,925	31	19,449
AT&T	593,073	282	2,103
CRAMER KRASSELT DIRECTORY SERVICES	542,981	18	30,166
WACKENHUT CORP	535,448	17	31,497
G & M FOOD EQUIPMENT SALES & SERVICE	534,289	16	33,393
ARNOLD TRANSPORTATION SERVICES	511,314	16	31,957
NATIONAL LIFT TRUCK SERVICE	499,398	23	21,713
SOUTHEASTERN MAINTENANCE & CONSTRUCTION	497,040	15	33,136
KYSOR WARREN	492,629	22	22,392
LABEL SYSTEMS INTERNATIONAL	487,545	16	30,472
TRANSPLACE LOWELL AR	480,860	12	40,072
SOUTHLAND WASTE SYSTEMS	467,211	12	38,934
GRAINGER	448,151	56	8,003
KNIGHT TRANSPORTATION	444,616	23	19,331
ROADWAY EXPRESS INC	442,607	73	6,063

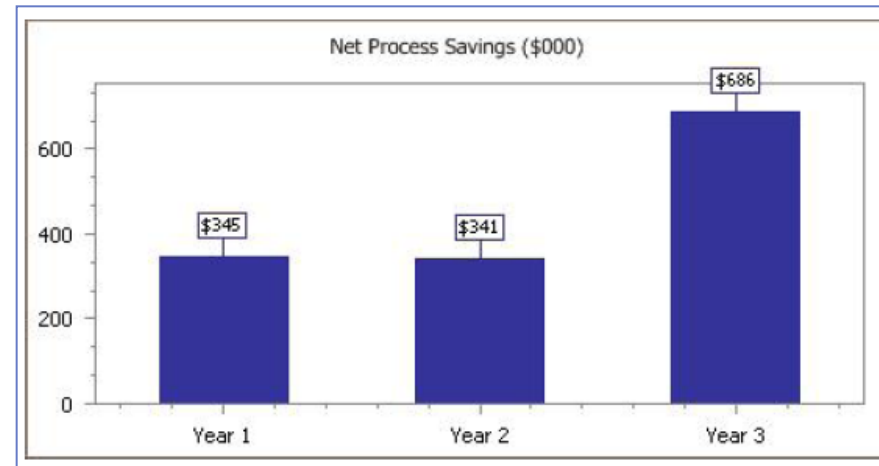
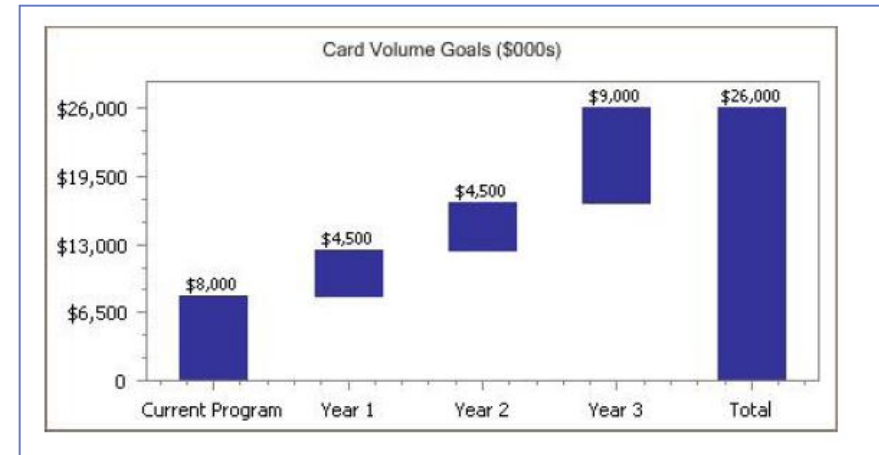
**This chart will identify:**

Suppliers that accept Visa that have total spend between \$10K and \$1M to pick suppliers for conversion to a Payables Automation payment solution

# Step (2) Continued

*Scotiabank will prepare an ROI analysis for you*

1. After identifying key suppliers for conversion to card we will sum the total spend with those suppliers to quantify the total potential card program volume
2. The ROI analysis considers the total card program volume along with financial information (rebate, working capital, and cost savings)
3. We will provide the ROI Analysis Report to help you demonstrate the financial value of card program implementation / expansion and to secure commitment for the project



## **Step (3) Supplier Enrollment**

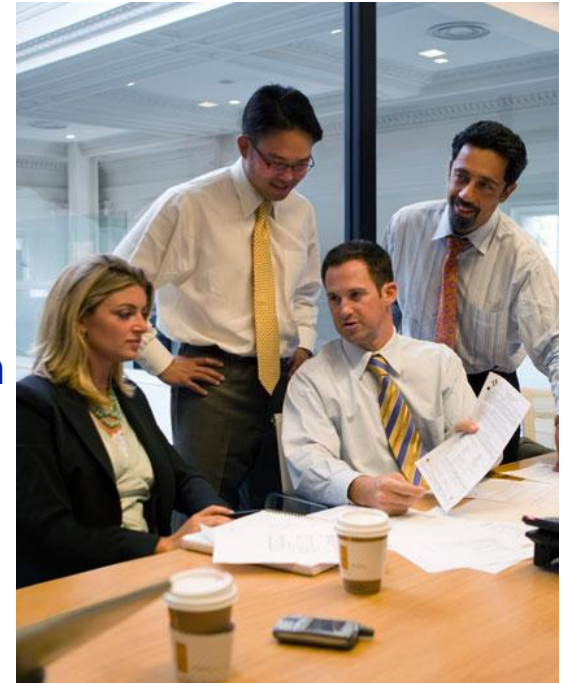
- Have your Scotiabank Account Manager engage the Visa Supplier Enrollment team
- Visa will conduct a VPA target supplier analysis
- Review and fine tune target suppliers for exclusions and commitment to the optimum target list
- Execute enrollment campaign
- Monitor & Fine Tune

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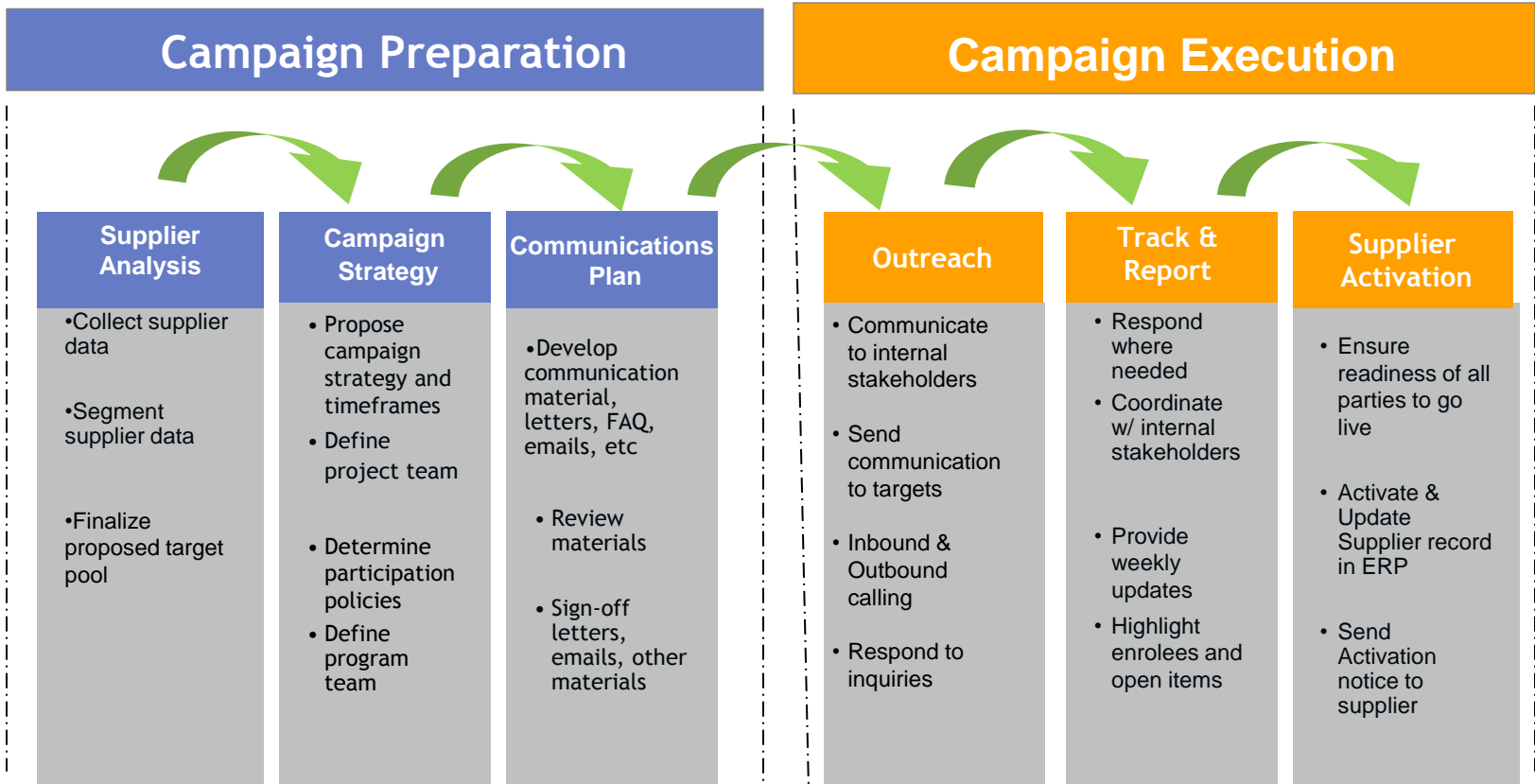
# Supplier Enrollment Service Importance

# Supplier Enablement Service Offering

- Partner with clients to support the supplier enablement process and implement program fundamentals
- Implement best practice approach
- Managed supplier recruiting campaign (fees apply)
  - Leverage scalable, skilled team
  - Distribution of jointly approved communication materials
  - Inbound / Outbound calling effort tailored to client's needs
- Supplier on-boarding tracking & reporting



# Supplier Enablement Campaign Approach

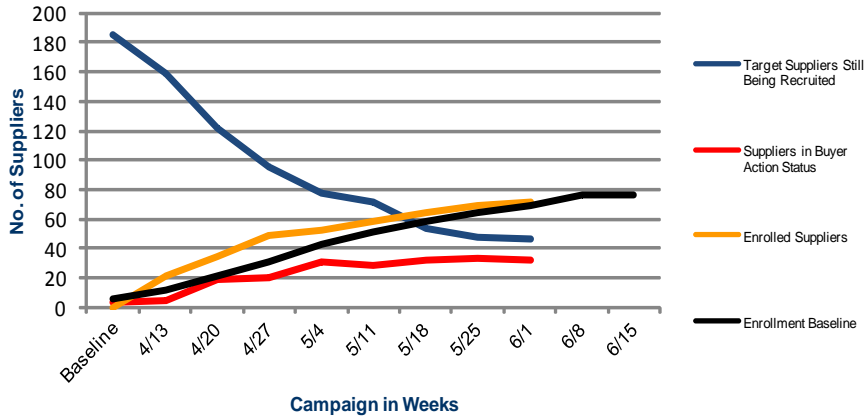


# What to Expect

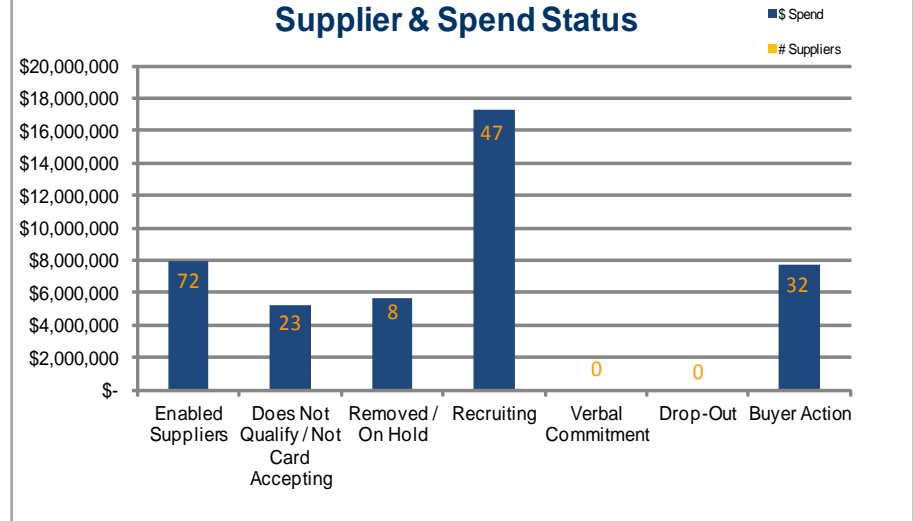
- Suppliers will likely contact you to confirm / validate initiative
- Resources required to support campaign activity for:
  - Additional contact information
  - Invoice / Customer Account Numbers
  - Business related questions
  - Some suppliers will want to speak with their customer contact directly
- Suppliers may request your action for card settlement
  - Completion of credit card authorization form
  - Provide card account with each payment (unable to store account number)
  - Submit payment via the supplier's web application
- Suppliers may suggest adding a charge for card payments
- Suppliers may request to be removed after enrolling
  - "...didn't know it was for payment by credit card"
  - "...didn't know that merchant fees would apply"

# Supplier Enablement Services

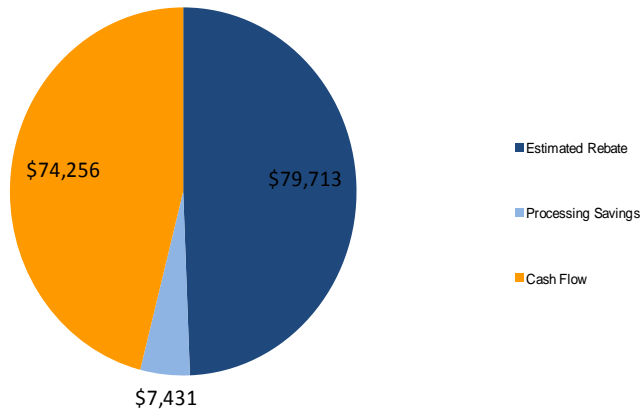
### Supplier Enablement Progress



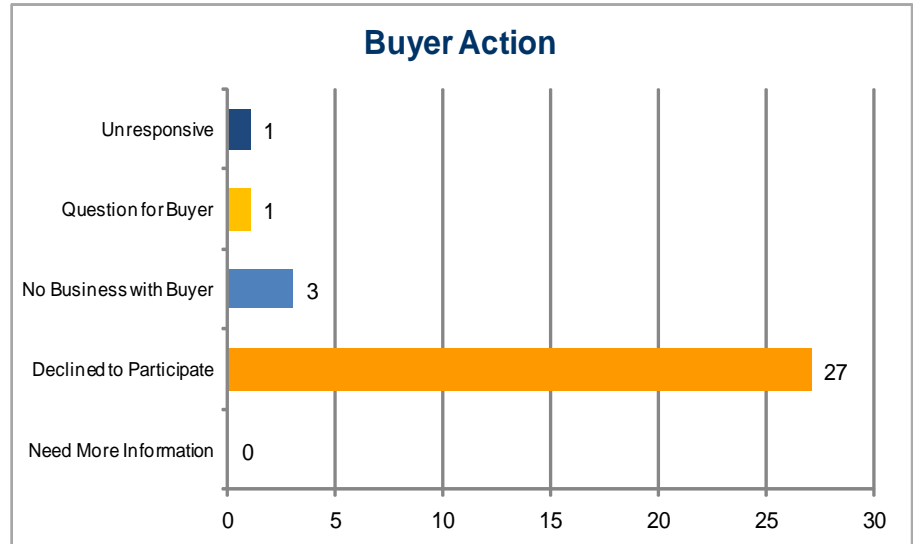
### Supplier & Spend Status



### Potential Program Impact <sup>1</sup>



### Buyer Action





# Supplier Enablement Services

## Supplier Enablement Summary:

	Total Contracted Suppliers	Enrolled Suppliers	% of Targeted Suppliers
Contracted Pool of Suppliers	191	72	39%

Enablement Status	# Suppliers	% Suppliers	Transaction Count	% Trans Count	\$ Spend	%% \$ Spend
<b>Total Targeted Pool</b>	<b>191</b>	<b>100%</b>	<b>10,207</b>		<b>\$ 44,640,519</b>	
<b>Enabled Suppliers</b>	<b>72</b>	<b>38%</b>	<b>2,477</b>	<b>24%</b>	<b>\$ 7,971,271</b>	<b>18%</b>
Does Not Qualify / Not Card Accepting	23	12%	433	4%	\$ 5,246,192	12%
Removed / On Hold	8	4%	149	1%	\$ 5,672,228	13%
Recruiting	47	25%	4,609	45%	\$ 17,325,704	39%
Verbal Commitment	0	0%	-	0%	\$ -	0%
Drop-Out	0	0%	-	0%	\$ -	0%
Buyer Action	32	17%	1,658	16%	\$ 7,743,690	17%

## Buyer Action Summary:

Need More Information	0	0%
Declined to Participate	27	38%
No Business with Buyer	3	0%
Question for Buyer	1	25%
Unresponsive	1	38%
<b>Suppliers on Buyer Action</b>	<b>32</b>	

## Potential Program Impact:

### Estimated Rebate:

Enrolled Spend	\$ 7,971,271
Est. Rebate Rate	1.0%
<b>Total Est. Rebate</b>	<b>\$ 79,713</b>

### Total Program Revenue:

Estimated Rebate	\$ 79,713
Processing Savings	\$ 7,431
Cash Flow	\$ 74,256
<b>Total Net Impact</b>	<b>\$ 161,400</b>

### Processing Savings:

Total Converted Trans	2,477
Trans Processing Cost	\$3.00
<b>Total Processing Savings</b>	<b>\$ 7,431</b>

### Cash Flow:

Enrolled Spend	\$ 7,971,271
Un-enrolled Spend	\$ 36,669,247
Enrolled Spend DPO	44.0
Non-Enrolled Spend DPO	60.0
Target Pool DPO_Before	45.0
Target Pool DPO_After	57.1
Days Extended	12.1
Short Term Rate	5%
<b>Cash Net Impact</b>	<b>\$ 74,256</b>

# Questions?

# ... Thank You !

***For assistance contact:***

Cameron D. McPhail

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Scotiabank Global Transaction Banking

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