TURNING RECEIVABLES OPERATIONS GREEN

Best Practices
In a recent survey*, 79% of financial executives say shifting to a completely green treasury operation should result in increased efficiencies. Treasury managers are finding opportunities to meet their sustainability and operational objectives.

*Treasury & Risk, 2010 Going Green Survey, July/August 2010
Turning Receivables Operations Green

Sustainable Practices Drive Improved Treasury Performance

Responsible companies understand that sustainable business practices can drive better financial performance today and a better future for our planet. This insight is gaining traction within corporate Treasury departments, where traditional paper-based operations can easily generate 5.5 tons of paper every year. According to the Paper Footprint Calendar at payitgreen.org, that’s the equivalent of 143 trees and 106 tons of greenhouse gases generated from the processes used to produce, transport, print on and dispose of paper.

While managers are introducing sustainable practices across every treasury function, many are achieving measurable results by taking aim at the paper-intensive receivables process. As they work to build green receivables operations that reduce their carbon footprints, they are also finding that their initiatives are driving operational efficiencies and improving their financial results on many levels. By moving toward a “zero return” environment, where they send and receive information electronically with no paper returned, they can reduce transaction costs, lower indirect business costs, save time, improve transparency and increase document security.
Chase is committed to a sustainable future. In Treasury Services, we've streamlined our own operations by turning paper-intensive functions green. And we're encouraging clients around the world to adopt our market-leading Web-based solutions, which include Receivables EdgeSM, Pay ConnexionSM, J.P. Morgan ACCESSSM and Payables Web ServicesSM. To date, our Go Green team has worked with more than 10,000 clients to transition to online solutions across a wide range of treasury functions. Thus far, we have eliminated more than 141 million documents, the equivalent of 4 million pounds of paper, 47,000 trees and 69 million pounds of greenhouse gases. In the process, we have observed—and helped develop—the environmental and operational best practices that set today's highest performing Treasury departments apart. By understanding the technologies and processes that support these best practices, treasurers can introduce new solutions that help their treasury operations run more efficiently, produce fewer errors, mitigate risks and improve environmental performance.

Optimizing Electronic Systems

Treasury managers are finding opportunities across all treasury functions to meet their sustainability and operational objectives. Nevertheless, a growing number of corporations are generating impressive results by leveraging their electronic systems to automate and accelerate check and remittance collection. Today's high-performance organizations use end-to-end receivables solutions to consolidate their remittances while offering their customers multichannel payment options. They have adopted the following best practices for removing paper from the receivables function and for reengineering the receivables process to take greater advantage of the paperless environment:

- Remove paper from the invoice delivery and receipt process by using an online bill presentment and payment solution like Chase's Pay ConnexionSM. Customers can phone in payments or use a convenient, customized Web portal to pay invoices and manage payment and account information online.
- Encourage customers to submit payments via ACH, wire transfers, credit card or financial EDI. Because these payments are electronic, they provide faster funds availability. By processing more payments via ACH, companies can control when the cash comes in and manage it more effectively. Companies should reach out to customers proactively and explain the various payment channels available. Some financial institutions have developed marketing support materials that their clients can use to communicate the advantages of paying electronically.
- Employ a desktop remote capture solution for payments received at company offices. This technology saves time and money by providing quicker access to funds, eliminating trips to the local bank branch and/or overnight courier costs. Chase offers a variety of such solutions, including Image Deposit Direct® and Virtual RemitSM.
- Encourage retailers to consider two other sensible solutions for cash payments received at retail or office locations or collected from customers during delivery routes. For the former, an onsite Smart Safe solution provides same-day provisional credit, helps protect against theft and provides added security for both employees and cash. For the latter, special Business ATMs allow drivers to collect cash or checks at the point of delivery, eliminating envelopes and deposit slips by using a special deposit-only card that identifies the truck route. Like desktop remote capture,
this solution reduces both the costs and the environmental impact of transportation.

• Take advantage of the image capture and retention tools that banks typically use to automate and improve every kind of receivable. This technology enables them to capture receivables information onsite at the bank—and, in the process, provide faster access to documentation and eliminate the transportation costs to return this paper. Instead of waiting for paper reports to arrive and then disseminate them, treasury staff can use the bank’s online channel to improve internal work flow and make same-day exception decisions.

• Utilize an online repository for all receivables-related transactions and image information. Storing these documents in an electronic document management system helps mitigate a number of security and business continuity risks. It also creates efficiencies by automating the process of routing printed reports and receivables information to such other departments as credit, accounts receivable and customer service. Chase’s Receivables Edge supports search and navigation, provides automated payment alerts, includes workflow tools that enable online collaboration with others, and enables cash managers to make advanced transaction queries and identify and track exceptions.

• Reduce bank fees by turning off the paper. Many firms adopt digital technologies but maintain redundant processes that generate additional paper and bank fees. Instead of paying to receive and store paper copies of checks and reports that have already been captured electronically, firms can simply turn off the paper flow and use the electronic treasury platform to access the data they need. With this simple practice, treasury operations can contribute positively to sustainable building operations.

For example, a financial services company was producing a number of paper reports used to track daily wire transfer detail, daily cash accounting, analysis of bank fees and bank account reconciliation reports. As it migrated to an electronic treasury environment, the company eliminated thousands of pages of paper reports and the storage cabinets that once held them. It also began to post annual statements on its Internet and intranet sites, in PDF format, to facilitate distribution while avoiding the expense of printing and mailing these potentially large documents.
Case Study

AXA Equitable Life Insurance Company

Challenge
To support well-established and expansive corporate Go Green programs, the Treasury department embarked on a two-year journey to reduce its reliance on paper-based workflows and to move its treasury relationships to a fully electronic environment.

With its vast subcompany structure, AXA needed help understanding which products and services did not conform to the new Go Green standard so its Treasury group could address them.

In addition, the company wanted to convert the existing paper process it used to set up new DDAs and add subsequent banking products and services to a streamlined electronic implementation process.

Solution
Together, Treasury teams from AXA and Chase conducted a comprehensive review of its treasury relationship, covering products as diverse as disbursements to receivables to electronic funds transfer.

AXA received an account-by-account snapshot of its services and the paper vs. electronic status of each divisional relationship. Its use of Receivables Edge℠, Payables Web Services℠ and J.P. Morgan ACCESS℠ had facilitated this conversion.

In addition, Chase developed a program to reduce the number of implementation documents it would require to execute new business between the two firms going forward.

Results
Chase reviewed AXA’s global corporate Go Green platform and determined how AXA’s Treasury department could gain recognition from partnering with its bank to improve its environmental performance.

The bank presented its findings on AXA’s two-year efforts and demonstrated that the company had achieved a 95% Go Green environment with respect to its treasury transactions. AXA had eliminated almost 400,000 documents annually from its treasury workflows, reducing its accompanying bank fees by $213,000. In addition, AXA saved $15,000 in storage, research and labor costs.

Under the new implementation guidelines, AXA would now use 40% less paper (e.g., legal docs, service agreements) to open up accounts or set up new services. This allowed for expedited implementation.

The environmental impact for these efforts was significant: 134 trees saved, 97 tons of greenhouse gases prevented and 5.5 tons of paper reduced annually.
Green Treasury: A Benchmark for Success

Today’s eco-focused environment requires management teams to work harder than ever to maximize overall environmental performance. And leading firms have identified treasury management as a significant opportunity to improve both operational and sustainability results. For example, one company that adopted an electronic treasury platform reduced bank charges by more than $100,000, eliminated more than 1.08 million documents from the receivables workflow and saved an estimated 400 trees annually.

Chase has created a variety of tools to help treasury managers review current operations, develop a strategy to migrate to a paperless environment and eliminate redundancy by turning off the paper. This includes an Eco Analysis Worksheet — available at chase.com/econalysis—that shows potential savings companies can achieve by removing paper from the receivables process.

This worksheet helps companies identify how much money paper-based receivables cost their businesses. It includes not just bank costs, but also such “off-the-books” costs as labor, transfer costs to buy new technologies and storage fees. The worksheet can also be customized to account for industry-specific differences.

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Case Study

**Ecolab**

**Challenge**

As a global provider of cleaning, food safety and infection prevention products, EcoLab has made sustainability the foundation of its business. Already a “virtually green” organization, EcoLab’s Treasury department asked Chase to provide an Eco Analysis of its entire treasury relationship to identify remaining opportunities to improve its environmental performance.

The audit identified a few remaining treasury areas that had a negative carbon impact: Receivables and transaction advices.

**Solution**

Chase demonstrated the quantitative benefits (environmental and financial) that EcoLab could achieve by adopting a Go Green strategy. It then helped the company move to the electronic target stated for each product: Receivables Edge™ and J.P. Morgan ACCESS™ for Information Reporting.

In both cases, EcoLab was able to either leverage existing electronic tools or fund the new application with the savings accrued by eliminating paper.

**Results**

In total, EcoLab realized more than $190K in bank fees annually, saving 125 trees, 5 tons of paper and 93 tons of greenhouse gases (GHG) by becoming a fully green treasury.
How to Develop and Implement a Go Green Receivables Strategy

How do treasury managers know when it's time for their treasury operations to Go Green? They can take the following three steps to evaluate their current system and uncover the many benefits of a paperless system:

**Audit current account services.** Treasurers may think they have already gone green because they use ACH and receive electronic DDA statements, credit and debit advices, and commercial card statements. But many treasury operations still build their workflow around paper—and pay higher fees as a result. Treasurers can pull next month's banking analysis provided by all their bank partners and look at the volume of paper produced during the monthly billing and reporting process. They may find that they are receiving paper back-up copies of invoices, checks and letters, etc. Instead of waiting for these paper documents to arrive days after the transactions are complete, this information can flow directly into Treasury's internal accounts receivables system electronically and be accessed immediately.

**Review archiving and retrieving processes.** Treasury operations that still rely on a paper-based workflow typically pay to store and/or destroy these documents either internally or externally. And should a natural disaster strike, paper-based treasury processes would come to a standstill. With Receivables EdgeSM long-term archive, Treasury staff can access up to 10 years’ worth of lockbox activity in seconds, while J.P. Morgan ACCESSSM provides instant access to balance information so they can respond more quickly and economically to business-as-usual requests.

**Talk to customers and business partners.** By discussing green initiatives with key stakeholders, companies often discover new ways to improve service and build stronger relationships. For example, businesses can position their own green treasury practices as a way to respond more quickly to questions about financial transactions. Paperless transactions can also help companies and their customers and vendors lower their cost structures, so they can price products and services more competitively. For example, Pay ConnexionSM offers a seamless, efficient and flexible way to present and collect payments electronically using a Web site, IVR system or call center. It also accommodates payments by ACH and commercial cards. Pay ConnexionSM engages stakeholders in a green solution that accelerates transactions, streamlines workflow and eliminates paper.

A Green Future

Treasury organizations are getting serious about reducing their environmental footprints. And Chase is helping them turn their operations green. We offer industry-leading paperless treasury solutions that reduce costs, boost efficiency and save trees.

We're ready to help treasurers prepare their operations for a green future by demonstrating how new paperless tools and processes can streamline receivables and payables, improve customer service and reduce business risks. For more information, please contact your Commercial Banking representative.
REFERENCES


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