



Treasury Services

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Leasing the Payment Process Through an Online Payment Solution

Presented by:

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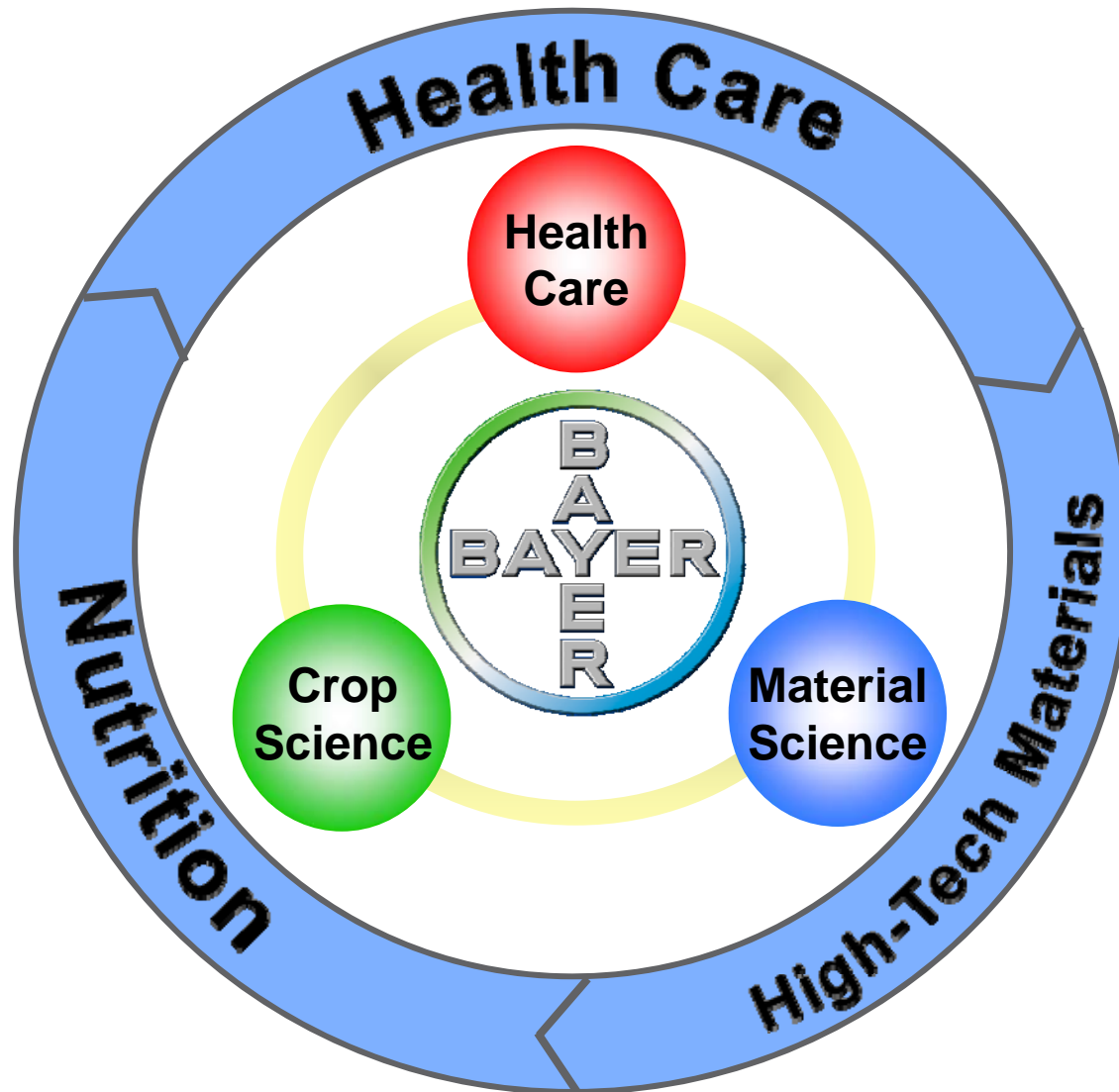


Agenda

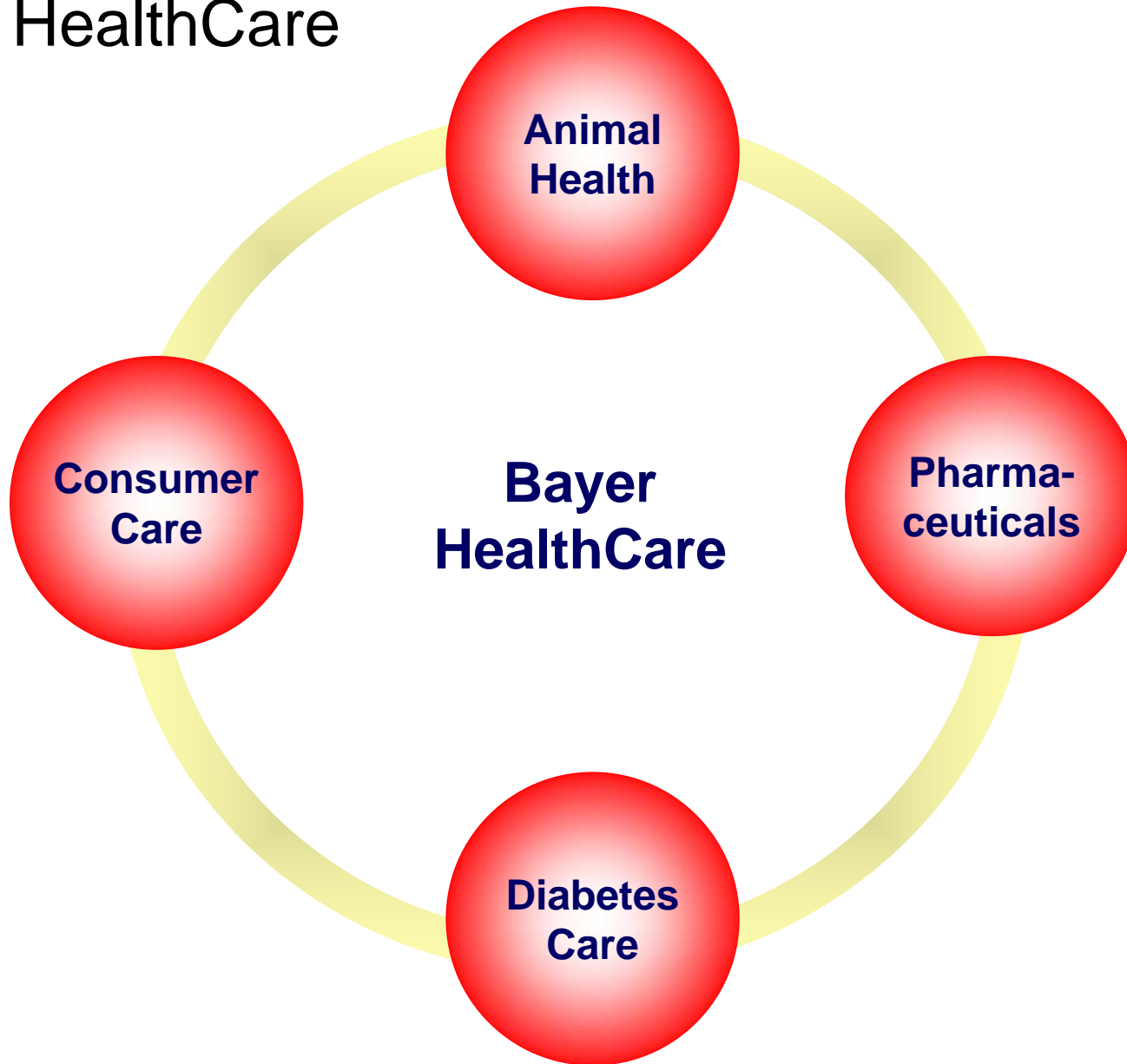
- About Bayer Corporation
- About Bayer Animal Health
- Bayer's Receivables Process – Before
- Bayer's Challenges and Goals
- The Bank of New York Mellon's Solution
- Bayer's Receivables Process - After
- Solution Benefits
- Lessons Learned
- Future Enhancements

About Bayer Corporation

Bayer: Science For A Better Life



Bayer HealthCare



About Bayer Animal Health

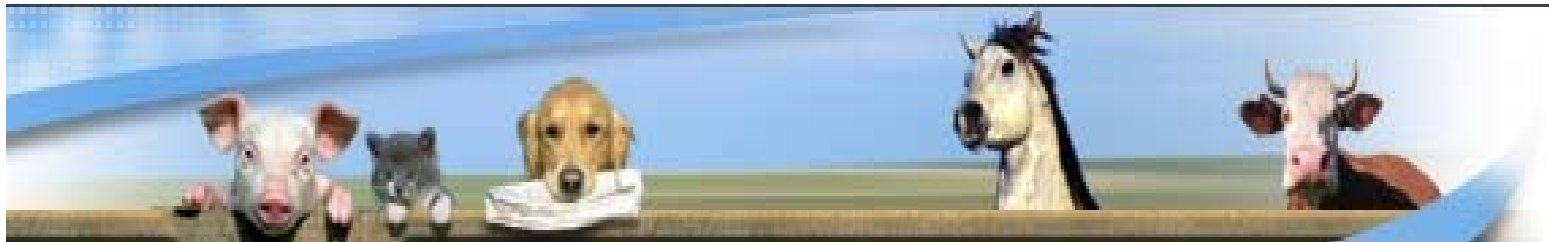
Bayer Animal Health U.S.

Two Types of Animal Health Businesses:

- Companion Animal Products (CAP)
- Livestock Animal Products (LAP)

Types of Customers

- Veterinarians
- Distributors
- Agents



Bayer's Receivables Process, Challenges and Goals

Bayer's Receivables Process

- Animal Health Credit Department manages credit and collections
- 65,000 veterinarians in U.S.
 - Graduate rate 2,800 per year
 - 85% women
- 45,000 Accounts - approximately 20,000 with accounts receivable (A/R) balances
- Average 42,000 orders per month are processed
- Average order <\$1,500

Bayer's Receivables Process

Order Processing

- Orders are received through EDI through Bayer agents/distributors or called in directly to Bayer
- Bayer ships directly to and collects directly from all customers

Accepted Payment Methods

- Credit cards
- Checks sent to Lockbox

Bayer's Receivables Process

- Accounts Receivable
 - Average A/R - \$50 million
 - Process 15,000 checks per month
 - > 96% of checks hit correct account
 - > 74% of these checks auto-apply
 - 7,500 credit card transactions/month
 - Send monthly statements

Bayer's Receivables Challenges

- Growing customer database
 - Consumer mentality
- Volumes of transactions
 - Offering/updating electronic capabilities
 - > Auto-debiting – internal and on-line
 - > Online invoice, statements & payments

Bayer's Receivables Challenges

- Launched Advantage® in 1996
- Went from 3,000 to 20,000 veterinarian customers
- Had to develop “best practices” to support growth
 - Goal: 99% of orders shipped same day
- CIA (cash in advance) orders: 3 – 5 days to receive check in mail and ship order
 - Looking for a way to accommodate these customers to expedite order/payment processing

Bayer's Receivables Challenges

- Started accepting Fax (CHAX) Checks to expedite shipping of CIA orders
 - Customer faxes copy of check to Bayer
 - Bayer recreates a copy of the check using check stock and magnetic ink printer
 - The fax check solution soon became a full-time job
 - No extra headcount to support process

Bayer's Receivables Challenges

- Needed a better solution to:
 - Expedite shipments while reducing manpower
 - Maintain or improve cash flows
 - Add electronic payment options
 - Accommodate CIA customers

Bayer's Receivables Goals

- Add electronic payment options
 - Enable Bayer to initiate ACH debit to veterinarian's account
 - Allow veterinarian to review invoices via Bayer Web site and initiate online payment:
 - > Single sign-on
 - > Enter multiple invoices
 - > Enter invoice information and edit to ensure payment accuracy
- No maintenance of sensitive banking information
- Combined A/R file of both check and electronic payment activity

The Bank of New York Mellon's Solution

- Customer Initiated Payments
 - Fully repetitive ACH application
 - Uses repetitive templates
 - One-time upfront enrollment
 - Veterinary clinic's banking information is maintained and stored by the Bank
 - Checks and ACH payments are fed back to Bayer in single feed, single format

The Bank of New York Mellon's Solution

- Customer Initiated Payments
 - The Bank of New York Mellon's Web portal is branded to look and feel like Bayer's
 - > Banking terminology replaced by common industry language
 - > Supplemental fields added to allow for invoice input
 - > Edits in place to ensure amounts match to total dollar amount
 - Users only need to login to one Web site to view invoice and make a payment
 - Ability to check online to ensure payment has been created

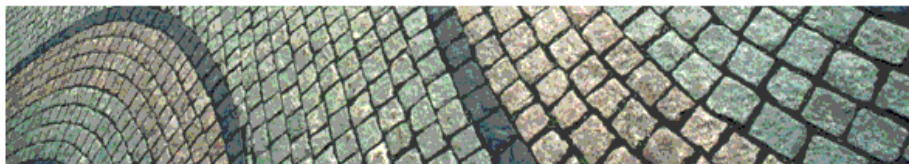


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NEW - - FFIEC Information

- [New iTelecash Security Enhancements](#) January 31, 2007: Word, 30kb
- [iTelecash FFIEC FAQs](#) January 31, 2007: PDF, 54kb
- [FFIEC-UFL Users Manual](#) October 12, 2007: PDF, 1484kb
- [Digital Certificate Install Guide IE6](#) October 12, 2007: PDF, 426kb
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- [Phishing Reminder for BNY Mellon Clients](#) September 19, 2006: Word, 24kb

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You are now logged on to Bayer Animal Health On-line Payment System

 **Bayer HealthCare**
Animal Health Division

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The Bank of New York Mellon's Solution

Launched in 2 phases:

- Phase 1
 - Bayer manages customer account setup and entry of payment information
 - Bayer enters customer invoice and payment information
- Phase 2
 - Bayer manages customer account setup and entry of payment information
 - Customer enters their own invoice and payment information

The Bank of New York Mellon's Solution

Phase I Process (Bayer initiated debits):

- Enrollment
 - Customer signs contract and provides banking information to Bayer
 - Bayer builds a database of payers on The Bank of New York Mellon's Web site using customer identification number and banking information

The Bank of New York Mellon's Solution

Phase I Process (Bayer initiated debits):

- Payment Initiation
 - When making a payment, customer provides a signed fax request with invoice information
 - Bayer rep enters customer number and dollar amount of payment into The Bank of New York Mellon's Web site
 - The Bank of New York Mellon creates ACH transaction to debit veterinarian office and credit Bayer
 - Payments flow through lockbox process – auto-apply to customer account

The Bank of New York Mellon's Solution

Phase II Process – (Customer initiates debit)

- Enrollment
 - Customer signs contract and provides banking information to Bayer
 - Bayer rep adds customer account information to online database
 - Customer is provided access to BayerDVM.com along with PIN # and step-by-step instructions on how to sign on and enter payment information

The Bank of New York Mellon's Solution

Phase II Process – (Customer initiates debit)

- Payment Initiation
 - Payer logs onto BayerDVM.com and reviews invoice
 - Clicks on “make a payment” to initiate payment process
 - Automatically logged into Bank’s online payment application (single sign-on)
 - Required to input Bayer customer number, PIN and total dollar amount of payment
 - Multiple invoice information can be entered
 - Customers can enter payment information 24 hours per day

Benefits for Bayer Corporation

- Same day shipment of orders pending cash payments
- Provides on-line electronic payment option to veterinarian
- Ability to check on-line to ensure payment has been created (expedite order/payment processing for CIA customers)
- Enhance cash management controls by reducing the number of paper checks
- Maintain and increase customer satisfaction
- 1,000+ customers have signed up to use the electronic option

Benefits for Bayer's Customers

- Electronic alternative to check payments
- Expedite shipment of cash in advance orders
- Expedite shipment of orders on past due accounts
- Option to pay invoice online or have Bayer initiate ACH payment

Lessons Learned

- New processes are slow to be accepted
- Prefer to have Bayer enter payment information for them
- Veterinarians like the look and feel of consumer websites when paying bills
- This market likes credit card bonuses

Future Enhancements

Develop additional functionality to on-line payment capability:

- Allow veterinarian's to view more information around invoices, pending payments and past payment history
- Accept credit card transactions online
- Display links to other Bayer applications

Questions

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