



Considering AP Outsourcing – Food for Thought

EXPO LA

Agenda

- **Outsourcing Drivers**
- **Baseline Operational Metrics**
- **Evaluation Criteria**
- **Cost Model**
- **Cost versus Value**

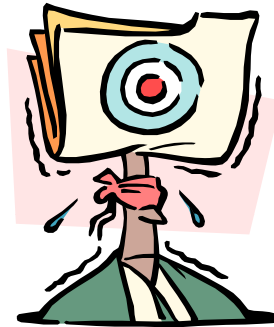
Business Challenges Impacting AP

Working Capital Focus

- \$500B wasted WC in Top 1000 US companies

Information

- Better procurement
- 5-20% energy improvement

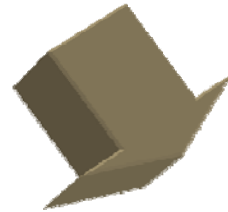


Business Flexibility

- Acquisition/Divestiture

Cost

- 20-50% reduction



Sarbanes Oxley Compliance

- No business case required

Globalization

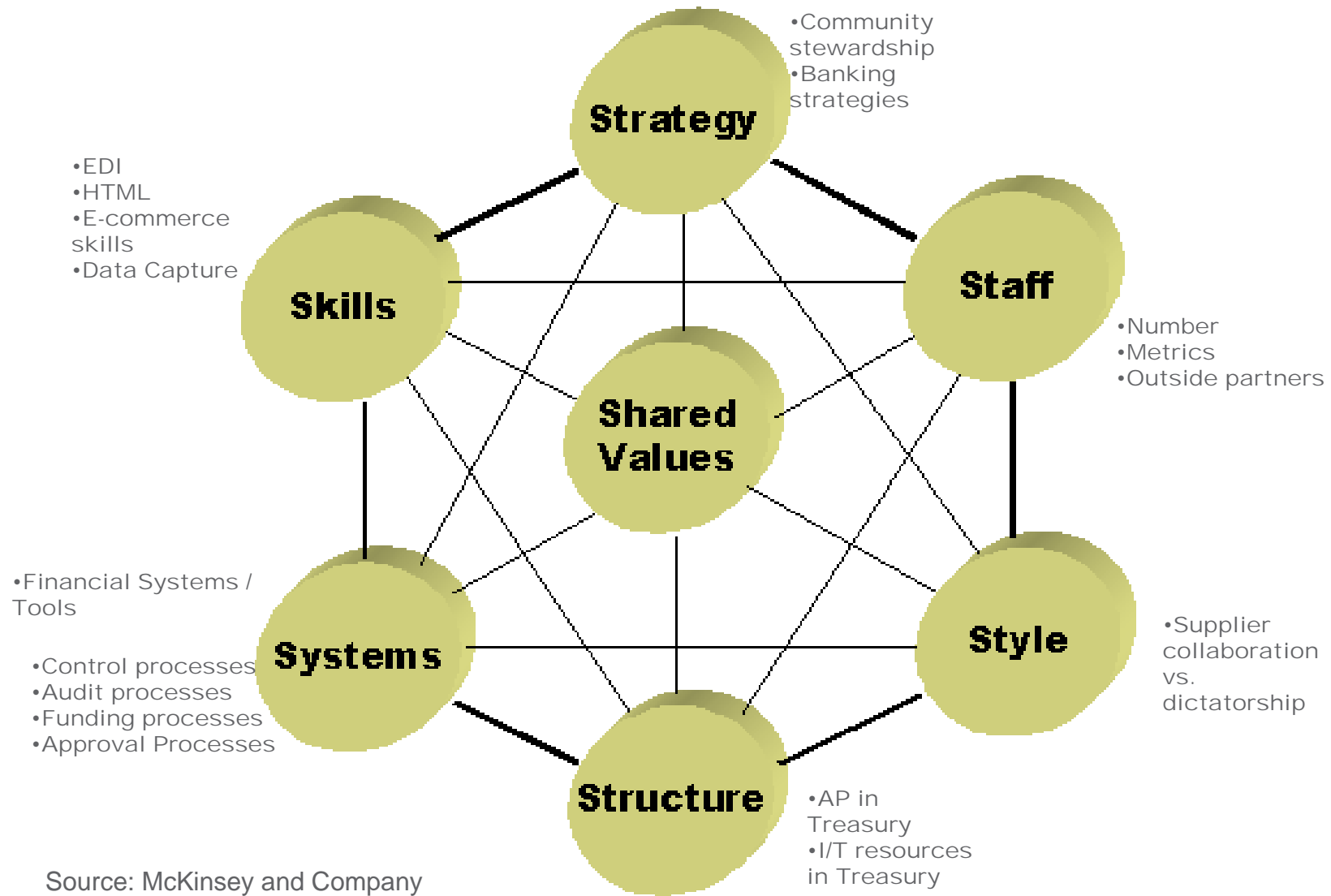
- Language, currency, distance challenges

E-commerce

- 60% reduction from paper
- Centralization

- New tools
- Re-engineered processes
- Re-skilled people
- New organizations
- New strategies

Technology Alone is not the Answer



Source: McKinsey and Company

The Market – Aberdeen Group

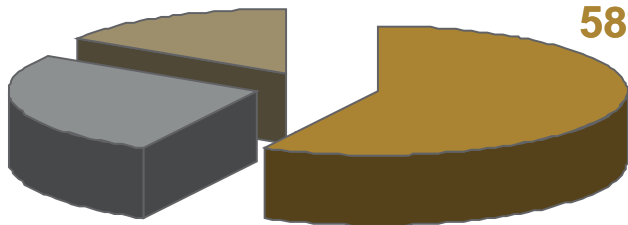
AP Outsourcing Activity

Currently Outsource

16%

No plans

58%

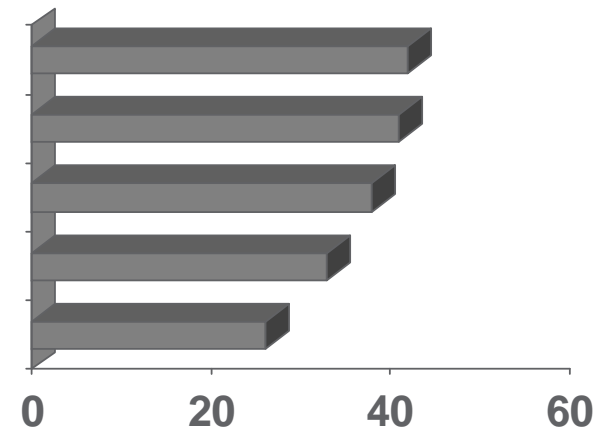


In the Plans

27%

AP Outsourcing Challenges

Loss of Control
Provider Selection
Relationship Mgmt
Base Case
Scope of Service



2007 Aberdeen Group – Accounts Payable Transformation

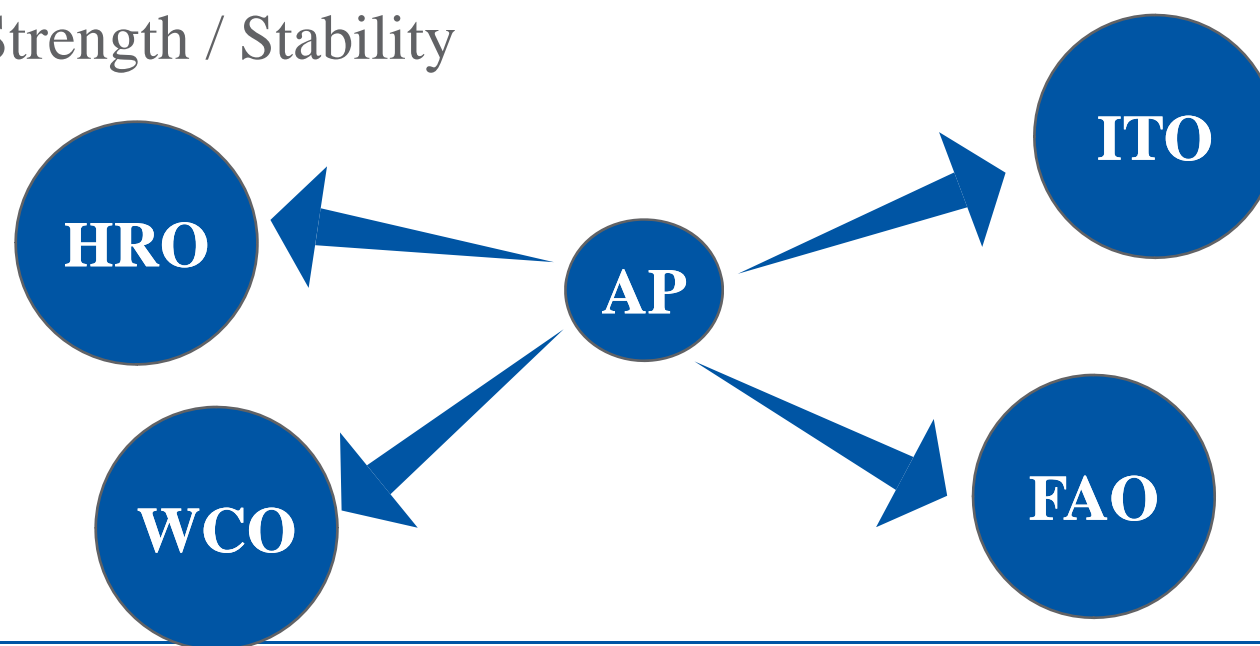
AP Operational Metrics

Performance Area	Average Result	Your Result
Invoice Processing Cost	\$21.86	
Days payable Outstanding	39.9 days	
Exception Rate	7.8%	
Time to process invoice	19.3 days	
On-time payments	69.9%	
On-time payments earning discount	51.3%	
Invoices received electronically	22.7%	
Payments settled electronically	35.4%	

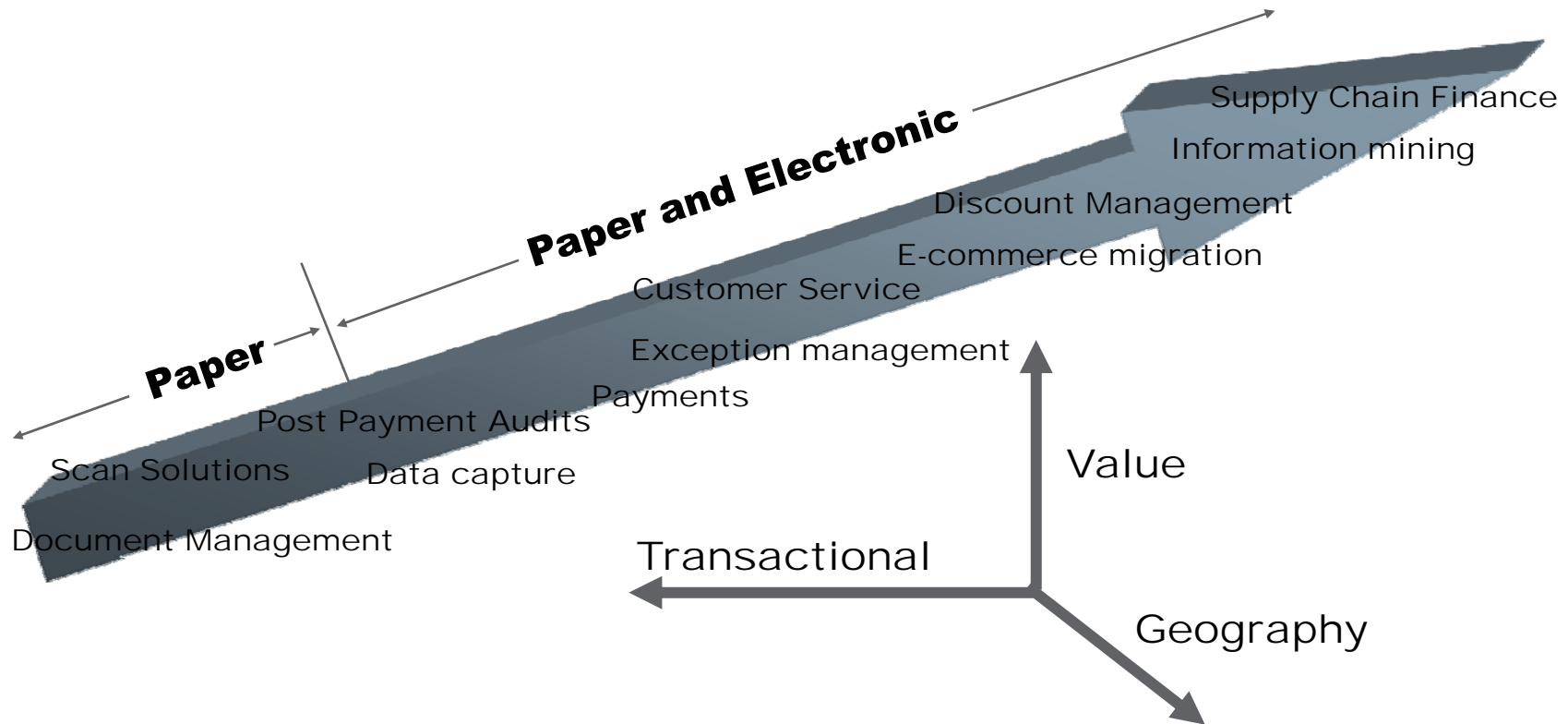
Aberdeen Group – “Guide to AP Transformation” – September 2007

Providers – Key Criteria

- Functionality
- Experience
- Cost versus value
- Industry
- Offshore – Onshore Delivery Model
- Electronic – Paper Focus
- Financial Strength / Stability
- Vision



Providers



**Where do you want to be 3-5 years from now?
Who matches your vision/priorities?**

Providers - Functionality

- High Quality Imaging
- Data capture using Intelligent Character Recognition
- Workflow Management
 - Approvals and Coding
 - Exception Management
- Vendor Portal
 - Self Service
 - E-Commerce migration
 - Collaboration
 - Supply Chain Finance or Discount Management
- Disbursements – One stop shopping
- Data mining

Domestic versus Global

Cost Comparison

- **Ultimately, a bias can direct comparison either direction**
- **Comparison is only valid for one point in time**
- **Outsourcing is risk transfer**
 - **Pick a Provider / Share your cost drivers**
 - **AP is not AP**
- **Cost can not be the driver to outsource in decentralized model**
- **Focus primarily on direct costs / value**

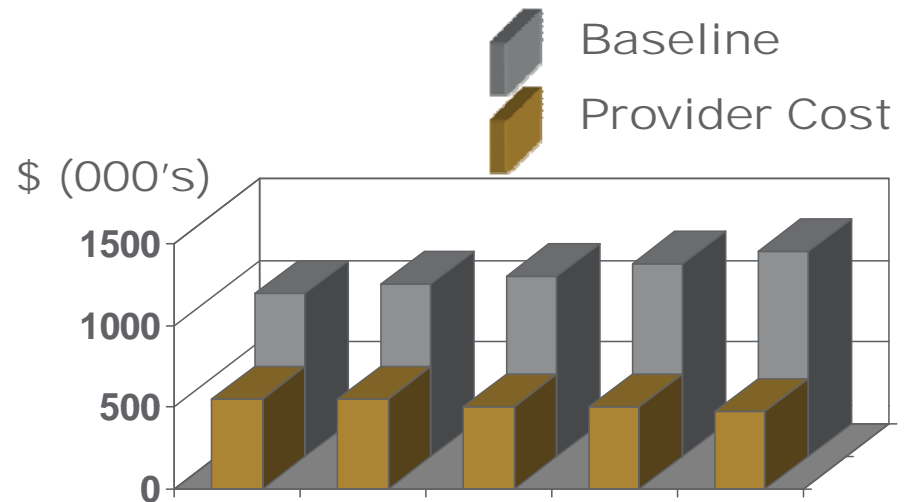
Cost Model Elements

Direct Baseline?

- FTE's
- Benefits, taxes
- Computer/phone
- Courier fees
- Payment fees
- Audit firms

How about?

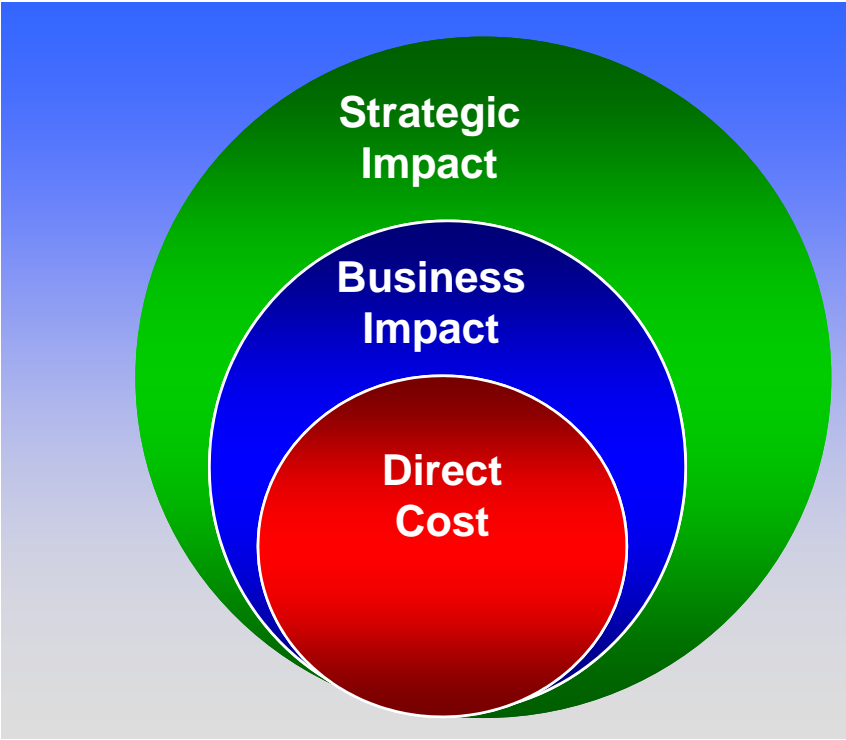
- Field costs
- Storage
- Hiring and training
- Software acquisition and maintenance
- IT resources
- Lost discounts / penalties
- Company growth
- Sarbanes compliance
- Inflation
- Time value of savings
- Management focus



What's in Provider's cost?

- Processing fees
- Retained FTE's
- Inflation
- Impact of volume shifts
- Transition fees
- Requirements for IT changes
- Lost discounts / penalties

Value Versus Cost Comparison



- Supply Chain Finance and Discounting
 - Improve DPO by 15 days
 - Significant value
- E-commerce migrations
 - Reduce paper by 60%
- Vendor self-service
 - Reduce calls by 70%
- Information mining
 - Lower energy costs 5-15%
- Power of information

SourceNet Company Overview

Snapshot

- Founded in 1996
- Service center in College Station, TX
- Wholly-owned subsidiary of The Bank of New York Mellon
- Ranked #1 Accounts Payable outsource service provider in 2006 and 2007
- Annual SAS70 II certification

Business Lines

- Accounts Payable process management
- Utility Bill payment
- Payroll process management
- Other critical F&A and HR support processes
 - Cash Application exception management
 - T&E audits
 - P-Card administration
 - Refund Check processing

THE BLACK BOOK OF OUTSOURCING



Top End-To-End AP Services Vendors

<u>2007 Rank and Company</u>	<u>2007 Rank and Company</u>
1 SourceNet Solutions	26 CGI
2 Deloitte	27 Outsource Partners International
3 Genpact	28 HCL BPO
4 ACS	29 Vengroff, Williams & Associates VMA
5 WNS Global	30 Ariba
6 Infosys BPO	31 Zensar
7 Capgemini	32 Vee Technologies
8 ADP	33 Global Upside
9 AMEX/Harbor Payments	34 Intelenet
10 Hewlett Packard	35 Cognizant
11 Xchanging	36 Vertex
12 ICICI Firstsource	37 American Outsourcing Group
13 API Outsourcing	38 Cass
14 Convergys	39 Wipro
15 BancTec	40 Cambridge
16 Accenture	41 arvato Financial
17 Xign	42 Tata Consulting Services
18 EXL Service	43 Siemens Business Services
19 IQ Back Office	44 GEMISYS
20 EDS	45 Liberata
21 Nipuna	46 Core3
22 IBM Global	47 iGate
23 IntelAccount	48 Hinduja TMT
24 NCO Group	49 LASON
25 Datamatics	50 XANSA

Every morning in Africa, a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed.

It doesn't matter whether you are a lion or a gazelle: when the sun comes up, you'd better be running.

Every morning a lion wakes up. It knows it must outrun the slowest gazelle or it will starve to death.



...BUT you better pay
attention to where you
are running!



THE BANK OF NEW YORK MELLON