

Snapshot

Strategic Goals:

- Centralize the payment processing function
- Improve cash flow
- Eliminate reliance on third party lockbox providers
- Reduce banking fees and reliance on a single bank for payment processing
- Improve accuracy and efficiency of payment application
- Reduce exceptions
- Replace manual handling with automated workflows
- Integrate Treasury operations with ERP system

The Challenge:

- Deliver an architecture that centralizes all processing activities
- Implement remote capture capability in dozens of geographically dispersed locations
- Deliver a centralized virtual lockbox
- Enable data mining through intelligent document recognition
- Deliver an integrated electronic archive for checks and documentation that integrates with major ERP systems
- Solution must be highly configurable and seamlessly interoperable with tier-one ERP systems
- Solution must enable all payments to be processed via Check 21
- Solution must be easy to operate and maintain
- Meet an aggressive 6-month schedule for full deployment

Why J&B Software?

- Experience and expertise with imaging and electronic clearing technologies for lockbox applications
- Adaptable, configurable solution
- Integrated solution for remote capture, IDR, ICL, and image archive
- IDR technology extracts data from both structured and semi-structured documents
- Seamlessly integrates with ERP system
- Cost effective solution

Implementation Highlights:

- All milestones achieved on schedule
- Successful User Acceptance Testing with banks for ICL
- Minimal training required at remote locations
- Went live on schedule, in less than 6 months

Results:

- Eliminated 40 third-party lockboxes and the associated fees
- Days Sales Outstanding (DSOs) reduced by 4 days
- Improved availability of funds through ICL processing
- Reduction of manual processing and data entry has improved productivity, reduced errors and re-work
- All payment processing activities centralized at a single location, including payment application
- Rules-based lookup has drastically reduced exceptions
- Enhanced visibility and control of A/R process
- Treasury functions now fully integrated with company's ERP system
- Return on investment in just 6 months

December 4, 2009

J&B Software Customer Focus: Major Integrated Media Company

Executive Summary

J&B's customer, a major American integrated media company, sought a more efficient and cost effective method of revenue collection. Its existing system, which entailed a web of third party lockboxes, paper check processing, and multiple legacy systems for cash application, was costly, time consuming, and labor intensive. Company management realized that centralizing its payment processing, if properly implemented, could accelerate the cash cycle, introduce automated workflows, and give the company more control over the entire revenue collection process. The centralized, automated payment processing system would be implemented concurrently with the company's new ERP platform, and interoperability was essential to restructuring of Treasury functions.



In 2007, after evaluating several competing software providers, the media company determined that J&B offered the ideal solution for the application and the experience and expertise to meet the company's aggressive schedule.

In this case study, we describe how J&B Software partnered with this major media company to implement a highly integrated payment processing solution that included remote capture, data recognition, and image archiving. Since deploying J&B's payment processing solution, the media company has reduced costs, improved cash flow, and eliminated the many workflow inefficiencies associated with manual processing. We also describe how the implementation has improved visibility and control in the company's overall Treasury operations.

www.jbsoftware.com

About J&B's Customer

This major integrated media company includes television, radio, and interactive media outlets serving consumers throughout the United States. The company receives advertising revenue from a broad range of business customers, from large multinational corporations to small local businesses targeting local radio audiences. The company has approximately 4,000 employees and annual revenues in excess of \$2 billion.



Strategic Goals

In 2007, the media company embarked on a project to add efficiency and visibility to its Order To Cash (OTC) cycle. As part of this initiative, the company identified its Treasury operations, and particularly its payment collection and processing function, as a major area for improvement.

The company's cash collection, processing, and application activities were highly dispersed, with many repetitive manual activities occurring at satellite office locations. The company believed that by centralizing and automating these workflows, it could reduce costs and headcount, minimize error introduction, and improve visibility.

A major goal associated with centralizing cash collection was replacement of the company's 40 bank lockboxes with a single virtual lockbox. A centralized lockbox could enable the company to significantly reduce lockbox and clearing fees, improve cash flow, and accelerate funds availability.

Additionally, the company wanted to integrate its payment processing function with the receivables and reporting systems on a new ERP platform. "Since integration with ERP was a major goal of the project, we were looking at much more than an in-house lockbox solution," commented the media company's Senior Director, Business Improvement. "We needed to be able to virtually eliminate paper from our payment processing, and we needed to create images that could be electronically processed, scraped, and automatically applied."

Deployment of the company's new ERP system was a driving force for the company's conversion to a new payment processing solution, and the company had a goal and plan to launch its new virtual lockbox concurrent with its new ERP platform.

The Challenge

The media company presented several challenges to a prospective software partner. The most straightforward challenge was replacement of its 40 bank lockboxes with a centralized, in-house virtual lockbox supplied by check images captured at the company's remote locations. The in-house lockbox needed to electronically deposit imaged checks via Image Cash Letter (ICL) for Check 21 clearing. The new virtual lockbox needed to deliver same day or next day funds availability for the vast majority of transactions.

The more complicated challenge was minimizing manual processing for cash application. The media company was struggling with multiple legacy systems and billing practices that varied by region and media group. In some cases, invoicing protocol did not integrate with remittance advices, making it impossible to match payments with A/R files and creating an all-exceptions processing system. "Virtually none of our payments were automatically applied," said the media company's representative. "We were manually inputting everything, including all of the data from the 40 bank lockboxes, and it was a real struggle to match up check only payments with the appropriate invoice number."

“ Virtually none of our payments were automatically applied. We were manually inputting everything, including all of the data from the 40 bank lockboxes, and it was a real struggle to match up check only payments with the appropriate invoice number. ”

– Media Company Representative

The ideal solution would eliminate all A/R activities at remote locations, replace all of the disparate systems with a centralized, shared services processing center, and convert all paper, whether it be checks, remittance advice, correspondence, or invoices, to images from which data could be extracted, recognized, classified, and automatically applied.

Additionally, the payment solution needed to be interoperable with the company's ERP system, without major modifications. "Since a major goal was to restructure our Treasury operations, integration of payments with our cash management, A/R, and reporting systems was absolutely critical," the media company's representative said.

Why J&B Software?

According to the media company's Senior Director, Business Improvement, J&B was an ideal partner based on its experience, expertise, and product portfolio. Since J&B's customer base includes major U.S. financial institutions, the media company felt very

“ J&B would be on anyone's short list for remote capture solutions. Their emphasis on remote transaction capture systems architecture was ideal for us, since we were moving to a centralized, shared services model. ”

– **Media Company Senior Director
Business Improvement**

confident that its in-house virtual lockbox technology would rival an outsourced solution. "J&B would be on anyone's short list for remote capture solutions," he commented. "Their emphasis on remote transaction capture systems architecture was ideal for us, since we were moving to a centralized, shared services model." He went on to explain that, unlike alternative software vendors, J&B offered a completely integrated payment processing solution that went beyond remote capture to include electronic deposit, OCR/Intelligent Document Recognition, rules-based validation, automated exceptions processing, and image archiving. "We were confident that the workflow would be seamless, without any interoperability issues," he said. Integration with the media company's new ERP system was essential, and J&B's payment processing system had a proven track record of interoperability with all major ERP platforms.

According to the media company representative, J&B offered an exceptionally configurable solution that did not require costly modifications to adapt to the company's business rules and system architecture. Overall, he commented, J&B's solution was extremely cost effective, particularly when compared to third party lockbox processing costs.



Implementation

The project kicked off in June 2007, and implementation began with installation of check and full-page document scanners at every remote site running remote scanning software. Server software was installed at a centralized location to establish a virtual lockbox with remote transaction capture architecture. The in-house lockbox replaced all of the remittance processing features previously supplied by the media company's third party lockbox provider, including check and stub data entry and scanline balancing for electronic deposit ICL transmission. The J&B software processes and applies business rules to full-page documents and establishes queues for validation and exception processing. Intelligent Document Recognition software extracts remittance detail information to automate cash application in the ERP system.

As part of the implementation, program modification was made to the media company's ERP software to automatically load MICR information from scanned checks to the master file. J&B's central image archive was linked directly into the ERP system for optimal visibility and system control.

J&B performed extensive user acceptance testing to ensure that check images passed quality checks at the media company's bank. Image quality is a key issue during ICL implementation, since diminished image quality can significantly impact the number of rejects. Quality issues, which include skew, readability, and image size, must be calibrated among the lockbox, the bank, and the Federal Reserve to ensure optimal clearing efficiencies.

Before going live, J&B conducted training at the remote capture locations. "Actually, the remote capture process is so easy, there was minimal training required," commented the media company's Senior Director, Business Improvement. "J&B clearly understood that we wanted very limited, streamlined activities at our branch locations, and they installed a system that is very intuitive and easy to use."

The media company's in-house payment processing system went live in November 2007, less than 6 months from project kick-off, concurrent with launch of the company's ERP system. "J&B met a very aggressive schedule, and the team was extremely attentive and responsive to every technical issue along the way," commented the media company's representative. "We consider the implementation very successful, and we began reaping the benefits right away."

Results

Improved cash flow: The media company has reduced its Days Sales Outstanding (DSOs) by 4 days by reducing transit and bank processing time. Additionally, ICL processing puts the company onto a national and extended availability clearing schedule, with 98% of funds now available either on the same day or next day.

Reduced banking fees: Now that the company has replaced 40 third-party lockboxes with a single in-house virtual lockbox, it is saving over \$200K per year in lockbox fees. No longer locked into a single bank for payment processing, the media company can negotiate more favorable pricing. "These days especially, it's prudent to have multiple banking options," the company represented commented.

Centralized payment processing: Eliminating processing at remote locations enables the media company to discard legacy systems and implement a single, optimized processing workflow in a shared services environment.

Introduction of automated workflows: J&B's IDR technology has removed manual processing from the cash application process. "Now, 70% of our television payments and 50% of our radio payments are applied automatically," said the company's representative. Through MICR matches and application of business rules, checks and invoices can be matched automatically, without manual intervention. As a result, the company has been able to reduce headcount and better allocate its resources.

Improved document accessibility and search capability: Scanned images of checks and remittance advice are now centralized in a single archive, linked to the receipt transaction in the company's ERP system. This integrated archive delivers better control and audit capabilities and significantly accelerates dispute resolution. "There's no more digging through paper documentation or waiting for our bank to provide

backup documentation," the company representative commented. "That really cuts down on our back office costs and, at the same time, we can deliver much better customer service."

Integration with ERP system: Integration of J&B's payment processing solution and a state-of-the-art ERP system has enabled the company to automate and integrate the entire Order-To-Cash (OTC) cycle.

Investment in J&B pays off: The media company enjoyed a return on its investment in just 6 months. "We've cut costs in just about every aspect of cash collection," said the company's representative. "When you add to that efficiencies in customer service and dispute resolution, the J&B solution has paid for itself many times over."



About J&B Software

J&B Software is a pioneer and market leader in the image-based document and payment processing industry. The company serves over 160 customers in a broad spectrum of industries, including banking, financial services, telecom, insurance, federal and state government, transportation, and media. J&B's innovative software solutions include automated payments, transaction processing, and document management systems.

J&B Software's solutions help to provide new revenue-enhancing opportunities, improve cash flow acceleration, enhance workforce productivity, reduce operational and transaction costs, and mitigate processing risks.

Headquartered in Blue Bell, Pennsylvania, J&B Software is a wholly owned subsidiary of 3i Infotech.

For Additional Information:

James Wynn
 Director of Marketing
 J&B Software (A 3i Infotech Company)
 215-641-1500
 Jimw@JBSsoftware.com