



AP & WORKING CAPITAL

Increasing Revenues from Early Payments

Q2 2014

Featuring Insights on ...

Underwritten in part by

Ariba

Direct Commerce

Taulia

Tesorio

Tradecraft

Featuring Insights on...

Benefits of Dynamic Discounting

Reasons for Missed Discounts

The Perfect Payment Index

Early Payment Solution Providers

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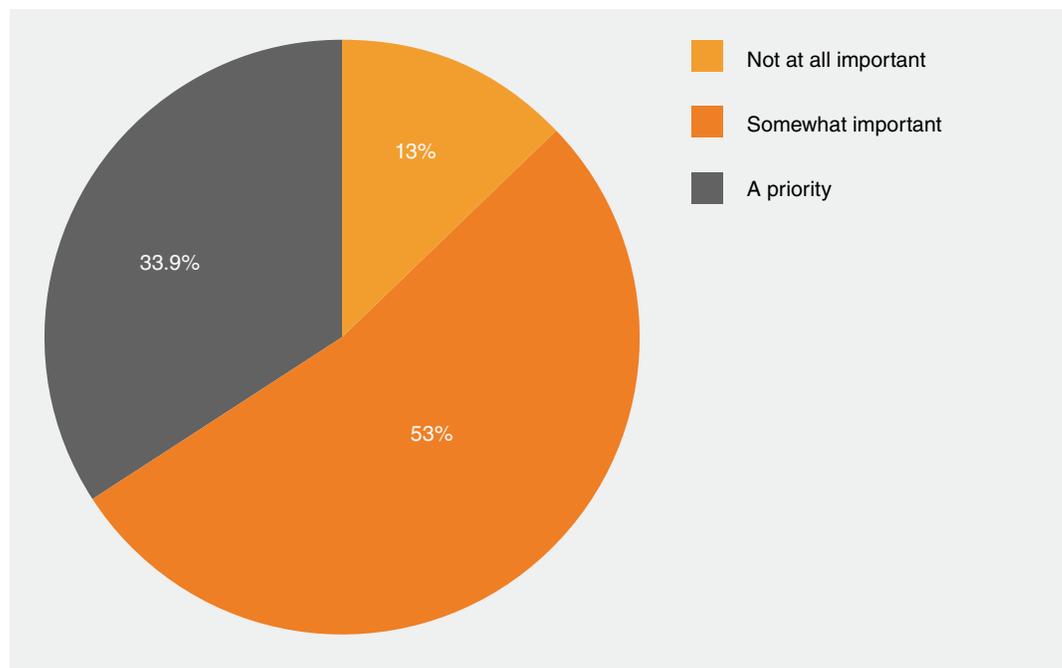
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Executive Summary

Early payment discounts—the standard discount terms of “2% 10, net 30”—seem like a thing of the past for most companies with a manual paper-based process. Due to companies’ inability to approve invoices quickly, suppliers stopped bothering to offer a discount. Fortunately, today there are viable alternatives. The research in this report highlights those alternatives, explores market trends, and serves as a guide to uncovering accounts payable practices that will increase working capital and organizations’ bottom line.

Before we delve into early payment discounting and payment methods that increase returns, it might be worthwhile to ask whether capturing discount is important to your organization. Surprisingly, 13 percent of survey respondents reported that capturing early payment discounts was not at all important to their organization (see Figure 1). Perhaps respondents are just not aware of what’s available, or perhaps they have simply given up on the unattainable task of posting payment within 10 days.

Figure 1
How important is capturing early payment discounts to your organization?



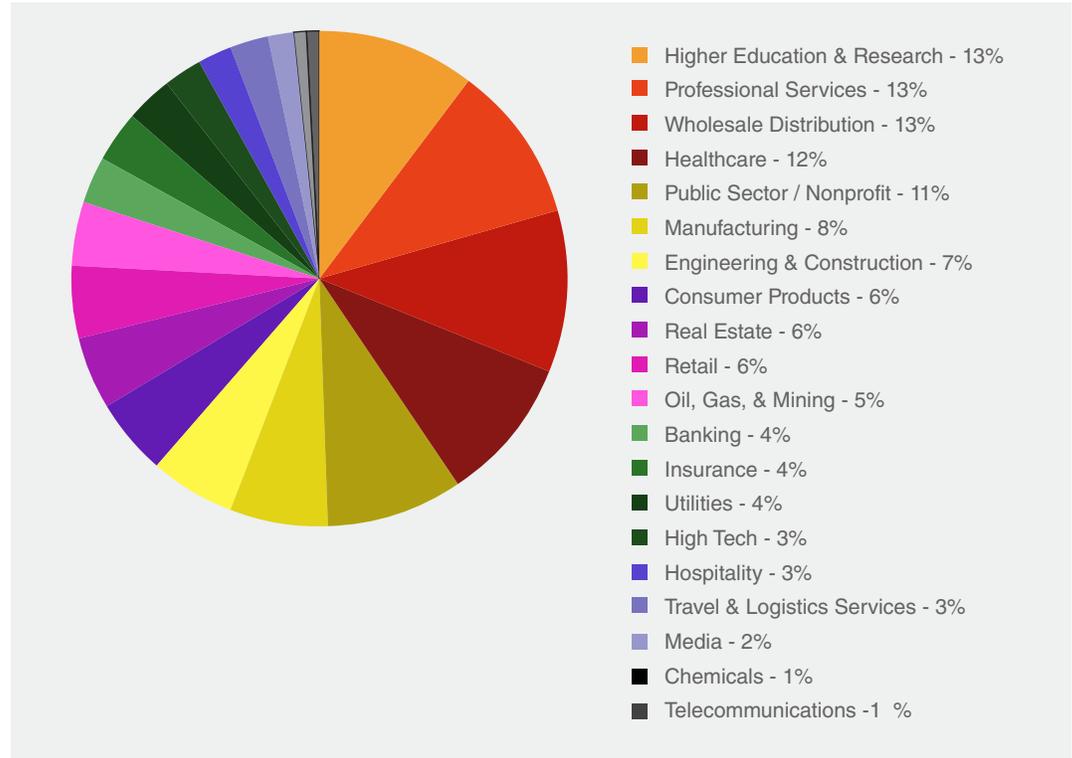
PayStream Advisors has developed this AP & Working Capital Report as a resource for organizations actively exploring Working Capital solutions such as dynamic discounting platforms, electronic payment methods, and virtual payment cards. PayStream reports are available for free download from PayStream’s Research Library at www.paystreamadvisors.com

The survey results within this report have been selected from PayStream’s Q1 2014 AP & Working Capital Survey of over 300 accounts payable and finance

professionals at U.S. based organizations. Based on the number of survey respondents, PayStream believes that the survey has a confidence level of +/- 5 percent.

Survey Respondents

Figure 2
Respondents by Industry



Respondents to this year's AP & Working Capital Survey came from a wide variety of industries. The largest industries represented were Higher Education & Research, Professional Services, Wholesale Distribution, and Healthcare (see Figure 2). AP Managers constituted a large majority of survey respondents at 38 percent. AP Clerks, VP of Finance, and Procurement professionals represented large portions as well (see Figure 3).

Figure 3
Respondents by Title

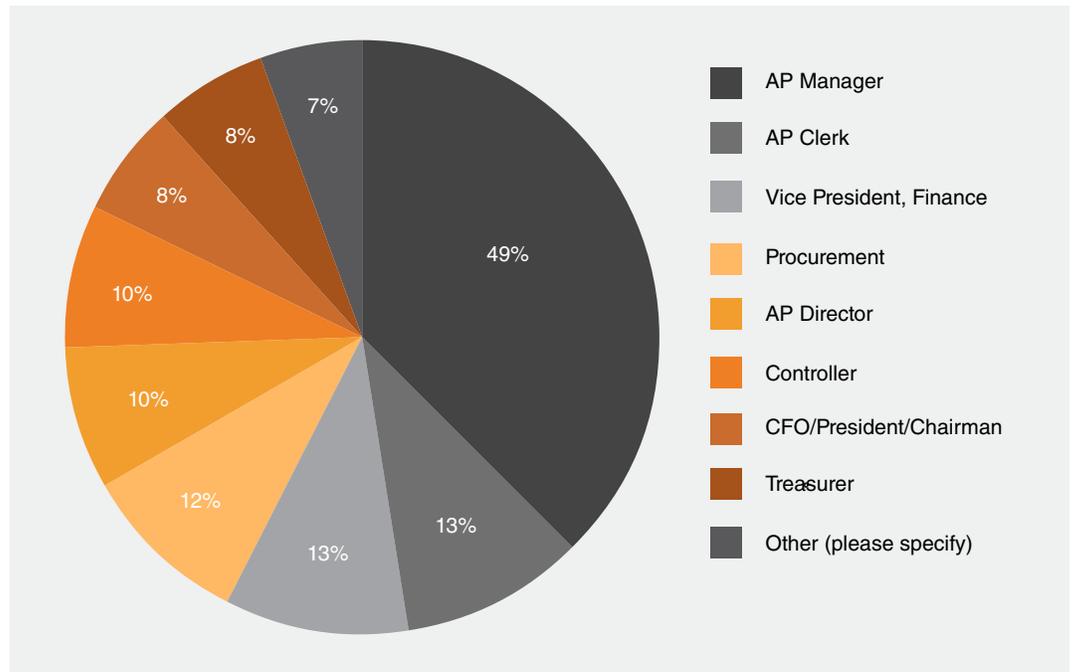
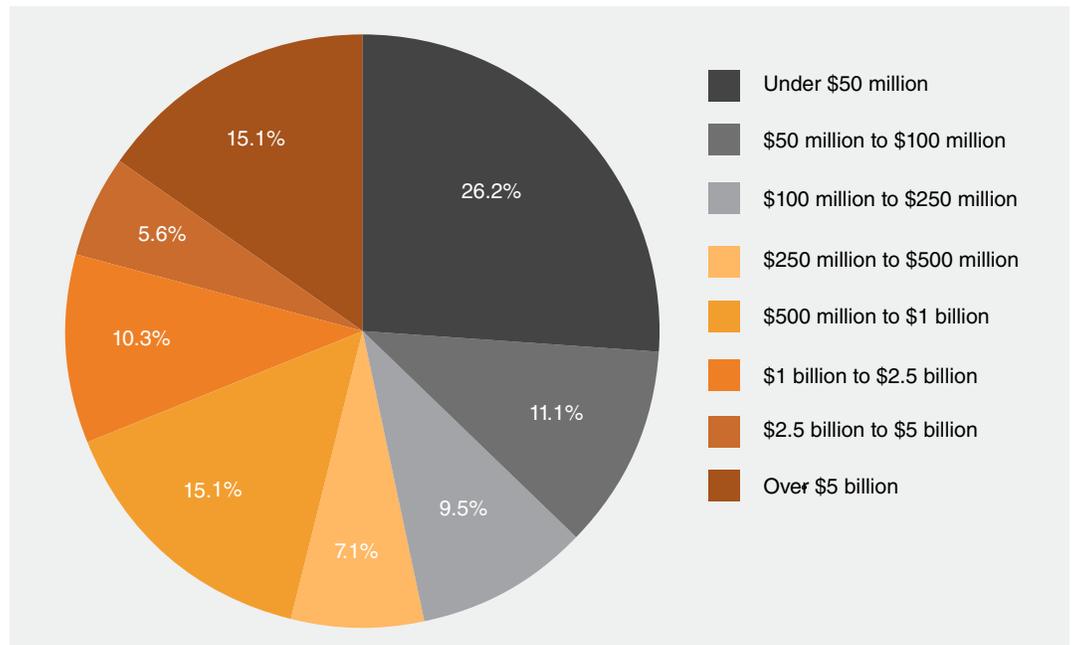


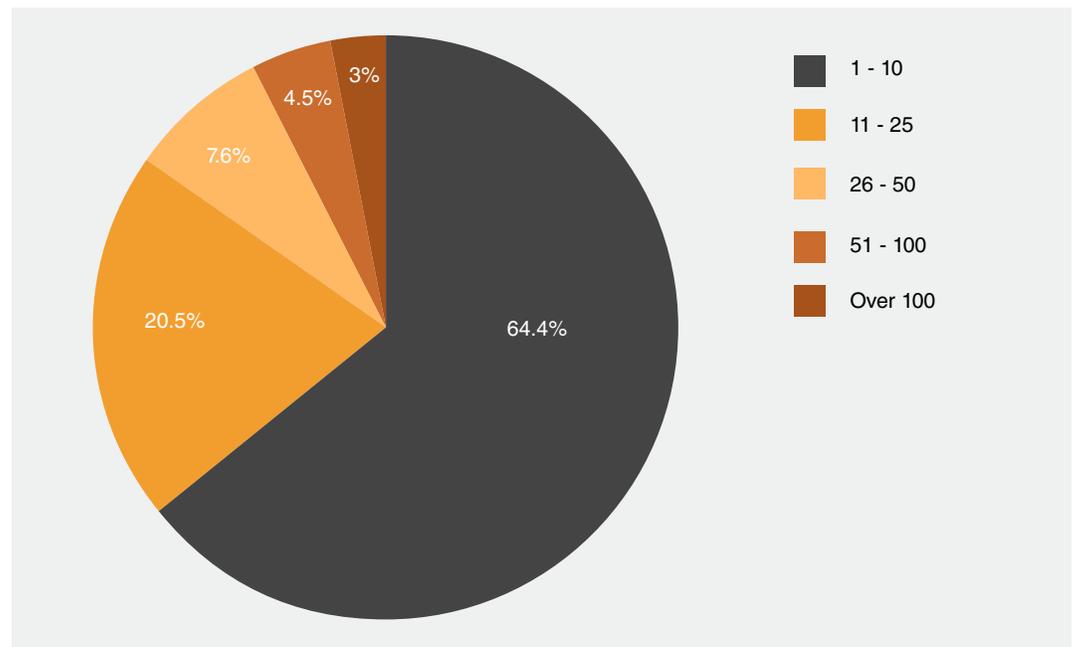
Figure 4
Please select the most appropriate revenue for your organization's last 12-month reporting period



One quarter of respondents in this year’s survey came from organizations with revenues of less than 50 million per year. At the opposite end of the spectrum, 15 percent of those that took our survey represented companies with revenues in excess of \$5 billion—other respondents fell somewhere in between these two (see Figure 4).

Because the use of discounting and card programs and the size of the finance department often correlate, we asked how many employees were present in respondents’ AP departments. The majority of respondents reported having less than 10 full-time employees in their AP department (see Figure 5).

Figure 5
What is the approximate number of full-time employees in your AP department?



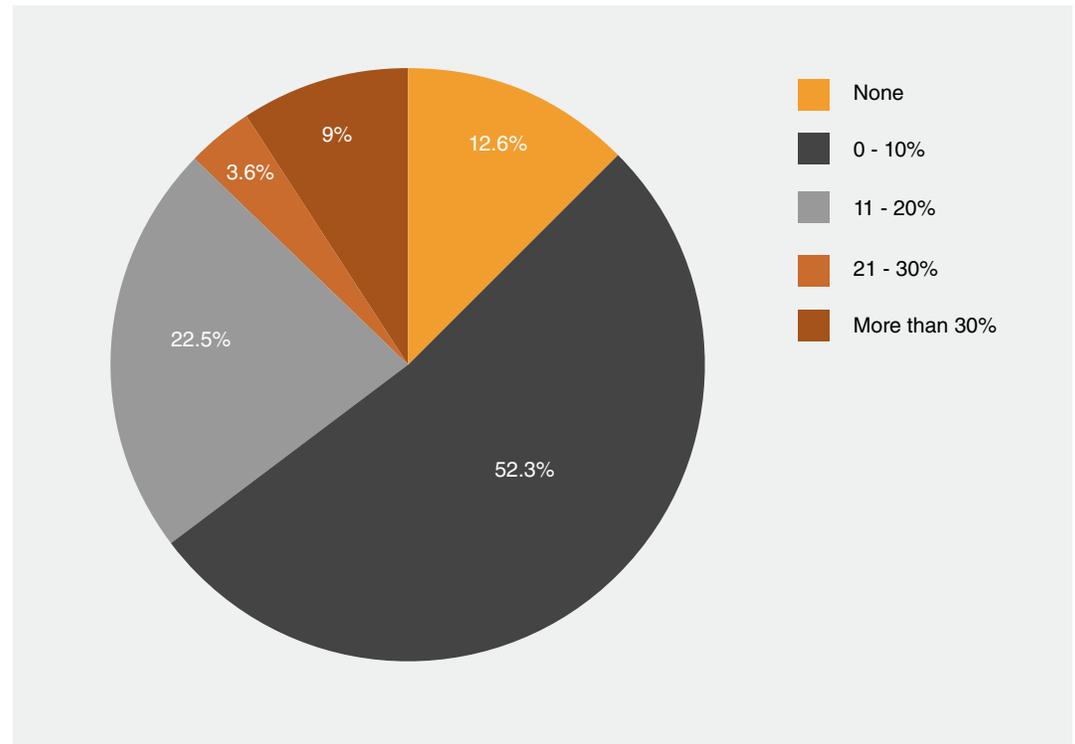
Opportunities in AP

While the advantages of automating any facet of accounts payable are clear for most companies, none compare to the huge savings and returns present with dynamic discounting. Dynamic Discount Management (DDM) allows companies to invest their cash safely at rates that can significantly exceed returns from many other traditional investments. Annual returns as high as 36 percent on available cash are possible.

With returns that high, it's no surprise that dynamic discounting, trade financing, and virtual account payments have elevated accounts payable automation from an AP, IT, and operations issue, to a strategic priority for treasurers and CFOs.

In our survey, we asked what percentage of spend is available for discounting on an annual basis. Over half of respondents claimed that less than 10 percent of expenditures are available for early payment and electronic payment discounts. Moreover, 13 percent claimed there were none (see Figure 6). We estimate that up to 30 percent of B2B transactions are eligible for card usage, and most organizations that implement a dynamic discounting solution achieve a 15-20 percent adoption rate amongst suppliers. It is apparent there is a lack of education within the market. So what is dynamic discounting?

Figure 6
What percentage of spend is available for discounting on an annual basis?



What Is Dynamic Discount Management?

Dynamic Discounting Management harnesses the power of electronic invoicing to enable buyers and suppliers to propose discount terms that are changeable. Instead of the static practice of offering a “2%, 10, net 30” discount, dynamic discounting might include offering discounts on a sliding scale, depending upon both parties’ needs. A more recent innovation opens discounts to competitive bids and invites banks and third-party funders to participate. Enabling participants to make the best deal for themselves creates a win-win situation for all parties. Dynamic Discounts start off high, but decrease at a constant rate over a predetermined amount of time (until the invoice due date). This creates incentive to post payments as quickly as possible, while also providing for a discount on every payment made within the terms window.

Dynamic discounts allow early payment offers on all approved invoices awaiting payment. This becomes especially powerful for invoices that are approved quickly, such as those generated directly from a purchase order and those originating electronically via EDI, vendor portal, or eInvoicing network.

Automated solutions are collaborative, allowing both buyers and sellers to come to mutually agreeable discount terms quickly and efficiently. This discount can offer buyers a double-digit APR while at the same time satisfying suppliers’ immediate need for cash.

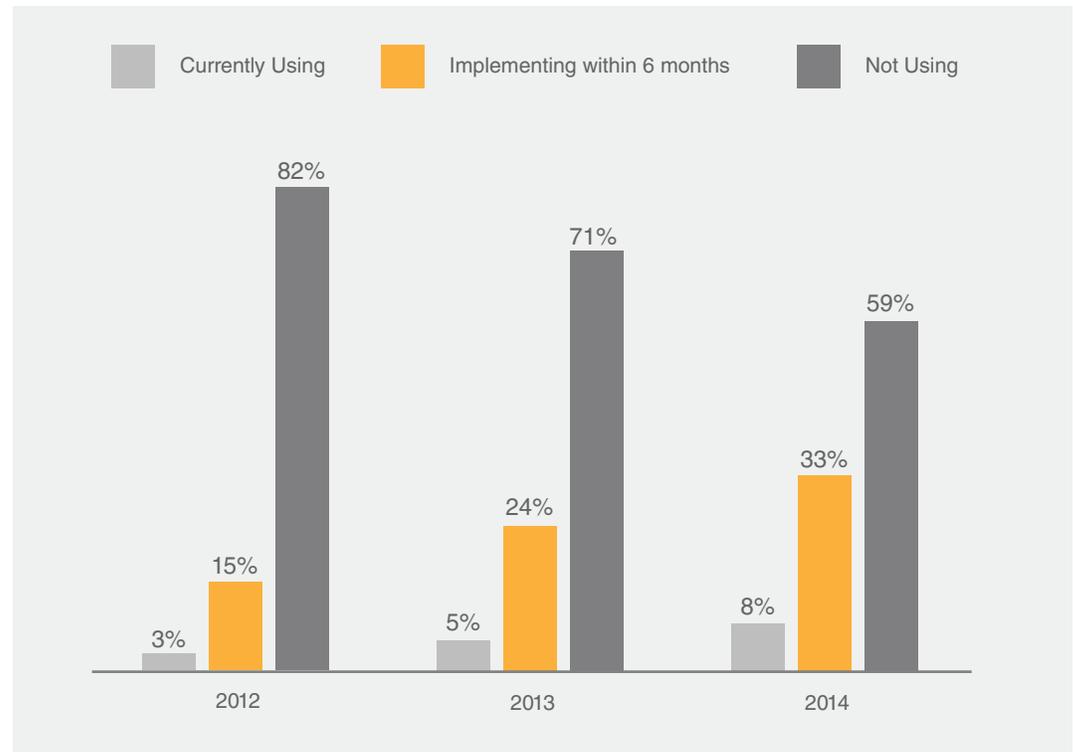
Funding for sliding scale dynamic discounts usually comes from a buyer’s working capital, although third parties such as hedge funds are becoming more involved as word of available returns and relatively low risk spreads. Early payments can be lucrative for large buyers since the typical interest rates underlying the discount returns are much higher than the buyer’s cost of capital for other risk-free investments. These relatively short-term, low-risk loans are beneficial to both parties. Cash strapped buyers who have other priorities, such as a monthly revolve, or who are unable to budge their DPO, will generally split the returns from a DDM solution, while third parties get a very short-term (less than 56 days) return well over 100 basis points.

Working Capital and Payables

DDM solutions provide suppliers with liquidity and buyers with increased returns on purchases. In years prior, discounts were driven by suppliers as an incentive to secure early payment and garner enhanced visibility into invoice status. With modern DDM solutions, buyers proactively propose early settlement discounts to suppliers in order to decrease purchasing costs and mold a more competitive supplier landscape. The question is no longer “Can we pay the invoice in 10 days?” or “Can we find a supplier that will offer an early payment discount?” Now, it is “Which supplier is willing to utilize my DDM solution?”

Current DDM adoption is climbing at a 63 percent annual growth rate. Currently nearly half of organizations surveyed report they currently use a DDM solution or are planning to implement one within a six-month timeframe (see Figure 7). In the past three years companies reporting to have already implemented a DDM solution rose from 3 to 8 percent and the number of companies planning to implement rose from 15 to 33 percent.

Figure 7
DDM Adoption Among Respondents

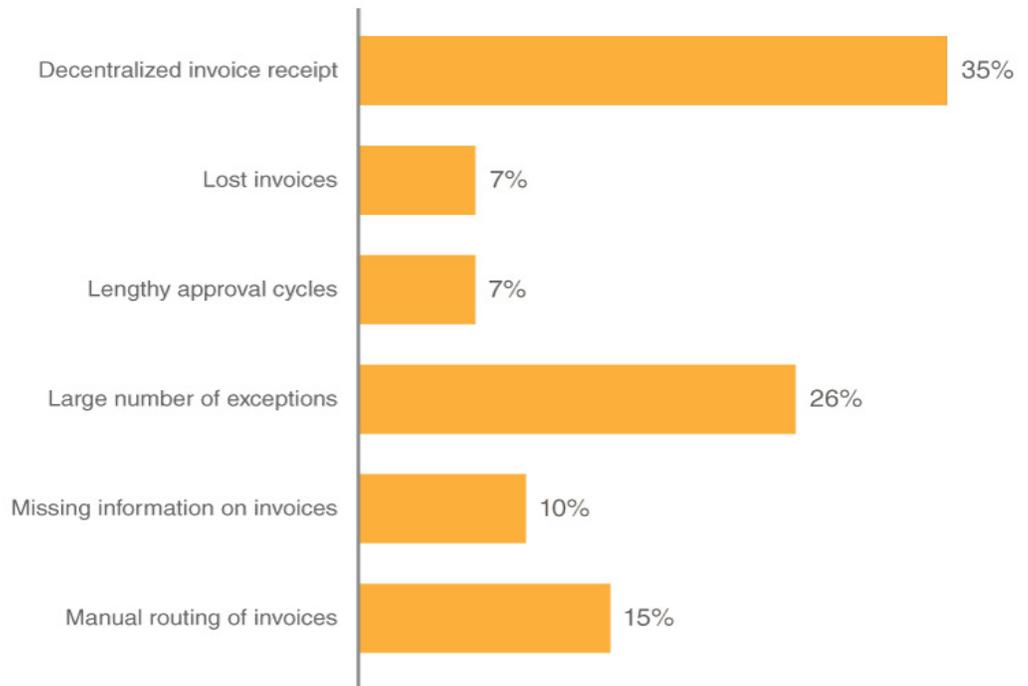


Most companies list supplier resistance as the biggest obstacle to implementing a DDM solution. Fortunately, the majority of DDM providers offer suppliers free self-service eInvoicing portals. These solutions accelerate the exchange of information between trading partners and provide improved visibility and control over financial

transactions. A key benefit for suppliers is the ability to check real-time statuses for their invoices. For the buyer, this means a reduction in resources required to solve discrepancies and respond to inquiries. Not only will there be a reduction in AP costs in the short term due to reduced processing costs but increased returns on purchases can total as much as 1 to 5 million dollars on 1 billion in spend.

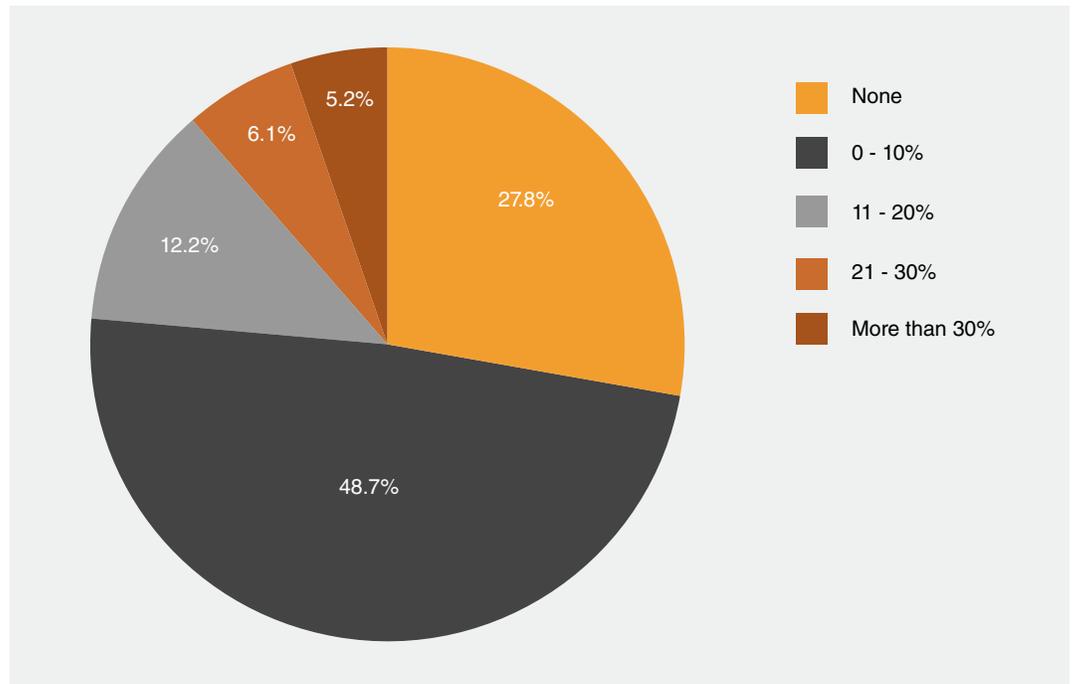
Unfortunately, purchasing organizations aren't always able to capture discounts offered. Slow approval times, decentralized invoice receipts, and the manual routing of invoices ranked as the top barriers to missed discounts and late payments (see Figure 8).

Figure 8
Top Reasons for Missed Discounts



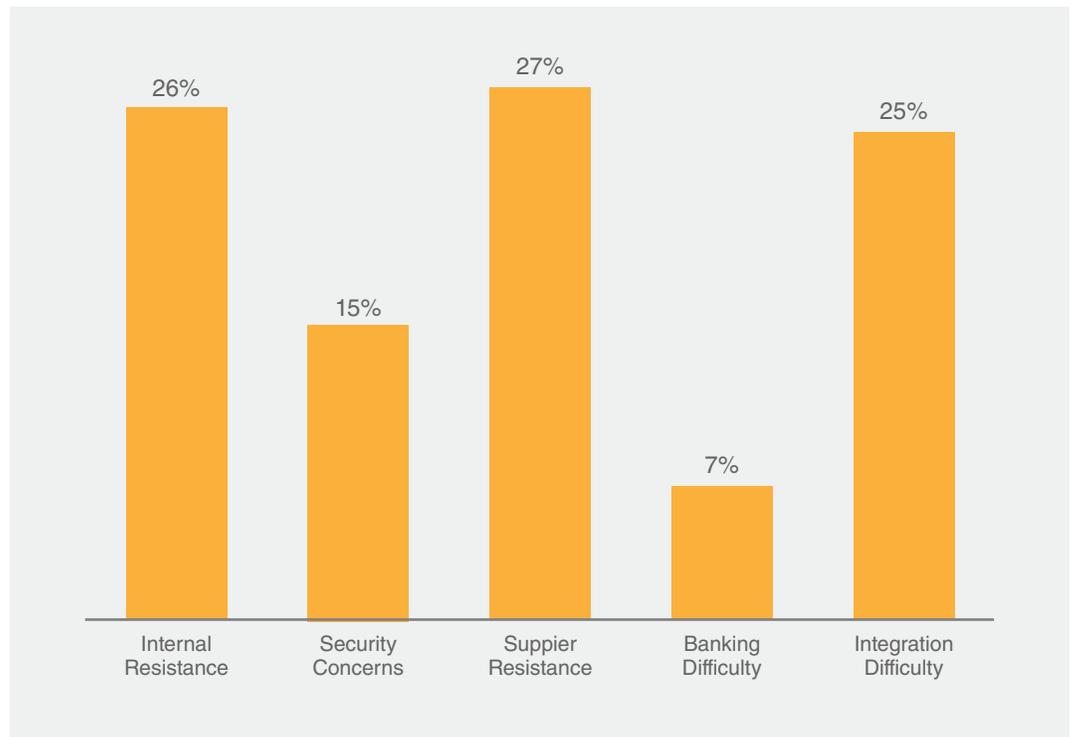
The good news is that DDM solutions ease these pains. The bad news is that they won't work effectively if they're not properly utilized. One reason PayStream feels businesses are slow to adopt DDM solutions is a lack of faith in ROI. Driving this is an unawareness of the number of discounts available. We asked our survey respondents to share the percentage of invoices where a discount is offered or a supplier accepts electronic payment methods. Surprisingly, the largest percentage responded that discounts were only available for 1 to 10 percent of invoices. What's more, close to one third of respondents reported that none of their invoices are eligible for a discount (see Figure 9).

Figure 9
*Percentage of Invoices
Where a Discount is
Offered*



Our research suggests the numbers are not an accurate representation of the supplier landscape. We have found that the numbers of suppliers ready to participate in dynamic payment terms are in the 20-35 percent range. Moreover, we have found that the percentage of suppliers that are willing to accept electronic payments is around 60 percent, with 15 percent of those ready to accept purchasing card payments. So a question arises as to, why our survey respondents felt such a low percentage of their suppliers were willing to participate in Dynamic Discount and P-Card programs. The simplest answer is that they are not always looking. Figure 10 (see below) shows the primary reason survey respondents had yet to implement electronic payments or DDM. Although supplier resistance ranks the number one reason by a narrow margin, internal resistance to change and difficulty within buyers' integration processes rank a close second and third. The next section will discuss ways to detangle the electronic payments and DDM process, ease transition and implementation pains and fears, and ensure supplier adoption.

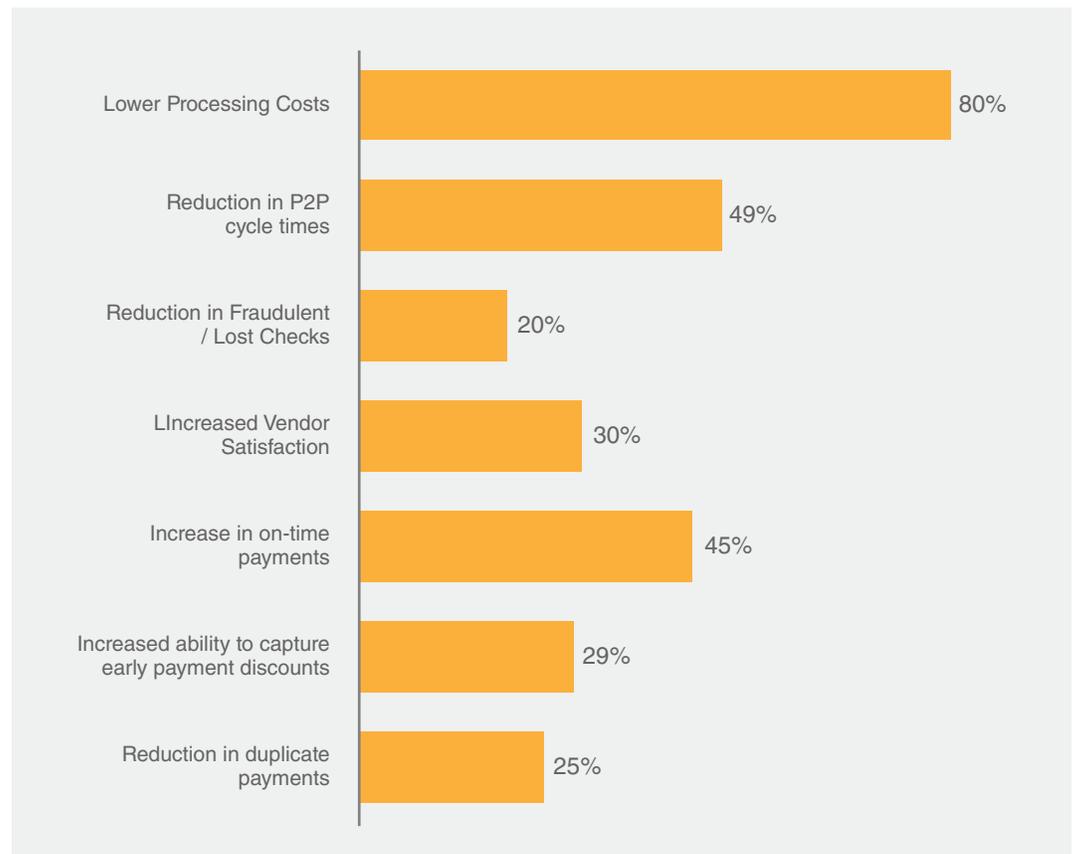
Figure 10
*Primary Reason
Companies Do Not Use
Electronic Payments*



Electronic Payables and the Perfect Payment Index™

Electronic payments, the final step in a fully automated purchase to pay solution, are critical to dynamic discounting and have numerous other benefits. They further accelerate the payment cycle and remove the costs associated with printing and mailing checks. Less paper reduces opportunities for fraud, and supplier notification and vendor self-service options reduce the number of supplier inquiries and exceptions. Online search and retrieval tools aid in payment verification and collaborative dispute resolution, as well as increasing compliance with regulatory requirements and assisting in audit trails. In our survey, we asked what benefits AP departments achieved by using electronic payment methods. Lower processing costs (80 percent of responses) and a reduction in procure to pay cycle times (49 percent) were the top report benefits (see Figure 11).

Figure 11
Benefits Achieved by Using Electronic Payments



When moving towards DDM and electronic payments, it is important to formulate a successful strategy. PayStream has built a tool to assist in this process called the Perfect Payment Index™. A perfect payment is one that is made on time, uses the cheapest payment method possible, and achieves the highest possible discount. Defining an organization's perfect payment strategy prescribes a number of actions to follow:

- » Offer suppliers a range of options. Offering yes or no options likely will not get you anywhere with most suppliers.
- » Consider what is ideal for your organization but also what is likely; try to land somewhere in the middle.
- » Effectively communicate to suppliers the benefits for their receivables with each offer.
- » Incentivize suppliers by offering tiered payment timelines. Offer faster payments for methods that benefit your organization and longer payments for manual or paper-based methods.

Perfect Payment Index (PPI)™
% on time • % paid electronically • % of discount potential captured
95% • 95% • 95% = 85.7%
The PPI strives to balance the payment efficiency and working capital needs of buyers and suppliers

The Perfect Payment Index™

Payment Discounts / Incentives	Company				Average
	1	2	3	4	
% Paid on Time (< 60 Days)	92%	92%	93%	91%	92%
% Paid Electronically (ACH or Card)	55%	52%	39%	68%	53%
% of Potential Discounts Captured	32%	76%	26%	74%	45%
Perfect Payment Index	16.2%	36.4%	9.4%	45.8%	27.0%

Ariba Solution Profile

Ariba, an SAP company, provides a global business network and cloud-based software solutions that enable organizations to buy, sell and manage cash in a networked economy. More than 1.5 million organizations in 190 countries have joined the Ariba Network, where the annual transaction volume of more than half a trillion dollars is more than the combined volume of Amazon and eBay.

Ariba Discount Professional™ has helped clients maximize the benefits of dynamic discounting since 2003. It is part of the Ariba Collaborative Finance Solutions suite that spans the Procure-to-Pay process from smart invoicing and paper invoice conversion to integrated electronic payment and working capital management. These solutions support global eInvoicing in more than 70 currencies as well as digital signature authentication, VAT/tax compliance and data archiving.

Founded	1996
Headquarters	Sunnyvale, CA
Other Locations	40 offices in 21 countries, including North and South America, Europe, Asia/Pacific, and Australia
Employees	~3,000
Revenues	~17b euros (SAP revenues)
Customers	1.5 million+ trading partners
End Users	5 million+
Annual Transaction Volume	>\$500 billion
Industry Segments	Consumer goods, distribution, financial services, healthcare and pharmaceutical, manufacturing, oil and gas, public sector, publishing, retail, services, telecom, utilities, among others
Key Accounts	Key accounts are market leaders in major industry segments. Testimonials are available at: http://bit.ly/1gDGqVD http://bit.ly/1gWvtyX http://bit.ly/1njn0Zb
Awards / Recognitions	P2P Technology Excellence Award: Contract Invoicing - 2013, PayStream Advisors; Supply & Demand Chain Executive 100, 2013; Technology Excellence Awards: Leading P2P Technology – 2012, PayStream Advisors; Best e-Procurement Solution – 2012, Global Finance magazine; 100 Great Supply Chain Partner, SupplyChainBrain

Partners / Resellers	Discover, Wells Fargo, IBM, ScanOne, CGI, TrustWeaver, Hubspan, and Microsoft. BPO providers Genpact and Accenture, supplemented by the large community of SAP partners.
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Ariba Discount Professional

Ariba Discount Professional is a full-suite dynamic discount platform that allows buyers and suppliers to collaborate over automatic and/or ad-hoc dynamic discounts. Fully integrated into the Ariba Collaborative Finance Solutions Suite, Ariba Discount Professional allows clients to earn high returns on available cash by offering suppliers a variety of discount options customized to each client’s business needs. Trading partners can connect and collaborate over multiple business processes, giving full visibility to both sides into order and invoice status, payment timing and fulfillment, and early payment opportunities.

As an SAP company, Ariba now offers Discount Professional as SAP’s only native dynamic discounting solution. Discount Professional is fully integrated into the SAP suite of solutions and is part of the joint Ariba/SAP roadmap for ongoing innovation. These innovations are available to all Ariba Network customers, regardless of platform.

Included is the ability for suppliers to automatically accept early payment offers or review those on an-ad hoc basis and select specific invoices to be paid on specific days. Suppliers can also initiate discount offers and propose counter-offers. Suppliers that would like to proactively manage their cash flow can use Ariba’s proprietary Cash Flow Optimizer to input cash flow need and discount parameters and have the system recommend various options on how best to meet those needs with the approved invoices waiting for them.

Supplier Recruitment

Good results for suppliers translate into great results for buyers. Ariba’s RapidRamp™ accelerated supplier onboarding methodology is part of the standard solution package. Ariba has over 400 global employees dedicated to supplier recruitment and enablement, and this has contributed to the rapid growth of the network—over 1.5 million trading partners connected to the network today.

In addition, Ariba’s Working Capital Management services team begins working for clients as soon as the Ariba Discount Professional contract is signed. Given that most companies do not have the time, expertise or resources to actively manage a dynamic discounting or payment terms initiative, the Ariba team helps clients define a clear dynamic discounting and working capital management strategy, and then employs Ariba’s Rapid Ramp methodology to actively drive supplier onboarding and discount participation. As a result, many of the client’s suppliers are signed up and ready to participate in dynamic discounting from the moment the system is live. Once live, suppliers can see all their buyers on one screen

through one login. This, along with the ability to easily navigate discount options, is key to gaining supplier support for Discount Professional.

Electronic Invoicing Solutions

Ariba Invoice Automation and Ariba Invoice Professional (for automated invoice workflow) are also available to customers on the Ariba Network. Ariba smart invoicing features advanced validation rules, driving straight-through processing rates to more than 98 percent of invoices processed through the Network. Errant invoices are returned to suppliers before entering the organization. This accelerates the processing of valid PO and non-PO invoices before invoices post to ERP/back office systems. The solution also performs automated, detailed PO-line level matching on any invoice using 80+ user-configurable business rules with no coding required.

Both buyers and suppliers have full visibility into invoice approval status and payment timing. This visibility, combined with the solution's ability to contain an unlimited number of discount options, enables all network participants to better forecast their cash flow and adjust dynamic discounting to meet their business cash needs. Buyers can turn payables management into a profit center, receiving returns on their cash that far exceed bank money market accounts and other short-term investments. Suppliers can use the solution's Cash Optimizer to recommend discounts to offer based on their cash flow needs—subject to buyer approval.

For electronic payment, Ariba offers AribaPay™, a new payment method for business that combines the strengths of the Ariba Network and the Discover Network to finally link the two critical components of B2B payments: the timely settlement of funds at maturity with the rich remittance needed to reconcile and apply those funds. AribaPay marries electronic payments to suppliers with line-level remittance and available pre-payment transaction documents such as purchase orders, contracts, and invoices. The result is a modern and transformative payment process that eliminates the high costs, inefficiency, and risks of alternative B2B payment methods, while helping suppliers view payment flows in real time and receive and reconcile payments.

Reporting and Analytics

The reporting functionality in Ariba's eInvoicing solution includes operational and analytical capabilities and extensive search functionality. Ad hoc reporting allows prioritization of invoice processing to maximize discount savings potential. Users can manipulate available data through an intuitive pivot table and drag-and-drop interface. Ariba also allows for data export to third-party reporting tools such as Crystal Reports for further analysis. The Ariba reporting/analytics tool is optimized for B2B and source-to-settle processes and allows customization of report templates to meet each customer's reporting needs.

Ariba's flexible solution configuration options accommodate requirements for customers no matter how large or small. Global companies with many different back office systems and document types, thousands of suppliers, and billions of dollars in annual spend, in a variety of currencies can use the system as well as smaller companies currently doing business with a few suppliers in a single country. Virtually any ERP or back office system can work with the Ariba system, which will continue to support Oracle Fusion Middleware and other middleware solutions.

Pricing and Implementation

The implementation process is very straightforward. The buyer connects to the Ariba Network via one of the company's many methods, and then configures to send and receive one message type, called the PaymentProposalRequest. Ariba Discount Professional can be up and running in as little as a week or two; average implementation time is six weeks. The primary factors that affect this timeline are the availability of client IT resources, whether or not the client is already a member of the Ariba Network, and whether other solutions are part of the implementation. New customers purchasing Discount Professional as a standalone solution can usually be up and running in a week. Customers who have already installed adapters to connect their ERPs to the Ariba Network can receive Discount Professional by receiving one new message type to be configured and tested.

Ariba's RapidRamp team provides support and training tutorials and webinars, along with comprehensive documentation that covers all aspects of the product. Response centers in North America, Europe, and Asia Pacific offer global, round-the-clock support by phone, e-mail, or through Ariba Connect, a customer portal that has been recognized as one of "The Ten Best Web Support Sites" by the Association of Web Support Professionals. All this is available with Ariba Discount Professional for a fee structure that can include annual subscription fees, gain share, or a combination of the two.

Direct Commerce Profile

Direct Commerce (DCI) offers Procure-to-Pay automation tools that include electronic invoicing, discount management, dispute resolution, workflow, and other P2P services over a secured web-hosted Supplier Portal. Direct Commerce solutions are easy-to-use, configurable, and deliver bottom-line savings.

Renowned for their technical innovation, project execution, and premier customer service, Direct Commerce is the first choice for Fortune 1000 clients such as The Home Depot, Eli Lilly, Merck, and many other companies. Free to suppliers, the Direct Commerce network supports 200,000+ suppliers submitting hundreds of thousands of electronic invoices, all adding up to billions of dollars per year in transaction volume.

Headquartered in Silicon Valley, California for over 14 years, Direct Commerce is a leader in accounts payable automation and procure-to-pay solutions. Their mission is to provide easy-to-use P2P automation tools that transform an organization and achieve paper-free processing and rapid ROI.

Website	www.directcommerce.com
Founded	1999
Headquarters	San Francisco, CA
Other Locations	Boston, MA
Number of Employees	<100
Number of End Users	200,000+
Key Clients	The Home Depot, Eli Lilly, Merck, Office Depot, Mayo Clinic
Target Verticals	Aerospace and Defense, Chemical, Energy, Food & Beverage, Gas & Power, Healthcare, Insurance, Manufacturing, Pharmaceutical, Retail, Transportation, Technology, Fortune 1000
Transactions Processed Annually	Over 50 million transactions totaling more than \$300 billion in spend
Awards/Recognitions	Numerous client innovation awards, including Eli Lilly & Company, The Home Depot, Memorial Hermann Healthcare Systems, and others

Solution Overview

Direct Commerce offers a secure, cloud-based platform providing companies with an easy to use portal for eInvoicing, discount management, dispute resolution, workflow, vendor management, and more. Customers can implement one or many of their product modules—all within a controlled, secure, and continually audited environment.

Included in their family of offerings, Direct Commerce Discount Management gives finance and treasury departments the ability to configure discount management that meets their specific needs and business rules, making only approved discount terms visible to authorized suppliers.

The Direct Commerce architecture serves as a reliable, scalable, and flexible backbone for all DCI applications and services. Because they employ industrial-strength technologies such as Enterprise Java and relational databases, they deliver a reliable, high-performance suite of applications.

Supplier Recruitment and Invoicing

Suppliers enjoy complete visibility into their payment and invoice information via a free invoicing platform. Consequently, Direct Commerce is branded as having one of the highest supplier adoption rates in the industry. The solution features a downloadable data function that allows supplier access to all remittance information. Direct Commerce features over 120,000 end users and will continue to grow their large database of suppliers with each new customer.

Dynamic Discounting

Direct Commerce has comprehensive discounting programs designed to help an organization maximize discount capture rates. It allows suppliers to extend more favorable discounts to buying organizations both before and after invoice submissions. Incoming invoices can contain payment discount information so that back-end payment processes can take advantage of optimal discount rates. Vendors may be encouraged to submit better invoice terms through the application's use of clear visual indication screens.

Direct Commerce clients are able to establish discount rates and configure multiple discount schemes. For example, discounts can be taken prior to invoicing in order to change net terms, at invoice submission, or following scheduled payment for discounts. In the case of all three options, the client can establish the most advantageous rates they will accept from suppliers.

Reporting & Analytics

Within Direct Commerce, suppliers can quickly and easily browse a highly detailed summary of their upcoming scheduled payments via the Cash Forecast function. For buyers, standard reports are defined and configured for each client specifically before Go Live, and are made available online to the appropriate personnel. These reports are produced and delivered in a variety of forms. For example, real-time data can be shown on the executive dashboard within the application, emailed in spreadsheet format, and/or sent via a secured transmission for upload into a reporting engine. Direct Commerce's advanced search capability allows users and administrators to formulate their own ad-hoc reports by inputting the appropriate search criteria.

Implementation

Depending on the scope of a project (company size, reach, and supplier amount), typical implementation processes can be between 12 and 25 weeks. Factors that generally affect the rollout schedule include client availability and desired requirements. Direct Commerce offers pre-built integration tools and adaptors. These include a data synchronization agent module for installation on site within each customer's middleware infrastructure. The tools provide interfaces that make web services calls between Direct Commerce and a user's ERP. Direct Commerce can integrate with any ERP system.

Taulia Profile

Taulia is a leading provider of Supplier Financing solutions to over 190,000 suppliers globally, processing more than \$230 billion in transactions annually. Their capabilities extend to over 60 countries worldwide and they have plans to exceed 100 by the end of 2014. Taulia’s vision is that suppliers will always have access to capital while buyers always have a risk-free investment opportunity in their supply chain. Regardless of whether an early payment is funded via an organization’s excess liquidity, liquidity of a third party through an existing platform, or bank liquidity, Taulia intends to turn every invoice into a revenue generator and make flexible financing to the entire supply chain a reality.

Taulia promises to save \$1 million through dynamic discounting within the first year of implementation, or their solution is free. This only serves as a testament to how dedicated they are to increasing their network’s investment opportunities and access to working capital. It comes as no surprise that Taulia is the fastest-growing network, adding more suppliers and buyers than any other player in the space.

Company Mission Statement	Taulia connects businesses to stop all leakage and friction within the financial supply chain to boost worldwide economic growth.
Website	Taulia.com
Founded	June, 2009
Headquarters	San Francisco, CA
Other Locations	Various locations in the US including New York, Utah, and Texas, as well as global offices in England, Germany, and Bulgaria.
Number of Employees	Over 150
Number of End Users	Over 190,000 suppliers have access to the Taulia Network
Key Clients	Coca-Cola Bottling, Pfizer, John Deere, Hallmark, Tyson Foods
Target Verticals	Vertical Agnostic
Partners / Resellers	Oracle, SAP, Medius, ReadSoft, Coupa, Dolphin, Citi, Esker, RBS, Top Image Systems
Transactions Processed Annually	System currently manages \$230B + in spend on the platform
Awards / Recognitions	Bully Award, SSAE16, TRUSTe, SAP Certified, Best Places to Work in the Bay Area, OnDemand Company to Watch , Best Invoice Discount Management Solution in the World , Leading Early Payment Solution Provider

Solution Name	Taulia Business Exchange
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Solution Overview

Taulia is founded on the principal of Supplier Financing, and they developed an extensive P2P platform around that offering. Their suite of products includes comprehensive eInvoicing, a supplier self-service P2P platform, supplier information management, and Taulia Supplier Finance (Dynamic Discounting, Taulia Enhanced Discounting, and Supply Chain Finance). Their API allows for partners or customers to integrate the Supplier Finance (including DDM) functionality into their pre-existing portal or network, regardless of ERP. Taulia leverages third-party financiers to offer customers uninterrupted financing to their entire supply chain, regardless of whether the early payment is funded by the buying organization or a third-party.

Taulia is departmentally encompassing; it enables procurement to automate and maximize discounts on 100 percent of their supply base, it eliminates non-productive accounts payable tasks by providing suppliers with comprehensive self-services and free compliant electronic invoicing, it presents corporate treasury with a risk-free short-term investment opportunity, and it is up and running within weeks, appeasing IT. It is important to note that Taulia solutions address the entire spend of a buying organization (as opposed to solely that within an eInvoicing network). This is a key differentiator with their solution because it has the ability to dramatically increase discount opportunities.

Supplier Recruitment

Taulia excels at supplier recruitment for three reasons. First, to a supplier, it doesn't feel like they are using Taulia. Instead, it feels like they are doing business with each customer through a custom branded portal they've created; it feels natural. Second, Taulia strives to help buyers effectively communicate the benefits to each supplier—and they're not only targeting the largest suppliers. They target the entire supply base regardless of size, location, or credit. Put simply, Taulia realizes that their solution is only as effective as it is widely used. They are relentless at ensuring that the vast majority of their client's suppliers are on board, thus guaranteeing the highest savings from discount capture. This is apparent in their Taulia Now program, which works with each client to ensure that their suppliers are properly educated on the features and benefits of Taulia. Taulia Now even features a parallel, follow-the-sun, enrollment process involving direct mail and calling campaigns when suppliers are less than tech savvy. Finally, Taulia succeeds at supplier recruitment because it is completely free and easy to use. There is no network fee, transaction fee, or subscription fee. There are no supplier fees, period.

It is important to note that Taulia, while presented as a sophisticated supplier-facing portal, is supported by a holistic network of suppliers which makes supplier

recruitment much more effective as most suppliers are already participants of the Early Payment Network.

Part of Taulia's offering is an Enterprise Terms Management workshop, where spend, terms, and suppliers are analyzed. In cooperation with treasury, procurement, and AP, Taulia will suggest the right strategy and combination of traditional SCF, dynamic discounting (with various flavors) and adoption-driving additional measures.

eInvoicing

Taulia offers a robust set of eInvoicing capabilities to meet the varying needs of the entire supply chain, regardless of suppliers, invoicing capabilities or requirements. If a supplier can produce an invoice, Taulia can process it (and it will be free of supplier fees). Suppliers can submit invoices electronically through integrated eInvoicing, through the supplier portal, flipping purchase orders into invoices, EDI, Edifact, uploading invoices in various formats, or even emailing a PDF or other attachments. With Taulia's invoicing spectrum, Inbox by Taulia, all invoices—regardless of how they were submitted—are received electronically.

Dynamic Discounting

Unique to Taulia is the ability to offer discounts on all invoices, regardless of submission methods. This includes everything from email to EDI to paper. This is fundamental to program success because this means Taulia addresses the entire spend; thus, discounting opportunities are available for paper and all other invoices that a buying organization receives. The great thing about this is that now organizations using Taulia have even more ways to generate returns, often more than 50 times greater than Money Market Accounts and Treasury Bonds.

Taulia's Supplier Financing methodology can be broken down into two basic types of discounts – supplier initiated discounts and buyer initiated discounts. Supplier initiated discounts can be generated in two different ways. If no pre-negotiated procurement discount agreement exists, buyers can segment suppliers and strategically offer competitive discount rates that can span across all invoices or groups of invoices, and can be funded unlimitedly, or until a liquidity threshold is exceeded. Suppliers then initiate "Early Payments" by requesting to be paid early on a per-invoice basis. They can also choose to enable CashFlow, meaning that they elect to be paid early on all invoices as soon as they are approved. Alternatively, if discount agreements have already been negotiated (2% 10, NET 30 for example), "Enhanced Discount Terms" can be offered allowing suppliers to choose to be paid any day after the invoice is approved in exchange for a dynamically calculated discount. Buyers can decide which traditional discount terms should be enhanced.

Buyer-initiated is the second type of discounting offered. Unlike the supplier-initiated discount terms, these are real ERP payment terms. They are considered a

procurement tool because they are directly entered into the contract and affect the vendor master and PO. In other words, the buyer and supplier agree on discount terms up front and the buyer always pays the supplier as soon as the invoice is approved, not unlike traditional discount terms today, but on a sliding scale rather than a single, hit or miss, discount cliff.

Reporting and Analytics

Taulia provides tools for treasury, procurement, and AP to measure and monitor the success of the discounting initiative. Included are reports that compare the success of the program (the uptake of suppliers) with reserved liquidity, as well as reports and dashboards that provide a look into the future of requested early payments and how the requests compare to reserved future liquidity.

The Taulia solution offers extensive reporting and dashboard tools tailored for each respective department. All provided reports and dashboards can be customized using the extensive functionality of Taulia's software partners. For example, customers who also use any of the ERP business analytics solutions, such as BW or Business Objects Enterprise Performance Management solutions, may instantly utilize all information available from the Taulia solution.

Pricing and Implementation

The Taulia solution is available in two pricing formats. Customers can pay an annual subscription fee or revenue share model based on discounts captured from their discounting program. An additional one-time setup fee is charged for buyers. Suppliers enjoy completely free services and will never be charged fees. Taulia also guarantees \$1 million saved within the first year or their service is free.

Taulia's typical implementation takes, on average, only 3 months. Factors that define the length of implementation include the complexity of IT structures within an organization, the type of workflow solution in place, internal change management procedures, and the number of suppliers a buying organization is looking to onboard. Taulia trains all customers and suppliers to ensure proper usage and adoption rates.

Tesorio Profile

Tesorio is a new player in the Dynamic Discounting space with a cutting edge cloud-based solution that has attracted several big names with a design-forward, easy-to-use interface, and a simplified supplier onboarding model. Tesorio's solution offers four major benefits to clients: an easy-to-use GUI, Dynamic Discounting tools, extensive reporting and analytic capabilities, and a streamlined supplier recruitment model.

Tesorio's solution strategically automates the design and delivery of early payment offers to a client's supplier network. Tesorio uniquely provides clients with the flexibility to create their own dynamic discounting or sliding-scale offers, or to leverage market-based recommended discounts discovered by Tesorio's industry-leading algorithms. The combined value-proposition of customization and recommendations, coupled with Tesorio's analytics tools, allows Tesorio to facilitate cash flow foresight for their network of companies while optimizing terms that are tailored for the client.

Additionally, Tesorio has developed a distinctive approach to their supplier onboarding model in order to maximize bid acceptance rates. Tesorio has made the solution easy to adopt by partnering with clients to identify target suppliers, incorporating leading-edge collaboration tools, and offering free solution access to suppliers. To further enable adoption of the solution, Tesorio works with client supplier networks to automate the payment process by driving suppliers toward the latest industry standards, including eInvoicing and electronic payments.

It is Tesorio's vision that all customers build a strong, ongoing relationship with Tesorio in order to fully leverage the business benefits that the marketplace offers. The Tesorio solution is both easy to use and intuitive, which results in a smooth onboarding and implementation process for both buyers and suppliers, creating demand from suppliers in Tesorio's client network who want to implement the platform for their own suppliers. Ultimately, the intuitive nature of the solution coupled with the ability to deliver quick results will drive a rapid expansion of their network and has made Tesorio a solid newcomer to the dynamic discount solution market.

Website	www.tesorio.com
Founded	2013
Headquarters	Philadelphia, PA
Key Clients	A mid-sized retail beverage company, a large healthcare provider and a large agribusiness company
Target Verticals	Vertical agnostic
Transactions Processed Annually	\$500M (2014 Est.)

Awards / Recognitions	Wharton Venture Initiation Program Founder.org Class of 2015 Finalist
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Solution Overview

The Tesorio solution reflects the company’s design philosophy, which is to provide the client with a clean and simple user experience that delivers information at a glance. KPI’s are available on the solution’s dashboard, offering updates and information on the state of early payment programs. Buyers can submit approved invoices through a simple drag-and-drop interface. After invoices are approved, Tesorio generates supplier-specific early payment offers, and then suppliers are notified of available offers via email which they can accept directly from their inbox. Suppliers can further review, counteroffer a buyer’s proposed early payment terms, or initiate their own early payment discount offers through Tesorio’s solution.

Additionally, Tesorio offers three primary ways for clients to view data about their early payment programs and customize the solution to meet their needs: Calendar, Invoice Timeline, and Table views. Calendar view provides an at-a-glance perspective of a company’s expected cash flow over time. With Invoice Timeline view, users are able to review details and early payment options for individual invoices. Finally, Table view provides an indexed spreadsheet-like view of every invoice on the platform with search, sort, and export capabilities.

Dynamic Discounting

Tesorio combines the efficiency of market-based discount discovery with the quick decisioning of sliding scale dynamic discounting programs. Tesorio’s algorithms automate the dynamic discounting process so buyers and suppliers can focus on their operations; for example, a machine-learning algorithm optimizes individualized discount parameters that a buyer offers each of its suppliers. Funds are allocated among suppliers based on the discount selected, the funds available, and the threshold return defined by the buyer. After running, the algorithms update automatically based on the performance of each buyer/supplier relationship on the platform.

Reporting & Analytics

Tesorio offers intelligence about process efficiency including metrics such as days to approval, days to payment, contract compliance, and a review by commodity, ownership, and location. Tesorio allows buyers and suppliers to easily query invoices that are due by discounting status and view the amount of savings they would receive if they were to accelerate cash. Also, Tesorio will soon roll out new tools leveraging its analytics capacity, such as probability-adjusted cash flow projections and cash demand curves that will allow clients to better anticipate and manage their future liquidity needs.

Supplier Recruitment

Tesorio's goal is to help clients maximize bid acceptance rates. As a result, the company has made access to the solution free for suppliers, allowing supplier recruitment efforts to be focused on conveying the program's benefits and streamlined functionality. Not only do suppliers gain quicker access to capital, they also gain access to electronic invoicing for free. The customer support and implementation specialists at Tesorio work closely with buyers to determine which suppliers are the best targets for early payment offers and how early payment offers should be designed to optimize bid acceptance rates and returns. Once a roadmap of targets is established, Tesorio will help create a communication plan to inform suppliers of the benefits of using the Tesorio marketplace.

Implementation & Pricing

Tesorio's marketplace platform is immediately made available for clients to onboard suppliers and load supplier invoices that are eligible for early payment offers. Through this model, Tesorio charges the buyer based on savings results and does not charge suppliers for their involvement. As mentioned, Tesorio develops a holistic customer success plan in partnership with their clients. Working together, Tesorio and their clients target the suppliers that will bring the fastest results for early payment discounts so that the clients can begin to realize their return on investment. Tesorio understands that educated customers and suppliers will witness greater success from the platform. Training is provided as part of the customer's overall success plan. Supplier training demonstrates the value of the platform and facilitates greater supplier engagement providing the client for a path to independence and self service as they expand their platform usage. The duration of the customer success plan, including implementation and training, is dependent upon the number of suppliers and the availability of the client's resources.

Tradeshift Profile

Tradeshift’s mission statement is simple—they aim to bring all companies, big and small, together to transact, connect, and collaborate with each other. For suppliers, they deliver free electronic invoicing, faster payments, and predictable cash flow. For enterprises, Tradeshift empowers them to work more easily and productively with their supplier network, anywhere in the world.

Something entirely unique to Tradeshift is that they didn’t just create a software or cloud application, they created an online platform. From there, any number of applications can be built and used on the platform - much like iOS or Google Play applications. Tradeshift invites clients and third parties to develop custom applications for the platform and even has an incubator project to assist software start-ups. To the customer, this translates to endless customization opportunities.

When founding their company, Tradeshift realized that an eInvoicing network is only as powerful as the number of suppliers that will join. In designing the supplier interface, they kept this in mind every step of the way. The graphic interface is incredibly clean and intuitively designed to facilitate maximum user adoption. What’s more, the Tradeshift platform features responsive design—intelligently changing appearance based on the size of a user’s screen.

Website	www.tradeshift.com
Founded	2009
Headquarters	San Francisco, CA
Other Locations	Denmark, UK, China
Number of Employees	165
Number of Customers	17
Number of End Users	500,000 connected to Tradeshift platform
Key Clients	Nike, DHL, Kuehne & Nagel, CBRE, ADM
Partners / Resellers	Intuit, Invoiceware International, CitiBank, iValua, CapitalAid, Bavelos
Awards / Recognitions	Best Enterprise - The TechCrunch Europa Most Innovative Solution by Financial-I
Solution Name	Tradeshift Financial Solutions (Early Payments and SCF Solutions), Collaborative Workflow, CloudScan, Electronic Invoicing

Supplier Recruitment

Tradeshift boasts rapid supplier adoption rates with a constantly-growing user base of over 500,000. They accomplish this with a flexibility that allows for painless integration for any organization. Similar to the methodology that is used by social networks, step-by-step processes slowly increase the level at which a

supplier uses the platform. To start, suppliers need only create a single login for every customer that uses Tradeshift—they don't have to remember multiple logins for multiple clients. Suppliers may continue to submit invoices via the method they already use, whether it be through email in pdf format, or paper and post. Tradeshift also offers a number of free value-add services to suppliers including the ability to receive purchase orders, check statuses, and input invoices, as well as gain access to working capital optimization tools such as DDM.

eInvoicing

Tradeshift's eInvoicing solution is simple, clean, and easy to use. Through the use of subtle hints, Tradeshift encourages suppliers to submit invoices electronically, either through direct submission over the network or via an emailed pdf. The buying organization's business rules are projected onto the supplier during the invoice creation process. When the invoice is reconciled to the supplier, they are reminded that utilizing Tradeshift eInvoicing would eliminate this step in the future, thus encouraging full supplier adoption.

Another unique function of Tradeshift is the use of personas and avatars within a company. Users on the platform don't interact with generic virtual silhouettes from a company- they actually interact with a person, a picture, and a name that represents their corresponding organization. This also comes in handy when invoices are routed between individuals before being sent back for reconciliation- the receiving supplier can still see to whom they originally sent the invoice.

Dynamic Discounting

Tradeshift offers a Dynamic Discounting solution that allows enterprise buyers to set discount rates and payment terms appropriate for their goals and strategies. Suppliers that are already on the Tradeshift network can be invited to participate in dynamic discounting by their customers. Suppliers selected to be offered early payments will see that offer in their To Do list as a review item. New suppliers can decide whether they want to participate in future discounting opportunities during their on-boarding process or at a later date. To help monitor their discounting activities, suppliers are presented with a dashboard showing various metrics, such as number of invoices paid early, total amount paid early, average days paid early, etc. Similarly, Tradeshift enables access to reporting and analytics around its early payments program offers and usage. Buying organizations are also able to segment suppliers into "programs" based on industry, size, transaction volume, etc.

Tradeshift also offers Supply Chain Finance capabilities through its partners. Tradeshift works with certain third-party Financing partners (e.g., Citibank and CapitalAid) who can interact directly with businesses on the network. For example, Tradeshift can provide eligibility criteria to help them decide whom to offer financing.

Reporting and Analytics

Tradeshift offers a range of reporting and analytics capabilities around invoicing, workflow, and cash management. Also, an unlimited number of add-on custom reporting functions are possible with custom app development through Tradeshift Studio.

Implementation and Training

During implementation Tradeshift conducts a Terms Transformation Workshop during which their experts work together with the client's finance or treasury group to develop a tailored program designed to capture as many early payment discounts as possible. Tradeshift analyzes the client's data to determine appropriate supplier segments and to develop a tailored early payment program to each segment. Each program may be customized with rates offered, cut-off hurdles, custom messaging, etc.

Additionally, Tradeshift and its partner, Bavelos Group can offer a "Managed Service" in which they take responsibility for achieving results. The implementation of the Early Payment Program and use of Tradeshift software to automate the approval cycle will be implemented in phases with the goal of maximizing discounts. For example, based on an approximate \$1B in applicable spend, Tradeshift estimates an opportunity to capture approximately \$1-\$1.5M in incremental early payment discount savings each year. The results in practice will vary based on 1) applicable spend 2) your approval cycle time 3) payment terms policy and 4) adoption of sourcing and accounts payable best practices.

For every project, Tradeshift assigns an experienced Delivery Manager to oversee the project implementation and training phases, ensuring that the rollout is successful, and that day-to-day operations can eventually be handed to the customer. In terms of success, Tradeshift considers an implementation effective when the goals set out within the Statement of Work have been fully executed and meet the expected function and performance. Furthermore, once an enterprise's use of Tradeshift becomes part of their daily operations, Tradeshift maintains a close long-term relationship with their customers to ensure that any arising issues can be communicated and resolved. The length of implementation depends on scope of the project and customer readiness; depending on the project, Tradeshift can get customers started in as little as 2-4 weeks.

Tradeshift is designed to be intuitive for all users with a natural feel and smooth learning curve, removing the need for extensive formal training. They do, however, offer a range of specially designed courses aimed at ensuring successful client usage of the platform and its maximum potential. These courses are based on a "train-the-trainer" approach, a great way to achieve scalable results quickly.

Conclusion

Dynamic Discounting and a large percentage of payments being made electronically is becoming quite mainstream. The potential for high, risk-free returns and the opportunity cost of failing to act have become change agents in many AP departments. Unlike operational improvements, DDM and ePayments have a proven appeal to high-level executives and further secure a belief in AP Automation.

Buyer-suggested discounts and tiered payment terms are, in large part, being positively received, even from suppliers not previously known for offering early payment discounts. In general, the growing perception of payables as a cash management tool has replaced the old entitlement mentality, creating a more amicable and sustainable environment with less opportunity for misunderstandings and the claiming of unearned discounts.

As predicted, the trend toward Dynamic Discount Management has taken off and PayStream predicts this trend will continue to become common practice among AP organizations.



About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at www.paystreamadvisors.com.