



Case Study



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THE BANK OF NEW YORK MELLON INCREASES ETS' REVENUE/EFFICIENCIES WITH CUSTOMIZED REMOTE CHECK DEPOSIT/ARC CAPABILITY

Streamlined Receivables Process Benefits Bottom Line

Educational Testing Service (ETS) is a nonprofit organization providing educational assessments, research and related services to measure knowledge and skills, promote learning and educational performance, and support education and professional development worldwide. This case study examines how BNY Mellon Working Capital Solutions (WCS) combined its Lockbox and Accounts Receivable Check (ARC) conversion capabilities to design a customized receivables solution for ETS.

THE CUSTOMER CHALLENGE

Recovering Lost Revenue from Inefficient Remittance Processes

To handle incoming check payments from registrants for the assorted tests it offers, ETS operated an “in house” lockbox with a process flow that was increasingly paper-driven, ineffective and costly. Uncollected NSF check fees from registrants were a great and unnecessary expense.

Using their legacy system, ETS technicians verified that incoming payments matched the appropriate registration fees. Checks were passed to one department for deposit, and the accompanying registration forms were sent to a separate department for processing.

If a check was returned NSF, ETS was often unable to match the check with the candidate’s registration to cancel the test administration and to notify the candidate of the NSF status. The company’s payment processing system captured the name on the check, but if that name didn’t match the registrant’s name (e.g., due to spousal separation or other circumstances), ETS had no way to associate the payment back to the candidate’s registration form. ETS was unable to claim a large number of the NSF checks, and therefore lost a substantial amount of revenue.

In addition, by the time the bank re-deposited the check after the first NSF return, resubmitted the payment and returned it a second time, ETS had often already administered the test without payment. This left the company with no method for collecting the lost funds.

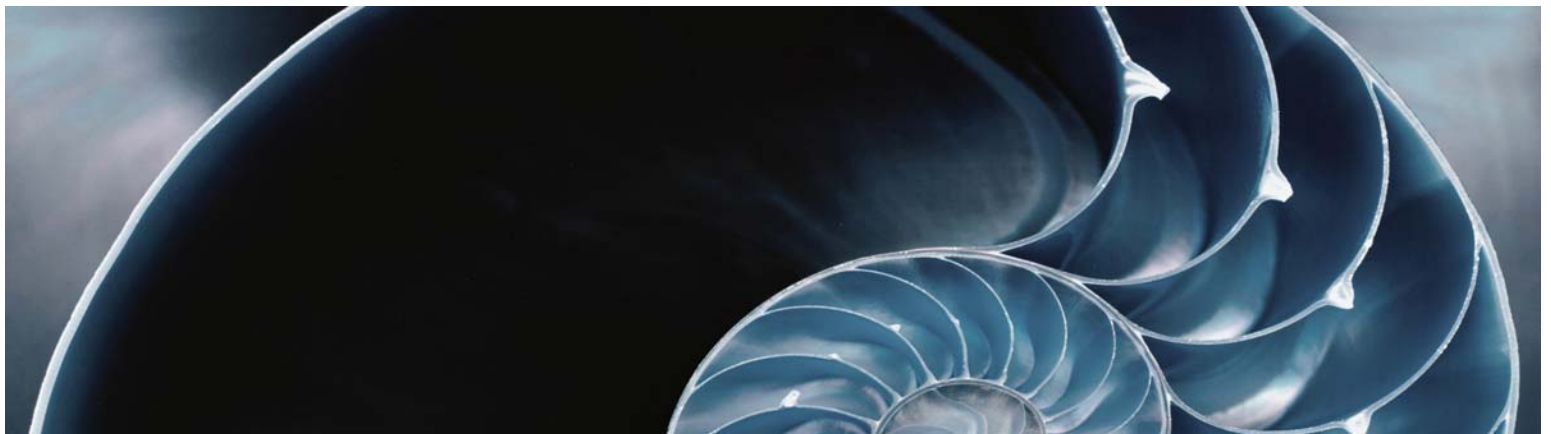
THE BANK OF NEW YORK MELLON SOLUTION

Customized Lockboxes/Remote Check Deposit Service with ARC

Due to the customized nature of ETS’ lockbox needs, ETS approached several providers who were unable to develop a solution that worked within the limits of standard industry lockbox offerings. Through many meetings and brainstorming sessions, ETS and BNY Mellon WCS came to a solution. BNY Mellon WCS used current product offerings and enhancements, combined with the ingenuity of its working capital management payment experts, to design a customized solution that fit ETS’ specific requirements.

ETS and BNY Mellon WCS proposed opening separate lockboxes for each of the organization’s programs. Having checks and registration forms sent directly to the appropriate BNY Mellon WCS lockbox would simplify reconciling the revenue for each program as well as reduce mail and collection float.

When keying the payment, the BNY Mellon WCS solution included entering the candidate’s name directly from the registration form instead of the check payment. ETS would then access records management software to track a registrant’s ongoing payment status and information.



ADDING "ARC CAPABILITY"

For checks that ETS continued to receive, BNY Mellon WCS suggested using its enhanced Remote Check Deposit capability. This provided ETS with the ability to convert eligible payments into onetime ARC debits to reduce its NSF check volume.

Remote Check Deposit enables BNY Mellon WCS customers to scan and truncate checks they receive from their payors at their company locations and then electronically transmit the images to BNY Mellon WCS. Here, the system separates the items into two transmissions: one for eligible ARC items and the other for ineligible items. As a result, BNY Mellon WCS was able to convert ETS' eligible payments into ARC entries and enable the transmission of images of ineligible items to BNY Mellon WCS, where substitute checks are printed and processed directly through deposit operations.

ETS set up a process that permitted presentment of each check up to three times through the ARC process to help ensure the collection of as many funds as possible.

BNY Mellon WCS also assisted ETS with ensuring that notifications approved by NACHA — the Electronic Payments Association, were included in bulletins to ETS registrants announcing the electronic processing of their checks.

THE OUTCOME

Increased Surplus, Improved Process Efficiencies and Cost Savings

Since the project was finalized and went live, ETS has claimed tens of thousands of dollars from an estimated 5,400 NSF payments for registrant fees. Prior to BNY Mellon WCS' solution, these fees could have gone uncollected.

And since ETS would have been unable to match the payment to the candidate to notify them of the NSF status without the BNY Mellon WCS solution, approximately 5,400 tests that would have been administered without payment were eliminated — saving hundreds of thousands of dollars.

According to Jay Basehore, Treasurer for ETS, "With its comprehensive, unique solution, BNY Mellon WCS has enabled us to collect previously unrecoverable amounts faster and helped us achieve our goal of eliminating paper from our collections process." And by using ARC as a clearing option, ETS not only eliminated the need to print and clear substitute checks for items eligible for check conversion, but also gained access to later deposit deadlines as well.

The solution allows ETS to continue to concentrate funds with a single bank solution and reduce collection and processing float while decreasing overnight mail courier fees. And the ARC capability has helped minimize the number of NSF checks that actually enter the payment system.



Overall, the conception, implementation and ongoing support from BNY Mellon WCS have been a success for ETS. According to Dawn Budd, Assistant Treasurer for ETS, "BNY Mellon WCS was extremely helpful in providing solutions to improve ETS' processes. Their staff visited frequently and studied our methods to come up with successful recommendations. I can't say enough about the tremendous effort from the The Bank of New York Mellon Sales, Product and Implementation teams, whose extreme thoroughness helped ensure the project's success."

The solution remains viable for ETS in the long term as well. According to Budd, "Remote Check Deposit supports ETS' growth strategy. As we continue to expand, the service will support our localized check deposit needs and enable ETS to maintain a centralized bank to consolidate and manage all funds."

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