



ZACHRY INDUSTRIAL, INC. REDUCES PAYMENT EXECUTION COSTS AND INCREASES CASH VISIBILITY WITH SUNGARD

Using AvantGard Payments, Zachry Industrial, Inc. has been able to improve visibility to cash, tighten process controls and security and slash payment processing costs by 50%.

Background:

Zachry Industrial, Inc. (Zachry) is a privately-owned construction and industrial maintenance service company located in San Antonio, Texas. Zachry has project sites from coast to coast with a concentration in the southern United States. Zachry's long list of experience in the past 84 years has led to more than 5,500 completed projects in the United States and abroad. With 15,000-plus employees and more than 30 million work hours per year, Zachry is focused on the planning, building and renewing of emerging energies, power, cement, refining and pulp and paper facilities. They have also constructed U.S. embassies and other specialty projects throughout the world.



Zachry works on both public- and private-sector projects across all major construction business sectors. Total employment for the past four years averaged 11,500 employees and over 28.2 million work hours.

Challenges:

In 1993, Zachry realized they needed to change the way they processed and executed payments. At that time, the accounting function was quite decentralized, with payments being dispersed from remote locations. Accounts payable was a manual, inefficient and error-prone function within the organization. In addition, equipment that the company was using to print checks was outdated. The process of printing checks was still time-consuming and inefficient, taking a team of 2-3 people over four hours each day to stuff envelopes. This process often caused employees to miss critical mail pick-up deadlines, causing payment delays.

To address these problems, Zachry sought a vendor solution that would increase processing efficiencies, add better controls and reduce fraud.

ZACHRY INDUSTRIAL, INC.

Industry: Construction & Maintenance Company
Environment: Centralized
Location: Texas, US
Revenue: >\$2 Billion

SOLUTION BENEFITS DERIVED:

- Improved Cash Visibility
- Reduced Payment Processing Costs
- Improved Process Efficiencies
- Improved Security, Control and Risk Migration
- Centralized Processing of Payments

Following an evaluation of three vendors, Zachry selected SunGard's* laser check printing solution, AvantGard Secure32. Implementing AvantGard Secure32 enabled Zachry to centralize payment processing, thereby increasing controls and reducing fraud.

In 2006, Zachry realized that further process efficiencies were needed, as Check 21 and the advent of ACH payments were gathering momentum, the time was right to consider migrating more of their paper based check payments to electronic processing for further efficiencies and control.

As Zachry had been satisfied with the software and service received from SunGard with AvantGard Secure32, the company decided to take a closer look at AvantGard PayNetExchange, SunGard's hosted solution for outsourcing payment processing.

“By outsourcing much of our payments processing to AvantGard, we have been able to achieve many business benefits in the form of improved efficiency, reduced costs and improved controls for security.”

*Dawn Lothringer, Treasury Manager,
Zachry Industrial, Inc.*

Solution:

AvantGard PayNetExchange is a secure, hosted solution for payment execution. Customers log into a secure Web site and submit payment files for processing (or transmit via FTP). Typically these files come from the customer's enterprise resource planning (ERP) system. AvantGard PayNetExchange supports interfaces with any ERP package or accounting system.

AvantGard Payment execution is then facilitated by SunGard. SunGard coordinates the printing and mailing of paper checks, coordinates check to ACH transactions and also coordinates ACH, wire and other payment methods to the customer's bank(s).



With a single upload, customers are able to execute all payment types efficiently, securely and easily.

Zachry was interested in significantly reducing, but not completely eliminating the printing and mailing of checks. The business still needed the flexibility to print certain types of checks in-house, but they were very interested in reducing the burden that this manual process placed on accounting staff.


Zachry was further interested in migrating many of its check payments to ACH payments as a means of reducing payment processing costs, and was eager to work with SunGard to facilitate this transition.

Zachry worked closely with SunGard over an 18 month period to encourage vendors to register for receiving their payments electronically. Today Zachry is paying close to 1,000 vendors electronically.

A key driver of this initiative was SunGard's AvantGard PayNetExchange vendor database. Vendors register with SunGard and provide electronic payment instructions. When payment files are received via AvantGard PayNetExchange from customers, SunGard is then able to send the electronic payment to the vendor's bank account as an ACH payment. Vendors are notified that the payment has been made with an automated email alert. Remittance details are also available to vendors and payment data can be downloaded by vendors, dramatically streamlining what is typically a cumbersome payment reconciliation process on the vendor's part.

While Zachry is processing the majority of its regular accounts payable activities through

*The solution was originally marketed by Digital Design, then later Payformance. SunGard acquired the corporate payments division of Payformance in 2008.



AvantGard PayNetExchange, the company still needed the ability to execute certain payments locally, as paper checks. For example, some payments are actually joint payments, meaning that they require both parties to endorse them in order to be processed. These and other exception payments required special handling. For this reason, Zachry needed a flexible solution that would allow them to divert certain payments to AvantGard Secure32 for local processing on an ad hoc basis.

“Productivity among employees has been improved, as the time they once used to manually print out checks and stuff envelopes is now freed for more goal-driven activities.”

*Dawn Lothringer, Treasury Manager,
Zachry Industrial, Inc.*

To address this need, Zachry decided to incorporate custom logic into their ERP solution, which would enable an accounting staff member to choose which payments would be routed to AvantGard Secure32 and a local MICR laser printer.

Results:

Zachry is able to quantify the return on investment (ROI) of conversion to electronic payment processing in several ways:

Improved Cash Visibility: A significant benefit of the centralized and outsourced execution of electronic payments is that Zachry has a much more precise view of their cash position each day, as they are now in control of when funds are dispersed, rather than having the uncertainty of not knowing when checks are received and cashed by vendors. With this controlled process, Zachry now knows precisely what its cash funding

needs are at the start of each business day, and can in effect allocate funds accordingly.

Reduced Payment Processing Costs: The conversion from paper checks to ACH payments had an immediate and quantifiable benefit. In switching from paper checks to ACH payments, Zachry cut their monthly payment processing fees in half.

Improved Process Efficiencies: Additional process efficiencies were achieved as well. Payment automation has reduced the procure-to-pay cycle time from weeks to a matter of days. The conversion to electronic processing for the majority of Zachry's payments has also resulted in a significant drop in the volume of accounts payable inquiry calls, as vendors now have access to more updated information. With fewer vendor calls and less time spent stuffing envelopes, accounting staff are freed to focus on more value-added job responsibilities.

Improved Security, Control and Risk

Mitigation: While there are opportunities for fraud to arise with electronic payments, there is much greater potential for fraud with paper checks. Electronic payments are subject to more immediate methods of payment verifications and more accurate matching, without being exposed to as much chance for human error. By reducing the amount of manual data entry and check processing, the likelihood of human error is drastically lowered. This also leads to a greater capability to adhere to regulations and maintain compliance with today's strict regulations. In migrating to electronic payments, Zachry has been able to reduce check fraud and tighten controls over payment processing, helping the company to significantly reduce risk.

ABOUT AVANTGARD PAYMENTS

The AvantGard Payments solution offers a unique payments suite of electronic payments and check printing solutions. AvantGard streamlines the processing of payments helping to improve routing, connectivity and integration; reduce transactional and operational costs; increase security; and improve the management of payment information, exceptions, and statement flows.

ABOUT AVANTGARD

SunGard's AvantGard is a leading liquidity management solution for corporations, financial institutions and the public sector. AvantGard provides chief financial officers and treasurers with real-time visibility into cash flows and increased operational controls around treasury, receivables and payments management. The solution aggregates data for a single view of cash, drives productivity through automation, and fosters collaboration between trading partners. For more information, visit www.sungard.com/avantgard.

ABOUT SUNGARD

With annual revenue of \$5 billion, SunGard is a global leader in software and processing solutions for financial services, higher education and the public sector. SunGard also helps information dependent enterprises of all types to ensure the continuity of their business. SunGard serves more than 25,000 customers in more than 50 countries, including the world's 50 largest financial services companies. Visit SunGard at www.sungard.com.

©2008 SunGard.

Trademark Information: SunGard, the SunGard logo and AvantGard are trademarks or registered trademarks of SunGard Data Systems Inc. or its subsidiaries in the U.S. and other countries. All other trade names are trademarks or registered trademarks of their respective holders.