

TEKTRONIX IMPLEMENTS INNOVATIVE PAYMENTS MECHANISM IN ASIA

Tapping efficiency through innovation

Implementing an automated treasury solution with a single banking partner can give added efficiencies – especially cost efficiencies. The experience of Tektronix, which evolved such an innovative cash payment approach, in tandem with its banking partner Citi, is a case in point

In a global business environment, the role played by corporate treasury departments is increasingly taking on a strategic hue. This has resulted in a search for innovative daily cash management and payment solutions. In its quest for such an automated payment mechanism, Tektronix, a US-based electronics company with a turnover of around US\$1 billion, found that the payments solution it had been using in Asia since a few years was inefficient and outdated.

The payments solution that Tektronix previously used in Asia was a manual process that was managed by local offices in each country. Payment details had to be manually entered or

imported into the online banking system used in Asia, in this case, CitiDirect. Once the payment information had been entered, payment authorization had to be obtained and incorporated in CitiDirect. After authorization, payments were processed through Citi outlets in various Asian countries.

In order to implement straight-through processing (STP) of the payments and to ensure integrity, Tektronix and its banking partner went through a consultation process and created a minimal risk-laden system for the Asian operations. “What technology can do in treasury today is so different from what could be done only a few years ago,” says Sanjeev

Tektronix Beaverton campus:
Implementing innovative payments solution in Europe and Asia



Chatrath, head of regional cash management sales, Asia Pacific for Citi's global transaction services. The end result was that Tektronix was successful in putting in place a centralized, automated treasury system in Asia.

Automatic, albeit with control

Looking into the different areas of treasury services that needed a boost, Tektronix and Citi decided to focus their attention on payments. "Many of our suppliers are in Asia. It is really important that we maintain a good relationship with them, so payments have to be processed effectively and efficiently," says Patricia Hui, treasury manager at Tektronix Inc.

"STP rates were at the top of our list of priorities for our payments systems in Asia," Hui explains. In order to achieve better STP rates, Tektronix opted for a highly centralized approach to their payments processing in Asia.

The new solution leverages on the Oracle 11i ERP system, but makes much more efficient use of the existing infrastructure. All payments are now pre-approved in Oracle 11i. They are then automatically uploaded into Citi File Xchange.

Citi File Xchange is a host-to-host, encrypted real-time technology. One of the key aspects of the Tektronix solution in Asia is that a single, proprietary file format is used, common across all countries, which has afforded a standardization of processes.

At the same time, payments are done via a secure channel, to prevent interception by a third party. It already has payment approval within the system, meaning that this does not have to be keyed in separately. The system recognizes differences between who keys in the information and who approves the payments. This decreases the risk of fraud.

"We wanted to maintain control over the payments, so we didn't automate the whole chain – we still have to manually approve payments, but they are done centrally, and within the same system, so there is no extra transfer of data," says Hui.

Same system, different languages

This payment mechanism was first put in place in Europe in October 2006. Pleased with the system implemented in Europe, Tektronix chose to imple-



Hui: 'STP rates were top priority in Asia'

ment the same system in Asia, despite the different language requirements. "In Europe, we just use English for everything, and in Asia, obviously that has to be different, but we still wanted to have the same process," says Hui.

Chatrath notes that Citi was able to implement the Asian solution in an unprecedented time-frame of six months. This solution was implemented by December 2007 in five Asian countries – Hong Kong, Singapore, India, Korea and Taiwan, with the exception of China and Japan. This radical approach has resulted in an annual cost savings for Tektronix in the range of US\$350,000 to US\$500,000 for the European and Asian operations taken together.

"The speedy implementation in Asia was possible because of the enor-

mous developments in technology over the past few years, and also because of the close project cooperation with the global Tektronix team," says Chatrath. Hui avers with him on this issue. "Our IT team has been working very closely with Citi on this project," she says.

"The project was too big for us to handle in one go," says Hui, "so we started using the new platform in countries that have lower volumes in terms of accounts payable, such as Singapore, and then moved on to other countries which do not have special requirements in terms of local written characters."

Local character capabilities are available in the solutions. However, while Tektronix is looking to processing the Japan payments centrally, China is a different story. "We're 'keeping it simple' in China," says Hui. "The local office will process its own payments, but this will still be done on the same system as the rest of Asia."

According to Tektronix, the fact that they can implement a cost-effective, host-to-host solution for their payments processing gives them an edge over corporates who have chosen to have multiple banking partners. "There are other solutions available, such as SWIFT, and for those with multiple banking partners, maybe that is cost effective," says Hui, citing the cooperative's trademark security and speed as benefits of using SWIFT messaging for file transfer. Since Tektronix has a single banking partner in Asia, they were happy to use a proprietary file format. "Maybe it makes sense for other global corporations to have this done over SWIFT messaging – for us it was just more cost effective to have our centralized payments handled over a single, automated platform with our bank," states Hui. ■