



March 5, 2010

Snapshot

About CN:

- Industry: Transportation
- Customers Served: Approximately 60,000
- Location: Headquarters in Montreal, Canada
- Employees: Approximately 22,700
- Web site: www.cn.ca

Strategic Goals:

- Make the cash application process more transparent and measurable
- Introduce “workflow” to the cash application process without a home-built solution
- Improve percentage of cash transactions posted the same day
- Improve accuracy of transaction posting
- Eliminate paper handling and manual keying from the cash application process
- Accelerate clearing of open receivables/exceptions

The Challenge:

Deliver a cash application solution that:

- Accepts any kind of input (EDI, lockbox images, paper checks)
- Completely eliminates paper
- Enables implementation of workflow processing
- Is highly configurable/adaptable to CN's business practices
- Is compatible with both legacy and new ERP systems
- Improves transparency and visibility
- Is Sarbanes-Oxley compliant

Why J&B Software?

- Vast experience and expertise with imaging technologies for lockbox applications
- Only solution that offered 24/7 real time remote monitoring
- Offered flexibility of a Web-based or PC-installed solution
- Delivered the most configurable solution
- Enabled automated transaction posting before or after check clearing
- Allowed multiple remittance advice documents to be applied to a single payment

Implementation:

- All interim milestones achieved on schedule
- Combination of domestic and offshore technical teams accelerated development
- Multi-stage testing reduced risk
- Went live on schedule
- Implementation was seamless, with no customer disruption

Results:

- Cumulative monthly hit rate for same-day postings improved from ≤ 82% to a consistent 92% level
- Enhanced visibility of A/R process has helped identify hidden errors
- Better visibility allows processes to be continually improved
- Reduction of manual processing and data entry has improved productivity, reduced errors and re-work
- Elimination of paper has enabled automatic work assignment
- Workflow automation has reduced headcount requirements, even during peak load periods
- Complete, consolidated image archive accelerates investigations, gives managed access to other departments. Images can also integrate with any existing image archive.
- Improved cash flow, since exceptions and data deficiencies can be resolved after check deposit

J&B Software Customer Focus: CN

Executive Summary



Henry House, Alberta

CN operates the largest rail network in Canada and the only transcontinental network in North America. More than just a railroad, CN is a transportation company that offers integrated transportation services: rail, intermodal, trucking, freight forwarding, warehousing and distribution. By operating as a scheduled railway, CN can move more freight, more quickly with fewer assets, and has attained one of the

best operating expense-to-revenue ratios in its industry—67.3% in the second quarter of 2009.

In 2008, as part of a company-wide ERP assessment, CN identified an opportunity for automation in its cash application operation. Its existing payment processing environment entailed handling a mix of paper and electronic remittance documentation from a myriad of sources, including EDI, lockbox, faxes, and emails. This hybrid environment made workflow management extremely difficult to optimize, thus limiting the Company's ability to improve productivity. The company believed that it could leverage advances in imaging technology and transaction management to integrate all transactions into a single workflow, regardless of the source or format. CN pursued a solution for automated cash application that was highly configurable, easy to implement, and interoperable with a host of ERP platforms.

In this case study, we describe how J&B Software partnered with CN to implement a highly sophisticated automated cash application system tailored to CN's business needs. Since implementation of J&B's Cash Application (CA) Suite, CN has virtually eliminated paper from its cash application workflow, accelerated cash posting, and reduced manual processing. We also detail the significant, measurable operational improvements CN has achieved as a result of the CA Suite implementation.

www.jbsoftware.com

About CN

Headquartered in Montreal, Canada, CN operates the largest rail network in Canada and the only transcontinental network in North America. With approximately 20,421 route-miles of track in Canada and the United States, CN provides shippers with more options and greater reach in the rapidly expanding market for north-south trade. CN is the only railroad that crosses the continent east-west and north-south, serving ports on the Atlantic, Pacific and Gulf coasts while linking customers to all three NAFTA nations. More than just a railroad, CN is a transportation company that offers integrated transportation services: rail, intermodal, trucking, freight forwarding, warehousing and distribution.

Revenues for CN's 2008 fiscal year were C\$8,482 million.

Strategic Goals

CN has one of the best operating ratios in its industry (67.3% in the second quarter of 2009) and is committed to moving more freight, more quickly and with fewer assets.

As part of its focus on quality, efficiency, and customer service, CN consistently measures its performance and implements ongoing process improvements.

In 2008, CN's accounting operation identified that its cash application operation could benefit from advances made in document imaging and recognition technologies. "We try to be efficient in everything we do," explained Chris Webb, Manager of Revenue Management Reporting at CN. CN uses same-day hit rate to gauge application success. "Many companies and systems take liberties in how this is calculated. CN believes that proper hit rate is putting the right money on the right invoice, the same day the funds are received. We never want to touch those funds again. Although our level of same-day cash postings was passable, our performance wasn't consistent, and we felt that we could do better." Webb added that the company's existing processes for cash application were difficult to review throughout the processing day. "We know from experience that visibility is a key to performance improvement."

CN believed that converting all remittance documentation to images could accelerate processing while improving posting accuracy. The company also felt that

by introducing workflow processing to cash application, it could utilize its manpower more efficiently and better monitor daily performance.

Additionally, CN recognized that its existing method of applying payments was inhibiting the company from implementing a new ERP solution. "We wanted to automate cash application in a manner that would be interoperable with both our existing ERP platform and any future upgrades," Webb commented. "That meant that we needed to implement a very flexible, adaptable solution, but at the same time one that met the specific needs of our business."



East Durand, Michigan

The Challenge

CN sought a cash application system that would overcome the complications of a hybrid remittance environment. Any viable solution would have to not only capture payment data, but also be capable of intelligent character

recognition, data classification, and business rules application. For the system to be acceptable, it would need to completely eliminate the impact of the source of the remittance advice and consolidate information into a single portal. "Introducing workflow management was a priority for us," Webb explained. "The ideal solution would receive remittance advice from any source, any format, and integrate it into an integrated processing stream. That would improve our visibility and allow us to make informed decisions about how to allocate our in-house resources."

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Revenue Management Reporting, CN

An additional essential requirement was that the solution be highly configurable to CN's complex business rules and practices. "We knew that some out-of-the-box solutions wouldn't be up to the challenge," Webb commented. "They're one-size-fits all and would not be adaptable to the specific needs of a company with multiple currencies, cost centers and specialized remittance documentation."

CN's existing cash application system and process were operating in silos, resulting in a function that could not be effectively integrated with other workflows. Each process stream operated with slightly different application logic, making it confusing for both operators, and IT support. Interoperability was a priority for a new cash application system, particularly since CN was considering replacing its ERP platform. CN established a firm requirement that the new cash application solution would not constrain or influence the timing or selection of any ERP implementation.



Grand Cache, Alberta

Why J&B Software?

CN began evaluating transaction management software providers once it concluded that no ERP platform offered a cash application component

capable of handling a wide variety of incoming formats and sources to their requirements. The company considered developing an in-house solution that was specific to its needs, but determined that the development and maintenance investment would have been prohibitive.

CN evaluated the offerings of six competing software vendors and conducted site inspections of the finalists' operations. "I remember how impressed we were when we visited the J&B facility," Webb recalled. "The team was clearly very technically competent, very smart, and they had a real 'can do' attitude. We gave them a surprise OCR/IDR test on the spot, and they came through with flying colors."

CN determined that the ideal cash application solution would offer tested, proven technology that could easily be tailored for a specific payment scenario. According to Webb, J&B stood out among other vendors for its emphasis on configurable solutions. "Since we had decided against a home-grown system, we needed a solution that was highly configurable to our business

rules and practices. Clearly, J&B offered the most configurable software with the flexibility to adapt to any remittance environment. Their lockbox experience really came into play and set them apart from other contenders."

J&B's CA Suite is an integrated cash application software solution that includes mail processing, OCR/Intelligent Document Recognition, rules-based validation, automated exceptions processing, and image archiving. The solution offers advanced functionality that sets it apart from competing software providers. J&B's hub-and-spoke configuration allows the user to install the application on a PC or to gain access over the Web. The solution's real-time transaction monitor—a core element of its Transaction Management System—delivers unparalleled performance visibility, anytime, from anywhere. Other benefits offered by the solution include the ability to apply multiple remittances to a single payment and automated post-payment exception processing. "The combination of a leading-edge core system and an adaptable architecture made J&B's' approach ideal for our needs," Webb commented.

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– **Chris Webb, Manager,**
Revenue Management Reporting, CN

Implementation

Implementation began with the assignment of a J&B project manager and dedicated project team. "Part of the team was at J&B's Blue Bell, Pa. headquarters, and part was located in their India operation," Webb explained. "We learned, during the implementation process, how beneficial it was to have a team in two time zones. It definitely shortens development time." A detailed project plan was developed that included

interim milestones, stepped testing, and a critical August 2008 “go live” date. “This deadline was non-negotiable, because we always have an internal IT freeze in September until year-end to ensure financial systems stability,” Webb explained.

The J&B team adapted the CA solution to meet all of CN’s business rules and practices. “While our CA implementation is ideal for our transportation-focused business and customers, it can be easily applied to nearly any business-to-business model,” Webb commented.

Testing the solution against CN’s complex requirements was accomplished in phases—initially over the Web with placeholder data. “By the time we did final testing on our own servers, we were confident in the CA functionality,” Webb explained. “At that point, we were just testing our own data.”

CN went live with the CA Suite in August 2008, on schedule, with no workflow delays or customer disruption. “In an ideal implementation, your customers don’t even know that anything has changed,” Webb said. “Of course, internally, our entire cash application workflow changed, and entirely to the company’s benefit.”

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Results

Significant improvement in same-day posting metrics: CN observed tangible improvements in same-day posting metrics immediately upon implementation of the CA Suite. Within a month of going live in August 2008, the amount of cash posted the same day it was received skyrocketed to 92%, and this improved performance level was consistently sustained. “The highest level we had achieved prior to that was 82%,” Webb said. “Without a doubt, J&B has delivered as promised. The improvement in same-day postings was immediate, significant, and ongoing. The results we’ve achieved with CA are well aligned with CN’s focus on measurable process improvement.”

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Enhanced A/R visibility: According to Webb, the CA Suite has produced unanticipated benefits by introducing unprecedented transparency to the order-to-cash process. “We’ve been able to identify and rectify errors and inefficiencies that were previously hidden,” he said. “Now that we can see the entire process, we can make ongoing improvements that will enhance our customer service and our bottom line. By implementing CA, we’ve made an enduring improvement in our operation.”

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Montreal, Quebec

Improved productivity and accuracy: By validating transactions prior to posting, CN can now resolve inconsistencies or deficiencies early on in the process, thus reducing exceptions.

Imaging, including selective extraction of data, has drastically reduced data entry and the inherent errors produced by manual processing. Early identification and consistent marking of the source and ownership of the transaction accelerate matching of A/R files and incoming payment documentation.

Introduction of automated workflows: Freed from performing manual tasks, the A/R staff can now focus on investigating and finding resolutions to transactional issues. Instead of concentrating on one particular task in the workflow process, every member of the team can multitask. “We’re more productive with less headcount,” Webb commented. “Before automation, we lacked redundancy and had to borrow personnel from other departments during busy periods to help with manual processing. Now, even at peak times, we operate very efficiently with less staff.”

Improved document accessibility and search capability: With its integrated image archive, CN can search for any remittance documentation from any desktop at any time. This capability is particularly valuable in the investigative process. “Exceptions are an expensive, labor-intensive part of any receivables operation, and having instant access to a comprehensive archive helps accelerate resolution,” Webb said. Images can also be integrated into any existing image archive.

Processing flexibility: With the CA Suite, remittance advice can be processed independent of check deposit. As a result, inadequate or incorrect data can be identified and rectified early and any delays associated with exceptions can be minimized. CN chose to consolidate all processing at a central location, while allowing checks to be scanned and deposited locally all while ensuring same-day application. Automated posting can be performed even after a check has cleared, avoiding errors that can be introduced through manual processing.

Cash flow optimization: Because posting discrepancies can be resolved after checks have been deposited, there’s no need to hold checks pending investigation.

Readiness for additional conversions to electronic transaction processing: As CN prepares for possible implementation of Check 21 and other technologies that convert paper to electronic processing, the company is confident that its cash application solution will be flexible and adaptable to new data and image formats.



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.

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