



Case Study:

Keeping Your Records Together

How a major agricultural supplier uses mixed-batch scanning to process payments and match customer records at once

Executive Summary

Nutrien is a major global supplier of crop inputs and agricultural services with over 22,000 employees headquartered in Saskatoon, Saskatchewan, with U.S. headquarters in Loveland, Colorado. In addition to being a major producer of potash, nitrogen, and phosphate products, it operates the world's largest retail network of direct-to-grower stores, with more than 1,500 locations in the U.S. and Canada.

Starting in 2019, Nutrien embarked upon a major upgrade to its back-office systems for tracking customer records and payments. Because of the company's unique customer base and its widely distributed locations, the SmartSource Adaptive check scanner has proven instrumental in the migration to a centralized, fully electronic customer database.

In this case study, we'll take an inside look at:

- 1. How a dual-purpose scanner can reduce overhead and eliminate manual processes;**
- 2. The importance of the right software to track data across accounts receivable and customer management systems;**
- 3. The unique role of the check, and of remote deposit capture, in the agricultural business.**

Simplifying Piles of Paper by Combining Processes

Merging decentralized databases for payments and customer records has helped this company improve access and visibility

For many retail businesses in the United States, paper checks occupy a unique role in the payments ecosystem. While credit and debit cards have become overwhelmingly popular for small transactions at the point of sale, the check remains popular for higher-value payments. In fact, while the total number of checks written has continued to gradually decline in recent years, the average value of each check has increased by almost 30 percent – from \$1,378 in 2012 up to \$1,779 in 2018, the most recent full year of data available.

For most merchants, high-value payments are handled through the billing office, not at the cash register. Sometimes, though, the nature of a particular business creates an exception. One such example is Nutrien, which operates the largest network of agricultural retail stores in North America, with more than 1,500 locations selling supplies direct to farmers in the U.S. and Canada. More than 82 percent of the company's transactions in 2019 were checks, a figure that has only fallen to 78 percent in 2020 despite the introduction of a new ACH/EFT portal and the COVID-19 epidemic.

What's the reason for this strange adherence to paper? You might be tempted to think it's because farming is an old-fashioned business – but that's actually not the case at all, according to Lisa Pulst, Nutrien's accounts receivable lead who is responsible for payments technology.

For high-value purchases, paper checks are not a thing of the past

"Depending on the time of year – right now [in fall], the average size of a check we receive is about \$9,000. In December and January, it triples as people pay off balances or prepay for tax reasons," Pulst says. And for amounts that high, many customers also are glad for the paper trail that a check provides.

Given the high amount per transaction, "We really do not like credit card fees," she explains. Even at the relatively low rates that Nutrien receives from its processors, fees would still come to hundreds of dollars per transaction. Given the \$7.5 billion in check payments that the company accepted in 2019, "It would be a significant hit to our bottom line."

Nutrien's relationship with the check led it to become an early adopter of remote deposit capture (see sidebar) at all of its

Mixed-Batch Capture Objectives & Key Lessons

Goal:

Replace separate systems used for payments and customer records, with a unified platform that tracks all customers, payments, and related documentation in a single electronic database.



Key Takeaways:

- ◆ Attaching payment records directly to customer files greatly simplifies operations.
- ◆ When dealing with payments, a dual-purpose check and document scanner helps avoid extra steps, duplicate manual processes, and paying for separate equipment.
- ◆ Checks are still frequently a preferred payment method for commercial and industrial purchases, as the fees associated with card payments on these transactions are significant.

locations in North America. There's a divergence between what happens on the north and south sides of the border, though: The Canadian operation is in the process of updating its back-end customer management system to a state-of-the-art platform from SAP, while the U.S. side has a proprietary back-end system that is much more labor-intensive.

"The platform that we use in the U.S.A. was developed by us, for us – but SAP will be the superior product once it's finished," Pulst explains. "The goal is to introduce it system-wide, but we are making sure we do it right."

In anticipation of that goal, Nutrien acquired several hundred SmartSource Adaptive scanners to eventually be installed in its U.S. locations. The Adaptive – a large, multi-feed device – is already used in the company's Canadian locations because of its ability to capture batches of checks and full-page documents together. That's because the new back-end platform tracks all payments and customer records together under one system, which eliminates the need for local operators to enter and cross-reference payments and customer records separately.

Each of Nutrien's U.S. branches is currently equipped with a small SmartSource Micro Elite scanner that's used to send check images to the central office for deposit. That takes care of the transactional part of the process, but it only really works because the local customer record-keeping is done separately in the company's U.S. outfit. Once the whole company is standardized on the Canadian system, though, both of those functions will be handled in the same place, so a single-purpose check scanner won't be enough – and that's where the Adaptive comes in. Being able to capture and record every document related to the payment process not only gives the central office more



Nutrien's individual branches vary greatly depending on size and location, so the on-site managers enjoy a high degree of autonomy, including over customer recordkeeping.

Perspective: When "Remote" Deposit Really Means It



Eliminating float may be the most visible dollars-and-cents metric that justifies Nutrien's focus on remote deposit, but there's another reason for it as well. The company's vast geographic spread means that practical considerations, not just financial ones, come into play for its day-to-day banking relationships.

"Our branches are where our business is – they're in farmland," Pulst says. "If they're in town, they're on the outskirts, at best."

To be clear, when we say, "the outskirts," we're not talking about the suburbs. When you're doing business in Hines Creek, Alberta (pop. 346), or Grace City, North Dakota (pop. 63), you're dealing with a whole different level of remoteness.

"[Our branches] are within range of where their employees live, and of other stores, so they're more rural, but not in the middle of absolute nowhere," Pulst said – adding that it's "not uncommon" for the more isolated locations to be a 20- or 30-minute drive to the nearest bank. On top of making it impractical to send an employee on such a route every day, there are also more non-financial concerns.

"There's a safety feature in not driving daily to the bank," Pulst says. "That goes for the safety of the employees, as well as the security of the deposit."

For a company the size of Nutrien, manual check deposits would also present another challenge: There are limited options to choose from when operating in less-populated areas. If you're trying to stick with a single primary banking relationship, but you're operating in small towns with only one or two bank branches each – there's a good chance your "main" bank isn't going to be there. Handling all deposits locally would mean using potentially dozens or even hundreds of different banks, on both sides of the border. Remote deposit makes it easier to keep that part of the process together in a single environment, eliminating a tremendous complication in accounts receivable reconciliation, balancing and auditing – as well as making it easier to keep track of the money later.

visibility; it also replaces a process that's historically been a mixed bag involving much more manual data entry for the local branches.

"In the U.S., if a customer gives us a check, it's processed as paper. It's still a manual, paper-intensive process," Pulst says. "[Other customer record-keeping] varies by individual branch – most have paper files, not electronic files. Probably 95 percent keep on-site paper files."

Since individual branches are allowed local control over their customer record management, accompanying documents like

remittances or purchase orders might be captured separately on a flatbed scanner, or simply stored as paper in a filing cabinet. Non-check payments are tracked in a different system. In either case, matching the payment to the correct customer record is very much a manual process. The central office also has records of all payments, but is dependent on the individual location managers for the more detailed customer record-keeping.

On the Canadian side, the introduction of the new SAP platform means complete customer records are tracked together, including all types of payments as well as other documentation.

By the Numbers: Electronic Check Capture Savings

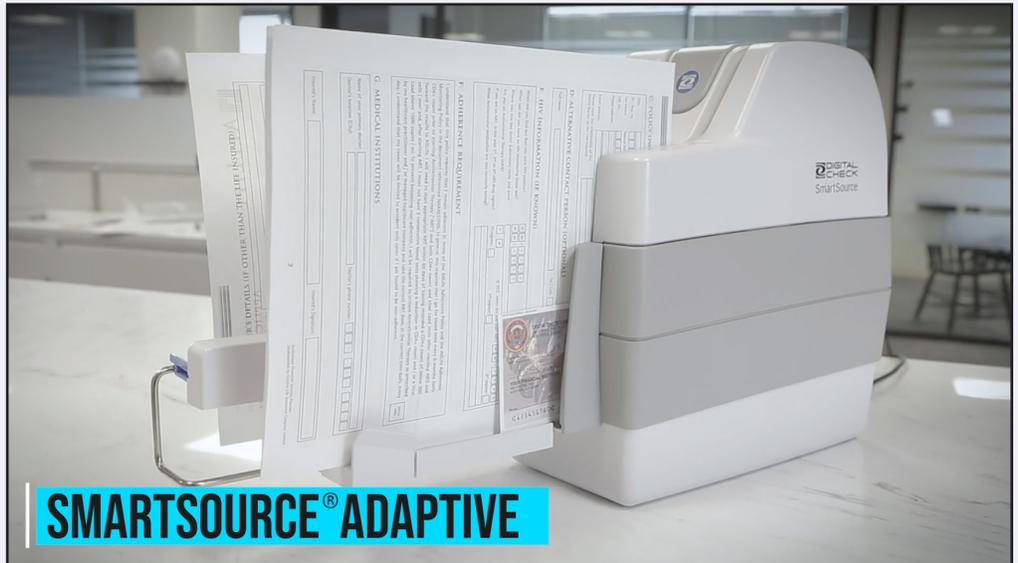
Thanks to the localized nature of Nutrien's retail business, each store enjoys considerable autonomy over its own backroom processes. Individual branch managers have the final decision over payment acceptance, customer relationship management, and local recordkeeping. Only in certain instances does corporate policy take over.

"All of these decisions are left to the branch, except for the really big ones," says Lisa Pulst, the accounts receivable operations lead. "One of those big decisions is electronic check deposit."

At first glance, it might seem a little strange that check processing, of all things, would rank highly enough on Nutrien's chart of "big decisions" that the corporate office would step in. But remote deposit capture has been a top priority on the company's financial to-do list since very early on in the game. Nutrien has used RDC in all of its locations in the United States since 2008 – and it was the first company to roll it out in Canada when it became legal in 2014.

Why all the attention for this relatively obscure process? As Pulst explains, it's about cash flow and funds availability on the more than \$7.5 billion in check payments that Nutrien accepts every year. With such massive amounts involved, time truly is money.

Theoretically, Pulst says, "If we were put



Nutrien's Canadian locations use the SmartSource Advantage, pictured above, because it has both magnetic MICR reading for check deposits, and also works as a full-page scanner (at nearly 80 documents per minute) for other items.

in a position to borrow money on the float [for our check payments], the cost to us would be in the millions of dollars per month." Even a more conservative analysis – such as the missed opportunity costs from money tied up in check float, even if no money was borrowed – indicates the company's bottom line would be impacted by tens of thousands of dollars per day by any delays in payment processing.

Since Nutrien's primary bank provides same-day funds availability, using remote deposit paid for itself very quickly. The company actually deposits checks even more often than that, Pulst

says. That's partly a function of the company's practice of processing all scanned check images in its central operations office for a single batch deposit. Under the old system, the huge numbers of checks had to be spread out through the day to avoid bottlenecks; however, that has improved markedly in recent years.

"We do three deposit windows a day in the United States – morning, midday, and end-of-day," Pulst says. "We can process and upload a batch in 10 minutes now. That's down from an hour and a half in the past, which was still with remote deposit capture."

That's where the SmartSource Adaptive is a big advantage, capturing mixed batches of checks and remittances, and intelligently grouping them together. Since the main office has electronic copies of all customer records, they're available for quick access while still allowing the local branches the freedom to manage their own archives in the way they choose.

"Canada has a very different system; it's very accessible to us internally," Pulst says. "Our individual locations may still keep paper copies on their own, but it's their own preference."

The nature of the agriculture business makes some of that accompanying customer documentation important. Customers frequently have open-ended accounts at their local branches, making scheduled payments, prepaying, or carrying balances, rather than paying for each order individually at the time of purchase. When the payments come in, they're not always in chronological order, either.

"It's almost always a remittance that we're scanning – we capture invoices along with checks," Pulst explains. "We're not always applying a check to the oldest invoice on an account, or to all items on an invoice. ... We could have one invoice with 12 items, or we could have four remittances with one check. They all go into one system."

On the Canadian side, it's easy to see why that process works much more efficiently when all of the records are available (to both the local manager and the central office) as electronic copies in the same database. That's a big reason why Nutrien is eager to deploy it company-wide.



Since it sells directly to farmers and growers, Nutrien has unique relationships with each of its customers. That can mean large one-time purchases, ongoing balances, seasonal payments, or any number of payment arrangements. In other words: One payment does not always go to one invoice, or to one transaction at the time of purchase. Keeping detailed records for each customer account is vital.

The Adaptive also helps "future-proof" the company's back office for additional process improvements that could happen down the line. For example, optical character recognition (OCR) is not currently used on the full-page documents accompanying checks, but the scanner's high-resolution image sensor could conceivably allow OCR to be done anywhere on either document. The versatile output formats also make it simple to, for instance, export check images in the 200 dpi bitonal format that's the standard for electronic clearing, while keeping higher-quality images of other documents for archiving.

Eventually, the system will also be able to use intelligent recognition to make the process even easier – reading the MICR line at the bottom of each check, and automatically using the bank account and routing numbers to match the payment to the correct customer. It's even possible that optical recognition could be used to apply it to the correct invoice, if it matches the exact amount.

"Our ultimate goal will be to have a system that takes the MICR to match to a customer," Pulst says. "It's not there yet, but when it's complete, it will be real top-end system."