

# MIDDLE MARKET MONITOR™



**CREDIT DRIVEN RELATIONSHIPS  
2003 REPORT TO RESPONDENTS**

PHOENIX-HECHT

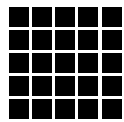
# MIDDLE MARKET MONITOR™

CREDIT DRIVEN RELATIONSHIPS  
2003 REPORT TO RESPONDENTS

*This report presents a basic overview  
of the findings from the  
2003 Middle Market Monitor™ Survey.*

*The report has been especially  
prepared for survey respondents,  
who so graciously lent their  
valuable time and knowledge of  
cash management to this research project.*

*Phoenix-Hecht most gratefully  
acknowledges their contribution.*



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# I. The Survey

*The Middle Market Monitor*<sup>™</sup> surveyed companies with annual revenue of between \$40 million and \$100 million. The survey covered a broad array of cash management issues, including pricing, quality of service, product usage, adoption of new technologies and future plans and intentions. Each participating company had the opportunity to provide a detailed assessment of its banking relationships. The resulting survey database provided Phoenix-Hecht an unparalleled opportunity to analyze the 2003 cash management marketplace. Phoenix-Hecht thanks all of the companies that responded to the Monitor survey.

The objectives of this corporate survey were to:

- Measure current cash management product usage.
- Quantify buyer attitudes towards their banking relationships and pricing of cash management services.
- Measure the quality of cash management services being provided.
- Measure the acceptance of new technologies in treasury management.
- Determine company plans for their current banking relationships, product purchases and cash management projects.

For comparison purposes, select information has been added to this report from the Phoenix-Hecht 2002 *Cash Management Monitor*<sup>™</sup>, a survey where respondents were segmented into two groups: the Upper-Middle Market and the Large Corporate Market.

## CASH MANAGEMENT MONITOR<sup>™</sup>

Annual Sales	Studied Segment
\$40 - \$100 Million	Middle Market
\$100 - \$500 Million	Upper-Middle
\$500 Million or More	Large Corporate

*This report presents a basic overview of the findings from the 2003 Middle Market Monitor<sup>™</sup>. The report is prepared for the benefit of the survey respondents, without whose cooperation and participation the Monitor would not be possible.*

# II. Key Findings

## CREDIT

In the middle market, as with other market segments, the importance of a bank's commitment to credit availability has increased as banks tightened credit standards in reaction to economic conditions. Credit and cash management services are quite closely related for most companies. The majority of cash management relationships in the middle market also involve a credit relationship. A reduction or withdrawal of credit by a bank is often promptly followed by the company moving its cash management business.

## PRICING

Middle market companies are becoming more price sensitive while also narrowing the set of institutions from which they will buy cash management services. Since 1999 middle market companies have reduced the average number of credit relationships to 2.40 from 2.93 and also reduced the number of cash management relationships to 2.14 from 2.40.

## QUALITY

The quality scores provided by respondents in the middle market are generally higher than scores given by both the upper-middle market and large corporate market segments. This trend has held from the last survey.

Over the past two years, middle market quality scores have shifted slightly. Customer perceptions of the bank calling and prospecting programs improved. While the calling programs were rated higher, the perception of customer service deteriorated a bit. The product ratings were somewhat mixed. The balance reporting ratings for accuracy and reliability fell, while ratings for Internet service improved. Quality scores vary from bank to bank. Companies wishing to review scores for a particular bank(s) should contact the bank(s) directly and request their *Quality Index*<sup>™</sup>.

## PRODUCT USAGE

Although middle market companies typically use fewer cash management products than large companies, as a group the middle market service usage "profile" is becoming more like that of the larger companies.

## ***Depository Services***

Banks with large geographic footprints provide many companies with deposit services. The importance of a bank's retail deposit network increased to 3.53 from 3.27 (on a 5 point scale) in the previous survey as more companies recognize the efficiencies of dealing with a limited number of banks. The retail corporate sector, which derives the most value from deposit services, rates the feature significantly higher than the "all respondent" group.

## ***Sweep Account***

The sweep account is a cash management product accepted by all market segments. The product has particular appeal in a low interest rate environment, where little can be gained from a more actively managed investment program.

## ***ACH***

Middle market companies' use of direct deposit increased to 86.9% from 83.7% two years ago. Initiating ACH transactions over the Internet is one of the more important new technology applications.

## ***Lockbox***

Lockbox is usually thought of as a mature and stable product dominated by providers with a geographical advantage. Imaging and the Internet have given the lockbox service a new lease on life. Middle market companies with geographical concentrations of remittances are more likely to use a local bank to provide lockbox service.

## ***Controlled Disbursement***

In controlled disbursement, three product features have become very important: on-line stop payments, positive pay and Internet delivery of disbursement information. Phoenix-Hecht believes that the utilization rate of positive pay will increase dramatically in the next two years.

## ***P-Card***

The use of procurement cards (P-Cards) continues to expand. However, the obstacles to adoption are also growing. A high number of respondents cited "not a high management priority" and "lack of systems resources" as obstacles to adopting P-Card programs. Such concerns will likely slow the adoption rate in the future. Companies that still plan to implement a P-card program may have unreasonably high expectations of convertible transactions. The percentage of vendor transactions expected to be converted increased to 18.0% from 10.8%. This likely reflects the companies' perceived cost of a P-card product adoption.

## NEW TECHNOLOGIES

### *Imaging*

The middle market has slowly recognized the work process improvements that can be obtained by using image-based systems for lockbox and controlled disbursement. It is only a matter of time before the importance ratings for imaging and related new technological products match the ratings found in the larger market segments.

### *Internet*

The middle market has embraced the Internet. Over 71% of all treasury departments are currently retrieving bank account information over the Internet. Phoenix-Hecht predicts at least a 30% increase in the number of companies that initiate wire transfers and ACH transactions using the Internet over the next two years.

### *E-Commerce*

Although treasury managers have largely moved on from financial electronic data interchange (FEDI) to Internet-based applications, there remains a core constituency that is dedicated to this technology. There is continued growth in the large corporate segment that is doing FEDI with 100 or more suppliers and customers. Whether this growth trend will continue is questionable, given the attractiveness of the Internet-based information exchanges with one's suppliers and customers.

### *Wireless*

The middle market has yet to be convinced of the value of wireless access to the Internet. Wireless balance reporting, wire transfer and investment confirmation are currently drawing little interest.

## PLANS AND INTENTIONS

Not surprisingly many applications and projects that have long and often expensive implementation periods were of less importance than in the previous survey. Companies appear to be holding off making investments in processes until there is some certainty in the economic outlook. Nevertheless, upwards of 29% of the companies surveyed are very likely to expand their use of e-commerce with suppliers or customers. There was also a relatively high interest in treasury reviews — a likely project for 23% of the respondents — which indicates a continued desire by treasury managers to make their systems more efficient.

Phoenix-Hecht believes that there are four dimensions considered in purchasing cash management services. We address these in various sections of our analysis.

**Credit.** We believe that credit is the cornerstone of the majority of middle market bank-corporate relationships. For these companies, a bank that tries to sell only its cash management services without being part of a company's credit facility is at a distinct disadvantage.

## THE FOUR DIMENSIONS OF CASH MANAGEMENT

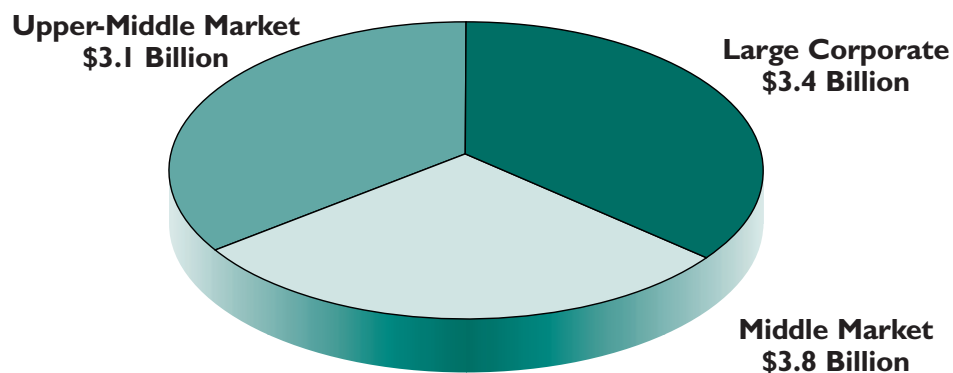


**Pricing.** Because of the perceived intense competition for cash management services in the large market segments, banks have aggressively priced their services with the result that full list price is often not the price a company pays. Middle market companies are beginning to react to price increases higher than the annual Consumer Price Index.

**Quality.** Although banks invest a great deal of time improving product quality, our research indicates that what really matters is the quality of the primary cash management relationship manager. This is a very strong predictor of the ability to gain additional business from existing relationships.

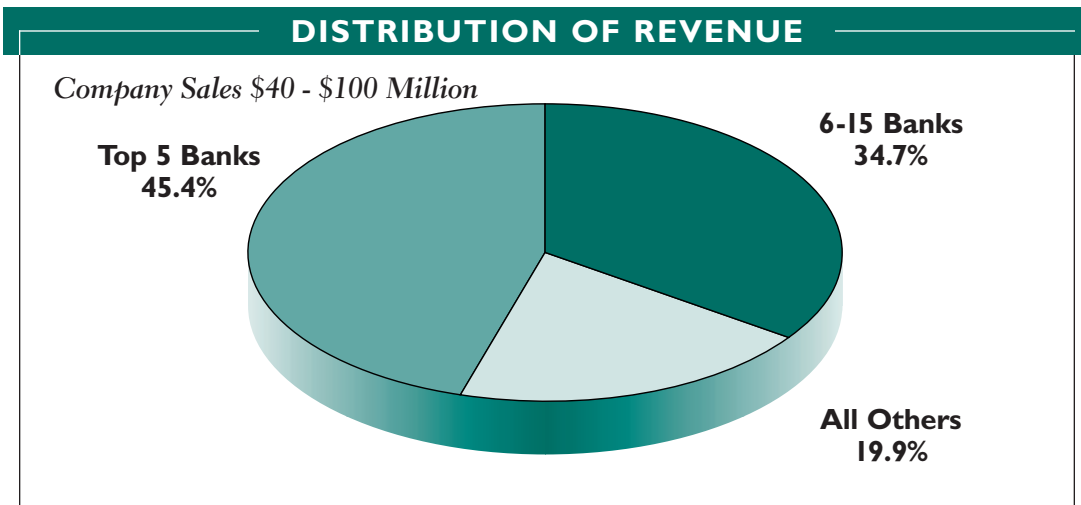
**Product Features.** As banks have grown larger and products have matured, there has been a natural loss of distinctiveness in bank product offerings. Still, certain features do matter, such as imaging, and to a growing extent, Internet capabilities.

## CASH MANAGEMENT REVENUES

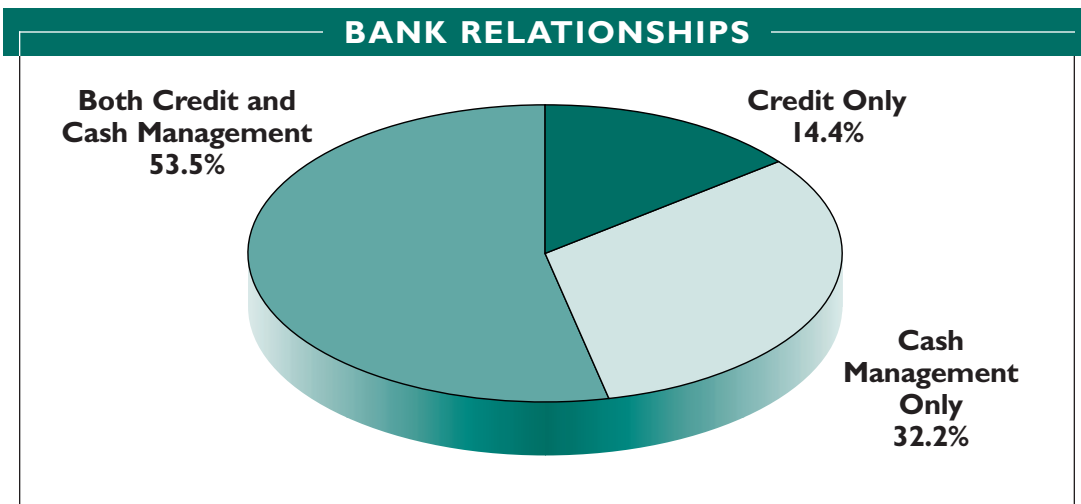


## Dollar Value of the Business

The middle market represents \$3.77 billion in total fees for the 33 banks covered by this survey, using a very strict definition of the corporate cash management business. Our estimate of revenue excludes cash management services sold to banks, savings and loans, and government units. Bank mergers has led to a significant revenue concentration at the five largest cash management banks. Because of credit tightening, a reduction or withdrawal of credit by the bank is often followed by the company moving its cash management business. Cash management revenue for the top five banks declined to 45.4% from 47.1%. The middle tier of banks (number 6-15) gained in their share of revenue increasing to 34.7% of the pie from 31.8%.



The majority of cash management relationships in the middle market also involve a credit relationship. This is quite similar to what we have found with larger companies.

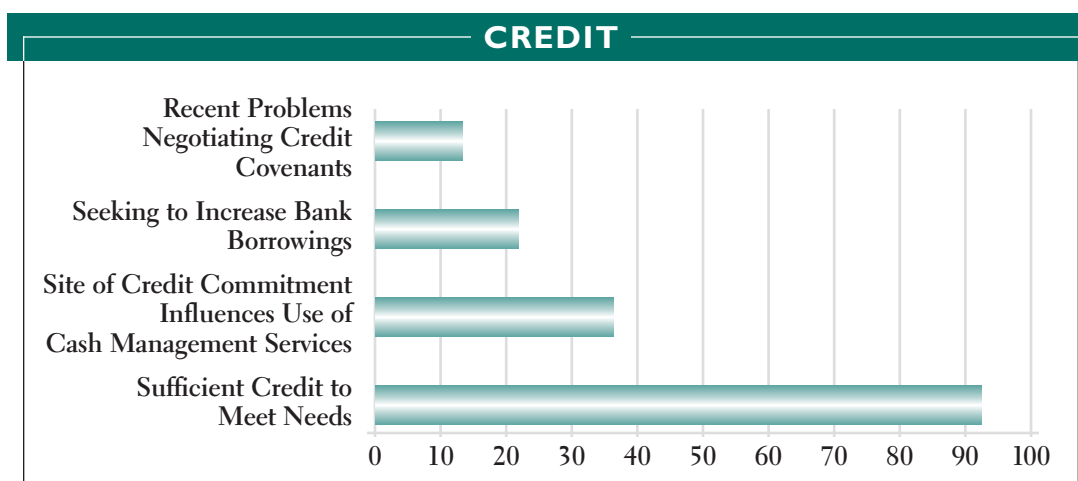


# III The Importance of the Credit Relationship

In the middle market, as with other market segments, the importance of a bank's commitment to credit availability has increased as banks tightened credit standards in reaction to economic conditions. When asked to rate the importance of credit availability on a 1 to 5 scale, all of the company revenue size categories moved higher.

BANK'S COMMITMENT OF CREDIT AVAILABILITY		
<i>Scale 1 to 5 with 5 = Very Important</i>	<b>2000</b>	<b>2002</b>
<b>Annual Sales:</b>		
\$40 - \$99 million*	3.91	4.06
\$100 - \$499 million	3.77	3.97
\$500 - \$999 million	3.73	4.07
\$1 billion - \$2.49 billion	3.80	4.14
\$2.5 billion or more	3.87	4.16
*2001 and 2003		

The financial executives who respond to our survey are somewhat cautious about discussing credit availability. While over 92% state that they have sufficient credit to meet their company's needs, related questions evoke responses that bring this robust response into question. Almost 22% of the respondents indicated they were seeking to increase their bank borrowings, and over 13% admit to recent problems in negotiating credit covenants. Well over a third indicated that credit commitment influences the placement of cash management services. When asked to identify the single most important factor in deciding to keep or drop a bank, the "commitment to our account" response continues to be the most-cited answer. "Willingness to provide credit" remains stable in second place.



Companies appear to be favoring measures, such as dealing with the same individual, which might result in a bank not reducing credit commitments. For the first time the importance of calling officer stability showed a statistically significant increase.

<b>IMPORTANCE OF BANK'S COMMITMENT</b>			
<i>Scale 1 to 5 with 5 = Very Important</i>	<i>2001</i>	<i>2003</i>	<i>Difference</i>
Problem Resolution Response	4.60	4.53	(0.07)*
Credit Availability	3.91	4.06	0.15*
Calling Officer Stability	3.77	3.86	0.09*
Length of Relationship	3.68	3.74	0.06*
Proactive in Introducing New Services	3.69	3.61	(0.08)*
Frequency of Calling Officer Visits	3.10	3.11	0.01

*\*Statistically significant change*

Just as was found with larger companies, middle market companies indicate that they more frequently pick their credit banks first and then seek to have their cash management needs met by these credit banks rather than the other way around. About a third of the respondents claimed to make no attempt to link the banks used for credit and the banks used for cash management.

<b>RELATIONSHIP BETWEEN CREDIT AND CASH MANAGEMENT</b>			
	<i>Large Corp</i>	<i>Upper Middle</i>	<i>Middle Market</i>
Choose credit banks, then have them provide cash management	42.0%	35.1%	37.8%
Choose cash management banks, then have them provide credit	28.7%	28.1%	26.2%
Make no attempt to link banks	29.3%	36.7%	35.9%

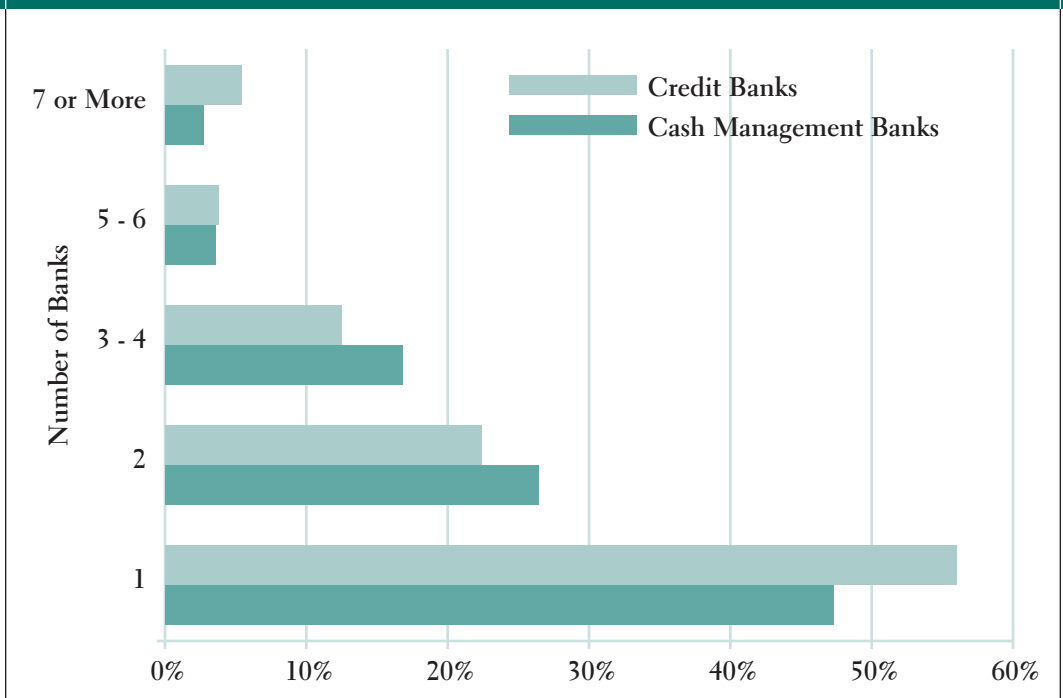
One in eight middle market companies indicated one of their banks had reduced or withdrawn credit commitments within the year preceding the survey. In those cases, they seem quick to react to the banks involved by moving their cash management business to another bank. In this regard, the middle market companies are acting very much like companies in the larger market segment.

## WITHDRAWN CREDIT COMMITMENTS

<i>Percent responding "yes":</i>	<i>Large Corp</i>	<i>Upper Middle</i>	<i>Middle Market</i>
Have any credit banks reduced or withdrawn credit commitments in the last year?	38.6%	15.4%	12.5%
If your credit banks reduced or withdrew credit commitments, have you moved cash management services?	46.3%	37.4%	43.9%

In an extension of a long-term trend, on average, companies continue to reduce the number of banks with whom they have relationships. Since 1999 middle market companies have reduced the average number of credit relationships from 2.93 to 2.40 and also reduced the number of cash management relationships from 2.40 to 2.14. This trend of reducing the number of bank relationships, both for credit and cash management services, runs parallel to the trend observed for over a decade in larger companies.

## NUMBER OF CASH MANAGEMENT AND CREDIT BANKS USED



## Pricing of Bank Services

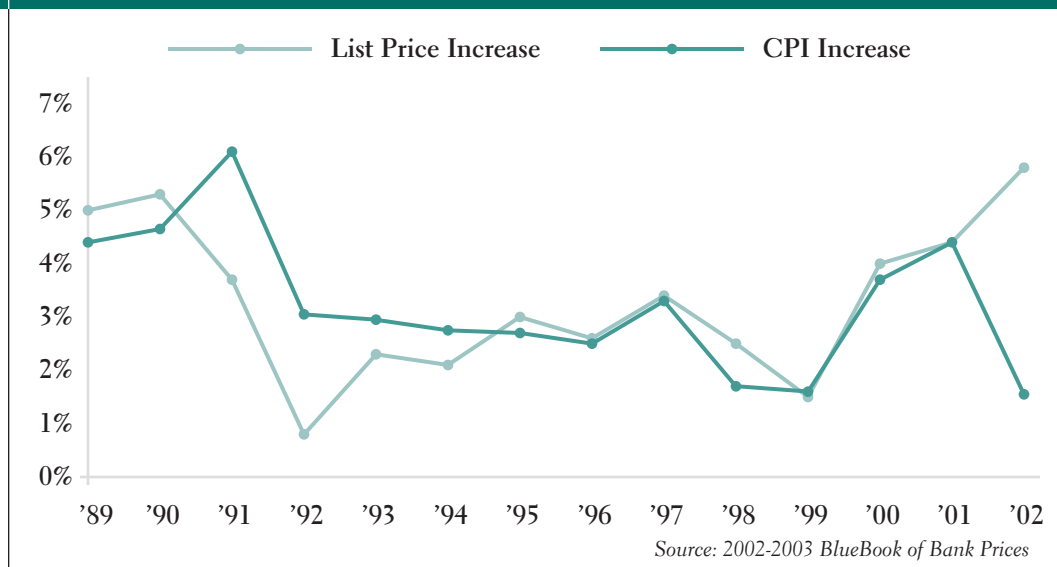
### MIDDLE MARKET CORPORATE BUYING BEHAVIOR

Percentage Who Agree	2001	2003	Difference
Company requests competitive bids for new cash management services	39.2%	37.5%	(1.7)
Company buys new services only from existing banks	71.1	77.6	6.5*
Bank has won cash management business principally because of low prices	17.8	20.5	2.7*
Company has changed banks primarily because of price increases	8.7	12.0	3.3*
Company negotiates price guarantees for specific periods of time	38.8	39.5	0.7
Company annually reviews bank prices	49.8	51.6	1.8

\*Statistically significant change

Responses to buyer behavior questions indicate that middle market corporations are becoming more sensitive to pricing issues for cash management services. The buying behavior patterns illustrated by the middle market respondents now closely parallel those of the responses found in the larger company segments of our research. A relatively high percentage (77.6%) indicate a preference to purchase additional services from existing banks. However, an increasing number of companies are awarding new business principally because of price.

### LIST PRICE INCREASES vs. CONSUMER PRICE INCREASE



Banks appear to be using price increases where they have the most leverage to offset cash management revenue losses resulting from changes in credit relationships.

## Customer and Prospect Calling

Banks continue to prospect more in the middle market than in any other market segment. Prospect calls, as a percentage of total calls, increased to 33.5% from 30%, returning to a prospecting rate not observed since 1999.

### CALLING ALLOCATION

	1999	2001	2003
Customers	67.0%	70.0%	66.5%
Prospects	33.0%	30.0%	33.5%

In person calls on customers and prospects are the most important information source for middle market corporate treasury managers. Middle market companies would like to be called on by their banks more often.

### INFORMATION SOURCES FOR CASH MANAGEMENT

<i>Scale 1 to 5 with 5 = Very Important</i>	<i>Average Rating</i>	<i>Rated 4 or 5</i>
In Person Bank Call	3.67	63.6%
Internet	3.06	36.8%
Trade Publications	2.62	22.0%
Trade Meetings	2.31	13.1%

### CALLING FREQUENCY

<i>Scale 1 to 5 with 5 = Very Important</i>	<i>Current Calling Frequency</i>	<i>Customer Preferred Frequency</i>
Monthly	14.1%	16.4%
Quarterly	25.9%	37.3%
Semi-Annually	20.4%	25.4%
Annually	18.5%	13.9%

# IV. Quality Assessments

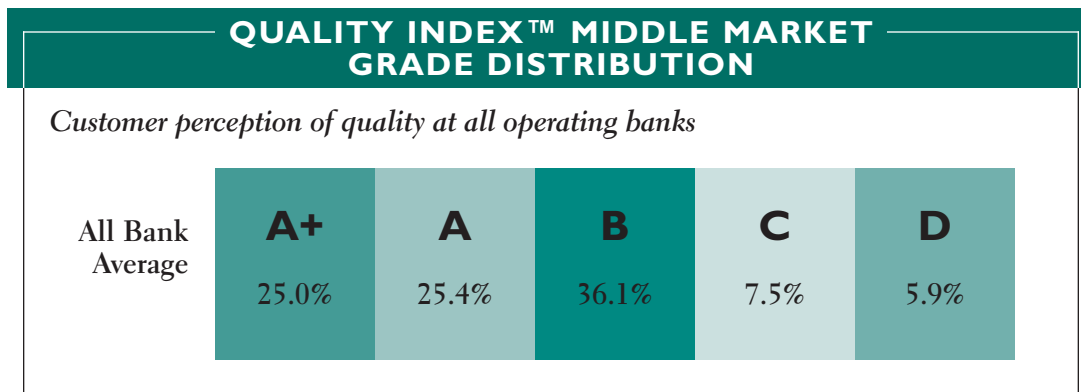
Since 1992 Phoenix-Hecht has published a *Quality Index™* as part of its *Cash Management Monitor™* series. The purpose of the *Quality Index™* is to provide a simple means of comparing bank performance ratings.

The 2003 *Middle Market Monitor™* covers 32 different dimensions in the *Quality Index™*:

- 18 questions relating to products (wholesale lockbox, wire transfer, balance reporting, controlled disbursement, ACH, depository services and Internet services)
- 6 relating to corporations' perceptions about their banks
- 8 dealing with relationship management

The *Quality Index* has five rating categories, with A+ being the highest and D being the lowest. The specific numeric rating required to achieve each grade is calibrated to achieve a target distribution of 20% A+, 20% A, 40% B, 10% C and 10% D. The process of assigning grades also involves a series of algorithms which may shift the actual distribution slightly from these targets.

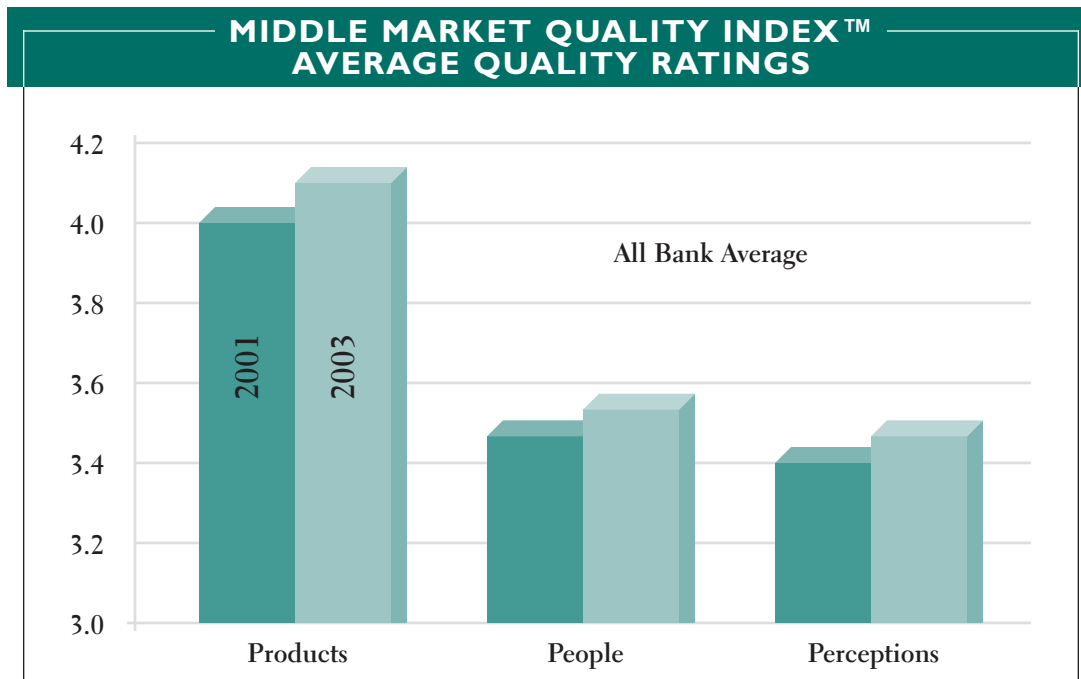
The assignment of grades is based not only on how well a bank does relative to its peers in a category, but also on how a category scores overall in the survey. These two factors are weighted equally in the grade assignment process. Finally, no grade is calculated and reported unless there are sufficient evaluations for a specific category.



Thirty-three leading treasury management banks were rated for quality in the 2003 Monitor survey.

- |                               |                                     |
|-------------------------------|-------------------------------------|
| Allfirst                      | Key Bank                            |
| AmSouth Bank                  | LaSalle/Standard Federal (ABN AMRO) |
| Bank of America               | Manufacturers & Traders             |
| Bank of New York              | Marshall & Ilsley                   |
| Bank One                      | Mellon Bank                         |
| Citibank                      | National City Bank                  |
| Comerica Bank                 | Northern Trust Company              |
| Commerce Bancshares           | PNC Bank                            |
| Commerce Bank NJ              | Regions Bank                        |
| Deutsche Bank (Bankers Trust) | SunTrust                            |
| Fifth Third                   | UMB Banks                           |
| First Tennessee               | Union Bank of California            |
| Fleet Boston                  | Union Planters                      |
| HSBC (Bank USA)               | US Bank                             |
| Harris Trust and Savings Bank | Wachovia Bank                       |
| Huntington National Bank      | Wells Fargo                         |
| JP Morgan                     |                                     |

Achieving a specific grade is somewhat easier in certain products than in others. For example, wire transfer services consistently receive higher grades than do other product categories. Similarly, products tend to receive higher grades than those received by relationship managers, which in turn are higher than general bank perceptions.



Over the past two years, industry wide middle market quality scores have shifted slightly. Improved scores were achieved for customer perceptions of the bank calling and prospecting programs. While the calling programs showed significant change, the perception of customer service deteriorated. The product ratings were improved overall with some questions going in the other direction. The balance reporting rating for accuracy and reliability rating fell, while Internet service improved.

The *Quality Index* grades achieved by individual banks typically contain more changes survey to survey and reflect significant differences from bank to bank. Companies seeking to know the *Quality Index* grades for a particular bank or banks should contact the bank(s) directly.

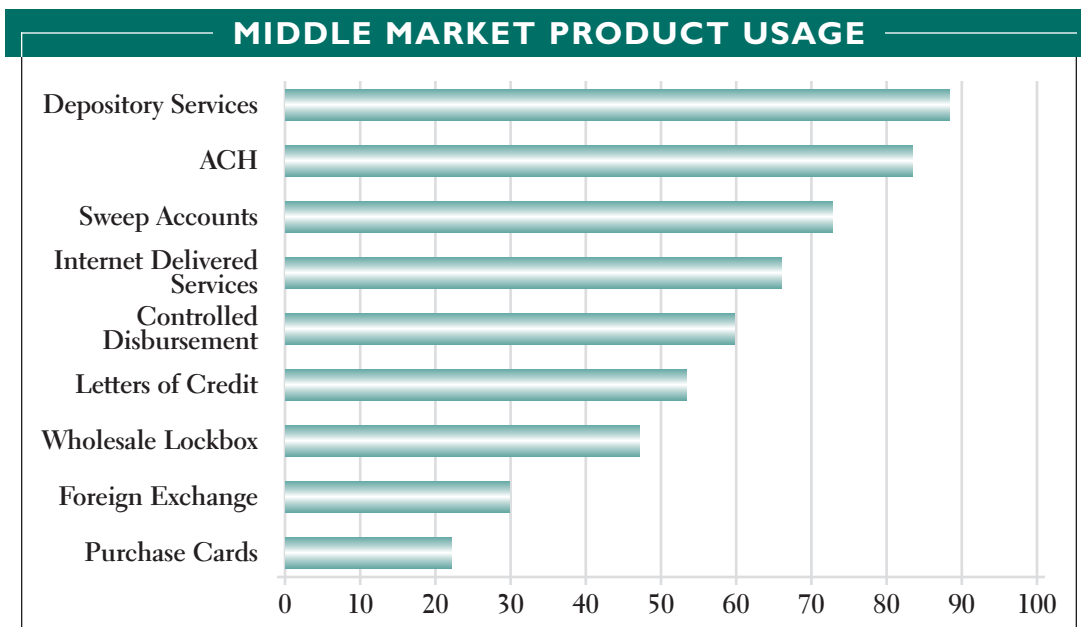
## 2003 MIDDLE MARKET QUALITY INDEX™

	2001	2003	Difference
<b>PRODUCTS</b>			
<i>Rate the bank on:</i>			
Wholesale Lockbox			
Speed of processing	3.99	4.00	0.01
Accuracy of processing and reporting	3.96	3.96	0.00
Overall features and capabilities	N/A	3.80	N/A
Wire Transfer			
Timeliness of initiation and processing	4.32	4.35	0.03
Accuracy and reliability	4.46	4.43	(0.03)
Overall features and capabilities	N/A	4.16	N/A
Balance Reporting			
Timeliness of initiation and processing	4.21	4.19	(0.02)
Accuracy and reliability	4.31	4.26	(0.05)*
Overall features and capabilities	N/A	4.06	N/A
Controlled Disbursement			
Timeliness of notification	4.12	4.21	0.09*
Consistency of notification	4.23	4.18	(0.05)
Accuracy of notification	4.28	4.24	(0.04)
Overall features and capabilities	N/A	4.10	N/A
ACH			
Speed of error correction	4.14	4.13	(0.01)
Accuracy of processing and reporting	4.29	4.30	0.01
Overall features and capabilities	N/A	4.15	n/a
Depository Services			
Accuracy of processing and reporting	4.16	4.19	0.03
Internet Services	3.88	3.99	0.11*
<b>PERCEPTIONS ABOUT BANK</b>			
<i>Rate the bank on:</i>			
Innovation	3.75	3.77	0.02
Service customization	3.50	3.50	0.00
Product specialists	3.73	3.69	(0.04)
Customer service	3.73	3.68	(0.05)*
Customer calling program	3.34	3.40	0.06*
Prospect calling program	2.82	2.96	0.14*
<b>PRIMARY CASH MANAGEMENT RELATIONSHIP MANAGER</b>			
<i>Rate the relationship manager on:</i>			
Calling officer knowledge	3.82	3.82	0.00
Anticipates service needs	3.23	3.28	0.05
Informative on new services	3.28	3.28	0.00
Prompt call follow-up	3.69	3.69	0.00
Problem resolution	3.75	3.75	0.00
Accessible when needed	N/A	3.68	N/A
Understands your business/industry	3.50	3.53	0.03
Understand international cash management	3.57	3.43	(0.14)*

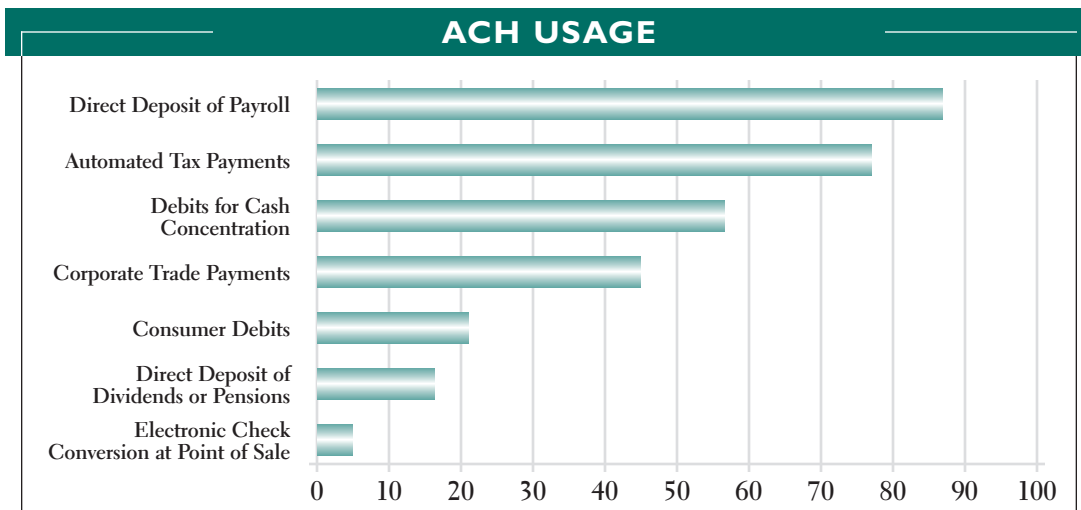
\*Statistically significant changes

# V Product Usage

Company size continues to be a significant predictor of product acceptance. In the middle market almost all of the applications relating to use of the Internet were up substantially. For many of the traditional cash management products, including wholesale lockbox, controlled disbursement and ACH, middle market usage is lower than the large or upper-middle markets. Although middle market companies typically have a lower usage rate of cash management products, as a group middle market companies continue to buy additional services; and their service usage “profile” is becoming more like that of larger companies.



The ACH remains one of the most widely used cash management products because of direct deposit of payroll. Use of direct deposit by middle market companies at 86.9% lags usage rates of 97.3% in the large corporate market.

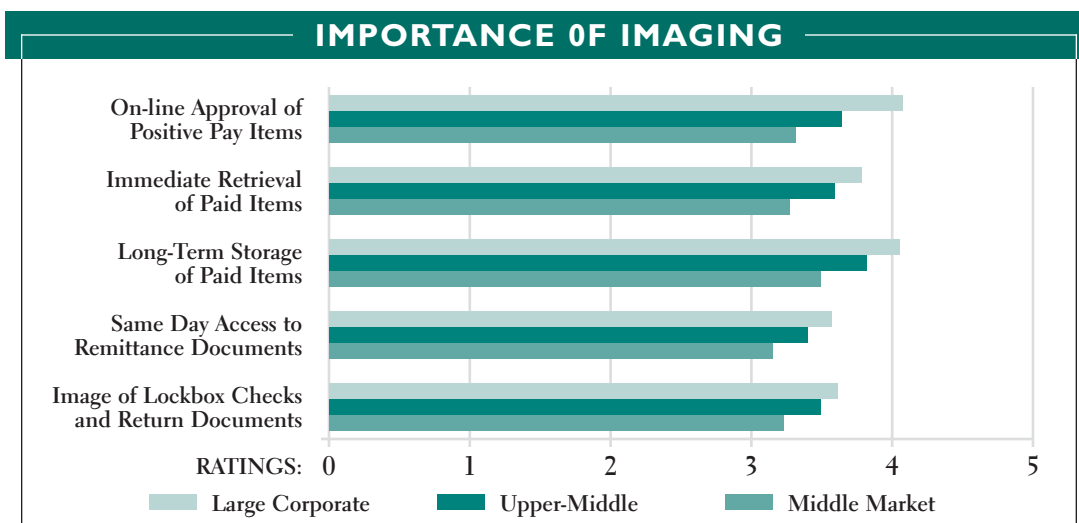


# VI. New Technologies

## Imaging

The banking industry has invested heavily in imaging technology. While there still exists a gap in perceived importance of this technology between market segments, that gap is narrowing.

There has been a considerable increase in the perception of value for on-line approval of positive pay items. The current middle market score of 3.31 for on-line approval of positive pay is significantly better than 3.20 of the 2001 survey and considerably better than the 2.95 we saw four years ago. All of the “importance” scores for imaging improved in the current survey, indicating a growing acceptance of this technology by companies in the middle market.



The middle market has recognized the work process improvements that can be obtained by using image-based systems for lockbox and controlled disbursement. While this recognition has been slower than in the other market segments, it is only a matter of time before the importance ratings for imaging and related new technological products match the larger markets.

## Internet Applications

The middle market is very actively using the Internet. Our survey shows that 71.6% of all treasury departments are currently retrieving bank account information over the Internet.

Internet-based reporting and transaction services are being used by 50% to 70% of the middle market. With the conversion of those “Planning to Use” these services in the next two years, usage for many of these services should soon be in the 80% to 90+% range.

## INTERNET APPLICATIONS

<i>Middle Market</i>	<i>Use</i>	<i>Plan</i>
Retrieving Bank Account Information	71.6%	19.7%
Receiving Transaction Details	66.8%	22.3%
E-mail Bank Contacts or Customer Service	66.5%	14.6%
Initiating Wire Transfers	50.0%	30.1%
Initiating ACH Transactions	46.9%	29.4%
Initiating Investment Transactions	17.1%	24.6%
Monitoring Letters of Credit	8.6%	16.8%

### *E-commerce*

Electronic commerce is a category that includes the decades old Financial Electronic Data Interchange (FEDI) as well as more recent Internet-based B2B applications. FEDI is well entrenched in the large corporate market, with over 50% of the companies doing FEDI with suppliers or customers. Many middle market companies are significant trading partners with these larger companies.

## COMPANIES DOING E-COMMERCE

	<i>Large Corp</i>	<i>Upper-Middle</i>	<i>Middle Market</i>
Corporate Customers	32.2%	27.1%	36.0%
Suppliers	32.7%	24.4%	31.3%
Consumers	24.4%	17.4%	18.9%

As e-commerce evolves, it is addressing two of the key impediments to the growth of FEDI: cost and complexity. By eliminating proprietary networks and minimizing the complexity imposed by standard-setting organizations, the Internet provides a simple means of communicating with smaller trading partners. This makes the Internet-based form of B2B e-commerce more attractive to middle market companies than FEDI.

## TREASURY INVOLVEMENT IN E-COMMERCE

	<i>Currently Planning to Use</i>	<i>Currently Implementing</i>
B2B Electronic Order Entry	14.4%	11.6%
B2B Electronic Invoicing	16.5%	11.2%
B2C Electronic Bill Presentment	13.0%	7.0%

As attractive and efficient as e-commerce is, there is still a long way to go before it becomes the dominant method of doing business.

### *Wireless Technology*

The Internet has become the access medium of choice for bank information and transaction initiation. However, using wireless devices to accomplish this access has gained very few proponents in the middle market or elsewhere.

<b>IMPORTANCE OF WIRELESS DEVICE APPLICATIONS</b>			
<i>Scale 1 to 5 with 5 = Very Important</i>	<i>Large Corp</i>	<i>Upper-Middle</i>	<i>Middle Market</i>
Balance Information	2.17	2.00	1.89
Initiating or Approving Wire Transfers	2.32	2.08	1.93
Initiating or Confirming Investments	2.16	1.95	1.80

# VII. Future Plans and Intentions

The *Middle Market Monitor*<sup>™</sup> surveys explore corporations' plans and intentions. Not surprisingly, the recent slow down in the economy took a bit of steam out of the ambitions of the respondents. The average "likeliness" score for each for the nine listed projects went down when compared to the prior survey.

MIDDLE MARKET PLANS AND INTENTIONS		
Scale 1 to 5, 5 Likely	2001	2003
Expand Use of e-Commerce with:		
Suppliers	2.71	2.61*
Corporate Customers	2.73	2.58*
Consumers	2.20	2.03*
Do a Treasury Review	2.65	2.56*
Add e-Commerce Using the Internet	2.64	2.28*
Add or Change a Controlled Disbursement Site	1.99	1.86*
Add or Change an ACH Bank	1.98	1.82*
Add or Change a Lockbox Bank	2.06	1.77*
Add or Change International Services Bank	1.73	1.58*

*\*Statistically significant change*

Companies appear to be holding off a bit from making investments in their processes and undertaking other projects until there is some certainty in the economic outlook. Nevertheless, upwards of 29% of the companies are very likely to expand their use of e-commerce with suppliers or customers. The relatively high interest in treasury reviews — a likely project for 23% of the respondents — indicates a continued desire by treasury managers to make their systems more efficient.

# VIII. Survey Methodology

In August and September of 2002, Phoenix-Hecht conducted its biennial survey of middle market cash management services. The survey respondents were senior financial executives responsible for managing the bank relationships for cash management services. The survey targeted public and private U.S. corporations with annual sales between \$40 million and \$100 million.

## *Survey Questionnaire Design*

The *Middle Market Monitor*<sup>™</sup> was conducted using a written questionnaire. Prior to implementation, Phoenix-Hecht reviewed the 2001 *Middle Market Monitor*<sup>™</sup> questionnaire and incorporated refinements as identified throughout the previous year.

As part of the survey, respondents were asked about their cash management relationships. Thirty-three leading treasury management banks were listed in the Monitor survey. In addition respondents were allowed to “write in” and evaluate any unlisted banks that they use. The purpose of this methodology was to obtain representative coverage of key subscribing banks, listed in Table 1.

## *Sample Methodology*

The *Middle Market Monitor*<sup>™</sup> targeted corporations with annual sales of \$40 million to \$100 million. A total of 1,260 responses were completed from the sample universe of 32,348 corporations. This is equivalent to 3.9% of the sample universe, resulting in an error rate, attributable to sampling and random effects, of plus or minus 2.7%, with 95% confidence.

Phoenix-Hecht guaranteed confidentiality to all respondents. In appreciation for their participation, respondents receive a copy of this “Report to Respondents.”

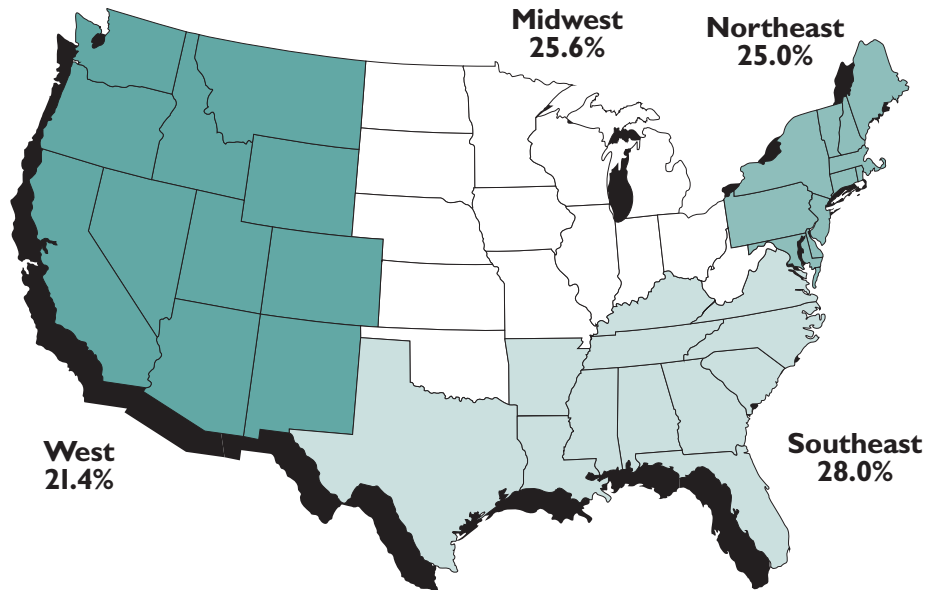
## *Weighting*

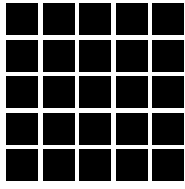
Phoenix-Hecht assigned weights to each of the 1,260 respondents in the survey to make the final sample representative of all qualified companies. These weights are based on geographic region. The weighted total thus represents the universe of 32,348 companies.

**TABLE I – 2003 MIDDLE MARKET MONITOR SURVEY**

Allfirst	Key Bank
AmSouth Bank	LaSalle/Standard Federal (ABN AMRO)
Bank of America	Manufacturers & Traders
Bank of New York	Marshall & Ilsley
Bank One	Mellon Bank
Citibank	National City Bank
Comerica Bank	Northern Trust Company
Commerce Bancshares	PNC Bank
Commerce Bank NJ	Regions Bank
Deutsche Bank (Bankers Trust)	SunTrust
Fifth Third	UMB Banks
First Tennessee	Union Bank of California
Fleet Boston	Union Planters
HSBC (Bank USA)	US Bank
Harris Trust and Savings Bank	Wachovia Bank
Huntington National Bank	Wells Fargo
JP Morgan	

**DISTRIBUTION OF RESPONDENTS**





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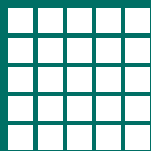
Phoenix-Hecht is one of the country's foremost providers of research and education in the field of cash management and corporate banking. Since 1968 Phoenix-Hecht has been known for its insightful study design and focused analysis. Industry benchmarks such as the Postal Survey™, Check Clearing Study™, the Quality Index™ and The Blue Book of Bank Prices™ are hallmarks of Phoenix-Hecht research.

For further information on treasury management issues, visit our award-winning web site:

[www.phoenixhecht.com](http://www.phoenixhecht.com)

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