



TREASURY RESOURCES

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On-line Applications: Maximizing Value in a Changing Payments Environment

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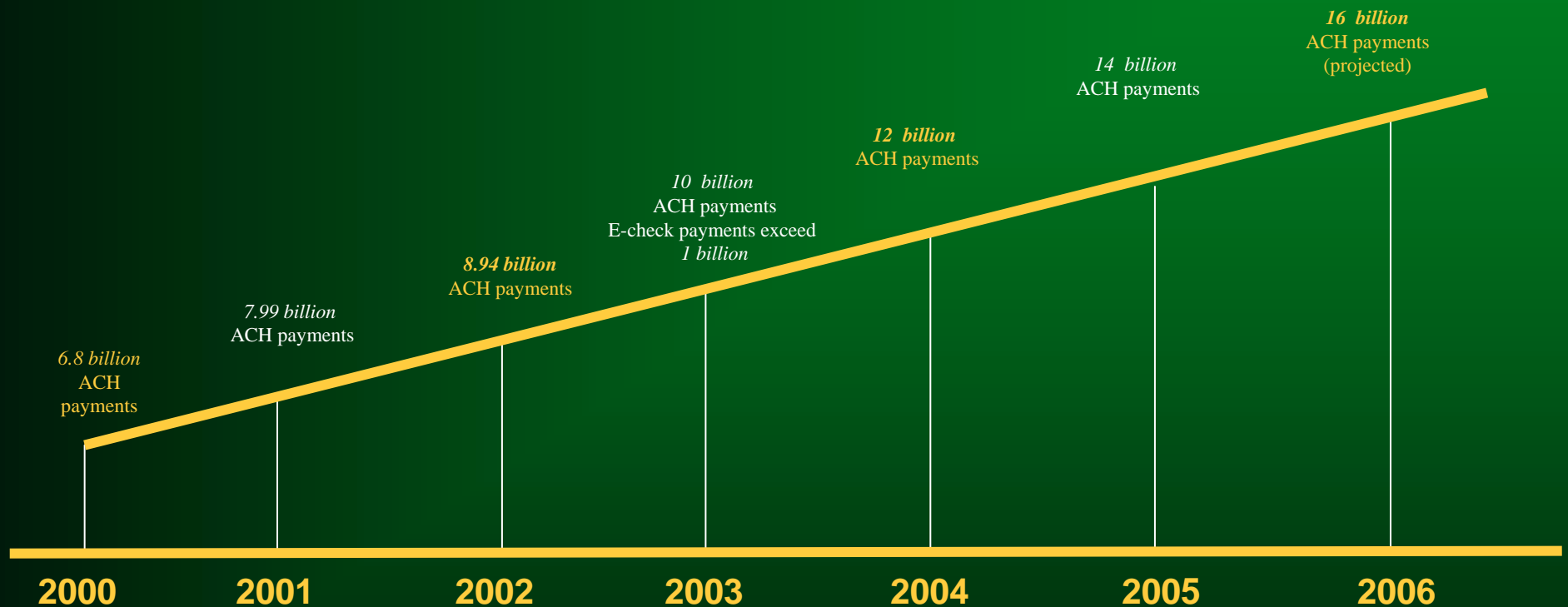
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Introduction

- e-Payments are growing dramatically
- Companies are seeking new ways to use e-payments
- Portal technology becoming more robust and easier to use and more integrated into business processes

A changing payments environment...



e-Payments are growing dramatically!

Based on research conducted by Treasury Strategies, Inc.

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Introduction

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- Companies are seeking new ways to use e-payments
- **Portal technology becoming more robust and easier to use and more integrated into business processes**

Introduction

- As the payments environment changes, companies are:
 - Seeking new ways to use e-payments
 - Attempting to augment their existing paper processes
 - Using more robust portal technology to streamline and strengthen business processes

Agenda

- e-Payments
 - Goal: Reduce Check Payments
 - Goal: Reduce Fees
- Augmenting Paper-based Application
 - Goal: Reduce Lockbox Exception Items
- Portal technology
 - Business Alerts
 - Investment Portal
 - Convenience Payments
- Wrap up

e-Payments

Goal: Reduce Check Payments

The Situation:

- Large pharmaceutical company distributes medicines to veterinary practices
- Clients vary in size, sophistication, technology
- Orders received via phone, fax or Web
- Check payments received into a lockbox
 - Some of the larger clinics pay via ACH (CCD+)

e-Payments

Goal: Reduce Check Payments

Issues Driving Change:

- Difficult to reconcile checks to payments for multiple invoices
- Needed a way to accommodate 'slow payers'

e-Payments

Goal: Reduce Check Payments

Company wanted to receive payments electronically but did not want to assume any risk associated with these payments

e-Payments

Goal: Reduce Check Payments

The Solution:

- Repetitive ACH application
- Veterinary clinic's banking information is maintained and secured by the bank
- Bank's Web portal is branded to look and feel like the pharmaceutical company's
 - Banking terminology replaced by common industry language



Welcome to the
ABC Animal Health On-line Payment System



ABC HealthCare

Animal Health Division

User ID:

Password:

Password is Case-Sensitive

e-Payments

Goal: Reduce Check Payments

How the Solution Works:

- Veterinarians enroll one-time in the online application
- Before the due date, the payer enters payment amount, invoice number, invoice amount and invoice date
 - Edits to ensure multiple invoices = total payment
 - Algorithm on invoice number ensures valid invoice number
 - Date is edited for valid date format: MM/DD/YYYY

e-Payments

Goal: Reduce Check Payments

How the Solution Works:

- Payers were set up to receive e-mail confirmation of payment
- Slow payers initiate payments before merchandise is shipped
 - Ability to check online to ensure payment has been created, or e-mail alert to shipping department
- Paper and electronic data fed back in single feed, single format

e-Payments

Goal: Reduce Check Payments

Measurable Benefits:

- Reduced exception items due to editing on remittance data
 - Enabled staff reallocation
- Improved cash position with ACH
- Served slow payers by offering a pay in advance solution
- Increased customer satisfaction

e-Payments

Goal: Reduce Check Payments

Lessons Learned:

- Internet not accepted 100% by marketplace
- Alternative vehicles should be available
 - Touch-tone phone
 - Manual operator
 - Checks
- This marketplace likes credit card bonuses

e-Payments

Goal: Reduce Fees

The Situation:

- Private university located in Pittsburgh
- Created in-house student information system for most student activity
 - Class enrollment, check schedules, test schedule, check grades, pay tuition
- Web payments via credit card only

e-Payments

Goal: Reduce Fees

The Situation:

- Other payments received
 - Check and credit card into lockbox
 - Wire transfers mostly for international students
 - Cash, checks and credit cards in the campus office
- Student refunds made by check

e-Payments

Goal: Reduce Fees

Issues Driving Change:

- High interchange fees on credit card payments (average tuition payment \$35,000)
- Wire transfers difficult to apply
- Excessive foot traffic in Student Servicing Office on payment due date
- Overpayments onerous
 - Students are transient in nature
 - Increased foot traffic to collect payments

e-Payments

Goal: Reduce Fees

The Solution:

- Replace credit card with a fully repetitive ACH application
- One-time enrollment for students and other payers
 - University Web site captures banking information one time, encrypts and sends the data to the bank
 - Data is then deleted off of university's database

e-Payments

Goal: Reduce Fees

The Solution:

- Completely plug-and-play with existing platform
- Students who pay electronically receive refunds electronically as well

e-Payments

Goal: Reduce Fees

Measurable Benefits: Tuition

- First year annual savings of \$500,000 in credit card fees
- Year two more than \$800,000 in savings
- Significantly reduced foot traffic on payment due date
 - Transactions entered via the Web today are considered paid today

e-Payments

Goal: Reduce Fees

Measurable Benefits: Student Refunds

- Significant reduction in manpower on student refunds
- No need to secure checks
- No need to re-issue undeliverable checks to the student home address
- Less foot traffic

e-Payments

Goal: Reduce Fees

Lessons Learned:

- Surprising, not much push back from students/ payers when credit card was removed as a payment option
- Removing credit card did increase the use of other methods of payments
- Students had a tendency to forget which accounts were registered, which generated some phone calls

e-Payments

Goal: Reduce Fees

Lessons Learned:

- Using business alerts when incoming wires are received
- Using remote check capture to handle checks mailed to office
- Using ARC to convert lockbox checks into ACH debits

Goal: Augmenting Paper-based Applications

The Situation:

- Telecommunications company located in New York
- Consumer payments received by check to a lockbox

Goal: Augmenting Paper-based Applications

Issues Driving Change:

- Up to 8% of their items received were exceptions
- Exceptions lengthen the receivables cycle, increase costs, decrease processing efficiency and delay cash flow
- Negative customer impacts

Goal: Augmenting Paper-based Applications

The Solution:

- Flag potential exception items during lockbox processing
 - Out-of-balance payments
 - No account number
 - Other miscellaneous edits
- Capture check and document images

Goal: Augmenting Paper-based Applications

The Solution:

- Images are reviewed via secure Web site
- Accounts receivable staff makes decisions/keys information online
- Exceptions completed by processing deadline are included in that day's payment file
- Items not completed can be held over or returned to the customer

Goal: Augmenting Paper-based Applications

Measurable Benefits:

- Easy to assimilate into customers' workflows
- Cost effective
- Accelerate accounts receivable posting
- Increase productivity
- Increase customer satisfaction

Goal: Maximize Efficiencies with Portal Technology

Applications:

- Business Alerts
- Convenience Payments
- Investments

Application: Business Alerts

- Proactive notification of an “event”
 - Receiving funds over a certain threshold
 - Approaching a cut off for processing deadline
 - Lockbox exceptions not reviewed
 - Transactions entered, not released
 - Debits posting to an account
- Timely delivery of reports

Application: Convenience Payments

- Comprehensive payment acceptance solutions for billers
 - Enables customers to pay anytime, anyplace
 - Integration into biller's accounts receivable, billing and other systems
 - Automated returned item processing
 - Traditional or 'convinced fee' billing models

Application: Convenience Payments

- Client Hosted or Outsourced
- Various transaction entry means
 - WEB, IVR or operator
- Central customer database
- On the fly business rules

Application: Convenience Payments

User Profile

- C2B or B2B
- Various payments methods
 - One-time payments
 - Scheduled payments
 - Recurring payments
 - ACH
 - Credit Card

Application: Convenience Payments

Easy to Implement

- Can be rolled out to your customers to pay you
- Can be used by your collection department to initiate payments
- Used in various markets
- Can be B2B and C2B

Application: Convenience Payments

Benefits

- Improved customer satisfaction and retention
- Meets regulatory and legal requirements
- Self-service opportunities
- Immediate posting
- Expedite urgency payments

Application: Convenience Payments

Benefits

- Accelerate cash flow
- Eliminate paper
- Reduce expenses
- Additional branding opportunities

Application: Investment Portals

Traditional Offerings:

- Original portals served to enable customers to execute transactions on line
- Limited online reporting
- Limited investment choices
- Fragmented service offering
- Investment returns not often competitive

Application: Investment Portals

New and Improved Offerings:

- More investment choices
- SOX compliance, process consolidation
- Today's portals differ:
 - Some simply better than others
 - Various providers emphasize different features

Application: Investment Portals

Information and Reporting Capabilities:

- Important given heightened focus on reporting and controls
- Consolidate information into one report
- Compatible with treasury workstations
- Newer, better portals will meet reporting requirements and promote efficiencies

Application: Investment Portals

Internal Controls:

- Compliance with investment policy
 - Restrict to ratings or families
- Segregation of duties
 - Stipulates who does what
 - Access limits by individual
- Dual control
 - Requirement for review of a transaction

Application: Investment Portals

Integration with Other Services:

- Investment should be a component of a complete online treasury portal
 - Other services might include balance reporting, collection, disbursements, automatic sweep, payment origination

All Online Applications Keep in Mind...

- Security
 - Differences between transaction initiation and data
 - High risk versus low risk activities
 - Where you retrieve data
- Federal regulations
- Usability and portability

Conclusions

- Online portals and tools are numerous/diverse
- You will benefit by integrating even small pieces of this technology into your processes
 - Cost effective
 - Secure
 - Streamlined
 - Trackable
- Your banking partner can help you

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