

Point - Counterpoint

11 May 2004



AnalyticResults

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For Detailed Copies of Today's Information:

1. Call or write me at the contact information numbers/e-mail on the handout sheet
2. Go to www.analyticresults.com for downloadable versions

This Presentation's Levels of Effort:

- 1,011 research hours by presenters
- 2 major data houses
- 7 major data products

Dollar Values for Research:

- \$225,000 for time
- \$345,000 for products



“I was going to make that point myself --
but I wasn't going to shoot myself in the
foot while doing so!”



White House photo by Susan Strain

- **Dick Cheney**
Vice President of the United States, to a reporter

Today's Discussion



Michael

- Points, counterpoints, color commentary & your viewpoints... and data from a variety of sources
- The Goal: Provoke Thought & Personal/Professional Improvement...



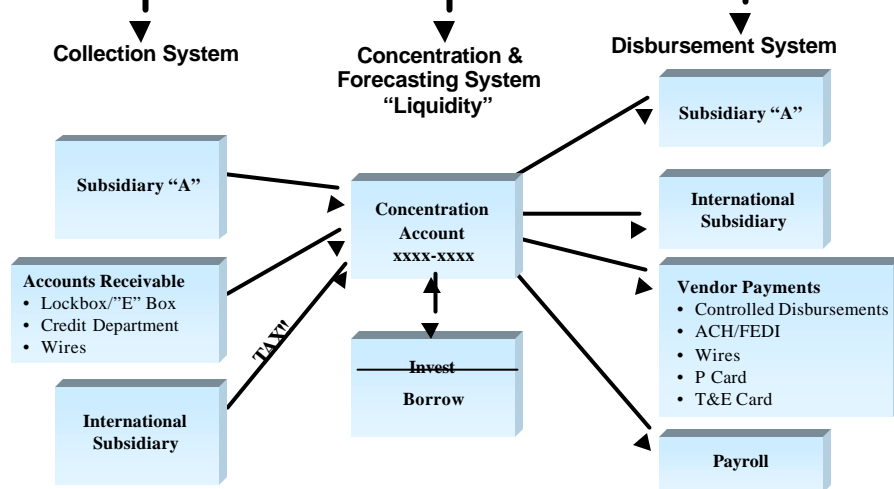
Steve

Point # 1... The Role of the Treasury Manager

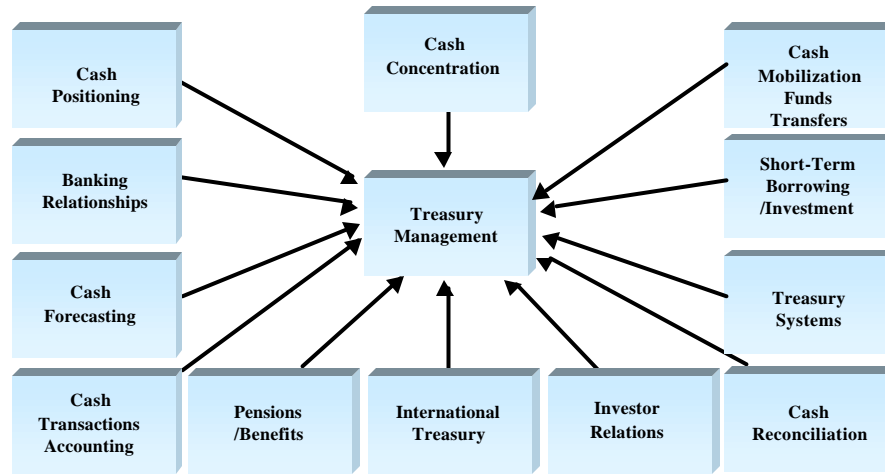
- “The job stays”
- “The job disappears”



Effective Treasury Staff, and Effective Treasury Design, Ensures Liquidity

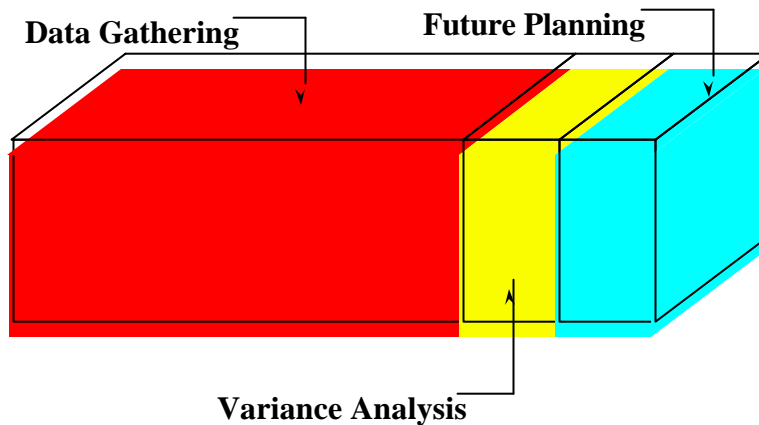


Treasury Functional Designs Contain the Following Major Activities & Accountabilities



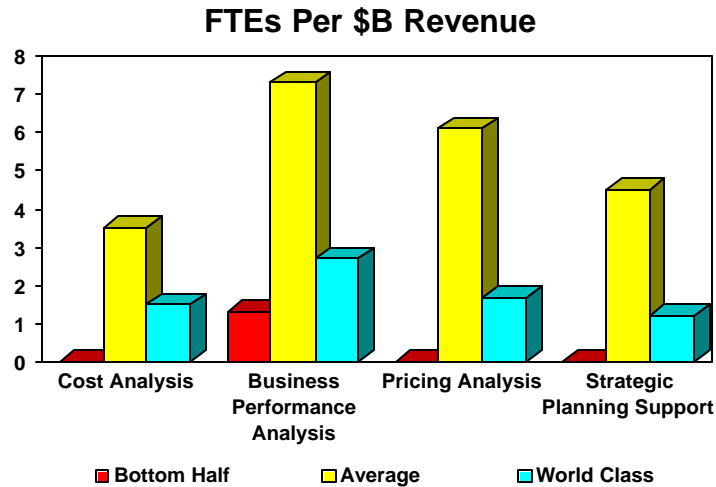
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But Treasury Winds Up Focusing on Transactions....the result...Too Little Time Is Left To Glean Insight And Plan For The Future



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Companies do Very Little, in Treasury, to perform Decision Support



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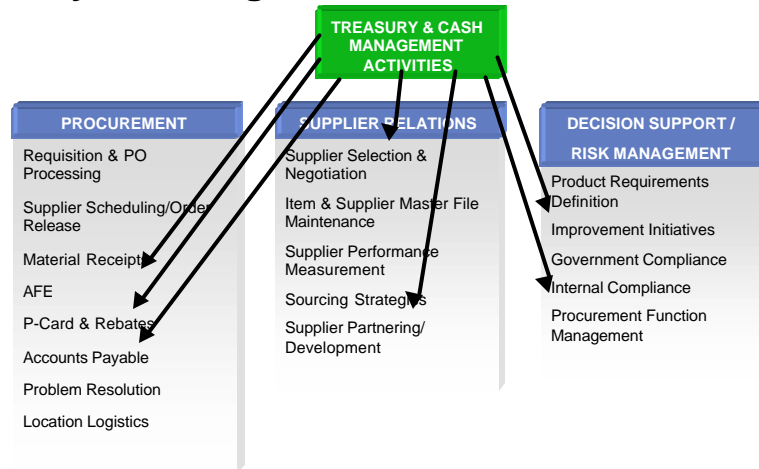
Treasury is Everywhere in New Business Models Focused on the World of the Customer...



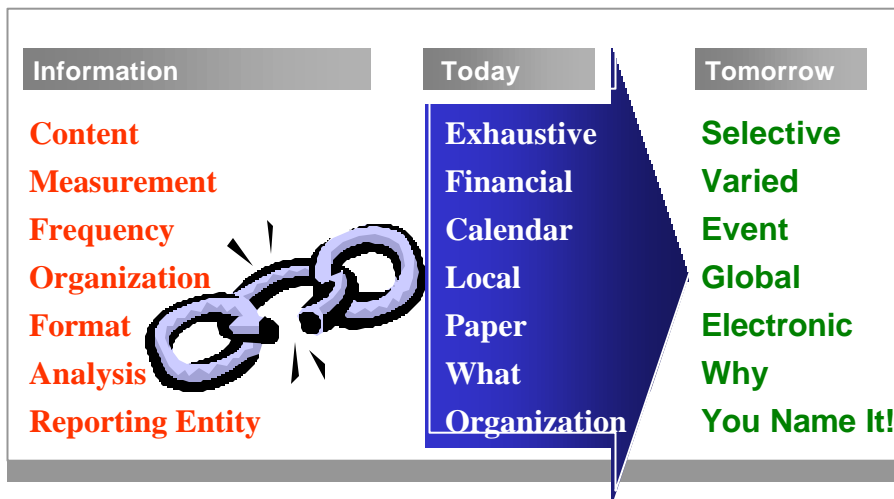
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In Extended Business Models, Treasury Also Plays an Integral Role



Implications: For Treasury to Remain Valuable, Information Must Define And Create THE Value



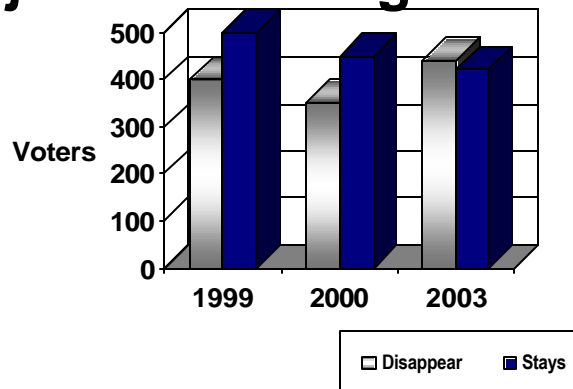
The Wise Professional: Transforms Treasury as a Strategic Information Architect



- Desire to make decisions faster ... with more certainty
- Growing size and complexity of data repositories
- Increased need for linking information to strategic plans and tactical outcomes
- Analysis Focus
- Integral "Player" in Business Planning & Forecasting
- Business Partner

Attendees over the years.... their views as to how the treasury job is evolving

Over a four year horizon, there is about an even distribution that professionals polled believe their job is changing, but the pendulum may be swinging back...

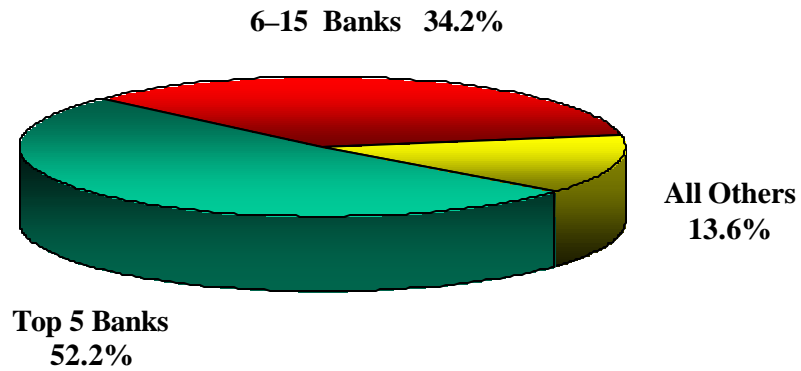


Point # 2... Bank Mergers

- “Mergers stink”
- “The merger is GOOD for you!”



Distribution of Revenue ~~Company Sales Over \$40 Million~~



Source: Cash Management Monitor™

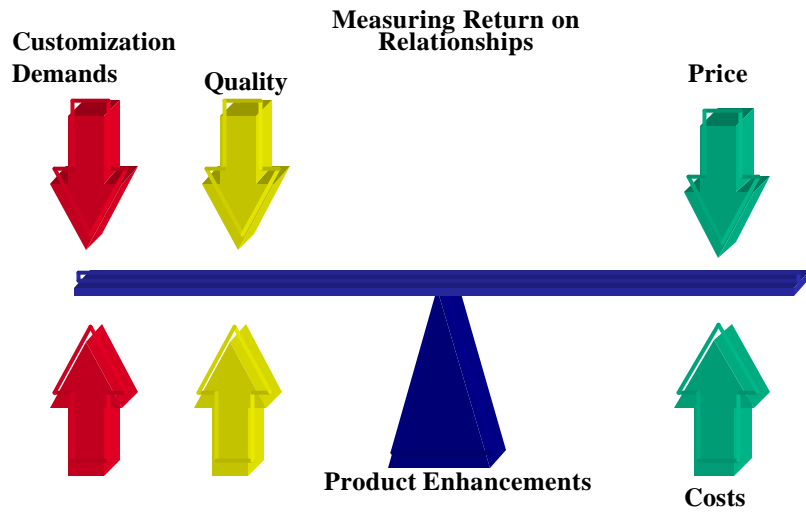
**Cash Management
Relationship Consolidation**

Number of Relationships

	1994	1996	1998	2002
\$40 - \$99 Million*	—	—	2.4	2.2
\$100 - \$249 Million	3.6	2.6	2.8	2.4
\$250 - \$499 Million	8.1	3.3	3.2	3.3
\$500 - \$999 Million	5.0	4.0	4.1	3.2
\$1 - \$2.5 Billion	7.0	5.6	6.9	4.9
Over \$2.5 Billion	12.0	8.8	6.9	6.3

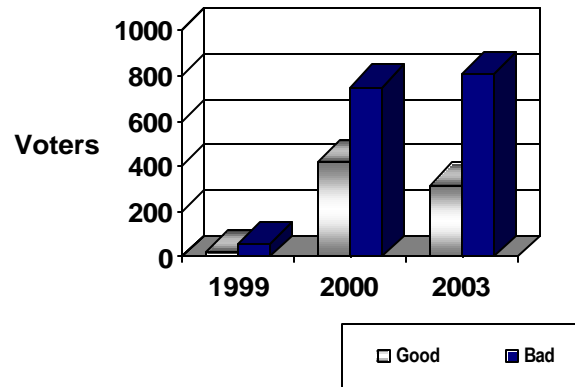
Source: Cash Management Monitor™

There's some real tension....



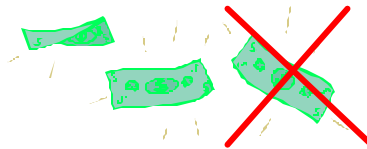
Attendees over the years.... their views on mergers

Respondents participating continue to overwhelmingly agree that mergers are not good, from their perspective

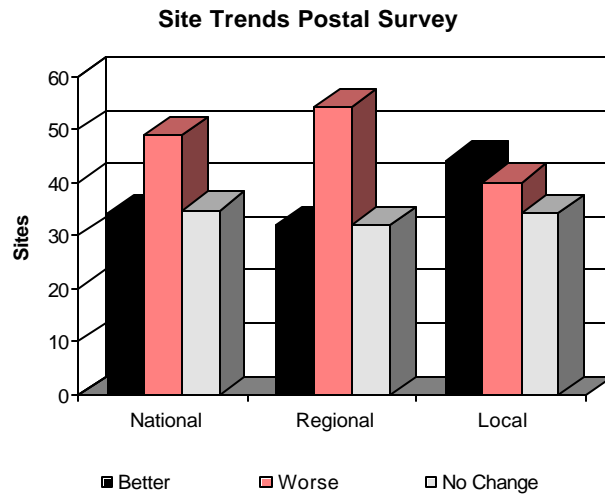


Point # 3... Float

- “Float is Alive”
- “Float is Dead!”



2003-1 Postal Survey Trends (Sites)



Source: Phoenix-Hecht

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Postal Survey Trends

Regional (5 Year)

	Sites	Percent	Mail Hours	Mail Days	Avail	Total Float
Better	14	16%	-4.9	-0.18	-0.08	-0.27
Worse	48	56%	6.3	0.18	0.16	0.34
No Change	24	28%	0.6	0.02	-0.01	0.02
Total	86		2.9	0.08	0.07	0.15

Source: Phoenix-Hecht

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Mail & Check Float:

- Is a predictable event
- Is replaceable
- Can be managed
- Real cost of funds is at an all time low
- Is transaction based
- Is paper based
- Look at:

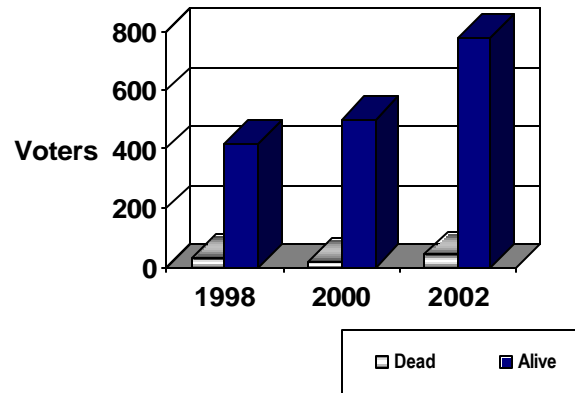


And then there's...

- **Check 21**
- **ARC & POP**

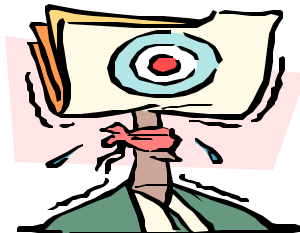
Attendees over the years.... their views on float

Respondents participating overwhelmingly have agreed that float is here to stay, and a source of attention in their job responsibilities



Point # 4... Managing People

- “Its what matters”
- “Forghettaboutit”



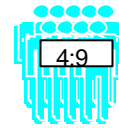
Managers are Important!

360° Survey Results:
Satisfied with their Boss

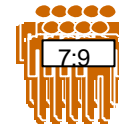
Bottom Half



Average



World Class



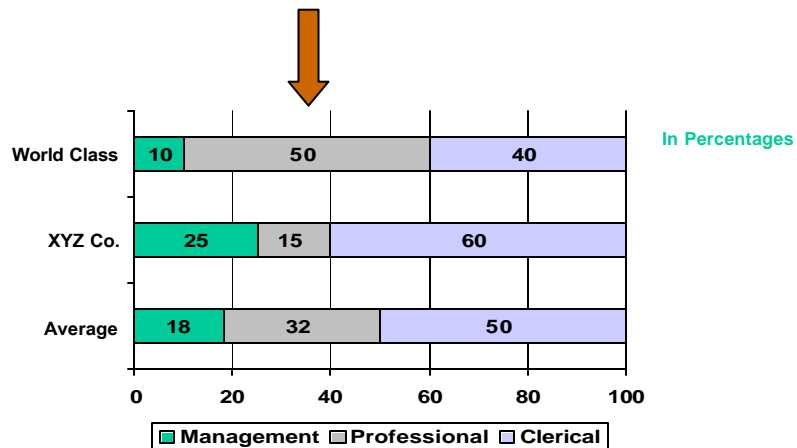
There is a correlation between company performance and supervisor effectiveness!

Source: Mercer Management Consulting

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It's about managing to THIS target, and ADDING VALUE!



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Treasury & Finance still lags other areas of the company....

My manager has the people skills needed for our area...

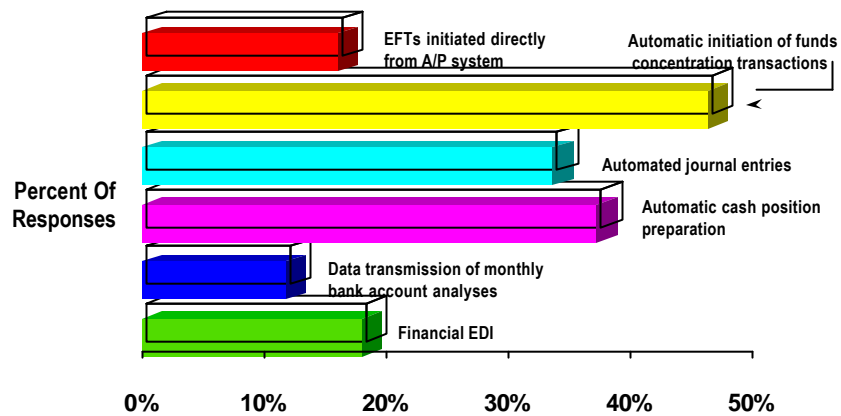
Aggregated Database:
Treasury & Finance

Aggregated Database:
Sales, Production & IT



Source : DecisionGauge

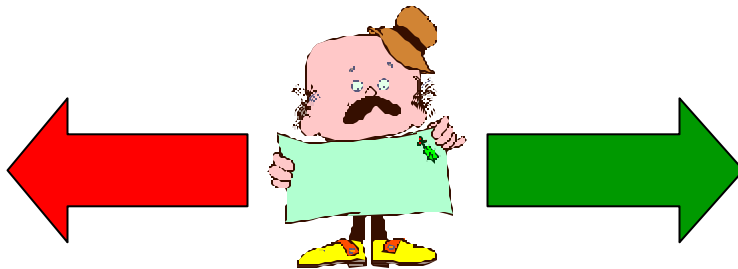
Limited Use Of Best Practices in Treasury Impedes Treasury's Effectiveness



Source : DecisionGauge, (updated from initial Hackett Benchmarkingsolutions)

Point # 5... Strategic Sourcing

- “Insource”
- “Outsource Everything”

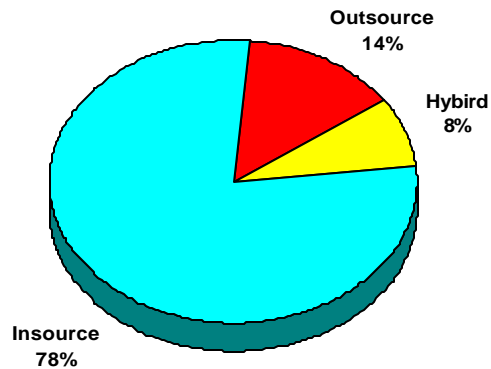


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Insourcing Means Quality Assurance

Satisfaction Ratios: A/R Processing



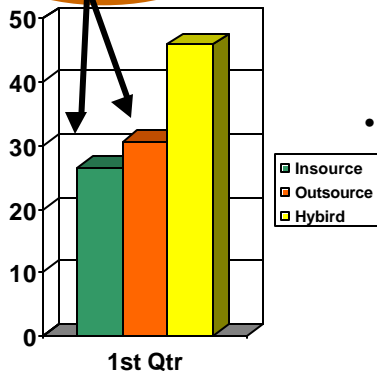
Source: IQPC

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Real Cost Differences: Insource vs. Outsourced

Real difference is only 9.6%

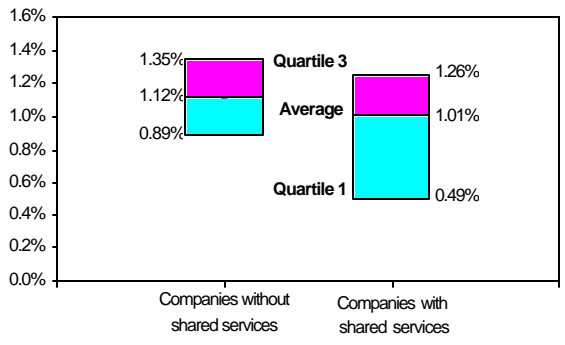


- The “Hybird” -- a combination of insourcing and outsourcing, is actually a guarantee of increased costs
- How much is quality really worth?

Source: IQPC

Shared Service Trends: First Quartile Shared Service Operations Can Lower Finance Costs

Finance cost as a percent of revenue



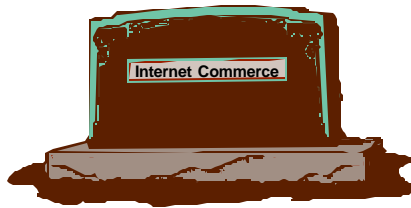
Source: Hackett - 2003

- Though shared services is widely considered to be a best practice only about 48% of companies have implemented them.
- Of these a select group (1st quartile) have realized significant cost advantage.
- For most (average) the cost advantage of shared services is not significant

Point # 6...

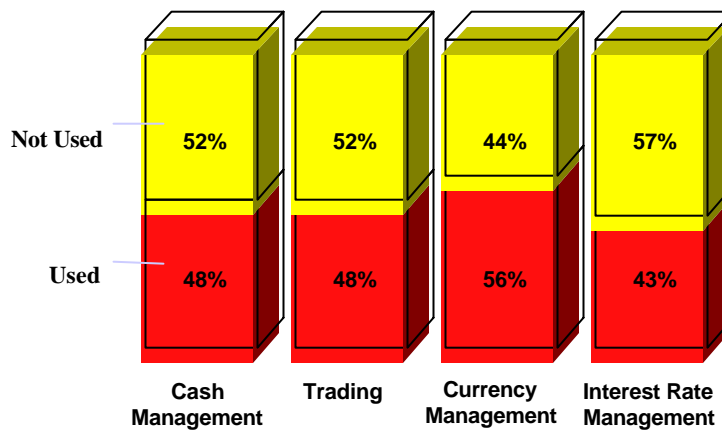
“E”

- “A Graveyard of ‘E’ applications”
- “E-everything”



Technology Is Not Effectively Leveraged

Automation By Process



Middle Market

Product Usage: Financial EDI

	Large Corporate	Upper- Middle	Middle Market
Treasury area doing financial EDI with supplier/customers	56.6%	42.0%	33.9%
Plan to use financial EDI with suppliers/customers in next 2 years	15.0%	15.2%	11.1%
Company does financial EDI with more than 10 suppliers/customers	21.5%	14.4%	11.7%
Company does financial EDI with more than 100 suppliers/customers	8.2%	2.8%	0.7%

Source: Cash Management Monitor™

Middle Market

Internet Applications

	Use	Plan to Use
Retrieving Bank Account Information	44.5%	39.2%
E-mailing Bank Contacts or Customer Service	55.4%	26.9%
Initiating Wire Transfers	27.9%	46.8%
Initiating Stop Payments	25.4%	48.8%

Source: Middle Market Monitor™

eBusiness Is Changing And Enabling This Rapid Transformation



The E-nabled Business Will Operate Across Different Dimensions

Legacy	Pre-Web	E-nabled
Product Transactions	Customer Relationships	E-Plex
Price	Service/Quality	Convenience
Years/Months	Weeks/Days	Hours/Minutes
Mass Production	Stratification	Mass Customization
Many Suppliers	Few Strategic Partners	Several Open Partners
Domestic	Multi-National	Global
Store Front	Call Center	Continuous Self-Service
Enterprise	Market	Trading Community
Lights on, doors open	Extended hours	24 hours x 7 days/week

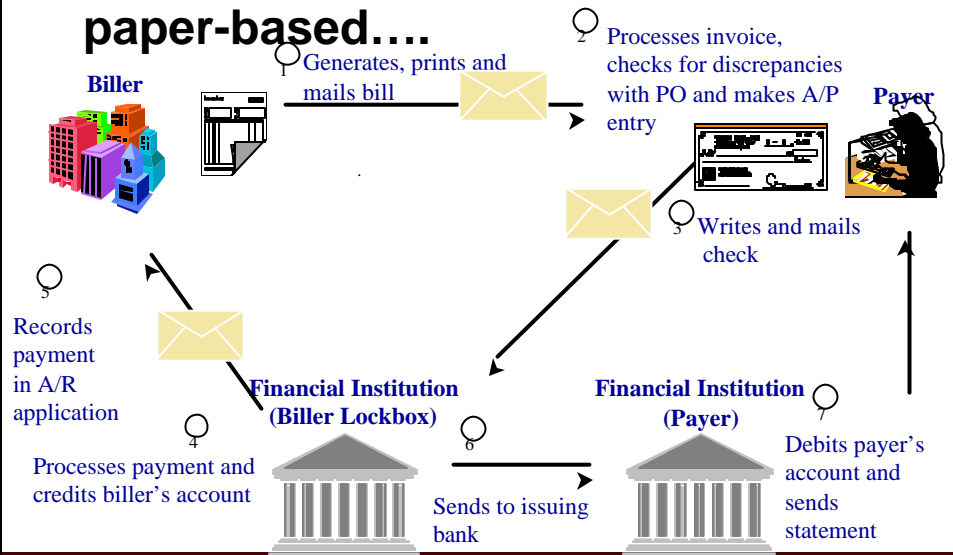
Devices, for payments, are just the beginning!



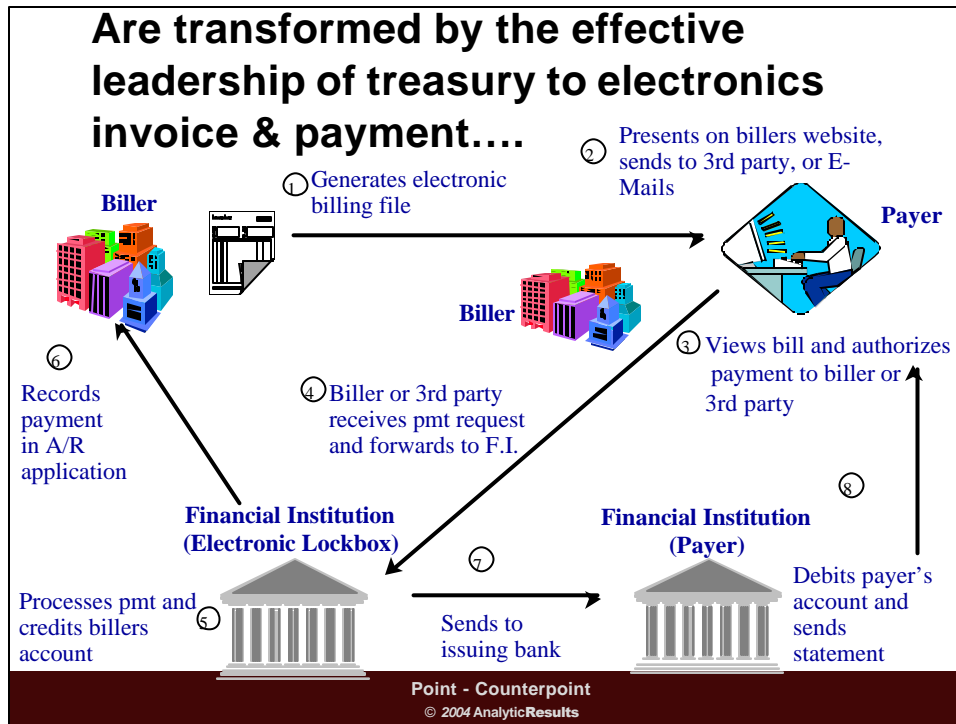
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Payer processes like bill presentment and payment that are paper-based....

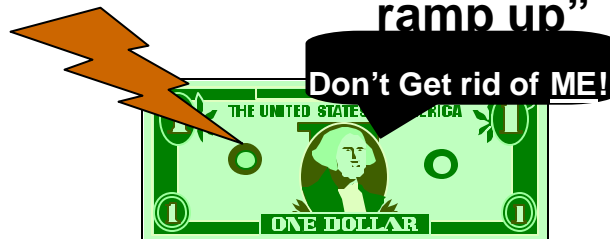


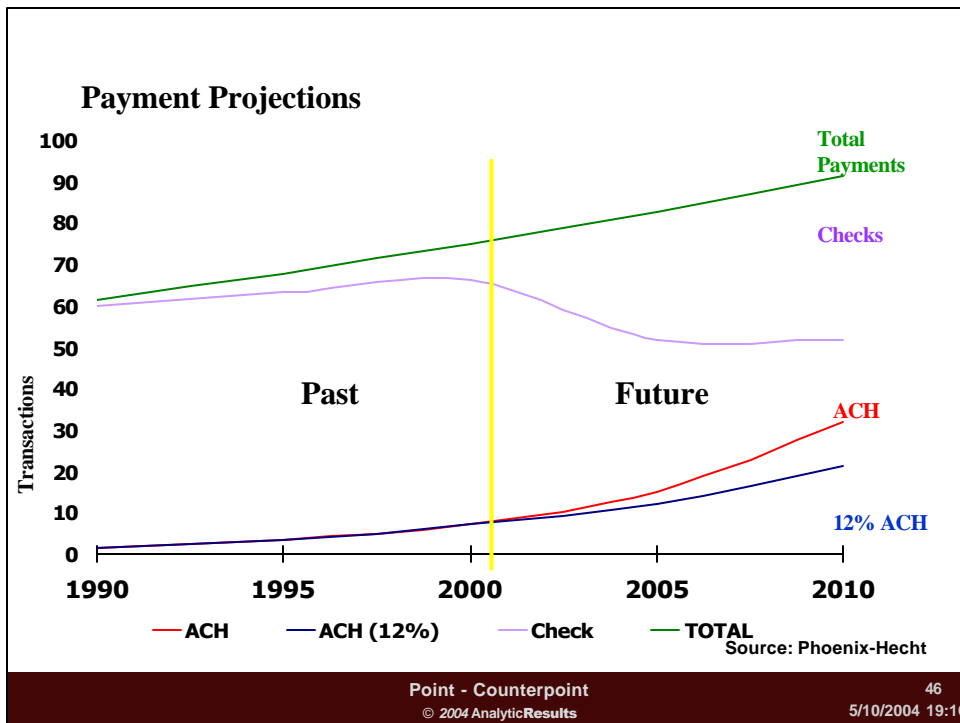
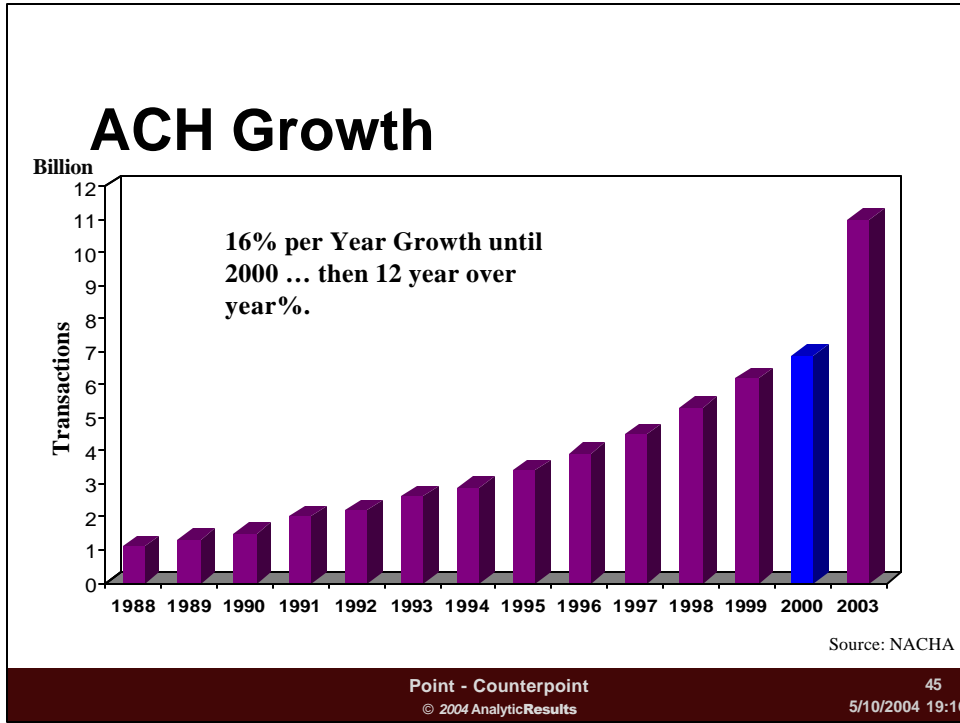
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Point # 7... Payment Media

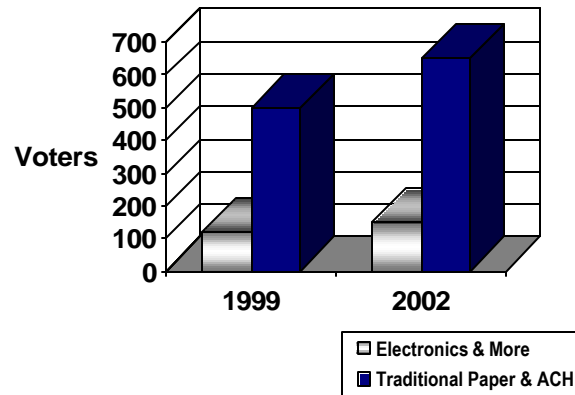
- “Paper, and ACH”
- “Paper declines, Electronics, Cards, Devices ramp up”





Attendees over the years.... their views on payment media

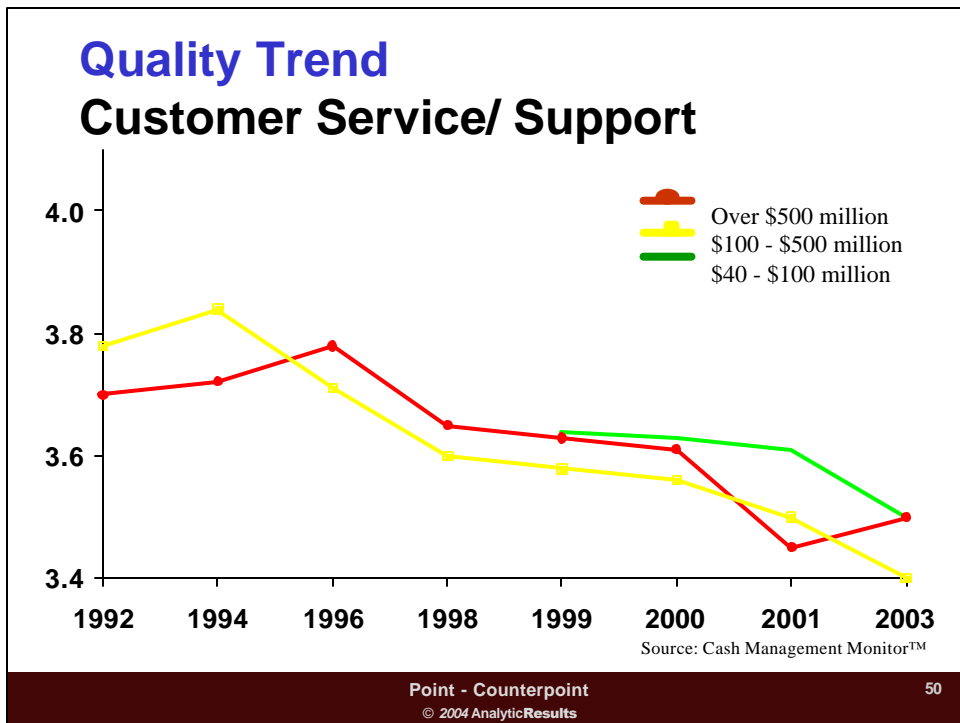
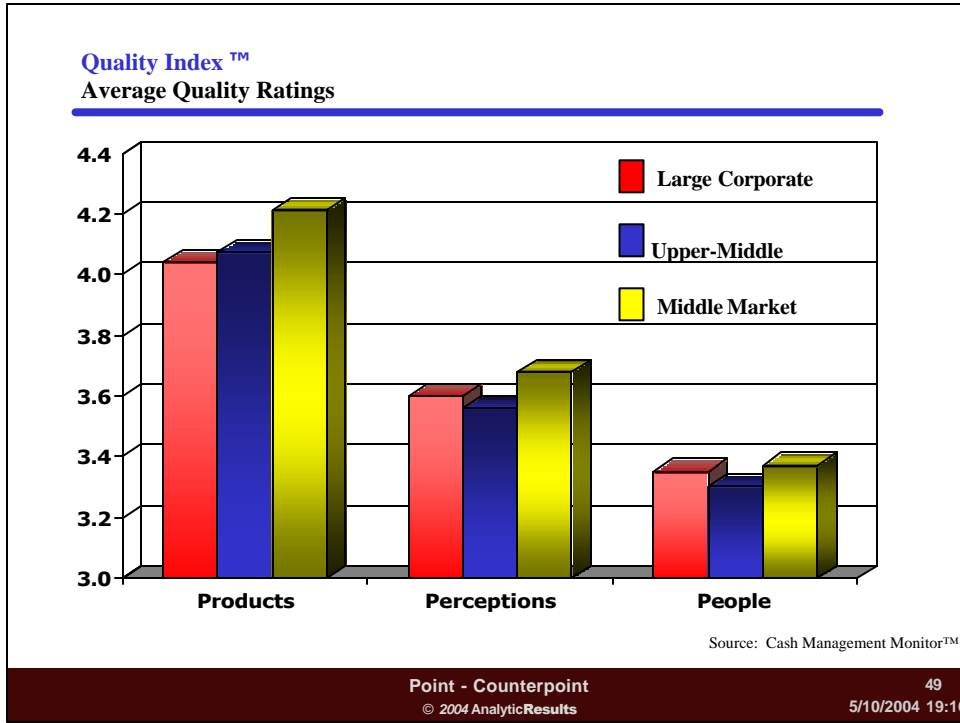
Participants do not see payment media innovations as having a substantial impact on the payments system or something requiring immediate reaction



Point # 8... Bank Quality

- “Quality Matters”
- “Who cares? Its All About the Credit, Anyway”





Does Quality Matter?
Distribution of Relationship Manager Grades

Grade	Middle Market	Upper Middle Market	Large Corporate Market
A+	9%	4%	11%
A	14%	14%	6%
B	57%	48%	48%
C	10%	12%	15%
D	10%	22%	20%

Source: Cash Management Monitor™

What Does Matter?

Attribute	Average Rating
Frequency of calling officer visits	3.15
Calling officer stability	3.75
Proactive with services	3.81
Problem resolution response	4.65

Source: Cash Management Monitor™

Bank's Commitment of Credit Availability

Rate Importance

	2000	2002
\$100 - \$249 Million	3.82	3.74
\$250 - \$499 Million	3.74	3.82
\$500 - \$999 Million	3.73	3.82
\$1 - \$2.5 Billion	3.80	3.82
Over \$2.5 Billion	3.87	4.25

Source: Cash Management Monitor™

Does Credit Matter?

Credit And Nature of Relationships

Percentage of Relationships Which Are Prime Relationships

	Middle Market	Upper Middle	Large Corporate
Credit	66%	66%	66%
No Credit	32%	40%	27%

Source: Cash Management Monitor™

As We Conclude...

In Medio Statis

“The Answers are Placed in the Middle”



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Middle Market Plans and Intentions

Percentage Assigning 4 or 5 on a 5-point Scale

Expand Use of e-Commerce with:

Suppliers	29.4
Corporate Customers	33.2
Consumers	19.4
Add an e-Commerce Service Using the Internet	26.2
Do a Treasury Review	25.1
Add or Change a Lockbox site	17.1
Bill Presentment with Consumers	16.2
Add or Change a Controlled Disbursement Site	13.5
Add or Change an ACH Bank	12.0
Add or Change International Services Bank	9.2

Source: Cash Management Monitor™

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Treasury & Finance Will Look And Work Differently

Today

Brick & Mortar Organization

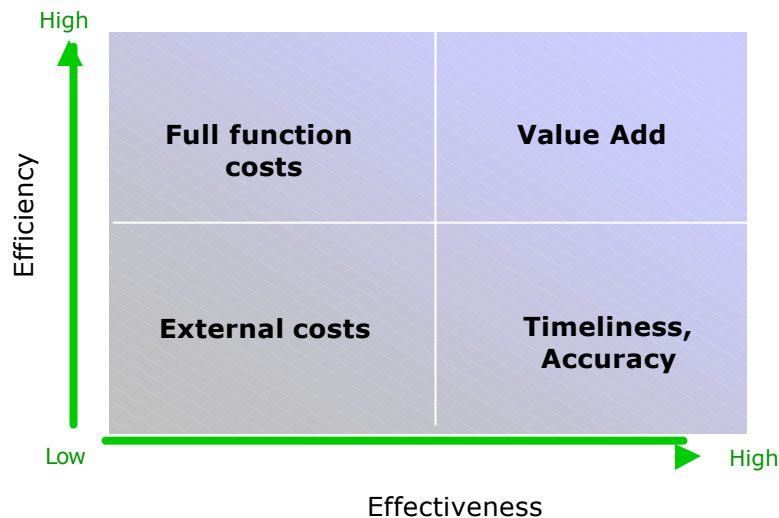
- Functional / business unit alignment and location
- Largely clerical
- Transaction processing focus
- Outsourcing / shared service for transaction processing
- Technical accountants
- Historical reporter

Tomorrow

Virtual Finance Organization

- Boundaries blurred
- Primarily professionals and managers
- Information / decision-making focus
- Global knowledge centers
- Business integrator
- Information architect
- Strategist

Focus On The Important



Treasury & Finance Professional Must Possess Significantly Different Skills

- Flexible, creative problem-solvers
- Customer service and advocacy
- Strong ability to exploit technology
- Ability to see the vision, take initiative and lead change
- Cross-business and multi-disciplinary skills
- Global business-process capability
- Strong team-building and interpersonal skills



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