

# Lockbox Outsourcing – No Need to Hand Over the Keys

Presented by Jim Poteet & Dan Oswald  
November 13, 2014



Because Results Matter



## Why Consider Outsourcing Lockbox?

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**Lockbox processing is a complex, time-intensive, yet highly valued payment solution for banks and customers.**

- ▶ Without an efficient and feature-rich offering, banks miss opportunities to grow revenue, cut costs and alleviate compliance pains.
- ▶ Establishing the right partnership can deliver best-in-class solutions while enabling banks to focus on what really matters:

**The customer**

## Meet Our Speakers

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▶ **Jim Poteet**

Principal – Financial Services  
Treasury Strategies, Inc.



▶ **Dan Oswald**

VP Business Development BPO  
Outsourcing



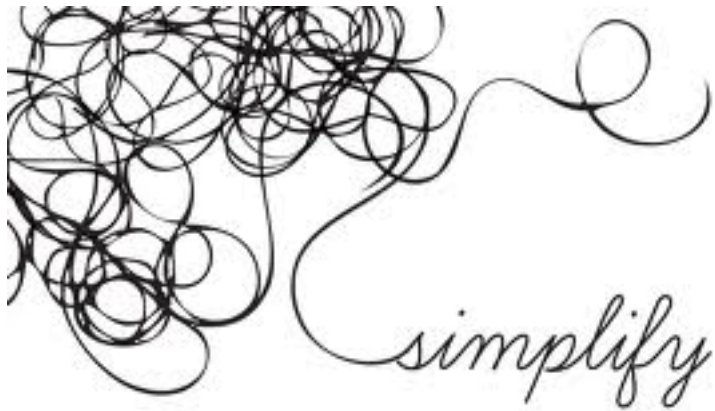
# Agenda

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- ▶ Industry Trends
- ▶ Survey Insights
- ▶ Strategic Implications and Imperatives
- ▶ Value Creation
- ▶ How to Get Started



# Trends in Treasury

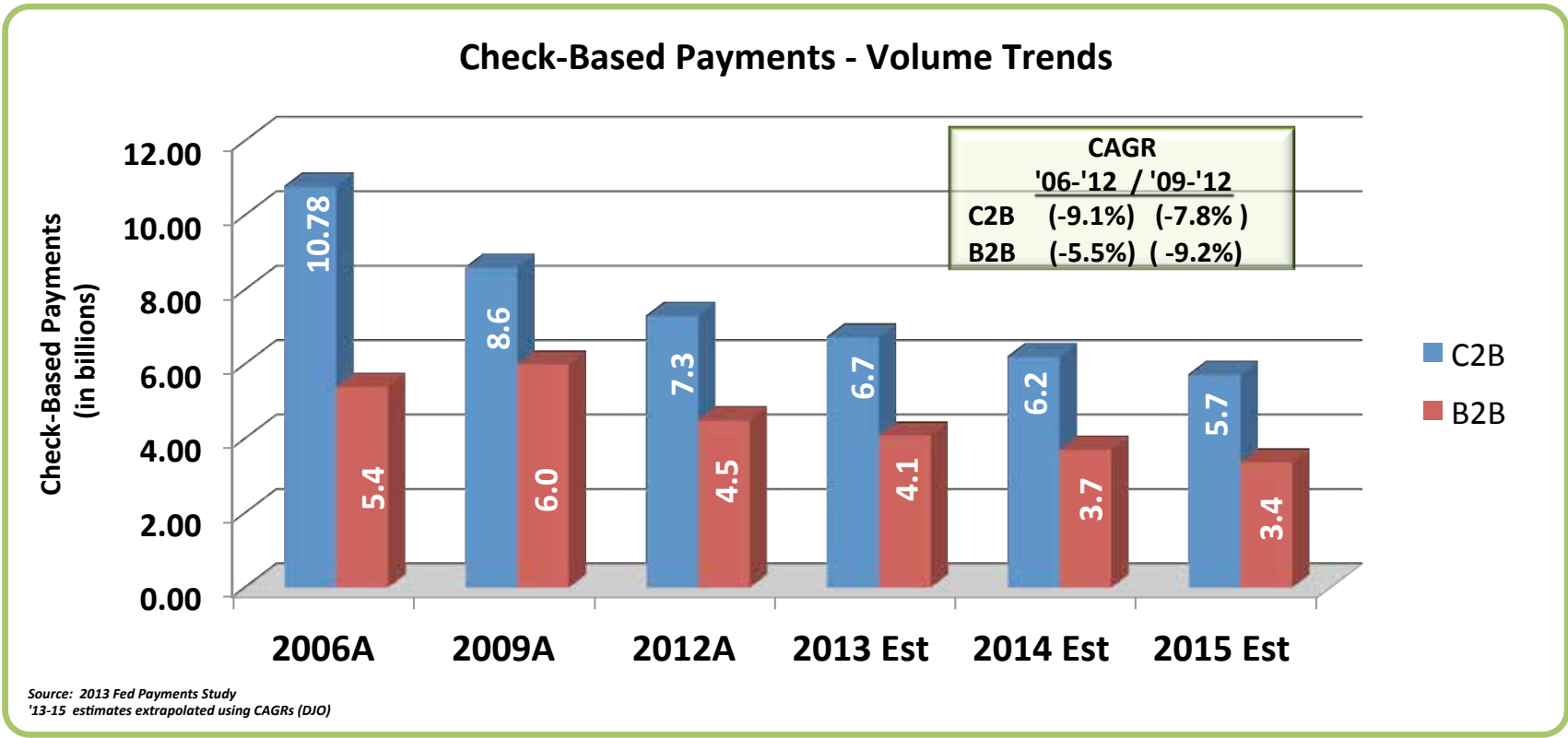




# Trends in Banking



# Market Trends – Check-Based Payments



- C2B check-based payments continue their steady decline @ -7.8% CAGR; moderating slowly from (-9.1%) CAGR.
- B2B check-based payments have accelerated their decline @ -9.2% CAGR despite growing @ +3.7% CAGR in 2009.
- According to AFP Stats – ACH volume greater than check for the first time in 2014.

Data representing the exact mix and change over the same period is not compiled.



## Recent Surveys – Key Findings



- 91% of Middle Market and 84% of Large Corporate clients state lockbox features and functionality drives their purchasing decision.  
(2013 Monitor Group)
- 68% of Corporates would switch banks for a better experience.  
(2013 TSI)
- 15% of Large Corporate and 5% of Middle Market clients intend to add or change their lockbox bank within the next year.  
(2013 Monitor Group)
- 90% of the top 100 U.S. banks state Receivables Management is the most critical area to drive new revenue growth.  
(2014 – Celent)







## Implications for Lockbox



















- Still the cornerstone receivables solution
- Bridging the gap between paper and electronic – internally and externally
- Economics changing rapidly
- Must be relevant...must remain relevant
- **STILL** the cornerstone receivables solution





# Potential Responses



Direction Choices	Revenue Impact	Cost Impact	Time to Benefit
			
			
			
			





# About Treasury Strategies, Inc.



## Who We Are

Treasury Strategies, Inc. is the leading treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions.

## What We Do

### Corporations

We help you maximize worldwide treasury performance and navigate regulatory and payment system changes through a focus on best practices, technology, liquidity and controls.

### Treasury Technology

We provide guidance through every step of the technology process. Our expert approach will uncover opportunities to optimize the value of your treasury through fully integrated technology solutions.

### Financial Services

Our experience, analytic approach and benchmarks provide unique consulting solutions to help you strengthen and grow your business.

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# WAUSAU Company Overview

*Dan Oswald*



# WAUSAU at a Glance

## Key Facts

Founded in 1974

Locations: Mosinee, WI (HQ); Omaha, NE

Recently Acquired by Deluxe Corp [NYSE-DLX]

## Market Leadership

- #1 in receivables industry
- 3.5 billion+ payments processed annually
- Solid year-over-year organic growth
- Strategic yearly growth via BPO +40% @ over 400M transactions
- Focused growth in treasury management solutions
- 650+ customer sites
- 50+ Fortune 500 companies
- 9 of top 10 FIs

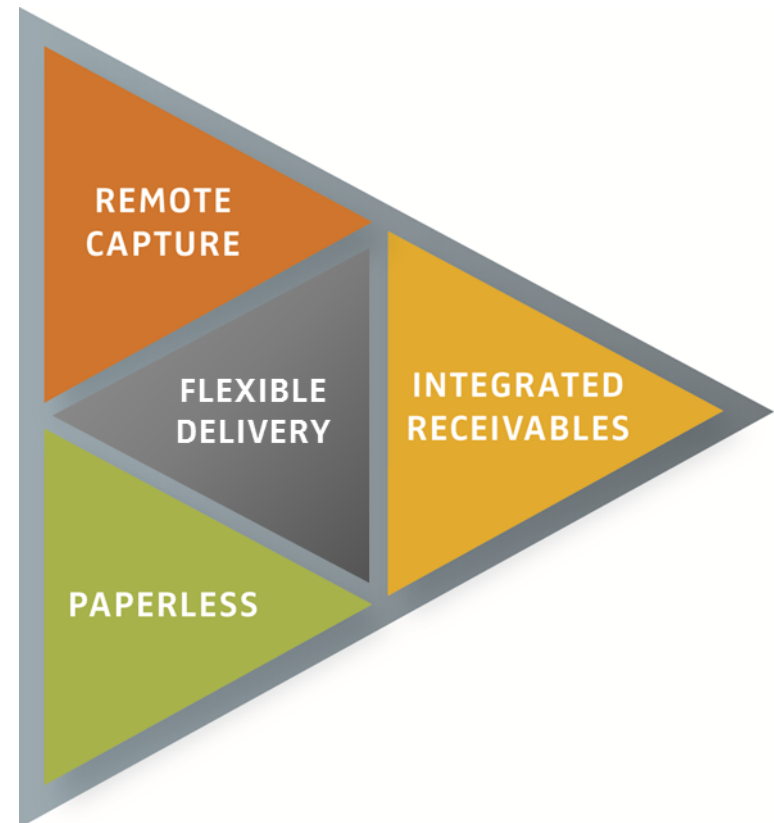


# What We Do

**WAUSAU** is recognized for consistently delivering best-of-breed financial technology, services and solutions. We are focused on being the very best at:

- ▶ **Integrating receivables:** to speed cash flow and support real-time business decisions
- ▶ **Eliminating paper:** by digitizing workflow to enhance the customer experience, reduce risks and cut costs
- ▶ **Accelerating deposits and payments:** securely and across multiple channels, we improve retention, increase revenue and reduce costs.

**Flexible delivery options** – in-house, outsourced, co-sourced, hosted



## WAUSAU Market Leadership

- ▶ #1 Retail and Wholesale Lockbox platforms
- ▶ 150,000+ RDC seats, largest non-core provider
- ▶ 400M+ yearly outsourced transactions



Thousands of organizations rely on WAUSAU solutions:

- ▶ 4 telecommunications companies serving 260M customers, representing 70% of the market
- ▶ 29 utilities serving more than 50M customers
- ▶ 20 government agencies serving 70M constituents
- ▶ 17 insurers serving more than 100M customers
- ▶ 9 of the top 10 U.S. banks

# Strategic Imperatives In Light of the Continued Evolution in Payment Mix

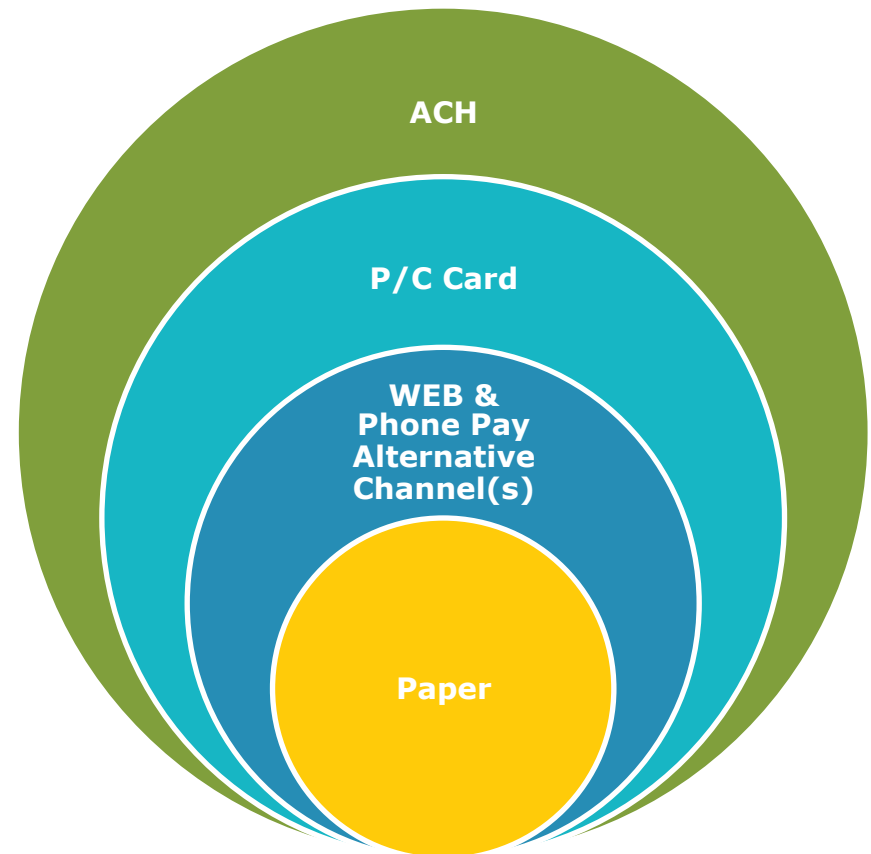


# Managing Output Mix Creates Input Challenges

- A world once dominated by paper has evolved into a multi-channel processing challenge.
- As the payments mix continues to evolve, so do the needs of those who must manage it.
- Questions Often Asked...
  - ✓ Where do I invest with finite resources?
  - ✓ Where do I focus resources vs. ask for help?
  - ✓ What should my core competencies be?
  - ✓ How do I better position my firm today for competing tomorrow?
  - ✓ How can I materially improve efficiency?

## ***As examples....***

- Return On Invested Capital
- Straight Through Processing
- Days Sales Outstanding
- Free Cash Flow



# Strategic Imperatives – Business & Technology

## Business Drivers

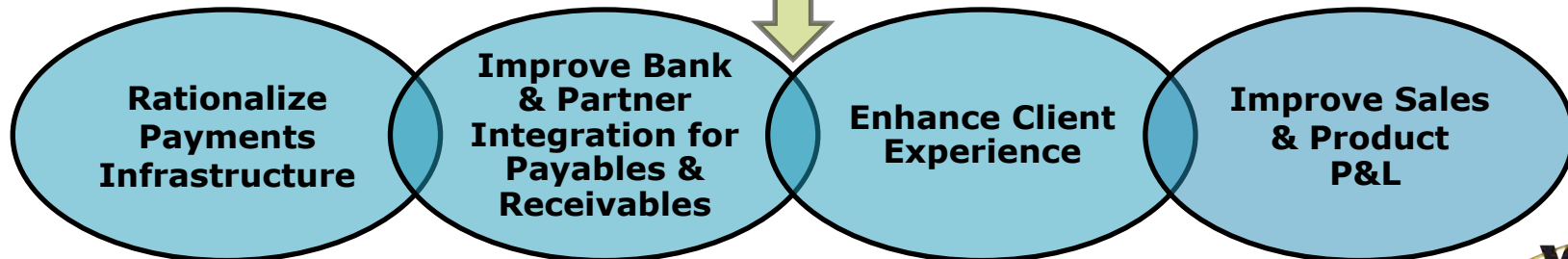
- 1) Expectations for economic growth
- 2) Scope of regulatory change-growing
- 3) Evolving customer needs
- 4) Expansion of digital channels
- 5) Increasing competition



## Strategic Response

- 1) Modernize technology & data systems
- 2) Incorporate risk management in Ops
- 3) Deploy technology to better support complex relationships & service models
- 4) Leverage new analytical capabilities for new sales & optimize product P&L

### Some of the Top Priorities for 2014 & Beyond



# Modernizing Payment Hubs – Value Examples

Categories	Benefit Examples	Rev \$ Impact	Cost Impact
<ul style="list-style-type: none"> <li>Upgraded Capability &amp; Functionality</li> </ul>	<ul style="list-style-type: none"> <li>✓ Strengthened Product Offerings</li> <li>✓ Competitive Market Positioning</li> <li>✓ New Sales Generation &amp; Stronger Renewals</li> </ul>	Yes	No
<ul style="list-style-type: none"> <li>Process Improvement &amp; Efficiency</li> </ul>	<ul style="list-style-type: none"> <li>✓ Improved STP, ROIC, FCF, and DSO</li> <li>✓ Boarding Efficiency Improvement</li> <li>✓ Enhanced Data Integration &amp; Analytics Capabilities</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li>Modernized Tech Infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>✓ Retirement of Outdated Assets</li> <li>✓ Realignment of Precious Talent &amp; Capital Spend</li> </ul>	No	Yes
<ul style="list-style-type: none"> <li>Managed Regulatory Compliance &amp; Risk</li> </ul>	<ul style="list-style-type: none"> <li>✓ Acquisition of Currency With Systems &amp; Process</li> <li>✓ Improved Partner Oversight</li> </ul>	No	Yes
<ul style="list-style-type: none"> <li>Rationalized Going it Alone</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expanded Product Capability without Capital or B&amp;M</li> <li>✓ Embraced “Best-of-Breed” Partnerships to Help</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li>Improved Customer Service</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enhanced Data Analytics Capabilities</li> <li>✓ Holistic View of Customer &amp; Channel Use</li> <li>✓ Enhanced Integrated Receivables Capabilities</li> </ul>	Yes	Yes
<ul style="list-style-type: none"> <li>Product Development Through Partners</li> </ul>	<ul style="list-style-type: none"> <li>✓ Increased Product Innovation</li> <li>✓ Ability to Meet Unique Market Needs with Limited Capital</li> <li>✓ Faster Realization of Market Capabilities &amp; Integration</li> </ul>	Yes	Yes

# Examples of “Best-of-Breed” WAUSAU Solutions That Deliver Operating Value...

# Data Center Infrastructure

WAUSAU's processing platforms & product suite is operated & maintained in a world-class state-of-the-art data center in Omaha, NE, supported by a fully redundant hot failover to a Chicago Data Center.

## 2N Power Configuration

- Dual power utility feeds
- Rotary flywheel UPS
- 3-1250KW generators
- 3-4 days of fuel inside DC
- 24x7x365 monitoring
- N+1 redundancy with HVAC

## Data Center Durability

- Dry moat
- Hurricane glass
- Bunker within the DC
- 24" of poured concrete



## Communications

- Multiple feeds from diverse carriers
- Load balanced
- BGP configuration

## Security

- 200 cameras
  - 90 days of film kept
- 24x7 on-site security guards
- Card readers
  - Facility Entry
  - Limited Access within Data Center
- Man-traps/biometric devices
- Hosting center
  - Cameras
  - Overhead sensors
  - NetBotz webcams/environmentals
  - 24/7 access

## Certifications

- SSAE16 Type II Audit performed annually
- PCI-DSS compliant, hosting-certified
- Managed services certification
  - OS, network, tape backup, intrusion detection
- IBM-certified Data Center

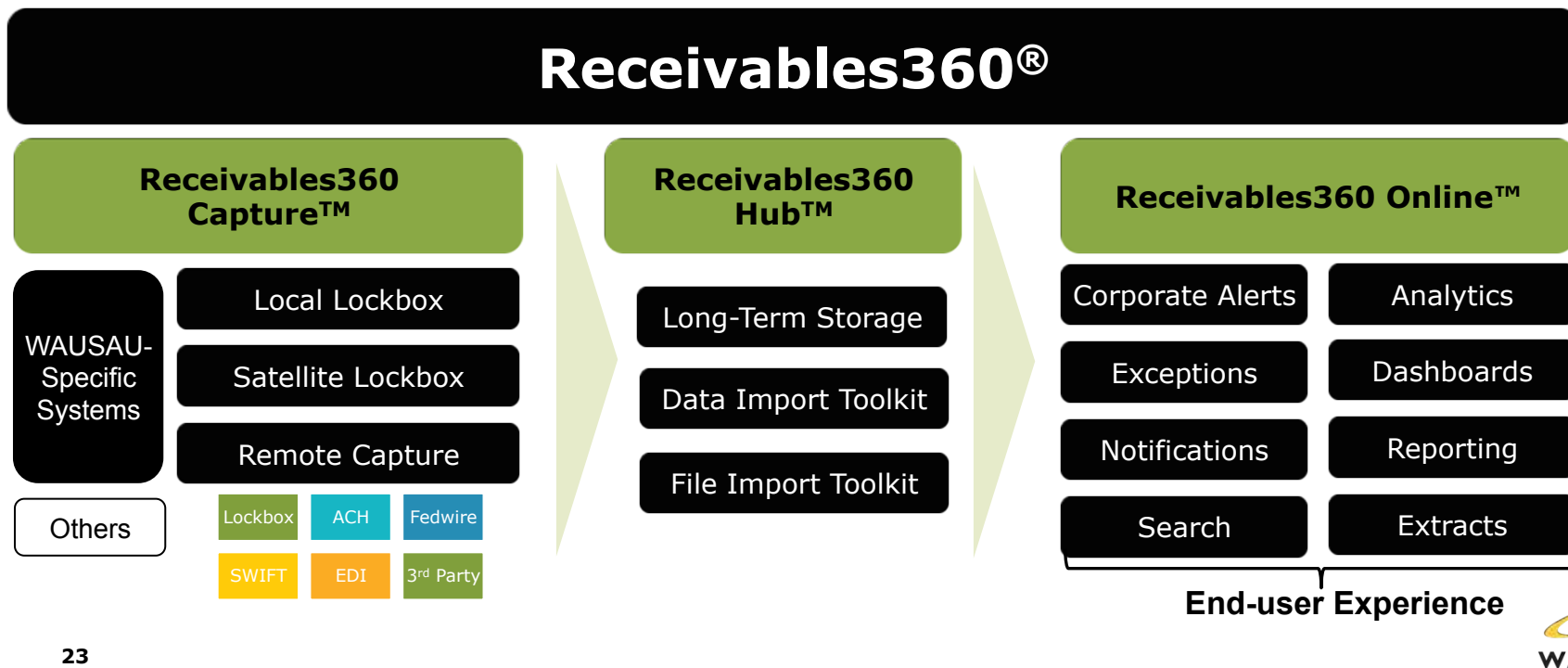
# Private Enterprise-Class Cloud

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- ▶ Enterprise-Class Infrastructure
  - Cisco Nexus network
  - Cisco UCS servers
  - EMC storage & backup
    - Replication to DR site
  - Redundant Internet carriers
- ▶ Data does not leave a Data Center facility
  - Backups are disk based backups, no tapes
  - Data Center does not use 3rd parties for data storage
- ▶ Data Center and Services are PCI-compliant and annual SSAE16 is completed
- ▶ Welcome to tour operations & data center

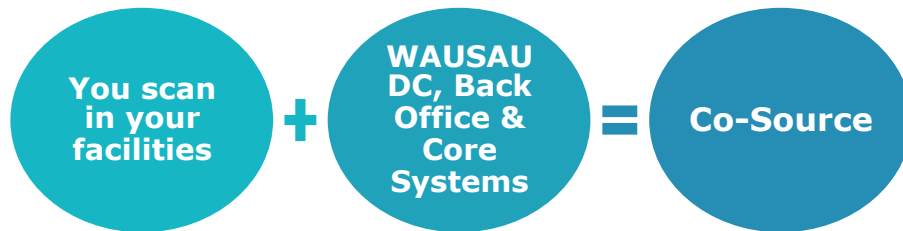
# WAUSAU's Integrated Receivables

- ▶ #1 corporate priority
- ▶ Seamless integration across all payment types, WAUSAU payment processing solutions, and non-WAUSAU payment processing solutions
- ▶ Single source for all payment research, customer analysis, customer downloads and exception processing
- ▶ Committed to Specific Functional Roadmap and delivering customer requirements, security, scale and flexibility

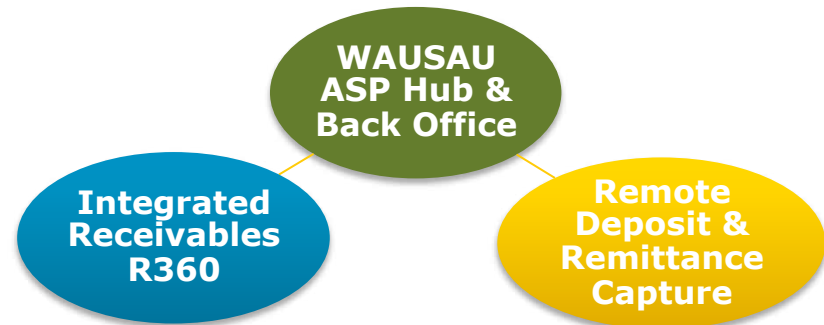


# WAUSAU Lockbox, RDC & IR BPO Deployment Models

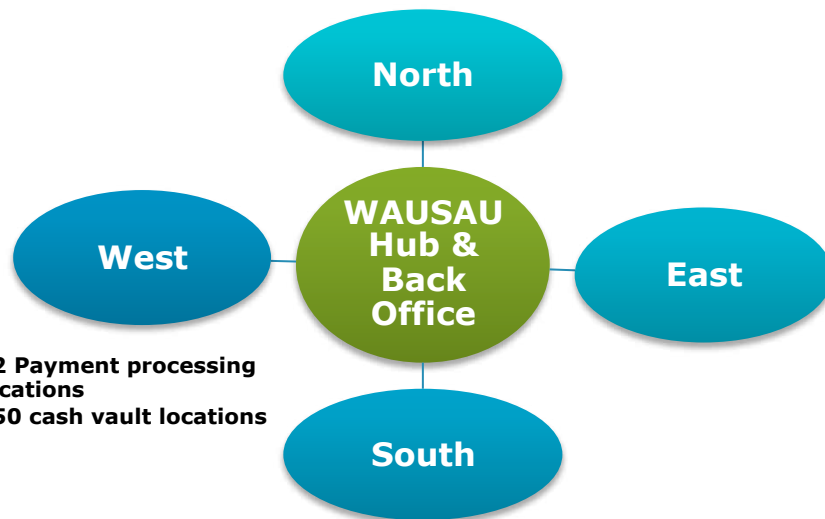
## Model #1 (Co-Source)



## WAUSAU RDC & Receivables360 ASP

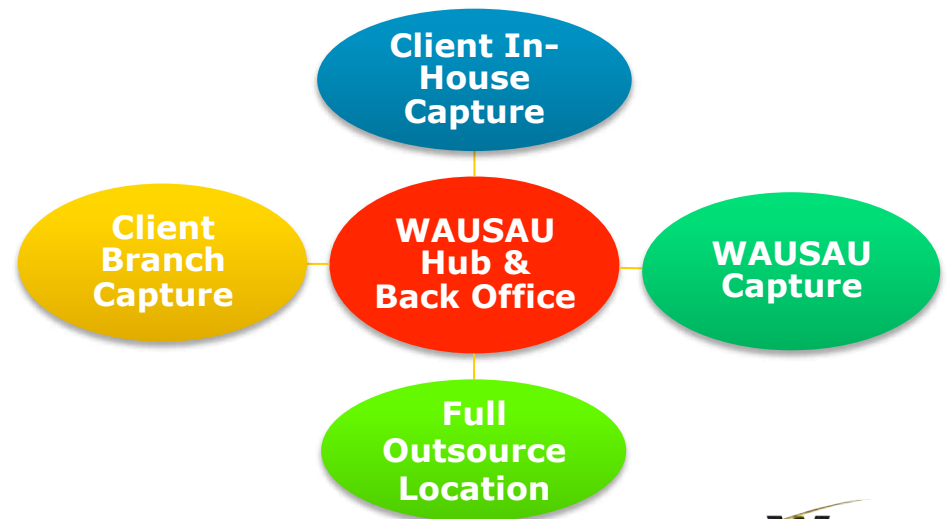


## Model #2 (Full Outsource)



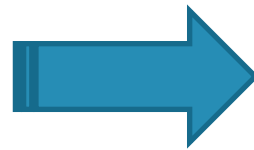
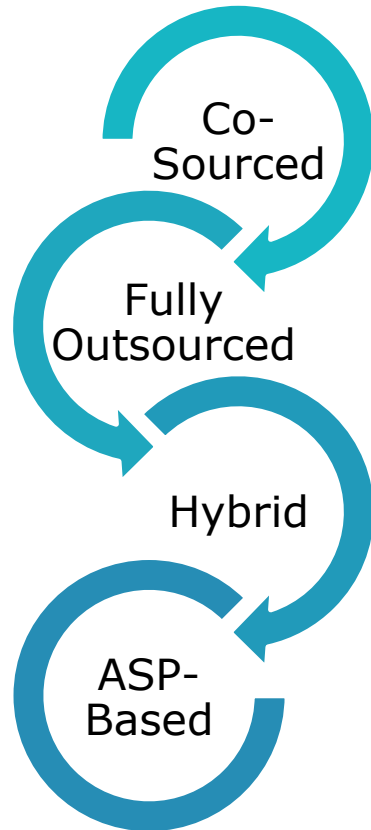
- 32 Payment processing locations
- 150 cash vault locations

## Model #3 (Hybrid Co-Source)





# WAUSAU BPO Models - Add Value



## WAUSAU BPO Solutions:

- ▶ Delivers superior product capability
- ▶ Enables process improvement
- ▶ Unlocks efficiency in ROIC, DSO, and improves STP
- ▶ Modernizes technology footprint
- ▶ Provides your last upgrade/migration
- ▶ Enables geographic expansion
- ▶ Improves customer service
- ▶ Delivers integrated receivables
- ▶ Integrates to your technology
- ▶ Extends your brand
- ▶ Reduces implementation risk
- ▶ Enables compliance achievement
- ▶ Provides for variable cost

# QUESTIONS?

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**For more information on  
WAUSAU's Solutions to include  
BPO Services, please contact**

John Gustafson at  
[jgustafson@wausaufs.com](mailto:jgustafson@wausaufs.com) or  
(866) 280-1426





**WAUSAU**

**Because Results Matter**