



*Aaron McPherson
Practice Leader,
Financial Services*

Corporate Payments and the Financial Supply Chain

Which Banks Are Best

Webcast August 21, 2008

Webcast Logistics

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Who is Financial Insights?

- Provider of independent market research, custom research and strategic consulting and industry rankings
- Focus on the strategic business application of financial services technologies
 - Unstructured data, “green” financial services, underbanked and more
- Provide unique insights on how to improve business through the use of technology and 3rd party data
 - Event optimization
- Breadth & depth with global reach of IDC and our industry knowledge
 - Six vertical Insights groups

Introducing Our Speaker



■ Aaron McPherson, Practice Leader, Financial Services

- Specializes in the strategic implications of new technology for the payments industry
- Provides analysis on the strengths and weaknesses of payment industry competitors
- Previously with IDC American Management Systems (AMS), and as a financial analyst in the Executive Office of the Commonwealth of Massachusetts

In This Session



Aaron McPherson

- Defining Financial Supply Chain Management
- The Evolution of the Marketplace
- Summary of Current Bank Offerings
- Remaining Obstacles
- Conclusions and Recommendations

Research Objectives

- Follow up to 2007's multi-client study, focusing on readiness for financial supply chain services
- Discover what banks are offering today and in the near future
- Establish a benchmark service offering that allows for objective comparisons
- Identify and highlight the leading banks

Research Methodology

- Devise initial list of banks to be included
- Identify the right individuals within each bank to interview
- Each bank was provided with a detailed questionnaire asking for information on their product offerings and strategy
- Follow-up interviews were conducted to resolve ambiguity and fill in missing pieces
- All banks had an opportunity to review the profiles and comparison chart to ensure accuracy

2007 Corporate Payments Survey Methodology

In 2007, Financial Insights conducted two detailed surveys as part of a multi-client sponsored study:

1. Primary Research - Financial Institutions

- 15 banks representing 18 interviews with:
- Payments and Corporate Banking executives at top tier North American Banks CIO's, LOB VP's, IT VP's
- Relevant 3rd party associations such as (but not limited to): SWIFT, TWIST, Canadian Payments Association, NACHA, Canadian Treasury Management Association
- Additional interviews off-survey, total of 23 banks interviewed

2. Primary Research – North American Businesses

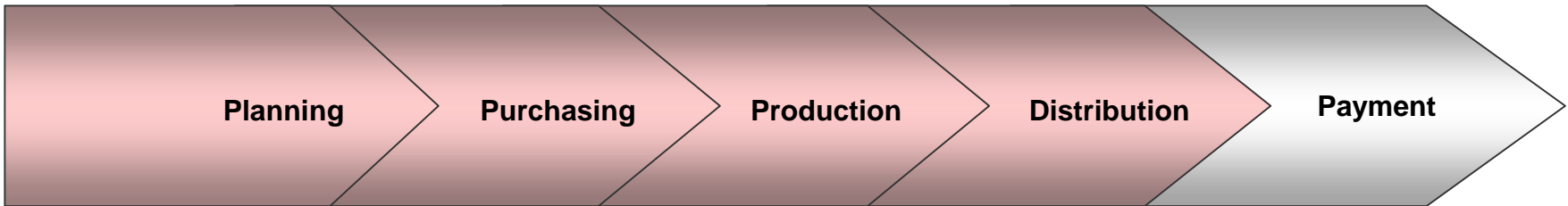
- 300 in-depth telephone surveys with:
- Large and Medium size organizations in the United States (200) and Canada (100) to determine the level of awareness activity in the area of the financial supply chain CFO's, CIO's, Finance VP's, IT VP's



Defining Financial Supply Chain Management

Parallel Physical, Information, and Financial Supply Chains

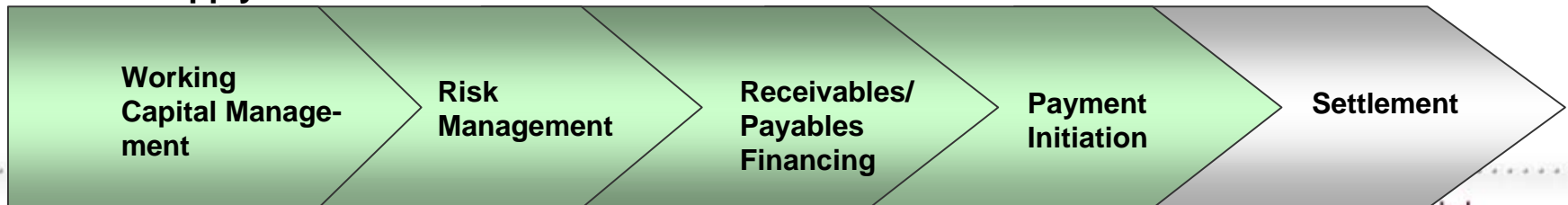
Physical Supply Chain



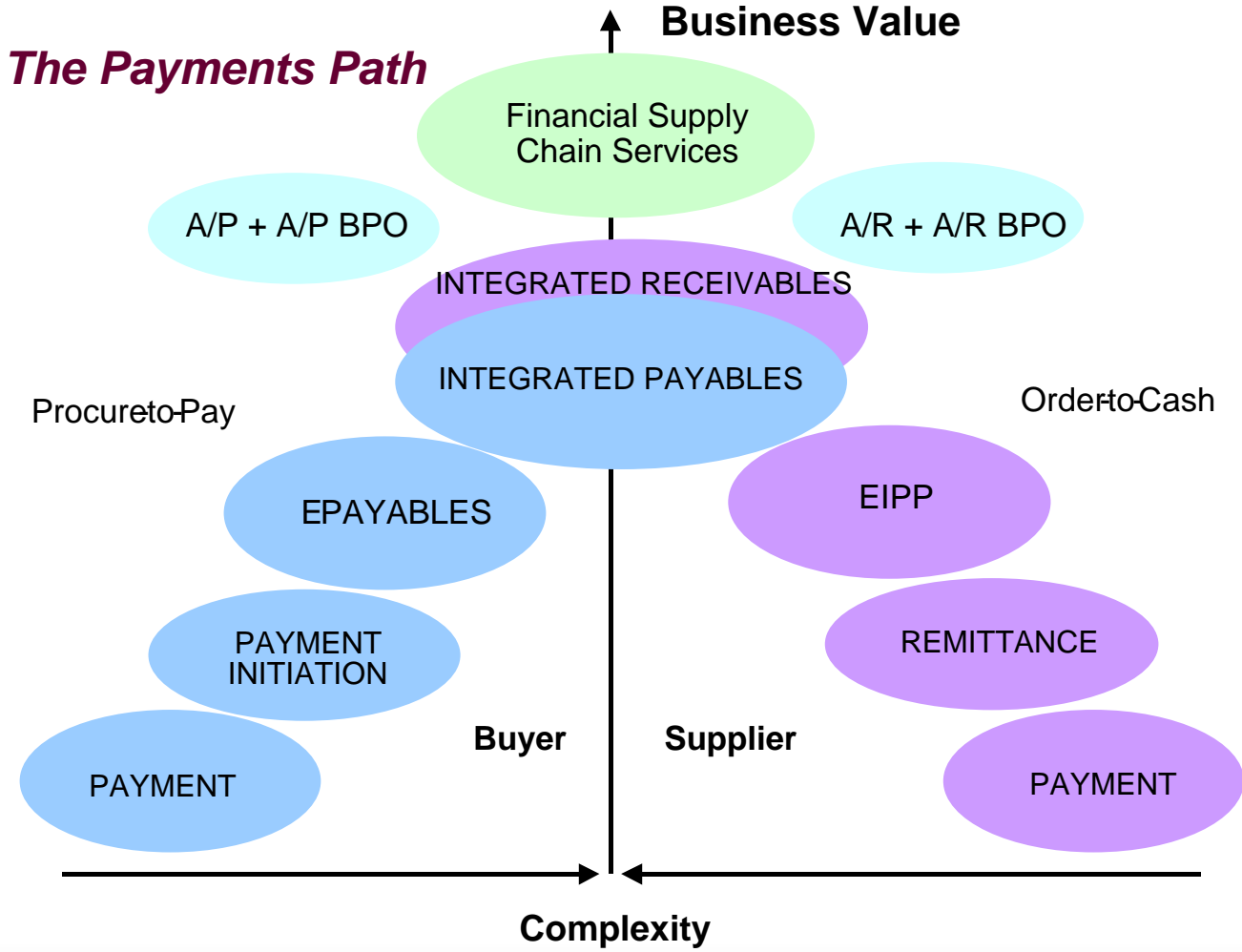
Information Supply Chain



Financial Supply Chain



Evolving from Discrete Payments to the Integrated Financial Supply Chain



Source: Financial Insights, 2008

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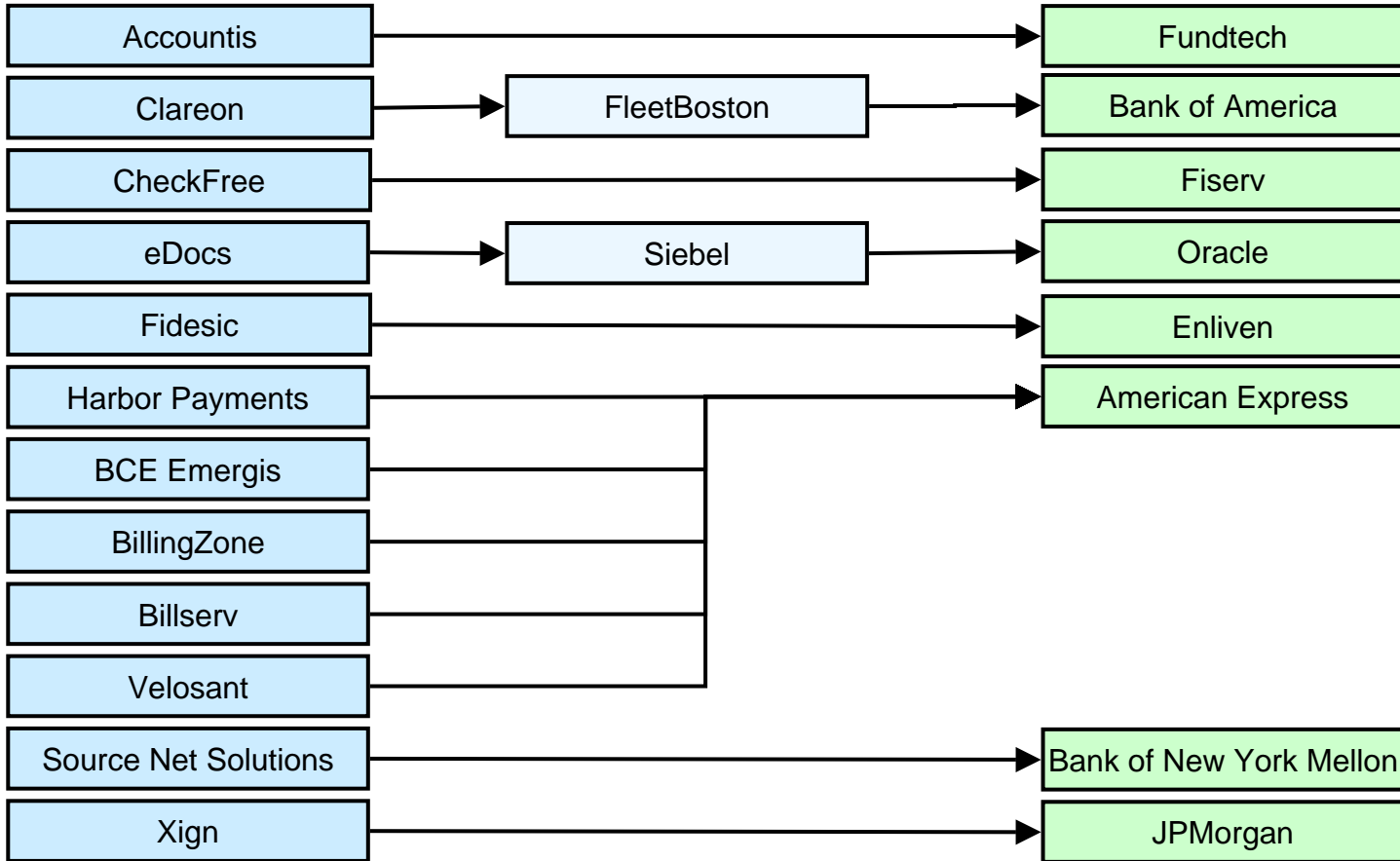


The Evolution of the Marketplace

Evolution of Financial Supply Chain Management Services: from Supplier to Buyer

- eMarketplaces
- Point Solutions (Ariba, TradeCard)
- First Generation Bank Offerings (Bolero, MA-CUGs, Orbian, Visa Commerce)
- Supplier-Side EIPP (Accountis, Amdocs, Avolent, BCE Emergis, BillServ, BillingZone, CheckFree, Clareon, eDocs, Fidesic, Harbor Payments, Velosant)
- Buyer-Side EIPP (Xign, OB10, Transcepta, some of the above vendors)
- Second Generation Bank Offerings (SCORE, TSU, MasterCard Payments Gateway)

Consolidation in the EIPP Market



Source: Financial Insights, 2008

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Summary of Current Bank Offerings

Essential Components of Financial Supply Chain Offerings

- **Paper Invoice Conversion:** The ability to scan paper invoices and convert them to electronic form
- **E-Invoicing:** The ability to receive electronic invoices and manage them electronically
- **Payment Method Selection:** Support for check, ACH, and wire transfer payments
- **Trade Finance:** Support for letters of credit and open account
- **Buyer Financing:** Ability to offer buyer delayed payment terms
- **Electronic Purchase Orders:** Ability to receive electronic PO's from the buyer and transmit them to the seller
- **Purchasing/Commercial Card:** Support for commercial, corporate, and purchasing cards on parity with check, ACH and wire
- **Logistics Tracking:** Ability to integrate shipping receipts, bills of lading, and custom forms into the workflow
- **White Label:** Ability to offer the service under a third party's brand, such as another bank
- **Sourcing:** Ability to offer a catalog that automates creation of purchase orders
- **Enrollment:** Active support for enrolling suppliers in the service

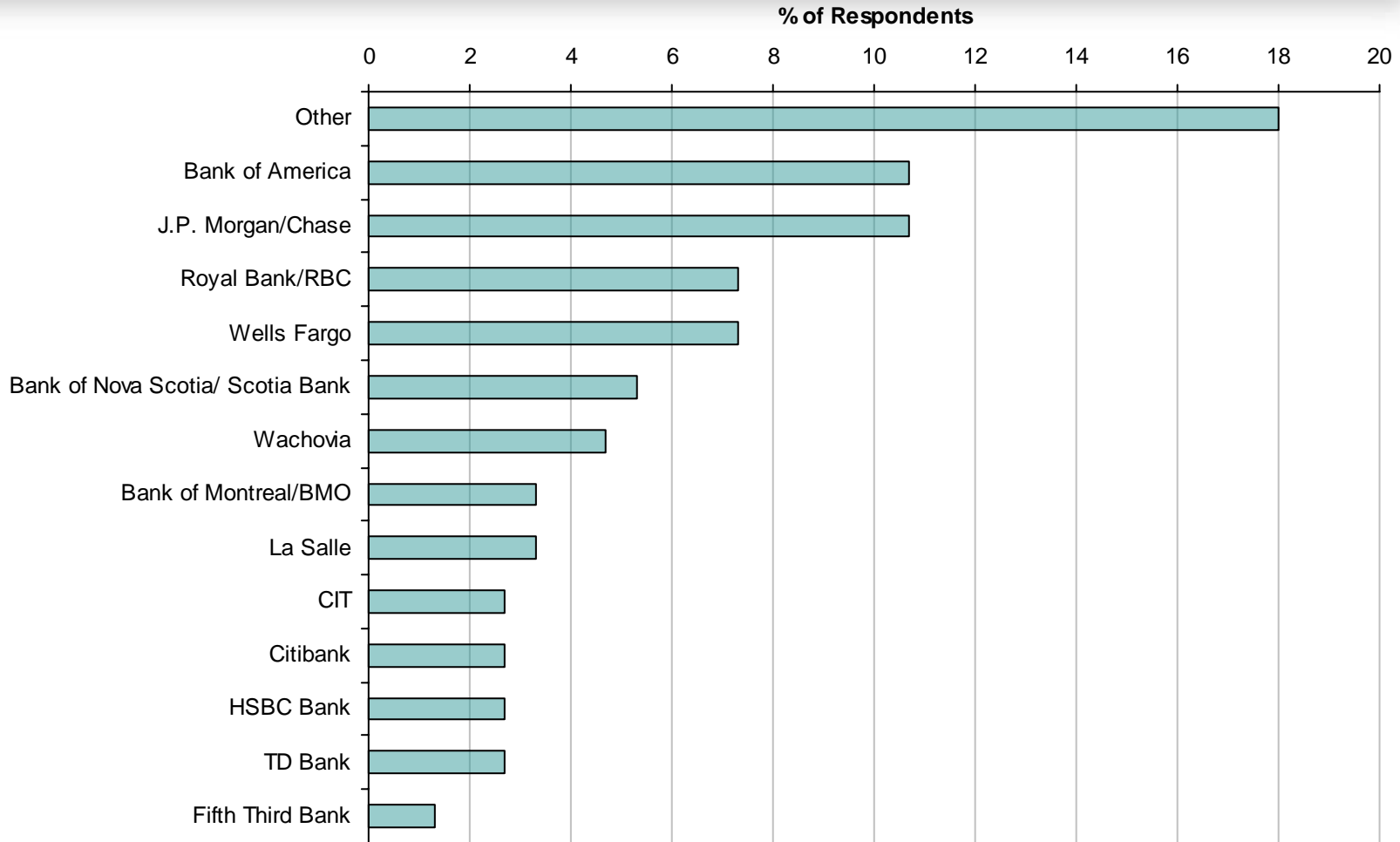
Source: Financial Insights, 2008

Bank Comparison Chart

	Electronic Purchase Orders	Purchasing/ Commercial Cards	Logistics Tracking	White Label	Sourcing	Enrollment
American Express	●	●				●
Bank of America	●	●	○			●
Bank of New York Mellon	◐	●	●	●		●
Citi	◐	●		●	◐	◐
Deutsche Bank	◐	◐		●	○	●
JPMorgan	●	●	●	●		●
Wells Fargo		●				

Source: Financial Insights, 2008

No One Bank Dominates FSCM

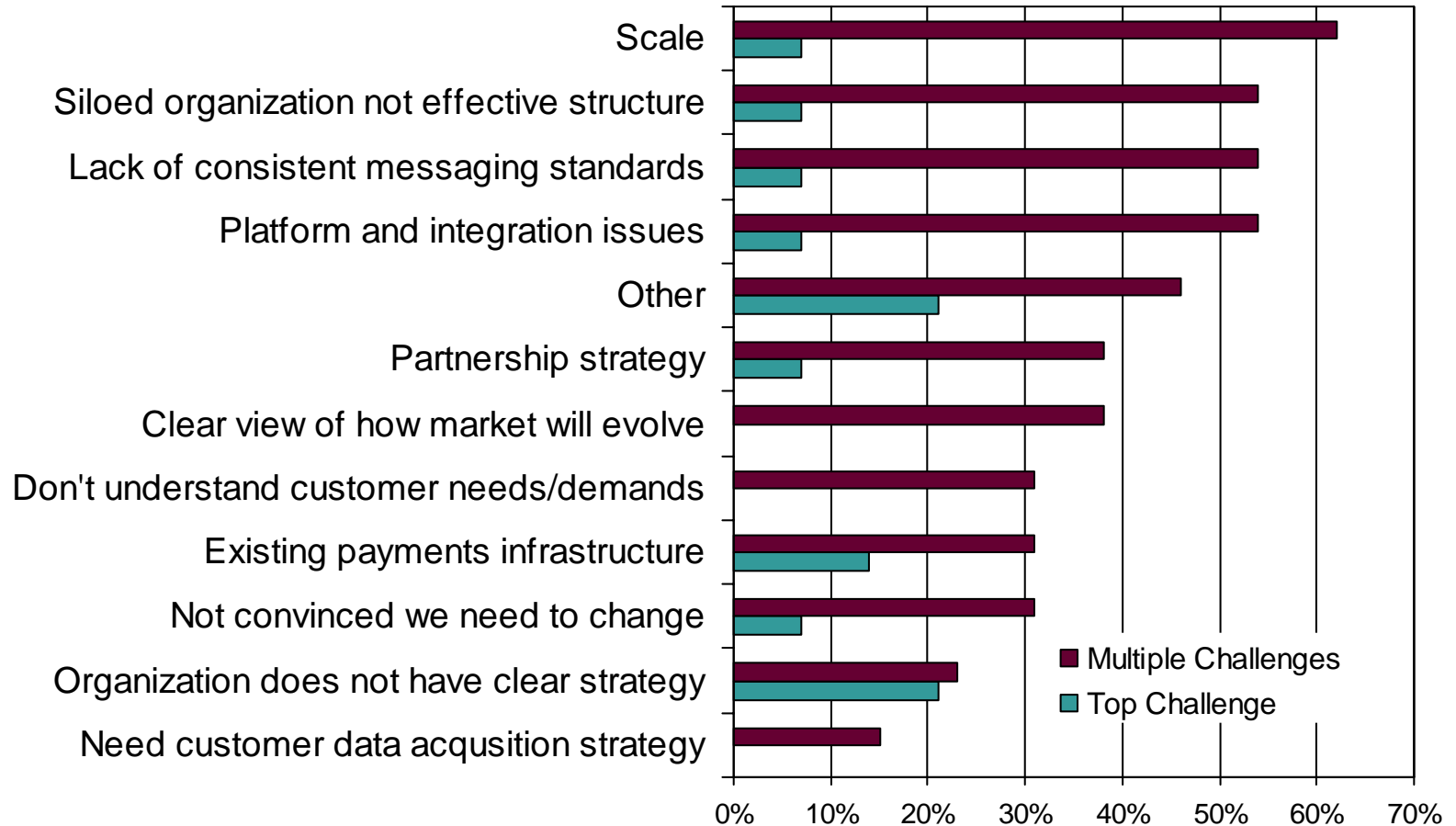


Source: 2007 Financial Insights Corporate Payment Survey

N=150.

Remaining Obstacles

Barriers to Banks Realizing Revenues from the FSC



Note: n=14 as % of Banks Responding. Source: Financial Insights, 2007

Q. What do you see as the major challenge facing your organization with regard to realizing the revenue along the financial supply chain? (Multiple Challenges and Top Challenge)

Many Problems are Self Created

- “We [banking industry] are suffering from a perception of bad product, when in reality we have bad execution.”
- “...business development is up 20%; we just can't get things set up on the system fast enough”

Cost Containment is Key for Business

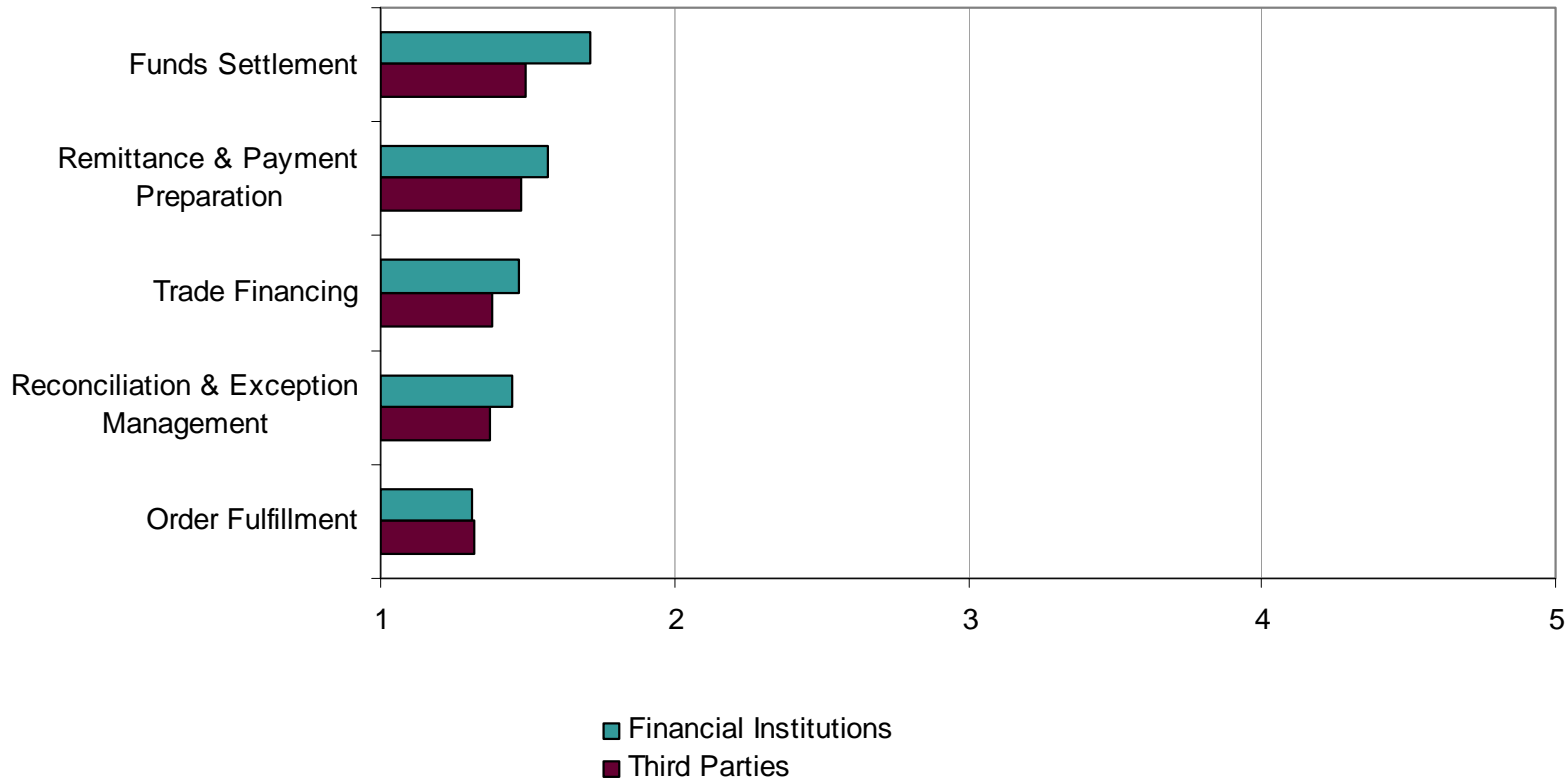
Top Finance-Related Business Priorities



Note: n=303. Source: Financial Insights, 2007

Q: Which of the following are strategic-related business objectives for your organization over the next 12-24 months?-
Multiple Priorities. (Summary)

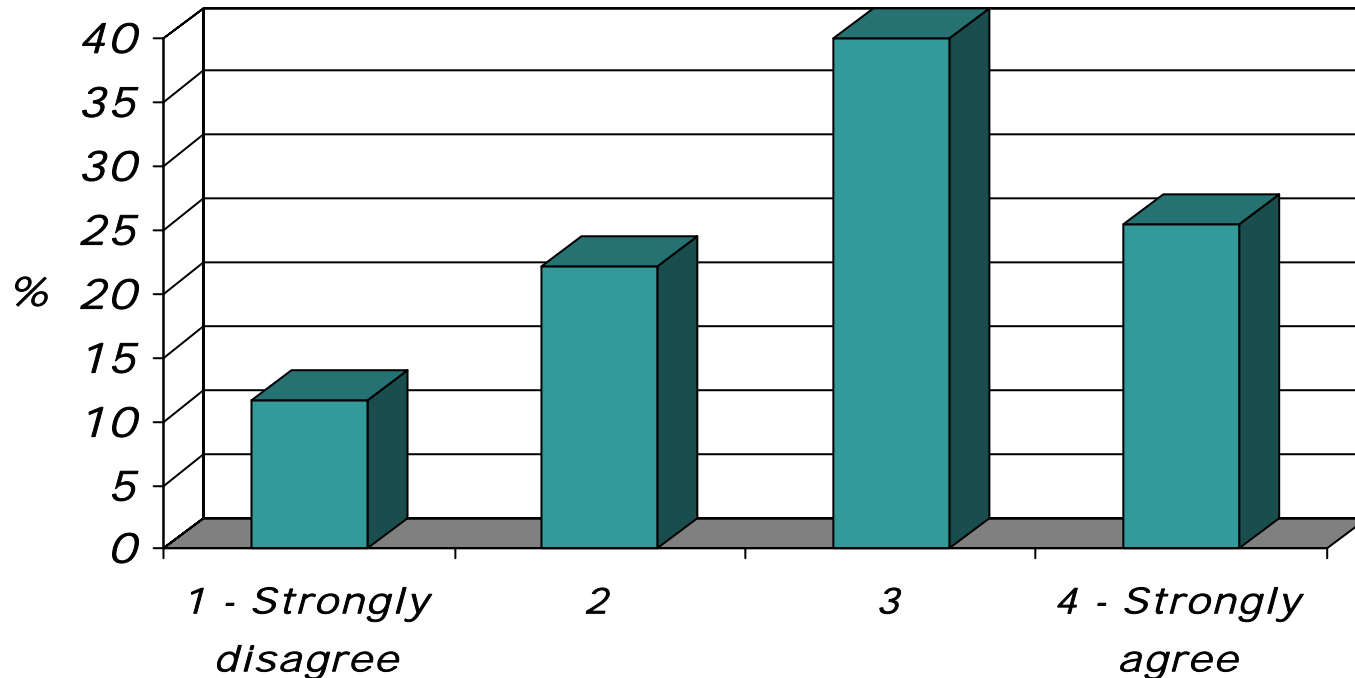
Businesses: Generally Unwilling to Outsource A/P Processes



Note: n=303. Source: Financial Insights, 2007

Q. How willing would you be to outsource the following accounts payable processes to a Financial Institution ... or any other third-party processor? Please use a scale of 1 to 5, where 1 is "would definitely not outsource", and 4 is "would definitely outsource" and 5 is "already outsourced"

However, Businesses Continue to See Banks as Partners in FSCM

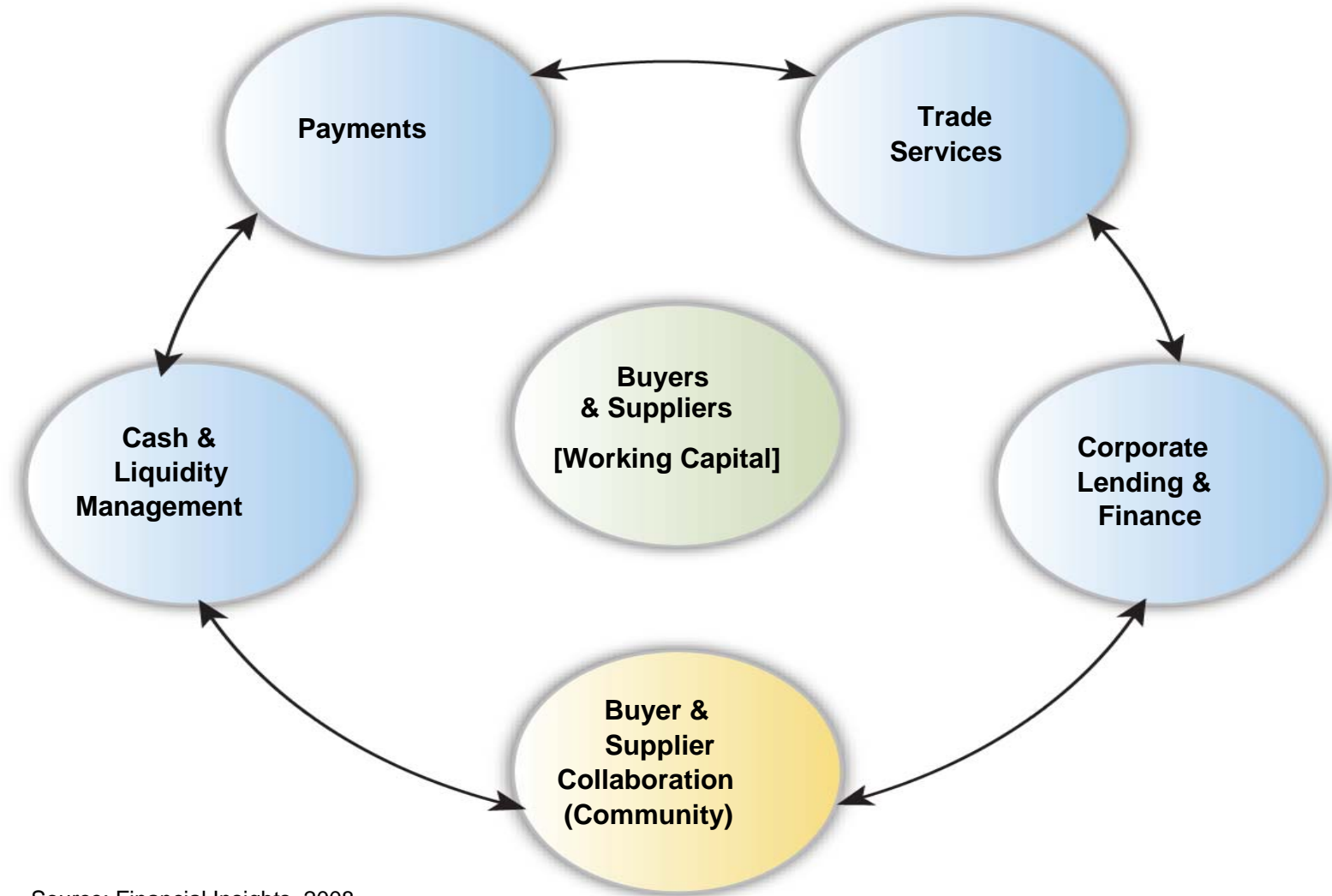


Note: n = 303. Source: Financial Insights, 2007

Q. Using a scale of 1 to 4 where 1 is strongly disagree and 4 is strongly agree, please rate the following statement: My primary financial institution is an active partner in realizing my organizations goals related to financial processes along the supply chain.

Conclusions and Recommendations

Winning Requires Expertise in Partnering



Source: Financial Insights, 2008

Conclusions and Recommendations

- Financial Supply Chain Management has a long history, and banks are playing catch-up
- The opportunity is to increase lending volume without a proportional increase in risk
- The main obstacles are internal, not external
- Recommendations:
 - Buy rather than build
 - Leverage purchasing cards
 - Open standards and interoperability will be key
 - Flexible technology platforms will be needed

For Additional Reading

- Corporate Payments and Financial Supply Chain: Which Banks are Best (Financial Insights #FIN212936, June 2008)
- Payments and Finance Meet the Supply Chain: 2007 North American Commercial Payments Study Results (Financial Insights #FIN208055, August 2007)
- U.S. Check 2007–2011 Transaction Forecast and Analysis: Image Takes Over (Financial Insights #FIN207354, June 2007)
- U.S. General Purpose Card 2007–2011 Transaction Forecast and Analysis: Debit Surges Ahead (Financial Insights #FIN207371, June 2007)
- Worldwide Banking 2007 Top 10 Strategic Initiatives: Finding New Strategies for Success (Financial Insights #FIN205373, February 2007)
- CheckFree to Buy Carreker in Payments Leadership Play (Financial Insights #FIN205237, January 2007)
- Worldwide Enterprise Payments 2005 Vendor Profiles: Part Two (Financial Insights #FIN204724, December 2006)
- FinTech Cash Management Vendor P&H Solutions Acquired by TSA (Financial Insights #FIN203369, September 2006)
- Worldwide Enterprise Payments 2005 Vendor Profiles: Part One (Financial Insights #FIN202197, July 2006)

Questions? Live Meeting or Audio



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"Financial institutions should strive to connect their individual buyer-supplier networks into a single network-of-networks, similar to what is happening in the check image exchange market and agree on a remittance data standard to push their customers to use in a coordinated fashion thereby providing comprehensive service, reliability, and quality, rather than proprietary buyer-supplier networks or connectivity standards."

Meet Us at an Upcoming Event

- Fall Conference Season – Are You Going ?
 - Sibos 2008: Vienna Austria - September 15-19
 - SourceMedia ATM, Debit and Prepaid Forum, Chandler, Arizona, October 5-7
 - AFP Annual Conference: Los Angeles, CA October 19-22
 - Financial Technology Insight: Best Practices in Global Banking, Jacksonville, October 26-28 (hosted by PPM Media)
 - FST Summit 2008: November 5-7, 2008, Miami (hosted by GDS International)
 - BAI Retail Delivery: Orlando, FL, November 18-20

