

REIGNING IN RECEIVABLES

Tackling the challenge of decentralization

January 2017

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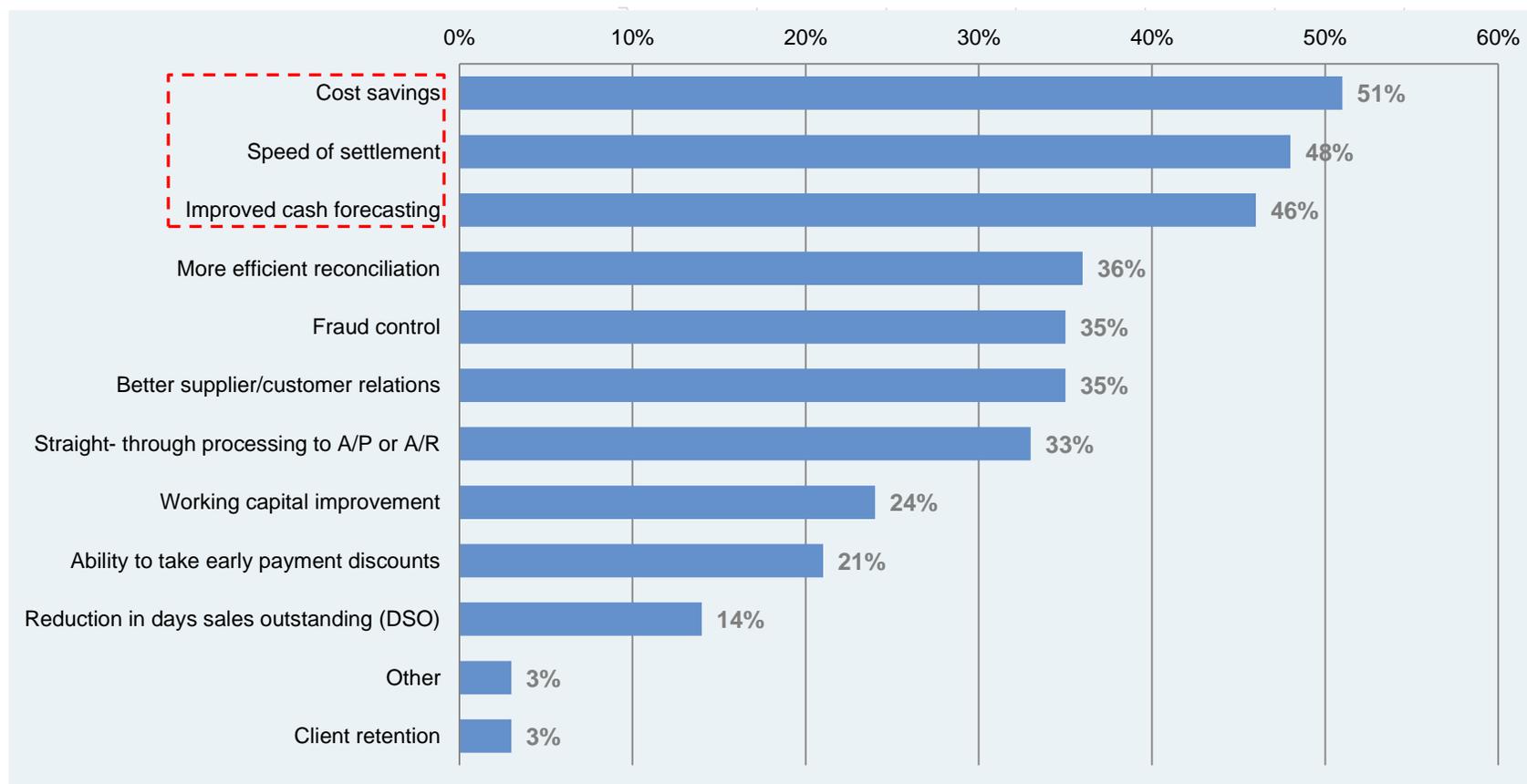
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Top benefits of transitioning to electronic payments

Benefits Gained by Sending or Receiving Electronic Payments

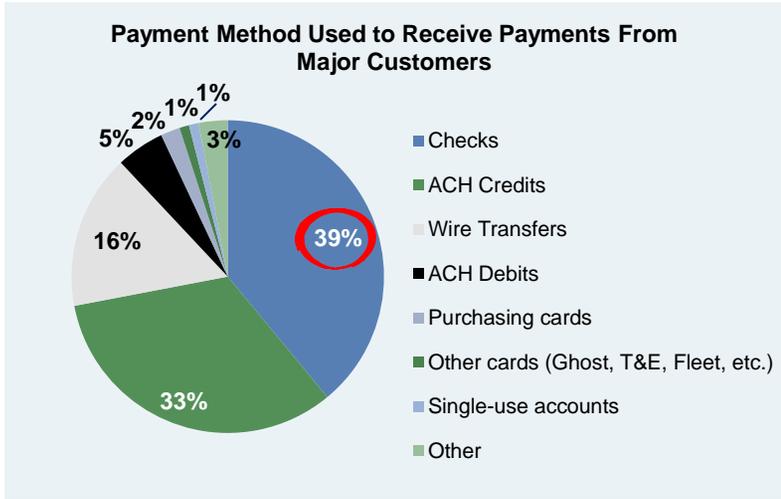
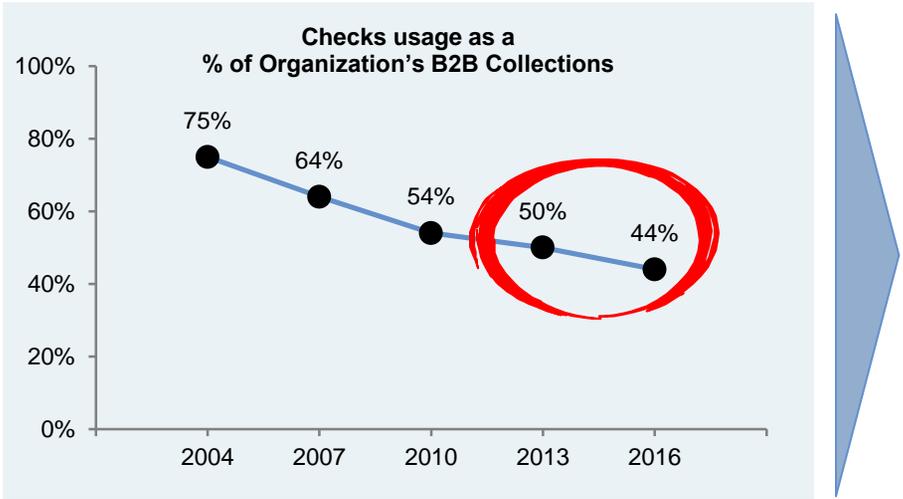


Optimizing payables offers substantial benefits including freeing capital, reducing processing costs, and mitigating operational risk

Source: Association for Financial Professional, 2016 Electronic Payment Survey, Oct 2016

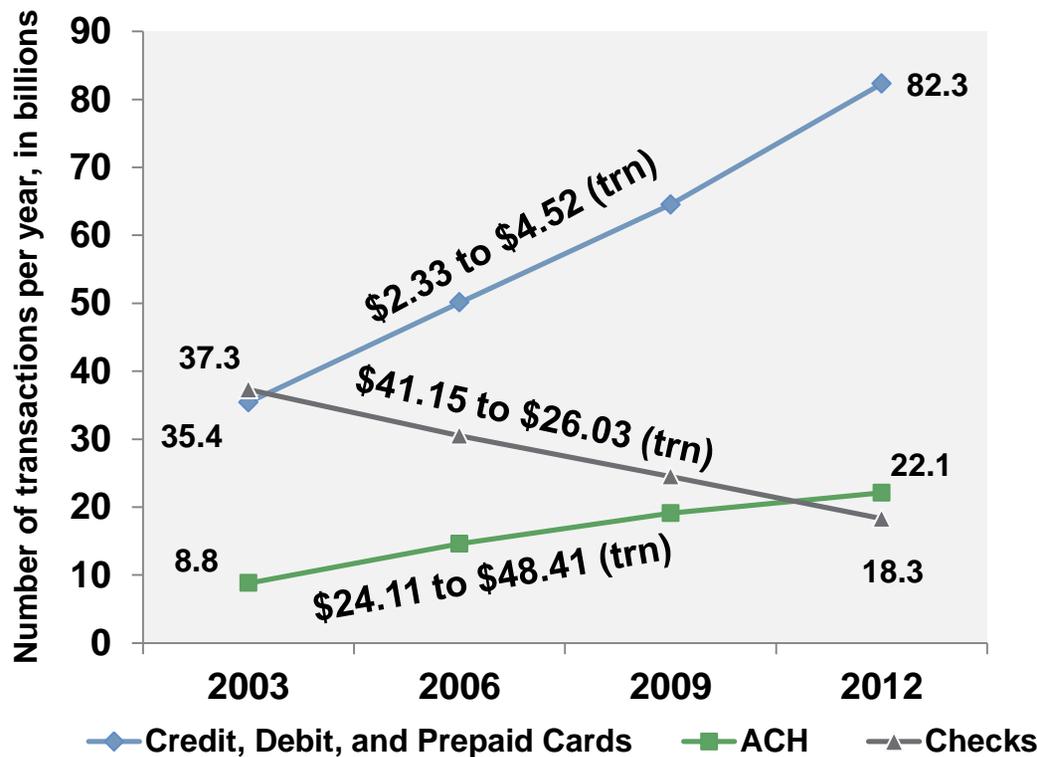
Receivables: Range of benefits continue to drive down check collections

Check collection volumes continue to fall but corporates continue to see major customers paying them via check



Payments trends and the move to electronic are influencing Fintech investment

Change in payment type¹



9.65% annual growth rate in number of ACH transactions



8.80% annual growth rate in number of card transactions



-6.87% annual decline rate in number of check transactions

Continued shift to mobile



US Consumers making mobile payments doubled from 2011 to 2015,² going from 12% to 24%

Alternative forms of payments increase



The number of payment transactions in PayPal accounts increased 23% annually from 2013 to 2015³

Bill payments



Bill payments are changing form and impacting the customer experience

¹Source: 2013 Federal Reserve Payments Study (a Triennial Report)

²Source: Federal Reserve Consumer and Mobile Financial Services 2016 Report

³Source: PayPal 2015 10K

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Strategic perspectives and trends in receivables

Institutions continue to look for ways to shift more incoming payments to electronic means and eliminate paper wherever possible. Some of this shift is being assisted by the continuous progression of disruptive payment technology such as mobile and P2P advancements.

Millennials are also more likely to embrace electronic payment methods versus prior generations. Treasurers and finance officials may find them more receptive to institution led efforts to drive for greater payment efficiency.

Some tactical ways institutions are driving strategic change



Expanding use of online payment tools to obtain lower overall transaction cost and straight through posting of remittance data for greater automated reconciliation



Eliminating paper deposits by using and expanding remote capture solutions on campus and deemphasizing cash acceptance to lower vault and branch expenses wherever possible

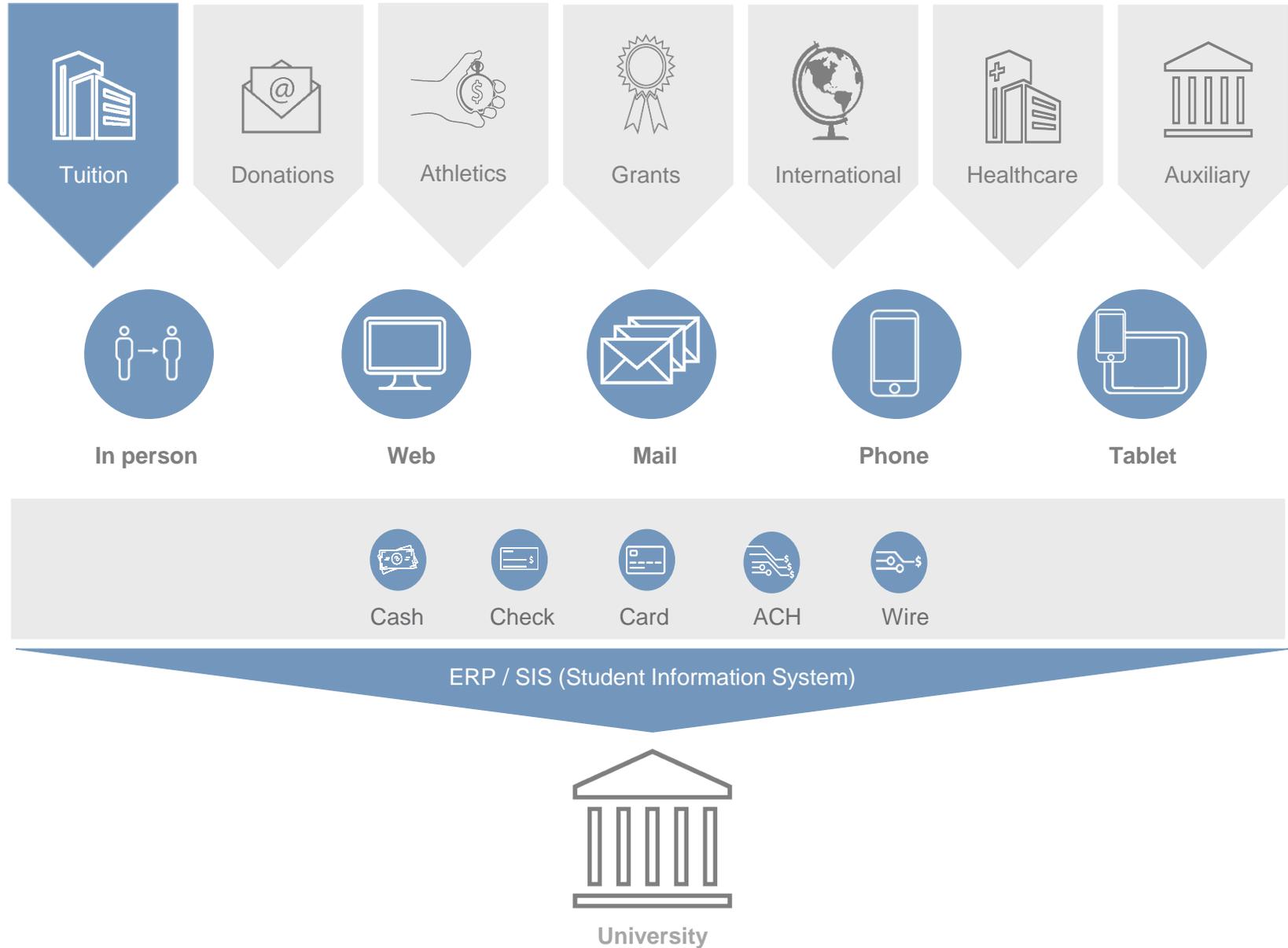


Implementing advanced card acceptance devices supporting of EMV chips and tokenization to reduce risk



Shifting online payment acceptance to banks and third parties to reduce PCI scope

Typical university receivables roadmap



Preparing for the payment revolution

Common collection challenges

Manual Payment Posting

- Paper-based processing requires manual batch management
- Each invoice/coupon is manually keyed into A/R system
- Payments typically applied the day after deposit
- Typically more expensive processing method

Decentralized Channels

- Receiving Multiple Payment Formats and Types:
 - Disparate receivables or cashiering systems
 - Misdirected checks (received at your office instead of lockbox)
 - Web payments (card and ACH)
 - ACH (Credit, Direct Debit, Online bill payers)
 - Wires

Managing Incomplete Payments

- Payment and remittance detail do not travel together, sometimes it is lost
- Payments arrive with remittance detail that cannot be used to apply cash
- Crucial fields are cut off and cannot be matched automatically

Improvement strategies

Migration to eCommerce

Interchange Cost Management

Straight through processing for check/ACH/Wire

Simplified & consolidated receivables integration

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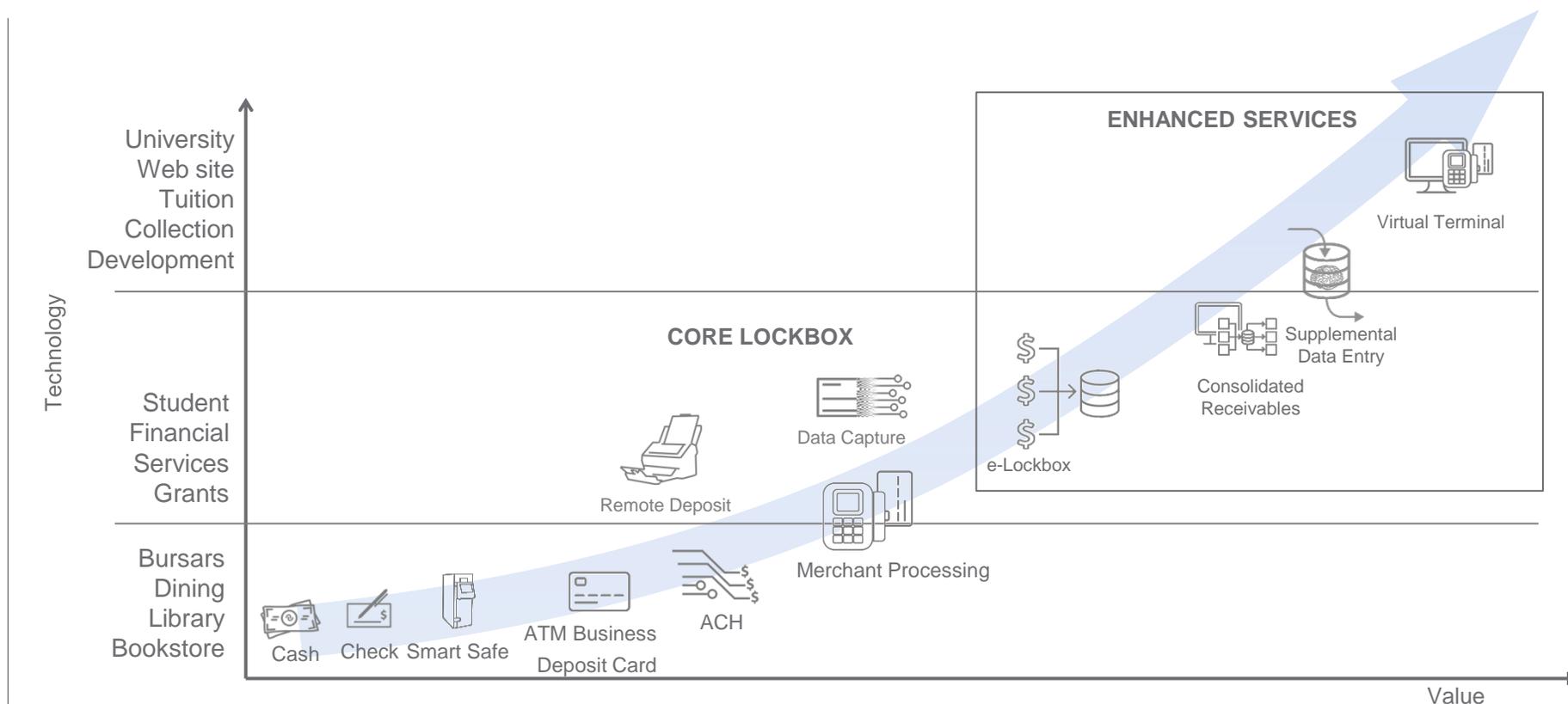
Evaluating your receivables: Maximize funds availability

Solution	Benefit
 <p>Lockbox</p>	<ul style="list-style-type: none"> ■ Supports check payments for Tuition/Grants/Donations ■ Broad network vs. in-house processing ■ Reduce risk lost checks ■ Expedite Mail float
 <p>Remote Deposit</p>	<ul style="list-style-type: none"> ■ Integrate in-house remittances with lockbox
 <p>ATM Business Deposit Card</p>	<ul style="list-style-type: none"> ■ Student and campus related small events of cash/check collections ■ Speeds cash receipt ■ May offer simplified deposit reconciliation and reporting ■ Deposit deadlines are often later than branch to receive same day credit
 <p>Smart Safe</p>	<ul style="list-style-type: none"> ■ Deposit cash at your site for same day credit, without visiting the bank. The courier then empties it according to a schedule; typically every 4 days. The courier provides you with detailed reporting of information on the money that has been accepted in the safe.

Evaluating your receivables: Migrate to e-payments

Solution	Benefit
 <p data-bbox="306 537 447 565">e-Lockbox</p>	<ul style="list-style-type: none"> <li data-bbox="548 412 1318 440">■ Reduce DSO by up to 5-10 days through paper reduction <li data-bbox="548 477 1094 505">■ Improve reconciliation and clearing time <li data-bbox="548 542 1331 570">■ Reduce manual exception processing and collection costs
 <p data-bbox="306 797 447 857">Merchant Processing</p>	<ul style="list-style-type: none"> <li data-bbox="548 672 1843 732">■ Offer flexible electronic payment options to your constituents including recurring, installments, and deferred billing <li data-bbox="548 769 1157 797">■ Reduce transaction costs and manage fraud
 <p data-bbox="275 1068 478 1096">Virtual Terminal</p>	<ul style="list-style-type: none"> <li data-bbox="548 964 1318 992">■ Expedite collections through eCheck and card remittance <li data-bbox="548 1029 1339 1057">■ Collect payments by phone, process reoccurring payments

Optimize channels for collections: Enhancing the receivables process



- Branch Deposit
- Smart Safe
- Cash Vault

- Remote Check / Remit Capture
- Wholesale, Scannable Lockbox

- Data Transmission – BAI, EDI & Proprietary
- OCR data capture

- Data Management & Remittance Association
- Consolidated Reporting of Lockbox, EFT and Wires
- Receivables Browser w/ Long Term Archive

- Remote Deposit
- Online Payment Portal
- Card and ACH
- Merchant Services

Going cashless on campus: So what are the treasury opportunities?

Common banking methods used by schools today

Cash & Checks	<ul style="list-style-type: none"> Accepted all over most campuses (Bursar's Office, Dining, Bookstore, Library) Most in demand area for improvement to lower cost, reduce risk, simplify experience
Merchant Acceptance	<ul style="list-style-type: none"> Common tool drives most payment efficiency gains and key to some of the new opportunities Widely accepted for online, self-service (i.e. parking, vending), and in-person today
ACH & Wires	<ul style="list-style-type: none"> Mostly used to receive tuition payments and grant funds Less likely to be area of focus given economics (ACH) and finality (Wires)

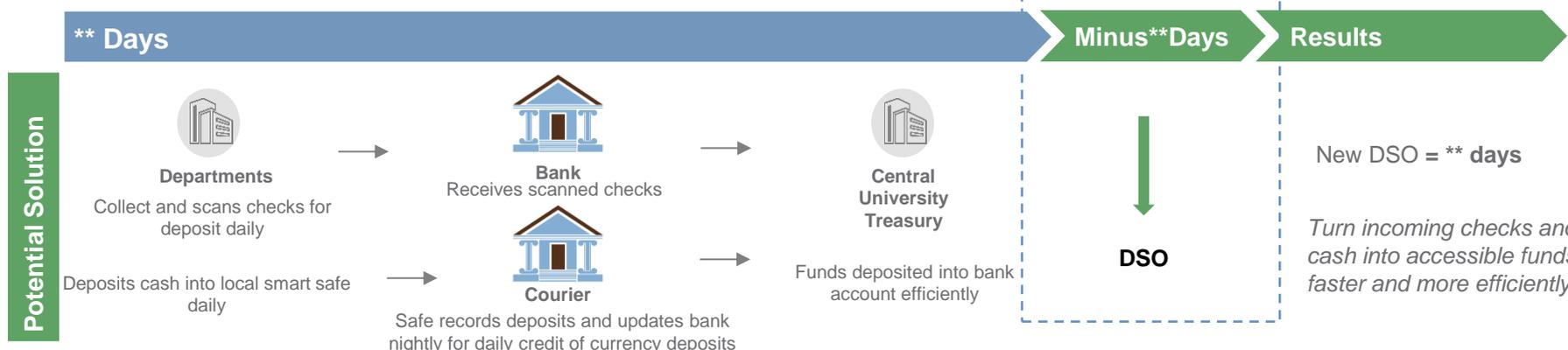
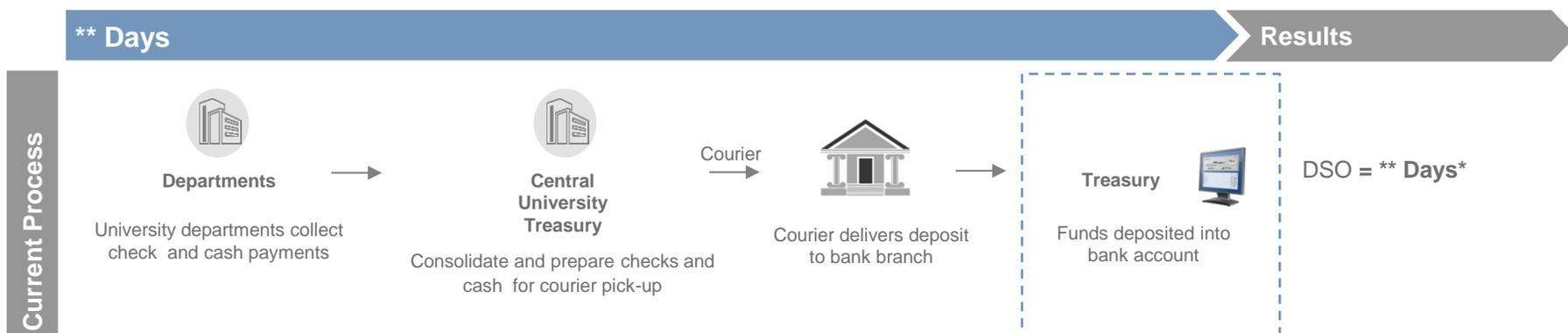
How do we remove cash from the premises?



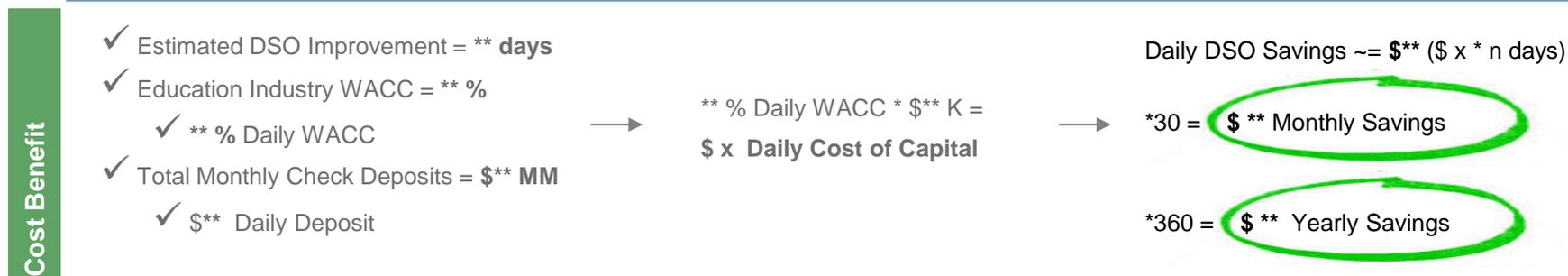
Key questions we should be asking

1. What are the impediments that prevent greater adoption of electronic payments?
2. What will be the factors that drive real behavior change and willingness to adopt a new model of payment?
3. What data is captured with the payment/deposit today and how do we ensure it is automatically entered in the ERP application?
4. Do the new environment create new risks and if so, how do we address them?

How to improve the DSO in a decentralized campus environment



Depositing funds as quickly as possible increases cost savings and cash flow



*DSO = Account Receivables + Receivable/Other / Revenue from Program Services per day.