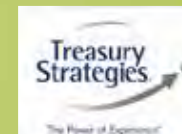


Business Mobile RDC: Capturing Your Fair Share of the Market

January 20, 2016



Because Results Matter



CELENT



Today's Presenters

- ▶ **Jim Poteet**, Principal
Treasury Strategies, Inc.
- ▶ **Bob Meara**, Senior Analyst
Celent
- ▶ **Jason Olson**, Solution Manager
WAUSAU Financial Systems



Agenda

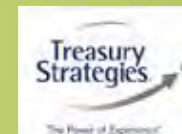
	<u>Slides</u>
▶ Market Dynamics	4–10
▶ Business mRDC – Something for Everyone	11–17
▶ Use-Cases	18–26
▶ Business Mobile RDC Value	27–29
▶ Wausau & Deluxe Solution	30–35
▶ Q&A	

Market Dynamics

Jim Poteet
Principal
Jim_Poteet@TreasuryStrategies.com



Because Results Matter



CELENT



Question #1

- ▶ For those Banks offering a mobile RDC solution, did you leverage your consumer mobile RDC platform or did you establish a unique business mobile RDC platform?
 - A. Leveraged consumer platform
 - B. Established a unique business platform
 - C. Still deciding our platform strategy

Small Business Market Dynamics

► **There are roughly 5.7M businesses in the US as of 2012 (US Census Statistics)**

- 99% are businesses with less than 500 employees (excludes non-employer businesses)
- Small businesses account for roughly 36% of total revenues (\$11.8 T)

Number of Employees	Number of Businesses	Revenue (in Millions)	Average Revenue
0-19	5.1 M	\$4.0 T	\$0.8 M
20-99	0.5M	\$3.9 T	\$7.9M
100-499	0.1 M	\$3.9 T	\$48.9M
500 +	> 0.1 M	\$20.8 T	\$1,142.8 M
Total	5.7 M	\$32.6 T	\$5.6 M

► **Small Business Banking Relationships**

- Typical banking relationship is greater than 15 years
- Financial institutions used are roughly 1.5
- Still prefer paper checks, while most banking transactions are conducted in the branch

► **Small Business and Alternative Solution Trends**

- Alternative lending is leading the charge in terms of small businesses
 - Current estimates show unmet small business loan demand between \$80B - \$120B
 - Banks will begin to lose “sticky” business if the credit relationship is not established
- Recent study conducted by Treasury Strategies indicated 70% of banks of all sizes were concerned with vendors providing Treasury Management solutions directly to corporates.

Corporate Spend by Activity

Nearly half of corporate spend on the financial value chain is spent on billing & AR, point-of-sale and reporting, although banks only access a portion of that spend.

Corporate Spend Key Takeaways

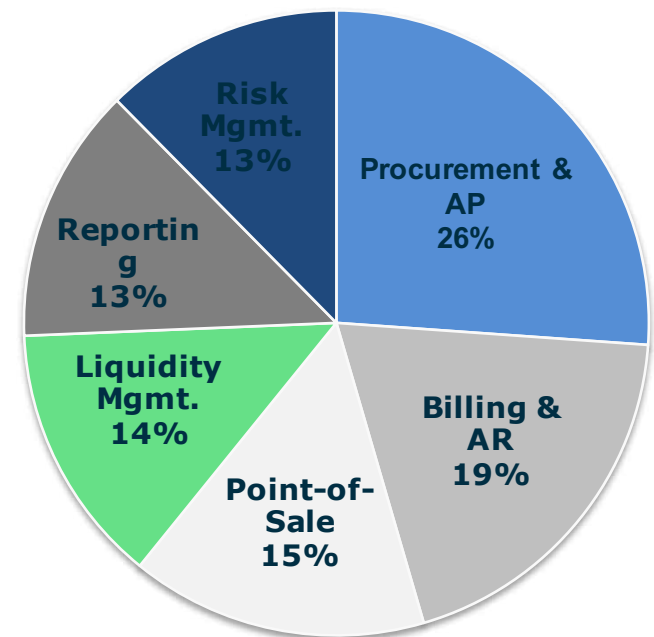
These activities typically involve manual processes and a significant number of FTEs.

Bank treasury management receivables solutions cover the billing & AR space – 19% of financial operations' spend.

Bank and non-bank merchant processors dominate the point-of-sale space.

Banks provide the information to support reporting activities, but otherwise spend is focused on FTE and software.

Corporate Financial Operations % Spend by Activity



Receivables Market Sizing

Banks capture about 7% of the \$115B spent on billing & AR, compared to 45% of point-of-sale spend and 15% of overall financial operations' spend.

Providers/Spend Type: 2016 Est. Totals (\$B)

	Banks	Staff (FTEs)	Hardware	Software	NBFIs	Prof. Services	2016 Totals est. (\$B)	2016 SMB est. (\$B)
Risk Mgmt.	1.1	25.2	1.1	12.6	10.3	22.9	73.3	26.53
Liquidity Mgmt.	22.9	16.0	1.1	11.5	5.7	22.9	80.2	29.0
Billing & AR	8.0	48.1	1.1	11.5	5.7	40.1	114.5	41.4
Procurement & AP	6.9	76.7	1.1	16.0	5.7	45.8	152.3	55.1
Point-of-Sale	41.2	-	4.6	16.0	5.7	22.9	90.5	32.7
Reporting	6.9	29.8	1.1	11.5	5.7	22.9	77.9	28.2
Totals (\$B)	87.0	195.8	10.3	79.0	38.9	177.5	588.7	213.1

- Nearly 80% of billing & AR spend is on internal and external staff, and another 10% on software.
- After banks, another 25% of point-of-sale spend is on professional services.
- Reporting spend by provider has a similar distribution between providers/spend type as A/R.
- 2016 SMB est. is a proxy using the total revenue % of SMB (36%) vs. Total 2012 Revenues.

\$74.1 B is the SMB Opportunity

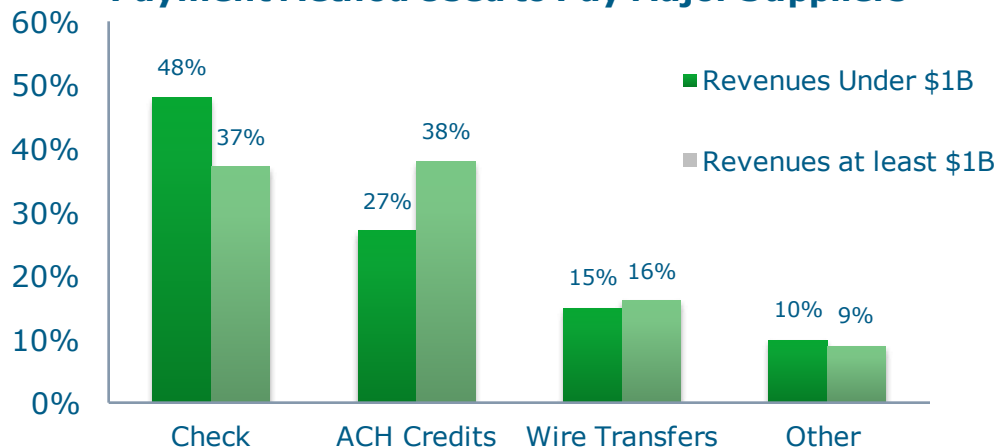
Payment Trends

While more larger firms are using electronic forms of payment, most corporates are still in the process of converting check payments to other electronic forms.

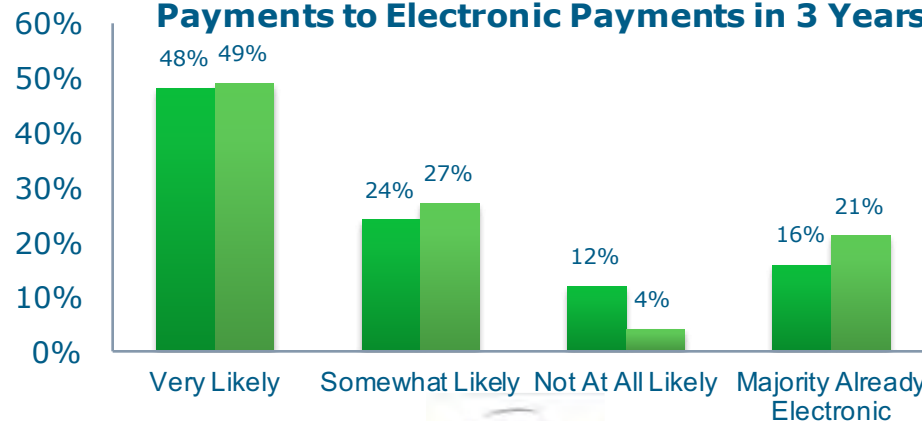
Nearly **half of all firms** predicted that they would have converted a majority of B2B payments to electronic forms by 2016.

In 2013, larger firms were **more likely to use ACH credits than checks** to pay suppliers, while adoption of other payment types was similar.

Payment Method Used to Pay Major Suppliers



Likelihood of Converting Majority of B2B Payments to Electronic Payments in 3 Years



Corporate Barriers to Adoption

Corporates are facing resistance from customers regarding the adoption of electronic payments; lowering some of these barriers may help increase electronic adoption by corporates.

Corporate Barrier to Adoption of Electronic Payments	Importance	At Least a Minor Barrier
Difficult to convince customers to pay electronically	High	82%
Difficult to convince suppliers to accept electronic payments	High	74%
No standard format for remittance information	High	70%
Lack of integration between electronic payment and accounting systems	Medium	66%
Trading partners cannot send/receive automated remittance information with electronic payments	Medium	60%
Privacy/security of bank account information	Medium	56%
Check systems work well	Medium	54%
Loss of check float	Low	41%
Organization cannot send or receive automated remittance information with electronic payments	Low	39%
Organization needs to open/hold a current account to make and/or receive payments in foreign currency	Low	19%
Banking partners do not offer all the currencies used by the organization to make payments	Low	18%

Source: AFP Payments Study (2013)

Business mRDC

Something for Everyone

Bob Meara
Sr. Analyst, Banking
bmeara@celent.com
Twitter: @mearaman



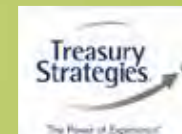
 **OLIVER WYMAN**

 **MARSH & McLENNAN
COMPANIES**

FINANCIAL SERVICES

© Oliver Wyman

Because Results Matter

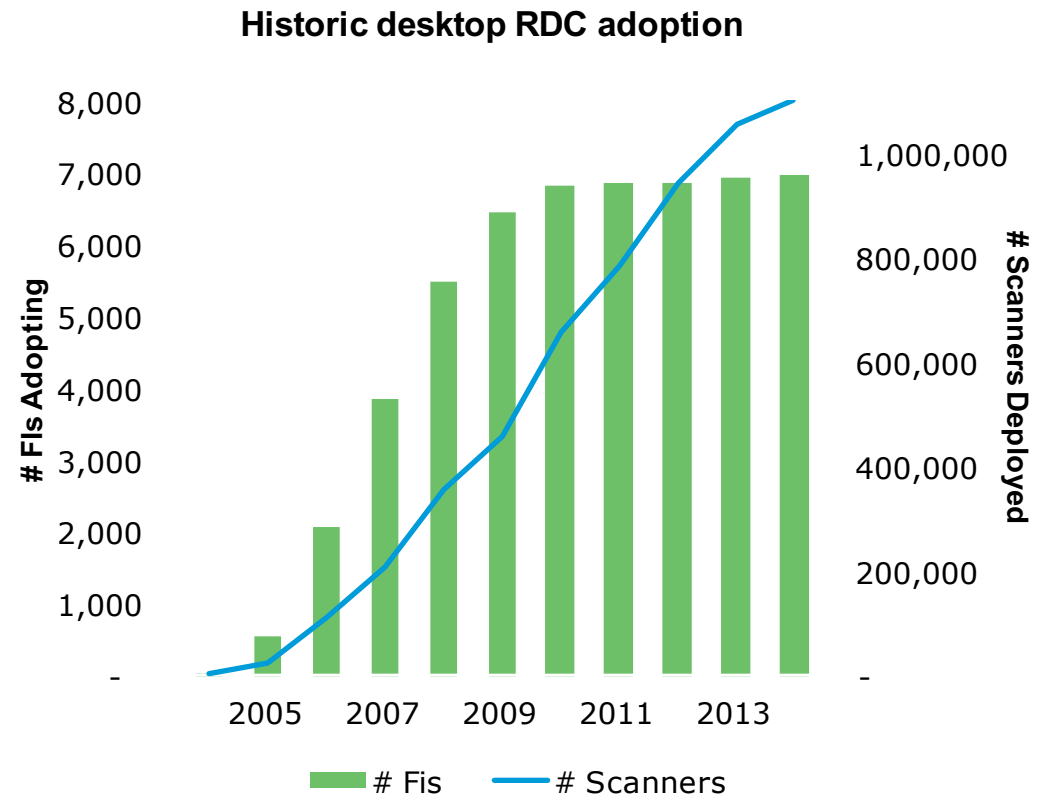


CELENT



Banks raced to market with desktop RDC products beginning in 2005

- Led by the large cash management banks, desktop RDC has been a no-brainer for banks large and small
- Initial prospects were large dollar depositors, with a value proposition based on float savings
- But not wholesale lockbox clients, for fear of cannibalization
- With product improvements, came additional market segments:
 - SMB – lower pricing, single-feed scanners
 - Virtual lockbox – full page capture



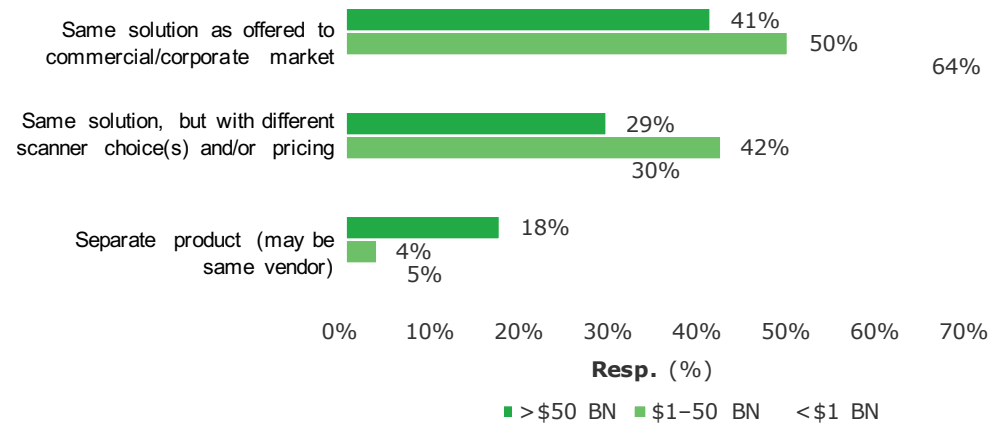
Business desktop RDC is now a mature market

Source: Vendor surveys, Celent estimates

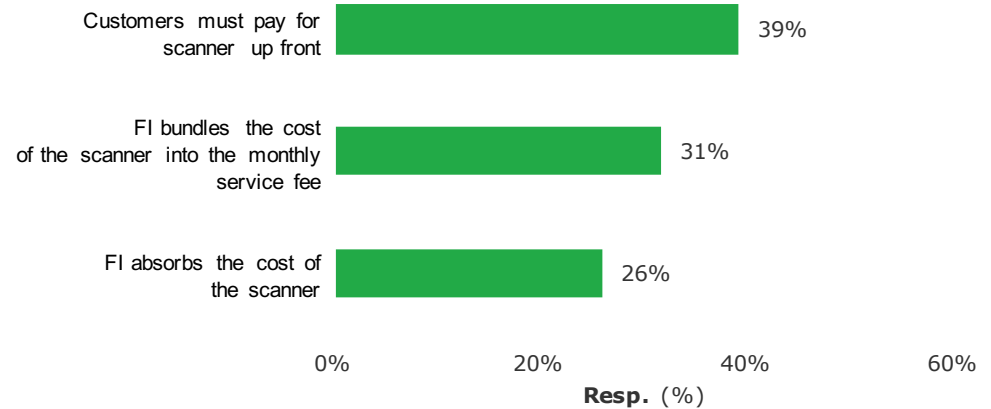
Small business RDC was an afterthought – most banks approached with essentially same product

- Most banks, esp. smaller banks, have a single business RDC product
- Large banks are more likely to have a separate SMB RDC product
 - But, most simply bundle hardware and software differently for small businesses
 - And sell customers the scanners
- Most products were designed before the explosion in mobile device usage
- And cost more than many SMBs want to pay
- Attempts at using flatbed scanners and MFDs fell flat

Small business RDC solutions



Small business RDC scanner pricing



Source: Celent survey of financial institutions, September 2013, n=266

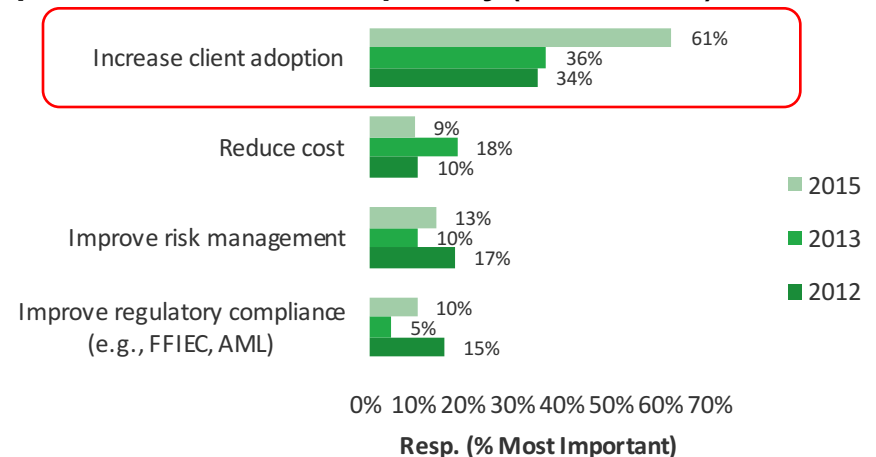
When it comes to small business RDC, most banks still eye growth – but not for the same reasons

- Thirst for deposits varies by bank
- All banks seek revenue growth
- Small business RDC has been challenging for many banks, with considerable unmet opportunity
- As a result, the SMB segment remains under-served

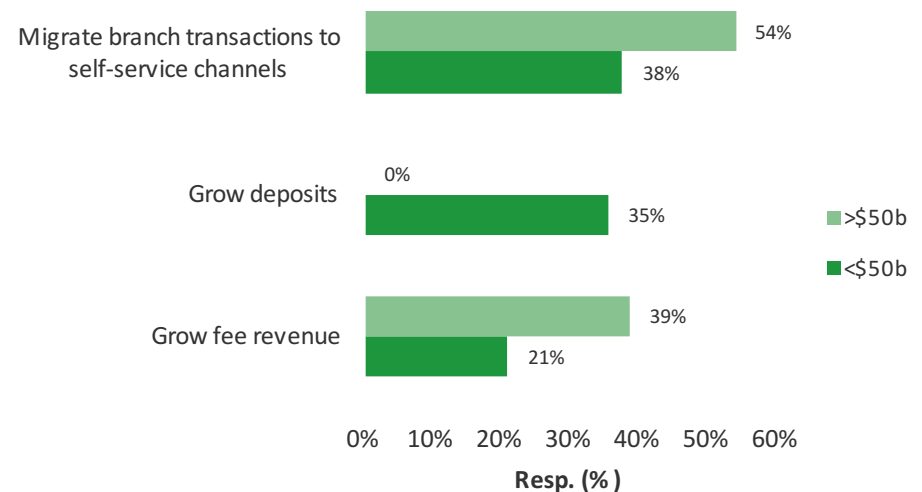
Banks increasingly seek transaction migration as a primary RDC objective

Doing so invites broad-based adoption

Top small business RDC priority (2012 – 2015)



Primary driver for SMB RDC client growth (2015)



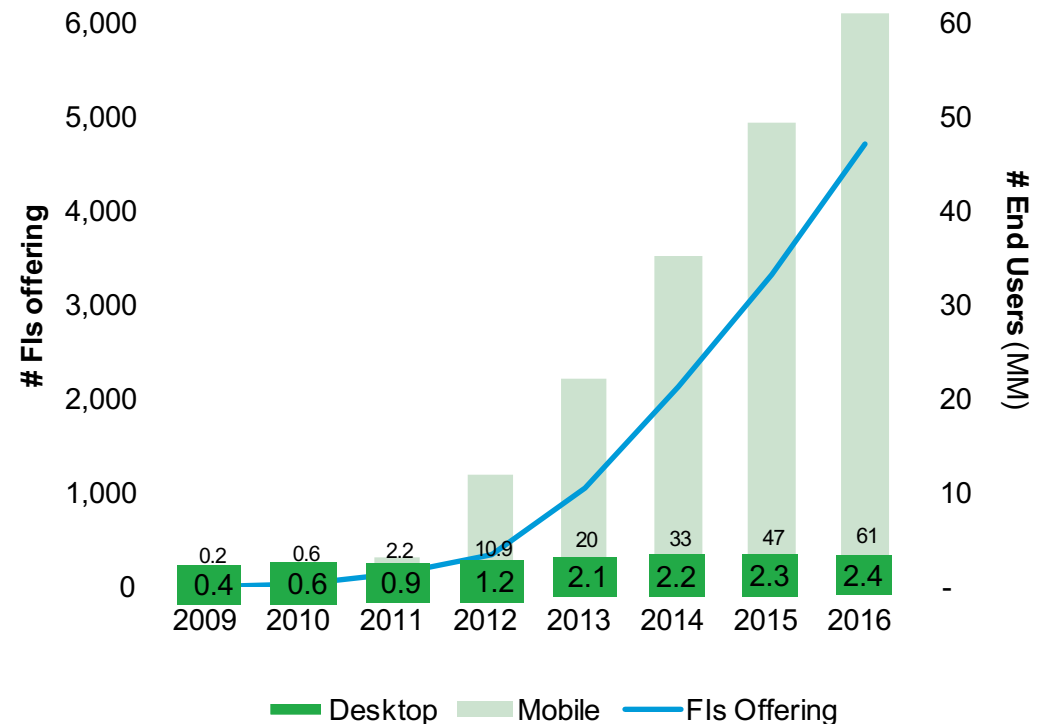
Source: (Top) Celent Financial institution Survey 2012 – 2015 Q; What is your institution's top small business RDC priority for the coming year?

Source: (Bottom) Celent survey of financial institutions, April 2015, n76 ; Q: What is your primary driver to increase SMB RDC client adoption?

Meanwhile, mobile RDC has been on a roll! And not because everyone has a mobile use case...

- Mobile RDC is on everyone's mind now, with hundreds of FIs launching each quarter – limited by vendor implementation capacity
- Consumers have been the primary target for mRDC – and love it!
- Consumer desktop approaches (which preceded mRDC) fell flat
- Good news: business mRDC products are now available

Consumer RDC adoption



Mobile is the new scanner!

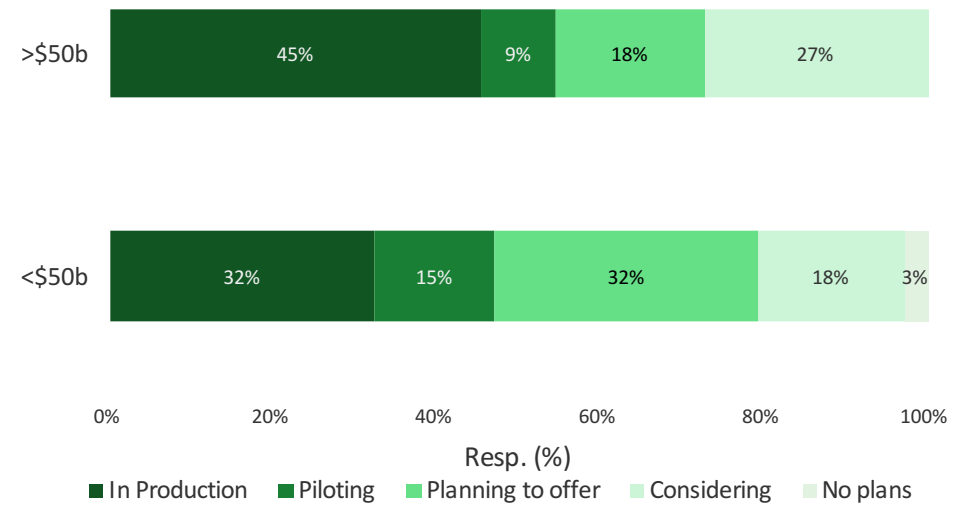
Source: Vendor surveys, Celent estimates

Here comes business mRDC!

Just 3% of surveyed banks have "no plans" to offer

- Mobile RDC is quickly moving into the commercial realm.
 - Most business mRDC options offered today are based on first generation product
- By YE 2016, most banks with merchant capture solutions will offer a mRDC option.
- Not all products will be alike.

Business mRDC adoption - 2015

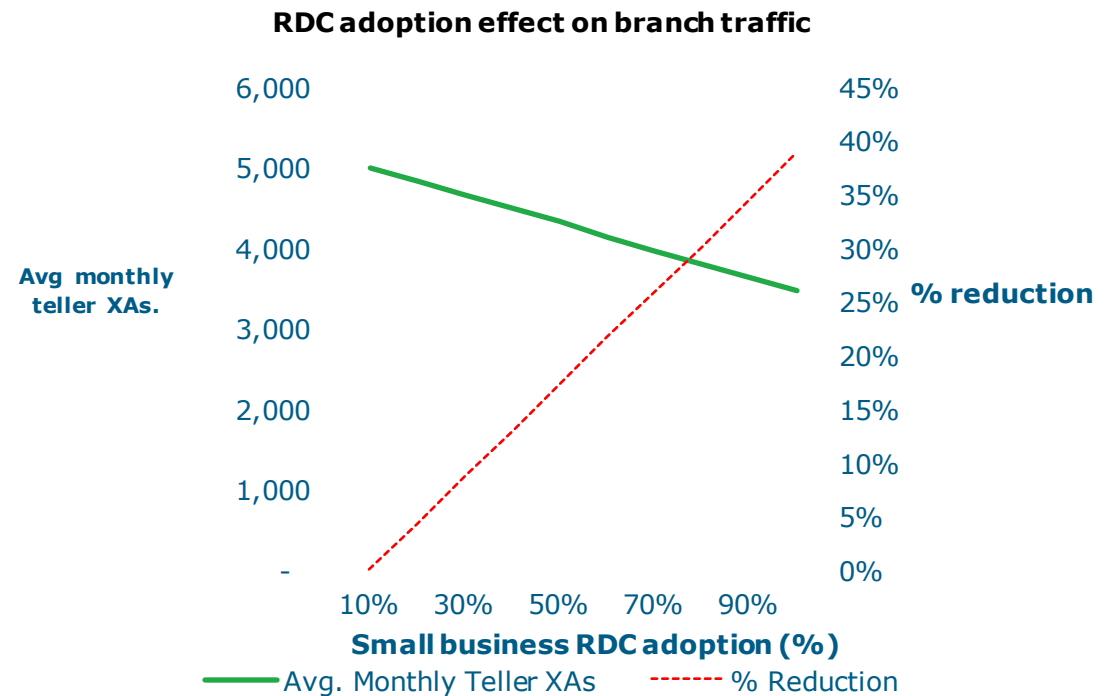


Source: Celent US financial institution survey, April 2015, n=78

A winning SMB mRDC product would be a win-win

Results would be felt in the branch

- SMBs visit branches at much higher frequencies than do consumers
- A high percentage of visits result in deposits
- They can easily be redirected to digital channels
- With the right product and promotion



What's in your branch?

Three use-cases to solve for and why they're all important

Three use-cases are apparent

	1 Low check volume	2 Mobile check acceptance	3 Distributed check acceptance
Where this shows up	<ul style="list-style-type: none"> Primarily SMB 	<ul style="list-style-type: none"> SMB Commercial and corporate Stand-alone or with desktop RDC 	<ul style="list-style-type: none"> Businesses of all sizes Many are lockbox clients
Examples	<ul style="list-style-type: none"> Virtually all types of businesses Historically poor desktop RDC prospects 	<ul style="list-style-type: none"> Delivery In-person service delivery, e.g. HVAC, plumbers 	<ul style="list-style-type: none"> HVAC, receiving both mail-in and mobile check acceptance Lockbox clients receiving stranded payments in offices
Business benefit	<ul style="list-style-type: none"> Low-cost convenience 	<ul style="list-style-type: none"> Lower cost Accelerated funds avail. 	<ul style="list-style-type: none"> Faster cash application Reduced exceptions
Strategic importance to banks	<ul style="list-style-type: none"> Transaction migration Branch channel right-sizing 	<ul style="list-style-type: none"> Revenue growth 	<ul style="list-style-type: none"> Revenue growth Lockbox relevancy
Solution elements	<ul style="list-style-type: none"> Multi-item deposit Payer/acct. info. Entry Separation of duties 	<ul style="list-style-type: none"> Separation of duties Payer/acct. info. entry Desktop administration 	<ul style="list-style-type: none"> Full-page capture WLBX workflow integration

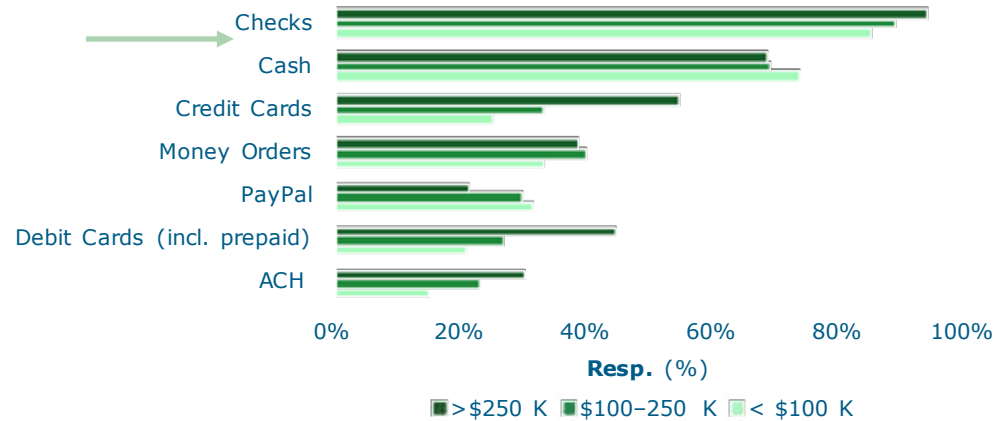
As check usage continues to decline, mobile capture will be increasingly relevant to all three use-cases.



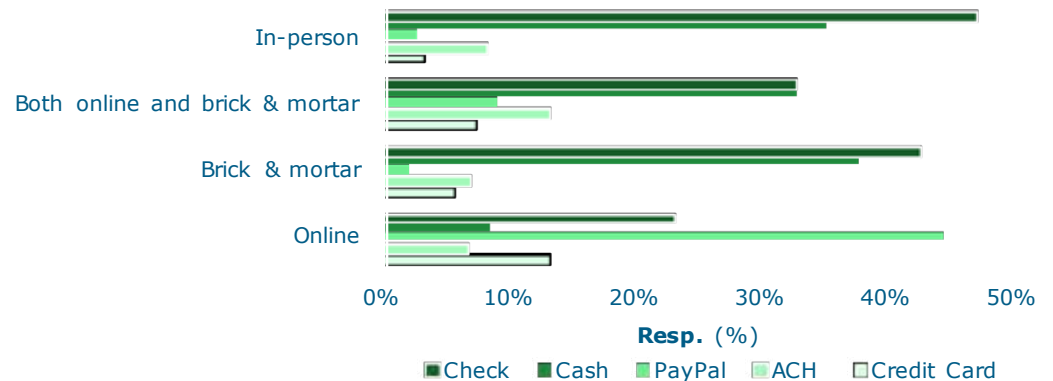
Checks remain widely accepted by SMBs And are preferred over other payment methods

- Not just accepted... *preferred*
- Across methods of service delivery
 - Except online businesses where PayPal takes first place
- Perception of low acceptance cost drives check preference
- SMBs will be receiving check payments, in **declining numbers**, for a long time

Small business payments acceptance



Preferred payment methods



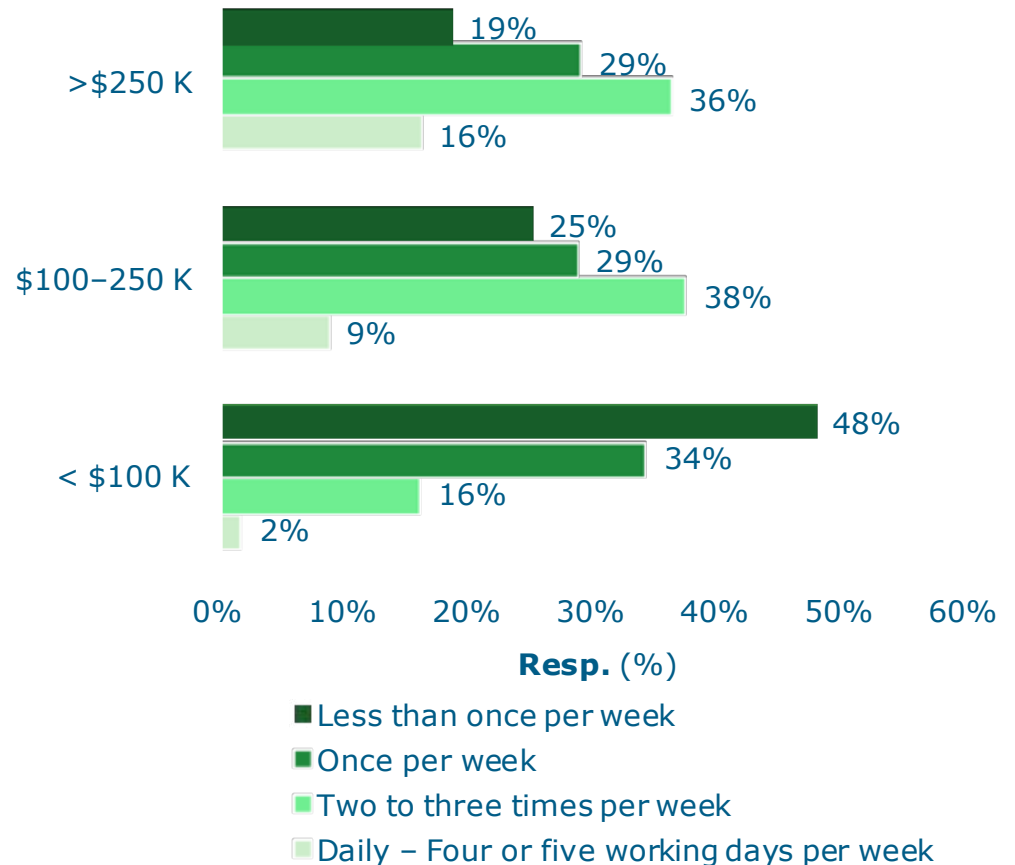
Inexorably declining check usage strengthens the case for mRDC.

Source: Celent survey of SMBs, June 2012, n=501

Check deposits produce many branch visits – a growing number of banks seek to reduce

- Size of business correlates to deposit frequency
 - More revenue often, but not always means more checks
 - And greater eagerness to deposit, leading to more frequent branch visits
- Most small businesses deposit several times per week
 - Except the <\$100 K segment who, on avg. deposit once per week or less

Small business bank deposit frequency



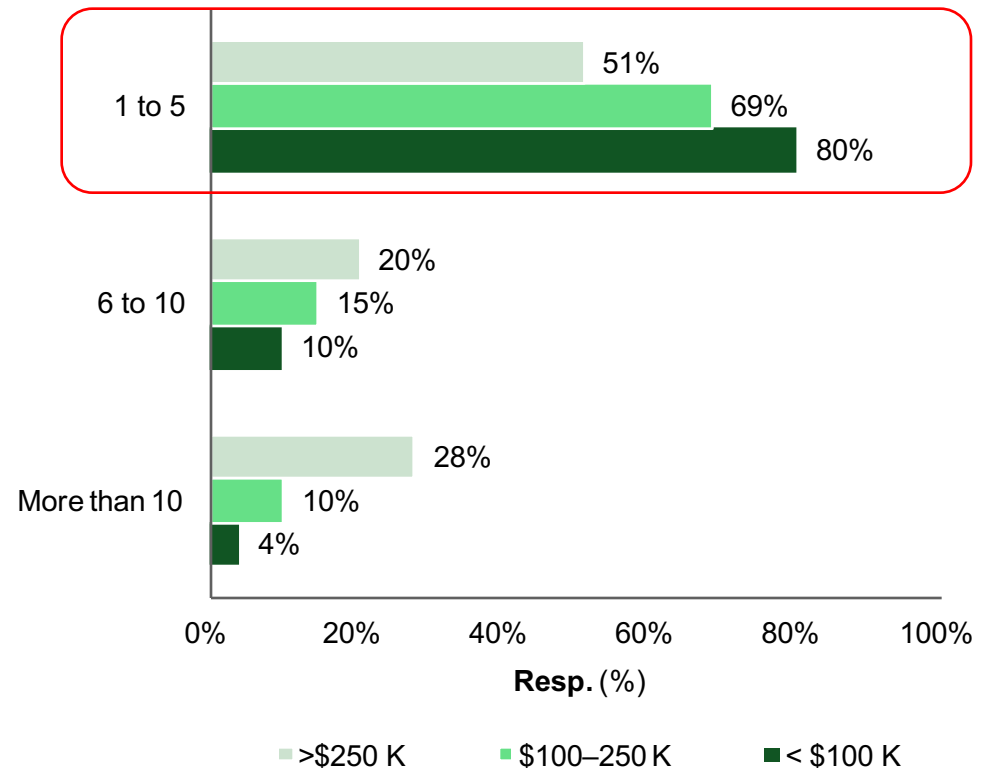
Source: Celent survey of SMBs, June 2012, n=501

Most SMB deposits contain just a few items

Desktop RDC products simply aren't a good fit

- Desktop RDC products are a good fit for many businesses, but
 - Are overkill for the rest
 - Cost too much
 - Viewed as complex by branch staff
- Business mRDC could ideally serve the majority of SMBs, particularly if the product was:
 - Something easy and cost-effective to deploy
 - Straightforward to demonstrate in the branch
 - Yet, easily upgraded, when desired, to accommodate higher check volumes

Small business checks per deposit



Source: Celent survey of SMBs, June 2012, n=501

1st-generation products had issues because they were based on products designed for consumers

1 | 2 | 3

Product Attribute

- ▶ One check = one deposit
- ▶ Delivered as a mobile banking platform capability
- ▶ No ability to capture payment information
- ▶ Single instance

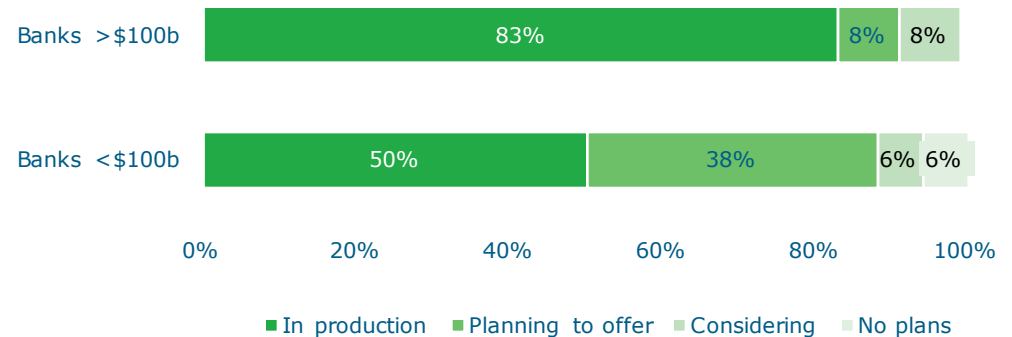
Issues

- ▶ Many deposits to reconcile
- ▶ Per-deposit fees in many cases
- ▶ No separation of duties
- ▶ Difficulty applying cash to open receivables
- ▶ Unable to support multiple, concurrent users

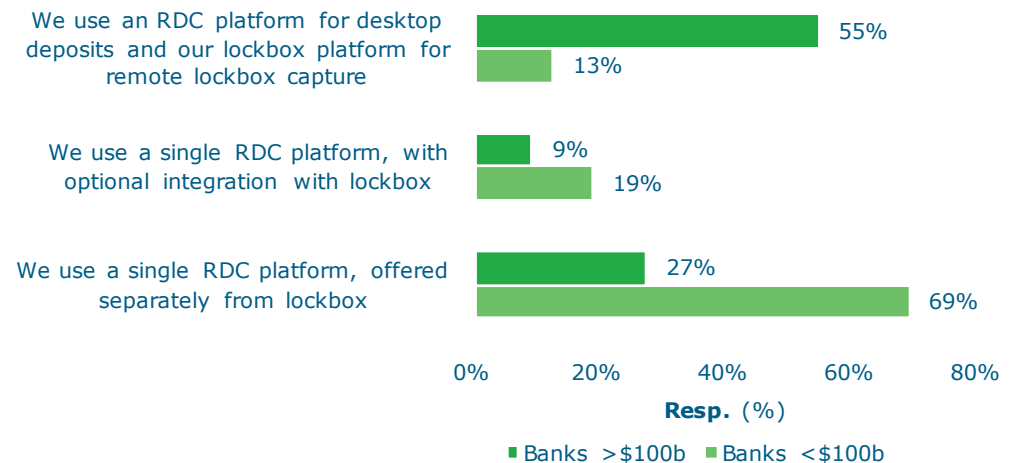
Remote lockbox capture is the next new thing – 1 | 2 | 3 particularly for smaller banks

- ▶ Smaller banks are playing catch-up in offering remote lockbox capture
- ▶ Most do so with a separate RDC platform
 - One for “traditional” desktop RDC
 - WLBX platform vendor for remote lockbox capture
- ▶ At present, virtually all these solutions use desktop scanners

Remote lockbox adoption



RDC architecture for remittance capture



Source: Celent survey of US banks, September 2014, n=43

Historic approaches to remote lockbox capture have had their own challenges

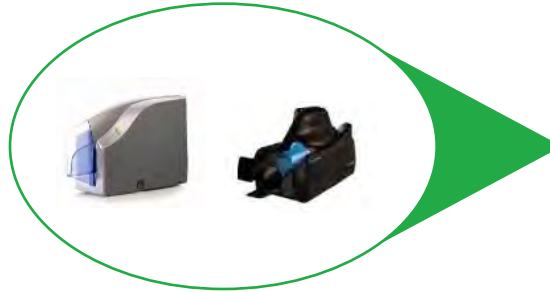
1 | 2 | 3

- ▶ Specialized desktop check scanners don't scan full-page documents
- ▶ Full-page document scanners don't scan checks particularly well
- ▶ Specialized products designed to scan both checks and full-page documents (e.g., Panini wI:Deal) are costly
- ▶ Each option:
 - Adds cost and take up desk space for what is often an occasional need
 - Must be provisioned and supported



To seize the opportunity, businesses need something for all three use-cases – in all variations

Desktop-only



- Small businesses with no mobile use case and simple cash application needs
- Larger businesses desiring lockbox integration for stranded payments

Mobile-only



- Businesses with low check volumes – with or without a mobile use case.

Desktop and mobile



- Small businesses with both desktop and mobile use case
- Larger businesses desiring lockbox integration

Using a single, flexible platform – they're here!

Business Mobile RDC: What's the Value and for Who?

What's the Value to a Financial Institution?

- ▶ Gain SB market share
 - Approximately 5.7 million businesses in U.S.
- ▶ Create “stickiness”
 - Increase the SB relationship term
- ▶ Create revenue
 - Mobile deposit and payment related fees
- ▶ Reduce costs
 - Branch processing, branch redesign
 - Costs associated with managing reports, research, AR files, etc.
- ▶ Common administration, configuration and Risk Monitoring
 - The same tools for Business Mobile and Desktop RDC
 - Highly configurable

What's the Value to the Small Business?

- ▶ Costs
 - No check scanner required
 - Single deposit or payment with multiple items
- ▶ Caters to their needs
 - Many different use cases
- ▶ Faster deposits and payments processing
 - Alleviate time consuming trips to the branch
 - Later cutoff times
- ▶ Flexibility
 - On-demand reporting, research and AR files

WAUSAU's Business Mobile Solution Values

- ▶ Highly configurable
 - Meet your specific customer or vertical market needs
- ▶ Combines the benefits of Desktop RDC with Mobile RDC
 - Common configurable hard and soft limits
 - Common reporting
 - Common research
 - Common administration configuration, security and risk tools
- ▶ Capture checks and payment items
- ▶ Integrated with lockbox solutions
- ▶ Available as an both In-house or an ASP solution

Question #2

- ▶ What business verticals do you plan to offer business mobile RDC to?
 - A. Distribution
 - B. Education
 - C. Financial Services
 - D. Food and Beverages
 - E. Government
 - F. Healthcare
 - G. Insurance
 - H. Property Management
 - I. Other

Mobile Distribution Payment & Invoice Capture

Menu

W
WAUSAU
A DELUXE COMPANY | Because Results Matter

Commercial Mobile Distribution

Driver Number:

Invoice Number:

Check Amount:

Image Check Bus

 Check Front ❌

 Check Back ❌

- Invoice ❌
- Invoice ❌
- Invoice ❌
- Invoice ❌

© 2015 Wausau Financial Systems, Inc.

Mobile Generic Payment – Multiple Checks

Menu

W Bank of WAUSAU Financial Systems
WAUSAU | Because Results Matter
A DELUXE COMPANY

Commercial Mobile Payment

Check Amount:

Custom Field 1:

Custom Field 2:

Image Check Back

Capture Front  Check Front ✖

Capture Back  Check Back ✖

Capture Document

Additional Checks

Transmit Payment

© 2015 Wausau Financial Systems, Inc.




Menu


W Bank of WAUSAU Financial Systems
WAUSAU | Because Results Matter
A DELUXE COMPANY

Commercial Mobile Payment


Image Check Back


Check 2 Amount:

Capture Front  Check 2 Front ✖

Capture Back  Check 2 Back ✖

Check 3 Amount:

Capture Front  Check 3 Front ✖

Capture Back  Check 3 Back ✖

Transmit Payment

© 2015 Wausau Financial Systems, Inc.

Consumer vs. Business Mobile

Feature	Solution		Business Mobile Value	
	Consumer Mobile	Business Mobile	Financial Institution	Business
Capture deposits via a smart phone or tablet	✓	✓	Expands the market an FI can sell RDC into	Eliminates the need for check scanner
Same risk management capabilities as desktop RDC	✓	✓	One solution for FIs to manage all RDC related risks	Limits by account or across accounts
Uses a common admin layer for desktop and mRDC	✓	✓	One solution for FI to manage all RDC solutions	Can use mobile and desktop RDC interchangeably
Capture of payments and associated remittance documentation		✓	Allows FI to meet needs of SB users, additional revenue	Businesses often need to capture more information than just checks
Allows for capture of multiple payments and deposits in a single transaction		✓	Meet SB needs, additional revenue	Convenient, easy and quick, reduced deposit costs
Integration to accounts receivables		✓	Meet business and market needs	Create AR file to update AR system
Highly configurable		✓	Meet business and market needs	Configured for specific business needs
Separation of duties		✓	Restrict access of certain capabilities to users	Process control
Configurable deposit limits		✓	FI can set limits specific to each business	Allows higher value deposits



Question #3

- ▶ Are you interested in more information on Business Mobile RDC from WAUSAU?
 - A. Yes
 - B. No

Questions?

For more information on WAUSAU's Business Mobile RDC solution or to schedule an appointment, please contact:

John Gustafson

jgustafson@wausaufs.com

(866) 280-1426



About Treasury Strategies



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 – which includes creating a roadmap, selection, implementation and optimization. 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.

Locations

Chicago • London • New York

Accreditations



Connect with Us

 [www.TreasuryStrategies.com/
content/networking-communities](http://www.TreasuryStrategies.com/content/networking-communities)

 @TreasuryStrat

 [www.youtube.com/c/treasurystrategies
inconsulting](http://www.youtube.com/c/treasurystrategiesinconsulting)

About Celent

CELENT

We Are

...the industry's premier provider of...

- Business and IT strategy research
- Ongoing research and advisory services
- Vertically-oriented consulting
- Global, domain specific events and leadership forums

...an experienced presence in financial services

- Staffed by financial services industry experts with over 500 years of combined experience
- 50+ full time analysts devoted to financial services
- Clients include 50 of global top 100 financial institutions
- Centres of excellence across Capital Markets, Finance & Risk, Wealth Management, Banking and Insurance

...also focused on cross practice themes



Digital



Innovation
and Emerging
Technology



Legacy and
Ecosystem
Transformation

...a division of Oliver Wyman

- Global financial services consultancy
- 1,400 consultants, offices in 40 countries
- Domain experts throughout financial services, mirroring Celent's coverage almost perfectly

...a truly global firm

- Offices in North America, Europe and Asia
- Reports in English, French, Japanese, Mandarin, and more
- Coverage that spans many geographies

About WAUSAU Financial Systems



Who We Are

WAUSAU, a Deluxe Corporation company, is a catalyst for results. Partnering with industry-leading financial institutions and corporations to reduce cost and strengthen their competitive market position, WAUSAU is recognized for consistently delivering best-of-class financial technology, services and solutions that integrate receivables, accelerate deposits and payments, and eliminate paper. To meet clients' needs, WAUSAU offers flexible delivery options— whether installed in-house, outsourced, co-sourced or in the cloud.

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:

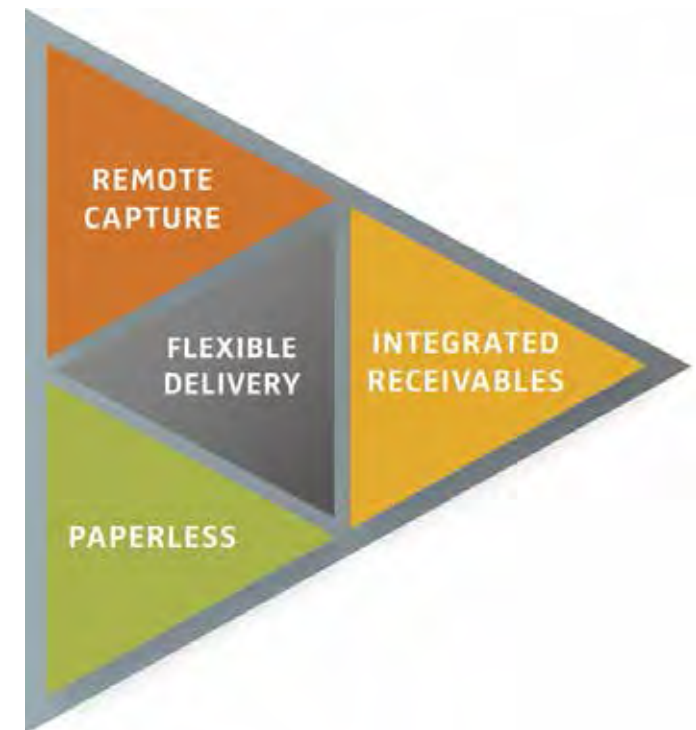
to speed cash flow and support real-time business decisions

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.



WAUSAU's 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,

29 utilities serving more than 50M customers

20 government agencies serving 70M constituents

17 insurers serving more than 100M customers

20 of the top 25 U.S. Banks...

and more than a dozen alliance partners who resell WAUSAU