



Payment Value End-to-End

Information Interchange 2008
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We take banking personally

B2B Payments And Reporting

- Traditionally and predominantly
 - Via check
 - Company-to-company
 - Or through the bank, 1-2 days behind the dollars

B2B Payments

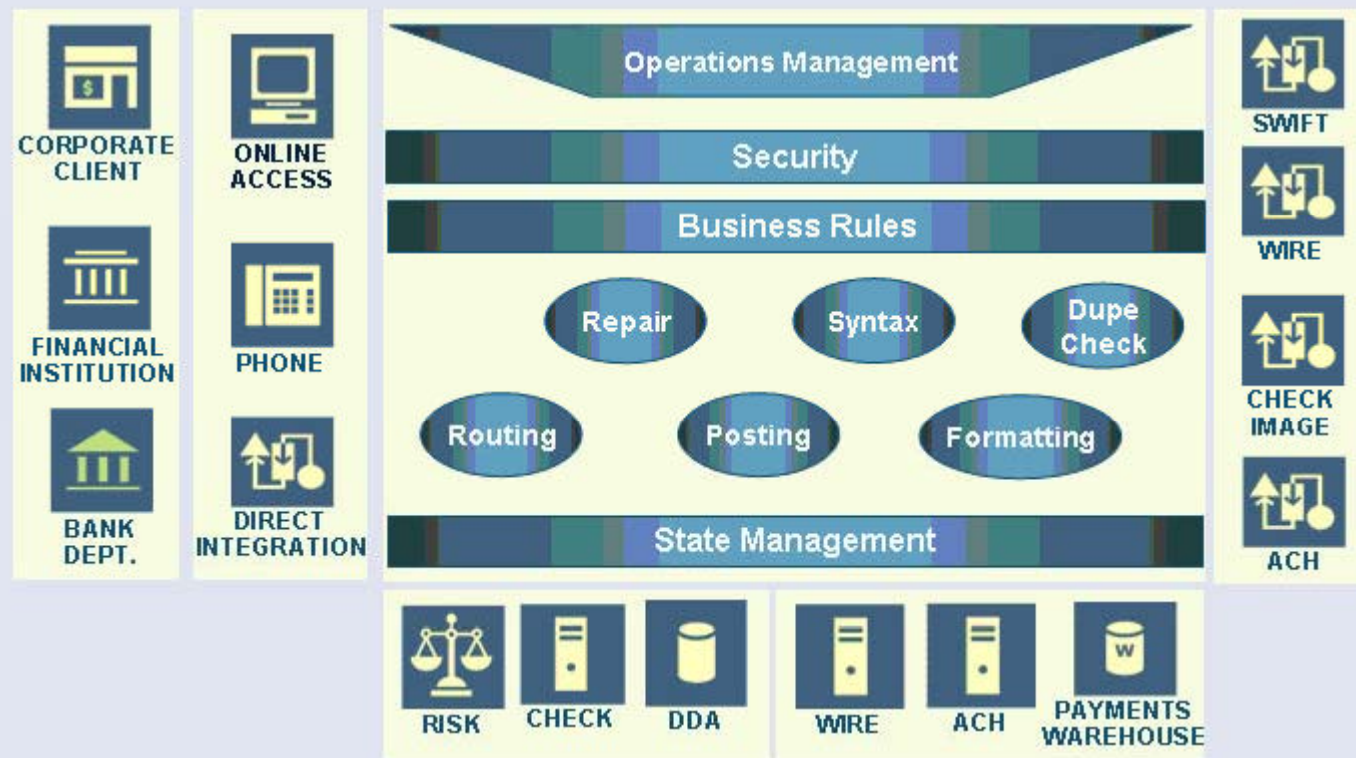
- **A double shift is happening**
 - Paper to electronic
 - Minimal information to full information

**Payment+Information Is
The New Payment Loop**

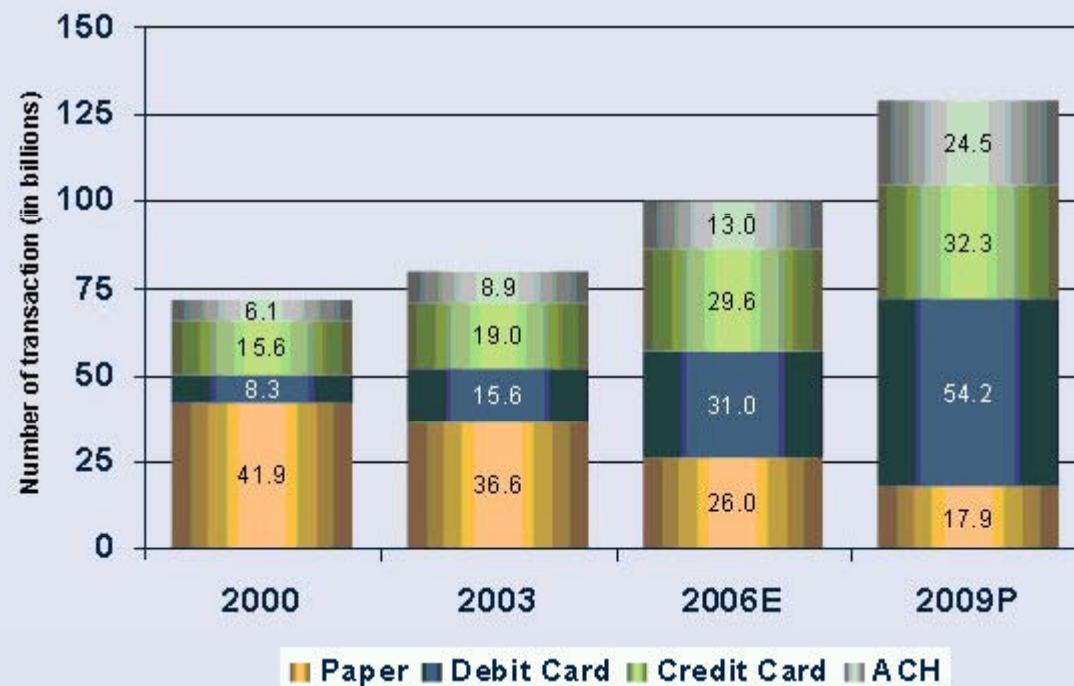
Green is Good

- The “green good” potential of e-payment processing is huge
- If all U.S. households paid bills electronically, we would
 - Save 16.5 million trees annually
 - Reduce CO₂ emissions by 3.9 billion tons (= taking 355,015 cars off the road)
 - Reduce solid waste by 1.6 billion pounds annually

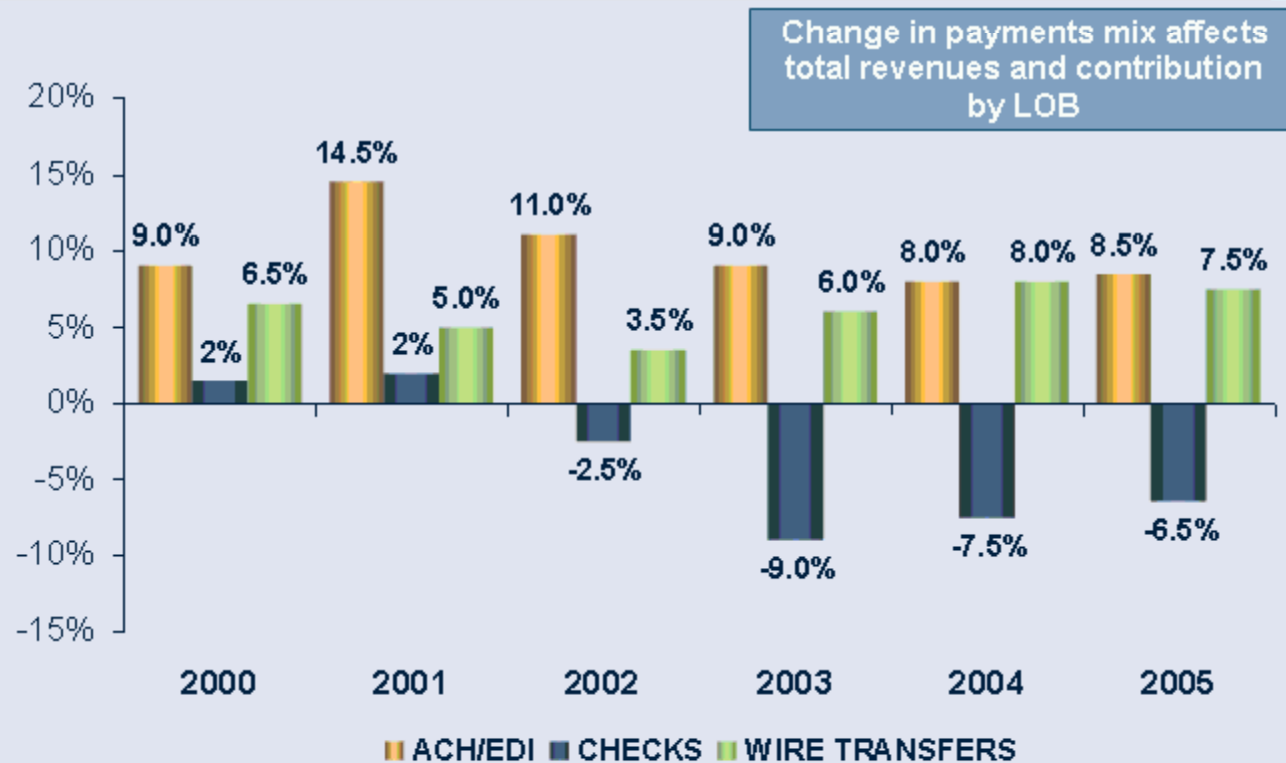
The Enterprise View of Payments



Volume of Non-Cash Payments in the United States (2000 – 2009P)



US Cash Management Revenues Are Still Under Pressure



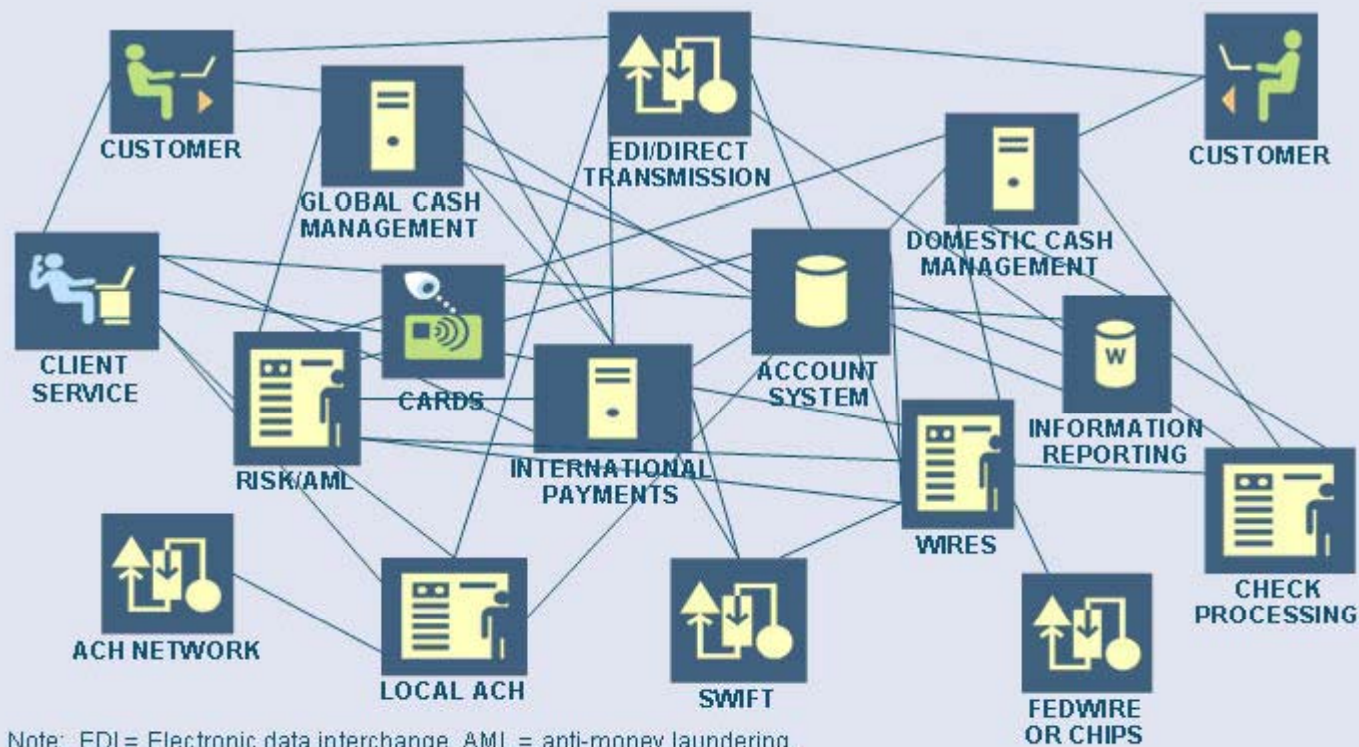
Payment Vehicles

- Checks
- Wire Transfer
- ACH
- Credit Card
- Electronic Check Conversion

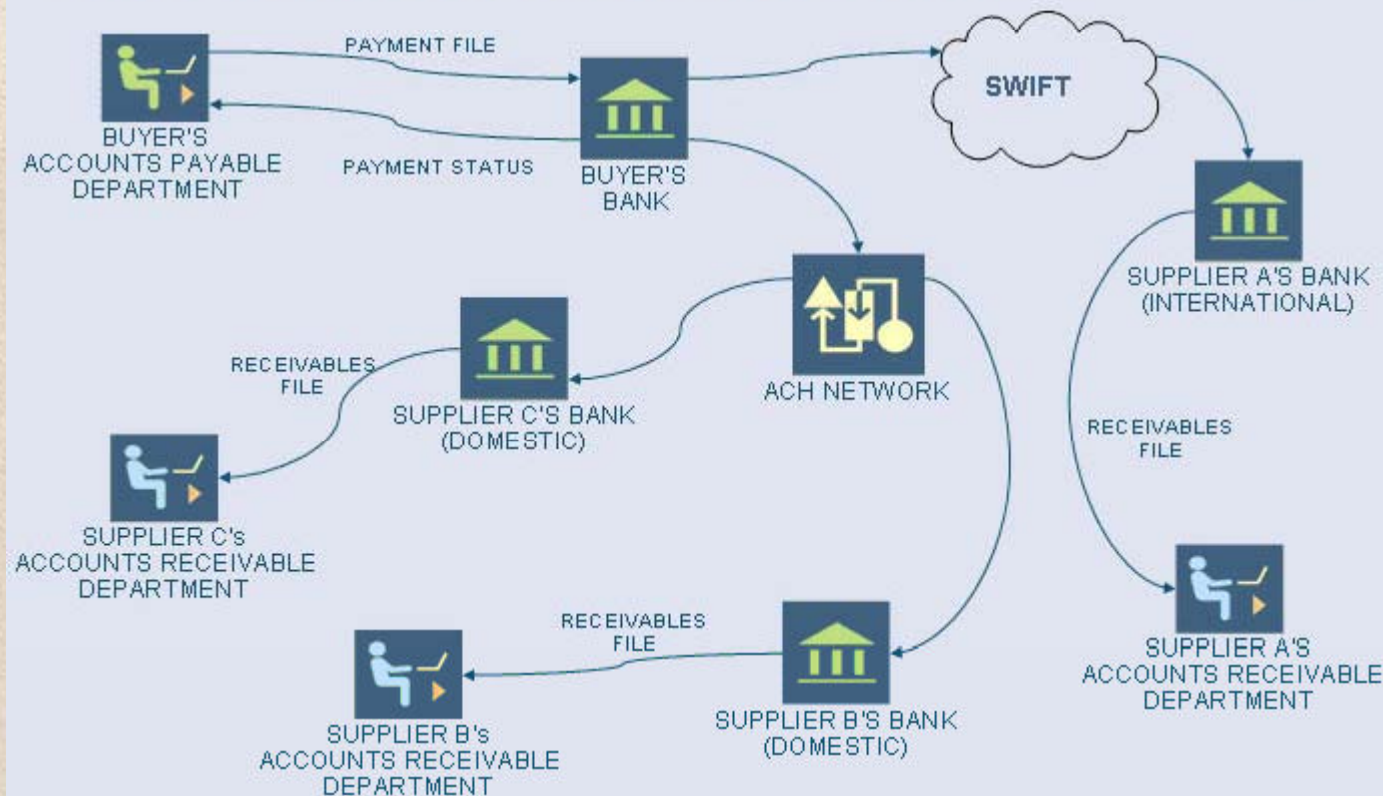
Payment *Information* Vehicles

- Paper
 - Purchase orders
 - Shipping
 - Proofs of delivery
 - Invoices
 - Statements
- EDI
- Reporting
- Posting
- Archiving

Payments Infrastructure: "Spaghetti-ware"



Simple Payments Logistics Chain



Financial Institutions

- Payments—The daily link of FI's to customers
- Get in the *new* payment loop or be left with just clearing and settlement

Create, innovate, or evaporate

Changing Role Of The Financial Institution

- Increased complexity of customer relationships
- Move products to market in shorter time frames
- Mitigate and assess risk
- Real-time/right-time information

Changing Role Of The Financial Institution

- Integration/visibility of payment information with backroom silos
- Compliance issues
- Accuracy of reporting
- Improve the bottom line

FI's must differentiate themselves with product and customer service

The Corporate Treasurer's Changing Role

- Increased complexity of customer relationships
- Risk assessment and mitigation
- Centralized treasury functions
- Real-time/right-time information

The Corporate Treasurer's Changing Role

- Changes in accounting and posting software
- Compliance issues
- Accuracy of cash forecasting
- Bottom-line improvement

***Corporate treasurers are looking
for the next generation
of payment services***

Mercantile Bank

- About Mercantile
- Our Companies / Footprint
- Values
- Competitive Lines of Business
- Role of Treasury Management

Mercantile Bank

- Bank Strategy – Why Electronic Payments?
- Vendor Choice
- Transaction Types
- Target Customers / Prospects
- Risk Assessment
- Marketing

Mercantile Bank

- Treasury Management Corporate Process
- Revenue Distribution / Treasury Fees
- Customer Retention
- Customer Request – Evolutionary Process



Firehouse Subs

- About Firehouse
 - Franchisor for the Firehouse Subs brand
 - 312 stores in 15 states
 - 30 Company owned stores
 - \$180M in annual system revenue
 - Average unit volume \$610,000
 - Employs over 4,700 people
 - Quick service restaurant segment



Firehouse Subs

- Growing A/R issues
 - Quantity of paper checks
 - @ 1,000 per week and growing
 - Manual reconciliation
 - Manual posting into financial software
 - Manual deposits at bank
 - Rising (human) cost to process
- Manual weekly sales collections
- No store profile database



Firehouse Subs

- Strategy
 - Automate the collection of fees due
 - Firehouse will obtain funds faster
 - No checks for the franchisee to write
 - No mailing costs (savings @ \$70k per year)
 - No hand posting of checks; import file written
 - No need to hire additional staff to handle the growth (savings @ \$65k per year)
 - Automate weekly sales reporting
 - Create store profile database



Firehouse Subs

- Project
 - “Off the shelf” software not an option
 - Custom write with in-house staff
 - Avoid a monthly per store recurring fee
 - Partner with third party (Mercantile) to process secure transactions
 - No franchisee banking information at HQ
 - Solves other growth reporting issues



Firehouse Subs

■ Development

- What are our “END” results?
- Identify all of the “What If’s”
- Structure the Web screens for easy entry
- Develop the hierarchy between input and pay
- Customize third party solution to fit our needs
- Develop a 360 degree solution
 - Pay information to Mercantile ~ Process
 - Mercantile creates import file and A/R reports
 - Sends notification (via Web Service) of franchisee’s payment back to our system



Firehouse Subs

- System
 - Currently requires franchisee to enter sales data
 - The second release will directly pull daily sales data from our registers
 - Franchisee will only have to hit the “Pay Now” button.
 - Franchisee will be able to create reports on the fly using Crystal Reports



■ Sales Calculation

Firehouse Application Center - Windows Internet Explorer

https://apps.firehousesubs.com/admin/sales_input.cfm?sid=2&sec=2360973054825638&act=add

My Web Search

Firehouse Application Center

FIREHOUSE SUBS
FOUNDED BY FIREMEN

Hello user_fla
You are logged on with **Franchisee** access!

Debug Settings: Admin Level 3 Arcode: 950
ContactID: 3 coID: 1001

EFT and Sales **Report Center** **Applications** **Store Profiles** **Logout**

Daily Sales: NEPTUNE Store# 2 Week: 4 Page action: add

Day	Date	Item	Coup	Mgr	Emp	Owners	Net Sales	Royalty	Local	National	Notes
Monday	01/21/08	1000	0	0	0	0	1000.00	60.00	20.00	10.00	
Tuesday	01/22/08	2000	0	0	0	0	2000.00	120.00	40.00	20.00	
Wednesday	01/23/08	3000	0	0	0	0	3000.00	180.00	60.00	30.00	
Thursday	01/24/08	4000	0	0	0	0	4000.00	240.00	80.00	40.00	
Friday	01/25/08	5000	0	0	0	0	5000.00	300.00	100.00	50.00	
Saturday	01/26/08	6000	0	0	0	0	6000.00	360.00	120.00	60.00	
Sunday	01/27/08	7000	0	0	0	0	7000.00	420.00	140.00	70.00	
		28000.00	0.00	0.00	0.00	0.00	28000.00	1680.00	560.00	280.00	Notes

Save Sales Info

Done

Internet 100%

■ Payment



Firehouse Application Center - Windows Internet Explorer

https://apps.firehousesubs.com/admin/payment_input.cfm?transID=69&act=pay&sec=23609730548256386

My Web Search

Firehouse Application Center

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Billing Details

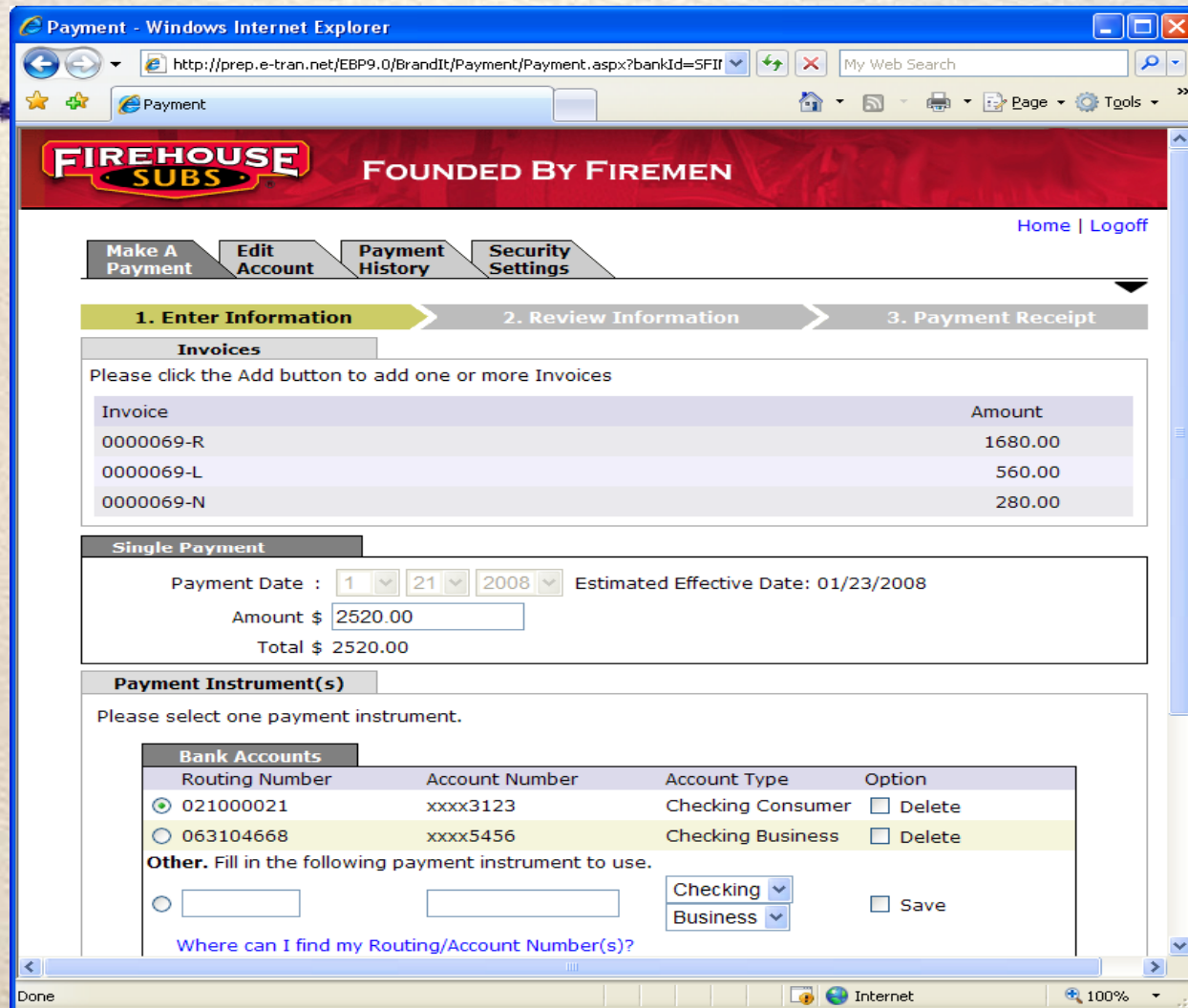
Company: Test 2
Store Name: NEPTUNE
Store Number: 950-00002
Address: 233 3rd ST. N.
City: Neptune Beach State: FL Zipcode: 32266

Date: 2008-01-21
Invoice # 0000069

Payment Item Type	Invoice Item	Week	Adjusted Sales	Rate	Amount
Royalty	0000002-0000069-4-08-R	3	\$28,000.00	.06	\$1,680.00
Local Fund	0000002-0000069-4-08-L	3	\$28,000.00	.02	\$560.00
National Fund	0000002-0000069-4-08-N	3	\$28,000.00	.01	\$280.00
				Total	\$2,520.00

Go Back **Pay 2,520.00 Now**

Internet 100%





Confirmation - Windows Internet Explorer

http://prep.e-tran.net/EBP9.0/BrandIt/Payment/Confirmation.aspx?bankId=

My Web Search

Confirmation

FIREHOUSE SUBS **FOUNDED BY FIREMEN**

[Home](#) | [Logoff](#)

Make A Payment **Edit Account** **Payment History** **Security Settings**

1. Enter Information **2. Review Information** **3. Payment Receipt**

On 1/23/2008, \$2520.00 will be applied as a debit to your account. Your bank statement will show FSF or Firehouse as the payee.

Date: 1/21/2008 2:50:12 PM

Company Name: doe, john

Address Line 1: somewhere

City, State Zip: claremont, CA 91711

Payment Type: Electronic Check

Payment Account: x3123

Account	Effective	Amount	Status	Total
0000069-R	1/23/2008	\$1680.00	Entered	\$1680.00
0000069-L	1/23/2008	\$560.00	Entered	\$560.00
0000069-N	1/23/2008	\$280.00	Entered	\$280.00
Total Payment Amount				\$2520.00

[Edit](#) [Submit](#)

Done Internet 100%



Firehouse Subs

- Output from Mercantile
 - A/R reports
 - Posting import file for financial software
 - Payment email notice to franchisees
 - Notice of payment sent back to our system, which updates the customer's payment status



Firehouse Subs

- ROI?
 - Time for franchisee to write three checks
 - Cost for franchisee to mail the checks
 - Cost for Firehouse Accounting to process, post, deposit and reconcile checks
 - System is able to handle a large volume of stores
 - Additional interest related to quicker deposits
 - Automates current sales tracking reports
 - Creates store profile database to assist with new-site selection



Firehouse Subs

- Electronic Payables
 - Vendors paid electronically
 - Reduction in paper handling
 - Reduces hand keying of invoices with vendor-supplied import files
 - Potential to receive early payment discounts from vendors
 - Savings on check stock and postage

Partners in Cooling the Cost of Paper Processing



We take banking personally