Singing the Praises of Restructured Treasury Solutions

How BMI Streamlined its Receivable Processes

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Your Presenters

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BMI

- Assists in managing cash flow, liquidity and investments
- Budget project lead for Financial Planning & Analysis team
- Performs due diligence on new and ongoing banking and investment relationships

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- Responsible for providing vertical expertise in the delivery of tailored treasury management solutions
- Coordinates consultative services for customers with specialized needs
Today’s Agenda

• Overview of BMI
• Receivables Collections the Old Fashioned way
• Deciding to RFP – Setting Parameters
• Choosing the Best Provider
• Building the Best Process One Step at a Time
• Where we are Today
• Bank’s Perspective on the Importance of Partnership
• Maximizing Existing AR Tools
• Trends in AR
• Lessons Learned
Overview of BMI

• BMI is a performing rights organization which issues licenses to various users of music, including TV, radio, Internet, mobile technologies and others

• We then track public performances of our members’ music, and collect and distribute licensing revenues as royalties to more than 300,000 songwriters, composers and music publishers

• We represent some 6.5 million compositions
BMI’s Clients

- Lil’ Wayne
- Carrie Underwood
- Chris Young
- Hunter Hayes
- Carole King
- Will.I.Am
BMI Receivables Collected the Traditional Way
Received Payments by Basic Lockbox
BMI’s Original Receivables Structure

- 4 Basic Wholesale Lockboxes
- Remote Check Capture
- Data Transmission
Various Criteria Needed to Post Receivables

• Account Numbers – 7 digits
• Billing Numbers – 8 digits
• Transaction Numbers – 7 digits
• Multiple Non-Standard Forms
Challenges with Current Structure/Process

- Non-Standard account number schemes
- Outdated ERP impeded daily file transmissions
- Data being keyed that is not vital to the process
- Non-Standard Forms/Invoices used with payments
Receivables Process was Music to No One’s Ears

- Multiple Errors
- Frustrated Employees
- Hindered efficiency
Outdated Process was Like a Train Wreck That Couldn’t be Stopped
Setting Our Sights on Change
First Step: RFP Process

- BMI wasn’t looking to reinvent the RFP wheel
- We used proven, existing resources
- This saved Treasury the trouble of having to develop its own RFP
Parameters for Choosing Which Banks to Invite

• We chose banks we had relationships with

• We searched the Internet to determine who was the best at this service
Typical RFP Process

• Chose vendors to invite to submit proposals
• Review proposals
• Chose short list of vendors
• Decide on next steps
This is Where Typical Stopped
Next Steps: New Idea

Instead of having banks come into our shop, sit around a conference table and “present” their solutions to us....
Next Steps: New Ideas

- Invited banks to see our current system
- Told us what they would change
- Made suggestions for enhancing our processes
Next Steps: Tour Operations

• Then we traveled to each bank’s operations center to see how their solutions worked

• We wanted a firsthand view of how each bank would accomplish their proposal
Targeting the Final Choice

- We chose two finalists but went with the one that we felt understood our objectives

- They clearly understood the issues we were facing

- They had suggestions and recommendations that were specific to our business
The Deep Dive:
Complete Understanding of Current Processes to Improve the Future
Open and Honest Discussion

- Bank met with BMI’s AR processors for an entire day
- Their mission was to be curious and ask questions to provide solutions for today and tomorrow
Deep Dive Results

• Bank provided BMI with three operational options:
  1. 3 Lockboxes – All Wholesale
  2. 3 Lockboxes – 2 Wholesale and 1 Retail
  3. 2 Lockboxes – 1 Wholesale and 1 Retail

• Bank convinced us to change our AR system’s rules and add filters to ensure optimal posting
Barriers to Success
Obstacles to be Addressed

• Currently, very few of the forms had an OCR scan-line
• The ones that do will not work with the future provider
• IT resources will be needed to add scan-lines
• IT resources needed for filtering logic
Getting Everyone On Track
Partners for Implementation

- Teams from both BMI and Fifth Third created a strong partnership implementation:

**BMI**
- Treasury/Finance
- IT
- Legal
- Senior Management Sponsor
- Operations

**Fifth Third Bank**
- Treasury Management Officer
- Treasury Implementation Support
- Treasury Solutions Consultant
- Product Management
- Legal
Getting Started – Implementation Strategy: Phased in Approach

Phase I: Core Lockbox

Phase II: Archiving Needs

Phase III: Electronic Transactions
Implementation Strategy – Phase 1

- Core Lockbox First
- Addition of Scan-Line
- Mail Forwarded
- Add in Office Deposits
- Elimination of Excess Keying
Implementation Strategy – Phase 2

CD Rom → 2 Year Archive → 7 Year Archive
Implementation Strategy – Phase 3

- Remote Check Capture
- Wire Transfer
- ACH
## Benefits Gained

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<thead>
<tr>
<th>Reduced Errors</th>
<th>- More time for staff to work on other functions</th>
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<tbody>
<tr>
<td></td>
<td>- Happier employees</td>
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<tr>
<td>Reduced TM Fees</td>
<td>- Less Lockboxes</td>
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<tr>
<td></td>
<td>- Less Data Entry</td>
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<tr>
<td>Improved Overall AR Process</td>
<td>- Less Exception Processes</td>
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The Importance of Partnership: A Bank Perspective
About Fifth Third Bank

- 153-year-old financial services company
- $110 billion in assets
- Headquartered in Cincinnati, OH
- Operates 15 affiliates with 1,312 full service banking centers
- Creatively focused on delivering treasury solutions that help meet the needs of our clients
Best Practices: What to Expect from Your Bank

• Your banking team should be more concerned about what you need than what they have to sell you.

• You need a banking team that is curious about your goals of the moment, as well as your goals for the future.

• Collaboration and greater access to your operations will give you the best possible outcome.

• Your banking team should be committed to your successful outcomes.
Best Practices in AR

• Establish a paper to electronic strategy

• Use technology to your advantage

• Review your billing process

• Review your collection mechanisms

• Analyze exceptions to improve efficiency
How to Maximize Existing AR Tools

• Use technology as a component of the process rather than a replacement for it – make it work for you

• Take advantage of your ERP system’s current auto post capabilities

• Add posting rules to increase straight-through processing
For Further Investigation

- Leverage data capture to improve auto post rates
- Repair exceptions online in “real-time”
- Consolidate third-party bill payment checks electronically
For Further Investigation

• Analyze exceptions to improve efficiency

• Perform root cause analysis to determine exception origin
  – Internal vs. external
  – Process flow vs. legitimate error

• Automate upstream processes to remove the human element
Lessons Learned & Tips to Share

• Establish senior level project champion

• Get IT’s involvement established early

• Communicate with your banking team so they know your Operations thoroughly
Lessons Learned & Tips to Share

• Rely on the experts, engage your staff early and often
• Have regular meetings with project plan updates
• Set an implementation plan and STICK TO IT
An Evolution of Change
Questions and Comments Welcomed

Thank you for your participation today!
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