Delivering Cash Solutions: The FedEx Way

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Today’s Agenda

- Overview of FedEx Corporation
- Defining the Challenges of an In-house Process
- Building the Best Process - One Step at a Time
  - Identifying obstacles that needed to be addressed
  - Delivering change – How outsourcing met our goals
  - Benefits gained
- Where we are Today
- Lessons Learned & Tips to Share
Overview of FedEx Corporation

• Worldwide leader in package delivery solutions
  – Network of integrated companies
  – Provides specialized services in supply chain, transportation and related information services

• Our strategic business direction
  – To have our World Service Centers become more retail oriented

• High volume centralized in-house cash operations
  – Coin & currency collected from over 720 World Service Center stations nationwide
  – Average daily volume
    • Approximately 885 bags/day containing over 2,800 envelopes
    • Processed 251 days/year, M-F excluding holidays
FedEx’s In-house Cash Process

- Station sells FedEx services to client. Client pays via cash, check or card.
- At the end of the day, the station prepares a deposit and scans envelopes for delivery.
- Deposits placed in a brown envelope with scan line information.
- Monies transported to Memphis hub via FedEx planes.

IMPACT ZONE

- Upon receipt at hub, envelopes and mail bags re-scanned creating an audit trail.
- 40 employees assigned task of verifying cash & preparing daily deposits.
- Opening bags & envelopes:
  - Counting Cash
  - Strapping notes for deposit
  - Preparing bags for courier
- Courier delivers bags to regional bank for deposit.
- Bank receives bags & recounts cash.
Defining the Challenges of an In-house Cash Process

*FedEx wanted to transform the process to improve access to funds, tighten security and reduce errors*

- Gaining access to cash and applying funds to FedEx accounts was not timely
  - Holdovers in cash
  - Redundancies in number of times cash counted

- Processing environment lacked optimal controls presenting security risks/challenges
  - Missing bags and envelopes
  - Hard to know exact content of all cash bags or contents of envelopes
  - Lacked a defined contingency plan

- Difficult to manage tasks/costs associated with getting cash to the bank
  - Deposit preparation not automated
  - Errors, shortages & adjustments
  - Limited reconcilement procedures in place at the station level
Identifying Obstacles that Needed to be Addressed

- How can we gain access to our stations’ cash more quickly?
- Will it impact our peak season?
- How will outsourcing impact our deposit process & our employees?
- Who needs to be involved?
- How will it affect my treasury?
- What impact will outsourcing have on my costs?
- Can we roll out production in a phased-in approach?
- How will my daily cashflow be impacted?
- How will we keep track of the envelopes throughout the entire process?
- What will we do with all this equipment?
- How long will the transition take?
Building the Best Process - One Step at a Time

Developed clearly defined business requirements

Invited targeted banking partners - including Fifth Third Bank - to consult with us

Fifth Third Bank presented creative alternatives to our in-house process

1) Local armored courier pick-up at each station
2) Smart Safe technology at each station
3) Centralized and consolidated process
Building the Best Process- Our Solution

Partnered with Fifth Third Bank to outsource our in-house process and implement a centralized consolidated cash vault
Building the Best Process - Getting Started

Identified the key stakeholders & project leaders to execute the solution

**FedEx**
- Treasury
- IT
- Loss & prevention
- Security
- Legal
- Senior Management Sponsor
- Human Resources

**Fifth Third Bank**
- Treasury Management Officer
- Product Manager
- Vault Operations
- IT
- Legal
Building the Best Process - Getting Started

Toured Bank’s Vault facilities

- Project team identified processes to incorporate into outsourced environment to support FedEx’s business requirements
  - Changed the Vault design to maximize efficiency
  - Created pods to support 6 additional staff dedicated to FedEx
  - Purchased scanners
  - Customized deposit tracking software
Delivering Change – How the Outsourcing Solution Worked

Envelopes received at Memphis hub and opened by FedEx staff

Courier picks-up cash at Hub

Vault scans envelopes and compares details with the “expect file’s” declared value

Funds deposited to FedEx’s account

FedEx creates an “expect file” of deposit detail per envelope
- Eliminates manual deposit ticket

Envelopes delivered to Fifth Third Bank’s Vault in Memphis

Deposits processed
- Customized software designed for FedEx enters adjustments directly into the online system
- Scanners provides the details of which station the deposit originated

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How Outsourcing Met Our Goals

*Desired a more efficient and secure process to deliver deposits from stations to our hub*

- Front-end process had minimal impact
- Barcode technology optimized
  - Scanned envelopes for deposit and then verified throughout process
- Five point verification process facilitated efficient and timely reconcilement
- Customized process to ensure compliance with FedEx requirements
## Benefits Gained

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| **Expedited access to funds**                        | - Improved working capital  
- Facilitated same day deposit  
- Reduced the number of times cash needed to be counted |
| **Saved time for tasks associated with processing of cash** | - Reduced the number of dedicated in-house staff  
- Delivered streamlined automated information flows  
- Eliminated holdovers  
- Provided scalability for peak volumes  
- Leveraged the latest technology and software |
| **Simplified cash handling & improved controls**     | - Scanning technology improved tracking and control over cash  
- Tighter controls inherent in the banking environment  
- Less exposure to shortages, missing deposits, theft |
Benefits Gained

- Delivered fully integrated automated technology
  - Enhanced reconcilement with automated file transmissions
  - Automated data processing services

- Maximized facilities & resources
  - Freed up over 21,000 square feet to be used for more strategic purposes
  - Eliminated need for capital expenditures

- Provided immediate contingency plan
  - Allowed for complete disaster recovery and business continuity
Where We Are Today

- Outsourced Vault has been live for 11 months
- Establishes strong foundation to explore future Vault and Change Fund solutions with our banking partner
- Provides an evolution of ongoing change
  - Future considerations
    - Enhancing the customer experience at the World Service Center stations with other cash services
    - Consolidating deposit envelopes at stations
    - Incorporating coin orders to ensure flexible options to provide change to customers
Lessons Learned & Tips to Share

• Have a strong resource transition plan to address staffing impacts
• Ensure all partners truly understand the scope of the development, implementation and volume to be processed
• Align project team experts on sub-teams to maximize efficiency and meet project deliverables
• Execute a phased-in implementation approach
  • Target 25%, 50%, 75% - fully live
A Final Thought

“Verifying, managing and controlling deposits is not our core competency - nor do we want it to be. Outsourcing our process let the experts handle our volume more efficiently and allowed us to focus on our mission and promise - The Purple Promise - to make every customer experience outstanding.”

Doug Davis
Questions and Comments Welcomed

Thank you for your participation today!
Contact

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