Key Trends & How Technology is Driving SSC Best Practices

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Shared Services Centers: Key Trends & How Technology is Driving SSC Best Practices

2014 Shanghai Shared Service Centre Event

A Blueprint for a Digitally Connected Treasury

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Treasury and Trade Solutions
1. Key Trends Impacting Treasury and Shared Services (SSCs)
2. Technology Trends Driving SSC Best Practices
3. Citi Partnership with SSCs and Investment in Innovation
Key Environmental Challenges for Corporate Clients

Treasurers need to address the challenges of supporting the business in an environment of both growth and complexity.

1. Funding Efficiency
   - Internal Funding
   - Working Capital

2. Managing Regulatory Change
   - Addressing Challenges
   - Leveraging Opportunities

3. Treasury Transformation
   - Financial Ergonomics
   - Centralization

4. Leveraging Technology
   - Show the ROI
   - Big Data

The operating environment is changing and so is your Treasury landscape:

- Geopolitics
- Regulation
- Cyber Security
- Digitization
- Innovation
- Big Data
Key Client Trends and Citi Solutions for Treasuries and SSCs

**Liquidity Management**
- Prolonged period of low interest rates
- Optimize liquidity structures, In House Banking
- Fee offset programs (ECR)
- Diverse investment options

**Working Capital**
- Increased operating efficiency
- Automation & standardization of transaction workflow
- Supplier and Receivables finance
- Cards solutions

**Emergence of Digital/Mobile**
- Shift toward digitization
- Digitization of Order To Cash and payment processing
- Citidirect
- BE/Tablet/Connectivity
- Paper to electronic

**Data Management**
- Leverage data and analytics to drive change
- Data analytics
- Treasury Diagnostics
- Interactive Solutions

**Regulatory Reform**
- Increased regulation of the Banking sector
- Proactive support to mitigate risk
- Driver of working capital solutions

**Regional Treasury Centers/IHB**
- Centralized operations/POBO, ROBO structures
- Global coordination
- Country information – banking systems, regulation etc
- Reporting tools
Treasury and Shared Service Center (SSC) Collaboration

Treasury plays a stronger coordination and advisory role in Working Capital Management processes and decision making through a close relationship with operating business units and SSCs.

**SSC helps Treasury**
- Supports bank consolidation and rationalization processes
- Centralized processing improves predictability and accuracy of cash forecasts, FX exposure forecasts
- Potentially takes over treasury back office functions such as FX settlements
- Treasury system (TMS) links to SSC ERP for automated general ledger entry of treasury deals

**Treasury helps SSC**
- Establishes bank account structure to support commercial flows (while ultimately facilitating liquidity management)
- Co-ordinates bank relationships / solutions for AR and AP
- Serve as expert on policies for working capital (e.g., payment terms)
- Integrates processes with SSC as in-house bank is implemented for greater working capital benefits
Treasury Transformation and Journey Towards Centralization

Collaboration between central treasury, regional treasury and shared service centers is important for treasury centralization to be successful.

Central Treasury Model
(Location of your choice)

- Sets policy
- Manages aggregate risk
- Forecasts / manages aggregate liquidity
- Plans / raises capital
- Sets global bank relationship strategy

Central Treasury

Regional Treasury Centres
- Funds business units
- Forecasts cash flows
- Identifies risk exposures
- Executes investment and FX trades
- Coordinates bank relationships
- Provides close response to business

Shared Service Centres
- Processes vendor payments, payroll, & customer receivables
- Provides cash forecasting support
- Supports accounting processes
**Shared Service Centres : Key Drivers**

Emerging drivers are shaping the evolution of Best in Class SSCs, while early drivers remain the primary motivation for those beginning the SSC journey.

### Early Drivers
- Cost Savings
- Process Efficiency
- Platform to leverage technological advancements (ERP)
- Refocus of front office resources to value-adding activities

### New Drivers
- Macroeconomic environment and volatility in key markets ensures continued focus on cost management
- Increased focus on Risk Management
- Regulatory considerations and control requirements
- Proven benefits of the model

### Emerging Drivers
- Focus on Working Capital efficiency as a key strategic objective
- Evolution of governance structure: elevating the role of the SSC as a stakeholder in the business
- SSC as a strategic business partner:
  - Assisting in Mergers and Acquisitions
  - Operational agility: assisting in market entrance and exit

While early drivers remain important, the new and emerging drivers are what keep organisations continuing their SSC journey.
New Shared Service Centre Ecosystem

As the SSC function continues to evolve, implementing new strategies and innovative governance models, we see the evolution of crucial attributes of a new ecosystem.

- Skills to deliver the service
- Training
- Low attrition
- KPI’s

- High levels of service delivery & management
- Focus on quality and added value

- Low cost
- Skilled labour
- High productivity

- Process standards
- Process sourcing
  a. In-house vs outsource
  b. Onshore vs offshore

- Technology integration
- Automation
- Standardization

- Strong governance models
- Inclusion of top management
- Decision making & reporting structure
Shared Service Centres: Catalyst to Unleash Efficiencies

In borderless, technology-driven and ultra-competitive economies, Shared Services Centres are strategic to deliver bottom-line results.

Next Generation of SSCs

• Combining captive centres & outsourcing partnerships
• Enhancing large scale and delivering synergies
• Leveraging company’s footprint
• Empowered through new digital technologies
• Being the “transformation factory” capable of locking in and industrializing transformation
7 Key Global Trends Impacting the SSC Landscape

1. Cost savings continue to be a priority as SSC’s mature and become more experienced
2. Expansion of scope – trend towards multifunctional SSC’s
3. Effective service management – aligning to customer demand
4. Spotlight on strong governance models – operational, managerial & strategic
5. Technology becoming an increasingly important enabler; digitization and data analytics on the rise
6. Location & Talent remain key – emergence of next tier emerging market cities
7. Standardisation & focus on operational excellence continues despite expansion of objectives
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Key Technology Trends Shaping the Market & Impacting SSCs

Impact of Digitization on Banking Industry and Clients

Social

Data

Cloud

Mobile

Digital Disruption

Value Chain Disruption

New Business Models

Integrated Value-proposition

Operating Model Agility & Control

API-Driven Open Platforms

Agile, Rapid & Flexible Product Development

Integrated Omnichannel Capabilities

New Platforms & Technologies

Big Data & Analytics

Social & Interactive

Mobile & Digital First Mentality

Shifting Client Expectations

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The Search for Incremental Savings

As SSCs mature and initial cost savings are realised, organizations must seek new ways to achieve their goals of continued cost savings and efficiency improvements.

Experienced SSC practitioners understand that the savings of wage arbitrage are not sustainable.

Mature SSCs cite eroding wage arbitrage as the biggest barrier to the success of their SSCs.

It is the threat with the biggest expected increase in importance over the next 3 years.

“The dramatic, ‘quick-hit’ cost savings that were possible when organizations first undertook shared services have turned into much smaller, incremental gains…. continuous improvement initiatives… are critical to ensuring the shared services organization’s longevity.”

- Accenture

Shared Service Centers - Planned Initiatives

- 77% Lean Six Sigma Types of Approaches
- 87% Improved Use of Metrics
- 79% Outsourcing More Basic Services
- 96% Process Streamlining
- 93% Enhanced Automation Tools
- 70% Increased Use of Offshoring
The Impact of Technology on SSC Internal Processes

Which of the following internal processing technologies/enhancements has and/or will be implemented in your Shared Service Center(s)?

<table>
<thead>
<tr>
<th>Currently implemented *</th>
<th>Future/planned implementation *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic funds transfer (EFT)</td>
<td>Data analytics tool</td>
</tr>
<tr>
<td>Workflow</td>
<td>Vendor self-service</td>
</tr>
<tr>
<td>Electronic data interchange (EDI)</td>
<td>E-procurement</td>
</tr>
<tr>
<td>Payroll services / Direct deposit</td>
<td>E-invoicing</td>
</tr>
<tr>
<td>Financial consolidation/reporting</td>
<td>Business process management systems</td>
</tr>
<tr>
<td>Employee self-service</td>
<td>OCR</td>
</tr>
<tr>
<td>Data warehousing</td>
<td>Cloud computing – public</td>
</tr>
<tr>
<td>Imaging</td>
<td>Cloud computing – private</td>
</tr>
<tr>
<td>Automated three-way matching</td>
<td>Demand forecasting / capacity management</td>
</tr>
<tr>
<td>E-invoicing</td>
<td>Asset tracking</td>
</tr>
</tbody>
</table>

* Top 10

Source: Deloitte 2013 Global Shared Services Survey Results
The Impact of Technology on SSC Customer Facing Processes

Which of the following customer facing technologies/enhancements has and/or will be implemented in your Shared Service Center(s)?

Currently implemented *

- Workflow: 70%
- Electronic document management: 59%
- Call center: 56%
- Portals: 54%
- Chat (IM/OC): 40%
- Data mining and reporting: 37%
- Automated call distribution (ACD): 36%
- Case management: 35%
- Vendor self-service: 31%
- Interactive voice response (IVR): 26%

Future/planned implementation *

- Data mining and reporting: 42%
- Vendor self-service: 39%
- Knowledge management for customer service case resolution: 31%
- Electronic document management: 29%
- Case management: 28%
- Portals: 27%
- PDA access: 26%
- Social media: 25%
- Computer telephony integration (CTI): 24%
- Workflow: 19%

* Top 10

Source: Deloitte 2013 Global Shared Services Survey Results
How can SSCs be Leveraged as a Strategic Asset?

How are you leveraging Shared Services as a strategic asset at your organization?

Demonstrating cost competitiveness (e.g., lower cost/unit): 63% Achieving today, 31% Future goal
Providing flexibility to ramp up/down with business demands: 55% Achieving today, 36% Future goal
Offering heart of the business / core centers of expertise: 36% Achieving today, 43% Future goal
Increasing ease of facilitating acquisitions: 32% Achieving today, 36% Future goal
Performing analytics for business units/corporate: 27% Achieving today, 55% Future goal

What role(s) is your SSC(s)/organization currently playing, or you anticipate it playing, in analytics?

Using analytics to identify / improve Shared Services performance within the center: 63%
Providing analytics services to the business: 45%
Using analytics to provide business insights: 40%

Source: Deloitte 2013 Global Shared Services Survey Results
SSC Dashboard

SSCs have many process based functions hence performance metrics are essential to drive continuous improvement.

- Number of Transactions
- Number of Transactions per FTE
- Straight-through Process (STP) rate
- DSO vs. Payment Terms
- Error Rate
- Cycle Time Improvement

- Cost per FTE/Transaction
- SSC Cost as a % of Revenue/Expenses
- SSC Cost as a % of Revenue
- SSC Actual Cost vs. Budget
- Accuracy of Cash Flow Forecasting

- % of Employee Turnover
- Training days, % of FTEs Trained
- Number of Referrals
- Number of Development/Mobility Placements

- Survey Results
- Number of Ideas Generated
- % Ideas Implemented

Employee Perspective

Financial Perspective

Operational Measures

Customer Satisfaction
Citi Tools to Engineer Your Digitally Connected SSC Blueprint

**LIQUIDITY SOLUTIONING**
- Visualise client’s balances
- Create liquidity structure on real-time input, validated against regulations and capabilities
- Calculate P&L and balance sheet benefits

**SUPPLIER FINANCE**
- Visualise Supply Chain
- Benchmarking of DPO, DSO against peers
- Calculate benefits of SCF program based on client’s chosen parameters

**BENCHMARKING**
- Simplified Treasury Diagnostics to stimulate benchmarking
- Scoring against actual Treasury Diagnostic database

**CASE STUDIES**
- Interactive display of client casebook
- Intelligent filtering to show the case studies most relevant to current context

**INFORMATION**
- Visualise branch & collection network, product capabilities for payments & receivables, LC banks network
- Interactive Trade process flows
- Market guide

**INTERACTIVE SOLUTIONS**

**TABLET**
Available in the Apple App store and designed for C-level executives who are driving global business decisions

**MOBILE**
Award-winning mobile banking platform for institutional clients to conduct business anytime, anywhere – in real time

**CITICONNECT**
CitiConnect integrates payments, receivables and information with clients' data systems from anywhere in the world

**eBAM**
Digital application for managing account opening, signatory changes and maintenance, enabling self service in 54 countries

**ANALYTICS**
Provides full visibility into transactions via sophisticated dashboards and advance reports.

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1. Key Trends Impacting Treasury and Shared Services (SSCs)
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Citi’s Partnership & Experience with SSCs Globally

“By centralizing all cash flows, Copa is now able to more effectively handle payments across the 16 countries where the company flies. The visibility and control gained through the Citi solutions has helped Copa to dramatically reduce its risk.

“We have reduced banking fees by over €100,000 and now save around €200,000 on processing.”

“By working with Citi, we are leveraging our SSC model to centralize cash and payments processing across Wipro, supporting further scale and complexity in our cash and treasury management needs and positioning the company future growth.”


Citi has deep and broad experience with SSCs, supporting more than 1,200 SSCs globally.
Functions such as payroll processing have been widely and successfully centralised – some seeking practical ways to consolidate further functions into mature SSCs.

80% of global SSCs and 75% of regional SSCs perform payment processing.

Only 42% of global SSCs and 40% of regional SSCs process payroll.

Typically Centralised First

Centralisation Less Common

Payment Processing
Accounts Receivables
Liquidity Management
Payroll
T&E
As the leading SSC bank, supporting over 1,200 SSCs worldwide, Citi has established SSC Forums in each region to engage senior practitioners in the SSC space and share best practices.

**Citi Shared Service Centre Forum – Vision**

Enabling companies to collaborate and innovate in defining and developing the next generation SSC whilst providing solutions to complex issues faced today

- Share experiences and insights on what works well and what doesn't in a centralised model
- Discuss and address common issues – operational, technical, resourcing, banking practices
- Discuss additional functions that should be in the future scope of a SSC
- Discuss best-in-class workflow tools, analytics, metrics

Note – As per EUROMONEY Mass Payment and Collection Survey, Citi supports more SSCs than any other bank.
How Our Network Benefits You

Operating as a local bank:
Our principles are globally consistent but we don't overlook the individual nature of local markets.

Committing to innovation:
Our network and scale give us the capability to invest in new technologies and innovate how we work together.

Using our experience to help you:
When you expand your business globally, our network and local experience gives you the support you need.

Taking a holistic approach to your needs:
Committed to understanding the challenges you face as your business grows and bringing to bear the power of our network.

Being there when and where you need us most:
Our global network and 200-year history give us the local expertise and experience to help you in challenging times and in challenging markets.

Delivering regulatory insight:
Our local presence facilitates long-standing relationships with regulators worldwide and enables us to share insights and advice with you.

Making a difference for clients:
Our network and scale enables you to be successful wherever you operate.

Providing dedicated sector expertise:
Industry sector experts around the world who understand the trends, challenges and opportunities you face and can offer you practical advice.

Giving you consistency wherever you are:
Making the complex simple through a network that understands local nuances helps to standardise processes, platforms and experiences, and creates best practice.

Treasury and Trade Solutions
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Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi’s unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate change-related risks that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy and mitigation