



# The Death and Birth of Wholesale Lockbox

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## Foreword

Experts are again predicting the demise of wholesale lockboxes, citing low interest rates, recent Federal Reserve findings about declining check volume and banks' diminishing interest in treasury management services. Obituaries may be premature, however. There is evidence some providers are repurposing the service, de-emphasizing float minimization. There is evidence smaller companies, firms with payments not previously considered "lockboxable," are outsourcing B2B payment processing. And there is abundant evidence equipment and software providers are focusing attention on hardware/software solutions tailored to smaller companies, regional providers and lower volume applications.

Businesses of all sizes crave efficiency and are looking for ways to lower operating expenses. They recognize eliminating paper improves efficiency, but until recently the cost of doing so was prohibitive. Recent advances in document image capture, data storage and communications technology, however, are facilitating paperless processes, without costly legacy system overhauls required for more traditional approaches like Electronic Data Interchange (EDI).

The same advances are helping smaller banks, and even non-banks, become effective, successful wholesale lockbox providers. They are redefining the core product, away from cash/treasury management and toward business process

outsourcing. Wholesale lockbox may not survive in its historic niche, a service for large corporations delivered by the few banks that want their business; only time will tell. But it is unlikely lockbox will disappear or even diminish in importance as long as there are people who understand how it can continue creating value. If history is predictive, however, those people may not be working for the big banks that have dominated the product in the past. They will be working for organizations that understand a very new game has begun, a game with different objectives, different players and different outcomes.

## The Origin of Wholesale Lockbox

Wholesale lockbox did not, as is commonly believed, begin in 1947 with RCA Corporation, First National Bank of Chicago and Bankers Trust Company. Its roots are not in float management, and, campaign rhetoric notwithstanding, Al Gore had nothing to do with its creation.

Banks began processing remittances in the 1930's because they wanted first claim on payments made to corporations that owed them money. The New Deal government gave them permission to enter post offices during off hours and retrieve customer mail. Banks opened envelopes, deposited receipts (which they applied against outstanding loan balances) and delivered remittance documents to customers for cash application and other accounting purposes.



Many banks still use lockboxes for this purpose, especially in asset based lending and mid-market revolving credits.

RCA was no doubt aware banks had privileged access to post offices when it approached Bankers Trust and First Chicago. It is unlikely, however, that reducing postal and clearing float were high on its list of priorities since the prime rate was 1.75% and 90 day treasuries were yielding only 1%. Processing float, the lag between arrival of payments at RCA headquarters and when they were deposited, was almost certainly a factor, but getting a handle on the time value of money was less important than finding a way to make a messy, labor intensive and error prone business process someone else's problem.

Banks were natural candidates: they knew about processing transactions, they had begun investing in automation, however rudimentary, and they had keys to local post offices. Moreover, RCA had a lot of money on deposit with First Chicago and Bankers Trust and wanted a return on non-interest bearing funds. Wholesale lockbox emerged, not as a cash management service (the term "cash management" was seldom, if ever used in the 1940's), but as an early example of business process outsourcing.

And there it remained for twenty years. Banks became wholesale lockbox providers to strengthen corporate relationships, extend the reach of deposit gathering and satisfy important customers who

admired what RCA had achieved. "Float" entered the conversation in the 1960's when business schools began talking about "management science," operations research, and the potential benefits of electronic computers for business planning. Banks made "float management" a lockbox buzzword, despite their inability at the time to accurately measure float components .

The Phoenix-Hecht Postal Survey created tools for measuring float and defined a competitive landscape that endured for the next quarter century. Armed with Phoenix-Hecht data, bankers preached the gospel of float, especially in the years when seesawing interest rates made idle dollars especially costly. Wholesale lockbox volume grew aggressively and banks made a lot of money processing remittances, their protests to the contrary notwithstanding. The service became so wedded to float minimization that less-float-sensitive variants, like high-volume retail and, later, "wholesale" (scannable documents augmented with key-entered data) remittance processing were either not offered by major wholesale providers or were managed outside the "real" lockbox department.

Minimizing float remained a dominant theme until interest rates "broke" in the mid 1980's. By that time modem-equipped desktop computers with spreadsheet software were commonplace, and the value proposition for wholesale lockbox shifted from float to information gathering – more complete, timely and accurate information than had previously been available as a lockbox by-product and in a form that enabled "hands-free" updating of corporate data files. Float minimization did not vanish, but it became less important. Corporations consolidated wholesale lockbox processing into fewer locations, "lockbox studies" decreased in scope and frequency, and most cash management



banks disbanded the consulting groups they had formed to help corporations analyze remittance float. Of the 33 banks offering such services in 1983, fewer than 10 were still doing so in 1990.

Lockbox operations were little changed by the shift away from float. Banks increased the frequency of mail pickups at the post office to hasten processing (cynics argue it still happens when Phoenix-Hecht tests postal performance). They obtained unique zip codes for lockbox mail, also to speed processing, and the most committed opened satellite sites in major mail-receiving cities like Atlanta, Dallas, Chicago and Los Angeles). Underlying work processes were little changed, however. Wholesale remittance processing remained a labor intensive, manual and expensive process that made economic sense for only a small minority of U.S. businesses. And when new technologies became available in the late 1990's, technologies capable of transforming the service, few banks saw the potential and even fewer felt they could justify large-scale technology investments required to make it happen.

True, there had been little opportunity for process transformation before 1995. Early imaging technologies, introduced in the 1970's, made it possible to dissociate checks from documents during processing, speeding deposits, and electronic data transmission facilitated corporate cash application. But cost-efficient online storage/retrieval and communications technologies were unavailable. Full

document imaging was beyond the reach of almost all providers, and had standards even existed for image communication, few treasury departments were equipped to deal with images. Early imaging technologies, moreover, created outputs from which information could not be automatically extracted. Anyone brave enough to accept an electronic image had to print it and key-enter content from copies that were seldom, if ever, of the same quality as originals.

The future is a very different matter, however. New technologies have proven themselves. Like almost all technology products, they are becoming cheaper to acquire and more available. There is evidence the U.S. economy is finally replacing checks with electronic transactions, and there is abundant evidence large corporations, the traditional backbone clients for major wholesale lockbox banks, are re-engineering their operations to reduce dependence on paper-based receipts and disbursements. These forces are already combining to change the wholesale lockbox in ways that were beyond imagining only a few years ago. Wholesale lockbox is not dying, but it is changing rapidly and radically. The scope and pace of change may surprise a lot of people. And for those who take the current product for granted, the implications may not be pretty.



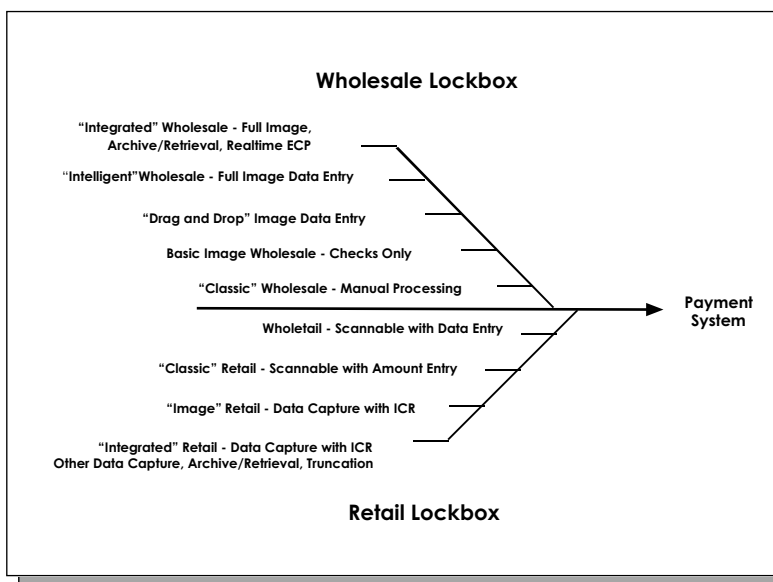


## “New” Wholesale Lockboxes

A “new” wholesale lockbox is taking shape. It is not a single service but several different services defined by unique workflows (Figure 1), though sharing common technology elements. Workflows reflect the variety of documents used by corporations as they invoice customers and collect payments. They also reflect corporations' differing requirements for information capture, document storage, payment processing and systems integration.

The “new” wholesale lockbox is not a float minimization service. It does not ignore float, but neither is float central to adding value. That said, “new” wholesale lockboxes address the black hole of float management for the first time, the lag between lockbox mail receipt and payment deposit, by employing technology-enhanced processes in workflow areas historically categorized as the service's most labor-intensive and difficult to manage.

And it is not necessarily even a banking service. “New” lockboxes broaden the value proposition for B2B remittance handling as a business process outsourcing tool, extending its market to historically excluded segments, creating rationales for new marketing strategies and, possibly, radical repricing. Broadening may ultimately be a two edged sword for banks. They currently dominate the wholesale market, and broadening may encourage new competitors more willing than banks to make required technology investments. Something similar occurred in the 1990's, triggering the near-universal retreat of banks from the retail lockbox space.



**Figure 1**

was used for all clients and all receipts (Figure 3). This had nothing to do with the creativity of bank operations personnel or the willingness of senior managers to explore alternatives. The traditional process worked, and available technology did not support alternatives.

The nineties produced major advances in CPU, storage and communications technologies, as well as rich new software functionality. Early advances, like

## Multiple Services

There have been several “generations” of the wholesale lockbox service, each with its own purpose and process drivers (Figure 2). The underlying workflow, however, changed little between 1930 and 1995, and



check image processing and CD-ROM delivery of check images did not precipitate workflow changes, but they provided "proofs of concept" that encouraged further development. The successful introduction of image processing and intelligent character recognition (ICR) in retail lockboxes reinforced their value. But it was rapid evolution in data storage, emergence of the graphic-oriented World Wide Web and deployment of broadband communications

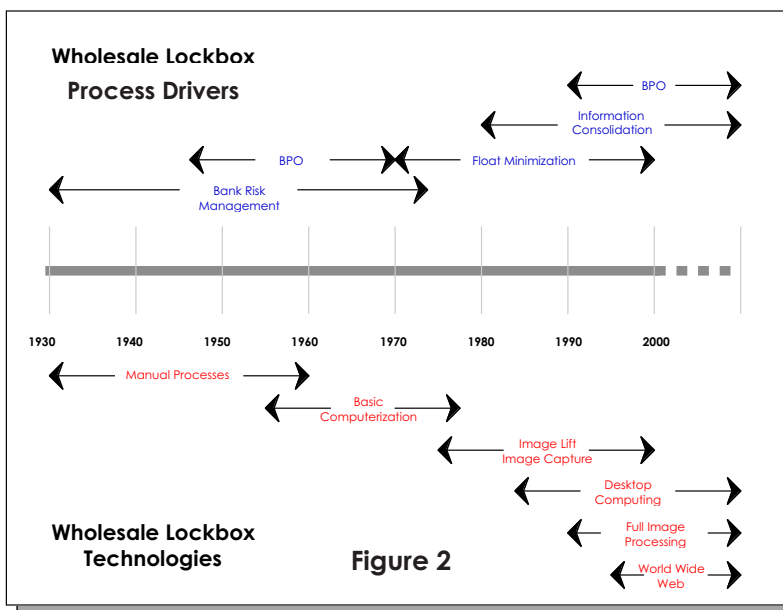
technology that finally made the difference (Figure 4). Major new "solutions" surfaced after 1995. Despite high price tags, crippling implementation problems and the banking industry's reluctance to invest in paper processing technologies during the dot.com boom, new solutions persevered and began precipitating enormous change.

It became possible to capture high quality images of virtually any document, regardless of page size or

content, store them indefinitely and access them on demand. New data capture devices made it possible to perform imaging at significantly lower cost-per-page than had previously been the case, creating opportunities for service providers unaccustomed to multimillion dollar investments. Universal data representation standards enabled image sharing cross-platform, cross-country and cross-continent with a variety of secure, high-speed telecommunication protocols.

Powerful servers, workstations and software made it possible to track all the checks and documents re-

ceived in a wholesale lockbox, remember which belonged to each client and how specific checks and documents related to one another. Even more important, software "learned" to read and remember client documents, extract relevant in-



formation (with and without human assistance), and prepare input for cash application, CRM database updates and other purposes. This is the functionality that is morphing traditional wholesale lockbox from a single-purpose financial service into a suite of business process outsourcing services and will likely precipitate even more dramatic evolution in the future.

Traditional wholesale lockbox processing is client-centric. Incoming mail is "box sorted" and delivered



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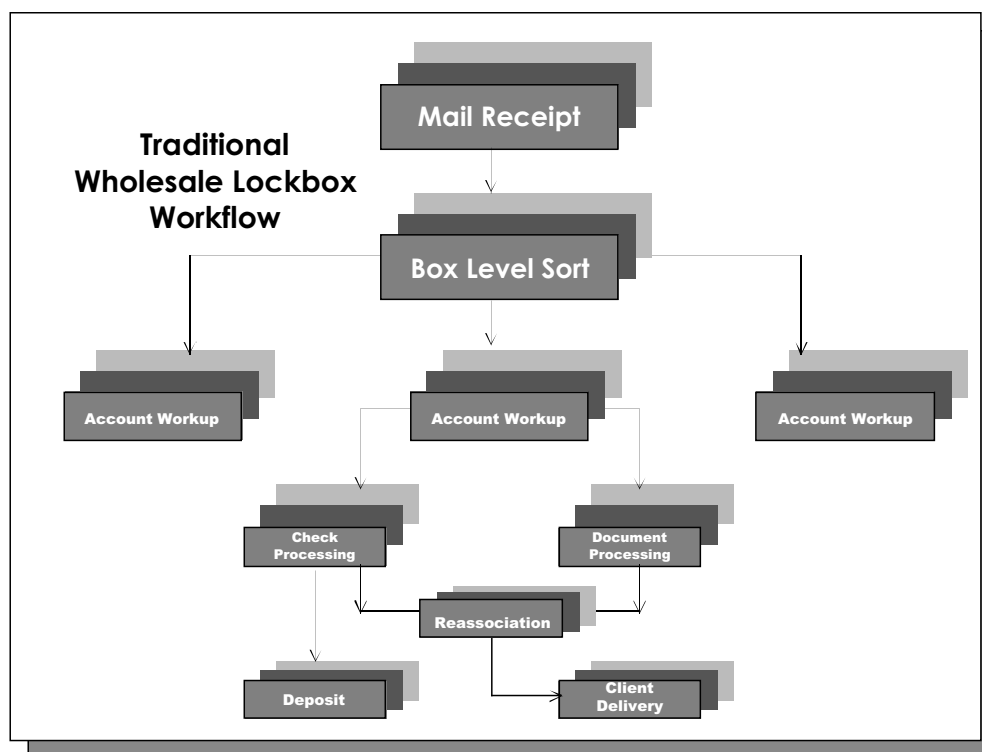


Figure 3

CATEGORY	1990	2002	CHANGE
CPU Speed	25 mgH	1,000+ mgH	+4,000%
RAM Cost (\$/MB)	3.5	0.39	(88.86%)
Online Storage Cost (\$/GB)	\$10,000	\$8.00	(99.92%)
Communication Speed (Typical)	9,600 Bits/Second	128,000 Bits/Second	+1,333%
B&W Check Image Size (Typical)	500,000 Bytes	30,000 Bytes	(94.00%)
Internet Access	WWW not available	Universal WWW Access	N/A

Figure 4



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to workstation operators in batches that include documents of many different types and formats. Workstation operators examine each, decide how they need to be processed and reconciled, then do what is required.

On any given day, there may be payments with no documentation other than checks themselves, payments with multiple invoice numbers on a single check stub, separately print-

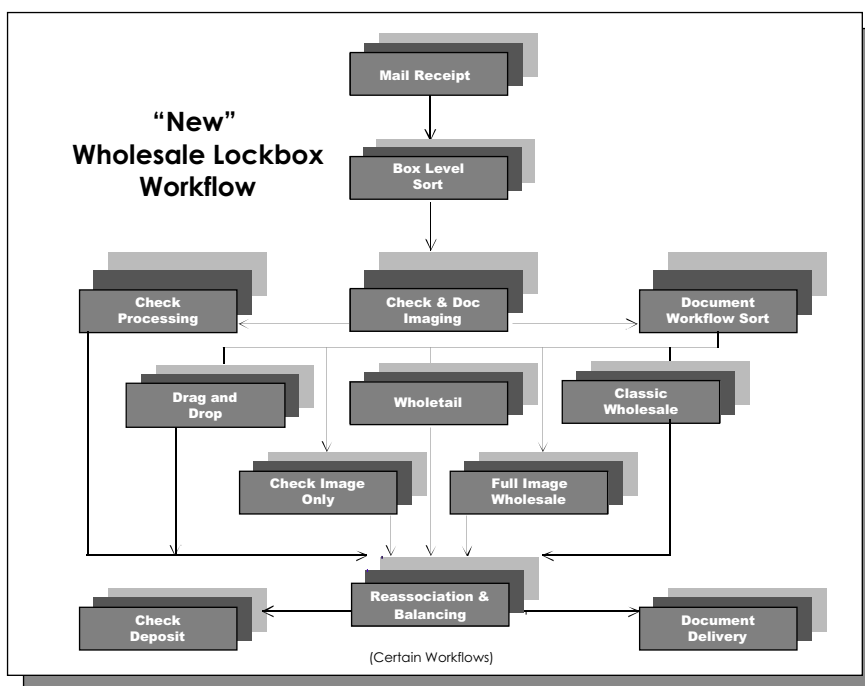
ed lists with invoice numbers, invoice copies stapled to checks, *ad infinitum*. The traditional workstation operator is tasked with deciphering and processing each. It is not simple work, and it is focused entirely on capturing data accurately, in time to meet check deposit deadlines. Operators have neither time nor training to contemplate process improvements or creative uses for the data they prepare. In theory that job belongs to product managers. Unfortunately,

they frequently also lack the time and training for this work, their efforts focused on cost-cutting and otherwise meeting their employers' quarterly earnings estimates.

The "new" wholesale lockbox is transaction-centric and has a lot in common with manufacturing assembly lines and retail lockbox operations. With software keeping track of what belongs where and everything having been imaged beforehand, transactions are grouped to maximize throughput. Where possible, smart software autoextracts data from document images, storing it in databases for

eventual transmission to clients. Data that cannot be autoextracted is key-entered from images, not source documents. Workflows are based on processing requirements, not customer batches (Figure 5).

"Drag and



"Drop" is replacing "Read and Key" in all but the most complex data entry situations. Self contained, verifiable, transactions are "killed" with little or no human intervention, and when processing is complete, check and document images are archived for online retrieval, the originals warehoused or destroyed. Most important, though, "new" wholesale lockboxes create broader, more diverse service lines for providers with significant revenue



potential geared to business segments heretofore excluded from the service. New service lines include everything from very-low volume lockboxing to online document administration to fully outsourced management of accounts receivable and related functions like cash application.

### **The Changing Role of Float**

Short-term interest rates have steadily declined since the Reagan administration. These rates determine the value of lockbox float. Float minimization was the major justification for using lockboxes when rates were high, but it plays a lesser role today, supplanted by the service's capacity for information capture and more recently, facilitating paper-free business processes.

That fact has two major implications. The first, as long as float minimization was the major justification for using wholesale lockboxes, the service was valuable only to businesses with cash inflows exhibiting certain characteristics and banks willing to invest in tools like satellite processing sites. Information capture sustained its value as rates declined but did not significantly broaden the market. As an enabler of paper-free business processes, however, wholesale lockbox will likely enjoy a larger audience and substantial volume growth. And the potential for paperless processes to reduce corporate costs is so large, the service will likely enjoy higher prices and margins than when it only managed float.

An average wholesale lockbox receives 400 – 500 payments monthly, valued at \$25 – 35 Million. Fewer than a billion payments, less than 20% of all B2B payments, are processed through wholesale lockboxes annually. The majority of businesses receive an insufficient number of checks or checks of insufficient average value to justify the cost of lockboxes. The eight largest wholesale lockbox providers (Bank of America, Bank One, PNC Financial, JP Morgan Chase, Mellon, Wachovia and Wells Fargo) are reputed to process more than half the total service volume. Their share of market has grown steadily since 1985, in part because the banking industry has consolidated and in part because until recently, business was gravitating away from less capable banks and banks without aggressive, nationwide check clearing networks. Only two of the eight largest providers outsource their processing, one completely and one partially, the conventional wisdom being that wholesale lockbox (along with its associated depository functions) has been so central to the bank-corporate relationship that processing cannot be entrusted to third parties.

The second implication is that providers and customers will likely view "new" wholesale lockboxes in a different light, changing traditional competitive equilibria. There is already ample precedent in the retail lockbox community for separating payment processing and depository functions. Banks' willingness to separate the two facilitated rapid growth of retail remittance outsourcing in the 1990's, banks believing they had transferred business risks to third parties while retaining the margins inherent in depository operations. What happened was that successful outsourcers strengthened their own margins at the expense of depositories. The same thing could happen with wholesale lockboxes, especially if banks are reluctant to commit capital to state-of-the-art technologies that remain



expensive despite the introduction of less costly, but also less capable, desktop alternatives. Middle market banks especially, and banks seeking access to the most sophisticated hardware and software, may prefer outsourcing over direct investment just as they did ten years ago when they decided about image processing investments for their retail lockbox operations. Consequences may be even more severe than they were ten years ago, however, when outsourcing firms were just establishing themselves and were willing to do almost anything to generate revenue.

The business climate is different from what it was ten years ago. Today's retail remittance outsourcers are seasoned managers, not naive entrepreneurs. They no longer deploy local brick and mortar in every town where they happen to land a client. Instead, they are concentrating services in fewer strategically located facilities and using technologies like extractor based data capture, online archiving/retrieval, automated exception and electronic check processing (ARC, truncation, etc.) to make their services more valuable. In the process depository and remittance processing have been separated and the former commoditized. Clients select lockbox providers for their ability to process payments and meet the demands of Service Level Agreements. Everyone knows the best cities for mail receipt, and those cities all have efficient depository banks willing to compete aggressively for business. Outsourcers

know there is only so much a client will pay to get a payment processed and deposited. The cheaper the deposit, the more they can charge for their remittance services.

It is reasonable to envision something similar happening as outsourcers establish a beachhead with "new" wholesale lockbox services. They will define and sell "value" where they can make money. That is unlikely to be deposit processing unless the outsourcer is a local bank. It is likely depository margins will shrink further, making life tougher for banks that have not seen the handwriting on the wall.

#### **Broadening the Value Proposition**

"New" wholesale lockboxes still create value by reducing float. But they create value in other ways as well, ways that extend benefits to a far larger universe of businesses and weaken the historic rationale that made wholesale lockbox a "banking" service. "New" wholesale lockboxes, for example, enhance an outsourcer's ability to actively manage client accounts receivable by applying cash, electronically linking document images to accounting entries, and delivering browser-based outputs wherever and whenever needed.

Firms that cannot justify lockboxes on their potential for float minimization alone may do so by combining float benefits with those from outsourcing labor intensive business processes, reducing headcounts or improving staff productivity. Given current processors' low share of the B2B payment processing market, growth potential is substantial and competition will be lively for both new and existing wholesale lockbox users.



Corporations already using wholesale lockboxes may be even more eager to adopt new services than first timers. Many are already asking their lockbox banks, "What have they done for me lately?" and more than a few have moved business to "new" lockbox service providers.

Consider the firm that started using a wholesale lockbox in 1985. For the sake of argument, let's assume the service added, on average \$1,000,000 to the company's average bank balance. In 1985 the company's bank would have accepted about \$95 on deposit for a month in compensation for a dollars worth of operating services. The million dollars "created" by the lockbox generated about \$10,500 monthly to offset bank service charges, or about \$12,000 had it been invested in treasury securities or commercial paper.

With inflation and business growth, we can assume the million dollars doubled between 1985 and 2002. Because interest rates declined, however, the bank now requires about \$700 on deposit for a month to compensate for a dollar's worth of services, reducing benefits to less than \$3,000. Granted, the company probably has higher yielding investments available and no intention of abandoning their lockboxes. Still, it would be foolish not to consider alternatives like "new" wholesale lockboxes likely to produce significantly greater benefits, even if it involves

moving business to a different bank or non-bank provider.

And that is exactly what has begun happening in the lockbox market. Companies historically unable to justify lockboxes and companies disenchanted with diminished float benefits are doing what RCA Corporation did in 1947. They are making activities that are still messy, labor intensive and error prone, like accounts receivable processing, someone else's problem, but someone with infinitely better technology and expertise than existed 55 years ago. And increasingly, lockbox providers are responding with "new" wholesale lockbox functionality. Some have even gone a step farther, announcing plans to become outsourcers themselves, with "private label" remittance and accounts receivable processing services. In addition, smaller banks are taking advantage of desktop technologies to bring similar functionality to middle market and small business segments still "off the radar" of larger institutions.

There are compelling arguments for these developments. The September 2002 issue of *Bank Systems and Technology* magazine made some important observations. "American workers," the magazine reported, "spend almost 500 hours a year, or 25 percent of their time on the job, searching for files and information." The time required for these activities shrinks dramatically when "files and information" become electronically accessible. The magazine further reports "a [typical] misplaced document costs \$120 in expenses and lost productivity. A four-drawer filing cabinet costs \$25,000 to fill and \$2,000 annually to maintain, with 80 percent attributable to labor...While imaging has helped fill the gap, the real breakthroughs lie in combining imaging with workflow automation." That is precisely what "new" wholesale lockboxes are doing, and word is rapidly getting around.



Eliminating just one lost document search each workday, or reducing headcount by a single employee, provides about the same economic benefit as a traditional wholesale lockbox generating a two million dollar cash flow improvement. Do the math. And furthermore, there are fewer than 10,000 businesses in the U.S. with sufficient cashflow to make a two million dollar improvement feasible; there are millions that can benefit from more efficient business processes. These factors create near-irresistible arguments for market expansion and opportunities for visionary providers.

But as noted earlier, all opportunities come at a cost, including "new" wholesale lockboxes. That cost involves wholesale lockbox becoming less a "financial" and more a "business process outsourcing" service as demand for data capture, document imaging/management and accounts receivable processing grows. That evolution weakens historic linkages between banks and clients. Wholesale lockbox has always been a relationship service because its remittance and depository processes have been tightly integrated. As wholesale lockbox loses its financial dimension and "new" wholesale lockboxes further facilitate separation of remittance and deposit activities, historic relationship ties will likely weaken or disappear. Even accounts receivable management has never been regarded as a "financial" or "banking" service by corporations.

Banks attempted to penetrate this market in the 1960's, trying to become data processing service bureaus. They failed despite apparent relationships. Corporate controllers responsible for accounts receivable and payroll saw rivals in Treasury usurping their prerogatives. They jumped at the opportunity to use ADP and other non-threatening outsourcers even when banks gave their services away. Something similar could happen again if banks are insensitive to the politics of corporate relations. Growth in corporate data processing functions also worked against banks in the 1960's. Companies wanted their own hardware and software, and vendors like IBM were eager to help them get it. Their appetites for internal data processing may have diminished over the years, but IBM and others are still there, now touting their outsourcing expertise and ability to provide the same functionality banks want to sell.

And banks themselves have RIF'ed or outsourced much of their transaction processing expertise in the last decade, in the process surrendering much of their historical hegemony over payment system matters. More comfortable marketing sophisticated credit facilities than selling transaction services, banks may actually encourage new competitors, especially outsourcers already familiar with image-based workflows, assembly line processing and other transaction management services.

An even greater vulnerability may be, as Pogo once observed, "We have seen the enemy and he is us." Banks tend to focus inwardly. They understand the impact of change on their own internal policies, processes and results but often fail to understand impacts beyond their own four walls, i.e. in the marketplace and with customers. It is possible, maybe even probable, some will see the value of "new" wholesale lockboxes in terms of improving internal



processing efficiency, but miss bigger opportunities. Community and super-community banks are flourishing these days, as are business process outsourcing firms, because they pay more attention to their markets and customers than to their efficiency ratios. They could become formidable competitors in a market that values the skills and wisdom they have garnered over the last ten years. They could even unseat historic lockbox market leaders.

### **Death of Deposits and Other Future Fantasies**

Will "new" lockboxes have an impact on large banks' depository business, reputedly the source of lockbox profitability? It is unlikely traditional deposit relationships will disappear in the near future. Of course, twenty years ago it was unlikely Americans would abandon their love affair with paper checks, that desktop computers capable of a billion calculations-per-second would be available off the shelf for less than \$1,000 or that paper checks would be shredded even as the transactions they described were settled electronically.

Under the circumstances, a little speculation about other potential transformations may be appropriate.

Banks have one remaining exclusive franchise, and that is their role as depositories and portals into the payment system. But even as we speak companies have begun developing workarounds for depository and settlement.

ACH check conversion (ARC), for instance, reduces dependence on physical check clearing, if not on the deposit function itself. Currently available for consumer-originated checks and a few other transactions, it is only a matter of time until ACH conversion is adapted for B2B payments.

"New" wholesale lockboxes will almost certainly encourage the transformation to ACH conversion by extracting data from paper documents and preparing electronic transactions. It is not even beyond imagining the entire process will eventually become "straight through," with real-time submission of ACH transactions and a form of continuous-linked-settlement that bypasses deposit intermediaries.

Even if straight-through processing and clearing is slow to evolve, the success of ACH conversion will have significant financial consequences for depositories heavily committed to paper check clearing. The unit cost for processing checks will grow with every electrified transaction, driving margins down and making the check processing business less and less attractive. It is also unlikely banks will ever replace lost check clearing revenues and profits.

ACH margins have always been lower than those for paper processing, and that will probably not change, certainly not for the better. The retail remittance community has demonstrated a lot of enthusiasm about ARC since it was introduced in March 2002. But as processing options have been explored, companies have resisted attempts by banks to charge as much or more for ARC processing as they do for checks. Instead, they are evaluating alternatives, like purchasing the same software used by banks to manage ACH processing and contracting with banks for Fed access only. Some are exploring ways to access the Fed directly, bypassing deposit intermediaries completely. Credit card monolines, for example, will probably use their own bank charters for this purpose; others are looking



at using corporate credit unions or obtaining limited purpose industrial bank charters. The rationale is simple: there is a lot of room between what banks want to charge for ARC and what the Fed is charging, enough to justify major software purchases and more. There is also opportunity to eliminate regional depositories completely and simplify cash concentration in the process.

The fact of the matter is this: a lot of things are changing in areas that have been stable for a very long time. A handful of banks have acknowledged these changes by investing in "new" wholesale lockbox technology. Whether or not they see a return on their investments remains up for grabs, but they have a much greater chance of success than those who are dragging their feet or still awaiting a miracle in the form of rapid e-commerce transformation. "New" wholesale lockboxes are not only extending the life cycle of a venerable old service and giving banks some tools to tighten up on lockbox operating costs. "New" wholesale lockboxes are redefining both the service and its applicable markets in very fundamental ways. They are also in the vanguard of things that are redefining bank-corporate relationships in equally fundamental ways which no one can afford to ignore.

## About the Author

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*Mr. Poje is a frequent contributor to industry publications and a respected commentator on developments in treasury management and the payment system. His article, "Avoiding the Pitfalls of Electronic Commerce," appeared in the January 1998 issue of the TMA Journal. In 1997 he co-authored "Electronic Commerce and Financial EDI: An Examination of Innovation in the Electronic Payments Arena". His article, "A Blueprint for Leadership: the Federal Reserve in the U.S. Payment System" was published last year in the American Banker. His most recent work, a series of essays on payments-related topics, are available at [www.poje.com](http://www.poje.com).*

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## Appendix Old and "New" Wholesale Lockbox Top Ten List of Differences

Item #	Category	"Old" Wholesale Lockboxes	"New" Wholesale Lockboxes
1	Float	Mail float determines number and location of lockbox processing facilities. Availability float determines processing bank (in part).	Mail and availability float less important than in the past. Clearing via ACH will further reduce availability lags. The historic definition of "deposit" may change if payments get processed and deposited in real time or through a "daylight" ACH settlement window.
2	Technology	High speed devices for box level sorting. Workstations for invoice data capture. Transports for check image capture. CD-ROM burners	Full page data capture, image and workflow capable workstations and software, image archives with retrieval capability, CD-ROM, DVD-R burners, Internet communications,
3	Deliverables	Check photocopies or CD's. Key entry source documents. Transmission of deposit and detail information. Possible integration of wire transfer and ACH receipt data.	Archived images, data files, possible CD-ROM or DVD, Transmission of deposit and detail information. Possible integration of wire transfer and ACH receipt data
4	Product Extensions (Non Depository)	None except for information deliverables above	Online document retrieval, accounts receivable management with reports. Data mining opportunities
5	Workflows	Processing in client batches scheduled to meet specific deposit cutoffs/deadlines	Processing based on document characteristics and throughput maximization. More frequent deposit cutoffs/deadlines or replacement of deadlines with real time deposit processing
6	Pricing	Generally, a four tier pricing structure. Basic processing (includes check capture and photocopy), key entry (variable), depository and clearing, and regular vs. accelerated availability. Retained or negative float is also a factor. National average, all-in price per item is about \$1.00. Prices tied to history and traditional processes.	More variable than current pricing, probably higher prices on average and a greater percentage of total price allocated to non-deposit/clearing elements. Probably elimination of retained/negative float. Prices related to value provided and return on technology investment
7	Geographic Limitations	Usually, a primary "in footprint" processing location; possible satellite site, usually Atlanta, Dallas, Chicago, Los Angeles	Fewer sites overall. Probably smaller satellite sites than currently used, with focus on image capture and check deposit. Key entry and related functions performed at a primary processing site, or offshore.
8	Relationship Dimension	A primary and historic element of product/service delivery	No more relationship driven than retail remittance processing
9	Primary Value Proposition	Timely deposits, availability verifiable with periodic end point analyses	Business process outsource, data capture, document management and accounts receivable management
10	Future Developments	Minor enhancements and add-ons, probably integration of electronic payment streams and electronic check processing (clearing).	ERP and CRM integration, data mining, ability to process effectively for smaller companies and companies with more complex documents. Automated multilingual, multicurrency receipt processing and conversion