

Achieving full efficiency in the financial supply chain



Maximising the efficiency of the physical and the financial supply chains

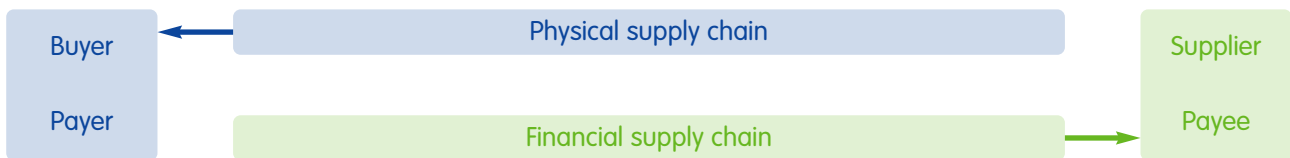
The efficiency of the financial supply chain is vital to the profitability of all organisations, in all types of industry. Real bottom line improvement can be generated with a concentrated focus to optimise:

- **the flow of cash** in the procure-to-pay and quote-to-cash cycles and adoption of associated risk management tools
- **the management of information and liquidity**
- **administration** through the end-to-end cycle and migration to electronic channels
- **cost** of commercial and financial transactions
- **trading partner working relationships.**

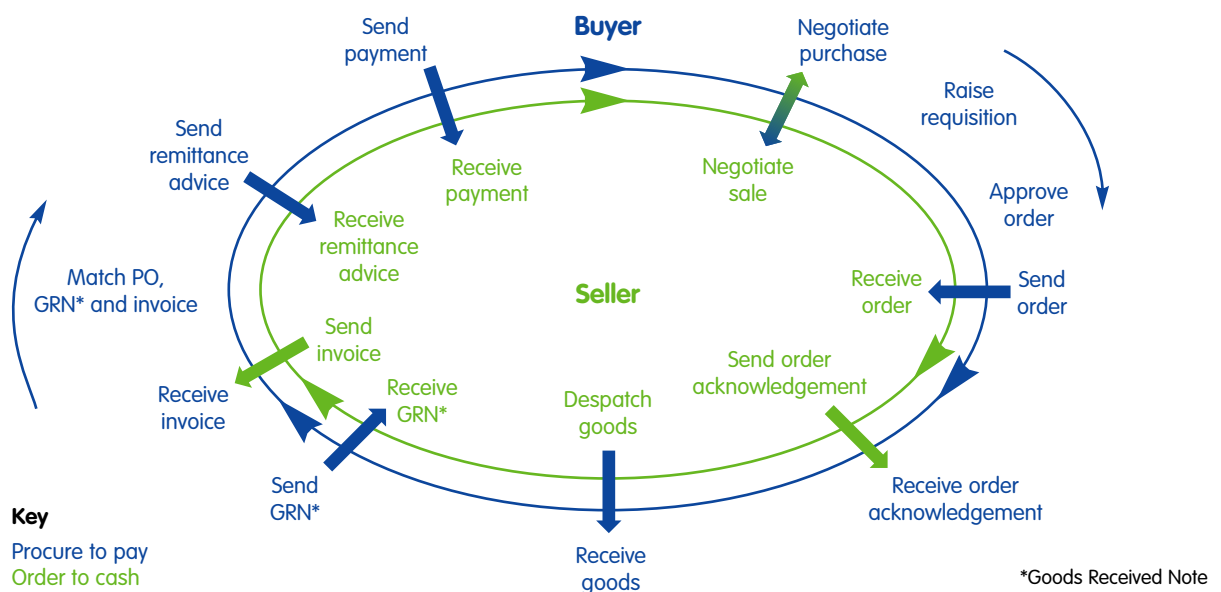
At Lloyds TSB, we believe that a banking relationship is an asset to be made full use of – by banking with us, we can maximise return on that asset by creating innovative solutions to improve efficiency, reduce administration and make life easier. By broadening the very basics of making payments and managing cash, and enhancing them to enable integration with other key financial supply chain components, you can create a financial efficiency that can really vitalise the cash and payments cycle.

By integrating both the physical and financial supply chains (as shown in the diagram below) companies can achieve the high level of efficiency required.

Contract Management, Procurement and Inventory Management Physical Logistics – shipping, customs warehousing, end delivery.

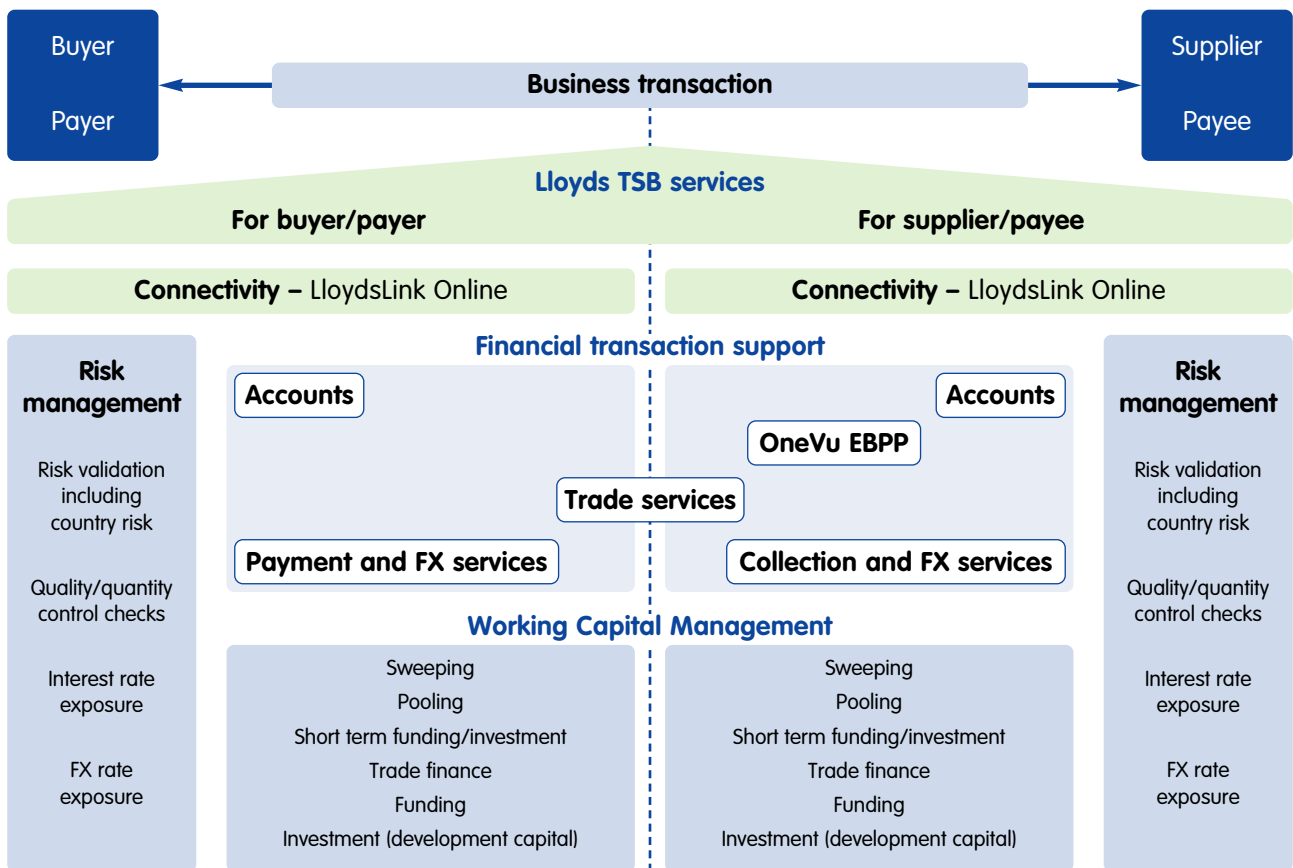


Forecasting, managing and reconciling payment flows and managing risk throughout the working capital cycle.



Payments services and information management are core requirements in the financial supply chain – as we know, all banks and similar organisations provide them. At Lloyds TSB, we go further than simple provision – we integrate them with other specialist financial supply chain offerings to really add value for organisations, in their drive to achieve full financial efficiency. We work with your business to create end-to-end solutions that are tailored to satisfy the specific requirements of the operation.

At Lloyds TSB, we offer a wide range of products and services (see diagram below) that can enhance efficiency in your organisation's financial supply chain.

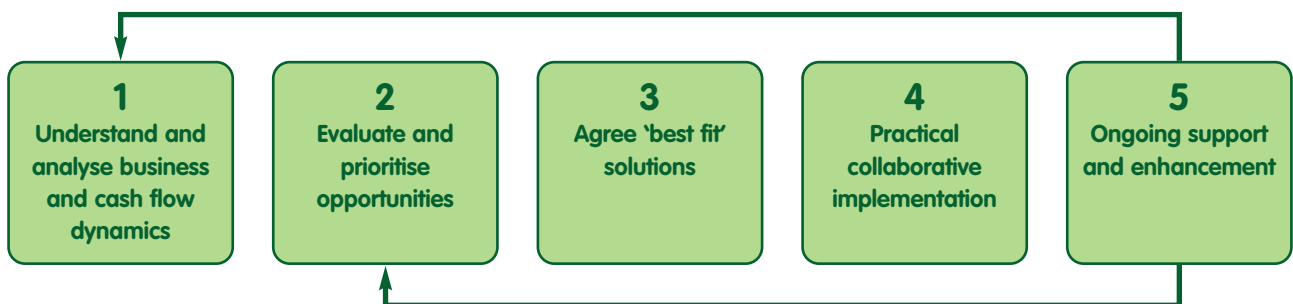


This generic overview of our product range shows the building blocks we can combine when working with organisations to fill the efficiency gaps in their own financial supply chain model.

The key to our success is commitment to truly understand the challenges each organisation faces, and construct a practical solution set that we can implement together.

Over the years we have evolved a five-step process for developing the most effective solutions for our customers. This process ensures that every detail is considered in improving an organisation's financial efficiency and that the approach is fully collaborative.

The Lloyds TSB way



Maximising the efficiency of making payments

The processes involved in making payments must be efficient and cost-effective for your organisation with a minimum of errors and returned payments.

Procurement

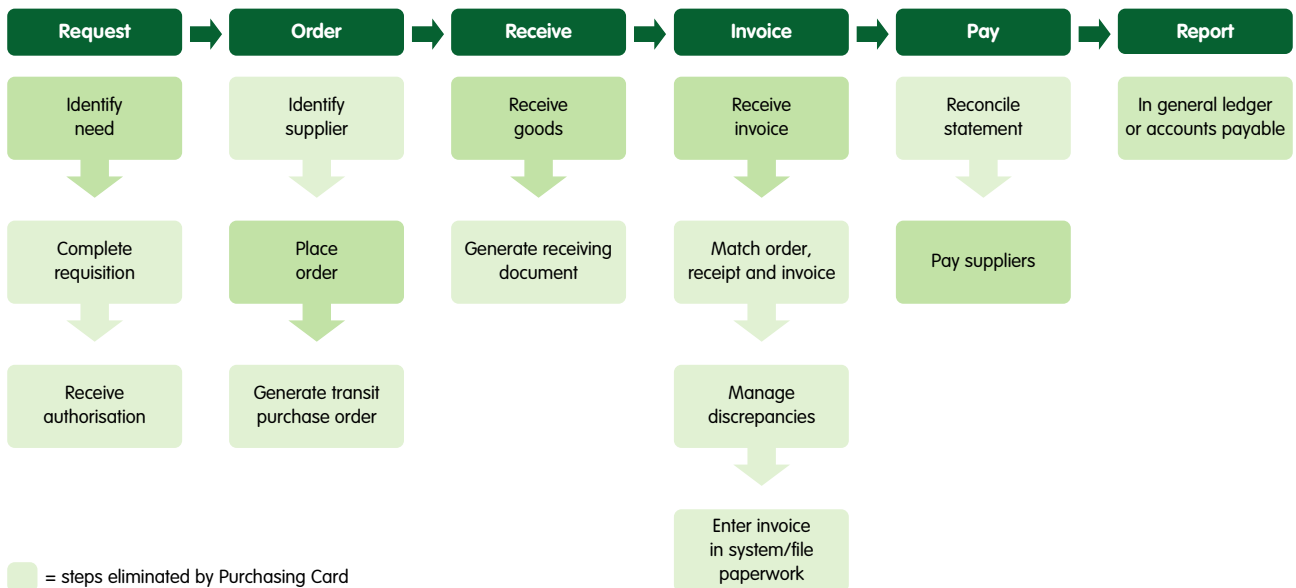
One of the key services we can provide organisations are procurement cards, which can also significantly improve the efficiency of your financial supply chain. We issue procurement cards to all types and size of companies and government organisations across the UK.

Case study

One of the largest county councils in England has recently implemented our procurement card providing proof of the scope and scale of improvements that can be achieved. Initially the procurement card will be used to make low value purchases by departments within the county council, two district councils and NHS Trusts in the county. Within six months it will be rolled out across a wide range of other public sector organisations in the county; high volumes of invoices and purchase orders for low value purchases will disappear. Council employees will be able to make card payments direct to suppliers with improved reporting security measures ensuring that public money is managed with greater efficiency and transparency.

Our procurement card will improve the efficiency of the financial supply chains of both the council and its suppliers by reducing administration costs and providing opportunities for supplier discounts for the council. Using the card scheme will provide opportunities for increased business and improved cash flow, and eliminate unnecessary invoicing and accounts administration.

Purchasing Cards simplify the traditional purchasing process...



Source: Visa Commercial.

Maximising the efficiency of collecting payments

Collecting payments is one of the most difficult processes for any organisation. Our specialist Sales teams are able to pull together a best fit combination of systems for customers to help them achieve high efficiency in the collection of payments.

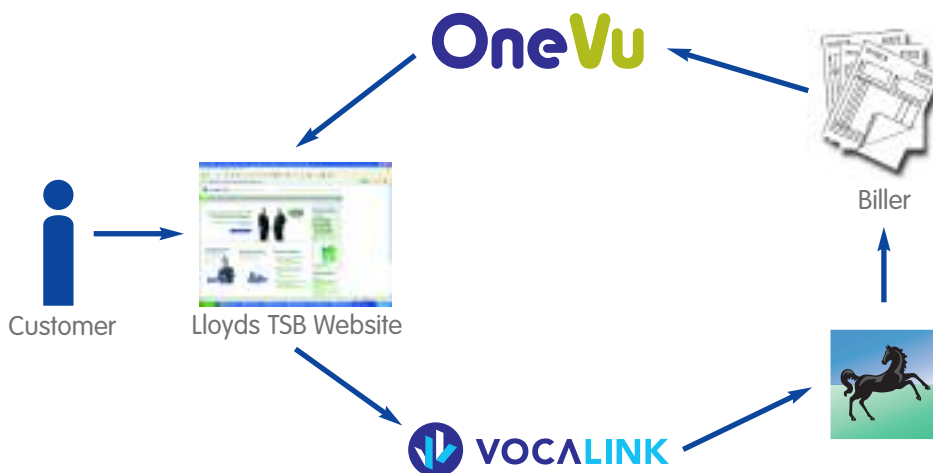
Electronic Payment Collection – case study

A major UK utility company has been working with us to improve the overall efficiency of its payment collections. Over several years many of the company's customers have been persuaded to use more automated solutions for paying their bills rather than by cash or cheque over bank counters. As a result the utility company now submits 12 million Direct Debits per annum, giving it more control over when and how it makes its payment collections.

The utility company has been able to achieve further efficiencies, as well as minimal error rates, by fully integrating its bill management and reconciliation systems with our Direct Debiting system. The move from cash and cheques to Direct Debiting and the integration of the systems involved have generated significant reductions in overall operating costs for the company. We continue to work with them to further improve the efficiency of their receivables by implementing other automated solutions, like card receivables and Internet payments, both of which offer fully automated links to the company's back office systems.

Billing

Sending out bills to large numbers of customers is a major cost for retailers, utility companies, local authorities and other large organisations. Lloyds TSB were the first to introduce Electronic Bill Presentment and Payment (EBPP) systems in the UK, which can help to reduce this area of cost for organisations. The service shifts the emphasis from printed paper bills to electronic bills that are viewed, paid and tracked within online bank accounts. Our Bill Manager service, provided in association with OneVu, (Vocalink is one party of the joint venture) is a multi-biller system enabling Lloyds TSB personal Internet banking customers to pay household bills seamlessly and securely online, with the details then routed to the billing company website for reconciliation. The service provides cost savings, bills paid on time and better customer loyalty for the biller, as well as being significantly more efficient than paper bills.



The move from cash and cheques to Direct Debiting and the integration of the systems involved have generated significant reductions in overall operating costs for both the utility company and us.

The benefits of the Bill Manager service are considerable for both the billing organisations and their customers. For the billing organisation costly paper bills are avoided, payment tends to be earlier (if not already collected by Direct Debit) and reconciliation errors are avoided as payment references are automatically pulled through from the electronic bill into the payment. For Lloyds TSB’s personal Internet banking customers, it means only having to go to one website to pay household bills. This is proving very popular, as shown by the tens of thousands of personal banking customers who have already signed up to the service. Billing organisations like borough councils, utility companies, rewards companies, telephone companies and the UK’s TV licensing authority have also signed up to the OneVu service.

International Collections – case study

Our International Receivables Service (IRS) can streamline your organisation’s international collection in the USA and across 15 different European countries. A luxury clothing and accessories company uses our IRS to collect euro payments made to them in France, Germany, Switzerland and Spain. Instead of having collection accounts in each country and waiting for funds to clear locally before transferring the monies to the UK, we have set up virtual euro IRS collection accounts for the customer in each country. These virtual accounts collect electronic payments and only pay a domestic fee for each payment. The monies in the IRS accounts are then swept instantaneously to a cross-currency notional pool in Lloyds TSB London with no international fee.

“International Receivables is delivering real business benefits,” says the customer “Historically, we had to establish collection accounts in each European country where we had a presence. Then we had to wait for funds to clear and arrange for their transfer back to the UK.”

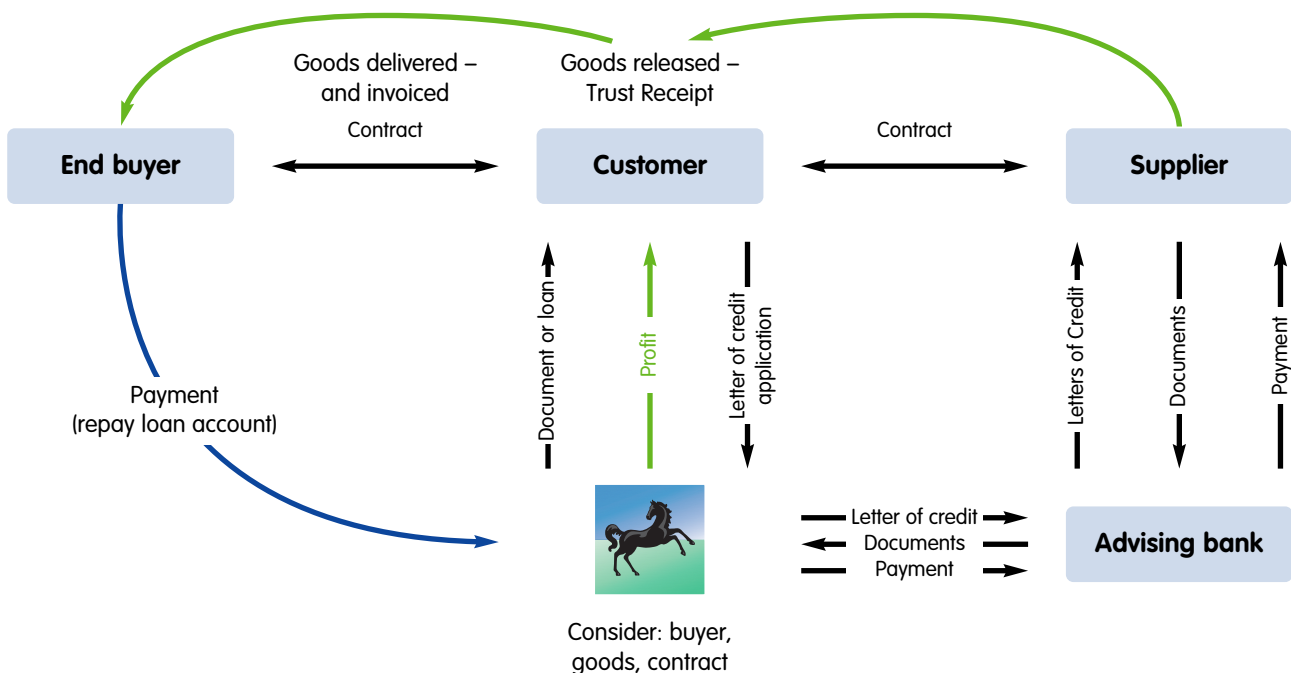
They now have less administration as a result of fewer banking relationships across Europe and can repatriate funds more quickly and cheaply.

Releasing working capital in your financial supply chain

Releasing working capital locked in the financial supply chain can change the economics of an organisation and we offer a range of solutions that can help to do so.

Letters of Credit

We enabled a leading carrier bag manufacturer to expand into a new line of business, manufacturing handbags, by changing the financial dynamics of their business. The company used to pay their suppliers immediately, or soon after goods were received, but payment from their customers was received after 30 days or more. We provided an integrated payments programme incorporating a Working Capital Facility to replace the existing issuance of Letters of Credit for each order. This changed the cash flow dynamics of the business by closing the time gap between paying suppliers and receiving settlement for goods sold.



Supplier Finance

By introducing our Supplier Financing service to a multi-national building materials manufacturer we have helped to improve their terms of trade with 2,200 suppliers worldwide. The manufacturer reduced its working capital requirements by extending days payable to its suppliers and at the same time giving the suppliers cash terms through an invoice-discounting program. The preset program requires little management time by the supplier to arrange a facility and enables them to review their accounts with the manufacturer and draw down against approved invoices online.

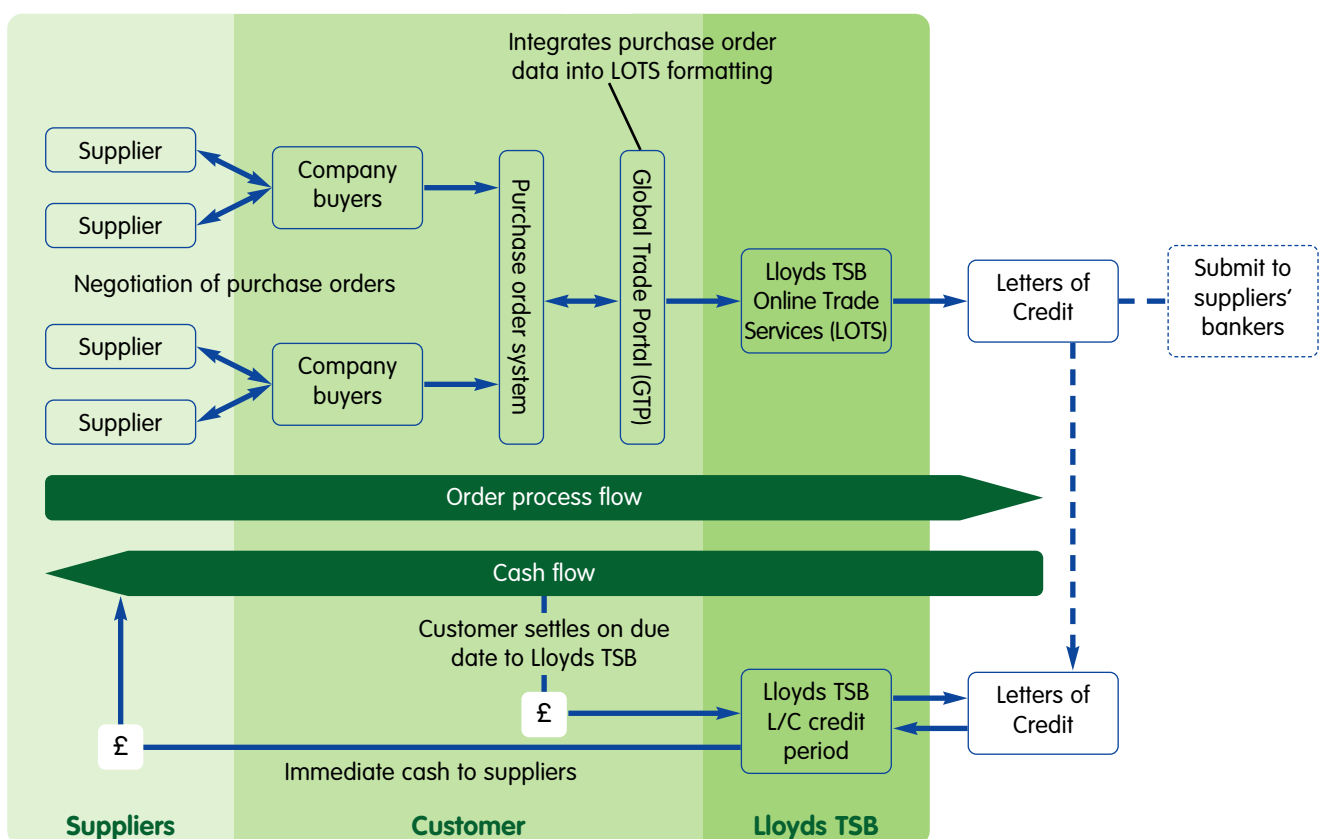
Maximising efficiency and minimising risk in international trade

Good relationships with suppliers are crucial to a successful business, particularly when importing goods from around the world. Cross-border trading companies require payment processes to be simple and easy to use, and financing arrangements acceptable to both the buyer and the seller. By considering both of these requirements when developing financial solutions we can greatly enhance your financial supply chain.

Case study

A leading discount retail chain in the UK imports goods from all around the world negotiating competitive prices with their suppliers. We have enabled them to introduce a 60 or 90 day Letters of Credit financing arrangement for their suppliers. Built into this unique arrangement is the facility for suppliers to be paid 'on sight' after the deduction of interest for the remaining period. The level of interest charged is low because the Letters of Credit issued by us are based on the financial standing of our customer, rather than their supplier. The customer's buyers use the offer of this unusual financing arrangement as a positive bargaining tool in their negotiations with prospective suppliers. This arrangement combined with the Lloyds TSB Online Trade Services package (LOTS) (see diagram below) enables the customer to cut its administration costs and increase the speed and accuracy of its trade payments.

LOTS enables customers to generate Letters of Credit and other documentation electronically and to copy suppliers instantaneously over the Internet. Our Sales team tailored the system to integrate fully with the customers' purchase order systems, so avoiding the necessity of re-inputting information. The customer's business relies on imports and they increasingly turn to technology to increase the speed of international trade transactions. Being web-based, LOTS was an ideal solution to drive the efficiencies our customer needed to improve operations, interacting well with their existing systems, giving significant cost savings and freeing up valuable management resource to focus on other areas of the business.



Future developments

We are determined to lead and support developments to improve the financial supply chains of our customers. An expanding range of new products and services will ensure we provide the support customers require when seeking to improve the efficiency of their financial supply chain. Anne Collard, Product Management Director, Corporate Banking Products and Service, at Lloyds TSB Corporate Markets says, "We are absolutely committed to continue to lead the way in the development and provision of products and services to improve the efficiency of the financial supply chain for all our corporate clients."

Contacts

If you would like to see how Lloyds TSB can create an impact on the financial supply chain of your business, then please contact:

Colin Hemsley

Head of Major Corporate & Financial Institutional Sales

Tel: 020 7463 1218

Email: colin.hemsley@lloydstsb.co.uk

Simon Enticknap

Head of Large Corporate Sales

Tel: 07736 361497

Email: simon.enticknap@lloydstsb.co.uk

You can also find out about our complete range of solutions on our website at

www.lloydstsb.com/corporatemarkets

www.lloydstsb.com/corporatemarkets

Please contact us or your relationship manager if you'd like this in Braille, large print or on audio tape.

We accept calls made through RNID Typetalk.

Please remember we cannot guarantee security of messages sent by email.

Lloyds TSB Corporate Markets is a trading name of Lloyds TSB Bank plc and Lloyds TSB Scotland plc.

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