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# BOUNCE BACK

Three CFOs who wrestled bad performance, ugly financials and Sarbanes-Oxley—and lived to boast about it

# The Quest for the Perfect Platform

**PepsiCo couldn't buy real-time global visibility, so it joined up with Citigroup to build it**

**A**cross some 100 countries, PepsiCo Inc. has been collecting close to \$500 million a day from sales of its beverage and snack lines for the past few years. The PepsiCo sales force receives these payments from stores when product is delivered

and, in most cases, then proceeds to deposit the money at one of PepsiCo's thousands of bank branches worldwide. All too often, in the past, a significant chunk of that cash could become invisible to PepsiCo's corporate treasury for a critical day or two—and given the widespread distribution, that lapse created the potential for hundreds of millions of dollars to be invested less than optimally. “We [can't] afford to lose the value of that cash for even a day,” reflects Arun Nayar, PepsiCo's vice president and assistant treasurer. “We need to use it to borrow as little as possible and invest what's left down to the penny.”

No treasurer would hope for less, but when PepsiCo went out to seek a banking system that would provide truly global visibility, it discovered to its dismay that its global peers—the huge multinational oil companies, technology companies and consumer products companies—were also stuck with only partial or regional windows into their cash. While global liquidity optimization has been near the top of the treasury agenda at large multinationals for years, systems to facilitate it have universally fallen short. To PepsiCo, the solution was clear: If it wanted such a system, it would have to enlist the help of a bank and make sure that one got built. “Just apply Libor to that much money, and you'll have some idea of the upside potential of this project,” observes Lionel L. Nowell III, PepsiCo's senior vice president and treasurer. “It was an ambitious initiative, but worth it.”

PepsiCo decided to partner with Citigroup, which also

set a high priority on global liquidity management. And so the seed was planted for the next evolution in banking platforms—one that promises to allow companies to view accurate, real-time balances and cash positions worldwide and give them the ability to drill down into those accounts.

The new system, which went live Dec. 15, is called TreasuryVision, and according to the few treasury professionals who have seen it in action, it is a cut above what has been available until now. “We've seen a lot of banks offer liquidity management tools, but it looks like Citi has tackled the really mucky, difficult task of pulling together all that information from a large number of different bank accounts scattered all over the world,” reports Dave Robertson, a partner in the Chicago office of Treasury Strategies Inc. “If Citi can get out in front in liquidity management, they should be able to grab a bigger share of the wallet for liquidity services.”

## IT TAKES A COMMITMENT

On this new system, PepsiCo can see the up-to-the-minute posted balance in every PepsiCo account at every PepsiCo bank worldwide—no matter how remote the location or backward the bank—with a couple of clicks of a mouse. In addition, PepsiCo was able to chop its number of accounts down 400 to 1,400 worldwide.

Nowell declines to estimate the financial investment, but leaves the impression that the project was more labor-intensive than capital-intensive. “We wanted to be sure we got it right, so a lot of people spent a lot of time on this. We also leveraged a key banking relationship,” he explains. “Citi was willing to invest heavily because it saw an opportunity to sell TreasuryVision to other companies.”

For the project, Citi assigned more than 70 programmers, and PepsiCo tapped 22 of its 46 global treasury staffers, from all six of its treasury centers. Six of these PepsiCo employees literally worked at it daily, Nayar notes. It took about 15 months from the time PepsiCo and Citi agreed on the project until launch, he says. “This is a real breakthrough in our efforts to maximize shareholder value,” Nayar says. “TreasuryVision now gives us nothing less than real-time visibility of a total, consolidated, multi-bank cash position. When you have that kind of information, all kinds of benefits are possible. It's a groundbreaking development.”



**BUILDING VISIBILITY:** From left: Citigroup's Gary Greenwald; PepsiCo treasurer Lionel L. Nowell III; and PepsiCo assistant treasurer Arun Nayar

Multi-bank reporting is not new, of course, and it's certainly not new for Citi. "The old multi-bank reporting product delivered through CitiDirect conveys data like balances and bank statements," notes Gary Greenwald, head of cash management information products for Citigroup Corporate and Investment Banking. Citi is able to leverage the "same plumbing" for CitiDirect and TreasuryVision, he explains, but unlike CitiDirect, TreasuryVision can tap into Citi's SWIFT connections and run the data through a translation and scrubbing engine. Since treasuries receive ready-to-use data, they have more time for analysis and action, according to Greenwald. "This is not something bolted onto CitiDirect," he adds. "It's a different set of screens and there's a lot more process around the feeds we take from other banks. The data we deliver is less raw, closer to useful intelligence." The bank plans to continue to offer both products.

In fact, arriving at a global cash position is just the tip of the value iceberg. TreasuryVision can also show PepsiCo treasury, on the same platform, all its investments and all its borrowings everywhere in the world, which means treasury gets complete, current data and can apply all sorts of analytics to it. "For example, we can see by maturity all our investments in a given currency," Nayar notes.

"Once we could see all the information, we found benefits we didn't foresee at the start of the project," Nowell adds. One unexpected payoff: "We deal with a lot of banks and were not leveraging our global presence. Those banks have regional P&Ls and like to deal with you regionally. But if you bring

global information to the table and negotiate on the basis of all the business you're giving that bank worldwide, you can get better prices and better service-level agreements," he explains.

#### THE COMPLIANCE ANGLE

Besides better interest income and lower interest expense, there is a real payoff in increased control, notes Susan Skerritt, a partner in the New York office of Treasury Strategies. "With Sarbanes-Oxley and the emphasis on control, more and more multinationals are putting a priority on knowing their local cash positions," Skerritt notes. What sets TreasuryVision apart from other bank offerings is the breadth of the information it promises to deliver, she says.

But Skerritt adds that even if the new system works perfectly, there are other challenges. Getting complete information is one thing; getting complete and accurate information is a higher hurdle, she cautions. That accuracy depends not on Citi technology, but on local banks around the world. "Pepsi [will have to] spend time communicating with its banks to ensure the [quality] of information sent," she says.

But that effort is worth it to PepsiCo's treasury. "In the past," Nowell concludes, "our treasury, like many others, took the technology that was in place in our companies and our banks and used it to our best advantage. With TreasuryVision, we've started to initiate new services and leverage the potential of the technology, not just choose from what is available," he says. "It's a way to gain a competitive advantage."



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