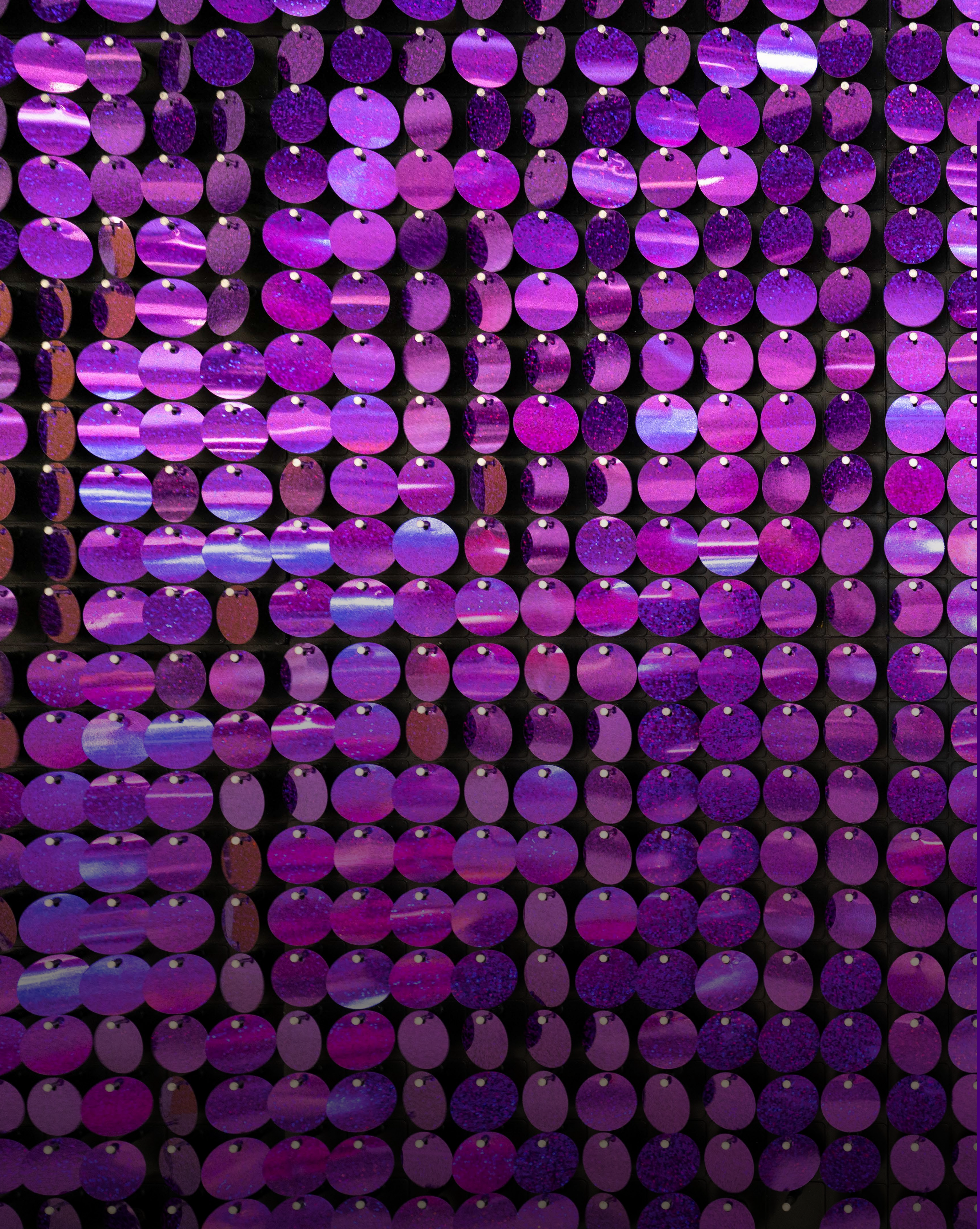
accenture

Unlock the treasury management treasure chest

Evolve your offering, grow your opportunity



If banks continue to provide the same products and services as they do today, they risk losing the upside to peers and emerging fintechs which are investing in more intuitive and user-friendly solutions for managing existing and emerging flows.

By building platform flexibility, meeting digital-native customers and clients where they are and charting the course to help them get where they want to go, banks can not only protect, but deepen, existing relationships and position to reach new ones in a B2B2X world.

Rapidly evolving customer expectations, the shift to digital, and the rise of new offerings are reshaping treasury management.

For many years, US-based companies have looked primarily towards banks for their treasury management needs.

However, as the demands of digital increase, corporates need more than legacy product execution and are turning to their financial services providers to deliver intelligent solutions that integrate seamlessly into the organization and enable CFOs to strategically partner with their business and technology colleagues. Where their banks are unable to assist, new offerings and competitors are emerging to meet their expanding spectrum of needs.

While change presents its challenges, banks can capitalize on new developments to grow existing portfolio revenue and drive client acquisition. To explore how the market is evolving, Accenture conducted a survey of over 300 US businesses representing companies across most revenue bands and industries.

Here are some of the key insights the survey reveals about US companies' treasury management needs and desires:

- Nearly all respondents currently use a bank as their primary treasury management provider, though there is broad interest in fintech solutions.
- 59% are aware there are fintechs that offer treasury services that could reduce their reliance on existing banking partners—44% have considered seeking services from a fintech in the past year. Cost, ease of use and ease of integration are the primary reasons why they would consider moving.
- US businesses' preferences for consuming treasury services are evolving and non-uniform; while the future mix of bank / fintech go-to-market channels may differ from bank to bank, a broad shift from products and portals to platforms and ecosystems is emerging.
- US companies show significant variance in their treasury management preferences, existing capabilities and structures:
  - 41% prefer using their accounting or enterprise resource planning (ERP) system for visibility of cash flow, 33% prefer their treasury management system (TMS), and a mere 25% prefer their bank portal.
  - Only 23% benefit from real-time data, 54% receive daily data feeds, and 23% get their data twice a week or less frequently.
  - 51% have just one to five employees allocated to the treasury management function, 29% have six to 15, and 20% have more than 16.

We profile some of the immediate actions banks can take to optimize their clients' treasury management experiences. By tailoring their offerings and experiences based on customer needs, focusing on their platform of services, establishing ecosystem partnerships, optimizing their pricing, and empowering client-facing talent, they can position themselves strongly to safeguard their treasury management business and achieve new growth.

It's a bank's world, but fintech competition is on the rise

Nearly all organizations (99% of respondents in the survey) currently use a bank as their primary treasury management provider.

Banks have deep experience in this space, and most commercial banking clients are satisfied with their banks' products and services. Yet that doesn't mean banks can afford to be complacent. Already, fintech platforms have begun to make substantial inroads with digitally-oriented micro-businesses, and financial technology and software players are building on their successes in areas like merchant services to move into other attractive emerging solution flows (products and channels).

"While banks have invested to a point to create general satisfaction across treasury management products and services, the arrival of API-enabled solutions and fit-for-purpose fintech capabilities is likely to alter the composition of revenue pools. Services that were once considered extremely adhesive can now potentially be distributed through alternative channels. This will influence bank strategies for years to come."

Margaret Weichert
Managing Director – Payments Lead,
North America, Accenture

Fintechs eye the treasury opportunity

The presence of fintech disruptors in the market is becoming more pronounced. Venture capital funding for payments-focused fintechs increased 39% between 2019 and 2021, with substantial investment into startups that concentrate on commercial payments or treasury management[1].

These providers are building solutions to automate payables and receivables processes, streamline cash flow forecasting, and digitize core treasury management functions for small and large businesses alike. Many fintechs integrate once-discrete capabilities such as purchase order generation, invoice digitization, exception handling, and cash application into an integrated offering—which they've proved adept at selling to software-oriented buyers.

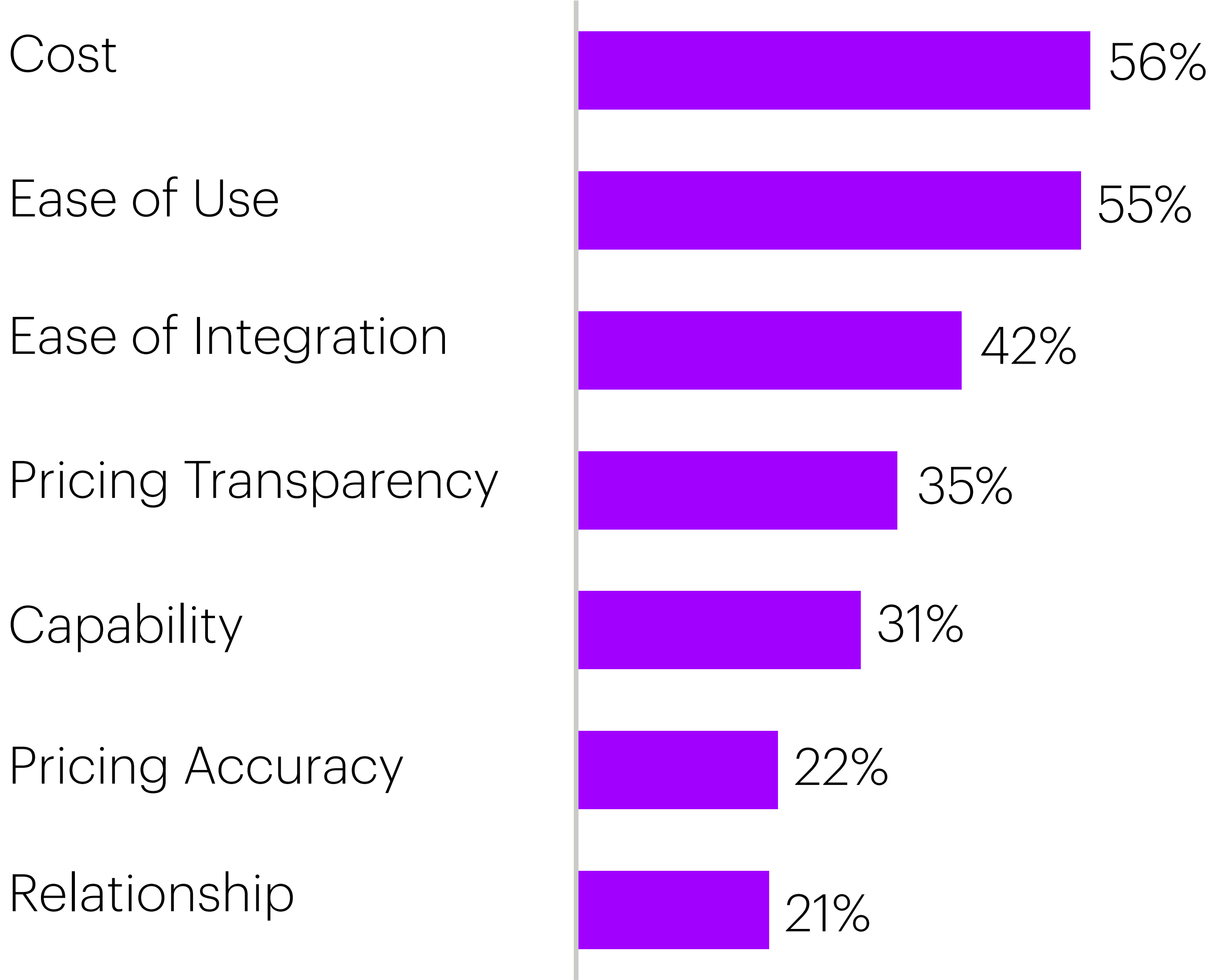
As application programming interfaces (APIs) and open banking principles become more widespread, these models can offer the potential for an expanded, seamless end-user experience by embedding relevant features into the business users' daily working environment.

Commercial clients show interest in fintech providers

The new offerings fintechs are bringing to market are grabbing attention from commercial banking clients.

- Six in ten respondents in our survey are aware that fintechs offer treasury services that could reduce their reliance on their banks.
- 44% have considered moving to a fintech provider in the past year.
- Smaller organizations (nearly 50%) are more likely to think of switching than those with revenues above $1 billion (35%).
- Businesses less than 20 years old are more than twice as likely to move than older firms—60% and 30% respectively.

Figure 1: Cost, ease of use and ease of integration are why clients consider moving to a fintech*

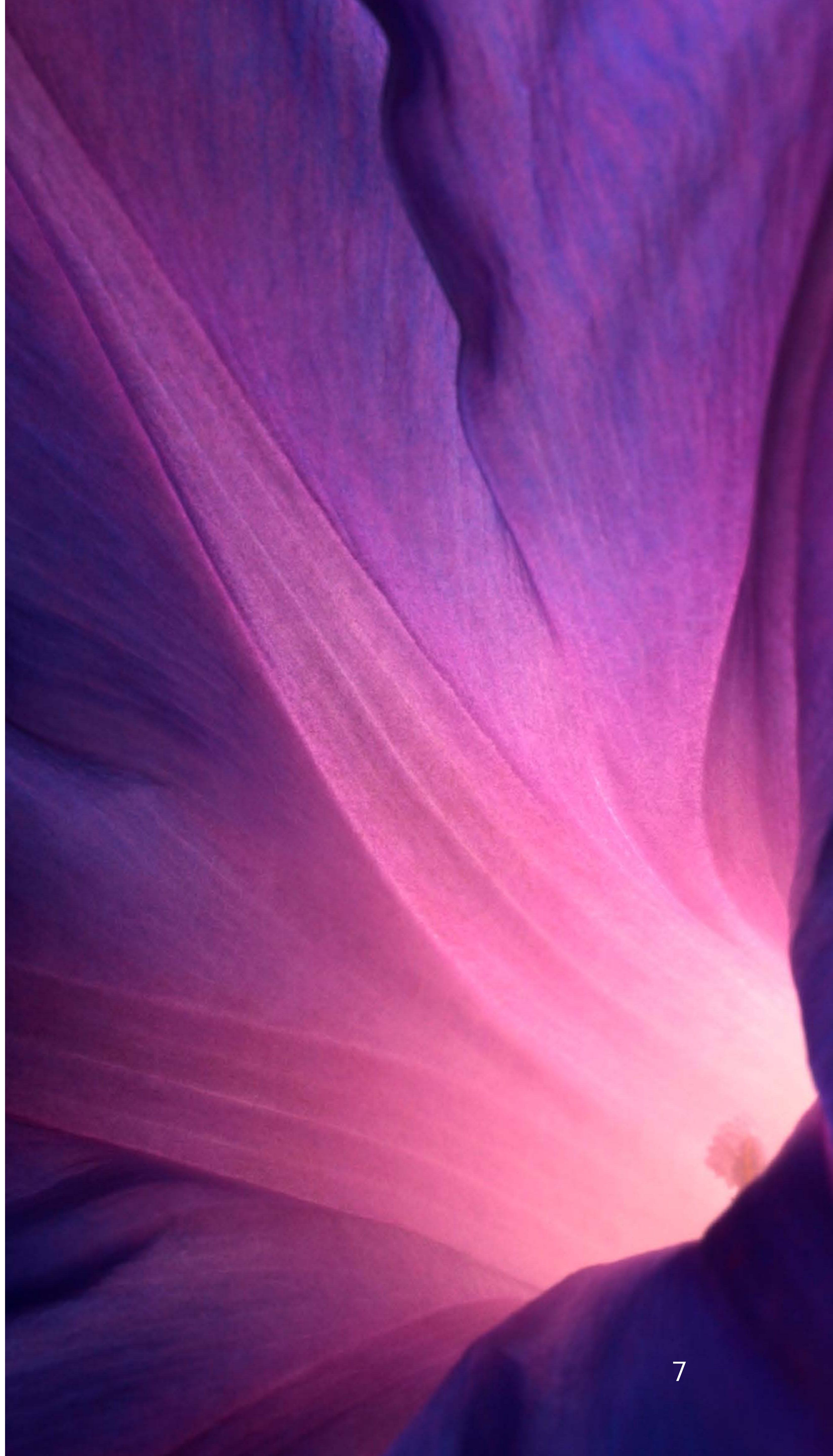


*Respondents asked to select up to three factors

Fintechs appear to be responsive to clients' priorities—most have gone to market with products and services that offer intuitive capabilities and user experiences for everything from digitizing paper invoices to automating cash application processes and providing real-time cash flow visibility.

The fintech model could bring disruption in two ways

Fintechs do not yet appear to be an existential threat to banks' treasury management businesses (and many see the bank channel / partnership as an avenue to growth); however, they do impact the upside through commoditization and disintermediation. Further, competitor adoption of fintech models has the potential to shift share across the bank and fintech ecosystem. To move beyond legacy approaches and position for the upside, leading banks are carefully considering how to enhance their platforms—whether that's by building, acquiring or partnering. The aim is to serve a wider customer base—beyond just their traditional relationship clients—while defending existing fees and customer relationships.



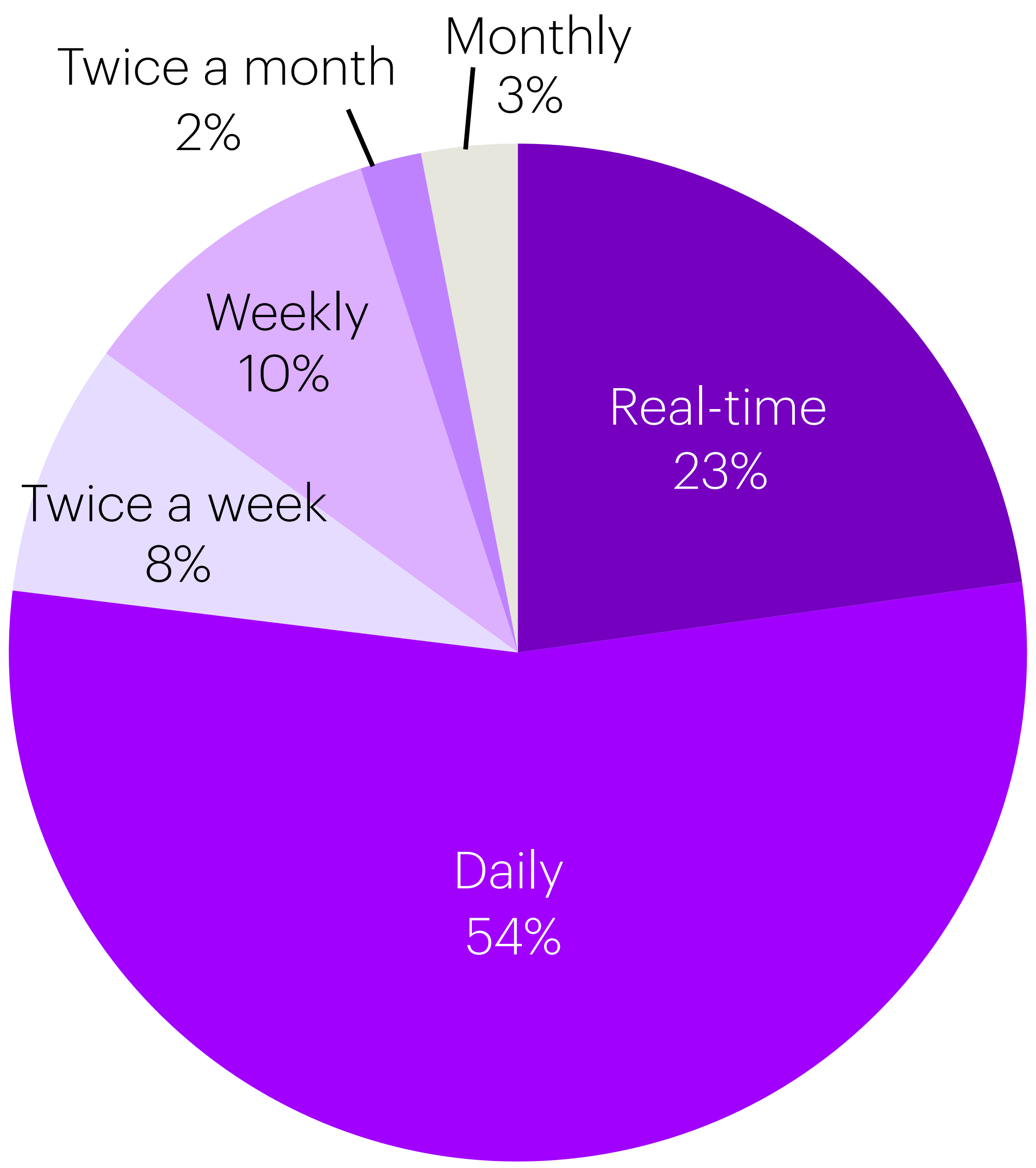
New customer demands come to the fore

Our survey highlights how the expectations of commercial banking clients are evolving in the age of the connected consumer.

The experiences treasurers and other finance professionals have as consumers are reshaping their expectations of the services and systems they use at work. As an Apple card user, a treasurer sees the cash he or she has earned back every day after all transactions have been settled.

But when it comes to their commercial card, they may only see the rebate the company has earned each month, quarter or even year. They know that having access to that information could inform strategic budgeting and planning, ultimately improving their organization's bottom line. Banks are thus under pressure to keep up with bigtech and fintech innovations in the B2B and B2C sectors.

Figure 2: How fast payables and receivables data is presented to US companies



99%

Nearly every leader we surveyed said it's important that real-time processes and operations inform better business decisions[2].

But are they adopting and scaling fast enough? Just 16% of respondents said that more than 80% of their current finance processes and operations are real-time.

Finance leaders across different industries and segments expect this number to increase significantly—44% of respondents expect more than 90% of their finance processes and operations to be real-time within three years.

One-size-fits-all no longer fits

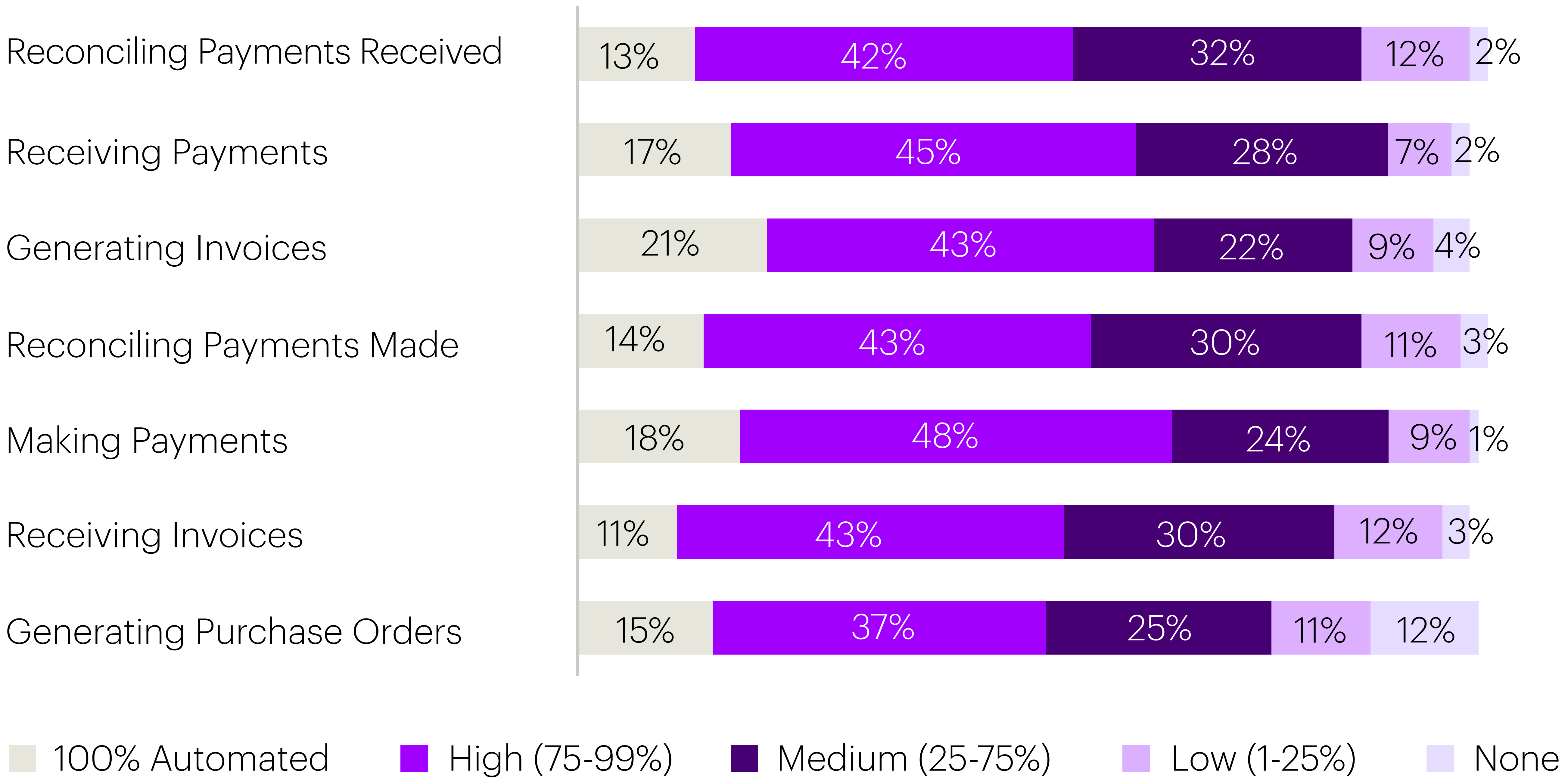
As treasury management functions become more strategic and expectations around data visibility and digital access rise, a one-size-fits-all approach no longer seems feasible. Banks will need to offer products and services that resonate with diverse audiences.

Organizations with a small treasury team, for example, may seek a solution that offers a single point of access to manage all treasury and adjacent financial activity. A bank that provides a single solution offering procure-to-pay and order-to-cash processes as well as visibility of the cash position will satisfy most of the customer's needs. For companies with a larger treasury management function, however, interoperability between multiple systems, consistency of data and omni-channel delivery are critical priorities.

Levels of automation vary between companies

The products and services companies are interested in depends significantly on their level of process automation. By enabling higher levels of automation for treasury functions, banks can help their commercial customers contain the cost of treasury operations even as cash management becomes more of a focus. Few organizations have fully automated procure-to-pay and order-to-cash processes, and real-time data visibility is still rare. Newer technologies—primarily brought to market by fintechs—and more flexible corporate tools make it more feasible for banks to offer these capabilities. This provides an opportunity to further improve these processes for their corporate customers.

Figure 3: Levels of automation of core treasury processes



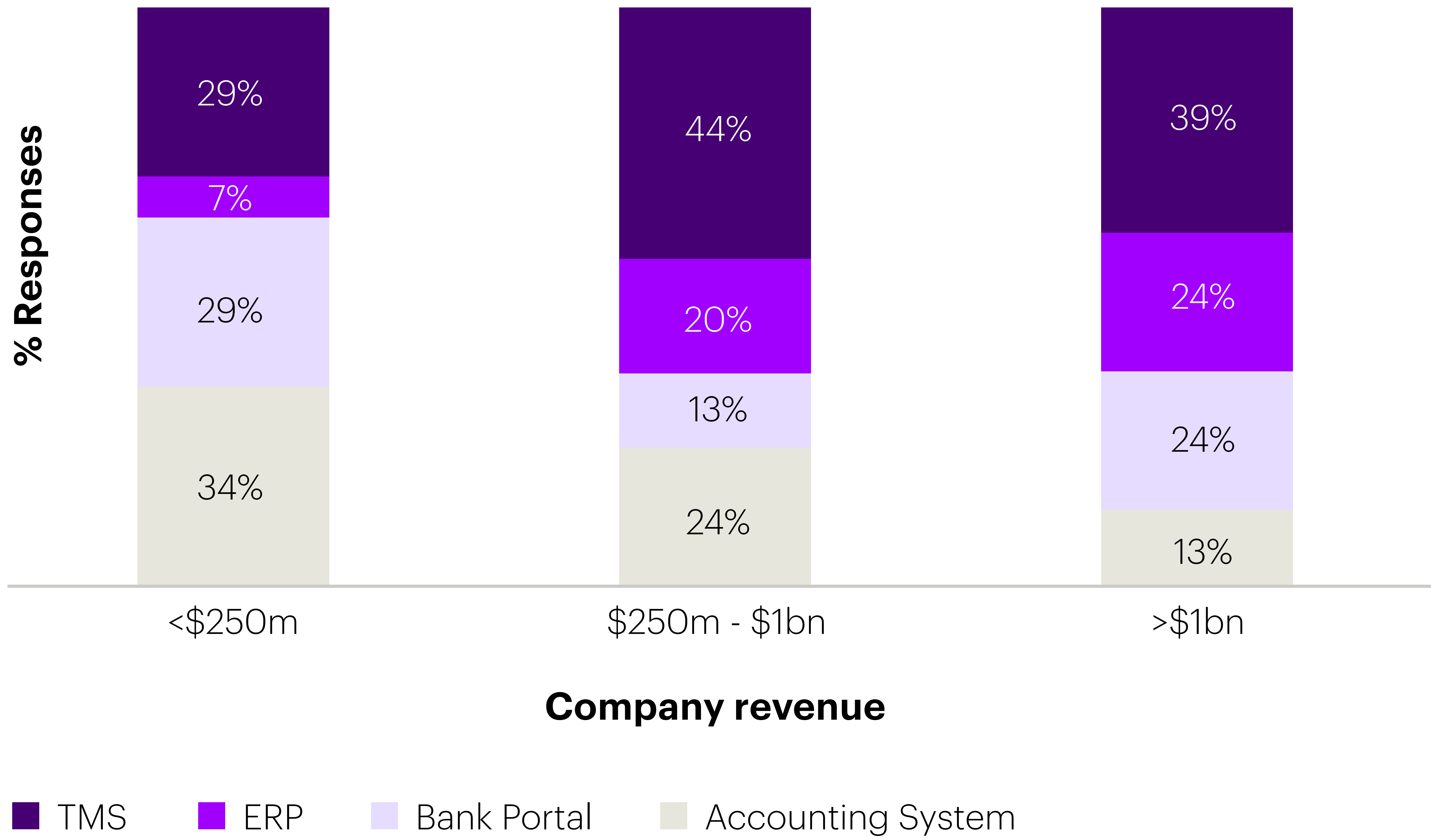
Percentages may not sum to 100 due to rounding.

Catering for customers' technology choices

When evaluating delivery options, banks should also consider which systems customers use today. Smaller organizations in our survey prefer accounting systems and bank portals, while larger organizations may view their cash positions in TMS and ERP systems. There is, however, no single option that dominates in any segment of the market.

Customer demand is skyrocketing for capabilities that simplify, centralize, automate, and streamline experiences across different systems. As such, leading banks are beginning to offer omnichannel treasury management functionality that can glean data and insights from a variety of connected systems and interactions.

Figure 4: The systems organizations prefer to use to manage their cash flow

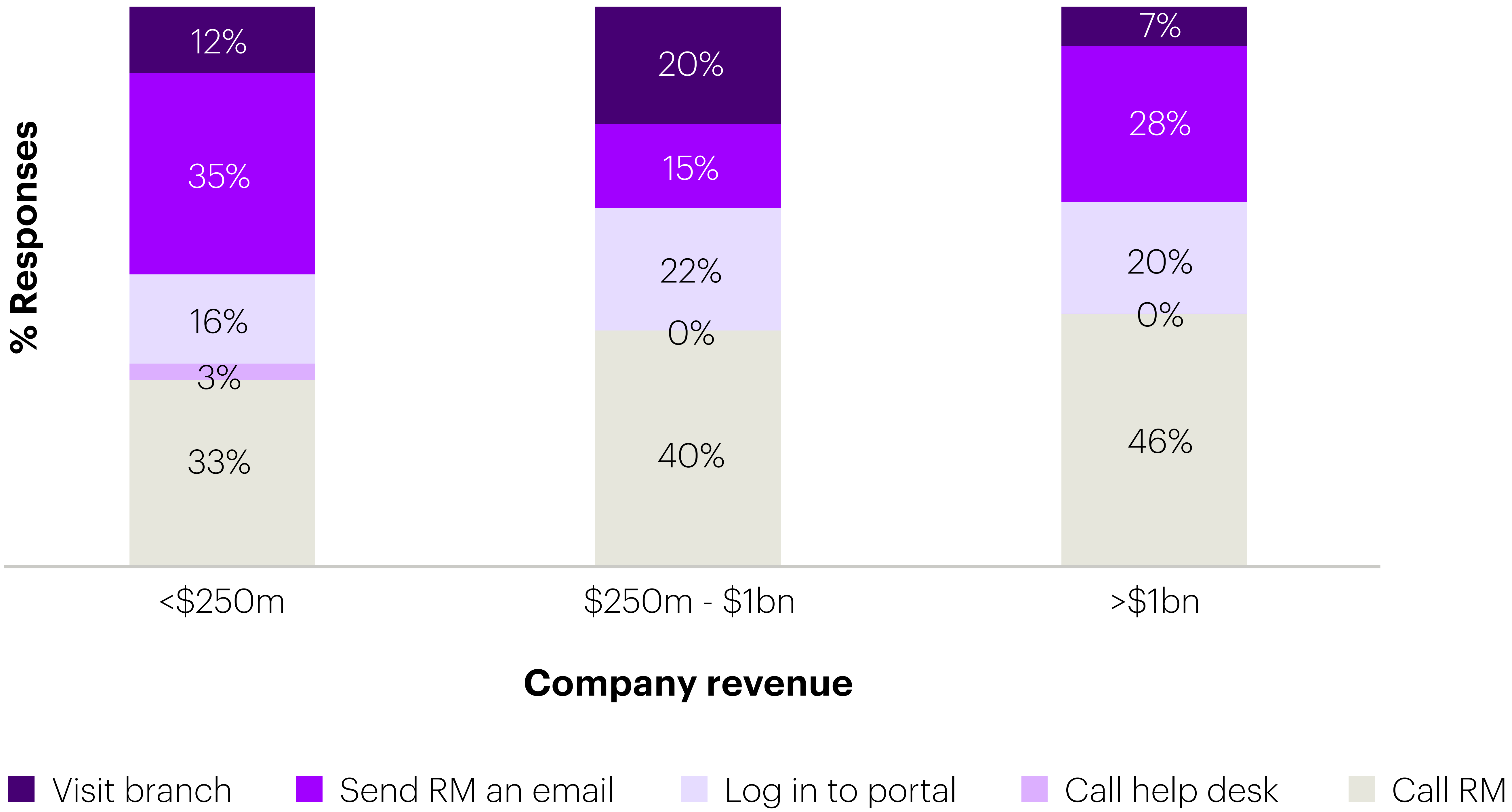


Percentages may not sum to 100 due to rounding.

Complementing digital functionality with a human touch

When designing treasury management products and services, forward-thinking banks will consider how corporate customers prefer to engage with them. Most organizations would like to reduce the number of transactional in-person meetings. However, they value the ability to call or email a relationship manager. As treasury management providers build out digital capabilities, it is important to complement the functionality with the human touch throughout the journey.

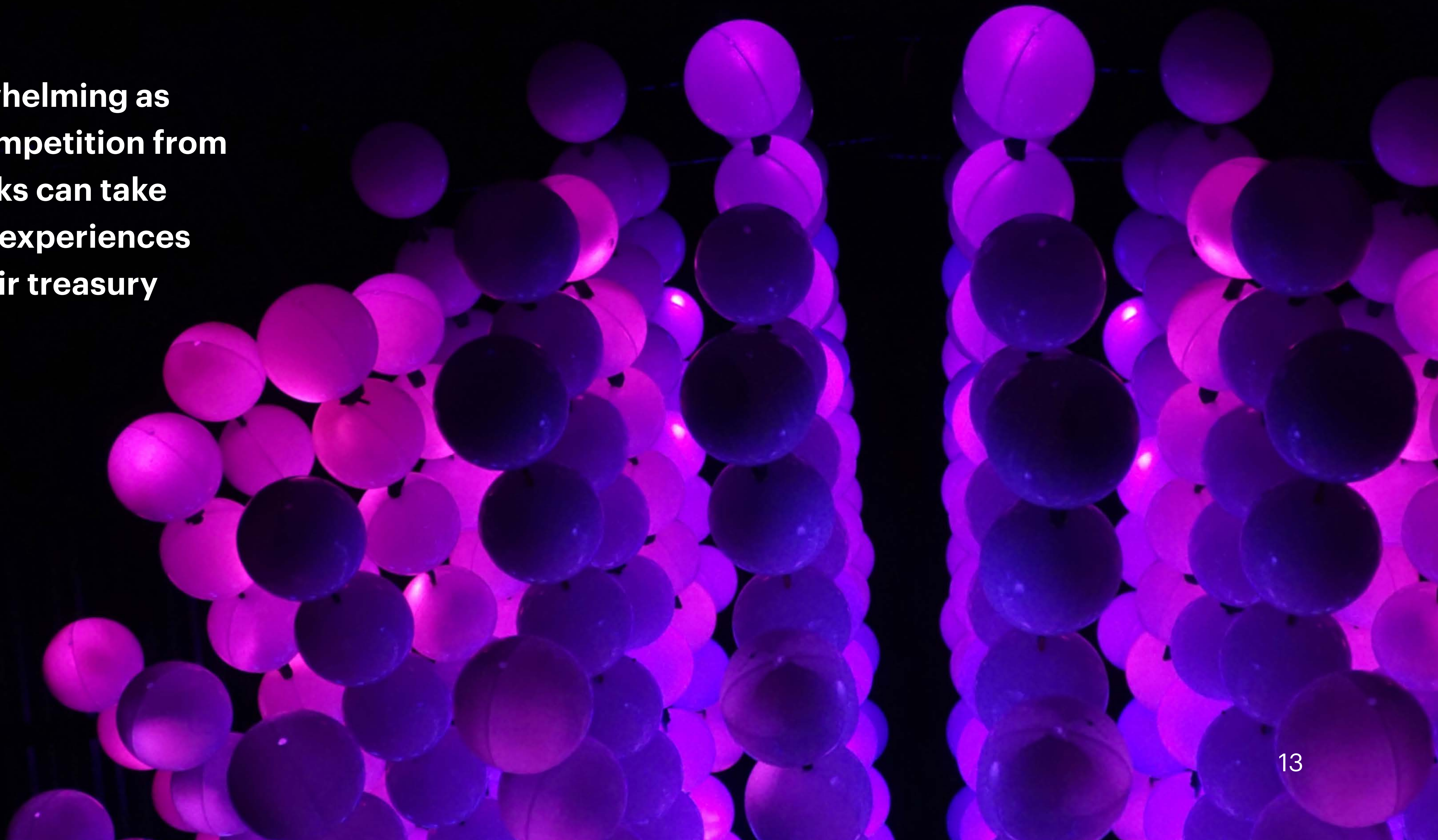
Figure 5: How organizations prefer to engage with treasury management providers



Percentages may not sum to 100 due to rounding.

What can banks do to win in a changing treasury management market?

Determining actionable next steps may seem overwhelming as banks face new customer demands and tougher competition from fintechs. We have identified immediate actions banks can take to optimize their customers' treasury management experiences in an evolving market—and safeguard and grow their treasury management business.



What can banks do to win in a changing treasury management market?

1 Flex offerings and experiences to customer needs

Do customers prefer to manage their treasury services in their ERP system, another third-party system, or their treasury management portal? Are they taking advantage of and using all the services available to them? How do they prefer to interface with the bank? These are questions every bank should consider as it develops new treasury management products and services.

The answers are rarely exactly the same, even across customers that operate in the same industry or have similar headcounts or comparable revenues. Leading banks will provide modular offerings that can be efficiently tailored to individual customer needs.

For customers that want to handle everything within their own internal systems, banks are beginning to offer robust APIs and simple integration with third-party systems. Other organizations will be content working in a bank-branded treasury workstation. Banks should look at how they can most efficiently reach different user profiles in their preferred environments. Options include plugging into fintech platforms, leveraging other back-end financial system offerings, or providing customers with direct access to their capabilities through internal portals.

2 Focus on an ecosystem of services

Banks can protect their offerings and services from commoditization by focusing on customer value. As CFOs and treasury managers prioritize the delivery of value to the business rather than simply keeping the lights on, the data available within the channels and services facilitated by the bank becomes the most important component of their offering. The ability to provide real-time data—payables, receivables, cash flow positions—and tools to manipulate that data can be a significant differentiator for a treasury management provider.

Banks could also leverage the wealth of data at their fingertips—such as card spending, foreign exchange transactions and payment processing patterns—to differentiate their product offerings and enrich historical transaction data with insights customers can leverage to make strategic operating decisions.

Figure 6: Companies' perceptions of the potential new benefits of treasury management services

	Benefit	Extremely Beneficial	Beneficial
01	Real-time visibility into AP and AR	41%	34%
02	Single portal for all cash flows	35%	37%
03	Advanced data analytics tools	30%	37%
04	Cash flow forecasting tools	31%	35%
05	API enablement (e.g. BaaP, BaaS)	20%	34%

Extremely Beneficial / Beneficial

More than 50% of companies in our survey see value-added services associated with data as beneficial. They particularly value the ability to gain real-time visibility into payables and receivables. Banks that provide that in a single place will have an edge, particularly if they can offer cash flow forecasting tools and advanced data analytics tools to allow companies to drive the maximum value from the available data.

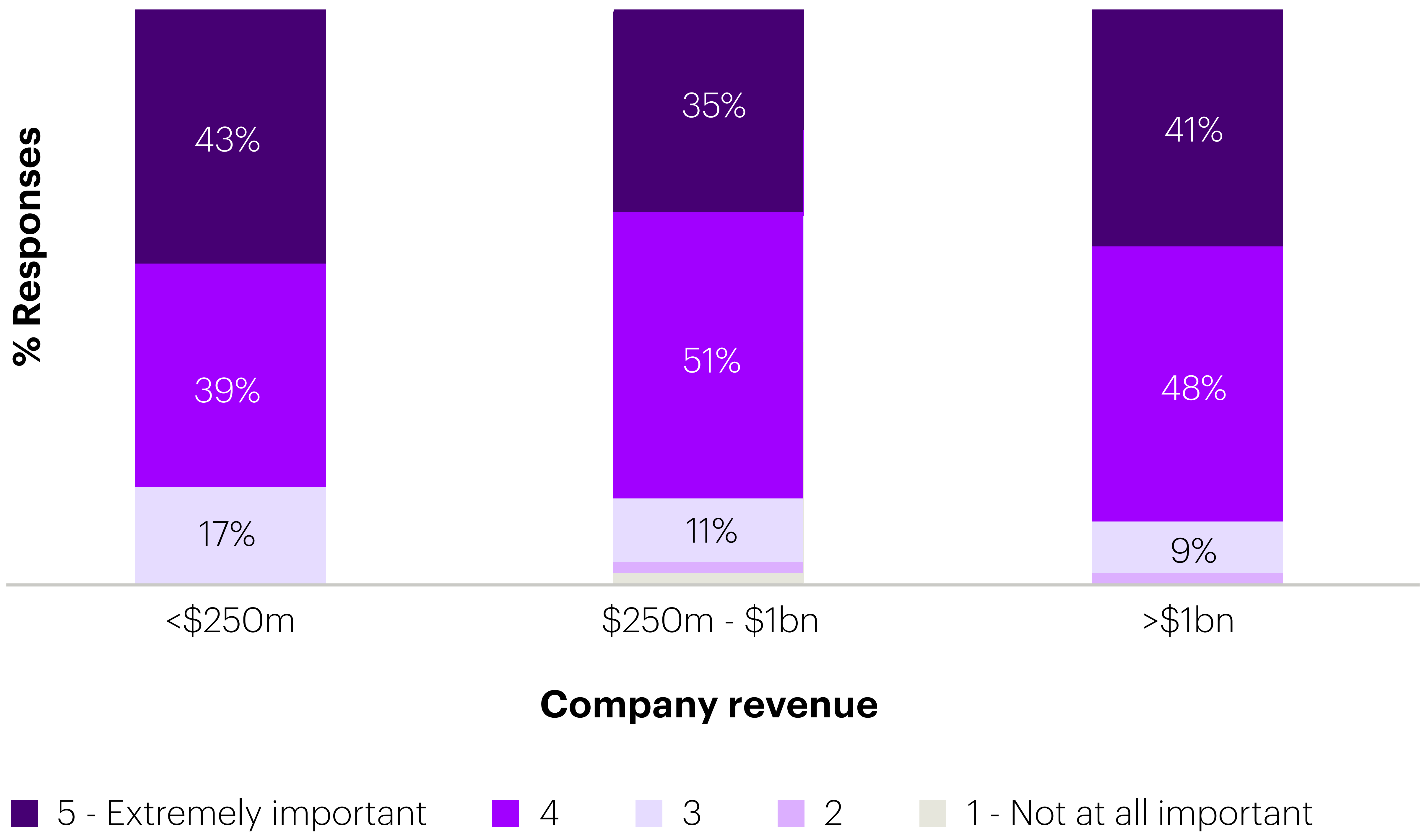
Robust connectivity is a way to deliver new experiences. Banks could seek to provide all these capabilities within their own portal or they could build APIs to deliver the capabilities into customers' systems of choice. The API route may force the bank to cede some control to other providers, but it could also be a way for the bank to highlight the rich capabilities it can offer.

3 Create a 360° view of the customer and closed-loop for pricing

Value-added services represent only part of the story. Pricing structure and transparency are critical to winning in treasury management (cost is the primary reason organizations cite for considering switching to a fintech provider).

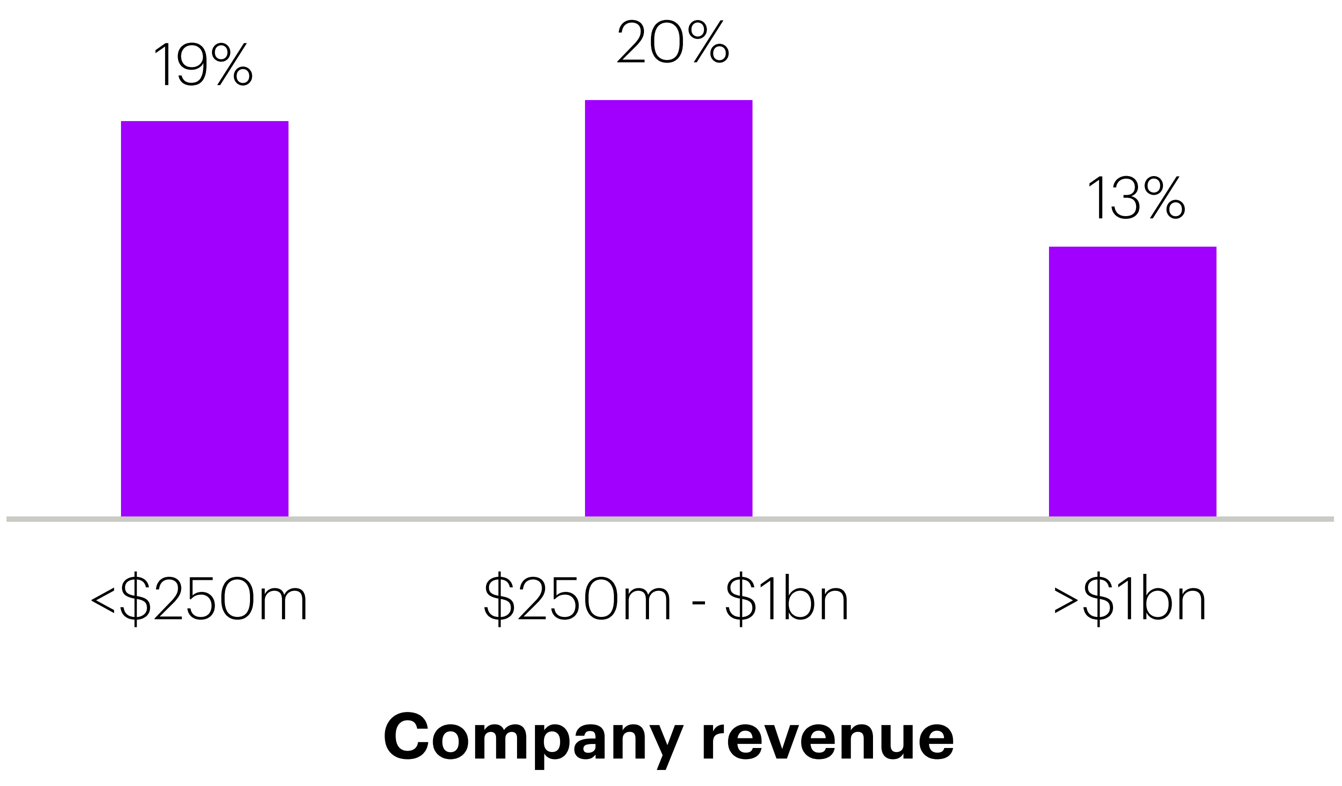
Not all customers are satisfied with the pricing they receive from their treasury management providers. Just 18% say their provider always considers their holistic relationship when pricing treasury services. That figure falls to 13% for organizations with $1 billion or more in revenue, where a deeper relationship likely exists.

Figure 7: Pricing structure and transparency matters to treasury management customers



Percentages may not sum to 100 due to rounding.

Figure 8: Few companies believe their treasury management provider always considers their whole relationship with pricing its services



"9 out of 10 respondents consider pricing structure and transparency as important or extremely important, although only 1 in 5 respondents believes their treasury management provider considers their whole relationship when pricing treasury management products and services. Our research indicates that transforming pricing strategy is paramount to winning new customers and, absent change, the customer acquisition battleground will be ceded to more nimble fintech providers and banks that prioritize modern pricing strategies."

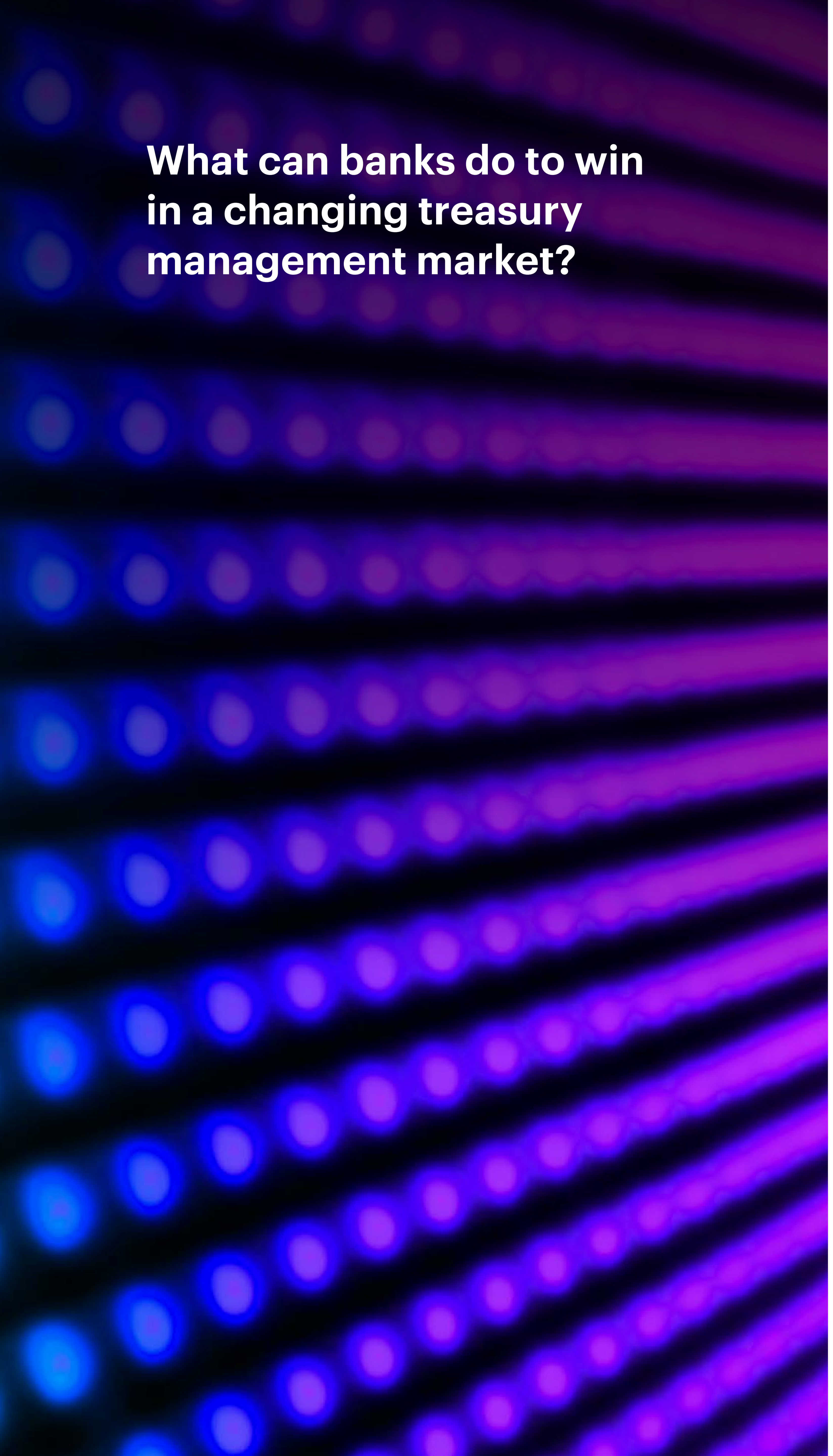
Jared Rorrer
Managing Director – Global Commercial Banking Lead, Accenture

This represents an opportunity for banks to be more transparent when pricing products and services and to delineate any discounts or special offers they provide to customers by virtue of the existing relationship.

For example, showing a customer the pricing for all products and services it uses and—for some banks—highlighting deviations from the average can demonstrate how important the bank considers its overall relationship with the customer.

Leading banks may look to moving from granular strategies that involve reviews of a library of 500 or more billing codes, towards simplification and customer-value-oriented bundling. Highlighting pricing differences to streamline the experience and provide more visibility could be an effective strategy for banks seeking to showcase their competitive pricing.

Other banks, meanwhile, may look for opportunities to quantify the value of their relationship. By combining data from the bank, the market and the client's operations they could produce tailored estimates of process savings and value generated.



4 It's still a people business – empower treasury management talent

Eight in ten survey respondents cite a preference for human engagement when establishing new and maintaining existing treasury solutions. To ensure these interactions are fruitful, banks should empower their people to retain and grow existing relationships. Automating redundant processes and equipping sales personnel with data-driven insights to inform customer recommendations are critical.

Banks should also eliminate duplicated roles and enable parallel workflows as part of a move towards analytics-led deal teams and advisory-driven relationships, supported by optimized workflows.

Winning in a fast-changing market

There is no single way to win in treasury management. Treasury management providers will achieve the best results by tailoring their strategies to their current capabilities, customer base and goals, recognizing that they need to offer multi-dimensional offerings to cater to a diverse market.

Banks have no time to lose in sharpening their competitive edge in a market that is changing at high speed.

For most banks, providing tailored experiences, focusing on their platform of services, establishing ecosystem partnerships, optimizing pricing strategies, and empowering client-facing talent will all be effective approaches to driving more treasury management business and ensuring that corporate customers are satisfied with their offerings.

How Accenture can help

Accenture delivers on the promise of technology and human ingenuity to realize the 360° value potential of your treasury management practice. By providing the innovation and strategic delivery you need, we can help you automate and optimize your end-to-end treasury management model, from the initial sale and onboarding through to implementation and ongoing customer engagement whether B2B or B2B2X.

Our treasury management services are built on a deep understanding of commercial clients and leading practices to serve them. This enables us to support your transformation priorities, whether they are strategic differentiation, product strategy, digital channels, growth or cost reduction.

With our proprietary accelerators, we can fast-track your transformation program. Our unique data about commercial customers and our proven artificial intelligence capabilities, meanwhile, help you to gain valuable, timely insights into operations, customers and markets—and empower your teams to execute your vision.

Authors

Timothy B. O'Donnell
Managing Director – Consulting, Banking

Jake Horne
Director – Consulting, Banking

Brian Rutland
Director – Strategy, Banking

Tom Skomba
Director – Strategy, Banking

Contact

Margaret Weichert
Managing Director, North American Payments Lead

Jared Rorrer
Managing Director, Global Commercial Banking Lead

References

1. Silicon Valley Bank: State of FinTech, 2021.

2. newsroom.accenture.com/news/cfos-need-greater-real-time-data-to-pivot-from-measuring-to-creating-value-amid-covid-19-accenture-report-finds.htm

About Accenture

Accenture is a global professional services company with leading capabilities in digital, cloud and security. Combining unmatched experience and specialized skills across more than 40 industries, we offer Strategy and Consulting, Technology and Operations services and Accenture Song—all powered by the world's largest network of Advanced Technology and Intelligent Operations centers. Our 710,000 people deliver on the promise of technology and human ingenuity every day, serving clients in more than 120 countries. We embrace the power of change to create value and shared success for our clients, people, shareholders, partners and communities. Visit us at www.accenture.com.

220188