Treasury Trends

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Be bold — if you don't ask, you don't get

At a Virtual Experience session run by the Association of Financial Professionals in the US late last year it was proposed that organisations *"should not hesitate to ask (your) banks for information about their fees … and even ways to lower them. They'll respect you for it."*

Our experience within our Money Streamlining service is that banks typically do appreciate the opportunity to 'partner' with customers in the areas of cash and liquidity management, payment and receipting channels, account structuring, etc. — even if they are not universally ecstatic about lowering their own fees. That said, a good review process will look more broadly at the solutions and processes — and not simply focus on fees. Refocussing the outcomes on efficiency and effectiveness will reduce the drive for an extra cent or two reduction on electronic payments for example but there should be no shame in asking, or offence taken at being asked, around pricing being 'right'.

Key Points

- **It is always a good time to review your transactional banking, and cash and liquidity management — but do it in an orderly fashion**
- **Tenders are not for the faint-hearted, a formal review may achieve better outcomes — for all**
- **Technology and digital solutions are supporting good treasury, and good business. Open banking requires an open mind**
- **Recognise the strategic value of the right banking partner**

Behove …

In this year's Cash Management Conference run by the UK's Association of Corporate Treasurers, Caroline Stockman and Karen Braithwaite offered up some key trends to be mindful of, not just because of the obvious benefits but also because they will become the benchmarks of good treasury. Such trends or themes are relevant wherever your treasury function operates from, how big or complex it is, and whatever business you are in.

1. **Faster access to cash visibility.** Management teams and boards are demanding more and faster access to data on organisations' cash positions — feeding into a renewed appreciation of the central role treasury plays and drives technology adoption.
2. **Increased adoption of treasury technology.** Adoption rates of digital solutions has grown significantly (e.g. host to host connectivity).
3. **Accelerating the move away from manual processes.** This is all good news since a well-optimised treasury infrastructure frees up treasurers and financial managers to devote their time to more strategic inputs including business partnering.
4. **Looking to co-create treasury technology solutions.** Banks, treasurers and fintechs are increasingly working together to define challenges more precisely and to make solutions fit for purpose. There is recognition that each party has a specialism and perspective to contribute and that collaboration drives better solutions all round.

Be kind …

What banks need is clear direction. What is it you want of a bank? If it is simply the lowest price, be upfront and state that. More often than not, and particularly in the work we have been engaged in, pricing is 'one of' the evaluation criteria — as distinct from being 'the' determining factor. To be able to articulate what you want, you first need to know what you do, how you do it, why, by whom, when, etc. Building the story from the current position to the ideal position will help any bank develop an appropriate transition or implementation plan — in many cases this can occur with the incumbent.

Begin …

To set the scene, or to establish the starting point, we recommend holding a series of short interviews with the likes of the Treasurer, Financial Controller, AP/AR, Reconciliations Team, supported by a brief but strategic overview by the CFO or CEO. These sessions will help to outline the current processes as well as what is required. Completing the picture with a total dollar spend normally adds a level of complexity but sets the scene in terms of materiality. Whilst a single fee statement has been on the road map at banks for many years, being able to identify a single total for bank fees, margins, commissions, merchant service fees and the basis of those merchant fees, can be a very time consuming and complex task. Our team

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drills down to each payment/receipting channel, working from bank statements and schedules to confirm a dollar number — from which decisions to progress can be made.

In many cases, this collation of data and detailing of products, solutions and processes employed can be eye-opening in itself. We continue to uncover bank accounts surplus to requirements, terminals locked away in cupboards, authorisation tokens left in drawers of ex-employees, inefficient cash management practices (e.g. manual rather than automated), pages of unreconciled items, and so on. More frustrating, is if there has not been regular dialogue between the customer and the bank — increasing the chances of outdated banking solutions being in place. Is this the fault of the bank? Or the customer?

The point is that banking is undergoing huge change and — not least as the result of COVID-19 lockdowns — at a staggering pace in terms of technology. Banks are keen to engage with customers in the transactional banking space. It supports the wider ROI targets as it does not require capital to be applied. And, treasury surveys over multiple years, show that corporates and other organisations view their transactional banker as their 'main' bank — even if others provide debt, or more debt, or other services. As such, having the right fit and size for your transactional banking is of mutual benefit — you get what you want and need, the bank strengthens its relationship and will be seen as a value adding partner.

Be fair ...

A full tender is not for the faint-hearted. It takes time and effort. If a price check is all that is needed, there are more efficient ways to achieve this. A tender needs to be something that any bank can win. Banks will respond best if the opportunity is genuine — and have to be afforded an equal chance to assess and challenge the information presented, (ideally) get some face to face exposure with the tendering party and have workable time to compile their response.

A good review or tender will achieve a number of key operational and strategic objectives:

- Clarify what you do and why, and highlight efficiency or control gaps, as well as understanding your own value to a bank
- Provide opportunity to engage (or re-engage) fully with the right banking partner
- Support best in class supplier or customer experience objectives
- Give comfort that you operate at 2021 levels, for product use, solutions, technology, servicing and pricing.

Beware ...

In an age when discussion inevitably turns to fintech, open banking, APIs, etc, organisations also need to be aware of 'best match' services from non-banks too. Whilst banks continue to provide core services, areas such as cheque processing, card solutions, merchant gateways and acquiring, buy now pay later schemes and robotic process automation ("RPA") are available from beyond the traditional sources. For example, for those that expect to continue receiving cheques in years to come (particularly from overseas), non-bank options will be the only likely source of service. Ensuring that such services are compatible with your own needs, or having to amend your own processes to accommodate new offerings, backed by appropriate pricing, controls, reporting and governance, will have to be worked through. Likely, sooner rather than later.

Be prepared ...

A good plan takes time. COVID-19 has seen treasury ramp up its presence in strategic thinking. Areas such as knowing where cash is, who controls it, the accuracy of forecasting along with the whole liquidity and working capital management piece, have all had to be better resourced. All such issues have been fundamental to 'good' treasury forever — but there is nothing better than a good crisis to attract attention.

For the treasury fraternity, it is time to lock in the gains — and continue to build momentum — showcasing its value to business generally. Avoid being the afterthought — the function advised (often) late in the play as to funding, cash or other banking needs — forced to manage reactively rather than proactively, i.e. with little time to plan strategically.

Know what you want to do, can do, with whom, etc. Be inquisitive, be informed, be prepared. It always pays to have a Plan 'Be...'

Please speak with us if you would like to discuss an appropriate operational and/or governance review process for your transactional banking, and cash and liquidity management.

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