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The Data Benefits of Treasury Management Systems

From Fifth Third Bank

Treasury departments are becoming data-centric hubs, analyzing payments data to find competitive insights, improve liquidity and gain more accurate cash flow forecasts.

The forces of disruption in the past year are causing a sea of change in the way corporations are running their treasury operations. At the beginning of 2020, "the check's

in the mail" was still a statement that rang true for a large swath of Corporate America, with about 42% of companies still utilizing checks for B2B transactions.

Companies with automatic accounts payable and accounts receivable processes were ready to accommodate the sudden acceleration of digital transformation across markets and industries brought on by the pandemic. Because they had treasury management systems (TMS) with automated tools at the ready, they easily accommodated the proliferation of different digital payment systems in the past year, as consumers pivoted en masse to online shopping.

Now latecomers to electronic payments and automated treasury operations are rushing to adopt TMS platforms. A survey of 250 corporations in early 2021 revealed a 49% growth rate in the number of companies expecting to adopt a TMS in the next two years. "What the pandemic has given our treasury clients is the clear use case they didn't have before, showing how the benefits of managed services outweighs the cost of implementation," says Laura Listwan, Senior Vice President, Head of Commercial Payments Products at Fifth Third Bank.

Not only do managed service platforms provide machine-learning powered tools, they also provide the foundation for the next round of disruption at their door: data analytics. Advances in artificial intelligence, machine learning and cloud computing—technologies harnessed by TMS solutions—means treasurers can automate reconciliations, sweep up excess balances and invest in money market funds, and enable far faster and more accurate cash flow forecasts.

Now treasury departments are gearing up for the next round of innovation, which will help them analyze their payments to find competitive insights.

"Businesses had to react very fast to the disruption in 2020, but the stakes are even higher in 2021 and beyond," says Listwan. "For decades treasurers have been sitting on mountains of data, without a way to access it. Now they can analyze payables and receivables to reveal patterns of customer behavior and business performance to gain a competitive edge."

Filling the Data Gap

Becoming a data-driven treasury department doesn't happen overnight, and can take years in some cases, given the complexity of technology and skills required. According to the Association of Financial Professional's Digital Transformation of Treasury report, treasurers' use of cloud storage, Software as a Service, AI and other technologies has tended to lag enterprise-wide use.

Part of the problem, says Listwan, is that apart from the largest corporations, many companies don't typically have the data infrastructure or skilled labor needed to link disparate data sources and rationalize data into meaningful data sets. "Large institutions can build their own data infrastructure enabling technology, and hire the data scientists and so on, but this isn't often an option for smaller companies."
Fifth Third is planning to fill the data skills and technology gap for middle market companies by adding data analytics capabilities to its treasury management services platforms.

"Our managed services offering already provides powerful Expert AR and Expert AP tools that use machine learning to speed reconciliations and manage liquidity, so adding data analytics to our products is a natural evolution," says Listwan. "We already see all of our clients' receivables, so we can use our analytics teams to find patterns in their data and offer actionable insights."

The number of ways data can be utilized are countless. But here are some of the more common reasons treasurers are becoming more data-driven:

- *Better Cash Flow Forecasting and Stress Testing*

  The number of crises and periods of heightened volatility companies have endured since the 2008 financial crisis has complicated the strategy of basing business decisions on historical data. Risk management now has to be more proactive and forward-thinking. Predictive rather than historical analysis is now being developed by treasury departments, which can access internal and external databases and stress test their access to liquidity under different scenarios. This way the

organization can be better prepared for another crisis, thrive after conducting a transformative merger or acquisition, or any other business scenario.

Real time cash flow dashboards are replacing the quarterly cash reports treasurers provided the C-suite before access to data. More timely identification, measurement and understanding of key liquidity drivers are helping corporations manage liquidity.

- *Spotting Payment Challenges*

  Data analytics can make it easier to uncover and resolve discrepancies, such as customers struggling to pay on time, or detect a store that's starting to see sales drop off.

  "Once you've detected a problem at the payments or cash flow level, other lines of business can be put into action by having the AI system send automated emails to representatives," says Listwan. "It could be that a store is seeing sales drop because there's construction in the area. Marketing could then be targeted to that area to boost traffic."

- *Finding Potential Opportunities*

  The same process can potentially unearth business opportunities. Data analytics can be as broad or as granular as a company needs. "This is just an example, but let's take a pizza franchise. It could home in on the fact that some neighborhoods generate more orders for pepperoni and cheese on certain days, and you could offer discounts on that pizza item on the other days to boost sales," says Listwan. "The treasury department could also conceivably analyze the data to detect whether the demand in a certain neighborhood warrants another store opening.

The key to unlocking your treasury data rests in having the computing infrastructure to properly manage data, especially when it is being supplied from a variety of sources within a business. The visibility treasury management services provide can make it easier for professionals to spot trends and tackle pitfalls before they become major financial obstacles—as well as find revenue-driving opportunities ahead of the competition.

To learn more about this and other treasury tools, contact Michael Moran or via phone at 847-418-3226.
