

Virginia Bankers Association

“Treasury Management Symposium”

September 13, 2022

Presented By:
Debra E. Knox, CCM

KNOX ADVISORS, LLC
TREASURY MANAGEMENT ADVISORY SERVICES
717.468.1227

Your Guide for Today Is

- Debra (Deb) Knox, CCM, Principal of Knox Advisors, LLC, a Treasury Management advisory firm
- Created Knox Advisors in March 2016 after many years of banking experience in both Treasury Management product development & sales*
- Focus on helping banks with B2B product delivery, business relationship building, product/process review/workflow, and TM education
- Virtual & in-person instructor for Pennsylvania Bankers Association, Virginia Bankers Association & the Atlantic Community Bankers Bank (ACBB)

**Can you identify my 1st year in banking? Dow closed above 1,000 for the 1st time, Watergate, gas was \$0.55/gallon, "The Godfather" premiered, Don McLean released an iconic song "American Pie"*

Let's Get Started – It's All About You 😊

Please tell us your name, your bank, your position & how long you have been engaging business clients.

Feel free to share your goal for today's session or any other tidbits that the group may benefit from.

Let's Get Started – Our Goals for Today

Join In, Share & Have Fun

Trends Shaping the
Payments Industry
Products, Competitors, &
Partnerships

Finding Your Treasury
Management Strategic
Course

What's Working in Your
Markets? Changing Goals?

Tomato vs Tomato



- Cash Management, Treasury Management, Commercial Payments, Business Solutions
- Lots of monikers for the suite of financial products designed to aid businesses and organizations in the collection, disbursement, and management of their funds.
- Many banks have migrated away from the term Cash Management to Treasury Management or Commercial Payments.
- Some use multiple terms based upon specific target markets. TM for larger businesses and Business Payment Solutions for smaller clients.
- For today's discussion, we will use the term Treasury Management.

How Did We Get Here?

The dinosaur known as the check would have been extinct years ago if remittance details supporting the payment would be more easily accessible

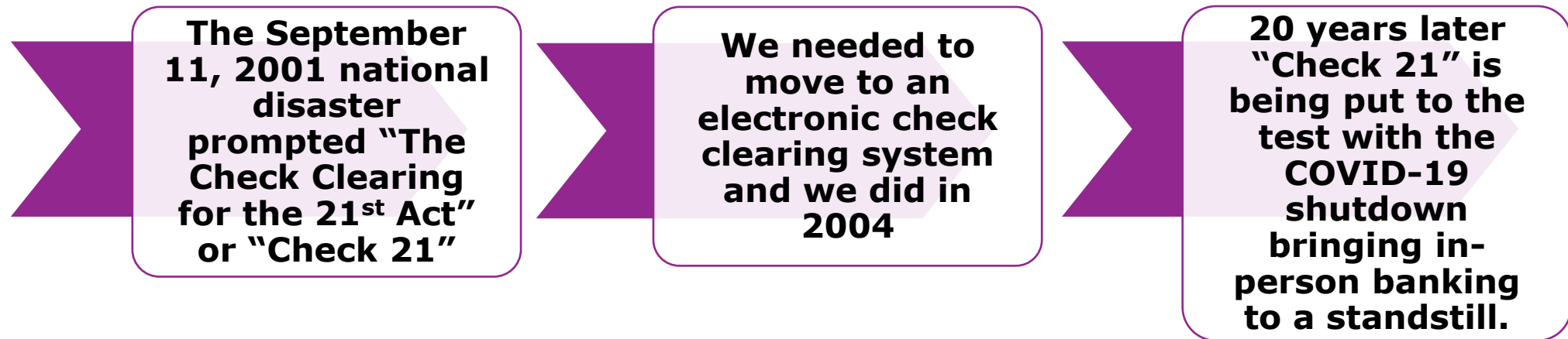
The introduction of Fintechs as an alternative payment provider has accelerated the movement to electronic payments

Artificial Intelligence (AI) is aiding in the processing of remittance details.

The cost savings between receiving a paper check (\$4.57)* & receiving an ACH (\$0.30) is too compelling to ignore

***Some sources cite paper check costs at \$20 or more**

How Did We Get Here?



With the genie out of the bottle on contactless payment preferences, it isn't likely to return to "normal"

“Treasury Management at a Crossroads”*

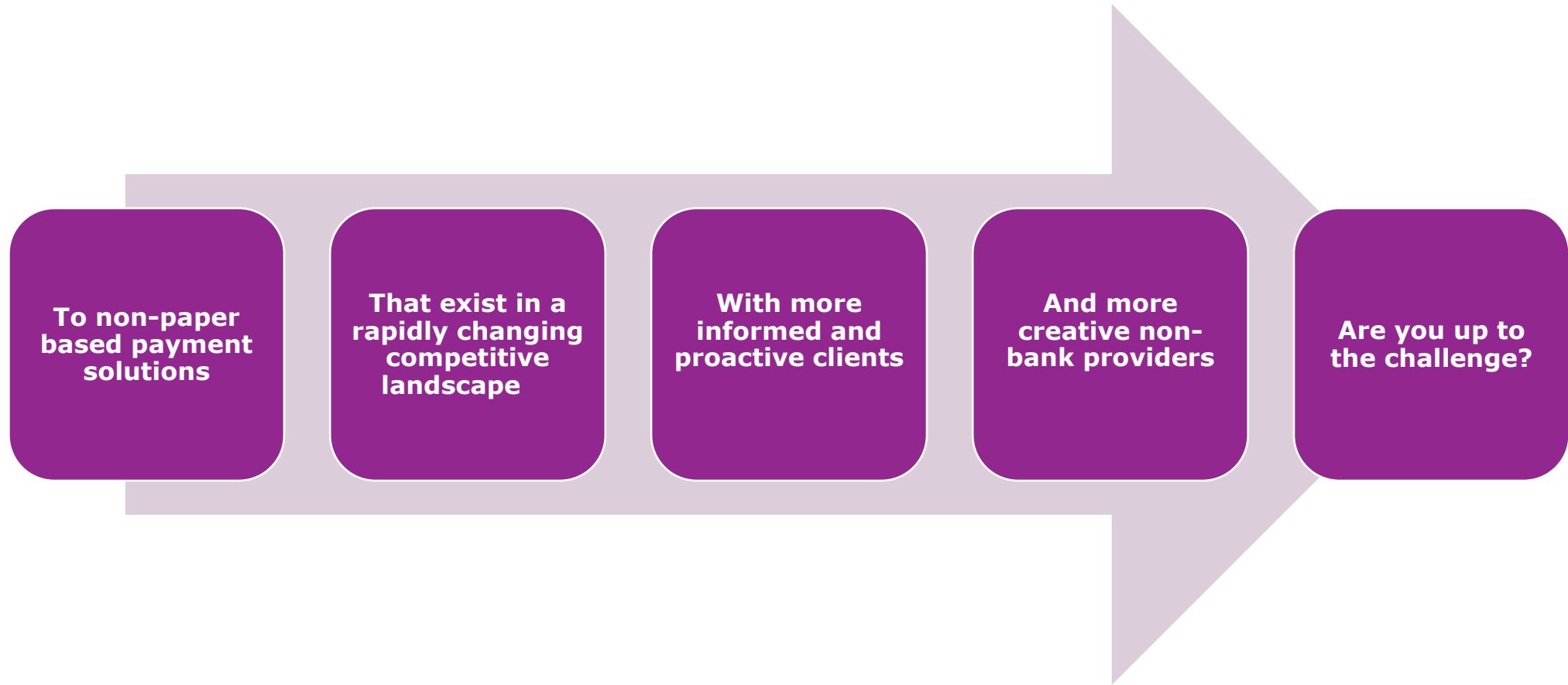
1/28/2020 –
*Webinar
conducted by
Deluxe Treasury
Advisory Services
and Capital
Performance
Group with results
of bank/corporate
survey

“Expectations are
being raised for
Treasury
Management as a
growth engine.
This is a change
from the old days
when TM was
looked at as a
support group”.

“You don’t get
commercial
deposits if you
don’t do Treasury”

“Today’s Treasury
is a self-sustaining
line of business
that is strategic
and generates
clients, deposits,
revenue and
value”

Where Are We Going?



Trending Payments & Solutions

Henry Ford was quoted as saying: "If I had asked people what they wanted, they would have said faster horses"

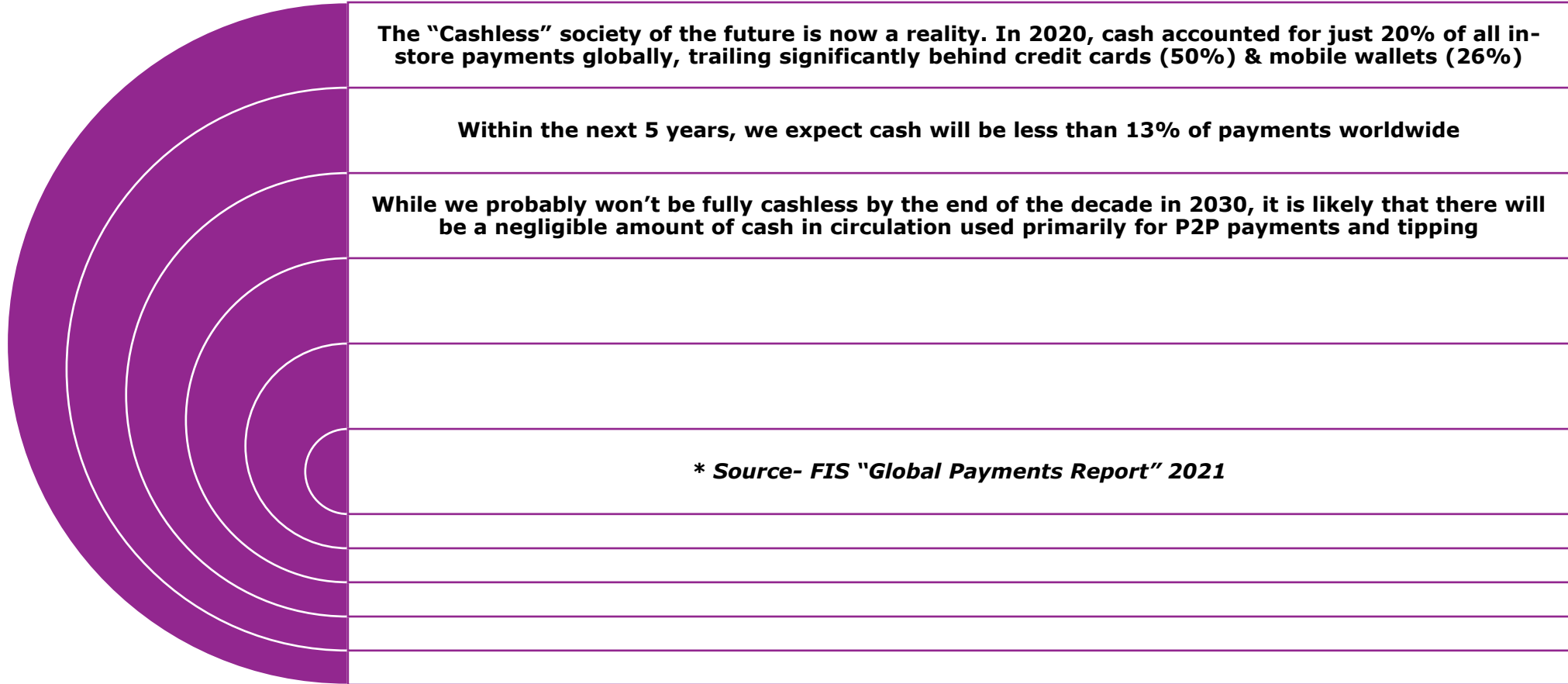
A faster horse may not be the answer. We need product alternatives that work for our specific markets.

Be aware of technology trends and solutions and align your organization with partners who share your vision and goals (you may even find yourself partnering with current competitors!) – Who knew!

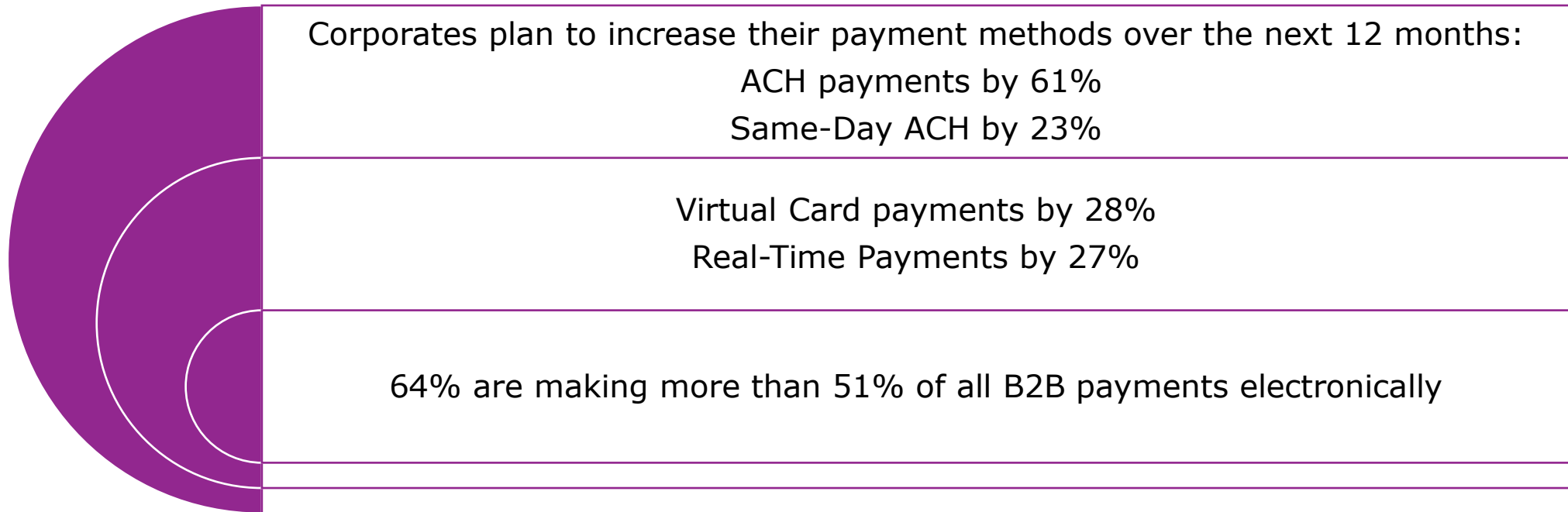
Another Henry Ford Quote:

“If you always do what you’ve always done,
you’ll always get what you’ve always got”

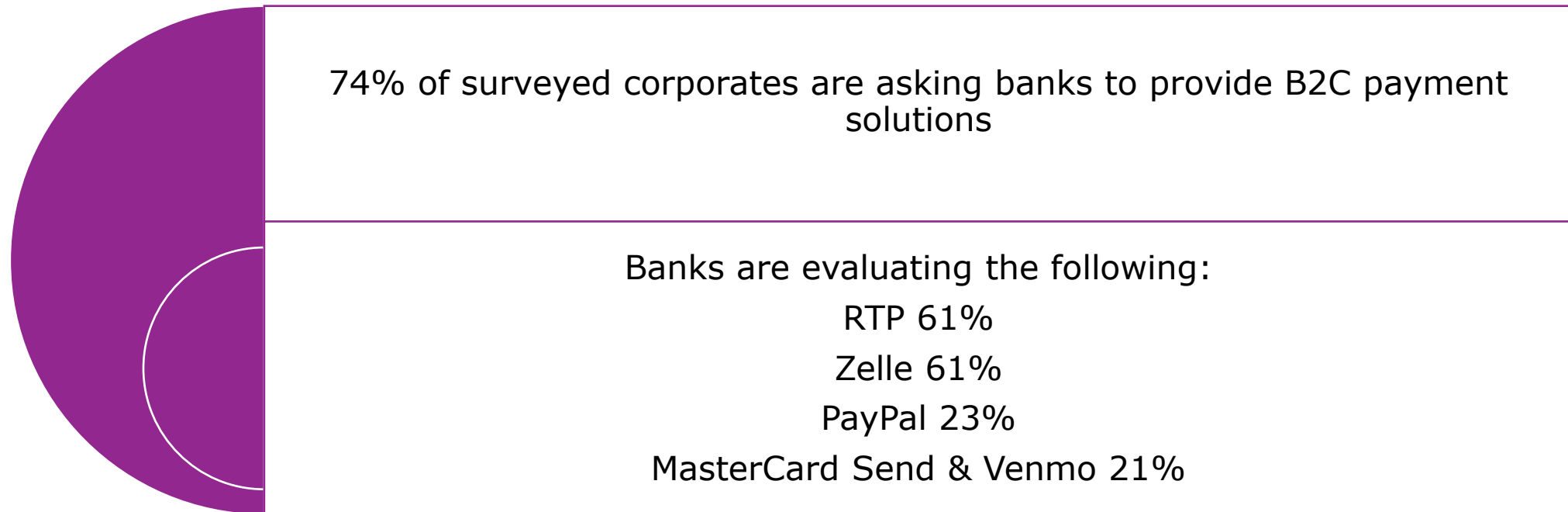
“Show Me the Money” 😊



Trending Payments & Solutions – 2021 Strategic Treasurer B2B Payments Report



Trending Payments & Solutions – 2021 Strategic Treasurer B2B Payments Report



Trending Payments & Solutions

So clearly we
need to be
proactive

Payments are
evolving

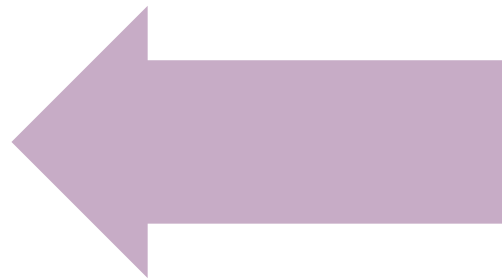
Do you have a
plan?

PLANNING



***"Poor planning
on your part
does not
necessitate an
emergency on
my part."***

- Deb Knox (paraphrased)



Group Discussion

What Is Trending in Your Market?

Who is driving change in your market?

How can you stay in the driver's seat?

What's on your mind? How are we doing so far?

Morning Break

Please be back in 15 minutes 😊

MORE TRENDING PAYMENTS & SOLUTIONS



Knowledge is power

Trending Payments & Solutions – ACH Payment Growth – 1st Q 2022

B2B transactions increased 15.5% to 1.4B

Same Day ACH transactions increased 7.8% to 154.2 million payments & increased 53.3% in value to \$290.3B

As ACH B2B volume increases, check and wire volume will decrease & will affect the bank's product margins.

Note: ACH transaction volume gained share over check and card for the first time in 2020 and the trend is expected to continue.

Trending Payments & Solutions- FedNow Pilot

January 25, 2021 – Federal Reserve Bank announced a pilot program with 110 participants to support FedNow. Expected to launch in 2023.

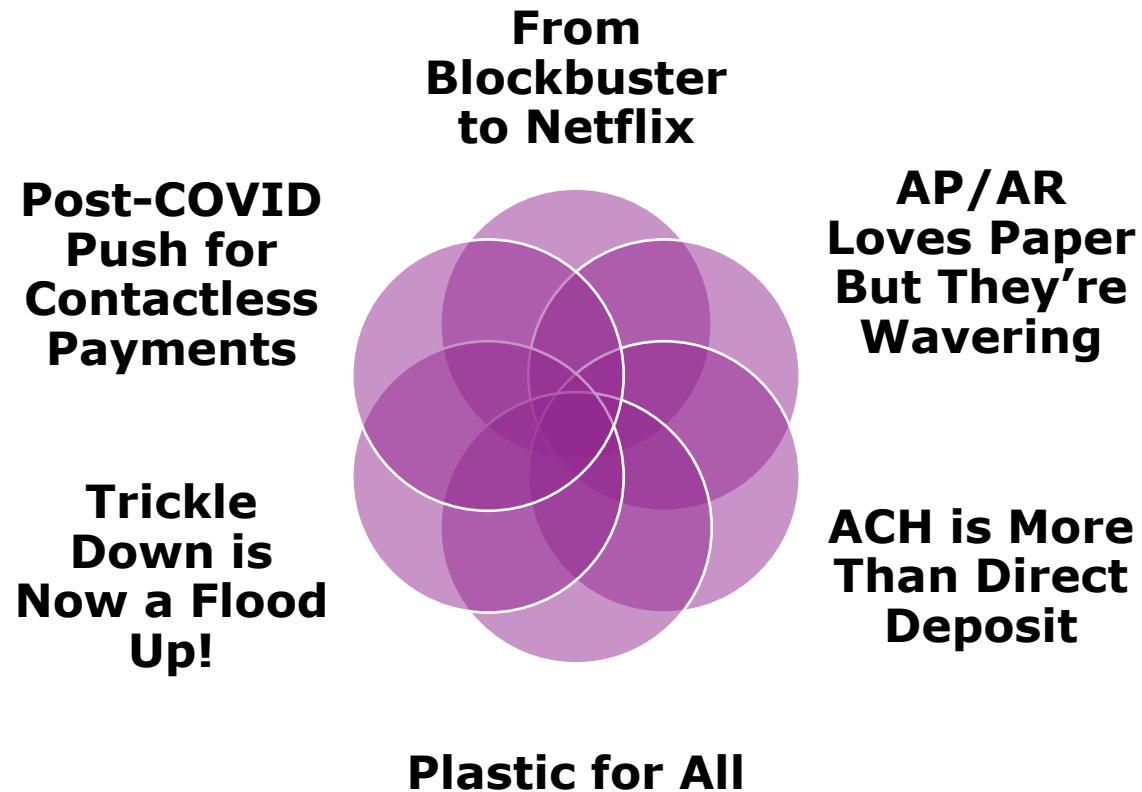
Goal to provide around the clock payments through financial institutions using the FedLine network. No specific launch date is available but there is surely pressure on the Fed to counter the movement of payments from wire to ACH.

Treasury Perspectives Survey 12/2021 *

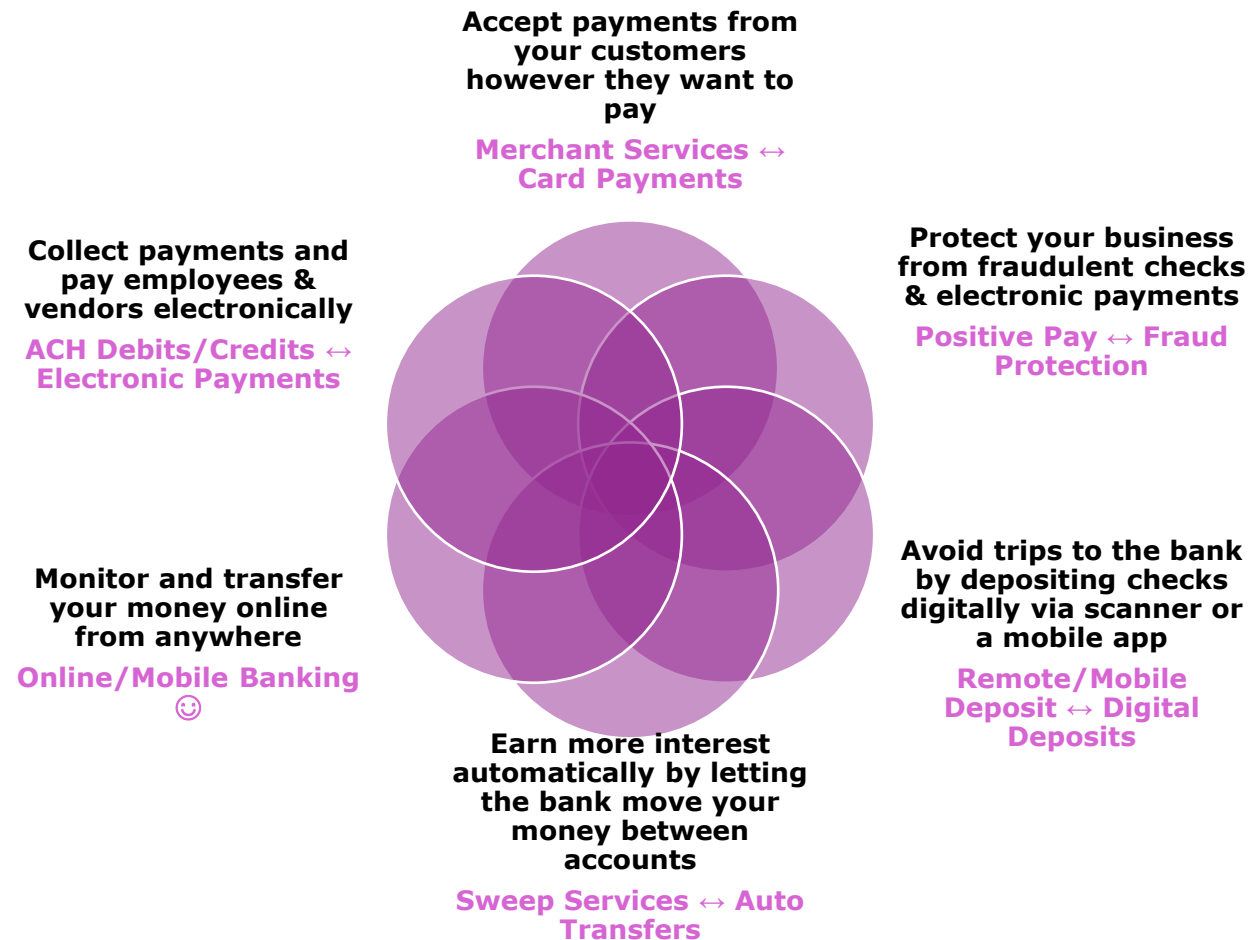
- 48% of participants indicated that COVID helped increase the adoption of electronic payments
- 43% of AP and 48% of AR report a permanent shift in their payment choices
- 56% report a permanent shift in their location of work
- 42% AP increased security & control procedures
- 31% of AR indicated a willingness to accept additional payment types (Purchasing Card, ACH)

*** Annual survey conducted by Strategic Treasurer and TD Bank. 100 Questions to 250 respondents (both corporates and banks)**


Product Direction/Transitioning From Paper to ?



Product Direction – Consider Aligning Jargon with Business Needs

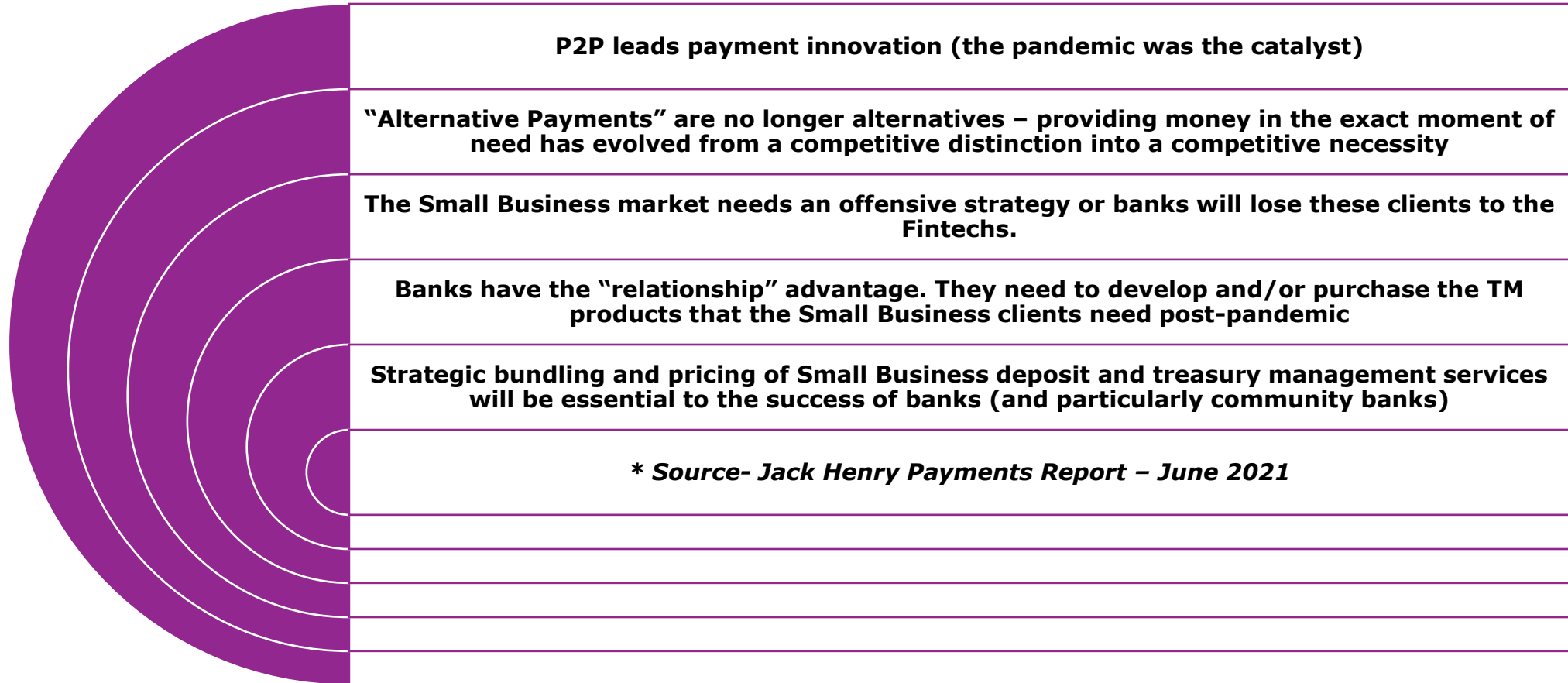


Pay Attention to Competitors & Learn



TD Bank's website reflects the most complete listing of Treasury Management services in the industry, as well as, some of the best product descriptions & ties to corporate treasury. Scan their site and your local, regional & national competitors.
<u>Receivables</u> - "Tighten payment cycles & take control of your receivables" - Includes Healthcare Remittance Management, Smart Safe with Advanced Credit & Image Cash Letter Services
<u>Payables</u> - "Reduce administrative tasks and save time" - Includes Integrated Payables Service, Commercial Plus Card & Controlled Disbursement
<u>Liquidity Management</u> - "Maximize your working capital by investing excess cash" - Includes 4 types of investment sweeps & LOC sweep
<u>Information Services</u> - "Access real-time financial data wherever you are" - Includes SWIFT Services, Data Exchange, BAI Reporting, EDI & Account Analysis
<u>Fraud Control</u> - "Increase security controls to better protect your business" - Includes ACH Fraud Control, Payee & Teller Positive Pay, Recon Services & Commercial Plus Card

Trends Shaping the Payments Industry – Jack Henry Payments Report



How Far Can You Travel in the Time it Takes for Your Payment to Clear? *

CHECKS

Drive from Seattle to Boston
(you have time to stop for a
photo at Niagara Falls)

TRADITIONAL ACH PAYMENTS

Drive from Austin to New
York (taking a stop to sleep
& eat)

CARD PAYMENTS

No time to go anywhere
Your money arrives
instantly along with valuable
payment information

***Source: MasterCard**

Trending Payments & Solutions – Traditional Business Credit Cards

Cards have come a long way since Diner's Club launched in 1950

More businesses are obtaining credit cards which means there will be more merchant acceptance (and more non-traditional merchants)

Virtual P-Cards with one-time account numbers are driving this trend

Fraud controls have improved dramatically and encouraged business card usage

Integration with traditional accounts payable functions provide even more incentive to ditch checks in favor of cards

Businesses need to purchase online so card issuance will continue to grow

P-Cards* (Purchasing Cards)

Effective payables product that combines the convenience of a business credit card with associated data

**Typically decentralized/distributed plastic*

**Rebate/Reward opportunities
Integration options**



**Multiple levels of security & fraud control options (MCC, \$ amounts, etc.)
Robust reporting options**

What is a Virtual Card?

Simple Definition 

A 16-digit SUA (single use account) embedded as a payment option in the AP (accounts payable) system

V-Cards (Virtual Cards)

Cost Savings

- Manual payments are estimated to cost as much as \$20 (\$15 per invoice & \$5 per payment)*
- A Virtual Card program provides significant cost savings and generates a rebate on every transaction (Tax-free Interest!)

**Source: Based on average by Aberdeen Group, Paystream Advisors, AIIIM, G3enpact 2019*

Leverages Technology

- V-Cards integrate with your current financial accounting system
- Do not disrupt your current AP process
- Takes advantage of new technology

Payment Efficiency

- Enables employees in a traditional physical or remote work environment
- Increases control & efficiency over payments & delivery of remittance information
- Robust reporting to track & manage program metrics

Trending Payments & Solutions – The Beat Goes On!



Card-based receivables and payables products will continue to evolve and decrease paper-based products

Electronic and digital products will also increase and change the overall payment landscape

Treasury Management banks will need to be flexible and be prepared to evolve with business client needs or risk being replaced by other financial service providers

Competing with Focus on Verticals

Focused banks outperform others with segments/verticals/niches because of:

- Lower Origination Costs
- Higher Risk Quality & Reduced Costs
- Relationship Based Pricing
- Sustainable Customer Relationships

Criteria for choosing segments/verticals/niches:

- Demographic
- Industry Sector
- Company Turnover/Company Lifecycle
- Loan Type
- Linkages to Current Customers

Note: Your product development should be focused on your chosen vertical(s)

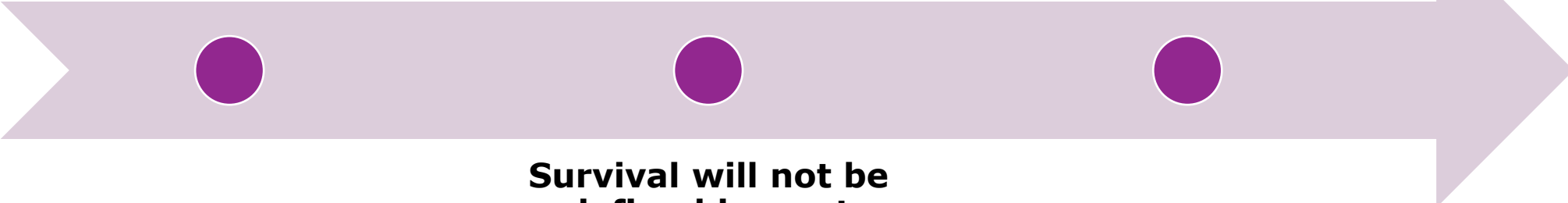
Who Are You Calling a Small Business?

- Cornerstone Advisors estimates a \$370B opportunity to transform the financial lives of a perennially underserved customer segment known as small businesses.
- The SBA tells us that there are 30 million small businesses in the U.S. today employing just under half of the entire population.
- Most banks shoehorn small businesses into consumer systems that may be too basic or commercial solutions that are expensive and overly complex.
- As a result small businesses are moving towards nonbank providers who understand their needs

Predictions for the Future of Banking*

**75% of financial
execs expect a
Fintech or big tech
firm to be a top 10
financial institution in
less than a decade**

**By 2030 more than
half of all payment
transactions will be
initiated by nonbank
players (predict 78%
of industry execs)**



**Survival will not be
defined by cost
cutting but by
innovation, & serving
customers with a
“challenger” mindset**

** From The Financial Brand.com 12/2021*

Partnerships for Success

Banks & FinTechs have different strengths so uniting may make sense.

Banks have a longer term perspective & focus on client relationships.
Your greatest asset is distribution.

FinTechs drive innovation & want to solve specific needs & increase their market penetration.

If you can't beat 'em join 'em comes to mind as does "the enemy of my enemy is my friend"!

Group Discussion - Partnerships for Success

What are your plans to partner with FinTechs or others?

Would you partner with a competitor(s)?

Measuring for Success

Fee Income

- Tried and true measurement
- New fee income plus additional relationship fees
- Cross-sales to other teams
- Quantifiable and relatively easy to track and build upon for budgeting purposes

Deposits

- New deposits plus retained deposits (balance tracking)
- “Shadow” reporting vs. profit center?

Relationships

- Acquiring new relationships
- Retaining existing relationships
- Expanding relationships
- More complicated to track?

Note: Products should be tracked but not as a measurement of TM sales success

Group Discussion

What Is Working In Your Markets?

Have your goals changed?

How do you measure success?

Are your prospects thinking of you?

Pulling It All Together

Identify your competitors (local, regional, national & non-banks)

Develop a coordinated Treasury Management/Business Deposit calling strategy that drives new client growth & retention of current clients by focusing on your unique strengths

Market products based upon your organization's overall strategic goals that should include specific industry types and sizes

Identify niche markets and/or vertical markets

Search for trending/unique products that complement your chosen market(s)

How'd We Do? – Our Goals for Today



Stay Informed - (VBA is an obvious resource!)

(AFP) Association for Financial Professionals
(www.afponline.org)

Strategic Treasurer
(www.strategictreasurer.com)

NACHA (www.nacha.org)

Barlow Research
(www.barlowresearch.com)

CHOICES

Between
being kind
& being
right

Choose
being kind
& you will
always be
right

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Thank you for your participation today!

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Thoughts from Yesterday



Let's Get Started – Our Goals for Today

Join In, Share & Have Fun

Selling Treasury
Management Solutions

Treasury Management
Sales Professionals – Being
Them & Coaching Them

Measuring Success
Adapting to Meet Your
Strategic Goals

Deposit Trends – A Direct Effect on TM Sales

Shifting Demographics –

The power of the Baby Boomers is declining as millennials become the dominant demographic group. They appear to have lower excess dollars to keep on deposit and are apt to use Starbucks type cards and/or Venmo. The emerging Gen Z group likely offers an additional & different set of challenges.

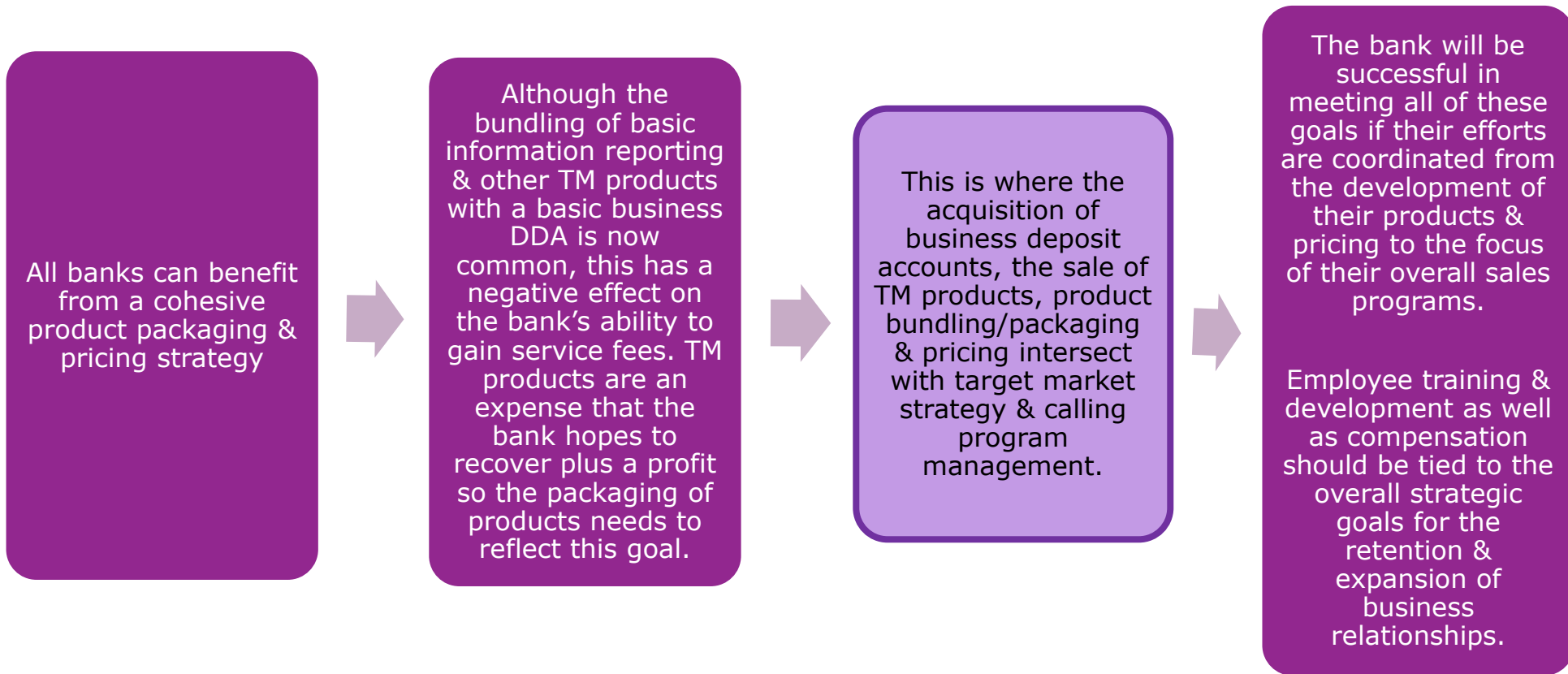
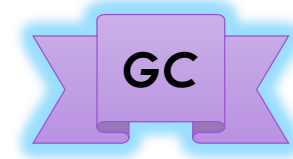
Faster Payments –

Businesses are expecting faster payments with round-the-clock settlement and the Fed is working to accomplish this. The impact will be that dollars in DDAs will be there for a shorter time.

What can you do?

- Put someone in charge of deposit acquisition/Consider a deposit-only sales staff
- Focus on current customers first (retention is far less expensive)
- Revisit your product set (how are you going to attract new depositors)
- Emphasize/Target deposit-rich customer segments
- Review, measure, react and reinvent quickly to ensure success

Deposits & Treasury Management – A Perfect Marriage

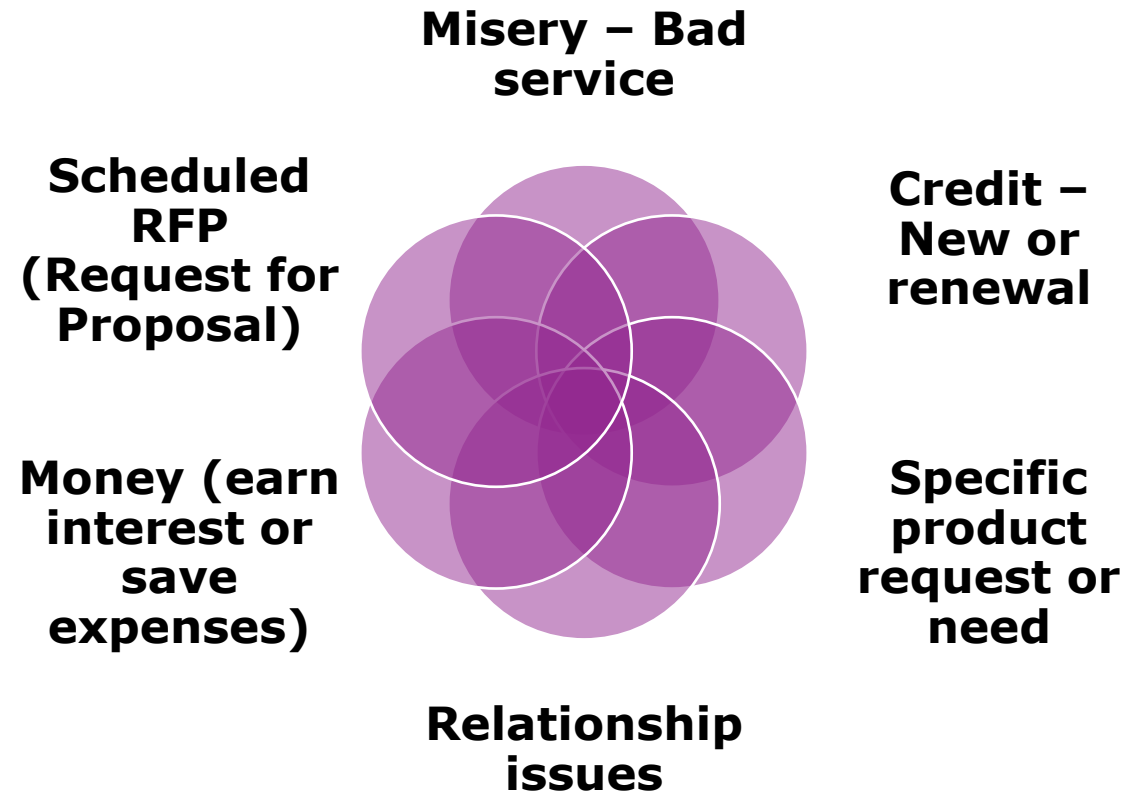


BAI Executive Strategies Report (10/21)

- “A mere 2% increase in customer retention delivers the same financial benefit as a 10% cost reduction”
- “Banks come up short in tracking/managing the less obvious attrition – a silent attrition that may go unnoticed. It’s the decrease in customer engagement and the slow decrease of account balances by legacy clients.”
- “Acquiring new customer can cost 5 times more than retaining existing ones”

Note: Use your Account Analysis system for internal prospecting opportunities

Why Do Prospective Customers Buy Bank Products?



Top 3 Areas of Focus for Treasury Teams*

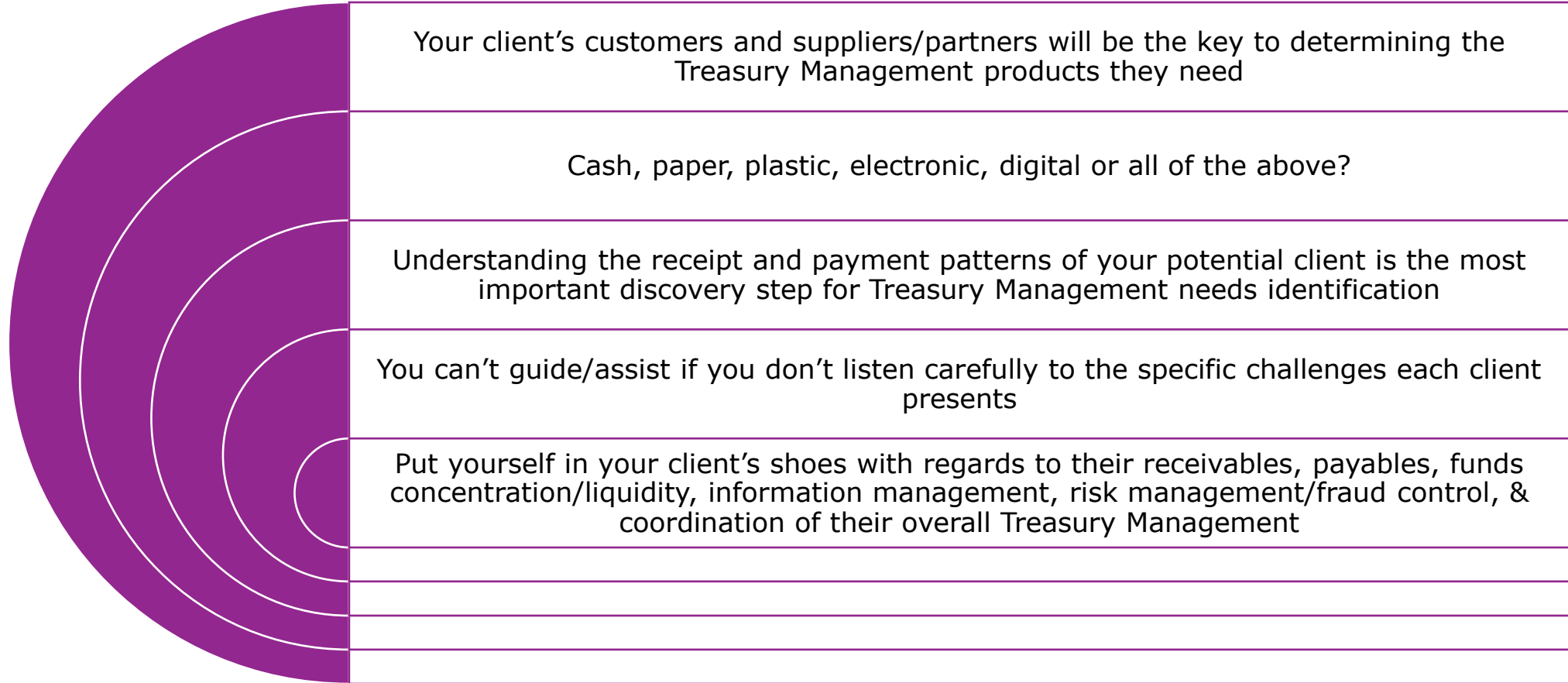
79% – Managing cash flow, working capital & liquidity

48% - Improving the effectiveness of treasury team with other internal stakeholders (IT, Risk, business lines)

52% - Being more proactive to and/or adopting new technology

*** 2021 AFP Risk Survey Report**

Guiding TM Clients to Solutions




♪ “Please Don’t Let Me Be Misunderstood” ♪

The Animals 1965

* **Barlow Research 7/2020**

- Only 39% of businesses think that their banks understand them
- 90% of businesses wish that their banks understood them

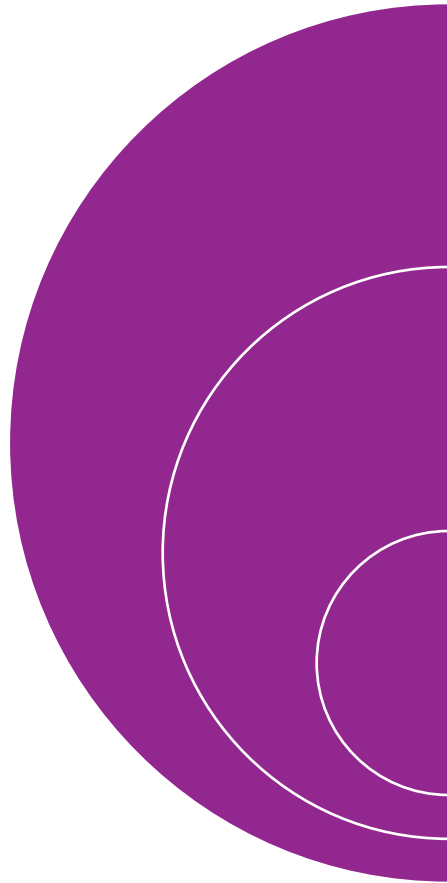


**STRONG LISTENING SKILLS ARE
ESSENTIAL TO SALES SUCCESS.
YOU CAN'T BEGIN TO HELP
POTENTIAL CUSTOMERS TO SOLVE
THEIR PROBLEMS IF YOU AREN'T
LISTENING.**

The Sales Solution Visit Defined

- Define your purpose clearly – You’re here to help THEM not YOU
 - People don’t want to invest an hour or more listening to you speak to get new information that they could read in a brochure. You are there to listen & learn and to discover if you can help
- Be yourself
 - You are uniquely qualified to be there. Use your “super powers” to engage, connect & provide value
- Use the hero’s journey structure - Stories provide a structure that engages our brains in ways that improve how we process information.
 - The hero starts out ordinary, they are called upon to do something extraordinary, they initially refuse because it seems so daunting, they meet a mentor who guides them through the big adventure/obstacle, they overcome it & reap rewards. Transformed they go back to their once-ordinary world but they’re forever changed. Tell your stories of value and reap the rewards.

Treasury Management Focused Selling



"Second Prize" – During the sales process you have identified the customer's needs & developed a prioritized list of potential product solutions. Even though you might not close the deal you were hoping for, you have created a "sales friendly" atmosphere. You can be comfortable asking for a "Second Prize".

If things don't work out as expected with the "First Prize" winner you can be the second choice. At the very least you need to get permission for ongoing calling contact.

"Second Prize" is particularly important in developing a new relationship. Getting started with a piece of the pie is better than having no pie!

The **"Post-Mortem"** is a concept that helps you to be your best & to continually improve. Whether you win or lose the sale, get in the habit of checking for feedback. You might not always get it, or want it, but ask. Ask why did you choose us for this? Ask why you did not choose us?

Learn & improve and share your discoveries with your management team.

Group Discussion Challenges & Opportunities

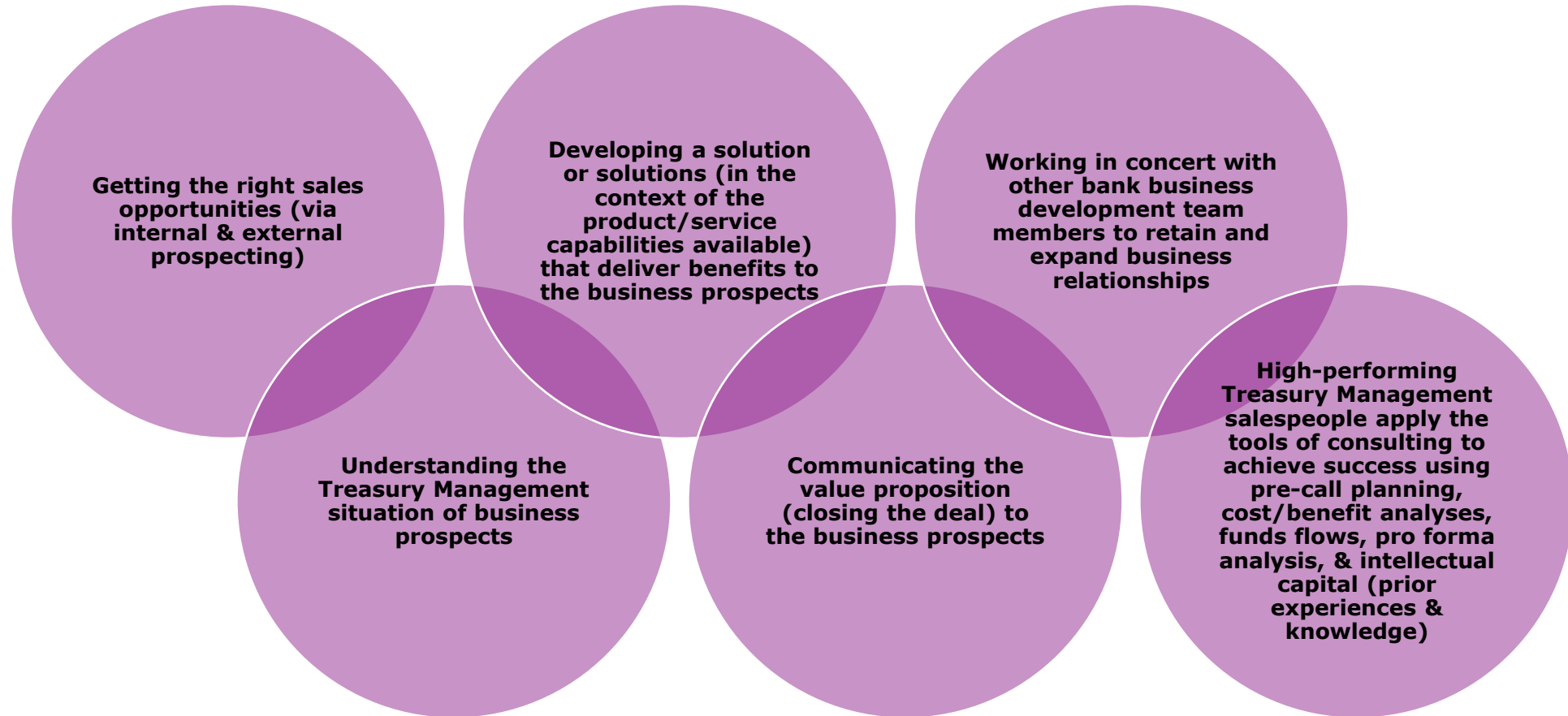


*Prospect
Preparation
Case Study*

Morning Break

Please be back in 15 minutes 😊

Treasury Management Sales Professionals



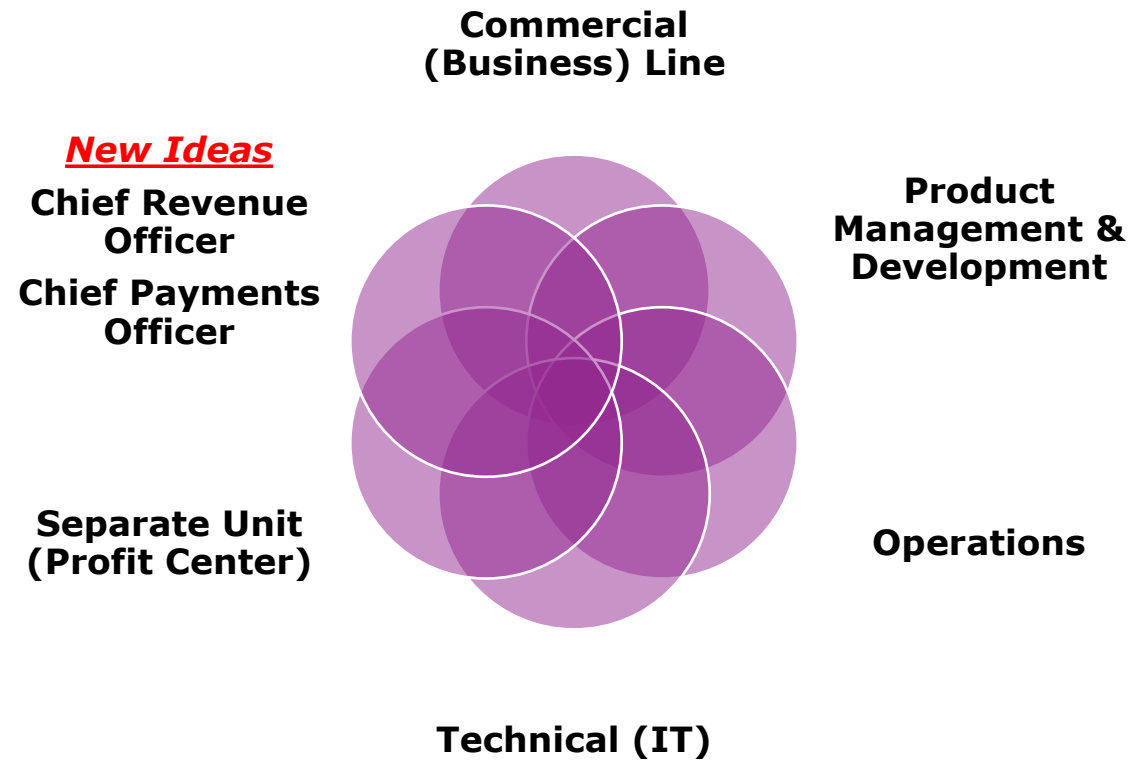
Building a Treasury Management Team

- ❖ Where can you find them?
- ❖ Coaching for success (for everyone)
- ❖ Providing opportunities
- ❖ Your thoughts?

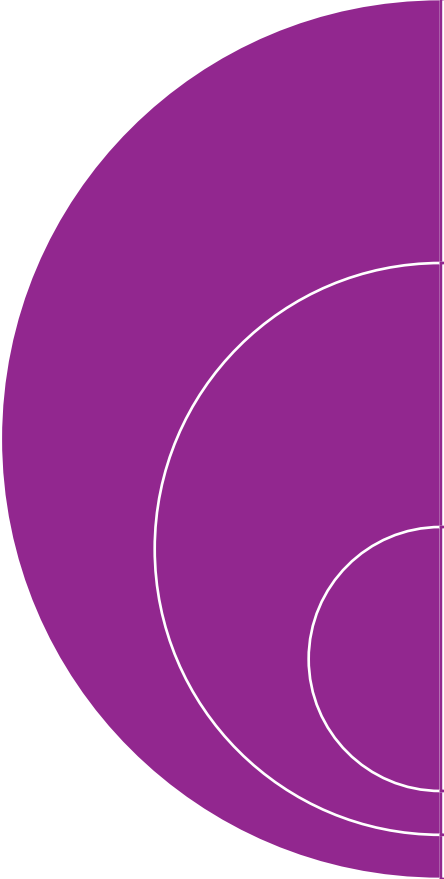
Building a Treasury Management Team

- ❖ Product Development & Management – They are not the same!
- ❖ Sales Solution Professionals
- ❖ Customer Care Professionals
- ❖ Implementation Professionals
- ❖ Coordination of Efforts with Affiliated Teams
- ❖ Sharing Resources across Teams

Where Should Treasury Management Report To ?



Treasury Management Delivery Best Practices



Traditional Model – Specialized TM Sales Team supporting Business Development Team(s)

Hybrid Model – TM Sales Team provides expertise to Business Development Team(s) but also sources/prospects

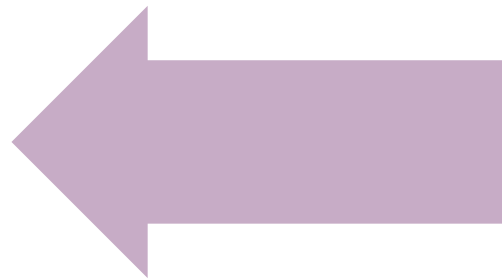
Future Model – Variations of the previous models with additional industry specific expertise and/or technical expertise

ACTIONS SPEAK LOUDER THAN WORDS



"An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage."

• Jack Welch



Group Discussion



How can you adapt your structure to meet your strategic goals?

What do you need to succeed?

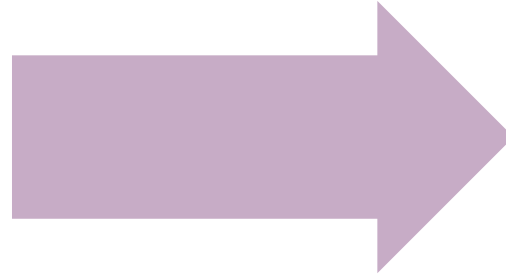
What keeps you up at night?

Setting Your Strategic Course – Treasury Management & Payments *(Rogers & Astaire)* 🎵

***Treasury
Management &
Payments Vision***

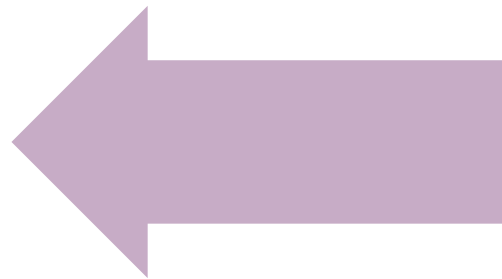
**Be inclusive of all forms of payments
Should be part of your strategic plan
Build it, partner with others, or
combine both approaches**

STRATEGY



"However beautiful the strategy, you should occasionally look at the results."

• Winston Churchill



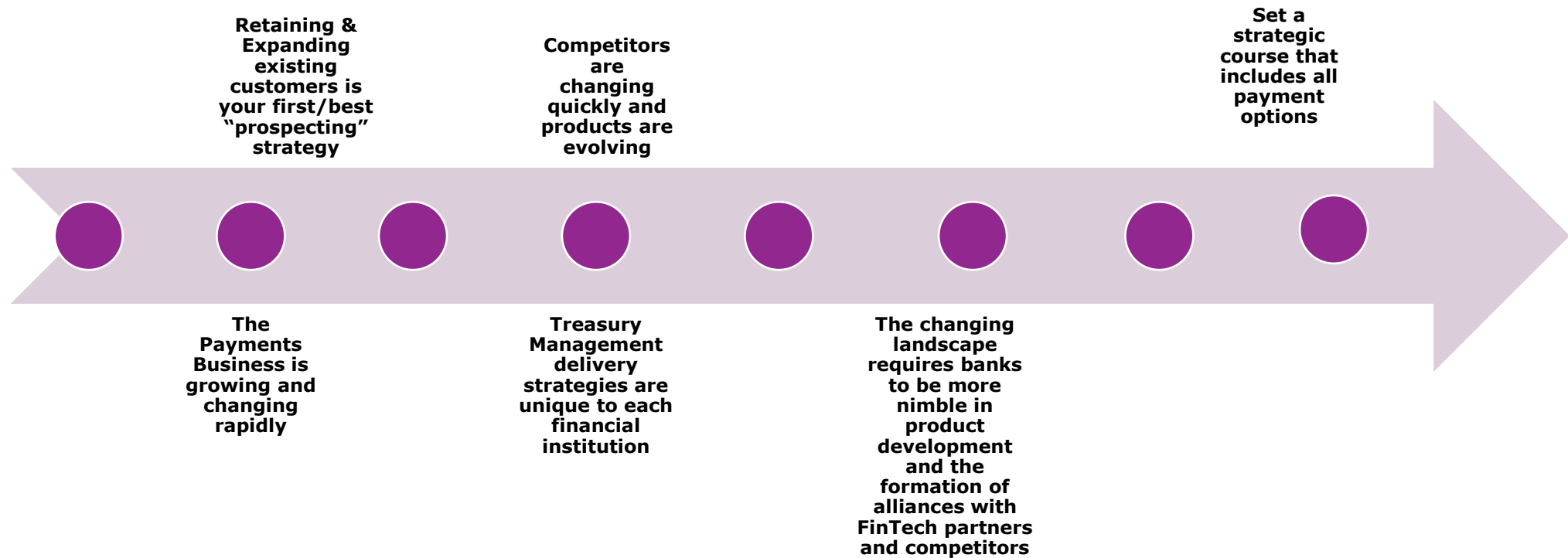
Pulling It All Together

Choose your TM Team and coach for success – Be flexible

Adapt team roles to meet changing needs

Strategic calling programs are a journey not a destination. It takes time, patience, and flexibility to achieve success

Wrap Up, Questions, Comments



How'd We Do? – Our Goals for Today



Things We Can Learn From A Few of the Best

Chick-fil-A

- Silver Lake Bank with 5 branches in Topeka & Lawrence KS embraces the Chick-fil-A process to move customers through the drive-in with smiling employees and accurate orders. “If we tell customers we are going to do something for them, we deliver like CFA does”

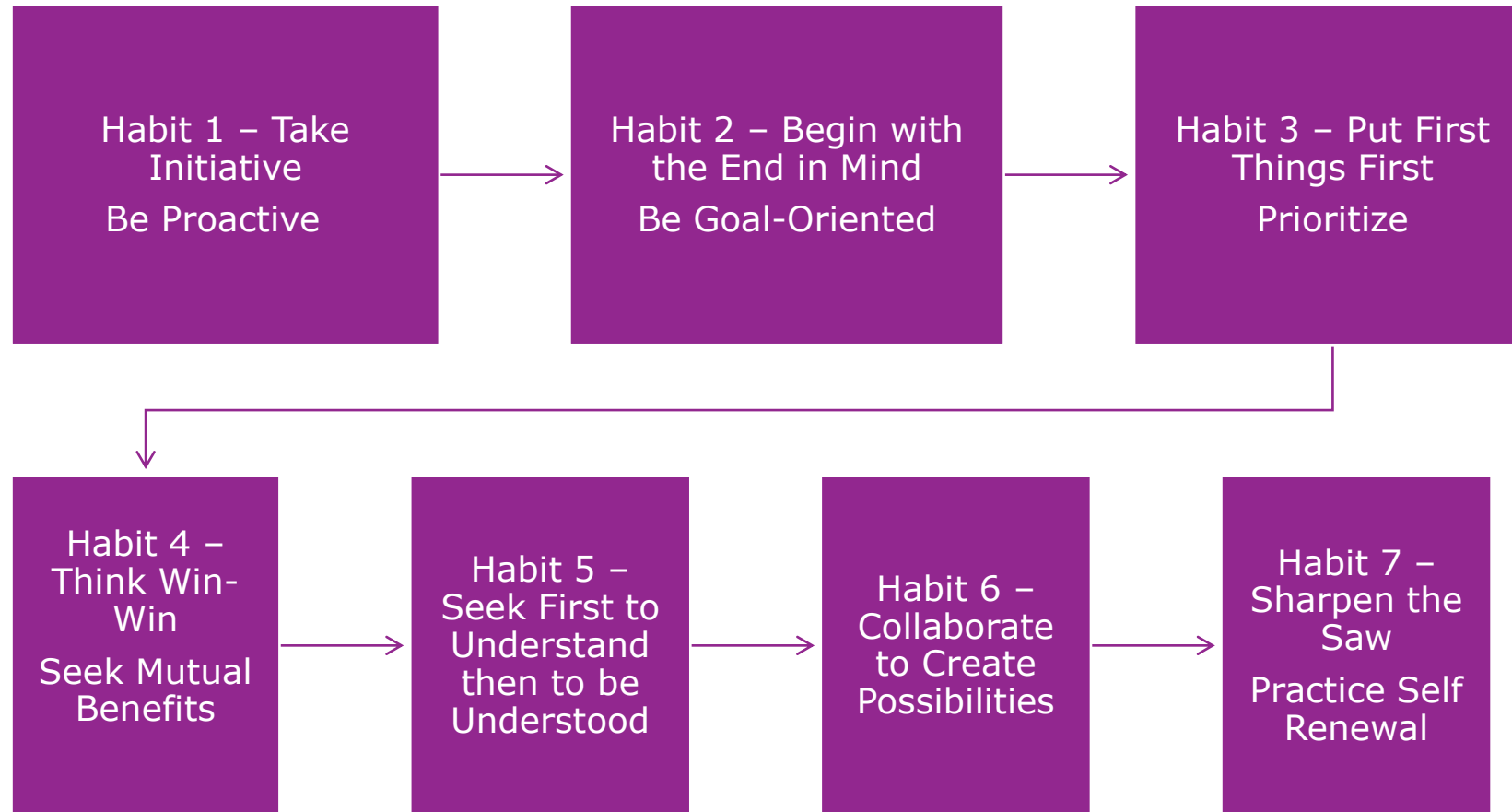
Ritz -
Carlton

- “3 Steps of Service” – Provide a warm & sincere greeting, use the customer’s name & bid them a fond farewell”.
- The head of RC Leadership Center guides leaders from a variety of industries including banking. She believes that empowerment, genuine care, & a penchant for hospitality are critical to staffing banks. “Employees are the heartbeat of every brand”

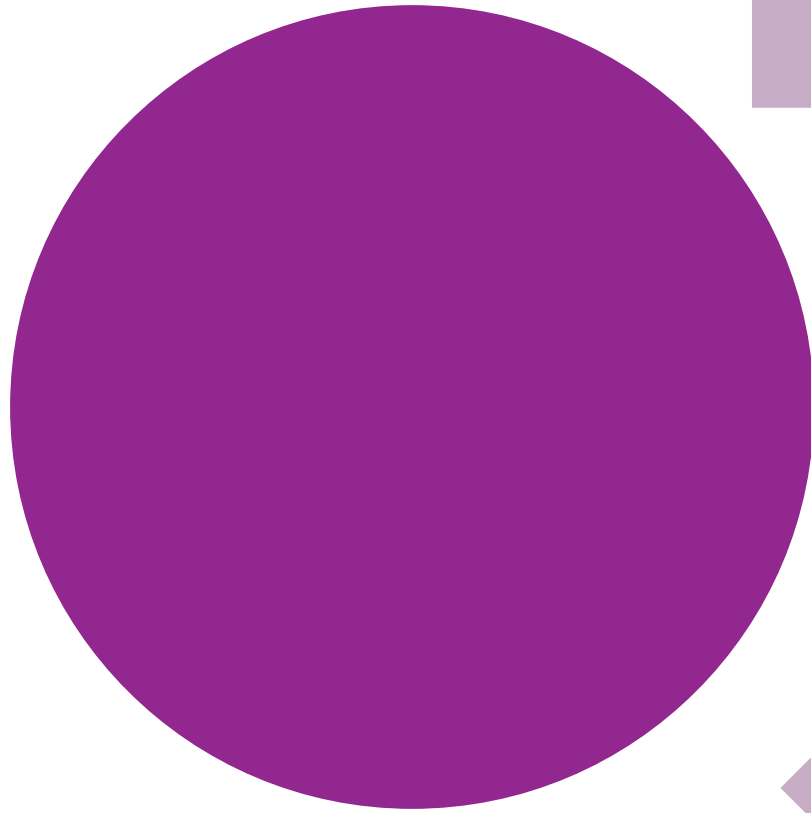
Amazon

- Norwich NY-based NBT Bank’s CEO doesn’t want to be Amazon but he does want to understand why they are successful & what they do to create a customer experience that customers want to see repeated. NBT is and \$11B bank with 150 locations in NY, PA and 5 New England states. They are active listeners through multiple customer surveys & touchpoints and they adjust based upon this feedback.

The 7 Habits of Highly Effective TM People (A Take on Stephen R. Covey's Timeless Wisdom)

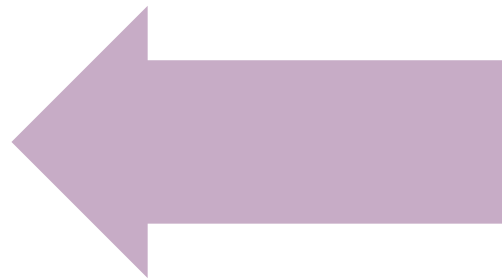


SUCCESS



"Success consists of going from failure to failure without loss of enthusiasm"

• Winston Churchill



THE LAST LECTURE – Randy Pausch

“The Last Lecture” by Randy Pausch passes on his life’s wisdom while he was dying of pancreatic cancer.

It is a great treatise on the value of overcoming obstacles.

“Experience is what you get when you don’t get what you want.”

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Thank you for your participation today!

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