

Virginia Bankers Association

“Treasury Management Basics”

September 20, 2021

Presented By:
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Let's Get Started – Our Goals for Today

Join In, Share & Have Fun

Payments/Cash
Management/Treasury
Management – What is it &
how do these products
provide value?

How are these products
evolving & who is our
competition?

How can you guide your
business customers &
prospects to the right TM
solutions? (*Best Practices*)

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.

How Did We Get Here? (A little bit of history...)

Cash Management – 1970s & 1980s

Interest rates were
high
Funds moved slowly
Float management
was key

Treasury Management – 1990s to present

Data management is
key
Fraud control
Digital revolution

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

How Did We Get Here?

GC

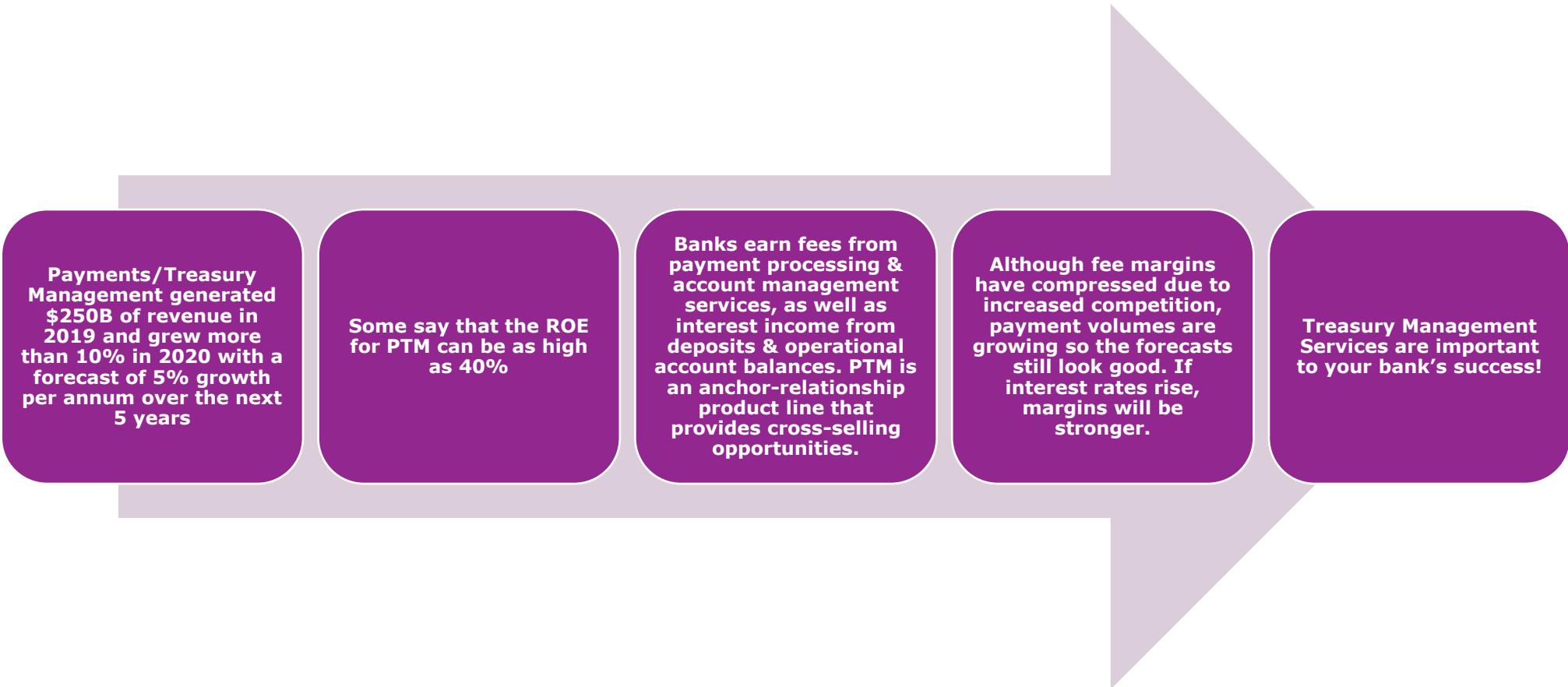
The September 11, 2001 national disaster prompted "The Check Clearing for the 21st Act" or "Check 21"

We needed to move to an electronic check clearing system and we did in 2004

20 years later "Check 21" is being put to the test with the COVID-19 shutdown bringing in-person banking to a standstill.

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

How Did We Get Here?



“Treasury Management at a Crossroads”*

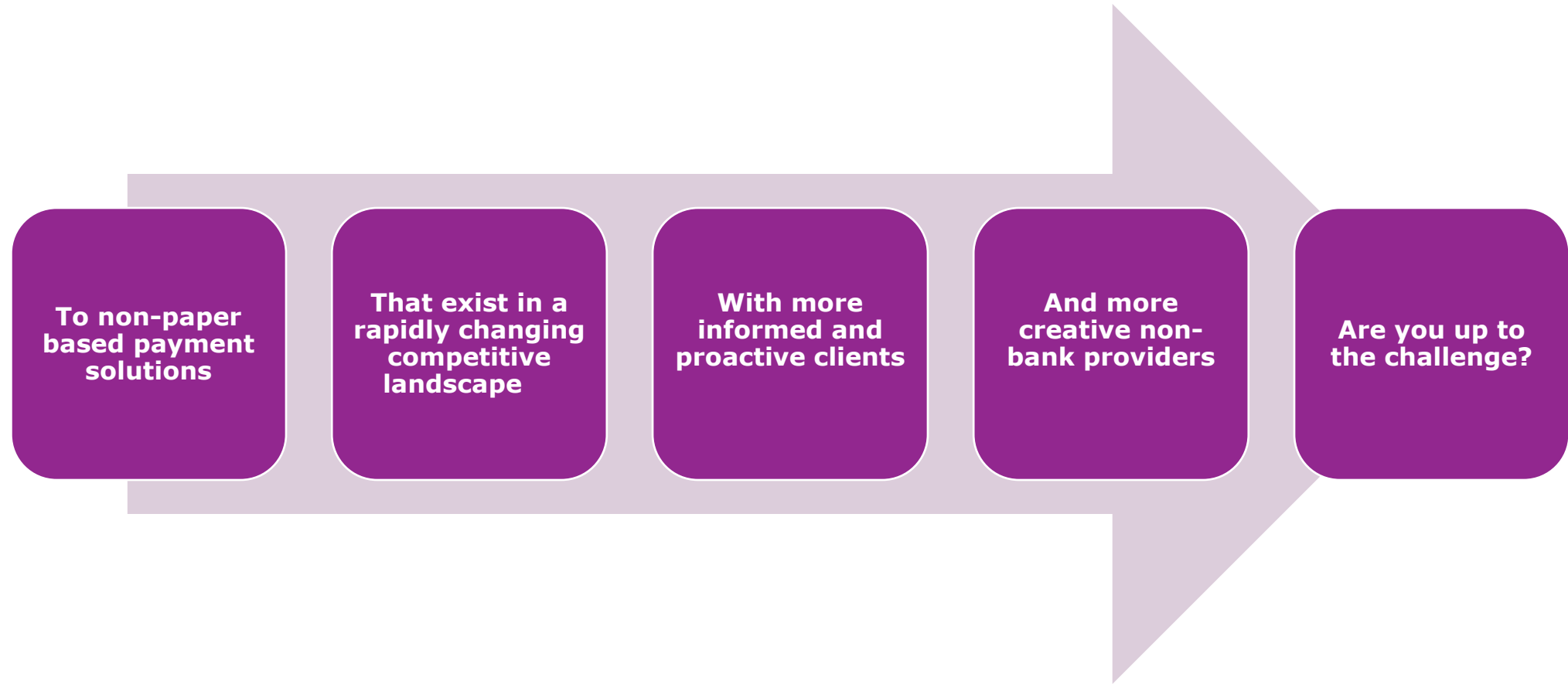
1/28/2020 –
*Webinar
conducted by
Deluxe Treasury
Advisory Services
and Capital
Performance
Group with results
of bank/corporate
survey

“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?



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 prone to store funds on Starbucks cards or use Venmo. The emerging Gen Z group likely offers an additional & different set of challenges.

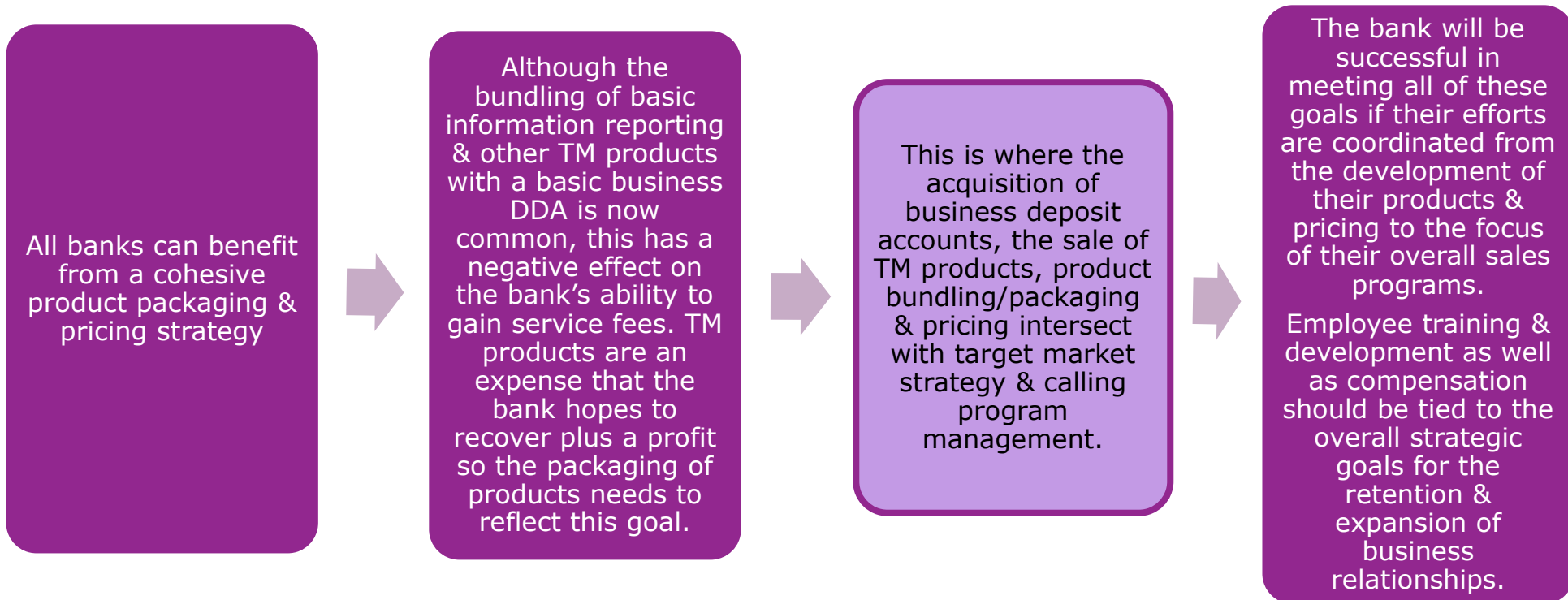
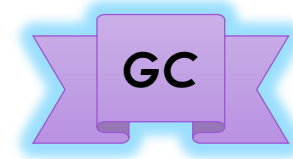
Faster Payments –

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



Poll Question: Thinking about the past 12 months, what Treasury Management Service(s) was your best seller?

- ☐ **ACH Origination (Collection and/or Payment)/Same-Day ACH**
- ☐ **ACH Positive Pay and/or Blocks/Filters**
- ☐ **Business Credit Cards**
- ☐ **Merchant Services**
- ☐ **Mobile Deposit/Remote Deposit/Online Banking**

Poll Question: Thinking about the past 12 months, what Treasury Management Service(s) was not requested at all (or very infrequently)?

- ☐ **Account Reconciliation**
- ☐ **Cash Vault Services and/or Smart Safe**
- ☐ **Lockbox Services (Retail and/or Wholesale)**
- ☐ **Sweep Services (Investment)**
- ☐ **Wire Transfer Origination**

First Break

Please be back in 15 minutes 😊

Treasury Management Basics

Collections/Concentration (Accounts Receivable)

Disbursement (Accounts Payable)

Funds Management & Liquidity (short-term investing and/or borrowing)

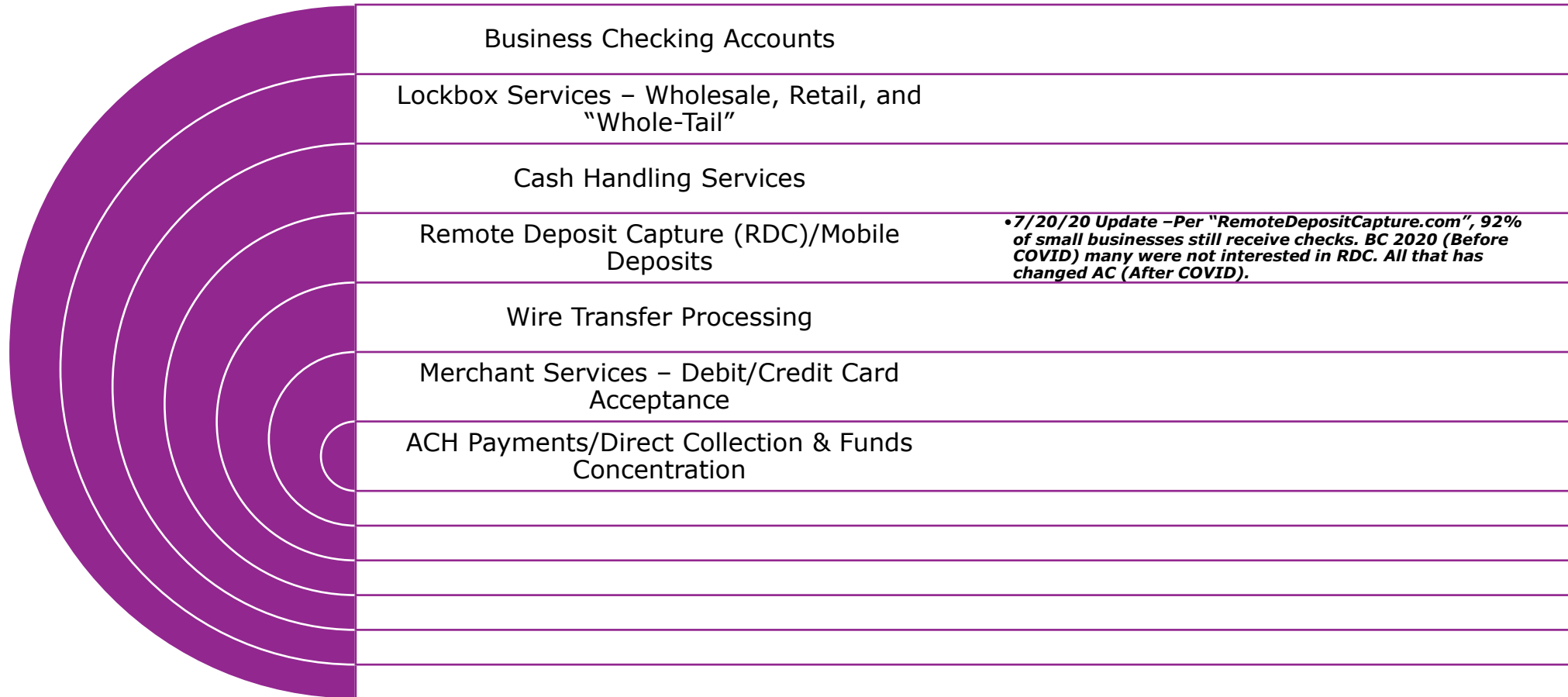
Information Technology & Fraud Control Management (ties that bind)

Risk Management (both funds and data)

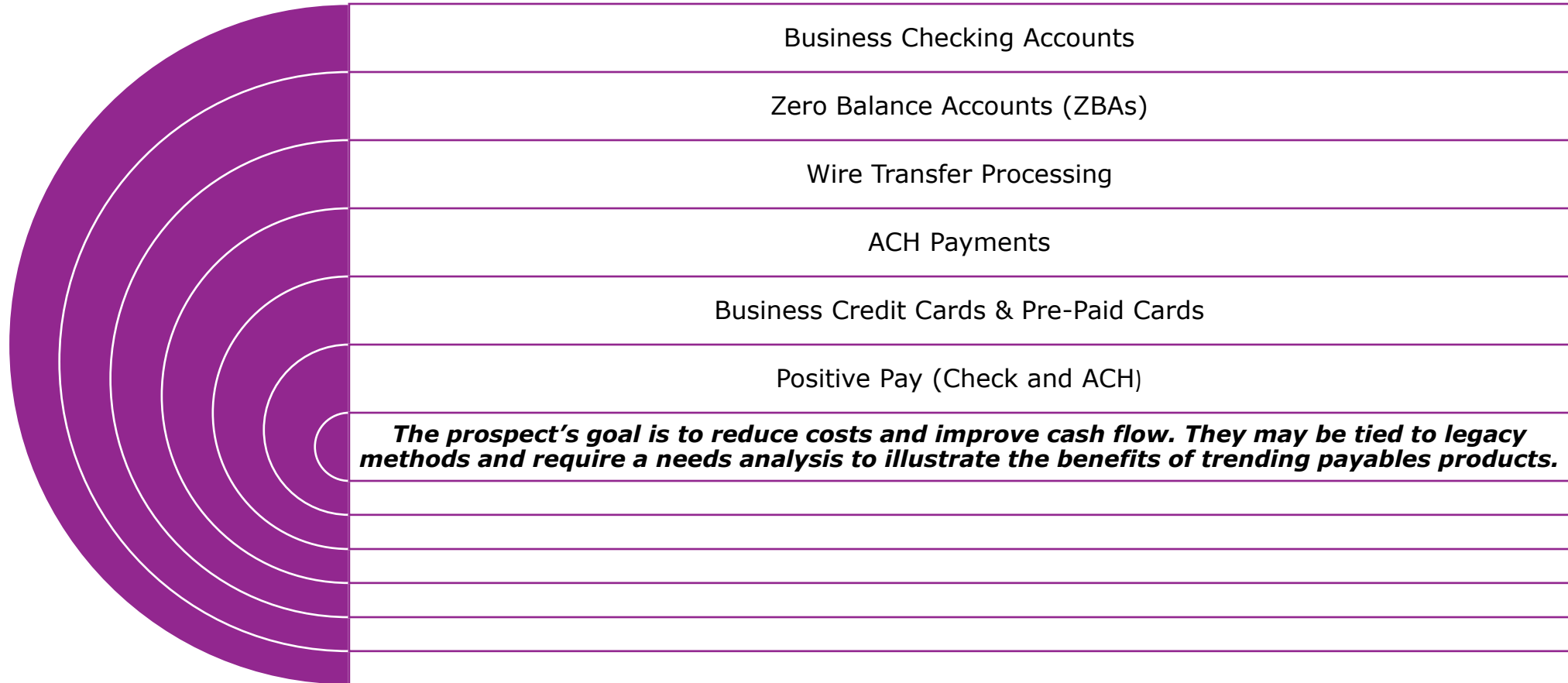
The role of the corporate Treasury Manager usually includes all of the above plus cash forecasting, borrowing, bank relations, management reporting and budgeting.

Note: The terms Cash Management & Treasury Management are used interchangeably by both Corporates & Banks. The transition in terms to Treasury Management has occurred over the past 15 years.

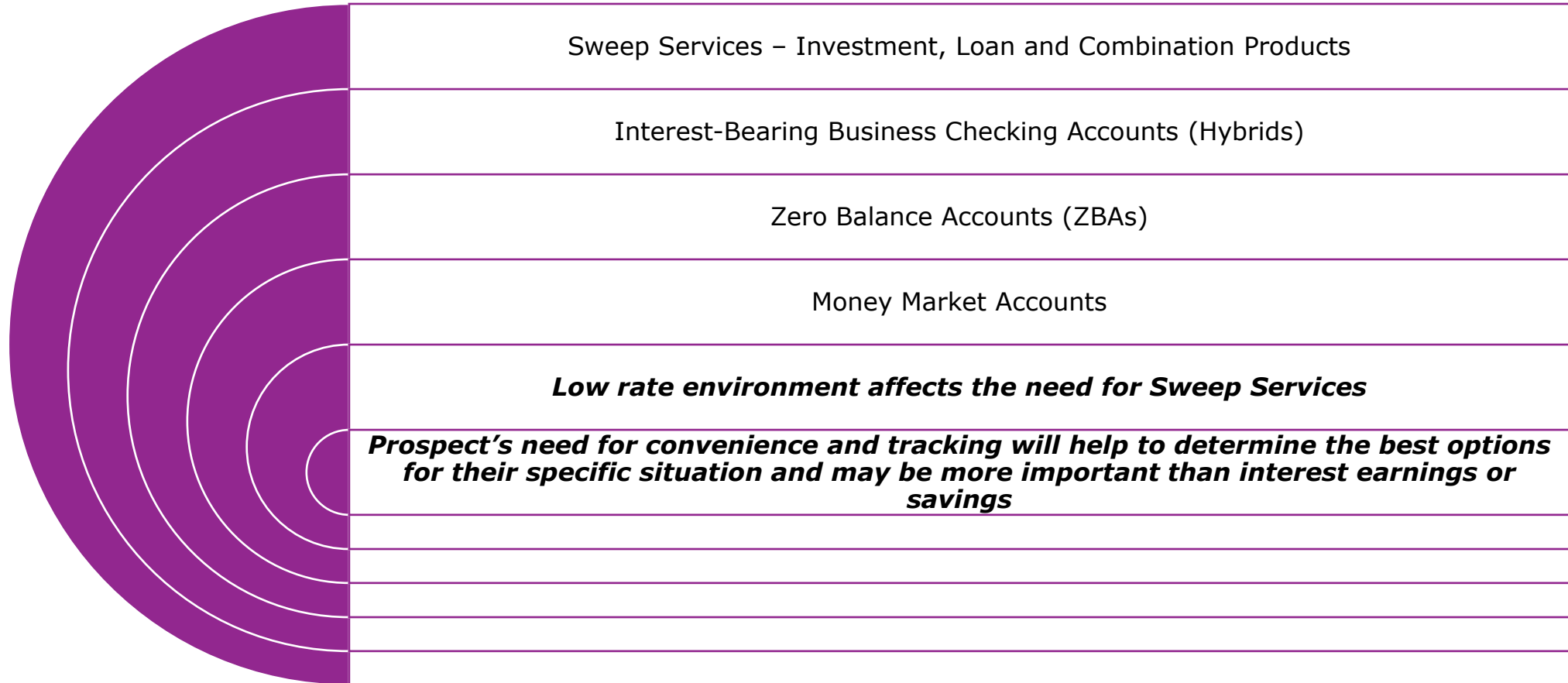
Collection, Concentration & Receivables



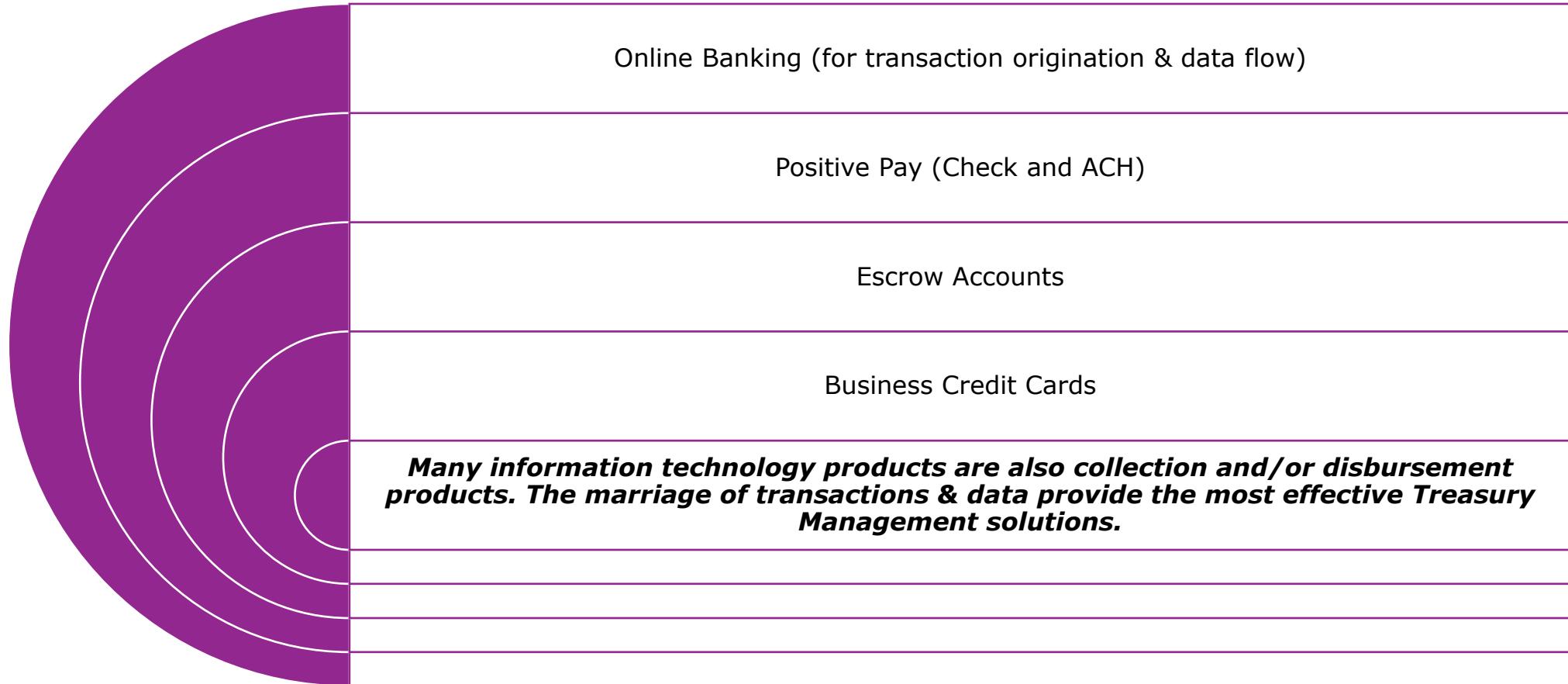
Disbursement/Payables Products



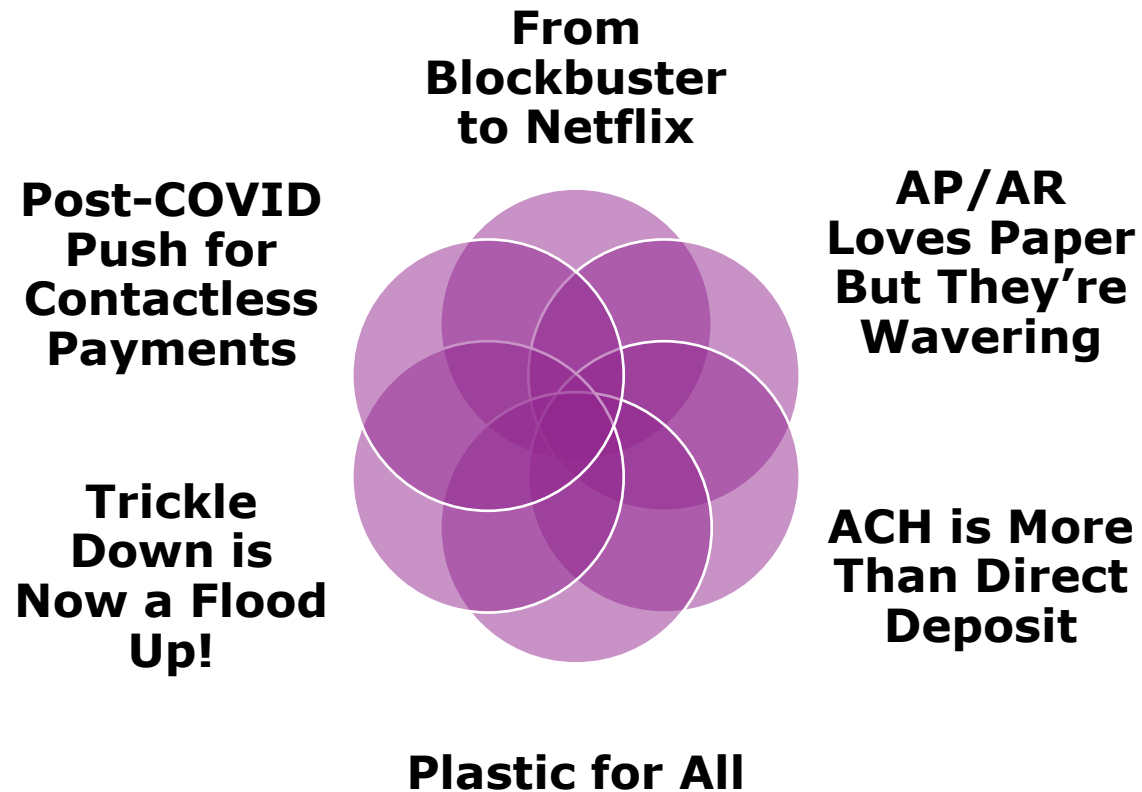
Funds Management & Liquidity Products



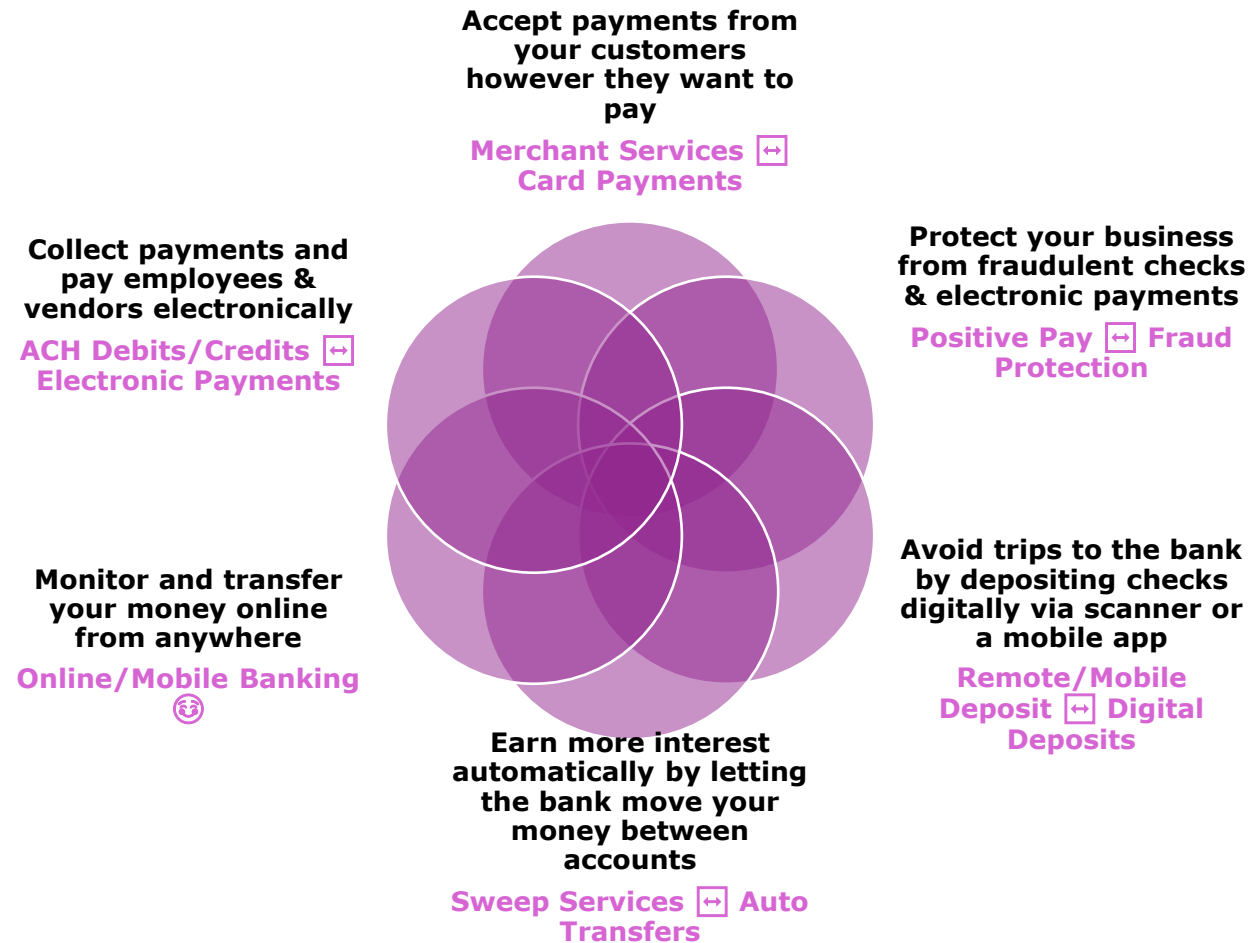
Information Technology & Fraud Control Management



Product Direction/Transitioning From Paper to ?



Product Direction – Consider Aligning Jargon with Business Needs



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 doesn't win in banking anymore. 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!

Trending Payments & Solutions- FedNow Pilot

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

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.

Trending Payments & Solutions – Quickbooks Cash

QuickBooks Cash (8/2020) – A business bank account with a debit card, bill pay, no minimum balance requirement and no monthly service fee (but other fees may apply).

This product arrives at a vital moment for small businesses. It provides faster access to their money and can be opened remotely.

- Free “instant deposit” (RDC) for eligible depositors
- High-Yield interest (25 times the industry average) – 1% on 7/20/2020
- “Envelopes” allow business owners to set aside money for specific planned or unexpected expenditures such as quarterly taxes, bonuses, or supply purchases
- Includes a Cash Flow Planner and full integration to QuickBooks
- The account is provided via Green Dot Bank, Member FDIC

Trending Payments & Solutions – Kabbage Checking

Kabbage, Inc. (7/2020) – A data & tech company from Atlanta GA who provides small business cash flow solutions including a new business checking account.

- Kabbage became the third-largest PPP lender in the nation by application volume during the COVID response
- They launched www.helpsmallbusiness.com to generate more revenue by selling online gift certificates
- **Acquired by American Express 7/2021**

“A business checking account built for the smallest of companies, but fit for the largest”.

- Gives small businesses the same capabilities as larger ones.
- High-Yield interest 1.1% on 7/20/2020
- Free ATM access at 19,000 in-network ATMs
- Bill Pay and Kabbage Debit MasterCard
- Create up to 5 “wallets” to track savings goals or manage cash flow
- The account is provided via Green Dot Bank, Member FDIC (AGAIN!)

Trending Payments & Solutions – PNC “Direct to Debit Card”

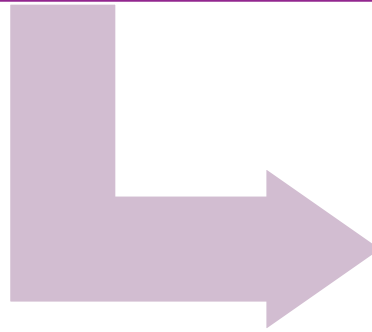
PNC (9/2020) To provide businesses with the option to send consumer payments through an eligible debit card.

Collaboration with Visa’s Push Payments Platform.

- Bridges the gap in business-to-consumer payments in real time
- No need for bank account numbers or third-party payment apps
- Routes payments to consumers using their 16-digit debit card number
- Can be used for payroll, paying on demand, and independent contractor payments

Trending Payments & Solutions - Square

Square has been successful in serving a previously difficult market for traditional merchant services providers - the micro business. Over time they have moved up market and now serve larger businesses as well.



They are focused on their "instant funding" feature which provides merchants with cash today via the debit card (Pulse) network. Having access to funds immediately is a very attractive pull for a small business. The fee is 100bp (paying \$5 to receive \$500 is worth it for many)

Trending Payments & Solutions - Square

March 2020 – Square received approval for a “lite” bank (industrial loan company) that isn’t subject to Federal Reserve supervision. The new bank will be called Square Financial Services and will be based in Utah (opened March 2021).



Square Financial Services will be permitted to collect deposits and lend money to merchants that use Square devices.

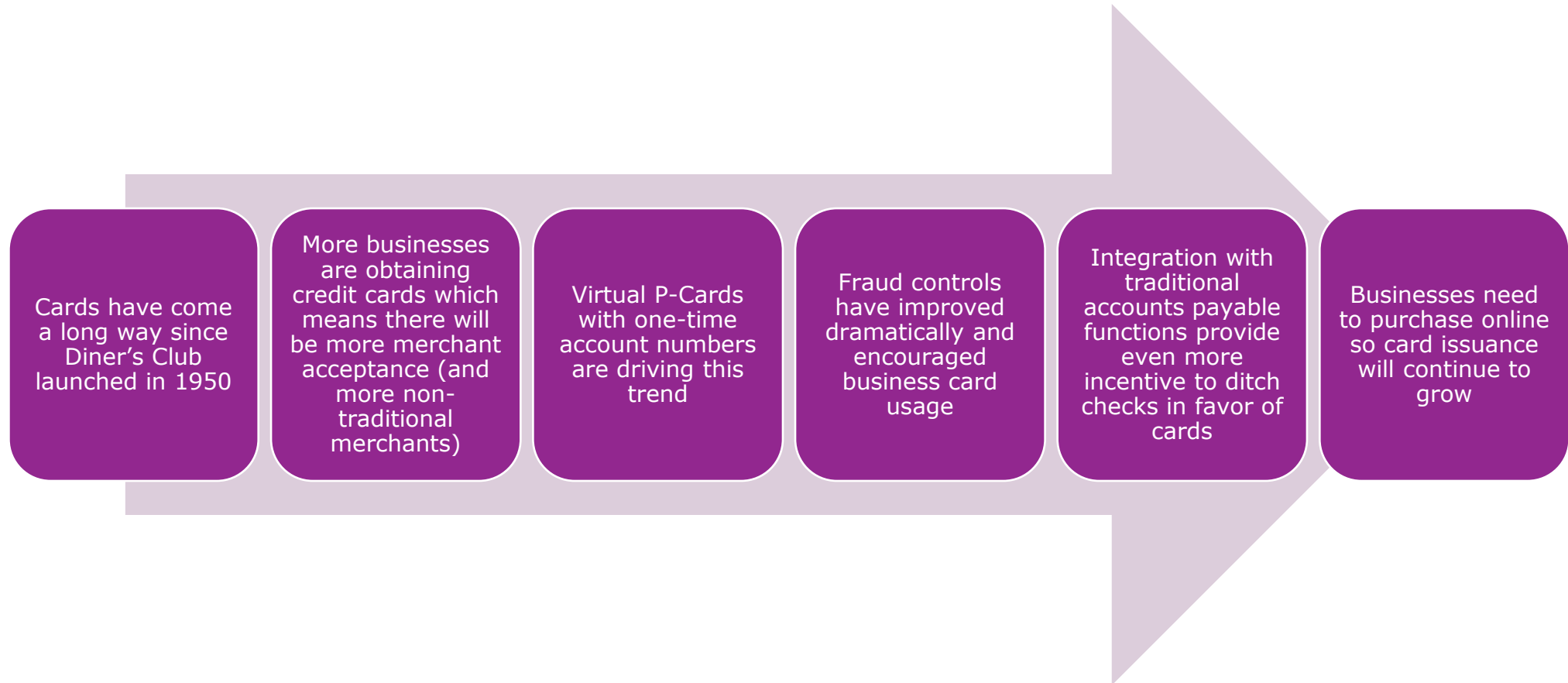


The FDIC and the Utah Department of Banking will require a significantly higher level of capital than other banks (\$56million is the initial capital). The FDIC will also have the right to examine the new bank.



This approval signals a more friendly regulatory atmosphere for Fintechs that will definitely impact traditional banks (unless the new political climate reverses strategy).

Trending Payments & Solutions – Business Credit Cards



Trending Payments & Solutions – Business Credit Cards



Credit Card Trends for 2021

- **Increasing use of contactless cards** (offering rewards/perks for usage)
- **Enhanced security with tokenization** (payments are processed without exposing personal account numbers because the token only works for that consumer, on that device at that merchant)
- **10/2019 One-Click checkout option** (American Express, Discover, MasterCard, & Visa joined forces **(WOW!)** to create this new option. Participating merchants so far are Cinemark, Rakuten, Papa John's, & Saks 5th Avenue. More merchants to join in 2021. Click-to-Pay is more secure and convenient & reduces the amount of info needed to complete the sale).

Trending Payments & Solutions – MasterCard Business Card

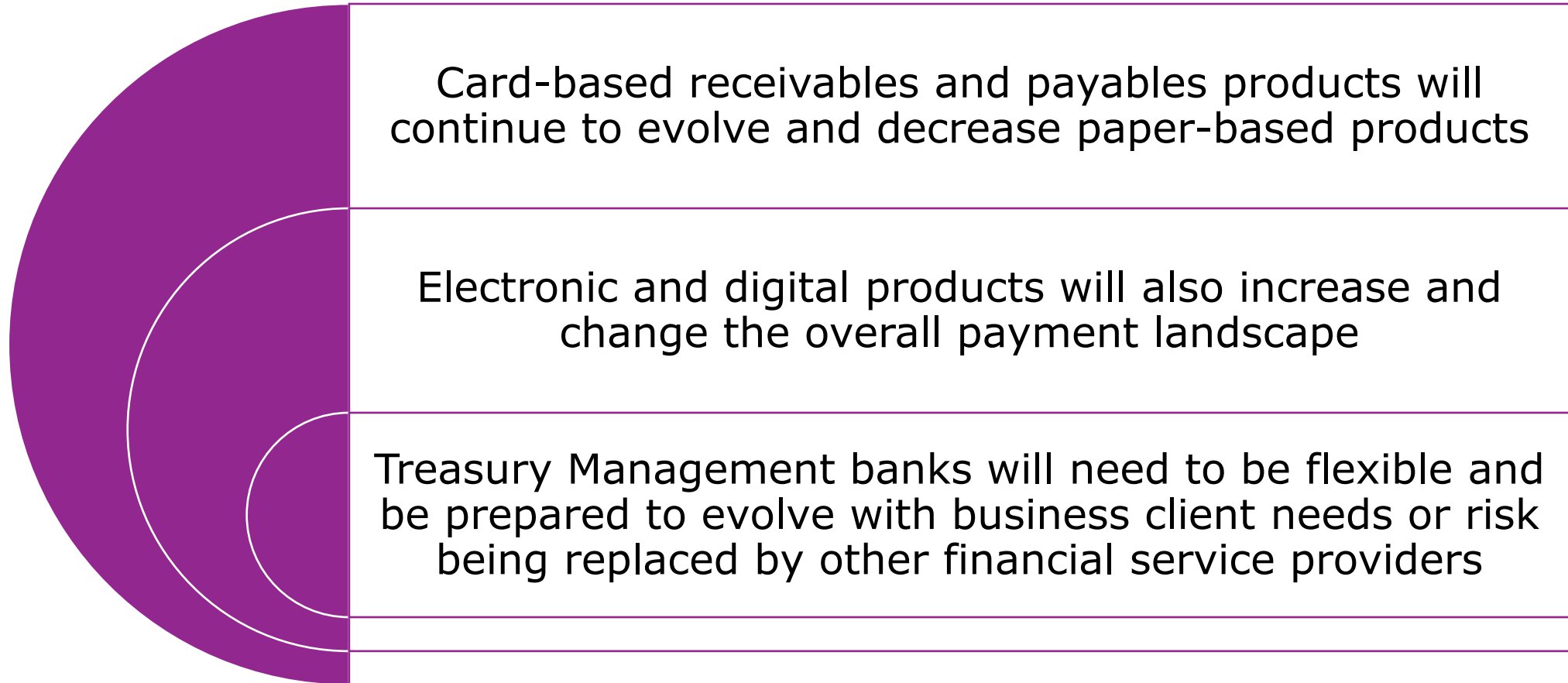
Posted 8/6/2019 – MasterCard adds value to their small business program by aligning with Salesforce

MasterCard Business Card customers can now tap into the power of Salesforce's CRM (customer relationship management) solution through Salesforce Essentials. This app has sales and customer support tools specifically designed for small businesses.

For only \$9.99/user/month customers are able to use a sophisticated sales tool for a fraction of the standard cost.

Other enhancements include: Intuit's QuickBooks®, TurboTax®, ID Theft Protection®, MasterCard Easy Savings®, cell phone insurance and MasterCard Receipt Management by Itemize® (some benefits are fee-free while others are discounted)

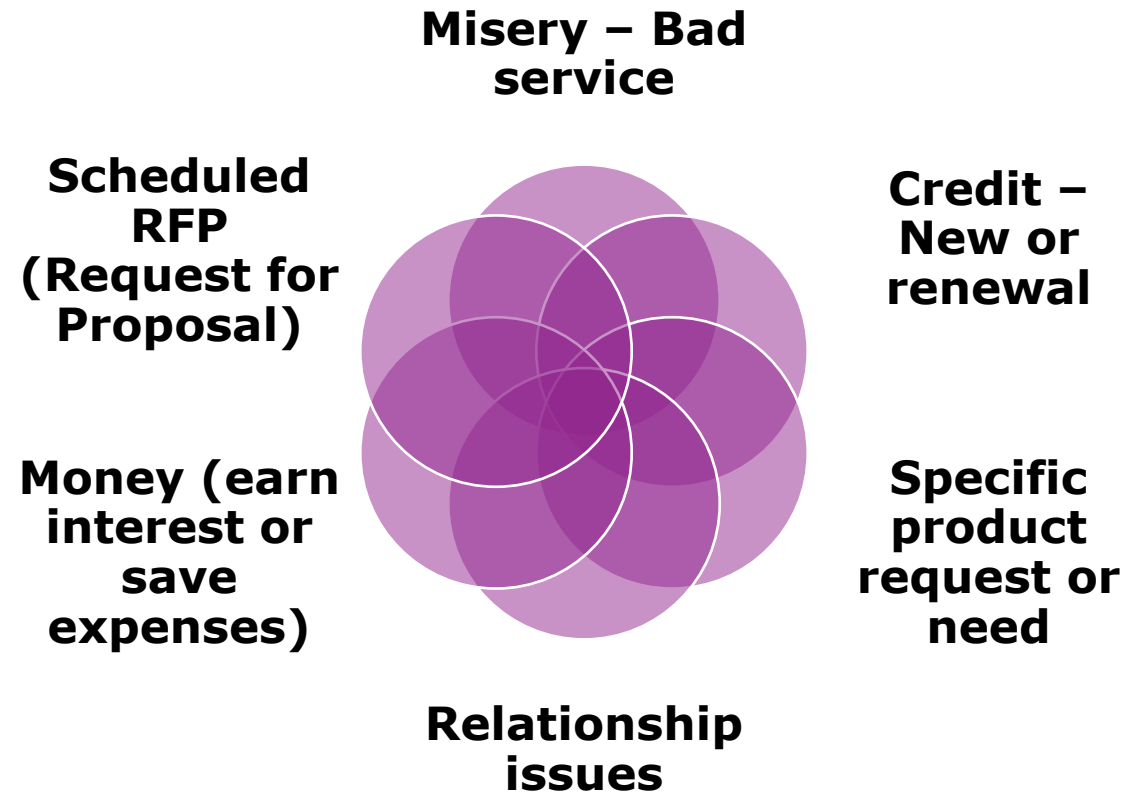
Trending Payments & Solutions – The Beat Goes On!



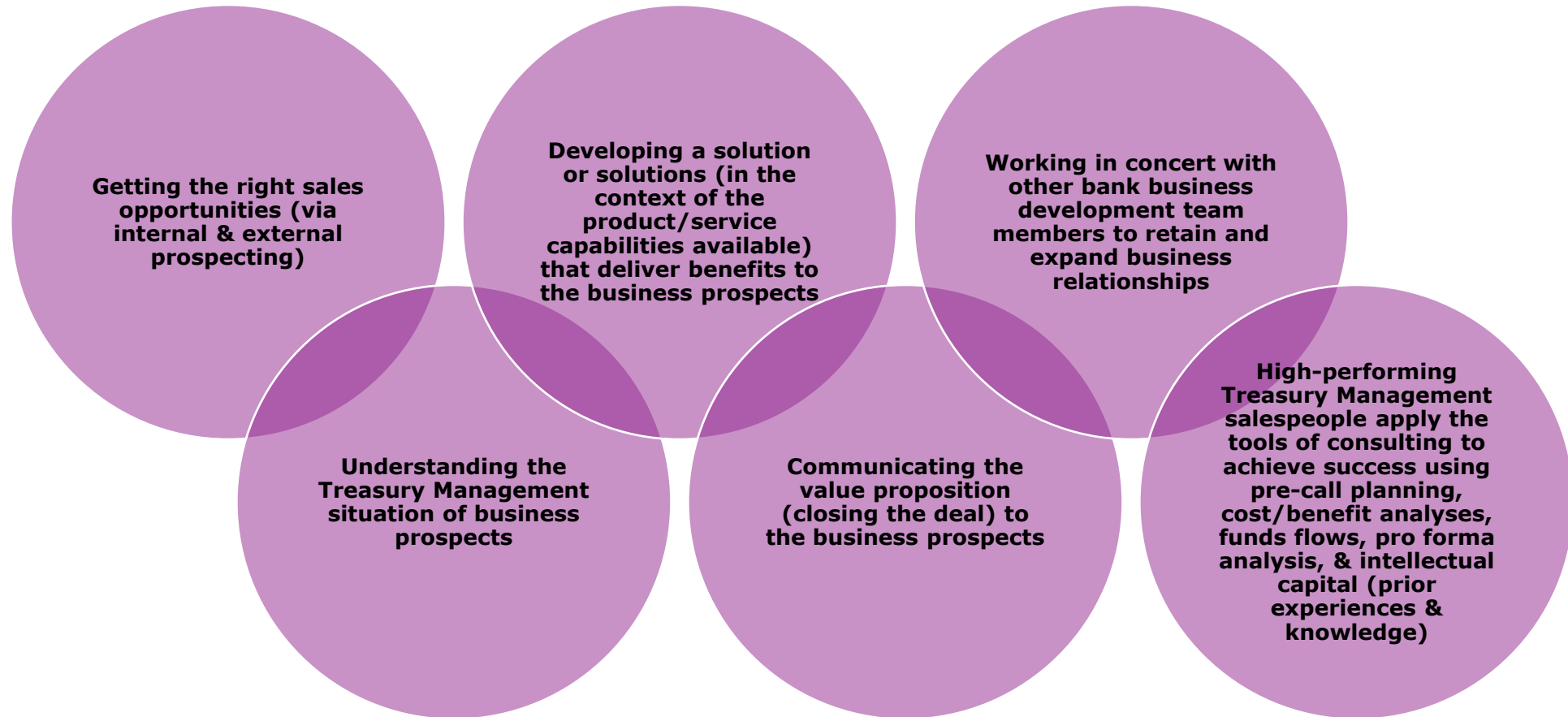
Second Break

Please be back in 15 minutes 😊

Why Do Prospective Customers Buy Bank Products?



Treasury Management Sales Professionals



Internal Prospecting Tips (Underserved Customers?) 😊



Prospecting Tips

Third-Party Referrals (from an existing client or professional – “Sue from XYZ suggested that I contact you”)

Industry Experience & Expertise (“Over the past few years, I’ve worked with a number of businesses/organizations like yours & I’d like to discuss some of these ideas with you”)

References (from the company website, the news or publication – “I saw on your website that you do...”)

New Situations or Products/Services (something that provides value – “We recently enhanced our XYZ product to provide (specific industry) with new benefits”)

Send a Letter or Email Prior to Calling (tailored to the prospect’s situation or industry, send out a limited number to allow for follow-up, be specific as to when you will call & then do it)

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

The Animals 1965

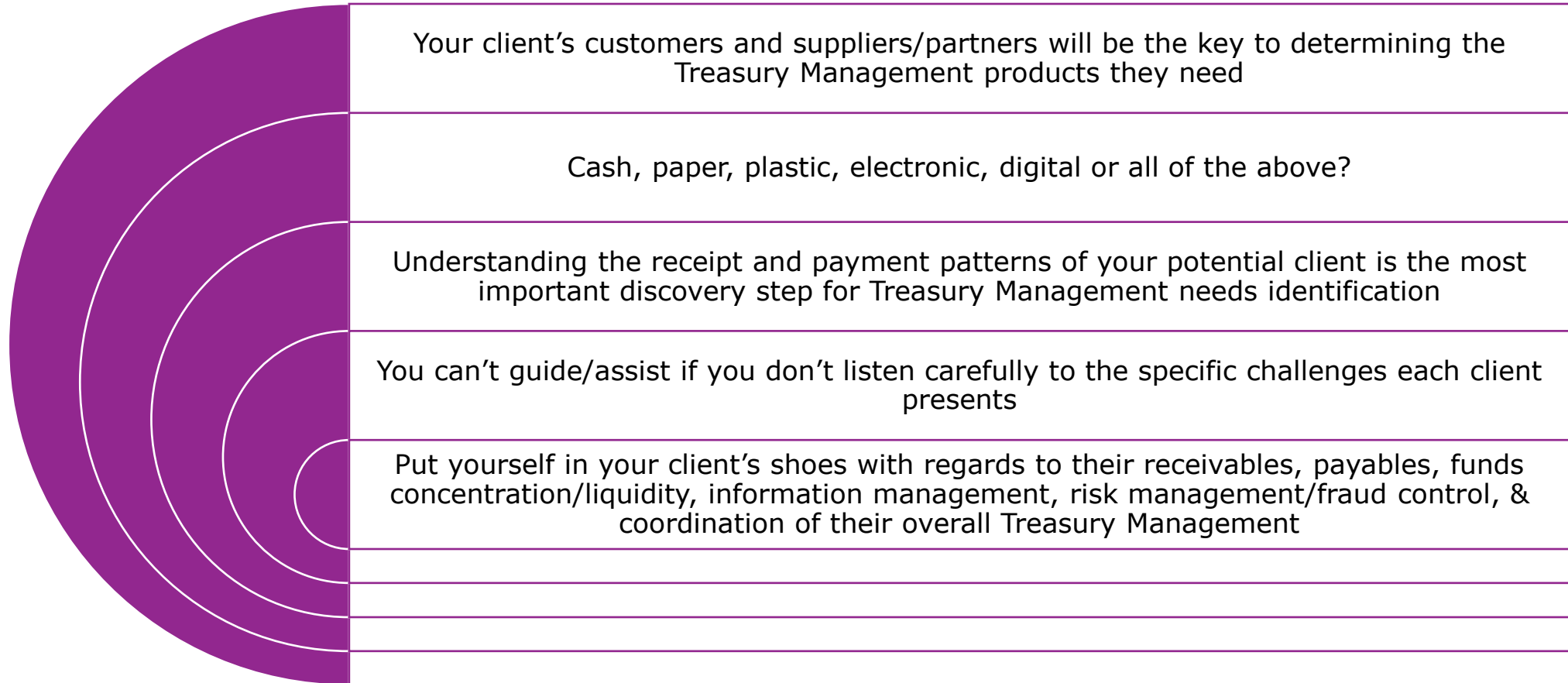
* **Barlow Research 7/2020**

- 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.**

Guiding TM Clients to Solutions



Competing with Focus on Verticals

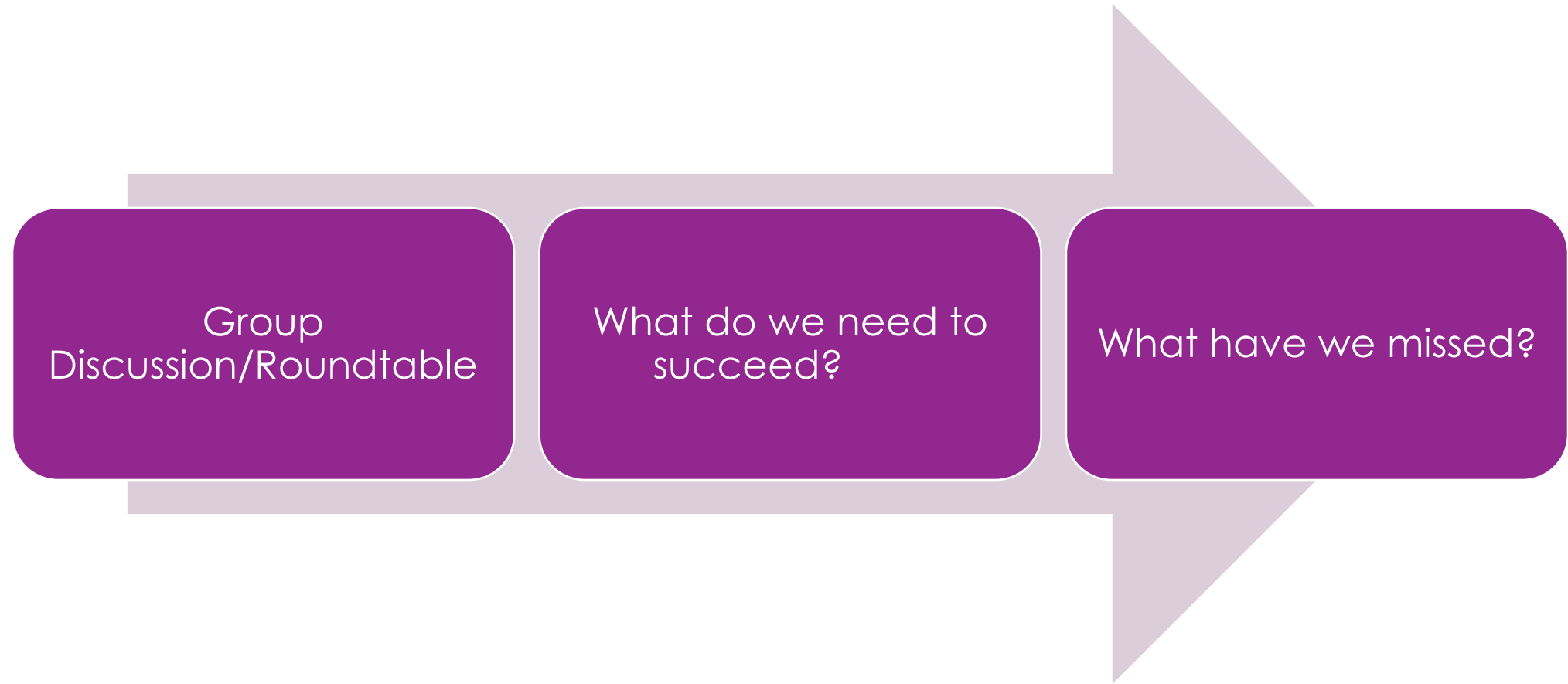
Focused banks outperform others with segments/verticals/niches because of:

- 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

Challenges and Opportunities



Pulling It All Together

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

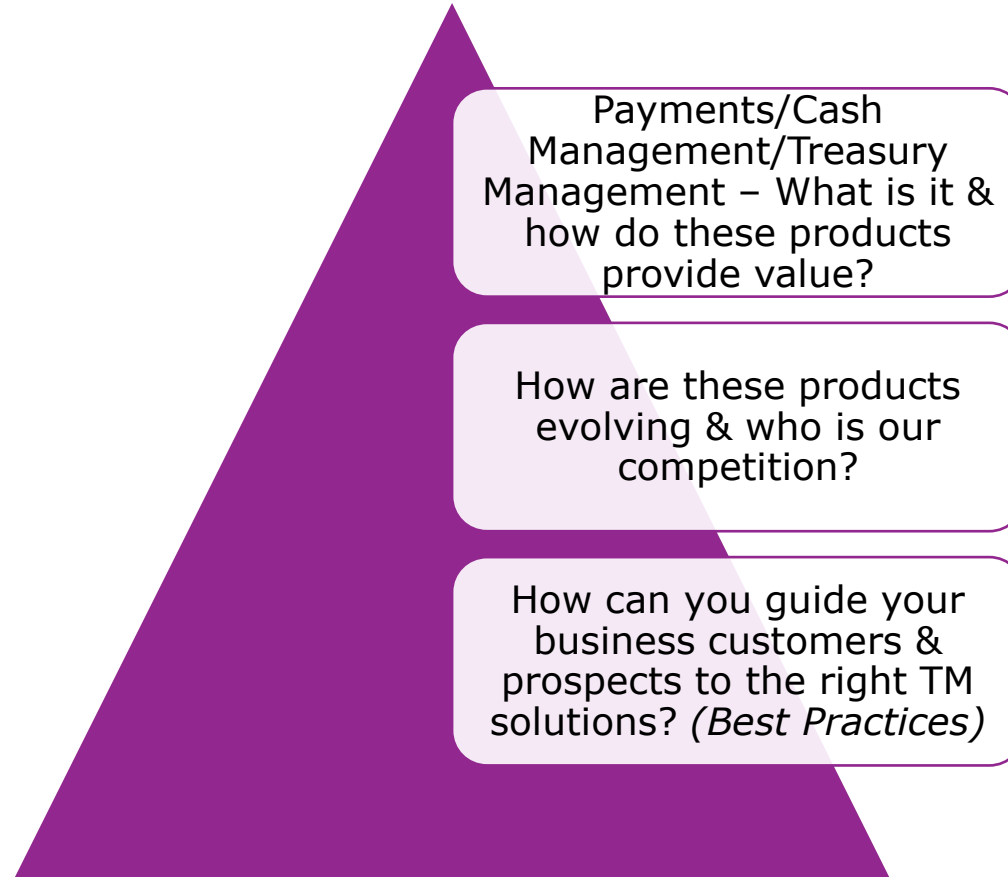
Develop a coordinated Treasury Management/Business Deposit calling strategy that drives new client growth & retention of current clients by focusing on your unique strengths

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

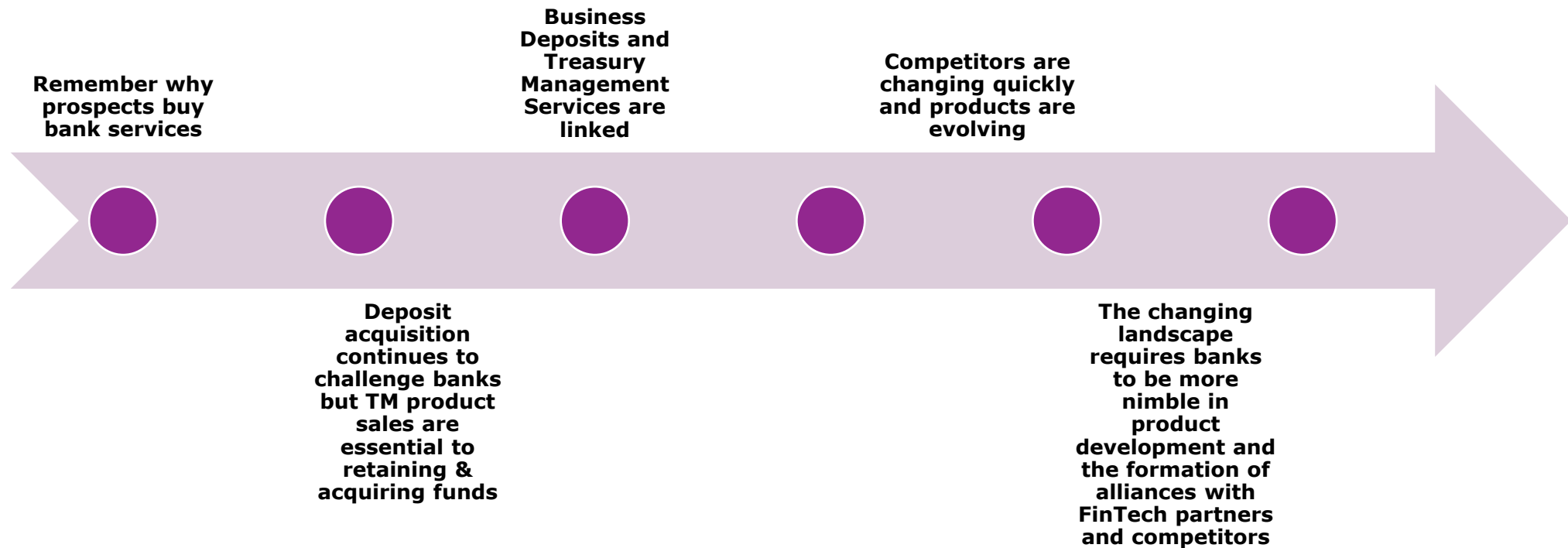
Identify niche markets and/or vertical markets

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

Our Goals for Today - How'd We Do?



Wrap Up, Questions, Comments



Stay Informed


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

Strategic Treasurer
(www.strategictreasurer.com)

NACHA (www.nacha.org)

Barlow Research
(www.barlowresearch.com)

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

Knox Approved Pearls of Wisdom



MOTIVATION

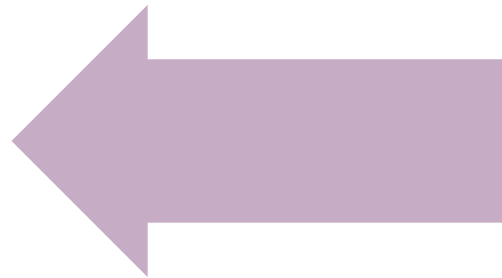


PERSEVERANCE DEFINED



***"Perseverance is
the hard work
you do after you
get tired of
doing the hard
work you
already did"***

• Newt Gingrich



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Thank you for your participation today!

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