## **Virginia Bankers Association**

**"Treasury Management 101"** 

April 19, 2022

#### **Presented By: Debra E. Knox, CCM**

KNOX ADVISORS, LLC TREASURY MANAGEMENT ADVISORY SERVICES 717.468.1227

#### 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?

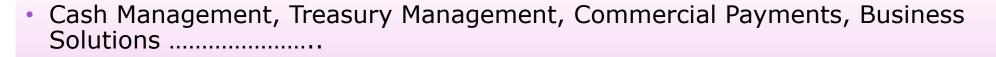
How can you guide your business customers & prospects to the right TM solutions? (*Best Practices*)

#### 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.

#### Tom<u>a</u>to vs To<u>m</u>ato



- 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.

#### **Treasury Management Sales Professionals**

Getting the right sales opportunities (via internal & external prospecting) Developing a solution or solutions (in the context of the product/service capabilities available) that deliver benefits to the business prospects

Working in concert with other bank business development team members to retain and expand business relationships

Understanding the Treasury Management situation of business prospects Communicating the value proposition (closing the deal) to the business prospects High-performing Treasury Management salespeople apply the tools of consulting to achieve success using pre-call planning, cost/benefit analyses, funds flows, pro forma analysis, & intellectual capital (prior experiences & knowledge)

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

<u>Cash Management –</u> <u>1970s & 1980s</u>

Interest rates were high

Funds moved slowly

Float management was key <u>Treasury</u> <u>Management – 1990s</u> <u>to present</u> Data management is key Fraud control Digital revolution

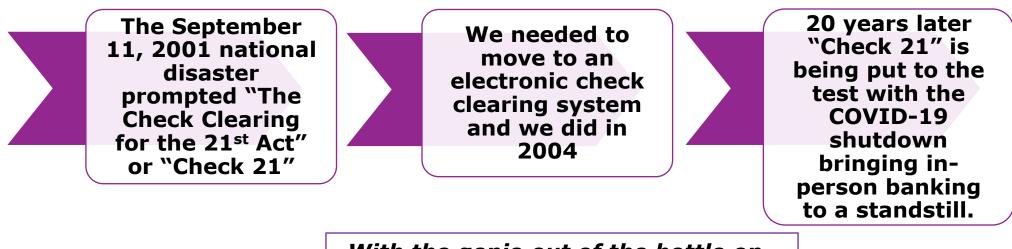
The introduction of Fintechs as an alternative payment provider has accelerated the movement to electronic payments The dinosaur known as the check would have been extinct years ago if remittance details supporting the payment would be more easily accessible

<u>Artificial Intelligence</u> (<u>AI)</u> 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?





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

#### How Did We Get Here?

Payments/Treasury Management generated \$250B of revenue in 2019 and grew more than 10% in 2020 with a forecast of 5% growth per annum over the next 5 years

Some say that the ROE for PTM can be as high as 40% Banks earn fees from payment processing & account management services, as well as interest income from deposits & operational account balances. PTM is an anchor-relationship product line that provides cross-selling opportunities.

Although fee margins have compressed due to increased competition, payment volumes are growing so the forecasts still look good. If interest rates rise, margins will be stronger.

Treasury Management Services are important to your bank's success!

#### "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?

To non-paper based payment solutions That exist in a rapidly changing competitive landscape

With more informed and proactive clients And more creative nonbank providers

Are you up to the challenge?

#### Deposits & Treasury Management – A Perfect Marriage



All banks can benefit from a cohesive product packaging & pricing strategy

Although the bundling of basic information reporting & other TM products with a basic business DDA is now common, this has a negative effect on the bank's ability to gain service fees. TM products are an expense that the bank hopes to recover plus a profit so the packaging of products needs to reflect this goal.

This is where the acquisition of business deposit accounts, the sale of TM products, product bundling/packaging & pricing intersect with target market strategy & calling program management. The bank will be successful in meeting all of these goals if their efforts are coordinated from the development of their products & pricing to the focus of their overall sales programs.

Employee training & development as well as compensation should be tied to the overall strategic goals for the retention & expansion of business relationships.

### What's In Your Wallet?

- Cash, debit card, credit card, Apple Pay, check ??
- C2B payments drive business clients' service decisions/choices as much as B2B payments do
- Businesses of all sizes are impacted by their clients payment choices
- Our job as Treasury Management professionals is to help them to choose TM products that meet their needs based upon their clients, their industry, their internal financial management and reporting requirements
- It's an important job!

#### **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: A corporate Treasury Manager may be the CFO, VP Finance, Controller, Accounting Manager, or President/Owner depending upon the size of the business.* 

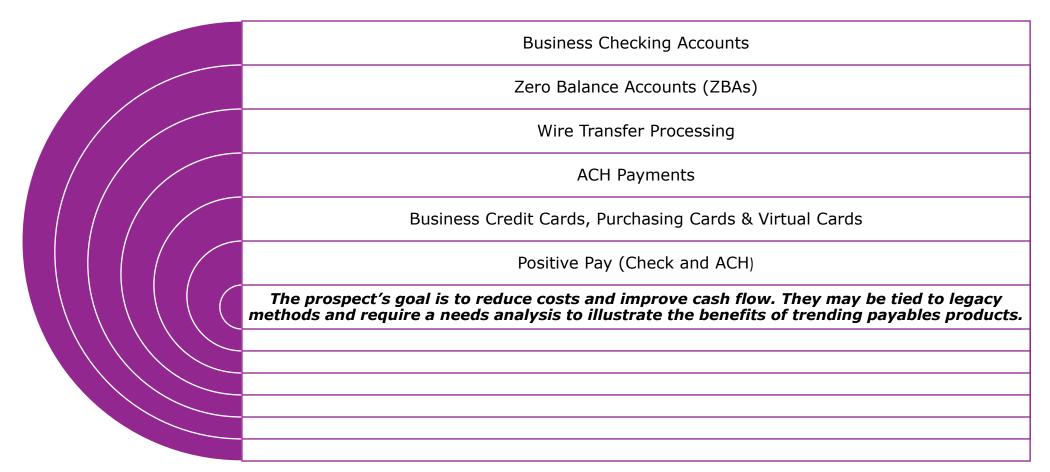
#### First Break

Please be back in 15 minutes 😳

#### Collection, Concentration & Receivables

Business Checking Accounts
Lockbox Services – Wholesale, Retail, and "Whole-Tail"
Cash Handling Services
Remote Deposit Capture (RDC)/Mobile Deposits
Wire Transfer Processing
Merchant Services – Debit/Credit Card Acceptance
ACH Payments/Direct Collection & Funds Concentration

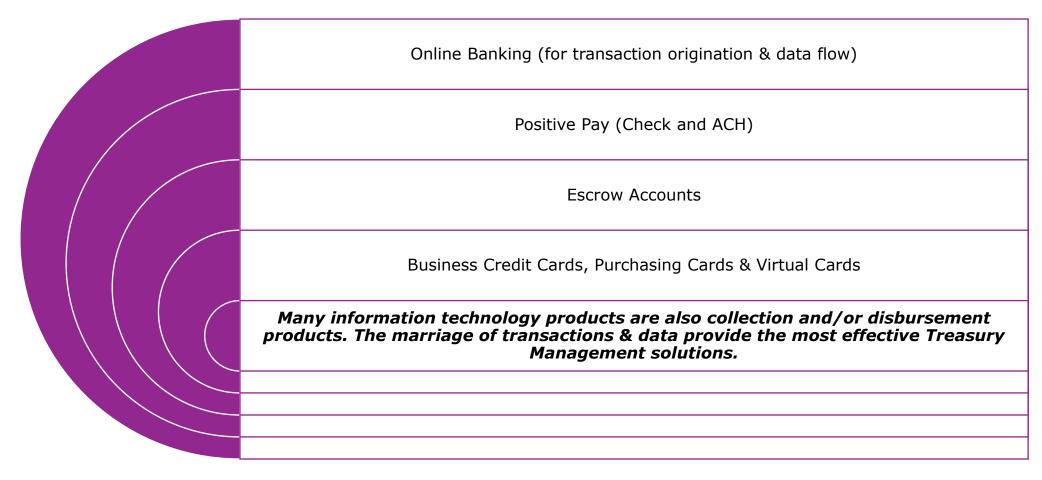
#### Disbursement/Payables Products



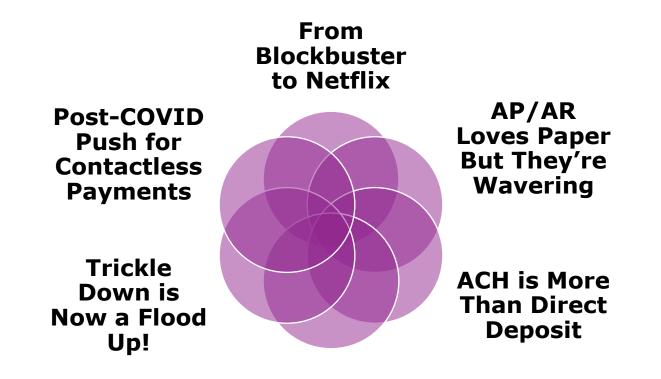
#### Funds Management & Liquidity Products

	Sweep Services – Investment, Loan and Combination Products
	Interest-Bearing Business Checking Accounts (Hybrids)
	Zero Balance Accounts (ZBAs)
	Money Market Accounts
	Low rate environment affects the need for Sweep Services
	<i>Prospect's need for convenience and tracking will help to determine the best options for their specific situation and may be more important than interest earnings or savings</i>

#### Information Technology & Fraud Control Management



#### Product Direction/Transitioning From Paper to ?



**Plastic for All** 

**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 Reconcilement
 Cash Vault Services and/or Smart Safe
 Lockbox Services (Retail and/or Wholesale)
 Sweep Services (Investment)
 Wire Transfer Origination

#### Second Break

#### Please be back in 15 minutes 😳

#### 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

#### **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 – 2021 Strategic Treasurer B2B Payments Report

Corporates plan to increase their payment methods over the next 12 months: ACH payments by 61% Same-Day ACH by 23%

> Virtual Card payments by 28% Real-Time Payments by 27%

64% are making more than 51% of all B2B payments electronically

#### Trending Payments & Solutions – 2021 Strategic Treasurer B2B Payments Report

74% of surveyed corporates are asking banks to provide B2C payment solutions

Banks are evaluating the following: RTP 61% Zelle 61% PayPal 23% MasterCard Send & Venmo 21%

#### 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. There is surely pressure on the Fed to counter the movement of payments from wire to ACH. Projected launch date is 2023.

#### Trending Payments & Solutions – Business Credit Cards



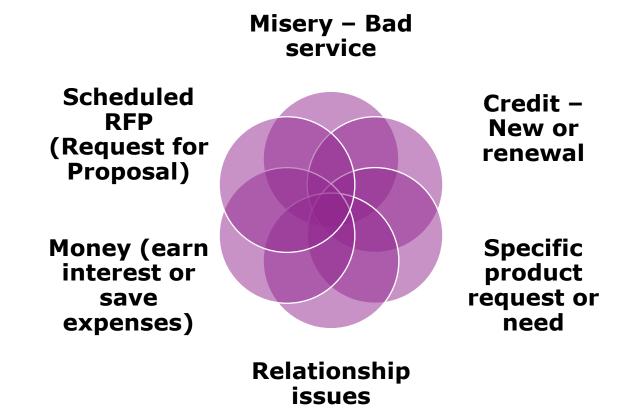
#### Trending Payments & Solutions – The Beat Goes On!

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

#### Why Do Prospective Customers Buy Bank Products?



# ↓ "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

Your client's customers and suppliers/partners will be the key to determining the Treasury Management products they need
Cash, paper, plastic, electronic, digital or all of the above?
Understanding the receipt and payment patterns of your potential client is the most important discovery step for Treasury Management needs identification
You can't guide/assist if you don't listen carefully to the specific challenges each client presents
Put yourself in your client's shoes with regards to their receivables, payables, funds concentration/liquidity, information management, risk management/fraud control, & coordination of their overall Treasury Management

#### 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 customers can cost 5 times more than retaining existing ones"

Note: Use your account analysis system to prospect internally

#### **Prospecting Tips**

**<u>Third-Party Referrals</u>** (from an existing client or professional – "Sue from XYZ suggested that I contact you")

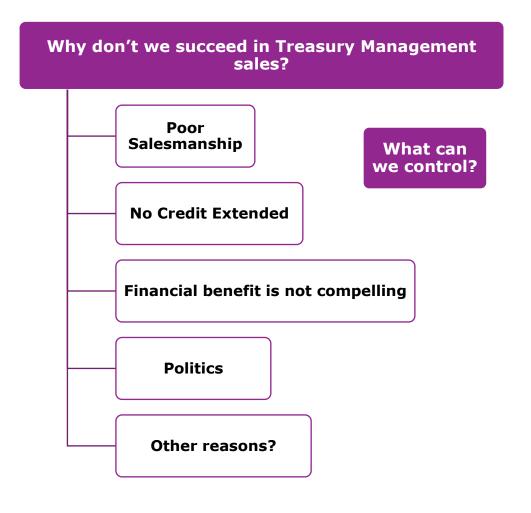
**Industry Experience & Expertise** ("Over the past few years, I've worked with a number of businesses/organizations like yours & I'd like to discuss some of these ideas with you"

**<u>References</u>** (from the company website, the news or publication – "I saw on your website that you do..."

<u>New Situations or Products/Services (something that provides value – "We recently</u> 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)

#### Treasury Management Focused Selling



#### **Treasury Management Focused Selling**

Pre-Call Planning is essential to your success in TM sales whether virtual or in person

Do your research/homework. Learn as much as possible prior to the call.

Seek out companies that align with your strongest customers

Set a reasonable goal(s) for the call - (could be to keep calling)

Use a targeted email (or letter) for initial contact with a request for a virtual meeting

Be Prepared, Be Brief, Be Meaningful, Be Aware and Be Strategic – No one has time to waste

"Poor planning on your part does not necessitate an emergency on mine"

#### **Treasury Management Focused Selling**

<u>"Second Prize"</u> – 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 <u>"Post-Mortem"</u> 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.

#### 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.

#### Challenges and Opportunities

Group Discussion/Roundtable What do we need to succeed?

What have we missed?

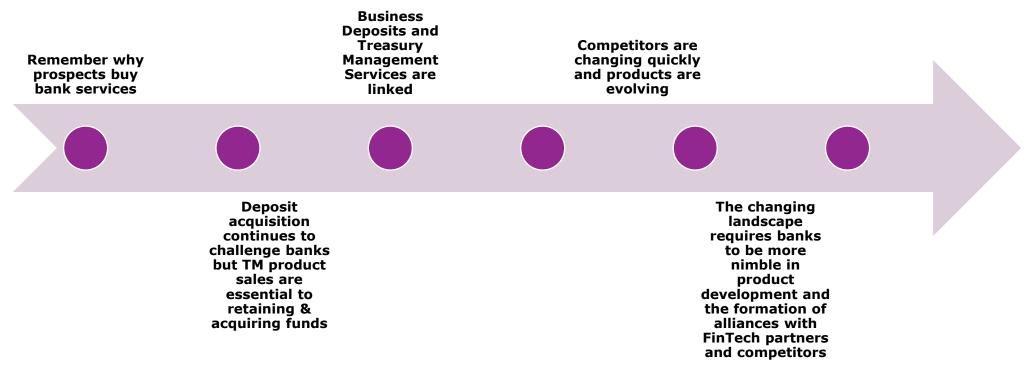
#### Our Goals for Today - How'd We Do?

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*)

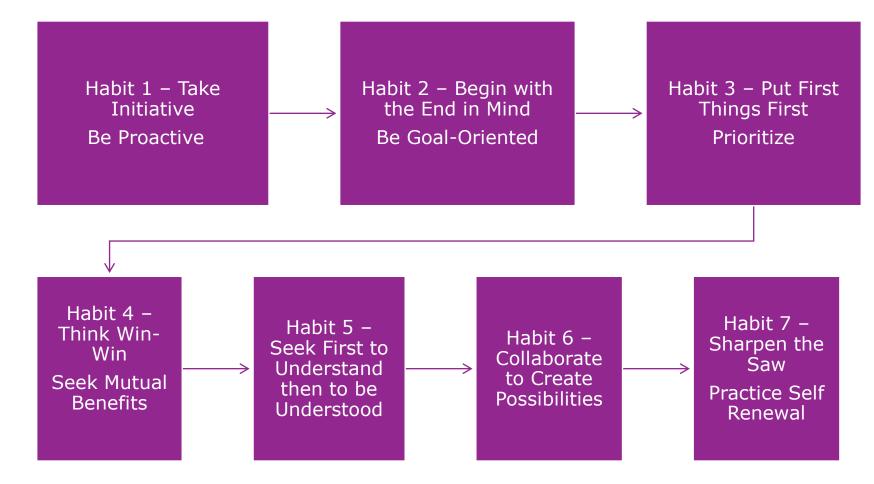
#### Wrap Up, Questions, Comments



#### Stay Informed



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



#### **MOTIVATION**

"Motivation doesn't last ..... But neither does showering! That's why both are recommended daily"

• Zig Ziglar

#### **PERSEVERANCE DEFINED**

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

• Newt Gingrich

### Virginia Bankers Association "Treasury Management Basics"

Thank you for your participation today!

*KNOX ADVISORS, LLC Treasury Management Advisory Services Debra E. Knox, CCM 717.468.1227*