



Treasury management: Voice of the customer

Managing the coexistence between digitally
Native and digitally Naïve clients

About this document:

Objective & methods

What: Research objective

Helping banks identify viable, new offerings

The treasury management landscape continues to undergo rapid change and we seek to understand how banks can better serve their middle-market clients. We researched the needs of banks’ treasury clients, gathering perspectives from treasury professionals around what they most value, their key challenges and unmet needs, and the evolution of these needs in the future.

Our hope is this body of research will provide insights into what banks should consider prioritizing to be ready for the future while also addressing the immediate needs for their treasury clients.

How: Research methodology

Breadth

Working with Pixel by Deloitte, we completed an online survey of US-based treasury professionals at middle-market firms (\$20M–999M).



We surveyed **175**
treasury professionals

88 decision makers Department head, director, manager, supervisor or equivalent		87 do-ers Clerk, analyst, administrator, coordinator, planner, consultant, associate or equivalent	
111 lower middle-market companies Between \$20M – \$249M in revenue		64 core + midsized companies Between \$250M – \$999M in revenue	

Depth

In addition to bringing our experiences working with clients daily, we also conducted interviews with treasurers across small, mid and large corporates.



We interviewed **12**
treasury professionals

Vice president, treasury	Treasury director	Head of treasury	Head of treasury tech
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Summary:

Treasury management in 2022

Market context

disruption...

Advancements in technology have disrupted the treasury banking space, enabling banks to roll out new offerings (e.g., cash flow forecasting, intelligent payments) and also fueling the growth of fintechs. More recently, the Covid-19 pandemic disrupted long-established ways of working, driving digitization, and creating a short-lived impetus to adopt new services.

...but no change

Today, there is a **clear stalemate** between banks and their treasury services clients. Banks are seeing only **limited demand for new solutions**, while clients often desire new products and services, but are **unable to adopt** these offerings due to aging infrastructure, squeezed budgets, and risk-averse postures.

Market insights

CLIENT NEEDS ARE DIVERGING

Clients exist across a broad spectrum from change averse to market-making, creating challenges for banks who need to continue to efficiently service both ends of the spectrum.



Relationships still matter

An intense focus on competing with technical capabilities and next-gen services obscures the fact that relationships are a primary driver of new bank selection – although the criteria for what makes up a good relationship is changing



Product needs are mixed

Even sophisticated clients are still reliant on legacy products and unwilling to sunset them because, in their words, “they just work”; innovative use cases that are seeing strong adoption do so by solving for human needs rather than simply delivering new technology



Operating model evolution

Technology and delivery of complex services has become core to the product offerings; upskilling teams, shifting the operating model, and investments must be made now if banks want to remain competitive and relevant in treasury services

In our research we identified two segments differentiated by behavior, the Naïve and the Native

NAÏVE



Naïve clients leverage highly manual treasury management processes built on legacy ERPs. While they are evolving, their pace of change is not fast enough to keep up with overall evolution in the industry.

NATIVE



Native clients manage their business with digital technologies and decisions based on data-driven insights. Native clients are driving towards “the next thing” and often push the boundaries of the industry.

Prefer partnerships...



Digital adoption includes...



Prepare for new integrations by...



Data may be in...



KEY



NAÏVE



NATIVE

Naïve and Native clients also differ in what they are looking for from their banks

NAÏVE



PRIORITIES

- Minimal need to change legacy systems that serve current needs as they consider treasury a middle- or back-office function
- Reducing manual touchpoints with bank for business and technology needs

NATIVE



PRIORITIES

- Evolve treasury as part of a broader transformation of the business to deliver on heightened client and employee experiences
- Data standardization across products and banks

What you might hear me say

“We continue to use lockbox, as checks represents 40% of all payment transactions.”
– Former assistant treasurer; Gas & electricity utility company”

“We want to automate everything via APIs, SFTP file transfers, and cross border support.”
– Manager, treasury; Insurance company”

“Even if a fintech can offer a better price, we would likely maintain the relationship we have with the banks since they offer a variety of services.”
– Manager, treasury; Insurance company”

“We are building our own analytics framework - we work with so many banks, that no one bank has the complete picture.”
– Head of treasury tech, technology; software & hardware provider”

“We are not as interested in direct API since our ERP is batch and the ERP system would need to change.”
– Vice president, treasury; Gas & electricity utility company”

“We don't use checks unless we are forced to do so by a partner.”
– Director, treasury; Biotechnology and health care technology company”

The evolution from Naïve to Native: B2C receivables



Celia

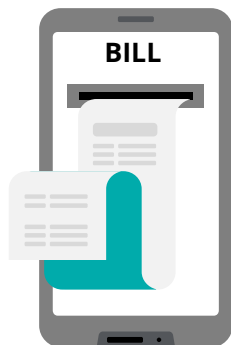
(Consumer)

Celia loves her phone and is on it all the time. The service for her phone is provided by CellCo. Celia chose CellCo because they have the most coverage in her area.

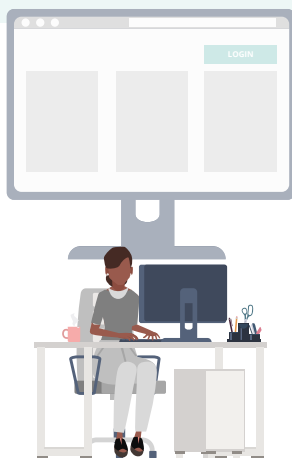
CURRENT PAIN POINTS:

- CellCo has been pushing Celia to enroll in autopay, but money is tight, and Celia wants to manage her budget closely (even if she sometimes forgets to pay on time)
- She always received her bill by mail, but she pays online because it's too much of a hassle to mail in her payment

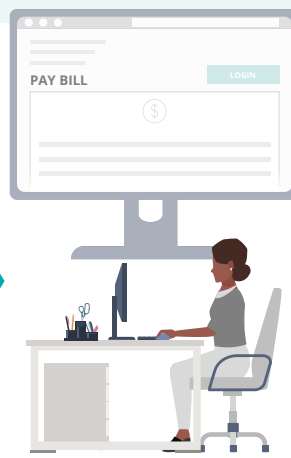
NAÏVE



Celia receives her CellCo bill in the mail each month



After receiving her monthly paycheck, Celia decides to pay her bills, so she navigates to CellCo's website



On the website, she starts by logging in, then selecting "pay bill"



On the page that loads, she enters her credit card number, and the payment is processed

NATIVE

When Celia's bill is ready, she receives a notification from her banking app:

"Your CellCo payment is coming due, click here to authorize it"



Clicking the notification launches her bank's app, loading a payment screen with options:

- Pay in full
- Pay in installments
- Pay later
- Remind me later
- Request an extension

She selects an option, and the payment is processed

The evolution from Naïve to Native: B2B payables



Anton

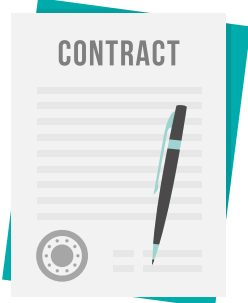
(Accounts payable associate)

Anton is part of at CellCo's Accounts Payable team. He's been on the job for two months and is still learning the ropes.

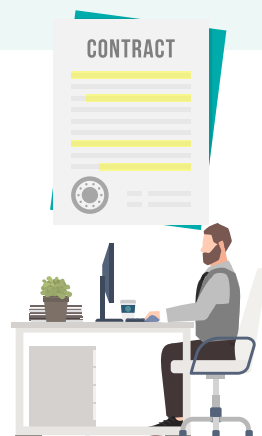
CURRENT PAIN POINTS:

- Every payment decision Anton makes is a challenge – there are so many different pieces of information to pull together and none of it lives in the same place
- Anton isn't always certain he's making the right decision because account positions are constantly moving, and new invoices are constantly coming in (not to mention he doesn't have time to revisit old decisions)

NAÏVE

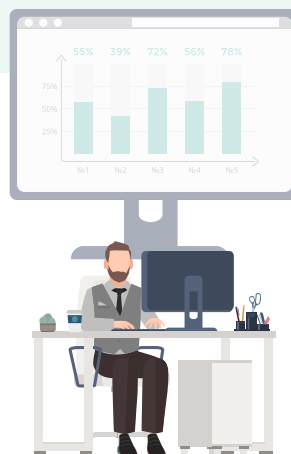


Anton receives a contract



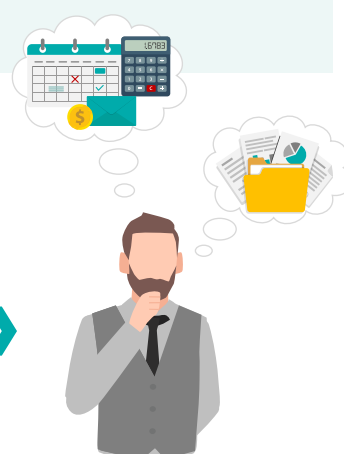
He then looks at the contract to find:

- Payment types accepted
- Payment terms
- Payment deadline
- Associated fees



Next, he considers his options to pay:

- Payment fees
- Payment speed
- Account positions
- Other scheduled payments

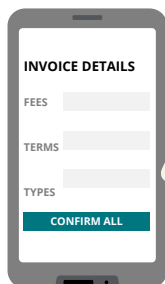
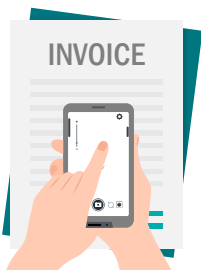


Anton then has to make a judgment call on:

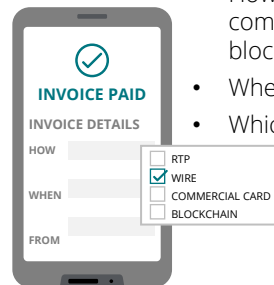
- How to pay (check, ACH, wire, commercial card)
- When to pay
- Which account to pay from

NATIVE

Anton opens up an app and takes a picture of the invoice



The app automatically extracts the relevant information and asks him to confirm it



The app then decides (and continually re-optimizes):

- How to pay (RTP, wire, commercial card, blockchain)
- When to pay
- Which account to pay from

Relationships

While capabilities are considered table-stakes, relationships can serve as a differentiator for banks

Top factors in selecting a new bank (% ranking the factor in the top-two)

While **SECURITY** and **REPUTATION** are the two most frequently cited selection factors, they are considered table stakes for the native and naïve—clients will ‘select away’ from banks with major breaches or other reputational damage but rarely view this as a truly differentiating factor

37% Security (Preventative, monitoring, reactive)



36% Reputation



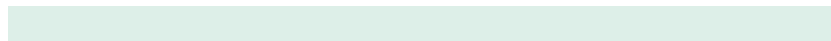
34% Relationship management & client service



32% Cash management products & services



23% Pricing



20% Technology capabilities



18% Lending services



Both native and naïve clients consider **RELATIONSHIPS** as a critical “select for” factor, even as the nature of client service evolves

KEY

Relationship factor

Capability factor

For both Naïve and Native clients, trusted relationships are built on three dimensions

	CLIENT SERVICE	ADVICE & INSIGHTS	FOOTPRINT
NAÏVE NEEDS	A trusted relationship manager who can address issues based on understanding the client needs	Recommendations on how to optimize their treasury operations based on what others in their industry are doing	A large branch/physical footprint (needed to deliver night deposit, lockbox and other legacy products)
NATIVE NEEDS	Self-service options to solve issues on their time, where that does not require a knowledgeable technical specialist	Insights on how to evolve their technical footprint based on knowledge of the current set of solutions they use	A broad knowledge base comprised of unique location-driven perspectives and solutions
HOW TO DELIVER	<p><i>"I want a technical resource who can answer our problems along with our day-to-day client service contact"</i></p> <p>– Head of treasury technology</p> <ul style="list-style-type: none"> • Accountable points of contact: Clients want specific contacts who know their organization and can solve issues (without a need for handoffs/escalation) • Self-service platform: Empower clients to resolve straightforward questions and issues on their own 	<p><i>"Banks can focus on specific industries (e.g., health care) to drive value and to decrease operational costs"</i></p> <p>– Vice president, finance</p> <ul style="list-style-type: none"> • Consultative approach: Banks should invest to be a proactive advisor for clients and provide consultative services – technical, liquidity, etc. • Industry focus: Provide industry specific services (e.g., insurance clearinghouse for payments) that drive efficiency 	<p><i>"If banks have a presence where we have business, we want their experience as part of the package"</i></p> <p>– Vice president, treasury management</p> <ul style="list-style-type: none"> • Global reach: Clients want banks' support based on where they do business today and where they may want to do business in the future • Location-based services: Provide clients with services and expertise aligned to their needs (e.g., foreign exchange considerations)

Products

While not evident across all product categories, the Naïve-Native split is highly visible for information reporting products

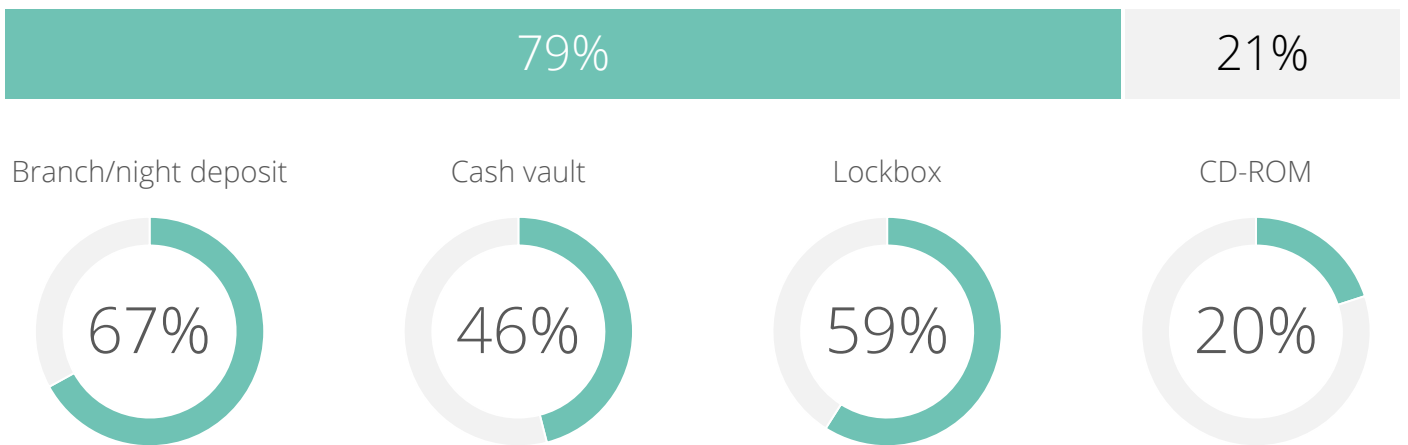
	PRODUCT CATEGORY	NAÏVE & NATIVE BEHAVIOR	IMPLICATIONS FOR BANKS
<p>In it for the long haul:</p> <p>Products with strong demand across Native & Naïve clients</p>	<p>01</p> <p>LEGACY PRODUCTS</p>	<p>Naïve and Native clients alike use legacy products, including branch/night deposit, cash vault and CD-ROM</p>	<p>Banks must plan for continued support for these products and should consider using digitization, automation, outsourcing and technology services</p>
	<p>02</p> <p>PAYMENTS</p>	<p>The selection of a payment rail is similar across Naïve and Native clients with ACH favored, but passed over for many reasons</p>	<p>Converting clients to other services may require ecosystem changes (i.e., solving for demand from clients' clients/partners)</p>
<p>Time for change:</p> <p>Where Native clients have differentiated expectations</p>	<p>03</p> <p>DATA, INSIGHTS & ANALYTICS</p>	<p>Both Naïve and Native clients are dissatisfied with data and insights offerings but for differing reasons</p>	<p>Investments in data standardization can benefit both client groups although API standardization and availability are truly needed to satisfy Native clients</p>
	<p>04</p> <p>DIGITAL EXPERIENCE</p>	<p>Native clients are increasingly turning to their own ERPs and feeds with real-time data consumed through APIs</p>	<p>Investments in digital channels provide disproportionate value to Naïve clients whose expectations are rising as consumer experiences improve</p>

01 Even in an increasingly digital world, legacy products persist

Legacy products used

Top factors in selecting a new bank (% ranking the factor in the top-two)

Clients using at least one of the four solutions below



Why clients use these products

Clients have many reasons for continuing to use legacy solutions

40%

Current product is effective at meeting needs

“We use legacy products because they are effective, and our customers demand them”

17%

Too difficult to transition to a new product

“Change requires significant time and money which can be hard to come by”

15%

Strong demand from clients for the product

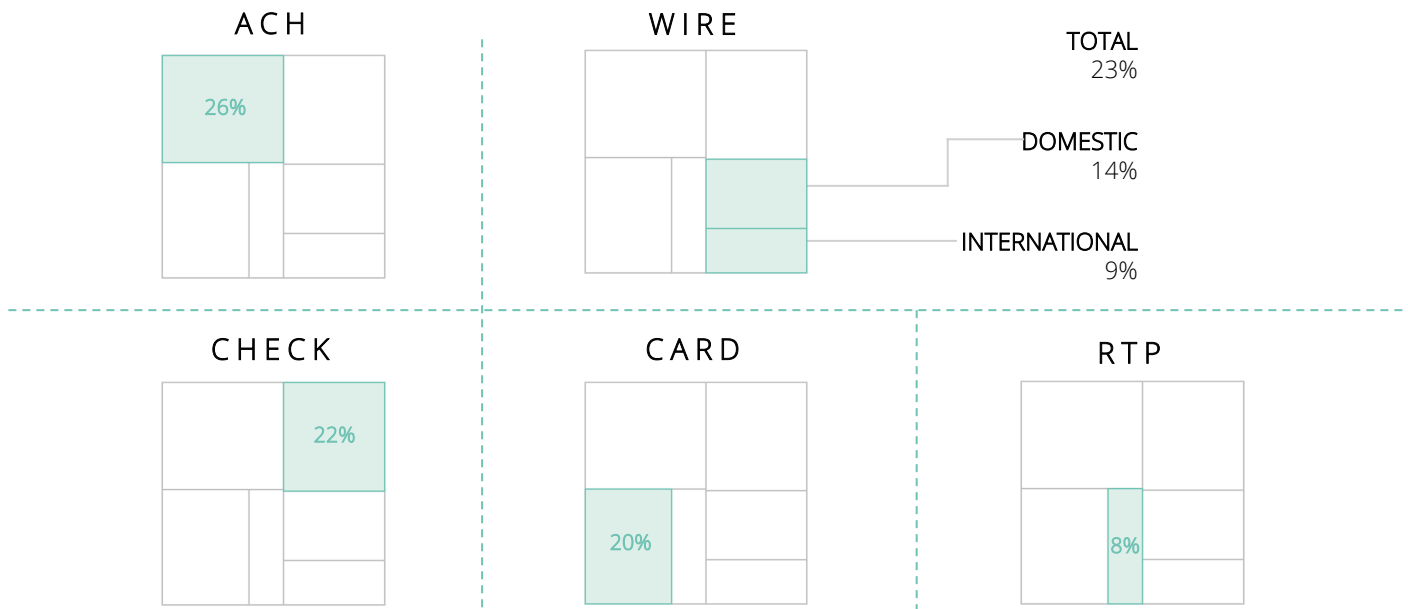
“Legacy products are still required as they constitute a large portion of our customers' businesses”

Given persistent demand for legacy products, banks should plan for optimization through automation rather than elimination.

02 Payment preferences are fairly homogenous across both Naïve and Native clients

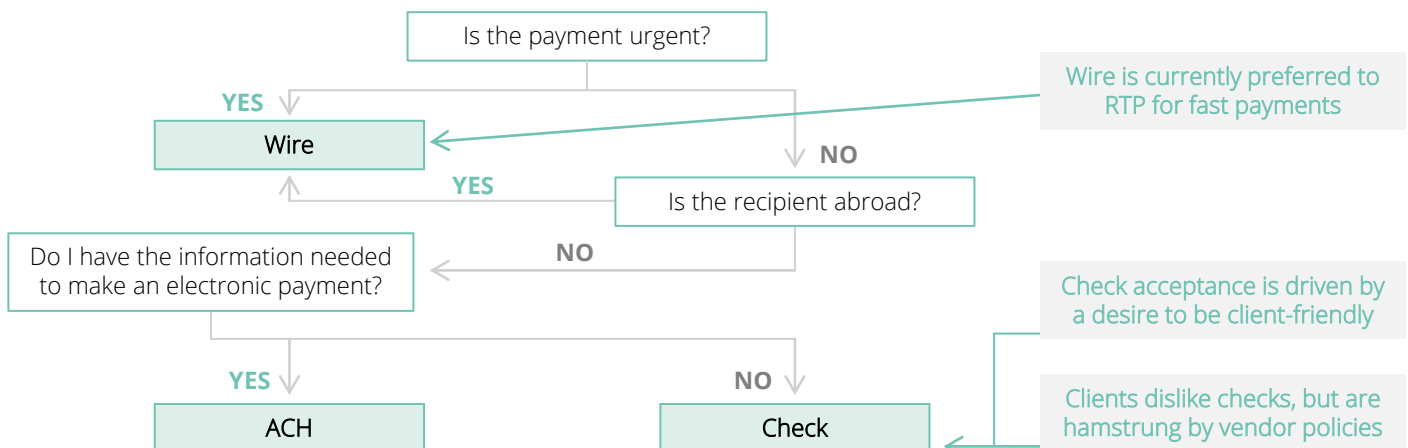
By the numbers

Payments are split evenly across wires, ACH, check and card with RTP a distant fifth



How clients make decisions on how to pay

Payment decisions are made on the basis of cost then speed, with ACH being the preferred choice



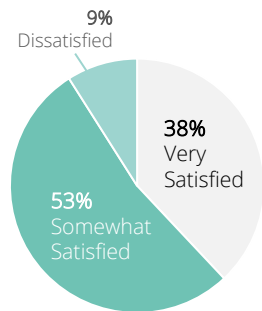
03 Data and insight offerings fail to satisfy both Naïve and Native clients, but for different reasons

By the numbers

While demand for analytics and insights is strong, clients are overwhelmingly dissatisfied with these offerings from their banks

Baseline offering

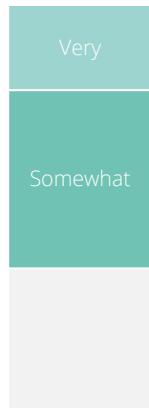
62% could be more satisfied



Purchases of enhanced packages

65% Purchase often or somewhat frequently

45% Infrequently or never purchase



Of which...

41% do not feel that the purchase provides significant value

"I can see some data in real-time, but not nearly enough"

"My bank's reporting dashboards just aren't doing what I need...they're clunky and I can't get them to show what I actually want to see"

What clients are looking for (and missing)

CLIENT GROUP

KEY CHALLENGES

ALL CLIENTS

Looking for a strong foundation to base their decisions on

Data accuracy: Variability in current data creates a break in a client's ability to consume, trust, and act upon insights

Data availability: Not all data is exposed in real-time via APIs and the metadata available is insufficient for operational tasks (e.g., reconciliation) reducing a client's ability to confidently make data-driven decisions

NAÏVE CLIENTS

Looking for support in making sense of their data

Tool quality: Online banking dashboards provide data, but do not offer the timeliness, accuracy, filtering or visualization capabilities required to create the custom reports that clients would like to see

NATIVE CLIENTS

Looking to build a complete picture of their finances across banks

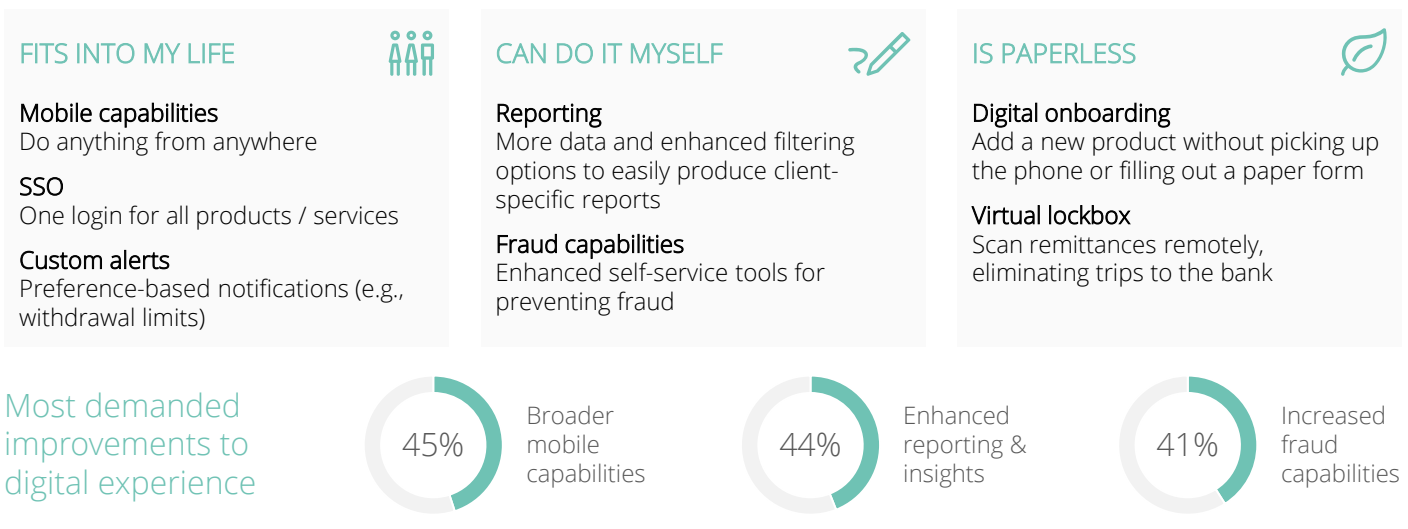
Data standardization: Native clients consume and aggregate data across banks to perform their own analytics; with each bank using its own (non-standard) APIs, clients are forced to build an in-house translation layer to aggregate this data

04 Investments in digital experience largely benefit Naïve clients, who are looking to match the experiences they see as consumers

Channel preferences for Naïve clients

With big tech continuing to push the envelope on digital experience, client expectations are higher than ever; corporate clients are no longer content using clunky, siloed, and outdated tools and have come to expect consumer-grade experiences from their banks

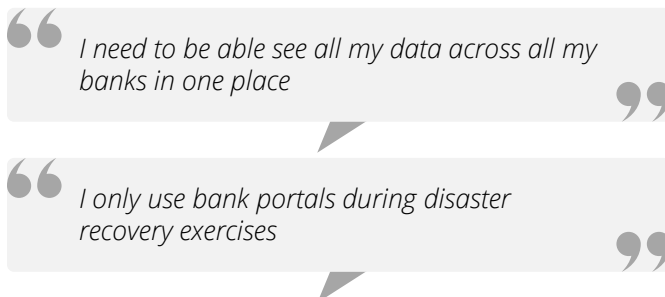
Principles + treasury features



Channel preferences for Native clients

Digitally Native clients prefer to use their ERP/TMS systems (or in some cases homegrown alternatives), ingesting data via APIs, to do their work on those platforms

IN THEIR WORDS



To satisfy Native clients, banks will need to expand their API offerings, including a variety of third-party systems supported “out of the box” as well as enabling new use cases such as:

- Cash forecasting
- Triggering new payments on client-specific rails
- Enriched data to enable remittance reconciliation

Operating model

As client needs' evolve, the type of bank partner they are looking for is also evolving

NAÏVE



What is changing

Increasing pressure to modernize treasury, "do more with less"

What they want from their banks

These clients want a bank that can provide guidance to support their treasury transformations

NATIVE



What is changing

Increasing proportion of clients displaying digitally Native behaviors

What they want from their banks

These clients want a bank that acts as a sophisticated, tech-fluent partner to meet them where they are and "keep up"

What we heard

SALES & RELATIONSHIP MGMT



It's fundamental that banks we work with understand our business and have the right footprint to best help.

– Head of treasury, automotive materials supplier



SERVICING



Banks can strengthen relationship by adding a technical resource who can speed up triaging efforts.

– Head of treasury tech; Software & hardware provider



PRODUCT



Banks are getting better at integrating more systems together to make processes seamless.

– Director, treasury; Medical equipment manufacturer



SHARED SERVICES



Proactive risk and compliance monitoring from our bank would reduce our internal reliance on "experienced" team members.

– Vice president, treasury management; insurance company





Evolving client needs require a shift in the bank's operating model with impacts varying by function

Historically, banks have designed their treasury management operating model to support the needs of digitally Naïve clients with a product-centric alignment; investments have been focused on modernizing aged technology to sustain legacy products and marginally improve processes versus understanding and meeting new client needs.

Going forward, banks need to reorganize around the changing needs of their digitally Naïve clients, as well as new demands from a growing set of digitally Native clients, which requires banks to move from incrementalism to transformation (i.e., fundamentally re-architecting their operating models).

Illustrative operating model and impacts by function

		NAÏVE 	NATIVE 	IMPACT ON FUNCTION
SALES & REL. MGMT.	<i>Client coverage</i>	Known operating pain points and a desire to digitize, while facing pressure to do more with less	Want to collaborate with bank partners on how to better support their customers and employees	Shift away from product to solution-based sales model
	<i>Specialists</i>			
SERVICING	<i>Onboarding</i>	Emerging desire to use self-service for what they consider "simple" servicing requests (e.g., adding an account)	Demand for deep technical expertise to not only find a solution, but recommend improvements	Demand for self-service with first point of contact issue resolution via relationship pods
	<i>Client servicing</i>			
PRODUCT	<i>Product mgmt.</i>	Rising dissatisfaction with the products driven by perceived lack of tailoring to their industry / cohort	Forced to adopt new, non-bank solutions crossing product lines to solve for their business' unique use case	Integration of data and insights with products to create solution teams
	<i>Product operations</i>			
SHARED SERVICES	<i>Audit, risk and comp.</i>	Frustration with lack of coordination across bank with outreach from seemingly random contacts	Understanding of risk and compliance requirements, but frustrated by channels available for resolving	Need to integrate with existing channels to minimize client points of contact
	<i>IT security, vendor mgmt.</i>			

Transformation across the bank is required to serve clients along the Naïve-Native spectrum

TALENT EVOLUTION



Train teams to go beyond products by creating a functional understanding of the day-to-day workflows for clients

Increase technical acumen and integrate technical resources into sales and servicing teams; incentivize tech fluency within non-technical roles

Organize servicing teams to lead with relationship and pods to enable specialization which can accelerate issue resolution

Continue investments in fintech partnerships to supplement advanced technical talent

PROCESS RE-ENGINEERING



Build in client solution checkpoints to broaden cross-functional understanding of how products are used and can be improved

Build a catalogue of standard services to offer clients that allow for economies of scale and ease of implementing and operationalizing

Develop "fix" repository to learn from previous client issues and reduce time to resolution in future occurrences

Offer clients a proactive approach to risk management and compliance with direct feedback within existing communication channels

TOOL ENHANCEMENT



Provide clients low-risk opportunities to pilot new solutions (e.g., sandbox environments)

Develop single ecosystem to support bank solutions and provide clients ability to bring on new services with ease and to re-configure functionality of implemented solutions

Offer self-service tools to simplify interactions and reduce resolution time; inclusive of digitized documentation and escalation routes when advanced support is required

Enable real-time data exchange and enhanced metadata availability

Taking action: What should banks do?

Banks will need to manage the co-existence of both client groups for the foreseeable future; these tactics can help make the Naïve more Native

01

MAKE IT REAL

(for key decision makers)

HIGHLIGHT THE HUMAN COST

While there is generally a solid financial case for adopting Native services, many Naïve clients are unable to garner support for the change based on numbers alone. Helping clients understand the human cost (time, pain) associated with legacy products (especially for executives) can jump start change.

HELP CLIENTS HELP OTHERS

Clients generally dislike checks and cash, but they continue using both because their customers and partners are not willing to adopt electronic payments. Clients are willing and able to run campaigns, educating holdouts on the benefits of adopting new electronic payments, but will benefit from their bank's support.

02

STRIVE FOR EASY

(for Native service adoption)

SUPPORT CLIENTS

Given customizations, antiquated processes and outdated, poorly integrated systems, adopting new solutions can entail significant uncertainty and effort. Providing skilled technical resources who can support clients as they design and implement new services can encourage them to take the next step.

REDUCE IMPLEMENTATION EFFORT

Most budget for change/improvement is allocated to internal projects (e.g., finance systems consolidation), leaving limited funds available for implementing new services from banks. Offering products that can easily integrate with common TMS/ERP systems can help make these projects affordable for clients.

03

BUILD AROUND NEEDS

(not products)

START WITH THE USE CASE

Banks are eager to roll out new technologies, but often run into a wall of low demand. By starting with client needs, banks can develop and sell services that enable clients to achieve their goals and transition in the direction of Native options (e.g., debit cards for payroll).

ADD END-TO-END SELF-SERVICE

While Native clients demand self-service as table-stakes, even Naïve clients have areas where they are willing to self-serve (but are blocked by doing so because their bank doesn't offer the option). Expanding self-service options can be an effective nudge (as long as it doesn't come at the expense of live options).

Banks who invest and position for the future now are positioned to be the differentiators and grow their Treasury Management business

LEGACY PRODUCTS

- Legacy products are here to stay for at least the next five years
- Banks should focus on lowering the cost to serve these solutions (e.g., wholesale lockbox) through technology

NAÏVE TO NATIVE

- Naïve clients will likely make the leap if you give them the chance
- Cultivate new products in a client-centric way and teach the sales and service teams to recognize opportunities in a consultative way

BANKS AS TECH COMPANIES

- Native clients expect banks to be technology companies
- Restructure the product, sales, and service operating model to enable technical consultation via pods/teams, while maintaining a client relationship lead

VALUE-BASED REVENUE

- Treasury management products and services will evolve to be driven by value vs. straight-line fee based
- Start organizing data services and value-add now to solution sets so products generate insights

INVESTMENT APPROACH

- Investment decisions need to be made considering a portfolio approach
- Manage treasury innovation across a mix of core, adjacent, and transformational opportunities using an approach such as the [Ambition matrix](#)

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