Understanding today's Corporate Treasurer

The implications for corporate banking services

Foreword

I often ask myself why the corporates, which banks serve, have such large treasury departments. I wonder why banks don't offer more function to the treasurer as is available in the market from banking software providers. So in order to satisfy this question with facts, we partnered with Ovum on a survey that doesn't only look at the usage of product the banks offer or indeed don't, but more about what the treasurer requires from their bank. In a fast moving market that is increasingly littered with new players and even new technology like blockchain, the answers to this question are fundamental. So to our customers – the banks – this is what the key findings were.

Key findings

- **A lack of real-time data and reliance on manual processes are the biggest challenges facing treasurers today** – in particular the lack of real-time data availability is a significant operational issue for 35% of all corporates and 42% of those with more than $10bn in revenues.

- **Only 13% of multi-national corporates can see their global cash position in real-time** – creating a clear challenge to effective cash and liquidity management. At the same time, only 45% are able to view more than half of their global cash position in real time.

- **The accuracy of cash forecasting is a critical issue** – 35% of corporates highlight this as a key challenge in executing their responsibilities, with subsequent impact on their ability to identify and manage risk.

- **Manual intervention in key workflows is a problem for all corporates, but particularly the largest** – among those with revenues of $10bn and above, 39% identify a reliance on manual processes in key workflows as an important challenge.

- **One size does not fit all for corporates** – 52% of corporate treasurers would consider moving their lead banking relationship to a provider with a better fit for their needs.

Although corporate treasurers face many of the same challenges every day; mainly related to maximizing profits and minimizing expenses, the facilities that they expect and require sometimes vary according to their industry, region or size. This report offers insight into some of the results from the survey, however, for more in depth knowledge of the survey results, including demographic modelling please contact us (https://www.temenos.com/en/contact-us/) or to request access to our Corporate Treasurers Survey App, available October 2016. Information on our CorporateSuite solutions can also be found here (https://www.temenos.com/en/solutions/suites/corporate/).

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Introduction

The role of the corporate treasurer, and the banking services they need to meet their responsibilities, have changed fundamentally since the financial crisis. In the face of instability and uncertainty in most areas of the operating environment, treasurer needs have grown more quickly than the improvement in corporate banking services. Bridging this gap is becoming increasingly challenging for treasurers.

In order to more clearly understand the operational issues facing today's corporate treasurer, as well as the areas in which there is greatest need for banks to enhance their service offerings, developed with Temenos, Ovum undertook a major research project in Q2 2016.

A key part of this research is Ovum's Corporate Treasurer survey. In field through Q3 2016, Ovum interviewed 200 corporate treasurers globally to understand the current dynamics and pain points of their role in 2016/17 as well as their requirements around new services from their bank partners.

This report provides a clear insight into the priorities and attitudes of today's corporate treasurer across the four key pillars of responsibility that define the role:

- Cash and liquidity management
- Forecasting and analytics
- Risk and compliance
- Cost and operational efficiency

Meeting the needs of the corporate treasurer

The role is changing but remains defined by liquidity and cash management, risk and compliance, and operational efficiency

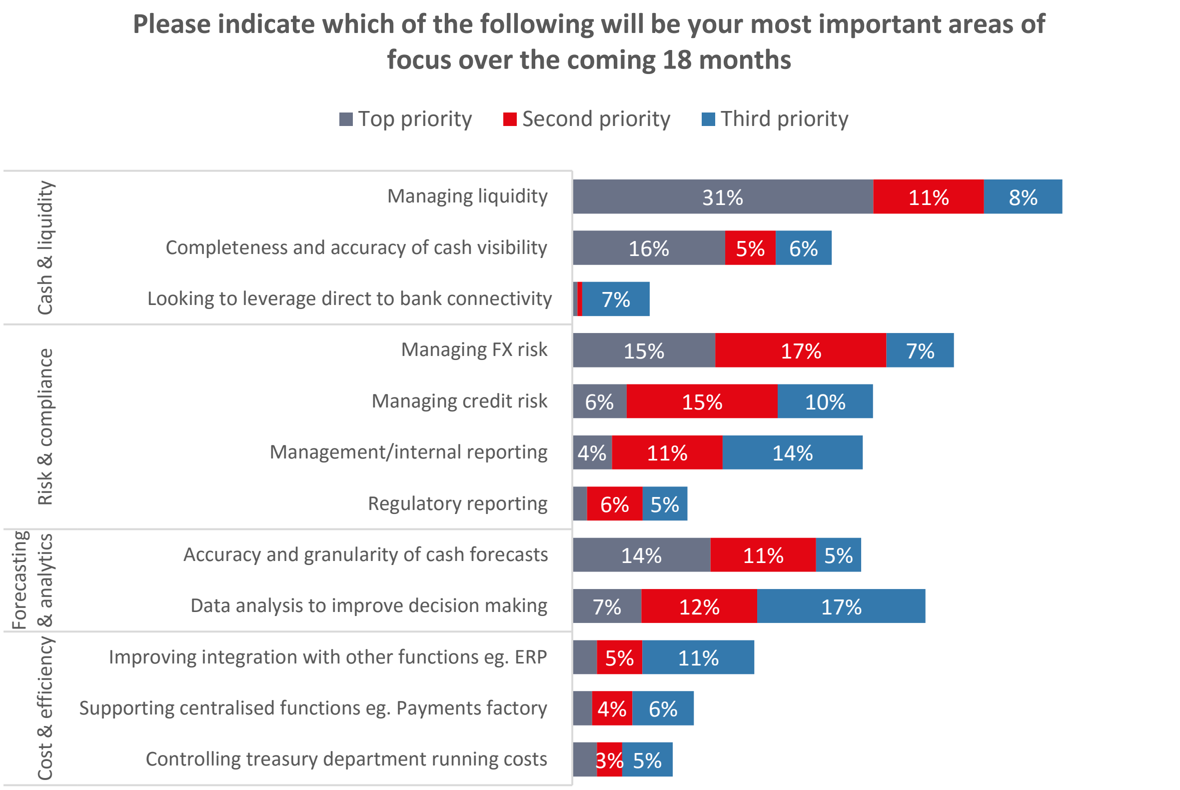
The role of the corporate treasurer, and the banking services they need to meet their responsibilities, have changed fundamentally since the financial crisis. Macroeconomic volatility, growing business complexity and regulation pose ever increasing challenges to the day-to-day management of cash and liquidity. As a consequence, the corporate treasurer function is evolving into a strategic and advisory partner for the business.

The treasurers interviewed for Ovum's Corporate Treasurer survey are clear that their priorities for 2017 will continue to be defined by four pillars:

- Cash and liquidity management
- Risk management, compliance and reporting
- Forecasting and analytics, particularly in delivering strategic insights
- Delivering operational efficiency

As shown below, just under 50% of treasurers will be focusing on managing liquidity as a top three focus area in 2017. Closely aligned here are ensuring the completeness of cash visibility (a priority for 27%) and the management of both FX and credit risk, which are core for 39% and 31% respectively.

Figure 1: Managing liquidity, cash visibility and managing risk remain the core focus areas for corporate treasurers, and lead the agenda for 2017



Source: Ovum Corporate Treasurer survey

A lack of real-time data and reliance on manual processes are the biggest challenges facing treasurers today

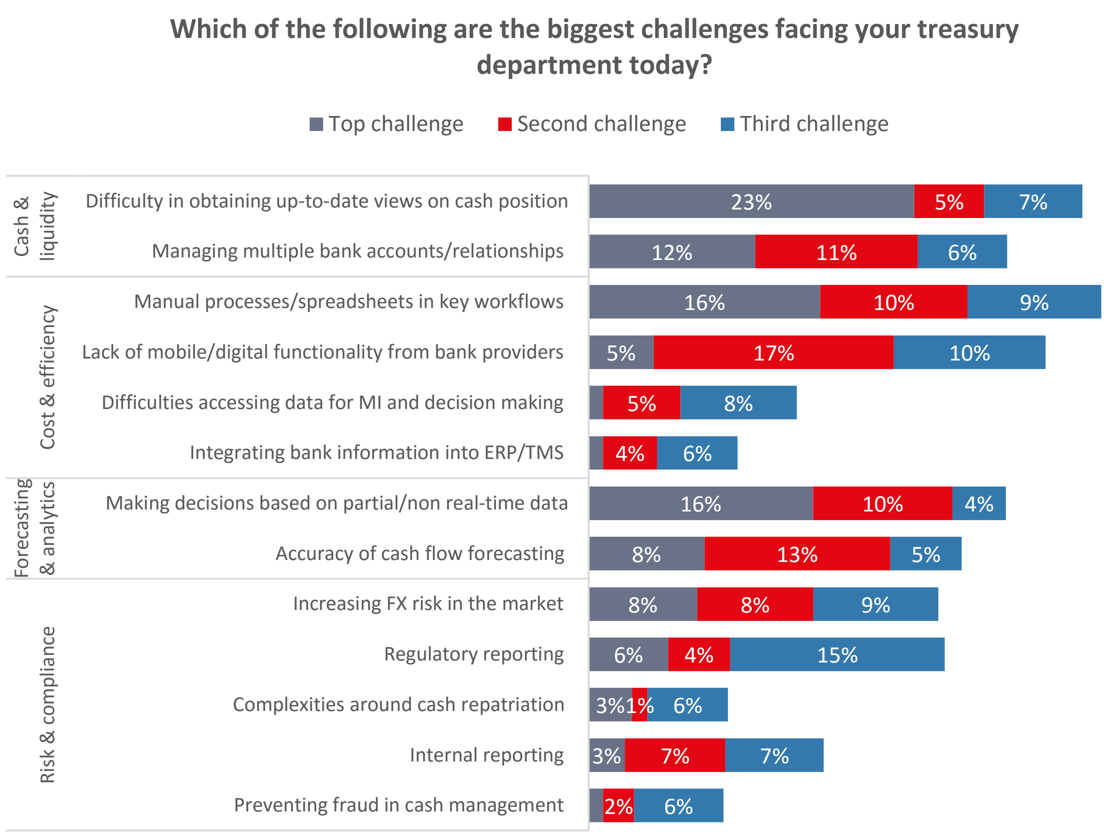
Many of the important challenges corporate treasurers face in executing their core responsibilities stem from the difficulties in obtaining views on cash positions in real-time (or at least near real-time). This is a significant challenge for just under 35% of all corporates and 42% of those with more than $10bn in revenues, highlighting a major area for banks to address.

Complexities in understanding a corporate's full financial position in real-time have a subsequent impact on the quality and timeliness of the decisions which can be made based on this data. Around 30% of treasurers highlight this as a challenge, while 26% are also hindered in their ability to deliver accurate cash forecasts.

This, alongside weaknesses in other areas of digital services provided by banks, has precipitated a reliance on manual processes in key workflows; a challenge for close to 36% of treasurers. The risk and inefficiency this creates is a clear pain point the industry should address.

At the same time, the impact of growing foreign exchange risk remains a challenge for 25% of treasurers. Again, the importance of real-time information and analysis of forward transactions is key in mitigating the costs of volatility and local market restrictions.

Figure 2: A lack of real-time data, coupled with a reliance on manual processes are the greatest treasury department challenges



Source: Ovum Corporate Treasurer survey

Pillar 1: Cash and liquidity management

Addressing real-time data needs is one of several areas in which banks have an opportunity to enhance their services

The degree to which corporate treasurers face challenges in effective and cost efficient cash and liquidity management is clear, and both are areas in which there are clear opportunities for banks to look to deliver enhanced service propositions.

External pressures have played an important role in driving this complexity of course, with the combination of bank regulation (particularly the impact of Basel III on cash deposit strategies), foreign exchange volatility and continued global macroeconomic uncertainty all creating new areas of risk and the need for new strategies around cash and liquidity management.

This also creates the demand for new services and solutions from bank partners. Timely data in particular is becoming increasingly mission critical. Pre-crisis, treasurers could deliver an effective liquidity strategy based on end of day consolidated balances (often compiled using manual processes). The changing nature of the risks facing many corporates is now such that even intra-day balances, or rolling updates based on transaction data, do not give sufficient control and real (or near real) time data is becoming essential.

There is also a generational aspect here. Baby-boomers in corporate treasury teams are giving way to a younger generation who have grown accustomed to real-time banking services in their personal finances and expect the same in their corporate experience. At the same time, growth in the deployment and use of domestic real-time payments infrastructure has further increased expectations around the availability of 24x7x365 payment services.

Solutions to enable access to real-time balance and transaction information have been around for some time, and many corporates at the larger end of the spectrum have taken advantage of the opportunity to use host-to-host bank connectivity as well as SWIFT service bureaus to provide direct connections to bank partners. However, viewing balances across multiple providers in a single view remains a challenge and one which treasurers have often had to bridge via their own technology investments or with manual efforts. Facilitating better data availability as well as the ability to present positions across multiple bank – and potentially other third party – providers will increasingly be a service that corporate treasurers will look for from bank partners.

Visibility addresses only one need though, and providers should focus on how to enable corporates to both view and initiate transactions across multiple providers from a single interface.

One area that will be interesting to watch here is the development of open APIs for access to transaction information. Initiatives such as the second Payment Services Directive (PSD2) will mandate this for banks in Europe from January 2018 and, while aimed at the retail end of the market, this will apply equally to all banks with a footprint in the region. This creates an opportunity for banks – or indeed outside parties – to support corporates with making a larger part of their cash and liquidity positions available in real-time. The potential for this to shake up the market is clear, and is something all corporate banks should be considering in their future product and service planning.

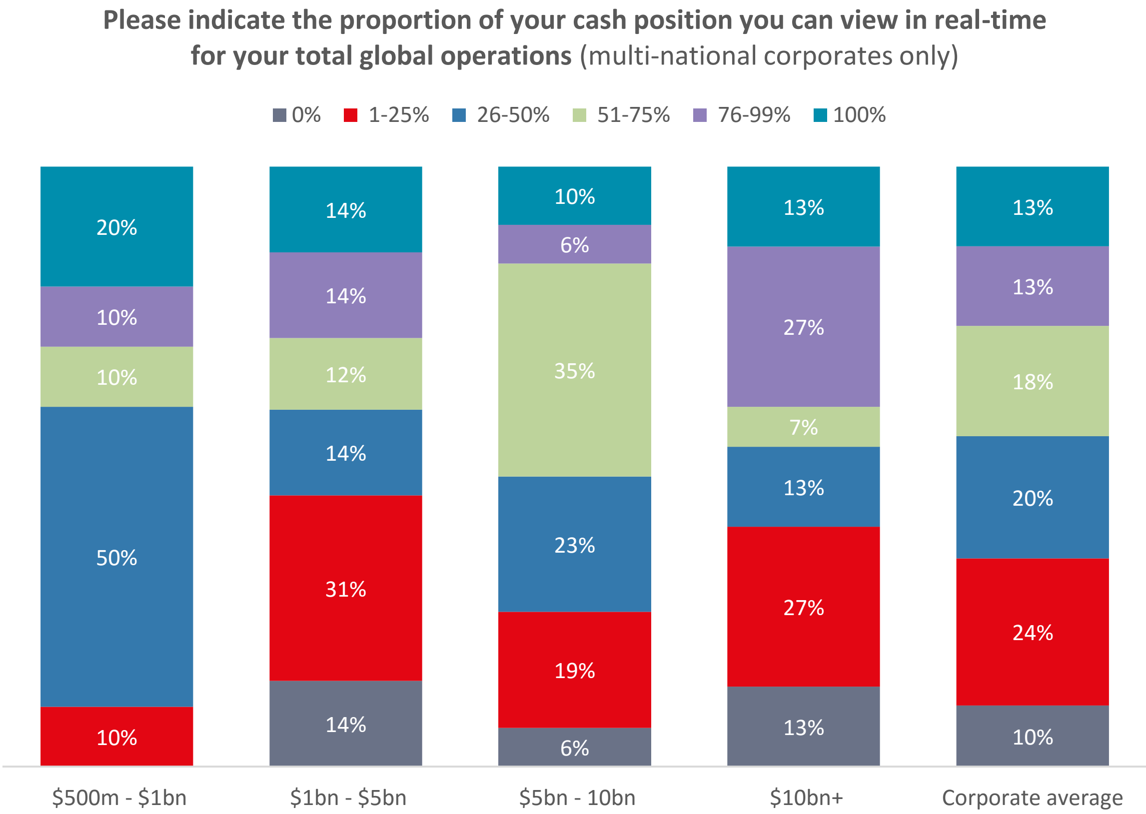
Only 13% of multi-national corporates can see their global cash position in real-time

Obtaining a real-time view on cash positions is a challenge to treasurers across all industries and geographies, but is particularly acute among multi-national firms (those with revenues from two or more regions). At this level, only 13% of treasurers report that they can view their entire global cash position in real time, rising to 20% among those firms with $500m-$1bn in revenues. While corporates with a more condensed global footprint report some improvement, this nevertheless highlights the gap that exists between the services corporate treasurers need and what they experience.

Across the rest of the market, only 45% are able to view more than half of their cash position in real time, presenting a clear challenge to effective cash management, while slightly more than one in three (34%) can view 25% or less of their cash in real-time.

The largest corporates are the most sophisticated in this regard, with 40% in total able to see more than 75% of their cash in real-time. Nevertheless even this leaves aside large portion of a corporate's position and demonstrates the need for banks to support the majority of even their largest clients with better solutions for viewing real-time data and consolidated positions across providers.

Figure 3: Cash visibility remains a clear challenge for corporates, with only 13% of multinational entities able to view their global entire position in real-time



Source: Ovum Corporate Treasurer survey

Over half of the largest corporates work with 11 or more banks

While some corporates do take advantage of bank direct connectivity services to obtain a real-time view on their cash positions, this is only part of the challenge. Few corporates can (or choose to) fulfil all of their needs from a single provider, and treasurers must both manage a network of relationships as well as the cash flows that run between multiple institutions. In practice, costly integration work will also have been undertaken to aggregate account information, creating an opportunity for banks to both deliver on a core customer need while also meeting objectives around cost and efficiency.

In large part, this is driven by the need for local market services where regulatory frameworks make it necessary, but also in cases where lead bank partners don't have a footprint. Indeed, post-crisis restructuring has seen several banks prune their international footprints, again creating the need for treasurers to look to for new partnerships in order to meet their needs.

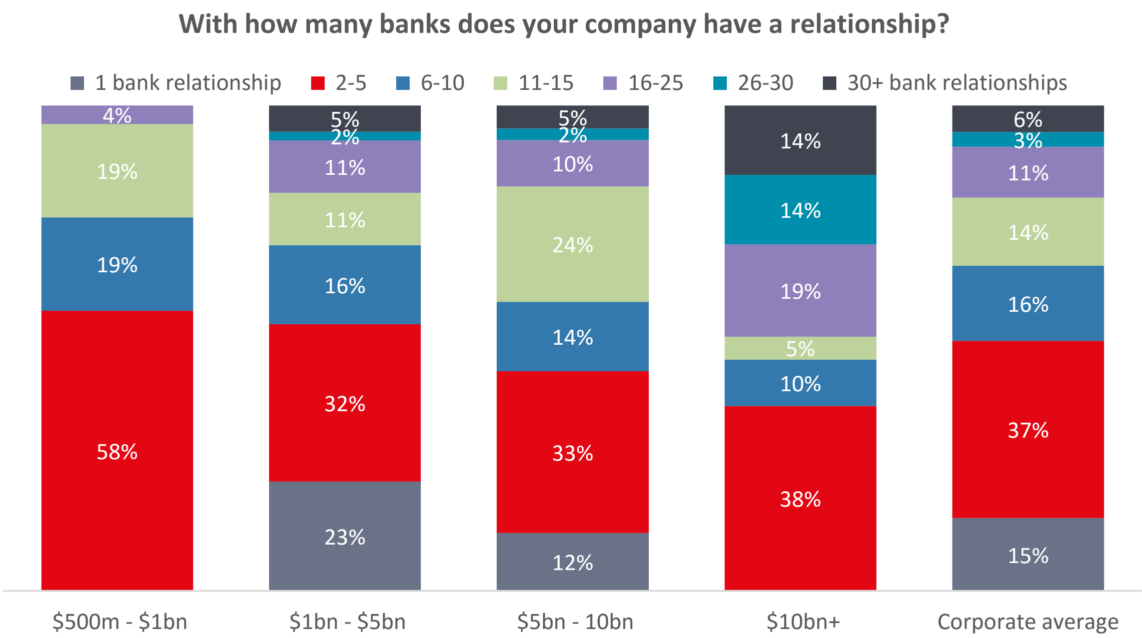
At a global level, 34% of corporates have a relationship with 11 or more banks, who will provide a range of services including domestic banking requirements, FX services, inter-company or intra-group lending, local market payroll, and cash repatriation.

Unsurprisingly, real-time cash visibility declines sharply with the number of banking relationships. Only 14% of corporates with more than 30 bank partners can view more than half their positions in real-time.

The largest corporates have the greatest number of relationships, with 52% of firms with more than $10bn in revenues reporting 11 or more banking relationships and 14% reporting more than 30.

At the industry level, technology and pharma businesses – among those most likely to have a geographically diverse corporate structure and supply chain – tend to have the greatest number of bank partners. In both cases, around 40% of treasurers in these verticals are managing more than 11 bank relationships.

Figure 4: Over a third of corporates work with more than 11 banks to deliver their financial needs



Source: Ovum Corporate Treasurer survey

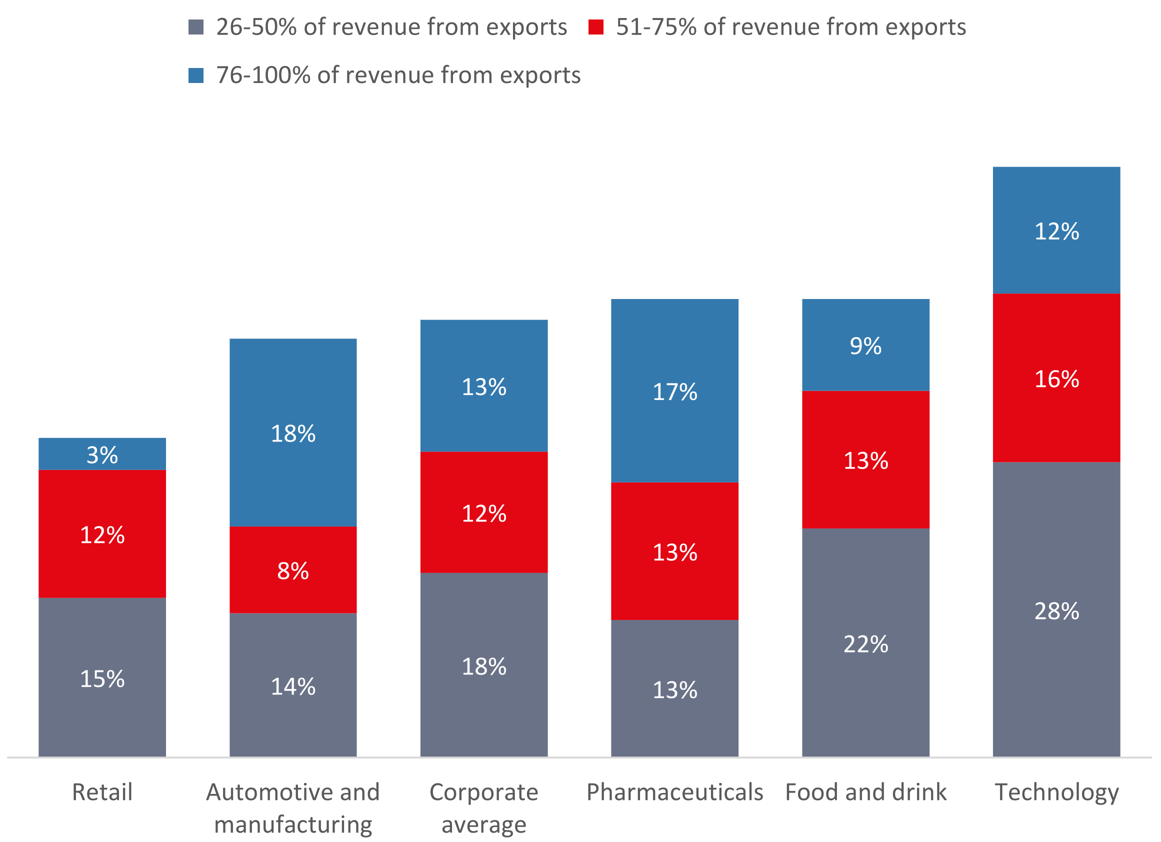
Cross-border activity is the central factor underpinning this

The majority of all large corporates have a core of cross-border activity in their business, which also shapes the requirements placed on treasury teams. In turn, this has a critical impact on the cash and liquidity services that each corporate needs from its bank and financial institution partners. The need and use of trade services, local market support and advice, foreign exchange and financing are all influenced by the degree of trade, the manner of payment and the corridors involved.

There are also important differences at the industry level, which highlight the need for banks to consider vertically aligned product and service sets to match the specific dynamics of individual business types. Across all corporates, 25% receive over half their revenue from exporting goods and services, with 13% generating more than three quarters of their income from trade.

Due to the nature of the software industry in particular, technology businesses tend to rely most heavily on exports, with 56% receiving more than a quarter of their revenue this way (the majority through open account trading). Automotive and manufacturing, and pharmaceuticals are the most concentrated though, with 18% and 17% respectively seeing exports account for more than three quarters of their revenue.

Figure 5: Exports account for a significant share of revenues for corporates, particularly in the technology and food & drink industries



Source: Ovum Corporate Treasurer survey

Managing a broad range of payment services is therefore a priority

The implication of the importance of cross-border trade, both in the export of goods/services and for inputs to the supply chain, is that treasurers require access to a broad range of trade and payment solutions.

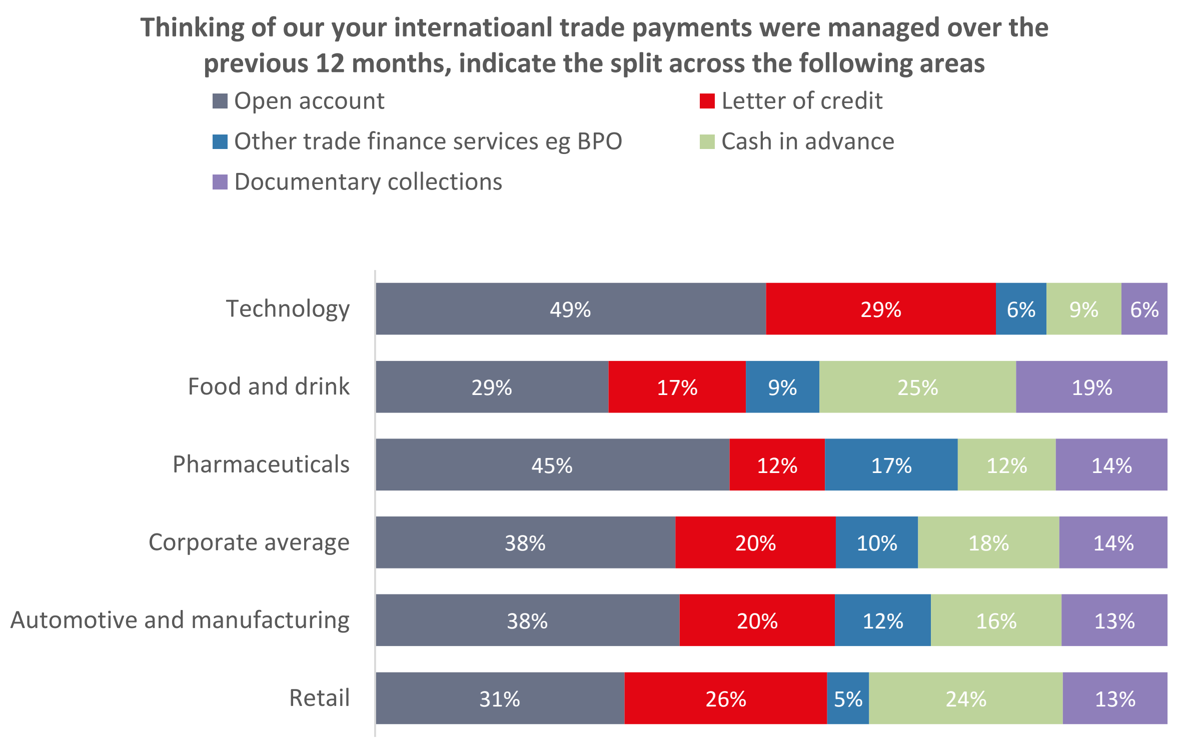
The options used depend on a range of factors, including company structure, liquidity considerations, geographic factors and the relationship with the supplier/client in question. As such, treasurers use and require access to a range of options to meet their specific needs. Each also has important implications for effective cash and liquidity management, particularly around smoothing peaks and troughs in receivables, and where foreign exchange volatility introduces additional costs and challenges.

Open account payments are the most widely used method of managing trade by exporters (in terms of total payment value), accounting for 38% of activity at the global level.

Letters of credit remain an important device though, accounting for 20% of export transactions, and slightly greater than cash in advance (18%). In cases where there may be greater risk in the transaction (factors such as geography, company size and past record) are important here.

At the industry level, the technology and pharma segments make the greatest use of open account payments. Among the food & drink and retail verticals there is a higher use of cash in advance, reflecting some of the greater volatility in trading conditions in both these sectors.

Figure 6: Open account has become the most widely used means of payment for exporters, particularly in the technology sector



Source: Ovum Corporate Treasurer survey

Pillar 2: Forecasting and analytics

There is significant scope to deliver additional value with enhanced forecasts and other services based on data analytics

Beyond facilitating the use of transaction and balance information in real-time, there is significant scope for banks to deliver additional value through the use of services built around data analytics.

Accurate cash forecasting, essential to effective liquidity management, is a priority area for corporates. Today 34% of corporates rely on their in-house team to produce cash forecasts, in many cases manually pulling together balance information and updating with knowledge of future transactions and positions. The need for this manual intervention introduces the risk of error, significantly reducing the value of the subsequent projection.

There is a clear demand for forecasting based on a real-time view of cash across all accounts and providers, as well as future transactions (including payments, receivables, investments, credit and FX positions), in order to enable the right decisions to be made to ensure adequate liquidity and efficient use of cash. This can be further enhanced by analysis of past transaction data, as well as other sources of external information, in order to provide even greater accuracy; particularly across a longer time horizon.

There are four areas in which data analytics can deliver significant additional value to corporates: advice, risk, leakage and profitability.

One example of the role of data analytics to provide value at both the advisory and risk level, is scenario-based cash forecasting. Built on top of the core cash projection but focusing on analysis of payment flow data, this can allow treasurers to effectively stress-test liquidity and cash policy in the face of challenges to critical partners or counterparties as well as identifying other potentially unforeseen vulnerabilities. For example, a corporate that receives a significant proportion of its receivables via a single bank has a particular exposure to any failure in that institution to process outbound payments. In addition to enabling the corporate to de-risk and build contingency where possible, applying these scenarios to the real-time forecast can provide an early warning of emerging challenges.

Looking more broadly across a bank’s overall client book, analysis of payment flow data can also can highlight emerging risks among certain client types or geographies and provide recommendations to treasurers to take the appropriate action.

While some of these functions can be handled by sophisticated treasury management systems (and even customized software in the case of larger corporates), there is clear demand for support in these areas and, as such, this represents a clear opportunity for banks to innovate in order to drive deeper customer relationships.

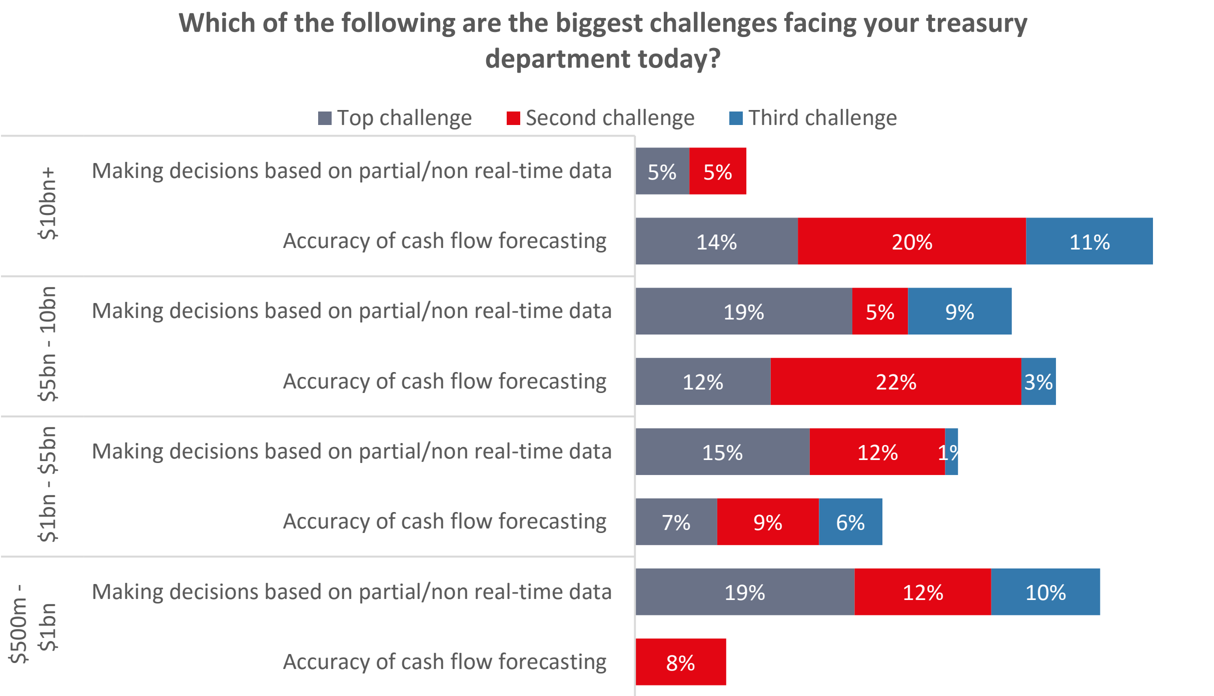
Among the largest corporates, 45% face challenges with the accuracy of their cash flow forecasting

The accuracy of cash forecasting is one of the biggest challenges facing treasurers, with 35% of all corporates highlighting this as one of the key obstacles they face in their roles. The impact of this is felt differently across different sizes of corporate however, with the largest corporates facing the biggest challenges. At a global level, 45% of corporates with revenues of $10bn or above see generating accurate cash forecasts as one of the biggest challenges they face today, while this is an obstacle for 37% of those with revenues of $5bn-$10bn.

This very much reflects the more complex nature of the treasury operation in companies of this size, as these firms are generally involved in greater trade flows as well as having relationships with a large number of banks and other financial service providers. It should be noted that many of the very largest corporates have invested heavily in sophisticated treasury management solutions to support cash visibility and forecasting; highlighting both the need for banks to provide new and advanced solutions here as much as the broader difficulties faced in accessing a comprehensive view on a corporate's positions across a large number of providers.

Among the small and mid-sized corporates, the challenge is different. The problems posed by making decisions based on partial or non-real time data are far greater, highlighted by 28% of those with $1bn-$5bn in revenues and 41% of those with $500-$1bn in turnover. Banks focusing on serving corporates in this space should focus on cash visibility offerings here.

Figure 7: The accuracy of cash forecasts is a challenge for the very largest corporates, while the small and mid-sized struggle more with decision making based on partial data



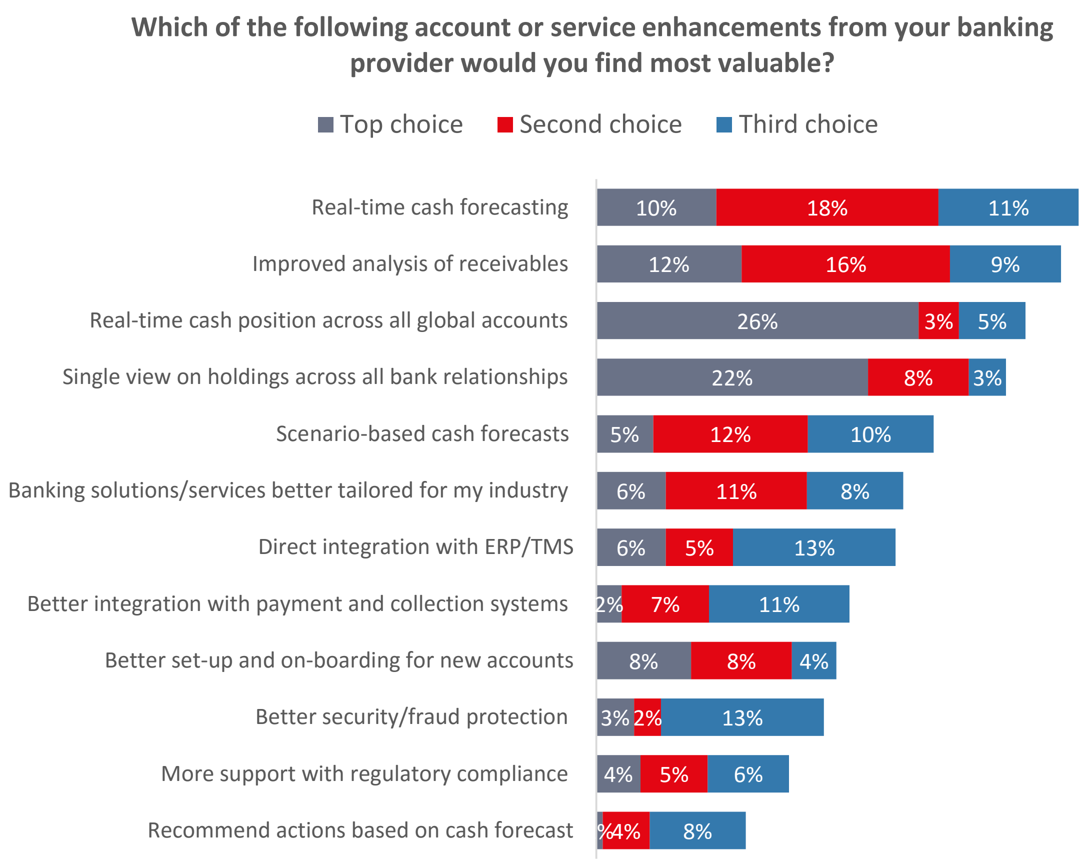
Source: Ovum Corporate Treasurer survey

Real-time cash forecasting is the most valued service enhancement for 39% of corporates

The importance placed on real-time cash forecasting is clear, and banks should focus on delivering solutions in this area. Across all corporate treasurers, 39% report that this would be the most valuable service enhancement that they could receive from their banking partners. Demand is particularly high in the Americas, with 76% of corporates in Latin America and 54% in the US highlighting this feature. At a sector level, 46% of automotive and manufacturing firms and 44% in the retail industry see this as the most highly valued additional service banks could offer.

Receivables analysis, an area that can frequently require manual intervention, is also a key area for banks and other providers to focus on in order to enhance service offerings to corporates. Important in both investor reporting as well as in managing future liquidity and credit needs, this a clear need for 36% of corporates and particularly among those in Europe (43%) and Asia Pacific (41%). Perhaps more importantly, the value of receivables analysis in enabling greater accuracy in cash forecasts makes this a further critical area for investment.

Figure 8: Solutions to address the central challenges around cash visibility are the areas that treasurers would find most valuable from financial institutions



Source: Ovum Corporate Treasurer survey

Pillar 3: Risk and compliance

Corporates need solutions to mitigate FX risks as well as providing support with reporting

The identification, minimization and subsequent mitigation of risk are key to successful liquidity and cash management, and have grown in importance in line with rising levels of political and macroeconomic uncertainty in the operating environment.

One of the biggest areas of focus is FX risk, and challenges in this area are top of mind for 25% of treasurers. At the regional level, FX risk is a particular issue amongst corporates in Latin America and the Middle East, with 37% and 32% of treasurers respectively identifying this as a leading operational challenge.

From the bank perspective, the revenues attached to corporate foreign exchange business makes this an important area in which to focus on innovation in order to retain this fee income; not least because of the growth in the use of brokers and non-bank providers in this space. While the lead banking partner remains the first choice FX provider for 50% of corporates, 47% make use of brokers or specialists as a second or third option.

Cash forecasting is key to the management of FX needs and risk, as the final forecast will determine how and where foreign currencies need to be (or remain) in order to meet commitments. At the same time broader challenges around foreign exchange policy, such as regulatory restrictions around cash repatriation, mean that scenario-based forecasting tools can influence the optimization of future FX and corporate strategy. Where this drives the re-siting of operations to create a natural hedge for example, the potential long-term savings can be substantial.

At the same time, there is an important role for data analytics to influence day-to-day FX strategy, with alerts of moves against forward currency positions a good example. While there are solutions available which can perform this function, incorporating this into wider cash forecasting solutions can offer further additional value to treasurers and deepen relationships as a result. It may potentially also enable banks to reclaim or win new corporate FX business.

A further area of complexity for treasurers is around compliance, and particularly reporting. Needs in this area vary depending on factors including geographic footprint, location of headquarters, ownership structure and industry vertical but regulatory reporting is nevertheless an area which 25% of treasurers identify as an important challenge. For banks, focusing on the ability to provide local market support and knowledge will continue to be important (particularly for corporates growing rapidly and/or entering new territories).

Reporting needs will also be a strong use case for corporates to deepen a bank relationship or move providers in order to receive real-time information, better cash forecasts and receivables analysis. Today, 43% of corporates rely on in-house teams to meet the majority of their reporting needs, creating a clear opportunity for banks to consider these requirements as part of enhancements to data consolidation, analysis and forecasting solutions.

While there remains much hype around blockchain technology, its potential to lower trading risks is clear. At the very least, banks need to demonstrate their understanding of the opportunities around blockchain, as 75% of corporates in both Africa and Latin America are interested in solutions here.

Managing increasing FX risk is a challenge for 25% of corporates, particularly in the pharma and food & drink sectors

While the management of FX risk is a clear challenge for many treasurers, the impact of this is felt differently across industry verticals. At the global level, 25% report growing FX risk to be a critical operational challenge but 31% of corporates in the food & drink sector, and 28% of pharmaceuticals will be focusing on this through 2017.

The dynamics of each industry, particularly around the complexity of supply chains and distribution networks exacerbate the challenges around FX risk. Indeed, difficulties around cash repatriation are a particular challenge for 14% of pharmaceuticals corporates. Certainly, banks serving or targeting these industries should consider vertically relevant FX services in order to grow the business opportunities in these areas.

Supporting regulatory reporting is also a specific need for the 36% of technology corporates and 39% of those in the retail sector. This reinforces the need for local market support in some cases, while more formal corporate reporting requirements (particularly changes to accounting rules) provide opportunities for banks to ease the resource burden on treasury teams.

Figure 9: Managing FX risk is a particular challenge for corporates in the pharmaceuticals and food & drink sectors, while technology and retail firms need help with regulatory reporting

Source: Ovum Corporate Treasurer survey

Real-time cash forecasts are highly valued by 45% of automotive and manufacturing corporates

The importance of real-time cash forecasting in identifying and mitigating risk is high across all industry verticals, but particularly the automotive & manufacturing and retail sectors. Here, 45% and 44% of treasurers have identified a clear need for services in this area from their bank partners, compared to 39% across the market as a whole.

The role of scenario-based forecasting in reducing risk is particularly prominent in the food & drink sector, in which 35% of treasurers would like to see providers develop new offerings. Given the greater sensitivity around FX risk in this vertical, this is unsurprising.

The need for enhanced security and fraud protection is felt evenly across the industry verticals but there are important variations at regional level. Treasurers in Africa report a particular need here, with 35% identifying this as a highly valued additional service from bank partners, while 22% of those in Latin America would also like improvements here.

Figure 10: Corporate treasurers in the automotive & manufacturing, retail and technology sectors place the greatest value on real-time cash forecasts

Source: Ovum Corporate Treasurer survey

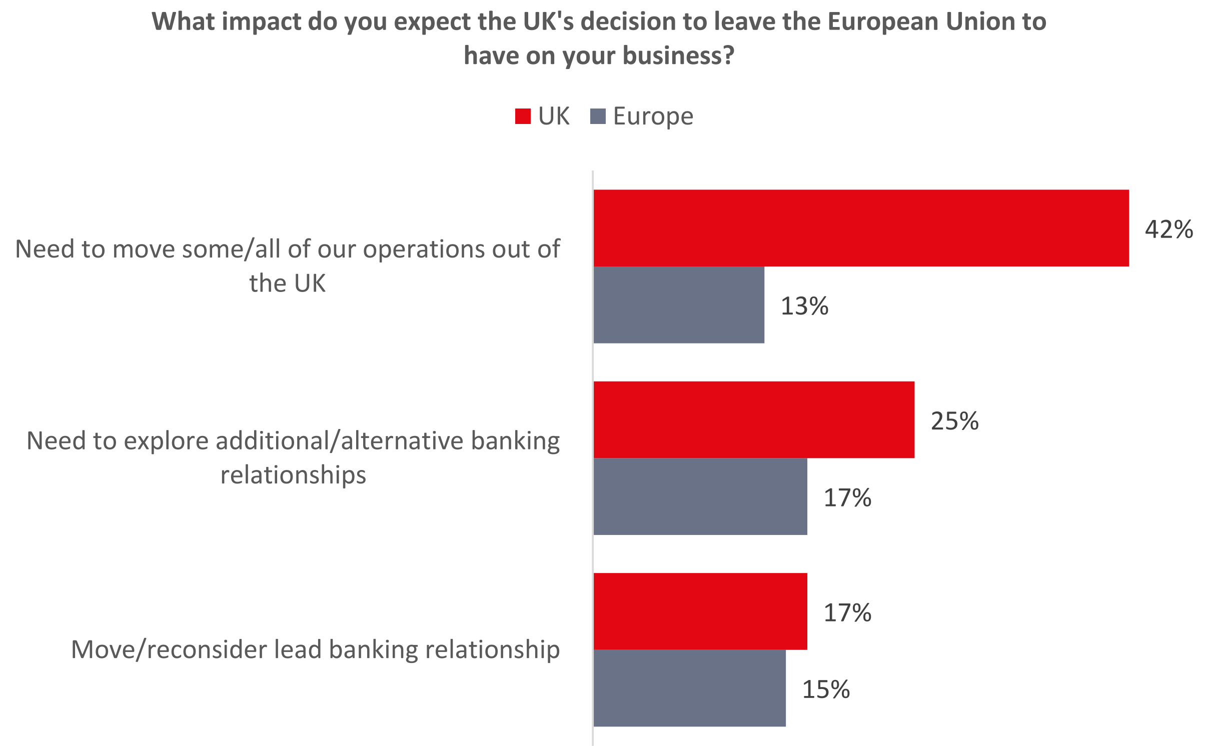
Brexit represents a clear challenge for treasurers in Europe

Ovum's Corporate Treasurer survey was in the field in the weeks immediately after the referendum result, and captures a snapshot of the relatively early opinions of treasurers on the impact this may have on their businesses. While little has changed at a practical level around the issue of Brexit, it is – and will – become an increasingly important part of the business agenda for treasurers. Corporates are planning (or at least considering) the impact at the moment and there is a clear need for banks to demonstrate both a clear understanding of customer requirements to manage change, as well as the impact this will have on future product and service needs.

This initial view is one which points to large shifts in the payment, local market and FX needs of corporates across the region. Over 42% of UK corporates surveyed believe that at least some activities will be moved to other countries, while 13% of European corporates also believe that their firms will also move operations out of the UK. The true impact may be much smaller in practice but this does highlight the opportunity for banks to take a strong position on this issue.

The potential for Brexit to create churn in the market is perhaps the strongest reason why banks need to act. The need for new or additional banking services may see up to 25% of UK corporates look for new or further banking relationships, while as many as 17% may consider moving their lead banking relationship.

Figure 11: The UK's decision to exit the EU is set to drive churn in the corporate banking market



Source: Ovum Corporate Treasurer survey

Pillar 4: Cost and operational efficiency

Manual processing and the functionality of mobile services are key pain points for corporates

Increasing operational efficiency remains an important strategic objective for corporate treasurers, albeit one that day-to-day priorities frequently overtake. Nevertheless, the ability to free time and re-purpose resources is central in supporting corporate treasurers in delivering more strategic and advisory services to their businesses.

As such, the needs identified in this white paper for greater provision of real-time information, as well as forecasting and analytics-based solutions to address risk challenges, should be viewed through this lens; these services are of value to corporate treasurers because they enable them to add greater value to their wider businesses, not just the treasury function.

One of the key frictions in many workflows is the need for manual processes. There are many areas in which these create issues, but cash visibility, forecasting, reporting, receivables analysis and even payment initiation all see gaps in the digital services available to treasurers. Aside from the inefficiencies in resource deployment this creates, the scope for errors and the associated risk this creates – particularly around regulatory reporting – is huge and creates significant challenges.

Some of the principal areas for banks to address here have been identified already in this white paper, but solutions to provide a view across accounts at multiple banks and ideally with real-time data and forecasts, would alleviate many challenges for treasurers. At the same time, greater digitization of receivables analysis and the incorporation of this into cash forecasts would also reduce the manual burden for treasury teams.

At the same time, there are also clear gaps in the mobile services that banks currently provide.

The way in which mobile is used and can deliver additional value will vary considerably based on the structure of treasury teams and the workflow in question, but nevertheless will play an increasingly important role in some areas such as balance monitoring, alerting and approvals.

It should also be remembered that the more that mobile services become entrenched in the retail banking space, the greater the demand will be among treasurers for similar functionality and services in their working experience. We are a long way from this but a mobile-first approach will ultimately become the baseline expectation for treasurers.

Seamless integration across channels, particularly for workflows involving multiple stakeholders, is essential. For example, a transaction may begin on a desktop, be authorized on mobile for one user and a third receives a notification on a mobile browser session of the online platform.

Delivering customizable solutions is also important, as different companies and treasury groups will have equally different preferences around mobile. Enabling flexibility here will clearly be important.

Some treasurers have concerns over the security implications of mobile (largely around misconduct risk), but the ability to limit access by user profile, task, value and even location can address many of these. Indeed, the use of alerting and authorization services can reduce the risk of misconduct and other sources of fraud, if deployed correctly.

39% of the very largest corporates face challenges from manual intervention in key workflows

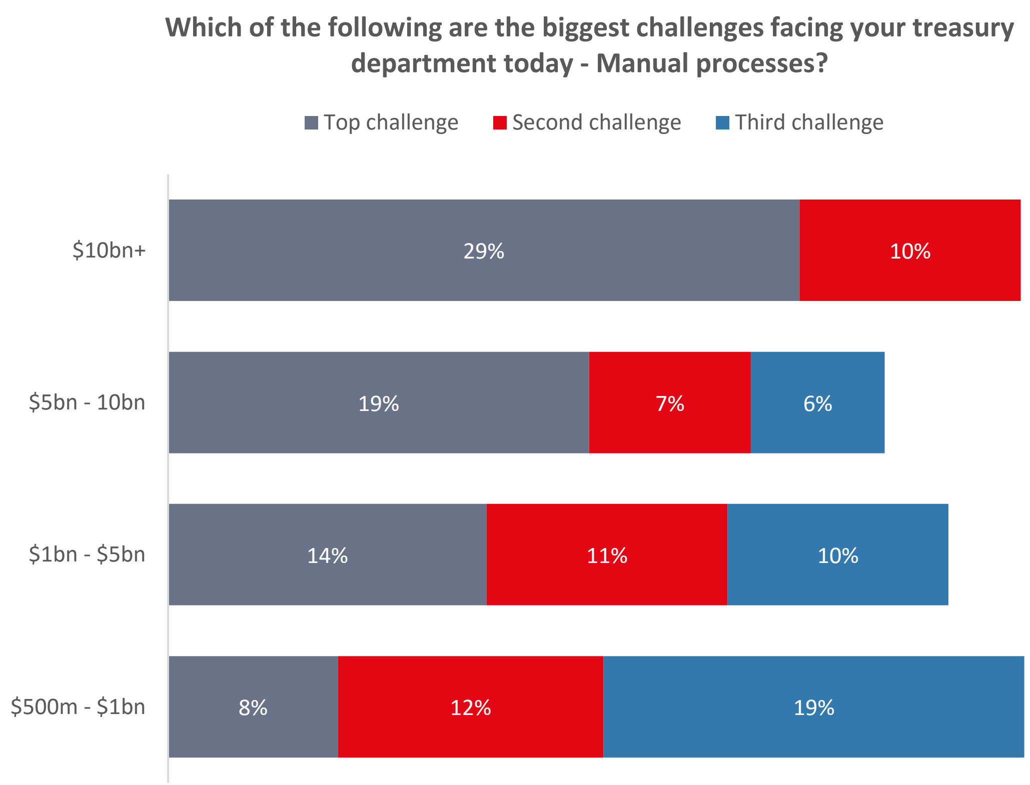
Manual processing is an issue for treasurers across the market but is a particular challenge for the very largest corporates. Among those with revenues of $10bn and above, 39% identify a reliance on manual processes in key workflows as an important challenge and 29% report that this is the biggest single operational issue they face. Given that only 13% of corporates of this size can view their global cash positions in real-time, and 14% have more than 30 bank relationships, the drivers of the reliance on manual processing are clear.

Nevertheless, this is a problem faced by treasurers across the market and the small and mid-sized corporates are similarly affected; again highlighting the need for banks to consider how best to address these needs.

Reporting requirements are the biggest drain on treasury team resources. Over 44% of corporates use in-house teams for internal reporting, while 43% also lead on regulatory requirements. This highlights a further area for service developments to free treasury resources for higher value adding activities.

At the sector level, it is technology businesses that have the biggest reliance on manual intervention in treasury workflows. Perhaps a symptom of the rapid growth of some parts of this industry in recent years, 47% of treasurers see this as a major operational issue.

Figure 12: Manual processing is a challenge for treasurers across the spectrum, but particularly for the very largest corporates



Source: Ovum Corporate Treasury survey

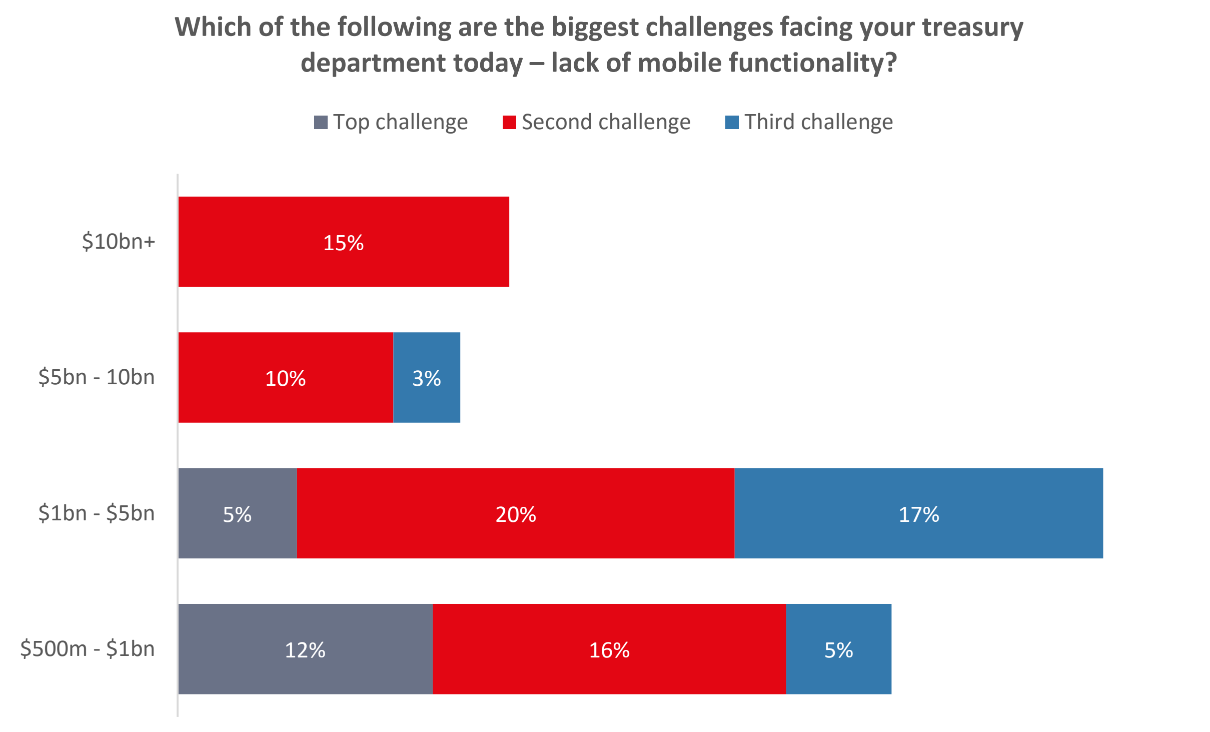
Mobile services remain a clear development area for banks, with 42% of mid-sized corporates underserved

The quality and functionality of mobile services is an important challenge for corporate treasurers. While it can be hard to separate the use of dedicated apps from the use of online portals on tablets or smartphones, the role that treasurers want mobile to play in their workflows – and the issues that a lack of available functionality create – are clear.

Gaps in mobile service provision (or the ability of existing online services to support mobile) have been identified as a business challenge by 32% of corporates. At the regional level, 37% of corporates in Asia Pacific are the least satisfied with their mobile services while only 15% of those in Latin America share the same view. This is a particular issue for those in the $1bn-5bn bracket, with 42% of treasurers highlighting this as an operational issue.

This points to a clear gap for banks to address, as well as the inherent differences in treasury structure between firms of differing sizes. The prevalence of shared service centers and large centralized teams at the biggest corporates will rely more heavily on clerks using browser-based portals, while small and mid-sized firms may rely more on mobile as the tool for making initiating transactions as well as ongoing cash and liquidity monitoring.

Figure 13: The need for investment in mobile functionality is greatest among small and mid-sized corporates



Source: Ovum Corporate Treasury survey

The ability to view real-time balance information on mobile is a clear requirement for 47% of small and mid-sized corporates

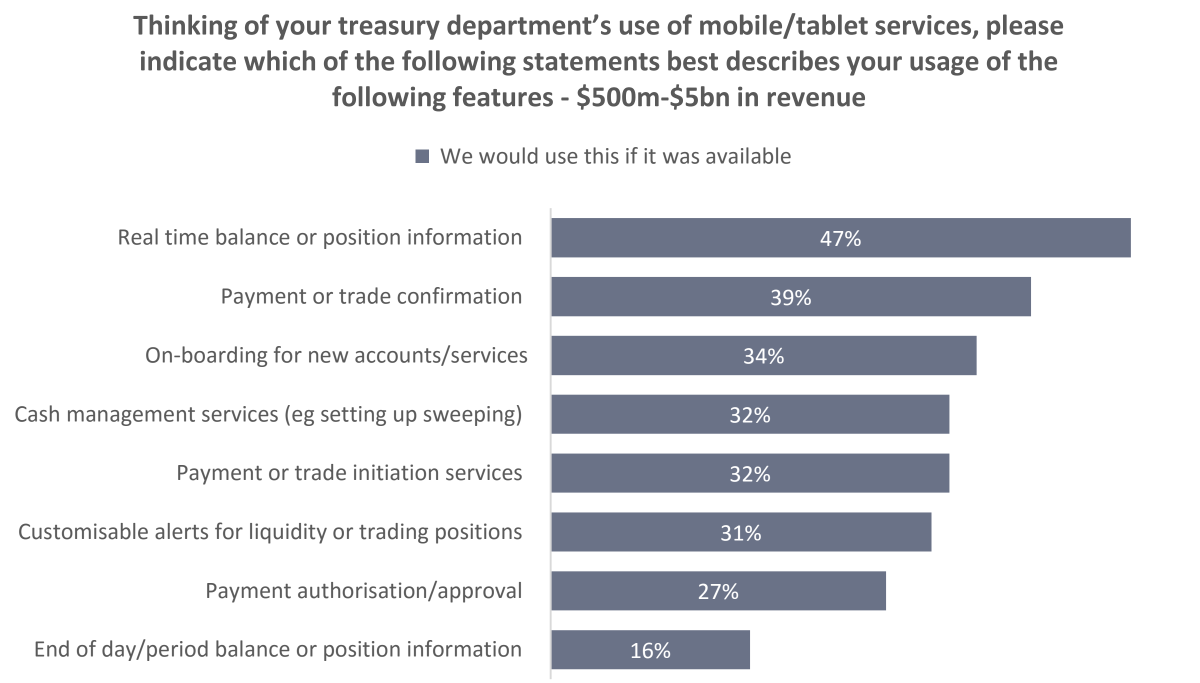
Looking more closely at the needs of treasurers in small and mid-sized corporates (those with revenues of between $500m and $5bn) with respect to mobile, there are some clear functionality gaps that banks should look to address.

The most prominent is the ability to view real-time balance or trading position information, which is a feature that 47% of treasurers would use if available to them. While this relates to the broader need for real-time insights, it nevertheless reflects the need among this segment of the corporate audience to be able to digest this information on mobile devices.

Alerting, both for payment or trade confirmations and around particular liquidity or trading positions is another clear gap, with 39% of treasurers interested in this area. As with viewing real-time balances, there are broader issues to address around data access and availability in order to provide these services but this demonstrates a clear change in the way the corporate treasurer role is evolving.

This is further highlighted by the 32% of treasurers who want the ability to use straightforward cash management services, and to initiate payments or trade services via mobile. There is a segment of treasurers who are looking for an expansion of the mobile services available to them, and meeting these requirements will no doubt become an important part of future partner selection processes.

Figure 14: Alerting services, both for payments and trades, as well as customizable alerts for specific circumstances, are among the most widely demanded mobile service enhancements



Source: Ovum Corporate Treasurer survey

Without change many banks will lose their position amid fragmentation of the competitive landscape

One size does not fit all for corporates, and 52% would consider moving to a provider with a better fit for their needs

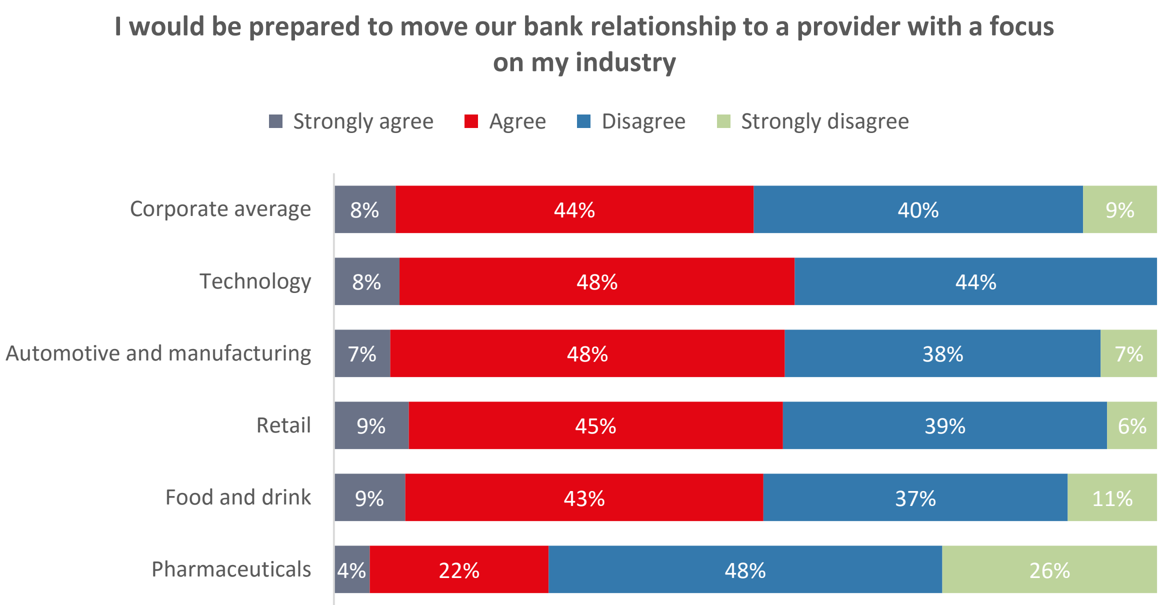
One message which cuts through the findings from Ovum's Corporate Treasurer survey is that banks must deliver greater flexibility and customization in their products and services to meet the specific needs of treasurers. The needs of no two corporates are alike, and treasurers will continue to demand more personalization and closer alignment with their particular business and industry needs.

While many banks have relationship managers with industry specialisations, the product teams they liaise frequently do not have the same understanding of client needs in a specific sector. This can ultimately drive the impression among treasurers that their institutions do not understand their needs.

To address this, banks should make greater use of their customer data assets to boost the impact of their relationship management and product groups. Ongoing analysis of the patterns of product use for example can identify new opportunities as well as an early flag for problems that may be emerging in others. In either case, this can trigger new conversations with clients that can bring benefits to the bank.

This is a common theme across most sectors, with 56% of those in technology sector and 45% of automotive and manufacturing firms in agreement. The main outlier is the pharmaceuticals industry, suggesting that the needs of this group are comparatively well served.

Figure 15: Just over half of all corporates would move their lead bank relationship to a provider with a focus on the needs of their industry



Source: Ovum Corporate Treasurer survey

As many as 49% of treasurers will look for new financial services partners in 2017, and use of non-banks may grow

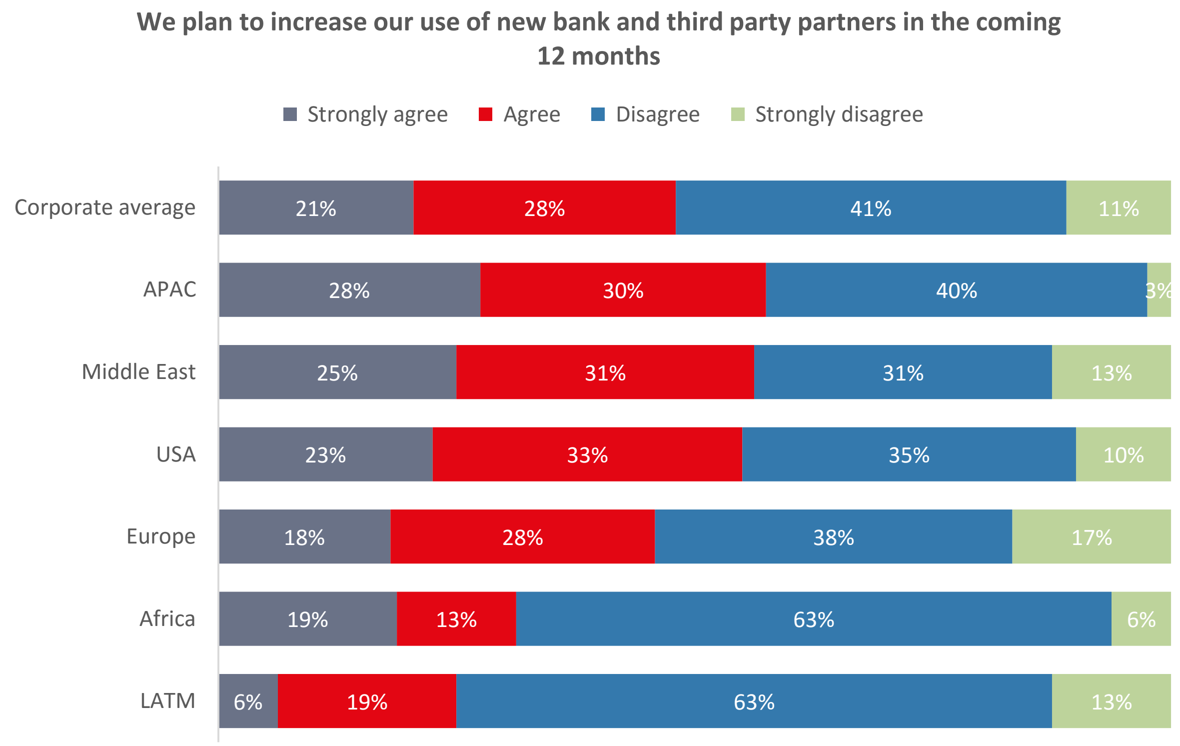
The increasing importance of the treasurer role has made them hugely influential when it comes to making decisions over financial services providers. Banks should view corporate treasurers as one of their most important customer stakeholders, and the meeting needs of this group should be at the heart of product and service enhancement strategies.

The year ahead will see increasing competition for corporate business, as 49% of treasurers plan to increase their use of new bank and third party partners. The drivers of this will vary but there will be a large amount of opportunity for banks to compete for across all regions; particularly Asia, which will see 58% of corporates look to add new providers.

The role that non-banks will play here, particularly from the fintech ecosystem, will be interesting to watch. There are many examples of new entrants looking to address some of the challenges facing corporates, with services around data aggregation a key example. The threat of potential disintermediation from the customer relationship is one of which banks must be wary.

The message for banks is clear. It has never been more important to generate deeper customer relationships and stickiness through enhanced product and service delivery. Corporate treasurers that don't receive the services they need will look elsewhere.

Figure 16: Just under half of all corporates plan to increase their network of bank partners and third party providers in 2017



Source: Ovum Corporate Treasurer survey

Appendix

Methodology

Developed in partnership with Temenos, Ovum's Corporate Treasurer survey is a global study designed to uncover the immediate and future needs, challenges and plans of corporate treasurers across several major industries and regions. The purpose of the study is to understand exactly how corporate banks must re-think their products and services in order to remain relevant to today's corporate treasurer.

The study examines a range of themes, including:

- Corporate treasurer focus areas for 2017
- Challenges and barriers to executing core responsibilities
- Products and services in greatest demand from banks
- Size and complexity of bank relationships
- Preferred partners for specific service areas
- Plans around moving services to new providers

The research focuses on five different industry verticals across five major regions.

The fieldwork was conducted with corporate treasurers, and was in the field from July-September 2016. In total, 200 treasurers were interviewed across 23 countries.

Respondent Breakdown	
Total Respondents	**200**
Respondents by Region	
Africa	**16**
Asia Pacific	**40**
Europe	**72**
Latin America	**16**
Middle East	**16**
USA	**40**
Industry verticals surveyed	
Automotive and manufacturing	**73**
Food and drink	**46**
Technology	**25**
Pharmaceuticals	**23**
Retail	**33**
Corporate size (annual revenue)	
$500m - $1bn	**26**
$1bn - $5bn	**111**
$5bn - 10bn	**42**
$10bn+	**21**

For more information about the Temenos and Corporate Suite, please visit: http://www.temenos.com/en/solutions/suites/corporate

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We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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