

Treasury and Finance Trends for 2021

While much about what 2021 will hold is uncertain, there are a few trends that are easier to forecast. Trends in the payments space are among them.

The digitization of payables and receivables functions has been underway for some time now, and the pandemic has only accelerated this trend. Adoption had been slow, but COVID-19 has served as a seismic wake-up call for the treasury space, spurring the business community to action. A good example of this is the rapid adoption of electronic business-to-business (B2B) payments. A recent EY report found approximately 60% of survey respondents indicated that the adoption of electronic payments is the most meaningful change in the B2B space.¹

Over the past few years, digital transformation has allowed treasury professionals to take on an increasingly important role providing invaluable insights into their organization and support for strategic growth objectives. As new innovations continue to reengineer the treasury function, the coming year holds tremendous opportunities for treasury departments to demonstrate further value to the overall organization.

The Evolution of Managed Services for Payment Processes

One area that shows real promise for treasury in the near-term is managed services related to payment processes. The overall global managed services market is growing rapidly. Valuate Reports' recent study suggests managed services will grow from more than \$178 billion in 2019 to greater than \$309 billion by 2025.² That's a CAGR of 9.6%.

"We believe the continued evolution of managed services around the movement of money will be a game-changer for corporate treasury," explained Bridgit Chayt, Senior Vice President and Director of Commercial Payments and Treasury Management for Fifth Third Bank. "This trend is moving corporates from a transaction processing-centric relationship with banking partners to one that focuses more on back-office integration that delivers invaluable treasury insights, along with greater automation and efficiency."

As 2021 unfolds, managed services in the cash management space will continue to be seen as a transformational option that enables treasury organizations to take advantage of

the latest cloud-based, digital technologies without having to invest in complex and costly infrastructure. The managed services model means adopters always have the latest version of the technology, thereby reducing reliance on legacy platforms. It also means not having to focus on maintaining the security of on-premises systems.

Innovative managed services are offering on-demand convenience, which is crucial as many job functions have shifted to a remote, work-from-home posture. And these next-generation solutions also provide a seamless user experience that is seen as increasingly vital for keeping today's digitally-native employees happy. Perhaps most importantly, managed services enable treasury to focus more of their energy on core business matters and strategic imperatives for the organization.

Leveraging New Layers of Analytics to Improve the Treasury Function

Many treasury organizations have begun to recognize the potential value of data related to the cash management function. Emerging technologies are making it possible to leverage this data to power analytics-driven decisions that will dramatically improve treasury efficiency, automation and the customer experience.

"New digital tools are increasingly relying on next-generation technologies, such as artificial intelligence (AI), to analyze patterns, and then factor in policies and risk tolerances to make highly-effective liquidity recommendations," stated Chayt. "Over the next few years, I think we can expect a much greater reliance on AI, data analytics and robotic process automation (RPA) to help realize tremendous opportunities to achieve straight-through processing and reconciliation. These technologies will become indispensable to clients as businesses begin to find ways to monetize them as well."

As more and more of the treasury function becomes interconnected, data and analytics will enable treasurers to add value and make faster, better decisions.

Treasury Will Be Counted on to Deliver Greater Value

Ever since the "Great Recession," the role of treasury professionals has continued to

evolve. Treasury has elevated its stature as a thought-leader within the organization, increasingly participating as a decision-maker at the highest levels. In the years to come, treasury will be relied on for the vital task of managing liquidity, forecasting cash flows, and supporting the bottom line. And the current pandemic has only served to raise treasury's profile as a vital organizational resource.

To meet the constantly changing demands of the business, treasury will need to continue to build relationships across the organization in order to expand their understanding of company needs and priorities. By partnering with cross-functional stakeholders, treasury can broaden its impact, while increasing its credibility. At the same time, treasury can tap into the deep bench of experience found within banking partners to ensure the organization's strategic objectives are being fully supported.

Innovation: Driving Tomorrow's Treasury Today

Greater efficiency with less manual intervention will continue to drive advancements in treasury. "Many of these technologies are available today, enabling treasury to manage liquidity more effectively, forecast more accurately, and leverage data and analytics to improve the customer and supplier experience," concluded Chayt. "In the near-term, we envision new innovations coming as banks, Fintechs, and other third-party providers continue to partner, bringing niche solutions to the marketplace to meet the evolving needs of treasury organizations."

Chayt cites the example of real-time payments, which, in addition to speeding up payment processes, is also delivering critical remittance information that opens the door to advancements in back-office reconciliation. There is also the opportunity to introduce new ways of handling the negotiation of terms and discounting at the time of payment. The efficiencies made possible by these types of initiatives will bring tremendous value to the organization.

As 2021 unfolds, corporate treasury professionals can expect innovation to continue to be the watchword, as they strive to deliver greater efficiency and value to the organization. ■



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¹Three ways COVID-19 is changing the payments industry, EY, America's Payments Consulting Leader, October 1, 2020

²Valuates Reports, Global Managed Services Market Size, Status and Forecast 2021-2027

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