# Treasury Management at a Crossroads:

# Support Group or Revenue Engine?

Select leaders from large and small financial institutions share in-depth perspectives on the future of treasury management

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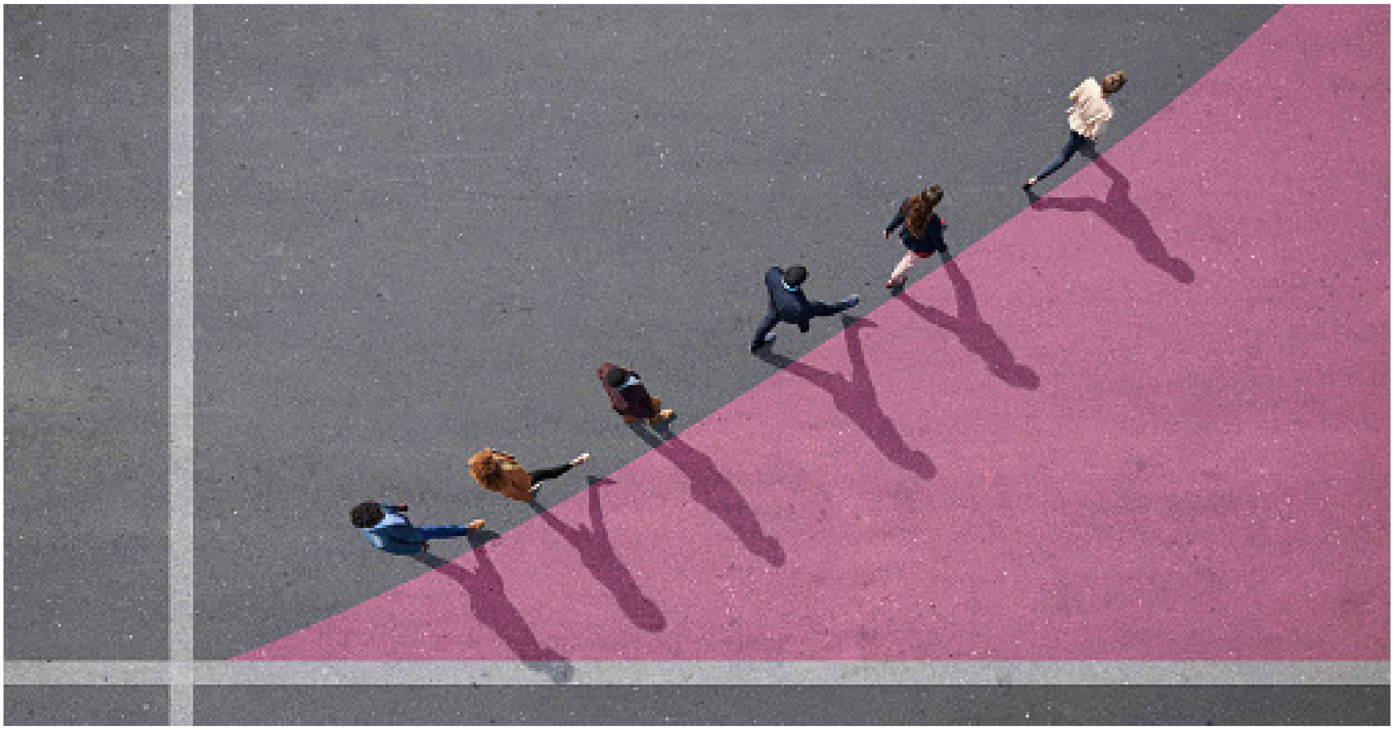

# Executive Summary: A new era for treasury management

**The most critical success factor identified is a financial institution's ability to elevate treasury management's stature within the organization.**

Once regarded as a back-office support group for commercial and business relationships, leading financial institutions (FIs) now view the treasury management function as the next horizon to drive deposit growth, grow revenue and enhance profitability. With this shift in thinking, treasury becomes a more visible and strategic partner, as well as a critical contributor to the strength, stability and success of an FI's future.

## In-depth perspectives from treasury leaders

For an insider perspective on the challenges and opportunities available for treasury management, Deluxe Corporation commissioned Capital Performance Group to interview select U.S treasury executives and senior managers at financial institutions of varying asset sizes.

Leaders shared views on the value of treasury management to their financial institution and commercial customers. They also discussed their chief concerns, from technology pressures and hiring challenges, to Fintech capabilities and an aggressive, competitive environment for deposits.

During hours of interviews, it was evident that treasury executives need to develop a strategic focus and wisely choose their innovation investments. However, finding extra hours to align technology, products, experiences, operations, people and profitability is easier said than done. Executives expressed unanimous concern about the ability to prioritize resources on the right things to remain competitive.

### Success rests on elevating treasury's stature

The most critical success factor identified was a financial institution's ability to elevate treasury management's stature within the organization. Treasury management leaders who advocate their cause, elevate treasury's stature and collaborate cross-functionally best position themselves to secure the critical resources necessary for today's hyper-competitive environment.

Prioritizing investments in treasury management will require leaders to break down organizational silos and educate decision-makers about the value and full range of services treasury management delivers to their financial institution.

This white paper shares ideas and strategies from financial peers to help treasury management leaders not only survive—but thrive—in this new reality.

# Learn how to:

## Educate

key stakeholders about the industry's shared challenges.

## Discover

overlooked opportunities to maximize treasury's success.

## Understand

the importance of communicating success beyond the accounting of the business.

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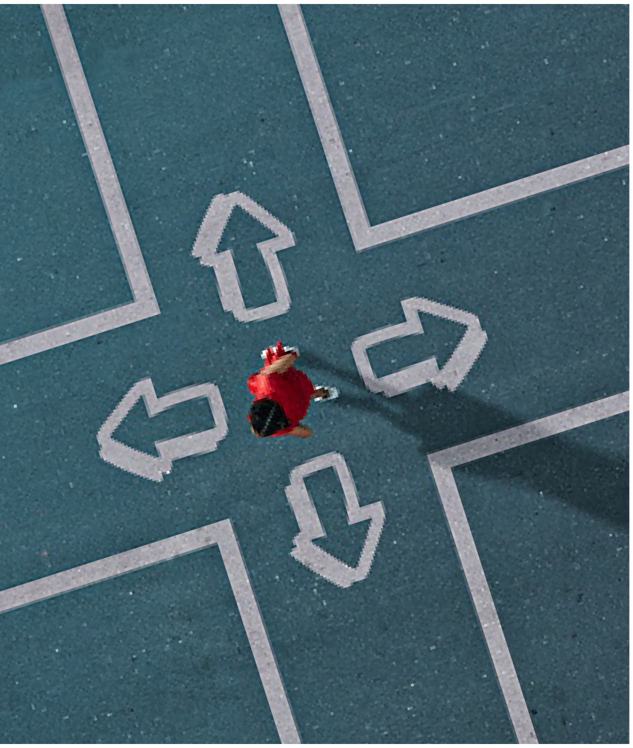
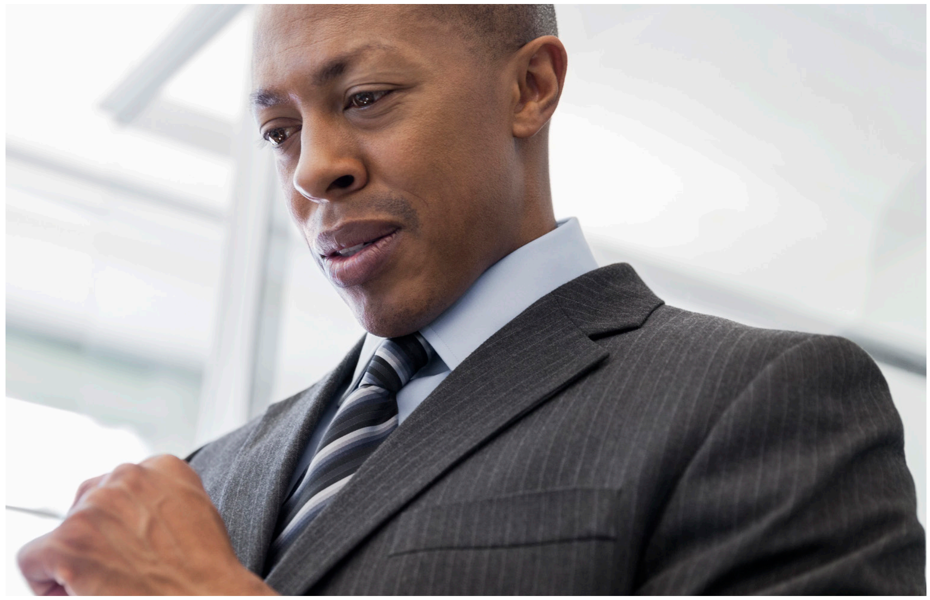


# Table of Contents



# A dynamic time for financial institutions

**The new realities for financial institutions**

- Low rates jeopardize fee income
- Competition is increasingly aggressive for commercial deposits
- Customer experience goals collide with resource realities
- Fintechs disrupt the status quo

## Shrinking margins and a hyper-competitive landscape

It's no surprise that executives in the treasury management world understand the importance of their products, technologies, capabilities, people and income streams to their FI's viability. They also understand the complexity of the challenges they face as they plan for long-term success.

With financial institutions large and small, four industry challenges stood out in the course of our interviews. None are new for FIs, but these pressures are changing the conventional wisdom—with treasury management a critical part of the solution.

For example, today's economic environment of relatively flat interest rates and the raging war for low-cost commercial deposits have financial institutions examining how they can expand and enhance their treasury management business. More FIs are placing strategic importance on treasury's continued access to low-cost deposit generation, as well as income growth from fees.

However, these strategies alone are not enough, given the hyper-competitive nature of deposits and the often "irrational pricing" found at some financial institutions. Plus, with margins shrinking, FIs must identify new solutions to drive revenue.

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## A dynamic time for financial institutions

**The shared challenge for interview participants is to prevent treasury management from going the way of consumer financial services**

**"The industry has become the wild, wild west with regards to deposit gathering," said one participant.**

Rapidly evolving customer expectations and new technology solutions represent the other main challenges for FIs. Commercial customers, used to a range of innovative consumer banking applications in their personal lives, are upping their expectations at the office and for their commercial bank. This creates opportunity for Fintech challengers, who are pushing change in the treasury management ecosystem with sleek digital experiences and specific product advancements.

The reality is that corporate end users will find innovative and cost-effective treasury management solutions even if their financial institution does not provide them. While Fintechs are regarded as a threat, partnering with them will enable many FIs to stay relevant, with convenient and readily available solutions.

The shared challenge for interview participants is to prevent treasury management from going the way of consumer financial services: a more fragmented space where it's extremely difficult to capture the customer's entire relationship (i.e., Fintechs and monoline providers picking off the most profitable parts of the business from the financial institutions—and doing it better).

# New opportunities for treasury management

## Financial institutions begin to challenge conventional thinking

These serious industry realities cast treasury management in a new light. In the past, FIs generally regarded treasury as a back-office group in support of commercial and business relationships.

However, looking forward, a healthy treasury management business is an increasingly critical and strategic component of FI success. Treasury not only can support deposit and fee income growth; when structured properly, it can become a self-sustaining sales and service organization that generates clients, revenue and value for the financial institution.

### Grappling with treasury management's changing roles

| | | |
|---|---|---|
| ▪ Back office service unit<br>▪ Support role<br>▪ Manages existing accounts | or | ▪ Self-sustaining line of business<br>▪ Visible and strategic<br>▪ Generates clients, deposits, revenue, value |

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## New opportunities for treasury management

"Expectations are being raised for treasury management as a place for more growth potential; this is a change from the old days when treasury management was looked at as a secondary group."

A robust treasury can:

- Deepen customer relationships
- Differentiate a financial institution in the market
- Generate new revenue streams
- Help protect the business from Fintech disruptors

Financial institutions must ask themselves:

- Is treasury management primarily in support of commercial (i.e., loan) relationships?
  or
- Is it a self-sustaining sales and service organization that generates clients, deposits, revenue and value for the financial institution?

The greatest risk for FIs of any size is to ignore these new realities and take a "status quo" approach.

"You don't get commercial deposits if you don't do treasury. It's not really about treasury management being profitable; it's about what treasury management allows you to go after in terms of a holistic C&I relationship."

## How to size up the value of treasury management

Financial institutions of every size need a strategic vision for the treasury management business. The most important strategic questions FIs and treasury leaders need to address are:

- What is the primary purpose of treasury management for our FI?
- What is our approach to technology and Fintechs?
- What is our value proposition?
- How are we differentiating ourselves from other financial institutions and from Fintechs?
- How is our client experience better than the competition?
- What are we doing to attract, develop and retain the next generation of treasury management talent?

# A closer look at treasury's top challenges

Developing a next-generation, strategic treasury management function is not without obstacles. The senior leaders interviewed shared similar concerns, despite their varied responsibilities and organizational size.

Treasury leaders identified and face challenges in three broad categories:

## Technology

Participants view Fintechs and technology as two of the biggest external challenges to treasury management.

## Talent

Leaders cite attracting, developing and retaining talent as barrier to the success of treasury management.

## Structure

Most participants identify customer service as treasury's primary responsibility.

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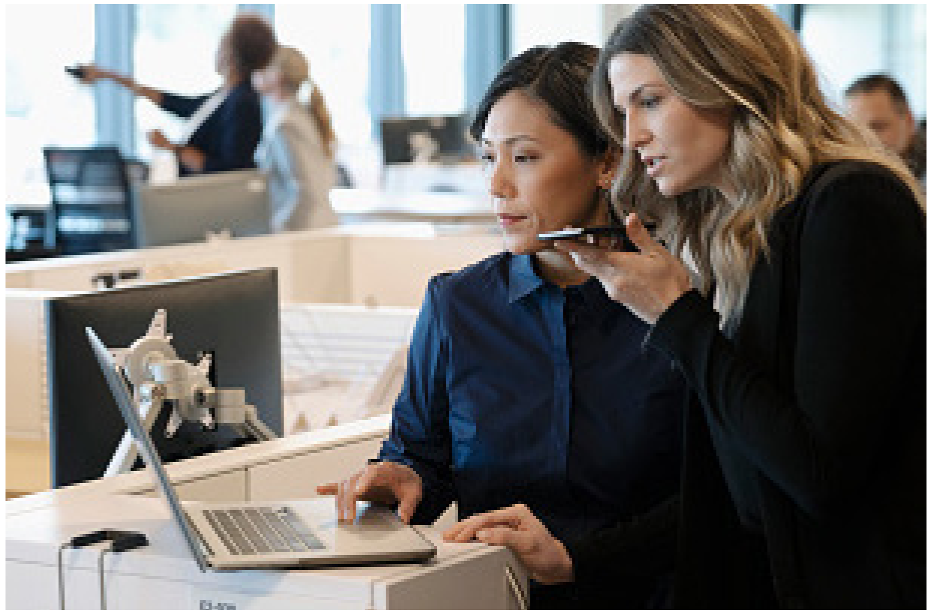
"We would love to scrap our core processor and start over."



# Technology

## FIs large and small struggle to modernize and innovate

Treasury management struggles with the same issue impacting financial services as a whole (as well as numerous other industries). How can FIs keep up with the accelerating pace of technology change, and the rising customer expectations that accompany it?

Fintech challengers are pushing change in treasury management by disrupting traditional business models and enhancing customer experiences. Yet the relationship is complicated; financial institutions must consider Fintechs as trusted partners as well as competitors.

### Keeping pace with Fintechs

As competitors, Fintech challengers are innovating in specific product areas and beginning to cherry-pick parts of the treasury management business. They are, in effect, unbundling the cash management ecosystem and threatening financial institutions' abilities to maintain complete control over their clients' cash and treasury management relationships.

Yet despite these risks, Fintechs remain important partners for financial institutions—especially among mid-sized and smaller institutions that need capabilities, features and innovations that their core system providers may not be offering quickly enough.

During our interviews, FIs of all sizes indicated they do not think they have the capabilities or resources to innovate or go to market as fast as the Fintechs.

The largest FIs regard Fintechs as direct competition for their customers. Without the regulatory burden and bureaucratic processes that define most financial institutions, they believe Fintechs can move faster to develop products and functionality that will appeal to the traditional FI client base.

## Core processors and internal bureaucracy hold FIs hostage

Fintechs are not the only challenge when it comes to treasury management technology. Many leaders cited their core processors and internal bureaucratic processes (including compliance and legal hurdles) as hindrances that slow time-to-market with new technologies, experiences, features and benefits.

**"We would love to scrap our core processor and start over," said a participant at a small financial institution.**

Many treasury professionals—particularly smaller FIs—expressed concern they are "held hostage" to their core processors and outside technology partners. Reliance on an outside vendor can limit product development and competitiveness if the FI is at the mercy of the vendor's development calendar or integration abilities.

**"If technology enhancements versus costs are not evaluated effectively, smaller banks will be behind the eight ball," said another treasury leader.**

And, with only a few technology and core processor partners in the treasury management space, FI offerings are becoming largely undifferentiated. Yet with solutions from these key providers deeply embedded in financial institution systems and customer products, making a switch is a difficult and expensive endeavor for treasury leaders.

# Talent

## Talent woes put treasury succession at risk as younger workers choose non-bank careers

One of the unexpected outcomes of the interviews was hearing treasury executives express unanimous concern about staffing. Participants believe attracting, developing and retaining talent will be a significant barrier to treasury management's future success. In fact, there is genuine concern that without new, innovative thinking, treasury management relationships—and the future viability and survival of the function—are at risk for FIs of all sizes.

**"Treasury management is less attractive to younger people than it was in the past," commented one treasury leader.**

### Bench strength and future leadership

Succession planning and future treasury leadership are also in question.

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## Talent

**"We have an aging workforce and concerns regarding the transfer of knowledge," remarked one participant.**

According to the treasury executives interviewed, recruiting and team development are not keeping pace with the aging of the current workforce. Experienced treasury management resources are retiring and financial institutions are not finding enough people with the right skills, treasury management knowledge or industry experience to fill open positions. Most FIs interviewed cited a lack of internal bench strength, and a limited number of candidates qualified to take on leadership roles; this was especially true for larger financial institutions.

**Leaders believed Fintechs are largely winning the talent wars by leveraging the cool factors associated with a start-up culture**

### Is the Fintech cool factor to blame?

But the real culprit to blame for treasury's talent woes? Participants point the finger at Fintechs. The economy and workplace now offer the next generation of workers a wide variety of career choices with organizations that are perceived as more exciting, more innovative and more relevant to their lives than banks.

**"Fintechs are attracting talent that would have normally gone to our bank," said a participant.**

Leaders believed Fintechs are largely winning the talent wars by leveraging the cool factors associated with a start-up culture; including, trendy office perks (think ping pong tales and craft beer) relaxed work environment, flexible hours and casual dress codes.

Executives interviewed also perceived that young professionals are drawn to Fintechs because of the perceived ability to get things done faster and they can make a more immediate impact with their work.

By contrast, working 9 to 5 at a financial institution can be regarded as stodgy.

This inability to attract and retain younger, high quality talent is beginning to impact financial institutions' ability to compete with Fintech solutions, deliver product innovations and improve the customer experience.

Regardless of where today's talent chooses to work, greater competition for hiring qualified staff exists. The shared perception is that it's more difficult today for treasury management to attract and retain young talent. Without a new generation of highly skilled and motivated employees to learn and lead treasury management, the senior leaders we interviewed see great risk to the future health of the treasury organization.

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# Structure

## Treasury still lacks clout and resources, but its mandate is broadening

Treasury management's charter and structure represent the final challenge raised by the leaders we interviewed. Treasury's role is becoming more central and strategic. The function is a key source of deposits, fee income, and even new customers whose relationships are unattainable without robust treasury capabilities.

**"Treasury is organized within the commercial bank and it is amazing how siloed the treasury management business has gotten," noted one leader.**

Five of the FIs interviewed organize treasury management as a department within their commercial bank, and the rest operate treasury management as an independent line of business within their broader financial institution.

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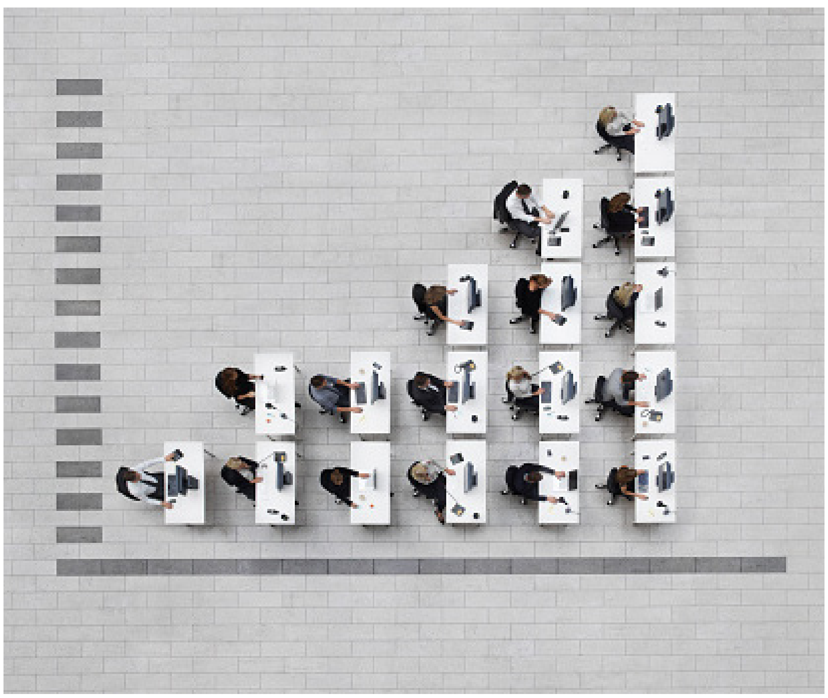
## Structure

All but one participant defined treasury management as a service organization, in support of commercial relationships. This finding reinforces the traditional role of treasury as a secondary position to commercial lending. Yet in most financial institutions, treasury does have additional responsibilities—even if it still has not blossomed into its own independent line of business.

Two-thirds of the leaders interviewed measure treasury's success via deposit growth. Slightly more than half maintain a separate P&L for treasury management. Both strategies reinforce that treasury management has the potential to deliver value beyond setting up accounts after commercial bankers close the deal.

### Allocating resources

However, as long as treasury management is considered a department within commercial banking, it is unlikely to be perceived as a critical strategic function and there is a potential for treasury management to suffer from limited resource allocation. As a result, treasury experiences throttled growth, lacks a competitive offering and ultimately, has the potential to jeopardize the future viability of the business. This is especially true today as the treasury services industry and technology rapidly evolve around it.



### Treasury sales and service

To stay competitive and incent growth, many financial institutions are beginning to encourage their treasury management teams to self-source business, in addition to providing support to commercial bankers and relationship managers. All but one participant indicated they have a dedicated sales team. These teams usually engage in both proactive sales activities, and reactive sales in support of commercial relationships. Financial institutions without a dedicated team rely solely on relationship managers and commercial bankers to sell treasury services.

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## Structure

**"Treasury is viewed as a service-oriented, administrative function. It is not appreciated as a sales driver for the bank," said one participant.**

**"There was a resistance to shift towards more of a sales orientation, but we need to have a balance between a sales and service culture. We are hiring people capable of selling—regardless if they are in a sales or service role," mentioned another.**

All financial institutions interviewed identified excellent customer service as critical to successful, long-term client relationships. Every treasury leader acknowledged the complicated nature of treasury management relationships, with client onboarding and ongoing relationship management highlighted for their complexity. Even though service is regarded as essential to the client experience, a focus solely on service helps to reinforce treasury management's position as a support organization.

FIs also noted the importance of highly-qualified customer service representatives. Two-thirds of the leaders interviewed—including the larger financial institutions—have a service group dedicated to treasury management. The remaining third staff treasury customer service within deposit operations or another internal operations group. At smaller FIs, treasury management leaders work hands-on to perform onboarding, set up service functions and address client needs.

Reading between the lines, treasury management experiences pressure to provide their clients (i.e., big commercial lending relationships) with excellent and responsive service. Participants shared anecdotal evidence that treasury management teams are masters at addressing one-off client requests and maintaining high levels of client satisfaction.

# Six essentials to transform treasury management

As the results of our interviews depict, treasury management stands at a crossroads. Many financial institutions continue to position it in a traditional capacity, serving as an administrative, customer service and back office function. Yet at the same time, economic pressures, new competitors and technology realities are forcing treasury management to modernize, become more strategic and ultimately, provide greater value to the financial institution.

If you're a treasury leader, it can feel like an identity crisis.

Fortunately, there are ways to move forward. The treasury leaders interviewed shared a number of observations that will help others in the industry to discover overlooked opportunities, understand treasury's potential value and transform the organization for the future.

## 1. Advocate

## 2. Elevate

## 3. Collaborate

## 4. Hire and retain

## 5. Innovate

## 6. Sell

# 1. Advocate

Transforming treasury management begins with education and advocacy. Simply put, there's a fundamental and foundational need to educate FI employees on what treasury management is and what its duties are. The majority of employees at financial institutions today do not understand how treasury management adds value to the client relationship and the FI.

Second, treasury leaders must broadcast their successes across the financial institution, and work to change the perception of the treasury function. Often, that means a more vocal and outgoing role for treasury professionals; it may challenge some leaders and they may feel outside their comfort zones. However, getting the word out regarding treasury's successes and contributions to FI grow and profitability is the first step. It's all about erasing ingrained perceptions and putting treasury in a new light for FI staff—and commercial customers.

**"Our success in requesting additional resources depends upon our credibility, competition for resources and our ability to tell the story," said one participant.**

Leaders need to document wins with individual clients, and share these anecdotally, along with business results. It's important to encourage all treasury staff to contribute and share their success stories as well so that staff at all levels in the FI understand and appreciate the contributions of the treasury management group.

Treasury must also reconsider what "success" looks like. To be viewed as a more progressive and strategic part of the financial institution—as an equal to commercial or retail counterparts—treasury needs to demonstrate how its efforts make a direct impact on top line and bottom line results. Leaders need to build in the business intelligence systems necessary to capture data and measure treasury's value over time.

## 2. Elevate

Advocacy goes hand in hand with visibility. How can treasury elevate its standing within the organization? Whether or not an FI realigns treasury management to become an autonomous line of business, the function can still step out from the shadows achieve a more strategic role.

Part of the solution lies addressing treasury's goals. Treasury goals need to tie directly up to corporate strategy (i.e., increase deposits or fee income) and directly down the line to target customer segmentation, product development activities, sales incentives and compensation structures.

It's also critical to work with senior leaders to ensure treasury has a seat at the table for key organizational decisions so that treasury management leaders can assess and react to corporate strategic decisions that impact their business and clients.

## 3. Collaborate

More than any other group, treasury management teams depend on cross-functional assistance from other departments. This cross-functional operational model makes sense, given that treasury management shares most of its clients with other lines of business. Our interviews confirm that treasury professionals excel at getting others to cooperate and support their goals—but there is still room for improvement.

**"We can do a better job of educating lenders on how and when to engage with the treasury management team," said one leader.**

**Noted another, "Make sure that everyone is on board with the importance of cash management services to the bank."**

This level of collaboration is a unique and positive aspect of treasury management that sets the group up well for future success. Treasury leaders know how to work with and inspire other lines of business to accomplish technology goals, support existing customers and drive new growth.

As a more strategic and autonomous organization, treasury leaders understand the importance of leveraging and maintaining several critical internal relationships:

- Commercial relationship managers
- Operations
- IT
- Executive management

To create a more strategic treasury management function, the executive leaders need to form relationships at all levels of the organization, especially with their peers in these other critical areas. Treasury must be perceived as a credible business partner that is able to identify and design new solutions, deliver on business objectives, and support client growth.

**“We wouldn’t be successful without significant cooperation with all departments in the bank,” affirmed one participant.**

## 4. Hire and retain

High quality talent is essential for treasury to elevate its position and become a strategic force within the organization. Treasury leaders must make hiring and retaining key positions a top priority. Treasury must also cultivate a new, more innovative culture within the function, making sure everyone on the team is suitably equipped for a transformed and self-sustaining treasury organization.

Since all FIs (and Fintechs) are competing for the same limited pool of younger workers, it’s critical for treasury to take a hard look at the financial institution’s strengths and weaknesses, from the eyes of prospective candidates. No one is suggesting financial institutions reinvent themselves in the fashion of a tech startup; however, FIs can market their positive qualities more aggressively, and work with human resources and senior leaders to shore up opportunity areas and be more competitive.

Formal mentoring programs are one option to attract younger workers. These programs also provide senior staff an opportunity for knowledge transfer, helping to encourage a steady pipeline of future leaders.

A second staffing requirement for treasury is to build a more robust organization—one that can tackle more strategic initiatives. For example, our interviews demonstrate not every financial institution maintains a dedicated treasury product management group, with responsibility for product development and pricing. Creating this function, along with dedicated marketing and sales expertise, will enable treasury to lead revenue-generating initiatives that clearly add value to the financial institution and maintain – or increase – the competitiveness of the FI in its markets.

## 5. Innovate

Innovation encompasses technology, the customer experience, and the group's internal culture; and in today's digital ecosystem, these need to be integrated and inseparable.

**"All team members need to better understand how a CFO, and their team, uses the platform."**

The FIs interviewed recommend, as a first step, fully understanding the desired experience for treasury management clients. Only with this foundational knowledge will treasury management be able to develop the right technology roadmap, prioritize investments and choose the best partners for product and development activities.

Unfortunately, many treasury leaders seem to spend more valuable time on vendor selection and integration processes rather than focusing on product development and client experience. As mentioned in the previous section, adequate product management resources with the right attitudes toward the customer journey, innovation, implementation and differentiation will be critical to success—especially in competing with Fintechs.

Treasury leaders readily acknowledge that the commercial customer base is changing. Demographic shifts are impacting not only the treasury group's ability to hire qualified candidates, but its clients' ability to hire and retain a highly qualified workforce as well. In addition, CFOs and corporate treasurers are, in many cases, newer and younger customers. Tomorrow's decision-makers expect an intuitive digital experience and seamless technology solutions. Personal experiences inform their perspective, whether it's a Google search, Instagram post or mobile banking experience. In most cases, today's treasury management interfaces don't measure up.

**"Creating a meaningful and consistent customer experience—not just treasury management or commercial—but a fully integrated experience is a big internal challenge for us," said one participant.**

To move forward, financial institutions of all sizes have the capability to document all aspects of the end-to-end client experience—from onboarding to back-office servicing. With this knowledge, treasury can prioritize enhancements and innovations that will create valuable, long-term and loyal customer relationships.

Participants hesitated to share their full product development roadmaps. However, most are focusing on innovations in one or more of these four areas:

- **Customer experience**, from onboarding to daily activities
- **Payments, including real-time**, international and integrated payables capabilities
- **Platforms**, including developing APIs and enhancing mobile and online platforms
- **Targeting industries** with sector-specific solutions

In the end, every FI's innovation roadmap will be unique. What's important for treasury management is keeping innovation and customer experience as key strategic priorities.

## 6. Sell

Treasury's final milestone is developing more marketing and sales capabilities —two functions that drive leads, sales, customer acquisition and revenue.

In another surprise finding, the leaders we interviewed rarely mentioned marketing. The lack of awareness of the potential power of marketing represents a significant blind spot for financial institutions—one that Fintechs will readily exploit. Promoting treasury management's value to commercial customers and prospects is essential to attracting, retaining and deepening customer relationships.

Marketing plays a vital role here. Because treasury management solutions are complex, few corporate customers (or FI colleagues) truly understand the full scope of treasury solutions—or the tremendous cost and time savings these services bring to a business. Many treasury management team members are too close to the solution and can't "translate" treasury management into business needs and benefits.

This becomes marketing's responsibility. It begins with treasury leaders changing their view of marketing—away from the limiting assumption that marketing is primarily a tactical afterthought for sponsorships and events. (The mentality of "We need a flyer and a banner for the upcoming conference!")

Instead, at many financial institutions, marketing exists as a strategic partner to treasury, helping generate new clients and revenue in measurable ways. For treasury management, this could include:

- Product marketing to articulate the value that complex treasury management solutions provide
- Building broader awareness of treasury management capabilities both inside and outside the organization
- Assistance with targeted prospecting and lead generation
- Lead nurturing and lead delivery to sales teams using marketing automation and customer relationship management (CRM) tools

All but one of the financial institutions interviewed already staff a dedicated treasury sales team, indicating the sales function is far more mature than treasury management marketing.

Yet for sales to thrive, marketing needs to deliver on the groundwork of brand awareness and brand building in the marketplace. We encourage financial institutions to ensure they market their commercial and treasury solutions in their markets as well as explore and adopt more of a Fintech/consumer marketing mindset for acquiring new treasury management customers and deepening these relationships.

# Spotlight on small financial institutions

## Examining collected perspectives by FI asset size revealed several interesting differences, shown below.

| | Large financial institutions | Small financial institutions |
|---|---|---|
| **Asset size** | • Over $30 billion | • Under $30 billion |
| **Competition** | • Other large FIs<br>• Fintechs | • Large FIs<br>• Small FIs |
| **Treasury management** | • Independent line of business<br>• Dedicated management, sales, product management, client service and operational resources | • Part of commercial bank<br>• Small and multi-talented team performing multiple roles |
| **Biggest challenges** | • Internal bureaucracy<br>• Risk management and compliance | • Lack of data for decision-making<br>• Overly dependent on core processors for new products and innovation |

In general, the smaller FIs interviewed listed more issues than the larger financial institutions. This is not to say that larger institutions are not dealing with some of the same things, but in an industry that traditionally increases its profitability as it scales operations, smaller FIs are at a disadvantage—and they know it.

# Spotlight on small financial institutions

Smaller financial institutions report less internal autonomy than counterparts at larger FIs. While all four large FIs organize treasury as an independent line of business, small financial institutions were more likely to maintain treasury reporting into the commercial bank.

Smaller FIs were also more tactical. These teams are operationally focused on bringing on new clients and keeping clients happy. They were less likely to have a strategic plan or vision for the future of their treasury management group.

While larger financial institutions maintain a dedicated treasury team, small FI staff act as "Jacks and Jills" of all trades, responsible for sales, product development, vendor management, client satisfaction, service and operations. In addition, to accomplish treasury's goals, they must analyze the business, prioritize and request resources and coordinate projects across the organization.

**"The treasury management team wears a lot of hats and depends on a lot of other groups to manage the business. For example, treasury management cannot open accounts—that actually happens in branches,"** said a smaller FI.

Another participant noted, **"Community banks have different challenges; we have to do it all and don't have the same resources to evaluate vendors, develop new products, or stay competitive as the types of payments change."**

Bright spots do remain for the industry's smaller FIs. One mid-sized bank reported a new emphasis on treasury management, which led the FI to grow the function from eight to 28 people during the last three years.

Smaller FIs are counting on personal relationships with clients to sell and service relationships. Although they acknowledge the importance of technology in delivering cash management services, smaller FIs are basing their value propositions around people and relationships, rather than technology.

Even with this "personal service" strategy, it is imperative for smaller institutions to ensure they continue to meet the baseline technology expectations of their clients; smaller FIs must protect their customer base from alternative Fintech providers. The small business lending market presents a cautionary tale, showing how many companies have drifted from financial institutions to Fintechs such as OnDeck, Kabbage, LoanBuilder and Lendio for small dollar business loans.

Maintaining a focus on delivering the baseline functional needs of the client base, and partnering with core processors and Fintechs to do it, will be a critical success factor for small FI value propositions rooted in interpersonal relationships.

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# About the interviews

In these qualitative interviews, we asked nine financial institutions of varying sizes throughout the U.S. to provide their opinions, thoughts and plans for the future of treasury services and its value to their institutions.

We collected responses from treasury management executives related to organizational structure, goals, reporting, analytics, product development, team management, technology and general internal and external challenges to the business.

The interviews were executed in March-April 2019 by Capital Performance Group (CPG), a management consulting firm to the financial services industry.

For the purposes of this whitepaper, "larger institutions" refers to financial institutions over $30B in asset size and "smaller institutions" refers to financial institutions with less than $30B in asset size.

| | Asset Size | Number of Respondents |
|---|---|---|
| Tier 1 | Over $100B | 1 |
| Tier 2 | $30B - $100B | 3 |
| Tier 3 | $5B - $30B | 2 |
| Tier 4 | Under $5B | 3 |
| Total | | 9 |

## About Deluxe Corporation

Deluxe is a Trusted, Tech-Enabled Solutions Company™, serving enterprises, small businesses and financial institutions, offering a range of solutions to help customers manage and grow their businesses. Approximately 4.8 million small business customers access Deluxe's wide range of products and services, including incorporation services, logo design, website development and hosting, email marketing, social media, search engine optimization, payroll services along with customized checks and forms. For our approximately 4,600 financial institution customers, Deluxe offers industry-leading programs in data analytics, customer acquisition and treasury management solutions, including fraud prevention and profitability as well as checks. Deluxe is also a leading provider of checks and accessories sold directly to consumers.

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