A TreviPay Minibook

B2B Treasury Transformation and Post-Pandemic Payments Innovation

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Introduction: Treasury's Strategic Moment Approaches

Nothing elevates business leaders' credibility like performance under pressure. B2B corporate treasury executives can find plenty of examples of this progression among colleagues who elevated their standing in C-suites and the boardrooms on the strength of their crisis responses.

CFOs shed their green eyeshades and stepped up as their CEO's strategic business partner after navigating the dot.com crash and Sarbanes-Oxley compliance in the early 2000s. Chief information security officers (CISOs) are now earning their C-level credentials table by responding to a flurry of ransomware incidents and other cyberattacks. Chief human resource officers (CHROs) solidified a permanent seat at the senior decision-making table by safely guiding workforces through a global pandemic and the massive shift to remote work.

Treasury executives should take note of these strategic ascensions given that they will have similar opportunities in the months ahead. This is the case because many post-pandemic drivers of change, threats and opportunities require organizational responses that involve capabilities, analyses and activities that reside within treasury's domain.

Trade skirmishes, new industrial policies, supply chain transformation, rising interest rates, intensifying fraud risks and related challenges will require capital restructuring, relationships with new trading partners (and new banks) in new countries, working capital management and liquidity adjustments, new product and service networks, new sales models and the like. Corporate treasury leaders will need to get all of their transactional work humming as efficiently as possible to

free up talent, time and creativity to devote to strategic endeavors, such as churning out real-time liquidity forecasts, rethinking capital structure strategy and running through scenarios with C-suite colleagues.

Getting B2B payments as buttoned down as possible will help create more space for these strategic contributions while simultaneously helping the organization enter new geographies, onboard new customers and trading partners, forge new banking relationships and manage growing credit risks with maximal agility and efficacy. While the payment process is not the only capability that treasury teams should optimize, recent advancements – and new networks – in this area offer valuable opportunities.

A growing number of business leaders expect treasury functions "to have real-time visibility across banks and accounts," notes a survey report on treasury transformation from Strategic Treasurer and FinLync. "They are expected to use that visibility to build accurate forecasts and develop agile strategic advice. Their risk management function has expanded to include monitoring risks such as inefficiency and fraud...While these increasing demands are a positive sign of high value being places on treasury's services and function, the demands are still difficult to meet."[1]

To satisfy these far-reaching expectations, corporate treasury leaders should:

Monitor external disruptions and internal changes affecting treasury operations.

Recognize new developments and innovations in payments.

Leverage payments opportunities to support strategic growth objectives while freeing up more time for higher-value contributions.

[1] The Treasurer's, Blueprint for Transformation, Strategic Treasurer/FinLync: https://strategictreasurer.com/ebook-the-treasurers-blueprint-for-transformation-finlync/.

A Growing Appetite for Treasury Forecasts and Analyses

The short-lived yet intense working capital and liquidity management challenges triggered by COVID-19 responses in the earliest stages of pandemic functioned as a preview of the agile capabilities treasury groups will need to thrive in the face of overlapping crises moving forward. In response to business closures and dramatic changes to spending behavior, treasury functions produced frequent working capital updates and liquidity forecasts used by senior executives and boards as they conducted, and continually adjusted, scenario plans.

Treasury leaders soon discovered that the appetite for their data-driven and increasingly real-time forecasts and analyses continued to intensify even after global vaccination efforts helped get COVID under more control. Supply chain breakdowns, a talent crunch, Russia's war on Ukraine (and the countless sanctions, restrictions and logistics challenge the invasion generated), price spikes and interest rate hikes are keeping organizations in "pivot" mode.

Four external factors and one internal dynamic ensure that treasury teams will need to continue supplying the board, executive team and other internal customers with forward-looking insights and scenario planning assistance:

Supply chain volatility and restructuring

Redesigning supply chains to be as resilient, if not more so, as they are cost-effective has become a pressing priority among boards and executive teams. A recent survey of global CFOs conducted by Protiviti shows 42% of organizations are moving to diversify their supply chain to numerous regions.[2] "Decision-makers are increasingly concerned that supply chains should be robust, not just efficient," The Economist notes."As a result they are choosing to depend less on jurisdictions where they are exposed to risk. And countries are experimenting with industrial policies aimed at self-reliance or international pre-eminence in at least some 'strategic' technologies and businesses... As James Zhan of the United Nations Conference on Trade and Development wrote in a recent article, 'The decade to 2030 is likely to prove a period of transformation for global value chains.' That transformation is already under way."[3] As organizations enter into agreements with new trading partners in new countries, supply chain, finance and treasury teams will need to comply with new local regulations, assess credit risks, enter into new banking relationships and sidestep new fraud threats.

[2] Protiviti 2021 Global Finance Trends Survey, www.protiviti.com/financesurvey.

[3] The structure of the world's supply chains is changing, The Economist, June 16, 2022: https://www.economist.com/briefing/2022/06/16/the-structure-of-the-worlds-supply-chains-is-changing.

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The Economist

Inflation and rising rates

As central banks increase interest rates to temper rising prices, treasury groups must evaluate how these monetary policy changes affect their funding costs and the extent to which growing interest expenses affect profitability. Treasury teams whose companies have multiple tranches of outstanding debt are investing more time running capital models based on different future scenarios. This work now figures prominently in long-range planning activities CEOs and CFOs are leading.

> **The decade to 2030 is likely to prove a period of transformation for global value chains.**
>
> The Economist

Fraud risks

Cyberattacks involving fraud jumped by more than 150% in 2021, according to the World Economic Forum.[4] These incidents are extremely disruptive and costly to businesses: 98% of companies experienced financial losses as a result of successful fraud attacks last year, according to research conducted by PYMNTS, and the average impact of fraud equates to 3.5% of a B2B company's annual revenue. Many companies endure far greater losses, which can be difficult to quantify. A PYMNTS survey of 150 executives finds that nearly half (47%) of small- to mid-sized companies (47%) were unable to onboard clients due to a fraud risks and concerns combined with "a belief that their existing anti-fraud measures would be insufficient."[5] In our work with treasury and payments groups around the world, we've seen a notable uptick in fraud attempts during the past six month, particularly in Europe. Many of these incidents zero in on onboarding processes for control weaknesses. When gaps are discovered, the criminals flood companies with fraudulent invoices until they are detected and then move on to another target.

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[4] Global Cybersecurity Outlook 2022, World Economic Forum and Accenture, January 2022: https://www.weforum.org/reports/global-cybersecurity-outlook-2022.

[5] Risk and Resilience: A Business Fraud and ID Theft Report, PYMNTS and TreviPay, February 2022: https://www.trevipay.com/resource-center/reports-whitepapers/pymnts-risk-and-resilience-a-business-fraud-and-id-theft-report/.

[6] "Delivering A Better Forecast: Five Keys To The Successful Adoption Of Advanced Technologies In Finance," Jim DeLoach, Forbes, March 18, 2021: https://www.forbes.com/sites/jimdeloach/2021/03/18/delivering-a-better-forecast-five-keys-to-the-successful-adoption-of-advanced-technologies-in-finance/?sh=5be0945c36b8.

Credit risks

As companies of all sizes enter new countries and regions in pursuit of growth, they're encountering difficulties assessing credit risks and setting appropriate credit lines. The widespread talent shortage also means that treasury, account receivable, and payments teams have fewer resources to assign to these important, time-consuming evaluations. Ineffective credit risk management can slow onboarding, increase fraud risks and damage the customer experience.

Digital transformation

Inside companies, ongoing digital transformation efforts – driven by the adoption of cloud-based systems, expanding ERP ecosystems, and other advanced tools and technologies – deliver benefits along with challenges to treasury teams. While corporate finance teams generally lagged other parts of the organization in migrating systems to the cloud, finance's digital transformation recently has accelerated. Treasury groups need to follow suit. "Digitally advanced CFOs know where and how to allot their transformation time, energy and investments," notes Protiviti Managing Director and Forbes Contributor Jim DeLoach. "Financial planning and analysis (FP&A) groups are especially ripe for emerging technologies, including but not limited to artificial intelligence (AI), that can help them shift their gaze from historical performance metrics to massive data sets that yield forward-looking insights to strengthen forecasts, anticipated scenarios, projections and plans concerning products, supply chains, logistics capital allocation, and financial and operating performance."[6] Investments in advanced treasury management systems and related tools typically occur after new ERP systems and FP&A tools have been implemented. When all three of those systems are well-integrated with each other, treasury professionals have access to the data and analytics needed to perform powerful planning, modelling and reporting.

Real-Time Payments Are Here to Stay

Corporations are not the only organizations pursuing digital capabilities. Banks, governments and payments networks are also leveraging digital technologies to enable real-time payments as well as a host of related services.

In an effort to catch up with Japan, the U.K., Brazil, Mexico and other real-time payments pioneers, the U.S. Federal Reserve is readying its FedNow Service to launch in 2023. This instant payment service will allow financial institutions of all sizes throughout the U.S. to provide safe and efficient instant payment services in real time, around the clock, 365 days a year. The Federal Reserve indicates that its FedNow Service "will provide choice in the market for clearing and settling instant payments as well as promote resiliency through redundancy. Financial institutions and their service providers will be able to use the service as a springboard to provide innovative instant payment services to customers."[7]

As the use and refinement of real-time payments evolves, treasury leaders should understand and mitigate payments-related risks while getting enablers in place to take advantage of the valuable opportunities associated with faster, efficient payment settlements. Numerous fintech startups are leveraging real-time payments to offer new A/R, A/P and payments offerings.

These services and capabilities include:

- **Real-time onboarding**
- **Credit risk management**
- **Real-time authorization of payments across all sales channels and customer sizes**
- **Global invoice and receivables management**
- **Outsourced working capital management**
- **Fraud prevention**
- **Regulatory compliance**

[7] FedNow Service: https://www.frbservices.org/financial-services/fednow/about.html#payment.

B2B companies of all sizes are also working with external partners to set up (or join) a range of payment and invoice networks that meet their unique needs.

Through our work with finance, treasury and payment groups, we see B2B companies deploying payments and invoicing networks to:

- **Sell direct to end customers**
- **Scale existing B2B businesses**
- **Automate invoicing and credit management**
- **Notch major DSO improvements**
- **Add invoicing and payments capabilities to an eCommerce or eMarketplace**
- **Enter new geographies**
- **Expand eCommerce channels**

To make the best use of FedNow and other real-time payments options and services, B2B organizations should have in place a robust treasury management system with connections into the SWIFT network. (The traditional means of using banking websites, while still effective is slowly being replaced by modern technology that can automate daily processing, general ledger postings, and the movement of money globally.) It is also crucial to having banking partners that support the move to more real-time payments.

Determining if Payments Pass Muster

Payments mark just one of many processes that treasury functions rely on or oversee as part of their cash management and forecasting responsibilities. Given the innovations in payments highlighted above – and the way that these advancements can generate efficiency gains, working capital management improvements and further treasury transformation – leaders should assess their current payments processes to identify payments-improvement opportunities.

By asking targeted questions regarding the following payments components and risks, treasury groups can make better decisions about improvements and investments. These inquires also will ultimately help treasury teams expand and hone the insights and analyses they contribute to strategy-setting and scenario planning:

Banking relationships

How quickly and effectively can you find banking partners in new geographic regions?

Small to mid-sized B2B companies often have difficultly finding and vetting suitable banking partners in new regions, such as Eastern Europe or certain parts of Asia. Banks can be reluctant to take on privately held or private equity-owned firms that lack public company balance sheets. Working through a new banking partners' regulatory compliance requirements also can be arduous.

Customer on-boarding

How can we improve the speed and experience of customer on-boarding in a risk-intelligent manner?

Lengthy and/or ad hoc credit application processes, suboptimal decision-making about credit lines and related snafus can prolong onboarding (especially when offering net terms), contribute to negative customer experiences and take sales teams off their primary task. Managing regulatory compliance requirements, especially in unfamiliar jurisdictions, can also impede onboarding.

Fraud prevention

Do we have the expertise, processes and technologies required to detect and prevent payments fraud?

In most cases the answer is “no.” The PYMNTS survey indicates that less than one-third (32%) of executives in small to mid-sized enterprises are “very” or “extremely” satisfied with their current digital identity verification and fraud prevention methods. Among small organizations, that figure declines to 26.7%. The research also indicates that companies with automated antifraud solutions in place express significantly higher levels of satisfaction with their digital identity verification and fraud prevention capabilities.[8]

[8] Risk and Resilience: A Business Fraud and ID Theft Report, PYMNTS and TreviPay, February 2022: https://www.trevipay.com/resource-center/reports-whitepapers/pymnts-risk-and-resilience-a-business-fraud-and-id-theft-report/.

A/R

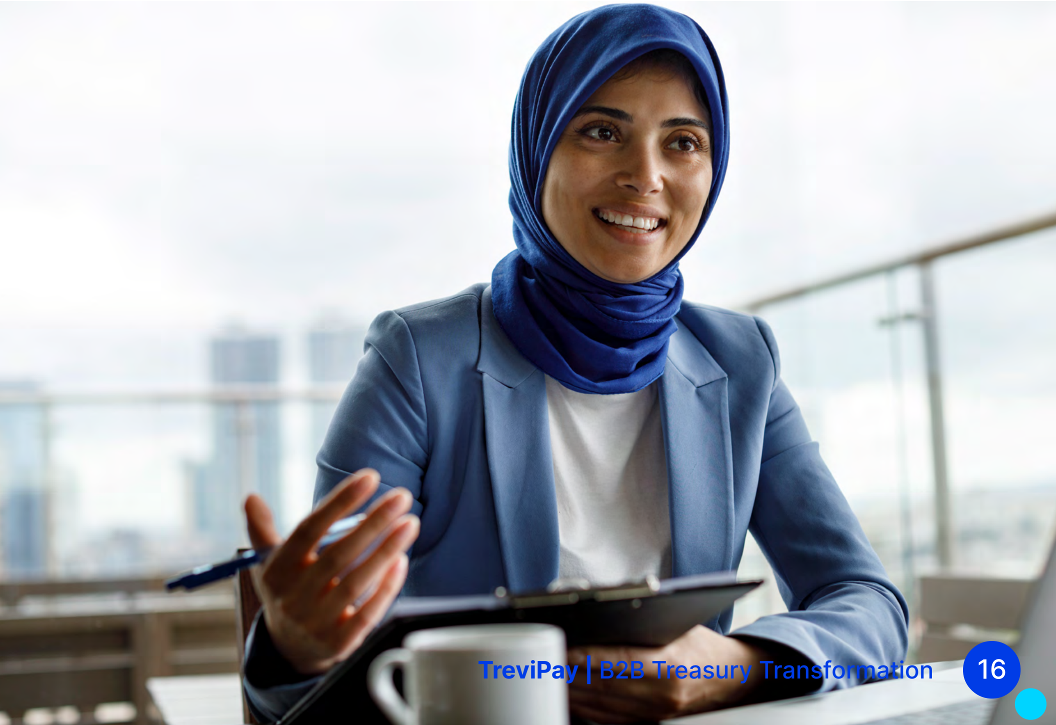
How can we increase efficiency and efficacy?

Chronic invoice and billing inaccuracies increase DSO and trap capital. Manual invoice data entry processes and unique billing requirements create a recipe for invoicing mistakes and further payment delays.

Working capital management

What working capital management benefits can we generate by outsourcing and A/R?

As interest rates climb, treasury functions will want to maximize the returns on idle cash as they seek to optimize returns on all cash holdings. In this environment, enlisting an external partner to provide working capital for A/R can increase cash on the balance sheet that can be invested.



Conclusion: Set Your Strategic Sights Higher

Given the intensifying pressure their organizations will experience in response to supply chain transformation, central bank decision-making and other disruptions, boards and executive teams are likely to demand more forward-looking insights and assessments from their treasury groups throughout this year and into 2023.

Automating and optimizing payments as much as possible will give treasury leaders more time to put excess cash to work, rethink capital structures, fortify banking relationships and enhance their credibility as strategic business partners.

About TreviPay

TreviPay is the global B2B payments and invoicing network built to optimize trade between buyers and sellers. With more than four decades of experience building networks, TreviPay is the preferred B2B payment method of corporate buyers and sellers globally, processing $6 billion in transaction volume across 32 countries, 19 currencies and 90,000 active buyers.

TreviPay gives clients the power to offer trade credit, and is trusted by major brands –with 80,000 selling locations – to deliver invoices with net terms and guaranteed payment across all sales and distribution channels. TreviPay has created the only fully managed payment and invoicing network to support B2B commerce of the future.

To learn more about TreviPay,
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