



Should You Offer Treasury Management to Business Customers?

cash management advisory

Summary: At a time of economic uncertainty, businesses can use more help managing their money. CFIs are responding with new and expanding treasury management services. We provide examples of CFIs that have launched these services.

Before Tesla became profitable, it [managed its stressed cash flow](#) using a variety of tactics, including taking customer deposits before cars were built, delaying bill payments, taking on more debt, and selling more stock. After releasing the plans for building a new Tesla roadster and a semi-truck, their customer deposits shot up by \$168MM.

Most businesses are not like Tesla. They don't have unlimited borrowing capability or the opportunity to sell more stock. Taking customer deposits and delaying bills can only go so far.

Business owners may fixate on profits, but it is often poor cash management that does them in. Indeed, a study by U.S. Bank found that [82% of business failures were caused by poor cash management](#). Especially in the current financial climate, with rapidly changing interest rates and business conditions, businesses appreciate the help in gaining a better handle on their cash flows from their financial institutions. The solution to controlling cash flow is effective treasury management, and that's where your institution can come in.

Despite this need, Bank Director's latest Technology Survey shows that only [36% of financial institutions surveyed](#) offer treasury management solutions. How much would your customers benefit from treasury management, and what could you offer them?

CFIs Offering Treasury Management Services

Here, we've outlined a few examples of community financial institutions (CFIs) that offer treasury management, including what's unique about their offerings and what the benefit is to their business clients.

- **Oxford Bank** in Oxford, Michigan, [launched its treasury management services](#) a few years ago and reports that the offering has been good for both its customers and its bottom line. Their focus is on simplification, including recordkeeping efficiencies that save time, same-day wire transfers, and services that decrease accounting errors and redundancies — all services that can reduce overhead costs and prevent costly mistakes.
- **Northwest Community Bank** in Connecticut [boasts a range of treasury management services](#). These include zero-balance accounts that can be used as a disbursing account for paying expenses and payroll, which reduces administration costs, remote deposit capture for faster fund availability, and sweep accounts that automatically move excess funds into interest-bearing investment accounts. They also offer their business customers an onsite visit to assess what treasury services they could benefit from the most, how to implement those services, and how to train employees in their usage — free of charge for the first visit.
- **Gate City Bank** of North Dakota [maintains a treasury management team](#) that works with business clients to craft and maintain treasury management services to meet individual needs. "Every business is unique,"

says Chris Lee, Executive Vice President, Chief Financial Officer, “which is why our consultants invest the time and care necessary to get to know them, so we can deliver customization that leads to growth.” In addition to their skilled treasury team, they offer a financial education library that business customers can utilize to learn best practices, and neatly lay out their treasury management offerings to review before contacting their team.

- **First Community Bank**, based in Arkansas and southern Missouri, [began its venture into treasury management](#) in late 2022. According to Skylar Sitton, Treasury Management Sales Manager, “Our sales team’s focus is to successfully transform how treasury management is delivered to our customers. We want to be the subject matter experts to guide customers through managing their day-to-day business.” On top of their basic, frontline treasury management offerings, First Community Bank has invested in new technology to also offer cash forecasting, online currency ordering, information reporting, and more.

While treasury management services can differ from CFI to CFI, all seek to help business clients better manage their cash and payments.

Thinking Long-Term Instead of Short-Term

As is evident, treasury management services offered by financial institutions typically revolve around cash management. While that is a critical aspect of running a business, it is not all that treasury management entails. A fuller use of treasury management by a business involves long-term planning of strategic reserves, like working with customers to help them understand long-term needs and goals, and how to maximize cash usage while minimizing risk.

One of the tasks in strategic treasury management is the adoption of an [investment policy statement](#) that guides how a company tracks, monitors, and shifts its treasury management functions according to its own business challenges and changes. A financial institution can’t draft a company’s internal investment policy statement for them, but it can encourage businesses to adopt one and offer some guidance on how to go about it.

Some of the key areas that a business should consider when crafting their investment policy statement are areas that CFIs can also provide treasury management solutions for that will aid their long-term strategies. These areas include:

- **Assessing historical and future cash needs.** Looking at historical cash needs will help your business customers identify where liquidity assets have been needed the most, and that information can be used to predict future cash needs. Customized treasury management offerings can help provide targeted solutions to help customers meet those cash needs.
- **Monitoring risk.** A robust risk profile can help business customers uncover how their cash flow is impacted, and CFIs can offer risk and fraud-related services to protect those cash flow reserves.
- **Structuring treasury management function.** Encouraging your business customers to establish an operating account for monthly cash flow needs and strategic reserves for future or unplanned expenses can diversify and safeguard cash flow in the long term.

At a time of often rapid economic changes, businesses have a heightened need to control their finances, particularly cash management. CFIs can offer help on that front and win over business customers with effective treasury management solutions.

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ECONOMY & RATES

Rates As Of: 11/27/2023 05:40AM (GMT-0800)			
Treasury	Yields	MTD Chg	YTD Chg
3M	5.54	-0.05	1.12
6M	5.45	-0.09	0.69
1Y	5.24	-0.20	0.53
2Y	4.90	-0.19	0.48
5Y	4.46	-0.39	0.46
10Y	4.45	-0.49	0.57
30Y	4.59	-0.51	0.62
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	OBER	
5.32	8.50	5.32	

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