



Real-Time Treasury: A Response to Four Fluid Forces

What are the four forces driving real-time treasury? How will they contribute to shaping organizational strategy? We believe these critical forces present a set of specific elements that treasurers should embrace.

Real-time treasury is the evolution of banking, liquidity, technology, and payment systems that operate in continuous motion. This evolution is happening in response to four fluid forces which are creating pressure on organizations and the modern economy more broadly. The four forces are consumption demand, technology and infrastructure, emergent business models, and financial infrastructure.

This is the first in a series of papers exploring real-time treasury. This series intends to take a collaborative, discovery approach with our clients in order to develop practical treasury responses. We believe there is a window of opportunity for treasury to take a leadership role, where they help to shape strategic responses to these forces.

Banking and payment systems are undergoing rapid evolution driven by technology and a subsequent higher velocity of commerce. Payments here should be interpreted as a broad concept including, but not limited to, elements such as any transfer of value for the purposes of commerce, trade payables and trade receivables.

The theme of efficiency in treasury is nothing new and organizations have been consistently looking for the best way to digitize, rationalize, and automate for years. What's new? Instead of a nice to have, real-time treasury management is fast becoming a necessity as new ways of doing business that require seamless high-speed commerce take hold. This series will explore where we are, what is on the horizon, and our opinion on what can be done to best prepare your organization for the real-time treasury of today, and the future.

We will examine this subject through what we see as four unique factors that apply fluid-like force without a predetermined path in sight, as we continuously analyze and evaluate our findings through this series.

The first force is consumption demand, which is the engine of our modern economy. Consumption demand is shifting rapidly, and in turn, actively changing how business is done. The second is technology and infrastructure – the most unpredictable and true driver of change. The third is emergent business models, developed by entrepreneurs who meet demand and at times, create a space for buyers to step into. Finally, we will examine the financial infrastructure or the balance sheets of assets and liabilities that market participants measure themselves against, whether as individuals, organizations, or banks. For better or worse, the financial infrastructure often acts as a constraint on the other three forces. Our hypothesis is that these four forces are impacting both core treasury functions as well as how treasury is interacting with and supporting the business more broadly.

Consumption Demand

Consumption demand, as a macroeconomic concept, is shifting – rapidly. The first force we will unpack is actively changing how business gets done. Buyers are defining how and where they want to make purchases, favoring online commerce and more seamless options. Online selling provides significant benefits to buyers. Substitution, the ability to replace a product for a similar or same product, no longer requires a car journey. Consumers simply need to change the site or app they are visiting. It is easier than ever to quickly check prices, service offerings, confirm shipping methods, see comparative products, and make decisions seamlessly. Sellers enjoy benefits too. Large manufacturers and sellers can sell to their customers and connect with them directly.

Technology and Infrastructure

Technology is an influential force that drives societal shifts – from the Internet of Things to mobile phones, near field communication, harnessing of data through artificial intelligence, and cloud computing. These breakthroughs in technology are causing shifts and new approaches in addressing the infrastructure of financial markets. For the purposes of this force, we will explore the pressures created by technology and the transfer of value.

Emergent Business Models

Emergent business models have a disruptive role to play. Without a doubt, commerce is moving online and that means a significant shift in how business is done. For example, this shift has given rise to share and subscription economies. Organizations have imagined client interactions and services in a whole new way that is enabled by digital platforms, in an effort to capture the attention of consumers and create scale for their business models in ways never thought possible. Everything from taxi services to marketplaces, video gaming, and hotel bookings have some platform iteration that is changing how their business models operate, thus putting legacy business models at risk. Digital tools rapidly increase the speed at which organizations can grow, connect buyers and sellers, and expand into new markets.

Financial Infrastructure

As stated above, for better or for worse, financial infrastructure often acts as a constraint on the other three forces. The relationship between the first three forces and financial infrastructure is a critical lens for treasurers to assess and develop strategy that either helps enable or control the interaction. Financial infrastructure is the balance sheet of organizations and the foundation where all money comes to rest. The point at which it rests may be talked about in terms of bank accounts, investments, other stores of value, or simply balance sheets. As anyone who has taken financial accounting learned, a balance sheet is a measure in time, whether that is for a bank, organization, or individual.

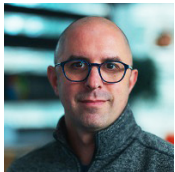
Conclusion

This paper looks to introduce the ideas we will consider over the coming weeks and months. We intend to write one paper on each of the forces, and concurrently seek feedback from others with informed views to help shape our collective thinking. There are many actors with conflicting goals creating uncertainty about our ultimate ending. What is known is the cardinal direction.

Our final paper will bring together our ideas and learnings to draw a more complete thesis. We do not expect to predict the future with absolute certainty. Rather, in the end, our hope is that readers find this journey insightful and useful, whether the reader agrees or disagrees, and that our views and insights help to inform their strategy for adapting to real-time treasury.

If you would like to learn more about this series and how you might be able to participate please contact your Citi representative.

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Joseph Vasen

Principal, Treasury Advisory Group,
Treasury and Trade Solutions, Citi



William Artingstall

Director, Emerging Payments and Business Development,
Treasury and Trade Solutions, Citi

Joseph Vasen is part of Citi's Treasury Advisory Group and has held senior treasury roles at Microsoft and Fin-Tech Remitly. He has a broad range of treasury experience having spent time in startups, global organizations, and banking.

William Artingstall has been with Citi for 10 years, holding a number of roles in the EMEA region, most recently as the Treasury and Trade Solutions head for South Africa. In March of this year, he relocated to San Francisco taking up a role in emerging payments and business development, covering Citi's West Coast client base.

