

WHITEPAPER
It's Time to Reinvent Account Analysis

The benefits of a modern account analysis function extend well beyond real-time reporting



For all the attention given to modernizing bank technology in the past decade, account analysis has not received much love. The way most banks do it today is almost identical to how they did it a half-century ago.

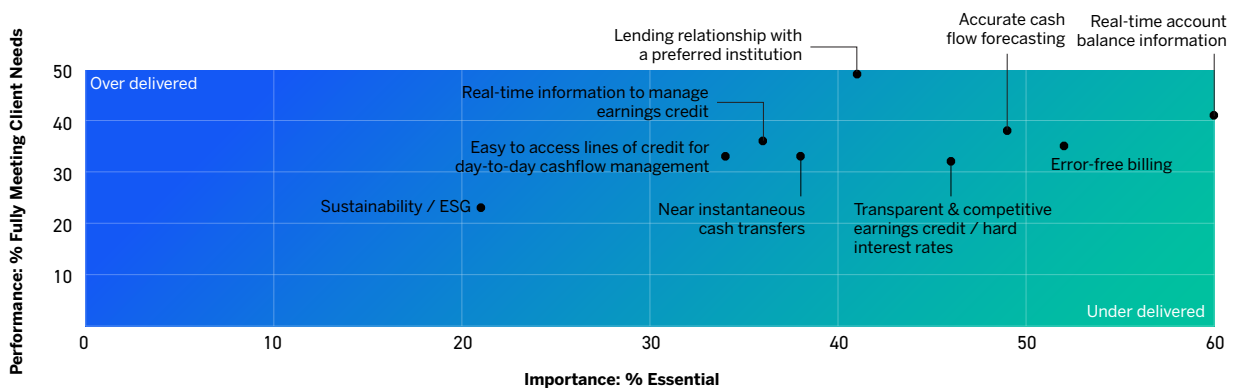
To better understand how banks currently perceive their account analysis function and explore the value proposition that resonates among business bankers, American Banker and Arizent Research surveyed 100 business banking professionals in December 2022 and January 2023 on behalf of SunTec Business Solutions. The results demonstrate that although banks see potential value in areas such as real-time data provisioning, they have yet to discover and tap into the breadth of services a modernized account analysis function could unlock.

Banks are struggling to address key challenges for commercial clients

Six-in-10 banks cite real-time account balance information as one of the most important essential services they offer corporate customers, yet only 41% of banks say they fully meet client needs in that regard. There's a gap between the challenges corporate banking customers face and those banks are actually addressing (see Figure 1).

Figure 1: Gaps Between Corporate Client Needs and Bank Services Being Delivered

Importance and delivery of services to corporate customers

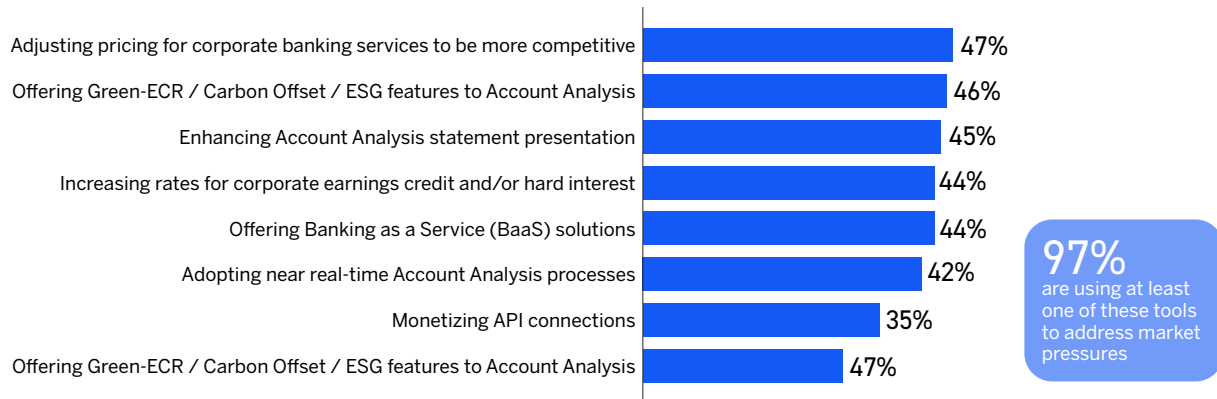


Source: Arizent/American Banker, 2023

Nearly half (49%) see error-free billing as an important essential service, but only 41% deliver fully on it. Similarly, 49% say accurate cash flow forecasting is important and only 38% fully meet client needs. It's the same story when it comes to transparency, where 46% say it's important and just 32% deliver on it for their clients.

Taken together, these numbers represent key service gaps for important banking clients. In fact, virtually all banks (97%) are looking to address market pressure to improve corporate banking services across a number of fronts (see Figure 2).

Figure 2: How Banks are Managing Evolving Market Pressures



Source: Arizent/American Banker, 2023

Upward of four-in-10 banks are adjusting pricing on corporate banking services, seeking to offer customized, white-glove service to preferred customers, enhancing account analysis on statements, increasing rates for corporate earnings credits or hard interest, incorporating Banking-as-a-Service (BaaS) solutions or adopting near real-time account analysis to keep pace with their customers' changing needs. The breadth of these efforts suggests banks are looking for solutions to address their commercial clients' key challenges, but they do not see a clear path to a comprehensive solution that differentiates their services.

Account analysis tools are long overdue for transformation

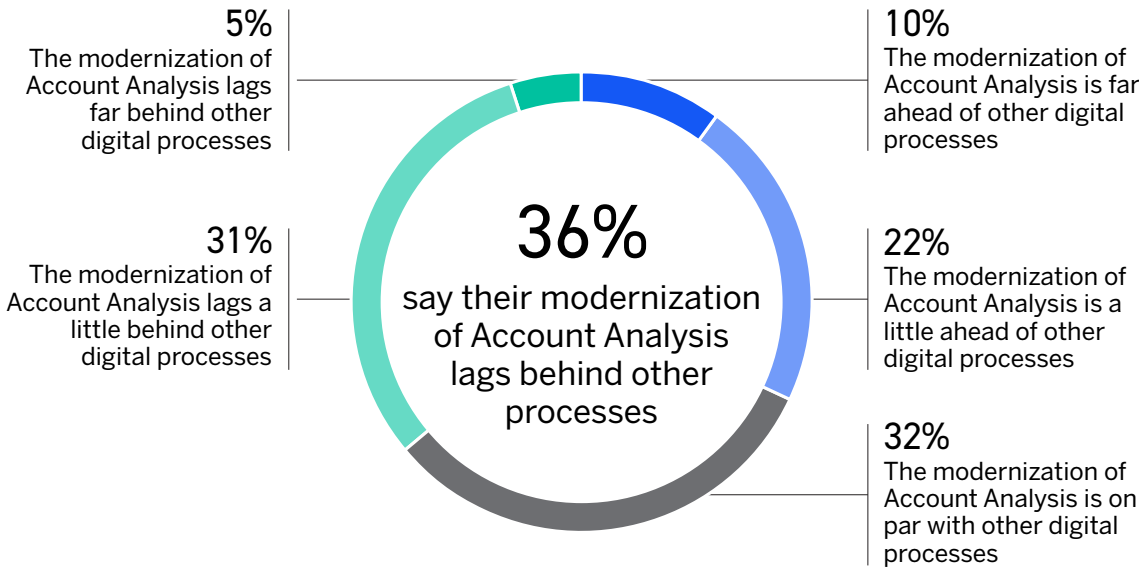
One option that could help banks substantially improve their corporate offerings may well be flying under the radar. Nearly half (45%) of banks agree that their account analysis function is frustrating for corporate users. Those in operations roles—who come into contact with commercial users on a regular basis—are substantially more likely (68%) to see account analysis as frustrating to clients than those in sales (33%) or product (29%) roles.

“**Account Analysis cannot be overlooked as just a pedestrian billing or reporting solution. It holds significant strategic importance in and value for the banking industry, especially as Corporate Treasury teams seek better ways to manage cash across multiple banks and jurisdictions.**”

— Nanda Kumar,
CEO and Founder, SunTec Business Solutions

Nevertheless, the account analysis function has not been a particularly high priority for banks' modernization efforts. More than one-in-three banks say modernization of account analysis lags their other processes (see Figure 3).

Figure 3: Commercial Bankers Are Divided on Whether They Think Their Account Analysis Offerings Are More, Equally, Or Less Advanced Than Other Processes



Source: Arizent/American Banker, 2023

Clearly, many banks lack a clear vision for what they could accomplish through modernizing their account analysis function. Banks are so used to legacy account analysis systems that they often don't fully understand what a modernized account analysis solution could unlock for them. Given the limited ways in which banks think about this area, processes that they perceive to be in line with other digital advancements may actually be falling well short of their potential. Many banks are leaking revenue from multiple holes in the current corporate billing process due to disjointed and disconnected legacy systems that barely interface with each other. With a more modern process in place that connects systems seamlessly, they could easily stem this revenue leakage. And that's just the tip of the iceberg.

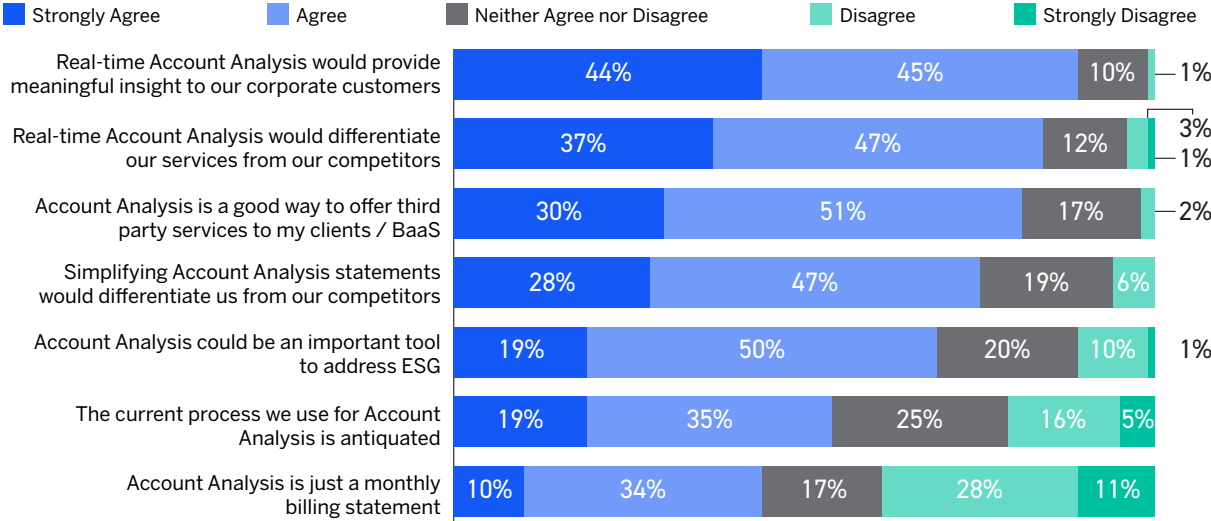
"Banks are eager to differentiate themselves with their corporate customers but their legacy systems like account analysis continue to hold them back. Customers are looking for ways to improve their use of free cash and gain visibility. Modernizing account analysis is the obvious solution to meet their increasing customer demand, helping banks to increase balances, fee income and customer stickiness," says Dan Gill, CTP, Industry Principal – Banking & Financial Services at SunTec Business Solutions.

Banks' comprehension of improved account analysis benefits is limited

Today, account analysis typically involves calculating volumes and fees for service charges and balance compensation, but that information is reported to the customer well in arrears, limiting its usefulness. More than half of banks deliver statements monthly, quarterly or annually. Small companies are also substantially less likely to have access to frequent statements, potentially limiting their ability to take advantage of growth opportunities.

Unsurprisingly, banks see real-time account analysis as an area in which they could improve (see Figure 4). “Account analysis is important for corporate bank customers as it alerts them about new trends and how well their funds are working for them,” says a department head at a large corporate bank.

Figure 4: Real-time Account Analysis Is Perceived as the Greatest Area for Growth, with Bankers Agreeing that It Would Provide Meaningful Insight to Clients



Source: Arizent/American Banker, 2023

The universe of potential benefits banks see in a modernized account analysis function suggest they are less certain about how modernized account analysis could help them offer third-party services, differentiate themselves from competitors or address environmental, social and governance (ESG) priorities. Further underscoring this point, roughly half (46%) don't necessarily even see their current account analysis process as antiquated. More worrisome still, six-in-10 see account analysis as merely a billing statement, suggesting they severely underestimate the possibilities available to them. On the flip side, banks willing to modernize their account analysis function stand to differentiate themselves substantially from a striking percentage of their competition.

A transformed account analysis function holds enormous untapped potential

A more connected and effective account analysis function can unlock benefits for customers and commercial banks alike. The ability to offer commercial banking clients real-time account analysis means they can use this information for more than simple auditing. Real-time data is actionable data. Corporate treasurers can use it to manage their balances and adjust their use of banking services. For clients, that means the ability to reduce fees and maximize credits and interest.

Seeing balances on a daily basis means corporate clients can track their monthly averages in near real-time. That's important because those averages are the basis of earnings credits. Daily balance information also makes cash forecasting more valuable, as corporate treasurers can adjust the mix of services they use to optimize credits and minimize fees. They can also position extra liquidity to produce higher interest earnings and reap additional earnings credits.

For banks, modern account analysis systems offer the ability to manage the entire customer life cycle, beyond simply pricing and billing. It also allows banks to offer value-added services, including green earnings credits, hybrid interest, virtual accounts and more.

“The ability to manage the entire customer lifecycle alone, while gaining the ability to effectively monitor and manage discounting and customer commitments has greatly reduced our revenue leakage and increased both customer and product profitability,” says a treasury services sales manager at a bank that implemented a modernized account analysis process.

“ By leveraging customer behavior, segmentation, data, and associated intelligence, SunTec’s Account Analysis solution has the potential to provide a comprehensive approach for optimum corporate customer financial management.”

— **Nanda Kumar,**
CEO and Founder, SunTec Business Solutions

Applications made available by a modern account analysis process

Connected and efficient account analysis unlocks a range of opportunities for commercial banks—and given the extent to which the process has languished, more are likely to arise as banks finally discover the benefits of upgrading. “As Henry Ford noted about his invention of the automobile, ‘If I had asked people what they wanted, they would have said faster horses,’” says Gill.

Here are some of the key benefits identified so far:

Controlling revenue leakage at onboarding and renewal

A connected system allows banks to manage account analysis starting during the sales process, so customer commitments can be tracked and, more importantly, enforced. Discounts and waivers offered by sales teams get routed through appropriate approval workflows that ensure salespeople aren’t giving away the farm and that what they sell gets implemented properly. Implementation is important, because banks on legacy systems often leak revenue when they fail to adjust pricing at the end of promotional billing cycles. A modern system can automate the annual renewal process, adjusting pricing as appropriate. In short, the bank gets the ability to monitor and maintain the entire customer lifecycle through a single work stream, rather than multiple, disjointed processes.

Partner ecosystem management

With a connected system, it’s possible to create an ecosystem allowing partners to participate in earnings credits of interest to commercial clients. For example, banks could partner with a carbon offset provider to offer green earnings credit accounts. The bank would pay into a supporting project and get a carbon offset in return that it could resell and bill on an account analysis-like statement. This type of implementation allows banks to offer something carbon marketplaces can’t on their own: the ability to earn nominal interest on balances held in the account which commercial clients can in turn use to offset their greenhouse gas emissions. These types of partnerships could help banks attract net new money or retain control over balances that would otherwise have been used to compensate clients for cash management purposes. By making these types of accounts attractive places to park cash, banks can encourage clients to draw them out of traditional cash management accounts, netting real fee income for the bank.

Virtual accounts

By offering a single account with virtual sub-ledgers, banks can help solve a common reporting challenge for commercial customers. With enhanced recordkeeping, clients receive all the accounts they need to track cash flows, netting, pooling of different accounts, payroll, expenses accounts and so on. Banks receive an income stream by charging a fee for the extra reporting. Since the money remains in a single account, however, banks wind up with fewer regulated accounts to monitor and less associated compliance overhead.

Hybrid interest accounts

Traditional earnings credit has long been available as part of account analysis due to prohibitions on hard interest in demand deposit accounts. With these prohibitions removed and interest rates on the rise, account analysis gives banks the ability to combine the best of both “soft” earnings credit to compensate for charges alongside “hard” interest on excess balances. These hybrid accounts can increase balances held, benefiting the bank, while also reducing the complexity of sweeps and other services, benefiting the client.

Just scratching the surface

The more connected, modern account analysis experience is available today for banks with the imagination and vision to take advantage of it. These opportunities already have exceeded what banks believe is possible with the account analysis functions of yesterday. Those that take advantage are likely to discover more innovative possibilities that they can use to the benefit of themselves and their commercial clients. “It provides great value in terms of the delivery time and the output quality to secure large corporate customers,” says a Director at a large corporate bank.

Methodology

This research was conducted online during December 2022 and January 2023. To qualify, the 100 respondents all work in a sales, operations, or product-related role in the business banking portion of their financial institution.



About SunTec Business Solutions

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 150 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, tax compliance, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, SunTec Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia, and India.

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