

Treasury processes depend on consolidation of data and on (complex) interest and risk calculations. The evolution of treasury as a profession has, therefore, always gone hand-in-hand with computing power, from the first calculators to the most advanced treasury management systems (TMSs) available today.

# Trends to consider when u selecting a treasury mana

During the past three decades software suppliers have competed for their share of the TMS market, which has always been small but rapidly changing. New technology has repeatedly posed a challenge to existing vendors and offered opportunities to new entrants starting from scratch.

Mergers and acquisitions have also dramatically changed the face of the TMS market. Two years ago, some changes in

However, the software industry hasn't seen a technological revolution in the past few years, which has allowed existing vendors to mature their solutions. In recent TMS selection projects for clients, the ultimately chosen system was selected for the degree to which it surpassed the selection criteria, rather than simply by meeting the criteria. This indicates that the market is mature and that available systems meet clients' functional criteria.

ownership left many wondering how the market might develop. Zanders tracks about 40 TMS vendors worldwide so, based on our observations of these market players over the past 10 years, here are some trends that I believe will shape the market in the coming years:

## 1) Fewer vendors and hardly any new entrants

In order to survive, vendors need a solid and up-to-date technology platform and potential to grow. Typically, existing clients need to focus on growth functionality whereas prospective clients and investors want to incorporate the latest technology. In several cases established vendors have not been able to defend, let alone expand, their market share because they did not master this balancing act.

In the past, when there were no mature solutions on the market, new entrants could easily capture a market segment based on an incomplete system built on new technology. This was made easier because, until recently, solutions operated on a stand-alone PC without much integration. A big threat to vendors has been that dissatisfied clients would select a new solution.

Mature markets typically focus on quality and price. It is not easy for new entrants to offer a competitive system from day one and still make a profit. Hence it is not likely that new names will appear in the market. It is more likely that the number of competitors will decline as a result of the acquisition of market share by some vendors while others will cut their losses and will leave the arena.

## 2) An increased life cycle will reduce the licence income of vendors


There are two reasons why the life cycle of a TMS solution has increased. First of all, mature products mean that corporate clients don't need to switch systems once they have implemented one that meets all their needs. A second reason why clients continue to use a selected solution for longer is the fact that solutions become more embedded in an integrated application landscape. Switching solutions then has a big effect on processes and data flows.

As a consequence, licence revenues for vendors are reduced and they have to focus on other sources of income, including maintenance and professional services. Vendors might also experiment with alternative contract formats, such as rental and SAAS (Software As A Service) to keep the cash flowing.

## 3) Vendors and customers need to become partners as the life cycle of TMS is extending

The increased integration between TMS and financial systems extends the life time of products, making upgrading the preferred

Selection and  
implementation will  
remain important



# Upgrading or management system

option compared to implementing a new system. This trend shifts the relationship between treasurers and vendors from sales to account management. Treasuries need an open relationship based on trust, because they have to align their TMS projects to other IT projects competing for budget and resources.

#### 4) Increased complexity of solutions adds cost to development and puts pressure on profitability

While the market is maturing, TMSs get more embedded and the vendor revenue mix is shifting, the increased complexity of solutions creates new challenges for vendors. The drive for efficiency and compliance put process automation and integration with other business processes on the development agenda. Given the limited size of the market, development shops supporting TMSs are typically small and operate on a budget incomparable with that of large enterprise resource planning (ERP) vendors or, for example, Microsoft. Adding new functionality is increasingly complex and costly. Only a substantial market share can assure a profitable future.

As a consequence one can expect a further market shake out at the expense of smaller vendors. One can also expect that vendors with a solid client base in one geographical market will commit to expansion in other markets. The net result might be that globally there will be fewer vendors, but in a specific geographical market more competitors can be active.

#### 5) Market consolidation is inevitable, but creates opportunities for other suppliers

In the past few years we have seen consolidation in the TMS market. From an economic perspective this made sense. However, any takeover or merger should put existing customers on the alert: how do my priorities and interests align with the new vendor organization? Furthermore, the new vendor organization will typically have focus on internal issues at the expense of the client relationships. Rightly or wrongly, clients will start looking for alternatives that could fit their best interest.

The drive for efficiency and compliance put process automation and on the development agenda

#### 6) Treasury systems from ERP suppliers gain market share but on a captive market

TMS provided by ERP vendors have also matured in recent years. Their market share, especially that of SAP, has increased accordingly. However their unique selling point of seamless integration with business processes is attractive to a captive market of those companies that have implemented the ERP on a truly company-wide scale.

Although the TMS market is maturing and we foresee a longer life time of TMS once selected, the TMS market is not divided. Selection and implementation of TMS will remain an important project for many treasury professionals. However, decisions about selection and upgrades will have to focus not only on functional fit, but also on alignment with the IT landscape and vendor relationships. <



▶ BAS REBEL IS EXECUTIVE CONSULTANT AT ZANDERS.

FOR MORE INFORMATION CONTACT BAS REBEL

ON +31 (0)35 692 89 89.