



2018 Cash Forecasting & Visibility

Survey Results Analysis & Commentary

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Jo Stevens, *Senior Product Owner, G Treasury*

Thursday, December 20th

11:00 AM EST

About the Presenters

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Craig Jeffery, CCM, FLMI

Managing Partner
Strategic Treasurer

Craig Jeffery formed Strategic Treasurer LLC in 2004 to provide corporate, educational, and government entities direct access to comprehensive and current assistance with their treasury and financial process needs. His 20+ years of financial and treasury experience as a practitioner and as a consultant have uniquely qualified him to help organizations craft realistic goals and achieve significant benefits quickly.



Jo Stevens

Senior Product Owner
GTreasury

Jo Stevens executes the role of Senior Product Owner overseeing product planning, prioritizing product and customer requirements, defining the product vision, and working closely with development, sales, marketing, and client support to ensure goals are met. Jo is primarily responsible for the goal setting and vision of GTreasury's enhanced worksheet functionality. Jo has over 20 years' experience in FX risk management, accounting, general ledger, software design, and client relations. Jo holds a Bachelor of Science degree from Cabrini University and an MBA from Baldwin-Wallace University.

About the Survey

Cash Forecasting & Visibility: Items of Interest



Operational Workflows: *What are the typical internal workflows used to perform cash positioning and forecasting, and how satisfied are practitioners with those workflows?*

Challenges / Complexities: *What are the primary areas of complexity associated with these operations, and what is causing that complexity?*

Technology Use: *What types of technologies are currently being leveraged to perform these duties, and what is the pace of adoption / level of investment in these technologies moving forward?*

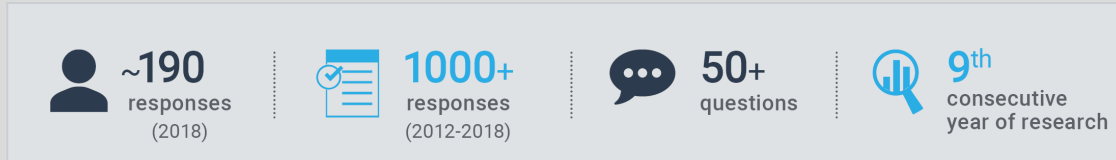
Data In Aggregate: *What are the main factors impacting treasury in the cash forecasting and visibility arena, what is being done to address these factors, and how are these factors shifting or evolving over time?*

About the Survey

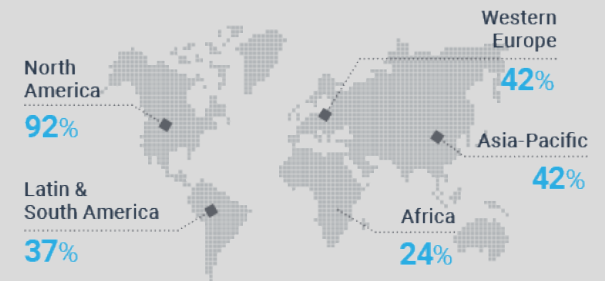
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2018 Cash Forecasting & Visibility Survey Overview

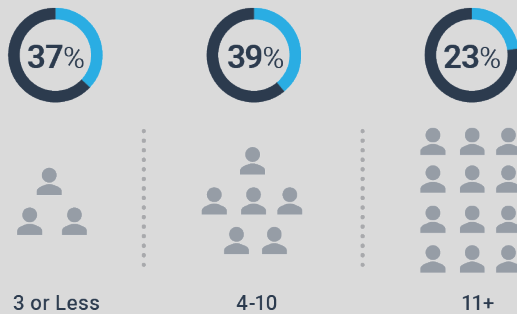
SURVEY PLANNING & ANALYSIS CYCLE



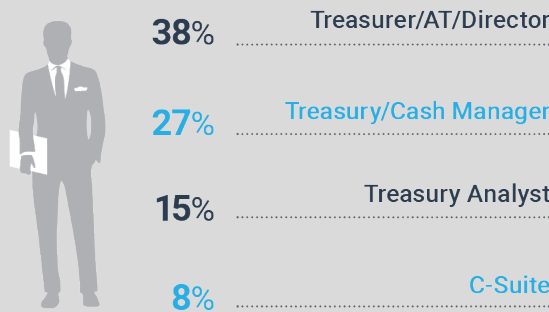
RESPONDENT REGIONS OF OPERATION



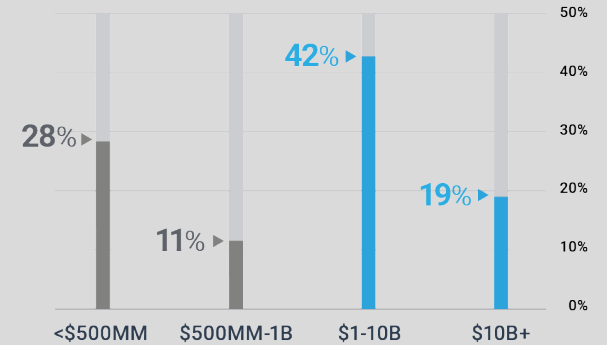
CORPORATE TREASURY STAFF SIZES



TOP CORPORATE RESPONDENT ROLES



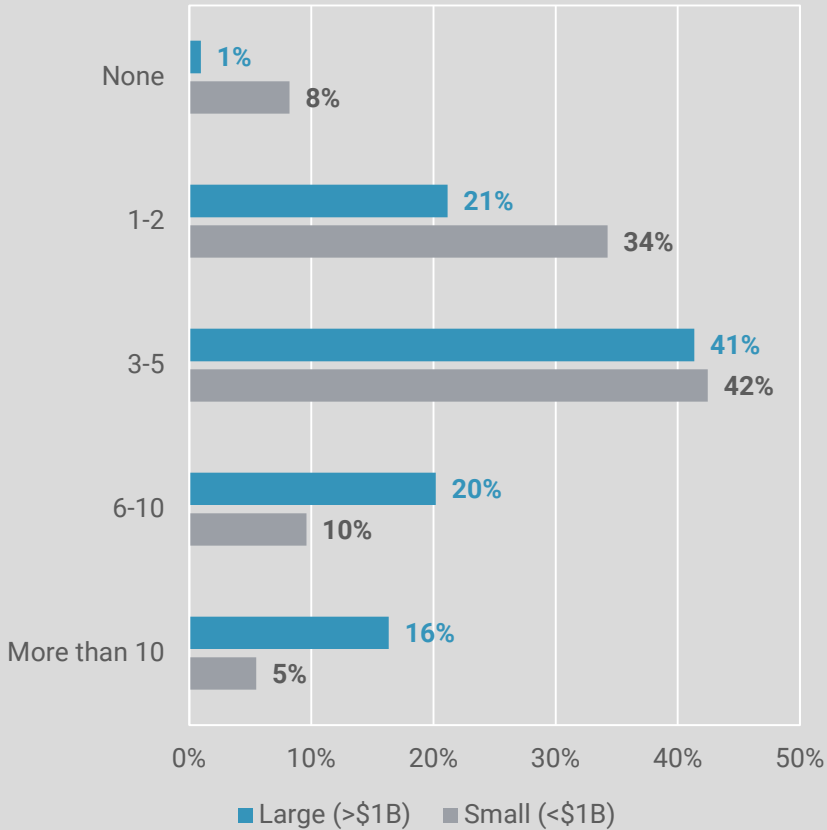
CORPORATE RESPONDENT ANNUAL REVENUES



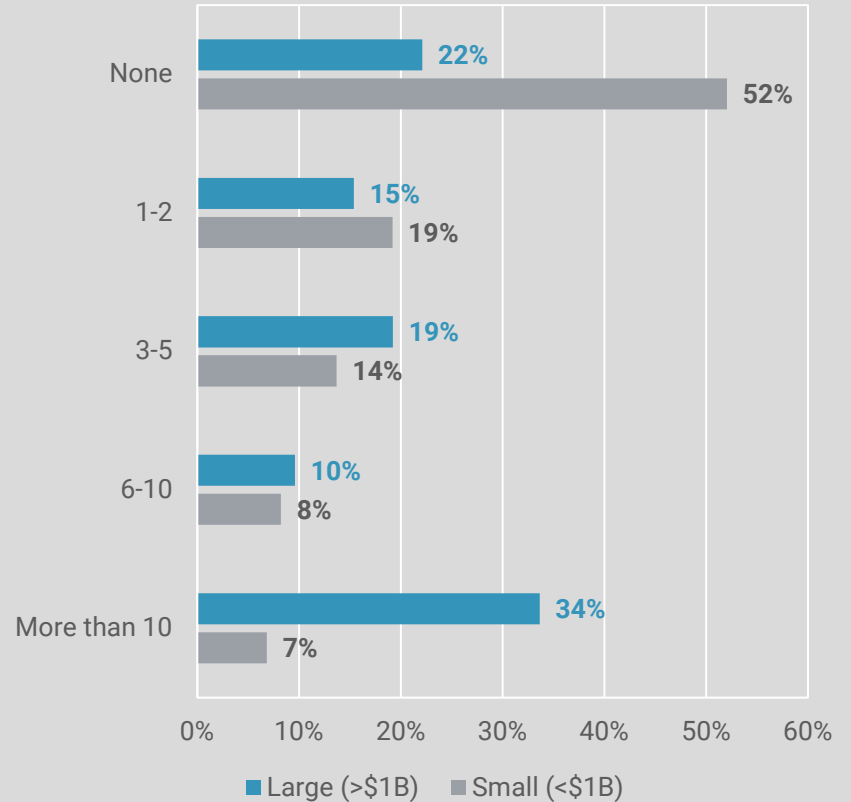
Corporate Bank Use: U.S. vs. International

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How many banks do you use in the U.S.?



How many banks do you use internationally?

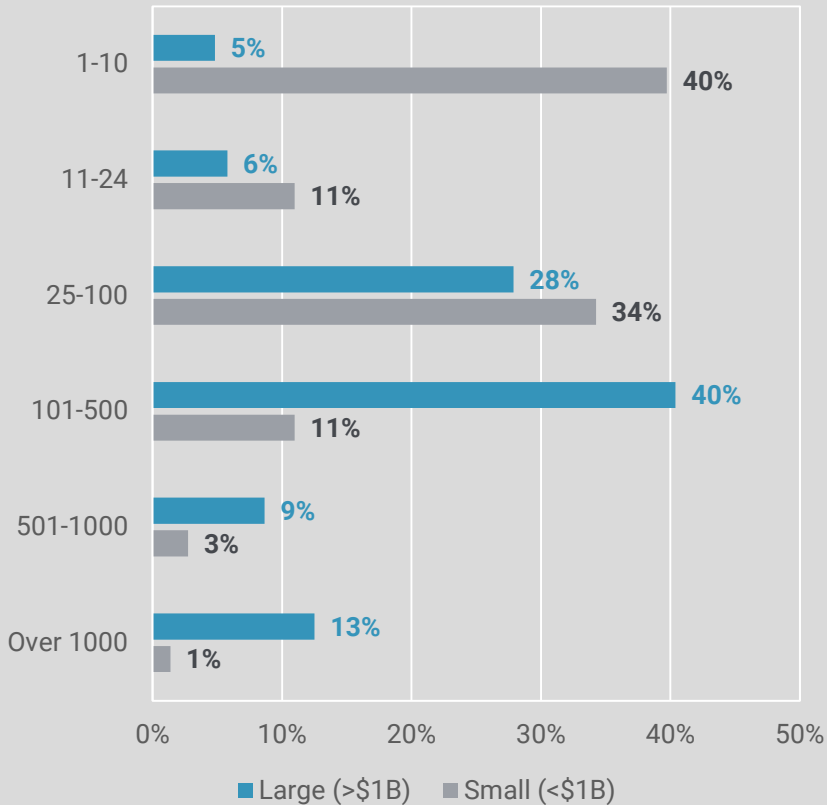


Bank Use: Given that the majority of respondents (80%+) were HQ'd in North America, this question sought to compare domestic bank use to international. Domestically, 3-5 banks is the standard range, while internationally, the figures vary greatly depending on company size. Over half of smaller firms do not use any or just a few, while over one-third of large firms use 10+.

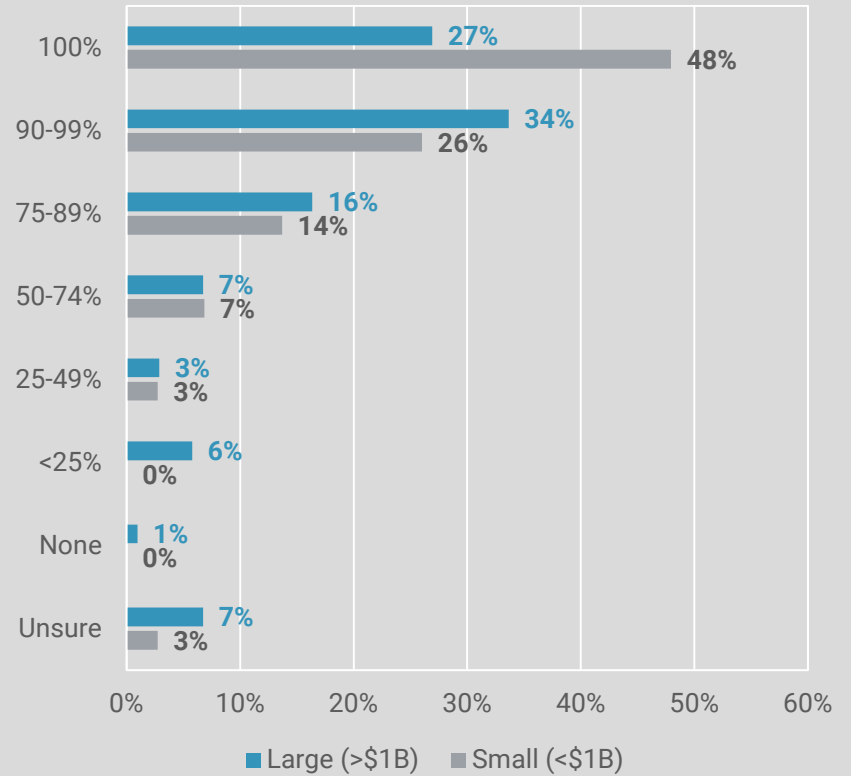
Corporate Bank Account Use & Visibility

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How many bank accounts do you have?



What percentage of your operating bank accounts do you have visibility to on a daily basis?



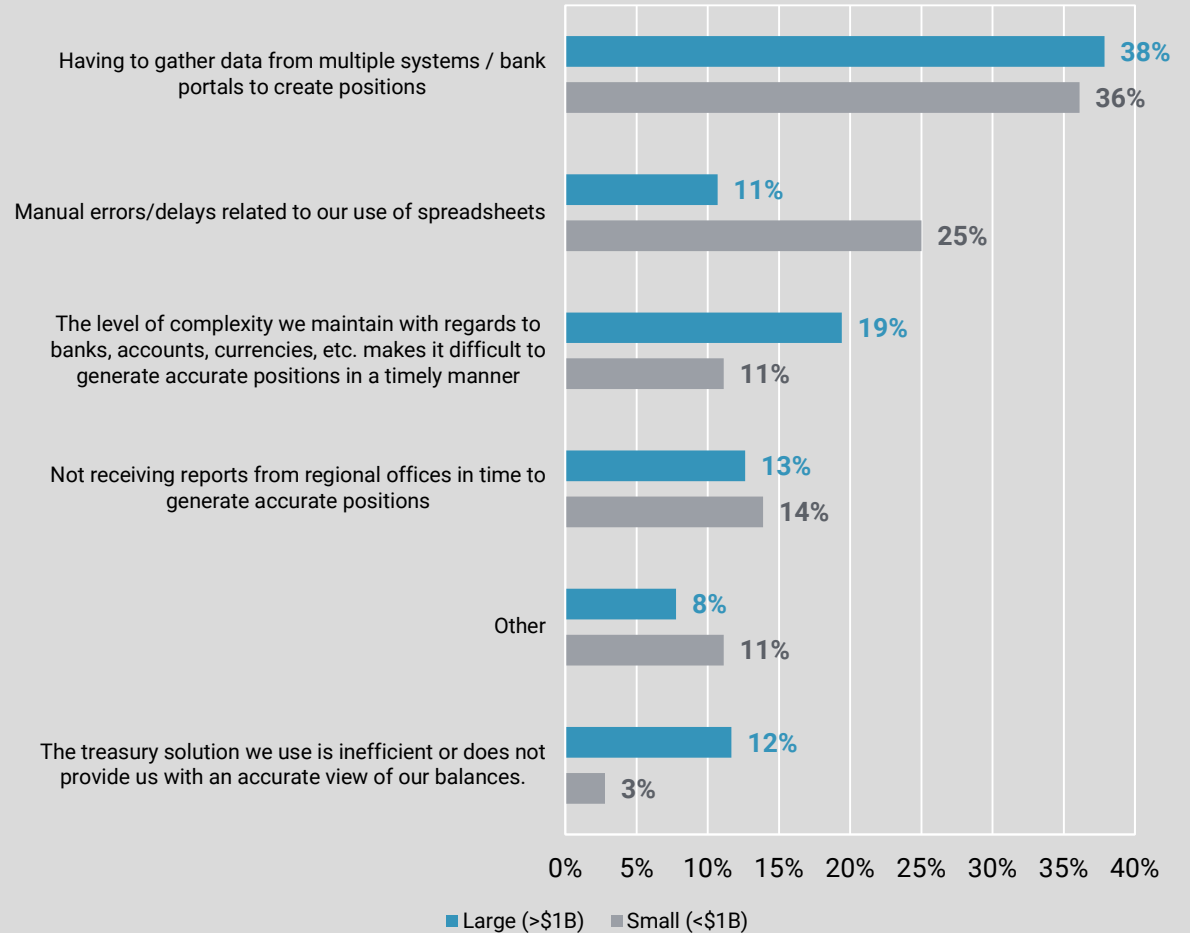
Bank Account Use & Daily Visibility: Because smaller firms tend to maintain less bank accounts than large firms, they tend to also have a higher degree of daily visibility. As bank account complexity increases, it becomes more difficult to manage visibility, especially as banks are added internationally or in developing regions. This issue is compounded for companies with decentralized treasury structures or legacy technology.

Cash Positioning: Challenges

Escalating Importance

- The issue that predominantly results in headaches for practitioners as it relates to cash positioning involves gathering data from multiple systems / bank portals.
- Smaller firms also had significant issues related to their reliance on spreadsheets / manual processes (2x more-so than large firms).
- 4x more large firms had issues regarding the inefficiency of their treasury solution. Large firms also struggled more with complexity as it related to their banking structure.

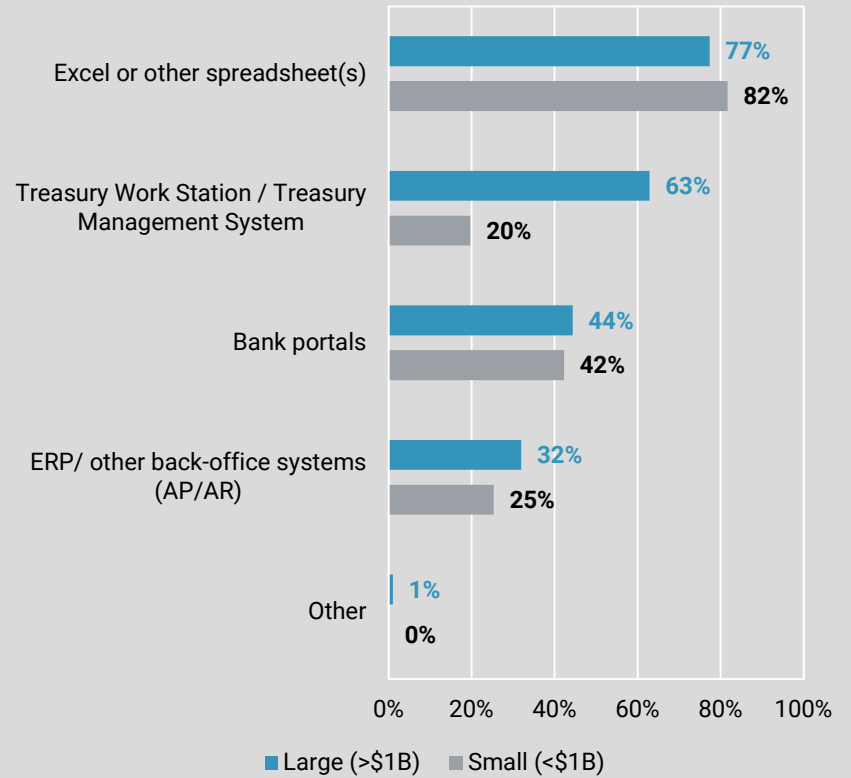
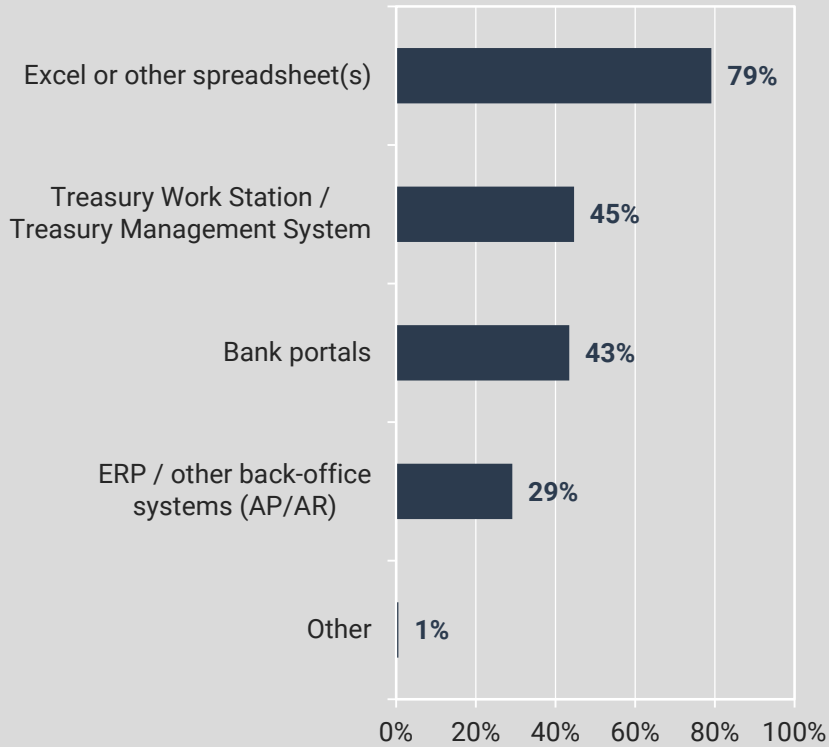
What is the most significant challenge you have with cash positioning?



Cash Positioning & Reporting Workflows

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Which tools are you currently using for cash reporting? (Select all that apply)



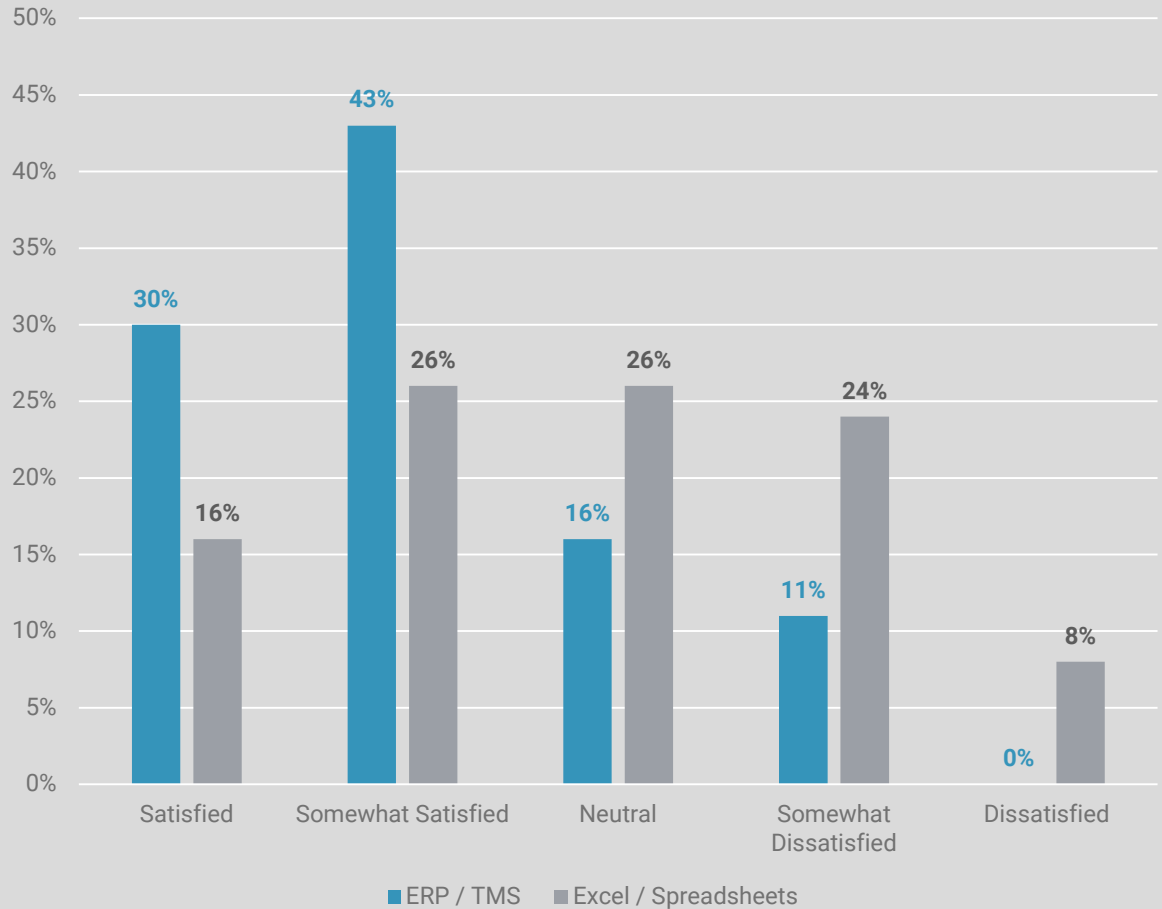
Cash Reporting Tools: Spreadsheets remain the go-to tool for treasury when it comes to cash reporting. While Excel and bank portals may be the only tools used by smaller companies, many larger or more complex firms typically leverage these alongside another platform. Looking at the use of TMS, over 3x more large firms used such a system compared to small firms. Use of ERPs was also notably skewed in favor of large firms.

Cash Forecasting: Technology Used

Satisfaction with Workflows by System

- This question sought to gauge the satisfaction levels of practitioners with their current cash reporting / forecasting workflows.
- Responses were differentiated according to the primary system or method used for managing these workflows (*Excel / spreadsheets vs. TMS / ERP*).
- There is clearly more satisfaction among those that use an ERP/TMS or other automated solution compared to those that use primarily spreadsheets.

If you are primarily using ____ for cash reporting or forecasting, please indicate your level of satisfaction with your current processes and workflows:

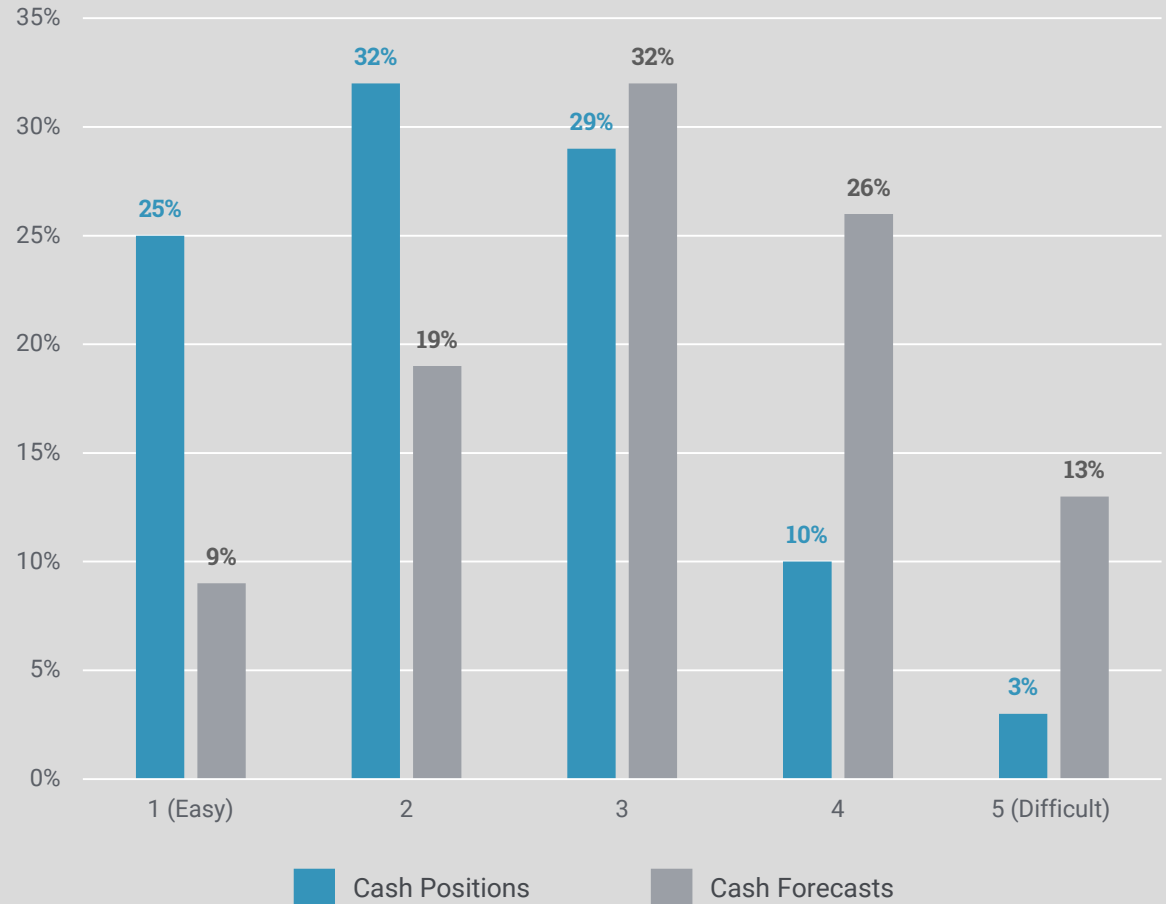


Cash Positioning vs Forecasting: Challenge of

Forecasting & Positioning: How Hard are They?

- Comparatively, forecasting has proven much more difficult for firms to perform than cash positioning.
- On a scale of 1 (easy) – 5 (hard), 86% of firms rank cash positioning between 1-3.
- Alternatively, cash forecasting was ranked by 71% of practitioners between 3-5.
- Recently, cash forecasting was ranked as the most time-consuming area of operations compared to other functions like risk management, payment management, or bank account management.

On a scale of 1-5, please rate how challenging it is for your treasury department to generate:

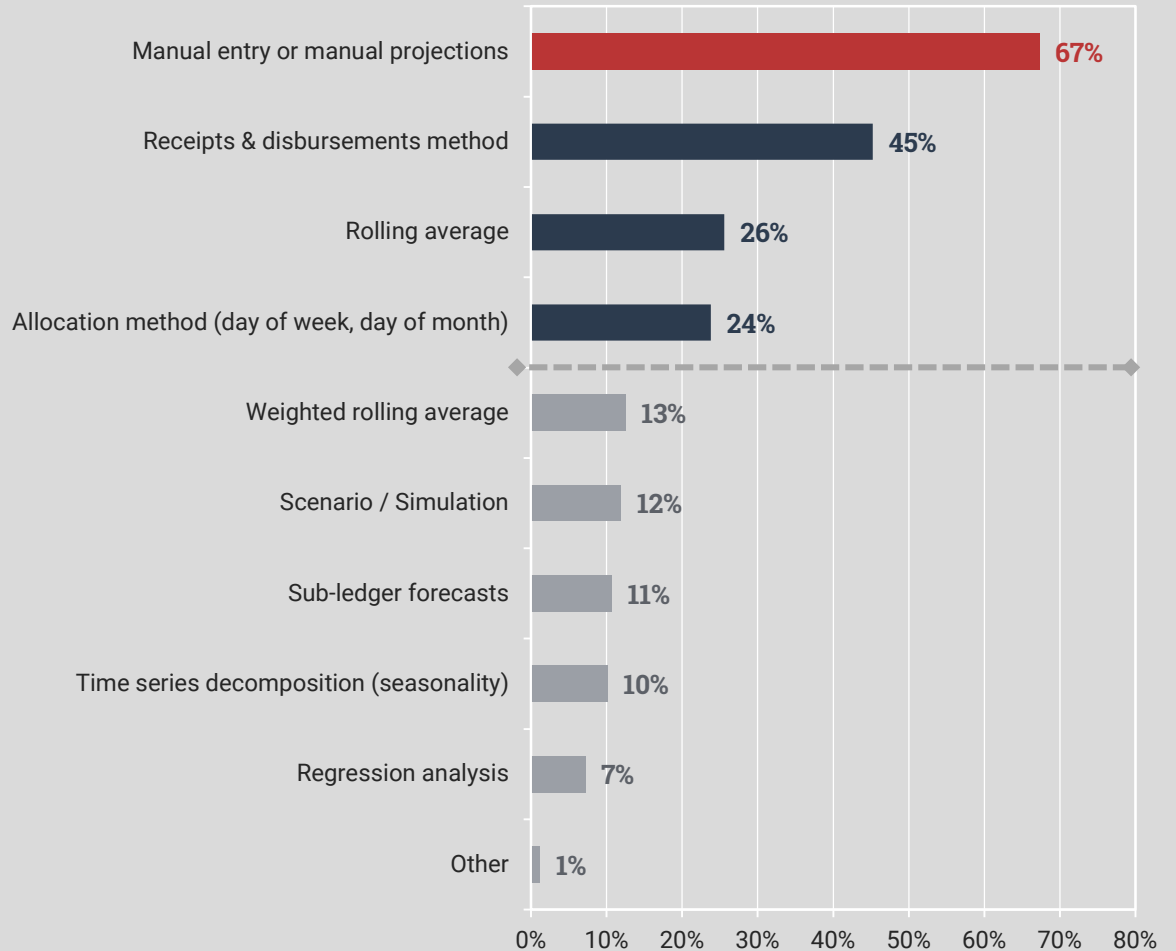


Cash Forecasting: Workflows

Forecasting Methods

- Depending on the size and complexity of any company, as well as the focus and purpose of their cash forecasts, there are a variety of methods that could be used.
- Organizations commonly leverage different methods of forecasting in unique areas of their businesses, or for specific purposes.
- Manual projections, receipts / disbursements, rolling average, and allocation methods were all frequently utilized.
- Less-common methods (regression analysis, weighted rolling average, etc.) were used by ~10% of respondents.

What methods of forecasting does your company use? (Select all that apply)

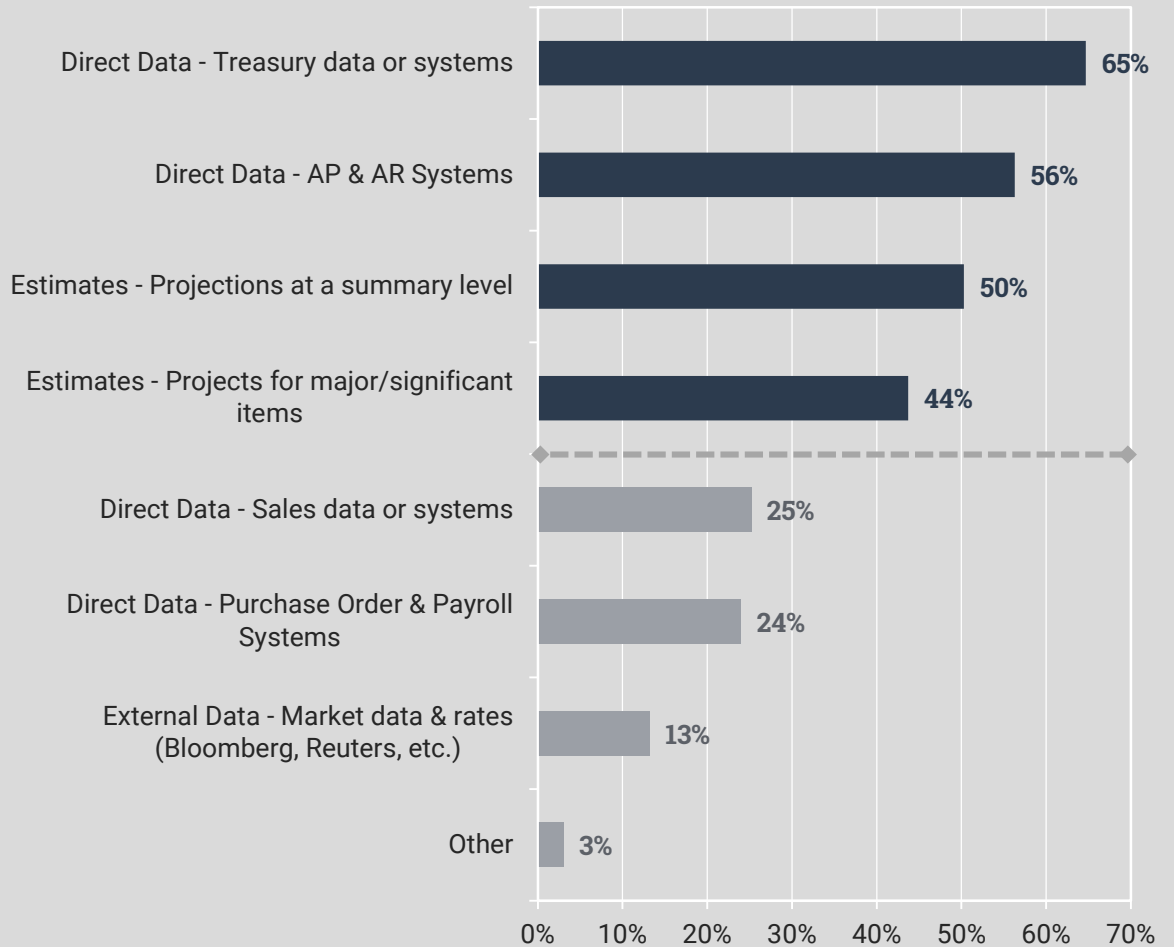


Cash Forecasting: Workflows

Forecasting Methods

- When pulling information to develop forecasts, treasury and AP / AR data are the two primary areas of focus.
- In circumstances where direct data may not be readily available, forecasts may have to be based off estimates. (~50% of firms do this).
- Other sources of internal data (sales, PO / Payroll systems) were used by ~1/4th of the population to create forecasts.
- External data (Bloomberg, Reuters, etc.) was used by roughly 1/8th of firms; primarily large multinationals.

What sources of information do you use to forecast? (Select all that apply)



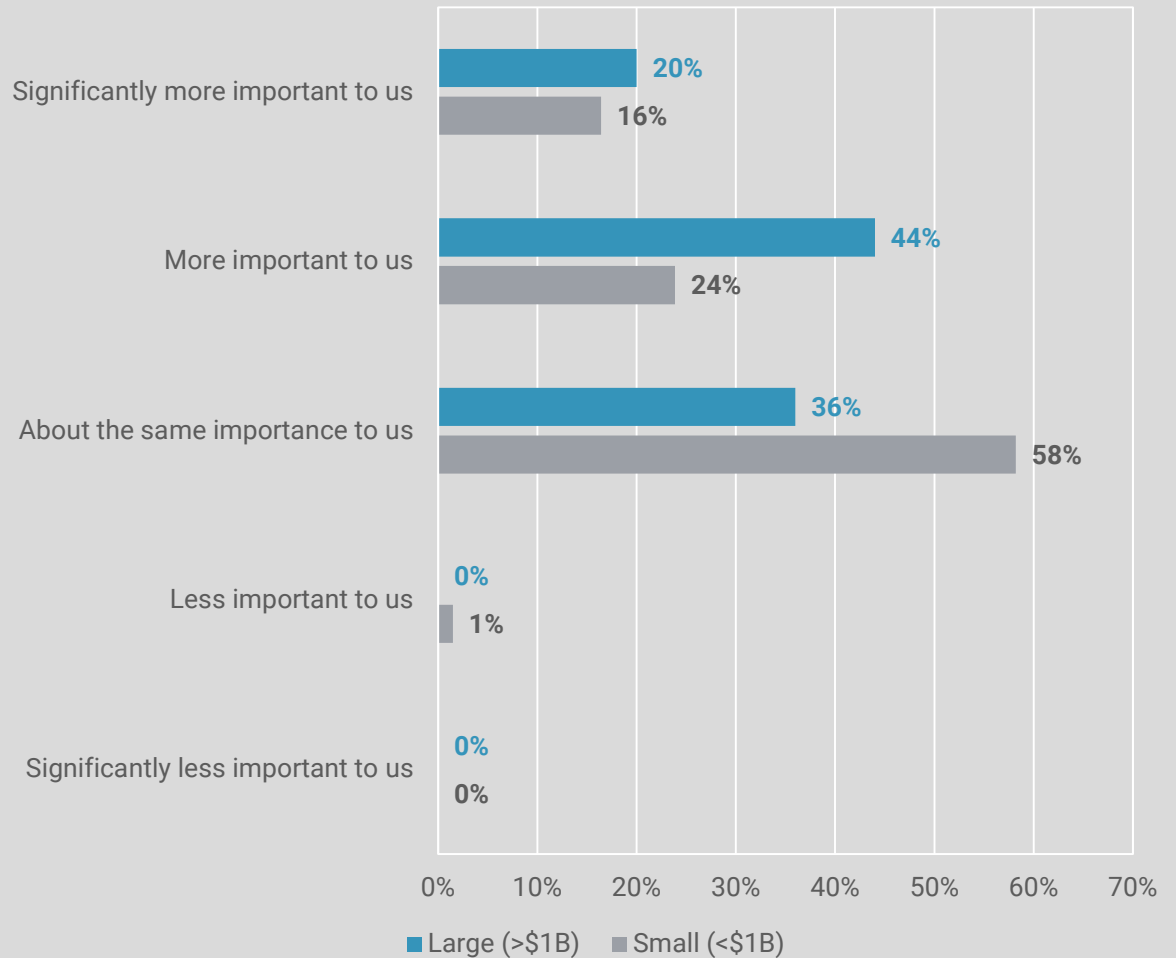
Cash Forecasting: Importance Of

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Escalating Importance

- Looking ahead to the next year, only one respondent indicated that forecasting would be less important.
- Roughly half of respondents indicated increasing importance, while the other half saw equal importance compared to prior years.
- In aggregate, these results point to an escalating emphasis on cash forecasting internally.
- In many cases, this increased importance will result in the need for enhanced technology and functionality to increase the accuracy and speed of forecasts.

In looking ahead to next year, cash forecasting will be:

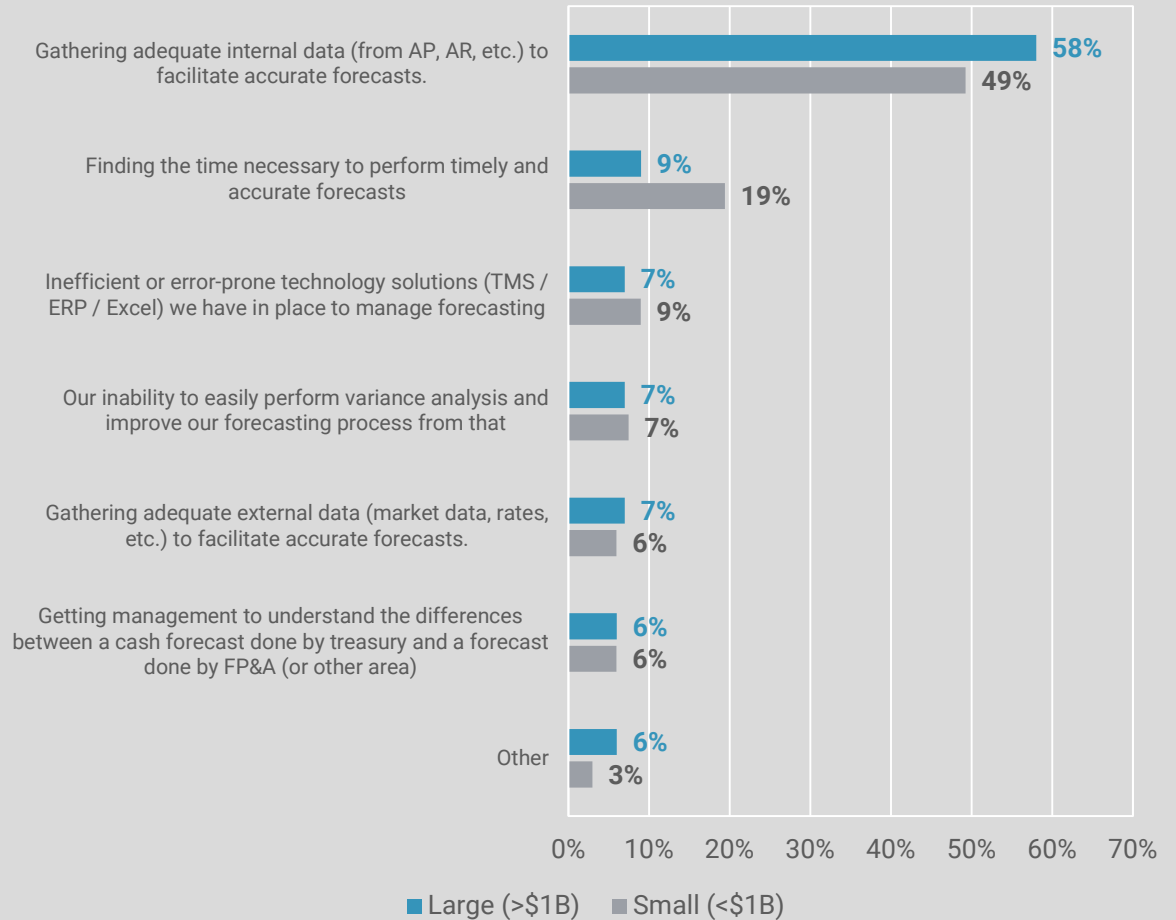


Cash Forecasting: Challenges

Top Forecasting Challenges

- When it comes to developing forecasts, gathering adequate internal data is by far the largest issue that companies face.
- This was the top challenge for over half of all respondents, both large and small.
- For smaller firms, finding time to conduct cash forecasts also posed a notable issue; 2x more-so than for larger firms.
- Other potential challenges / issues saw limited significance overall.

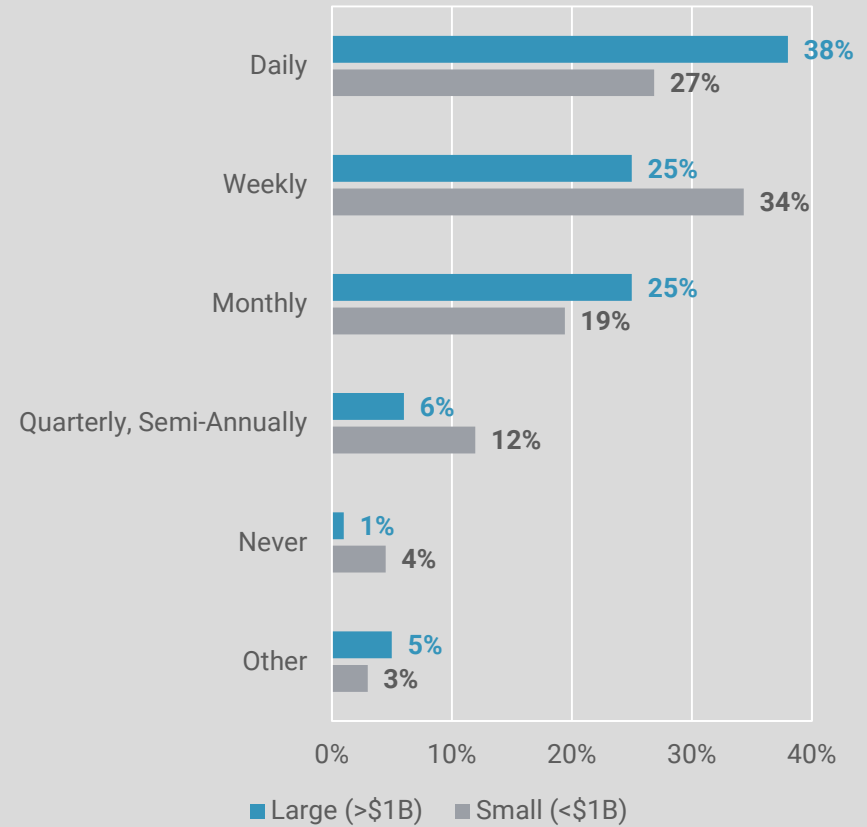
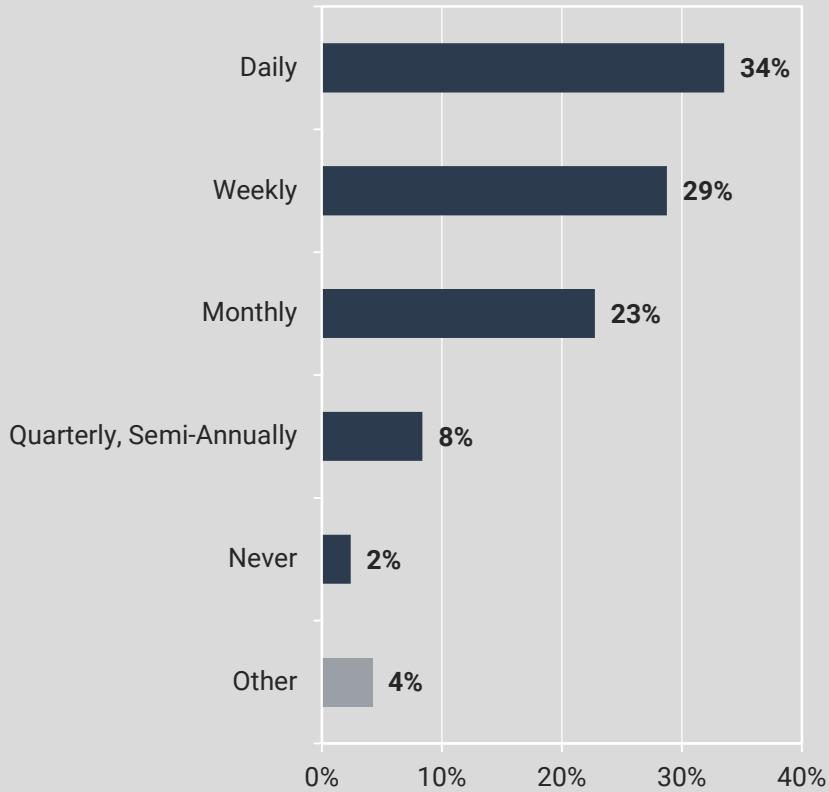
What is the most significant challenge you experience with regards to cash forecasting?



Cash Forecasting: Frequency Of

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How often do you do cash forecasting?



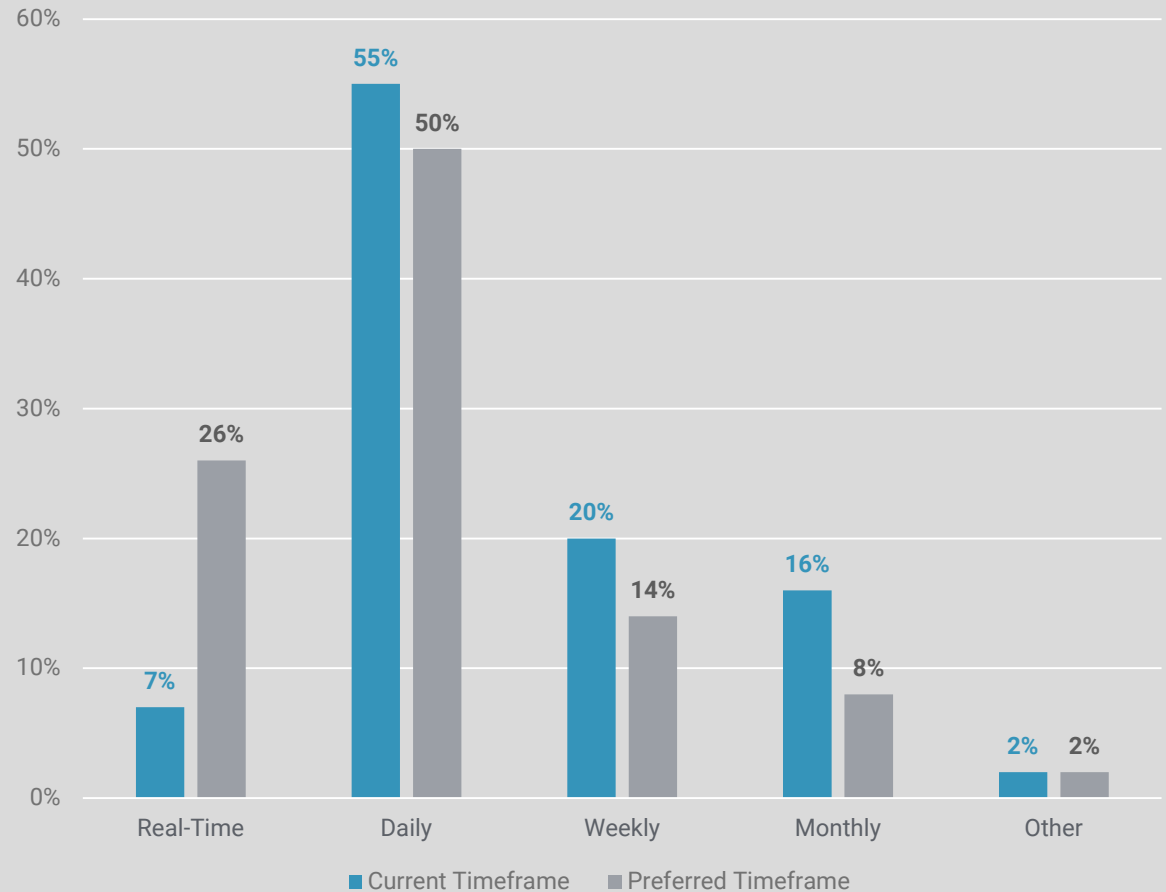
Cash Forecasting Frequency: Regarding the cadence or frequency of cash forecasts, almost two-thirds (63%) of companies conduct them at least weekly. Only 10% of firms indicated they never forecasted or did so less than quarterly; these were primarily small, domestic firms. For most organizations, daily / weekly forecasts are considered the norm.

Cash Positioning: Frequency Of

Cash Position Updates: Preferences vs. Reality

- 26% of practitioners indicate that they would like their cash positions updated in real-time; currently, only 7% have this capability.
- Conversely, 16% of corporates are stuck with just monthly visibility to their accounts. Only half of this number are comfortable with that.
- Weekly visibility was also less preferred than was the reality (20% current vs. 14% preferred).

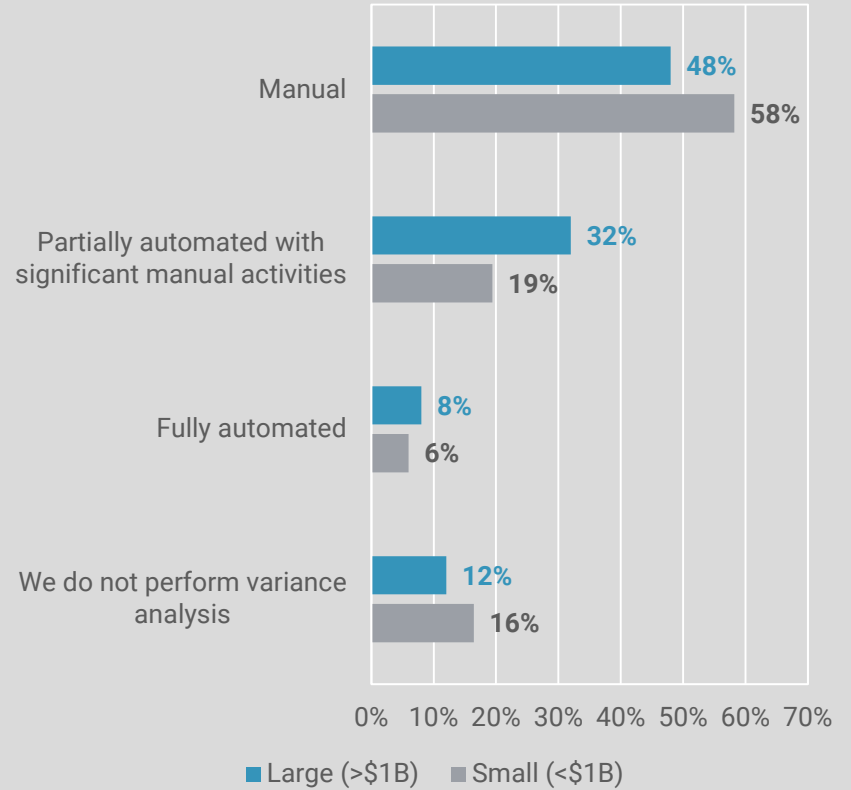
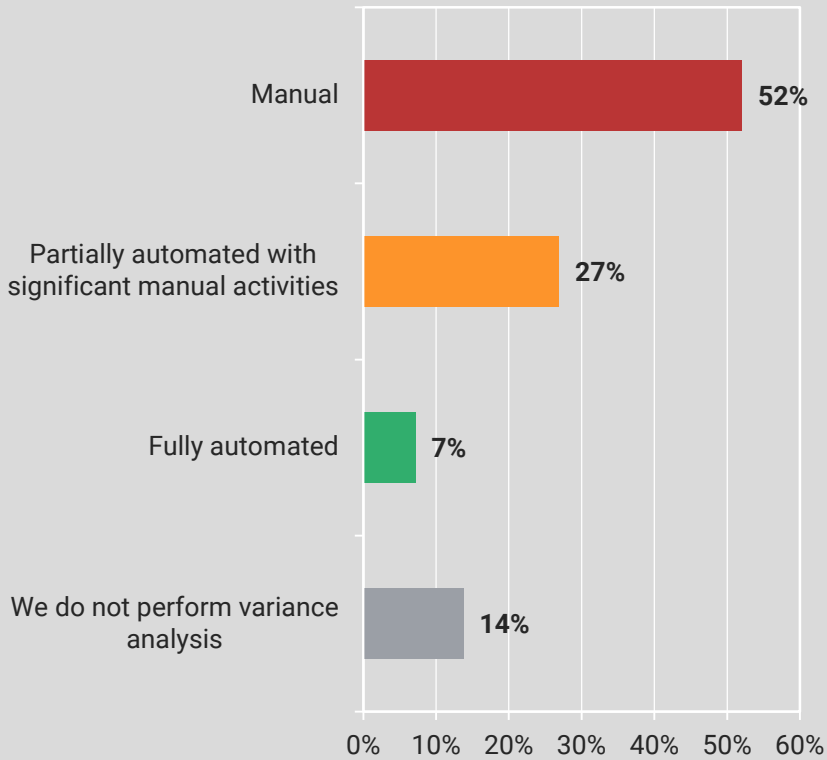
Global Cash Positions: How frequently would you like them updated vs. how frequently are they being updated currently?



Cash Forecasting: Variance Analysis

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Please complete this statement: "Our forecasting variance analysis is..."



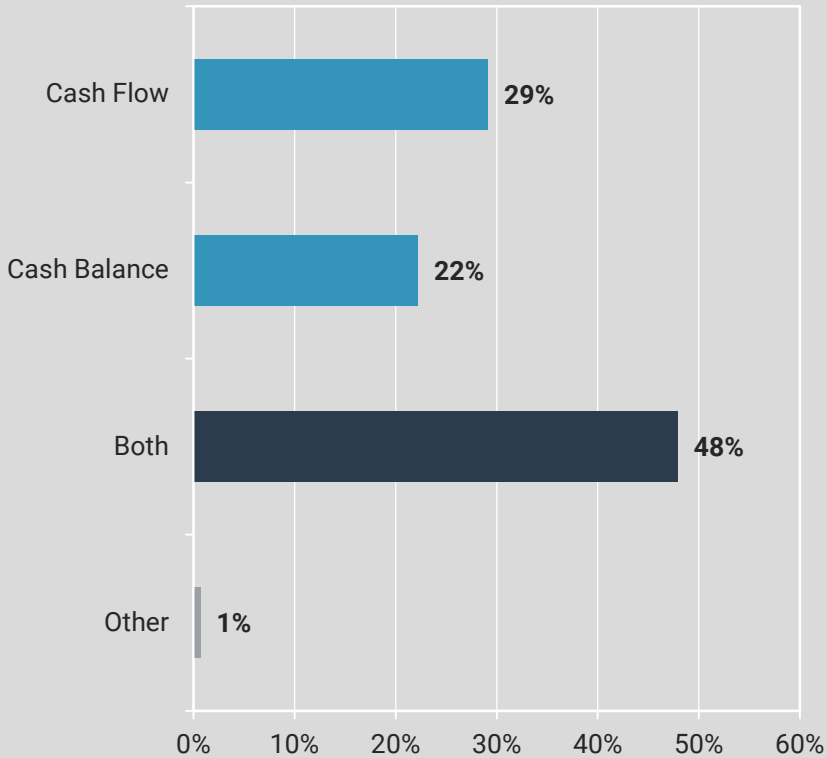
A Primarily Manual Task: The majority of survey respondents (86%) conduct variance analysis on their cash forecasts. However, over half use a process that is entirely manual, and over 1/4th use a process that includes significant manual steps or workflows. Only 7% of companies had a fully automated process to manage variance analysis.

Cash Forecasting: Variance Analysis

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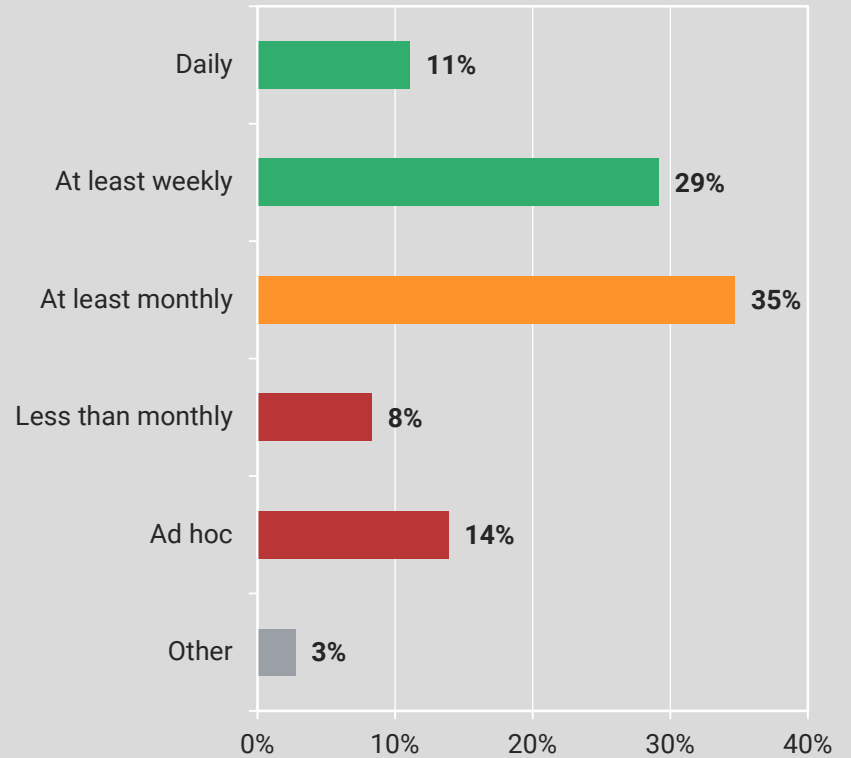
What do you measure your variance analysis on?

(Excluding organizations that do not conduct variance analysis)



How often does your organization perform variance analysis on your forecast to actual?

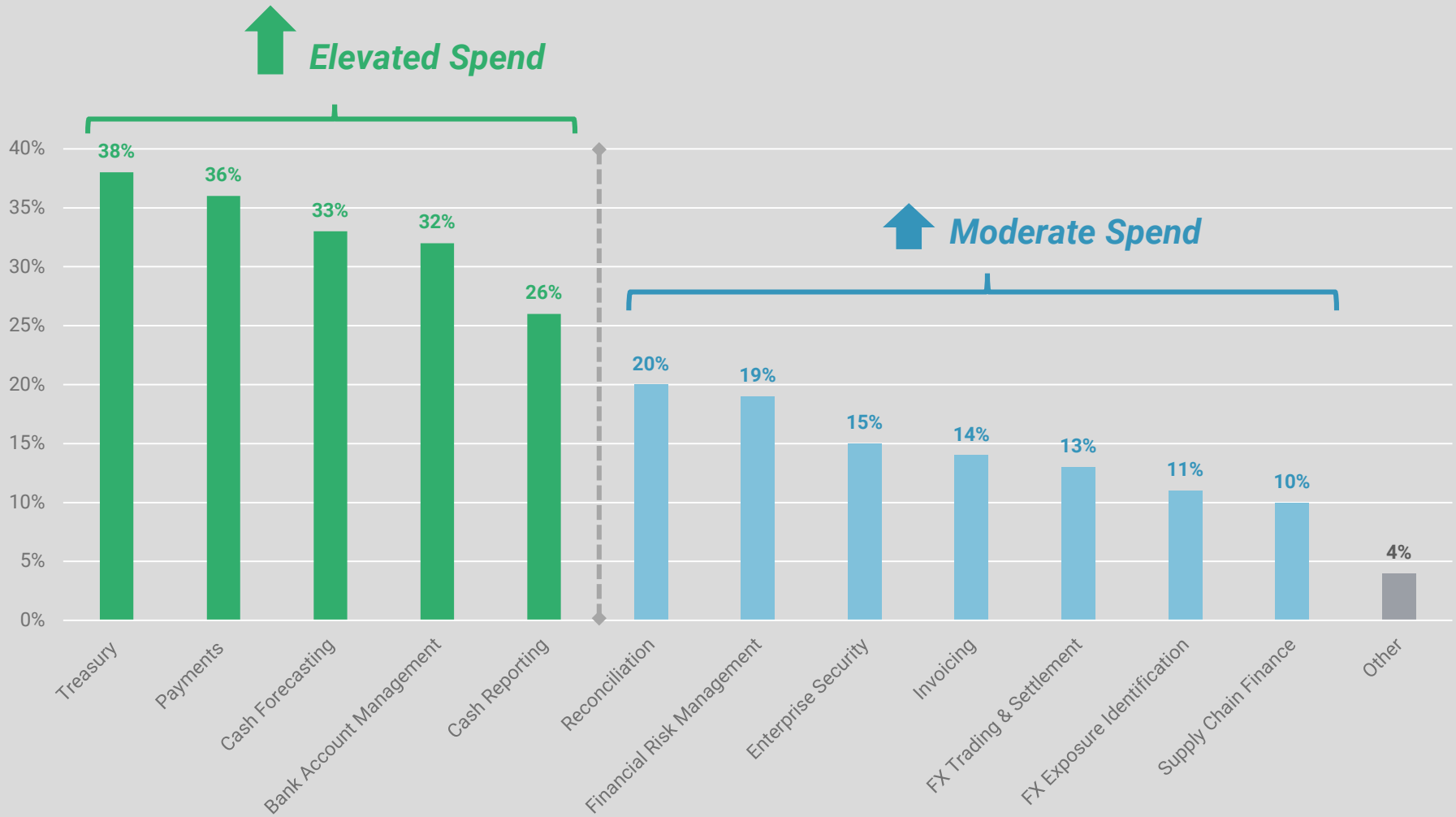
(Excluding organizations that do not conduct variance analysis)



Variance Analysis Measurements & Cadence: Of those organizations that conduct variance analysis, nearly half measure it based off both their cash flow and overall cash balance. Roughly a quarter only focus on one of these two areas. Regarding the frequency of their variance analysis, 40% do so at least weekly, 35% at least monthly, and 22% less than once a month or irregularly.

Financial Technology Investment Plans

We intend to make significant information technology investments in the next year in the following areas: (Select all that apply)



Final Thoughts

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Key Takeaways for Treasury



There are Numerous Challenges to Cash Management. In the modern environment, issues stemming from insufficient technology, manual workflows, and a lack of timely or accurate access to internal information are the primary challenges that bog down treasury. For decentralized treasury teams, these issues are compounded.



Forecasting Continues to Increase in Importance. The importance of cash forecasting has continued to escalate internally for most treasury teams. In fact, only 1 of nearly 200 respondents indicated that forecasting will be less important moving forward, while over half indicated it will increase in importance.



Know When it's Time to Upgrade from Spreadsheets. While spreadsheet-based operations may be fine for smaller or primarily domestic companies, organizational growth will almost surely result in the need to upgrade your technology. Know when it's time to move beyond spreadsheets, and be strategic with the enhancements you make.

Contact Information

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The 2018 Cash Forecasting & Visibility Survey Results Report is Now Available!



Treasury Ambassadors and Respondents to the 2018 Cash Forecasting & Visibility Survey will be sent an extensive results report following the conclusion of this live event. Thanks again to those who take the time to make our market research so valuable.