

October 2024

Datos Matrix: U.S. Cash Management Technology Providers Excerpt

A full copy of the 52-page report is available through the Datos Insights website

Prepared for:

Q2



Overview and Methodology

- The U.S. cash management industry is in a state of transition. Changing market conditions, economic uncertainty, a desire for new deposits, and new customer expectations are just a few factors pressuring banks and the technology providers that support them to continue to enhance their offerings.
- This research evaluates key market dynamics, as well as the technology vendor landscape and overall competitive position of each of the leading vendors. It leverages the Datos Matrix, a proprietary Datos Insights vendor assessment framework, focusing on vendor capability (stability, client base strength, and product features) and performance (client satisfaction, client service, implementation success, and client outcome) to differentiate the market leaders from the contenders and emerging/niche options.
- The following criteria were applied to develop a list of vendors for participation:
 - Bank awareness of the vendor as a provider of a viable cash management offering
 - Successful implementation of a cash management solution at a minimum of one U.S.-based FI and an ability to provide client references
 - Ability to offer a full out-of-the-box cash management solution (as opposed to just components of one)
 - Capabilities suitable to meet the needs of middle-market and large corporate companies

Call to Action: Business and Corporate Customers Want More Data and Digital Capabilities Than What Their Banks Offer

50%

of corporate treasurers at large and midsize companies feel their FI's digital banking offering lacks the data and analytics they need

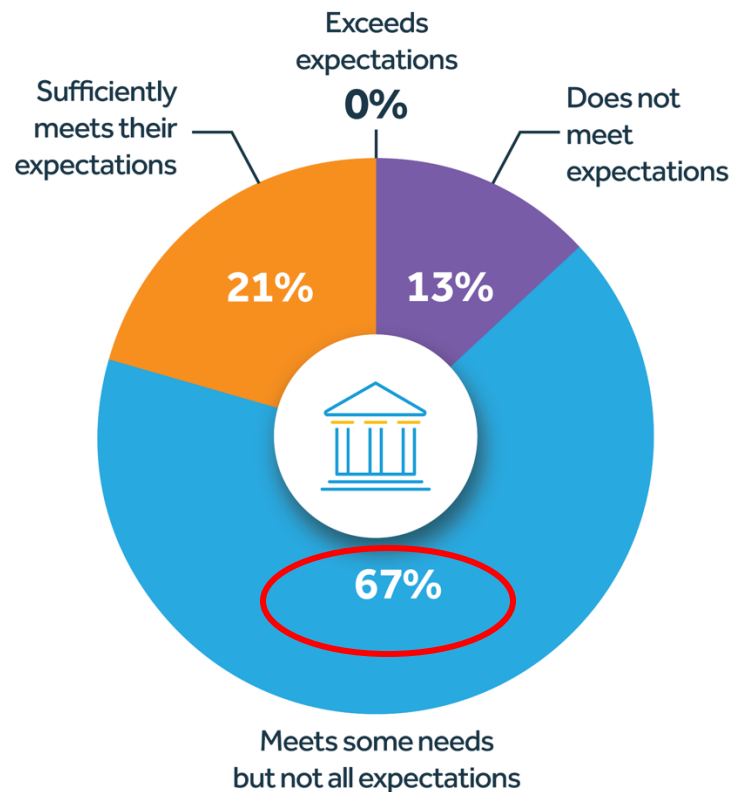
ONLY 23%

of businesses/corporates feel their primary FI fully meets their cash management and payment needs

Opportunities exist for those banks with the right strategy and platform to support it. Those without it will likely suffer attrition.

Banks Recognize Their Shortfalls and Admit Keeping Up With Customer Expectations Is a Challenge

Q. How do you rate your bank's ability to change and roll out new products/capabilities at the speed at which your middle-market/corporate customers expect?



- Personal experiences and a greater comfort with technology are driving new expectations for more robust capabilities and speed of new product delivery.
- Almost 65% of corporate treasurers have gone beyond their bank to fintech companies to fill unmet needs.
- A modern, agile platform with flexibility and the ability to quickly launch new capabilities are critical to positioning banks for greater success.

Source: Datos Insights Corporate Banking Executive Council Q1 2024 Survey

Key Trends Shaping the Market and Bank Needs/Strategies

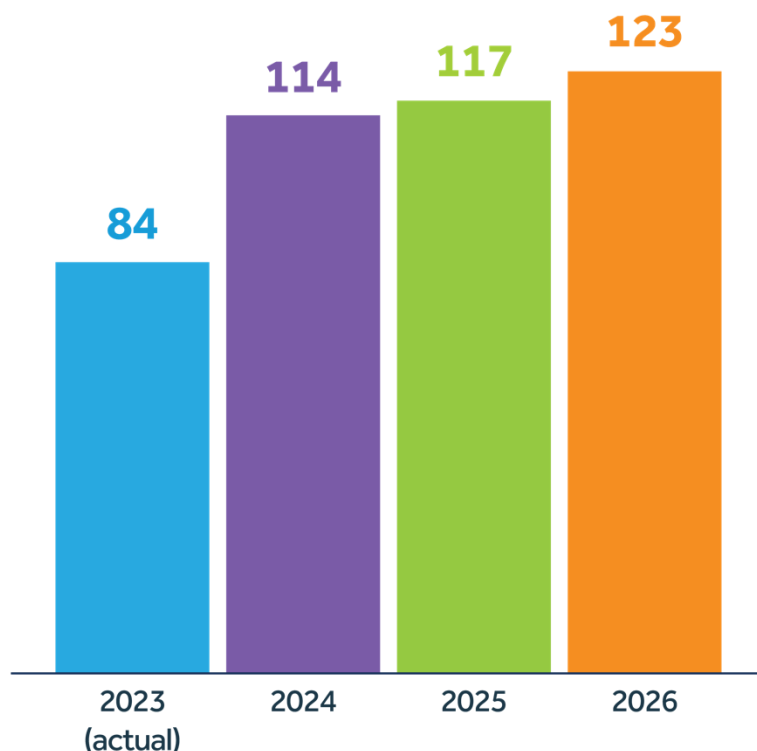
Market Trend	Market Implication
Attrition and desire to grow market share and deposits (especially regional banks)	Regional banks must find ways to compete more effectively and differentiate themselves by carving out niches and expanding their capabilities. Smaller banks are trying to move upmarket.
Higher customer expectations for user experience and seamless experiences across the bank	Banks must continue to invest and make progress with digital transformation strategies to offer modern user interfaces (UIs), more real-time capabilities, and tighter integration across bank products.
Bank portals are becoming central hubs for their clients	Banks must more tightly integrate their systems with clients' external ones, such as ERPs and fintech products.
Rising payment fraud, especially check fraud	Banks are increasingly focused on established products, such as positive pay, with pressure to enhance their level of usability, improve file exchange, and lower the volume of false positives, while simultaneously growing overall client adoption.
Need for greater use of AI and analytics	Banks and their technology partners must identify ways to embed analytics and AI into banking platforms to help banks more effectively cross-sell and bundle new products, better serve clients, and operate more efficiently.

Key Functionality Trends

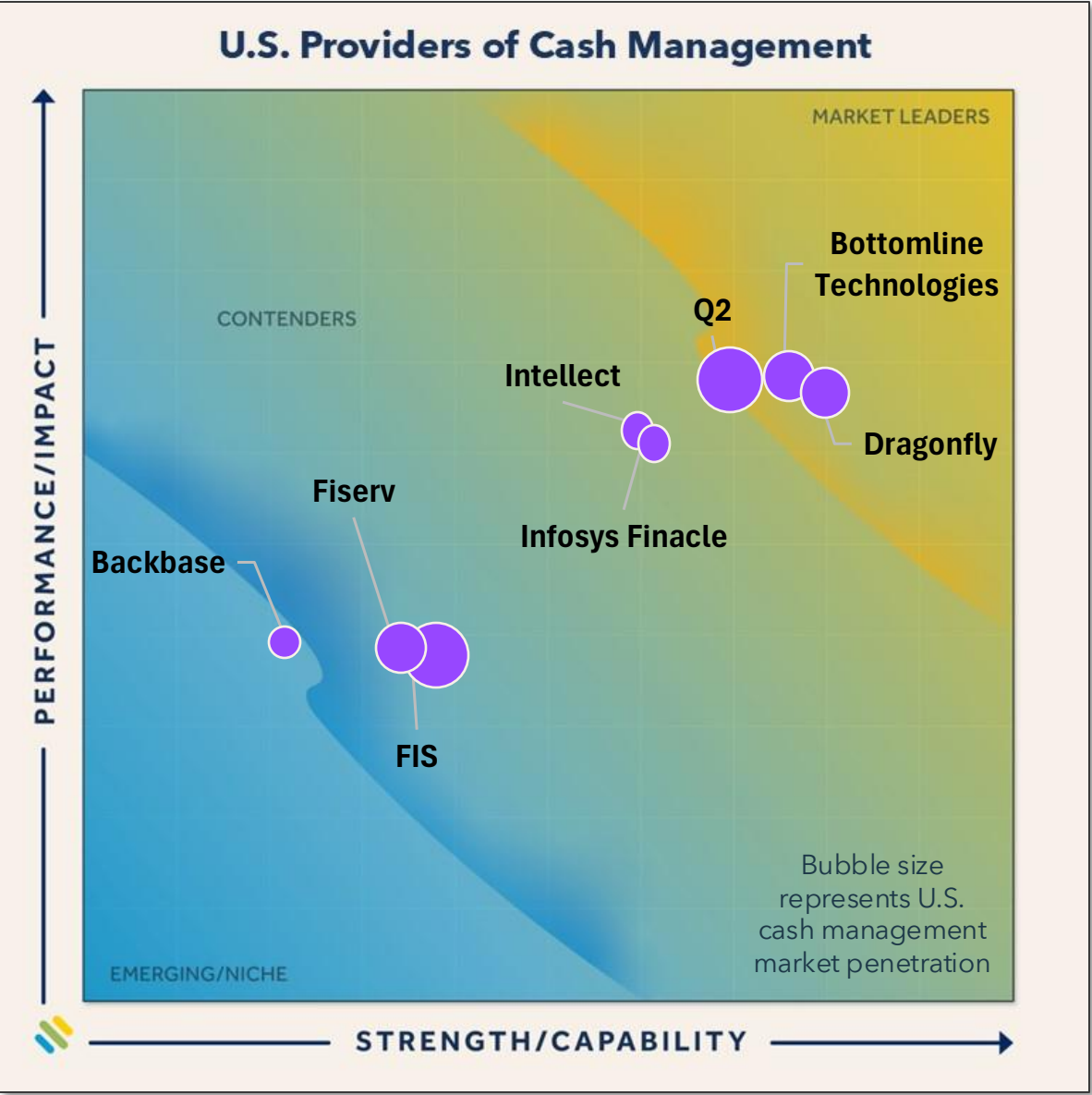
Minimum Requirements	Competitive Differentiators	Next-Generation Features
<p>User interface</p> <ul style="list-style-type: none">• Personalized dashboard with persona-based workflows• Granular entitlements• Omnichannel capabilities <p>Transactional capabilities</p> <ul style="list-style-type: none">• Core functions (information reporting, transfers, consolidated payments, positive pay, etc.)• Zelle for Business <p>Integration</p> <ul style="list-style-type: none">• QuickBooks integration• API developer portal	<p>UI/embedded analytics</p> <ul style="list-style-type: none">• Client servicing and profitability assistance• Money management tools• Decoupled UI <p>Transactional capabilities</p> <ul style="list-style-type: none">• Robust global payment and banking capabilities• RTP initiation with request to pay <p>Integration</p> <ul style="list-style-type: none">• Integration with major ERPs• Fintech partnerships• Integration with lending and onboarding systems	<ul style="list-style-type: none">• Advanced data-driven recommendations• Advanced fintech ecosystem• Dynamic report creation• Generative AI capabilities



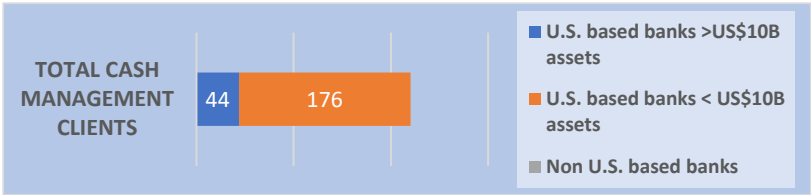
Datos Insights Expects the Number of Cash Management Replacements to Rise Over the Next Few Years











Forecast Number of New Cash Management Contracts Signed, 2024 to 2026 (2023 is actual)



- Outdated platforms must be replaced to remain competitive. "Good enough" is no longer sufficient.
- Increased momentum seen at the end of 2023 has continued in 2024. Most vendors expect 2024 to achieve record sales for the last five years based on current strong pipelines. 2025 and 2026 are forecast to see growth of 3% and 5%, respectively.
- Most activity will continue to come from regional banks with less than US\$30 billion in assets and commercially focused smaller banks, as most large and super-regional banks have already replaced their platforms.
- Larger banks are focused on building out their solutions with adjacent platforms, such as payment hubs, liquidity, and integrated receivables platforms, while also focusing on integration with fintech and ERP solutions to strengthen their offerings. Some of these banks are also increasingly looking to own the UI for differentiation.



Company Overview		Cash Management Product Overview	
	Q2 describes itself as delivering innovative digital banking and lending solutions to banks, credit unions, alternative finance companies, and fintechs in the U.S. and internationally.	Product name	Q2 Digital Banking Platform
Founded	2004	Target customer base	U.S. banks and credit unions with over US\$750 million in assets and other FIs focused on digital transformation
Headquarters	Austin, Texas	Number of clients	450 FIs with 220 specific to corporate/commercial banking
Ownership	Public	Deployment options	Hosted in data center or cloud (public or private)
Sample Clients		Differentiating Features and Recent Enhancements	
		<p>Composable dashboards supported by strong and growing fintech marketplace- such as Monit, ZSuite (Escrow VAM), upSWOT (data exchange), and Autobooks partnerships</p> <p>Demonstrated innovation with several key items on its roadmap, such as ERP integrations, build out of new UI, and plans around AI for better client servicing</p> <p>Single platform for consumer, business, and corporate</p> <p>Treasury fulfillment and interactive test-drive capability enables FI prospects to try out the platform before being onboarded—leading to higher win rates</p> <p>FI access to SDKs to build what they need and enjoy greater speed to availability, community-built initiative enables FI customers to showcase their developments to spark new ideas</p>	
Breakdown of Cash Management Customers		Key Roadmap Focus Areas	
		<p>ERP integration—through partnerships with Koxa and Ninth Wave, also adding reconciliation and payment capabilities</p> <p>Payments Innovation—support for instant credit transfers and request for payment; instant payments manager homepage widget, general availability of instant payments by end of 2024</p> <p>Improved reporting—improved filtering, new controlled disbursement report, Swift MT reporting</p> <p>Employee empowerment—integration of Andi Copilot to help bankers make better decisions, new UI</p>	

Overall Assessment		Datos Client Outcome/Impact Analysis		Functionality Assessment	
<p>Despite its roots in consumer and small-business banking, Q2 has made great strides in the cash management space. With the help of its clients and a laser focus on succeeding in this industry, it is now considered by most banks looking to replace their cash management solution.</p> <p>While several Q2 clients roll out its cash management platform or modules of it on a stand-alone basis, one of the vendor's key strengths and differentiators is its ability to serve consumers, small businesses, and corporate customers from a single platform. In fact, more than 65% of the deals it won during 2023 included retail, small business, and commercial banking. Another strength of this vendor is its ability to innovate and offer differentiating capabilities to its FI clients. For example, it leads its competitors in the number of fintechs that are a part of its fintech marketplace. It saw early on the benefit of acquiring and integrating an onboarding, pricing, and profitability platform with its digital banking platform and embedding analytics and artificial intelligence, such as Andi CoPilot. It also offers its clients high levels of flexibility and greater speed to market by making the same SDKs used internally for new development available to its clients to do their own development.</p>		Client satisfaction	Most clients are pleased with the vendor and view it as a strong partner. Clients feel they have a voice in product roadmap but would like to see shorter cycles for ideas to turn into enhancements. Most clients note UX, Marketplace, and Accelerator as strengths.	User interface	
		Client service	Most clients describe the vendor as engaged, responsive, and valuing partnership. Clients are especially pleased with Integrated Services for custom work.	Robustness of payments	
		Implementation success	Some clients see room for improvement with platform stability and coordination of the various components being released. Some also face challenges taking advantage of new enhancements because they are running older versions of the platform.	Granular entitlements	
		Client outcome/impact	Fintech solutions integrated with the platform have enabled several FI clients to generate additional fee-based revenue and better differentiate themselves in the market. FIs often receive positive end-user feedback.	Flexibility of reporting	
				Embedded analytics	
				Integration with key ERP and accounting systems	
				Money management tools	
				Fintech partnerships	
				Speed of innovation	
				Ability to customize	
Datos Strength/Capability Analysis					
Vendor stability		Client base strength		Product features	
Q2 is a midsize vendor relative to others in this industry (from a revenue standpoint) but serves a broad range of institution sizes, providing it with a large target market and steady revenue flow. Its revenue continues to grow year over year, as does the average number of products used per client.		Q2 is looking to further strengthen its brand among super-regional and large global banks. However, its brand and success with regional and community institutions that comprise the majority of U.S. FIs are very strong, thereby enabling it to sign on more new bank logos each year than any other vendor profiled in this report.		It has strong functionality but is working on some large corporate capabilities using modern UX and mobility. Larger bank clients especially appreciate the availability of SDKs. Clients are excited about Experience Builder to further improve the UX. Clients want to see more analytics but view the vendor as a market innovator.	

About Datos Insights

Datos Insights is the advisor of choice to the banking, insurance, securities, and retail technology industries—both the financial institutions and the technology providers who serve them. We help our clients make better technology decisions so they can protect and grow their customers' assets.

Our consulting and thought leadership delivery are set apart by the deep industry knowledge of our advisors, a long history of successful client partnerships, and a foundation of empirical research and data. Our advisors have been in our clients' shoes, so their counsel is rooted in real-world experience, not speculation. We are staffed for deep client partnerships—not for scale—and we offer open-door accessibility. Whenever clients need us, they can reach us.

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