

Aite Matrix: The Leading Providers of U.S. Cash Management Technology, 2020



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INTRODUCTION

The U.S. cash management industry continues to evolve, as does the technology that supports it. Today's corporate and commercial bank customers require robust real-time capabilities that enable them to efficiently initiate payments, collect money owed, and manage their financial positions and operations as effectively as possible. Doing so also requires automated onboarding for new products, digital guidance and actionable insights and data from their banks, rich reporting, granular entitlements, and seamless integration with both their own systems and those of important fintech partners. Further, it requires easy access to the transactions and data they require, workflows that align with their business, and customized experiences and views not only within cash management but also across corporate banking.

This Impact Report explores some of the key trends within the U.S. cash management market and discusses the ways in which technology is evolving to address new market needs and challenges. The Impact Report also compares and contrasts the leading vendors' offerings and strategies, and it highlights their primary strengths and challenges. Finally, to help FIs make more informed decisions as they select new technology partners, this report recognizes specific vendors for their strengths in critical areas. Now more than ever, during the COVID-19 pandemic, banks are seeing firsthand the importance of a solid and feature-rich digital banking platform offered by the right partner.

METHODOLOGY

Leveraging the Aite Matrix, a proprietary Aite Group vendor assessment framework, this Impact Report evaluates the overall competitive position of each vendor, focusing on vendor stability, client strength, product features, and client services.

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

Participating vendors were required to complete a detailed product request for information (RFI) comprising both qualitative and quantitative questions, conduct a product demo and briefing, and provide active client references.

THE PLAYERS

This section presents comparative data and profiles for the individual vendors that participated in the Aite Matrix evaluation. This is by no means an exhaustive list of vendors, and firms looking to undergo a vendor selection process should conduct initial due diligence prior to assembling a list of vendors appropriate for their own unique needs. Table A presents basic vendor information for the participating solutions.

Table A: Evaluated Vendors

Firm	Headquarters	Year founded	Target market
ACI	Naples, Florida	1975	Banks with between US\$2 billion and US\$500 billion in assets as a full cash management suite; also deployed by larger banks as a modular solution
Bottomline Technologies	Portsmouth, New Hampshire	1989	FIs with greater than US\$5 billion in assets, or institutions of any size that are leaders or aspiring leaders in commercial banking
Finastra	London	2017	All sizes of banks from Tier-4 institutions to large domestic and international banks
FIS	Jacksonville, Florida	1968	Small, midsize, and large FIs running supported FIS core banking solutions
Fiserv	Brookfield, Wisconsin	1984	Commercially focused FIs with greater than US\$1 billion in assets
Intellect	Chennai, India	2014	The 200 largest banks in the United States as well as the largest banks around the world
Infosys Finacle	Bangalore, India		All size banks, including the largest global banks as well as small progressive community banks and credit unions
Jack Henry	Monett, Missouri	1976	Banks with up to US\$50 billion in assets
Q2	Austin, Texas	2004	Enterprise institutions (greater than US\$20 billion in assets) and Tier-1 (US\$5 billion to US\$20 billion), Tier-2 (US\$900 million to US\$5 billion), and Tier-3 (below US\$900 million) FIs

Source: Vendors

THE MARKET

The cash management industry continues to evolve. The following market trends are shaping the present and future of this market (Table B).

Table B: The Market

Market trends	Market implications
Continued focus on intelligent engagement	Analytics and machine learning capabilities must be embedded within cash management platforms to deliver the type of experience today's customers expect.
Need for 360-degree customer journeys	Customer journeys within bank applications should not be limited to any one silo.
Desire for consolidated view of data	Data presented to customers in reports and screen views should consolidate information across channels and products.
Interest in owning the user interface (UI)	The UI user experience (UX) within cash management platforms should be decoupled from business logic for those banks desiring greater control and ownership of it.
Demand for faster implementations	Vendors have had to build accelerators and implement new strategies for faster implementations so banks will have a faster return on their investments.
The rise of fintech marketplaces	Banks can no longer go at it alone and must partner with fintech companies to better meet customer needs. Technology vendors are helping banks find the right partners by creating fintech marketplaces.
Continued focus on small-business banking	New tools, simplified client workflows, and greater guidance are needed to win the business of the critical small-business customer segment.

Source: Aite Group

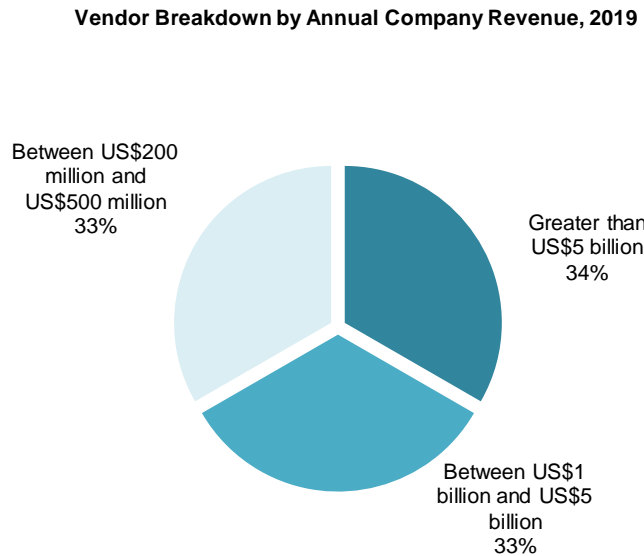
KEY STATISTICS AND PROJECTED DEPLOYMENTS

This section provides information and analysis on key market statistics as well as the projected number of new contracts signed related to the vendor market.

ANNUAL REVENUE ESTIMATES ANALYSIS

The U.S. cash management vendor landscape is composed of established players with strong revenue streams and financial viability. The smallest player generates greater than US\$200 million in annual revenue. Even newer entrants to the space, such as Q2, are not startup companies but rather are established vendors that have been successful in other areas and are expanding their capabilities. While non-U.S. players are also increasingly looking to penetrate this market, it is not common to see emerging fintech companies entering it as anything more than a complement to existing offerings. It is an industry with high barriers to entry, given banks' focus on vendor experience and a proven track record (Figure 1).

Figure 1: Annual Revenue Estimates Breakdown



Source: Vendor Financial Statements

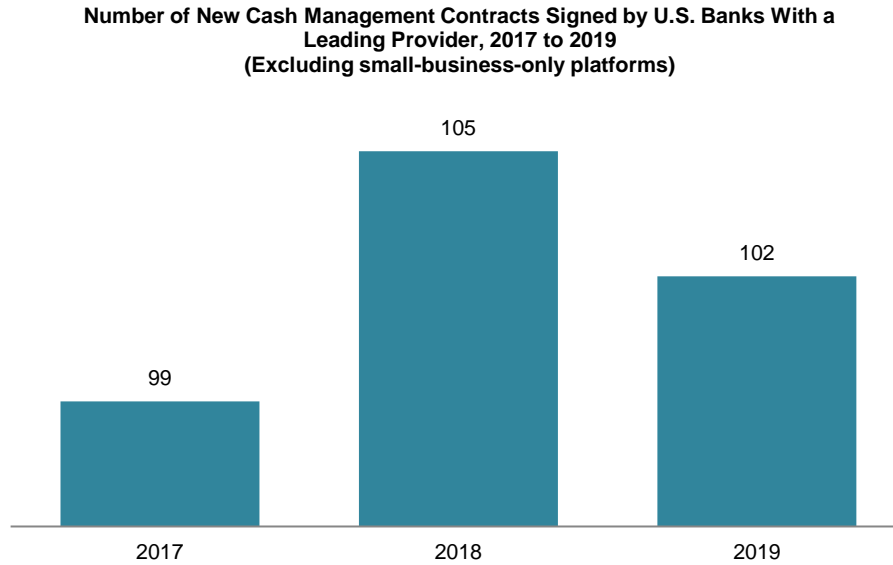
NUMBER OF NEW CONTRACTS SIGNED

The number of new U.S. bank cash management contracts signed with the leading technology providers profiled in this report has remained relatively steady over the last three years.

Figure 2 shows responses from the vendors when asked for the number of new U.S. bank cash management clients at each point in time. The numbers only include contracts for new deployments and not the addition of new modules. These numbers also only include

deployments of the middle-market and large corporate cash management solutions profiled in this report and not the small-business-specific offerings of any of the vendors.

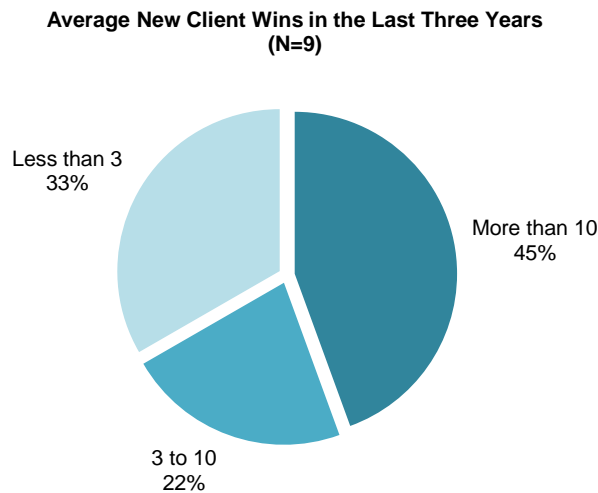
Figure 2: Estimated Number of New Cash Management Contracts Signed by U.S. Banks



Source: Vendors, Aite Group

Most of the vendors (five) averaged fewer than 10 new cash management client wins over the last three years (Figure 3). The average 2019 contract length was five years.

Figure 3: Average New Client Wins (Last Three Years)

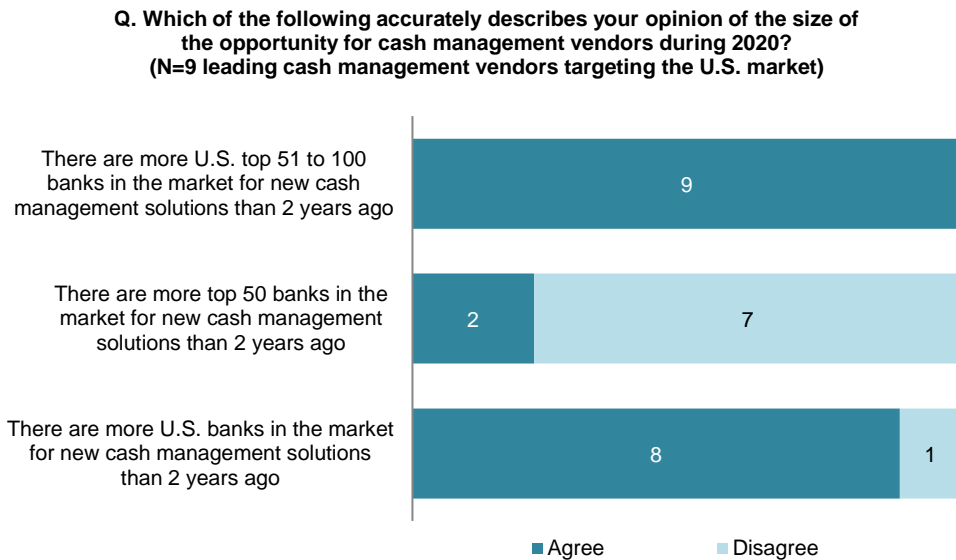


Source: Vendors, Aite Group

FORECAST MOMENTUM

The trend to replace cash management solutions is expected to continue in a steady flow over the next few years; however, the banks showing the greatest demand for new platforms will continue to shift. Whereas 2017 and 2018 saw a large number of top 50 banks replacing their cash management solutions, demand during 2019 and over the next few years will continue to move down-market to the top 50 to 100 banks ranked by total assets. The number of smaller commercially focused banks with between US\$3 billion and US\$9 billion in assets looking to go beyond their core vendors for a cash management offering is also on the rise, creating opportunities in the smaller bank segments as well. Vendors are already seeing signs of these trends from an opportunity perspective (Figure 4). A vendor’s ability to take more advanced capabilities that have been developed and honed for larger banks and businesses, and to deliver them down-market in a more simplified form will be a winning approach over the next few years.

Figure 4: Vendor Observations of Market Activity

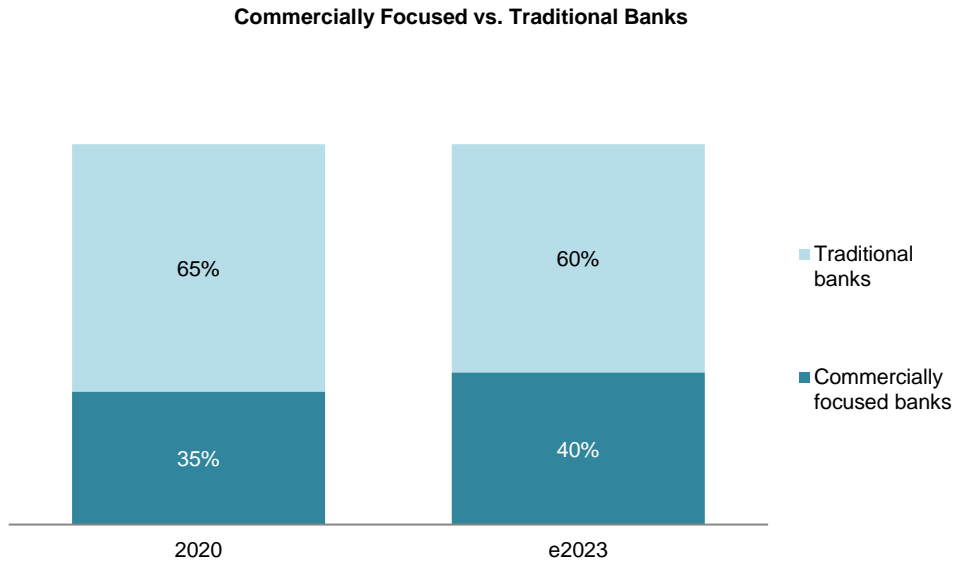


Source: Vendors, Aite Group

The smaller commercially focused banks just mentioned are creating an interesting opportunity for technology vendors. While most small banks have historically been satisfied with simply checking off the box as far as offering basic commercial banking capabilities, a growing minority are raising their expectations as they see new revenue potential among small-business and middle-market customers, and thus need more advanced capabilities. Aite Group estimates at least 35% of banks beyond the top 100 (ranked by total assets) can be classified as commercially focused. These banks are willing to consider best-of-breed providers for their cash management capabilities and no longer have to limit their options to those platforms offered by their core provider. These banks seek out niche opportunities to differentiate themselves, value innovation, and strive to be more than fast followers in those niche areas. They seek out real-time capabilities, a superior UX, and advanced use of analytics and data, and they value fintech partnerships. They are offering new opportunities to leading point solutions providers and

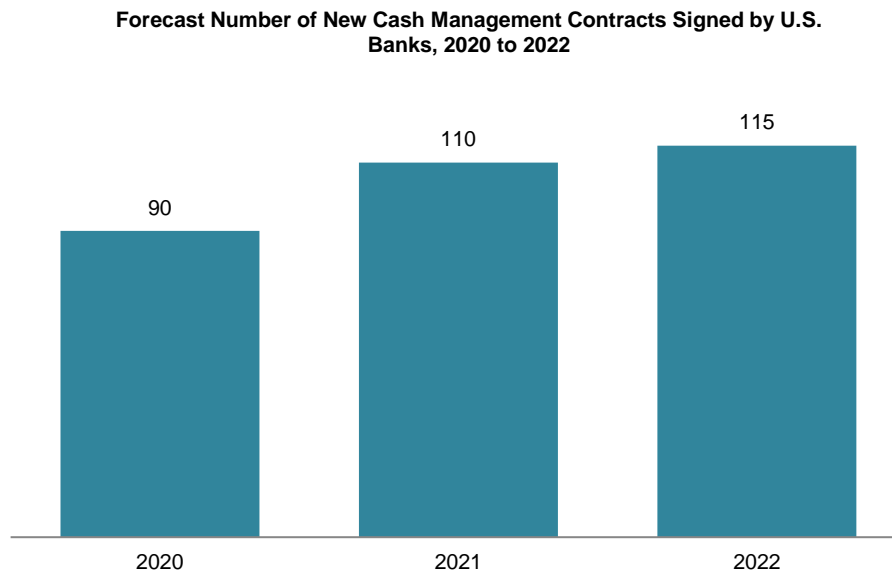
pushing core vendors to enhance their capabilities. Their presence in the cash management industry will continually grow in time, as will the number of banks deciding to adopt this strategy. Aite Group estimates they will comprise more than 40% of the banks beyond the top 100 by 2023 (Figure 5).

Figure 5: Commercially Focused Banks Beyond the Top 100



Source: Aite Group

The top 50 to 100 banks, along with the growing number of commercially focused smaller banks, will comprise the majority of new contracts signed this year and throughout the next two years. While the COVID-19 pandemic has and will slow down bank IT investments, at least during the second and possibly third quarters of 2020, due to market uncertainty, one thing FIs are certain about is the value of investing in digital transformation. While all banks are challenged in the current environment, those that made the right technology investments the last few years to improve digital capabilities, automation, embedded analytics, and reporting are having an easier time coping with COVID-19-driven change. Those that have not yet done so recognize the higher level of urgency to prevent future challenges. As such, the number of new contracts signed during 2020 will dip slightly as a result of COVID-19 but will pick up again the following two years with growing momentum (Figure 6).

Figure 6: Estimated Number of New Cash Management Contracts Signed

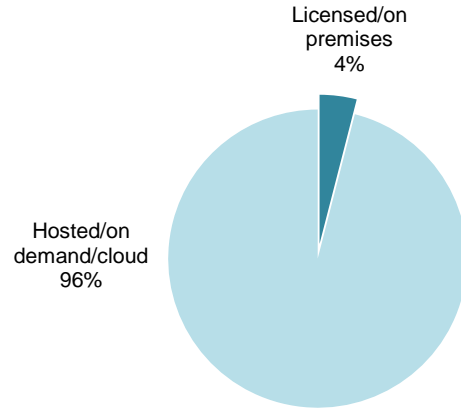
Source: Aite Group estimates

DEPLOYMENT OPTIONS ANALYSIS

When deploying those solutions, the majority of banks will select a hosted/on-demand or cloud-based option. An overall market shift in favor of that deployment environment has been observed for the last few years and is expected to continue. In fact, with the exception of the largest 20 U.S. banks, most FIs prefer such a deployment over licensing the solution and running it in-house. Hosted deployments often lead to faster time to market, lower capital expenditures, and the ability to remain on new releases. Ninety-six percent of the U.S. FIs running one of the solutions profiled in this report are running it in a hosted/on-demand environment (Figure 7). Given the strong preference for that deployment type in the U.S. market, all of the vendors profiled in this report provide this deployment option, with most offering both hosted and licensed options. None of the new cash management contracts signed during 2019 were for a licensed deployment environment.

Figure 7: Breakdown by Deployment Environment

Breakdown of Leading Cash Management Vendors' U.S. Client Portfolios by Deployment Environment



Source: Vendors, Aite Group

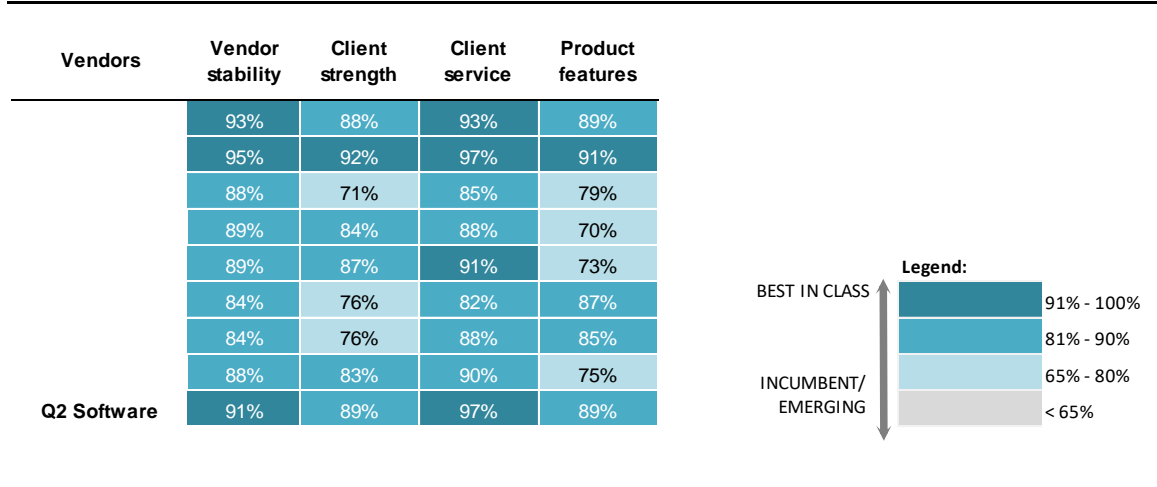
AI TE MATRIX EVALUATION

This section will break down the individual Aite Matrix components, drawing out the vendors that are strong in each area and how they are differentiated in the market.

THE AI TE MATRIX COMPONENTS ANALYSIS

Figure 8 overviews how each vendor scored in the various areas of importance. Each vendor is rated, in part, based on its own data provided when responding to the RFI distributed by Aite Group as well as on product demos and follow-up discussions as part of the Aite Matrix process. Ratings are also driven by the reference customers of the examined vendors to support a multidimensional rating.

Figure 8: Aite Matrix Components Analysis by Heat Map



Source: Vendors, Aite Group

VENDOR STABILITY

The cash management vendor landscape is a stable one composed of established players with strong financials, growth rates, and reinvestment in research and development. The smallest player generated greater than US\$200 million in revenue during its last fiscal year, with most of the vendors generating more than US\$1 billion in revenue. Not surprisingly, all vendors profiled in this report scored well in this area. The components within this category driving the greatest differences across vendor scores are perceived knowledge and vision of the U.S. market and customer feedback on the quality of the management team category.

CLIENT STRENGTH

Being able to successfully attract and retain new customers is critical to success in the cash management technology industry. Doing so has been challenging over the last few years, as customers have become more demanding with higher expectations for a faster return on investment and the desire for flexible solutions enabling them to offer a differentiated client experience. This category evaluates vendor strength based on important factors such as a

vendor's total number of U.S.-based clients, the diversity of those clients across customer segments, a proven track record with large banks, average number of new contracts signed over the last three years, client retention and feedback from customers regarding their likelihood to replace their solution, and vendor reputation.

CLIENT SERVICE

The scoring of this category largely depends on vendor-provided information on service-level agreements and support provided as well as on client feedback about each vendor's ability to deliver on promises and provide high levels of service and a positive cost value. This is the area in which vendors have shown the greatest improvement over the last couple of years as they have shown greater focus on clearly communicating and delivering roadmap items, resolving issues in a timely fashion, and making their clients feel as though their suggestions are being heard. Bank clients appreciate access to senior-level management. Those scoring highest in this category also have strong customer advisory boards and localized support. Q2 scored highest in this category. Q2 clients appreciate their vendor's willingness to listen and solicit feedback rather than pushing its own agenda.

PRODUCT FEATURES

Innovation is on the rise within the cash management industry as more tech-savvy clients place pressure on their banks and ultimately the technology providers to enhance their capabilities from both a usability and functionality standpoint. While this category considers feedback from clients regarding the robustness and breadth of the functionality within each vendor's cash management offerings, it also measures important factors such as overall solution usability and intuitiveness (based on both client feedback and Aite Group analyst observations), ease of implementation/integration, deployment options, and the vendor's ability to stay ahead of the curve with forward-looking capabilities and initiatives, such as progress with the buildout of fintech marketplaces, embedded analytics and machine learning, API strategies, real-time payment capabilities, and cashflow forecasting. Q2 is among the vendors leading this category. Embedded analytics and intelligence are at the heart of all of their offerings, with each successfully finding niche areas to stand out from the pack.

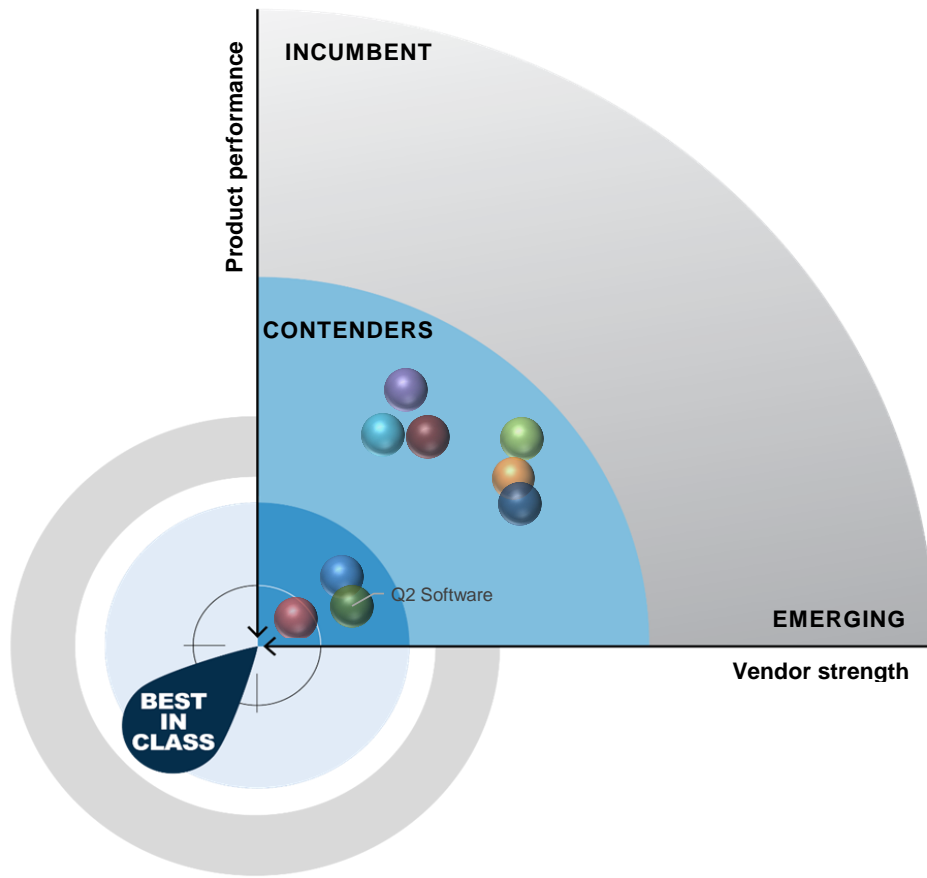
THE AITE MATRIX RECOGNITION

To recap, the final results of the Aite Matrix recognition are driven by three major factors:

- Vendor-provided information based on Aite Group's detailed Aite Matrix RFI document
- Participating vendors' client reference feedback or feedback sourced independently by Aite Group
- Analysis based on market knowledge and product demos provided by participating vendors

Figure 9 represents the final Aite Matrix evaluation, highlighting the leading vendors in the market.

Figure 9: Cash Management Aite Matrix



Source: Vendors, Aite Group

BEST-IN-CLASS VENDORS: Q2

Q2 is among the top finishers in this evaluation. Q2 has been a rising star the last few years since first launching its corporate banking capabilities and has been able to leverage its roots in retail banking to raise the bar for UX and demonstrate high levels of innovation.

BEST IN CLASS: Q2

Austin, Texas-based Q2 was founded in 2004 and provides the financial services industry with secure, cloud-based digital transformation solutions. Its digital banking offering, which serves consumers, small businesses, and corporations, all from a single platform, strives to deliver a better financial experience across deposits, money movement, lending, leasing, security, and fraud prevention. The vendor has seen tremendous growth over the last few years in both its client base and annual revenue. Its revenue during the fiscal year ending December 31, 2019, was US\$317.3 million, up 32% from the previous year.

Q2's roots are in consumer and small-business banking; however, with the combination of increased investment and the help of critical partnerships with commercially focused banks, it has been able to build out its banking platform over the last several years to meet the needs of corporate customers as well. Recent acquisitions have further positioned Q2 and its clients for greater commercial banking success by not only ramping up its onboarding and cross-sell capabilities but also expanding its solutions to include commercial lending capabilities when most commercial relationships begin. By bringing the two often siloed parts of the FI together, Q2 helps its customers deepen relationships and anchor clients beyond the term of a credit facility. Q2 acquired Gro (December 2018) for digital account opening, and Cloud Lending (October 2018) and PrecisionLender (November 2019) for digital lending, relationship pricing, and enterprise coaching capabilities.

Whereas in the past, Q2 offered the market two package options (from a single platform) to meet the needs of business and corporate customers (Q2 Business Banking and Q2 Corporate Banking), it now goes to market with a commercial banking suite, with functionality tailored for companies across the business continuum, from microbusinesses to large corporations.

AITE GROUP'S TAKE

As stated, the last few years have provided Q2 with great growth not only as a company but also as a cash management provider. As one of the newest providers in the cash management space (Q2 Corporate Banking was launched in 2015), in a short period of time, Q2 has evolved from a technology provider known mostly for its consumer and small-business banking capabilities to a contender in most bank cash management RFP evaluations. While its greatest advantage remains in opportunities in which an FI is looking for a single platform across consumer, small-business, and corporate banking, Q2 has also been successful with banks looking solely for cash management capabilities that are attracted to its modern and intuitive UI and customer experience.

Q2's strategy continues to evolve and has done so dramatically over the last one and a half years. During that time, it has shifted from a strategy primarily focused on feature and functionality development needed for a new corporate package to its current strategy, which focuses more on an end user's overall financial experience across commercial banking.

Q2 is making many smart investments to increase the breadth of its capabilities, which are being noticed in the commercial banking space. While the vendor is still striving to win more cash management business among large banks, a recent win with a top 20 bank better positions it to do so. Further, the most recent rollout of its Partner Marketplace initiative, its test-drive

capabilities, and its plans for better leveraging machine learning capabilities are enabling it to pull ahead of many of its competitors and are demonstrating a forward-looking strategy and understanding of the direction banks need to move in. Recent investments have proven this vendor is worthy of being on the radar of institutions in the market for a new cash management platform.

BASIC FIRM AND PRODUCT INFORMATION

- Headquarters: Austin, Texas
- Founded in: 2004
- **Number of employees:** approximately 1,700
- **Ownership and annual revenue:** The vendor generated US\$317.3 million in revenue during 2019.
- Name of primary cash management solution: Tailored Commercial Solutions
- **Target customer base:** Q2 segments its target market into four categories:
 - Enterprise institutions with greater than US\$20 billion in assets
 - Tier-1 institutions with assets between US\$5 billion and US\$20 billion
 - Tier-2 institutions with assets between US\$900 million and US\$4.9 billion
 - Tier-3 institutions with less than US\$900 million in assets
- **Number of U.S.-based clients:** 414 banks and credit unions run the Q2's digital banking platform
 - Top four banks: Zero
 - Super-regional banks (greater than US\$100 billion in assets): One
 - Regional banks (US\$10 billion to US\$100 billion in assets): 42
 - Small banks (US\$5 billion to US\$9 billion in assets): 43
 - Community banks (less than US\$5 billion in assets): 205
 - Credit unions: 123
- Number of new cash management contracts signed:
 - 2017: 38
 - 2018: 33
 - 2019: 46
- Percentage of total U.S.-based cash management clients that have deployed its full cash management suite (not just one or two modules such as ACH or wires): Approximately 40%

- **Global footprint:** Tailored Commercial Solutions is only sold within the United States.
- **Implementation options:** Tailored Commercial Solutions is only deployed in a hosted private cloud environment.

KEY FEATURES AND FUNCTIONALITY BASED ON PRODUCT DEMO

- **Ease of use and flexibility:** Tailored Commercial Solutions is extremely easy to use and navigate. Dashboards with widgets help users better organize information and transactions accessed most frequently. Customers with large data sets can designate priority accounts to appear on the landing page and can view and subtotal accounts in groups for easier data management. Tailored Commercial Solutions is also flexible enough to enable FI users to break down capability walls that normally isolate functionality to specific market segments. Through a concept called Feature On-Demand, FIs can package any feature or UX for a customized group. For example, microbusinesses can easily be given access to sophisticated cross-border payments normally offered only to larger commercial customers.
- **Prospect test driving:** Q2 has enhanced its platform to enable FIs to easily create and issue user IDs to corporate customers so they can test drive their configuration before becoming clients. By simply entering or pulling data from Salesforce and assigning a number of testing days, bankers can allow corporate prospects to test out the bank portal in a production environment. Thus, prospects can navigate common processes, such as payment initiation, in the exact way they would as a client without any of the transactions officially being booked or funds leaving the bank. This differentiating capability addresses corporate customer requests to see more than a simple demo before selecting a bank partner. Beyond better demonstrating their capabilities to prospects, banks also benefit from the system's ability to track the types of transactions/actions prospects performed during their testing period to provide the bank with insights into their needs once they become clients. Once a prospect decides to become a bank client, Q2 has automated the workflow associated with documentation and set up the new relationship with its digital Treasury Management Onboarding solution.
- **Seamless two-way communication between bank portals and corporate customer ERP systems through a business system gateway:** This recent enhancement recognizes the challenges faced by many large corporate customers with multiple bank relationships and a heavy reliance on ERP and treasury workstations. While still in its early stages and limited to only payment capabilities, it will eventually enable corporate customers to be able to perform all transactions within their ERP systems rather than requiring they be done within the bank portal. By integrating the business ERP systems directly with the Q2 digital platform, the business rules and back-office integrations can be leveraged while providing the corporate business with comprehensive audit reporting and fraud controls they need for critical transactions.

- **Treasury Management Onboarding and Digital Lending:** By integrating the Q2 Cloud Lending platform with the digital banking platform, Q2 has automated the treasury management onboarding and digital lending process. As such, an ad space displayed within Q2 digital banking can quickly turn into fulfillment of a new treasury management or loan product for the customer with limited data entry and document exchange. For example, in the case of a loan, most of the needed information can be prepopulated, which enables business customers to upload financial information from their accounting system, such as QuickBooks or Xero, thereby eliminating the need for paper accounting statements.
- **Q2 SMART:** This is an add-on marketing tool feature that is integrated with the Q2 digital banking platform that is used by about two-thirds of its clients. Bank users can easily create and edit campaigns based on audience traits. With machine learning, Q2 SMART can create recommended campaigns that predict the next most likely products customers need. As an example, machine learning within Q2 SMART can help FIs overcome the challenge of identifying microbusinesses that may be camouflaged as consumers and apply different marketing strategies for them.

TOP THREE AREAS OF FOCUS FOR ENHANCEMENTS OVER THE LAST SIX MONTHS

- **High-volume account landing page:** This alternate landing page provides a unique UX targeted at businesses with hundreds to thousands of accounts. This view allows for better usability and performance, and it features natural language search, on-demand account grouping, filters, and high-volume data fetch optimization.
- **International money transfer:** Q2 introduced more sophisticated tiers for international wire FX rates, and integrated SWIFT/BIC lookup and IBAN validation features.
- **Commercial dashboard shortcuts and widgets:** Q2 has increased its inventory of dashboard widgets designed to allow specific commercial personas to more easily complete tasks. These deep-link shortcuts and widgets include transaction approvals, favorite reports, foreign exchange rate lookup, positive pay item details and decisioning, and access to unlock locked logins.

ENHANCEMENTS TO ONLINE UX

- It has redesigned commercial payments, payment recipient, information reporting, and account landing page screens for greater usability.
- Q2 replaced tiered navigation with a mega navigation approach, allowing for easier selection of report types, and reworked the custom report workflow for easier completion and less abandonment. The vendor also reworked the report scheduling workflow for easier scheduling and delivery of reports, and added better natural language search and filtering options, as well as favorite selection to help users easily and quickly find reports.

- It has introduced large, high-volume account list landing page and commercial dashboard shortcuts and widgets, as described above.

EMBEDDED MACHINE LEARNING AND PREDICTIVE ANALYTICS CAPABILITIES

- Q2 has been leveraging machine learning capabilities for quite some time for fraud prevention as part of its Q2 Sentinel and Q2 Patrol security products. It is also embedded within the vendor's Q2 SMART intelligent targeting and campaign recommendations product. By incorporating the guided coaching capabilities from the acquired PrecisionLender platform, it can guide banks to more effective use of campaigns and let them know when campaigns are not effective.
- Q2 is looking to further leverage machine learning and predictive analytics capabilities by merging the capabilities of "Andi," PrecisionLender's digital enterprise coach, into the Q2 platform. This machine learning personality delivers in-the-moment market intelligence and guidance to help bankers and treasury professionals construct winning, profitable deals. Andi suggests multiple deal structuring options, across a commercial bank's product suite, to meet both the client's goals and the institution's return target. There are several potential use cases and scenarios being explored in which such capabilities can be leveraged to better advise cash management customers on next-best actions and new product needs.
- For 2020 and beyond, Q2 anticipates an exponential increase in the volume of data collected and, in turn, the value of that data, as it is not only used to power Q2 machine learning but is also made available to other machine learning/AI systems via extracts to an FI's data lake.
- Using the Q2 machine learning engine, Q2 also plans to extend the recommended audience aspect of Q2 SMART to drive predictive personalization in the digital banking solution. This could result in the promotion of capabilities to a specific end-user persona based on their behavioral patterns over time, followed by guidance through the task or workflow to increase adoption and success. An example would be proactively presenting a payroll clerk who normally initiates or approves payroll a few days before the first and the 15th of the month with the payroll and wage garnishment workflows instead of the account landing page.

API STRATEGY

Q2 is leveraging API integration to enable financial data and transactions to seamlessly flow between corporate ERP/accounting solutions and the FI processing systems. In partnership with a fintech partner, Q2 is creating a business system gateway that connects Q2's APIs with the ERP/accounting solution's APIs to support payment initiation, transaction reporting, and cash positioning activities.

The Q2 Caliper SDK offers Q2 customers and third parties the same tools that Q2 has used internally for several years, as well as access to the Q2 Dev Environment on a full stack of the Q2 platform. Developers who complete the Q2 Caliper training have access to the full set of Q2 Caliper APIs, receive coding certification, and can submit their extensions for code review,

deployment, and support. This is more than just documentation and code samples; this is intended to be a robust developers community in which ideas and prebuilt customizations are freely shared among Q2 developers, FI developers, fintech companies, and even outsourced development shops in an FI's local community. Q2 is working closely with a number of third-party vendors that can develop code extensions on behalf of Q2 clients that may not have the staff or the proclivity to create their own.

FINTECH MARKETPLACE CREATION

- Q2 has recently launched (March 2020) Partner Marketplace, which allows FIs to offer fintech solutions directly through the Q2 digital platform to small businesses. Fintech providers that offer accounting, expense management, payroll, and other financial tools can leverage the Q2 Caliper SDK to create an integrated experience for business users that is beyond single sign-on.
- The Q2 Partner Marketplace launched with one FI and two fintech firms as its initial MVP offering. It has many FIs and fintech partners interested in the Partner Marketplace, and it expects to have between 10 and 20 FIs and between 10 and 20 fintech companies participating in its marketplace by the end of 2020. The vendor is defining solution categories and identifying fintech solutions that align with each category.
- Q2 is essentially offering SDKs to fintech firms so they can create integration with the Q2 platform. An ad will appear within the bank portal for the fintech offering. Interested bank business clients simply click on the ad and sign up for the product. This provides much faster access to the capabilities compared to past scenarios, in which Q2 would have had to build the integration, and it would have been in a queue. Autobooks, one of its first partners, was up and running in a few days. It also provides a revenue sharing model, which makes this a win for all.

REAL-TIME PAYMENTS

On the receivables side, the solution enables business customers to digitize the entire process from invoice delivery through cash application and confirmation utilizing the real-time payments message sets. Customers will also be able to track the status of payment aging and take action at any time, such as sending a reminder.

On the payables side, the solution enables business customers to digitize the entire process from invoice receipt through payment initiation utilizing the real-time payments message sets. Customers can track the status of a payment and communicate electronically with the supplier at any point in the process.

Full integration with ERP systems will also be available through a consolidated business systems gateway.

KEY NEW FEATURES/FUNCTIONALITIES TO BE ADDED TO THE SOLUTION OVER THE NEXT SIX TO 12 MONTHS

- Real-time FX rates for international wire transfers powered by a growing inventory of correspondent rate providers, such as CIBC, PNC, and Wells Fargo
- Sales automation support for commercial relationship managers allowing these users to tailor a demo for prospects that includes the appropriate distribution of accounts, transactions, and capabilities for that specific business vertical—this demo can be integrated with its CRM, will be time-boxed to expire after a set number of days, and will allow for access to the complete functional area workflow for payments
- Real-time integrations with ERPs, such as NetSuite, Sage, Oracle, and SAP, for information inquiry and payment initiation

CLIENT FEEDBACK

Q2's brand as a cash management provider has grown significantly over the last few years, as a growing number of banks of all sizes are considering it as they look to replace legacy systems. One of its most commonly mentioned strengths relative to other platforms in the market is its ease of use and intuitive nature. Bank users as well as their clients state that the system requires little to no training and makes even complex treasury tasks relatively easy to perform. Clients also feel Q2 is doing a great job of keeping up with, and in some cases staying ahead of, evolving market needs and changing expectations around UX.

Another key factor winning business for this vendor is its single platform strategy for consumers up to large corporate customers. In addition to the obvious ease of managing a single platform rather than multiple platforms, bank clients also see benefit in having a single look and feel, common workflows, and a support staff across the platform, which results in far easier client servicing when required.

Clients feel the platform sufficiently meets most of their client's functionality needs, and they describe it as feature-rich, especially for small-business and middle-market customers. However, despite a lot of progress over the last couple of years, the vendor is still aggressively working to close some gaps. One such gap mentioned by a couple of clients is dual control/approvals within the administrative module. Clients would like to see the same level of checks and balances in that module as found in others. Other wish-list items mentioned by client references include more robust reporting capabilities for large corporate users, the capability to request drawdown wires, and the ability to originate real-time payments. All are being addressed by the vendor. A quicker wire input system, especially for title companies with a large volume, would also be beneficial to niche users.

Q2's management team receives high grades from clients who appreciate its willingness to listen and solicit feedback rather than pushing its own agenda. Clients have seen significant improvement in this area in recent months. One client describes its reliance on the combined expertise of banks to provide directional input into product development and strategy as beneficial, and praises the team for not pretending to be bankers. The vendor has even solicited feedback from nonclient banks in the past to help fill product gaps. Its commercial banking committee, which is composed of banks of all sizes, has a loud voice that ultimately drives what

is released and which enhancements are made to the platform. Its agile development methodology enables clients to be a part of the development process early on and to provide ongoing feedback. System upgrades have been pretty seamless; however, some clients warn that the vendor's quick growth could lead to some resource constraints down the road.

Customers seem excited about Q2's recently launched Partner Marketplace initiative. One client getting ready to roll it out sees its greatest benefit as the ability for banks to provide self-service access for clients to the capabilities they need without having to rely on the bank to provide them. Customers can go forward with a product when they are ready. Additionally, the bank is positioned as offering value by providing the connection to the fintech capability without having to be an expert in the product—a role left to each fintech company partnered with the bank.

From a cost perspective, the solution is viewed as slightly more expensive than some others in the market, but clients are willing to pay for its functionality. Clients don't feel nickel-and-dimed and believe they are receiving great value. They appreciate the care the vendor shows in their organization's success, and its desire and willingness to get to know clients so it can give advice and make solid recommendations. Q2 is described by clients as a true partner that takes the time to brainstorm with them to ensure they meet their goals in the most cost-effective and efficient way.

Table C displays the vendor's strengths and challenges.

Table C: Key Strengths and Challenges—Q2

Strengths	Challenges
Intuitive and modern UX	Still perceived by some as having functionality gaps to effectively meet the needs of the largest corporate customers
Further along than most competitors with its partner marketplace initiative and embedded machine learning capabilities	Quick growth could result in resource constraints
Viewed by clients as a true partner	

Source: Aite Group

CONCLUSION

Banks:

- Now more than ever, FIs need to replace legacy cash management platforms that are not effectively addressing client needs, expectations, and new market challenges.
- Leveraging the right cash management platform for your digital transformation initiative will arm your FI with the tools needed to better leverage data and insights to more effectively engage with clients, deliver an improved UX that better aligns with digital experiences in their personal lives, and offer opportunities for differentiation in a competitive market.
- As the definition of banking continues to expand, look to broaden your capabilities beyond those traditionally offered through partnerships with fintech companies. If your bank doesn't have the resources to navigate the fintech market on its own, speak with your cash management technology partner about its fintech marketplace initiatives.
- Look for technology partners with active client advisory groups and that regularly solicit client feedback to ensure your bank's needs are being met and your priorities are heard. This is a point of differentiation across the vendor landscape.

ABOUT AITE GROUP

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