

TAKING THE TEMPERATURE ON TREASURERS' COVID-19 RESPONSE



RAPID RESEARCH RESULTS FROM
IDEAS AND ACTION, APRIL 2020



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INTRODUCTION

Ideas and Action conducted rapid research among 100 treasurers and CFOs between 8th – 14th April to gain a snapshot of treasurers' and CFOs' priorities during the COVID-19 crisis and how they anticipate these priorities evolving over the coming 12 months. Respondents were drawn globally from across the industrial spectrum, with the exception of financial institutions.

In a constantly evolving situation, it is more important than ever to have access to the most current, unbiased insights on client sentiment and needs. **Ideas and Action's 'Rapid Research'** is a turnkey solution that enables firms to swiftly gather client insights and deploy content-led campaigns.

EXECUTIVE SUMMARY

- Liquidity management is the single most important issue for 40% of treasurers and CFOs, particularly in regions such as North America (48%) and Europe (45%) where the crisis is still at its most immediate.
- Once treasurers and CFOs have stabilised their own organisations in liquidity terms, over a third (35%) globally and 51% in Asia are then turning their attention to their supply chains to minimise disruption as industries look towards the return of more normal business patterns.
- Looking ahead, over half of treasurers and CFOs globally and 67% in Asia anticipate greater supply chain diversification.
- The global nature of the COVID-19 crisis has challenged many business continuity plans, with 45% of treasurers and CFOs expecting to focus more on this in the future, alongside a review of their regional and global treasury organisations.
- Banks are a key source of information for treasurers and CFOs, particularly for financial market updates, but also to support immediate priorities, including boosting supply chain resilience, liquidity and cash optimisation, and business continuity planning.
- Banks appear to have responded well to their clients' demand for information during the crisis; the challenge will be to continue to fulfil this expectation as priorities evolve in the future.



WHAT ARE TREASURERS' AND CFOS' PRIORITIES DURING THE CRISIS?

While COVID-19 is primarily creating a public health and social crisis, its economic ramifications are already spreading globally. Trading volumes have fallen, customer demand has plummeted in some industries and surged in others, while supply chains across many industrial ecosystems have been disrupted.

Focus on liquidity

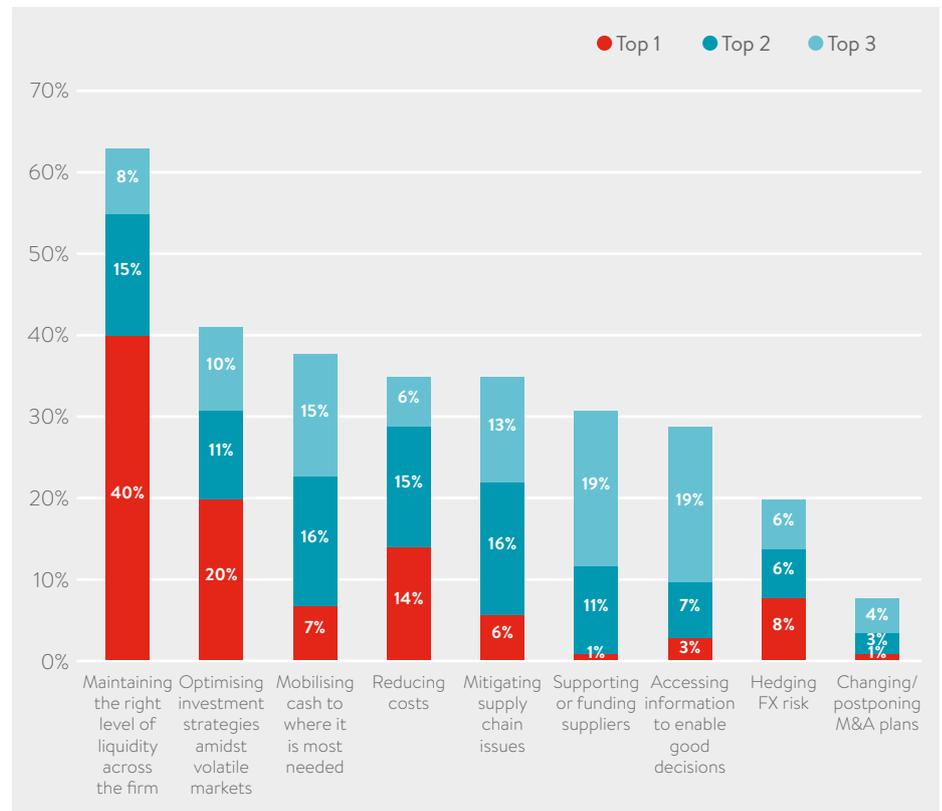
Treasurers are at the forefront of corporations' response to the crisis as they seek to assess and limit the initial financial impact of the crisis. In particular, normal revenues have skewed considerably, while many costs have remained unchanged. Maintaining liquidity across the business has therefore been by far the most significant concern during the immediate throes of the crisis. **63% of respondents emphasised that liquidity was amongst the top three priorities**, which is higher still in North America (76%) and Europe (69%). For 48% in North America and 45% in Europe, liquidity is their number one priority.

One particular challenge, noted by 38% of respondents, is mobilising cash, with some banks reporting that clients are seeking to extend cash pooling programmes and find ways to unlock pockets of trapped cash that were previously considered less significant.

Along the crisis trajectory

Countries are at different stages of the COVID-19 crisis, with some lifting some restrictions now that the spread of the virus appears to have been contained, with others introducing or tightening restrictions as the virus takes hold. Consequently, although the figures are small in this study, it appears we are already seeing a shift in treasurers' priorities in Asia, particularly China, which is likely to be reflected in other regions over time. For example, **30% of treasurers and CFOs in Asia are focused on optimising investment strategies as their number one priority, while this figure is only 12% in Europe and 18% in North America.**

What are your top three priorities within your treasury function as a result of Covid-19?



Protecting the wider ecosystem

While liquidity management is amongst many treasurers' immediate priorities, they are also looking ahead to ensure that the business can return quickly to normal as the immediate phase of the crisis passes. The burden on smaller supply chain participants is often far heavier than on the 'anchor' company, creating uncertainty and risk throughout the ecosystem. Consequently, 35% of respondents noted that they are seeking to mitigate supply chain issues as a top 3 priority. This is significantly higher in Asia, at 51%, compared to 21% for North America and 33% for Europe, which is likely to reflect both the significant proportion of global supply chains that are based in Asia, and the beginning of re-opening manufacturing in the country.

While treasurers and CFOs are looking to support their suppliers, they are unlikely to do so to the detriment of their own working capital position. As a result, **we would expect to see greater demand**

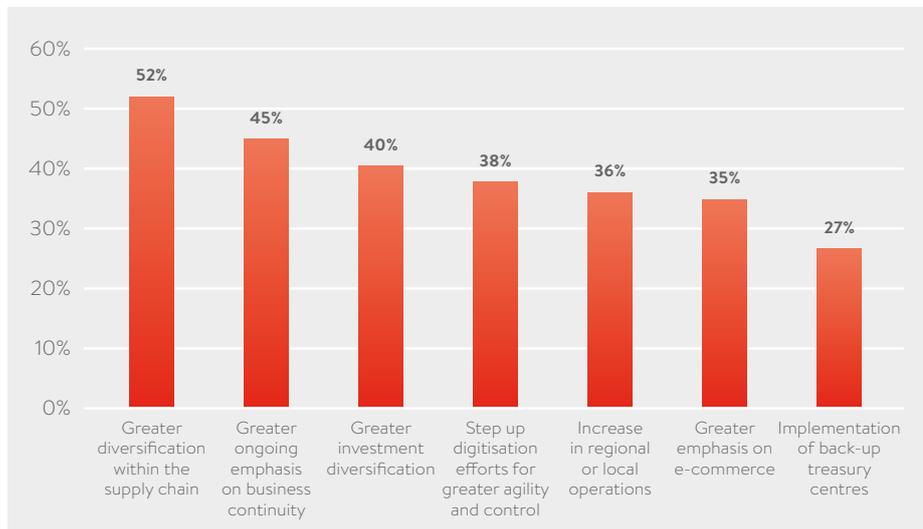
for commercial cards to make supplier payments and the increased use of supply chain finance programmes.

HOW COULD THESE PRIORITIES SHIFT POST-CRISIS?

While it is too early to predict with any degree of certainty what the longer-term effects of the crisis might be, whether at a personal, social or economic level, treasurers already anticipate some change in priorities. For many companies, the global nature of the crisis has shaken their assumptions about the stability and flexibility of their supply chains. **52% of CFOs and treasurers are now looking at greater supply chain diversification**, a figure that may be larger amongst procurement teams. Likewise, given markets like China's dominance in global supply chains, and how further advanced the country is in the COVID-19 trajectory, this figure was 67% of treasurers and CFOs located in Asia, compared to 55% for those in North America and 35% in Europe.



In 12 months' time, what changes do you think your firm will have made as a result of the impact of Covid-19?



Perhaps unsurprisingly, 45% of treasurers and CFOs globally highlighted that business continuity planning would be a priority, and linked to this, 36% anticipated reviewing their regional and global treasury organisations, and 27% setting up back-up treasury centres.

A likely priority for treasurers and CFOs globally, indicated by 40% of respondents, is to diversify their investments. With some global banks reporting significantly increased dollar deposit levels at the start of the crisis as treasurers looked for 'safe havens' for cash, the next logical step is to consider how to optimise investment of surplus cash.

WHAT INFORMATION DO TREASURERS AND CFOs NEED TO SUPPORT THESE PRIORITIES?

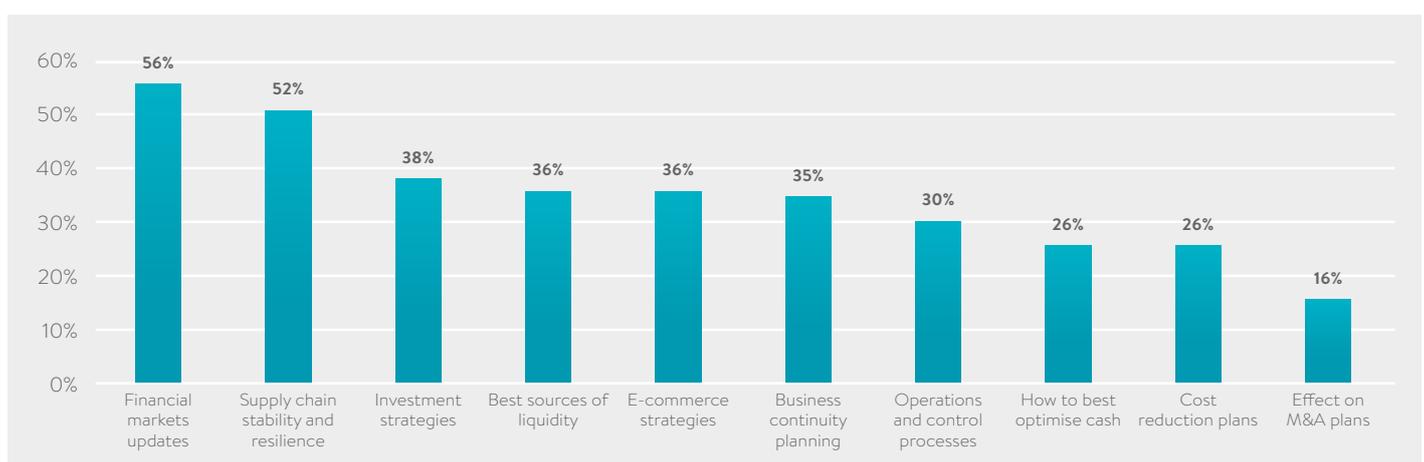
One of the findings of our research was that 29% of treasurers and CFOs placed the ability to access information to enable better decision-making as a top three priority. Banks are amongst the key sources of information in treasury, so this study sought to understand the type of information on which treasurers and CFOs most rely on their banks. **Globally, 56% of respondents said that they wanted financial market updates, with this figure a little higher amongst respondents in Asia (61%).**

In broad terms, treasurers and CFOs are looking for information in line with their business priorities: for example, ways to support supply chains was the second highest response (52%), but higher in Asia (58%), likely for the reasons discussed previously. Information on sources of liquidity, cash optimisation and investment strategies were also considered valuable by respondents.

CONCLUSION: MEETING EVOLVING PRIORITIES IN A POST-CRISIS WORLD

Many banks have stepped up their client communications significantly over the past two months to support clients during an unprecedented period of change. In most cases, these communications have been very well-received, with **77% of treasurers expressing satisfaction with the information their banks have provided across the period. The challenge now will be how to continue with the level and precision of communication that clients have come to expect over this period.** Part of their success in doing this will be to continue to gauge clients' current and anticipated priorities. Inevitably, most treasurers are considering future priorities through the lens of the current crisis. As the immediate effects start to lessen, their perspectives on the longer-term impact are also likely to vary. Banks will need to continue to understand these changing priorities in order to continue fulfilling clients' demand for timely and pertinent information.

What topics do you want updates/advice on from your relationship bank during Covid-19?



ABOUT IDEAS AND ACTION

Ideas and Action is a strategic client engagement consultancy specialising in financial services. Armed with over 200 years' combined experience in the financial services industry, our team has successfully completed projects for the world's leading banks, industry infrastructure, regional banks and FinTech firms.

Our research capabilities use quantitative and qualitative methods, helping firms gain a better understanding of their clients across segments, sectors and markets.

Ideas and Action's 'Rapid Research' is a turnkey, end-to-end solution, delivering primary insights-based campaigns, from design to deployment, in as little as three weeks. Our research experts help clients develop a pragmatic, rapid approach to gaining the insights they need.

Whether you need insights to propel new propositions, or to create compelling thought leadership content, we can help translate your ideas into actions.

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