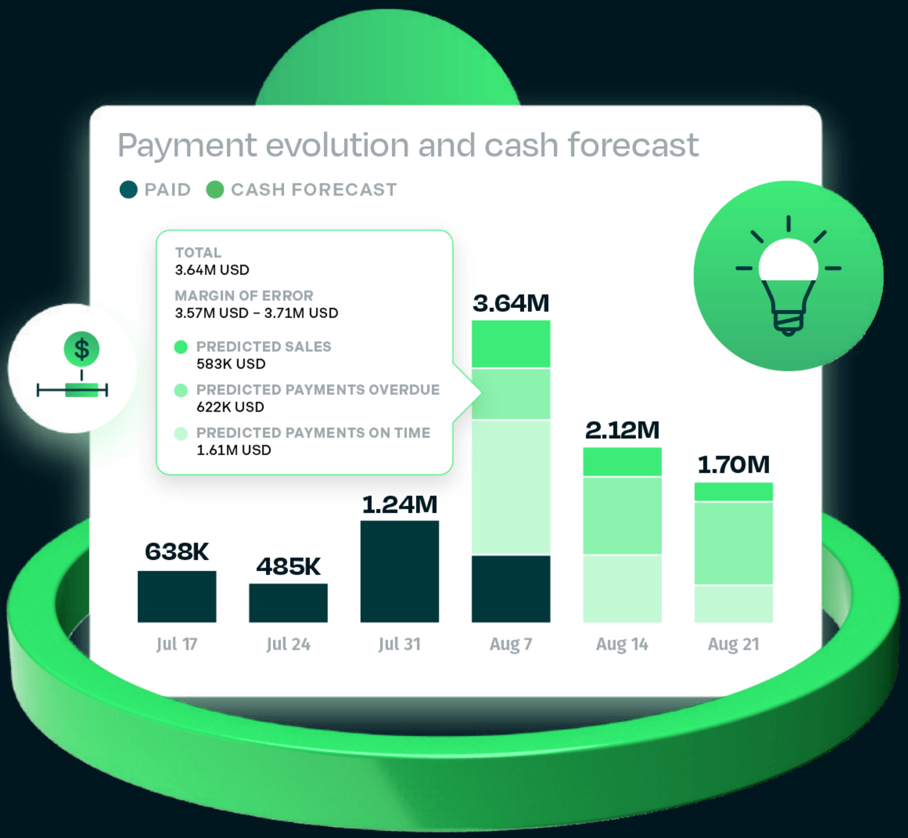
billtrust

WHITE PAPER

Take it easy

How technology can simplify accurate cash forecasting



Take cash forecasting beyond educated guessing

The volatile economic environment of the past few years has had significant effects on businesses, leaving companies focused on cash flow more than ever before—and that trend will continue into 2024. Globally, cash flow forecasting is the main priority for corporate treasurers in the next 12 to 24 months, according to the 2023 European Association of Corporate Treasurers (EACT) survey.

With that elevated attention, finance professionals are seeking ways to enable more strategic, accurate, and efficient forecasting—in advance of the market.[1]

43%

of corporate treasurers have deemed cash flow forecasting as their primary focus over the next year or two.[7]

Knowing the unknowns

However, unknowns ranging from evolving interest rates to turbulent global exchange rates—variables out of finance leaders' control—introduce countless scenarios to be explored in their models. This creates additional work and more uncertainty in their predictions.

That doubt translates to business worry in tight fiscal environments, and leaders seek clarity to alleviate concerns. Yet, at its core, cash forecasting comes down to educated guessing. Any corporate treasurer will tell you that it's not an exact science, and nothing is set in stone.

While that's true, today's technological solutions take much of the uncertainty out of hypotheses. With application programming interfaces (APIs), artificial intelligence (AI), and more robust data analytics, finance professionals can move from reactive to proactive in their cash forecasting approach, taking some of the guesswork out of it.

3 technology advancements for more accurate forecasting

As businesses look to advance their forecasting technology and make it more reliable, accurate, and efficient, they are looking to three main solutions:

APIs

Application programming interfaces make data more accessible by linking disparate systems and integrating them into one environment. They can also automate the collection of data, drawing on more robust inputs for modeling and forecasting.

AI

Artificial intelligence and machine learning offer tools that evaluate data and make it more reliable. Solutions incorporate programmed algorithms to flag abnormalities and identify synergies, revealing trends and patterns in the data. As the Association for Financial Professionals (AFP) executive guide Rethinking Liquidity Planning to Manage the Cash Lifecycle sums up, "In the past, forecasters would have to make assumptions about the uncertain elements underpinning the forecast. However, now AI can be harnessed to make these cash flows more predictable and, consequently, the forecasts more reliable."[3]

Data analytics

Data analytics create the story. By using technologies like APIs and AI to cull the data in an efficient and thoughtful manner, companies bring forward information that data analytics platforms can then apply toward business objectives. Working with data analytics allows for scenario planning and makes it possible to develop cash forecasts that will update in real time.

74%

of finance professionals report AI and machine learning technologies are important to their organizations' cash forecasting.[8]

"The maturity of technological solutions, more than ever, makes it possible to have greater expectations for improved cash management."

François Masquelier, chair, European Association of Corporate Treasurers (EACT)[9]

The benefits of strengthened cash forecasting

But why make the investment? What will these technology tools bring to the organization? In short, it comes down to revenue. With more precise predictions, businesses will realize:

1. **Strategic decision-making.** Having the right data and analytics tools in play will help businesses scenario-plan to address possibilities. Have a global business that depends upon strong exchange rates? Technological tools can help identify best- and worst-case scenario timing for payables and collections to maximize revenue. Looking to acquire a competitor? Advanced solutions can identify the most advantageous way to make the investment, such as drawing on reserves, taking a loan, or taking another route to maximize returns.
2. **Better cash flow.** A key outcome of more accurate cash forecasting, better cash flow supports the organization in the day-to-day. By employing more advanced data analytics, businesses can ensure they are addressing outstanding invoices, collections, and outbound payments in a balanced manner, strengthening their financial position in the process.
3. **Investment positioning.** Particularly for midsized to large corporations, investments help drive revenue. Using technological tools to introduce more accurate assessments of the global financial landscape will help organizations recognize the best ways to produce profits through buying, selling, and moving funds in line with the market.

By using more powerful data-centric solutions to analyze their financials, treasury teams can support their companies in expanding revenue potential.

Transitioning to liquidity planning

"The global banking system has been fraught with concern in the wake of recent bank failures, and treasury professionals have responded accordingly with their organizations' cash and short-term allocation. In an uncertain economic environment, treasury professionals will need to prepare their organizations for numerous possible outcomes."

Jim Kaitz, president & CEO, Association for Financial Professionals (AFP)[3]

As organizations achieve success with their forecasting, they may make the move from shorter-term assessments, which react to the near-term environment, to a longer-term, proactive approach to their financials in the form of liquidity planning.

Liquidity planning combines the best of strategic cash forecasting with the benefits of real-time, proactive analysis. According to the AFP executive guide, "In essence, while cash forecasts provide insight for treasurers seeking to manage cash at particular points in time, liquidity planning models provide insight for CFOs and treasurers seeking to influence liquidity levels over a period of time."[2]

With technology—including AI, data analytics, and APIs—firmly in place to support a bigger-picture vision, liquidity planning helps finance professionals model multiple scenarios to compare outcomes given different assumptions.

But they can't do it on their own. Finance teams need to look to partners to provide the data aggregation, analytics, and assessments that support a more efficient and effective approach to their overall financial review.

Looking to the future

In cash forecasting and liquidity planning, the key to success lies in the strength of available information and the knowledge of the finance professionals reviewing it. The data is only as good as its analysis, and it takes the input of treasury teams to ensure that it's being applied accurately and strategically.

By having technology tools at their disposal, finance teams make the evaluation process more efficient. Engaging with partners who can offer data-based solutions to inform cash forecasting and liquidity planning will help companies come out ahead, making these solutions a game-changer for company revenue in the short and long term.

How instant and real-time payments enhance cash forecasting

Both the Federal Reserve's FedNow and The Clearing House's Real-Time Payments (RTP) are instant payments systems. Based on a credit-push model, these payment rails boast attributes key to cash forecasting in that they are immediate, irrevocable, and controlled.

These strengths make them ideal solutions for supporting cash forecasting. According to The Clearing House:

> Using real-time payments to schedule your disbursements allows a corporation to have a real-time picture of its cash position by matching disbursements with incoming receipts. This could improve the ability to meet short-term commitments, minimize borrowing needs, and optimize use of surplus cash. With real-time payments cash can be managed precisely, and payments can be choreographed by matching payments to receipts in a real-time fashion without cut-off restrictions.[4]

Businesses are already recognizing these benefits. An October 2023 study from AFP found that 40% of finance professionals see the use of real-time payments as key to better managing cash flow.[5]

The same survey also found that over the next two years, more than 90% of organizations expect to be using real-time payments to receive payments.[6] Businesses interested in employing instant and/or real-time payments should speak with their financial institution for more information.

Tips for efficient cash forecasting

Leverage technologies like APIs and AI to gather data

Use liquidity planning to model multiple scenarios

Engage with partners who can offer data-based solutions

References

1. European Association of Corporate Treasurers. "The Voice of Corporate Treasurers in Europe," 2023-04 edition, https://www.treasurers.org/system/files/EACT_survey_2023.pdf.
2. Strategic Treasurer. "Treasury Technology Survey Report," September 2023, p. 11, https://go.strategictreasurer.com/rs/725-EHQ-445/images/2023-Treasury-Tech-Survey-Report-General.pdf
3. Association for Financial Professionals press release. "Survey: Organizations' Cash and Short-Term Allocation to Bank Deposits Drop to 47%, Lowest in Four Years," June 13, 2023, https://www.afponline.org/about/learn-more/press-releases/Details/survey-organizations-cash-and-short-term-allocation-to-bank-deposits-drop-to-47-lowest-in-four-years.
4. Strategic Treasurer. "Treasury Technology Survey Report," September 2023, p. 11, https://go.strategictreasurer.com/rs/725-EHQ-445/images/2023-Treasury-Tech-Survey-Report-General.pdf
5. Association for Financial Professionals. "2023 AFP Real-Time Payments Survey Report," October 2023, p. 20, https://cms.afponline.org/docs/default-source/registered/afp-real-time-payments-survey-report.pdf
6. Association for Financial Professionals. "2023 AFP Real-Time Payments Survey Report," October 2023, p. 7, https://cms.afponline.org/docs/default-source/registered/afp-real-time-payments-survey-report.pdf
7. European Association of Corporate Treasurers. "The Voice of Corporate Treasurers in Europe," 2023-04 edition, https://www.treasurers.org/system/files/EACT_survey_2023.pdf.
8. Strategic Treasurer. "Treasury Technology Survey Report," September 2023, p. 11, https://go.strategictreasurer.com/rs/725-EHQ-445/images/2023-Treasury-Tech-Survey-Report-General.pdf
9. European Association of Corporate Treasurers. "The Voice of Corporate Treasurers in Europe," 2023-04 edition, p. 11, https://www.treasurers.org/system/files/EACT_survey_2023.pdf.

Learn more

Visit billtrust.com or contact our sales team.

ABOUT BILLTRUST

Finance leaders turn to Billtrust to control costs, accelerate cash flow and improve customer satisfaction. As a B2B order-to-cash software and digital payments market leader, we help the world's leading brands get paid faster while transitioning from expensive paper invoicing and check acceptance to efficient electronic billing and payments. With over 2,600 global customers and more than $1 trillion invoice dollars processed, Billtrust delivers business value through deep industry expertise and a culture relentlessly focused on delivering meaningful customer outcomes.

CORPORATE HEADQUARTERS

11 South Gold Drive, Suite D
Hamilton, New Jersey 08619
United States

SACRAMENTO

2400 Port Street
West Sacramento, California 95691
United States

GHENT

Moutstraat 64/501
9000 Ghent
Belgium

AMSTERDAM

H.J.E. Wenckebachweg 200-III
Amsterdam AS 1096
Netherlands

KRAKÓW

ul. prof Michała Życzkowskiego 19
3 piętro
Kraków 31-864
Poland

PM-BT-WP18-v1