Expectation versus reality for payments data monetisation
Identifying the data-led services corporates want
EXPECTATION VERSUS REALITY FOR PAYMENTS DATA MONETISATION

Identifying the data led services corporates want

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EXECUTIVE SUMMARY

The concept of payments data monetisation—using payments data to improve either the efficiency of operations, to launch, or to enhance client-facing services—is not new. However, there has been an explosion of interest in recent months as margin pressure and growing customer expectations, alongside ISO 20022 migration and the expansion of real-time payment infrastructure, combine to create new revenue opportunities. With many banks already embarking on payments data monetisation strategies, few can afford to be left behind.

To better understand the opportunities for banks to leverage their payments data assets to launch new and enhanced services for corporate clients, Celent has conducted a detailed analysis of today’s landscape. At the core of this are two global surveys of senior executives, which in combination provide an in-depth view over both the demand and supply ends of the value chain.

Interviews with treasurers and CFOs at 217 large corporate entities spread across Europe, North America, and Asia have identified common business challenges, demand for new services, and—crucially—willingness to pay for service enhancements. In tandem, a survey of 168 senior bank executives (also spread across Europe, North America, and Asia) has given us a unique understanding of how banks plan to address these growing customer needs. Details on the survey samples and methodology can be found in the Appendix.

Investment in payments data monetisation is growing

While there is a diversity of opinion over the definition of “payments data monetisation”, it is also clear that a significant proportion of the industry is focusing their payment system investments on supporting service enhancements for the corporate sector. In a growing proportion of cases, this includes creating the ability to leverage payments data to enhance existing services and deliver innovation. Across our global panel, 38% of banks report that supporting payments data monetisation initiatives is a clear objective of their payment infrastructure investments.

Payments data monetisation refers to any use case for which the information in payment messages or in transaction records is leveraged to deliver value for the bank or its customers. This includes operational efficiency gains, enhanced customer propositions, and services that generate net new revenue for the financial institution.
Corporates will pay for many value-adding services

While there are many service enhancements and new products that corporates would like from their bank partners, there are important differences between the services in greatest demand and those they are most willing to pay to access. In other words, just because a corporate client would like to receive a specific service doesn’t mean they will be prepared to pay for it.

Our corporate panel shared valuable insights into both the services they see as most valuable, as well as their relative willingness to pay for each improvement. In the case of the latter, this reflects the top three use cases that the corporates on our panel reported that they would be happy to pay to use. Layering the two together provides clear direction for the industry when it comes to investments in leveraging payments data.

Figure 1: Real time data and forecasts are among the biggest monetisation opportunities

Question on the X-axis: “Thinking specifically about data-led services, which of the following would you expect to add the greatest value to your operations?”

Question on the Y-axis: “If these services were available from your bank partners, which would you be most willing to pay to access?”

Source: Celent Corporate Treasurer and CFO Survey, 2021
The most important message here is that there is a clear revenue opportunity from bank investments in payments data monetisation. Indeed, the top right quadrant of the chart in Figure 1 highlights several services that many corporates would willingly pay to receive. Most of these reflect a desire for real time balances, forecasts, improved security, and to have easy visibility across all bank partners. While each of these areas can be hugely complex to address, there is a clear revenue opportunity for those banks that can begin to deliver on these needs.

Highlights include:

- 84% of corporates that value real time cash balances would pay to access this service.
- 70% of corporates that want a single dashboard containing real time balances across their bank partners would pay for the benefit.
- 74% of corporates that see a value for improved security and fraud prevention have a willingness to pay for these services.

Inaction risks higher churn rates

There are several potential service enhancements that corporates view as high value but are largely unwilling to pay in order to access. Indeed, expanded automation and services such as virtual accounts are rapidly becoming table stakes for the industry.

In other words, while there is a strong case to invest in order to support revenue growth, there is also a strong case for banks to invest in order to protect their existing business.

There are several data-led services that corporates are relatively unwilling to pay for, but that they would potentially change providers to receive. More than 20% of corporates would look to move partners in order to access virtual account services, onboarding improvements, and greater payables automation. Failure to invest in these areas will elevate the risk of churn and must be factored into the broader business case for investments in leveraging payments data. In the case of virtual accounts, as many as 30% of corporates would change providers to access this, but willingness to pay for such functionality is far behind a number of other areas. Clearly this is already being viewed as a hygiene factor by many corporates.

While there is a strong case to invest in order to support revenue growth, there is also a strong case for banks to invest in order to protect their existing business.

Equally noteworthy is support for ISO 20022 compliance. Across our panel, 31% report that they would change providers to receive assistance in addressing the implications of compliance for their business. For banks there is an important tactical opportunity to support customers through a potentially complex change,
as some financial institutions are clearly falling short in this area. Indeed, this is a potential “moment of truth” event for the bank-client relationship and should be given a high priority.

**Figure 2**: Banks that do not invest in data-led enhancements risk higher churn rates

Question on the X-axis: “If your bank partners do not offer these services, what action are you likely to take?”  
Question on the Y-axis: “If these services were available from your bank partners, which would you be most willing to pay to access?”  

Source: Celent Corporate Treasurer and CFO Survey, 2021

Data monetisation is a product strategy, not a product

Data monetisation is not a product; it is a product strategy and needs to be treated as such. Banks that view payments data monetisation through the lens of one-off initiatives and tactical product enhancements will struggle to deliver an ROI and will miss the much larger opportunity to be competitive in the long term.

Ultimately, the objective is about more than revenue. The real opportunity is to move the relationship with corporate clients away from banking being about the consumption of products and towards acting as true partners for customers.
This is a two-headed strategy that involves both delivering greater automation and efficiency for clients to reduce the risk of churn, as well as bringing additional value through enhanced and new services. This shift in perception holds the key to long-term revenue and margin growth.

The industry is early in this journey, but some banks are beginning to move quickly. While the window for action is far from closed, payments data monetisation should be treated as a high-level strategic priority.

**Competing in the long term will require agility**

The needs of corporate clients are not static and will continue to evolve over time. The services that are in high demand today may quickly become table stakes, to be replaced by a whole new set of needs and expectations. Banks that wish to deliver for their clients must leverage data in a way that promotes the flexibility to respond to emerging customer needs in an agile manner. Inevitably this will include innovative collaborations and partnerships with third parties, including fintechs.

In practice this will require investment in the capabilities to support current needs while also offering a path to operating at greater scale, and flexibility, in the future. For many banks this is a challenge due to a combination of legacy infrastructure, skill gaps and organisational silos. Cloud technologies will increasingly form the backbone of these efforts, both in terms of data technologies, modelling, and design as well the potential upsides around scalability and agility. Indeed, it is almost inconceivable now that any financial institution would embark upon a large-scale data strategy without leveraging cloud technologies in at least some form.

Modern database technologies are now a prerequisite. They are specifically designed to manage large and complex data sets in the cloud, integrating and enriching diverse data sources along the payment processes. Users expect these solutions to be highly responsive and reliable, which in practice means being flexible across multiple cloud providers and delivering both the compliance that regulators demand along with the agility to enable developers to build new services.
INTRODUCTION

The case for payments data monetisation has never been stronger than it is today. The concept of leveraging payments data to enhance services for corporate clients is well understood, but progress has been limited by a combination of budgetary and technical challenges. Nevertheless, the need to address both squeezed margins and growing corporate expectations is driving renewed investment in this area, supported by the expansion of real time payments and ISO 20022 message formats. More than ever, banks that are slow to respond will risk losing corporate clients to more nimble competitors.

Enabled by advanced database, analytics, and artificial intelligence technologies, data has become the foundation for the business and product strategies of many of today’s most successful companies. For many reasons though, and despite the wealth of data assets available, few banks could be viewed in that context.

Finding ways to monetise payments data—including both the historic “stock” of transaction records and “flow” in the form of live individual messages—is a high-profile topic due to the range of use cases it can support for consumer, SME, and corporate clients. While the focus to date has been on use cases in retail, the opportunities to transform services for corporate clients are arguably even greater. There is considerable unmet demand for data-led services among corporate clients, which presents a clear opportunity to drive customer retention, address competitive threats, and create new sources of revenue.

While this concept is not new, there has been an explosion of interest in recent months. The need to respond to a combination of margin pressure and growing customer expectations is leading many banks to double down on payments data monetisation to increase topline revenues and customer satisfaction. ISO 20022 migration and real time payments infrastructure are important enablers. For many banks, the time for investment is now.

To better understand the payments data monetisation opportunity, Celent has conducted a detailed analysis of today’s landscape. This includes two global surveys. In March 2021, we interviewed 168 senior bank executives to understand their current plans and investment priorities around payments data. In parallel, we also gathered insights from 217 corporate treasurers and CFOs to understand their pain points, challenges, and willingness to pay for new services.
WHERE IS THE INDUSTRY TODAY?

Banks are actively investing in their payments infrastructure to support new capabilities that leverage data. Use cases are moving rapidly from a focus on tactical compliance and operational use cases towards enabling a range of new client-facing initiatives. Monetisation, whether direct or indirect, is becoming an increasingly important driver of these activities.

Four factors are driving investment

The concept of leveraging payments data to enhance banking services for corporates has been around for several years. Indeed, it has been widely touted as something of a silver bullet for banks wishing to respond to growing competitive challenges. However, it is far easier to identify a solution than to turn it into reality—something particularly true for financial institutions that have built up significant complexities in their operations and technology stacks over many years.

Payments data monetisation is now high on the investment agenda for a growing proportion of the market. Four main factors are driving this:

1. Corporate expectations are growing.
2. Bank margins are under pressure.
3. Real time payments and ISO 20022 migration create the foundation for investment in data monetisation.
4. Data is increasingly viewed as a strategic asset in the industry.
1. Corporate expectations are growing

Corporate clients have come to expect continued enhancements to their banking services. Indeed, as one executive interviewed for this study noted: “It’s quite common for large corporate clients to expect us to present our product and technology roadmap to them as part of our renewal conversations”.

Of course, each corporate client has its own specific needs, but the environment facing corporate treasurers, CFOs, and their teams has only become more complex with time and has been magnified by the impact of COVID-19. Not surprisingly, many corporates come to expect that their bank partners will continue to enhance their own offerings to help address some of these additional challenges around managing their cash, liquidity, and payments.

At the same time, improvements to retail banking services have continued apace, and it is equally natural for some of the same functionalities and experiences that corporate customers experience in their personal lives to be available to them in their professional endeavours. This unmet demand has created the opportunity for a number of nonbank providers to directly target corporates with new services, particularly in areas such as payments, treasury management, and foreign exchange.

Many corporate banks will look at the impact that new entrants such as PayPal have had in the retail payment space and wish to avoid becoming disintermediated from potentially important parts of their customers’ service needs. Indeed, 73% of banks see an increasing threat from niche and nonbank players.
While the concept of leveraging payments data will not be high on the agenda for many corporate clients, the service enhancements this can enable certainly are a key consideration (something discussed in detail later in this report). Across our global panel of banks, 79% believe that demand for data-led services among their corporate clients is increasing. This figure is consistent across the regions, indicating the degree to which banks are beginning to feel pressure from clients to bridge the gap between customer needs and the services they currently provide.

This is also becoming a more urgent priority due to the risk of business flows moving from incumbent banks to competitors. Where corporate clients were once relatively reluctant to move elements of their business to new providers, and even nonbank partners, this has receded in the face of the need to address their operational challenges. For example, as few as 30% of corporates use their lead banking partner for the majority of their credit and business financing needs, with 58% using alternative bank partners for these services. Crucially, 8% of corporates report that they use nonbank specialists for their credit and financing needs.

2. Margins are under pressure

Margin pressure is another key factor driving interest in payments data monetisation. Payments has traditionally been a volume business, but thinning margins are stressing the economic model to the point where outsourcing and industry utility or shared service models are once again being widely discussed.

The challenges here are twofold. Firstly, competition for corporate payment flows has become more intense. A combination of specialist providers and new entrants in areas such as cross-border payments and integrated foreign exchange have squeezed the revenues of incumbent banks. On the other side of the equation, costs are also rising across the industry, in turn creating the need for even greater processing scale. The emergence of new payment rails and a growing compliance burden have both combined to compress payments margins. Indeed, 60% of banks report that margins on their payments business are becoming challenging to maintain. This rises to 76% among banks in Asia.

3. Real time payments and ISO 20022 migration

Wider changes in the payments industry are one of the biggest drivers of interest in data monetisation. The roll-out of new real time payment infrastructures, initiatives such as SWIFT gpi, and the growing adoption of ISO 20022 message standards each acts as a catalyst for investment in new data-led services.

In the case of real time payments and gpi, there are immediate benefits to cash and liquidity management from payments being made and received more quickly and with greater visibility, but this is only part of the gain. ISO 20022 message formats allow far richer data to be sent across the network. This immediately
opens up a huge number of potential use cases, based upon either using the data directly or as part of broader value propositions. The potential value is increased even further where these data flows (and resulting added-value services) can be delivered in real time.

One senior executive at a large European bank highlighted the role that leveraging transaction data can play in bringing services to clients at the point of need: “So when a given transaction takes place, we will be able to say, ‘it looks like you could use a factoring service for supporting this specific transaction’. Which is much more complex to do and less interactive where things happen in batch files”.

Another commented: “When you get better data quality, you can provide solutions that will give a higher level of automation, such as higher STP rates and easier reconciliation. This will all make the customer experience a lot better”.

Perhaps more important still is the fact that initiatives such as ISO 20022 migration require most banks to make new investments in their payment systems. This creates the perfect opportunity to extend and increase the scope of these projects to add the capabilities to support new and improved services for corporate clients. This is a view that has wide agreement in the market, with 74% of banks viewing ISO 20022 migration as an opportunity to invest in new data-led services for corporate clients. Indeed, a number of banks are directly taking advantage of ISO 20022 migration to make these broader investments in their payments infrastructure.

4. Data is viewed as a strategic asset

In recent years, banks have come to understand the value of the data they hold. While managing customer data has always been a core competency for the industry, it brings with it both potentially significant costs and compliance oversight. What has shifted in recent years is the understanding of data as a strategic asset. This has already led to profound changes in the way that some banks view their future product roadmaps and strategy. Talk of enterprise-wide data strategies has turned into meaningful activity across many banks, and payments data is a central component to many of these projects.

While these opportunities are increasingly well understood, many banks face significant challenges in turning these aspirations into reality. The most common roadblocks are a combination of legacy product systems, rigid organisational
siloes, and difficulties in gaining access to the right developer and data science skills.

Cloud infrastructure and the growing maturity of commercially available database and machine learning technologies are playing a hugely important role in reshaping the art of the possible for the industry, in supporting both new capabilities and greater agility in experimentation and product development.

What is Payments Data Monetisation?

While it is true that the industry is increasing its investment and focus on leveraging payments data to enhance the corporate client experience, it is important to define the term “payments data monetisation”. Celent takes a reasonably broad view of the “data” piece, including transaction records as well as the data contained within each message. This perspective allows for a range of use cases that fall into one or more of three groups:

1. **Using payments data to improve internal operations.** Cost reduction and efficiency gains, such as using smarter routing and automated repair to improve STP rates, can be passed on to customers to improve competitiveness or otherwise enhance margins. Other examples include incentivising customers to make payments at different times to optimise the liquidity position of the bank.

2. **Using payments data to enhance existing corporate facing services.** Improved payment tracking, stronger support for relationship managers, and enhanced liquidity and transparency are all examples of the added-value activities that tend to fall into this group. New client wins, stronger relationships, and improved retention rates are the core opportunities, but there is scope for these activities to add sufficient value to justify additional fees.

3. **Using payments data to support new propositions and business models.** More direct monetisation opportunities fall here, including areas such as selling anonymised data to third parties or partnering with other organisations to launch new offerings. These would net new revenue opportunities for financial institutions.

Celent takes a broad view on opportunities for banks in leveraging payments data. This should be seen as encompassing each of the areas above. A more formal definition is provided below.

**Defining Payments Data Monetisation**

Payments data monetisation refers to any use case for which the information in payment messages or in transaction records is leveraged to deliver value for the bank or its customers. This includes operational efficiency gains, enhanced customer propositions, and services that generate net new revenue for the financial institution.
In short, this definition includes both direct monetisation through new fees or customer relationships as well as more indirect benefits in the form of cost reductions and client retention.

To further clarify this, we asked our panel of bank executives about areas that they consider to be part of the topic of payments data monetisation. The picture that emerges is quite nuanced. While there is broad agreement about these activities being a combination of both service enhancements and operational efficiencies, there isn’t a single perspective or universally agreed view here.

Across our global sample, 58% hold the view that payments data monetisation is about enhancing existing corporate-facing services. At the same time, 52% are clear that improving the efficiency of payment operations should also be seen in the same light.

Figure 4: There is no commonly agreed definition of payments data monetisation

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the efficiency of our wider operations</td>
<td>48%</td>
</tr>
<tr>
<td>Improving the efficiency of our payments business</td>
<td>52%</td>
</tr>
<tr>
<td>Improving existing corporate banking services</td>
<td>58%</td>
</tr>
<tr>
<td>Enabling relationship managers to better serve customers</td>
<td>43%</td>
</tr>
<tr>
<td>Creating new products and services that leverage payments data</td>
<td>41%</td>
</tr>
<tr>
<td>Selling payments data to third parties, or partnering with third parties</td>
<td>35%</td>
</tr>
</tbody>
</table>

Question: “What does the term ‘payments data monetisation’ mean to you?”

Source: Celent Corporate Bank Payments Data Monetisation Survey, 2021

It’s interesting to see that some other use cases that are very closely aligned with improving existing services were far less commonly seen as a function of data monetisation. Using data to improve the service that relationship managers (RMs) provide was selected by 43% of banks, while launching new products and services that leverage data was noted by 41%. This difference in viewpoint is what separates the leaders from the fast followers in the market, and it will become increasingly important that financial institutions take the broadest
view possible to the ways in which leveraging payments data can bring benefits to their organisations.

There are also some interesting regional differences. Overall, banks in Asia emerge as being more advanced in their thinking than their counterparts in Europe and North America, no doubt influenced by pressure from nonbank competitors. Around 70% of banks in this region view payments data monetisation as being about improving the efficiency of their payments business and enhancing existing corporate services. A high proportion of banks in Europe also view payments data monetisation to be about enhancements to existing corporate services, but those in North America are more commonly focused on use cases around operational efficiency.

Figure 5: Banks in Asia are the most advanced in their thinking

<table>
<thead>
<tr>
<th>Region</th>
<th>Improving the efficiency of our payments business</th>
<th>Improving existing corporate banking services</th>
<th>Enabling relationship managers to better serve customers</th>
<th>Improving the efficiency of our wider operations</th>
<th>Improving existing corporate banking services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>72%</td>
<td>68%</td>
<td>64%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>47%</td>
<td>62%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>52%</td>
<td>48%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question: “What does the term ‘payments data monetisation’ mean to you?

Source: Celent Corporate Bank Payments Data Monetisation Survey, 2021

Given the nature of this topic, and the fact that many data-driven initiatives are viewed as being purely cost-driven in nature, some of these differences are not surprising. What this demonstrates is the opportunity for many financial institutions to re-evaluate some of their existing use cases around payments data and to expand their horizons beyond projects that drive operational efficiencies and into bringing more direct enhancements to the customer experience.
Data projects are driving payment system investments

While there is a diversity of opinion over the definition of payments data monetisation, it is also clear that a significant proportion of the industry is focusing investments in their payment systems on supporting service enhancements. In a growing proportion of cases, this includes creating the ability to leverage payments data to enhance existing services and deliver innovation.

Looking at the common drivers for payment system investments, three of the top four areas focus on product and service enhancement. Delivering real time payments and related initiatives is a key objective for 48% of projects, along with initiatives to increase the speed and agility in bringing new solutions to market (45%) and supporting enhancements to corporate banking services (44%).

Perhaps unsurprisingly, improving security is the most cited objective (noted by 54%), and cost reduction is also important in 42% of cases. Compared with similar studies conducted over time, this reflects a gradual increase in the importance of product innovation within the overall mix. Even looking back just four or five years, it was common to see compliance and cost reduction closer to the top of these lists than we see today. Clearly, the industry is becoming more responsive to changing customer needs and the growing competitive threat.

Most interesting of all is the position of payments data monetisation in this list. While ranked below most of the options put to the panel, we can see that 38% report that supporting these initiatives is a clear objective of their payment infrastructure investments. In a similar study commissioned by Icon Solutions in 2019 this figure was 19%. While it’s difficult to compare the two studies side by side, it nevertheless suggests considerable growth in this as a project outcome.

Also noteworthy is the emphasis on collaboration with third parties and fintechs. While this is the lowest ranked priority overall, it was cited by 33% of banks and nevertheless demonstrates the degree to which this is beginning to influence technology decisions and product strategies. This is a particular priority for banks in Asia, among whom 60% highlighted this as a key objective, compared to 28% in Europe and 27% in North America.

38% of banks have made supporting data monetisation strategies an objective of their payment infrastructure investments.
**Figure 6: Data monetisation is an important driver of payment system investments**

<table>
<thead>
<tr>
<th>Driver</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security, and reducing the risk of fraud/financial crime</td>
<td>54%</td>
</tr>
<tr>
<td>Real time payments, either delivering or enhancing capabilities</td>
<td>48%</td>
</tr>
<tr>
<td>Greater speed and agility in bringing new solutions to market</td>
<td>45%</td>
</tr>
<tr>
<td>Supporting enhancements to corporate banking services</td>
<td>44%</td>
</tr>
<tr>
<td>Reduce costs</td>
<td>42%</td>
</tr>
<tr>
<td>Migration to cloud infrastructure</td>
<td>41%</td>
</tr>
<tr>
<td>Regulatory compliance or other mandated upgrades (eg ISO20022)</td>
<td>39%</td>
</tr>
<tr>
<td>Improving availability and resilience of payment systems</td>
<td>39%</td>
</tr>
<tr>
<td>Supporting payments data monetisation strategies</td>
<td>38%</td>
</tr>
<tr>
<td>Collaborate with third parties (e.g. fintechs)</td>
<td>33%</td>
</tr>
</tbody>
</table>

**Question:** “What were the drivers for the payment infrastructure investments you made in 2020 or are making in 2021?”

**Source:** Celent Corporate Bank Payments Data Monetisation Survey, 2021

**Familiar challenges have slowed activity**

There is clearly an appetite to invest in product and service innovations that leverage payments data. However, **common issues have restricted progress for many banks**.

A combination of security considerations, budget prioritisation issues, technology constraints, and operational structures are the most widely cited barriers to the greater use of payments data. The first three of those areas are broadly universal challenges faced by all long-established banks in undertaking significant technology-enabled change, but there are some specific factors at play that have further restricted the use of payments data.
Unsurprisingly, regulatory and compliance concerns are a particular challenge, and our executive panel highlighted this as the single most important barrier to using payments data. Across all regions, 38% flagged this as a limiting factor, including 40% of those in Asia and Europe. Quite apart from remaining compliant with relevant legislation on a domestic level (such as GDPR in Europe), providing a consistent experience to clients across a number of markets and regions potentially magnifies these concerns.

Technology constraints are also an important topic with reference to payments data monetisation. Across our panel, 31% noted that the limitations of their technology and infrastructure are a barrier. In many cases these challenges are legacy driven, particularly where different (and ageing) systems are used to process individual payment products. In these situations, even gaining a single consolidated view of the transactions that a customer makes can be challenging, let alone layering in value-adding services on top.
At the same time, the inability of current partners to support some of these initiatives is also important. One in three banks highlight this as a challenge, which reflects the fact that payments data monetisation requires skills and technologies that are typically beyond the reach of partners specialising in either payments and payment systems or data management and machine learning. In practice, banks must reach beyond their existing product teams to embrace those with more specialised experience in managing data.

Delivering on the promise of payments data monetisation will require investment in the infrastructure and capabilities to both manage and leverage data at scale. The emerging leaders in this space have all embarked on some form of centralised data strategy, be that at product or enterprise level. These involve the creation of modern data architectures to facilitate the storage, management, and use of what is often real time data to support a range of new use cases.

We’re not at a point where we’re considering how to monetise data. We’re talking about these things, but we’re swamped by the other stuff going on in the payment space”.

Senior Executive at a European bank

This is not to downplay some of the more prosaic challenges facing banks today. The costs of compliance and keeping pace with mandatory scheme and payment infrastructure changes are considerable, and often crowd out initiatives that would bring new and innovative services to clients. Indeed, one executive interviewed for this study referred to this as being “swamped by the other stuff going on in the payment space”.
THE REVENUE OPPORTUNITY

There are many ways that banks can leverage payments data to bring new value to corporate clients. Effective monetisation is a more complex task though, requiring a clear understanding not just of the enhancements in greatest demand, but which clients will most readily pay to access them. Delivered correctly, there is a substantial revenue protection and growth opportunity for the industry in payments data monetisation.

Corporates are focused on operating more efficiently

While the core responsibilities of corporate treasurers, CFOs, and those involved with payments and receivables have remained largely unchanged in recent years, the environment in which they operate has become increasingly complex. This is fuelling a need for services that can increase operational efficiency across treasury and finance functions. It also creates a greater churn risk for those banks that fail to address these challenges.

These themes emerge strongly among our panel of corporate treasurers and senior finance officers. Looking at the most important areas that corporate clients will be focusing on in 2021, it is no surprise to see that the core elements of these roles—managing liquidity, credit risk, and payments—top the ranking. What emerges alongside this is the emphasis placed on driving greater operational efficiency and automation.

The third most cited priority among our panel is controlling departmental running costs. Just over 36% of corporates are currently focusing here, including over 40% of business in the retail and manufacturing sectors. Closely linked is the emphasis placed on rationalising bank relationships, which is a focus area for 35% of the market and remains a driver of competitive pressure for incumbents. On average, the corporates in our panel have 9.5 bank relationships, rising to almost 13 among those with $5bn-$10bn in annual group revenues. This neatly demonstrates the scale of the complexity that many organisations face in their day-to-day operations. It also highlights the reality that corporates would prefer to have greater consistency in the data and wider services received from their bank partners.

While it can be difficult to know whether many corporates will follow through on these intentions, it nevertheless heightens the need for banks to ensure that they can remain relevant to their corporate clients. For banks wishing to potentially pick up some of this business, it reinforces the need to address some of the long-standing challenges around customer onboarding.
Figure 8: Treasury and finance teams are focused on operational efficiency

<table>
<thead>
<tr>
<th>Task</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing liquidity</td>
<td>40%</td>
</tr>
<tr>
<td>Managing credit risk</td>
<td>38%</td>
</tr>
<tr>
<td>Controlling department running costs</td>
<td>36%</td>
</tr>
<tr>
<td>Rationalising bank relationships</td>
<td>35%</td>
</tr>
<tr>
<td>Managing payments (including reconciliation)</td>
<td>34%</td>
</tr>
<tr>
<td>Analysis of payments data to improve decision making</td>
<td>33%</td>
</tr>
<tr>
<td>Supporting central functions</td>
<td>33%</td>
</tr>
<tr>
<td>Accuracy and granularity of cash forecasts</td>
<td>33%</td>
</tr>
<tr>
<td>Management/internal reporting</td>
<td>32%</td>
</tr>
<tr>
<td>Completeness and accuracy of cash visibility</td>
<td>31%</td>
</tr>
<tr>
<td>Analysis of non-payments data to improve decision making</td>
<td>29%</td>
</tr>
<tr>
<td>Improving integration between treasury and other functions eg ERP</td>
<td>29%</td>
</tr>
<tr>
<td>Managing FX risk</td>
<td>28%</td>
</tr>
<tr>
<td>Changing bank partner or working with non-bank specialist</td>
<td>25%</td>
</tr>
<tr>
<td>Regulatory reporting</td>
<td>24%</td>
</tr>
</tbody>
</table>

Question: “Which of the following do you expect to be your most important areas of focus over the coming 12 months?”

Source: Celent Corporate Treasurer and CFO Survey, 2021

Arguably of even greater interest is that 33% of corporates intend to invest time analysing their own payments data in order to improve their decision making. This is a clear demonstration of the demand for these services and supports the case for banks to consider investing in this area. However, the need to have visibility across as wide a pool of data as possible means that fintechs and other nonbanks will increasingly target this space.

Corporates face common pain points

There are three themes that cut across the pain points facing corporates today:

1. Issues that inhibit core treasury and finance functions
2. Specific cost drivers or inefficiencies
3. Difficulties in integrating with corporate systems and workflows

The most pressing issues facing corporates are those that inhibit the core activities of treasury and finance teams. As a consequence, the single biggest pain point is around data access and availability. **The accuracy of cash**
balances and forecasting is a pain point for 38% of the market, while having to make decisions based on an incomplete or out-of-date picture is a problem for 36%. On the payables side of the organisation, payment initiation remains a headache for 32% of corporates while a similar proportion report challenges with receivables and reconciliation.

The focus that many corporates have on increasing their operational efficiency is also highlighted here and is closely interwoven with the problems around data access and visibility highlighted above. The complexities of managing multiple bank relationships was flagged by 33% of corporates as a pain point, including 41% of those with revenues of $5bn–$10bn.

Manual processes and workflows also remain a problem for many large businesses, and feature in areas as diverse as cash visibility, regulatory reporting, and payment reconciliation. Across our panel, 31% report that this is an important operational challenge. In addition to the cost implications, manual interventions and workarounds can often increase the risk of errors. Automation and greater integration of bank services into corporate digital workflows are consequently an important opportunity. Lack of functionality in these areas is an operational challenge for 31% of corporates, rising to 36% of the very largest businesses.

**Figure 9: Common pain points facing corporates in 2021**

<table>
<thead>
<tr>
<th>Pain Point</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accuracy of cash visibility and forecasting</td>
<td>38%</td>
</tr>
<tr>
<td>Making decisions using partial or out of date information</td>
<td>36%</td>
</tr>
<tr>
<td>Preventing fraud in cash management</td>
<td>34%</td>
</tr>
<tr>
<td>Managing multiple bank and third-party relationships</td>
<td>33%</td>
</tr>
<tr>
<td>Issues with payment initiation</td>
<td>32%</td>
</tr>
<tr>
<td>Manual processes in key workflows</td>
<td>31%</td>
</tr>
<tr>
<td>Integration with payment and collection systems</td>
<td>30%</td>
</tr>
<tr>
<td>Receivables management and reconciliation</td>
<td>30%</td>
</tr>
<tr>
<td>Insufficient information to do automatic reconciliation</td>
<td>30%</td>
</tr>
<tr>
<td>Integrating bank information into ERP/TMS</td>
<td>30%</td>
</tr>
<tr>
<td>Difficulty in obtaining up-to-date views on cash position</td>
<td>27%</td>
</tr>
<tr>
<td>Compiling regulatory or internal reports</td>
<td>26%</td>
</tr>
</tbody>
</table>

Question: “In meeting your core objectives for 2021, which of the following will be your biggest operational challenges?”

Source: Celent Corporate Treasurer and CFO Survey, 2021
What data-led services do corporates want?

It sounds obvious but corporate clients look to their bank partners to support their desire for greater operational efficiency.

In other words, **the path to differentiation for a financial institution will increasingly lie in bringing value to corporate clients above and beyond the provision of banking and payment services.** For large corporates in particular this will be about delivering standardised and accurate data in real time, while many smaller clients will place a higher value on downstream services. Ultimately, while factors such as price, service quality, and geographic reach will remain important, those banks that can make managing finance and treasury functions easier will place themselves in a far stronger competitive position in the medium and long term than those that do not. Leveraging payments data holds the key to addressing many of these needs.

Ultimately, this is about targeting customer pain points. As one executive at a large global bank commented: “**The great thing about a data strategy is that it all starts with finding use cases and business use cases. That's where it started. There's no real journey, it's all about value from this.**”

This perspective extends across the corporate spectrum, demonstrating both the opportunities for the industry as well as the risks of failing to deliver on these new expectations.

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“The great thing about a data strategy is that it all starts with finding use cases and business use cases. That’s where it started. There’s no real journey, it’s all about value from this.”

Senior Executive at a global financial institution
Figure 10: The data-led services that would add the greatest value to corporates

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real time consolidated data from multiple banks into a single dashboard</td>
<td>38%</td>
</tr>
<tr>
<td>Real time cash forecasting</td>
<td>37%</td>
</tr>
<tr>
<td>Better security/fraud protection</td>
<td>36%</td>
</tr>
<tr>
<td>Real time cash balances</td>
<td>35%</td>
</tr>
<tr>
<td>Custom reporting for internal and/or regulatory purposes</td>
<td>34%</td>
</tr>
<tr>
<td>Automated tracking and reconciliation of receivables</td>
<td>33%</td>
</tr>
<tr>
<td>Seamless integration into corporate workflows</td>
<td>33%</td>
</tr>
<tr>
<td>Support for ISO 20022 compliance</td>
<td>32%</td>
</tr>
<tr>
<td>Data analytics/tools to improve decisions</td>
<td>32%</td>
</tr>
<tr>
<td>Greater automation of payables</td>
<td>32%</td>
</tr>
<tr>
<td>Tailored or personalised services to meet specific client needs</td>
<td>30%</td>
</tr>
<tr>
<td>Virtual accounts</td>
<td>29%</td>
</tr>
<tr>
<td>Managing payments split across multiple entities</td>
<td>25%</td>
</tr>
<tr>
<td>Streamlined set-up and onboarding for new accounts</td>
<td>25%</td>
</tr>
</tbody>
</table>

Question: “Thinking specifically about data-led services, which of the following would you expect to add the greatest value to your operations?”

Source: Celent Corporate Treasurer and CFO Survey, 2021

Corporates want data in real time

Looking at the specific services that corporate clients most value, delivering insights and data in real time (or near real time) is becoming a priority. The growing availability of real time payments and the plethora of real time services in the retail sphere have both increased expectations here.

Across our panel of corporate treasurers and senior finance executives, the data-led service most in demand is for a **single dashboard to provide a consolidated view across a corporate’s bank partners in real time**. This was highlighted by 38% of all corporates.

While the technology certainly exists for cross-institution dashboards today, delivering this in real time is more challenging (or even at all in many cases). Nevertheless, this highlights an important opportunity for banks to consider to both address a key client pain point and to position themselves as the provider of
a principal interface through which clients manage their activities. Corporate APIs and even open banking infrastructures provide opportunities for the industry to explore here.

Closely linked is the emphasis on real time cash forecasting and balances. Across the market, 37% of corporates cited real time forecasts as a service that would bring value to their operations. This includes 42% of those with annual revenues in excess of $10bn.

Real time cash balances are also seen as a high priority value-adding service for 35% of the market. This rises to 53% among corporates in Asia and is also most highly valued by the largest organisations. Among those with $10bn and above in annual revenues, this was highlighted by 40%, making it the second most highly ranked service improvement (after real time forecasts).

Ultimately this underlines the costs and inefficiencies of making cash and liquidity decisions with only partial information. In addition to the costs and risks inherent in using manual workarounds, there are real and substantial gains to be had from increasing the efficiency in the use of cash. This alone creates a strong business case for corporates to work with partners that can address these challenges.

There are some important distinctions here when it comes to the size of the client. Smaller corporates (those with $500m–$1bn in annual revenues) are more focused on receiving fully-formed services from their bank partners, such as a real time consolidated view across their accounts and positions. Indeed, 53% of corporates in that category would value this service, making it the most desired service enhancement for that size of business.

This is often a function of resources, as the size of treasury and finance teams in companies at this end of the spectrum is often quite small, in turn driving the need for third parties to provide these services.

The situation is frequently reversed when it comes to the largest corporates. It is common for organisations with $10bn in revenues and above to have made significant investments in their treasury management and ERP platforms, making access to the data to feed these applications far more important. In this part of the market, real time cash forecasting (42%) and real time cash balances (40%) are the services in greatest demand.

Corporates want more value-adding insights

Alongside real time data and forecasting, there are several more specific use cases that are in demand among corporate clients.

One important theme here is around access, and more specifically the ability to integrate data from bank partners into corporate systems and processes. The growing adoption of ISO 20022 messages is an important enabler here, as greater global standardisation will smooth the path for integration with a corporate’s existing applications.

Support for either internal or external reporting (for example to regulators) is high on the agenda for 34% of corporate clients, including 41% of those in North
America. Given the degree of potential manual involvement in these processes, services to streamline even substantial elements of the workflow can bring important gains.

Closely linked here is interest in being able to directly integrate data from bank partners into existing corporate workflows, such as TMS or ERP systems. Across the market, 33% of corporates place a high value on this service, including 38% of the smallest organisations and 36% of the largest (those with $10bn and up in annual revenues). Those banks that have begun to offer API connections for corporate clients to directly access their account information, or otherwise forming partnerships with leading TMS and ERP providers, are in a strong position to capitalise on these needs.

Potentially of even greater importance is the value placed on data tools and insights that can be used to improve decision making among both treasury and finance teams. The use cases around using data analytics and machine learning technologies to power services such as scenario-based forecasting, recommended actions, or risk scores on future positions are not new but are equally challenging to deliver.

The demand for these services is clear though. Across our panel, 32% of corporates list this among the most important added-value services that their bank partners could offer. This includes 38% of corporates in Asia and 39% of those with $5bn–$10bn in annual revenues.

**Corporates want better services around payments**

The other most important theme from a corporate perspective is payments. The practicalities of making and receiving payments remain a significant pain point for many organisations, and providing greater automation for payment tracking and reconciliation is in demand from 33% of corporate clients. In turn, greater automation in payables was also cited as an important source of value for 32% of the market.

Changes in the payment industry can play a particularly important role here. Initiatives such as SWIFT gpi are already enhancing the opportunities around payment tracking, while ISO 20022 message formats bring the potential to drive far higher rates of automation. Using payments data (and other sources) to drive value through delivering insights is also a considerable opportunity.

As one executive interviewed for this study noted: “Where we get excited, and what gets the juices flowing, is the value that we can bring to the organisation, and that means providing our clients with better experiences around their payments. For example, distinguishing between reporting versus actionable insights, or coupling the data in a payment message with third party information to create a better wire spectrum for our customers. All to help clients on their business journey.”

The subject of ISO 20022 migration has also emerged as a specific pain point. Across our panel, 32% stated that help in managing the necessary changes would
be an important value-adding service from bank partners (rising to 50% among corporates in Asia).

This highlights two very important themes that are emerging in today’s market. The first is a clear reminder of the need for banks to support their clients through these changes. ISO 20022 is far more than a bank-facing issue and should be treated as an opportunity to build deeper engagement with clients on the aims, rationale, and potential benefits of ISO 20022 message formats. The second point is the degree to which many corporates look to their bank partners for support with the practicalities of some of these issues. For some this will be a “moment of truth” in which a bank can either emerge as a valued partner or risk tarnishing its relationships.

Where we get excited, and what gets the juices flowing, is the value that we can bring to the organisation, and that means providing our clients with better experiences around their payments.

Senior Executive at a global corporate bank

What will corporates pay to access?

While there are many service enhancements and new products that corporates would like from their bank partners, there are important differences between the services in greatest demand and those they are most willing to pay to access. In other words, just because a corporate client would like to receive a specific service doesn’t mean they will be prepared to pay for it.

Our corporate panel shared valuable insights into both the services they see as most valuable, as well as their relative willingness to pay for each improvement. In the case of the latter, this reflects the top three use cases that the corporates in our panel reported that they would be happy to pay to use. Layering the two together provides clear direction for the industry when it comes to investments in leveraging payments data.
Corporates will pay for real time data and insights

The most important message here is that **there is a clear revenue opportunity for banks that invest in payments data monetisation.** Indeed, the top right quadrant of the chart above highlights several services that many corporates would willingly pay to receive. Most of these reflect the desire for real time balances, forecasts, and seeing this across all bank partners. While each of these areas can be hugely complex to address, there is a clear revenue opportunity for those banks that can begin to deliver on these needs.

It is worth also remembering what drives this demand. The focus on real time data comes back to the broader corporate aim to reduce complexity and run lean. Enhancements that target inefficiencies and offer a cost take-out opportunity will be welcomed. From the bank perspective, the case for charging for these services becomes an easy one to make.
Across our panel, 84% of the corporates that value real time cash balances rated it as one of the top three services they would pay to access. As this underpins so many downstream activities, including forecasting and key decisions around cash and liquidity management, it is no surprise to see this as the single biggest opportunity for the industry. Indeed, 61% ranked this as their first choice.

Closely linked here are single dashboards containing real time balances across all bank partners of a corporate. This is the second most highly rated service enhancement, with 70% of the corporates interested in this service willing to pay for it.

It is interesting to see the number of corporates willing to pay for improved security and fraud prevention. Traditionally viewed as a given when it comes to banking services, 74% of the corporates that want this service reported that they would be happy to pay for enhancements here. In large part this reflects the costs and complexities that many corporates experience in managing their risks and exposures across multiple partners.

The other most noteworthy areas to highlight here are the interest in services that directly leverage data to generate insights. Real time cash forecasting is a service that 64% of corporates who want this feature are willing to pay to access, which again reinforces the emphasis on activities that can reduce work undertaken by treasury teams. While this would presumably require real time data—or at least enough of a view on future payments to fill in any gaps—it is a clear opportunity for banks to deliver highly sticky services to clients.

The final area to highlight here is interest in analytics-driven tools to support better decision making. While a broad category, and something that includes topics such as risk scores on future positions, scenario-based forecasts, and even recommended actions, the value that these services can potentially bring to treasury and finance operations is considerable. Overall, 77% of the corporates interested in this feature ranked this as a top three service area they would pay to access, and 39% listed it as their top choice. As with cash forecasting, the efficiency gains are reasonably clear from a corporate perspective, and this will also be on the radar of nonbank partners.

Automation and virtual accounts are becoming table stakes

There are several potential service enhancements that corporates view as high value but are largely unwilling to pay in order to access.

Looking at the bottom right quadrant of Figure 11, the automated tracking and reconciliation of receivables and better integration with corporate workflows fall into this category. While there will doubtless be clients that would value these services enough to support additional fees or other charges, there is a broader sense that many corporates view supporting automation and data access as part of the standard service they should receive. Given the investments that banks are
making in real time payments, ISO 20022 messaging, and the emergence of topics such as open banking payments, this should not be surprising. Banks should consider request-to-pay and related initiatives as important tools to address client needs around reconciliation in particular.

Virtual accounts also appear to be viewed as more of a standard offering by many corporates. From being one of the most widely discussed corporate enhancements just a few years ago, the view emerging from this research is that this too is seen as table stakes for many corporate clients.

A growing churn risk means inaction is not an option

The most important message for the banking industry is that inaction is no longer an option when it comes to leveraging payments data. While there is a strong case to invest in order to support revenue growth, many will also need to invest in order to protect their existing business.

The focus being placed on operational efficiency means that supporting these aims will become an increasingly important part of renewal negotiations and partner selection decisions in the future. While pricing and the quality of core services will always be front and centre, corporates are looking to their bank partners to support their aims to increase automation and reduce manual workflows. Indeed, 69% of corporates report that they would consider moving some or all of their banking business to providers that can bring them greater operational efficiencies. Failure to deliver risks the loss of potentially significant business volumes over time.

There are several data-led services that corporates are relatively unwilling to pay for, but that they would potentially change providers to receive. More than 20% of corporates would look to change partners in order to access virtual account services, improvements to onboarding, and greater payables automation. Failure to invest in these areas will elevate the risk of churn and must be factored into the broader business case for investments in leveraging payments data. In the case of virtual accounts, as many as 30% of corporates would switch providers to access this functionality, but willingness to pay is far behind a number of other areas. Clearly this is already being viewed as a hygiene factor by many corporates.

Equally noteworthy is support for ISO 20022 compliance. Across our panel, 31% report that they would change providers in order to receive help in addressing the implications for their business. For banks there is an important tactical opportunity to support customers through a potentially complex change, as some financial institutions are clearly falling short in this area. Indeed, this is a potential “moment of truth” event for the bank-client relationship and should be given a high priority.
Figure 12: The case for investing in payments data monetisation is about meeting new expectations as well as generating new revenue opportunities

Question on the X-axis: “If your bank partners do not offer these services, what action are you likely to take?”

Question on the Y-axis: “If these services were available from your bank partners, which would you be most willing to pay to access?”

Source: Celent Corporate Treasurer and CFO Survey, 2021
The next wave of enhancements to corporate banking services will be driven by the way that banks leverage their data assets. With many banks already investing in use cases for payments data, and the demand from corporate clients undeniable, this will drive the agenda into the medium term. With both revenue growth and client retention at stake, those banks that make the right investments in the short term will be best positioned for long-term success. This will require an emphasis on increasing both the quality of current services and making them real time.

Banks fall into one of three segments

While the subject of payments data monetisation has been discussed in the industry for many years, it can still be largely viewed as a greenfield opportunity.

Looking across the market, there is a near-universal awareness of corporate client demand for value-added services. There is also a lot of activity underway, with many banks planning to bring new and enhanced services live in 2021. What separates the market is the progress that individual banks have made to date, but each can be placed into one of three broad segments based on its strategy and current investment. Understanding where you are and how (and whether) you want to compete with data-led offerings is a crucial strategic decision.

Figure 13: Banks fall into one of three groups when it comes to their data strategy

1. Legacy restricted
   - Banks with the aspiration to change, but are severely constrained by legacy. Likely to be slow to market with new services and face competitive pressure.

2. Actively investing
   - Banks that are actively laying the groundwork for future innovation and have launched some new services or enhancements. In many cases, the use of payments data forms part of larger data strategies.

3. Early movers
   - Banks that are well progressed with their data strategies and product development roadmaps, including building the capabilities to respond to future needs with agility.

Source: Celent
Legacy restricted. The first group is those banks that have identified the need to act but are held back by technical legacy. Complex and ageing payment systems are not completely incompatible with payments data monetisation, but they are a considerable barrier to agility. For banks in this situation, payments data monetisation may strengthen the case for broader renovation and transformation projects. The focus of product innovation is typically on use cases that do not directly leverage payments data at the disposal of the bank.

Actively investing. Banks in this category have either begun to put in place or are currently investing in their payments data strategy. This is often supported by current or recent payment system modernisation projects, alongside investment in either product or enterprise-level data initiatives. Banks in this group have usually begun to launch new services or plan to do so in 2021.

Early movers. These banks are the current pace setters. In many cases, payments data-related projects are part of well-established enterprise-wide data strategies and can therefore leverage investments made in database, analytics, and machine learning technologies. Services are often already live, with plans for further launches and investments well advanced.

ISO 20022 and real time are significant catalysts

The roll-out of ISO 20022 message formats is one of the issues driving change in the payments industry and is also a hugely important catalyst for the development of payments data monetisation strategies. As we can see from our panel of corporates, both are also table stakes and this situation will not change.

Many banks are making changes and upgrades to their payments infrastructure in order to handle messages in ISO 20022 formats. These range from projects that focus on message translation to enable processing to continue in existing payment infrastructures, through to those banks that have used this as the trigger for larger scale transformation projects (particularly in those cases where message translation is not permitted).

In many cases, banks have taken the opportunity to extend these projects to support more wholistic data strategies and data-led use cases. Indeed, more than one of the executives interviewed for this report commented that the compliance-driven nature of ISO 20022 migration has made it far easier to get budget approval for the increases in scope needed to support data monetisation.

The problem was the way that the banks and corporates communicated wasn't always open and robust. ISO 20022 is the game changer.

Head of Global Payments at a global bank

These views are echoed by our panel of corporate bank executives, who report a number of benefits brought about by the necessity to invest in their payment
systems to support ISO 20022. It is no surprise to see that a large number of banks have taken the opportunity to increase security, as this is often a natural benefit from upgrading legacy technology. Of greater interest is the emphasis on improving corporate banking services. Across our panel, 42% of banks are planning to deliver value-adding services following their ISO 20022 upgrade projects. This reaches 46% for banks in North America, highlighting the impact that domestic real-time payment initiatives are having on re-shaping the debate around new corporate services.

**Figure 14: ISO 20022 is seen as the foundation for new corporate services**

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased security</td>
<td>48%</td>
</tr>
<tr>
<td>Better data integrity</td>
<td>44%</td>
</tr>
<tr>
<td>Will allow us to create new corporate banking services</td>
<td>42%</td>
</tr>
<tr>
<td>Improved reconciliation of payment remittances</td>
<td>38%</td>
</tr>
<tr>
<td>Enable or enhance our data strategy</td>
<td>36%</td>
</tr>
<tr>
<td>Will allow us to create new value add payment services</td>
<td>36%</td>
</tr>
<tr>
<td>Regulatory or payment scheme compliance</td>
<td>36%</td>
</tr>
<tr>
<td>Improved straight through processing rates</td>
<td>36%</td>
</tr>
<tr>
<td>Faster time to market with new services</td>
<td>34%</td>
</tr>
<tr>
<td>Improved cross-border interoperability</td>
<td>30%</td>
</tr>
<tr>
<td>Rationalisation of multiple formats</td>
<td>30%</td>
</tr>
<tr>
<td>No benefits at all</td>
<td>2%</td>
</tr>
</tbody>
</table>

Question: “What benefits do you expect to realise from your ISO 20022 upgrade?”

Source: Celent Corporate Bank Payments Data Monetisation Survey, 2021

Alongside this, as many as **36% of banks view ISO 20022 as enabling or enhancing their data strategy**. This demonstrates the degree to which some banks are actively leveraging these changes to push the innovation agenda. It also suggests that a significant portion of banks have potentially put themselves at risk of being left behind competitors that are actively embracing the opportunities of ISO 20222.

Alongside the imperative to invest in order to handle ISO 20022 messages, the nature of the format itself naturally lends itself to supporting new use cases. The ability to send much richer reference data and attachments along with payment messages opens up many opportunities to address corporate pain points. This is
particularly the case for payment automation and reconciliation, which have emerged as core service expectations for corporates.

However, ISO 20022 will not be a solution in itself. As one bank interviewed for this report noted, the potential for significant volumes of unstructured data to be provided with each payment will create a new challenge for banks in terms of extracting value: “The additional data will almost need a standard in itself. How will we identify the useful elements in all that data, especially if it’s unstructured?”

Examining just one narrow example demonstrates the scale of both the value and the potential complexities here. One of the features of ISO 20022 messages is the opportunity to include invoice data and similar information with the payment message. Data points such as these are hugely valuable but are commonly unstructured, and require considerable effort to extract, clean, and sort in order to underpin improved client services. This is only one, and there is an array of data fields available to banks, many of which are in different formats and from different source systems. The capabilities to manage and leverage unstructured data are the core of the investment that banks need to make in order to support data monetisation strategies.

“

The additional data will almost need a standard in itself. How will we identify the useful elements in all that data, especially if it’s unstructured?

Head of Payments at a large European bank

Real time payments add a further dimension. All new real time payment infrastructures are built using ISO 20022 messages, as is SWIFT gpi. The implication is that payments data will not just become richer as a result of ISO 20022; this data will increasingly flow in real time and therefore bring with it the opportunity to further address corporate expectations for greater real-time insights and data.

Data monetisation is a product strategy, not a product

Data monetisation is not a product; it is a product strategy and needs to be treated as such. Banks that view payments data monetisation through the lens of one-off initiatives and tactical product enhancements will struggle to deliver an ROI and will miss the much larger opportunity to be competitive in the long term.

Ultimately, the objective is about more than revenue. The real opportunity is to move the relationship with corporate clients away from being about the consumption of products and towards acting as true partners. This is key to both retaining current clients as well as driving revenue growth. Ultimately banks must focus on bringing substantial improvements to the way they manage and use data, in order to support service improvements downstream.
The industry is early in this journey, but some banks are beginning to move quickly. While the window for action is far from closed, payments data monetisation should be treated as a high-level strategic priority.

**ROI will come from delivering a range of enhancements**

When it comes to value-added services, there is no single product enhancement that will move the revenue dial for a bank. The **opportunity in payments data monetisation is in delivering a range of improvements** that drive a combination of lower operating costs, new fee revenue, and enhancements that support customer retention. Collectively, these represent a potentially considerable net revenue gain for a bank.

To achieve this though, banks must approach data monetisation as a long-term shift in product and operational strategy rather than as a more traditional product improvement with a defined budget and delivery date. This is about bringing data into as many areas of operational improvement and product development as possible.

For some banks, this will involve expanding existing data-led operational improvement initiatives into new areas. For other banks, this will require a more wholesale rethink about the way that product development is managed.

**Competing in the long term will require agility**

The needs of corporate clients are not static and will continue to evolve over time. The **services that are in high demand today may quickly become table stakes, to be replaced by a whole new set of needs and expectations.** Banks that wish to deliver for their clients must leverage data in a way that promotes the flexibility to respond to emerging customer needs in an agile manner. Inevitably this will include innovative collaborations and partnerships with third parties, including fintechs.

In practice this will require investment in the capabilities to support current needs while also offering a path to operating at greater scale in the future. Creating the right data architecture will be critical, and the most forward-thinking institutions will create their data attributes as a series of building blocks or components that can be assembled to address any number of potential future use cases.

This approach supports the rapid creation and testing of new services. As one executive interviewed for this report noted, working in this way allows for common approaches to address adjacent or related use cases with only small changes: “...looking closely you suddenly start to see you also now have a lot of other attributes that you’re collecting, that allow you to do a minimal viable proposition for some of the other journeys you are looking to do.”

Cloud technologies will increasingly form the backbone of these efforts, both in terms of database design as well the potential upsides around scalability and agility. Indeed, it is almost inconceivable now that any financial institution would embark upon a large-scale data strategy without leveraging cloud technologies in at least some form. Strong machine learning and analytics tools are commonly
available from the leading cloud providers, while modern database technology is now almost universally designed with cloud computing in mind.

The gains are real too. As one senior executive at a global bank commented: “This [data monetisation] would have been very, very costly to do on a mainframe. The newer technologies like cloud allow you to do this in a much more efficient and effective way”.

This [data monetisation] would have been very, very costly to do on a mainframe. The newer technologies like cloud allow you to do this in a much more efficient and effective way.

Head of Global Payments at a global bank

While there is considerable value to be extracted from payments data alone, the greater long-term gains will be unlocked by combining this with other data assets. As such, payments data monetisation should be integrated into enterprise-wide data strategies where they exist, and where they do not, data monetisation initiatives should be built to allow easy integration into larger projects in the future. The aim needs to be to modernise the data estate so that it can be made available to support product innovation in a way that is easy and secure.

The final dimension to consider is skills. Over time, product design and development will become more reliant on the way that different data components can be leveraged to create and support services. This will require product teams to either bring in new skillsets in areas such as APIs, software integration, data science, and machine learning as a minimum. At the very least, they will need to have access to central teams within their organisation.
APPENDIX

In preparing this research, Celent ran two dedicated pieces of primary research. Details of the sample and methodology are provided here but, for further information, please contact Kieran Hines (the report author) at khines@celent.com.

Research aim and timing

The aim of our primary research programme was to understand how both banks and corporate clients view the issue of payments data monetisation. The central theme we explored was whether there are commercial opportunities for banks to pursue in data monetisation and, if so, what services corporate clients might be most willing to pay to access.

To investigate this, we gathered insights from two groups of stakeholders:

• **Senior executives in large banks with oversight for corporate digital banking, payments, or technology strategy relating to payments**
• **Corporate treasurers, CFOs, and other senior finance roles at large corporates**

The questions asked of each group were different, and both surveys ran in parallel. Fieldwork ran between February and April 2021.

Further detail on the corporate bank survey

Our corporate bank survey saw us gather insights from 168 senior executives at large banks (with a minimum asset size of $50 billion) across Europe, North America, and Asia. Each of our respondents has direct involvement or visibility into the investment plans and product development roadmaps for corporate banking services at their institution. Sample titles include Head of Payments, Head of Corporate Banking, and CIO.

The questions asked focused on three main themes:

• **Investment plans and prioritisation around leveraging payments data**
• **Understanding of corporate client needs**
• **Product development plans and roadmaps relating to service improvements for corporate clients**
Further detail on the corporate survey

Our survey of corporates saw us gather insights from senior executives at 217 large corporate entities (with a minimum annual revenue of $500 million) across Europe, North America, and Asia. Each of our respondents has direct visibility into the processes and needs of their organisation when it comes to cash and liquidity management or payments (payables and receivables). Sample titles include Corporate Treasurer, CFO, and Head of Finance.

The questions asked focused on three main themes:

• Current network of bank and third party partners
• Core operational objectives for 2021
• Corporate banking service improvements of greatest value
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