

October 2024

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

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

Prepared for:



Overview and Methodology

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

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

50%

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

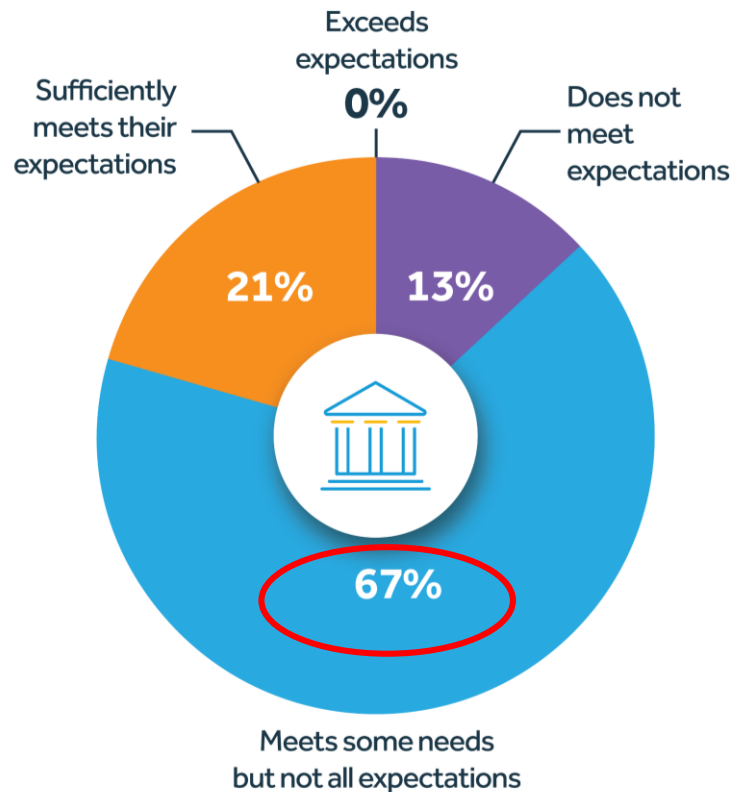
ONLY 23%

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

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

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

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



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

Source: Datos Insights Corporate Banking Executive Council Q1 2024 Survey

Key Trends Shaping the Market and Bank Needs/Strategies

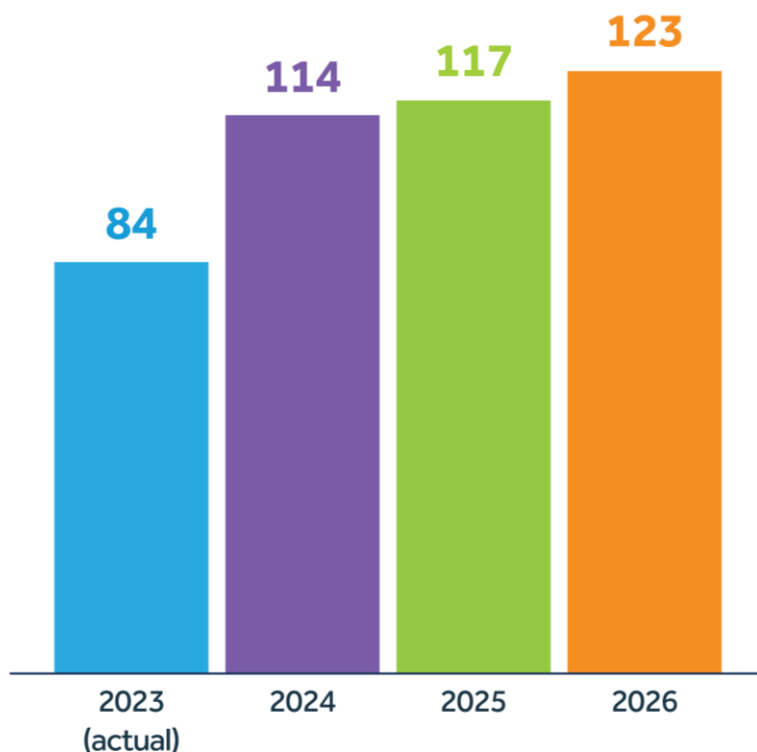
Market Trend	Market Implication
Attrition and desire to grow market share and deposits (especially regional banks)	Regional banks must find ways to compete more effectively and differentiate themselves by carving out niches and expanding their capabilities. Smaller banks are trying to move upmarket.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

Key Functionality Trends

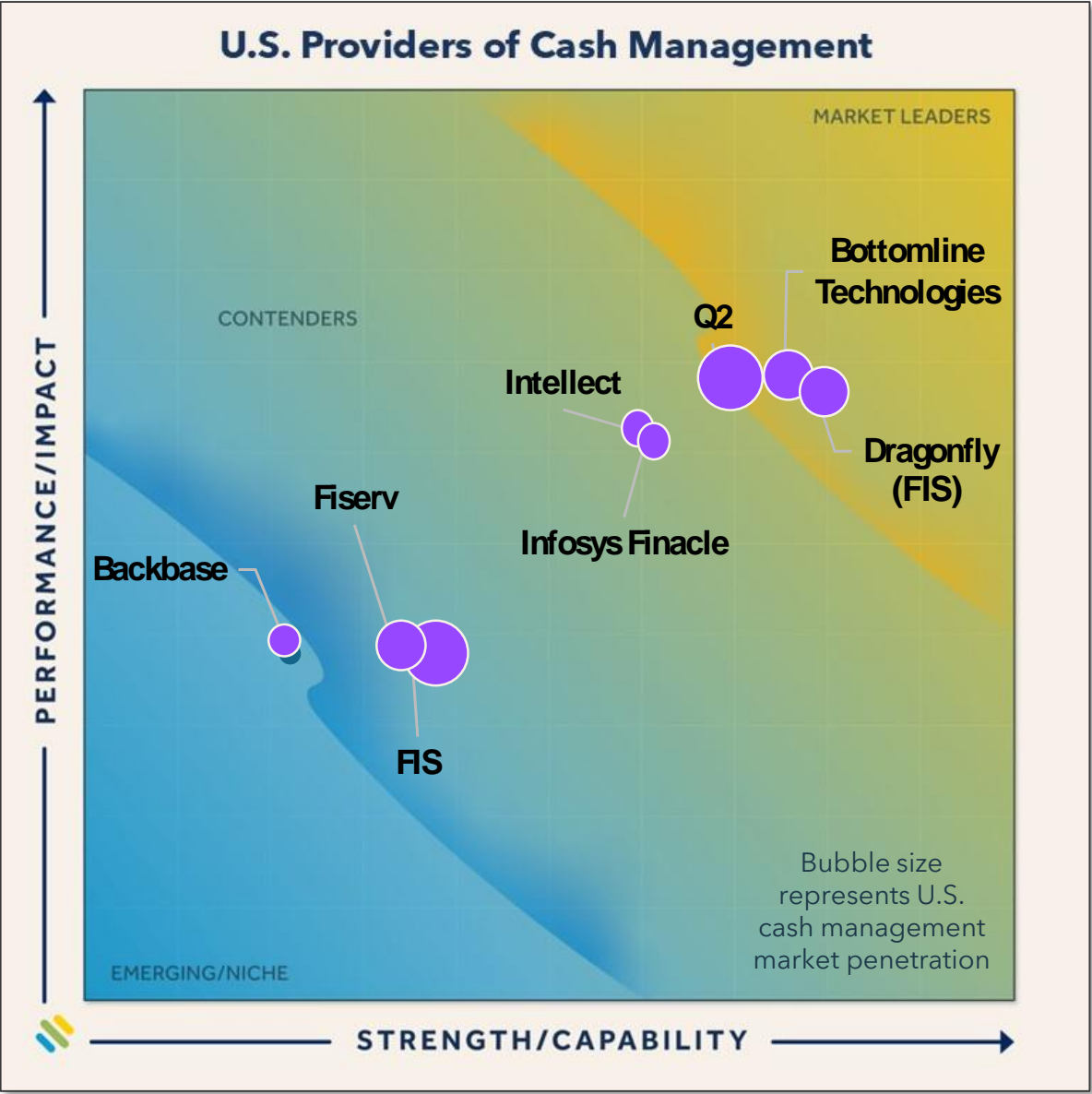
Minimum Requirements	Competitive Differentiators	Next-Generation Features
<div>User interface<ul style="list-style-type: none">• Personalized dashboard with persona-based workflows• Granular entitlements• Omnichannel capabilitiesTransactional capabilities<ul style="list-style-type: none">• Core functions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

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



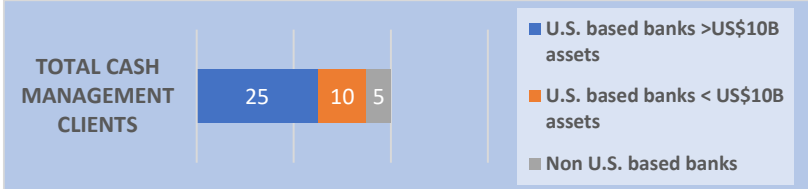
Forecast Number of New Cash Management Contracts Signed, 2024 to 2026 (2023 is actual)



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



Vendor Profile: Dragonfly Financial Technologies (acquired by FIS)

Company Overview		Cash Management Product Overview	
	Dragonfly describes itself as a composable banking fintech powering innovative digital customer experiences for commercial banking clients. The company was created as the result of the acquisition of the digital banking business line from ACI Worldwide.	Product name	Digital One Commercial ("D1C" - formerly Universal Online Banker)
Founded	2022	Target customer base	Banks with US\$2 billion to US\$500 billion in assets for its full platform; individual modules for larger banks
Headquarters	100% remote; no physical headquarters	Number of U.S. clients	35
Ownership	Privately held	Deployment options	Available as a complete service, as stand-alone components, or as a headless API-driven platform. Dragonfly operates in the public (AWS) cloud, as bank-operated in private cloud, or as bank-operated in its data center
Sample Clients		Differentiating Features and Recent Enhancements	
		Key Roadmap Focus Areas	
Breakdown of Cash Management Customers 		Highly configurable, composable, and API-driven platform	Payment modernization
		Fully replatformed onto cloud-native platform	Enhance embedded banking capabilities/tighter integration with accounting and invoice management
		Platform can be used by different segments beyond the sweet spot of large banks, such as custodian and international banks	Enterprise entitlements via microservices
		Ease of use with class of service to define vertical and customer segment with functionality they need, and easy-to-use dashboards	Full market launch of bank-branded API developer portal
		ISO 20022 compliance and recent rollout of FedNow Payments as a stand-alone product and module	Enhanced customer engagement capabilities (i.e., more proactive messaging and alerting/event services notifications)
			New dashboard report widget, incoming immediate payment report

The Datos Scorecard: Dragonfly Financial Technologies (acquired by FIS)



Overall Assessment		Datos Client Outcome/Impact Analysis		Functionality Assessment	
<p>Dragonfly offers the market the unique benefit of a tenured and proven solution coupled with the agility and single product focus of a fintech company. While most of 2023 was focused on strengthening brand awareness and proving its new offering would not be “more of the same,” 2024 has been about growth and offering enhancement. Customer service and platform stability has improved since divesting from ACI. Further, the vendor recently completed movement of the platform to the cloud—a big but successful undertaking driven by clients, market demand, and the desire to eliminate dependence on ACI’s data centers.</p> <p>Dragonfly continues to be a market leader from a functionality standpoint with capabilities robust enough to meet the needs of large global corporates, while also offering a modern and intuitive UI suitable for small businesses. However, clients feel its micro-business and mobile capabilities can be improved and its embedded analytics and bank-facing administration UI are lagging.</p> <p>A single focus on its cash management product with no distractions, robust functionality, strong client voice in roadmap development (regardless of bank size), and a very involved leadership team are just some of the key reasons why banks select and stay with this vendor.</p>		Client satisfaction	This company had a lot to prove when launched in 2022. It has been able to deliver on promises, and most clients are happy. Its successful migration to the cloud was a big win.	User interface	
		Client service	Service is a key focus, as it was not a core strength prior to the divestiture. Clients see a positive change and appreciate vendor responsiveness and management engagement.	Robustness of payments	
		Implementation success	This vendor scores high for implementation success and the ability to deliver enhancements on time. The CEO continues to be on site for all implementations to ensure their success.	Granular entitlements	
		Client outcome/ impact	This solution’s robust functionality positions banks for success with even the largest businesses. It also positively impacts cross-selling ability and generation of fee-based revenue.	Flexibility of reporting	
				Embedded analytics	
				Integration with key ERP and accounting systems	
				Money management tools	
				Fintech partnerships	
				Speed of innovation	
				Ability to customize	
Datos Strength/Capability Analysis					
Vendor stability		Client base strength		Product features	
Dragonfly is one of the newest and smallest vendors in this space (by total revenue); however, its leadership team’s industry knowledge, proven track record, and industry focus enable a stable revenue stream and strong pipeline. Private equity owned causes some risk concerns.		This vendor touts a client roster of many large and super-regional banks, as well similar success with smaller institutions. With its Enterprise Banker clients now migrated onto D1C, it also enjoys higher retention and stability across its client base.		D1C offers a robust set of features and functionalities with an easy-to-use interface on top. Its payment capabilities are especially strong. Its move to the cloud has been a big priority. With that behind it, clients hope to see more of a shift in focus to innovation.	

About Datos Insights

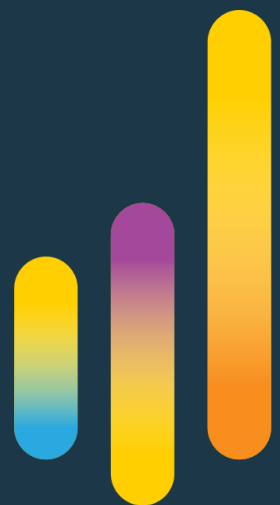
Datos Insights is the advisor of choice to the banking, insurance, securities, and retail technology industries—both the financial institutions and the technology providers who serve them. We help our clients make better technology decisions so they can protect and grow their customers' assets.

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

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