

# The silver lining

With the new and renewed focus on governance, regulation and risk management, the software tools that treasurers use are becoming more vital by the day. And the relationships that go with them are just as crucial. A recent spate of fast and furious consolidation in the treasury management systems (TMS) market has left many treasurers with a sense of unease about the future.

The speed with which treasury technology has developed in the past five years has been overwhelming and now provide corporates with the information they need at their fingertips to compete effectively and efficiently on a global scale.

**EASIER CHOICE OR LEGACY HEADACHE?** In many respects, making a choice of TMS should now be easier. There are fewer software suppliers to choose from and fewer products than there were 10 years ago. Long gone are the days where 45 treasury management systems were available from boutique treasury software providers. It is fair to say that the best systems – or at least those products that have been well managed – are still around. Still, the latest round of software company mergers and acquisitions has left some corporates with legacy headaches, or other uncertainties.

TMS experts suggest that the recent round of acquisitions marks the end of a prolonged period of consolidation that has created a more contracted market where only four or five providers now compete, instead of 10 or 20.

In short, the market has experienced rapid mass consolidation, with the big fish such as Wall Street Systems and SunGard snapping up smaller players.

For example, as recently as February SunGard, one of the leading TMS providers, snatched up Aceva Technologies, a California-based provider of receivables management software solutions. For SunGard, Aceva marks a milestone in its objective of offering customers a fully rounded package for large, medium and small organisations.

Last year, SunGard also acquired Integrity, an independent TMS provider, cutting out further competition and adding a well-respected product line to service the mid-market. Until then, SunGard's client base had primarily consisted of large corporates.

Earlier this year the company complemented its mid-market range with the acquisition of product lines from Paris-based company XRT. SunGard's newly acquired product Globe\$ focuses on the cash management side of treasury software and is very successful in the Benelux area, as well as Germany. SunGard also acquired TWS, a US product, from XRT.

The relatively small London-based Richmond Systems has gone through two buyouts in less than 18 months. First Trema bought it, and then Trema was snapped up in turn by US business Wall Street Systems.

## Executive summary

- Recent acquisitions in the TMS industry mark the end of a prolonged period of consolidation that has created a more focused market.
- The driving force behind the latest round of mergers and acquisitions has been a flood of cash.
- Dissatisfied with the service they are getting or with their TMS supplier, treasurers are looking for replacement systems.
- Acquisitive suppliers reject suggestions that they have bought up rivals to terminate their products.
- ERP treasury modules have come a long way since they were first designed and may become more popular with treasury departments.

**FLOOD OF CASH** The latest round of mergers and acquisitions has been fuelled by a flood of cash made available by private equity houses and fund managers, who themselves have been busy buying up treasury software providers such as SunGard and Wall Street Systems.

This flurry of activity has provoked questions over the future of some products, with concerns growing that management's attention has shifted from product development and client relationship to profit margins and cost cutting.

Kelvin Walton, of mid-market TMS supplier SimCorp, says: "We are seeing a lot of clients coming on to the market for replacement systems. They may be dissatisfied with the service they are getting or they may be dissatisfied with their vendor. It's a mixture of reasons, but it's not just functionality. There are concerns over the perceived commercial risk and intentions of the vendor."

Such concerns seem to be widespread going by the findings of a recent survey by Deloitte. The professional services firm's global treasury management systems survey 2006 revealed that many corporates felt that customer service was not up to the standard they felt was required on an ongoing basis.

Dimos Dimitriadis, senior manager at Deloitte, says: "This ownership [of TMS suppliers by private equity] will move the focus from the traditional emphasis on pure treasury developments to closer scrutiny on margins instead."

One area of real concern for corporates is customer service and post-sale care. Good communication and guidance for corporates after the system has been installed is vital for any treasury department. Experts say that at times of consolidation, with suppliers changing hands, the quality of software support can often be a worry.

Dimitriadis says: "Customer service has definitely suffered. When a provider acquires several different companies, the helpdesks merge. People have different experience on different systems. This is going to cause problems because when companies merge, staff move around and some will leave. Customer service is therefore bound to suffer."



HAS THE LATEST ROUND OF SUPPLIER MERGERS AND ACQUISITIONS LEFT YOU WORRIED ABOUT THE FATE OF YOUR TMS? MICHELLE PERRY INVESTIGATES.



**PRODUCT RETENTION** Despite treasurers' worries, acquisitive TMS suppliers reject suggestions that they have bought companies to terminate their products.

Andrew Woods, executive product manager of SunGard AvantGard, says: "If you look at the history of our strategy, you'll see the products we've bought are still there and invested in. We haven't killed off any products and customer attention is a priority of ours. It would be a risky strategy to do that. Our record speaks for itself."

Market watchers suggest it's rare nowadays for suppliers to dump existing products. SimCorp did it a long time ago with TM2 and suffered greatly for the decision when customers didn't welcome the move.

Larry Ng, Managing Director of Product Strategy and Marketing at Wall Street Systems, argues that acquisitions in the market serve to improve customer service because of the broad range of products and experience that is taken on with the acquisition.

Ng says: "I think that customer service has vastly improved. The helpdesk will expand when you consolidate and you have more staff. The helpdesk is therefore able to cover more areas, which is going to be good for the clients."

**MID-MARKET PLAYERS** The mid-market TMS providers such as SimCorp and City Financials may be smaller than Wall Street and SunGard, but they are no less fierce contenders.

SimCorp boasts the likes of US consumer goods company Sara Lee Corporation, pharmaceuticals giant GlaxoSmithKline and electronic goods business DSG International among its clients, and consistently attracts users with turnover in excess of £1bn.

In these times of uncertainty over the future of some TMS products, SimCorp also enjoys a good level of capitalisation. It has experienced huge growth but isn't leveraged to the hilt. It's also a public company at a time when private equity is becoming more prevalent.

City Financials is another major mid-market player. It too is fast-growing, recently announcing a move to larger offices in both London

and Sydney to accommodate the pace of growth. Pearson, the media company which owns *The Financial Times*, and Cadbury Schweppes last year licensed its corporate treasury software product eTC for their treasury operations.

Key players predict that corporates will move away from using smaller TMS suppliers and opt for larger companies with operations worldwide. Ng argues that choosing a larger company to supply treasury software brings users many benefits.

He says: "This market has a lot of small players. Smaller companies don't have the resources to dedicate to post-sales care. They are driven by revenue that is generated by immediate software sales."

Ng adds that larger companies are more likely to be able to focus on the overall customer experience and relationship and not just the sale of the solution.

For now, consolidation has shaken up the market. Because of the uncertainty, justified or not, that treasurers feel, market observers say what they are seeing is customers coming on to the market to look for a complete package.

Juergen Weiss, Consulting Manager for Europe at enterprise resource planning (ERP) supplier SAP, says: "Customers are seeing the high expense of maintaining different interfaces and systems. They are re-evaluating their systems. There's a clear tendency at the moment. People want a complete solution."

"I don't think that we can see treasury as an isolated component any more. The proof is that other vendors are trying to get out of their niche and offer more and more."

**THE JOY OF ERP** For some time, ERP systems have been a popular method of connecting all departments of a company via a central system. When ERP suppliers first started to develop treasury modules for their suites, their products were criticised for not being up to scratch and unable to provide the kind of functionality and customer service as specialist TMS.

But ERP treasury modules have come a long way since they were first designed and may become more popular with treasury departments. There is speculation about how ERP companies will choose to proceed and advance the treasury offerings they are developing. Research shows that acquisition might be a possible route for ERP companies to grab more of the TMS market faster.

Dimitriadis suggests: "Instead of developing a system that would be a module for ERP users, they could attempt to find a suitable system in the market for acquisition. We could see ERP systems buying TMS solutions and bolting them on to their current systems. It would be much more economical than developing a system from scratch."

For treasurers the silver lining is that market observers believe that the main thrust of consolidation is now over. While there might well be more to come, it is expected to be on a much smaller scale and with probably less disruption.

What is good news is that the products that survive will be the best in the market. History has shown that dumping good products is bad management and that successful products are unlikely to fall by the wayside.

Even better is that suppliers know that relationships with users count. If your TMS supplier manages its relationship with your business badly, you can always show them the door.

*See page 40 of the April 2007 issue of The Treasurer for more on the global treasury management systems survey 2006.*

Michelle Perry is a freelance journalist  
[editor@treasurers.org](mailto:editor@treasurers.org)