

## Auto industry cash, payment and receivable trends

Host: Brittany Marten, Global Industrials Treasury Sales Head

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Brittany: [00:00](#) Welcome to the Treasury Insights podcast series. Today, we'll discuss core cash, payments and receivable trends in the automotive industry. I'm Brittany Marten, Global Industrials Treasury Sales Head. And with me

today is Allison LaFranca, Treasury Officer on the Global Industrial team covering automotive OEMs and tier one suppliers for the past 17 years at Bank of America. In her role, Allison is focused on assisting clients with working capital needs, including optimizing cash and liquidity structures, payments processing, and receivables management solutions. Welcome Allison!

Allison: [00:37](#) Thank you, Brittany.

Brittany: [00:38](#) Let's start with the shifts clients are making, coming out of the cyclical downturn in pandemic. What are automotive treasury teams most focused on?

Allison: [00:47](#) Well, Brittany, cash continues to be king. I say that while automotive OEMs and suppliers are now well capitalized, and the new entrants or the SPACs that have entered the space in the last 6 to 12 months, even more so. But in early 2020, when the outlook was unknown and in many ways unprecedented, the focus on cash visibility and forecasting really elevated the role of Treasury within their organizations. The auto industry is not a stranger to cyclical downturns and disruption in supply chains. And aside from that, they now have the addition of evolving industry trends requiring capital, including Electrification, Connected Car and in car payments, Autonomous Driving and Shared Mobility. These investments necessitate continued focus on maintaining appropriate and efficient liquidity levels while also minimizing trapped cash.

Brittany: [01:36](#) Clearly Treasury's under more pressure than ever to address these challenges. How can banks help?

Allison: [01:42](#) Well, automotive companies are leveraging banks and their technology partners to enhance visibility and mobilize cash, as well as improved forecasting accuracy. Our global platform, CashPro®, allows for just that leveraging connectivity, including API, host to host, online and even mobile access for on the go and "always on" environment.

Brittany: [02:02](#) I couldn't agree more, and I think the industry will continue to see innovation and investment in this space as it remains one of the highest priorities for treasury teams. Allison, I understand another hot topic in the auto industry is evolving business models. Some traditional B2B industries are expanding their business model to support "direct to consumer" sales. How are the automotive OEMs responding to this trend, and how does

that affect receivables processes for them?

- Allison: [02:29](#) That's a good question. I mean, the auto OEMs are definitely among the population looking to make the shift from traditional sales to "direct to consumer," as well as exploring new revenue opportunities, which require accepting payments from an end consumer or user; from this case driver. Historically traditional auto sales have been the bulk of collection activity for OEMs, and in the U.S., they're highly reliant on dealership networks and captive finance arms for the collection management of traditional loan/lease payments. But direct to consumer e-commerce sales is an attractive concept for OEMs, especially in markets where they might be new entrants to that region or country. Clearly in the post pandemic environment, consumers are more comfortable than ever with utilizing e-commerce and digital channels for purchases, even when they are quite large, like the purchase of a car.
- Brittany: [03:15](#) You mentioned new revenue opportunities. What might that entail for the OEMs?
- Allison: [03:20](#) OEMs have an opportunity to enter into new revenue streams that are outside, as mentioned, the initial car or vehicle purchase such as in car services and subscriptions, therefore generating new and different direct to consumer collections, including one-time transactions, and may even include new ways to authenticate payments as a part of the car journey or experience. Consumers require and desire a variety of payment options that are both convenient and efficient, as well as seamless for the car owner driver, even passenger, while the OEMs seek to maintain a low cost and scalable optionality.
- Brittany: [03:56](#) I know traditionally these types of payments would be made by a credit card, but the landscape is evolving, right?
- Allison: [04:03](#) Absolutely. However, credit card payments are still a very much vital payment option within this ecosystem. OEMs are now considering new payment types, including Real-time Payments, Requests for Payments, Pay by Bank and others to give their end user more flexible payment options, less friction within the process. And while also providing potential value to the OEM in terms of payment finality, data and scale. Certain OEMs have even entered the digital currency market, although quick to exit as well, due to ESG concerns. It'll still be an important and emerging payment options that OEMs are exploring as to how and when they might be compelled to accept such payments.
- Brittany: [04:42](#) Changing consumer behavior and preferences are really driving the OEMs to think differently and invest in new technologies. The same is true for banks.

- Allison: [04:51](#) That’s absolutely right on. Banks and the auto companies have a lot in common in this perspective.
- Brittany: [04:57](#) So, Allison, when it comes to consumer receipts, optionality, flexibility and removing friction are key to maximizing the value of the direct to consumer model, both for the OEMs and their customers. That covers consumer receipts. How about payments? The pace of change in the global payments environment is unprecedented. How are the automotive manufacturers thinking about the future of payments?
- Allison: [05:20](#) Well, even in the most traditional environments, OEMs have had the need to pay consumers, whether that was for loan and lease on payments, rebates, incentives. Historically, these were all handled via check or card, but we are seeing a rapid shift to a digital options, driven by consumer preference for speed and choice, and the OEM's priorities for ease and convenience. This also presents an opportunity to reduce paper in line with their goals for efficiencies and ESG metrics. We have a recipient select solution allowing the consumer and the optionality they are seeking as well as streamlined payment process for our automotive clients. The consumer can determine their preferred method of payment, whether that is via Zelle, ACH, PayPal, or even cross-border payments without our client having to maintain sensitive account details. Just another example of how the automotive companies are having to pivot, based on consumer preferences within their core business, as well as within their treasury organization.
- Brittany: [06:18](#) Clearly, this is an incredibly exciting time for the auto industry and for banks. We touched on a number of important themes today, but I know we've only scratched the surface. Continued strong partnership and collaboration between banks and corporate treasuries are key to ensuring the industry is best positioned for the future. I'm Brittany Marten, Global Industrials Treasury Sales Head. My co-host is Allison LaFranca. Thank you so much for listening to our Treasury Insights podcast series.

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