The Financial Services Supply Chain: Integrating That "Last Mile"

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The Bridgefield Group's Enterprise Resource Planning dictionary defines supply chain management as the "coordinated set of techniques to plan and execute all steps...used to acquire raw materials from vendors, transform them into finished goods, and deliver both goods and services to customers. It includes chain-wide information sharing, planning, resource synchronization and global performance measurements." Financial Services Providers (FSPs) have automated portions of the financial-institution side of the supply chain, but until there is complete visibility into all parts of the supply chain, they will not be able to adequately respond to customer requests for information. While full automation of a services-based supply chain is more difficult than traditional supply chains, technology improvements now make it the right time-for both FSPs and customers-to gain value from end-to-end automation and integration.

Partial Automation Is Not Enough

In the past, automation has been applied primarily to the financial-institution side of the supply chain-not the customer side. For example, the introduction of a magnetic ink character recognition (MICR) line on a paper check automated the clearing of payments by facilitating machine recognition of the information on the check. While this resulted in no real change for the parties to the check, financial institutions significantly reduced operational costs, as well as the time and cost involved in clearing and settlement.

Customer-Side Automation Missing

Automating the customer side of the financial services supply chain has always been viewed as being beyond the purview of the institutions. For example, cash delivery, capital funding, and brokerage and investment services are all services that financial institutions provide to their domestic and international markets. But traditionally, delivery of these products was similar to the milkman of old: dropped off at the doorstep and left to the buyer to determine how to consume. In the same way, cash-management services subscribed to by corporate customers deliver information to the corporation, but rarely take the extra step of ensuring that the information is integrated with the systems within that customer's information technology (IT) environment. Each corporation is left to develop a custom approach to integration, either with in-house resources or by contracting with third parties.

The Time Is Right for FSPs...

The role of the financial services provider is changing. Near-ubiquitous access to the internet has enabled customers to exchange information that was previously handled exclusively by the financial services institution. Some examples of this include the automation of business-to-business payments and the invoices supporting them; and the exchange and settlement of image-captured, paper-based documents through acceptance of an image replacement document (IRD).

This evolution in how FSPs deliver their services, in combination with the various consolidations going on in the global industry, has begun to lower overall transaction volume. Institutions are looking for new ways to generate revenue to offset these declining volumes, rather than focusing only on cost reduction.

...And for Customers

When FSPs merely drop their services at the door-without helping to ensure that customers can integrate that information into their back-office systems-both

customers and the financial institutions lose. Customers must perform time-consuming and expensive integration of data from each FSP-provided service, requiring investment and limiting their flexibility to change institutions. This may seem to be an advantage for FSPs, but it in fact misses the opportunity to expand existing customer relationships with new products and services because of the effort and cost involved in customer-side integration.

Back-office integration with customers' IT systems is critical for additional reasons. Terrorism, corporate governance and compliance regulations, and the need to monitor capital adequacy and operational risk in support of accounting transparency are equally strong motivators for implementation of an end-to-end solution. Customers need this "last mile" integration, and FSPs need to deliver value-added services in order to stay competitive.

A "Win-Win" Proposition

Financial services customers around the world want the convenience of purchasing goods and services wherever and whenever they want-and to have the reconciliation associated with those purchases integrated and automated in a streamlined, end-to-end process. Additionally, they demand the security and trust of the global financial network to protect their data.

To stay competitive, FSPs need to expand their services to include the role of "information supplier." Whether an institution is the lead bank that consolidates information for customers, or a supporting bank, customers are looking for more value from their FSPs. Financial institutions can become even more of a trusted business partner when they integrate the customer side of the financial services supply chain-expanding the relationship, and enabling them to deliver added value and service through more information.

A Single, Integrated Source of Information

Oracle's single, integrated set of applications and core technologies-in combination with SWIFTNet integration-finally bridge

> "The last mile" refers to the link between a customer's equipment and the local phone company's central office. The poor quality of that link, due to old twisted pair copper wire, decreases the value of other telecom automation. Similarly, for corporations to truly take advantage of a financial services supply chain, there must be a seamless flow of information and funds throughout all stages of ordering, invoicing, payments and cash management."

that "last mile" of integration between the financial services institutions and the customer's back-office systems. Oracle seamlessly combines financial and information transactions to deliver a "single source of truth" for running a global business and/or a personal account. Standards automate the posting of the accounting transactions while linking them to the invoice information.

Oracle applications for procurement, payables, receivables, payment, and expenses provide a single integrated processing environment that delivers a consistent, transparent view of the data-across the enterprise-to optimize the use of funds on account with various institutions. Corporate treasurers can integrate their back-office information into their bank-supplied cash management services, and gain the ability to improve funds allocation throughout the day based on improved tools for risk and intra-day liquidity management.

Conclusion

With seamless back-office integration of the financial information received from various financial institutions, intra-day information increases, customer service improves, compliance with regulatory mandates is easier, relationships can expand for cross-selling, and operational costs and risks decline. Everyone wins when automation of the financial services supply chain is taken that "last mile" into a customer's back office.