

Oracle Revenue Management and Billing for Financial Services Banking: Pricing to Collections

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by Matthew Skurdabl

INTRODUCTION

Recent market events underscore the importance of fee-based services to the banking sector. Fee-based corporate banking services are one of the most profitable areas of banking. However, there is increasing pressure from corporate clients for new products and reduced rates. Corporate customers are consolidating their banking relationships with a small number of lead banks, generally between three and five, that can give them the best priced package of services to meet their needs. Banks today are focusing their offerings around efficiency and reducing operational costs. Simultaneously, competition for fee-based services is escalating due to initiatives such as the Payment Services Directive, which opens the opportunities for providing payment services to new players.

Banks face three interconnected problems for customer billing that limit their ability to compete and erode profit margins. First, there are the difficulties of obtaining a comprehensive customer view to assist in pricing product offerings based on the total relationship. Second, there is revenue leakage due to limitations in the current systems responsible for billing. Third, there are wasted resources from duplication in billing systems due to the lack of an enterprise-billing platform capable of addressing the needs for multiple lines of business.

Oracle's Revenue Management and Billing for Financial Services (ORMB) solves these problems with a consolidated and flexible billing calculation, invoice presentment platform, and collections solution.

THE NEED FOR A COMPREHENSIVE CUSTOMER VIEW

Billing is a high-touch customer service that can make or break the customer relationship. Poor billing processes can result in customer dissatisfaction, leading to high levels of customer churn.

Banks need a comprehensive view of customer information to understand the true value of their customers' behavior, risks, and needs. In billing, a comprehensive customer view means that the bank has insight into all products used by the customer, and how they are being used (e.g. multiple times a day, once a week or month, etc.). This information can then be used to price products and invoice them on a single document. The focus is to gain an enterprise view of the customer's relationship with the bank and to be able to price and discount accordingly.

To obtain this view, banks need to integrate customer information for billing purposes across portfolios and financial services products. In doing so, they can deliver a seamless, real-time, cross-organizational transaction flow to optimize bill presentment and pricing. For example, a bank may have an agreement to compute a price for its lockbox services based upon the customer's outstanding loan or deposit balances. In such a case, an enterprise class billing solution must be able to use the loan and deposit balances to calculate the lockbox charges.

Compounding this difficulty, customers with multiple legal entities and line of business may have complex relationships with the bank. Customers expect to be able to negotiate pricing at any level of their organization. There are simultaneous needs to be able to negotiate corporate-wide as well as regional or local pricing and to be able to determine for a bill how the pricing was computed.

Unfortunately, information needed to bill customers often resides across several source systems such as the core banking platform and the processing systems such as credit cards or payments systems. Banks often experience a silo problem where there are multiple systems, each chartered and funded for a separate line of business, each with its own technology. As a result, billing groups are left without insight into customer interactions with the rest of the bank and are unable to use this information to determine pricing.

Consequently, banks are faced with the options of offering only simple pricing models that do not incorporate the customer relationship or of attempting to cobble together multiple systems, or even relying on manual processes. This leads to a failure to capitalize on unmet customer needs and to customer attrition.

ORMB and the Comprehensive Customer View

Oracle Revenue Management and Billing for Financial Services provides banks with a comprehensive customer view for pricing, billing, payment application and collections. ORMB has the flexibility to tap deep pools of cross-silo customer data, transaction histories, credit risk and other information to determine personalized fee structures or price points.

Oracle's Revenue Management and Billing for Financial Services provides flexible customer hierarchy definition. With ORMB, billing departments can enter pricing rules at any level of the customer hierarchy. ORMB will leverage the customer

hierarchy to determine how pricing is settled. For example, in the absence of a specific pricing rule for a product at the local level for a customer, ORMB can look at the regional level for pricing contracts. The configuration of the number of levels and the use of pricing overrides is at the bank's discretion, and can be tailored to each customer's needs. ORMB provides on-line queries to determine how each product is priced for a customer. Bank can view pricing "as of" a specific date and view change in pricing history over time.

The definition of product is similarly flexible. Products can be created for multiple lines of business within the bank and all stored in the centralized billing platform; giving the ability to provide customers with pricing for all services they use from the bank. Banks can offer pricing based upon the overall customer relationship by using information on cross-product utilization to determine price points. There is also the ability to compute pricing rates, discounts, minimum / maximum prices, and billable quantities using bundles. The definition of bundles is discretionary and may cross product lines. Products may be stacked for determining volume discounts.

ORMB can provide a single invoice to customers for all the services they have used, regardless of where they have used them. Banks can determine which charges should be consolidated onto each invoice. Customers can request that invoices be routed to multiple locations in multiple formats and still maintain the ability to trace summary and detail charges back to the processing of transactions or account services.

ORMB provides the ability to view each customer billing transaction across products and lines of business. This improved insight lets banks offer an increased level of customer service, resulting in superior levels of customer satisfaction and retention.

THE PROBLEMS OF REVENUE LEAKAGE

Revenue leakage refers to shortcomings that cause the bank to acquire less revenue due to inadequacies in the pricing, billing, and collections processes. Revenue leakage gnaws at profit margins.

In various stages of the customer relationship lifecycle, from on boarding to transaction processing to invoicing and collections, there is the opportunity for revenue leakage. The diverse nature of the provided services, the complexity of customer contracts, and the large volumes of processed transactions across multiple source systems create the impetus for revenue leakage. The likelihood of revenue leakage in a bank processing high transaction volumes across multiple interfaces combined with massive amounts of customer and financial information requiring frequent updates makes revenue leakage likely.

In the absence of an enterprise billing application, banks are forced to use their core banking systems or to modify their source systems to bill customers for services. The limitations of such workarounds are problematic.

Revenue leakage can occur for several reasons such as the following.

- Lost opportunity for failing to offer new products on a timely basis
- Incorrect pricing rates are used to charge the customer for services
- Transactions whose records fail to make it to the billing application are not charged
- Failure to create complex pricing rules
- Uncollected revenue is not tracked
- Lack of flexible billing cycles to capture new or modified account activity.
- Inaccuracy in manual processes used to accommodate missing functionality
- Customer attribution due to frustration with multiple invoices for different products

ORMB Reduces Revenue Leakage

Establishing adequate control mechanisms and reporting facilities to report possible leakage points addresses problems that contribute to revenue leakage. ORMB provides such controls and reporting in several ways.

ORMB allows billing groups the ability to quickly define new products. Pricing rules can be reused and modified as needed to accommodate new product pricing. For products that require complex pricing rules, ORMB provides the ability to use conditional rules, multi-step calculations, internal rates, and to call customized external logic if needed. The end user interface separates coding from the definition of rules, providing business analysts without technical backgrounds the ability to configure pricing in a matter of hours or minutes rather than days or months. Related products can be grouped into price lists that can be copied and reused for multiple customers. Once customers want to purchase services from a bank, the products can be priced and billed according to accurately contracted terms to avoid revenue leakage.

To reduce the likelihood of incorrect pricing rates, ORMB provides the ability to generate “what if” analysis to view how a product is priced before it is put into production. What if analysis can also be used by banking sales representatives to upsell and cross-sell to new and existing customers. Customers, accounts, and products can be flagged for manual review to ensure that pricing and the total charges are correct. Invoices can be generated in draft status and be regenerated if they require corrections. Invoices are locked to prevent updates once they have

been released in final status to customers to prevent discrepancies between billing and the system records.

ORMB provides extensive security and audit functionality. Pricing updates, including both revisions to pricing rules and revisions of rule assignments to products and customers can be audited down to the field level. Audits provide information on the user, the change, and the time of the same. Banks can require that updates to pricing be approved before they are effective.

ORMB comes with a complete and fully integrated collections suite. There is a toolkit to allow banks to create self-service web sites so customers can view their invoices, payments, and balance on-line. There are on-line aging of outstanding receivable balances, the ability to flag delinquent balances for follow up, and on-line histories of collection efforts. Because the collections and receivables information is native to ORMB, there are no leakages due to data movement or lack of controls. Oracle Revenue Management and Billing provides intelligent payment distribution options that reduces manual intervention and enables better cash flow. Assessment of late charges can be automated and monitored. The calculation of late charges is flexible for configuration of rules as desired by each billing group.

THE PROBLEMS WITH DUPLICATION IN THE BILLING SYSTEM ENVIRONMENT

The lack of an enterprise-wide billing system inflates IT costs to banks. There is duplication of resources to staff and maintain systems. It can be difficult to continue to find trained personnel capable of maintaining the older systems. There are also additional costs for training employees, documenting, and auditing duplicative systems.

There are costs of integrating data as well as maintaining the integrations, which can be more expensive than the initial build, between the systems. When pricing, billing, cash applications and collections systems are separated, they may run on multiple platforms from different vendors, each with unique data types, interfaces and message routing capabilities. In addition, functions may be deployed redundantly across multiple systems, creating unnecessary costs for banks as they maintain duplicate capabilities. As a result, application development and data integration is complex, time-consuming and expensive.

Data quality issues due to integration are also a cause of system downtime. Even data that everyone involved believes is clean and rigidly regulated frequently has flaws that can cause integration pipelines to crash, driving up downtime and repair costs. If inaccurate or improperly classified data makes it into mission-critical data stores, the result can be faulty analytics, damaged trust, and lost business, each of which is costly.

Duplication in the IT landscape also causes disparate, duplicate, and inaccessible data, all of which are serious problems that can cripple a bank.

ORMB SIMPLIFIES THE BILLING ENVIRONMENT AND REDUCES IT COSTS

ORMB reduces the number of required systems and reduces IT costs. It drives cost savings by consolidating the application portfolio, reducing business process redundancies, and increasing reusability.

The ORMB platform allows enterprise-wide pricing, billing, and collections in a single application; with out of the box integration to Oracle's EBS and PSFT product lines. Banks have a single application to integrate new and existing source system transaction activity information regardless of where it resides. To further reduce integration costs, ORMB provides web services and its own integration architecture that can be used to integrate with the banking transaction systems to obtain information on billable charges. There is a view to display the complete data model. This flexible product architecture reduces integration and maintenance costs and lowers the cost of ownership.

Various lines of business within the bank can use ORMB to create pricing for new products, and to dynamically adapt to change. The services leveraged in the application are common across processes and geographies. The process-based functionality enables a business-centric approach to implementation. It is flexible enough to be adapted to different processing system landscapes and extensible for future requirements. Banks can implement the application in phases, bringing additional lines of business onto the platform over time.

Both reference and transaction data in ORMB is shared across all components of the application. ORMB uses a common product registry that can be secured and extended for individual branches or different lines of business within the bank. Customer and account information is also shared across the billing process for all lines of business.

ORMB's centralized rating engine can leverage this information to enforce pricing agreements. Information can be integrated with ORMB as reference data to determine rates, such as the case of outstanding customer balances, or it can be used to calculate rates such as how many lockbox transactions were processed during a billing cycle. Billing departments can prevent duplication of logic due to billing system silos when the rules are similar or the same and can be centralized. Banks can incorporate best practice processes with centralized pricing logic.

Multiple billing cycles can be used and staggered if needed. Invoices can be created for individual lines of business. A global invoice for all customer locations can be generated in a single billing cycle. ORMB's billing engine employs parallel processing, and has successfully generated millions of invoices an hour.

ORMB provides functionality for the complete pricing to collections process flow on a single unified platform with an extensible data model that is built for change.

There are no reconciliation issues due to data movement issues when evaluating customer accounts.

CONCLUSION

There will continue to be a need to quickly adapt to customer demands for new and innovative services. Meeting these demands is critical to attracting new customers and maintaining existing customer bases. Banks that are able to provide customers with preferred pricing based upon their overall relationship with the bank are likely to increase wallet share. While the services provided to customers may originate over many lines of business customers will continue to demand that they receive a single document for all services and that the pricing reflects regional and globally negotiated pricing.

Configurability, globalization, openness and completeness of process are becoming as important for banks as deep banking functionality. Banks should consider billing systems that align with these principles. In doing so, they can meet a variety of banking business models, achieving both lower costs *and* the flexibility and product agility needed to keep pace with rapidly shifting market conditions. Oracle's Revenue Management and Billing helps banks meet these goals.

About the Author

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About Oracle Banking

Banks around the world rely on Oracle to help them streamline business processes, meet increasing regulatory compliance demands improve cost efficiency, while providing greater value to customers. Now, with the combined strengths of Oracle Financial Services, Oracle E-Business Suite, Siebel, and PeopleSoft, Oracle provides the broadest functionality for helping banks effectively grow their business and optimize performance.

For more information about Oracle Revenue Management and Billing for Banking, please contact us today at 800-633-0738. To learn more about Oracle Banking, please visit oracle.com/banking.



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