

Payments 2.0

Unleashing Payments
Innovation as the Edge
in a Digital Landscape

FOREWORD

We are at a threshold of change where we step deeper into the realms of a connected digital world, driven by frictionless payments, technology of trust and intelligent decision making powered by data and AI. By 2020 there will be 50 Billion connected devices making digital interconnectivity ubiquitous. It becomes imperative now, more than ever before, that not only is the infrastructure able to support this change but also applications are re-designed inside out to support better integration and harmonization of flows to allow the bank adapt to this transition to a completely digital ecosystem of tomorrow.

Oracle believes that all businesses will need to enable themselves to create a richer, more meaningful data corpus to drive value out of it, ensure seamless operations with least possible human intervention to create frictionless experiences and drive accelerated business outcomes. Ubiquity, global coordination, and standards are the key. Our investment to create a brand new platform for this digital world of payments - the Oracle Banking Payments platform and the Oracle Banking API platform with over 1500 APIs to enable banks to empower themselves in a digital payments ecosystem is testament to our commitment to help prepare better prepare for this wave of digital disruption and use it to their advantage.

With open banking, PSD2 and introduction of newer IoT enabled devices, the experience layer becomes federated through multiple channels, smart devices and third party apps, it is important now that the bank be able to monetize the cost of providing integration and processing services on payments and accounts rather than bear the hidden costs of processing while third party vendors, FinTechs and consortiums enjoy the benefits of payments-led customer acquisition. What the bank needs is therefore an unbundled yet seamless payments stack that not only automates payments processing but also offers complete visibility into the future and real-time controls on financial fraud. Our Oracle Revenue Management and Billing and Oracle Financial Services Analytical Applications (OFSA) offerings are designed to help the bank predict newer streams of revenue generation and effectively help the bank to create newer offerings and newer pricing models.

In this version of Payments 2.0 we help bring you a quick snapshot of what our products and practitioners are doing to help banks better prepare for change in a new era in Payments innovation. Oracle is committed to value creation through payments transformation and innovation for all our existing customers, prospects and FinTechs willing to explore collaboration in this new and exciting payments revolution that can transform the roles banks play in the future.

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BANKS NEED TO BE BETTER PREPARED: NEW RULES OF SUCCESS IN PAYMENTS INNOVATION



Payments practices are changing faster than ever before, as smartphones revolutionise payments for consumers and corporates alike. Customers also increasingly demanding the instant one-touch solutions that they experience in the rest of their lives, FinTechs are challenging leading banks, and regulators are seeking to ensure a safe payments ecosystem. Banks need to deliver solutions that meet these demands so they can stay ahead of the competition.

Consumers and Corporates Demand More

Consumers who can easily shop online for merchandise that will be delivered within hours, book a ride instantly or watch a movie on their phone, all at low prices, wonder why they don't get the same customer experience when they make payments. And even though they know that instant payments are available through services ranging from Faster Payments in the UK to PromptPay in Thailand, the difficulty of actually using those services has led to frustration.

Corporates are also seeking easier payment solutions. They see impediments such as the lack of standardisation of formats across banks, the diversity of payment methods and complex processing requirements resulting in inefficiencies, higher costs and slower receipt or payment of funds.

Even though they want to provide better service, financial institutions (FIs) are often struggling to keep up with these demanding clients. Legacy technology infrastructure results in FIs operating in silo'd ecosystems internally, and many are unable to consolidate the data they need for advanced analytics or even just a single view of the customer. They have to deal with a multitude of inflexible and disparate systems as well as multiple messaging standards, which makes it difficult to implement new systems. The result is often poor customer service and high levels of competition from FinTechs that are devising innovative new solutions that are ready fill the gap left by traditional financial service providers.

Technology Innovation is Crucial for Success

To overcome the challenges and meet consumers' demands for the same level of service with payments that they see in the rest of their lives, leading financial institutions are starting to leverage innovative payments solutions to forge ahead.

On the consumer side, leading banks are enabling individuals to use a vast array of mobile and biometric solutions such as voice recognition or facial recognition to make payments with their mobile phones, plastic cards or watches. Connected devices allow consumers to shop on their phone anywhere, whether they are at home or on the train or even in their car using Mercedes Pay. From London and Stockholm to Mumbai and Sydney, real-time payments are becoming a reality.

Along with participating in national initiatives for real-time consumer payments, leading FIs are working on their own initiatives or in collaboration with initiatives such as Ripple to make corporate payments faster, with blockchain having the potential to upend payments entirely. And more than 120 banks have signed on for the SWIFT global payments innovation (GPI) initiative, which uses a standard ISO 20022 format to enable faster payments that are often credited within hours, tracked in real time and providing more data-rich payments.

To power these payments more efficiently, banks are turning to solutions such as Robotic Process Automation (RPA) in centralized back offices. RPA uses software and algorithms to automate mundane, repetitive and manually-intensive processes so that banks can improve efficiency, increase accuracy and operate 24/7. Banks that use RPA are achieving 25%-40% cost savings, reducing handling time by 40% and increasing accuracy by 100%.

All these transactions deliver tremendous volumes of data. Leading banks that leverage predictive analytics and artificial intelligence can deliver purpose-driven insights and enable decision-making that ensures the quickest path to value, if they have sufficient systems capabilities.

Winning players will also need to ensure that they develop a compelling value proposition supported by a conducive infrastructure, leverage their data to build new revenue streams, and prepare for next-generation innovation that they've not yet even imagined.

The Path to Change

While it's easy to see innovations that are underway, new solutions are likely to pop up all the time. Go back just a year, for instance, and few FIs would have predicted interoperable QR code payment solutions rolling out quickly across India and Thailand or more than a hundred banks already using SWIFT GPI for payments, to name just a few solutions that arrived sooner than forecast or entirely unexpectedly.

What financial institutions need to take full advantage of these and a multitude of other innovations is a flexible, future-ready, ISO 20022-compliant technology solution that enables them to enhance their payments infrastructure today with automation and efficiency, as well as to position themselves to leverage or compete against the yet-unseen innovations that will arrive before long. While any solution takes time and resources to install, selecting a solution that is easier and faster to implement is essential. And the technology needs to deliver simple yet secure solutions, as well as to connect with partners, in order to enable seamless customer onboarding and payments.

Indeed, some leading financial institutions are already replacing their legacy systems, spaghetti-string-like networks and silo'd software with cutting-edge technology that enables them to take full advantage of a wide range of leading-edge innovations. Along with delivering a far better customer experience faster at a lower cost, they're using predictive analytics and other tools to gain competitive advantage against other banks and even against FinTechs that are offering innovative new solutions.

A woman in a maroon sweater is shown from the chest up, holding a smartphone in her right hand and a payment card in her left hand. She appears to be using the card with the phone. The background is blurred, showing other people in a public space. The image is partially covered by a large orange diagonal graphic element.

The local, regional and even multinational banks that have not yet begun to install a new enterprise-wide payments solution can continue to try to muddle their way through, albeit at the risk of falling further behind. To keep up and even leapfrog to a leading-edge position, though, banks with legacy infrastructure will need to select a new solution as soon as possible.

A NEW MODEL FOR PAYMENTS INNOVATION: MOVING TO AN ENTERPRISE PAYMENTS HUB



Banks and other financial institutions (FIs) have traditionally run payments in software silos and often in multiple locations, resulting in each department becoming a small island that processes its own payments. With banks and corporates alike demanding better solutions and more information, FIs are increasingly transitioning to enterprise payment hubs that offer a full suite of services from a single location.

The Traditional Payments Model

The traditional model for payments in financial institutions (FIs) has been a set of individual payments processing systems, with a different solution for each payment method. As US banking giant Capital One describes it, banks have often had separate systems for processing checks, wire transfers, Automated Clearing House (ACH) transactions, low-value international remittances and other types of payments.

These various systems, installed over time, can offer superb processing capabilities for discrete payments services. However, operating and maintaining multiple platforms inherently comes with duplicative processes, increased risk, higher operational costs and limited capabilities to analyse data. The segmented environments, operated independently, have also inhibited product innovation, customer experience improvement and market segment growth.

Emerging Needs for Better Payments

The limitations of the silo'd payments infrastructure have driven many FIs to look for alternatives. Key drivers of change, according to McKinsey, include pressures on bank margins, the rise of FinTechs, an increase in globalisation and the ease and convenience of digital payments.

While many FIs are experiencing margin pressures, for instance, their existing silo'd payments systems have resulted in a high cost of operations due to duplication of functions and services across different payments products. FIs have also found that they increasingly need infrastructure modernisation due to the expanding use of the ISO 20022 standard, which is driving significant changes to traditional messaging environments. The increasingly rapid pace of change in the regulatory environment has led FIs to look for payments platforms that are flexible enough to meet new requirements and provide regulatory resilience. The emergence of innovations such as blockchain payments has created an even greater need for FIs to future proof their payment systems and ensure their system can quickly adopt new capabilities.

One of the key trends that is then emerging to define the payments industry, as Deloitte explains it, is a consolidation of payments systems. As organisations seek cost containment as well as greater product flexibility and revenue enhancement, they are trending towards consolidation and optimisation of divergent payments processes and systems. Forward-thinking payments providers, Deloitte opined, will look to establish an enterprise payments system that leverages technologies to establish a payments hub, which can drive down processing costs, create shared services and facilitate the development of new products.

What FIs need, then, are high-performance payments processing that is scalable, compliant and transparent, with the capability to manage large transaction volumes better at a lower cost.

The New Model – An Enterprise Payments Hub

A payments hub, as BAI describe it, is a flexible platform that enables banks to build their own payments services that can integrate with multiple systems and channels, essentially breaking down the silos present in legacy structures. They are conceptualised and designed to replace silos that handle single types of payments with a centralised hub that enables an FI to route all of its electronic payments to a centralised engine for processing.

The centralised infrastructure in a payments hub is capable of processing multiple types of payments, providing efficiency and flexibility as well as a single customer view. The solution removes duplicate payment processing functions by using central services for channel management, transaction processing and support, and customer life cycle management.

Payments hubs can handle all types of payments, from high-value low-volume corporate payments such as SWIFT and wire transfers to low-value high-volume consumer payments such as card and mobile payments, sending them out across multiple networks. The hubs can use analytics to develop rules that will select the best route and achieve goals such as minimising cost and reducing time to settlement. A hub can also provide standardised ISO 20022-based services, real-time omni-channel solutions and detailed tracking of each payment.

Enterprise payment hubs can also offer specialised capabilities. In Australia, for instance, the New Payments Platform (NPP) that will launch in early 2018 and provide real-time payments will require many systems to interface in real time. Many banks are using a payment hub as their integration layer for this function so that they can meet the new timelines and other requirements for NPP.

The Benefits of an Enterprise Payments Hub

What a payment hub does, McKinsey explained, is to tie together the specialised services required to build payments applications, such as data completion, exception handling and settlement. FIs can also deliver ancillary services such as anti-fraud screening, risk management and dispute resolution. They will then be far better positioned to provide a more customised experience that leverages comprehensive data to deliver services, such as intelligent alerts for payments of invoices to take advantage of prompt-pay discounts.

Indeed, a leading-edge payments hub can redefine an FI's infrastructure by delivering best-in-class payments functionality and architecture that addresses the entire payments value chain. A standard, open and integrated system can address customer and market demands, keep the competition at bay, comply with new regulatory initiatives, cut the cost of a fragmented landscape and enable innovation.

The transition from silo'ed complexity to an enterprise hub enables FIs to handle multi-currency, multi-product and multi-country operations with less complexity. FIs can achieve standardisation with pre-baked business processes for payments, and drive efficiency through centralised monitoring and control.

Along with providing greater efficiency, effectively-designed processes and architectures allow a bank to execute both revenue-generating and cost-optimising initiatives in parallel, strengthening product innovation and operational excellence. A single future-ready package that meets the latest needs of banks today also positions them for fast growth and innovation.

The result of a centralised payments hub from a customer perspective can be similar to what courier companies provide for packages in transit, which can be especially valuable for high-value payments. An FI can offer an immediate view of the payment online, for example, including whether the client's account has been debited.

Leveraging a Payments Hub for Competitiveness

To meet their internal goals and improve their market position, then, an increasing number of FIs are creating an enterprise payments hub. By working with experienced technology experts who can deliver a leading-edge solution, FIs can enhance their capabilities today and position themselves to maintain their competitiveness far into the future.

GAINING THE BENEFITS OF REAL-TIME PAYMENTS: LEVERAGING SPEED, COST AND EFFICIENCY



Jeffrey Edison
Global Solutions Lead at
Oracle Financial Services Software

As more and more countries around the world launch new real-time payments systems, banks are finding they need to make many changes quickly to keep up. Jeffrey Edison, global solutions lead at Oracle Financial Services Software, shared his insights on the key trends and how commercial banks can implement real-time payments effectively.

Q: What are the key trends you see in real-time payments?

A: Solutions for real-time payments are the number one request from corporates. Launches of new national corporate and consumer real-time payments programs such as Australia's New Payments Platform and the SEPA Instant Credit Transfer scheme in Europe let corporates make faster payments with richer data than ever before.

For now, most of those payments are domestic rather than cross-border, other than between countries in the Euro zone. In the near future, though, banks seem likely to start using SWIFT GPI for real-time cross-border payments.

Q: What is driving this shift towards real-time payments?

A: The shift has been driven by corporate demand on the one hand and a regulatory push on the other. Central banks and industry associations want to put new real-time payments infrastructure in place so banks can modernise their legacy payments systems and compete better with Non-banks or FinTechs.

Q: What benefits do banks gain from real-time payments?

A: Real-time payments deliver a lot of benefits to banks and their clients. Corporate clients can verify payments in seconds and ensure non-repudiation of fund transfers. The companies also get better management and visibility of funds, so they can manage intra-day liquidity better.

Surveys show that more than half of corporates are willing to change to another bank if they can make payments instantly. I've actually seen many companies move their accounts based on whether their bank offers real-time payments. What it also means is that banks have more reasons to talk with their clients and offer them better payments solutions.

Q: What challenges do banks face in technology or operations for real-time payments?

A: Banks are finding that they end up with a lot of complexity when they want to launch real-time payments. For a start, they have to improve multiple systems, messaging standards, and processing operations. They also have to develop new organisation and business models, and even new corporate vision statements, so they can take full advantage of the changes.

One big challenge I've seen is that many banks still use batch processing and believe real-time payments are just an extension of batch payments. The reality is that real-time payments are not just credit transfers done faster. Banks that understand that real-time payments are totally different and do software enhancements are making faster progress.

Q: Where do you see some of the best practices in implementing solutions for real-time payments?

A: One example is in Italy, where a large bank put in a system that allows it to post transactions 24/7 for the first time ever. In Eastern Europe, several banks have put shadow accounting systems in place because their existing accounting solutions don't operate 24/7 and can't handle real-time payments requirements, such as 24/7 funds availability or transaction booking.

A couple other changes I see are that companies in Eastern Europe want to use mobile phone numbers to make payments, and companies in India want to use Aadhaar national identification numbers. A lot of the push for those changes comes from senior management, even including some CEOs, who send personal payments immediately with their mobile phones and want their company to do the same thing. That trend is probably going to increase, especially since more companies need to send money to freelancers and entrepreneurs who are part of the gig economy.

Q: What should banks do to overcome the challenges?

A: Many banks, even in some of the developed countries, will need to upgrade or buy new software and revamp their operations.

As an example, banks won't be able to close their books at the end of the day and do a reverse sweep, since payments can come in or be sent out anytime. They'll need to think about their operations differently and come up with new processes. They'll also need to look at how to improve billing, reporting and analytics for real-time payments.

Banks have started offering open APIs so that corporates and FinTechs can integrate into real-time payments.

Some of the leading banks are using predictive analytics so that they can use all of the information about real-time payments and give their customers better insights. Some of them are even using the analytics to generate more income, such as using forecasts about companies' future funding needs to offer loans or other services that generate revenue.

Along with making the systems changes, banks have to do more to comply with regulatory requirements. Banks still need to do KYC and AML checks, screen against sanctions lists and follow other rules, even when payments are done real-time. A few banks have started using robotic process automation and machine learning to automate the work they'd done manually before and speed up their processing.

In Europe, the liquidity management working group at the Euro Banking Association is using an ecosystem approach to help banks with changes in areas such as virtual accounts, core accounting, liquidity management, compliance and payments.

Q: What comes next for real-time payments?

A: The biggest change will probably be just how many real-time payments systems will start up over the next couple years. More than a dozen countries, including Colombia, France, Malaysia and Slovenia, have said they'll launch real-time payments by 2020. Banks will have to act fast to upgrade their systems if they want to remain competitive and maximise the benefits.

I also expect more banks to come up with blockchain solutions before long. If Ripple or some of its competitors figure out how to use blockchain for real-time payments, or if one of the central banks make a fiat currency using blockchain that also allows real-time transfers, it could be a true game-changer.



GAINING THE BENEFITS OF
REAL-TIME PAYMENTS:
**LEVERAGING SPEED,
COST AND EFFICIENCY**

BIG DATA DRIVEN ANALYTICS IN THE PAYMENTS INDUSTRY: ADDING VALUE AND MITIGATING RISK



Turning Information into Insights and Opportunity

While banks and corporates have plenty of data about their payments, it is often scattered across countries, products, functions and even different systems. What they really need is analytical enrichment that transforms payments data into insights enabling competitive advantage. The data can then deliver purpose-driven decision-making that ensures a quick path to value.

The Value of Data

The benefits from using data effectively can be huge. Oracle and Deloitte's Compliance to Competitive Advantage survey found, for instance, that companies that successfully leverage regulatory data for strategic business decisions can drive a 12 percent increase in annual revenue.

Even though 67 percent of financial institutions (FIs) do have a comprehensive data strategy, two-thirds say it is for complying with regulatory requirements more than driving business growth. Moreover, only 41 percent have deployed predictive analytics.

To deliver the value data can offer, FIs need to focus on using data more effectively in three areas: risk management; operational efficiency; and profitability.

Financial Crime and Compliance

For containing risk, FIs have historically focused on identifying patterns that occurred in the past. The disconnect between the present & the past has had an undesirable impact on fraud prevention. FIs have been hindered by factors including geography, products, and software silos.

Additionally, regulators are requiring more detailed information about payments, which necessitates bringing information together in real time and ensuring that compliance checks have been completed. It is imperative of having a payments infrastructure capable of enriching data to meet these needs.

As they have sought to achieve these goals, a single source of data globally and models that support risk management scenarios across multiple areas become the key asks.

To deliver the leading-edge solutions that FIs now require, technology needs to leverage risk-based frameworks to support analysis of both real-time and batch data. With customer satisfaction also becoming increasingly important, FIs need to reduce false positives so that they can decrease the costs of processing incorrectly-flagged transactions and lower their negative impact on customer satisfaction.

Leading-edge technology solutions have thus shifted towards enabling prevention through a combination of machine learning and self-calibrating models. These new solutions focus on real-time identification of fraudulent transactions as well as customers on watch or sanctions list in order to prevent value from flowing out if it's at risk. Fraud prevention requires tools of payments transformation having analytics friendly data models designed for cost-effective pattern detection, customer analytics and scoring.

Forward-looking institutions are also identifying ways to turn their compliance data into a competitive advantage and create greater value. Risk-based compliance scores can be flagged for further investigation and fed into next best offers or related strategies.

Efficiency

With profits under pressure, FIs around the globe are always looking for ways to reduce costs and improve efficiency. Banks that have cost-income ratios close to global averages that exceed 50 percent are under huge pressure to bring ratios down to the low 40s, which banks in Australia and Singapore as well as other markets have been able to do.

Analytics & Payments are key areas to achieve greater efficiency in banks. Imagine power to understand the channel behaviour and preferences. Mapping this to new initiatives could yield quicker ROI.

Imagine, assessing points of human intervention in banking & using payment engines to increase Straight Through Processing (STP). Think about, relating banking usage patterns to govern branch work hours. How about assessing count of steps in a transaction and looking at its popularity? Think of control, when we are able to use corporate payment trends to flag unusual behaviour

FIs generally come up with the following needs,

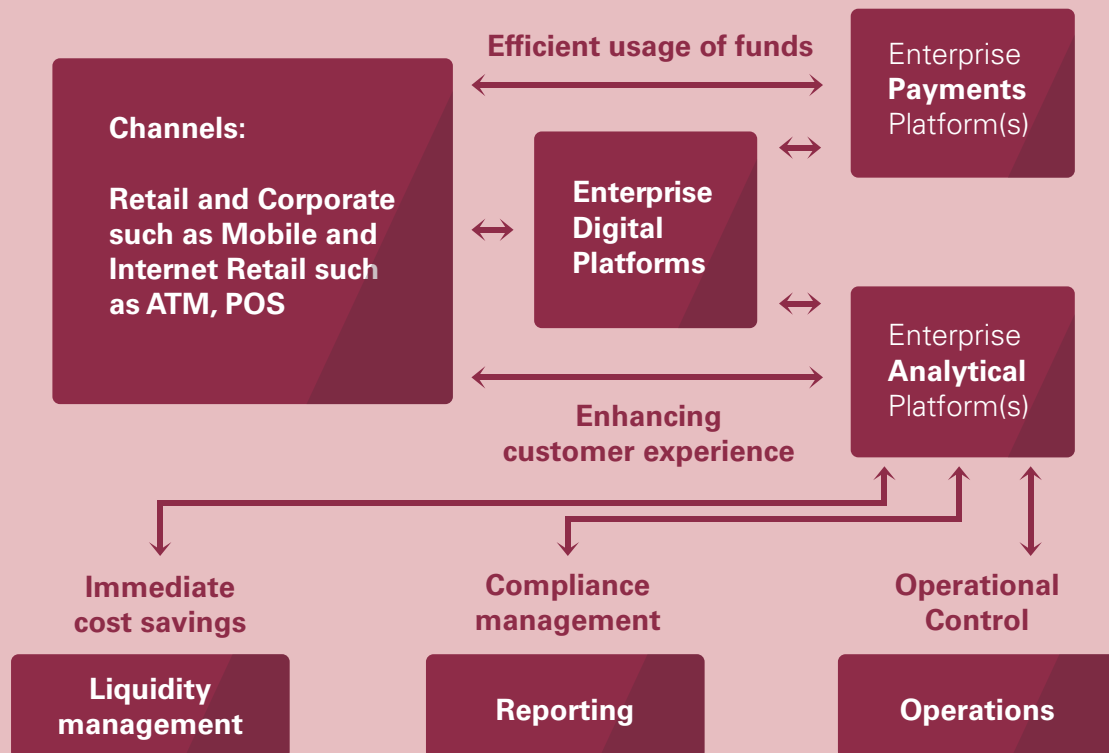
- Gives me an insight of what I do say a heat map that looks at speed & volume of transaction flows.
- Help me with continuous process improvement. Develop linkages between process & productivity using analytics and scoring to track processes more holistically.
- Allow me to be more proactive than reactive.

FIs can use data analytics to track cross-border or high-value payments, identify patterns, and find bottlenecks. Banks can leverage the analytics to spot high error rates and network inefficiencies, then use the insights to reduce problems that would negatively impact their relationships with corporates.

Beyond identifying processing and network issues, FIs need to capture metrics for benchmarking and continuous improvement. Metrics and advanced analytics that enable data visualisation can allow FIs to understand the root cause of any issues and make enhancements as part of their broader data strategy.

FIs can also use analytics to add more value. If a bank detects that corporates are doing payroll transfers to other banks, for instance, it can do marketing to encourage customers to stay with the bank. Real-time visibility over payments can show customers where their payments are and deliver assessments of efficiency.

Strengths of Payments & Analytics working in tandem



Handle liquidity

As FIs consolidate divergent payments processes and optimise systems they can add further value by embedding a common data repository for advanced analytics. Data so collected for instance, can achieve both operational and strategic goals mainly in the area of liquidity management.

To monetise the data and turn it into competitive advantage, banks need to develop insights that help in predicting trends and also ensures better handling of funds. World Bank has predicted for every .25 basis point saved via better liquidity monitoring & intervention saves at least 1 million USD. The basis of handling various forms of liquidity monitoring are the analytical ability that would encompass a close partnership with Payments.

Customer experience

Effective synergies of Payments & Analytics will have a direct impact on customer experience. Machine learning and artificial intelligence can be used for self-calibrating models of payments flows to improve customer scoring and interactions with customers. Knowledge from usage patterns could be used to ensure that individual behavioural patterns are mapped to the digital experience one has at the various channels thus ensuring higher retention rates.

In summary, it is imperative to not look at Analytics & Payments in isolation. The advantages of good platforms that work in tandem is paramount to having an efficient operations, provide differentiated customer experience, get immediate costs savings & apt deployment of resources.



ENHANCE PRICING AND PRODUCT STRATEGIES: BOOST BANK REVENUE WITH NEW TECHNOLOGY

Even as pressure to optimise pricing and grow revenue has increased, many banks remain constrained by traditional practices and legacy systems. Leveraging leading-edge technology to enhance pricing and product strategies can, however, increase revenue tremendously.

Customer Needs

While enhancing pricing and growing revenue might seem straightforward, it is actually a complex process that includes every stage of the customer journey. To optimise revenue, then, banks need to develop holistic pricing and product strategies that cover the entire customer relationship.

At the start of a deal, for instance, the initial pricing plays a critical role in achieving higher profitability while also ensuring customer satisfaction. Banks need to strike the right balance so that they incentivise the customer relationship while optimising margins. Today, however, many banks still rely on silo'ed systems with manual processing and knowledge-based decision-making.

Once the deal is finalised, banks need to translate the deal language into pricing execution and billing. They often use manual workflows, though, which result in data discrepancies or errors that lead to customers not being billed what they are quoted. Revenue loss can also result from inaccurate proposals or deal pricing, incorrect data collection, non-compliance with discounting controls or irregular approval processes.

Once services are in place, banks should monitor pricing over the longer term so that they continue to optimise revenue. Many banks, however, have limited capabilities to monitor pricing and generate automated alerts about possible revenue loss or up-sell opportunities. Disjointed data and pricing rules may also result in what is billed continuing to differ from what was quoted.

Relationship managers who want to detect pricing anomalies or lost revenue may have difficulties with navigating multiple pricing applications or customer information systems as they strive to get an accurate 360° view of the customer. Moreover, analytics capabilities to track customer progress against commitments may be limited.

The combination of legacy technology, manual processes, silo'ed systems and limited monitoring means that banks may give away 10 percent of their revenue every year. Analysis of global and regional banks by consulting giant Boston Consulting Group (BCG), for instance, found that 20 percent of client contracts have not been revised in 10 years, even though prices had increased by 33 percent, and that about 15 percent of annual revenue can be lost due to leakage such as not billing according to fee schedules. Banks can achieve a 5-10 percent lift in net revenue, BCG concluded, through focused repricing.

New Technology Solutions

Leveraging leading-edge technology and optimising pricing infrastructure can enable banks to improve profitability significantly.

Relationship managers (RMs) can start the process by negotiating better deals faster, with improved pricing that delivers greater value while still improving top-line and bottom-line results. A leading-edge solution enables the RM to determine which models to use for pricing or re-pricing, and which deals are profitable. A single view of the customer can allow the RM to create personalised offers by valuing the overall relationship of the customer. It also presents RMs with opportunity to upsell / cross-sell using simple tools like bundling, thereby avoiding unrealised revenue. Leveraging business insights from data that previously stayed hidden also enables the RM to visualise the pricing decision by modelling different scenarios and using insights from similar deals to assess the suitability of the offer.

An effective revenue management system should provide end-to-end integrated revenue management, from deal pricing and implementation to billing at a sub-ledger level and revenue realisation. The capability to run simulations and structure deals allows banks to move towards replacing inefficient Excel-based models with a modern platform that can manage end-to-end deal pricing, reducing the need for system integration and increasing operational efficiency. Customer-centric grouping that accommodates department-level hierarchies and pricing as well as multi-product and multi-tier pricing can help to optimise revenue.

An intelligent revenue management and billing system should also help to plug revenue leakage and generate new sources of revenue at every stage, from deal pricing on through to monitoring. Plugging revenue leakage requires centralised software linked to all the core systems, frontline interfaces and customer-facing applications within the bank. The system needs to be able to deliver product development, on-boarding, pricing, billing and data mining capabilities across departments.

A comprehensive central pricing & billing has provided opportunities to banks to consolidate their pricing & billing functions, which are disparate and hosted in various product processors, channels, core systems. For instance, the banks can now have the payments systems call real-time pricing engine to price these transactions by providing true relationship based pricing. This is important steps towards moving client from transactional to established & valued relationship.

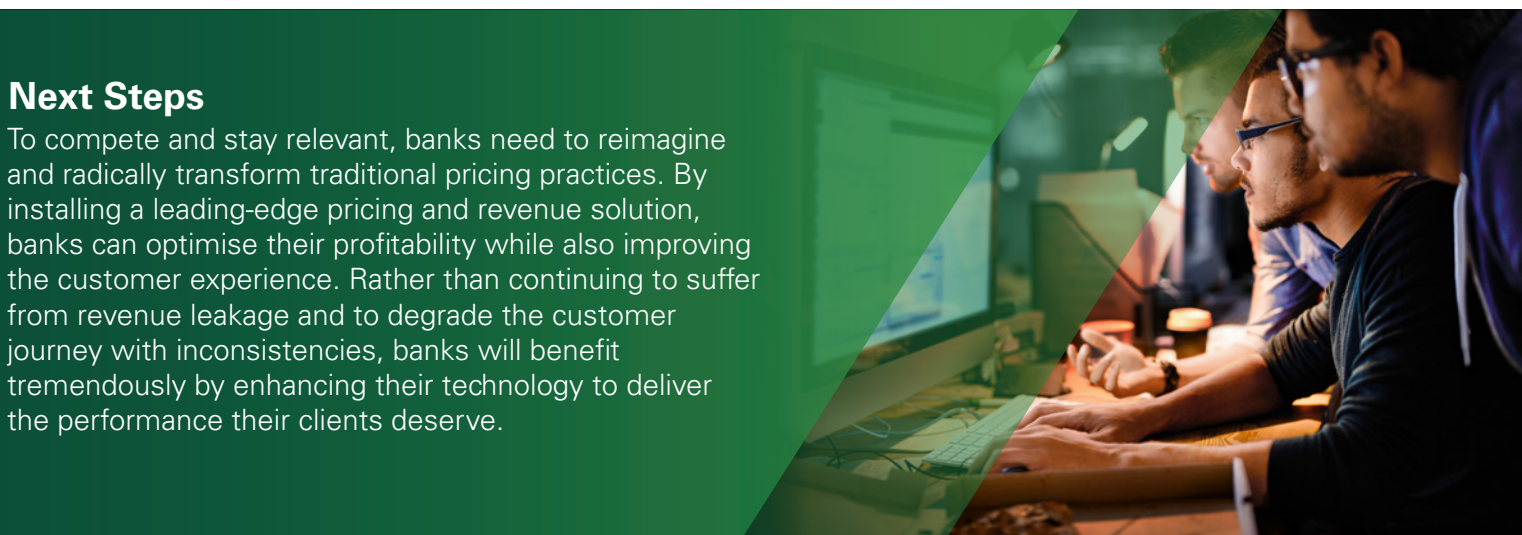
Aggregating data from multiple sources and organising it into value-added reporting can enable real-time decisions that optimise pricing during regular customer reviews. Banks can also use data to create alerts for changes in volumes or customer relationships, then re-price the customer or individual transactions proactively or automatically. Senior management will be able to identify profitable or low-performing customers and products, determine focus areas for efficiency improvement, and identify non-standard pricing that negatively impacts bank profitability. Contextual business intelligence will support sound operational decisions, while systematic controls help ensure regulatory compliance.

Studies show that bottom-line results from these improvements are impressive. Banks can reduce IT spending by up to 50 percent, decrease product setup time by 66 percent, and reduce billing discrepancies by 33 percent. At the same time, increased accuracy as well as automation for deal management can result in a revenue increase of 1.9 percent and a 1 percent reduction in unbilled revenue.

To optimise their solution, the bank will need to select a software partner with a proven track record and a leading-edge solution that enables it to manage the entire pricing and revenue stream effectively. Oracle, for instance, provides a single platform with the agility to manage deal pricing across any customer type and line of business as well as to pull in information from multiple sources. The software can create a new deal for a prospective customer, devise multi-parameter pricing models, use customer attributes to compare current deal pricing against similar deals, compare the deal with competitor pricelists, perform what-if pricing analysis, understand select products based on the customer segment, and understand how profitable a deal will be at given price points. The software thus enables the bank to optimise pricing and revenue by using an enterprise-wide, agile and configurable solution.

Next Steps

To compete and stay relevant, banks need to reimagine and radically transform traditional pricing practices. By installing a leading-edge pricing and revenue solution, banks can optimise their profitability while also improving the customer experience. Rather than continuing to suffer from revenue leakage and to degrade the customer journey with inconsistencies, banks will benefit tremendously by enhancing their technology to deliver the performance their clients deserve.



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