



Show Me The Money

Centralized Pricing and Billing

2020

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INTRODUCTION

It's no secret that profit margins for most banks are still at or below the levels that they had reached before the financial crisis hit some years ago. The traditional fee-based model of banking revenue has already come under severe disruption from non-bank financial providers. At the same time, the banks recognize the importance that pricing will play in a rapidly changing world. However, they are failing to use pricing effectively in a way that will achieve lasting profitability. Traditionally, banks have opted for a product-based pricing and billing approach. However, in recent years they have been gradually moving towards a more centralized pricing and billing approach, along with subscription models, discounts and product bundles - but progress in this area is still slow. A move towards effective revenue management is essential - and that as part of this, centralized pricing and billing is one of the key elements in reducing revenue leakage and driving out cost through operational efficiency.

THE CHALLENGE

Competing in the Financials Services landscape is as complex as ever with pressures from new entrants, regulations, customer expectations and margin compression. Firms deal with a broad set of product and service offerings that traditionally may have been handled in silos, but are now expected to be consistent in client experience, risk management and more. These changes are directly affecting the way firms look at their revenue management practices including pricing and billing.

Unfortunately, many product and service offerings have matured separately over time driven by the search for short term revenue generation. This has left organizations having to support them with a collection of different pricing and billing systems ranging from inflexible, home-grown treatments wrapped in manual processes, to countless Excel spreadsheets or Access databases. In addition, to maintain competitiveness and profitability in the new landscape, Financial Services firms are coming up with more complicated structures for pricing and charging including those based on a customer's entire relationship. With disconnected systems unable to easily support these requirements, it is no wonder that the creation of invoices in this environment is frequently fraught with inconsistency, redundancy and manual processes.

For many, their firms lack the capability to execute on these more complicated structures. Thus, their current approach is unsustainable in the market. Firms more than ever need to ensure that pricing and billing is fast, adaptable, consistent and transparent. Most understand they are leaking revenue and their total cost of pricing and billing is high. In addition, customers are increasingly looking for global, unified and detailed views of their fees as they pursue better management of spend. Unfortunately, revenue leakage comes in all shapes and sizes and given the current pricing and billing infrastructures in place in most firms, there is no easy solution for stopping the flow. This issue is more pronounced in firms that rely on unmanaged exception based pricing due to process and solution inefficiencies. The below diagram shows some typical causes of revenue leakage within a firm.



Causes of revenue leakage:

- Unbilled Services
- Concessions or Discounts
- Poor Data
- Inability to Govern Service Level Agreements
- System Constraints
- Delays in Onboarding

These challenges affect CFOs, Operational Managers and CIOs alike. Although they are slightly different based upon the type of organization, it is clear that their root causes are generally the same.

Many banks are having significant difficulties executing on the relationship-based pricing and billing requirements of their retail, wealth management, commercial and corporate operations. This is due, in part, because they are unable to support complex customer and organizational hierarchies, effectively aggregate the underlying data and coordinate the related

calculations. Existing systems are disconnected and they may be relying on different customer hierarchies that may have grown out of disparate Customer Relationship Management (CRM) systems. Many of these systems are divided by geography or business and are not specifically built for pricing and billing purposes. Many firms also lack the system controls and workflow approvals within their pricing and billing infrastructures that one would expect from systems that impact customers and support revenue generation.

This problem is amplified by the fact that banks are more and more awash with data. Many are seeing the number of transactions increase while transaction sizes decrease. This, coupled with the desire to implement more creative approaches to pricing and metrics, cannot be readily supported by the current systems and processes. The results are inefficiencies and delays in billing and ultimately, revenue leakage. Thus, in order to flourish, it is critical that banks look to plug this leakage and rein in costs, while still supporting growing market share.

INTEGRATE SILOED PROCESSES

Financial institutions will need to begin centralizing their billing, pricing, and general revenue management systems – moving away from traditional departmental siloes as quickly as possible. Only by converging their pricing and billing functions, and removing the redundancy that exists across different departments, can banks hope to both gain a full picture of their customers and co-ordinate pricing efforts for the best possible experience. When they do so, banks will also find it increasingly straightforward to calculate and forecast revenues from each customer; a centralized revenue management platform also paves the way for further innovations, such as real-time billing and automated, rule-based pricing that can simultaneously enhance banking revenues and customer satisfaction.

CENTRALIZE TO CUSTOMIZE

In order to overcome the revenue management, pricing and billing challenges in the current Financial Services marketplace, firms must look to migrate to a one stop integrated solution for billing, relationship pricing and overall revenue management. This solution needs to include the right platform, people and processes.

THE PLATFORM

Putting in place an enterprise technology platform to support complex, geographically diverse requirements in a cross business manner is the ideal foundation for a best practice revenue management and billing capability. It is hard to imagine that given a blank slate, most firms wouldn't opt for this choice. That being said, most firms do not start with a blank slate. As a result when looking at what makes the ideal platform, the following must be taken into account.

A best practice platform is Fast, Adaptable, Consistent and Transparent. Firms need to be able to design new and creative pricing strategies, adhere to client's differing needs, accurately calculate fees, track receivables and perform collections in a framework geared toward business users and with minimal IT support. Contrary to popular belief, all this can be accomplished with a single instance of an application designed to support global as well as localized requirements. The related necessary capabilities to support this can be represented by the below FACT framework.

Fast	Adaptable	Consistent but Custom	Transparent
<ul style="list-style-type: none"> Rapid time to market for new products and services Plugs revenue leakage Timely onboarding Ease of upgrade Scalability 	<ul style="list-style-type: none"> Support for multiple geographic regions Complete tax calculation capabilities Support for multiple lines of business Broad pricing features Ease of integration with legacy solutions Allows for dynamic rules 	<ul style="list-style-type: none"> Single customer view Unified global view Client specific invoice formats Standardized charge codes Unified data Unified or complex customer hierarchies Automated workflows 	<ul style="list-style-type: none"> Pricing analytics Inventive analytics Relationship analytics Full audit trails

THE PEOPLE

Another thing that is critical is having the right people in house to take advantage of a unified system. Typical firms will support the process with a collection of Revenue Managers, Billing Managers and Billing Analysts. However, a proper enterprise solution can not only provide automation and efficiency but also can provide a wide breadth of analytics about the status of your current revenue management performance and significant information that can be used for data mining in support of client pricing analysis. Thus, within an organization there should be explicit roles tasked with analyzing the overall performance of the process and its players which in turn, can help firms make better human resource allocation decisions.

To maximize their chance of operational efficiency, it is important that firms explicitly invest in related people development front-to-back. This training should be consistent across the business, operations and technology. Effective firms look to instill in their staff a common vocabulary and set of goals – this is much easier to accomplish if multiple, disparate pricing and billing systems can be consolidated onto a consistent application platform.

THE PROCESSES

By leveraging these enterprise platforms and the right people, many firms will mature to using pricing and billing as a critical part of sales and marketing. However, if the processes encapsulated in these platforms and followed by these people are sub-optimal, then the desired results will not be realized. Thinking beyond the operational capabilities of a solution can help to drive operational efficiency and customer loyalty. Given the right processes, organizations can be more discerning in their decisions and begin to recognize which clients are most important to them and how to best improve their relationship with each. The right information can allow for improved cross-sell and up-sell opportunities, the proper bundling of products and clarity on when to discount versus when to command a premium. Over time, as a firm’s understanding of their consolidated world matures, they should begin to sell based upon combined offerings, promoted by cross-product sales teams where possible and move away from specific products and business silos. This is not proposing firms sell unnecessary products to their customers, but rather presents an opportunity to produce win-win situations that have net savings for the client while increasing overall revenue for the provider.

THE BENEFITS

By having one consolidated billing solution replace numerous fragmented systems and processes, a firm can enhance customer experience, minimize revenue leakage and reduce costs. It can also help to establish a comprehensive data repository through which management can better understand and manage their business. More specifically, below are some of the ways firms can expect to benefit:

Maximized and Protected Revenue	<ul style="list-style-type: none"> • Minimized revenue leakage • Reduced billing errors • Captured contract terms to optimize fees • Customer contracts tied to volume and balances • New revenue opportunities for growth
Reduced Costs	<ul style="list-style-type: none"> • Efficiency and automation of processing • Minimized staff for exception management and manual processes • Single application for multiple lines of business minimizes technical support and enhancements costs
Better Managed Risks	<ul style="list-style-type: none"> • Revenue traceability • Audit and compliance support • Unified warehouse for inquiries
Enhanced Customer Experience	<ul style="list-style-type: none"> • Calculation transparency • Flexible invoice consolidation and routing • Web self-service • Pricing based on customer relationships • Enhanced customer commitment

HOW ORACLE CAN HELP

Oracle is well positioned to help firms achieve their goal of establishing a unified revenue management, pricing and billing solution. Oracle’s approach strikes the right balance between technology, standards adoption and process improvement. Oracle commonly integrates into heterogeneous environments including various transactional and accounting systems. Oracle can also partner with an array of complimentary management consulting firms and systems integrators based upon a firm’s preference.

Unlike many other providers, Oracle is able to deliver consolidated billing, pass-through billing and individual billing with complex customer hierarchies. Oracle offers built-in, user-definable scripting, workflow automation and a rules engine. Oracle’s offering provides advanced relationship-based pricing and a user-configurable calculation engine that enables a firm to bill for any product, service, incentive, rebate or fee on a single consolidated bill.

In addition, Oracle is flexible enough to extend the solution’s related data model and change the User Interface and business rules without affecting an organization’s ability to upgrade the solution. This is achievable because capability extensions are done through configuration and not by making code changes to the core of the solution. Oracle has also been able to leverage its expertise in application integration to build its solution on a robust application framework that includes a conversion toolkit to catalyze delivery and provide increased adaptability.

In short, Oracle's offering, Oracle Financial Services Revenue Management and Billing, is a complete enterprise solution that can be tightly integrated into a complex environment, can scale to meet the most demanding volumes and can be tailored to a firm's specific needs.

CONCLUSION

Firms that standardize their pricing, billing and revenue management will be better able to compete in the new Financial Services marketplace. This will help to stop revenue leakage, drive down cost and improve transparency. This increased transparency will empower organizations to embrace relationship-based pricing and sell more complex and profitable offerings. Successful transition to a standardized solution is a challenge that spans technology, people and processes – but is well worth it. Firms that look to partner with providers who are well suited to coordinate across these focuses will take advantage of lessons learned and be best positioned to build best-in-class solutions in a timely manner.

Firms who make these adjustments and respond to the dynamic environment wisely will surface as clear winners in the ever-changing Financial Services industry.

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