

OPTIMISING YOUR CORPORATE PAYMENTS BUSINESS WITH SOA

The Value of Payments



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The commercial (wholesale) banking market is highly concentrated among relatively few financial institutions. As a result, competition is intense especially in corporate payments where there

are multiple products and, yet, little product differentiation between the competitors. Therefore, banks must compete with high quality of service and lower transaction fees. To offer lower fees while maintaining profit margins, banks need to continually improve their payment processing efficiency and costs, which constitute up to 30% of a bank's expenditures – according to the Boston Consulting Group.

Reigning in the cost of corporate payment processing while trying to meet or exceed customer expectations is not an easy task. Multiple payment products operate independently yet perform many similar system steps. Payment processes need to be integrated with all delivery channels, the customer's back-office systems, and multiple financial messaging networks. Finally, various payment product silos sometimes comply with the same regulatory mandates using different systems.

So, how can commercial banks tackle the challenge of improving their corporate payments processing and grow their payments revenues which, according to the Tower Group, currently contributes between 30% and 40% of their operating income? A service-oriented architecture (SOA) is the answer. It allows commercial banks to become more agile and competitive. The value

of SOA is the transformation of the IT assets of a bank. As a result, banks are seriously considering how to assemble their business systems out of parts. While SOA requires some upfront strategy and investment, its benefits are numerous. A few benefits of SOA to the corporate payments business are:

- Develop and launch new products and services faster
- Accelerate new customer ramp-up
- Deliver on customer promises

FASTER PAYMENT PRODUCTS & SERVICES TO MARKET

As stated earlier, payment products are typically run as silo businesses within the bank. Consequently, there are multiple IT systems developed on different platforms with different programming languages to support these products. However, many of the system functions and process steps are the same across the payment products. By applying SOA, banks can create payment processes and services that can be shared between all product lines, thus avoiding redundant efforts and saving time and money. Suppose a bank wants to offer a new service to its corporate customer by allowing them to obtain up to the minute information about their electronic payments. The first step is for the customer to enter their account identification, and then the system performs the "Account Lookup" function. In the pre-SOA world, the "Account Lookup" function will need to be coded even though there are existing payment products performing the same function. However, in the SOA environment, the single version of the "Account Lookup" service already exists and is being used by the other payment

products. As a result, the bank can leverage the same “Account Lookup” service and many existing services to quickly develop and launch the new payment status service for their corporate customers. In this case, the speed to market and agility to innovate is a competitive advantage that others cannot easily duplicate.

ACCELERATE CUSTOMER RAMP, SPEED UP CUSTOMER REVENUE

In the highly competitive world of commercial banking, winning a new corporate customer from the competition is a great accomplishment. But after the euphoria, the challenge of ramping up the customer begins. Beside the usual account set-up steps, the customer’s ERP systems, treasury workstation, and other systems need to be integrated with the bank’s payments and messaging systems. Traditionally, these point-to-point integration efforts are painful and require significant IT resources from the customer and the bank. If SOA were implemented, the bank’s payment applications and systems would already be decomposed into discreet business services. The “loosely coupled” characteristic of SOA, where the consumer of a service does not need to be aware of its location or technology platform, allows the bank to easily offer these services externally to new customers and even clearing networks to integrate with their respective systems. Having an SOA-enabled payments infrastructure, the bank accelerates their new customer ramp, which ultimately speeds up the ability to collect new customer revenue.

DELIVERING SUPERB CUSTOMER SERVICE

Once a bank ramps up new customers, it needs to service them with the utmost quality or risk losing them to the competition. Payment products and services form the foundation of a commercial bank. Banks have to get it right before they can earn other businesses from the customers. Getting payments consistently right is not an easy task. Payments is a time sensitive and liquidity driven business wrought with many internal process steps and regulatory complexities. To deliver superb customer service, the bank needs to stay on top of the payments business in real-time. webMethods provides an SOA-enabled

infrastructure that allows banks to easily monitor these services and identify variations in key business indicators such as payments volume, transaction through-put time, and cross-sell revenues. By identifying and removing process bottlenecks, reacting more rapidly to exceptions, and predicting when and where errors may occur, banks are better able to serve and retain existing customers and attract new ones.

OPTIMISING YOUR PAYMENTS BUSINESS

While SOA is certainly not a technology or a product, but an architectural concept, webMethods advises its clients that a comprehensive enterprise integration platform can play a vital role in enabling an SOA environment. At a pure infrastructure level, the ability to create Web services, register them in a repository and manage them across an enterprise is fundamental to deploying an SOA. But, webMethods also understands additional value is realised by banks that can take those services and orchestrate them across different payment processing steps, conduct predictive monitoring and analytics (such as service level violations and revenue targets) and expose these processes as new composite applications through a customisable end user interface. webMethods provides these capabilities all through one unified suite of technologies – webMethods Fabric™. webMethods Fabric provides banks and other financial institutions with a technology offering that is completely interoperable and standards based and built on the assumption that every environment has multiple technologies and development paradigms – and works with all of them.

It is imperative that banks become more agile and maintain their competitive edge in payments. While its contribution to the bank’s operating income is significant, payments is also the anchor product for the bank’s other products and services. If a bank fails to deliver quality corporate payment products and services, it will likely lose the customer’s other important businesses like commercial lending.

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