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10 things to look for in an ideal pricing and revenue management solution

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Written by Smruthi Bangera, Strategic Marketing, SunTec Business Solutions

Introduction

In a tough business climate of ever-evolving challenges, increasing customer value is key not only to growth, but to survival. For financial services firms, greater customer-centricity means creating innovative products and pricing strategies, capturing new revenue streams and optimising digital channels – all the while proactively managing risk, maximizing operational agility and instituting margin controls.
These can all be achieved through the adoption of a comprehensive revenue management and business assurance solution. Managing revenue and risks, however, should be viewed not as a mere tactical operation. Banks and financial institutions should recognize the strategic relevance of revenue management and business assurance to increasing enterprise profitability, promoting sustainability and meeting the challenges of a demanding business environment.

There are multiple vendors in the market who offer pricing systems for financial services institutions like banks. Making the right choice of a pricing and billing solution can be a difficult decision for banks, yet is very critical considering that it is the cornerstone of a successful business strategy and can be the key to achieving customer experience orchestration and centricity.

Given below is a checklist of features or functionality considerations banks could use while choosing a pricing and billing solution:

- Eliminates information silos
- Provides contextual insights through analytics
- Provides localization support – Helps manage relationships across geographic and organizational boundaries
- Flexible enough to handle complex pricing decisions
- Reduces time to market and improves accuracy with automation
- Provides market agility – technology agnostic, platform agnostic, database independent
- Able to handle large volumes of data and is future-ready- Performance and Scalability
- Compliant with the key regulatory requirements
- Provides multiple implementation models to suit banks' preferences and spending ability
- Ability to support constant innovation

Eliminates information silos

Information silos can be a major roadblock especially when designing products or offers to take to the market.

All customer segmentation and understanding of customer behavior or preferences can go wasted if the product manager is not able to cater to customers with the perfect combination of products and optimal pricing. Preferential pricing of offers for high-value customers becomes a handicapped effort if the relationship manager is unable to view the entire relationship history of the customer with the bank. Lack of historical view of the products may lead to repeated product and pricing strategy failures. Designing new products every time there is a slightly different requirement is a lengthy and costly affair, leading to duplication of efforts and costs to the bank.

The bank as an enterprise will have multiple branches across geographies and multiple systems being used by various departments leading to different formats of data storage. This again can be a roadblock in the ability of banks to have a centralized source of information. The pricing and billing solution therefore should be able to:

- Bring in product rationalization, and enable bank executives to launch successful products and offers with optimal pricing in the market
- Interface between the core banking product and all the relevant systems in the enterprise so as to create a centralized view of products, and also bring about flexibility in information access.
- Provide a single view of the customer and its relationship history with the bank, to aid bank executives in creating personalized offers in an effortless and quick manner to capture customer's attention.
- Capture all the data, irrespective of the channel of customer transaction, and centralize it to apply the suitable price and bill for the customer and therefore avoid leaving any cash on the table.

Provides contextual insights through analytics

Analytical abilities are one of the key technologies that every enterprise is looking to invest in. Banks are custodians of vast troves of customer behavior and transaction data but many are not able to make too much sense of it or leverage it to the fullest potential. Few leaders like Bank of America, for example, have leveraged big data analytics capabilities to find out the reason why many of its commercial customers were switching to smaller banks. Similarly Commerzbank AG, BNP Paribas, HSBC and JP Morgan have utilized analytics for revenue forecasting. But the battle has not been won yet for a majority of the banks.

Understanding customers and making the right offer to them requires one to preempt what might sell with them. A pricing and billing solution, while eliminating information silos, must also have the ability to derive useful business insights of the data that exists in the background. It should be able to:

- Help the bankers visualize the scope of a pricing decision, by simulating the offers with price modeling abilities. The simulators should be able to take insights from similar business decisions made in the past, as well as do a profitability analysis so as to preempt the success or failure of a product or offer.
- Assess the risk appetite of a particular customer or customer segment and guide the relationship or product managers on the suitability of the offer.
- Provide intuitive dashboards, with real-time updates, to decision makers within the organization to drive day-to-day decisions in pricing and revenue opportunities.

Provides localization support – Helps manage relationships across geographic and organizational boundaries

Business enterprises with establishments across multiple countries are generally faced with the challenge of transacting with multiple banks across regions in order to meet their business needs. They would ideally prefer a single bank which can cater to all their day-to-day transactional needs across geographies.

In order to cater to the localization support requirement from their corporate customers, banks need to be equipped with a robust pricing system which is compliant with the global and regional regulations. Robust capabilities, from being able to retrieve currency value in real-time to being able to charge transactions, can be a very critical feature which can have transformational effects on a bank's revenue stream.

A relevant example was seen in the retail space when Target Corporation attempted to expand its operations outside America, to Canada, but failed miserably with one of the reasons being that the pricing systems were incapable of making currency conversions effectively.

Flexible enough to handle complex pricing decisions

Vanilla pricing is a thing of the past. Banks today need to be equipped with the ability to handle complex and advanced pricing requirements like multi-tiered pricing, multi-product pricing, hierarchical pricing, etc. in order to account for different pricing at various stages of a customer relationship and account structures. The system should be able to automatically detect a change in the customer lifecycle stage or commitment level and re-price the transactions as per the set rules. Additionally, customer-facing personnel like relationship managers must have the flexibility to dynamically make tweaks in the standard prices in order to personalize offers for the customers. At the same time, prices should be optimized suitably to ensure profitability of the bank, because at the end of the day, price optimization can have the highest impact on the bank’s margins. To further emphasize the point, a study conducted in 1992 and published in Harvard Business Review by

McKinsey employees Michael Marn and Robert Rosiello stated that a 1% improvement in price can result in an 11% increase in operating profits.

The pricing solution therefore needs to have an inbuilt robust pricing framework so as to provide strategic control of pricing across products, customer segments and various departments of the bank. The pricing frameworks must be centralized and transparent to the departments across the organization so as to aid bank personnel in making quick and optimal decisions while negotiating with the customers.

Reduces time to market and improves accuracy with automation

With rising competition in the banking landscape, banks need to be agile and accurate in order to be ahead of their competition. Customers are spoilt for choices in the market, and hence their attention spans and patience levels are very low. One of the major roadblocks in achieving time to market and pricing accuracy can be laborious manual processes and the lack of rules set within these processes.

For example, the inability to track customer commitments across banks can be very inefficient if handled manually and a potential source of revenue leakage and subsequent losses for the banks. Similarly, manual workflows for pricing approvals can lead to decisions pending at various levels and delay in executing proposals for the customers. Automated pricing systems with easily configurable business rules and process workflows can be the perfect solution for the challenges that banks face with time to market and service efficiency.

Provides market agility – technology agnostic, platform agnostic, database independent

Considering banks implement different hardware and software solutions at various points in time as requirements arise, it is quite but natural that the systems will be based on different technologies and platforms. An ideal pricing system should therefore be able to retrieve information from all the different platforms and databases and process it so that various products across systems can be viewed, offers can be made and transactions priced and billed accordingly. Without this compatibility, banks might have to rely on manual efforts to retrieve, consolidate and format information before it can be fed into the pricing system.

Subsequently, the information post offer and transaction processing also will have to be converted into various formats before it can be fed into the various output systems in the ecosystem. This can increase the time required to service customers therefore putting the banks at a disadvantage in the ever-so-competitive landscape which demands market agility.

The pricing solution chosen should be technology and platform agnostic so that it forms an orchestration layer between all the systems in the technology

landscape of the enterprise and is able to process transactions seamlessly. This feature also comes in handy in light of any future acquisitions or mergers that the bank might get involved with, which might bring in more diverse systems into the technology landscape of the bank.

Able to handle large volumes of data and is future-ready- Performance and Scalability

With the large volume of transactions that take place on a daily basis at banks, the amount of data that is generated and stored in the background can be overwhelming. And now, with an increasing number of digital channels being made available for customers, data simultaneously comes in from multiple sources.

A good pricing system is able to aggregate these huge mounds of data from multiple sources and suitably organize them, in real-time, so that they are accessible at the right place and right time for valuable business decision-making. And while they are continuously processing this huge amount of data, the performance of these systems needs to remain intact to be able to maintain agility in uninterrupted service to customers.

Similarly, scalability becomes an important functionality for a pricing solution from a future looking perspective. As banks grow, the volume of transactions and the subsequent data generated also increases in parallel. This might require the organization to scale up the system to accommodate the new changes.

Ideal pricing solutions should be easily scalable to suit the business requirements of the bank. The databases should be structured in such a way so as to accommodate further enhancements easily as and when the requirement arises.

Compliant with the key regulatory requirements

Clients, both on the retail and corporate front, expect banks to offer them personalized bundles, yet be preferentially priced for the services offered.
This in turn increases pressure on the margins for the banks, especially in the light of regulations like Basel III and MiFiD which impose capital requirement thresholds and transparency requirements on the financial institutions. To manage this situation the banks need to ensure that the customers are priced optimally, so as to ensure compliance to regulations yet maintain profitability. The pricing solution therefore should comply with these regulations and provide insights on optimal pricing decisions to be made to ensure banks' profitability.

Similarly, banks are also required to comply with regulations like PSD2, AML and many more which help them in maintaining a payment standard, and in reducing instances of fraudulent transactions respectively.

Pricing systems that are already compliant with the regulations is a smarter way to go than invest on them separately which can further increase the cost of ownership for the bank.

Provides multiple implementation models to suit banks' preferences and spending ability

Banks can be in various stages of technology investment and profitability levels. They might also differ from each other in terms of their strategies in terms of data management. Some banks might not be very comfortable with having the technology systems hosted outside premises, whereas some of them are comfortable hosting it on the cloud provided security of data is ensured.

Ideal vendors of pricing systems and solutions must provide banks with the option to either implement a solution on-premise or host it on the cloud to suit their risk appetites and investment levels.

Ability to support constant innovation

With market trends and customer preferences changing rapidly today, banks need to be innovatively agile by coming up with attractive offers in the least possible time in order to gain customer attention and retain it. Lower customer threshold necessitates that banks are constantly innovating and coming up with new strategies. Newer technologies like NFC and IoT are also making way into the banking landscape of customer service. Quite a good number of leading banks like Standard Bank, Bank of America, etc. have invested in innovation centers where the customers get to experience these innovations in real-time and provide instant feedback to the banks on the likeability and usefulness.

While constantly innovating is just one side of the coin, being able to implement these in real-time and make them a part of the larger ecosystem requires compatible systems which can accept them. Therefore, the pricing system should be flexible enough to support and absorb newer innovations and any system and operational changes that come with these innovations.

Conclusion

The above sections are focused mainly on the obstacles to true customer centricity from an IT and systems perspective. There are other serious challenges that include business processes, current organizational structures and other dimensions which banks would have to realign if they need to become truly customer centric.

Banks must gain a real-time insight on their customers that will then allow them to understand (and predict) customer behavior which in turn will allow banks to be agile enough to meet their customers' needs. For a bank to be successful and continue to be successful, the value of objective, real-time and actionable customer insight cannot be emphasized more.

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About SunTec

At SunTec Business Solutions, we help our clients increase the lifetime value of their customer relationships through effective revenue management and real-time customer experience orchestration. With a legacy of deployment in over 45+ countries, SunTec is a trusted partner to some of the world's leading banks and digital and communication service providers. Headquartered in India, we have our offices in the USA, UK, Germany, UAE and Singapore.

With a team of highly skilled individuals and our innovative product development models, we help our clients remain at the forefront of cutting edge technology. A stable, mature and flexible product suite, Xelerate continues to develop with the market. With insights from our industry experts, a robust future-ready roadmap and seamless integration with any ecosystem, it is one of the most effective products to leverage.

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You can also call us on:

US – Tel: +1 724 749 5699 | UK – Tel: +44 20 7220 3030 | Germany - Tel: +49 (0) 69 50 50 60 | UAE – Tel: +971 655 760 30 |
Singapore – Tel: +65 6829 2139 | India – Tel: +91 471 2539 600

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