

Mastering the Multi-Channel Payments Environment for Maximum Savings and Optimum Efficiency

By Mario Villarreal, US Dataworks

Upon initial review, sourcing applications from multiple software vendors for individual payments mechanisms and clearing channels doesn't seem so bad. Applications can be quickly added to an organization's payments processing mix to respond rapidly to changing business needs.

A closer look, however, reveals underlying costs and risks that can actually undermine the objective of better and more flexible payments processing. Leveraging standalone payments applications impedes transaction management, increases fraud exposure and decentralizes audit and compliance checks. It requires duplicate customer setup, hampers exceptions handling, and creates cost inefficiencies -- slowing down time-to-revenue and ROI.

Without question, the continuing decline in checks and the move to e-payments is transforming the payments landscape. According to the Federal Reserve, two-thirds of non-cash payments now are electronic; however, the end of checks is not in sight, particularly in business-to-business applications. Banks, businesses and government entities alike are challenged by increases in electronic payment volumes, the rising focus on electronic check conversion, the convergence of payments systems and organizational silos, commoditization, fraud risk, and increasing compliance and regulatory directives. Merger and acquisition activity makes transaction environments even more complicated. All the while, processors must continually improve customer service (clients demanding new and better services) and operational efficiency to stay competitive in the increasingly competitive global market.

As Check 21/distributed capture adoption scales, and more financial institutions, businesses and government entities take advantage of electronic clearing options, the payments environment will continue to evolve, with new challenges and opportunities emerging.

How do organizations confronting these daunting demands minimize the risks and maximize the rewards in a multi-payments environment? With an enterprise payment solution. Processors require a single payment system that can handle different transaction types.

A flexible architectural approach

A perceived attraction of using standalone payments solutions is that they provide a quick fix to an organization's business needs. However, this thinking doesn't take into account an organization's future growth or needs. Companies that deploy standalone payments solutions ultimately face higher license, training, and maintenance costs, and less system connectivity.

In this scenario, the sharing of data and services is virtually non-existent. Disparate payments applications cause each channel to be invisible to one another and, in some cases, to system administration, necessitating special processes for compliance, control and fraud. This lack of visibility inhibits reporting and the ability to timely respond to business trends.

These problems persist when vendors package multiple payments applications under the guise of an enterprise payment solution (departmental solutions in sheep's clothing).

True enterprise payment solutions address all of these issues, providing:

- Clearing capabilities for all deposits (e.g. Check 21, ACH)
- Sharing of data and services across payment channels
- Streamlined payment and exceptions management
- Flexibility and scalability for future business needs
- Consistent user experience across channels, streamlining training and troubleshooting

And as the payments environment changes, as volumes of one payment mechanism drop or a new mechanism becomes available (mobile commerce), enterprise payment solutions adjust to the new realities and allow users to support new payment formats in a cost effective way.

In addition, enterprise payment solutions help processors stand out in a crowded market – providing a platform to efficiently handle all of a biller's transaction types, while reducing clearing costs.

For instance, consider a retailer that offers a private-label credit card and accepts Web payments. By leveraging an enterprise payments solution and sharing services for validation, the retailer can consolidate its remittance and retail channel transactions. Further, the retailer could combine its remittance and retail data streams for clearing, reducing the number of files it must transmit, and gaining higher volume counts with which to negotiate discounted fees.

The future of payments automation

The emerging multi-channel payments environment can seem daunting and complex. The days of inflexible, standalone departmental payments solutions are a thing of the past. Processors demand greater system integration, visibility and agility to meet current and future needs.

Enterprise payments solutions meet the challenge. But processors must be careful to avoid packaged departmental solutions masquerading as enterprise platforms; these systems pose manageability and integration issues, as well as data sharing and communications problems.

In an ever-changing environment of regulatory and compliance pressures, new technologies and processes, and shifting customer payment preferences, enterprise payments solutions deliver a new paradigm in transaction processing, meeting the needs of today and tomorrow.

Mario Villarreal is president and chief operating officer of US Dataworks, Inc. (AMEX: UDW), a leading provider of payments automation solutions to financial institutions, businesses and government entities. Villarreal can be reached at 866-337-5477.

#