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Building Momentum in the Back-Office

Automation and Digitization Can
Help Financial Institutions Meet
Increased eCommerce and
Transaction Demands

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When communities and retailers closed for health and personal safety reasons in 2020, eCommerce hit an all-time high. According to data from McKinsey, the U.S. experienced 10 years' worth of eCommerce growth in about three months.

Digital transaction and shopping trends are unlikely to reverse. To manage the increased volume and new expectations for speed and efficiency, back-office staff need support. Key digital capabilities can help staff manage growth while serving members and customers well.

In 2020, the global health crisis caused by COVID-19 pushed companies toward remote and contactless business practices, and significantly accelerated digital transformation and eCommerce trends. Transaction volume, service expectations and complexity all increased exponentially, with no signs of slowing down.

In the rush to provide new services and delivery models, merchants and financial institutions found stop-gap ways to create cross-channel experiences. But they also introduced new challenges that must be addressed over the longer term.

Business After the Boom

The bar for acceptable service has been permanently raised. Across the board, consumers and corporate banking customers have higher expectations surrounding integration and access, and they want everything (not just eCommerce) available at their fingertips. Payments, reconciliation and inventory information all need to be accessible and actionable 24/7.

To make this happen, merchants and financial institutions are partnering with multiple vendors. As a result, they must now manage numerous connection points into the back-office, along with varying formatting, naming and scheduling requirements.

Onboarding these partners is hard work. Implementations and integrations are challenging, especially with tight timeframes and increasing regulatory and security standards. It's difficult for back-office staff to support reconciliation and other key processes across preexisting systems.

Now, nearly every organization needs to send and receive data across multiple payment channels 24/7 – but not every organization is equipped to manage and monitor transmissions around the clock. Most small and medium-sized institutions lack the staffing, expertise or capital required to launch robust payment and eCommerce solutions while also managing the underlying data transmissions.

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In addition to all of these challenges, speed is critical. Time to market is crucial for new digital and eCommerce capabilities – in terms of ROI and business retention. Consumers and corporate-banking customers are increasingly willing to leave companies they've been loyal to for years if their needs aren't being met right now.

How can the back-office catch up – and stay ahead?

Capabilities That Create Momentum

Consumers want to see their orders, refunds and transactions right away. Data transmissions that go along with payments are incredibly important to the end-user experience, whether it's a retail customer or a corporate banking partner.

In this new environment, transmission capabilities and operational efficiency are imperative. If merchants and financial institutions can streamline data exchanges and reduce manual inefficiencies, they can meet rising demands and stay competitive.

Four capabilities can help back-office staff increase productivity and build momentum:

1. Simplified file exchanges

2. Automation

3. Artificial intelligence (AI)

4. Managed support

Simplified File Exchanges

Most businesses receive payment files from different sources to support several channels (such as ACH, wire transfers and card payments). Every file must be formatted properly before it can be validated internally and sent to downstream systems. Additionally, there are tight processing windows for files to be received and each vendor and rail may come with its own schedule and set of requirements.

Challenges build as transactions flow through the organization. Reconciliation, for example, is complicated by the number of channel and format types.

With the increase in digital and 24/7 transactions, back-office staff can't effectively manage the volume that's coming through one payment system, let alone several. Merchants and financial institutions need simpler ways to exchange data with clients and vendors, and reconcile it against payment records.

Ideally, all of these connection points can be consolidated into one system for sending, receiving, reformatting and validation. A single connection point can act as a stronger gatekeeper, making it easier to detect formatting issues or duplicate files. With everything coming and going from one place, it's easier for staff to manage endpoint requirements, such as deadlines. And programming rules can lower risk and tighten compliance, since staff aren't manually working through multiple sets of transmission rules.

Having a single, market-agnostic solution also simplifies the infrastructure and IT requirements associated with back-end processes. Financial institutions and merchants can accommodate more transmissions and integrations without needing additional IT resources to procure, install or maintain file transfer applications.

Financial institutions and merchants need to think about transactions the same way their customers do: integrated. End-users don't care which payment channel is used as long as the transaction is completed quickly and accurately. Consolidation makes it easier for financial institutions and their corporate customers to deliver on current expectations.

Increased Automation

Straight-through processing is ideal – moving transactions through the organization without any human intervention. But many businesses are a dozen clicks (or more) away from that reality and an enormous amount of data is rekeyed as it moves through the process.

As transactions move downstream, the situation gets even more complicated, especially if reconciliations are managed with spreadsheets and highlighters. The number of exceptions may be high, and they can be slow to resolve. Corporate customers feel these pains throughout their businesses, as outstanding sales or through long gaps in their order-to-cash processes.

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The solution is to abandon manual tasks. They have a higher risk of error and delay, and take focus away from the core business. Transmissions-related manual processes must be consolidated and automated to meet current (and future) demand.

Review back-office processes to identify bottlenecks and high-value actions. Talk with commercial customers about their pain points related to transmission, reconciliation and day-to-day processes. If you understand where time is being spent, you can create meaningful automations and lower the cost of operations.

Financial institutions that automate transmission, reconciliation and other back-end processes also gain potential new revenue streams. Corporate customers will be glad to relinquish daunting, time-consuming tasks (such as accurately managing receivables) and improve their money management by using the services of your organization. Automation creates an avenue for financial institutions to improve their own efficiency and productivity and to create new business opportunities.
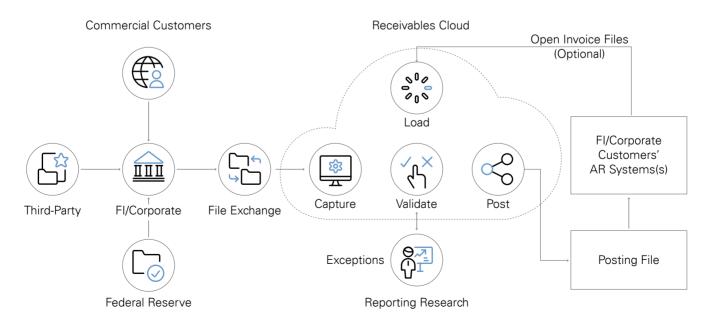
AI

Automation isn't just faster; it's better. AI, image recognition technology and machine learning achieve higher matching rates than humans, especially for tasks like reconciling received payments against open invoices.

Speed and accuracy build momentum. For example, reducing the time and cost of collecting and reconciling payments accelerates funding. And faster funding can speed up other initiatives and improve productivity overall.

For file exchange, incoming data can be validated before it's ingested by a processing system. AI capabilities ensure the right information is captured in the right fields before processes begin. AI tools can also generate requests for late, missing or inaccurate data before staff must intervene.

Finally, AI solutions are scalable. Financial institutions and merchants can meet meticulous security requirements and shorter processing windows, even as transmissions increase, without overworking their human resources. AI solutions are designed to support high-volume, secure and accurate processes.

Integrated Receivables and File Exchange

Commercial Customers

Receivables Cloud

Open Invoice Files
(Optional)

Load

Third-Party · FI/Corporate · File Exchange · Capture · Validate · Post

FI/Corporate Customers' AR Systems(s)

Federal Reserve

Exceptions

Reporting Research

Posting File

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Managed Support

Automation and AI tools are fundamental capabilities for the back-office now that it's become a 24/7 operation. Transactions, data transmissions, security and compliance must be managed around the clock.

Having a single connection point into and out of the business makes this easier to manage but doesn't eliminate the need for monitoring. Most financial institutions and merchants need ongoing monitoring support to protect their accountholders and customers and stay in compliance.

Outsourced solutions can help financial institutions and merchants manage growth without additional infrastructure or human resource investment – which means they can scale more profitably.

Preparing for What's Next

Channels and processes will increase and become more complex. Security and regulation will continue to be a top priority. Financial institutions and merchants using manual processes won't be able to handle more services and vendor relationships competitively.

To accommodate the "new normal" and build momentum for a digitally focused future, financial institutions and merchants need to examine their back-office processes for chances to consolidate and automate. Wherever manual or inefficient processes exist, there are gains to be had.

Integration, automation and AI are must-have capabilities. Look for solutions and partners that have critical capabilities ready to go. Open architecture solutions will be faster to integrate and simpler to scale.

Delivering a seamless experience doesn't have to be time-consuming or cost prohibitive. Seek a partner that completely understands the challenge and can create a flexible solution to supercharge your back-office.

Connect With Us

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