

Making the Decision for Platform Conversion

In recent years banking, and in particular the card industry, has experienced many changes: increased consolidation, new products and forms of payments, the use of teaser rates, the growth of co-branding, and mounting legislative pressures. As such, banks are increasingly finding themselves in need of upgrading their payment processing capabilities.

Using a third-party processor instead of an in-house/legacy processing system can bring benefits to an organization; increased functionality, reduced time to market, continuous systems improvement, and cost reductions are just a few. Processors such as First Data International (FDI) and TSYS can provide issuers with more additional product functions, pricing, marketing functionality, superior customer service, better collections/risk management tools, legislative compliance and enhanced platform performance.

Although financial institutions by nature and necessity are technically savvy, developing and maintaining processing software is not typically a core competency. Rather than focusing on systems development, banks should be focusing on building and maintaining profitable customer relationships. While management may view processing and IT expenses as important reasons to outsource, not all banks save money by outsourcing. For example, some companies still utilize legacy computing assets which have long since been written off their balance sheets.

Despite the benefits for most banks, the decision to outsource is often difficult. Not only must consensus within the organization be achieved, but the decision must be “sold” to executive management. Considerations should be given to understanding strategic objectives. Does a “new” processing system help the bank offer new products and features? Does it meet regulatory challenges? Is it scalable? Does it expand marketing channels? Does it address processing deficiencies? In some cases, the business may be better off upgrading their current platform rather than purchasing a new package.

Assuming a bank does decide to outsource, they need to examine the capabilities provided by various external platforms versus the capabilities of the organization’s internal systems and staff. A bank with a somewhat dated platform, but a highly capable IT staff, may be better off keeping control of its processing system, perhaps in conjunction with the purchase of a new software platform to be run in-house. For those organizations who do make the decision to outsource or change their current external processor, the focus should shift to the selection of a processor which will meet the organization’s strategic objectives by providing the best functionality and service and at the best price.

Having a good platform conversion partner with a tested conversion approach can go a long ways toward making sure the right platform/partner is selected and that the platform’s settings are optimized to take full advantage of the additional functionalities.

A good multi-disciplinary platform conversion approach includes identifying and prioritizing the things that are important for the organization to be doing from a customer, as well as a business perspective. This includes:

- Utilizing existing resources to the extent they are available
 - Dedicating a team to facilitate all aspects of a conversion
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- Documenting and designing a platform migration strategy
- Taking a client-friendly approach - aligning work with existing business model/strategy
- Building from a customer experience perspective; maintaining necessary transparency and preventing service interruptions as well as customer impacts
- Conducting process reviews from a high level, end-to-end
- Assuming responsibilities for current core portfolio of applications and products
- Providing a cross disciplinary and cross functional team, comprised of multiple perspectives
- Identifying several quick hit/early win actions that can be taken while working with management to map out the future state strategies and plans.

Likewise, a successful platform conversion includes having a good conversion strategy; ensuring the data mapping, interfaces, and options settings are optimized, understanding the impact to the customer, ensuring good financial reporting, and managing change.

Conversion Strategy

- Develop project plans, schedule of events, and timelines
- Provide compliance and audit control
- Set up a SWAT type function to identify production issues, document those issues (including an issues database implementation), identify the number of customers impacted, assign ownership of problems, and oversee delivery
- Provide Processor relationship management during the conversion

Data Mapping, Interfaces, and Options Settings

- Utilize a system to system data-driven mapping approach - simultaneously evaluating actual data values in the pre and post platforms using heuristics and statistics to automatically discover data exceptions
 - Ensure option sets are optimized to guarantee continued product functionality and utilize new platform functionality to maximize product functionality, interest, and fee income
 - Review automated and batch processing actions
 - Provide system functionality assessment
 - Manage interface development, implementation, and documentation
 - Manage data manipulation and custom programming
 - Execute user acceptance testing (UAT)
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Identifying Customer Impacts

- Develop and execute a clearly documented plan to manage the Customer experience through the conversion process; focusing on transparency, no service interruptions, or customer impacts
- Catalog all customer touch points
- Build interfaces for all touch points including balance transfer/consolidation fulfillment
- Identify potential impacts to written communications and materials delivered such as statements, checks, etc.
- Identify potential changes in product functionality due to platform differences
- Review disclosure requirements including change in terms
- Vendor interface setup and support for call center support
- Review customer information data structure and quality
- Communicate to high-value customers
- Post conversion customer experience monitoring and reporting
- Ensure appropriate service levels

General Ledger Impacts/Financial Reporting/Analytics

- Identify potential impacts to the general ledger (GL)
- Guarantee accurate financial reporting and calculation of customer/account level profitability
- Identify and mitigate potential marketing and regulatory risks due to problems with models and list processing

Change Management

- Understand the target state for key partners such as the employee, customer, and vendors
- Identify success factors and define what success is
- Identify key stakeholders (supporters and distracters)
- Develop adoption, communication, and training plans

Selecting the right platform processing solution requires a trusted partner. Your partner will help you sort through the choice of processing vendors. Choose carefully. Your decision could determine whether or not you are competitive, bring new products, improve efficiency, and boost profitability. Additionally, as the shift continues from checks/cash to cards and other electronic payments, the right platform empowers banks to provide flexible programs that stimulate growth and retention, add incremental value, and enhance the customer experience.

PTC has unparalleled expertise assisting financial institutions in processing platform conversions and optimizing the performance of their system settings. We offer an array of services and solutions aimed at helping companies move from data-rich to knowledge-rich environments, and to leverage that knowledge to transform their businesses. Contact us to see how we can help you.
