

Today's commercial banks must transform in the face of disruption and the demands of tech-savvy customers.

Billing and Pricing Transformation Is Essential for Growth Among Commercial Banks

January 2023

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Introduction

The world of commercial banking is undergoing an unprecedented transformation. This transformation will be essential in the ability of banks not only to compete with one another but also to adapt to a rapidly changing set of new banking formats and models. Now more than ever, commercial banking must transform in the face of disruption. There are several facets to this current transformation, including:

- » The demands among commercial banking customers are rapidly changing, such as a sharper focus on customer experience. This experience consists of better customer communication, more frequent/more meaningful interactions, more transparent pricing, and faster deal processing. Any transformation efforts must support a sharper focus on customer values such as responsiveness and empathy. This is a dramatic, but needed, shift in the commercial banking paradigm.
- » New technologies have dramatically changed the playing field. The proliferation of digital transformation among commercial banking customers increases the demand for adoption of advanced digital technologies from financial institutions as never before. Technologies such as artificial intelligence (AI) and machine learning (ML) can be leveraged to support enhancements in risk identification, credit security, and pricing/billing. Application programming interfaces (APIs) are another example of technology available for commercial banks. APIs can be used to allow corporate banking clients to access their accounts, conduct currency exchanges, and make a variety of payments (domestic and cross-border). APIs also open the door for commercial banks to integrate their banking applications with clients' enterprise resource planning (ERP), treasury management, and accounting systems.

AT A GLANCE

WHAT'S IMPORTANT

As the financial industry changes, commercial banks are focused on modernizing their core internal processes to become more client centric and to meet the demands of today's customer. Of particular interest are cash management, risk management, revenue management, and cost reduction.

KEY TAKEAWAY

Automation and intelligence in billing and pricing processes are quickly becoming essential for commercial banks.

- » The constantly shifting regulatory landscape presents both challenge and opportunity for financial institutions. The changes commercial banks must monitor are numerous, including changing data privacy regulations, Bank Secrecy Act/anti-money laundering reforms, and the implementation of the Basel III banking standard and the Current Expected Credit Loss (CECL) accounting standard. In addition, shifts in the areas of payment regulations, M&A oversight, and impending climate mandates serve to further complicate the commercial banking environment.
- » Market competition is growing from newer technology-forward and hyperagile fintech companies, which are increasing in number and variety. These companies are often called neobanks. They are digital-first and API-driven banks that leverage mobile technology and digital banking services to disrupt traditional commercial banks. This evolution is a relatively recent trend but one with a growing amount of momentum given the rising number of millennials in corporate financial leadership roles.

Cultural Shift Among Commercial Banking Customers

Today's commercial banking customers are more tech savvy and more informed than their predecessors. Also, the typical commercial banking customer segment now comprises younger, more digitally demanding users with heightened expectations of data access and customer service. Trust has always been essential in commercial banking, but it is now an essential driver of transformation among commercial banking customers. More than ever, businesses are looking to their commercial banking partners for more than merely securing transactions. They are looking for quality, responsiveness, and consistency in their experiences. These customer demands are pushing commercial banks toward modernizing all their customer-facing activities, especially in the process of billing and pricing.

Commercial Banks Must Focus on Cash Management Amid the Swirling Winds of Transformation

As a response to the industry changes, commercial banks are taking a hard look at modernizing their core internal processes to meet the demands of today's customers by becoming more customer centric. Banks are quickly turning their focus to cash management as an essential area of investment to harness the winds of change now affecting commercial banking. Specifically, commercial banks are focused on the following functions:

- » **Risk management:** The assessment of risk among current commercial assets is an essential aspect of building resiliency for commercial banks and their customers. Also, the risk of rising interest rates can lead to banks deploying modern account analysis functionality delivering a combination of earnings credit programs and hard-dollar interest payments (frequently called hybrid accounts).
- » **Revenue management:** Corporate treasurers are prioritizing cash management and working capital management to provide their companies with greater agility. The ability to create a portfolio of payment instruments to shape money movement characteristics for both accounts payable and accounts receivable is highly desirable for today's corporate treasurer.
- » **Cost reduction:** Efficiency has become a high-profile subject among treasurers and other financial professionals as the macroeconomic environment continues to tighten. Commercial pricing and billing processes for commercial banks are often major consumers of valuable internal resources and have been a major focus area for commercial banks, especially recently.

Managing the Chaotic Area of Commercial Pricing and Billing for Financial Institutions

To fully optimize the pricing and billing aspects of commercial banking, financial institutions must be able to manage a number of factors, including the following:

- » **Data in disparate systems slows down essential billing insights for decision makers.** Billing data for banks may live in different places, including core banking applications, customer relationship management (CRM) applications, sales applications, and contract life-cycle applications. For larger banks, getting a holistic picture of commercial relationships can be an extreme challenge that often requires combining information from dozens of applications where bits and pieces of customer data live.
- » **Difficulty in forecasting cash results in lack of organizational agility.** Many financial institutions have trouble forecasting cash because of the complexity and the sheer volume of data points involved in such an effort. Additionally, banks must balance not only their cash forecasting needs but also the cash forecasting needs of corporate treasury clients.
- » **Ad hoc pricing efforts don't allow for strategic optimization.** Large commercial banks often comprise dozens of smaller entities, which, without coordination, move in their own direction regarding pricing and billing strategies. This makes coordination a major challenge for corporate banks.
- » **Disconnected billing and manual processes lead to errors.** Many billing activities are still done via spreadsheet, while internal and customer support relies on emails. In typical banking environments, many other manual activities persist. Manual touch points slow vital pricing and billing processes such as implementing new agreements, onboarding new accounts, evaluating customer profitability, responding to customer requests, and providing timely reporting to customers. Disjointed and manual processes open the door to the risk of human error and degrade the customer experience.
- » **Lack of visibility into the pricing and billing process creates inefficiencies.** A lack of visibility into pricing and billing activities within the bank can impede overall growth and lead to less-than-optimal personnel investment decisions. In addition, a lack of visibility can have a negative impact on customer satisfaction as customers are forced to deal with billing activities that are confusing and lack coordination.
- » **Lack of automation leads to inefficient use of resources and prevents focus on value-added cash management activities.** A lack of automation opens the door to process inefficiency, which impacts customer satisfaction and lowers employee satisfaction as employees are forced to wade through unnecessary manual tasking and activities.

Benefits: The Need for a Modern System Arises

Currently, the commercial banking space is loaded with organizations using spreadsheets to augment their pricing and billing practices. According to the latest IDC *SaaSPath Survey*, the average financial services provider uses spreadsheets to support 37% of its billing activities. Another four out of five financial services organizations are spending at least some time using spreadsheets to support billing practices. Given that both customer expectations and the pace of business continue to increase, many companies are turning to modern platforms to provide them with an edge in the market.

The advantages of a modern commercial banking billing and pricing solution include the following:

- » **Improvement of the experience for existing customers.** Customer data is seamlessly connected to billing strategies and used to optimize pricing schedules while automating customer billing preferences.

- » **Better integration.** The use of APIs and other advanced data management tools allows modern billing solutions to integrate with general ledger, deposits, CRM, treasury, and all other core banking systems.
- » **More strategic pricing.** Billing and pricing solutions reduce the misalignment between customer expectations and the current pricing initiatives — thereby increasing revenue while ensuring pricing is accurately applied and reported in an easily comprehensible fashion.
- » **Ability to satisfy the demand for a modern billing and pricing solution among bank employees.** Manual processes not only infuriate customers but also negatively impact employees tasked with pricing and billing activities.

For banks, the most exciting advantage is the possibility of a modern billing and pricing product being used to drive top-line growth. Revenue growth is a real possibility with these solutions because banks will have better coordination in their pricing efforts across their entire organizations. In addition, banks will be able to adjust their pricing and billing strategies with greater ease, opening the door to tighter alignment with evolving business strategies and goals. These solutions also provide banks with greater insight into customer relationships, allowing for more personalization in billing and pricing practices while ensuring overall profitability targets are met.

Trends

A number of trends are impacting the commercial banking industry and informing how it responds in terms of systems modernization. Among the top trends are the following:

- » **The geopolitical landscape is in constant flux.** This volatility has a significant impact on the markets in which financial services organizations operate. For example, the current conflict in Eastern Europe is having a ripple effect on the global economy, and financial leaders are feeling the impact.
- » **Digital business speeds up.** The current market uncertainty places an emphasis on speed and business resiliency. The processes of financial close, budgeting, forecasting, and cash management are forced to become faster and more efficient as market dynamics drive operational changes and modification of business goals from week to week (day to day in some cases).
- » **Cash management is moving to center stage.** Given the uncertainty around the global pandemic, cash management and the tools to facilitate cash management have been top of mind for financial leaders.
- » **Staying on top of regulations and financial compliance is a major challenge.** Businesses must navigate constantly shifting collections of regulations at the federal, state, and local government levels.
- » **There is demand for a more strategic/analytical skill set for finance teams.**
- » **There is a need to meet the challenge of rising interest rates.** The current economic and financial conditions, along with their attendant risks and the interrelationships among them, need to be assessed, measured and reported. An integrated solution is the only way to capture and act on these intricate and changing connections.

Considering Infor

Infor is a business cloud software provider offering products specialized by industry. Infor's enterprise applications and services are designed to deliver sustainable operational advantages. Over 60,000 organizations in more than 175 countries rely on Infor's 17,000 employees to help achieve their business goals.

Over the years, Infor has demonstrated a particular strength within the financial services vertical segment. The momentum within this market segment continues with the introduction of the cloud capabilities of Infor Complete Billing System (CBS). Infor CBS is an enterprise pricing and billing software application that combines a modern user experience, integrated enterprise business intelligence, and networked analytics with workflow management tools. Infor CBS is an integrated system that allows financial institutions to serve commercial customers of any size or complexity while supporting even the most ambitious banking transformations. Among Infor's strengths are the following:

- » **Solid account analysis foundation:** Infor has been a leading provider of commercial banking account analysis pricing and billing software for top-tier financial institutions for over 30 years. Infor CBS retains all the traditional analysis functionality while providing the modern features and benefits necessary to keep commercial banks competitive in a challenging market.
- » **Analytics:** The combination of Infor's AI/ML and embedded analytics within the Infor financial package provides users with access to a very high level of visibility — a critical element within the digital economy. The inclusion of Infor's powerful Birst analytics package is an advantage in the data-heavy area of pricing and billing.
- » **Cloud architecture investment:** Infor has made heavy investments in the data architecture of Infor CBS, which allows the product to be built for the challenges of today and tomorrow. In addition, Infor has partnered with IBM Cloud for financial services for integrated managed services infrastructure support.

Challenges

- » **Crowded market:** Infor CBS will enter a relatively crowded cloud market that includes both large and small competitors. Further, the competitive landscape features several incumbent core banking system providers and a larger number of providers that are solely dedicated to servicing financial institutions.
- » **Breaking through current digital transformation agendas:** Large financial institutions often have a set plan for their digital transformation efforts. These plans have been years in the making and can be difficult to change. It can be a challenge for vendors to get access to IT decision makers and become part of the ongoing digital transformation efforts within commercial banks.

Conclusion

The processes of pricing and billing impact a business' top line (revenue) by allowing the business to adjust its strategies in alignment with market dynamics and corporate goals. These processes also have a major impact on customer satisfaction. A modern, AI-driven billing and pricing solution gives its users a powerful tool to achieve the difficult balance between customers' desires for fair and reasonable pricing and billing strategies and corporate banks' desires to manage pricing and billing aggressively while optimizing liquidity. IDC believes that automation and intelligence in the billing and pricing processes, given the incredible uncertainty within the current market, are quickly becoming essential.

Pricing and billing processes impact both revenue and customer satisfaction.

About the Analyst



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As a research director, Kevin M. Permenter provides insights and analysis across multiple fintech market segments including accounting, revenue management, corporate tax, accounts payable, accounts receivable, treasury, and enterprise payment management. Kevin leads qualitative research efforts that drive a series of technology buyer-focused documents including MarketScapes, Buyer Perspectives, PeerScapes, and end-user surveys. He also leads several quantitative research efforts within financial applications that feed key technology supplier-focused documents like Market Shares, Market Forecasts, Market Glances, and Market Analysis Perspectives.

MESSAGE FROM THE SPONSOR

An integrated enterprise pricing and billing application with proven Account Analysis is the new norm.

As you know, innovation doesn't just happen. And as the threat of declining revenue and customer loyalty at the hands of more disruptive competition, outdated processes, and other pressures reaches a tipping point, your financial institution must begin to think differently. It's no longer enough to increase productivity by automating business processes or differentiating on product functionality alone. To succeed and overcome modern challenges, you must clearly distinguish yourself from competitors, transform business processes, and find flexible tools to innovate. Each day you spend debating on when and how you will digitally transform your business, is another day you are not looking for ways to increase revenue and customer loyalty. It's time to innovate. Highly configurable solutions with deep treasury management-specific capabilities will help you:

- » Increase revenue
 - 40% reduction in revenue leakage
- » Attract new customers
 - 3-12% increase in top-line revenue
- » Improve customer experience
 - Increase customer satisfaction through accurate and transparent billing
- » Streamline operations
 - 50% improvement in process efficiency

For more information about Infor's offering in this space, please go [here](#).



The content in this paper was adapted from existing IDC research published on www.idc.com.

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