

4 ways that forward-thinking banks are using real-time payments to drive innovation



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If you're a leader in the financial services industry, you've likely become an expert at studying—and adapting to—change.

So much has shifted in the industry. Fintechs have upended old business models and now compete for market share. New customers who have grown up on digital apps and services have begun demanding greater responsiveness and more personalized experiences from their banks. Rules around customer practices, lending, and other banking activities continue to change as regulations become increasingly complex.

So how do financial services institutions drive innovation in this fast-changing environment?

The rise of RTP

One change in particular stands out for its potential to drive innovation: the adoption of

real-time payments (RTP). Driven at first by the regulatory compliance wave in the United Kingdom and Europe with the second Payment Services Directive (PSD2), RTP has since revealed its potential to change banking as we know it.

On its face, RTP is a big win for customers. It enables a more frictionless banking experience with fewer holds, moving payments with the same quick gratification that customers have come to expect from other modern services, such as instant messaging, video streaming, and one-hour delivery.

But RTP may be an even bigger win for banks. That's because once you've modernized your core infrastructure to handle RTP—even partially—you start to unlock a whole new world of potential products and revenue streams.

RTP itself is just a back-end payment system, but by modernizing your core, you suddenly gain the flexibility and agility to grow your bank in ways that weren't possible even a few years ago. A rising multitude of banking and payment APIs lets you tap into the new open-banking economy and its hyper-connected, "one-to-many" ecosystems.

Let's explore four ways that forward-looking banks are creating new revenue and growth using the changes around RTP.

4 ways that RTP can drive innovation and boost revenue

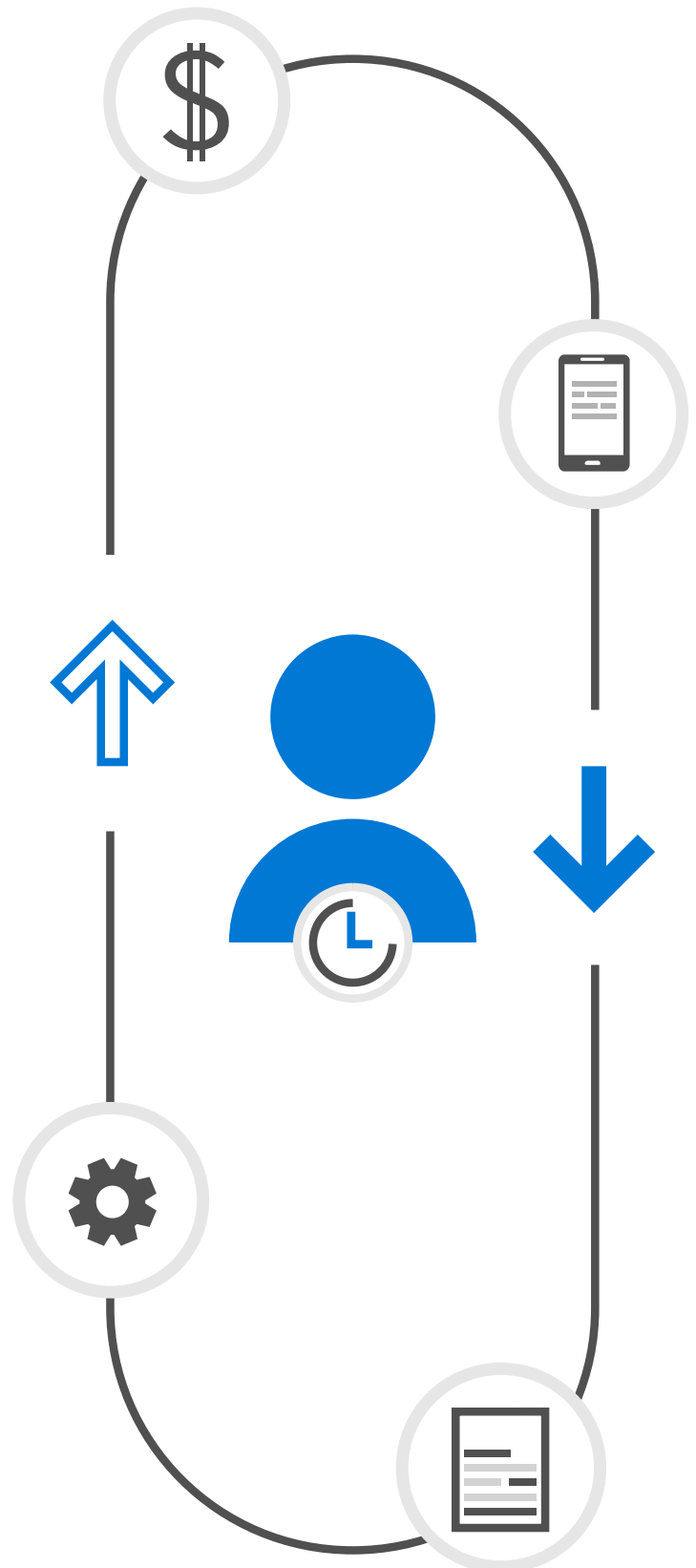
1. Personalizing offers

RTP doesn't just facilitate payments. The data created by the RTP process can be pulled into a single view by cloud-based systems, providing a rich source of client insight based on a constant stream of RTP information.

Historically, banks haven't been able to do much with this data to improve their business, but new cloud-based tools make it possible to analyze this data in real time. By leveraging AI, machine learning, and analytics, even large amounts of fast-moving data can be interpreted in context.

This analysis can yield valuable insights on client buying behavior, enabling more accurate predictions. You can then personalize offers to individual customers in real time, everywhere from the branch to your banking app.

For example, you might proactively initiate a retention conversation with one customer and a conversation about a helpful product with another, based on individual context and historical patterns. Aided by these insights, your bank can increase both revenue and retention over time.



2.

Differentiating customers and increasing their value

In addition to personalizing individual offers, you can also use behavioral insights to more accurately segment and differentiate your customers, extending relationships and expanding opportunities for growth.

Ultimately, much of what you can do with RTP data is about increasing customer value, but optimizing your current business models and customer segmentation is an excellent place to start. Even simple changes around these processes can have a big impact.

For example, when a customer is setting up a bank account, you can engage with them based on their potential—so that might mean offering financial planning for one subset of customers and loans or a re-mortgage for another. This type of differentiation can double or even triple your effective customer touchpoints.



3.

Helping customers improve liquidity

Beyond fine-tuning your current offers and sales approaches, the technology that enables RTP opens up new potential products and services.

One example might be a liquidity analysis service, leveraging all the signals collected from payments going in and out of a customer's business. Suppose that analysis of RTP data reveals that one of your small merchant customers regularly has negative liquidity on the third day of every month, so they would be unable to deal with any urgent problem or opportunity arising at that time.

You could then intervene and help the customer, offering insights on not just their payments but also context from your broader network, which could help them improve cashflow and better anticipate and manage day-to-day operations. This liquidity analysis service could improve customer experience and retention, as well as possibly provide new revenue.



4.

Identifying opportunities and focusing innovation efforts

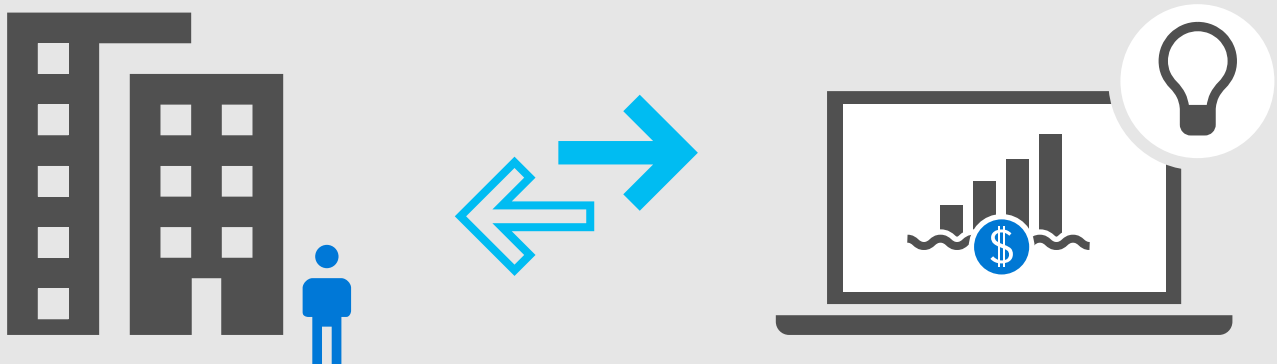
Liquidity analysis is just one example of a new service that RTP data flows can unlock. The greatest benefit of a modernized core is the flexibility to take on all kinds of new business models and products.

Imagine that you wanted to expand your home mortgage business beyond loans to provide an entire home-buying experience. By tapping into APIs and peer-to-peer or plug-and-play partner solutions, you could orchestrate an entire new offering and end-to-end experience for your customers. For example, customers could manage everything from choosing a realtor and investigating different

neighborhoods to arranging inspections and coordinating home improvements and insurance needs—a one-stop shop, all starting with the mortgage.

A new modern platform gives you the agility to innovate in all these different ways. Strategic insights from your real-time data can even help you focus those efforts, to help analyze your value chain to find the areas and opportunities most likely to create differentiation, generate revenue, and drive growth.

With innovation powered by the modern core that enables RTP, the possibilities are endless.



Quick wins

For most banks, complying with RTP regulations is likely the initial compelling factor for beginning the shift to a modern core. Many banks still use batch processing and older mainframe systems, some siloed as a result of M&A activity for larger banks. These can be complicated to update and maintain, so the difficult decision then becomes whether (or for how long) to put more money, time, and effort into existing legacy systems.

But for the opportunities described above, it's important to note that banks don't need to move everything to the cloud at once. Modern cloud technology can begin to collect siloed solutions into a central point, logging quick wins and starting a cloud adoption process that can get you to RTP on your schedule.

Getting started

Any transformational undertaking takes effort, but hybrid solutions make it easier to begin migrating key workloads around payments to the cloud—and Microsoft has been a leader in helping financial organizations make this shift.

For a bank looking to grow and innovate, that can be the first step to a more modernized data center, capable of leveraging the cloud more fully and unlocking the potential of the open-banking economy.

Find out how other financial service organizations are using RTP to drive growth.

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