



BY Rod Springhetti

The Payments Transition Experience Is the Best Teacher

In responding to any transition, there is an inherent advantage that should not be lost: Take the best from the “before” to apply to the “after,” and then discard the rest.



It is an exciting transition that is taking place. Customer payment preferences are being redistributed across a broad choice of instruments. Banks are embracing more electronic alternatives to paper. This transition is undoubtedly being marked by many innovations, but its strongest roots remain those in the paper system. Paper processes, paper automation, paper laws, paper regulations, paper risk — these are elements that banks have optimized over decades of hard work and creativity.

These roots can and should be leveraged. Often, what may look like new challenges in the electronic world, are problems that have already been solved in the paper world, and often via Carreker Corporation solutions. Today, we are bringing our considerable “before” experience to bear on the exciting “after,” and in doing so are helping clients avoid costly over-invention, miscalculations, and excessive risk. We are helping banks shape and respond to customer payment behavior in ways that bring value to both.

We see considerable opportunity in easing the pain of check handling for merchants, doing the same for bank tellers, leveraging check dispute resolution expertise in similar functions, and modeling the revenue and expense of various payment scenarios.

EASY TO WRITE, HARD TO TAKE

Billions of anything deserves technology’s attention. If checks are going to remain easy to write, technology needs to make it easier and more attractive for merchants to accept them. Slowing up the line to write down ID information, stuffing paper under the cash drawer, driving to the bank, and absorbing check fraud risk are inhibitors. Cards are a comparative snap, albeit with associated costs. With our *remote deposit capture applications and earlier risk evaluation*, we can replicate the ease and relative security of cards.

LOWER VOLUMES, HIGHER UNIT COSTS

As we make checks easier for the merchant, we continue to do the same for the bank. As volumes decline and unit costs rise, we must be aggressive about processing more efficiently at every juncture. Continued focus on strategies such as our *branch and ATM image capture, image exchange, image-enabled back office applications* and *business process offshoring* will retain the profitability of offering check services.

DISPUTE MANAGEMENT

Banks didn’t set up to become experts at resolving disputed payment matters, but they had to. Given their focus on costs, they had to do so efficiently. Because checks have accounted for a majority of payments disputes, the check-oriented systems have been engineered for large volumes. Today, as other payment types grow in volume, their systems are being strained and the potential exists for serious backlogs and loss of control. We offer *exceptions, adjustments, and research systems* already scaled and proven for the transition, enhanced for the characteristics of these non-check payments disputes.

PAYMENTS AS A BUSINESS

Checks have paid their own way and contributed to banks’ payments revenue — not always explicitly, as the ubiquity of “free” checking attests. But one way or another, through negative float, account analysis, NSF/OD fees, treasury management products, and rate differentials, banks have been well compensated for their investment in the check instrument. But as volumes shift to non-check instruments, that is often not the case. We offer *payments modeling* of payment revenue and expense across silos and across payment types to help banks make profitable decisions about electronification strategies and tactics.

Rod Springhetti makes sure that Carreker’s technology solutions for the payments transition combine both experience and vision. rspringhetti@carreker.com 704-602-5314