Updating your Payments System

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Payments

Updating or refreshing your payments system should be used as an opportunity to explore, innovate and transform your payment operations.

Changing market conditions have meant that many financial institutions and processors are considering their options regarding the replacement of their retail payment system within the next three to five years. Largely this has driven by supplier activity be it: mergers and acquisitions; product sunset; commitments to alternate hardware platforms and pricing policies.

What is undoubtedly true is that operating a mission critical service on a software platform that is not strategic to your supplier is less than desirable, for any extended period at least. What is also true is that if your supplier has been acquired, or changed their hardware strategy the lack of alignment could cause the need for change to be considered hard. Supplier activity however should not be the sole reason organizations should be considering an update of their payments system. Other factors should be taken in to consideration as modern business challenges demand modern business software that addresses the core issues faced by business operating retail payments systems.

The business goals of an organization should not be constrained or stopped by the technology, the solutions need to:

- Be more responsive
- Be more adaptable
- Support considerably faster time to market
- Support any channel, any device, any transaction any application that is or may be associated with a payment even if this is as yet unknown
- Have significantly lower cost of ownership

The majority of institutions running monolithic code based solutions face the same issue: they are running to stand still. Significant effort cost and time goes into the systems, but almost all of it is maintenance and compliance with almost no direct business benefit is derived from the time and cost spent. In reality, at the time these legacy systems were developed, they addressed the needs of users very effectively, and at that stage nobody could have conceived what demands would exist 30-40 years on. The result however is that business is constrained.

Almost all financial institutions and processors operating legacy systems whether through third party vendor

or in-house are constrained by inflexibility, lengthy development cycles and cost. These systems were engineered using techniques and architectures that are unable to provide the needs of a modern business looking forward. In their time the engineering was excellent, but engineering moves on and these systems haven't done that nearly as well as the market required them to. A thought true of all industries not just our own, car plants for example operate fundamentally differently than they did forty years ago; cars are cheaper to produce, more modifiable and safer than they've ever been. In computing hardware is more reliable, more functional and easier to implement than thirty years ago. One of the few areas that remains mired in the past is payment systems.

At face value, one would expect there to be something unique about payment systems for this to be the case and yet there isn't. High volumes of transactions move around, but this is true of brokerage systems and indeed the messaging systems many banks operate internally. Transactions have to be delivered assuredly and yet this is true of medical applications and a host of other on-line transaction systems. Transactions have to be secure, but this again applies to so many systems of a mission critical nature. In truth, there is little unique about the challenge faced by retail payment systems. They exist in a world where the fundamentals required of them are required of a host of other applications. Their uniques exist only in the interfaces and formats they support, in common with all other systems.

Changing a payment system is viewed by some to be as complex as heart transplant surgery. In reality though it pales in comparison; testing, parallel operation, fallback options and pilot runs don't exist for transplant surgeons.

Adds value to retail payments to increase flexibility This fear of change, and the belief that the process will take 3, 4 or 5 years to deliver, holds many financial institutions back. The facts are that modern payment systems can deliver the flexibility, adaptability, assuredness and total cost of ownership that financial institutions crave all deployed in a fraction of that time. In one recent replacement project a modern SOA application replaced a legacy application in less than seven months, including testing. The result is a system than costs much less to run, is simple to modify and delivers high levels of flexibility, all of which make a positive contribution to the organisation operating it.

The message from the legacy suppliers is the same in every industry when a change in paradigm occurs: it can't be done; it will never work; it's too much like magic. The fact is that it can be done; it has been done and is being done. Financial Institutions are upgrading their retail payment systems and positioning for the future. In the process they are freeing the businesses they operate on behalf of from constraints of time, cost and functionality and enabling significantly better customer service to be delivered.

Now is the time to update your payment system and free your business from the constraints of aged architectures. Contact a Lusis representative today.

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