COVER YOUR ASSETS

Protect the success of your new payments service with a combined IT and line-of-business perspective

Includes a New Initiatives Checklist

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Is that new payments product your organization's next big thing or the straw that broke the camel's back?

Shifts in consumer usage patterns and a strategic re-focusing on payments as a reliable revenue generator are prompting financial institutions to evaluate current initiatives and consider new opportunities.

Responding quickly by launching innovative payments products can be an effective way to stay ahead of the competition and to stabilize the bottom line in this struggling economy. However, urgency also brings with it an ugly downside.

Oftentimes, a rush to get something done and out the door, so to speak, means critical components can be overlooked. As a line-of-business owner, you've planned, plotted and reviewed every detail about your product. You know its purpose, business value, return on investment and customer benefit inside and out. But have you considered what's happening on the other side of your building?

Meanwhile, on another floor, the IT department is mapping out the infrastructure and resources needed to support this new initiative. They've got whiteboards covered with sketches of boxes and lines and arrows – everything it needs to perform.

And who's looking after the gap in the middle – this all important [and often-neglected-until-it's-too-late] space where the customer experience truly occurs? Have you taken the time to collaborate with IT to shape requirements and ensure a fast, successful delivery?

With this whitepaper, you'll learn how to maximize the success of your initiatives by asking the right questions and building a holistic plan with your key partner – the IT group – to ensure a positive customer experience.

But before we dive into the customer's point of view, let's explore why infrastructure and IT alignment are important in the context of new payments projects.

The critical foundation of every payments product

There are three reasons you, as the line of business owner, need to be concerned about the infrastructure even though it's not your immediate responsibility:

1. Your product needs a robust infrastructure to work
2. Every new product imposes new demands, usage patterns, and changes
3. We can craft the perfect product, but if it's unreliable, slow, or too expensive to operate, we won't succeed.

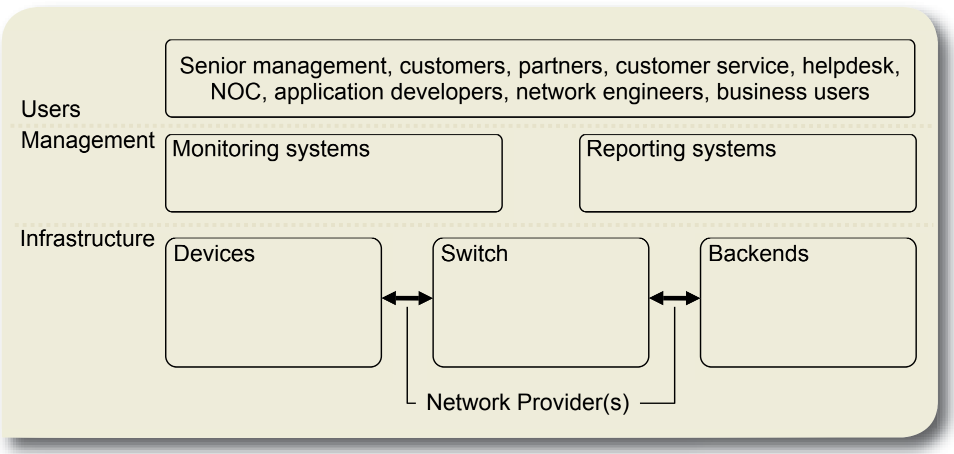

Diagram 1: When most of us think about infrastructure, we typically have a straightforward model in our heads -- devices or interfaces, a processing system, and a range of backend partners. We then use monitoring and reporting systems to get critical information into the hands of stakeholders and decision-makers to optimize at a product or customer level.

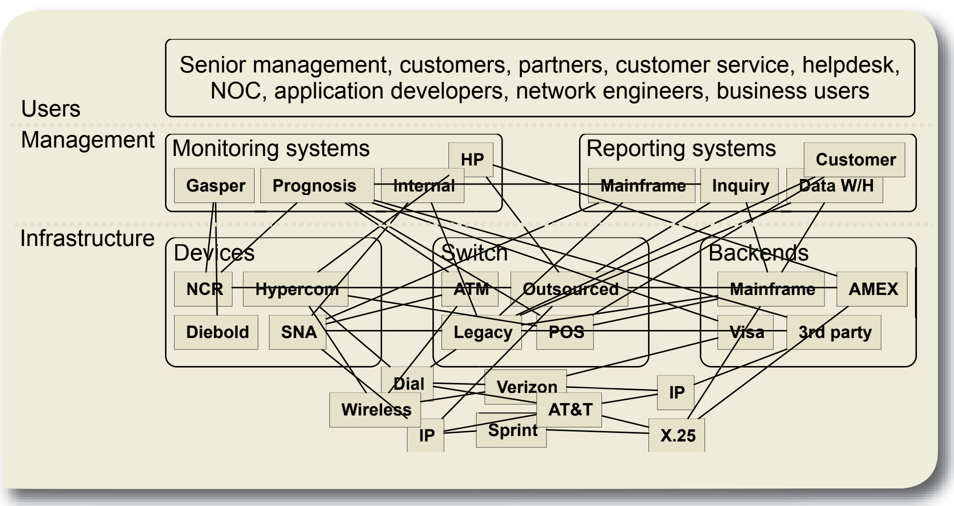

Diagram 2: However, this is the picture you would see on the whiteboard if the IT team was in the room before your meeting. It's scary, but reflects the reality of most company's payments systems, which have evolved over the last 20 to 30 years as we've added new products and functionality, replaced legacy infrastructure, and so on.

New initiatives "challenge" it in new ways

This infrastructure complexity creates a simple, but insidious problem. The business transaction information you need to ensure optimal rollout, operation and success of your new initiatives is:

- Scattered;
- Stale; and
- Difficult, even impossible, to access.

This problem hurts line of business and product groups as well as IT.

On the business side, it ultimately clouds decision-making. It slows your ability to respond, forces you to work with incomplete data, and ultimately impacts revenue and cost structure.

On the IT side, it impacts service quality, complicates critical IT tasks like capacity planning, costing, problem isolation, and others. This ultimately increases the risk of downtime and increases the cost of service.

This problem lies at the root of most financial processors' infrastructures, and seriously threatens new and existing product success.

Setting clear expectations is vital

INETCO has been in the financial services and payments processing space for more than 25 years, providing the software and expertise that lies at the very heart of national, regional, and individual payments backbones. We've learned through this experience that it's critical to look at payments products from three dimensions:

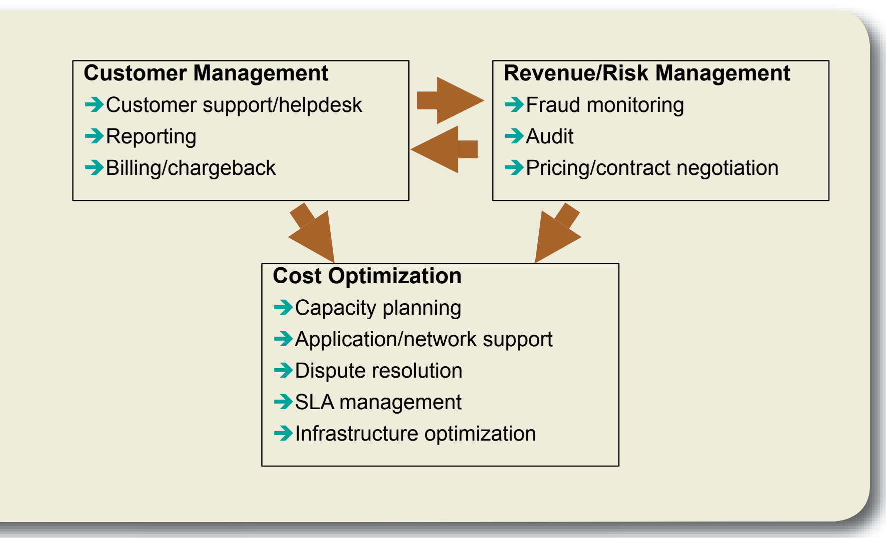

Diagram 3:

1. **Customer Management:** What information and capabilities do you need to manage the customer relationship at the frontend of your payments systems?
2. **Revenue/Risk Management:** What information and capabilities do you need to optimize revenue and manage risk across all parts of the system, including third-party entities?
3. **Cost Optimization:** What information and capabilities do you need to optimize both capital and operating costs to drive maximum profitability?

Customer Management

Achieving high levels of customer satisfaction drive revenue and loyalty and three key areas require attention:

1. **Equipping customer support with the information they need to triage issues and improve first call resolution rates:**

   Typically the biggest win here is providing real-time status information at a product and customer level. This allows customer service teams to confirm problems, identify whether it's you or the customer, and direct it to the appropriate support team.

   For example, can you quickly pull up-to-the-second details on the last 100 transactions from a customer, details on their complete execution path, and the ability to walk back in time to look at patterns in the past few hours or days?

2. **Delivering reports that really explain usage patterns easily and quickly:**

   The biggest win here is collecting data not just on how customers are using the service, but how they aren't, or more interestingly, are failing in their attempts.

   For instance, you may find that customers using your new mobile service through a particular carrier/geographic combination are having problems.

3. **Getting billing right:**

   Again, complete usage data is key to billing accuracy. The win here is not just being able to produce bills, but being able to verify their accuracy, cross-check details and provide insight on how you and/or your customers could improve the success rates.

Revenue/Risk Management

The ultimate goal of revenue and risk management is reduce losses and maximize revenues. No rocket science here.

1. **The ability to sense and respond to unusual usage, before you really know what "normal" is:**

   This may sound like an oxymoron, but if you think of how most fraud systems work, they're trying to compare to a baseline. If your product is new and you don't have a baseline yet, all you can do is set thresholds that make sense and tune them until you get your baseline.

   The biggest win here is shortening the time from event to detection to response, without ringing a bell every time a transaction happens. We find that comparative volume measurements can really help. For example, if I'm getting 120% more of X transaction type then I was an hour ago and my overall volume is constant, I may want to investigate.

2. **Capturing audit data:**

   The win here is doing this without building a second parallel application for auditing. Instead, capture everything you need as a byproduct of either processing or monitoring transaction flow.

3. **Getting complete usage data that you can easily segment by customer type and other variables:**

   Most of us negotiate contracts on a per customer basis with pretty complex pricing equations. And yet, very few of us monetize the very high service levels we're capable of providing, nor do we consider the cost of these service levels for smaller, lower volume customers.

   For instance, if you're running a large ATM fleet, you may want to set different policies for maintenance and monitoring of machines based on their transaction rates. This is obvious, but unless you're doing it dynamically, you may be under serving a machine that is seeing a sudden change in volume (maybe it was moved by the owner to a better location, or a local event is driving traffic up and cash levels down).

Cost Optimization

The last area is cost optimization, which again, has an obvious goal - reduce capital and operating costs to improve profitability:

1. **Capacity planning is at best a black art, but nonetheless critical to your product's success:**

   The win here is collecting statistical data, not the raw transaction data we often archive for decades.

   Model your expectations for a new product on an existing product or service. Look at the transaction rates, failure rates, traffic ratios from different geographies and use this to produce a more accurate picture of the needs your product will impose on existing or new infrastructure.

2. **Unfortunately, problems do occur, even in a five nines environment:**

   The most successful companies are the ones that can address them fast and get back on track. Our customers find that the key to doing this is correlating application and network information together so they can spot where a problem is occurring and which team should work on it.

   Unfortunately, for others this is usually a labour-intensive, manual process that you can only afford to do in the event of a major issue. If you can reduce the complexity of this process, you can afford to apply it to more issues, which will increase transaction success rates and reduce costs.

3. **In-depth information is key for resolution:**

   Many of us don't think much about the inevitable disputes, over bills, service levels, even message formats that occur in the day-to-day operation of a payments system. And yet, they are a major area of hidden cost.

   Typically, we find that the party with the most information wins. If you can produce a record of the transmission correlated with the status of the transaction itself, you can clearly show where transactions were lost or delayed.

4. **Service Level agreements require details to back them up:**

   Most of us operate with some kind of penalty system (e.g. for stand- ins) and occasionally with an incentive system. Monitoring compliance in a more timely fashion allows you to adjust faster and manage better to targets. The ideal is constant, real-time comparison against targets.

5. **Optimizing the infrastructure itself requires a shared view between business and IT:**

   Would you invest $10,000 in hardware if it would deliver a 0.5% increase in success rates? Or, you're about to spend $125,000 on vendor-recommended software upgrades to improve load handling but do you have enough load to warrant the expense?

   More importantly, how would you go about making that calculation? Many companies can't.

NEW INITIATIVES CHECKLIST

Hopefully, as a line of business owner you now understand that a three-dimensional view of your payments infrastructure is critical to your success. Things will go a lot better if you're able to think through and address all the groups and processes affected.

While your IT team can be a great partner in helping you find the most cost-effective way to get the information you need, sometimes it comes down to knowing the right questions to ask.

Here are **11 key questions** to get the conversation started:

CUSTOMER MANAGEMENT

GOAL: Improve customer satisfaction and cut customer service costs

- ☐ **Customer support:** What information will front-line representatives need to maximize First Call Resolution rates?
- ☐ **Reporting:** What information will differentiate your product from similar offerings to preserve your pricing power?
- ☐ **Billing/Chargeback:** How do you make bills useful and easy to understand?

REVENUE/RISK MANAGEMENT

GOAL: Reduce revenue losses and improve customer profitability

- ☐ **Fraud:** How do you minimize losses during the vulnerable period where you don't yet know what's normal?
- ☐ **Audit:** Do you need to prove transmission to a 3rd party?
- ☐ **Pricing/Contract Negotiation:** How can you monetize higher service levels?

COST OPTIMIZATION

GOAL: Reduce fully loaded cost per transaction

- ☐ **Capacity planning:** What are the expected levels of performance, reliability, and ability to handle unexpected volume?
- ☐ **Application/network support:** How will you monitor Mean Time to Repair and what are the target requirements?
- ☐ **Dispute resolution:** What are the likely objections from our partners? What information will you need to substantiate claims?
- ☐ **SLA management:** What do your partners expect and how will you monitor it?
- ☐ **Infrastructure optimization:** What is your cost per transaction target?

For more information or to request a complimentary Network Performance Assessment, please email **info@inetco.com**. You can view a demo of INETCO Insight at: **www.inetco.com/demo/**

INETCO AS YOUR PARTNER

In today's competitive environment, payment processors and ATM owners need timely access to transaction information to optimize revenue, costs, performance and availability. **INETCO Systems** develops software to help our customers better manage and monitor payment systems by providing revolutionary visibility into the operation of real-time Electronic Funds Transfer (EFT) applications, the transaction intelligence to optimize their performance and quick response to be immediately effective. The company has deep expertise in network and application protocol software, and currently serves more 150 customers in the world's most demanding IT markets: credit card processing, telecommunications and financial services.

INETCO Insight, our flagship product, is the first of a new breed of network-based business transaction management products that combines the data acquisition capabilities of network performance management technologies and the application awareness of application performance management technologies into a single integrated solution.

> "INETCO Insight's real-time monitoring and threshold alerting capabilities make our network operations and ATM support teams immediately aware of when denial thresholds are reaching an unacceptable level, and enable us to proactively isolate the failure point, prior to any customer service disruptions."
>
> **[Neil Cook - Director of EFT Services for Fidelity National Information Services]**

Specifically designed for ATM, POS and card processing applications, **INETCO Insight** features expansive libraries of modular transaction decode tables making it easy for companies to monitor a variety of XML and TCP/IP-based financial transaction types. It offers an easy-to-use interface for operations staff, powerful real-time intelligence for senior IT, and easy deployment in even the most complex transaction processing environments, with no agents, service disruption or load placed on critical infrastructure.

The software's point-to-point SSL encryption aligns with PCI compliancy guidelines and removes the security risk usually associated with deploying a new product within the payments environment.

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