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FIVE BENEFITS OF MAKING THE MOVE TO REAL-TIME

Banks and other financial institutions are currently considering whether the move to real-time processing makes sense or is even worth the hassle, especially when their processes, systems and architecture are often still entirely batch based. So, how can the move to real-time processing benefit not only banks' customers, but banks themselves?

For banks operating on a traditional batch model, transactions are soft-posted as they're accepted, but they don't really impact account balances until batch processing takes transactions from theoretical to the real deal. This can cause problems for everything from customer satisfaction (due to delays) to fraud management. Not only can real-time processing solve these problems, it can also lay the foundation for long-term growth. For banks looking to compete with nontraditional banks, and financial institutions (FIs) arising to meet evolving customer demands, here are five key benefits of making the move to real-time processing:

1. Funds access

For the bank itself and for the bank's customers, immediate access to funds offers huge benefits. Customers are more likely to trust banks who give them immediate access to their paychecks and other funds, and banks will lose fewer customers to fintech upstarts who offer everything in real-time. The ability to view and access transactions in real-time also means everyone – from the customer using their mobile app to the bank teller and customer service department – sees exactly the same information at the same time.

2. Fraud management

Real-time processing also offers tremendous benefits for consumers and banks when it comes to fraud detection. When transactions are posted in real-time, alerts and notifications also happen in real-time. This means fraudulent account activity is spotted right away instead of being discovered during overnight batch processing, a delay which could allow harmful transactions through. Consumers will feel protected, and banks will spend less time and resources on fighting fraud. Those resources can be redeployed into the next key benefit, product innovation.

3. Product innovation

When banks can reroute resources to focus less on manual processing, they're freed to focus more on innovations. One FIS client saw a decrease in product time-to-market by 90 percent because real-time processing allowed immediate product configuration and migration – something that wouldn't have been possible in a batch world. Real-time provides immediate, hyper-accurate data that can be used by real time analytics to cross and upsell effectively based on a customer's personal transaction history and financial behavior.

4. It isn't all or nothing

If the move to real-time processing seems like a huge lift, there's good news. Banks operating on traditional batch processing methodology don't have to make the move to real-time all at once. The shift can be gradual, starting with processes that make the most sense for each individual bank and expanding as benefits become obvious. Even with this approach, banks will see tangible benefits as real-time access delivers improvements to other systems as well, with everything from analytics to application program interfaces (APIs) improving the day-to-day experience of every bank employee and customer. This, in essence, is the real-time ecosystem: a place where an FI takes advantage of the aspects of real-time that make the most sense right now, then evolving and adapting as they begin to benefit from other aspects of the bank's systems and technology.

5. Increased performance, decreased cost

Thanks to real-time processing, not only will banks see happier customers, shorter time-to-market and better fraud management, they'll also see lower operational costs across the board as real-time posting of transactions mean immediate decisioning of any exceptions encountered with those transactions. Manual intervention gives way to more automation, resulting in a significant reduction and elimination of next day or "day two" processing. The newer technology required for real-time also frees banks from managing and synchronizing multiple databases, overseeing aspects of recovery and business continuity, and decreasing overall cost per account.

Especially in the U.S., banks have been very successful for a long time running on memo posting (or batch processing), but the advantages of moving to real-time are real, and the time is now. Real time will make an essential difference as your bank moves forward. Our world is a very different place than it was even a year ago, and the post-pandemic landscape will continue pushing financial institutions toward digital and real time.