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From Thomas L Frale Jr., President of Transaction Directory, LLC

We are excited to kick off the new year with our Predictions 2013 issue of Transactions News. We have nearly two dozen contributors this year from a wide variety of areas within our industry. This is always one of our best received editions as it offers great insight into what the vendors, service providers and our transaction brethren think will shape the year to come. Please take a moment and see what your colleagues have to say and who knows, they might be thinking exactly what your thinking!

As I take a look at 2013, I think a couple of key drivers will become evident. They are:

- Organizations making purchasing decisions will demand higher levels of service and flexibility. These business decisions will not be made to facilitate ‘path of least resistance’ but rather how someone can differentiate on service, quality and cost savings. Those that cannot respond and articulate these features will struggle.

- Account management of relationships will moderate back from such an over-emphasis of selling additional services to existing clients and back towards consultatively working to improve a client’s use of your products and services. Yes, that may involve a purchase but the cost, implementation and use needs to be well thought out and positioned as to how that translates into value for the purchaser.

- The need for industry information will become an ever increasing part of strategic decision-making for financial service providers and those that use their services. Benchmarking data, feature functionality comparisons and other factors will be a vital part of the discovery and review process. Here at Transaction Directory, we have some exciting plans for 2013 to help facilitate that flow of knowledge. Make sure you are checking in to see what we have in the works!

Speaking of benchmarking information, it is not too late to participate in the Direct Payments study via ACH study that we have partnered with the folks from NACHA and Blueflame Consulting to help gather information on. Please take few moments and complete the survey and you will receive a summary report of the findings for your effort. The survey can be found at the following link:  http://www.bflame.com/ACHvCard/Billpay.htm

Lastly, I hope that 2013 is a successful year for all our subscribers, sponsors and partners. As always, please feel free to contact me if you have any questions. Thanks you and again, Happy Holidays!

Thomas L Frale Jr.
President—Transaction Directory LLC
tfrale@transactiondirectory.com
My Five Payment Predictions for 2013
By Greg Hammermaster for Sage North America

1. **QR codes will hit mainstream consciousness.**
   Quick response codes, or QR codes, are square-shaped ink blots that store 350 times more data than standard barcodes, which store less than 20 numeric characters. QR codes are highly interactive and already prevalent on printed marketing materials and some web sites.

   The QR image can be emailed, texted and Tweeted. A mobile phone user with a camera and QR code application (“app”) scans the image and is directed to a web site for additional information.

   The news isn’t that QR codes are out there; rather, the news is QR codes are becoming a must-have for businesses. QR codes will hit mainstream like a Twitter handle or a link to a Facebook page. And, with mainstream use, payments will follow.

2. **Loyalty solutions will increase their influence over “consumer” mobile commerce.**
   It may seem crazy, but credit card processing on mobile phones has hit a saturation point. When Groupon enters the market and VeriFone pulls out, you’ve pretty much hit the high mark given the current business model. There are intriguing niche-based uses, such as mobile payments integrated with accounting software, and mobile payments facilitating pharmacy home deliveries but, by and large, the mass market, if you can call it that, are micro-businesses swapping out their more robust merchant accounts with low-end mobile phone merchant solutions.

   But, let’s give credit to Starbucks for launching the next generation in mobile payments with their Starbucks mobile app. Is there a better correlation than caffeine and loyalty? Starbucks married the two and is demonstrating how to gain consumer adoption in mobile payments. Square literally bought its way into the Starbucks ecosystem. In my opinion, Square (payments) needed Starbucks (loyalty) more than Starbucks needed Square.

3. **Mobile phones will be introduced in commercial payables.**
   Mobile phones aren’t anywhere near replacing plastic as the preferred way to make payments. In fact, many industry experts are predicting the death of NFC as a mobile payments pipe dream.

   The real issue is the consumer buying experience, based on consumer needs, is pretty good. Swiping a card at the point-of-sale (POS) is easy. Entering a card number on a secure web site is simple.

   On the commercial side, however, users’ needs are not well served. Employees are not granted corporate checkbooks, and commercial credit cards, if used by the company, are offered to only a small percentage of the employee base.

   However, most employees have mobile phones, and that opens the door for the mobile phone as the delivery mechanism for a commercial payment account. We’ll start seeing virtual credit card numbers, good for one purchase, being securely delivered to employees’ mobile phones for corporate purchases. This practice reduces the risk of distributing credit cards across a larger employee base, while expanding the use of the company’s preferred payment method to more employees.
My Five Payment Predictions for 2013

By Greg Hammermaster for Sage North America

4. The iPad will gain momentum at the POS.
One of the biggest things to watch over the coming year is the iPad and its impact on the payments terminal market. Historically, dedicated systems from the major terminal makers, like VeriFone, Hypercom and Ingenico, were the only mechanism a business could use to accept a credit card at the POS.

Now, these terminals can be replaced by handheld computer systems; most notably, the iPad, which has a most robust developer base due to a consistent form factor and one version of its operating system – something Android providers lack.

The iPad augmented with payment-specific add-ons, such as card swipers and Bluetooth printers, have all the capabilities of the old terminals, plus additional advantages. Businesses can run other applications, such as product detail lookup, price lists, inventory levels or even a seating chart, if the business is a restaurant. The iPad can be carried around the store as a “roaming POS,” and it can be extended as new trends emerge, such as EMV, NFC and image-based check acceptance, without the need for new hardware.

5. PCI will continue to be highly underrated.
The payment networks (Visa, MasterCard, American Express, etc.) are motivated to continue to evolve security requirements. Their brands are their equity and must convey trust. If the brand promise is broken, the network is done or, at least, severely impacted. And, the only group in the payments industry as devout as the payment networks is the bad guys.

Given this race between good and evil, the risks are too high for the networks not to be overly diligent on calling for tighter Payment Card Industry (PCI) guidelines and adherence.

What will this mean in 2013? I think we’ll continue to see industry consolidation as the costs to remain ahead of the PCI juggernaut are only going up. More businesses (merchants) will make PCI mitigation tools (removing their internal systems from the scope of PCI) the primary factor in selecting a payments vendor. And, sadly, there’s likely to be another major breach.

About the author: Greg Hammermaster has more than 25 years of experience in banking, payment solutions, and business software applications. As president of Sage Payment Solutions, the payments division for Sage North America, he is responsible for the company’s Virginia-based credit card operations and Florida-based check operations. Hammermaster was previously with SunTrust Banks, where he was senior vice president of commercial card and payment services in the Treasury and Payment Solutions Division. He was also previously with Visa International, where he worked with banks in the areas of online merchant services, debit, credit, and payment solutions, and was instrumental in delivering Visa’s first corporate and purchasing card program. Hammermaster has presented at the Electronic Transaction Association’s (ETA’s) annual conference and other industry events; written payments-related articles for various industry publications; and serves on the board for Commercial Payments International.
Continuing Debate on Fiscal Cliff Will Put AR in Spotlight

By Diane Sears, Senior Editor at The Institute of Financial Operations

With all the talk about the "fiscal cliff," and businesses nervous about tax implications of any action Congress takes during ongoing discussions in the coming months, accounts receivable departments are sitting in the crosshairs of "pay/don't pay" strategies organizations will use to manage their cash flow. The AR professional's job could be in the spotlight more than any other time in recent years.

The Institute of Financial Operations, in partnership with Esker, is conducting a survey of AR professionals about the current status of their organizations' operations as well as their plans for automating any or all accounts receivable processes. The 2013 Accounts Receivable Automation Survey seeks to gather information about the biggest challenges AR professionals face today, methods used to send invoices, changes in the costs of producing invoices, benefits of electronic invoicing, top obstacles to corporate AR automation initiatives, and trends in outsourcing the invoice process.

"Businesses of all sizes are adapting to the changing scenario of accounts receivable operations, and we want to know what they're doing and how," says Jean-Michel Bérard, CEO at Esker, a global company that specializes in document process automation solutions. "More and more organizations are automating some of their financial operations processes to keep up with the other work their departments are expected to handle today. By leveraging technology, they can improve their efficiency and make their AR departments more effective. But are they taking advantage of these new tools?"

The survey offers a rare opportunity for AR professionals to make their viewpoints heard. Respondents, who remain anonymous, are entered into a drawing for a $100 gift card and receive a complimentary report on the results. Accounts receivable professionals can take the survey until January 31, 2013.

The Institute is reaching out to AR professionals in an effort to enhance its offerings in accounts receivable education and news. The membership association formerly focused on accounts payable and has expanded to include other financial operations professions, including those in information management and data capture.

“Our board of directors and our staff are committed to telling the story of the AR professional and helping shape the discussion around where accounts receivable advances are made in the future,” says Jo E. LaBorde, executive director of The Institute. “The people who keep the money coming in for organizations all over the world are an integral part of business, and we’re here to help them succeed in their careers and add even more value to their organizations. This latest survey will help us measure where they are and where they’re going.” Results of the study will be available this spring in a report issued by The Institute at www.financialops.org.
The Future of Remittance. Making it Easier to Enable Greater Convenience with More Forms of Payment Than Ever

By Don Dew, Director of Marketing at Parascript

In working with solution providers, banks and others, we think a big trend for 2013, and beyond, will be the emergence of, what we refer to as, an integrated receivables hub.

For businesses large and small, managing receivables is not just a back-office challenge; these days it extends even to the point of sale. In fact, payment convenience has become a huge differentiator and loyalty builder for many companies, with perhaps the most obvious example being Starbucks—you can walk into your local Starbucks and pay with a Starbucks card, a mobile app, credit card, cash, rewards coupon and more. The coffee chain also recently announced a deal with Square. For consumers, there are more ways to pay than ever before. Greater flexibility of payment is a growing trend.

The resulting opportunities for banks and credit unions arise out of thinking proactively about the challenges businesses clients face. They arise from answering questions like “How do we help local businesses become more competitive?”

Here is where we think an integrated receivables hub would benefit both financial institutions and consumers. Though the name couldn’t be any more boring, the functionality itself is destined to become a critical operational and customer service differentiator for financial institutions large and small. Imagine the power of being able to allow consumers to pay for services via a variety of options and to be able to process all of those payments through a single stream.

New applications and demand for distributed payment capture and consolidated reporting streams are creating pressures on financial institutions to reassess strategies and investments in payments. This has become most obvious with high-touch, low-value transactions, like card payments. And it has been made more difficult by the silo nature of banking.

An integrated receivables hub eliminates these difficulties. It consists of software on the front-end that can take data streams from multiple payment and receivables channels and output in whatever formats a business requires to systems throughout the enterprise. There’s no longer any need for reformatting or rekeying information. And once a receivables hub has been established integrating new payment offerings is a snap.

Where is the industry currently on providing this offering? A survey taken by Aite and RemoteDepositCapture.com, presented at the RDC Summit in September, suggests that among those surveyed just 14% had implemented a comprehensive receivables solution strategy; 34% didn’t even know if their institutions
The Future of Remittance. Making it Easier to Enable Greater Convenience with More Forms of Payment Than Ever

By Don Dew, Director of Marketing at Parascript

had comprehensive receivables solution strategy, and 14% were certain their institutions did not.

Financial institutions can begin to move in the right direction by putting themselves in their customers’ shoes to really understand their receivables and payments processing requirements: How many people do you utilize to manage receivables? How many points of collections do you have? How many types of payments do you accept? How many financial institutions do you use to manage collection points? Next, financial organizations can perform a simple what-we-have versus what-we-need inventory. Ask customers about the technologies they are running. If your institution offers remote deposit capture (RDC) or mobile check capture solutions, you might be sitting on the building blocks for an integrated receivables hub.

RDC is a process that has been getting a lot of attention from financial institutions and businesses alike because it slashes the time it takes to deposit and process check payments. All the leading banks have some type of RDC offering; most small financial institutions, too. More recently ads for mobile check deposit products by leading banks have given RDC something approaching rock star status.

But the functionality RDC provides need not be limited to just handling checks. RDC is about capturing (imaging) payments and related information and providing customers with information they need to make better decisions. Imagine all the possibilities that spring forth from being able to image and archive every payment and related remittance document a business receives?

We foresee that both banks and businesses will benefit from capitalizing on RDC and distributed capture technology.

Don Dew is Director of Marketing at Parascript, a company that develops cursive, handprint and machine print recognition technology, enabling business automation in areas like forms processing, check processing and fraud prevention.
In 2013 the accelerated pace of always-on, always-changing Web, social and mobile channels, will impose greater demands on businesses striving to build and retain customer relationships. Empowered by technology, customers expect streamlined, end-to-end convenience in key financial transactions from point of purchase to billing.

Businesses can either complain about the difficulty of staying visible in a dramatically changing time or understand customer expectations and adapt. After all, businesses have always responded to shifting consumer habits and that still holds true. In today’s fast-moving digital age, however, competition is magnified because of the choices available to customers through technology. The businesses that stay front and center with customers will place greater emphasis on being Customer-Centric.

Today B2B and B2C customers are in the driver’s seat. They decide how, when, where and from whom they buy — choices facilitated by computers, smartphones and financial institutions. Consider points along e-commerce’s upward curve: Consumers hit a new high spending in excess of $42 billion online during the 2012 holiday, according to comScore, a 14 percent increase over the previous year achieved in spite of a weak economic recovery and “fiscal cliff” worries. Purchases made in the U.S. on mobile devices continued gaining traction based on market research firm eMarketer’s estimates that 2012 purchases would reach $11.6 billion, double the previous year’s total.

Those figures underline the game-changing impact of technology that businesses cannot ignore. Cloud platforms, mobile wallets and e-commerce apps are among technological developments raising customer expectations about how they interact with businesses.

Even seemingly mundane back office functions such as billing take on greater importance for Customer-Centric businesses. Businesses have adopted electronic billing processes not only to eliminate the labor and expense of paper-driven invoicing procedures, but also to satisfy customer demands for improved efficiency and fewer delays.

Customer-Centric businesses give today’s customer options for how they want to receive and pay their bills whether directly through their website, mobile device, bank site or other consolidated option. Customer-Centric businesses take convenience a step further by incorporating branding into the physical design of a bill, offering systems for bill archiving and retrieval and integrating billing processes with the customer’s accounting software, for example.

Businesses committed to being Customer-Centric scrutinize all transaction points that can be leveraged through technology to strengthen customer relationships. They recognize that technology has disrupted conventional notions about customer behavior; thinking of business trends in terms of years or decades
is a gross misstep during a time when customer habits and expectations can change anytime, all the time.

Customers wield power at their fingertips and will differentiate businesses by the degree to which they offer services that are seamless and hassle free. They have no qualms switching loyalties to businesses that make their lives easier.

Satisfying customer expectations through a Customer-Centric focus will enable businesses to compete in 2013 and beyond. Technology can be a partner in the process not a foe, providing businesses with cost-effective and streamlined processes to facilitate transactions on customers’ terms and cultivate loyalty. Indeed, Customer-Centric businesses can share space with customers – in the driver’s seat.
Remote Deposit Predictions
From Michael Pratt, Chief Marketing Officer for Panini

That pesky little paper payment instrument is still here – in volume. The good news is the emergence of legislation, technology, and processes to facilitate more efficient and safe clearing of the paper check. Panini has been integrally involved with digital check truncation in countries throughout the world, and now has nearly one million check scanners installed. Based on the tenacity of the check, and Panini’s experience in distributed capture, let’s consider a few 2013 predictions related to remote deposit capture (or RDC).

Remote Deposit Grows Globally
It’s already happening. Businesses and consumers quickly recognize the convenience, security, and speed associated with RDC. FIs recognize the incremental value they can deliver to customers and the reductions they can achieve in clearing costs. One of the key requirements connecting these stakeholders is the legal substitutability of the digital image for the original paper item. As long as paper remains a requirement, the opportunity for RDC is constrained by legacy transportation and handling costs.

Countries around the world are addressing this market demand and legal image issue, opening the opportunity for RDC adoption on a global basis. Italy, Brazil, Korea, and many other nations have either moved to image-based clearing or are in the process of doing so, making remote deposit a logical outcome. As a result, Panini expects significant global growth in RDC over the next year.

Remote Deposit Management Systems Gain Favor
By most projections there are at least one million remote deposit capture deployments in the US, not counting mobile RDC. When considering the large and growing installed base, strict regulatory and compliance requirements faced by FIs, and the payments nature of distributed capture, there is a growing need for management of RDC.

Panini believes there will be significant attention associated with this segment as deployers (FIs, ASPs, and enterprises) recognize the importance of systemic and capable management of RDC. The reasons are quite clear. Starting with security, regulations in most countries require FIs to practice solid “KYC – Know Your Customer” principles including clear identification of financial transaction origins. Further, FIs must have the ability to quickly respond if suspicious activity is detected. RDC management systems can employ advanced geo-location technologies to identify specific device locations and shutdown devices in the event of fraudulent activity. It’s also important to note RDC deployments represent an asset base that must be periodically inventoried and tracked. Finally, as deployed devices age, performance may degrade. In a payments environment, this can lead to transaction errors and customer satisfaction issues. RDC management systems can proactively identify and help resolve these issues. With the significant RDC installed base, the importance of the deposit transactions, and the power of these new systems, Panini expects accelerated growth in this technology segment.
Remote Deposit Predictions
*From Michael Pratt, Chief Marketing Officer for Panini*

**The Solution Value Chain for SMB RDC Will Change**
In the US we are 8+ years into the deployment of our image-based check truncation system. While success is evident, the irony is the unrealized potential of the largest market for this solution – small and medium businesses (SMB). These firms are significant users of checks and are highly sensitive to the dimensions of convenience (time) and cash flow. They have expressed strong interest in RDC in multiple industry surveys, yet adoption remains relatively low.

The characteristics of this situation signal issues with the current solution environment, or how RDC is marketed and sold to SMB. As a result, we can expect others to recognize this opportunity for disruption (or enablement, depending on your perspective). Panini believes we will witness new entrants to the RDC market and new combinations of firms in a refreshed attempt by the aggregate market to fully develop the RDC potential in SMB.

**RDC Extends to Front and Back Office**
Finally, we expect to see emphasis placed on increasing the value associated with RDC in conjunction with front and back office processes. For the front office, expect solution extension to the capture of related payment transactions and documents (other than checks) to streamline and standardize the overall digitization of “everything” processed at the accounts receivable desk. For the back office, expect more consistent and easier integration with back office systems such as accounting and finance. Businesses easily recognize the inefficiency associated with capturing a check twice (once for deposit, again for A/R) and will demand automation and integration.

**Summary**
It may feel at times that RDC has had its day. However, the RDC market has experienced a long development tail, and the best days may be ahead. Looking to 2013 and beyond, there is a significant opportunity for rapid adoption stimulated by global market growth, realization of SMB potential, deployment of management systems, and extension of RDC to the front and back office.
2013: Transitions and Fast Moving Innovation
By Eric Leiserson, Senior Research Analyst at Fiserv

In 2013, we will experience a year of transitions and fast-moving innovation in the world of billing and payments. Financial institutions and billers are in prime positions to harness changes to make customer relationships more intimate and profitable. However, they also face risks in trying to keep up with, manage and budget for rapidly changing consumer preferences. From a billing and payment perspective, in 2013, a breakthrough year, we will see the following:

1. **Mobile billing and payment usage will grow:**
   Mobile billing and payment is driven by the customer’s need to have anytime, anywhere access to their information. Half of online households now have a smartphone, and the number of people paying bills via smartphone increased 41 percent in 2012 compared to 2011, according to Fiserv’s 2012 Billing Household Survey. Thanks to the growing adoption and increasing functionality of the tablet and smartphone, more and more consumers will leverage these devices to access their finances.

2. **Billers and Financial Institutions will continue to adapt to the needs of mobile consumers:**
   Billers and financial institutions will launch new services and expand existing capabilities, particularly mobile ones, as they move to meet the billing and payment preferences of today’s hyper-changing consumers. More consumers will leverage tablets and apps in order to conveniently access and manage their billing and payment needs.
2013: Transitions and Fast Moving Innovation
By Eric Leiserson, Senior Research Analyst at Fiserv

3. **Paperless e-billing will hit a milestone:**
   Mobile capabilities will be a catalyst for e-bill growth, providing the critical value added differentiator over the paper bill and overcoming the number one barrier to adoption – reminder to pay the bills. The average percentage of bills delivered as (paperless) e-bills by billers will hit 20 percent in 2013. Most billers can expect to see e-bill usage increase by 3-5 percent from current levels by 2013.

4. **Consumer usage of plastic to pay bills will increase:**
   This bill payment behavior will increase primarily because consumers will use credit cards as a way to maximize their reward/loyalty points. In addition, there will be an increase in the use of prepaid cards (among those who use prepaid cards). This is especially true now that over half of consumers don’t use or rarely carry checkbooks.

5. **Social Payments will gain momentum:**
   While most of the 16 billion person-to-person payments made each year are with cash or checks, electronic payments between people, also known as “social payments,” are an emerging trend. Look for more of these payments – such as rent payments, gifts, or reimbursements for bill split among roommates – to become electronic in 2013.

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**The Power of Trust**

When you choose 3 Point Alliance, we make your business our business. We are committed to meeting your needs and setting the standard in customer service because for us, business is personal. We value the importance of every payment, and we are proud to offer you custom-built solutions through our proprietary software and development team, ensuring quality, consistency and support when and where you need it. As one of the only service providers offering a truly customizable solution for insourcing, outsourcings, maintenance, financing and business continuity, we look forward to supporting you and your customers' needs.

We know that behind every processing environment and every single payment there are people – your colleagues and your customers. That is why our customers trust us to develop customized solutions to meet their needs, streamline their operations and maximize their processing potential.
Mobile Will Lead the Path to New Payment Models and More Customer Engagements
By John Squire, CEO of CardFree

As mobile gains more traction with both merchants and consumers it will force efficiencies into the market, specifically with existing financial models. As merchants partner with companies, such as CARDFREE or MCX, they will be able to control their payments destiny versus rely on the current ecosystem of third parties. Mobile will allow merchants to better steer consumers toward preferred tender types and be able to take advantage of new disruptive economic models not available in the physical world.

In addition, mobile will inform transactions as they are tied directly to customers, who are largely anonymous in the physical payment world (especially cash payments). As merchants have more information on customers, total customer engagement will become smarter and will enable customization of other programs including loyalty and offers.

Predictions for 2013
By Joe Trafton, Senior Vice President and Chief Strategies Officer for COCC

Technology will give banks the ability to customize their services to an unprecedented extent, enabling them to expand their position at the center of their customers’ financial universe.

Customers will be able to select the screens they want to see, the functions they can use, and the alerts they will receive. These capabilities will have great value to customers who are beginning to sink under the growing weight of banking channels.

The need for channel management will only grow as online and mobile channels continue to expand their capabilities. The goal is to rival if not surpass the branch.

By integrating with third party services, these non-traditional channels stand a good chance of succeeding. In the year ahead, the various banking channels will begin to display each other’s screens, eliminating the current disconnect between the information available to bankers and the information available to customers.

How valuable will it be for retail customers to self-diagnose their overdraft fees or for business customers to gain a window on their incoming ACH? Time will tell. But new technology is poised to usher in an age of customization, personalization and empowerment that will shape the banking industry in 2013.
In 2013, All Technology Decision to be Made with the Complete Customer Experience in Mind

By Maria Nottingham, Chief Marketing Officer at Compass Plus

To continue to successfully acquire, and more importantly retain, customers in 2013, FIs need to assess why they are pushing new technology and payment channels to hone into the actual benefits of these investments. Moving away from trying to sell exciting and new products, FIs need to move back to the actual customer-led industry requirements, with their technology investments focusing on the overall customer experience.

In the United States, outsourced technology is often regarded as the best option for FIs looking to cut costs and to enter the market quickly. With the fast pace of innovation in today’s increasingly competitive banking environment, FIs are seeking more control in the deployment of new products and services to their customer base. This can only be achieved when institutions have direct control over their technology; their business development is not shaped by the capabilities of multiple PSPs and is instead driven by the needs of their customer base. FIs will be actively looking for in-house platforms that enable timely, cost-effective ways to develop innovative products and services to deliver added value to their customers.

EMV in the United States will continue to be a significant challenge for many players across the payment landscape who have not implemented a cohesive technology strategy, making it increasingly difficult for them to meet the regulatory mandates, while at the same time positioning their business for the future trends across alternate consumer channels, such as mobile payments and loyalty marketing.

As I predicted in 2012, the adoption of mobile is no longer being driven by its newness, but by its ability to provide consumers with added benefits to a banking relationship. Mobile banking made significant strides in 2012 and adoption numbers prove that it is here to stay. The next step is to ensure that mobile banking is not a stand-alone product, but a comprehensive part of an integrated channel management strategy.

It is vital for FIs to maintain focus on self-service channels, such as ATMs. In many other countries across the globe, ATM innovation has led to a complete overhaul of self-service banking that enables users to complete an astonishing array of functions, tapping into segments of the market that other channels cannot reach. I would encourage FIs to not lose site of the potential in those channels that are viewed as “traditional” in the chase for the newest and most trendy technology. 2013 should be a year of balanced investment in technologies that make a better banking experience for the customer.
Fifth Third Predictions for 2013

By Jeff Siekman, Senior Vice President and Director of Treasury Management Products for Fifth Third Bank

In the coming year, the banking industry anticipates businesses and non-profit organizations will continue to look for ways to consolidate transaction activity. As the economy continues to recover and more organizations are transitioning from paper-based payment solutions to electronic-based options, executives are searching for ways to integrate their treasury solutions to bring more value back into their organizations. They are seeking aligned systems, more self-service options and greater visibility into their payables and receivables data. Organizations will continue to look for knowledgeable partners to consult with them on how best to align their transaction activity to achieve their business goals.

Businesses today are challenged with finding ways to increase cash flow to ensure growth and to enable them to have access to working capital for key strategies. Executives want a payment experience that addresses their individual business needs. Companies will rely more on treasury management professionals who will work closely with them to understand their business challenges and provide transaction solutions that address their changing needs while the economy continues to recover.

As organizations conduct more of their payments activity online, they will continue to seek tools and services that provide a more integrated payments experience. They want programs offering easier to use and more intuitive ways of managing all aspects of their cash flow, including collections and disbursement activities. Businesses seek analytics around their account payables spend, supplier enablement programs and increased opportunities to move from paper to electronic payments.

In addition to a more integrated payments experience, organizations will look for treasury management professionals to provide resources on how to accept payments faster and improve their overall liquidity, including building more robust working capital management programs.

Throughout 2013, executives will be focused on streamlining their payment experience and harnessing integrated solutions to help improve access to cash flow and grow in our recovering global economy.
Banks and credit unions are scrambling to keep up with consumer demand for new self-service banking technology. According to a recent report from Celent, 25% of branch transactions will have migrated out of the branch and into self-service channels by 2015. At the same time, paper checks are increasingly being deposited with smartphones, a trend that is bound to continue as more institutions offer mobile deposit to their customers. In 2013 we will see the demand for a broader range of mobile services such as mobile wallets, mobile deposit, p2p payments, and new account openings as consumers’ relationships with their financial institutions become increasingly defined by mobile technology.

Mobile apps benefit both the institutions that deploy them and the consumers that use them. These tools enable consumers to bank on their own terms – whenever and wherever they want. As awareness builds and the benefits are more widely accepted, consumers will demand mobile deposit as a key element of their banking apps, pushing this functionality to the top of the list for many institutions in 2013. In a recent survey conducted by AlixPartners, 43% of American consumers stated that the number one mobile banking feature they would switch banks for is the ability to deposit a check with their smartphone. In 2013, banks and credit unions that have not already deployed mobile deposit will begin losing accountholders to those institutions that do. For this reason, we will see an uptick in the number of small credit unions and community banks that launch this service who have no choice but to compete with their larger counterparts for customers.

Increased focus on these services will not only stem from competitive factors, but also the continuous drive to improve the efficiency of internal operations within financial institutions. A recent teller study conducted by Financial Management Solutions Inc. states that the cost to complete a teller transaction has doubled in the last twenty years and now costs approximately $1 when accounting for labor costs. By accepting deposits remotely, financial institutions can use the time spent at the teller to build relationships with their customers and members and cross-sell a wider array of products. The cost savings potential alone is estimated by AlixPartners to be $1.6 billion at the branch level industry-wide.

One thing that is certain in 2013 is that financial institutions will continue to have to need to do more with less. Self-service channels are one effective way to lower internal costs and appeal to a broader range of members.
SMEs Should Resolve to Think Differently about Business Data Security in 2013
By Bill Farmer, CEO of Mako Networks

A merchant’s IT network is home to essential data, and the lifeblood of a successful business. Along with processing customer payments, business networks hold sensitive data including staff and payroll information, stock management information, business email accounts and supplier relationship details. Protecting this data and preventing security breaches should be a priority for all business owners, as failure to implement effective security measures can lead to irrevocable financial and reputational damage.

With the constant evolution of new IT and payments technology comes the necessity for new processes and standards to manage the resulting security variables.

From the $84 million Global Payments data breach to the launch of the first commercial 4G LTE service in the UK, the last 12 months has taught us a number of lessons and hinted at the security changes to come over the next year. We have identified the following areas for SMEs to watch, not only for security issues but for development and business upgrading throughout 2013:

1. **The penetration of Wi-Fi within small businesses**

   Increasingly customer WiFi access is being seen as a standard requirement at businesses large and small. In providing access to guests, SMEs can also unwittingly put themselves at risk of Internet-based threats and data breaches if their network is not properly segmented and secured. For example, “Dexter” is a recently uncovered form of malware that specifically targets POS devices and seeks credit card data. Dexter attacked POS systems in 40 countries worldwide in the last few months of 2012, with 42% of infected systems located in North America and 19% in the UK. Focusing on ways to cope with malware such as Dexter and implementing the right security measures needs to be a priority for merchants when it comes to protecting business information.

2. **PED protection – security from A to B**

   POS systems are not just being targeted through malware attacks, as terminal swapping is a popular way to commit card fraud in-store. Merchants need to secure every device connected to their network to avoid vulnerabilities that could compromise their IT systems.

   Rogue terminals, separate from the main network, are a way of harvesting data out of a business and into the hands of criminals, others may seek to leverage the merchants own network to access the Internet and transmit stolen data into the hands of criminals.

   Merchants need to think about security from a broader perspective rather than just when a PED is connected to their network. To really prevent alien devices infiltrating a network, PEDs need to be protected from pro-
SMEs Should Resolve to Think Differently about Business Data Security in 2013

By Bill Farmer, CEO of Mako Networks

duction through delivery and beyond.

3. **BYOD – bring your own device and device agnostic security systems**

Mako predicts the wider range of devices being used in-store, such as smartphones and tablets, is likely to increase throughout 2013 so merchants need look for security solutions that protect and wherever possible segregate payment and personal data as it passes through a network regardless of which device takes the transaction.

Securing how these devices are connected to a network is essential. Setting up strong passwords and effective firewalls is a good first line of defence. Merchants also need to monitor network usage, particularly that of its employees. Successful monitoring improves security and reduces cost by highlighting where policy decisions on access are made and restricting vulnerable sites.

4. **Robust failover to promote high availability of payments and other essential business systems**

Consumers demand fast transactions so merchants increasingly prefer using broadband to transmit card present payments. But, not only does broadband increase the security obligations for SME merchants, it also increases their dependency on one single connection. Such single points of failure can increase the potential for business disruption.

A popular alternative connection mechanism on routing devices is 3G mobile data. If a primary connection goes down, mobile data can be used to continue business as normal. These 3G connections reduce traffic but allow priority activity to continue. As mobile data speeds improve, for example through the introduction of 4G LTE, these services will get even more efficient.

5. **4G LTE**

Adoption of 4G LTE is increasing and will complement the current capabilities of WiFi, giving rise to faster speeds and more traffic. This is likely to increase the use of personal devices, such as smartphones (of which worldwide ownership topped 1bn in 2012), for payment and Internet use in-store, adding pressures to the merchant environment.

Bill Farmer concluded, “In a challenging economic climate, it’s easy to consider cutting IT budgets. However investing in a modern network is crucial as securing transactions and personal data becomes an increasing concern. Businesses that don’t take security seriously in 2013 could well find themselves with even larger outlays down the line.”
On the 2013 Banking Agenda: Digital Payments
By Ginger Schmeltzer, Senior Vice President of Emerging Payments for Fiserv Digital Payment Solutions

In 2013, the lines between the physical, online and mobile channels will continue to blur. Consumers no longer bank primarily at the branch. Increasingly, they prefer the online and mobile channels that offer convenience and the ability to bank virtually anywhere.

The proliferation of mobile devices, including smart phones and tablets, has also contributed to unprecedented increases of consumer use of online and mobile services. Consider the stats: Smartphone adoption will exceed 50 percent of the U.S. population in 2013, with rapid growth in other markets around the world. Adoption of tablet and tablet-like devices is also surging. Tablet and eReader penetration reached 29 percent of U.S. adults in 2012, which is dramatic considering one of the most popular tablets, the iPad, is less than three years old.

As online and mobile banking adoption has grown, financial institutions have focused on delivering a seamless user experience, facilitating consumers’ desire to move from channel to channel as they conduct certain types of activities on specific devices. Now that online banking is offered by financial institutions of all sizes and mobile banking adoption is growing steadily, financial institutions are putting more focus on offering enhanced digital services, specifically digital payments.

Like traditional banking, purchases and payments are increasingly moving from the physical world to the virtual one. E-commerce and mobile commerce continue to surge. Digital payments are also on the rise among consumers. Fiserv research on the growth of electronic bill payments shows that among online households, online bill payments now account for 50 percent of all bill payments, while checks account for 23 percent. Further, 40 percent of mobile banking users have paid a bill using their mobile phone.

While financial institutions should be optimistic about the growth of online and mobile payments, it’s important to realize that consumers still expect choice and options. After all, consumers still visit bank branches, just like they still visit brick and mortar retail locations. Many will continue to make physical payments by mailing checks or paying bills at retail stores. In order for digital payments to be successful, payment services must bridge over into the physical world, helping consumers move their money easily regardless of which channel they are using. Financial institutions will look to deploy payment solutions that are an expansion of ways consumers currently pay and get paid. In the end, it’s the consumer and the recipient – biller, merchant, friend, relative – who matter most in this equation.

With consumer ease-of-use in mind, in 2013 financial institutions will focus on designing a digital payment experience that solves the pain points consumers have – even if they don’t realize now that they are pain points. With the ever-growing number of players in the digital payment space, expect significant design improvements this year, which will spur future widespread adoption.

Part of what will drive growth will be the expansion of social payments. Expect 2013 to be the year that consumers embrace social personal payments like never before. The technology for social payments, in-
On the 2013 Banking Agenda: Digital Payments

By Ginger Schmeltzer, Senior Vice President of Emerging Payments for Fiserv Digital Payment Solutions

Person-to-person payments, is now available through a large network of financial institutions, rather than primarily from third party online services. This will increasingly make social payments a routine part of consumers’ interactions with their financial institutions.

Financial institutions have an opportunity to be leaders in the changing world of payments, but they need to act now. National, regional and community banks and credit unions will have access to the payment technologies that will enable consumers and small business customers to easily and securely make payments and send money. As online, mobile and social payments converge, financial institutions can and should remain at the center of the payments value chain.
2013: New Tools for Optimizing Payments and Reducing Risk

By James Gifas, Head of Treasury Solutions for RBS Citizens

With the challenges that 2013 will bring, one overarching trend that we will see is that companies will increasingly rely on their banking partners to help them capture value and reduce risk in their payments systems, both domestically and overseas.

Specifically, treasury organizations will be focusing on new tools and new approaches to maximizing efficiency, finding new revenue streams, and mitigating payments fraud risk. Certain developments will include:

Innovation in corporate mobile banking
Technology innovations – including availability on a wider range of devices and increased functionality – will make mobile banking even more essential in the payments space. We at RBS Citizens are rolling out additional functionality that moves our mobile banking app from being primarily info-oriented – essentially an account snapshot – to being action-oriented, such as allowing payment approvals and account administration while customers are “untethered” to the desks. We are also introducing a Droid app to complement our iPhone, iPad, and iPod touch offerings. So 2013 will bring a whole new level of mobility for corporate payments that will make treasurers’ jobs easier.

Cost centers turning into profit centers
More integrated, end-to-end procure-to-pay mechanisms – such as ones we are working on at the bank – will allow organizations to better leverage ePayables, buyer-supplier networks, and commercial cards. If customers take advantage of the innovations in this space, they will have the ability to turn cost centers into profit centers, and gain efficiencies throughout their financial processes, whether domestically or around the world.

Increasing focus on fraud mitigation
As organizations migrate from checks to electronic payments, there will be increased demand for information on how to combat the latest threats – including malware, phishing, and social engineering. Fighting these new types of fraud schemes will consume a greater share of resources on the part of companies’ finance departments, who are seeking out advice from us, their bankers, on the best fraud mitigation strategies. We have in fact been working even more closely with our customers to help them implement the right banking tools – utilizing the latest technology – and procedural best practices to fight fraud. These efforts include hosting an 12-city series of client seminars and distributing hundreds of “fraud kits” that provide reminders for employees, such as such as never revealing account credentials to anyone over the phone or email.

In addition to these trends, there will be many additional factors affecting the payments space – from the impact of regulatory changes to the spread of more global payments, including international ACH transactions (IAT). All of these developments will create challenges – and opportunities – for financial professionals across all industry segments.
Ten Bold Predictions for the State of Financial Transactions in 2013
By Michael Alfonsi, Managing Director for Banctec

Are you ready for a wild ride in 2013? It should be a very interesting year. When the calendar flips over each January, lots of people make lots of lists, and many, like me, make predictions.

It is important to look ahead and try to get a handle on what is coming, because I believe that the rest of this decade is going to be extraordinarily chaotic for the U.S. economy, and when the economy is in turmoil, the payments system is generally in turmoil.

Phrase of the year, for me, is: “Failing to Prepare means Preparing to Fail!”

So with that being said, the following are ten bold predictions for 2013…..

#1 There will be MANY fights between the Republicans and the Democrats over raising the debt ceiling, gun control, regulation and taxes. This will be one of the stories that dominate news headlines in the months of February, March and April. As a result, I predict no new Dodd-Frank-like legislation this year, and continued foot-dragging on Dodd-Frank implementation.

#2 There will be more criticism of the Federal Reserve in 2013 than at any other time since it was created back in 1913. The role of The Fed, payments system-wise, has been one of regulator AND competitor. But in 2013, take away the “competitor” component as the Fed cannot and will not offer much more than it already has (payments-system wise).

#3 The term “currency war” will be used by the media more in 2013 than it was in 2012. The ability of companies to see what is going on transactionally – around the Globe – will be more important than ever, and any bank or third party supplier who can help there, will be in demand.

#4 A financial crisis in Europe will cause officials to grasp for “radical solutions” that will surprise many analysts.

#5 Food prices will soar in 2013, and forecasters say this will be especially true for meat products. Banks who can help the food and agriculture industry with credit and transactions insight will see great revenue streams from those services.

#6 The U.S. Postal Service will continue to experience massive financial difficulties and will lay off personnel. ANY company who lockboxes and banks who provide lockbox services MUST re-think their placement of lockboxes, who provides the services, the expertise of the providers, and their technology capabilities.

#7 More corporations will actually USE CHECKS in paying their bills. This may only be a percentage point or two increase of B2B payments overall, but checks will actually increase. This is due to a
Ten Bold Predictions for the State of Financial Transactions in 2013
By Michael Alfonsi, Managing Director for Banctec

combination of a lack of good electronic payment data integration AND mid-size corporations playing whatever float is left – and there will be MAJOR float components in the postal services’ piece of the payment timeline.

#8 More corporations than ever will “get it” that “Outsourcing” does NOT mean off-shoring, but rather means a COMBINATION of a better, cheaper provider WITH AN EXPERTISE. Outsourcers who have a method will be seen as the premier vendors of choice.

#9 Despite the allure of M-Payments, and the land-grab for market presence in the mobile payments space, mobile payment adoption will SIGNIFICANTLY lag ALL analyst predictions. This will be due to the lack of standardization and the fragmentation in the industry, which are major roadblocks to achieving any scale. Third parties will dominate the mobile payment provider landscape all throughout 2013.

#10 Banks who are strong in transaction services will make the switch from employing “Strategy Czars” to the use of “Portfolio Managers.” Seasoned professionals who can perform this role will be in great demand, as this emerging role means not just all of product management, it entails product strategy, marketing, servicing, value-added featuring, data mining and other disciplines needed to hold onto, and to grow, the payments business.

Prediction for 2013 from BillingTree
By Dave Yohe, Director of Marketing for BillingTree

EBPP will continue to rise at an expedited pace

After a slow-but-steady growth in usage, EBPP has finally started to gain significant acceptance amongst mainstream consumers and businesses. Recent research found between 30 and 40 percent of consumers receive online statements for a number of key major financial accounts (including checking, savings, credit, and debit accounts) leaving up to 70% growth opportunity.
2013: The Year Transaction-based Application Performance Management Software Explodes
By Stacy Gorkoff, Vice President of Strategic Marketing for INETCO Systems Limited

In 2013, payment processors will continue to see their customer’s value added service (VAS) offerings grow leaps and bounds. This will translate into a whole new level of responsibility for a whole new breed of service and security applications.

Payment processors will be expected to host and manage a wider variety of message-based service transactions such as bill payments, secure EMV, check imaging, mobile top-up and interactive teller capabilities. Many customers will also be looking to their payment processors to help them expand consumer reach and improve consumer experience by deploying new social media applications, adding more ATM locations, expanding their online banking interfaces, rolling out mobile applications, or investing in self-service kiosks and advanced POS networks. Transactions will be traversing across a complex network infrastructure composed of third party applications, stand alone software modules and distributed components such as HSMs, preferences servers, and databases.

Payment processors are in a prime position to grow their business, but only if they are ready to manage these emerging IT complexities. Lacking the right performance monitoring tools will reduce their responsiveness to service level degradation and poor transaction performance, especially when many of these critical security and service applications are moving to, or already reside in, SaaS, virtual and Cloud-based environments.

We predict 2013 is the year that payment processors will make serious investments into performance monitoring tools that will enable them to offer holistic transaction management. This will require thinking beyond switch monitoring and ATM monitoring solutions, and investing in tools built to provide end-to-end visibility into every service and payments transaction.
The advent of multi-channel has brought with it a number of challenges for retailers, including increasing pressure to create a seamless shopping experience for the new breed of highly interactive customer.

Consumer expectations of the transaction process are changing and retailers need a single integrated method of customer authentication which can be used on any or across all channels. Authentication needs to encompass not only payment, but also loyalty schemes and subscriptions, as well as being efficient and secure. Incorporating biometrics into a new authentication method could really revolutionise the way we pay for items and provide huge benefits for both retailers and consumers.

A recent study conducted by Experian estimated that in 2011 £1.02bn worth of online shopping transactions were abandoned by UK consumers alone. The reason? Consumers are becoming frustrated with the length and complexity of legacy forms of identity verification which require them to jump through additional security hoops before payment is confirmed.

With the change in shopping habits, retailers would benefit both in profit and footfall from a system where customers can transfer their shopping basket across channels to avoid abandoned transactions. This process could run along the lines of the consumer beginning the transaction online by selecting the desired items, visiting a store to perhaps compare, try on or collect items while also using a biometric reader to register their presence at the given location, before paying for the items using the same biometric authentication process or even returning home to complete the transaction.

The benefits of this are not only to optimise the transaction process, but also to give more control back to the customer. Unlike many location based loyalty schemes which track customers using GPS, biometrics can be used to make interaction much less intrusive. Customer’s movements don’t have to be monitored, instead recognition of their presence and subsequent offers and loyalty bonuses can be distributed based on biometric access both in-store and online. Added to this, using the same authentication process makes it incredibly simple, essential when the average person is thought to have to remember five passwords, five PIN numbers, two number plates, three security ID numbers and three bank account numbers just to get through everyday life.

Despite its perceived benefits, biometric technology is often still met with wariness from both the implementers and consumers. To overcome this, we have identified five key areas as possible barriers to the wide adoption of biometrics in the retail and payment sectors. These include the evaluation of technology, enrolment of consumers, the business model, privacy and customer confidence in the system.
2013 is the Year We’ll Explore the Possibilities of Biometrics in Retail
By Cedric Hozanne, CEO of Natural Security

We’re currently running pilot consumer deployment of a new payment method that combines a smart payment card, biometrics and mid-range contactless communication with a number of retailers and banks in France to research the above areas.

We’re testing two biometric technologies during the six-month pilot, digital fingerprints and finger vein patterns. Customers of partner banks have been invited to visit their bank branch to register their biometric data in their credit card so they can pay for purchases using this unique method in participating stores. All transactions are authenticated using biometrics and contactless technology, so customers don’t have to present their cards or enter a PIN, they simply place their finger on a biometric reader connected to the retailer’s existing terminal.

We hope the results of the trial will lay the foundations of a strong authentication solution for both online and card-present payments, as well as access to services across all channels. 2013 may not be “the year of biometrics”, but we think the research carried out will fuel some big changes in the way we pay towards the end of 2013 and beyond.

Not All BPO Providers are Alike

Strengthen focus on your core business & leave financial and back-office processes to us.
Who Cares About Protecting Small Merchants from a Security Breach
By Alan Stephenson-Brown, Managing Director for Phoenix Managed Networks

Alan Stephenson-Brown, UK Managing Director for Phoenix Managed Networks believes that a multi layered approach to payment security is required in 2013 across the board to improve current practices. Failure for this to happen will see rapid increases in fraud, hackers with the upper hand and small merchants suffering.

Segregating card data at a merchant’s site is best practice but only one of a number of security issues that need to be addressed. Going into 2013 merchants need to know how to be secure and the education process along with help implementing this level of security has to start with acquirers, the PCI council and government bodies doing more.

Security is not just for merchants and card users to take care of; central government at both the national and European level as well as the payments industry should step up and take responsibility too.

A 2011 report by Trustwave showed 90% of incidents where card data is compromised occur in level 4 merchant environments, typically small to medium sized businesses. Large organisations are better educated, funded and resourced so are increasingly harder for criminals to target, although not immune as demonstrated by high profile data breaches. It is smaller merchants that are being targeted and the payments industry needs to be helping these vulnerable merchants now.

Regularly speaking to retailers has enabled me to get a better understanding of the traumas that PCI compliance causes them. Recently one retailer told me that the prospect of not being compliant, suffering a breach, and the potential reputational damage that would follow causes him sleepless nights. The possibility that word-of-mouth between customers that their data wasn’t secure with him would be crippling to his reputation – even now without a legal obligation to report it.

Others are overwhelmed by the complexities of achieving compliance. Another retailer recently asked me about a letter he had received from his bank informing him that he wasn’t PCI compliant and should he not rectify this he would be penalised – they had no idea of the full implications of PCI compliance, how important it is and the severe financial impact to their business, should they suffer a data breach. The reality is they are not alone, far too many businesses take far too few steps towards adequately securing their payment and non payment systems.

It needs to be clear that best practice **security measures for the payments environment is good busi-**
Who Cares About Protecting Small Merchants from a Security Breach
By Alan Stephenson-Brown, Managing Director for Phoenix Managed Networks

ness and will go a long way to protecting a business holistically. It shouldn’t be treated as a task where a merchant does as much as they are obliged and no more. Too many merchants are unaware of their obligations to PCI DSS or demonstrate apathy towards the risk they are susceptible to by not adhering to these measures.

Merchants found in breach of PCI can be fined $1000s per card breached – it takes minutes to steal thousands of card details electronically; the ramifications for a small business can be crippling. This is not necessarily the fault of the small merchants who were not the initial focus for the PCI council following the inception in 2004 of the Payments Card Industry Data Security Standards (PCI DSS).

The Verizon 2012 Data Breach Investigations Report found that 96% of the breach victims investigated were not PCI DSS compliant when they were last assessed. Perhaps this is because compliance measures are complicated for the average retailer, especially the technical network specifications referred to in self-assessment questionnaires.

This is something which Phoenix as a security vendor is tackling head on by investing heavily and embarking upon extensive research and development to get the right product to help protect smaller merchants. Phoenix is reaching out to smaller merchants, educating them on payment security and correcting some of the misconceptions surrounding internet security and PCI compliance.

Phoenix is doing this not just because it helps business, but because after a collective 200 years + experience of our management team in payments we can see that something needs to be done. More people are transferring to IP for their payments needs, and with this cyber criminals have ever more opportunity to strike, and are targeting smaller retailers now. We believe the industry should be doing the right thing by the smaller retailer so they are better protected.

Security can’t be achieved through regulation and enforcement alone, it needs to be adopted as a culture in business with all parties including banks, acquirers or merchants adopting a collaborative approach to help themselves and their customers. Only once this is achieved will we be in a position to be truly secure.
Nearly every industry is increasingly targeted by cybercriminals and the risks of malware and fraud will continue in 2013. Top trends consumers and businesses should watch out for include data breaches, bring-your-own-device (BYOD), malware and mobile fraud. The sophistication of the modern threat environment means that no industry is exempt from the risk of cybercrime, and fraudsters are becoming just as advanced, if not more so, than the security technologies protecting companies.

Security weaknesses were discovered by cybercriminals in 2012 with data breaches and cyber attacks on high profile brands including Yahoo, eHarmony and LinkedIn. As more security loopholes are uncovered, cybercriminals will develop more advanced attack strategies and top brands will remain a primary target for data breaches in 2013.

For top retailers, specifically in e-commerce, cybercriminals are finding more security holes in using these holes to their advantage to take over customer accounts and steal valuable financial information. Retailers do not have the same level of stringent malware protection that financial institutions have developed for years, making retailers very vulnerable to attacks. In fact, the Consumer Fraud Center predicts that more than $2 billion worth of counterfeit and fake goods were sold to holiday shoppers and this number will only increase.

Another risk to retailers and financial institutions is mobile devices. Mobile transactions are projected to reach $1 trillion by 2017, making businesses and consumers more vulnerable to fraud and malware attacks on mobile devices. Retailers do not have the bandwidth to monitor every transaction for suspicious activity, so the responsibility may fall on consumers. To protect against mobile cybercrime, consumers are advised to use unique passwords across accounts and avoid storing financial information on mobile devices.

On the enterprise side, the BYOD trend is just increasing the risks for cybercriminals to penetrate company accounts. Cybercriminals are adapting their strategies and designing malware that turns employee devices – smartphones, tablets, PCs – into unwitting attackers of their own company’s own accounts. In 2013, BYOD will continue contributing to today’s malware threats through shared devices, search engine poisoning, image searches, hidden URLs and syndicated advertisements.

The online boom in transactions and activities for many verticals means no industry can declare itself immune from fraud. Preventative measures are the only guarantee to safety, even though cybercrime protection may seem excessive to some businesses. Cybercriminals are evolving so quickly they cannot be kept at bay for long without appropriate strategies in place. Given the advanced state of fraud and malware in 2013, it’s much more effective for industries involved in transactions and payments to implement strategies to prevent cybercrime, rather than face the repercussions of an attack.
Billing and Payments Industry: 2013 Predictions and Outlook

By Todd Shiver, Executive Vice President of TransCentra

There is a changing of the guard occurring in the payments industry today. The fallout from the 2008 financial crisis and the continued efforts to right the ship in many corners of the financial services industry leaves established players restructuring their core businesses, while shedding ancillary services. Meanwhile, technology-based newcomers are carving out space in rapidly emerging segments of the billing and payments industry, with services that help financial institutions and enterprises appeal to increasingly mobile consumers.

CONSOLIDATION AND FRAGMENTATION

Many financial institutions are outsourcing “non-core” portions of their business to outside providers, especially those requiring high levels of efficiency to be cost effective, such as payment processing. This trend will continue well into 2013 and possibly into the first half of 2014.

While there are fewer options for businesses looking for traditional paper processing services, the market for new online and mobile billing and payments services is filled with a mix of established players and start-ups new to the industry, and are thus much more fragmented. This mix will lead to confusion and difficulty for businesses, as they plan to support services among a variety of different vendors with varying requirements for file formats, reporting, customer service and IT demands, etc.

PAYMENT HOPPING

The current flux in the transaction industry is taking place against a backdrop of increased consumer “payment hopping.” Today’s consumer often jumps from payment channel to payment channel with each billing cycle, depending on which method is most convenient at the time.

For example, it is not uncommon for a consumer to pay a bill online one month, by paper check the next and then through a mobile application after that. The lack of consistency in consumer payment methods makes technology and service partnership and investment decisions even more difficult for treasury groups, as the popularity of a given channel changes drastically from one month to the next. This challenge only increases when companies incorporate billing into the mix, as many consumers will view bills via web, email and mobile, but pay via paper or another available channel.

As new technology and service offerings continue to emerge within the industry, payment hopping will become even more evident in 2013, giving companies with a solid multichannel billing and payments strategy a significant competitive edge.

NEW MOBILE OPTIONS

Throughout the past year, there have been a slew of new mobile POS payment options introduced for consumers. Enterprises, however, are still struggling with how best to incorporate these new mobile payments
Billing and Payments Industry: 2013 Predictions and Outlook
By Todd Shiver, Executive Vice President of TransCentra

developments into their current offerings. While this is true, enterprise mobile imaging and capture will see a great deal of top-level corporate interest this year as enhanced product and service capabilities become available.

All signs point to 2013 as the year that mobile deposit gives way to full-page mobile capture, which will open a whole new realm in mobile document management within the enterprise. Advances in mobile device hardware combined with new, feature-rich software capabilities will give rise to new advancements in capturing complete document sets, particularly when combined with mobile payments.

Businesses can expect to see more comprehensive mobile capture applications start to appear throughout 2013, particularly in the second half of the year.

UNIFIED TRANSACTION SOLUTIONS
Based on the combined factors above, enterprises are now in dire need of a unified billing and payments strategy to successfully manage their business and customers in 2013.

Regardless of size or focus, companies and financial institutions want to offer consumers a consistent experience as they move from channel to channel. This in turn requires well choreographed coordination between channels on the backend to prevent companies from having to support the creation of multiple outbound billing files and consolidate multiple inbound payment feeds for each individual channel.

Traditionally, many companies have approached each channel differently, resulting in an inconsistent front-end experience for the consumer and a varying range of backend support mechanisms and requirements from channel to channel. With the introduction of new technology and trends, 2013 may be a tipping point for billing and payments, as the demands of supporting a fragmented multichannel solution may lead more organizations to incorporate a holistic strategy for cash collection across all channels.

About TransCentra
Norcross, Ga.-based TransCentra is America’s largest outsourced remittance processor, one of the largest outsourced billers and a top provider of imaging and payment processing platforms and software. An industry leader in innovative multichannel billing and payment solutions, TransCentra is trusted by many of the largest and most recognized names in both the consumer and business-to-business markets across a variety of industries, including financial services, insurance, healthcare, utilities and telecommunications.

Todd Shiver is executive vice president of TransCentra, the nation’s largest outsourced remittance processor and the leader in multichannel billing and payments solutions and software to companies nationwide. For more information, visit www.transcentra.com.
2013 Predictions
By Gary Cawthorne, CEO of WAUSAU Financial Systems

When I talk with WAUSAU clients, we often compare notes on trends and developments across the payments industry. Increasingly, we are detecting a shift in our clients’ outlook. They express more cautious optimism. They’re transitioning from a reactive stance focused on mitigating risk and reducing costs to a proactive stance that asks, “What will enable us to acquire new customers, enhance the customer experience and drive top-line growth?”

This is a welcome development. What’s further positive is that many customers are taking a balanced and pragmatic approach to achieving the growth they desire. They are looking at how to do more with the technology platforms and services they employ today – and still get breakthrough results. We expect this pragmatic approach will continue. Here are six other issues we believe are hot as we move into 2013:

Streamlining Customer “On-Boarding:”
When signing up customers for a new loan, account or service, banks enjoy a brief honeymoon period as they engage them and build a positive and thriving relationship. But for everyone involved, the required paperwork, time and complexity to get on-boarded are confounding and counterproductive. They desire a more simplified process that requires fewer forms and signatures.

What customers find ironic is that face-to-face relationships require more cumbersome processes than online ones. On the higher end of the commercial market, the advent of eBAM (electronic bank-account management) is rapidly bringing this issue into focus. But we see this trend at all tiers, and many of our bank clients are tackling this challenge head-on. They are employing the latest technologies to digitize and remove unnecessary paperwork, accelerate signing ceremonies and streamline on-boarding, both for retail and commercial customers. One customer that excels at customer on-boarding is Washington Trust in Spokane, Wash.

Renewed Focus on the Small-Business Banking Market through Mobile Solutions:
The small-business market in the U.S. is large and attractive with more than 27 million entities. Historically, however, many banks have struggled to attract, retain and serve small-business owners’ needs, particularly on the microbusiness side. Remote Deposit Capture (RDC), especially mobile RDC, offers banks a powerful differentiator for attracting and retaining customers. Small businesses are increasingly willing to switch primary banks for mobile banking services, as it offers convenience and frees them up to run their business. Now that millions of consumers are using mRDC, many small-business owners among them wonder when they can have the same payment technology. We predict a shift in emphasis to mobile RDC from the consumer to the small-business side as a play for customer growth.

Adopting Outsourcing to Level the Playing Field:
Increasingly, we see regional banks use outsourcing services to enter the mature lockbox market and compete with much larger players for corporate clients. Outsourcing levels the playing field by giving
these regional (and, sometimes, smaller banks) the same capabilities of their much larger rivals. These regional banks now can expand their geographic reach nationwide through a capture network, offer integrated receivables services to drive new fee revenue, or enter vertical markets such as property management and healthcare through tailored solutions. Two banks that successfully play and win with this new model are Sandy Spring Bank in Maryland and CoBiz Bank in Colorado. Even banks with less than $1 billion in assets are entering this market, such as New Dominion Bank in Charlotte, N. C.

**Getting Serious about Health-care Payment Processing:**
With the Patient Protection and Affordable Care Act, many banks are rethinking how they want to play in the health-care payments marketplace. Financial institutions can benefit from new revenue streams, deeper and stronger relationships with health-care clients and improved competitive positioning in the lucrative health-care market. And with health care representing a top-four vertical market for bank deposits, even small market-share gains there have a significant impact on a financial institution’s bottom line. But the window of opportunity is closing rapidly. Now is the right time to gain new fee-based, recurring revenue by processing payments in this space and helping providers get more of what they are owed, faster.

**Eyeing Customer Service Applications to Rejuvenate the “Old” Corporate Lockbox:**
Corporations of all sizes are recognizing they have the ability not only to streamline receivables processing but extend the benefits of the lockbox technology across their enterprise. We see new life in a mature platform for organizations reimagining how they use the technology. For example, AARP uses receivables technology to process member surveys, scan and reply to customer correspondence and process nearly 1.37 million customer payments each month, run nationwide charity programs with NASCAR and increase exponentially the number of direct marketing programs it runs each year.

**Harnessing Big Data for Fresh Receivables Insights and Analytics:**
Although hype characterized the promise of “Big Data” the past year, we know banks in particular can do much more just by using the data they retain in their current systems. For instance, much, if not all, data on corporate receivables is held in disparate stovepipe systems. Our customers are realizing the tremendous opportunities that exist to provide new insights to their corporate customers to address their cash flow forecasting and working capital needs. This is possible simply by aggregating and normalizing their data across payment channels into a single actionable data base. For corporate customers, this approach addresses critical needs to resolve exceptions to achieve greater straight through processing rates and to generate insights for improved working capital and cash-flow forecasting and liquidity management. For the bank, the business case is clear in terms of incremental fee revenue.

It promises to be a busy – and productive – 2013.
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