



AMERICAN EXPRESS CASE STUDY

American Express—Transforming Global Customer Remittances with a Payment Services Hub



Our decision to move to a new industry-standard global payment services hub platform has been one of the most vital steps in transforming our payments capabilities.”

Neha Patel,
Vice President of Global Payments
Transformation, Amex

**(THE FUTURE OF
FINANCE IS OPEN**



Amex processes over 450 million proprietary payments annually, with a total value forecast to pass the US \$1 trillion mark this year

American Express (Amex) is a global services company that provides customers with access to products, insights and experiences that enrich lives and build business success.

American Express Profile

- Global services company
- Total assets: US \$159 billion
- Annual revenues: US \$34 billion
- Over 112 million cards issued

Owner of one of the world's most valuable and widely-recognized brands, Amex has total assets of US\$159 billion, annual revenues of US\$34 billion and over 112 million cards in use globally.

When Amex cardholders make payments to their accounts, its customer remittances department is responsible for receiving and processing the payment and ensuring the relevant internal systems are updated. This operation is one of the most important parts of Amex's business, with direct and immediate impacts on many millions of Amex customers worldwide.

The customer remittances department spans countries where Amex operates as a proprietary business in its own right, rather than under a partnership with another organization. Amex currently processes over 450 million of these proprietary payments annually, with a total value forecast to pass the US\$1 trillion mark this year.

In 2012, Amex launched a strategic global investment program targeted at delivering three key outcomes in customer remittances. First, it wanted to ensure that the business had a standardized global platform and processes. Second, it aimed to put the customer at the heart of its payments strategy by ensuring customers using its services had a consistent, compelling and efficient cross-channel experience. And third, it wanted to enhance control and compliance, by driving standardization and automation to improve end-to-end visibility and its ability to recover from issues.

Neha Patel, Vice President of Global Payments Transformation at Amex, explains the background: "Before the program started, we were experiencing operational and systems issues internally, coupled with an increasingly demanding external environment. Sometimes the internal issues caused problems for customers—and, more generally, ageing technology was limiting our ability to meet customers' expectations."

She adds that the challenges were increased by fragmentation of the company's payments systems: "From a technology perspective, we had many systems across our global markets, with a large number of banking partners across our proprietary markets. And many of the applications in our global portfolio were classified as 'legacy' applications, meaning we were no longer investing in them."

Alongside these internal issues, the external environment was equally challenging with the introduction of new industry standards, including the Single Euro Payments Area (SEPA)



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and advances in ISO standards. And Amex was facing intensifying competition from new technology-enabled market entrants—often highly agile and innovative players with a core focus on the customer experience. These technology and competitive pressures were compounded by ongoing changes in regulation and the expectation from regulators that firms respond quickly.

To address these challenges, Amex decided to launch a multi-year investment program to replatform its customer remittances operation, with the three goals mentioned above, by boosting global standardization, customer satisfaction, and control and compliance.

At the start of the project, Amex thought it would be able to achieve these goals and expand globally into new markets using existing internal platforms. “As a first step, we started fixing issues and remediating legacy applications, while also assessing what it would take to have a standardized global platform and processes,” says Patel. “It became apparent fairly quickly that our internal systems would not stack up to support globalization. So we engaged independent industry consultants to help us examine the global payments ecosystem. That was when we were introduced to the concept of a ‘payment services hub’ model”.

Having decided that this model represented the optimal way forward for its customer remittances business, Amex set about negotiating with fintech providers, including engagement in extensive procurement activity that included product

testing through pilots and proof-of-concept exercises within its own payments environment. The tests confirmed that a payment services hub was the best option.

“I’m very proud that the company made this decision,” says Patel. “We needed to raise our game in money movement: this is a critical business function and we needed to eliminate the risk involved for the organization and for our customers. Looking back over the past few years, our decision to move to a new industry-standard global payment services hub platform has been one of the most vital steps in transforming our payments capabilities.”

The transformation program is now in its third year. The first year, 2013, was spent largely on addressing immediate issues whilst assessing the broader solution, and it was in the second year that the focus switched decisively to implementing a global payment services hub. In the third quarter of 2014 Amex signed an agreement to implement Fundtech’s, now part of Finastra, global payment services hub, Global PAYplus. Fundtech is now part of Finastra, a leading provider of technology solutions to financial institutions and corporates globally.

“Fourteen months on, we have moved into production,” comments Patel. “We have live payments volumes going through the hub. Over the next nine months we’ll be ramping up to migrate all our U.S. volume into the new system. So we’re starting by moving across the market with the largest volume and value of transactions while building the foundation on the payment services hub for all four of our payments types.”

Those four payment types are ACH/ direct debit; credit transfers; checks; and debit card payments. Working with its consulting advisers, Amex developed a hybrid roll-out strategy that blends the two traditional approaches of migrating country by country and payment type by payment type. “Once we’ve built the core foundation on the payment services hub, then every market thereafter is configurable,” explains Patel. “So we decided to apply a combination of approaches where we phase the migration both by payment type and simultaneously by market segment.”

She continues: “We’ve segmented our 23 markets across the globe and all different payment types into 50 individual deployments by market and by payment type. So, after the full deployment in the U.S., we’ll be bundling the markets and payment types together into groups where there are synergies available, configuring the code, and releasing it in a staggered, phased way.”

A key element of Amex’s approach has been a commitment to drawing on the lessons from previous payments hub deployments around the world. In 2014 Amex spoke to a number of existing clients supported by its solution vendor, Finastra. Patel recalls: “A number of the organizations that had already been through the process gave us the same advice: Standardize our process rather than customize the application. A payment services hub stays pivotal and future-proof if you don’t change the platform, but change your process instead.”

This isn't an easy principle – with examples of processes that differ from market to market and all 600 of its banks sending payments at different frequencies and in different formats. “To remove all this complexity, we needed to change our business process and banking process, as well as rationalize our banking relationships,” comments Patel. “That way we could keep the payment service hub platform intact and enable ourselves to keep pace with changes in the external market.”

With these core principles in place, Amex identified six factors that it needed to focus on to deliver a successful migration to the hub. These were:

- Apply an organizational roadmap for managing the business through the change, addressing both technology and process transformation.
- Prioritize and sequence each market based on complexity and urgency.
- Implement the solution in small chunks to speed up progress and deliver benefits early to stakeholders.
- Ensure clear understanding of the overall value case and benefits of a hub.
- Engage with the right technology partner, in a relationship that will extend far beyond the implementation itself.
- Ensure the right resourcing approach, including the optimal balance and combination of resources from Amex, the vendor and the implementation partner.

Armed with its knowledge from previous migrations, Amex has been able to drive

the implementation successfully, at pace and with no disruption to its wider business. “We’ll address standardization of our business processes up front, changing them to fit the new model rather than the other way round,” says Patel. “We’ve also designed with the end-to-end cycle in mind. The payment services hub is just one step in a much longer process, all the way from the customer initiating a payment to us updating internal systems and transacting with the bank. We’ve made sure we have complete visibility of the upstream and downstream processes, and involved these processes in the project at an early stage.”

Other priorities have included delivering value and return on investment quickly and iteratively, and setting up a dedicated team and leadership roles to drive the overall payments transformation effort. “There’s a dedicated leader on my team who’s responsible for nothing but the payment services hub,” Patel explains. “We also made a conscious decision to co-locate resources—technology, operations, project management, solution vendor resources—in one place, working together in the same office environment.”

While the migration still has much further to run, Patel says the benefits are already starting to show. “We will see the benefits in three key areas,” she says. “First, prevention of risk: in particular, being aligned with industry standards reduces our potential regulatory risks. Second, improved quality and control: features like end-to-end tracking of payments, rigorous controls, and adherence to local standards

are incredibly important. The enhanced control means that even if something goes wrong, we can recover quickly.”

Patel continues: “The third benefit is cost savings: the replatforming isn’t primarily a re-engineering effort aimed at cutting costs; by keeping the customization of the platform to a minimum, it reduces the costs of rolling out the platform internally. And, more importantly, decommissioning old technology will reduce costs to the business, while automation of processes will reduce costly waste and manual work.”

So, all things considered, has Amex made the right choice in deciding to migrate to a payment services hub model for global customer remittances? Patel has no doubts. “Absolutely,” she says. “And the thing that reassures me of this on a daily basis is the way the payments industry is changing. Plus, there’s so much more change to come. For example, more countries are adopting immediate payments infrastructures, including Australia, which will have an impact on our business.”

She continues: “Given the pace and scale of change, it was simply not viable for us to keep evolving and meeting our customers’ needs with our legacy platforms. Now we’ll have greater ability and flexibility to respond effectively to industry and regulatory changes in the future.”

About Finastra

Finastra unlocks the potential of people and businesses in finance, creating a platform for open innovation. Formed in 2017 by the combination of Misys and D+H, we provide the broadest portfolio of financial services software in the world today – spanning retail banking, transaction banking, lending, and treasury and capital markets. Our solutions enable customers to deploy mission critical technology on premises or in the cloud. Our scale and geographical reach means that we can serve customers effectively, regardless of their size or geographic location – from global financial institutions, to community banks and credit unions. Through our open, secure and reliable solutions, customers are empowered to accelerate growth, optimize cost, mitigate risk and continually evolve to meet the changing needs of their customers. 48 of the world’s top 50 banks use Finastra technology. Please visit finastra.com

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