

How technology is revolutionising payment reconciliation for retailers

By [Graham Bradford](#)

27 Feb 2024

As retailers grow into mid-market size and beyond, the complexity and cost of manually reconciling payments increases almost exponentially because there are hundreds of thousands, if not more, transactions a day.



Image supplied

Most retailers in this segment reconcile their payments with spreadsheets and many can't expect a view of the previous month until a few weeks into the following month. Even then, what is an acceptable deviation for them and how confident are they in the data?

It's not just the sheer volume of transactions that puts tremendous pressure on large teams of people trying to reconcile payments, it's also the rapidly increasing types of transactions.

Many retailers have up to 100 value-added services (VAS) plugins in their systems, and each of these comes with additional layers of complexity in the fees and commissions payable. Human error in an environment like this can become costly. Automation is the only plausible way for merchants to solve the problem of reconciling at scale and ensuring accuracy.

Automated payments reconciliation can radically transform a retailer with a number of positive knock-on effects for the business.

The best way to illustrate this is to look at the benefits of automation in this unglamorous but fundamental part of every retailer's business.

Cost savings

What was previously performed by large teams of people can now be performed by far fewer, freeing the business to redeploy its staff into areas that benefit the business. We engaged a business that had a team of more than 100 people working on payment reconciliation. After automating, this number dropped to 12, with 88 people being repurposed in positions that added more value for the business.

Immediacy and speed

This is a recurring theme when speaking about technology – it's ability to take processes that have traditionally taken a long time and make it almost instant. No more waiting weeks, with automated reconciliation in place, businesses have a single version of the truth the next morning. Being this much closer to the coalface empowers businesses to make the right decisions quicker.

In addition to reconciling, automation identifies exceptions on a transactional basis. Doing this at speed enables the business to investigate the cause of the exception quickly. An exception might be a recorded sale without an accompanying settlement from the bank. A further piece of the automation value is being able to configure business rules that automate the action the retailer takes around those exceptions.



Fintech solutions helping informal traders grow and reduce risks

Lesaka Technologies 21 Feb 2024



Accuracy

Human error is removed from the equation. If one considers that a typical medium-sized retailer will wait two to three weeks to gain a view of its position at the previous month end, it becomes clear how many opportunities there are for mistakes to creep in. Monotonous tasks are the breeding ground of human error. Automation gives peace of mind that what you see is the truth, removing the typical 1 to 3% error factor.

Automating fees and commissions

There are many different types of transactions and tender types that retailers need to enable, in order to meet their customers' expectations. This all increases the complexity of the environment. For example, if a customer buys a bottle of cooking oil, he or she could pay with cash, card, wallet or even a voucher pin linked to a loyalty programme.

Beyond this, VAS has added immense complexity to a retailer's environment. Consider a R10 airtime voucher. Either the airtime is bought on consignment or it is bought in real time. Obviously, a certain fee must go to the telecoms provider. Now, imagine that the store is a franchise branch, meaning that within that transaction, a part must go to the telecoms provider, another to the franchisor, and the remaining amount to the bank account.

The best automation software not only builds in automated reconciliation for these complex transactions that result in varying fees and commissions payable, it also extends to settlement instructions that communicate with the bank for the payment of the fees.

The automated future

There's little doubt that the days of spreadsheets are over. Automated reconciliation helps businesses investigate and solve upstream problems much easier and quicker in a congested ecosystem. In addition to this, underpinned by strong data governance and compliance, retailers know that the integrity of the data is sound.

In a hyper competitive world where speed, safety and accuracy of data is paramount for the right decisions to be made, retailers need to calculate the cost of not automating and weigh it against the very real and measurable benefits of investing in good automation software, implemented by partners who have a proven track record.

ABOUT THE AUTHOR

GrahamBradford, senior product manager at Ecentric

For more, visit: <https://www.bizcommunity.com>