Finextra | ingenico

A report produced by Finextra Research
In association with Ingenico
January 2024

Payments: The key to unlocking new ecosystems and why merchant services are on the up

Contents

01. How banks and acquirers have adapted to the digital frontier — 03

02. Sharply-focused customer-centricity is more palpable than ever — 06

03. Data-driven business services — 08

04. The Point-of-Sale is the ultimate channel for digital success — 10

05. On POS-enabled cost savings, on security, and on compliance — 13

06. Long term vision, what will be the key tenets of the payments ecosystem in five or 10 years' time? — 15

07. Conclusion — 19

08. About — 20

01. How banks and acquirers have adapted to the digital frontier

To say things have changed in payments, and, as a result, the merchants services space is to understate a dramatic and fast-moving digital and cultural evolution that has driven such change.

Digital transformation strategies now need to be framed around this rapidly paced market involving multiple payment methods, and hence, ever smarter payment devices, or Point of Sale (POS) machines. Cloud infrastructure is the order of the day to deliver on the breadth and scope of plans.

Integration is a key part of the overall picture as well as investment into infrastructure, real time payments and single API or single platform, and embedded services.

The SME (Small and Medium Enterprises) community- sometimes an arm of a bank's retail division and sometimes housed within the corporate segment can be viewed in many ways as a microcosm of the changes happening at large in financial services in terms of digital disruption.

Digital payments have enabled the establishment of hundreds of merchant businesses, particularly in developing markets, as well as the significant growth of global ecommerce.

Giving a sense of how the payments and merchant services space has changed, Philip Glickman, formerly Managing Director, Merchant Services Asia Pacific at J.P. Morgan, recounts having worked at Citibank ten years ago when the organisation sold off its merchant services business because of its high legacy cost only to re-enter the business five years later. In this space of time the industry had changed radically, with a shift to digital and growing demand from myriad countries and organisations. Speaking of cloud-native solutions with multiple payment methods, he says

"This all flipped in the course of five or six years. In many cases, these local methods of payment like UPI in India have far higher acceptance or usage rates than Mastercard and Visa. And they were legacy players in that country."

The change was catalysed by POS devices, he continues. "They went from that type of slingshot to the machine, to swiping, to tap, and now to soft POS. So you're seeing an extraordinary change."

Other drivers, he adds, particularly in emerging markets such as the Middle East and Africa, include the banishment of cash from the system, to get a better grip on tax and fraud and understand where growth is coming from.

Antonio Macías, Director of Acquisitions, BBVA, Spain is committed to upholding BBVA's pioneering ethos regarding innovation in the serving of the SME community through digital solutions. He believes it is through digital solutions that customers can manage their lives and plan their finances more effectively.

"This expertise allows us to use all of this knowledge to guide the business community in the necessary digitization of their businesses, not only with financing, but with educational activities and solutions that allow them to find out about the subsidies they can apply for and process the applications in an agile and simple manner," he says.

Scoping out a complete digital strategy, however, is no mean feat, and many considerations need to be taken into account, not least legacy and regulatory constraints and agile infrastructure.
For Scott Frisby, Head of Strategy, Elavon, a digital payments strategy is split into two pillars: the internal management of the business and the external interaction with customers and partners.

"We're investing particularly when it comes to integrating with merchants and partners and the tools that allow us to integrate more easily- cast a much wider net, and make it easier for more parties to plug into the overall payment experience. We have many more integrations with many more platforms, and many more suppliers than we have historically done in the past. And lots of investment in deployment in API's. And as with many firms, we are moving a lot to the cloud."

On the internal transformation, he says most systems (including some legacy) are being migrated to cloud-based tools and systems.

"Now we have a single platform experience, which takes a little longer, but the benefit is great. So we're having a good return on that investment. Because we're doing several platforms and several geographies, we have to manage the transition of the applications at different times. I suspect any large firm in the payment space is in a similar position."

> "This all flipped in the course of five or six years. In many cases, local methods of payment like UPI in India have far higher usage rates than Mastercard and Visa. And they were legacy players in that country. You're seeing an extraordinary change."
>
> **Philip Glickman, formerly Managing Director, Merchant Services Asia Pacific at J.P. Morgan**

Cloud technology is really the only means by which acquirers and banks can pivot, respond, develop and basically move fast to compete and retain relevance and customer base in a constantly changing and evolving payments world.

Lewis Sun, Head of Domestic & Emerging Payments for Global Payments Solutions at HSBC, says digital transformation, especially from a business model point of view, is a very clear trend in the market, Covid having made it an imperative especially in the real time payments milieu.

"Many companies are defining [digital transformation] as a core strategy and our objective is to make sure we can continue to support their transformation journey. To do so we need investment into new infrastructure, to offer new products, and roll out new services."

"From a technology point of view, cloud is absolutely our first priority.

The reason is very straightforward. To offer this kind of a digital service it's very important to have scalability, capacity and resilience. Microservices need to be deployed into a cloud infrastructure as much as possible. Right now we're looking to [put] all the new applications based on a sort of a cloud first strategy."

Sun credits HSBC' s single API capability as the cornerstone of the strategy, and embedded payments as the driving force of change.

"We have just gone live with single API capability and the beauty of that is our clients can implement one single interface and go live in multiple locations and jurisdictions [at once]."

He talks of the high demand from clients for mobile payment capability for their own clients, eg. Uber drivers, and the "resilience, robustness and fully compliant" that clients expect from this service.

02. Sharply-focused customer centricity is more palpable than ever

Of course to a large extent, a digital transformation strategy is rooted in the customer experience strategy, as one must follow the other. And through the customer focus lens, great attention must be paid to new and emerging customers and trends.

Marc Pettican, Head of Barclaycard Payments, echoes this. "Our digital transformation strategy revolves around strengthening the entire customer experience, starting with enhancing onboarding so we can help businesses get up and running, and grow quickly. We've also invested in our digital servicing platform to enable customers to manage their accounts easily and use key data and insights.

We also use cloud technologies extensively in our strategy and product delivery through software as a service (SAAS) and cloud-based apps; we continue to advance the value we bring to our customers through these solutions."

Crucially, the customer truly is more than ever at the heart of developments, in each and every firm. And as organisations become truly digital, charting the course of operations requires a very close customer touch point to keep up with new behaviours, and changing needs and wants. More than ever, and certainly in the merchant space, the customer is king.

Firms are adapting these digital strategies and approaches more and more with the customer in mind. This is to be expected, however, Frisby articulates the increased pressure this service provision represents for acquirers and payment providers that he describes as a paradox. Much more is expected of them:

> "On the one hand, the demands for the types of services that [merchants] are willing and able to consume are much greater. So, the scope of service that we can deliver to them keeps getting bigger. But actually, what's paradoxical is the expectation that everything should be super simple from a service perspective: one-click purchasing for any other additional service, single contracting, to accept many different payment types, but to have a single settlement into their bank account at the end of the day, from WeChat pay and visa, etc."

Digital-first firms such Stripe and Square, really set the pace for the rest of the industry, in terms of simplicity, ease of integration and ease of buying, he explains.

"But our actual strategy around the customer experience is to be able to interact how they want, when they want, to fire on all cylinders at all times, which means investing in digital tools to [cover] the whole cycle. Sometimes they want to send us text messages. Other times they want a live person to handle their issues."

This paints a strong picture of the merchant services landscape. It is very much a merchant's market; a buyer's market. Providers need to be all things to all merchants. And for that, robust infrastructure is required.

Sun doubles down on the importance of the onboarding experience, data driven truly embedded services delivered through APIs, or specifically, a single API, and covering everything from an initial application onwards during the lifecycle of a customer. It's all about digital ease of use.

"Instead of submitting paper documents, they're able to use our platform to do the information exchange. Much more streamlined and simplified documentation process. Since early last year, we have started to review our documentation across the globe, making it standardised and simplified. And the benefit for client is basically they can review this in a more consistent manner for future potential account and new business expansions."

Regarding what he refers to as digital first services, Sun anticipates a self-service model being preferred and adopted by the client.

"We're building track and trace for payments. If you want to know the status of your payment, you don't need to pick up the phone and call your service hotline or a specific customer service manager asking the information because you can have access to that information online."

Going further, such services "will be embedded into clients' business operations, if they want to check the status, for example, [of] a payment, they can do it in their systems. So the acknowledgements, electronic reporting can go directly back to the client system and trigger the next action", replacing manual intervention of initiating a call or the next step.

"That proactive notification API-enabled capability will be important," he concludes.

03. Data-driven business services

Says Pettican, "We process a significant amount of data ourselves – we offer a service which gives actionable insights from transaction data such as decline patterns. Across our issuing and acquiring businesses we see nearly half of the [UK]'s credit and debit card transactions, which provides us with in-depth insight into UK consumer spending and the performance of the economy, [to] help [customers] drive scale and improve performance."

Business insights based on large and increasing amounts of data can be generated quite easily and this is where merchant services will really start to proliferate and differentiate. It is about capturing data and feeding some of it back out to the client. Accounting services and insights generated from tracking spending activity is fast becoming valuable currency for acquirers, as Sun explains.

"We want to be very much data driven; we want to report detailed information in a consistent format back to clients so that they can further process. Secondly, going a step further is to analyse the data and provide a dashboard back to clients to assess their decision-making."

Sun elaborates further on the currency conversion service, built into crossborder payment transactions that HSBC has introduced on the back of data rich payments.

"We can absolutely play with that data to come up with better analysis to guide our own decision-making and offer insights to our client to assist with theirs. It's not about how much data you have, it's really about what actions you can extract, such as an FX prompt whenever a client makes a payment to a different jurisdiction, to offer a preferential conversion rate," he says.

Frisby says while the primary use of data is to fight fraud, and thereby maintain a healthy bottom line, it is the means through which services are refined and elevated, to create a more comprehensive and intuitive service to merchant clients.

> "Our strategy around the customer experience is to be able to interact how they want, when they want, to fire on all cylinders at all times, which means investing in digital tools to [cover] the whole cycle. Sometimes they want to send us text messages. Other times they want a live person to handle their issues."
>
> **Lewis Sun, Head of Domestic & Emerging Payments for Global Payments Solutions, HSBC**

"We don't sell data, but we do use it as a tool that we deploy to improve the consumer or the merchant experiences. Managing their commerce systems, we can give them information on whether the amount of stock that they have available is sufficient to manage expected demand over [a given period of time]. And those are some of the more bleeding edge ways that we use data. So we'll use data about purchase patterns in order to allow our merchants to either sell more, or at higher prices- to have a better commercial, top line outcome."

Adding further nuance, Glickman shares a perspective on data and analytics from a larger e-commerce client perspective, and lending a global view.

"Capturing the data is important but presenting it in a manner that is actionable, that is not very dense, that is easy to understand, is very important. And I think that's something that we are seeing organisations insisting on and in some cases willing to pay for."

Drawing comparisons from cash management and treasury functions, he says clients want enhanced data that provides meaning and context to transactions. "They get data regarding deposits, balances, what funds are being sent where, in an easy-to-understand dashboard."

Furthermore, he talks about the demand for a standardised system, in particular among large global corporates.

"Using the example of LVMH OR Tiffany's , they want the experience to be as standardised as possible. You could have a cloud-based solution that would allow you to operate in x amount of countries and be hosted in a central region or country but the challenge lies in the different regulations different countries have, such as India, Indonesia, saying that [the infrastructure] needs to be on soil, adding cost and complexity to the provider," Glickman says.

And regulations are changing all the time, particularly in APAC, where there is also arguably the greatest proliferation of payment methods. Providers, acquirers, merchants- they all need a highly strategic, forward-looking and most importantly, agile approach to operations and business growth.

It follows that the payment device is the vehicle through which such business services will be available to most small and mid-sized merchants. And increasingly, these are made possible through the evolution of the hardware into a 'soft' terminal. Equally, both online and offline transactions are becoming increasingly important in a 24/7 operating environment.

04. The Point-of-Sale is the ultimate channel for digital success

As outlined, the diminutive and unassuming POS machine has come a long way since its inception in the 1970s. These days, in rapidly expanding ecommerce and merchant ecosystems, it is both a physical and virtual connector and catalyst for not only new business but also new business services, and a gateway to an elevated service proposition for merchants the world over.

Says Macías, "Technology is creating a full-blown revolution in payment methods that facilitate payments for businesses.

New ways to process payments that turn a client's cell phone or tablet into a point of sale terminal are very convenient for any merchant or professional. This solution complements traditional POS units and simplifies the payment process."

He says it is important to offer different payment options so that they are the ones to decide which best suit their businesses.
"One of the more recent products is the latest generation of payment terminals (Android POS), which have been very well received by clients. In fact, they make up 27 percent of our stock of POS terminals.

"The new technology in these devices allows merchants to add features that are very useful in their day-to-day business in the same way they are added to a cell phone. Among other things, these apps allow them to reimburse VAT in a 'tax-free' transaction automatically, process returns and read QR codes to charge via Alipay or WechatPay, which improves the shopping experience for international customers."

Two further examples Macías cites are apps which facilitate the day-today management of hospitality establishments and another which allows merchants to manage the logistics and dispatchment of goods to customers through the terminal.

> "This means we can offer merchants our own software, or an end-to-end commerce management software. It's about being able to put all of these different applications on to a smart device, which is no longer just a standalone terminal but a broader integrated e-POS offering with a huge scope of services."
>
> **Scott Frisby, Head of Strategy, Elavon**

All the contributors have nodded to the ubiquity and open source capability of Android devices and operating systems as being the vehicle for rapid advancement in services, albeit Apple and iOS remain competitively significant and equally front and centre for many.

Barclaycard's Pettican says their POS solutions are developed directly in response to the needs of the customer.

"Whilst many of these needs are common, there are differences depending on the size, complexity and sectors they operate in. For smaller customers, we offer all-in-one payment and business software solutions [and terminals], and for our larger customers we offer solutions that connect to their existing ecosystems, facilitate access to data, and provide real-time reporting to inform business decisions and enhance the end consumer experience."

Being able to differentiate and diversify a product and service offering is the cornerstone of today's merchant service provision. And of course, the POS being a physical device serving as a conduit through which, for smaller merchants especially, the entire business is conducted, it remains a unique service proposition for merchants to provide, and for which the hardware is almost as important as the software that runs on it.

In the bigger evolving digital commerce picture, this is a curious anomaly that Frisby illustrates roundly:

"Our POS strategy is predicated on attractive-looking, feature-rich hardware. This means we can offer merchants our own software, or an end-to-end commerce management software. It's really that integrated e-POS system that we want to be able to provide. What really makes it smart is that we can also then integrate customised applications, or services or other software that the merchants may wish us to add; or a partner-specific application.

It's about being able to put all of these different applications on to a smart device, which is no longer just a standalone terminal but which can be expanded into broader integrated e-POS offering with a huge scope of services."

Expanding on the soft POS Frisby says merchant acquirers are in the best position to deliver the whole system for merchants. But of course on the flip side, they sometimes have to be able to put the software on devices of the merchants choosing. For example, in a restaurant, it would be a handheld device that they use in order to make orders; at a parcel delivery firm, it might be a handheld device that they use to track the deliveries and accept payments.

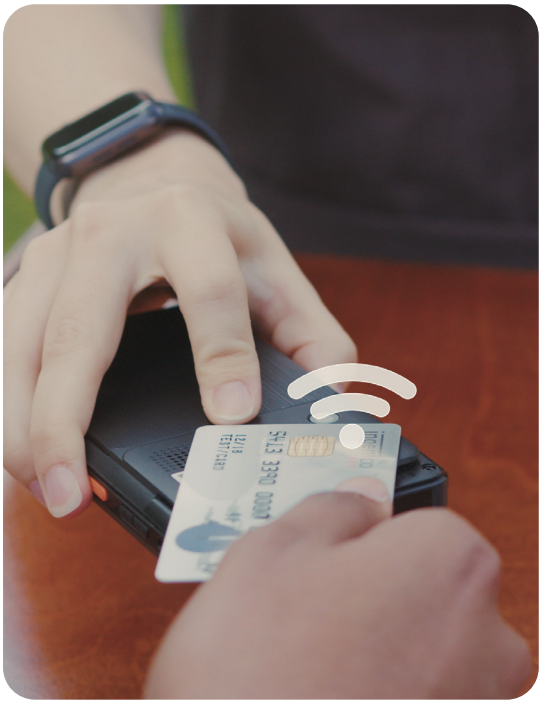
> "Soft POS is where we put a payment application on to a device that we don't control. It's not a payment terminal. Nor is it a tail system. It's just something else that they use. And so by incorporating payment applications onto our merchants' devices, we actually can deliver a point of sale experience without having necessarily any point of sale hardware. That's a major change for payments."

As Sun explains, "The emerging trend is increasingly smart POS, or mobile POS, and additional features supported by the POS machine will be QR codebased solutions," he says.

"Dynamic QR codes can be presented and scanned without even having a mobile device. And real time infrastructure can also be embedded," Sun explains.

"So the POS machine is no longer just about cards. Most POS terminals smart and mobile POS- can also accept wallets, real time infrastructure, that basically opens up a lot of options for the merchants to interact with consumers," he concludes.

Reduction of cash alongside the rise of digital services and smart POS machines has meant not only greater convenience and access to different payment capabilities as well as e-commerce markets but also the heavy cost and security burden that cash businesses carry.



This isn't to be underestimated, as Glickman points out, and is the primary reason we see the greater growth and development of small to mid-size merchant services and payment methods in the regions in which we do- Asia Pacific and the Middle East and Africa, the latter being more of an emerging market than the former.

05. On POS-enabled cost savings, on security, and on compliance

"Today, if you want to be enabled to accept the payment, you can get a piece of paper, print out a QR code, put it on the wall, and that's your method. That's how you accept payments, someone takes a picture of it and so on. Even just a couple of years ago, you had a very complicated drawn out process of talking to banks, securing lines of credit, being able to get these devices and so on. What's happening is that the ease of acceptance and the cost of acceptance is lowering. And that's happening very quickly. And that's the key message: it's easier and it's cheaper to accept payments and to make payments," says Glickman.

In terms of security and compliance, Glickman is quite straightforward Beyond being one of the products that banks themselves will sell, and within ecommerce and merchant services solutions, he says KYC and AML processes are similar- for transactions as well as (in some cases) the merchant client base.

"Compliance, security, and trust are the key principles [for us]. For example, a huge amount of work was carried out to comply with the FCA's Consumer Duty principle and align key processes, enable customer-centric approaches and empower colleagues to get closer to customers and provide feedback to ensure continuous improvement."

"Referencing the introduction of contactless in the UK and its subsequent roll-out onto the Transport for London network, which planted the payment method firmly into the daily routines of millions and catapulted its use to soaring levels pretty much overnight," Barclaycard's Pettican says,

> "Through strong relationships with all of the key industry bodies, who we work closely with to shape new regulatory standards and meet the objectives of increased industry security levels, innovation and growth, [we] helped develop a clear approach to increasing industry security levels, implementing SCA across payments which carry higher risk, increasing the use of fraud screening technologies, and creating opportunities to use exemptions for eligible lower risk transactions."

> "The payment options and solutions merchants adopt will be influenced by the way consumers interact with brands. As people become accustomed to simplicity, convenience and flexibility, merchants are seeking simple and seamless ways to pay, such as QR codes, biometric payments, subscription payments and BNPL."
>
> Marc Pettican, Head of Barclaycard Payments

The more partners and clients a company- be it an acquirer or a merchant plugs into, of course, the greater the burden of security and compliance considerations, something Frisby takes none too lightly.

"Our primary responsibility is keeping that transaction data secure and safe. We use our own data, third party data and tools to manage threats from all sides because the more people you bring into the ecosystem, the more potential there is for weak spots. We have a two-fold rule: from a security and compliance perspective, we have to make sure that the parts of the merchant acquirer are world class, but then we also work with industry bodies, and lots of other participants in the ecosystem and all the geographies where we operate to make sure that the whole system stays secure," says Frisby.

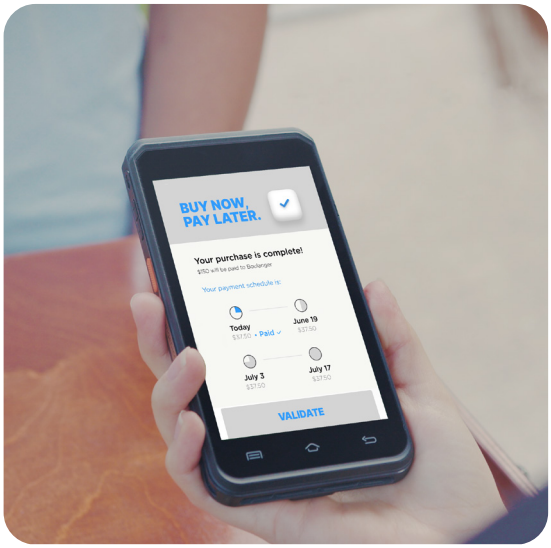
Sun emphasises the banks' standpoint, being heavily regulated with a clear set of policies to comply with from the authorities as well as internal risk controls.

"Security and compliance will continue to be one of the most critical elements for us. We view this really in two ways: One is we need to observe the evolution on the market, because regulators want to build a stronger environment, more robust infrastructure for all the market players to have a level playing field to innovate, to transform. But then on the flip side, they also want to control the risks, and we want to control the risks. So we strike the right balance, really following up on the critical elements where we can deliver the maximum benefit to our clients, but within our well-defined risk appetite. Basically it's about technology, operational flow, governance, framework and also a strong mindset of being compliant," he says.

Further consideration in the realm of compliance comes with resilience of a system, not least given the regulatory gaze being drawn onto third party payments providers in Europe in the coming year in the form of the EU's DORA (Digital Operational Resilience Act). Alongside this, recent global outages have been swiftly followed by significant class action suits. So, as Frisby says, it's worth investing in the core platform.

"Having that core platform is the single most important thing that we offer to our merchants, right, secure, fast, accurate transactions and all those channels. And even in a more networked, integration rich future where you have different APIs- if you do not have it all linked to this really solid piece of platform, the chickens will come home to roost and you'll start to have either service outages or downtime or something. And it doesn't matter how much you've invested in the other tools if you don't have that fundamental [thing] right," Frisby says.

06. Long term vision, what will be the key tenets of the payments ecosystem in five or 10 years' time?



When services unfurl at such a heightened pace, what exactly can be expected further down the line- can the rampant changes be expected to continue at the same pace? What are the technologies and payment methods that will win out or that the industry will converge upon?

Says Pettican, "Cards will continue to account for most payments, but we'll see digital transactions enhanced by different technology innovations such as digital wallets, tokenisation and QR-codes. New payment methods (such as Buy Now Pay Later and Open Banking payments) will continue to exhibit high growth rates but from a lower starting point, so we need to see how these payment types scale with time."

He goes on to predict the continued popularity and prominence of contactless payments, particularly in the UK, where Barclaycard data showing the value of contactless payments jumped nearly 50 per cent in 2022 and 91.2 per cent of all eligible card transactions were made using contactless. However, as he also points out, recent UK Finance data indicated that some consumers are increasing their cash usage to help manage budgets in the face of inflation and the rising cost of living.

> "It's also important to note that the proportion of payments made using cash still continued to fall, and I expect this trend to continue."

More general payments trends are likely to continue, according to Pettican, with "platformisation (e.g. marketplaces), aggregation (e.g. offering multiple digital wallets through one API) and orchestration (e.g. payment orchestration layers) impacting who our customers are, how we service their needs, and who ultimately owns the customer relationship".

What are the specific customer needs that will shape these trends? B2B payments will likely stay buoyant on account of increased expectation by the business community, and especially around add-on services that are really coming to the fore and gaining traction.

"Accounting software, ERP systems, and supply chain management tools. This will enable organisations to leverage technology and streamline processes, reduce complexity, and create efficiencies," says Pettican.

BNPL, QR codes, increased biometrics- none of these are going away any time soon, he says; moreover, they will increase, hence merchants need to be in a position to accept them. Even as the metaverse takes hold, "Consumers will expect experiential shopping to be brought to life with in-aisle checkouts, VR/AI enabled stores and seamless omni-channel journeys, while continuing to value reward programmes that integrate with the checkout and payment experience."

Ultimately, "Payments are increasingly just the start of a much wider relationship. The payment options and solutions merchants adopt will be influenced by the way consumers interact with brands. As people become accustomed to the simplicity, convenience and flexibility technology brings, merchants are seeking simple and seamless ways to pay, such as QR codes, biometric payments, subscription payments and BNPL."

It falls to merchants- and therefore their providers too-to be ready to serve, accommodate, drive and capture that growing and changing market.
AI plays into this as well, both in affording capability to banks and acquirers to develop and integrate services faster by automating the processing and analysing of data as well as bolstering the resilience of the infrastructure with greater fraud detection and AML methodologies. AI is still in relative nascence as compared with ML. As Frisby says, it is currently being explored internally by many organisations, such as for HR, and IT Helpdesk, and testing its limits for customer services and chatbots.

"We think that AI will help merchants in two ways. One of them is servicing information-rich frequently asked questions. Think of it as a dynamic FAQ. The other way is being able to deploy those better business outcomes, recommendation engines for the next thing that you can do from a business perspective. From a product perspective, i.e. 'This is the product that you should be promoting', indicating what other merchants in your category are selling goods for, and whether you're underpriced to the market, overpriced to the market- so, price benchmarking, transaction time benchmarking," Frisby says.

> "The new technology in these devices allows merchants to add features in the same way they are added to a cell phone. These apps allow them to reimburse VAT in a 'tax-free' transaction automatically, process returns and read QR codes to charge via Alipay or WechatPay, which improves the shopping experience for international customers."
>
> **Antonio Macías, Director of Acquisitions, BBVA, Spain**

Furthermore, he explains a potential "dynamic checkout experience", defined by AI, whereby things are presented or offered in a different way according to the customer, particularly if the customer is a returning customer and there is some prior knowledge of their preferred payment type, for example.

Glickman adds a further angle to the future outlook, whereby he says governments will start to get involved more, pushing digitalisation and therefore influencing the development and promotion of digital payments in a bid to reduce the use of cash.

"What we are seeing is individuals clamouring for multiple payment options, whether it be WeChat pay Alipay in Hong Kong or China, whether it be UPI in India, whether it be a local method of payment, for example, here in Singapore like PayNow, that's what we're starting to see more and more clients asking for. I think particularly in Asia, the days are gone where you can just offer MasterCard, Visa and AmEx across the region. In Europe to a certain extent you still can, and in the US, UK, but in Asia, Middle East, Africa and so on. I think you have to really focus on the local methods of payment," Glickman says.

On future use cases involving blockchain, for example, Sun shares that HSBC works with a big corporate to experiment with real time transfer among a few treasury centres.

"That infrastructure has gone live, and it is reusable. So basically, we're able to use the same infrastructure for many potential ideas- doing real time transfer among different HSBC locations like Hong Kong, Singapore, Luxembourg, UK. And that is a big benefit from a treasury management point of view. We want to make it really applicable.

As for CBDC (Central Bank Digital Currency), "Right now we see this as a highly promising new payment rail, but we're also very conscious this kind of development will become a potential FMI (Financial Market Infrastructure), and that will always take time, setting up technical infrastructure, governance, design, industry collaboration and setting up the common standard. Purely to replace domestic real time infrastructure wouldn't make sense- smart contracts, conditions-based would be the stronger use case," he explains.

Sun stresses the importance of embedded payments in epitomising the future of payment services, and as a result, an ecosystem of partners for each entity in the market. This sense of an increasingly partner-connected ecosystem is something that resonates powerfully among all the contributors and Pettican summarises it thus:

"Connectivity, capability, distribution," all three of which, to maximise the proposition, benefit from partners in a mixture of considering what other entities their customers may wish to connect with, third parties that may enhance the overall offering and those that could act as a sales channel for their services.

Pettican specifically denotes a partnership through which payments have been automated within an ERP system, embedding its payments functionality into an enterprise virtual card solution. "Available as an integrated app, our virtual card lets customers make ad hoc payments while retaining the controls already built into their ERP system, providing a seamless payment experience for their customers."

07. Conclusion

The merchant services sector is in a period of great flux and exciting and rampant evolution. It is also a unique view within a broader financial services narrative, in which the traditional hardware for conducting business is still very much front and centre as the customer touchpoint in a rapidly transitioning physical to digital world.

The software and operating system evolution behind the POS façade has opened up huge opportunities for sophisticated services and stealthy business growth, allowing small merchants to diversify their offering and scale; large merchants to offer dynamic and intuitive cross-border growth, and allowing a whole swathe of traders to set up business in the first place.

Products and services beyond straightforward commerce are empowering businesses with rich insights on their activities, enabling them to plan and adapt and grow in a much more bespoke and measured way. Embedded payments and APIs have transformed the landscape for merchants and these can now all be delivered through a slick mobile operating system, either on a modern POS device or even delivered through a mobile phone.

It is slick, cloud-based technology that is facilitating the provision of such services by the acquirers and banks, as they flex their data might using AI, and crucially, drawing increasingly upon partnerships to enhance capabilities as well as resilience.

The cornerstone of merchant services remains a solid, secure core platform and this requires greater attention, as ecosystems and their increased, mostly API-enabled, connecting parts mushroom, and as business needs to be conducted ever more in real time, 24/7.

The customer is by definition closer than ever to the design of new services, as organisations stay close to monitor new behaviours and trends that they need to respond to and as the customers themselves becomes more and more digitally-savvy and demanding.

Multiple payment methods are here to stay in order to continue to serve an expectant customer-base, and while emerging digital rails and virtual experiences delivered through the metaverse are being kept in sight by banks and acquirers and may be on the cards in the near future, all cards are currently on the humble POS, which is going nowhere fast and instead, through advances in software and operating system development, has become something of a golden gateway and indeed microcosm for innovation in payments and merchant services.

08. About

Finextra

This report was originally published on
Finextra.com

Finextra Research is the world's leading specialist financial technology news and information source. It offers more than 130,000 fintech news, features and TV content items to some 800,000 monthly visitors to www.finextra.com.

Finextra covers all aspects of financial technology innovation involving banks, institutions and vendor organisations within the wholesale and retail banking, payments and cards sectors worldwide. Finextra's unique member community consists of over 40,000 fintech professionals and 200,000 social followers working inside banks and financial institutions, specialist fintechs, consulting organisations and technology providers. The Finextra community actively participates in contributing opinions, ideas and comments on the evolution of fintech.

For more information:
Visit www.finextra.com and become a member,
follow @finextra or reach us via contact@finextra.

Ingenico

Ingenico is the global leader in payment acceptance and services.
We support our customers, and their customers to do more with payments. Active in 37 countries, with over 3,500 employees we have been at the forefront of the commerce landscape for over four decades. With more than 40 million payment devices deployed worldwide, powered by over 2,500 apps, the company is servicing the needs of millions of consumers every day. Through our advanced integrated solutions and network of partnerships, we simplify the world of payments and bring value added services to move commerce forward.

Contact us

Finextra | ingenico

Finextra Research Ltd

77 Shaftesbury Avenue
London,
W1D 5DU
United Kingdom

Telephone
+44 (0)20 3100 3670

Email
contact@finextra.com

Web
www.finextra.com

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording or any information storage and retrieval system, without prior permission in writing from the publisher.

© Finextra Research Ltd 2023