How to reduce the complexity Payment Service Providers face in a global e-commerce market

PSP Strategy white paper

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1 MANAGEMENT SUMMARY

During the last decade, e-commerce has experienced exceptional growth rates of around 20% 1. As a consequence, payment service providers (PSPs) have performed extremely well. However, the European market is currently showing the first signs of maturity. This could be a clear indication of what the rest of the world might expect, in terms of future growth figures. We see consolidation in the market with increased activity around mergers & acquisitions. Besides, there is pressure on pricing and more focus on efficiency. Higher demands affect the position of major players in the market. Given current developments the question arises, whether the amount of PSPs in business by 2015 will decline and in which way PSPs will continue to provide added value in the future.

THE TRADITIONAL ROLE A PAYMENT SERVICE PROVIDER FULFILLS IS CURRENTLY UNDER PRESSURE FROM THREE DIRECTIONS:

1. PSPs face changing merchant demand. Merchants used to focus on business growth in one geographical region. Nowadays, merchants ask for extended services, a variety of payment methods and new channels (e.g. mobile) in order to service a global market.

2. PSPs face competition from new entrants in the payments industry. Key players outside the payment world try to extend their products & services by adding a payment ‘option’ (e.g. payment of e-invoices or coupons). Internet giants like Google and Facebook 2 are moving into the payment domain from a community and ‘search to order’ perspective.

3. PSPs are challenged by increasing complexity around their back office payment operations. PSPs need to connect to multiple global acquiring networks, remain up to date regarding innovative payment methods and PSPs need to stay well informed in order to be compliant with changing rules & regulations.

These developments impact PSPs in several ways. PSPs are under pressure as they are expected to offer a wider range of services while operating at a lower cost. They have to meet higher demands and requirements in terms of operational excellence. It is hard to excel in multiple areas. Outsourcing core activities from the back office to specialist service providers may help to streamline business processes and allows PSPs to focus on their merchant needs and on the competition. One area which could be outsourced to payment industry specialists is the acquiring processing of credit cards.

THIS PAPER DISCUSSES THE WAYS IN WHICH THE TRADITIONAL ROLE OF PSPs IS UNDER PRESSURE, WHICH STAKEHOLDERS ADD TO THIS PRESSURE AND HOW A GLOBAL ACQUIRING PROCESSOR CAN HELP ACHIEVE OPERATIONAL EXCELLENCE.
2 POSITION OF PSPs UNDER PRESSURE

Payment service providers (PSPs) serve the online merchant by accepting multiple payments online. PSPs are traditionally positioned between the merchant and the payment method.

The need for PSPs arose during fragmentation of payment methods. When PSPs fulfilled an important role as aggregator of payment methods and provided online merchants with a single interface, including or excluding actual payment processing itself.

Figure 1: position of PSP's

Key PSP services include:

- **Checkout capabilities**: providing merchants with a technical platform for e-payments and facilitating integration with the web shop
- **Payment methods**: providing merchants with multiple payment methods through its platform or gateway. Consultancy, contractual advice and technical support
- **Fraud and risk management**: providing fraud and risk management. Some PSPs offer basic risk management tools while other provide merchants with end-to-end mitigation

- **Processing**: executing payment processing, acquiring (and settlement)
- **Reconciliation**: helping merchants with reconciliation of payments and reporting.

Providing these services in compliance with changing policies, rules and regulations has become more complex now that new payment methods have been developed, in combination with a variety of acquiring contracts, operating and technical integration models.
2.1 CHANGING E-COMMERCE VALUE CHAIN

THERE ARE MULTIPLE STEPS IN THE PROCESS OF ONLINE SHOPPING WHICH ARE SUBJECT TO CHANGE.

FROM A TRADITIONAL VALUE CHAIN

THESE NEW DEVELOPMENTS ARE:

1. **Online order**: New developments in this process include: consolidation and standardization of platforms and solutions, evolution towards cloud computing, scalable computing demand and further integration of enterprise software (e.g. ERP and social).

2. **Fulfillment**: New developments include: huge changes in online digital goods as a special segment, integration of services, the rise of specialist e-commerce fulfillment providers (e.g. Docdata and ModusLink) and an growing demand for cross-border logistics and delivery services.

3. **Billing**: E-invoicing and e-billing portals are linked to payments and will increasingly deliver one solution. Besides, integration of services with existing accounting software and the use of email billing solutions for consumers are changing the e-commerce value chain which traditionally started with a shopping basket.

4. **Payment**: The position of payments in the value chain is changing now that the processes before and after payment are subject to change.

5. **Credit Management & risk**: The management of outstanding amounts due and the reduction of risk is receiving more attention; fraud is here to stay and the stakes are rising. New players such as Klarna and Afterpay provide specialist services which promise to turn merchant’s risk into profit.

6. **Accounting**: As a result of higher volumes and professionalization of e-commerce, new developments in the accounting area are focussed on the integration of existing ERP with fulfillment software. Automatic reconciliation is more cost-effective than manual accounting.
2.2 PRESSURE ON PAYMENT SERVICES

FOR YEARS, E-COMMERCE EXPERIENCED STRONG GROWTH RATES AND CONSEQUENTLY PSPs PERFORMED EXTREMELY WELL. THE GLOBAL E-COMMERCE MARKET IS ESTIMATED TO AMOUNT TO USD 1.4 TRILLION IN 2015, WITH A CAGR OF 15%.

Figure 3: B2C E-commerce Sales in Western Europe, eMarketer, July 2011

THERE ARE SEVERAL SIGNALS WHICH INDICATE A MATURE PSP MARKET:

- Market growth flattening from high double-digit growth to below 10% per year
- Price erosion now that merchants search for cost-saving, transparent pricing models.
- Consolidation and M&A deals between strategic buyers and financial sponsors (e.g. Ogone and GlobalCollect) by Private Equity firms.
OVERALL, WE SEE AN INCREASING DEMAND FOR EFFICIENCY. AS A RESULT, PSPS ARE UNDER PRESSURE. THE FOLLOWING KEY-FACTORS CONTRIBUTE TO THIS INCREASED PRESSURE:

1. **Merchant demands**: Merchants have become more demanding, they require additional services for a lower price, while operating more often on an international level.

2. **Growing Competition**: PSPs face competition from new players in the PSP market, either start-ups or industry leaders from other segments with experience in e-commerce. Currently there are around 260 PSPs operating in Europe according to the PSP Buyer’s Guide 2, a number that doesn’t seem sustainable in the long term.

3. **Back office complexity**: Changing merchant demands changes the requirements PSPs have to fulfill. Key in this transformation is the fact that globalization and a changing value chain significantly affects the back-end of the payment processing, where PSPs have to deal with increasingly complex business requirements from industry and regulatory compliance (e.g. credit card schemes).

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IN THE FOLLOWING CHAPTERS THE THREE KEY-FACTORS WHICH CONTRIBUTE TO THE PRESSURE ON PSPS WILL BE EXPLAINED AND DISCUSSED.
3

CHANGING MERCHANT DEMAND

THE E-COMMERCE MARKET HAS EVOLVED FROM A NEW MARKET TO A FULLY ESTABLISHED INDUSTRY. FOR YEARS, E-COMMERCE STATISTICS SHOWED DOUBLE-DIGIT GROWTH. 8 WHILE AT THE START-UP PHASE, THE REASON FOR SUCCESS WAS SIMPLY WHETHER ONE COULD ENABLE (SECURE) ONLINE PAYMENTS, NOW THE MARKET IS MATURING AND MERCHANTS LOOK FOR OPTIMIZATION AND INTEGRATION OF THEIR E-PROCESSES AND COSTS. THIS EVOLUTION IN ONLINE PAYMENT GENERATES GREATER EXPECTATIONS AND DIFFERENT DEMANDS.

3.1 MERCHANTS GOING GLOBAL

E-commerce commonly starts as a local business. Bounded by language, payment methods and/or logistics, web shops are initially focussed on their own region. However, as the internet offers a boundless opportunity for cross-border payment processing, merchants discover growing business opportunities in new global markets. As a result, e-commerce has entered the international arena. According to Euromonitor, cross border e-commerce now represents 14% of the total volume 9.

In a recent survey by Earthport 10 54% of respondents want cross border payment solutions to connect to local ACH/EFT schemes around the world; this is quite a challenge for most PSPs.

On a regional level, cross-border payments also become more important. A small merchant can service the whole of Europe, with a small team of employees working in one web shop from within one country. While some markets are maturing, other markets are growing. For example, Amazon is operating local websites in Canada, China, France, Germany, Italy, Japan, Spain and the United Kingdom and has multiple fulfillment centres around the world. Amazon attracts 65% of its visitors from outside North America.
3.1

% COMPOSITION OF REGIONAL VISITORS TO SELECT RETAIL AND AUCTION SITES

SOURCE: COMSCORE MEDIA METRIX. JUNE 2011, WORLDWIDE VISITORS AGE 15+ HOME/WORK LOCATION

Merchants look for PSPs which support them on a regional and a global level. This can be quite a challenge for local PSPs, because they have to understand regional preferences, foreign industries and they have to be compliant with regulation and with card scheme policies in the different regions they service.

June 2011: Yahoo Japan and Taobao launch cross-border initiative

Yahoo Japan, Japan’s biggest website and Taobao, China’s largest e-retailer, have launched a cross-border initiative in June 2011. This cooperation will bring 260 million users from the two companies together allowing Japanese shoppers to buy Chinese items and vice-versa. Taobao will operate the website and Alibaba.com Japan will act as a fulfillment service provider for Yahoo! JAPAN China Mall. Sellers and buyers won’t notice much difference as the integration won’t affect user experience. Alibaba, which owns Taobao and Alipay.com, China’s leading independent payment platform with a 67% market share, expects to strengthen its leadership, while Yahoo Japan will benefit from the 50 million additional products listed on its website.
3.2 MERCHANTS REQUIRING INTEGRATED SERVICES

RUNNING A WEBSHOP CAN BE A CHALLENGING BUSINESS. SERVICING A GROWING AUDIENCE WITH A LIMITED AMOUNT OF EMPLOYEES IS ONLY POSSIBLE IF KEY CAPABILITIES LIKE PAYMENTS, FULFILLMENT AND HOSTING ARE PROVIDED BY THIRD-PARTIES. THEREFORE, WEB MERCHANTS, ESPECIALLY SMALLER ONES, OR THOSE WHO OPERATE IN MULTIPLE MARKETS, HEAVILY RELY ON PSPS TO HELP THEM RUN THEIR BUSINESS, IN ADDITION TO HANDLING THEIR PAYMENTS. IN RECENT YEARS THERE IS A HIGHER DEMAND FOR PSPS WHICH PROVIDE CONSULTANCY AND MORE IMPORTANTLY, FOR PAYMENT SERVICE PROVIDERS WHICH SERVICE MULTIPLE CATEGORIES: A ONE-STOP SHOP.

PSPs play an important role in helping web shops to maintain their focus. By offering payment services, efficient billing, accounting and logistic solutions, PSPs are only able to distinguish themselves from their competitors.

3.3 PRESSURE ON PRICE LEADS TO PRESSURE ON SERVICE

Until now, the business rationale of most merchants was, to grow top line rather than to optimize their back office. Now that the e-commerce market is maturing, there is more need for efficiency. The whole value chain is being optimized and payments are no exception.

To payment service providers this means they need to achieve operational excellence. Meanwhile, there is a high demand for better services. This growing demand for low pricing in combination with extended services is challenging for many Payment Service Providers.
4 INCREASED COMPETITION IN THE VALUE CHAIN

PSPs ARE NOT ONLY SUBJECT TO CHANGING CUSTOMER DEMANDS; THEY ARE INCREASINGLY SUBJECT TO COMPETITION FROM EXISTING VALUE CHAIN PARTICIPANTS, INCLUDING NEW ENTRANTS. IN LINE WITH THE DEMAND FOR BETTER SERVICE AND A ONE-STOP SHOP, OTHER PLAYERS IN THE AREA OF PAYMENTS AND ONLINE SHOPPING ARE ENTERING THE DOMAIN OF ONLINE PAYMENTS.

4.1 COMPETITION IN THE PAYMENT SERVICE SPACE

The position of PSPs in the payment service space is under pressure from new competitors. Merchants, payment methods and acquirers are all competing for the role of the PSP.

Figure 6: Payment companies entering the PSP space
4.1

Some merchants are starting to provide their own check-out functionality by offering a direct connection to a specific payment method. Having the connections and the ability to process payments, there are merchants who provide their own PSP services to other merchants (e.g. Amazon).

New Payment methods (e.g. e-Wallets), may link to other payment methods (e.g. credit cards) to fund their own system. In a similar way, card schemes move into PSP services (e.g. Visa-Cybersource and Mastercard-Datacash). Banks are also competing for the PSP role. Banks are already processing payments and can offer offline PSP services, which is why providing payment services seem to be a small, but very profitable step.

August 2010:
MasterCard acquires DataCash

MasterCard, a global leader in debit and credit cards, has announced to acquire DataCash, a European online payment service provider. DataCash offers global online payment processing services for a variety of alternative payment methods. In addition, the company provides reconciliation services and fraud prevention tools. With the acquisition MasterCard aims to achieve multiple goals. The company wants to expand the MiGS gateway business from Asia/Pacific towards Europe, expand the DataCash services beyond Europe, and merge the fraud prevention tools of both companies into a single solution.

4.2

COMPETITION FROM OTHER E-COMMERCE PLAYERS

PSPs offer one of the most important business services by enabling web shops to receive money, both online and offline. Even though this is a key-service in the e-commerce process, it is definitely not the only step in the value chain. As discussed before, web shops must have a web portal on which consumers can place and process orders, deliver products, receive invoices, manage the outstanding amounts and report transactions for their financial controllers. More complexity will trigger a growing demand for a one-stop shop. In order to develop services for clients and to tap into a growing cross-border market, other e-commerce players are moving into payments as well.
4.2

WE SEE COMPETITION FROM THE TOP OF THE VALUE CHAIN:

- E-COMMERCE SOLUTION PROVIDERS ARE INTEGRATING PAYMENTS IN THEIR OFFER.
- FULFILLMENT PROVIDERS ALSO INCLUDE PAYMENT SERVICES.
- BILLING PROVIDERS ARE INTEGRATING THE PAYMENT FUNCTIONALITY WITHIN THE ELECTRONIC INVOICE.

From the bottom of the value chain we see competition from credit management companies; they don’t limit their services to monitoring and managing payment delinquencies, they also offer financial services to consumers who want to pay later. Some credit management companies offer end-to-end credit management solutions to monitor, reduce and collect payments. Lastly, we see accounting and ERP software providers, integrating payment functionality into their software solutions platform.

Although changing legislation, additional licensing and new demands to meet high business standard and maximum security, demotivate some players to enter this market domain, the position of PSPs in the e-commerce value chain is under pressure from different directions.

Figure 7: Other players are moving into the domain of payments
May 2011:  
Google launches Google Wallet

Google, the leading online search and advertising firm, launched its Checkout product in June 2006. Like other e-wallets, Checkout allowed customers to store payment details online and present them with a Google Checkout option at participating merchants’ websites. Merchants can receive payments through Checkout and are charged directly from Google on a transaction basis.

Since Google launched the Google Wallet in May 2011, the company is also active in the field of mobile payments. The Google Wallet stores credit card information and enables payments through NFC enabled smartphones. Wallet also features initiatives that are expected to drive customer demand for the platform, such as instant deals and local offers. In November 2011 Google merged Checkout and Wallet services, completing what analysts have been foreseeing as inevitable and unifying user experience.

January 2012:  
Intrum Justitia acquires Buckaroo

Intrum Justitia, a European credit management services provider, has acquired Buckaroo, a Dutch online billing and payment service provider. Intrum Justitia provides an end-to-end credit management solution to monitor, reduce and collect payments. The company operates in 22 countries. With the acquisition Intrum Justitia aims to expand its business in the growing e-commerce market. In addition, the acquisition will drive the international expansion of Buckaroo.

5 INCREASED BACK OFFICE COMPLEXITY

As consumer behaviour is shifting, the business needs for an optimal offering of e-payment solutions at the front-end will change. This seriously affects the back-end of payment processing, where PSPs have to deal with increased complexity due to requirements from the industry and from regulatory institutions demanding compliance and enhanced due diligence.
5

THIS CHAPTER EXPLAINS THE WAYS IN WHICH ONLINE PAYMENTS PROCESSING IS BECOMING MORE COMPLEX, ADDING PRESSURE TO THE BACK OFFICE OF THE PSP.

5.1 SERVING AND MAINTAINING A GLOBAL NETWORK

The e-commerce market is globalizing and PSPs will have to follow in the footsteps of their merchants and respond adequately to their ambition to expand cross-border. The number of payment methods is growing continuously; each method requires a specific contract type, a specific business- and operating model, subject to changing rules and regulation. Changes which demand secure technical integration and innovative payment processing. Expanding globally increases the complexity of payment acceptance, complexity which varies depending on market space and geographical region. India and Brazil are typical examples where you won’t be able to set up (online) payment services and be fully operational within weeks.
5.1 **FROM A BUSINESS PERSPECTIVE, IT SEEMS EFFICIENT TO ACQUIRE THE TRANSACTIONS FROM ONE CENTRAL LOCATION WHERE INTERCHANGE FEES ARE MOST FAVOURABLE. HOWEVER, IT ISN’T ALWAYS ALLOWED TO PROCESS THE PAYMENTS FROM A PREFERRED ACQUIRING LOCATION. OFTEN, AN ACQUIRER WILL RECEIVE A LICENSE FOR A CERTAIN REGION WHICH MEANS THAT PAYMENTS MUST BE PROCESSED WITHIN THAT PARTICULAR REGION. FOR EXAMPLE, A TRANSACTION BETWEEN AN ASIAN CONSUMER AND AN ASIAN MERCHANT CANNOT BE PROCESSED IN EUROPE; THIS TRANSACTION MUST BE PROCESSED WITHIN THE ASIAN REGION.**

**DUE TO BANK FEES AND CURRENCY EXCHANGE, DOMESTIC ACQUIRING CAN BE LESS COSTLY THAN FOREIGN ACQUIRING. IN MANY COUNTRIES, ONLY DOMESTIC ACQUIRING IS POSSIBLE. IN ORDER TO FULFILL THEIR CLIENT’S BUSINESS NEEDS, PSPs MUST PARTNER WITH MULTIPLE DOMESTIC ACQUIRING PARTNERS WORLDWIDE.**

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**May 2011: WorldPay acquires Envoy**

WorldPay, a global payment service provider, has acquired Envoy, a provider of alternative online payment solutions. WorldPay is a global card payment acquiring business operating in over 40 countries worldwide, and the largest provider in Europe. Its services allow customers to accept card payments, both offline and online. Envoy offers a global network of 200 local bank accounts and 30 alternative payment methods as well as fraud monitoring tools. As a result of the acquisition, WorldPay will enhance its online merchant services and expand its global reach, specifically in Latin America.
5.2 EVERY MARKET AND METHOD HAS ITS OWN RULES AND REGULATIONS

IN RECENT YEARS THE EUROPEAN PAYMENTS INDUSTRY HAS BEEN SUBJECT TO NEW REGULATIONS SUCH AS THE PAYMENT SERVICES DIRECTIVE (PSD). THIS HAS FORCED PSPs TO DECIDE WHETHER THEY WANT TO APPLY FOR A LICENSE OR CHANGE THEIR BUSINESS MODEL. TO APPLY FOR LICENSING OFTEN RESULTS IN INCREASED COMPLEXITY IN PROCESSES & PROCEDURES. AS A CONSEQUENCE, PSD LICENSING HAS RAISED THE BARRIERS FOR NEW MARKET ENTRANTS.

Europe is considering new rules to regulate access to bank accounts and payments instruments. This was revealed when the EU commission released a Green Paper on payments. These changing regulations might have a huge impact on existing players, but they also create massive opportunities. Europe does not stand alone; every market has defined its own set of regulations, specifically for (online) payments. Operating in new countries means that PSPs have to understand and abide to local and regional compliance policies and legislation.

For PSPs it can be a daunting task to comply with all local regulations. For example, for tax purposes and outsourcing policies, PSPs must register and deal with local authorities. What makes it more difficult, is the large variety of government administrations, business practices and foreign languages. At the same time, local governments are not always transparent and informative about their rules and policies.

5.3 GLOBAL FRAUD SCREENING REMAINS A CHALLENGE

Risk is at the heart of every transaction. In traditional commerce, risk is limited by the simple fact that payment and delivery of goods are executed simultaneously and in the presence of (card and) customers. This contributes to the transparency of the exchange of payment for goods and/or services. The introduction of the internet has made it possible to perform payment transactions from a large distance, anonymously, with customers and credit cards not-present. Payment and delivery of goods and/or services aren’t exchanged simultaneously, which forms the key-factor in risk vulnerability of e-commerce.
5.3 Risk management requires in-depth understanding of all risk involved. It has always been a challenge to distinguish between a legitimate transaction and a fraudulent one. PCI-DSS Compliance has solved some of the basic risk issues, but with the rising popularity of the mobile phone (a device which typically doesn’t have e.g. an embedded virus scanner) new fraud patterns have emerged. This alters the fraud risk which both consumers and merchants encounter.

For PSPs it can get rather complex to perform global fraud screening. Due diligence and proper risk management requires expertise. Specialist knowledge and experience is crucial. Risk experts need to stay up-to-date with the latest developments while critical information is being fragmented all over the world. Some fraud schemes are regional specific and so is legislation. Keeping your know-how up to date requires full-time focus.

6 POTENTIAL BENEFITS FROM ACQUIRING PROCESSORS

AS MENTIONED IN THE PREVIOUS CHAPTERS, MERCHANTS DEMAND EXTENDED SERVICES BESIDES PAYMENTS AS PART OF THE TOTAL VALUE CHAIN.

- MERCHANTS INCREASE PRESSURE ON PRICING AND EXPECT TO PAY “LESS FOR MORE."
- THE PAYMENT CHAIN IS GETTING MORE COMPLEX.
- MERCHANTS WANT TO EXPAND THEIR GLOBAL PRESENCE.
- SERVICES NEED TO INCLUDE MULTIPLE PAYMENT METHODS IN MULTIPLE TRANSACTION CURRENCIES SUBJECT TO A VARIETY OF EXCHANGE RATES.
This is only possible by connecting to a partner, connected to domestic acquiring banks in the different regions. A partner who understands business requirements, higher demands from card schemes, local policies and regional legislation regarding compliance.

At the front-end it is challenging to offer a better, wider range of services for customers and achieve operational excellence. Outsourcing non-core business, resource time-consuming activities can be a solution; outsourcing the acquiring process to a specialist, a global card processor which connects multiple international PSPs to multiple acquiring banks in the different regions. This liberates back office resources and allows full focus on merchant demands.

Figure 9: An Acquiring Processor taking position between PSPs and acquiring banks

6.1 DEALING WITH COMPLEXITY

WHILE AIMING TO PROVIDE THEIR CUSTOMERS WITH THE BEST SERVICES, THE PROCESSES IN THE BACK OFFICE ARE GETTING MORE COMPLEX. ONE TREND OBSERVED, IS THAT PSPs AIM FOR A DIRECT MEMBERSHIP OF CARD SCHEMES, BUT THIS MEMBERSHIP INVOLVES TIME-CONSUMING AND COMPLEX TECHNICAL INTEGRATION WHICH REQUIRES SPECIFIC KNOW-HOW AND EXPERTISE.
6.1 Not all PSPs have in-house resources with expertise in high-security and compliance issues and the technical expertise which is needed to build and maintain an innovative high-end stable infrastructure. In addition, PSPs may face challenges when dealing with rules and regulation. Liability, compliance and risk management issues may arise.

One of the most challenging aspects when entering a new market is dealing with local banks, local authorities, market compliance, local policies, rules and legislation. A global acquiring processor that has already gone through this process can help PSPs deal with this complexity by speeding up an efficient integration.

With a one-time integration a large number of acquirers can be reached. Fully integrated, the acquiring processor can then support the daily operations with its expert knowledge of global card processing. Being its core business, a global acquiring processor manages its relationship with cards networks on a daily base. A global card processor and is able to provide global card payment solutions by connecting a PSP to its global acquiring network, enabling this partnering PSP to offer its merchants cross-border e-commerce and expand its global footprint across the regions.

6.2 COST EFFICIENCY

SETTING UP CONNECTIONS WITH DIFFERENT ACQUIRERS AND VARIOUS CREDIT CARD SCHEMES CAN BE EXPENSIVE AND TIME CONSUMING. THERE ARE LARGE FIXED COSTS INVOLVED IN THE INTEGRATION. MEANWHILE, IT TAKES TIME TO MONETIZE THE NEW CAPABILITIES.

A global acquiring processor can help PSPs lower the costs for credit card acquiring. PSPs need large upfront investments to establish a global acquiring network. This global network can be realized by integrating with one global acquiring processor. This liberates the PSP from costly investments in return for a competitive, variable fee.

Global acquiring processors aggregate transaction volumes for multiple parties and have business relations with acquiring banks, enabling them to negotiate better rates than the rates a PSP can probably get.

The acquiring processor can select the most (cost) efficient way to route each individual transaction; there are over 2,700 different interchange fees for Visa and MasterCard. Optimize routing, substantially lowers the expenses made on interchange fees. Partnering with a global acquiring processor reduces fixed costs of operations, while lowering fees to be paid to card schemes.
6.3 ENRICHED CUSTOMER REPORTING

One of the PSP services includes, to provide the merchant with detailed reporting of all payment transactions. There are a large number of payment methods, each with its own reporting format and information disclosed. In addition, a PSP may work with multiple acquiring banks which have their own reporting formats and tools.

The global acquiring processor facilitates reconciliation in one single format. Reporting can be offered in the format suiting the needs of the PSP.

Partnering with an acquiring processor creates transparency, streamlines and integrates all the reporting data received from the card schemes and banks involved in the payment process.

6.4 ACCESS TO A GLOBAL NETWORK OF ACQUIRING BANKS

Consumers and merchants increasingly take an international approach to e-commerce. Consumers are interested in foreign web shops and merchants expand their business cross-border. To service their clients, PSPs want to offer global solutions. This can become a difficult operation. Issues related to international rules, regional regulation and changing business requirements in an expanding market need to be solved.

A global acquiring processor can help PSPs by offering it a global network of acquiring banks through one single integration point. In addition, the acquiring processor has the experience and in-house expertise to manage the increased complexity of international business operations.

Figure 10: Acquiring processor to help deal with the complexity
6.5 FOCUS ON THE MERCHANT, NOT ON THE BACK OFFICE

IN THE PREVIOUS CHAPTERS, WE HAVE SEEN IN WHICH WAY THE POSITION OF THE PSP IS UNDER PRESSURE. MERCHANTS DEMAND EXTRA SERVICES AND CHANGING BUSINESS REQUIREMENTS ADD COMPLEXITY TO THE BACK-END OF GLOBAL CARD PAYMENT PROCESSING. PSPs FACE INCREASED COMPETITION FROM NEW ENTRANTS PENETRATING THE PSP MARKET. PSPs MUST OFFER MORE SERVICES FOR A COMPETITIVE PRICE.

It can be difficult to provide merchants with additional services, while improving back office efficiency. Partnering with a global acquiring processor helps PSPs to reduce the complexity at the back office; to reduce costs, minimize investments, improve reporting, enhance due diligence and obtain easy access to a global acquiring network. This will liberate resources and increase efficiency, which allows a PSP to focus primary on servicing its client’s needs of today and tomorrow.
7 ABOUT THE PUBLISHERS & EDITORS

7.1 ABOUT PAYVISION – ACQUIRING PROCESSOR

Founded in 2002 by Rudolf Booker, Payvision is a fast growing, independent Payment Solution Provider specialized in Global Card Payments for the e-Commerce market. Payvision offers Acquiring Banks, Agents, Payment Service Providers, ISO, MSPs and their Merchants a secure PCI-DSS Compliant, PSD Licensed International Payment Processing Network enhanced with innovative technology.

Over the past decade, Payvision has consistently expanded its geographical footprint across the continents, resulting in vast knowledge and insight in the complexity of Card Payments and e-commerce, in a global market subject to great challenges such as unprecedented technological innovation, changing business needs and an increasingly demanding regulatory landscape.

Payvision’s experience in the different international regions has resulted in a global network of global acquiring banks, connecting over 300 trusted business partners with more than 5000 web merchants worldwide, for which we process over 100 million transactions a year.

For more information visit www.payvision.com or contact Shanty van de Sande at press@payvision.com.

7.2 ABOUT INNOPAY – E-BUSINESS STRATEGY CONSULTING

Innopay is an independent full service consultancy firm specialized in e-payments and related electronic transactions. Our key practices include online payment, e-invoicing, e-identity & mobile payment. Given our independent position, we work for all players in the industry. Innopay is a member of the European Payments Consulting Association (EPCA) and an associate member of the Euro Banking Association (EBA). For more information visit www.innopay.com or contact Tonnis de Boer at tonnis@innopay.com.