PAYMENTS ORCHESTRATION PLAYBOOK

Bringing New Products To Market Edition

FEBRUARY 2022

PYMNTS.com | Spreedly

PAYMENTS ORCHESTRATION

PLAYBOOK

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■ DECEMBER 2021

Payments Orchestration

ACKNOWLEDGMENT

Payments Orchestration Playbook was produced in collaboration with Spreedly, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

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EDITOR'S LETTER

What consumers expect out of their interactions with companies across multiple industries has shifted rapidly since the pandemic's onset, with individuals seeking out increasingly seamless and convenient shopping and payment experiences regardless of channel. April 2021 PYMNTS data found consumers are seeking out new and emerging payment methods when they shop, in fact, with 57% of individuals stating they consider what digital payment options are available before they make purchases.

Adopting new payment methods is just one of the ways companies can keep pace with their customers' changing needs. Many consumers are also experimenting with new and emerging technologies or commerce channels when shopping, including subscriptions and other recurring experiences that allow them to find products with greater ease. November 2021 PYMNTS data found that retail subscriptions for the United States now account for $15 million in sales per month, for example, with nearly one-third of the country's consumers stating they have at least one retail subscription service. This makes it critical for retailers to offer cutting-edge products that capture customers' attention and tweak their business models, including the underlying processes that ensure operations can run smoothly. Merchants are currently taking such steps to keep pace with the market's continuously changing demands.

Businesses must find the proper payment, fraud protection and compliance partners to stay operational while offering customers innovative experiences when looking to change business models or generate new products. Working with multiple payment service providers (PSPs) or acquirers can have significant benefits for firms, allowing them to easily add and manage a multitude of payment methods as well as transact across a wide array of markets and channels. One recent study found that 85% of merchants that have moved to multi-acquirer strategies saw an increase in conversion, for example, underscoring the transformative potential that using several providers can have on companies' bottom lines.

Providing a seamless end-user payment experience is just one of many challenges companies must overcome to launch new products or services at the speeds necessary to remain competitive. Firms must also be sure they can juggle the various relationships they have with PSPs, acquirers and fraud protection and compliance companies, meaning they must innovate their back-end processes to manage diverse relationships without friction. Failing to do so can place significant strain on companies, potentially leading to loss of revenue.

This is where implementing payments orchestration can add value. Payments orchestration platforms can simplify businesses' transitions to new business models through the use of technologies such as application programming interfaces (APIs), which aggregate their relationships with different PSPs and related payment services into one interface. This can aid companies looking to seamlessly introduce a subscription-based model, for example, or help them introduce new products to market with more speed. Online retail subscription service Chargebee, for example, recently reported taking steps to build out more integrations with accounting or helpdesk services after partnering with payments orchestration platform Spreedly.

The Payments Orchestration Playbook, a PYMNTS and Spreedly collaboration, looks closely at the challenges businesses face as they work to streamline their operations and bring new products and services to market and how payments orchestration can help companies simplify the process of shifting to new business models.

Thought Leadership Team

PYMNTS.com

Feature Story

Why Payments Orchestration Is Key For **Omnichannel Businesses' Success**

BUSINESSES HAVE REOPENED THEIR BRICK-AND-MORTAR LOCATIONS AND RESUMED IN-PERSON OPERATIONS IN THE PAST YEAR,

but the pandemic's impact has nevertheless left a lasting mark upon how many businesses conduct both customer-facing and business-to-business (B2B) operations.

The global health crisis put an abrupt halt to in-person trade shows, for example. That, combined with supply chain and other disruptions, led many merchants to seek more efficient, digital-first ways to connect with potential vendors, Lindsay Thain, lead product manager for multivendor wholesale platform Ribbon, explained in a recent PYMNTS interview. Ribbon, a Bay Area-based software-as-a-service (SaaS) technology company, offers B2B hybrid marketplace and omnichannel order writing services on one holistic platform to enable businesses to run everything from virtual trade shows to digital sales agencies more smoothly.

"If we've learned one thing in the past two years, it's that nothing is certain," Thain said. "A digital component is a necessity for making real-time shifts and allowing business to continue — no matter what challenges our customers are facing.

Enabling a smooth and easy payments experience is one of the key services merchants must provide their business partners in this ecosystem. Businesses seeking to launch new products or services that better appeal to customers' rapidly changing expectations or foster lasting relationships with multiple vendors and other partners must also be able to make and receive payments swiftly, regardless of method or channel. This is where solutions such as payments orchestration can come into deeper play. Payments orchestration allows platforms to offer their business partners easy access to the myriad payment gateways and services they need to thrive in an increasingly virtual world.

ENABLING PAYMENT DIVERSITY IN A VIRTUAL WORLD

Merchants across industries are seeking to expand their digital capacities and brand presence in the pandemic's wake, but fully transitioning to a digital-first business model can be tricky for those that have relied on analog B2B processes for years. Finding the digital tools needed to support relationships with different payment gateways and other third-party players is therefore essential to helping companies bridge the gap between their brick-and-mortar and eCommerce channels.

Payments orchestration tools, which consolidate access to multiple financial and payment services in one central location, can help companies streamline both their payments operations and shorten new products' or services' time to market. Ribbon offers its merchants a wide variety of payment gateways through a partnership with payments orchestration provider Spreedly, helping ensure that its clients' cash flows continue to run smoothly, according to Thain. With Spreedly's help, Ribbon has enabled its customers to process thousands of transactions as well as tens of thousands of API calls just in the last month.

"With a supported gateway, [our incoming merchants] can quickly get going on our platform without disruption to their existing business flow," Thain said, adding that Ribbon's clients have reported a significant reduction in credit cards becoming compromised when transacting through their platform as a result.

Tapping payments orchestration is also allowing Ribbon to expand its own services more rapidly to other markets and new business areas, she continued. The platform recently partnered with an art fair in Germany, for example, an endeavor in which the ability to connect with international payment gateways easily and swiftly was critical.

"The ability to immediately support international payment gateways when launching hundreds of merchants in a brand-new region is crucial for a commerce-based platform like ours," Thain said.

This flexibility allowed Ribbon to launch its first European client without having to worry about building additional payment integrations from scratch.

MAKING SPACE FOR ALTERNATIVE PAYMENTS

Thain predicted that the migration to digital-first business channels is likely to accelerate over the next several years – especially as more and more companies begin to eye emerging digital payment methods with more interest. This might include alternative payment channels and methods that fall outside the traditional financial space, such as cryptocurrency — an area Ribbon is closely watching.

"We foresee more businesses leaning into the digital world both as a stand-alone channel and in support of in-person business," she said. "The ability for buyers to directly engage with vendors, both in person and online, provides a fully immersive experience that we see many people searching for."

Supporting frictionless payment experiences regardless of method or channel is becoming more advantageous to businesses across multiple sectors. Creating a path forward for businesses to adopt new and emerging payment tools will therefore be a key goal for financial players moving forward. This means that payments orchestration solutions are likely to play a more critical role as the digital-first business world continues to develop.

Q&A

ANDY McHALE
Head of product
Spreedly

How can payments orchestration help companies juggle relationships with multiple PSPs, gateways and other third parties?

"To grow your digital revenue you need to transact with customers where they are and [through] how they want to pay. Launching products, new go-to-market models and expanding into new regions is complicated because latency, cost, functionality, success rates and availability vary widely by payment gateway and service. As business needs change, payments strategy has to adapt.

It is not uncommon for payments professionals to seek help addressing the following:

- How do I create and maintain needed integrations without exponentially increasing my development costs?
- How do I manage a seamless transaction experience with my customers without increasing my compliance burden?
- How can I determine the best partner for a given new offering/region/customer segment?

A payments orchestration strategy creates a strong competitive advantage [for] organizations tasked with solving these challenges. With lower cost-to-build integrations and less risk to add and try new partners, there can be greater experimentation. It is much easier to try out new providers and find the right mix for businesses' needs. You can keep your preferred relationships in place and extend your business with connections to virtually any other payment service. A strong partner should also be able to aid customers in choosing the right mix of partnerships and solutions for their new offering. This requires insight into the entire payments ecosystem and a deep level of expertise. A payments orchestration strategy enables your organization to future-proof your payments infrastructure and be ready for the next shift."

PYMNTS Intelligence

How Implementing Payments Orchestration Helps **Improve Product Launches, Cut Time To Market**

Consumers' shopping and payment preferences and needs have shifted drastically since March 2020, with a rising number of consumers turning to digital-first businesses or channels to make more of their routine transactions. Companies such as retailers have had to adjust accordingly, with many altering their business models to cater to their customers' evolving demands.

The percentage of U.S. small to mid-size businesses (SMBs) planning to move to fully digital business models is rising. Nineteen percent of businesses in one recent study stated they expected to make this jump — up from 12% that stated the same in 2021. Subscription services are also capturing more of consumers' attention, with November 2021 PYMNTS data finding that 24% of Americans use at least one and an average of four retail subscription services. Businesses in the publishing and news industries and many retailers — including those in the wine or liquor space, where digital subscriptions are becoming commonplace — have taken steps to expand into the subscription space to match consumers' newfound preferences. Another report found that 79% of commercial news or publishing entities believe subscriptions will be critical for their companies' success in 2022.

Experimenting with new business models like these will only lead to future success if companies can make such transitions seamlessly. In practice, this means ensuring that both their internal and customer-facing payments operations run smoothly. Consumers are becoming less tolerant of frictions and more discerning about what methods and channels they wish to use to pay. An April 2021 PYMNTS study found that most consumers weigh what payment methods are available before deciding where to spend, with 57% of consumers saying they are more likely to shop with merchants that offer digital payment options. Reducing any hiccups or pain points during the purchasing process is also critical for companies seeking to keep their customers engaged and satisfied. The same report found that 58% of consumers would shop from merchants less often — or stop shopping with them entirely — if their payments were declined.

Slow or cumbersome payments processes can also keep companies from launching the products and services they need to expand into new markets and drive sales. This makes it essential for businesses to ensure that their back-end operations can easily support the payments capabilities required in their newfound business models. This month, PYMNTS analyzes how customer-facing and back-office process inefficiencies can slow time to market for new products and services, prevent businesses from meeting their customers' evolving expectations and fall short of addressing their own shifting needs. PYMNTS also examines how payment orchestration can reduce these frictions and provide the streamlined interfaces businesses need to simplify their customer-facing and internal payments processes and create a swifter pathway for launching new products or services.

HOW EASING PAYMENT FRICTIONS SMOOTHS PRODUCT LAUNCHES

Developing innovative products or services that meet consumers' expectations is key to engaging consumers, but retailers must often overcome several challenges before bringing such features to market. Building out new services can be time-consuming and costly, leading many businesses to spend more than they can afford to lose after dealing with the pandemic's lingering economic impacts. A faulty product launch or frictions within their B2B or other internal processes can severely hamper businesses' ability to innovate their business models, placing them at a competitive disadvantage.

Enlisting help from third-party providers, including PSPs, acquirers and gateways, can help businesses circumvent the costs and frictions of developing new payment capabilities from scratch. Not only do 57% of merchants already work with more than one payments processor to manage cross-border and domestic transactions, but 57% of merchants also work with multiple acquirers.

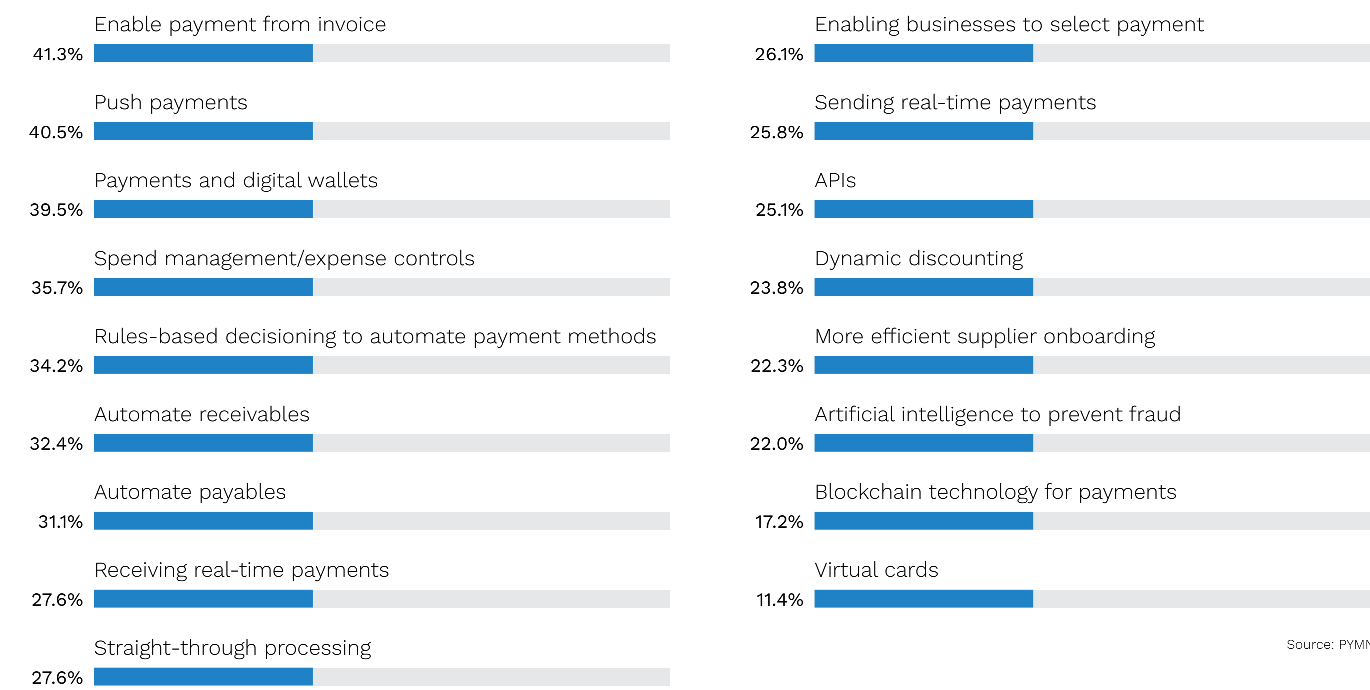
Maintaining these relationships can be time-consuming or complicated, however, potentially straining businesses' ability to quickly and effectively adapt their business models, launch new products or move to new markets. Streamlining their payments or other back-end processes to juggle these various relationships is therefore becoming a high priority for a growing number of companies. April 2021 PYMNTS data found that companies were seeking to innovate various parts of their payment operations, with 36% of businesses noting they want to implement new spend management or expense controls, for example. Companies are also reporting higher interest in automation and other technologies that can allow them to aggregate disparate systems or tools into one place, with 34% of companies seeking to incorporate rules-based decisioning solutions to help automate payments. Another 25% of firms are interested in APIs, indicating a rising desire to streamline their back-end operations in the future.

Adding a payments orchestration layer is one way to help firms simplify other back-end processes as they seek to adjust their business models or launch new products. Payments orchestration helps to easily connect any number of payment services to ensure the complete needs of a customer segment are met. This allows businesses to manage relationships with many third-party providers through one central command hub. This provides the flexibility and time needed to develop new business models while also enabling payment capabilities to support those business models and streamline their end-user experiences.

FIGURE 1:

The payments innovations businesses plan to adopt

Share of businesses seeking to implement payment innovations, by innovation



Source: PYMNTS

Optimizing transaction success rates, such as reducing instances of false declines, which see legitimate consumers' purchases being erroneously flagged as fraudulent, is just one example of how payments orchestration can help improve businesses' payments operations. This is because payments orchestration layers aggregate diverse systems and relationships into one place, making it easier to cross-reference disparate data points for more accurate risk assessments. Businesses can route payments traffic through to the best gateway, fraud tool or other partner for any given transaction. Partnering with a payments orchestration platform enabled lifestyle brand platform Zebrands to reduce instances of false declines from 40% to 5%, for example. Payments orchestration also allowed ticketing service SeatGeek to innovate its business model as brick-and-mortar shutdowns during the pandemic led to fewer reservations and loss of revenue in the ticketing and events space. These case studies show how payments orchestration can enable businesses to streamline one or two pieces of their payment processes and enhance their operations holistically, allowing them to expand into new markets with ease.

NEWS & TRENDS

CHANGING BUSINESS MODELS AND NEW PAYMENT METHODS

US SMBS TRANSFORM THEIR BUSINESS MODELS TO BOOST CUSTOMER ENGAGEMENT

Companies of all sizes and industries are experimenting with new business models to meet their consumers' preferences as they continue to shift amid the pandemic. Smaller businesses are especially keen on launching new products or moving to support emerging payment methods to keep their customers satisfied. Nearly 24% of U.S. SMBs have implemented more contactless payment options to appeal to an expanding digital-first consumer base, for example, and 19% expect to shift to an eCommerce business model, either completely or partially, this year. This is up from just 12% of SMBs that planned to do so in 2021.

Implementing new business models requires companies to have the back-end tools needed to help manage their working relationships and enable seamless payments at scale. Thirty-one percent of SMBs are operating at a greater capacity now than they were before the pandemic, forcing many to reexamine their payments logistics to ensure optimal efficiency. Tapping payments orchestration can thus be a key tool for these smaller companies as they look to juggle an expanding number of payment capabilities, optimize their back-office operations and expand into new markets.

eCOMMERCE AND EMERGING PAYMENTS IN LATIN AMERICA

HOW PAYMENTS ORCHESTRATION CAN HELP LATAM MERCHANTS COMPETE

Providing a seamless payments experience is becoming more important for merchants around the globe, particularly for those in Latin America (LatAm). More than 40 million LatAm consumers opened bank accounts for the first time in one five-month period last year, and the usage of digital wallets and online transactions via credit or debit cards also increased during that time. The result is a rising onus for LatAm businesses to quickly deliver the new payments experiences customers expect in this increasingly dynamic, complex payments ecosystem.

To gain a competitive edge, local merchants must enable seamless transactions using both local payment methods and those popular outside their native markets. They must also be able to adapt swiftly to this changing ecosystem to keep pace with the needs and expectations of their customers, fellow businesses and payment partners.

PAYMENTS ORCHESTRATION PUSHES LATAM TRANSACTION VOLUMES UP

The Latin American eCommerce market is expected to grow in the next several years, with one recent study predicting a 29% growth in volume from 2020 to 2024. Some countries, such as Peru, may see eCommerce shopping volumes grow by as much as 42% during that same time frame. Local businesses must therefore offer simple, seamless shopping experiences while also catering to their markets' unique payment preferences.

The result is a surge in interest in solutions such as payments orchestration that can help merchants streamline their payments operations and enhance their end-user experience. Orchestration platform Spreedly saw its transaction volumes rise by 100% in LatAm from 2020 to 2021, for example. Such solutions can enable LatAm merchants to keep pace with their customers' shifting payment wants.

EUROPEAN MERCHANTS AIM TO STREAMLINE PAYMENTS OFFERINGS

EMBEDDED PAYMENTS TOP EUROPEAN MERCHANTS' INNOVATION PRIORITIES

Businesses worldwide are examining emerging technologies in the wake of shifting B2B needs and changing consumer preferences. European merchants, for one, are beginning to realize the benefits of embedded payments as both consumers and fellow businesses begin tapping online channels and tools for more of their transactions. Embedded payments allow users to make payments directly from businesses' online or mobile platforms without being redirected to third-party sites, thereby providing a more seamless user experience. One 2021 survey that polled merchants from France, Germany, Italy, Spain and the U.K. found that while just 4% of firms currently offered embedded payments, 96% planned to implement such features on their platforms in the next five years. Being able to offer these payments and enable their seamless integration is becoming a top goal for European merchants as they seek new ways to enhance their end-user experiences.

SECURITY DEVELOPMENTS AND SHIFTING CONSUMER TRUST TRENDS

CYBERSECURITY VITAL TO KEEPING CUSTOMER TRUST

Supporting new or emerging payment methods and tools is just one part of a much broader goal of payments optimization. Businesses must also ward against fraud and other cyberattacks to keep transactions running smoothly and retain their customers' trust and engagement. One recent survey found that 40% of fraudulent web traffic is now targeting mobile applications, for example, making protecting mobile as well as API-based tools and services critical.

Lackluster cybersecurity can be costly in terms of both time and resources. Forty-five percent of businesses cite the loss of both time and funds as the top consequence of bot attacks, and 39% cite a loss of customer trust as another drawback. Adding in cybersecurity measures that can ward against such attacks is therefore becoming one of their highest priorities, with two-thirds of businesses agreeing that mobile and API protection is a top goal for the next year.

WHY TOKENIZATION IS KEY FOR IMPROVED AUTHORIZATION

Merchants took rapid steps to expand their digital payment capabilities during the past few years as their customers and fellow businesses flocked online to shop and transact. Companies across multiple industries were forced to navigate complex and rapidly changing payments ecosystems as this shift progressed, making it critical for businesses to be able to handle a broader influx of customers and make paying with a diverse number of payment methods quick and easy, Randy Guard, head of product at Spreedly, explained in a recent PYMNTS interview. To make matters more complex, businesses must balance this widening range of payment options while protecting against fraud and remaining compliant with financial regulations.

Tokenization can help businesses meet these compliance requirements, Guard explained. Tokenization allows companies to issue tokens for transactions that can be employed across multiple PSPs for ease of use. This can help improve transaction rates and generate lasting customer satisfaction, allowing companies to better compete in today's increasingly digital payments space while meeting compliance requirements.

GLOBAL TOKENIZATION MARKET TO REACH $5.6B BY 2026

Tokenization can help guard against various fraud attacks, including phishing scams or identity theft. It is therefore ideal for merchants to seek ways to support more diverse payment ecosystems and keep security-conscious consumers satisfied. Tokenization can help safeguard users' personal data, making it more difficult for fraudsters to steal during any potential data breaches and assuring potential buyers that their information will be kept secure. The technology's benefits are becoming more evident to an expanding number of merchants that are adopting the technology in large numbers. The global tokenization market is set to expand rapidly in the next few years, reaching a projected $5.6 billion value by 2026. This compares to its $2.3 billion value at the end of 2021, meaning the market is expected to grow at a 19% compound annual growth rate.

ABOUT

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Spreedly

Spreedly's Payments Orchestration platform enables and optimizes digital transactions with the world's most complete payment services marketplace. Global enterprises and hyper-growth companies grow their digital businesses more quickly by relying on our payments platform. Hundreds of customers worldwide secure card data in our PCI-compliant vault and use tokenized card data to enable and optimize more than $30 billion of annual transaction volumes with any payment service. www.spreedly.com

We are interested in your feedback on this report. If you have questions or comments, or if you would like to subscribe to this report, please email us at **feedback@pymnts.com**.

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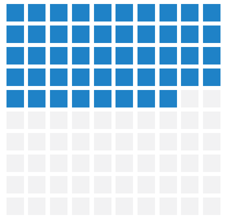

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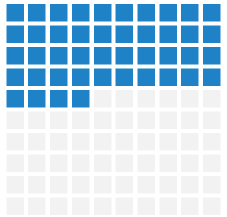

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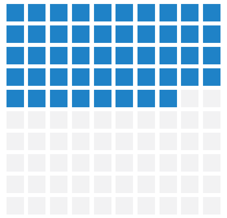

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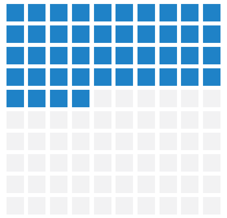

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The most important digital features

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The most important digital features

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