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The Payment services future is now - Expert View of Olivier Berthelier, CTO, Limonetik

PARIS, SELECT..., FRANCE, December 6, 2016 /EINPresswire.com/ -- As e-commerce market globalization accelerates, with an ever-increasing number of payment methods, the trend for marketplaces and full service payment is questioning the long-standing dogma of the cost-effectiveness of payment services unbundling.

As often in IT, when you see a new trend emerging, you have to ask yourself where you’ve seen it before. This is exactly what happens with the growing requirement for ‘one-stop shop’ global payment management services, encompassing both transaction processing and cash management services. Yet, such a full-service has already existed for almost as long as the online payment industry itself: it’s Paypal. Available for a flat fee, the Paypal service filled a gap in the market. From the beginning, the margin expectations of larger online merchants influenced the market towards a strict separation of transaction and banking services. This approach didn’t match the needs of smallest online businesses, who were seeking easy to enroll and use ‘one-stop-shop’ payment solutions. While transaction and banking services unbundling allowed top 100 online vendors to benefit from heavily discounted rates, it wasn’t free, however, from hidden costs, especially when launching into internationally. In most cases, merchants could no longer rely on their preferred PSP or acquiring Bank. International outreach requires not only to connect each local payment method provider or acquiring Bank on a ‘one-by-one’ basis (with tremendous legal work overhead), but it imposes the additional burden of reconciling all payments received from all sources globally with all sales from all affiliated vendors. In the end, this paradigm shift, from tech to Fintech, is heavily questioning the dogma and cost effectiveness of payment services unbundling. Large merchants are increasingly pushing for their PSP to manage this growing complexity. From a PSP perspective, reconciliation capabilities are no longer an option, but a critical part of the core offering.

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> As the word “collecting” is spreading fast amongst large merchants and marketplaces, PSP’s must ask themselves which way to go and how quickly they can be ready to retain existing customers”
> *Olivier Berthelier*

To get a better idea of what’s really going on, think about a merchant with $10K a day of online credit card payments. In a pure transactional approach, PSP’s would send a reconciliation file the following day, while the entire amount would be credited at once on the merchant’s bank account. Most merchants would then just reconcile payments at large, matching the amount received with sales numbers, only looking at the detail if the difference is more than a given tolerance. But this bulk reconciliation method only works for single payment sources. Accepting many payment methods also means dealing with many different fees, which must be reconciled individually. This complexity is amplified further in marketplace scenarios. The only way to pay back accurately all affiliated vendors is by reconciling on a ‘line-by-line’ basis the payments, orders, and payment methods fees. Ultimately, the ability to expand payment methods depends on human resources available for reconciliation. As merchants are still looking at the most cost effective solution, they urge PSP's to take this additional burden out of the equation. But let's make things clear: PSP's know how to connect servers, how to securely manage high transaction volumes, but most of them have little-to-none of the necessary professional expertise and skilled human resources required to perform reconciliation on behalf of their large customers and marketplaces.

One would say it's easy to set up a 'Banking capable' information system on the back of an envelope. But in reality, even if the PSP was to succeed in having its platform certified, it still has do define and implement complex commission rules to take into account the work overheads associated with collecting at an International level. Not to mention that all of this must be achieved while adding, and making collecting-capable, new payment methods as they emerge, and keeping legacy payment services up-to-date with new collecting features. When things are getting increasingly complex like this, one must find new and better ways to simplify the payment value chain. At first, this is a question of strategy. Each PSP must ask itself if they really want to become a financial services provider or to partner with one, or preferably several third parties to avoid being locked down. Moving to collecting, PSP's must also make sure they have sufficient market share to engage this transformation, and that they can achieve it quickly enough to retain existing customers. As the collecting model is spreading fast amongst large merchants and marketplaces, time-to-market is now clearly an issue. The second set of questions is IT related. The payment platform must be flexible enough to upgrade legacy transactional based processes to the new world. It also needs to adapt dynamically to the business rules and ERP systems of large marketplaces and e-commerce sites. Simultaneously, the payment platform also needs to be adapted to the business processes and reporting standards of any banking services provider the client may have chosen. In the end, the real choice PSP's are now facing is to walk this path by themselves or to rely on a Fintech partner, insuring timely deployment to turn the collecting challenge into a growth opportunity.

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