# Managing your changing payments business

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Introduction

The payments industry is under increasing demand due to the influx of new and emerging technologies. In a changing world influenced by external drivers and shifting consumer behavior, expectations of omni-commerce evolve at lightning speed.

Consumers are demanding a seamless, secure payment experience; an integrated "multi-channel" retail approach delivering consistent, personalized experiences culminating in secure, frictionless payments.

With alternative payment channels having gone viral, today's consumers are getting what they asked for - and enjoying more purchasing options than ever.

But how will businesses cope with the burgeoning trends and increasing demands? How will they keep up, while delivering satisfaction, maintaining customer trust and securing repeat business? In this guide, we'll take a look at some of the main challenges providers are facing, and some solutions for addressing those challenges in a changing payments world.
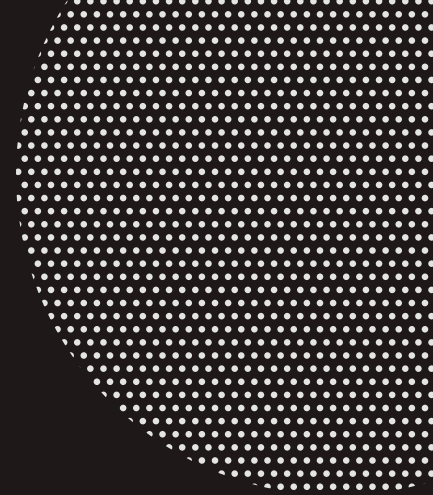
What change means for retailers, merchants and acquirers

Customer experience is at the heart of the entire payments industry, however, merchant acquirers, retailers and merchants are facing some unprecedented challenges. The more simplified and seamless customers expect their experience to be, the more complex it can become for payment providers.

In the payments space, retailers and merchants need to adapt to fast, simple, and secure mobile payments whether buying online, in-store, or via mobile devices. It also means acquirers need to offer their merchants the ability to expand rapidly into new markets and develop new revenue streams while providing real-time insights into trends and performance.

The emergence of omni-commerce reflects the rising importance of convenience as a cornerstone in each customer journey. As a result, businesses have diversified, and technology has spurred new payment methods, including mobile wallets, tokens, and payment-enabled wearables.

Staying ahead of the game: Challenges and solutions

Challenge: Keep up or fall behind

In the payments world, there's no such luxury as 'slow and steady wins the race'. Technology-wise, however, many businesses are still relying on legacy systems often running on mainframes, which are added-to in fragments as business needs change. These days, there's a lessening physical need for cards, as they become virtual in digital wallets, apps and social media. Contactless and digital methods are now considered normal, although some legacy-reliant acquirers lack the system flexibility to address the needs of global merchants and changing market trends. This leads to higher maintenance, operational and development costs.
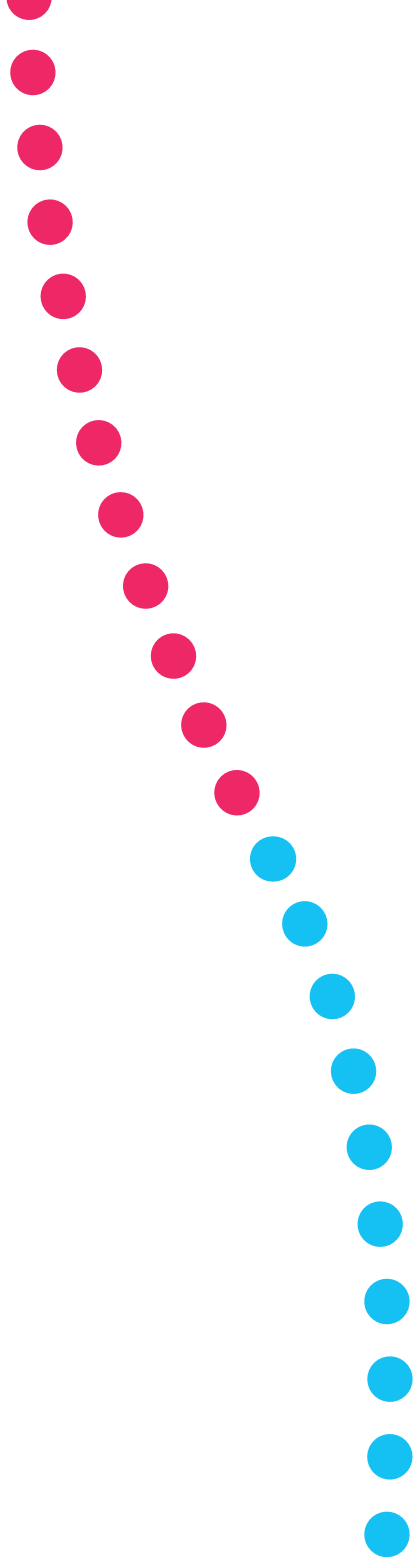
Solution 1: Stay informed

There are newer and more advanced software-as-a-service (SaaS) solutions being developed almost every week, enabling acquirers to fully outsource their payments processing. These improved eCommerce systems support multi-country, multi-language, multi-currency and multi-time-zone payments processing. This will decrease silos and greatly reduce operational and maintenance costs. For acquirers, this results in a reduction of complexity and cost of normal business operations, impacting their bottom line. It also frees up resources for innovation and improves flexibility and responsiveness in the market.

The changing way consumers shop is being enabled by APIs – offering merchants a way to take advantage of numerous payment possibilities. Open APIs are increasingly appealing to acquirers. They're easily integrated, faster and easier to develop, with less cost to deploy.

Solution 2: Know your regional nuances

Before COVID-19, it was predicted that the global eCommerce market would double, climbing from $2 to $4 trillion by the end of 2020, and the flow of goods and services across borders would triple. Even though the pandemic derailed much of the global economy, and these predictions will most likely be reviewed, progress in technology has not slowed down, and cross border payments are continuing to see explosive growth.

Cross-border eCommerce is prompting payment providers and acquirers to equip online sellers with the technology to accept any kind of payment in virtually any region.

Simplicity in integration processes and security in their transaction processing are key factors when it comes to global expansion. Acquirers who can offer a one-stop payment solution can appease merchants who are looking to streamline their eCommerce operations and extend into new markets.

It's also important to consider how consumers across the globe prefer to shop, and the different payment methods they like to use. For example, Japanese consumers are highly unlikely to make cross-border eCommerce purchases, yet Japan is one of the top five countries exporting merchandise through cross-border eCommerce.

The U.S. and U.K. have relatively low numbers of consumers making online cross-border purchases, yet they rank second and third, respectively, for cross-border eCommerce destinations. These factors are significant for banks and merchants seeking the broadest range of currency and local-payment options based on their mix of outbound or inbound eCommerce transactions.

Globally, most cross-border eCommerce payments are made by desktop or laptop computer, although consumers in the Middle East and Africa are more likely to make eCommerce purchases using a mobile device.
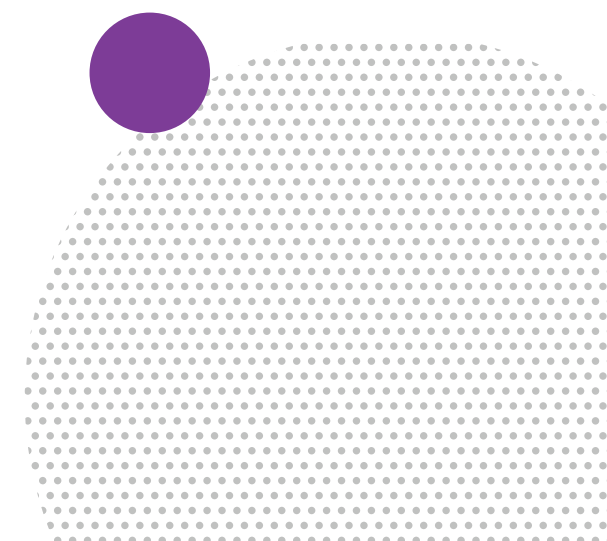
Challenge: The rise of alternative payment methods

The global eCommerce space is diversifying at a rapid rate. Card payments, mobile, digital wallets, micro-payments, voice payments, bio-metric enabled options and AI are only the tip of the iceberg. On-trend merchants are already considering what payment options to utilize to meet customer demand. Acquirers, therefore, need to take action, or they'll remain on the outside looking in on massive portions of their merchants' transaction volume.

A How We Will Pay study found that 'bridge millennials', a highly educated and high earner consumer sector, own an average of six connected devices. This indicates a strong shift to multiple devices for payments and commerce. The study also found that consumers quickly lose interest in devices and apps that don't deliver time saving, money-saving, friction-reducing options.

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Average number of connected devices owned by bridge millennials

71%
percentage of consumers who make purchases while going about their daily routine

31%
voice-enabled device owners who use such devices to make purchases

Solution: Alternative is the new conventional

New technology and alternative payments solutions enable acquirers to offer non-card-based or alternative payment methods to their merchants to retain their business and increase customer satisfaction.

With the constant rise of cross-border purchases, growing internet penetration, and young populations leading this trend, merchants need to adopt the new payment options familiar to this demographic. An important driver in the consumer eCommerce purchasing and decision-making process is the acceptance by merchants of alternative payments.

Merchants are realizing that by accepting locally preferred alternative payment methods, their consumers can shop globally and pay locally. It makes sense that a wider choice of payment options will increase sales, maximize conversion rates, and reduce shopping cart abandonment.
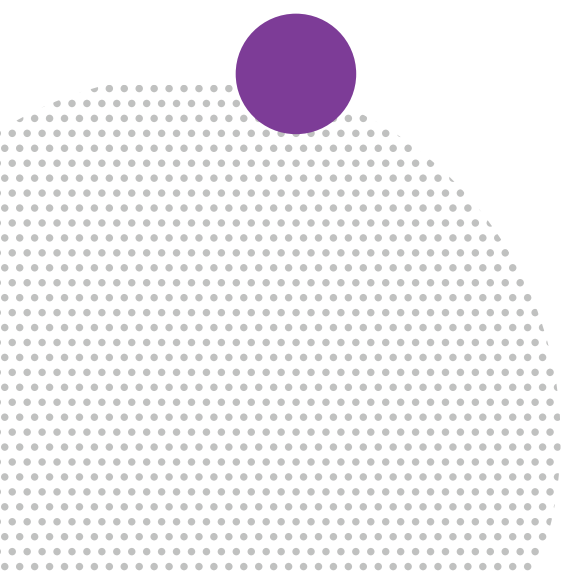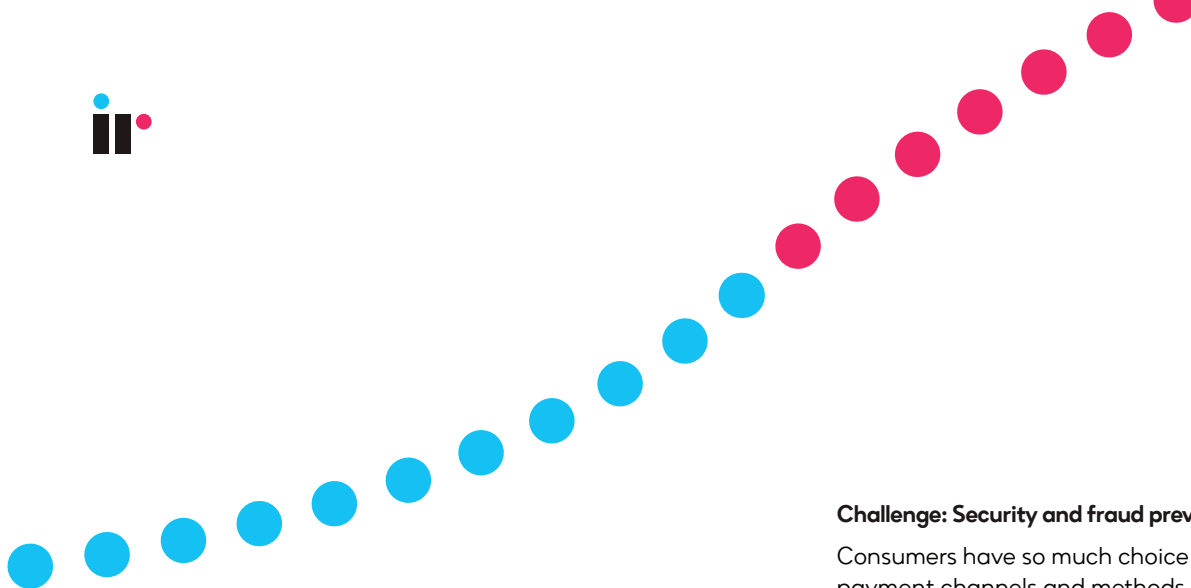
Challenge: Security and fraud prevention

Consumers have so much choice when it comes to payment channels and methods. With their increasing demand for faster order-fulfillment, security and fraud prevention is evolving into an extremely complex and critical issue within the payments environment. The authentication or the decline of a payment transaction is usually the defining factor of customer experience.

While stopping fraud is obviously a top objective, there is a fine balance to ensure that legitimate customers can carry out their transactions with as little inconvenience as possible. Unnecessary delays due to false positives in fraud detection can have significant implications for financial institutions, including:

- Loss of reputation.
- Customer dissatisfaction and customer attrition.
- High costs of manual transaction review.

Acquirers need to tailor fraud prevention and risk management solutions to the individual needs of their merchants. But with the focus heavily on consumer related digital crimes, sometimes an overlooked issue is that acquirers also need to be aware of merchant fraud. Merchant fraud is one of the most common causes of costly financial loss for acquirers.

With the increasing complexity of digital payments ecosystems, merchant fraud can be difficult to detect, exposing acquirers to chargebacks, fees, fines and liabilities for facilitating criminal activity.

Solution: Monitoring and assessing in real-time

Successful payment transaction monitoring solutions will expedite genuine orders while reducing fraud. Cross-border fraud rates are on average, three times higher than domestic transactions and mobile fraud rates are increasing faster than on the web.

Acquirers need to be able to examine transaction performance in milliseconds and view individual risk models in real-time to gather anomalies and unusual behavioral patterns. This will significantly impact customer experience, operational efficiency and fraud loss. When it comes to mitigating merchant fraud, acquirers may need to revise procedures and technology, devoting additional attention to:

- Risk management processes – to get the big picture, transactions need to be monitored in a wider context.
- Constant merchant portfolio monitoring – acquirers need to adopt anti-fraud technology that analyzes multiple data points to flag suspicious transactions.
- Using Big Data – acquirers can harness the power of advanced technologies like machine learning and natural language processing to lower the risk of merchant fraud.
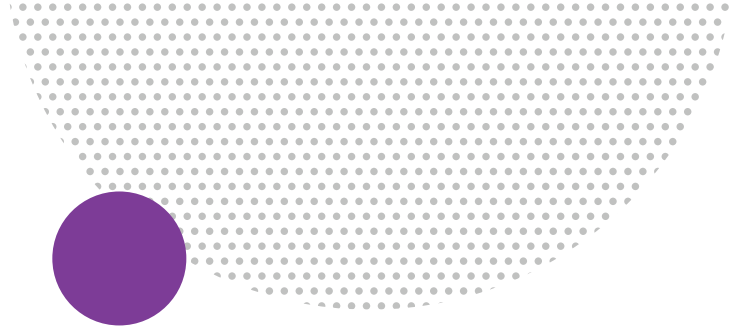
Full visibility into your payments environment is crucial

The payments process is complex machine with many components. As with all machinery, the more components, the greater the chance of an operational glitch.

Payments transactions pass through numerous application stages – or 'hops' – before they're completed. They move from an ATM, POS, mobile or internet banking application through a complex processing environment. This consists of data centers, multiple switch servers, several backend databases and sometimes third-party services like Visa and Mastercard.

As your payments infrastructure grows, so does the complexity of monitoring transactions.

To manage transaction performance and help guarantee the completion of critical transactions, operations teams need full visibility of traffic coming in from the various processing stages.

Full visibility in real time means you can see where payments are being processed successfully, or where transactions are being declined. Data such as request and response timings, transaction dollar values, error codes and network address information needs to be clearly visible to investigate where and when a problem occurred, so that you can quickly determine the "why" and resolve it.

One important consideration, however, is making sure that your monitoring solutions don't impact the ability to run your payments system at full efficiency. This usually won't be an issue during non-peak times, but it could impact your payments system during peak times or when the system is under full load.
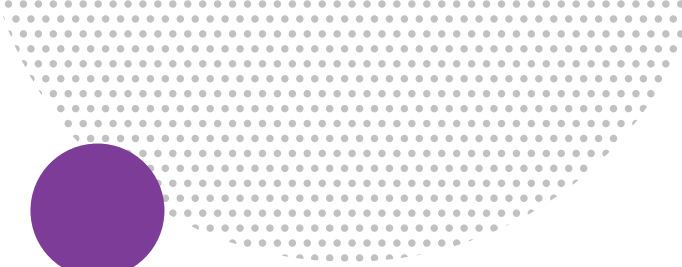
System performance in real time

Translating data into actionable insights is critical to see trends, enable forward planning and make intelligent business decisions. Real-time monitoring allows businesses to pick up on, and troubleshoot, key issues in your payments environment, such as:

- Transaction timeouts occurring within internal network components
- Network availability issues
- Transaction authorization times
- Mean Time To Repair (MTTR)
- Data line outages
- Lack of telco, third-party service or acquirer activity

As the complexity of the payments environment continues to increase, it's more important now than ever to use payment analytics. Not only to troubleshoot issues like those above, but also so that organizations can see where best to invest time, money and resources most effectively.

There are myriad benefits of working with a trusted solution provider:

- You can receive proactive, real-time alert notifications, and expedite the remediation of costly, service-impacting performance issues.
- You can gain a visual representation of your entire payments network at any given time. This gives

  you the ability to quickly determine how transactions are travelling through the system in real time.
- You can visually see transactions traversing complex configurations, meaning various operations teams can now research and troubleshoot from one common view.
- Full visibility reveals information like processing times of each switch, request and response times for each network communication link, external host authorization connection and third-party application.
- With a holistic view of the payments environment, the transaction services team is proactively alerted to customer transaction bottlenecks before they become failures.
- Your team gets the transaction analytics required to isolate whether transaction slowdowns or failures are due to the internal network, applications, or other third-party service providers.

Payment transaction monitoring provides your operational, technical and business users with the real-time information they need to make the right decisions at the right time. You can recognize and act on market-changing events as they occur, and you can effectively reduce downtime across your entire payments infrastructure.

IR's solutions provide a full-featured, end-to-end performance management system, providing real-time monitoring of your entire payments ecosystem, and its underlying infrastructure.

Automated alerts and intuitive, customizable web interfaces provide your entire organization - business users and technology staff alike - with the broad visibility and deep data intelligence they need.

Evolution in the payments space is constant. Recent events have greatly influenced the way we think and has taught us the harsh lesson that things can change overnight.

To this end, and to maintain a competitive edge, many organizations need to drastically rethink the way they manage their payments environment. It's crucial to have the right framework in place to facilitate change. Teams need to constantly look at processes, tools, and applications to make sure they're well equipped to respond to crises.
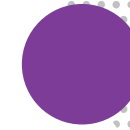
Benefits of real time insight

- **KPIs** - Payment analytics provide businesses with the data and intelligence needed across the organization to align with key business performance indicators. This enables businesses to effectively manage their payment transactions in real-time, which has a significant impact on customer retention and keeps revenue streams flowing.

- **Proactive vs reactive** - Proactive payment transaction monitoring directly addresses the challenges across all steps of the problem resolution process. This makes it easier for IT operations teams to shift from high cost, labor-intensive reactive troubleshooting to proactive problem resolution processes.

- **Invisible resolution** - Transaction monitoring enables front-line customer service support to know there is a transaction performance problem well before the customer, enabling faster 'invisible' resolution.

- **Traffic loads** - Payment analytics and transaction monitoring will instantly detect performance anomalies and raise a real-time alert without affecting traffic loads.

- **Service level impact** - Transaction monitoring tools provide visibility into what the end customer is experiencing each time they make a transaction. This allows teams to gauge severity of each issue based on service level impact.

- **Performance information** - Transaction analytics also gives a complete view of any gaps in performance information. This includes the capture of message types and response codes as the transaction enters and leaves the multiple components on the network, payment channels and switch platforms.

- **Problem level** - Transaction monitoring quickly determines what type of problem you are dealing with (i.e. application, network or third-party level) so that tickets and resources can be assigned most accurately.

- **Data storage** - Transaction monitoring tools will store holistic transaction data and response codes, allowing support teams to analyze and isolate the root cause of an issue, shorten outages and fix latency issues.

- **Security** - Transaction monitoring and analytics detects suspicious behavior happening both in real-time and retrospectively. The system looks into historic transaction data and other profile or behavioral data in context.
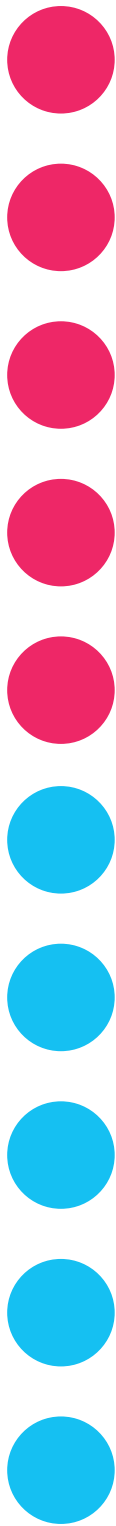
Make sure you're seeing the big picture inside your payments environment

In today's fast changing payments environment, merchants, retailers and acquirers need the tools to be able to capture transaction performance in milliseconds, view individual risk models in real-time, and detect fraud. To have a positive impact on customer experience, operational efficiency and security, transaction monitoring needs to provide all-encompassing solutions from a single point of view.

Although log files deliver valuable information on how components of your overall system are performing, this data doesn't provide information on what's happening between application components. The very nature of a log file limits proactive or real-time remediation processes. To manage transaction performance and guarantee the completion of critical transactions, operations teams need full visibility across their entire payments ecosystem.

IR Transact plays a critical role in providing the clarity and certainty that transactions are being processed seamlessly across all payment systems and channels – ultimately increasing customer satisfaction and optimizing revenue flow.
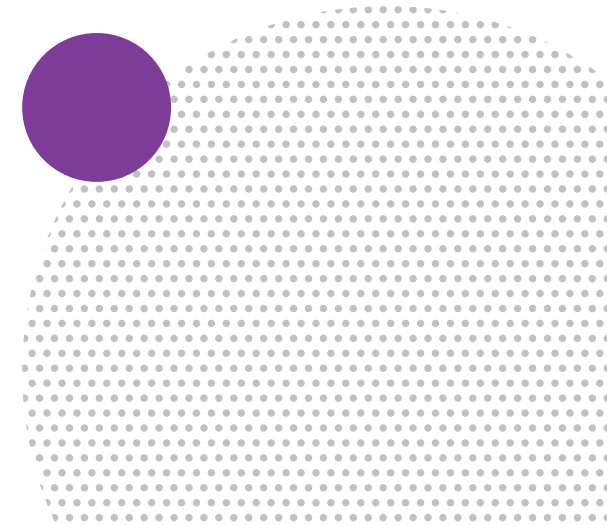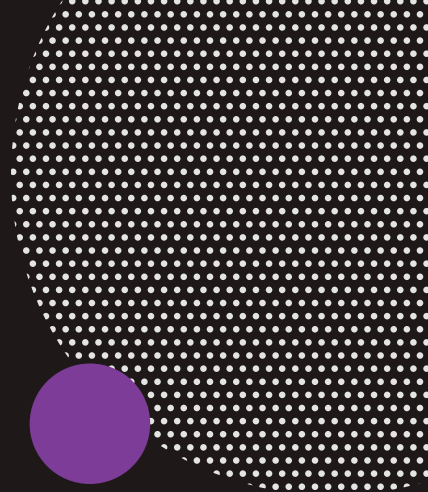
Who are IR?

The modern world relies on a complex array of technologies to keep turning. IR's aim is to simplify that complexity.

We provide insights, monitoring and support to keep your business-critical systems running as they should.

More than 1,000 organizations in over 60 countries rely on IR's experience management solutions.

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