



The Accelerating Pace of Change

Flexibility is key as providers must continue to adapt.

While the payments industry is certainly no stranger to evolution that's driven by consumer demand, the pace of change is accelerating. We've seen a dramatic shift in the last 18 months, spurred on by a pandemic, changing regulation, and advancements in technology itself. So what does this mean for the next 18 months?

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In short, more accelerating change. With more consumers adopting new behaviours in how they transact and manage their finances, we've seen a marked increase in contactless commerce and the use of digital channels. Now we're seeing newer, disruptive entrants gain market share by peeling away business with niche offerings. This is pushing traditional payments providers to innovate faster and develop products and services that are easy to customise, consume, and that can be delivered quickly and at scale.

What's becoming apparent is that if you want to compete with the new entrants, you have to offer focused "microservices." This means giving customers - whether they're consumers or businesses - a choice to buy individual elements of your services, rather than entire product suites or ecosystems. It seems counterintuitive, the thought of cannibalising your own offerings in the mission of ultimately serving the customer. But isn't that what you're in business to do? And besides, most importantly, your own increased flexibility will allow your company to reach new markets with new products, and maintain an innovator's edge.

Part of this process means being able to offer your services using a cloud-based open architecture that allows total flexibility. And while going to the cloud may not be considered innovative in itself, using it in tandem with mobile devices, application programming interfaces (APIs), and "smarter" POS terminals, to offer consumers more options certainly is. Remember it's not about altering your legacy systems, but jettisoning them, and embracing entirely new ones.



How the Business of Finance Is Changing

Card issuers face their own challenge from a growing number of digital lenders

In the banking world, we're seeing traditional issuers at risk of losing portions of their customer base to new, digital-only banks. These new entrants - including Revolut, Starling and Monese - offer easy account opening, are packed with features, have mobile convenience, and provide strong security. In the UK, these digital "challenger banks" use the agility and scalability of the cloud to their advantage.

Card issuers face their own challenge from a growing number of digital lenders and buy now/pay later (BNPL) vendors - such as Affirm and Klarna - focusing on their customer bases.

BNPL solutions are nothing new, and while BNPL providers are innovative, they're essentially using existing technologies that have been around for years - TSYS, for example, has been offering instalment solutions for nearly a decade. In fact, BNPL is essentially an old dog with a new trick. It's a twist on the concept of layaway, where customers paid in instalments before purchasing an item, a service that dates back to the Great Depression!

However, the pandemic brought these services to the forefront because they open up new payment avenues to consumers when they need them most. They provide a seamless, convenient way to pay, at lower rates than those offered by many card issuers, which can be quite the enticement for customers. So, when the pandemic hit, these products took off.

And smartphones, standardisation, and cloud-based solutions have enabled consumers to have these services in the palm of their hand. So while successful in the current environment, these new BNPL providers are no doubt playing the long game. We will start to see these types of fintechs offering new services to mobile-based customers, expanding into different types of lending, and becoming a real threat to traditional issuers.



Back to the Future

Issuers need to jump to the front of this queue and think about how they want to transition their existing businesses in this cloud-based environment. It's not about trying to adjust what you already have - that could only continue a dependence on legacy systems, which have become an albatross for many enterprises. These systems were typically built when the approach was to buy best-of-breed for every element of the business, from the customer interface to fraud management to authorisation to account onboarding to back-end processing. Technologists would string it all together creating monster platforms. These legacy systems have so much complexity that if you change something in one area, metaphorically speaking, the lights would go off in another area.

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The long game for the payment processors of the world is to think like a microservice entrant. As we emerge from the pandemic and define and refine our strategies for success, we cannot afford to be complacent. We must be prepared to embrace digital technology, the agility of cloud computing, and ultimately the optimal customer experience.

At TSYS, moving to the cloud will usher in a new era of innovation, speed, and flexibility - with open APIs and microservices architecture as the enablers of future innovation. Issuers will be able to pick and choose which elements of products or services they would like to use. More significantly, our services will be made available to those outside the traditional credit and debit card ecosystem.

It's this kind of flexibility that will allow providers to not only survive, but also thrive in this new world. At TSYS, we are opening new markets easily, securely and at scale. Now is the time to make the transformation, let's not wait for a reason to change.



Rene Kruse
President of TSYS International Markets

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