

Payments As A Strategic Asset

Presentation Overview

- Problem Statement
 - Payments is a “necessary evil” and “cost of doing business”
 - Payments has little visibility with “C” level executives
 - Payments taking 2% to 5% or more of revenue
 - Payments gets little support and it is not always brought in when new initiatives are being considered
- Presentation Premise
 - Identify the strategic value of the payments asset
 - Develop strategies to manage payments as a business
 - Use these strategies to communicate the importance of payments to upper management

The objective of developing these strategies is to elevate the conversation within your company and get a “seat at the table”

Strategic Value of Payments

- Revenue gathering function
- Customer experience/moments of truth
- Impacting liquidity, cash flow, DSO, etc.

The Payments Function is a key contributor to a company's success and bottom line and needs to be managed as such

Payments Strategic Positioning



Burden

- No payments oversight
- No IT investment
- Little monitoring
- No awareness of payment in UX
- Generally outsourced



Necessity

- Some payments oversight
- No payments organization
- Minimal IT investment
- Some monitoring
- Some awareness of payment in UX
- Mostly outsourced



Utility

- Payments recognized as an organizational function
- Some IT investment for value added functions
- Periodic monitoring but little follow up
- Rely on outsourcing for implementing key payment features
- Aware and sensitive to payments' UX impact



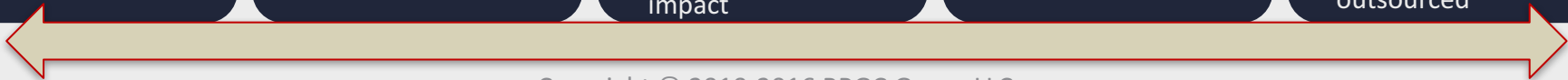
Asset

- Recognize payments value added to company
- Payments organization in place
- Proactive monitoring and follow up on issues
- Balanced use of IT and outsource resources
- Payments as enhancer of UX



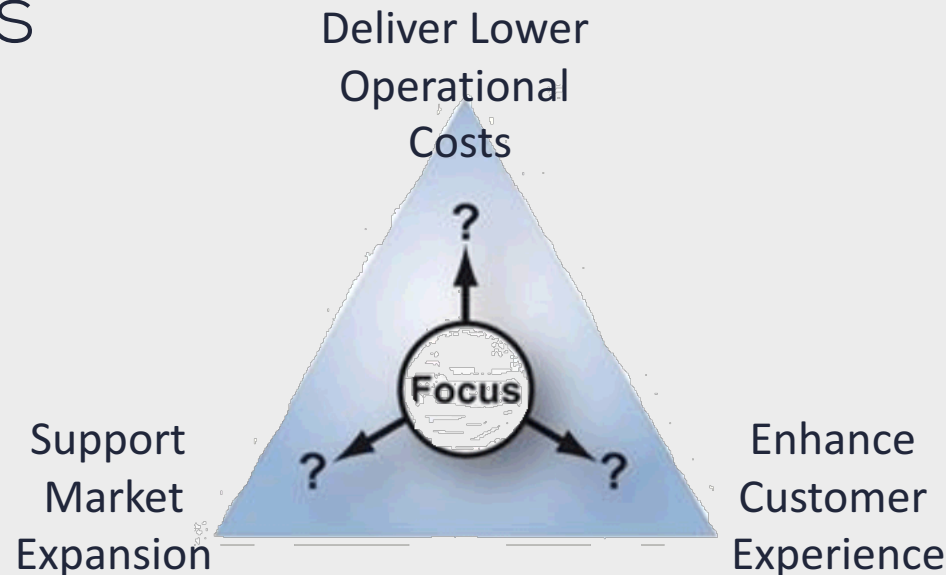
Revenue Driver

- Payments platform generates additional revenue for company
- Payments organization as a company within the company
- Run payments as a business with proactive and predictive monitoring
- Mostly in-house with only utility functions outsourced



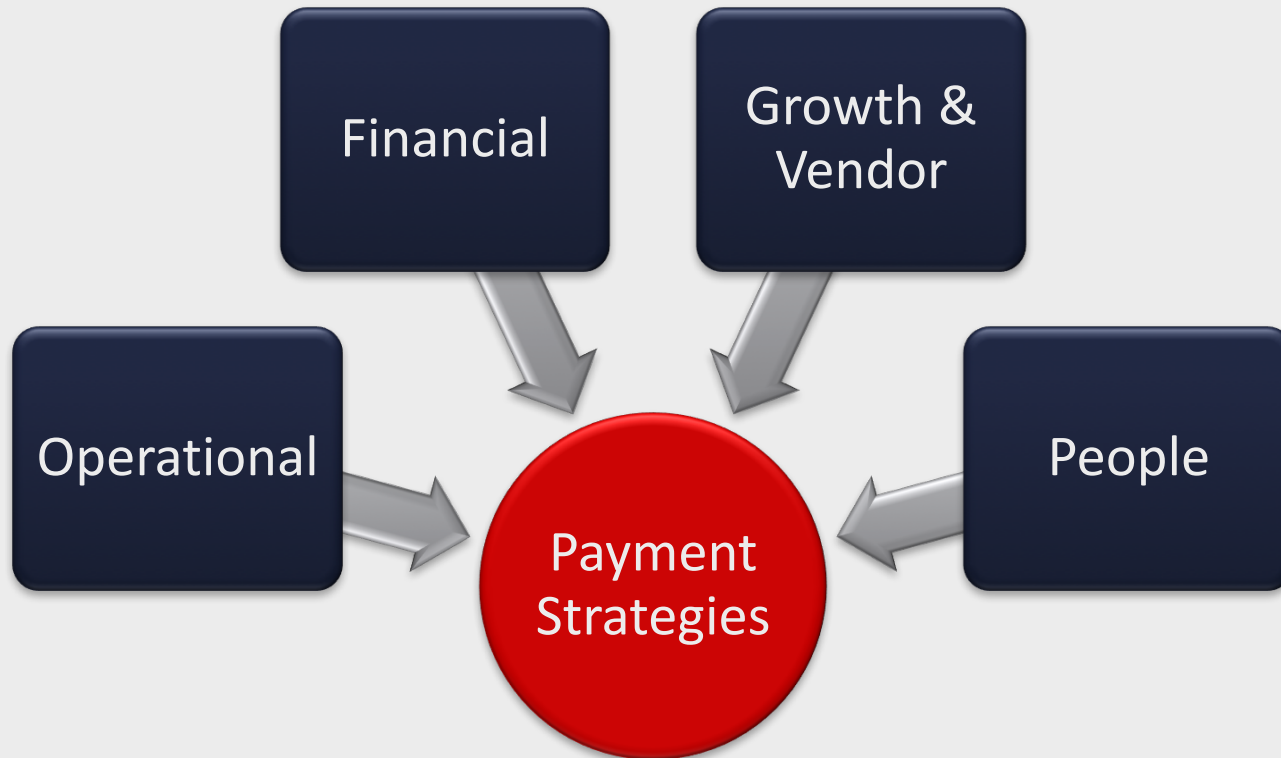
Payments' Strategic Priorities

- It is critical to understand the business' order of priorities for the Payments functions



Company executives must be in agreement what are Payments' strategic priorities and communicate clearly when these priorities change

Payment Management Strategies



Financial Strategies

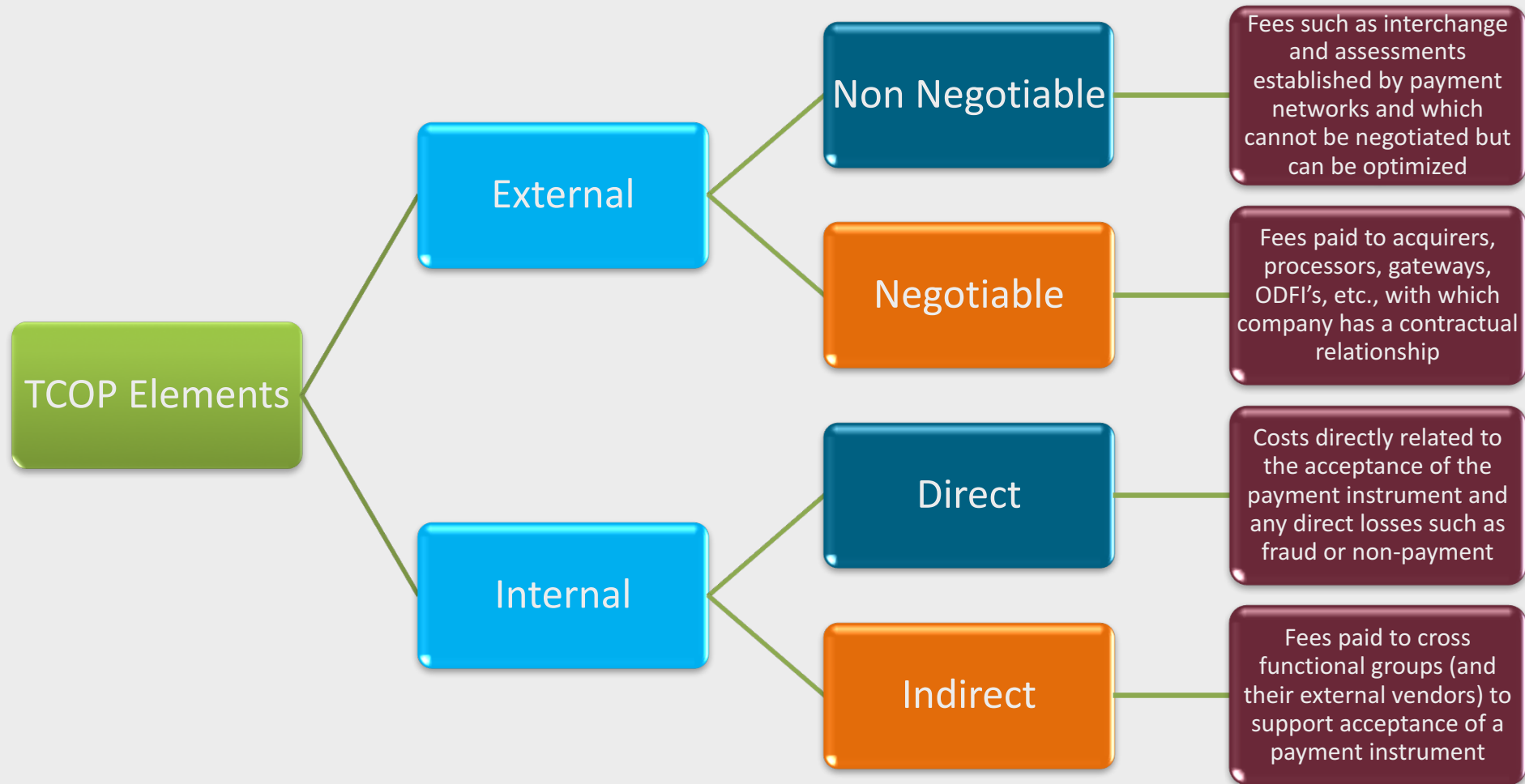
- Manage the Total Cost of Payments (TCOP)
- Develop financial performance dashboards
- Use TCOP information to drive financial optimization

Actively manage payments' financial performance
Communicate to upper management the financial aspects and impacts of payments

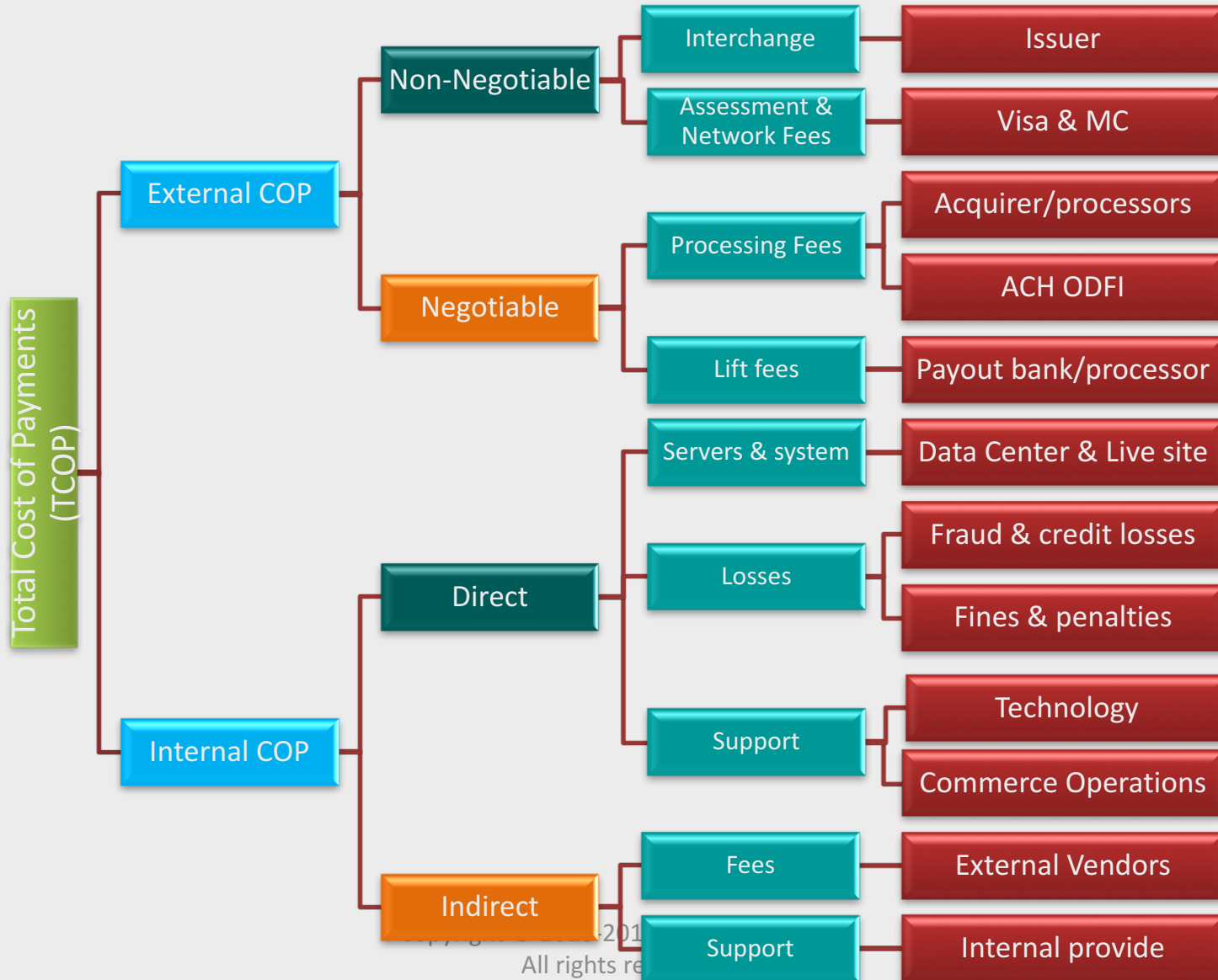
Managing TCOP

- Define and gain consensus on TCOP elements
 - Identify all aspects of TCOP for all payment instruments
 - Include (or not) other payment related costs such as chargeback costs, fraud losses, compliance costs, etc.
 - Gain consensus across organization on TCOP definition
- Technology
 - Develop monitoring dashboards
 - Define and implement alerts when tolerance levels are exceeded
- Operational
 - Audit processor reports periodically
 - Match payment processor fees to contracts
 - Optimize “funding mix” to drive lower TCOP without negatively impacting other variables

TCOP Elements

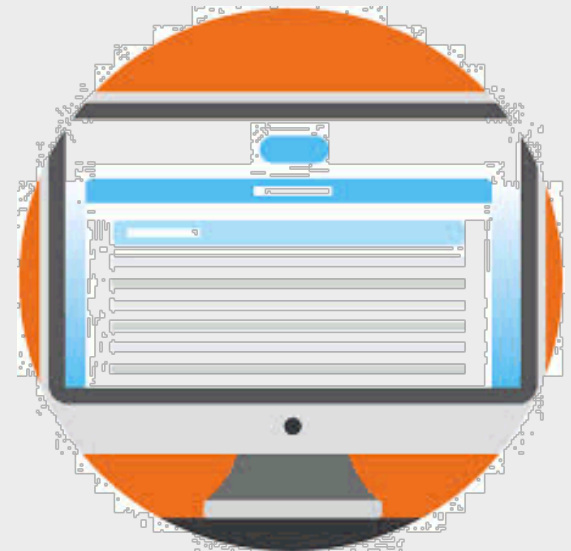


Sample TCOP Element Table



Payments Dashboards

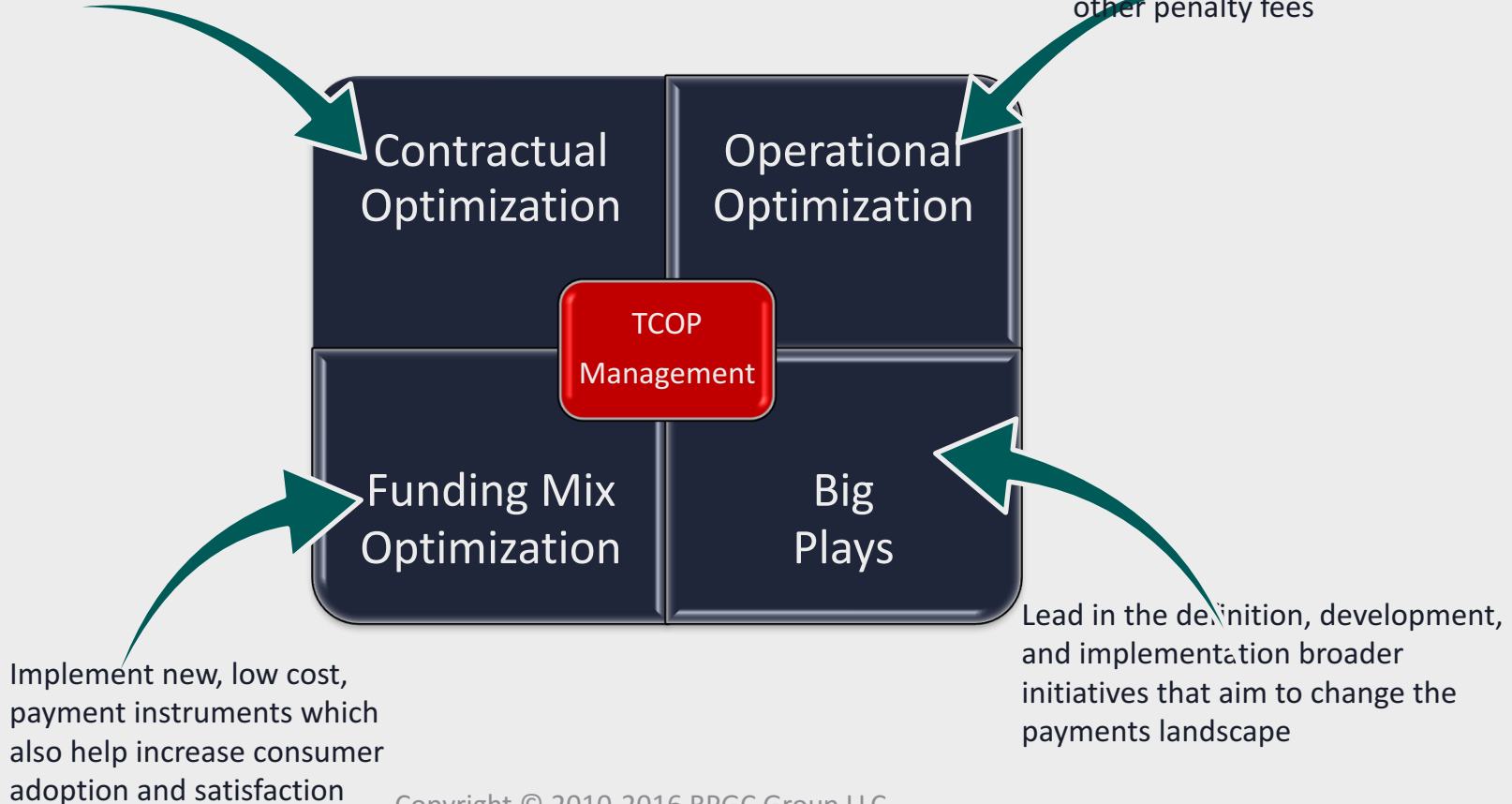
- Define requirements
 - Depth and width of data
 - “Roll up” and “horizontal” views
 - Ad-hoc queries and “what if”
- Build vs. Buy
 - Meet the requirements
 - Operational costs vs. Subscription costs
 - Level of analysis sophistication required
 - Available skills in-house



TCOP Management Tactics

Minimize external negotiable fees paid by re-negotiating contracts with acquirers and processors

Minimize interchange downgrades, unnecessary authorizations, and other penalty fees



Implement new, low cost, payment instruments which also help increase consumer adoption and satisfaction

Lead in the definition, development, and implementation broader initiatives that aim to change the payments landscape

Sitting At The Table

- Demonstrate and document the financial contribution of the Payments function to company
 - Revenue gathered, customer interactions
 - How much does a minute or hour of downtime cost a company?
 - Revenue loss
 - Customer experience
 - Reputational experience
- Demonstrate command of the Total Cost of Payments (TCOP) paid by the company?
 - In absolute numbers or as percentage of revenue
 - By card brand, card type, LOB, payment instrument

Growth Strategies

- Global, regional, local acquiring
- Multiple payment processing paths
- Alternative payments acceptance
- Vendor management

Anticipate company's growth paths, develop a "roadmap" and lay the groundwork for implementation

Global, Regional, Local

	Global	Regional	Local
Addressable Market Penetration	-	±	+
Local Payment Instruments (PI)	-	±	+
Ease of Implementation	+	±	±
Local Legal Entity	+	±	±
Local Bank Account	+	±	-
PI Know-How	-	±	+
PI Cost Per Transaction	±	±	±
Tax Implications	+	±	-

Multiple Processing Paths

- Develop multiple processing relationships with 2 or more acquirers in key markets
 - Must have a high transaction volume
 - Must not be subject to acquirer exclusivity or minimum volume commitment clauses
 - Implement by segregating and throttling transactions between acquirers
- Benefits
 - Achieve business, not only technical redundancy
 - Route transactions for better approval rates
 - Leverage competing acquirer during contract and pricing negotiations

Alternative Payments Support

- Develop a road map
 - Identify likeliest 5-10 countries your company may expand into
 - Identify the top 2-3 payment instruments that are the most commonly accepted in country
 - Identify how “suitable” each payment instrument is to meet company’s needs (e.g. subscription, pre-paid, demographic, etc.)
 - Identify vendors that can help you accept the payment instrument
 - Define “credits” to TCOP in case new payment instruments is more expensive
- Update roadmap periodically

Vendor Management Strategies

- RFP Management
- Define vendor relationship
 - Friend, foe, or partner
- Periodic review cycles
 - Review company's payments performance
 - Compare with peers
 - Review vendor performance vis-à-vis SLA
 - Assess or waive financial penalties as necessary
- Leverage vendor as an intelligence provider

Sitting At The Table

- Supports “proactive” rather than “reactive” behavior when called upon to support company growth
 - Ensure payments is at the table when expansion plans are discussed
- Minimizes time it takes to implement new payments functionality
 - Vendor relationships and pre-agreed solutions
- Demonstrate knowledge of payments industry

Operations Strategies

- Strategy:
 - Manage payments operations as a refinery
- Develop performance monitoring dashboards
 - Authorizations and declines
 - Other performance ratios
 - Chargeback and fraud management
- Align payment delivery with Customers' expectations

Use information to reach out and collaborate with other departments in company such as marketing, customer service, finance, risk management, etc.

Sitting At The Table

- Demonstrate the value of payments interactions with customers
 - Avoid “insulting” customers due to a false positive decline
- Demonstrate the financial impact of a mishandled payment
 - Customer service calls
 - Refunds / cost of “courtesy credit”
- Demonstrate payments is a cross-functional partner

People Strategies

- Make payments a career path
- Upgrade key positions
 - Chargeback workout and representation
 - Payments operations
 - Vendor management
- Develop education and training programs
 - Basic payments education
 - In-depth payments training
 - Senior executive payments education

Elevate the entire payments function within company by emphasizing the benefits of “sitting at the table”



Retail Payments Global Consulting Group, LLC

109 2nd St. S., Suite #437

Kirkland, WA 98033-9002 U.S.A.

+1-425-522-4110

info@rpgc.com