



Evolving Toward Optimization

Comprehensive Payment Solutions for an Increasingly Complex Payments Landscape

- Industry insights from Teresa Rivera,
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The Payment (R)evolution

Think as a consumer for a moment and consider how dramatically the way you pay for goods and services has changed over the past decade. From the myriad ways to pay online to credit card options, mobile wallets and account-to-account payments, the expansion and diversification of the consumer payment landscape is virtually unrecognizable from the “cash or charge?” era familiar to previous generations.

Not only do companies need to offer support for these various payment methods, they also need the ability to: process those transactions originating from multiple channels; navigate a new and expanding slate of fees and costs; reconcile, track and manage those payments; mitigate fraud without creating undue hardship on customers; and ensure that their payment systems integrate seamlessly with other internal systems, like accounting.

This level of complexity only increases if a business operates globally. **Cross-border transactions come with their own set of challenges**, from identifying optimal acquiring banks to supporting multiple currencies, to minimizing interchange rates. Consumers in different regions have different payment preferences and different ways to pay available to them. Regulatory and compliance rules vary from country to country and region to region.

Add to these dynamics the fact that the payments landscape continues to evolve, with increased adoption of open banking, new fintech tools emerging almost daily and the rise of super apps all poised to revolutionize the industry further. The conclusion is that **merchants – especially global merchants – need a payment service provider (PSP) that can manage the increasing complexity of global payments**, the shifting needs of consumers and all developments yet to come.



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What should that provider offer? **Flexibility, first and foremost.** Flexibility in transaction routing and settlement leads to cost reduction and higher acceptance rates, and a flexible platform has a better chance of being future-proof in the face of a changing industry. **Stability and reliability are also crucial** for similar reasons. A full-service PSP should also offer monitoring and fraud protection tools to offer visibility into a merchant's payment processes and reduce losses associated with fraudulent behavior.

Additional technical considerations include selecting a PSP that prioritizes cloud-based architecture, which accelerates and streamlines any necessary updates or changes, and embraces a microservices-oriented framework, which allows merchants to utilize only the

components they need. Ultimately, these capabilities contribute to a more flexible, stable and effective payment platform that orchestrates all aspects of a merchant's payment processes and creates harmony from its inherent complexities.

This white paper looks at the current state of payments, examines the need for flexibility and reduced complexity in PSP solutions, outlines the unique payment challenges faced by global merchants and surveys the surging worldwide appetite for alternative forms of payment. Finally, this white paper offers merchants guidance in identifying the right PSP partner to optimize their payment processes in a complex ecosystem and evolve toward an optimal payment strategy.

The State of Payments

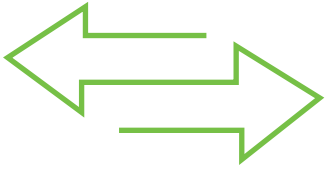
Let's start by assessing the current payment landscape and the trends determining its direction over the coming years. There is no shortage of flux; as mentioned in the introduction, payments constantly evolve and the industry is entering a dynamic era of change.

While traditional card-based transactions still dominate the market, and cash is still king in many regions of the world, there are a variety of relatively new developments underpinning the growth in payments.

These are a few of the key trends defining the current state of payments:

- ✓ **Open Banking**
- ✓ **Buy Now, Pay Later**
- ✓ **Digital Wallets**
- ✓ **Super Apps**





Account-to-account payments = \$200 billion in consumer-to-business transactions by 2026



BNPL = 360 million users worldwide



Spending with digital wallets to surpass \$10 trillion in 2025



Super apps global market to jump \$670 billion in the next 8 years

Open Banking

Open banking is perhaps the most impactful trend in the payments space today. Describing a model of financial data sharing between banks and third-party developers (primarily of fintech applications), open banking can essentially decentralize the payments ecosystem.

In the EU and UK, early codification of data sharing regulations accelerated the adoption of open banking, leading to a boom in fintech tools and services available to consumers... which need to be supported by payment-taking merchants. More recently, the [US Consumer Financial Protection Bureau \(CFPB\)](#) released a proposed rule at the end of 2023 designed to accelerate the adoption of open banking in the United States. [McKinsey](#) predicts that account-to-account payments in the US, facilitated by more standardized rules on open banking, could represent \$200 billion in consumer-to-business transactions by 2026.

Buy Now, Pay Later (BNPL)

BNPL, which allows consumers to break up payments into smaller amounts over time, is one of the most popular payment options, with already approximately [360 million users](#) worldwide, including 16% of users aged 18 to 34. Appealing to both consumers who don't have traditional credit cards as well as consumers – notably younger generations – who are wary of incurring high-interest debt, BNPL is a true market-expanding option for merchants to offer, which partially explains its durable position in the payments ecosystem.

Digital Wallets

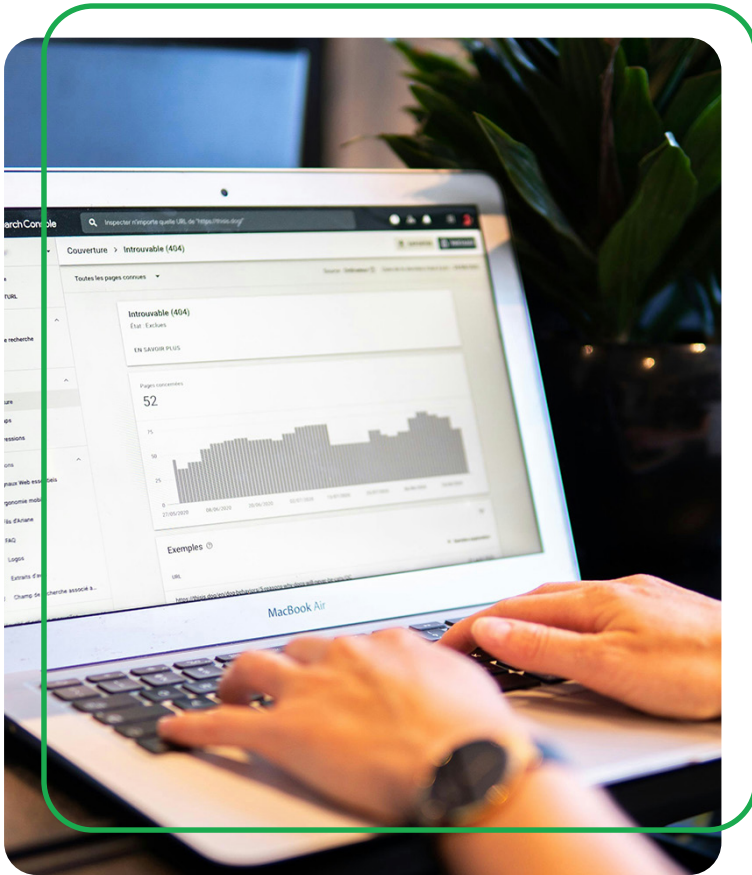
Digital wallets enable consumers and businesses to store and manage financial information on digital platforms, replacing traditional cash and card-based transactions. Both online and mobile digital wallets have become widespread, and the availability of contactless payments have hastened their adoption. It's estimated that total spend via digital wallets will exceed [\\$10 trillion](#) in 2025, and in some fast-growing global regions, including [sub-Saharan Africa](#), digital wallet adoption is surpassing that of traditional banking solutions.

Super Apps

Super apps provide end users with a set of core features plus access to independently created mini-apps, essentially creating an all-in-one mobile ecosystem for multiple purposes. With the best examples coming from the APAC region, specifically China, super apps like WeChat and Alipay combine messaging, social media and ecommerce in one unified experience. These apps also often include digital payments, banking and financial management features, allowing users to handle various transactions within the same application. The [global super apps market](#) was valued at \$64.61 billion in 2022 and is expected to reach \$734.67 billion by 2032. Supporting payments made via super apps and navigating the super app ecosystem is vital for global merchants.

Benefits of Flexibility & Reduced Complexity

Given this complexity and potential for future disruption, it's easy to understand why it is in merchants' best interest to work with an experienced, stable and flexible payment service provider. Flexibility in a PSP allows merchants to adapt to developments in the market and get the most out of their current processes. For example, a flexible PSP will allow merchants to implement settlement solutions, shorten their settlement cycles and reduce the cost of transactions more efficiently. At the same time, a flexible PSP will also offer modular components, allowing merchants to implement specific solutions when needed.



For global merchants, a PSP with centralized connections in multiple markets also provides transparency across the payment process. This allows merchants to identify and mitigate cost outliers and facilitates more accurate reporting and auditing. When merchants can implement these capabilities using existing connections and relationships (and therefore requiring minimal to no development effort), they can maximize their efficiency gains and achieve the payment flexibility they need to stay competitive, especially concerning cross-border payments.

Global Merchants: Transaction Routing and Multi-acquirer Strategies

All global merchants must contend with fluctuating and inconsistent cross-border payment costs, foreign exchange fees, card acceptance fees, swipe fees and local acquirer fees. Due to the volatile nature of these costs (both across markets and vendor rate changes), merchants must manage their profitability by constantly adjusting their top-line pricing to match the costs in each market where they do business.

Merchants need to consistently adapt their top-line pricing to align with the costs in every market they operate in, in order to effectively manage their profitability.

The best way to manage top-line costs is to optimize the path or routing of each transaction to the acquiring bank or processor that offers the most competitive transaction fee for each market. Most merchants won't have an extensive portfolio of bilateral relationships with individual acquirers in every market they serve. Still, the right PSP partner will have a set of partners robust enough to ensure a variety of fee tiers are available. By providing this breadth of coverage, the PSP can help the merchant implement a multi-acquirer strategy, which is considered a best practice for global merchants that consistently minimizes transaction costs and cost variability.

Supporting New Ways to Pay – For Both Consumers and Businesses

Because they serve diverse markets, global merchants often must support a variety of payment methods to meet the needs of specific customer bases in those markets. The reason is simple: people want more options and more familiarity with how they pay. As discussed in the current state of payments, an increasing number of traditional and alternative forms of payment (AFPs) are available, so building the technological support for each desired method quickly becomes unmanageable for global merchants.

A good PSP partner, however, will be able to support payments native to each market efficiently and profitably. This not only provides convenience and meets the expectations of the customer, but it also reduces cart abandonment and the foregone revenue associated with missed conversions.

This also applies to business-to-business (B2B) transactions, an increasingly rich environment for AFPs and fintech tools. Working with a PSP partner that can manage both traditional B2B payments (ACH transfers, etc.) as well as support B2B fintech payments can be a competitive advantage for companies that primarily transact with other companies.

Identifying the Ideal PSP Partner

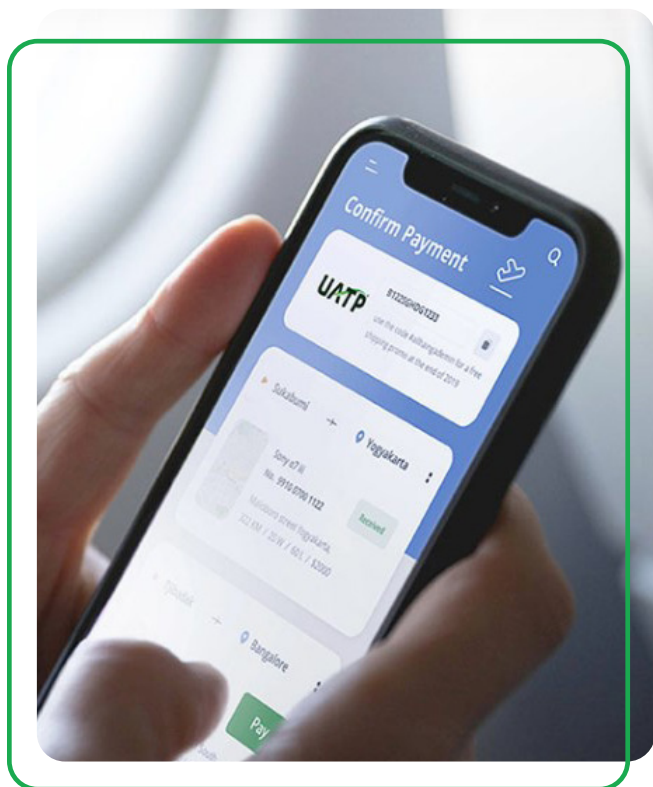
This white paper has covered several aspects of the payment landscape that merchants must consider to make their payment processes as efficient and profitable as possible. Consistently, the takeaway has been that the need for a reliable and flexible PSP is paramount in a highly complex and evolving payments space. But what exactly should merchants be looking for in a PSP partner? What are the characteristics of an effective PSP platform, and how can merchants put themselves on a path toward optimal, efficient payment processes?

The first criteria to identify are flexibility, reliability and efficiency. A PSP built with cloud-based, microservices-first architecture will offer the flexibility needed to keep pace with shifts in the marketplace while maximizing the efficiency of current processes. By the same token, a PSP with a track record of minimizing transaction costs for global merchants in a competitive industry will likely offer the efficiency and stability needed to generate reliable cash flow and reduce cost fluctuations.

The second consideration for merchants should be a PSP's global reach and coverage of settlement currencies. A PSP with connections to acquirers in multiple global regions will aid a merchant's expansion strategy, minimize cross-border transaction costs and likely support payment method diversity across markets. Likewise, a PSP that has integrated foreign exchange tools like multi-currency pricing and dynamic currency conversion can help a merchant optimize its pricing in local markets while settling transactions in its home currency. This is critical for global merchants and merchants with growth aspirations extending beyond their home market.

Finally, merchants should identify and select a PSP with a reputation for innovation and a commitment to helping their clients take their payment processes to the next level. Working with a PSP at the forefront of innovation provides a significant advantage in a dynamic and fast-moving payments landscape.

UATP One™ Merchant Services is precisely the type of best-in-class PSP that global merchants should partner with on their path toward an optimized payment strategy.



To learn more about UATP One™, connect with a UATP payment expert today.

The UATP Advantage

As the world's most reliable payment network, UATP combines a proven reputation with extensive industry expertise to design, create and implement high-performance payment solutions at a competitive cost, without sacrificing quality of service.

To learn how UATP can help improve your payments strategy, visit www.uatp.com.

The UATP logo features the letters 'UATP' in a bold, white, sans-serif font. A green swoosh underline is positioned beneath the 'A' and 'T' characters. A registered trademark symbol (®) is located at the top right of the 'P'.

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