WHITEPAPER

Terminal as a Service

Competitive advantage for next-generation acquiring

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Today's acquirers operate in an environment rich with opportunity and risk. On the one hand, the continued decline in cash payments accelerated by the recent pandemic creates opportunities, with sources estimating that the number of merchants looking to accept electronic payment will grow by a third in the next few years. Last year alone, Europe's EPOS estate grew by 8%, according to proprietary research by PCM[1].

At the same time, merchant expectations are rising fast as new payment methods such as wallets and cryptocurrencies proliferate, and new devices – from contactless to wearables – grow in importance, to say nothing of new security methods such as biometric ID via card or mobile device. Meanwhile, acquirers have to cope with the growing demands of national and international regulators, such as Europe's second payment services directive (PSD2) – all while facing a new, fast-growing generation of fintech competitors.

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If that's not enough, today's industry faces greater pressure on margins and costs than has been seen in decades. Consultants such as Accenture and Gartner predict[2] that as many as eight in ten of Europe's retail banks could disappear by 2030. To remain competitive, consulting firms say banks must move to fully-digital infrastructures and seek partnerships that enhance technological capacity while reducing risk, complexity and cost.

The challenge and how to respond

When it comes to in-store payment acquiring, the need to reduce complexity is key. At present, managing point of sale (POS) estates – from software updates to hardware upgrades – is time-consuming and expensive, especially with regard to recruiting and retaining specialist staff. Merchants expect easy-to-use solutions that can be adapted to the needs of their business: meeting this expectation for the 90% of the market outside major retail chains is no easy task. Completing the picture, merchants themselves want to reduce complexity, seeking an "always on" solution capable of handling any kind of transaction across any device, 24/7/365.

Successful acquirers must deliver on all these elements while managing

costs to ensure predictability of revenue, reducing risk to a minimum and innovating to compete against newcomers. Perhaps the biggest challenge faced by acquirers today, however, is the need to enhance merchant loyalty to their solution and reduce customer churn.

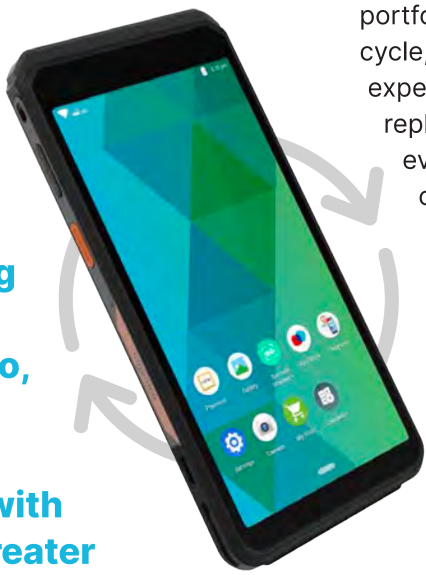
Around 25% of any acquirer's customer base may switch provider in any given year, leading to loss of revenue and additional cost incurred in acquiring new customers. In such a volatile environment, acquirers need a solution that exceeds merchant requirements and enhances their loyalty. If they are successful in creating such a solution, acquirers will reduce customer churn and deliver greater stability in their own business model.

[1] See *The Digital and Card Payment Yearbooks 2020-2021*: www.paymentyearbooks.com
[2] See Finextra, 29 October 2018, "Most Banks will be irrelevant by 2030" : https://www.finextra.com/newsarticle/32860/most-banks-will-be-made-irrelevant-by-2030---gartner/retail

“As costs and risk soar, the economy is moving from ownership to access. At Ingenico, we’ve applied this principle to the acquiring market with TaaS, delivering greater flexibility, service and security.”

Acquiring: from ownership to access

Finding a solution to the challenges acquirers face necessitates some fresh thinking. For too long, both merchants and acquirers have been burdened by the prospect of extensive capital expenditure for hardware replacements and upgrades – alongside unpredictable (and rising) operational expenditure relating to software updates, risk management and the recruitment and retention of specialist personnel. These are problems faced by several sectors of the economy at present: in response, many organisations are moving from the concept of ownership to the idea of access.



"As costs and risk soar, the economy is moving from ownership to access. At Ingenico, we've applied this principle to the acquiring market with TaaS, delivering greater flexibility, service and security."

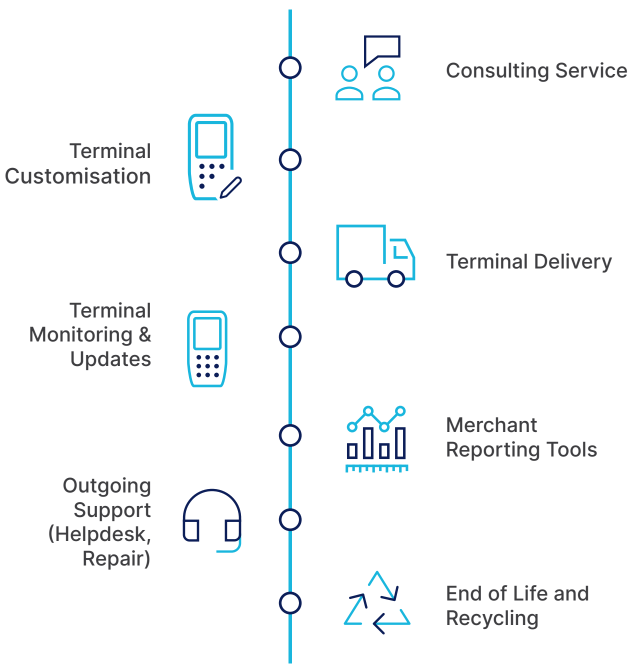
In the financial sector, the concept of a "bank in a box", or "banking as a service", has become prevalent in recent years. A "bank in a box" basically enables any organisation holding a banking license to offer a wide range of digital banking services, with everything from customer onboarding to risk management, compliance and fraud prevention managed by outsourced providers. The result has been a revolution in business banking, with European banks focused on business services such as Tide (UK) and Qonto (France) recording growth rates of around 40% per year since 2019 according to Sift[3].

Introducing 'Terminal as a Service' by Ingenico (Taas)

At Ingenico, we have pioneered the application of this idea to acquiring through a concept we call "Terminal as a Service". We offer acquirers a fully outsourced, scaleable service under their own brand, including the option to purchase their existing terminal estate and manage it on their behalf.

Our clients work out a service level agreement (SLA) with us to cover both POS hardware and software interfaces. Our fully flexible service portfolio operates across the POS terminal life cycle, from a branded unboxing and set-up experience for merchants through to terminal replacement at end of life. Services including everything from software updates to regulatory compliance, as covered in the box below.

Terminal life cycle



[3] See Sifted.eu: https://sifted.eu/articles/sme-small-business-banking-startups-europe-compared/

By adopting a modular approach, our clients benefit from a high level of flexibility. Clients are able to go to market more rapidly as they are not weighed down with extensive technological or compliance requirements which are managed on their behalf. From the outset, we agree key performance indicators (KPIs) with our customers. These KPIs can include net promoter scores which track the popularity of our client acquirer's services with merchants.

"In markets like Spain and the UK, acquirers find that TaaS has led to enhanced merchant loyalty and reduced churn – resulting in more secure revenue and better profitability."

In markets such as Spain and the UK, where the TaaS concept has already proven successful, acquirers find this approach has led to enhanced merchant loyalty and reduced "churn", with fewer merchants flipping between acquirers in a commoditised market. A major advantage of TaaS from an acquirer perspective is that there's no need to engage with multiple providers for services such as repair, field services, integration and software updates and new devices, as these requirements can be dealt with inside a single SLA.

TaaS: Acquiring the future

TaaS offers acquirers a fully flexible and scaleable solution that responds rapidly to new developments such as contactless payments, wearables, APM and crypto-currency payments, as well as the evolving demands of regulators and card systems. By reducing risk and cost while improving performance and enhancing merchant satisfaction, TaaS generates greater predictability of cost and profit in an acquirer's business model, and allows acquirers to allocate operational and capital expenditure with greater confidence across a three to five year business plan.

Looking ahead to the new wave of Android based payment terminals, TaaS will come into its own as the requirement to upgrade terminals continuously increases. We can expect further dynamic development at the point of sale to allow for the combination of payments with loyalty schemes, "click and collect", cashback and bill splitting options via the Android ecosystem; given this scope for continuous change, TaaS represents a smart evolution in European acquiring, tailored for tomorrow's flexible future.

To find out more about switching your terminal estate to a Terminal-as-a-Service model, get in touch with us at:

terminals-solutions-services@ingenico.com

Service at every stage

Ingenico's TaaS provides services at every stage of the acquirer-merchant relationship, from terminal unboxing to upgrades and end-of-life replacement. Delivered through a clearly-defined service level agreement (SLA) between Ingenico and its client, fully modular TaaS packages are available on a market-by-market or cross-border basis and can be branded with the acquirer's visual identity. Specific benefits include:

Fully outsourced terminal management with a leading service provider - acquirers retain full control of their terminal estate through a comprehensive governance model that includes closely-defined KPIs. Terminal estates can be purchased from acquirers and managed on their behalf if desired.

Save time and money – from delivering terminals to merchants to software updates and regulatory compliance, Ingenico TaaS saves you time and money, especially when it comes to the recruitment and retention of highly-skilled specialist staff.

Lifecycle management – we handle the performance of a terminal estate throughout the lifecycle, including updates such as enabling contactless or APM acceptance, and terminal replacement at end of life.

Customer service – we define a service level agreement (SLA) with our customers that includes a 24/7 helpdesk facility to resolve any issues as they occur.

About Ingenico

Ingenico is the global leader in payments acceptance solutions. As the trusted technology partner for merchants, banks, acquirers, ISVs, payment aggregators and fintech customers our world-class terminals, solutions and services enable the global ecosystem of payments acceptance. With 45 years of experience, innovation is integral to Ingenico's approach and culture, inspiring our large and diverse community of experts who anticipate and help shape the evolution of commerce worldwide. At Ingenico, trust and sustainability are at the heart of everything we do.

For further information
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