

# Friends or enemies

## A payments fairy tale



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# A time of change in the forest



New rules for all forest dwellers

Harder to make a living in the old ways

More strangers are being seen in the forest

Rumours of an innovation path to land of higher profits

# Preparing for the changes



## Questions you should ask

Do I know the new rules well enough to keep out of trouble?

Can I still make a living or should I leave for the town?

Can I trust my normal travelling companions or should I hook up with somebody else?

Is the stranger an old lady or a wolf?

Should I follow the innovation trail and try to get to the promised land?



# New forest rules



Payments regulation is on upward trend

- Payment Services Directive imposed considerable workload on all players
- PSD 2 being openly discussed
- Regulators trying to ensure competition

Industry standards such as PCI DSS

Card scheme initiatives and mandates

Some new rules require effort to track & comply with  
Others are life threatening!

# Making a living

Economic models are changing

Interchange under regulatory pressure everywhere: no longer possible to get merchants to fully fund payment system

Bundled pricing discouraged by regulators and disliked by major players

Debit card now the dominant product and will remain so

Merchants reluctant to pay high prices for commodity services



# Strangers in the forest

## Many new people in the forest

- Old businesses but now under new, expansionist ownership: WorldPay, Point, EasyCash and more to follow
- New ventures with PI or e-money licenses: Voice Commerce, iZettle
- New ventures that look to partner: specialist providers targeting market niches

More people to team up with but vital to pick the right ones



# Picking your travel companions



In the old order, you usually could identify enemies and your best partners

Now more difficult and traditional partners may target your part of value chain driven by

- Economic pressures in their sector
- Improved technology
- Commercial ambition

New players can be good partners but they often think differently which is a challenge

Complex decisions when a company is both competitor and partner

- Are the Chinese walls real?
- Can you spot the Black Widow?



# Payment schemes: friends or enemies?

## The old order

- Schemes owned by banks
- Did not compete with their owners
- A stable relationship with fees being the main argument

## A new order

- Schemes have IPO'd and serve own interests (except Visa Europe...for now!)
- Profit maximisation to satisfy Stock Market is main goal
- They expand into areas previously reserved for banks and partners
  - Visa purchase of CyberSource, PlaySpan, Fundamo etc
  - MasterCard purchase of DataCash, Orbiscom, PPT etc
- They are especially attracted to the acquiring business

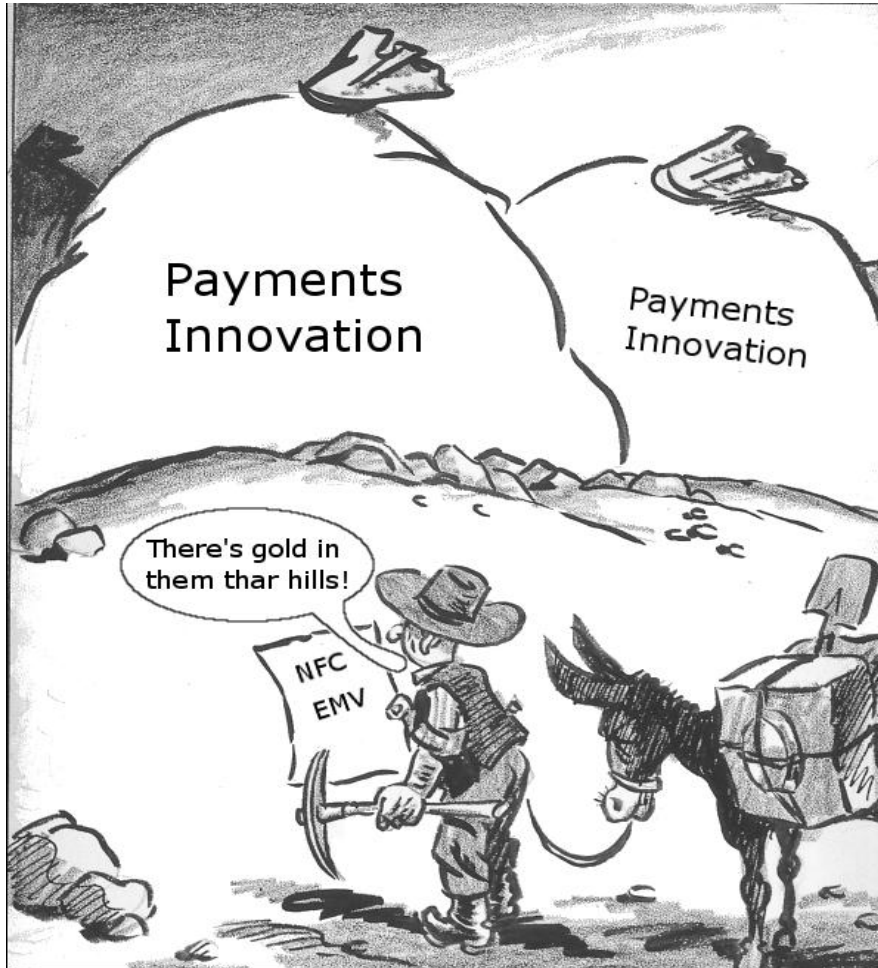
## The trust question

- Never again a simple answer to the *trust them?*



question '*can I*

# Following the innovation trail and finding the gold



Innovation is desirable

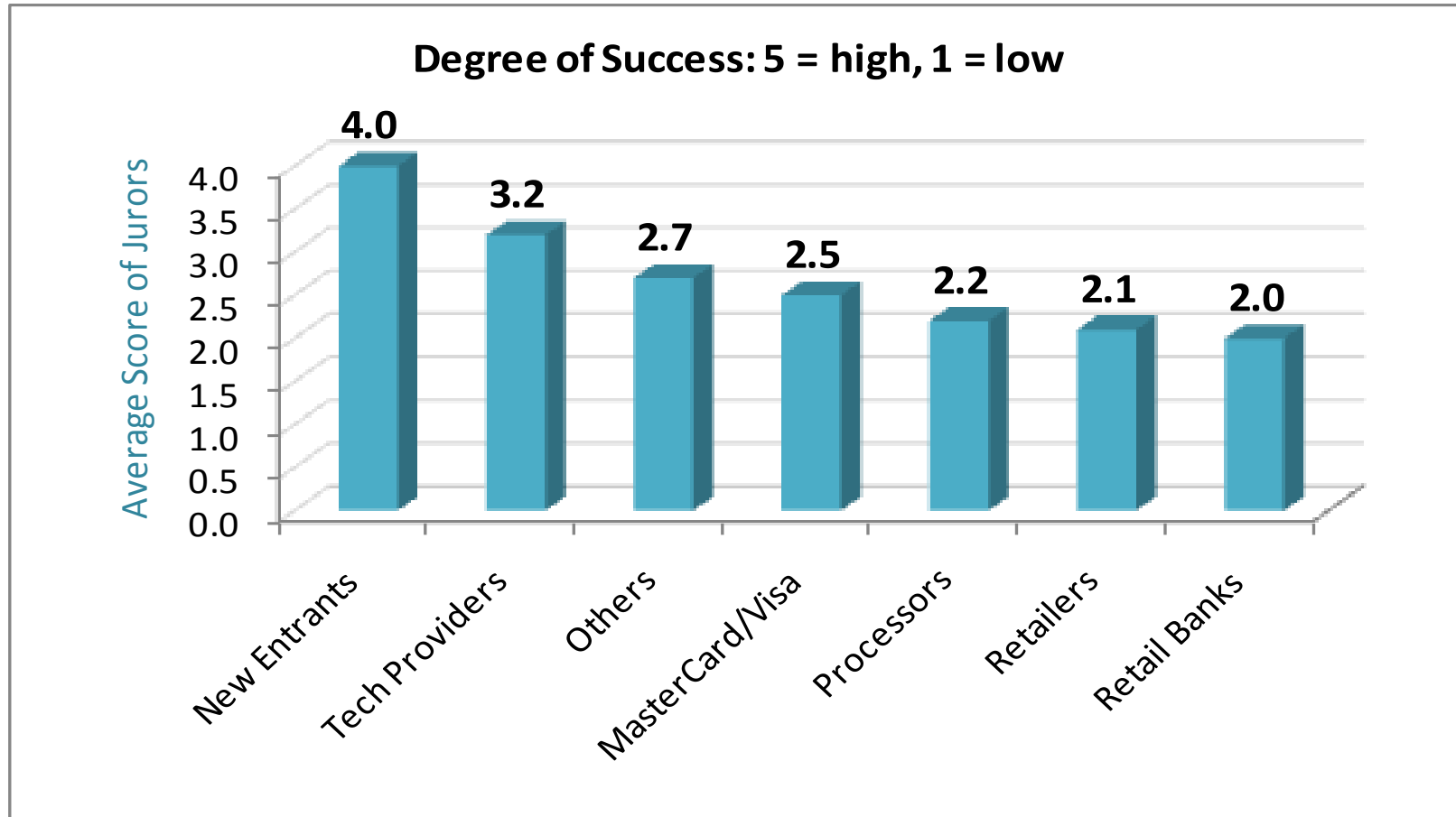
Better customer propositions

Services which deliver value and can be charged for

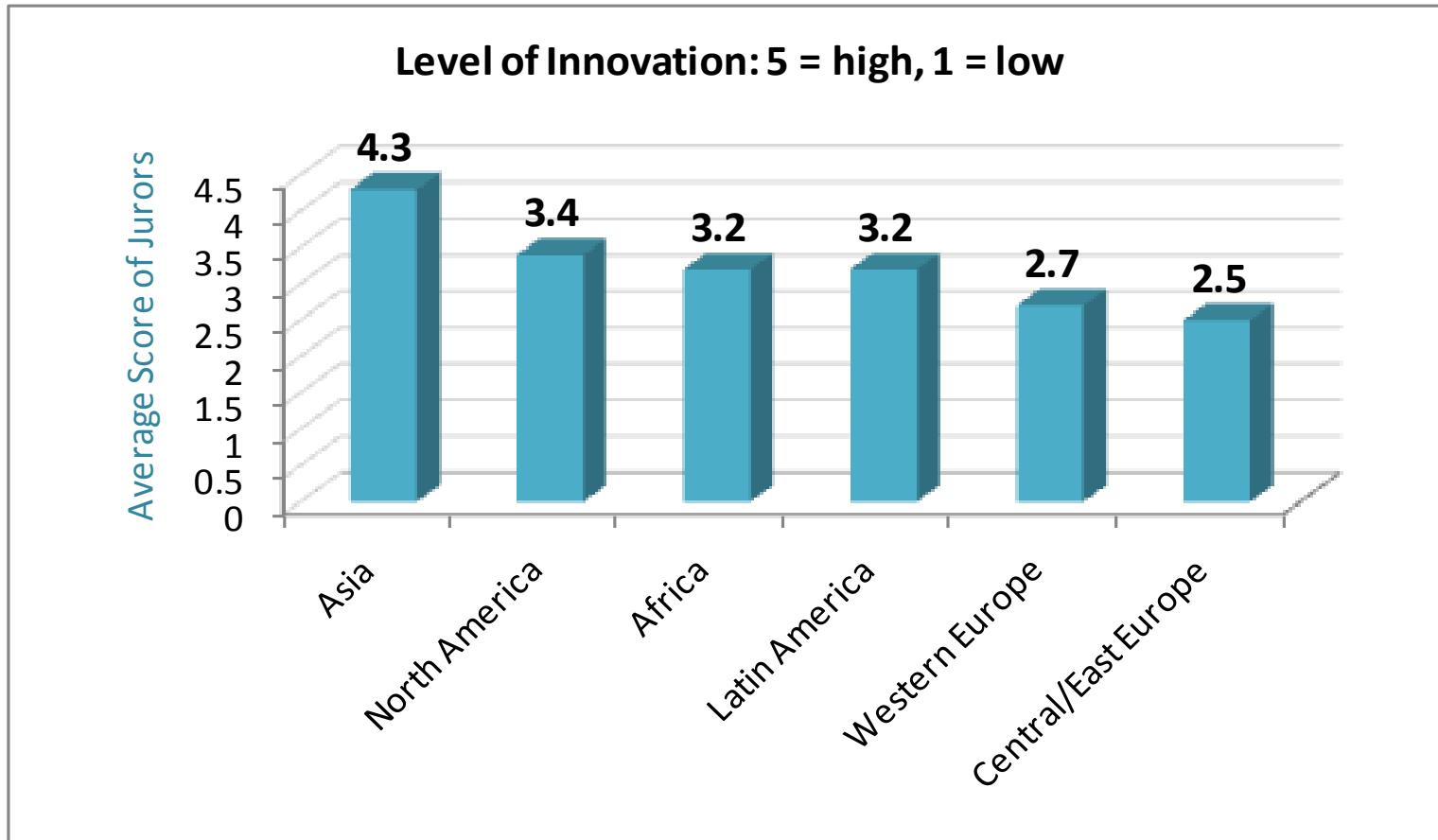
Improved corporate image

And its fun!!

# Not everybody is good at innovating



# Europe has other problems at the moment



# An approach to innovation

For established players, partnering with innovators is an attractive approach

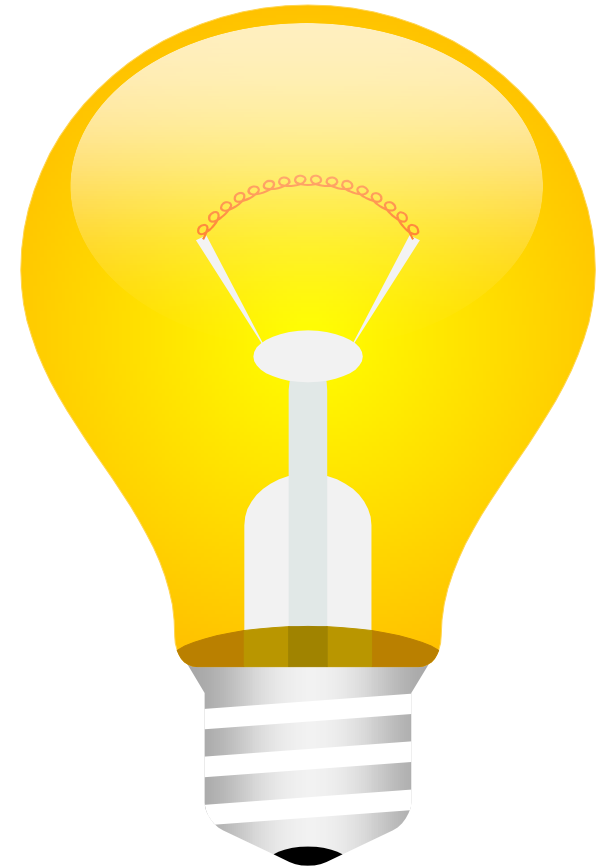
- Building it yourself is very risky
- Acquiring the company is usually a bad idea

The new breed of innovators expect to be partners and not just suppliers

- Sharing in the return and the risk
- If you don't do deals your competitor probably will

Have your own innovation strategy

- Don't just follow the herd



# Survival guide to the forest



## Do's & don'ts for travellers



### Regulation

Resource properly for monitoring and ongoing compliance

### Economics

Make the mind-set shift that interchange is going

Look for added value opportunities

Develop pricing expertise

### Partnering

Examine existing partnerships to see if they still work

Critically question the motives of new partners

Identify your Black Widow

### Innovation

Think whether you can innovate or you should partner

Pick the right partners and accept new business models

Think beyond mobile



“ and they all lived happily ever after”

