Shoring the Ship – Why Payments Mergers are Occurring

28 May 2019 By: Krista Tedder

The speed of change in the payment industry has been significant in 2019. If you blink you will miss something; and not a little something, a big something. Did you miss how Amazon is now enabling Amazon Pay via QR codes at a physical retailer? Or how Paypal is integrating for seamless, frictionless payments with Instagram? Maybe that Mastercard is moving into the installment loan business with their acquisition of Vyze?

Large fintech companies like payment processors have been paying close attention to how the payments market is shifting. They moved to agile development cycles, launched research and development labs, and have tried to move the deck chairs on the Titanic. But moving resources around when a ship is sinking doesn't help. The ship needs to be stabilized with more resources.

Resources take on different meanings for different organizations. Financial resources in the form of capital are almost always welcome, but cash can only do so much if the people and the ideas are not present. Having a solid foundation of innovative products that people want is a greater asset than cash right now. This is where the recent merger and acquisition frenzy has come into play – Fiserv and First Data, FIS and Worldpay – and now, TSYS and Global Payments. All have come to the conclusion that combining assets and subject matter expertise is the best way to stay afloat.

The aforementioned companies have realized merchant payments are a key connector to elevating the current financial services experience. Bringing experiential payments which merchants have focused on with their mobile applications is the greatest asset to financial institutions. Global Payments is a software company that happens to do payments in a way that consumers like. Consumers like the experience of merchant payments. Bank payments like wire transfers, loan payments, check cashing services, currency exchanges, etc.– not so much.

When was the last time you used your mobile banking application to improve your experience in a bank or credit union branch? The closest payment experience will be staging an ATM transaction to complete via NFC. What would happen if we take the merchant payment experience and change how consumers interact with their financial institution for in branch payments?

What would I want to bring from merchant payments to banks and credit unions?

- Reorder cards when they are lost and pick them up in a locker at the branch which requires my phone to unlock the locker. I don't want to wait for snail mail.
- Link my mobile banking application to the branch teller to authenticate transactions via QR codes. Why are we still using mag strips?
- Mobile push notifications when I make transactions with follow-up notices on how I further reach my financial goals (key is knowing your customers' financial goals)
- Omni channel customer service – knowing what I do in branch, online, and in app so I don't need to keep repeating myself.
- A rewards system which covers my relationship with the financial institution and not the payment channel. I use debit, credit, savings, money markets, and loans yet I only see minimal rewards on credit. I want to be rewarded for using the payment product while building bank deposits.

Merchant payments are accessible, require little friction, and the focus is on getting the sale. In branch and online banking and credit union payments can benefit from the merchant experiences of larger processors uniting with financial institution payment providers. All aboard!