



worldpay
from FIS

RETHINKING MERCHANT SERVICES

**for today's
financial institutions**

What value does your financial institution hold for your business customers?

It's a question worth exploring. Historically, financial institutions have played a big role in the lives of small- and medium-sized businesses, offering everything from specialized checking and savings accounts to lending services and of course, merchant services.

But the emergence of non-bank competitors leveraging new payment technologies is changing how some businesses view their primary financial partner. Nimble and unencumbered by many of the regulatory limitations facing traditional financial institutions, FinTech and other companies are able to deliver many of the services today's businesses want, in a more streamlined and cost-efficient way.

Extensive competition and rapidly changing market conditions are pressuring financial institutions to take additional steps to close the gap between their offerings and customers' expectations. They can do this by using the unique advantages they hold over newer counterparts—established customer relationships, customer trust, and robust risk management and data tools—as well as by enhancing existing offerings.

One such offering is merchant services. Merchant services can be the cornerstone upon which a long-term customer relationship is built. That's why it's critical for institutions to make knowledgeable and informed choices for both merchant services programs and payment processing.



Evolution of merchant services

Traditionally, financial institutions have been the primary provider of merchant services for their business customers. One of the key reasons for their dominance is that they were the only source for card products and merchant processing. However, many other channels have expanded into merchant services over the years. Today, financial institutions are the primary source for just one out of three new merchant accounts.*

As the merchant services arena diversified, business customers began to view the offering as a specialized service they could obtain outside of their primary financial institution. Less motivated by sales efforts and more interested in knowledge and connected relationships, these customers have migrated away from their financial institution to other industry players.

In recent years, businesses of all types have been wooed by traditional intermediaries such as valued added resellers (VARs) and independent sales organizations (ISOs). The ISO model has had a fundamental impact driving growth through channels that included their own sales force and independent agents as well as technology providers (VARs, gateways, hardware, and software vendors) offering product bundling (merchant funding, loyalty, data, etc.).

Those technology providers have pushed disruption even further. For example, the payment facilitator model created a new market and transformed the process for signing micro-merchants. The integrated software vendor (ISV) provided a consistent sales channel and a stable revenue stream by relying on a relationship based upon technology instead of sales. Some of these companies have not embraced the traditional “behind the scenes” presence of merchant processors and ISOs, and instead taken the white label approach, promoting their own branded business and payment solution (BBPS).

Source: TSG's AIM database of 3.5 million card accepting merchants

FI merchant services face-off with well-funded and strategically-positioned upstarts

Payment facilitators

A payment facilitator is a merchant service provider that operates a sub-merchant platform which simplifies the merchant enrollment process. Also known as merchant aggregators, payment facilitators pool smaller merchants under a single “master” merchant account.

Integrated software vendors

An ISV typically provides one or more business management capabilities through its software (e.g. front desk, practice management, inventory, sales, billing, and scheduling). These are everyday tools that the businesses using them rely on to run daily operations. ISVs often specialize in serving a vertical category such as food service/restaurants/QSVs.

At first, ISVs were a referral source for acquirers and ISOs. After recognizing the value of owning the merchant processing relationship, ISVs have evolved into ISOs and payment facilitators. As customers adopt their integrated software and payment solutions, ISVs rely on the recurring payment processing revenue to fund their growth initiatives. This reliance on payment processing has led to an increasing amount of solution branding among market leading ISVs.

Churning up the banking channel

The point of commonality between all these different merchant services providers is that they have positioned themselves as “one-stop-shops.” By facilitating seamless integration with core payments products and services, these providers offer fast merchant onboarding and an overall frictionless experience. This often results in less market share for financial institutions.

But it’s important to remember that financial institutions have specialized knowledge and unique offerings that offer great benefits to merchants and can counter the competition. With the right payments partner and the right merchant services program, a financial institution is well equipped to offer that one-stop-shop experience today’s businesses seek.

Embracing merchant services

While the diversification of merchant service offerings has put pressure on financial institutions, many continue to embrace merchant processing as a key product offering.

In addition to providing another avenue to add, build, and strengthen relationships, merchant services supplements lending revenue and creates a highly marketable asset. Along with traditional banking services for lending and deposits, financial institutions can offer business customers a broad range of services that provide value to their operations.

Merchant services is still a critical area of untapped non-interest income.

Why a trusted partner makes all the difference

As more competition for merchant processing comes from FinTech and other industry players, financial institutions need a trusted and experienced payment processing partner that understands the competitive landscape and offers market leading services and products.

Competitive and customized solutions

Staying competitive requires investment in evolving technologies such as smart terminals, cloud technologies, and iPOS, as well as an understanding about how these technologies shape integrated payments. Companies like Worldpay from FIS provide just that, offering hardware and software options developed in partnership with leading FinTech companies to deliver mobile (SwipeSimple) and SmartPay solutions (VeriFone, PAX, Ingenico, and AEVI).

Expanding customer relationships

Capitalizing on every stage of your customer relationships is more important than ever.



Acquire more customers

Create and sell financial product that win more customers.



Deepen existing relationships

Cross-sell products and services that increase profitability.



Retain more customers

Ensure satisfaction at “moments of truth.”
Make relationships stickier to avoid disruption.

What’s in it for the customers?



A partner they can trust

Your customers already trust you to handle some of their most private information and critical transactions. Merchant services is a natural extension of this trust relationship.



Additional value

Your customers could be over-paying for their payment transactions. Think about how happy they’ll be when you identify areas where they can gain more value to reinvest in their business.



One-stop shopping

Your customers can take advantage of having all of their major, business-critical accounts in one place. It doesn’t get much easier than that.

What’s in it for you?



Grow non-interest revenue

Diversify your customer portfolio revenue streams beyond interest-dependent sources.



Protecting your existing customer base

When your customers have merchant services relationships with other financial institutions, there’s a greater chance that your institution could be dislodged.

Dedicated FI support services

The user experience is everything, and a financial institution's service and support offering can be a major differentiator in the marketplace. Along with an aligned service model, Worldpay offers a dedicated support center for both financial institution partners and their merchants.

A relationship based on trust

All good relationships are built on trust. It's no different for financial institutions and the partners they rely on to provide necessary services to their customers. An industry leader with a proven track record of providing market-leading products and programs, Worldpay has extensive experience working alongside financial institutions to realize their goals.

To learn more about our Merchant Solutions for Financial Institutions programs that are designed to drive non-interest income, please contact one of our dedicated representatives.



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