



Is a Legacy Payment Ecosystem Silently Choking Your Business?

The combination of restless technological change and constantly evolving customer expectation is reshaping the payments market faster than ever.

This is creating a two-speed marketplace. And businesses must decide which they want to be. While forward-thinking financial institutions (FIs) are leading the way by innovating and quickly responding to change, the rest are breathlessly trying to adapt, yet slipping further behind.

So, why the difference?

Often the answer is simple. The first group maintain far-sighted business and technology road maps, typically operating a lean, flexible future-proof core, equipping them for future growth. However the second maintain aging systems requiring constant and costly attention, making growth and innovation extremely challenging.

Why are so many organizations in the second category? Firstly, inertia can be a powerful force, with "urgent" often prioritized over "important." Secondly, the gradual decline in legacy systems' effectiveness and efficiency is rarely noticeable day-to-day, with ongoing tactical fixes simply considered a cost of business.

From the outside, the payment industry seems extremely progressive. However the "make do and mend" philosophy is alive and well among many payment providers.

And while quick front-end fixes can seem attractive, often their mid-to long-term impact actually undermines the system's overall performance, leading to greater system complexity, more stress on the core and increased cash and resource consumption.

Why is the core critical to your business?

Attending to the core is one of the most effective ways to boost the long-term performance and productivity of the wider ecosystem. Here are some examples of how organizations who fail to focus on this can suffer as a result.

Pre-1990s

Are you overspending on keeping decades-old technology running?

The surviving examples of systems of this generation typically use old languages, and are expensive to run, demanding constant maintenance. As changes are challenging to implement, they are kept to a minimum, blunting the organization's competitiveness.

1990s to early 2000s

Is your system unable to deal with today's customer needs?

With aging languages and methodologies, these platforms were designed for card-based payments, not mobile and e-commerce. To remain useful in the modern marketplace, they need regular and costly wraparounds and orchestration.

Late 2000s to early 2010s

Are you forced to overspend on development?

Open development payments platforms (ODPPs) tend to be API-first, and cloud-ready or cloud-native. They are payment instrument agnostic and customizable, but skilled developers are needed to avoid becoming reliant on the vendors.

Mid 2010s onward

Are you running a patchwork of systems?

Offering cloud-native, modular, resilient, inexpensive, low code innovation microservices allows platforms to scale rapidly. However, their siloed nature can cause data duplication and technical debt. Microservices require skilled and precise management, and significant customization.

Orchestration – from early 2000s

With a clear role to play in a payment tech stack, orchestration – the ability to efficiently coordinate and automate multiple tasks or capabilities – is popular in bridging various technology gaps, supporting integration and interoperability for disparate system elements. But like all good things, the key is moderation. Using orchestration to provide core client features should be considered a red flag, as problems can escalate quickly, causing ecosystem-wide issues.

Three approaches to payment ecosystems

Which one are you?

Outlined below are some examples of how your approach to payment ecosystems could be influencing your strategic direction and long-term competitiveness.

Firm A – Legacy

With your monolithic legacy core, your approach is very much to disturb it as little as possible. You only attempt innovation when it's unavoidable, as it's a slow process needing extensive orchestration, handled by your fintech partners. Your back-end budget goes almost entirely to maintenance. Your costs are going up as you fall ever further behind.

Firm B – New tech, legacy architecture

You've accepted that migration is necessary, but by simply swapping out your legacy core with newer technology, you've missed the chance to revisit your ecosystem and innovate at an architectural level. So your new system operates under the same architectural principles and restrictions, keeping your existing limitations.

Firm C – Digital first

Your digital/mobile-first ethos gives you the ideal architecture for a modern FI. You start everything from a blank sheet of paper. Innovation is from the core up, using your partners selectively and strategically, and innovation is quick and pain-free. Your budgets are distributed evenly across both the front- and back-end.

Separating "right" from "right now"

The key to success is to choose a sustainable, strategic approach, focusing on the core, rather than reactive tactical expenditure. With strong architectural supervision and active, attentive operational management, forward-thinking FIs can respond effectively to changing customer needs, evolving regulation and an increasingly disrupted marketplace.

The hectic day-to-day business environment may make this seem like a daunting journey. However, with the support and guidance of an experienced partner capable of taking a holistic view, FIs can better support their customers, vastly increase their competitiveness and explore new opportunities to unlock value.

About FIS

FIS is a financial technology company providing solutions to financial institutions, businesses and developers. We unlock financial technology that underpins the world's financial system. Our people are dedicated to advancing the way the world pays, banks and invests, by helping our clients confidently run, grow and protect their businesses. Our expertise comes from decades of experience helping financial institutions and businesses adapt to meet the needs of their customers by harnessing the power that comes when reliability meets innovation in financial technology. Headquartered in Jacksonville, Florida, FIS is a member of the Fortune 500® and the Standard & Poor's 500® Index.



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