PAYTALK WITH PAYDOCK

Episode 1: Rob Lincolne & Rene Pelegero

Rob: Hi, I'm Rob Lincolne, founder of PayDock. Welcome to our payments podcast where we seek to help merchants win with insights in how to succeed in payments, security, and identity. This podcast is designed for anyone wanting to benefit from global leaders, without all the effort of attending a conference or yet another Zoom event. Today, we're chatting with Rene Pelegero, one of the most experienced and recognised payments leaders on the west coast in the US. Previous roles included the director of global payments at Amazon, and key roles at PayPal, GE, and more recently at RPGC, working with national brands across the US. Today, we're unpacking some of the big themes in payments, what's broken, what's working, and where the future is taking us, and a question about ethics and payments, something we know you'll find interesting. We trust you enjoy a chat with Rene.

Rene, absolute pleasure to be talking with you. We're going to take this easy, we'll see where it takes us. I think it's a real privilege to be talking to you. Last time we connected I felt like I learned a lot in that 45 minutes we chatted. So today is a real pleasure for me. By way of context, Rene, you've been in the industry 20 years, you're the President Managing Director at Retail Payments Global Consulting Group, previously Director of Industry Relations and Strategy at PayPal, then the Director of Global Payments at Amazon. Your name is on, at least that I could find, two patents. We might touch on that later, and you can tell me if there's more hiding out there. But I thought, in terms of kicking off some of these podcasts we want to do, there's no one better we could start with. If there was anyone out there who had a sense of where the payments industry was going, it would be you. So thank you for spending a bit of time with me today.

Rene: Thank you for having me over and having a chat. I look forward to it.

Rob: I hope I don’t ask any too curly questions. I probably won't end up having more knowledge than you on any particular domain. I'm curious to know what got you started into the payment sector. I'll quote one of our previous employees, and they said, “Well, I didn't find the payments life. The payments life found me.” I don't know what your experience of going into payments was. I assume it didn't run in the family. But why payments? And why do you care? Because obviously you’ve built such a big career in it.

Rene: I also ended up backing into the industry, as it were. My very first job happened to be at a bank. So from day one, I was in the whole financial services industry. But it's not the kind of job that I really wanted, because working for banks is not necessarily my cup of tea. On the other hand, I did enjoy and learned from financial institutions the discipline of managing and the financial accuracy, which I found tremendously, intellectually challenging as to how to reconcile and how to bring all of those gazillion different types of transactions and be able to reconcile them. But it was not until I joined a company by the name of Tandem Computers, they used to be very big, and they are still very big, although all of that equipment, the brands and all of that is now owned by Hewlett Packard. But with Tandem, I was able to look at the technology behind payments, and I was fascinated by the fact that an authorisation request could go from somewhere in Italy, all the way across the world, through San Francisco, California, where VISA had its networks, this big switch, and then send the transaction all the way back to Baltimore for approval, and have the transaction go back all the way to Italy in less than five seconds. And that was absolutely fascinating. What does it take to actually do that? And later on, I became tremendously involved in the function of payments, what are the different aspects of payments, when I did some work with GE Capital, doing consumer financing on a global basis. But it was not until I joined Amazon in 1999 that I said, “Okay, this is it. I'm not going anywhere.” Because at Amazon, I then learned about the economics of the business, and realised how important payments are to almost every facet of the business - payments impact the customer experience, payments impact the financial aspects of things, payments impact the reputation of the company. And so, to be able to have that broad perspective as to how a business, and a retailer in particular, operates in the contribution of payments made me think that this is a place where I can contribute. So that's pretty much. I could go on for hours just talking about my different adventures in the payment space. Let's just leave it there.

Rob: Simon Sinek, who we all respect, talks a lot about the why. And you talk about how important it is. If you had to say what your why is, why do you care? I think it's one of the most important questions for anyone, when we wake up and do our jobs. It is important, it involves almost every aspect of the business, but why choose payments as opposed to anything else?

Rene: Sometimes my colleagues and I have conversations about the fact of "Why are we doing what we're doing?"And the justification, at least that I gave myself, and I'll speak only for myself, is that people who trade amongst each other don't fight with each other. People who trade with each other tend to become friends. People who trade with each other tend to grow together. And therefore, to be able to trade, you need to be able to make a payment. Because if you think about trading, it's little more than an exchange of value. It has evolved over the time, from the barter days to the very complex systems that we have today, that make things look very easy, with a great deal of complexity. But the sociological justification, if you want to call it that, is that by facilitating in helping make payments happen on a global basis, we are facilitating trading, we are facilitating and helping people be more communal with each other.

Rob: That's great. I love that phrase "exchange of value". We might have to go back to that because I think that taps into some other themes of yours later. But you've worked with some of the biggest names we all know: FedEx, Microsoft, T-Mobile. I was really curious to understand what are some of the themes that you've noticed? Have there been repetitive themes when working for them? Are there common problems? This might tap into the next few questions that we want to look at, about commoditization and fragmentation. But I thought we could lay a bit of a foundation and say what sort of themes have you seen in these large enterprises over the years? Or is it a different problem every day?

Rene: No, there are consistencies amongst a number of the problems. One of the things that we have seen at the business level, and I'll try to tackle it in those same frameworks, technical business, and economical as well. At the business level, organisations, especially the larger ones, are becoming more aware of the fact that their payments platform, whatever that may be, is becoming an asset, or should become an asset, for their operations. It can be a definitive contributor to the bottom line. From a technology perspective, we're finding environments that are becoming more and more complex, and we are finding many people doing the same thing, sometimes in the same organisation. When technical resources, engineering resources, are tremendously valuable, they are repeating the same functionality, or in some cases, managing payments platforms when their job really should be to develop new ideas. And finally, from the economic perspective, the other trend is, of course, the cost of payments, primarily here in the United States where we do not have, or we have little, regulation that actually manages that. So the question becomes: what should the cost of a payment be? And who should be paying that?

Rob: You said something that you mentioned in our earlier conversation, which I have held on to, I think it was a great phrase, and you talked about the journey with payments ultimately becoming an asset. And there were a couple of stages before that. I can't remember exactly the phrasing you used, but I thought it was really seminal.

Rene: We have a little scale that we use and we ask our clients to say, "Where are you in that journey?" And usually payments are a burden. We have to do payments. It's like, "We don't even want to know about it." We might be a small company, a startup, and we just want to create a little product, and then we have to sell it, but we don't want to have to deal with much of it. The next is payments becomes a necessity, then people begin to realise, '"Hey, I'm a small startup. I'm trying to get my product out the door, but now I need funds to come in, to be able to meet payroll." The third one is payments as a utility. It’s like the light, the electricity, or the phone service. Nobody manages, nobody cares very much until it breaks. And then you realise how important it is to your business. That's when people then become aware that this payments platform could really become an asset, and they begin to put the necessary effort and investment into it, so that the platform can contribute to the bottom line, can enhance the customer experience, and can help the company grow as well. And you can even go to our next stage, where you develop, or the merchant develops, such a strong knowledge of the payments platform competencies that can then be used to turn that payment platform into a revenue generator. For example, there are situations of large companies that have to deal with a number of suppliers, and they are now processing payments for their suppliers, franchisees. Imagine, for example, in the online travel space, they have their own payment relationships, sometimes not enough on their very advantageous terms. The online travel agency could actually provide those kinds of services to their partners, in that case, at more favourable terms. So now the payment platform becomes, instead of being a cost item, now it generates revenue.

Rob: That's brilliant, and I think you and I both serve a similar cohort, in terms of the medium and up, the larger organisations. I'm really curious, your lens on the industry, are we talking 50% of large organisations are at that asset level yet? What's the spread? What's the mix?

Rene: If I was to give you a number, it will be more empirical than actual scientific. Our empirical research, by just talking to different clients, tells us that maybe 20% of large organisations actually think in that fashion.

Rob: So there's a lot of value trapped, then?

Rene: There is indeed a lot of value trapped. And there are many organisations who flat out say, “We're not a payments company and don't want to touch that.” We have situations where we have gone into clients where we have made the recommendation, "Hey, this thing you have here is good, you should leverage it. You should hire people to actually perform the jobs, rather than using half a person here, half a person there." And the answer comes back as, “No, we're not going to do that.”

Rob: Well, it's funny because the world we come from, I think, every company is a FinTech company. It doesn't matter if you're selling ice creams or cold banking.

Rene: I hadn't thought about it that way. That's a pretty cool contrast.

Rob: That's great. There's a few trends I wanted to chat about, which is choice, to quote Bono's famous phrase "In New York freedom looks like too much choice." And we're seeing so much movement in the FinTech space, in the payment space, in the rate tech space, in fraud and AML, the whole place, this exploding. Every time we talk about what's happening in industry, everything else, people say, "Oh, it's so crowded. How do we navigate?" There's a few trends that I want to talk to you about. One is commoditization. The other one is fragmentation. And then what do you see falling out of that? Do you want to just touch on your perspectives on what's being commoditized? And where is it breaking up?

Rene: Sure. What is commoditized right now is the acquiring function. If you think in terms of card payments, acquirers are becoming more and more squeezed, almost to the point that if you look at the United States marketplace, for example, there is acquirers buying all that acquirers, so that today, if you're a large organisation looking for an equally sizeable, a small mom and pop type of operation, you're down to four or five acquirers. Whereas before there used to be a good dozen or so alternatives, so that function is being commoditized. Similarly, or along the same lines, the cost of transaction processing on the acquiring side is getting commoditized. There are some companies out there that are saying, “Pretty soon I'm going to have to pay you merchant, to give me a transaction,” because I think that the value in this brings us into what will be the effect of consolidation, if the value is going to become not about processing the payment, but the information in the data that goes along with the payment. And so that's one of the by-products of that. Now, the fragmentation, if such a thing is happening, seems to be occurring at the front end, because I don't believe that there is ever too much choice. The frustration comes from the fact that I'm linked in to this processor, and I don't know how to move on, or how to easily connect to all of these different alternatives that come along, without having to reinvent and re-architect my world. That's where the frustration comes along. There are many ideas, many thoughts. Again, this goes back to having a synchronisation of people that know and understand payments are a merchant, that are able to recognise the value that these new players provide, which in many cases is not available there. But if such a staff existed, with that kind of knowledge, the first thing that they all begin to think about is, “How can I connect? How can I create an architecture that will allow me connection to all of those platforms, and to move things around in a manner in which I do not have to be spending hundreds of man-years of engineering time doing that?” So those are where we see this current state of affairs.

Rob: Do you feel that the large merchants are at this crossroads of: do we build this kind of technology? Or do we buy it? Or they're in this decision-making flux right now, because they see the tidal wave of fragmentation at the front, commoditization at the back, and unsure how to really safely connect? Because the corporate knowledge, or the industry knowledge, that's required to be maintained to sustain an efficient ecosystem just is very difficult to maintain, if you're not a top tier operator.

Rene: Absolutely, absolutely. It's interesting because some of the newer, what I call the new economy companies, the Facebooks, the Googles, and the like, are a little bit more attune to that, and are willing to make more investment in that area as compared to the old economy companies. But every so often, we do run into one old economy company, a telephone carrier, who decided to build its own switch that allows them to support two acquirers and to be able to, regardless of whether it is a transaction that initiated at the store, or whether it is a recurring billing transaction, whereas before those transactions went via two different acquires, now they are able to send them to whichever acquirer they send, and that allows them to minimise outages, allows them to minimise cost, because they get the vendors to actually compete for the transaction pricing, and it also allows them to monitor their overall processing in a much better fashion. So they built it themselves because their needs were specific, they were very domestic, it’s a domestic US carrier, and they decided to build it, and they had the technological resources. On the other hand, we've also seen global companies where almost every country becomes its own separate silo to interface into a particular aggregator to go into a particular country, because there was no conceptual design from the beginning as to how all of these methods of payments were going to be integrated over time. And they always go through this whole [build by efficient] as well. And the challenge in that is trying to figure out how, by buying, I can actually make my cost structure a little better. Because, once again, when you do not treat your payments as an asset, you're not managing the overall cost that it takes to operate and to implement new methods of payment. It's all sunk costs, cost of doing business, nobody tracks how many engineering hours you have to just keep the lights on, nobody keeps track as to how much is lost in terms of upsetting consumers, because they get declined by the issuer and they go somewhere else, nobody tracks how much fraud in chargebacks is being… It’s all the cost of doing business.

Rob: I was just going to quickly say: and then you've got a risk of data breaches that you won't find out about until six months later and a big fine from the ICO, or someone like that.

Rene: Indeed, indeed. And if marketing comes along, and they decide that they want to go into a country, and your platform cannot easily support it, and you have to delay launch there for a year, what is the opportunity cost associated with that? Contrasted against that, of course, is the cost of buying a platform that can do all of the things that I just talked about. That comes with a transaction fee. Now that’s a hard cost, now you're paying something, and they track that.

Rob: We've seen that again and again. I think all of this funnels down to the white paper you wrote, called "Payments orchestration layer, necessary functionality in the payment stack." Obviously, that's a place where we play as well. I'm curious to know what prompted you to write it. I feel like payments orchestration is this concept that's been around for a very long time. More recently, it's got a name, you've really verbalised it as well. I'm really interested to understand what necessitated that piece from you, and why was it important to put it out?

Rene: Probably the germ of all of that was in my early days, working in the technology side of the house, and working with a lot of ATM and point-of-sale switches that fundamentally routed transactions left and right, based on different criteria, usually what kind of card it is. What orchestration, to me, is all about is enhancing that capability, and include all of the things that people are beginning to demand today. We are seeing merchants, as I indicated earlier, having multiple acquirer relationships so that they can retry declined transactions. There are surveys that say that there is a 26% probability that if you, the merchant, declined a customer for no valid reason, it's because the issuer sent you a do-not-honour decline code, there is a 26% probability that that customer is going to go somewhere else, and you will never see him again. Those are really quantifiable risks associated with providing superior service. Several merchants who have tried to figure out how to solve the problem, they retry the transaction, sometimes through the same acquirer, fiddling a little bit with the data, not a very cool thing, to be honest, but is still reasonable, or they will retry through a separate acquiring relationship. And in a significant number of cases, anywhere, depending on the industry, from 15% to 30% of all of those declines, you might be able to save them through an alternative retry strategy, and that can easily turn into somewhere like 1% to 2% bottom-line upside. [Hidean] actually has a good paper on that particular space, and we also have experiences related to us from certain merchants who have tried some of the same tactics, and they also report a similar thing.

Rob: What you are saying is that, depending on the merchant, obviously, and other factors, larger merchants, or even smaller ones, can see 1% to 2% profit increase just by having a multi-acquirer orchestration retry strategy. And that's, again, one of those stats that probably doesn't get tracked, but should, but it's not easy to benchmark, if you're on a single gateway strategy, single acquirer strategy. That's a big number to throw out there, when you combine it with the other metrics that you were mentioning,

Rene: And if you start thinking about your cost of outages, there are some very interesting surveys that indicate how much money, and this, again, is something that very few merchants actually track, when you're down in the physical space, you can actually run the old paper knuckles, or do a manual transaction. But in the e-commerce space, for example, if you are down, you cannot accept payments, and you cannot really move forward, where the transaction systems were not designed to work in that fashion. So you could be losing tens of thousands to millions of dollars, depending on the length of the outage. The other thing that, again, doesn't get tracked is how many engineering hours do you think have been spent over the last few years by engineers just trying to keep in compliance with new Visa MasterCard requirements. For example, moving from dollar one authorisation to the account verification, or dollar zero, and figuring out which transaction needs to go which way, or the new one, which I love, is doing an authorisation for a refund or credit, which, by the way, doesn't seem to be working right now. But here we have thousands of engineers across thousands of merchants around the world, developing the same bloody code. And so I think that that need to address that waste is probably what led us initially to start thinking about orchestration, which in turn also led us, “Hey, hang on a second. We can add a few more bits and pieces into this thing that adds more value.” To us, orchestration right now means the capability to create a platform that will improve your routing, will allow you to implement retry strategies, will optimise routing for lowest cost or better acceptance, and will also allow you to create a platform that can be driven and managed not by engineers, but by payment professionals that can actually define, using rules-based systems, what will be the best routing opportunity, and eventually, going back to my original banking days, the connection is a platform that can track and account for itself financially, by maintaining real-time ledgers.

Rob: That's great. This is one of the best definitions of orchestration I've heard in a long time. One thing I've been reading between the lines of what you were saying is that I think there's one thing, for any merchant listening to this, is maybe a lot of us are tracking the wrong numbers. And there's other numbers we should be tracking, to really quantify the whole cost of payments.

Rene: A good example, sorry to interrupt you there, but a good friend of mine, colleague of mine at PayPal, and he came to run a big, large software company payments operation where they had integrated the entire global payments function, and one of the first things that he was able to do is to find a financial analyst, and began to collect and track a lot of those numbers. Using that information, he was actually able to go up the ladder to his boss' boss' boss and say, "This is how much we would lose every minute, if we're not up. This is how much we will gain in revenue," and those kinds of things. And that company made the necessary investment, and right now they have one of, what I consider, a state of the art payments management environments. And they develop their own kind of orchestration layer.

Rob: It was a numbers, data-led discussion?

Rene: It was data-driven decision making because the proper numbers were being tracked.

Rob: That's compelling. Maybe you and I should just come up with a list of "Here's what you should be tracking," and publish and say, "Here's your lens to assess the health of your payment."

Rene: As a matter of fact, Daniel and I are actually working on that even as we speak.

Rob: Well, there you go. We're going to make sure you leave your contact details as we spread this afterward. One question that we get, there's more and more people coming into the orchestration space, we've talked about what it is, there are people like us, building platforms to address some of these needs, so merchants can just pick it up off the shelf and plug these holes, rather than, as you say, hiring thousands of engineers and having data and knowledge bleed in every different direction. Do you think that the new services coming into the orchestration space, do you think it's a winner takes all? What do you see as being ahead? Because we've got commoditization, we've got fragmentation, we’ve got orchestration coming around to harmonise this, you have Amazon for payments type thing, is it going to be an Amazon situation where there's going to be one gorilla orchestration platform, and then some pretenders?

Rene: I don't believe so, because every merchant in every industry has a slightly different requirement. And therefore, there will be orchestration platforms that are more suited for one industry or another industry. The one thing that I fear, however, is that a number of these platforms are now being acquired by PSPs, or companies becoming PSPs. So the danger there is that it is an attempt to offer this great functionality but remain captive within, allowing the PSP to process that payment. I don't believe that that actually serves the industry very well. I think that an orchestration platform can potentially generate revenue, as a standalone, and be profitable at the same time, while helping the merchant reduce their costs. But the idea then will be to find orchestration platforms that can be operated independent of the PSP service, and they each should be able to leave and stand on its own merits, and the job of those companies will be to convince them that orchestration and PSP is a better deal than just one or the two alone. But in many cases a merchant probably wants to have a little more flexibility, because you do lose flexibility when you go into an integrated suite that gives you the orchestration but also insists on processing your payment.

Rob: We'd like to believe so. We've caught a lot of heat for remaining transparent all the way through the journey. But it is a hard position to maintain, I think, as the industry is maturing. But I think increasingly people are seeing those other metrics, they're seeing the inherent value in orchestration, but it's taking time, I think. So, for ourselves and others in the space, I hope they can remain transparent, and independent, and merchant-focused, because that's what it's really about, is about merchant value first. Absolutely. Let's move on to some of the other things, personally, that fascinate me about your story. I recently read a book called *Identity Reboot* by a lovely young lady by the name of Arwen on blockchain and self-sovereign identity, and I'm sorry I had to use these two phrases in our podcast. I've used the word blockchain. I hope you can forgive me. But you talked about unified identity verification, and I'm seeing a trend where authorization and exchange of value-- Authorization is, really, the face of payments, and what's happening in the backend, whether it's a scheme-based process, or faster payments rails, or some other ledger technology, those two things are separating a little bit, where we're agnostic about what constitutes the exchange of value, and it's the authentication, the identity at the front, moving to the edge, sometimes we talk about. Was that at the heart of some of your thinking? I'm just really interested to understand what was behind that particular patent in technology, and how you see that playing out in the future.

Rene: Some people have accused me of being a payments historian. But if you think about, again, the barter days, it was all face-to-face with people you knew. Then payments where cash was exchanged. Now people began to look at the bills, are they forged, trying to authenticate and ensure that it was a valid transaction, but it was still a face-to-face with people that you knew. And then, as we have evolved checks and so forth, each measurement is moving those two trading partners farther and farther apart, almost to the point that now you trade with people not only not face-to-face, but people that you don't even know. And so the question then becomes: how do you ensure that the person is not fraudulent, that he or she is who they say they are, that the payment instrument actually belongs to them, that the payment instrument actually is funded, which is what today we call authorization. But look at all the other things that now the industry is trying to prove that that particular patent was all about. And we were playing around with this idea back in my PayPal days, 2007, 13 years ago, in looking at the concept of creating, and I was just rereading the abstract of the patent just prior to this call, because I had to refresh my mind. As to the concept of tokenizing the identity of the consumer and associating that with a particular merchant and/or a particular device. Believe it or not, I think that those are some of the same concepts that stand behind Apple Bay. We were just beginning to scratch the surface in that day. But that's fundamentally what that came about, is, since we don't really know who we are with each other, we really need to start thinking about how we are going to identify ourselves, because plastic cards, 16-digit numbers, they were never designed to be used in this manner, in the current or present situation. So those are the challenges that we're finding. But I also have another patent, which I think is going to be more interesting because it's the concept of push payment, because I think that, with a lot of these new real-time payment mechanisms arising all over the world, including here in the US, with RTP and FedNow, the probabilities exist. And this goes back to innovation, this goes back to looking at alternative ways of exchanging the value. The possibility exists to flip the flow of the payments, so that instead of being a pool, as it is today, where the merchant tries to take money away from consumers account, it will be the opposite, where the consumer pushes money into the merchant's account, in the same way that you do with a bill pay system. A number of payment systems around the world are actually evolving, where a consumer, using his or her bank application, can scan a QR code presented by the merchant, and that initiates a real-time payment that eventually ends up in a merchant's bank account within seconds.

Rob: I might follow up on that one, because I had a very interesting conversation with somebody in the Asia-Pacific region, connected with a few big banks there, on this very topic this morning. I might loop back around after this call some time. I think there might be something we can work on there. But I agree, I see that there's a big change coming in the ability to push, because that creates a lot more security and control for the person who's doing the paying, which, as a consumer, we like.

Rene: And for the merchant it completely eliminates chargebacks, it completely eliminates 3-D secure and all of that other alphabet soup of things that merchants have to do today just to try to maintain the current infrastructure afloat. This is one of those moments where you almost have to rethink how we go about exchanging value. Payments is not just about putting a card through the system. Payment, at the end of the day, is how do we exchange that value. And I think that's going to be the interesting thing that will be happening in the near future. I'm going to go back and look at my patents and see if there is anything in there. The patents actually do belong to eBay.

Rob: Maybe not too much you can leverage, but actually, you said the word payments historian. As you were talking, I was thinking about, back in the day, when we all had cash, we would actually give the cash to someone, we would push the note across the counter. We are going back there, while going forward.

Rene: Guess what that is going to do to a merchant. They have to change their payments interface, because now, instead of sending a request that says, “Please authorise,” and waiting for a response, now the merchant basically has to say to the billing system, or the order entry system, or whichever that is accepting this payment, has to tell the payments platform, “We just sent a request to pay. Go check or interface with the bank and see if the money has come in, or do whatever process to see if the money has come in, so that we can dispatch the goods.” Most merchants are going to go, “I don't know how to do that,” or “How many engineering years it's going to take to do that?” And so we go into this bit of vicious circle that we cannot take advantage of new technologies, and new services, and new, less expensive methods of payment, without making the investment, but you have to make the investment, to reap that particular benefit, unless there is something that is already designed from the get-go to be flexible and to support, not only pull, but push inbound payouts and all different kinds of payment mechanisms.

Rob: It's not just the most agile wins, but it will be able to move the fastest, like a cheetah running. We've had some of our customers say, “We've been able to do it with you in a few months, while we weren't able to do in nine months. And now that you're in, we can go bang, bang, bang, bang, bang and just unblock our payments roadmap.” So we are seeing that supercharging effect through orchestration, which, I think, holds many of the answers, whether it's done in-house, if you can afford it, or through a platform that's focused on your industry. I've got two or three final things that I really wanted to touch on. This is something that I think is quite important and comes up for me a lot. We don't work in particular sectors. We're seeking to become in time a B Corp as fast as we can, and focus on a payments company that has values as well. And we see a lot of people making hiring choices around values. The payments industry is not really known for being an industry that operates to a higher standard. It's a little bit of an abstract question, but what do you see is the role of values in payments companies in our sector? Like you're saying, people you end up trading with you become friends. Here in the payments industry we all know each other. I think, personally, I have a responsibility to speak to the role of values in payments companies, which I think is really interesting, and maybe something that hasn't been thought about before. Is it something that you've thought about, or encountered, or have a position on? No particular answer I'm searching for here.

Rene: It's a fragmented answer that I'm going to give you. Primarily here in the United States, where I am based, we have this environment where 65%, nearly 70% of all non-cash payments are done on cards. These cards are subject to interchange. We find interchange to be a very regressive method, a very non-transparent method of rewarding the participating parties, and that in many cases consumers are making decisions that go against their own good, because they're just trying to get their frequent flyer cards, and frequent flyer miles, and frequent guest points. As the Australians demonstrated back in 2003, all of those benefits, some perks usually go to the upper levels of society, in that the non-affluent people are still paying the tax associated with interchange, even though very few of them are getting benefits associated with that. So there are a number of countries where there is no interchange. Canada, for example, has this no interchange of schema called Interac. The consumer pays his bank for the benefit of doing a transaction, and the merchant pays his bank for the benefit of doing the transaction, but there is no portion of that transaction value that goes from the merchant back to the issuer. And so the question then becomes: is interchange a valid model? Which is going to sound like I am speaking at two sides of my mouth here. It's a valid model, it's just as good as any other. The question is: is it being abused in some places? In Australia and over in Europe the regulators have actually mandated caps, and despite the claims from the card schemas that the world will come to an end, things just keep on moving right along. Thank you very much.

The question then, to me, becomes: from a social perspective, there is a cost associated with processing a payment. Nobody denies that companies that are offering the service should be making a profit. Nobody denies that. But who defines what that cost is? And who defines what the social cost and the social implication associated with that should be? Because in some cases we have those kinds of rather unfit environments, and we're seeing that here in the United States, primarily in these COVID days, because a lot of very small merchants, minority business and the like, who have always been transacting at cash or in a face-to-face environment, now are having to accept a lot of orders in a card-not-present environment, and are being exposed to fraud, friendly fraud, increased charges, and there are expected even increases on this particular segment of the industry on interchange. So those are the things that trouble us, and we have a voice, and we want to see our voice amplified for people to start thinking about who should be selling that, how do we go about creating a good, proper payment policy, because the way in which we do it here is primarily large merchants suing large issuers, and the card schemas, they have lawsuits that go on for decades, millions of dollars are spent, but neither the value, neither the benefit to the consumer, nor to the small merchant is actually taken into account, because nobody is representing them. So we would like to have a little louder voice in that particular space, because, as I said, it is an important part. Without it, payments is the grease that makes the machine operate. Some people may argue, “The machine could do without all of the above.” But there needs to be a sense of fairness associated with it. And that's the little square in this little subbox where we like to stand every so often.

Rob: Just wondering, maybe I don't know how to navigate my way through this. That's where you come in. That's why you're doing what you're doing. RPGC is to help merchants understand what you understand, so that they can benefit without falling prey to a system that they might otherwise become exposed to?

Rene: It is, sadly, very unlikely that there will be-- We had the Durbin amendment here in the United States, which, hopefully, your audience is familiar with, where debit interchange was capped only for a segment of all the debit cards here in the country. But besides that, there has never been, nor there is likely to be, much governmental intervention in cab fares. I hope I am wrong and that that indeed changes, as you have done it over in Europe, in Australia, in a number of other countries. One of the things that we learned, however, is that the best way, and this goes back to the orchestration discussion, the best way to influence the industry is by creating competition, by bringing new methods of payments, by bringing in a less expensive method of payments that consumers want to use. And we were just talking about push, for example, as an example of that. So how do merchants then begin to move in that general direction and architecturally support these new ideas and new concepts, without having to hire an army of engineers? That's where it all connects together.