Navigating the Digital Revolution:

A Playbook for Financial Institutions in the Age of E-commerce

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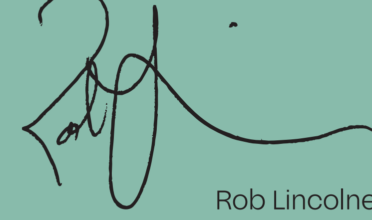
Dear Reader,

I'm excited to share **Navigating the Digital Revolution: A Playbook for Financial Institutions in the Age of E-commerce** with you. This guide draws on years of hands-on experience, development and countless conversations with brilliant teams, partners, and thought leaders in fintech and e-commerce. We're at a defining moment. The rapid rise of new technologies is reshaping financial services, bringing opportunities as well as challenges to financial institutions. How you navigate this evolving landscape will determine your competitiveness in the coming years. I hope this whitepaper becomes a helpful tool for your success.

Thank you for your time and trust. I look forward to the journey ahead as we embrace this digital revolution together.

Warmly,



Rob Lincolne

About the author

Rob Lincolne is an accomplished entrepreneur with over a decade of extensive experience in the payments industry. As Co-CEO of Paydock, Rob is dedicated to transforming the way the world transacts through the creation of the world's most trusted payment orchestration platform. His journey in entrepreneurship began in 2013 in Sydney when he established a digital marketing agency that specialised in the not-for-profit sector.

Rob's payments career took off in 2017, leading him to recognise a series of systemic challenges faced by financial institutions and merchants alike in an increasingly fragmented payments landscape. His vision for Paydock arose from years of consulting and hands-on experience, where he identified the need for better integration between financial institutions and their merchant clients. Rob's innovative approach is aimed at unlocking the true benefits of the fintech market, which have often been hindered by complex technical, stability, security, and administrative barriers.

Before founding Paydock, Rob worked for over seven years in merchant payments across retail and charitable sectors. He is a self-taught software engineer, known for developing cutting-edge payment and propensity modeling software, and he also pioneered various digital and experience design systems. During this time, Rob founded a successful near-shore talent placement agency in Ukraine, connecting software engineers with fintechs around the globe.

Executive Summary

In the arena of financial services, it's not just about playing the game; it's about playing the right game. Imagine a ski racer equipped with traditional downhill gear suddenly finding themselves on a slope tailored for freestyle moguls. They're equipped with the wrong tools, skills, and mindset for the terrain ahead. Similarly, the majority of financial institutions (FIs) find themselves grappling with the seismic shifts brought forth by so-called "fintech disruptors" since the dawn of the internet age culminating in an uncomfortable level of attrition and risk. The narrative is often painted as fintechs running away with the trophy, but in reality, it's a much more level playing field. The problem isn't the game itself—it's that legacy FIs are playing by outdated rules. "Disruptors" aren't as much disruptors, they just read the new rules properly before stepping onto the field.

Just as Amazon revolutionised retail by embracing the digital era's rulebook, fintechs have flourished by navigating within the parameters of this new financial landscape. Amazon thrived not because it invented a new game, but because it mastered the rules of the digital marketplace. And what did legacy retailer Walmart do in response?
It certainly didn't run away from the match complaining about how unfair the game was.
It adapted to survive, leveraging its unique strengths into becoming an omnichannel behemoth, integrating online and offline operations seamlessly. Walmart didn't merely survive, but thrived in the face of Amazon's dominance. So too can legacy FIs rise to the occasion.

Legacy FIs can pivot, adapt, and ultimately triumph by understanding and embracing the dynamics of the internet revolution. This whitepaper aims to illuminate this path to victory. By deciphering the rules of the digital age, it equips legacy institutions with an up-to-date playbook to not only compete, but emerge as leaders in this evolving landscape. Through strategic insights, innovative approaches, and a willingness to embrace change, we empower legacy institutions to reclaim their position at the forefront of merchant services. It's not about reinventing the game—it's about mastering it in its current iteration. Let us guide you through the playbook of the digital revolution, where success lies not in resistance, but in adaptation.

Redefining the Game:

Transformation of Commerce and the Rise of Fintech

Gameplay 101: Understanding The Rules of The Game and Your Opponents

Every industry operates within a set of rules—think of it as the playbook of the business world. These rules are shaped by everything from consumer expectations to regulatory policies and even the broader socio-economic landscape. To succeed in the game, companies not only need to understand the rules, but also find creative ways to use them to their advantage. But what happens when the game suddenly changes, and new players step onto the field?

Picture the printing press, churning out countless books per day rather than the tedious (and costly) endeavour of hand-copying manuscripts, or the steam engine, which revolutionised how goods were transported by significantly reducing travel time and costs. Many would argue that these innovations were so significant that they didn't just slightly modify a rule—they practically invented a whole new sport. This phenomenon is what we refer to as a classic case of rule disruption—whereby the competitive landscape is fundamentally destabilised by a significant shift in a particular aspect of the contextual environment.

When a rule disruption occurs, companies that had been leading the charge suddenly find themselves scrambling to keep up, while newcomers swoop in to steal the spotlight.

Amidst the chaos—you can expect to encounter three kinds of opponents on the playing field.

1. **First are the "disruptors"** – think of the bold upstarts who crash the party with fresh ideas, cutting-edge tech, and a boatload of VC capital to spend. These are players that likely didn't even exist before the rule disruption took place and were born into the new set of rules. Their main advantage? To them, the new set of rules are second nature, much like millennials are known for their affinity for technology. They are characteristically known for leaning into the rule disruption, and are often two steps ahead of their opponents who may be resistant to change. However, don't let their name deceive you, though they are often credited with rewriting the rules themselves, they have likely on their own not fundamentally disrupted anything, but are rather a product, or a consequence, of the rule disruption.

For instance, consider how Airbnb reshaped the hospitality industry by leveraging modern technology to challenge traditional lodging models. Without the invention of the internet, smartphones, and subsequently, mobile apps, Airbnb would have never been able to create a platform that connects users at-scale and offer a service with so much utility.

Next are the seasoned vets – you know exactly who they are. These are the players who've held the championship title for too long and are comfortable right where they are. They are the legends, the household names, and have been winning the game consistently. Once the disruption occurs, this group segments off into two distinct opponents.

2. On the one hand, there are the ones which aim to change and capitalise on the new opportunities a rule disruption brings and end up maintaining their stance, going head-to-head with the disruptors.

3. On the other hand, are the seasoned vets who are still too caught up in their own outdated plays that they are completely blindsided by the disruption and consequently fail to remain competitive. And when they ultimately fail—and they will fail—they will be left in the dust by more nimble competitors. Remember Blockbuster, the king of video rentals? Or Kodak, the photography giant that missed the memo on digital cameras?

The moral of the story? Technological disruption isn't just a game-changer—it's a game-breaker. It's like someone snuck into the rulebook and started scribbling around, turning everything upside down and inside out. How you react to it and what kind of player you want to be determines your fate in the game.

What are the new rules in the online era?

Within the world of commerce, the rise of the internet stands out as the most monumental rule change of our generation. The invention of the internet transformed not only how we communicate and access information, but also how we transact both with businesses and with our peers–its impact has been nothing short of transformative.

As highlighted below, McKinsey & Company has outlined four eras in payment transactions which were driven by technological developments. Before the mass adoption of the internet in the 90s, conducting transactions usually required physical presence or lengthy paperwork, processing times were slow, and payment methods were often insecure.

However, with the advent of online connectivity, the Account Era of commerce payments emerged. The internet democratised access to markets, enabling businesses of all sizes to reach customers globally with unprecedented ease. Suddenly, the barrier to entry was significantly lowered, and anyone with an internet connection could participate in the global marketplace. This is really where we saw e-commerce born, supported by secure online payment infrastructures and appealing digital storefronts.

E-commerce has since grown to become a cornerstone of the modern economy. In 2024 alone, global e-commerce sales are expected to amount to $4.45 trillion and are projected to continue growing at an annual growth rate of nearly 10% over the next 5 years, a testament to the scale and ongoing relevance of this industry[1]. This leads us to today—the Decoupled Era, where digital payments have evolved to be instant, secure, and processed via a multitude of new channels. Cashless payments are the name of the game here and are expected to triple in volume to over three trillion transactions by 2030[2]. This is the era of ultimate omnichannel commerce experience, emphasising convenience above all else, which simply would not be possible without the underlying technology which enables it all. Those who are unable to keep up with the technology needed to service these growing expectations will evidently get left in the dust of the era.

[1] Statista Market Insights (2024)
[2] PWC (2021)

	Paper Era	Plastic Era	Account Era	Decoupled Era
	Pre-1960s	1960s-90s	1990s-2020s	2020s
Transactions	Cash, checks, and wire transfers	Cash, checks, wire transfers, and physical cards	Instant transfers, A2A, and virtual cards	Interoperable and open, platform, and decentralised
Sources of economic differentiation	Balance and deposits	Transaction fees	Relationships and transfer fees	Convenience, security, and low fraud incidence
Distribution channels	Physical (eg, branches)	Physical and ATMs	Physical, ATMs, online, mobile, and digital wallets	Physical, ATMs, online, mobile, embedded, and metaverse
Technology	Telegram	Automated clearing house (ACH)	Applications and instant payments	Platform as a service (PaaS), tokenisation, generative Ai, and open/API banking

Figure 1. Four Eras of Payments Business Models (adapted from Mckinsey & Company)[3]

[3] McKinsey Global Payments Report (2023)

The Fintech Revolution

Enter the disruptors: fintechs, who have harnessed the power of new technologies and transformed customer expectations as a result. Companies like Stripe, PayPal, Venmo, and Klarna have capitalised on these new rules, leveraging technology to streamline payment processes, enhance security, and improve user experiences. Fintechs are notorious for their agility, innovative mindset, and customer-centric solutions, which have allowed them to rapidly gain market share and challenge the status quo. Take Stripe, for instance - as a fan favourite in the fintech world since its founding in 2010, it has grown to become the world's most valuable fintech unicorn[4], processing nearly a trillion dollars worth of transactions annually[5]. And this is only one company. Thus, their collective impact cannot be overstated, with nearly 300 global fintech unicorns valued at nearly a trillion dollars collectively[6]. Evidently as the digital economy continues to skyrocket, paytech solutions will take centre stage.

Your Move, Seasoned Vets ...

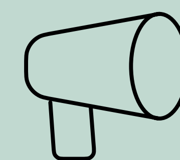
The rise of fintechs has left legacy FIs at a seemingly impossible crossroads. Still playing by old rules, they suffer from a myriad of short-comings which threaten their long-standing dominance. High maintenance costs and lack of operational efficiency plague traditional banks and financial firms, draining resources and hindering innovation. Spending on outdated payment systems is clearly on the rise and expected to cost FIs nearly $60bn USD annually by 2028[7]. Furthermore, financial institutions are notorious for their fragmented tech stacks across geographies and sectors, as well as processes riddled with complexity and inefficiencies. As they are generally not tech-led organisations, they often lack the technological resources to do anything about it and struggle to keep pace with the demands of modern payment environments, resulting in slow and cumbersome operations. The high complexity of acquiring in multilingual, multicurrency, and multi-payment method environments only exacerbates the issue, ultimately leading to a declining user experience for merchants.

The cumulative effect of these shortcomings is significant: According to a study by IDC Financial Insights, financial institutions will miss out on an additional 42% of payments revenue and an annual 21% cost savings owing to staying with legacy paytech infrastructure which is unable to compete[8]. What's more, FIs lacking modern paytech experience a time-to-market for new products twice as long as those which have modernised, ensuring they will be in a constant struggle to keep up with their agile competitors[9]. Thus, lack of a tech-enabled future-ready merchant offering ultimately leads these legacy institutions on a path of reduced market share, shrinking margins, lower volumes, and finally, a portfolio of merchants already primed to attrite.

[4] Statista Research Department (2024)
[5] Statista Research Department (2023)
[6] McKinsey Financial Services (2023)
[7] IDC Financial Insights (2023)
[8] IDC Financial Insights (2023)
[9] McKinsey Global Payments Report (2023)

With average attrition rates at a staggering 14% YoY and 17% YoY in European and the US markets, respectively, the situation could not be more dire[10]. Shockingly, nearly all global financial institutions are on the same sinking ship, with just 5% of them having future-proof paytech which keeps them afloat[11].

Meanwhile, fintechs are all too happy to gradually eat away at their core business. Research predicts that fintech revenues will grow at nearly 3x the speed of the traditional banking sector over the next years[12], with over 26,000 fintech startups engaging merchants directly.[13]



Faced with the undeniable reality of digital disruption, traditional banks and financial firms are struggling to maintain profitability[14] and must adapt or risk obsolescence. This is a fight for survival and the time for reaction is now. Will these institutions rise to the challenge and embrace the new rules of the game, or will they be left in the dust with the likes of blockbuster and kodak?

Pre-season Training

It is crystal clear that Fintechs have the advantage here. They are on their home turf, have the newest equipment, training, and sponsorships. But as a financial institution who was running laps before fintech was even born, what do you need today to step onto the field prepared?

The gap between merchant expectations and what legacy FIs are able to offer has never been more pronounced.

Merchants seek more than just a transactional relationship; they want a partnership that can keep up with the demands of their consumers. This includes a strong emphasis on security, simplicity, and innovation. Merchants desire a single global integration point for all their financial needs. This should include connections to multiple gateways, acquirers, payment methods, and value-added services, as well as redundancies, providing them with the flexibility to navigate the complexities of the modern marketplace effortlessly. The ability to utilise these numerous features via one access point is paramount. A clean, modern user interface, coupled with clear and comprehensive documentation, is essential, allowing merchants to focus on their core business without needing to become payment experts. Digital security is also critical, with merchants expecting their financial partners to provide robust fraud tools and identification checks to safeguard their transactions and instil confidence in their customers.

[10] Nilson Report (2023)
[11] IDC Financial Insights (2023)
[12] McKinsey Financial Services (2023)
[13] Fintech Magazine
[14] International Monetary Fund (2023)

Merchants are drowning in options

Payments landscape is very crowded with **1500+ companies**

Source: Drakestar

B2B Solutions

Akseleran, aptic, constantinople, TimePayment, mFino, Fractal, TGP, Alviere, MESH, V, HAWK:AI, refácil, DataSeers, leal, solid., fonYou, Kikoff, Griffin, BANXWARE, Konsentus, montonio, ENIGMA, iControl, SDK.finance, paySmart, mondu, TruRating, hastee., morning, qovarian, Bankable, QUAVO, TRUFIN, AtoB, FUNDESER, crassula, BKN301, SanKash, Cacaopay., XREX, MyShubhLife, BancoBNI, IN GO, trademaster, KYRA Solutions, RAILS, pearlpay, LUCINITY, Parafin, Lidya, PORTX, macro global, SUSU, Hearth, uncapped, nextpay, corefy, EPIPOLI, Parafin, finway, LoanPro, LEAN, contbank, borderfree, natech, CARD91, unit, inswitch, ready2order, LOCKSTEP, ASIS, AXIS, Bimasakti, hub fintech, Lyte, HASH, SHIFT, Aventus IT, Oyster, Rho

POS Devices & Solutions

Spire, Kafene, Aevi, PAX, Billfold, Nayax, PARK PLACE TECHNOLOGIES, olo, toast, MISHIPAY, vd, lightspeed, puntored, zoop, cantaloupe, HPS, CDE, acima, CASHIN

Money Transfer

PRIVALGO, wise, Qubit., Payoneer, DWOLLA, echopay, iBanFirst, BitPesa, Airwallex, lana., AZIMO, MONEYMATCH, Brite, hanpass, Airwallex, veem, EBANX, DW, APEXX, ayannah, WorldRemit, reloadly

Payment Networks

UBX, liquid now, Snaplii, moka, SPENN, OmniCard, ZIGLU, BIRLESIK ODEME, vexi, stitch, Mota, xpate, tutuka, Zeepay, CheckWRITER, Central Payments, stori, tribe, midtrans, TARABUT GATEWAY, bitt, Verestro, epay, xfers, YZYO, RELAY, CELL POINT DIGITAL, zevoy, swap, XMDS, yellowpepper, callao, ConnectPay

A2A Payments

Modulr, TWINT, giropay, B4B, iGTB, Banked :, Volante, TOKEN, kevin., blik, fintecture, bizum, FINASTRA, Bottomline, satispay, zimpler, TRUELAYER, ppi, Volt, Sofort.

Online Focused Payments

celcoin, फटाकPAY, goDutch, PayMe, onecard, PalmPay, uplift, cashew, aplazo, ozan, nub, NICE PAY, VERICASH, moon, flowe, Oval, uni, Hay, wisetack, Uniskip, BoatyardX, PayBy, FlyNow Pay Later, VALU, DIMOCO payments, PAYFARE, BANKERA, kiwi creative, aircash, papaya, SSLCOMMERZ, namba one, entrepay, empatkali, dragonpay

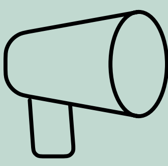
Merchant Acquiring & Processing

GreenWorld, GIVBUX, postpay, SBI SHINSEI BANK, EXTRA, Qliro Group, KEYWARE TERMINALS & TRANSACTIONS, ROBOT PAYMENT, fintechselect, CloudCard, tapi, traction, ZOTAPAY, MERCHANTE, Safexpay, letus, fintech.magalu, finviet, FinTech Chain, PostEx, mintOak, 9PAY, pollinate, NewNet, ChAI, esto

Throughout the payment journey, merchants encounter numerous inflection points where they expect their financial institution to deliver innovative add-on solutions. From Buy Now, Pay Later (BNPL) options to digital wallets, fraud detection tools, identification checks, and support for local payment schemes and other emerging payment methods, merchants demand a comprehensive suite of services to meet the evolving needs of their business and most importantly, of their customers. It is the capability to address growing merchant payment-related demands that drives merchant satisfaction and retention[15], ultimately allowing financial institutions to stand a fighting chance.

Yet, amidst this sea of fintech buzzwords, financial institutions possess a key ingredient that is often incredibly overlooked and rare to be replicated in a new-age tech company: trust. As trust is the most important factor for banking clients worldwide[16], its importance should not be understated.

Merchants don't simply go running to fintechs with open arms for no reason, they are forced to in order to stay competitive. If given the choice, merchants would rather prefer to partner with their established banks, provided they can deliver the same level of innovative solutions as their fintech counterparts. In fact, over 90% of corporate clients interested in switching providers would consider switching to another bank for the same services, as opposed to a mere 48% who would even consider a fintech company.[17] This trust, often built over decades of service and reliability, remains an invaluable asset for financial institutions and cannot be understated. However, research indicates this trust is beginning to erode,[18] signalling this alone is simply not enough to retain merchants long-term.



In the battle for merchant satisfaction and loyalty, financial institutions must leverage their strengths in trust and reliability, while embracing operational efficiency and an innovative offering to meet the evolving expectations of its merchants. By bridging this gap, such institutions can uniquely position themselves as indispensable partners in the success of their merchant clientele. Still unsure about where those gaps may be within your organisation? Have a look for yourself.

[15] Accenture Reinventing Commercial Payments Study (2023)
[16] Statista Research Department (2024)
[17] Accenture Reinventing Commercial Payments Study (2023)
[18] EY (2021)

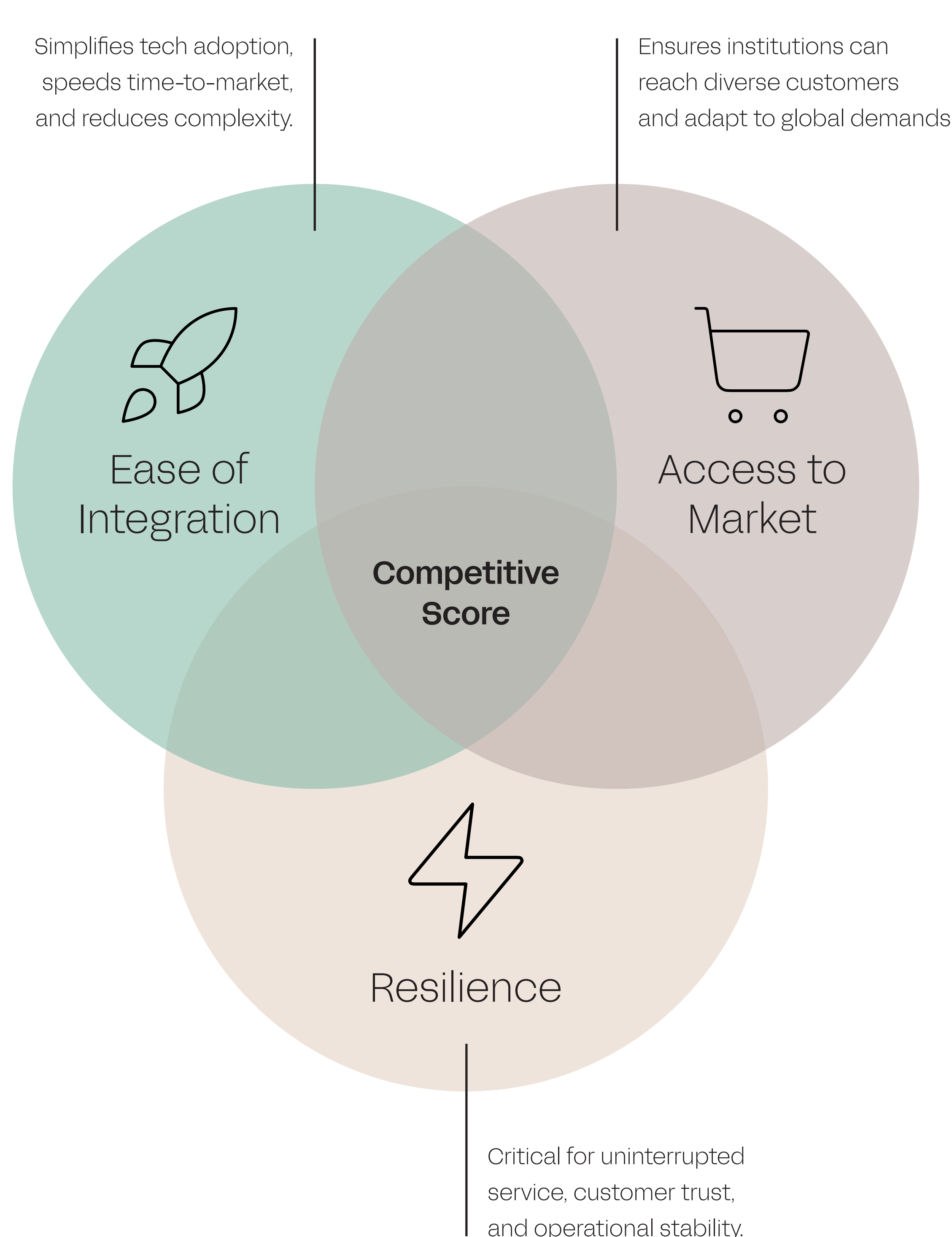


Figure 2. Essential capabilities for FIs to be competitive

Core Capability Assessment

In the following pages, you'll have the opportunity to evaluate your institution's status quo in the essential capabilities vitally important to future competitiveness. This self-assessment is designed to offer a clear view of where your organisation stands today, providing insights that can inform your strategy moving forward.

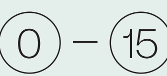
For each capability outlined below, take a moment to reflect on how well your institution is currently positioned.

Assign a score of 1 to 5 to each criterion:

(1) **Indicates little to no capability in this area**

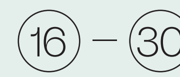
(2) **Reflects strong, market-leading capabilities that set you apart**

As you complete each section, tally your scores across all criteria. Your final score will provide a glimpse of your institution's current standing on the competitive landscape and highlight areas where further investment or improvement may be critical.



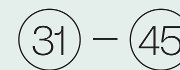
Requires considerable upgrade

Key gaps exist; prioritise improvements to stay competitive.



Requires some improvements

Solid foundation; enhance targeted areas to boost performance.



On the right track

Strong capabilities; maintain focus to sustain competitive edge.

Example

		1 Very weak	2 Weak	3 Average	4 Strong	5 Very Strong	TOTAL
Access to Market							
Useable Across Industries	1 = Single industry 5 = Many industries		X				2
Global Reach	1 = Limited to one region/country 5 = Global market penetration			X			3
Strategic Partnerships	1 = Few / no strategic partnerships 5 = Large network across industries			X			3
Ease of Integration							
Number of ISV connections	1 = None 5 = 5+		X				2
Single Integration Point	1 = Difficult / Multiple Integrations 5 = Low / No Code Check out		X				2
Number of APMs	1 = Few APMs 5 = Numerous desirable APMs				X		4
Resilience							
Active (Cloud) infrastructure	1 = None / weak 5 = Active & scalable	X					1
Fall-back Gateways	1 = None / few 5 = Many				X		4
Status & Outage Alerting Dashboards	1 = No dashboard 5 = Comprehensive dashboard	X					1
Example Competitive Score							22

Template

		1 Very weak	2 Weak	3 Average	4 Strong	5 Very Strong	TOTAL
Access to Market							
Useable Across Industries	1 = Single industry 5 = Many industries						
Global Reach	1 = Limited to one region/country 5 = Global market penetration						
Strategic Partnerships	1 = Few / no strategic partnerships 5 = Large network across industries						
Ease of Integration							
Number of ISV connections	1 = None 5 = 5+						
Single Integration Point	1 = Difficult / Multiple Integrations 5 = Low / No Code Check out						
Number of APMs	1 = Few APMs 5 = Numerous desirable APMs						
Resilience							
Active (Cloud) infrastructure	1 = None / weak 5 = Active & scalable						
Fall-back Gateways	1 = None / few 5 = Many						
Status & Outage Alerting Dashboards	1 = No dashboard 5 = Comprehensive dashboard						
Your Competitive Score							

Updating your Playbook:

Strategies for Legacy Institutions to Navigate the Digital Era

So what happens now? What can financial institutions do to stand a fighting chance on the field? After defining capabilities, we know what we need to do, but how do we do it?

In order to advance in new capabilities, you can typically pursue one of two options: build them internally or buy them through acquisition of a fintech company. Each option comes with its own set of considerations, timelines, costs, advantages, and risks as outlined in the figure below.

Building internally, though the seemingly logical solution, requires a significant investment of time, with a minimum timeline of around two years or more until official rollout. Numerous considerations, including compliance, technological capabilities, and security, must be addressed. FIs must also be able to keep up with regulatory updates and emerging technologies, adding further complexity to the process. The costs associated with building capabilities internally are also substantial, encompassing both initial build costs and ongoing expenses associated with maintenance, feature releases and support, necessitating short-term and long-term budget commitments. While building internally offers the advantage of having the highest level of control and oversight, as well as flexibility to tailor capabilities to specific needs, the process is evidently extremely complex. Moreover, building capabilities internally is a costly investment with no guarantee that the results are even up to par with competition.

	Build	Buy
Timeline	• 2 years minimum to MVP, plus 10–30% contingency for execution risk[19]	• Varies (acquisition + integration process)
Costs	• Seven figure build costs • Short-term and long-term budget requirement • Significant ongoing maintenance costs	• Significant acquisition cost • Significant ongoing maintenance costs
Advantages	• Customisation and control • Integration with existing systems • Strategic advantages (eg. internalising capabilities) • Potential cost efficiency in the long term	• Speed to market; likely quicker to buy capabilities than build them • Access to proven technology, reducing risk of technical challenges • Specialised expertise filling gap of previous internal capabilities • Potentially eliminates a competitor
Drawbacks	• Costly upfront investment with no guaranteed results • Slow time to market • Ongoing maintenance requirement and updating with emerging technologies • Security, regulatory, and compliance risks • Expertise and talent acquisition could be a constraint if not readily available internally	• High upfront acquisition costs • Potential delays in M&A process, experienced by 30% of major acquisitions[20] • Post-acquisition integration complexity • Cultural alignment • Retaining key talent post-acquisition • Regulatory and Compliance Risks; alignment of fintech to FIs standards and requirements • Risk of ultimate failure, 70–90%[21]

Figure 3. Routes for Acquiring Capabilities

[19] EY (2021)
[20] Forrester (2024)
[21] S&P Global (2023)

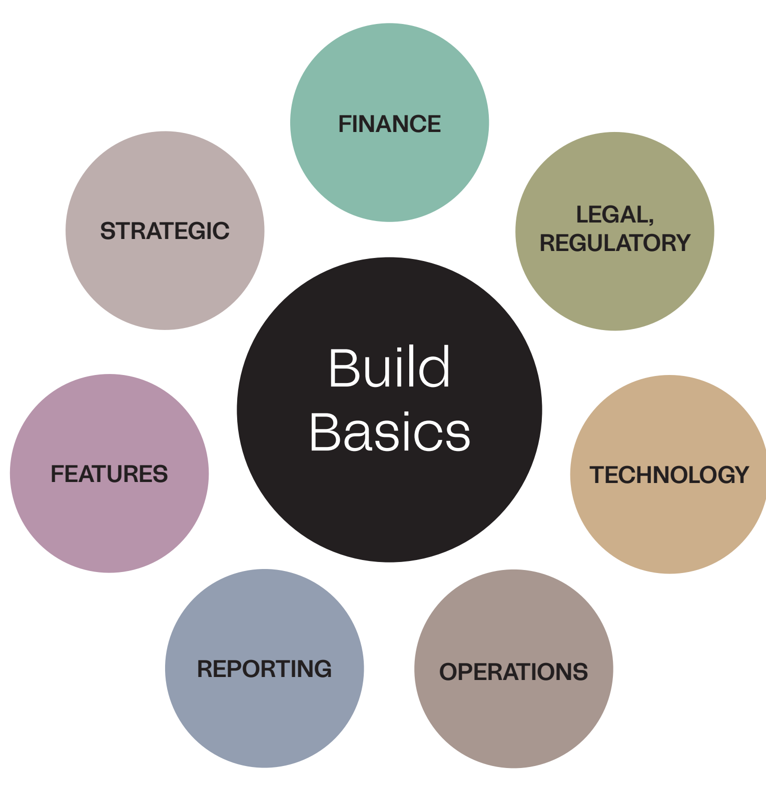


Figure 4. Foundational Components of Building Capabilities

On the other hand, simply buying capabilities through the acquisition of a fintech company may be quicker than building them from scratch and could eliminate a competitor from the market. However, any theoretical time this may save depends on the time it takes to search for, acquire and integrate the acquired company, which is not exactly predictable and is more often than not, an equally complex process. The price tag for this evidently on the cost of the acquisition itself, as well as maintenance expenses that are incurred with the ongoing operation of the organisation acquired. Like building internally, acquiring capabilities offers the advantage of control, allowing financial institutions to internalise capabilities quickly. However, post-acquisition integration poses significant risks, and the high upfront costs associated with acquisition can be prohibitive. What's more, once the company is acquired, one would still encounter the same roadblocks that come with building capabilities, particularly, ongoing maintenance, support and building out new functionality.

Both building and buying capabilities offer potential to strengthen your position in the market. However, these plays come with their own set of challenges and complexities. While they may keep financial institutions in the game, they are costly, time-intensive, and add significant complexity. With so much time already lost, these plays alone may not be enough to secure victory in the coming seasons.

Locker Room Talk:

Orchestration as a Service as the Winning Play

The Power of Strategic Partnerships with Fintechs

The traditional avenues to acquiring capabilities may no longer suffice in the fast-paced digital age we find ourselves in. What seemed like a "must have" even just a few years back, could already be considered a thing of the past. While building internally and buying capabilities through acquisition offer potential pathways to strengthen merchant offerings, they come with significant costs, complexities, and most importantly, time commitments that a financial institution simply cannot afford. There is, however, a third option—one that offers a most resource-efficient and effective solution to the dilemma of build versus buy: partnering with fintech companies. By forming strategic partnerships with fintechs, financial institutions can gain access to the desired capabilities without the significant upfront costs, time, and maintenance associated with building internally or gaining capabilities through acquisition.

Partnering with fintechs enables financial institutions to leverage the expertise, agility, and technology of these innovative companies, allowing them to quickly enhance their offerings and stay competitive. Research suggests that most banking clients are not just open to banking utilising 3rd-party technologies, but see it as a value add.[19] Fintech companies are often at the forefront of innovation, with a deep understanding of the evolving needs and expectations of merchants in the digital age. They are also tech-led organisations, with engineering-heavy staffing ratios that allow them to develop new features and bring them to market much quicker than

[19] EY (2021)

traditional FIs. Consequently, FIs who partner can tap into a wide range of innovative solutions, from payment processing and fraud detection to digital wallets and open banking solutions. Moreover, partnering offers the quickest speed to market of any possible play. Instead of spending years building capabilities internally or navigating the complexities of acquisition and integration, financial institutions can quickly deploy fintech solutions and start reaping the benefits almost immediately.

As technological innovation accelerates, the ability to adapt quickly and respond to market trends can mean the difference between success and failure. In this fast-paced environment, akin to a knockout round where every minute counts, partnering with fintechs offers financial institutions a strategic edge. By choosing this route, banks can not only avoid getting left behind in the digital no-man's-land, but also reclaim and expand their e-commerce market share. Embracing such partnerships allows financial institutions to outpace overall market growth and significantly boost their position in the payments sector.

Partnering with a Payments Orchestrator

Let's assume a financial institution now decides to embark on seeking such a partnership, how would they even approach addressing an ever-evolving list of technical and operational capabilities? What could they possibly offer that checks all these boxes? To answer this question, it is critical to first assess where these needs stem from.

Navigating the intricacies of payment transactions can often feel like traversing a labyrinth. As depicted by figure 4, from the moment a customer confirms a purchase to the final settlement, there are numerous layers and stakeholders involved in the flow of funds. Traditionally, this process has been fragmented, with merchants relying on multiple partners for different payment services, leading to inefficiencies and operational challenges, as well as an all-around poor user experience.

Merchants encounter a mounting array of challenges as a result: effectively handling high transaction volumes while ensuring security, navigating intricate regulatory frameworks, seamlessly integrating diverse payment gateways and methods, streamlining payment reconciliation across multiple channels, sustaining competitive processing fees, continually adapting to incorporate the latest payment solutions, and delivering a personalised checkout experience to customers. So how does a financial institution address merchant needs without adding endless layers of complexity–15 partners for 15 different merchant payments services? This certainly would not bode well for the merchants who expect a seamless experience without having to be payments experts, nor for financial institutions, who can't even afford any more operational complexity themselves.

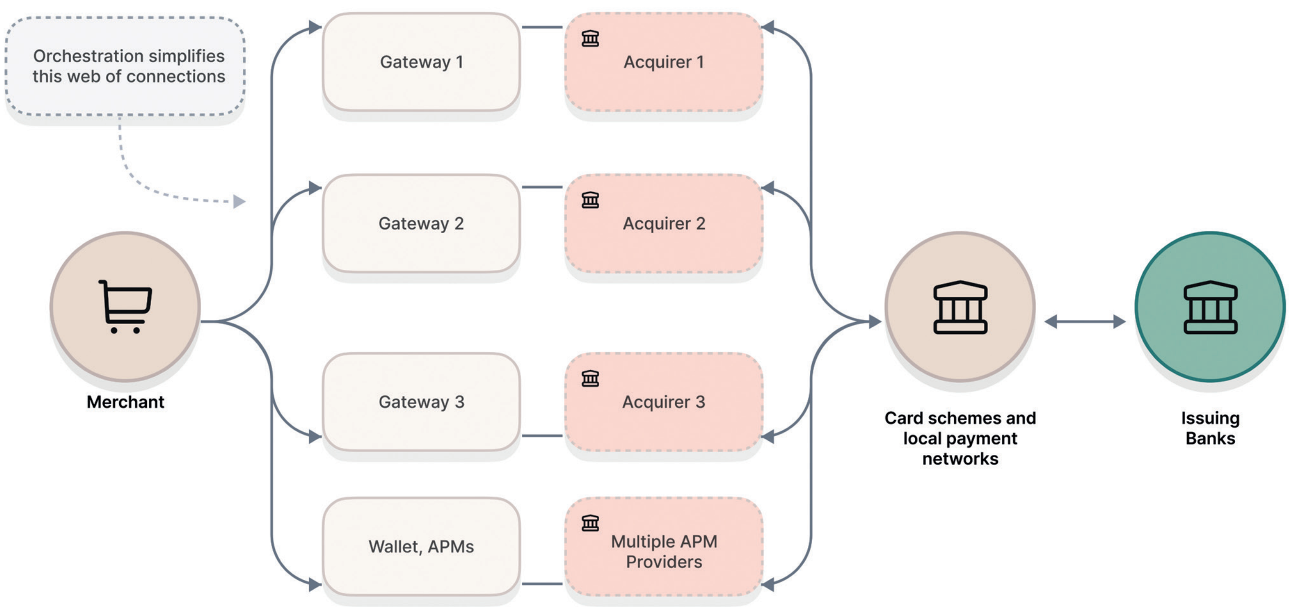


Figure 5. Typical Transaction Flow

Enter payment orchestration—a game-changing innovation that promises to streamline and simplify the entire payment ecosystem. At its core, payment orchestration describes the integration and management of the payment process in its entirety, including various payment service providers and payments services, through a single software platform. By centralising the payment process, orchestration platforms enable merchants to manage end-to-end transactions seamlessly, from authorisation to settlement. As a result, merchants using the payment orchestration platform benefit from a 20% increase in transaction approval rates and a 15% reduction in processing costs.[20] Orchestration platforms then become a strategic layer through which the merchant can choose their various connection points. Imagine a coach leading a team out on the field, guiding each player to harmonise and synchronise with the others. In the same way, payment orchestration platforms act as the "game master" of digital payments, orchestrating payment methods and other services like fraud detection, allowing them to work together in perfect harmony and be controlled from a single source. An example of how the orchestration layer integrates into the traditional payment transaction flow is depicted below. From a merchant's perspective, it essentially acts as a layer on top to provide a single user-friendly integration point, with access to numerous payment gateways, fraud detection, analytics, and more.

[20] Forrester (2024)

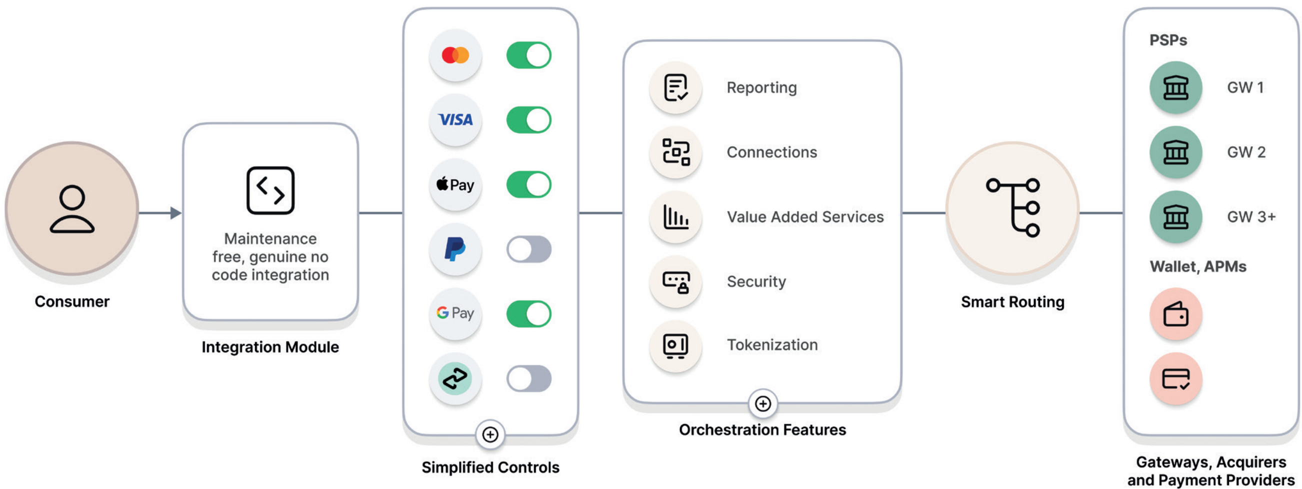


Figure 6. Transaction Flow Leveraging Payment Orchestration

But payment orchestration is not just about streamlining processes—it's also about driving innovation and unlocking new possibilities for an FI's merchant client base. By providing a way to manage a diverse range of payment gateways and service providers, orchestration platforms empower businesses to stay ahead of evolving consumer preferences and market trends. Moreover, payment orchestration is critical for any enterprise-scale merchant, with direct impacts on operational efficiency and financial performance.[21] Payment orchestration is revolutionising payment transactions, offering a winning play for e-commerce solutions. This winning play is so critical, that the market for payments orchestration alone is expected to double between 2022 and 2028, reaching a high of $1.2bn USD.[22]

As legacy financial institutions navigate the challenges of digital disruption, embracing a potential partnership with a payment orchestrator represents a strategic opportunity to adapt and offer merchants exactly the value they are looking for. Merchants are then able to leverage orchestration to meet customer demands and provide a superior purchasing experience, which in turn, drives sales conversions and increases merchant loyalty.

[21] S&P Global (2023)
[22] Industry Research (2023)

From Benchwarmer to MVP:

How CBA is winning the Australian championship match

Orchestration in Action

The rapid evolution of e-commerce has left many merchants grappling with a growing array of payment options and security features. For businesses, staying ahead of these changes and integrating new technologies can be a daunting task. Consumers worldwide regularly use digital wallets and alternative payment methods and now expect more features than ever when they reach the checkout. For many, this can make or break a purchase, necessitating that merchants stay one step ahead of consumer demands.

Enter „PowerBoard"—the white-labelled merchant solution offered by the Commonwealth Bank of Australia (CBA) in partnership with fintech payments orchestrator Paydock. This solution is designed to address these challenges at their very core for the Australian market. Through PowerBoard, CBA offers its merchants a simple, unified platform that streamlines payment processes by connecting to multiple gateways, payment methods and value added services through a single API.

The PowerBoard portal provides a straightforward interface to switch on features, monitor real-time transactions, and configure the customer experience, meeting the unique needs of each merchant. PowerBoard integrates with various payment methods, including traditional card payments, digital wallets like Apple Pay and Google Pay, Buy Now Pay Later options, domestic payment methods such as eftpos and PayTo, and digital gift cards. Beyond payment methods,

> "With the implementation of Powerboard, CBA has shifted gears from a bicycle to the turbocharged efficiency of a Ferrari. The platform's launch has opened doors to opportunities that were previously way beyond our capabilities."
>
> **Executive Manager**
> **Acquirer Technical Sales**

PowerBoard simplifies other technology integrations, such as enhanced third party and security tools to detect and prevent fraud.

Leveraging its singular, modular framework, PowerBoard removes the need to maintain and juggle multiple SDKs and integrations entirely, rather opting for a plug-and-play approach. Through a single integration, CBA provides merchants with a top-tier solution, eliminating the need for multiple APIs, complex roadmaps, and lengthy, costly development projects. The service offers a low-code, maintenance-free, and future-proofed checkout experience. PowerBoard's simplicity and ease of integration have been highly attractive for many CBA customers. This platform significantly reduces the time, effort, and cost required to integrate and maintain multiple payment features, which has been a major pain point for merchants. Moreover, payments orchestration has been historically only accessible to larger businesses with the means to have an in-house technology team. PowerBoard democratises this capability, providing merchants of all sizes with access to payments innovation.

This partnership is the epitome of leveraging a paytech partnership and Payments Orchestration as a Service (OaaS) as a winning play. By understanding the rules of the game and embracing innovative solutions, CBA upgraded its merchant offering and future-proofed its position as a market leader in payments solutions.

Lessons from the Field:

Prep for success in the seasons ahead

As we bring this journey through the payments revolution to a close, it's evident that we stand at a pivotal moment in the history of commerce. The internet's transformative power has reshaped the rules of the game, challenging legacy financial institutions to rethink their strategies and adapt to a rapidly evolving landscape.

Just as athletes must adapt to new rules on the field, traditional financial institutions must embrace innovation and agility to secure their place on the leaderboard. Levelling up merchant offerings is critical to stay in the game, however attempting to do so internally or by means of an acquisition may ultimately be unsuccessful due to time, cost, and complexity constraints. Collaboration with fintech partners presents a promising avenue for legacies to overcome these shortcomings, allowing them to ensure speed to market when delivering the capabilities merchants demand. Payments orchestration addresses these capabilities by taking all of the numerous connections a merchant wants, from payment methods, to gateways, to value added services, and brings them together to converge through a single access point. The partnership between CBA and Paydock serves as a compelling success story of a payments orchestration partnership in action. The time for action is now. It's time to rewrite the playbook and it seems payments orchestration just might be the winning play this season.

Thank you for reading our white paper. We hope you found the insights valuable and inspiring. If you'd like to learn more about our work or discuss how we can support your payments journey, please don't hesitate to reach out to us at **hello@paydock.com**.