How to Assess the Need and Value for Omnichannel Payment Processing

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Executive Summary

As consumer demand for easier shopping experiences and payment acceptance continues to evolve, companies accepting credit cards must rethink their internal sales process and payment support infrastructure to sustain the business. If a business wants to remain competitive in gaining customer growth and loyalty, the facilitation and synchronization of payment data across multiple sales channels cannot be ignored. The end goal must provide consumers with a single shopping and payment experience across all sales channels.

However, the task of doing an overall assessment of payment systems within a business can be daunting. Consequently, a solid strategy must be identified to help achieve measurable results. This paper describes major challenges within merchant payment systems and provides strategic guidance for the reassessment of payment systems and implementation of omnichannel payment processing.

Omnichannel Payment Processing

With its ongoing evolution, the payment space has grown exponentially in the last 10 years. As a result, it requires a name reclassification: "omnichannel payment processing." The name reflects the need for companies to interact with customers across different sales channels, for example, ecommerce, mail order/telephone order (MOTO), brick-and-mortar stores, social media, mobile devices, networked appliances, home services, gaming consoles, Internet of Things (IoT) and more, while providing a single, seamless customer-shopping experience. Omnichannel payment processing facilitates recognition of customers across sales channels, reduces payment friction and simplifies the customer shopping and payment experience.

Omnichannel Payment Processing Adaptation Challenges

Historically, as merchant payment processing requirements evolved, merchants adapted separate sales channel support tiers, for example, telephone, online and retail, to keep up with consumer demand for shopping or payment facilitation. Generally, this means that the merchant facilitates shopping or payment processing through:

- An IT infrastructure with multiple external partner service contracts dedicated to each channel; for example, arrangements with payment service providers (PSPs) and acquirers focused exclusively on online payments and another set of payment partners for in-store payments

- Customer service and support organized around each specific channel; no single view of the customer's interactions across different channels exists or is made available across business units regardless of the function

- An organizational structure focused on each channel; for example, marketing or technical support teams are focused exclusively on the ecommerce channel and another team is focused on retail sales

- Business processes and rules centered on each channel; for example, there is typically ecommerce stock that is segregated from the store's own stock and online sales orders can only be fulfilled from the ecommerce stock. This can generate unnecessary delays in fulfilling online orders and clumsy processes for consumers to return purchases.

- Point-of-sale and terminal devices that may be in PCI scope, for example, terminal equipment that does not use encryption or tokenization when accepting consumer credit card data or POS applications that allow cardholder data entry directly. This, in turn, creates financial risk for the business with the ongoing burden of securing cardholder data.

Over the years, business mergers as well as the need to quickly adapt payment facilitation solutions have created highly complex merchant environments that are no longer cost effective, are not adaptable to new payment trends and do not provide a seamless customer experience or meet modern payment data PCI standards. These factors limit a merchant's competitive advantage by risking loss of sales, lowering customer acquisition, threatening customer retention and loyalty and risking protection of customer credit card data.

Existing merchant payment processing environments developed over the years (with differentiated organizational structures, separate IT systems, separate business processes, separate partner relationships and so on) present a challenge for supporting or switching to a true omnichannel payment environment. This fragmented approach is a barrier to delivering a seamless and integrated customer experience across payment channels. Payment industry demands have also brought forward solution providers focused exclusively on addressing omnichannel payment processing challenges and can provide a full solution.

How to Get From Here to There?

Formalizing a solid strategy will be required to properly assess the existing payment processing channels in order to identify where changes are needed for the adaptation of a true omnichannel payment processing environment.

In the book, **Good Strategy/Bad Strategy: The Difference and Why It Matters,**[1] Richard Rumelt (Harry and Elsa Kunin Professor of Business and Society at UCLA) defines three fundamental components to formalize a good strategy:

Components of Good Strategy

- **Diagnosis** – Identifying the challenge and clearly understanding how it is affects the organization
- **Guiding policy** – Defining what must be done at a high level to counteract the challenge
- **Coherent actions** – Actionable objectives and assigned resources dedicated to objective execution within the guiding policy to achieve the strategy

Payment Strategy

A strategy is as much about what an organization does not do as it is about what it does. By applying the previously outlined strategy, merchants can begin to reassess the existing sales channels to produce a plan that includes:

- Strengths and weaknesses of the existing environment
- Business processes requiring realignment
- Areas that require immediate attention
- Opportunity costs
- True operational cost assessment
- Business requirements to provide a single customer shopping and payment experience, and much more

On the following page, the strategy previously outlined is applied (at a high level) to a sample multichannel sales environment. The sample strategy is produced from diverse merchant environments reassessed over years of consulting experience.

Source: [1] Rumelt, Richard. **Good Strategy/ Bad Strategy: The Difference and Why It Matters.** New York: The Crown Publishing Group, 2011.

Diagnosis (Challenges)

- Diverse and complex payment processing environment; environments not fully documented; multiple siloed software/hardware vendors; multiple-payment processor integrations, each requiring dedicated teams for ongoing maintenance; multiple IT teams managing independent environments; and ongoing multigroup development costs
- Siloed payment processing environments: lack of shared transaction/customer data across environments
- Manual reconciliation across each payment processing environment: time-consuming, error-prone and delayed financial reporting
- Lack of unified payment transaction reporting across multiple vendor environment: requires manual intervention and/or additional back-office systems to merge data from disparate systems, prevents the business from understanding customer shopping trends and does not provide consumers with a single seamless shopping experience
- Multiple vendor relationships: creates delays when requesting new services, multiple contract negotiations and lack of unified service pricing
- Multiple vendor support groups: different service level agreements, some which no longer meet business requirements; vendor finger-pointing; delayed problem resolutions; lack of accountability; multiple vendor escalation processes; and hard to manage when resolving problems involving multiple vendors

- Legacy software applications and credit card acceptance devices lack security: customer card data at risk, systems in PCI scope, long PCI compliance process, consumer credit card data stored in clear text and business financial risks due to possible data breach

- Lack of mobile payment support

- Consumer payment data not shared across all payment environments

- Expensive payment transaction costs: multivendor transaction interchange cost contracts; transaction interchange downgrades due to not passing Level 2/Level 3 data

- Consumers not able to purchase goods across sales channels. This is like buying goods from different merchants

- Business competitive disadvantage when compared to competitors offering a unified omnichannel payment experience

Guiding Policy (What Must Be Done)

- Ask all required stakeholders to prepare a list of business payment processing requirements to generate your strategy

- Gather and assess all information about existing vendor contracts and service level agreements, existing payment processing environments and administrative costs and vendor-solution functionality in place and functionality that is lacking

- Gather feedback from all business groups dealing with the present challenges. This information will be used to help define business requirements to address existing challenges

- Identify which payment channel requires immediate attention for integration (for transaction interchange optimization, PCI scope reduction and payment enablement)

- Rank challenges identified: Highlight the areas that require immediate attention based on business risk and opportunity costs; identify business process improvements

- Document all business payment processing requirements gathered and present them to all business stakeholders for reassessment

- Ensure each business requirement provides all required details to address what is needed to address the challenge (for example, system changes and business process realignment)

- Seek out a solution provider that covers most, if not all, of your payment processing needs (for example, merchant acquiring, retail/mobile/e-commerce payments, support for card-present (CP) and card-not-present (CNP) transactions, PCI scope reduction, solution flexibility to integrate payments within a diverse payment processing environment)

- Identify a solution that can be integrated using a multifaceted approach

- Seek out a solution provider with long tenure in the payment space and one that historically invests in R&D to provide solutions for new payment trends

Coherent Actions (Actionable ssigned Objectives)

- Identify all business stakeholders accountable for the business processes and systems involved in the strategy

- Coordinate with each business group to identify specific resources to address each of the challenge areas identified

- Gather and document all identified business requirements into a Request for Proposal (RFP); deliver the RFP to multiple vendors that can meet requirements

- Work with the selected solution provider to develop a thorough implementation plan with project execution timelines; if needed, develop a proof of concept (POC) to evaluate the solution

- Assign specific delivery timelines for the resolution of challenges requiring immediate attention

- Execute your plan

A very important part of this process is the reassessment of challenge resolutions after initial implementation. This will further help gain momentum for engaging other areas of the organization to accomplish similar business goals. Identify and document all the solution benefits gained with the implemented solution and communicate the benefits to all stakeholders.

Solution Benefits Gained (Sample List)

- Consolidation of payment processing technology and banking across the omnichannel payment environment

- Reduced environment complexity – Reduced IT infrastructure costs and ongoing maintenance/ development costs

- Lowered security risks – Omnichannel cross-tokenization and encryption for payment data protection, minimizing the burden of securing business IT systems

- All credit card data is removed from back end systems, which reduces financial risks associated with data breaches

- Vendor consolidation resulting in reduced payment processing costs, improved customer service and standardization of solution functionality across multiple IT systems

- Reduced transaction processing time

- Lower interchange transaction fees

- Seamless payment processing across multiple payment channels

- Unified transaction reporting across all payment channels

- Single end-to-end payment processing solution with unified consumer shopping and payment experience across all channels

- Mobile payments available across all channels

- Improved customer engagement and loyalty with improved customer shopping and payment experience

- Entire omnichannel payment environment is completely integrated end to end, for example, retail, ecommerce and MOTO

- Reduced PCI scope and costs across all channels

- Single point of service for all payments – one provider, one contract, one support team

For more information,
please contact (630) 429-9845
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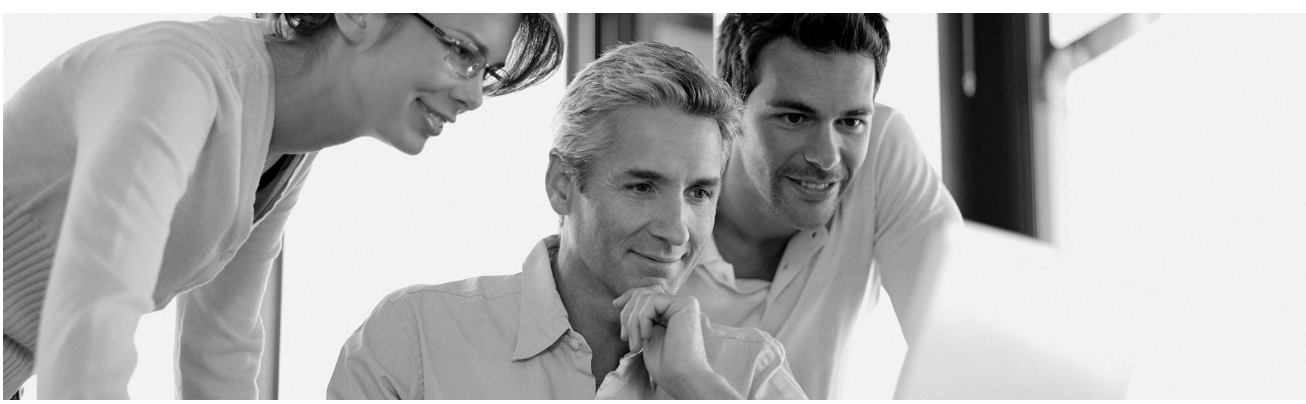

Summary

The evolution of the payment space into "omnichannel payment processing" requires companies accepting credit cards to adopt a recurring process for reassessing existing customer payment systems. Disparate payment systems adapted over the years may no longer provide a company with the ability to offer customers a seamless payment experience across all sales channels. This, in turn, creates business competitive disadvantages, increases administrative operational costs, creates business risks and impairs customer growth and repeat business.

Although the task of restructuring existing payment systems and processes can be daunting, companies can follow a solid divide-and-conquer strategy to achieve results. A solid strategy identifies challenges (Diagnosis), defines what must be done (Guiding Policy) and assigns actionable objectives (Coherent Actions).

Applying a good, solid payment strategy to adapt omnichannel payment processing within a business will help increase sales, reduce data security risks, improve customer payment checkout experience, facilitate customer data sharing across all sales channels, foster customer growth and loyalty, reduce operational costs across many business areas, help gain competitive advantage and improve credit card data security.

The aggregate benefits gained by implementing omnichannel payment processing far outweigh change management challenges. Companies should invest time to further assess the need and value for omnichannel payment processing.

About Miguel Gracia

Miguel Gracia, VP of Solutions Engineering, is a senior executive with 30 years of technology experience. His expertise revolves around payment processing solutions, tokenization, Point-to-Point Encryption (P2PE) terminals, eCommerce, network security and information security within PCI guidelines.

In 2012, Miguel Gracia joined CardConnect®, which was then subsequently acquired by First Data. He supports the B2B Enterprise Payments team as a Sr. Solutions Engineer and develops product solutions within the Enterprise Gateway Integration and Support groups. Miguel has completed hundreds of payment processing integrations within the CardConnect gateway. For over 20 years, Miguel has taken lead roles during the design, testing, deployment and management of secured data networks, PCI data compliance processes and information systems and IT departments supporting customers in diverse payment processing environments.

Miguel Gracia has an undergraduate degree in computer science from the New Jersey City University and a Master of Science in IT Management from the Stevens Institute of Technology.

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