

## Managing Merchant Payments

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The pandemic has had a profound impact on the way the world made and accepted payments. There was a significant upswing in adoption of digital payment modes with diverse innovative options emerging. Customers now have the option to pay using mobile wallets, payment apps or real-time payment systems like UPI. And the payment processing solutions market is projected to reach \$146.45 billion in 2030, at a CAGR of 13.6%, from \$39.57 billion in 2020. The payments market and the payment processing market is evolving rapidly, and financial institutions must manage merchant payments efficiently and effectively.



The rapid changes within the payments segment are being driven by customer demand. Customers want convenient, real-time, and personalized payment experience at the point of sale along with seamlessly delivered incentives and quick refunds. And they are willing to try out new age payment services like Merchant one, Clover, Stripe, Square, Pro Merchant and Costco. Traditionally Merchant Service providers (MSPs) would sell payment processing services including terminals to merchants on behalf of banks. But with changing customer preferences banks must work with merchant service providers who can deliver a seamless customer experience across different options like credit card, mobile or other contactless payments. But now they must keep pace with changing payment technologies such as mobile payments or even contactless cards. They must be able to offer mobile point of sales solutions (mPOS), biometric and facial recognition features at the point-of-sale (PoS) to ensure they meet customer expectations of a frictionless experience while also preventing and detecting fraud.



A robust merchant payment processing solution relays transaction information to both sellers and buyers bank, so the customer can avail of the product or service paid for. This must be done in real time and is invaluable in improving customer experience at the point of sale. Traditionally, merchant accounts connected the payment processor, card issuer and the merchant's bank so that electronic payments like debit and credit card payments could be received immediately. Today, merchant providers must combine merchant account with payment processes, payment gateways, loyalty programs and more so that small businesses do not have to set up bank accounts or sign up separately for the merchant payment services. The payment ecosystem is growing more complex, and this is forcing the POS providers to innovate and come up with multi-channel solutions to keep pace with the change.

Merchant providers must provide a comprehensive and tightly integrated package to SMBs to capture the market opportunity in the vertical. Given the evolution of technology and the growth of SaaS platforms, merchant payment providers must partner with third-party solution providers who can help them to modernize their offerings. Today every enterprise is looking to tightly integrate payments into their digital experience, with major emphasis on customer experience at the point of sales. To ensure good shopping experience, merchants must ensure a seamless checkout process and offers like loyalty cards along with frictionless payments processing. To do this they must address some key challenges at the point of sales. This includes integration of payment methods, using AI and ML to improve authorization process, customer-friendly APIs and User Experience (UX).



Change is the only constant in life and business, and this holds true for the payments segment as well. As competition increases and technology continues to evolve and improve, there will be new revenue models and engagement formats. Payments processes must be agile enough to keep pace with the rate of change. Technology powered innovation is the only way for the industry to remain relevant and evolve into integrated payment enablers.