
# Multi-Acquiring and the Benefits for Merchants

## Global Merchant Survey

February 2021

ACI Worldwide
Real-Time Payments

Edgar, Dunn & Company

# Contents

# 1 Executive Summary

ACI Worldwide, in partnership with Edgar, Dunn & Company (EDC), has undertaken a study to explore the acquiring strategies adopted by leading global merchants and PSPs to determine the operational financial and other benefits associated with different approaches. This report includes the research findings for merchants and their acquiring relationships, whether they are direct or via a payments gateway.

EDC surveyed merchants from across the globe in the final quarter of 2020. Insights derived from the survey were supported by in-depth interviews with selected merchants.

The study reveals that merchants operating across different vertical segments identify three main advantages of an acquirer independent strategy and use of an acquirer-agnostic payments gateway that can support multiple acquirers. In summary the advantages are:

**Resilience** – Merchants can maintain business continuity in the event that an acquirer experiences a service outage or a business failure. Having multiple connections to acquirers reduces the risk of being unable to authorize transactions, as these can be re-routed to an alternative acquirer.

**Offering a range of alternative payment methods (APMs)** – Merchants can increase the range of APMs accepted at checkout by using connections to multiple acquirers to better serve customers in different verticals or geographies.

**Increased sales** – Merchants can route authorization transactions to different acquirers to maximize payments acceptance. By optimizing transaction routing to multiple acquirers, a merchant can reduce declined transactions, so increasing sales revenues.

The significance of each advantage identified by our merchant sample varies depending on size of the merchant, vertical segment in which they operate and sales channels. This report aims not only to capture the total overview of the market, but also to determine how the nuances in size and category can affect the importance a merchant places on a payments gateway that is acquirer-agnostic. We hope that this will enable merchants to determine the expected benefits specific to their business before changing the number of their acquirer connections.

## Summary of Key Survey Findings

+ The top three reasons why merchants work with more than one acquirer are: resilience (**21%**), reduced operational costs (**18%**) and improved conversion rates (**14%**)
+ **85%** of merchants that have moved to multiple acquirer relationships have seen an increase in conversion rates, with **23%** of respondents increasing their conversion rate by more than **10%**
+ **71%** of merchants that use a multi-acquiring strategy are either satisfied or very satisfied
+ **40%** of merchant respondents that use a single acquirer wish to swap to a multiple acquiring arrangement in the next 12 months. Reasons given include the desire to gain flexibility and access to APMs (**17%**), to reduce operational costs (**17%**) and to build resilience in their acquiring options (**15%**)
+ It is mainly smaller merchants who have a single acquiring relationship (**30%**), with the main rationale being cost efficiency or commercial reasons (**60%**)

# 2 Merchant Survey Findings

## 2.1 Background of Merchant Survey and Participants

The aim of the survey was to determine the rationale for different acquiring strategies adopted by merchants and to explore the operational benefits experienced by merchants who work with a payments gateway that is able to support multiple acquirers. To get the full picture of the market, we used a varied sample of merchant respondents, including merchants of different sizes, from different verticals and from around the globe (see section 5 for merchant survey dashboard). We investigated the number of acquirers a merchant works with and why they choose to operate this way. In total, 93 merchants were surveyed, with the majority of merchants operating in North America, Europe/MEA or globally.

### How many merchant acquirers do you currently work with across your entire business?


Figure 1

Note: Throughout this report, percentages have been rounded for simplicity, with the result that charts and graphs may not always total to 100%.

43% of merchants in our survey work with just a single acquirer, while 57% have a multi-acquiring arrangement. The number of acquirers worked with by merchants with multiple relationships varies: 44% of merchants work with between two to five acquirers while 8% are using more than 10 acquirers (with three merchants using between 30 and 33 acquirers and one merchant using 57). Multiple acquiring arrangements are becoming more popular. 57% of merchants use multiple acquirers today and another 40% of respondents that currently use a single acquirer wish to swap to a multi-acquiring arrangement in the next 12 months.

## Do you have plans to change your acquiring arrangements within the next 12 months?

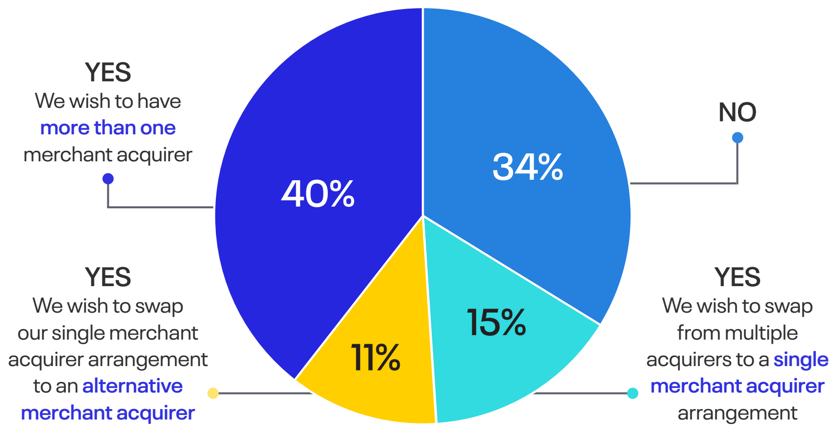



Figure 2

## 2.2 Merchants Working with Multiple Acquirers

The following section will examine how satisfied merchants are with using multiple acquirers, and explore their primary reasons for opting for such an arrangement. We explore how these reasons vary based on merchant size, as well as consider the major benefits seen by merchants swapping to a multi-acquiring arrangement.

## If you work with multiple acquirers, how would you rate your satisfaction with your current arrangements?

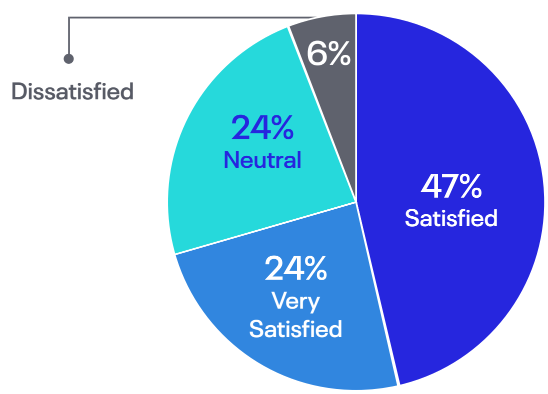



Figure 3

Of the 57% of merchants that stated they use a multi-acquiring arrangement (**Figure 1**), the majority are either satisfied (47%) or very satisfied (24%). Only 6% of merchants are dissatisfied, with one of the reasons given being that legacy banking acquiring platforms are outdated and provide poor reporting capabilities. The number of merchants that are neutral or dissatisfied derives from the 15% of merchants that wish to change from a multiple acquiring arrangement to a single arrangement, as seen in **Figure 2** above.

## Which of the following descriptions best matches the rationale for your plans to change your merchant acquiring arrangements within the next 12 months? (Select up to 3 options)

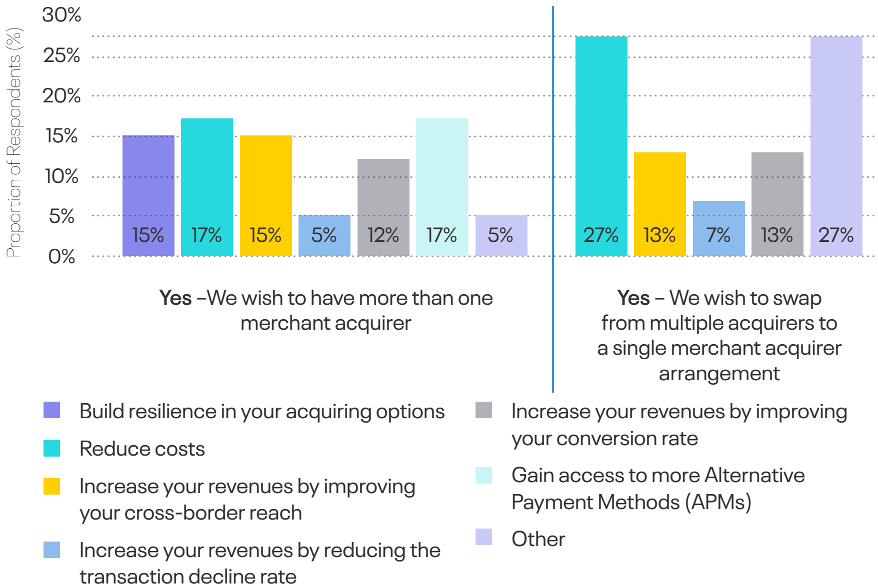



Figure 4

**Figure 4** displays the reasons why certain merchants are planning to change their existing acquiring arrangements within the next 12 months. Reducing costs and increasing the range of alternative payment methods (APMs) accepted are the main reasons for merchants to reduce the number of acquirers they are working with to a single acquirer arrangement.

Merchants who are planning on working with a single acquirer to reduce costs are likely to extend the relationship with a cheaper acquirer to cover all their payment needs. We can only hypothesize that the reason some merchants want to work with a single acquirer to gain access to more APMs is linked to the fact that merchants are dissatisfied with their acquirers and their legacy banking platforms which are outdated. These legacy platforms are unlikely to support a wide range of APMs, pushing merchants to terminate these outdated acquiring relationships, and opt for a single acquirer that can support a wide range of APMs.

> **"Our philosophy when it comes to payment types is that we must accept all the different types of plastic cards and as many alternative payment methods as possible. We currently accept 35 alternative payment methods around the world. We are always thinking about adding more to this list, such as open invoice, bank transfers, etc."**
>
> Payment Director, Global Fashion Retailer

> **"Merchants want to be able to accept a wide range of payment methods, or even allow their customers to pay over a few monthly installments. Therefore, we need to be gateway- and acquirer-agnostic so that we can provide the right solution to fit the merchant's needs and we don't fit the merchant to the solution."**
>
> Nick Fox
> Managing Director
> Access Merchant Services

**ACI Insight**

Access to relevant APMs is critical for merchants as they seek to expand their businesses, whether domestically to attract a more diverse range of consumers or internationally, into new markets. It is also essential to be able to support customers with flexible payment options as their circumstances and needs change. Through 2020, we saw a significant increase in demand for "pay later" and "pay by installment" options as the COVID pandemic hit the financial security of consumers around the world.

Improved access to APMs is also, perhaps more understandably, a driver for merchants wishing to multiply their acquiring relationships—with another key reason being the need to build greater resilience. The increasing transaction traffic to which these acquiring platforms are exposed can often put too much strain on them, leading to periods of outage which may, in turn, lead to failed transaction conversion.

Overall, the primary reasons given by merchants for working with multiple acquirers (**Figure 5**) are resilience (21%), reducing operational costs (18%), improving conversion rates (14%), enabling cross-border eCommerce (11%) and enabling acceptance of a wider range of alternative payment methods (11%). Other arguments the respondents have provided include: operating across multiple geographies—which requires them to have different acquirers for different markets, ensuring compliance because of Britain's exit from the European Union, leveraging pricing advantages from local acquirers and supporting domestic payment schemes.

## What are your primary reasons for working with different merchant acquirers? (Select up to 3 options)

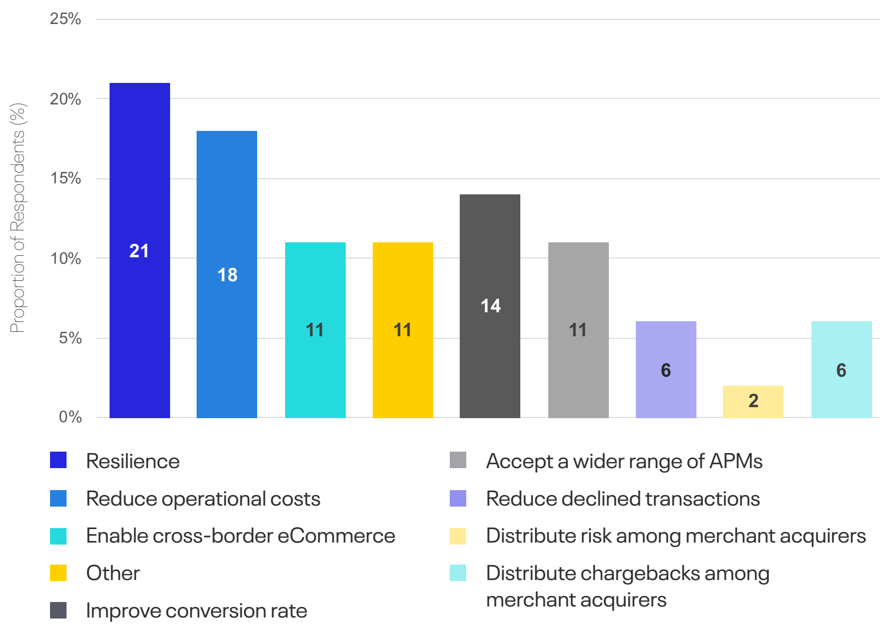



Figure 5

If we examine the primary reasons given for a multi-acquiring arrangement through a different lens, we can observe (**Figure 6**) that they vary depending on merchant size. If we look at large merchants, the main reasons given for using multiple acquirers are resilience, flexibility (enabling acceptance of a wider range of APMs) and reducing operational costs.

Merchants with revenues between $50M and $200M still find resilience important, however reducing operational costs and improving conversion rates are considered more critical.

## What are your primary reasons for working with different merchant acquirers? (Select up to 3 options)

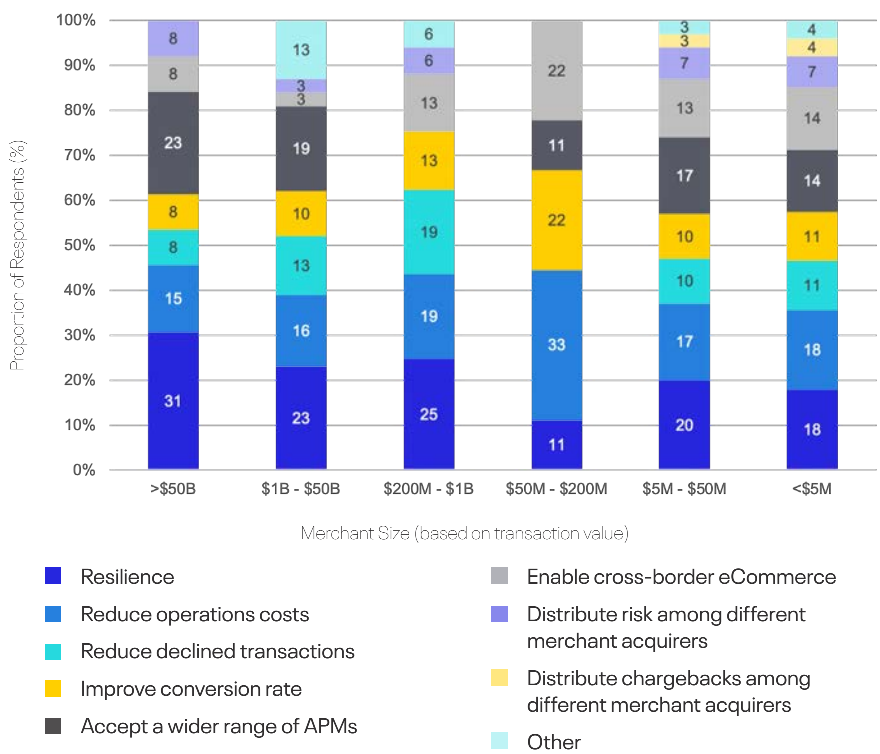
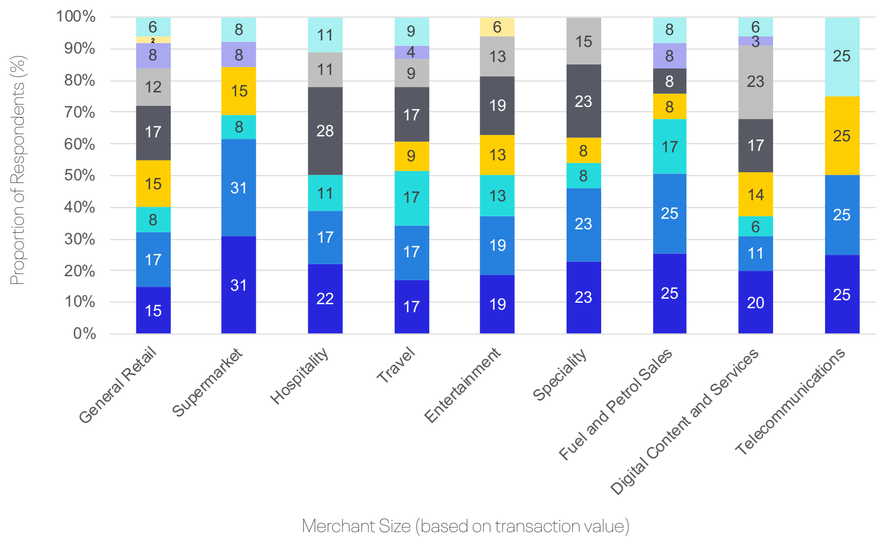



Figure 6

The size of a merchant is not the only factor which could impact a merchant's decision to work with multiple acquirers. Merchants in different industry verticals have different needs and types of transactions to process, which will affect the requirements for their acquirer relationships. We can observe from **Figure 7** below the varying reasons why merchants within different verticals work with multiple acquirers.

## What are your primary reasons for working with different merchant acquirers? (Select up to 3 options)




- Resilience
- Reduce operations costs
- Reduce declined transactions
- Improve conversion rate
- Accept a wider range of APMs
- Enable cross-border eCommerce
- Distribute risk among different merchant acquirers
- Distribute chargebacks among different merchant acquirers
- Other

Figure 7

Improving resilience is a constant among the reasons why merchants across verticals choose to work with multiple acquirers. The rise of electronic forms of payment and eCommerce makes having backup acquirers more important in case of difficulties in processing a transaction, regardless of the vertical. Reducing operational costs is also a common reason to choose multiple acquirers, to leverage price differences offered for different payment methods and geographies. For those merchant verticals which tend to have a higher number of foreign customers, such as in hospitality (28%), travel (17%), and entertainment (19%), accepting a wide range of APMs is one of the main reasons for having multiple acquirers. These merchants want to make sure they can accept the preferred payment methods of these customers, such as Asian digital wallets and European domestic schemes.

Enabling cross-border eCommerce is becoming an increasingly important factor in the decision to adopt multiple acquiring relationships. While eCommerce is "borderless," merchants will benefit from having tailored relationships to ensure they can seamlessly accept payments from across a wide geographic scope. Verticals in which enabling cross-border eCommerce is important include digital content and services (23%) and specialty (15%)—including bookshops, shoe shops, florists, sporting goods, and camping and outdoors. The needs of these merchants, who want to operate across geographies, enable cross-border eCommerce and attract foreign customers with alternative payment methods, cannot be effectively satisfied by a single acquirer.

Another important factor for different verticals is reducing the rate of declined transactions. Merchants in verticals with typically high transaction values need to ensure they maintain a low rate of declined transactions to avoid losing out on potential sales. Examples include merchants within travel (17%), fuel (17%) and entertainment (13%).

Although increasing conversion rates is not given as one of the main reasons why merchants swap to a multi-acquiring arrangement, 85% (**Figure 8**) of respondents that moved to multiple acquirer relationships have seen an increase in conversion rates. 43% of respondents have seen an increase of 1%-5%, 19% of 6%-10% and a further 23% saw an increase greater than 10% in conversion rates.

## Do you agree with the following statement, that having multiple acquirer relationships can increase your conversion rate?

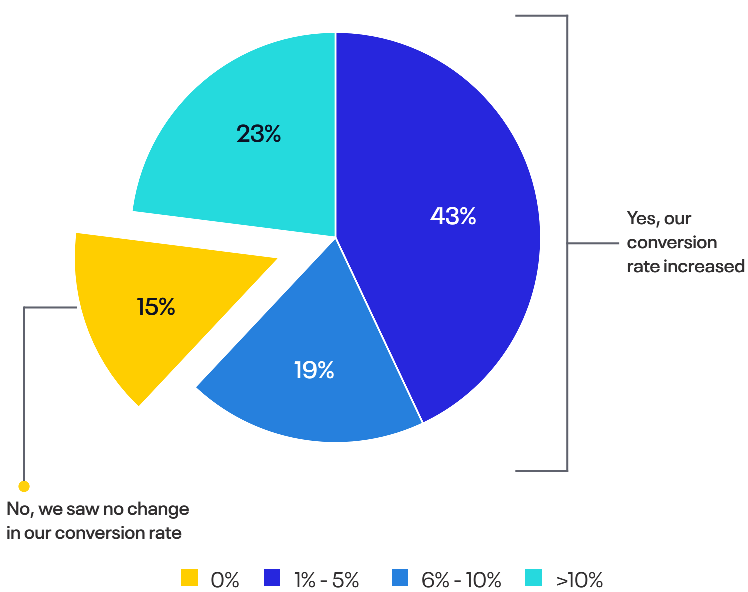



Figure 8

> **"If you are a merchant that sells in different regions, you need to have multiple acquirer relationships to optimize your acceptance rates. You need a portfolio of acquirers to serve the specific needs of the merchant."**
>
> Thierry Arrondo
> Risk & Payments
> Vendo Services

> **"We have multiple acquiring relationships and nine PSPs across our global operation. This is not just because no single PSP can cover the world but because we are carefully monitoring the conversion rates and domestic acquiring is required to accept domestic payment schemes, such as Cartes Bancaires, in France. This helps us to reduce the cost of acceptance and improves the conversion rate."**
>
> Payments Director
> Global Fashion Retailer

While fraud prevention was not a topic explored within our acquiring survey, merchant commentary in subsequent interviews has highlighted the significant role played by fraud management capabilities in conversion—and the need for merchants trading in the U.K. and European Union to manage effectively their exemption strategy under new PSD2 strong customer authentication (SCA) requirements.

In Europe, we are seeing a number of merchant customers seeking to control their own 3D Secure exemption handling within the SCA environment, rather than relying solely on their acquirers to do so. Further benefit is likely to be derived from a multi-acquiring strategy here since, where a primary acquirer is unable to adhere to transactional risk analysis metrics under PSD2, this may add friction to a merchant's transaction flow through no fault of its own. The ability to switch traffic to an alternative acquirer in such circumstances would seem a sensible, even essential, option.

In other regions, where PSD2 does not apply, there is clear evidence that dynamic use of 3D Secure can significantly improve conversion rates.

"Using the fraud prevention solution from our PSP allows us to have access to a wider range of information to be more precise in terms of scoring, to conduct a more detailed analysis and thus to take better decisions when deciding whether to trigger 3D Secure or not."

**Xavier Fouré – E-Commerce Treasury Manager, Decathlon**

### Dynamic 3D Secure—Use Case

With surging demand from online and Click and Collect sales, a large furniture merchant sought to add an extra layer of security to their U.S. operations with minimal impact on sales. The merchant implemented ACI´s dynamic 3D Secure functionality, selecting 18% of transactions for 3D Secure authentication over the past 12 months while allowing the remaining 82% of transactions to flow through without 3DS screening. Just 0.53% of screened transactions were rejected and the merchant has been able to hold down the chargeback rate while maintaining a 92% overall conversion rate.

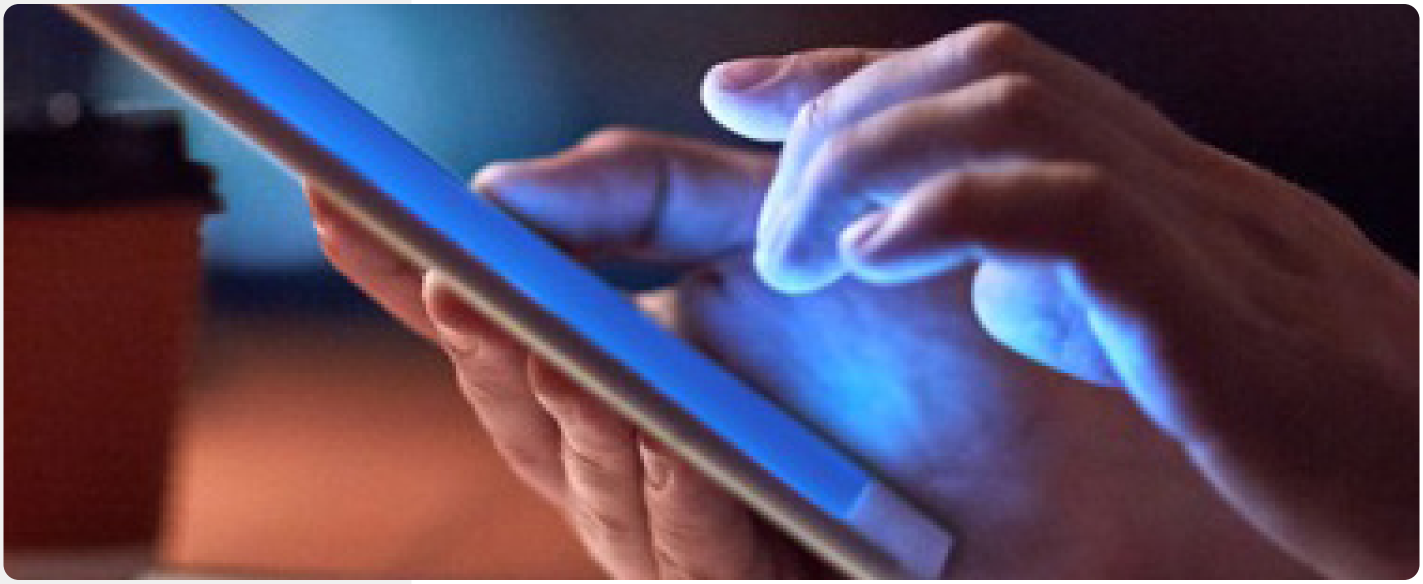
"Because we operate an omni-channel business we have to be smart at handling our payment transactions. This is especially important for our European online business where we must be ready for the PSD2 and SCA rule changes that will be implemented in 2021. Leveraging aggregated fraud data from our fraud prevention partners is a significant advantage for our business when making decisions to accept payments."

**Payments Director – Global Fashion Retailer**

### ACI Insight

Across our customer base we see a significant increase in conversion rates achieved by merchants adopting a multi-acquiring strategy.

A powerful example is one of ACI's major online gaming customers that switched from a global to a local acquirer in a key geographical market. This was achieved using a phased approach, deploying our weighted dispatching capabilities. Credit card transactions were moved gradually to the local acquirer to ensure the company could manage the volumes being delivered. Once traffic was fully migrated, the connection to the global acquirer was retained to provide smart retry and alternative acquirer options in the market. The result of this move from a global acquirer to a local acquirer was a significant 42% increase in the acceptance rate over an eight-month period.



## 2.3 Merchants Working with a Single Acquirer

The following section will examine the reasons why merchants opt for a single acquiring arrangement, and the perceived advantages of such an arrangement.

43% of the 93 merchants that participated in the survey say they work with a single acquirer. **Figure 9** below shows that merchants choose to work with a single acquirer primarily for cost efficiency/commercial reasons (60%) and due to the fact that the single acquirer meets the needs of their customers and where they are located. Other reasons why a merchant might want to work only with a single acquirer are: for simplicity, due to a legacy decision which will be changed by on-boarding more acquirers, because multi-acquiring is not offered by their payments gateway provider and because the merchant is an acquirer themselves.

### Why do you only work with one acquirer? (Select one option)

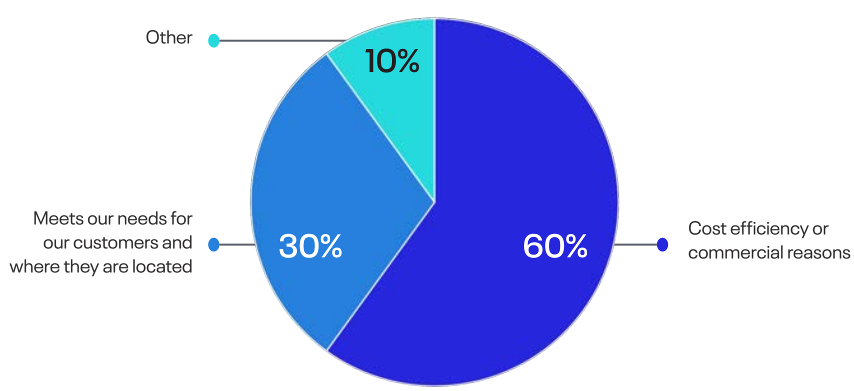



Figure 9

## Why do you only work with one acquirer? (Select one option)

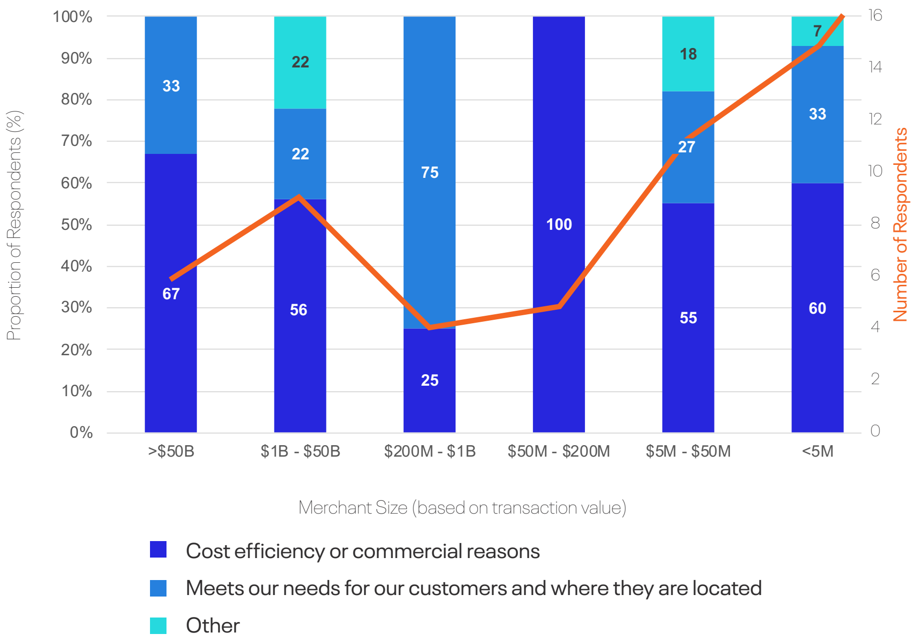



Figure 10

Digging deeper, it can be seen from **Figure 10** that the majority of merchants that work with one acquirer are smaller merchants with less than $5M in transaction value. We can hypothesize that, besides the cost considerations, smaller merchants might work only with a single acquirer because their size does not require them to use more, or because they might operate in a limited number of markets, which makes the complexities associated with cross-border eCommerce and/or APMs less relevant.

## Why do you only work with one acquirer? (Select one option)

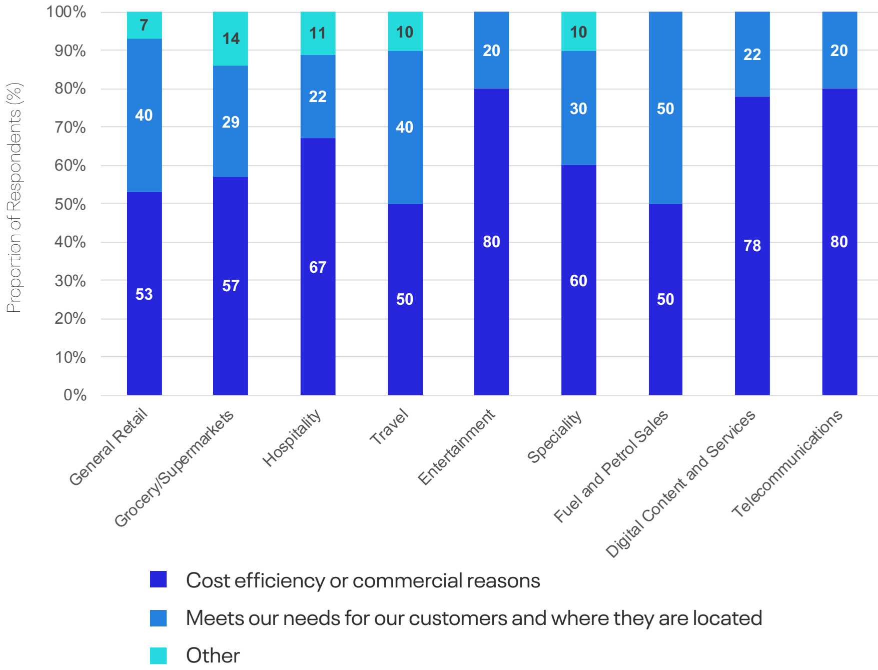
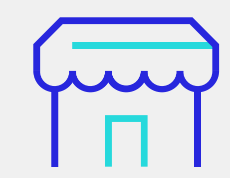



Figure 11

Across different merchant verticals, cost efficiency and/or commercial reasons is the main factor impacting a merchant's decision to work with a single acquirer, accounting for between 50% - 80% of respondents in each vertical. Customer needs and location are also an important factor which led to merchants only having a single acquirer. This was accentuated in the travel, general retail, and fuel and petrol verticals, where this accounted for 40% - 50% of respondents' decisions to work with a single acquirer.

Overall, we can infer from the survey responses that merchants who work with one acquirer are not in the process of expanding their geographic scope, nor facilitating cross-border eCommerce payments. They are predominantly smaller merchants who are already satisfying their customer needs and have little ambition to reach out to new customers. Cost efficiency and commercial reasons are the most likely to influence the merchant's decision to work with a single acquirer. If the decision is due to a commercial and cost reason, it is possible that the merchant does not see the potential from incremental transaction traffic or cost savings per transaction which can occur when being able to choose and be flexible where and how to route different transactions.



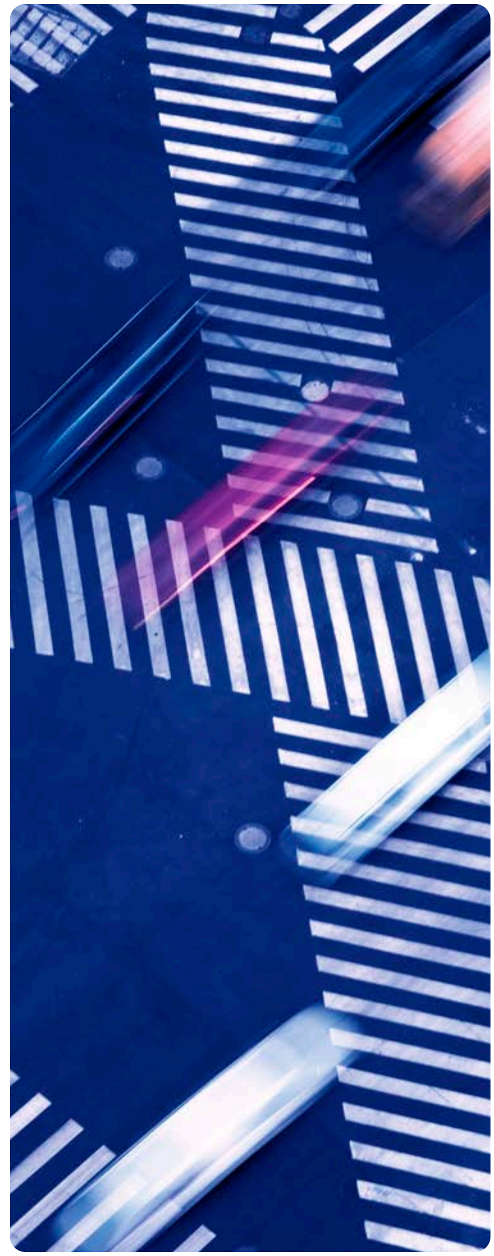
# 3 Conclusion

The idea behind merchants using multiple acquirers is to provide them with options. When merchants are able to select which acquirer they use to process transactions, they can be more resilient when there is an outage on the acquirer's end, more flexible if operating across multiple verticals, and improve conversion and cost controls by optimizing transaction routing to different acquirers.

It is clear from our study that the majority of merchants—especially larger merchants and those operating internationally—recognize these, as well as other benefits from multi-acquiring. We see evidence of significant improvement in acceptance rates as well as the ability to access a broader range of payment methods and to leverage pricing advantages offered for different payment methods and geographies.

It is striking, too, that merchants working with multiple acquirers express a high level of satisfaction with these arrangements—and that a significant percentage of those currently working with a single acquirer intend to move to a multi-acquiring strategy over the next 12 months.

At first glance, working with a single acquirer may offer an appealing simplicity. For the majority of merchants, however, this is clearly outweighed by the enhanced flexibility, control and improved conversion that result from greater independence and the use of an acquirer-agnostic gateway that can support multiple acquirers.



# 4 Survey Methodology

To conduct the research for this initiative, Edgar, Dunn & Company (EDC) designed two online surveys for merchants and PSPs. The surveys explored the acquiring strategies of respondents and the benefits they associated with their chosen strategy. The survey results enabled EDC to identify advantages and operational benefits of different acquiring arrangements for both merchants and PSPs.

Surveys were open to all and promoted through relevant media, associations and membership groups. Additional participants were secured through a social media campaign, leveraging LinkedIn and search engine marketing and re-targeting. Overall, 93 merchants and 68 PSPs were surveyed.

Supplementing the information collected from the surveys, EDC conducted in-depth telephone interviews with Tier 1 and Tier 2 merchants and leading PSPs to gain further insights. These interviews helped to increase our understanding of the perceived virtues of a multi-acquiring approach and the benefits that merchants seek to gain from their acquiring configuration.

EDC analyzed the surveys on a market level, then delved deeper into the data to look at the results from merchants/PSPs of varying sizes, operating across different verticals and sales channels. EDC used the qualitative data collected from the interviews to determine and qualify the benefits that merchants of different sizes, operating in different markets and verticals, gain from using a multi-acquirer strategy.

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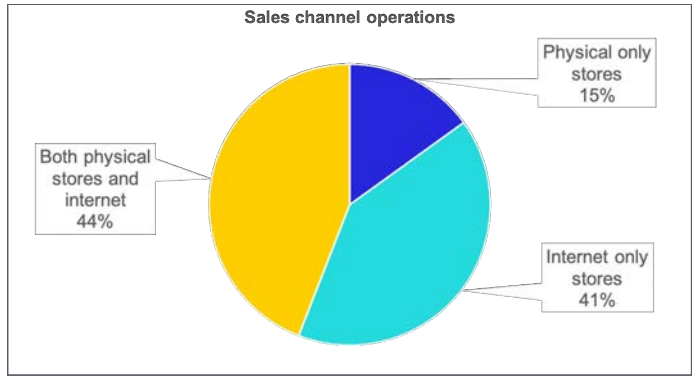
Edgar, Dunn & Company

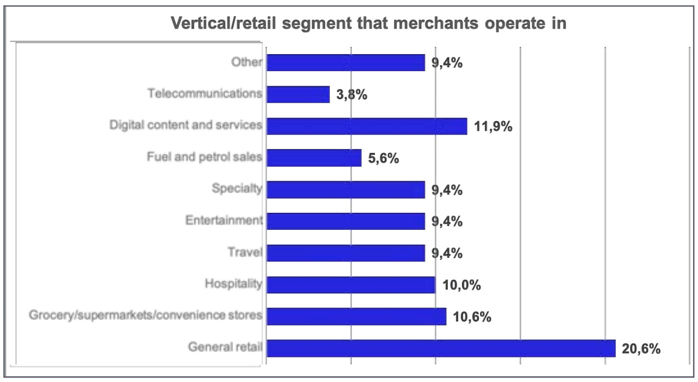
Edgar, Dunn & Company (EDC) is an independent global payments strategy consultancy, founded in 1978, and is widely regarded as a leading trusted adviser in the payments industry. Today the company serves clients in more than 45 countries on six continents from locations in San Francisco, London, Sydney, Paris, Frankfurt and Dubai. EDC provides a full range of strategy consulting services, expertise and market insight. Clients include the global payment brands, issuer and acquiring banks, processors, and merchants, including hotels, airlines and international omnichannel retailers.

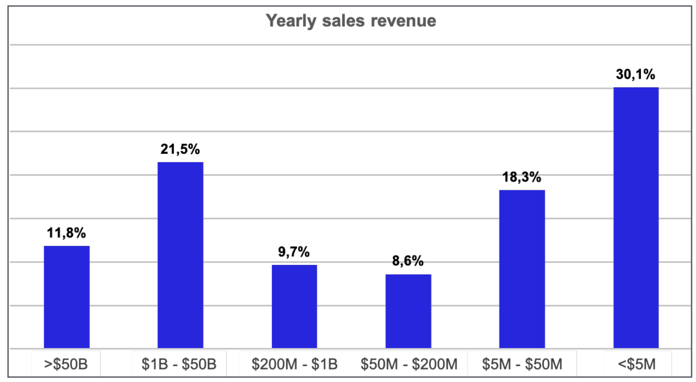
See www.edgardunn.com

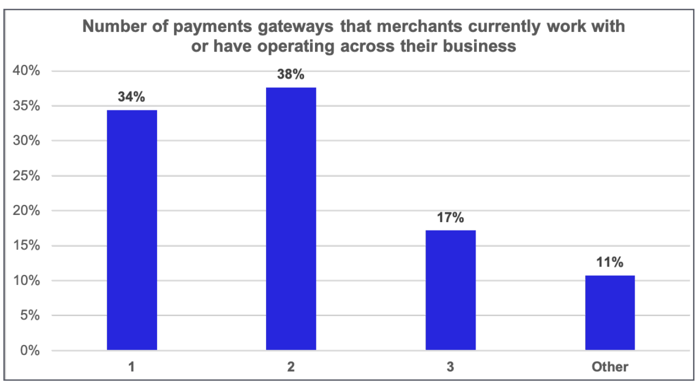
# 5 Merchant Survey Dashboard

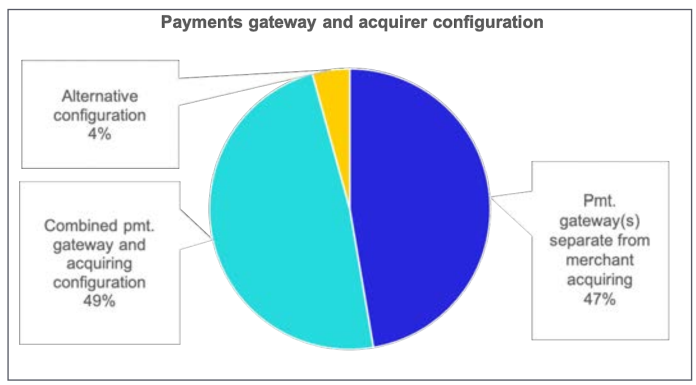
| Merchants' consumer locations | Responses |
|---|---|
| North America Only | 55.9% |
| Europe, Middle East and Africa (EMEA) | 16.1% |
| Asia Pacific | 4.3% |
| Latin America | 1.1% |
| North America and Europe | 6.5% |
| Global | 12.9% |
| Other | 3.2% |

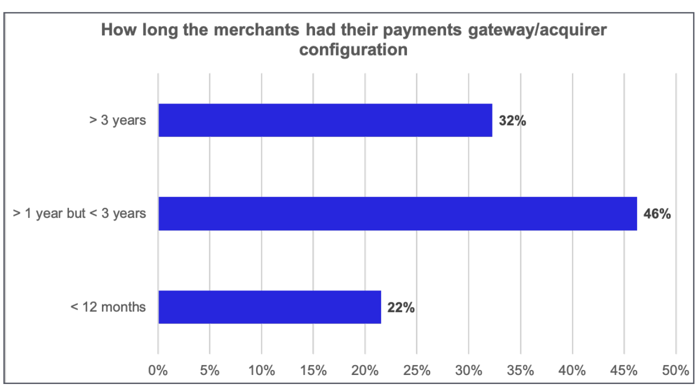


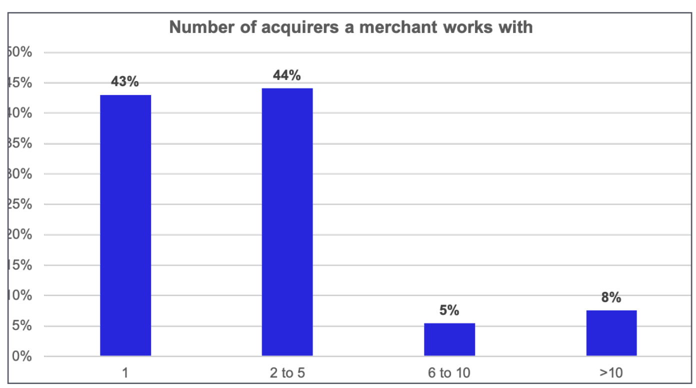



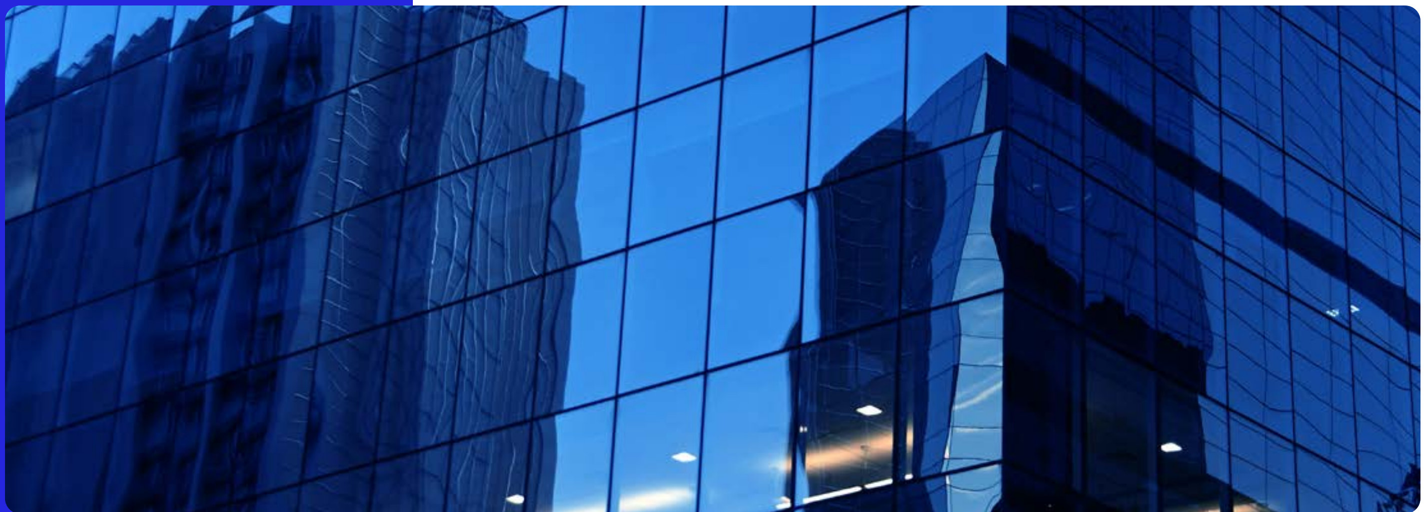





ACI Worldwide is a global software company that provides mission-critical real-time payment solutions to corporations. Customers use our proven, scalable and secure solutions to process and manage digital payments, enable omni-commerce payments, present and process bill payments, and manage fraud and risk. We combine our global footprint with local presence to drive the real-time digital transformation of payments and commerce.

**LEARN MORE**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**ACI® Secure eCommerce™** is an integrated acquirer-agnostic payments and fraud management solution for merchants and PSPs, available via a single point of access in the cloud for high performance and scalability. The solution today supports over 80,000 merchants.

Within ACI Secure eCommerce, the multi-language, multi-currency payments gateway connects merchants and PSPs to a global payments network of local and cross-border acquirers and alternative payment methods. This is achieved with a single, one-time integration through an open RESTful API.

The solution enables merchants to

+ Easily implement new payment options for emerging shopping channels and payment types
+ Reduce time to market for delivering new payment methods, entering new markets and establishing connectivity to alternative acquirers
+ Increase acceptance, conversion and payments performance through smart transaction routing capabilities
+ Consolidate settlement files from different acquirers and APMs to reconcile the initial authorized payments transaction against settled funds

Built on open payments architecture, ACI Secure eCommerce offers a complete set of customizable tools to meet the demands of any merchant or PSP. New applications and services can be built quickly and easily in line with changing market requirements.

**To learn more, please contact merchantpayments@aciworldwide.com**

ACI Worldwide
Real-Time Payments




# Multi-Acquiring and the Benefits for PSPs

## Global PSP Survey

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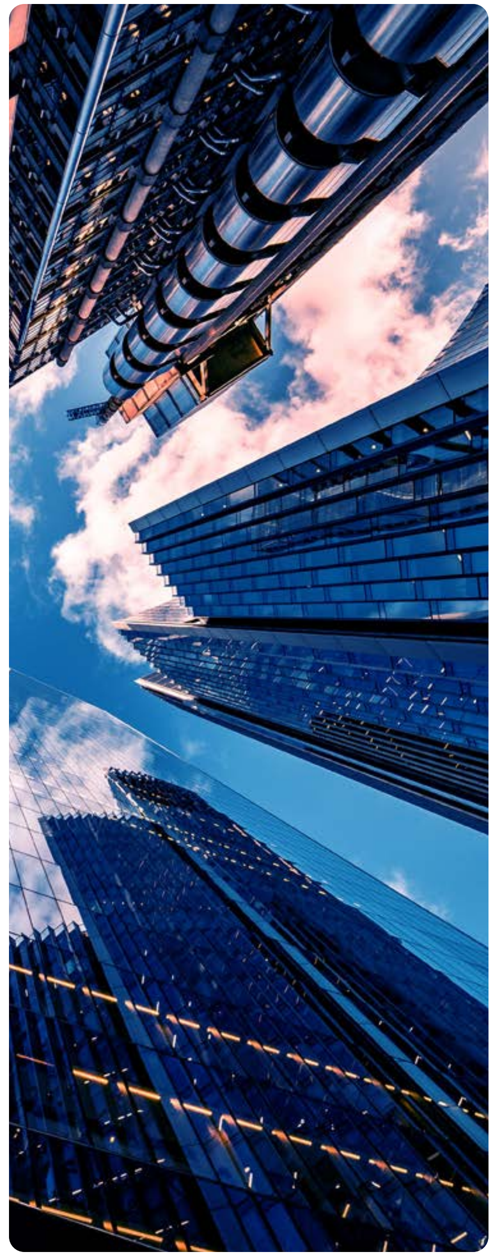
The study reveals that PSPs identify three main advantages of an acquirer-independent strategy and use of an acquirer-agnostic payments gateway that can support multiple acquirers. In summary the advantages are:

**Resilience** – It is critical for PSPs to maintain business continuity for their merchant customers in the event that an acquirer experiences a service outage or a business failure. Having connections to multiple acquirers reduces the risk of being unable to authorize transactions, as these can be re-routed to an alternative acquirer.

**Flexibility** – PSPs highly value the flexibility that a multi-acquiring strategy gives them, both to route transactions to different acquirers to maximize payments acceptance and to increase the range of alternative payment methods (APMs) they are able to offer their merchants.

**Improved cost control** – By optimizing transaction routing to multiple acquirers, a PSP can reduce declined transactions, in turn reducing operational costs. Operating in a highly competitive sector, PSPs who can reduce operational costs for their merchants will have a significant competitive advantage.

This report aims to capture a total overview of the market and also to determine how differences in the size of a PSP affect the importance attached to having a payments gateway that is acquirer-agnostic. We hope that the report will enable PSPs to determine the expected benefits for their organization of a multi-acquiring strategy. We also encourage PSPs to read the companion report for merchants to understand the views of their customers on the value of accessing multiple acquirer relationships.



"We are like a marriage guidance counselor—we sit in the middle of merchants and acquiring banks, we understand the requirements from the merchant's point of view and the risk appetite from the acquirer's point of view—we effectively liaise between the two parties and keep them talking to each other."

**Nick Fox, Managing Director, Access Merchant Services**

## Summary of Key Survey Findings

+ The main reasons PSPs use multiple acquiring relationships are for resilience (**24%**), to reduce operational costs for merchants (**21%**) and to improve conversion rates (**13%**). These are the same reasons given by merchants participating in this survey.
+ **45%** of PSPs see flexibility as the primary benefit of being acquirer-agnostic.
+ **66%** of PSPs that use a multi-acquiring arrangement state that they are either satisfied or very satisfied with this arrangement.
+ **70%** of PSPs plan to increase the number of acquirers they use within the next 12 months. None of the PSPs participating in this survey plan to decrease the number of acquirers they use over the same period.

# 2 PSP Survey Findings

## 2.1 Background of PSP Survey and Participants

The aim of the survey was to determine the rationale for different acquiring strategies adopted by PSPs and to explore the operational benefits experienced by PSPs who work with a payments gateway that is able to support multiple acquirers. In total, 68 PSPs were surveyed, with the majority of their customers located in North America, Europe/MEA or globally (section 5 for PSP survey dashboard).

**Figure 1** shows that 29% of the PSPs surveyed work with a single acquirer, with the remainder having multiple acquiring arrangements. Fifty-one percent use between two and 10 acquirers, while 7% are connected to more than 30 acquirers. One PSP in our survey has over 100 acquirer integrations.

### How many acquirers do you currently work with across your entire payments gateway business?

| 1 | 2-10 | 11-30 | >30 |
|---|---|---|---|
| 29% | 51% | 12% | 7% |

Figure 1

Note: Throughout this report, percentages have been rounded for simplicity, with the result that charts and graphs may not always total to 100%.

**Figure 2** shows that 70% of PSPs are looking to increase the number of acquirers that they currently work with, while no respondents wish to reduce the number.

### Do you have plans to change your acquiring arrangements within the next 12 months?

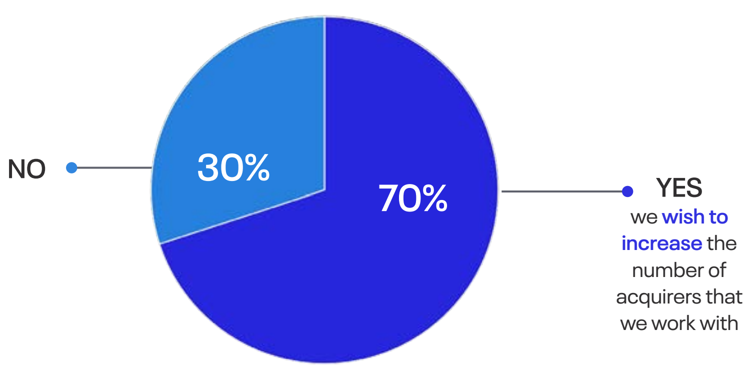



Figure 2

> "The decisions for us as a gateway to connect to different acquirers are largely driven by our merchants."

Jan Florian Richard
Global Partnerships and Innovation—Financial Solutions, Arvato

> "Having multiple acquirer relationships enables the PSP to negotiate price with them. We made a strategic decision to partner with ACI to minimize integration times with new acquirers."

Thierry Arrondo
Risk and Payments,
Vendo Services

When asked why they seek to increase the number of acquirer integrations, PSPs of different sizes appear to agree on the importance of increasing the operational service resilience of their business. **Figure 3** below reveals that smaller PSPs focus on increasing acquirer connections to optimize their operations, reduce operational costs and reduce declined transactions. On the other hand, larger PSPs (>50Bn transactions) have a focus on increasing the range of APMs they can offer to merchants, as well as enabling cross-border eCommerce and improving conversion rates.

## Which of the following reasons drives your desire to increase the number of connections to acquirers? (Select up to 3 options)

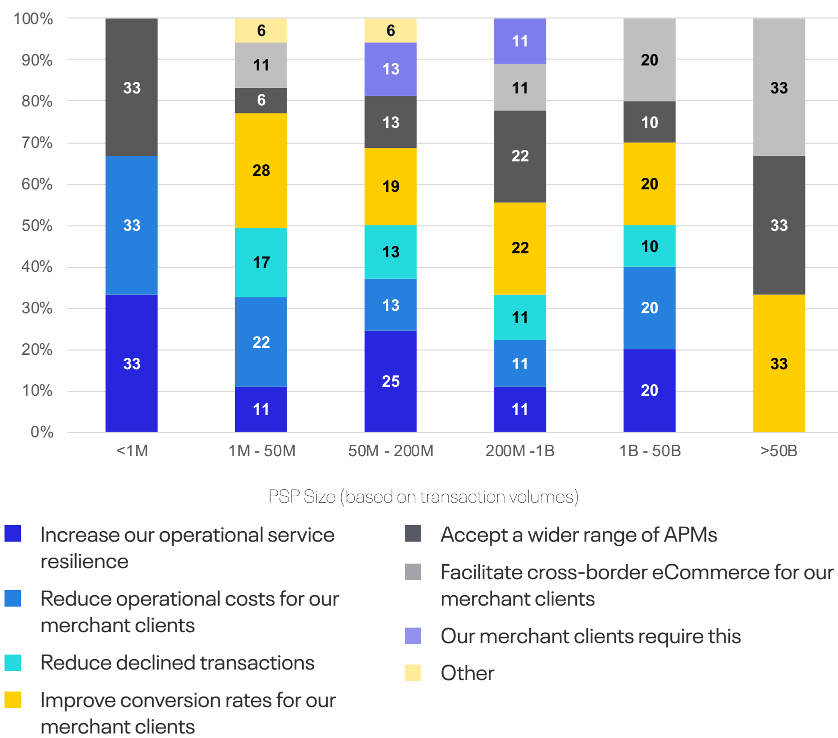
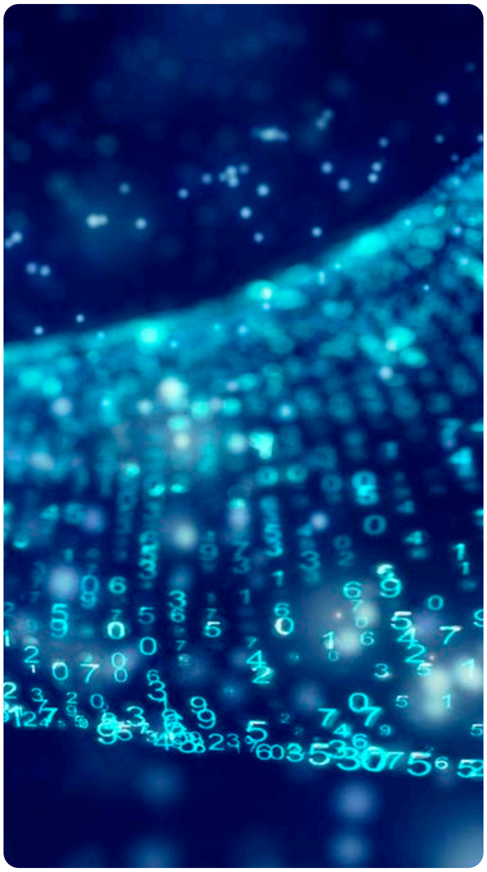



Figure 3

In outlining the benefits they enjoy through maintaining an acquirer independent stance, **Figure 4** shows that almost half (45%) of PSPs surveyed believe that this offers greater flexibility. Twenty-four percent say it improves cost control and 21% agree that it delivers resilience for their merchant clients.



## As a PSP/payments gateway, what is the primary benefit of being acquirer-agnostic?

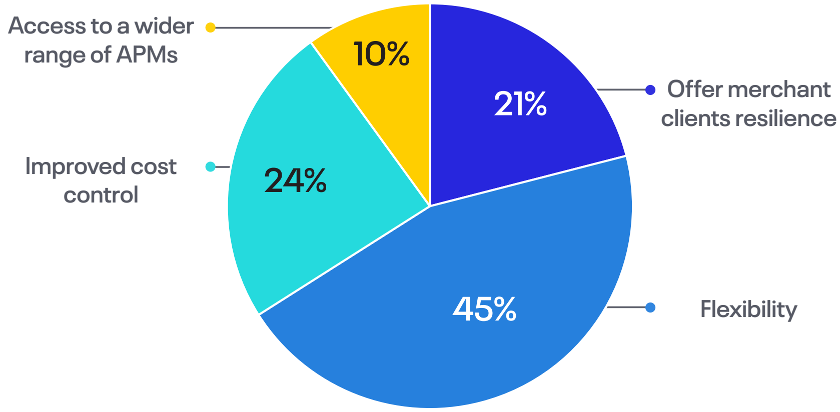



Figure 4

## 2.2 Primary Reasons for Working with Multiple Acquirers

The following section will examine how satisfied PSPs are with their connection to multiple acquirers and their primary reasons for opting for such an arrangement.

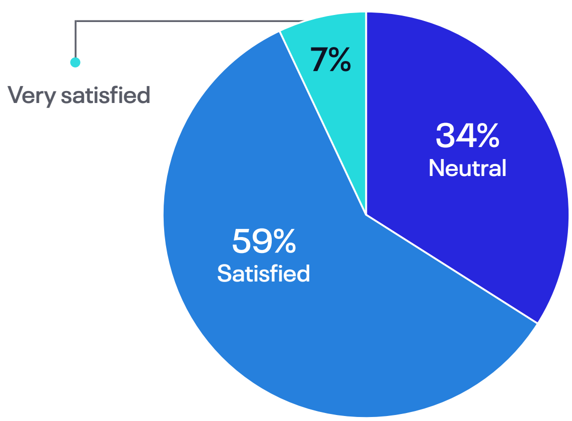



Figure 5

Of the 70% of PSPs that have relationships with multiple acquirers (**Figure 1**), over 65% are satisfied or very satisfied with their acquiring arrangement. There were no PSP respondents that claimed they were dissatisfied with their setup. This result is logical, as none of the surveyed PSPs plan to change from a multi-acquiring arrangement to a single arrangement (**Figure 2**).

The primary reasons PSPs give for working with multiple acquirers are resilience (24%), reducing operational costs (21%), improving conversion rates (13%), reducing declined transactions (9%) and enabling cross-border eCommerce (7%). Other reasons include being able to offer a case-by-case personalized service to build merchant loyalty.

## What would be your primary reason for working with different acquirers? (Select up to 3 options)

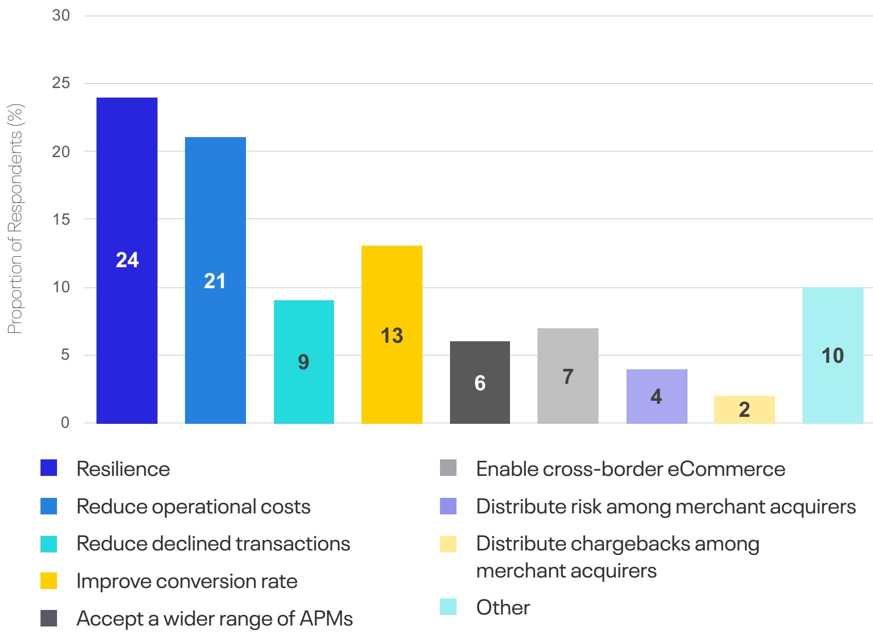



Figure 6

Looking at this in more depth, we can observe (**Figure 7**) that PSPs with different transactional volumes have different rationales. While increasing resilience and reducing operational costs are more important for smaller and medium-sized PSPs, larger PSPs are motivated by the ability to distribute risk and chargebacks for their merchants across different acquirers.

> **"We connect to many different acquiring banks and we need to offer our merchants more than one acquirer to ensure they have the right ones available depending on need, risk and processing requirements. Some of our merchants will need resilience and alternative connections if one acquirer is unavailable. This allows a merchant operating in a mission-critical environment, such as selling tickets for an event, zero service interruption."**
>
> Nick Fox
> Managing Director
> Access Merchant Services

> **"As the merchant portfolio of a PSP diversifies, so does the need for additional acquirer connections increase. Having multiple acquirer relationships creates confidence in the gateway."**
>
> Dr. Tschangiz Scheybani
> Managing Director and
> Co-Founder
> Payreto

**ACI Insight**

The ability to deliver strong conversion rates to merchants is critical to PSPs. Analysis of our own PSP customer base indicates that those who work with multiple acquirers are achieving an acceptance rate up to **16% higher** than PSPs with a single acquiring relationship.

## What are your primary reasons for working with different merchant acquirers? (Select up to 3 options)

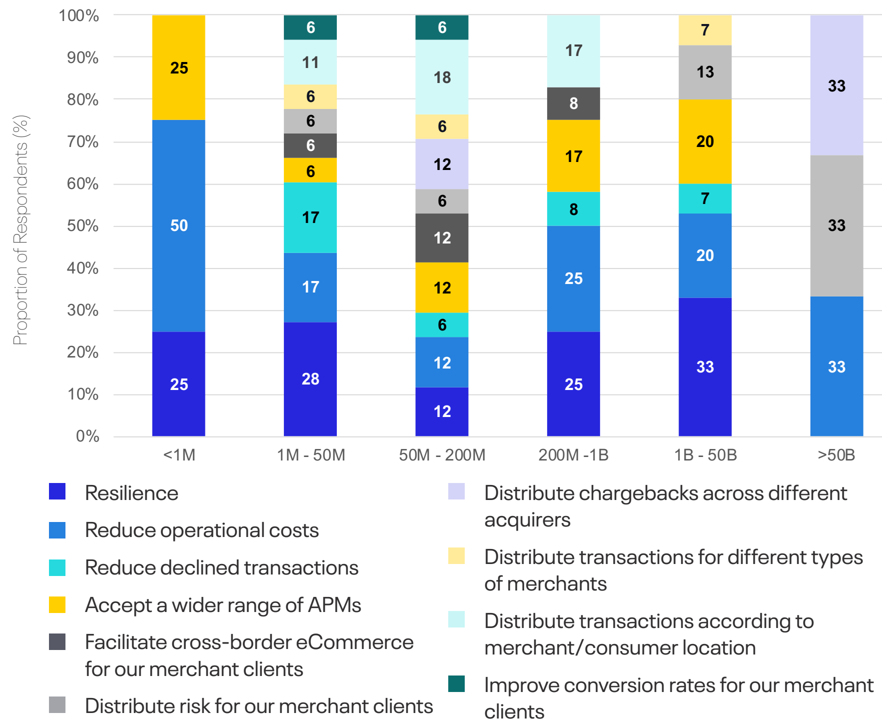



Figure 7

"

**Smart routing is part of our "Champions and Challenger" strategy and we do AB-testing to get the data to prove or disprove the performance of different acquirers."**

Jan Florian Richard
Global Partnerships and Innovation, Financial Solutions
Arvato

## Transaction Routing

The majority (70%) of PSPs in our survey are able to route transactions to different acquirers based on set criteria—see **Figure 8**. This is in line with the proportion of businesses that work with multiple acquirers, outlining how a key benefit of having those multiple relationships lies in the ability to route transactions flexibly. A further 10% of PSPs plan on being able to route transactions flexibly in the future—considering these respondents must be working with a single acquirer, they will do so by working with more acquirers.

## Are you able to route transactions to different acquirers based on certain criteria?

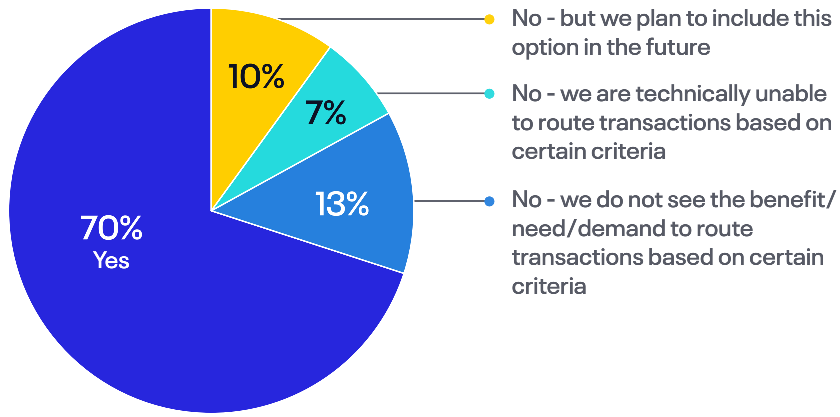



Figure 8

## How do you decide to route transactions to different acquirers? (Select up to 3 options)

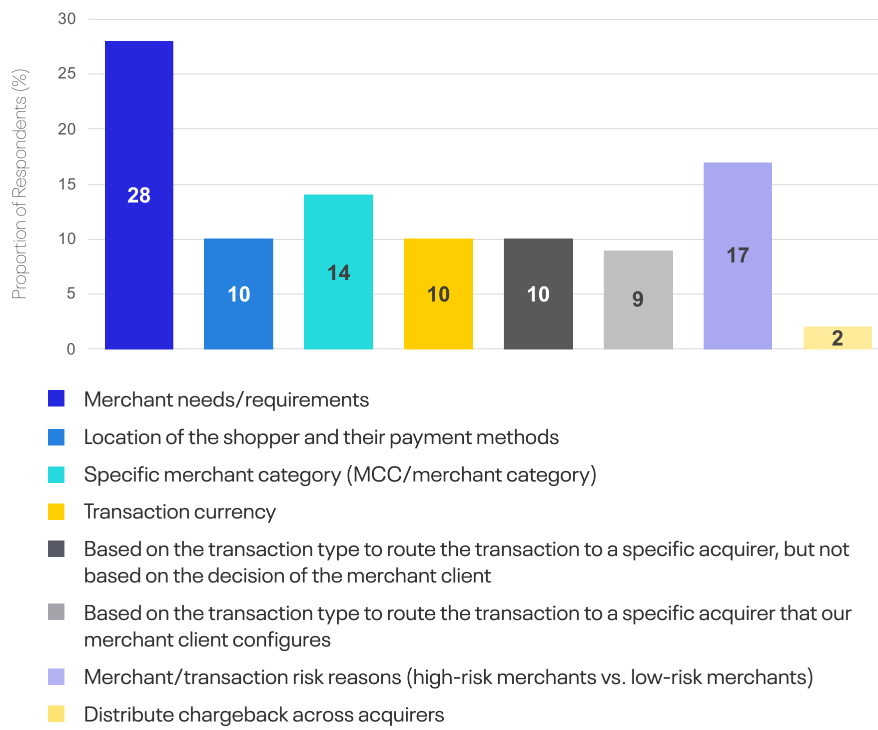



Figure 9

> "We do not want to be biased towards specific acquiring solutions simply because they are compatible and already supported by our current PSP. Actually, we do the opposite: we identify our functional and financial needs based on strategic guidelines, organize a tender process, receive all proposals, contact the selected acquirers and submit our request to our PSP."
>
> Xavier Fouré
> eCommerce Treasury Manager
> Decathlon

**Figure 9** shows the reasons why PSPs choose to route a transaction to different acquirers. This appears often to be determined by merchant requirements (28%), indicating PSPs' willingness to try and meet the needs of merchants to win/maintain their business. The specific business of a merchant is also a determinant of where PSPs will route a transaction—with the decision being based either on merchant category codes (MCCs) or whether merchants are considered to be high-risk businesses (17%).

**ACI Insight**

At ACI, we have seen a very significant (66%) increase in the number of PSP customers adopting smart dynamic routing techniques over the past 18 months. These techniques include transaction dispatching—allowing card transactions to be routed to different acquirers based on attributes such as MIDs, card brand or ticket size—as well as smart retry, which allows failed card transactions to be automatically re-sent either to the same card acquirer or an alternative one. We've seen an average 12% conversion uplift for customers using transaction dispatching and up to 15% of rejected transactions being accepted using a smart retry approach.

**Smart Retry—Use Cases**

+ A European PSP customer of ACI has used smart retry over 12 months to achieve a **conversion uplift in excess of 28%** across a broad merchant portfolio.

+ In another case, one of our PSP customers implemented a smart retry strategy for a major retailer making use of different MCCs. Since different codes represent different risk levels to acquirers or credit schemes, different risk and routing rules are often applied by the acquirer based on the MCC definition. Some MCC settings are stricter than others and have a higher decline rate. In this case, the retailer has a main MCC which is used for the initial authorization attempt. If this attempt fails, ACI reverts the transaction to the second MCC (which also truly represents the retailer´s business) and retries the order.

  The retry takes place without any shopper interaction and is fully automated, based on the technical response from the acquirer and rules defined by the PSP.

  After just eight weeks of activating ACI's smart retry capabilities, 12.6% of the transactions that failed in the first attempt were recovered and the retailer secured an **additional $1.3M in sales revenue** which would otherwise have been lost.

## Which of the following characteristics are relevant when selecting/working with an acquirer? (Multiple options allowed)

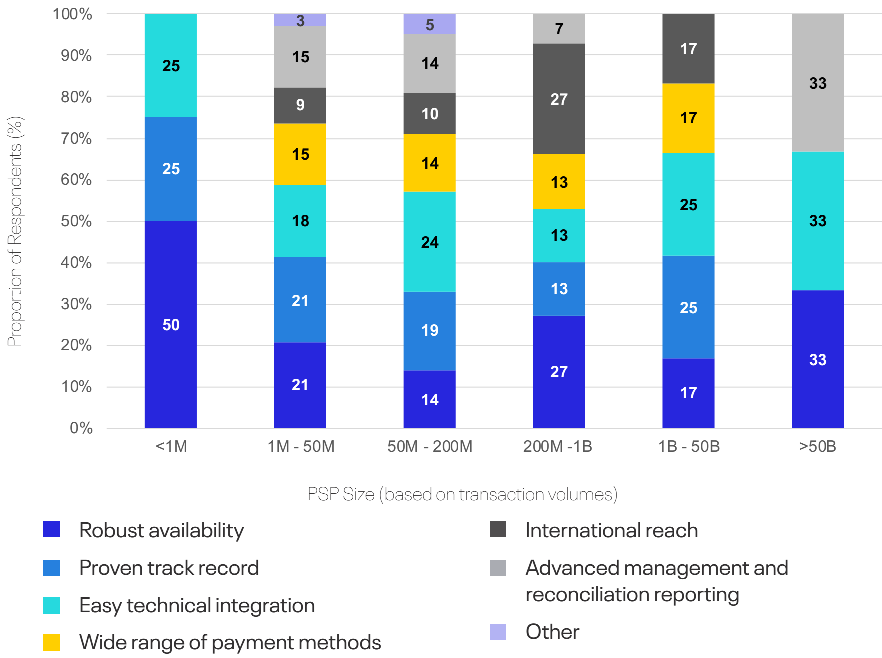



Figure 10

Finally, we asked PSPs what the most relevant characteristics were in determining which acquirers to work with (**Figure 10**). Unsurprisingly, the answers differ depending on the size of the PSP, with larger PSPs (>50Bn transactions) wanting advanced management and reconciliation reporting, while smaller companies look at whether acquirers have a proven track record. Perhaps surprisingly, considering previous results, accessing a wide range of APMs and international reach were not among the most popular reasons cited by PSPs for choosing an acquirer to work with.

## 2.3 Primary Reasons for Working with a Single Acquirer

When we look at PSPs that work with a single acquirer, the main reasons provided for this acquiring arrangement are that it meets customer needs (33% of PSP respondents) and that it is more cost-efficient or the result of other commercial reasons (26%). Thirty-one percent of PSP respondents were part of an acquiring business themselves.

### Why do you only work with one acquirer?

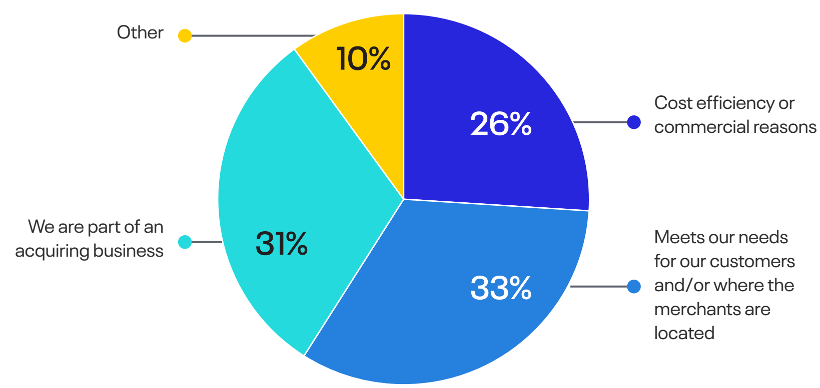



Figure 11

Reasons vary depending on PSP size, as seen in **Figure 12**. Fewer large PSPs tend to work with only a single acquirer, with only 6 out of 41 PSPs who work with a single acquirer processing more than 1Bn transactions. From the responses below, we can see that the two most popular reasons for PSPs to work with only one acquirer are that they are part of an acquirer, and therefore do not work with other competing acquiring businesses, or that their current merchant customers do not ask for multiple acquirer integrations. The latter reason is most likely due to merchants not knowing the potential advantages that having multiple acquirers could bring to their business back-end processing. It is the job of the PSP to propose a multi-acquiring relationship and lay out the advantages to the merchant.

## Why do you only work with one acquirer?

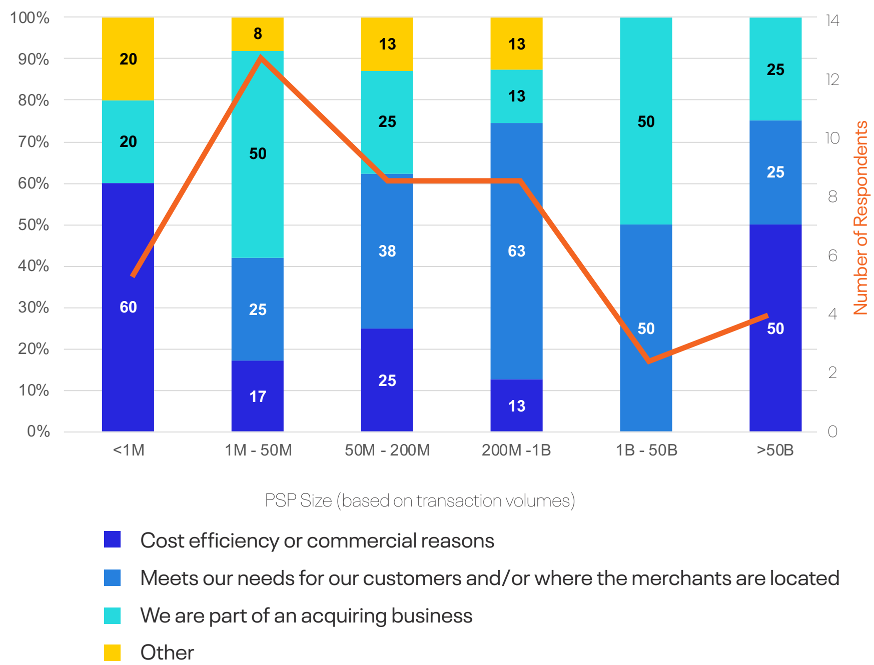
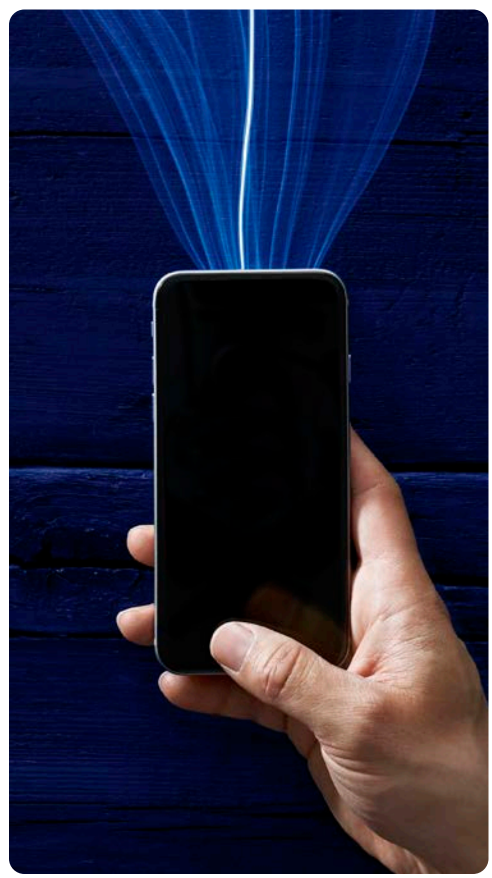



Figure 12

The reasons why a PSP may decide to work with a single acquirer do not differ significantly based on the merchant verticals they serve. This can be seen from **Figure 13**, where the main reason seems to be that PSPs are limited in working with only one acquirer by being part of an acquiring business. It is interesting to note that, while for merchants cost efficiency or commercial reasons was the main deciding factor for working with a single acquirer, this is the least important factor for PSPs. We can denote that the actual integration with multiple acquirers is a more significant cost for merchants than PSPs.



## Why do you only work with one acquirer?

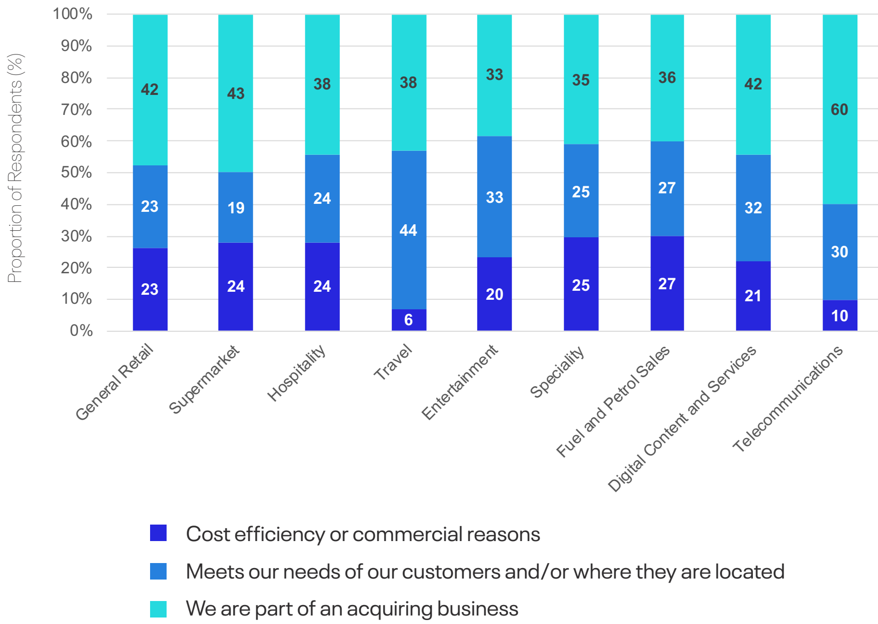



Figure 13

**ACI Insight**

Those PSPs who are part of an acquiring business are, of course, likely to work with other acquirers only in very exceptional circumstances. For the rest, it is worth exploring whether the apparent cost efficiencies of a single acquiring relationship outweigh the benefits in terms of improved conversion rates and enhanced flexibility and control that a multi-acquiring strategy can deliver. Indeed, it should be noted that 21% of PSP survey respondents who have adopted a multi-acquiring strategy report reducing operational costs as one of the key reasons for doing so (see **Figure 6**).

# 3 Conclusion

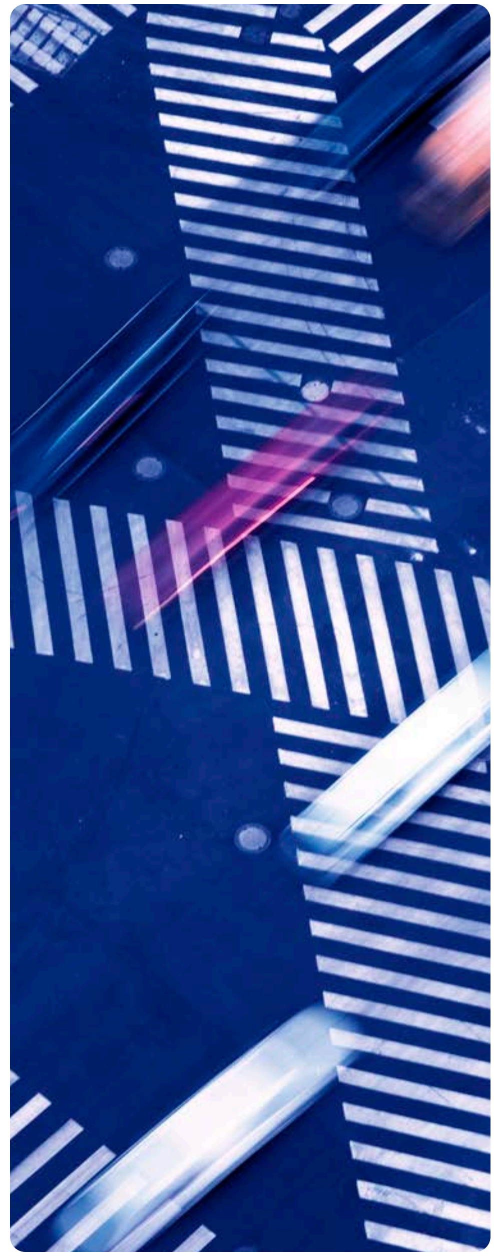
Our study indicates that the benefits of acquirer independence are clear to PSPs, with over 70% of our respondents already engaged with multiple acquirers and 70% looking to increase the number with which they engage.

In a highly competitive environment, the ability to ensure service continuity to the merchant base is critical to PSPs. If an acquirer fails or if service is unavailable for any reason, it is essential that the PSP can quickly switch traffic to an alternative acquirer.

At the individual transaction level, ACI is seeing a strong and growing appetite among PSPs for smart dynamic routing options, underlying the importance of retaining flexibility to meet merchant needs. These options give PSPs the ability to route transactions to the acquirers most likely to accept them, and to re-route them in the event of initial decline without making further demands on the consumer.

PSPs also recognize the additional benefits that a multi-acquiring strategy enables, including to deliver to their merchants: an increased range of alternative payment methods to support shopper recruitment and retention and a reduction in the number of declined transactions to support a positive customer experience. There are clearly cost benefits too—both in terms of the ability to negotiate pricing and reduce operational costs for merchants.

With connections to multiple acquirers, PSPs can tailor their service more precisely to meet the needs of individual merchants. They can provide access to the optimal mix of local and cross-border acquirers, to acquirers best suited to handling transactions of different types, in different verticals, and to those supporting the payment methods most relevant to the merchant's customer base. All of this increases merchant stickiness and can be reliably and cost-effectively delivered through use of an acquirer-agnostic payments gateway that supports multiple acquirers.



# 4 Survey Methodology

To conduct the research for this initiative, Edgar, Dunn & Company (EDC) designed two online surveys for PSPs and merchants. The surveys explored the acquiring strategies of respondents and the benefits they associated with their chosen strategy. The survey results enabled EDC to identify advantages and operational benefits of different acquiring arrangements for both PSPs and merchants.

Surveys were open to all and promoted through relevant media, associations and membership groups. Additional participants were secured through a social media campaign, leveraging LinkedIn and search engine marketing and retargeting. Overall, 68 PSPs and 93 merchants were surveyed.

Supplementing the information collected from the surveys, EDC conducted in-depth telephone interviews with leading PSPs and Tier 1 and Tier 2 merchants to gain further insights. These interviews helped to increase our understanding of the perceived virtues of a multi-acquiring approach and the benefits that merchants seek to gain from their acquiring configuration.

EDC analyzed the surveys on a market level, then delved deeper into the data to look at the results from PSPs/merchants of varying sizes, operating across different verticals and sales channels. EDC used the qualitative data collected from the interviews to determine and qualify the benefits that merchants of different sizes, operating in different markets and verticals, gain from using a multi-acquirer strategy.

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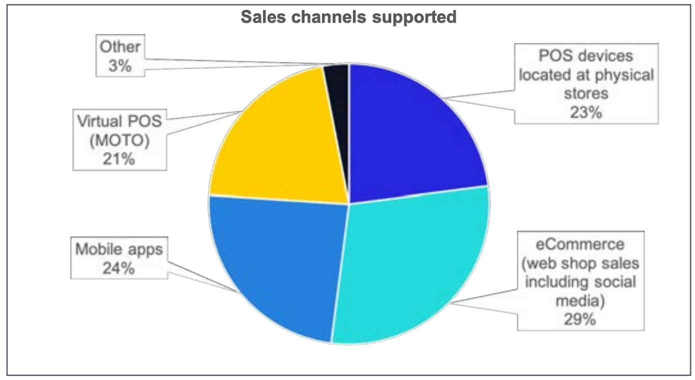
Edgar, Dunn & Company

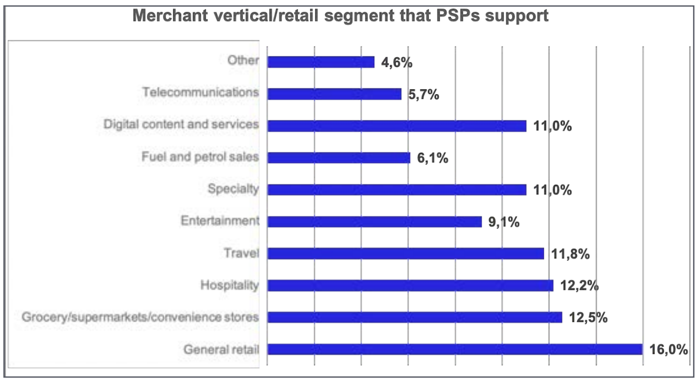
Edgar, Dunn & Company (EDC) is an independent global payments strategy consultancy, founded in 1978, and is widely regarded as a leading trusted adviser in the payments industry. Today the company serves clients in more than 45 countries on six continents from locations in San Francisco, London, Sydney, Paris, Frankfurt and Dubai. EDC provides a full range of strategy consulting services, expertise and market insight. Clients include the global payment brands, issuer and acquiring banks, processors, and merchants, including hotels, airlines and international omnichannel retailers.

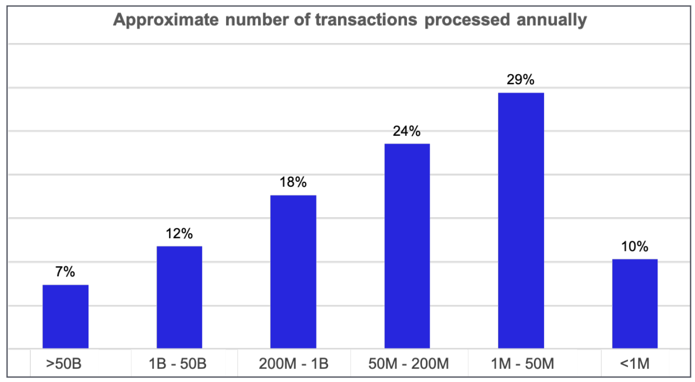
See www.edgardunn.com

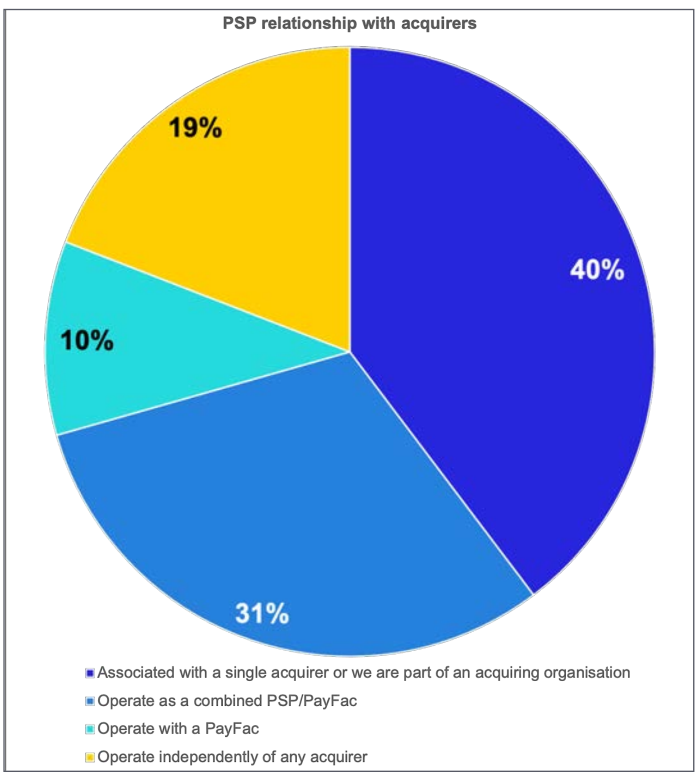
# 5 PSP Survey Dashboard

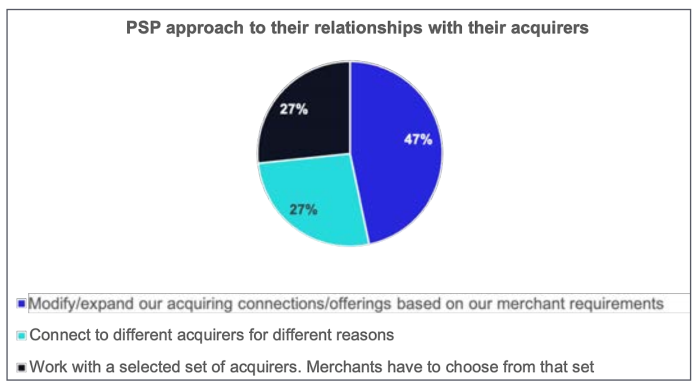
| PSPs' merchant customer locations | Responses |
|---|---|
| North America (Only) | 37% |
| Europe, Middle East and Africa (EMEA) | 34% |
| Asia Pacific | 7% |
| Latin America | 6% |
| North America and Europe | 3% |
| Global | 12% |
| Other | 1% |

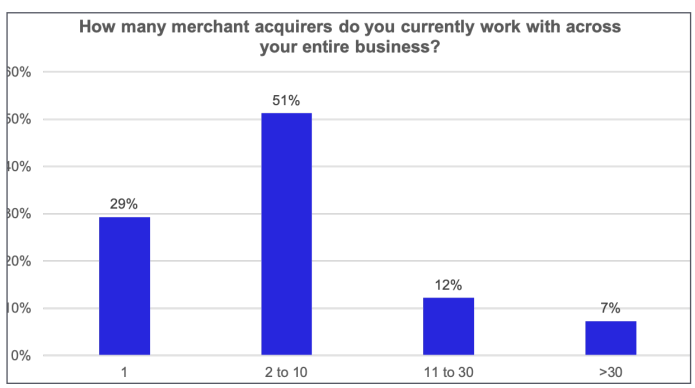


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**ACI® Secure eCommerce™** is an integrated acquirer-agnostic payments and fraud management solution for merchants and PSPs, available via a single point of access in the cloud for high performance and scalability. The solution today supports over 80,000 merchants.

Within ACI Secure eCommerce, the multi-language, multi-currency payments gateway connects merchants and PSPs to a global payments network of local and cross-border acquirers and alternative payment methods. This is achieved with a single, one-time integration through an open RESTful API.

The solution enables PSPs to support their merchants to

+ Easily implement new payment options for emerging shopping channels and payment types
+ Reduce time to market for delivering new payment methods, entering new markets and establishing connectivity to alternative acquirers
+ Increase acceptance, conversion and payments performance through smart transaction routing capabilities
+ Consolidate settlement files from different acquirers and APMs to reconcile the initial authorized payments transaction against settled funds

Built on open payments architecture, ACI Secure eCommerce offers a complete set of customizable tools to meet the demands of any merchant or PSP. New applications and services can be built quickly and easily in line with changing market requirements.

The ACI eCommerce payments gateway is available to PSPs as a white label solution.

**To learn more, please contact merchantpayments@aciworldwide.com**

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