

July 2020

Payments Vendor Future- Proofing Best Practices

Read the full article:

["Vendor Future- Proofing is a 2020 Priority"](#)

Assessing how future-proofed your overall payments vendor network is before renegotiating with individual vendors will result in better long-term outcomes.

Payments Vendor Future-Proofing Framework

Area	Guiding Question	Items to Assess
Structure	Are we outsourcing the right activities?	<ul style="list-style-type: none"> • Which outsourced/insourced functions still fit with our strategic vision and new market reality? • Which outsourced/insourced functions have fulfilled their business case and expectations, and are there better alternative models going forward? • Do we need key capabilities that are not being developed internally and haven't been purchased?
Selection	Are we using the right vendors?	<ul style="list-style-type: none"> • Are our vendors still leaders in their field (in terms of product, servicing, technology, etc.)? • Are our vendors ready for the future (e.g., do they have a clear vision and strong roadmaps)? • Did our vendors deliver and provide us with the right support during the crisis?
Management	Is our management of our vendors ready for the new market reality?	<ul style="list-style-type: none"> • Is our management, monitoring, and day-to-day cooperation with vendors ready for remote work, pandemic-level operational disruptions, and other aspects of the post-COVID operational reality? • Are we sufficiently mitigating risks associated with and preparing contingencies for vendor failures or delays, sub-contractor and geographic risk, and other difficulties observed during the crisis?
Contracts	Are our vendor costs and terms optimized?	<ul style="list-style-type: none"> • Is our absolute vendor cost level still in line with our revenues? • Are our vendor cost structured to mitigate the impacts of future volume or revenue volatility? • Are our vendor contractual terms sufficient in times of market volatility and operational difficulties?
Future Needs	Is our vendor strategy positioned to effectively adapt and win in the future?	<ul style="list-style-type: none"> • Do we have the structural and contractual flexibility needed to change insourcing/outsourcing strategy and add/remove individual vendors as the need arises? • Is our organizational infrastructure for vendors sufficiently future-oriented in terms of linking vendor strategy to our roadmap, monitoring vendor roadmaps, planning for volatility and contingencies, etc.?

Assessing individual vendors provides a strong base to determine objectives for renegotiation (“asks”) as well as tactics such as “gives”.

Example Assessment of Individual Vendors

- | | |
|------------------------|--|
| Costs | <ul style="list-style-type: none">• Are volume tiers significantly increasing costs when volumes decline (as during COVID-19)?• Is the business case still favorable under lower volumes?• Does the vendor also have “skin in the game” or is the customer bearing all the downside from volatility? |
| Terms | <ul style="list-style-type: none">• Are force majeure terms clear enough for pandemics and other national emergencies?• Do SLAs need to be modified to better address the realities of situations like COVID-19? |
| Support | <ul style="list-style-type: none">• Did the vendor demonstrate that they will do what it takes to deliver during the pandemic?• Should governance and ways of working be updated for remote work, short-term disruptions, etc.? |
| Future-proofing | <ul style="list-style-type: none">• Is the vendor’s product roadmap sufficiently innovative?• Is the vendor ready to support our overall roadmap? |
| Risks | <ul style="list-style-type: none">• Can we quickly transition the service if the vendor experiences operational failures or delays?• Where are the vendor’s weak links (e.g., subcontractors, services provided from other countries, etc.)? |

Potential Renegotiation Asks

- ▶ Price reductions and/or more sharing of volume risk
- ▶ More flexible tiering structure to account for market-level volatility
- ▶ Revised contract terms based on learnings from COVID (e.g., force majeure, SLAs, governance, etc.)
- ▶ More robust business continuity scenario planning, updated governance and cooperation structure, more oversight over sub-contractors and fulfillment locations, etc.
- ▶ Support for specific roadmap initiatives

Potential Renegotiation Gives

- ▶ Positive reference and PR support (e.g., be a public case study, etc.)
- ▶ More flexibility around vendor non-monetary pain points (e.g., SLAs, etc.)
- ▶ Extended term
- ▶ Extend scope and/or purchase add-on services
- ▶ Revised commercial model (e.g., share volatility risk, upside sharing, fixed fee but with lower volume-based tiers, etc.)

Flagship Advisory Partners is a boutique consultancy and M&A advisory firm focused on the payments and fintech marketplace.

About Flagship Advisory Partners

Clients



Financial Institutions

- Banks
- Issuers & acquirers
- Payment institutions
- Credit providers



Merchant Service Providers

- Merchant acquirers
- PSPs
- ISVs & VARs
- ISOs & distributors



Fintechs

- Neobanks
- Alt. payments
- Digital credit
- Infrastructure innovators



Technology Providers

- Processors
- Payment schemes
- Software platforms
- OEMs & integrators



Merchants and Brands

- Retailers
- Travel providers
- Digi. goods/services
- B2C/B2B firms



Financial Investors

- Private equity
- Growth capital
- Corporate boards
- Inst. investors

Services



Market Analysis

- Structure & trends
- Competitor analysis
- Benchmarking
- Opp'ty prioritization



Strategy

- Strategy design
- Opp'ty prioritization
- Detailed roadmaps
- Op. model strategy



Optimization

- Portfolio optimiz.
- Sales/mktng plans
- Ops rationalization
- Cost reduction



Vendor/Partnership Support

- Vendor selection
- Partnership formation
- Negotiation support
- Cost optimization



Project Execution

- Rollout
- Migrations
- Business support for IT delivery
- Project management



M&A Advisory

- M&A strategy
- Buy-side DD
- Sell-side VDD
- Valuation

Why Choose Flagship



Deep expertise

Unparalleled experience in payments and fintech as trusted advisors and operational executives



Unique skills

Unique combination of strategy, delivery, vendor/partnership, and M&A support



Proven track record

Our Partners have successfully served 100+ clients and led payments businesses



Personal commitment

Our Partners personally design unique solutions with the highest level of quality and responsiveness

Leadership Team



Joel Van Arsdale 23 years in payments

- Global thought leader on digital payments
- Trusted M&A advisor
- Unique insights on value creation in payments & fintech



Erik Howell 20 years in payments

- Unique experience as both executive and advisor
- Head of Transactional Banking at Moneta
- Advised 100+ clients at First Annapolis & Accenture

Supported by a team of consultants with subject matter expertise in payments and fintech and a proven track record of successful client delivery

Thank You

Joel Van Arsdale
Managing Partner

+31 6 420 93 466
Joel@FlagshipAP.com

Erik Howell
Partner

+420 607 249 640
Erik@FlagshipAP.com