

Abby Karl and Amilee Huang, 10 January 2025

## Flagship Insights Wrapped: Highlights from the Most Read Publications of 2024

During 2024 Flagship shared insights on a diverse array of payments and fintech topics. Our analysis of Apple's iOS NFC launch in Europe drew significant attention, highlighting its impact on in-store payments. Other popular topics included the decline of European local card schemes, the growth of next-gen POS systems, the success of PSPs in merchant VAS and opportunities for banks in merchant acceptance. An overview of our most significant insights is below.

Links to our 5 most read insights here:

1. [Apple Opening Up iOS NFC in Europe - Will it Change the Game for In-Store Payments?](#)
2. [Europe's Local Card Schemes on a Steady Decline](#)
3. [Next-gen POS Driving Impressive Growth](#)
4. [Merchant VAS Now a Lucrative Reality for PSPs](#)
5. [Banks Can Still Make a Comeback in Merchant Payment Acceptance](#)

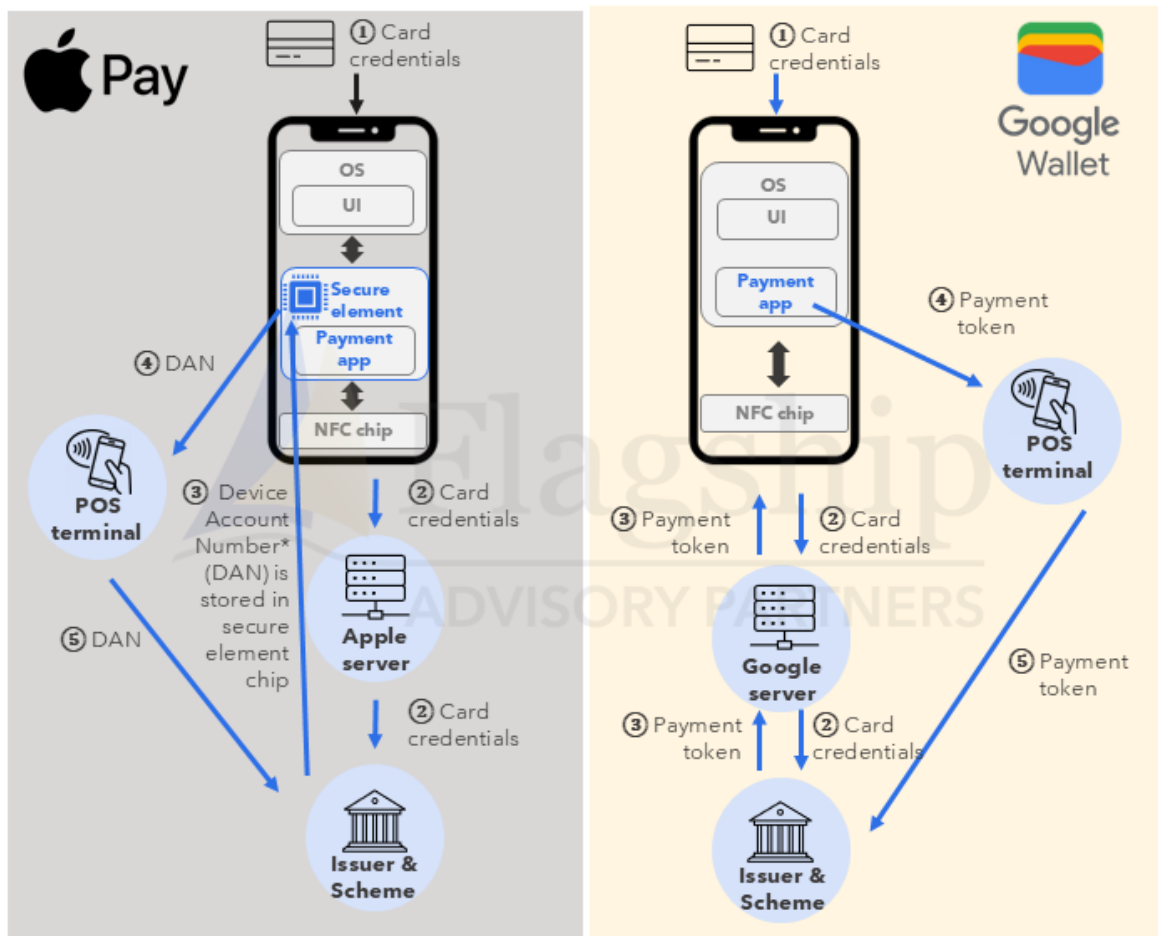
### 1. [Apple Opening Up iOS NFC in Europe – Will it Change the Game for In-Store Payments?](#)

Our most popular article focused on Apple opening its iOS NFC (“Near Field Communication”) technology to third parties after a European regulatory investigation found it was hindering competition. This change enables third-party market participants to access NFC hardware for contactless POS payments, providing alternatives to Apple's previously closed ecosystem. Card-based wallet providers and issuers stand to benefit, as wallet providers can now reach a broader audience, and issuers can promote competing wallet solutions. In late 2024, rival payment methods and wallets such as Vipps and Swish launched their own NFC solutions, while others, like Bizum, have announced plans to roll out their own in 2025. It will be fascinating to track the adoption and evolution of these solutions in the coming months.

*Links:*













[\*Apple Opening Up iOS NFC in Europe - Will it Change the Game for In-Store Payments?\*](#)




**Figure 1: Apple Wallet vs Google Wallet**



Note: OS = Operating System; UI = User Interface  
 \*The DAN is the tokenized version of the payment card and is stored in the physical hardware chip inside the iOS device. This is the reason why iOS users will need to add the same card to each iOS device they hold (e.g. iPhone and an iWatch).  
 Source: Flagship Advisory Partners, ByteByteGo  
 © Flagship Advisory Partners, January 2025

**Figure 2: Impact on Industry Participants**

PARTICIPANT	IMPACT	STRENGTH	RATIONALE
 Issuers		MEDIUM	<ul style="list-style-type: none"> <li>Will be difficult to change behavior of customers who already use Apple Wallet without investment (which then decreases the cost savings from circumventing Apple)</li> </ul>
 Merchants		LOW	<ul style="list-style-type: none"> <li>Solves small/medium tech enablement issues, does not change underlying need to give customers a reason to pay via merchant apps, which merchants have struggled with historically</li> </ul>
 PSPs		LOW	<ul style="list-style-type: none"> <li>Little direct impact on PSPs as they are intermediaries</li> </ul>
 Wallet Apps (card-based)		HIGH	<ul style="list-style-type: none"> <li>Enables wallet apps to break free of Apple Wallet and control more of UX</li> <li>Significant cost saving opportunities</li> </ul>
 APMs (account-based)		LOW	<ul style="list-style-type: none"> <li>Fundamentally does not change much, as the technical changes at iOS devices (for now) applies to card rails</li> <li>Building out a card-based solution defeats the fundamental purpose of account-based alternatives to cards</li> </ul>
 Apple		HIGH	<ul style="list-style-type: none"> <li>Removes the lucrative position of controlling a walled garden around iOS device holders</li> </ul>

 Positive impact   
  Neutral impact   
  Negative impact

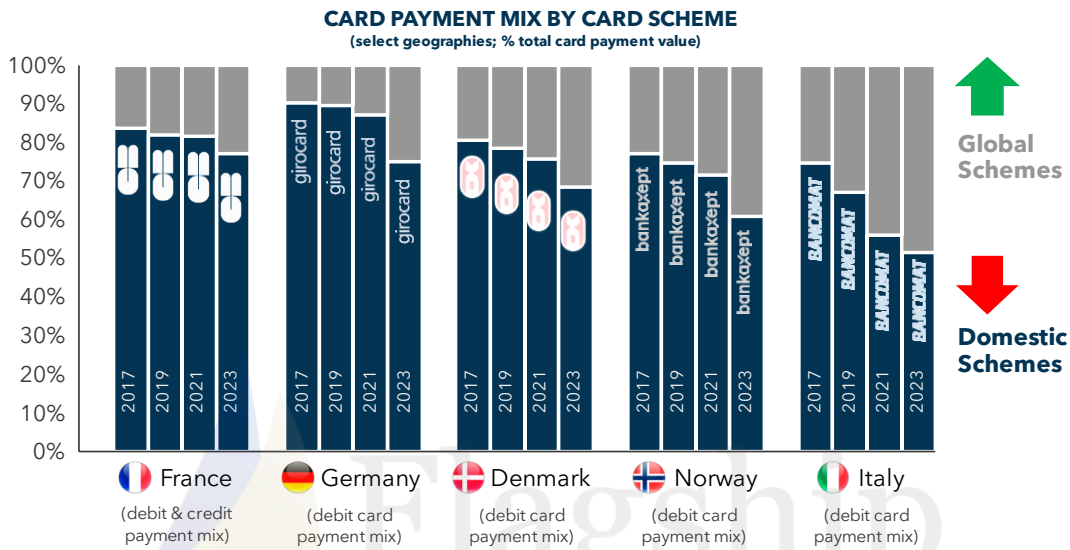
Source: Flagship Advisory Partners  
 © Flagship Advisory Partners, January 2025

## 2. Europe's Local Card Schemes on a Steady Decline

European local card schemes are losing ground to Visa and Mastercard, driven by several key factors contributing to the decline of what was once the backbone of domestic banking systems. These include a lack of technical innovation, slow adoption of digital wallets, limited geographic reach and high integration costs for local schemes. However, these are just a few of the factors contributing to the growing dominance of Visa and Mastercard, with other underlying challenges at play.

Link: [Europe's Local Card Schemes on a Steady Decline](#)

**Figure 3: Impact on Industry Participants**



INFLUENCING FACTORS	
	<p><b>Lack of Technical Innovation</b></p> <ul style="list-style-type: none"> <li>Challenged to innovate at the same pace as V&amp;MC, which leverage economies of scale and remain at the forefront of payment tech and UX.</li> <li>Fall short in enhancing interfaces, customer service, and loyalty programs.</li> </ul>
	<p><b>Slow Support of Digital Wallets</b></p> <ul style="list-style-type: none"> <li>Slow to adopt and integrate the increasingly popular digital wallets (e.g. Apple Pay, Google Pay), compared to V&amp;MC, which are quicker and more agile in implementing new technologies</li> </ul>
	<p><b>e-Commerce Channel Gap</b></p> <ul style="list-style-type: none"> <li>Failed to invest in developing robust and secure online payment capabilities, resulting in a missed opportunity and increasing vulnerability in the rapidly evolving digital payments landscape.</li> </ul>
	<p><b>Limited Geo Reach</b></p> <ul style="list-style-type: none"> <li>Confined to home markets and find it challenging to compete order.</li> <li>Local schemes often depend on cobadged V&amp;MC networks to manage the growing volume of cross border payment transactions.</li> </ul>
	<p><b>Integration Requirements</b></p> <ul style="list-style-type: none"> <li>The cost of integrating Europe's local card schemes remains high, requiring significant investment in technical infrastructure, regulatory compliance, security measures, and ongoing maintenance.</li> </ul>
	<p><b>Collaborative Shortcomings</b></p> <ul style="list-style-type: none"> <li>While local cost-effective, local schemes struggle to forge strategic alliances with high growth stakeholders in the payment ecosystem.</li> <li>New-to-market providers frequently default to V&amp;MC for partnerships.</li> </ul>

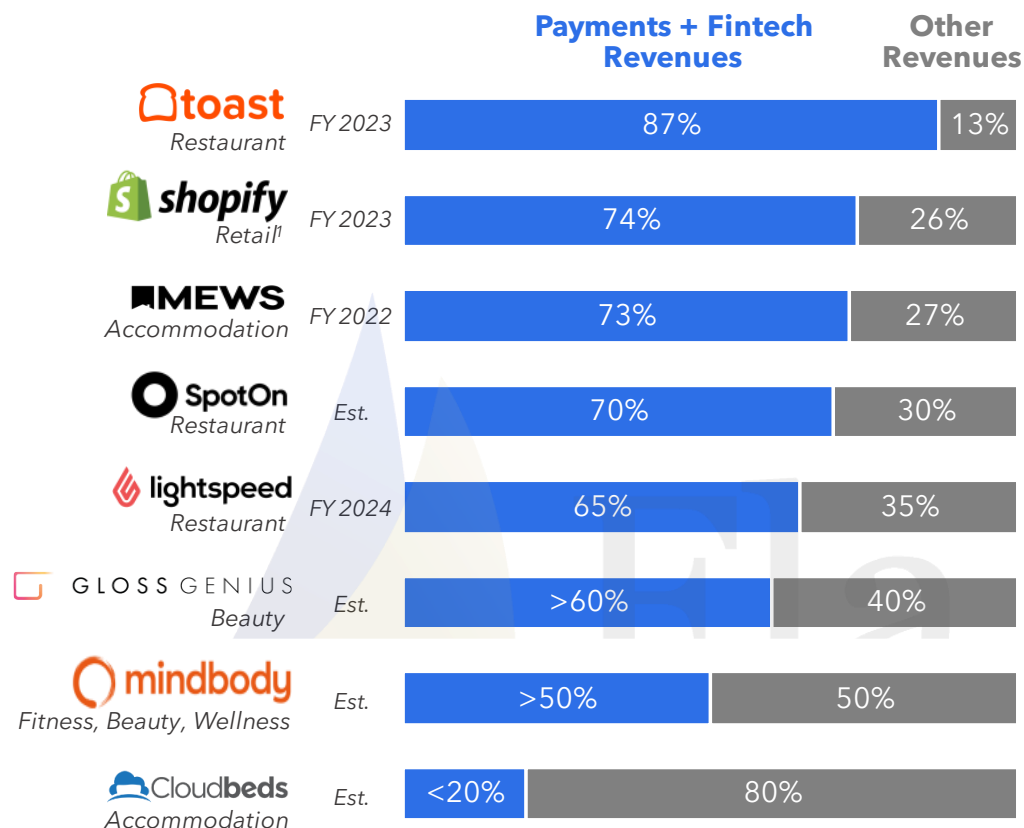
Source: Flagship Advisory Partners Market Observations, Global Data, National Banks and Local Card Schemes (note: credit cards include charge card products)  
© Flagship Advisory Partners, January 2025

### 3. Next-gen POS Driving Impressive Growth

Next-gen POS solutions redefine traditional markets for POS software, hardware, and payments, and have created a new class of high-growth fintechs. There is still plenty of growth runway to capture, as software products continue to add functional modules (HR, CRM, etc.) and connect value-added apps. Similarly, as payment acceptance becomes more mature, there is a logical roadmap for expanding fintech services into lending, expense management and pay-out services, payroll, and others. Lastly, we expect next-gen POS winners to increasingly expand globally, which has proven more difficult than in digital commerce software (e.g. Shopify). As small and medium-sized businesses increasingly embrace the advantages of modern-tech-led product and service bundles, the provider landscape will continue to be disrupted as legacy providers cede share to next-gen fintechs.

Link: [Next-gen POS Driving Impressive Growth](#)

**Figure 4: Gross Revenues from Fintech of Next -Gen POS SaaS  
(select C2B SaaS providers only; payments & fintech revenues incl. hardware)**



Note that this is based on gross revenue mix, which can sometimes overrepresent payments if the company includes payments COGS (e.g., interchange and scheme fees) within that gross.

<sup>1</sup>Revenues reported under merchant solutions, mainly driven by payments & fintech

Source: Flagship Advisory Partners Research, Company Financial Reports

© Flagship Advisory Partners, January 2025

#### 4. Merchant VAS Now a Lucrative Reality for PSPs

VAS revenue on the back of merchant payments is no longer an aspirational upside, it has become an essential driver for growth. As the growth fundamentals of merchant payments mature and slow, driving topline growth and EBITDA is increasingly a function of VAS success. Fortunately, there is no mystery, the menu of available VAS is now well-defined. Capturing this opportunity, however, requires a focused strategy, strong GTM execution, and a well-chosen operating model (partner vs. in-house).

Link: [Merchant VAS Now a Lucrative Reality for PSPs](#)

**Figure 5: Value-added Services Fit with Payment Service Providers**

	MERCHANT SEGMENT		
	Small	Medium	Enterprise
<b>Data and Processing Related</b>			
FX (DCC, MC Settlement)	High	Medium	Low
VAT refund	Low	Medium	Low
Fraud prevention	High	Medium	Low
Chargeback automation	High	Medium	Low
Encryption & tokenization	High	Medium	Low
Business insights	Medium	Low	Medium
Customer insights	Low	Medium	Low
Automated reconciliation, ERP integrations	Low	Medium	Medium
<b>Financial Services Beyond Payments</b>			
Instant settlement	Medium	High	Low
Merchant cash advance, working capital	Low	Low	Low
Business cards	Medium	Low	Low
Gig/micro cards & neobanking	Low	Low	Medium
X-border payouts	High	Low	Medium
Virtual bank accounts, custody of funds	Low	Low	Medium
<b>SaaS*</b>			
POS SaaS	Low	High	Low
Web shop SaaS	Medium	Low	Low
e-billing SaaS	Medium	High	Low
Expense Mgmt + Cards	High	Low	Low
Accounting	High	High	Low
CRM	High	High	Low
HR, payroll	High	High	Low
Vertical ERP/SaaS	High	Low	Low

High Medium Low

Note: \*these categories are not scored low because of a lack of good fundamentals of the product. Scores are low rather given lack of fit and right to win for PSPs selling the product (i.e., specialists have the right to win here, not general PS).  
 Source: Flagship Advisory Partners Market Observations  
 © Flagship Advisory Partners, January 2025

## 5. Banks Can Still Make a Comeback in Merchant Payment Acceptance

Banks continue to face numerous challenges when it comes to merchant acceptance, losing distribution share with SMBs against ISVs and SaaS platform propositions. Despite this, we believe that there are sizable opportunities for banks provided they choose the right operating, brand positioning, and value-added services.

Link: [Banks Can Still Make a Comeback in Merchant Payment Acceptance](#)

**Figure 6: Common Strengths & Weaknesses of Banks vs. Merchant Payment Specialists**

PAYMENTS ORIENTATION	BANKS	SPECIALISTS
<b>Focus</b>	Low	High
<b>Strong Brand</b>	Wide brand recognition	Often lower brand recognition
<b>Marketing Budget and Sophistication</b>	Limited marketing, typically one campaign per year via branches	Comparatively large marketing budget, diversity of tactics, sophisticated methodologies
<b>Investment Budget</b>	Bare minimum	Large annual investments
<b>Talent (management, sales, technical)</b>	Limited	Attracts top talent
<b>Sophisticated Products</b>	Basic products only	Many product versions to enable better targeting
<b>Complimentary Products</b>	Can offer complementary products such as deposits, FX and ACH	Offer many value-added services, but usually only closely tied to acquiring
<b>Pricing Sophistication</b>	Limited, often fall back on low prices to compensate for lack of product	Sophisticated pricing methodologies to maximize products
<b>Distribution Channels</b>	Primarily branches, which creates broad, low-cost distribution	Partners, digital, direct sales
<b>Sales Aggressiveness</b>	Primarily reactive sales to walk-ins	Aggressive, outbound sales
<b>Technology</b>	Legacy, limited functionality	Proprietary, high investment, high functionality
<b>Operational Scale and Automation</b>	Sub-scale, no/low automation	Scaled, highly automated
<b>Risk Management</b>	Limited capabilities, therefore avoid risk and do not achieve higher margins	Specialized risk management to enable broader customer segments and price higher for the risk

Source: Flagship Advisory Partners analysis  
 © Flagship Advisory Partners, January 2025

**Strengths**      **Weaknesses**

We look forward to delving into more diverse topics that generate debate and challenge perspectives in the coming year. Should you have any questions, please do not hesitate to contact us at [Info@FlagshipAP.com](mailto:Info@FlagshipAP.com).