

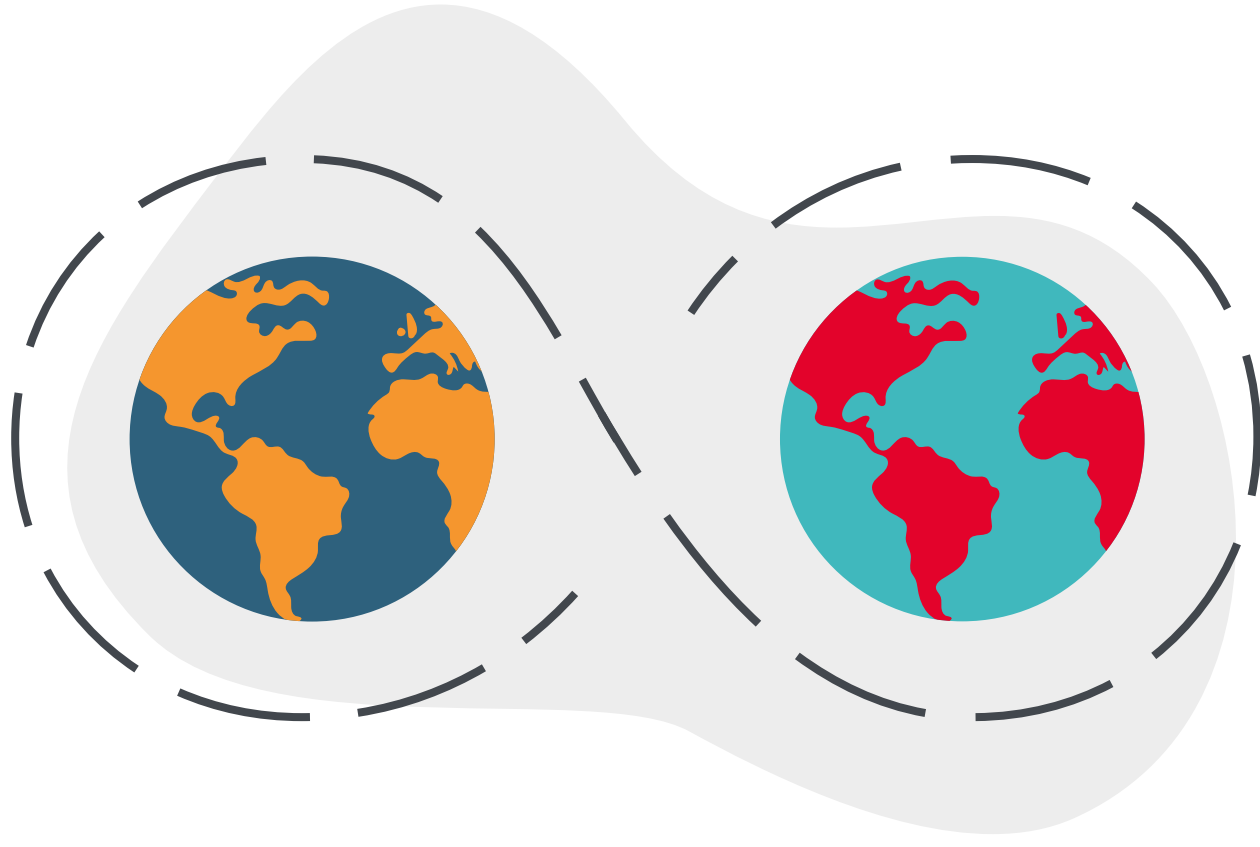
MOVING TRADITIONAL INFRASTRUCTURE INTO THE SMART POS WORLD

Classic payment devices and smart POS solutions represent alternative universes that create infrastructure headaches for established acquirers and ISOs.

THE CHALLENGE IS HOW TO PROTECT PREVIOUS INVESTMENTS, WHILE ENSURING THEY CAN PURSUE NEXT-GENERATION ACQUIRING OPPORTUNITIES.

The universe of classic devices is well known and provides rich revenue streams from merchant transactions and equipment leases. Once deployed in the field, they can sit out there for 5, 10, even 20 years with proper maintenance and support. After upfront fixed costs are redeemed, acquirers and ISOs could expect to generate lucrative profits—as long as they could retain the merchant's loyalty.

The universe of smart POS is just beginning to unfold, offering the excitement of value-added apps and services that promise new revenue streams and the ability to burrow deeper into the business processes of merchants. There's greater risk as the business opportunities are still being defined and new players are eager to disintermediate traditional acquirer/merchant relationships.



Break Away from Aging Business Models

There are many more classic devices than smart POS devices, representing greater transaction volume and leasing fees. Classic terminal management systems are well established and support costs are largely baked in. Who would want to discard that business model?

Inevitably though, the old must give way to the new. Merchants need new apps and services to meet the needs of consumers and to make their businesses more productive and profitable. Traditional terminals—bound by proprietary software—have limited potential to deliver value-added applications and services; attempts to do so often require costly re-certification of payment applications. In addition, these systems are aging; more and more of them are entering "end of life" (EOL) cycles that will increase support costs and ultimately require replacement.

Few would argue that smart POS represents the future. Merchants need to keep pace with traditional competitors who are now capitalizing on eCommerce solutions to best serve the needs of consumers. That means delivering new customer-facing features and services at the point of sale—now better defined as a point of interaction (POI). Merchants are also eager to better integrate traditional back-office functions (payroll, inventory, supply chain, etc.) into one seamless smart POS solution. The PYMNTS Innovation Readiness Index reports show over 36% of firms across general retail, health and beauty, hospitality and consumer services are very interested to extremely interested in adopting integrated smart POS technology for their businesses.

Give Merchants What They Want

If acquirers and ISOs won't deliver these solutions, there are plenty of upstart emerging solution providers more than ready to deliver new capabilities and functionality. Forward-looking acquirers can't afford not to step into the smart POS world. The challenge is how to support existing traditional estates while embracing the future.

Many traditional acquirers and ISOs are in fact already dealing with the infrastructure headaches of supporting multiple devices from multiple vendors. Larger acquirers might be dealing with as many as a dozen vendors and a hundred different devices. Typically, this requires multiple terminal management systems and the headaches of integrating everything with their own back-end systems. Changes in PCI requirements, payment application upgrades, and terminal end-of-life schedules introduce increasing complexity.

Smart POS holds the potential for a smoother, more profitable acquirer business model. App marketplaces that allow acquirers and even merchants to select and de-select apps and services at will hold the promise of greater flexibility, more responsiveness, and enhanced consumer experiences. To be sure there are obstacles: some smart POS vendors would just as soon keep their offerings as proprietary as classic suppliers; newer systems must be integrated with older back-office systems; and the learning curve and initial costs may be relatively steep.



There's no reason that acquirers can't find a middle road that allows them to make money in the old universe of classic terminals and the new universe of smart POS solutions.



Reconcile Conflicting Models

Acquirers need an ecosystem that embraces old and new devices within a unified, vendor-agnostic management platform. That platform must include a single, device-agnostic endpoint management solution for smooth integration of classic and smart POS devices within an estate.

With an open platform that provides device-agnostic payment applications, common payment gateway, and unified terminal management, acquirers can accommodate both old and new-generation payment devices. Even across disparate systems, acquirers can provide similar user interfaces to simplify support and training, while making it easier for merchants to integrate smart POS devices alongside classic terminals.

There's no reason that acquirers can't find a middle road that allows them to make money in the old universe of classic terminals and the new world of smart POS solutions. Below are steps to consider:



Step 1

Start discussions with one or more providers of smart POS hardware and services. Consider a working group including members of your staff and carefully selected merchants to help determine whether the smart POS value proposition works for you and your customers.



Step 2

Run a pilot with a trusted smart POS solution provider (service & hardware) that understands your business and can advise and support you in the transformations required to make smart POS a financial success.



Step 3

Start mass adoption either through new sales to targeted verticals and tiers, or conversion of an existing portion of your estate from legacy to smart POS. In both cases careful preparation and suitable value-added apps are essential to gain a significant increase in revenue.

Finding a Smarter, Open Platform

AEVI's ecosystem enables co-management of diverse hardware classic and smart POS—within one unified and agnostic estate management platform. Through a comprehensive suite of cloud-based, back office management and reporting tools, a solution provider can manage its estate of devices, applications and merchant business in one place.

AEVI is committed to enabling merchant payment solution providers to move and manage classic payments proposition into a new value-added world of apps, payments and smart devices to provide next-generation acquiring services.

AEVI's AppFlow standardizes and automates the integration and interoperability of the payment application with value-added apps in an open environment to deliver a better experience for merchants and consumers, while minimizing costly recertification efforts.

AEVI combines the talent and resources of merchant payment solution providers, app publishers and device vendors in an open, collaborative ecosystem unrestricted by devices, currencies or borders, providing unprecedented flexibility and choice.