



The (not-so) silent takeover:

Winning back merchants means playing differently

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Foreword

We are witnessing a profound transformation within the global payments landscape. As more customers and merchants shift to digital-first experiences, including digital wallets, account-to-account transfers, and agentic commerce (where autonomous AI agents shop on behalf of consumers), banks are losing ground in the merchant servicing business. They're now at a crossroads: either adapt quickly to stay relevant, or risk falling behind.

From 2014 to 2024, global non-cash transaction volumes grew fourfold, compared with 1.5x growth in global Gross Domestic Product. Digital payments dominance is no longer a trend - it's the new global reality with Asia-Pacific in pole position. Capgemini's World Payments Report 2026 draws on a global survey of merchants and payment executives, to reveal a widening gap between what merchants expect and what banks can deliver.

Merchants today want payment solutions that work across all channels, are secure, and can scale with their business. For small and mid-sized businesses, it's all about speed and reliability. Larger merchants, on the other hand, are looking for smarter, AI-powered personalization and seamless integration into their existing systems. As expectations accelerate, banks are shifting focus from servicing merchants to issuing cards. Now, Payment Facilitators and

Independent Software Vendors are filling this gap, leading to changes in the roles of banks, processors, and software providers, thanks to their integrated platforms.

As a new wave of regulations and innovations shake up the payment landscape, banks have a real opportunity to gain a stronger position by putting more focus on merchant services. By embracing innovation, building deeper relationships with merchants, and leveraging their inherent strengths in trust, data, and capital liquidity, banks can close the gap and take the lead in the next wave of payment transformation.

This is a pivotal moment. As leaders, banks must recognize this inflection point and respond with bold strategies fit for the future.



Kartik Ramakrishnan

CEO of Capgemini's Financial Services Strategic Business Unit
Member of the Group Executive Board

Executive Steering Committee

The Executive Steering Committee participants for our World Payments Report 2026 included top executives from leading banks, fintechs, payment processors and industry partners. We're grateful for their time, experience, and vision as they helped guide our report's content.

Banks	Merchants	Technology leaders
 Kilian Thalhammer Managing Director - Head of Merchant Solutions Deutsche Bank 	 Özlem Özuner Commercial Director E-Commerce Allianz Trade 	 Georgina Bulkeley Director of Financial Services, Global Strategic Industries Google Cloud 
 Frédéric Burtz CEO Payments BPCE Group 	 Arnaud Bodzon Group Payment Director LVMH 	 Nigel Lee Executive Vice President International DataMesh 
 Mark Watling Managing Director CIO Barclaycard Payments 	 Carole Roth Senior Vice President in Hotel Experience into Distribution, B2B and Hotel Services Accor 	

Executive Steering Committee

Payment processors, fintechs, and ISVs



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Global Leader: Financial
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Enterprise Financial Products
Adyen



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Stripe



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Executive summary

As customers and merchants surge forward, can banks catch up?

The global payments ecosystem continues to evolve rapidly, propelled by the surge in non-cash transactions and shifting consumer and merchant behaviors. With volumes of non-cash transactions expected to rise from 1,685 billion in 2024 to 3,540 billion by 2029, digital wallets and Account-to-Account (A2A) transfers are steadily replacing traditional card payments. This transformation is driven by the rise of e-commerce, mobile commerce, and agentic commerce, where AI-powered agents manage the entire buying journey. As digital becomes the default, both online and in-store transactions are increasingly dominated by wallets and instant payments, reshaping the payment mix and challenging legacy infrastructure.

Merchants are adapting quickly, demanding seamless, omnichannel, and intelligent payment solutions. While small and mid-sized merchants focus on operational reliability, large merchants are prioritizing AI-driven personalization and integrated experiences. Banks, however, are struggling to keep pace. Constrained by legacy systems, margin compression, and rising fraud risks, many have shifted away from merchant acquiring toward issuing, which offers higher margins and cross-selling potential. This shift has created space for tech-first players like Adyen, Toast, and Stripe, who now offer full-stack, embedded solutions that extend beyond payments to include business accounts, lending, and operational tools. To stay relevant, banks must modernize their merchant servicing platforms, embrace real-time payments, and deliver value-added services (VAS) that deepen merchant relationships and unlock new revenue streams.

Close the gap and rejoin the merchant servicing game

Banks are facing a pivotal moment as industry shifts, regulatory clarity, and tech maturity create opportunities to re-enter merchant services with speed and intelligence. However, their past focus on business-as-usual has left them trailing PayTechs, who are rapidly deploying innovations like GenAI, SoftPOS, and real-time payments. This gap is widening: 40% of small and mid-sized merchants plan to switch to PayTechs within a year, driven by faster onboarding and better service.

Banks' onboarding processes are slow, manual, and opaque, frustrating merchants and delaying go-live. Their outdated systems also cause frequent downtimes – up to nine hours a year – which impacts merchants' revenue. Fraud is another pain point: merchants have lost around 2% of revenue to fraud in the past year, while banks struggle to keep pace with evolving threats due to siloed monitoring and a lack of real-time data.

Rigid offerings further alienate merchants, with only 23% receiving personalized VAS from banks. PayTechs, by contrast, use data to tailor solutions across segments. As PayTechs gain share in VAS and core flows, banks must modernize their infrastructure, adopt “freemium” models, and offer segment-specific services like instant settlement and fraud prevention to stay competitive.

Executive summary

Banks have the right to win

Banks have a clear opportunity to reclaim their position in merchant servicing by leveraging five strategic building blocks:

- Refocus with clarity and move nimbly.
- Choose the right business models to compete effectively.
- Build digital capabilities that support and secure business strategy.
- Capitalize on the marketplace edge in trust, data, and liquidity.
- Scale through best-in-class delivery of verticalized, value-added services.

Recent trends show banks have been regaining momentum since 2023: among other indicators, Mergers and Acquisitions (M&A) have picked up. Banks must now compete where they're best positioned based on strategic fit and executional readiness – then choose the right business model to move forward.

When it comes to financial services, 66% of merchants trust banks over PayTechs. To succeed, banks now need to activate their edge in trust, technology, and data – and deliver more. Seamless onboarding, once a compliance task, can now be a differentiator. Payment orchestration adds further value by dynamically

routing transactions, reducing downtime, and improving conversion. To deepen engagement, banks must also deliver best-in-class, verticalized, value-added services. By bundling smartly and partnering strategically, banks can deliver integrated, industry-specific solutions that meet merchants' evolving needs.

By embracing innovation, adapting to new expectations and solutions, and harnessing their trusted relationships and rich data resources, banks can not only close the current gap – but redefine what it means to service merchants in today's digital economy.

66%

Merchants trust banks over PayTechs for financial services.

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As customers and
merchants surge forward,
can banks catch up?

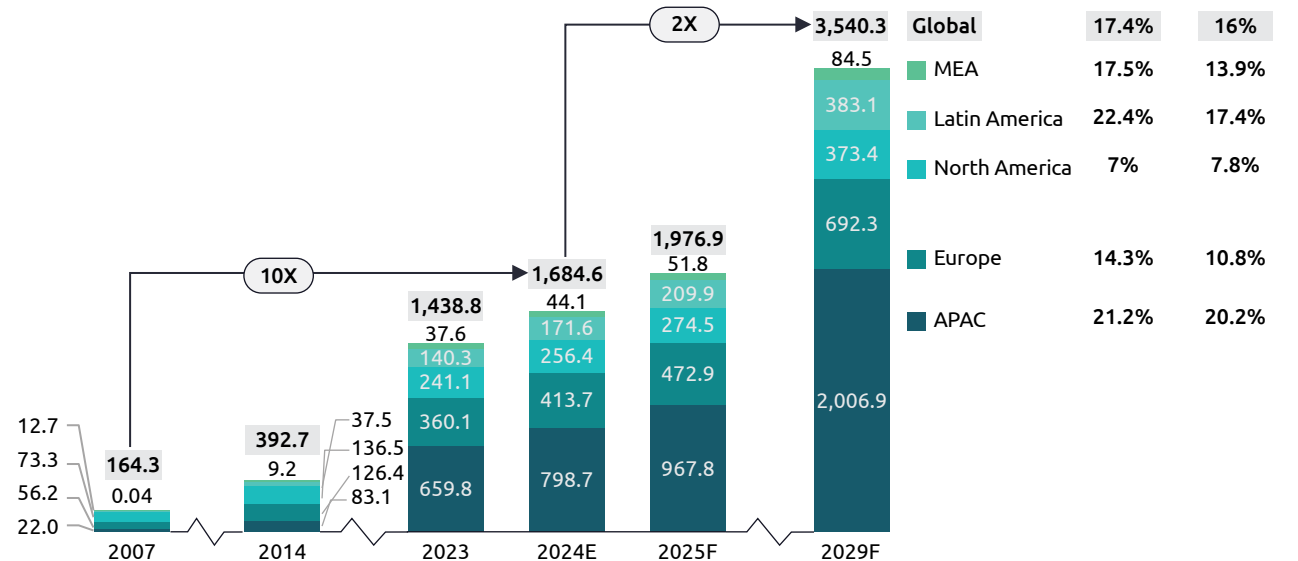
As non-cash transactions grow, the global financial landscape is being transformed

The global payments landscape is undergoing a significant transformation. As figure 1 shows, the volume of non-cash transactions has increased more than tenfold in less than 20 years – marking a clear move away from cash toward digital payment methods. The last decade (2014–2024) witnessed a more than fourfold rise in non-cash transaction volumes globally, compared to a mere 1.5x growth in the global GDP. In 2024 alone, global non-cash transaction volumes are estimated to have reached nearly 1,685 billion, with projections suggesting they'll hit 3,540 billion by 2029. This reflects a Compound Annual Growth Rate (CAGR) of nearly 16% from 2024 to 2029: strong momentum is both global and relentless, with non-cash transaction growth accelerating in every major region of the globe at its own pace.

- The Asia-Pacific region leads with the highest projected CAGR – 20.2% from 2024 to 2029. In 2024, the region recorded nearly 800 billion transactions, with an expected 21.2% year-over-year (YoY) increase for 2025. This growth is driven by widespread adoption of instant payments, digital wallets, and expanding e-commerce.

Figure 1.
Non-cash transactions have multiplied 10X in the last 17 years

Volume of B2B and B2C payments in billions from 2007–2029F



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; ECB Statistical Data Warehouse; BIS Statistics Explorer; Countries' central bank annual reports. Note: E = estimate and F = forecast.

- Latin America follows with a projected CAGR of 17.4% over the next five years. In the shorter term, the region is expected to see 22.4% YoY growth from 2024 to 2025, fueled by mobile-first economies, regional real-time payments adoption, and digital commerce.
- In 2024, Europe recorded nearly 414 billion transactions, with expected YoY growth of 14.3% in 2025 and a projected CAGR of 10.8% through 2029. The upswing is supported by regulatory initiatives promoting instant payment schemes.
- North America recorded roughly 256 billion transactions in 2024, with expected YoY growth of 7% in 2025 and a projected CAGR of 7.8% over the next five years. While card usage remains dominant, digital wallets are steadily gaining ground.
- The Middle East & Africa region saw around 44 billion in non-cash transactions in 2024, with 17.5% YoY growth expected in 2025 and a projected CAGR of 13.9% through 2029. Growth here is driven by government-led payment infrastructure, mobile penetration, and digital ID initiatives.

But beyond the numbers, the most noticeable change is in everyday commerce. According to Capgemini proprietary model analysis, over 90% of non-cash transactions now happen in retail and business-to-consumer (B2C) settings. On the customer side, people are increasingly favoring wallets and A2A payments over cards and bank transfers. On the merchant side, there's a rising demand for omnichannel, smart, and integrated payment solutions.

90%

Non-cash transactions take place in retail and B2C settings.



Commerce evolution influences customers

Customer shopping has evolved from simple, in-store visits to seamless, tech-driven experiences blending convenience, intelligence, and autonomy. A series of successive innovations have driven this shift: e-commerce broke physical barriers, mobile commerce enabled shopping anywhere, and social commerce integrated product discovery and purchasing within social platforms, turning content into sales.

Each phase has reduced friction between intent and purchase. Now, the next leap is agentic commerce, where AI-powered agents act for customers in searching, comparing, selecting, and completing purchases based on user preferences and intent. Buying is becoming delegated, automated, and continuous.

Major players are embracing this shift. In 2025, Visa and Mastercard introduced AI platforms – Intelligent Commerce and Agent Pay – that let digital shopping assistants manage the full buying journey.¹ Similarly, PayPal, in partnership with Perplexity, launched agentic commerce within conversational search, enabling users to shop and pay without ever visiting a merchant interface.²

As commerce digitizes, payment methods are transforming. Credit and debit cards are giving way to digital wallets and A2A payments, reshaping the payment mix.

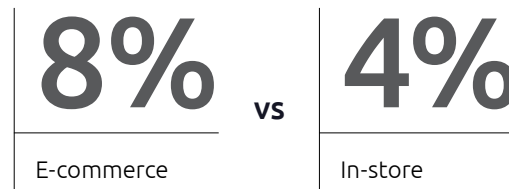
From 2024 to 2030, e-commerce is projected to grow at an 8% CAGR, outpacing in-store retail payment increases of only 4%; these trends accelerate the adoption of new payment methods.

In e-commerce, digital wallets accounted for 53% of transaction value in 2024 and are projected to reach 65% by 2030. While many wallets are still funded by credit cards, issuers are increasingly losing direct visibility with customers and having to share transaction revenue as the wallet brand takes center stage:

- Credit card share as a direct payment method will drop from 20% to 13%, and debit/prepaid cards from 12% to 7%.
- Buy Now, Pay Later (BNPL) transactions will stabilize at 5%.
- In physical retail, wallets now power 32% of in-store transactions and are expected to grow to 45% by 2030.
- A2A payments, though still nascent, are also beginning to take root across both channels.³

Cédric Lenaerts, CEO, and Inge Van Israël, Head of Product, Marketing & Business Transformation of Acepta BNP Paribas Benelux, said, “A primary factor behind the rise in non-cash transactions is improved consumer convenience, particularly through contactless payment options that make the process quicker and smoother.”

Projected growth (CAGR)
of transaction value from 2024 to 2030



As figure 2 shows, this shift in transaction value is reflected in an equally significant change in transaction volume. The emergence of new digital tools, especially instant payments and e-money wallets, has fundamentally altered the landscape of non-cash payments:

- In 2020, cards made up 65% of the total non-cash payment volume.
- Instant payments and e-money wallets accounted for just 13%. But by 2024, that share increased to 25%, and it's projected to reach 32% by 2029.
- Share of cards, in contrast, are expected to decline to 47% during the same period even though its total transaction volume is on rise.
- Checks are becoming nearly obsolete, with a predicted decrease to just 1% of total non-cash payment volume.

Share of cards in non-cash transaction volume

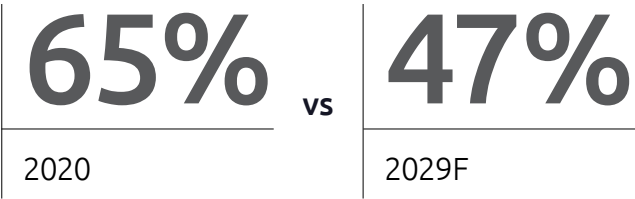
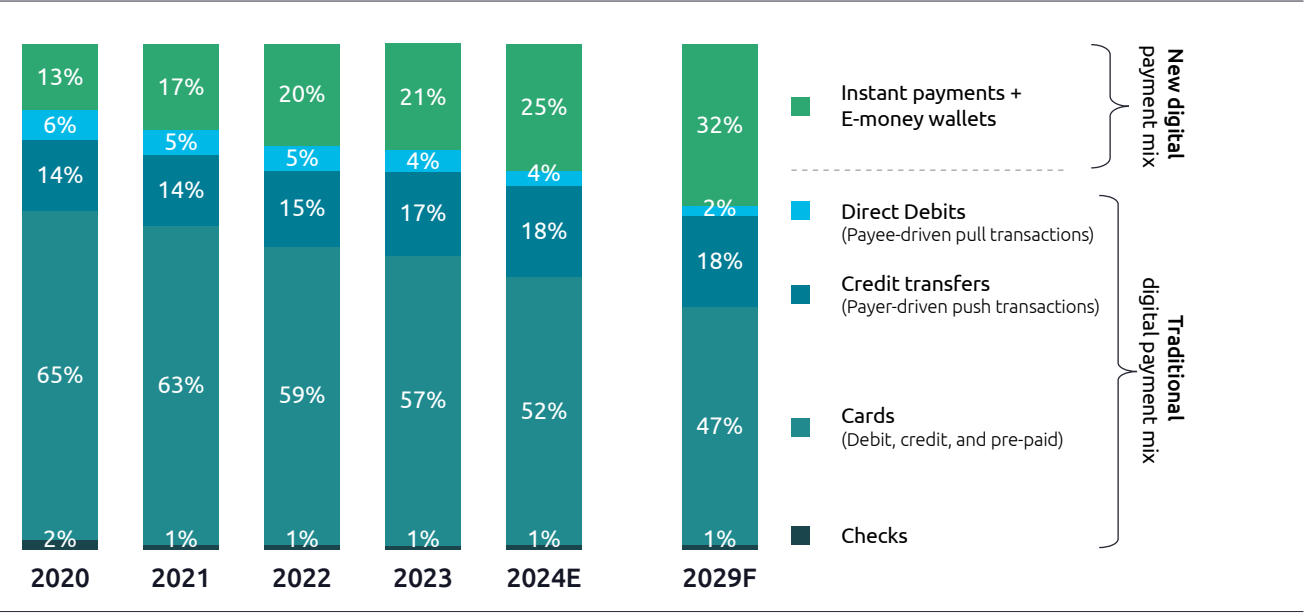


Figure 2.
The new payments mix is taking up a bigger global share



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; GlobalData Payments Analytics 2025.
Note: E = estimate and F = forecast.



“Speed in payments has shifted from a competitive advantage to a basic expectation. Real-time capabilities, including instant settlement and payout, are becoming essential for everything from gig economy platforms to digital marketplaces.”

Michael Edwards

Vice President, Global eCommerce Strategy,
Fiserv

While credit transfers and direct debits have maintained a steady share of the entire payments mix, their roles are now being challenged by faster, API-enabled alternatives like UPI in India, Pix in Brazil, PayNow in Singapore, and FedNow and RTP in the US. These systems offer more flexibility, transparency, and real-time execution.

These changes aren't just operational – they have significant economic implications. As the mix of payment instruments evolves, so does the distribution of revenues across the ecosystem. Banks that heavily rely on interchange fees and traditional card-based models face increasing risk of losing money and data. The rise of digital wallets, real-time payment rails, and embedded payment flows is diverting value from legacy pipelines.

Digital payments are now mainstream, and the time – and opportunity – for change is now.



Merchants and their expectations are also evolving

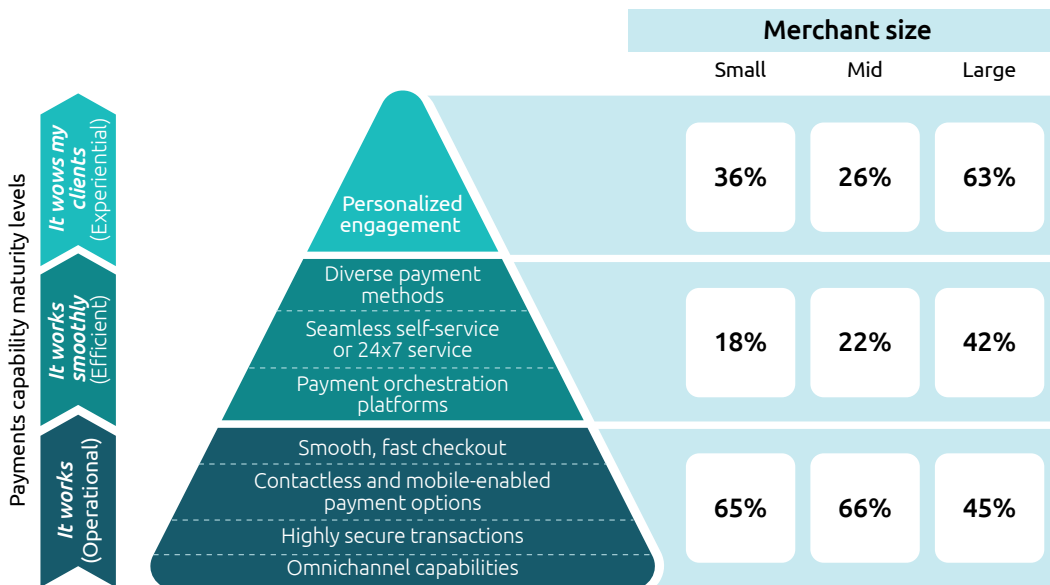
As the payments landscape transforms, merchants are adapting to new technologies, consumer expectations are shifting, and the complexity of digital commerce is increasing. Today's merchants are actively seeking partners that can help deliver seamless, secure, and scalable payment experiences.

To understand how merchant expectations are evolving, we surveyed 2,600 merchants across different revenue tiers, to capture their perspectives across their operational, efficiency, and experiential needs – as shown in figure 3.

Small merchants focus on building a solid operational foundation.

- Their priorities include accepting omnichannel payments, ensuring transaction security, enabling contactless and mobile payments, and providing a fast, seamless checkout experience.
- Pricing is a critical factor for these merchants, as budget constraints mean they must prioritize only the most essential capabilities.

Figure 3.
Merchant priorities vary by business size and maturity



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026 merchant survey, N=2,600.



“Financial institutions prioritize hyper-personalization as a key strategy, with new, innovative entrants using it to meet customer expectations and advance market integration.”

Georgina Bulkeley

Director of Financial Services,
Global Strategic Industries,
Google Cloud

Mid-sized merchants typically have these foundational elements in place and shift their focus toward efficiency.

- They seek tools that help manage growing operational complexity and better serve customers – like offering more payment options (cards, A2A transfers, and even stablecoins), enabling 24/7 self-service, and orchestrating payments across platforms.
- While they may aspire to these capabilities, limited technical resources or integration capacity often hold them back.

Large merchants treat operational and efficiency features as hygiene factors and focus instead on delivering standout customer experiences.

- They increasingly leverage advanced, AI-driven personalization to create strategic, tailored offers that combine financial and non-financial benefits – boosting foot traffic and conversions through enhanced loyalty programs and seamless payment experiences.

Merchants’ changing focus and priorities have made merchant servicing the foundation of today’s commerce, giving businesses the tools and infrastructure to accept payments seamlessly – whether through cards at the point of sale, digital wallets on mobile devices, online platforms, or new A2A methods. Service value extends well beyond the transaction itself – encompassing secure system setup, integration with in-store and digital channels, compliance, risk management, and ongoing support through VAS.

Dariusz Mazurkiewicz, the CEO of BLIK, Poland said, “BLIK provides a unified, secure, and instant payment standard that banks and settlement partners can embed into their solutions, enabling merchants to offer seamless digital payment experiences across every sales channel.”

Banks have moved away from acquiring merchants

Since the beginning of the 21st century, with the growth of e-commerce and in the wake of the financial crisis, most banks have slowly stepped back from the merchant acquisition business. Once a core component of banks, merchant services have steadily lost prominence. Our survey of 210 payments executives from banks reveals that several structural challenges have reshaped their priorities and diminished interest in the merchant acquiring business:

- One of the top issues is margin compression. As acquiring became increasingly commoditized, profit margins shrank, making it harder for banks to differentiate themselves. Intense competition and relentless pricing pressure have eroded profitability, turning what was once a strategic advantage into a less attractive proposition.

- Technology has added another layer of complexity. Keeping pace with modern payment infrastructures demands steep investments, and the cost of upgrading legacy systems continues to rise.
- Evolving and increasingly complex regulatory requirements are intensifying compliance burdens. Constantly changing rules demand significant investment in monitoring, reporting, and governance, stretching banks' resources and operational capacity.
- The operational costs of maintaining aging platforms further compound the issue. Legacy systems are costly to maintain and hinder innovation, making it difficult for banks to compete with agile, tech-driven, more focused, and specialized competitors.

Together, these challenges have led many banks to deprioritize acquiring and focus on more sustainable growth areas instead.

Citigroup's 2005 sale of Citicorp Payment Services to First Data marked an early move away from non-core processing to customer-facing services.⁴ Similarly, HSBC exited its merchant servicing business by selling its remaining 49% stake in HSBC Merchant Services to Global Payments, marking a full divestment from the joint venture formed in 2008.⁵

The pivot from acquisition to issuance is driven by

- Higher margins and predictable, recurring revenue from interest, fees, and interchange that clearly outperforms squeezed acquiring returns.
- Issuing also enables greater cross-selling, as credit cards open doors to loans, insurance, and wealth management.
- Digital channels let banks scale card offerings and reach new customers without heavy physical investment.
- Loyalty programs further boost engagement and retention, making issuing both attractive and sustainable in a competitive payments landscape.

PayTech players step in to fill the merchant servicing gap

As banks shifted their focus toward the issuing side of the payments flow, several digital-first players began catering to the expectations of merchants. As a result, banks now have to share the merchant servicing pie with payment processors and software providers. What was once a clearly segmented industry has evolved into a new model where value is delivered through technology-enabled platforms – like modern payment facilitators (PayFacs) and independent software vendors (ISVs) – that are deeply embedded in merchants' daily operations. These are called "platforms" because they integrate multiple services like payments, analytics, financing, and operational tools into a single, unified environment for merchants.



“Over the last decade, merchant payments have shifted from traditional banks to fintechs and ISVs, which offer faster and more customized solutions. Many banks continue to struggle with outdated systems and slow innovation.”

Arnaud Bodzon

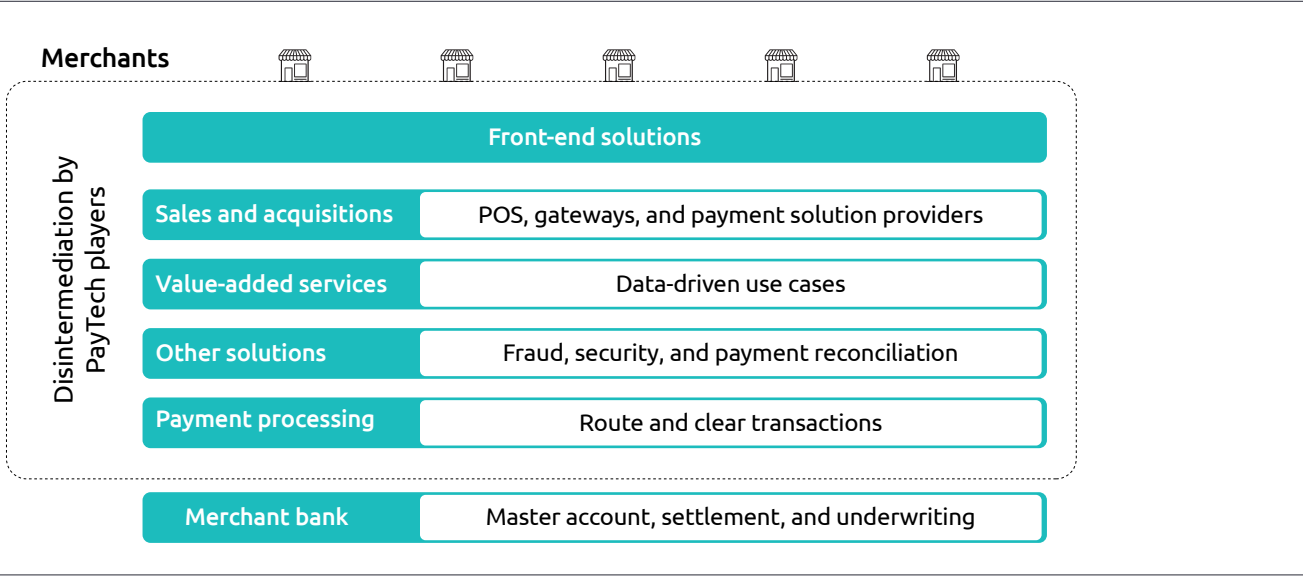
Group Payment Director,
LVMH

Ali Imran, COO at Commercial Bank of Dubai, UAE, said, "PayTechs were able to win over merchants because they started fresh, with relentless customer focus and no legacy thinking and systems – unlike banks, which focused on upgrading existing infrastructure and meeting regulations. In a market segment where size and speed matter, slower-moving banks couldn't keep up."

As figure 4 shows, this shift is fundamentally redrawing the competitive landscape. Banks once dominated the merchant value chain. They issued cards, owned payment rails, and facilitated the movement of funds. But that dominance is eroding fast. Tech-first players are building full-stack solutions from the ground up, integrating directly with card networks, controlling every layer of the transaction lifecycle, and even applying for and obtaining banking licenses.

By removing dependencies on sponsor banks and embedding themselves directly into merchant workflows, these platforms deliver faster merchant onboarding, omnichannel payment acceptance, direct settlement, and VAS like fraud prevention, analytics, financing, and loyalty tools. This lets them provide faster settlements, higher authorization rates, greater visibility, and seamless integration – making them both service providers and critical growth partners for merchants. Many of these capabilities are now being delivered by modern PayFacs, which take on the complexity of acquiring and provide a seamless, all-in-one merchant solution.

Figure 4.
PayTechs are cementing their place across the merchant servicing value chain



Source: Capgemini Research Institute for Financial Services Analysis, 2025.

Simultaneously, ISVs have emerged as critical ecosystem players. By embedding financial services directly into their software, ISVs have become operational partners, especially for small and mid-sized merchants. Their platforms are no longer just front-end interfaces – they’re becoming control centers for managing every aspect of a merchant’s business.

Together, these developments represent a major shift in merchant servicing. PayFacs and ISVs are changing how value is delivered and who manages the merchant relationship. Banks are being pushed aside, while technology-driven companies are becoming central to merchants’ businesses.

The market impact of this shift is visible: between 2017 and 2024, the US merchant acquiring landscape saw a notable shift, with tech-first players like PayPal, Stripe, and Adyen entering the top 10 for the first time, while legacy banks like Bank of America and Elavon by US Bank dropped in ranks. Meanwhile, Fiserv strengthened its position, rising to become the second-largest acquirer.⁶ A similar trend played out in Europe, where non-bank acquirers Nexi, Adyen, Fiserv, and Worldline broke into the top 10, displacing traditional players like Crédit Agricole, Barclays, and J.P. Morgan Payments, which saw significant declines.⁷

Momentum now extends into regulatory and infrastructure control. Non-bank players increasingly seek banking licenses to gain dominance in the merchant-acquiring stack. In the US, Fiserv became the first to process card payments

through its own Merchant Acquirer Limited Purpose Bank (MALPB), giving it tighter control over the end-to-end acquiring process.⁸ Most recently, in July 2025, Stripe has also received approval to establish a MALPB in the US, enabling it to conduct settlement activities independently.⁹

Hence, this shift is no longer about losing market share: it’s about being shut out of the ecosystem entirely. If banks don’t respond with urgency, they risk being reduced to providing only hygiene functions across the entire merchant servicing value chain.

Banks can refocus to broaden merchant services

To defend their position, banks can rebalance their strategy by refocusing on merchant servicing. According to our survey of banking executives, several opportunities in the merchant servicing space stood out:

- What was once devoted to enabling payment acceptance has evolved into a strategic growth lever. By offering bundled VAS (invoicing, reconciliation, lending, and loyalty programs), banks can unlock new revenue streams and build deeper, more embedded relationships with business clients. This is especially relevant in the small- to mid-sized merchant segment, where demand for integrated, easy-to-use solutions continues to rise.

- Modernizing the merchant servicing stack through next-gen, cloud-native platforms lets banks reduce operational costs, enhance scalability, and accelerate innovation. These platforms also enable tighter integration with merchant workflows, delivering a more seamless, responsive experience.
- Lastly, merchant transactions generate rich, real-time data that can be used to personalize offerings, improve targeting, and increase customer lifetime value. The adoption of an instant payment infrastructure further strengthens the case. By reducing intermediaries and enabling real-time access to funds, banks can offer faster settlements and lower transaction costs, which merchants highly value.

Our survey also revealed a set of ongoing challenges in the issuing business:

- Interchange margins, once a steady revenue source, are under ongoing pressure due to tighter regulations in key markets. As governments and payment networks promote lower fees to benefit consumers and merchants, banks are experiencing a direct impact on their profits.
- At the same time, the macroeconomic environment has become more unstable, increasing credit risk. Banks are facing more delinquencies and defaults, especially in unsecured lending portfolios linked to credit cards. These risks are prompting banks to revisit their underwriting models and boost provisioning, which further reduces profitability.

Beyond financial pressures, the economics of customer engagement in issuing are becoming more difficult to sustain. The cost of maintaining competitive rewards programs continues to escalate, driven by higher consumer expectations and intense competition. In many geographies, the market has become saturated, leaving little room for organic growth. Differentiation is becoming more difficult as product features converge and brand loyalty wanes.

As a result, more banks are struggling to justify continued investment in a business that is both margin-constrained and strategically vulnerable. Against this backdrop, the need to rebalance merchant servicing is both urgent and crucial. Those that take swift action and invest in merchant servicing will maintain relevance while opening new opportunities for growth and innovation.

Tyl by NatWest re-enters the SME market with a digital platform, driving growth and loyalty

Business challenge: After selling Worldpay in 2010 under regulatory order, NatWest – a British banking and insurance holding company – lacked merchant acquiring capabilities. By early 2019, it sought to re-enter the small-to-medium enterprise market but contended with outdated systems and rising merchant demands for omnichannel payments, transparent fees, rapid onboarding, and actionable insights. To rival nimble fintechs, NatWest needed a modern digital platform.

Business strategy and implementation: In May 2019, the firm created a digital-first merchant acquiring platform – Tyl by NatWest – to provide seamless digital onboarding, quick quoting, and a branded dashboard for transaction

and settlement tracking. The Tyl platform supports in-store, online, pay-by-link, and tap-on-glass payments, with next-day settlement and transparent pricing. Its simple, frictionless, cloud-based Acquiring-as-a-Service model lets merchants take card payments on the web, on a handheld terminal, or on a smartphone, and receive the cash in their accounts the next business day.

Business results: Tyl rapidly revitalized NatWest's merchant acquiring revenue stream, unlocking new cross-selling opportunities in lending and treasury services. By providing a seamless, data-driven experience, the platform strengthened relationships with SMEs, fostering greater loyalty and satisfaction. Within six years, Tyl emerged as the fastest-growing of the UK bank acquirers, processing over two million transactions weekly.¹⁰

02

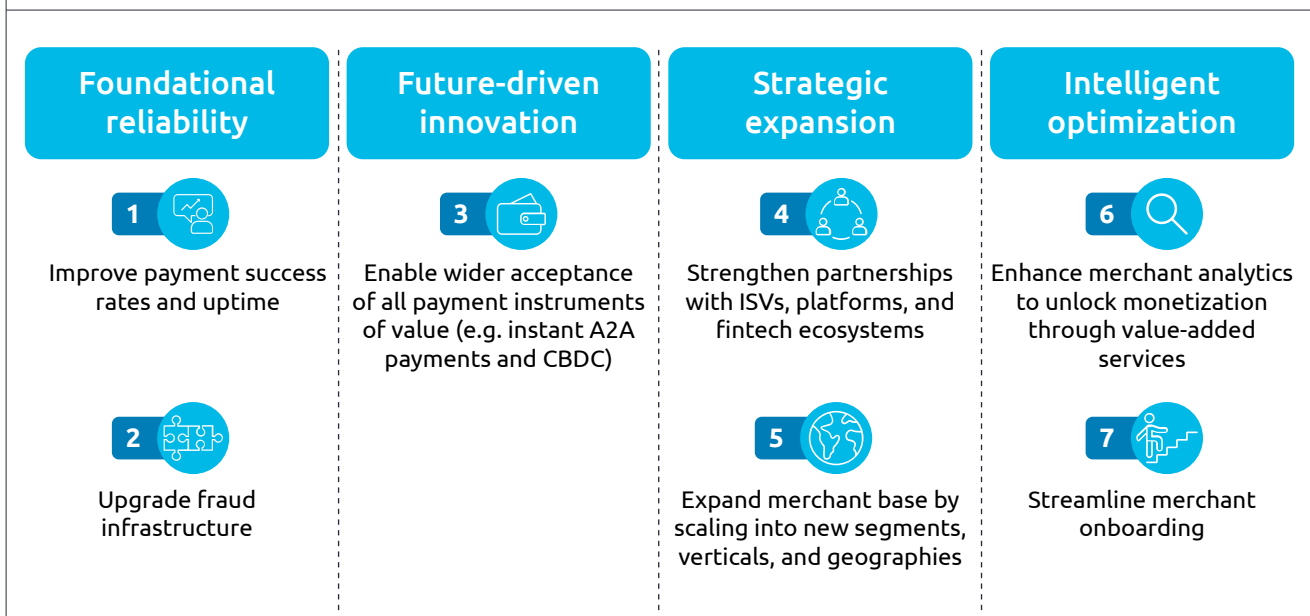
Close the gap and rejoin the merchant servicing game

Banks need to capitalize on payment industry shifts

The move to merchant servicing involves more than just increasing product options – it demands a fundamental shift in strategy and capabilities. Our survey of banking executives revealed a distinct set of four priorities that banks plan to focus on over the next 12 to 18 months as they redefine their roles in merchant servicing, as figure 5 shows.

- **Foundational reliability** is most important. Creating a stable platform on which advanced services such as value-added analytics, tailored financing, and loyalty solutions can be delivered is essential. In the digital-first world, every failed transaction or delayed settlement risks eroding merchant trust, while every smooth experience strengthens the bank's role as a dependable partner.
- **Future-driven innovation** is next. The goal is to enable merchants to accept any instrument of value, positioning the bank as a forward-looking enabler of evolving commerce. Although not yet common, this capability is a key objective that reflects the growing complexity and diversity of payment preferences among consumers and businesses.

Figure 5.
Banks are prioritizing four key strategies to re-establish themselves in merchant servicing



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026 bank payment executive survey, N=210.

- **Strategic expansion** is a requirement, too. Banks are focused on deepening partnerships with ISVs, platforms, and fintechs – as well as entering new markets and industries to grow their merchant footprint and diversify risk.
- **Intelligent optimization** completes the list. Banks aim to improve merchant analytics to offer more personalized VAS such as reconciliation, lending, and loyalty programs. They also plan to streamline onboarding processes to reduce friction and speed up time-to-value for new merchants. These initiatives are expected to boost operational efficiency and customer experience, allowing banks to grow more effectively while maintaining a competitive advantage.

To realize these priorities, banks must harness the major shifts reshaping the payments industry. As figure 6 shows, the regulatory landscape is evolving with developments in open finance, real-time payments, digital identity, and CBDCs/stablecoins. Alongside this, innovations such as Software Point of Sale (SoftPOS), Mobile Point of Sale (mPOS), agentic AI, GenAI, and payment orchestration platforms are driving greater efficiency and scale.

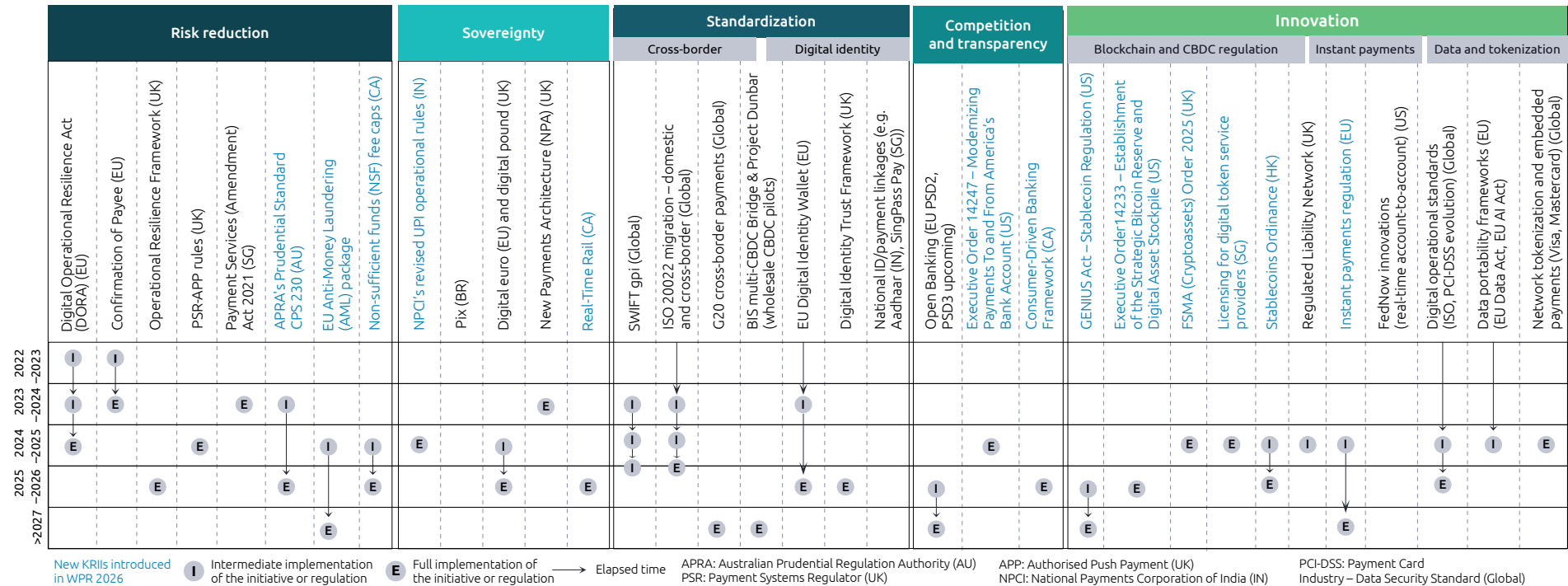
SoftPOS and mPOS solutions are among the most significant of these developments. These lightweight, mobile-first platforms are becoming the preferred choice for many small and medium-sized merchants. Their ability to embed value-added services like inventory management, invoicing, and customer engagement directly into

the payment interface makes them powerful tools for integration.

- As adoption accelerates, leading players are doubling down on these solutions. Think about the payment experience in an Apple Store, where a store associate completes your purchase on a handheld device without taking you to a counter. That seamless, mobile-first checkout is exactly the kind of experience merchants now expect, and the kind that banks must help enable.¹¹
- In 2025, Verifone's payment platform introduced tap-to-pay SoftPOS capabilities, letting merchants accept contactless payments on commercially available smart devices equipped with Near Field Communication (NFC). Seamless integration with their existing systems allows streamlined, scalable checkout experiences without the need for separate payment terminals.¹²



Figure 6.
Key Regulatory and Industry Initiatives (KRIIs) are driving payment transformation



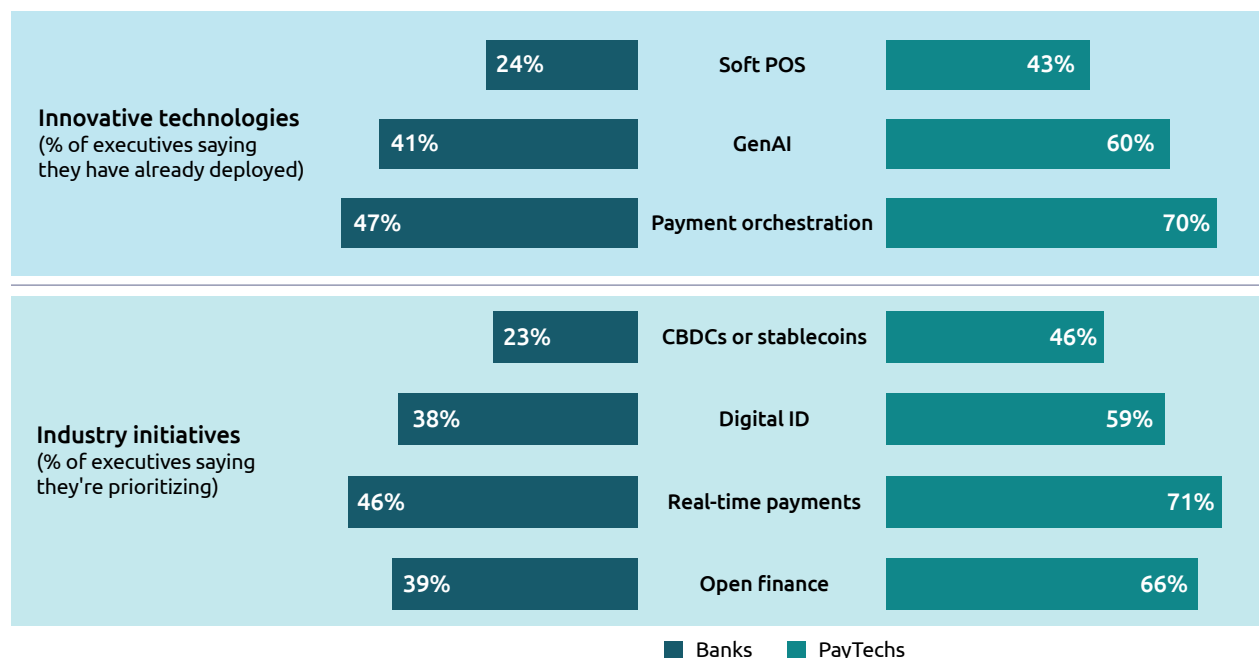
Source: Capgemini Research Institute for Financial Services Analysis, 2025.

When it comes to innovation, PayTechs are outpacing banks

The banking industry faces a significant challenge. While acknowledging the need for change, many banks are stuck in a business-as-usual mindset and missing out on new opportunities. Their strategic goals are clear, but progress is inconsistent – especially when compared to newer, more agile companies that are rapidly scaling their technology and compliance to regulations.

Our executive survey of 420 banks and PayTech players highlights this disparity, as figure 7 shows. In the realm of innovative technologies, only 24% of banks have deployed SoftPOS solutions, compared to 43% of PayTech players. 41% of banks have adopted GenAI, while newer entrants report 60%. Payment orchestration – a critical enabler of transaction efficiency – shows a similar gap, with deployment by banks at only 47%, versus 70% at PayTechs.

Figure 7.
Current adoption levels of innovative technologies and industry initiatives



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026 bank payment executive survey, N=210; and PayTech player payment executive survey, N=210.

The figure also shows that banks are significantly lagging behind newer players in adopting crucial digital initiatives, creating a pronounced divide in market and regulatory alignment. There's a similar disparity across CBDCs and stablecoins, digital identity frameworks, and the fundamentals of modern merchant servicing (real-time payments and open finance) – all of which see PayTech players steaming ahead.

These gaps aren't due to a lack of awareness – banks know how strategically important these innovations are. The challenge lies in scaling beyond pilots and proofs of concept. Legacy infrastructure, fragmented decision-making, and risk-averse cultures often hinder execution even when the business case is clear.

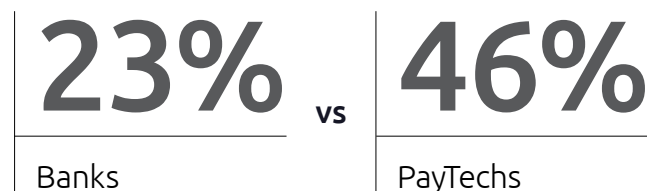
Meanwhile, digital-native platforms are not just participating in the market: they're actually dictating its rhythm by swiftly turning groundbreaking ideas into tangible, operational realities. They've mastered the art of rapid innovation, raising the bar for what's possible and redefining industry standards:

- Razorpay, an Indian full-stack financial services company, recently launched an AI-powered payments suite that includes automated onboarding and real-time transaction monitoring, reinforcing its focus on intelligent, scalable merchant solutions.¹³

- Shopify, in collaboration with Coinbase and Stripe, has enabled merchants to accept stablecoin payments in USD Coin (USDC) – a digital currency backed by US dollar assets. Transactions are carried out on a fast, low-fee Ethereum network developed by Coinbase, marking a significant step toward integrating crypto-native capabilities into mainstream commerce.¹⁴

These players aren't only adopting emerging technologies – they're embedding them into their core offerings and scaling them across ecosystems, turning innovation into tangible merchant value.

Percentage of executives
prioritizing CBDCs or stablecoins



Merchant dissatisfaction with banks is on the rise

Banks’ inability to scale beyond pilots and proofs-of-concept has widened the gap between what they can do and what merchants want, as figure 8 shows.

- **Fast, seamless onboarding** is the most immediate pain point. This servicing deficit not only delays merchant activation but also sets a poor tone for the overall relationship.
- **Payment success rates** and infrastructure reliability are equally vital. In a digital-first environment, even minor disruptions can lead to lost revenue and diminished trust.
- **Advanced fraud prevention** and data security are also inadequate. As fraud risks grow more sophisticated, the servicing gap poses profound implications for merchant confidence and regulatory compliance.
- **Merchant-centric value propositions**, including financial, non-financial, and vertical-specific services, are increasingly viewed as a key differentiator – but only 15% of banks believe they’re fully capable of delivering tailored offerings.

Figure 8.
Banks aren't meeting merchants' expectations for key services



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026 merchant survey, N=2,600; and bank payment executive survey, N=210.



This misalignment is already reflected in declining satisfaction levels. Satisfaction remains particularly low among small and mid-sized merchants, with only 15% and 22% respectively reporting that they are satisfied with their current banking relationships. In contrast, large merchants exhibit relatively higher satisfaction levels, at 36%.

This contrast isn't coincidental. A longstanding focus on large merchants has shaped how banks allocate resources, design services, and prioritize innovation. As a result, small and mid-sized merchants have often been abandoned, creating a vacuum that non-bank acquirers and digital-native platforms are now stepping in to fill.

Alarming, about 40% of these merchants say they plan to switch from banks to PayTechs within the next 12 months.

This shift isn't just a competitive threat – it's a wake-up call. If banks want to remain relevant in the merchant servicing space, they must urgently address these capability gaps. Let's take a closer look at each of the four capability gaps, root causes, and understand how merchants perceive and experience them.

Merchant satisfaction with their current banking relationships



40%

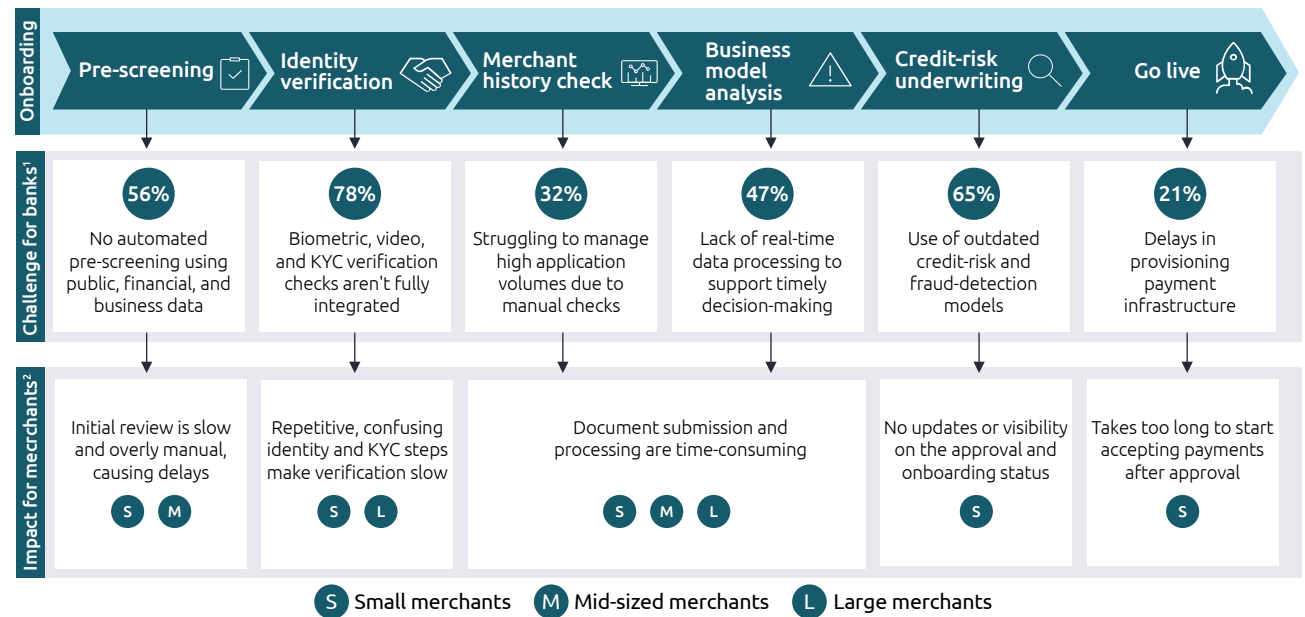
Small and mid-sized merchants plan to switch from banks to PayTechs within the next 12 months.

1. Onboarding: The first friction point in the merchant journey

Onboarding is the initial interaction between a merchant and their merchant servicing partner. It establishes the tone for the relationship and often influences whether the merchant will stay or leave. But banks struggle to make this first impression count. As figure 9 shows, the process is riddled with inefficiencies at every step, creating friction and frustration for merchants, especially those that are small or mid-sized.

- **Pre-screening** is where the onboarding process begins, where many banks still depend on manual or semi-automated methods. Without intelligent filters, applications pile up, and merchants face long wait times before their profiles are even reviewed.
- **Identity verification** is the next hurdle. Despite the availability of biometric, video, and digital KYC tools, most banks haven't fully integrated these technologies into their workflows. The result is a disjointed experience, where merchants must submit documents multiple times, deal with inconsistent verification standards, and face lengthy back-and-forth communication.

Figure 9.
Inefficient bank onboarding sparks friction for merchants



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026

1. Per bank payment executives, N=210. 2. Per merchants, N=2,600.

Note: The onboarding process starts from initial application to merchants being ready to accept payments.



“SMEs face onboarding challenges due to regulatory and internal hurdles – even after completing KYC – making it essential yet complex to compete with agile tech firms”

Kilian Thalhammer

Managing Director - Head of Merchant Solutions,
Deutsche Bank

- **Merchant history checks and business model analysis** expose additional rigidity. With banks lacking real-time data processing, their processes are slow and error prone. Merchants in newer or less traditional formats, such as social commerce sellers, subscription platforms, influencer-led storefronts, and hyperlocal delivery services, often face delays or are left uncertain – not because of their viability, but due to system limitations.
- **Credit-risk underwriting**, which should ideally be dynamic and data-driven, remains slow and conservative. Without adaptive scoring mechanisms, even creditworthy merchants are subjected to lengthy approval cycles. This is especially problematic for small merchants that often operate with limited financial history or informal credit footprints, making them more vulnerable to delays and rejections under rigid evaluation models.
- **Go-live** for some merchants may still be elusive, even after clearing all hurdles. Delays in provisioning payment infrastructure – often due to internal coordination issues – mean that merchants, despite being approved, can’t start accepting payments immediately. For small and mid-sized merchants, these delays translate directly into lost revenue and a weakened perception of the bank’s reliability.



“In a traditional bank, delivering a seamless merchant onboarding experience typically involves multiple subsystems and separate enrollment processes. That fragmentation makes it difficult, but it’s also why merchants sometimes find it easier to go with more modern providers who offer a simpler and a unified process.”

Prasanna Narayan
Executive Vice President,
Global Product,
Verifone

In contrast, PayTech players have reimagined onboarding altogether. By adopting provisional onboarding models, they let merchants begin transacting in a limited capacity while completing their verification in parallel. This approach builds trust, engagement, and accelerates time-to-market.

These PayTech platforms also leverage real-time data ingestion, AI-driven risk scoring, and modular workflows to deliver a seamless experience that banks struggle to match.

The impact of these differences is reflected in onboarding KPIs:

- While banks take anywhere up to seven days to onboard a merchant, it takes PayTech players less than 60 minutes.
- The cost of onboarding is also significantly lower, at USD 214 compared to USD 496.
- Merchants onboarded by digital platforms report higher satisfaction, lower drop-off rates, and faster time to first transaction.

These metrics are strategic indicators of how well a provider understands and serves its merchant base.

Joel Lenhardt, Managing Director, Merchant Payments at Westpac, said, “If banks treat acquiring as an afterthought to their card business, this leads to onboarding challenges. Digital processes expose issues with separate customer data and hierarchies. Onboarding simple entities is quick, but complex ones remain challenging.”

Onboarding time

Up to	7	Days	vs	<	60	Mins
Banks					PayTechs	



Stripe empowered Splitit to streamline global merchant onboarding and accelerate expansion

Business challenge: US-based Splitit, a global installment payments platform, needed to onboard merchants quickly across multiple regions to support rapid growth. Its existing process was manual, inconsistent, and slowed down merchant activation, creating friction and limiting scalability.

Solution: To overcome this, Splitit integrated Stripe Connect to automate onboarding, simplify KYC checks, and manage compliance across nearly 30 markets. Stripe's infrastructure enabled a unified, scalable onboarding system that supported local regulations and delivered a seamless merchant experience. A key advantage was Stripe's automated approval process, which replaced weeks-long manual reviews with near-instant approvals, so merchants could go live in minutes.

Benefits: The onboarding time dropped from several days to just minutes, improving merchant conversion and enabling faster market entry. With Stripe, Splitit scaled operations efficiently without compromising compliance or security. Merchants using Splitit reported a 12% increase in overall sales and an 80% uplift in Average Order Value (AOV).¹⁵ The partnership positioned Splitit as a merchant-first BNPL provider with a frictionless onboarding experience, supporting its global expansion goals.

2. Payment processing: The back-end bottleneck in merchant servicing

As digital commerce continues to grow, merchants are embracing a wide range of payment methods to meet customer expectations. Banks have responded by enabling front-end capabilities to let merchants accept even more new payments. In fact, 51% of banks report being capable of supporting broader payment acceptance, and 82% of merchants are actively accepting new digital payment options.

However, front-end enablement is only part of the story. The back-end infrastructure, where transactions are processed, settled, and reconciled, is falling behind. According to our survey of banking executives, several key challenges have arisen around banks' ability to support reliable payment processing.

Banks are struggling to scale their systems to accommodate increasing transaction volumes. Many still rely on outdated back-end architectures that cause delays in settlement, reconciliation, and refunds. These issues are especially severe when it comes to alternative payment methods, which demand more flexible and responsive systems.

According to our survey of merchants, the consequences of these back-end inefficiencies are felt across the spectrum.

- Small merchants experience slow or unpredictable settlement timelines, which can disrupt cashflow and daily operations.
- Mid-sized merchants face system reliability issues, including transaction failures and downtime, which impact customer experience and business continuity.
- Large merchants are burdened with managing multiple payment service providers (PSPs) to compensate for gaps in bank capabilities. This adds complexity to their operations and increases overheads.

These issues aren't isolated. The same survey showed that 38% of small merchants, 47% of mid-sized merchants, and 45% of large merchants experience up to nine hours of downtime annually due to unreliable payment systems. These interruptions directly affect revenue and erode trust in banking partners.

In today's fast-paced digital economy, payment reliability is non-negotiable. While banks have made strides in enabling payment acceptance, their inability to modernize back-end systems is putting merchant relationships at risk.

Nick Botha, Global Payments Sales Manager at AutoRek, said, "Back-office inefficiency is a hidden drain on profitability in merchant servicing. By embedding AI and intelligent automation into data management and reconciliation, firms can detect anomalies earlier, optimize workflows, and streamline reporting. This not only drives cost efficiency and scalability, but also strengthens compliance and empowers faster, data-driven decisions, directly enhancing profitability."

Percentage of merchants experiencing up to 9 hours of downtime annually

38%

Small

47%

Mid-sized

45%

Large



AutoRek transforms back-office operations to drive merchant efficiency

Business challenge: A fast-growing UK payment processor was rapidly expanding in the digital payments space. While it had invested in front-end innovation like real-time authorization, settlement, fraud detection, and compliance, its back-office operations lagged behind. Data management and reconciliation relied on outdated systems and manual spreadsheets.

- Reconciliations were only possible at an aggregated balance level rather than a transaction view.
- Operational costs per transaction were rising, eroding margins as volumes scaled.
- Limited visibility into fees and anomalies meant errors could go undetected, making it difficult to deliver insights back to merchants.

Solution: The processor implemented AutoRek – a data-agnostic reconciliation platform built for high-volume, complex payments. It seamlessly ingests data from all major card schemes, wallets, and alternative payment methods to give:

- Granular, real-time transactional reconciliation across millions of daily transactions.
- Automated anomaly detection with instant escalation, reducing operational risk.
- Enhanced settlement accuracy, safeguarding obligations, and ensuring fee calculations were correct for both merchants and schemes.
- Rich management information (MI) for finance, treasury, and operations teams, creating transparency and control across the full payments' lifecycle.

Benefits:

- With AutoRek, the processor turned its back office into a growth enabler and strategic partner to merchants.
- A 50% reduction in manual effort, freeing teams to focus on higher-value tasks.
- Improved operational efficiency, lowering cost per transaction even as volumes doubled.
- Greater scalability and resilience, so the client could confidently expand into new geographies while strengthening compliance and merchant trust.

3. Payment fraud: A growing weight on merchants

As digital payments continue to accelerate, the fraud risks surrounding them are growing just as quickly. The introduction of liability shift initially offered merchants a safety net, with issuing banks assuming the cost of fraud if merchants complied with robust security protocols like Europay, Mastercard, and Visa (EMV), 3D Secure (3DS), and Payment Card Industry Data Security Standard (PCI DSS).

This arrangement gave merchants the confidence to scale their operations, knowing that fraud-related losses were no longer solely their burden. However, the rapid evolution of fraud tactics has significantly altered the risk landscape, leaving merchants increasingly vulnerable despite these protections.

Today's fraud landscape is more sophisticated than ever, with a wide spectrum of threats affecting merchants across the board.

- Credential abuse is one of the most prevalent issues, impacting 65% of merchants. These attacks often involve unauthorized access through stolen login details, making account takeover a common and costly concern.

- Low-value fraud, also affecting 65% of the merchants, is another silent disruptor. These small transactions often evade detection but accumulate into significant losses over time.
- Identity fraud – where stolen personal information is used to initiate payments – affects 48% of merchants, undermining trust and security.
- Meanwhile, 32% of merchants report transaction abuse, including false chargebacks that cause financial loss and strain operational resources.

In response, merchants are demanding more than just compliance: they expect intelligent, adaptive fraud prevention from their service providers. Yet, merchant servicing banks are struggling to keep pace.

- Before fraud even occurs, 79% of banks operate with siloed fraud monitoring across channels, and 42% lack access to real-time data.
- During fraud attempts, 71% report a lack of adaptive detection technologies, while 48% are constrained by the shorter time frames required to detect fraud in faster payment environments.
- The challenge of scaling anti-fraud solutions is equally pressing. 55% of servicing banks face difficulties due to the high investments required to adopt new technologies.

This strain is felt across the merchant spectrum, with small merchants seeing 4% of transactions declined due to suspected fraud, mid-sized merchants at 6%, and large merchants experiencing a steep 10% decline rate.

These declines impact both customer experience and revenue. Beyond declined transactions, the financial toll is clear. Merchants have lost approximately 2% of their total revenue to payment fraud over the past year, underscoring the urgent need for more resilient fraud management strategies.

Steve Morgan, Global Banking Industry Lead, Pegasystems, UK, said, "The real challenge today is the surge in fraud and disputes, even among banks with advanced self-service and automation. Our focus is on making fraud management truly scalable by leveraging AI to streamline processes, resolve disputes faster, and adapt seamlessly to new payment methods."

79%

Banks operate with siloed fraud monitoring across channels.

4. Tailored services: The missing link in bank-merchant relationships

As merchant expectations evolve, banks' limitations are becoming increasingly evident in their inability to deliver personalized services. Merchants today operate in diverse industries with unique needs, and a one-size-fits-all approach is no longer enough. Yet, many banks continue to offer generic solutions that fail to reflect the complexity and specificity of modern merchant operations.

Ambika Pande, Product Leader at Setu, India, said, "Merchants today expect more than just payments. They want value-added services like data-driven insights to personalize customer experiences, reduce acquisition costs, and allow seamless access to credit for themselves and their customers."

Only 32% of banks report tailoring VAS for verticals such as retail, hospitality, and travel. Even fewer (just 23%) leverage merchant data for segmentation and performance benchmarking. These capabilities are critical for understanding merchant behavior, identifying growth opportunities, and delivering relevant support. In contrast, PayTech players are setting a higher standard, with 45% offering industry-specific VAS and 64% using data to personalize merchant experiences. This difference reflects a fundamental shift in mindset and strategy.

Merchants are bearing the burden of this rigidity. Just 23% say they receive fully personalized VAS from their banks.

- For small merchants, this often means turning to third-party providers to fill the gaps, which adds complexity and cost to their operations.
- Mid-sized merchants, meanwhile, struggle to differentiate themselves in saturated markets. Without tailored insights or support, they're left to navigate growth and competition with limited resources.
- Even large merchants aren't immune to these shortcomings. The lack of granular data and customization limits their ability to run targeted promotions, optimize customer engagement, or adapt to changing market dynamics.

In an environment where personalization drives performance, generic offerings become a strategic liability. Merchants are increasingly seeking partners who understand their business models and can co-create solutions that drive value.

Only

23%

of merchants receive fully personalized VAS from banks.





“We’re investing in end-to-end payment journeys by connecting POS terminals, mobile payments, and value-added services such as loyalty programs and multi-currency support, to enhance guest satisfaction and drive operational efficiency”

Carole Roth

Senior Vice President in Hotel Experience
into Distribution, B2B and Hotel Services,
Accor

The bank revenue mix is being disrupted

The combined effect of the four capability gaps is beginning to reshape the revenue mix of banks. These challenges are strategically weakening their ability to compete with agile, tech-driven players in merchant servicing.

Banks and new players both heavily depend on core payment services as part of their merchant revenue – accounting for 70% of banks’ revenue and 73% for PayTechs. But what sets new players apart is how they complement this with a more focused, scalable approach to VAS and embedded offerings. While banks currently generate 14% of their revenue from VAS, PayTech players have a higher share of 19%, reflecting their strategic investments in ecosystem-led models that deepen merchant engagement and unlock new revenue streams.

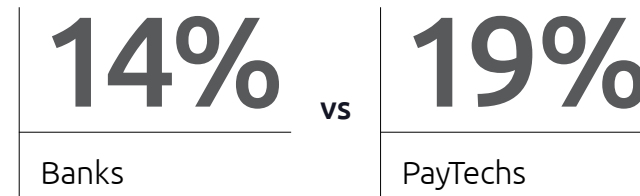
Cross-selling remains one of the few areas where banks currently hold an advantage. With 16% of their merchant revenue coming from cross-sold products and other services, banks benefit from their broader product portfolios and established customer relationships.

- However, PayTech players are quickly closing the gap. Though currently at 8%, their cross-sell potential is rapidly expanding through embedded finance, partnerships, and seamless integrations.

Their ability to offer contextual, data-driven products during the merchant journey positions them well to scale this revenue stream efficiently.

This shift in revenue mix directly reflects how well each player meets merchants’ needs. New-age platforms are specifically designed for modern commerce – their infrastructure is modular, data-driven, and responsive, so their services are both relevant and easy to integrate. But banks are limited by legacy systems and slower innovation cycles, making it harder to expand beyond core payment services and maintain their lead.

Share of revenue from VAS

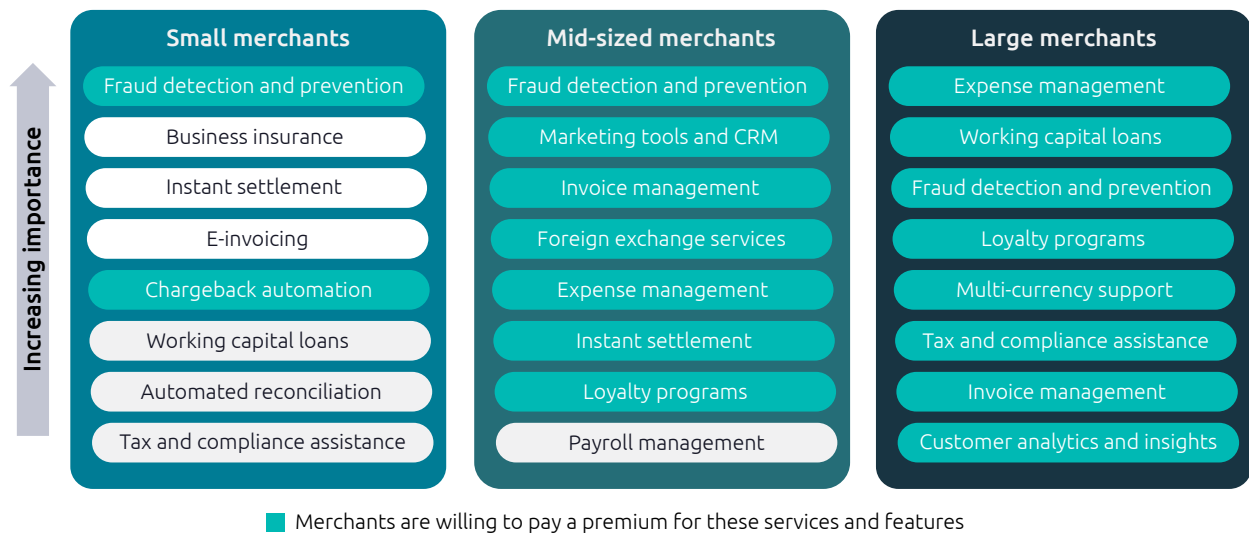


Merchants are demanding value-added services

As figure 10 shows, VAS aren't just desirable – they're expected. While merchants of different sizes prioritize services like fraud detection, instant settlement, and working capital loans, their order of importance and willingness to pay varies significantly.

- **Small merchants** seek simplicity, liquidity, and protection. Services like fraud detection and chargeback automation are critical and among the few they're willing to pay a premium for. Their demand for working capital loans and business insurance also reflects a more profound need for financial cushioning and risk coverage – both essentials for navigating day-to-day volatility.
- **Mid-sized merchants** demand more operational and customer engagement tools. They're more willing to pay for services that drive efficiency and control, like invoice management, expense management, and fraud prevention. Notably, their growing interest in marketing tools and CRM platforms signals a shift toward building customer loyalty and driving repeat business – indicating investment in long-term growth and brand differentiation.

Figure 10.
Banks that master the “freemium” model and features mix can successfully reclaim merchants



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026 merchant survey, N=2,600.



“An emerging advantage in the market is the unbundling of products such as billing and revenue recognition, allowing merchants to choose what they need from different providers. Flexible fraud prevention solutions and credit offerings tailored to SMBs, often based on real-time cashflow, are further strengthening value propositions.”

Terry Wise

Head of Global Alliances and Channels,
Stripe

- **Large merchants** are more selective in their premium spend. Expense management stands out as the primary service they're willing to pay for, underscoring their focus on cost optimization and financial discipline on scale. Their interest in multi-currency support and customer analytics also signals a need for advanced capabilities – letting them operate seamlessly across borders and extract deeper insights from customer behavior.

What's striking is the overlap in core needs. Services like fraud detection, instant settlement, and expense management consistently appear across segments. These represent anchor offerings that banks must deliver with excellence. However, the real opportunity lies in how these services are packaged and priced. A well-calibrated “freemium model” – one that balances accessibility with the ability to upsell based on merchant maturity – can help banks drive adoption, deepen engagement, and unlock new revenue streams.

For banks, the path forward is clear. Segment-driven service design, powered by data, insights, and flexible delivery models, is no longer optional. It's the key to winning back merchant trust, deepening engagement, and unlocking sustainable revenue beyond core payments.

Ramon Bernardo, the CEO of Openpay Spain (BBVA) said, “Demand for VAS is growing rapidly and often becomes the key factor driving merchants' decisions. Merchants typically prefer solutions that simplify their daily operations, such as business management tools, marketplace management, and financing options. While price remains important, it's no longer always the primary consideration.”

Banks must address gaps to compete and succeed

Our survey of banking executives reveals that many institutions aren't ready to scale their merchant services effectively yet. Gaps persist across both business and technology domains, including missing segment strategies, inconsistent onboarding policies, and underdeveloped capabilities like payment orchestration and digital KYC, as figure 11 shows.

These challenges aren't just operational – they're strategic. Without addressing foundational readiness, banks risk falling behind more agile competitors. Closing these gaps is essential to meeting evolving merchant expectations and competing at scale.

Figure 11.
Most banks aren't ready to scale their merchant services

	Ready	Somewhat ready	Not ready
Business readiness	Merchant pricing strategy Cross-sell strategies	Dedicated leadership structure for merchant acquiring initiatives Established partnerships with POS providers, fintechs, or payment networks Merchant risk assessment, onboarding, and underwriting policies in place	Merchant relationship management and support structure Segment-specific merchant strategies Formal business cases developed with ROI and revenue projections
Tech and infrastructure readiness	Chargeback/dispute management infrastructure	POS/m-POS integration capabilities Merchant dashboard with analytics and settlement insights API-based integration with payment networks Reconciliation and settlement engine for multi-channel merchant payments	Payment orchestration capabilities Merchant onboarding platform with digital KYC Value-added service modules Integration capabilities with merchant tools

Sources: Capgemini Research Institute for Financial Services Analysis, 2025; World Payments Report 2026 bank payment executive survey, N=210.

The background of the slide is a close-up photograph of several dice on a wooden surface. Two white dice are in the foreground, showing various faces with black pips. A black die is partially visible on the left. The lighting is warm and focused on the dice, with the rest of the scene softly blurred.

03

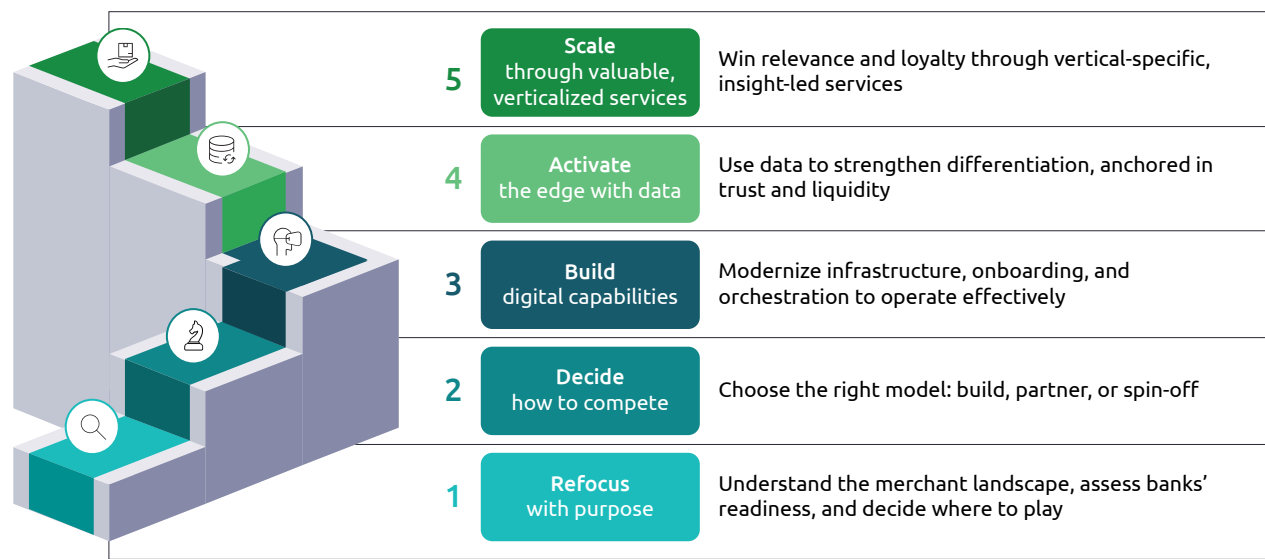
**Banks have
the right to win**

Banks can reclaim market share in merchant servicing

There's still a significant opportunity for banks to reclaim their market presence and win back business in merchant servicing. To do so, banks should focus on the five key building blocks set out in figure 12 – from setting a clear, strategic vision to defining where to compete. Another key decision point will be choosing whether to build capabilities internally or with a partner, keeping digital infrastructure and operational efficiency in mind.

Banks must leverage their unique strengths, including trust, capital liquidity, and data, to differentiate themselves. They also need to expand beyond basic processing by offering VAS tailored to specific sectors – a necessity in winning back merchants.

Figure 12.
Steps to reclaim merchant servicing market share



Source: Capgemini Research Institute for Financial Services Analysis, 2025.

1. Refocus with purpose: The landscape is active and moving fast

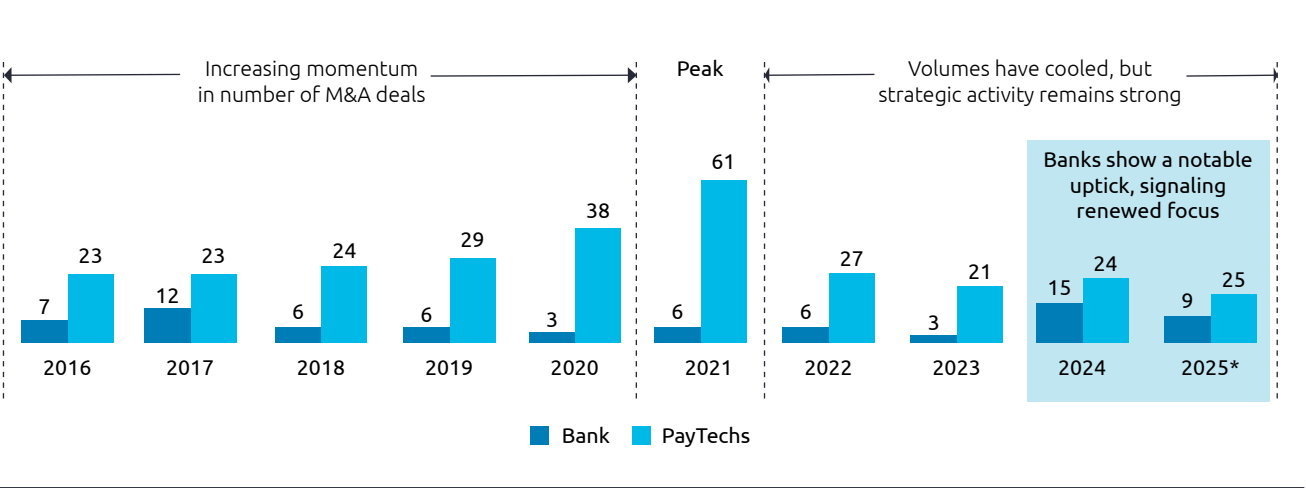
As figure 13 shows, the race to capture merchant servicing opportunities has fueled a decade-long surge in Merger and Acquisition (M&A) activity. From 2016 to 2020, industry momentum rose, as both banks and PayTechs sought to strengthen their offerings across the merchant value chain.

PayTech players set the pace, outpacing banks by nearly threefold in annual M&A volumes. Their speed, vertical integration, and end-to-end solutions fueled dominance, peaking in 2021 with a record 61 deals – that’s 10 times more than banks – reshaping the competitive landscape.

In the years that followed, while overall deal volumes decreased, the strategic importance of activity remained strong. Participants shifted their focus from rapid expansion to more targeted deals, emphasizing synergy, integration, and vertical depth. However, the trend may now be shifting: since 2023, banks have shown a notable uptick in M&A activity, indicating a renewed effort to regain ground in merchant services.

To dig deeper into how merchant servicing is evolving, we investigated the value of disclosed M&A deals over the past decade. We categorized deals size under \$10 million, \$10 million to \$100 million, and over \$100 million. Then, we analyzed how PayTech players and banks approach each tier.

Figure 13.
PayTech players outpace banks by ~3x in annual M&A deal volume



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; Pitchbook database, *as on September 12, 2025.

What we found reveals two very different strategies for two very different end games. PayTechs have been consistently active across all ranges, but their ambition is most visible in large-scale acquisitions, with 89 deals above \$100M. Smaller transactions have been used to plug gaps in areas like fraud prevention, loyalty, and orchestration. Mid-sized deals (\$10M–\$100M) often expand product depth and breadth. At the top end, PayTechs have aggressively acquired BNPL providers, platforms, and full-stack capabilities to strengthen their ecosystems and secure leadership.

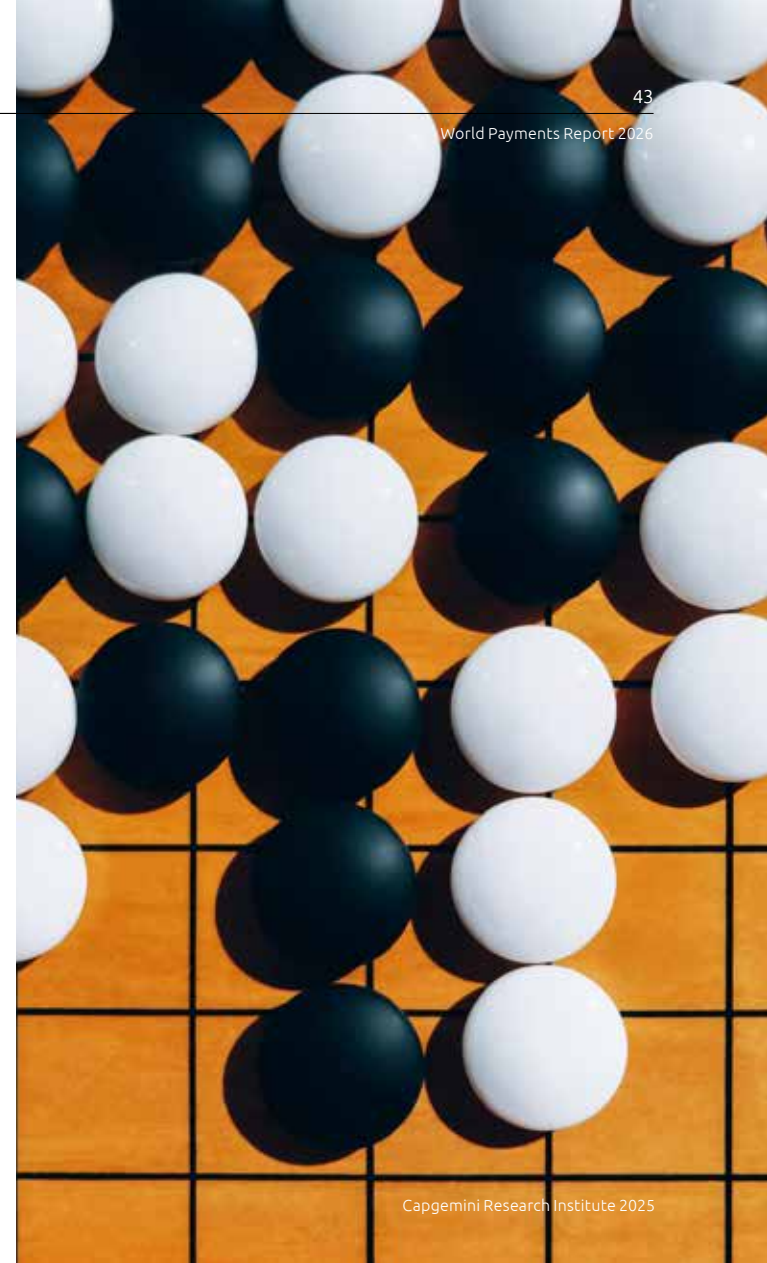
Banks, by contrast, have taken a more cautious, selective approach, completing only 26 large deals over the past decade. Their sub-\$10M activity is focused on specific use cases (like Deutsche Bank's acquisition of Better Payment). Mid-sized deals typically target niche technologies or fintech talent to build capabilities. Larger acquisitions have centered on modernizing infrastructure and integrating digital platforms, such as J.P. Morgan's purchase of WePay.

This comparison highlights a stark reality. More than 60% of disclosed M&A deals in merchant servicing over the past decade have exceeded \$100 million in value. The race is increasingly one of scale, and those who hesitate risk falling behind. For banks, this is a critical moment. Competing in this space now requires both clarity and urgency. It is time to think big, move fast, and act with conviction before the window of opportunity closes.

More than

60%

of disclosed M&A deals in merchant servicing over the past decade have exceeded \$100 million in value.



To regain ground, banks must compete where they're best positioned to win

In today's dynamic payments landscape, banks can't afford to chase every opportunity. To regain ground, they must focus on value spaces where they have the right capabilities, making deliberate choices based on market potential and strategic fit. One effective way to approach this decision-making is by segmenting the market into three distinct value spaces:

- **Domestic in-store payments:** In-person payments at merchant locations using cards or tap-to-pay wallets

Banks have a natural advantage here thanks to their existing reach, licenses, and established merchant relationships. This is a quick-win area where banks can modernize offerings with relatively low complexity. The strategic play can be to defend the core business, to deepen relationships with small and medium-sized enterprises (SMEs) and retailers, and increase penetration through bundled services.

- **Domestic online payments:** E-commerce and online purchases using cards, wallets, A2A, or BNPL solutions

Fintechs and digital-first players largely dominate this domain. For banks to compete, they need to level up their fraud prevention, checkout experience, and orchestration capabilities. The strategic play can be to scale digitally, as there's a clear path to gaining share in e-commerce and mid-market flows by offering integrated, value-added services. Complexity is moderate, but the potential is significant.

- **Cross-border payments:** International transactions via cards, wallets, or alternative rails

This is a high-complexity, high-margin opportunity. Banks can create differentiated offerings by bundling FX, tax, and compliance into embedded solutions, especially for premium merchants: the winning strategy would be to specialize and monetize. By focusing on select verticals and high-value use cases, banks can carve out profitable niches in the global payments ecosystem.

Beyond examining the three distinct value spaces, banks should evaluate opportunities across a broad set of criteria

1. **Current strengths:** Do you have the licenses, tech stack, and data to support this value space?
2. **Capability gaps:** Do you lack fraud tools, digital onboarding, or payment orchestration?
3. **Merchant potential:** Do you have access to underserved, high-volume, or premium merchant segments?
4. **Risk and return:** Is the margin potential worth the operational and compliance complexity?
5. **Strategic alignment:** Does this space align with your bank's long-term goals and growth priorities?
6. **Partnership and acquisition readiness:** Do you have the leadership, operating model, and teams to execute at scale?



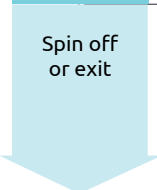
2. Choose the right business model to move forward and compete effectively

Once a bank has decided on its ideal value space, the next critical decision is about how to participate – in other words, what business model to pursue when it comes to merchant servicing. This choice typically depends on how much ownership and control the bank wants to maintain over its merchant servicing operations.

Each approach carries its unique advantages and trade-offs, as figure 14 shows.

- **Keep the business and keep on investing to grow:** The bank retains full ownership of its merchant servicing business and invests further to drive growth. This is the path taken by institutions like J.P. Morgan in the US and Lloyds in the UK.
- **Form a strategic partnership or joint venture with a specialist:** A choice that balances ownership with external expertise and scale. Instead of going it alone, banks team up with payment specialists or other financial institutions, pooling their strengths to serve merchants better.

Figure 14.
Each business model has its own pros and cons

		Pros 	Cons 	
Bank's merchant servicing business ownership	 Keep the business	• Invest to compete and grow • Build platform capabilities	• Own industrial strategy • Stronger cross-sell potential • Data ownership • Revenue retention • Long-term business case	• High innovation burden • Operational complexity • Scalability limitations • Slower time to market • Initial high investment
	 Set up strategic partnerships	• Partner with payment providers or banks • Retain merchant relationships and control, while innovating more effectively	• Faster innovation and agility • Lower cost and risk • Access to new segments	• Risk losing industrial strategy • Margin compression • Brand dilution • Data limitation
	 Spin off or exit	• Lose merchant relationships, access to data, and transaction volumes • Set up referral models to retain some relationships	• Focus on core banking • Reduced cost and complexity	• Reduced fee-based revenue • Data and relationship loss • Weakened proposition

Source: Capgemini Research Institute for Financial Services Analysis, 2025.



"Acquiring merchants isn't about ambition; it's about navigating a complex landscape. Banks must build, buy, or partner across the ecosystem to stay relevant, as ISVs and platforms replace traditional methods"

Mark Watling

Managing Director CIO,
Barclaycard Payments

- **Spin off or exit the merchant servicing business entirely:** Suitable when the business no longer fits with the bank's long-term strategy or growth ambitions. In this scenario, the bank divests its merchant services arm – often transferring merchant relationships, data access, and transaction volumes to a new or external owner. Sometimes, banks still choose to keep a foothold through a referral arrangement, maintaining some client contact while shifting operational and financial responsibility elsewhere.

A notable recent example is Barclays' agreement with Brookfield. Barclays decided to spin off its merchant acquiring business to Brookfield, reflecting a strategic pivot to its core banking activities. This deal illustrates how global banks are reassessing where their strengths truly lie, which can mean letting go of non-core operations to unlock greater focus and efficiency elsewhere.¹⁶



"To thrive in the modern payments industry, collaboration and scale are essential. The Estreem joint venture with BNP Paribas is a clear example of this. By joining forces, we can achieve the scale needed to compete effectively and meet the needs of both our clients and the broader market."

Frédéric Burtz

CEO Payments,
BPCE Group



Citi and Pega reimagine client service with AI

Business challenge: Citi Services faced the complex task of serving thousands of commercial and corporate clients with high expectations for seamless, personalized service across both digital and human touchpoints. A key challenge was modernizing and integrating fragmented front-to-back processes, especially in merchant services like payment processing, reconciliation, and reporting. To protect market share and support growth, Citi needed a scalable service model that delivered consistent, predictable, and transparent outcomes for its top 650 clients as well as mid-market and SME segments.

Solution: Citi launched an end-to-end transformation initiative to reimagine client service. A central component was Pega, which provided the orchestration layer to connect merchant services with treasury and trade platforms, unify workflows, and align them to compliance and business rules. AI was applied selectively, enhancing routing of service requests, enriching merchant data, and flagging moments for human intervention. Pega's platform ensured automation was efficient, transparent, and tightly governed, letting Citi balance intelligent technology with human expertise.

Benefits: The initiative delivered faster, more personalized service across all client tiers. Large corporates benefited from proactive support, while SMEs gained intuitive self-service supported by automation. By embedding AI into processes enabled by Pega, Citi strengthened its merchant services offering, reduced friction in reconciliation and reporting, and improved overall efficiency. The transformation earned industry recognition for its holistic approach, demonstrating how innovation is achieved not only through technology but through applying it thoughtfully to solve real client needs.

"At Citi, we're harnessing the power of AI to enhance how we serve clients and build the bank of tomorrow. With solutions like CitiService Agent Assist, we're eliminating manual processes, delivering faster responses, and creating a more seamless experience around the world." Naveed Anwar, Global Head of Platforms and Data Services, Citi.

3: Build digital capabilities that secure solid ground for your business strategy

Choosing between retaining full ownership or partnering in your merchant servicing business sets the strategic course, but success hinges on building digital capabilities on the right payment architecture. Figure 15 shows how banks can structure their technology stack to stay competitive, agile, and scalable.

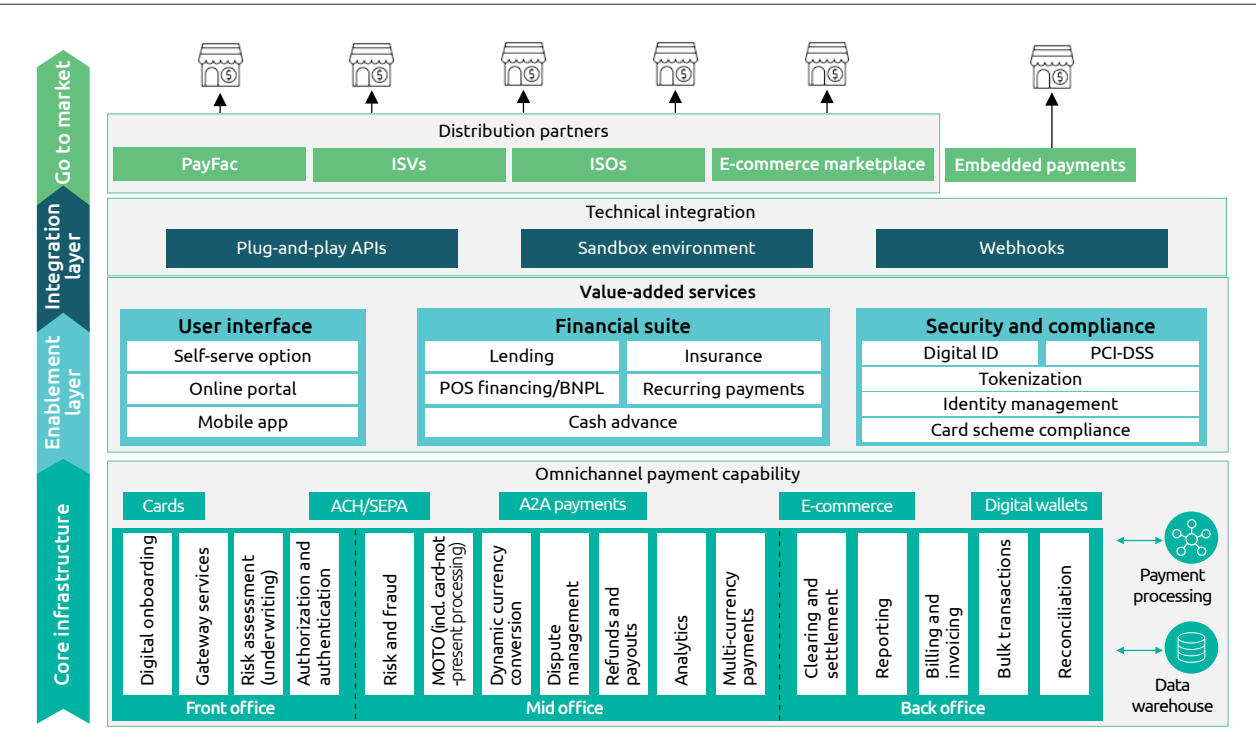
- **Core infrastructure: Simplify IT complexity and scale by adopting a composable, modular core:**

Migrate away from legacy systems to future-ready, modular platforms across the front, mid, and back office, especially across payment processing, fraud, and onboarding. Accelerating innovation with flexible infrastructure enables the rapid launch of new features and omnichannel payment capabilities.

- **Enablement layer: Power up services and experience with user-friendly, service-rich tools**

Deliver intuitive interfaces, self-service, and partner-ready dashboards for ease of use. Offer VAS to integrate offerings such as lending, insurance, BNPL, loyalty, and analytics to boost relevance for merchants, as well as make security and compliance seamless and visible, supporting trust and regulatory needs from day one.

Figure 15.
Build the digital capabilities your business strategy needs



Source: Capgemini Research Institute for Financial Services Analysis, 2025. MOTO stands for Mail Order/Telephone Order



"With Single Entry Point (SEP), we leverage our strong presence in Latin America, Iberia and our global expansion strategy to deliver innovative payment solutions. By combining our modern cloud-native infrastructure with the power of Agent AI, we empower merchants to scale securely, accelerate innovation, and offer faster, more reliable customer experiences."

Braga Rodrigo

CEO of Getnet Technology and Operations Brazil,
Getnet

- **Integration layer: unlock agility through standardized, plug-and-play APIs:** Enable seamless connectivity through fast, low-friction integration with partners, fintechs, and external networks via robust API gateways. Support developer agility with secure sandbox environments for rapid testing and innovation, along with real-time webhooks for efficient, event-driven communication.
- **Go-to-market engines: Expand and deepen merchant engagement:** Collaborate with PayFacs and ISVs to tap new verticals and geographies and embed payments within workflows reaching new merchants where they already operate.

Jude Pinto, Chief Delivery Officer, Payments Canada said, "As the financial market infrastructure owner and operator of Canada's high-value, retail batch, and forthcoming real-time payment systems, driving digital transformation in payments means equipping our members with the system training, sandbox environments, and collaborative support they need to modernize, test new capabilities, and deliver seamless payment experiences to their clients."



"Businesses prefer built-in solutions for speed and simplicity. But when they need specialized features, third-party integrations within a larger ecosystem give them more flexibility."

Capucine Delval

Global Accounts Director,
Shopify

Shopify powers Orlebar Brown with unified commerce

Business challenge: Orlebar Brown, a luxury resort wear brand with over 70% of its sales generated internationally across multiple legal entities, struggled with a fragmented and complex tech stack. Different systems powering online and offline channels led to inconsistent customer data, high operational overheads, and limited ability to deliver seamless, personalized shopping journeys across global storefronts and physical stores. They needed a simplified, unified architecture to unify CRM, checkout, inventory, and enable local pricing, currencies, and streamline back-end operations.

Solution: Orlebar Brown partnered with Shopify – working with international digital commerce consultants Tryzens Global – to implement a comprehensive unified commerce solution. By leveraging Shopify Markets, Shopify POS, and integrated tools like Shopify Payments and OneStock OMS, the company centralized its back-end operations and improved visibility across inventory, customer data, and sales channels. The new setup enabled localized pricing and checkout experiences, eliminated redundant systems, and empowered staff to deliver personalized service using real-time customer profiles – both online or in-store.

Benefits: A unified tech stack allowed Orlebar Brown to simplify operations, enhance customer journey, and scale globally with greater agility. The company saw a 66% increase in basket-to-checkout conversion, a direct result of adopting Shop Pay and improving site performance. Checkout-related customer complaints dropped to nearly zero, while operational efficiency improved through the elimination of duplicate systems and manual processes, cutting associated costs by 30–40%. Real-time inventory and order data across channels enabled flexible fulfillment options, such as in-store purchases shipped to hotel addresses. The intuitive Shopify POS system also led to higher employee adoption, allowing staff to better engage with customers and deliver premium, consistent brand experiences worldwide.

Smart onboarding is essential to winning merchant relationships

Onboarding has transformed from a routine compliance task into a powerful differentiator in the competitive world of payments.

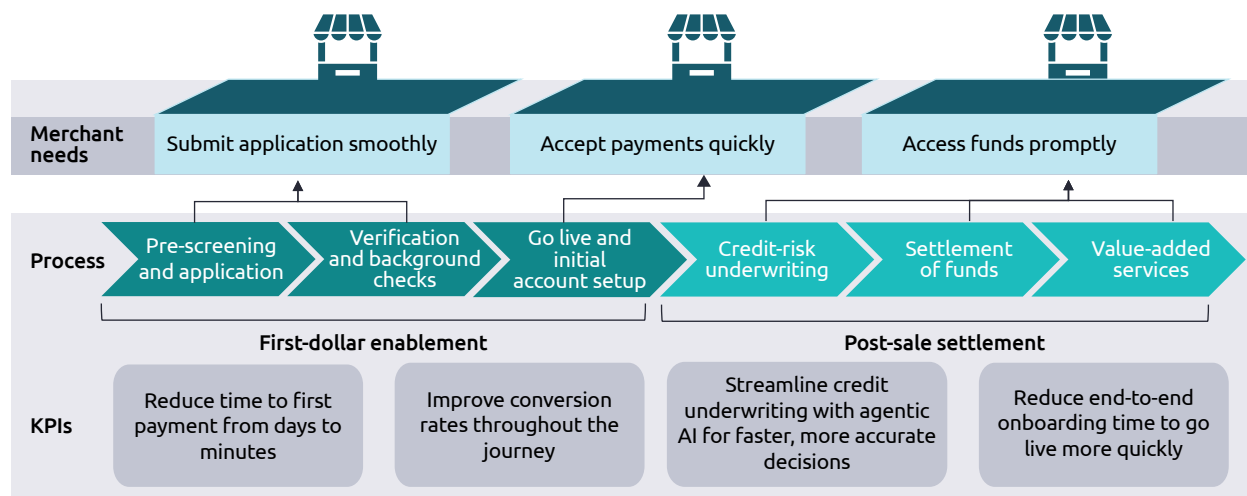
As Figure 16 shows, the onboarding journey begins with easy pre-screening, straightforward application submission, and go live. For banks, the key to meeting these expectations is to forge technology partnerships with best-in-class onboarding platforms. These partnerships inject agility, speed, and bulletproof compliance into every step of the process. With modern digital onboarding tools and payment facilitators in the mix, what once took days or even weeks can now be reduced to mere minutes, enabling merchants to accept their first payments at record speed.

The next phase is credit risk underwriting, settlement, and other services. Here, banks can set themselves apart by leveraging AI, especially agentic AI, to streamline credit decisions.

These smart systems analyze vast datasets in real time, making underwriting both faster and more accurate, while minimizing bottlenecks and human error. This results in far shorter onboarding cycles, plus real-time support, transparent communication, and instant issue resolution.

Bringing together leading technological partners and intelligent automation, banks can now deliver an onboarding journey that

Figure 16.
How an optimized onboarding journey meets merchants' needs



Source: Capgemini Research Institute for Financial Services Analysis, 2025.



"Progressive underwriting is an area where AI is beginning to make an impact. Creating smarter fraud detection models can enable providers to offer more favorable credit terms when risk is better understood and managed"

Özlem Özüner

Commercial Director, E-Commerce,
Allianz Trade

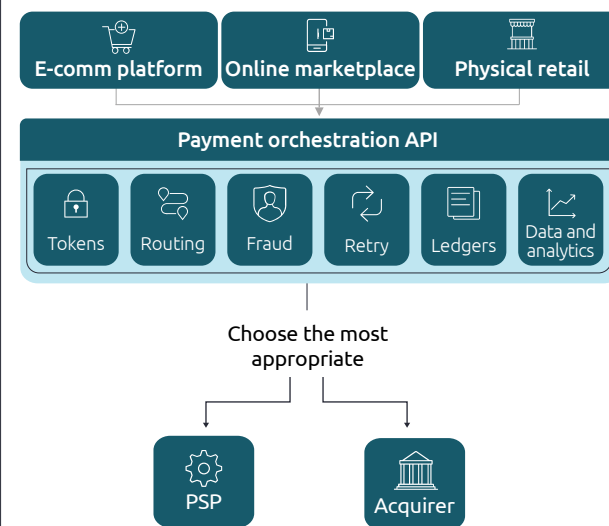
matches – or even exceeds – that of PayTechs, setting the stage for lasting client relationships and growth.

From Australia's ANZ Bank, Lisa Vasic, Managing Director, Transaction Banking Institutional, said, "PayTech players have gained customer market share by prioritizing customer experience, offering quick, simple digital onboarding with streamlined KYC. A key factor is their deep integration with ISVs, providing in-a-box, plug-and-acquire solutions that simplify set-up and usage. This Apple-service approach to merchant payments seamlessly connects all parts of the finance value chain, enabling merchants to get up and running quickly."

Payment orchestration drives scalable merchant processing

Managing the end-to-end payment process is critical for smooth transactions and effective analytics. Without smart routing, transactions often default to a single processor or acquirer, even if that channel is busy, offline, or offering poor approval rates. This lack of redundancy means that if the primary processor fails, there's no automatic fallback – leading to higher decline rates. Consequently, merchants suffer from lower conversion rates, a poorer customer experience, and more abandoned purchases. To solve for these issues, imagine the payment orchestration scheme shown in figure 17 as a smart, unified layer that

Figure 17.
Streamline payment processing through orchestration



Source: Capgemini Research Institute for Financial Services Analysis, 2025.



"A unified data layer across online and offline channels enables real-time dashboards, giving merchants visibility into transactions, customer behavior, and trends. This foundation supports better decision-making and simplifies reconciliation across payment types and touchpoints"

Nigel Lee

Executive Vice President International,
DataMesh

revolutionizes how merchants manage their entire payment journey:

- At its core, the platform serves as a single API-driven center that connects and oversees multiple payment gateways, providers, and methods in one place.
- Beyond simply linking systems, it intelligently selects the best payment option, routes transactions in real-time, handles currency conversions seamlessly, detects and prevents fraud, and streamlines reconciliation and analytics.
- This consolidated interface eliminates the complexity of managing disparate integrations, offering merchants complete visibility and control over their payment ecosystem.

What sets payment orchestration apart is its dynamic routing capability. Instead of relying on a single payment processor, the platform evaluates various factors – like transaction value, currency, location, cost, success rates, and customer preferences – to choose the optimal payment path. Powered by AI, this ensures minimal downtime, fewer failed transactions, and lower operational costs. In addition, advanced multi-agent fraud detection engines provide robust, omnichannel security, reducing risk for both merchants and customers. Centralized data collection delivers real-time insights and anomaly detection, enabling proactive decision-making and performance optimization.

Payments orchestration enhances reliability through high availability and failover mechanisms across multiple providers, drives cost efficiency by continuously routing payments to the most effective partner, fortifies fraud protection with intelligent, AI-led defenses, and empowers merchants with actionable, consolidated insights. Ultimately, it transforms payments from a fragmented, resource-intensive challenge into a smooth, cost-effective, and agile engine for business growth.

Patricia Brolly, Head of EMEA Merchant Acquiring Product, Payments, J.P. Morgan said, "In merchant services, we simplify the integration of multiple payment systems by providing a single, global API and comprehensive resources for developers, enabling rapid deployment and customization for all business sizes and complexities, while reducing resource demand. Our European clients have access to a comprehensive range of financial services, along with tailored solutions, localized support, and global expertise, enabling them to tap into new opportunities and drive cross-border success."



“Traditional payment funnels have multiple isolated gates – choosing payment methods, fraud checks, authentication requirements, and bank authorization, each managed separately, often leading to suboptimal results. Our Uplift solution integrates all these stages, allowing the modules to work together to optimize the entire customer journey”

Adrian Davis

Global Leader: Financial Services,
Insurance and Enterprise Financial Products,
Adyen

Adyen Uplift empowers global merchants with smarter processing¹⁷

Business challenge: Large businesses often face difficult trade-offs across the payments funnel: driving higher conversion, managing fraud risk, and controlling payment costs, without sacrificing one for the others. Fragmented legacy payment systems result in operational silos, manual rule-based fraud management, and limited ability to experiment, optimize, or scale transaction performance efficiently. Many companies struggle to unify conversion, risk, and routing decisions in real-time.

Solution: To address this, Adyen launched Uplift, a first-of-its-kind suite of AI-powered tools designed to optimize every payment in real time. Built on over a trillion dollars in annual transaction volume and Adyen's global dataset, this orchestration lets merchants automatically improve performance across conversion, risk, and cost. The solution uses machine learning to identify and streamline the experience for trusted shoppers, eliminating unnecessary friction at checkout. Instead of relying on manual

fraud rules, Uplift dynamically detects and blocks risky transactions, allowing businesses to reduce reliance on static logic. On the back end, the system intelligently routes transactions through the most efficient and cost-effective payment paths, balancing success rates and cost control.

Benefits: Uplift enabled businesses to significantly improve operational and financial performance. Pilot merchants saw conversion rates rise by as much as 6%. Companies reported an 86% reduction in manual fraud rules on average, with over a third of participants eliminating manual rules entirely, freeing teams from repetitive tasks and reducing human error. Additionally, smart routing capabilities helped cut payment processing costs by up to 5%, while maintaining or improving success rates. The result is a more seamless, secure, and cost-efficient payment experience for both businesses and their customers, all delivered through a unified platform that scales globally.

4: Activate your longstanding marketplace edge and lead with data

One of the biggest advantages banks possess is the deep trust and power of capital they've built with generations of customers. Our data shows that 66% of merchants still trust banks over new players. Why? It comes down to several factors:

- 78% cite banks' strong brand reputation.
- 74% value the higher levels of regulatory compliance and robust security.
- 49% point to banks' perceived stability and long-term presence in the market.
- 46% appreciate the broader suite of financial products that banks offer.

Guy Mendelson, Executive for Merchant Services at NAB Australia, said, "Banks face intense competition but maintain merchant relationships through brand trust, strong balance sheets, and risk resilience."

In short, legacy banks continue to win confidence not just because they're established, but because they're seen as safer, more reliable, and better equipped to support the diverse needs of today's merchants.

Laurent B Dhaeyer, Head of Acquiring at Alrajhi Bank, Saudi Arabia, said, "Banks' longstanding trust with merchants remains a key advantage, reinforced by their ability to cross-sell through comprehensive product portfolios, combining lending and payment acceptance to deepen relationships amid rising competition."

Banks capitalizing on this trust must deliberately move through three essential steps using merchant intelligence:

First, banks need to capture rich merchant intelligence across every stage of the journey.

This starts with harnessing internal data from onboarding processes, daily transactions, and VAS. Banks should then integrate external sources leveraging open finance, competitive benchmarks, industry trends, and data from relevant third-party platforms. This broad, connected data foundation creates a multi-dimensional picture of each merchant's behaviors, needs, and opportunities.

Next comes the critical step to activate data for smarter decision-making.

It's no longer enough to just store information in silos – true value comes from building a unified **"single source of truth"** that brings together data from across the organization:

- Employ advanced AI and GenAI to keep refining predictive models, spot emerging patterns, anticipate needs, and flag risks in real time.
- Establish internal data, AI marketplaces, and curated environments where teams can access high-quality, governed datasets. These can further accelerate collaboration, empowering business users and analysts to extract actionable value at speed.

Finally, banks must monetize these insights by translating intelligence into tangible business results.

They can use liquidity strength to gain flexibility in turning raw data into monetization opportunities. Actionable merchant insights can shape internal priorities, from dynamic merchant segmentation to highly targeted marketing and risk management strategies.

Banks can also externalize this value by providing merchants with intuitive business performance dashboards, customer insights, and benchmarking tools, helping their clients make smarter business decisions.

Accelerating merchant data integration with AI-powered infrastructure

Business challenge: Banks and financial institutions often struggle to process and make sense of raw transaction data, particularly when it comes to identifying and enriching merchant information. For Snowdrop Solutions, onboarding a new client's data previously required up to 90 days of manual configuration, adding unnecessary delays to client delivery.

Solution: Snowdrop migrated its transaction enrichment API and merchant identification pipeline to Google Cloud. By harnessing the scalability of Google Cloud infrastructure and the intelligence of Vertex AI, Snowdrop streamlined the entire merchant data integration process. AI models trained on millions of transactions now automate merchant detection, categorization, and data standardization with minimal manual input. At the same time, the team was able to simplify deployment across regions reduced infrastructure management and accelerated expansion into new markets.

Benefits: By moving to Google Cloud, the time required to integrate a new client's merchant data was reduced from 90 days to just two weeks. The accuracy of merchant identification improved by 40%, directly boosting the quality of insights banks can offer their customers. Since the migration, Snowdrop has significantly scaled its operations, growing from an average of 198 million transactions processed per month to more than 2.1 billion today.

5: Deliver best-in-class value-added services to merchant verticals

The future of merchant growth goes far beyond simply reaching more customers – it's about embedding sector-specific intelligence and VAS that address the unique needs of each industry. In a payments world where core products are increasingly commoditized, the real differentiator is a robust ecosystem of tailored offerings that help merchants run smarter, leaner, and faster. This shift has been driven by PayTech providers, who have leapt ahead by fusing payment processing with a host of industry-relevant services, creating seamless, all-in-one solutions that especially appeal to smaller merchants seeking simplicity, speed, and embedded finance.

As a result, banks must evolve beyond basic payments offerings and deliver intelligent, verticalized service bundles that turn transactions into a platform for real, industry-specific value.

From DISH Digital Solutions GmbH, Dr. Volker Glaeser, Chief Executive Officer, said, "A comprehensive solution that delivers speed, simplicity, and seamless integration has become essential in today's environment. With 24-hour onboarding and the combined power of payments and unified services, we go beyond what traditional providers offer."

Our latest merchant survey spanned different industries to understand what kinds of embedded, industry-focused solutions would truly move the needle for their growth and efficiency.

For **retailers**, 73% of small merchants stressed the need for integrated inventory and stock alert systems – tools that help them avoid stockouts and streamline operations. At the biggest scale, 56% of large retail merchants are seeking automated product bundling and upselling suggestions, leaning on data insights to drive bigger baskets and smarter merchandising.

In the **food and beverage** space, it's all about speed, perishability, and customer touchpoints. Small merchants are prioritizing smooth integration with food delivery platforms – while mid-sized merchants are looking for real-time inventory alerts for perishable items, helping them cut down on waste and costs.

Hospitality and healthcare showed equally distinct VAS needs. Hotels want tools for integrating with travel portals, optimizing room pricing dynamically, and deploying loyalty programs tied to travel partners. Healthcare merchants, ranging from clinics to large providers, are prioritizing appointment scheduling and patient reminders, integration with prescription systems, and billing and insurance management.

Lastly, **automotive merchants** are leaning into digital transformation. Both small and large operators seek reminder tools for digital service and maintenance appointments.

Scale VAS through ISV partnerships

The next step is to thoughtfully identify these vertical- and size-specific bundles, then scale through strategic partnerships with niche ISVs who bring deep expertise and access to targeted customer bases. These partnerships are mutually beneficial as ISVs gain market reach and a broader client pool, while banks enhance their service portfolio with complementary capabilities.

According to our survey, 80% of merchants say they would consider switching to a banks if it could offer all the services they currently receive from a new-age payment provider at the same cost. When evaluating potential vertical partners, it's important to look beyond basic fit. The ideal collaborator aligns with your values and purpose, while also contributing unique customer benefits.

Banks that embrace this mindset, bundling smartly and partnering strategically, will be best positioned to deliver the kind of integrated, industry-specific value that today's merchants demand.

80%

Merchants would consider switching to banks if offered the same services as new-age providers at same cost.



"Independent Software Vendors are a vital source of innovation, connecting via APIs, responding to specific merchant needs, and proactively supporting sectors like travel and hospitality with tailored solutions."

Paul Marriott-Clarke
Head of Merchant Services,
Worldline

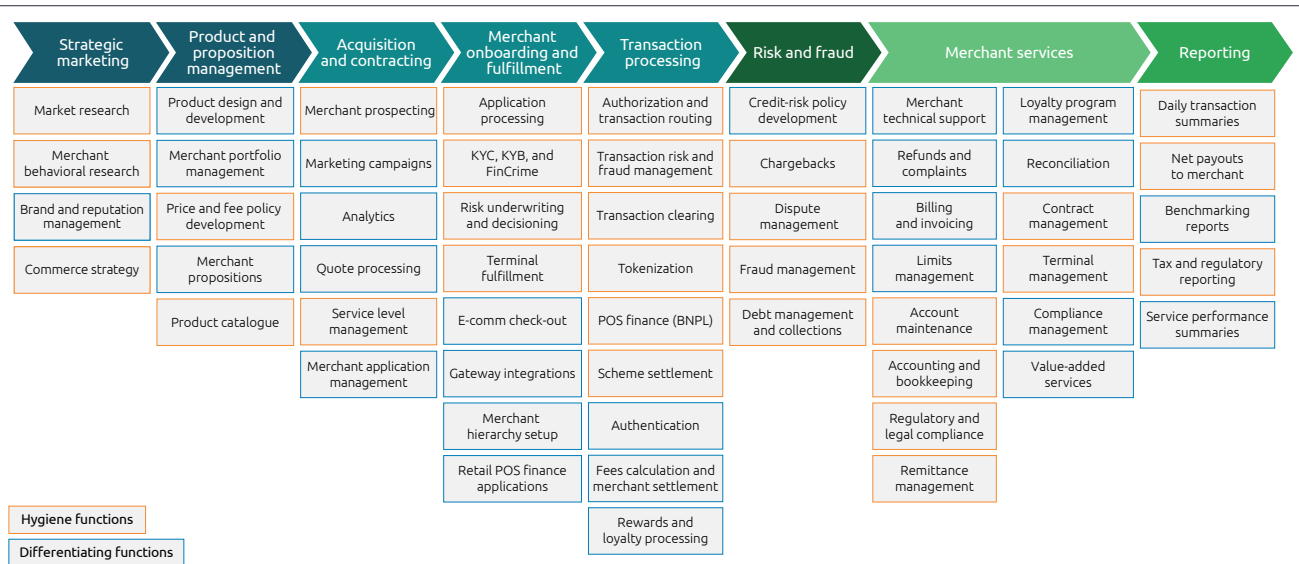
Banks need to carefully calibrate their roadmap and make progress step by step

Even after accomplishing the five building blocks examined within this chapter of our report, banks will need to chart their path forward using a careful, multi-staged approach. The journey isn't about a single massive leap: it's about making thoughtful, sequenced moves that build on one another, as figure 18 shows.

To better understand where to focus efforts across the merchant servicing journey, we've mapped each function in the value chain against two strategic dimensions:

- Hygiene functions: Core expectations that help build operational strength and reliability
- Differentiating functions: Competitive levers that can lead to strategic and market advantage.

Figure 18.
Banks must execute systematically to shape merchant services



Source: Capgemini Research Institute for Financial Services Analysis, 2025.

Conclusion

Banks have been steadily losing ground in merchant servicing as the payments landscape rapidly evolves. PayTechs, especially in e-commerce space, have captured market share by offering more agile and tailored solutions. But the story isn't over – banks still have a real opportunity to catch up, rejoin the game, and ultimately reclaim their rightful place as key players in merchant servicing.

- **Catch up:** E-commerce has fundamentally reshaped how merchants accept payments, and banks have lagged behind in adapting to this shift. To remain relevant, banks must accelerate their adoption of digital capabilities and merchant-focused solutions.
- **Rejoin the game:** Emerging technologies, coupled with evolving regulatory frameworks, give banks fresh avenues to innovate and level the playing field. By embracing these changes proactively, banks can regain momentum and build modern merchant acquisition strategies.
- **Seize the field:** Banks possess inherent advantages, pockets full of liquidity, deep relationships with merchants, and valuable data insights that new entrants can't replicate. By leveraging these strengths, banks can differentiate themselves and offer superior merchant servicing experiences.

The path forward is clear: banks must act decisively to transform their approach to merchant servicing. The opportunity to win again is within reach, banks just need to grab it.



Methodology

Scope and research sources

The World Payments Report 2026 draws on insights from two primary sources – the 2025 Global Merchant Survey and the 2025 Global Payment Executive Surveys and Interviews. These primary research sources cover insights from 15 markets: Australia, Brazil, Canada, France, Germany, Hong Kong, India, Italy, the Netherlands, Poland, Singapore, Spain, Sweden, the UK, and the US.

2025 Global Merchant Survey

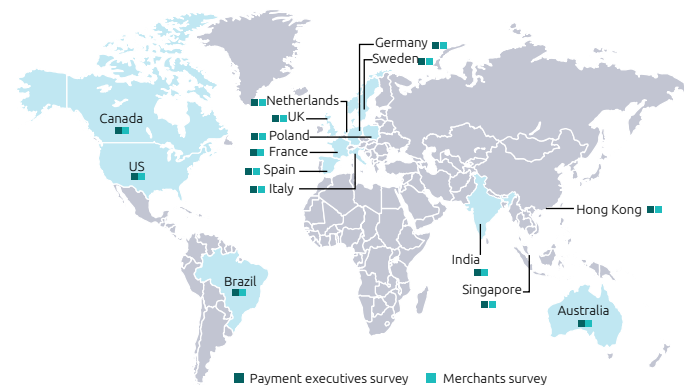
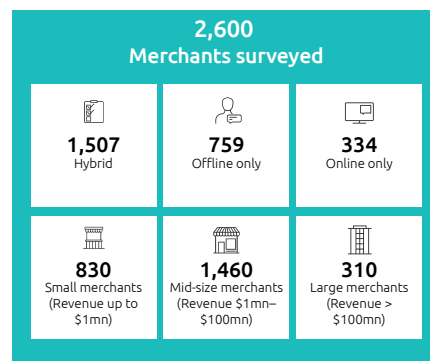
The survey questioned 2,600 merchants across small (revenues up to USD 1million), mid-sized (revenues of USD 1million–100million) and large (revenues greater than USD 100 million) revenue tiers. The survey explored merchant expectations from primary banks and PayTechs, touching upon critical areas like onboarding, payment success rates, fraud prevention, value-added services, and pricing transparency. It also captured the adoption of digital payment methods including BNPL, instant payments, wallets, and cryptocurrency. Finally, the survey valued friction points with current merchant service providers and assessed merchants' likelihood to switch providers.

2025 Global Payment executive surveys and interviews

We conducted survey of 420 payment executives and more than 65 focused interviews with senior payment executives

from leading banks and PayTech players, including Traditional PSPs, New Age players, PayFacs, and ISVs across the Americas, Europe, and Asia-Pacific.

Voice of the market



PayTech	Definitions
Traditional PSPs	Long-established providers like Fiserv, Worldline, etc., with deep banking relationships and extensive industry experience, now evolving to offer modern, integrated, and API-enabled solutions
New-age players	Digital-native platforms like PayPal, Stripe, Adyen, etc., built from the ground up to deliver seamless, API-driven, omnichannel payments with focus on speed, flexibility, and experience
PayFacs	Payment Facilitator enables merchants to accept payments quickly by onboarding them under its own master account
ISVs	Independent Software Vendor like Toast, Clover provides software solutions with built-in payment capabilities for specific business needs or industries.

Partner with Capgemini

Connected Payments

Our integrated Connected Payments offering helps banks take a transformational view of their payments capabilities. As instant payments become a rail of preference, we offer a path to payments leadership through implementing the efficiencies and flexibility necessary to thrive in the constantly evolving, ultra-competitive landscape. Addressing the end-to-end application landscape of a typical payments estate can maximize results as you reinvest and refocus on instant payment and aligned value-added services. We work with you to create a plan that provides benefits along the transformational journey while tailoring the roadmap to your specific contexts and needs. Solution components include:

- Co-creation of current state assessment and roadmap development.
- Curation and deployment of a range of transformational levers such as ecosystem integration, data and analytics implementation, cloud adoption, platform enhancement/replacement, bespoke builds, test and migration factories, business operations, and managed services.
- Continuous tracking and reporting of top- and bottom-line value.
- Achieved benefits include (but are not limited to) technology future-proofing, additional value-added services, and lower optimization and productivity improvement costs.

Payment Gateway

Our integrated payment orchestration solution empowers banks and merchants to reimagine their payment acceptance capabilities. As payment channels evolve to meet the demands of today's seamless and modern consumer experience, we pave the way for robust payment acceptance by delivering innovative solutions tailored to the ever-changing landscape shaped by consumer behavior and industry security standards.

By enabling a truly omni-channel payment experience, we help banks and merchants minimize compliance risks and focus on expanding acceptance to instant payments and digital currencies. Together, we develop a strategic plan that delivers measurable benefits throughout your transformation journey, leveraging solution components designed to accelerate your time-to-market. Key elements of our approach include:

- Collaborative assessment and roadmap development: We work closely with you to analyze your current state and design a clear pathway to optimized payment acceptance.
- Accelerator solutions: Jump-start your payment acceptance journey with tools that support multi-acquirer integration, intelligent transaction routing, and a cloud-first architecture - while maintaining rigorous PCI compliance and security standards.

- Advanced data management: Securely manage tokenized and anonymized data in-house to leverage AI-driven models for enhanced fraud and risk mitigation.

Our comprehensive approach ensures that you stay ahead of industry trends while delivering a secure, efficient, and future-ready payment experience for your customers.

Merchant Services Platform

Capgemini's solution helps banks modernize merchant servicing from a 360-degree perspective, including integrating omni-channel payment acceptance with intelligent engagement tools. It enables real-time, secure transactions through a cloud-native solution, supporting instant payments, digital wallets, and smart routing.

The platform enhances merchant experience with fast onboarding, predictive fraud prevention, and contextual servicing tailored to both SMBs and large enterprises. It also supports sustainability goals by embedding ESG-aligned features into payment flows. On top it enhances customer experience driven by value-added services.

This approach reduces downtime, improves merchant and customer satisfaction, unlocks new revenue streams, and strengthens brand equity through trust, personalization, and innovation.

Ask the experts

**Gareth Wilson**

Global Banking Industry Lead
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With over 30 years of experience, Gareth is an expert with a proven track record of developing long-term client relationships and the successful management of large scale, complex, business critical client engagements.

**Ravi Vikram**

Vice President, Cards and Payments Lead
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Ravi Vikram drives global transformation initiatives for leading banks and financial institutions. With over 23 years of experience in banking and digital transformation, he specializes in cards, payments, and lending, bringing deep expertise in strategy consulting, large-scale delivery, and platform modernization. He has led multi-million-dollar practices and global programs across geographies, helping clients embrace digitization, SaaS, and next-generation payment solutions to unlock growth and resilience.

**Jeroen Hölscher**

Global Head of Payment Services
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Jeroen is an expert in transformation programs in the cards and payments domain. He has been with Capgemini for 24 years and helps clients improve their payment products and underlying technology.

**Florian Forst**

Global Head of Payments, Capgemini Invent
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Florian Forst is the Global Payments Lead at Capgemini Invent. With nearly 25 years of experience, he has a deep expertise in advising executives and decision-makers within the financial services sector. Florian holds a doctorate in law and has a rich background in strategic consulting, having supported major institutions across Europe in navigating growth, restructuring, and transformative change.

Ask the experts

**Christophe Vergne**

Cards and Payments Lead (Europe)

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Christophe played a critical role in building Capgemini's global payments transformation capability. He has co-authored the World Payments Report for the past decade.

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Venu leads advisory and client solutions in Payments, Cards, and Transaction Banking. He has more than 24 years of hands-on banking and banking IT advisory experience.

**Elias Ghanem**

Global Head of Capgemini Research Institute for Financial Services

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Elias Ghanem leads Capgemini's global portfolio of financial services thought leadership. He oversees a team of strategy consultants and sector analysts who deliver market insights to help clients build future-proof strategies. He has more than 25 years of financial services experience, focusing on win-win collaboration between incumbents and startups.

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