

IDC MarketScape

IDC MarketScape: Worldwide Integrated Payment Platforms 2019-2020 Vendor Assessment

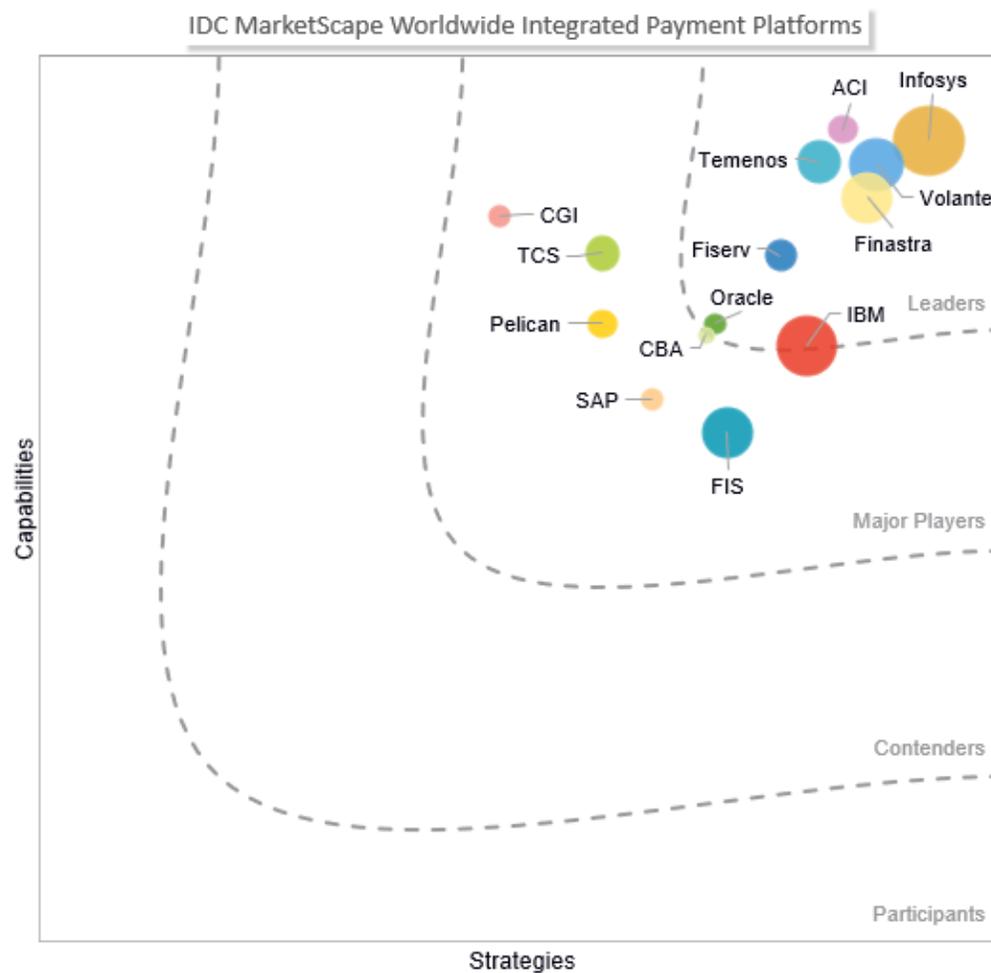
Aaron Press

THIS IDC MARKETSCOPE EXCERPT FEATURES TEMENOS

IDC MARKETSCOPE FIGURE

FIGURE 1

IDC MarketScape Worldwide Integrated Payment Platforms Vendor Assessment



Source: IDC Financial Insights, 2020

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Integrated Payment Platforms 2019-2020 Vendor Assessment (Doc # US46024520). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

This IDC Financial Insights study presents a 2019-2020 assessment of vendors that provide integrated payment processing platform technology to the financial services market. This study uses the IDC MarketScape model to quantitatively and qualitatively assess multiple characteristics in order to help explain a vendor's success and position in the marketplace. The evaluation is based on a standardized set of parameters from which IDC can produce a comparative analysis of integrated payment platform vendors.

As part of this evaluation process, the technology vendors provided an in-depth assessment of their current capabilities and strategies, and their reference clients were interviewed to assess the vendors' ability to meet a financial institution's (FI's) strategic needs and current requirements for payment processing, clearing, settlement, and more.

For the purposes of this study, IDC Financial Insights defines an integrated payments platform, sometimes referred to as a payment hub, as a solution that enables the processing of multiple payment types across financial institutions, including both consumer and corporate lines of business, within a single management context. In some cases, these implementations serve as the sole processing platform across most payments, while in others, they serve as both a processing platform for some payments and a management orchestration layer across legacy systems.

Key findings from this research include:

- **Adoption of real-time payments is a driver for investment but not the central problem to solve.** Legacy payment platforms are generally not equipped to handle the end-to-end processing of real-time payments, and the emergence of these faster payment schemes across geographies has driven investment in new payment infrastructure. While real-time payments adoption is a driver for investment in an integrated payments platform (and serves as reason to obtain budget), financial institutions are looking to solve a wider set of challenges other than simply ramping up new payment types.
- **Unified payments are not a "given" for all vendors.** Many users are investing in integrated platforms as a method to unify the processing of multiple payment types – a crucial move considering financial institutions have anywhere from 10 to 200 disparate processing platforms. Yet not all vendors have comprehensive ability to unify payments. Some vendors have built out services – even innovative services – around real-time payments with new platforms but then struggle to appropriately cover legacy payments – specifically batch ACH.
- **Real-time readiness is more than speed.** Nearly all vendors assessed report being ready to handle real-time payments processing, but many don't have comprehensive, off-the-shelf coverage of real-time payment schemes across geographic regions. This will prove to be a

challenge as many financial institutions need to move quickly to adopt payment types across geographic borders. In addition, some vendors are not reporting payment KPIs, which reflect the kind of scale or back-end complexity in volume, which real-time payments demand.

- **Automation is top of mind for vendors and their potential buyers.** Vendors are striving to better automate more elements of the overall payment flow from message intake, transformation, and enrichment to routing among schemes and then settlement/reconciliation on the back end. Likewise, many users interviewed for this research ranked automation and an uplift in straight-through processing (STP) rates as key drivers for investment.
- **The rise of a payments data strategy.** Historically, much of the data linked to payments has been underused (or not at all used) – in large part because processing systems were not set up to extract and operationalize this data. Many vendors have prioritized payment processing platforms that aim to transform all incoming payment messaging into a single form (generally ISO 20022) and placing that data in a shared repository, which is accessible for analytics that will be used in predictive performance management, exception and fraud detection, operations optimization, and initiatives to enable new payment products and data/insights services.
- **Payment productization is key.** New faster payment schemes are generally built with overlays that enable third-party payment services to run atop payment rails. These schemes also enable entirely new transaction types, including request for pay, which allows businesses and consumers to request payments and then receive actual value transfer within the same transaction. Financial institutions are in the very early stages of understanding how to productize these new capabilities – and their payment platforms should be "future proofed," meaning they must be accessible to enabling new models. Clearly, a data strategy lends itself to these efforts, as does connecting to real-time schemes. Payment platforms that are built in a modular fashion (preferably in an architecture that allows for microservices) will go a long way in enabling rapid launch and scalability of these services.
- **The open banking ecosystem should be enabled.** While many banks are focused on building out an open API ecosystem to support connected banking, the payment platform should be a key consideration here. Many vendors are building platforms that are built to enable third-party payment services with a complete workflow and clear integration.

IDC MARKETSCOPE VENDOR INCLUSION CRITERIA

This research includes 14 worldwide providers of integrated payment platforms. The vendors included in this research are all substantial competitors within the enterprise payments market. To be included in this document, vendors must sell their solution in two or more geographic regions (North America, EMEA, Latin America, and Asia/Pacific [APAC]) with at least three active implementations in their active markets. In addition, vendors must provide payment platforms that cover all or most payment types in their active markets, covering both commercial and retail banking settings. Many other vendors were considered for inclusion in this assessment but were omitted due to a mismatch with the criteria.

ADVICE FOR TECHNOLOGY BUYERS

The Phased Migration Road to Unified Payments

Many financial institutions have been burned by previous attempts to unify the processing of payment types. Previous strategies led them down the road of ripping and replacing existing systems in one

large project, which often failed because of a combination of unrealistic expectations, unforeseen costs, elongated timelines, and underdeveloped technology.

Newer generations of payment hubs – or integrated payment platforms – seek to address this by enabling a phased expansion across payment types. Vendors understand that many financial institutions will first invest to cover a single payment type (e.g., real-time payments or high-value transactions) and then expand to include others. Along the way, they will look for vendors that allow them to extend a management orchestration layer, which unifies processing of new payment types on the platform with payments on legacy platforms. This approach catches messages from multiple systems, transforms them for unified data extraction and management, and then transforms them to run on the appropriate scheme. This enables newer benefits of scalable features and data strategy to be applied even during a lengthy migration period.

Beyond a phased migration strategy, financial institutions should consider other differentiators as they evaluate payment hub vendors. These include:

- **Note that geographic presence matters.** In many cases, wide geographic presence makes a big difference; in the case of unified payments, it's crucial. Since payments change dramatically across markets, working with a vendor that has cut its teeth in processing these payment types can be a big benefit.
- **Assume change and the need for agility.** In 2019, the U.S. market proved that new real-time payment types can emerge more quickly than any analyst forecasts. The Federal Reserve announced it would launch the FedNow rails to compete with The Clearing House Real-Time Payments, which had been launched in 2016. Banks realized they need to prepare for both. From the outset, there should be an assumption that new payment types, channels, and device types will emerge across markets. Investing in a platform that is agile enough to enable the addition of new payments and channels without backbreaking customization is key.
- **Find the sweet spot between configurability and preset workflow.** Vendors are walking the balance between providing preset integrations and workflows for new payment types and channels without extensive customization while also providing an element of (preferably low code) configurability. Seek a vendor that is aware of this balance and addresses it in a straightforward way.

In addition, look for vendors that understand that configurability is a matter of addressing the "low-hanging fruit" (i.e., those payment types and schemes with the most volume or that represent substantial opportunity for the institution). Configurability that makes it easy to integrate payment types that create big, quick wins will benefit the entire process.

- **Make "any payment message in/any payment scheme out" the golden rule.** Seek platforms that ensure financial institutions can take in any payment message, transform it, normalize data in a shared repository, and retransform that message out for the appropriate scheme – without requiring manual intervention.
- **Enter the age of the intelligent payment.** Seek a platform that enables a payments data strategy. This begins with the any-payment message-in/any-payment scheme-out approach and is fleshed out with a data-driven analytics strategy, which can be applied to optimized processing, operations, and new insights or services.
- **Rethink "innovation" in payments.** If payments are changing quickly, so too must the innovation in processing platforms. Ensure your vendor provides a clear long-term strategy with features that differentiate it as a true innovator. While the integration of new payment types with preexisting workflows is important, that alone does not indicate innovation. Seek

factors such as embedded advanced analytics, configurable automation at each point in the payment processing flow, and open banking readiness. The future of payments will include IoT, AI, blockchain, and more. Look for vendors that are already speaking to those subjects.

- **Include fraud and compliance in the payment mix.** Real-time payments require advanced fraud systems. The saying goes, faster payments equals faster fraud. Seek a vendor that offers a clear fraud integration strategy whether that be through offering its own solutions, partnering with known vendors, or providing advisory services, which help prescribe the integration of fraud management into the new payments architecture.

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Temenos

According to IDC analysis and buyer perception, Temenos is positioned in the Leaders category in our 2019-2020 IDC MarketScape for worldwide integrated payment platforms.

Temenos provides software solutions and partnerships for banks and other financial institutions to assist them with their overall transformation strategies. Temenos has over 3,000 bank clients across the globe processing daily transactions and client interactions of more than 500 million banking customers. Temenos offers a cloud-native, cloud-agnostic universal payments solution that enables centralization of all payment processing for banks of any size and complexity. Its solution is ISO 20022 ready and fully configuration driven, providing payment processing from any channel, source, and message or file format in real time. Its unified payments data model enables access to all data in real time with analytics and full 360-degree view of the payments business.

Temenos is a publicly traded company based in Geneva, Switzerland, with 7,500 employees.

Strengths

- Temenos has a particularly large presence in banking and financial services software in the EMEA region and has a growing global footprint, including in North America, where it has expanded its local presence via the recent acquisition of Kony.
- The Temenos Payment platform was engineered from the ground up as a modern, open solution that is consistent across any deployment model: cloud, on premises, hybrid, SaaS, and so forth.
- The company is notable for its flexibility in how banks can use Temenos Payments in their digital transformation strategy.
- Recently, the company has a strategy of focusing on payments including increasing the size of the team dedicated to payments.

Challenges

- It is not as well-known as a payment platform provider outside of EMEA. It is mostly considered for core banking solutions but that perception is changing as evident by recent payment projects in APAC and North America.

- Banks outside of Temenos' existing client base may not recognize Temenos Payments as a standalone solution.
- There are some minor issues with customization, especially length of time required to integrate new schemes.

Consider Temenos When

Temenos Payments offers a solid solution for banks of any size but may be especially attractive to European banks given Temenos' presence in that region. The payment platform operates as a standalone solution, but Temenos' large global base of core banking clients may be particularly suited to adding Temenos Payments for handling their payment processing.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

For the purposes of this study, IDC Financial Insights defines an integrated payments platform, sometimes referred to as a payment hub, as a solution that enables the processing of multiple payment types across financial institutions and retail and corporate lines of business within a single management context. In some cases, these implementations serve as the sole processing platform

across most payments, while in others they serve as both a processing platform for some payments and a management orchestration layer across legacy systems.

LEARN MORE

Related Research

- *Critical External Drivers Shaping Global IT and Business Planning, 2020* (IDC #US45540519, October 2019)
- *Securing Multi-Rail Real-Time Payments: Future of the Fraud Stack* (IDC #US45472619, September 2019)
- *FedNow Real-Time Payments: Banks Need More Meat to Build for a Multi-Rail World* (IDC #US45449619, August 2019)
- *IDC Financial Insights: Connected Banking Digital Transformation Road Map* (IDC #US45461219, August 2019)
- *IDC's Worldwide Digital Transformation Use Case Taxonomy, 2019: Banking* (IDC #US44300119, July 2019)
- *IDC Market Glance: Digital Identity Management in Consumer Financial Services, 2Q19* (IDC #US45324019, June 2019)
- *Securing Faster Payments: Monitoring the Transaction, Entity, and Network* (IDC #US45212019, June 2019)
- *Solving the \$4+ Billion Problem of Synthetic Identity Fraud* (IDC #US45264619, June 2019)
- *IDC PlanScope: Digital Transformation for Unified Payments Infrastructure* (IDC #US44974518, April 2019)
- *IDC FutureScope: Worldwide Payments 2019 Predictions* (IDC #US43348718, October 2018)
- *IDC FutureScope: Worldwide Financial Services 2019 Predictions* (IDC #US43052618, October 2018)

Synopsis

This IDC study is an assessment of worldwide vendors that provide an integrated payments platform solution. For the purposes of this study, IDC Financial Insights defines an integrated payments platform, sometimes referred to as a payment hub, as a solution that enables the processing of multiple payment types across FI retail and corporate lines of business within a single management context. In some cases, these implementations serve as the sole processing platform across most payments, while, in others, they serve as both a processing platform for some payments and a management orchestration layer across legacy systems.

According to Aaron Press, research director at IDC Financial Insights, "The ultimate goal for processing payments should be that any and all payment messages are received and can be processed using any and all payment schemes available. Since payments are changing so rapidly, so must vendors' thinking about their innovation in processing platforms. Financial institutions should be looking for an integrated payment platform from a vendor that provides a clear long-term strategy and supports features that differentiate it as a true innovator."

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

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