

20 Questions

Industry Thought Leader Interview



20 Questions with Shane Happach

Head of Global eCommerce at Worldpay-FIS

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Summary: Finding a partner to deliver a frictionless customer experience in every country around the world at an attractive price is the holy grail of payments and commerce today. Ever changing technologies and unpredictable regulatory requirements are amongst the challenges facing companies in search of single payment provider globally. To give us insight into the dynamics of payments, commerce, technology, and business, we invited Shane Happach, Head of Global eCommerce at Worldpay-FIS to join us for 20 Questions – an MGI Research Interview Series with leading technology industry executives, innovators, and investors.

Key Issues

- Who are the winners and losers in digital payments and commerce?
- How will suppliers meet the emerging requirements for digital payments and commerce?
- What commerce and payments skills and resources are necessary for success?
- How will digital payments capabilities be adopted by B2B organizations?

Andrew Dailey: *Welcome to MGI Research's 20 Questions. Today's guest is Shane Happach, Head of Global eCommerce at FIS. Welcome Shane - Give us a sense of the scope and size of FIS?*

Shane Happach: Worldpay was acquired by FIS [NYSE – FIS] in July 2019, and we're roughly 55,000 associates working in more than 100 countries. Our market capitalization is over \$82 billion, and we generate over \$12 billion in revenue.

Andrew Dailey: *How important is it for companies to have one contract, one relationship to handle their payments needs?*

Shane Happach: Simplicity is an element of what most organizations are driving towards in terms of how they manage their payment strategy. For most of the customers I encounter, having a single entity service literally every aspect of their payments activities is in some cases unrealistic, and/or a long-term goal that takes years for people's capabilities to catch up to their presence. In general, I would say the more a customer is able to combine payments capabilities under one roof, the more it improves the economics for the customer and allows them to simplify the way in which they interact with different organizations. I don't know anybody that says "I love having forty payment providers".

Andrew Dailey: *What is driving all the innovation in digital payments and commerce that has come out of Europe?*

Shane Happach: Europe is interesting because it's a very bank-focused culture, so the rise of alternative payments was largely led from Europe. I will also say the European Union, for passporting and capability purposes, allows a company like us to serve all of Europe on a single licensing arrangement. However, you still have all these individual country preferences, which can actually be quite heterogeneous. Payments companies and customers alike

Shane Happach Profile

- Current: Head of Global eCommerce, FIS
- 2016: Appointed Managing Director, eCommerce division of Worldpay Group, plc.
- 2010: Joins Worldpay Group
- Bachelor of Science, Miami University
- MBA, International University of Geneva

have had to be really creative building out solutions that cater to such dynamic market requirements.

Europe is also a very heavily regulated environment. Downward pressure on card payments fees has allowed lots of alternatives to rise up, and allows our customers lots of different choices. All of these cross-currents drive innovation.

Andrew Dailey: *What has been the impact of regulations like GDPR and PSD2 on your customers?*

Shane Happach: A mixed bag. In some cases, it's welcome to have clarity where there wasn't previously, notably in terms of how people should be operating, or standardizing and leveling the playing field. In some cases, people find that clarity is helpful. In most cases, I would say it's increased the complexity. It's increased the reliance of customers on payment providers to help demystify some of it because we're a lot closer to the regulation. In some cases, in particular with regards to the customer experience, it's going to introduce friction back into the system that had been engineered out. That's really where most people find the predominant complexity arising.

Andrew Dailey: *How long will prices and fees continue to be commoditized? Should customers avoid signing long term contracts given current trends?*

Shane Happach: It's very hard for me to give you an objective answer. Enterprise customers will always pay for value because quality is very important in a mission critical service. In our minds, it's not a commodity in any shape or form, and most of our customers would agree.

In many cases, our customers aim to create a mutually beneficial contract that ensures top performance over the lifetime of the contract. Better performance yields a bigger opportunity for us. This is another way of committing for the long term and also ensuring the payment provider has an incentive to deliver real value. The customer and the payment provider are actually linked to how they do on the job day to day, which I think is the best way to think about it.

Andrew Dailey: *What is the typical business case for investing in an FIS merchant solution?*

Shane Happach: It's unique to the individual customer's objectives. We find customers in varying degrees and stages of sophistication on their journey to becoming a global business with multiple lines of business. The customer's problem statement varies. It might be "I need to rationalize my infrastructure" or "I'm upgrading my infrastructure to take advantage of new

development” or even it might be “I need to grow fast and expand into as many markets as possible. In all cases, a nimble consultative approach is necessary.

Most commonly it is a revenue enhancement play, but there's always an opportunity for certain customers to have a business case built on simplification, cost reduction, streamlining processes, sunseting legacy technology, harmonizing acquired company agreements or a combination of those.

Andrew Dailey: *Who is the primary buyer of FIS merchant solutions, and who is the primary beneficiary of the system?*

Shane Happach: I wish there were such a thing as a primary buyer - that would make the jobs on both sides easier. Over the years, it's evolved for most businesses where today you see a point person for payments or even a function called Head of Payments, Head of Consumer Payments or Head of e-commerce. In general, it's somewhere between the CIO and the CFO because it's a big expenditure and a key investment, and it always touches the sensitive parts of the customer's technology.

In terms of the beneficiaries, it's a lot wider net than that. It's the marketing team who sees the growth story and the ability to expand. It is the CEO who's trying to run a business where payments is a very large proportion of their variable cost and expenditure, and a big proportion of their strategy. The CEO is thinking of how payments can help acquire, delight, and support customers. Ultimately it is the COO and the head of customer experience who strive for a simpler life without having to deal with headaches or problems or things that ultimately might be brand-impacting on their end customers.

Andrew Dailey: *What advice would you give to a CEO who is considering using FIS?*

Shane Happach: Successful companies build a very strong partnership with their payment providers rather than viewing it as a vendor relationship. I would tell any CEO to check references carefully and ask their current or potential payments provider to line up marquee companies that would attest to being deployed correctly and who view payments as a strategic weapon in their own differentiation versus their competitors.

Andrew Dailey: *How important are partnerships to your value proposition?*

Shane Happach: We've invested a ton of time, energy, and money in the ecosystem. It's very unusual that payment providers exist in isolation, simply linked to a customer website. There's almost always an ecosystem or a network of technologies that need to

cooperate together on the customer side. In our case, for example it might be our B2B solutions inside SAP, our retail ecosystem partner in the airline space, ticketing providers, or ticketing companies. And we believe there is always somebody that we could collaborate more closely with. We have a world-class ecosystem, but we think this work is never done.

The buying decision is increasingly complicated on the customer side. There are so many technologies available to handle even the most specialist aspect of e-commerce, inventory management and more. It's very unusual these days for us to talk to a potential customer where there isn't some element of partner relationship required.

Andrew Dailey: *For a company considering partnering with FIS, what is necessary to make it a successful relationship?*

Shane Happach: It starts with everybody spending the correct amount of time understanding each other's objectives and what they want to achieve, and really asking all the right questions before diving into the problem statement or working on pricing or solution or architecture or design. What we find is that the more time that we spend with companies before we try to get to a decision, the better off everyone is because it's very unusual that what is ultimately deployed by one of our customers is what they originally set out to do, in part to it being lots of different interactions. It requires a really broad subject matter expertise across both organizations, and you have to bring a lot of people together to make sure that the decision is a considered one. We see that reflecting in people spending a lot longer considering their alternatives before moving ahead which is okay with us because what we really want is for it to be right the first time.

Andrew Dailey: *What type of traction do you see in terms of B2B commerce, is it real or hype?*

Shane Happach: It's been a slow burn. Compared to the speed with which B2C exploded and continues to grow, B2B is going to be a longer burn. Nobody disputes the aggregate size of the market, and nobody disputes the efficiency problem statement with open invoice or order to cash or check payments or whatever it is. The solution or the solutions that have been designed still have some way to go to address making the right economic overlap exist between a robust process while also being cost-effective.

For the most part these are big transaction sizes. You can't have somebody spending 3% to 4% of \$100,000 transaction to process a card payment. There is still some way to go to design the right level of an ecosystem, but it's creating lots and lots of interest and I would say a lot of innovation. Maybe even a disproportionate

amount of new payments innovation is really going after the B2B opportunity simply because of its aggregate size.

Andrew Dailey: *Who does FIS compete against? Who is the payments competitor you respect the most?*

Shane Happach: We're a global business, so we always see a large number of payment providers depending on the vertical or geography we're competing in. There are lots of really good, reputable companies doing payments which is helping us all to get better because we're all chasing the same high-end brand, and we're all chasing the same emerging market growth. The competition, by the way, is good for the merchants.

I admire lots of companies in the space, but I have chosen to work with the same one for the last nine years because I like the way that we approach the market.

Andrew Dailey: *What company do you view as the most innovative in the digital payments space?*

Shane Happach: That's a great question. I see lots of interesting innovation, more in the consumer-facing side since it's more visible. It's hard for me to answer this objectively, since we have so many innovative partners and customers across the spectrum. I can say that the amount and pace of innovation is unlike anything we've seen before. Everything around contactless, tap-and-go, and mobile payment types – it's all very exciting. And there is a lot going on with biometric authentication and ID – all of it is focused on providing a frictionless consumer experience. When my American friends come visit me in the UK, they are astounded by the contactless payments culture here. It feels old to Europeans, but technologies like that are still growing in triple digits elsewhere in the world.

Andrew Dailey: *How does FIS differentiate relative to the competition? If you had to pick one single point of differentiation, what is it?*

Shane Happach: Our people. We work really hard on developing our people, encouraging them to specialize in vertical markets, and to take the needs of enterprise customers into account. We're a very thoughtful, considerate organization, and we work really hard to provide continuity for our employees and customers. We have a very low client to individual account manager ratio, which we're very proud of.

A single point of differentiation? It's the human attention. Lots of us are running the same technology and ultimately using the same networks and rails to offer payment services, but having that right consultative approach and partnership approach is very difficult to build. We're very proud of what we have done.

Andrew Dailey: *There has been a lot of hype around the relatively new players in this space, companies like Adyen with its recent IPO and the sizeable valuation of Stripe. What should customers know about the FIS business strategy and recent activities that have gone under-reported in your view?*

Shane Happach: This is my favorite question you've asked today, and I wish I got asked this by everybody that I encountered. I really like it. FIS has been around for a very long time and some people have a memory of Worldpay when it was owned by a bank or in a previous iteration. We have invested massively in technology over the past several years.

Last year we launched a new front-end payment gateway and set of APIs Access Worldpay which is every bit as modern - if not more modern - than competing solutions. Stripe and Adyen are called startups, but each of those companies has been around for a decade. We've built something on two-year-old technology. We're constantly innovating around our technology stack. That's gone less noticed than I would like in terms of how forward-thinking we are, and how we've refreshed a lot of our back office, and our back-end and front-end technologies to take advantage of the latest technology in the market.

Andrew Dailey: *Is industry consolidation a threat or opportunity for FIS?*

Shane Happach: You would not look at the payments landscape and say there needs to be 500 or 600 companies servicing the world's largest enterprise customers. Consolidation is definitely a good thing in the sense that many customers would love for a true one-stop shop that could go end-to-end, back-to-front and cover all the use cases of B2B, B2C, and really truly be domestic and local in fifty-plus countries. Even a company as large as FIS is still some way away from being able to achieve that. Given the power of national champions, the only way that vision of a single, global, end-to-end payments provider can be realised is through consolidation. For me, it's always a good thing – for our customers and for FIS.

Andrew Dailey: *What is your long-term vision for digital payments and commerce?*

Shane Happach: What makes life so interesting in the payment space is we're all chasing the same problem, which sounds so annoyingly simple. You just need to find a payment type that is instantaneous, has no chargebacks, is ubiquitous, and is free. That's what everybody wants. The problem is you can always find a payment instrument that is three of those four things, and you can never find one that is all four.

Until somebody solves for all four, we're all going to continue to iterate, innovate, and compete. That is ultimately where I think the payment space will land, with something that covers all those boxes where yes, you have value-added services and various other layers around that, but in terms of the underlying network cost or the bank or the card cost, that ultimately has some way to go before being free. For ubiquitous, that's also very difficult as you try to cover the entire globe.

That's what makes it interesting, but that's the long-term vision. How long is the long term? It would be a great follow up question because it's been 30 or 40 years, and we are closer to delivering this vision, but you could easily see another 20 or 30 years before you get there which is part of the fun.

Andrew Dailey: *Share a prediction with us? What do you think is going to be the biggest surprise related to payments and commerce in the next five years?*

Shane Happach: I'll give you two. Prediction number one is one of the big five tech giants [i.e., Amazon, Apple, Facebook, Google, Netflix] is going to go from payments dabbling to really all in. None of them has done that so far. It is still very adjacent, but I wouldn't be surprised if one of them goes all in, makes huge bet or big acquisition, or decides to compete aggressively in the payments space.

Prediction number two is that I wouldn't be surprised to see a watershed regulatory decision in the next five years that fundamentally changes the landscape. For example, it could be that regulatory scrutiny on payment network operators reaches new heights if/when one or two powerful countries acknowledge the impact the network operators have on competition, interoperability, and the lack of opportunity for new entrants.
