

We interviewed Thomas Tittelbach, Founder and Managing Partner at aye4fin, about the current state of payment orchestration and the future opportunities emerging from it.



After successfully completing his studies in industrial engineering in Karlsruhe (DE) and Nottingham (UK), **Thomas Tittelbach** started his career at a global provider of MOR ecommerce technology, where he was responsible for setting up and operating a global payments infrastructure. He then moved to the regulated e-wallet provider ClickandBuy (DE, UK). Since 2016, Thomas and his team have been advising companies on payment strategy, implementation, and transformation – and various projects have been successfully implemented at Klarna, Österreichische Post, HRS Group, Miles & More, and GK Software, among others.

Thomas Tittelbach ▪ Managing Partner ▪ aye4fin

## What is your opinion on the current state of payment orchestration?

During the last ten years, we noticed a wave of new players emerging on the market, supported by strong investment fundings, such as Primer, **Gr4vy**, or **Paydock**, offering platforms with a strong focus on connectivity and card payments. Currently, around 50 companies worldwide offer payment orchestration solutions compared to thousands of payment service and payment methods providers. Successful payment orchestration providers such as **Computop** were acquired by large payment companies, while smaller players will steadily grow in niche industries.

## Which merchants should opt for a payment orchestration solution over a direct PSP connection?

Merchants who fit one of the following profiles should opt for a payment orchestration platform (POP) instead of a direct PSP connection:

- Need to connect to more than five PSPs or payment methods to address its target markets;
- No deployed tech team or a small one to implement and maintain payment solutions;
- Need to avoid dependency from single PSPs and look for a dynamic payment routing solution;
- Need to address geographic markets such as APAC, MENA, and LATAM which are not covered by leading PSPs;
- Requirement to negotiate acquiring contracts themselves compared to relying on collecting PSPs.

## Are there still industry verticals which have not yet utilised payment orchestration platforms?

Currently, payment orchestration is mostly adopted by merchants processing online or mobile payments. If you turn to classic retailers with POS focus, payments orchestration does not play a role yet, **even if it is estimated to play a role in approximately 77% of total retail sales by 2025**. This is mainly due to the tight connection between payment terminals and POS terminals, which is still counting for most of the POS implementations. With the growing trend of payments integrated into commercial off-the-shelf devices (COTS), there is a strong opportunity for POPs to play a relevant role in retail in the future.

“ Successful payment orchestration providers need to add services such as BaaS or AI to gain more relevance in the payment process and keep growing. Technical gateways will only survive in niche industries.

Marketplaces represent another opportunity, as they rely on single-payment-provider strategies due to regulatory challenges. If new providers manage to centralise the KYC process and route to the provider with the best suitable KYC process, it could greatly benefit the platforms. →

## What are the forecasted major trends in this space over the next three to five years?

As digital payments will continue to show a strong **growth rate of 20.8% over the next years**, there will also be more opportunities driven by the following topics:

- **Regulatory changes:** with the recent **instant payment decision of the European Union**, as well as the upcoming PSD3, a new wave of providers and solutions is expected.
- **Central bank digital currencies (CBDCs):** the growing number of CBDCs will have a direct impact on the future of payments. With 41 projects already started and 54 projects piloting or in development, the growing adaption will start having economic impact.
- **Smart checkout:** while connectivity was the major trend during the last years, the optimisation of authorisation rates due to customer specific workflows and payment method presentations will be a growing trend for large merchants.

## Do established payment companies cooperate with POPs or avoid them?

Most payment providers offer payment orchestration and/or cooperate with other POPs to enable clients to allow a timely availability of required payment methods or payment connections, which is a challenge, especially in remote regions. At the same time, they activate new payment methods without additional technical implementation – and reach new clients.

However, legacy payment providers do not necessarily fancy the concept of being one of the many different providers, as this could lead to loss of revenue in case of low performance. While the motivation for such providers is fear of losing clients due to lack of quality, we strongly believe that only continuous competition with other PSPs will create enhanced service quality.

## Will POPs become one of the leading payment trends of the next years?

With the growing number of payment providers and payment methods, there is a strong demand for payment-related middle layers to provide

access to different products, and this will be done by payment orchestration platforms. Nevertheless, **only 25% of EU's GDP** accounts for international trade in goods and services, meaning that most of the trading business is done inside the European Union, which provides little requirement for connecting payment methods globally.



## What is your advice to merchants who would like to implement a POP?

We start by listening to the merchant and understanding its needs and requirements instead of discussing market overviews. Once the decision for a payment orchestration platform is met, we ask the following questions to identify the top criteria:

- Does the platform support all required sales channels, such as ecommerce, mobile, and POS?
- Is technical documentation available in my preferred language, and does it reflect the current platform?
- Is there a test system available where I can quickly validate implementation?
- Are there experienced account and implementation managers with whom to communicate quickly?
- Are there references of clients with similar profiles (size, complexity, organisational fit)?

If these five questions are answered in detail, 99% of all implementations are likely to proceed smoothly.

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