

20 Questions

Industry Thought Leader Interview



Realizing the Vision of Becoming a Global Payment Facilitator

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Summary: With the announcement of its partnership with Bank of America Merchant Services and First Data, BlueSnap is emerging as an attractive payment facilitator for mid-size merchants. BlueSnap CEO Ralph Dangelmaier shared his vision for the payments space and his company as part of 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?
- Who is responsible for digital payments?
- Is your digital payments strategy aligned with your business plan?
- Where are the opportunities to remove friction in digital payments and commerce?
- What are the hidden risks and opportunities in cross-border global commerce and digital payments?

Andrew Dailey: *Welcome to MGI Research's 20 Questions – interviews with leading technology executives, innovators, and investors. Today's guest is Ralph Dangelmaier, CEO of Ralph Dangelmaier. Welcome Ralph - Can you give us a sense of the scope and size of BlueSnap?*

Ralph Dangelmaier: BlueSnap is a global payment facilitator (PayFac) connected to 30 acquiring banks around the world. Merchants connect to us through global auto-onboarding with one integration, one contract, one underwriting, one account, and one payout. We have thousands of merchants processing billions of dollars on the All-in-One Payment Platform. The key area of opportunity is in the middle market where companies are trying to extensively grow their business either globally or by trying to handle B2B and B2C with the same provider.

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

Ralph Dangelmaier: It's increasingly important. Many of these companies spend lots of time maintaining their connections for 5 or 10 payment solutions. They find it very difficult to innovate with new payment methods. Even with something simple like Apple Pay, they must run across 10 different local payment providers. We've had merchants say to us, "It used to take me days and a few people to reconcile all the payments, and now it's just a matter of minutes." Many businesses are not set up to build payment functionality; they are set up to sell education or SaaS or sweatshirts.

Andrew Dailey: *What would you say is the difference between BlueSnap and Adyen?*

Ralph Dangelmaier: From a technical point of view, we don't think there's a lot of difference. From an acquiring point of view, there are a couple of differences. Adyen has spent time and effort to build their pro-

proprietary acquiring settlements system. This gives them fewer banks to work with. BlueSnap uses the settlement systems of other big processors like Barclays, First Data, Vantiv, and others so that we can offer onboard our customers to more banks.

The second thing that we've done a little bit differently than Adyen is we've made a conscious effort not to build functionality where there's more expertise in the market. Take fraud or chargebacks, for example. We decided to partner with a company such as Kount or Chargebacks911; those two companies together have 500 people working on fraud and chargebacks. We think Adyen can't dedicate the same amount of firepower to maintain those products at the standards of the market the way a specialized company can.

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

Ralph Dangelmaier: They are essential. If we integrate partners correctly and we build in the right products, then merchants can through global auto-onboarding select from the platform the services they need to go to market. For example, the one-click checkout, the wallets, the ability to do local currencies and languages, the ability to have the right fraud and the right chargeback data, the ability to write reports, the ability to have shipping and taxes built in. Without these features built-in, businesses must go out and subcontract and manage all those separate elements on their own. We want our customer to focus on the services and products they provide and let us take care of payments.

Andrew Dailey: At Money 20/20 in Las Vegas this year, BlueSnap announced a major partnership with Bank of America Merchant Services and First Data. BlueSnap was already working with First Data. What will customers gain that is new from these partnerships?

Ralph Dangelmaier: The relationship with First Data opens up the opportunity for any of their network of global banks and ISO to partner with BlueSnap and offer their customers the All-in-One Payment Platform. Bank of America Merchant Services is the first First Data partner to integrate with BlueSnap. They are now referring customers who are looking to grow and reduce costs to BlueSnap. For BlueSnap customers, the partnership with Bank of America further strengthens our global bank network which results in even better payment conversions.

Andrew Dailey: BlueSnap originally started as a merchant-of-record player and you pivoted. What motivated the shift from the Merchant of Record (“MOR”) model to the PayFac model?

Ralph Dangelmaier: I realized that the merchant-of-record model was not going to be the model of the future. I understood that shoppers wanted to buy from the site they were on and didn't want go to a third-party site to buy. It was confusing for shoppers. Second, for the merchant-of-

Ralph Dangelmaier Profile

A 25-year veteran of the payment industry and the current CEO of BlueSnap, Ralph Dangelmaier has spent his career creating products for retailers, processors and financial institutions while growing both public and private companies. Stemming from his years of industry experience, Ralph brings a wealth of knowledge related to leading strategy, marketing, sales, product development and other initiatives to both the Fintech industry and BlueSnap's global customer base. He is an industry thought leader with frequent speaking engagements, published articles, and numerous TV and conference appearances.

Ralph was named one of the Top 50 SaaS CEOs by The SaaS Report and a finalist in Ernst & Young's Entrepreneur of the Year program. Under his leadership, BlueSnap was named to Inc. 5000's annual list of America's Fastest-Growing Private Companies.

Prior to BlueSnap, Ralph served as the President of ACI Worldwide and the CEO of P&H Solutions.

record model, you must technically resell the product; so, you must take flash possession of the goods, which really only worked in the digital model. It didn't work in services and doesn't really work in physical goods. The MOR model has real limits for everyone involved.

In 2014, we saw the success of companies like Braintree, Stripe, and Adyen and thought, "This is a pretty easy decision for us. The market is moving this way, so we're going to move in that direction." And, you're right, we were one of the very first to become a global PayFac and maybe one of the only ones that pivoted from doing the merchant-of-record model to the PayFac model. Now our business is primarily global PayFac. It was a big change, and it required a lot of hard work, particularly to forge partnerships with top financial institutions and payment partners. But it has been extremely successful for us. We're really glad we did it.

Andrew Dailey: *Which competitor do you respect the most?*

Ralph Dangelmaier: I respect what Adyen has done, a lot. Obviously their model has proven to be successful. Their IPO says it all.

I also admire Stripe because what they focused on frictionless experiences. How do you make on-boarding, compliance, and processing easy? They're pushing the market there, which is great. Both those companies are adding a lot of value to the ecosystem. We learn from both, and we try to make our solution as easy to use as possible.

We also believe that in the long-term, global e-commerce is the way to go. The Adyen model, which has been very successful and is very similar to the model Amazon has built internally. If we can bring those services to the middle market, it will continue to be successful.

Andrew Dailey: *There is a lot of hype around the use of microservices. Does BlueSnap have a point of view here?*

Ralph Dangelmaier: That's our whole world. And everything for us is an API, whether we connect into an ISV or whether merchants are connecting to us. We give data back to merchants on every single field on APIs. They can build all their reports. Every time we build something, we build an API to get it. And we've been told by merchants that our API reporting is the best because they have access to the same data that we have. That's a clear winner all the way.

Andrew Dailey: *What kind of traction are you seeing with Apple Pay? I think currently it's predominantly point of sale, contactless transactions at the point of sale, and not as popular for e-commerce.*

Ralph Dangelmaier: If you look at the numbers, you're probably right. Going forward, all merchants in the US should offer Apple Pay and Google Pay. It is the key to offer one-click checkout on mobile, and mobile is where e-commerce is going.

We also have a lot of push for the new W3 standards, which makes a browser a wallet – which is powerful. That's the only way that you can compete with Apple Pay or Google Pay. Everyone wants to know who is going to win the wallet war. Two years ago, it was too close to call. I always felt like it was going to be the devices with Google or Apple. The card brands have some strengths, but there is a lot confusion. It has been hard for merchants to understand the difference between Visa Checkout and accepting Visa cards. Merchants and consumers do not know that Visa Checkout is an e-wallet, and it can store Visa as well as Mastercard or American Express cards.

Andrew Dailey: What's driving interest in the browser as a wallet?

Ralph Dangelmaier: We were involved with the W3 committee when the standards came out for the browser to be a wallet, and I think that that's got to win. *I think that's the way Microsoft – who really missed the whole mobile phone and probably the payments game – can sneak back in and win. I think it's a tough spot for American Express, Mastercard, and Visa, who are partners of ours. We support them and use them, but customers just don't ask for them like they do for Google, Alipay, and Apple.*

Andrew Dailey: Who is driving the most innovation? Is it the banks, the scheme operators (e.g., Visa and Mastercard), the big tech players like Salesforce?

Ralph Dangelmaier: With all due respect to the banks, most of the banks don't even have an e-commerce product you can use globally. So, I'm going to put them on the back of this. I think the card brands are really trying to become relevant, and they're trying to provide fraud security, tokenization, card updaters, history mapping, conversion tools, and wallet. I think Mastercard has more blockchain patents than anybody out there, and those guys are really trying to become innovative in this space. I believe it's going to be the tech companies that are driving breakthrough innovation.

If you look at the companies that have really changed the way we've done things – Square, Venmo, or Adyen – they are all tech companies. BlueSnap is one of those companies that is innovating on the front end of the merchants. The Bank of America Merchant Services partnership is the first of its kind in the modern area.

The great news is, because of that the competitive pressure, the card brands and some of the legacy players are trying to adapt and innovate as well. They have innovation labs and teams working on new technologies. The collaboration between innovative small nimble companies and big companies is probably the best it has ever been. BlueSnap is not a huge company, but we're continuously partnering with all those big brands. 15 years ago, if tech innovators had great ideas they could not get a meeting with key decision makers at these major institutions. This has changed.

Global collaboration and innovation is at one of the strongest points in 25 years.

Andrew Dailey: *Is some of the innovation a result of the consolidation that is taking place?*

Ralph Dangelmaier: It accounts for some of it, but I really think it's driven by human behavior. Across socio-economic groups, people are starved for time. *In the world today everybody has a lot of things and they might have a lot of money, generally speaking, in the private organizations, but they don't have a lot of time. Developing anything to save time is becoming a driver for innovation in the phone. Think about the Fintech world and all the tech creating order: putting your wallet on your phone, tap-n-go, and stopping fraud. All this information is really driven around an issue of human behavior. Everything is almost blending together. The weekends are just times when I don't have meetings and do emails.*

Andrew Dailey: *Do you think the impact of regulation and things like PSD2 and GDPR drive innovation, or are they a threat?*

Ralph Dangelmaier: They can be both. In terms of GDPR, In the United States, we don't take privacy seriously enough. Facebook and the Cambridge Analytica scandal exemplifies that. While American companies such as Apple Amazon, and Google are leading the technological advances, the Europeans are ahead in terms of security and privacy. They were early adapters of the chip and PIN, they were early on fraud, and early with GDPR.

The challenge with regulations in the US is how they get enforced. The myriad of state and federal laws makes it very challenging for businesses. Additionally, Visa and Mastercard regulations sometimes conflict, making it difficult to decide which one to follow. *And then the question is, how are they going to get policed? Companies need to take a business approach to compliance regulation, more so than probably ever before.*

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

Ralph Dangelmaier: With more companies coming into payments and Fintech, there is a lack of human capital. We will see a trend in higher education to develop FinTech programs. If you just think of the phrase, financial technology, it's about people that understand finance and understand technology. Today that cross-pollination doesn't exist in universities globally.

Recently, I was talking with one of the biggest payment companies in the world. And they were saying, "Wow, how did you find all this talent in payments?" They're lacking that talent even though they're one of the biggest companies in the world. It's hard work, but finding and growing talent is possible. This talent issue is going to surprise a lot of people.