A New Era of Profitability in Payment Acceptance
A Retailer's Guide to ISO 20022

Introduction:
A Fast-Changing Payments Landscape

The job of accepting payments has always had its complexities. And while other aspects of commerce may be heading towards greater simplicity for all concerned, payments seem to be going the opposite direction. In just a few short years, customer expectations have evolved dramatically. The growing diversity of payment options means that consumers are becoming increasingly empowered and influential in how, where and when payment transactions are made.

This heightened demand for more payment options has made the payment experience a battleground for differentiation among retailers. In many regions around the world conventional card swiping persists, and must coexist alongside contactless payments, mobile wallets, SoftPOS and emerging instant payment systems. All of which are designed to quench the consumer thirst for convenience, flexibility, and choice at the point of sale, be that in-store or online.

At the same time, retailers everywhere are taking advantage of today's hyper-connected global economy to expand their addressable markets and reach customers in places unimaginable just a few years ago.

Together, these dynamics bring a range of challenges. How can retailers keep up with the pace of change? How can they prevent the cost of their payments technology stacks from spiralling? How can they ensure security? At the same time, how can their businesses create value from these new acceptance methods? How can they streamline their operations? What can they learn from newly available data streams? How can they deliver a consistent payment experience across different geographies?

The global financial messaging standard, ISO 20022, is fast becoming a universal language of payments. With global adoption gathering serious momentum, the standard promises to address many of the complexities retailers face in modernising their acceptance systems, enabling them to thrive in this new and rapidly changing world.

Starting from a retailer's perspective, this paper explores the benefits of ISO 20022 payment acceptance standards adoption across their infrastructures and shines a light on the specifications and protocols already available to help them apply the standard uniformly across their businesses, borders and jurisdictions.

Understanding ISO 20022: A Retailer's Perspective

ISO 20022 is a global messaging exchange standard for financial transactions. It provides a single, consistent methodology for developing transaction-based 'messages' across all financial domains, including payments, securities, and cards.

For retailers, ISO 20022 presents a unique opportunity to modernise and harmonise their payment acceptance systems at scale and, as a result, reap a wide variety of benefits that can directly impact the bottom line, increase operational efficiency, and enhance the payment experience they offer to customers.

The global financial industry's migration to ISO 20022 is well underway. The retail industry is now set to follow. Innovative, first-mover retailers like REMA 1000, Carrefour and TotalEnergies are already enjoying the benefits from this global standard.

The technical link: nexo standards

To simplify how payment acceptance is implemented everywhere, nexo standards, an official Submitting Organisation for ISO 20022, develops and maintains common payment acceptance protocols and specifications that conform to the new standard.

Specifically, nexo standardises the communication between a merchant's POS system and the banks' acquiring systems.

The nexo specifications and messaging protocols are universally applicable and fully open. nexo is a not-for-profit, open association. Its membership represents the full spectrum of payment stakeholders including merchants and other payment acceptors, processors, card schemes, payment service providers and vendors.

nexo standards allow merchants to envision a single global card processing solution that operates seamlessly regardless of processor or platform.

Using nexo standards, merchants can benefit from:

• Card processing cost reductions through lower operational and maintenance expenditure achieved by using a consolidated, standardised payments system. This removes vendor lock-in and enables a 'plug and play' approach.

• Enhanced interoperability across borders with seamless global payments system integration. This is crucial for merchants with a diverse international customer base.

• Agility to adapt to market innovations including new payments technologies and methods, such as contactless payments, mobile wallets, and digital currencies.

• Enhanced security and compliance with international payments regulations, safeguarding customer data.

The Power of Richer Payments Data

Better data: better business

ISO 20022 exposes retailers to richer, more structured, and more granular data within their payment messages, by connecting their sales, electronic cash register (ECR), loyalty, and point of sale (POS) systems. This means they can capture and analyse more detailed information about each transaction, and each customer.

By increasing the amount of information captured in each transaction (including, for example, data on the customer and what they bought, as well as the amount and time of the transaction), retailers can enhance the customer profiling that underpins their personalised marketing strategies, making their brands more attractive and relevant to customers, and encouraging repeat business and loyalty.

These deeper insights into customer purchasing behaviour can also inform strategies to optimise inventory management and help retailers make more informed forecasts and predictions about emerging customer trends.

Better data: better fraud management, fewer declines

The detailed information carried in ISO 20022 payment messages significantly enhances the retailer's ability, together with the capabilities of their payment partners, to detect and prevent fraudulent transactions.

This richer data also allows for more effective screening and monitoring, helping to reduce so called 'false positive' payment declines – a well-documented source of frustration both for retailers and their customers. Richer data capture also strengthens compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations.

Here, There & Everywhere:
One Retail Payments Language, Globally

Since ISO 20022 acts as a universal language for payments, it is creating a never-before-seen level of interoperability across the global payments ecosystem. This is particularly good news for retailers serving a global customer base, or with ambitions to expand operations across borders, because it enables a consistent, uniform approach across all geographies.

Specifically for the merchant community, nexo standards has created the 'nexo Retailer Protocol', which covers the relationship between a retailer's sale system - typically a cash register or more complex IT infrastructure in charge of dealing with a consumer purchase process - and its POS or POI system (point of interaction, the device in charge of completing a payment transaction).

While modern POS systems capture detailed transaction data, the nexo enabled ISO 20022-based payment ecosystem ensures that all the rich data captured at the POS can travel with the payment from end-to-end.

New payment method?
No problem

As new payment methods emerge, ISO 20022's harmonised environment enables easier, faster and simpler integration with new payment schemes and third-party services, including mobile wallets and instant payment platforms. This means retailers can move faster to rollout new payment options at the point of interaction for customers in accordance with their changing preferences.

The ISO 20022 ecosystem is the foundation for new payment methods like Request to Pay.

Use Case:
A customer orders online and chooses to 'Pay in Store'. A payment request (containing the order details) can be sent directly to the POS system. When the customer arrives, the retailer need only to scan their code to bring up the transaction and finalise the payment, making the whole process significantly faster and less prone to errors.

Consistent, enhanced payment experience across borders

By enabling faster, more reliable, and more transparent payment processing, ISO 20022 contributes to a smoother payment experience for customers, regardless of how they choose to pay. And because ISO 20022 enables interoperability and uniformity across borders, a retailer can deliver the same convenient payment experience to all customers, regardless of where they are. Indeed, first-mover retailers are already utilising the nexo FAST ISO 20022 compliant POS terminal application specifications to create this uniform 'look and feel' of transactions from the cardholder's perspective. Usefully, this harmonised approach to POS application development also removes the risk of interoperability obstacles between multiple POS applications and simplifies the terminal testing process too.

Behind the POS: Simpler, Faster Processing

The data harmonisation enabled by ISO 20022 means that a retailer's POS system is no longer just a tool for taking money; it becomes the starting point for a greatly enriched data chain.

Today, when a customer pays, the POS system captures essential information: the total amount, date, and time. But it also has access to much more: the details of the items purchased, applicable taxes, customer number (from a loyalty program), order number, and so on.

The ISO 20022 standard acts as a next generation 'envelope' in which to transport the payment. Unlike a paper envelope that only has an address, this smart envelope has dedicated, structured compartments to insert all the information collected by the POS system, unlocking a host of behind-the-scenes benefits.

Simplified cross-border transactions

ISO 20022 reduces the friction associated with cross-border payments by providing a common data model and messaging format that can be understood by financial institutions and payment systems worldwide.

Automated processing

The structured nature of ISO 20022 messages supports higher rates of straight-through processing (STP), reducing the need for manual data entry and intervention, and leading to faster processing times and lower operational costs.

When the payment terminal connected to the POS also captures reference data provided by the sales system such as an invoice number or customer ID, for example, and transmit it to the payment processor, automated reconciliation becomes possible further down the chain.

Improving reconciliation right at the Point of Sale

Payment confirmation messages sent back to the POS system can be much more detailed. The end-of-day report generated by the sales system can therefore be more precise, facilitating verification and reconciliation with recorded sales even before the information reaches the retailer's accounting software.

Better error and refund handling

When a transaction fails, ISO 20022-based error messages can be more specific, helping the cashier understand the problem (e.g., 'limit exceeded' vs. 'generic error'). For refunds, being able to instantly retrieve the original transaction with all its data (items, date, etc.) simplifies and secures the process.

In summary, for the merchant, the POS system is the first critical link. With nexo, it can evolve to become an intelligent data collector capable of feeding the ISO 20022 ecosystem so that the merchant can benefit from all the downstream advantages including reconciliation, analytics, and customer service.

Putting Retailers Back in Charge

Flexibility and control in payments strategy

Today's payments environment is characterised both by how rapidly it changes and how diverse it has become. Rather than see these as an obstacle, ISO 20022 enables retailers to embrace these characteristics and turn them into competitive advantage. Yes, it enables retailers to quickly support emerging payment methods, and it provides them with new depth of customer insights. But more than this, it puts retailers back in the driving seat of their payments infrastructures. By adopting ISO 20022, retailers are not just complying with current trends but are building payment systems that can adapt to future innovations while ensuring they remain in control of their payments future.

Innovative acquiring

The harmonisation of payments data enabled by ISO 20022 gives large multinational retailers the opportunity to rethink their model for processing payment requests. For example, by aggregating payment requests from multiple regions, a retailer may be able to negotiate significant per-transaction cost reductions via volume-based deals with a smaller number of acquiring banks.

'Retailer-made' POS systems

Vendors of POS systems can provide solutions to retailers that can support their needs on a global scale, providing one solution that can be scaled up and down, expand quickly and easily into new regions, and can support migration to new solutions with minimal impact.

An ISO 20022 compliant industry also enables retailers to lower the burden of change, by promoting a level playing field for vendors to compete for retailer business on equal terms. This also supports a 'worry free' multi-vendor environment for retailers that may wish to blend solutions from multiple vendors, or migrate from one vendor to another over time.

The role of nexo Standards: Bringing ISO 20022 to Life at the POS

nexo standards is playing a vital role in applying the ISO 20022 standard specifically to the retail payment acceptance environment. nexo's international standards are built on ISO 20022, and are designed to simplify the complexities of modernising a retailer's payment acceptance infrastructure in line with the new standard. nexo develops ISO 20022 compliant messaging protocols and specifications that enable fast, interoperable and borderless payments acceptance by standardising the exchange of payment acceptance data.

By implementing nexo's specifications and protocols, retailers can leverage the power of ISO 20022 to create a more efficient, flexible, and cost-effective payment acceptance environment, both in-store and online.

In Focus: Carrefour & Market Pay – a leading European retailer

With more than 11,500 stores in over 30 countries worldwide, Carrefour Group is the leading retailer in Europe and the second largest in the world. The group has a turnover of €104.4 billion and 13 million customers passing through Carrefour checkouts every day. Carrefour's payment entity, Market Pay, helps the Carrefour Group's brands ensure operational excellence.

By adopting nexo, Market Pay has brought a number of significant benefits to Carrefour:

> **nexo standards helps us to scale our business model faster, connecting the payment value chain, letting us focus on our main activity!**

Frederic Mazurier, CEO, Market Pay

Significant cost savings

Since its creation, Market Pay has managed 800 million transactions for Carrefour across Europe, totalling 27 billion Euros. This higher volume of payments processing requests has enabled Carrefour Group to pass more business to Market Pay (the central acquirer), lowering the per-transaction price and saving Carrefour money as a result.

nexo's Acquirer Protocol has enabled Market Pay to offer acquirer services to Carrefour Group's various businesses, removing the cost to each of dealing with their own acquiring bank locally. Thanks to the standardised and interoperable cross-border approach, Carrefour has realised extensive time and cost savings through increased operational efficiency.

Simpler global integration

As all Carrefour's stores now operate on a harmonised payment acceptance infrastructure, the roll out, setup and maintenance of new stores (both acquired and organic) can now occur quickly and cost effectively. The group's business expansion is no longer constrained by its payments technology.

Rapid innovation

Carrefour's centralised and fully interoperable cross-border acceptance infrastructure facilitates the fast and simple roll out of new innovative payment solutions across multiple countries. The nexo protocols and specifications are already developed to support a variety of new innovative payment services, like Apple Pay, Carrefour Pay, Czam, enabling Carrefour to simplify deployment across its terminals and other points of interaction.

Consolidated cross-border and cross-brand loyalty scheme

Market Pay now has the technical capability to support cross-border and cross-brand loyalty schemes that consolidate value added services across the Carrefour Group's various brands, delivering a new level of customer engagement.

In Focus: REMA 1000 – a leading Norwegian discount grocery chain

REMA 1000, one of the leading discount grocery chains in Norway, faced critical challenges with its legacy payment infrastructure, including scalability issues, high operational costs, and a lack of transparency from its previous payment provider. The need to add alternative payment methods, implement a new customer experience and develop the ability to address the demands of its customers were key factors which led to the redesign of its payments infrastructure.

Key project goals

Recognising the urgent need for a streamlined, modern payment solution, REMA 1000 sought to partner with a provider that could offer robust, scalable, and future-proof payment technology to support its ambitious business goals of:

- Ensuring customers can pay quickly and effortlessly.

- Achieving the lowest possible costs for payment transactions.

- Enhancing interoperability between retail and payment systems while avoiding vendor lock-in.

Why REMA 1000 chose nexo standards and Market Pay

REMA 1000 chose Market Pay's nexo solution to transform its payment infrastructure into a scalable, secure, and customer centric system that meets the demands of today's fast-paced retail environment.

Market Pay's expertise, combined with the interoperability and efficiency that nexo standards can bring, ensures that REMA 1000 is well-equipped to navigate future innovations in the payment landscape and continue its growth across the Nordic region.

Key results

As a result of the implementation, customer satisfaction has improved, thanks to faster transaction times and the seamless integration of loyalty programs. Additionally, significant cost savings have been achieved by consolidating and streamlining payment processes into a single, standardised, nexo-compliant system. The enhanced payment platform effectively met all of REMA 1000's needs for scalability, reliability, and enhanced customer engagement, offering a future-proof solution for the retailer's expanding operations.

In Focus: Total Energies - a global producer of biofuels, natural gas and green gases, renewables and electricity

Like other businesses operating across national borders, TotalEnergies has spent significant resource complying with local regulations and different domestic card schemes, such as girocard in Germany and Cartes Bancaires in France – all of which have their own rules for payments acceptance. For example, some schemes require businesses to use local payments providers, others only recognise localised certifications. This fragmentation equates to more administrative work to enable businesses to accept transactions internationally. As each country functions differently, and TotalEnergies' business divisions are handled separately, the energy company had been forced to adopt an overly complicated and time-consuming approach to payment acceptance. This had limited its ability to offer customers new payment innovations, as mass rollouts of new solutions would prove costly.

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We see clear advantages in using nexo standards for the deployment of new payment solutions, such as interoperability, cross-border payments, simplification of local certifications and acceleration of time-to-market – all of which will benefit customers and operators of the various networks of TotalEnergies.
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François Mezzina,
Payments Specialist at TotalEnergies

Simplified payment acceptance

TotalEnergies recognised that standardisation provided an opportunity to harmonise its payments solutions, simplify its international operations, and reduce new payment technology development costs in the long-term. More efficient payments can help TotalEnergies' to reduce the environmental impact of its operations, by minimising waste and energy spent during deployment and management lifecycles of payment solutions.

Implementing nexo standards and seeking nexo certification led to significant cost and process optimisation across TotalEnergies' entire international payments operation by streamlining all its payment acceptance processes into one, consistent approach that meets the needs of each domestic market.

Crucially, nexo standardisation and certification significantly reduced time to market for TotalEnergies' payments innovations, such as its new POI terminals, and provided it with global understanding of local requirements and support with best-in-class devices. This ensured that TotalEnergies could deliver the strongest possible customer journey and will be easily able to deploy new payments technology into its target markets in the future.

Video:
Why merchants need international protocols & specifications

As a merchant, connecting to secure, reliable payments at scale is crucial. nexo standards allow merchants to streamline their acceptance processes while respecting local, national and regional regulations. This video dives into the benefits of using nexo such as establishing stronger partnerships with banks, streamlining testing processes, reduced costs, improving customer experience and much more.

Watch the video

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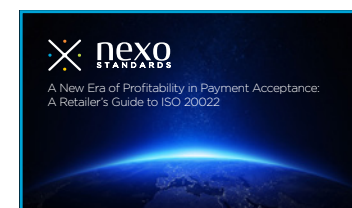
Watch ➔

Global Momentum:
Why Now?

The global financial service industry's migration to ISO 20022 is mature; major market infrastructures and financial institutions worldwide are migrating to the standard, and many have key migration deadlines approaching. This widespread adoption, driven by the recognition of ISO 20022's potential to improve efficiency, transparency, and interoperability, means that retailers will increasingly interact with a payments ecosystem built on this standard.

Embracing the Future of Retail Payments

When adopted early, ISO 20022 has profound commercial implications for retailers. By providing a common language and a framework for richer, more structured data, ISO 20022 empowers retailers to cut costs, enhance operational efficiency, gain deeper business insights, improve fraud prevention, and offer a more seamless customer experience. As the global financial industry converges on ISO 20022, retailers who proactively embrace this standard will be well-positioned to navigate the complexities of the modern payment landscape, adapt to future innovations, and unlock new opportunities for growth and competitiveness.

Curious to learn more? Talk to us today...

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