



FINTECH ONE-ON-ONE PODCAST – RALPH DANGELMAIER

Welcome to the Fintech One-on-One Podcast. This is Peter Renton, Chairman & Co-Founder of Fintech Nexus.

I've been doing these shows since 2013 which makes this the longest-running one-on-one interview show in all of fintech, thank you for joining me on this journey. If you like this podcast, you should check out our sister shows, PitchIt, the Fintech Startups Podcast with Todd Anderson and Fintech Coffee Break with Isabelle Castro or you can listen to everything we produce by subscribing to the Fintech Nexus podcast channel.

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Before we get started, I want to talk about our flagship event, Fintech Nexus USA, happening in New York City on May 10th and 11th. The world of finance continues to change at a rapid pace, but we will be separating the wheat from the chaff covering only the most important topics for you over two action-packed days. More than 10,000 one-on-one meetings will take place and the biggest names in fintech will be on our keynote stage. You know you need to be there, so go ahead and register at fintechnexus.com and use the discount code "podcast" for 15% off.

Peter Renton: Today on the show, I'm delighted to welcome Ralph Dangelmaier, he is the CEO of BlueSnap. Now, BlueSnap is all about payments, they are what's called a payment facilitator, they're also providing embedded payments which we get into in some depth. Ralph talks obviously about how the BlueSnap platform works, how they're different from other payments companies like Stripe and Adyen, we talk about digital wallets, we talk about alternative payment methods like account-to-account payments, you know, RTP, we even talk about crypto payments. We also get into what it means to be a payment facilitator and how their embedded payments product works and why he thinks that's the way a lot of payments are going to go going forward. He talks about his work he does with ETA, the Electronic Transaction Association and much more. It was a fascinating discussion; hope you enjoy the show.

Welcome to the podcast, Ralph!

Ralph Dangelmaier: Thanks for having me.

Peter: Okay. For those watching on video, we've got a beautiful picture of Colorado that I believe you actually took yourself when you were out here skiing near Telluride. So, if you're listening on our podcast, you just have to take my word for it, it's spectacular! Anyway, let's get started by giving the listeners a little bit of background about yourself, I know you've been at BlueSnap for a while now, but tell us some of the highlights of your career to date.

Ralph: So, I've been in fintech for about 30 years now, started my career in banking, left banking and went to an early stage fintech company that had helped create what we called regulatory reporting for the banks which was a big deal in the 90's and then got on the Internet then really early, went to another company after that. We sold that to SunGard and that company built Internet banking products for businesses so this was for banks to sell to businesses. We were the first business banking product



online, the company was called P&H and it was successfully sold to ACI where we helped ACI grow dramatically globally in 2006, I was there until about 2013 and we helped invest in the first cloud service they offered globally.

So, that was a nice transition, nice growth and saw the e-commerce market starting to take off, had met with companies like PayPal, Braintree, Stripe and Adyen. I heard of them and said they're doing something really cool and a group of investors had bought a company in Israel, I was actually helping Startup Nation, Israeli sell globally, and we said, wow, these guys have a really good core concept and infrastructure. If we could take what they have and then bring that to the rest of mainstream North America and Europe, I think we've got a real viable company and product to sell to merchants.

And so, at the end of the day, what BlueSnap does is we help merchants accept payments online, not just with cards, but multiple payment types, and we have now pivoted to where we help platforms sell to merchants online payments, they can sell payments online through their platform and I think, Peter, that this the next trend for the next ten years. So, it's been a great experience having the background of payments in the last 30 years and has really helped in what we do here at BlueSnap and we've got a great team of people across 47 countries that help our customers.

Peter: Right, right, got it. So, I want to go back to the private equity deal, were you part of that deal or did you come in after the fact and tell us a little bit about sort of the history there.

Ralph: Sure. The answer, Peter, is really both. I came in after the deal, was acquired by a company called Great Hill Partners, they initiated this concept and then when I got here, we decided that we should do a capital raise and then partner with another predominant, well known private equity firm called Parthenon Capital. So, between Great Hill and Parthenon, they were the founders and investors in what BlueSnap is today.

Peter: Right, got you, okay, okay. So then, like you just touched on it, but I'd like to sort of tease it out a little bit more. It sounds like there's two components to the business, I really would like to dig into, first maybe start off with how you actually describe BlueSnap today to a fintech audience.

Ralph: So, the fintech audience, this is excellent, Peter, there's two audiences, right, there's fintech guys and then there's a merchant base and this sort of platform.

Peter: Sure.

Ralph: So, I kind of have three (inaudible) to the story, to the same thing. But let's start with fintech, because I think that's maybe who a lot of your audience is here. So, we're a global PSP or payfac and what that means is we successfully accept at the payout merchants in about 200 countries using multiple payment types, multiple cards, and multiple currencies. What's interesting is what we spent for the last ten years building was not just our technology, but the rails or the payment infrastructure to do this in 47 countries locally. Now, why do I emphasize on "locally"? Anyone in payments knows that the fees to process a payment internationally, cross border, cross country, whatever word you want to use, is significantly higher, anywhere from 1 to 2% higher than if you can process the payment locally.



And it's amazing how many merchants actually end up making mistakes of sending payments cross border or internationally without realizing that they have a domestic office and they can send the payments and settle it domestically. So, that's really one of our special strengths is we're a global payfac that supports multiple payment types, multiple card networks, multiple currencies locally in 47 countries. That's how I would talk to a payments company.

Peter: Right, got you, okay. So then, you have to have a bank account, I presume, within that country to save on the fees, right?

Ralph: So, we have to have the bank account, but the merchant doesn't have to.

Peter: The merchant doesn't have to, okay.

Ralph: No, the merchant can have a bank account, wherever the bank account is, so they can deposit the money in their bank account in whatever currency they want. And a lot of people forget is, let's just say we're in the United States since we are right now and you want to get paid in Euros, you can open a Euro account in the United States with one of your big banks and we can pay you in Euros in the US. The real key thing to stay compliant with the card brands and, again, we're talking fintech now versus merchants is to make sure you have a legal entity or area of operations in that country in order to process locally. That generally means a bank account, but you don't have to.

Peter: Right, got you, okay. So then, like is your target market those merchants that are, they're operating in more than one jurisdiction, is that sort of, or is it really any merchant?

Ralph: So, look, it's really any merchant, we like the merchants to be a little bigger, we tend not to focus on startups, we tend to focus on a little more of established businesses that sort of fit what I would call middle market. If they have operations in multiple countries, our target market, right, is significantly stronger and our value prop is significantly better. So, that's where we really thrive if someone does have cross border, that's what we tell our account managers and our business development teams, that's where we really want to chase business because there's a lot of opportunity to save the business money and right now the ROI has been the real play.

Two things have benefitted us recently, Peter, right, one is the pandemic came along, everyone started buying online, our business doubled, that was good for us, maybe not good for the world, but it was good for what we did. The second thing that came along was this little recession, whatever you want to call it, downturn, people are looking to save money. The calls that we have right now with merchants and platforms to try to reduce cost, that's really the call. If you don't have an ROI base or cost reduction-based platform like we do, it's extremely difficult to move business forward. So, both of those things kind of played into the platform that we developed for our merchants.

Peter: Right, right. You said your strength is sort of, you know, operating locally in so many countries. Obviously, lots of countries have local payment methods that don't really exist outside that country, but it's something that people inside that country use a lot. I'm thinking about Brazil, for example, with Pix that became a phenomenon in the last couple of years. So, do you kind of get on the ground and really work with these local payment methods as well as obviously the major cards?



Ralph: That's right. So, think if there's seven or eight major card networks, there's hundreds of local payment methods, we have about a hundred of those and then we also have to have the currencies because those payment methods usually only operate in those local currencies.

Peter: Right.

Ralph: But things like Pin in Australia or in Canada or SEPA in Europe or iDEAL in the Netherlands, or even ACH in America, these are not well known by people that sell outside of the country, right. So, if you went and polled a bunch of merchants and say give me the most five predominant payment types in Europe, they wouldn't be able to tell you what they are and they're missing out on sales and even if they can get them set up, they usually can't do the foreign currency transactions so therefore it doesn't work. So, we provide the connectivity to all of these payment types, currencies, and rails so the merchant doesn't have to. So, that's exactly the strategy, Peter.

Peter: Do you then advise the merchants on like okay, these are the five most popular payment methods, you shouldn't do, you know, American Express or whatever it is, you should choose from these five.

Ralph: (laughs) Yeah, you don't want to do American Express in Germany, for example, and sorry American Express, but we do, we look at, I mean, it's different if it's B2B to B2C, it's different on the value of the ticket, you know, how big it is, is it a \$3,000 legal bill or is it a \$30 hat? So that drives a little bit in popularity, payment type. We actually do a consult and that's why we need to work with businesses that are a little bigger, right, it's a little hard to figure this out on a website.

There are a lot of guys that go to smaller companies like PayPal or Stripe or whatever it may be, even American ISOs, they end up kind of setting up payments, let's just say, inefficiently. I don't want to call it wrong because there's no such thing as a wrong payment when it gets processed, but it can be more efficient and that's what we're trying to do is help these merchants be more efficient and reduce the cost and the success in getting the payment approved.

Peter: Right, right. So then, you mentioned Stripe, obviously they're a big one in fintech, I'm also thinking of Adyen, they offer, I don't know exactly how you differentiate yourselves. Maybe you can touch on that and just tell us what is the difference between BlueSnap and Adyen and Stripe?

Ralph: Both of those guys have built incredibly successful well known brands for the last ten or twelve years and they're very different from our point of view. So, on Stripe you have, you know, millions of merchants obviously processing on Stripe and so it's very hard for them to consult with them individually and help them develop more efficient payments so we tend to find when we get with Stripe clients that we can help them increase their off rates, we can help them reduce their cost, we can help them increase their FX efficiencies.

We have options in our technology to plug-in different fraud engines or charge back engines or things, so you don't have to use their stack, I think those clients like the modular approach to that. So, in short, there's a lot of opportunity to help merchants as they get a little bit bigger versus the Stripe (inaudible) so, it's hard to support millions of merchants in their model, right? And they tend to be yes,



they've got some great press releases on some big clients, but most of their clients are really small. As they grow up, we tend to say, you graduate from Stripe, that's a little phrase we use here at BlueSnap.

Peter: What about Adyen, I think they say the same thing, right?

Ralph: Yeah, they do. So, Adyen's also done a great job building a multi-bank network, but a couple of things. I think Adyen has really prided themselves on building a proprietary bank network and I think when you dig into the details, sometimes the issuers of these cards, Barclays and Deutsche Bank, and we're getting really technical like Wells and Chase, they may not have as high a success rate on the Adyen banks as the banks that we use so we tend to do a little better in authorization rate.

Secondly, you know, Adyen's built a great reputation and I think anyone who's got a great reputation, there tends to be a little higher cost that comes with that so we find that we can actually provide a little bit of a lower cost service than what they're doing today.

And, thirdly, we don't really require people, again, to use the whole stack, Adyen really tends to represent that you've got to use their whole stack and people like pick and choose where they go to market. And I think the fourth thing, is Adyen's built a pretty good reputation in the B2C specialty retail, you've probably seen a lot of that, with their customers doing that, and we see a lot of more B2B in manufacturing. So, we've had good success against Adyen for those three reasons I just mentioned and in the B2B space.

Peter: Right, got you, got you, okay. So, I want to talk about digital wallets, you know, Apple Pay and Google Pay are the main ones, and obviously there are others in different countries, picking up steam it feels like, particularly in Europe and even in the US these days, what are your thoughts on these digital wallets? Obviously, you know, it's really a card transaction in the end and so I'm sure you process it just fine, but I'd love to get your perspective as someone who has been following the payments space a long time, are Apple and Google just going to dominate the payments space?

Ralph: I think they're taking a big bite out of it. I don't know about dominate, I think they've taken a big bite out of it. Let's just face it, Apple's done an incredible job and Android's coming along, in educating people how easy it is to use Apple Pay, and getting merchants and issuers to accept Apple Pay, right, I mean, big challenge they had to try to get the actual Apple logo on websites or get people to do it and they've done a fabulous job doing that. So, it is a lot easier to use it, and you're right, it enables a card transaction, so I do think they're doing well and they're going to continue to do well. I think the biggest challenge we saw was the merchants thought that they had to pay extra for Apple Pay and when they found that they didn't, you know a lot of people don't realize the issuer actually pays Apple Pay, and then they're way more willing to push that out as a payment method on their site, super successful and it will continue.

And we support probably 50 or 60 different wallets around the world so even though guys have done one as you know there's other ones coming and these other ones that are country specific are very similar, I think people get confused between a payment type and a wallet, but from a shopper's point of view it doesn't matter as long as the logo's there, they'll click out and check out with those.

Peter: Right, right.



Ralph: Big believer in wallets and I think it's making life a lot easier for the shopper.

Peter: Right. And what about, I'm originally from Australia where account-to-account payments have been a big thing for a couple of decades now and we're still not quite there in the US at all actually, but, you know, Europe as well has account-to-account payments, is that something that you guys handle yourself or not?

Ralph: So, we offer account-to-account payments, we offer things in Australia and in Canada, just like you're familiar with, so that is out there. I think there's a couple of reasons it hasn't taken off. Number one is we're not really real-time as you are in these other countries, you're much quicker at processing and more same day settlement, but we're getting there with same-day ACH, we're talking about FedNow, but we're behind and that's a lot of money to move and change, no offense, versus a smaller country like Australia or Canada so I think that's one reason.

The second reason is people don't understand it, right, they don't understand what works and people are a little worried, I'm like who's in my bank account? And so shoppers get worried so it hasn't driven as much adoption. But we are seeing big adoption on large B2B accounts, we have a couple of real big account companies in Australia and they've started to bring adoption to their customers in the US so I think we're going to see more adoption, we're going to see it get bigger, better and faster and you'll start seeing more of it. And I think the last thing is as Americans we love our Rewards Programs.

Peter: (laughs) Right.

Ralph: I mean, oh my, what will I do without my United card, right?

Peter: Me too. (laughs)

Ralph: Right (laughs). You're in Denver, you have to be!

Peter: Yes.

Ralph: Maybe you could do Southwest, but that is really, kind of got us all excited here and it's a cultural thing, just like the Germans don't like to have debt, we kind of like our rewards programs. So, it's going to be hard to get off that little addiction that we have with rewards programs. So, those are sort of my call it, commentary on it, Peter.

Peter: Right, okay. What about some of the other payment rails, alternative payment rails, like you mentioned FedNow, it's not actually happening yet, but it will be sometime soon, hopefully this year the pilot will be going underway, but we've got RTP, that's been the clearing house, that's been around for several years now, there's blockchain-based payment systems that are coming. Are you planning on supporting all of these new rails, how do you kind of decide what to support and what not?

Ralph: We're not going to support them all, but we are supporting as you know, we mentioned hundreds of payment types today, we are going to go do real-time settlement and that comes as a payment type and that's more easily and widely accepted, like in Europe let's call it "open banking."



We've already put crypto out there, we've worked with a partner called BitPay which is a wallet that accesses, you know, dozens of different networks, crypto networks that you could pay with so we're just not seeing huge adoption on this stuff. We're seeing some, but we're just not seeing huge adoption yet and I think it really is, you know, it's a little bit of watching the market but also having your customers kind of drag you into it and saying, we really see a demand for this so it's kind of like an uneasy thing you've got to balance.

Peter: You mentioned crypto, you know, crypto payments, I know that in Latin America where we have a presence, we have a fintech conference focused on that market and a lot of them are using crypto, Stablecoins to do cross border payments and that sort of thing. So, Crypto-as-a Payment type hasn't really caught on in this country or in the developed world at all pretty much, how do you manage it where some regions are really focused on it and others are not?

Ralph: First of all, we put payments out there and let the customers decide, right, the merchants decide and some take off and some don't, as you know. I'm a big fan of Stablecoin, you're going into the future, the reason for that is if you look at where, you know, where does innovation happen? So, it happens really around efficiency or making things faster, right, and so if you look at payments, one of the places that still hasn't been tackled, it really is FX.

Foreign exchange is still pretty expensive, you know, you're paying 1,2,3%, there's some countries in Latin America where inflation's, you know, 1 to 3% a month so I think Stablecoin is a great, new product that's going to help reduce the FX cost globally and I think you're going to see a lot. So, I think we're moving from the sort of the Bitcoin, crypto world to more of a Stablecoin world and there's lots of efficiencies for that and I think it's just a great natural progression. So, I'm very bullish on Stablecoin and I think that's going to be something we'll hear a lot more in this decade.

Peter: Right, right, for sure, okay. I want to talk about embedded finance, embedded payments specifically because you touched on it at the start of the show and I now want to dig into it a little bit, like how are you enabling, is this like a white label type product, just describe what you're doing there.

Ralph: If you think of the core mission here, we're helping merchants accept payments more efficiently and so we sold them directly and then it was extremely difficult to go into segments, like legal, education, camps, right, they were either ISOs or somewhere like a Stripe, PayPal and all these verticals. So, we said, geez, if we can work with platforms that sells specifically into verticals then we can allow them to either white label or not the payment and let's just call it embedded, we embed it into their software. So, when you buy someone's education, camp or charity platform, you get the payments as part of it, you're signed up as a payments and it looks like that platform is selling payments. We think that's a home run and we think that's a trend that's really going to happen over the next seven to ten years, so we embarked on this the last couple of years.

The tricky part was then to support 47 countries where you onboard someone in 15 minutes from all these different countries on a white label environment and we've successfully rolled out a large number of platforms and they are having huge success selling into the vertical markets and we're winning a lot of market share and so that's where we're putting a lot of attention. So, we're calling this embedded payments because the payment is embedded in the platform, and the platform selling the payment. And I'm making a very big distinction between integrated payments where it's integrated, but



you still have a lot of choices and effectively, the merchant on it's own to decide what's the payments company.

A lot of times, they will be guided, one way or another, but they have to decide what to do versus where the platform comes along and says, here you go, very similar to what Shopify did with Shopify Payments. They said, this the payment method, you can have options if you want, but this is what you should use and I think many platforms are going be identifying that strategy.

Peter: So then, you do like a revenue share with the platform, I presume, so it's sort of a....obviously, probably a lower margin product, right, but a higher volume?

Ralph: Exactly. And I'm not even sure if it's really lower revenue, a lower margin product because we don't sell it, we don't market it and we don't support them. The platform is responsible for that, right, so it's really we're providing what we call PayFac-as-a-Service to our payment folks out there to the platform and we're giving them the same economics as if they were a PayFac. So we can do a buy-rate on that or we could do a rev share, or we could do both. So, it really depends on how that platform wants to do it and if the platform is selling in multiple countries, just like we talked about, like our ideal customer profile in the earlier part of the show, then it really increases our value proposition because there's lots of people that can do one country, there's a handful at the most that can do over 40 countries in the world.

Peter: Right, got it. So, I want to go, you keep mentioning PayFac, payment facilitator, I just want to dig into that a little bit. What does it actually mean, what are the functionalities provided by a PayFac?

Ralph: Again, as you know, PayFac and PSP, these are all different terms, and Aggregator by American Express, they're different terms given by the card brands, they named these things before, maybe not the best names but if you really think of a core, what's a Payfac, a payment facilitator? We, BlueSnap, are a registered payment facilitator, and that's a Visa term, and that is registered because we are allowed to accept and make payments so we're facilitating a payment which is exactly what it says, right.

So, from the merchant's point of view, I would say internally we're the bank, right, because we are accepting the money, taking the money and we're paying them out and you need to be licensed and registered in many countries like in Europe or England and Singapore and India or in Israel. I think we're going to be, you have to be registered in the United States, right, and Canada, and I think that's changing. Over time, I think we are going to end up seeing more regulation in there, but that's really what it is, it means we're authorized to move the money, accept and move the money on behalf of the bank for the merchant.

Peter: Right, right, okay, that makes sense. So then, I want to just dig into the work you're doing, you're on the Board of the ETA and I'd love to kind if get a little bit of background on what you're doing there and maybe just talk a little bit about the organization itself.

Ralph: Yeah. The ETA is one of these organizations that I got involved four or five years ago, primarily it was focused on, and it's really extended itself on educating people on payments, on the right way to do payments, and they've done a fabulous job with their programs there on government relations and



education and training. I think it had a little bit of a stigma in the industry as being what we would call an ISO show, so an Independent Sales Organization show, and it's really pivoting to not a broader payments education show and it's doing things in Canada or in Europe now. But really, it's pivoting now to help platforms because if you think about this, if this is really true, Peter, that there's about 350,000 platforms that we all use everyday and about less than 10% of them are selling payments today, I don't know what that number is going to go to, but our data shows that 80% want to sell payments.

How is that other 70% going to get experience and training on payments? There's not really a good place to go, so ETA has come along and embraced this as really a training, education, support body for this group of platforms. It's not only a great service, it's an actual organization, it's badly needed by our industry, I mean, people get very, very complicated in payments just in one country, when you start to cross borders, the degradation of knowledge drops quite a bit.

Peter: Right, right, yeah, that makes sense, interesting. So, maybe we'll close with your kind of view into the future, if you can sort of peek into your crystal ball, I mean, you've talked about embedded payments, if you look at the payments industry in five years time are we like, does embedded payments sort of rule the day, are the wallets now dominating? What's it going to look like, do you think?

Ralph: Well, I think there's a few things going on. I think the world is definitely global. Global transactions are ticking up like crazy. If you're not figuring out how to sell globally, I think you're missing out on opportunities, or support clients globally. I think secondly, unfortunately, we talk about this, but I'll just mention it a little bit, fraud is a massive increase, I think it was up over 80% during the pandemic and that's something we've got to watch.

I think the third thing is these platforms are going to be offering banking services so what are we going to call them, embedded finance, embedded banking, maybe embedded payments, what do we mean by that? Well, they're already doing it right now, buy now, pay later, they're offering tax services, they're doing compliance work, right, some are already starting to look at the companies out there like Kabbage offering lending, many embed lending, but these platforms are going to be offering banking services to their clients, it makes sense. When you sign up for the platform, you are doing almost the exact same work as when you're opening a bank account so why not have those guys also if they're regulated and responsible? I think that's a big trend.

And then, last thing we talked about is wallets, Stablecoin, those payment methods are going to be more predominant, they are going to be more used, and I don't know the exact numbers, but the use on Apple Pay and Google Pay five years ago was negligible and now it's significant. I think you're going to see the same movement here as it relates to crypto and alternative payments, as you brought up, Peter, so you really touched on a lot of things that we think is going to be the future of payments and moving money through your questions over the podcast. That's how I would summarize it.

Peter: Okay. Well, thank you, Ralph, it was great to pick your brain there and learn more about the payments industry and about BlueSnap. I appreciate you coming on the show today.

Ralph: Thank you, thanks for having me.



Peter: If you like the show, please go ahead and give it a review on the podcast platform of your choice and be sure to tell your friends and colleagues about it.

Anyway, on that note, I will sign off. I very much appreciate you listening and I'll catch you next time. Bye.

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