



2023 Software Study Report

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TSG (The Strawhecker Group) is a globally recognized analytics and consulting firm that supports the entire payments ecosystem, serving over 1,000 clients from Fortune 500 leaders to dozens of the world's most valuable brands. Trusted by industry leaders, TSG's strategic services, market intelligence, and analytics merge to empower clients with actionable and accessible information.



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The background is a dark teal color with a complex, abstract pattern of glowing green and white lines. These lines form a network of circuit-like paths and wavy, undulating shapes that resemble data flow or digital signals. The overall effect is a high-tech, futuristic aesthetic.

EXECUTIVE SUMMARY

Executive Summary

TSG and RSPA surveyed nearly 30 software vendors in mid-2023 to learn about payments awareness, education, and monetization

- **Finding #1:** An ISV's decision to partner with a payment processor is complex. The ISV must track what features and functionality (e.g., card not present, offline mode) will meet their merchants' needs. The processor's reputation and record for technical support and customer service must be evaluated. A transparent pricing model is considered attractive, and economic benefits must be considered to ensure a sustainable business model. The level and quality of integration will need to be taken into account, with an embedded solution preferred for a seamless process. The decision-maker must also confirm the processor serves relevant markets and verticals.
- **Finding #2:** ISVs provided insight into what specific features are most important for payment processing providers to offer. Competitive economics, an easy merchant onboarding process, high-quality customer support, and developer-friendly APIs were the features chosen by the most respondents.
- **Finding #3:** ISVs expressed dissatisfaction with their payment provider relationship(s) because of a lack of innovation, difficulty in implementation, and ambiguous pricing. They were most satisfied with the quality of terminal options, security and fraud protection, and available products and solutions.
- **Finding #4:** The three biggest challenges reported by ISVs included merchant onboarding, servicing varied customer needs, and preventing merchant attrition.
- **Finding #5:** A majority of ISVs report being well educated in payments monetization strategies. Learners are most interested in reading whitepapers on payments-related topics and attending payments-focused webinars. Vertical-specific resources may also be pertinent – those serving the restaurant vertical requested curated resource lists and online reading, whereas those serving the retail vertical preferred panel discussions with other software companies. Resources should be informative, and not sales-focused.

The background is a dark teal color with a complex, abstract pattern. It features a network of thin, light-colored lines that resemble circuit traces or data paths. These lines are interspersed with small, square nodes. Overlaid on this network are several large, flowing, wavy shapes that create a sense of movement and depth. The overall aesthetic is technological and futuristic.

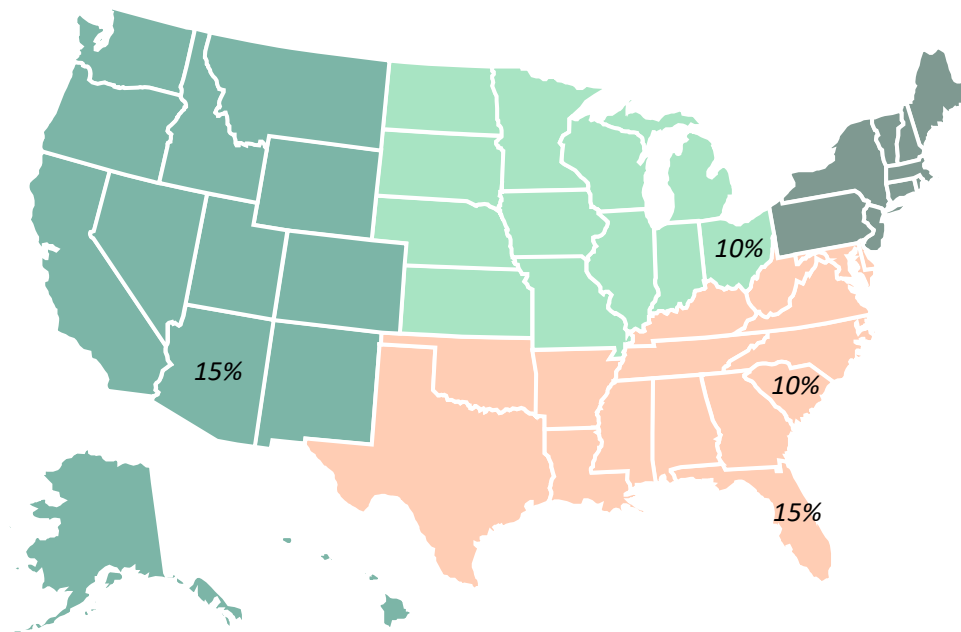
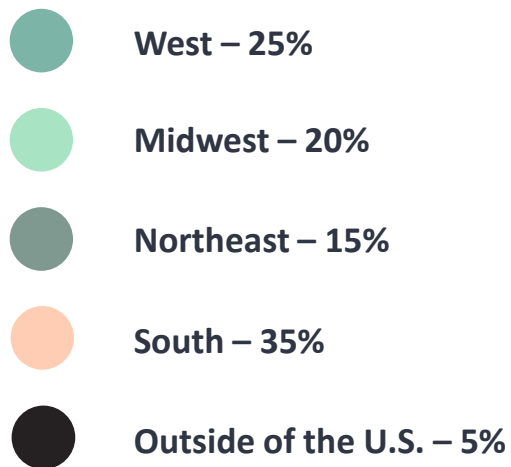
— DEMOGRAPHICS

Company Demographics

This survey captured a sample of 28 software companies

Company Headquarters

Survey respondents were located across the United States, with most located in the South, followed by the West.



Only percentages 5% and above are notated within the graph.

Company Demographics

Software companies reported strong utilization of credit/debit cards, gift cards, and digital wallets

Company and Payments Tenure

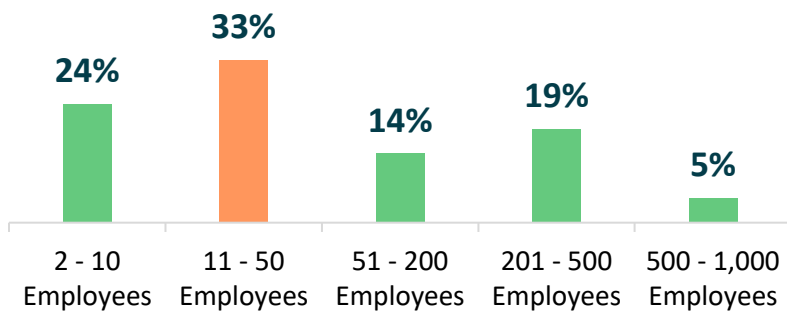
Years in Business:

90% in business longer than 10 years

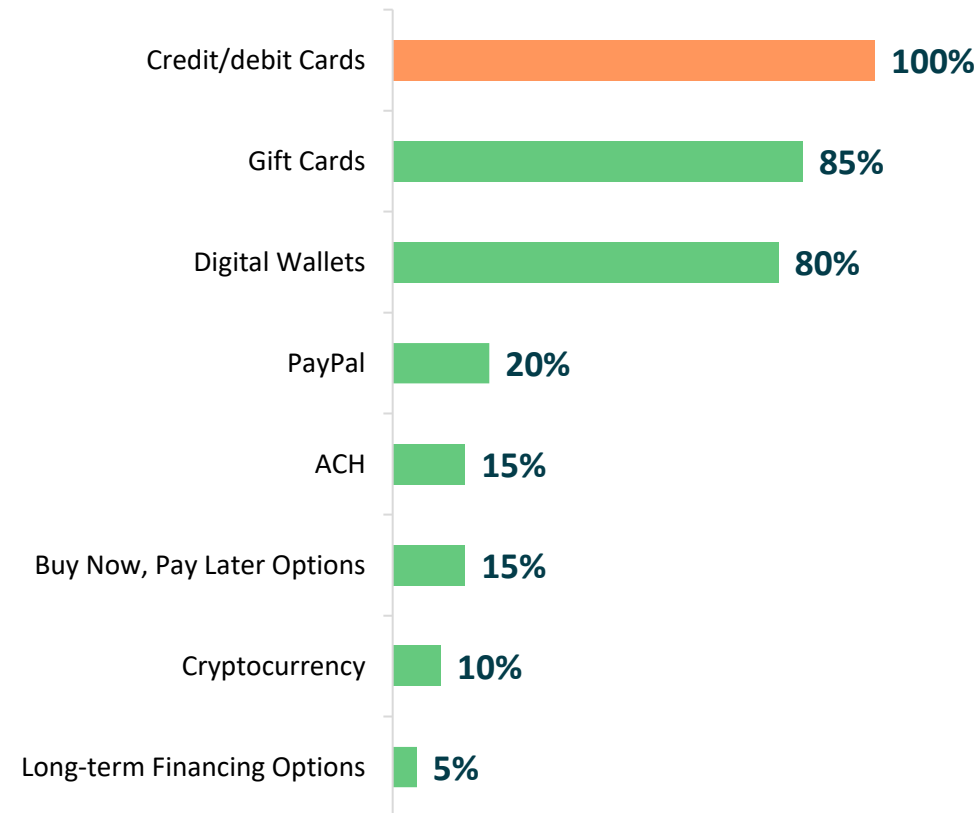
Years in Payments:

80% in payments longer than 10 years

Number of Employees



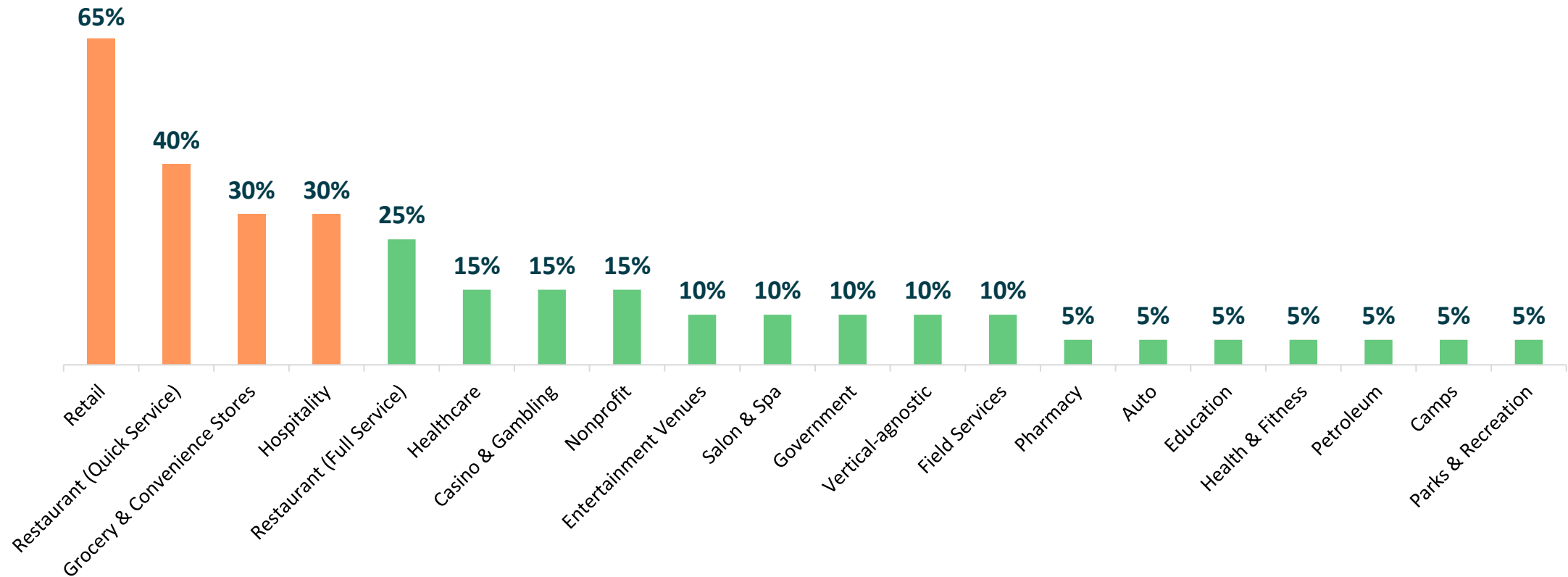
Payment Methods Accepted



Company Demographics

Software companies served a variety of industry verticals

Industry Verticals Served



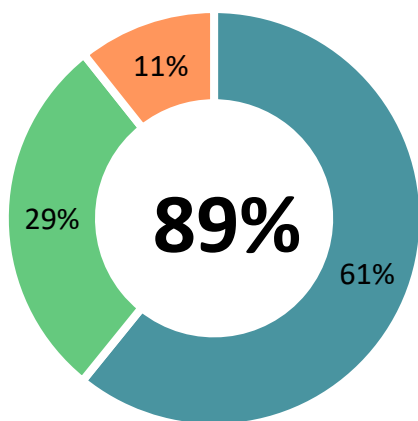


— KEY FINDINGS

Integrated Payments

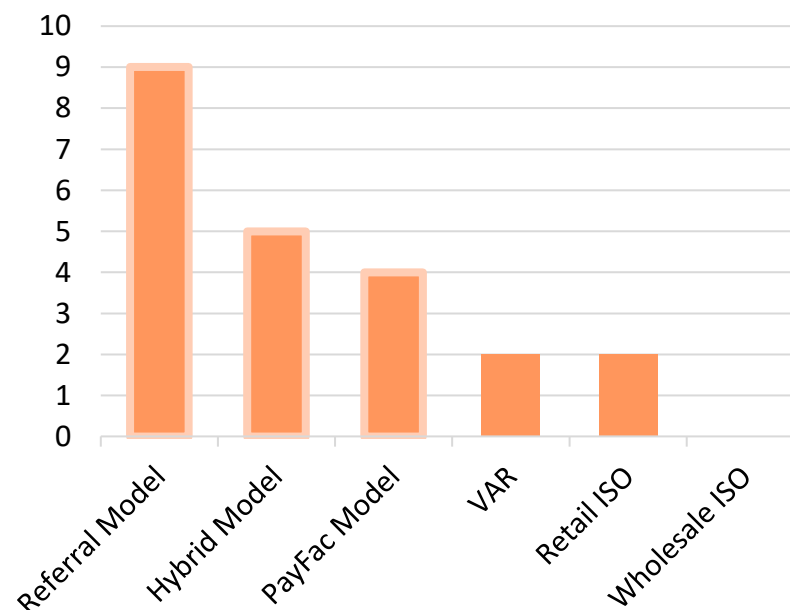
Payments Models

What kind of payments models do ISVs use?



Of ISVs had integrated payments

- Payments are integrated into the software through a payments processor.
- Payments are integrated into the software - our business also serves as the payment processor.
- Our software does not allow for payments of any kind.



Key Insight

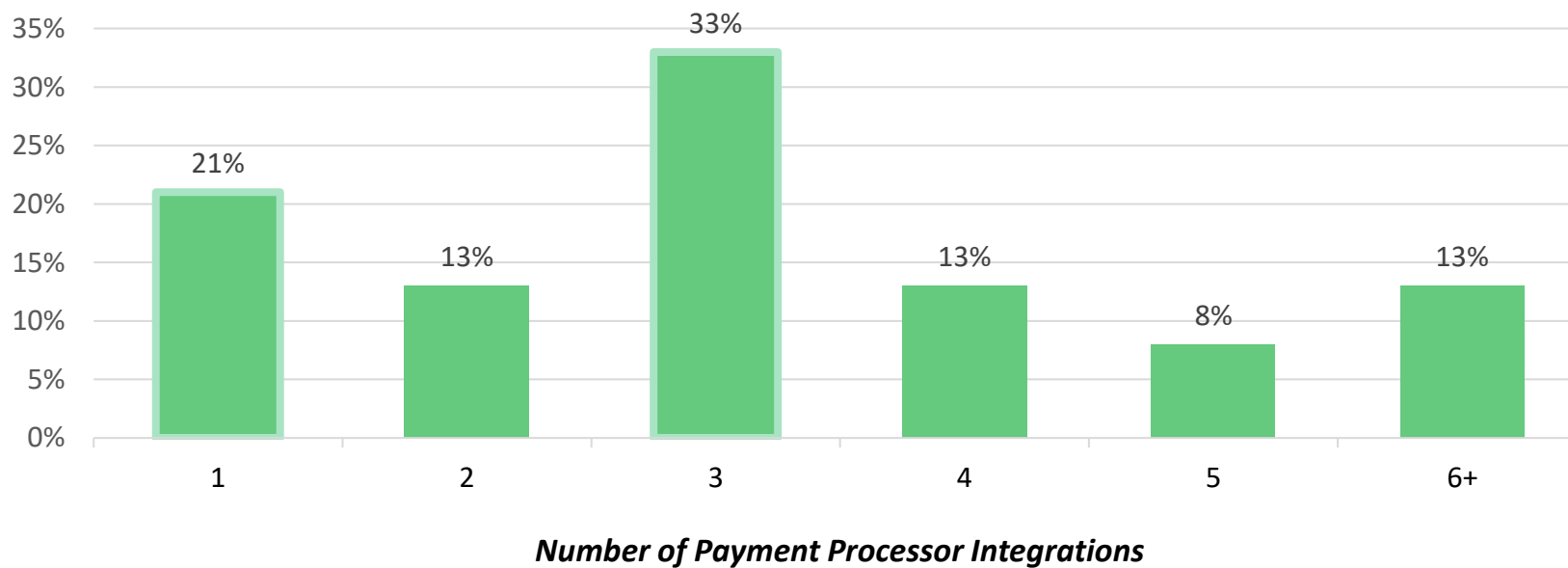
About 30% of ISVs surveyed had integrated payments and were also serving as a payment processor. Of the 89% that had integrative payments, ISVs were most likely to employ a referral model, hybrid model, or PayFac model and least likely to operate with a wholesale or retail ISO, or VAR model.

N = 28

Processing Providers

Quantity of provider relationships

How many payment processing providers do you currently partner/integrate with?



Key Insights

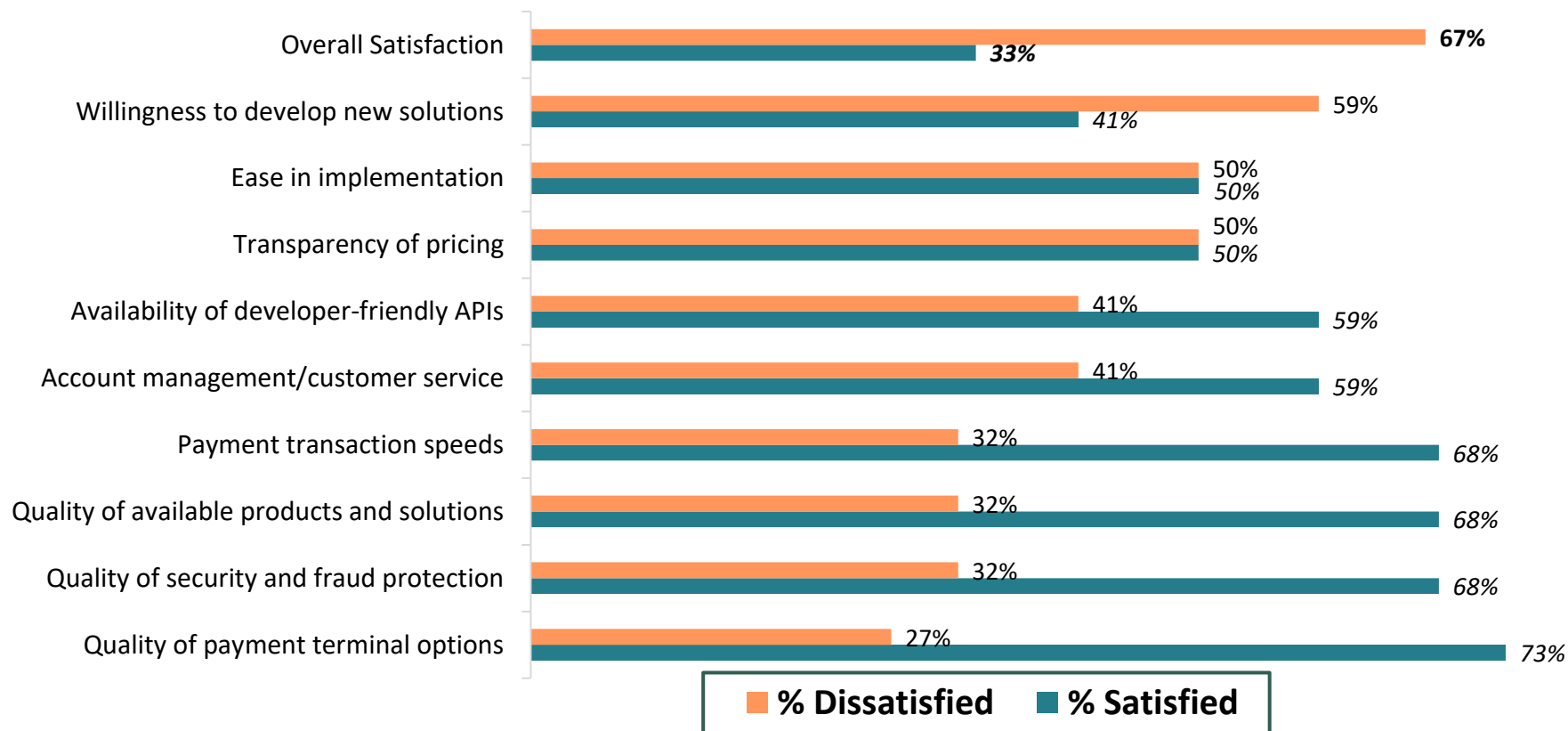
79% of ISVs were partnering with more than one payment processor, and two-thirds of ISVs had between one and three processors.

N = 24

Satisfaction with Payments

Payments Satisfaction

How satisfied are you with different aspects of your payment provider relationship(s)?



Key Insight

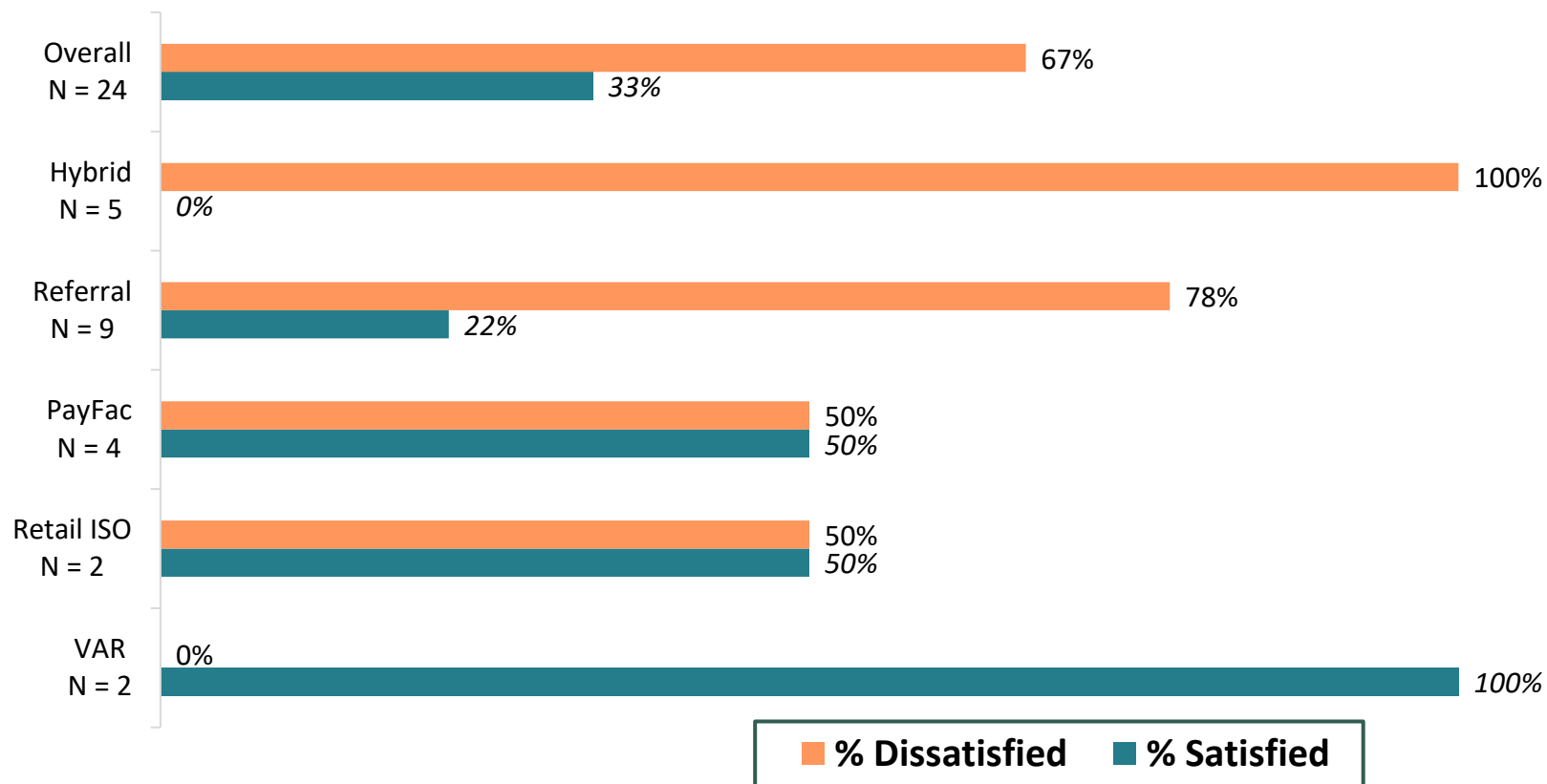
Overall satisfaction with payment providers was rated low, presumably because of lack of innovation, friction in deployment, and pricing surprises. In the past year, ISVs were relatively satisfied with their high-quality terminal options, robust security and fraud protection, high-quality products and services, and fast transaction speeds.

"Please reflect on the interactions you've had with the payment partners you have used over the past year. How would you rate your satisfaction on the following items?" N = 24

Satisfaction with Payments

Overall Satisfaction by Payments Model

Overall, how happy are you with the payment processing providers you have partnered with?



Key Insight

ISVs with a Hybrid or Referral payments model were the most dissatisfied with their partnerships, whereas those with a PayFac, Retail ISO, and VAR models had the greatest satisfaction. Low response rates in each category may limit the generalizability of these findings

"Please reflect on the interactions you've had with the payment partners you have used over the past year. How would you rate your satisfaction on the following items?" N = 24

Satisfaction with Payments

Greatest Challenges

What is the greatest challenge your company experiences when it comes to how your customers make payments through your software everyday?

% Mentioned	Challenges	Examples
25%	Onboarding Merchants	"It is the onboarding with the credit card companies - once setup things usually go quite well."
20%	Customer Needs	"Ensuring customers have easy access to the features they need... We've had to adopt additional partners to service these varied needs."
15%	Merchant Attrition	"Our greatest challenge is attrition... Existing partners continue to raise rates until the customer notices and then is frustrated and leaves."
10%	Technology Updates	"Staying current with the payment industries evolution of software, hardware and services."
10%	Integration	"Technically, none the integrations we have chosen are solid and have enough features to meet the market requirements."
10%	Hardware Options	"We need to have more fully embedded hardware options, [i.e. POS hardware (Android)] and payment hardware built into one unit / device."
5%	Customer Service/Tech Support	"Ability to get to a speedy resolution when there is a problem with the host processor's network or platform..."

Key Insights

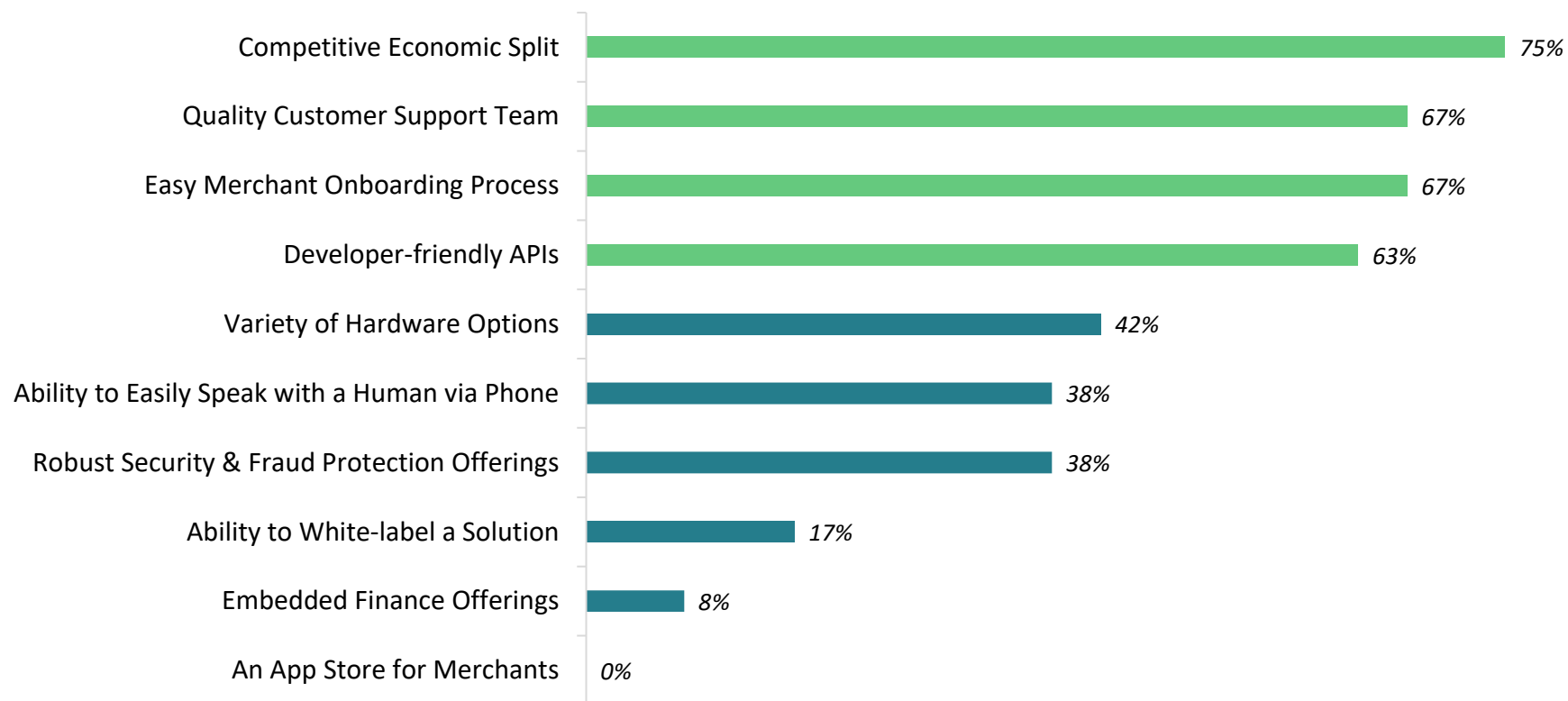
Merchant onboarding continued to emerge as an important feature for ISVs. ISVs reportedly struggle to onboard merchants (both existing and new) and keep them engaged through pricing changes and servicing various merchant needs (e.g., EBT, cash discounting, chargebacks). Price hikes were the most common reason mentioned for merchant attrition.

N = 20

Processing Providers

Feature Importance

What features do you feel are important for payment processing providers to offer?



Key Insights

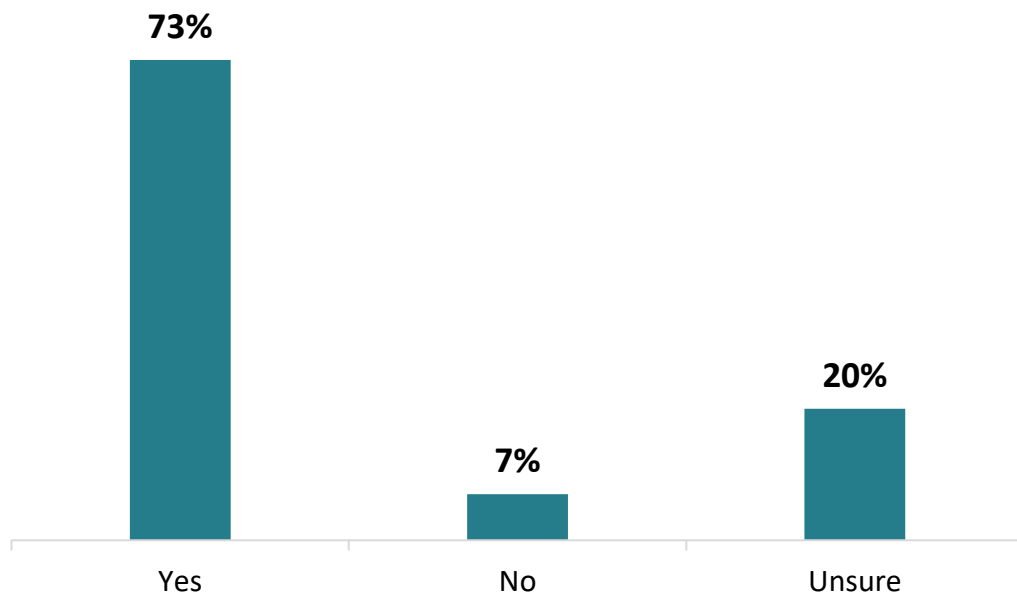
When looking for a payment processor, ISVs primarily look for a competitive economic split, easy merchant onboarding, high-quality customer support, and developer-friendly APIs. Having an app store for merchants was not chosen by any ISV as an important feature.

N = 24

Payments Structure

Integrated Payments Decisions & Strategy

Have you ever explored options to utilize a different integrated payments model?



Why?

To Increase Profits

To Have More Control

To Ensure the Partnership is a Good Value

Key Insights

Almost three-quarters of ISVs surveyed have explored alternate payments models. They do this in order to ensure they are deriving a proportionate amount of value out of the relationship compared to the amount of responsibility and financial liability held by the ISV. Having a more integrated payments model would give more control over pricing changes that are passed along to merchants and would afford ISVs more control over the customer experience.

N = 15

Payments Monetization

Key Drivers

What were the key drivers in your company's decision to monetize payments?

Rank	Key Drivers for Monetization
1	Revenue
2	Better client experience (e.g., speed, quality)
3	Strategy
4	Simplify technology
5	Vertical expansion

What are some of the reasons you gravitated toward certain payment processors?

Rank	Key Drivers for Processor Selection
1	Features & functionality
2	Service/Relationship/Support
3	Pricing (e.g., transparency)
4	Integration quality (e.g., embedding)
5	Markets/Verticals served

Key Insights

Aside from economic benefits, ISVs' motivations for monetizing payments include delivering a better client experience, horizontal moves into specific verticals, and having a more streamlined solution.

The decision to partner with a new processor is multi-faceted and complex. Obtaining transparent pricing structures and verifying processors' reputation in the industry makes decision-making easier.

N = 17

Payments Monetization

Payments Advice

What advice would you share with other companies looking to monetize their payments?

Understand the value... Service, Support, Uptime, etc. are the ways that providers distinguish themselves and show the merchants they are earning the \$. Typically there is a split to the processor, to the ISV, and to the Reseller, make sure that each party is getting the revenue split commensurate to the value they bring to the merchants.

Align with one or two processors and start with a referral partnership before considering a PayFac model; remain flexible and agnostic – do not force PayFac as the only choice.

Pick a partner that will give you good access to you and your customers so that they can help you when the inevitable problems arise. Beware of companies that promise this and say they are small and will provide this boutique experience. These companies' models are typically: grow, acquire customers and sell to bigger companies. So, you will ultimately lose this boutique feel. We have been through at least 4 of them so far.

Take it slow... We had many conversations in which processors agreed to meet our request, then the proposal was far short of our agreement and was full of "gotchas". I could not find honest and unbiased resources which helped me understand how to validate options. I interviewed 35 companies and went through three consultants before settling on PayJunction. It took too long, 21 months!

Key Insights

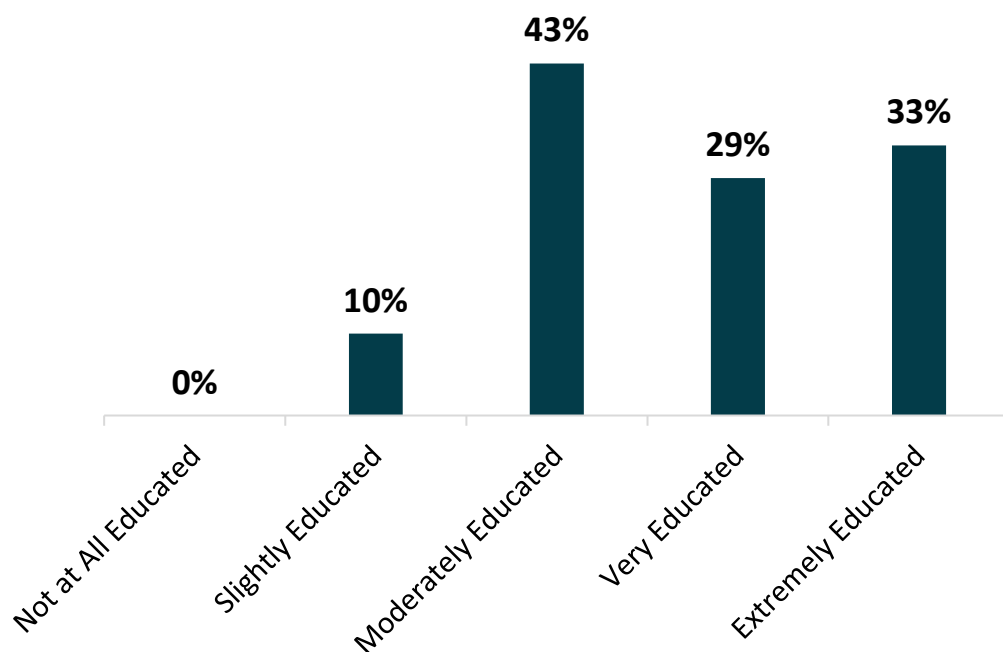
Advice for companies included a focus on service, uptime, and troubleshooting prowess, a warning against single-pricing models and inflexible integrations, and a need for good developer support. Multiple respondents agreed that a referral model is a good place to start monetization. Extensive research is needed when first starting the payments monetization journey.

N = 18

Payments Monetization Resources

Education & Materials

How well educated do you feel about opportunities available for payments monetization?
What types of educational resources would be helpful?



% Mentioned	Top Educational Resources
52%	Whitepapers on Payments-related Topics
48%	Payments-focused Webinars
29%	Podcasts Discussing Payments Monetization
29%	Panel Discussions with Other Software Companies
29%	Educational Payments-Focused Infographics
29%	Curated Resource Lists/Online Reading

Key Insights

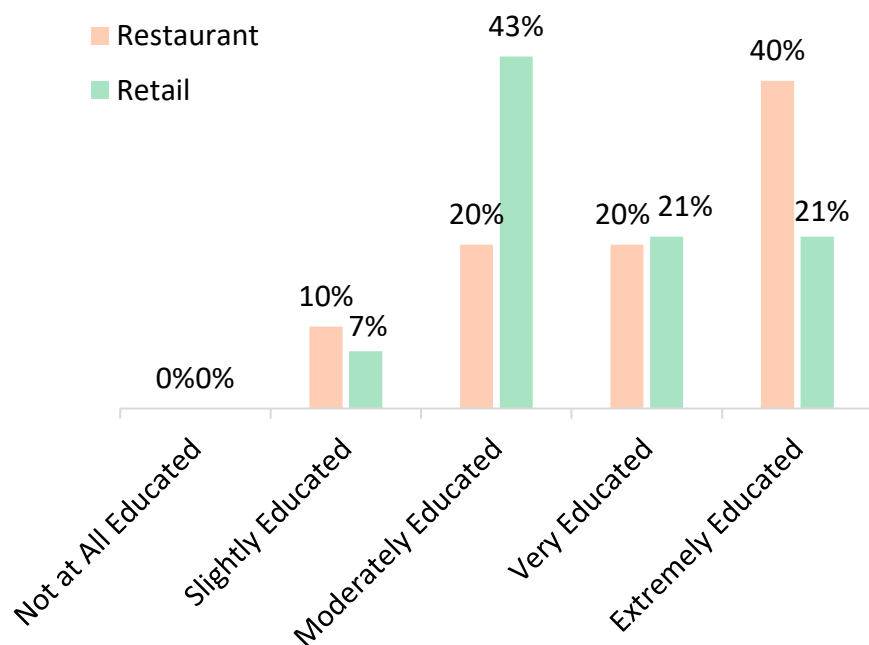
A majority of respondents reported being well-versed in payments monetization models and strategies. ISVs report a preference for webinars and white papers on various payments topics, with the caveat, “IF they aren’t sponsored and moderated by a processing provider. We need open and honest information, not sales pitches”.

N = 24

Payments Monetization Resources

Education & Materials

How well educated do you feel about opportunities available for payments monetization?
What types of educational resources would be helpful?



		Top Educational Resources
Restaurant	Retail	
50%	43%	Whitepapers on Payments-related Topics
30%	57%	Payments-focused Webinars
30%	36%	Podcasts Discussing Payments Monetization
20%	29%	Panel Discussions with Other Software Companies
30%	29%	Educational Payments-Focused Infographics
40%	21%	Curated Resource Lists/Online Reading

Key Insights

ISVs in the restaurant vertical tend to be more educated in payments monetization than those in the retail vertical. Consequently, vertical-specific educational resources should be considered. Retail-focused ISVs prefer a more personal touch, whereas restaurant-focused ISVs prefer to browse reading materials.

N = 24

Subset Analysis

Businesses without Integrated Payments

Demographics

Years in Business:

In business over 6 years

Years in Payments:

Software does not allow for payments

Payment Monetization Roadmap:

No/Unsure

Level of Payments Education:

Moderate – Extremely Educated

Verticals Served

Accounting	Hospitality
Auto	Parks & Recreation
Camps	Petroleum
Casino & Gambling	Pharmacy
Childcare	Residential Property Management
Education	Restaurant (Full Service)
Entertainment Venues	Restaurant (Quick Service)
Field Services	Retail
Funeral Homes	Salon & Spa
Grocery & Convenience	Utilities
Health & Fitness	Veterinary
Healthcare	

Key Insights

A subset of respondents did not have integrated payments. These ISVs reported no roadmap for payment monetization, yet were fairly well-educated on payments monetization, so likely have explored it in the past. The subset of companies surveyed represented various verticals.

N = 3

Subset Analysis

Businesses without Integrated Payments

What features do you feel are important for payment processing providers to offer?

Rank	Top-Rated Features
1	Easy merchant onboarding
2	Robust security & fraud-prevention offerings
3	Developer-friendly APIs
4	Quality customer support team

What types of resources would be helpful to learn about payments monetization?

Top Educational Resources

Whitepapers on Payments-related Topics

Payments-focused Webinars

Panel Discussions with Other Software Companies

Key Insights

Similarly to integrated-payments ISVs, this subset of ISVs agreed that easy merchant onboarding, developer-friendly APIs, and a quality customer support team are important features of payment processing providers. Curiously, economic factors were not cited.

Whitepapers, webinars, and panels were advocated by ISVs who were interested in educational resources.

N = 3



TSG is a fast-growing analytics and consulting firm. The company serves the entire payments ecosystem, from fintech startups to Fortune 500 companies. The firm provides its clients with advisory services, research and analytics to help them plan and execute their strategic initiatives. Based in Omaha, a recognized payments industry hub, TSG is an established leader in this high-growth, ever-evolving space.



Contact Us



20+

YEARS AVERAGE ASSOCIATE
EXPERIENCE IN THE PAYMENTS
INDUSTRY



1000+

CLIENTS ADVISED,
INCLUDING MANY IN
THE FORTUNE 500

~4M

CARD-ACCEPTING
MERCHANTS IN TSG'S
AIM ANALYTICS
PLATFORM, DRIVING
MILLIONS OF DOLLARS
IN ROI FOR ITS USERS



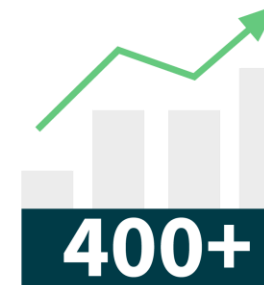
250+

COMPLETED PAYMENTS
COMPANY EVALUATIONS;
AS WELL AS ~30
BUY/SELL/INVESTMENT
ADVERTISEMENTS



40+

OF THE TOP 50
MERCHANT
ACQUIRERS
SERVED,
INCLUDING
9 OF THE TOP 10



COMPLETED MARKET
INTELLIGENCE ANALYSES ON
THE GLOBAL PAYMENTS
LANDSCAPE, UNCOVERING
HUNDREDS OF THOUSANDS
OF DATA POINTS