

IDC MarketScape

IDC MarketScape: Worldwide Retail Online Payment Platform Software Providers 2024 Vendor Assessment

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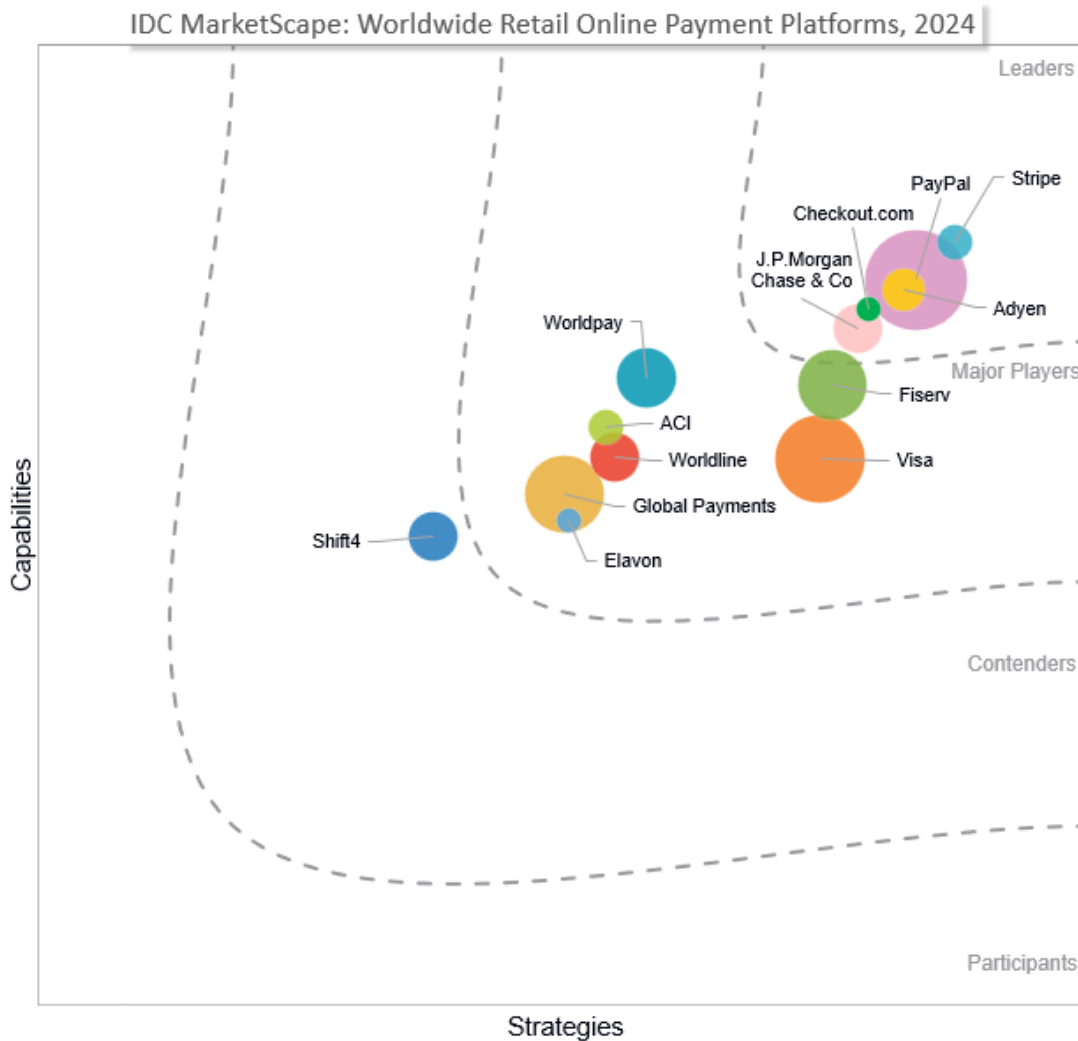
Aaron Press

THIS IDC MARKETSCAPE EXCERPT FEATURES STRIPE

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape: Worldwide Retail Online Payment Platform Software Providers Vendor Assessment



Source: IDC, 2024

Please see the *Appendix* for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly from IDC MarketScape: Worldwide Retail Online Payment Platform Software Providers 2024 Vendor Assessment (Doc # US49436923). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

Digital commerce is becoming increasingly important as a revenue-generating stream for brands and retailers. Recent IDC research finds that digital channels – including ecommerce, marketplaces, and social media – contributed to about 40% of retail sales in 2023.

Robust online payment capabilities are becoming essential for merchants. If poorly executed, payment could become a critical friction point in the customer journey, leading to frustrated shoppers looking elsewhere for their purchases. Conversely, offering a seamless payment experience limits the risk of transaction decline or card abandonment linked to issues such as technical glitches, prompting better conversion rates and greater customer satisfaction,

The importance of payment capabilities goes beyond successful payment processing. Merchants sit on a goldmine of customer data. Digital payment generates vital data on consumer behavior and preferences that can be leveraged to make operations more efficient and effective as well as to improve the customer journey.

As digital commerce expands, customer payment preferences are evolving, with a proliferation of form factors and alternative payment methods (APMs) including digital wallets, QR code, direct debit, and cryptocurrencies. Merchants need to enable multiple payment options in their payment capabilities to meet customer preferences, particularly when operating in international markets where payment preferences vary and multicurrency support and compliance with international regulations are critical.

Security is also a key element of payment capabilities. Online payments come with convenience but also with risks, including identity theft, fraud, and data breaches. Recent IDC research finds that cybersecurity risks are among the top external business challenges for retailers. Integrating secure online payment capabilities in digital commerce is crucial for merchants to provide secure and seamless shopping journeys.

In this context, a modern digital payment platform has become a vital tool for merchants, and the list of capabilities that make for a complete solution is long. The platform should seamlessly integrate with various ecommerce systems, support multiple payment methods (including credit cards, digital wallets, and cryptocurrencies), offer global reach, prioritize security and fraud prevention, enable customizable checkout experiences, handle subscription billing, provide analytics and reporting, be mobile-optimized, offer developer-friendly APIs, ensure customer support, comply with regulations, and maintain transparent pricing. Such a platform empowers merchants to navigate the evolving landscape of online transactions and enhance their business success.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The list for this evaluation consists of 13 vendors that meet the inclusion criteria:

- The payment software solution should cover the following core functionalities: payment gateway and payment processor. Merchant acquirer functionality is optional, but it will be evaluated when present as part of the solution (please see the *Market Definition* section and refer to Figure 2).

- The payment software solution is environment-agnostic and operates in multiple environments.
- Geographic coverage in at least two main geographies in terms of market presence and support capabilities.
- The provider can collaborate with external partners to expand capabilities.
- The provider should be able to deliver the platform as a cloud-first solution.
- The platform should leverage AI to enhance its core capabilities.

This IDC MarketScape report – which focuses on online payment platform solutions – has been compiled in conjunction with the *IDC MarketScape: Worldwide Retail Omni-Channel Payment Platform Software Providers 2024 Vendor Assessment* (IDC #US51168024, June 2024), which focuses on omni-channel payment platform solutions.

ADVICE FOR TECHNOLOGY BUYERS

Modern digital payment platforms should provide a comprehensive suite of features and services to empower merchants in today's dynamic business landscape. IDC advises technology buyers to look for the following when selecting a vendor:

- **Seamless integration.** Integration with the merchant's existing digital platform architecture – including ecommerce, marketplaces, and mobile apps – through APIs and SDKs.
- **Multiple payment methods.** Support for multiple payment methods, including credit/debit cards and APMs.
- **Global reach.** Support for multiple currencies and local payment methods.
- **Customization.** Ability to customize the checkout process based on the merchant's requirements and desired customer experience.
- **Security and fraud prevention.** Robust security features including tokenization, encryption, and AI-powered real-time fraud detection mechanisms.
- **Analytics and reporting.** AI-powered insight into customer behavior, transaction data, and sales trends.
- **Compliance and regulatory support.** Compliance with industry standards as well as regional and international regulations.

The provision of payment processes – including payment gateways, acquiring, and processing – can either be standalone services or bundled together, depending on vendors' offerings. The decision on which approach best suits a merchant's circumstances lies with the technology buyer. For further details, please refer to the *Market Definition* section and Figure 2 in the report.

VENDOR SUMMARY PROFILE

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the *Appendix*, the description here provides a summary of each vendor's strengths and opportunities.

Stripe

Stripe is positioned in the Leaders category in this 2024 IDC MarketScape for Worldwide Retail Online Payment Platform Software Providers.

Stripe was founded in Palo Alto, California, by brothers John and Patrick Collison, with headquarters in the Bay Area (South San Francisco) and in Dublin, Ireland. Initially formed primarily as a payment facilitator focusing on small ecommerce retailers, the company has since grown – organically and through acquisitions – into one of the largest providers of payment services and financial infrastructure

to merchants and marketplaces. Stripe remains privately held, having raised primary and secondary capital.

Quick facts about Stripe:

- **Employees.** >7,000
- **Global reach.** Stripe has local acquiring in 47 countries, supports 135 currencies, and over 100 payment methods
- **Volume.** Over \$1 trillion in 2023
- **Partner ecosystem.** 3,100 partners

Stripe is a full-stack provider of payment processing solutions, offering a range of payment acceptance and financial products to merchants. The company strives to be a one-stop shop, offering a surprisingly wide range of services, and it largely succeeds in doing so. Stripe can process transactions across various channels, including online and a growing range of in-store options. The company's payment processing platform supports a wide range of payment methods, including credit and debit cards, digital wallets, bank transfers, and a broad set of local and alternative payments. Stripe also offers additional features such as automated invoicing and subscription management, sales tax management, and fraud prevention.

In addition to its core payment processing services, Stripe offers a broad suite of technology and financial products to enhance merchant and marketplace operations. This includes Stripe Connect, a solution that facilitates marketplace payments. In conjunction with bank partners, Stripe also offers a treasury platform (which provides businesses with financial management capabilities) and Stripe Capital (which offers working capital to small businesses). Stripe also highlights its ability to support acceptance and payouts for its marketplace partners.

The company's product road map is extensive, including enhancements to its existing payment processing platform and Stripe Radar, its fraud detection and risk management offering. In addition, Stripe is creating a more modular set of offerings, enabling multiprocessor options and making some non-payment products available to customers of other processors. The company is also investing in new geographies, particularly via its Paystack subsidiary in Africa. In addition, Stripe is adding technologies such as machine learning and artificial intelligence to optimize authorization and conversion rates.

Strengths

- Broad functionality in a full-stack platform
- "Embedded" payments for marketplaces and platforms. Stripe underpins payment options for several ecommerce platforms, including payouts.
- A broad range of value-added payment acceptance and processing services. Stripe offers integrated fraud prevention, BNPL connections, billing, and sales tax management services.
- Adjacent financial services offerings. Stripe partners with banks to offer financial products such as card issuing and working capital lending.

Challenges

- **Banking.** Stripe is not a bank, meaning its bank-like products are offered through partnerships, which may drive additional cost.
- **Vertical integration.** Stripe's one-stop-shop approach can be attractive to merchants seeking fewer relationships, but it can create friction when looking for lower costs or best-of-breed solutions. Stripe is working to mitigate this by opening the platform to additional processors and opening some offerings to non-processor clients.

Consider Stripe When

Merchants of all sizes can benefit from Stripe's wide range of products and services. The platform is especially attractive for commerce platforms and marketplaces that can embed Stripe processing to offer to the platform's merchant customers. In addition, growing merchants may find Stripe a good option for expanding into new markets.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is with customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represent the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores – and ultimately, vendor positions on the IDC MarketScape – on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

We can define the online payment platform as the system of processes and digital tools that enable the execution of electronic transactions occurring online between the customer and the merchant. In its most basic form, the processes within online payment transactions between the merchant and the customer involve the following parties and functions:

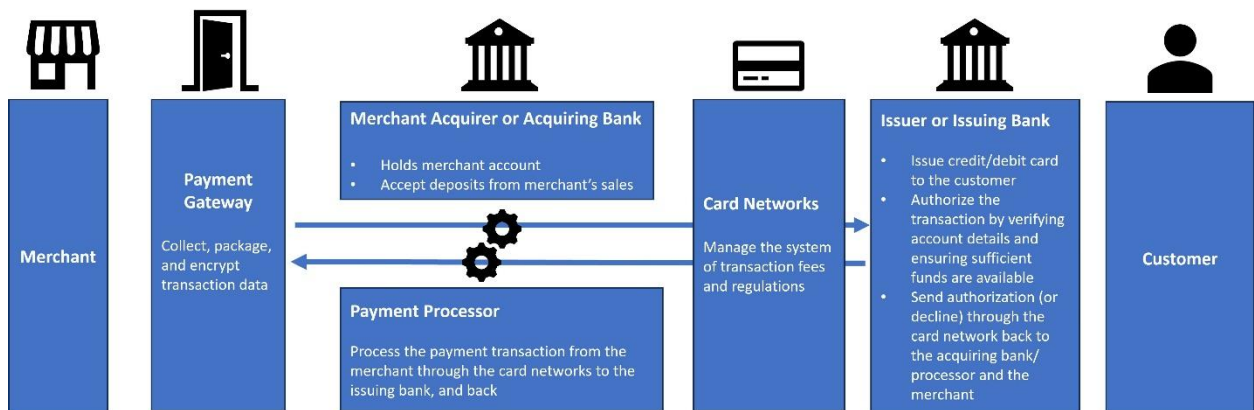
- **Payment gateway.** A gateway is a piece of technology used primarily for ecommerce that sits between the merchant and the processor. It collects the customer's payment data, encrypts it, and transfers it to the payment processor, requesting authorization for the transaction. Payment gateway providers facilitate the authorization and processing of online transactions, and they play a crucial role in ensuring the secure transfer of data and the validation of transactions. Payment gateways were developed with the rise of ecommerce to enable merchants to connect their ecommerce interfaces to payment processors. Examples of companies offering gateway services include ACI Worldwide and CyberSource.
- **Merchant acquirer or acquiring bank.** The bank or financial institution that provides the merchant with a dedicated bank account to accept electronic payments. The acquiring bank

facilitates the authorization and settlement of the transaction between the merchant and the issuing bank that issued the credit or debit card to the customer. Examples of acquiring banks include Wells Fargo, Barclays, and Deutsche Bank.

- **Payment processor.** The processor sends the transaction data received by the payment gateway through card networks to the issuing bank for authorization of the payment. The payment processor acts as the middleman between the customer's bank account and the merchant's bank account, working closely with banks and financial institutions to execute transactions efficiently. Examples of payment processors include Adyen, Worldpay, Fiserv, Elavon, PayPal, and Stripe.
- **Card networks.** Card networks establish the connections between issuing banks and accepting merchants, manage the system of fees that the acquirer bank pays to the issuing bank, set interchange rates, as well as establish and enforce regulations within payment transactions aimed at protecting the parties involved and by which all participants in the ecosystem must operate. Both the acquiring bank and the issuing bank need to be members of card networks and are responsible for ensuring compliance with network rules and regulations. Examples of card networks include Visa, MasterCard, UnionPay, and American Express.
- **Issuer or issuing bank.** The bank or financial institution that issues the credit or debit card to customers. Issuers authorize the transaction and ensure customers have sufficient funds for the transaction. The authorization (or the decline) of the transaction goes back through the process (back to the merchant through the card networks, the processor, and the payment gateway). Examples of issuing banks include Wells Fargo, Barclays, and CapitalOne.

FIGURE 2

The Online Payment Ecosystem



Source: IDC, 2024

Each of the processes above can be undertaken by separate providers or bundled together into one-stop-shop solutions, for example:

- Some companies offer standalone payment gateways (such as CyberSource), while other payment processors/merchant acquirers offer gateways as part of their suites of payment services (such as Adyen, Fiserv, and J.P.Morgan).
- Acquiring bank and payment processor's services can be provided by a single entity (such as through merchant acquirers that offer processing) or by payment processors that can enable access to merchant accounts through the payment processor's relationship with financial institutions. These one-stop-shop entities are often referred to as **acquirers**. Examples of acquirers include Adyen and Fiserv.

- Payment facilitators (**PayFacs**) are software companies that bundle together payment processing services for their merchants' clients (submerchants) by providing access to an infrastructure of payment partners, such as acquiring banks and payment processors. PayFacs act as a layer between acquirers and merchants, and they manage a single relationship to an acquirer that is used by a group of sub-merchants. These are often "embedded" payment acceptance options, such as Shopify Pay. Other examples of companies providing PayFacs services include PayPal, Square, and Stripe.

In general, the advantage of offering standalone services is the flexibility for merchants to choose between different providers that might suit different circumstances better, while bundled service offerings give merchants the convenience of working with one provider to take care of most payment service needs, removing most of the complexity of handling online payments.

Risk management, including cybersecurity and fraud prevention, is a top priority in online payment processes. To ensure security, participants in online payment ecosystems use different tools, including:

- **Tokenization.** Sensitive information such as credit card details is replaced with unique tokens. This tokenization process adds an extra layer of protection by preventing unauthorized access to sensitive data. Moreover, tokens can also be used to streamline consumer experience by acting as an identifier that tie together consumer interactions across channels.
- **Encryption and security protocols.** To safeguard sensitive financial information during transmission, robust encryption algorithms are employed. Secure Socket Layer (SSL) and Transport Layer Security (TLS) protocols create a secure connection, ensuring the confidentiality and integrity of data.
- **Authentication mechanisms.** Multifactor authentication methods, such as one-time passwords (OTPs) or biometric verification, add an extra layer of security by confirming the identity of the user.
- **Payment Card Industry Data Security Standard (PCI DSS).** A set of security standards to ensure all companies that accept, process, store, or transmit credit card information maintain a secure environment. PCI DSS compliance is mandatory for all merchants that accept credit card payments. PCI burdens can be reduced or outsourced by using hosted payment options that shift the burden to payment service providers.

Additionally, fraud detection mechanisms – often powered by AI and ML algorithms – operate in the background of the payment ecosystem to identify and prevent suspicious activities, analyzing transaction patterns, user behavior, and other data to enhance the security of online payments.

LEARN MORE

Related Research

- *IDC MarketScape: Worldwide Retail Omni-Channel Payment Platforms Software Providers 2024 Vendor Assessment* (forthcoming)
- *IDC PlanScape: Online Payment Platforms in Retail* (IDC #US51720624, April 2024)
- *Digital Payments in Retail: Streamlining the Omni-Channel Customer Journey* (IDC #EUR151907724, March 2024)

Synopsis

This IDC MarketScape provides an assessment of principal retail online payment platform software solutions and discusses what criteria are most important for companies to consider when selecting a vendor.

"Seamless payment integration is paramount in today's digital commerce. Merchants must ensure frictionless transactions across the customer journey, leveraging real-time data insights to optimize

user experiences. Analytical tools decode consumer behavior, facilitating secure transactions and fostering trust," said Filippo Battaini, research manager, IDC Retail Insights.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications, and consumer technology markets. With more than 1,300 analysts worldwide, IDC offers global, regional, and local expertise on technology, IT benchmarking and sourcing, and industry opportunities and trends in over 110 countries. IDC's analysis and insight helps IT professionals, business executives, and the investment community to make fact-based technology decisions and to achieve their key business objectives. Founded in 1964, IDC is a wholly owned subsidiary of International Data Group (IDG, Inc.).

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