

ISVs must focus on the 'true cost of ownership' to capitalize on the strategic value of payments

The 451 Take

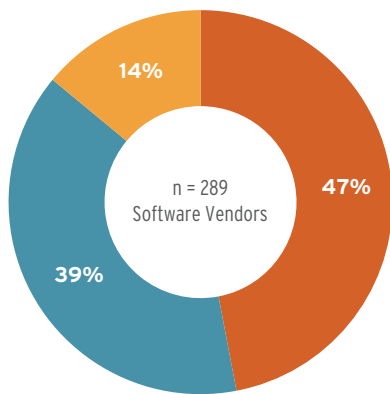
Payments have become an integral way for ISVs to augment and enhance the value of their software. Further, incorporating payment acceptance has proven to be a lucrative new revenue stream while adding an element of 'stickiness' to client relationships. To fully realize these benefits, ISVs must recognize that simply bolting on any payment technology offering will not suffice. ISVs need to look beyond up-front costs and take into consideration the 'true cost of ownership' when evaluating partners to ensure payments become a growth catalyst instead of a distraction.

ISVs cannot overlook the importance of selecting the right payments partner, especially at a time when they are pressured to adapt to new technologies and increase innovation, business agility and security. Aligning with the wrong partner can interfere with these business objectives, resulting in short- and long-term consequences such as unforeseen fees, reliability issues, delays to market and brand damage. Payments should always be an enabler of – not interfere with – an ISV's core business.

ISVs Must Increase Innovation and Speed to Keep Pace with Market Disruption

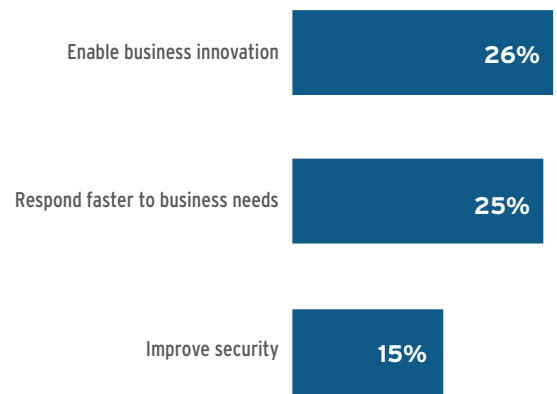
Source: 451 Research's Voice of Enterprise: Digital Pulse, Vendor Evaluations 2018

Please rate the extent to which digital technology is impacting/disrupting your organization's industry over the next five years using a 0-10 scale. Where 0 is 'no impact/disruption' and 10 is 'major impact/disruption'



- High Impact/Disruption
- Moderate Impact/Disruption
- Low Impact/Disruption

What is the most important goal for your organization over the next 12 months? (top 3 responses shown)



n = 289 Software Vendors

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Business Impact

When selecting a payment technology partner, ISVs must consider the cost and impact to their business holistically. In particular, they should pay close attention to:

REPLACEMENT AND MAINTENANCE FEES. Although inexpensive options might result in up-front savings, it's important to take a long-term view on cost. Low-cost payment offerings are often counterbalanced by more frequent replacement cycles and maintenance fees, resulting in a higher total cost of ownership compared to premium payment solution options. To maximize lifespan, we recommend that ISVs seek out offerings that have been rigorously tested and have proven durability in the field. ISVs should also ensure they are selecting products built with the future in mind, such as those that support EMV, contactless payments, QR codes and HTML5 business applications.

SPEED TO MARKET. Delays getting to market translate to missed opportunities, frustrated customers and a potential loss of business. This is an all-too-common reality that we have seen with ISVs that opted for inexpensive payment offerings, only to find that they must often bear the burden of time-intensive tasks such as complex integrations, certifications and onboarding new payment methods. We advise ISVs to seek out partners that offer certifications (and the resources to receive them quickly) out of the box, backward compatibility and a single point of integration to optimize speed to market.

RELIABILITY OF SUPPORT. A payments infrastructure outage results in immediate lost revenue and compromises customer relationships. In a recent 451 Research global study, three-quarters of the 800 merchants we surveyed said that downtime during peak hours preventing acceptance of customer payments would result in a loss of \$1,000 or more per minute. To avoid disruptions, we recommend ISVs avoid partners that disappear after launch and instead select those capable of delivering ongoing, responsive support. Further, we suggest paying close attention to SLAs and assessing critical factors such as uptime guarantees and response and resolution times.

BRAND IMPACT. Each of the above considerations directly impacts one of an ISV's most important and fragile assets: its brand. Payments have a significant and magnified impact on brand because they are a high-frequency touchpoint that businesses have with an ISV's offering. The inability of an ISV to rapidly integrate a new payment method, for instance, would quickly impact how customers associate attributes such as innovativeness and responsiveness with its brand. As such, ISVs must carefully assess the damage a payment technology partner with shortcomings could have on its brand.

Looking Ahead

To thrive in a competitive and demanding business environment, ISVs of all shapes and sizes are increasingly looking to payments to drive growth and differentiation. Selecting the right partner is imperative to fully harness these advantages and convert payments into a strategic lever. Carefully weigh the consequences of aligning with a vendor that positions itself as a 'low cost' provider because the true cost of ownership often turns out to be much higher. When selecting a partner, plan for the future by evaluating payment technology solution providers holistically and seek out those with proven records in durability, speed to market and reliability.