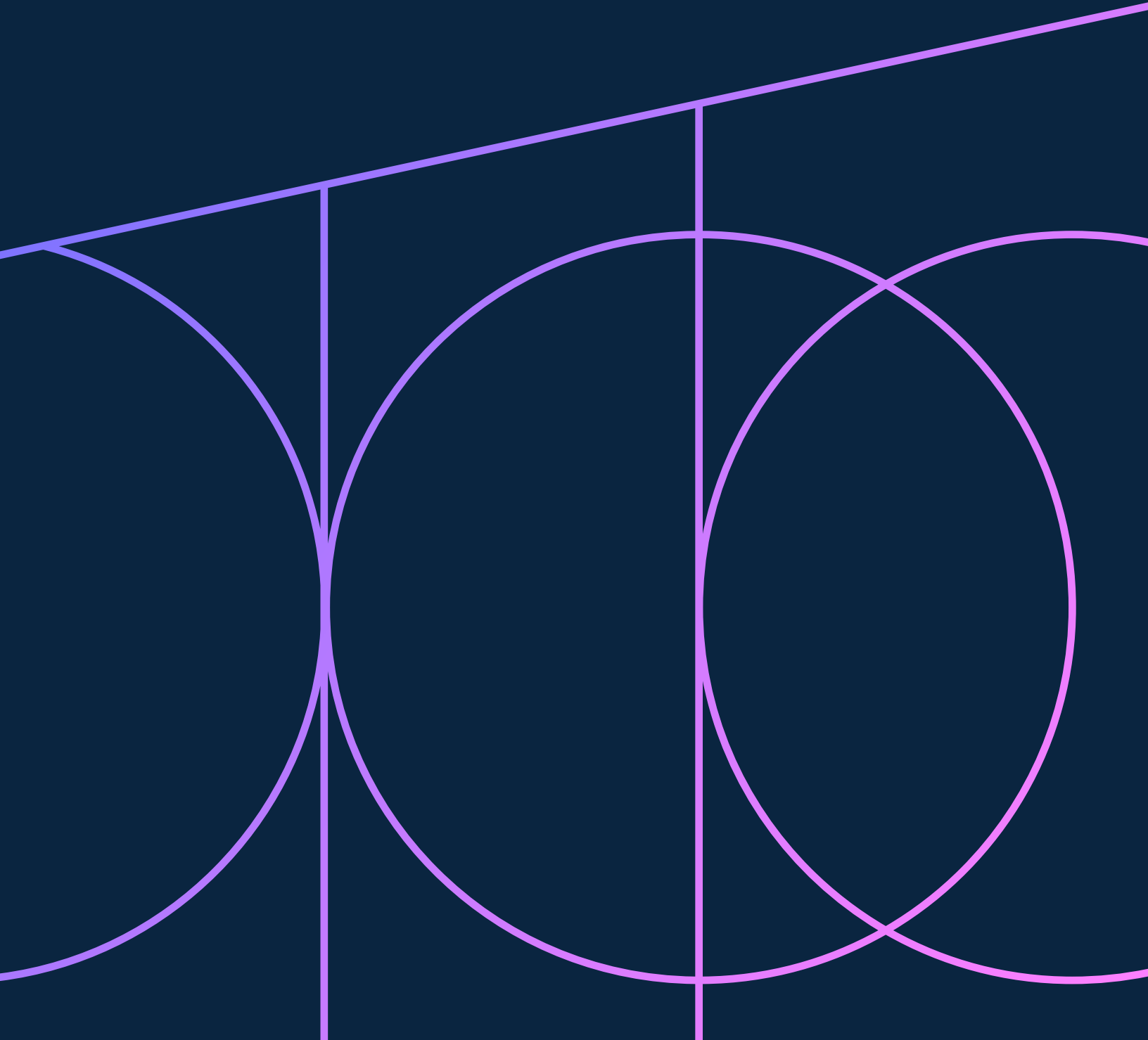




stripe
INSIGHTS

Payments and fintech strategies in an economic downturn



Introduction

Over the last year, as all companies—including ours—have faced new economic headwinds, our conversations with users have increasingly focused on growth. Our mission has always been to grow the GDP of the internet, and in moments of economic disruption and setback, that goal has only become more important.

To that end, we worked with Milltown Partners to survey more than 2,500 founders, payments leaders, finance executives, and product leaders around the world to find out how they plan to grow their businesses in today's economic climate. We specifically asked them about three major ways for increasing revenue and reducing costs: checkout optimization, embedded finance, and back-office automation.

This report presents the most important themes and insights from our analysis and highlights how you can successfully adapt. We also asked a number of Stripe users and partners to comment on the findings, and we have included their insights throughout the report.

Executive summary

- **Businesses are just as focused on growth as they are on reducing costs.** Despite economic challenges, the businesses we surveyed are prioritizing new ways to increase revenue in addition to cutting costs, with the global results showing an almost even 50-50 split.
- **Businesses will localize their checkout experience to maximize revenue.** Of the 39% of businesses that plan to expand into new countries in 2023, 82% will customize their checkout experience based on their customer's location, and 80% will offer multiple payment methods.
- **Almost all companies, regardless of business model and industry, plan to embed financial services.** In 2023, 75% of all global businesses plan to offer embedded finance to their customers. Most will start by offering bank accounts and charge cards.
- **Businesses will automate financial tasks to free up employee time.** Furthermore, a significant majority of respondents said that if they could free an hour of their engineers' time each week by automating financial tasks, they would allocate more than 20% of that time to researching or developing new products, and another 20% to improving existing products.
- **Companies plan to consolidate software providers.** Seventy percent plan to consolidate the number of software programs they use in 2023, particularly B2B payments and invoicing software. Among business leaders who say that they are planning to consolidate providers, their primary goals are to centralize data and cut costs.

Businesses will seek new ways to generate revenue

We expected businesses to make drastic cuts to weather the current downturn, but our survey revealed that many companies remain just as focused on finding new revenue opportunities. We asked respondents whether they're more focused on cutting costs or investing in growth, and half said they are actively reaching out to new customers and investing in new product features, rather than primarily focusing on reducing costs.

Percentage of business leaders already pursuing each of the following revenue streams



“ Partner insight

We've seen a number of our long-term clients open to discussing ideas for new opportunities that they've been holding off on pursuing. When the economy was booming, they were focused on scaling their existing business lines. Now, the general feeling is that they want to diversify their revenue streams and position themselves to be able to offer more to their clients than they have in the past.”

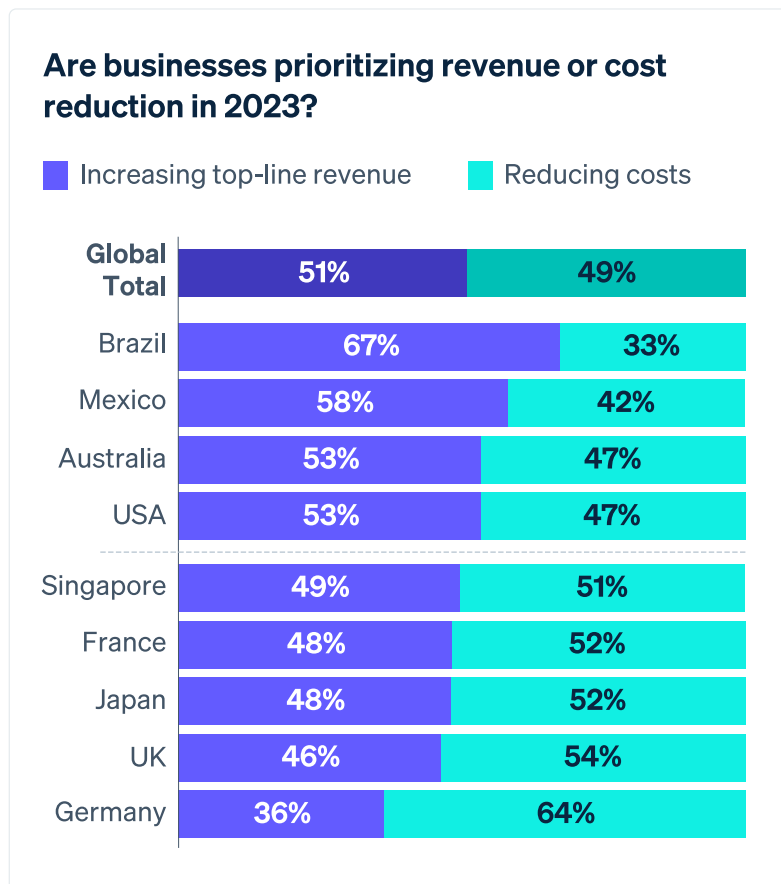
Michael Yared

CEO



Many businesses are already expanding their new revenue streams to cater to evolving customer needs. The most commonly pursued new business models include direct-to-consumer, loyalty programs, and marketplaces, as well as enabling ecommerce across their supply chain (i.e., helping distributors, resellers, or retailers buy products from the manufacturer online).

However, there are some regional differences. For example, business leaders in emerging markets such as Mexico and Brazil are more focused on increasing revenue, while those in Germany and the UK are prioritizing cost reduction. This may be because businesses in mature markets, such as Germany and the UK, can only grow by displacing an incumbent, which is hard to do, while businesses in emerging markets have more natural opportunities for expansion.



In this section, we highlight two ways businesses plan to generate new revenue: optimizing the checkout experience and embedding financial services into their software.

Businesses plan to expand globally, but many still don't fully understand the value of localization

Customers tell us that one of their top concerns is checkout conversion. They spend time, money, and resources on building brand awareness, driving website traffic, and optimizing their product pages only to have potential customers abandon their carts at the last minute. This becomes even more challenging as businesses scale and need to accommodate customer payment preferences around the world.

Thanks to our [previous reports on checkout flows](#), we know that even a small amount of friction in the payment experience can leave money on the table. In this survey, we wanted to find out if businesses understand the importance of checkout optimization on their bottom line—particularly as they expand globally.

Among the 39% of businesses that plan to expand into entirely new countries in 2023, 82% will customize their checkout experience based on their customer's location. Not only does this include translating the page and displaying local currency, but also offering a variety of payment methods adapted to each market.

“ Customer insight

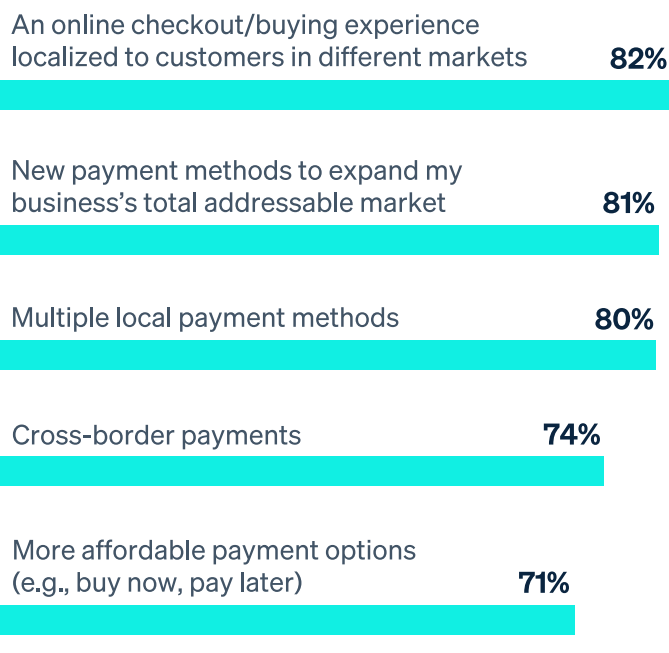
During economic slowdowns, we often see more innovation. Business owners should look for new ways to create opportunities to optimize and maximize their business. For example, looking into operational automation to reduce cost while expanding the business offering through new locations and more payment methods that can make it easier to convert customers.”

Amit Sagiv

Co-head of Wix Payments

WIX

Which of the following checkout optimizations do businesses expect to prioritize in 2023?



However, many businesses still don't fully understand how important payment methods are to their customers. We found that 38% of business leaders thought their customers wouldn't abandon their checkout form just because their preferred payment method wasn't available. But, in [past Stripe studies](#), 85% of customers said they would in fact abandon their cart if their preferred payment method was absent.

Best practices for localizing the checkout experience

- Identify the top countries in which you want to sell, and make sure you localize the checkout experience by translating the page and displaying local currency.
- Dynamically surface the right payment methods in your checkout depending on where your customers are located or which device they're using.

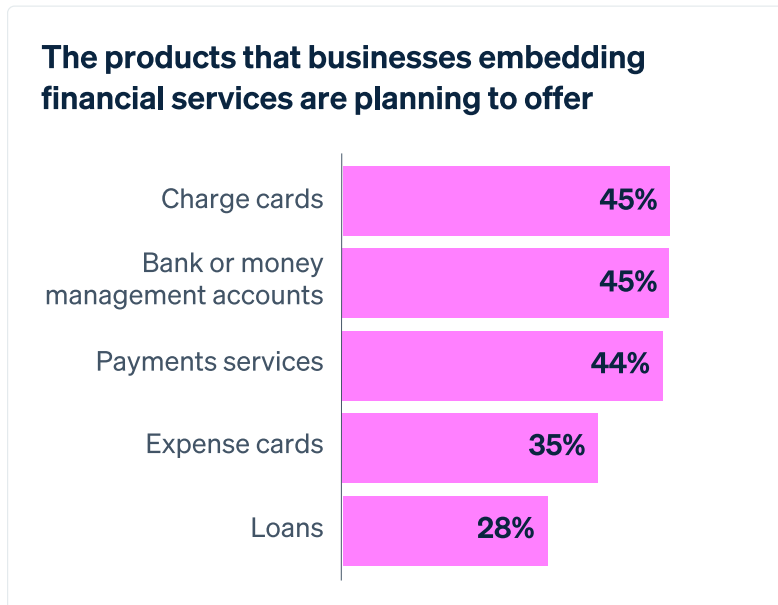
- Change the payment fields to capture the right information for each country. For example, if your form recognizes a UK card, you should dynamically add a field for postcode.
- Consider offering buy now, pay later services if they're popular where your customers are based and you have a high average order value.

Almost all companies—regardless of business model—plan to add embedded finance

The proliferation of banking-as-a-service (BaaS) tools has made it easier than ever for companies to **embed financial services**—such as business expense cards, monetary accounts, and loan access—directly into their product. In recent years, embedded finance has been the domain of vertical SaaS platforms, such as a software platform for electricians to manage scheduling, which also offers the ability to accept payments and get financial services within its platform. These embedded finance features allow platforms to stand out among their competitors by enabling businesses to manage everything in a single tool, rather than bouncing between disparate systems and navigating complex banking requirements.

However, among the 2,500 business leaders we surveyed across a variety of industries such as technology, ecommerce, financial services, and manufacturing, 75% say they are likely to embed digital financial services in 2023. This means that almost every single company we surveyed, regardless of business model, is interested in becoming a financial services provider. Embedded finance is still relatively new and is such a flexible tool that companies will manifest this trend in a lot of different ways (depending on the nature of the business and its relationship to its customers). For example, a direct-to-consumer ecommerce company may offer

a consumer loyalty card that rewards customers every time they shop at that business. Or, a multisided marketplace may offer financial accounts and payout cards to its service providers.



However, we found some differences based on business location. Businesses in emerging markets, such as Brazil and Mexico, are more likely to offer embedded financial services than businesses in more established economies. This is likely because incumbent financial service providers in emerging markets aren't meeting customers' expectations, making the need for alternatives more acute.

Maturing markets are more likely to embed digital financial services than more established economies:

- **62%** of leaders in Brazil are very likely
- **52%** of leaders in Mexico are very likely
- **43%** of leaders in the US are very likely
- **32%** of leaders in Germany are very likely
- **18%** of leaders in the UK are very likely
- **5%** of leaders in Japan are very likely

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Partner insight

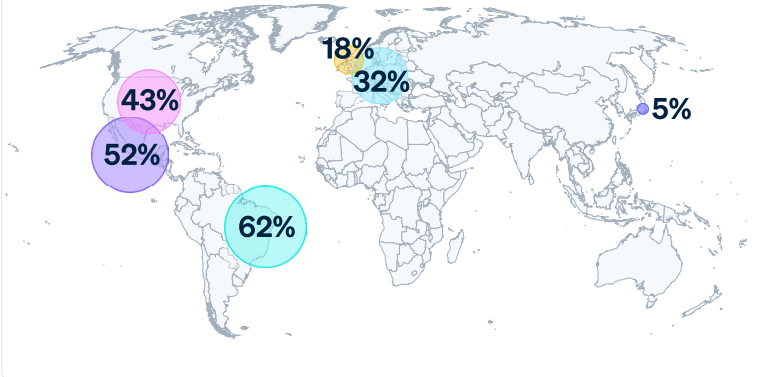
Emerging markets tend to be leaders in payments innovation because of the lower penetration of card networks and traditional financial services coupled with the fast development of internet and telecom operators. The rapid expansion of smartphone and internet availability within those countries has presented those consumers with what we, in more established financial markets, consider as alternatives.”

Dan Carter

Senior Director of Global Payment Strategy



Percentage of business leaders who are “very likely” to embed financial services



We also found that companies in Japan are the least likely to consider embedding financial services in 2023. This is likely a result of many traditional Japanese companies still using in-house legacy systems, which can't accommodate additional financial services.

Best practices for embedding financial services

- Identify a high-need and underserved target audience. Traditional banks and financial institutions typically build general offerings for the entire market, giving your business the opportunity to build financial products tailored to a specific audience.
- If your customers are interested in financing, but you aren't ready to offer formal loan access, consider enabling **buy now, pay later payment methods**. These payment options allow customers to immediately finance ecommerce purchases and pay them back in fixed installments over time.
- Decide how you're going to build your embedded finance solution. You don't need to own the financial infrastructure or technology you're using (though you can certainly choose to do so). Instead, you can work directly with a bank or partner with a BaaS provider. The vast majority of businesses use a BaaS solution to help

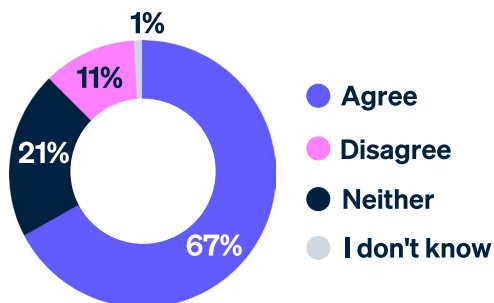
build and go to market more quickly and easily. Read our [introduction to BaaS guide](#) to learn what you should look for when selecting a BaaS provider.

Businesses will cut costs using automation

In addition to growing their revenue, businesses are increasingly focused on improving their margins—and they say this is directly in response to mounting economic pressure.

To what extent do businesses agree with the following statement?

“The economic slowdown means my business is laser-focused on improving its margins.”



However, leaders are not necessarily looking to scale back by pausing or slowing investments in their hiring, product, or expansion plans. Instead, they are focusing on long-term, sustainable strategies, such as automating repetitive, manual tasks to increase efficiency and consolidating software providers.

Companies will automate financial tasks so engineering and finance teams can spend more time on strategic work

When resources are constrained, companies work harder to make sure their engineering and business teams focus on what matters most, such as maintaining the core product and adding new features rather than spending hours on tasks that don't contribute to growth. However, businesses report that their teams have spent more—not less—time on operational work in the past three years.

Among CFOs and business leaders in finance departments...



62%
of respondents agree that tax compliance has become a bigger priority as they seek to reduce costs and/or avoid penalties.



60%
agree that over the past three years, their finance team has spent more time on operational work and less on strategic work.



60%
agree that poor data quality makes it harder to close books accurately and on time.

The importance of tax compliance never changes, but it can have an even bigger impact during an economic downturn when businesses are more focused on reducing costs and need to avoid any extra penalties. For example, if businesses ignore tax complexities, they risk being out of compliance entirely and paying penalties and interest on top of uncollected taxes.

“ Partner insight

Enterprise data is an area where there is a large discrepancy between the ideal state versus reality. We all know data is valuable, and we also know data becomes increasingly valuable when combined with other data to create richer insights. The problem is data is captured in silos. Businesses that invest in systems to capture, centralize, and draw insights from data will be better equipped to navigate the uncertain economic environments to come.”

Kieran Kennedy
Head of Marketplace

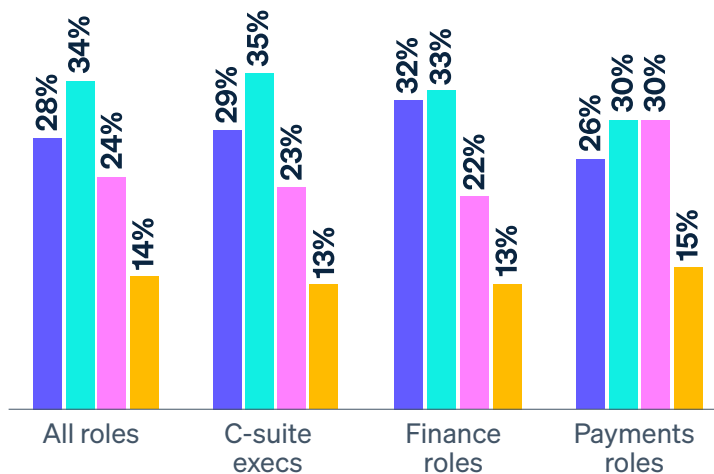


In addition, businesses are losing time and money trying to close their books. Thirty-one percent of survey respondents said that consolidating data from multiple sources is the biggest source of avoidable effort for their finance team. Businesses, especially larger companies with more than 1,000 employees, often have multiple software providers, a mix of in-house and third-party systems, and legacy systems that they've outgrown over time. This decentralizes data, forcing finance teams to manually download reports from different systems to close their books or reconcile transactions.

To save employee time and resources, businesses plan to automate these common financial tasks, such as reporting and reconciliation. Businesses are especially eager to automate invoicing and B2B payments as well as revenue reconciliation and accounting.

The financial processes that businesses are most eager to automate

- Revenue reconciliation and accounting
- Invoicing and B2B payments
- Billing and quote to cash
- Calculation and reporting sales tax



Automation allows businesses to spend more time on their priorities. A significant majority of respondents said that if they could free an hour of their engineers' time each week, they would allocate more than 20% of that time to researching or developing new products and another 20% to improving existing products.

Best practices for automating financial tasks

One of the easiest ways to free employees to spend more time on product development is to find a software provider that can automate the following tasks:

- **Invoice reconciliation:** Manually reconciling invoices with payments received can result in hours of work for each transaction. Instead, look for a provider that offers auto-reconciliation that will automatically match outgoing invoices with incoming payments so your accounting and finance teams don't have to manually match each one.
- **Revenue recognition:** Revenue reporting and staying compliant with global accounting standards (such as ASC 606 and IFRS 15) gets complicated quickly as payment volumes and product lines increase. The ideal solution helps simplify your accounting and revenue recognition processes without requiring extra engineering resources or lengthy configurations. It should give you a complete picture of your revenue and allow you to access and assess transaction data, fulfillment data, and billing terms with just one reporting tool.
- **Filing taxes:** Choose a software provider that can automatically monitor your tax obligations and help you stay compliant by collecting the right amount of tax based on where your customers are located. You should be able to instantly surface all the information you need for each filing location so you can easily file and remit taxes on your own or with your accountant.

Businesses will consolidate the number of software programs they use to centralize data and cut costs

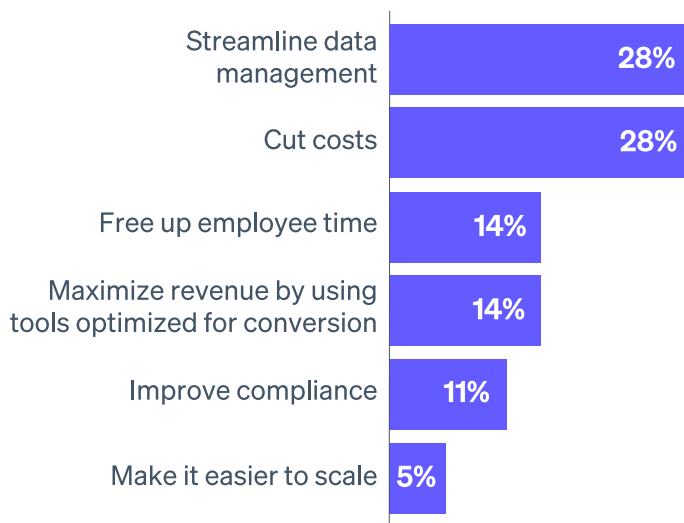
The 2010s were defined by the explosion of software-as-a-service (SaaS) providers, letting companies automate essential business functions to free up time and resources. However, our survey suggests that this proliferation has led to a new problem: too many providers.

Forty-one percent of businesses say that they have deployed new third-party payments software in the past two years and, as a result, are spending more time managing providers than they'd like. Seventy percent said they plan to consolidate the number of software programs they use in 2023, particularly B2B payments and invoicing software.

Among business leaders who say that they are planning to consolidate providers, their primary goals are to centralize data and cut costs.

The top reasons businesses plan to consolidate SaaS providers

What is the **number one reason** your business is seeking to consolidate?



“ Customer insight

Payment solutions invariably have high criticality and complexity, and have high resource needs to build, maintain, and continually develop. The ROI for buying new payment technologies is proven, as opposed to the ‘build’ option—especially when given the ability to partner with a software provider that has dedicated, in-house expertise and can continually future-proof the system.”

John Low

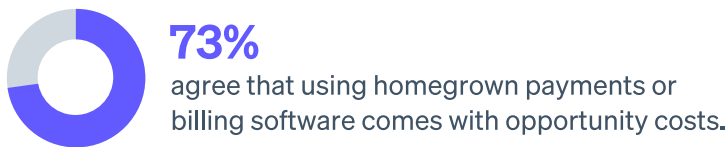
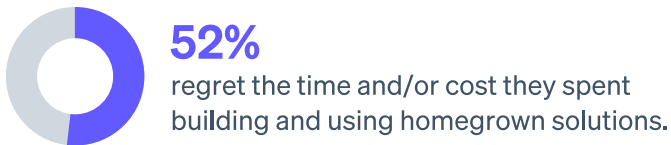
Group Head of Digital Risk

F R A S E R S
G R O U P

In addition, 20% of businesses have built their own homegrown software in the last two years—and more than half of those regret it.

Homegrown solutions can result in unexpected long-term costs because they need to be continuously maintained to support new product launches, business models, pricing experiments, global expansion, changes in regulatory requirements, and a host of other challenges as businesses grow.

Among business leaders who built homegrown software...



Best practices for consolidating software providers

- Consider consolidating financial software such as recurring payments, invoicing, billing, and revenue recognition into one system—rather than using point solutions—to improve reporting and close your books faster.
- Look for a payments provider that allows you to sync critical business metrics with your data warehouse so you can pull rich reports and access all your data in one place.
- Consolidate online and in-person payments with a single provider to get a complete view of your customers across channels.

- Instead of using a separate fraud solution, choose a payments provider that can automatically detect and block fraud while improving your payments authorization rates.

How Stripe can help

Stripe is a financial infrastructure platform that helps businesses find new opportunities for growth in the face of economic uncertainty. Unlike traditional payment processors, Stripe takes a technology-first approach to solving payments problems and handles all the complexities of money movement so that teams can move faster, get to market sooner, and redeploy resources where they matter most.

Each of our products offers low- or no-code building blocks that can be combined in different ways, depending on what your customers need and what makes sense for your business.

Accept payments online, in person, or through your platform

- Accept [payments](#) and move money globally with Stripe's powerful APIs and smart optimizations designed to help — you capture more revenue.
- Detect and block [fraud](#) using machine learning trained on data across millions of global companies.
- Build your own [in-person checkout](#) and unify your online and offline channels with flexible developer tools, precertified card readers, and cloud-based hardware management.
- Integrate payments and payouts into your [platform or marketplace](#); scale payments experiences end to end; and create new revenue streams like subscriptions, marketplaces, direct-to-consumer, and loyalty programs.

Automate revenue collection and finance

- Bill customers with **subscriptions** or **invoices**, capture more revenue, support new products or business models, and accept recurring payments globally.
- Streamline **accrual accounting** so you can close your books quickly and accurately, and automate and configure revenue reports to simplify compliance.
- Sync your Stripe account **with your data warehouse** to close your books quicker and unlock richer business insights.
- **Automate tax collection** on your transactions, reduce the complexity of tax compliance, and access the reports you need to file returns.

Embed financial services into your platform or product

- Create, manage, and scale a commercial **card program** with physical and virtual cards for your customers or your own business operations.
- **Embed a spend management account** in your marketplace or platform to enable your customers to hold funds, pay bills, earn yield, and manage cash flow.
- Provide access to **fast, flexible financing** so your users can manage cash flows and invest in growth.

To learn more about how Stripe can help your business grow, [contact our sales team](#).

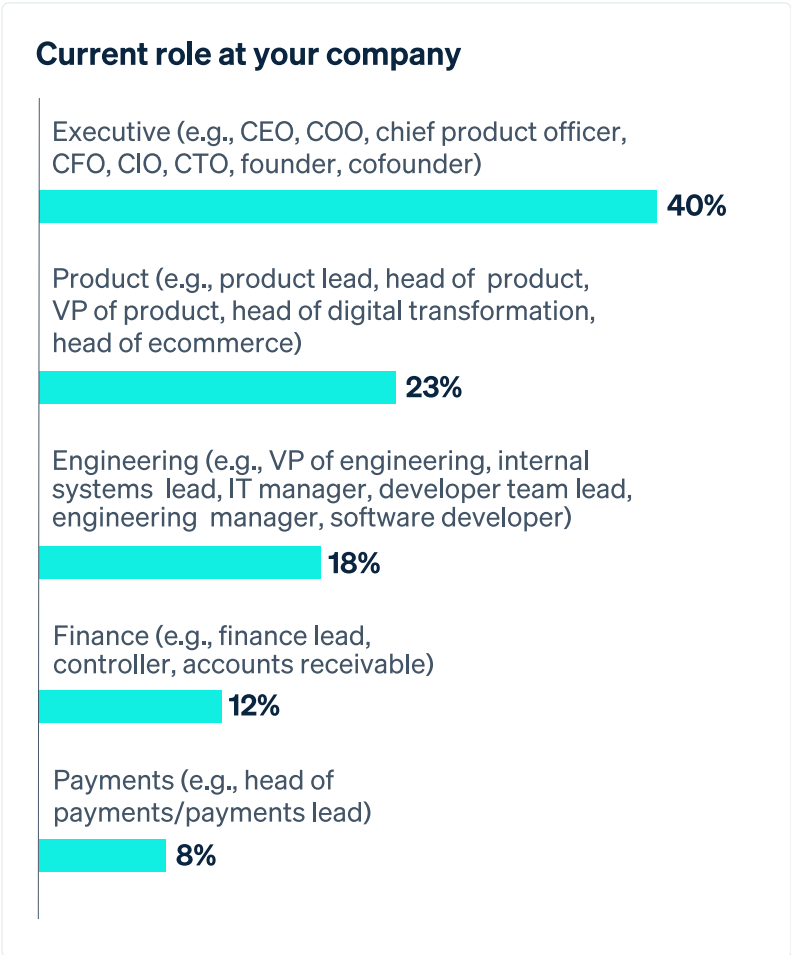
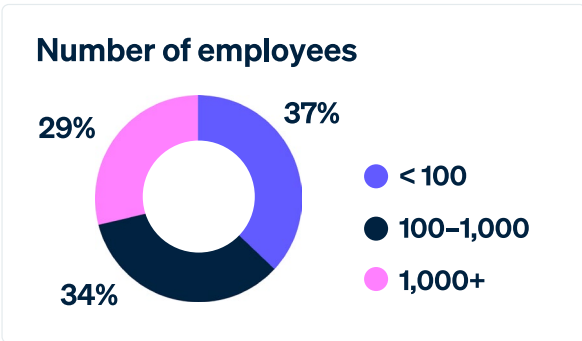
Visa® Commercial Credit Cards are issued by Celtic Bank, a Utah-Chartered Industrial Bank, Member FDIC.

Stripe Treasury is provided by Stripe Payments Company, licensed money transmitter, with funds held at Evolve Bank & Trust and Goldman Sachs Bank USA, Members FDIC.

Capital Loans are issued by Celtic Bank, a Utah-Chartered Industrial Bank, Member FDIC. All loans subject to credit approval.

Methodology

We worked with Milltown Partners (in partnership with their data provider, Focaldata) to survey more than 2,500 business leaders in 9 markets around the world (Australia, Brazil, France, Germany, Japan, Mexico, Singapore, the UK, and the US) who estimate their businesses make at least 10% of their revenue from online sales.





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To learn more about how Stripe can help your business grow, [contact our sales team](#).

