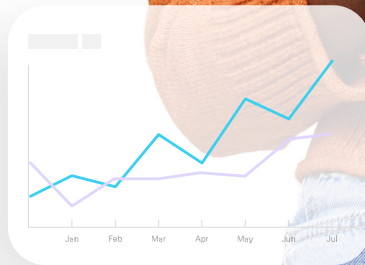
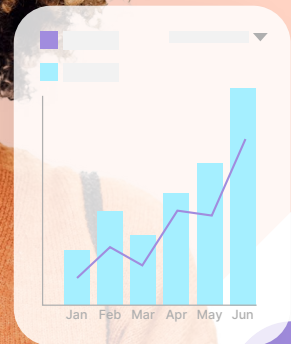


worldpay
for platforms

A COMPLETE GUIDE TO

Software-led payments.

How software companies can deliver embedded payment and financial experiences that fuel hypergrowth and drive customer loyalty.



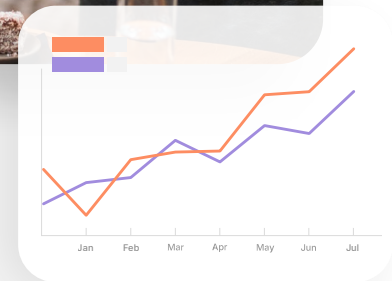
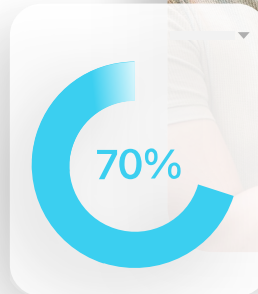
SOFTWARE PAYMENTS

The era of commerce we're currently living in is indisputably unique.

It's made evident by rapidly evolving technology, changing online and offline consumer behavior, and the emergence of new ways to pay. Behind the complete transformation of the payment experience are the expectations and demands of the consumer.

In search of ways to deliver these experiences, businesses look to their operating systems for solutions. And as a result, software companies are becoming more acquainted with the world of software-led payments, a facet of business capable of fulfilling both customer experience expectations and their own business goals.

The best payment experiences are now the ones that are so seamless, they're barely detectable.



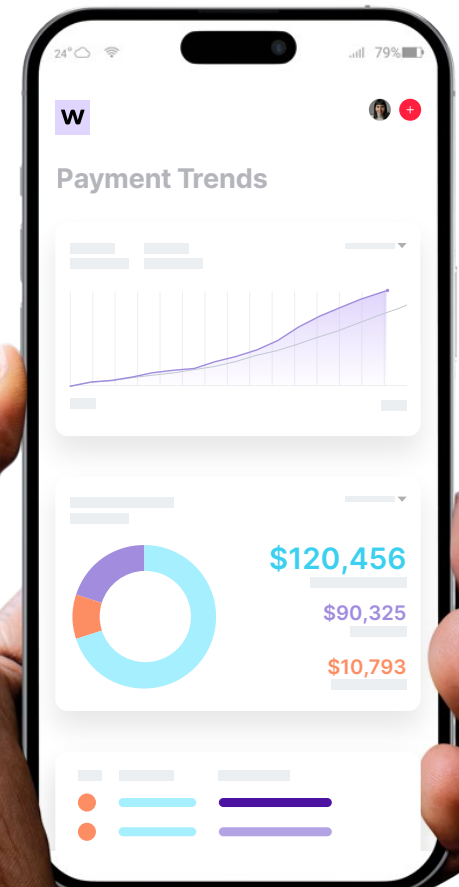
SOFTWARE PAYMENTS

The value of embedded software payments in the customer experience.

Historically, payments have functioned as a cost center for software companies, and for a long time have generally been outsourced to third-party independent sales organizations (ISO) or payment processors. And while many software companies have successfully monetized payments as an additional revenue stream using ISOs, they didn't have much control over the experience for their customers, which put them at the mercy of their third-party partners. Not until recently have software companies realized the value of having more control over their payments, and have started looking for other options.

Today, merchants rely on vertical-specific software to power the day-to-day operations of their business. That includes everything from financial services like payments, to scheduling, business insights reporting and planning, and marketing.

Naturally, you want your customers to think of your software as their go-to operating system for doing business. To drive engagement and increase long term value (LTV), you want to ensure that you're providing not only all of the services your merchants want, but that you're also offering them as a unified customer experience.

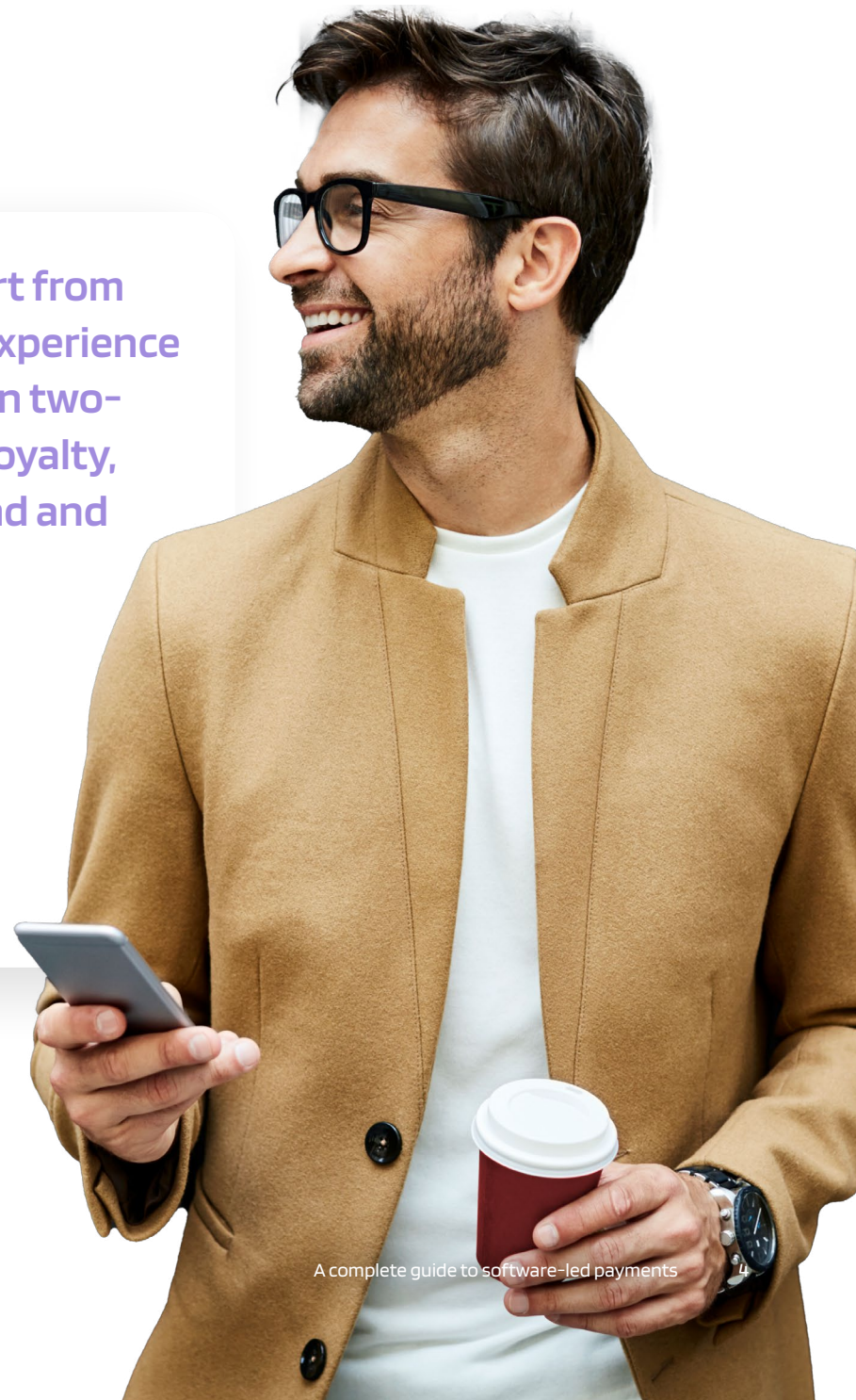
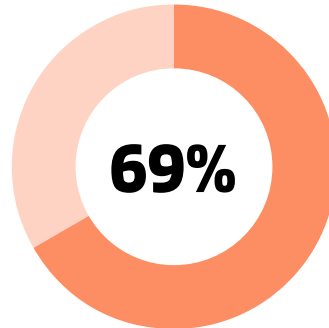


SOFTWARE PAYMENTS

The bottom line is, CX matters — it can drive customer loyalty, and engagement — and that's the ultimate goal, right?

To accomplish this, software companies are now taking a more active role in payments. Payments have become one of the most important parts of the customer experience — and it can also be a gamechanger for software companies. With the power to simplify and transform the journey for your subscribers and their customers, embedding the right payments solution can become one of your biggest differentiators.

According to a report from Gartner, customer experience (CX) drives more than two-thirds of customer loyalty, outperforming brand and price combined.



SOFTWARE PAYMENTS

On the other end of the software payments spectrum is the option to become a payment facilitator or PayFac®. This model enables you to become your own payment processor and receive the full benefits of embedding payments by bringing them in-house.

Becoming a PayFac® developer requires considerable time, resources, and assumption of risk, but it can also be a great fit for a software company with the growth and operational resources to make it work.

You as the software company establish a master merchant account through an acquiring bank to process or facilitate payments. Your customers then set up sub-merchant accounts under your master account, making it much easier for them because you've done all the heavy lifting, including:

- Getting sponsorship from an acquiring bank
- Receiving approval from the payment brands
- Implementing tools to onboard your merchants
- Finding underwriting resources

With those requirements in mind, software companies can typically become a PayFac® developer in one of two ways:

1

You build it

This requires engineering resources and payments expertise, along with ongoing operational expenses.

2

You buy it

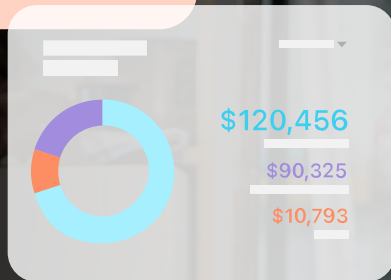
This gives you a complete payment infrastructure and a partner that provides expert guidance on operating a payments business.

SOFTWARE PAYMENTS

In this eBook, we'll cover:

- The different models of software payments
- Benefits and drawbacks for each model
- How each model impacts the customer experience
- Advice for evaluating and implementing your best payment strategy

By the end, we hope you'll have a better understanding of your payments options, so you can begin assessing the right solution for your software company.



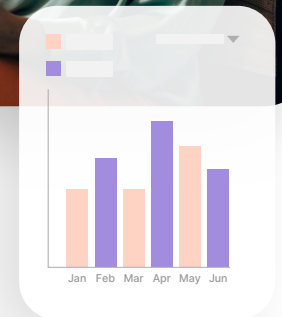
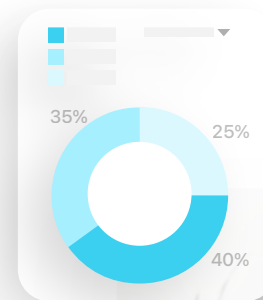
SOFTWARE PAYMENTS

The three models of software payments.

Each model offers its own level of control, complexity, risk, operational requirements, and monetization opportunities. Each also provides a different level of customer experience. As we review these, you'll start to see that the model that best fits your software depends on your customers' needs, your appetite for risk versus reward, your current resources, your business strategy, and your overall payments strategy.

Let's take a look at the three models:

- 1 Referral partnership**
- 2 Payment facilitation (PayFac® developer)**
- 3 PayFac-as-a-Service**



1

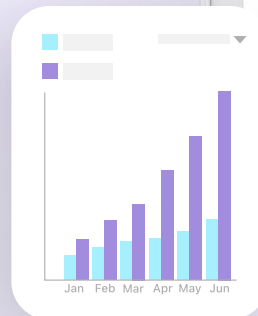
What is a referral partnership?

REFERRAL PARTNERSHIP

What are the pros and cons of a referral partnership?

The oldest and perhaps most familiar model of payments is the referral partnership. With this model, you as the software company make an agreement with a payment processor to become their referral partner. When your customers are ready to set up payments for their business, you refer them directly to the processor and in return, you receive a referral fee.

A referral solution enables out-of-the-box payment processing for a flat fee plus a percentage of each transaction. This model can be the quickest way to start monetizing payments, and one that comes with very minimal risk — but with less risk comes less reward.



Evaluating the referral partnership model

Benefits



- Fastest model to start monetizing payments
- Limited risk (no underwriting responsibilities)
- Reduced complexity
- Minimal upfront investment

Drawbacks



- Smaller monetization potential overall
- Little to no control over the customer experience
- Less control over dynamic payment options
- No rights in customer contracts

REFERRAL PARTNERSHIP

What is my role in a referral partnership?

In short, the referral partnership is an easy way to outsource payments. If you choose a referral partnership, you're essentially sending your customers to the payment processor, leaving you with less operational headache, but with more dependence on the partner.

To the right is a breakdown of the responsibilities of you vs. the payment processor:



Who's responsible for what in a referral partnership?

	You (software company)	Payment processor
<input type="checkbox"/>	Sales	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Merchant underwriting	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Merchant onboarding	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Risk and compliance	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Customer experience and support	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Merchant Billing and funding	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Pricing and contracts execution	<input checked="" type="checkbox"/>
<input type="checkbox"/>	Branding	<input checked="" type="checkbox"/>

REFERRAL PARTNERSHIP

How does a referral partnership impact customer experience?

Referral partnerships are a bolt-on payments solution that never integrates fully — or at all — with your platform. The referral partner controls merchant onboarding, customer service, and all facets of customer payment processing — the only thing you do is make the referral. The hands-off approach leaves you with little control over the customer experience. An advantage is that your customers will typically be able to reconcile payments in the software via API connection, but this connection is visible to the end user.

If you're looking for the fastest path to monetize payments with little time to get to market, referrals might be the best option for your software.



2

What is payment facilitation?



PAYMENT FACILITATION

What are the pros and cons of becoming a PayFac[®] developer?

In this model, you manage the full payments experience and monetize your payments by collecting processing fees, but you also take on the responsibilities and risks of becoming a processor including underwriting, compliance, and investment in new technology.

On the right we've outlined more of the benefits and drawbacks.



Evaluating the PayFac[®] developer model

Benefits



- Completely tailored solution for your software
- Complete control over brand
- Complete control over merchant user experience
- Highest payment monetization opportunity
- Complete rights over customer relationships

Drawbacks



- Full compliance and ongoing regulatory responsibility
- You take on the full financial risk
- Slower time to market
- Full resources required to support
- Evolving strategic priorities

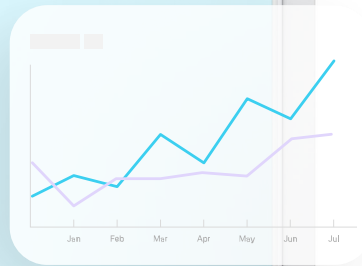


PAYMENT FACILITATION

What is my role as a PayFac® developer?

This model can open you up to complete control over your software's payment experience, but with more control comes more responsibility. Think maximum risk, with maximum reward.

To the right is a breakdown of the responsibilities of you vs. the payment processor:



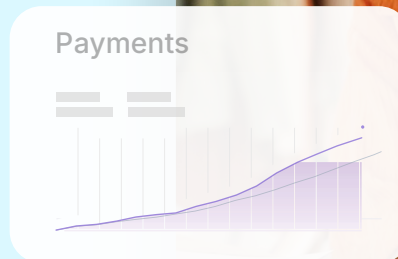
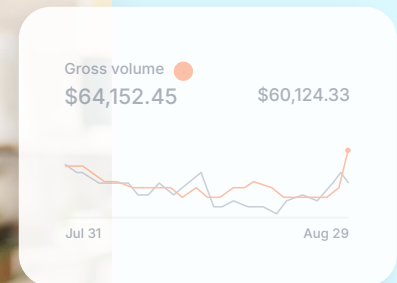
Who's responsible for what when you become a PayFac® developer?

	You (software company)	Payment processor
✓	Sales	<input type="checkbox"/>
✓	Merchant underwriting	<input type="checkbox"/>
✓	Merchant onboarding	<input type="checkbox"/>
✓	Risk and compliance	<input type="checkbox"/>
✓	Customer experience and support	<input type="checkbox"/>
✓	Merchant Billing and funding	<input type="checkbox"/>
✓	Pricing and contracts execution	<input type="checkbox"/>
✓	Branding	<input type="checkbox"/>

PAYMENT FACILITATION

How does becoming a PayFac® developer impact customer experience?

Becoming a PayFac® developer offers complete control over the customer experience. From onboarding a new merchant through their lifetime of transacting, you can deliver the ideal payment experience and level of customer support that seamlessly fits within your brand. However as a PayFac® developer, you're the designated payment expert, which comes with the responsibilities mentioned on the previous page.



3

What is payment facilitation-as-a-service?

PAYMENT FACILITATION - AS - A - SERVICE

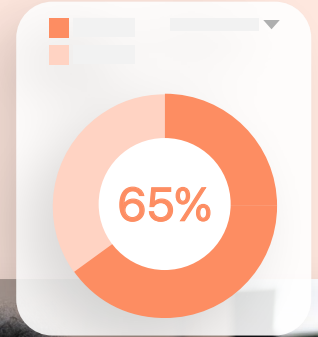
PayFac-as-a-Service offers that “sweet spot” between risk and reward.

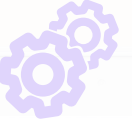
If you're not ready to become a PayFac® developer, but the referral partnership doesn't quite fit with your business strategy, you may want to consider PayFac-as-a-Service (PFaaS). The newest model of the three, PFaaS offers more control than referral partnerships, while offloading many of the responsibilities of a PayFac® developer.

With this model you partner with a PFaaS provider who provides

the infrastructure you need to offer payments to your customers as a white-label solution. To your customers, the payments experience is seamless — and is fully integrated with your software and your brand.

It looks like you're processing their payments, but your partner is managing the risk, compliance, operational costs, and the other complexities of handling payments in-house.



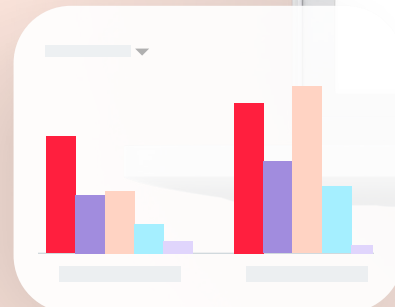


PAYMENT FACILITATION - AS - A - SERVICE

What are the pros and cons of PayFac-as-a-Service?

For many software companies, PFaaS can be the right fit. Where referral partnerships might fall short of the full benefits you're looking for — and where becoming a full PayFac® developer is too resource-intensive — the PFaaS model offers an elegant balance of customization, control, and time-to-value.

PFaaS provides an advantageous blend of both payment monetization opportunities and the ability to integrate the customer experience with your brand. Compared to a referral partnership, you earn more recurring revenue from the share of processing fees. It's also an optimal solution over becoming a PayFac® developer, when speed-to-market and technology investment concerns are a priority.



Evaluating the PayFac-as-a-Service model

Benefits

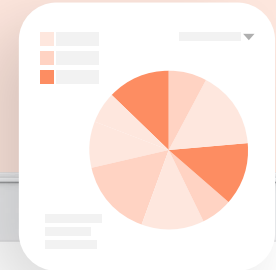


- You choose your level of control
- White-labeling available
- Seamless integration into your software
- Fast and efficient merchant onboarding
- Decreased time to market
- More revenue from customizable processing pricing
- Minimal risk (most assumed by payments partner)
- Opens future opportunity to become a full PayFac® developer

Drawbacks



- More responsibility than referral model
- More staffing / dedicated resources required



PAYMENT FACILITATION - AS - A - SERVICE

What is my role with PayFac-as-a-Service?

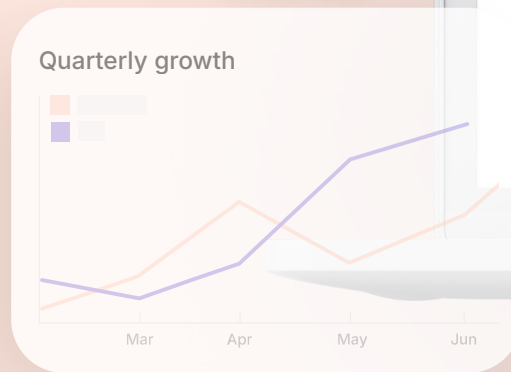
Within the PFaaS model, you take a more active role in your payment processing, with the ability to customize the best payment experience for your customers. You get many of the benefits of being a PayFac®, without the heavy investment or stress of managing risk, compliance, and annual audits.

Want to know how the responsibilities are shared between you and the payment processor? See the breakdown on the right.



Who's responsible for what in the PayFac-as-a-Service model?

	You (software company)	Payment processor
✓	Sales	
	Merchant underwriting	✓
✓	Merchant onboarding	✓
	Risk and compliance	✓
✓	Customer experience and support	
✓	Merchant Billing and funding	✓
✓	Pricing and contracts execution	
✓	Branding	

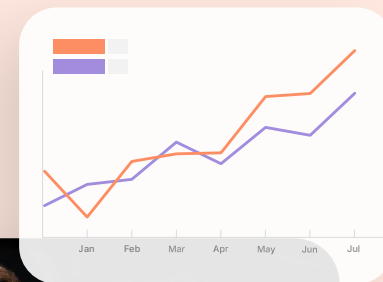


Payment facilitation-as-a-Service

How does the PayFac-as-a-Service model impact customer experience?

The PFaaS model is inherently flexible, leaving your software company's level of involvement in the customer experience up to you. You can choose how much or how little control over onboarding and customer service you want. Naturally, this model supports a superior payment experience by delivering the seamlessness and brand continuity as a full PayFac® developer. However, not all PFaaS providers are created

equal. When researching a partner, it's important to look behind the technology and APIs. Some providers who claim to be "technology-first" leave their software customers with self-guided, trial-and-error-driven developer documentation, making it hard to know where to begin, what best practices to implement, and how to onboard your customers to start processing.



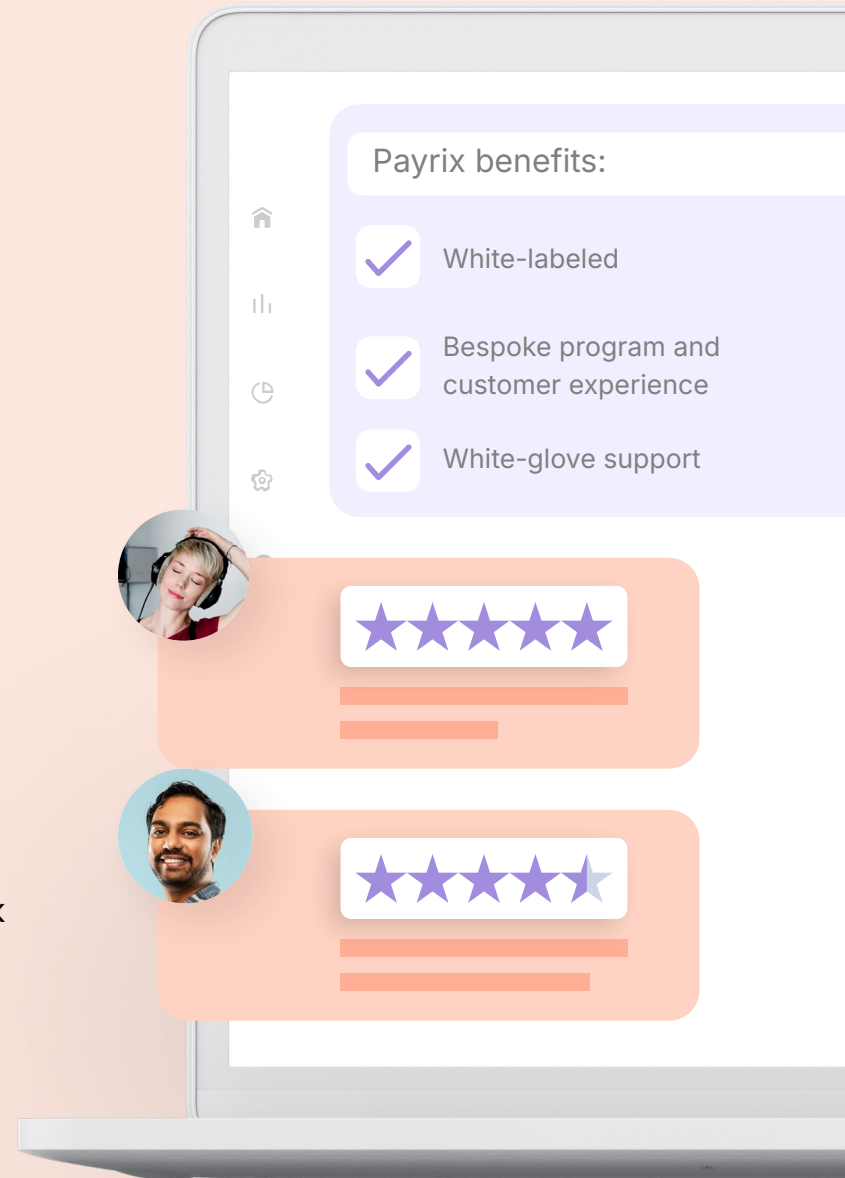
Work with a team who will help you build an implementation strategy that suits your business goals.

PAYMENT FACILITATION - AS - A - SERVICE

The Payrix platform offers more control over your customer experience.

Worldpay for Platforms is a leading PFaaS partner. We help create the most frictionless customer experiences for software companies accepting payments. The Payrix platform offers you the ability to create a white-labeled payments experience, giving you more control over your customer experience and the ability to price it and sell it your way.

Worldpay for Platforms can be a long-term partner to your overall payment strategy, making sure that the customer experience comes first — and that the experience stays true to your brand. Our solution acts as a seamless extension of your operations, providing powerful technology that delivers the exact payments look and feel that you want for your subscribers and their customers.



PAYMENT FACILITATION - AS - A - SERVICE

Included in PayFac-as-a-Service is the white glove support of our payment experts to help you get the most value out of payments, while offering competitive rates. Our expertise allows us to accurately anticipate your needs and guide you through the successful creation of a bespoke, end-to-end payments program, with services including:

- + Transparent merchant onboarding
- + Reduced rates of fraud
- + Flexible fees and billing
- + White-labeled merchant portal and sign-up
- + Variety of card-present options
- + Ownership of the customer relationship
- + Support of a dedicated success team
- + Payment expertise and consulting
- + Go-to-market training and support



PAYMENT FACILITATION – AS – A – SERVICE

All of this is built specifically for your software company, so you can offer a better experience for your customers, get to market faster, and capture more value. Here's a sample breakdown of what to expect from PayFac-as-a-Service:

	PayFac-as-a-Service
Payment Revenue	0.50% - 1.00%
Annual Revenue Opportunity (per \$10,000,000 GMV) \$50k - \$100k	\$50k - \$100k
Salary Expenses	\$0 - \$125k
Customer onboarding	Fully Integrated
Control Medium	Medium
Customer branding	White Label
Risk	Hybrid
Regulatory burden	Minimal
KYC, AML and Risk Tools	Embedded and Managed
Technology investment	Low
Registered PF	Payrix
Time to deploy	3 Weeks - 3 Months



In a recent Forrester Total Economic Impact™ study commissioned by Payrix, software companies using the Payrix platform reported these benefits



Return on investment (ROI) up to 264% over three years



Increased 'stickiness' and loyalty of customers



Improvements to customer onboarding



Reduced time for customers to begin transacting



Reduced customer service issues



Greater satisfaction with transaction speed



Overall increased customer experience scores

How to develop your best payments strategy.

Your software payments model is part of your greater payments strategy — one of the most vital pieces of scaling your software company. If you don't have a clear cut payments strategy, that's okay. Now is the perfect time to take a step back and think about the bigger picture. When it comes down to it, there are two main reasons to implement a payments strategy for your software:

- 1 **To enhance the customer experience and drive LTV**
- 2 **To monetize payments as an additional revenue stream so you can scale**

You may be focused on one or both of these.

Wherever you are in your payments journey, the right partner can meet you where you are to support your vision, enhance your business strategy, and collaborate with you to accomplish your goals.



Your payments partner will ask the right questions and help you identify your best opportunities. Your partner should also have the ability to grow with you. If they match your needs today, great — but it's important to make sure they can also meet your needs in the future.



PAYMENT FACILITATION - AS - A - SERVICE

Before engaging with a payments partner, there are some questions you also have to ask yourself, including these:

What outcomes do you want to drive for your subscribers and their customers? Remember that every business has unique needs and a unique customer base.

What do you want the experience for your customers to be? Start with the customer challenges you're trying to solve.

How are you thinking about payments within your overall business strategy? Are you willing to build it yourself, or work with a partner?

How much of the value chain do you want to capture with software-led payments? This will help determine which model, and which partner, will serve your strategy best.

Are you expanding to global markets? A partner with established global reach can align with your business goals and help you scale and manage the diversity of regional payment methods including compliance, risk, and regulatory considerations, as well as help you consolidate and aggregate volume with as few partners as possible.



Does their solution align with your business plan? The right payments partner should be creating a solution that works with your business plan — not the other way around.



PAYMENT FACILITATION – AS – A – SERVICE

Finding the best payments model that aligns with your payment strategy will depend on certain factors including your unique customer needs, available resources, payments knowledge, appetite for risk, and payment goals. It's important to understand that there's always a risk-reward tradeoff, and it comes down to understanding

your current capabilities and long-term business plan for your future. Worldpay for Platforms has been serving software companies for decades as a trusted payments partner. Having invented payment facilitation and owning the trademark PayFac® developer, we offer a full spectrum of opportunity

with all of the payment models we reviewed and can help you make the best decision for your software company. To help you compare your options, here is a breakdown of the requirements for each model, specific to the solutions offered by Worldpay for Platforms:

	Referral Partnership	PayFac-as-a-Service	PayFac® developer
Complexity level	Low	Medium	High
Level of control over customer experience		High	
Implementation requirements	Payment application only	A payment application with custom development or out-of-the box UI	Custom development
Implementation timing	0-1 month	3 weeks-3 months (developer dependent)	9-12 months
Staffing requirements	Sales (at a minimum)	Sales, Marketing, Product Customer Support	Full scale payments team including: Risk, Underwriting, Fraud, Compliance
Operational cost	Low	Medium	High
Revenue potential	\$	\$\$	\$\$\$

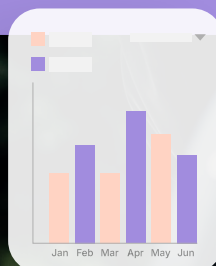
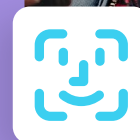
SOFTWARE PAYMENTS

Transform your software into the ultimate hub for every interaction and transaction.

With decades of payments and software experience, we're a supporting partner that can provide you with a dedicated implementation and strategy team to help you drive deeper engagement with your customers, increase revenue, and scale your operations.

We'll help you delight your customers — and your financial stakeholders — by creating a differentiated product that will seamlessly fit within your software platform, help your brand stand out from the competition, and drive future growth.

Through our expertise, innovation and a relentless focus on user experience, we help you move faster and more efficiently than your competitors.



worldpay
for platforms

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