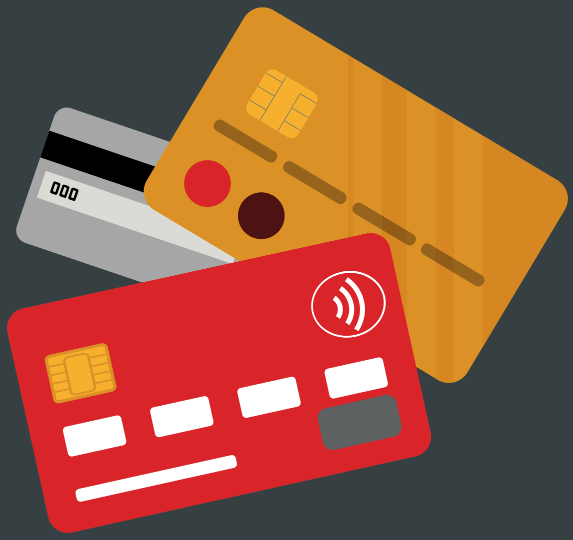
Infinicept
GET PAYMENTS GOING YOUR WAY™

How Does Becoming a Payment Facilitator Improve Your Merchant's Experience?

Many business-to-business software companies were founded for a single, fundamental purpose: to improve the business solutions available to a certain industry or vertical.



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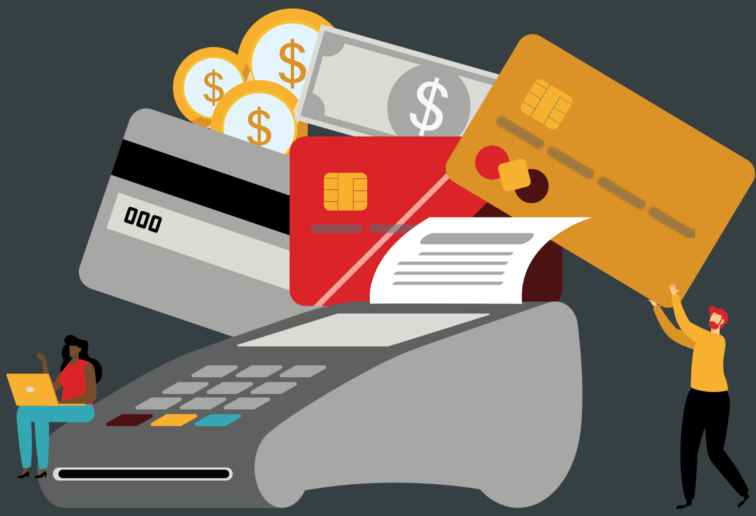


For years, small businesses such as healthcare providers, restaurants, spas and salons have had to “make do” with business tools and software that weren’t meant for their specific needs. They might have cobbled together solutions from multiple vendors or supplemented general business tools with time-consuming manual processes.

However, B2B software companies, otherwise known as independent software vendors (ISVs), have recognized the opportunity inherent in fixing broken processes. Based on a deep knowledge and understanding of their industries, they have developed tools to automate functions unique to those merchants, such as taking orders, scheduling appointments, or handling deliveries.

They have integrated those functions into their technology-enabled solutions to create the comprehensive sets of tools small businesses need to grow and succeed. The rise of these integrated solutions has streamlined business operations and allowed many small businesses to focus on what they love to do: serve their customers.

Yet one crucial piece of the process remains broken for many of these small business- es: accepting payments. To go beyond cash and checks to give consumers the payment choices they’ve become accustomed to from larger companies, small merchants have had to tap into a payments ecosystem that was not built with them in mind.

SOLVING THE PAYMENTS PIECE

Setting up payments capabilities is no easy feat, and it has historically been out of reach for many small businesses. Traditionally, any merchant who wanted to accept electronic payments needed to work directly with sponsor banks, ISOs (independent sales organizations) and / or payments processors, often referred to either separately or collectively as acquirers. This meant again turning to a vendor that offers a one-size-fits-all solution intended to cover a broad array of businesses, many of which are processing large volumes, in a single, cumbersome process.

For the software companies providing business solutions to these merchants, this legacy payments ecosystem does not operate in their favor. ISVs have no control over the processes that touch their merchants every day, from determining processing fees and rates to underwriting and onboarding to handling funding and chargebacks once payments are flowing. Even though they know their merchants better than a bank, ISO or processor ever could, they are at the mercy of third parties who are handling this critical piece of their merchant's ongoing experience.

That experience begins with the very first foray into accepting payments. The process an acquirer uses for onboarding and underwriting can be quite cumbersome for many merchants, especially small businesses. The ISV has no control over contract terms and pricing, both of which are rarely transparent and often confusing.

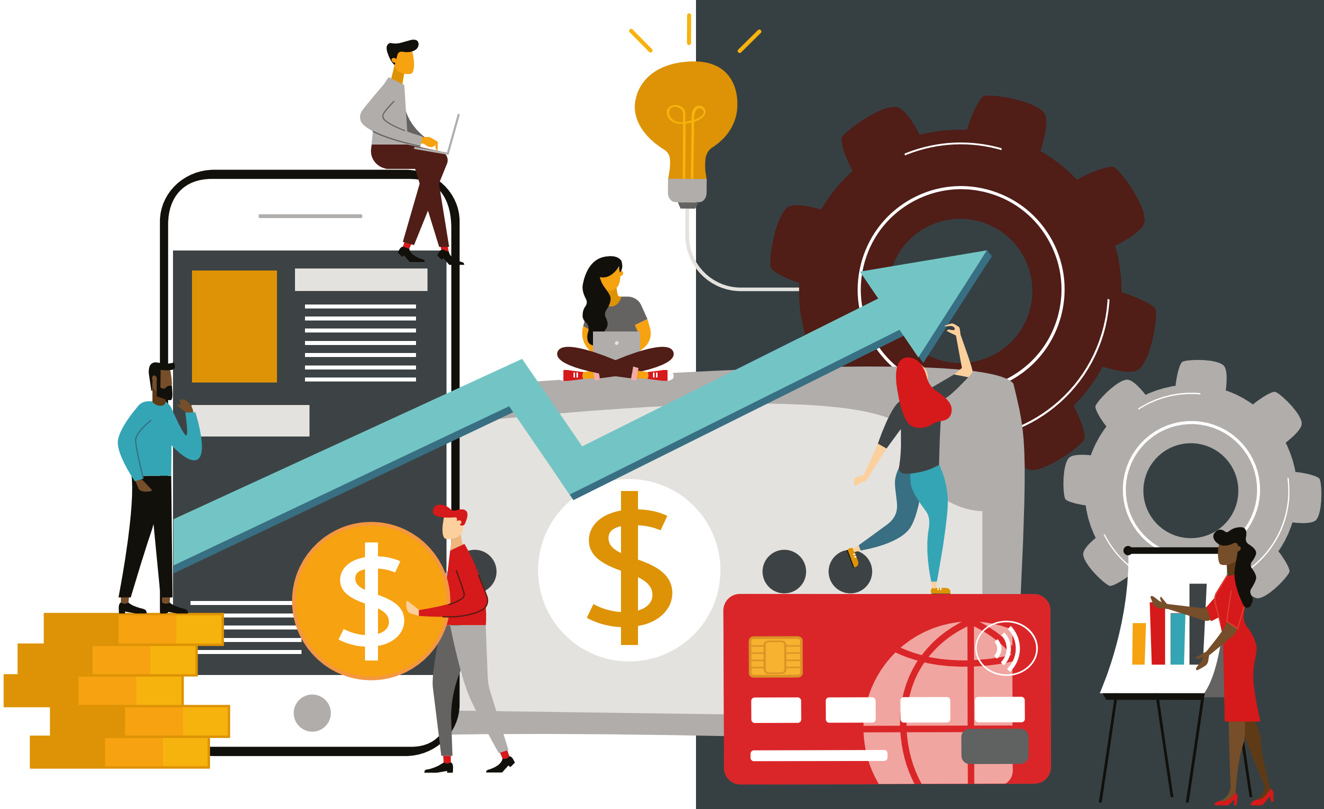
Merchants also often face long waits and friction during the underwriting and onboarding process. The legacy process of underwriting a merchant application can take days or even weeks. Most acquirers use the same process for all merchants, no matter their size or the market they're in. This means that some elements of the required process simply may not apply to many merchants.

Within the legacy acquiring system, merchants also face a one-size-fits-all process regarding transaction funding. The acquirer dictates the speed at which its merchants receive funds from their completed sales, a system that is not likely to take a small business's cash flow needs into account.

Finally, merchants who are working with acquirers to accept payments are again adding another touchpoint, relying on a vendor separate from their business software provider. They might also have to resort to having multiple systems at the point of sale – needing to maintain separate systems for loyalty and rewards or manually record sales data into their customer relationship management systems, for example.

Ultimately, when the ISV has no control over payments acceptance, its customers must deal with third-party processes that interrupt the customized and tailored experience the ISV has worked hard to provide.

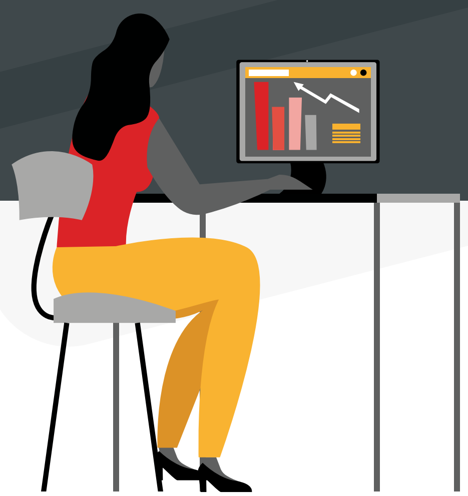
In the past, this poor experience prevented numerous small and micromerchants from reaping the benefits of accepting electronic payments at all. For many, accepting digital payments was simply not worth the hassle or the time it would take.



HOW THE PAYMENT FACILITATOR MODEL IS DIFFERENT

The advent of the payment facilitator (Payfac) model changed all that. By integrating payments into their software and taking control of the merchant experience, ISVs who choose to become Payfacs are better able to deliver the best possible solution to their customers, end to end. And now more than ever before, technology is available to help Payfacs develop those customized processes more easily and efficiently.

ISVs have detailed, in-depth knowledge of the verticals they serve, which allows them to tailor processes to their merchants. Becoming a Payfac allows software companies to offer payment processing services that are built to meet the specific needs of their own unique markets.



Underwriting and Onboarding

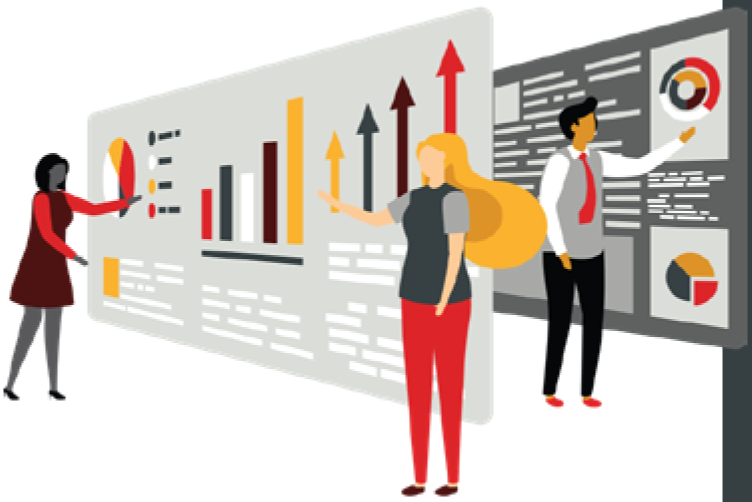
Becoming a Payfac starts the payments relationship between an ISV and its merchant, referred to as submerchant in the Payfac model, off on the right foot by enabling the ISV to fit the underwriting and onboarding experience to its vertical or industry.

First, Payfacs can create their own dynamic, flexible submerchant applications, which enable applicants to undergo a process that applies specifically to them. Submerchants operating in a specific vertical may be able to offer specialized information that is distinctively relevant to their business, information an acquirer without an ISV's detailed knowledge would never know to ask. At the same time, a Payfacs customized application can eliminate asking for information that has nothing to do with that merchant at all.

A Payfac can then further use technology to determine whether an application should be automatically accepted or requires a more detailed review, based on thresholds it sets itself according to the demands of its unique industry and its tolerance for risk. Many payment facilitators are able to use what is known as frictionless onboarding, a defin- ing feature of the Payfac model, to reduce and even eliminate delays and enable their submerchants to begin processing payments quickly.

Frictionless underwriting uses automated database checks and other technology-enabled solutions to quickly determine whether the merchant applying to accept payments is likely to be a bad actor. If the automated systems flag a concern, a human can give it a closer look. Using technology in this way means that many merchants, particularly those who are applying for small processing amounts, are able to begin accepting payments quickly after submitting their applications.

This capability not only cuts down on manual processes for the Payfac, it expedites the underwriting process to get many more submerchants up and generating revenue much quicker than they ever would have before.



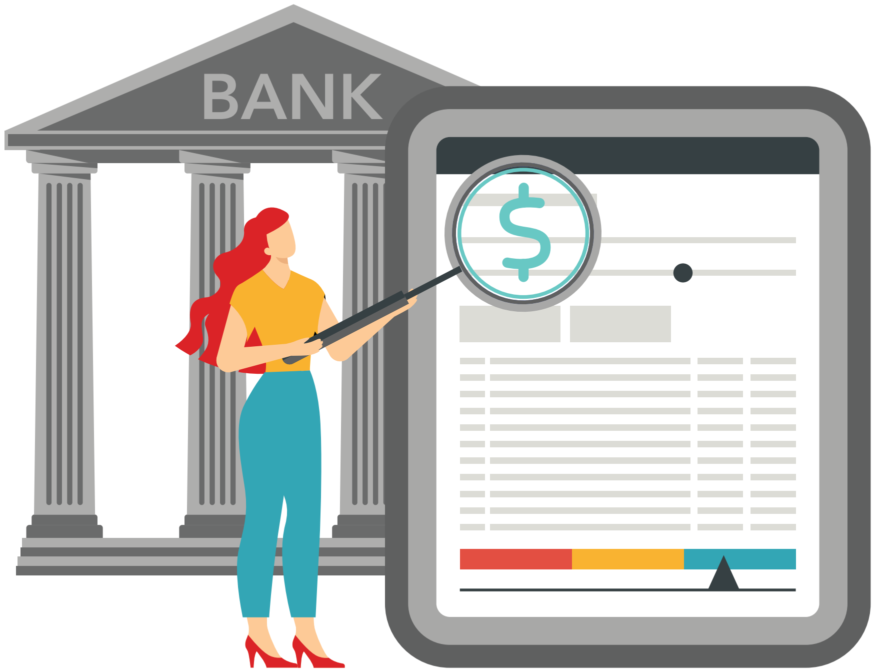
Processing Rates

Becoming a Payfac also gives the software company a prime opportunity to improve an aspect of the merchant experience that is often perceived negatively: processing rates.

In the traditional model, merchants are charged discount rates which are often fluid and are based on fees determined by the card-issuing banks, known as interchange fees. These fees are calculated based on multiple complex variables. This makes it difficult for small business owners, who may not be payments- savvy, to keep track of exactly how much they are paying per transaction.

When an ISV becomes a Payfac, it can choose to offer simplified pricing to its submerchants. For example, a Payfac may charge a flat percentage fee, plus an additional set amount, per transaction. This type of pricing makes it crystal-clear how much the submerchant will pay per transaction in processing fees.

Simplified pricing structures improve the merchant experience first and foremost by providing more clarity around the profit merchants will make on each item or service sold, enabling them to make smarter business decisions.



Funding

Traditionally, after merchants began processing payments, accessing the funds they had earned from their completed sales could take as much as a few days, which can restrict the cash flow on which they depend. When Payfacs are in charge of funding schedules, they have the opportunity to tackle these funding delays.

Technology and increased access to data create a more detailed understanding of submerchants, which helps Payfacs to speed the process of fraud and risk mitigation that has traditionally contributed to the delay in transaction funding.

As a result, many are able to offer same-day funding for a large portion of their merchants. This improves the merchant experience and even creates a competitive advantage for the ISV who includes "faster funding" as a selling point for their software.

Transaction Reporting

For merchants who turn to traditional acquirers for payments, reporting on transaction data can be scattered, if it exists at all. But many technology offerings allow Payfacs to provide their submerchants with self-service portals that allow them to get the information they need, when they need it. They can view details about transactions, funding and chargebacks, for example, online and on demand. This access to detailed, real-time data gives them more insight into their business and enables them to make better business decisions.

The data available to the software provider also allows it to expand the capabilities that it offers its merchants. Many Payfacs are incorporating loyalty and rewards programs, for example. Tying sales data directly to rewards programs enables merchants to improve the relationships they have with their own customers directly at the point of interaction, delivering a more seamless experience and building customer loyalty.

Creating a Unified Payments Experience

For small merchants, the need to source multiple vendors for different parts of their business and integrate technologies from those vendors can be laborious and can create unnecessary obstacles to growing a business. When an ISV becomes a Payfac, it consolidates touchpoints and vendors, making itself a one-stop shop for the merchant's needs.

When a merchant works with a Payfac, it no longer needs to get its business tools from a software provider and then separately apply for a merchant ID and receive funding from an acquirer. Integrating payments within a software solution enables merchants to work with a single provider for all of their business needs. They are often also able to seamlessly pull their sales data into other systems, such as accounting, inventory management, or customer relationship management.

For certain verticals, the ability to manage payments through a single platform is even more critical. In healthcare, for example, providers have to navigate a complex system with multiple vendors and points of payment. Payfacs can help to connect these fragmented networks through a single platform, making getting paid much easier.

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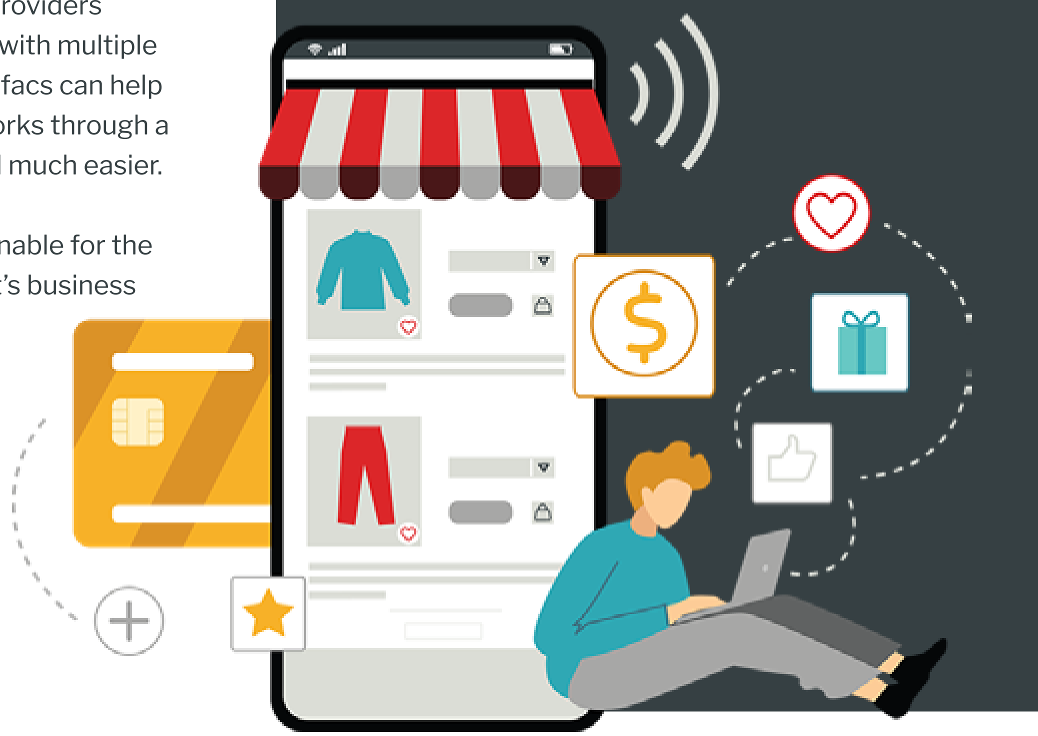
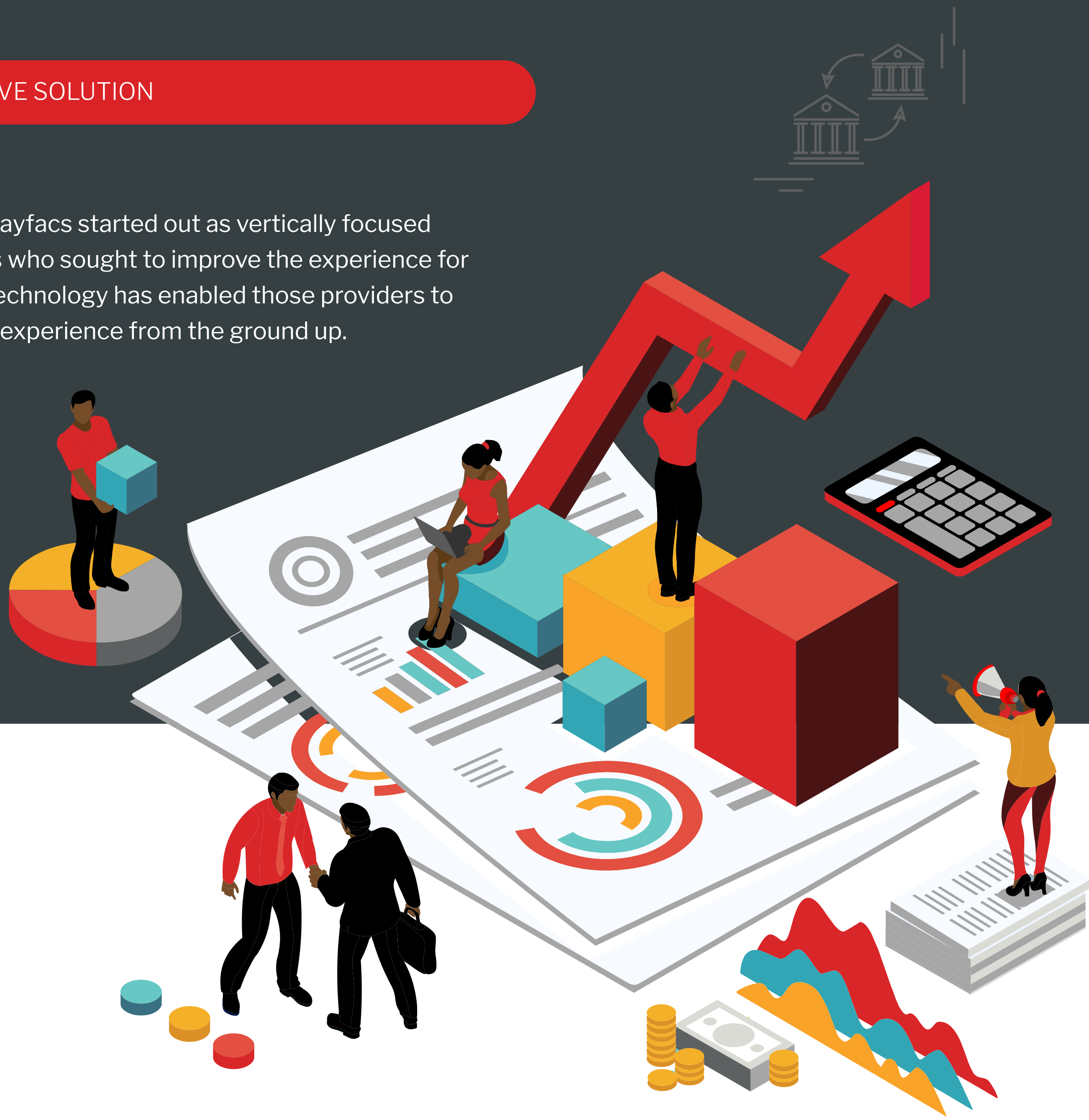


A COMPREHENSIVE SOLUTION

Many successful Payfacs started out as vertically focused software providers who sought to improve the experience for their merchants. Technology has enabled those providers to build a new, better experience from the ground up.



Operating as a Payfac gives ISVs the control they need to bring previously cumbersome, complicated pieces of operating a business together. This enables them to offer truly comprehensive solution sets for their specific markets. With better control over the payments process, ISVs can take advantage of technology and their unique knowledge of their customers to tailor experiences and create value for their merchants that other providers cannot.

Some ISVs aren't yet ready to make the leap to becoming a Payfac. They may feel they're not yet large enough or that it's more important to bring payments capabilities to market quickly than have complete control over their payments.

For these ISVs, solutions like Infinicept's Launchpay program can help bridge the gap. Infinicept's suite of solutions enable ISVs to fast-start their payments program and seamlessly transition to a Payfac when they are ready.

ABOUT INFINICEPT

Infinicept is a FinTech company that provides payment solutions for software companies, payments companies, and financial institutions, no matter where they are in their payments journeys.

Its Launchpay program allows software companies to monitize payments today, while having the freedom to grow and scale their payments program tomorrow. Its PayOps software-as-a-service (Saas) platform offers underwriting, onboarding, and merchant management solutions that allow companies to have total ownership of their payments strategy.

By embedding payments into their products, Infinicept enables companies to exponentially amplify growth and increase revenue by tapping into the $585 billion embedded finance marketplace. More than 300 leading software companies, payment processors, sponsor banks, and others rely on Infinicept to help them transform to the new era of software-led payments.

Ready to have control over your payments program? Talk to an Infinicept payments expert to learn more about the payment facilitator model and how to get started.

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