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Merchant insider:
Payment insights for software leaders

Deep-dive into the mindset of your customers, exploring how payments functionality is rewriting the rules for software success.

Riding the wave of the software evolution

In today's fast-moving software industry, payments matter.

This report will show you why with 8 out of 10 merchants stating it's extremely important for them to accept various payment types and 1 in 5 merchants being extremely likely to switch software to accept more payment types. And when it comes to merchant challenges, the ability to integrate new tools such as payment capabilities, train staff, and the simplicity of solutions are all fighting for a place at the top of the list of pain points.

Now more than ever, software companies are exploring deeper integrations into payments, from offering up embedded payments that truly meet customer needs to layering in an additional revenue stream. But how do software providers ensure payments really will serve up what customers want? By asking them of course.

In this report, we wanted to understand what merchants think about their vertical software solutions in general, using this as the key to unlock unique insights into the importance of payments and payments experiences in their software.

These merchant insights are a must-have. So, if you're looking for powerful and actionable knowledge, you're in the right place.

Report methodology

The fieldwork for our survey was conducted during the period of August to September 2023. The survey targeted respondents who were associated with merchants using software to manage various aspects of their operations, such as payments, CRM, inventory, and resource planning.

A total of 518 merchants participated in this research, with all respondents holding roles related to financial and/or technology decision-making for merchants based in the United States. These merchants operated within one of seven specific industries and fell within the annual revenue range of $500,000 to $500 million.

To ensure a representative and balanced sample, quotas were established for annual revenue, region, and industry. The distribution of revenue and industry was designed to align with our target market. Additionally, the sample aimed for a nationally representative distribution of regions in accordance with RFI's ongoing research councils.

Significance testing was conducted at the 95% confidence level where applicable, ensuring the reliability and validity of the survey results. This methodological approach was employed to gather insights that accurately reflect our target market and provide valuable data for their business operations and decision-making.

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[Section 1.]

What's hot and what's not in management software solutions

Just how content are merchants?

Can customers get any satisfaction? According to our findings they can, with merchants being generally satisfied with their current solutions.

This reflects vertical SaaS providers' continuous efforts to meet the evolving needs of merchants across various sectors, striving to offer products that fulfill modern business requirements. The lack of any particular provider, or sector, showing negative views suggests that the software industry has been successful in delivering reliable and functional solutions to its diverse client base.

Software users
Top 3 drivers of satisfaction

1 Clarity of the user interface

2 Responsiveness of the user interface

3 Overall ability to tailor the solution to suit industry needs

Software users
Top 3 pain points

1 Ability to change aspects and integrate new tools

2 Ease of training new staff

3 Overall ease and simplicity of using the solution

# Clarity and performance – they want it all

The focus on interface clarity as the top factor contributing to satisfaction demonstrates that usability is vital in ensuring that software users can adapt fast to the software and use it effectively.

The need for software to dish up prompt results, especially in a world where real-time data and fast decision-making reign supreme, is emphasized by the high-ranking status of responsiveness.

Taken together, it's clear that interface usability and responsiveness are fundamental hygiene factors that merchants and software users across sectors expect from their management software.

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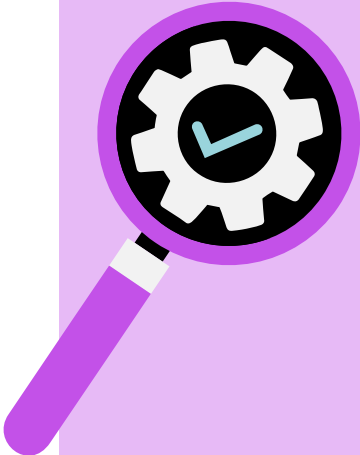
What single thing would most improve the merchants' management software?
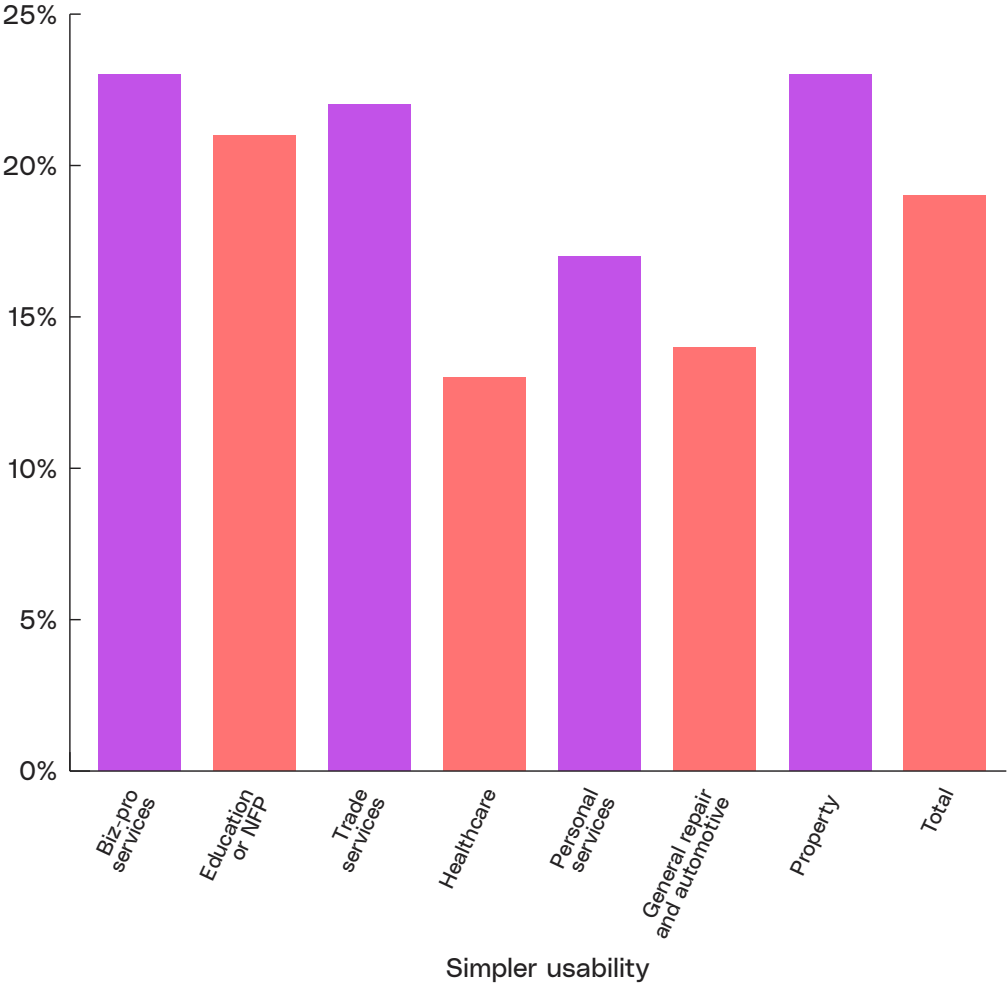
Simpler usability

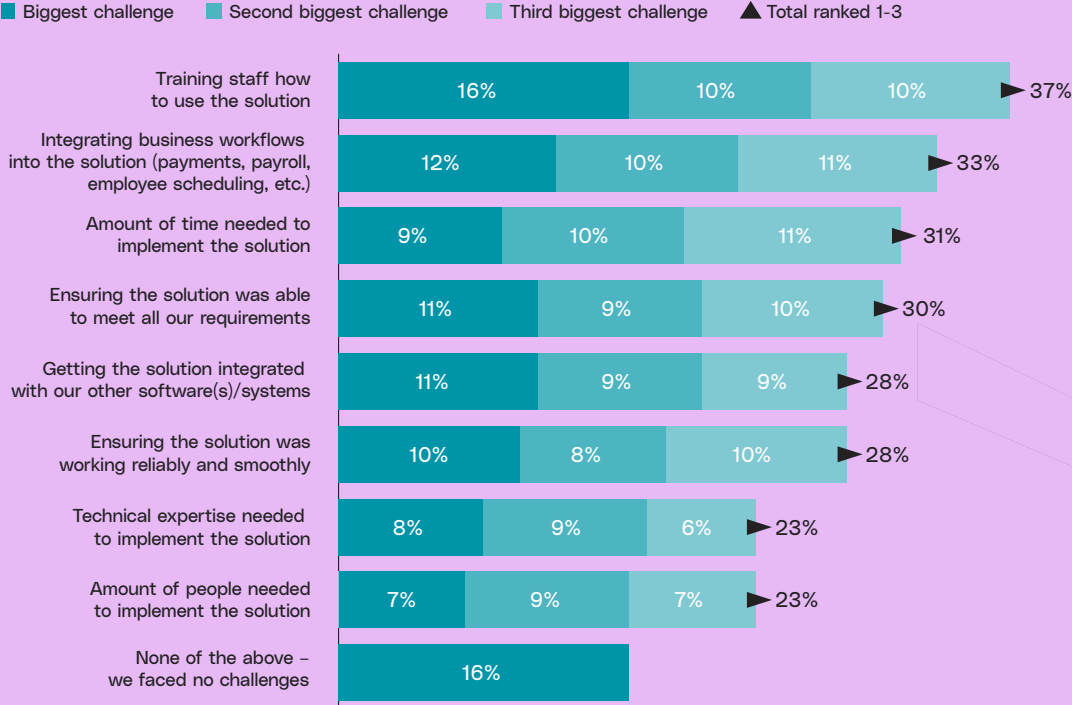# The never-ending story of improving usability

While the overall satisfaction with management software might be positive, there's still a constant cry for better usability across different industries like business, education, not-for-profit, trade services, and property.

It's all tied to user experience, and merchants in these sectors just want software that's easy to use, super-intuitive, simple to navigate, and doesn't require a whole training camp for their staff.

[It's all about making software that fits like a glove into the specific needs and expectations of users in these different industries.]

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Balancing functionality with user-friendly experiences

What were the biggest challenges in implementing the management software?

■ Biggest challenge ■ Second biggest challenge ■ Third biggest challenge ▲ Total ranked 1-3

Challenge	Biggest	Second	Third	Total
Training staff how to use the solution	16%	10%	10%	▶ 37%
Integrating business workflows into the solution (payments, payroll, employee scheduling, etc.)	12%	10%	11%	▶ 33%
Amount of time needed to implement the solution	9%	10%	11%	▶ 31%
Ensuring the solution was able to meet all our requirements	11%	9%	10%	▶ 30%
Getting the solution integrated with our other software(s)/systems	11%	9%	9%	▶ 28%
Ensuring the solution was working reliably and smoothly	10%	8%	10%	▶ 28%
Technical expertise needed to implement the solution	8%	9%	6%	▶ 23%
Amount of people needed to implement the solution	7%	9%	7%	▶ 23%
None of the above – we faced no challenges	16%			

Two of the common issues faced by management software users are that it's hard to navigate and time-consuming to complete tasks. Meanwhile, the biggest speedbumps in the onboarding journey for merchants come from having to train staff and integrate workflows, such as payments, into the solution. Those merchants who do report the experience as difficult, are significantly more likely to state technical expertise as the reason.

This isn't surprising when so many management software solutions come packed full of an overwhelming mix of bells, whistles, features, and functionalities for merchants to navigate. Without extensive training, this can lead to underutilization of the software, hindering its full potential.

Better user experience not only makes the software more efficient, but also allows merchants to save time and money, especially when it comes to integrating new tools and functionalities like payment integrations.

The value in being verticalized

Interestingly, we found that merchants using 'true' industry-specific providers are significantly less likely to report challenges during the onboarding process. And those who did have challenges are generally aligned to the rest of the market.

This emphasizes the need for user-friendly features that match the specific needs of users in these industries, particularly in payments, and highlights the value that made-to-measure solutions can bring.

The deep understanding vertical SaaS providers have of their particular sectors means they are perfectly placed to offer software that is fine-tuned to meet specific industry needs. As a result, merchants will find the onboarding process smoother and more aligned with their industry's operational norms, reducing the likelihood of obstacles.

Section 1:
Key takeaway

In a dynamic software market, you need to be ready to adapt. It's only through continuous evolution that vertical SaaS providers will be able to meet the merchant expectations and industry demands that are essential for retaining a loyal customer base and sustaining long-term growth.

Success hinges on maintaining a delicate balance between managing software and payments functionality, tailoring solutions to industry needs, and ensuring user-friendliness. This in turn involves facilitating easy changes and integrating new tools while prioritizing effective support.
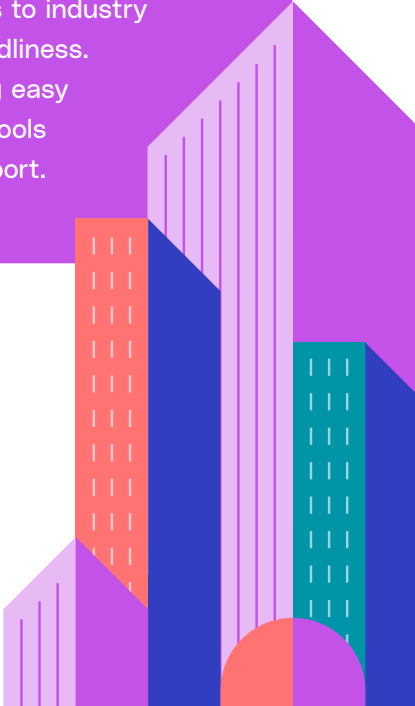
[Section 2.]

The role of payment capabilities
in management software

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Payments are becoming a priority

What were the biggest challenges in implementing the management software?

The diverse range of tasks that can be performed — 29%

The overall cost of the solution — 27%

Flexibility in adapting the software to our needs — 26%

The security/data protection capabilities with the solution — 24%

The ability to integrate it with other business software solutions — 24%

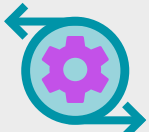The payments capabilities the software has — 22%

In the past, merchants have chosen their software solutions due to the diversity of tasks they can perform over cost, with payments capabilities ranking 6th out of 12.

8/10 merchants

say that payments are extremely important

But times have changed.

Now, payments are overwhelmingly important, and merchants see them as key to both the management software and their business overall.
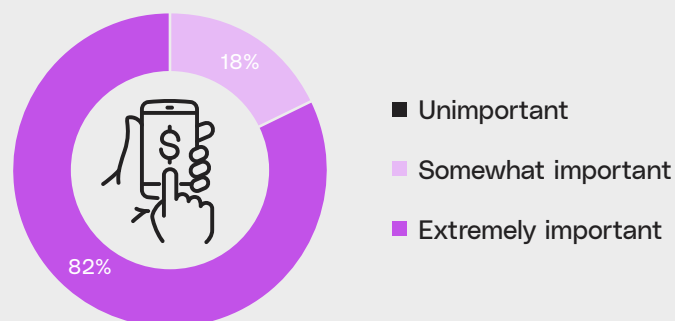
<1% of merchants

state that payments capabilities are not important for management software solutions

The result? The vast majority of merchants now report that they have payments capabilities within their software. Although the general repair and automotive (GRA) sector is less likely to have this, it still has a high level of payments capabilities overall.

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Payment capabilities give merchants the edge

Driven by advancements in technology, changing consumer preferences, and global economic shifts, consumer payment trends have seen rapid evolution in recent years. This makes payment integrations a focal point as they have a direct impact on customer experience.

In relation to the business management software, how important are payments capabilities to your business?

18%

82%

- ■ Unimportant
- ■ Somewhat important
- ■ Extremely important

Customers who use these payment capabilities provide the primary source of income for merchants across all industries included in our survey. For merchants to stay at the front of the pack of competitors, they must have the most updated and immediate payment capabilities to ensure the process is as easy as possible for their customers. Any technical difficulties or lack of options will mean waving goodbye to customers and revenue.

>1 in 2 merchants
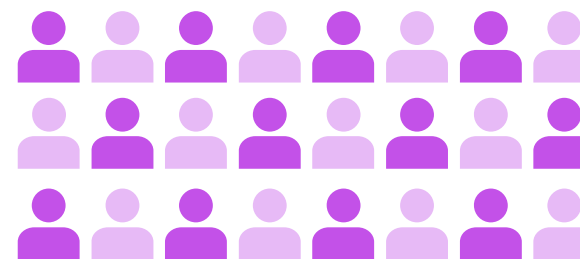
have an appetite to switch their software provider within the next 12 months, with the GRA sector significantly more likely than others to want to switch

To retain merchants, vertical SaaS providers must meet their needs and be able to better tailor software solutions to industries.

The conversation should be around prioritizing payments and finance capabilities over business tools such as inventory, employees, or supply chain management.

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Payment capabilities:
What's driving merchant satisfaction?

Good news; merchants are generally satisfied with their management software, particularly in seamlessly handling business-critical payroll. Quick access to funds from customer card payments within 24 hours is another key driver of satisfaction, as it improves overall cash flow. This highlights the importance of payment solutions that seamlessly integrate with management software, providing merchants with efficient tools for financial operations.

Software users
Key drivers of satisfaction related to payments

1 Manage payroll from within the software solution
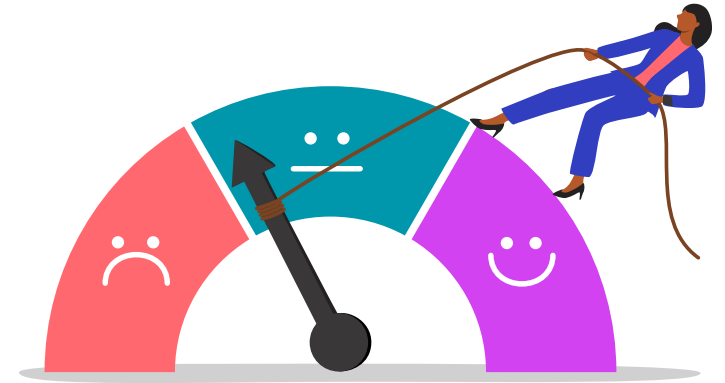
2 Receive funds from customer card payments within 24 hours

Software users
Key pain points related to payments

1 Receive working capital loads via the software solution

2 Pay out multiple people from a payment into your business

But what's making merchants reach for their mindfulness app?

It's challenges like accessing loans and efficiently making payouts to multiple recipients from a single payment.

This desire to access loans highlights the need for integrated platforms, not just for daily transactions but also for essential financial services.

Streamlined and automated disbursement capabilities are in demand, underlining the importance of integrated payments that go beyond basic transaction processing to meet the diverse needs of merchants in managing their financial operations effectively.

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Why payment acceptance matters to merchants

Payment acceptance is a top priority for merchants because of the direct impact it has on customer satisfaction, sales, and operational efficiency. Offering a variety of payment options not only helps meet diverse customer preferences, but also contributes to a seamless buying experience, increasing the likelihood of completed transactions and building customer loyalty.

8/10 merchants
report accepting card payments

3/4 merchants
report accepting cash payments

Unsurprisingly, electronic payments, particularly card transactions, dominate for merchants. However, their continued acceptance of cash shows how merchants have to flex to diverse consumer preferences. This dual approach to meet the needs of a wide range of customers shows the ongoing importance of both electronic and traditional payment methods.

We've seen a big shift towards digital and automated payments, with merchants most likely to be accepting payments online and via a direct transfer, with only trade services reporting transfers as the most common method of acceptance.

This aligns with the convenience and speed demanded by today's customers, reflecting the trend of increasing e-commerce and preference for cashless transactions. Direct transfers also indicate a move towards more efficient and secure financial processes, eliminating the need for physical checks or in-person transactions.

Embracing various payment methods not only boosts competitiveness but also positions merchants as adaptable and customer-centric – essential for sustained success in today's market.

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Quality payments really do make you more attractive to merchants

The big driver of retention across providers and sectors is the quality of payment capabilities. On the other hand, the motivating factor that gets customers eyeing the exit is a desire for more innovative options and wanting something simpler to manage.

So, getting payment capabilities right in today's fast-paced and digitally driven market is essential to unlocking loyalty. And having a payment experience that's smooth and versatile doesn't just keep customers satisfied; it shows merchants are on the cutting edge of what they want.

1/5 merchants

would be extremely likely to switch management software to be able to accept all the types of payments wanted

Meeting big demands with oodles of choice

With the rapid increase of new payment methods requiring merchants to cater to a wide range of customer choices, it's no surprise that merchants are extremely likely to switch management software for broader payment acceptance. It's clear that merchants are ready to make significant software changes to diversify their payment offerings and meet the dynamic demands of their customers and maintain a competitive edge in their respective industries.

General repair and automotive (GRA) and healthcare

83%
of GRA sector merchants

want to switch, with one of the top drivers being that they're unhappy with their current payments capabilities

48%
of healthcare sector merchants

want to switch as they've used their current solutions for a long time and want greater innovation

What does the GRA sector want? Better payment capabilities. When do they want them? Right now apparently, as they are significantly more likely to switch providers to access expanded capabilities. They value the ability to distribute cards throughout the business, suggesting a focus on enhancing transaction flexibility and customer convenience.

Meanwhile, the healthcare sector prefers T+1 settlements integrated into management software and the option to apply surcharges at the point of sale. This shows their strategic focus on optimizing payment processes and accommodating the unique demands of healthcare transactions.

Taking a step back, it becomes clear that merchants are driven to switch software providers for more innovative and industry-specific solutions, aligning with the trend of advancing technology and changing customer expectations. They seek software that not only meets current needs but offers future-forward features to stay competitive.

Section 2:
Key takeaway

Nothing is evolving faster and more furiously than consumer payment trends. This throws a spotlight on the growing importance of payment integrations.

Merchants now consider high-quality payment capabilities and payment acceptance as essential ingredients for their management software and overall business success. Baking in these benefits helps them cater to the diverse range of consumer preferences.

Vertical SaaS providers must understand the appetite for these capabilities, offering innovative, industry-specific solutions to retain customers in a competitive landscape.
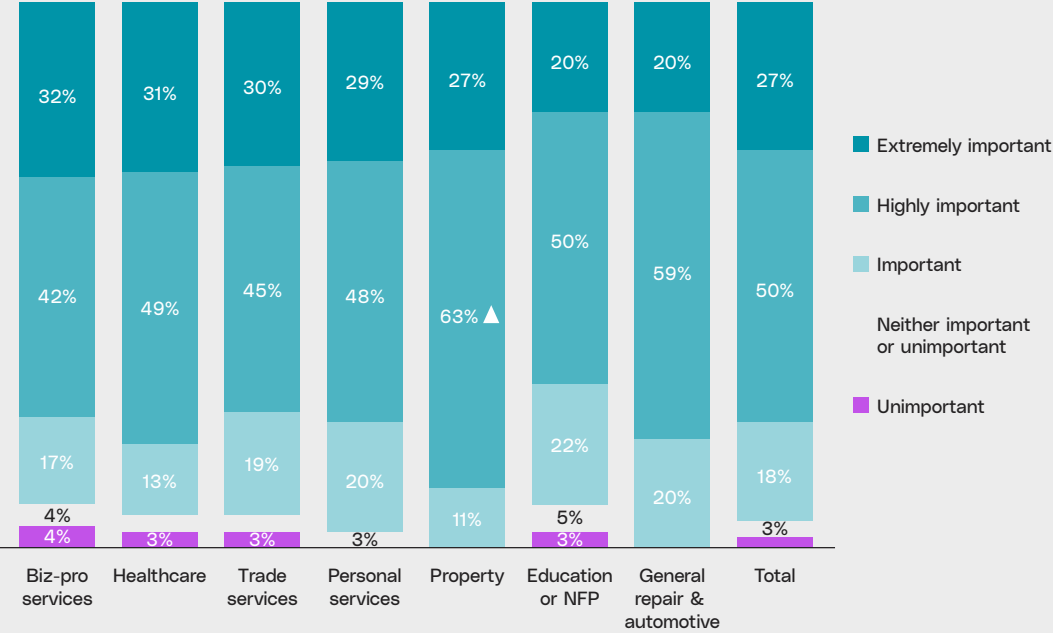
[Section 3.]

Future software choice?
It's all about payment capabilities

Customer expectations expanding

Merchants on the hunt for a new management solution must consider several factors to ensure it will effectively support business operations. As we learned in the previous section, payments capabilities are seen as highly important when tracking down a new solution, regardless of the current provider used or the sector the business operates in.

How important is the integration of payments capabilities when choosing a new management software?

	Biz-pro services	Healthcare	Trade services	Personal services	Property	Education or NFP	General repair & automotive	Total
Extremely important	32%	31%	30%	29%	27%	20%	20%	27%
Highly important	42%	49%	45%	48%	63% ▲	50%	59%	50%
Important	17%	13%	19%	20%		22%	20%	18%
Neither important or unimportant	4%	3%	3%	3%	11%	5%	20%	3%
Unimportant	4%	3%	3%			3%		

Legend:
- Extremely important
- Highly important
- Important
- Neither important or unimportant
- Unimportant

As they look to the future, what's clear from the data is just how critical financial operations and transactions are for merchants. With payments representing the lifeblood of any business, it shines a light on payment capabilities and their value in today's competitive and customer-driven landscape.

> [Today's customers expect diverse and convenient payment options.]

Today's customers expect diverse and convenient payment options, and merchants understand they must meet these expectations with flexibility in payment processing and through compatibility with a wide range of payment methods, including traditional and digital options.

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A look through the industry lens

Exploring specific sectors lifts the lid on some intriguing insights. In education and the not-for-profit (NFP) world, merchants seem less keen on prioritizing payment capabilities, hinting at distinct operational priorities. While these sectors still value payment capabilities, it appears their focus is on other aspects of management software.

What payment tasks do software users rank as 'very important'?
Software provider users, by industry

	Education or NFP	General repair & automotive
Receive funds from customer card payments within 24hrs	27% ▼	60%
Allow customers to pay by direct bank transfer (i.e. from their bank account)	41%	49%
Manage payroll from within the software solution	43%	52%
Accept alternative payment methods (e.g. PayPal, Amazon Pay, etc)	35% ▼	52%
Manage payments through physical devices as well as online in a connected way	38%	47%
Pay out multiple people from a payment into your business	28% ▼	53%
Provide charge cards for your business and its employees within the software solution	29%	47%
Surcharge a credit card total where the customer pays for the processing fee	29%	50% ▲
Provide buy-now-pay-later option at the point of sale	27%	54% ▲
Receive working capital loans for your business from the software solution	23%	37%
Let customers pay via text message or e-mail	17% ▼	49% ▲

On the flip side, the GRA sector has an intense focus on payments capabilities. This is likely due to the industry having to juggle invoicing, billing, and transactions. They're also on the clock, needing those funds from customers within 24 hours.

It's all about keeping that cash flow smooth and operations running seamlessly. This ticking clock calls for payment solutions that can process transactions with speed and rock-solid reliability. Time really is money in the GRA world.

1 in 2 merchants

state that having T+1 settlements would be very important when looking at new software solutions

For vertical SaaS providers targeting the GRA sector, meeting the industry's demand for prompt payments through efficient payment processing features is a key selling point. The emphasis on faster transactions underscores the importance of payment capabilities in management software for the sector's financial operations and overall business sustainability. In a world where every second counts, mastering rapid transactions can be key to sustaining and thriving in the sector.

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Security is the priority

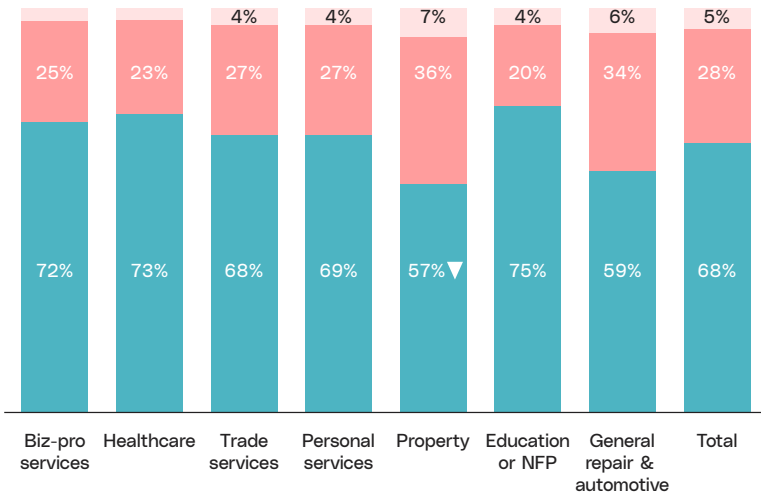Attitudes towards security are highly consistent across sectors with most merchants considering security capabilities when comparing payment capabilities and management software providers. This all-sector emphasis on prioritizing security when selecting a new management solution underlines the vital need to safeguard sensitive data and maintain the integrity of business operations.

Which of the following statements best describes the business' attitude to security capabilities when:

Comparing providers for payment capabilities by industry

	Biz-pro services	Healthcare	Trade services	Personal services	Property	Education or NFP	General repair & automotive	Total
We rarely look				4%	6%			
We sometimes look	28%	33%	32%	19%	25%	32%	23%	28%
We always investigate	70%	67%	67%	76%	70%	67%	73%	70%
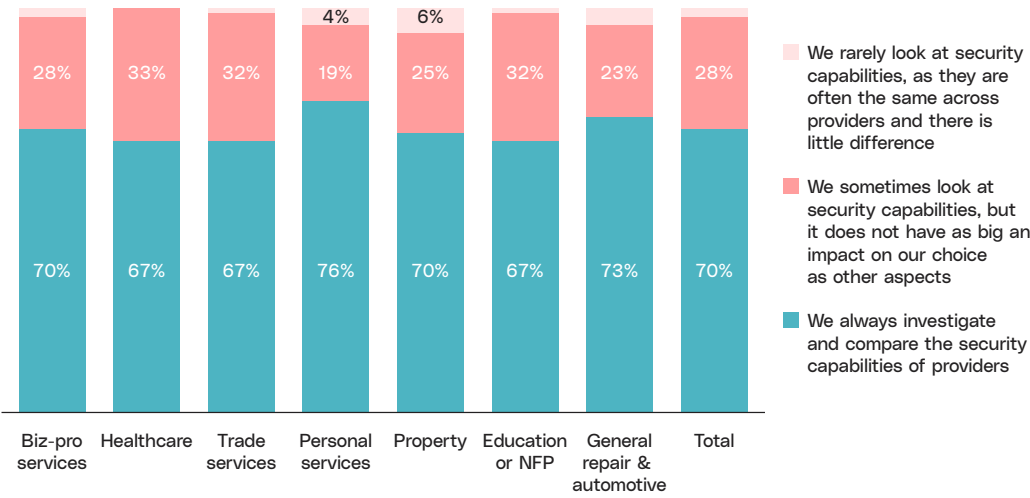
Comparing providers for management software overall by industry

	Biz-pro services	Healthcare	Trade services	Personal services	Property	Education or NFP	General repair & automotive	Total
We rarely look			4%	4%	7%	4%	6%	5%
We sometimes look	25%	23%	27%	27%	36%	20%	34%	28%
We always investigate	72%	73%	68%	69%	57%▼	75%	59%	68%

Legend:
- We rarely look at security capabilities, as they are often the same across providers and there is little difference
- We sometimes look at security capabilities, but it does not have as big an impact on our choice as other aspects
- We always investigate and compare the security capabilities of providers

This focus on security holds true both when comparing providers for their payments capabilities and when evaluating management software more broadly. This highlights that security concerns span different aspects of the software selection process, especially the GRA sector, which notably places more importance on security and how industry-specific a solution is.

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Top three important factors for merchants when choosing a new software solution

General Repair and Automotive (GRA)

1

Security/data protection capabilities

2

The level of specificity for our industry

3

Payment capabilities

These insights show that merchants in the GRA sector are very aware of the significance of both security and tailored solutions. Vertical SaaS providers can take note of these priorities to align their offer with the diverse security and industry-specific needs of not only the GRA sector, but merchants across all sectors.

Security is non-negotiable

Merchants prioritizing security sends a strong message; no matter whether a vertical SaaS provider deals with payments or broader management, robust security is non-negotiable. This makes it imperative for vertical SaaS providers to invest in cutting-edge security features and communicate them effectively to potential customers.

With cyber threats and data breaches on the rise, merchants will thoroughly evaluate security when choosing a vertical SaaS provider. This focus on security is the guiding star in selecting management software or payment solutions. For vertical SaaS providers, the message is clear: make security a top priority in your value proposition.

Delivering on industry-specific needs

Section 3:
Key takeaway

only

1 in 2

merchants use a 'true' industry-specific software solution. Although the majority feel their solution is highly specialized for their industry

Many merchants believe their software is tailored to their industry, but only half use 'true' industry-specific solutions. This contrast suggests perceived specialization might not always match reality.

Some merchants customize generic software to meet sector needs, creating a perception of specialization. However, 'true' industry-specific solutions are purpose-built for comprehensive sector needs.

What do merchants care about when choosing new software solutions? Payment capabilities. This showcases their value in today's competitive landscape. The industry-specific insights reveal nuanced needs for each merchant based on their business operations and customer base. However, they all share a common priority for secure payment solutions, emphasizing the importance of security protections across segments.

For vertical SaaS providers, this presents an opportunity to educate merchants about 'true' industry-specific software solutions and how they can enhance security and adaptability.

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[Section 4.]

Four key takeaways

Future payment innovations to embrace now

1. Make security a main selling point

In a landscape under the looming shadows of cyber threats and data breaches, merchants navigate with caution when selecting a vertical SaaS provider. With an emphasis on security guiding their choices, vertical SaaS companies must elevate security features to the forefront of their software and payment capabilities.

2. Payments innovation is key to adoption

Across industries, payment capabilities matter. Almost all merchants are open to switching for innovative payment capabilities, particularly 24-hour card settlements. Payments also account for 3 out of the top 5 things merchants feel would most improve the industry suitability of their management software. But to offer up the right features, vertical SaaS providers must carefully consider the nature of the merchant's payments needs such as recurring payments or mobile acceptance functionality. Get it right and satisfaction follows.

3. Don't miss out on the value of value-adds

Many software companies have set their sights on future integrations of embedded finance products. In terms of payments, it might be value-adds like gift card solutions, PCI compliance programs, or mobile wallet integration. The important thing is evaluating the needs of the subscriber base in order to prioritize the right roadmap of integrations.

4. Experience beats functionality every time

The 'build it and they will come' philosophy doesn't always work with software payments. Even when the payments have been enabled and the very best features implemented, if the users find them difficult to use or merchants aren't even aware of all the capabilities it won't bring in more customers or revenue. This is why training and communication are vital ingredients in making sure new features are utilized effectively.

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We'll handle the risk
while you hone the rewards

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