RBA Payment Regulation Review

Merchant Card Payment Costs and Surcharging

October 2024

Executive Summary

Stripe welcomes the opportunity to provide a submission to the RBA consultation on *Merchant Costs and Surcharging*.

Payments are critical to the Australian financial ecosystem. Each day millions of consumers around the country rely on the payments network to power their businesses, to engage with essential services and generate economic activity that supports jobs. Australia's payment landscape must remain competitive, accessible, and innovative to drive efficiency and productivity across the economy.

In providing a submission to this consultation, Stripe's ambition is that in considering any regulatory changes, the RBA seeks to enhance competition, support innovation and ensure that merchants are sufficiently able to navigate this complex ecosystem without further operational burdens.

Stripe has been operating in Australia for just over a decade. At the time we first entered the market, one of the biggest challenges for online businesses was accepting payments, which we sought to simplify through our technology. Since then, our platform has grown to provide a range of services including fraud detection, in-person payments, subscriptions, calculation of tax, and more.

Stripe works with businesses ranging from start-ups to ASX listed companies, including Catch, CultureAmp, ServiceM8, Atlassian, Xero and Coviu. We are proud of our ability to support Australian businesses of all sizes.

Stripe is launching more local solutions (PayTo, Instant Payouts) that support Australian businesses. Stripe's software-defined financial services knit together payments, tax, billing, invoicing, and ML insights for users— making money movement programmable, global, and deliverable in real-time.

Beyond this, we offer simplicity for businesses to get started and accept their first payment. Stripe's no code 'payment links' (enabling a merchant to send a link to get paid) help businesses transact without the need to hire specialised expertise. A new business can easily access new markets and offer local payments in each of those markets with optimisation, reliability and fraud reduction measures.

Stripe's products are used by businesses in more than 40 countries. We are regulated in jurisdictions around the world based on the products and services we offer in those jurisdictions. Agencies that supervise our regulated operations include ASIC, the Central Bank of Ireland, the UK Financial Conduct Authority, FinCEN, and the NYDFS, among many others.

Stripe was built for startups and small businesses and is now used by the world's largest enterprises. Our goal is to make it easy for businesses of all sizes to get started and accept payments. We make Stripe's platform easy to understand and our costs simple and predictable.

RESEARCH

In preparing this submission, Stripe commissioned Australian economics advisory firm Mandala to undertake proprietary research on business experiences of digital payment solutions in Australia. Details on how this research was conducted can be found in the appendix. The research shows clearly that payments innovation and reduced complexity has allowed Australian businesses to thrive online. Businesses operating online value simplicity, speed, integrations, innovation and security.

Principles that guide Stripe’s response

By way of background, Stripe’s submission is informed by the following principles;

- Australia’s payment landscape must remain competitive, accessible to all players, small and large, traditional and disruptive.
- Payments have become incredibly complex over time as merchants seek faster, more secure and more global processing abilities. Equally, consumers want a friction free checkout allowing them to dictate their own payment preferences.
- Stripe seeks to remove that complexity for businesses, especially smaller ones; providing value beyond simply payments processing. That value has been critical in generating competition and providing much needed innovation to merchants.
- In reviewing payment regulation, the RBA should seek to simplify payments - for all participants in the ecosystem - and not add to the complexity, particularly through additional fragmentation and process requirements.
- Payments regulation should also seek to maintain a strong foundation in the payments system by ensuring a level playing field for Payment Service Providers (PSPs), maximising the opportunities for innovation and competition, which will continue to drive better outcomes for customers.
- Australia should preserve and enhance its pro-innovation payments regulatory framework by retaining access for non-bank providers that is proportionate to their role, activities and level of risks posed to the financial ecosystem.
- A regulatory regime that supports the development and deployment of new technologies, carefully calibrates the regulatory burden on PSPs, and encourages market-based solutions in the payments sector, will encourage strong domestic and international competitiveness.

We encourage the RBA to ensure its work:

- Prioritises incentivising investment in payments technology so that the merchant and consumer experience continues to improve.
- Recognises and reinforces the modern economy’s ability to bring GDP online in a way that is safe, secure and reliable.
- Avoids disincentivising investment in safety and security measures, for example around fraud reduction.
- Empowers merchants to make payments choices based on value received around a range of features, including the core payment processing.

The evolution of payments

Stripe has enabled small businesses to access online commerce in a way they hadn't previously been able to. Online commerce and payments, particularly across borders, is hard. Stripe has invested in abstracting away complexity and innovating on behalf of our customers. We undertake the heavy lifting of payments optimisation while our merchants generate revenue.

When Stripe made its services available to Australian merchants in 2014, online commerce was a complex and underserved part of the economy. For a merchant to begin accepting online payments, they had to make successful applications, more often than not, to both a gateway and a bank. Then they had to repeat this process for each geography that the merchant wanted to sell into. There were constraints around levels of understanding of online commerce and a level of complexity that was typically staggering for a small or medium enterprise.

CASE STUDY

SHOES OF PREY

"The lack of payment processing innovation in Australia is something that has a negative impact on our business. ... A key part of running an online retail business is having a good credit card processing vendor to work with and the Australian vendors are terrible. ... we'd rather be investing our time and energy into increasing our sales than wading through the nightmare that is trying to accept credit card payments"

—Michael Fox a co-founder of online retailer Shoes of Prey (www.shoesofprey.com) during the 2011 RBA Payment Systems Review.[1]

Mr Fox went on to highlight the need for convenience, ease of set up, multicurrency, fraud detection and fees to be set up in a way that works for Australian businesses. In conclusion he points to the fact that the lack of availability (in 2011) of innovative payment solutions leaves "*Australian online retailers behind their US competitors in what is a large, growing global industry*."

Shoes of Prey was an Australian ecommerce business launched in 2009. It traded for ten years and its early days were during times when ecommerce was still a relatively new concept. The online shoe design business was founded in Sydney and allowed users to choose the shape, colour and size of their shoes, having them made to specifications and shipped in around four weeks. It was a winner in the Online Sales category in the 2014 Premier's NSW Export Awards.

[1] RBA (2011) *Strategic Review of Innovation Issues* https://www.rba.gov.au/publications/consultations/201106-strategic-review-innovation/issues/pdf/201106-strategic-review-innovation-issues.pdf

Stripe's entry into Australia brought a fully integrated ability for Australian businesses of all sizes to receive payments from consumers in multiple geographies. There was an ease and simplicity, including when transacting across borders. Getting started was (and continues to be) straightforward and pricing was (and continues to be) simple and certain. **There were no set up fees, no monthly fees, and Stripe only made (and makes) money if their customer makes money. This was a starkly different proposition to what had previously been available.**

The technology investment that made this offering possible in 2014, has continued year on year. Ongoing, deep technology investment means that the services provided are well beyond a typical payment gateway.

EXHIBIT 1

Stripe helps with (see Exhibit 1) accounting, billing, security, PCI compliance as businesses go global, tax, preventing fraudulent transactions with machine learning software, issuing in certain geographies, optimising apps to convert on mobile, and providing an easy to use dashboard to manage users' businesses.

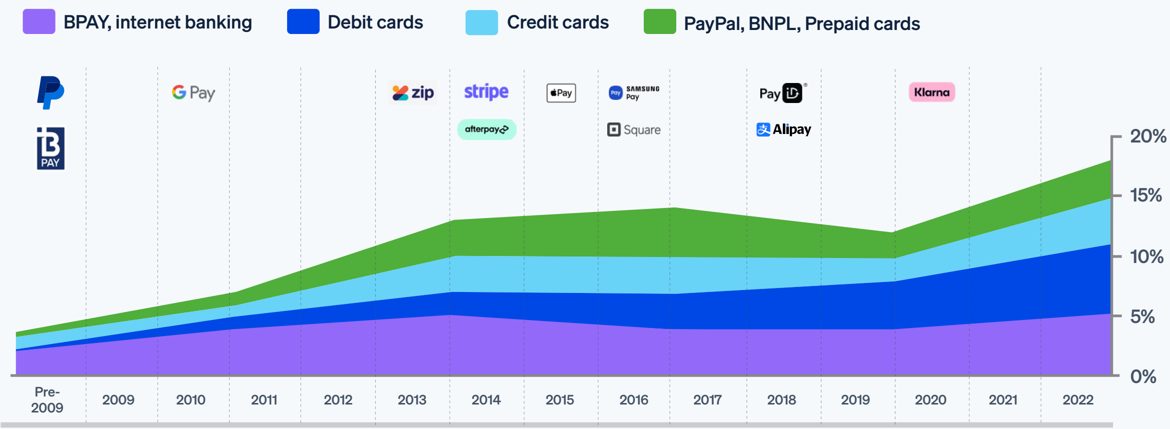
When Stripe entered Australia a decade ago, merchant acquiring was a relatively simplistic offering with few providers and a distinct lack of innovation. Fast forward to the present environment and the opportunity to launch a business and accept payments is dynamic and highly competitive. This offers more transparency, capability and efficiency for a merchant. **This has not happened by accident.** Providers like Stripe have introduced acceptance capability with upfront and clear pricing that made opening an online store now universally accessible.

The payments landscape and merchant needs have evolved rapidly since Stripe's entrance in Australia in 2014 (see Exhibit 2).

EXHIBIT 2

Online payments have risen to 18% of consumer payments, with 5% made by BPAY or internet banking

% of number of consumer payments made online, by channel; year company entry to Australia



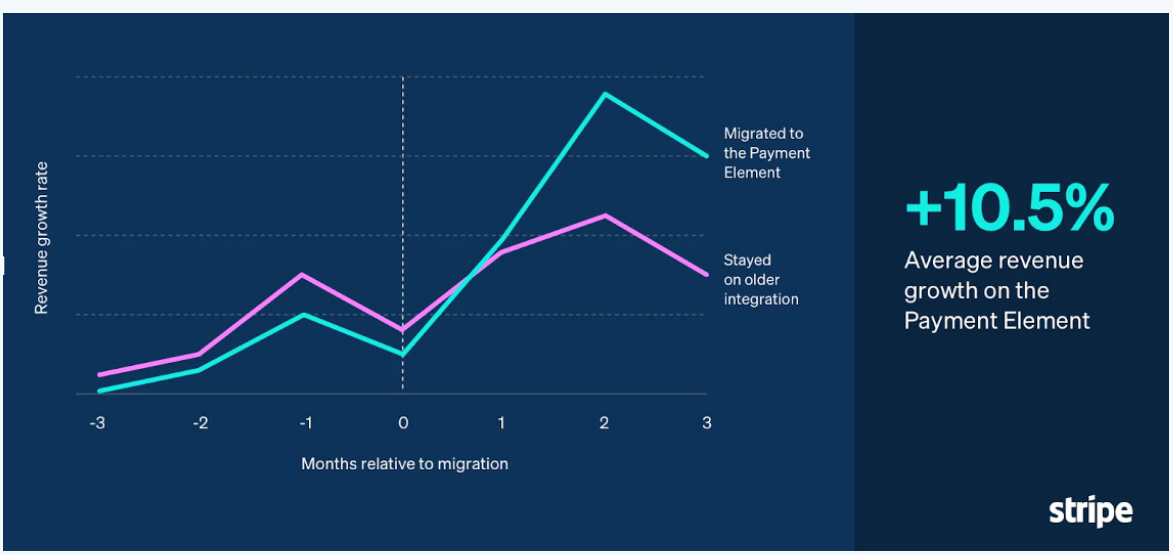
In 2015, 95% of businesses found online payments difficult, citing it was:			Now, businesses use payment solutions to:		
48% Clunky	43% Complex	33% Technical	16% Start their business	25% Expand their business	57% Improve business efficiency

Notes: Our business survey asked: *Thinking back to 2015, what did online payments look like for you?* and *Thinking back to when you adopted digital payment solutions, what was the main motivation for this*?; 2015 statistics report the percentage of businesses that chose yes for each option, with businesses able to select multiple, therefore the sum of percentages is more than 100.

Source: RBA (2023) *Consumer Payment Behaviour in Australia; Pureprofile Australia* (November 2024) *Business Use of Digital Payment Solutions Survey* (n = 567); Mandala analysis.

Merchants of almost any technical skill level can get their business up and running in minutes. As a business starts accepting payments with Stripe, they can integrate a checkout flow 'out of the box' with no additional work needed. A business can also build their own custom checkout flow using Stripe's tools known as Payment Element, which often enables a business to increase their revenue as illustrated below (see Exhibit 3).

EXHIBIT 3



Businesses can also easily accept payments with Stripe's no code Payment Links. This means any business can get started on Stripe without the need to first invest in and build an engineering team. Research has highlighted that Australian companies affirm that limited developer time is a constraint on their ability to innovate and grow. In the face of this resource crunch, companies adopting modern technology stacks see them as key levers of growth, helping them accelerate product development (81 per cent) and reduce overhead expenses (77 per cent).

Working with a partner like Stripe means a business does not need to make internal investments in payments capabilities. In effect, they are able to outsource the technical capability, regulatory compliance functions and more. They do this with certainty and clarity on what their cost of service will be.

More than half of Australian businesses selling internationally today have noted that internet and technology services like Stripe and others have removed barriers to going global. Our easy-to-use no-code payment and software tools allow small businesses to monetise online at speed. Our goal is to make it easy for small businesses to get started and accept payments. To this end we make Stripe's platform easy to understand and our costs simple and predictable.

Many payment processors do not serve the small to medium business (SMB) segment or the online SMB segment. It can be cost-intensive and requires development of self-serve tools, advanced fraud and risk management, and entails additional compliance costs. Stripe is proud to serve and works hard to serve SMB users, and provide them with a powerful set of services, software and tools they need to be competitive.

Online payment solutions help businesses to operate competitively and gain efficiency (see Exhibit 4). Australian businesses using online payment solutions reported that solutions are easily integrated into their business (77%), enable customisable checkout experiences (72%), and support international transactions (60%). The majority of businesses surveyed reported that online payment solutions saved additional technology costs (57%). Online payment solution providers have invested significantly to improve business on-boarding and streamline processes, with almost seven in ten businesses reporting that solutions were fast and rapid to set up.

EXHIBIT 4

Proportion of online payment solutions users that cited benefit

% respondents that selected 'Agree' or 'Strongly Agree'

Notes: Our business survey asked: *To what extent do you agree that online payment solutions...?*

Source: Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions Survey* (n=567)

Providing value beyond payments

Stripe provides considerable value beyond payment processing. Businesses use Stripe to increase their revenue, improve profitability, and execute on new ideas. Things like AI enabled optimised checkout, as well as built-in regulatory compliance capability are just some of the features that a business may take advantage of.

We strive to help merchants deliver secure payments with high approval and conversion rates at a low cost. Stripe has invested to ensure merchants can offer the payment methods that end users (their customers) want to pay with. We make it easier for merchants to switch on local payment methods and enable merchants to offer these without any additional engineering work.

For businesses operating online, conversion rates are critical to their success. Stripe's solutions are engineered intentionally to focus on important details such as optimised checkout pages, each targeting specific factors that increase checkout conversion. Businesses can integrate these features in various combinations and create a checkout flow that is tailored to their customer base.

Many merchants, especially smaller ones, choose Stripe because the opportunity we present to grow their business far outweighs the cost of acceptance. The benefits of our optimisation suite can be measured in the hundreds of basis points for a large cohort of our customer base.

CASE STUDY

WOLKI FARM

Wolki Farm cultivates innovation through digital payment models

Wolki Farm is a regenerative farm and butcher near Albury, NSW. When the business was first started by Jake Wolki, Wolki Farm was driven by word-of-mouth sales and used Xero accounting software to dispatch electronic invoices. To optimise meat processing operations and trim costs, the farm took a bold step by opening a store in late 2020, where a dedicated butcher space was established.

In April of 2021, Wolki Farm opened Australia's first self-service butcher, operational around-the-clock, that allows retail customers to pay for produce via a mobile-based digital payment app.

Australian businesses report saving on average 8 hours and $200 in costs per week from using digital payment solutions (see Exhibit 5). For micro and small businesses in particular, this represents significant time savings that allow Australian businesses to focus on what matters to them.

EXHIBIT 5

Time and cost savings from using digital payment solutions

Average time and cost saved per week, by business and size

In an average week, an Australian business using digital payment solutions saves **8 hours** and **$200** in costs

	AVERAGE	SOLE TRADER *0 employees*	MICRO *1 - 4 employees*	SMALL *5 - 19 employees*	MEDIUM *20 - 199 employees*	LARGE *200+ employees*
TIME SAVINGS *Hours*	8	6	8	8	11	10
COST SAVINGS *Dollars*	$200	$100	$150	$430	$540	$500

Notes: Our business survey asked: *Thinking of an average week, have you saved any costs by using a digital payment solution? (Please provide an estimate if you do not have actual figures). Thinking of an average week, have you saved any time by using a digital payment solution?* Responses were trimmed by 0.05 percentile on either end and weighted to represent businesses using online ordering facilities in Australia.

Source: Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions* (n = 567); Mandala analysis.

Simple payment processing, as the RBA is advancing through the requirement to separately price transactions, is inextricable from the sophisticated features required to compete in the dynamic environment of online commerce. To be competitive, particularly in an increasingly global marketplace, there is a level of sophistication beyond basic payments which is necessary in the modern economy - such as fraud protection, billing, optimisation and more.

The cost of payment acceptance includes a real cost of developing and maintaining sophisticated technology services that are an essential part of modern online payment processing such as business reporting, fraud, subscription management, bill payments, and the ability to manage funds quicker and more efficiently. The provision of online payment acceptance today incurs true costs and in exchange, provides real value to businesses; it is not just the pass through of interchange and scheme fees.

The technology layers on top of core payment processing offer merchants more customisable solutions that unlock value and drive revenue for Australian businesses. These technology innovations revolutionise payments and help businesses creating new business models meet their needs in the online world.

In our experience, merchants don't just look at price. They consider technology quality, reliability, customer service, and more. Our experience is that merchants sign up to Stripe for a broad range of factors, of which price is one. Other factors may include the ease of onboarding, fraud capabilities, range of payment methods, ease of integration, higher authorisation rates, API uptime and so on. By reducing the service of providers like Stripe to purely the cost of payments, it may unintentionally dilute the value that is provided to many merchants that would not otherwise be accessible.

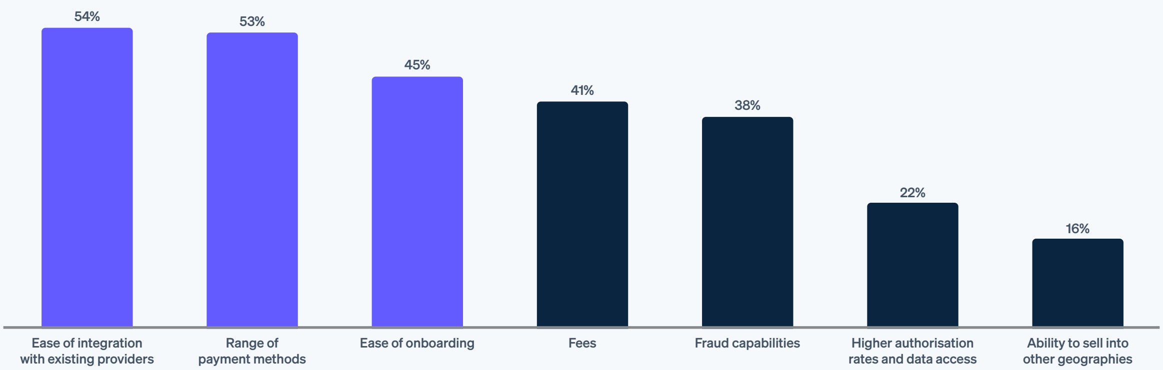
The most important considerations for businesses in choosing a digital payment solution (see Exhibit 6) are (1) ease of integration; (2) the range of payment methods that can be accepted; and (3) the ease of onboarding. Per Exhibit 6, up-to-date surveys of Australian businesses show that they seek additional value when choosing digital payment solutions: 54% consider ease of integration, 53% payment methods, and 45% onboarding ease. Fees comes into fourth place, followed by fraud capabilities. These findings suggest that digital payment facilitators must invest considerably in supporting integrations, broadening the range of payment methods they accept and streamlining onboarding in order to adequately support businesses.

We believe it is important that regulation avoids disincentivising sophistication, particularly where that could impact safety and security online - for example investments in fraud technology. Beyond that, consumer expectations have evolved such that, for example, the user experience on checkout needs to be compelling. And merchant expectations are evolving to the point that they expect access to data from their payment service providers which is something that requires ongoing investment. It is these additional investments by payment service providers that contribute to a highly competitive environment and such investments should be incentivised, not disincentivised through a reductive view of what payment service providers are able to offer.

EXHIBIT 6

Businesses seek additional value when choosing digital payment solutions: 54% consider ease of integration, 53% payment methods, and 45% onboarding ease

Factors that businesses consider when choosing between different digital payment solutions, % respondents



Notes: Our business survey asked: *What factors did you consider when choosing between different digital payment solutions?*

Sources: Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions Survey* (n = 567), Mandala analysis.

How businesses grow on Stripe

As a small business grows on Stripe, we offer payment services that match that growth.

The growth trajectory of a business on Stripe is not limited to domestic expansion. Stripe endeavours to enable businesses to seamlessly sell across borders. The value Stripe provides in launching new geographies or products for small businesses is double that of large companies we serve.

Importantly, there are no hidden or application or subscription fees before a business makes revenue. **Stripe only charges a fee when an actual payment is processed**. There are countless examples of startups that have started on Stripe and are now large, valuable companies. Oftentimes, they prefer the simplicity of a unified pricing model when they get started, and as their business matures and they make internal investments in payment capacity, they will look at different setups for their pricing.

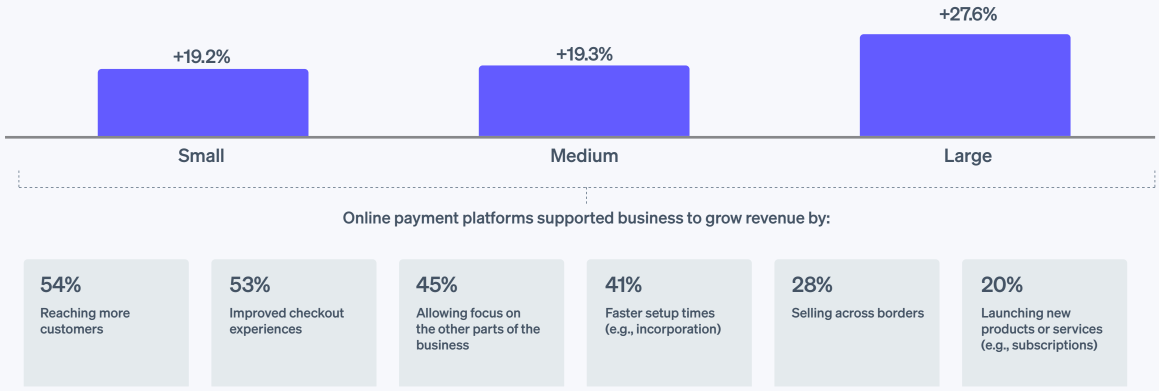
For businesses looking to expand into the US, incorporate quickly and cost effectively, Stripe Atlas is a powerful, safe, and easy tool to form a company. Entrepreneurs can fill out the details of their company in 10 minutes, and Stripe will handle the rest. In the last year alone, over 200 Australian based founders have incorporated in the US using Stripe Atlas, allowing them to establish and grow their business in a key market.

Businesses using online payment solutions have grown their revenue by 19-28% through reaching more customers and an improved checkout experience (see Exhibit 7). 70% of businesses surveyed saw increased revenues from using online payment solutions.

EXHIBIT 7

Businesses using online payment solutions have grown their revenue by 19-28% through reaching more customers and an improved checkout experience

Revenue growth and key drivers for businesses using online payment solutions,
% Revenue growth by business size, % respondents



Notes: Our business survey asked: *Have you seen an increase in sales after adopting online payment solutions? If so, what percentage increase in sales have you seen? (Please provide an estimate if you do not have actual figures).* The analysis applied a 0.5% percentile trim at both the upper and lower ends to account for outliers and provide an accurate representation of central tendencies.

Sources: Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions* (n = 567); Mandala analysis.

To operate efficiently online, Australian businesses rely on critical integrations (see Exhibit 8) such as invoicing (76%), fraud protection (33%) and optimised checkout (33%). These integrations support efficiency, productivity and the competitiveness of Australian businesses. Good fraud prevention reduces the need for fraud detection systems.[2] Costs of fraud detection include chargeback fees, the time cost of dealing with complex fraud systems and lost revenue from false declines.[3] Additionally, one in six Australian businesses surveyed reported taking up subscription features. These features have risen in popularity – particularly in the media and entertainment categories.

Interchange fees

The paragraphs below relate to questions 1, 2 and 3 and related issues in the consultation paper.

Stripe does not currently offer an issuing related product in Australia.

Broadly, Stripe welcomes the move to introduce more transparency around interchange fees. By way of international example, Stripe would recommend something closer to the European model[4] with a lower cap on interchange fees.

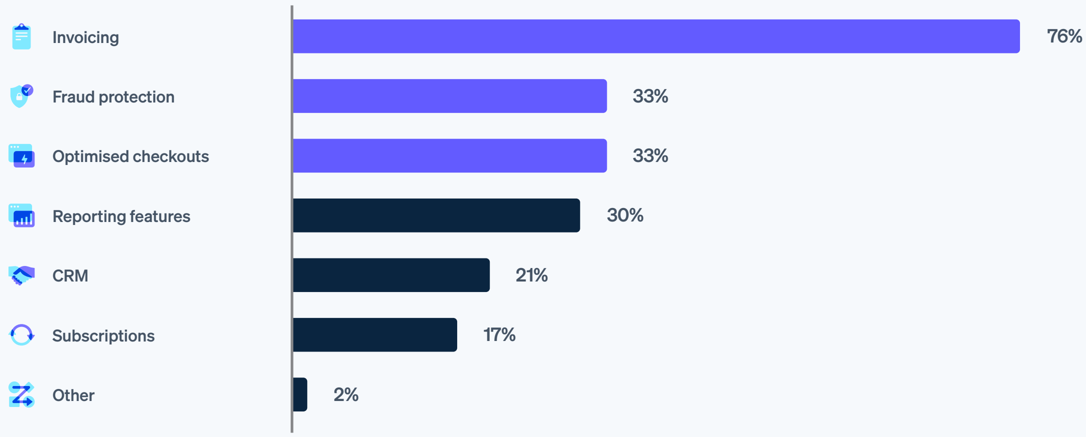
[2] Sahin, Y., Bulkan, S., & Duman, E. (2013). *A cost-sensitive decision tree approach for fraud detection.* Expert Systems with Applications, 40(15), 5916–5923. https://doi.org/10.1016/j.eswa.2013.05.021

[3] Hayashi, F., Markiewicz, Z., & Sullivan, R. J. (2016). *Chargebacks: Another Payment Card Acceptance Cost for Merchants.* The Federal Reserve Bank of Kansas City: Research Working Papers. https://doi.org/10.2139/ssrn.2720386

EXHIBIT 8

To operate efficiently online, Australian businesses rely on critical integrations such as invoicing (76%), fraud protection (33%) and optimised checkout (33%)

Businesses rely on a range of features from online payment solutions, % respondents



Notes: Our business survey asked: *What integrated features does your business use from the digital payment platform?* Other responses included online software integrations and enabling online sales.

Sources: Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions Survey* (n = 567); Mandala analysis.

Stripe is concerned that the proposal that interchange caps should be cents based could have uneven impacts across Australian businesses.

Ad valorem interchange pricing may be lower cost for small transaction values. Some merchant groups see predominantly low value transactions - for example, coffee shops. A $4.50 coffee will see low interchange fees arising from ad valorem interchange pricing. Even a high ad valorem interchange rate like 0.8% would be lower than a fixed 5c rate (as an example).

These merchants may pass on these rates as a percentage surcharge, as is common, which could see consumers face a higher percentage surcharge. When comparing with businesses with higher average transaction values, consumers may misconstrue businesses with low transaction values as excessively surcharging.

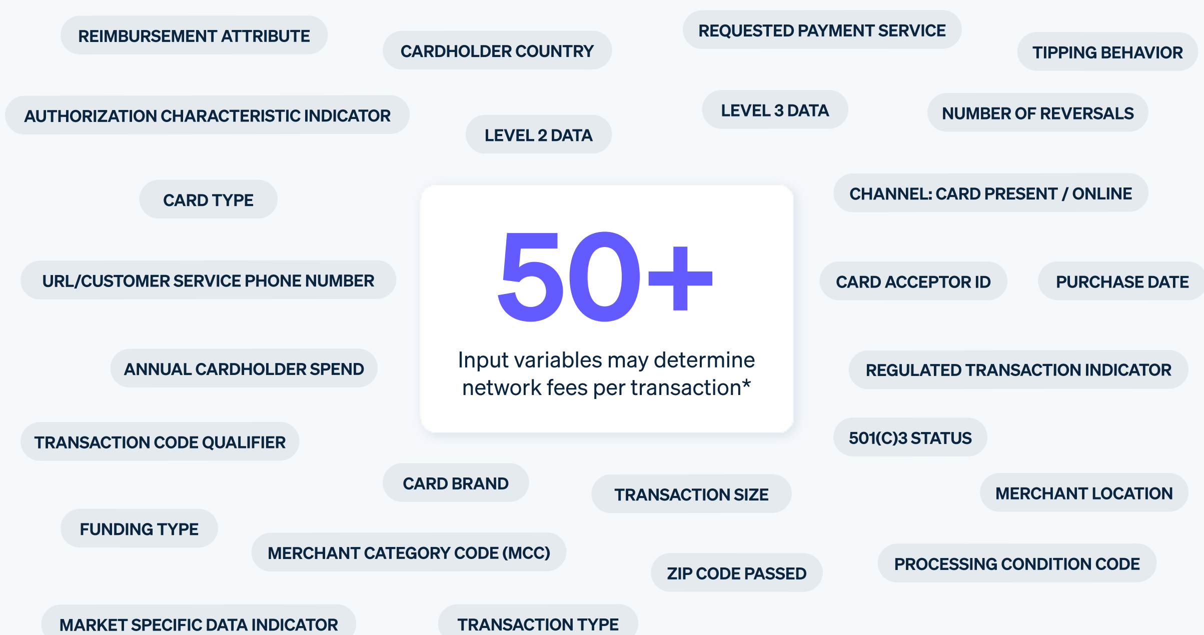
[4] European Union. (2015). *Regulation - 2015/751 - EN - EUR-Lex*. Europa.eu. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32015R0751

Scheme fees

The paragraphs below relate to questions 4, 5 and 6 and related issues in the consultation paper.

Stripe notes that scheme fees have typically been opaque and complex, making it challenging for merchants and acquirers to discern. There can be in excess of one hundred monthly additions and alterations to scheme fees, and it is often challenging for acquirers to ascertain what has triggered a particular scheme fee owing to their opacity.

EXHIBIT 9



*variables may differ from one processing country to another.

Greater clarity about what scheme fees are charged and why, is important to help acquirers understand the fees they and their merchants have incurred. For example, consolidating fee categories would allow acquirers and merchants to make more informed decisions on the basis of their fees. At any given time, there are potentially hundreds of scheme fee line items (see Exhibit 9), which often change, that a payment provider is required to navigate. A public facing rate card, available to merchants and processors, similar to that on interchange fees, would benefit participants.

To give acquirers greater clarity about which scheme fees they and their merchants have incurred and why, the RBA should endeavour to make technical details about each scheme fee available, ideally in the schemes portal, in a way that is machine readable and accessible by an API call. This could include information such as the name, definition, cost structure, justification, and network logic of each fee.

Finally, on page 16 of the consultation paper, the RBA proposes that requiring substantive documentation or a formal consultation process with stakeholders to justify new fees or fee increases may be an option worth consideration. While acknowledging the rationale here, Stripe is concerned that this may be impractical to implement, further complicating how merchants and acquirers assess fees. If such a course of action were pursued, it would require fixed parameters and should relate only to 'mission critical' categories with clear timeframes, allowing for the requisite level of assessment, planning and dialogue between affected participants.

Least cost routing

The paragraphs below relate to Question 7 in the consultation paper and related issues around least cost routing.

Stripe is supportive of Least Cost Routing (LCR). As the RBA will be aware, Stripe has routinely topped the LCR league tables. In the most recent reporting period[7] Stripe provided 100% availability and 98% enablement in card present and 100% availability and 66% enablement in card not present implementation.

Stripe has embraced least cost routing, delivering lower costs for merchants and ensuring savings are passed on to those merchants. As the RBA's own Ellis Connolly noted in a recent speech[8];

> *We found that the cost of accepting debit card transactions is nearly 20 per cent lower for merchants that have LCR turned on, compared to those with LCR turned off. Once LCR for online and mobile wallet payments is widely available and taken up by merchants, the potential cost savings are likely to be even larger.*

Evidently, and as the RBA has noted publicly, the implementation of LCR across the ecosystem has not been fully realised. **Stripe supports the RBA moving towards a mandate for LCR implementation, underpinned by principles of merchant choice, that would deliver benefits to all merchants across the economy.** Such an approach would put downward pressure on merchant fees as outlined on page 14 of the consultation paper. Finally, we do not believe that such a move would be inhibitive from a cost perspective.

We note that this is a position that was recently put forward by the Small Businesses Ombudsman who noted that least cost routing should be fully mandated.

[7] Reserve Bank of Bank. (2024). *Update on availability and enablement of least-cost routing for merchants - Data as at June 2024* (published August 2024). https://www.rba.gov.au/payments-and-infrastructure/debit-cards/least-cost-routing/update-on-implementation.html

[8] Ellis Connolly. (2024, June 18). *Online Retail Payments – Some Policy Issues | Speeches.* Reserve Bank of Australia. https://www.rba.gov.au/speeches/2024/sp-so-2024-06-18.html

Merchant fees

The detail set out below relates to questions 8, 9 and 10 and related issues in the consultation paper.

Pricing explained

By virtue of the many layers, participants and components of payments, pricing is complex. Over time and through the advancement of new technologies like wallets and BNPL, this complexity has become more entrenched.

CASE STUDY

me&u

"me&u gives pub owners an end-to-end suite. Using Stripe, me&u can handle the payments, compliance, and integrations so they don't have to. We can rely on Stripe expertise in handling Know Your Customer (KYC), compliance, and other checks to ensure we bring venues onboard quickly and safely. We could have built that ourselves, but it wouldn't have been efficient and it would have taken focus away from our core business. I trust Stripe to handle compliance for us."

me&u is the leading at-table ordering platform in Australia that helps customers order and pay for food and drinks in large pubs, clubs and beer gardens. It also integrates with point-of-sale (POS) systems so venues can more easily coordinate and track orders, delivering a fast, reliable, and seamless experience for guests, staff, and operators.

Source: https://stripe.com/nz/customers/me-and-you

For merchants, Stripe removes that complexity, allowing them to do business sooner, faster and more securely.

As the UK's Payment System Regulator (PSR) recently observed that "*Stripe has a quick and simple onboarding process, and offers simple standard pricing for card acquiring services consisting of two headline rates*". [9]

Stripe's pricing is available publicly on our website - www.stripe.com/au/pricing- with a clear and concise explanation of the breakdown of fees.

Stripe does not support the publication of a more granular level of pricing as is advanced on page 18 of the consultation paper. It is unclear how a greater degree of transparency around pricing would support merchants, especially smaller ones who often seek simplicity and predictability when choosing their payments provider.

[9] UK Payment Systems Regulator. (2021). *Market review into card-acquiring services Final report Market review into card-acquiring services: Final report MR18/1.8 Payment Systems Regulator November 2021* 2. https://www.psr.org.uk/media/p1tlg0iw/psr-card-acquiring-market-review-final-report-november-2021.pdf; p. 47

A further fragmentation of pricing may discourage uptake and result in additional time spent sifting through various line items. Stripe repeatedly hears from our customers that clarity and certainty remain key benefits. Moreover, it is unclear to what extent the RBA believes this data would assist merchants, how it would be used and where it would be published.

Similarly, Stripe does not support the publication of fees on a quarterly basis with wholesale costs, margins and transaction volume. Such a categorisation, presented to a merchant, is not an accurate reflection of price.

Equally, Stripe does not support the publication of market share for payment services as outlined in question 8 of the paper. The publication of market share, price, wholesale costs, and margin may in fact reduce effective competition between providers; with market share leaders having little incentive to continue to reduce price or provide additional value. PSPs would be incentivised to present the lowest costs with the least amount of value in an attempt to attract market share.

Pricing at different transaction volume tiers is a whole-of-cart approach, layered with payment processing, services, professional services, dedicated account management, etc. Focussing on a purely payments costs view distorts the actual costs in servicing merchants at higher tiers. For example, a customer such as Xero has dedicated Stripe customer success managers and other leadership engagements, which includes additional expenses which do not factor into wholesale payments cost. Does Xero need such a high-touch approach given their complex businesses? Yes. A pure payments cost reporting approach would not take this into account, though it is a must-have cost of doing business, especially as businesses seek to scale.

Stripe offers businesses **two pricing structures:** blended pricing (under which businesses sign up for a blended rate for processing and other services, regardless of each increase or decrease in underlying processing costs) or interchange++ pricing (under which cost changes are passed through to businesses). In blended pricing, the business typically pays the same rate for domestic transactions, regardless of the card type used. In IC++ pricing, businesses pay the relevant interchange and scheme fee for each card.

Whether or not Stripe users have experienced these cost changes depends on which pricing structure that business signed up for: flat rate blended pricing, or varying interchange plus pricing.

Businesses that choose the flat rate blended pricing model listed on our website receive a simple, predictable, and consistent payment processing price. This price abstracts away the complexity of underlying network costs (which include hundreds of network fees that can change multiple times a year) and may be more suitable for many small businesses. Blended pricing also shields businesses from potential increases, as we seek to keep our standard price fairly consistent over time.

In addition to card processing, our blended pricing model includes a set of other services that combat fraud and increase businesses' revenue, such as Stripe Radar, Adaptive Acceptance, Network Tokens, 3D Secure authentication and Card Account Updater.

The IC++ model breaks down costs into two parts: network costs (including interchange and scheme fees) and the payment processor's fee. It allows businesses to see a very granular breakdown of their network costs and take actions to optimise specific fees. IC++ pricing is a more complex pricing model for many businesses to manage and can be difficult to optimise because of the variability in network costs, and the final total costs can be unpredictable.

IC++ pricing tends to provide a high degree of transparency into network cost and fee line items. This pricing model is best suited for businesses with a deep understanding of payment fees and staff that can sift through the complexity of hundreds of fee line items and optimise their payment integrations to lower cost. In our experience, the businesses that select IC++ pricing tend to have internal resourcing dedicated to payments in a way that typically smaller businesses who are on blended pricing do not. Hence for those on IC++ pricing, that cost does not represent their total payment cost, in contrast to those on blended.

Many smaller merchants specifically choose Stripe's blended pricing option and the benefits that it provides them. Stripe also sees some larger merchants requesting negotiated blended pricing for certainty and ease of accounting.

Some of the benefits of blended pricing include:

- *Simplicity and Predictability*. IC++ merchants see dozens and dozens of different fees that constantly change. This makes it hard to run a thin margin business. Large companies have to hire payment performance experts to make sense of it all.
- *Premium all-in-one services*: Our simple blended pricing includes many other services such as Radar, CAU, and Network Tokens, etc, that cost extra for IC++ users. Comparing interchange costs alone does not account for all the value. Further, these additional services are provided 'out of the box' and represent significant 'value add' given an individual merchant may not have the scale or expertise to invest in generating these capabilities themselves.
- *Risk management benefits*: With blended pricing, we carry the risk in terms of the range of cards that could be presented for payment and the cost of each of those transactions. If consumers present a merchant with a high proportion of high-cost cards, their payment costs remain stable and we carry the margin risk associated with that.
- *Fees go to Networks/Issuers*: The majority of card processing costs go to the networks and the issuers (vs to the payment processors). Merchants with a higher cost cards mix, e.g. Amex and commercial cards, may actually end up paying less under blended pricing, to the extent that Stripe at times has a negative margin with some users.

Blended pricing customers also have free access to software tools that reduce fraud, update expired cards, and give access to 100 payment methods around the world. It's a comprehensive bundle of value-added services. Interchange plus businesses have to pay more for these services.

Larger merchants, by virtue of volume, will be in a position to access discounted rates via Stripe's 'custom' pricing arrangements. Such an arrangement is standard across the economy and exists in other consumer based sectors like travel (group discounts), telecommunications (family plans or annual subscriptions vs monthly), and software licenses (volume licenses for multiple seats/users). Moreover, volume based discounts are standard practice in commercial sectors, like rack space volume discounts among data centres, export volume based discounts at port facilities, and tariff discounts for industrial customers using over certain thresholds in energy. [10]

There is a considerable cost and risk borne by Stripe to onboard small merchants. When an acquirer is underwriting large merchants, they face significantly lower information asymmetry. There is usually enough publicly available information on the merchant that reduces friction in this process. As such, acquirers are well placed to measure risk and appropriately price it. With smaller merchants, less information is available and while the credit risk is often higher, the quantum is often unknown. These are just some of the factors that drive price economics across merchants of varying sizes.

Finally, as the RBA will be aware, acquirers take on considerable card mix margin risk for users on blended pricing. If the RBA were to pursue a course of action that requires a PSP to amend the way in which an acquirer presents pricing to a merchant, it may have the unintended consequence of increasing costs rather than reducing them. Such a position is set out on the RBA's website below;

> *With fixed prices, the acquirer takes on the risk that there could be changes in the merchant's transaction mix from one period to the next that result in higher wholesale costs for the acquirer (because the wholesale cost of individual transactions can vary significantly).* [11]

Switching/Competition

One of the unremarked features of the current online payment landscape is the ease in which merchants can switch providers in a way that was not possible a decade ago. There are fewer hurdles to switching (e.g. no physical devices) that makes the online payments market a diverse and competitive one for merchants to choose the best service offering. It's important that merchants be able to choose the payment provider they feel best suits their needs.

With the RBA's efforts to introduce standardisation around token migration, the ability to switch payment providers has become even easier, generating more competition in the market.

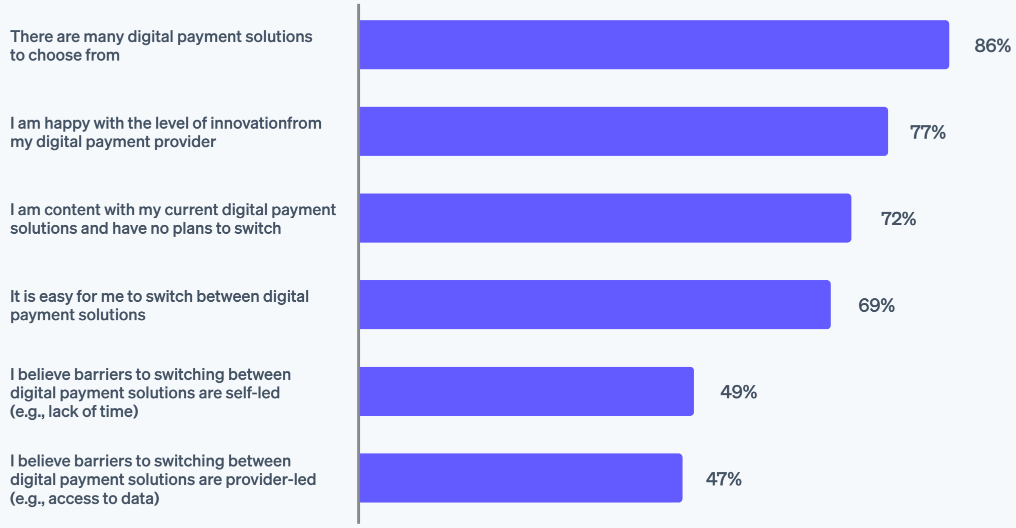
[10] Iyengar, R., & Jedidi, K. (2012). *A Conjoint Model of Quantity Discounts*. Marketing Science, 31(2), 334–350. https://doi.org/10.1287/mksc.1110.0702

[11] Gill, T., Holland, C., & Wiley, G. (2022). *The Cost of Card Payments for Merchants | Bulletin – September 2022*. https://www.rba.gov.au/publications/bulletin/2022/sep/the-cost-of-card-payments-for-merchants.html

EXHIBIT 10

86% of Australian businesses report having the choice between a variety of digital payment platforms and 72% are content with their digital payment solution

Business beliefs on switching providers, % of respondents



Notes: Includes respondents who selected "Agree" or "Strongly Agree".

Source: Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions* (n = 567), Mandala analysis.

86% of Australian merchants report having the choice between a variety of digital payment platforms and 77% are content with their digital payment solution (See Exhibit 10).

Fee categorisation

The consultation paper posits a requirement to publish fees on a quarterly basis and margins on annual transaction volumes. Stripe does not support these measures nor do we believe that they would improve competition.

Consideration should be given to the downstream impact that further segmentation would have on merchants, especially smaller ones. A small merchant is unlikely to have the technical expertise or resources to implement additional technical capabilities. Merchants actively choose providers like Stripe to manage that degree of complexity for them so they can focus on what is most important to them - growing their business. The publication of costs and price may, in fact, precipitate less competition as merchants seek out the lowest cost provider, counter to the intentions of the RBA.

When considering interventions on merchant costs, Stripe would encourage the RBA to examine the experience of other jurisdictions who have pursued similar approaches. In an effort to reduce merchant costs, there have been unintended consequences that critically impact the PSP landscape and the provision of payment services to merchants. By way of example, reducing merchant costs to zero, as has occurred in India, can favour providers who are able to derive revenue from business lines other than payments, such as those that monetise customer data. India's Merchant Discount Rate (MDR) sought to reduce the cost of accepting digital transactions, often resulted in reducing incentives for service providers and creating market distortion. Further reading on this front is set out in the appendix.

New business models and the SaaS platform economy

One of the key features in the evolution of payment technology has been the emergence of the SaaS platform economy. Platform solutions from me&u, ServiceM8, Rezdy, and Xero have dramatically lowered the barriers to running a business online.

CASE STUDY

ignition

"Our customers choose their partnership with Ignition because it allows them to get paid faster, with more reliability and with less administration. Software with embedded payments has automated that process for them. "

Ignition is the world's first client engagement and commerce platform for service businesses. From online proposals to automated engagement letters and payments, Ignition frees service businesses to focus on their clients. Based in Australia, Ignition serves thousands of customers around the world.

Source: https://www.ignitionapp.com

SaaS platforms are increasingly used particularly by small businesses to operate key tasks, manage their systems and processes and to get online quickly and efficiently. SaaS providers are frequently embedding payments (provided by PSPs to the SaaS platform) so that the SaaS provider's small business customer's payments functionality is included in the software offering.

For many businesses, but especially smaller ones, accessing SaaS platforms is a core component in running a productive, efficient business.

Stripe is concerned that some of the positions in the consultation paper could inadvertently alter the relationship between PSPs and SaaS platforms in such a way that could be detrimental to the SaaS platforms' efficiency and unique relationship with their customers. In Stripe's view it is appropriate that the PSP, not the SaaS platform, continues to carry the payments regulatory burden.

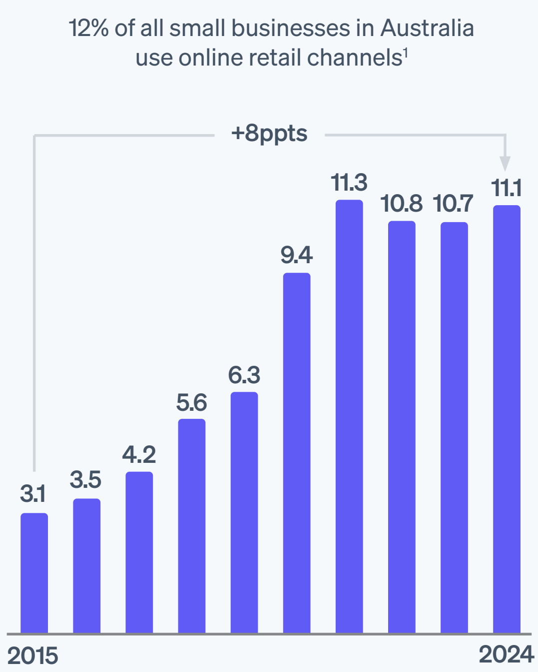
These SaaS platforms are not PSPs, but function as intermediaries, either in the context of a marketplace where they are bridging the gap between buyers and sellers, or as software tools that provide their users (typically small businesses) an integrated way by which to accept payments. They allow for streamlined transaction processing and can provide a variety of tools to help manage and optimise these transactions.

Small businesses, and particularly sole traders, proactively choose to power their businesses via a platform because it removes the complexity and friction in starting and maintaining a business, especially when it comes to processing payments. Platforms, supported by Stripe, have introduced another dimension of competition in the acquiring space.

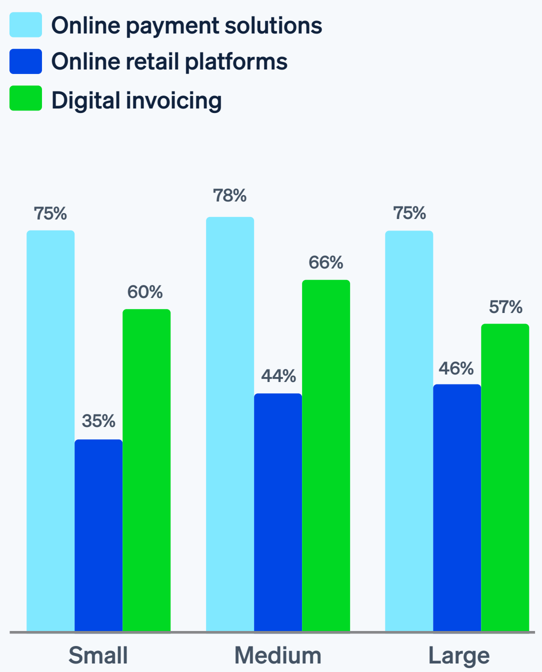
Exhibit 11 shows small businesses who use online payment solutions are making use of a similar range of tools and solutions to their medium and large size business peers. Exhibit 12 shows that across different industries a diverse variety of online payment solutions are leveraged. Construction,

EXHIBIT 11

ABS data shows 11% of payments in the retail sector by value pass through online channels
2015 - 2024, % of total retail turnover



Businesses using digital payment solutions have high take-up across payment, sales and invoicing tools
% use of tools among merchants using online channels



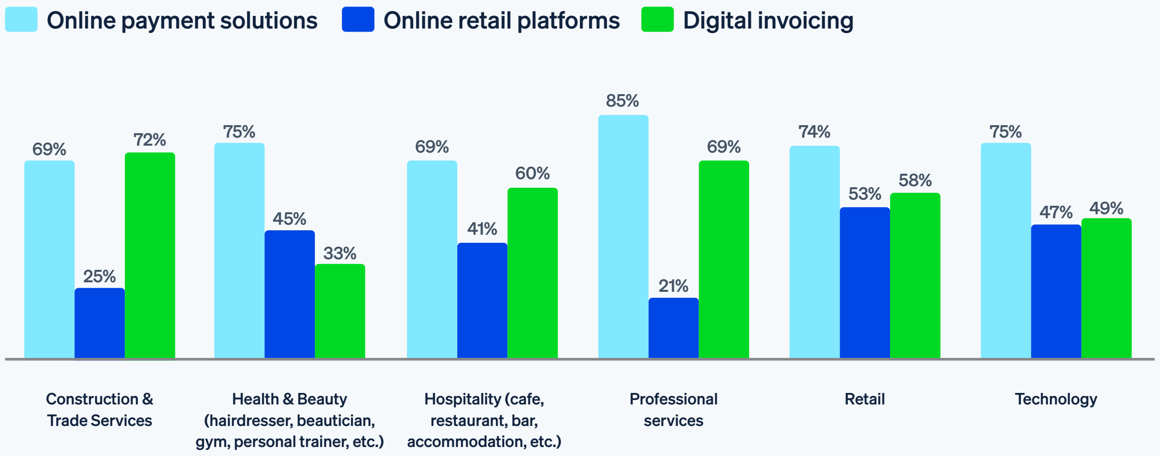
Notes: 1. Mandala (2024) *How online retail boosts Australian SMBs.* For chart on right, our business survey asked: *Which of the following categories of digital payment solutions does your business use?*

Source: *Left chart* - ABS (2024) *Retail Trade Australia;* Right chart - Pureprofile Australia (November 2024) *Business Use of Digital Payment Solutions Survey* (n = 567); Mandala analysis.

EXHIBIT 12

A diverse variety of businesses leverage these solutions, primarily for online payments and digital invoicing

Construction, hospitality and professional services businesses used both online payment solutions and digital invoicing strongly, while health and beauty and tech businesses focused on payment solutions, % respondents in industry



Notes: Our business survey asked: *Which of the following categories of digital payment solutions does your business use?*

Source: Pureprofile Australia (November, 2024) Business Use of Digital Payment Solutions (n = 567), Mandala analysis.

hospitality and professional services businesses use both online payment solutions (such as Stripe or Paypal) and digital invoicing (such as Xero, MYOB or Abacus). Health and beauty and tech businesses focused on payment solutions. Retail, hospitality and health and beauty industries leverage online retail platforms (such as Abacus, Shopify, me&u, Mindbody, Lightspeed, Woocommerce, Squarespace, Wix or more).

The international experience

The consultation paper rightly raises the prospect of requiring the publication of standardised pricing information in line with recent reforms introduced in the United Kingdom. In principle, Stripe supports this move. Stripe already publishes pricing information on our website, and undertaking this in a uniform way would benefit merchants, provided it does not further accentuate complexity.

Surcharging

In considering changes to the surcharging framework, Stripe is concerned that some of the recommendations set out in the consultation paper may not achieve the desired outcome of reducing merchant fees and providing more transparent signals to customers.

If the RBA believes that the current regime is currently the subject of misuse and excessive surcharging beyond the average cost of acceptance, the immediate course of action should be enforcement, not additional regulation. While Stripe acknowledges that this is an area that rests with the ACCC and there have been recent developments to improve resourcing, we remain of the view that more work should be done to understand and enforce misuse before wholesale changes are enacted.

As ACCC Chair Gina Cass-Gottlieb recently observed;

> *The ACCC already has powers to take action against merchant surcharging that exceeds the merchant's cost of card acceptance. While we welcome this announcement, we are also mindful of the balance to be achieved to deliver a better outcome for both consumers and small businesses.* [12]

In furthering the consideration of enforcement around surcharging, Stripe does not support the move to mandate monitoring by acquirers and networks. In complying with such a measure, Stripe and others would need to access a level of line item detail that is currently not available given there are multiple intermediaries involved in a merchant's tech stack.

At Stripe, we neither promote nor discourage merchants from implementing surcharges. Our primary focus is on maximising customer conversion, encouraging merchants to evaluate their competitive environment and weigh whether the potential cost recovery from surcharging is worth the risk of a negative customer experience or lower conversion.

One alternative that the RBA may wish to consider is ensuring that merchants offer at least one digital surcharge-free payment method to consumers, such as the NPP enabled PayTo. This would not only drive adoption but afford consumers greater choice at a lower cost.

Finally, as the paper rightly alludes to, there is a reasonable prospect that merchants may simply absorb these transaction costs into their margins or raise their prices, rendering the move to that of a technical alteration only, not a meaningful saving for the merchant or consumer.

The cost of acceptance

In considering changes around surcharging rules, Stripe does not support refining the definition of 'cost of acceptance'. The existing definition - the cost of accepting card payments - allows for the requisite degree of flexibility that affords and promotes innovation.

If the RBA were to narrow the definition, consideration should be given to how to avoid the creation of unnecessary confusion and uncertainty for merchants navigating new domestic and international payment methods. It may be interpreted as defining payments as akin to the Visa,

[12] Cass-Gottlieb, G. (2024, October 31). *Framing the future of financial services: strengthening competition and consumer engagement.* Australian Competition and Consumer Commission. https://www.accc.gov.au/about-us/news/speeches/framing-the-future-of-financial-services-strengthening-competition-and-consumer-engagement

Mastercard and Eftpos methods which could lead to a merchant being less likely to engage with new payment methods.

Stripe also has concerns over the categorisation of transactions across networks. If such a regulatory setting were pursued, this could create a race to the bottom on features, safety, and innovation. PSPs could be incentivised to provide offers which have the lowest cost of acceptance. This would see the exclusion of close and vital adjacencies to core payment processing like network tokenisation and fraud scanning.

In Stripe's view, a mandated pricing structure across different networks, as outlined on page 20 of the consultation paper, would present an unworkable solution for merchants who would be required to reconcile potentially hundreds of fee based line items, presenting increased workload for an unequal saving.

One option, as advanced in the paper, is for the RBA to consider a numerical cap on the level of surcharges that could be set for different payment methods. Such a measure would be simple and easy for merchants to comply with, and result in consistency and transparency for consumers, whilst also sharing the cost of payments between the merchant and the consumer who both receive the benefit of the convenience and ease of payment solutions. As the RBA acknowledges, care would need to be taken in determining the exact cap, and caps should not be used as a 'default' surcharge where the merchant's cost of acceptance is lower than the cap.

Why pricing structures have evolved to include blended pricing and IC++

Stripe, like other PSPs, provides value adding features as part of its blended pricing. Many merchants actively select a blended model in pricing because it provides a degree of predictability and value outside of the transaction flow, like fraud protection, network tokens and automation. This offering increases reliability and innovation in the system as merchants seek an offering that delivers enhancements across their business beyond the pure processing of transactions.

As we have noted elsewhere, Stripe seeks to make it easy for merchants to get started and that's one reason our blended pricing is publicly available on our website with no hidden costs or ongoing maintenance or subscription fees. We only grow as our users grow and start receiving payments.

In our view, separating essential value-adds from the cost of acceptance will see merchants put a price on fraud prevention and detection.

At the same time, many merchants don't exclusively look at price when considering their payment processing provider. They consider technology quality, reliability, customer service, and more. Merchants also do not switch solely due to core acquiring price. Our experience is that merchants sign up to Stripe for a broad range of factors, of which price is one. Other factors may include the ease of our onboarding, fraud capabilities, range of payment methods, ease of integration, higher authorisation rates, API uptime and more.

General

In looking at what additional regulatory actions could be taken to reduce merchants fees, the RBA should consider how greater payment diversity can be promoted throughout the economy. The greater the number of payment methods available to merchants, the greater the competition available to merchants, which, in turn, would lead to lower fees. There has been an explosion of local payment methods globally, many offering merchants low costs and high payment conversion due to high consumer brand awareness. PSPs help merchants leverage this diversity by being able to integrate new payment methods seamlessly for their success. Further measures could be taken to ensure their widespread distribution, adoption and performance.

An adjacent issue to that of price and transparency is the ability for merchants to seamlessly move from one PSP to another. Competition in payments can be improved by mechanisms to allow merchants to seamlessly move from one PSP to another. For businesses that rely on subscriptions and recurring payments, the inability to migrate tokens is a significant barrier to change. Equally, Stripe already operates in multi processor arrangements and we recently announced the launch of a new **Vault and Forward API**[13], so merchants can use even more of Stripe with other payment processors.

Conclusion

By way of conclusion, Stripe notes that the proposed changes to surcharging and merchant fees set out in the consultation paper come at a time when considerable change is already occurring within the payments landscape. For example, reforms to the Payment Systems Regulation Act, the introduction of a new licensing regime and the regulation of BNPL.

The timing of the introduction of concurrent regulatory alterations should be given strong consideration within this broader context.

Stripe welcomes the opportunity to engage directly with the RBA on the substance of our submission set out above.

[13] Stripe (2024) *Forward card details to third-party API endpoints*, https://docs.stripe.com/payments/forwarding

Appendix

Further reading on India's Merchant Discount Rate

a. Anupam in Inc42 (2020) *Zero MDR In UPI: Is Big Tech's Influence Killing Payments Innovation in India*? Available at: https://inc42.com/features/zero-mdr-in-upi-is-big-techs-influence-killing-payments-innovation-in-india/

b. Chitra and Mishra in The Times of India (2020) *E-payments industry counts the costs after zero MDR jolt*. Available at: https://timesofindia.indiatimes.com/business/startups/companies/e-payments-industry-counts-the-costs-after-zero-mdr-jolt/articleshow/74275944.cms

c. Upadhyay in Entrackr (2020) *Zero MDR had a negative impact on payments ecosystem: RBI.* Available at: https://entrackr.com/2020/07/zeromdr-had-a-negative-impact-on-payments-ecosystem-rbi/

d. ENS Economic Bureau in Indian Express (2022) *Roll back zero merchant discount rate on UPI, RuPay debit card payments, Industry body Payments Council of India writes to Finance Ministry.* Available at: https://indianexpress.com/article/business/banking-andfinance/merchant-discount-rate-rollback-on-upi-rupay-debit-cards-7737229/

e. Krishnamurthy in Mondaq (2020) *Zero MDR: What It Means And Why It Is Counterproductive To The Payments Industry.* Available at: https://www.mondaq.com/india/finance-and-banking/887994/zero-mdr-what-it-means-and-why-it-iscounterproductive-to-the-payments-industry

f. Pahwa in Medianama (2020) *Why Zero MDR is a dangerous play with incentives, and will hurt financial inclusion and businesses.* Available at: https://www.medianama.com/2020/01/223-zero-mdr-payments-india-editorial/

Appendix: survey methodology

1. Overview

Mandala commissioned Pureprofile to administer an in-depth online survey of 567 businesses who use digital payment solutions in their business. The online survey was in the field on 22 November 2024 and received 567 completions from business owners and managers running Australian businesses that use online payment solutions. These respondents used a variety of online payment solutions available in Australia, including MYOB, Xero, Shopify, PayPal, Square, Afterpay, and Stripe. To adjust for differences in response rates, the data is weighted to match the Australian distribution of small, medium and large businesses who use online ordering facilities, as reported in Australian Bureau of Statistics data.

1.1. Survey methodology

1.1.1. About Mandala

Mandala is an economics research and advisory firm. Mandala specialises in combining cutting-edge data and advanced analytical techniques to generate new insights and fresh perspectives on the challenges facing businesses and governments. Mandala was commissioned by Stripe Payments Australia to conduct independent, third-party analysis of Australian businesses preferences relating to online payment solutions.

1.1.2. About Pureprofile

Pureprofile is a global data and insights organisation providing industry-leading online research solutions to researchers, agencies, marketers, and businesses. Founded in 2000 and based in Surry Hills, Australia, Pureprofile operates in North America, Europe and APAC and undertakes independent panel surveys for hundreds of clients. As of 2024, Pureprofile's Australian panel has over 790K registered members. Monthly active panellists (anyone who has completed a survey within the past 30 days), average at 120K members. Respondents go through a stringent vetting process that ensures those who are registering to the panel are legitimate (100 points of ID validation).

1.2. About the Business Use of Digital Payment Solutions survey

Mandala commissioned Pureprofile to conduct an in-depth survey of 563 businesses who use digital payment services as part of their business operations - the Business Use of Digital Payment Solutions survey. The survey was administered by Pureprofile to a sample of the Australian population who were businesses actively using digital payment services, fielded between 22 and 27 November 2024.

The Business Use of Digital Payment Solutions survey provides an immediate, up-to-date dataset on businesses perspectives in a rapidly evolving landscape. Given the Reserve Bank of Australia (RBA)'s aim to understand trends and business priorities in their consultations, this survey provides current research to inform this process.

The survey was robustly designed to ensure results are representative of Australian businesses using online payment solutions. To meet best practice guidelines; survey questions are worded neutrally to avoid leading answers and five-point scales are used to provide options for respondents Strongly Disagree, Disagree, Neutral, Agree or Strongly Agree.

1.2.1. Inclusion criteria

The survey was administered to Pureprofile's proprietary panel. Of this panel, 2,430 total people responded and approximately ~23% of initial respondents met screening criteria and qualified to complete the survey.

The final number of completed survey responses was 567.

Respondents who completed the survey were compensated between A$4 to A$5 each.

The survey screened candidates using standard questions of age (over 18) and location (Australia). Respondents were screened for those who held senior positions in their business, including; managers (36%), business owners (24%), senior management (19%) or other senior positions (directors, executives, business heads, vice presidents: 21%).

Additionally, businesses were screened to those who use online payment solutions widely used in Australia such as MYOB, Square, Xero, Tyro, Adyen, Abacus, Cybersource, Shopify, Stripe, Afterpay, PayPal, Apple Pay or other.

1.2.2. Data treatment

- Removal of outliers: We trim the top and bottom 5% of responses to ensure outliers are removed from the data to avoid skewing results.
- To avoid over-weighting, we weight responses across three categories by business size and online tool use. See the next page for the data used.
    - Business size: weighting the proportion of small, medium and large businesses to the proportion of Australian businesses of each side from ABS data
    - % that use online ordering facilities through their businesses' website or app: weighting, for each size category, the proportion that use online ordering facilities from ABS data

1.2.3. Time taken to complete the survey

- Range: 2 minutes to 24 hours
- Median: 6 minutes
- Average: 21 minutes

1.2.4. Geographical breakdown

State	Survey representation	Business representation (ABS (2024) Counts of Australian business)
Australian Capital Territory	1%	1%
New South Wales	34%	34%
Northern Territory	1%	1%
Queensland	19%	19%
South Australia	8%	6%
Tasmania	2%	2%
Victoria	27%	28%
Western Australia	9%	10%

1.2.5. Business size weighting

We weight survey responses to the estimated Australian distribution of businesses using digital payment solutions by size.

Business size category	% of total businesses of this size in australia (by number)	% using online ordering facility on website or app (by rate of usage)	Number of australian businesses using online ordering facility	% share of total businesses using online ordering facility
Source	**ASBFEO, 2024**	**ABS, 2024**	**Mandala analysis**	**Mandala analysis**
0 – 19 persons	97.37%	17.1%	454,629	95.29%
20 – 199 persons	2.44%	32.0%	20,807	4.36%
200 or more persons	0.19%	32.4%	1,649	0.35%
Total	Total number of Australian businesses: 2.7M	Total number of Australian businesses with online ordering: 477,000 (17.7%)		

1.3. Survey coverage

Industry	
Professional services	29%
Retail	18%
Other (various reported)	15%
Construction & Trade Services	12%
Technology and IT	9%
Health and Beauty (Hairdresser, beautician, gym, personal trainer, etc)	8%
Hospitality (Cafe, restaurant, bar, accommodation, etc)	9%

SENORITY - RAW COUNT					
	Owner	Manager	Senior management	C-level Executive; Director; Department/ Business Head; Chairman; Vice President	Total
Small business	115	56	36	41	248
Medium business	17	89	50	51	207
Large business	3	60	20	29	112
Total	135	205	106	121	567

SENORITY - WEIGHTED				
	Owner	Manager	Senior management	C-level Executive; Director; Department/ Business Head; Chairman; Vice President
Small business	250.5	122	78.4	89.3
Medium business	2.0	10.6	6.0	6.2
Large business	0.1	1.1	0.4	0.5

SENORITY - WEIGHTED PERCENTAGE					
	Owner	Manager	Senior management	C-level Executive; Director; Department/ Business Head; Chairman; Vice President	Total
Small business	44.2%	21.5%	13.8%	15.7%	95.3%
Medium business	1.1%	1.9%	0.4%	1.1%	4.4%
Large business	0.1%	0.2%	0.0%	0.1%	0.4%
Total	16.9%	23.6%	44.6%	15.0%	100%

2. Sub-sample analysis: Comparing overall responses to business owner1

We conducted a sub-sample analysis to test the robustness of the sample group and to explore any meaningful differences in the owners subgroup. Overall, most of the results remained consistent between the overall group and the business owners.

Both groups report similar benefits in how online payment solutions help them to operate competitively, seek similar value when choosing digital payments, similar use of integrated features, time savings and perceptions of switching costs. There are some differences in the proportion of businesses who saw revenue increases, and perceptions of how business owners use online payment solutions.

Question	Overall		Business owners only		Difference (ppt)	
Online payment solutions help businesses operate competitively						
Enabled me to customise the checkout experience	72%		68%		4ppt	
Saved me additional costs in technology	57%		55%		2ppt	
Easily integrated into my business	77%		79%		2ppt	
Was fast to set up	69%		66%		3ppt	
Businesses seek additional value when choosing digital payments						
Ease of onboarding	45%		48%		3ppt	
Fraud capabilities	38%		37%		1ppt	
Range of payment methods	53%		54%		1ppt	
Ease of integration with existing providers	54%		53%		1ppt	
Higher authorisation rates and data access	22%		18%		4ppt	
Ability to sell into other geographies	16%		16%		0ppt	
Fees	41%		43%		2ppt	
Use of tools among business using online channels						
	Small		Medium		Large	
	Overall	Owners	Overall	Owners	Overall	Owners
Online payment solutions	75%	79%	78%	76%	75%	na
Online retail platforms	35%	30%	44%	76%	46%	na
Digital invoicing	60%	57%	66%	88%	57%	na
Revenue growth and key drivers						
	Overall		Owners only		Difference	
% business who saw revenue increases	70%		57%		13ppt	
Small	19%		15%		4ppt	
Medium	19%		34%		15ppt	
Large	28%		20%		8ppt	
Reaching more customers	54%		54%		0ppt	
Improved checkout experiences	53%		53%		0ppt	
Faster setup times	41%		43%		2ppt	
Allowing focus on other parts of the business	45%		52%		7ppt	
Selling across borders	28%		37%		9ppt	
Launching new products or services (e.g., subscriptions)	20%		21%		1ppt	
Business perceptions in 2015 to now						
Clunky	48%		44%		4ppt	
Complex	43%		44%		1ppt	
Technical	33%		34%		1ppt	
Start their business	16%		25%		9ppt	
Expand their business	25%		15%		10ppt	
Improve efficiency	57%		56%		1ppt	

Question	Overall	Business owners only	Difference (ppt)
Use of integrated services			
Invoicing	76%	74%	2ppt
Fraud protection	33%	36%	3ppt
Reporting features	30%	34%	4ppt
Optimised checkouts	33%	29%	4ppt
CRM	21%	20%	1ppt
Subscriptions	17%	16%	1ppt
Other	2%	3%	1ppt
Time savings			
Average	9	8	1 hour
Sole trader	6	9	3 hours
Micro business	8	7	1 hour
Small business	8	8	0 hours
Medium business	11	11	0 hours
Large business	10	na	na
Cost savings ($)			
Average	200	130	210
Sole trader	100	50	50
Micro business	150	150	0
Small business	430	400	30
Medium business	540	260	280
Large business	500	na	na
Switching costs			
There are many digital payment solutions to choose from	86%	89%	3ppt
I am happy with the level of innovation from my digital payment provider	77%	75%	2ppt
I am content with my current digital payment solutions and have no plans to switch	72%	76%	4ppt
It is easy for me to switch between digital payment solutions	69%	67%	2ppt
I believe barriers to switching between digital payment solutions are self-led (e.g., lack of time)	49%	46%	3ppt
I believe barriers to switching between digital payment solutions are provider-led (e.g., access to data)	47%	44%	3ppt

2.1. Survey questions

1. [Single select from options] What is your gender?
2. [Single select from options] What is your current age?
3. [Single select from options] Which best describes your current job title/ job role? NB: This is a screening question, excluding respondents who do not hold senior roles in their business (i.e. those who selected a profession from i-t were screened out).
    a. Owner
    b. Chairman
    c. C-Level Executive
    d. Vice President
    e. Director
    f. Department/ Business Head
    g. Senior management
    h. Manager
    i. Professional
    j. Consultant
    k. Freelancer
    l. Technical trade / Tradesperson
    m. Community or personal services
    n. Clerical or administrative duties
    o. Retail, sales, or customer service
    p. Machine operating or driving
    q. Labouring
    r. Teacher/Nurse/Police or other trained service worker
    s. Farm Owner/manager
    t. Other, please specify: ____
4. [Single select from options] How many employees does your business have?
    a. 0 (sole trader)
    b. 1-4 employees

    c. 5-19 employees
    d. 20-199 employees
    e. 200+ employees

5. [Yes/No] Are you currently using or have you ever considered using any digital payment solutions? NB: This is a screening question, excluding respondents who do not use any digital payment solutions.
6. [Multi select from options] Which of the following categories of digital payment solutions does your business use?
    a. Online payment solutions (e.g. Stripe, PayPal)
    b. Online retail platforms (e.g., Abacus, Shopify, me&u, Mindbody, Lightspeed, Woocommerce, Squarespace, Wix)
    c. Digital invoicing solutions (e.g., Xero, MYOB, Abacus)
7. [Multi select from options] Please name the digital payment solutions that you use. (e.g., Shopify Payment, Xero, Stripe). NB: This is a screening question, excluding respondents who do not use any relevant digital payment solutions (ie who only use Apple Pay).
    a. MYOB
    b. Square
    c. Xero
    d. Tyro
    e. Adyen
    f. Abacus
    g. Cybersource
    h. Shopify
    i. Stripe
    j. Afterpay
    k. PayPal
    l. Apple Pay
    m. Other (Please Specify)
8. [Single select from options] When did you start using digital payment solutions?
9. [Single select from options] In which of the following industry categories best describes your business?

a. Construction & Trade Services

b. Health and Beauty (Hairdresser, beautician, gym, personal trainer, etc)

c. Hospitality (Cafe, restaurant, bar, accommodation, etc)

d. Professional services

e. Retail

f. Technology and IT

g. Other

10. [Single select from options] What state or territory do you primarily operate in?

11. [Five-point likert scale] How much do you agree with the following statements:

a. Platforms that integrate digital payment solutions make life simpler for me

b. It is easy for me to switch between digital payment solutions.

c. There are many digital payment solutions to choose from.

d. I believe barriers to switching between digital payment solutions are self-led (e.g., lack of time).

e. I believe barriers to switching between digital payment solutions are provider-led (e.g., access to data).

f. I am content with my current digital payment solutions and have no plans to switch.

g. I am happy with the level of innovation from my digital payment provider.

12. [Single select from options] Thinking back to when you adopted digital payment solutions, what was the main motivation for this?

a. To improve the efficiency of my business

b. To expand my business

c. To start my business

d. Other (Please Specify)

13. [Multi select from options] What factors did you consider when adopting between different digital payment solutions?

a. Ease of onboarding

b. Fraud capabilities

c. Range of payment methods

d. Ease of integration with existing providers (e.g. with existing bank, website, Shopify, Amazon or other)

e. Higher authorisation rates, data access

f. Ability to sell into other geographies

g. Fees

h. Other (free text)

14. [Multi select from options] What integrated features does your business use from the digital payment solution?

    a. CRM

    b. Subscriptions

    c. Optimised checkouts

    d. Invoicing

    e. Reporting features

    f. Fraud protection

    g. Other

15. [Five-point likert scale] To what extent do you agree with the following statements:

    a. I find setting up online payment solutions to be a speedy process

    b. I can easily integrate online payment solutions into my business

    c. I can customise a checkout experience using online payment solutions

    d. I can sell my products globally using online payment solutions

    e. I would have had to spent more money investing in technology if I didn’t have online payment solutions

16. [Free text] Thinking of an average week, have you saved any time by using a digital payment solution? (Please provide an estimate in hours if you do not have actual figures)

17. [Free text] Thinking of an average week, have you saved any costs by using a digital payment solution? Please provide an estimate in $ if you do not have actual figures)

18. [Multi select from options] What benefits has your business experienced from digital payment solutions?

    a. Faster payments processing

    b. Improved customer experience

    c. Improved marketing performance through customer insights

    d. Reduced fraud or higher awareness on fraud

    e. Lower transaction fees
    f. Higher number of transactions and higher revenues
    g. Other
19. [Yes/No] Have you seen an increase in sales after adopting online payment solutions?
20. [Free text] If so, what percentage increase in sales have you seen? (Please provide an estimate if you do not have actual figures)
21. [Multi select from options] How has online payment solutions improved your business revenues?
    a. Reach more customers
    b. Sell across borders
    c. Improved checkout experience (increased conversions)
    d. Launch new products (e.g., subscriptions)
    e. Faster setup times (e.g.., setting up additional payment methods, business incorporation)
    f. Allowed me to focus attention on other parts of the business (e.g., R&D, marketing)
    g. Others (Please Specify)
22. [Yes/No] Have you seen a decrease in costs after adopting online payment solutions?
23. [Free text] If so, by what percentage have your costs decreased? (Please provide an estimate if you do not have actual figures)
24. [Multi select from options] Thinking back to 2015, what did online payments look like for you?
    a. Complex (e.g., seemed complicated or difficult to operate)
    b. Clunky (e.g., seemed inconvenient to operate or integrate with my business)
    c. Inaccessible (e.g., hard to set up or I did not think it was relevant for my business)
    d. Other (Please Specify)
25. [Single select from options] How much time do you estimate it would take to switch your business bank?
26. [Single select from options] How much time do you estimate it would take to switch your online payment provider?