FinTech Case Study of Stripe, Inc.

## **Overview and Origin**

Company: STRIPE

[Description](http://stripe.com/)

Stripe is an American technology company that allows individuals and businesses to make and receive payments over the Internet. It is based in San Francisco, California.

As of September 2019, Stripe had more than 2000 employees. Stripe was founded in 2009 in San Francisco, California by two brothers John and Patrick Collison. The company is headquartered in San Francisco, California and has such subsidiaries as: Indie Hackers, Tiempo Labs, Inc., TouchTech Corporation, Index Systems, Inc., Kickoff, Runkit.

**Stripe** launched publicly in September 2011 after an extensive private beta. Less than a year after its public launch, **Stripe** received a $20 million Series B investment. In March 2013, **Stripe** acquired the chat and task-management application kick-off.

\***How did the idea for the company (or project) come about?**   
**J**ohn and Patrick first started working on **Stripe**in early 2010. The **inspiration**came when Patrick, who was working on a few side projects, kept complaining about how difficult it was to accept payments on the web. The two quickly developed a simple solution and within 2-weeks they had processed their first transaction.

**\* How is the company funded? How much funding have they received?**

Stripe has raised a total of $1.6 billions in funding from 28 investors over 12 rounds. Their latest funding was raised on Apr 16, 2020 from a Series G.

## **Business Activities:**

**\* What specific financial problem is the company or project trying to solve**

Stripe is trying to solve the payments systems problem after its founders noticed how difficult it was to process payments on the internet.

Stripe, Inc. provides payment software services and solutions.

The Company designs and produces software to process online credit and debit card payments. Stripe serves customers worldwide.

Over the last decade, Stripe has expanded its platform beyond payments processing to handling more complex marketplace transactions through Stripe Connect, while also offering complimentary services to help facilitate online commerce, drive growth for customers, and expand the funnel of internet businesses globally.

As a result of its product innovation efforts, Stripe has seen explosive growth in product adoption and valuation. Today, it works with companies in over 120 countries spanning every industry, company size, and business model. Stripe has broadened its product offerings across the entire payments stack.

\* **Who is the company's intended customer? Is there any information about the market size?**

“Stripe is a technology company that builds economic infrastructure for the internet. “Businesses of every size—from new startups to public companies—use our software to accept payments and manage their businesses online”.

Millions of companies in over 120 countries use Stripe to start, run, and scale their businesses.

**What solution does this company offer that their competitors do not? (What is the unfair advantage stripe utilize?)**

The payments technology market is not lacking vendors. However, Stripe does not have a direct competitor with its breadth of offerings. While most payments vendors focus on offering products that satisfy specific commerce need — such as payment gateways, consumer payments, or recurring billing — Stripe has a broader solution set as a platform on which businesses can build their entire digital commerce strategy. This value proposition resonates highly with Stripe customers, who declared Stripe an integral component of their success.

Stripe is a well-known platform and does a lot of the things you would expect.

It accepts the **major credit cards and debit cards** while also accepting some other forms of payment like:

* AliPay
* Android Pay
* Apple Pay
* ACH

In the same way that Square built a payment-centric ecosystem for brick-and-mortar SMBs and micro-merchants, Stripe has reinvented online payment acceptance.

Now both companies have moved beyond payments and built new businesses that serve a range of needs for small businesses.

*Source: Square*

Just as Square started with micro-merchants and moved upmarket, Stripe has innovated on its platform to expand its product offerings:

* Stripe Connect can handle more complex marketplace transactions.
* Stripe Billing optimizes subscription and invoice management.
* Stripe Payouts and Stripe Issuing facilitate the movement of money with instant cashouts for gig economy workers and virtual card issuance, respectively.
* Stripe Atlas (business incorporation tool) and Stripe Sigma (business analytics and reporting) can help simplify business operations.
* Most recently, Stripe has launched a Corporate Card and a Lending product geared towards small businesses.

*Source: Stripe*

Stripe makes it easy for companies to do business online. Regardless of what anyone might think of Stripe’s reliability or customer service, there’s no question that the developer features are industry-leading, and the documentation exceeds just about anything else out there. Whether yours is a SaaS business looking for a subscription billing option, a marketplace looking for an easy way to split payments, or an online retailer looking for a way to enable in-app payments, Stripe has you covered. Its feature list is impressive if a tad overwhelming for the uninitiated. And since mid-2018, Stripe has begun making some significant changes to its business: new pricing, implementing 24/7 customer support, and even some game-changing features. Stripe offers:

* Excellent developer tools
* Predictable [**flat-rate pricing**](https://www.merchantmaverick.com/flat-rate-credit-card-processing/)
* Advanced reporting tools
* Ideal for international merchants
* Excellent marketplace tools
* Exceptional subscription tools
* Multi-currency support

Stripe is focused on empowering internet businesses with a developer-first focus, and flexible solutions for almost any kind of online business. Stripe processes payments for many big-name online businesses, such as Lyft, Under Armour, Blue Apron, Pinterest, Wish, TaskRabbit, and more. There’s a lot of talk (and a lot of news articles) about how Stripe wants to change how the entire internet does business, and all the innovation the company embraces. And Stripe claims there’s an 89% chance that any card a merchant might process has been seen on the Stripe network previously (even if the card is new to your business). With its massive array of clients, Stripe’s reach is right up there with the titans of industry.

**What technologies does the company Stripe use?**

Here's a quick overview of some interesting software products **Stripe** is **using** internally: Marketing: AdRoll, Drip, Mandrill, Owler. Sales and Support: Clearbit, LeadGenius, DueDil, Zendesk. Developer and IT: CircleCI, Cloudera, NGINX, PagerDuty.

The company uses Radar (protection), Machine learning model, similarity clustering to catch fraud rings, designing accessible color systems, fast and flexible observability with canonical log lines. The secret life of DNS packet: investigating complex networks. Railyard (rapidly training machine learning models with Kubernetes. AWS (amazon web services) reserved instances, learning to operate Kubernetes reliably, APIs as infrastructure (future proofing stripe with versioning), Connect (behind the front-end experience) and scaling your API with rate limiters.

**## Landscape:**

**\* What domain of the financial industry is the company in?**

Stripe is an important player in the payments and billing industry which according to the Mckinsey 2019 Global payments report, “Global payments revenues totaled $1.9 trillion in 2018, with a solid yet more sustainable growth level of 6 percent. The ongoing evolution in payments ecosystems— which encompasses a blurring of the lines between payments types as well as bold entry moves by non-bank players leveraging non-traditional business models—has spurred a wave of industry consolidation. The notion of “payments as a service,” is lowering barriers to market entry and enabling the testing of many new business models. Global transaction banking continues to comprise roughly half of global payments revenue. Customer-facing innovations that first impacted the retail banking space are now moving into commercial banking. Despite margin pressures and heightened competition, the retail payments business remains a valuable catalyst for banking overall. These insights are based on the 2019 version of McKinsey’s Global Payments Map, which has been the industry’s premier source of information on worldwide payments transactions and revenues for two decades. Increasingly, nonbanks and nontraditional players are entering the fray to capture a share of this opportunity. In some cases, nontraditional players leverage payments to increase customer engagement and either expand existing offerings (for example, mobile wallet GrabPay) or establish a foundation for a broader-based model; for example, Stripe and Square.

\* **What have been the major trends and innovations of this domain over the last 5-10 years?**

After an unusual global payments revenue growth of 11 percent in 2017, largely because of a sudden surge in Chinese liquidity, growth returned to a more typical yet solid level of 6 percent in 2018. That figure is slightly above global nominal GDP growth of 5 percent projected by both the World Bank and Economist Intelligence Unit. The regional view is more nuanced: — In North America, payments revenues have been growing two to three percentage points faster than GDP for the past four years because of a combination of interest-margin expansion and rapid transaction growth. An improving interest rate environment has enabled net interest margins on current account balances to deliver a small but favorable increase each year. The rate of growth in electronic payments transactions has been nearly twice the GDP growth rate, propelled by the e- and m-commerce boom— as well as the continued shift away from cash and checks. — Interest income on current accounts is estimated to have provided roughly one-fifth of US payments revenue in 2018, the lowest share among the four primary regions. — Following a period of tepid growth between 2009 and 2013 (including two years of post-crisis declines), US credit card balances have resumed an upward trend, increasing by more than 4 percent consistently for the past four years. — Payments revenue growth in Europe, in contrast with North America, has remained sluggish and below GDP growth, continuing the trend of the past two to three years (Europe comprises roughly 90 percent of the activity in EMEA— Europe, Middle East and Africa). If many of the underlying trends (for example, rapid growth in electronic transactions) in the two locations are similar, the European picture is dominated by the further weakening of the interest-rate environment, with negative interbank rates having reappeared in the euro zone. As a result, net interest income on account balances in Western Europe has been declining for the past six years, falling by nearly 40 percent over this period.

**\* What are the other major companies in this domain?**

The payment industry is very dynamic with many players competing in different segments of the industry. Companies such as PayPal, Square, Hayden, Braintree and many others offer easy ways to accept payments online. Below is comparison between Stripe and some the companies offering some similar services. Stripe offers two “types” of online processing. The main Stripe payment gateway helps you accept online payments in a traditional buyer/seller model. Stripe Connect allows you to take payments using “platform” or “marketplace” style processing, where you connect multiple buyers and sellers.

There’s no shortage of choices when it comes to traditional online payments, but fewer companies support platform style processing. Still, there are alternatives to Stripe for both. Additionally, there are some things that Stripe can’t do (like provide enhanced data) so it’s important to know the best alternatives for those situations.

Lastly, Stripe is not known for strong phone support. The company typically prefers clients to use email or check its help center for assistance. Other gateways (and payment processors) do offer phone support. If that’s important to you, it’s a good idea to consider choosing one of the Stripe competitors.

There are multiple options when it comes to alternatives to Stripe. Here are some of the top ones, based on factors such as similar features and broad compatibility with processors.

* Authorize.Net
* CardPointe
* ePN
* USAePay
* Heartland for Platforms

Authorize.Net

In online payment processing, Authorize.Net is the 800-pound gorilla. It’s one of the most established [payment gateways](https://www.cardfellow.com/blog/choose-payment-gateway/), and the majority of processing companies offer it. Since it provides many of the same features as Stripe, including the option to accept payments on a recurring basis, it’s a great alternative to Stripe payments.

*How is Authorize.Net like Stripe?*

Authorize.Net and Stripe are similar in that they both offer a payment gateway and provide the credit card processing. With that type of setup, the company controls every aspect of your pricing. You’ll also only work with that company for customer support.

Both companies give you the option to accept one-time payments or set up clients for recurring billing.

*How is Authorize.Net different than Stripe?*

While you can use Authorize.Net for both the gateway and the payments processing, Authorize allows its gateway to be used with other credit card processors. Stripe does not. That means that if you want to use Stripe’s payment gateway, you have to use Stripe as your credit card processor.

With Authorize.Net, you can use the Authorize payment gateway but choose your processor. And since virtually all processors support Authorize.Net, that opens up your options for finding a low-cost processor that meets your needs. When you have the ability to choose between multiple processors, you have more competitive leverage to negotiate lower pricing.

Note that Stripe does say that it will negotiate pricing with higher volume businesses. However, you’re often able to get lower pricing at lower volumes when you use Authorize.Net as your gateway with an independent processing company.

CardPointe

Particularly beneficial for B2B companies, CardPointe is a payment gateway that helps streamline the process of providing level 2 and level 3 data for commercial card transactions. Stripe does not support level 2 and level 3 at this time.

If you’re a business that accepts a lot of corporate credit cards or government cards, providing enhanced data can save you a lot of money on your processing fees. In other words, you’ll want to choose a Stripe alternative if you accept a lot of corporate cards and want to pay as little as possible to do so. While Stripe’s pricing looks simpler, it’s ultimately more expensive than properly optimized enhanced data rates.

Like Authorize.Net, the CardPointe gateway is not limited to one processor. However, CardPointe does require a merchant account with a credit card processor that is compatible with First Data. There are lots of companies that fit the bill, though, so you still have plenty of options for utilizing the CardPointe gateway with a competitively priced processor.

ePN

Another “universal” gateway, ePN does it all: one-time transactions, recurring billing, enhanced data processing for commercial transactions, invoice payments, and QuickBooks integration. Even better, ePN has several choices for online payments to match your needs. There’s an easy form builder for a simple checkout page, shopping cart integration, or the option to add “buy” buttons to your existing website.

Unlike Stripe, ePN does not offer credit card processing directly. You will need a credit card processing company in order to use the ePN gateway. Fortunately, many processors support ePN, allowing you flexibility to choose the right option for your needs and budget.

USAePay

Yet another gateway that works with multiple processors (noticing a trend?), USAePay competes with Stripe for traditional online payment acceptance. Like Stripe, it allows you to take one-time or recurring payments, set up fraud protection to minimize risk of fraudulent transactions, and integrates with shopping carts.

Unlike Stripe, the USAePay gateway can be used with many different processors. Once again, that increases your leverage for negotiating costs. It also means that if you want to switch processors in the future, you won’t need to switch gateways.

You’ve probably noticed that all of the Stripe alternatives we’ve listed so far are universal or allow a broad range of processors. At CardFellow, we firmly believe that it’s best to minimize disruptions to your business whenever possible. Utilizing a universal gateway is one such way to minimize disruption. It’s far easier to switch processors with a universal gateway than it is to reprogram your entire website for a new gateway if you want to switch from a proprietary gateway like Stripe’s.

Stripe Connect and Alternatives

If you run a marketplace where you’re connecting a buyer and seller and facilitating the transaction for them (think Etsy), you need specialty processing, called “marketplace” or “platform” style processing. That’s what Stripe Connect provides.

Platform style processing is less common, and fewer companies offer it. So, Stripe Connect can be a great choice for new platforms / marketplaces, or for companies that want to get set up quickly.

However, Stripe Connect isn’t cheap. For larger businesses, it may make financial sense to consider a solution like Heartland for Platforms, which offers cost effective interchange plus pricing while still providing you with a secure platform-style payment solution.

Heartland for Platforms

Platform-style payment processing is one area where there are fewer Stripe competitors. However, a big one, Heartland for Platforms, offers some distinct advantages. For one thing, Heartland uses competitive [interchange plus pricing](https://www.cardfellow.com/blog/interchange-plus-pricing/). While interchange plus doesn’t guarantee the lowest cost, it does set the stage for it.

Like Stripe Connect, Heartland for Platforms provides assistance with regulations and compliance for marketplace payment processing, including “know your customer” requirements. The two solutions offer a similar service – the ability to set up platform payments while minimizing your liabilities – but Heartland’s solution offers a more transparent pricing model.

Other Payment Gateways

While this is just a selection of some major popular alternatives to Stripe, you have multiple options when it comes to choosing a payment gateway. In general, I suggest using a universal gateway (such as Authorize.Net) whenever possible. Doing so ensures that if you need to switch credit card processors in the future, you won’t need to reprogram your entire site for a new gateway.

**\* What has been the business impact of this company so far?**

Over the past five years, the world has witnessed a monumental shift as companies adapt their business models and strategies to meet the requirements of the digital economy. From traditional ecommerce to subscription software-as-a-service (SaaS) businesses to multisided marketplaces, digital commerce is enabling businesses to rethink what they sell, how they sell, and where they sell. Businesses are also rethinking how they transact with other businesses, with consumers across borders, and with different currencies and payment methods. The result is a dramatic shift in how companies engage online, meet increasingly demanding consumer and business expectations, and grow in a complex regulatory landscape by market. Fickle consumer and business buyers have come to expect an intuitive and instantaneous checkout process with support for multiple payment options. However, aging financial infrastructure and complex interdependencies between numerous parties have historically made it difficult and expensive to accept payments online seamlessly and across markets and currencies. In the early days of the internet, businesses wishing to succeed in the digital commerce landscape had no choice but to make large investments in software, services, and employees to build and support homegrown online payments systems. However, if we look at the current and expected pace of growth in the digital commerce market, this approach of building a “good enough” payments platform from scratch will no longer suffice. Businesses need to transform their payments platforms as soon as possible to compete for customers, reach new markets, and better utilize their increasingly precious developer resources. Stripe meets these challenges with an API-based payments platform, applications, and services that allow customers to streamline the deployment and maintenance of their payment's infrastructure. Stripe transforms businesses’ payments infrastructures from being systems that narrowly process transactions to being wider networks that support complex business models (such as marketplaces and subscriptions). Complexities around payments gateways, acquiring banks, credit card networks, and more are an obstacle to doing business in the digital economy today. Stripe wants to abstract this complexity and turn a unified payments platform into a strategic advantage.

Stripe has been growing rapidly. In 2017 alone, Stripe increased its employee base by nearly half. This growth will challenge Stripe’s ability to scale and remain agile. This is especially important considering the pace of innovation in the digital commerce market. Stripe executives have expressed that they are well aware of this challenge, and Stripe will continue to be successful as long as it keeps a customer-centric culture. Stripe has quickly become the go-to payments platform provider for internet businesses and start-ups. This success was driven by Stripe’s focus on providing excellent APIs and documentation, which helped win over developers.

Because Stripe’s business model is based on a per-transaction basis, Stripe benefits directly if its customers’ businesses grow. Over the next 10 years, a sustained growth is expected in the digital economy, meaning Stripe’s customers will process more transactions online and directly benefit Stripe itself. In fact, less than 8% of business today is conducted online.

With the rapid pace of growth in the digital commerce market, businesses can no longer afford to spend resources building their own payments systems from scratch. Outdated financial infrastructure, near-constant maintenance, fraud prevention, and added complexity for marketplaces are significant barriers for businesses that “reinvent the wheel” in this area, preventing them from deploying their valuable developer resources in more strategic ways. Stripe is an end-to-end payments platform that empowers organizations to improve their entire digital commerce platform by delivering intuitive checkout experiences for end customers, preventing fraud, enabling international transactions, and significantly lowering the costs needed to support online marketplaces. Meanwhile, Stripe customers also leverage the functionality of the Stripe payments platform to enter new markets, onboard new partners and sellers with ease, and accept new payment forms, all of which helps them increase their customer base and earn more revenue.

**\* ## Recommendations**

\***If you were to advise the company, what products or services would you suggest they**

**offer? (This could be something that a competitor offers, or use your imagination!)**

Stripe is in a good footing with an array of products and services that are second to none. To set Stripe apart, the Collison brothers opted to take a developer-first approach.

As a result, they created a way for businesses to accept payments online with only a few lines of code, appealing to developers with the promise of a simple integration. By working with Stripe, businesses could offload several burdens associated with setting up online credit card payments — including payment gateways, credit card storage, PCI compliance, and managing bank relationships — without going through the arduous process of setting up a traditional merchant account, thanks to Stripe’s PayFac technology.

However, to see sustained success, Stripe will need to expand its product development and marketing efforts and win over more traditional businesses and line-of-business users in upmarket segments, many of whom do not specialize in technology. To do so, Stripe will need to focus on making all of its applications interface first and enable no-code configuration. A potential challenge for Stripe lies with Apple’s and Google’s control over the iOS and Android mobile operating systems, respectively. With digital commerce moving increasingly to mobile devices, Apple and Google will hold more influence on how mobile users make digital commerce transactions in browser and in mobile applications. For example, Apple could expand the scope of Apple Pay to the detriment of Stripe and other payment companies. To prevent this, Stripe will need to maintain its close relationships with Apple and Google.

Stripe should also consider expanding globally with an increased focus on emerging markets: Latin America, Asia-Pacific, the Middle East and Africa where more and more people are joining the internet. Enabling no-code configuration will very much help Stripe’s international expansion.

\* **Why do you think that offering this product or service would benefit the company?**

Expanding into emerging markets with greater focus on line-of-business users by enabling no-code configuration would benefit Stripe greatly with an expansion of its customer base thus more revenue and exposure. Since Stripe’s interest is closely intertwined with its customers’, more customers mean more business and more revenue for the company. This also aligns with stripe’s core mission: enabling online commerce and widening the internet economy.

As Stripe takes on more payment volume from existing customers, while also bringing new customers on board from new markets, the effect in Stripe’s ecosystem can really take off.

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