

# Stripe, Silicon valley's most prized asset.



## Preface

The most well-known (and well-funded) fintech firms all have one thing in common: they aim to threaten, challenge, and ultimately unseat established conventional banking companies because they are more nimble, catering to underrepresented populations, or offering faster and/or quality service. Up until recently, financial services organizations provided a range of services under one roof.

As a payment gateway, Stripe enables entrepreneurs to accept and process debit and credit card payments. Businesses can also use Stripe to accept payments from buying then, pay later services, and mobile wallets. Additionally, Stripe accepts payments in numerous other currencies. The program that handles the payments is called Stripe Payments. This report gives a clear understanding of Stripe, as a fintech Unicorn Startup, areas of disruption, opportunities, and threats to the firm, and some recommendations to support the growth of success.

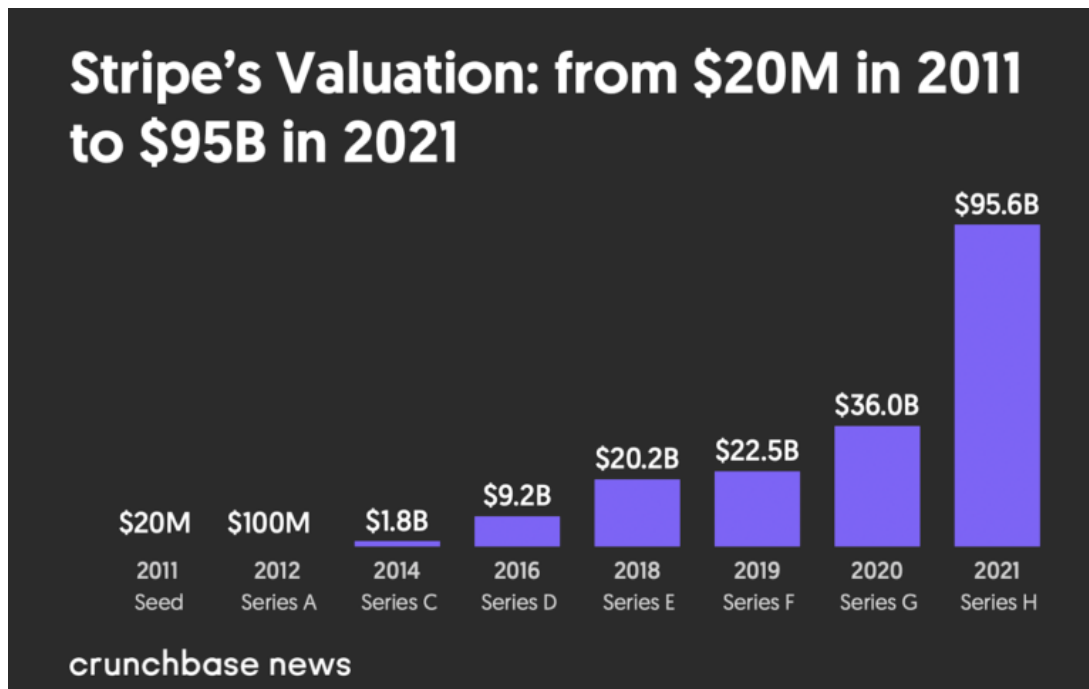
## General Background

With its headquarters in San Francisco, California, the United States, John Collison, and Patrick Collison launched Stripe in 2020. Its goal is to create the financial foundation for the internet and offer financial services to internet businesses. It offered payment solutions for businesses named "payment" and for internet platforms called "connect." Applications for customer reports, recurring invoicing, billing, and startup incorporation were all available on the payment infrastructure, including "Radar" for fraud detection, "Sigma" for customer reports, and "Billing" for that purpose.

The company's main products are application programming interfaces (APIs) for mobile apps and e-commerce websites, as well as payment processing software.

Stripe has expanded at an astounding rate. All thanks to Stripe's expansion approach. Stripe has raised \$2.2 billion from numerous investors since its 2009 inception in 10 investment

rounds, or nearly every year. The most recent \$600 million Series H fundraising for Stripe estimated the company's value at \$95 billion. Its service is a game changer, and the incumbents it targets are traditional banks.



Source- <https://www.cbinsights.com/research/report/stripe-teardown/>

## Stripe as a disruption

### *Aligning with disruption.*

The first type of disruption is low-end disruption, which involves providing less expensive financial solutions to small businesses that used to work with conventional banking to obtain banking services such as detecting fraud, legal paperwork, and money planning. Stripe is less expensive for those financial products due to its pure network infrastructure. Because these small businesses are low-value customers for incumbents, conventional banks are anticipated to "flee" rather than compete with Stripe.

The second type of disruption is market disruption: Because of its ease of use and rapid turnaround, it may entice small businesses, even individual people, to start their own on the internet. Those people may have been unable to start a business in the past due to complex and ambiguous financial processes. However, they can easily manage those financial operations right now without any financial, legal, or advanced technological knowledge.

### ***Identifying Customer Work to Be Done***

Stripe's job is to "help me manage the financial services of my internet business efficiently." When compared to traditional banks, it offers more convenient expertise in the field for online business owners. It facilitates e-commerce merchants to launch and expand their businesses entirely online, allowing them to focus on products rather than financial issues.

As Stripe accelerates, it is critical to stay focused on the original task at hand premised on our theory. The temptation is to enter the brick-and-mortar business and consider replacing all financial activities of traditional banks. It would be preferable to support the entire life cycle of digital business entities, from registering a business to fundraising.

### ***Keeping a Disruptive Focus***

The link between financial service possibilities and business owners' needs is highly interconnected, according to disruptive strategy terminology. Interactions between purchases, credit scores, card issues, and legal services are also present. Each bank has a procedure and efficiency to address these problems, but they do so in a conventional manner. To identify a customer's demands and meet those needs, Stripe now needs to integrate forward.

The dependency and modularity theories predict that the FinTech sector will have interfaces that are more flexible and modular. To access everyone's credit score, for instance, Zhima Credit in China offered a developed solution. This resulted in the creation of a modular interface that connected numerous financial needs.

## **Opportunities of Stripe.**

### ☐ *Making It Public*

The covid-19 pandemic must have thrown a wrench in the company's plans. Stripe has yet to announce its brand's initial public offering (IPO). If the company seeks to expand into the global market, it will have to go public through an IPO sooner or later. It would assist the company in attracting additional investment for market expansion.

### ☐ *Global Expansion*

Stripe has passed the first difficult stage. The company is now in the process of expanding its operations globally. In South Asia and Mena, the brand has enormous growth potential. Stripe could quickly achieve 200 countries around the world if it continues to expand.

### ☐ *Expansion of Product Line*

Stripe has formed alliances with the US financial capital service market. It gives businesses quick and easy access to financial resources. It includes capital approvals, massive leaps, and payment processing. Stripe has countless opportunities in the financial sector, credit card issuing, and a wide range of other individual customers.

## Threats to Stripe

### ☐ *Negative comments on No Customer Service*

Many people have left negative comments about the company on major social media sites. Stripe does have the lowest customer satisfaction rating. Such factors do not endanger the company's operations. However, it would jeopardize the company's credibility.

### ☐ *The market is extremely competitive.*

In recent years, the marketplace for online contract management and financial services has become extremely competitive. Square, PayPal, Adyen, and Braintree pose significant challenges to the company. In addition to these platforms, digital cryptocurrencies such as Bitcoin pose a significant risk to all online financial services providers.

### ☐ *Less Alluring to Regular Consumers*

Contrary to the approach of its primary rivals, Stripe's target market is business customers. The corporation essentially shunned the market for retail customers. The corporation would face challenges if it decided to grow internationally.

## Recommendations.

Stripe's products can be categorized as low-end disruption and new-market disruption. Stripe, as the theory goes, will start with low-margin customers and work its way up the market by offering higher-margin services. Asymmetric encouragement will be easy to create, and conventional bank and banking services agents will "flee" toward high-margin customers.

As per disruptive strategy theory, Stripe must focus on three areas during the process to maintain its disruptive innovation standing: attempting to avoid competing for higher-margin consumers, sticking to the job at hand, and being able to diagnose the proper spot during the dynamic capability track.

- ☐ In my understanding, the priority should be to resist competing with incumbent firms for elevated customers at the outset. Despite having a high volume of payment transactions, large internet companies require seasoned banking services from incumbent firms such as investment banks. Stripe, from this vantage point, is difficult to compete with and may lose in this competition.

- ☐ Secondly, Stripe must be concerned about sticking to the task at hand and not expending too much energy on scaling. Stripe should adhere to its original mission:

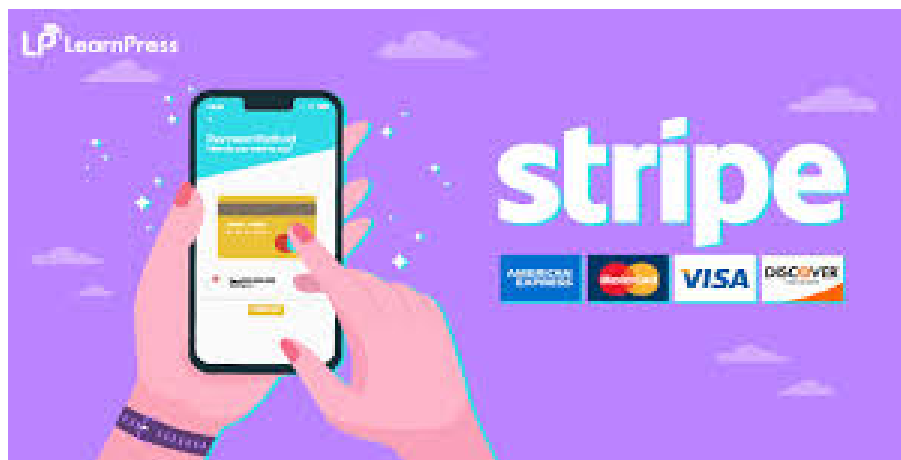
"assist me in efficiently handling the financial services of my online business," and integrate resources, mechanisms, and profit formulas around this mission.

- The third is how Stripe assesses its stance in the interruptive innovation cycle. Interdependence will give way to modularity in the online financial services industry. Stripe must now integrate forward to just provide terminal product lines as remedies. When and how to crumble backward and find its achievement component is critical. After Stripe tends to make attempts to create an ecosphere for online financial services, everything may become modular. Then emerging companies seize the opportunity and take over the industry.

### **The road ahead for stripe- Future of stripe**

Stripe has maintained a laser-like focus on its primary goals of facilitating online trade and expanding the internet economy's distribution network. While currently just a small percentage of purchases are made online, Stripe aims to increase that percentage to double digits. As it introduces new goods and researches new markets, Stripe also wants to be completely essential to its merchant partners. Despite its lofty valuation, Stripe has avoided the cultural and financial problems that many of its unicorn competitors face. The developer, Stripe's primary client, has been the focus of the company with great success

The cycle effect in Stripe's ecosystem might truly take off if the firm takes on greater transaction processing from existing customers while also bringing on new clients from new markets, opening up prospects for additional income streams across a wider spectrum of financial products and services.



Source- <https://www.foxnetsoft.com/nopstripedirectpayment>

## Conclusion

Stripe is a revolutionary technology not solely as a digital payment platform, but also as a provider of online financial services. It has the potential to replace incumbents such as traditional banks, but it must tread carefully in terms of low-end disruption and new-market disruption. It should also center its resources, operations, and profit formula on the task at hand. Payment processing is increasingly becoming more of a utility as markets become more and more competitive. In such a case, one crucial question is left unanswered

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## **Part B Technical Assignment-**

<https://github.com/ak837/Fintech.git>