Emilia Lara
Jianing Zhu
Andrew M Alvarez

Stripe Case

(a.) When Patrick and John Collision began developing an online payments solution in 2010, many people believed that PayPal had already solved the problem. Why was there such a large opportunity, and what allowed Stripe to succeed?

Although PayPal did provide a solution for merchants to sell their goods and services online, there were many "pain points" within their solution that offered Stripe an opportunity to interrupt the market and relieve consumers from these pain points. The main pain point was the complexity of the payment system in general and the inability for payment companies to alleviate the complexity of payments within app purchases, multi sided marketplaces or with complex transactions (international and domestic).

When companies would set up an account with PayPal, they typically would receive only one product: the ability to accept credit and debit card payments in a single transaction. This did not offer products that would deal with recurring payments, or the ability to gather data on consumers, or have more complex transactions with a marketplace. However it was super easy to create an app and get paid for it. The key for Stripe's success was understanding how to create a tool that would make it easy and simple for small/new business to get paid for their services without having to deal with the payment ecosystem in which business would have to have to sign up for a merchant account (which would be difficult and tedious to acquire) which would require contracts with the bank to pay for banking services, then established pricing agreements with a payment gateway, then dealing with a merchant processor, payment network, issuer processor, and finally with the card issuing entity.

Companies like Paypal designed their structure to have both merchants and end consumers happy, while Stripe essentially focused solely on the developers, and as Stripe continued to grow they also saw the ability to offer more tools within their payment system: "assistance with incorporation, fraud prevention, and social commerce." which has kept them relevant to today.

(b.) As Stripe Connect grew, many companies (e.g., Lyft, Kickstarter, Postmates) approached Stripe with requests for new product features and functionality. How should Stripe assess these opportuni- ties, and how should it determine which product features to build?

The number one question that Stripe needs to answer is: "Is the company that is reaching out our target consumer, or are their customers our target consumers." If the answer is the latter, then no Stripe should continue to create tools that are not firm specific, however if the company is the target audience then Stripe should consider the needs of the firm and implement them into Stripe Connect. It is crucial that Stripe continues to think very long term, in terms of the value that their new products and features will bring to companies and consumers. Because many ecommerce sites offer essentially the same thing, it is easy to implement the same tools to different companies that will work seamlessly, since they are not too firm specific. We would advise Stripe, to implement projects that would impact much more than one firm, rather impact a whole industry.

(c.) Initially, Stripe's customers were primarily small business and start-ups. Should Stripe continue focusing its efforts on start-ups, or should it try to attract larger companies as customers? Why?

Stripe should try to attract larger players to take advantage of its service. The larger companies are a little bit harder to convince that Stripe can be beneficial for their businesses. However, this challenge presented an opportunity for Stripe to focus on building top-notch products. Because of the challenge Stripe was forced to learn about the ins and outs of the major financial institutions. For Stripe, it was as much about showing the larger institutions just how the Stripe system would work with their systems as it was about aligning with policies and procedures. This meant that Stripe had to really learn about the needs of the market and make their integration process simple which led to more partnerships back in 2012. More partnerships mean more money for Stripe. The success is very much attributable to the efforts of Stripe to make integration into existing systems as seamless as possible.

(d.) With the launch of Stripe Relay, Stripe began to address the many opportunities outside of tradi- tional e-commerce. How should Stripe prioritize these myriad customers and opportunities?

According to the case, in 2015 mobile phones accounted for 60% of web transactions but only 15% of all online web purchases. The fact of the matter was that online payment processing was a market that was mostly untapped then. Stripe wanted to improve on the efficiency of online payment processing. By the end of 2015 Stripe had a partnership with Facebook and released a "buy" button that allowed customers to make purchases directly through their apps. This was met with huge acclaim and led to the development of Relay. This expanded their reach to Twitter and Pinterest but Stripe realized there was much more opportunity to expand the service in the future. The online world is an ever-growing one and it moves fast. Therefore, Stripe provides an opportunity to allow customers to continue moving ever faster through their online adventures and purchases. The CEO made a statement comparing Stripe to Amazon Web services for business. Maybe here is the answer to how Stripe should prioritize the needs of its online mobile application customers: Stripe could be the business solutions go-to for online purchase infrastructure built into mobile applications. If Stripe could market themselves as the best in this realm then they could have a real profitable grip on the market share of the online payment processing realm. This could lead to countless opportunities down the line. As the market of online interaction, like social media, grows, so would Stripe.

(e.) With the launch of Stripe Atlas, Stripe made a concerted effort to target internationally based companies. In what geographies should they focus their efforts? What types of companies should they target?

Stripe should focus on developing countries such as southeast Asia, Africa, Latin America, etc. Given Stripe's acquisition of Paystack, it has an advantage in expanding services in Africa. Besides, developing countries have a steady growth of Internet economy as there is a high engagement in online shopping. Stripe should target small businesses and high-growth start-ups as it would offer an equal opportunity to these companies with limited resources to expand their businesses globally. Small businesses and high-growth startups are always underserved by card issuers due to their limited credit history, income statements, and uncertainty of future development. Moreover, Stripe also promotes Internet-focused entrepreneurship. For instance, Stripe acquired Indie Hackers, a platform for entrepreneurs to share their knowledge or experience to make the site more successful.

(f.) Who do you consider to be Stripe's biggest competition? How should Stripe respond to this competitive threat?

Braintree, PayPal, and Adyen are the competitors of Stripe. The biggest competition is from PayPal. PayPal is the first mover in providing solutions for small and medium-sized enterprises, including payment processing, peer-to-peer money transfers, single touch transactions, consumer and merchant credit, etc. Stripe's strategy is to focus on developers. PayPal built products to satisfy both merchants and end customers. While Stripe believes developers are the key determinant when choosing a company's payment processing provider since developers are the people who implement the software. Therefore, Stripe appeals to developers by making the integration more convenient through its API, allowing businesses to set online payments with the least lines of code. Stripe acquired a large number of users from developer communities such as GitHub and Stack Exchange over the years. In this way, Stripe also avoids a lengthy and expensive sales force based on the network effect, thus allows a rapid adoption for its users.

(g.) Stripe's strategy is to make sure "this does not become a zero sum game". Do you agree with this strategy? Who stands to lose if Stripe succeeds?

We do agree with Stripe's strategy, because their technology is already out there and in use and they partnered with large financial incumbents, it would not be too far of a stretch for these same companies to implement their own payment products that would stand as competition for Stripe. It is in Stripe's best interest to keep these companies as close as possible because they currently have the need that they can't compete with Stripe because they don't know how, or else they would have implemented it first, or competed with Stripe directly instead of partnering with them. These large corporations have such a large grasp on the payment industry that it simply makes sense for Stripe to want to be seen as a partner rather than a competitor because ultimately we would want to keep Stripe one step ahead from other online commerce companies such as PayPal and Adyen, as they will lose part of the market if Stripe succeeds, rather than adding giants such as Visa and Mastercard into the mix of losing if Stripe succeeds because at that point they would feel the need to directly compete with Stripe.