

stripe

-“SIMPLIFY PAYMENTS, AMPLIFY POSSIBILITIES”



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Executive Summary

Stripe, Inc, founded in 2010 by the Collison brothers, Patrick and John, has grown from a modest start-up to a global powerhouse in the financial technology sector. Initially backed by a \$2 million investment that included support from figures like Elon Musk and Peter Thiel, Stripe's journey has been marked by continuous innovation and adaptability. A strategic rebranding from "/dev/payments" to the memorable name "Stripe" laid the foundation for a trusted and innovative brand. Over the years, Stripe expanded its services from online payment processing to billing, subscription management, and anti-fraud tools. In 2021, it launched Stripe Tax and Payments Links, further streamlining the payment process for businesses. Stripe also ventured into hardware development, partnering with BBPOS and Apple for in-person Tap to Pay. The company's commitment to sustainability is evident through collaborations with 12 organizations via Frontier, aiming to address carbon emissions and promote environmental responsibility. Stripe's journey showcases not only technological advancement but also a dedication to problem-solving and global impact.

Introduction

Stripes founded in 2010 by Irish Collison brothers, takes the gong as the biggest FinTech unicorn by market valuation of \$95 Bn and undoubtedly the market leader in internet payment domain across the globe. Stripe Inc. a Multi-National Fintech Company which provides payment services in regards to Financial and Software-as-a-Service (SaaS). The company was established by young Irish entrepreneurs John Collison and Patrick Collison in 2010 with its dual headquarters in Dublin, Ireland as well as San Francisco, U.S.A. The Collison Bros. has fast identified the fact that although Online Payment process of individuals is still convenient but for commercial payment challenges are immense. Since its conceptualisation, their focus has been on providing a platform to integrate payment processing for their websites and web applications. And the mere 7 lines of **API (Application Programming Interface)** code written by the Collison Bros has brought a revolution in global merchant payment process that allows a software to accept digital payments without requirement of acquiring any license or tie up with banks, credit card operators or financial operators to receive money. This model gave Stripe an edge and motivated to take more business challenges in this platform.



Image Source: www.forbes.com

How it all started

Stripe has now become a prominent financial technology giant that has transformed the way of online payments and commerce. The story begins from county Limerick in Ireland where Patrick and John Collison, born in 1988 and 1990 respectively, demonstrated exceptional aptitude for technology and programming from a young age. In 2007, Patrick's victory in the Young Scientist Exhibition has marked his fame as a prodigy and facilitated his relocation to Silicon Valley, California. Soon after in 2010, John joined his brother after completing his leaving certificate in Ireland. This move marked the first step in the creation of Stripe.

One of the key projects they were involved in before creating Stripe was an online auction management system. Their struggles with integrating a reliable payment system for their auction management software became the impetus for the idea behind Stripe. To make online transactions easier for companies of all sizes, Patrick and John founded Stripe in 2010. Their goal was to improve the accessibility, ease of use, and security of online payment acceptance. Stripe's concept gained momentum fast, and thanks to their creative thinking, they rose to prominence in the online payment space. In November 2016, the Collison brothers fame far reached across the globe to become the world's youngest self-made billionaires, worth at least \$1.1 billion.

Growth Strategy

The core reasons for Stripe Inc.'s success can be linked to the following factors which lead to it immense growth in coming years since its inception.

API (Application Programming Interface) Integration – Stripe as a company understood that the developers are the primary decision makers in vendor selection for the development of payment infrastructure. In order to target the potential clients, Collison brothers drafted a seven-line code which not only revolutionised the API sector but also caught the eye of several businesses around the globe.

Products offered – Stripe has built a programmable infrastructure known as the Global Payments and Treasury Network (GPTN) for moving money around the globe which has allowed it expand itself into an ecosystem from an API provider for web-based payment processing. It has launched series of products such as Billing, Capital, Connect, Issuing, Radar, Terminal and Treasury to name a few which lets the clients explore their platform for further usage. Stripe offered different products to enhance the margin. For each transaction, a fee of 2.9 percentage as well as 0.30 cent fixed fee is applied. Stripe knew that to retain the client loyalty they need outstanding after sales service facility. For which they made this more affordable starting from \$1,800 a month and the charge scales depending on the company's size.

Stripe has simple vision to provide a payment infrastructure for the internet without being limited to its initial product offering of online payments. Over the years, Stripe Inc. realised in order for them to build better products in future they would require increased profits to finance it. Some of the key products offered by Stripe for their clients are namely:

Connect: With the Connect platform, marketplace businesses pay out their sellers and service providers around the globe. Prices start at 0.25 percent of the account's transaction volume.

Radar: Radar is a machine learning-based application that allows customers to weave out fraudulent transactions; Stripe charges 5 cents per transaction.

Atlas: This is a service that allows customers to incorporate a business within minutes. A one-time fee of \$500 has to be paid.

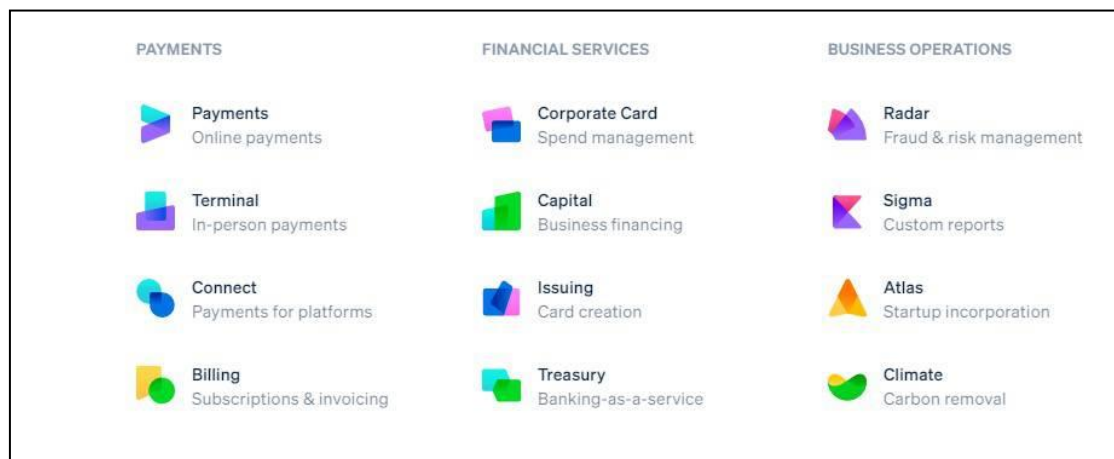


Image Source: <https://www.cbinsights.com/research/report/stripe-teardown/>

Sigma: Stripe Sigma is a data analytics tool that allows businesses to analyse their transaction and financial data processed through the Stripe platform. It enables users to create custom SQL queries to gain detailed insights, conduct real-time analysis, and make data-driven decisions based on their specific payment information.

Radar: Stripe Radar is a fraud prevention tool that uses machine learning to detect and prevent fraudulent transactions for online businesses. Radar helps the system identify fraudsters from legitimate customers by adapting to the shifting patterns of every unique business.

Billing: This product helps businesses manage recurring billing and subscription-based services. It includes features such as subscription management, invoicing, and revenue recognition.

Stripe's developer-centric approach stands as a cornerstone of its strategy. This approach has streamlined the integration of payment processing into websites and applications, essentially simplifying the process to the level of copy-pasting a few lines of code. This developer-friendly stance has notably distinguished Stripe within the realm of online payments. The company's global expansion strategy has been instrumental in its trajectory. Unlike competitors that confine their services to specific regions, Stripe's ambition has been to serve businesses worldwide. An illustrative instance of this strategy is Stripe's successful entry into markets like India, where it adeptly addressed unique local payment challenges, establishing trust among businesses and developers.



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

Innovation has been a recurrent theme in Stripe's playbook. Its introduction of pioneering products and services has been a driving force. For instance, Stripe Relay was a game-changer in the realm of mobile commerce, allowing seamless in-app purchases. This innovation unlocked fresh revenue streams for app developers and businesses.

The establishment of strategic partnerships with technology giants such as Shopify has been a catalyst for Stripe's expansion. These collaborations have simplified the payment process for businesses using platforms like Shopify, significantly enhancing the experience for both merchants and their clientele. Customer satisfaction has consistently been a priority for Stripe, marked by its unwavering commitment to around-the-clock customer support.



Image Source: <https://blog.arrowwhitech.com/shopify-payments-vs-stripe-key-differences/>

Imagine a small online business encountering a payment glitch late at night and Stripe's swift and responsive approach ensures a hassle-free resolution, leaving customers content. Stripe's transparent pricing model has resonated with businesses across the spectrum. The absence of concealed fees, combined with a straight forward percentage-based pricing structure, has made cost projections and budgeting a breeze for businesses, irrespective of their size.

The ability to secure substantial investments has been pivotal to Stripe's growth. A prime example is Stripe's recent valuation of \$ 95Bn, fortifying Stripe's capacity to invest in research, development, and global expansion. In the realm of regulatory compliance, Stripe's strict adherence to the General Data Protection Regulation (GDPR) in the European Union underscores its commitment to safeguarding data security and privacy.



Image Source: <https://www.tigerlrn.com/solutions/sales-enablement-software/integrations/stripe-integration>

Strategic acquisitions, like the purchase of Paystack in Nigeria, have enriched Stripe's services and bolstered its presence in specific markets, enabling the provision of tailor-made solutions to local businesses and their customers. Adaptability has been at the heart of Stripe's success. The company's agility in responding to evolving payment trends, as demonstrated by the launch of the Digital Commerce Toolkit during the COVID-19 pandemic, has empowered businesses to swiftly adapt to shifting consumer preferences.

Future strategy to scale business

Firstly, an ongoing emphasis on global expansion is imperative. Emerging markets, featuring localized solutions, offer considerable growth potential. Stripe's acquisition of Paystack, for instance, fortified its presence in Africa, demonstrating the value of this approach.

Secondly, strengthening data security and regulatory compliance remains paramount. As data protection and compliance demands evolve, investment in advanced security measures and robust regulatory systems can ensure transparency and trust. Adapting to shifting data protection landscapes, similar to Stripe's compliance with GDPR in the European Union, is essential.

Thirdly, forging deeper relationships with ecosystem partners across various industries can enable Stripe to offer more comprehensive services. For instance, integrating with healthcare platforms could facilitate medical billing and telehealth services.

Fourthly, expanding beyond payment processing by introducing innovative financial products such as lending, savings, or insurance can foster increased customer engagement and retention. Stripe can look to the example of fintech companies like Square, which extends small business loans through Square Capital.

Fifthly, investing in developer-friendly tools and APIs can further simplify the process of integration, making it easier for businesses to construct customized solutions. Stripe may explore opportunities to streamline integration with emerging technologies, such as blockchain.

Additionally, harnessing the power of AI and machine learning for activities like fraud detection, risk assessment, and tailored customer experiences can enhance security and operational efficiency. Stripe might consider the adoption of AI-based models to identify fraudulent transactions or optimize payment flows.

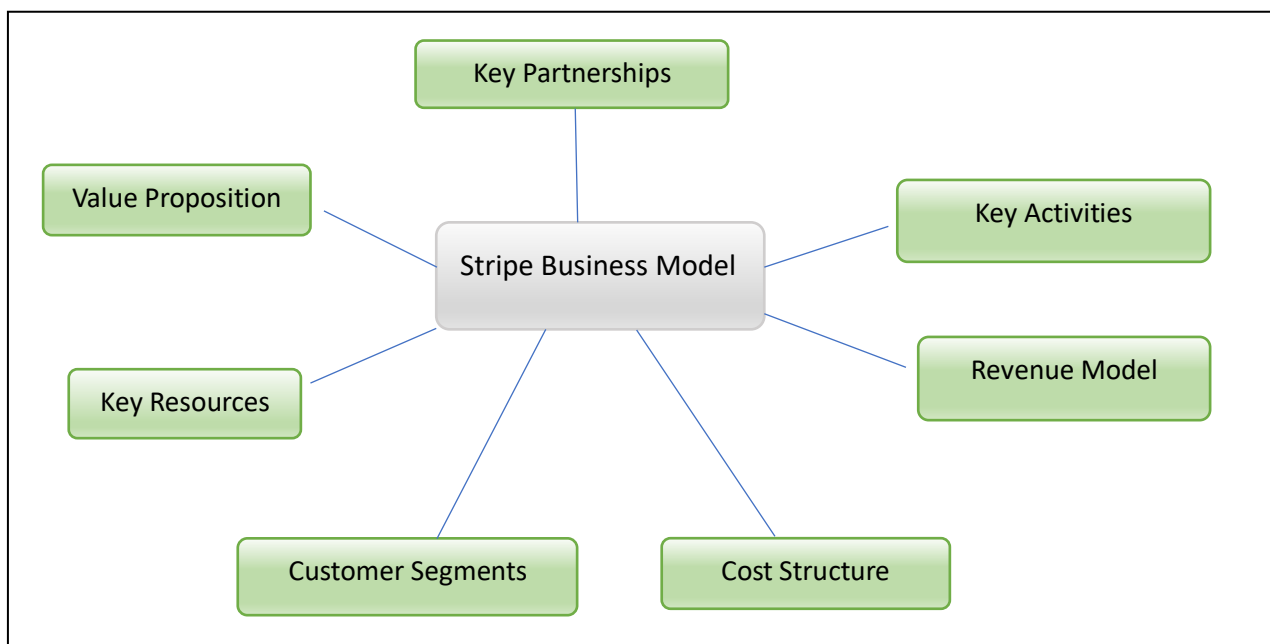
Furthermore, a strong emphasis on customer support and education, including webinars, documentation, and support forums, can empower businesses to maximize the utility of Stripe's services. Stripe can take inspiration from companies like HubSpot, which offers comprehensive educational resources to its customers.

Lastly, given the rising environmental concerns, Stripe could explore sustainable practices, including carbon offset programs and green data center initiatives. While references for these strategies are unavailable due to their speculative nature, crafting a future strategy for Stripe necessitates thorough market research, customer feedback, and staying abreast of emerging fintech trends.

Key Characteristics of Stripe:

1. **Online Payments Management:** Stripe is well known for managing online payments, including but not limited to credit cards and debit cards.
2. **Payment Gateway System:** Stripe is primarily known for connecting businesses to financial companies and accepts the payments made effectively and with security.
3. **Easy to use Documentation:** The documentation for stripe API is very well made and makes them easy to use and since they are well documented it is easy for developers to integrate APIs for their respective businesses.
4. **Multinational Reach:** Stripe is available in a number of countries and manage payments made in different currencies effectively. Due to this global reach, they are able to business internationally with great ease.
5. **Financial Operations:** Stripe does not only manage online payment processing; they are also active in the businesses of lending and banking for businesses.
6. **Fraudulent Payments Prevention:** Stripe has risk management and fraud prevention for online payments to easily identify the fraudulent transactions.
7. **Subscription Payments Management:** Stripe has APIs that also provide services and tools for Subscription payments of businesses and they are very favored because of their management of recurring revenue models.

Business model of Stripe:



Key Activities:

Stripe has a huge collection of partners and all these partners have Stripe's payments systems integrated in their respective payment systems. This builds a huge ecosystem of Stripe partners globally and manages payments for clients of varied backgrounds.

Key Partnerships:

Stripe has partnerships with companies of different backgrounds and businesses and their main partnerships are also with Financial Institutions for their lending and banking services for businesses.

Customer Segments:

Their customer segments are divided into mainly three parts namely: Marketplaces and platforms, Developers and Entrepreneurs and Online Businesses. Stripe has individual tools and services that cater to each of these customers and they are also competitive in their tools.

Value Proposition:

They generate value through their global reach and security measures, including services like 2 factor authorization which makes them trustworthy.

Revenue Model:

Stripe earns revenue by transaction fees of each payment; they also have customized pricing for larger businesses.

Cost Structure:

They have a number of costs associated with their running of business. The main components are: Technology and Infrastructure costs, Compliance and Regulatory costs and Payment Infrastructure Costs.

Key Resources:

Stripe's major resource is their Payment Processing Infrastructure which enables them to process payments effectively. And another major resource is Data and analytics, as Stripe collects a huge volume of data, this data becomes a huge resource for them, they are able to enhance their security and identify the new trends.

Funding Route :

With the start of year 2021, Payments processing startup Stripe became a real threat to Elon Musk owned SpaceX, to become the most highly valued venture-backed private company in the U.S. and the third most valuable in the world when it was valued at \$95 billion after Series H funding round. This is obviously a feather in the cap for the Collison brothers who started their company back in 2009 and struggled to execute their dream in reality due to lack of funds before they were refused by some of the big time investors at that time.

Paul Graham the owner of American technology startup accelerator - Y Combinator, has already earned millions by purchasing Auctomatic, an early start up by Collison Bros, has agreed to fund on Stripe's \$ 20-30 K as pre-seed funds. And since then there was no looking back for this Tech Giant to become one of global leader in Payment Process.

If we fall back to see the growth of Stripe, it has been astonishing over these years. Stripe has raised \$2.20 Bn from various investors in 10 funding rounds and in the latest Series H round, Stripe's managed to mobilise \$600 Mn funding with overall company valuation stands at \$95 bn.

Below, is brief snapshot of major funds raised by Stripe over the years through seed funding from the top investors across the globe-

2011 Pre seed	2012 Series A	2014 Series C	2016 Series D	2018 Series E	2019 Series F	2020 Series 6	2021 Series H
\$ 0.20 Bn	\$ 1.00 Bn	\$ 1.80 Bn	\$ 9.20 Bn	\$ 20.20 Bn	\$ 22.50 Bn	\$ 36.00 Bn	\$ 95.60 Bn

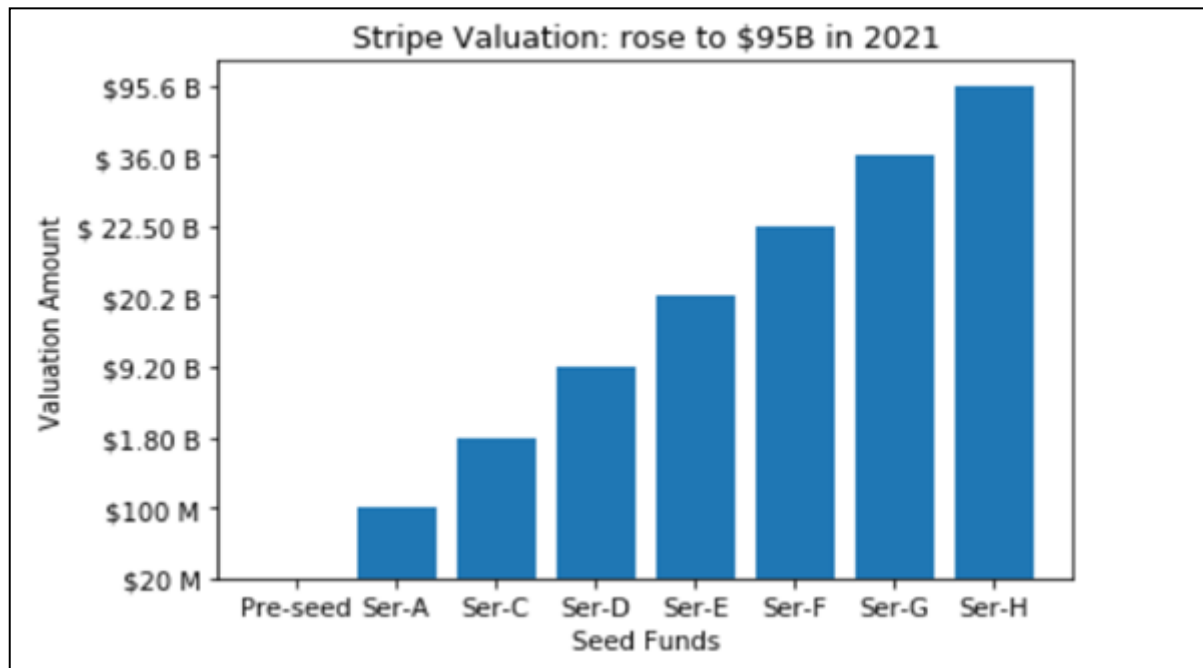


Image Source – www.news.crunchbase.com

List of the global investors who have invested in Stripe to make it a global leader in Unicorn.

Period	Funding Type	Number of Investors	Approx Fund Raised	Lead Investors
2010	Seed Round	1	\$ 30K	Y Combinator
2011	Seed Round	5	\$ 2 Mn	Peter Thiel, Elon Musk, Sequoia Capital, Andreessen Horowitz and SV Angel
2012	Series A	1	\$ 18 Mn	Sequoia Capital
2012	Series B	9	\$ 20 Mn	General Catalyst
2014	Series C	4	\$ 80 Mn	Founders Fund
2014	Series C	7	\$ 70 Mn	Thrive Capital
2015	Series C	7	\$ 100 Mn	Multiple Investors
2016	Series D	3	\$ 150 Mn	Capital G, General Catalyst
2018	Series E	5	\$ 245 Mn	Tiger Global Management
2019	Series F	1	\$ 100 Mn	Tiger Global Management
2019	Series G	3	\$ 250 Mn	Sequoia Capital, General Catalyst, Andreessen Horowitz
2020	Series G Ext	3	\$ 600 Mn	Sequoia Capital, General Catalyst, GV, Andreessen Horowitz
2021	Series H	3	\$ 600 Mn	Ireland national Treasury Management Agency, Insurer Allianz SE, AXA SA, Fidelity Investments

				and investment managers - Bailie Gifford & Co.
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Data Source -<https://en.wikipedia.org/wiki/Stripe>

Over the years, Stripe has successfully Stand Out among the Odds and able hold as market leadership in the Payment Service industry as Top Unicorn Tech company with its convenience and customer friendly product design. Stripe has not restricted their business ambit limited to payment service only and started its own ML fraud detection service – **Radar** that reduce credit card fraud by 25% and **Atlas** that provide end to end business formation service. Recently Stripe launched another service named **Issuing** which is white labelled credit card service offering cash back to its business customers out of the percentage of fees that Stripe collects.

To mark a global presence, strategy of Stripe's has shifted on investments and acquisition of payment co's and Neo Banks around globe in countries like US, UK, Mexico, Israel, Philippines, Pakistan and Nigeria. Stripe has its presence in 47+ countries around the world and can receive payments in 135+ currencies from anywhere in the world with astonishing 250M+ API requesting per day processed by the giant unicorn.

Recommendation – The Best Practises

The Million Dollar question that will arise in minds of all the Start Ups – “**What makes Stripe – A Success.**” – And the Best suited answer will be their – “**SIMPLICITY.**”

Stripe has always made their vision simple – To provide a payment infrastructure for the internet without being limited to any intermediary, any license or third party consent. And that has made Stripe more acceptable to thousands of online service providers whose nightmare was smooth collection of service charges.

Stripe has not only given an incredible product offering with state of art innovation and technology but also won customer loyalty with outstanding after sale service facility at most affordable cost. And transparency of pricing in every aspect has been another key take away of their success story.

Lastly, the foresightedness of the Collison Bros who has not only make their company's proposals saleable to the biggest investors but also started investing themselves in various markets across the globe to expand their business far reaching to every online business man out there.

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