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PSPs Buying Commerce Software Accelerating in Europe

Introduction

Software platforms (ISVs or SaaS or SW companies) are rapidly expanding into payments and embedded finance, capturing more and more of the fintech value chain. In the U.S. market, we estimate that ISVs (independent software vendors), in various forms, already control 35% of the SMB merchant payments revenue pool. In response, payments service providers (PSPs) are evolving their strategies, increasingly focused on acquiring commerce software to control the full SMB product bundle.

This motivation for payment companies to own commerce software is visible in recent M&A activity. What began in the U.S. with payment companies such as Global Payments, Shift4, and Fiserv is now accelerating in Europe (as shown in Figures 1 and 2). In this article, we review M&A activity along this theme and explore the strategic rationale and challenges for PSPs acquiring software assets.

U.S. Trend Of PSPs Buying Software Accelerating in Europe

Figure 1: 🇺🇸 Payments + Commerce SaaS M&A
(non-exhaustive; US Targets)

PSP	Year	Target	Vertical	PSP	Year	Target	Vertical
SHIFT4	2024	Revel	Rest./Retail	globalpayments	2019	MobileBytes	Restaurant
globalpayments	2024	como	Rest./Retail	usbank	2019	talech	Retail
payroc	2024	onePOS	Restaurant	EMS	2018	TOTAL TOUCH	Restaurant
BANK OF AMERICA	2024	UZU	Retail	Square	2018	weebly	e-Retail
SHIFT4	2023	Appetize	Stadium	globalpayments	2018	AdvancedMD	Medical
SHIFT4	2022	Focus	Restaurant	globalpayments	2018	SICOM	Restaurant
PNC	2022	LINGA	Restaurant	Square	2017	OrderAhead	Restaurant
Square	2022	GoParrot	Restaurant	SHIFT4	2017	POSitouch	Restaurant
SHIFT4	2021	Giving Block	Non-profit	SHIFT4	2017	FuturePOS	Restaurant
SHIFT4	2021	VENUE NEXT	Stadium	SHIFT4	2017	restaurant manager	Restaurant
fiserv.	2021	Bentobox	Restaurant	globalpayments	2017	ACTIVE network	Event/Sport
globalpayments	2021	ZE	PMS/Hotel	globalpayments Heartland	2015	LiquorPOS	Liquor
sumup	2021	FIVESTARS	Loyalty	globalpayments Heartland	2015	DIGITAL DINING	Restaurant
North	2020	SALIDO	Restaurant	globalpayments Heartland	2015	DINERWARE	Restaurant
Square	2020	stitchlabs	Retail	globalpayments Heartland	2015	pcAmerica	Retail, Hosp.
fiserv.	2020	Bypass	Retail	Square	2015	fastbite	Restaurant
SHIFT4	2020	sdcart	e-Retail	globalpayments Heartland	2014	XPIENT	Restaurant
globalpayments	2020	springboard-RETAIL	Retail				

Note: Global Payments agreed to sell AdvancedMD to Francisco Partners in 2024
Source: Flagship Advisory Partners
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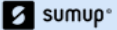


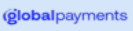


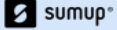





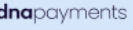


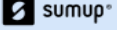





As shown in Figure 1, there is a long list of U.S. merchant acquirers (PSPs) that have pursued software M&A over the last decade. One of the earliest and most notable examples is Heartland, a leading direct-selling POS acquirer in the U.S. SMB segment. Heartland's direct sales approach faced pressure from ISVs working with PSPs to bring integrated bundles to market. Rather than embracing ISVs as a channel, Heartland maintained its direct distribution focus but acquired a series of software assets to better position for software-led product bundles, acquiring a series of software assets from 2011 to 2015, at which point Global Payments acquired them.

After acquiring Heartland in 2016, Global Payments continued to scale this strategy, extending its software M&A well beyond POS-centric verticals and into more specialized verticals such as practice management and recreation/events. Global Payment's recent pullback from its broad vertical software portfolio (e.g. divestment of Advanced MD) suggests that this strategy stretched too far from the group's core of merchant payments.

Shift4 is another example of a U.S. merchant acquirer using software acquisitions to go-to-market via its own distribution. Shift4 acquired multiple commerce software assets in hospitality, venues, and charitable giving while also developing its target Skytab POS platform.

The strategy for PSPs to acquire commerce software is gaining momentum in Europe. As shown in Figure 2, we see an increase in PSPs acquiring commerce software. Recent examples include myPOS acquiring Toporder, a French specialty retail SaaS provider; Shift4 acquiring Vectron, a pan-European restaurant platform; and Sipay's acquisition of Pikotea, a Spanish restaurant SaaS. Planet, a market leader in accommodation, hospitality, and retail payments, acquired a series of software companies in recent years to bolster its full-stack offering across those verticals.

Figure 2:  Payments + Commerce SaaS M&A
(non-exhaustive; UK & European Targets)

PSP	Year	Target	Vertical	HQ
 POS	2025	 toporder	Specialty Retail	
 sipay	2025	 Pikotea	Restaurant	
 SHIFT4	2024	 VECTRON	Restaurant	
 planet	2023	 xn protel	PMS/hotel	
 planet	2023	 ideosoft	PMS/hotel	
 planet	2023	 rebagdata	PMS/hotel	
 planet	2022	 avantio	Vacation Rental Mgt.	
 unzer	2022	 tillhub	Retail	
 trust payments	2022	 WONDERLANE	Retail	
 nexi	2022	 orderbird	Restaurant	
 dojo	2022	 WalkUp	Restaurant booking	
 planet	2022	 protel	PMS/hotel	
 Revolut	2021	 NOBLY	Restaurant, Hospitality	
 sumup	2021	 TILLER	Restaurant & Retail	
 globalpayments	2020	 bleep	Venues	
 sumup	2020	 goodtill	Restaurant, Retail, Stadiums	
 teya	2020	 STORYOUS	Restaurant	
 dnapayments	2020	 zash	Restaurant & Retail	
 sumup	2019	 Shoplo	e-Commerce, e-Retail	
 Zettle	2016	 intelligentpos	Hospitality	

Note: SumUp then sold Shoplo to Shoper in 2021
Source: Flagship Advisory Partners
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PSPs Face the Choice to Partner or (and) Own Software

Not all PSPs have the strategy to own and market software. Many PSPs focus principally on partnering with software companies, powering integrated/embedded payments. While it is a strategic choice to emphasize owning software vs. partnering with software, these choices are not mutually exclusive. Some PSPs are successful doing both.

As shown in Figure 3, both strategies - partnering with ISVs or owning the software stack - come with distinct rationale and success factors. Both strategies can be successful with the right focus and investment.

Figure 3: Pros and Cons: Partnership-Led vs. Owning the Software
(non-exhaustive)

Strategy	Pros	Cons
Be the Payments/ Fintech Enabler to SaaS	<ul style="list-style-type: none"> ▪ Partnership is a faster scaling curve if you are a leader ▪ Also easier to scale across segments and geographies (SW partners adapt most of the features) ▪ No channel conflict - "I partner with platforms; I am not a platform" ▪ Focused payments and fintech cultural D 	<ul style="list-style-type: none"> ▪ Becomes highly supplied in time (every leading PSP in U.S. has an ISV channel) ▪ Most of the net revenue goes to the ISVs, margins erode over time ▪ Harder to differentiate own SW-led product bundles, a competitive necessity in own channels ▪ ISVs better positioned to control the customer, the data, and cross-sell opportunities
Own the Payments/ Fintech + SaaS Bundle, Buy SaaS	<ul style="list-style-type: none"> ▪ Can be an effective payments flanking strategy if ISV channel already lost ▪ Gives you control over the full-SMB stack: own the distribution, own the data, own the cross-sell upsides ▪ High customer stickiness, defensive position 	<ul style="list-style-type: none"> ▪ Software success requires different cultural DNA ▪ Organic share wins in SW can be slow and frustrating ▪ Geo expansion + localization is challenging in SW ▪ Potential channel conflict with 3rd party ISVs ▪ SW acquisitions are expensive, and can be difficult to find revenue scale

Source: Flagship Advisory Partners
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Becoming the payments partner of choice for ISVs / SaaS platforms offers greater scaling pace as it's a one-to-many marketing outcome when successful (vs. selling each SMB merchant). Particularly in Europe, where the ISV ecosystem is fragmented and less mature, we expect rapid growth in embedded payments over the balance of this decade. The key challenge with relying on only software partners for product bundles is that the software providers seize share of the economic pie over time, owning more than 80% of the merchant payment economics at scale (e.g., billions of payment turnover).

Owning software, on the other hand, provides greater long-term ownership of the lucrative economics inherent to the SMB segment. However, owning the software only matters if you can

learn to sell and develop it. Owning and going-to-market with software requires a fundamental shift in organizational and cultural DNA for payments companies, however many have struggled with this transformation.

As mentioned, it is also possible for payment companies to both own software and partner with software companies for embedded payments. Success with both GTM strategies requires a balance of the potential conflict. Many leading U.S. PSPs partner with ISVs who provide more vertically advanced software to larger SMBs while marketing their own simple POS software into smaller SMBs. In this case, the vertically specialized SaaS companies generally do not see simple POS software as a threat.

Critical Success Factors for a SaaS-Driven PSP Strategy

Just as software platforms must learn to sell payments and embedded finance, PSPs must learn how to sell software. Selling simple POS software requires adaptation, but the small SMBs that purchase these bundles tend to exhibit simple buying behaviors similar to stand-alone POS payments. Selling more advanced vertical software requires greater transformation as GTM success requires coordinated multi-channel marketing, technical sales, and patience to navigate a sales cycle that takes weeks or months. Owning software is not simply about adding a new product, it is about reshaping how you acquire, serve, and grow your merchant base. Below we outline four successes for PSPs that want to own (market and develop) commerce software.

1. **Software is your anchor product, you aren't just selling payments:** For SMBs, business management software is the primary and generally first purchase. It is the brain of a merchants' business. Payments (and fintech) is a secondary purchase. PSPs must understand their software offering deeply: its value proposition, pain points solved, and how it fits into the day-to-day operations of target merchants.
2. **Software sales require more multi-channel marketing, conversion selling, and success management:** Commerce software is a more complex product than stand-alone payments, often requiring more marketing touchpoints to establish a conversion opportunity and then more work to convert and drive merchants to sustained activation.
3. **Digital engagement is a must:** Digital engagement for sign-up, for boarding, for servicing, and for cross-selling is the key success factor to optimize merchant lifetime value while minimizing cost to acquire and serve. You have to have a solid digital experience to win in a software-led world. However, once you master digital engagement, software product and customers are naturally more digitally engaged, allowing for easier cross-selling. Software bundle merchants are twice as likely to use another embedded finance service (beyond payments) than stand-alone payment merchants.
4. **Data is powerful - unlocking significant monetization potential:** Combining software and payments unlocks powerful data. Even market leaders are early in the learning curve for monetizing this data, but the potential is massive, for example with AI powered digital advertising linked to measured customer loyalty success.
5. **Acquisition integration:** And finally, do not underestimate the complexity of integrating a software company into a payments company culture. Software companies tend to have different DNA and cultures (more technical, more remote, etc.) and squashing such culture is a major pitfall.

Conclusion: A Strategic Crossroads for PSPs

Buying software marks a fundamental shift in the role PSPs play in the commerce stack. It changes how you acquire customers, how you retain them, and how you monetize merchant relationships. The partnership model (*being the payments partner of choice to the ISV/SaaS*) continues to be a highly effective strategy. But as competition intensifies on the supply of embedded payments, owning software can be a pathway to sustained capture of the SMB economics. We expect to see

more PSPs both acquire and partner with software as the days of stand-alone payment services fade away.

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