

TSG 2025 Annual Letter

# In a World of Change, the Fundamentals Still Win

AI is redefining how we work. The macroeconomic environment is evolving. Investor expectations are intensifying. And yet amidst the noise, some truths in payments remain the same:

- **Consumers expect seamless, embedded payments.**
- **Merchants demand competitive pricing and real value.**
- **Software companies need monetization strategies that scale.**
- **Merchant portfolios continue to chase higher valuations.**
- **Networks expand acceptance. Providers pursue market share.**
- **And investors want better returns—without unnecessary complexity.**

Payments still need to be authorized, processed, settled, and funded. That hasn't changed. What has changed is the expectation that these actions happen with minimal friction, maximum visibility, and tangible value.

Since 2006, **TSG** has been the engine powering smarter decisions across the global payments acceptance value chain. From executive boardrooms to product strategy sessions, our data, advisory, and enablement practices help companies transform outdated infrastructure into a modern competitive advantage.

The industry's leading players trust our insights because we bring clarity, credibility, and execution. In the Q&A that follows, we're not theorizing—we're sharing what we're hearing and solving for every day.

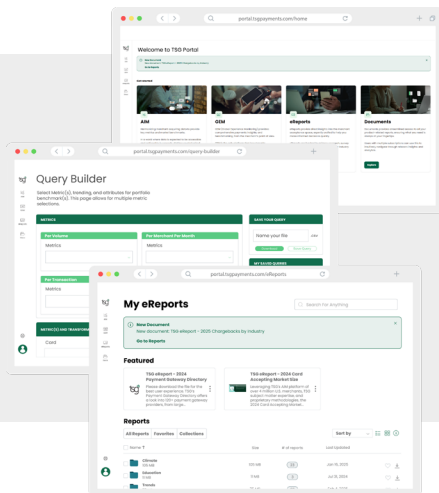
Q: Is there margin compression for merchant acquirers and their channels (ISOs/ISVs)?

**No. In fact, margins are improving.**

Across TSG's dataset representing over half of all card-accepting merchants in the U.S. market, we saw average net revenue increase by 4 basis points over the past 18 months. Monthly card volume grew nearly 5% during the same period.

[Watch How We Make Benchmarking Easy](#)

This reinforces what we've long believed: merchant acquiring isn't a commodity—it's a strategic utility. Differentiated service, smarter infrastructure, and stronger economics continue to drive real value.



## Insights Accessible to Millions of Payments Professionals

TSG Portal is a centralized platform designed to enhance how payments professionals access critical benchmarking data, insights, and reporting.

[Try out TSG Portal!](#)

Q: What should software companies thinking about monetizing payments be looking for?

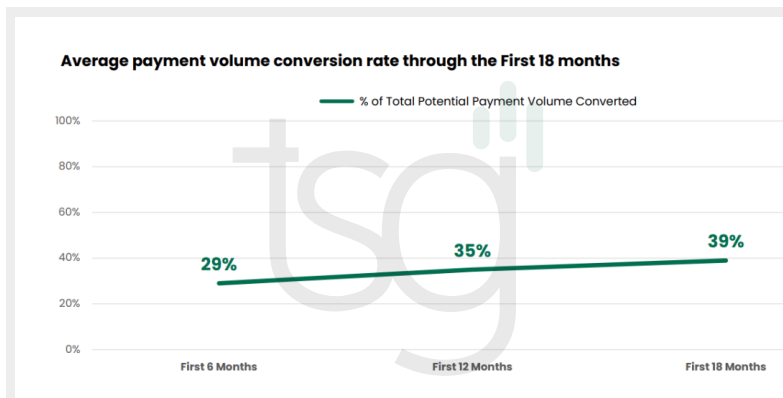
**Start with a clear view of your business model. Then build for complexity, not around it.**

Much like the evolution of the ISO model, the ISV ecosystem is now walking the same path: deciding how much of the value chain to own, how much risk to take on, and where payments fit within their broader product strategy.

TSG has helped ISVs navigate every phase of this journey, from first-time monetization planning to full PayFac or FSP structuring. The common thread? Missteps occur when companies underestimate the operational, compliance, and technical layers required to execute well. For context, a recent survey we completed of over **100 ISVs saw adoption rates of 40% of the ISV's volume being converted to monetized volume after 18 months.**<sup>1</sup> The goal is to exceed the average.

But ultimately, this isn't about chasing a revenue line. It's about building a payments strategy that aligns to your customer experience, go-to-market mission, and valuation goals.

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## Q: Which payment providers offer the best developer experience?

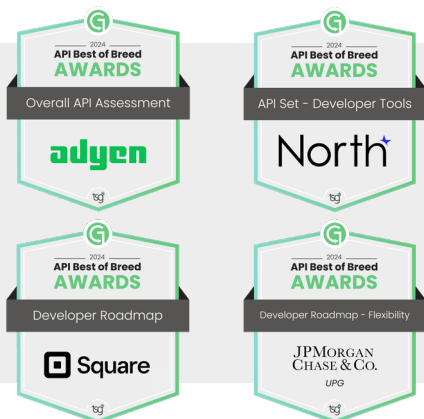
**There's no universal answer, only the right fit for your strategy.**

We're asked this all the time, from the perspective of the payments provider and the partner. But the truth is, "best" depends on the vertical, customer profile, global footprint, internal resources, and risk appetite.

Some providers offer white-glove support. Others provide maximum control with minimal oversight. Some prioritize simplicity. Others deliver configurability.

TSG helps organizations benchmark these experiences; not just on tech but also on commercial models, roadmap alignment, and long-term fit.

[Developer experience](#) is important. But executive alignment and economic outcomes matter more.



The annual API Best of Breed Awards, powered by TSG's Global Experience Monitoring (GEM) platform, ranks payment gateways' overall API experience, to provide insights, benchmarks, and recommendations.

[TSG Announces 2024 Top Performing Payment Gateway APIs](#)

<sup>1</sup> [ISV Conversion Rate Study](#) available to eReports subscribers. Data gathered from TSG's Market Intelligence team, who interviewed a diverse group of ISVs with various payment program arrangements and sizes.

## Q: Why are more companies building their own gateways and taking control of the stack?

**Because control drives enterprise value and it protects the customer experience.**

For decades, payments relied on outsourced layers and vendor partnerships. But leaders today understand that experience is everything, and you can't control the experience if you don't own the stack. **TSG's data shows that last month, the average global transaction speed was about 1.29 seconds**, and when it is slow or fails, the merchant doesn't care who was at fault.

Controlling infrastructure, from onboarding and authorization to support and settlement, allows businesses to move faster, reduce costs, and build durable strategic advantages.

**Our CTO, Shelley Joyce**, helped architect this shift firsthand during her time at Mercury, one of the first to bring gateway and processing fully in-house. It wasn't just a technical shift; it enabled a billion-dollar exit.

Today, our Technology Enablement Practice helps companies, from startups to Fortune 200, build and modernize the stack so they can deliver the experiences that drive retention, margin, and valuation.

**Read more** about Shelley Joyce's impact on the payments industry

[Read Interview](#)

UNLOCKING THE FUTURE OF PAYMENTS

THE POWER OF  
**TECHNOLOGY  
ENABLEMENT**



Understanding and leveraging technology to its fullest potential is key to streamlining operations that drive success.

[Learn more](#)

## Q: Does owning your tech stack actually make a difference?

### Absolutely, it puts you in the driver's seat.

Owning your stack means you define the roadmap, the support model, and the customer experience. You're not dependent on vendor SLAs or limited by someone else's priorities. You move when you need to, not when you're allowed to.

In payments, the experience is the product. If onboarding is slow, support is clunky, or reconciliation is unclear, you lose. When you control the experience, you don't just improve operations; you create strategic leverage.

This is how modern leaders are transforming infrastructure into an advantage.

**Companies that use TSG monitoring see merchants stay with them 8% longer than those that don't.**



[Learn more](#)

## Q: What's the most impactful strategic move acquirers can make right now?

### Elevate payments from infrastructure to experience.

In many organizations, payments are still treated as plumbing; necessary, but invisible. That mindset is costing real growth.

The most forward-thinking companies are treating the payments experience as a core product. They're reengineering onboarding flows, collapsing vendor layers, embedding value-added services, and tightening feedback loops.

The result? Lower cost to serve, stronger client relationships, and greater long-term margin. **TSG M&A data shows that PSPs with technology, on average, have exit multiples that are 2x greater than those that do not.** For example, ISOs with technology can see net revenue multiples in the high single digits, while those that do not typically average in the low single digits.

Owning more of the stack isn't about tech. It's about agility, visibility, and being indispensable to your customer. TSG helps enterprises map the current state, prioritize transformation, and build the foundation for sustainable differentiation.



### What is my multiple?

Understanding components of M&A deals in the payments industry

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Q: Are stablecoins something the acquiring ecosystem needs to prepare for?

**Yes, but strategically, not reactively.**

We're still early in the adoption curve, but momentum is building, particularly in use cases like cross-border commerce, digital-native merchants, and high-risk segments where traditional rails underperform.

**Jon Lennon, TSG's Chief Revenue Officer** and former Global Head of Enterprise Payments at FIS/Worldpay, put it this way:

*"Stablecoins won't transform payments overnight. But the institutions that prepare for selective integration now, while the infrastructure, regulation, and merchant readiness evolve, will be ahead of the curve when scale hits."*

For now, adoption remains niche. But the signals are clear:

- Networks are exploring integrations.
- Regulators are building frameworks.
- Large platforms are running pilots behind the scenes.

TSG's view? You don't need to overhaul your model, but you do need a playbook. Stablecoins may not be your growth engine in 2025, but ignoring them altogether is a risk that forward-thinking leaders won't take.

Q: How will AI reshape the payments ecosystem in the next 12–24 months?

**AI will redefine execution, risk, and scale and the shift has already begun.**

From dynamic underwriting to pricing optimization, AI is driving tangible change in how payments organizations operate. At TSG, we're helping clients integrate AI into real workflows:

- Intelligent risk modeling
- Adaptive pricing and margin management
- Automated compliance
- Enhanced support resolution
- Predictive portfolio analytics

**11 TSG Expert  
Predictions for 2025  
and Beyond**

The result? Faster decision-making, improved performance, and higher enterprise value.

AI won't replace people, but the teams that embrace it will outpace those who don't. The opportunity is not in the tools but in the strategic application.

# Final Thoughts

This is the year to move from maintenance to modernization.

TSG exists to help payments companies across the globe modernize with confidence, from data to strategy to execution. Whether you're rethinking infrastructure, pursuing growth through ISV channels, or evaluating what technology to bring in-house, we provide the guidance and capability to drive outcomes.

The future belongs to those bold enough to challenge the way it's always been done, and disciplined enough to build what comes next.

**Thank you for your continued trust in TSG.**

**Kurt & Mike Strawhecker**

**TSG (The Strawhecker Group)**



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