



February 2026

Fuel for Growth: Benchmarking in Payments to Power Smarter Performance

TSG (The Strawhecker Group) is a globally recognized analytics and consulting firm that supports the entire payments ecosystem, serving over 1,000 clients from Fortune 500 leaders to dozens of the world's most valuable brands. Trusted by industry leaders, TSG's strategic services, market intelligence, and analytics merge to empower clients with actionable and accessible information.



Payments Experts.
Powerful Solutions.



PETER MICHAUD

TSG
Chief Payments Officer

Chief Payments Officer at TSG:

- Partners with strategic clients across the global payments ecosystem to identify opportunities that increase revenue, improve profitability, and unlock long-term growth
- Previous Head of Consulting and Market intelligence teams
- Provides subject matter expertise in B2B payments, valuations, buy/sell consulting, software payments, and strategic planning

Over 20 years of experience in the payment processing:

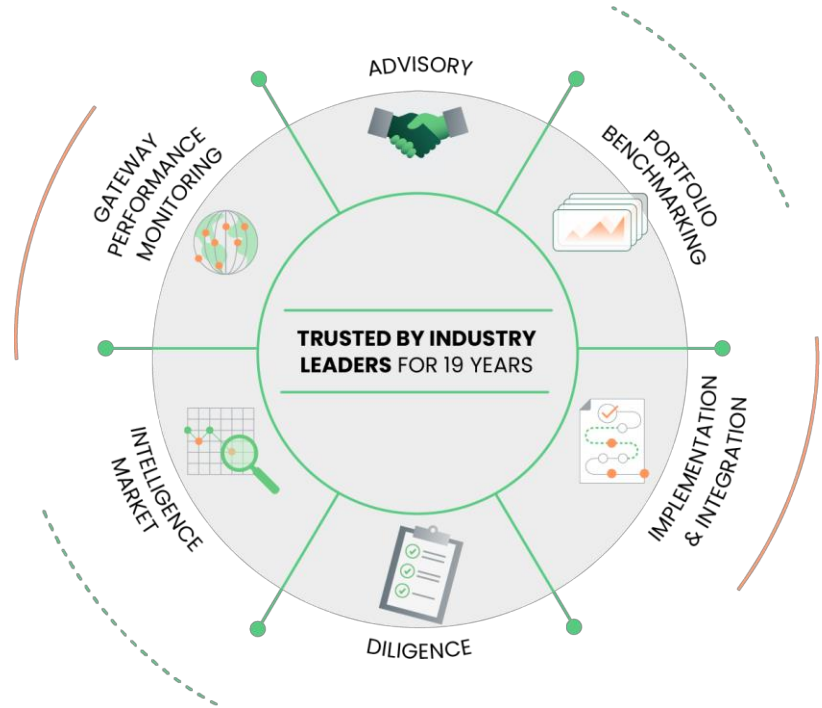
- Finance
- Corporate strategy
- Mergers and acquisitions
- Account management
- Product development

Payments Experience:

- Vice President of Product Development - Hap-X,
- Director - Market Research and Competitive Intelligence - TSYS Merchant
- Director - Financial Planning and Analysis - TSYS Acquiring

Over the last 20 years, TSG has supported over 1000 companies grow their payments business

- Advisory & Strategy
- Market Intelligence & Education
- Profitability Optimization
- Technology Enablement
- M&A Support



Providing Clarity to the Complex

We resolve a client's pain.



**Strategic
Decisions**



**Increase
Revenue**



**Decrease
Expense**



**Improved
Operations**



Experience

- TSG Consultants average over 22 years' experience in the industry



Expertise

- TSG consumes and cultivates this expertise to serve our clients



Exposure

- Combining the experience and expertise to serve over 1,000 clients in all areas of merchant acquiring

We provide information that allows our clients to prosper.

Project Types

- Acquirer Operations & Risk
- Acquirer Vendor Pricing & Terms
- Acquirer/BIN Reviews
- Acquiring & Banking Compliance
- API & Development Center Benchmarking
- B2B & Commercial Payments
- Back-End Processor Mapping
- BIN Sponsorship
- Buy/Build/Partner Analysis
- Buy/Sell Consulting
- Consumer Experience & Success
- Credit & Fraud Products
- Credit/Debit Pricing & Profitability
- Cross-Border Payments
- Digital Wallets
- Due Diligence
- Emerging Global Markets
- EU/UK Payments Intel
- Gateway Strategy & Technology Playbook
- Go-To-Market Strategy and Playbook
- Interchange Management
- Interchange Optimization
- Interface Operations with Processing Platforms
- Issuing Advisement
- ISV Strategy and Integrations
- Landscape & Product Analysis
- Merchant Boarding Process
- Oil/C-Store Payment Advisements
- Payment Business Processes
- Payment Facilitation & Compliance
- Payment Finance
- Payment IT/Technology strategy
- Payment Platforms
- Payment Products & Emerging Technologies
- Payments Strategy
- Payment Monetization
- PCI DSS Status and Readiness
- Portfolio Pricing Optimization
- Portfolio Valuations
- POS Terminals, Tablets, Hardware/Software
- Pricing & Benchmarking
- Processing Costs
- Product Development
- Product Management
- Qualitative & Quantitative Customer & Market Research
- Revenue Growth Strategies & Tactics
- Security & Regulations
- Sponsor Bank Agreement Terms
- Technology Valuations & Assessments
- Tech Enablement (integrations, migrations, platform builds, etc.)

Fuel for Growth

Benchmarking in Payments to
Power Smarter Performance

Fuel for Growth

Benchmarking in Payments to Power Smarter Performance

Topics

- Knowing your market
- Setting goals
- Benchmarking and growth
- Data-driven strategies and decisioning
- Performance measurement
- Business optimization

Software Payments

The background features a complex digital pattern of glowing green and blue lines, resembling a circuit board or data network. The lines are interconnected and form a dense, textured mesh. Small square and rectangular nodes are scattered throughout, some appearing as bright points of light. The overall aesthetic is futuristic and technological, with a color palette dominated by dark teal, light green, and white.

TSG's Independent Software Vendor Study

1 *How Payments Became Critical for Software Vendors*

Better software

- Software solves and improves customer performance

The model evolved to unlock growth

- Controlled the payments; driving complementary revenue and earnings

Early monetization was simple

- Revenue from software subscriptions and advertising

New standards

- Integrated, embedded payment experiences are now expected

Why Software and Payments work well together?

Key Metrics

- Type of Program
- Net Revenue
- Net Profit
- Contribution Margin
- Attachment rate
- Conversion Rate
- Total Volume
- Pricing Strategy

Program	Referral	“Retail” ISO	Managed Payfac
Attachment Rate: Accounts			
- Converted	40%	50%	70%
- New	50%	80%	90%
Revenue Share: - After costs/fees	70%	90%	95%
Contribution Margin %	90%	80%	75%

How to get Software and Payments to work well together?

TSG – ISV Conversion Rate Study

Characteristics of ISV Payment Programs

- **In the first 18 months, the average payment volume conversion rate was 39%**
- **Conversion rates at 18 months outperformed the average conversion rates for these groups:**
 - Integrated Providers: 44%
 - Less than 5,000 customers: 44%
 - More than \$5 billion processed: 48%
 - Card based payments were over 75%: 52%
 - Payments was more than 50% of the company revenue: 47%
 - Revenue share was greater than 60%: 58%

When Software and Payments to work well together?

TSG's Independent Software Vendor Study

2 What Matters When Choosing a Payments Partner

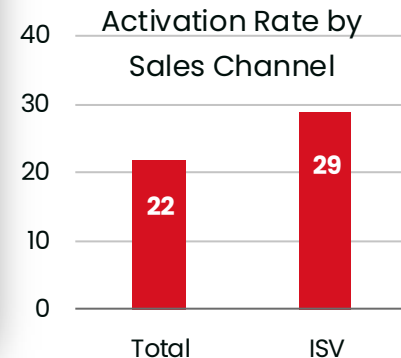


Where Payment companies need to invest to support Software companies?

Key Performance Metrics

Gross and Net Take Rates

Industry	Industry Description	MCC	Average Merchant Size	Average Ticket Size	Gross Take Rate	Net Take Rate
Government	Court Costs, Incl. Alimony & Child Support	9211	\$483,000	\$139	2.91%	1.17%
	Tax Payments	9311	\$2,108,000	\$506	1.77%	0.18%
	Government Services (NEC)	9399	\$584,000	\$80	2.27%	0.66%
	Fines	9222	\$2,031,000	\$103	1.93%	0.59%
Utility	Utilities – Electric, Gas, Water, & Sanitary	4900	\$3,672,000	\$139	2.27%	0.83%
Non-profit	Charitable Social Service Organizations	8398	\$662,000	\$106	3.19%	1.44%
	Civic, Social & Fraternal Associations	8641	\$223,000	\$139	4.27%	1.97%
	Religious Organizations	8661	\$246,000	\$91	3.99%	2.22%



How to maximize Payments?

TSG's Independent Software Vendor Study

Key Findings

- Integrated payments drive 44% of total revenue on average
- 15% of ISVs report at least 90% of revenue from payments.

TSG – ISV Conversion Rate Study

Characteristics of ISV Payment Programs

- Considered payments an important part of the core business
- Believed their payments knowledge and expertise as Satisfactory or better
- Had a dedicated leader of the payments business
- Offered an integrated solution
- Preferred integrated payment offerings met or exceeded expectations

How to use Payments to fully elevate the offering?

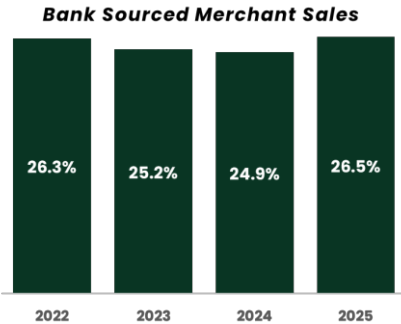
Financial Institutions

The background features a complex digital aesthetic. It consists of a dark teal gradient overlaid with a network of thin, light-colored lines that resemble circuit traces or data paths. Interspersed among these lines are numerous small, semi-transparent squares and rectangles, some of which are slightly larger and more prominent than others, creating a sense of depth and data flow. The overall effect is that of a high-tech, interconnected digital environment.

Competition across acquisition channels continues to increase

Financial Institutions (FIs) are a primary sales engine in the merchant acquiring ecosystem.

However, decades of pressure from non-financial entities has increase competition on product, price, and service.



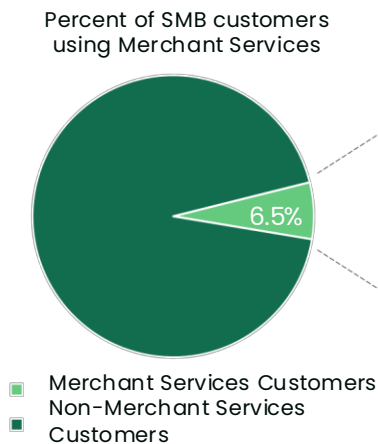
Bank Merchant Services Models

	<i>Referral</i>	<i>Hybrid</i>	<i>Agent</i>
Sales Function	Merchant Acquirer	Bank	Bank
Underwriting	Merchant Acquirer	Merchant Acquirer	Processor
Back-Office	Merchant Acquirer	Merchant Acquirer	Processor
Merchant Ownership	Merchant Acquirer	Merchant Acquirer	Bank
Financial Terms	Merchant Acquirer pays Bank	Merchant Acquirer earns transaction and customer support fees	Bank pays Merchant Processor
Contractual Terms	Merchant Acquirer	Bank and Acquirer	Bank

Why Financial Institutions and Merchant Acquiring work well together?

Key Metrics

- Merchant Services Revenue
- Type of Program
- Product Adoption
- DDA Attachment
- Total Accounts
- Total Volume
- Pricing Strategy
- Net Revenue
- Net Profit
- Contribution Margin



Banking Product	Revenue Distribution
Merchant Services	18%
Business Deposits – Checking	31%
Business Deposits – Savings and Time	8%
Commercial Loans (Auto, Mortgage, LOCs)	25%
Business Credit Card	7%
Business Online/Mobile Banking – ACH & Wire	3%
Business Bill Pay	1%
Treasury Management (Safe, Deposit, RDC, etc.)	7%

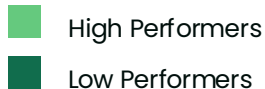
How to get Financial Institutions and Merchant Acquiring to work well together?

Merchant Services Study

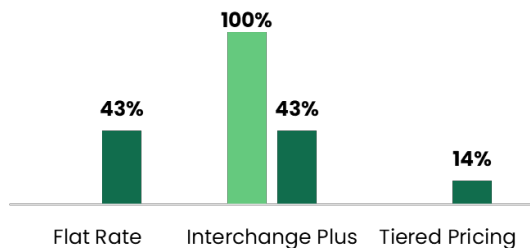
- Merchant Services customers have **25%** larger DDA balances and adopt other banking products **79%** more often
- Merchant services customer represent an average of **6.5%** of a bank's SMB customer base
- Banks vary widely in terms of **sales knowledge, pricing structures, and underwriting**
- Higher performing banks:
 - **accelerate time to first transaction**
 - provide transparency through **Interchange Plus pricing**
 - more **effectively cross-sell** other products

When Financial Institutions and Merchant Acquiring work well together?

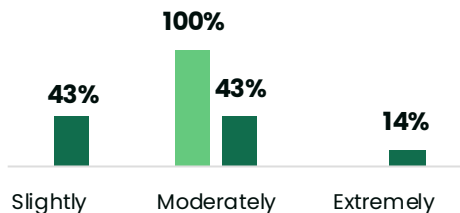
Merchant Services Study



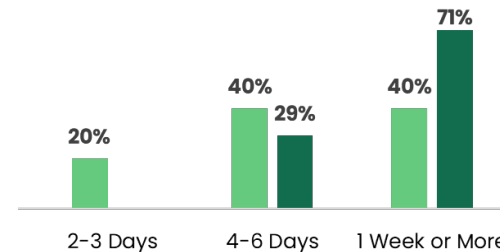
Pricing Structure



Sales Training



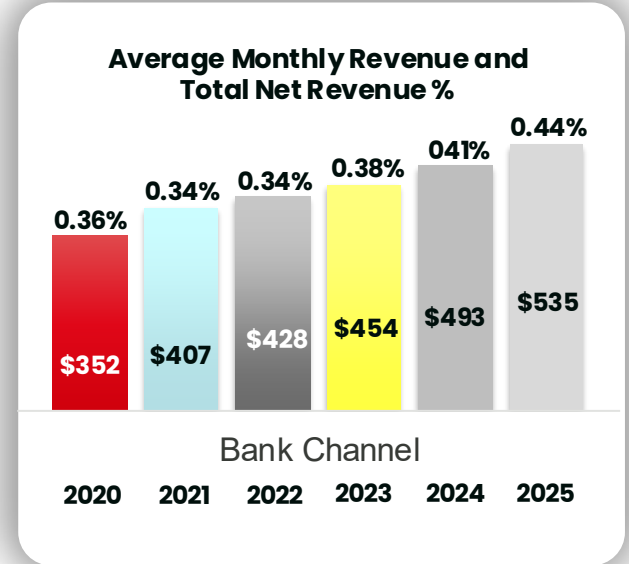
Time to First Transaction



Where Financial Institutions need to invest to support Merchant Services?

Bank Channel Performance

Key Metrics		Bank Channel
Nov 2025 YTD		Average
General	Average Annual Relationship Size	\$1,455,264
Total Net Revenues (Processing and Fees)	% of Volume	0.44%
	Monthly \$ Per Relationship	\$535
Annual Attrition & Growth	Account Attrition Rate	-20.2%
	New Account Added Rate	+16.0%
	Volume Attrition Rate	-10.0%
	New Volume Added Rate	+7.4%
	Net Revenue Attrition Rate	-11.5%
	New Net Revenue Added Rate	+9.0%



How to maximize Merchant Services?

FI Performance : Cross-Sell and Product Adoption

	Merchant Services	Non-Merchant Services
Business Deposits – Checking	93%	77%
Business Deposits – Savings and Time	13%	10%
Commercial Loans (Auto, Mortgage, LOCs)	31%	16%
Business Credit Card	23%	10%
Business Online/Mobile Banking – ACH & Wire	50%	30%
Business Bill Pay	31%	16%
Treasury Management (Safe, Deposit, RDC, etc.)	29%	13%

How to use Merchant Services to fully elevate the offering?

Questions?



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