



Visa Consulting & Analytics

EUROPE

Acquirers and Verticalization

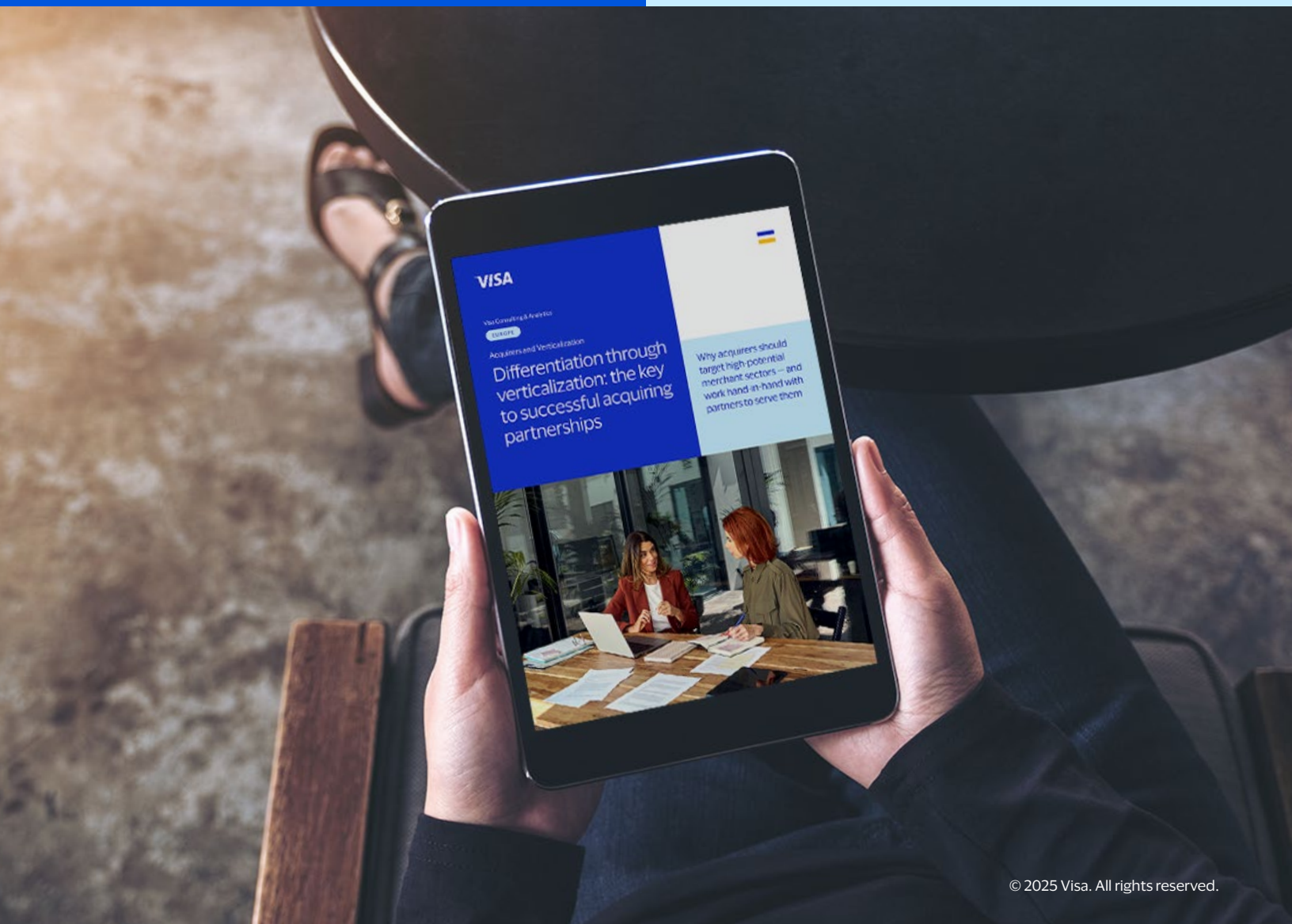
Differentiation through verticalization: the key to successful acquiring partnerships

Why acquirers should target high-potential merchant sectors – and work hand-in-hand with partners to serve them



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Vertical opportunities – building relevance through a vertical-first, partner-centric, approach to acquiring

Today's acquiring landscape is evolving rapidly. Merchant expectations are shifting, traditional acquiring models are under pressure, and new challengers are emerging with disruptive, partnership-led, vertical-focused strategies.

Different merchant verticals have different operational processes, different customer needs/pain points, and therefore different payment needs. Savvy acquirers understand and respond to these differences. They identify and target high-potential vertical sectors, with a focus on the large and dynamic SMB market. And they work hand-in-hand with partners – like independent software vendors (ISVs) – to embed their propositions, extend their reach, and access these merchants.

This paper looks at why this is such an effective strategy, considers how to identify the right sectors and engage with the right partners, and discusses the potential for ambitious acquirers to unlock the true value of verticalization.

What we mean by verticalization

Verticalization marks a bold shift from the traditional one-size-fits-all approach to acquiring.

Rather than spreading thinly across all merchant segments, verticalizing acquirers go deep, targeting specific sectors with tailored solutions and working with partners to reach and serve the target customers.

It's about mastering the nuances, not just covering the basics. To remain relevant, acquirers must pursue a long-term verticalization strategy – defining their target verticals, and structuring their propositions accordingly.

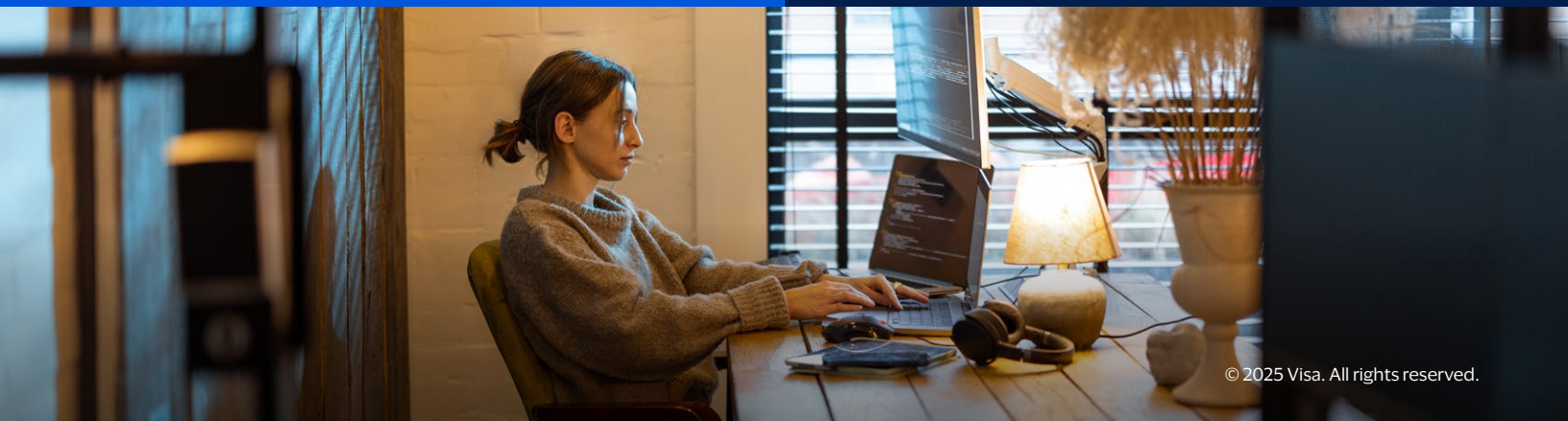
How a verticalizing acquirer operates

A verticalizing acquirer has a laser-like focus on specific merchant verticals. Performance is measured by factors like:

- Outperforming the market in payment volume (PV) growth for target verticals
- Growing the number of merchants in those verticals faster than the market
- Generating a significant share of overall revenue from target verticals

But they don't go it alone.

Having selected their target merchant sector, and understood its payment needs, they select partners who can help them go to market with a compelling payment proposition.



The case for focussing on a few key verticals

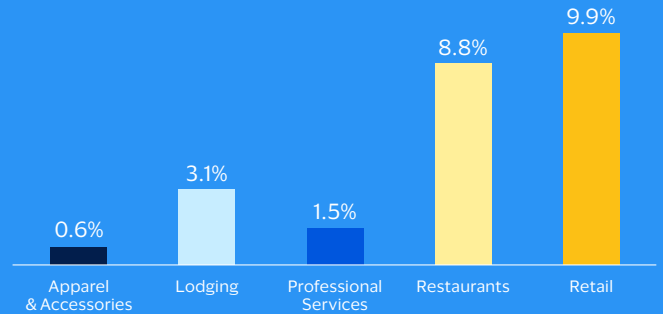
Verticalization is not just about meeting the needs of specific merchant segments. It's also about spotting and tapping into those segments that are the most relevant, the most profitable, and the most promising in each market.

An analysis of Visa transaction data provides an indication of the market dynamics, the opportunities in play, and the relative performance of verticalizing acquirers:

- Five indicative European markets (Greece, Italy, Slovakia, Ireland, and the UK) were isolated.
- Five merchant sectors were pinpointed for their potential as key targets for verticalizing acquirers – namely, apparel and accessories, general retail, lodging, professional services, and restaurants.
- The focus was merchants in the SMB and Mid-corporate tiers,¹ as these are likely to be the prime target for newer, more disruptive verticalizing acquirers – and, conversely, smaller-scale merchants are most likely to be attracted by an innovative, sector-specific offer.

On the surface, the typical target sectors may not look that promising

SMB and Mid-corporate payment volume growth 2023-2024, across Greece, Italy, Slovakia, Ireland, and the UK.

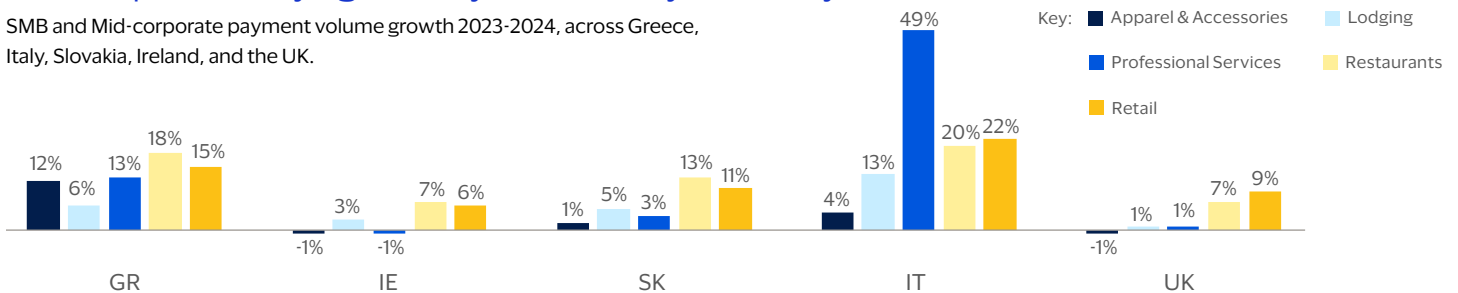


The five merchant sectors being targeted by verticalizing acquirers show very different levels of growth in Visa payment volume – ranging from a modest 0.6% year-on-year growth for apparel and accessories to a more impressive 9.9% for general retail. However, this top-level view conceals some market-level nuances and some exceptional acquirer-level performances.

Source: Visa transaction data 2023-2024 and VCA analysis

But the specifics vary significantly from country to country

SMB and Mid-corporate payment volume growth 2023-2024, across Greece, Italy, Slovakia, Ireland, and the UK.



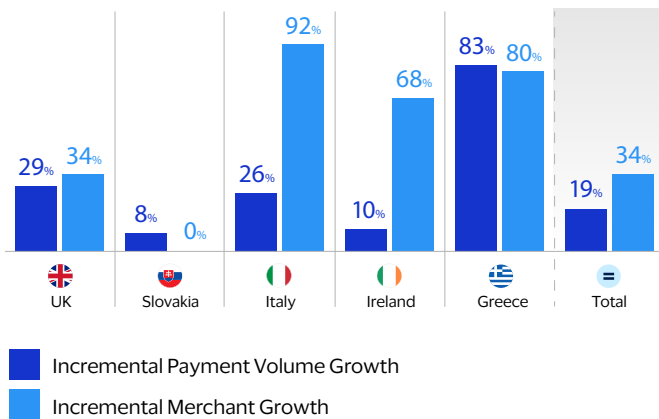
However, at the market level, there are stark differences in the respective levels of Visa payment volume growth, with some strong pockets of opportunity. In Slovakia, for example, there has been a surge in payment volume among professional services merchants at 49% year-on-year growth, compared to a flat performance across other countries. Similarly, growth levels for general retail is strong in Greece and Slovakia, but less so elsewhere.

And acquirers that are leading the way with a vertical-first strategy are outperforming the market across many dimensions

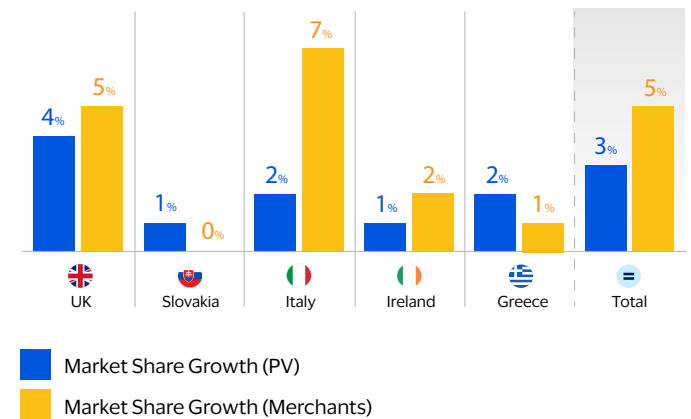
Data for a selected cohort of verticalizing acquirers was analysed – those that are successfully generating a significant proportion of their overall Visa volume from specific merchant sectors and are growing more strongly in those sectors than the wider market in terms of both merchant numbers and Visa payment volume.

Observed incremental benefits of verticalizing acquirers versus non verticalizing acquirers¹

Incremental PV and merchant growth (verticalizing versus rest)



Market share growth (verticalizing versus rest)



The data is clear: verticalizing acquirers are growing faster, gaining market share, and winning merchant relationships more successfully than traditional players. By comparing the performance of acquirers pursuing a verticalization strategy (verticalizing acquirers) to acquirers that retain a more traditional model (non-verticalizing acquirers)², the extent of the differential becomes clear.

Across all metrics, the differential is stark. On average, across our five indicative countries, payment volume growth is 19 percentage points higher, and merchant growth is 34 percentage points higher. In terms of market share growth, the verticalizing acquirers are outperforming their non-verticalizing competitors by three percentage points in payment volume and five percentage points in number of merchants. And, in some countries, the respective figures are much higher – consider Greece, where incremental payment value growth has reached 83 percentage points, or Italy, where incremental merchant growth is at 92 percentage points.

This analysis shows how verticalization can be a strategic lever for growth – with clear opportunities for acquirers to expand into high-potential sectors. But how can the potential best be realised?

Working with partners to target priority sectors

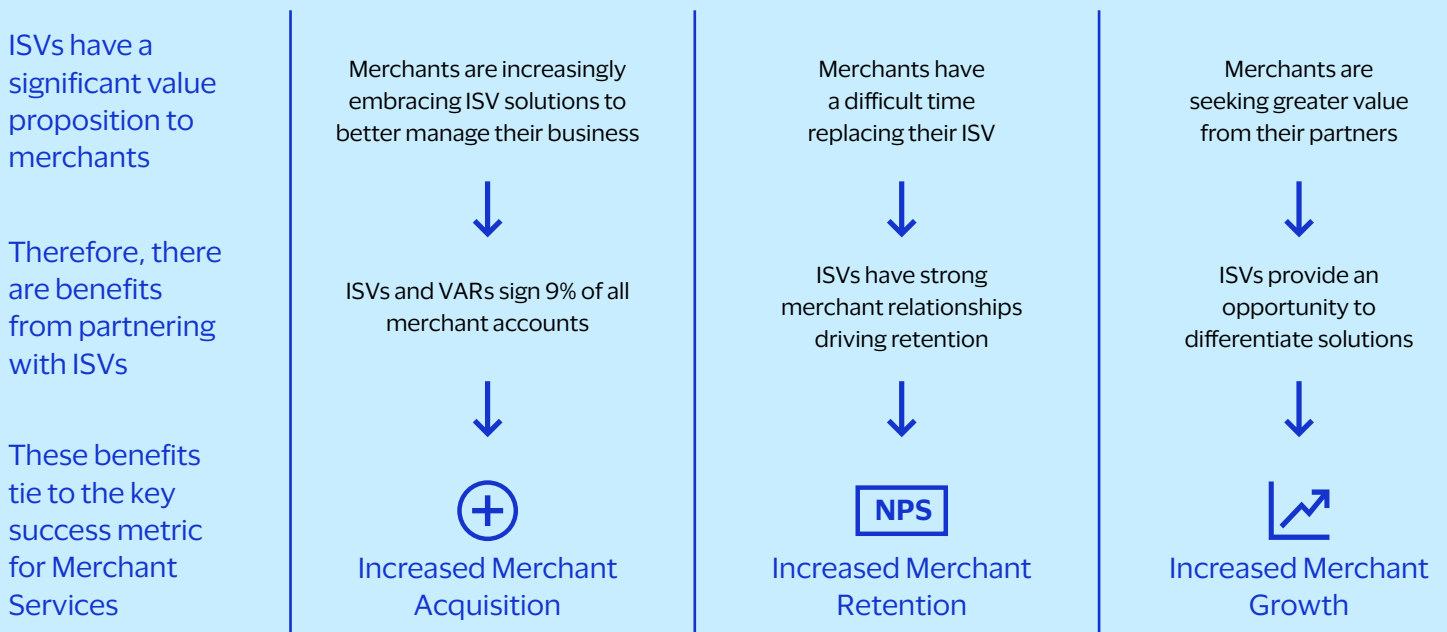
When contemplating a verticalization strategy, many acquirers may be tempted to go it alone. They may want to retain ownership of their own propositions, work through their existing routes to market, and avoid the complexity of building and managing partnerships.

But the fact is, partnerships can unlock opportunities and create significant strategic value.

There are many types of potential partner to consider, such as independent sales organisations (ISOs), payment facilitators (PayFacs), and marketplaces. But, in this paper, the focus is the role of an independent software vendor (ISV) – one that provides end-to-end software platforms to specific and tightly-defined merchant segments, such as major players like Shopify for e-commerce merchants, or Lightspeed for restaurants, through to more specialised outfits like Mindbody for fitness and wellness studios, Housecall Pro for building trades, or Gingr for pet care businesses.

These ISVs already work within the target verticals, and their products and services tend to be deeply embedded into a merchant’s everyday business processes. So, as well as providing a direct route to market, they can play an invaluable role in proposition design, execution, integration, and the quality of the merchant experience.

A strong rationale for acquirers to partner with ISVs



Source: Visa Consulting & Analytics⁹

Typically, the incremental value created by partners has three key dimensions:

Dimension 1

Faster merchant acquisition

An ISV has a built-in distribution advantage — acting as a direct route to market, providing access to an existing user base, and embedding payment capabilities on behalf of an acquirer.

Also, for ISVs and their customers, integrated payments are becoming a key consideration. According to Visa research, 82% of SMBs who use ISVs expect seamless integration with their payment solutions,³ which highlights the demand for these streamlined, tech-driven experiences.

This trend looks set to continue — with payments that are integrated into enterprise software expected to grow at twice the rate of the overall market.⁴

Dimension 2

Better merchant retention

Typically, an ISV's products will be deeply embedded into a merchant's everyday business processes. So, by adding integrated payment functionality into sector-specific enterprise software, verticalizing acquirers can tap into ecosystems that merchants find harder to leave — boosting retention rates and building long-term value.

According to one estimate, merchants integrated into their acquirer through software partners have ~5% less attrition than non-integrated merchants.⁵

Dimension 3

Stronger revenue growth

Acquirers that go beyond generic processing have the potential to tap into stronger revenue streams — and to grow those revenues more rapidly.

Bundled, vertical-specific solutions are likely to solve real business problems, so merchants should be more willing to pay a premium for the convenience and insight they deliver. When payments are fully integrated into enterprise software, revenues (net of interchange) can be ten-times higher than for standalone payments — with the ISV and the acquirer typically agreeing a 'take rate' to share the incremental revenues.⁶

82%

Of SMBs that use ISVs expect seamless integration of payment services.⁷

x10

Revenues for integrated payments (net of interchange) can be ten-times higher than for standalone payments.⁸



Pursuing a five-phase verticalization strategy

Phase 1

Go deep with your market analysis

In the discovery phase, it's important to pinpoint the most appropriate and promising merchant sectors for your business and your market. Beyond the five segments outlined above, our analysis reveals 56 different merchant sectors emerging as hotspots for verticalization across our five indicative countries — highlighting the scale of the opportunity.

While many of the early disrupters have focused on established sectors, like restaurants, acquirers should look beyond the obvious choices to uncover new areas of growth.

Phase 2

Select the most relevant verticals

An important discipline is to map target verticals against existing strengths and capabilities — as this will help reveal where the most promising opportunities lie and how returns may differ from your existing business.

For example, an acquirer that is strong in retail can't verticalize into travel and expect the same returns — due to higher operational costs and the likelihood of more chargebacks.

When forging partnerships, an ISV will likely want to see evidence of your existing capabilities and credentials in the target verticals, and also your analysis of the market size and potential.

Phase 3

Develop holistic, sector-specific products and services

The process of verticalization is well underway. So, in many merchant sectors, there are already some vertical-specific product features — or core capabilities — considered as 'must haves'. At an absolute minimum, you need to meet these requirements. Then, to increase the chances of success, you should identify new proposition features that satisfy merchant needs that are unmet, or only poorly met by other players

For example, a hospitality merchant will likely be aware of a range of acquirers that already offer a refined suite of pay-at-table POS devices, tipping functionality, and a bill-splitting capability. But they may also have unmet needs around refundable deposits for reservations, click-and-collect functionality for takeaway orders, dining club subscriptions, loyalty scheme discounts, and more. Similarly, a travel merchant may be looking for instalment payments, a wider choice of local payment methods, and enhanced fraud detection capabilities.

For inspiration, see the way that international payment specialist Fiserv established Clover, which offers several hospitality-specific POS devices and terminals, supplemented by a full range of value-added software services.¹⁰ Similarly, UK-based restaurant specialist Dojo has integrated its payment suite with an online booking system to easily manage reservations and take deposits.¹¹



Phase 4

Pursue a robust partner engagement model

Increasingly, strong partnerships with ISVs and other payment services providers are key to successful verticalization. But there are several different engagement models that could be pursued – across a spectrum that ranges from a simple referral model right through to a fully embedded model.

Of course, as we move along this spectrum, the cost and complexity increase – but so too can the revenue potential, the value created for merchants, and the strength and longevity of the partnership.

Some players have chosen to go beyond partnerships and seek to acquire ISVs. A good example is US-based Shift4, which operates within a range of clearly defined segments and has been acquiring ISVs that operate within them (such as Vectron, based in Germany, which provides software solutions to 65,000 hospitality merchants).¹² Another example is UK-based Planet, with acquisitions such as Hoist Group, Proximis, Datatrans and protel Hotelsoftware.¹³

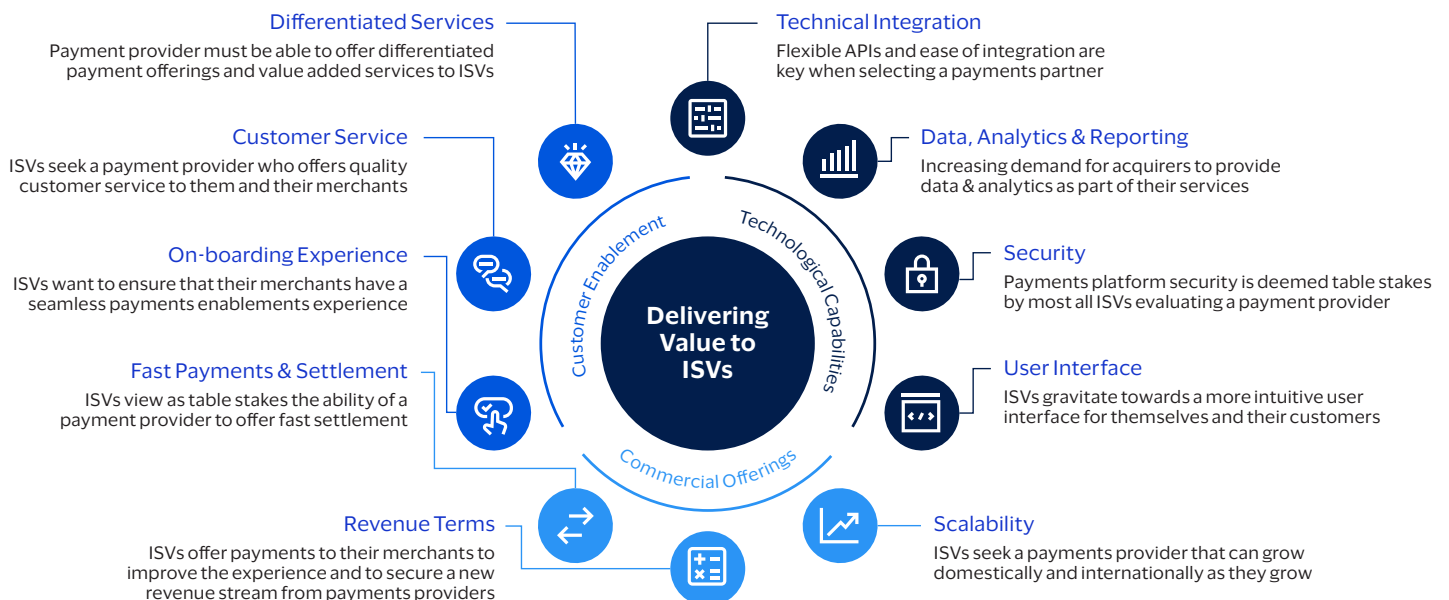
But the acquisition route is not a prerequisite for success. Several large successful acquirers such as Adyen, Stripe, and Mollie all run clearly defined partner programmes.¹⁴

Phase 5

Emphasise the incremental sector-specific value you can bring to potential partners

Remember that the right acquirer can bring significant value to ISVs – helping them to win more customers, boost average revenue per user, and reduce churn. So, it's important to understand and optimise the value you can create for potential partners.

Typically, acquirers will seek to develop an ISV partnership proposition that balances technological capabilities, commercial offerings, and customer enablement:



Source: Visa Consulting & Analytics¹⁵

But, by taking a sector-first approach, acquirers can go one step further, by helping to differentiate themselves as a potential suitor, and to create additional value for the right ISV with credentials in the right vertical sector. The fact is, the ISV ecosystem is large and fragmented, with thousands operating across various industry verticals. One way of segmenting ISVs is to apply the same vertical-first lens. For example:

- Which ISVs have significant share of the vertical that's been identified as strategically significant?
- Which ISVs solution set offers a unique and compelling value proposition to target verticals?
- Which ISVs serve an overlapping customer base within a priority vertical?
- Which ISVs have expressed openness to customising their solution set to offer unique, differentiated solutions to the target vertical?

Navigating the complexities of verticalization

While the benefits of verticalization are clear, acquirers should also consider the related risks and complexities. As more acquirers go vertical, new challenges can emerge, particularly around sustainability, market saturation and partnership dynamics. And, of course, rapid short-term growth can have longer-term consequences.

Four clear considerations:

Consideration 1

The risk of saturated verticals

One of the key risks is vertical overcrowding. Popular sectors, such as restaurants, attract significant competition. And as more acquirers target the same verticals, pricing pressure can intensify, margins may shrink, and it becomes harder to differentiate. In some cases, aggressive pricing strategies, designed to capture share quickly, can trigger unsustainable pricing dynamics and margin erosion, putting longer-term strain on profitability.

Consider the situation in hospitality. Some two-thirds of merchants work with ISVs,¹⁶ there are many options to choose from, and specialists offer a comprehensive package of features and benefits – in the UK, for example, Shift4 launched its SkyTab proposition in early 2025,¹⁷ which includes POS screen, cash drawer, integrated terminal, and thermal printer, starting at £39 a month.¹⁸



Consideration 2

The complexity of ISV partnerships

The ISV ecosystem is dynamic, complex and fragmented. Relationships can be difficult to secure and sustain. And the different partnership models that are typically pursued — ranging from a simple referral model, to a plug-in enabled PayFac model, to fully a deeply embedded model — entail very different levels of risk, complexity and reward for an acquirer.

When engaging with potential partners, legacy and bank-owned acquirers should appreciate and emphasise the unique value they can offer. For example, they can bring an established infrastructure, draw on established relationships, and have an innate, readymade ability to move beyond payments into other areas of embedded finance. By applying a vertical-first lens to their partnerships, and offering a full range of vertical-specific features and functionality, they can add significantly to these innate strengths.

Consider also that the ISV market is large and expanding quickly, with some analysts predicting compound annual growth rates of more than 18% through to 2030¹⁹. So, there should be ample opportunity for acquirers to take a selective approach identify the most relevant partners within the target verticals, and pursue the right type of model.

Consideration 3

The challenges of expansion

Expansion has challenges. What works well in one market may not translate directly into another. Regulations, merchant behaviour and ISV availability can all vary significantly. Even providers with strong vertical propositions have found that scaling across borders can be slower or more complex than anticipated.

An example is Global Payments. It's been reported that, having acquired several ISVs to gain distribution into key verticals, the strategy was under review — its medical software unit, AdvancedMD, was sold in 2024, with analysts saying the company would sharpen its core focus.²⁰

Consideration 4

The risk exposure of some verticals

Acquirers may need to limit exposure in certain verticals where reputational or regulatory concerns are high, or risk levels are disproportionately high — such as second-hand car parts, nail bars, or some types of travel merchant.

This creates a natural ceiling on how far some providers can extend their vertical strategies. Consider, for example, recent reports alledge that Worldline may have implemented several measures to tighten its underwriting for high-risk verticals and was offboarding non-compliant merchants, though the investigation is still ongoing.²¹



How Visa Consulting & Analytics can help

Visa Consulting & Analytics can help you identify target verticals, craft vertical-first strategies, and engage with relevant partners to explore sector-specific opportunities. To supplement our expertise in the acquiring market, we can draw on Visa's data and analytics capabilities.

Define how and where to focus

Visa's Headroom Dashboard analyses your existing portfolio to identify vertical opportunities. Our Merchant Tracker helps you understand the end-to-end journey of your merchants. Alongside this, our team can support you with proposition design.

Identify and engage with relevant partners

Drawing on our industry connections and authority, we can help you identify and engage with appropriate ISVs or software providers to strengthen your proposition and collaborate with you on a sales and marketing strategy tailored to your chosen verticals.

Expand into new markets

Sharing our expertise, we help you extend your vertical footprint, defining which markets offer suitable future opportunities and where existing models can be effectively localised.

Redefine and renew your approach

Using our data, we can deep-dive into performance across current verticals and redefine your vertical growth strategy to prioritise growth and expansion opportunities.

For help addressing any of the ideas or imperatives above, please reach out to your Visa Account Executive to schedule time with our Visa Consulting & Analytics team or send an email to VCA@visa.com

You can also visit us at visa.com/vca

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Sources and disclaimers

1. Defined as, for SMBs, those with less than €2.5m in annual Visa payment volume and, for Mid-corporates, those with between €2.5m-€25m in annual Visa payment volume.
2. In the analysis of 2023-2024 VisaNet data, Verticalizing acquirers are defined as those that generate a disproportionate level of payment volume from key vertical segments and, within these same segments, are performing ahead of wider market in terms of payment volume growth and merchant recruitment.
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