

Payments NZ
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Stripe welcomes the opportunity to provide a submission to Payments New Zealand consultation on 'payments for the next generation'.

Payments are critical to New Zealand's financial ecosystem. Each day consumers around the country rely on the payments network to power their businesses, to engage with essential services and generate economic activity that supports jobs.

In providing a submission to this consultation, Stripe's ambition is that in considering any advancements to the broader ecosystem, PaymentsNZ will seek to enhance competition, support innovation and ensure that merchants are sufficiently able to navigate this complex ecosystem without further operational burdens.

Stripe has been operating in NZ for just over a decade. At the time we first entered the market, one of the biggest challenges for online businesses was accepting payments, which we sought to simplify through our technology. Since then, our platform has grown to provide a range of services including fraud detection, in-person payments, subscriptions, calculation of tax, and more.

Stripe works with businesses ranging from start-ups to enterprises and we are proud of our ability to support New Zealand businesses of all sizes. Stripe's software-defined financial services knit together payments, tax, billing, invoicing, and ML insights for users— making money movement programmable, global, and deliverable in real-time.

Beyond this, we offer simplicity for businesses to get started and accept their first payment. Stripe's no code 'payment links' (enabling a merchant to send a link to get paid) help businesses transact without the need to hire specialised expertise. A new business can easily access new markets and offer local payments in each of those markets with optimisation, reliability and fraud reduction measures.

Stripe's products are used by businesses in more than 40 countries. We are regulated in jurisdictions around the world based on the products and services we offer in those jurisdictions. Agencies that supervise our regulated operations include ASIC, the Central Bank of Ireland, the UK Financial Conduct Authority, FinCEN, and the NYDFS, among many others.

Stripe was built for startups and small businesses and is now used by the world's largest enterprises. Our goal is to make it easy for businesses of all sizes to get started and accept payments. We make Stripe's platform easy to understand and our costs simple and predictable.

At a macro level, Stripe is observing various trends in payments that may provide relevant context as Payments NZ considers the issues outlined in the Consultation Paper.

Real time payments

First, real time payments. The prevailing view within payments has tended to be one in which card networks have the highest penetration. However, a trend we see is that increasingly this view is being challenged by the rise of real time payments (RTPs). In some of the world's largest economies, RTPs are becoming the most popular payment methods.

For example, in India, UPI launched in 2016 and already has over 300 million monthly active users and 130 billion annual transactions. In July alone, there were 14.5 billion UPI transactions - that's more than 10 per month for every person in India. This explosive growth has correlated with cash transactions in India declining by 12 percentage points in the last 5 years as the government has run a project to wean the country off cash.

In Brazil (which has over 200 million active credit cards), Pix was launched four years ago and rose rapidly to what is now over 150 million users. Last year, quarterly Pix transactions began to outstrip card transactions.

Whilst New Zealand is still moving towards RTPs, we are confident that once established, they would grow convincingly and provide substantial benefits to consumers and merchants.

Investment in Eftpos

One of the more prevalent payment methods for Kiwis has, historically, been the Eftpos network. While there has been a decline in the use of Eftpos over time, it remains a critical payment rail for many merchants and their customers. To continue to meet the needs of the local businesses, the Eftpos network should be the subject of investment that would allow it to be opened up in such a way that would allow all market participants to access the network. The modernisation of the Eftpos network would further innovation and competition in such a way that fosters better payment experiences for merchants and customers alike. Ideally, this should be done through an open API framework.

In Australia, we have observed the availability of the Eftpos network and the proliferation of *Least Cost Routing* has lowered fees for merchants, particularly smaller ones. As the RBA's website notes;

It gives merchants and PSPs the ability to route DNDC transactions to the lowest cost network, which directly reduces their payment costs. For merchants on plans with blended pricing across debit and credit (or across debit schemes), LCR serves to lower wholesale costs for PSPs. The extent to which any savings are passed on to merchants will depend on the pricing strategies of PSPs and the degree of competition in the market.¹

Buy Now Pay Later (BNPL)

The second trend is the growth of BNPL. Credit card usage among Gen Z is at 42%, far lower than the 71% among Gen X. Gen Z are using BNPLs in every aspect of their spending: online shopping, utility bills, even car maintenance, all as an easy way to track spending without traditional cards. For merchants, this means that selling to under 35s is more straightforward if BNPL is offered given its status as a frequently preferred payment method.

Stripe has recently reported that observations from its research shows that offering BNPL has a positive impact for merchants. Our [recent experiments](#) showed that BNPLs increase growth rather than cannibalise it. More than two-thirds of BNPL volume came from net-new sales. This means that customers only completed these transactions because a BNPL was offered.

Combining the benefits of higher purchase conversions and larger order values, businesses using BNPLs on Stripe saw an average 2.3% and up to a 14% increase in overall revenue based on a recent Stripe study.

Artificial Intelligence (AI)

The third trend is the application of AI in payments. There are many ways in which AI companies are using Stripe, and also Stripe is using AI to benefit businesses. We've launched new AI-powered payments features to increase checkout conversion, boost authorisation rates, and block fraud such as:

- Adaptive Pricing - dynamically localising a merchant's prices across 150 countries, allowing their customers to pay in local currency.
- Payment method presentment - Stripe's AI is working to present the 'right payment method to customers at the right time'. The models take into account things like location, currency, device type, and even subtle things like commerce patterns in a user's sector.

Overall, on average, businesses using Stripe's Optimized Checkout Suite with these AI features, see an 11.9% increase in their revenue.

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<https://www.rba.gov.au/payments-and-infrastructure/review-of-retail-payments-regulation/2024/backgrounders/backgrounder-on-least-cost-routing.html>

Another critical way in which AI is adding value is through fraud reduction. At Stripe, we use machine learning to reduce online fraud and help approve more legitimate transactions globally. Stripe Radar uses adaptive machine learning, the result of years of data science and infrastructure work by Stripe's machine learning teams, to protect our users from fraudulent actors. Stripe Radar's algorithms evaluate every transaction for fraud risk and take action appropriately, scanning every payment using thousands of signals from across the Stripe network and assigning a fraud risk score to each payment.

While many high risk payments are blocked automatically, Stripe Radar provides tools so that users can specify when other actions (automatic blocks or manual reviews) should be taken. Stripe's dashboard also enables users to understand changes to their block rate over time, along with the proportion of payments blocked by both Radar's machine learning model and their block rules.

An additional feature is Stripe Sigma which is an example of using AI to drive insights. In the past, a merchant would need to have a team of analysts who know SQL in order to derive insights from their transaction data, today a business owner can write natural language queries to get insights. For example, workplace productivity platform Slack have been using Sigma to accelerate financial processes by combining multiple data sources to enable faster monthly reconciliation.

Value provided by payment service providers (PSPs)

As outlined above, Stripe is a technology company well beyond payment processing. Businesses use Stripe to increase their revenue, improve profitability, and execute on new ideas. We offer this through the features outlined above, including AI enabled optimised checkout, as well as built-in regulatory compliance capability. Stripe also integrates software solutions that allow merchants to protect themselves from fraud risks.

We always try to help merchants deliver secure payments with high approval and conversion rates at a low cost and want to ensure merchants can offer the payment methods that end users (their customers) want to pay with. We make it easier for merchants to switch on local payment methods and have done a number of things to enable merchants to offer these without any additional engineering work.

The cost of payment acceptance companies charge includes a real cost of technology services that integrate a number of services over and above payment processing, such as business reporting, fraud, subscription management, bill payments, and the ability to manage funds quicker and more efficiently. The provision of online payment acceptance today has true costs and in exchange, provides real value to businesses; it is not just the pass through of interchange and scheme fees.

The technology layers on top of core payment processing offer merchants more customisable solutions that bring them great value and drive revenue. They are innovations that revolutionise payments and help businesses who are creating new business models meet their needs in the digital and online world.

In our experience, merchants don't just look at price. They consider technology quality, reliability,

customer service, and more. Merchants also do not switch providers solely due to core acquiring price. Our experience is that merchants sign up to Stripe for a broad range of factors, of which price is one. Other factors may include the ease of onboarding, fraud capabilities, range of payment methods, ease of integration, higher authorisation rates, API uptime and so on.

In terms of our broad approach to pricing we aim to be as transparent and straightforward as possible. We provide both interchange plus-plus pricing (i.e. a breakout of interchange, scheme and Stripe's fees per transaction) along with a blended rate to provide simplicity and certainty to those merchants who prefer that.

Our blended pricing is simple to help businesses get started and grow. It's public on our website and there are no hidden costs or subscription fees. Merchants can choose interchange plus-plus pricing for a more detailed breakdown of payment costs, though in our experience that typically requires internal investment to understand the costs.

In our view, any merchant, no matter where they are located, should be able to start a business and offer their products or services globally on Stripe. That's why we've historically been focused on simplicity. Merchants can get started with Stripe and directly have access to payments and other technology for their business, including customer onboarding, fraud prevention or billing. For example, during the pandemic when a lot of economic activity moved online, we helped millions of businesses quickly make the switch to digital.

Whereas smaller businesses often prefer the simplicity and predictability of a standard fee, large merchants with larger transaction volumes tend to see more upside in investing resources in a tailor-made pricing setup that meets their unique needs. Many smaller merchants choose blended pricing because it is simple and allows them to easily compare prices with other processors. In contrast, merchants choosing to take interchange plus rates must parse through different fees for different transactions, adding complexity.

We provide businesses with easy-to-use no code payment and software tools to monetise their product within seconds and a lot of the value we provide is especially pronounced for small businesses, for example increases in authorisation rates and revenue, a reduction in operational costs (developer & finance workforce) and time to launch new products and markets.

Stripe agrees with the Commission's finding that merchant services vary across acquirers with different acquirers offering different levels of service and offerings. As outlined above, there are many features of Stripe's service which extend beyond pure payment services. Provided a merchant understands what they are buying from their payment service provider, then in our view, it is appropriate for pricing to vary across providers.

Switching

Our experience is that there is a very high level of competition in the online acquiring market. Merchants enjoy strong levels of competition from both technology-first providers as well as legacy acquirers. Many NZ merchants don't have fixed term arrangements with Stripe. They can switch to another payment provider anytime if they choose to. In addition, it is worth pointing out that there are no ongoing usage

fees - merchants only start paying fees as soon as they make their first dollar and start collecting revenues. For those merchants who are on highly tailored arrangements, then there may be a fixed term and there are various benefits associated with that for the merchant.

We see users switch to us from other providers on the basis of our ease of onboarding, pricing transparency and superior technology offering (both in respect of payments, but also in areas such as fraud monitoring). We work every day to keep our merchants based on their satisfaction with our offering.

Tokenisation

Stripe supports the position put forward in the consultation paper that the lack of token portability leads to inefficiencies and can increase costs. Stripe has observed that token portability is an issue in New Zealand and would welcome further attention in this area that would enhance competition and improve trust with merchants and consumers.

Stripe welcomes the recent developments in standardisation that have been advanced by the Reserve Bank of Australia which [noted](#), *“all relevant industry participants – including schemes, gateways, and acquirers – should support portability for both scheme and proprietary tokens by the end of June 2025 to reduce the friction for merchants that wish to switch payment service providers”*.

Thank you for the opportunity to provide these comments.

Stripe New Zealand