

WHITEPAPER

Winning in SMB Acquiring: Turning Software into Value

October 2026

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Winning in SMB Acquiring: Turning Software into Value

Processing remains essential, but it no longer determines who wins the SMB merchant relationship. Software platforms increasingly shape distribution, retention, and revenue per merchant, forcing acquirers to choose which segments to serve and which layers of the proposition to own.

The acquiring business has enjoyed a decade-long upswing, driven by the shift from cash to cards, the rapid growth of e-commerce, strong consumer spending, and a robust small and medium-sized business ecosystem. But beneath the surface, the market is changing. Account-to-account (A2A) rails and digital wallets are gaining share, while software providers are gaining control of distribution and the merchant relationship. In parallel, pressure on processing prices is creating a widening gap between growth in payment activity and growth in revenue.

For incumbent acquirers, the trends shaping global acquiring boil down to one central challenge: erosion of market share. In five of the six markets examined, the three largest incumbent acquirers lost share between 2023 and 2025. Spain was the exception, with incumbents gaining share. Across the other five markets, losses were driven by intensifying competition in products, pricing, and distribution. The underlying shift reflects growing adoption of online channels and software platforms, compounded by regulatory change and weaker default loyalty to banks among newer merchants.

As decision makers consider their priorities, the reality is that the competitive contest in SMB acquiring is no longer simply about processing scale. The real battleground is control of the merchant relationship, and that is increasingly determined within the software layer. This is where distribution, retention, and wallet share are increasingly determined. The winning players of the future will have a clear idea of how to maximize that opportunity, make clear choices about where and how to compete, and offer merchants the transparency and functionality they expect.

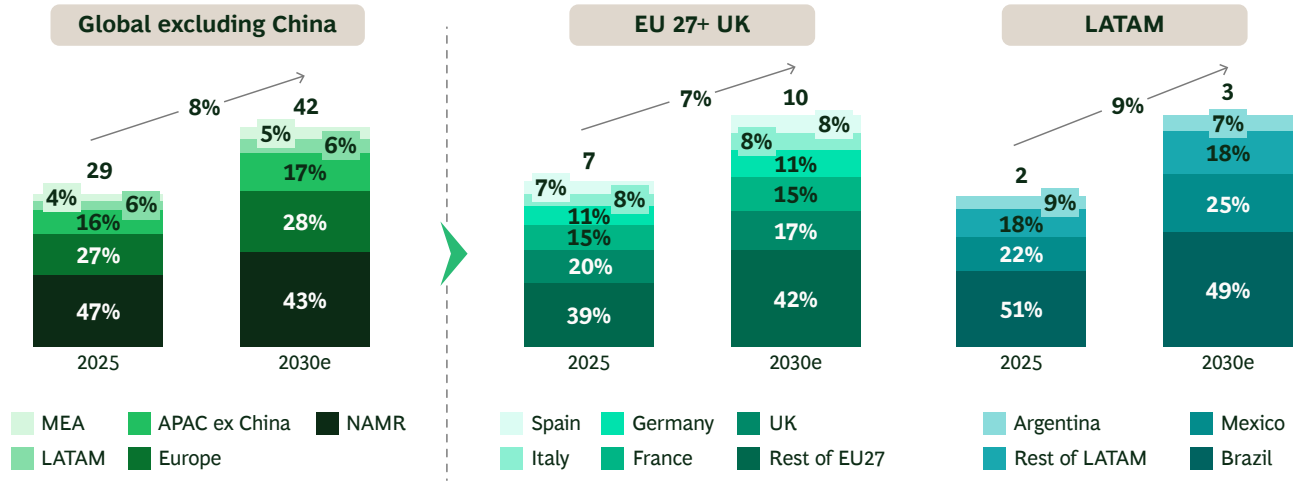
Payment Activity Is Growing, but Competition Is Intensifying

Merchant-acquiring total payment volume (TPV) is growing across all major geographies and is set to continue growing, albeit at varying rates. (See Exhibit 1.) We expect the Middle East and African market to expand fastest through 2030 at a rate of about 13%, followed by Latin America and Asia Pacific (ex. China) at around 9%, Europe at 8%, and North America at 6%. But the opportunity will not be defined by growth alone. Market structure, payment mix, competitive intensity, and the maturity of alternative payment rails will all shape how growth translates into revenue and margin.

EXHIBIT 1

Merchant-acquiring TPV is projected to grow strongly across regions through 2030

In USD trillions



Source: BCG Expand Global Payments Model.
Note: Merchant Acquiring TPV includes all card transactions (online & offline), online A2A e-commerce, wallet, and BNPL, excludes cash. Because of rounding, not all bar chart totals equal the sum of their parts.

Given it accounts for 47% of global TPV, North America remains an important reference. However, it is highly concentrated, with the top three acquirers accounting for 70% of card TPV in 2025.[1] Meanwhile, Asia Pacific and the Middle East and Africa offer attractive growth prospects, but are heterogeneous markets with distinct payment infrastructures, regulatory regimes, and digital payment maturities.

This paper focuses primarily on markets that most clearly reflect the major trends shaping the industry, and in particular the UK, France, Germany, Spain, and Italy, which together account for about 50%–60% of European payments TPV, as well as Brazil. In Europe, highly fragmented and distinct national markets mean no single acquirer has achieved regional dominance. Individual markets are shaped by an idiosyncratic mix of payment methods and regulations and are often characterised by a long tail of underserved SMBs. These factors point to both a substantial commercial opportunity and structural complexity.

Brazil warrants attention for two reasons: it accounts for the majority of regional card acquiring TPV (~50%), and has already, through Pix, seen the kind of A2A disruption that is now proliferating in European markets. Brazil is therefore not only a counterpoint to Europe but illustrates what A2A displacement looks like in an open, high-growth environment.

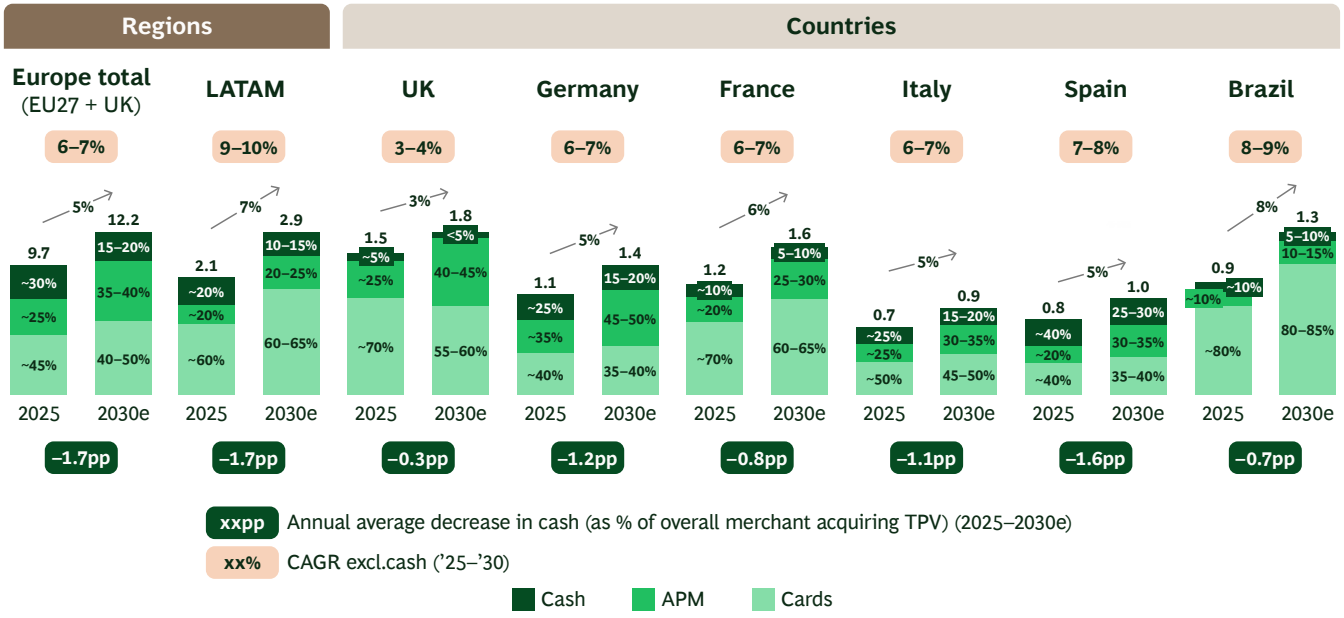
Payment instrument distribution varies across Europe and Latam. The UK and France have high levels of card penetration and declining cash usage, while Spain, Germany and Italy have further to travel. Brazil is different again, driven by widespread Pix adoption and continued card growth. On aggregate, while many consumers continue to use cash, there is continuing and rapid migration to card payments and alternative payment methods (APM).[2] (See Exhibit 2.)

1. The top three US acquirers alone handled more than US$6.7 trillion in purchase volume in 2025, representing close to 70% of TPV of the top 25 US acquirers (Nilson Report, 2026).
2. APMs include pass-through wallets such as Apple Pay and Google Pay; A2A solutions such as Wero and Bizum; and BNPL or point-of-sale financing providers such as Klarna and Afterpay.

EXHIBIT 2

Share of cash is projected to decline through 2030

In USD trillions



Source: BCG Expand Global Payments Model.
Note: Merchant Acquiring TPV includes all card transactions (online & offline), online A2A e-commerce, wallet, and BNPL. Because of rounding, not all bar chart totals equal the sum of their parts.

Turning to the economics of the acquiring business model, there are three primary underlying drivers of TPV: consumer spending, the number of cards in circulation, and POS-terminal adoption. (See Exhibit 3.) Cash-to-digital conversion is the dominant factor, and we expect an average decline of 0.3–1.6 percentage points per year in cash share across the six geographies through 2030. Currently, cash-heavy markets such as Germany, Italy, and Spain offer higher TPV growth than a card-dominated market such as the UK.

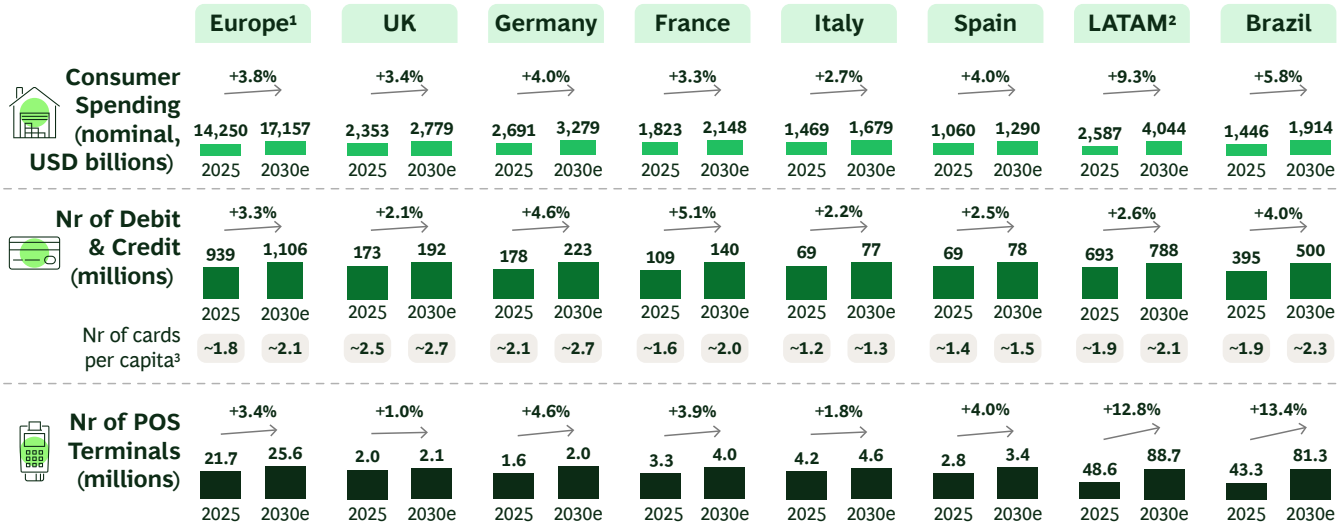
Growth in underlying nominal consumer spending, including inflation, is about 3%–6% per year across our chosen markets, with consumer spending in Brazil growing about twice as fast as in the developed economies.

The regulatory environment is also supporting digital payment adoption. Italy has required merchants to accept electronic payments since 2014, with sanctions for refusal in force since June 2022. Germany's 2025 coalition agreement calls for businesses to gradually offer both cash and at least one digital payment option. Fiscal digitization requirements, including certified cash-register software, e-invoicing, and digital tax reporting, are further pushing merchants toward certified digital POS hardware or software, although requirements and implementation timelines vary by market.[3]

3. Examples include Germany's Cash Register Act, Italy's Registratore Telematico, France's NF525, Spain's VeriFactu/TicketBAI and the UK's Making Tax Digital.

EXHIBIT 3

Consumer spending, card issuance, and POS-terminal adoption are projected to rise through 2030



Sources: Oxford Economics, ECB, GlobalData.
[1]Europe comprises the EU27 excluding Cyprus and Malta, plus the UK, Switzerland, and Norway.
[2]Latin America comprises Argentina, Brazil, Chile, Colombia, and Peru.
[3]Based on total debit and credit cards issued; not all cards are necessarily active.

A2A and other alternative payment rails represent an offsetting headwind. As A2A payments gain adoption, a portion of transaction growth that would historically have flowed through card acquiring will continue to migrate to alternative rails.

SMBs: The Most Attractive Acquiring Segment

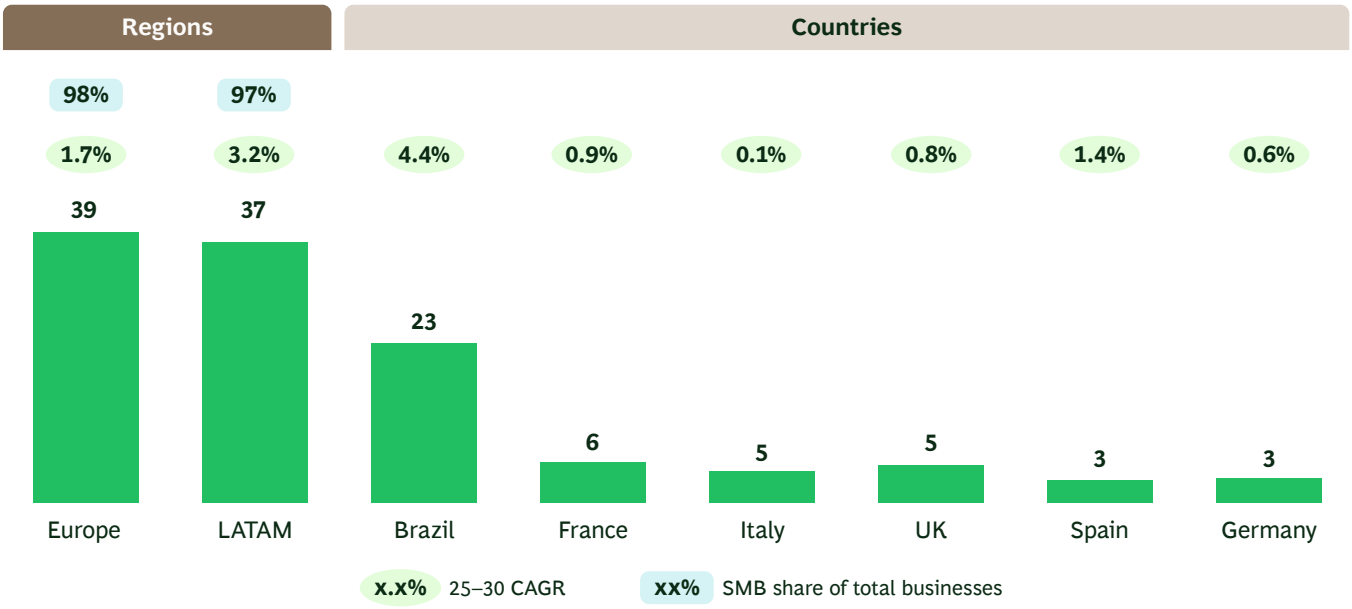
SMBs represent an attractive segment, due to faster growth, higher margins, and more cash-to-card conversion potential. However, SMB churn rates are relatively high. This creates a challenge for incumbents but an opportunity for challengers.

A Large, Underpenetrated Merchant Base. SMBs are the backbone of many European and Latin American economies, representing 98% and 97% of all businesses, respectively. (See Exhibit 4.) We estimate that ~60% of SMBs globally do not accept cards and predict this will fall to about 55% by 2030, creating a significant opportunity.

EXHIBIT 4

Brazil's SMB base is projected to grow fastest; Spain leads SMB growth among the five European focus markets

In millions



Source: ECB, National statistics offices of UK and Brazil.
Note: SMBs defined as businesses with turnover of less than approx. US$9m per year. Europe refers to EU27+UK.

SMBs Generate Disproportionate Acquiring Revenue. The commercial logic is both compelling and counterintuitive. SMBs generate a disproportionate share of acquiring revenue relative to their share of TPV. The take-rate premium reflects both the complexity of serving smaller merchants and their relative lack of negotiating power. (See Exhibit 5.)

Across the top European markets, the average SMB net acquiring fee is 0.6%–0.75% of transaction value. The range is narrow because the same trends hold in continental Europe and the UK: domestic card schemes suppress the merchant service charge and exert indirect downward pressure on the acquirer's retained margin. Rates are consistently higher for the smallest merchants. That said, growing competition from fintechs is putting downward pressure on processing pricing.

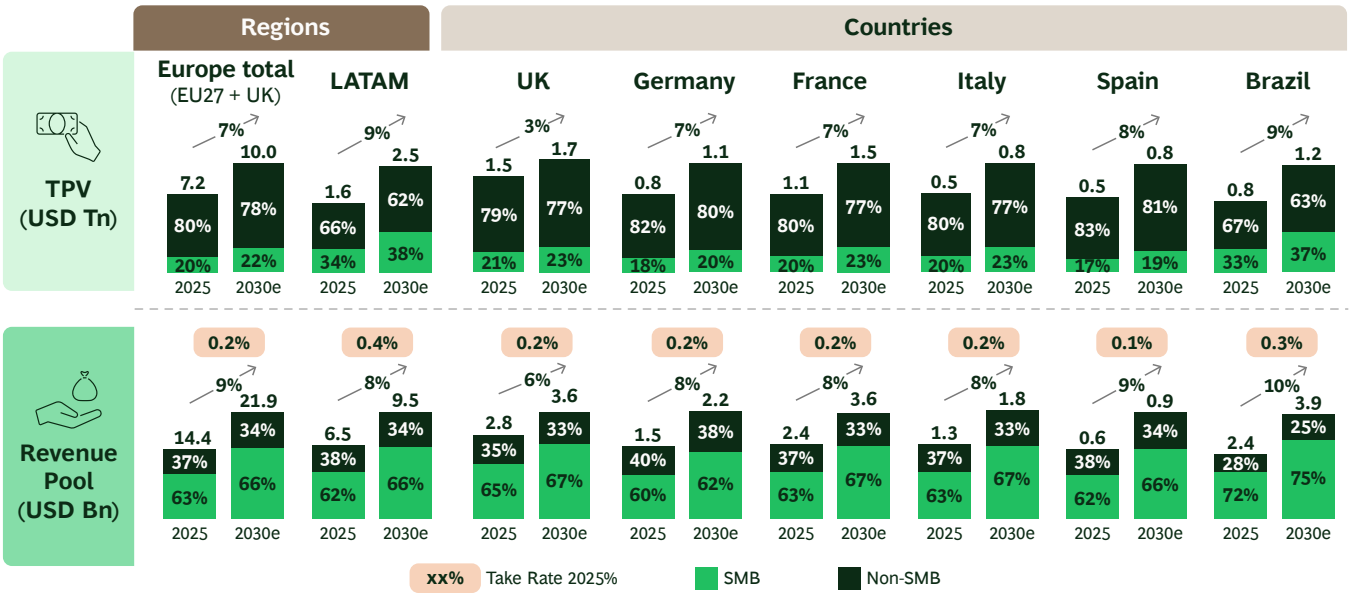
Variation within the range is driven by country-specific nuances: regulator-mandated pricing transparency and FX-subsidized rates in the UK, a higher debit card mix in Germany, and a fragmented small-merchant landscape that lifts rates for nano and micro merchants in Italy. Spain is the outlier, with the lowest rates in the sample, driven by a single bank-owned national processing infrastructure that has commoditized acceptance. The same Spanish banks compete on acquiring rates to sell banking products rather than to earn payment margins.

Across markets, the spread by merchant size is wider than the spread by country: average rates fall to 0.2%–0.5% for the largest SMBs and rise to around 1% for nano merchants. This dynamic is similar in Brazil, and is accentuated by a large merchant base that is still early in its digital payments transition.

Online net acquiring fees run higher than offline fees in every key geography. The main reason is that card-not-present transactions carry materially higher fraud and chargeback risk, which flows through to both the merchant service charge and the acquirer's retained margin. The online rate is typically around 1.1 to 2.0 times the offline rate for an equivalent merchant.

EXHIBIT 5

SMBs generate a disproportionate share of acquiring revenue relative to TPV



Source: BCG Expand Global Payments Model, Expert interviews.
Note: SMBs defined as businesses with turnover of less than ~US$9m per year. Figures exclude cash.

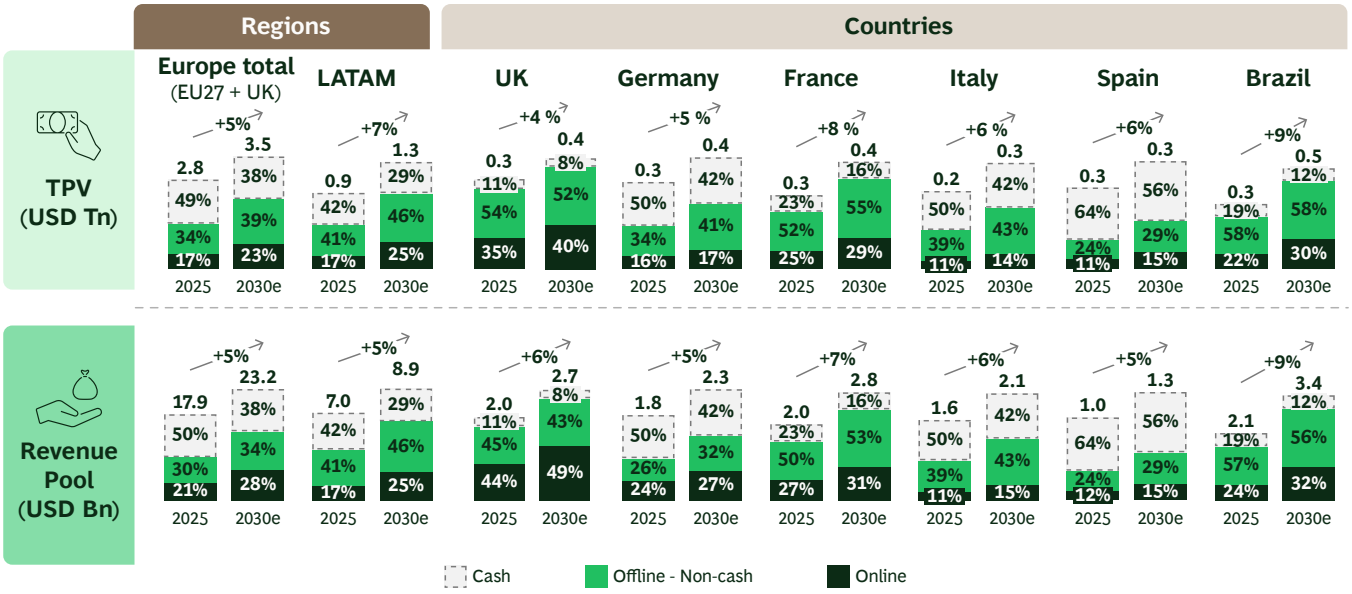
We modelled the potential maximum theoretical upside of cash-to-digital conversion in the top five European markets and Brazil. (See Exhibit 6.) Across the EU27 plus the UK, the cash's share of total merchant payment spend is expected to decline from approximately 49% in 2025 to 38% by 2030, with the pace of conversion varying significantly by market. No market is expected to eliminate cash entirely. The UK is nevertheless projected to have one of the lowest cash shares among the markets studied by 2030.

Brazil already relies heavily on cards and alternative payment methods, and presents a more limited conversion opportunity. We expect the cash share to fall from approximately 19% to 12% of TPV by 2030. The growth story here will be driven by a stronger economy, Pix-enabled growth in digital payment activity, and deepening financial services penetration in a large, digitally active SMB base. Thus, the greater opportunity lies in revenue pool expansion as take rates stabilize following Pix disruption and as acquirers layer software and financial services onto an already digitized merchant base.

Churn: the defining retention challenge. High churn rates present a significant strategic challenge. In 2024, we surveyed approximately 4,500 SMBs and found the average two-year switch rate was approximately 24%. As payments become increasingly embedded in SMB operational software, switching can become more difficult and costly. This explains why the key question for acquirers is no longer, "Who processes the transaction?" but "Who is embedded in the merchant's daily operating system." Challengers that lead with an integrated proposition are creating relationships that are more costly to displace and more difficult for incumbents to break.

EXHIBIT 6

Cash-to-digital conversion represents additional TPV and revenue-pool upside



Source: BCG Expand Global Payments Model, Expert interviews.

What SMBs Need: Three Distinct Segments

The SMB market is highly heterogeneous. We identify three broad segments with distinct payment, software, service, and pricing requirements, based primarily on annual turnover. (See Exhibit 7.) Our key insight is that the typical incumbent offering of standardized pricing alongside generalized sales coverage and product architecture is structurally misaligned with what SMBs actually require. Understanding those requirements is therefore the starting point for any credible offering.

We find seven dimensions consistently determine payment provider selection:

1. **Payment performance and method coverage:** High approval and authorization rates, reliable acceptance across instruments including cards, digital wallets, BNPL, pay-by-link, and bank transfer, as well as broad payment method coverage matched to the SMB's customer base and geography. These are table stakes, but execution quality also matters. Poor authorization rates or missing local payment methods are fast routes to churn.

2. **Omnichannel capability:** The framing of online versus offline has become outdated. Our survey indicates that only 2% of merchants are exclusively digital, while 80% operate across channels. Consumer expectations now routinely include a unified commercial experience, such as buying online but picking up in-store, buying in-store and shipped to home, as well as unified refunds and exchanges. SMBs require a single, connected view of transactions and customer behavior across channels. Businesses that cannot deliver face a growing structural disadvantage.

3. **Technology and integrations:** The quality of the underlying technology infrastructure is an increasingly decisive criterion, particularly for digitally-sophisticated SMBs. A single API connection across in-store, e-commerce, and invoice payment flows reduces the operational burden. A strong developer portal is important, as is integration with major marketplaces and shopping platforms.

EXHIBIT 7

Three SMB segments have distinct payment, software, pricing, and service needs

Segment	Definition and Size	Typical Needs	Illustrative Merchant Examples
Medium-sized businesses *US$600k–9m annual turnover 50–249 FTEs*	• Larger SMB with multiple POS across branches • Requires unified reporting and enterprise features	• Omnichannel: in-store + online + mobile with unified reporting across sites • Vertical specific VAS e.g. staff scheduling, labor management • Comprehensive financial services, e.g. larger credit lines • Custom volume-based pricing, dedicated sales consultation and in-person demos	**Boutique Hotel** **Department Store** **Construction Company**
Small businesses *US$60–600k annual turnover 10–49 FTEs*	• Established business with possibly several mobile and fixed POS • Beginning to need integrated operations	• Increased performance and competitive rates • Vertical specific VAS e.g. booking, loyalty, payroll integration • Financial services needs covering business account, commercial card, and access to small loans • Tiered volume-based pricing, dedicated sales consultation	**Dental Clinic** **Local Restaurant Chain** **Accountancy Practice**
Sole traders and micro businesses *up to US$60k annual turnover 1–9 FTEs*	• Solo operator or very small business • Single or few POS • Often mobile or informal setting • Minimal operational complexity	• Tap to Pay via smartphone or entry level card reader • Low/no upfront costs with transparent pay-as-you-go fees, no fixed contract • Strong brand with online self-service • Access to basic financial reporting	**Market Vendor** **Coffee Shop** **Plumber**

Source: BCG Analysis.
Note: SMBs defined as businesses with turnover of less than ~US$9m per year.

4. **Integrated product suite:** Larger SMBs prefer a single provider that meets their payments and financial services needs in one place. This incorporates three distinct layers: payments-related value-added services (VAS), operational VAS, and embedded financial services. The bar has been set by integrated software platforms, which have shown that bundling these capabilities drives both higher Net Promoter Scores (NPS) and materially lower churn. Players offering only acquiring without adjacent services are increasingly vulnerable.

5. **Onboarding and service:** Onboarding friction is disproportionately costly among SMBs, because smaller teams cannot easily handle lengthy or complex setup processes. Best-in-class onboarding, including digital onboarding completed within 24 hours, same-day approval, and rapid hardware delivery for in-store merchants, is now a competitive differentiator. After onboarding, SMBs expect intuitive self-serve portals, sophisticated fraud and dispute management tools, and accessible customer support.

6. **Transparent pricing:** Price is the single most important factor in choosing a payment provider and the number one reason for more than 60% of switching decisions. But it is not everything. SMBs care deeply about functionality and will often switch on that basis. That said, sole traders and small merchants strongly prefer transparent, predictable pricing, without opaque surcharges or contract lock-ins.

7. **Distribution and activation:** SMBs prioritize the ability to easily discover, evaluate, and activate a payment provider. Without massive internal resources, friction directly affects choice. The distribution model an acquirer deploys is therefore inseparable from its product proposition. How a merchant is reached, onboarded, and activated is a vital differentiator.

These requirements differ significantly from those of larger corporates, which expect much higher levels of service across geographies. It is this divergence that makes a single operating model hard to run across both segments, and which explains why providers built around corporate requirements struggle to serve SMBs economically.

In assessing the seven dimensions, we have seen that SMB choices are often determined by their business type:

- Sole traders and micro businesses often prioritize simplicity and accessibility. They demand entry-level card acceptance via smartphone or low-cost hardware, transparent pay-as-you-go pricing with no fixed contract or upfront commitment, and basic financial reporting. The segment can be effectively served through an online self-serve distribution model which keeps customer acquisition costs low enough to make unit economics viable.

- Small businesses require increased payment performance and competitive rates alongside value-added capabilities including booking, loyalty, payroll integration, and access to financial services including business accounts, commercial cards, and small loans.

- Medium-sized businesses often require an omnichannel stack, larger credit facilities, vertical-specific operating software, and pricing linked to processing scale.

Vertical-specific needs are also worth noting. Integrated platforms are increasingly winning by penetrating specific industries and building software that replaces multiple legacy systems. Vertical depth drives integration, integration drives stickiness, and stickiness creates the foundation for the financial services layer that deepens the relationship further.

A final thought is that meeting SMB needs requires depth across five layers: acceptance, operations, pricing, financial services and distribution. The most successful platforms embrace all of those elements, offering full acceptance coverage, from tap-to-pay through smart POS and online checkout, with self-service operational tooling and vertical software. Other important capabilities include low-upfront pay-as-you-go pricing, business accounts offering instant payouts and pre-approved lending, and online-led distribution supported by retail and partner channels.

Competition Is Shifting to the Software Layer

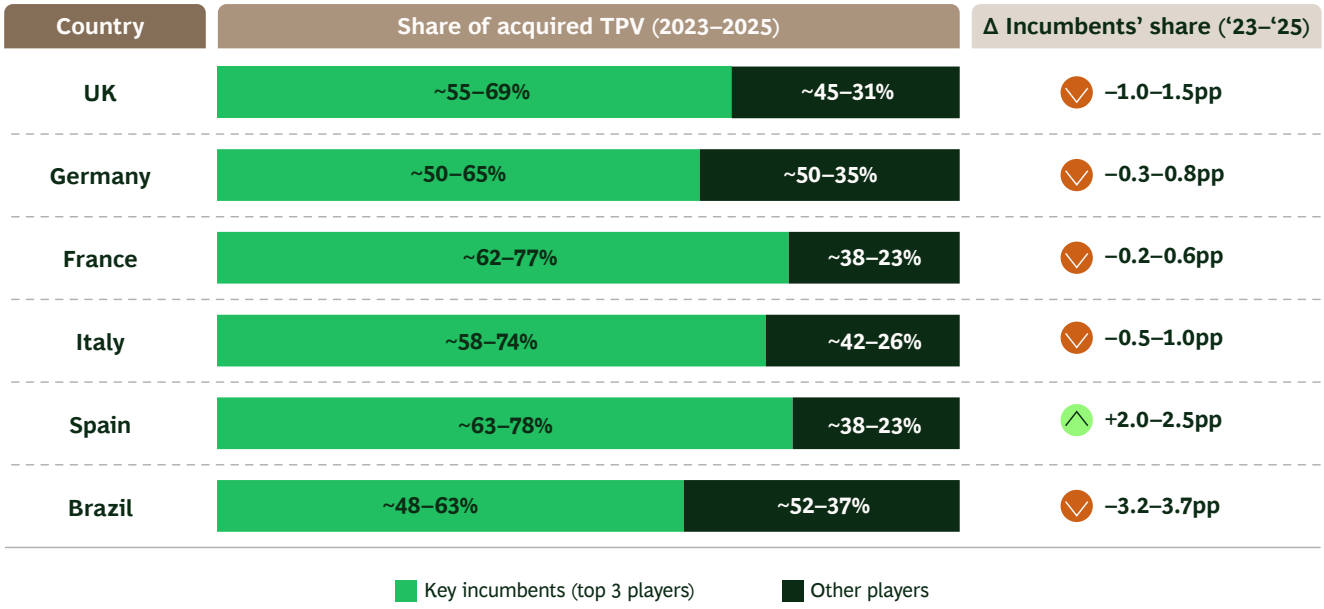
The SMB acquiring market is more competitive than ever, and the shift away from incumbents (traditional banks and established acquirers) is accelerating, albeit more in some markets than others. (See Exhibit 8.) In five of our six focus markets, the three largest incumbents all lost TPV share between 2023 and 2025 with the steepest declines in Brazil (–3.2pp–3.7pp) and the UK (–1.0pp–1.5pp). Spain was the exception, with incumbent share increasing by approximately 2.0–2.5 percentage points.

Incumbent share loss reflects challenges across product, pricing, and distribution. Legacy technology and slow development cycles have constrained software-led propositions, while opaque pricing, upfront fees, and long contracts are coming under pressure. At the same time, traditional bank referral channels are less effective as merchant acquisition shifts online and toward software platforms. Two external forces compound these dynamics: regulatory change mandating transparent pricing structures and a generational shift in which new merchants enter the market with weaker bank loyalty and through software-first or payment-first channels.

At EU level, regulatory compliance demands are hardening, which favors integrated platform players with a broad European footprint. Recent EU regulation has already raised the fixed cost of operating a payments business. PSD2 imposes stronger authentication and open banking obligations, the Instant Payments Regulation mandates instant transfers at parity with standard pricing, DORA requires formal ICT resilience frameworks and third-party risk registers, and MiCA introduces harmonized licensing for crypto-assets and e-money tokens.

EXHIBIT 8

Incumbent share declined in five of six markets; Spain was the exception



Source: GlobalData, expert interviews, public company data.
Note: Rounding errors may occur.

Upcoming changes will push in the same direction. PSD3 and the accompanying Payment Services Regulation are set to shift fraud liability toward payment service providers and extend verification of payee to all intra-EEA transfers, while a single EU anti-money-laundering rulebook will require tougher KYC and beneficial ownership checks.

For integrated platforms, this means four things:

1. Payments rules are harmonizing, so a single compliant product travels further across the bloc than it once did.

2. Fraud liability and reimbursement obligations are shifting to providers, rewarding those with the data and risk tooling to price that exposure.

3. Open banking and API standards are becoming more demanding, favoring platforms whose technology stack is already unified across markets.

4. Operational resilience requirements are tightening, which is a fixed cost more readily absorbed at scale than by a single-market challenger or an incumbent which is slow to adapt.

We are seeing a structural shift in the merchant relationship driven by two overlapping trends at the distribution layer. The first is the shift in distribution from direct bank relationships and independent sales organizations (ISO) networks to integrated software platforms and independent software vendors (ISV). ISOs, which historically served as the primary indirect channel for incumbent acquirers, are losing ground to ISVs that offer merchants a deeper proposition rather than a standalone processing contract.

The second trend is the migration of the merchant relationship itself. ISVs are the most influential source of payment-provider recommendations, cited by 40% of SMBs globally ahead of banks, internet research, and sales representatives (BCG SMB Survey, 2024). When a merchant integrates payments into its operational software, it holds the payment contract directly with the platform, disintermediating the underlying acquirer.

Our key message: the competitive contest in SMB acquiring is no longer primarily a matter of transaction processing, but of software capabilities. This is where distribution, retention, and wallet share are increasingly determined.

The challenger landscape referenced in Exhibit 8 includes four player archetypes, each of which approaches the market from a different strategic perspective:

1. **Integrated platforms:** These combine payment acceptance, value-added services (VAS), and embedded financial services within a single software stack. Rather than distributing payments through a separate acquiring relationship, they embed transaction processing directly into operational tools merchants use daily for scheduling, inventory, labor management and customer engagement. This integration is what underpins their merchant retention advantage because switching payment provider requires replacing core operational software.

2. **Digital payment providers:** Digital-first payment providers originated in e-commerce acquiring before expanding into omnichannel and SMB segments. Infrastructure is their strong suit: unified APIs across payment methods and geographies, developer tooling, and rapid onboarding.

3. **Specialist ISVs:** Many vertical specific software providers have added payment facilitation to their core offering without building a full financial services stack. ISVs have evolved from being a niche distribution channel into a powerful payments business.

4. **Neobanks:** These companies have expanded into merchant services leveraging existing digital SMB relationships and brand recognition. Neobanks have expanded into merchant services by leveraging existing digital SMB relationships and brand recognition. They intensify pricing pressure while offering the convenience of consolidating banking and payments in a single interface. Their principal constraint remains limited vertical-software depth. Without embedded operational workflows, neobanks risk generating lower merchant retention than providers that own more of the merchant's daily operating stack.

The Big Prize: Software and Financial Services

Players that deliver an integrated proposition combining acquiring, VAS (both operational and payments), and financial services are addressing a larger revenue pool. (See Exhibit 9.) By layering software and financial services on top of acquiring, they expand the opportunity and stand a better chance of meeting the needs of larger SMBs. The goal for these platforms is to become growth partners, offering payments, software, operational, and financial services in one place. Businesses that achieve this level of integration gain two compounding advantages: high customer stickiness through multi-product adoption and significant revenue upside.

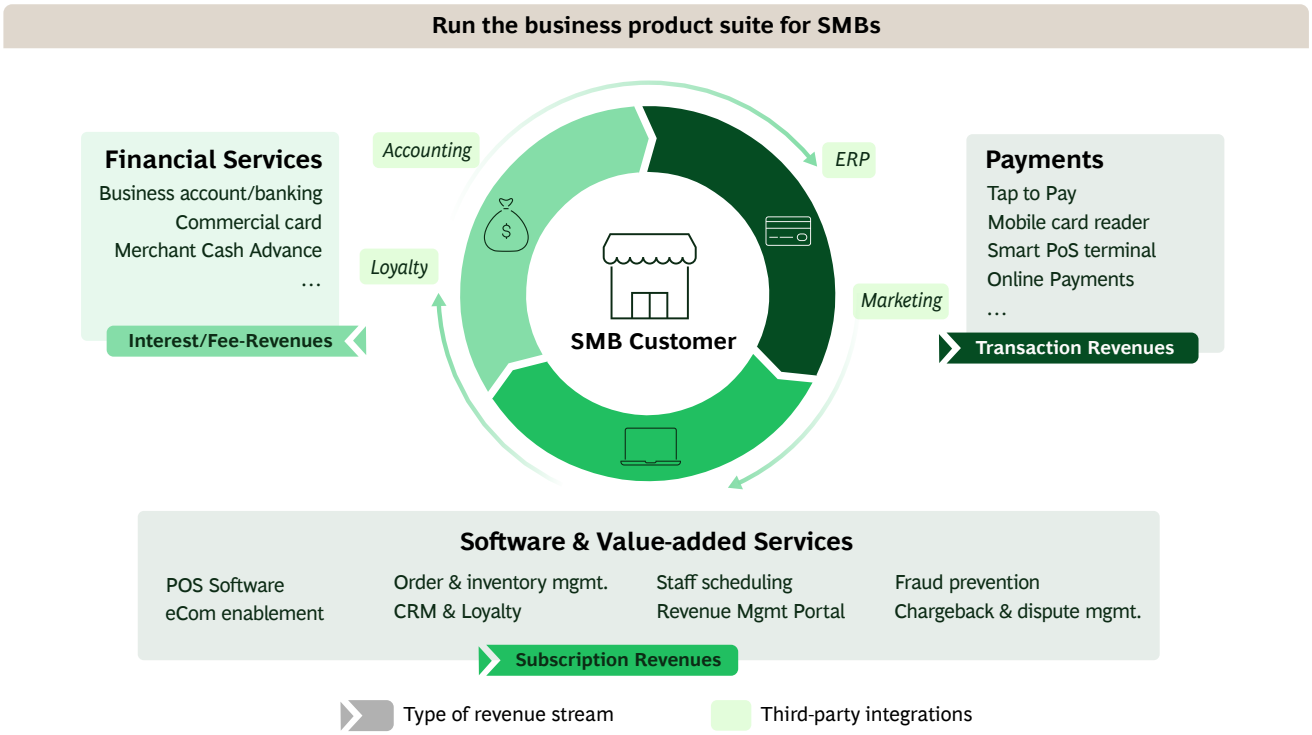
Software Is Becoming the Operating Infrastructure for SMBs

The starting point is that platforms have become the operational backbone of the SMB segment. Across the six markets we surveyed, 68% of SMBs use a software platform to run their daily operations, with 46% using vertical software tailored to their industry. This signals that for the majority of SMBs, especially in high-frequency, consumer-facing sectors, the software provider has already become the primary interface for business management, and increasingly for financial services. An acquirer that is not represented in the software layer risks losing influence over merchant selection, engagement, and retention.

Integrated platforms provide software across both horizontal and vertical use cases spanning across five broad categories: core POS software, advanced operations tools, customer engagement, eCommerce platforms and third-party app marketplaces. For the platform, the benefits are twofold: These capabilities raise revenue per merchant by adding a stream independent of payments and financial products, and it increases stickiness by locking the merchant into a unified payment-and-software ecosystem, extending lifetime value and strengthening pricing power.

EXHIBIT 9

Integrated platforms act as one-stop-shops across payments, software, and financial services



The competitive frontier differs by software category:

- **Core POS:** advanced inventory management, including real-time omnichannel stock synchronisation, SKU or ingredient-level tracking, supplier and purchase-order management and automated reordering.
- **Self-service kiosks:** AI-assisted upsell and combo prompts at the point of order, combined with loyalty enrolment at checkout.
- **CRM and loyalty:** tiered VIP programmes with experiential and gamified rewards. Integrated platforms are collectively behind, as most offer only basic points tracking.
- **Booking and appointments:** software that doubles as a demand channel, with end customers discovering and booking merchants through the platform itself. Most integrated platforms do not yet offer this marketplace function.
- **E-commerce:** a truly multi-channel platform with unified inventory and customer data across web, marketplace and store.
- **Invoicing:** native readiness for local e-invoicing mandates through Peppol or country-specific networks, rather than market-by-market integrations.[4]

There is a pattern of convergence across integrated platforms, regardless of how they started. Payment-originated players build out software, while software-originated players grow acquiring share. Still, whether a platform originated in payments or software, its software revenue tends toward roughly 50% of its merchant acquiring revenue. The ratio varies by market and tends to be higher in markets such as the United States, where payments-linked software adoption is more established.

4. Peppol is an international network and framework that allows businesses and public bodies to securely exchange structured electronic documents—such as e-invoices and purchase orders—in a standardized format.

Embedded Financial Services Are the Next Frontier

Embedded financial services are the next frontier. Three core products can address distinct needs: merchant loans and cash advances can provide upfront working capital without a rigid repayment schedule, commercial cards can provide spend controls, reporting and a clean separation of business from personal spending, and current accounts can consolidate payment receipts, cash-flow management and transfers in a single business account.

Traditional banks still dominate the three key services of merchant loans and cash advances, commercial cards, and current accounts. (See Exhibit 10.) However, neobanks and non-bank platforms are beginning to carve out positions, particularly among merchants operating in high-frequency categories, which are most open to switching. Meaningful share redistribution is likely.

This has important implications for product design and go-to-market strategy. The integrated platform that can credibly offer to manage payments, operations, and finances in one place holds a structural advantage over any bank, standalone acquirer, or ISV that cannot make the same claim.

The balances and payment flows underpinning the financial-services revenue pool are already substantial. Across Western Europe in 2025, SMBs held an estimated US$68 billion of outstanding merchant-loan balances and around US$242 billion of deposits across roughly 34 million current accounts, all generating interest income alongside account fees. Commercial card flows added a further US$218 billion across some 17 million cards, of which around US$117 billion was carried on credit cards and therefore also carried interest income. The opportunity for integrated platforms lies less in creating demand than in intermediating flows that already exist and today sit almost entirely with banks.

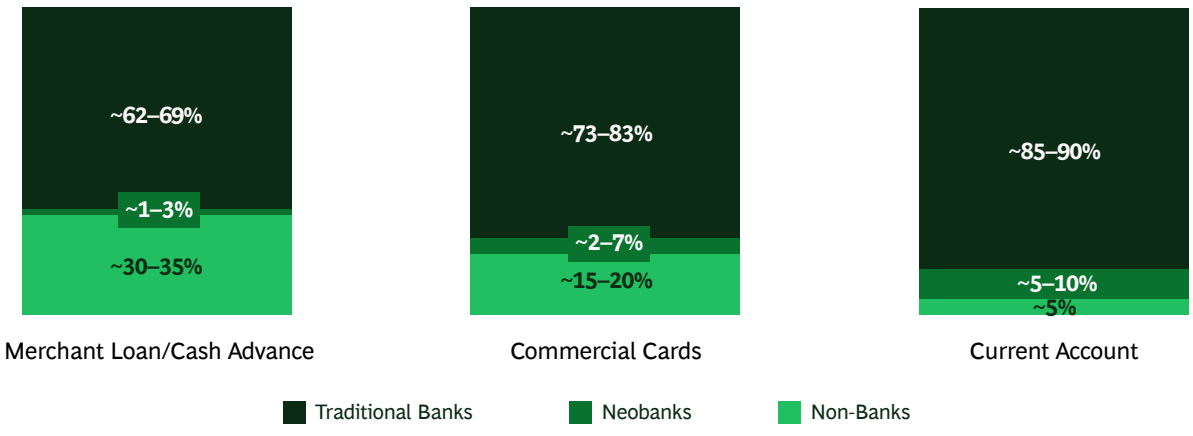
The Combined Revenue Opportunity

The software revenue pools at stake are substantial, and they extend well beyond the acquiring layer. Across Europe, we predict the software revenue opportunity for integrated platforms will grow from US$3.5 billion to US$6.9 billion by 2030.

EXHIBIT 10

Traditional banks hold the dominant share across the core products underpinning embedded finance

Estimated market share of traditional banks, neobanks, and non-banks by product, top five European countries, 2025



Source: Company reports, expert interviews.

The three markets with the greatest remaining cash conversion opportunity are Spain, Italy, and Germany, which we predict will have the strongest software revenue growth rates up to 2030 of around 15% CAGR. This reflects both a lower base and the acceleration that follows broader digital payment adoption. Germany follows at 13.9% CAGR, while the UK, already the most mature market, is set to grow at 11.6%, from a larger 2025 base of about US$800 million. (See Exhibit 11.)[5]

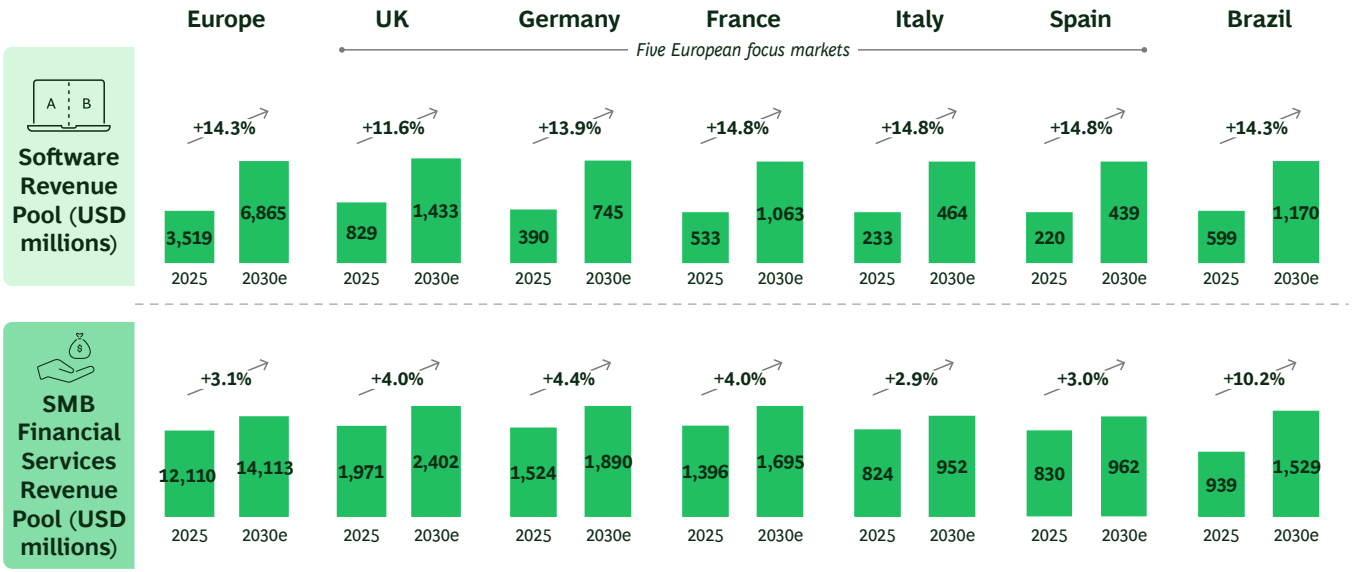
The European SMB financial-services revenue pool is projected to expand from US$12.1 billion in 2025 to US$14.1 billion by 2030, equivalent to a more modest 3.1% CAGR. This reflects the depth of existing bank-intermediated services rather than an absence of opportunity. In 2025, the UK was the largest market at US$2.0 billion. We predict it will grow to US$2.4 billion by 2030, followed by Germany which is currently worth US$1.5 billion and predicted to expand to US$1.9 billion. In addition, the combined European software and SMB financial-services revenue pool is projected to approach US$21 billion by 2030.

Brazil presents a structurally distinct picture. We expect the software revenue pool for integrated platform players to grow from about US$600 million to US$1.2 billion by 2030, a CAGR of 14.3%. This is in line with the European aggregate rate and faster than the UK, though Brazil started from a lower absolute base. The SMB financial services opportunity is more pronounced. We project the revenue pool will expand from about US$900 million to US$1.5 billion by 2030, a CAGR of 10.2%, and more than three times the predicted European rate. This reflects restricted SMB access to formal financial services, albeit that non-bank platforms are beginning to address the issue through embedded credit, working capital, and merchant cash advances.

The direction of this analysis is consistent with broader BCG and Adyen work on embedded finance, although the two analyses differ in geographic scope and methodology.[6]

EXHIBIT 11

Software revenue is projected to grow faster than financial-services revenue across all markets shown



Source: BCG Analysis.
Note: Software revenue based on linear projection and analysis of ratio of acquiring to software revenue using selected sample of major international integrated platforms. SMB Financial services revenue pool includes merchant cash advance, commercial cards, and current account, excludes products traditionally held by large enterprises (i.e., trade finance, treasury).

5. The LATAM region is not sized separately in this analysis. Beyond Brazil, regional acquiring markets exhibit significant structural heterogeneity i.e., the regulatory environment, payment infrastructure maturity, and the availability of granular data at the consistency required for cross-market modelling. Brazil is sized as a standalone market given that it accounts for over 50% of regional card acquiring TPV and exhibits the integrated platform adoption dynamics that are the subject of this analysis.
6. Adyen and BCG, Embedded Finance Report: How SaaS Platforms Can Unlock the Embedded Finance Opportunity (2024), based on quantitative and qualitative research with ~30 leading platforms and ~2,000 SMBs across North America, Europe and Australia across eight industries including Food & Beverage, Retail and Hospitality.

What It Will Take to Win

The analysis in this article shows that the acquiring market is in a state of structural transition, but the outcome is unlikely to be winner-take-all. SMB sub-segments have varying needs and different strategic models can succeed across the SMB landscape.

The full-stack integrated-platform model has gained traction across the six markets and offers clear advantages in retention, cross-sell, and control of distribution. Its advantages are fourfold: retention, higher revenue per merchant through VAS and financial services monetization, influence over payment-provider selection, and embedded finance conversion facilitated by the operational simplicity of a single interface.

Three important qualifications apply:

- **Not every SMB segment demands the full stack.** Sole traders and micro businesses prioritize access, simplicity, and price above operational integration. A well-executed digital payment provider or neobank proposition can win without owning the software layer, provided it delivers on onboarding speed, pricing transparency, and basic financial services.

- **Incumbent banks retain a structural advantage.** For medium SMBs with material working capital needs, the bank relationship remains deeply embedded. Players such as Santander and ING in Europe are building payment ecosystems that combine acceptance, invoicing, and credit-on-demand, thus leveraging balance sheet depth and regulatory trust that no software platform can easily replicate. Incumbents that extend from lending into payments are not playing defence; they are exploiting an advantage that challengers cannot match without a banking licence.

- **Digital payment providers retain a viable position as preferred processing infrastructure partners.** As integrated platforms proliferate, many will choose to partner with specialist processors rather than build acquiring and processing capabilities in-house. This will mean acquirers such as Stripe and Adyen will remain relevant even as the platform layer above them consolidates.

The strategic contest in SMB acquiring is not a race to build the same model, but a test of building defensible positions in selected segments. Players need to make clear choices about where to compete and on what basis. For those pursuing the full stack, the priority will be vertical depth and financial services expansion. For merchants, a well-integrated proposition can reduce administrative complexity, provide a more complete view of business performance, simplify payments and reconciliation, and give merchants easier access to financial products. These benefits can also strengthen retention, because the provider becomes more deeply embedded in the merchant's operations. Making that sustainable will depend on continuing to deliver strong performance, service quality, and measurable merchant outcomes.

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