



The 2025 Payments Report: Macro Pressures Shaping the Landscape for Software Providers and Merchants

The forces, pressures and shifting expectations shaping the payments landscape for software providers and merchants

Executive Summary

Today's confluence of macroeconomic pressures creates a challenging business environment for software providers and the merchants they serve.

Independent software vendors (ISVs) are under mounting pressure to retain customers, differentiate their platforms, and generate revenue. Meanwhile, merchants are facing rising operating costs, shifting consumer behaviors, and escalating fraud - all while trying to protect margins and preserve customer experience and loyalty.

The 2025 Payments Report reveals integrated payments is growing as a strategic lever to help ISVs and merchants navigate these challenges and the turbulent economic environment. The research, which is based on a survey conducted by Wind River Payments™ of over 200 ISVs and merchants across the U.S., demonstrates that integrated payments is no longer just a utility. It's increasingly becoming a vital engine for revenue generation, customer retention, and long-term value for both parties.



Macroeconomic Pressure Mounts, Fuels Payments Shifts

Economic headwinds are directly impacting the payments landscape. Software providers and merchants are rethinking payments and how they drive growth and preserve margins.

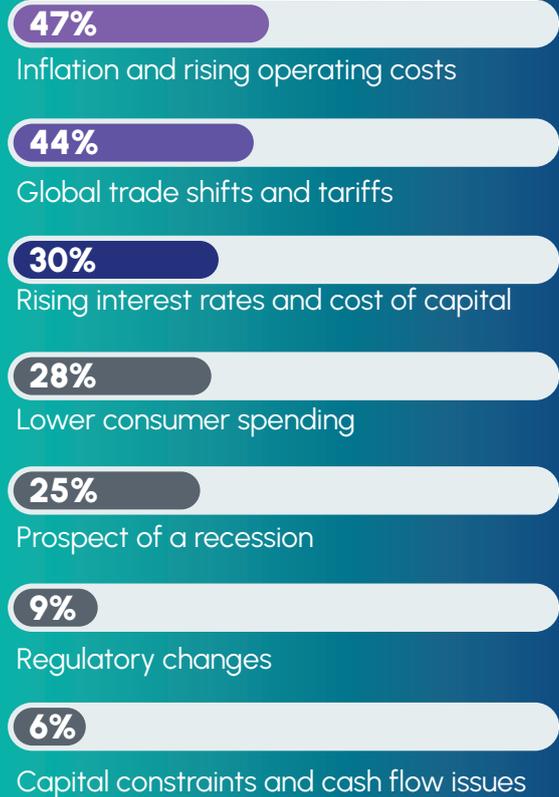
ISVs Double Down on Payments Monetization to Protect Revenue

Nearly half (47%) of ISVs cite inflation and rising operating costs as their biggest macroeconomic concern, followed by global trade shifts and tariffs (44%), and rising interest rates and cost of capital (30%).

As profitability becomes harder to sustain in this environment, and with revenue generation cited as their number one business goal for this year, ISVs are leaning on integrated payments and are rethinking and diversifying revenue streams.

Most (96%) ISVs that currently offer integrated payments either have already or plan to explore new ways to monetize payments this year. Payments revenue is also the #1 item that ISVs say they wish their current payments provider would improve, which further signals that integrated payments are no longer just a utility, but a key growth lever and ISVs see significant untapped potential.

Top Macroeconomic Concerns



Once considered ancillary, payments monetization has emerged as a strategic revenue driver: 41% of ISVs that offer integrated payments today say that more than half of their total revenue currently comes from payments.

Monetization is not without its challenges, however. ISVs' biggest roadblocks to payment monetization are compliance and risk concerns (34%), fear of disrupting the customer experience (32%), and technical integration burden (24%).

Merchants Fight Rising Costs with Cash Incentives

Nearly 50% of merchants say their payment processing rates have increased in the past year. Amidst rising costs and ongoing economic pressures, merchants are actively taking steps to protect revenue and profitability. Nearly 70% of merchants say they've made changes to how they accept or process customer payments in light of the recent economic challenges. Another 12% say they plan to make changes.

Merchants are encouraging consumers to use lower-cost payment methods such as debit and ACH (25%). Twenty-three percent say they're offering cash discounts and a quarter have added fees to credit card transactions.

Merchants are responding to higher processing rates by taking a variety of actions such as raising costs for consumers (46%), turning to surcharging (36%), absorbing the higher cost (40%), and cutting expenses elsewhere (30%).

"In this economic climate, merchants are being smart about every dollar – and that includes rethinking how they accept payments. This isn't just a momentary adjustment, it represents a fundamental reshaping of how merchants approach transactions to safeguard their business."

- Stephanie O'Connor, Director of Merchant Experience at Wind River Payments



The State of Digital Wallet Acceptance

Wind River Payments' data uncovered that 85% of merchants report that less than half of their transactions currently come from digital wallets. For nearly two thirds, that number is under 25%. Merchants cited an inability to support consumers' preferred payment methods such as digital wallets as a top five payment challenge. This indicates merchants might not be offering a variety of preferred digital wallet options at checkout to capture a higher volume of digital wallet transactions.

The two biggest barriers to offering more digital wallet options (according to merchants) are high fees (26%) and security concerns (22%). This suggests merchants could have misconceptions around what it takes to enable more digital wallet options. While digital wallet options usually require a higher-level system capability that can cost a little more, the processing and terminal costs of digital wallet options are not higher than that of credit transactions made through other channels. Digital wallet transactions are also just as secure as other transactions.

Biggest misconceptions that curb digital wallet acceptance



Offering preferred digital wallet payment options could help merchants address challenges such as reducing cart abandonment by enabling faster checkout, which improves revenue, and minimizing the risk of fraud.

Rampant Fraud: A Top Merchant Challenge and ISV Opportunity

Beyond managing payment costs, merchants are also confronting a pervasive and escalating threat impacting their bottom line: **Fraud**.

Nearly two-thirds of merchants experienced fraud in the past year. Twenty-eight percent of merchants experienced fraudulent chargebacks, where customers disputed legitimate transactions. A quarter experienced return and refund fraud and 20% report experiencing phishing or scam attempts targeting their business or staff.



Top Merchant Fraud Incidents

- 1 Fraudulent chargebacks
- 2 Return and refund fraud
- 3 Phishing or scam attempts targeting the business or staff
- 4 Fake or fraudulent customer orders
- 5 Card testing
- 6 Payment rerouting or invoice scams
- 7 Account takeovers
- 8 Internal fraud or employee theft

Payment fraud impacted merchants in a variety of ways this past year, including direct loss of funds (34%), lost or delayed revenue (27%), and customer trust issues (15%).

Merchants' Top Fraud Concerns



88% said they'd pay more for enhanced fraud protection

Merchants' concerns over rising fraud are so high that 88% said they're willing to pay more to help prevent it.



This presents a prime growth opportunity for ISVs, who cited revenue generation (57%) and product innovation (24%) as two top business priorities for this year. Merchants are increasingly seeking more enhanced fraud prevention features – including the ability to set custom rules for transaction amounts, stop fraudulent attempts before funds move, and access chargeback guarantees for high-risk industries. ISVs that proactively offer these capabilities can better protect and retain their customers, generate incremental revenue, and differentiate their product. It's a win-win.

"Fraud is accelerating. ISVs have a unique opportunity to step in with solutions that go beyond enabling payments to help protect their customers. This deepens customer trust, increases customer stickiness, opens new revenue opportunities and helps future-proof their platforms."

- Pete Uselman, Director of Partner Experience at Wind River Payments

Merchants' Challenges Extend Beyond Fraud

Nearly 30% of merchants have lost revenue due to payment issues in the last three months. Outside of fraud and rising processing fees, merchants' payment challenges include navigating compliance complexity (25%), an inability to support preferred payment methods (19%), and lost sales due to slow checkout or payment failures (15%).

Today, **69%** of merchants process payments through their software provider, which puts the responsibility on the ISV to help solve these challenges.

Merchants' choice of software partner and payment setup is more strategic to their business than ever.



The call to action for software providers is clear: **Create and deliver solutions that not only enhance revenue and platform differentiation, but that also help merchants combat fraud, rising processing costs and payment-related revenue loss.** Solving merchant challenges will help software providers stand out in the market as a strategic partner and retain customers, which goes a long way in helping drive sustainable growth.

Merchant's Top Payment Challenges

- 49%** Rising processing cost
- 36%** Rising fraud & fraudulent chargebacks
- 25%** Compliance complexity
- 19%** Inability to support payment methods (e.g., Digital Wallets, BNPL)
- 19%** Not understanding how to save money on payment processing
- 15%** Lost sales due to slow checkout or payment failures
- 10%** Difficulty understanding the fees on payment processing statement



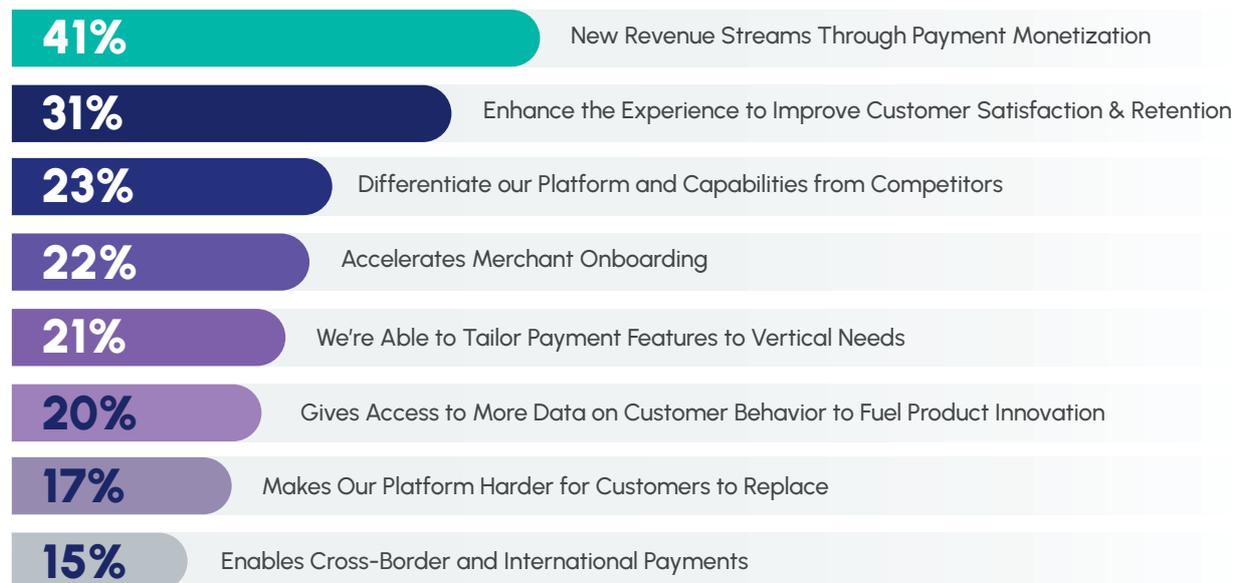
ISVs Demand More From Their Payments Providers

ISVs recognize the strategic and critical role of integrated payments in both their own business and merchant relationships – and they now have higher expectations of their payment providers. Even more telling: ISVs are ready to walk if their payment providers don't deliver.

When asked what they wish their payment providers would improve, ISVs most commonly cited payments revenue (40%), customer support and service (31%), and integration (31%). Nearly all (96%) said they'd consider switching providers if these areas didn't improve.



How Integrated Payments Fits into ISV Business Goals



"ISVs are hungry for more value from their payments providers – and for good reason. Integrated payments are becoming core to the business model. It's no longer about merely enabling payments and transactions. It's about enabling their business priorities."

- Tyler Kattre, President at Wind River Payments.



Payments provider limitations are hurting both ISVs and their merchant customers. Thirty-five percent of ISVs say they've had to raise fees because of limitations with their current payment provider. They've also had to stall new product features (24%), been forced to offer fewer payment options to customers (21%) and have had to change their pricing models (21%). These provider limitations hurt in any market – but especially in high-cost environments where every dollar and competitive gain counts.

Switching payment providers doesn't come without headache – which is why it's so important to pick the right provider from the beginning. ISVs see several obstacles to switching payment providers – including technical integration complexity (45%), customer disruption and making customers go through the underwriting process again (42%), and the risk of customer attrition (33%). Making the switch is not a decision that ISVs take lightly, which speaks to how serious most payment providers' limitations are and the negative impact on ISVs and merchants.

Over half, **53%**

of ISVs say they'd rather go through a stressful experience, such as making a cross country move, getting a surprise audit, or spending a weekend fixing broken API integrations than switch payments providers. Yet, nearly all ISVs surveyed said they would make the switch if things did not improve.

Integrated Payments: A Growing & Underutilized Strategic Lever

ISVs view their integrated payments offerings as critical to their business success. Providers' top business priorities for 2025 are revenue generation (57%), customer retention (43%), and product innovation (24%).

Software providers say integrated payments fits into these goals by providing new revenue streams through payments monetization (41%), enhancing the experience to improve customer satisfaction and retention (31%), and driving platform differentiation (23%).

Yet, customer adoption of integrated payments offerings remains surprisingly low: 65% of ISVs report that less than half of their software customer base is using integrated payments today. While ISVs see integrated payments as strategic and are generating revenue from these offerings, Wind River Payments' research indicates that there is an adoption gap that needs to close to sustain revenue growth, customer loyalty and retention. The fewer people that are leveraging the integrated payments program the less revenue ISVs have coming in.

Payments offerings are inherently sticky. It's a pain for customers to unravel these solutions. If revenue and customer retention are ISVs' top goals, then it's important to work hard to ensure merchant adoption.



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What Does All This Mean to an ISV?

There are several steps ISVs can take:

- 1 **Evaluate your pricing.** Given the cost sensitivity in the market, are you competitively priced?
- 2 **Check for product gaps.** Do you offer the right features that meet merchants' needs? Do you support preferred payment methods?
- 3 **Consider your service.** Can you incorporate providing access to timely support beyond onboarding and the initial transition?
- 4 **Communicate the value.** Are merchants aware of the benefits they gain - streamlined operations, better security and purchaser experience, and stronger business insights? Have you clearly communicated the value to merchants on your website, product sheets, in salesperson interactions and other channels?

If the integrated payments program is hard to activate, poorly supported or lacks competitive features, merchants may hesitate. To fully realize the strategic potential of integrated payments, ISVs must take a proactive role in increasing merchant adoption by refining their offering to align with the needs of their customers.

Rethink Your Payments Strategy

The current business climate is prompting companies everywhere to rethink how they approach growth, profitability, and customer experience. Integrated payments offerings are a core part of the equation for ISVs and merchants.



A few actions you can take now...

ISVs:



Prioritize adoption. It's not enough to have an integrated payments offering. Encourage adoption by understanding merchant hesitations and removing friction.



Align payments with business goals. Treat payments as a revenue and retention engine – not a back-end add-on. Embed it deeply into your value proposition and strategy.



Lean on customer feedback. Survey your customers to find out what features they need or don't need and eliminate any disconnects in what you offer.



Check your payments partner: If your payments partner has limitations that are holding you back or isn't actively helping you drive your business goals through your payments strategy, it's time to find a partner that does.

Merchants:



Collaborate with your software provider. If you are currently using integrated payments, your software provider is becoming a more critical partner. Bring feedback to the table and push for the features and support you need.



Remain vigilant for fraud: The risk of fraud is rising. Work closely with your software provider to understand the tools available to you that protect your business without adding unnecessary friction for your customers.



Double down on customer experience. If you are among the merchants making changes to how you accept payments, don't forget the impact on your customers. Every interaction counts. Streamline costs but also prioritize convenience, trust, and loyalty.



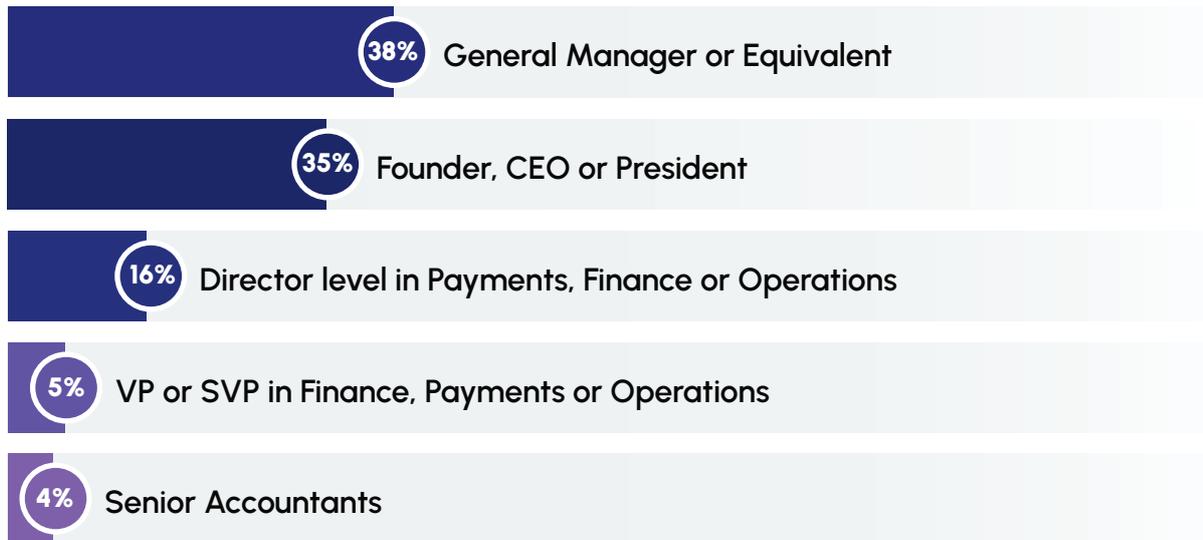
Modernize your payment methods. Consumer adoption of digital wallets and mobile payments is growing, but many merchants haven't kept pace. Expanding support for modern payment options can help reduce cart abandonment, speed up checkout, and improve the overall customer experience.

Demographics

This report summarizes the findings from our survey, which gathered responses from **208 participants**

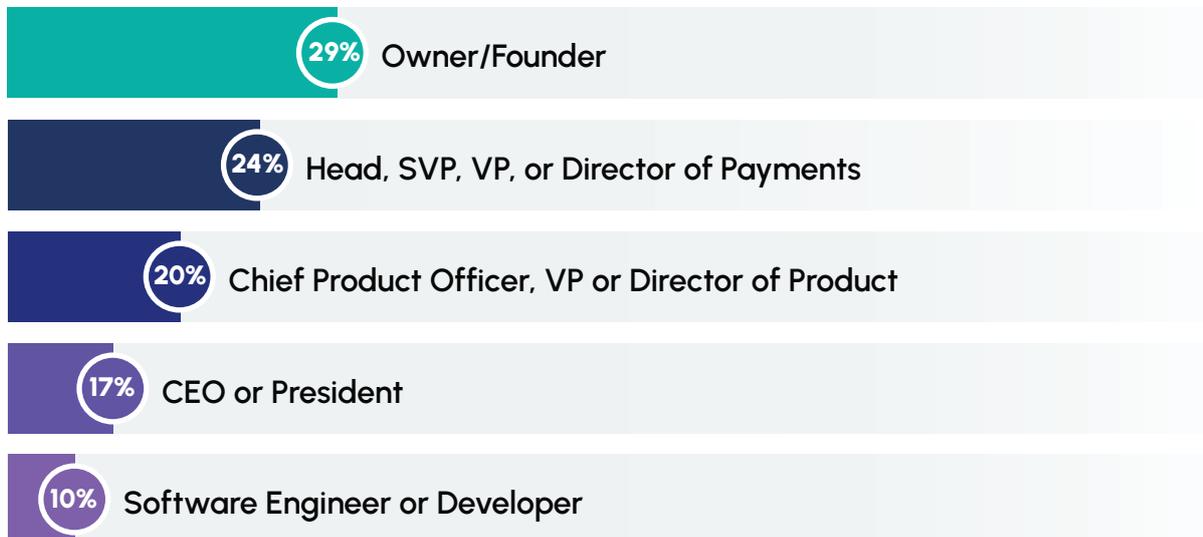
Merchants:

Role:



ISVs:

Role:





About Wind River Payments

Wind River Payments is a multi-generational, family-owned integrated payments and merchant services provider based in Madison, Wisconsin. Since 1999, Wind River has brought its unique, After the Handshake commitment to make payments simple, secure, and cost effective for thousands of loyal customers and software partners across the country. A key area of specialty is working with SaaS providers to not only integrate payment acceptance in their platforms but to strategically help them grow their software sales and leverage payments as a key differentiator. For more information, visit www.windriverpayments.com