White paper

How payment technology can help companies scale

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Introduction

At some point, every successful business starts thinking about how it can scale up. In other words, it's hoping to begin practicing what the venture capitalist Ben Horowitz has called a 'black art[1]'. Successfully scaling up is hard: it involves more than just expansion or growth, and it requires not only finesse, but also the right business conditions and partners to pull it off.

Lots of online businesses can grow, but the only ones that can scale are those that can manage to handle a lot more work while scarcely growing their input. Fundable[2] puts it well: 'scaling is about adding revenue at an exponential rate while only adding resources at an incremental rate.'

Think of something like Netflix. Each new subscription adds only a bit to its overhead and other costs, so that annual fee adds a great deal more to its revenue. Such scalability allowed Netflix to scale from just one market to nearly the entire world (190 countries and counting...) in just seven years.

1. 'Taking the Mystery out of Scaling a Company', a16z, 2010
2. 'Growth vs Scaling', Fundable, 2014

Ready to scale?

Obviously, being scalable is an enviable quality for any online business to have. But how do companies know if they are really ready to ramp up? Here are a few company must-haves:

A healthy and positive cash flow

Scaling up will increase business costs in the short term, before the additional revenue arrives. Make sure you can estimate expenses and early income conservatively, so that you don't run out of cash before you have a chance to succeed.

A strong core team that's ready for the long haul

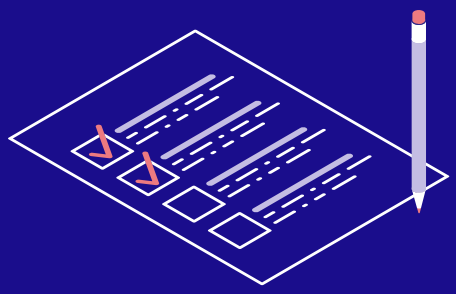
Companies must be ready to handle the disruption that scaling brings. That is much easier with a core group that believes in the company's mission. They can then pass on their culture and goal-setting to everyone else who comes along for the ride.

A reliable, stable platform

Scaling up requires a solid tech platform that satisfies existing customers and that can grow along with you. Is your platform reliable and stable? If not, your time will be well spent either improving it or finding one that fits your future needs better.

Having to turn away business you aren't ready to handle

Feeling overwhelmed isn't pleasant, but it is a sign of how much of an upside there will be to scaling up. It's also a good sign that you actually know what your future customers will be like and that what you're doing will attract them.



What do companies need to scale?

If your company is showing signs that it's time to scale, you're in luck. You have a great advantage over companies attempting to scale even just a few years ago: technology and infrastructure are much more robust and multifaceted than they have ever been before. Choosing the right technology and systems will make it easier for your customers to start working with you, and even more important, give them more reasons to stay with you.

These are the steps smart businesses take to make it easier to scale up:

Optimize systems and processes

Think about someone who wants to get in shape. Any problems with their gait or their flexibility are only going to get worse if they don't address them from the start. It's the same with a growing company: pain points, bottlenecks, and labour-intensive tasks won't get away on their own. Get rid of any problematic or difficult steps that you can, and systematize the rest into smaller, repeatable processes and workflows. And remember to get out of the way of your team. As Peter Drucker put it, 'The bottleneck is always at the top of the bottle.'

Find a technology platform that will scale with your business

As an online business, your platform is your storefront, shop floor, and home office, all in one. You need one that can work with you for the long haul, and to scale along with you. That means you need a platform that will keep up with the rapidly changing payment landscape.

Now is the time to analyse just what it can and can't do well, and to figure out how well it will keep you future-proofed. A few things to look at:

Performance

How well does the platform handle complex payments, and is it built to scale with you as those payments increase in size and frequency? To avoid slowdowns, the payment experience should be fully automated.

Security

Poor security puts both you and your customers at risk – risk that only increases as you scale, and you become a bigger target. Make sure that any platform you use is compliant with the most stringent certifications.

Stability

If your platform can't handle a greatly increased number of customers for the products or services you're selling, then you won't be able to handle them either.

Reliability

Talk with your team about problems they've encountered. How much are such issues costing you now? How much more might they cost you in the future?

Expansive data storage

Do you know how you'll store and access all the additional data you'll need to deal with? What regulations will affect your data storage procedures? Finding a consultant to advise you on best practices at this stage may prove an excellent investment.

Automate where you can with DevOps

Using DevOps, which emphasizes the improvement of software through frequent iteration and communication among stakeholders, improves lead time and keeps costs under control. Once you've had a good look at your overall systems, you'll probably find a few issues that lend themselves well to automation. Look at what's sucking up your time: how will you manage if you're doing ten times more of it? Or fifty or a hundred times more? Invoice, reconciliation, business expenses, and on-boarding paperwork are some of the low-hanging fruit that lend themselves well to automation.

Lean on your extraordinary talent

As you may have heard or experienced yourself, the right talent is worth so much more than the average. In fact, McKinsey[3] once estimated that in 'highly complex occupations – the information- and interaction-intensive work of managers, software developers, and the like – high performers are an astounding 800% more productive' than the average. As you examine roles and responsibilities, you have another opportunity to see what could be automated, to make sure that everything your workers do adds as much value as possible.

Adopting a pro-funding mindset

As we'll discuss below, getting your company in shape for continued scale will likely require a great deal of continued investment. It's not too early to both look at where you can save money and where to find extra cash to fund future growth.

3. 'Attracting and retaining the right talent', McKinsey, 2017

Getting business plans right – and getting them funded

Whole books and courses have been written about the ins and outs of obtaining funding for technology, infrastructure, staff, and other overhead. It's a huge topic. One way to start: consider the kinds of financing that will actually work with your plans for scaling up, and that best match your abilities as a company.

What makes you unique?

As you build plans for the future, think about what will make your company better than the competition at attracting the most new customers and orders. What would you be able to do with investor money that would be impossible to do otherwise?

Two essential concepts to consider are capacity and capability. Capacity means the amount of work you can take on. As a company trying to scale, you'll want to look at trying to increase capability without having to increase headcount or skill sets.

In contrast, capability isn't about the amount of work you can do, it's about the kinds of work you can do: the skills, experiences, and abilities you have as a company. Think of capabilities as your superpowers; capacity is how much work you can accomplish with those capabilities.

Embracing automation where it makes sense

Automation may help you increase your capabilities as well as your capacity. For instance, a finance team could move more quickly with automation, and it may be more accurate and precise with forecasts and anything requiring invoicing. For a customer support team, automation provides the power to immediately find payment status when clients call. And for a product team, automation could provide the most important payment types in new markets. It could also let a company accept global payments to support cross-country growth, or future-proof its business by making sure that real-time payments and other technologies are supported.

Payment technology and funding

Effective API-driven payment technology can be an important part of your strategy to get the funding you need to scale:

It fast tracks revenue

Existing companies competing for funding may find that potential investors lose interest and move on, unless their revenue hits aggressive, always-increasing targets. Effective payment technology can help you create strong sales forecasts with confidence – forecasts with the customer numbers, orders, growth, and revenue that investors want to see.

It increases profitability

A good platform saves you money on labor and other development costs, which is also something investors give a laserlike focus to.

It makes it easier for you to expand into different businesses

Would you be able to diversify and pick up new revenue streams easily if given the chance? **Payments technology can help you stay nimble and customer-centric as you scale up.** Investors like companies who have the ability to pivot and move into areas with high upsides. That's hard to do if your platform is rigid.

It helps you move into new markets

Teaming up with an international payments provider can help you grow your footprint in new regions and new countries. Everything else being equal, a global company faces less risk than one tied to just a single country, and investors like companies that are able to fish where the fishing's good.

Staffing well: Good automation and other tech help you scale smoothly

Of course, how you think about staff is about a lot more than how you present your needs as part of a business plan to potential investors. You need to get as much done as possible with the staff you have, rather than continuing to hire more people in a linear fashion.

Here are a few ways that APIs and other tech can help:

By automating repetitive tasks, your data entry can scale up, just like the rest of your business. Your staff can spend more time on edge cases and solving problems that require their skills, rather than easily systematised tasks.

Preserving a chain of knowledge. It's common for companies undergoing growth spurts to also have high turnover, and keeping institutional knowledge under such circumstances is a major challenge. By automating processes and tasks, you future-proof your company from the risk that staff who leave will be the only ones who know how things run.

Outsourcing payment technology and management to a third party can also help you ensure that the methods you use are best in class. For more on third parties and the advantages they bring, **read more in this white paper.**

Using the right technology and infrastructure to stay on top

As we've seen, technology can help your staff do its job, but it can also help ensure that your company is delivering on its promise. Here are a few of the ways payment technology in particular can help you stay in the game as you scale:

Keep money coming in. Payment technology that's error-prone or that breaks down will quickly hurt the bottom line by impacting your cash flow.

Keep customers happy. Make sure that the customers have every reason to stick with you. Slow, unreliable, or unsecured payment technology will drive customers away. This is true whether we are talking about established markets, with its high level of customer service, or in emerging markets, where you may have to overcome a greater level of district with new technology, creating an adoption challenge.

Prevent internal fraud. It's all too common for business entities of all sizes to discover that someone's been cooking the books – and sometimes they don't find out until years later. Automation creates additional paper trails and records that make it much harder to both commit fraud and to keep that fraud undetected.

Remove points of failure. Manual data entry often brings errors. These and other tasks can be extremely expensive for companies, costing them more the longer it takes to figure out what went wrong. Automation keeps mistakes at a minimum, and the paper trails they create make it easier to figure out what went wrong.

Satisfy regulatory requirements. Companies often have to reconcile their accounts under some predictable schedule, for instance for the regular calculation and payment of business taxes. With automatic reconciliation, they can stay on top of this task, while also being certain that their methods are acceptable to the supervising entity.

For some companies, building a fully automated IT system is what they need to succeed. But for others, it is a distraction that just pulls them away from spending resources they need to devote to market research, marketing, staffing, competitive analysis, and many other purposes. For them, an experienced payments provider helps them improve the speed to market for their projects while prioritizing the parts of their business that set them apart.

Improve the customer experience

Experienced payment providers know what customers want, and being able to take advantage of their institutional knowledge can help you scale up too. These are a few of the most important best practices:

Customer-first payment priorities. Don't get in your customers' way. If a big part of your business is remittances, make sure that nothing gets held up at the border, so to speak. You'll need a robust way of telling customers where their money is, at every point in the process. Make sure that your payment process is secure, and that you make this very plain to all customers. Companies working as fintechs and cryptocurrency exchanges typically need to prioritize speed and responsiveness. Investors want to access their investments as close to instantaneously as possible, and they need access at every hour of the day.

Localise payment methods for all potential customers. For other businesses, speed may not be as important, but providing amazing customer service or providing peace of mind always will be. Meet your customers where they're at: don't make them learn fussy or unnatural workflows. That means researching and prioritising the payment methods that customers trust and are familiar with. If you don't, you may find there's a new competitor or an existing incumbent player around that is all too willing to take away market share.

World-class security. Customers get turned off if they even suspect that security is not up to snuff. But they will be even more upset if a real hacking or fraud problem develops. You need to give your customers the assurance and peace of mind, and you also need to back this up with ironclad security processes. Any payment provider you use should be compliant with the current standards of the credit card industry, the Payment Card Industry Data Security Standard (PCI DSS).

Furthermore, card details should be tokenised, meaning that actual card data won't be stored on your servers, even in an encrypted form, and that instead what's sent is a token. Finally, teaming up with a company that can provide a security logo or other assurances also helps customers feel comfortable making payments through your platform, and doing business with you in general.

A great checkout experience. The fewer steps, the better. Poorly designed forms are a major turnoff, as is filling in fields that seem pointless. Eliminate as many user bottlenecks as you can.

An optimised mobile experience. Plan on creating your own app, or at least a mobile-friendly website. Most customers are now comfortable with doing complicated financial transactions on their phones, and you don't want anyone thinking you are behind the times based on their initial impressions of your online storefront.

Scaling up a company requires a much more outward-focused methodology than when you were just a startup, growing in fits and starts. By planning ahead and always keeping payments a major focus of your plans, you'll be better able to meet the challenges that scaling up a company requires.

About Assembly Payments

At Assembly, we help customers do more with what they have, and show them the way to scale reliably and quickly. Our APIs simplify complex payment flows, helping your staff and your business as a whole.

We also help you move and clear money instantly, 24/7, 365 days a year, so you can always service customers and never miss a sale. Whether it's accepting debit or credit cards, managing bill payments, or transacting over fast payment rails, we can do it all for you.

We'd love to set up a call to discuss how we can help you solve your payment needs.

Visit **assemblypayments.com**.

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