WHITEPAPER — POINT OF SALE · PAYMENTS

Leveling the Playing Field

How Point of Sale developers can compete with VC-backed giants.

An independent developer's guide to outmaneuvering venture capital

SECTION I

Executive Summary

Venture capital funding can propel newly established software companies to the top of their markets, surpassing more established, self-funded companies. The capital from VC funding fuels resource acquisition, faster development, and an accelerated time to market. It also funds marketing activities that give a new player brand recognition and a strong digital presence.

The battle between VC-backed companies and those that have relied on bootstrap funding plays out across the industry, but one of the most competitive spaces is point of sale (POS) software. The POS landscape is continually disrupted, influenced by heavily funded players that leverage vast resources to scale quickly, creating a competitive challenge for companies that retain their independence from venture capitalists.

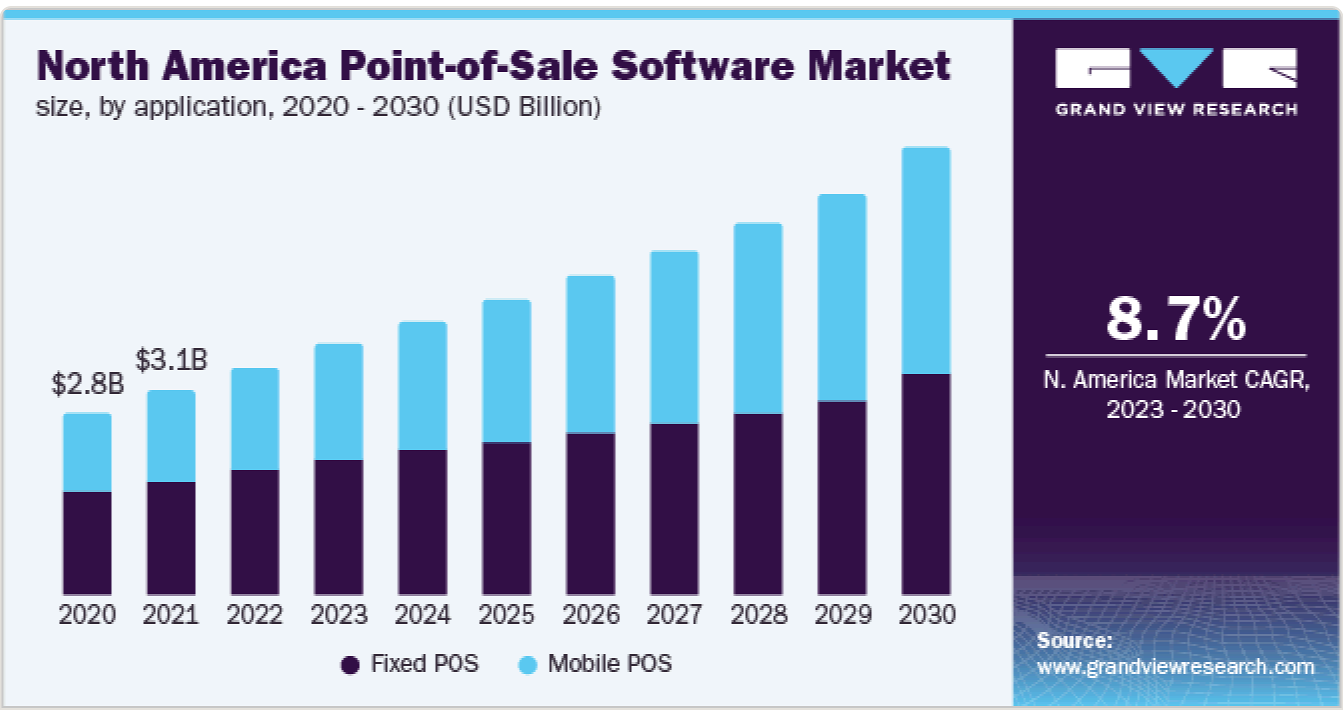
Fortunately, there are ways to compete. This whitepaper explores how independent POS developers can remain competitive by focusing on strategic advantages, technological innovation, and smart partnerships.

SECTION II

The Current State of the POS Software Development Market

The global POS software market continues to grow. Grand View Research estimates the market, valued at $11.00 billion in 2022, will grow at a 10.8% CAGR from 2023 to 2030.[1] That would put the value of the market at nearly $25 billion by the end of the decade.

$11.0B	10.8%	~$25B
MARKET VALUE · 2022	CAGR · 2023–2030	PROJECTED · 2030



North America POS software market, by application (USD billion). Source: Grand View Research.

VCs, like independent POS software developers, see this potential, particularly due to the demand for innovative solutions for retail and hospitality that are in the process of digital transformation to meet evolving consumer demands. Companies backed by VC funding have developed aggressive growth strategies, ambitious product rollouts, and attention-grabbing marketing, aiming to dominate their markets.

When VC-backed players enter an independent POS software developer's space, the challenge may seem insurmountable. With limited marketing budgets, lower product development cycles, and difficulty maintaining payment compliance and integrations, independent POS software developers may resign themselves to less market potential. However, the POS space also opens opportunities for independent POS developers who can outmaneuver larger companies with agility and a targeted approach.

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[1] Point of Sale Software Market Size, Share & Trends Analysis. Grand View Research. grandviewresearch.com/industry-analysis/point-of-sale-pos-software-market

SECTION III

Strengths of Independent POS Providers

Facing a challenge from a new player in the POS space is an opportune time for an independent POS software developer to conduct a SWOT or SOAR analysis, or use another framework, to create a realistic picture of its competitive position and inform strategic decision making.

Core advantages that independent software developers can add to their "strengths" column include:

01 Deep Vertical Knowledge

Independent POS software developers have a deep understanding of niche market needs. New players may have market research and access to historical information, but there's no substitute for experience. Established POS software companies know what works best for each business process and how to configure solutions that address unique needs. In the rush to take solutions to market, new entrants may miss the need for solutions that enable multi-store management, customer resource management integration, and flexible POS hardware integration options. Experienced companies eliminate the trial and error and serve as a valuable business partner from day one.

02 Agility

While VC backing provides newer entrants to the POS software space with capital, it also adds another layer of approvals for decision-making. Independent POS software developers retain their autonomy; therefore, they can respond more promptly to market shifts and customer feedback, implementing changes and meeting market demands quickly.

03 Strong Relationships

Established independent POS software companies are effective at regularly engaging with merchants and providing the personalized, tailored solutions and services that businesses value. They also foster valuable relationships with hardware vendors, payment companies, and other partnerships that can contribute to a wider reach and referrals when merchants are ready to implement new software.

04 Transparent, Value-Based Pricing

When independent POS software developers have a deep knowledge of their markets, they understand how to provide the most value at the price points merchants will accept. They also better understand the terms that merchants in their markets will agree to, from Software as a Service (SaaS) pricing and contract length to no surprise rate increases or obligations.

SECTION IV

Key Competitive Strategies

Once an independent POS software company identifies its strengths, it can build a strategy that capitalizes on them to retain, or even gain, market share, regardless of competition from new entrants. A winning strategy includes five components.

Modular & Open Architecture	Specialized Verticals	Omnichannel Payments	Value-Added Services	Service & Support

Embrace Modular and Open Architecture

POS software flexibility is essential to tech-savvy merchants who want the ability to differentiate their businesses by offering unique customer experiences at the checkout, online, on mobile devices, and at the self-service kiosk. They also want a future-proof system that adapts when technology advances or consumer expectations change. A system designed with open APIs and comprehensive SDKs enables seamless integration with third-party tools like CRM applications, inventory platforms, and loyalty systems. This freedom reduces vendor lock-in and accommodates merchants' unique processes and innovation, something many VC-backed POS providers don't prioritize.

Focus on Specialized Verticals

POS software providers can attempt to meet the needs of a broad horizontal market, asserting that their solution covers the basics across hospitality, retail, and grocery. However, the needs of businesses in those industries, and even within niches, for example facilitating POS functionality in a quick-service restaurant versus a fine-dining restaurant, are quite different. Independent developers can focus on specific business types, like specialty retail, parking, or independent grocery, to win business through domain expertise where generalist platforms fall short.

SPECIALTY RETAIL

PARKING

INDEPENDENT GROCERY

Differentiate Through Service and Support

Part of a winning strategy is providing excellent service and support. POS companies build trust with flexible, accessible support models. Merchants appreciate reaching a knowledgeable technician rather than navigating a help desk's phone system before finding the help they need. Developers should also include training resources that help merchants get the most value from the solution and establish direct lines of communication. The key is to take the role of a true business partner, not merely a software vendor.

Leverage Omnichannel Payments

A key component of a winning go-to-market strategy is integration with the right payments platform. An omnichannel payments platform, supporting in-store, mobile, and e-commerce transactions, allows merchants in all sectors to give customers the freedom to engage when, where, and how they choose. A leading platform will also let merchants offer recurring payments for subscriptions or accept ACH and other alternative payment methods. Developers benefit from a partner that supports tokenized, unified payment systems, which allow return customers to pay with securely stored cardholder data for streamlined checkout.

Additionally, POS companies should work with a payments partner offering a processor-agnostic solution. This lets merchants switch processors freely to keep rates low, a key differentiator from systems that lock merchants into high processing rates by tying their business management platform to a single merchant service provider (MSP).

Offer Value-Added Services

Developers should design POS software that enables fast, efficient transactions but also helps merchants streamline processes throughout their operation. Addressing every possible need is unrealistic, value-added services close the gap. Working with a payment company that has built a network of value-added service providers and integrated with their solutions allows POS partners to expand their offerings: integrated omnichannel gift card solutions, remote device management and reporting, and loyalty and customer engagement features. It only takes integration with the payments solution, not a costly, time-consuming investment in development, vetting partners' applications, and maintaining those integrations.

SECTION V

Payment Technology as a Force Multiplier

A strategic payments partnership heightens an independent POS software company's ability to compete by offering advanced capabilities such as:

Remote Device Management

Monitor, configure, and update terminals without site visits. Leading solutions include device customization, dynamic branding that elevates the POS company's or its partners' brands on customer-facing screens, and streamline deployment with remote key injection (RKI), pushing new features to devices and managing them remotely.

Tokenization and Security

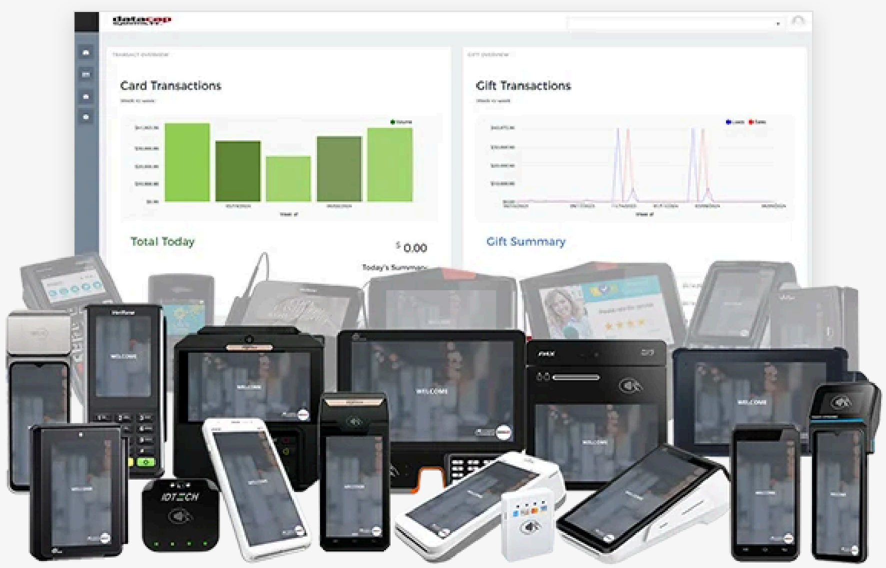
Replacing cardholder data with tokens reduces PCI scope for merchants and increases consumer trust, assuring them their payment information is shielded. The most valuable solution enables cross-platform tokenization, letting merchants retain tokens even if they switch payment processors.

Actionable Analytics

Payments data can provide merchants with valuable insights about their customers and their businesses. Integrated reporting allows merchants to access data easily for informed decision-making.

White Labeling

A payments gateway invested in its developer partners offers easily deployed services like reporting dashboards, gift card platforms, and streamlined merchant onboarding. When white labeled, awareness of the POS software company's brand, not the payments company's, is elevated.



A single Datacap integration unlocks remote device management, tokenization, analytics, and white-label services.

SECTION VI

Marketing and Channel Partnerships

VC-backed POS solutions aggressively market their products, particularly online through search engine optimization and retargeting ads. The volume and frequency of those campaigns may seem impossible for an independent POS software company to counter; however, these companies can capitalize on other methods to get the word out.

Their partnerships with ISVs, VARs, and payment processors can help them expand their reach and focus on the right audience for their products. Independent POS companies can leverage their experience to produce thought-leadership content and share their knowledge on webinars, podcasts, and event panels. A good strategy focuses marketing efforts on community-building, referrals, and case studies. Producing relevant content aimed at companies that fit the profile of an ideal client will produce good marketing ROI.

SECTION VII

A Final Word

Competing with VC-backed platforms doesn't require the same resources. It requires the right strategy.

Independent POS software developers who leverage technology, focus on niche markets, and partner wisely can not only compete but thrive. Tools like Datacap's omnichannel payments, white-label gateway and merchant onboarding platform, and developer-friendly APIs give POS providers the power to deliver modern, scalable solutions without giving up control.

LET'S TALK

Ready to compete on your terms?

datacapsystems.com