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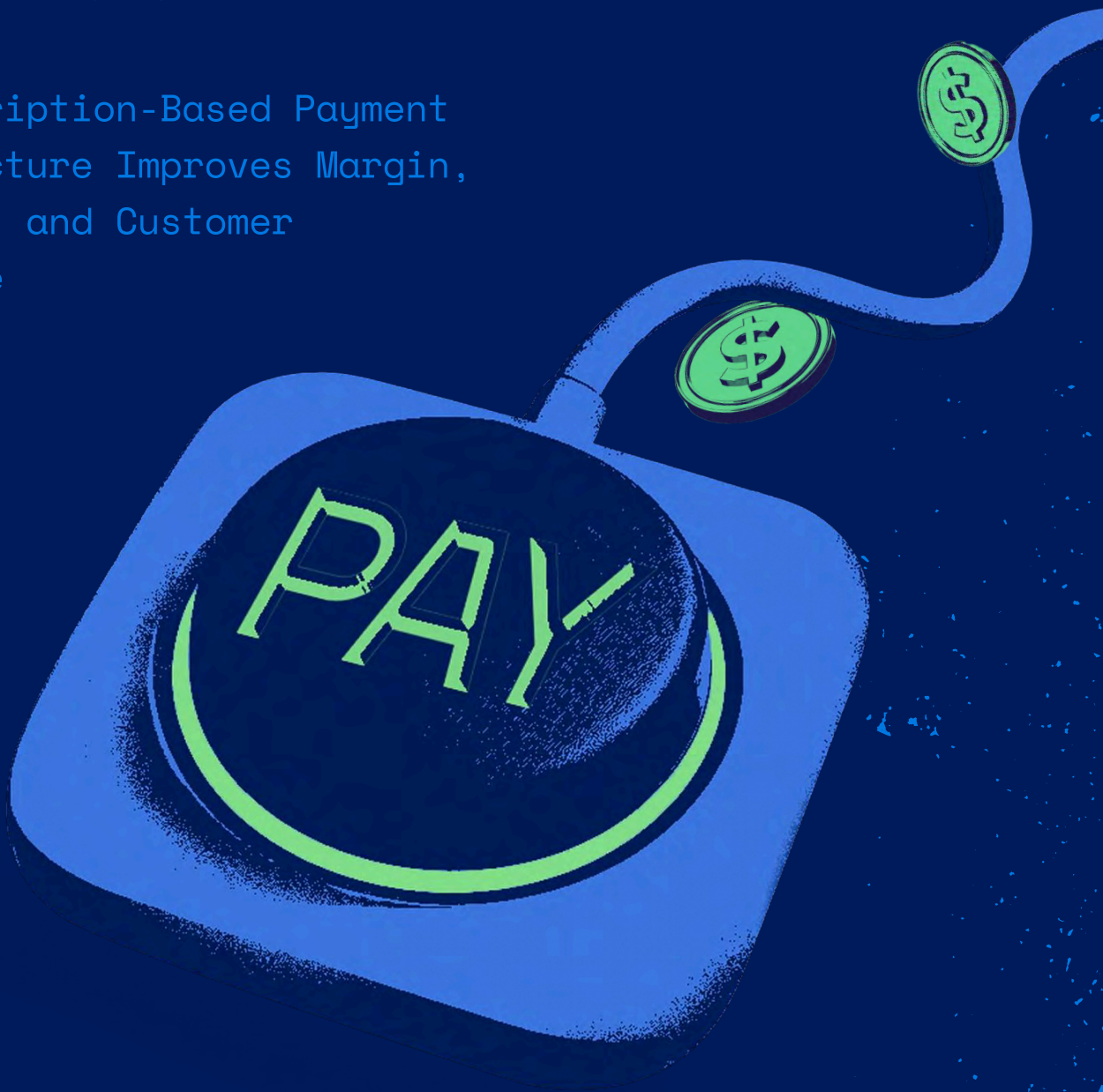
An Introduction to Payments-as-a-Service

How Subscription-Based Payment Infrastructure Improves Margin, Cash Flow, and Customer Experience



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What if you could cut your transaction costs by 75% while reducing the workload of your accounting staff by more than half? A California-based flooring manufacturer and distributor did exactly that.

For **Urban Surfaces,** achieving those results involved transitioning to a fast, secure, blockchain-based platform that also gave its AR team greater visibility into its cash flow and delivered significantly better cost economics. In other words, it involved taking a new approach to longstanding challenges that have been facing the payments industry; for example, rising transaction costs, long payment cycles that delay access to cash, and cumbersome processing tasks that waste valuable hours accounting teams could be spending on more value-driven functions. For Urban Surfaces, this new approach is cashless, feeless, and intuitive: **A next-gen take on payment processing called Payments-as-a-Service.**

Managing rising B2B transaction costs

Commercial credit cards remain convenient for buyers. However, for suppliers, card acceptance often means surrendering a meaningful margin per transaction.

Published interchange schedules illustrate the cost structure:

- Mastercard U.S. commercial small business credit rates include categories as high as 3.30% + $0.10 per transaction (Mastercard, 2025).
- Visa U.S. business credit tables (effective October 18, 2025) include business non-qualified rates of 3.15% + $0.20 (Visa, 2025a).

For a company with $50M in annual revenue and 40% card acceptance, a 3% effective cost equals:

$600,000 per year in fees.

Those costs scale linearly with revenue. As you grow, so does the toll. For the companies paying these costs, accepting credit cards is a faster way to access cash than paper checks, but is the speed of credit card payments worth the tradeoff of giving up more than 3 percent of your revenue in transaction fees?

In parallel, bank-to-bank rails are scaling rapidly. In 2025, the ACH Network processed 35.19 billion payments worth $93.00 trillion. B2B alone accounted for 8.08 billion payments moving $63.11 trillion, underscoring the scale of bank-to-bank money movement for business payments.

Bank-to-bank payments are not emerging. They are already moving more value than card networks — without percentage-based extraction.

Globally, the shift is accelerating:

- Real-time account-to-account payments grew ~40% YoY in 2024 (BCG, 2025).
- The global payments industry now moves $2.0 quadrillion annually (McKinsey, 2025).

The infrastructure exists. The economics are superior. What remains is adoption.

Fraud and Risk Concentration

Legacy payment methods are not only expensive, but they are also risk-heavy.

- 79% of organizations experienced payments fraud in 2024 (AFP, 2025).
- 63% reported check fraud, the highest of any payment type (AFP, 2025).
- Check usage has fallen from 81% in 2004 to 26% in 2024 (Nacha, 2025b).

The reality:
legacy rails (checks and traditional card workflows) concentrate fraud risk while extracting margin.

Distributed, automated, digitally verified payment systems reduce manual touchpoints and central points of failure.

Payments-as-a-Service: Replacing Percentage Fees with Subscription Infrastructure

Payments-as-a-Service replaces transaction tolling with subscription infrastructure. The core shift is simple:

Legacy Model	Payments-as-a-Service Model
% of revenue per transaction	Fixed subscription cost
Costs scale with revenue	Marginal cost approaches zero
Manual reconciliation	Automated ERP integration
Limited visibility	Real-time dashboards
Fraud exposure	Distributed ledger security

Instead of paying a percentage of every dollar collected, companies operate on a predictable monthly platform fee. As transaction volume increases, cost remains stable.

This shift mirrors the broader SaaS transformation that reshaped enterprise software. Companies moved from perpetual licensing and hardware infrastructure to subscription-based cloud platforms because scalability, automation, and continuous improvement outperformed static systems. Payments are now undergoing that same evolution.

Payments-as-a-Service is not simply a cheaper alternative. It is a different economic foundation.

Benefit #1:
Faster Access to Cash

Liquidity is the lifeblood of growing companies, yet traditional payment workflows delay access to it. Paper checks extend settlement cycles. Manual invoicing slows distribution. Reconciliation bottlenecks obscure visibility into actual cash position.

Digital payment infrastructure collapses those delays.

When invoices are automatically generated and embedded with direct payment functionality, friction decreases. When ERP systems and payment platforms are fully integrated, settlement data updates in real time. Finance teams gain immediate insight into which invoices are open, which are overdue, and which have cleared.

Organizations that have implemented Payments-as-a-Service models report meaningful improvements in DSO and aging receivables. Choozle achieved:

- **50% reduction in >90-day receivables**
- **33% DSO reduction in six months**
- **Invoice production time cut in half**

In an environment where ACH Same Day payments alone processed $3.92 trillion in 2025 (Nacha, 2025a), the assumption that card rails are the only path to speed is increasingly outdated. Bank-to-bank digital infrastructure now delivers both velocity and cost efficiency.

Benefit #2:

Zero-Touch Payment Processing

Manual AR workflows are labor-intensive by default. Traditional systems require invoice preparation, payment posting, reconciliation, dispute resolution, and reporting across disconnected systems. As transaction volume grows, headcount must grow with it.

Zero-touch processing changes that equation.

When invoices are generated automatically within an ERP environment and customers pay through embedded digital links, payments reconcile instantly. Currency conversion, ledger posting, and bank matching occur without manual intervention. Exception handling replaces repetitive data entry.

Organizations adopting automated payment infrastructure routinely report significant reductions in payment-processing hours, lower volumes of payment-related inquiries, and the ability to scale transaction volume without proportionally scaling accounting staff.

Juxto reduced payment processing by 52 hours per quarter.

Covetrus reduced payment-related phone calls by 25% and grew volume 11% without adding headcount.

Benefit #3:
Distributed Security

Any laundry list of concerns that keep CFOs and AR professionals up at night would be incomplete without mentioning the security threat of sophisticated cybercriminals who seem to find their way into payment networks as if they have been given a key.

When a transaction processing network is underpinned by the security of the blockchain, it automatically creates a secure, auditable, unalterable record of every transaction on the network.

How does **blockchain technology** enhance the security of your financial transactions? It's a peer-to-peer distributed ledger that maintains a record of all transactions that are made since the date of its creation. Encrypted copies of all transactions are stored by all network participants in multiple distributed places.

Traditional transaction networks rely on centralized clearing and layered intermediaries. Each handoff introduces complexity and potential exposure.

Distributed ledger–backed infrastructure, by contrast, creates immutable and auditable records across the network. Automated verification reduces manual manipulation. Real-time visibility reduces uncertainty. Security becomes embedded in architecture rather than layered on afterward.

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