

# Clover Is Keeping Fiserv Competitive With The Fintechs

Companies: ADY, AMZN, BAC, C, FIS, FISV, GPN, JPM, MA, NCR, ORCL, PYPL, SHOP, SQ, TOST, V, WFC

December 23, 2021

Report Type:  Initial Coverage  Previously Covered  Full Report  Update Rating: 3.5/5

## Research Question:

**Will Fiserv's Clover platform help it fend off threats in merchant acquiring from next-gen competitors like Square?**

## Summary of Findings

- Fiserv Inc.'s (FISV) [Clover point-of-sale \(POS\) platform](#) is a flawed but ultimately solid response to the challenge from [Block Inc.'s \(SQ\) Square](#) and other emerging fintechs, according to 14 interviews with merchants and payment industry specialists.
- Combined with Fiserv's strong, multichannel distribution network, Clover should ensure that the company's merchant acquisition business remains competitive. Clover will be one of several cloud-based technologies to gain market share from banks and other legacy systems, three sources said.
- Of six merchant sources using Clover, four said they were mostly happy with it. Clover got high marks for being easy to use, providing good reporting, and allowing customers to open bar tabs. The negative sources dinged Clover for some glitchiness, missing key features such as cash tracking, and poor customer support. Several complained about Clover's closed API system and the related difficulty in connecting to other back-office software, sometimes making it a poor fit for more complex or multilocation operations.
- Sources offered mixed opinions on Clover's [app marketplace](#). Some users and industry specialists said access to a wide variety of third-party apps is a key advantage for Clover, but others said the model adds to their costs and increases headaches for features that should be included in a robust POS system.
- Among the four merchant sources using other POS systems, all reported satisfaction. Two Square users praised it for its simplicity, good analytics, and ability to connect to other operations, such as marketing.
- Price is a consideration for merchants choosing between competing POS systems, but an amalgam of pricing models makes it difficult to compare costs. Clover generally appears less expensive than Square, but the savings can sometimes disappear because of the need to buy third-party apps to fill in feature gaps.
- A lot of growth opportunity remains for cloud-based platforms such as Clover, as many legacy technologies—such as NCR Corp.'s (NCR) [Aloha](#) and Oracle Corp.'s (ORCL) [Micros](#)—remain widely used. Banks are likely to be the biggest market share losers, as they lack the technological chops to compete with more agile fintechs.

## Silo Summaries

### 1) Merchants Using Clover

**Clover is a solid platform with some key advantages over competitors**, according to four of six small-business sources in this silo. Two others, however, said choosing Clover was a mistake. The positive sources said **Clover is easy for employees to use, offers good reporting data, has a good selection of third-party apps**, and allows for pre-authorization of credit cards so that customers can open a tab. **The negative sources pointed to a number of glitches they have struggled with, some basic features that are missing, and the difficulty in getting customer support.** Two sources said they expected to save money with Clover, but such savings have not materialized, partly because of the need to buy apps for functions they believe should be part of Clover's basic platform. **Square is also simple to use, offers good analytics, and has a more straightforward pricing model; but its transaction fees are generally higher than Clover's.**

### 2) Merchants Using Competing POS Systems

All four sources in this silo said they are satisfied with their POS systems. A Shopify user switched after a bad experience with Clover, which included an inability to sync his online operations with his in-store sales. **Square provides great data, mobile functionality, and an open API model that makes it easy to connect to other business software.** It has room to improve its restaurant-specific features but is a good fit for food trucks or small cafes. One source who operates three restaurants in the Midwest said he still sees a lot of older systems like Aloha and Micros, but **newer technologies such as Clover, Square, Toast, and TouchBistro are all gaining market share.**

### 3) Industry Specialists

**Clover is a strong platform that will help Fiserv stay competitive with upstarts in merchant acquisition.** Clover's technology is on par with Square's, while its distribution network and robust app marketplace give it an advantage over most competitors. **It is well-suited for small stores and restaurants but may not work as well for larger businesses, partly because its closed API model can make it difficult for organizations to connect other systems to Clover.** Older platforms, including Fiserv's First Data, could see further margin compression because they have always competed on price rather than features and technology. **Banks have lost and will continue to lose market share in merchant acquiring.**

	Clover's Quality	Clover vs. the Competition	Clover's Market Share Outlook
Merchants Using Clover	➔	➔	NA
Merchants Using Other POS Systems	➔	➔	➔
Industry Specialists	⬆	➔	⬆

## Background

Shares of Fiserv, a provider of payment processing and other financial services, [tumbled in early November](#) after its Q3 earnings report, even though profits and revenue topped analyst expectations. Some investors appeared spooked by Fiserv's disclosure that it had lost a major payment processing client, with some sell-side analysts speculating that its partnership with Stripe had ended. Despite the loss in volume from that client departure, Fiserv's total revenue was up 10% year over year to just shy of \$4 billion for the quarter. The company forecast 11% organic growth in constant currency revenue for the full year.

[Fiserv's Q3 performance](#) was led by its merchant acquisition business, which provides the POS connection between sellers, banks, and credit card networks. Organic revenue grew 18% year over year in its merchant acceptance unit, with increases in both payment volume and transactions. The big driver is its Clover POS platform—which reported a 47% year-over-year increase in gross payment volume, giving it an annual run rate of nearly \$200 billion. Fiserv's merchant acquisition division also includes its legacy platform from its [\\$22 billion acquisition](#) of First Data Corp. in 2019.

Fiserv and other traditional payment service vendors, such as [Fidelity National Information Services Inc.](#) (FIS) and [Global Payments Inc.](#) (GPN), have been dogged in recent years by concerns that their legacy technology for merchant acquisition and payment processing has been permanently disrupted by up-and-comers such as Stripe and Adyen N.V. (ADYFY). Stripe's latest round of funding [pegged its valuation](#) at a whopping \$95 billion as it heads toward what could be the biggest IPO in history. Adyen, meanwhile, reported 67% year-over-year growth in processed volume during the first half of 2021 and a [46% jump in net revenue](#). In contrast, Global Payments said its worldwide acquisition businesses generated 19% adjusted net revenue growth compared with 2019, and [its shares slid](#) when its full-year revenue guidance came in short of Wall Street forecasts.

While some competitors, such as [PayPal Holdings Inc.](#) (PYPL), have staked out ground in e-commerce, Square—with its POS hardware and expanding set of services for small businesses—is most akin to Fiserv's Clover. [Square continues to gain steam](#) with brick-and-mortar merchants, reporting a 41% increase in transaction-based revenue in its seller ecosystem during Q3. But some observers believe Fiserv is well-positioned in this fight. "Clover is a really well-run operation, and they are very much head-to-head with Square," a merchant services consultant told Blueshift for its [July 24, 2020, report on PayPal and Square](#).

The competition is particularly acute in the restaurant business, where Clover faces off against Square, [Toast Inc.](#) (TOST), and others. Toast, which went public in September, said [revenue grew 105%](#) year over year to \$486.4 million in Q3. In October, Fiserv announced it was [beefing up its restaurant services](#) with its acquisition of BentoBox, which helps restaurants with marketing and online ordering.

Blueshift's [Oct. 15, 2020, report](#) found that Global Payments is both benefiting from and challenged by changes in the payments industry related to COVID-19, including the explosion of e-commerce, the increased adoption of online payments and the associated tech-required solutions, contactless payments, and chip-embedded-card payments.

## Current Research

Blueshift Research assessed Fiserv's outlook in merchant acquisition. We employed our pattern mining approach to establish four independent silos, comprising 14 primary sources—including three repeat sources—and two secondary sources offering expert and user reviews of Clover. Interviews were conducted Dec. 6–18.

- 1) Merchants using Clover (6)
- 2) Merchants using competing POS systems (4)
- 3) Industry specialists (4)
- 4) Secondary sources (2)

## Next Steps

Blueshift Research will continue following the battle between Clover, Square, and others in merchant acquiring. We will also explore the outlook for Fiserv in its payment processing segment.

## Silos

### 1) Merchants Using Clover

Clover is a solid platform with some key advantages over competitors, according to four of six small-business sources in this silo. Two others, however, said choosing Clover was a mistake. The positive sources said Clover is easy for employees to use, offers good reporting data, has a good selection of third-party apps, and allows for pre-authorization of credit cards so that customers can open a tab—a crucial feature for bars that Square and Toast do not offer. The negative sources pointed to a number of glitches they have struggled with, some basic features that are missing, and the difficulty in getting customer support. Two sources said they expected to save money with Clover, but such savings have not materialized, partly because of the need to buy apps for functions they believe should be part of Clover's basic platform. Square is also simple to use, offers good analytics, and has a more straightforward pricing model; but its transaction fees are generally higher than Clover's. One source praised the quality of Toast's POS system but said it is too expensive. Micros is too complicated for a small operation, one source said, while another described Aloha's technology as old and not very nimble.

### Key Silo Findings

#### Evaluating POS Systems

- 4 of 6 said they are at least moderately satisfied with Clover, while 2 said they regret choosing it.
- 5 said Clover is relatively easy for employees to use.
- 3 said Clover offers a good reporting system for transaction histories, live inventory, and employee shrink.
- 1 said Clover's ability to allow pre-authorizations on credit cards—allowing customers to open tabs—is a key advantage over Square and Toast.
- 2 said they like Clover's marketplace of third-party apps for features such as loyalty reward programs.
- 1 said Clover offers a good integration between his store's online and physical checkout systems.
- 3 said they chose Clover partly because it appeared to be a less expensive platform than competitors such as Square.
  - o 2, however, said that has not turned out to be the case, especially because of the added costs of apps to fill in feature gaps.
- 3 said glitches exist in the Clover platform in areas such as instant deposits and printing customer tickets.
- 2 said Clover is missing some key features, such as including tax in prices, consolidating drawers, and the ability to apply discounts across multiple locations.
  - o 1 said third-party apps to address such shortcomings are often buggy and expensive.
- 1 said Clover's system is down about 2% of the time, which some might consider too often.
- 2 complained about Clover's customer support, but 1 said its support is good.

#### Competitive Landscape

- 3 said Square's fees are higher than Clover's, including 1 who switched to Clover largely because of cost.
- 1 said Square's pricing model is much simpler than Clover's.

- 2 gave Square high marks for its simplicity and reporting system; 1 other said its user interface is not as well-designed as Clover's.
- 1 said high-volume bars using Toast or Square have been seeing a lot more chargebacks since reopening after the pandemic.
- 1 said he has used Micros but found it more complicated.
- 1 said Toast seems to have a great platform but is too expensive; Clover has been willing to match or beat Toast when the latter offers new deals to potential customers.
- 1 said Aloha's technology is old and not very nimble.
- 1 said switching POS systems would be difficult because of the need to retrain 20 employees.

## Market Share Trends

- Did not discuss.

## 1) Owner of a Florida bar and brewing company

Clover is easy to use, has great reporting features, and is versatile because of its easy connections to third-party apps. Credit card processing fees were initially a nasty surprise. But since switching from a bank to a third-party processor that allows the bar to transfer credit card fees to customers, the cost of Clover is competitive.

### Evaluating POS Systems

- "We installed Clover when we first opened in December 2019, and we've been using it since then. Our annual sales in 2020 were \$420,000, but we have been really affected by COVID. Projected earnings are way higher for this year, but we don't know yet what normal looks like."
- "I've been in the industry 13 years, and I like [Clover] better than any other platform I've used. I've seen Toast, Aloha. I like the Clover interface better. The system is very user-friendly. It's easy for my employees to use."
- "For a POS system, it's very versatile. The reporting system is incredible. You can see live inventory; you can see live tables and sales as they happen. If there's employee shrink [breakages, spills, comps, and discounts] or theft, you will know it because Clover's numbers won't match up; you'll get a daily report."
- "Clover's so easy to use. You can download reports, export them to Excel, do a PDF, see just a multitude of trends over time. You can see top employees—who is performing the best."
- "Another reason I like Clover is that it's pretty. The design of the app is really good; it's bright, it's easy and friendly to use. Different products are color-coordinated—versus [Revel](#), where everything is a gray screen with blue dots, and you can easily get confused. It sounds silly to say, but it's just a better design of a software overall, which makes it more user-friendly."
- "You can do everything via a web-based browser. We have a multitude of things we sell, from beer to merchandise to mixed drinks. You can categorize everything and track sales over whatever period of time you want. You can compare volume data [from past months] to forecast ahead so you can predict production for the highest-volume periods."
- "I like the fact that there's third-party apps that you can download and integrate instantaneously. For example, during COVID, we had to do to-go sales; and there was an app that someone had developed for Clover, third party, that integrated into your Clover device, took all of your inventory, and you could incorporate that into WordPress. We did that in 10 minutes on our website. People could order on our website, and it would send it to the Clover device. My bartenders would see what the order was, and it would print out instantaneously. Thirty minutes later, the customer would come and pick it up."
- "I like that there's a lot of third-party apps and the versatility within those apps—everything from loyalty reward programs to integration with web to payroll management. There are some apps I use, like [Homebase](#), which is our timecard system, which works great. It can integrate into your sales platform with Clover, so if you input everyone's hourly pay, you can see how many hours are on the clock versus how much you made that day. You can see your overall profitability for that day, and you can see your actual operating margin as well."

I've been in the industry 13 years, and I like [Clover] better than any other platform I've used. I've seen Toast, Aloha. I like the Clover interface better. The system is very user-friendly. It's easy for my employees to use.

*Owner of a Florida bar and brewing company*

- “The vast majority of people around here use Clover for their bars and restaurants. It’s very easy to use, integrate, and have people trained on. The mobility on it is better than others. And for the amount you pay for it, it’s really not that high. I think total service [subscription] fees per month, I pay \$60, or maybe it’s \$80—which is incredibly competitive next to some of these other platforms, especially Square.”
- “The hardware costs depend on where you are looking for your merchant processing. For example, when we opened, I didn’t know anything about merchant processing and credit card fees, and I was being told by my bank that we needed to use their service. So I just went [with the bank], and I had to buy the [POS] system. I paid \$3,500 for the equipment—printers, stations, ministations, the portable station. Then I started to see how much my bank was taking out every month for the credit card processing. I asked if they could offer a better rate; or can we do cash discount, where 3.5% is tacked onto the customer [if they pay by credit card rather than cash], which is what a lot of bars and restaurants are going to now.”
- “My bank couldn’t do that. There was another credit card processing company called [Gateway](#) that reached out to me. I told them that I was locked into the bank with these devices. Gateway said they would buy our equipment if we agreed to go with them for five years. They agreed to do cash discount and essentially give us the equipment for free.”
- “Now I’m not going through my bank anymore [for credit card processing]. I would get about \$2,000 or more a month fees on credit card processing [when we were with the bank]. The number of low-dollar transactions in a busy bar like mine is huge, versus a high-dollar restaurant, say, with fewer transactions. I have 300 or 400 tabs a night, which adds up on the processing-fees side. Now that I can do cash discount, I save about 85% [in fees] on those transactions.”
- “On the technical support side [for Clover], if you need it on the fly during service, there’s a button you press, and someone will call your phone in less than 15 seconds. It’s awesome.”
- “We had a problem with printing tickets and tips [not going through]. The solution we discovered is that if you have multiple terminals, you set one to have the ‘skip print’ feature. So my bartenders know that the left printer is the one that prints receipts. If they have a customer in the middle of the bar, the bartender that’s working on the left-hand side is responsible for the people with the ‘skip prints.’ ”
- “There’s a way around that, too. If you don’t want to skip print, the mobile devices can grab the receipt ;and you hand them the mobile device, and you can sign right there. So there are workarounds to it, but I think Clover is going to change that feature. It caught us off-guard. [But] we don’t have a very large bar, so we can do that [serve at one terminal and close out at another].”

There are platforms out there like Square that are popular, but Square’s fees are insane. They take a lot of [fees] and don’t offer some of the things that Clover does.

*Owner of a Florida bar and brewing company*

### Competitive Landscape

- “For merchant processing and data feedback, Clover is the best system I’ve seen. There are platforms out there like Square that are popular, but Square’s fees are insane. They take a lot of [fees] and don’t offer some of the things that Clover does.”
- “For example, Clover can be run through third-party merchant processing companies, which we do. Or they can be run through a bank. Clover can do things like cash discount, so instead of [the business] paying credit card processing fees, [customers pay them]. A lot of other platforms don’t offer that option. [Revel](#) does. I don’t know if Aloha does. I don’t think Square does.”
- “From what I understand, Square has a very good reporting system as well.”
- “I had [a salesperson] recently show me Revel. It’s not meant for my bar. You have to assign every single customer a table number; we don’t have time for that.”

### Market Share Trends

- Did not discuss.

## 2) Director of operations for a multilocation coffee store and roaster in Virginia

This business switched from Square to Clover early this year because of projected cost savings, but now regrets it. The savings have been less than anticipated, and Clover’s software is missing key features, especially those relating to

multilocation functionality. Third-party apps meant to fill in the feature gaps are routinely buggy and add to monthly expenses. Clover's customer support is terrible, especially compared to Square.

## Evaluating POS Systems

- "We started using Clover at the beginning of this year, in January, for our three locations. We had been using Square for about four years. When they decided to increase their rates, we started to evaluate competing systems."
- "The original store has been around for more than 20 years, and we do around \$1.5 million in sales a year."
- "Square only offers a flat rate, which they were increasing. In the past, they would negotiate on volume [of sales]. They were increasing fees from 2.7% plus 7 cents [per transaction] to 2.7% plus 10 cents per transaction. We have a high volume of low-dollar transactions, so we were really getting hit on the credit card processing fees."
- "Clover offers the option of a flat rate, which was a little less than Square from what I recall, or a variable rate if you go through a third-party merchant services company. We decided to work with [Dharma Merchant Services](#), which did an analysis of a year of our transactions on Square [to show projected cost savings of switching to Clover]."
- "The driving factor was cost; some of Clover's fees were lower. For example, Square charges you a lot for its loyalty program—significantly more than Clover, which gives you a basic 'free' loyalty program, which was nice; and then you can add on an upgraded version, which they charge a monthly fee for. But it's still lower than Square."
- "That's where our major costs were with Square in addition to the credit card processing fees—it was the loyalty program."
- "A few months after we started using Clover, our reps at Dharma reached out. They were doing their own analysis of our transactions, and they told me they weren't seeing the same [cost savings] that they had projected, at least on the quarter [of this year] they analyzed. They said we were getting a number of cards through our registers that were more expensive, whether they were Amex or travel and international cards that cost [us] more. So the level of our savings wasn't quite as much as they had projected in our analysis."
- "Clover is not as good a deal as [was first projected], but it's still a lower cost than Square."
- "On the downside, there are key features missing from Clover. The idea is for us to get these from their app store. It's a source of regret for us. Those third-party apps, at least the ones I've tried, are buggy and expensive. The little charges start adding up, and the question starts to get asked: Are we really making any savings with this kind of model? But the buggy thing is the worst."
- "The [buggy] app at the front of my mind is called [Cash Track](#). Clover doesn't have much in the way of built-in cash [reconciliation features such as] consolidating drawers, closing things out. It can assign a drawer, but that's it; it's really, really rudimentary. In order to give you more functionality, which was in Square automatically, Clover recommends Cash Track as the third-party app, to really make it what it should be already. It's even in [Clover's] dashboard. In the [Clover feedback forums](#), there are many, many comments like, 'Why is this just not part of Clover?'"
- "If I could cut to the chase on Clover, I'd say there's some regret on it. On top of the drawbacks I've already mentioned, I have the worst time with their service. It's so night and day between Clover and Square. Even the way to contact them is so layer-heavy in security checks that also don't work well. You have to put in your MID, the code for your POS system, and it's wonky. You can put it in correctly a million times, and it will then say, 'We don't recognize that.' Just to get to speak to someone is tough every time."
- "And then their layers of support help start at really basic. They'll have automated responses saying, 'Have you checked online help?' They haven't developed it to the point where they can really help you. When you do get to the next level, even that's not helpful."
- "Square had good service; you could understand them, which is the other thing with Clover. It seems like they outsource, and it's hard to understand the very heavy accents on the other end of the line, which makes it another level of difficulty."
- "Other missing pieces to the software relate to multilocation functionality. Clover has a multilocation dashboard where you can only do very few things universally for your stores. For example, you can set up rewards and promotions across all stores, which is the loyalty program on the multilocation dashboard. But then a lot of things

There are key features missing from Clover. The idea is for us to get these from their app store. ... Those third-party apps, at least the ones I've tried, are buggy and expensive. The little charges start adding up, and the question starts to get asked: Are we really making any savings with this kind of model?

*Director of operations for a multilocation coffee store and roaster in Virginia*

you can't do, which is making me worry as we grow that if we have multiple stores, I'm going to have to make changes to every single store for many things."

- "For example, you can't apply discounts across the board to all locations. Another missing piece relates to gift cards, which are linked if you buy them at any of our three physical locations. If someone buys a physical gift card at a store, they can use it at any store, which is great. But if they buy a digital gift card, either in-store or online, it has to be pegged to a specific store. That's super-annoying. There are separate URLs [for the digital gift cards], and it creates a lot of confusion."
- "Then there's reporting, which is weird. You have to request reports rather than just being able to look at reports. You request a template of what you'd like to see, and then it goes to them, and then they get it back to you. It's not very helpful."
- "One third-party app that is good, and it's available on Square and Clover, is [Shopventory](#). They're really great, and the service is awesome. They're basically an inventory system that takes over Clover's inventory system, supplants it to a degree, and it can be applied to all locations. We've added that on to unify the stores' inventories, but then there's an added cost there."
- "We're probably going to stick with Clover for now. But if the multilocation aspect and functionality of it is not addressed in [the near future], I think we would have to look at changing again. Part of the reason they sold us on Clover was that it did have the ability to affect all store settings within one dashboard login. It's so limited right now that it would have to be improved for us to be able to expand. The driving factor to change would not be cost but this [multilocation] functionality."
- "I wasn't the only person making the decision on the new POS. If it was up to me, I don't think Clover would have been my number-one choice, because price wasn't my driving choice for change. There were also issues with Square softwarewise, but they were always improving [features and functionality]. The consensus among the decision-makers did come down to price, and that's where Clover won."
- "When you're looking to sign up with these [POS] vendors, they'll show you through things to a degree, but you really don't get the full insight or access until you commit."
- "Another thing that's a real wrinkle with Clover that was not revealed in the purchasing phase is that they offer [different versions](#) [of plans]. There's one called the register plan, another called the counter plan, and another called 'restaurant.' We went with the counter version, but this oddly just allows us to have 'modifiers' to items, meaning if you buy a latte and you want to add a syrup, that's a modifier or an add-on. We can program that in, and that's great. But with the Clover 'counter' plan, it's an either/or between modifiers and 'variables,' which relates to size—small, medium, and large. You can't have a plan that combines both [modifiers and variables]."
- "The reason it's a big deal for us is that we can't just have a drink with multiple sizes. We also need to apply modifiers to those sizes. From the user's end, at the cash register, you need to pick both a size and a modifier. It's really odd that they don't offer both."
- "Square lets you have variables and modifiers."
- "Our monthly fees [for Clover], on top of credit card fees, are around \$50 a month per location. We paid for hardware on top of that. We got a bit of a deal through Dharma. We were buying [hardware] for all three locations at once. These costs vary for each merchant provider. Clover offers deals for equipment if you do the flat rate [on card fees] directly through them."

## Competitive Landscape

- "We did a lot of comparisons between different systems, including Toast, which we went down the road with a way. Others [in our company] wanted to look at Aloha, but I've worked with that before, and it's old-school and not nimble; they've made some changes, but it's not in the same [class] as a Square or Clover or Toast."
- "One of the places I looked at for comparisons and reviews was [merchantmaverick.com](#). They had some comments about Fiserv's service not being great, but there weren't any real red flags specifically on Clover. However, once I had Clover, they have a feedback submission site, and you can see people's comments about what they want to see and what people are saying."
- "We also looked at Revel, as well as [Upserve](#). [The latter] also was flat rate, and they offered a slightly lower per-transaction rate, which I think was 5 cents versus 7 cents of Square. Maybe 2.5% rate. It was less than Square, for sure. The system was a little more restaurant -focused, but overall I liked it."
- "Square's software design is not as good as Clover's. It was a little [like], 'Hey, we threw this out and started on an iPad or phone and stretched it out and made it work on a POS system.' It felt a little like they hadn't fully built out the software. It looks simple, but it's almost too simple."

- “The Clover interface is nicer for the barista or the person on the register. And Clover isn’t on an iPad, so the equipment is nicer and with a separate screen for the customer, which—especially for COVID—we want the separate screen we don’t all touch, the spin-around thing.”
- “Square did come around with their own equipment, which was not iPad-based. I personally would have switched to [Square’s new equipment] just to solve those problems and stick with Square. But [others more focused on cost] won out.”

#### Market Share Trends

- Did not discuss.

### 3) Owner of an East Coast bakery

Clover’s point-of-sale system is above-average. It’s a one-stop shop that is simple to use. It was initially cheaper than Square and Toast, and even when Toast makes pitches with lower prices, Clover will match. The system is adaptable, making it easy to add online ordering and gift cards through apps. However, switching from third-party apps to Clover’s own apps can be difficult. The Clover system is down about 2% of the time, which could be a problem for some businesses. Switching to another platform would be difficult, as it would require retraining staff. With Clover, the bakery pays fees of 2.5% to 3% plus 5 cents per transaction in addition to fees for apps.

#### Evaluating POS Systems

- “We’ve been using Clover for 6½ years. We have 300 to 500 transactions per day on three machines with about 20 [employee] users per week. We use it for transactions, time clock, online ordering, and gift cards.”
- “I used Micros before, but it was more full-service and more complicated. I also looked at Toast, but it was too expensive.”
- “I would rate Clover above-average. It’s an all-in-one system that’s easy to use—very intuitive.”
- “Our uptime is about 98%, meaning the system is down about 2% of the time. That’s OK for us, where fraud isn’t much of a concern. Because we have so many repeat clients, the system will accept payment and queue it for processing when available. But other Clover customers may want a higher uptime.”
- “One strength of Clover’s is being able to adapt as necessary. During the pandemic, they rolled out some different features. When I started with Clover, they didn’t have gift cards, online ordering, or time keeping. So I did that on apps. Now Clover has their own offerings for gift cards and online ordering.”
- “That’s also a weakness. It’s difficult to switch from apps to Clover’s products. You have to figure out what capabilities of theirs you want to use to justify the fee you’re paying.”
- “Clover has to determine a more coherent strategy on open-versus-closed systems and figure out what they will offer themselves. The smart way is to integrate the most popular apps.”
- “One of the strengths of our Clover system is that we have been able to integrate our online register with our physical register so that online orders automatically go into Clover the same way as if you were placing an order in person. We don’t want people in the shop waiting for their order to be fulfilled while a bunch of online orders are prioritized ahead of them.”
- “I work a lot with their corporate people to develop products. One of the things we’re working on is stickers for cups and bags like you see at Starbucks. The stickers have the customer’s name and identify the product. That includes customized specifications, like ‘not too warm.’”
- “The orders would get kicked to all the Clover machines, so everyone could see everything. It would make online orders more efficient. They should roll it out for everyone.”
- “When you’re having trouble hiring, like we are, you have to rely on technology. We look for technology to bridge the gap and keep our labor costs down.”

One strength of Clover’s is being able to adapt as necessary. During the pandemic, they rolled out some different features. When I started with Clover, they didn’t have gift cards, online ordering, or time keeping. So I did that on apps. Now Clover has their own offerings for gift cards and online ordering.

*Owner of an East Coast bakery*



## Competitive Landscape

- “As for switching to a competitor, it’s about capabilities and rates. Each time someone comes to me with a better rate—Toast has approached us many times—I go to Clover, and they match it. I’d also have to retrain 20 people if I switched. There’s a lot you invest in that.”
- “For the hardware, we paid \$1,000 for our original machine about seven years ago. They gave us a free test copy of a dual-screen model that has one side for the cashier and one side for the customer. It has new technology geared toward mobile payments. It makes it faster to use the device. We liked it enough to buy one, too, for \$1,750.”
- “We now pay between 2.5% and 3% per transaction, plus an additional 5 cents for each transaction. When you start, you pay just a fixed transaction fee that is probably 4% to 4.5%. The percentage per transaction goes down when your annual volume increases.”
- “There also are monthly fees based on your setup. If it’s just a register, it’s \$29.99 a month. For counter service, it’s \$59.95 a month; and for a full-service restaurant, it’s about \$79. There are also fees for apps. I pay \$25 per month for a gift card service and \$166 per month for the [Smart Online Order](#) system and branded app.”
- “Toast seems to have a great platform. We see a lot of places using it. It seems just as intuitive as Clover. It seems more integrated with gift cards and online ordering. They’ve developed their own technology to have those features on their platform, but I’ve never used it.”
- “Square’s fee when we were evaluating providers was about 5%. It was higher than Clover, so we didn’t consider it.”

## Market Share Trends

- Did not discuss.

## 4) Owner of a bar and entertainment venue in Houston

Clover is not well-suited to high-volume bar and entertainment venues, as it struggles during busy times with glitches related to tipping and printing functions, among other issues. Square and Toast were not an option because they do not allow pre-authorization on chip cards, a necessary function for letting customers open tabs. This source is considering switching from Clover if he can get out of his three-year lease, which began in May. No point-of-sale product on the market has a solution to include ticket sales, a feature that would be hugely attractive because of the high fees charged by Eventbrite. Legacy systems like Clover are extremely opaque when it comes to assessing the true cost of the platform over time—a huge disadvantage compared to Square, where all costs are bundled into a single transaction rate.

## Evaluating POS Systems

- “We are a bar and live-entertainment venue. We do about \$750,000 in annual sales.”
- “We started using Clover in May this year, after carefully evaluating competitors, and now I regret it. Clover replaced another system I was using called Revention, which changed their name to [HungerRush](#). They’re local to the Houston area. I was annoyed with them because we had opened 4½ years prior, and they had sold us on these POS [terminals], and then they required us to upgrade and buy all new hardware. That was part of the reason I decided to change.”
- “The nature of a high-volume bar is such that we would like people to be able to open tabs, ... but [some POS systems] do not allow you to be able to put a pre-authorization on a chip card. Those competitors [that do not allow pre-authorizations] include Toast and Square, which made them not an option for us. When I looked into it, I found instances where high-volume bars using a system like Toast or Square—and specifically were reopening after the pandemic—were experiencing more chargebacks than previously. The nature of chargebacks that are initiated on card swipes are such that you can’t really dispute them, and you lose that money.”
- “So those services [Toast and Square] were never going to be an option. I limited [my choices] to just those that would allow me to pre-authorize on the chip, which Clover did, and also [Union POS](#), which is what I probably wish I’d gone with.”
- “Also on my wish list was the ability to integrate my online ticketing to the POS. I don’t think anyone is currently doing that. Whoever does could really corner the market on live-entertainment venues, because of a lot of these venues, to have all of their revenue come through one channel would be incredible.”

We started using Clover in May this year, after carefully evaluating competitors, and I now regret it.

*Owner of a bar and entertainment venue in Houston*

- “Instead, I have Eventbrite [for event ticketing], which charges these fees, and then they do all the processing and so it doesn’t count it towards my exchange rates or whatever with my processor, because they’re all going through Eventbrite. But if I could have an online store—which is what a lot of POS’s do—where people could buy tickets, that would be really cool. Whichever company connects these two things can be making good fees, like Live Nation and Ticketmaster.”
- “With all the restaurants that now do [curbside] pickup, you’d think [a POS provider] could come up with a way to integrate ticket sales functionality. [It would be great] if they could generate a QR code that I can scan that marks somebody as checked in on a database, because you have now created a ticket purchase, and that’s literally all that I need to drop Eventbrite and get rid of their \$2 fees on \$5 tickets.”
- “Nobody does that, and I was optimistic that I could do it with Clover, because Clover has a more open implementation platform. I thought that there would be apps that would allow me to do that. There are a number of [related] apps, but on my further investigation, none of them really do what I want. Most of them just pair with another online ticketing service, and all of them cost additional money without providing me with the solution I want. So that was a bummer.”
- “Another reason we went with Clover, which has now become a large aggravation, is that we are a live-entertainment venue, and sometimes we have festivals where we set up bars outside in a parking lot. We’ll have huge extra amounts of business for one or two weekends every year. When I was sold on the Clover platform, it was through my bank, [BBVA](#). At the time, the salesman told me they also rent Clover [hardware] for shorter periods of time, which gave me the awesome opportunity to have the additional terminals rented for these events.”
- “My bank was bought by [PNC](#), which does not offer that. The shortest term they offer is 36 months for any one terminal. [That bank acquisition] happened just a couple of months before we had [a comedy festival], where we did \$130,000 of bar sales, and I waited on hold to find out that [the new bank] wouldn’t do anything shorter than 36 months. Part of the reason I signed up [with Clover] was that I thought I was going to be able to expand for this limited amount of time.”
- “This might not be because of the Clover platform, but because of the way my contract [with the bank] was handed off to PNC and then to me. But all the same, it’s very aggravating. Now I’m locked into 36 months [for that additional hardware].”
- “Additional problems I’ve had [with Clover] are sometimes we are so busy that it is too slow to serve everybody right at the terminal, where we turn the screen around for them to sign. [Clover terminals] have the ability to print tickets, and then you ask people to sign, and then you enter in the tips manually. On the three or four occasions where we have tried to do this, something like 15% to 20% of all those tickets do not allow us to enter a tip onto it and so get processed with no tip. So we lose 20% of all the tips on the night. So that [ticket printing] capability is essentially not available to us, because my staff has refused to use the POS in this way because they know their tips are going to be diminished by 20%, which then means that we can’t do the bar sales.”
- “We’ve brought this up [with Clover]. We’ve elevated it through the support channels; and it has gotten no answers, no explanation, no money to make up for these lost tips. Every time, they’re befuddled with it. We’ve gone to them three or four times [with the same issue]. Their only response has been ‘try to do it again.’ But they don’t give us any answer; they don’t give us any fix.”
- “In general, their [customer] service is very difficult to deal with, very difficult to get on the phone.”
- “[Clover] has the lowest introductory rates, which was part of the reason we got on board. But as you probably see in many reviews or complaints, a lot of services and features that are very base-level and expected out of a POS are only available through third-party assets, which charge you an additional \$20 or \$30 a month. And next thing you know, you’re paying more than other [POS] services to get the most basic of features and functions—things like cash closeout stuff.”
- “Another annoyance [is related to] something that is standard in most other countries around the world, and something I like to do in my business—I like to include tax in the price. Clover does not allow you to do this. Whatever

[Clover] has the lowest introductory rates, which was part of the reason we got on board. But ... a lot of the services and features that are very base-level and expected out of a POS are only available through third-party assets, which charge you an additional \$20 or \$30 a month. And the next thing you know, you’re paying more than other [POS] services to get the most basic features and functions.

*Owner of a bar and entertainment venue in Houston*

you put in, either you can have tax or no tax. I can put it in and say 'no tax,' but then all of my sales reports would be incorrect because they would be giving me gross sales."

- "I like to have even-dollar amounts, so I'm dealing with the least amount of change. My workaround was to price everything so that it ends up at even-dollar amounts with tax added. But because tax is 8.25%, when you add multiple items, a lot of times it comes off by a few cents here and there, so we're rounding up and down. It's a very simple thing that competent computer engineers could fix. My [Clover] sales rep says he elevated it, but [nothing has happened]."
- "I did not pay for the hardware upfront. I'm locked into a 36-month lease on all the hardware."
- "I think Clover is more suited to a smaller, counter-service retail environment. [While evaluating POS systems], every time I would go out to places, I'd ask what POS they used, to see if they were happy with it. One of my favorite Vietnamese restaurants in Houston used [Clover] and were really happy with it. But I do not think that the POS functionality works for my type of business."

### Competitive Landscape

- "I made a spreadsheet with comparisons [of costs for different POS systems] for low, high, and midrange sales estimates over the next four years to see what was going to make the most sense. I'm pretty diligent when it comes to my research, so I'm pretty pissed that [Clover] ended up [being more expensive and troublesome than it seemed]. I think every one of these systems is going to be flawed, but man, there are some basic things that [Clover] seemingly refuses to fix; that bugs the hell out of me."
- "[Clover's] monthly fees have gone up, and we're paying an additional \$20 or \$30 a month [in software fees for third-party apps for a total of] \$335 a month. Suddenly, Clover is no longer beating everybody by \$5,000 [annually]. It's more like in the same range."
- "[Clover's] POS has basic features missing that essentially demand you to make up for those basic features by paying for third-party apps."
- "It's really difficult to capture every single fee, because each of the POS systems have different processors, and each of the processors have different fees."
- "Union POS had more startup costs [than Clover]. I believe Union POS used the same processor that I'm using through Clover. Clover is sold by your bank, and then you're locked in with whatever processor is used by your bank."
- "Union POS is [part of] First Data, which is the same processor I'm currently using with Clover. I think the rate was the same. But Union POS also had created their POS to work in high-volume bar environments, which was a big attraction. But their startup costs and then monthly service charges made it look more expensive."
- "I think I should have just gone with Union. I don't think the market yet has a solution for me with my online ticketing sales thing. Union is a smaller company, more geared to businesses like my own, whereas Clover and Square are trying to cast a broad net. Sometimes that means extraneous functionality that's only going to confuse the system while missing the smaller things that I need."
- "Right now, I'd say that there's a 50% chance I'll drop Clover and switch over to Union in the new year, especially if I can convince Clover that they've breached their contract. But I don't know ... if there's some way for me to get out of that."
- "It's difficult to know whether all of my time and effort with this is actually saving me money. I know most business owners don't go through this; they just pick a thing and then live with it."
- "There's an opaqueness between the POS provider and the merchant services provider, from a consumer standpoint. For me, there's also a bank involved."
- "My old POS provider said that I had a choice between processors, but I actually didn't. The guy that ended up selling me Clover said he worked for the bank and for Clover and for the processor. He told me that if my POS can use [a particular] processor, then he could get me better rates. And he could get me better rates than the processor that my POS used. I started the steps to get them to switch over, at which point they told me about this \$400 fee for using a different processor. So in reality, they didn't let me use my own processor."
- "Some POS's—I'd say a lot of the older-school ones like Aloha, where you are buying the hardware—[let you choose your processor]. But a lot of the newer POS's are software as a service, and they bundle the processing into that."
- "A lot of people use Square, and that makes more sense, where you're seeing all of those services bundled, as opposed to a POS service and having merchant services added separately. It makes it more difficult to compare different services. With Square, you have the flat fee. They provide the processing for you."
- "For me to look at something like Square and have that across-the-board 2.75% [transaction rate] regardless of interchange, that's a lot easier to grasp than the Clover agreement, [which is] 4 cents plus 0.4% on all of these, plus

interchange, which varies according to whatever rewards club membership your cardholders have. I have to go average this stuff over time to figure out what the actual rates are I'm paying for every transaction."

- "These are also the companies that seem able to create fees at any step of the way. [For example], I have to do some online training to certify that I'm [PCI compliant](#); otherwise, they're going to charge me \$20 a month for noncompliance. All of these things are, to my knowledge, bundled into the 2.75% with Square."

#### Market Share Trends

- Did not discuss.

## 5) Owner of a liquor store and bar in the Southeast

Clover is easy for employees to use and offers good apps such as Homebase, which is helpful for employee timekeeping and tracking tips. The Stock app helps manage inventory efficiently. Clover's customer support is great, and the company responds to feedback to improve the platform. Clover costs \$300 to \$400 a month for leasing three terminals plus apps.

#### Evaluating POS Systems

- "I've been using Clover for about eight years. We have three terminals, and we do 150 to 300 transactions a day."
- "I chose it over [Future POS](#), because Future's platform was capable of serving only the hospitality side [the bar] of my business and not the retail side [liquor sales]. None of the other competitors, like Square, were out then. [Clover] was an obvious choice."
- "I'm very satisfied with it. It's easy for employees, similar to their cellphones. There are good apps. We use Homebase for things like timekeeping of employees—when they check in and out—and tracking their tips."
- "We also use Stock, which allows you to manage your inventory pieces very efficiently. For example, if we sell a gin cocktail, I can see how much gin should be left in our bottle and make sure that is actually what's left in the bottle."
- "The company gives great customer support. They have a 'call me' button on the terminal where they'll call right back to give support."
- "They're very willing to listen to what I have to say. They give me a lot of input to how the system works. The Stock and Homebase services have asked for input. Homebase asked us about how we'd like to do editing—say, if someone misses a punch-in."
- "Clover, in general, used to show data comparisons in day-versus-previous-day form. That's not as useful for me, and I was able to get them to do it in year over year."
- "Their weakness is that their reporting isn't at the stage where online shopping works seamlessly, but they're listening to me and working on it."
- "Some of [Clover's] own functions aren't as good as outside apps, but those apps offer everything I need until Clover has a package of their own. I'm sure they'll get better. All the data I get on the backside makes it worthwhile."

Some of [Clover's] own functions aren't as good as outside apps, but those apps offer everything I need until Clover has a package of their own. I'm sure they'll get better. All the data I get on the backside makes it worthwhile.

*Owner of a liquor store and bar in the Southeast*

#### Competitive Landscape

- "I don't see any need to switch, unless a competitor comes along that blows my mind. I'm so used to this one that it's like a glove."
- "I bought my first round of machines for \$1,000 to \$1,200 per unit. The second time, I decided to lease because I don't have to worry about the warranty expiring. If you lease, the warranty lasts for the entire duration of the agreement, and they'll send a replacement overnight if there are any problems."
- "For the lease plus my apps, I pay \$300 to \$400 a month for all three terminals combined. My transaction cost is about 2% to 3%."
- "I have seen Square, and their equipment looks simple, but I don't know about the administrative side. I don't see any need to move."

#### Market Share Trends

- Did not discuss.

## 6) Owner of a beauty salon

Clover is moderately satisfying. Its biggest strength is simplicity, with clear monthly readouts that include transaction histories, ticket prices, and fees. But Clover is not as simple as Square, which this source uses for a side business. Processing and editing are difficult with Clover, and problems have arisen activating instant deposit, which multiple calls to the company have not resolved.

### Evaluating POS Systems

- “I do from three to 20 transactions on Clover a day. I started with First Data in 2006 and then switched when they bought Clover. Overall, I’m not in love with it, but I’m not ready to change. I’m moderately satisfied.”
- “The biggest plus of Clover is its simplicity. The monthly readouts are clear. I get transaction histories and comparisons of this year and last year. I get average ticket prices and how fees break down. There’s clarity.”
- “I can run my transactions through an app or use Clover Go—their credit card reader. I very seldom have processing issues.”
- “The weakness of Clover is it’s not as easy to access features compared to Square, which I use for a catering business I have on the side. Processing and editing are more difficult on Clover.”
- “There’s a feature for instant deposit on Clover. Every time I try to activate it, it doesn’t work. I’ve tried calling in four times to get it fixed, and it still doesn’t work.”
- “I’m not sure all of what Clover has, but some things are difficult. Invoicing is available in an app, but I don’t see it on the main screen when I open up Clover, like I do with Square.”

The biggest plus of Clover is its simplicity. The monthly readouts are clear. I get transaction histories and comparisons of this year and last year. I get average ticket prices and how fees break down. There’s clarity.

*Owner of a beauty salon*

### Competitive Landscape

- “I might consider switching in the long run. I’m not happy about the cost. Originally, I leased equipment, and it was good, but then they stopped supporting it.”
- “I purchased another terminal for just under \$100. Then I changed processors and had to buy a third one for just under \$100. But it turned out the old terminal worked fine with the new processor, so the brand new one is just sitting there unused.”
- “I’m not sure if there’s a monthly fee. They said there wasn’t, but there may be a small one. My transaction fee is 2% to 3%.”
- “I have considered alternatives. As I said, I use Square in my catering business, and it works excellently. It, too, is simple. You can do everything, such as invoicing and processing, without outside applications.”
- “I use Stripe for my catering business online transactions, but it’s more complicated.”

### Market Share Trends

- Did not discuss.

## 2) Merchants Using Competing POS Systems

All four sources in this silo said they are satisfied with their POS systems—two using Square, one using Revel, and one using [Shopify Inc.](#) (SHOP). The Shopify user switched after a bad experience with Clover, which included an inability to sync his online operations with his in-store sales. Square provides great data, mobile functionality, and an open API model that makes it easy to connect to other business software. It has room to improve its restaurant-specific features but is a good fit for food trucks or small cafes. The source using Revel said he is working to integrate it with other pieces of his business operations. When complete, that will reduce the chances of him switching to another POS vendor. One source who operates three restaurants in the Midwest said he still sees a lot of older systems like Aloha and Micros, but newer technologies such as Clover, Square, Toast, and [TouchBistro](#) are all gaining market share.

### Key Silo Findings

#### Evaluating POS Systems

- 2 are using Square for point-of-sale transactions, 1 is using Revel, and 1 is using Shopify.

- 4 are satisfied with their POS platform.
- 1 switched from Clover to Shopify.
  - o Clover was difficult to use and could not sync with his online sales.
  - o He already used Shopify for his website.
- 1 Square user chose it because of the great data it provides; 1 other Square user said the biggest draw is its open API system—allowing him to develop additional functions and connections to other systems, like marketing.
- 1 said Square’s mobile functionality is helpful, since his business does some sales at farmers markets.
- 1 Revel user said he chose it because it was more reliable than the solution he had been using, [Lavu](#).
- 1 said Clover’s ability to handle pre-authorizations so customers can start tabs is important to many restaurants, though he could develop such a feature with Square if he needed to.
- 1 said Square is still in the early stages of developing restaurant-focused features.
  - o Square does not allow restaurants to embed a QR code on a printed receipt, something Toast can do.
- 1 said Clover could be a good choice for full-service restaurants because of its low monthly fee, which includes features such as loyalty modules and the ability to text customers.

## Competitive Landscape

- 1 Square user said he may use Shopify when he starts online sales.
- 1 said he shied away from Toast because it requires using its third-party integrator to get the system running, while Square is more easily set up.
- 1 Revel user said he is working on integrating the POS system with other company software, which will make Revel even more valuable.

## Market Share Trends

- 1 said he is seeing fairly equal growth in restaurants among Clover, Square, Toast, and TouchBistro.
- 1 said legacy POS systems such as NCR’s Aloha and Oracle’s Micros are still widely used.

## 1) Owner of a high-end gelato business in Southern California

This business owner chose Square and its point-of-sale system for three main reasons: the store’s high volume of low-dollar transactions, the need for a mobile system to use in farmers markets, and the high-quality customer and sales data that Square provides. Clover was not a consideration.

### Evaluating POS Systems

- “We use Square. I didn’t look at Clover. [When I was looking for a POS system this year], I went around to similar-type businesses—mainly restaurants and other companies where I respect the owner and think that they know what they’re doing. I also had advice from a friend very familiar with the POS ecosystem, and he strongly recommended Square because of the flexibility it provides for the mobile aspects of our business—high school students using their cellphones at farmers markets, for example. And also because of the high number of low-volume sales that we do.”
- “This year, we will do around \$400,000 in sales—that’s catering plus farmers markets plus [the retail] shop.”
- “I chose Square because of the data that it provides. Maybe Clover has the same outputs, but I was just so impressed with the ease of use and the depth of the data that was gathered with Square. That is about as much research as I did.”
- “All of the costs of the system, including the transaction costs—there are some that are lower and some that are higher [with competing platforms]—but they’re all kind of within the range. I had a tough time differentiating one from the other.”
- “But having really good data—I like that a lot. Who are your customers? When do they come? What’s the demographic of them? How often do they come? How much do they spend? What days of the week? What hours? I love all that stuff, and with Square, the output is very intuitive and easy to process.”
- “I have an MBA, so it’s not like I can’t process numbers unless they’re dumbed down, but I do like charts to explain things simply. And [Square] adds all kinds of bells and whistles to it all the time.”

I chose Square because of the data that it provides. ... I was just so impressed with the ease of use and the depth of the data that was gathered with Square.

*Owner of a high-end gelato business in Southern California*

- “[I like] the marketing pieces, like when people close out a ticket at the shop, if they haven’t signed up for our loyalty program, they’re prompted to do it with ‘a dollar off this purchase,’ and they earn stars toward [future discounts]. Things like that are so simple to do.”
- “Or, if you give us your birthday, we’ll give you a dollar off. I just figure as much information I have about my customers, the better. I’m really happy with the marketing piece, which I’m just starting to scratch.”
- “Our [retail storefront] has only been open since April, so I don’t think that we can make any big [sales] projections. Maybe after a year or two, we could say, ‘Thursdays we do X sales,’ etc.”
- “But I do look at [the data] all the time in terms of staffing. Are we going to be open until 9 [at night] or 10? On Mondays, it’s really slow, and we might only do a couple of hundred dollars the whole day. You’d think we’d be losing money. But the data shows we aren’t losing money, because as long as you’re covering the incremental cost of labor—which is \$15 an hour—plus the cost of goods sold, it pays to stay open. And I’ve come to that conclusion by looking at the data.”
- “Another thing that I like about Square: We do a lot of sales off of cellphones, so having the swiper at farmers markets is so easy. And I haven’t seen a Clover version of that.”
- “Because we have the remote element; and we do many, many small transactions, with an average of \$15, it lends itself to a Square-type application. We do take Venmo, which is a small but enthusiastic customer base. That’s not integrated into the [Square] system.”
- “The only issue I’ve had with Square is the handheld device not wanting to [connect by] Bluetooth with a cellphone. That’s annoying. It’s glitchy, and there’s no way that they don’t know about that. It’s always been a problem with Square.”

#### Competitive Landscape

- “Once we start selling online, which I would like to do—because a lot of high-end gelato and foodie producers are shipping—then I’ll look at moving to Shopify, because the online experience is so great with Shopify.”
- “I may end up with two systems, where your online portion is Shopify and everything else is Square, because we have these remote locations.”

#### Market Share Trends

- Did not discuss.

## 2) Jo Otey, a restaurateur and specialist in data and artificial intelligence

Otey uses Square at all three of his restaurants. Square is easy to get up and running and offers a robust API for developing other apps or connecting to other functions, such as digital marketing. Clover has some appeal because of its low monthly fee for basic features and its ability to handle open tabs. Square, Clover, Toast, and TouchBistro are all gaining share in the St. Louis and Chicago restaurant scenes, but legacy systems such as NCR Aloha and Oracle’s Micros remain leading players. Square is making a concerted effort to woo restaurants with its [Super Seller](#) community, which allows owners to offer regular feedback on pain points and how the platform can be improved. One drawback of Square is the inability to include a QR code on a printed receipt, something that Toast offers but Clover does not. QR codes on receipts can speed up table turn times and improve customer data collection.

#### Evaluating POS Systems

- “I have three restaurant businesses of my own in St Louis. I have a deli that does around a quarter-million [dollars in sales] a year, a full-service restaurant that does around a million, and a sports bar that does around \$650,000. I use Square for all my systems. I’ve always used Square for any personal endeavors. The deli has been going five years, the full-service a year, and the sports bar recently opened.”
- “I also do restaurant consulting, so I have clients that use Clover, and I develop and work with some of the APIs in Clover’s ecosystem to connect into other customers’ data ecosystems. I help other restaurateurs who maybe aren’t as tech-savvy with things like menu cost optimization, sales forecasting, but then also help them understand the power of what their data is able to do—especially when they get it out of third-party systems and use it for marketing or better back operations, for example.”
- “When I started developing on Clover, I bought a device at a restaurant auction [of a business] that had gone under, so I got a very cheap device to start developing on. Otherwise, the cost of entry for [Clover would have been much higher].”

- “Open tab [functionality for credit cards] is one of the biggest issues that a lot of restaurants would have an issue with. It was something we looked at [when we were deciding on a POS system], but I don’t have some of the issues that other bars do. Even my full-service [restaurant], we’re very much crafty cocktails, nice whiskey pours; so I don’t have that high-volume, college-kids-type crowd. So having to have pre-authorization [for an open tab] isn’t really an issue that we run into. If that were an issue for us, I probably would have tried to develop on top of the Square API for that reason alone. For sure [Square’s APIs would have allowed this].”
- “That’s probably my main reason for using Square, because of the open connectivity that they do offer. They’re trying to build more into the restaurant landscape [versus in the past, when] I think they focused on retail payments in general.”
- “Around six months ago, [Square] put me into their Super Seller community program. I would consider them still in their infancy with some of the restaurant [functionality]. It very much works for me. But I can understand where people would have some issues, even with things that should be pretty straightforward, so I try to give them as much feedback as I can.”
- “One issue [with Square] that I’m running into right now, [which is] is more of an ancillary feature that Toast offers, is the ability to embed a QR code onto the receipt when it prints out, so [the customer] can pay at the table. Square has the ability to bring a QR code using their terminal device, or you can send [the customer] a text link. But if I can skip that and put it right onto the receipt, there’s other things I can tie into that. I’m trying to figure out how to do it with [Square’s] open tabs, because there’s not a current API for their device-created orders when they are open tickets. They show into the system once they’ve either been pre-authorized or been completely closed out, as in an online order. But they do not show up when they are an open ticket that has no pre-authorization on them.”
- “The main benefit of having the QR code on the receipt is for table turn times, especially when you’re talking about a larger table. For example, I try to get my staff to bring over the Square terminal to the table. But if there’s 15 people, to go around to each person manually to pay that tab, it would be just as easy for them to go back to the kiosk. But if they could print out the bill and give everybody the receipt with their QR code that allows them to do their own payment, that’s 15 transactions that don’t need people to drop off their credit card authorization again. The QR code allows the customer to be on their own time at that point. And it would give them the ability to do things like split payments.”
- “[That QR code] is also about the data capture that comes at the end. When they do bring [a card] back to the kiosk, we have a loyalty reward system. If the customer doesn’t give their phone number and the staff doesn’t enter it at that time, there’s no easy way for me to put the loyalty rewards back on the account without doing this tedious process that takes about a minute per person. We have maybe 200 loyalty members that come in each month, so it’s a very tedious process if it’s not done at time of [sale]. QR code at the table solves that.”
- “Toast does have that QR ability. The last time that I was doing things with Clover, they did not have that functionality. I can’t speak to the last six months, but Clover doesn’t have it that, that I know of.”
- “I’m very much tech-nostic [when advising clients]. The biggest draw to me of Square is the open API system and all they have connectivity into. With your payments SDK [software development kit], for example, I can build applications on top of that alone; while with even Square and Toast, you’re building into that system, but not so much into the payment gateways and pieces that are there.”
- “For example, say the restaurant was already using Toast. I can still work within the Square environment and use the Square payment API [to] take the payments. Say I want to create a marketplace app. I can use Square’s payment, but then send over that order to someone in the Toast ecosystem. ... I couldn’t take an order through a Toast payment API and push that order over to Square.”
- “Clover is more closed in this way as well. I think something like that only matters to me, from the [software] development world. The average person running a restaurant wouldn’t care about that.”
- “I’d say functionalitywise, for all the systems, the biggest benefit of Square for a regular restaurateur is the low cost of entry. But I don’t think those ‘free’ services are really set up for success in a full-service [restaurant] or bar. [Square] does best in a small food truck or café. At that [full service] point, Clover really shines, because they have like a \$10 [per month] entry point to get a lot of their main features. Your device hardware is probably the only real issue with Clover [in terms of cost] with some of their devices, if you’re needing the actual register.”

**The biggest draw to me of Square is the open API system and all they have connectivity into. With your payments SDK [software development kit], for example, I can build applications on top of that.**

*Jo Otey, a restaurateur and specialist in data and artificial intelligence*



- “At their \$10 price point, Clover kicks in with features like open tab, loyalty modules, the ability to text customers. If you’re talking about full-service [restaurants], or you’re going to grow your business, there’s a lot of stuff that’s built into the [Clover] platform that has its benefits. I think the Square for restaurants is \$50 or \$60 [a month]. Most people have an iPad lying around, so it’s nice that they can just jump right in [with Square], and they don’t need a first-party device of any sort.”
- “In general, all the cloud POS systems are more app [friendly]. I like how all of them have an API program, but really it comes down to cost of entry to be able to start working with those systems.”
- “I get contacted quite a bit from third-party processing systems. I’m always trying to figure out what their business model is. It almost sounds scammy much of the time to hear they are offering one monthly charge. I’m curious to know what information they are getting back. They may be able to lower your rate, but they are doing the data collection of your customer data—are they giving it back to you in a way that’s beneficial? Either they have to be making money off of your money or doing something with the data that you’re not doing something with.”

### Competitive Landscape

- “[Fees] are some of the biggest discussions that [I have with clients]. With Square, you don’t get charged anything for cash, gift cards, or check payments. You only get charged on credit cards, and then you have a higher rate for manual entry.”
- “A lot of people will go online and look at side-by-side comparisons for upfront costs, but you really need to be clear about what you’re going to use your POS system for. This is one of the main things I consult with people about: What are you trying to achieve? Where are you at now? And putting a road map together for future years.”
- “The biggest thing [in choosing a POS system] is business type, even more than overall volume.”
- “I pay a decent amount in fees each month, but I look at the ROI that I get out of it. I have integrations with my Square ecosystem for my digital marketing campaigns, so I’m able to track someone who’s looked at a Facebook ad, to when they purchase in my store, to have an attribution rate to it.”
- “I couldn’t get that from NCR; it would be more difficult to do it with Toast. Square just sent me a beta program to be able to advertise on TikTok. It’s crazy what they’ll throw out there because they’re just trying to figure out what’s working for their system.”
- “If I’m using [a higher-cost system] for payroll, for table management, and all these other features, then it might be worth [the extra cost]. [The cost of various POS platforms] really comes down to what you’re using it for, and do you have the knowledge or the team to help you benefit from some of those extra features.”
- “The main reason I didn’t go with Toast was because you have to go through a third-party [integrator]; they have to set everything up. Even if you have the ability to do it yourself, [the third-party integrator] has to be the one to turn the system on live—versus I could be up and operational in Square in a few hours; while Toast, at best, we’re talking four to five days.”

### Market Share Trends

- “I’ve seen pretty equal growth [in market share] between TouchBistro [and] Toast. I see a decent amount of Clover, but I haven’t seen it as much in full-service restaurants; I see it a lot in QSRs.”
- “Square is more prominent here in St. Louis. I see a lot more Square here than I ever did in Chicago, maybe because Square is originally from St. Louis. From what I’ve seen, it’s pretty equal growth among [these four products in restaurants]. But when it comes to food trucks and the like, people are quick to jump in to Square, because if they have an iPad lying around, they can [be up and running very fast with] payment processing.”
- “For cloud-based POS systems in general, I see maybe 10% of the [restaurant] ecosystem [in the St Louis and Chicago areas], and I’d say stuff like NCR [Aloha] and [Oracle’s] Micros still have a stronghold on the majority of businesses. Cloud systems are definitely moving into the SMB [small and midsize business] ecosystem, but I’ve yet to see any restaurants in the enterprise landscape use anything besides those legacy systems.”
- “I’m starting to see some smaller franchises that originally started with a Clover or a Toast, but I haven’t run into a large-scale ecosystem using any of the cloud softwares. It might be just that they built their system [on that legacy software] and don’t know how to move. It might also be the stipulation that [business owners] have to be on-prem versus cloud data.”

At their \$10 price point, Clover kicks in with features like open tab, loyalty modules, the ability to text customers. If you’re talking about full-service [restaurants], or you’re going to grow your business, there’s a lot of stuff that’s built into the [Clover] platform that has its benefits.

*Jo Otey, a restaurateur and specialist in data and artificial intelligence*

- “I’d be very surprised to see any restaurant doing more than \$5 million a year using Clover. I haven’t looked at what their mobile solution looks like, but outlets and electricity are major concerns. You don’t want to have something that has to be plugged in, so that might be a hurdle for [mobile businesses].”
- “But cafes and coffee shops, Clover’s \$10 entry point—if you can get the hardware rolled up into a monthly [fee], then it’s usually not a bad deal for anyone to go with.”

### 3) Founder of a brewing company in Southern California

Reliability and a lack of downtime was the key driver for this business to go with Revel—which replaced [Lavu](#), a POS system that went down frequently as this multilocation bar operation grew quickly. A neighboring brewery was using Revel and liked it, a key reason it became a front-runner. Revel’s slow card readers are one annoyance in a system that is otherwise working well. This business is working to integrate Revel with other software. When complete, it will make the prospect of switching to another POS system less likely.

#### Evaluating POS Systems

- “For our taproom point of sale, we use Revel. We converted to that almost three years ago, and it replaced Lavu.”
- “We have five locations in total. ... We will do about \$8 million in sales next year, about 60% of which is from the taprooms [and the remaining is wholesale].”
- “Revel has been good. We’re still working on some pinch places of integration. We’re trying to get Revel integrated to our in-house software. We haven’t done that yet, but it looks like we’re getting close.”
- “It’s been working pretty well for us. We don’t quite need all the functionality that Revel offers because it’s more designed for restaurants, and we mainly just sell beer and merchandise.”
- “The key reason we switched a few years ago was downtime. We had lots of downtime with Lavu, and that costs us more money than anything, if we can’t run transactions.”
- “We looked at a few competing POS systems, but I don’t remember what they were. We were able to get a really good look at Revel because one of our neighboring breweries had just converted to it, so I know that Revel was the front-runner, even though it was a little bit more expensive than some of the others. The reliability and lack of downtime was our biggest decision driver.”
- “As we grew our operations, the [Lavu] system kept going down. When that happens on a busy Saturday, the lost sales crush you.”
- “We did have to buy hardware, but I don’t remember the cost. It’s the card swipers. I don’t love that about Revel because it’s where some of our gum-ups and problems happen. As I understand it, Revel doesn’t own that technology; it’s all coming out of the bank system, and I imagine a lot of these kinds of hardware devices are going to become obsolete in the not-too-distant future as the banks transition to [tap technology].”
- “On top of the swipers, there is a monthly cost, but it’s not that much; you pay per terminal. If you have a busy taproom, you need to add additional terminals, and that’s what we do. We start with a gut number, and if we open our taprooms, and it’s a little busier than we projected or we find it’s busy all at one time instead of spread out throughout the day, we’ll layer in more terminals as needed.”
- “We have that ability [to pre-authorize cards for an open bar tab]. We do a pre-auth, which runs a dollar [on the card], and then we really try to push people to open tabs instead of closing out. On the beer side, we get a ton of people who think they’re only going to be there for one beer, and then a friend arrives, and they are just constantly opening and closing tabs. It’s one thing we try to encourage in our team, to encourage people to open tabs.”
- “The only thing I don’t love [with Revel] is the card readers. They’re a little slow, and mobile functionality would be nice. We use them with iPads, and iPads are OK, but I think so many companies our size are just using iPads in this fashion that you have to expect some breakage and turnover.”
- “Right now, you have to swipe [the card] and then insert. If it was a swipe or an insert, that would speed things up. Otherwise we’re pretty happy with the system.”

**The key reason we switched a few years ago was downtime. We had lots of downtime with Lavu, and that costs us more money than anything, if we can’t run transactions.**

*Founder of a brewing company in Southern California*

- “We have a bank doing our [card] processing. I had some experience in this area because I used to resell merchant processing in my previous career. I think we’re doing pretty well on this because, of course, there’s all kinds of different types of transactions that you have. We lucked out because we were able to negotiate some pretty good rates when we moved over to Revel, especially from the merchant fee side of things. So [card fees] are not a huge thing for me. I’ve always viewed it as the cost of doing business if you want to accept credit cards.”
- “We don’t push people to pay cash. If anything, we prefer people to open a tab. It’s easier than dealing with cash every time. Someone staying for a second pint is more important to us than a small transaction fee from a credit card.”

#### Competitive Landscape

- “If there was something we really liked and we thought it would benefit [to switch to another POS system], we would consider it. But for next year our theme is—now that we’ve made it through COVID—let’s just work with all the tools we have. But price is always a factor, and if there was some insane technology that sped up that transaction time a little bit, that would [be enough to consider another system].”
- “Once we get Revel integrated with our back-of-house software, then we’re less likely to change. Revel would be smart to get that done. My technology person is working on that; she’s project-managing it, working with a third party to write the code to make it happen.”

#### Market Share Trends

- Did not discuss.

## 4) Owner of a high-end wine store in California

This boutique wine merchant chose Clover when he opened in 2017, having been recommended the platform by Bank of America Corp. (BAC), with which he already had a business account. The decision was a costly disaster, mainly because Clover could not sync with his website. Bank of America also failed to disclose that its own platform could not support alcohol sales, making the situation worse. A year later, the business switched to Shopify, which is mostly working well.

#### Evaluating POS Systems

- “We’re approaching \$1 million in sales this year.”
- “I used to use Clover when we first opened in 2017, and it was terrible. I haven’t seen their latest version, but the one that I got, I had to pay an astronomical amount. I think it was \$1,300 or more for the setup. And it was extremely difficult to use; it was not intuitive at all.”
- “I didn’t realize or understand that it wasn’t going to be able to sync up with my website, which was even more frustrating. We don’t do a ton of online business, but we definitely sell cases of wine online, and that was important to me.”
- “It was important that if someone made a purchase online, that that would come out of my inventory. There was nothing about that with Clover, and there was no one to talk to [about service].”
- “The reason I went with Clover in the first place was that I was banking with Bank of America, and they were going to give me a special kind of a deal on the business [credit] card and [card] processing. And it just absolutely wasn’t worth it.”
- “The only reason I went with Clover was because I was already banking with Bank of America. When I switched, I had to sell the [Clover hardware] because Bank of America wouldn’t take it back. I think I lost \$800 because I had to sell it online. In retrospect, I should have talked to more retailers about how they felt about their POS system.”
- “A year later [after adopting Clover], much to my consternation, I had to switch from Clover to Shopify, and it was an awful process. I hired someone to help me with it, and they were not very good. But it was also very difficult. ... [Shopify] makes it sound like it’s all so seamless, that you just move stuff over. But no, there’s all this exporting. I have something like 700 SKUs [stock-keeping units]; and to switch that over, with the inventory, it was quite an ordeal.”
- “Shopify wasn’t much help [with the process of shifting over]. I had to stop my wine club, which was in the thousands of dollars a month that I was missing out on, because I couldn’t get this thing to switch over quick enough. The whole switch-over lasted a few months.”

**I used to use Clover when we first opened in 2017, and it was terrible. ... It was extremely difficult to use; it was not intuitive at all.**

*Owner of a high-end wine store in California*

- “Bank of America also conveniently didn’t tell me when I was starting out and was asking them every question about the POS that had to do with my new business—they didn’t tell me that their web services couldn’t support alcohol sales. I had already been in touch with them numerous times about it, and they conveniently didn’t tell me until many months later. So not only could they not make it seamless between my website and the POS, but they couldn’t support alcohol sales on their platform, which is insane.”

#### Competitive Landscape

- “I went with Shopify because my website was made up in Shopify. I definitely have my complaints about Shopify, but at the very least, when products go into the system, they go directly onto the website, and I don’t have to worry about it. It’s a pretty good platform; it works well for what I’m doing.”
- “I don’t think there’s a huge difference [in fees between Shopify and Clover]. I’m doing a lot more volume now than I was when I opened. When you don’t do as much, they charge a much higher fee. When you start doing more [sales volume], they offer you different packages that give better rates. To be honest, I haven’t checked in over a year. I probably should check to see if it makes sense to switch to another level, where I pay more per month but get a better percentage. We went up a level [of sales] a year and a half ago [with COVID], and our sales have been really high.”

#### Market Share Trends

- Did not discuss.

### 3) Industry Specialists

Clover is a strong platform that will help Fiserv stay competitive with upstarts in merchant acquisition, according to all four sources in this silo. Clover’s technology is on par with Square’s, while its distribution network and robust app marketplace give it an advantage over most competitors in the POS market. It is well-suited for small stores and restaurants but may not work as well for larger businesses, partly because its closed API model can make it difficult for organizations to connect other systems to Clover. Cloud-based platforms such as Clover are gaining share from older POS systems because of security concerns related to storing customer credit card data on site, one source said. Older platforms, including Fiserv’s First Data, could see further margin compression because they have always competed on price rather than features and technology, one source said. Banks have lost and will continue to lose market share in merchant acquiring because they have not focused on or invested in the technology to keep up, according to three sources. One, however, said a risk to Fiserv is if other big banks dissolve their partnerships with Fiserv to assert more control over the merchant acquisition part of the value chain, something Bank of America has done.

#### Key Silo Findings

##### Evaluating POS Systems

- 3 of 4 said Fiserv’s strong, multichannel sales network is a key advantage for Clover.
- 3 said Clover’s app marketplace is one of the platform’s strengths and differentiators. 1 other, however, said so many app options can be overwhelming for small businesses.
- 3 said Clover is a good fit for smaller stores and restaurants but can lose its appeal with midsize companies.
- 1 said security is an important selling point for Clover compared to older POS technologies that store customer credit card data on-site.
- 2 said Clover’s biggest weakness is its closed API, which can present challenges for merchants to integrate other systems.

##### Competitive Landscape

- 3 said Square and Clover are largely comparable.
  - 1 said Square is better for e-commerce.
  - 1 said Square is slightly simpler than Clover.
  - 1 said Square could suffer from a lack of focus as it pursues areas such as cryptocurrency and banking.
- 3 said they do not see legacy merchant acquirers like Fiserv dying out.
  - All 3 said the legacy players fell behind fintechs in technology but are doing a good job catching up.
- 1 said the biggest risk to legacy platforms such as First Data is that they have always competed on price, driving margins down, and may not be able to change their selling behavior to compete on technology and integrations.

- 2 said Toast is a terrific platform for the restaurant industry, but 1 of those said Clover can still do well in less complicated quick-serve restaurants.
- 1 said Clover's latest equipment is more geared toward restaurant franchisees, which could boost sales when widely available.
- 1 said [Lightspeed](#), following a number of acquisitions, is an innovative competitor.

## Market Share Trends

- 3 said banks are the biggest market share losers in merchant acquiring.
  - o 2 said banks don't have the technological chops to compete.
- 1 said banks could dissolve their partnerships with Fiserv to have more control over merchant acquisition and payment processing, a step that Bank of America already has taken.
- 1 said bundling merchant services into other business software is a potential headwind for Fiserv.
  - o Shopify's payments platform is an example.

## 1) Executive at a payment technology company; repeat source

Clover is helping Fiserv beat back the fintech companies. Clover offers a solid, comprehensive system for small and some medium-size businesses. Its app marketplace is the strongest in the industry, though apps outside of Clover's system can't be integrated. Clover's distribution is unmatched. It's weaker in niche areas, like doctors' offices, because it doesn't have strong billing and insurance services. It is not customized enough for businesses with revenue of more than \$15 million. Square and Clover are the top two players in POS, without a clear leader. Their functionality is similar. Fintech companies, with their better tools, initially caused problems for legacy players such as Fiserv. But now Fiserv and others are catching up. Through acquisitions and partnerships, Fiserv can work with fintechs rather than just compete.

### Evaluating POS Systems

- "Customer wants vary by industry, but almost everyone is looking for a centralized functionality for multiple sales channels and use cases, including e-commerce. People want systems that can manage inventories, websites and customers—with loyalty programs, for example."
- "The more aspects you can combine, the better the product, including payment capabilities and payroll, too. Those are must-haves."
- "Clover was built to be an answer for small and medium-sized businesses. Its strength is its app marketplace. That's their customized piece. It's one of the most robust in the POS space."
- "[Clover] has scale. Fiserv has an enormous sales channel. Its distribution is unmatched. In functionality, there's not much it can't do."
- "In terms of weaknesses, Clover can serve different industries but generally not more niche functions. And Clover users are using Fiserv in the end for payment processing. You don't have another option."
- "If an app isn't there [in Clover's marketplace] for functionality you want, you're out of luck. If you use another online ordering system, it won't work. You have to plug in to Clover. If you have marketing software that's not on their system, you have to get rid of that."
- "For any simple small business, Clover is a great solution. When you get to midsize companies with revenue of \$10 million to \$15 million, then you're looking for a more customized solution. Clover is excellent for restaurants, retail, and appointment management."
- "Outside of appointment management, it's not good for some medical businesses because there are billing and insurance issues they can't support."

Clover was built to be an answer for small and medium-sized businesses. Its strength is its app marketplace. That's their customized piece. It's one of the most robust in the POS space.

*Executive at a payment technology company*

### Competitive Landscape

- "Overall, Clover and Square are numbers one and two in POS. There's not a clear winner between them. Square has a better e-commerce system, but otherwise, their functionality is similar."
- "Toast generally has better restaurant functionality than Fiserv because that's all they do. But Clover will win at less-complicated quick-serve restaurants. Toast is more for full-service restaurants."
- "Lightspeed was retail only but has gone on an acquisition spree, including [Upserve](#) for restaurants. Lightspeed is an innovative up-and-comer. But for the most part, their market share is less than Clover."

- “Adyen is for large companies. You have to be above \$1 million in card volume. It doesn’t offer as much POS. It has good e-commerce for large companies with international capabilities. Clover wins the small-business space.”
- “Stripe is more payment processing than POS. They are developing POS, but they aren’t quite at Clover’s level in features and functionality. But in e-commerce, they will win quite often with SMBs and even enterprises.”
- “There aren’t too many risks to Fiserv’s legacy business. They have a fantastic, integrated presence. They’re the 500-pound gorilla in the space.”
- “Cloud-based technology is a risk. Fiserv does have an answer now with [Carat](#), but historically, they’ve struggled with more complex cloud platforms. Still, this isn’t a major issue.”

## Market Share Trends

- “The merchant acquirers aren’t dying out. They have been around for quite a while. A lot of fintechs like Square ate their lunch with better tools for merchandising, but now the gorillas are catching up on integration capabilities.”
- “Clover is responding well. If you’re looking for e-commerce, they’re a little weaker but improving. At the end of the day, they have benefited from fintechs’ presence.”
- “Banks are absolutely losing. They see merchant acquiring as an add-on to treasury services. Merchant acquisition is a service they reluctantly have to serve large companies.”
- “Banks don’t have the technology capacity to get the acquisition piece into payment processing. They couldn’t work through a social media account. They’ve been selling the same thing for 40 years.”
- “I don’t really see more disruption for Fiserv. They’re now more willing to work with fintechs, bettering them through Fiserv’s platform and scale. Fiserv can help fintechs through acquisitions and partnerships.”
- “There’s always a risk of Visa [Inc./V] and Mastercard [Inc./MA] taking business from Fiserv, but that’s a risk for everyone.”

**Banks are absolutely losing. They see merchant acquiring as an add-on to treasury services. Merchant acquisition is a service they reluctantly have to serve large companies.**

*Executive at a payment technology company*

## 2) Partner at a payments consulting firm; repeat source

Clover will not go away despite strong competition from Square and others. Its strong sales force and flexible equipment give it a boost, though its flexibility can also work against it by making its system too complex. The biggest problem for legacy players such as Fiserv is that they have competed on price, pushing profit margins down. Fiserv’s distribution network gives it a leg up, but it has to respond to the latest technology from the fintechs. Toast, Stripe, and Adyen are strong players as well. Payment facilitators such as Stripe are gaining ground as a one-stop shop for payment services. The overall pie is growing, but legacy players like Fiserv are getting a smaller share of it than five years ago.

### Evaluating POS Systems

- “The key product capabilities [for point-of-sale systems] depend on your industry. At a restaurant, for example, if you have a lot of servers, you want something that’s easy for them and can monitor all the tables, showing who has been served what. If it’s just one POS [terminal], like a coffee shop, you want something simple. It’s a way to keep track of staff and inventory.”
- “Clover’s strengths include its organized sales force. It’s multichannel; there are many ways of distribution—through bank partners, sales reps, and incoming calls.”
- “[Clover’s] equipment is quite flexible but, arguably, too much so. There are too many add-ins. They opened it to developers, which can be a strength, but it can be overwhelming. You can add an app for tracking restaurant tables or integrating a rewards program, for example.”
- “There are too many options. Simplicity is important, especially for small businesses. With Square, everything is in front of you, and you don’t have to make choices. Businesses don’t want to take much time setting things up.”
- “Clover does well in small stores and restaurants. When businesses gets bigger, they need something with more capacity. Larger stores and restaurants need greater functionality than provided by Clover, including the ability to integrate with systems such as those used for inventory management or accounting.”

### Competitive Landscape

- “Clover is fighting for the micro merchants that Square has. It’s a problem, because Square is dominant. In sit-down restaurants, Clover has tremendous competition from Toast, which has done a great job.”

- “The merchant acquirers with old technologies aren’t dying out. They have really good distribution networks, but they have to respond to the challenge of the fintechs, to make sure they are offering the latest and greatest. They have to scramble to keep up.”
- “The biggest problem for the legacy players is that they’ve competed on price. Ultimately, that just drives down margins.”
- “Payment facilitators are doing well—companies like Stripe. Their user interface is very simple. With a couple lines of code, you can accept payment.”
- “Clover is encumbered by being part of a big company, but they are successful because they have done well enough keeping up with the new tech guys and have a good sales force behind the product.”
- “Square does a fantastic job. It is going into larger markets now, but its selling proposition is better for small merchants. You set it up, and it works right away. Square opened the payments acceptance category for smaller merchants, largely by making it so simple that it didn’t need a sales force.”
- “Toast has figured out customers’ needs and built a combination of hardware and software that’s very good. It shows table status on handheld devices, with a different color depending on which course a table is eating. They did an incredible job designing it to meet the needs of their particular industry.”
- “Stripe’s forte is software. Just like Square made it easy for physical merchants, Stripe made it easier for websites. Initially, it didn’t touch the POS. They have some positive offerings for it now, but they don’t have much share. No one will leave Stripe. They have flat pricing.”
- “Adyen goes for larger-size businesses, and a lot of its customers are tech-friendly. They have great global reach. With one platform, you can connect to many different companies.”
- “Legacy companies have made acquisitions that they didn’t integrate well. All of the large legacy acquirers—Fiserv, FIS, Global Payments—grew through acquisition. Fiserv and First Data is one example; FIS and Worldpay is another; Global Payments and Heartland is a third. There are many more.”
- “By contrast, Adyen has an easy-to-use offering. It’s about tools. They have good fraud detection capability, for example.”
- “The biggest risk to the legacy First Data platform is margin compression. The sales force is used to one way of selling. They continue to cut margins to get customers. The risk is that they can’t change selling behavior. They have an attrition problem. They’re selling a commoditized process.”

[Clover’s] equipment is flexible, but, arguably, too much so. There are too many add-ins. They opened it to developers, which can be a strength, but it can be overwhelming.

*Partner at a payments consulting firm*

#### Market Share Trends

- “Payment facilitators are gaining market share because they’re a one-stop shop for payment services. The pie is growing, helping legacy players, but they’re getting less of it than five years ago. Merchant processing was traditionally sold through banks, but banks are now less important as a distribution channel.”
- “One other disruptive development: the absorption of payments into other services. In Shopify, for example, payments are brought into the system. That’s what’s happening more and more. To my knowledge, this is all e-commerce.”
- “From a merchant’s POV, [this combination of services] makes life easier, since they only have to contract with one entity, and they get merchant services as part of a larger package. [But] delivery of merchant services in this way means the provider [such as Fiserv] will have a very hard time getting the business of merchants that use Shopify.”
- “Another example is yoga studios. There is a firm called Mindbody which offers websites and software needed to run a yoga studio. Merchant services are also included. In this case, the yoga studios are not available [as potential customers] to Fiserv. The bundling of merchant services into other services is growing rapidly, appealing largely to small and medium-sized businesses that value the simplicity.”

### 3) Head of a payments consulting firm and a former head of a major bank’s payments division; repeat source

Clover and Square are the market leaders in point-of-sale systems and are largely comparable. Square is a little more technologically advanced but has a more scattered business model with its forays into cryptocurrency and banking. The fintechs have an advantage over legacy companies like Fiserv in that they can start from scratch and innovate. But Fiserv and its rivals have the benefit of experience. They have invested in robust systems with good quality control. Most small

businesses are not looking for a high-tech POS system. They just want something that works, so Clover appeals to them. Millennials might be more attracted to Square and its high-tech aura.

## Evaluating POS Systems

- “Clover’s strength is their apps. Apps build moats around themselves. There are some pretty fancy apps for finance, payroll, inventory, and checkout [in Clover’s app marketplace]. Once a merchant has developed a history with their apps, they don’t want to convert. Also, Clover has a large, strong organization behind it.”
- “Clover wasn’t initially designed to serve bigger merchants with multilane, multistore businesses.”
- “I’ve seen Clover in small fast-food locations, like a smoothie shop in a hotel. There are a lot of places where Clover and Square can play: sole-proprietor locations and stores with only a few locations, etc.”
- “The strength of Square and Clover is their ability to integrate data. They have apps that talk to each other. They collect data that you don’t have to reenter.”
- “Square and Clover are the leaders in this type of POS. Then there are software providers like Toast in specific verticals. The nice thing about Square and Clover is that you don’t have to pay them to write software. You just pay for the apps.”

## Competitive Landscape

- “Clover and Square are pretty comparable. Square is a bit more technologically advanced. They have pushed the envelope a bit. They moved to contactless technology sooner and more aggressively than Clover.”
- “What I worry about with Square is that because they’re doing so many different things, do they have the depth of management talent to make it all work? When you’re doing terminals and cryptocurrency and setting up a bank, what is the focus?”
- “With Clover, you know taking cards is the core business. You know that they have years of experience and talent. I wouldn’t call Fiserv the fastest innovator in the world, but what are you buying? Does it matter to the small merchant if a specific payment innovation is available today or in 12 months?”
- “Someone who’s a sole proprietor isn’t in the payment business. They just want a system to work without putting in a lot of effort. That might give Clover a slight advantage.”
- “But if you’re a young millennial, just the image of Square might give you a warmer feeling. Fiserv isn’t the image of a young, hard-driving business.”
- “Stripe’s innovation is largely focused on e-commerce. That’s a lot different game. It’s not a direct competitor to Clover. Of course, Stripe may want to get into POS, just like PayPal did. But that takes a commitment.”
- “The thing Clover has going for it is its apps, and that’s not something Stripe can duplicate quickly. Apps are what differentiate Clover and Square from the startups.”
- “The biggest risk to the legacy First Data platform is technological change. It bought companies but didn’t integrate their systems for a while. That has changed in the last few years.”
- “The processors and acquirers like Fiserv have higher price-earnings ratios than the banks. That’s because transaction volume doesn’t involve losses like loans or Wall Street trading. Businesses like Fiserv are more predictable.”
- “Some of the banks haven’t invested in merchant acquiring and payment processing. But Fiserv has its issues, too, because of its joint ventures with banks. Last year, Bank of America [left a payment joint venture](#) with Fiserv.”
- “[Fiserv] still has joint ventures with others, including Wells Fargo [ & Co./WFC] and Citigroup [Inc./C]. Will the banks in the other JVs have the same concern as B of A and make the same decision?”
- “We don’t know exactly why B of A [left the joint venture]—at least it is not known generally in the payments community. I suspect B of A wants more control over the business, the strategy, and the technology. JPMorgan Chase [ & Co./JPM] made a similar decision shortly after Jamie [Dimon] took over as CEO. JPMC’s business was called [Paymentech](#). JPMC owned approximately 50%, and, I believe, First Data owned the other approximately 50%. Jamie Dimon dissolved the partnership and took full control.”
- “The big issue for Fiserv is staying up with technology, which isn’t easy with all its legacy business.”

What I worry about with Square is that because they’re doing so many different things, do they have the depth of management talent to make it all work? When you’re doing terminals and cryptocurrency and setting up a bank, what is the focus?

*Head of a payments consulting firm  
and a former head of a major bank’s  
payments division*



## Market Share Trends

- “Legacy players like Fiserv aren’t dying out. They may have missed the boat a bit, because fintechs build from scratch. Fintechs don’t need to maintain a legacy revenue stream, so they can move fast and break a few things. But over a period of time, they will have to deal with legacy systems, too, as technology changes.”
- “One of the things that’s difficult for fintechs is that the older companies have been around long enough to invest in robust systems. That means good uptime and quality control.”
- “This isn’t something fintechs can bring to the party as quickly. The older guys have the value of experience and sources of capital.”
- “[Amazon.com Inc.’s/AMZN] Amazon Web Services had two significant outages this month. Any fintech that didn’t have a backup was out. But fintechs may not be able to invest in backup.”
- “That’s part of the landscape at Fiserv. They have a tested infrastructure. Of course, the downside to processes and procedures is they can slow you down. It’s a fine line to walk.”

## 4) Clover sales specialist with a major bank’s merchant services division

Clover has been growing steadily for the past two years, buoyed by merchants concerned about data security who are switching from legacy POS systems to cloud-based platforms. A major hurdle for this bank’s clients to use Clover is the difficulty of integrating the platform with other systems.

### Evaluating POS Systems

- “I used to work with [a broad range of] Fiserv software, but now I focus on Clover. The majority of merchants I see switching over to Clover is for security. It offers a lot more security than a [lot of older] POS terminals because it’s all stored in the cloud.”
- “Customers are switching to Clover from the older POS systems. But as far as [market share changes among newer software], I’m not seeing anything in particular [that’s winning out].”
- “We have a group of sales consultants that let [our bank’s] clients know about things like security and inventory—for example, that they can store up to 10,000 items on the Clover system.”
- “Clover’s security has been a major selling point for customers to switch over. [Merchants] don’t want credit card data compromised. Even if the Clover hardware were to be stolen, as soon as the equipment is reported lost or stolen, it can be wiped clean—versus the legacy hardware, where data is stored on-site.”
- “One key reason [merchants choose something other than Clover] is the closed APIs. A lot of questions we get asked by merchants relate to whether Clover will integrate with their existing system. Clover doesn’t integrate with anything unless that particular software that they use has a specific integration tool to integrate with the Clover dashboard. For the most part, this would involve the merchant getting their [software] developers to design something that integrates with the Clover system, instead of being the other way around.”
- “We get a lot of questions about integration, and once we tell [clients] that they have to do the integration on their end, then a lot of merchants decide it’s not worth the headache.”
- “Smaller businesses that want to build the company might choose Clover because of what’s called ‘[Insights](#),’ where you can see where your customers are. That’s one thing that can help grow a small business. It shows where your highest traffic comes, for example, and you could do a happy hour for that larger crowd at a certain time.”
- “Other [selling points for Clover are] applications available in the app store. There are proprietary apps as well as third-party applications, which can apply to whatever a business is geared to. [Gift cards](#) is another one—a gift card loyalty program that rewards your loyal customers.”
- “We see customers using Clover right from businesses starting out all the way up to a multimillion-dollar corporation or a smaller franchise.”
- “We let our customers know upfront what their [card] processing fees will be, and we also let them know there might be extra charges from Clover related to apps and any other features.”

The majority of merchants I see switching over to Clover is for security. It offers a lot more security than a [lot of older] POS terminals because it’s all stored in the cloud.

*Clover sales specialist with a major bank’s merchant services division*

### Competitive Landscape

- “I don’t know whether Clover has better security than Square or other [next-generation competitors]. Our selling point is security [compared to the legacy POS systems].”

#### Market Share Trends

- “Right now, Clover is doing well in the online and retail space. I see companies switching over because of [Clover’s] virtual terminal.”
- “When Clover was first introduced, it wasn’t geared toward restaurants or fine dining, but now they’ve adapted and made some changes. New equipment is available which is more suited to franchises. Those new devices are now available in Canada and will be a major thing going into next year.”
- “Clover is holding market share, and it’s growing slightly, especially now that the [restaurant-friendly] devices [are available]. I’d have to see what the beginning of next year looks like [to predict sales growth], but the last two years, I’ve seen [sales of Clover] grow.”

## Secondary Sources

These two secondary sources focused on reviews of Fiserv’s Clover point-of-sale system. An expert reviewer gave Clover high marks for ease of use but said its third-party distribution network brings risks. Meanwhile, Clover garnered a series of brutal user reviews from merchants.

#### Merchant Maverick expert [review](#)

Clover is simple to use and easy to get up and running, but a disconnect exists between Clover and its users because of the way the product is sold.

- “There’s so much that Clover does exceptionally well. During a trial run, I encountered very few red flags with the software itself, and it truly is one of the most intuitive programs I’ve dealt with. I love the simplicity of the interface, and it’s hard to beat the visual appeal and practical design of the hardware. Clover is easy to use, adaptable, and able to integrate with many useful third-party applications.”
- “There’s a lot to like about an all-in-one POS that you can pull from the box and have up and running within minutes. Clover’s newest ‘Clover Payments’ plan also makes Clover more competitive with Square, which offers the same processing rate (2.6% + \$0.10) and no monthly software fee.”
- “However ...”
- “One of my primary concerns about Clover is that thousands of different banks, merchant services providers, and small business suppliers sell it. In general, I applaud a system that is set up for competitive pricing/rates, but there is something lost when a company stops providing support for its product. I’m troubled by the inherent disconnect between Clover, as a company, and the people who use the product. Worse still, we’ve continued to see multiple complaints about Fiserv regarding negligent customer service and sketchy interactions that leave customers feeling scammed.”
- “These issues hold Clover back from being one of the truly elite products on the market, which is unfortunate. I generally don’t have a problem recommending Clover to customers because the software won’t leave you wanting. One of the best things about the system is that, unlike some Clover competitors, you can easily add on features or upgrade systems if you like what it offers and find that your needs have changed.”
- “That said, those of you who want a simple, attractive POS solution—and don’t mind taking a risk on customer service and payment processing—could do a lot worse than Clover and its many different offerings. Just be sure to work with a vendor you trust (our favorite is Payment Depot) and research their support/technical assistance policies beforehand.”

#### Merchant Maverick [user comments](#)

Clover users complained mostly about poor customer service and a lack of transparency.

- “**Sharon Janik, Just Peachy waxing:** Don’t do it!!! Online with support now at 58:08 minutes. Let 4 customers go without paying. They have very poor support!”

- **“Jeremiah R. Sammons, SH Salons:** If I could leave 1-star I would!!! This company is an absolute nightmare in every single way!!!!!!! Lost money, horrible tracking, the worst customer service, and a phone system which is RIDICULOUS!!!”
- **“Mary A Roberts, Fins Eatery and Pub:** Read the reviews people and act accordingly. Sure, this is a simple system to use. The reports are handy. But it stops there. We upgraded to the Clover and sent our previous POS system back. Even though it was signed for they denied receiving it. This we found out when SEVENTEEN HUNDRED DOLLARS was removed from our checking account. We are a small business and this devastated us. It took weeks to get that money put back into our account. And it didn’t go in all at once?! I spent so many hours on the phone with possibly the worst customer service ever! Oh, they are happy to help you get involved with their company but once you do that flies out the window. I had to deal with a particular individual who became increasingly rude. I tried to be as courteous as possible but quite frankly I started to mirror back how I was being treated. They have a ‘call me’ feature that has only worked a handful of times for us so when we have an issue we have to spend ten minutes verifying it’s us. When you are busy this is very frustrating! For whatever reason we go offline then they have to get into our system and correct that. There are times tickets do not get printed in the kitchen even though it shows ‘printed’ on our end. If you have to keep checking to be sure a ticket went in how is that productive? I understand glitches in the system but one would think a software glitch should be able to be corrected. If you decide on this system, I advise you be sure they are upfront with ALL FEES. We were getting charged 25\$ per month for some cockamamie reason only to realize that once we argued it they brought the fee down to \$12. They charged us for being non-compliant when our system did not need to be scanned and it was only after someone was honest with us and told us this fact that we were no longer required/charged. Choosing a POS system/Processor is a big deal and you should do your due diligence, not make any quick decisions and possibly record your calls when being set up to use their services. I wish I had recorded my conversation with the salesperson that worked with me to update my system: she said that in 2019 my monthly fee would drop from 280\$ to \$130. It never happened. The leasing company said they had no idea why I was told that. In closing, when a company gets so many one stars there is a reason.”
- **“Kyra Pless, COT, Inc.:** DON’T DO IT!!! Don’t do a trial with Clover Processing or else ... You will face what we are going through right now—a simple trial has lead to SEVERAL months of charges to our bank account, an inability to cancel, despite our prompt return of equipment early on in the trial. We’ve called and emailed, get no response and are still being charged fees to our bank account. UGH!!! One of the most frustrating things I’ve had to deal with as Controller of a company.”

---

Additional research by Emily Carr and Dan Weil.

The Author(s) of this research report certify that the information gathered and presented in this report was obtained in accordance with Blueshift Research’s compliance protocols as outlined in the company handbook. All Blueshift reporters identified themselves as reporters/researchers from Blueshift Research and articulated the purpose of the research. To the best of our knowledge and efforts, Blueshift confirmed that the underlying source(s) lawfully obtained the information shared with Blueshift and were entitled to provide such information to Blueshift without breaching a duty to another party. The data in this report has undergone review from Blueshift Research’s Compliance Officer and has been approved for distribution to Blueshift Research’s clients.

© 2021 Blueshift Research LLC. All rights reserved. This transmission was produced for the exclusive use of Blueshift Research LLC, and may not be reproduced or relied upon, in whole or in part, without Blueshift’s written consent. The information herein is not intended to be a complete analysis of every material fact in respect to any company or industry discussed. Blueshift Research is a trademark owned by Blueshift Research LLC.