Ai-Menu Systems Pty Ltd

# Submission to the Review of Payments System Regulation

Integrated platforms and the bundling of payment services


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## About Ai-Menu

Ai-Menu Systems Pty Ltd is an Australian hospitality technology provider servicing hundreds of hospitality businesses across Australia and New Zealand.

Our platform brings together point-of-sale software, payment acceptance, payment terminals, ordering technology, online ordering, QR ordering, bookings, loyalty, kitchen operations, reporting, hardware and local support.

Our customers are predominantly small and medium-sized hospitality businesses. These businesses typically do not have dedicated information technology, payments or systems teams. They therefore place significant value on having one integrated solution, one support relationship and clear accountability when something goes wrong.

Ai-Menu welcomes the opportunity to respond to the Reserve Bank of Australia's Review of Payments System Regulation, particularly Questions 3 and 4 concerning integrated platforms and the bundling of payment services.

## Executive summary

Ai-Menu strongly supports competition, transparency and genuine merchant choice. However, we do not believe that bundling payments with software, hardware and operational services is inherently anti-competitive or inefficient.

**In hospitality, integration is often the product the merchant is purchasing.**

Venues do not generally select a point-of-sale platform merely to obtain the lowest possible payment processing rate. They select an operational system that must reliably manage ordering, payments, refunds, table service, kitchen production, reporting, reconciliation, online sales, loyalty and customer support.

Competition therefore occurs between complete platforms and their overall value propositions—not simply between isolated payment processing rates.

Mandatory de-bundling, or a requirement that every integrated platform support any payment service provider selected by the merchant, would introduce substantial development, certification, hardware, support and compliance costs. These costs would ultimately be paid by hospitality venues and, in many cases, passed through to consumers through higher menu prices or other charges.

Payment processing has a real and unavoidable cost. Regulation may determine where that cost appears, but it cannot make the cost disappear.

Ai-Menu recommends that the RBA:

1. Not introduce a general requirement to de-bundle payments from integrated platforms.
2. Not require platforms to support every third-party payment provider.
3. Focus any intervention on transparency, misleading conduct, unreasonable contractual restrictions or deliberately punitive switching practices.
4. Assess competition based on the total cost and value of the platform, rather than payment pricing in isolation.
5. Carefully consider the effect of any regulation on SME costs, innovation, reliability, security and consumer prices.

## Response to Question 3

### How difficult is it for merchants to switch away from an integrated platform?

Changing an integrated hospitality platform can involve significant operational work. However, this does not necessarily mean that the merchant is being improperly prevented from switching payment providers.

A modern hospitality platform may support:

- point-of-sale software and hardware
- payment terminals and payment processing
- table management and pay-at-table functionality
- online and QR ordering
- refunds and pre-authorisations
- kitchen printing and production displays
- loyalty and customer accounts
- reporting and financial reconciliation
- menu management
- staff permissions
- integrations with accounting, payroll and delivery providers
- ongoing support and system monitoring

Changing one component can affect many others. Some switching friction is therefore a natural consequence of replacing a business-critical operational platform, just as it can be when replacing an accounting, payroll, enterprise resource planning or property management system.

This should be distinguished from artificial or deliberately created switching barriers.

A merchant may decide to change providers because another platform offers better software, better service, lower total cost, more suitable hardware or a different payments arrangement. That is legitimate competition between platforms.

Merchant choice should primarily be considered at the point the merchant selects an integrated platform. A merchant should be free to compare alternative platforms, understand their pricing and contractual conditions, and select the overall solution that best suits its business.

Merchant choice should not automatically be interpreted as a continuing entitlement to combine any software platform with any third-party payment provider after the platform has been selected.

Requiring that level of component-level interchangeability would significantly change the economics and technical architecture of integrated platforms.

### Transparency

Ai-Menu supports clear disclosure before a merchant enters into an agreement. Merchants should be able to understand:

- whether payment services are required or optional
- the applicable payment pricing methodology
- any minimum term
- hardware ownership or rental arrangements
- termination obligations
- whether incentives or discounted software and hardware are conditional on payment processing
- what happens if the merchant stops using the payment service
- the process for obtaining and exporting relevant business data

Greater transparency can assist merchants without dismantling the integrated business model.

Where a provider supplies discounted or subsidised software, hardware, installation or support in exchange for the merchant’s payment processing business, this arrangement should be clearly disclosed. However, such an arrangement should not be prohibited merely because individual components have been commercially packaged together.

## Response to Question 4

### Does bundling raise competition, efficiency or financial-safety concerns?

Bundling may raise concerns in particular circumstances, such as where there is misleading pricing, undisclosed contractual restrictions, unreasonable termination penalties or conduct by a dominant provider intended to exclude competitors.

However, bundling itself should not be treated as evidence of a competition problem.

For hospitality SMEs, integrated platforms can produce substantial efficiency and safety benefits.

## Operational efficiency

An integrated solution reduces the need for venues to manage multiple suppliers, contracts, devices, integrations and support teams.

When payments, point-of-sale software and hardware are supplied together:

- transactions can be automatically matched to orders
- manual payment entry is reduced
- reconciliation is simpler
- refunds can be controlled through the point-of-sale system
- payment status can be communicated directly to kitchen and ordering systems
- support teams can diagnose the complete transaction flow
- venues have clearer accountability during an outage or incident

These are material benefits for hospitality businesses operating in fast-paced environments with high staff turnover and limited administrative resources.

## Reliability and accountability

Fragmented systems frequently create disputes about responsibility.

When a transaction fails, a software provider may blame the payment terminal, the payment provider may blame the point-of-sale integration, and the hardware supplier may blame the network. The venue is left coordinating between multiple providers while customers are waiting to pay.

An integrated provider has stronger incentives to make the complete transaction work and can take responsibility for the outcome.

Mandatory de-bundling could increase the number of technical interfaces, failure points and support hand-offs. This may reduce, rather than improve, efficiency and operational resilience.

## Security and financial safety

Integrated payment functionality requires ongoing investment in security, certification, terminal management, fraud controls, payment data handling, software testing and compliance.

Allowing an unlimited range of payment providers to connect to a platform is not simply a matter of providing an open connection. Each integration may require:

- development and ongoing maintenance
- certification and recertification
- security assessment
- terminal testing

- refund and settlement testing
- support procedures
- incident management
- version compatibility
- responsibility and liability arrangements

A platform may reasonably choose to support a limited number of payment providers so that it can properly maintain, secure and support those integrations.

A requirement to support every requested provider could encourage lower-quality integrations, unclear responsibility and slower security updates.

## Innovation

Revenue generated through integrated payments can fund the continued development of software, hardware, support and new functionality.

This has enabled platforms to offer innovations such as:

- pay-at-table
- mobile ordering
- QR ordering and payment
- online payments
- integrated refunds
- pre-authorisations
- automated reconciliation
- mobile point-of-sale devices
- loyalty integration
- offline and connectivity-resilience features

Artificially separating payments from the wider platform could reduce the commercial incentive and available funding for this innovation.

It may particularly disadvantage smaller Australian technology providers that compete against much larger global businesses. Large providers may be able to absorb new compliance and integration costs, while smaller platforms may not.

Regulation intended to increase competition could therefore unintentionally increase market concentration.

## The likely cost of mandatory de-bundling

Payment processing is not costless.

It involves costs associated with card networks, interchange, acquiring, fraud management, chargebacks, settlement, terminals, connectivity, security, compliance and support.

Similarly, software, hardware, installation, training and ongoing support all have real costs.

An integrated platform may recover these costs across the overall commercial relationship. For example, it may provide discounted hardware, lower software fees, installation support or ongoing technical services because it also earns revenue from payment processing.

If regulation requires these elements to be separated, the platform will need to recover its software, hardware, installation and support costs through higher standalone charges.

The likely result would not be that venues stop paying for these services. Rather, venues may face:

- higher software subscriptions
- separate hardware purchase or rental charges
- additional integration fees
- separate support contracts
- higher installation costs
- certification and maintenance charges
- greater internal administration and reconciliation costs

Hospitality businesses operate on relatively narrow margins and face significant labour, rent, food, insurance, energy and compliance costs. Additional technology and payment costs cannot simply be absorbed indefinitely.

Venues will generally have three options:

6. Increase menu prices or introduce other service charges.
7. Reduce staffing, investment or service levels.
8. Accept lower profitability and, in some cases, reduced business viability.

Accordingly, regulation that unnecessarily increases the cost of integrated technology is likely to create additional upward pressure on hospitality prices.

The underlying payment cost must ultimately be met by the payment provider, platform, merchant or consumer. Changing how services are packaged does not remove that cost. It merely changes where and how it is recovered.

## Competition should be assessed at platform level

The relevant market is increasingly competition between complete business platforms.

Hospitality venues compare providers based on matters including:

- total cost of ownership
- software capability
- hardware quality
- payment acceptance
- reliability
- reporting
- integrations
- local support
- implementation assistance
- training
- contract terms
- innovation and future development

A platform with a slightly higher payment rate may provide substantially better software, free or discounted hardware, lower support costs, improved reliability or operational savings that exceed the difference in payment pricing.

Conversely, a provider advertising a low payment rate may charge additional terminal, software, gateway, support or transaction fees.

Regulation focused too narrowly on the payment component risks producing a misleading view of the actual economic outcome for the merchant.

The RBA should therefore consider the total cost and value of the merchant relationship rather than assuming that the lowest standalone payment rate necessarily produces the best competitive or efficiency outcome.

## Recommended regulatory approach

Ai-Menu does not believe there is a public-interest case for broad regulation requiring integrated platforms to de-bundle payments or support all third-party payment providers.

Any regulatory response should be targeted and proportionate.

We would support measures that require integrated providers to:

- clearly disclose whether payments are bundled or mandatory

- explain the principal fees and contractual conditions
- disclose material consequences of ceasing payment processing
- avoid misleading representations about purportedly “free” software or hardware
- provide reasonable access to the merchant’s business data
- avoid penalties that are disproportionate to legitimate unrecovered costs

However, platforms should remain free to:

- offer commercially bundled packages
- subsidise software, hardware, installation or support through payment revenue
- select payment partners based on technical, security and commercial considerations
- decline to build or support integrations that are uneconomic, unreliable or insecure
- compete based on their complete ecosystem and customer experience

Before considering intervention, the RBA should require clear evidence of material consumer or merchant harm that cannot be addressed through existing competition, consumer-protection or contract law.

Any proposal should also be subject to a detailed regulatory impact assessment examining:

- implementation costs
- SME pricing
- effects on hospitality consumer prices
- security and reliability
- innovation
- support complexity
- the effect on smaller Australian technology providers
- the likelihood of increased market concentration

## Conclusion

Ai-Menu strongly supports a competitive, efficient and secure Australian payments system.

However, mandatory de-bundling of payments from software, hardware and operational services would not necessarily improve competition. It would risk fragmenting systems, increasing technical complexity, weakening accountability and raising the total cost of technology for small and medium-sized merchants.

**Integrated hospitality platforms deliver value precisely because their components work together.**

Merchants should receive transparent information and be protected from misleading or unfair practices. They should also remain free to select a different integrated platform where another provider offers a better overall solution.

That is genuine merchant choice.

Regulation should not remove the ability of platforms and merchants to voluntarily enter into bundled arrangements that reduce upfront costs, improve efficiency and enable continued innovation.

Payment processing must ultimately be paid for. If providers are prevented from recovering that cost efficiently through an integrated commercial model, it will be recovered elsewhere—through higher software fees, higher hardware costs, reduced service or higher prices to consumers.

For these reasons, Ai-Menu recommends that the RBA not prioritise general de-bundling regulation and instead focus on targeted transparency and protections against demonstrably unfair or anti-competitive conduct.