



Beyond SaaS: The Strategic Case for Embedded Finance

Unlocking Revenue, Retention, and
Valuation in the Era of AI



A STRATEGIC BRIEF FOR SOFTWARE EXECUTIVES

Software Evolution: From Access to Action

SaaS 1.0: Access



The Cloud. Moving on-prem to browser.
Rev = Subscriptions.

SaaS 2.0: Connectivity



Mobile & APIs.
Integrated workflows.
Rev = Subs + API.

SaaS 3.0: Convenience



Integrated Payments.
Seamless checkout.
Rev = Subs + Payments.

SaaS 4.0: Capital & Labor



Vertical AI +
Embedded Finance.
Software manages funds.
Rev = Subs + Payments
+ Lending + Issuing.

Software is the New Bank Branch

Financial services follow distribution. Distribution has moved from physical branches to software workflows.

The Past: Destination



The Present: Embedded



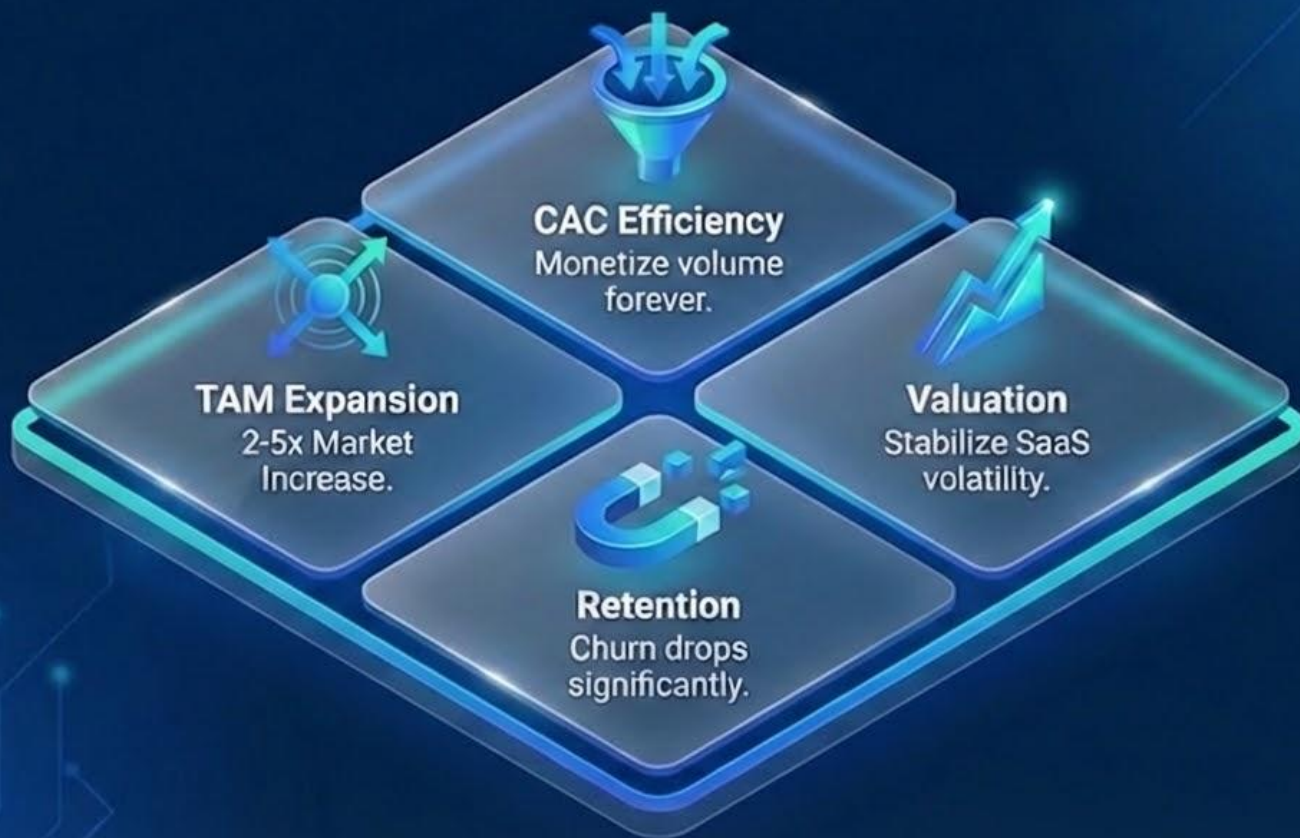
In the future, financial services will be delivered via software

The “Layered Cake” Product Strategy

Embedded finance creates new revenue streams for software companies, increasing margin and retention



Embedded Finance Business Case



The Economic Multiplier

Expanding Revenue Potential per Customer



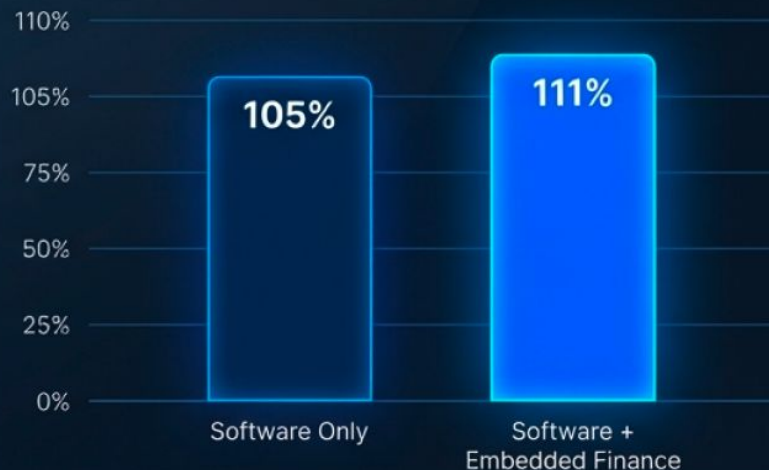
The Retention Engine: Operational Entanglement

Embedded finance creates a moat that reduces churn by 50%.

Gross Revenue Retention (GRR)



Net Revenue Retention (NRR)



When a platform handles a business's money, switching providers becomes an operational impossibility.

The Valuation Premium: What Investors Pay For



The Blueprint: Shopify

From E-commerce Builder to Financial Ecosystem



The Hardware Trojan Horse: Toast

Solving the High-Volume Chaos of Hospitality

The Old Way



The Toast Way

~83% of Revenue from Fintech



100% Payment Attach Rate via Hardware Control

Compliance as a Feature: Clio

Solving Trust Accounting in the Legal Vertical



Doubled ARR to
\$200M+
within 2 years of
launching
embedded
payments.

Monetizing the Workflow

Freshbooks (B2B/Freelance)



**Paid 9 Days
Faster**

Value Prop: Speed of Cash. Moved from referral model to PayFac-as-a-Service.

Mindbody (Wellness)



**+66%
Customer LTV**

Value Prop: Stickiness. Integrated booking and payments reduces churn.

How Embedded Finance Works

Understanding the infrastructure partners behind the scenes.



Embedded Payments: implementation spectrum

Build, Buy, or Partner?



Underwriting with 'Unfair' Data Advantages

Using Real-Time Sales Data vs. Lagging Credit Scores

The Embedded Capital Engine



Repayment Mechanism: Automatic deduction of % of daily sales.
Flexible for the merchant, lower risk for the platform.

Keeping Funds in the Loop

Embedded Banking & Issuing

- Issue the bank account, not just the payout.
- Instant access to funds (No T+2 wait).
- Monetize interchange on spending.



It's Not Just an API Integration

Key Challenges & Risks

Compliance



Compliance

KYC, AML, and Trust
Accounting rules.

Risk Management



Risk Management

Liability for fraud,
chargebacks, and
credit losses.

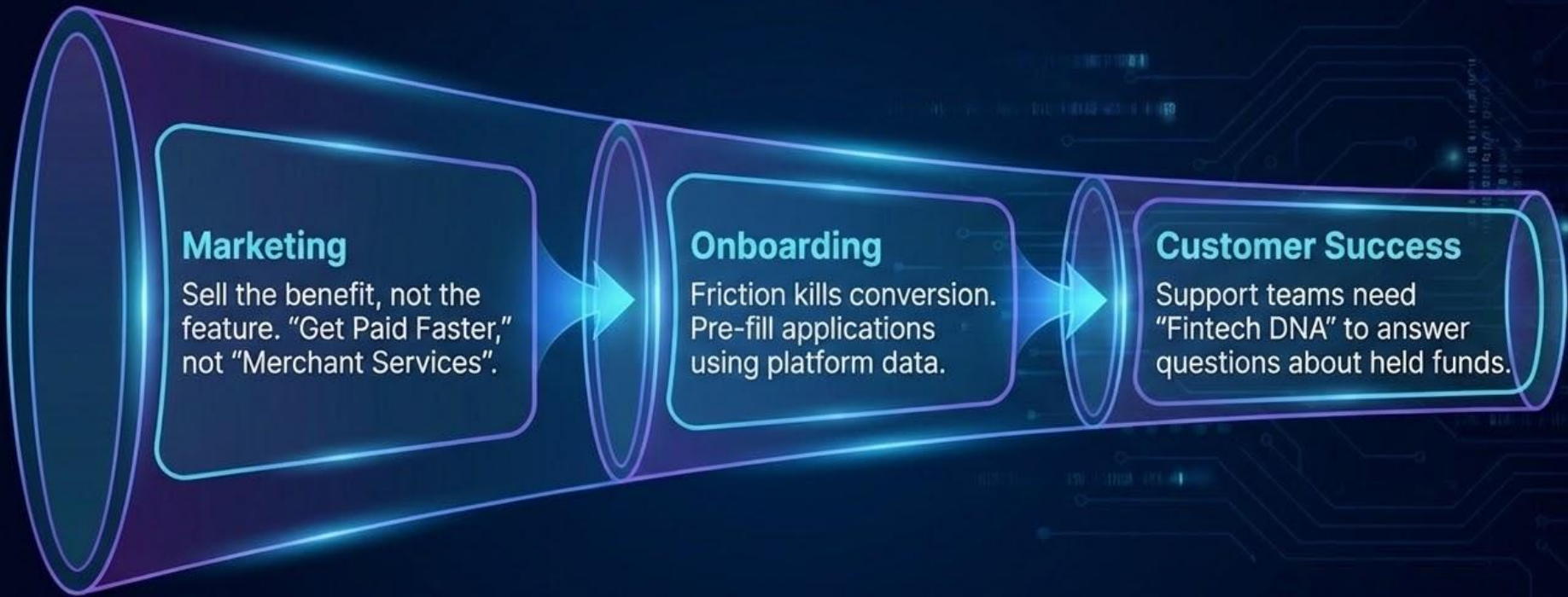
Support Burden



Support Burden

Questions shift from
"Reset Password" to
"Where is my money?"

Driving Adoption: It's Not 'Build It and They Will Come'



Adoption requires active education and incentives.

You can't just ask your current Product Manager to "do fintech."



Traditional SaaS PM

- Focus:
- User Experience,
- Features, Roadmap.



The New Requirement: GM of Payments

- Focus:
- Vendor selection and management, Risk & Compliance, Margin Optimization, Driving Adoption.

Insight: Talent is scarce and expensive. Fractional GMs are emerging as a solution to access expertise without the full-time headcount costs.

Strategic Checklist for the C-Suite



Identify Control Points.

(Where does money change hands? Invoicing? Payroll?)



Select Your Wedge.

(Usually payments, but is the real pain point working capital?)



Evaluate Partners.

(Prioritize 'Compliance as a Service' and aligned incentives.)



Align Internal KPIs.

(Assign a GM with P&L responsibility. Treat as a product launch.)

The Future is Embedded



The winners of the next decade won't be standalone banks or standalone software.

They will be Vertical Operating Systems.



CHARGE FORWARD