



PRIVATE EQUITY & VC INSIGHTS

# Embedded Payments: Revenue Multiplier

Payments Insights & Strategies for Investors in  
vertical SaaS Platforms

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## Embedded Payments: Revenue Multiplier

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### Executive Summary

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The digital transformation of financial services has unveiled a remarkable opportunity for software platforms to reimagine top-line revenue generation opportunities through embedded payments. What was once considered a simple transactional utility has emerged as a sophisticated strategic lever for financial growth, fundamentally changing how software companies & software platform investors conceptualize their value proposition.

Traditionally, payment processing was viewed as a necessary operational function, a cost center that software platforms reluctantly integrated to meet customer needs. Today, forward-thinking software companies & investors recognize embedded payments as a pivotal revenue generation mechanism with the potential to dramatically transform their economic model.

The most successful software platforms are moving far beyond simple transaction fees, developing nuanced approaches that create multiple layers of revenue growth. By transforming payments from a basic processing tool to a comprehensive business intelligence platform, these companies are unlocking unprecedented revenue potential & returns for investors.





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### The Evolving Landscape of Payments Monetization for SaaS

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The digital payments ecosystem is undergoing a radical transformation. IDC projects that by 2030, 74% of global digital payments will be processed through platforms owned by non-financial institutions, including software companies.<sup>1</sup> This shift represents more than a technological trend – it's a fundamental reimagining of how software platforms can create value.

Traditionally, payments were viewed as a necessary operational function. Today, they represent a critical strategic asset. One Worldpay customer, a studio management platform, has seen a well-executed embedded payments strategy fuel 40% growth for their business over the last few years.<sup>2</sup>

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### Payments Revenue Opportunity – NRR & GRR Amplifiers

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The impact of embedded payments extends far beyond simple transaction processing revenue. Investors should consider the ways these solutions drive additional amplified value via looking at what they can do for Gross Revenue Retention (GRR) and Net Revenue Retention (NRR). GRR is a metric that focuses solely on customer retention by measuring revenue after stripping out any upgrades or expansions. Meanwhile, NRR measures both retention and growth by factoring in upselling, cross-selling & expansion initiatives.

#### Net Revenue Retention (NRR)

The strategic potential of embedded payments to amplify Net Revenue Retention represents a transformative opportunity for software platforms. Unlike traditional revenue streams, embedded payments create a multidimensional value proposition that directly enhances customer stickiness and expansion potential.

Typically, a software platform's baseline NRR might hover around 95-100%. However, platforms with sophisticated embedded payment strategies can push this metric significantly higher. A Worldpay case study illuminates this potential: software platform customers with integrated payments achieved an NRR of 105%, compared to 95% for those without -- a 10-point differential that can translate into millions of dollars in additional enterprise value.<sup>3</sup>



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This NRR amplification occurs through multiple mechanisms, including:

- Additional revenue streams beyond core software subscription
- Enhanced value-added services that increase platform utility
- Reduced customer churn through comprehensive financial solutions

In the current macroeconomic environment characterized by slower growth and increased scrutiny, embedded payments offer a strategic resilience mechanism. A concept directly aligned with embedded payments is an efficient growth strategy.

### Gross Revenue Retention (GRR)

The most innovative vertical SaaS platforms are developing sophisticated tiered revenue models that allow for multiple monetization points. These models are strategically designed to enhance Gross Revenue Retention by creating layered value propositions that make platform migration increasingly complex and unattractive.

A typical advanced embedded payments model might include:

- Basic payment processing with standard fees
- Premium reporting and analytics packages
- Advanced fraud detection and risk management services
- Integrated working capital solutions
- Customized financial insights and benchmarking tools

Each of these layers represents a distinct revenue generation opportunity, allowing platforms to create multiple value propositions for merchants. From a GRR perspective, this approach creates multiple hooks that anchor merchants more deeply into the platform ecosystem.

The strategic implication is clear: payments are no longer a cost center, but a potential growth multiplier. In the SaaS world, where every percentage point of retention matters, such a difference can mean millions in additional revenue over a company's lifetime.



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Different Payments Monetization Models

Which embedded payments model fits best varies significantly depending on the strategy & various operational & technical requirements needed by each software platform. Understanding these model characteristics & the business needs is the key to unlocking substantial revenue & value creation. Software companies have three primary approaches to embedded payments<sup>4</sup>:

	Referral Payments	PayFac-as-a-Service	PayFac®
Software implementation	Payment application only	Payment application - out-of-the box UI or custom development	Custom development
Staffing required	Sales (minimal)	Sales, Marketing, Product, Support, Customer Success	Full scale Payments team incl. Risk, Underwriting, AML, Compliance
Implementation time	0-1 months	2-4 months	9-12 months
Sales	PSP	Software platform	Software platform
Merchant Underwriting & Risk	PSP	PSP	Software platform
Customer experience & Support	PSP	Software platform	Software platform
Pricing & contracts	PSP	Software platform	Software platform
Branding	PSP	Software platform	Software platform
Operational costs	Minimal	Medium-High	High
Revenue Potential	\$	\$\$	\$\$\$

Each model presents significant monetization opportunities, but the decision demands balancing strategic goals with technological & operational capabilities specific to the market needs. Investors who understand and support these nuanced strategies can drive significant value appreciation across their portfolio companies.



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### Value Creation Strategies for Investors

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The total addressable market for embedded payments is estimated at \$35 trillion, with projected B2B payments revenue expected to grow from \$1.9 billion in 2021 to \$6.7 billion by 2026.<sup>5</sup> This represents not just incremental growth, but a fundamental restructuring of how software platforms can create and capture value. We offer a few value creation strategies on how investors can tap into embedded payments revenue growth for their software platform investments.

#### Move Beyond Subscription-Only Revenue

The traditional SaaS subscription model captures only a fraction of potential customer value. Investors should guide portfolio companies to implement embedded payments to leverage payments-related fees that scale automatically with customer growth. Further, platforms should look to offer premium value-add financial services such as advanced analytics and working capital solutions to broaden the revenue pot. Developing a tiered pricing structure that maximizes revenue across different customer segments is also paramount. Software platforms with robust embedded payment strategies typically command 2-5x higher valuation multiples compared to subscription-only competitors.<sup>6</sup>

#### Low CAC Cross-Sell Opportunities

Embedded payments can create exceptional efficiency by monetizing existing customer relationships with minimal acquisition costs. By introducing payments & VAS to existing customers through natural product evolution, SaaS companies can effectively reduce CAC to near-zero. The platform can drive organic adoption of these services through seamless workflow integration rather than dedicated sales efforts. This allows a focus of marketing resources on core product acquisition, knowing that payments revenue follows automatically. The approach significantly improves overall marketing ROI and efficiency metrics while creating new revenue streams.

#### Build Payment-Driven Software Stickiness to Avoid Churn

An embedded payments strategy can fundamentally transform customer retention and eliminate platform churn to safeguard & grow SaaS platform revenue. By creating operational dependence,



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payments become integrated into the core business workflows & the customer/merchant experience to drive stickiness. Companies can then leverage payments-related data over time to build valuable financial insights to grow & deepen the customer relationship. This establishes ecosystem entrenchment where each additional payment-adjacent service adds another layer of dependency between the customer & the platform creating more value.

The most successful investors will develop a dynamic, data-driven approach to embedded payments which use these strategies to respond to evolving customer/merchant market dynamics. These embedded payments strategies can help SaaS investors & portfolio companies to enhance top-line revenue, improve customer acquisition, and strengthen retention metrics, all creating sustainable, long-term value appreciation.

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## Conclusion

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Embedded payments represent a pivotal opportunity for software companies to reimagine their revenue models. By moving beyond traditional transactional approaches and embracing a strategic, integrated perspective, companies can unlock significant value. Software platforms who transform payments from a simple processing function to a strategic revenue generation mechanism that provides comprehensive value to merchants/customers are the winners. For investors, this represents more than a technological trend – it's a fundamental shift in how your software portfolio companies can create, capture, and expand value.

*For more insights & support on how Worldpay can help your PE/VC firm or portfolio investments related to payment strategies, contact our Private Equity Partnerships team.*

Sources: <sup>1</sup> <https://platforms.worldpay.com/blog/embedded-payments-explained-everything-software-companies-need-to-know/>; <sup>2</sup> <https://platforms.worldpay.com/blog/saas-executives-say-their-platforms-embed-finance-products-to-lift-revenue-by-40/>; <sup>3</sup> <https://platforms.worldpay.com/resources/podcast/generating-growth-insights-from-a-former-software-company-cro-episode-37/>; <sup>4</sup> <https://platforms.worldpay.com/solutions/#compare>; <sup>5</sup> <https://platforms.worldpay.com/blog/embedded-payments-explained-everything-software-companies-need-to-know/>; <sup>6</sup> <https://platforms.worldpay.com/blog/how-to-create-your-embedded-payments-experience-the-right-way/>