Lesson 12: Fintech Business Models
Module 1: FinTech Fundamentals

Digital Finance

Fintech Business Model Taxonomy

FinTech Business Model Types

Input → Process A → Process B → Process C → Output

[SYNTHETIC DATA]

FinTech business models span platforms, embedded finance, BaaS, subscriptions, and data monetization.

Platform Models

Two-Sided Marketplaces

- Connect supply and demand
- Transaction fee monetization
- Network effects critical
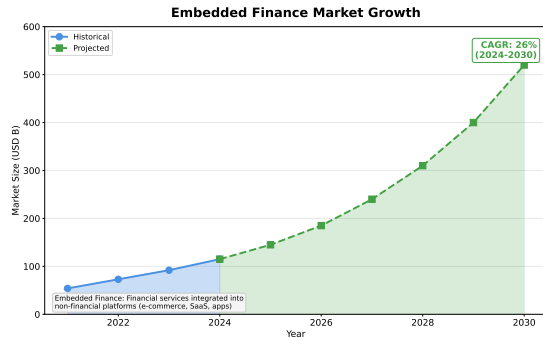- Examples: P2P lending, exchanges

Platform Business Model

(SYNTHETIC DATA)

Two-sided platforms connect supply and demand—network effects create winner-take-most dynamics.

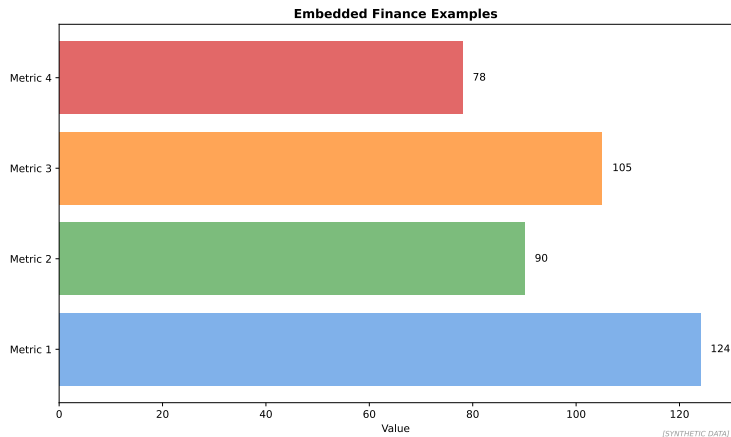**Financial Services in Non-Financial Apps**

- Shopify Capital
- Uber Money
- Tesla Insurance
- $7T market by 2030

Embedded Finance Market Growth

Source: Bain & Company, Lightyear Capital, embedded finance reports (2024)

Embedded finance integrates financial services into non-financial apps—projected $7T market by 2030.

Embedded Finance Examples

Embedded Finance Examples

Shopify Capital, Uber Money, Tesla Insurance—every company becoming a fintech company.

Banking-as-a-Service (BaaS)

Infrastructure Layer

- White-label banking
- API-driven services
- Regulatory license rental
- Examples: Synapse, Marqeta

Banking-as-a-Service Architecture

(SYNTHETIC DATA)

BaaS provides white-label banking infrastructure via APIs—enabling non-banks to offer financial services.

BaaS Value Chain

[SYNTHETIC DATA]

BaaS value chain: licensed bank + middleware platform + brand—each layer captures revenue.

Marqeta Case Study

Card Issuing Platform

- Founded: 2010
- **$**6B valuation (2021 IPO)
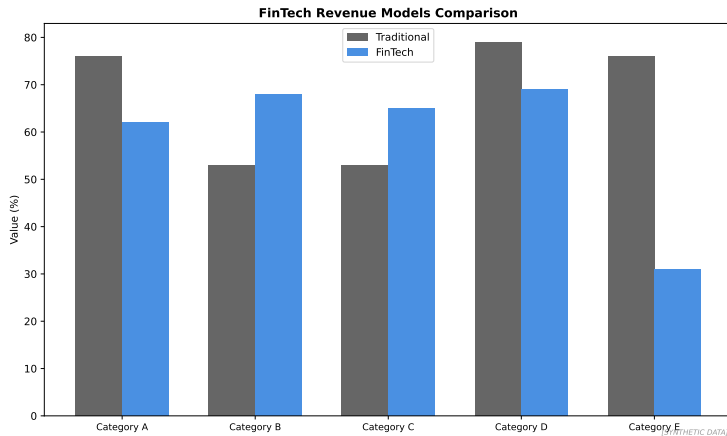- Customers: Square, DoorDash
- Real-time card issuance API

Marqeta Business Model

(SYNTHETIC DATA)

Marqeta pioneered modern card issuing—$6B valuation, powers Square and DoorDash card programs.

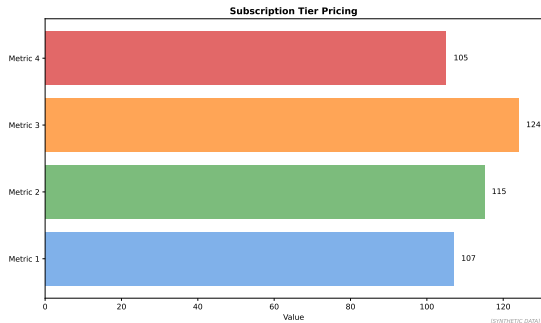# Revenue Model Comparison

FinTech Revenue Models Comparison

Revenue models: transaction fees, subscriptions, interchange, interest margin, and data monetization.

Subscription Models

Recurring Revenue

- N26 Metal: 16.90/month
- Revolut Premium: £6.99/month
- Predictable cash flow
- Higher LTV

Subscription Tier Pricing

Subscription models provide predictable revenue—N26 Metal and Revolut Premium show tiered pricing power.

Free + Premium Tiers

- 5-10% conversion typical
- Viral growth driver
- Upsell opportunities
- Requires scale

Freemium Conversion Funnel

(SYNTHETIC DATA)

Freemium drives viral growth—5-10% conversion to paid typical, requires scale for profitability.

Data Monetization

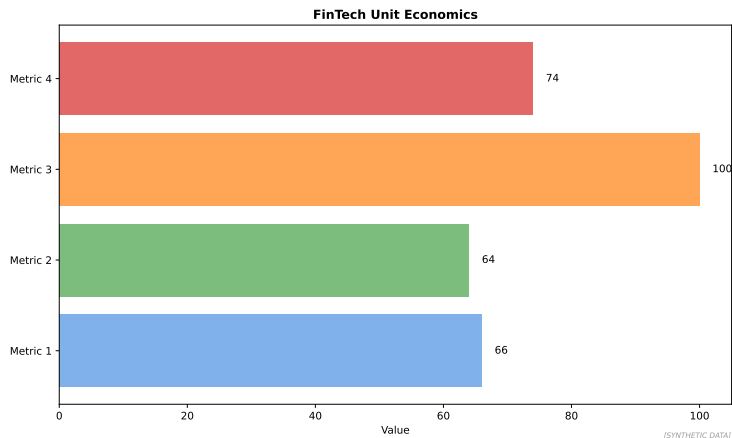**Insights-as-a-Service**

- Aggregated spending patterns
- Credit risk signals
- Merchant analytics
- Privacy considerations

Data Monetization Model

(SYNTHETIC DATA)

Data monetization sells aggregated insights—spending patterns, credit signals, merchant analytics.

Unit Economics Deep Dive
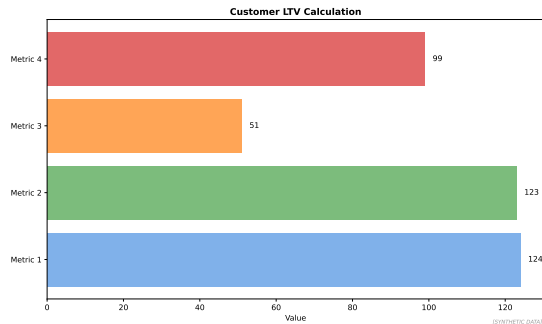

FinTech Unit Economics

Unit economics drive FinTech viability—CAC, LTV, payback period, and contribution margin are key metrics.

Customer Lifetime Value (LTV)

LTV Calculation

- Average revenue per user
- Churn rate
- Gross margin
- LTV = ARPU × Margin / Churn

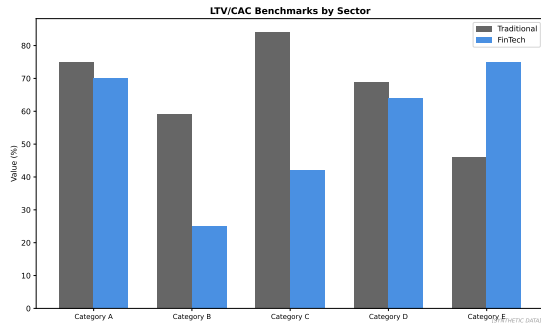Customer LTV Calculation

LTV = ARPU x Margin / Churn—maximizing LTV requires increasing revenue, margins, and retention.
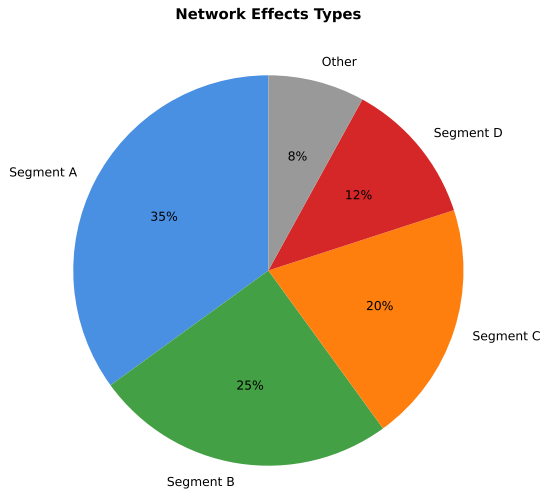
LTV/CAC Ratio Benchmarks

Health Metrics

- < 1: Unprofitable growth
- 1-3: Breakeven zone
- 3+: Sustainable business
- Best-in-class: 5-7x

LTV/CAC Benchmarks by Sector

LTV/CAC ¿ 3 indicates sustainable business—below 1 means unprofitable growth, best-in-class hit 5-7x.

Network Effects
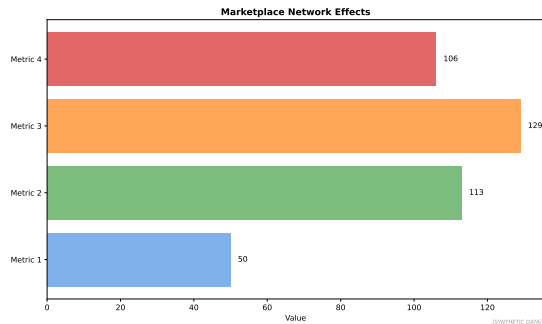

Network effects types: direct (same-side), cross-side (marketplace), and data network effects.

Marketplace Dynamics

- More lenders $\rightarrow$ better rates
- More borrowers $\rightarrow$ more lenders
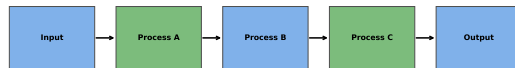- Liquidity threshold
- Winner-take-most markets

Marketplace Network Effects

Cross-network effects create winner-take-most markets—more lenders attract more borrowers and vice versa.

All-in-One Platforms

- Banking + payments + investing
- Revolut model (35M users)
- Ecosystem lock-in
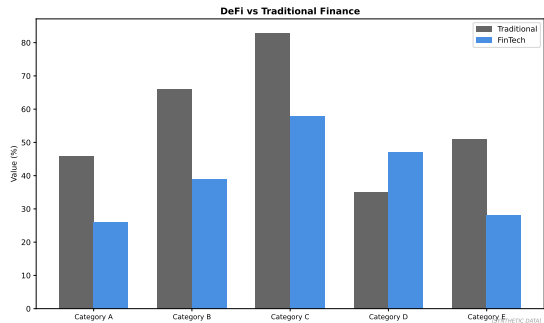- Cross-sell efficiency

Super-App Business Model

(SYNTHETIC DATA)

Super-apps combine banking, payments, and investing—Revolut (35M users) shows ecosystem lock-in power.
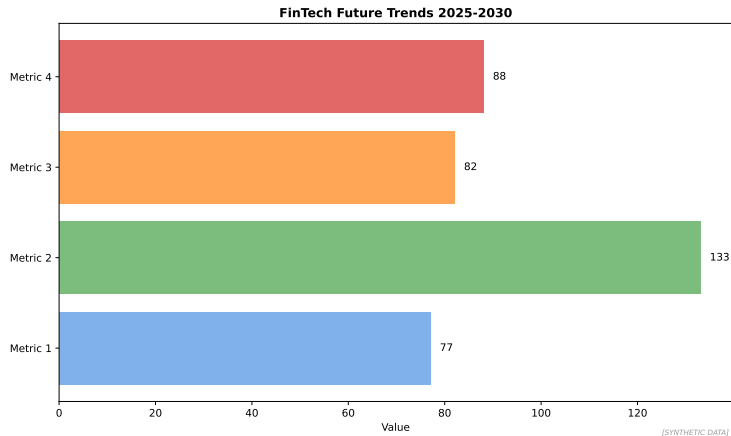
Decentralized Finance (DeFi)

Protocol-Based Models

- No intermediary fees
- Governance token incentives
- Liquidity mining rewards
- Regulatory uncertainty

DeFi vs Traditional Finance

DeFi eliminates intermediaries with protocol-based models—governance tokens and liquidity mining incentives.

Future Trends

FinTech Future Trends 2025-2030

[SYNTHETIC DATA]

Future trends: AI-native finance, embedded everywhere, DeFi maturation, and green finance growth.

Key Takeaways

- **Embedded Finance**: $7T market by 2030, integration everywhere
- **BaaS**: Infrastructure layer enabling non-banks to offer banking
- **Unit Economics**: LTV/CAC > 3 for sustainability
- **Network Effects**: Winner-take-most in marketplace models
- **Future**: Super-app convergence $+$ DeFi disruption

Business model selection determines FinTech success—unit economics and network effects are decisive factors.