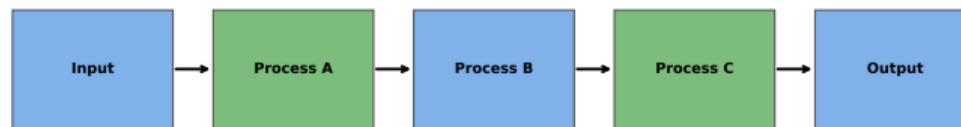


Lesson 12: Fintech Business Models

Module 1: FinTech Fundamentals

Digital Finance

FinTech Business Model Types



[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

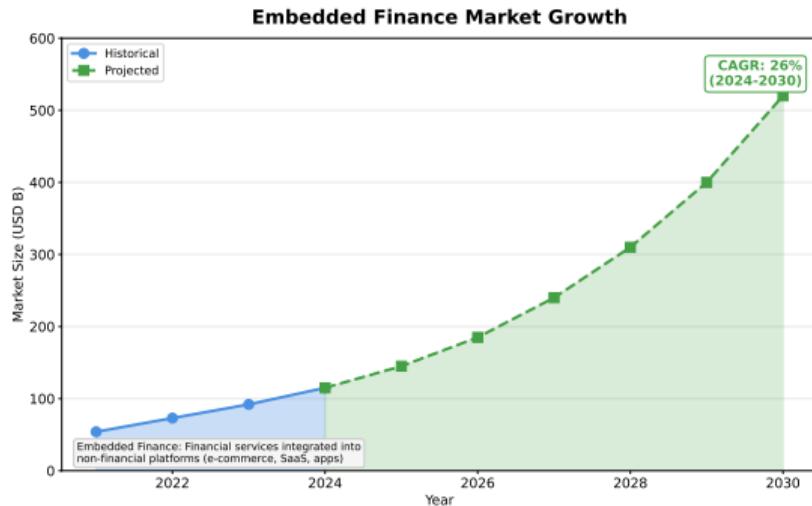


[SYNTHETIC DATA]

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

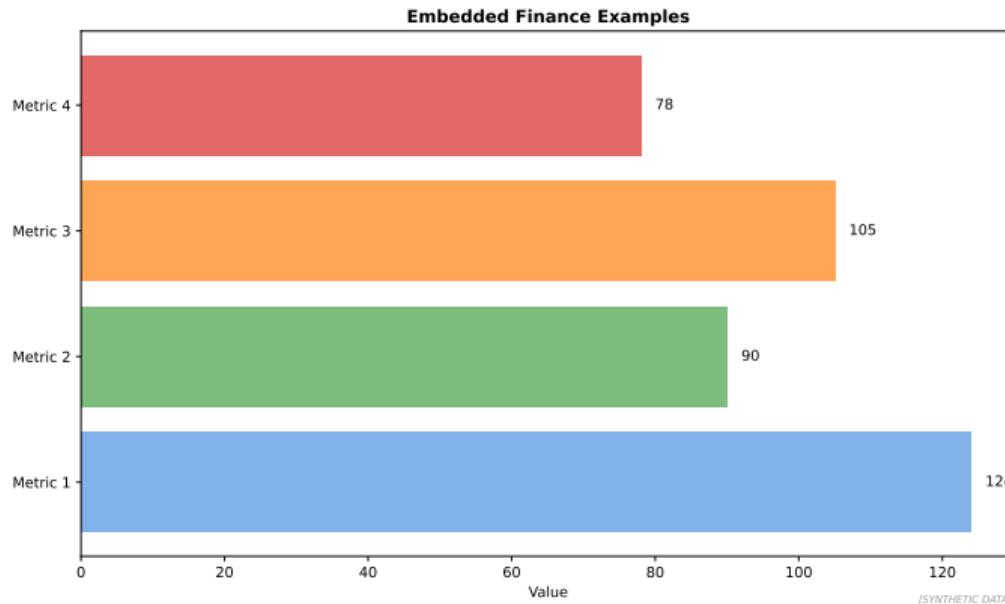
Financial Services in Non-Financial Apps

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



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

Embedded Finance Examples



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

Banking-as-a-Service (BaaS)

Infrastructure Layer

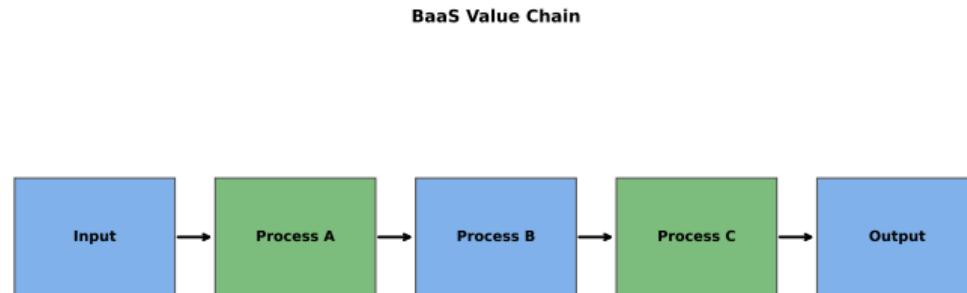
- White-label banking
- API-driven services
- Regulatory license rental
- Examples: Synapse, Marqeta

Banking-as-a-Service Architecture



[SYNTHETIC DATA]

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



[SYNTHETIC DATA]

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

Banking-as-a-Service (BaaS) Ecosystem



Source: a6z BaaS report, company documentation (2024)

BaaS ecosystem connects sponsor banks, middleware platforms, and brand distributors.

Marqeta Case Study

Card Issuing Platform

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

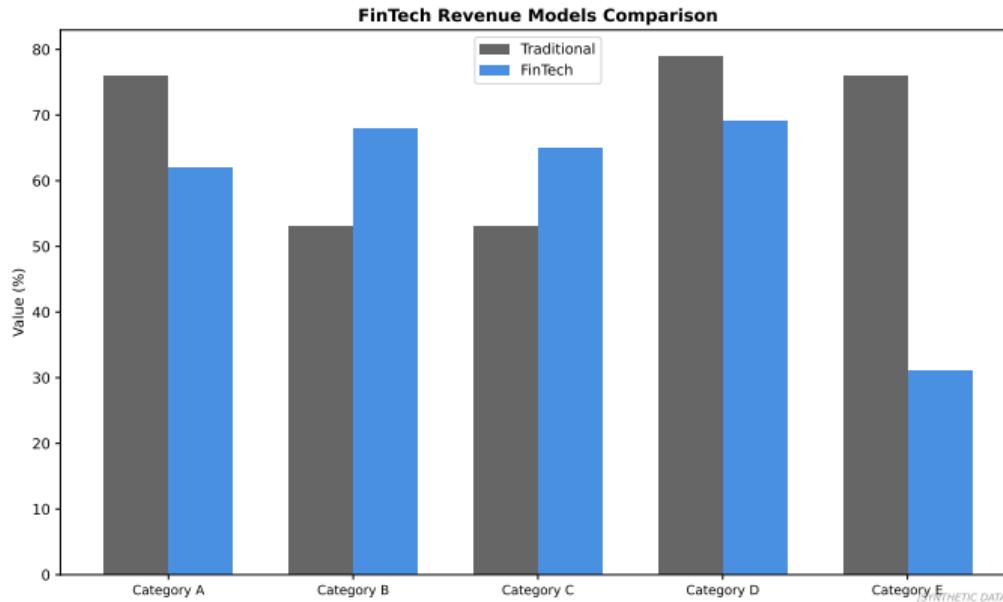
Marqeta Business Model



[SYNTHETIC DATA]

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

Revenue Model Comparison

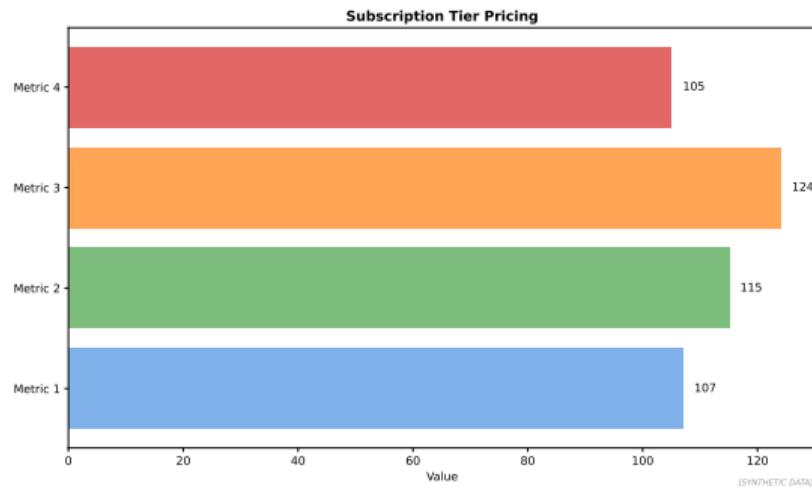


Revenue models: transaction fees, subscriptions, interchange, interest margin, and data monetization.

Subscription Models

Recurring Revenue

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



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

Freemium Strategy

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.

Insights-as-a-Service

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

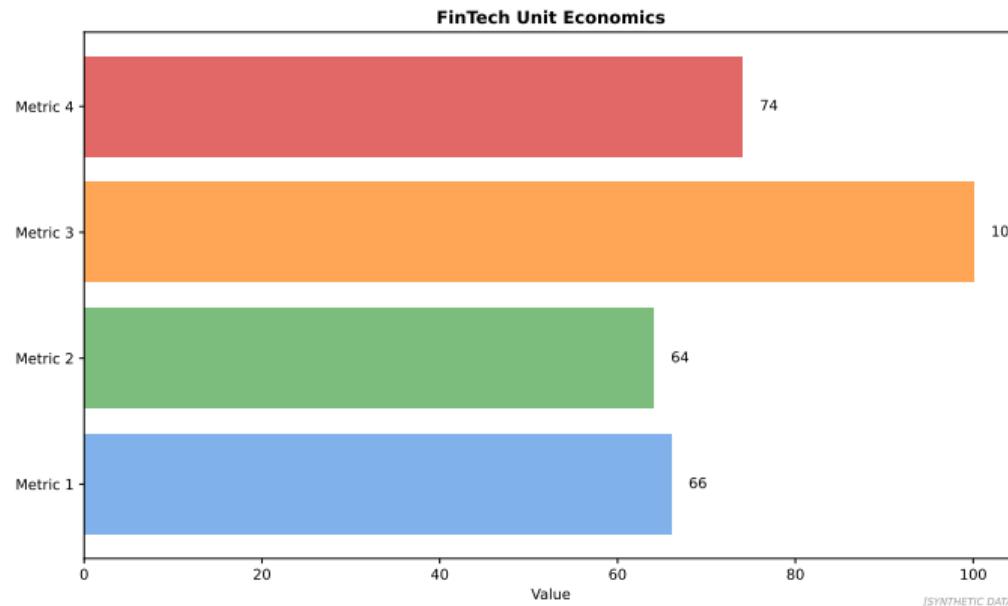
Data Monetization Model



[SYNTHETIC DATA]

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

Unit Economics Deep Dive

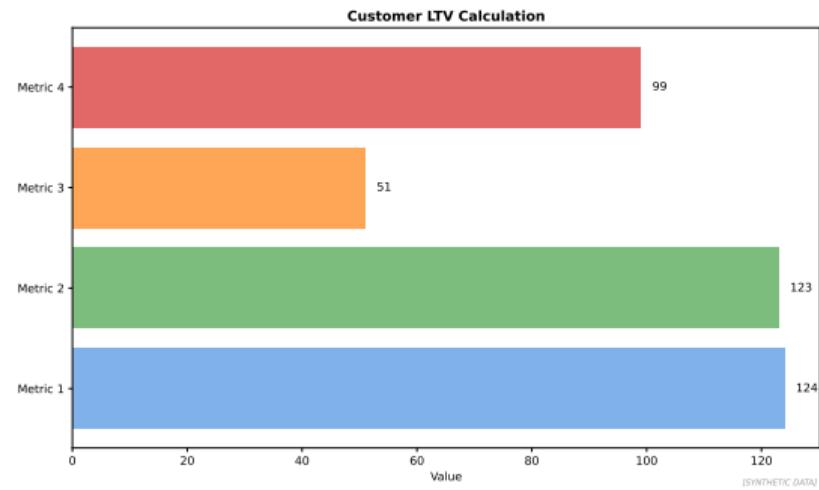


Unit economics drive FinTech viability—CAC, LTV, payback period, and contribution margin are key metrics.

Customer Lifetime Value (LTV)

LTV Calculation

- Average revenue per user
- Churn rate
- Gross margin
- $LTV = ARPU \times Margin / Churn$

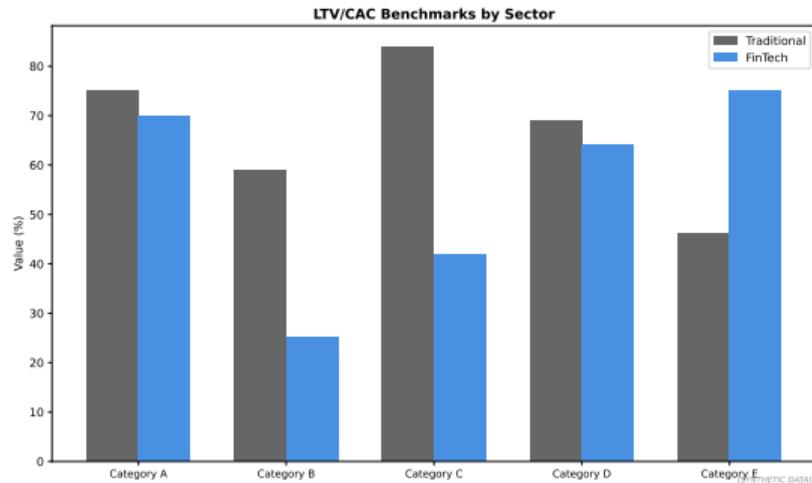


LTV = ARPU x Margin / Churn—maximizing LTV requires increasing revenue, margins, and retention.

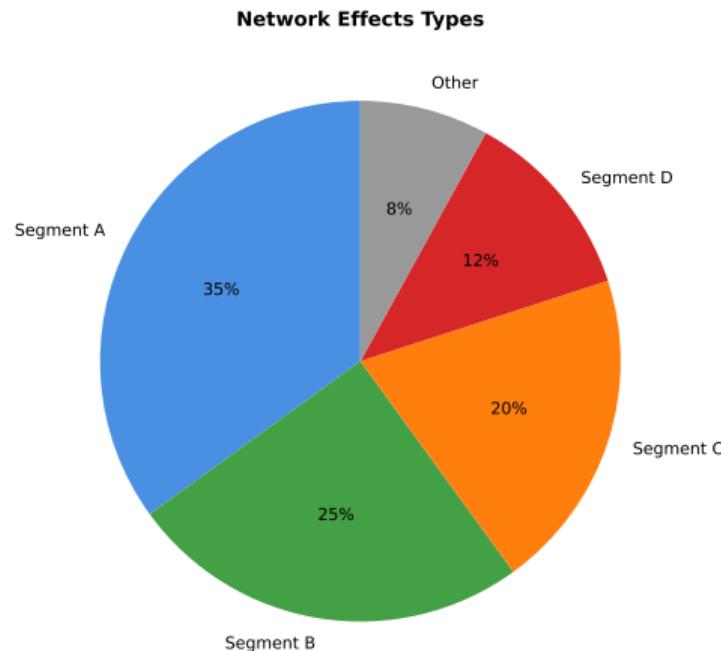
LTV/CAC Ratio Benchmarks

Health Metrics

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



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



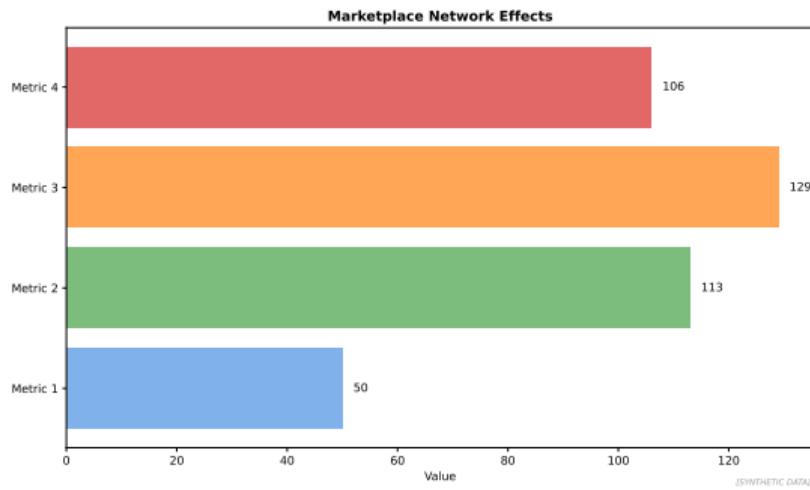
[SYNTHETIC DATA]

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

Cross-Network Effects

Marketplace Dynamics

- More lenders → better rates
- More borrowers → more lenders
- Liquidity threshold
- Winner-take-most markets



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

Future: Super-App Convergence

All-in-One Platforms

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

Super-App Business Model



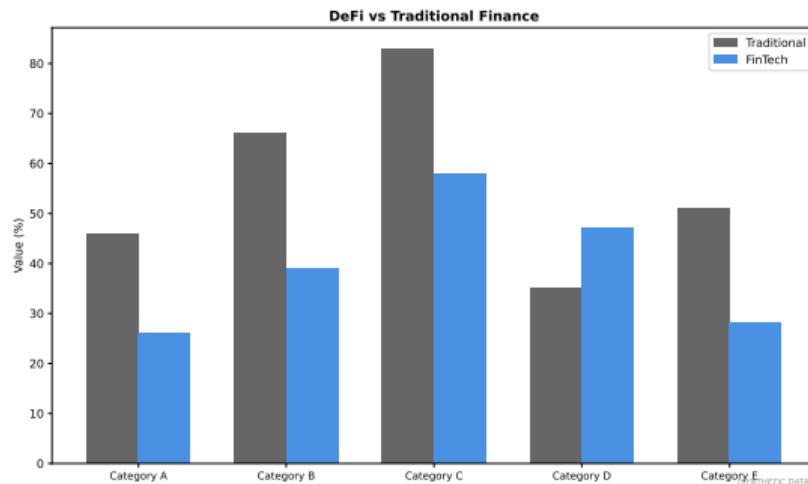
[SYNTHETIC DATA]

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

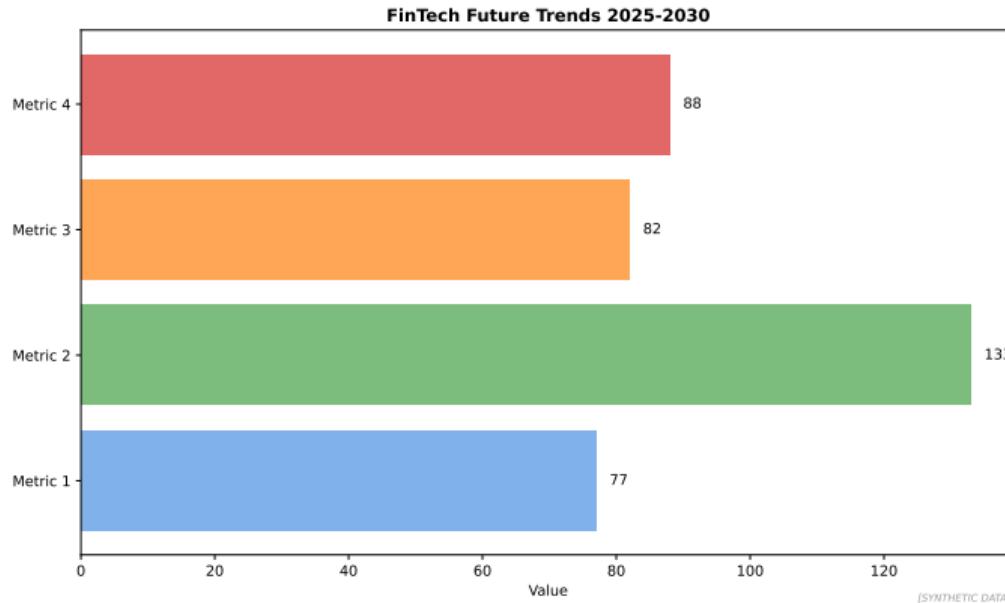
Decentralized Finance (DeFi)

Protocol-Based Models

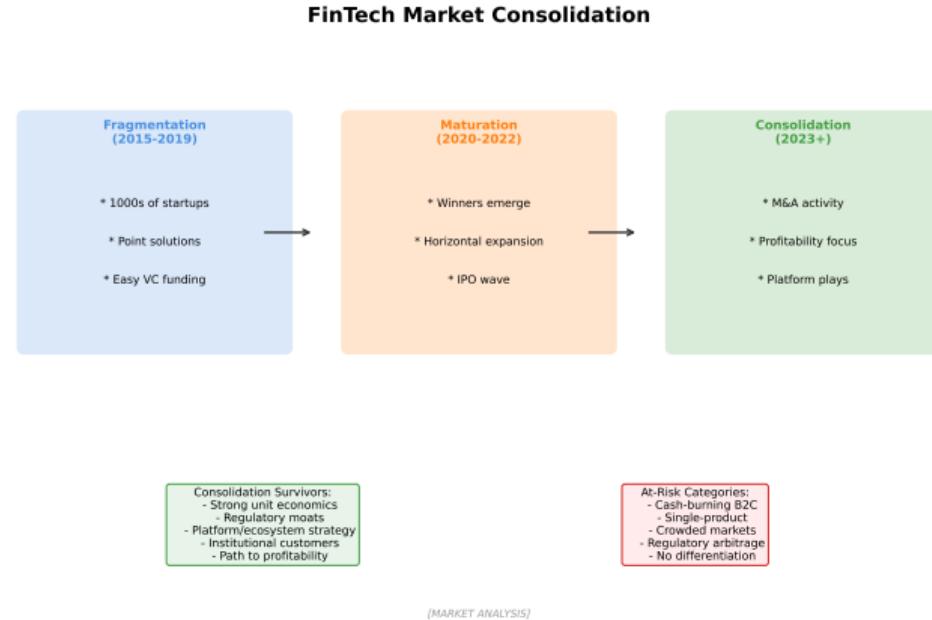
- No intermediary fees
- Governance token incentives
- Liquidity mining rewards
- Regulatory uncertainty



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

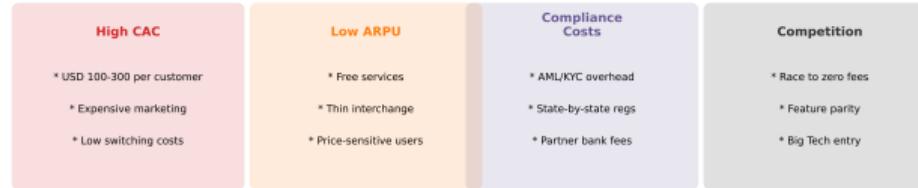


Future trends: AI-native finance, embedded everywhere, DeFi maturation, and green finance growth.



Market consolidation accelerates—M&A and shutdowns reshape the fintech landscape.

The FinTech Profitability Challenge



Paths to Profitability:
1. Premium/subscription tiers (Robinhood Gold, Acorns)
2. B2B model (enterprise, Business Banking)
3. Interest income (deposits, lending)
4. Cross-selling (insurance, investing, credit)
5. Operational efficiency (AI, automation)

2024 Shift: Investors demand path to profitability, not just growth

(INDUSTRY ANALYSIS)

Path to profitability remains elusive—only 5-10% of fintechs achieve positive unit economics.

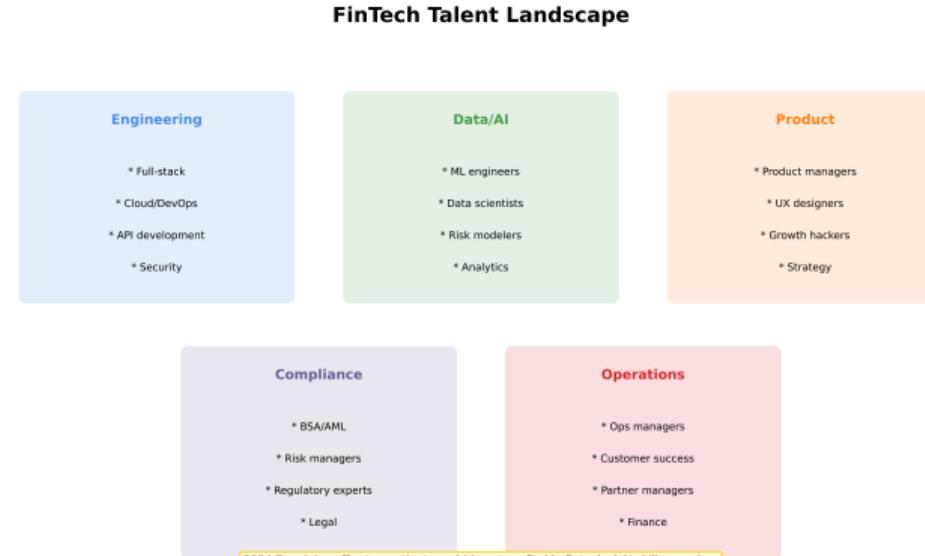
Sustainable FinTech / Green Finance



Green FinTech Growth:
- ESG assets: USD 50T+ globally
- Sustainable bond issuance: USD 11T+ (2024)
- Carbon market: USD 100B+
- Gen Z: 2x more likely to choose sustainable option

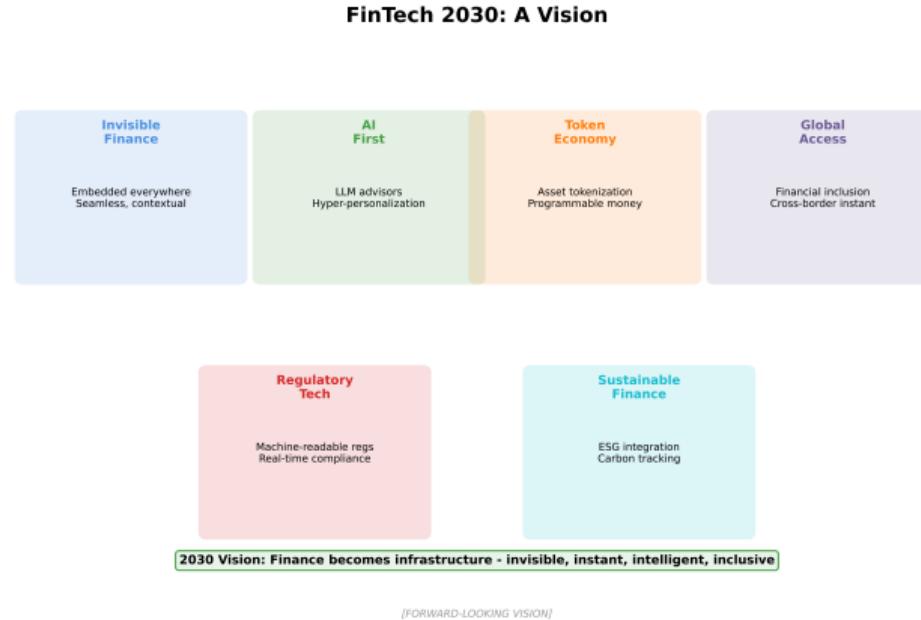
Source: Bloomberg NEF, MSCI ESG research (2024)

ESG integration grows in fintech—green lending, carbon tracking, and sustainable investing rise.



Source: LinkedIn, Glassdoor FinTech hiring data (2024)

Competition for fintech talent intensifies—engineers, data scientists, and compliance experts in high demand.



2030 vision: embedded finance everywhere, AI-driven personalization, and decentralized infrastructure.

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.