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
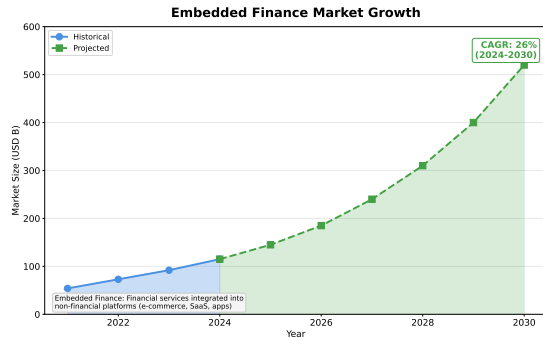- Examples: P2P lending, exchanges

Platform Business Model

Input		Process A		Process B		Process C		Output

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Two-sided platforms connect supply and demand—network effects create winner-take-most dynamics.
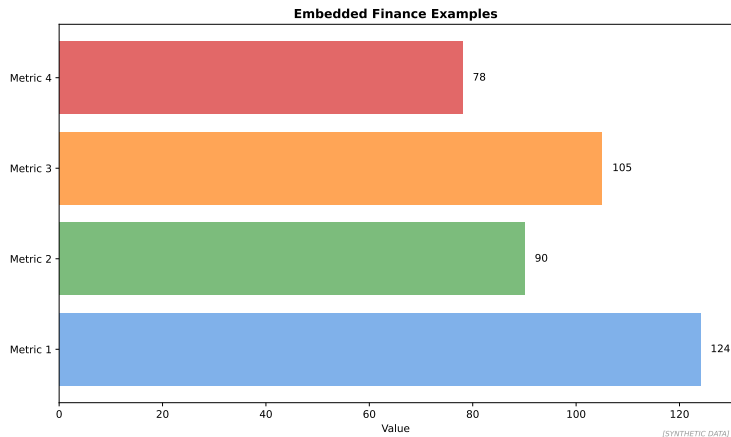
Financial Services in Non-Financial Apps

- 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

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)
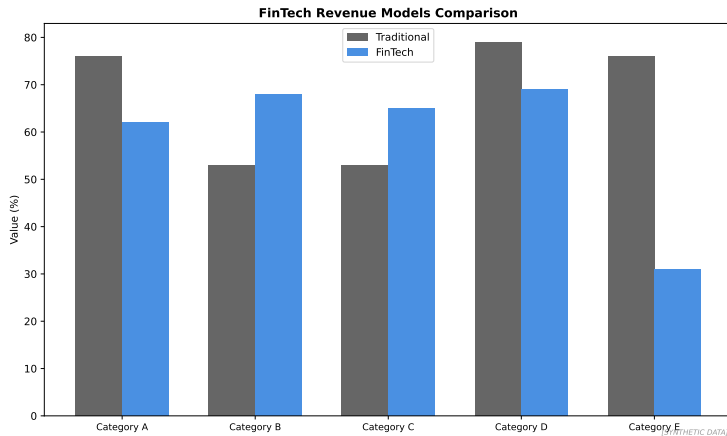- Customers: Square, DoorDash
- Real-time card issuance API

Marqeta Business Model

(SYNTHETIC DATA)

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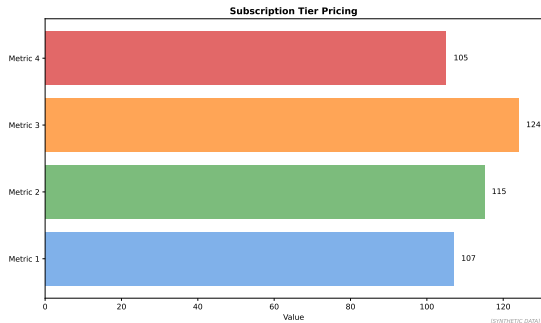
FinTech Revenue Models Comparison

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

(SYNTHETIC DATA)

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

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

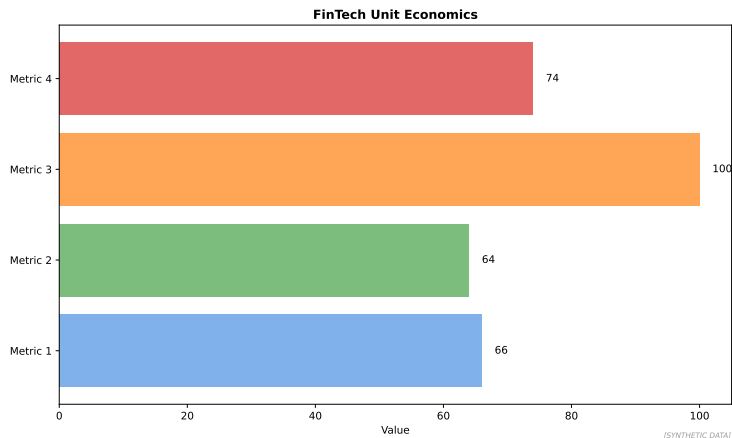# Data Monetization

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
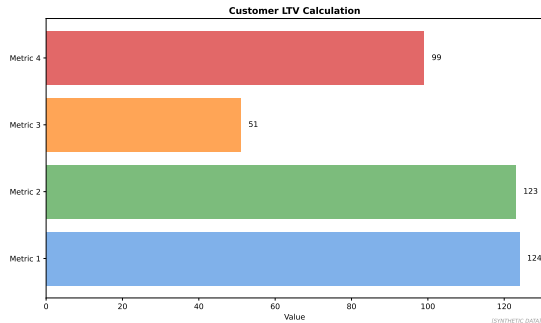

FinTech Unit Economics

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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
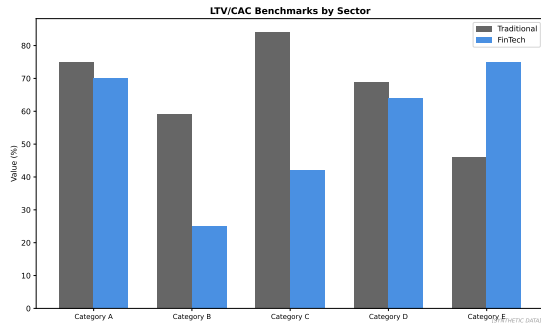- Churn rate
- Gross margin
- LTV = ARPU × Margin / Churn

Customer LTV Calculation

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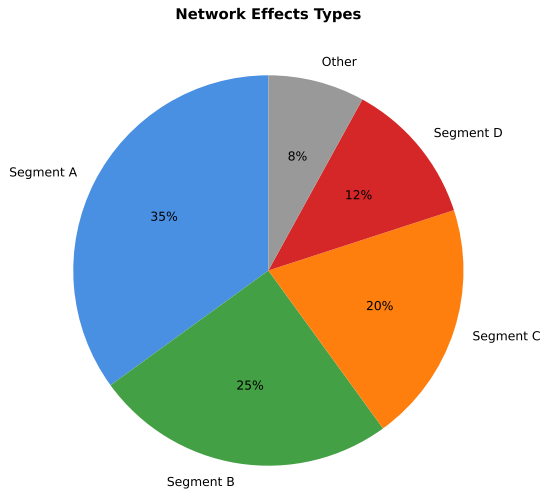
LTV/CAC Ratio Benchmarks

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

Other
Segment D
8%
12%
Segment A
35%
Segment C
20%
Segment B
25%
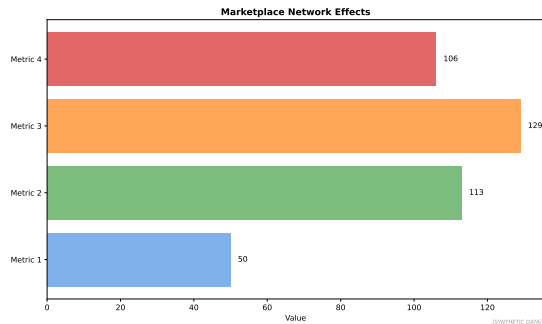
[SYNTHETIC DATA]

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

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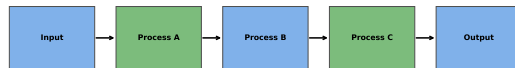
Cross-network effects create winner-take-most markets—more lenders attract more borrowers and vice versa.

All-in-One Platforms

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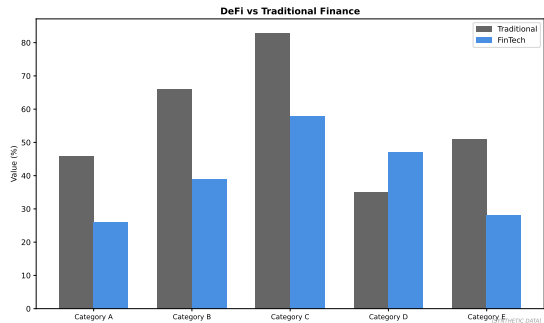- Cross-sell efficiency

Super-App Business Model

(SYNTHETIC DATA)

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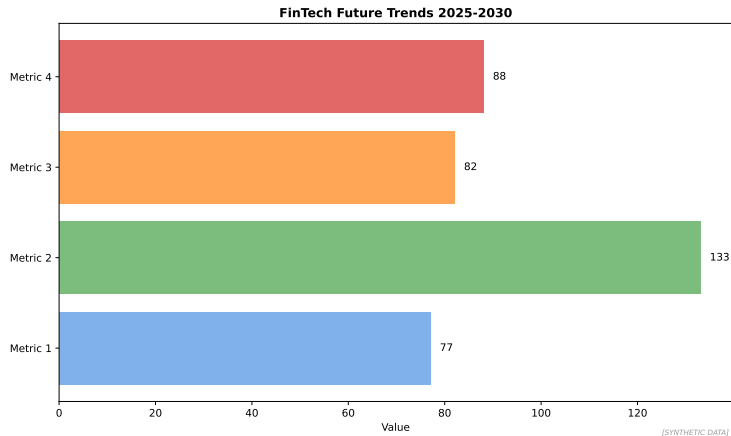
Decentralized Finance (DeFi)

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.