

# HOW EMBEDDED FINANCE DRIVES LOGISTICS AND WHOLESALE TRADE PLATFORM INNOVATION

December 2024 Report



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# HOW EMBEDDED FINANCE DRIVES LOGISTICS AND WHOLESALE TRADE PLATFORM INNOVATION

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# WHAT'S AT STAKE

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To improve customer satisfaction, revenue growth and competitiveness, payment facilitators (PayFacs), independent software vendors (ISVs) and marketplaces from the logistics and wholesale trade industry have set their sights on enhancing their embedding finance capabilities.<sup>1</sup> Although ISVs and marketplaces in the logistics and wholesale trade arena partner with PayFacs to enable payment acceptance features, data shows that firms in this sector also increasingly embed additional financial offerings, such as lending features, within their existing platforms. By keeping customers within a company's platform rather than linking to external partners, embedded financial capabilities can offer a streamlined, controlled experience that improves customer retention and engagement with firms.

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<sup>1</sup> This is an evolving field, and definitions can vary. For this report series, "payment acceptance" is defined as enabling the receipt of payment and may include support for credit cards, open banking, digital wallets and other methods. "Embedded finance" encompasses capabilities beyond payment acceptance related to financial services or lending, such as BNPL, embedded insurance and loyalty or rewards features.

More than half of PayFacs and marketplaces in the logistics and wholesale trade sector view embedded finance as highly important to their innovation roadmaps, with nearly 1 in 3 planning to expand or start offering embedded financing features in the next year. ISVs, while also embracing embedded finance innovation, are doing so at a more measured pace. While 40% of ISVs find it highly important to offer embedded finance features, just 17% plan to do so in the next 12 months.

What features are in the plans? For PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector, embedded finance features such as loyalty and rewards, buy now pay later (BNPL) and business credit are top priorities. Integrating digital wallets for payment acceptance has also become essential to their businesses.

These are just some of the findings detailed in How Embedded Finance Drives Logistics and Wholesale Trade Platform Innovation, a PYMNTS Intelligence and Carat from Fiserv collaboration. Based on a survey of 101 executives, this report examines the sentiments and behaviors of PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector regarding embedded finance innovation. The survey was conducted between May 28 and July 20.

## **This is what we learned.**



**PayFacs:** Entities that facilitate payments from one person or business to another. Some aggregate multiple providers to enable payments that connect one customer to one merchant.



**ISVs:** Individual companies that sell software to companies as single units and that may or may not have payment features incorporated.



**Marketplaces:** Platforms that allow customers to complete transactions with many retailers on a single website or application that connects one customer to many merchants. (Amazon is an example of a marketplace, as users can purchase from multiple vendors in a single transaction on its platform.)

# KEY FINDINGS

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## Logistics and wholesale industry PayFacs and marketplaces double down on embedded finance with five-year growth plans, while ISVs take a cautious implementation route.

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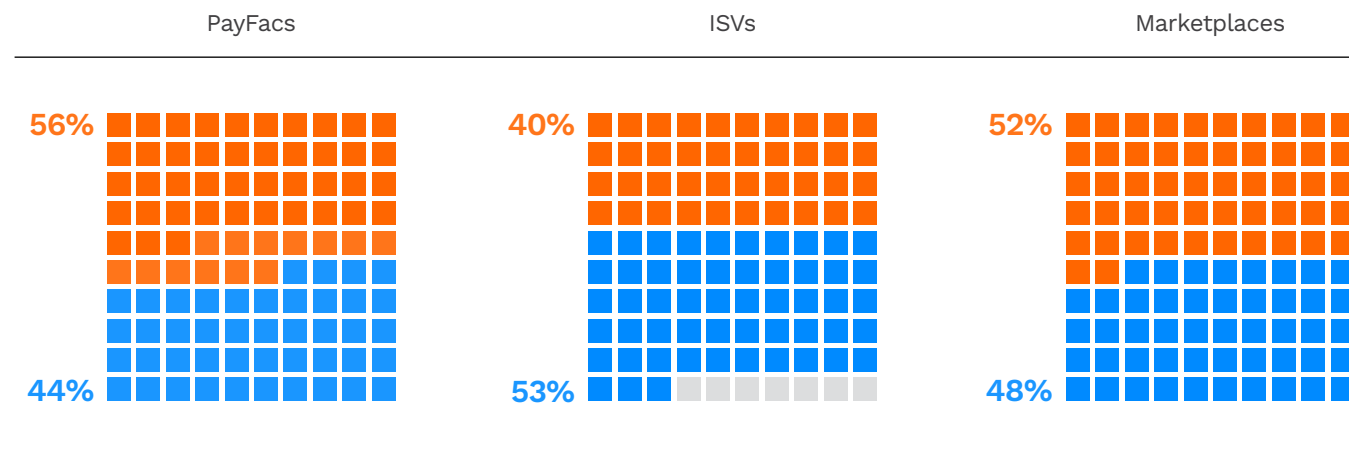
Embedded finance is slated to make its mark on platform businesses in the logistics and wholesale trade sector, and PayFacs are taking the lead. In fact, every PayFac surveyed in this industry views embedded finance as a vital driver of innovation. More than half (56%) rate it as very or extremely important. Like PayFacs, all marketplaces in the logistics and wholesale trade sector value embedded finance, with 52% saying offering embedded finance capabilities is very or extremely important.

ISVs also show strong interest overall, yet they are not as uniformly committed as PayFacs or marketplaces. Not all ISVs consider embedded finance important to innovation, with 93% holding this view. Just 40% identify it as very or extremely important.

**FIGURE 1**

**The importance of embedded finance offerings**

Share of executives in the logistics and wholesale trade sector who say embedded finance offerings have select levels of importance on their innovation strategies, by firm type



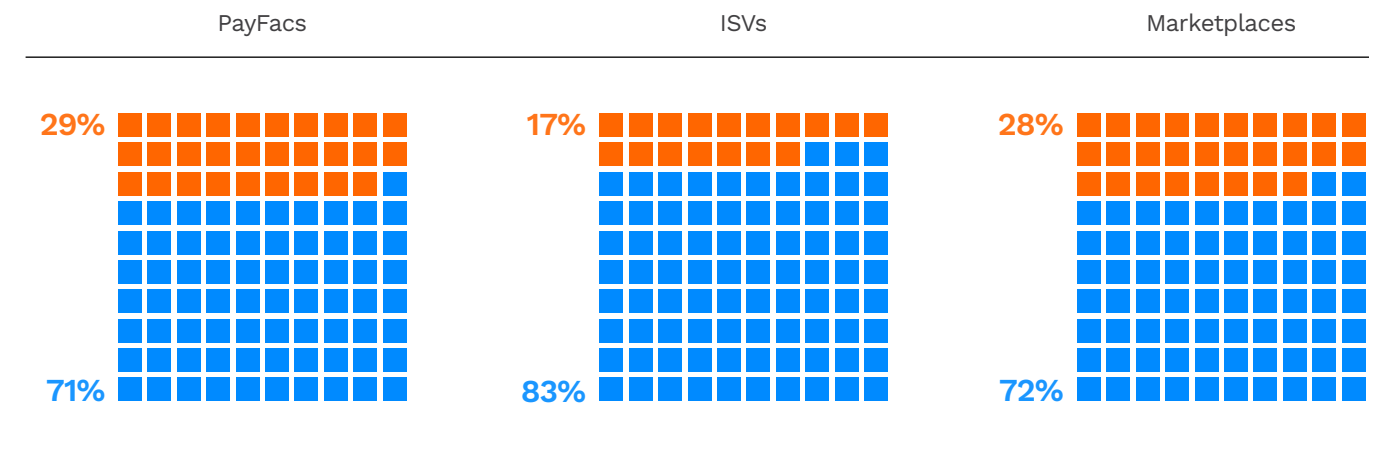
- Very or extremely important
- Somewhat important

Source: PYMNTS Intelligence  
 How Embedded Finance Drives Logistics and Wholesale Trade Platform Innovation, December 2024  
 N varies by type of firm and represents PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector, fielded May 28, 2024 – July 20, 2024

**FIGURE 2**

**Plans for more embedded finance offerings**

Share of firms in the logistics and wholesale trade sector indicating their plans to expand or start offering embedded finance products in the future, by firm type



- In the next 12 months
- In the next two to five years
- In more than five years

Source: PYMNTS Intelligence  
 How Embedded Finance Drives Logistics and Wholesale Trade Platform Innovation, December 2024  
 N varies by type of firm and represents PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector, fielded May 28, 2024 – July 20, 2024

Recognizing the importance of offering embedded financing solutions, nearly one-third of PayFacs and marketplaces in the logistics and wholesale trade sector report plans to add or enhance such features in the next 12 months. To be exact, 29% of PayFacs expect to expand or start offering embedded finance capabilities this year, and 28% of marketplaces report the same. The others are still setting their sights on embedded financing innovation within the next two to five years. None of the surveyed PayFacs or marketplaces said they planned for this innovation to occur in more than five years, showcasing a collective push toward enhanced financial integration.

As illustrated by other trends in the data, ISVs are generally aligned with PayFacs and marketplaces, albeit to a more mild degree. Although no ISVs surveyed plan to innovate in more than five years, just 17% of ISVs aim to either expand or start offering these features in the next year. This indicates a more gradual approach than the corresponding PayFac and marketplace figures in the industry.

# ISVs' and marketplaces' lead embedded finance additions include loyalty programs and BNPL, while PayFacs primarily plan expansion into embedded insurance and investment offerings.

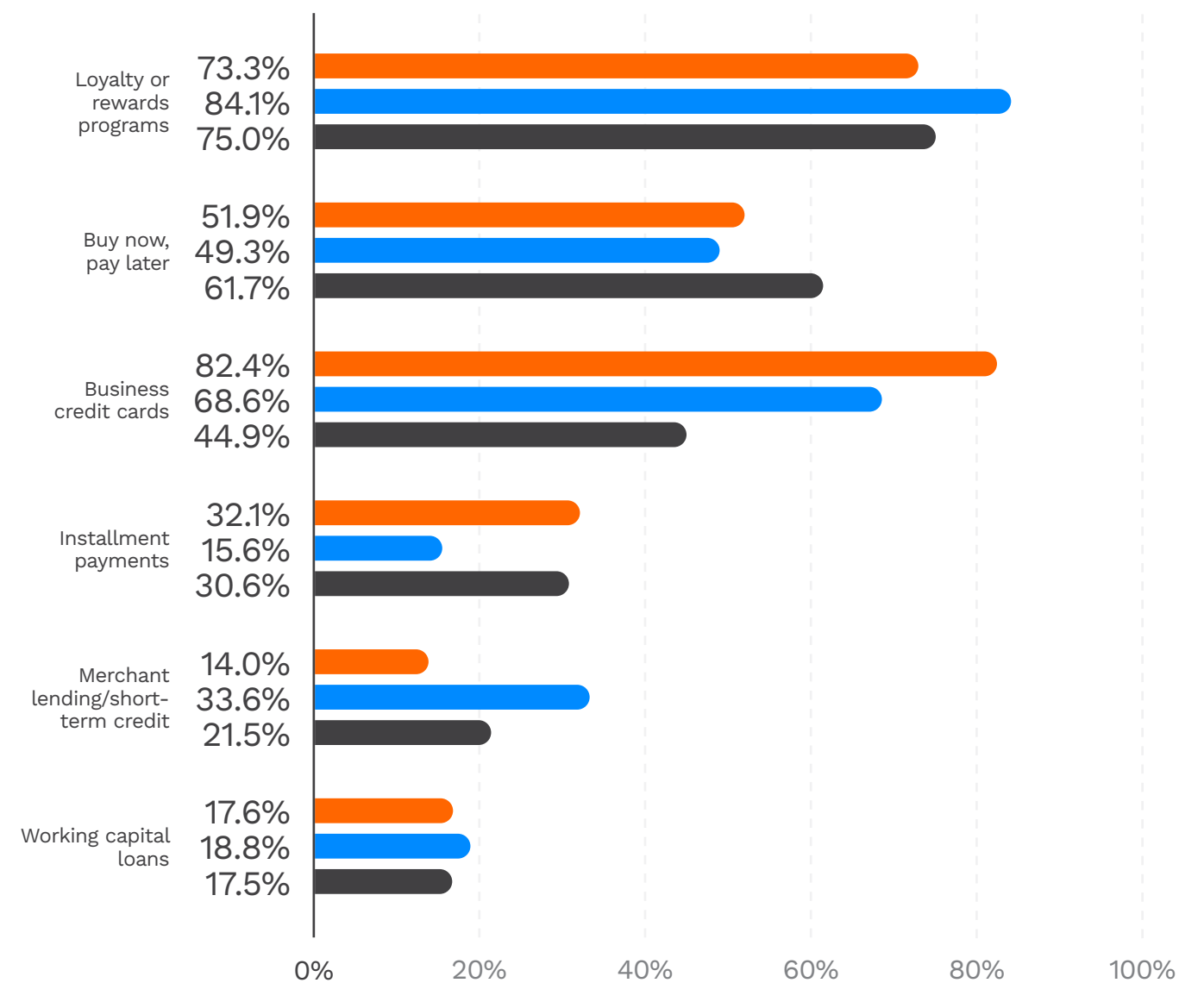
It is clear that PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector will increase embedded finance innovations in the next five years. But which offerings will make the cut for these innovation plans? BNPL, loyalty and rewards programs and business credit cards top the list for studied platform businesses in the sector.

ISVs and marketplaces in the logistics and wholesale trade sector show the strongest interest in loyalty and rewards, with 84% of ISVs and 75% of marketplaces likely to add or enhance these features. This share includes one-third of ISVs that do not currently offer loyalty products. PayFacs are also aware of the demand for embedded loyalty and rewards offerings, with 73% highly interested in these features.

**FIGURE 3**

### Future innovation plans

Share of firms very or extremely interested in innovating and enhancing select embedded finance products, by firm type



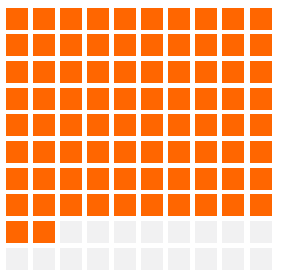
- PayFacs
- ISVs
- Marketplaces

Source: PYMNTS Intelligence  
 How Embedded Finance Drives Logistics and Wholesale Trade Platform Innovation, December 2024

N varies by type of firm and represents PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector, fielded May 28, 2024 – July 20, 2024

BNPL also ranks among the top three product offerings firms want to add or enhance, with 62% of marketplaces and half of PayFacs and ISVs saying so. Yet both PayFacs and ISVs also show interest in other lending options, with 82% and 69%, respectively, likely to add or enhance their business credit card offerings. Such differences among PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector suggest firms may prioritize future embedded finance offerings based on variables specific to them, such as their customers' specific interests.

82%



Share of PayFacs likely to **add or enhance their business credit card offerings**

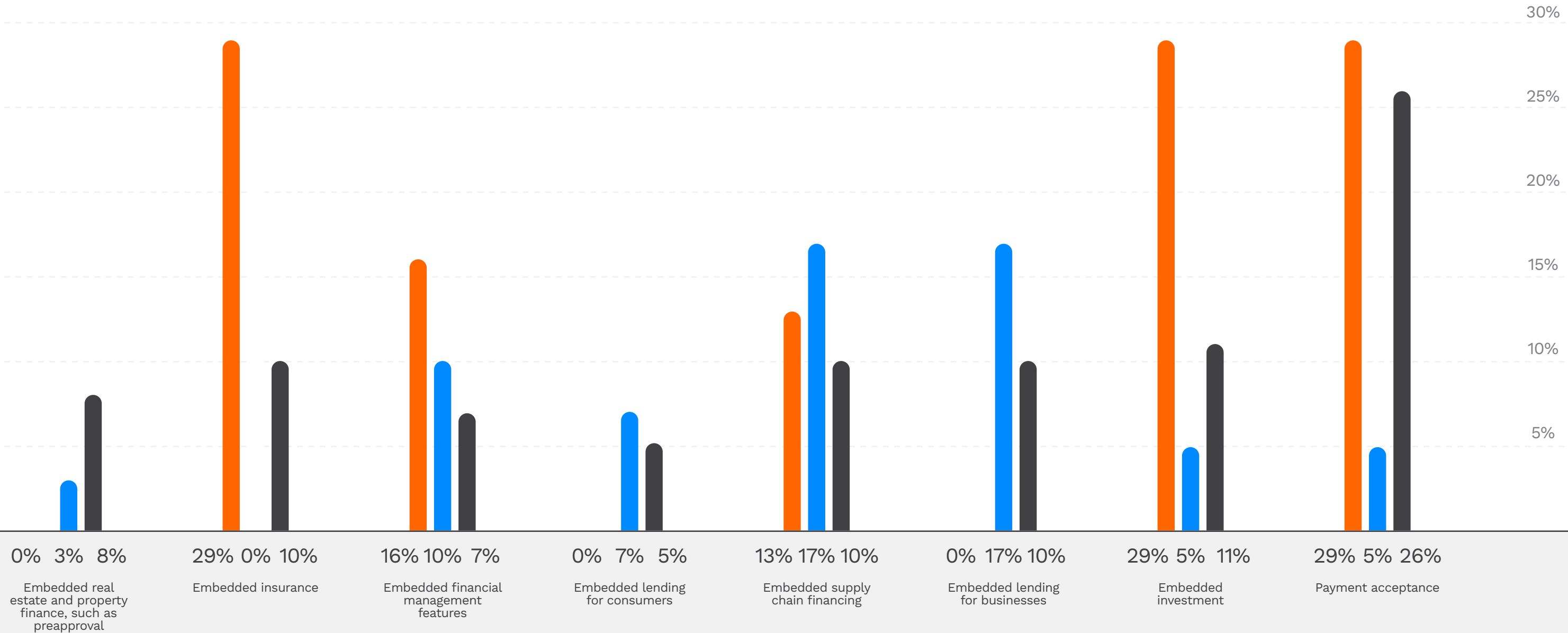
PayFacs in the logistics and wholesale trade sector are perhaps ahead of the game and thinking about broader embedded finance offerings. In fact, 29% of PayFacs plan to introduce embedded insurance and embedded investment capabilities for the first time within the next year. In contrast, just 1 in 10 marketplaces and even fewer ISVs show interest in adding insurance and investments to their embedded finance offerings. ISVs and marketplaces are apt to show interest in offering embedded lending for businesses and supply chain financing features for the first time in the next 12 months, further highlighting differences in priorities between PayFacs and other platform businesses in the logistics and wholesale trade sector.

**FIGURE 4**

**Other types of embedded finance products**

Share of firms in the wholesale trade or logistics sector likely to offer select embedded finance products for the first time in the next 12 months, by firm type

- PayFacs
- ISVs
- Marketplaces



Source: PYMNTS Intelligence

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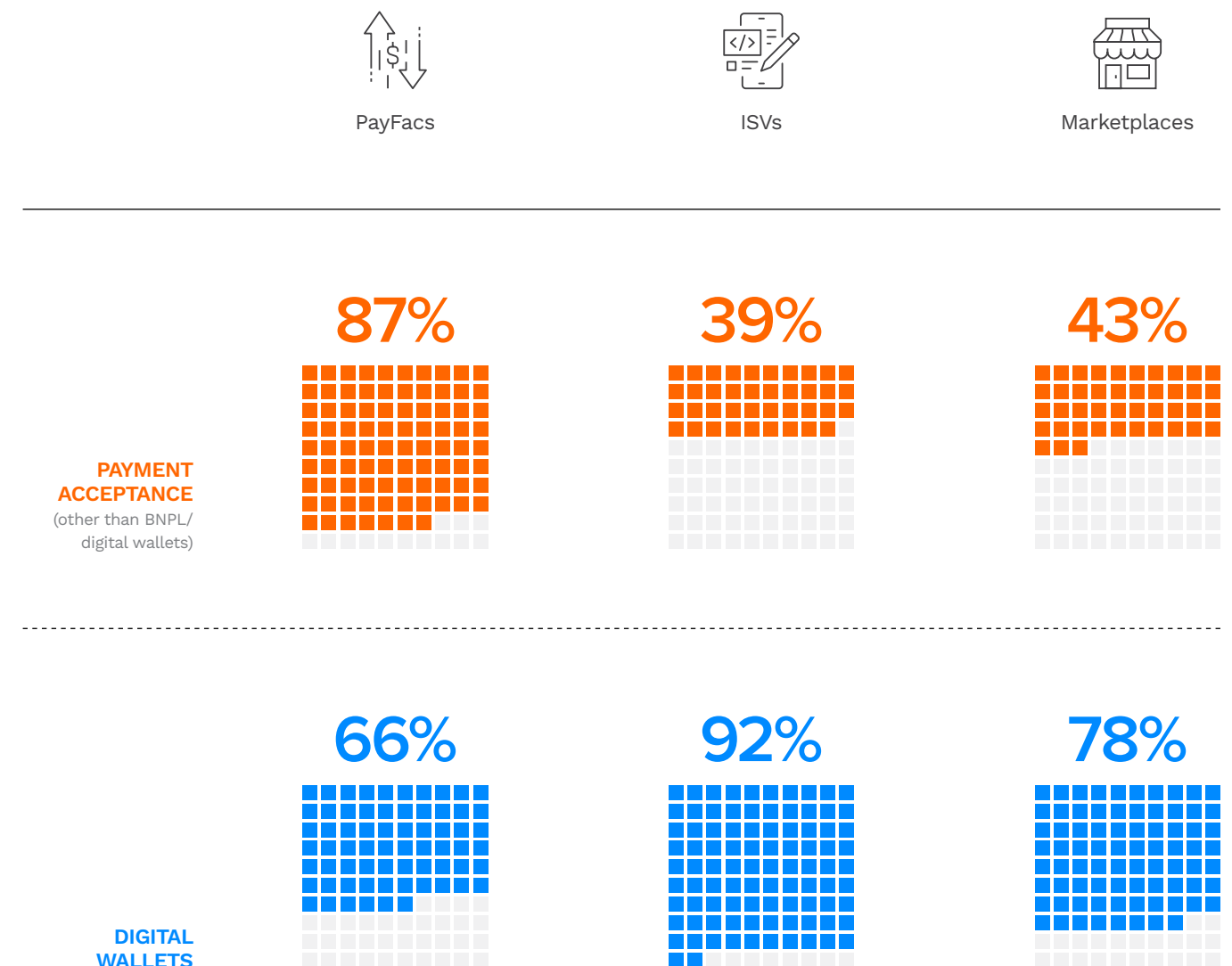
# Digital wallets have become essential payment acceptance capabilities; ISVs and marketplaces in the logistics and wholesale trade industry plan to expand these feature offerings.

Interest in offering the ability to pay for online purchases via digital wallets has grown among PayFacs and platform businesses in the logistics and wholesale trade sector. For instance, 92% of ISVs in this sector show high interest in leveling up digital wallet acceptance features, with 36% planning to enhance existing features and 56% aiming to add them for the first time. Meanwhile, 78% of marketplaces are also interested in expanding digital wallet capabilities, including 36% that do not currently offer them but plan to do so. At 66%, PayFacs are the least likely to say they are highly interested in enhancing digital wallet payment acceptance, but rather than implying they do not value the technology, that data instead suggests many already support digital wallet payment acceptance.

FIGURE 5

### Future digital wallet innovation plans

Share of firms very or extremely interested in innovating and enhancing select embedded finance products, by firm type



Source: PYMNTS Intelligence

How Embedded Finance Drives Logistics and Wholesale Trade Platform Innovation, December 2024

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# CONCLUSION

PayFacs are taking the lead in the logistics and wholesale trade sector for innovating and adding features to their embedded finance offerings, with all those surveyed planning to do so in the next year. ISVs and marketplaces in the sector are following suit, each at their own pace. Marketplaces are moving ahead faster than PayFacs, while ISVs are more likely to take more time. Adding or enhancing BNPL is a priority for all firm types, with marketplaces the most interested. A difference in innovation agendas is that embedded loyalty and rewards programs are top of mind for ISVs and marketplaces, whereas offering business credit cards is PayFacs' top priority. Digital wallet payment acceptance features are also proving essential for platform businesses in the logistics and wholesale trade sector, with expansion on the way for more than three-quarters of marketplaces and even more ISVs.

Embedding payment acceptance and other financial services features enable PayFacs, ISVs and marketplaces to provide more streamlined experiences on their platforms, driving ongoing engagement and likely boosting revenue and customer satisfaction. Given those many benefits, it makes sense that so many logistics and wholesale trade platform businesses have embedded finance innovations in the works.

# METHODOLOGY

**H**ow Embedded Finance Drives Logistics and Wholesale Trade Platform Innovation, a PYMNTS Intelligence and Carat from Fiserv collaboration, is based on a survey of 101 executives. This report examines the sentiments and behaviors of PayFacs, ISVs and marketplaces in the logistics and wholesale trade sector regarding embedded finance innovation. The survey was conducted between May 28 and July 20.

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# ABOUT

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## PYMNTS INTELLIGENCE

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