

**worldpay**  
from FIS

# **A complete guide to Embedded Payments**

How software companies can create a superior customer experience with the right Embedded Payments solution



## **The era of commerce we're currently living in is indisputably unique**

It's made evident by rapidly evolving technology, changing online and offline consumer behavior, and the emergence of new ways to pay. Behind the complete transformation of the payment experience are the expectations and demands of the consumer.

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The best payment experiences are now the ones that are so seamless, they're barely detectable.

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In search of ways to deliver these experiences, businesses look to their operating systems for solutions. And as a result, software companies are becoming more acquainted with the world of Embedded Payments, a facet of business capable of fulfilling both customer experience expectations and their own business goals.

# The value of Embedded Payments in the customer experience

Historically, payments have functioned as a cost center for software companies, and for a long time have generally been outsourced to third-party independent sales organizations (ISO) or payment processors. And while many software companies have successfully monetized payments as an additional revenue stream using ISOs, they didn't have much control over the experience for their customers, which put them at the mercy of their third-party partners. Not until recently have software companies realized the value of having more control over their payments, and have started looking for other options.

Today merchants rely on vertical-specific software to power the day-to-day operations of their business. That includes everything from financial services like payments, to scheduling, business insights reporting and planning, and marketing.

Naturally, you want your customers to think of your software as their go-to operating system for doing business. To drive engagement and increase long term value (LTV), you want to ensure that you're providing not only all of the services your merchants want, but that you're also offering them as a unified customer experience.

According to a **report from Gartner**, customer experience (CX) drives more than two-thirds of customer loyalty, outperforming brand and price combined.

The bottom line is, CX matters — it can drive customer loyalty, and engagement — and that's the ultimate goal, right?

To accomplish this, software companies are now taking a more active role in payments. Payments have become one of the most important parts of the customer experience — and it can also be a gamechanger for software companies. With the power to simplify and transform the journey for your subscribers and their customers, the right Embedded Payments solution can become one of your biggest differentiators.



# In this eBook, we'll cover:

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The different models of Embedded Payments

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Benefits and drawbacks for each model

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How each model impacts the customer experience

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Advice for evaluating and implementing your best payment strategy

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By the end, we hope you'll have a better understanding of the Embedded Payments options available, so you can begin assessing the right solution for your software company.



# The three models of Embedded Payments

Each model of Embedded Payments offers its own level of control, complexity, risk, operational requirements, and monetization opportunities. Each also provides a different level of customer experience. As we review these, you'll start to see that the model that best fits your software depends on your customers' needs, your appetite for risk versus reward, your current resources, your business strategy, and your overall payments strategy.

Let's take a look at the three models:

- 01 Referral partnership
- 02 Payment facilitation (PayFac<sup>®</sup>)
- 03 Payment facilitation-as-a-Service (PayFac-as-a-Service or PFaaS)

01

**What is a referral  
partnership?**

The oldest and perhaps most familiar model of Embedded Payments is the referral partnership. With this model, you as the software company make an agreement with a payment processor to become their referral partner. When your customers are ready to set up payments for their business, you refer them directly to the processor and in return, you receive a referral fee.

## What are the pros and cons of a referral partnership?

A referral solution enables out-of-the-box payment processing for a flat fee plus a percentage of each transaction. This model can be the quickest way to start monetizing payments, and one that comes with very minimal risk — but with less risk comes less reward.



## Evaluating the referral partnership model

### Benefits



Fastest model to start monetizing payments

Limited risk (no underwriting responsibilities)

Reduced complexity

Minimal upfront investment

### Drawbacks



Smaller monetization potential overall

Little to no control over the customer experience

Less control over dynamic payment options

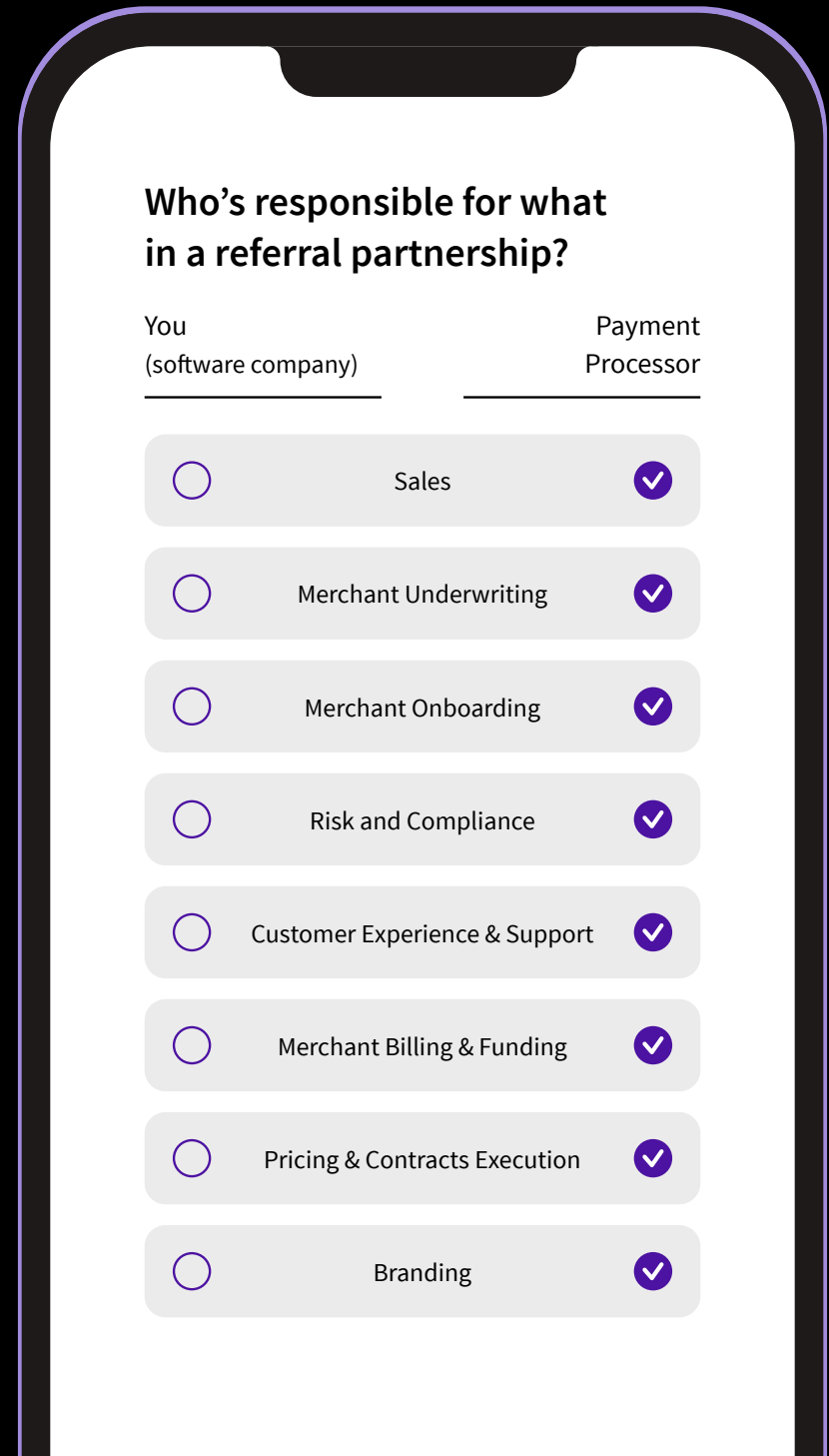
No rights in customer contracts



# What is my role in a referral partnership?

In short, the referral partnership is an easy way to outsource Embedded Payments. If you choose a referral partnership, you're essentially sending your customers to the payment processor, leaving you with less operational headache, but with more dependence on the partner.

To the right is a breakdown of the responsibilities of you vs. the payment processor:



You (software company)	Payment Processor
<input type="radio"/>	<input checked="" type="checkbox"/> Sales
<input type="radio"/>	<input checked="" type="checkbox"/> Merchant Underwriting
<input type="radio"/>	<input checked="" type="checkbox"/> Merchant Onboarding
<input type="radio"/>	<input checked="" type="checkbox"/> Risk and Compliance
<input type="radio"/>	<input checked="" type="checkbox"/> Customer Experience & Support
<input type="radio"/>	<input checked="" type="checkbox"/> Merchant Billing & Funding
<input type="radio"/>	<input checked="" type="checkbox"/> Pricing & Contracts Execution
<input type="radio"/>	<input checked="" type="checkbox"/> Branding



## How does a referral partnership impact customer experience?

Referral partnerships are a bolt-on payments solution that never integrates fully — or at all — with your platform. The referral partner controls merchant onboarding, customer service, and all facets of customer payment processing — the only thing you do is make the referral. The hands-off approach leaves you with little control over the customer experience. An advantage is that your customers will typically be able to reconcile payments in the software via API connection, but this connection is visible to the end user.

If you're looking for the fastest path to monetize payments with little time to get to market, referrals might be the best option for your software.

02

**What is payment  
facilitation?**

On the other end of the Embedded Payments spectrum is the option to become a payment facilitator or PayFac<sup>®</sup>. This model enables you to become your own payment processor and receive the full benefits of Embedded Payments by bringing them in-house.

Becoming a PayFac<sup>®</sup> requires considerable time, resources, and assumption of risk, but it can also be a great fit for a software company with the growth and operational resources to make it work.

You as the software company establish a master merchant account through an acquiring bank to process or facilitate payments. Your customers then set up sub-merchant accounts under your master account, making it much easier for them because you've done all the heavy lifting, including:

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- Getting sponsorship from an acquiring bank
  - Receiving approval from the payment brands
  - Implementing tools to onboard your merchants
  - Finding underwriting resources

With those requirements in mind, software companies can typically become a PayFac<sup>®</sup> in one of two ways:

### **1. You build it**

This requires engineering resources and payments expertise, along with ongoing operational expenses.

### **2. You buy it**

This gives you a complete payment infrastructure and a partner that provides expert guidance on operating a payments business.

# What are the pros and cons of becoming a PayFac<sup>®</sup>?

In this model, you manage the full payments experience and monetize your payments by collecting processing fees, but you also take on the responsibilities and risks of becoming a processor including underwriting, compliance, and investment in new technology. On the right we've outlined more of the benefits and drawbacks.



## Evaluating the PayFac<sup>®</sup> model

### Benefits



Completely tailored solution for your software

Complete control over brand

Complete control over merchant user experience

Highest payment monetization opportunity

Complete rights over customer relationships

### Drawbacks



Full compliance and ongoing regulatory responsibility

You take on the full financial risk

Slower time to market

Full resources required to support

Evolving strategic priorities

# What is my role as a PayFac®?

This model can open you up to complete control over your software's payment experience, but with more control comes more responsibility. Think maximum risk, with maximum reward.

To the right is a breakdown of the responsibilities of you vs. the payment processor:



## Who's responsible for what when you become a PayFac®?

You (software company)	Payment Processor
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<input checked="" type="checkbox"/>	Sales	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Merchant Underwriting	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Merchant Onboarding	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Risk and Compliance	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Customer Experience & Support	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Merchant Billing & Funding	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Pricing & Contracts Execution	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Branding	<input type="checkbox"/>



## **How does becoming a PayFac® impact customer experience?**

Becoming a registered PayFac® offers complete control over the customer experience.

From onboarding a new merchant through their lifetime of transacting, you can deliver the ideal payment experience and level of customer support that seamlessly fits within your brand. However as a PayFac®, you're the designated payment expert, which comes with the responsibilities mentioned above.

03

**What is payment  
facilitation-as-a-service?**



## PFaaS offers that “sweet spot” between risk and reward

If you're not ready to become a PayFac®, but the referral partnership doesn't quite fit with your business strategy, you may want to consider PayFac-as-a-Service (PFaaS). The newest model of the three, PFaaS offers more control than referral partnerships, while offloading many of the responsibilities of a registered PayFac®.

With this model you partner with a PFaaS provider who provides the infrastructure you need to offer payments to your customers as a white-label solution. To your customers, the payments experience is seamless — and is fully integrated with your software and your brand. It looks like you're processing their payments, but your partner is managing the risk, compliance, operational costs, and the other complexities of handling payments in-house.



# What are the pros and cons of PayFac-as-a-Service?

For many software companies, PFaaS can be the right fit. Where referral partnerships might fall short of the full benefits you're looking for — and where becoming a full PayFac® is too resource-intensive — the PFaaS model offers an elegant balance of customization, control, and time-to-value.

PFaaS provides an advantageous blend of both payment monetization opportunities and the ability to integrate the customer experience with your brand. Compared to a referral partnership, you earn more recurring revenue from the share of processing fees. It's also an optimal solution over becoming a PayFac®, when speed-to-market and technology investment concerns are a priority.



## Evaluating the PayFac-as-a-Service model

### Benefits



You choose your level of control

White-labeling available

Seamless integration into your software

Fast and efficient merchant onboarding

Decreased time to market

More revenue from customizable processing pricing

Minimal risk (most assumed by payments partner)

Opens future opportunity to become a full PayFac®

### Drawbacks



More responsibility than referral model

More staffing / dedicated resources required

# What is my role with PayFac-as-a-Service?

Within the PFaaS model, you take a more active role in your payment processing, with the ability to customize the best payment experience for your customers. You get many of the benefits of being a PayFac®, without the heavy investment or stress of managing risk, compliance, and annual audits.

Want to know how the responsibilities are shared between you and the payment processor? See the breakdown on the right.



## Who's responsible for what in the PayFac-as-a-Service model?

You (software company)	Payment Processor
<input checked="" type="checkbox"/>	Sales <input type="checkbox"/>
<input type="checkbox"/>	Merchant Underwriting <input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Merchant Onboarding <input checked="" type="checkbox"/>
<input type="checkbox"/>	Risk and Compliance <input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Customer Experience & Support <input type="checkbox"/>
<input checked="" type="checkbox"/>	Merchant Billing & Funding <input checked="" type="checkbox"/>
<input checked="" type="checkbox"/>	Pricing & Contracts Execution <input type="checkbox"/>
<input checked="" type="checkbox"/>	Branding <input type="checkbox"/>



## How does the PayFac-as-a-Service model impact customer experience?

The PFaaS model is inherently flexible, leaving your software company's level of involvement in the customer experience up to you. You can choose how much or how little control over onboarding and customer service you want. Naturally, this model supports a superior payment experience by delivering the seamlessness and brand continuity as a full PayFac®.

However, not all PFaaS providers are created equal. When researching a partner, it's important to look behind the technology and APIs. Some providers who claim to be “technology-first” leave their software customers with self-guided, trial-and-error-driven developer documentation, making it hard to know where to begin, what best practices to implement, and how to onboard your customers to start processing.

Work with a team who will help you build an implementation strategy that suits your business goals.



## **Payrix is an Embedded Payments solution that gives you more control over your customer experience**

Payrix is a leading PFaaS partner under the Worldpay from FIS umbrella. We help create the most frictionless customer experiences for software companies accepting payments. Our Payrix Pro solution offers you the ability to create white-labeled Embedded Payments, giving you more control over your customer experience and the ability to price it and sell it your way.

Payrix can be a long-term partner to your overall payment strategy, making sure that the customer experience comes first — and that the experience stays true to your brand. Our solution acts as a seamless extension of your operations, providing powerful technology that delivers the exact payments look and feel that you want for your subscribers and their customers.

### Payrix benefits:

- ✔ White-labeled Embedded Payments
- ✔ Bespoke program and customer experience
- ✔ White-glove support

Included in the Payrix solution is the white glove support of our payment experts to help you get the most value out of payments, while offering competitive rates. Our expertise allows us to accurately anticipate your needs and guide you through the successful creation of a bespoke, end-to-end payments program, with services including:



- + Transparent merchant onboarding
- + Flexible fees and billing
- + White-labeled merchant portal and sign-up
- + Variety of card-present options
- + Reduced rates of fraud
- + Ownership of the customer relationship
- + Support of a dedicated success team
- + Payment expertise and consulting
- + Go-to-market training and support

All of this is built specifically for your software company, so you can offer a better experience for your customers, get to market faster, and capture more value. Here's a sample breakdown of what to expect from Payrix Pro:

	[ ] Payrix PRO
Payment Revenue	0.50% - 1.00%
Annual Revenue Opportunity (per \$10,000,000 GMV)	\$50k - \$100k
Salary Expenses	\$0 - \$125k
Customer onboarding	Fully Integrated
Control	Medium
Customer branding	White Label
Risk	Hybrid
Regulatory burden	Minimal
KYC, AML and Risk Tools	Embedded and Managed
Technology investment	Low
Registered PF	Payrix
Time to deploy	3 Weeks - 3 Months

## In a recent Forrester Total Economic Impact™ study commissioned by Payrix, software companies using Payrix Pro reported these benefits:

- ✓ Return on investment (ROI) up to 264% over three years
- ✓ Increased 'stickiness' and loyalty of customers
- ✓ Improvements to customer onboarding
- ✓ Reduced time for customers to begin transacting
- ✓ Reduced customer service issues
- ✓ Greater satisfaction with transaction speed
- ✓ Overall increased customer experience scores

# How to develop your best payments strategy

Your Embedded Payments model is part of your greater payments strategy — one of the most vital pieces of scaling your software company. If you don't have a clear cut payments strategy, that's okay. Now is the perfect time to take a step back and think about the bigger picture.

When it comes down to it, there are two main reasons to implement a payments strategy for your software:

- 1 To enhance the customer experience and drive LTV
- 2 To monetize payments as an additional revenue stream so you can scale

You may be focused on one or both of these.

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Wherever you are in your payments journey, the right partner can meet you where you are to support your vision, enhance your business strategy, and collaborate with you to accomplish your goals.

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They'll ask the right questions and help you identify your best opportunities. Your partner should also have the ability to grow with you. If they match your needs today, great — but it's important to make sure they can also meet your needs in the future.



Before engaging with a payments partner, there are some questions you also have to ask yourself, including these:

### **What outcomes do you want to drive for your subscribers and their customers?**

Remember that every business has unique needs and a unique customer base.

### **What do you want the experience for your customers to be?**

Start with the customer challenges you're trying to solve.

### **How are you thinking about payments within your overall business strategy?**

Are you willing to build it yourself, or work with a partner?

### **How much of the value chain do you want to capture with Embedded Payments?**

This will help determine which model, and which partner, will serve your strategy best.

### **Are you expanding to global markets?**

A partner with established global reach can align with your business goals and help you scale and manage the diversity of regional payment methods including compliance, risk, and regulatory considerations, as well as help you consolidate and aggregate volume with as few partners as possible.

### **Does their solution align with your business plan?**

The right payments partner should be creating a solution that works with your business plan — not the other way around.

Finding the best Embedded Payments model that aligns with your payment strategy will depend on certain factors including your unique customer needs, available resources, payments knowledge, appetite for risk, and payment goals.

It's important to understand that there's always a risk-reward tradeoff, and it comes down to understanding your current capabilities and long-term business plan for your future.

Worldpay from FIS has been serving software companies for decades as a trusted Embedded Payments partner. Having invented payment facilitation and owning the trademark PayFac®, we offer a full spectrum of opportunity with all three Embedded Payments models we reviewed and can help you make the best decision for your software company.

To help you compare your Embedded Payments options, here is a breakdown of the requirements for each model, specific to the solutions offered by Payrix and Worldpay from FIS:

	Referral Partnership	PayFac-as-a-Service	Registered PayFac®
Complexity level	Low	Medium	High
Level of control over customer experience		High	
Implementation requirements	Payment application only	A payment application with custom development or out-of-the box UI	Custom development
Implementation timing	0-1 month	3 weeks-3 months (developer dependent)	9-12 months
Staffing requirements	Sales (at a minimum)	Sales Marketing Product Customer Support	Full scale payments team including: Risk Underwriting Fraud Compliance
Operational cost	Low	Medium	High
Revenue potential	\$	\$\$	\$\$\$



**The experts at Payrix  
and Worldpay from FIS  
are here to meet you  
at any stage of your  
payments journey.**

With decades of payments and software experience, we're a supporting partner that can provide you with a dedicated implementation and strategy team to help you drive deeper engagement with your customers, increase revenue, and scale your operations.

We're a true partner that will enhance your business strategy and build a bespoke Embedded Payments model built around your goals, not someone else's. We'll help you delight your customers — and your financial stakeholders — by creating a differentiated product that will seamlessly fit within your software platform, help your brand stand out from the competition, and drive future growth.

**Ready to unleash your possibilities?**  
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