

How embedded finance is shaping  
the future of marketplaces

# Beyond Payments

 **Airwallex**

# How embedded finance is shaping the future of marketplaces

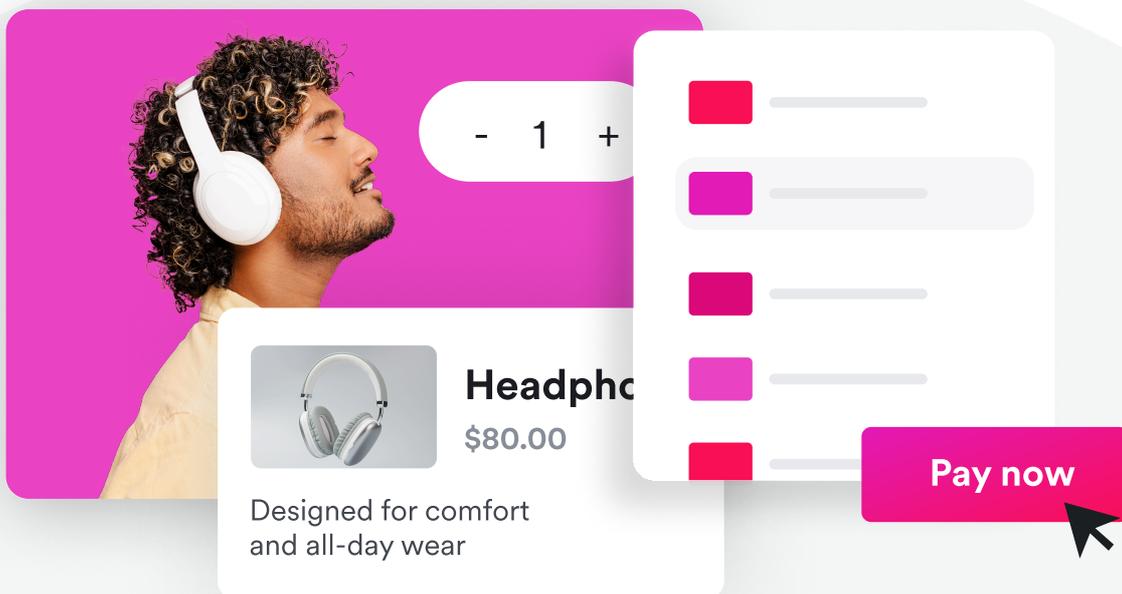
**From regional players to global powerhouses, the marketplace industry is booming.**

Advancements in technology and changing consumer behaviours have led the marketplace economy to undergo a significant transformation over the past decade. Marketplaces have evolved from simple connectors of buyers and sellers into complex ecosystems, facilitating a wide range of transactions that infiltrate many areas of our daily lives.

From catching a ride to work, ordering lunch, buying the weekly groceries, or booking your next holiday, marketplaces

meet a variety of daily needs and play a significant role in improving the convenience of our transactions.

Central to the success of marketplaces is the role of seamless payment experiences. Platforms offering embedded payment processes have quickly gained a competitive edge, offering native payment experiences that cater to a wide range of customer preferences, keeping customers within the platform ecosystem and driving further engagement.



**However, embedded finance extends far beyond payment acceptance – it can serve as a powerful growth accelerator and a competitive differentiator for marketplaces.**

Beyond payments, embedded finance can help marketplaces recognise untapped financial opportunities, generating new revenue streams while supporting sellers in delivering the experiences their customers are looking for.

Many marketplaces may have hesitated to invest in embedded finance in the past due to concerns with the complexity of integrating these solutions, or limited understanding of its strategic value.

### Why do enterprises hesitate to invest in embedded finance?

**42%**

of executives believe technical integration with existing systems to be overly complicated.



**25%**

have concerns with regulatory or compliance hurdles.<sup>1</sup> Others might underestimate the potential return on investment.

Some view embedded finance purely as a payments solution rather than a powerful tool to drive seller retention, increase customer lifetime value, and unlock new revenue streams.

However, with technological advancements and more seamless integration options, the barriers to adoption are lower than ever.

As competition intensifies, the need for innovation and improvement is crucial in keeping sellers on a platform.

**Embedded finance isn't just an upgrade – it's becoming an essential lever for growth.**

<sup>1</sup>“Scaling Embedded Finance: Your enterprise guide to success,” Airwallex, in partnership with NewtonX, 2024

## About the report

This report draws on insights from research and interviews with subject-matter experts conducted during Q4 2024. Interviewees included a Head of Payments, Group Director for Digital Experience, and Senior Product Managers of global marketplaces, who are involved with payments and embedded finance use cases.

In this report, ‘embedded finance’ refers to integrating financial technology into a marketplace’s products and services. These technologies allow marketplaces to offer financial services such as payments, lending, and banking-like capabilities that customers can access natively in the platform itself.

The changing  
**marketplace  
economy**

# The changing marketplace economy

From the rise of peer-to-peer transactions and subscription-based models to the global expansion of regional platforms, the marketplace economy is diversifying in once unimaginable ways.

Initially, marketplaces were primarily associated with eCommerce. In 2024, 67% of global eCommerce sales<sup>2</sup> took place on marketplaces. However, the landscape has evolved significantly, with marketplaces now extending into a wide range of services.

From niche online platforms to vast, global networks, the growth and diversification of marketplace models have redefined how buyers and sellers interact.

As regional marketplaces increasingly look to expand, global marketplaces are focusing on differentiation and innovative ways to enhance the buyer and seller experience.

<sup>2</sup>Khaled Tawfik, Tanmay Jain, Ali Harcourt, and Ammaarah Subjally, 'The rise of the B2C specialty marketplace,' Boston Consulting Group, 2024.

## There are two key factors in the rise and growth of marketplaces

### 01. Advancements in technology

The widespread adoption of digital infrastructure, including high-speed internet and mobile technology, has made it easier for businesses to build and scale online marketplaces. With mobile commerce on the rise, buyers can now engage with platforms seamlessly, whether shopping, booking services, or hiring freelancers.

### 02. Globalisation

Globalisation has reshaped supply chains and logistics, making cross-border commerce more efficient. eCommerce marketplaces can now leverage warehousing and fulfilment innovations, such as Amazon FBA and dropshipping, to streamline operations without maintaining large inventories. Meanwhile, the rise of gig economy platforms has been fuelled by remote work technology, enabling businesses to tap into a global talent pool with ease. Similarly, creator economy marketplaces have benefited from digital monetisation tools that allow content creators to reach and sell to global audiences.

They have created a fertile ground for the growth of marketplaces, expanding their reach and efficiency, and driving innovation while improving the overall customer experience.

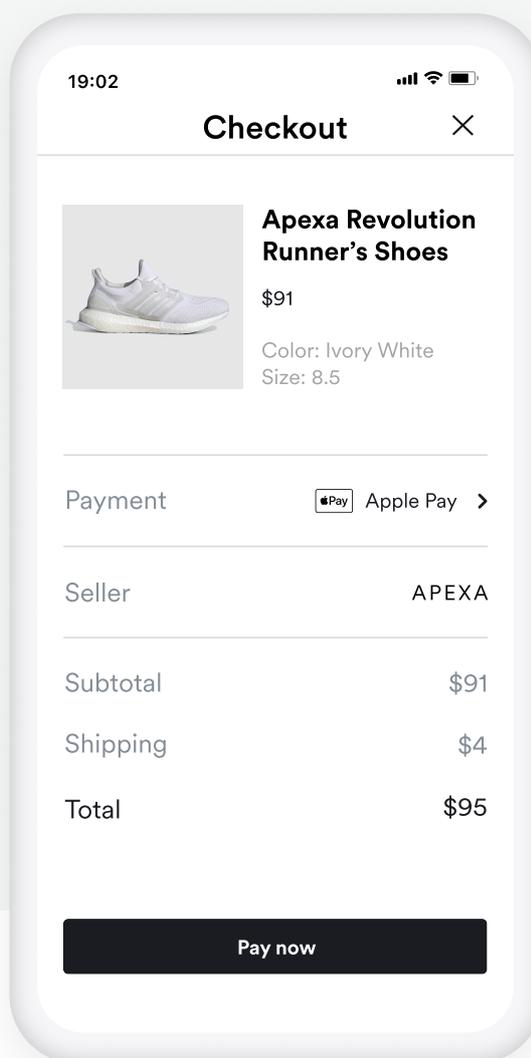
Yet one of the most significant enablers of marketplace growth has been innovation in payments and embedded finance.

Digital wallets, cross-border payment solutions, and real-time currency conversion have simplified international transactions, allowing marketplaces to expand globally with fewer financial barriers.

Advanced fraud detection and AI-driven risk management have strengthened security, increasing consumer trust in online transactions. Seamless, secure, and flexible payment solutions have defined the marketplace experience.

Simple purchase processes support sellers in increasing their sales and customer satisfaction, and drive demand for marketplaces. Yet buyer expectations around speed, security, and flexibility in online payments is constantly shifting.

**What is considered a "good" payment experience can quickly become outdated, making it tough for marketplaces that rely on traditional payment systems to keep up.**



# The challenges of traditional payment systems

The lifeblood of a marketplace is seamless engagement between buyers and sellers, and the heartbeat is efficient, reliable payments. Unfortunately, traditional payment systems often introduce friction, creating challenges that can disrupt operations and harm these relationships. From fragmented systems and high foreign exchange (FX) fees to delays in seller payouts, these pain points can slow growth and erode trust.

## Poor experiences from fragmented systems

Traditional payment systems often involve a patchwork of vendors, which creates a poor experience for marketplaces, sellers, and buyers alike.

If existing systems can't efficiently work together or scale as marketplaces enter new countries, they may struggle to provide a consistent and reliable service.

Customers make payments, which go through a third-party payment collector and processor who takes a cut before a creator is paid. As a result, the amount of money they actually get may be slightly different than what they expect, so there's usually a challenge lining up the numbers.

Senior Product Manager  
at a creator marketplace

“

We want to consolidate the number of players we work with. Keeping up with so many different vendors can be a headache and gets in the way of our growth.

Head of Payments at a global marketplace

Traditional payment systems often lack the necessary tools to automate split payments, manage commissions, and track the flow of funds, leading to complicated reconciliations and delayed payouts. These slow or unpredictable payment cycles can create significant cash flow issues, making

it difficult for sellers to manage inventory, pay suppliers, and grow their businesses.

This, in turn, can often erode their trust in the marketplaces that make these transactions difficult.

## High currency exchange fees

FX fees within traditional marketplace payment systems often eat into the profit margins of sellers. These fees, which can vary depending on the currencies involved and the payment providers, can become a substantial cost of doing cross-border business, especially for smaller sellers and those operating on thin margins.

As a result, sellers face added costs that lower their earnings, making it harder for them to scale their businesses. Like fragmented systems, high FX fees can also lead to delayed payouts, which can be frustrating for sellers as it impacts their cash flow.

### Real-world example

Regina runs an eCommerce business selling eco-friendly children's toys on a global marketplace. She accepts payments from customers worldwide, but the process of collecting her earnings and paying her suppliers is frustrating.

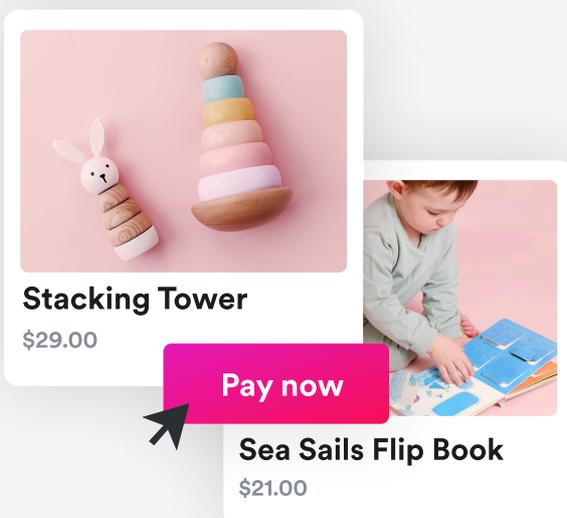
For each international sale, the funds are processed through the marketplace's payment system, which then transfers the earnings to her external bank account. Since her business accepts multiple currencies, this process involves FX conversions.

The payments take several days to clear, as the funds are routed through multiple banks and intermediaries with their own processing timelines. Regina also deals with discrepancies between exchange rates and fees, which vary by transaction.

These require manual reconciliation, causing further delays in receiving her full payout. On top of that, transferring funds to her overseas suppliers adds FX fees and delays.

As a result, Regina's cash flow is unpredictable, making it hard to manage inventory and pay suppliers on time.

These ongoing delays and added costs are straining her relationship with the marketplace, leaving her concerned about the marketplace's long-term impact on the success of her business and leading her to look at potential other options on where to sell her products.



## Regional and international regulatory compliance

Regulations aren't static. Laws are regularly updated, amended, or even replaced entirely. Traditional payment systems involving a lot of vendors can slow down the ability to adapt to changing regulatory requirements, as they introduce additional checks and balances that make compliance more cumbersome. On top of that, challenges around reconciliation and

navigating different payment processor requirements can make it more difficult to meet regulatory obligations, which makes non-compliance a very real problem.

Failure to comply with regulations can result in significant penalties, including fines, brand reputation damage, and legal consequences.

“

**It can be really difficult to facilitate smooth payment experiences in a lot of countries when we're settling payments in a different currency.**

Senior Product Manager  
at an international marketplace

“

**A big challenge in payments involves regulatory issues. They can be hard to navigate as you're trying to go global since every country and region has differences.**

Lead Product Manager at a global retail marketplace

## Limited revenue scalability

As traditional payment systems are designed to only facilitate transactions, these systems lack the built-in features and flexibility needed to diversify income streams, capitalise on growth opportunities, and gain a competitive edge. Transaction fees are the

only way payments can be monetised, and often don't provide much wiggle room for new revenue as exchange fees can often be quite high from traditional providers, leaving very little marginal value for marketplaces to claim for themselves.

Current phase of

**embedded finance  
for marketplaces**

# Current phase of embedded finance for marketplaces

The development of API-first platforms and no-code or low-code solutions has accelerated marketplace growth by reducing the technical barriers to entry.

Marketplaces can quickly launch and scale using pre-built infrastructure for payment processing, and no longer need to rely as heavily on traditional payment providers.

Embedded payments have been embraced by platforms over traditional payment systems as the advantages of native payment experiences are being recognised.

Shopify's Shop Pay, for example, delivers up to a 50% conversion lift compared to a simple guest checkout due to its one-click accelerated checkout.<sup>3</sup>

Common existing use cases of embedded finance by marketplaces are for payment acceptance by buyers, and payouts to sellers. Instant and invisible payment processing ensure that purchases are completed quickly and without disruption to the user experience.

**Buyers can pay with just a few clicks, often without being redirected away from the platform. Sellers can track their earnings and payouts in real-time through the marketplace's platform, providing transparency and better control over their financial transactions.**

<sup>3</sup>'Scaling embedded finance: your enterprise guide to success,' Airwallex, in partnership with Newton X, 2024.

# How embedded finance simplifies payments operations

## 01. Automated payment flows

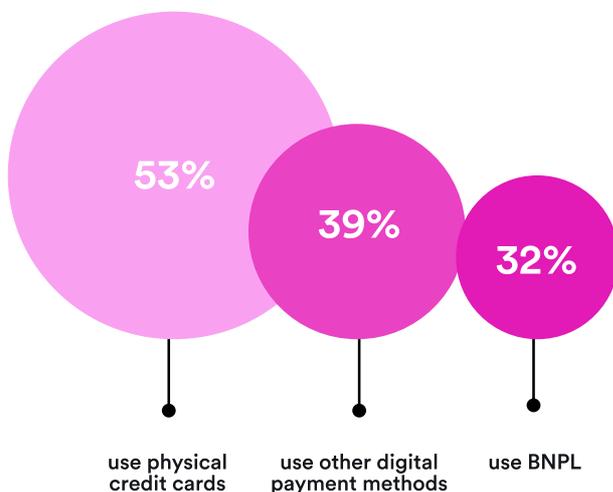
Embedded finance enables automated payment processing, including split payments, instant payouts, and real-time reconciliation. This removes reliance on manual financial operations, reduces errors, and streamlines financial workflows for both marketplaces and their sellers.

It also simplifies the integration of local payment methods and multi-currency acceptance, letting buyers use their preferred method and currency to pay

without being directed to a separate platform. This localisation boosts conversion rates and avoids high foreign transaction fees by routing payments through local rails.

By supporting a range of payment methods, like credit cards, digital wallets, buy now, pay later (BNPL) options, and local methods like Venmo in the US or Alipay in China, marketplaces can meet global buyer preferences.

### Paying habits when buying online



Source: Statista & Airwallex Cross-Border Payments Survey

“

**Gen Z don't really use physical credit cards – many of them don't even have them – so, in order to facilitate accepting payments from them, we had to adapt and integrate digital payment methods, like Apple Pay and Google Pay.**

Senior Product Manager at an international travel marketplace.

## 02. Faster seller payouts

Traditional banking systems often involve slow settlement times, especially for cross-border transactions. Embedded finance allows marketplaces to offer instant or same-day payouts, improving cash flow for sellers and enhancing their experience.

For example, SNKRDUNK facilitates the selling and purchasing of niche items such as sneakers and trading cards. Many of the items sell for high prices, and their slow movement of funds had led to friction with overseas sellers. They now use Airwallex to pay out on local rails in 120+ countries, so sellers receive their funds within one day post-transaction.

“

**When you facilitate payouts, you've got to make it easy for merchants to get their money. They want their payouts on a daily basis or an instant basis rather than having to wait a number of days to access their cash. They have daily expenses like fuel, supplier invoices, and other costs they have to pay for, so helping them maintain cash flow is key.**

Head of Payments at a global marketplace.

## 03. Fraud detection and compliance

Processing transactions in different countries requires strict compliance with regulations and the maintenance of necessary money transfer licences.

Embedded finance solution providers can help simplify regulatory compliance, providing advanced fraud detection and regulatory compliance tools, reducing chargebacks and ensuring adherence to local financial regulations. This minimises risk while protecting buyers and sellers.

AI-powered KYC (Know-Your-Customer), KYB (Know-Your-Business), AML (Anti-money Laundering), and compliance tools have made it easier for marketplaces to onboard sellers and buyers quickly while ensuring regulatory adherence.

The financial licences of FinTech providers enables platforms to confidently scale cross-border operations at speed.

“

**As soon as you start going global, you realise there are all of these nuances and specific local regulations to keep up with that you didn't have to think about before.**

Senior Product Manager at an international marketplace

## 04. Multi-currency management

For global marketplaces, embedded finance provides built-in foreign exchange (FX) solutions, allowing businesses to accept payments in multiple currencies and automatically convert funds at competitive rates. This simplifies treasury operations and reduces FX-related costs.

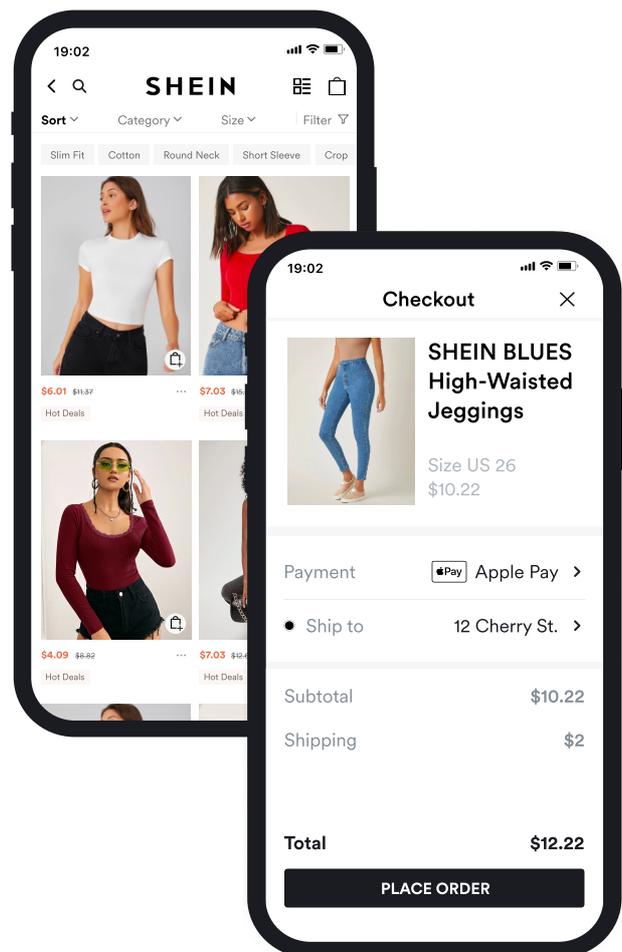
Embedded payments improve seller retention, enhance customer experience, and reduce reliance on third-party financial providers. This not only strengthens market position but also drives higher margins and long-term profitability.

### Helping SHEIN shine

To support the growth of their global business, global retailer SHEIN needed an end-to-end global payments solution spanning payments acceptance, currency conversion, and payouts across multiple geographies.

With Airwallex's Payments for Platforms solution, SHEIN was able to collect online payments from consumers around the world via multiple currencies and payment methods, eliminate costly conversion fees via like-for-like settlement, and streamline payouts to its global base of sellers.

Airwallex's global coverage and proprietary infrastructure allowed SHEIN to accelerate its growth worldwide.



**The future evolution**

**embedded finance  
for marketplaces**

# The future evolution of embedded finance for marketplaces

Today, marketplaces are focused on using embedded financial capabilities to solve payment processing and payout challenges. Embedded payments have enabled businesses to scale faster, reach broader audiences, and offer more seamless payment experiences than ever before.

Yet there's an opportunity to capture more of the value chain by building full financial ecosystems with embedded finance. Integrating other financial services outside of payments, like multi-currency wallets, lending, and card issuing, lets marketplaces offer a more comprehensive financial experience within the platform environment.

These tools help sellers manage cross-border transactions, access working capital, and enter new markets seamlessly.

As a result, marketplaces become essential partners in supporting sellers' global ambitions, driving long-term growth and fostering strong, successful relationships.

In fact, 83% of sellers say they're interested in accessing more financial services directly through their marketplace<sup>4</sup>, highlighting the demand for these offerings sooner than later.

Providing a suite of financial services can enhance the overall value proposition of a marketplace, and also generate new revenue opportunities from the offering.

Directly, marketplaces can monetise financial services through fees, interest, and commissions. Indirectly, centralising embedded finance within the platform can lead to greater engagement and time spent on the platform, providing key differentiation from competitors.

Integrating these services can create a more comprehensive and engaging ecosystem, fostering stronger relationships with both buyers and sellers, and strengthen competitive position.

<sup>4</sup>Embedded finance report: the opportunity for software platforms and marketplaces,' Airwallex, in partnership with Edgar, Dunn & Company, 2023.

“

**Having a one-stop shop that already has all of the financial services we need to offer would be great so I don't have to source, integrate, and manage them separately.**

Group Director for digital experience at a retail marketplace



## Seller wallets and accounts

By integrating seller wallets, marketplaces can offer a more integrated and convenient financial experience. Wallets could allow sellers to store funds, manage transactions, and receive payouts. Seller wallets keep funds within the marketplace ecosystem

and increase user engagement. Enabling wallets to store multiple currencies, and adding pay out functionality lets sellers collect funds and payout to global suppliers from one place – without incurring currency conversion fees in either direction.



## Card issuing

Issuing branded physical or virtual debit cards provide sellers with quicker access to their earnings. For example, gig marketplaces like Lyft provide cards to drivers, giving them instant access to their earnings for purchases or cash withdrawals. Every time the debit card is used, the marketplace earns a percentage of the transaction via

interchange fees. These fees are paid by the card network (Visa, Mastercard, etc.) and can provide a steady revenue stream. Marketplace platforms can also profit from currency conversion mark-ups if the cards are used for purchases in currencies other than what is held in the user's wallet.



## Lending

Turn customer data into actionable credit offerings, from point-of-sale financing for buyers (like flexible payment instalments via BNPL) to working capital loans and revenue-based financing for sellers. Lending and seller financing options provide sellers with the capital they need to grow their businesses, bypassing complex loan application processes with traditional banks

or other lenders. Revenue-based lending, where loans are repaid as a percentage of future sales, is an innovative approach that can help sellers scale.

With embedded finance lending services, marketplaces can review a sellers' sales history, and offer inventory financing, invoice factoring, or cash advances – providing a growth lifeline to sellers while earning money from fees or interest.

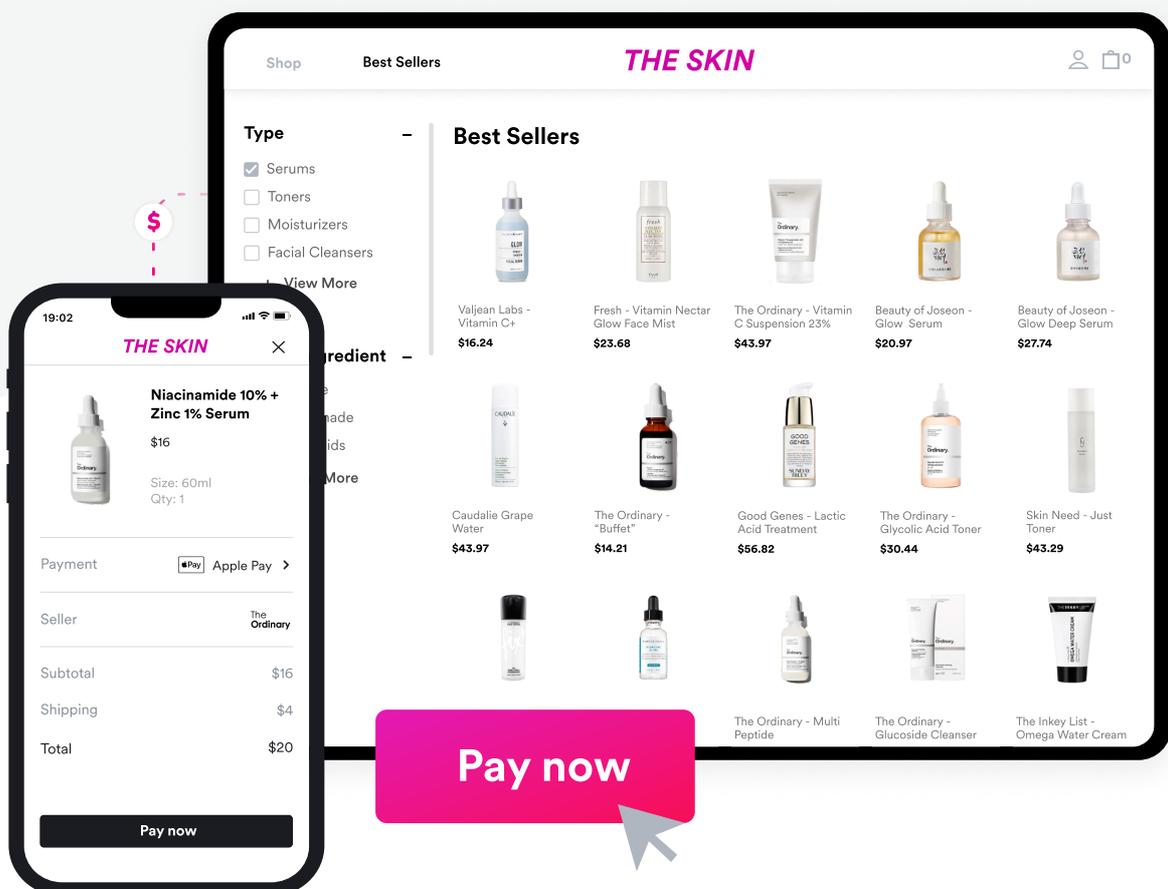
“

There can be revenue opportunities for marketplaces in embedded finance offerings. An easy one is loans. Products that are outside of the disposable income of a seller can be bought and paid back in instalments, and this brings in a revenue-generating element when a fee or interest is applied.

Head of Payments at a global marketplace

Embedded finance is not just a tool for simplifying payment operations; it's a powerful growth driver that increases retention, enhances user experience, and boosts revenue.

With a range of solutions and services available, embedded finance offerings can be tailored to create a profitable end-to-end ecosystem.



How Airwallex supports

# **embedded finance for marketplaces**

# How Airwallex supports embedded finance for marketplaces

Airwallex's embedded finance solutions can be white-labelled and natively integrated into marketplaces via API to streamline payments, compliance, and operational workflows. This enhances buyer and seller experiences, unlocks new revenue streams, and allows marketplaces

to focus on growth. Leading marketplaces leverage Airwallex's 60+ global financial licences, high-quality developer capabilities, and APIs to embed financial solutions into their product and launch them on a global scale.

## Airwallex supports payment processing in

**180+** countries    **130+** currencies    **160+** payment methods

## Airwallex enables

payouts to **200+** countries    local payouts to **120+** countries

 SILKY GOODS

**Lucy PJs**

Smooth, soft feel against your skin, perfect for a restful night's sleep  
\$520.00

**Taylor Loungewear**

Perfect for restful nights or lounging in style.  
\$236.00

Shipping

USD \$20

**Grand Total**

**USD \$776**

Continue to pay

Seller Balances		
	GBP Great Britain Pound	21,
	USD United States Dollar	12,
	EUR Euro	23,

**Payment Methods**

Payouts		
STATUS	METHOD	
Sent	ACH Usually takes 1-2 days	20,000
Sent	Virtual Cards Instant	28,000
Sent	SEPA Usually takes 1-2 days	13,000
Sent	FPS Instant	12,000

## Payments for Platforms

By white-labelling Airwallex's global payments infrastructure, marketplaces can enable customers to sell internationally with a localised and frictionless checkout experience, and pay global sellers and service providers via instant payouts and cards, which can be white-labelled and distributed to customers with the platform's branding.



### PSP-agnostic integrations

Airwallex offers integration with multiple PSPs, allowing marketplaces to manage global settlement and payouts even when using another primary PSP or multiple PSPs across regions.



### Protection against FX volatility

Like-for-like settlement enables marketplaces to collect and settle payments in the same currency to eliminate FX risk and maximise revenue.



### Easy monetisation

Marketplaces can monetise payments by charging transaction fees for each payment processed or by bundling payments with other paid premium features.



### Seamless compliance

Airwallex handles global KYC requirements so platforms can focus on running their core business.



### Control over funds flows

Marketplaces can collect, split, and pay out funds globally and manage fund flows compliantly without requiring PayFac registration.

## Global Treasury

Marketplaces can enable their customers to efficiently collect, store, and distribute funds worldwide with Airwallex's powerful global treasury infrastructure. Marketplaces can also earn revenue from markups on FX and payouts, per transaction fees, and more.

Marketplaces can enable customers to hold funds in

20+

currencies, and collect and payout funds in the same currency to avoid unnecessary FX conversions.

Airwallex offers market-leading FX rates and advanced FX features, which enable marketplaces to lock in rates for

1000+

currency pairs.

Marketplaces can earn revenue from markups on FX and payouts, per transaction fees, and more.

Marketplaces can open currency accounts in

60+

countries in their customers' names, and allow customers to collect and distribute funds via direct debit, SWIFT, and local payment rails. Accounts come with local bank codes and dedicated account numbers.

Local payouts in

120+

countries.

Customers can payout to

200+

countries, including automated batch payments and direct debits via API.

## Banking as a Service

Marketplaces can solve their customers' financial service needs and unlock new revenue streams by natively embedding full-fledged financial capabilities, including foreign and domestic currency accounts, physical and virtual cards, global funds movement, and lending. Airwallex partners with a network of leading banks to offer secure, reliable, and compliant financial infrastructure at a global scale.

Marketplaces can create local currency accounts in their customers' names in

**60+**

countries, and accounts come with local bank details.

Marketplaces can leverage the Airwallex BIN to issue single or multi-use cards in

**40+**

markets and white label with their branding.

Customers can hold funds in

**20+**

currencies and convert currencies at interbank rates.

Where marketplaces are able to offer loans to customers, they can access data to assess credit worthiness on an ongoing basis, and programmatically sweep funds for repayments.

Funds can be distributed to global customers instantly via payouts or cards. Marketplaces can monetise financial products in multiple ways, from interest

collected on lines of credit to markups on FX and payouts. Investing in embedded finance enhances offerings and attracts a broader customer base to stay ahead of the competition.

Consolidate financial operations, reduce costs, and build stronger, more scalable business model with our embedded finance solutions.

**Whether facilitating global payments, simplifying compliance, or monetising embedded finance, Airwallex provides the tools to grow without the complexities of managing multiple financial partners.**

 **Airwallex**