

# THE EMBEDDED FINANCE ECOSYSTEM

## LOGISTICS AND WHOLESALE TRADE EDITION

March 2024 Report



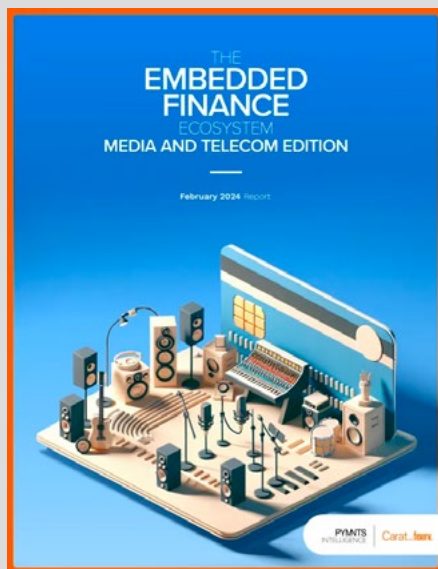
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# THE EMBEDDED FINANCE ECOSYSTEM

## LOGISTICS AND WHOLESALE TRADE EDITION

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February 2024

**The Embedded Finance Ecosystem**  
Media and Telecom Edition



The Embedded Finance Ecosystem: Logistics and Wholesale Trade Edition was produced in collaboration with Carat from Fiserv, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

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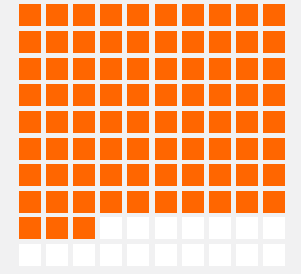
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# WHAT'S AT STAKE

**E**mbedded finance innovations that can boost customer engagement and drive sales are gaining prominence in the logistics and wholesale trade sector. Payment facilitators (PayFacs), independent software vendors (ISVs) and marketplaces in this space all show a keen interest in customer-focused embedded finance offerings, such as digital wallet acceptance and installment plans, which businesses can seamlessly integrate into their websites and product applications. This demand extends across firms that already provide embedded finance features and want to take them further, as well as those that want to use the features for the first time.

PYMNTS Intelligence's latest study reveals that logistics and wholesale trade businesses have robust appetites for embedded finance. For example, 83% of PayFacs, 64% of ISVs and 80% of marketplaces in the segment are highly interested in digital wallet innovations. However, firms in the sector cite various challenges that can deter them from implementation. Most notably, roughly two-thirds of ISVs and marketplaces identify current economic conditions as their top challenge.

# 83%



of PayFacs in the logistics and wholesale trade sector are **highly interested in digital wallet innovations.**

These are just some of the findings revealed in The Embedded Finance Ecosystem: Logistics and Wholesale Trade Edition, a PYMNTS Intelligence and Carat from Fiserv collaboration. This edition looks at the increasingly valuable role of embedded finance in the logistics and wholesale trade sector, building on insights from a survey of 282 executives working at PayFacs, ISVs and marketplaces conducted from May 10, 2023, to Aug. 25, 2023.

**This is what we learned.**

# KEY FINDINGS

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**Embedded finance innovations are attracting keen interest from businesses in the logistics and wholesale trade space, with operational enhancement and customer experience as two of the key drivers.**

## **Operational enhancements top the business innovation agenda for PayFacs and marketplaces in logistics and wholesale trade.**

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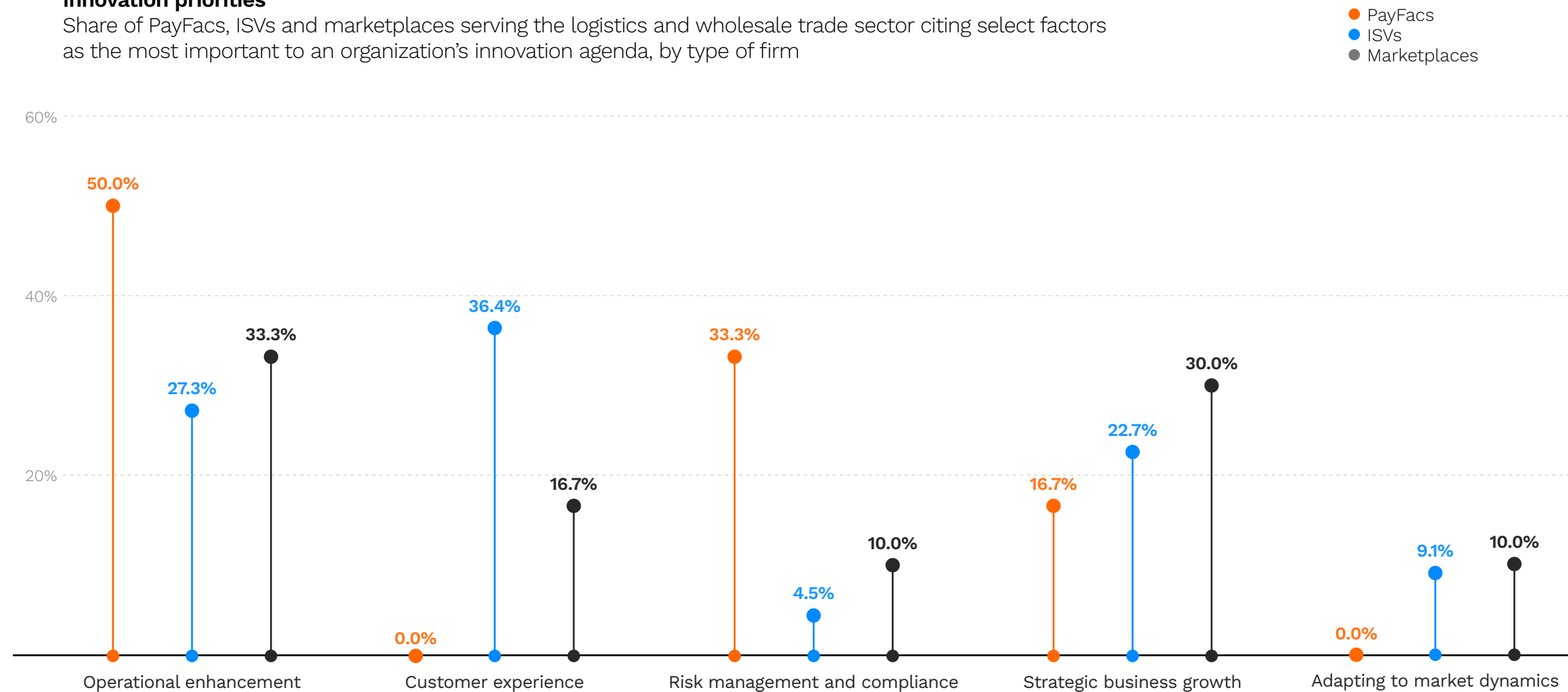
PayFacs, ISVs and marketplaces in the logistics and wholesale trade space prioritize four primary areas of innovation: operational enhancement, risk management and compliance, customer experience and strategic business growth. For PayFacs, operational enhancements — including speeding transaction processing, streamlining operations and improving profits — top the innovation agenda for 50% of respondents. Risk management and compliance are the lead innovation considerations for 33%, with strategic business growth selected by just 17% of respondents and customer experience by none. The heavy focus on operational enhancements and risk management and compliance highlights the role that PayFacs play as providers for embedded finance and payment solutions that help businesses to innovate in payments, finance and compliance. PayFacs are key service providers for embedded finance and payments solutions that help businesses to innovate in payments, finance and compliance, among other benefits.

ISVs are focused on customer experience, which is the top innovation priority for 36%, with operational enhancement and business growth also frequently cited. Marketplaces most commonly prioritize operational enhancement, chosen by 33%, followed closely by strategic business growth, at 30%. A clear trend emerges when looking across these findings — marketplaces and ISVs serving logistics and wholesale trade have an appetite for innovations that embedded finance can deliver, from streamlined transaction processing to credit products that tap into new customer demand.

**FIGURE 1:**

**Innovation priorities**

Share of PayFacs, ISVs and marketplaces serving the logistics and wholesale trade sector citing select factors as the most important to an organization’s innovation agenda, by type of firm



Source: PYMNTS Intelligence

The Embedded Finance Ecosystem, March 2024

N = 58: PayFacs, ISVs and marketplaces in logistics or wholesale trade, fielded May 10, 2023 – Aug. 25, 2023

## Digital wallet innovations widely appeal to PayFacs, ISVs and marketplaces in logistics and wholesale trade.

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Players in the logistics and wholesale trade sector reveal a strong demand for embedded finance innovations across various features and products. These include payment acceptance, installment payment options and credit products such as buy now, pay later (BNPL). One feature that stands out is digital wallets: 83% of PayFacs, 80% of marketplaces and 64% of ISVs in the segment are highly interested in innovating with this technology. Notably, this is more than just firms that want to support digital wallets for the first time; many already offer digital wallet functions but wish to enhance them further.

Among the 33% of PayFacs that do not currently provide digital wallet features, all express high interest in doing so, as do the majority of marketplaces. There is more of a split among the nearly 32% of ISVs that do not currently provide these features, with 18% expressing high interest in doing so. Fifty percent of PayFacs and ISVs and 57% of marketplaces indicate a strong interest in further pushing their existing digital wallet features. Overall, the data makes it clear: ISVs indicate a strong interest in further pushing their existing digital wallet features. Conversely, just 10% to 18% already offer digital wallet functions and are not highly interested in additional enhancement.

# 50%

of PayFacs in the sector currently **offer digital wallet features** and are very or extremely **interested in innovating them further.**

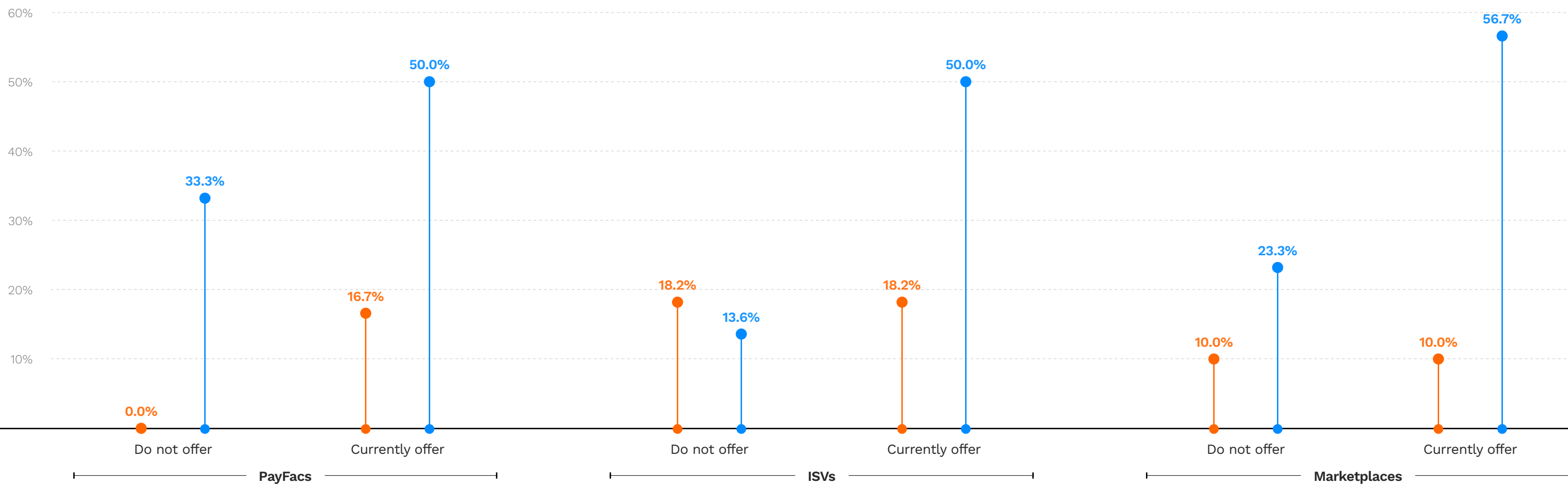
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**FIGURE 2:**

**Interest in digital wallet innovations**

Share of PayFacs, ISVs and marketplaces serving the logistics and wholesale trade sector citing select levels of interest in innovating digital wallet solutions

- Not very or extremely interested
- Very or extremely interested



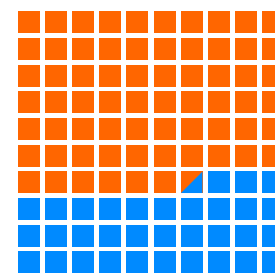
Source: PYMNTS Intelligence  
 The Embedded Finance Ecosystem, March 2024  
 N = 58: PayFacs, ISVs and marketplaces in logistics or wholesale trade, fielded May 10, 2023 – Aug. 25, 2023

## Large shares of PayFacs and marketplaces in logistics and wholesale trade are highly interested in offering installment payments and BNPL.

Many logistics and wholesale trade businesses are strongly interested in offering their customers a more comprehensive range of flexible payment choices. Two options in particular — installment plans and BNPL — stand out, likely because the current high-interest-rate environment makes delaying or spacing out payments so impactful. Two-thirds of PayFacs do not

# 2/3

of PayFacs do not yet offer installment plans, but..



# 1/3

exhibit strong interest in beginning to offer them.

yet offer installment plans, but one-third of this group exhibit strong interest in beginning to offer them. Marketplaces follow suit, as 70% do not currently provide this option, and 37% of this subset is highly interested. However, just 4.5% of ISVs have a strong interest in starting to offer installment plans.

The picture for BNPL is similar, with large shares yet to offer the option, but notable portions report that they want to catch up. Eighty-three percent of PayFacs do not currently offer this option, and 33% are highly interested in doing so. Among marketplaces, 63% do not offer BNPL, and 30% indicate a strong interest in doing so. ISVs show less interest, although 18% say they are highly interested in launching their first installment plan option. Overall, this data suggests that players in the logistics and wholesale trade space recognize the significant customer demand for flexible payment options, even if many do not yet offer them.

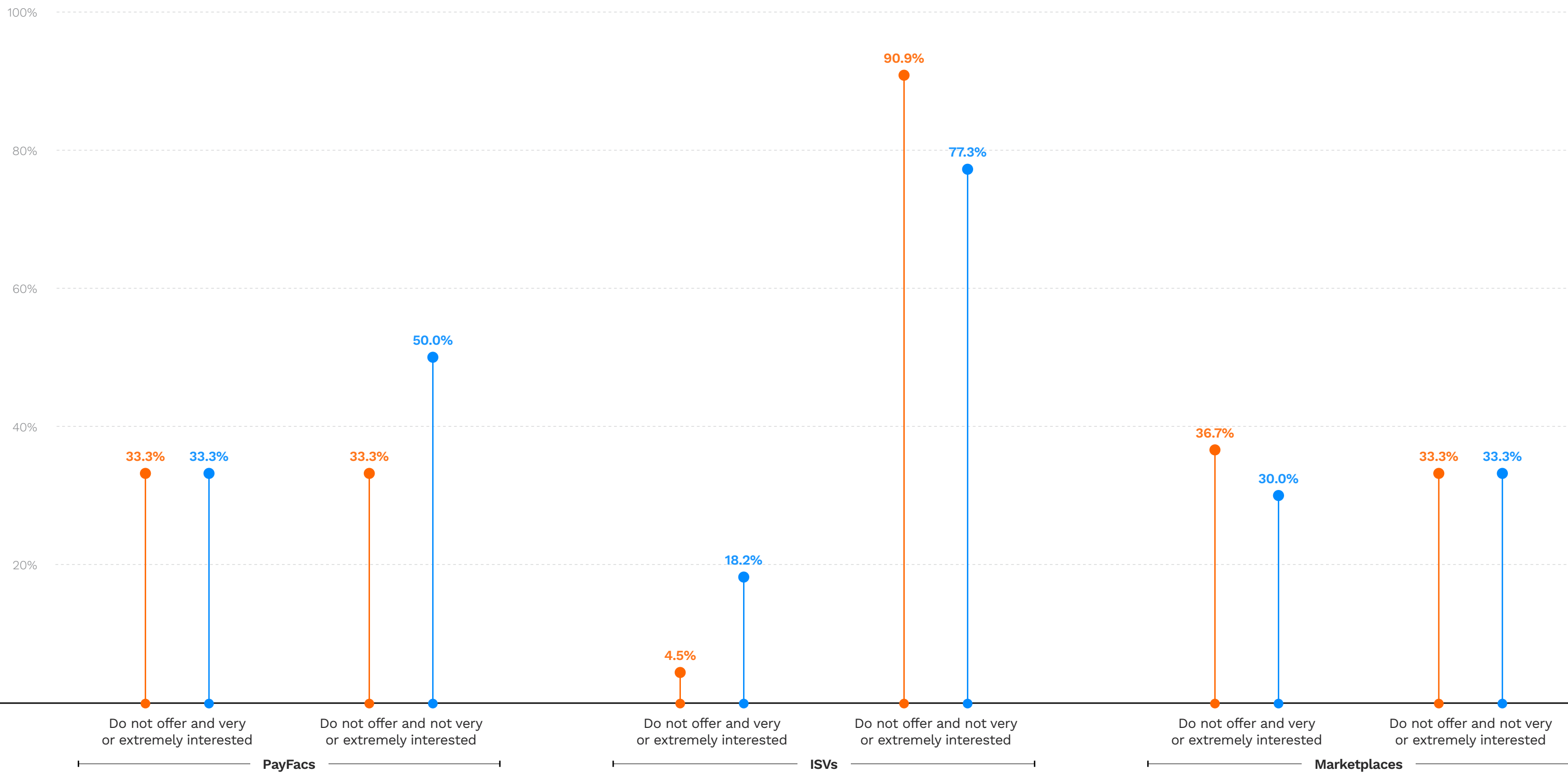


**FIGURE 3:**

**Interest in offering installment plans and BNPL**

Share of PayFacs, ISVs and marketplaces serving the logistics and wholesale trade sector that do not currently offer installment payments or BNPL solutions, by level of interest in offering these options

- Installment payments
- Buy now, pay later



Source: PYMNTS Intelligence

The Embedded Finance Ecosystem, March 2024

N = 58: PayFacs, ISVs and marketplaces in logistics or wholesale trade, fielded May 10, 2023 – Aug. 25, 2023

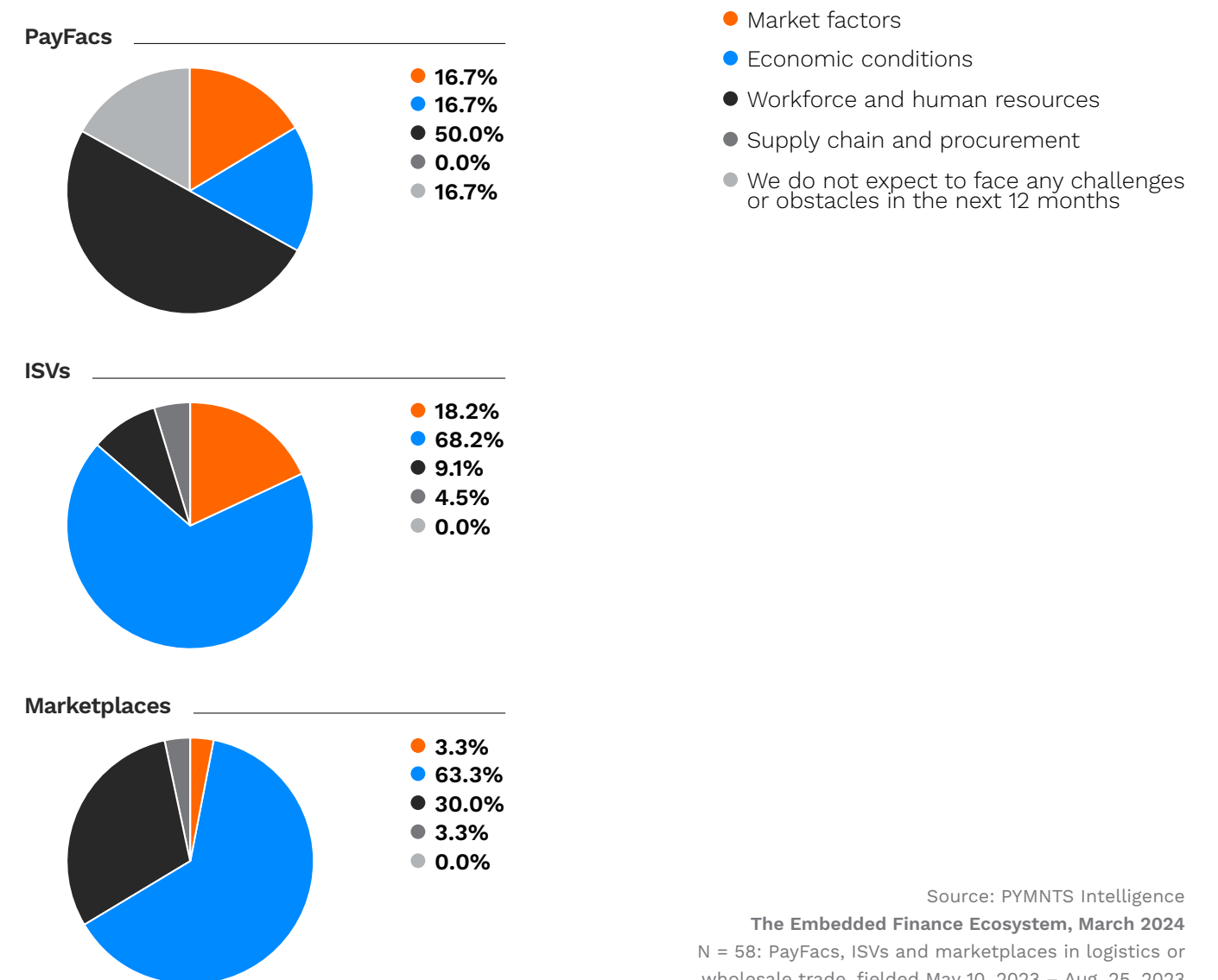
# Human resource constraints and economic conditions are the top innovation obstacles facing logistics and wholesale trade businesses.

Businesses in this space overwhelmingly name two key issues as their top innovation obstacles, with the economy front and center. PayFacs tend to name workforce issues as the biggest challenge. This sentiment likely reflects the difficulty of hiring and retaining qualified workers and a lack of overall human resources needed to roll out innovations. Meanwhile, 68% of ISVs and 63% of marketplaces indicate that current economic conditions are their top challenge. This view suggests they lack confidence in market growth or face too much financial pressure to deploy resources on innovations.

FIGURE 4:

### Top innovation challenges

Share of PayFacs, ISVs and marketplaces serving the logistics and wholesale trade sector citing their most significant challenge to bringing innovations to market



Source: PYMNTS Intelligence  
 The Embedded Finance Ecosystem, March 2024  
 N = 58: PayFacs, ISVs and marketplaces in logistics or wholesale trade, fielded May 10, 2023 – Aug. 25, 2023

# CONCLUSION

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**P**ayFacs, ISVs and marketplaces in the logistics and wholesale trade sector display robust demand for embedded finance innovations. This demand applies to adding new features and innovating to take existing products further. One standout is digital wallets. Most PayFacs and marketplaces already offer digital wallet functionality but express strong appetites for additional innovation. Installment plans and BNPL, meanwhile, currently have relatively low uptake among firms in this sector but command keen interest, particularly among PayFacs and marketplaces. Financial innovation is challenging, especially in a traditional sector that is far removed from cutting-edge FinTech developments. Businesses in this space should leverage the expertise of their banking and FinTech providers to implement high-impact embedded finance solutions that boost their bottom lines.

## METHODOLOGY

**T**he **Embedded Finance Ecosystem: Logistics and Wholesale Trade Edition** is based on a survey of 282 executives working at PayFacs, ISVs and marketplaces conducted from May 10, 2023, to Aug. 25, 2023. This report examines the evolving strategies and innovation priorities pursued and challenges faced by PayFacs, ISVs and marketplaces in the logistics and wholesale trade segment.

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# ABOUT

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## PYMNTS INTELLIGENCE

**PYMNTS Intelligence** is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

## Carat<sub>from</sub> fiserv.

Carat is the global commerce platform from Fiserv that orchestrates payments and experiences for the world's largest businesses. With Carat, software companies, platforms and marketplaces can unify commerce, embed payments and financial services, and enhance their service models to better serve customers and drive new revenue. Learn more at <https://www.carat.fiserv.com/en-us/solutions/platforms/>.

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