THE PAYMENT MONETIZATION PLAYBOOK

How Software Platforms Are Turning Transactions Into Their Fastest-Growing Revenue Line

Published by ValPay
Spring 2026 Edition

EXECUTIVE SUMMARY

Software platforms have spent the last decade optimizing subscription revenue. Pricing pages have been A/B tested to exhaustion. Upsell funnels are finely tuned. Net revenue retention is tracked to the decimal. And yet most platforms are ignoring the single largest untapped revenue line sitting inside their own product: payments.

Every time a merchant on your platform processes a credit card, collects an ACH payment, or runs a transaction through your checkout flow, money moves. The question is whether you are capturing your share of that movement or handing it to someone else.

This white paper makes the case, with data and without hype, that software platforms treating payments as a core product function rather than a bolted-on utility are capturing significantly more revenue per customer, reducing churn, and commanding higher valuations. The PayFac-as-a-Service model has removed the traditional barriers to entry, compressing what once required a multimillion-dollar investment and a two-year timeline into a matter of weeks.

At ValPay, we have spent years helping software platforms navigate this transition, and we have seen firsthand what separates the platforms that capture the full opportunity from those that leave money on the table. What follows is a practical guide built on that experience.

> **Platforms that monetize payments increase revenue per customer by 2-5x.**
>
> **The embedded payments market is projected to grow from $92B in 2024 to $228B by 2028.**
>
> **PayFac-as-a-Service compresses the path from concept to live processing from years to weeks.**
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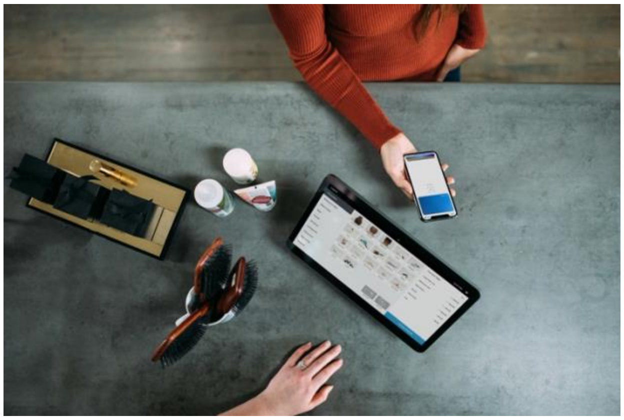
> **At scale, payment revenue can comprise 60-70% of total platform revenue.**

1. The Payments Landscape Has Shifted Under Your Feet



The Old Guard: Referral Models and Their Limitations

For most of the last 15 years, software platforms handled payments the same way: find a processing partner, sign a referral agreement, and collect a small residual on every transaction your merchants processed. The arrangement was simple. You pointed merchants toward a processor. The processor handled everything from onboarding to settlement. You received a modest revenue share, typically 5 to 15 basis points, and moved on to building features.

On the surface, this looked reasonable. Payments were complicated, regulated, and capital-intensive. Why would a software company want to wade into that? The math told a different story, but most platforms never ran it.

Consider a platform facilitating $10 million per month in processing volume through a referral arrangement. At 10 basis points, that platform collects roughly $10,000 per month. Not trivial, but not transformative either. Meanwhile, the processor on the other end of that relationship is earning 40 to 90 basis points on the same volume: four to nine times more revenue from the exact same merchants your platform acquired and retains.

The economics alone should give any CFO pause. But the financial gap is only half the problem.

Under a referral model, the processor owns the merchant relationship for payments. Your merchants log into the processor's portal to view statements. They call the processor's support line when a chargeback arrives. Over time, the processor knows more about your merchants' financial health than you do. And when a competitor offers a marginally better rate, it is the processor who fields the call, not you. You have no visibility, no leverage, and no say in the outcome.

This is exactly the pattern ValPay was built to break. When we work with a platform partner, the first thing we do is run the math on their existing arrangement. In nearly every case, the revenue gap between what they are earning and what they could be capturing is large enough to fund an entire product team.

$10,000/mo vs. $70,000/mo

Revenue from $10M in processing volume: Referral model vs. PayFac model

The Shift: Payments as a Product, Not a Feature

The companies that figured this out early did not just add payments to their platform. They made payments a product. Shopify launched Shopify Payments and turned transaction revenue into the engine that now generates more than half of its gross profit. Toast embedded payments so deeply into its restaurant management platform that the two are inseparable. Mindbody made payment processing a default part of the wellness business experience.

These are not payments companies. They are software companies that recognized a structural opportunity: when your merchants already depend on your platform to run their business, processing their payments through that same platform is not a stretch. It is a natural extension.

The impact on unit economics is substantial. Platforms that own the payment experience report 3 to 5 times higher customer retention compared to those using referral models. Transaction-level data feeds back into the product, enabling smarter features, better risk scoring, and more personalized merchant experiences. And from an investor perspective, recurring payment revenue commands premium valuation multiples because it scales with merchant growth rather than requiring constant new customer acquisition.

The Market Opportunity in Plain Numbers

The numbers behind this shift are not speculative. Annual transaction volume flowing through PayFac models in the United States is projected to exceed $4 trillion by 2028, up from roughly $2 trillion in 2023, according to industry estimates from Juniper Research. Hundreds of new PayFac formations occur each quarter as software platforms across every vertical recognize the opportunity. To put a finer point on the revenue side of that equation: the embedded finance market, which measures the fees and revenue generated from payments, lending, insurance, and banking-as-a-service, is expected to grow from $92 billion in 2024 to $228 billion by 2028, according to PYMNTS and Fiserv. That $228 billion represents what platforms and providers actually earn from the trillions in volume they facilitate.

This is not a niche trend. It is a structural realignment in how software businesses generate revenue.

Payments are not a feature to bolt on. They are a product to own.

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2. Understanding the PayFac-as-a-Service Model

The term "PayFac" gets thrown around loosely, and the confusion it creates costs platforms time and money. Some hear "payment facilitator" and picture a multimillion-dollar compliance operation with a team of risk analysts. Others think it means any form of integrated payments. Neither interpretation is accurate on its own. The reality is a spectrum and understanding where your platform fits on that spectrum is the first strategic decision you need to make.

The PayFac Spectrum: From Referral to Full Registration

Referral / ISO Model. This is the arrangement most platforms start with. You refer merchants to a third-party processor and receive a residual. The processor handles onboarding, compliance, settlement, and support. Your involvement is minimal, and so is your revenue. Typical earnings: 5 to 15 basis points on processing volume. You have no control over merchant pricing, no ownership of the payment experience, and limited visibility into transaction data.

Managed PayFac / PayFac-as-a-Service. This is the model reshaping the industry. You operate as the payment experience owner. Your merchants see your brand on the onboarding flow, your name on the checkout screen, and your dashboard for reporting. Behind the scenes, a licensed partner handles the regulated infrastructure: card network registration, KYC/AML compliance, underwriting, risk monitoring, and fund settlement. You set merchant pricing, own the relationship, and capture the majority of the margin, typically 40 to 90 basis points. The partner provides the rails. You drive the experience.

Full PayFac Registration. At the far end of the spectrum, you register directly with Visa and Mastercard as a payment facilitator. You handle your own compliance program, build or license your own underwriting and risk management systems, manage settlement and fund flows, and staff a dedicated compliance team. The upside is maximum margin capture. The cost is significant: $1 million or more in upfront investment, 12 to 24 months to reach production, and ongoing operational overhead that requires specialized talent.

Why "As-a-Service" Changes the Calculus

For years, the only way to capture meaningful payment revenue was to become a registered PayFac. That meant a heavy capital outlay, a long timeline, and a permanent operational commitment. Most software companies looked at the requirements and made a rational decision: not worth it. The referral model was easier, even if the economics were poor.

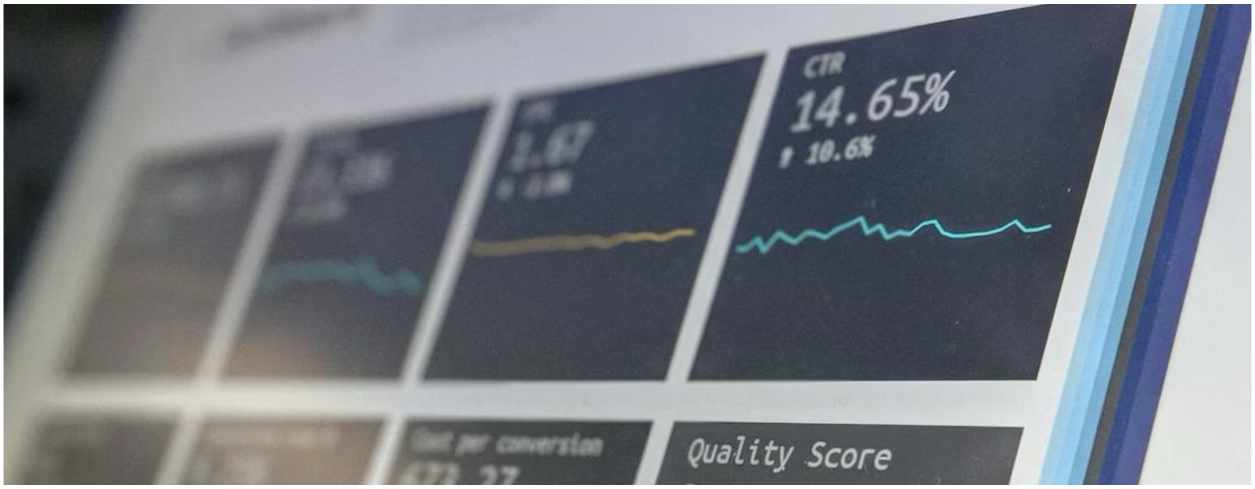
PayFac-as-a-Service eliminates that tradeoff. It removes the capital expenditure. It compresses the timeline from 12 to 24 months down to 4 to 6 weeks. It shifts the compliance burden to a licensed partner. And it still gives you the elements that matter most to your business: brand ownership of the payment experience, control over merchant pricing, access to transaction-level data, and net revenue capture at 40 to 90 basis points, to say nothing of the potential for even greater top line revenue recognition when structured correctly.

The tradeoff is honest and worth stating plainly. You will earn slightly less per transaction than a fully registered PayFac because the service provider takes a cut for carrying the compliance and infrastructure load. On most platforms, that difference is 10 to 20 basis points. In exchange, you get to market in weeks instead of years, you avoid hiring a compliance team, and you eliminate the regulatory risk of managing your own PayFac registration. For the vast majority of software platforms, that tradeoff is not even close.

ValPay was purpose-built around this exact model. Rather than forcing partners into a one-size-fits-all arrangement, ValPay works alongside each platform to structure the economics, configure the onboarding experience, and calibrate the risk thresholds to fit the specific vertical and growth stage. The goal is not to be a vendor behind the scenes. It is to be a partner invested in the platform's success.

Who This Model Serves Best

PayFac-as-a-Service is not a universal solution. It fits best when several conditions are true. Vertical SaaS platforms with a captive merchant base see the highest returns because their merchants already depend on the platform for daily operations. Marketplace operators facilitating transactions between buyers and sellers benefit from owning the payment flow that sits at the center of their value proposition. ISVs with existing payment volume they are currently referring out have the most immediate opportunity: that revenue is already being generated, just not captured. And any platform processing or expecting to process $50 million or more annually has reached the volume threshold where the economics become compelling.



3. The Revenue Model: Where the Money Actually Lives

Revenue is where conversations about payments get real. Strategy is important, competitive positioning matters, but when a CFO or board member asks why this initiative deserves engineering cycles and executive attention, the answer needs to come in dollars.

Anatomy of a Payment Transaction: Who Gets Paid

Every time a merchant on your platform processes a $100 credit card transaction, roughly $2.90 plus $0.30 changes hands in fees. That $3.20 does not go to one place. It gets split across several parties, each taking a piece.

The issuing bank, the bank that issued the cardholder's credit card, collects the largest share through interchange fees. On a typical transaction, interchange runs between 1.5% and 2.5% depending on the card type, industry, and whether the card is present or not. Visa or Mastercard collects a network assessment fee, usually around 0.13% to 0.15%. The remaining portion, typically 0.40% to 0.90% of the transaction, is the processor markup. This is the layer where platforms capture revenue under a PayFac model.

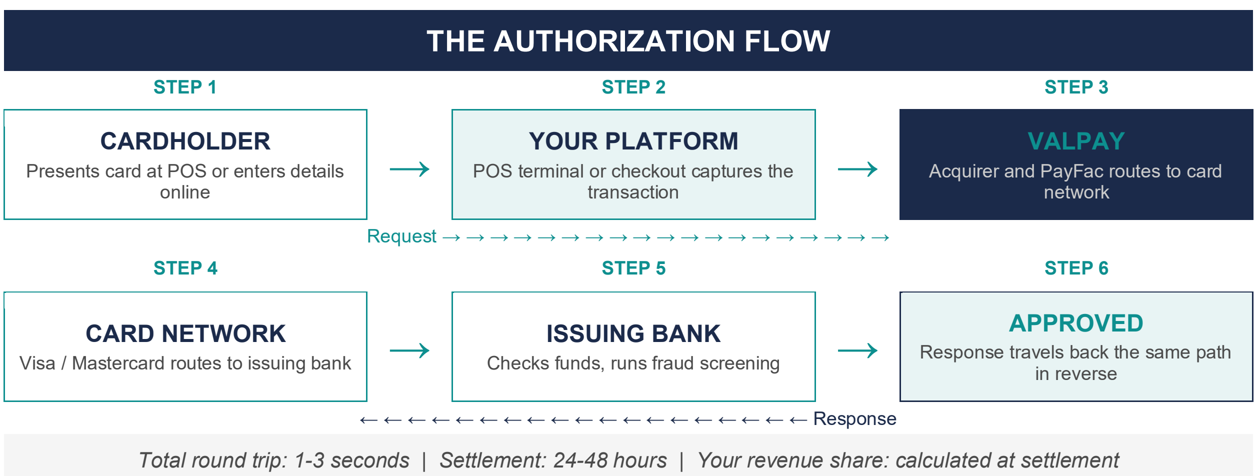
Under a referral arrangement, you might see 5 to 15 basis points of that markup. Under a PayFac model, you capture the full markup and share a portion with your infrastructure partner. The difference between those two positions is where the real economics live.

How a Transaction Actually Moves: The Authorization Flow

Before we get to revenue, it helps to understand what happens in the seconds between a cardholder tapping their card and seeing "Approved" on the screen. The authorization flow involves six parties, and each one plays a specific role. In a PayFac-as-a-Service model, your platform and your partner (in this case, ValPay) sit at the center of that chain.

The flow works like this. A cardholder presents their card at a point of sale terminal or enters their card details online through your platform's checkout experience. Your platform sends that transaction to ValPay, which acts as the acquiring processor and payment facilitator. ValPay routes the transaction to the appropriate card network, Visa, Mastercard, American Express, or Discover, based on the card's BIN. The card network forwards the authorization request to the issuing bank, the financial institution that issued the cardholder's credit or debit card. The issuing bank checks the cardholder's available credit or funds, runs its fraud checks, and sends back an approval or decline. That response travels the same path in reverse: issuing bank to card network to ValPay to your platform to the point of sale, where the cardholder sees the result.

The entire round trip takes one to three seconds. Settlement, the actual movement of funds, follows later, typically within 24 to 48 hours. During settlement, the issuing bank transfers the transaction amount (minus interchange) to the card network, which passes it to ValPay, which deposits the merchant's funds (minus the processing fee your platform has set) into the merchant's bank account. Your platform's revenue share is calculated and distributed as part of that settlement cycle.



The key takeaway for platform leaders: in a PayFac-as-a-Service model, ValPay sits in the acquirer position. That means your platform and ValPay together control the merchant-facing experience, set the processing fees, and capture the markup between what the merchant pays and what interchange plus network assessments cost. The issuing bank and the card network take their fixed cut regardless. Everything above that line is where your revenue lives.

Revenue Modeling: What Real Volume Looks Like

Abstract percentages become persuasive when attached to actual dollar amounts. The table below models three processing volume tiers using conservative assumptions: a blended net capture rate of 50 basis points after interchange, network fees, and partner revenue share.

	$10M Annual Volume	$50M Annual Volume	$200M Annual Volume
Net Payment Revenue	$50,000/yr	$250,000/yr	$1,000,000/yr
Monthly Payment Revenue	$4,167/mo	$20,833/mo	$83,333/mo
% of Typical SaaS Revenue*	~8-12%	~15-25%	~30-50%
Equivalent New Customers via SaaS	~50	~250	~1,000

*Assumes $1,000/month average SaaS subscription revenue per customer.

The compounding effect is what makes this model powerful. As your platform adds merchants, payment revenue scales with their transaction volume. You do not need to sell those merchants anything new. You do not need to raise prices. Every dollar they process generates incremental revenue for your business, and that revenue grows as their businesses grow.

One of the first things ValPay does with a new partner is build a custom revenue model using their actual merchant data: real volume, real card mix, real average ticket sizes. The generic table above is directionally useful. The partner-specific model is what gets buy-in from a CFO.

Beyond Transaction Fees: Value-Added Revenue Streams

Transaction processing is the foundation, but it is not the ceiling. The most sophisticated payment-integrated platforms generate meaningful revenue from adjacent services that become possible once you own the payment relationship.

Terminal and hardware revenue provides upfront margin when merchants need physical card readers or POS devices. Chargeback and dispute management, offered as a managed service, generates per-incident fees while reducing merchant anxiety about fraud. Premium reporting and analytics tiers give merchants deeper insight into their financial performance in exchange for a monthly subscription. Next-day or instant funding, where merchants receive their settlement funds faster than the standard two to three day cycle, commands a premium because cash flow timing is critical for small businesses. And ACH payment processing, which carries lower interchange costs than credit cards, provides strong margins on high-value transactions like rent payments, B2B invoices, and recurring service agreements.

Industry data suggests that PayFac operators expect nearly half of their future revenue to come from these value-added services rather than core transaction processing alone. Building on a payment foundation creates an expanding set of monetization options that simply do not exist under a referral model.

The Valuation Multiplier Effect

Payment revenue changes how investors and acquirers evaluate your business. Recurring transaction-based revenue scales with merchant growth, carries high gross margins, and exhibits lower churn than subscription revenue alone. Investors price that differently.

Software companies that embed payments have reported revenue increases of up to 14 times their pre-payment baseline, with corresponding valuation increases of more than 100 times in exceptional cases. Those are outliers, not expectations. But even modest payment revenue additions can materially impact multiples because they signal platform stickiness, diversified revenue, and a defensible competitive position.

For platforms preparing for a fundraise or exit, the conversation changes when you can show that payment revenue represents 20% to 40% of total revenue and is growing faster than subscriptions. That is not a feature on a roadmap. That is a business model shift.

4. Implementation: From Decision to First Transaction

The most common reason platforms delay payment monetization is not skepticism about the revenue opportunity. It is concern about complexity. How long will it take? How many engineers does it require? What are the compliance obligations? These are fair questions, and the answers are more favorable than most leaders expect.

What Integration Actually Looks Like

A typical PayFac-as-a-Service integration involves four core touchpoints: the merchant onboarding flow, the checkout or payment capture experience, the reporting and reconciliation dashboard, and the settlement and funding configuration. Each of these connects to the service provider's infrastructure through well-documented APIs.

Most platforms assign two to four engineers to the integration effort. API-first providers offer sandbox environments where your team can build and test without touching live money. SDKs, pre-built UI components, and dedicated integration support further reduce the lift.

Timeline benchmarks from providers across the market consistently show 4 to 6 weeks from kickoff to first live transaction. That is not a marketing claim stretched to its limits. It reflects the experience of platforms with typical engineering capacity and a clear product owner driving the initiative. Compare that to the 12 to 24 months required to build and certify a full PayFac registration, and the case for the as-a-service model becomes even more compelling.

The Merchant Onboarding Experience

Onboarding speed directly impacts merchant adoption. Under traditional processing arrangements, a merchant application can take days or even weeks to move through underwriting and approval. That delay creates friction. Merchants lose interest. Competitors with faster onboarding win the account.

Modern PayFac-as-a-Service platforms have compressed merchant onboarding to minutes. The service provider handles KYC/AML verification and underwriting through automated decisioning engines, but the experience is branded as yours. Your merchant sees your logo, your color scheme, and your support contact. They never interact with the infrastructure provider directly.

ValPay partners consistently cite onboarding speed as the single biggest driver of merchant adoption. The ValPay platform handles the underwriting and compliance checks in the background while the merchant completes a streamlined, white-labeled application that looks and feels like a native part of the partner's software. Most standard-risk merchants are approved in under five minutes.

Configurable risk thresholds let you adjust the balance between onboarding speed and risk tolerance. Low-risk verticals can approve merchants almost instantly. Higher-risk segments can include stepped verification without creating a bottleneck for the entire portfolio.

Compliance Without the Overhead

Compliance is the topic that makes software executives most uncomfortable, and that discomfort is often based on an outdated understanding of the requirements. Under a PayFac-as-a-Service model, the compliance architecture looks fundamentally different from a full PayFac registration.

Your PCI DSS scope is minimized through tokenization and hosted payment fields. Sensitive cardholder data never touches your servers. The service provider carries the PayFac registration with the card networks and manages the associated compliance program, including KYC/AML, risk monitoring, and regulatory reporting. Your responsibilities are limited to platform-level security, data handling policies, and merchant oversight, all of which are supported by tooling the service provider supplies.

This is not a compliance-free arrangement. You still need to treat data responsibly and monitor your merchant base for suspicious activity. But the difference between managing those obligations with provided tooling versus building an entire compliance infrastructure from scratch is the difference between a few hours a week and a dedicated team.

Choosing the Right Partner: What to Evaluate

Not all PayFac-as-a-Service providers are built the same, and the partner you choose will shape your revenue, your merchant experience, and your operational burden for years. Seven criteria should drive your evaluation.

Revenue share structure and transparency. The best partners offer 70% to 90% or more of the net payment margin back to the platform. Ask for a clear breakdown of how revenue is calculated and distributed. Avoid partners who bury economics in opaque pricing tiers. ValPay provides partners with clear reporting that separates total processing costs from the partner's net revenue, so there is never a question about what you earned or what was deducted. The goal is a monthly statement you can read in five minutes, not one you need a forensic accountant to interpret.

White-label capabilities and brand control. Your merchants should experience payments as a native part of your platform, not a third-party handoff. Evaluate the depth of branding customization available across onboarding, checkout, statements, and reporting.

API quality and developer documentation. Your engineering team will live with this integration. Clean, well-documented APIs with active sandbox environments and responsive developer support shorten timelines and reduce frustration.

Onboarding speed and merchant experience. Ask for demo onboarding flows. Time them. If a merchant cannot be approved in minutes for standard risk profiles, the provider's infrastructure may create adoption friction.

Vertical-specific expertise. A provider with experience in your vertical understands the typical transaction patterns, risk profiles, and regulatory considerations specific to your merchant base. That expertise translates into faster integration, fewer surprises, and better merchant outcomes.

Settlement flexibility and funding speed. Merchants care about when they get paid. Providers that offer next-day or same-day funding give you a competitive advantage and an additional revenue lever.

Scalability. Your platform will grow. Can the partner grow with you from $10 million to $500 million in annual volume without forcing a re-platforming exercise? Ask about infrastructure capacity, uptime guarantees, and how the commercial terms evolve at scale.

5. Vertical Playbooks: How Different Industries Are Winning

Payment monetization is not one-size-fits-all. The opportunity, pricing strategy, and adoption playbook vary meaningfully across verticals. What works for a restaurant POS platform looks different from what works for a property management system. The following profiles highlight four verticals where the PayFac-as-a-Service model has gained particular traction and where the revenue potential is well-documented.

Restaurant and Hospitality Technology

Toast is the category-defining example here, and for good reason. When Toast went public, the market learned that payment processing, not software subscriptions, drove the majority of the company's gross profit. That revelation changed how investors evaluate restaurant technology platforms.

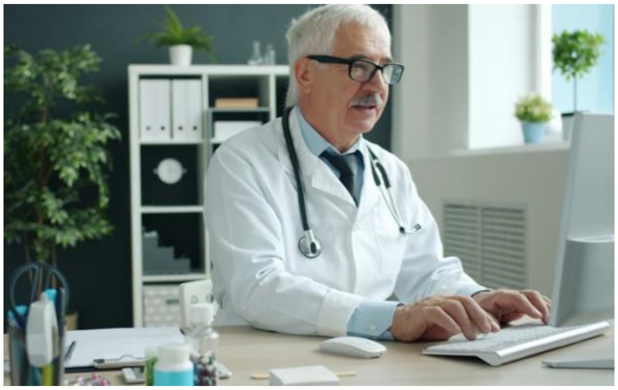
The restaurant vertical is uniquely suited to embedded payments. Transaction frequency is high: a busy restaurant might process hundreds of transactions daily. Average ticket sizes are moderate, creating steady volume. Merchants depend on their POS system for every aspect of daily operations, which makes the platform relationship deeply sticky. And the monetization levers extend beyond processing: tip management, next-day funding premiums, and hardware bundling (terminals, kitchen display systems, handheld ordering devices) all create incremental revenue streams.

Once a restaurant is running its operations and its payments through the same platform, the switching cost becomes prohibitive. That stickiness is the foundation of a durable revenue model.

Healthcare and Wellness Platforms

Healthcare payments carry unique complexity that creates unique opportunity. Co-pay collection, insurance billing reconciliation, patient payment plans, and HIPAA compliance requirements make the payment experience in this vertical more involved than a standard retail transaction. That complexity is precisely why embedded payments are valuable here.

Platforms that integrate payment processing alongside billing automation and patient financing reduce the administrative burden on healthcare providers, which is one of the primary pain points in the industry. Mindbody demonstrated this approach in the wellness segment, making



payments a default part of studio and clinic management. The same logic applies to dental practice management, chiropractic software, behavioral health platforms, and outpatient facility management systems.

The monetization opportunity extends beyond transaction fees. Patient financing programs, insurance claim processing, and automated co-pay collection all provide additional revenue layers for platforms that own the payment flow.

Property Management and Real Estate

U.S. rent payments exceed $500 billion annually, and the shift from paper checks to digital payments is still in its early innings. For property management software platforms, this represents an enormous embedded payment opportunity.

ACH rent collection is the primary monetization lever. While ACH fees are lower than credit card processing fees, the transaction sizes are large (typically $1,000 to $3,000 per payment), creating strong per-transaction revenue even at modest basis points. Security deposit management, maintenance payment processing, and late fee collection provide additional revenue streams.

The stickiness dynamic in property management is particularly powerful. Once a property manager's tenants are set up to pay rent through your platform, the switching cost is enormous. Moving hundreds of tenants to a new payment system is an operational nightmare no property manager wants to endure. That creates a retention moat around both the software subscription and the payment revenue.

Field Services and Home Services

HVAC, plumbing, electrical, landscaping, pest control, and other field service businesses share a common characteristic: the transaction happens at the point of service, often in a customer's home or at a job site. Mobile-first payment capture is not a nice-to-have in this vertical. It is a requirement.

Field service platforms that embed payments can offer invoice-to-payment automation, where a technician completes a job and the customer pays immediately through the platform. Recurring service agreement billing for maintenance contracts provides predictable transaction volume. And average ticket sizes in field services tend to be high, often $200 to $2,000 per job, which means each transaction carries meaningful revenue.

The operational simplicity is the selling point for merchants in this vertical. One platform for scheduling, dispatching, invoicing, and getting paid. Every additional step you remove from the payment process increases adoption and reduces the chance a merchant will look elsewhere.

> **ValPay partners across all four of these verticals. The platform is built to handle the distinct risk profiles, compliance considerations, and pricing dynamics that each vertical demands, rather than applying a generic model and hoping it fits.**

6. Common Objections and Honest Answers

Every internal conversation about payment monetization hits predictable friction points. These are not unreasonable concerns. They deserve direct responses, not sales pitches. The following objections come up in nearly every platform's evaluation process, along with the evidence-based responses that address them.

"We are not a payments company."

You do not need to be. Under a PayFac-as-a-Service model, you operate as the payment experience owner while a licensed partner handles the regulated infrastructure. Your job is to deliver a cohesive, branded experience to your merchants. The partner's job is to keep the processing rails running, manage compliance, and ensure funds settle correctly. Toast is not a payments company. Shopify is not a payments company. They are software companies that recognized payment revenue as a natural extension of their platform value.

"Our merchants already have processors they are happy with."

Merchants consolidate. When a platform offers integrated payments that reduce operational burden, one login, one dashboard, one reconciliation process, adoption rates typically exceed 60% to 70% within 18 months. Merchants are not loyal to their processor. They are loyal to simplicity. The moment your platform eliminates the need for a separate payment portal, a separate login, and a separate support call, the decision makes itself. Most merchants do not even think of it as "switching processors." They think of it as using a feature that was always missing.

"The compliance risk is too high."

Under a PayFac-as-a-Service model, the compliance burden sits primarily with the service provider. They carry the PayFac registration with Visa and Mastercard. They manage KYC/AML programs, risk monitoring, and regulatory reporting. Your PCI scope is minimized through tokenization and hosted payment fields, meaning sensitive cardholder data never touches your servers. This is an area where the right partner makes all the difference. ValPay manages the full compliance stack on behalf of its partners, including ongoing risk monitoring, suspicious activity reporting, and regulatory updates, so that platform teams can stay focused on building their product rather than deciphering card network bulletins.

"We do not have the engineering bandwidth."

A typical PayFac-as-a-Service integration requires two to four engineers over four to six weeks. Most providers offer well-documented APIs, SDKs in major languages, sandbox environments for testing, and dedicated integration support. This is not a 12-month platform rebuild. It is a focused sprint that results in a new, high-margin revenue line. For context, most platforms spend more engineering time building a single mid-priority feature than they would spend integrating payments.

"We already offer integrated payments."

Offering payments and optimizing payments are two very different things. Many ISVs integrated with a processor years ago through a referral or ISO arrangement and never revisited the economics. They collect a small residual, sometimes 5 to 15 basis points, on volume that could yield 40 to 90 basis points under a PayFac model.

On $50 million in annual volume, the difference between 10 basis points and 60 basis points is $250,000 per year in revenue you are currently generating for someone else. That is real money. It compounds every year as your merchants grow.

Beyond the economics, most legacy integrations limit your control over the merchant experience. Onboarding lives on someone else's portal. Reporting is siloed outside your platform. Your merchants build a relationship with the processor rather than with you. That is a churn risk disguised as a partnership.

ValPay works with a number of partners who came from exactly this situation. The migration path does not require ripping out your existing integration overnight. ValPay's team helps map out a transition plan that moves merchants to the new infrastructure in phases, minimizing disruption while unlocking the revenue and data ownership that the old arrangement never provided.

"What if we outgrow the model?"

The best PayFac-as-a-Service providers are built for scale. Platforms processing $500 million or more annually operate successfully under these models. If your business eventually reaches a scale where full PayFac registration makes economic sense, the transition is possible because the merchant relationships, operational experience, and transaction data you have built are yours. You are not locked in. You are building equity.

7. The Decision Framework: Is Your Platform Ready?

Strategy without self-assessment is just aspiration. Before committing resources to a payment monetization initiative, your leadership team should evaluate whether the conditions for success are in place. The scorecard below is designed to facilitate that conversation.

Rate your platform on each criterion using a scale of 1 (not applicable) to 5 (strongly applies). Total your score and use the key at the bottom to calibrate your next steps.

Criterion	Score (1-5)
You facilitate or refer $5M+ in annual payment volume	___
You have 50+ merchants actively transacting on your platform	___
Your core platform is stable and product-market fit is established	___
You can dedicate 2-4 engineers for a 4-6 week integration sprint	___
Your leadership team is seeking new revenue lines beyond subscriptions	___
Competitors in your vertical already offer embedded payments	___
Merchants have asked about integrated payment options	___
Transaction-level data would improve your product or analytics	___

32-40 points: You are leaving significant revenue on the table. Prioritize this initiative.

22-31 points: Strong foundation. A PayFac-as-a-Service model fits your trajectory.

Below 22: Focus on platform growth first. Revisit in 6-12 months.

8. What Comes Next

Payments are the first chapter, not the last. The infrastructure you build when you integrate payment processing creates a foundation for an expanding set of financial services: merchant lending and cash advances, insurance products bundled with payment processing, payroll integration for businesses that manage both sales and employee payments through your platform, and banking-as-a-service features like business accounts and virtual cards.

These are not theoretical possibilities. They are active product categories that PayFac platforms are already monetizing. The pattern is consistent: once you own the payment relationship and have visibility into a merchant's transaction data, you understand their financial health better than anyone else. That understanding unlocks the ability to offer financial products with better underwriting accuracy, lower risk, and higher merchant satisfaction than generic alternatives.

The compounding advantage is worth emphasizing. Platforms that start monetizing payments today are not just capturing immediate revenue. They are building a data asset and a merchant relationship that becomes more valuable and more defensible over time. Every month of transaction data strengthens your position. Every merchant that adopts your payment experience deepens their dependency on your platform. The earlier you start, the wider the gap grows between you and competitors who have not made the move.

The cost of delay is not zero. It is the revenue someone else collects from your merchants every month you wait.

Three Steps to Take This Week

1. Run the readiness scorecard with your leadership team. Share the framework from Section 7. Use it as a discussion guide in your next executive meeting. The conversation it generates is as valuable as the score.

2. Audit your current payment economics. Pull your most recent processing statements or referral revenue reports. Calculate what you are earning today per basis point of volume. Compare that to the 40 to 90 basis point range available under a PayFac model. Quantify the gap.

3. Talk to ValPay. Whether you are starting from scratch or migrating from an existing payment integration, the ValPay team can build a custom revenue model using your actual merchant data and walk you through what the transition looks like for a platform at your scale and in your vertical. No pitch deck. Just a straightforward conversation about the economics and the path forward.

The platforms that will define the next decade of vertical software are the ones that treat payments not as a feature to integrate, but as a product to own. The tools exist. The models are proven. The economics are clear. The remaining variable is timing, and on that front, every month of delay is a month of revenue left on someone else's table.

About ValPay

ValPay is a PayFac-as-a-Service partner built for software platforms that want to own their payment experience without building the infrastructure from scratch. We handle the compliance, underwriting, risk monitoring, and settlement so our partners can focus on what they do best: building great software for their merchants.

Our model is built on three principles: transparent economics where partners see exactly how every dollar flows, white-label flexibility that makes payments feel native to the platform, and dedicated partnership where our success is measured by our partners' growth.

To learn more or schedule a revenue modeling session, visit **valpay.com** or reach out to our partnerships team directly.

Sources and Methodology

The data and benchmarks referenced throughout this white paper are drawn from publicly available research and industry reporting, including:

Juniper Research: PayFac market volume projections and growth forecasts

PYMNTS and Fiserv: Embedded finance market sizing and adoption data

Mastercard: "The Future of Payment Facilitation: The Rise of PayFac as a Service" (2025)

Infinicept: Revenue and valuation multiplier data for payment-integrated platforms

Forrester Consulting: Vertical SaaS payment revenue opportunity analysis

Payrix (Worldpay for Platforms): SaaS payments monetization benchmarks and case studies

SEC filings and earnings reports: Toast, Shopify, and other publicly traded payment-integrated platforms

Revenue projections use conservative assumptions: a blended net capture rate of 50 basis points after interchange, network assessments, and partner revenue share. Actual results vary based on card mix, average ticket size, vertical risk profile, and partner economics. Platforms processing higher volumes or operating in lower-risk verticals may achieve higher net capture rates.

This document is intended for informational purposes. It does not constitute financial, legal, or regulatory advice. Consult qualified professionals before making business decisions related to payment facilitation.