

Embedded Accounting and the Race to Own the SME, with Mark Hollerman from Thred

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SUMMARY

Mark Hollerman, co-founder of Thread, discusses the emerging concept of embedded accounting in this podcast episode. Unlike traditional accounting systems that operate separately from daily business tools, embedded accounting integrates bookkeeping directly into vertical software platforms, allowing small businesses to manage their finances in real-time without the hassle of switching between multiple systems.

- Embedded accounting aims to streamline bookkeeping by integrating it into tools small businesses already use, such as vertical SaaS platforms.*
- Thread's approach combines AI agents and human bookkeepers to ensure accurate, real-time financial data management.*
- The platform aims to simplify the accounting process for small businesses, allowing them to maintain up-to-date financial records continuously.*
- Thread's dual go-to-market strategy includes direct sales to businesses and partnerships with vertical SaaS providers for embedded solutions.*
- The company plans to expand across Europe, leveraging local expertise to adapt to different accounting regulations and practices.*
- Hollerman emphasizes the importance of real-time data for proactive financial management, enabling businesses to make informed decisions and optimize cash flow.*
- The podcast highlights the ongoing convergence of financial services, with various players seeking to offer comprehensive solutions that integrate banking, accounting, and operational tools.*

Embedded finance is usually all about payments, banking, lending, investments, and insurance. However, there are adjacent areas evolving with the same logic, and embedded accounting is one of them. The basic idea is simple. Small businesses already spend their day in tools like vertical software as a service platforms or their theme bank. Embedded accounting brings the bookkeeping data into these tools instead of keeping it in a separate system the business owner only opens once a month. In this podcast episode, I speak with Mark Hollerman, co-founder of Thread. Mark is actually a returning guest. The last time we spoke, we talked about embedded lending and the complicated build with a spy decision many companies face. His first startup, the lending provider Sprink had just shut down. Now Mark one and one of his spring co-founders Manuj have started thread. They're building the layer they wished existed when they offered landing products. Underwritingmemes is pretty hard when the books are weeks or months out of date and that is a gap thread is trying to close.

We talk about what embedded accounting actually means for a vertical software as a service company. how AI

agents and human bookkeepers work together in practice. Why scaling accounting across five European countries is harder than it sounds and whether this is also the data layer that finally makes embedded lending work. My name is Las Marle and I'm the founder of Embedded Finance Review. Embedded Finance Review is a newsletter, podcast, and event series covering the European embedded finance ecosystem.

If you're exploring an embedded payments, banking, or lending product for your platform or service, I offer free intro calls where I share honest feedback and connect you with the right providers and partners. If you're interested, you can book a call via my website, embeddedfinancereview.com. And before we start, a word from this episode's partner, hope. Embedded accounting, embedded payments, embedded lending, all of these only work when you can trust who's on the other side.

Identity is a layer underneath all of it. Hope is the identity infrastructure layer for the internet connecting government identity systems worldwide. So businesses can verify users across markets through one single API. Right now, most online identity verification still relies on document photos and facial biometrics, which were never really designed for the internet. HOPE replaces that with eID verification, which is more secure and is increasingly required under regulation such as EID 2.0 in Europe. If you're building financial products and thinking about how you onboard users, check out HOPE. That's hope.idp.ae.com or check the link in the show notes. And now let's dive in.

>> Hi Mark, welcome to the podcast. How are you doing today? And in what part of the world are you located right now? >> Hi Lor, thanks for having me back. I am doing all right. I am based in Amsterdam in sunny Amsterdam. Not really but sunny. Nice. Nice. And and you did say already, thanks for having me again. Some listeners will know and you are going to be the first one on my podcast who appears a second time as a guest.

So, thank you for for joining me again. It was a couple of months ago or like last year, I think, when we recorded an episode around the topic of embedded lending, specifically the buy versus build motion of launching an embedded finance product for non-financial brands, but maybe also for FinTech. Obviously before that you were a founder of Spring a company actually operating in the space helping other companies to offer a lending products. Now I mean already in the last episode was in the process of shutting down. So obviously that chapter is closed. Now we're going to talk about something very different.

Still embedded but not embedded lending anymore but embedded accounting. And people who know me well will probably say like okay embedded accounting is not really embedded finance. kind of sits a little bit out there, but obviously we all know there's a lot of similarities and things we can we can learn from that. But maybe to to kick things off, we're going to talk about what you're doing with with threat and a few more details, but like high level, earlier we're doing lending, now you moved in the accounting stack. What was the the main reason, the main driver for you to focus on this new vertical?

>> It's a good question. As we built Spring, the previous startup that I ran, we noticed just how outofdate and how old-fashioned still the whole process was of doing your administration and keeping your books up to date and basically even building your whole finance stack and how the finance stack and the finance setup fails. If the

foundation isn't there, if the data isn't correct, isn't in the accounting system, all the stuff you do above it, all the things you try to do, forecast your runway, build models, get insight into your spending and so forth, all of that is fails if the foundation isn't there. And typically books are updated once a month or even once a quarter when you need to do VAT filings. That means you're kind of flying blind in the periods between now and that date. So that was one side. And the other side of course we were underwriting small businesses and and we just realized how difficult it is to get up-to-date financials on small businesses onmemes.

So that's kind of the problem we saw from both sides and that's why we decided to mess to focus on this problem specifically >> and we're going to talk a bit more of course later on what exactly embedded accounting means. I guess listeners to this podcast who know the embedded finance world can imagine something there just going companies like ZAS companies vertical ZAS companies who can embed accounting features. But coming back to the to the answer you said before you saw the problem. Was it immediately that you thought about okay embedded accounting is a solution to this problem or how did you arrive at that one?

>> Yeah, it was kind of came in a process. We noticed the problem was there and we noticed that over the four years that we built Spring and as we got bigger we also switched accounting systems from Yuki to Exact and this changed bookkeepers and got external controllers part-time controllers in to help us make sense of all the data and get it up to date. So the problem was always there but at some point it just clicked especially when we started to think about how do we solve the problem for those smaller businesses not per se for bigger companies of biggermemes but really the small ones that under a million a year revenue or under 500,000 a year revenue how do you reach those companies and do they really then need a standalone tool because basically SV is already known that they have to operate a number of different tools to manage their business or is there a way to simplify their lives and and bring also the accounting to where the data already is For example, vertical SAS and SD banking are perfect channels for that because businesses already use those tools on a daily basis. They already manage their businesses, especially for vertical SAS, they manage their business there. The operational data is there.

So, it it made a lot of sense to say, okay, why don't we bring the whole accounting and bookkeeping functionality into that environment rather than have a separate solution. It's also possible as a separate solution, but there is a benefit to having it where especially these smaller businesses already work every day and and manage their day-to-day operations. We did mention already the the case of like a vertical SAS potentially using one piece of software often referred to as like business critical software most likely an ERP or or similar kind of service which obviously by definition contains a lot of data a lot of financial data or similar example you gave with theme banking is probably for maybe for different type of companies or even the same type of companies another software that has all these informations but maybe just for all of us to understand like very clearly what does it mean when these companies is embed accounting. I'm guessing we can maybe take an example of a a vertical software as a service provider today using an business critical software like an ERP and accounting on the side where this does the same company now doing it embedded.

What is the I mean obviously the difference is using one tool instead of two but maybe you can a little bit more around that how does it is in the user journey and and the feature set you have also inside of your software. >>

Yeah. So it's essentially it means let's say you have a vertical SAS a yoga studio management platform where you schedule your meetings you have your team members you schedule the the classes and so forth you do the invoicing to your members etc. You already have all that functionality there but now normally that data would then have to go out of that platform to whatever accounting or or bookkeeping software your accountant uses or you use not always that that connection exists.

So you would have to manually download the data from the platform, send it to your bookkeeper who then manually uploads it into the accounting software and then does all his or her processes from there to create the journal entries. So the difference here is that we have a set of APIs that we give to the platform. They can send all this operational data to us. We then also have an SDK, a front-end element which you can drop inside the product. So you can see all your transactions there. You can connect your bank accounts there.

You can basically see all the reporting there, all the insights on your performance. You can see it all in one place and the data gets updated in real time. So it's not that you have an insight into the financial position of your company once a month or once a quarter whenever you send this data to your bookkeeper. And whenever they then upload it and do the reconciliation and and all the bookings and everything, but this is continuous. So first of all, you get better insight, all the functionality is in one place. And that's very interesting also for let's say that yoga studio platform that if if somebody wants to start a yoga studio they can go to that platform and have a business in a box concept. They can get the whole business set up in one place from one provider and they don't have to worry about setting up two, three, four, five different things but they can do everything in one place. So that's the benefit there. So what we mean is we have a set of APIs. We get all that data continuously. We run your bookkeeping and your admin in real time, your back office automation in real time. you get the reporting back and if there's any gaps or anything is missing we make little flags little tasks inside the vertical SAS interface but you can resolve these things let's say you bought something and you didn't upload the receipt there's immediately a little task created saying hey we see that you spend this money but we don't have a receipt so we can't complete the process can you please attach it here and then we take care of it so you can have basically continuous updating continuous bookkeeping and real-time insight and that's really the benefit as a first step that's really the benefit And these examples you probably right now I've seen it in the past dealing in my times in in open banking and also embedded banking very often with accounting bookkeeping kind of like services. Obviously people who have to deal with it on a daily basis know exactly what it means. A lot of people also sometimes it's like a very vague term like what does it exactly entail but I think as you mentioned right now maybe can you give a couple of example what your software precisely does on top of the data. You mentioned our reconciliation, receipt collection.

Is this kind of like typical services and where does your service end at the end of it? >> Yeah, so we do essentially full service bookkeeping and accounting. So that means your bookkeeping, your VAT returns as well as your annual filings if they are required as a company, your annual accounts and your corporate income tax filing. So we handle all of that and we base that all of on that data that is updated in real time. So the model becomes much more efficient in the sense that it is done automatically. So this is this whole concept of services are becoming the new software that you can take the software and the human services on top and basically replace them with a piece of software that saves everybody time and money. So that is basically what we do. We take all this data we do your books. So if there is an invoice we extract all the line items. We create the journal entries on

a line item basis so that you really have a very granular basically setup of your books or insight into your books. We match the transaction to your to your bank accounts which you can also connect through the interface. So we get all the bank transactions. We get all the operational data there. We do the reconciliation and based on the types of transactions we create correct journal entries in a chart of account which is configured to your business or your industry or vertical. It's not that we have one standard chart of accounts. The chart of accounts can be specific to your vertical or specific to your company even and the ages because it's obviously an agentic platform that sits in the background. It does all this work automatically. It gets the context. So for example, it has a receipt for coffee. It will read the name from the receipt that it is from a certain coffee place. It will do a web search to find out ah so this place is actually a coffee place. So likely this was a a coffee purchase if it wasn't already obvious from from the receipt itself.

And then it knows where to exactly which account to book this transaction. So that's what it does. It basically is automated bookkeeping, your VAT returns, annual accounts and incorporate income tax and it's all handled in one solution. >> Interesting. And obviously with threat you just started recently and I guess we mentioned a couple of areas already vertical zas neo banking plus you're you're based in the Netherlands but of course a lot of other maybe other European countries as well. How does your go to market look like? What is in terms of like countries and maybe sectors? Who do you think is your target with such an embedded accounting solution for for phase one?

>> Yeah, for phase one we currently have built the platform to work in the Netherlands. That is our home market. That's obviously where we are based. We have a go to market in basically two approaches. One is direct. So we do also work with companies directly and then we connect all of their external systems and data sources and WhatsApp and Slack and email accounts and everything to pull in the data and also provide the same service essentially to automate your bookkeeping and then do all these accounting processes and filings. And then there is the embedded approach which we have we designed the model that is the benefit of this gentic AI age is that you don't need to rebuild your entire software to go to a new country and code and all the different accounting rules and different tax rules and so forth. Basically we we call it the Uber stack. So we we create one stack. We have our general ledger. Then we have our bookkeeping automation layer. Then we have our intelligence layer. we can just take that whole stack, launch it in a new country, basically localize the context. So we put in local accounting guidelines, local tax guidelines and so forth. We also still have humans in the loop. Just to be very clear, this isn't autonomous system that you plug it in and it will just do all this automatically. There are still humans in the loop. And then they obviously over time these human experts, they teach the agents on edge cases etc on specific situations and the agents get smarter and smarter. So that's also what how we launch new countries. We will work with local human experts and they will configure or teach the agents how to handle cases in each country and then we can go from country to country. So our ambition is to be panuropean and we're starting to look now at the next country just to prove that the model works how we roll out from one country to the other. But for now we're live in the Netherlands with our first customers. And you did mention already also that you you that you choose like a dual approach, a direct to business approach and also the embedded approach. Uh maybe from my reading from the outside obviously you can maybe correct me if I'm wrong here. Obviously I guess a company threat was built around the embedded case and making that really work. But I'm guessing also closing the first deal is not always something that that happens on day one or day two. And obviously specifically these companies, I mean I know it from from my not embedded accounting but

other embedded ventures in the past that obviously companies that you want to sell to look for a certain kind of confidence that you can really build the product that you really know what you're doing and not just on paper or theoretically but really doing this with actual customers and I guess this is where also from your side the direct customers feed in probably maybe not something you potentially want to focus on in a year or two years but definitely or might likely help you in this in the phase to get started to convince platforms that your service is appreciated and adds value to these companies.

>> Yeah, we see it as an approach that will stay that we will continue to work direct and also with bigger companies. So we see that the bigger use case on the embedded side is working with the smaller businesses whereas the platform to go direct is more geared towards slightly bigger ones. So that's how we kind of thinking about it. The small ones we go via embedded partners and the bigger ones we go direct. We can do also embedded that is also fine but at least for direct sales makes sense to go after the bigger ones. It does take time to get a platform to trust your product before they put it in front of their customers. It's a new concept embedded accounting in the US. It's been around for a while. You see companies like layer and others have been building here for a couple of years and already been very successful. But Europe is a different environment. It's more fragmented and people want to see first that it works and be able to trust it. And that's a great way to do that is to just go to businesses directly and work with them. And it's also good for us because we have immediate feedback from them on what they like, what they don't like, what they see is missing and so forth. So it's a logical approach for us certainly at this stage of development and we'll see how that plays out in the future.

>> And you did also mention in your previous answer the term agentic and described a little bit like how your software operates also how humans are still in the process involved. Maybe I'll just again like for people who maybe not so deep into the topic just for us to understand a little bit better how the whole stack look like right I mean I would assume and correct me if I'm wrong here but a business owner who uses um a digital business owner who uses today already a digital solution I see it here in Germany very often there are kind of like digital solutions software for invoicing for a lot of the other things and then typically on top of it sits the traditional bookkeeper the tax adviser who basically receives all these receipts and then makes the the necessary steps from from what I stut from your previous answer is that with a vertical software as a service solution where maybe parts of the invoicing is already included but then threat on top of it is embedded accounting is covering the whole offering as well in a way with lesser humans you still say there are humans involved on your side uh which I guess is also uh maybe maybe it's required for the product but maybe also very much for the sales and for the customer side to understand that they I mean I'm not sure in the Netherlands but specifically in Germany might be some people a little bit afraid if they have to trust the machine fully with their taxes but I say I rather want to have somebody to look at it but is it describing it well enough for you or how would you how would you phrase it?

>> Correct. I think AI and the genetic AI it is just a series of agents and workflows and and you have different works for different tasks and it goes through different phases like when you receive the document and you have to understand it and extract the information enrich it get the context then move it to the next and so forth. It goes through a workflow and there is agents in those workflows that perform these specific tasks which otherwise could be that they're done by a bookkeeper for example they will open the document they will read the document they will see what is there what is the vendor's name what is the VAT amount what needs to be

booked where and so forth some accounting softwares also do that of course themselves where you can it will also I mean document extraction has been around for for some time now it is quite accurate but it is continuously doing this process and what also for us is that It automatically gets the information. So you could connect also your your Gmail account for example and it will find the invoices and receipts and so forth, whatever is there that you get from all your software vendors. It will pull those in itself. So you don't need to manually go to that and then it will extract the information and book it and match it to the payment and so forth. So the human doesn't have to get involved. We assign a confidence score to every process we do and every journal entry that comes out of it at the end.

And of course, if the confidence score is low, let's say 50%, we we're now at a range we have 50 to 98% confidence scores, of course, we first look at the 50% ones and then slowly and we teach it, we fix it, we agree with it or we or we change it and then the agents learn from that and slowly that confidence score will go up. And so what we see is is not that you eliminate these the tax specialists or the accountants, but that you instead of saying we have one accountant or bookkeeper per 20 companies, you might see that one per 200 or one per 300 because they can just work much more efficiently. They can immediately or they don't have to worry about all the kind of the boring manual admin work. They can also much with AI of course and once you have all the data they can much more easily answer questions or or get the context of the business but slowly all these tasks to a large extent can be automated. We even now creating agents where they will look at your at your numbers and will find categories that are missing. So for example as a business you're likely to have a communications cost every month or maybe your mobile phone bill or maybe it's more than that. If you don't book those costs then you will get prompted and will say like hey you don't have communication costs but remember you are a business you're allowed to expense your your phone costs for your business for example. So it will prompt things when we see things that are so the optimization even there you can even prompt of course the bookkeeper or the adviser and say like hey these are the things to look at because this business isn't doing that or you can prompt the business directly. It's making their jobs much easier and and easier to digest the information and give value back to the business. So we see that more as a trend of one bookkeeper, accountant, tax advisor to 20 companies going to about 300 companies and that's really the benefit. So so we don't really see the human disappearing completely but we just see this getting much more efficient. I guess the way you described it is quite applicable to a lot of areas and and industries where where AI and agentic solutions are being adopted. How do you see let's not call it purely traditional but companies I mean obviously you're a newly founded startup obviously for such companies it's always a bit easier to adopt these new softwares because you start on a new solutions these new trends these new capabilities because you start on a green field other companies who have been around for for a couple of years probably is a bit harder for them do you have a sense of like maybe not your direct competitors but generally in the accounting financing space I mean the examples you mentioned right now it's quite logical right I think for anybody out there the communication bill, the coffee receipt that you said earlier. I think for anybody who hears something is like, "Yeah, this makes a lot of sense."

And prefill maybe data from the receipt. Obviously, that's done before, but maybe even now also through web search getting data that's maybe not visible on the receipt to to fill out the the missing parts. Maybe even connected to the calendar entry and seeing who I had a meeting with at the time I bought the coffee and maybe making this information in there as well. I guess for anybody listening like, "Yeah, this makes a lot of sense." And my first guess would be like the other companies probably will do this at one point as well. Do do you see

that happening that these things are already being adopted or is it still a bit too too early for that?

>> Yeah, I don't see it so much yet because it's up to now it's very much the role of the person of especially when you look at the smaller companies. Of course, the bigger the company obviously the more professional most likely the setup already is and they have specialists working within the company that do this. But if you have smaller companies that can't afford to hire a finance director or don't want to hire an admin person or somebody who helps with that side of the business, they basically the owner or the founder have to do it themselves and they work with an outsourced accountant or bookkeeper to support them. Typically, it's the human that will identify if it's a good bookkeeper or good support administrator, they will identify these things and notify the company of what they can do. So you get some of course bookkeepers are very good, others are not as good. you get a variability in the service quality. But I think with AI it's possible to just be much more consistent, to be much faster, to be much more consistent and much more proactive. So for example, one of the things also we're doing is even when that receipt is missing, as soon as we see the bank transaction that you bought lunch, let's say, and you're allowed to expense, you bought it on your company account, but we didn't get the receipt in that we can immediately send you a WhatsApp and say, don't forget to add that receipt. We see that you went to this restaurant, but we don't have the receipt. Take a picture now, put it here in WhatsApp, and we'll book it for you.

So you can become proactive and to help them keep their books up to date. So the big difference also is where we really want to go is that this is all happening in real time. Not once a month, not once a quarter, in some cases even once a year, but in real time because once you have the data in real time in the platform, you can start offering this intelligence on top. You can start giving this kind of value back to the business which is something where we really struggled with accounting software which is far removed from the business. It is really built for accountants. It's built for compliance and annual reporting and so forth or quarterly reporting if you want or or maybe even monthly reporting if you're lucky, but it's not meant for really day-to-day business decisions and proactively helping you manage your business. So that's also where we see this going. It isn't just about automating one task over another task.

It is what value can you then give back once you've saved them time for the company and once you've saved them money also because there's less manual work. What value can you then give back in terms of intelligence, in terms of prompting them, saying you have bills due next week, but you don't have enough cash to pay them? But you also have these overdue receivables. Here's emails already pre-prepared to the customer to prompt them to pay their invoices so that hopefully you get paid quickly so that you can then meet your obligations next week when you have to pay these vendors. So you can become proactive. So that's the next level. Once you have the data and in real time, then that's what's possible as the next step. I think it's important to I mean obviously it's quite clear with embedded accounting but to repeat obviously that's all the benefits you enabled then another software company to do right because I'm guessing nowadays like some of the features you described are okay there are available here and there in tools and it's not completely the first time that you heard a company reminding you to put a receipt when you just had a bank account transactions but again this might now happening in the tool that you have to use because this is an industry specific solution which has a tailored offering for a lot of parts that are really really irrelevant for you and you cannot potentially choose another provider because it has all these accounting features because obviously it might not fulfill your industry needs.

>> Yeah, exactly. And you see this also in the market like there is this convergence of banking accounting and financial workflows. You see all the banks or the theme banks they're trying to add more functionality to helpmemes with their administrative task. banks like Conto and like Revolute and Mercury in the US and you see them moving into this space and then you see accounting softwares adding bank accounts and then you see vertical SAS also of course embedding financial products. Everybody is trying to become this financial I guess operating system or financial layer formemes but the problem is none of them have all the data that they need and it always remains a piece like a part of the solution. You will always still need other tools to have the full financial management of your theme. And so by embedding accounting in there you actually really can get much closer to becoming the full financial operating system for your group of thememes. Once you have all the data there, you can then have the extra revenue. You can have the extra retention of customers, you can start enabling more informed lending decisions and so forth. Once you have all the data, one platform where the user keeps coming back, right? It's not a tool they come to once a month or once in two months, but they come back to that tool every day because all the functionality is in one place. And that's really the goal or the the northstar is like who can create this product where everything comes together for theme and where real value can be given back to the theme as a result of it and that's what embedded accounting enables.

>> Of course and I think it's interesting that that you mention it right. I think we have seen it in fintech in general but also think generally like in tech these kind of like okay some from different providers are adding features from the other side and then kind of like who's in the best place to bring all of it together right I mean arguably vertical software as a service companies exist because they believe for a specific industry they can provide the best solution and quite frankly everything or anything that a vertical software the service company doesn't do today is most likely a they didn't have time yet to build it yet for this target group or maybe it's just too complex too complicated to build it and they need the the right providers this would be now the maybe the pitch for the for the embedded accounting solution but this is the sole reason vertical zas exist right to I mean maybe not every everything but at least around like running the business communicating with customers all these core features including accounting bookkeeping invoicing finance lending and so on comes from one tool because quite arguably I think that's the same case for bookkeeping high level and banking there's literally no reason why you should Besides entry barrier, there's no other reason why you should be using two separate tools for for doing something which is so tightly connected. It is actually it should come from one hand because transferring data from A to B just to do something else you can do in tool A already. It doesn't add much value. I agree agree and and you see like a vertical size of course is very vertical specific obviously that's the whole purpose of that platform or such a platform and that fits certain businesses like if you are a yoga studio or an experience host or tattoo studio or or a plumber or like there is tools literally for every vertical you can imagine even we recently found there is one for pool cleaning businesses there is a vertical S solution for that and so every industry has them and and obviously that works for those kind of businesses very well They probably not going to use contour bank account. I'm not picking on conto but I'm just picking them out to manage the financial side of their business. They will have their bank account and they will go for their day-to-day stuff to the vertical SAS.

Other companies that don't have really a vertical SAS most startups will not be working on on a vertical SAS platform. So they will have multiple tools, a separate bookkeeper and accountant with their software, a separate bank account where they can do some of the workflows and hopefully they can connect the two and kind of

create a kind of a solution and and so for those kind of businesses that don't have a very specific vertical or don't have a specific vertical solution, the banks can fill a nice void and bring more functionality to their customers and vertical SAS do it for businesses where it makes sense to work with a vertical SAS solution. So I don't think there is one product that's going to cover everybody's needs and and win in every vertical. I mean there's 32 millionmemes in Europe. There's not going to be one product or one solution that's going to conquer them all or going to fit all of their needs. So there will be different solutions. And I think that's the beauty of of embedded accounting is you can put accounting in what for whatever vertical makes sense.

That's where you put accounting and and that's where you create a complete business in a box solution. And same for SMB banks that serve different verticals or more vertical agnostic type solutions. >> Interesting. In an earlier answer, you did mention already a company from the US. I think it was layer who also building an embedded accounting solution. I guess the US is a logical country to look to. While you were in the process maybe of like identifying the embedded accounting for you to found the next business plus of course eventually founding then thread did you look around into other countries specifically the US but maybe also other parts of the world to see if there are already embedded accounting solution to kind of give you some kind of let's say reassurance that this is an area that other smart founders see as well to go into.

>> Yes, it is a very new space. The US in this regard is also leading it. at the minute is obviously also the leading software as a service market and it has all these niche solutions and it just makes sense that they're obviously willing to try things more quickly and more easily and it just makes sense to say like we offer new value to our customers we don't have to build it increases retention it increases conversion it gives us a new revenue stream fantastic let's do it here it works a little bit differently there are some of the more legacy players are trying to do it sage for example in the UK has an embedded proposition I think they partnered with HSBC in UK and some other semi banks. So it is coming and people are experimenting with it. I don't know percent how good their solution is and whether you already need to be a Sage customer to then use the functionality in your banking portal. So yeah we see some parties trying to build it themselves and we heard some of them are regretting it including some legacy banks for example in the Netherlands that said like we have something we're not happy with it. we're not the right company or we're not the right team or people to build this kind of functionality and to innovate on it. We rather partner with that and so we see there is a need for it but it is an emerging space but it is part of a longer trend I think of this convergence of the more functionality you can put into one tool and then whoever has the best tool for the to fit for purpose if you like will win that segment of the market but it's coming also here but we don't see a lot of startups in this space in Europe.

>> Yeah. Was there anything in specifically in the US from the companies who are operating it that you that you could take away where you see like this this could be helpful for us here in Europe as well to understand? I mean like for you building the business or does it feel like like a completely different world because of different market, different requirements, different accounting and so on? >> Not I mean obviously we had to build our own general we didn't have access to their product. So we couldn't just take their product and and tweak it for the European market. That is quite different. It was more how they did the embedded experience. in this company is also like another one that recently got funded. It's called Jupit a bit smaller.

They focus on the credit unions which is specific in the US not on the bigger banks or vertical size but they focus on credit institutions in the US. So we definitely learn from them how they work what their SDKs look like or what their APIs look like and a lot of it of course revolves around payment processing and payment data because that's a big part of what they do invoicing data and so forth that they get from the platforms into their solution. So they were definitely an inspiration for what we built. But then we had to build it from scratch and specifically for Europe. So we took him as a starting point but then quite quickly it diverged from what their product looks like versus how ours works. Makes sense. Makes sense. And Mark when you founded Spring it's probably fair to say like embedded lending maybe was not completely big but I think probably if you compare now your starting point with Spring and embedded lending versus now starting embedded accounting with Thread probably with embedded accounting you're a little bit earlier in the trend. How does it feel now like comparing the two like doing a better lending while there is already some kind of movement now versus like pushing something completely new? I mean of ask people talk about the first mover advantage or maybe sometimes also a second mover advantage. How do you feel about that if you compare the two?

>> I'm not sure it is not always good to be the first mover in something. I learned that also at my previous employer where they were very much against being the first mover because that means you also have to pay for educating the market. So I do feel that and that is also one of the reasons why we decided to go direct and have embedded just because it will take time to educate the market and then we do know people are looking for solutions also banks particularly but obviously as an early stage startup we're not an immediate fit as to partner with those kind of institutions what is different is is of course that we don't yet have the financing element and the credit element in our product which was really the complicated part in spring right because we had to finance the transactions and set up the whole financing structure with SP PVs and external lenders. It's just very costly and and obviously very risky business.

Not easy to scale and that's quite different from threat with threat. We see this as much more scalable and and much easier to internationalize than it was with Spring. And of course, it's just much easier to build product, right? We can have be much more ambitious on product and on speed of how quickly we build product and how comprehensive we make the product versus what we did at Sprink. But obviously we don't want to lose focus and we don't want to just go try all kinds of stuff.

But we see how quickly it is to integrate data sources to launch new features to launch new agents that do specialized tasks and so forth. It's just much faster than when we built Spring. We needed a much bigger team. So we can stay much more lean now than compared to how we built Spring. It will go quicker. So yeah, we see this as much more scalable and much faster and we can operate with a much leaner organization than what we could with Spring. So it's quite different in that sense. If I read between the lines here, maybe you you're building the foundation with embedded accounting with threat that you needed for spring to doing the lending. So maybe in a couple of years you will find cracking the embedded lending market as well just from a from a completely different angle is inevitable and whether it is the partners that do that if we work with the bank or with the vertical sata then to to tailor lending products and credit products to those customers and and also how they time it when they offer these products to which business. That's clearly part of the case whether we do it or whether the the partners we work with that we enable them to do it for sure and lending and credit is is critical formemes. So this is and if you have real-time data and all that insight into the company and how they're

performing and what they need at different points in time is perfect for that use case.

>> Thank you Mark. Uh is there anything that we forgot? Maybe there's some final advice for ZAS founders for builders out there who are currently contemplating to go into the accounting direction or how they should deal with it. Is there is there any kind of advice you can share? >> Oh, advice. That's a that's a good one. I mean, the world is changing very fast. So, I guess you have to start. You can wait for the world to change, but you just have to start take action and start building and and see what works and what doesn't work. I think there's still also a lot of hype out there and promise there. That's why we were very keen to start with building the product because we wanted to show that it was actually possible to create a system like that with relatively little resources and and a short amount of time. to build this from scratch. And so I think yeah just the advice is we just just get started and if people want to learn about accounting we can do demos we can show you the live platform how it works with real data with real companies and we would love to have a conversation with you how we can help you.

>> If I remember correctly from the last episode my typical last question how can people get in touch with you? You said it's it's LinkedIn. I guess it has not changed. >> No LinkedIn for sure but also on the website that you can book a demo. It's directly linked to my calendar. So you don't even need to talk to me or email me or message me. You can just directly book a a demo in my calendar on the website.

>> I'll make sure to add it to the show notes so people can find it there. >> Cool. Thank you. >> Thank you, Marco, for joining. Thank you for explaining a bit more. Embedded accounting has been a term which of course has been around. Now also my newsletter covered it in the US and stories in the US and from different angles. Was quite interesting to hear what you are building together with Manush, your your co-ounders you also built with Spring with. So looking forward what's there to come.

>> Same here. And and thank you very much for having me back. It's It's really an honor and I really enjoy it and I love reading your newsletter. So So keep it up. >> Thank you, Mark. And thank you so much and until next time. >> Thank you, Lars. >> Thank you for listening. If you like this episode, make sure to follow the Embedded Finance Review podcast in your favorite podcasting app. And if you know somebody with an interesting Embedded Finance story to tell, please let me know. Until next time.