How to win in Embedded Finance?

The intro guide for non-financial brands

Embedded Finance Review

Lars Markull

2024

Basically every company has been transformed by

1. Internet
2. Cloud
3. Mobile

Is this the next one?

Embedded Finance

Will your company be a fintech company too? Let's find out

Lars Markull – Founder Embedded Finance Review

What is embedded finance?

Who is offering it already?

How can you build it?

Do you need help?

When brands seamlessly integrate financial products to increase customer value

Not re-directed or a marketing partnership

Not a fintech company or a bank

Creation of new products, not open finance

When brands seamlessly integrate financial products to increase customer value

Customer value needs to be the starting point

The bank with a coffee business

→ Starbucks launched a payment card in 2001 and mobile app in 2009.

→ Around these two products, Starbucks built a loyalty and reward super machine.

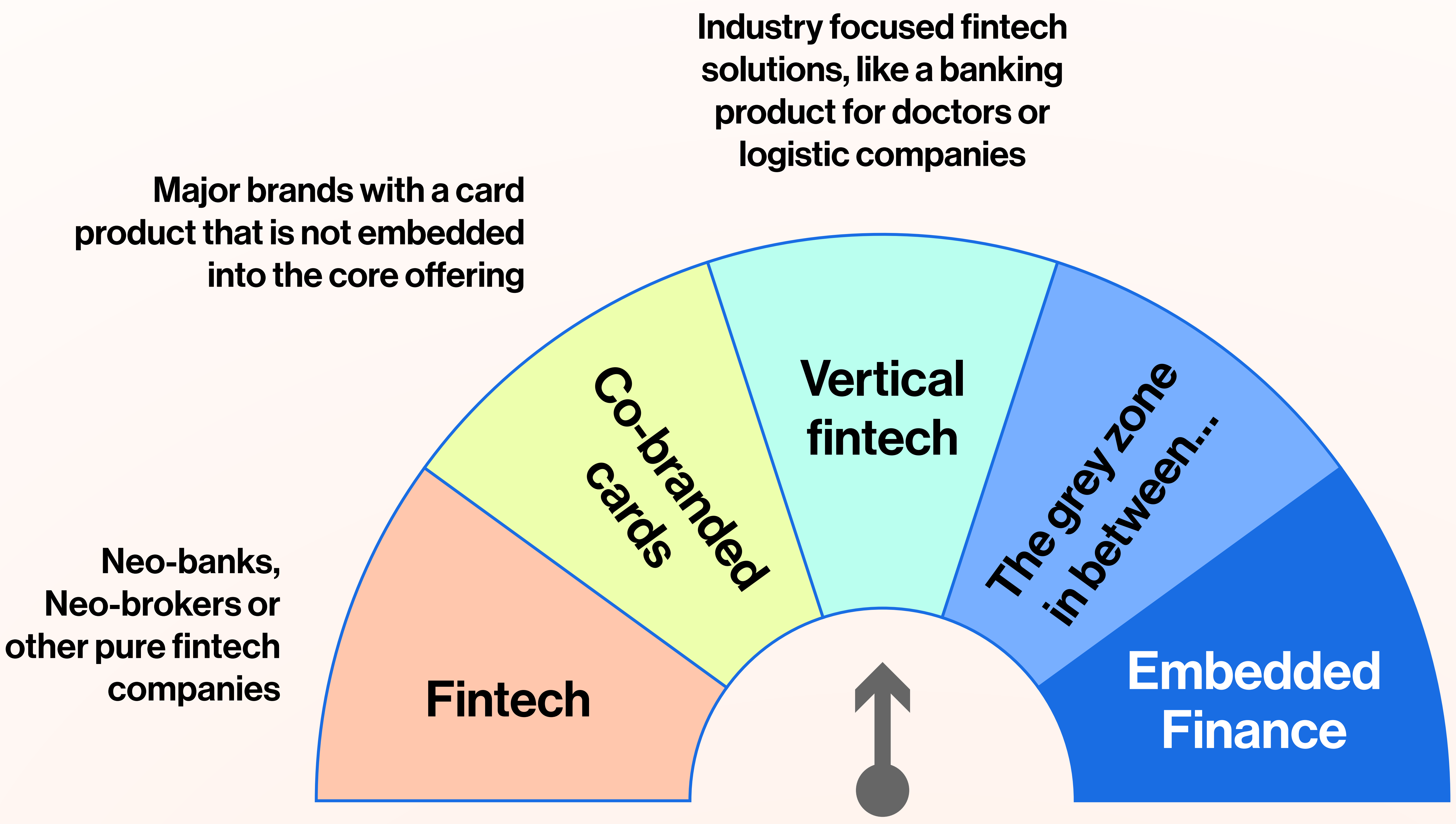
→ Today, customers store more than $1.6 trillion on their Starbucks wallet.

Brand ✓

New financial products ✓

Seamlessly embedded ✓

Is this embedded finance?



Rule of thumb: Find out why a customer started using a provider in the first place.
If it was to use a financial product, then it is likely not embedded finance.

What can be embedded?

Embedded payments

Payments directly in the service without referring the customer elsewhere

Embedded insurance

Protecting a good or person with an insurance at the point of need

Embedded banking

An account and/or card seamlessly embedded to perform banking activities

Embedded investments

From ETFs to crypto, investment products as part of a non-financial user journey

Embedded lending

Providing a consumer or business customer with a financing product when they require it

Embedded anything?

Any other financial product one can think of...

How does a user benefit from an "embedded" product?

One stop solution with a better user experience

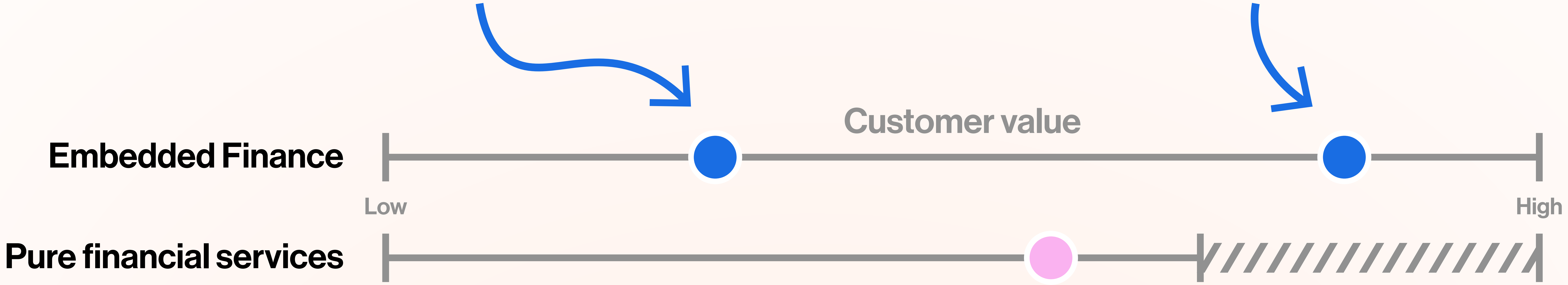
User is made aware of financial products at the point of need

Lower costs due to better data access and/or cross monetisation

Tailored products can address user needs better

It is not better just because it is embedded finance...

... but it can be better if it's built well



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Why has embedded finance reached a tipping point?

New infrastructure providers and technology

Rise of digital platforms, vertical SaaS and other tech savvy non-financial brands

Fintech paved the way for embedded finance

Fintech friendly regulations, initiatives and developments

Customer adoption of using non-traditional banks for financial services

Role models in embedded finance

		Revenues from financial services (Payments, banking and lending)	Other revenues
toast	Restaurants	87%	13%
shopify	E-commerce	74%	26%
lightspeed	Restaurants	65%	35%
MEWS	Acommodation	50%	50%
mercado libre	E-commerce	44%	56%

Numbers based on latest available reporting

B2B brands with an Embedded Finance offering in Europe

Accounting/ Bookkeeping

accountor
AGERAS
AGICAP
Candis
lexoffice
moneybird
tidely

Employee benefits

become1
Ben
Benefex
A Zellis Company
Circula
clubemployés
corplife
coverflex
MO.health
MOBIKO
mobilexpense
NAVIT
Regional HERO

HR software

deel.
factorial
HiBob
lucca
Personio

Industry solutions

Logistic

forto
TIMOCOM

Automotive

aufinity.com

Medical

NELLY

Hospitality

MEWS
nory

Construction

ToolTime

Sport

SPORTALLIANCE

Travel

amadeus

Ecommerce

ECOMMERCE ONE
ikas
shopify
Shop Circle

Marketplaces

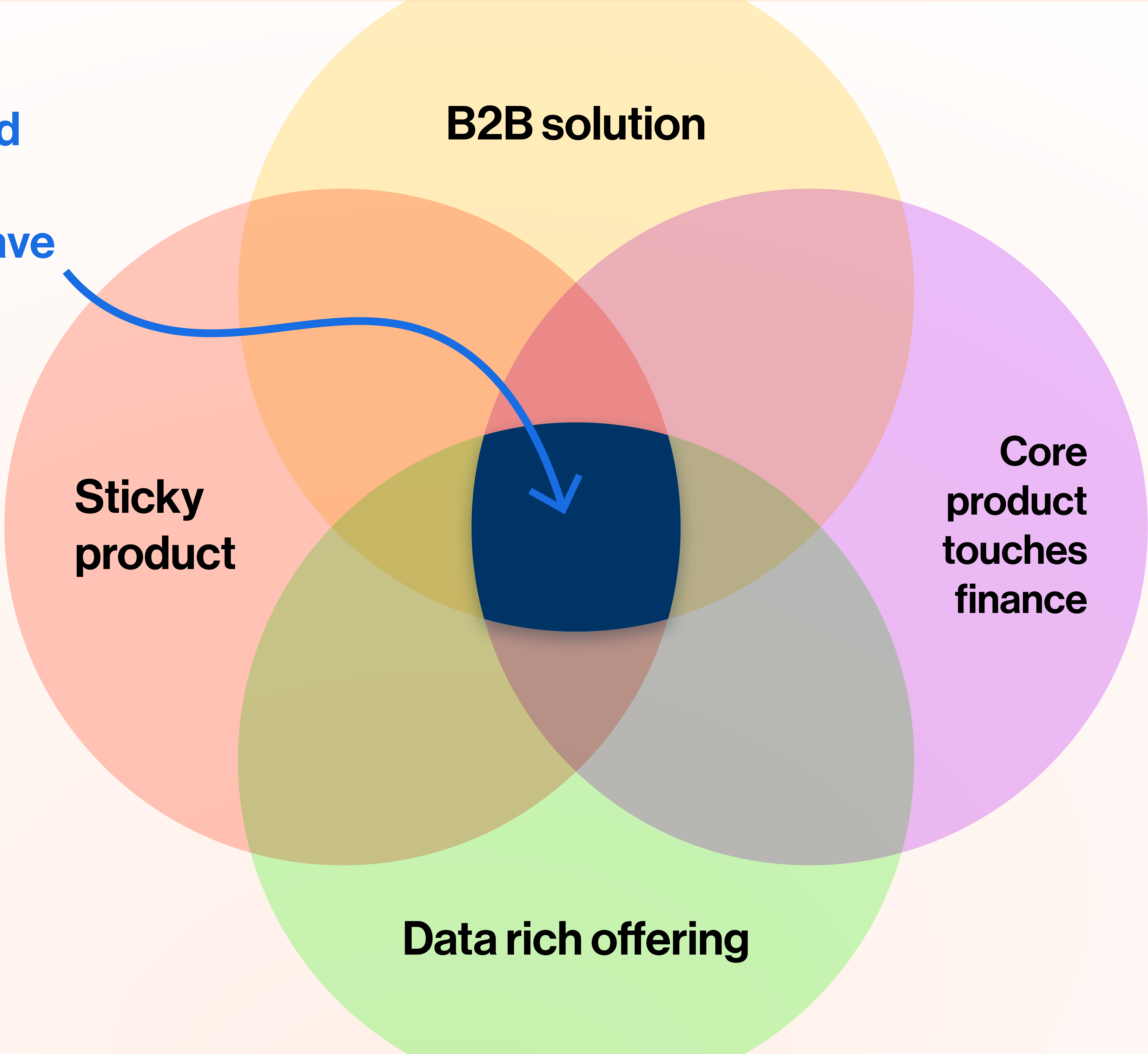
amazon
ebay
Delivery Hero
magaloop
Vanilla Steel
Timberhub
Wonnda
Wolt

Wholesale

halfords
METRO

Notes:
1. Focus on payment, banking and lending; insurance and investment are not included.
2. Graphic is non exhaustive. Feel free to share brands that are missing to include in the future.
3. A graphic with B2C brands is work in progress.

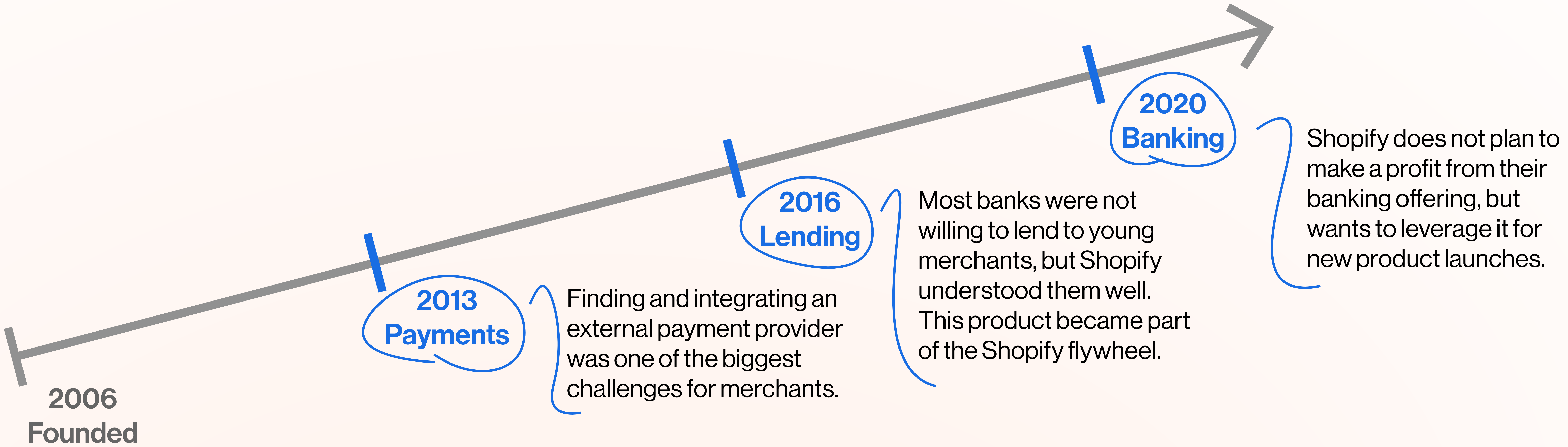
Many companies can succeed in embedded finance, but these companies tend to have it easier than others.



Every journey starts with the first step...

Technical infrastructure for e-commerce companies

shopify



... and comes with its own unique challenges

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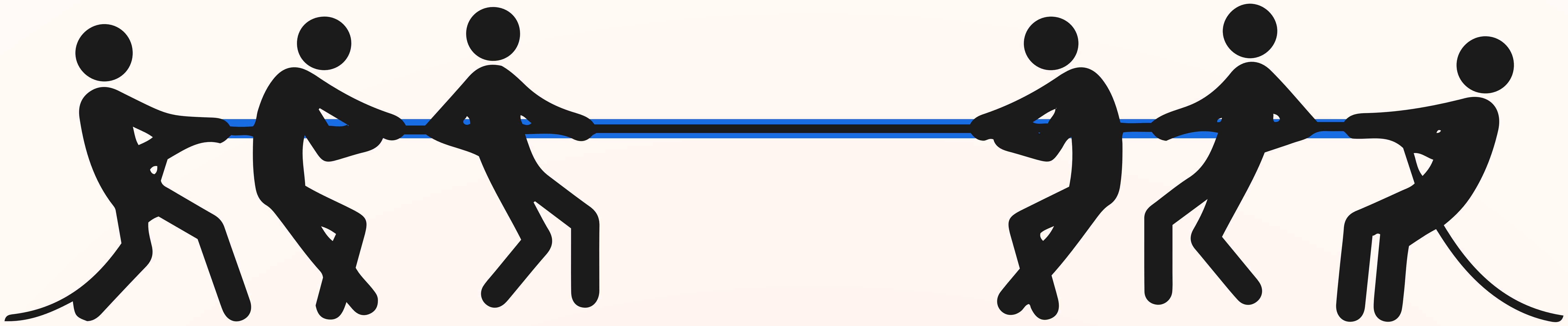
You can't build the perfect embedded finance product on day one. So you have to come up with a plan



1 Customer value

2 Business case

3 Provider capabilities

4 Resources (money and time)

Your non-financial product offering

Your financial product offering

1 + 1 = 3

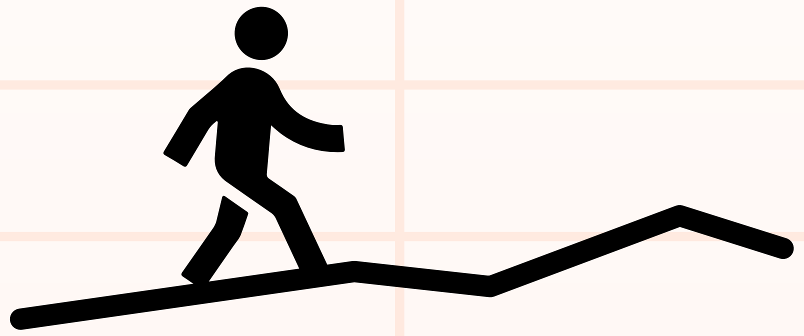
Brands need to create "magical customer value"

How do brands make money with embedded finance?

€ $ £

- Attract new customers
- Reduce churn
- Increase revenue per existing customer
  - Increase usage of main product
  - Kickbacks from financial products (e.g. interchange)
  - Leverage data (e.g., improve pricing)
  - Direct charging for financial product

? How can you build an embedded finance product?



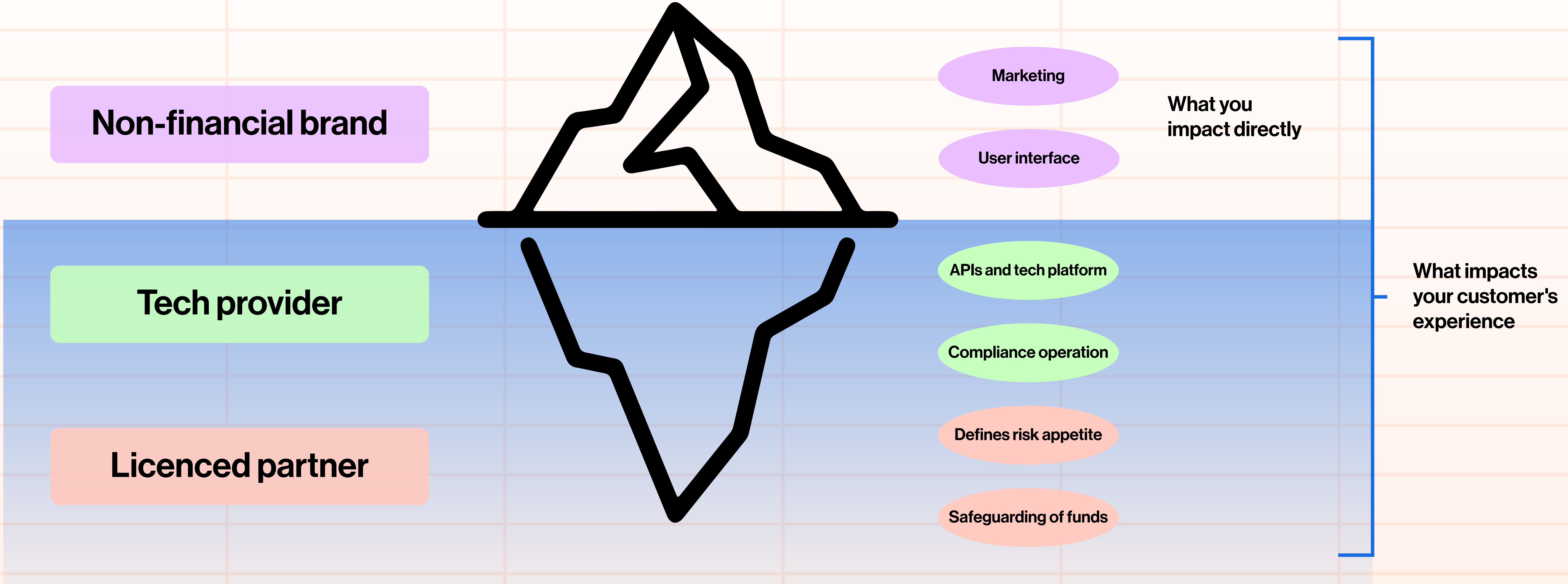
	Easy	Medium	Hard
APPROACH	Easy	Medium	Hard
BUILD WITH	Fullstack provider	Multiple smaller providers	Own license & tech stack

BENEFITS

Better unit economics → More control → Lower dependency

Launch faster ← Iterate faster ← Lesser initial investment

Select your providers like your life depends on it...



...because it does

A typical journey of a non-financial brand

Define goals

Customer interviews

Market research

Product decision

Business case

Provider selection

Team setup

Set milestones

Start building

Questions for companies building embedded finance products*

Customers

- ☐ What are your customers' pain points w/ current financial setup?
- ☐ Are your customers willing/able to leave their existing bank/provider?

Team

- ☐ Can you keep your current team setup or does it require changes?
- ☐ How can you ensure leadership support until you the product is a success?

Product

- ☐ What are touching points between your product and financial services?
- ☐ Which financial product is best for you to launch first?

Market

- ☐ What are your competitors (domestic & international) offering/building?
- ☐ What providers are available in your markets? How do they differ?

Financials

- ☐ How can you generate revenue with your financial products? How much?
- ☐ When will the project be profitable? How much to invest until then?

Expertise

- ☐ Is your team sufficiently skilled and experienced with building embedded finance products?
- ☐ How can you close knowledge / experience gaps?

* **Simplified version. Get in touch for the full version.**

How embedded finance has already transformed European brands

Matthijs Welle
CEO – Mews

"Once we started being a SaaS and a Fintech business, our revenues were double, triple of what a competitor does. So we were able to raise more money to do more inorganic acquisitions. That model works really well where we buy a SaaS company and then we migrate the SaaS to Mews, and then we add embedded finance on top.

With the METRO FS card, we offer 1% cashback and, with our post-purchase credit, we allow customers to actively manage their liquidity situation. Through these products, we generate unique data insights which allow us to get a much better understanding of our customer's purchase behavior inside and outside of METRO to optimize the offering in METRO'S core business."

Michael Zyber
CEO – Metro FS

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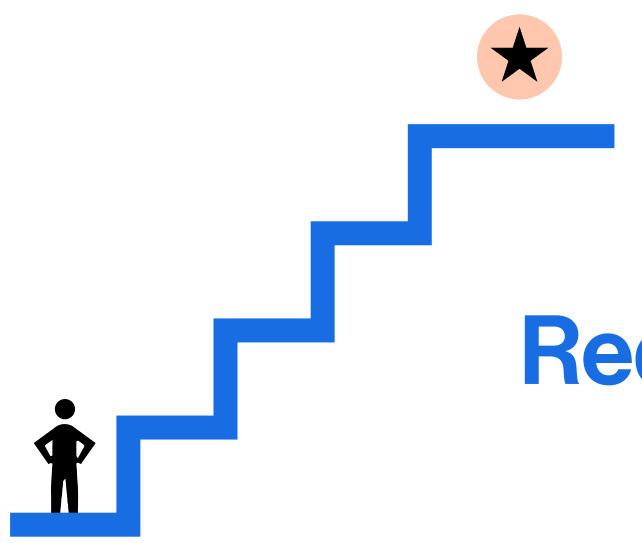
While working with an embedded finance expert, you can:

Increase your chances of success



Reduce your investments

Achieve benefits faster

Book a free call to discuss your embedded finance opportunities, challenges and questions.

Book call ⟶

My expertise

Non-financial brands

Planning	Building	Growing
▪ Research & strategy	▪ Provider selection	▪ Product growth
▪ Business case	▪ Flow of funds	▪ Sparringspartner

Infra & tech provider

- Competitive and market research
- Sector analysis

"We seek Lars knowledge and network whenever we need to search, analyse, and/or select a new payment provider."

Financial institutions

- Embedded finance workshops
- Research and partnership validation

"Lars provided us with a well-researched analysis of the European and US embedded lending provider landscape."

Others

- Speaking engagements
- Fintech recruiting

"Lars helped us navigate the banking infrastructure provider market and we continue to work with him."

Thank you!

Embedded Finance Review

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