Embedded finance ecosystems

- *Adhikar Babu (Worldpay)*

First a quick refresher…

Embedded Finance is an integrated financial product…

- **Integrated**

    - Happens within the brand's digital experience

    - Automated (mostly)

Payments

Auto payments after ride

Swiping card after ride

…seamlessly showing up…

- **Integrated**
  - Happens within the brand's digital experience
  - Automated (mostly)

- **Seamless**
  - Driven by the customer directly
  - Provides brand control over CX to some extent

Payments

Auto payments after ride

Swiping card after ride

Lending

Pre-approved financing

Application based financing

Embedded Finance is an integrated financial product seamlessly showing up **at the point of need**

▪ **Integrated**

- Happens within the brand's digital experience

- Automated (mostly)

▪ **Seamless**

- Driven by the customer directly

- Provides brand control over CX to some extent

▪ **Point of Need**

- The core activity is "not finance"

- Shows up at the right context

Payments

Auto payments after ride

Swiping card after ride

Lending

Pre-approved financing

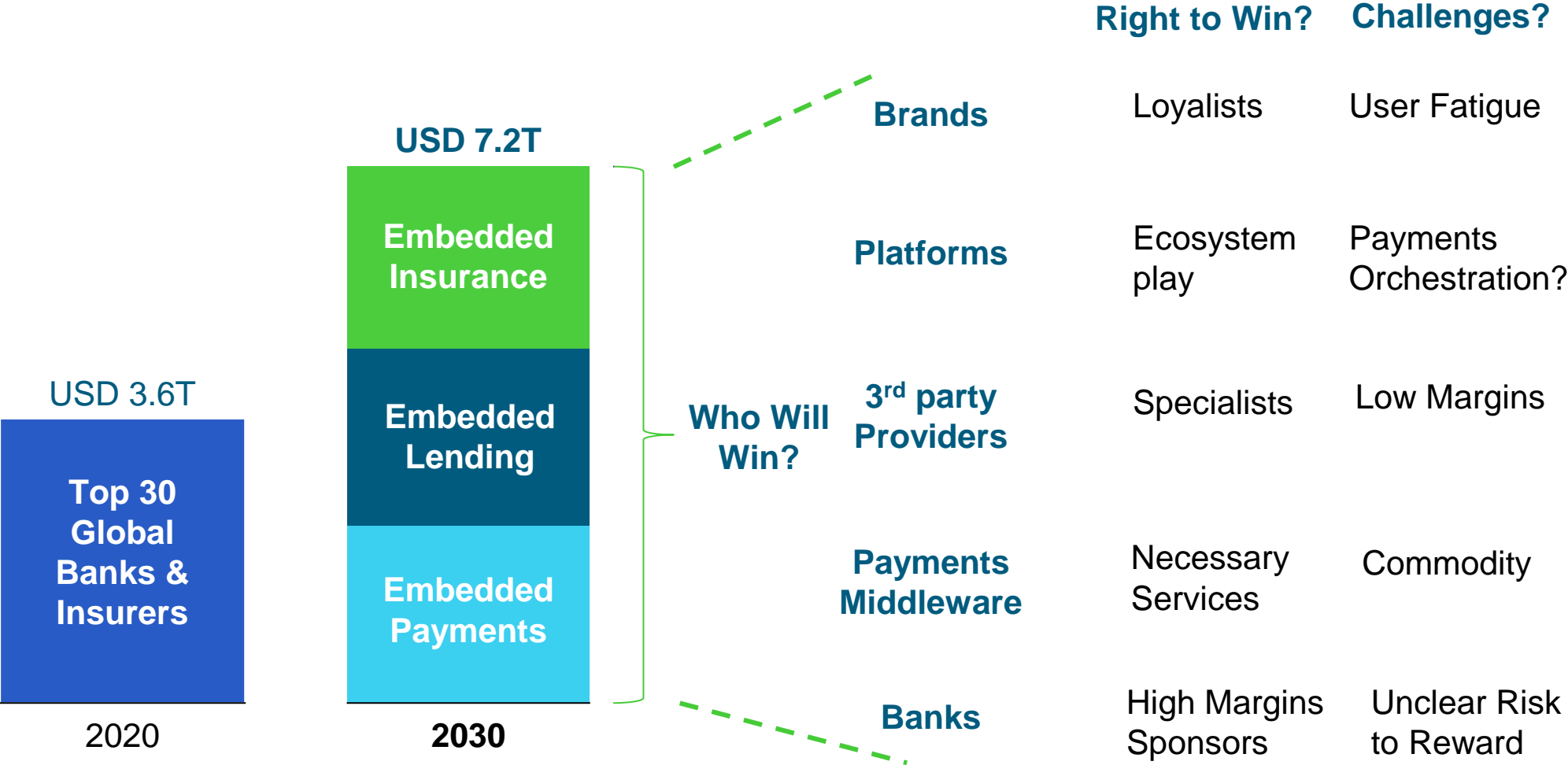**Application based financing**

Banking

Marketplace banking

Merchant accounts

Convenience and Digital are key enablers for **end-consumers** and **SMBs**

Globally, several players are jostling to win in the Embedded Finance market set to reach USD 7.2T[1] by 2030

	Right to Win?	Challenges?
Brands	Loyalists	User Fatigue
Platforms	Ecosystem play	Payments Orchestration?
3rd party Providers	Specialists	Low Margins
Payments Middleware	Necessary Services	Commodity
Banks	High Margins Sponsors	Unclear Risk to Reward

USD 3.6T

Top 30 Global Banks & Insurers

2020

USD 7.2T

Embedded Insurance

Embedded Lending

Embedded Payments

2030

Who Will Win?

Defining the value chain…

The Embedded finance value chain begins with the "embedders" at the front-end…

The Embedded Finance Value Chain stack
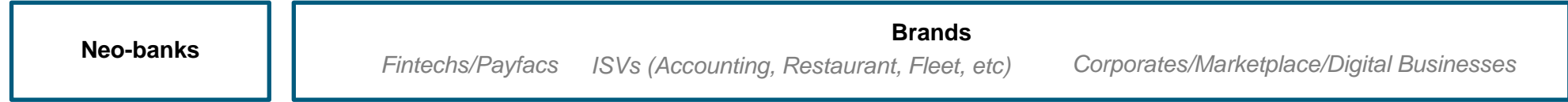
Neo-banks	Brands
	Fintechs/Payfacs *ISVs (Accounting, Restaurant, Fleet, etc)* *Corporates/Marketplace/Digital Businesses*

…with traditional big banks forming the balance sheet end…

The Embedded Finance Value Chain stack
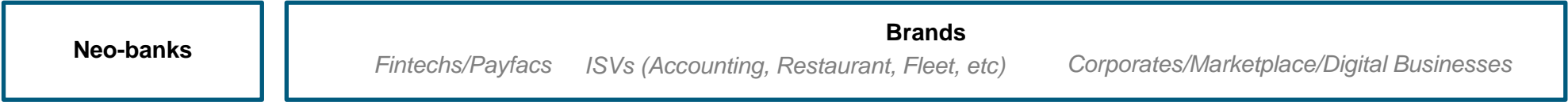
Neo-banks	Brands
	Fintechs/Payfacs ISVs (Accounting, Restaurant, Fleet, etc) Corporates/Marketplace/Digital Businesses

7. Traditional Banks

HSBC   NatWest   BARCLAYS   LHV

…followed by the core financial software providers…

The Embedded Finance Value Chain stack

Neo-banks	Brands
	Fintechs/Payfacs · ISVs (Accounting, Restaurant, Fleet, etc) · Corporates/Marketplace/Digital Businesses

6. Core Financial Solutions

Core: Thought Machine · MAMBU · 10x · tuum · Skaleet

Issuer Processing: paymentology · MARQETA · HUBUC

7. Traditional Banks

HSBC · NatWest · BARCLAYS · LHV
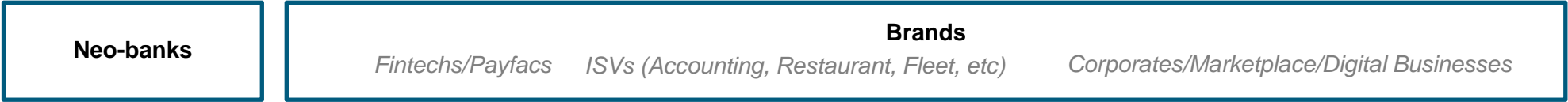
…and now the <u>two API-driven specialist layers</u>…

The Embedded Finance Value Chain stack

Neo-banks	Brands
	Fintechs/Payfacs ISVs (Accounting, Restaurant, Fleet, etc) Corporates/Marketplace/Digital Businesses

4. Middleware (unlicenced)

AAZZUR Bankable additiv

3. EMI Licenced

Cards
Enfuce   DECTA   Transact Payments PAYMENTS MADE SIMPLE

Account Payments
treezor   Modulr   swan   OpenPayd
mercuryo   intergiro   SATCHEL EU

X-Border
FORM3   Currencycloud   PPS | an Edenred company   EMI.

6. Core Financial Solutions

Core
Thought Machine   MAMBU   10x   tuum   Skaleet

Issuer Processing
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7. Traditional Banks

HSBC   NatWest   BARCLAYS   LHV

…going deeper into the embedded finance space to form the full ecosystem

The Embedded Finance Value Chain stack

Neo-banks

Brands
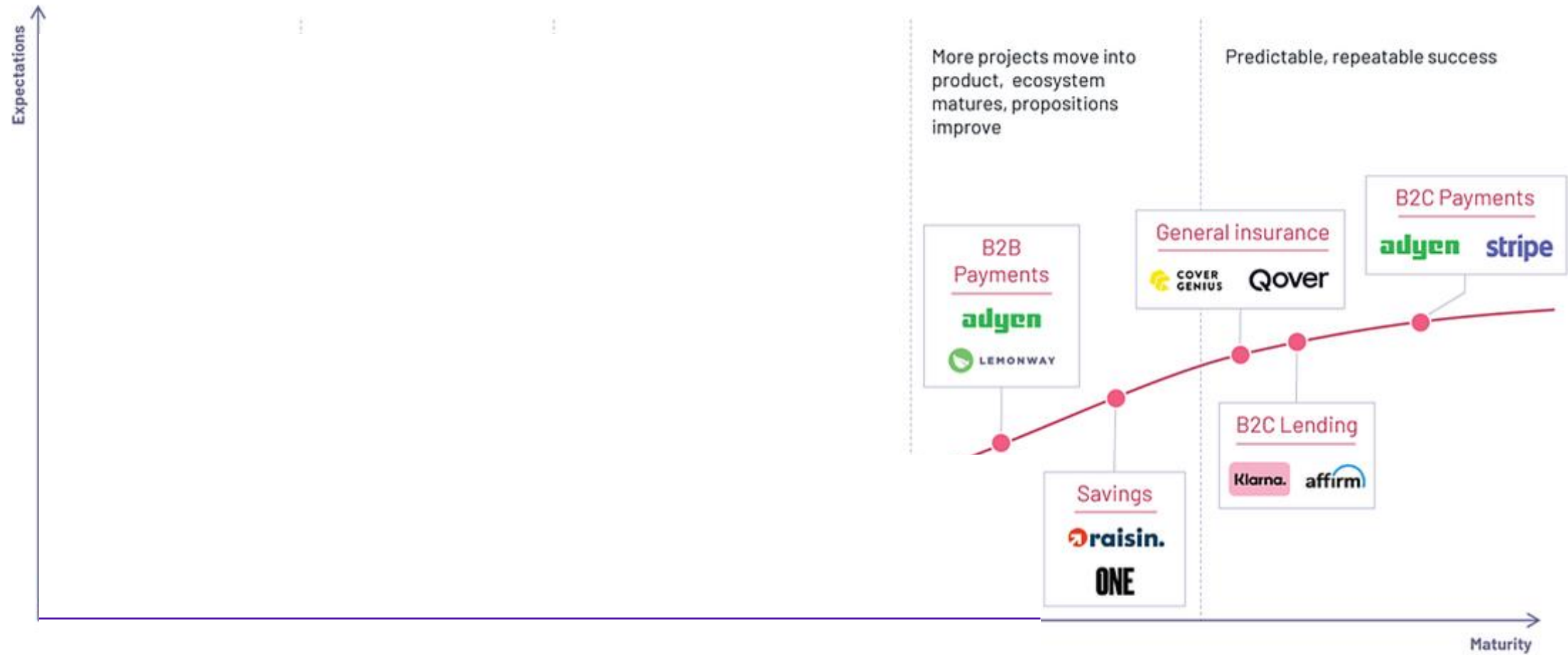
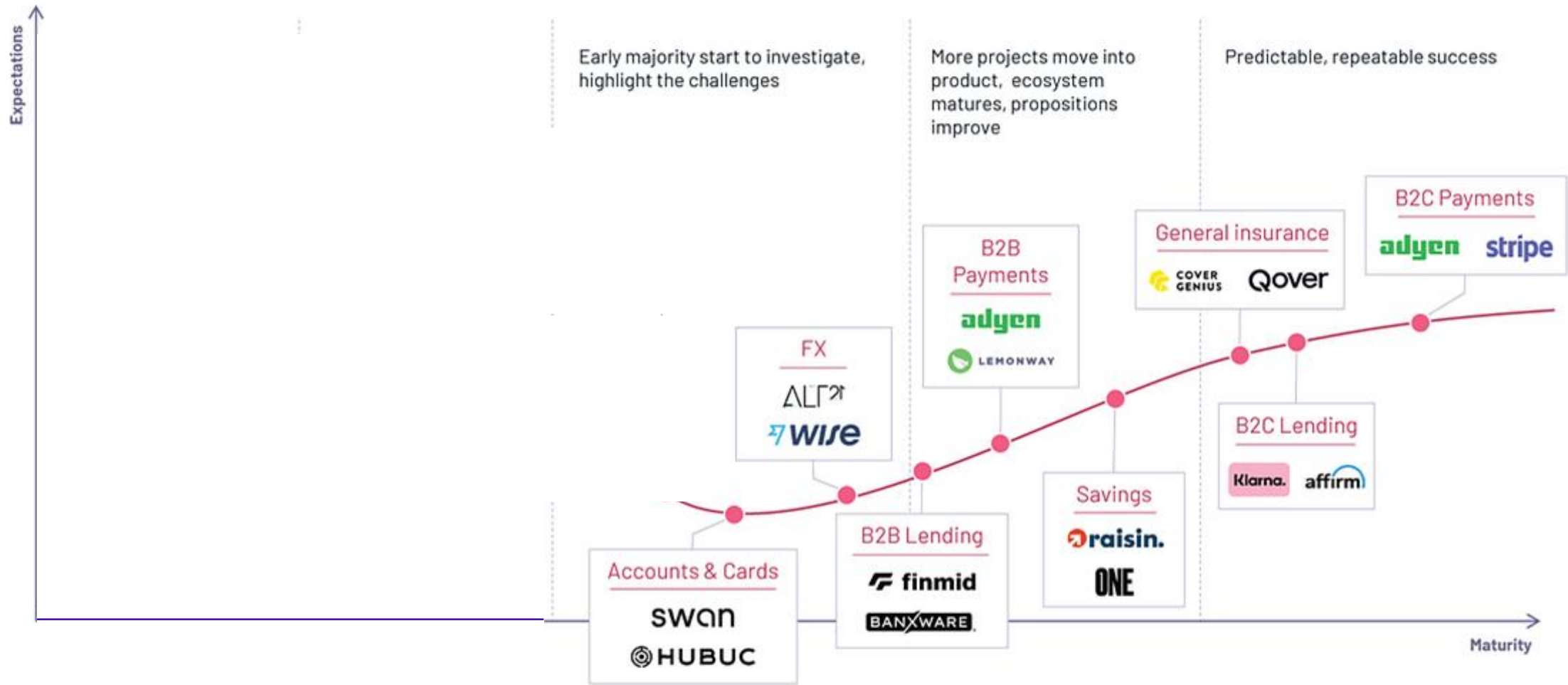*Fintechs/Payfacs*   *ISVs (Accounting, Restaurant, Fleet, etc)*   *Corporates/Marketplace/Digital Businesses*

Licenced Middleware providers

1. Full Stack BaaS

solarisBank   STARLING BANK   Griffin   S|E|B

VODENO   monese   raisin.

2. Specialist Banks

Clear.Bank

BANKING CIRCLE

3. EMI Licenced

Cards — Enfuce   DECTA   Transact Payments PAYMENTS MADE SIMPLE

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X-Border — FORM3   Currencycloud A Visa Solution   PPS an Edenred company   EML.

4. Middleware (unlicenced)

AAZZUR   Bankable   additiv

5. Supporting Point Solutions

Compliance   IDnow.   sumsub   onfido

Data   powens BY BUDGET INSIGHT   TRUELAYER   volt

6. Core Financial Solutions

Core   Thought Machine   MAMBU   10x   tuum   Skaleet

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The evolution…

The past: Consumer payments

The present: Consumer banking + Initial foray in B2B

Expectations (y-axis) / **Maturity** (x-axis)

More projects move into product, ecosystem matures, propositions improve

Predictable, repeatable success

B2B Payments
adyen
LEMONWAY

General insurance
COVER GENIUS
Qover

B2C Payments
adyen   stripe

Savings
raisin.
ONE

B2C Lending
Klarna.   affirm

The present "tense": Accounts & Cards as a service + B2B Financing

The future? B2B Trade Financing, Wealth/Treasury management, insurance
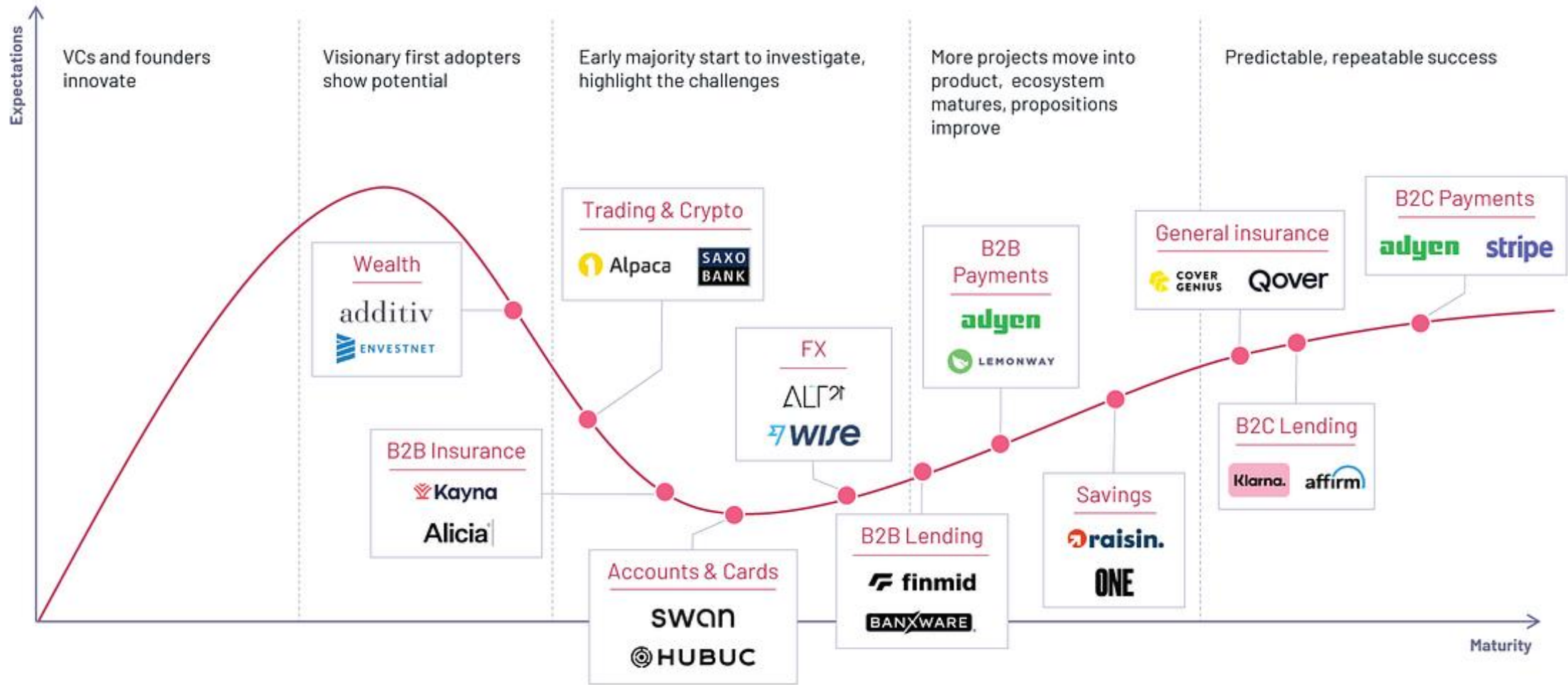
What's next?

Watch out for

Rising interest from Big Banks, Card Networks, Legacy Payment Cos

Shifting VC focus on product and tech specialists

Expanding B2B2X use-cases possibly targeting lending & insurance
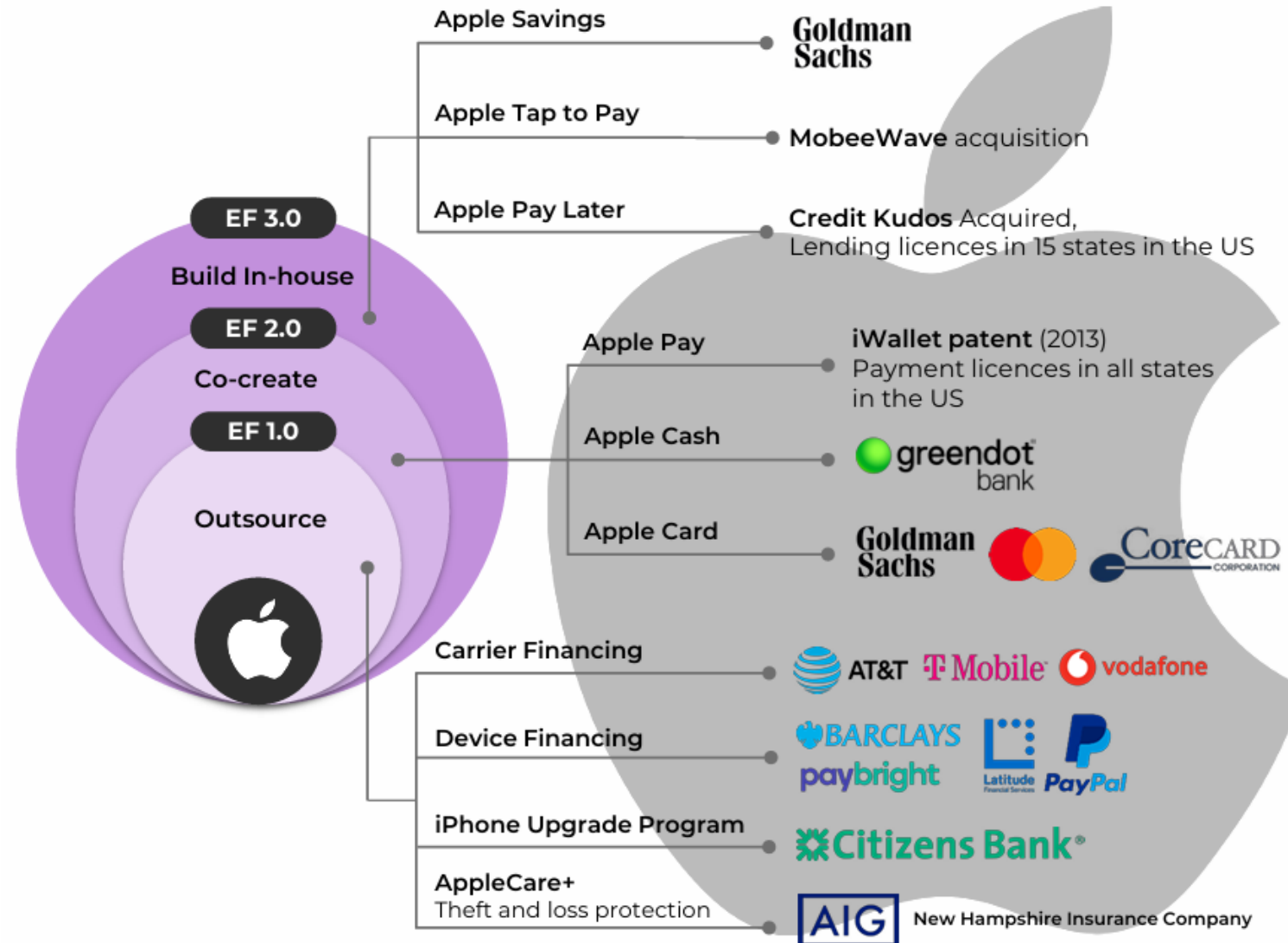
Emerging ecosystems created by the Big tech firms

AI unlocking embedded finance

Consolidation amidst regulatory/profit concerns

Apple's world of embedded finance

Source: WhiteSight

Questions?