

EMBEDDED FINANCE

# Uniting Finance and Technology: **Increase Brand Value, User Loyalty and Revenues**

Customers want convenience and quality experiences from brands they trust and use the most. By offering the best embedded finance solutions, you can meet their needs, and enhance the experience.



# Consumers Want Convenience More Today Than Ever Before

Consumer demand for Internet-powered devices and apps has propelled digitization into the mainstream and businesses are racing to keep pace.

At the same time, a new era has begun, with younger buyers now significantly influencing the marketplace. And, with Millennial and Gen Z consumers preferring digital purchasing and service delivery over brick-and-mortar methods<sup>1</sup>, the demand for digitized products and services will continue to grow exponentially as the buying power of these individuals increases.<sup>2</sup>

Add in the unprecedented impacts of the COVID-19 pandemic – a phenomenon that spurred digital purchasing records across all generations<sup>3</sup> – and it’s easy to see why consumer expectations for digital delivery and convenience have reached an all-time high.<sup>4</sup>

This environment creates opportunities for companies to offer more value, increase brand loyalty, and inspire game-changing revenue by innovating and diversifying digital service offerings. However, it isn’t always straight-forward for an organization to know which digital applications will provide the highest return.

Popular digital platforms, embedded APIs, and mobile apps are replacing traditional ways of doing business. Consumers can now order food and groceries, buy or sell cars, secure insurance or a mortgage loan, and manage money through a cascade of brands that have enriched the digital marketplace.



 <p><b>CONSIDER THIS</b></p>	<p>Surging demand for digitization has created a highly competitive landscape and is forcing all consumer-facing businesses to consider how to become more digitally relevant.<sup>5</sup></p>	 <p>API-driven applications are easy to incorporate into a digital product portfolio to complement existing offerings, meet a broader set of market needs, and increase brand loyalty/engagement.<sup>6</sup></p>	 <p>The availability of open banking and Banking-as-a-Service programs has led experts to believe embedded finance solutions will be one of the most widely adopted digital technologies in coming years.<sup>7</sup></p>
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# The Embedded Finance Movement

Chances are, you've seen or used some form of embedded finance through a big brand yourself, and you may have even noticed smaller brands jumping on the embedded finance bandwagon.<sup>8</sup>

## Driving Customer Engagement and Loyalty

What makes embedded finance programs so special is the real positioning edge they give a brand over its competition. This is because integrating supplementary financial tools directly into your core customer experience simplifies the purchasing process and increases customer engagement and loyalty. These programs are also tied to the customer's money, a type of a sense of security that creates a unique type of stickiness.<sup>9</sup> In fact, these programs are expected to be so popular, experts are predicting the embedded finance market will reach a market value of 138 billion by 2026.<sup>10</sup>

## Seamless Experiences Boost Financial Performance

And the real beauty of these API-driven solutions is virtually any 'nonbank' business can incorporate embedded finance options into their digital product portfolio to create a more seamless and efficient experience, instantly boosting brand loyalty and growth potential.

The added revenue you receive from these solutions can be applied to reduce payments costs, fund loyalty programs and drive further engagement with the core business.

Your customers will also love the convenience, streamlined buying experience, and reduced time and effort needed to secure and finalize a purchase.<sup>11</sup> Plus, they will feel assured, because they'll be working with a brand they know.

## Payments Data Delivers Deeper Insights

Using embedded financial services tools will also give your business more insight into customer buying behaviors and added awareness to help you reduce purchasing friction and increase customer engagement.



Embedded finance (also known as BaaS: Banking as a Service, IaaS: Insurance as a Service, and PaaS: Payments as a Service) solutions are essentially financial tools or services – such as banking, payment processing, insurance, or lending options – provided directly to a buyer at the point of service by a financial provider through a non-financial company.

## Examples of Embedded Finance:



Digital Wallets



Wealth management and investment tools



Built-in insurance options



Digital banking services



Loans offered at the point of service



Embedded payments



Buy now, pay later credit lines



Billing and accounts receivable services

## THE TAKEAWAY

Employers who incorporate programs to help their workforce manage and stabilize financial security will stand out in the hiring crowd and be able to attract more loyal, productive, and financially stable workers.

## TREND

### Embedded finance solutions work.

There are many reasons embedding payments into product offerings will benefit both businesses and customers alike. Organizations can offer an enhanced buying process, while also benefiting from new revenue channels, and their customers will appreciate having a seamless buying experience, along with direct access to supportive products and services. These priorities rank high for all generations, but they are valued most by younger generations, like Gen Z.

### Consider this Gen Z snapshot:

**65%** want real value for their money<sup>12</sup>



**88%** prefer omnichannel branded experiences<sup>13</sup>



**62%** won't use *difficult* apps or websites<sup>14</sup>



**60%** won't use *slow* apps or websites<sup>15</sup>



**58%** are willing to pay more for personalized products<sup>16</sup>



## The business benefits of embedded finance products are significant:

### Drives Product Innovation

**FACT** "Innovative thinking can help you predict the market and keep up with customer need."<sup>17</sup>

Embedded finance products can help you get ahead of your customer's needs and also drive growth in new market segments.

### Boosts Customer Lifetime Value (CLV)

**FACT** A 5% boost in customer retention can yield between 25-95% more revenue.<sup>18</sup>

Direct customer access to embedded finance processes will ensure qualification, purchasing, and checkout experiences flow seamlessly, providing a good reason for customers to return again and again.

### Offers Customer Control

**FACT** As many as 67% of your customers will prefer self-service to talking with a representative.<sup>19</sup>

Customers today like to take charge. Embedded finance solutions give your buyers complete control over their experience, whether they need immediate gratification or a little more time to finish the purchase.

### Promotes Efficiency

**FACT** Companies without 'simple' experiences leave behind 98 billion in combined revenue every year.<sup>20</sup>

### Builds Brand Credibility and Loyalty

**FACT** 74% of consumers say product quality influences their brand loyalty.<sup>21</sup>

By offering financial services under your brand, you will be sending a message to your customers that you not only value the quality of their experience, but you appreciate their loyalty and want to deepen the relationship by offering greater convenience, speed, and quality.

### Increases Engagement

**FACT** The top influencers of customer engagement are convenience (55%), quality (80%), and price (81%).<sup>22</sup>

Using API-driven finance applications from software vendors that shoulder some of the regulatory compliance burden can relieve your business from some of the financial and time burdens associated with securing higher level compliance certifications.<sup>23</sup>



## What you need to know before offering embedded finance solutions.

According to a recent study, **47% of U.S. businesses said they're currently investing in digital finance solutions** and plan to launch them soon.<sup>23</sup> If you aren't in this group, your company could be at risk of losing a competitive advantage.

SaaS companies are also packaging embedded finance products alongside core technologies to increase market share, and many insurance, lending, and banking entities are also moving toward digitizing legacy products.

If you're considering which embedded finance solutions to integrate into your systems, you'll want to take a close look at your business model, then consider which payment technology partner(s) will be best for you. A seasoned financial services steward that is equipped to help you integrate these tools, monetize the investment, and support the administration of your program is worth the investment, and they will know how to navigate federal and local regulations to lower your cost and risk.

## Your embedded finance checklist:

- What financial services tools do my customers need most?
- Do these tools naturally fit with my business model?
- Will digital finance offerings open new revenue channels?
- Will usage of my core product(s) increase?
- Will my customers intuitively adopt these tools?
- Can I easily market these features to attract new customers?
- Will usage of my digital financial services tools produce valuable data?
- Can financial services tools help offset my support costs? (i.e. fees, HR, development, etc.)
- Will embedded finance applications generate stronger customer relationships?
- Can embedded finance tools lead me toward new offerings and/or markets?

## What to ask when comparing embedded finance partners:

- Do they have strong fraud/risk management capabilities and tools?
- Are they a registered payment processor?
- Do they own their technologies?
- Do they offer a comprehensive set of embedded finance services?
- Do they use outsourced development or support entities?
- Can they tailor your solutions/program to fit your customer profile?
- Are they experienced in managing client programs?
- Can they provide experiential data and modeling?
- Do they provide hands-on development support?
- What is the fee structure? (out-of-pocket, development, support, legal, etc.)
- Can they assist with packaging and distribution?
- Is ongoing support included?
- Will you be able to easily scale the program with new features?

# The Netspend Advantage

With more than 20 years of experience and expertise, Netspend offers one of the most comprehensive and innovative embedded finance platforms available today. Netspend's integrated financial services and BaaS solutions are backed by proven strategies, trusted relationships and a personalized support model that saves you time and internal resources. All in an effort to help you get to market faster, scale more efficiently and grow.

## Core Capabilities



Card Issuing



Strategy and Operations



In-House Processing



Fraud Control and Compliance



Digital Banking/Wallets



Infrastructure

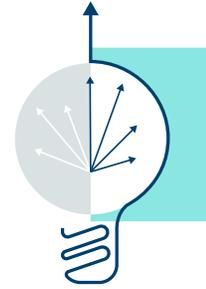


Program Management and Support



## Remember

Experts say it's only a matter of time before embedded finance solutions become a mainstream business practice across the entire digital ecosystem. And consumers are already demanding more streamlined, consumer-friendly financial products and services – especially when they come from brands they already know and trust.



- + Embedded finance products will help your business capture new revenue potential, build loyalty, and gain valuable customer insights.
- + Your competition is already considering which embedded finance strategies, products, and technologies will differentiate and position them as a leader.
- + Embedded finance solutions are faster and easier to implement using the latest API technology from a vested partner that can help you setup and manage your applications effectively and efficiently.
- + Your customers want you to offer them innovative products and a better experience, including seamless access to financial services that complement your core products.

Give your customers the financial control and assurance they want with top-rated embedded finance solutions.

To learn more about implementing embedded finance best practices and the top tools and strategies for your business, visit [netspend.com/business/embedded-finance](https://netspend.com/business/embedded-finance)

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