



# Tech-brand partnerships are revolutionizing value chains with embedded finance

Market survey of technology leaders  
in embedded finance

**August 2023**



Building a better  
working world

Embedded finance refers to financial services (FS) sold through intermediaries.

Embedded finance will enable businesses to integrate financial services into value chains to offer enhanced customer accessibility and convenience and to provide tailored offerings.

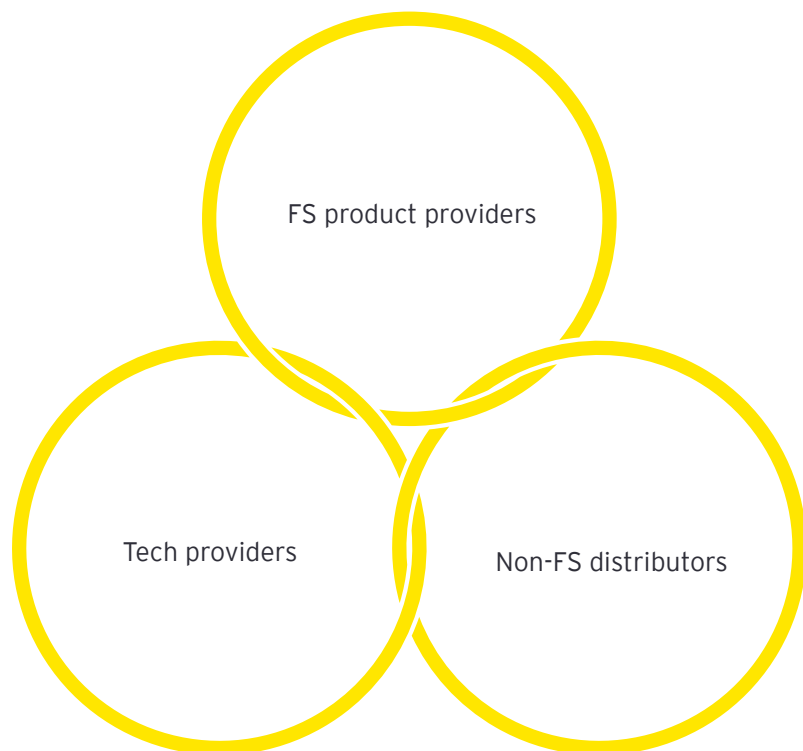
Examples of embedded finance and products include:

- Digital wallets
- Prepaid cards and loyalty programs
- Buy-now-pay-later lending
- Seller financing
- Gig economy payments
- Payment acceptance platforms
- Product insurance
- Auto insurance and financing
- Travel insurance



## Who's who in embedded finance

New partnerships among stakeholders support seamless customer experiences



### Non-FS distributors

#### Role

- ▶ Work with technology and FS product providers to embed financial products in the customer journey

#### Value proposition

- ▶ Creating customer loyalty and cross-sell potential

### Tech providers

#### Role

- ▶ Maintain and configure technology to deliver financial products between non-FS distributors and FS product providers

#### Value proposition

- ▶ Connecting non-FS firms to FS players

### FS product providers

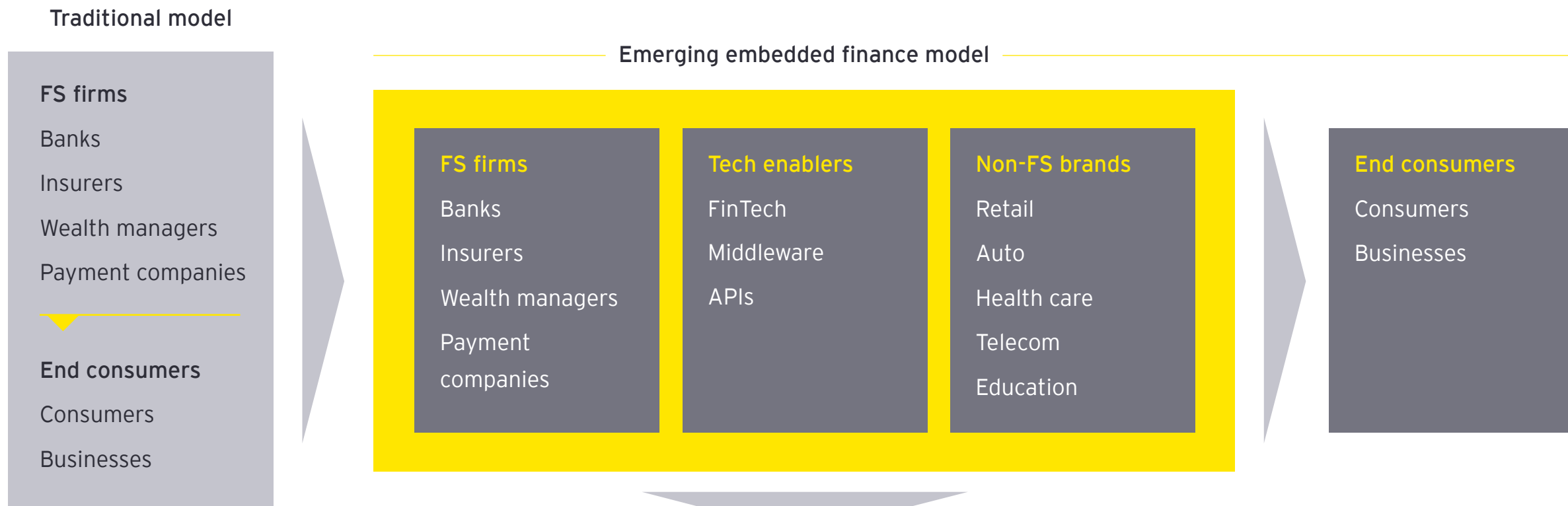
#### Role

- ▶ Provide non-FS distributors with access to funds, the ability to hold deposits, and regulated licenses and risk frameworks
- ▶ Collaborate with technology providers to develop integrated embedded finance solutions

#### Value proposition

- ▶ Expanding customer base

Embedded finance is changing the distribution model of financial products



Financial services firms, tech enablers and non-FS brands have begun creating partnerships to help alleviate challenges and introduce innovation on top of traditional capabilities.

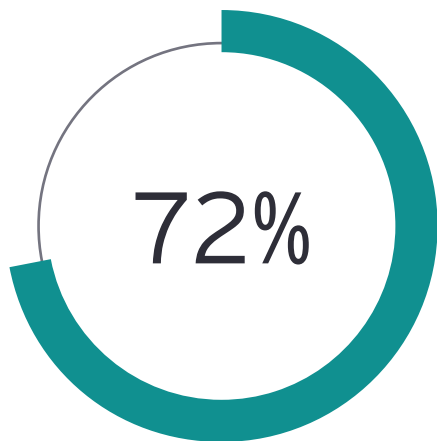
We asked 21 global companies with leading financial technology platforms about the future of embedded finance.

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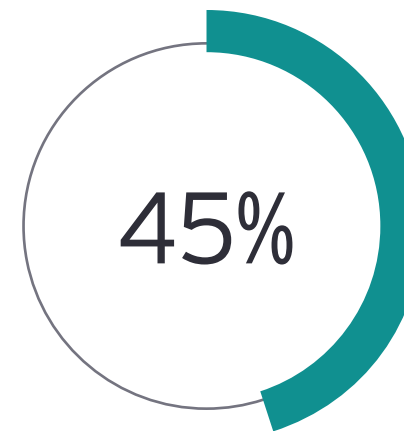
## Opportunities

More than half of financial services will be done via embedded propositions.



of respondents believe that **the majority of financial products will be offered via nonfinancial platforms** in the future.

Asia has led in embedded innovation, and North America has the greatest remaining room for growth.



of respondents believe that the **most opportunity for embedded finance is with businesses** as end customers.

## Sectors

Adoption of embedded finance within payment and banking services is currently focused on these top three<sup>1</sup> service areas:

36%

Payments

34%

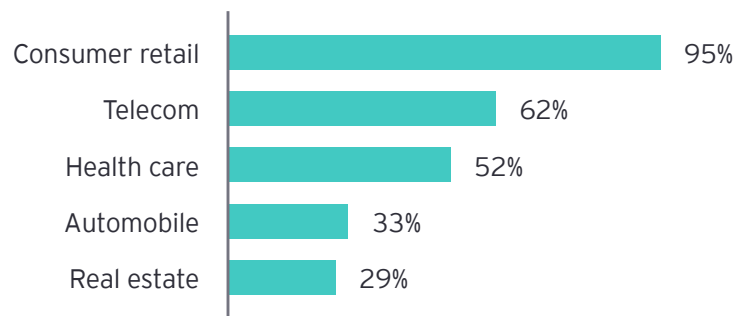
Accounts and banking

25%

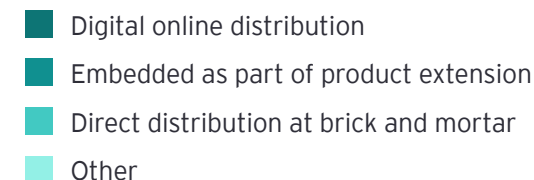
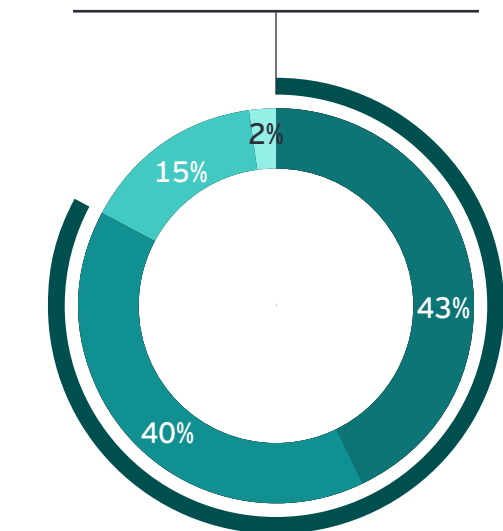
Lending

<sup>1</sup>Top answers shown.

Retail, telecom and health care are seen as the most attractive sectors for embedded finance, but a long tail of industries exists.

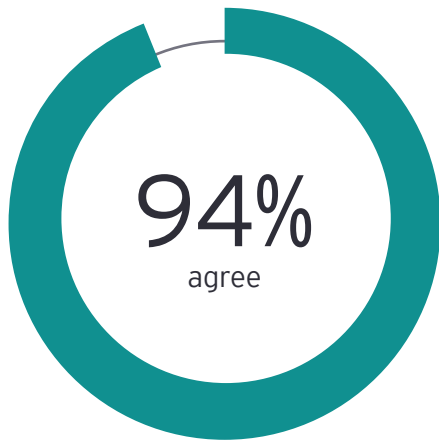


Digital online distribution and embedded product extension approach are the preferred distribution channels for 83% of FS products.

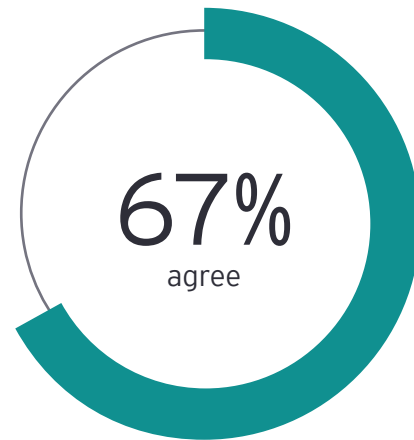


## How can distributors reap the benefits?

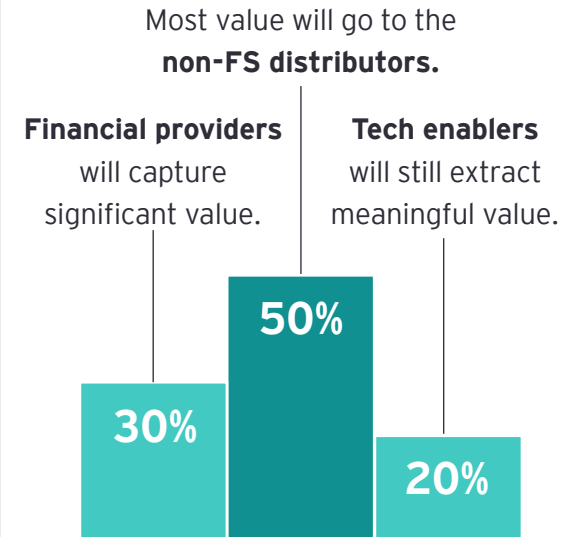
Relevance of a financial product to address real-time customer needs is key.



Getting the strategy right will deliver value and drive cross-selling potential.



Typical revenue split:



A majority of the surveyed firms believe that those who succeed will focus on product depth (highly vertical specific, customized products) vs. product breadth (multiple product offerings).



## We combine industry-specific insights, services and capabilities.

### How EY teams can help



#### 1. Think big

- ▶ Analyze the market
- ▶ Develop a detailed business plan and growth proposition
- ▶ Articulate a detailed list of embedded finance propositions across different products and sectors
- ▶ Align accounts to identified focus areas and use account governance structure to drive actions

#### 2. Prioritize plays

- ▶ Analyze propositions based on market, customer trends and brand alignment
- ▶ Develop high-level models and assumptions (volume, pricing, etc.)
- ▶ Understand competitor presence and key capabilities required

#### 3. Lay the foundation

- ▶ Design, build and test products, enhancing the customer experience
- ▶ Validate the business case
- ▶ Assess performance against KPIs and develop corrective measures as needed
- ▶ Help onboard customers while retaining existing customers

#### 4. Go to market

- ▶ Create an implementation roadmap with technology and operational considerations based on capability assessment
- ▶ Identify key enablers (customer experience, risk, operations, technology, regulatory, etc.)
- ▶ Formulate additional key considerations
- ▶ Assess the robustness of the system via scenario planning and stress tests to enable a smooth go to market

### EY credentials

- ▶ Worked with retailers and health care chains to develop strategies to provide financial services to people who do not have bank accounts as well as health care clients
- ▶ Designed an embedded commercial insurance proposition for a US auto manufacturer, developing a framework to assess buy/build/partner options
- ▶ Supported an online retailer in building the payment infrastructure for a new marketplace
- ▶ Supported a wholesaler's business case for developing a proprietary financial services offering utilizing white-label banking vendors
- ▶ Supported an international brewery with development of its financing offer across the company's distribution network

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