



## **UNBOXING THE NEXT GENERATION OF EMBEDDED FINANCE**

### **A Fintech Talents event, powered by NatWest Boxed**

Embedded finance is teeming with possibilities and catalysing creative customer solutions across every industry. From the way in which we purchase our daily cup of coffee to socialised payments, the opportunity to improve the way customers interact with their favourite platforms and brands is vast.

To explore this topic, NatWest Boxed and VC Innovations, the architects of Fintech Talents, brought together a unique and highly engaged community at an exclusive event in London. Embedded finance, by definition, requires the collaboration of a diverse set of partners and that diversity was well represented through the industry speakers and experts in attendance.

### **Why embedded finance, why now?**

Andy Ellis, CEO of NatWest Boxed, started the afternoon highlighting the opportunity that embedded finance presents for both consumer facing brands and fintechs.

Over the last couple of years embedded finance has evolved from being an initial concept to a proven strategy, transforming how financial services are delivered and consumed as part of our everyday lives. Customers sit at the heart of the embedded finance evolution. The way in which financial products are both constructed and offered is driven by changing customer behaviour. The modern customer is increasingly digital by default and, in turn, increasingly shaped by the growing ease of those digital experiences.

Once a customer has experienced frictionless access to a product or service, there is no going back. Similarly, customers don't want to be bound by channel, time, or place. After taking an Uber, for example, without having to think about the payment, it is unlikely that a clunkier experience would be acceptable in the future.

Beyond the expectation for seamless and convenient experiences, the modern customer is also finding their way through an increasingly competitive landscape of offerings and demand for their attention. Embedded finance, as was explored throughout the afternoon, is a strategic means to retain customer attention, foster loyalty and create an ongoing relationship. It's clear - sticky customers are more valuable customers.

## **The scale of the opportunity**

Andy shared some successful examples of embedded finance in action, including Starbucks, who have embraced embedded finance to enhance their customer experience. They have very successfully generated additional revenue through their rewards app.

However, he also noted that it is a tough market to crack. That said, given the size of the UK BaaS market, with an estimated revenue opportunity of around £5.5bn, there is a clear opportunity for a market winning proposition.

## **Creating an embedded finance strategy**

The first panel of the afternoon, moderated by George Toumbev, Chief Commercial Officer at NatWest Boxed, discussed the components needed to build a strong embedded finance strategy.

Kam Chana, Head of the Future Financial Services Lab at the Royal College of Art shared a more in-depth view of the customer behaviours underpinning the growth of embedded finance. She pointed to six key trends:

- rampant anxiety,
- the reinvention of work,
- changing demographics
- an emphasis on financial wellbeing,
- values vs identity and lifestyle
- broadening conceptions of inclusion

Changing behaviours create a need for customers to find ways to navigate complexity and accommodate what are multi-faceted lives. Ultimately, consumers find 'safety' in the ways in which they can incorporate those choices into how they interact with brands and the purchasing decisions that they make. Easy digital access is just one part of that equation. As was noted by all the panellists, understanding the customer, and shaping the product offering around that understanding is central to a successful embedded finance strategy.

As Simon Harris, Chief Growth Officer, ekko, noted, it is the insight from a mix of quantitative and qualitative data that allows companies to provide real value to customers. He also pointed to the need (for distributors) to fully understand the potential impact on their brand.

Ed Ackerman, Chief Customer Officer, Qover, built on that notion of understanding the value a provider is looking to create for the customer.



Revolut, when offering an insurance product, prioritised making it as easy as possible for customers to cancel a policy. For Monzo, it was all about the great service that is a hallmark of their brand. Any insurance product offered through them needed to put the Monzo brand front and centre and meet that high threshold of customer service.

Amit Malik, Growth Equity Investor at EBRD stated that embedded finance is the future of financial services. In his view, enablers (software and technology providers) of embedded finance will help traditional financial services businesses to expand into corporates and non-traditional industries such as ecommerce, B2B services etc.

### **The value of a great customer experience**

The panel broadly shared the perspective that to truly add value by embedding finance the distributor must not dilute the value of the core product or service offered. A distributor may offer a lending product to customers, but they need to remember what their brand is known for, whether that is, for example, great coffee, easy access to transportation or electronic goods. Any embedded finance strategy needs to retain the key values of the brand.

A financial product that is successfully built and incorporated into the customer journey must be digitally native. It also needs to build engagement with the brand. Capturing more of the customer eyeball is crucial in a digital world where there is so much competition for attention and shifting between different providers, easy.

The panel also discussed how banking is evolving from transactional, to relational engagement. That is what will drive some of the most exciting innovation.

### **Embedded finance is built on effective partnerships**

There was a lot of discussion across the afternoon on the role that effective partnerships play in delivering on a successful embedded finance strategy. Practitioners must ensure that the product being offered to a potential partner is understood and explainable. A good cultural fit and ensuring that the opportunity is sustainable are also key components of successful partnerships.

As Simon noted, regulatory risk varies across different regions. The challenge then is to find a partnership that can support delivering a consistent customer experience in the relevant geographies. Again, this goes back to the golden thread weaving successful partnerships together – delivering a great user experience.

And of course, what is an embedded finance story without a Lego analogy. A box of Lego with unique bricks (or BaaS APIs), a box of instructions to help put it all together (API Documentation) and the creative genius to use all of that to craft tailored customer products built for the industry that will distribute them.

## **Creating compelling customer moments**

Collaboration and construction come back to the fundamental purpose of embedded finance and that is delivering compelling customer experiences. The final panel of the day addressed that goal and furthered that notion of creative building.

Creativity requires not only the right building blocks, but the ability to use them in the most effective way. Ravinder Lall, Head of Product, Snowfall highlighted the potential drag of legacy infrastructure on delivering a seamless customer experience. Partners can play a fundamental role in helping overcome the limitations imposed by legacy technologies.

Starting with the north star of a great customer experience, Danielle Anderson, Executive Leader and Board Advisor, Customer Experience and Digital, described a compelling customer journey as dependent on an uninterrupted flow and the positive feelings that it generates. Josh Fabian-Miller, Managing Director – Credit, Currys, echoed that by adding that a good experience is where the financial product underscores access to the brand's product (e.g. electronics) without disconnect.

The journey, however, doesn't begin and end with a sale. Tom Bentley, Head of Growth, NatWest Boxed added, those moments are also about the ancillary services that can be built around the core product offering (e.g. repair services for a dishwasher for example). This continues the positive customer experience and enhances the relationship with the brand. Embedded finance is about addressing customer pain points, whilst also creating new opportunities to better meet customer needs.

## **Key reflections on embedded finance**

Following up on what were some great insights from the panel discussions, Andy summarised some key observations from the discussions.

- Effective partnerships are key to success. It's very easy to get embedded finance wrong. Fintechs and brands need a compelling embedded finance strategy, underpinned by strong and agile architecture. That is what enables them to create embedded finance products that add value to their end consumers, whilst safely navigating increasingly complex regulations.



- The evolution in customer behaviour is here to stay - banks, businesses and fintechs must adapt accordingly with embedded finance solutions to match those changes.
- “The future is frictionless” – a theme reflected in conversations across the afternoon and the examples the speakers shared. Finance and retail need to be tightly integrated to deliver the best possible customer experience.

NatWest Boxed meets both the opportunities and challenges discussed across the afternoon to offer frictionless financial experiences to customers, where and when they are needed.

The creation of NatWest Boxed, a joint venture between NatWest and European BaaS provider Vodeno, is aimed at becoming a significant player in the UK BaaS market. A future-proof, cloud native platform, coupled with the banking license and balance sheet of a leading UK bank, enables NatWest Boxed to work with non-financial businesses and fintechs at speed and scale. It allows brands to offer their customers financial services, not only in the seamless fashion that is fast becoming the norm, but also safely and in compliance with complex regulatory frameworks.

## GET IN TOUCH

To find out more about **NatWest Boxed**, reach out to the team at [info@nwboxed.com](mailto:info@nwboxed.com)

To learn more about **VC Innovations**, please contact [marketing@vcinnovations.co.uk](mailto:marketing@vcinnovations.co.uk)

