



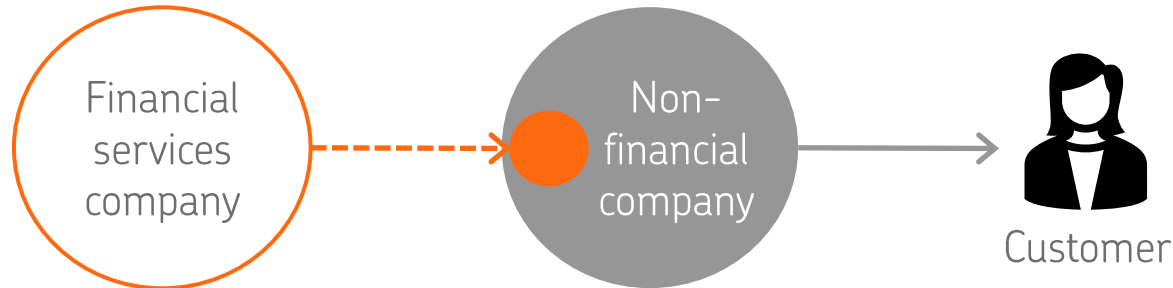
# Embedded Finance

## Case Study

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# Embedded finance – a definition

*Embedded finance refers to seamless integration of financial services into the offerings of non-financial companies*



Contextual banking

Distribution through  
partner channels

Direct-to-consumer financing

In-app finance

## Terms used in conjunction with embedded finance

In-product finance

On-demand finance

Invisible finance

Embedded financial services

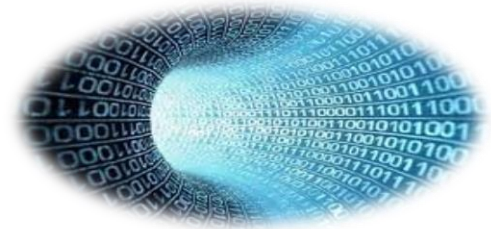
Platform-based banking

API-banking

Embedded banking

# Benefits to the financial services provider

- Widened distribution capable of hitting target audiences that might not be easily reached through own channels
- New growth and additional revenues
- Lower customer acquisition cost as the distribution partner has a clientele pipeline already
- Possibility to enhance data assets and improve customer insights



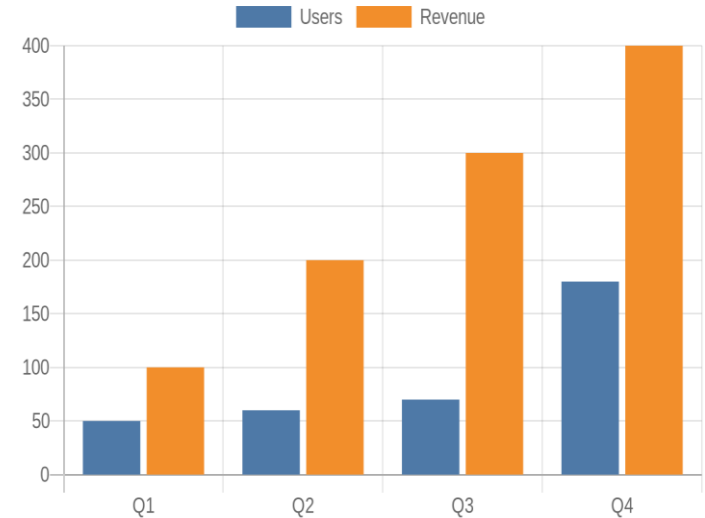
# Benefits to the customers

- Convenience and time savings when everything happens as part of one seamless customer journey
- No need to contact financial services provider separately, avoiding cognitive stress with e.g. forms and applications
- Potentially cost savings with attractive bundles that package things together



# Benefits to the distribution service partner

- Improved customer satisfaction through holistic one-stop-shop offering
- Increased customer loyalty through financial service elements
- New earnings through commissions from the sales of financial services
- New data points about customers
- Financial service elements without heavy regulatory burden



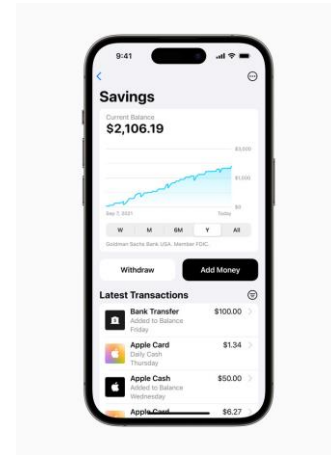
# Established “semi-embedded” models

- Embedded finance is a relatively new term but similar approaches have been around for quite some time
- Car financing has been largely distributed through car dealerships, and in many cases done with private label branding: e.g. Hedin Fiksudiili, Veho Go, Volvo Paketti
- Also insurances are packaged as part of car financing products
- Quite typically these traditional distribution arrangements have not been seamlessly integrated into the customer journeys



# Examples of recent fast embedded scale-ups

- Klarna is one of the biggest embedded finance success stories globally, seamlessly integrating into the customer journeys of other companies
- Company revenues have grown to 2 B€ p.a.
- Apple Savings Account is an example of a big tech company as a distribution partner
- The accounts are just embedded products provided by Goldman Sachs as the banking license holder behind the offering





# Indications of growing corporate markets

- Embedded finance concepts have been focusing on the retail market
- New concepts targeted to the enterprise segment are emerging
- Accounting firms are potentially becoming a major channel for banking and insurance services aimed at SMEs
- Companies are increasingly moving their purchases to online stores which opens new opportunities for embedded financing
- At the same time large corporations are running their financial processes with ever increasing automation in ERP systems
- Some financial services will be integrated to these processes in highly automated way, machine-to-machine

# An increasing number of customers are open to getting financial products from non-traditional providers

## Top 3 channels for consumers

Traditional domestic provider outside the financial sector  
e.g. Neste, Finnair, Kesko

Global big tech company,  
e.g. Apple, Google

Web platform,  
e.g. Hotels.com

## Top 3 channels for SMEs

Bookkeeping or accounting platform

Traditional domestic provider outside the financial sector  
e.g. Neste, Finnair, Kesko

Provider outside of financial services, focusing on SMEs



# Case study: What do we expect?

*Develop a new innovative embedded finance concept*

- Illustrate the financial service and the target offering where it would be embedded, including description of the involved players in the value chain
- Define the target market and try to quantify it somehow
- Describe the added value to all parties in the chain, including investments (money, resources) and potential revenues (or other non-monetary gains)
- Evaluate the strategic position impact of the concept for the finance company
- Think about financial services widely: payments, loans, investments, insurances

# Case study: Some evaluation criteria

## 1. Innovativeness

Is it different from the stuff already on the market?

## 2. Value to customers

Does it alleviate a real pain point or add new value otherwise?

## 3. Value to financial services companies

Is there a meaningfully sized addressable market?

## 4. Value to distribution partners

Would it make the main offering more attractive or profitable?



Thank You !

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