

Own. Control. Monetise.

How to Leverage
Embedded Finance
for Growth



Table of Contents

Introduction

Introduction	1
What is embedded finance	2
Own	4
Control	7
Monetise	10
Conclusion	13
References	13

It is becoming widely agreed that embedded finance will **dominate the financial world for the next 10 years!** It will have a transformative effect on businesses across many industries, but certain business types, such as B2B SaaS platforms and marketplaces, are in a particularly strong position to benefit, as they are usually used on a daily basis.

With an estimated value of **\$7.2 trillion by 2030²** and 73% of companies planning to launch it within the next 18 months, businesses not considering embedded finance in 2022 run the risk of being left behind. So, what can be done to leverage it in the best possible way?

Our embedded finance philosophy is built on three simple principles.

Own. Control. Monetise.

In this eBook, we guide you through these interlocking elements, but first, let's examine embedded finance in closer detail.

Page Highlights



It has been estimated that embedded finance would be worth \$7.2 TR globally by the turn of the next decade.

What is Embedded Finance?

We define embedded finance as the seamless integration of financial products and services into a business of any kind, allowing it to benefit from a greater level of data. Previously, if a business wanted to handle payments in its own way, create accounts for their customers, offer short-term loans or provide any kind of financial service, they had two options.

1

The first option would be becoming licensed themselves. This is a process which can take months or even years and is extremely costly. Once they had finally obtained their license, they would need to build a tech infrastructure capable of handling these new services, which requires a high level of financial understanding to account for all potential use cases.

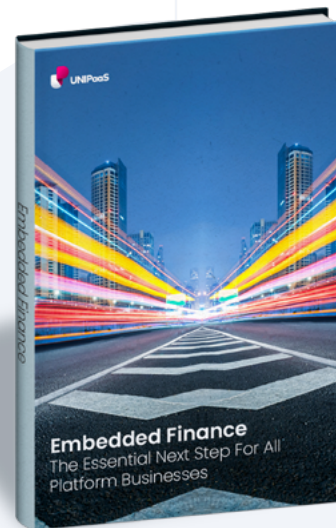
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The second option would be to partner with a third-party provider. This removes the need for licensing or infrastructure building, but redirects the customer to an external funnel where the business has no visibility of the process and cannot access any of the data associated with it. Valuable information is lost and the business cannot create a service which truly reflects the needs of their customers.

Embedded finance, however, has changed all of this. Now, businesses are able to simply plug in the financial services they need from an embedded payments provider via embedded UI components or an API. These financial services sit fully within the business's ecosystem, meaning they retain full control of how they look and appear. For their customers, it is a streamlined experience that unifies these services, although the services aren't being provided by the business directly.

Payments, banking, lending, insurance - platforms are now able to embed additional financial services, expand their offering and increase lifetime value (LTV). Thousands of doors have opened for every online business.

However, as we explain in our [embedded finance whitepaper](#), embedded finance is not always being delivered in the optimum manner, which means businesses are not experiencing the number of benefits that they should.



Page Highlights



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This can be seen in a number of ways. For example, certain providers still redirect the customer to a 3rd party service when the financial interaction is taking place, where their own branding, in some form or another, is often displayed. This prevents the business from using the financial service to **increase stickiness and brand loyalty**.

What's more, without fully embedding financial services, all data associated with those services are lost. Businesses cannot see why a customer has not completed the verification process, or why a checkout has been abandoned. Without understanding these behaviours, businesses become limited in how they develop their products and services.

UNIPaaS does things differently, and in this eBook we explain why we created our approach to embedded finance on three data-focused, interlocking principles.



We define it as
the following:

Own.

Control.

Monetise.

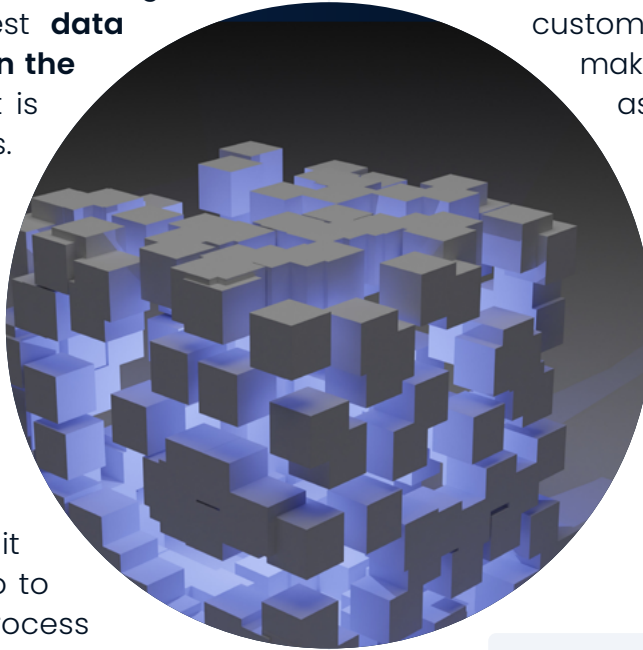
Own.



Data

In modern business, there are few things more important than data. Data is what allows businesses to effectively customise their products and drive engagement. Data enables businesses to make predictions and forecasts which make business management easier. Data gives a business analysis on all aspects of its operations, leading to better strategisation and decision making. Analyses into certain companies suggest **data can be worth between 2X - 3X more than the value of a company itself**³. Put simply, it is the most valuable asset a business has.

By embedding the financial services that are incorporated into your offering, you have **360-degree visibility** of every step your customers and you own this behavioural data. Let's imagine for example your business has a high rate of checkout abandonment. You have no idea what's causing it as the payment company doesn't give you that information, and if it did, there wouldn't be much you could do to change it. However, when you own that process and everything occurs within your ecosystem, you may see that people are often unable to complete their purchase because their address is not being accepted. With a small change to the copywriting on the form for adding payment details, this problem is alleviated.



Alternatively, your business may be a platform for small businesses which has just introduced a lending service. The applications for loans have been a lot slower than you expected, but again, without owning the whole flow of the financial element, you have a very limited ability to see why. Owning the process allows you to see certain difficulties with the sign-up flow which is turning customers away. Most importantly, you can alter it, making it as user-friendly for your customer group as possible optimising it based on existing data you already have on the customers.

Without a truly embedded system, you are always reliant on the financial service provider. Their flows, their design, their data. UNIPaaS allows you not only to build financial services that fit your product and work for your customer base, but owning the entire experience and how you communicate with your customers.

Page Highlights



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Get 360-degree visibility of every step your customers make

Branding & Stickiness

Fighting for the attention of your customer base has never been more challenging. In a world of 1.85 million apps, the average person has 80 installed on their phone, 30 of which they use once a month and just **9 they use every week**⁴. The more you can increase the number of interactions a customer has with your brand, and the fewer times you can get them to interact with a different brand, the better.

Embedded finance gives you that potential. Firstly, through opting for the UNIPaaS solution you are replacing any other brands currently being displayed on your site or in your app (a payments screen provided by a third party, for example) and keeping things entirely whitelabeled and on-brand.

You are owning the experience and offering the financial service, not reselling it.

Secondly, by embedding new financial services you are likely to be increasing the number of times a customer will interact with your business, as they are now using it for features they may have once got elsewhere. Your brand is stronger because it now includes greater functionality. As such you are able to develop a closer relationship with your customers, which leads to greater brand loyalty and

increases the likelihood that they will recommend your service to a friend, as well as increased LTV.

Owning the experience of the financial services gives you the ability to retain data for yourself, use it to make positive iterations on your product and establish closer relationships with your customers. But what's most exciting about ownership, is that it gives you control.



Page Highlights



You are owning the financial service, not reselling it.



develop a closer relationship with your customers.

Control.





Your business has embedded financial services using UNIPaaS. You now own the behavioural data relating to these new financial services, the ability to brand and design them however you wish, and the tools to make them work for your business. So, what do you do next?

Whatever it is that you set out to achieve. Because that's the point of ownership, it gives you control, and control allows you to accomplish the vision you have for your business.

This is what the UNIPaaS solution prides itself on. Enabling you to not only provide financial services, but introduce them at the right time within the right context, without needing a team with a deep understanding of finance. Below, we outline how this can look.

Frictionless Funnel

When traditionally partnering with a financial services provider, the business has to bend to what the provider offers. The business is therefore always reliant on the financial service provider and cannot create a flow that suits their business model. This understandably creates friction which in turn leads to flows not being completed and therefore the business missing out on or underserving its customers.

When you control the funnel you can create a seamless experience that makes sense for your business. But the UNIPaaS solution goes further than this - UNIPaaS can introduce financial offers automatically in an appropriate context. If, for example, your business is a platform supporting SMEs, you can automate the process for sending invoices and receiving funds. When an invoice from one of the SMEs on your platform is received by their client, the payment option is automatically displayed to them with the SMEs payment information prefilled. This results in a much faster payment time and removes a lot of manual work for your customers.

At this point, you have a continuous win-win situation. Your business has reliable new revenue streams, but you have also significantly improved your service for your customers, as they are able to benefit from more automated processes, get paid faster, improve cash flow and more.

Control Fees

Your business shouldn't have to pass on a rigid fee structure to your customers because that's what you've been given by your financial service provider. UNIPaaS gives platforms the ability to set fees based on what's appropriate for your business and even alter these fees as you grow and your strategy develops. Once fees are set, you receive them automatically when payments are made, removing the need for painstaking manual reconciliation. More information on how fees are structured is given on pages 8 and 9.



Right Time, Right Context

To obtain this level of control, other embedded finance providers will expect, or need, your business to have its own dedicated fintech engineering team. This is obviously restrictive for businesses without the capital to suddenly build an entirely new team, even with the huge possibilities that embedded finance brings. But there is a bigger problem here.

Even for companies that are lucky enough to have the resources for this kind of expansion, most will not be able to find the talent to support them. As shown in [the 2020 Fintech Talent Report by Insart⁵](#), there is a huge skills shortage occurring in fintech, the highest since 2008. Businesses cannot find software engineers to fill desired roles, a problem which has been increasing steadily over recent years and will become even bigger with the continued adoption of embedded finance. In terms of reasons for talent shortages, 43% of businesses stated competition from other firms as a factor, whilst 36% pointed to applicants not having the required work experience, and 35% highlighted applicants not having the required skill set.

It is the UNIPaaS solution which enables firms to access specific financial services out of the box, without needing to build any financial elements themselves. you can embed financial UI components or call a simple API to deliver financial services at the desired time within the desired context all based on the behavioural data. Receiving services this way strengthens the trust you have with your customers and contributes to a long lasting relationship - all without the need for intense additional development work.

Monetise.





There would not be so much excitement around embedded finance if it didn't have such enormous potential in terms of monetisation. One study has even shown that **SaaS businesses can increase revenue per customer by 2x – 5x⁶** when embedding financial services.

If your business owns the financial service experience, you can control it and monetise it. There are several ways to monetise financial services, many of which will complement each other. These will fall under one of two models offered by UNIPaaS: the Buy Rate/Sell Rate model, most suited to ISVs and B2B SaaS platforms, and the Platform Commission model, which is based on payment splitting and predominantly suits marketplaces.

Buy Rate/Sell Rate Model

In this model, you charge your customers for using the financial service you are providing (this could be card processing, bank wires, etc) – the price you offer them is the 'sell rate'. The 'buy rate' is what you pay UNIPaaS as an operational fee (in other words, buying the financial service provision from us). All payments are reconciled automatically and your business then keeps the difference, so the margins between the two rates are additional revenues that your business automatically receives.

An example of this could be embedding your own payment solution. UNIPaaS will outline the costs involved for pay-in, pay-out etc, this is your buy rate. You then charge your customers a higher rate, the 'sell rate' (yet one they are comfortable paying due to the value you are offering). When payments are made all parties receive their respective amounts automatically, in real-time, with your business taking the difference between the buy and sell rates.

Page Highlights



SaaS businesses can increase revenue per customer by

2X-5X

Platform Commission

Payment Splitting

The other monetisation model your business can choose is Platform Commission. This model is mostly used by online marketplaces, which have unique payment flows. When a buyer makes a payment it is instantly split, with the majority of the payment automatically going to the vendor's account and the commission automatically being sent to the platform's account.

Not only does this mean you automatically receive revenue whenever a payment is made, but as with the Buy Rate / Sell Rate model, you are making operational savings by not having to reconcile payments manually. Fewer mistakes are made and therefore fewer chargebacks are attempted with a system that automates payments routing.

Page Highlights



You charge your customers a higher rate than the buy rate.

Cutting Costs

As well as adding new revenue streams, embedded finance aids monetisation by cutting unnecessary existing costs. This can be seen in both avoiding fees from current payment providers as well as improving your customer LTV.



Conclusion

✓ Higher LTV:

When you embed financial services you offer your customers more payable services, and they have more reasons to use your business for longer. As such, their LTV increases. Over time this difference in average LTV becomes hugely important in making judgements on marketing spend, financial forecasting and raising investment.

✓ Zero Regulatory Costs:

UNIPaaS provides full regulatory coverage which means your business does not have to put any spending into becoming compliant or tackling any new regulation which appears.

✓ Better value proposition for your customers:

With our Vendor Accounts acting as both Account Receivable and Account Payable, your customers can save money from not having to constantly transfer money between accounts, paying fees each time. Again, this further incentivises them to use your service as much as they can, and use the money collected to pay other suppliers, while using your platform as their operational account for the business.

Embedded finance will change the way we experience financial services – without question. For businesses, the important thing is to harness this opportunity in the smartest possible way, giving you the power to truly get the most out of embedded finance and thoroughly enhance your offering.

The UNIPaaS philosophy on this is very clear: if you **own** the customers' payment experience, you can control the financial services, if you **control** the financial services you can **monetise** the financial services.



When your business reaches this point, the sky's the limit. Make your next year to be the one you nailed embedded finance, not the year you wish you did.

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If you want to know more about how we can help you utilise embedded finance, talk to us today by emailing

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