

# The frontier of embedded finance

The Banking 50

26 March 2024

Strategy realized



■ ■ ■  
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Financial Services Strategy Consulting

- Strategy
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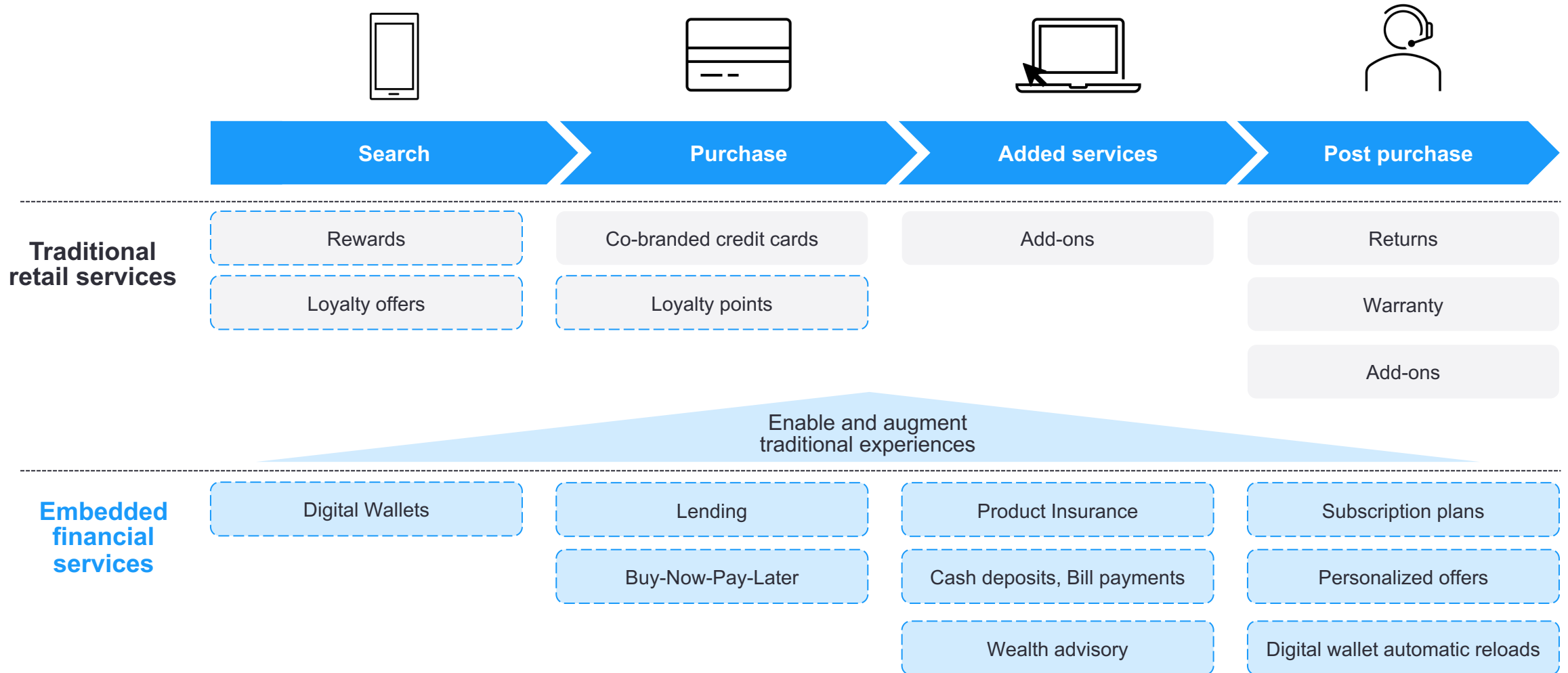


# Agenda

- ▶ **Understanding Embedded Finance**
- ▶ Collaboration models
- ▶ Learning from global examples

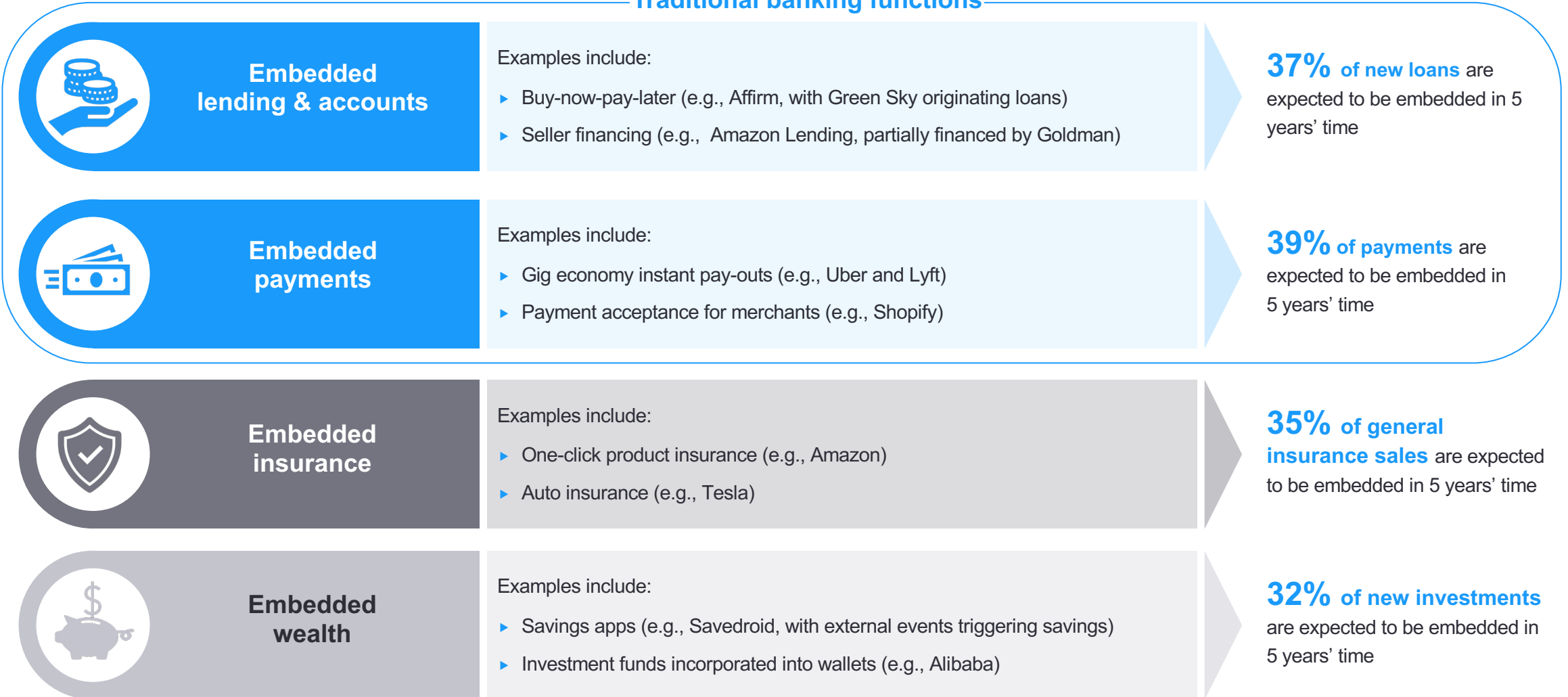


# Companies are embedding financial services into customer journeys to enhance their experience and capture value

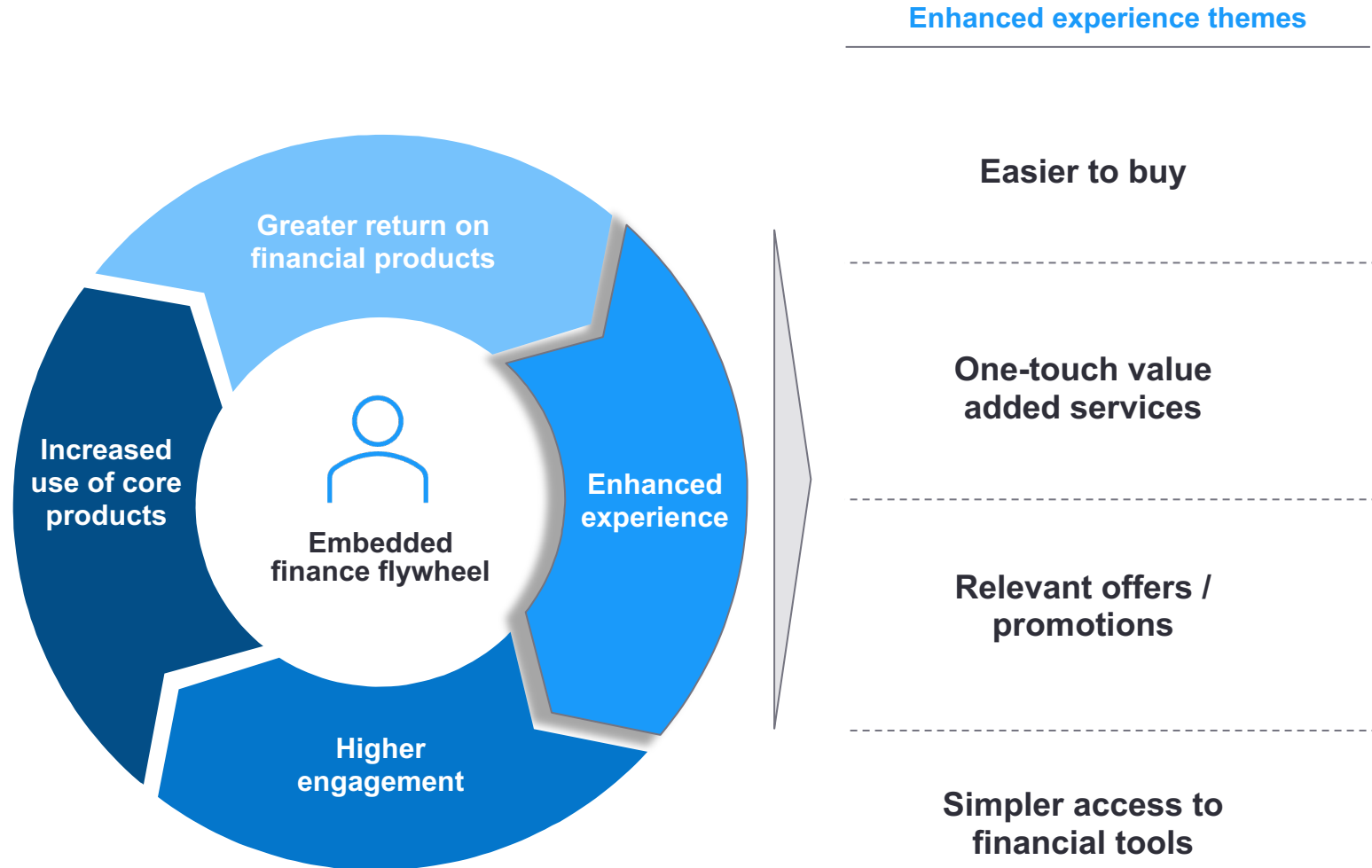


# The potential for embedded finance transcends across financial services: payments, lending, savings, insurance and investments

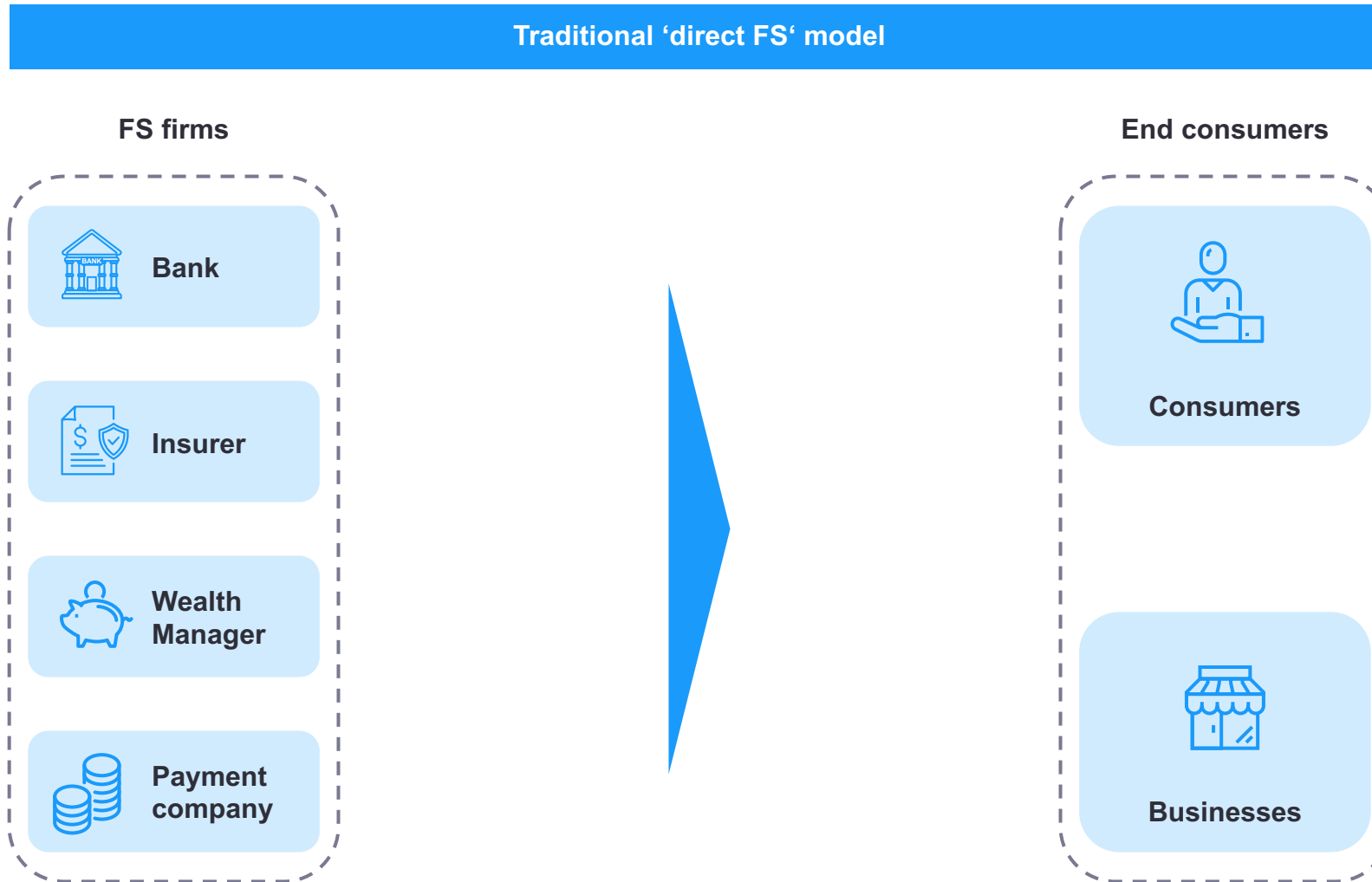
## Traditional banking functions



# Embedded finance products create a flywheel effect by first enhancing the customer experience which in turn drives usage of core products

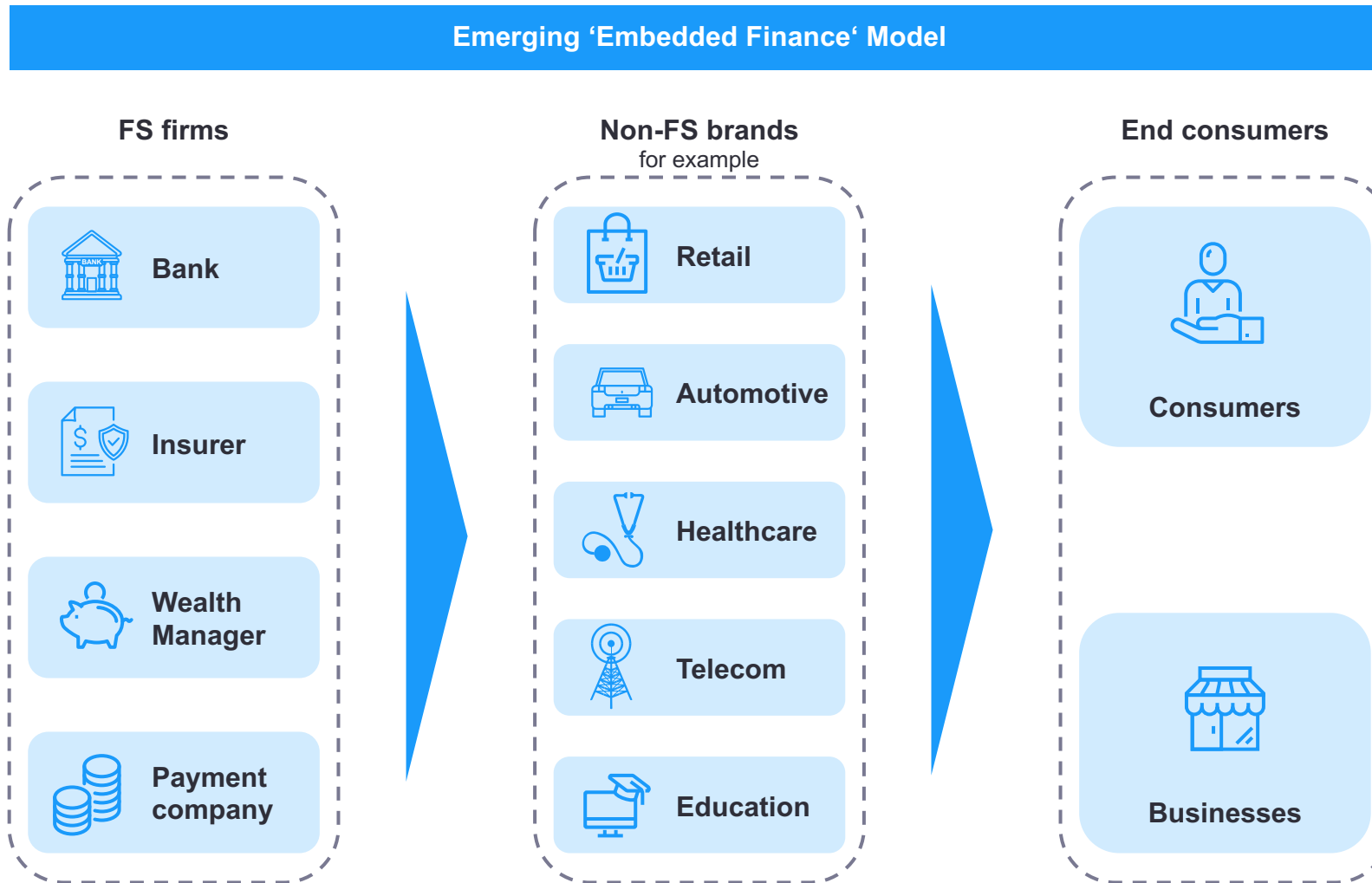


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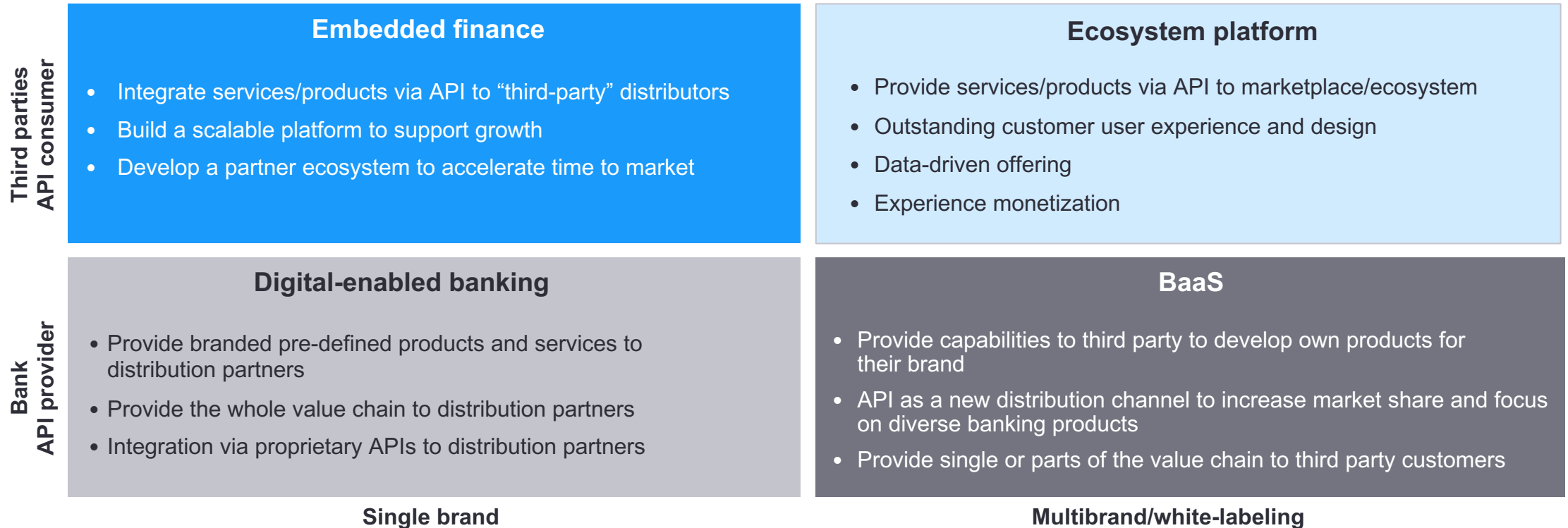
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# There are various ways that banks can monetize data and experiences through ecosystem participation and embedded finance

## Business model options used by banks



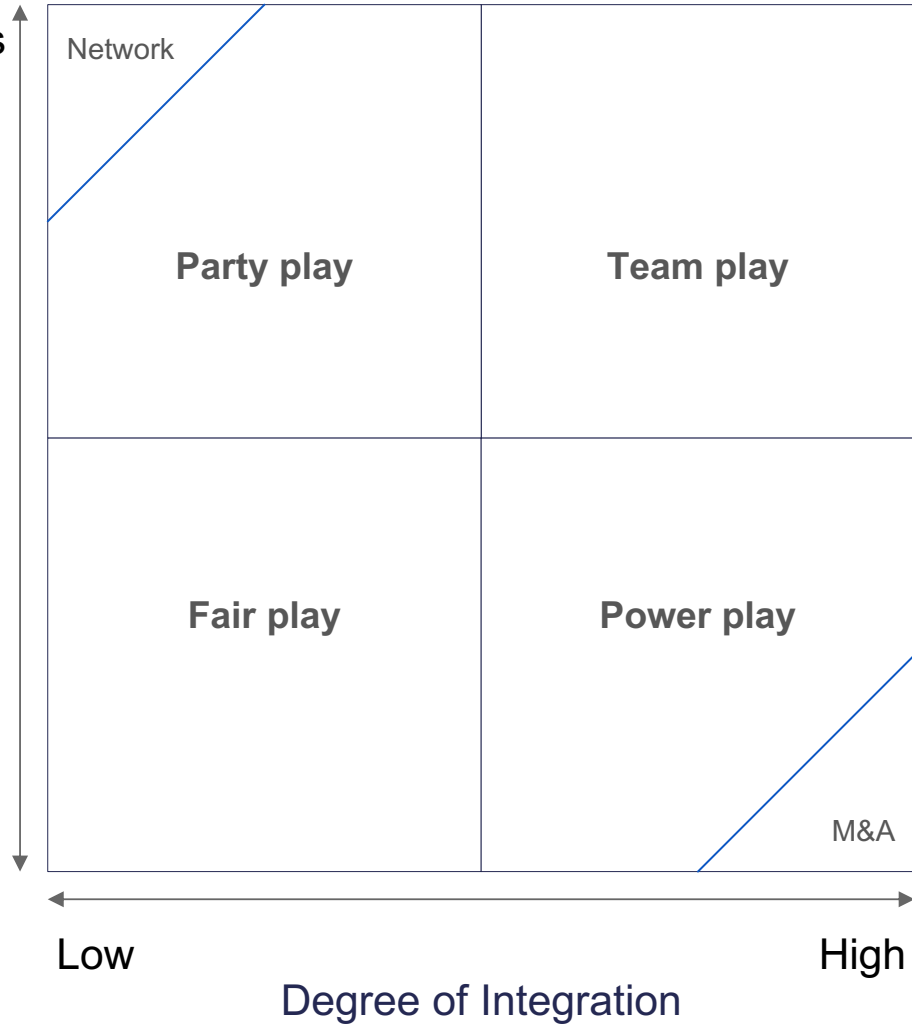
# Co-opetition: Collaborating with Competitors



Ecosystems



Markets



# Embedded finance relies on three key parties whose interaction allow customers to be provided with financial products in a non-financial customer journey or platform

## 1. NON-FS SERVICES COMPANY

A non-financial services company from any industry (e.g., retailers, telco firms, marketplaces, transportation companies) that wants to offer financial services to its customers as part of an existing core proposition

Example



## 3. FS PRODUCT PROVIDERS

Bank or financial institution that provides underlying financial services (i.e. funds, deposits, lending..) and the access to regulatory licenses and risk frameworks

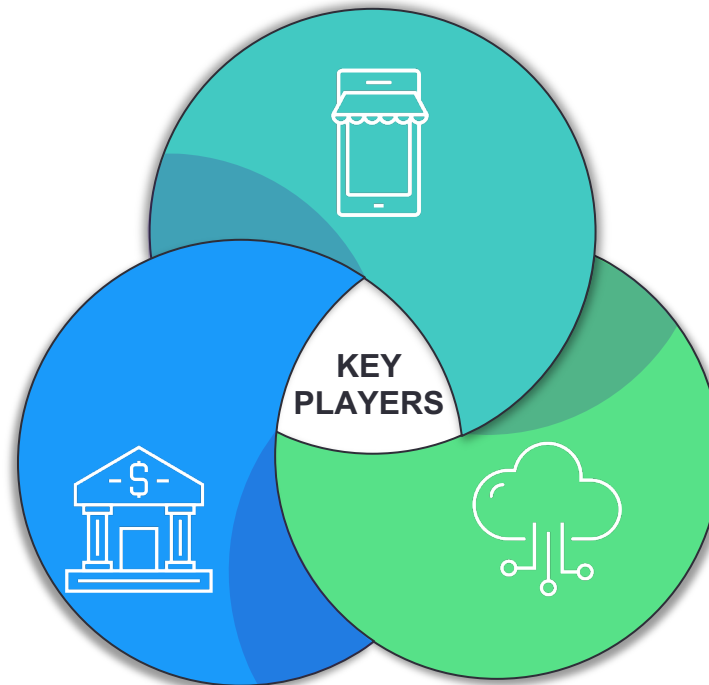
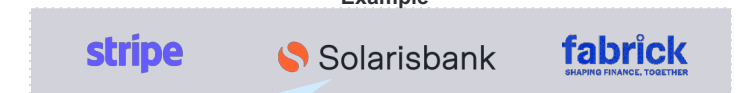
Example



## 2. TECH PROVIDERS

Infrastructure company such as Fintechs and Banks that provides the necessary APIs to connect Non-FS distributor to FS provider by enabling services like payments, lending,...

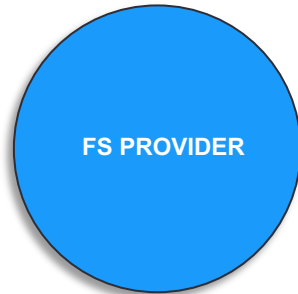
Example



Example of company being simultaneously Tech Provider and FS Product Provider

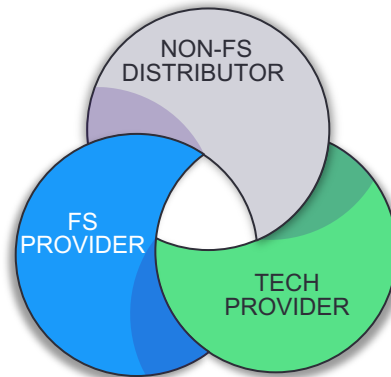
# Banks must choose how much of the embedded finance value chain they own; providing tech & licenses is more lucrative but may require additional investments

## SILOED CUSTOMER FACING



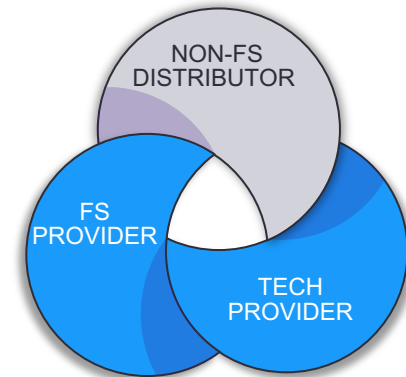
Standalone FS provider  
(i.e. not embedded, previous status quo)

## DIGITAL PRODUCTS PROVIDER



Bank provides its products & services to platforms owned by 3rd parties (Fintechs/Tech/BaaS prov.)

## BUILDER



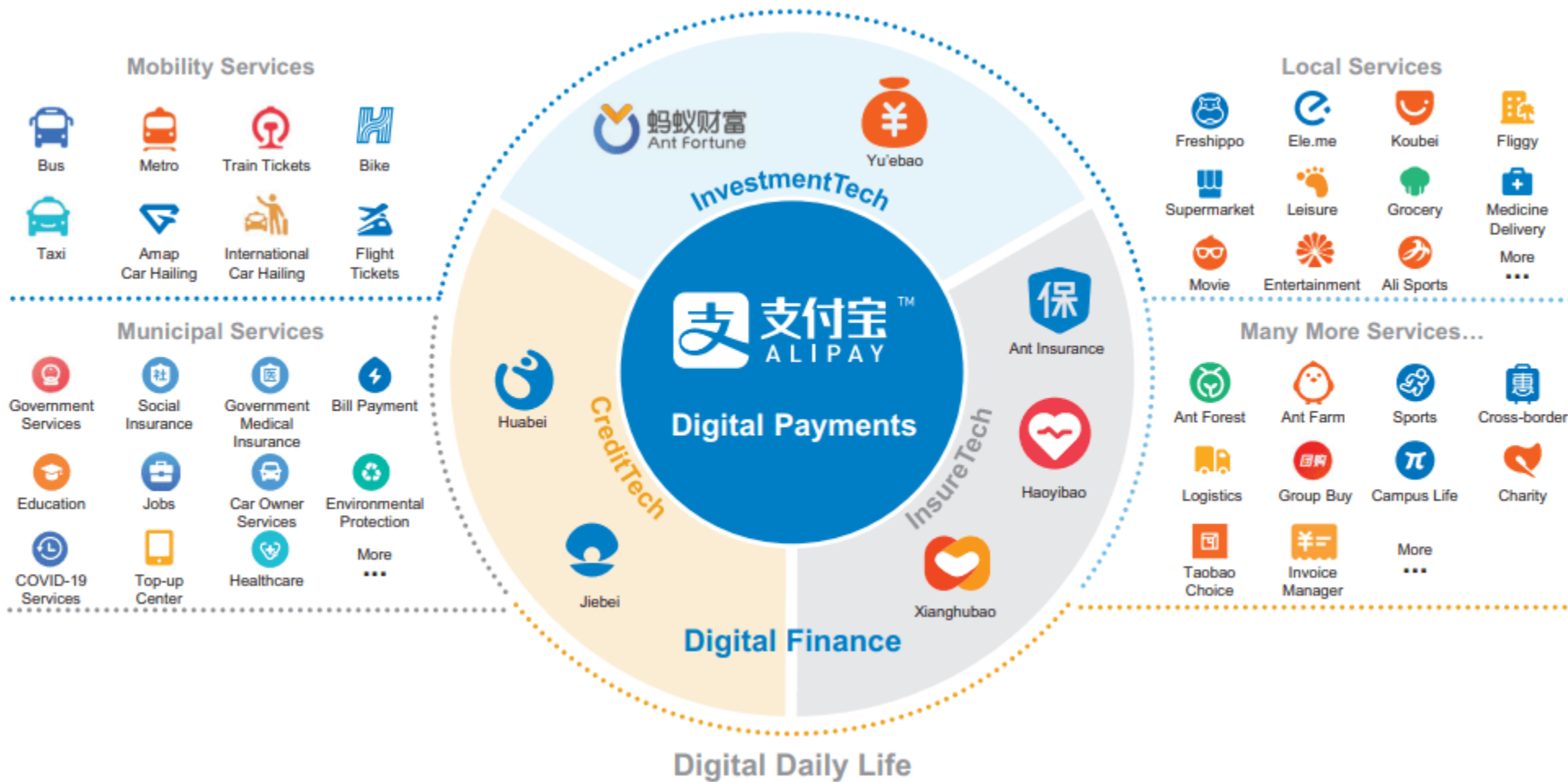
Bank builds its own API accessible platform and orchestrates a mix of in-house & 3rd party products

# Agenda

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- ▶ **Learning from global examples**



The Alibaba / Ant Group ecosystem is a strong example of a platform business with Alipay digital payments at the center surrounded by a suite of embedded finance solutions





Ping An Insurance strives to fully integrate finance and healthcare by building two interconnected platforms and leveraging the cross-platform data insights

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One customer, multiple products, and one-stop services

**Healthcare**

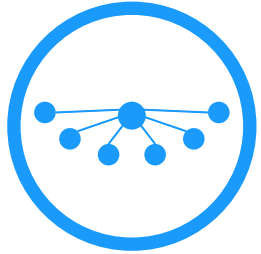
Family doctors and elderlycare concierges

**Technological Empowerment**

Empowering financial services with technologies, empowering financial services with ecosystems, and advancing development with technologies

# Key learnings from APAC examples

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## Diversification of services

- ▶ Diversifying services
- ▶ Connecting ecosystems
- ▶ Resilience against market fluctuations
- ▶ Increasing ownership of and access to data



## Technology adoption

- ▶ Technology as differentiator not facilitator
- ▶ Data and Tech (AI) to increase efficiency, reduce cost and increase personalization



## Customer centricity

- ▶ Develop based on customer needs / pain points
- ▶ Build proposition around customer journeys
- ▶ Move from customer journeys to customer lives



## Strong partnerships

- ▶ Increase network effect and connect (global / geographical) ecosystems
- ▶ Creating customer value through partnerships



## Regulatory compliance

- ▶ Work with regulators early and proactively
- ▶ Focus on compliance by design

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