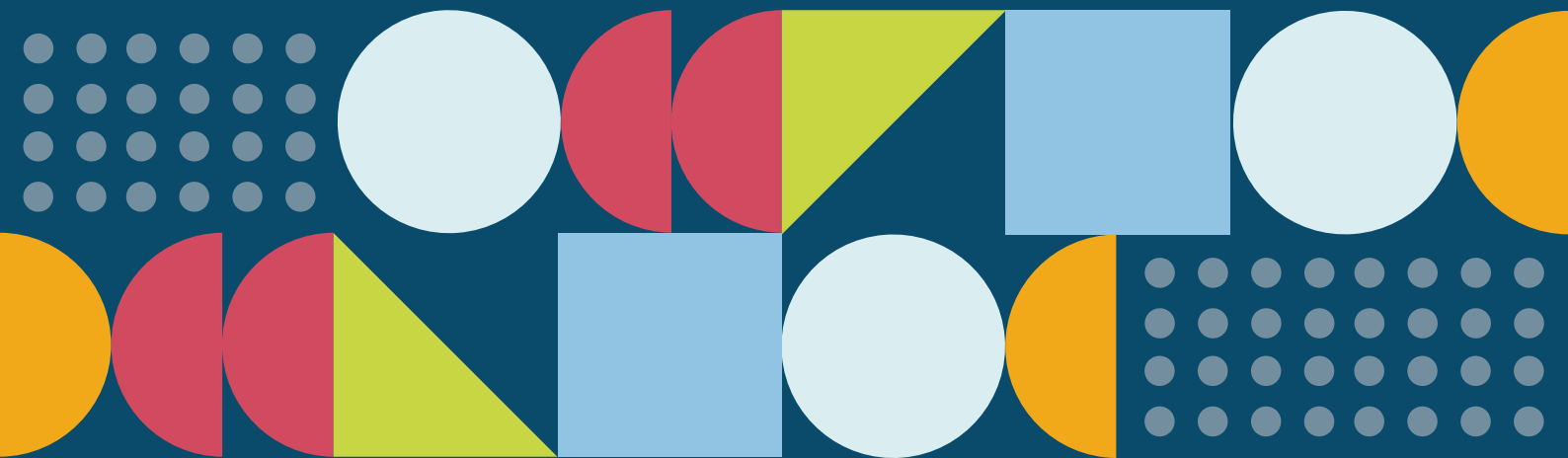


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**Report Issued:**  
December 2021



# **EMBEDDED PAYMENTS AND THE REINVENTION OF CUSTOMER EXPERIENCES**



**EMBEDDED  
PAYMENTS AND  
THE REINVENTION  
OF CUSTOMER  
EXPERIENCES**

# THE CHANGING LANDSCAPE OF COMMERCE

The payments ecosystem is facing its greatest ever test. Today's patchwork of siloed incumbents, banks and credit card companies will fade into irrelevance unless they can evolve. Unless they can rise to the ever-growing expectations of their customers.

Consumers now expect their retail experiences to be seamless. They want the way they pay to keep pace with everything else in their digital lives. Asking customers to leave checkouts just to verify their details, or go through a tedious paper-based KYC process to apply for a loan: these annoyances are already on borrowed time. Today's consumers want finance options that offer more choice and are quicker to use as part of one streamlined digital experience. Embedded payments just might be widespread enough to make that experience the norm.

Embedded payments, a subset of embedded finance, enables any company to seamlessly integrate payment services into their customer journeys. This creates new opportunities for any company to add value by building better frictionless digital experiences for customers, add convenient payment methods and offer customised financing solutions.

One of the most prominent examples of early embedded payments is [Open Banking Payment Initiation \(OBPI\)](#). OBPI works by letting consumers connect their bank accounts to third-party vendors and organisations, in order to authorise payments. The concept is simple, but its impact on the customer experience is significant – In 2018 Open Banking generated 7.3 billion USD in global revenue and is expected to reach 43.2



**In 2018 Open Banking generated USD 7.3 billion in global revenue and is expected to reach **USD 43.2 BILLION BY 2026****

billion USD by 2026. This growth will forever change the way consumers interact with their most trusted brands and is laying the foundation for more embedded payment solutions. But how big is the payments opportunity for businesses? How will it benefit consumers? And is this enough to persuade businesses to implement it?

To answer these questions, OpenPayd commissioned the largest ever independent study of attitudes towards embedded finance, completing in July 2021. Conducted by Coleman Parkes, it surveyed 150 decision makers from companies across Europe with responsibility for the identification and implementation of new products and services. They include B2C and B2B marketplaces, horizontal and vertical SaaS businesses and gig economy

platforms, covering markets from eCommerce and manufacturing to technology services and mobility.

A full methodology is outlined at the end of this paper. In this report we're honing in on payments; the most recognised frontier in embedded finance and the trailblazer for a new class of financial experiences. Together the report provides an early glimpse of the future for embedded payments in Europe.

# Embedded payment adoption is making waves

Here are the key points from our first report on embedded finance. For a more detailed look, see the full report [here](#).

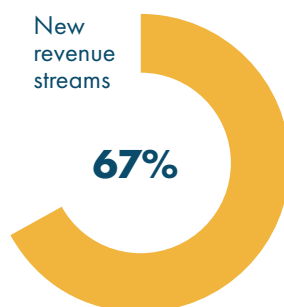
**THE BUZZ HAS GONE MAINSTREAM - EVERY BUSINESS WE SURVEYED IS AWARE OF THE TERM 'EMBEDDED FINANCE'.**



## What would drive a faster rollout of embedded finance?

4% already offer embedded payment services and 8 in 10 (83%), say their business will launch embedded payment services in the next five years. 13% of businesses are thinking about doing so.

Driving this surge is the need to capitalise on changing consumer views. When asked what might drive a faster rollout of embedded finance services, customer demand came out on top (70%). Followed by new revenue streams (67%) and improving customer experience (63%).





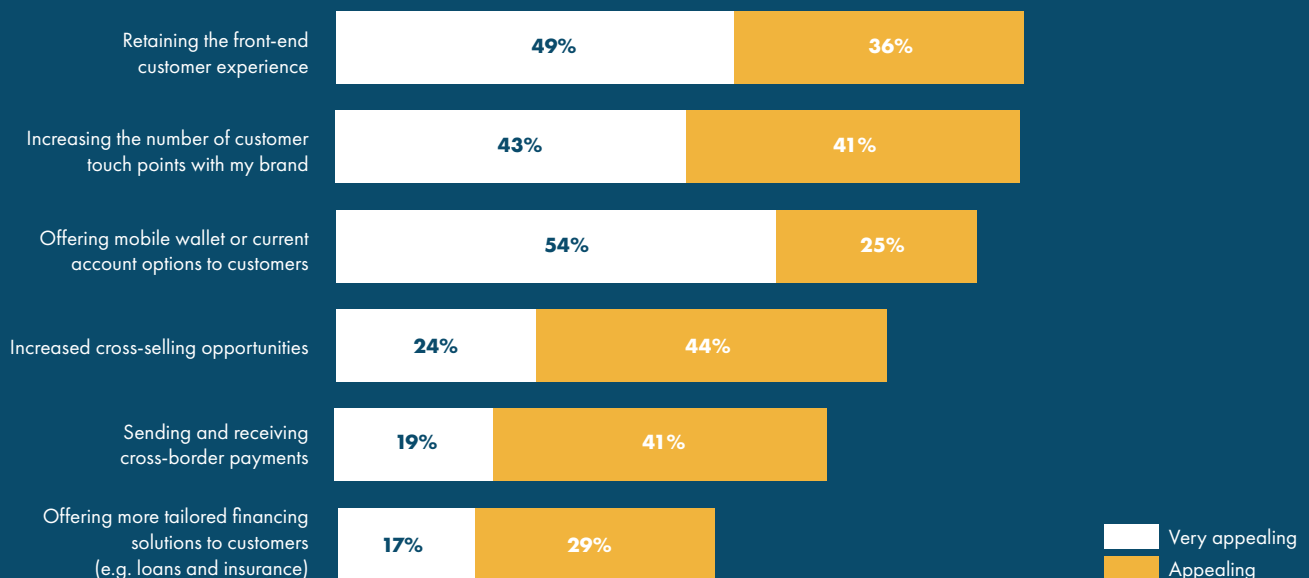
...businesses believe  
that **the key to their  
success in rolling out**  
an embedded payments  
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they curate their customers'  
journeys and enable them  
to do more...

# Payments leads the pack

**84%** will use embedded payments to increase the number of customer touch points with their brand

Ultimately businesses think the key to their success in rolling out an embedded payments offering lies in making sure they curate their customers' journeys - retaining the front-end customer experience (85%), increasing the number of customer touch-points with their brand (84%) and offering mobile wallet or current account options to customers (79%) ranked as the three most appealing aspects of embedded finance.

## WHAT IS THE APPEAL OF EMBEDDED FINANCE?



In the near term we know that consumer use of embedded payments is growing exponentially. The Open Banking Implementation Entity (OBIE), the body set up by the UK's Competition and Markets Authority (CMA) highlighted Open Banking payments as a particularly strong use case for the technology. Between February and August 2021, there were 11 million Open Banking payments, compared to 700,000 in the whole of 2020.



# ...is the most popular type of embedded finance offering being planned...

It makes sense that embedded payments is the most popular type of embedded finance offering being planned and seriously thought about by businesses. Nearly all companies surveyed (96%) say they are planning to offer embedded payments to customers in the next five years or are seriously thinking about doing so, edging out embedded banking (94%) and dwarfing embedded insurance (69%) and lending in the short term (69%).

## HAVE YOU CONSIDERED OFFERING EMBEDDED BANKING/PAYMENTS/INSURANCE/LENDING TO CUSTOMERS?



Embedded Banking



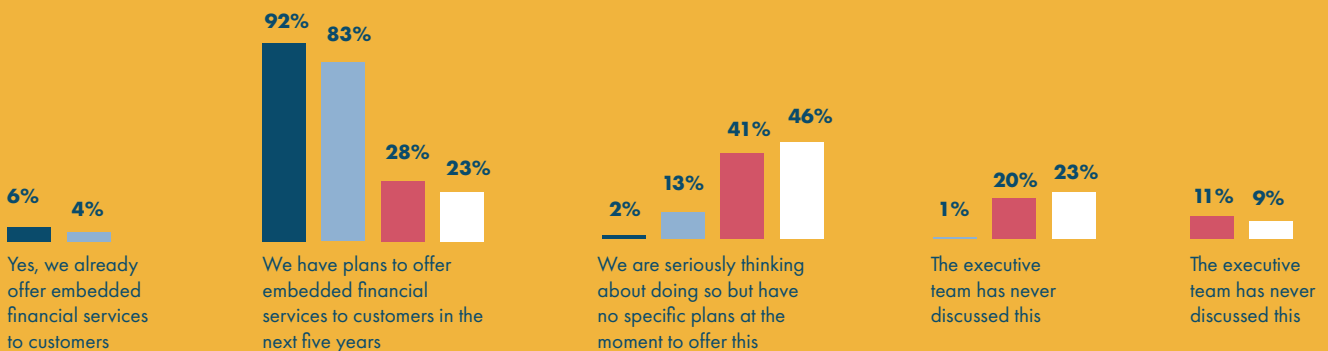
Embedded Insurance



Embedded Payments



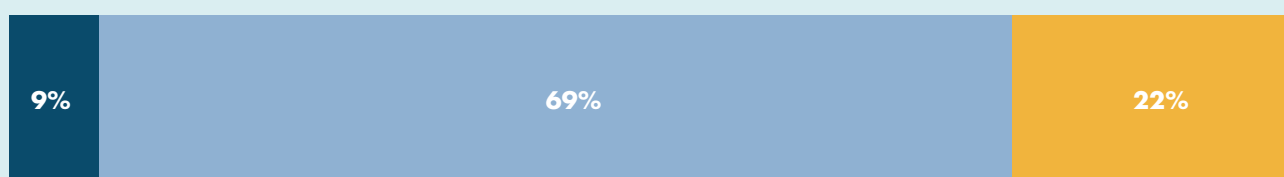
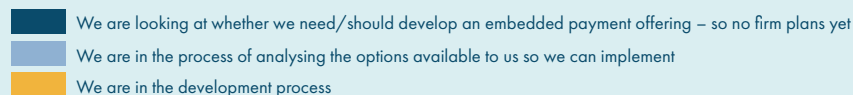
Embedded Lending





What is also telling is that all executive teams have discussed payments, and more than 1 in 5 (22%) had their embedded payments offers in development when surveyed, with a further 7 in 10 (69%) weighing-up options.

## STAGE OF EMBEDDED PAYMENT PLANS



As a result, businesses expect that they will be able to reshape the consumer-brand relationship with more compelling, convenient and personalised financial experiences via embedded payments.

Businesses are focusing first on expanding their customer payment choices. As more and more consumers use embedded payments services, businesses will arm themselves with a plethora of payment transaction data, putting them in a better position to offer customers other embedded finance services like more flexible credit lines, convenient current account options, and tailored insurance products.

By embedding payments solutions, there are potentially less barriers to purchase, fewer clicks required and fewer prompts

made to the consumer, reducing the time it takes to complete the buying cycle. Examples of how embedded payments are being utilised by brands today include:

- The option to book and pay for taxi journeys within one app-based environment, such as Uber, instead of riders having to manually enter card details each time they want to travel.
- The ability to fund a crypto trading account like Coinbase, simply by hitting a button in-app to authorise a payment from your fiat bank account to your in-platform account.
- Selecting, paying for and arranging delivery of a takeaway, all from one app like Deliveroo, allowing customers to avoid taking out a card and tapping in payment details.

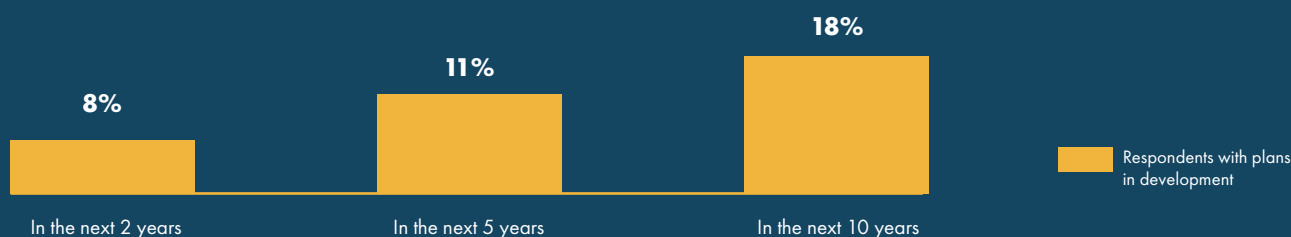
Embedded payments are especially important for firms looking to expand into international markets, because the most popular payment methods will likely differ from region to region. In the US, for instance, credit cards dominate and in Latin America, consumers are flocking to mobile wallets. The payment process is becoming invisible, in that consumers don't want to go through steps that can be avoided, or have the annoyance of

entering one wrong number on a card and having a payment declined. So in short, when payments are embedded, merchants can better engage with their customers because they have control over their entire customer experience. From end-to-end, the businesses decide how that experience feels, making it more likely that customers will come back for more.

### Sizing-up the payments opportunity

Done right, embedded payments is a win-win for business and consumers alike. There have been some incredible predictions as to the potential global value of embedded payments to businesses. This research provides the first insight of its kind into business' expectations of the value of embedded payments and finance in Europe. Over the next decade, it is anticipated that embedded payments alone will grow revenues by 8-16% on average.

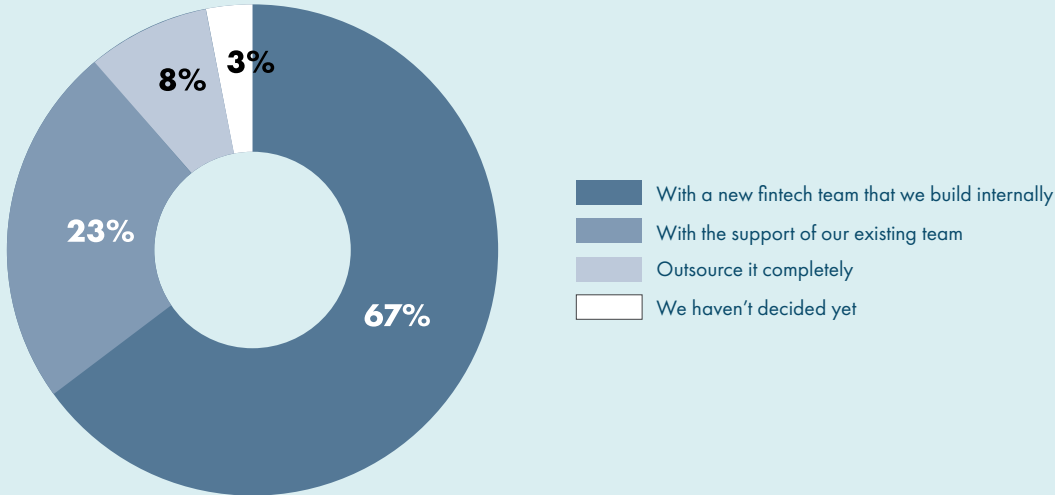
### EXPECTED GROWTH IN REVENUE FROM EMBEDDED PAYMENTS



Extrapolating the data in our sample out to similar businesses across Europe, we can get a conservative estimate of the revenues all European companies are looking to generate from embedded payments over the next five years. In total, embedded payments services are expected to generate 277.46 billion Euro of revenue in Europe over the next five years and will continue growing.

# REMOVING BARRIERS TO SUCCESS

## ROLLING OUT EMBEDDED PAYMENTS



### Talent

Companies recognise their knowledge gaps, and the research suggests most are adopting a two-pronged embedded payments strategy.

Businesses are planning a huge ramp-up in hiring fintech talent to deliver the embedded payments offerings on their roadmaps. One recent case is [Booking.com](https://www.booking.com), which will use its new internal fintech unit to remove friction between cross-currency transactions and different global payment practices.

Best-in-class talent will be critical for running and maintaining the payment offerings that will prove most useful to

each sector. However, fintech talent has already been in short supply over the last few years. With two-thirds (67%) of all companies building out new teams, the 'expertise squeeze' will get even tighter.

### Infrastructure

But, building and nurturing an internal team to make good on embedded payment plans is just the start. Our research also suggests most are planning to seek out embedded finance providers, who they believe have the ability to provide and scale their payments infrastructure in the simplest and fastest way.

When asked what would make decision makers want to speak to an embedded finance provider, the majority (84%) mentioned specific types of products or solutions - notably being able to help with offering a digital wallet (65%) or integrated payment system (25%) to their customers.

And industry expertise (65%), ability to grow revenues (56%) and speed of implementation (55%) were the top

three reasons businesses are choosing to partner with third parties.

From the start, the right partner can help businesses access the entire ecosystem of embedded financial services and easily integrate into their customer's journeys.

Then as businesses expand across borders, partners can help them create compelling localised offerings and plug into a network of global payment rails.

## REASONS TO SPEAK TO A COMPANY ABOUT EMBEDDED FINANCE



65% Industry expertise



56% Ability to grow revenue



55% Speed of implementation



45% Brand reputation



44% Better customer experience



32% Demonstration of ROI



29% Offer value for money

## Compliance

Regulatory hurdles were once a bigger challenge for non-native financial institutions who wanted to enter the world of financial services and build a financial offering for their customers.

Today, regulatory bodies and governments who were immersed in overseeing traditional payments and personal finance vehicles have warmed to the worlds of fintech and non-fiat payments. The consideration these bodies are giving to digital currencies and more diverse financial service partners and/or providers is helping to ease the pain of entering this market.

To a larger extent, fully-regulated and compliant partners have absorbed much of the burden on challenger fintechs, by giving them access to payment rails and other tools they need to become and stay compliant as laws change. Partners such as OpenPayd offer these challengers a connection to payment rails via APIs, that easily integrate with end-user retail platforms.

So, while businesses focus on optimising experiences for their customers, partners can do the heavy lifting involved with making sense of regulatory changes, Know Your Customer (KYC) obligations and licensing. Combine those expertise with a partner's access to global payment rails, businesses can rest in the knowledge that no matter what offering they want to launch, or where in the world they want to launch it, they'll have the local regulatory requirements covered.

**SO WHAT'S  
NEXT?**

We are on the cusp of a great sea change in finance, powered by fintech. At the forefront of this is embedded payments.

Brands are betting big on embedded payments. More than 1 in 5 (22%) already have their payments in development and if they don't, they are racing to get their offering off the ground. Within the next two years, three-quarters of companies expect to have products in the market. The result will be more seamless consumer experiences, and an additional 277.46 billion Euro of revenue for European companies by 2026.

But carving out a slice of the pie will take more than just aspiration. No matter what firms are planning, knowledge, infrastructure and partnerships will be the key pillars of success. Together it will enable them to build first-class payment experiences and redefine their customer relationships for the better.

We've only scratched the surface of the huge, unmet demand for embedded payments across Europe – the next five years are going to be transformative.

## **About OpenPayd**

OpenPayd is a leading global payments and banking-as-a-service platform for the digital economy. Through its API-driven technology, businesses can embed financial services into their products and create the seamless user experiences needed to drive business growth.

OpenPayd's platform removes the need to contract with multiple providers for different services and across different markets. Instead, businesses can access accounts, FX, international and domestic payments, acquiring and Open Banking services globally via a single API integration. With licensing across the UK, Europe, Canada and others, OpenPayd is committed to providing businesses with a fully compliant solution across all markets, leaving your business to focus on growth.

OpenPayd has the proven industry expertise and track record for performance to help companies get their embedded finance solutions off the ground quickly and achieve scale. OpenPayd is tackling complexity head-on to enable business to stay on top of every challenge. With its industry-leading global team and a global network of licenses, companies can enjoy the peace of mind that comes with OpenPayd's simplified approach to compliance and regulation.

**For additional information on OpenPayd, please visit [www.openpayd.com](http://www.openpayd.com)**



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## Methodology

- The survey was conducted in May – July 2021 by independent research agency Coleman Parkes.
- Respondents were decision makers for the identification and implementation of new products and service offers to customers.
- Businesses surveyed came from the following sectors: Vertical SaaS, Horizontal SaaS, Consumer marketplace, B2B marketplace and Gig economy platform, with more than £50m+ revenue.

## Respondents by market:

- UK – **20%**
- France – **20%**
- Germany – **20%**
- Italy – **20%**
- Spain – **20%**

## Organisation type:

- Vertical SaaS – **11%**
- Horizontal SaaS – **15%**
- Consumer marketplace – **26%**
- B2B marketplace – **35%**
- Gig economy platform – **13%**

## Revenue:

- £50m and up to £100m – **10%**
- Over £100m and up to £250m – **23%**
- Over £250m and up to £500m – **25%**
- Over £500m and up to £1bn – **17%**
- Over £1bn and up to £5bn – **17%**
- Over £5bn – **9%**

## Number of employees:

- 250 – 499 – **12%**
- 500 – 999 – **17%**
- 1,000 – 4,999 – **41%**
- 5,000 – 9,999 – **15%**
- 10,000 – **15%**



[www.openpayd.com](http://www.openpayd.com)