

Good for customers, good
for brands! Engaging
embedded finance in a
meaningful way.

Embedded finance is a strong and fast-growing market that will reach a market cap of 7.2 trillion US dollars by 2030, according to [Lightyear Capital](#). That is twice the combined value of the world's top 30 banks.

What drives investors and businesses to invest in embedded finance, and what specific opportunities does this phenomenon create?



First off, what is embedded finance?

A growing number of companies are integrating financial services into their product portfolio, while retaining complete control over the customer experience. These services include banking, payment, insurance and lending. Early adopters in the field of embedded finance in Germany were non-financial businesses such as discounter Lidl and consumer electronics retailer MediaMarktSaturn, followed closely by players like ADAC, Daimler Mobility, and Grover, who are expected to bring embedded financial products to the market soon.

Lidl has launched 'Lidl Pay', a payment system within its own app. Customers activate the payment option by entering their bank details and address. By scanning the app at the checkout, customers can redeem their coupons in one easy step, pay with Lidl Pay if they wish, and receive a digital receipt. The advantage for customers is that they receive credit for their next purchase, and the advantage for the company is better customer retention. By implementing an embedded finance solution, Lidl now has the opportunity to engage closely with their customers through its app. In addition to the new payment option, customers are shown personalized content based on their previous shopping behavior.

Other examples of embedded finance are Buy Now, Pay Later (BNPL) models as used by large retail companies such as MediaMarktSaturn. When customers buy consumer electronics, instead of paying immediately they take a loan directly from the company that they pay off over time. BNPL models from payment service providers such as Klarna or Ratepay have been a driving force behind the early success of embedded finance. The BNPL market is still growing and is expected to reach a volume of \$20 billion by 2028, according to a [Grand View Research Market Analysis](#).

Banks and other financial institutions were reluctant at first, since they mainly saw embedded finance as competition for their business models. However, this is not the case. Banks are in an excellent position to take a leading role in its development. It is them who have the deep industry expertise, reach, credibility, strong balance sheets, and direct access to cost-effective capital. Moreover, financial service providers today see the benefits of embedded finance, enabling them to stand out in a highly competitive field and reach new audiences with customized and directly integrated services.



How can non-financial companies and financial companies benefit

Embedded finance can improve customer relationships by integrating convenient and customer-centric products and services into the entire value chain. Businesses across almost any industry, financial or non-financial, will often establish additional revenue streams accruing from increased customer loyalty and more frequent touchpoints. Branded credit cards, for example, not only function as a payment method but also as an instrument to collect loyalty points or earn cash back at certain merchants. Issuers benefit from additional data insights to better serve customers in their moment of need.

As for financial service providers, embedded finance allows banks to offer their services through third-party platforms – whenever and wherever they are needed. Instead of waiting for new customers to come to their own branch or website, banks can now partner at the point of need to reach new customers and generate additional revenue. By doing so, they are reacting to a change in customer behavior, as consumers have gravitated towards digital-only banking, according to [PwC's 2021 Digital Banking Consumer Survey](#).

In the market right now, large real-estate group Engel & Völkers and the bank VR Bank Bad Salzungen Schmalkalden eG. have already gone live with their embedded finance solutions 'E&V Smart Money' and 'VR Bank Fankarte' respectively. Their case studies below shed light on both providers' decision-making, ambitions and platform stakeholders.



Customers — show high acceptance rate for embedded finance

The growth in embedded finance is driven by customer demand. According to a [survey by Solarisbank](#), 15 percent of customers are ready to use a checking account from a non-financial company. Up to 24 percent would use a credit card from a well-known brand such as Amazon. Across various providers and financial services, 61 percent of respondents can imagine using an integrated financial service.

» "A conversion potential of 61 percent [...] shows a significant acceptance rate even today.

The conversion potential is particularly high among younger age groups, so an increasing demand over time is to be expected." Survey on embedded finance by Solarisbank. «



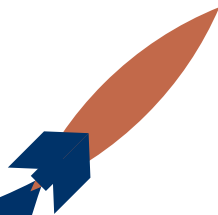
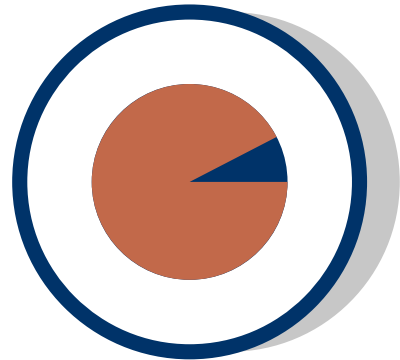
What are the benefits of embedded finance?

Brands are increasingly aware of this demand and the opportunities it brings. According to a recent [survey by OpenPayd](#), 92 percent of decision-makers from a range of businesses plan to launch embedded finance solutions in addition to their traditional products within the next five years. The reasons given by decision-makers are numerous. Respondents found 'offering mobile wallet or current account options' to be the most appealing reasons to implement embedded finance offerings. Other reasons range from

'retaining front-end customer experience' (85%), 'increasing the number of customer touch points with the brand' (84%) and "increased cross-selling opportunities" (68%) to 'offering tailored financing solutions for customers' (46%). But one of the core reasons remains increased revenue. On average, respondents expected embedded finance to increase their current revenues by 7 percent over the next two years and by up to 15 percent over the next ten years.

»According to a recent survey by OpenPayd, 92 percent of decision-makers from a range of businesses plan to launch embedded finance solutions in addition to their traditional products within the next five years.«

92%





Why are brands still hesitant to implement embedded finance?

»The biggest obstacles are time and cost to market, lack of experience in software development and payment processing and the additional resources needed to develop in-house-solutions.«

The majority of decision-makers stated that they are still weighing up the options available to them (71%). Only about one quarter of respondents said that they are already in the development process (22%). What keeps them from accelerating their market entry? Despite the enormous market potential and their willingness to participate in the market growth, brands

encounter hurdles on their way to an embedded finance solution. The biggest obstacles are time and cost to market, lack of experience in software development and payment processing and the additional resources needed to develop in-house-solutions. Brands are aware of these barriers and are trying to partner with em-

bedded finance providers. Their main reasons for a partnership are "industry expertise" (65%), "the ability to grow revenues" (56%) and "the speed of implementation" (55%).

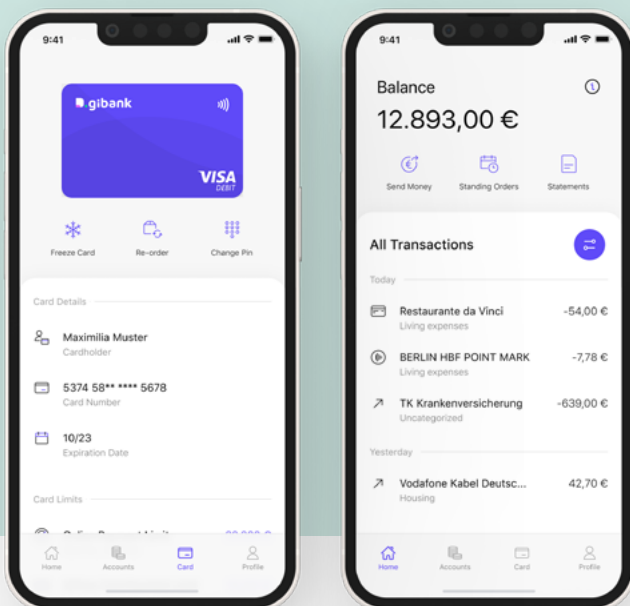
Despite modest adoption rates by brands and hesitant customers, embedded finance businesses are increasingly growing their funds, having already raised \$22 billion in 2020, according to [Pitchbook](#). It is arguably only a matter of time until market equilibrium is reached.



How do you benefit from finleap connect's white-label solution?

In light of the steady build up in funds accumulated by businesses that want to enter the embedded finance market, it seems only a question of time until the market is saturated and dominated by a handful of big players. That's why more businesses are looking for partnerships that can help them enter the market more quickly with a product that's launch-ready.

By building on "Digital Bank", businesses can leapfrog the competition by significantly reducing their time to market. Average implementation time from first contact to a fully operating product is 3 to 6 months, depending on the scale of customization and functionality. Additionally, partners benefit from finleap connect's expertise in the development of embedded finance solutions and Solarisbank's expertise in banking and payment processing. This reduces the time and resources that businesses have to spend on technical details, user experience and interface design on the one hand and payment processing and compliance on the other.



The off-the-shelf white label offering comes with predefined modules. The application provides functionalities that set market standards. It can be fully branded and is available as a modularized platform, with increased customization of functionalities where needed. Customers will receive a complete bank account, debit card and application. Alternatively, businesses can also choose a "decoupled card" which is based on a reference account from another bank. The offering is based on the full banking license of our partner Solarisbank and includes APIs for digital accounts and banking cards.

Overview of Digital Bank functionalities powered by finleap connect and Solarisbank

Onboarding

- BankIdent

Decoupled Card

- Decoupled Card
- Scoring in Onboarding Process to set limit
- Setting and changing of reference account
- Dunning Process

Personal Finance Mgmt (PFM)

- Pockets (without own IBAN)
- Multibanking
- Categorization
- Multi Accounts (with own IBAN)
- Deposit Account
- Payment Partner Recognition and Contract Wallet
- Splitpay (Purchase Financing)

Bank account

- Full Bank Account
- Balance overview
- SEPA transactions
- Transaction history
- Real-time push notifications
- Digital account statements

Card

- Branded Debit Cards
- Contactless payment
- Instant activation
- PIN Setting and Changing
- Card Freezing / Unfreezing
- Apple & Google Pay
- Virtual Cards

Other

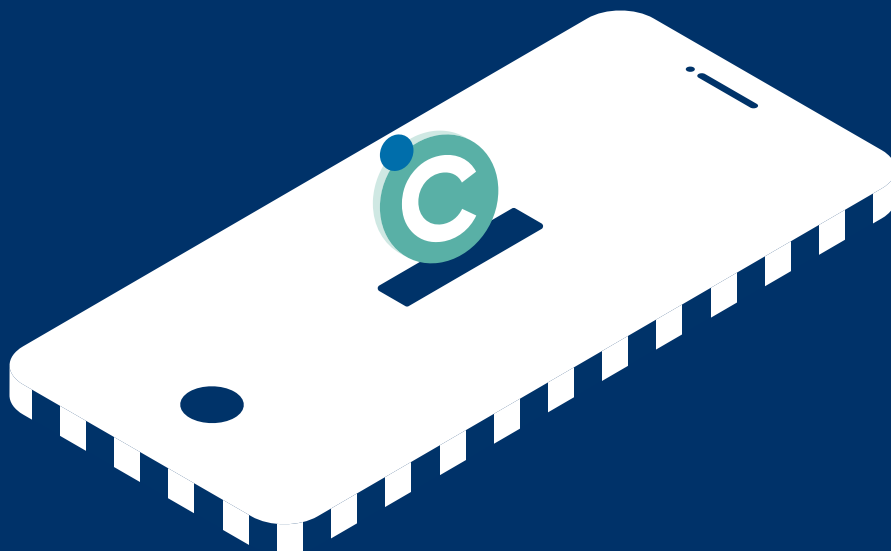
- CMS for Content Mgmt by Partner
- Web-Extension to integrate content from the partner to the App
- End User Billing
- Extension Marketing Options for Customers (Pop-Ups, flexible Message Box, etc.)

Digital Bank: A white-label solution for embedded finance by finleap connect

As the leading independent Open Banking provider in Europe, finleap connect provides embedded finance solutions in cooperation with Solarisbank. finleap connect has developed a white-label frontend for non-financial and financial companies alike called "Digital Bank".

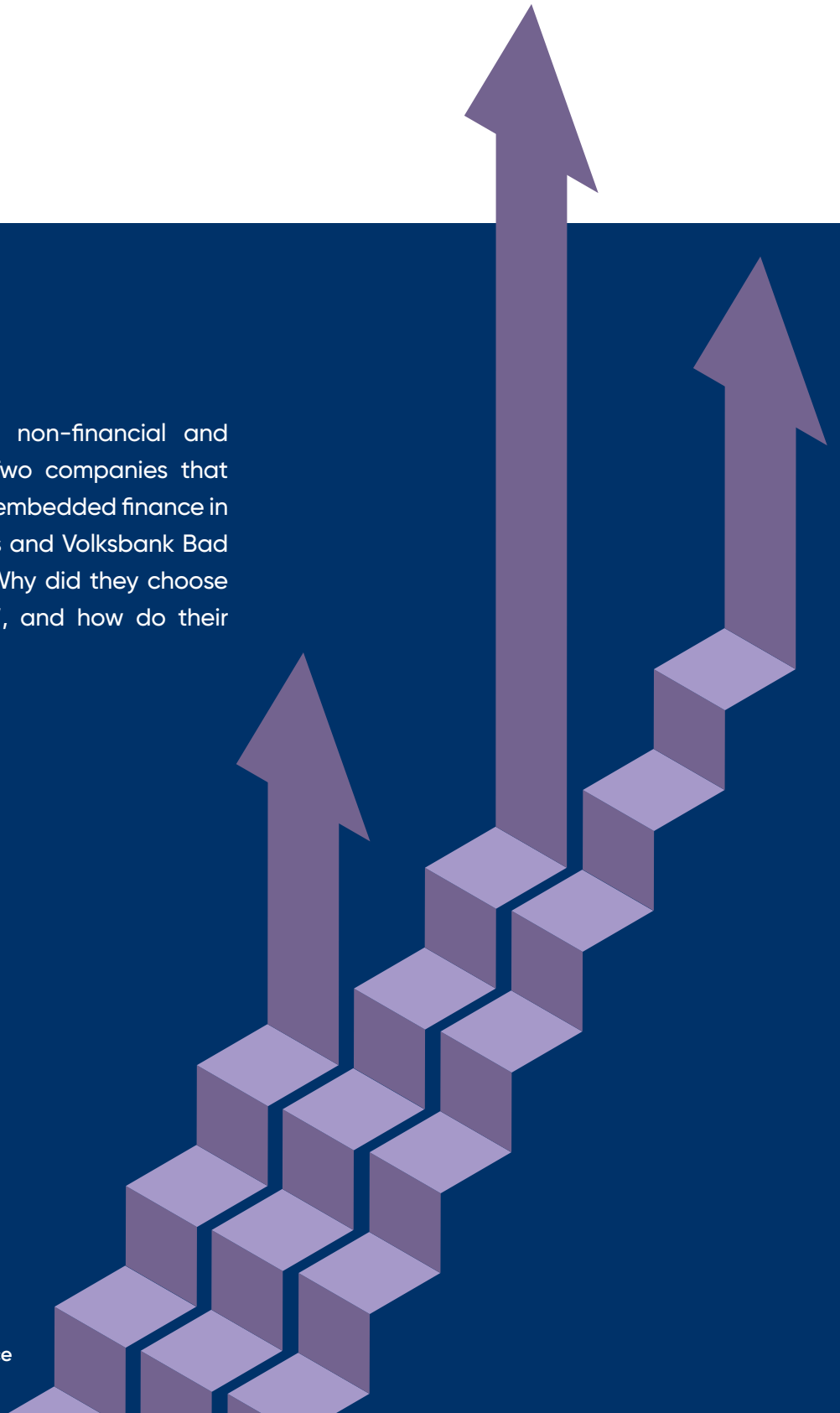
The banking application powers state-of-the-art banking functionality and can be implemented easily and fast. It provides a completely digital account opening process, mobile banking, card management and additional functionality – all made available with a seamless user experience.

Solarisbank provides the necessary banking infrastructure of "DigiBank" including KYC-processes, current accounts, (decoupled) debit cards, loans and other digital assets. finleap connect supplies the white-label software application in addition to relevant open banking functionalities such as categorization, multi-banking, contract wallet and payment partner recognition. Complementary functions (e.g. insurance) and front-end configurability can be added through a modularized approach.



How companies implement our white-label solution to boost their growth

“Digital Bank” is suited to non-financial and financial companies alike. Two companies that are pioneering the market of embedded finance in Germany are Engel & Völkers and Volksbank Bad Salzungen Schmalkalden eG. Why did they choose to implement “Digital Bank”, and how do their customers benefit from it?



Engel & Völkers Smart Money is headquartered in Berlin, Germany, and provides a holistic wealth platform that combines banking with real estate. Real estate transactions and finance are closely interrelated. If you buy a house, you have to pay for it; if you sell your property, you have to invest money, at least in the short term. In addition, real estate is a popular capital investment, whether as a direct or indirect investment. Engel & Völkers have employed finleap connect's white-label solution, which they call "Engel & Völkers Smart Money". The company now offers solutions for all real-estate related financial matters. They are the first provider to focus their offering specifically on real estate owners and investors, for whom they have designed attractive benefits.

Engel & Völkers Smart Money offers a free checking account and Visa debit card in cooperation with Solarisbank. The front end, including modern banking features such as multi-banking and Apple Pay, is provided by finleap connect. The account opening process is completely digital, fast and easy. The added value for real estate owners? Money from a (partial) real estate sale via Engel & Völkers or Engel & Völkers LiquidHome can be parked in their fixed-term deposit account for three months at 1 percent p.a. interest. If a customer initiates a real estate sale through Engel & Völkers Smart Money, the seller and buyer can also qualify for a real estate bonus of 0.5 percent each, based on the sale price of the property.

"With Engel & Völkers Smart Money, we want to focus on investment solutions related to real estate in the future. [...] At the same time, the banking offering acts as an anchor in the customer relationship. That's why we value the opportunities offered by this FinTech ecosystem – it gives us simple and fast access to banking services and a modern white label banking platform" Philipp Schemel, CCO of Engel & Völkers Smart Money



Traditional banking



finleap connect partners with the VR Bank Bad Salzungen Schmalkalden eG, a branch of the Volksbanken Raiffeisenbanken. The traditional finance industry is subject to high competition and low differentiation opportunities. Embedded Finance offers the bank the opportunity to stand out from its competition and to create financial products that meet today's customer expectations.

The bank uses the white-label decoupled debit card provided by Solarisbank in the form of a soccer fan card to customize its service. The fan card is a debit

card with a unique design and emotional appeal. It comes with exclusive offers for its users, a team-oriented value-added program, and a simple and secure means of payment. Transactions can be monitored in finleap connect's banking frontend. This is also where users select their reference bank account from which they wish to pay. It is easy to apply for and enables users to show team loyalty in everyday life.

Since the bank is an established and long-standing financial partner in the field of soccer, the fan card and the corporations behind it were a logical

step to expand the customer relationship with the clubs and meet the needs of soccer fans. "We view embedded finance services as an opportunity. We can use our many years of experience and expertise to develop new business models and reach new customer groups. [...] The mix of our many years of experience, the modern technical infrastructure of finleap connect and the strong brands of our partners are key success factors." Sebastian Born, Sales Management VR Bank Bad Salzungen Schmalkalden eG



Conclusion

Embedded finance is unquestionably a unique opportunity for financial and non-financial companies to penetrate all markets and reach new target groups. To participate in this growth opportunity, companies need open platforms and systems that are easy to set up and maintain. They need access to the tools and expertise required to manage product enhancements themselves. The solution should allow them to embed

financial service offerings into existing customer ecosystems to build seamless customer journeys.

Financial and non-financial businesses alike are already building up funds and resources to enter the embedded finance market. However, due to a lack of experience in software development, payment processing and compliance it can take years before they

have an operational product. Partnerships with established companies experienced in implementing embedded finance solutions are key to significantly reducing that lead time and gaining a head start over the competition.

If you want to learn more about the potential of embedded finance for your business, please do not hesitate to contact us.



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The term embedded finance describes non-financial companies that integrate financial services into their product portfolio, while retaining complete control over the customer experience. These services include banking, payments, insurance and lending. This streamlining of financial processes makes it easier for consumers to access the financial services they need when they need them.

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