

Galileo Embedded Finance Report:

A B2B Market Snapshot by Juniper Research



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Executive Summary

The embedded finance industry is estimated to grow to **\$7.2 trillion** by 2030, and businesses are racing to add the financial technology to their go-to-market strategy. A new report from Juniper Research, in collaboration with Galileo Financial Technologies, provides new data on the potential and challenges that exist in embedded finance today.

The rapid adoption of embedded finance was seen first by consumers embracing digital payments in every aspect of their lives and then by business leaders looking to keep pace. Embedded finance presents immense opportunities for business leaders looking to solve real B2B payment pain points, while creating new, sustainable revenue streams.

The survey asks 450 C-level executives in B2B businesses across the U.S. their thoughts on embedded finance, what types of financial services they currently or would use embedded finance for, who their preferred partner would be, and what value this solution brings to their clients.

The report provides data around six key themes:

1. Why businesses are gravitating toward embedded finance
2. The newest use cases for embedded finance
3. How embedded finance can boost revenue
4. Which pain points it can help solve
5. How the B2B embedded finance market is catching up with B2C offerings

The market has evolved at lightning speed and this new research confirms that forward-thinking B2B executives are embracing embedded finance solutions as a key part of their growth strategies due to its ability to drive customer loyalty, experience, retention and revenue.

Key findings in the report include:

- 85% of B2B businesses are familiar with the concept of embedded finance
- 63% of B2B businesses are using an embedded finance solution today
- 68% would prefer to offer embedded finance services from a non-bank provider
- Payments, employee/employer services and credit solutions are the top 3 use cases in market today



Introduction

Over time, there has been a shift developing within financial services. Traditionally, financial services have been delivered by financial institutions, with financial activities strictly contained within existing banking or other financial relationships.

While this is true, there have been elements of financial services delivered outside of these traditional relationships, with car manufacturers offering finance when a car is purchased for example.

What has fundamentally changed is scale – the rise of digital services, which the COVID-19 pandemic catalyzed, has seen a massive opportunity created for embedding financial services in all kinds of digital transactions. The digital scenario gives a previously unforeseen scale, creating a significant market opportunity for businesses willing to explore this area. What this means, however, is having the right systems and services in place to address this in an easy way is key, which can be challenging and requires working with the right vendor.

This whitepaper will examine the embedded finance opportunity, supported by a survey of 450 business leaders across the US, examining their opinions towards the development and deployment of embedded finance services.

What is Embedded Finance?

Juniper Research defines embedded finance as:

Any use case where financial services tasks, such as payments, banking, insurance or lending, are embedded in non-financial user experiences. Use cases include offering third-party payment options including fixed-rate instalment loans or BNPL (Buy Now, Pay Later) options.

This definition is deliberately open, as the potential applications of embedded finance are endless, covering almost any financial services scenario. As these use cases are so extensive, so are the potential monetization options for B2B scenarios. The next section will introduce and analyze many of the most common types of embedded finance within the B2B market.



Embedded Finance Segmentation

Embedded finance is a broad definition, made up of several different areas where APIs (Application Programming Interfaces) are enabling the integration of financial services within traditionally non-financial areas.

Figure 1 outlines just a few of the benefits of offering each type of embedded finance solution, identified from our existing understanding of the market and our extensive B2B survey.

Figure 1: Embedded Finance – High-level Benefits per Segment



Payments

- Add seamless disbursement
- Generate additional revenue stream
- Reduce client cost
- Simplify B2B payments



Lending

- Generate additional revenue stream
- Increase stickiness of client relationship
- Reduce client cost of finance



Insurance

- Generate additional revenue stream
- Increase stickiness of client relationship
- Upsell at the right point in the customer journey



Banking & Card Issuance

- Generate additional revenue stream
- Increase stickiness of client relationship
- Offer easier ways to manage money and make payments, offering additional upsell opportunities

Source: Juniper Research

Business Attitudes to Embedded Finance

This section will dive into some of the most interesting findings from our survey, and will help develop an understanding of how the market perceives embedded finance services.

Awareness of Embedded Finance

Firstly, awareness of the core concept of embedded finance was found to be very high.

In the US, 84% of all business respondents were familiar with the concept of embedded finance.

Overall, this is surprisingly high given the newness of embedded finance as a concept, and speaks to how quickly embedded finance has become a mainstream concept. Given how recently embedded finance has been around as a term, this shows how fast it has become a top-of-mind issue for businesses.

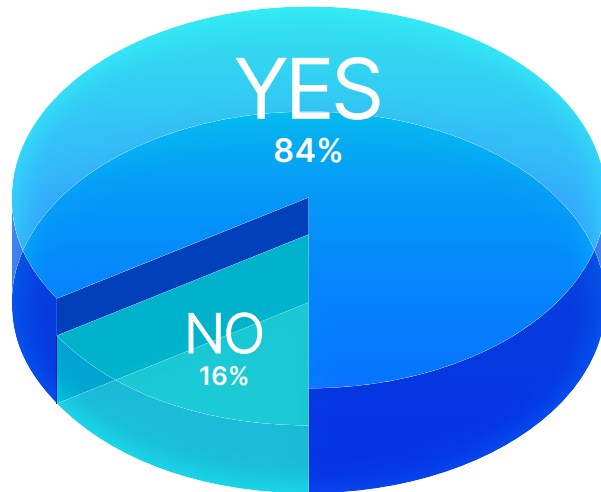


Figure 2: Participant Responses to 'Are You Familiar with the Term Embedded Finance?', Proportion of Participants Selecting Each Response (%), US

Source: Juniper Research

Businesses Offering Embedded Finance

The responses to this were very high, with 63% of US respondents replying that they did offer some form of embedded finance.

This response rate is very high, showing that a lot of US businesses have already recognized the enormous benefits that embedded finance can bring.

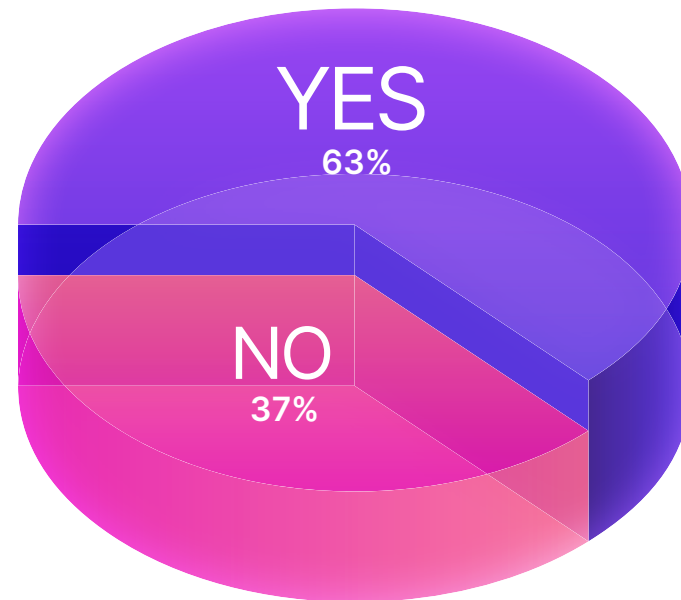


Figure 3: Participant Responses to 'Do You Presently Offer Any Embedded Finance Services or Products/Solutions to Your Customers?', Proportion of Participants Selecting Each Response (%), US

Source: Juniper Research

What Solutions Are Presently Offered?

Payments was the top response selected by business respondents who currently offer embedded finance services, with employee/ employer benefits and credit following closely behind.

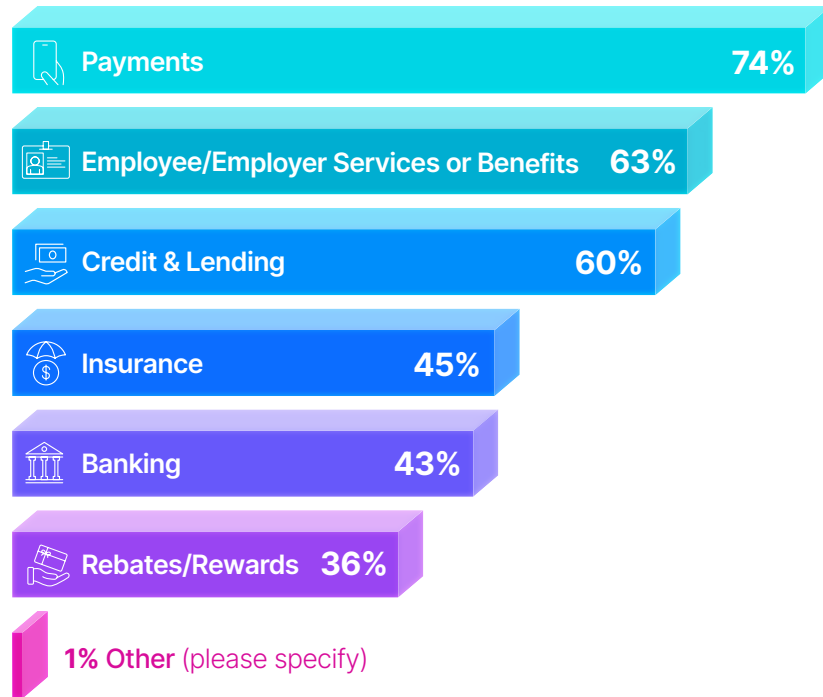


Figure 4: Participant Responses to 'What Types of Embedded Finance Services or Products/Solutions Do You Currently Offer?', Number of Respondents Selecting Each Answer, US

Source: Juniper Research

How Many Different Providers Do You Use to Offer Embedded Finance Services?

We asked this question to gauge how complex businesses' existing embedded finance vendor arrangements were. Interestingly, the strongest response was for two different vendors being leveraged to offer embedded finance, with some vendors using three or more.

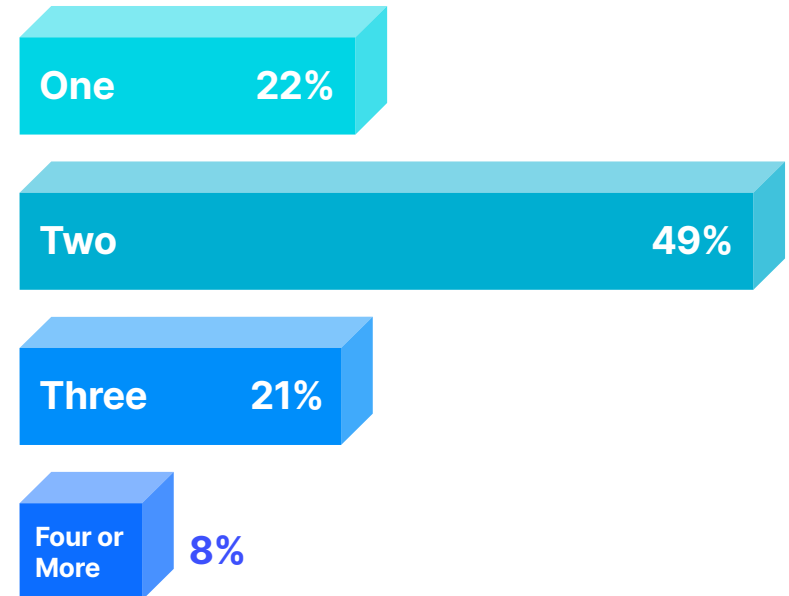


Figure 5: Participant Responses to 'How Many Different Providers Do You Use to Offer Embedded Finance Services?', Proportion of Participants Selecting Each Response (%), US

Source: Juniper Research

Businesses clearly see embedded finance being in the mainstream – it is not a niche concept, it is front and center. This must be a major consideration for businesses not presently offering services.

What Benefits Does Offering Embedded Finance Bring?

Broadly, respondents were very enthusiastic about the benefits offering embedded finance services brings to their operations. Banking had the highest support for a single reason, increasing customer loyalty; showing that as a way to increase loyalty, banking is the most effective way to go.

	Banking	Credit & Lending	Employee/ Employer Services or Benefits	Insurance	Payments	Rebates/ Rewards
Number of Responses	122	291	179	127	209	103
Increasing customer loyalty, experience and retention	65%	57%	54%	60%	63%	63%
Higher Revenue	54%	55%	45%	61%	49%	57%
Diversified portfolio of service offerings	59%	47%	45%	52%	45%	51%
Ease in acquiring new clients	51%	56%	39%	55%	59%	57%
Allow us to compete in a new market or segment	64%	53%	51%	53%	56%	63%

Some other notable responses are as follows:

- Insurance had the highest response rate for higher revenue; showing that this is a strong way to gain an additional revenue stream.
- Banking has the highest response rate for the diversified portfolio of service offerings, showing that participants thought of banking services as far from their comfort zone.
- Payments has the highest response rate for ease in acquiring new clients; making it clear that this is a major pull factor for businesses.
- Banking was again rated highest for allowing businesses to compete in a new market, again showing that banking is considered quite far from existing offerings.

Overall, these results show that actually, broadly, businesses are pretty satisfied with the results they are seeing from their embedded finance offerings.

The verdict from businesses is clear – embedded finance adds value!

Figure 6: Participant Responses to 'What Value Does Offering the Following Bring to Your Business?', US

Source: Juniper Research

Why Do You Not Offer Embedded Finance Services?

Looking at businesses who do not offer embedded finance presently, the results are again very revealing. Lack of customer interest was ranked first on average, followed by lack of available knowledge and cost to implement.

Lack of customer interest is noteworthy as a response, because it does not reflect what businesses who offer embedded finance already are saying. As we have just seen, businesses that offer embedded finance have very high satisfaction with the benefits it brings them. As such, the explanation is likely more of an education gap in terms of customers lacking the understanding of what benefits access to financial services can bring them, as opposed to a genuine lack of customer demand for services.

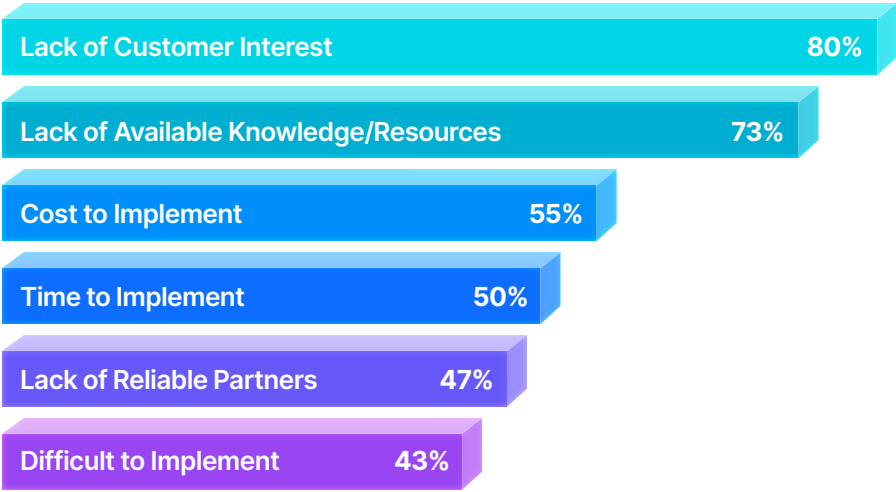


Figure 7: Participant Responses to 'Please Rank the Following Reasons for Why You Don't Currently Offer Embedded Finance Products/Solutions to Your Clients'; Proportion of Respondents Who Selected Reason That Ranked First, US
Source: Juniper Research

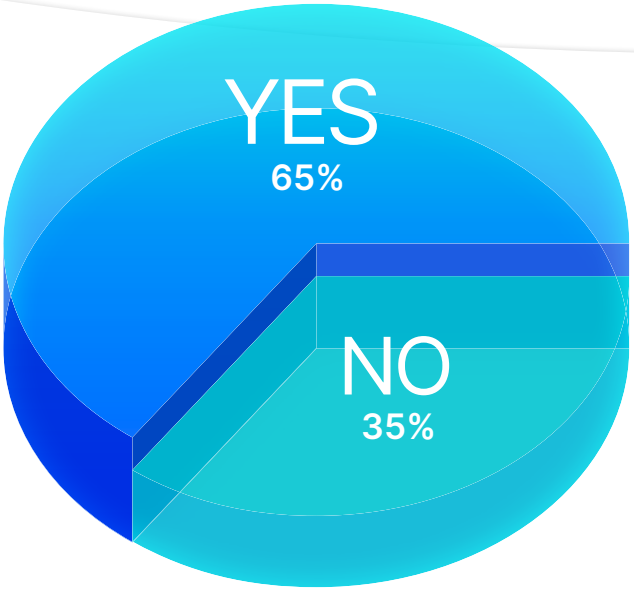


Figure 8: Participant Responses to 'Might You Consider Offering an Embedded Finance Product or Solution in the Future?'; Proportion of Participants Selecting Each Response (%), US
Source: Juniper Research

Future Intentions Around Embedded Finance

Considering now whether those not offering embedded finance presently are interested in doing so in future, the responses were overwhelmingly positive, with 65% answering that they would. This demonstrates high engagement with the topic.

The responses to this are clear – businesses across the countries surveyed are overwhelmingly positive about offering it in the future.

This enthusiasm raised a question – if you are not planning to offer embedded finance, why not? Your competitors are.

Of the 108 respondents who replied 'yes' to considering offering embedded finance in the future, when asked 'when do you plan to offer an embedded finance product or solution?', 50% said they would want to do this within the next 12 months. This shows that there is an immediate appetite for this, rather than it being a longer-term priority.

What Embedded Finance Services Would Businesses Offer?

When businesses were asked what services they were considering offering, credit & lending came out top, closely followed by payments and rebates/rewards. Comparatively, there was little interest in banking.

These responses reflect that credit and lending can be some of the highest value options, with many potential applications within the B2B environment, if working with the right partner. Banking can be more complex, with SMB banking being a underserved market but one with complex additional requirements compared to a consumer environment.

Insurance was ranked quite low in the priority list; reflecting that this is quite a well-established market. However, insurance still represents a significant upsell opportunity, if working with the right partner.

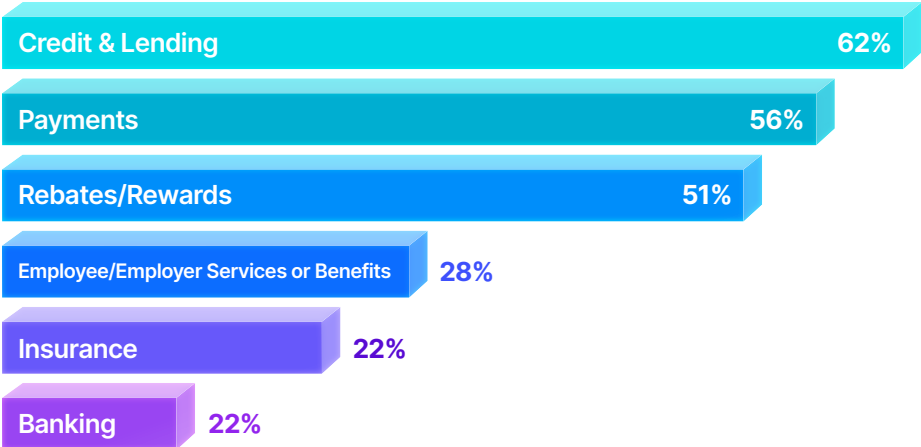


Figure 9: Participant Responses to 'Which of the Following Are You Exploring Offering to Your Business Customers?', Number of Responses for Each Answer, US
Source: Juniper Research

What Pain Points Could Embedded Finance Services Help Your Business Solve for Clients?

For this section, customer retention was the answer with the highest number of responses, with cash flow management and revenue growth following very closely.

Customer retention is vitally important to all businesses, so coming out on top is no surprise. However, the sheer recognition embedded finance has as assisting with retention is very promising for the development of the market. The fact that cash flow management scored highly, which is critical for businesses of all types, is also noteworthy, as well as revenue growth.

These three factors being ranked first shows that fundamentally, embedded finance is central to mission critical demands of businesses, and cannot be ignored.

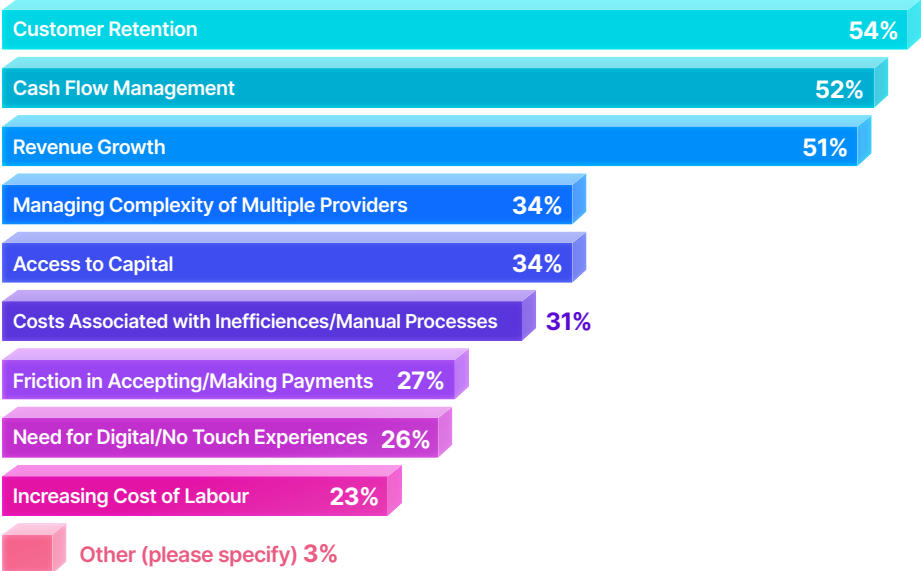


Figure 10: Participant Responses to 'Thinking About the Pain Points of Your Business Customers, Which of the Following Do/Could Embedded Finance Tools Help Solve?' Number of Participants Selecting Each Response, US
Source: Juniper Research

Who Would Businesses Prefer to Partner with To Offer Embedded Finance Services?

As we mentioned earlier, there are numerous ways to access embedded finance capabilities on a B2B basis. Banks, fintechs or third parties all can commonly offer some sort of embedded finance capability.

The responses were clear – a majority of respondents wanted to access embedded finance from fintech companies.

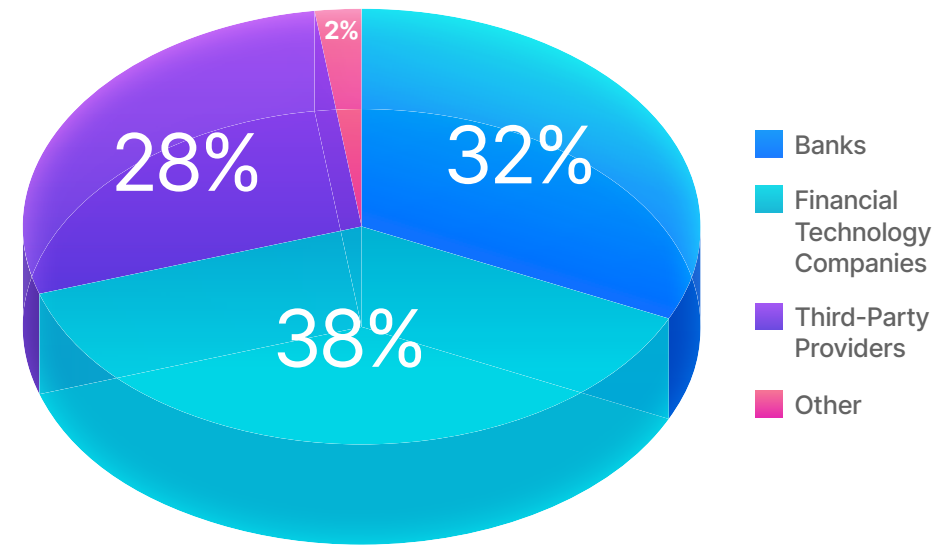
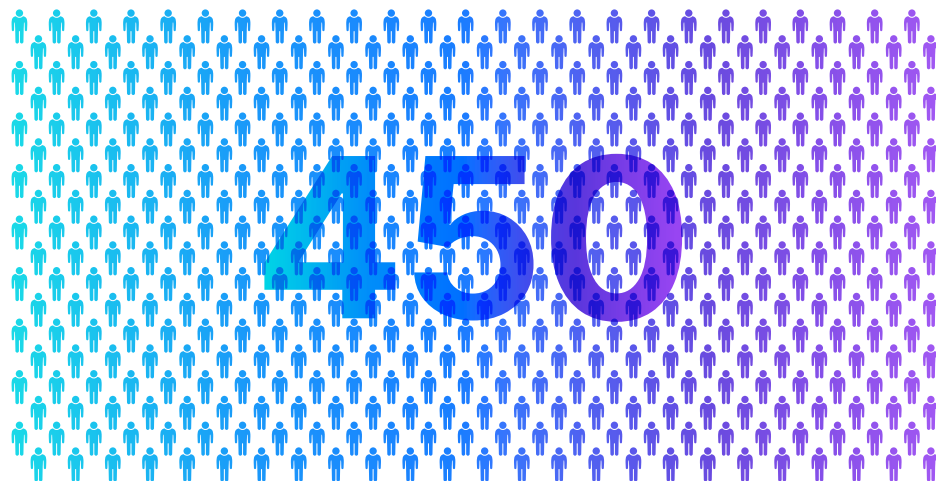


Figure 11: Participant Responses to 'What Types of Business Would You Access Embedded Finance Services From?', Proportion of Participants Selecting Each Response (%), US

Source: Juniper Research



Survey Methodology

This section includes an explanation of our survey methodology.

Key Stats: 450 individual respondents completed the survey in total, representing businesses who operate in a B2B environment.

Job Titles: Job titles included Chief Executive Officer, Chief Technical Officer, Director Head of Department, IT Manager, Manager, Owner, President, Vice President.



Galileo is a leading financial technology company whose platform, open API technology and proven expertise enable fintechs, emerging and established brands to create differentiated financial solutions that expand the financial frontier.

Galileo removes the complexity from payments and financial services innovation by providing flexible, open API building blocks and a secure, scalable, future-proof platform. Trusted by digital banking heavyweights, early-stage innovators and enterprise clients alike, Galileo supports issuing physical and virtual payment cards, mobile push provisioning and more, across industries and geographies.



Juniper Research was founded in 2001 by the industry consultant Tony Crabtree, in the midst of the telecoms and dot-com crash. The business was fully incorporated in February 2002 and has since grown to become one of the leading analyst firms in the mobile and digital tech sector.

Juniper Research specialises in identifying and appraising new high growth market sectors within the digital ecosystem. Market sizing and forecasting are the cornerstones of our offering, together with competitive analysis, strategic assessment and business modelling.

We endeavour to provide independent and impartial analysis of both current and emerging opportunities via a team of dedicated specialists - all knowledgeable, experienced and experts in their field.

Our clients range from mobile operators through to content providers, vendors and financial institutions. Juniper Research's client base spans the globe, with the majority of our clients based in North America, Western Europe and the Far East.