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8 Product Strategies to Win in Embedded Finance

This is the second in a three-part series examining what separates software platforms that successfully scale embedded payments and finance from those that do not. In Part 1, we explored GTM and commercial strategies. In this second part, we focus on product and UX: how best-in-class platforms design their products from onboarding to servicing. Part 3 will address operating model best practices.

Introduction

A strong embedded finance product is a natural extension of the core software product. Sign-up, usage, controls, reporting, servicing, and billing of embedded payments (for example) should be seamless within the broader commerce experience of the SaaS, for clients and their customers. The core advantage of embedded finance is that you make the financial service more seamless and invisible than it would have been on a stand-alone basis. Capturing this advantage requires thoughtful product strategy, design, and execution. Below we articulate what we see as the best practices for embedded finance products.

#1: [Truly] Embedded Payments	▪ **Payments should be deeply embedded into the commerce features of the core software platform** to the point of payments becoming invisible; there should also not be awkward separation between payments and commerce UX and data: • Customer checkout should be streamlined into the broader commerce experience, with payments delivered on an accelerated basis (e.g., stored credentials) • Embedded payouts/disbursements should be integrated into the procurement or A/P feature sets of the software • Customer servicing of transactions should not be distinct from servicing of payments • *Among other examples*
#2: [Truly] Embedded Lending and Other Financial Services	▪ When branching into broader financial services, the same principle of deeply embedded user experience should apply: **the financial service should be deeply embedded and aligned to the software use cases**. If you are only opportunistically cross-selling financial services, then you've missed your key advantage. • Working capital lending should be marketed in the context of business trends/insights and forms of cash flow data and should be marketed to financial users, not other forms of users • Payroll should be intertwined with people management software features • Virtual banking should be embedded into revenue management features of the software • Insurance offerings should be tightly coupled with the purchase of the underlying insurable product/service • *Among other examples*

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#3: Unified Dashboard and Controls	▪ **The primary dashboard and control panel of the software should also be the visibility and accessibility hub for financial services**. • The dashboard should be the client's control center for commerce and financial services • Payments should be interwoven into the reporting and data visualization of commerce activity on the platform • Tracking and reconciling commerce transactions and payments should be one and the same • Payment controls should exist alongside other controls, not a separate portal / environment • There should be easy one-click efforts for high-frequency servicing requests (refunds, etc.)
#4: Financial Services Tailored to Your Client's Profile	▪ For small businesses, **design of embedded financial services should focus on simplicity** via apps or web GUIs ▪ For enterprise businesses, **embedded financial services need to be available via the API/SDKs** of the SaaS ▪ The fit for various embedded financial services is **highly correlated to the vertical and size of your platform clients**, for example: • Embedded cross-border payouts are only suited to verticals where international suppliers are common • Embedded purchase financing (consumer) is only applicable in verticals with higher average tickets • Embedded terms / factoring / supply chain financing are only applicable in B2B verticals with higher average tickets • Embedded working capital is applicable to SMBs in verticals with cyclicality and natural liquidity challenges • *Among others*
#5: Localize the Embedded Finance Product	▪ **Do not assume that what works in the US will work equally well in international markets** where structure and behaviors can be quite different ▪ Localization generally means: • Local language and currency • Local payment methods • Fiscalization and other local tax regulations • Local pricing and commercial conventions • Onboarding adapted to local environments (e.g., business registries) • *Among others*
#6: Make Sign-Up and Activation of Embedded Financial Services Near-Effortless	▪ **Remove sign-up friction** • Don't ask for data you already have or via a completely intertwined SaaS + embedded finance sign-up • Pre-qualify or pre-approve merchants for products such as lending wherever possible • KYB in real time or in advance or behind the scenes, not as a point of friction • Digitize everything • Make any application status or pending next steps obvious

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#6: Make Sign-Up and Activation of the Embedded Financial Services Near-Effortless *(continued)*	▪ **Guide the client until they are actively using the embedded finance service** • Sign-up isn't enough; hold their hand until the financial service is configured and live • Over-communicate until they are active • Make implementation and activation as frictionless as possible • Recognize and potentially reward clients for active usage • Deploy AI assistants to help • Proactively talk to key clients when scale supports people-based comms • Cross-selling should be well placed with an easily executed call to action and resolution
#7: Keep Pricing and Billing Simple	▪ **Treat pricing transparency and simplicity as a key part of the product UX** ▪ **Give merchants one clear view of software and fintech charges** • Make it clear what the merchant is paying, what the charge relates to, and when it will be collected • Avoid separate invoices, unexplained fees, and multiple billing relationships • You don't want pricing to be an attack vector for stand-alone payment services providers
#8: Own First-Line Support, Build a Robust Servicing UX	▪ **Give merchants one support experience across software and fintech** • Ensure the clients don't experience the operating model complexity that comes with financial services (e.g., who should I call?) • Find ways to simplify and demystify complex topics such as risk management • **Make 90%+ of cases self-serviceable**, ideally with strong AI support • Ask for merchant feedback to drive ongoing improvement

Conclusion

Best-in-class embedded finance requires strong product design and execution. Just having and offering financial services is not enough to drive success; these services must be deeply embedded into the core software product along with other success factors discussed here. In the next installment of this embedded finance best practices series, we will cover operating model best practices.

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