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How embedded finance is changing strategies for payment providers and retailers

Article

The panel: Embedded finance was a consistent theme throughout Money20/20. It's at an inflection point, said Insider Intelligence's **Tiffani Montez** during a panel she moderated.

Embedded finance has created a whole new set of customer expectations that retailers and their payment providers need to address.

How does embedded finance benefit payment providers? Payment providers use embedded finance to diversify their revenues, **Fiserv's** Sunil Sachdev said during the panel. Instead of relying on interchange and other card fees to grow revenues, providers can expand into more services.

Another benefit is the new data that comes from embedding new tools. Payment providers can use the data to offer customers tailored products.

What's in it for retailers? Retailers want to make their checkout processes frictionless.

- This not only increases conversion rates and reduces cart abandonment, but it also helps foster loyalty and improves retention, **Nordstrom's** Daniel Crisologo argued.
- This is why Nordstrom has made payments a strategic unit, emphasizing the importance of checkout in the commerce experience.

And data is key to understanding what consumers want from checkout. An ideal checkout experience would be dynamic, Crisologo said.

- Customers don't want to see a Nascar-like checkout page littered with buy buttons. Too many options can overwhelm consumers.
- But a dynamic experience would know when to offer customers a BNPL option or an application for a credit card.

Consistency across all channels is also key to a successful payments strategy, Crisologo added.

- For instance, if a BNPL option is available online, it should also be available in store.
- But Crisologo cautioned that as payments options get more personalized, it's going to become much harder to keep the in-store and online payment experiences consistent.

What's next? Embedded finance is growing, and more nontraditional players are providing financial services like payments.

The preeminence of the traditional three-party model of an acquirer, issuer, and processor faces fierce competition. These lines are getting blurry, and there's an opportunity to condense the model.

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