

The Banking & Payments Show: Money20/20 in 2023

Audio

On today's podcast episode, we bring you the major themes that we witnessed directly from the Money20/20 conference in Las Vegas, Nevada. Recorded from the conference floor, we discuss the data and tech required to offer customers payments choices, expectations in embedded finance, and consumers' privacy and trust. Tune in to the discussion with host Rob

Rubin, our principal analyst Tiffani Montez, and Sean Welsh, senior vice president and managing director of financial institutions at Affinity Solutions.



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Episode Transcript:

Rob Rubin:

Discover the future of banking with Affinity Solutions, a pioneer in consumer purchase insights. Using cutting edge analytics, Affinity Solutions analyzes payment data to craft exclusive deals for financial service consumers based on their spending patterns. Each transaction with Affinity becomes a step towards understanding your customers deeper, curating rewards that genuinely resonate. It's more than just banking. It's an evolution to intelligent, personalized commerce. Transform your financial interactions with Affinity Solutions.

Sean Welsh:

Trust is a key element in ensuring that not only your payment vehicle is top of mind, but top of wallet. Trust is key in a world where we've basically left brick and mortar behind and we have only click and mortar and the brands that stand behind those. Trust is a huge element in driving top of mind behavior, and ultimately, top of wallet behavior.

Rob Rubin:

Hello, everyone. And welcome to The Banking & Payments Show, a Behind the Numbers podcast from eMarketer, sponsored by Affinity Solutions. Today is October 31st, Halloween. Cue in the spooky music, Todd. I'm Rob Rubin, GM of financial services and your host today. If you enjoy this podcast, please leave us a review and give us a five-star rating. We'd love to hear from you. The title of today's episode is Money 20/20 in 2023, and that's because we're on the floor of Money 2020 in Las Vegas recording this episode. So if you hear noise in the background, that is why. So today for us is really October 24th, and joining me today is Tiffani Montez, principal analyst for banking at Insider Intelligence, and Sean Welsh, SVP and managing director of financial institutions at Affinity Solutions. Hey, guys. How you doing?

Tiffani Montez:

Hey, there.

Sean Welsh:

Doing well, Rob.

Tiffani Montez:

Good to see you in person.

Rob Rubin:

This has been a fun day. I've been speed dating all day. I've had 10 meetings so far.

Tiffani Montez:

And you ended up with us.

Rob Rubin:

And now I'm here, but it's so much better because at least I'm seated. I'm not waiting to go to the next thing.

Tiffani Montez:

We already know who you are and what you're up to, what you're all about.

Rob Rubin:

So what we don't know is, Sean, so before we get into it, let me ask a few quick fire questions here, Sean, for you, so that the audience can know you a little better. And we've chatted, so I want to ask this. What's the strangest place you've ever lived?

Sean Welsh:

Well, I was born in Bangkok, Thailand, and I grew up in the far east. Borneo would probably be the strangest place I've lived.

Rob Rubin:

Borneo, why is it strange?

Sean Welsh:

Well, Borneo is odd. It's the third-largest island in the world and it's split between three countries.

Rob Rubin:

Oh.

Sean Welsh:

Indonesia has the lion's share, Kalimantan. The Sultan at Brunei has a bite. And then Malaysia has the northeastern bit, which is where I lived.

Rob Rubin:

All right. Well, that's-

Tiffani Montez:

Wow. I thought you were going to say Vegas. I was kind of hoping you were going to say Vegas is the weirdest-

Rob Rubin:

The weirdest place.

Tiffani Montez:

... or scariest or whatever our theme is, place.

Rob Rubin:

Yeah.

Tiffani Montez:

But I guess he beat that.

Rob Rubin:

Well, that was fun. Because we're here at Money 2020, we're not going to do the regular segments that we normally do. We thought it would be fun if we each chose a theme that we've seen at the conference this year and that we can chat about it. So let's quickly call out a theme for each other. Sean, what's really stood out to you?

Sean Welsh:

I think, Rob, there are several things that have come out of this conference, but the rapid expansion of consumer banking and payment choices is clearly one of them. There's been an explosion in the amount and type of choice consumers have. It's not news, it shouldn't be unusual, but the sheer volume of choices and the speed at which they're being served to consumers is mind-bending.

Rob Rubin:

Like a diner.

Sean Welsh:

Like a diner.

Tiffani Montez:

Or speed dating.

Rob Rubin:

Yeah. Tiffani, what about you?

Tiffani Montez:

Well, I'm going to naturally say embedded finance, since I had a session on that.

Rob Rubin:

I know.

Tiffani Montez:

So I'm always going to choose myself first.

Rob Rubin:

Well, it was a setup, too. And so for me, I'm choosing privacy and trust because I think that you guys have chosen right things, consumer choice, embedded finance, but all of those things would go nowhere without getting privacy and trust. And we've even seen starts and stops because trust has been violated. So I'm going to pick privacy and trust. So let's get the conversation started with Sean's observation about consumer choice. It's clear that consumers have more and more choice when it comes to banking and payments, particularly.

Sean, offering customers payment choices, it used to be so much simpler, right? What stands out to me just listening to some of the sessions is how much data and tech is actually required to provide all those choices. And why is it so complicated? And help us understand why it's so valuable.

Sean Welsh:

Absolutely. So I think it's not just the amount of data and technology required to pass the data that's mind-bending. We live in a world now where speed is ever more important, and the ability to serve people their choices in real time or even before they've arrived at their choices-

Rob Rubin:

Right.

Sean Welsh:

... is where the action is. So-

Rob Rubin:

To predict their choices.

Sean Welsh:

If you look at generative AI, for example, it is going to that place where it's, in effect, able to serve you your choices before you've realized they're your choices. I think data obviously is key to it, but the sheer volume of data required in order to be able to make the kinds of offers and offerings that revolve around that is mind-boggling. So you're going to need a lot more technology, you're going to need much better machine learned algorithms. You're going to need much better artificial intelligence to be able to meet that demand, I think.

Tiffani Montez:

Yeah. And I think the other interesting thing is I think it's about helping clear up or eliminate the need to make a choice, but it's also about making it easy for them to execute whatever that action is in a seamless way.

Rob Rubin:

But what about choice when it comes to commerce, right? So we're talking about you're making a choice about a payment. So I'm at checkout and I'm trying to decide which rail I'm going to put this payment on. Am I going to put on my credit card? Am I going to get BNPL? I think that's some of the choice we're talking about. But you're also talking about other kinds of choices, choices that enhance a customer's experience.

Sean Welsh:

Yes. I mean, which card you pull out of your wallet first of course is the name of the game.

Rob Rubin:

So that's a customer's choice. So how do you get them to choose?

Sean Welsh:

It goes to your topic, actually. Trust is a key element-

Rob Rubin:

Okay.

Sean Welsh:

... in ensuring that not only your payment vehicle is top of mind, but top of wallet. Trust is key in a world where we've basically left brick and mortar behind and we have only click and mortar and the brands that stand behind those. Trust is a huge element in driving top of mind behavior, and ultimately, top of wallet behavior, I think.

Rob Rubin:

How do you think one should use purchase data and insights to put in the decisioning of what you're going to present to consumers? How do you do that?

Sean Welsh:

Yeah. So actually, that speaks directly to the heart of what my company, Affinity Solutions, does. Our consumer purchase data and insights offerings basically exemplify that approach. We enable financial institutions to weave closer ties with their customers by understanding their transactional behavior, not just the transactions they see, but the transactions they don't see, what's known as the [inaudible 00:07:10] data.

Rob Rubin:

What does that mean?

Sean Welsh:

Well, a payments provider or a financial institution will see the transactions its customers enact on their payment vehicle, but they won't necessarily see the behavior their customers transact on other payment vehicles or other cards, other products.

Rob Rubin:

Right.

Sean Welsh:

That [inaudible 00:07:25] data is instrumental in driving the kind of engagement that every payments provider, every FI, wants to drive in order to be top of mind and top of wallet. If I know what you, Rob, are spending on, if I know what your transactional behavior looks like, if I have a full 360-degree portrait of that, I'm much better placed to capture your share of mind and your share of wallet, or at least your fair share of mind and wallet.

Rob Rubin:

So an organization would use its first party data to understand its own transactions, but it would partner with companies to try to get that 360 view?

Sean Welsh:

It would indeed. It would partner with, usually, a number of different companies. But we now live in a world where data aggregation, where data synthesis, syndication, and monetization is prevalent. I mean, all you have to do is go up onto the vendor pavilion there to see the number of companies that have data-

Rob Rubin:

Yeah.

Sean Welsh:

... in their name. And you understand that the data is being used and reused in many different places. Being able to add value to the data and to be able to then action that data to do what

we at Affinity call translate insights into actions, is really where the name of the game is. And I think the ability to do that in real time, or preferably ahead of time, is where we're going.

Tiffani Montez:

I think there's another piece that I'm hoping that we'll see in the future around really being able to get to that and understanding what choice to drive people to and what action to take is also considering what their short and long-term financial goals are, and making sure that you're helping them make the right educated decision based on what their actual needs are now and what they think that they're going to need in the future.

Sean Welsh:

Couldn't agree more.

Rob Rubin:

So what stood out to you about consumer choices? Was there anything up there that you saw that said, "This is getting to be more complicated," or, "It's actually making it better?"

Tiffani Montez:

I think I would say in the discussion that we had, I think the panelists agreed that one of the next iterations that we expect to see, especially around buy now, pay later, is really making sure that you're taking under consideration the tools that you could expose in that experience, or even the financial education aspect of that, and that that is the missing piece right now. And if you start thinking about the risk and reward of buy now, pay later, there is risk, right? And especially in this type of economic environment, there is more risk.

And if you have consumers like Gen Z who think this is the product that helps them get access to all their hopes and dreams, it's really about helping educate them what the product really is and the repayment options and understanding can you, A, afford the credit? But B, what does this mean to other areas of your life? And so how do you build experiences that surface that to the front in a frictionless way? Because clearly no one wants to implement anything that is going to keep someone from purchasing. They want them to move forward. But how can you actually orchestrate that type of experience in a way that educates but then gets them to the end result of a product?

Rob Rubin:

And unbeknownst to them, put them in a bad position that they were even unaware of, which is always the big thing that people have against the check cashing stores is that they're really hurting the consumer because they charge so many fees. And this is the same thing. You're signing up because you're desperate to get that TV or the barbecue, but is it something that's a good idea? And I have a hard time believing that a retailer cares about that. And that's where I have trouble with it, is that the retailer wants to sell the thing. The payment company behind the scenes might be worried about underwriting it.

Tiffani Montez:

Yeah. But the reality is, if you do what is right for the consumer, they're naturally going to buy more with you and they're going to have more affinity towards your brand because you've done the right thing for them.

Sean Welsh:

Absolutely. I was fortunate to be able to listen to Tiffani's panel today, and a gentleman was representing a large national retailer on the panel. And his comment was, at checkout, which is the moment of truth, one wants to be able to offer the right embedded financial options. So with buy now, pay later, for example, being able to offer right-sized buy now, pay later options for right-sized purchases was the name of the game. Being in a position where you don't understand the consumer and offering a buy now, pay later option that isn't relevant is probably just as damaging as offering too much credit at point of checkout.

Tiffani Montez:

Yeah. That's a great point.

Rob Rubin:

This is a really great opportunity to make a transition to the second topic that we've chosen, which is embedded finance. Tiffani, as you know, she obviously chose embedded finance. This is my third Money 2020 conference in a row. And to me, embedded finance has been a recurring theme in all of them. It's been here. And luckily for us, you did run a session today, and the title of the session was Has Embedded Finance Kept Up With Expectations? So I guess that's my question. Has embedded finance kept up with expectations?

Tiffani Montez:

I think it's kept up with consumer demand. I don't know that I think that it's kept up with expectations. I think there's still a lot of work that has to be done at point of sale to be able to really bring that product to life. And I'll say this again because it's worth mentioning. Also, make sure that consumers really understand what that product is and what that means for them by taking on a loan.

Rob Rubin:

Sean, let's set our expectations higher because this is a place where I know that you play a lot. So what are the essential ingredients to making an embedded finance solution [inaudible 00:12:41]? Tiffani talked about understanding the whole customer experience potentially, but what do you think?

Sean Welsh:

Data. Data is the core key ingredient, certainly from our perspective. And not just any data, it's about understanding and translating the data that's most descriptive and prescriptive, which is transaction data. Transactions are the best predictor of future behavior. It's about understanding that data, understanding and translating purchase data into actionable insights. And that's where I think a lot of financial institutions stumble. They have the data. They don't necessarily have the tools and the ability to translate that data in quick time, let alone real time, into meaningful action. And so I think a key ingredient is data. And again, we've spoken about this before, there's a lot of it. So being able to get to the important data to be able to translate that data into information and that information into action and that action into outcomes that benefit not just the customer, but the provider, that I think is important.

Rob Rubin:

The other key, I think, is attribution, right? If all of these partners want to know that whatever efforts and all of this work is worth it, how do you do attribution in this case?

Sean Welsh:

Well, yes. In a cookieless world, in a world where it's very difficult to see the closed loop, clearly transaction data gives you the closed loop attribution certainly merchants are looking for. They want to know where every penny of every marketing dollar is being spent. They want to know the ROAS on every penny-

Rob Rubin:

Yeah.

Sean Welsh:

... of every marketing dollar they spend. And if you have access to the transactions, which is the proof point of all the marketing, and if you're able to match those transactions to the marketing spend, you really are sitting on gold.

Rob Rubin:

But that's the hard part. That's the gold. That's why it's more than gold, right?

Sean Welsh:

Yeah. It's very hard. You need access to the transaction data. So at Affinity, we have access to transactions on 130 million cardholders. Access to those transactions and the ability to marry them to the marketing spend that drove those transactions is core to our value proposition. It's critical to any merchant that wants to, for example, advertise in the bank or FI channel or partner with an FI or build a connected commerce or embedded commerce application with an FI. They want to know where their marketing spend is going, and they want to see that in the form of a transaction at the end of the line.

Rob Rubin:

Have you seen from talking to folks who are doing embedded finance on the merchant side this issue of attribution for these efforts?

Tiffani Montez:

I have not, but I imagine that it exists, right? You want to be able to make sure that you're taking that product and attaching it to a sale. And then I would assume, if you're really sophisticated, you want to make sure that thing that you purchased wasn't returned.

Rob Rubin:

Right. And I guess if you're the financial institution, you also want to make sure that all of the regulations and whatever was required has been met. And is that something that you guys focus on?

Sean Welsh:

Intently. We sit at the nexus of privacy, data security, and of course, personalization at the other end of the spectrum.

Rob Rubin:

Right.

Sean Welsh:

To us, data security and consumer privacy, the consumer's full right to his or her or their zero party data, is non-negotiable.

Rob Rubin:

Right. Just for the audience, first party data is data, like the bank's data, about what you've done with the bank. Zero party data is?

Sean Welsh:

Is your data, Rob, and Tiffani, and we own our own data. That's zero party is you and me and Tiffani.

Rob Rubin:

So is my data at the bank, it's first party data for the bank, but it's my zero party data?

Sean Welsh:

That's absolutely right.

Tiffani Montez:

And some of it you willingly give away.

Rob Rubin:

Unknowingly willingly.

Tiffani Montez:

Unknowingly willingly, yep.

Rob Rubin:

Because I don't know how to price it.

Tiffani Montez:

There you go. It's more than \$0. That's all we know.

Rob Rubin:

It's spoken like a product person. If I could price it, I would.

Sean Welsh:

But the key is, you own it. It's yours.

Rob Rubin:

Yeah.

Sean Welsh:

And when we talk about the chain of custody and data from zero party to first party, second and third party, that ownership must be respected.

Rob Rubin:

Maybe one of the interesting transformational shifts that's occurred is consumers are, over time, learning more and more that they actually own this data, that I didn't know that. And so maybe that's one of the issues. And again, a perfect transition to our last segment about privacy and trust, because everything that we've talked about so far, if you don't have privacy and trust, nothing happens. When you go upstairs and listen to all of the conference sessions, ultimately, anything that happens, you have to have privacy and trust. And from personalization to generative AI to embedded finance, everything requires the trust and protection of data.

The experience needs to be personal, meaning it needs to be relevant, it needs to be timely, but it can't be creepy. You know so much. You've been describing how you have for 130 million consumers, you know their transactions. So that's a big responsibility that you have to protect that information, obviously. The business is predicated on your ability to do that. And it stands that you need to have that to build trust, and you could be creepy with that data if you

wanted. I always joke, like my wife and I had to buy a mattress over the summer. And we were talking about, "Well, we sleep on our side, so what kind of mattress should we buy?" And then I start to see ads for mattresses. And I think, "Well, that is creepy, actually. I wonder how they do that."

Tiffani Montez:

But was it a good recommendation is really what we want to know?

Rob Rubin:

No, not really. The recommendation I got was from somebody in the family that said, "You need to wait until the holiday because when the mattress companies have big sales."

Tiffani Montez:

Oh, okay.

Rob Rubin:

So we bought around July 4th.

Tiffani Montez:

But would you have thought that it was creepy that they overheard your conversation had they given you a really good recommendation?

Rob Rubin:

I might not have.

Tiffani Montez:

Okay.

Rob Rubin:

No, I guess I probably wouldn't have. I wouldn't have noticed it was creepy. I would have-

Tiffani Montez:

You would've thought they were a hero, mattress hero. Yeah.

Rob Rubin:

Yeah.

Sean Welsh:

So on this question of trust, there's no question that trust is the foundational element of every relationship. We know that the FIs that are able to foster a deep level of trust with their customers are the ones that have the most engagement and the most lasting relationships with their customers, which of course is what they want. They spend a lot of money acquiring them. And we know that the FIs that have fostered the most trust with their customers are the ones who actually enjoy the greatest share of mind and the greatest share of wallet over time.

If you take a company like USAA, for example, has the highest NPR score of just about any major institution in the country. That NPR score, net promoter score, is a proxy for trust. Their members trust them. They trust them with all of their cradle to grave financial and insurance needs. And for them it's non-negotiable. So I think trust as it is with us, while we delve deep into the transaction data at Affinity, we are always mindful of the sanctity and privacy of data and the trust element. We know that's the only way to forge a lasting relationship.

Rob Rubin:

I wanted to ask Tiffani this because you're talking about trust, because we cover digital trust. So we've been doing this for four years, which is there's trust, like you go into a bank branch and you can see the safe from the lobby. But we've been studying digital trust. So maybe you can just, Tiffani, give everybody a high level overview of what helps build consumers' digital trust.

Tiffani Montez:

Yeah. So I think I'd probably first start off by saying that, when you think about trust, it's really a commodity. And if you don't have trust, then any other thing that you do in your business naturally collapses. So when we start thinking about financial institutions in a digital environment, you know in a digital environment there's a lot less touch and it's anonymous, which puts you in a position to be able to lose that trust pretty quickly. And we know that for financial institutions, consumers that have higher trust are naturally more engaged, they're more loyal, and they have higher satisfaction.

As you mentioned, we have done this study for the last four years on banking digital trust, which is based on six pillars of trust that we ask consumers about. And those six pillars include

security, privacy, reputation, reliability, future breadth, and ease of use. And naturally, one of the areas that consumers continuously gravitate to when you think about trust is the areas of security, privacy, and reputation. And so it's extremely important that anytime you have an interaction with consumers, that you're really reinforcing those top three things by also making it easy to actually interact with the institution, whether it is a bank or a retailer.

Rob Rubin:

Thank you. One of the things I wanted to ask Sean, because obviously everybody wants to have trust and you want your customers to trust you. But sometimes, you need to be convinced. And I wanted to ask Sean, how does building customers' trust actually enhance a customer's experience? They're not going to attrit because they trust me, they're going to stick with me. But how do you use trust as a way of building a better experience?

Sean Welsh:

It's a great question. I think trust has to be earned. And one of the ways the financial services industry can go about earning trust is to make sure that every opportunity they have to interact with their customers, or consumers if they're prospects, is timely, relevant, and personalized. The last thing we want to do is to create a Groupon effect in our marketing and in our promotions. We don't want to cause people to switch off. We don't want to generate a level of noise that causes them not to look at us anymore. We need to be really judicious about the limited exposure we have to our customers and make sure that it's timely, relevant, and personalized. And that will help build trust.

Rob Rubin:

One of the things about personalization, which is tough, is if you use a piece of information incorrectly, then you've personalized it in a bad way. Like I'm not interested in that, but even though I might've purchased it in the past, it was a terrible mistake. Thanks for reminding me.

Sean Welsh:

Yeah. But to Tiffani's point on the trust topic, protecting your data-

Rob Rubin:

Yeah.

Sean Welsh:

... your zero party data, making sure it's secure, making sure you are a custodian of that in the fiduciary sense, I think those are table stakes. Thereafter, I think our approach is make sure that you are using the data judiciously so as to optimize every opportunity you have to be in front of the customer. If you're a financial institution, if you're a neobank, or if you're a large money center bank, or if you are an emerging micro lender, make sure that every touch is personalized, relevant, and timely. And that goes a long way to fostering in and generating trust.

Rob Rubin:

I really feel like, in the time that we've had, we've covered the fact that what were here today in the show are these themes around choice, engaging directly with the customer, getting closer to the customer, so embedding finance into the experiences, and how across that entire value chain, if you're not protecting the privacy of customers' data, they're not going to trust you, and then you will lose their business. And as anybody knows, it's hard to earn someone's trust, but it's super easy to lose it. It just takes a second. Well, that's all the time we have for talking about privacy and trust and for the episode today. So I want to thank both Sean and Tiffani for being here. It was so much fun.

Sean Welsh:

Thank you, Rob.

Tiffani Montez:

Thank you.

Rob Rubin:

I want to thank everyone for listening to The Banking & Payments Show, an eMarketer podcast sponsored by Affinity Solutions. And also, thank you to our editor, Todd.

Tiffani Montez:

Hi, Todd.

Rob Rubin:

Our next episode is on November 14th, so be sure to check it out. See you then.