Every Company is a Payments Company:
How to ensure FOMO doesn't tank your ROI

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The era of embedded finance is here. Accelerated by digitization shifts during COVID, non-financial businesses can now make complex payments and other financial services simply disappear into the background of the solution being offered to a customer**.** This gives virtually any brand or merchant the opportunity to add innovative financial services into their existing customer experiences. And the total addressable market is enormous. Embedded finance will top $7 trillion globally by 2030, twice the combined value of the world's top 30 banks today. The embedded payment sector in the US is forecasted to become a $300 billion revenue opportunity.
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You have likely taken notice. Fintechs, supported by VCs, have been pumping an unprecedented flow of money into the sector. Fintech companies received $1 out of every $5 invested in the second quarter of 2021, according to CB Insights. Investment in the sector reached $33.7 billion, up from $25 billion last quarter and $11.6 billion a year ago.

It is undeniable that opportunity exists, and the time is right to make a move. But the plumbing behind payments is extensive and intricate, so adding this new offering will involve a fundamental shift in your business. You probably have a base level understanding of the industry and market opportunity but payments is a complex ecosystem with a myriad of functions among many players. There are numerous considerations to address up front, in order to ensure your program gives you the expected ROI on the back end.

We tell clients to “slow down to speed up. “If you take the time to develop your strategy, organizational readiness and roadmap for execution up front, you can avoid some predictable pitfalls.

Answer these three questions before you make the go-no-go decision on adding payments capabilities.

1. What role will you play in the payments value chain?

Many companies initially want to be a BIN sponsor so they can partner with fintechs and big brands as they launch their card programs. That relationship is limited, and it does not allow you to design, build and manage programs, but BIN sponsors are required to have oversight over the program. Another option is to become a program manager. This entity typically is responsible for establishing relationships with processors, banks, card production facilities, distributors and more. There is also the question of offering value added services or additional capabilities that may require taking on additional roles. The payments ecosystem has more roles and responsibilities than most people anticipate, and they can be taken by surprise when they recognize that what they are trying to build does not fit with the structure, or lack of structure, that they have established.

2. What do you need to build, buy or partner to add?

Becoming a payments company is a fundamental business shift requiring foundational change. The right architectural structure for the organization is critical to apply the strategy. Every company has internal accelerators and barriers along with assets they can leverage. In payments it is most important to analyze operational capabilities. Often the talent to make this change and run it effectively does not exist in house. Financial services is not the same as payments so the existing team may not be able to pivot to their new roles and responsibilities because they lack fundamental payments knowledge and operating experience. Additionally, it is almost impossible to build it all in house or acquire and onboard fast enough. Partnerships in payments are necessary and you will likely find yourself working with “frenemies. “
While you need a bold strategy to take advantage of the embedded payments opportunity, that strategy must exist within a broader shift in strategy at the enterprise level. Companies that fail to map out their build, buy, partner strategy will not be able to deliver a sustainable and defensive solution that can scale and drive value for the organization.

3. Are you prepared to steer this major transformational change with the behaviors required to sustain it?

Successful transformational change is stubborn. Let’s face it - most change efforts fail unless companies adopt a transformation mindset, garner organizational buy-in and commit to the leadership behaviors required to drive and sustain the transformation. Too often the team is just thinking about payments as a new product or division and don’t recognize that adding payment capabilities will fundamentally change the enterprise. You must identify the organization’s state of readiness and ensure the enterprise is aligned to take on these changes with the organizational architecture in place to support it.

Failure does not usually come from bad strategy; it comes from bad planning and insufficient readiness. Do not skip asking and thoroughly debating these three questions to identify the change the organization must embrace to most successfully drive value from a payments program. ♦

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