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CONSUMER STUDY 2022/23

Embedded Finance Opportunity in Europe

The what, why and how of meeting
european consumer needs

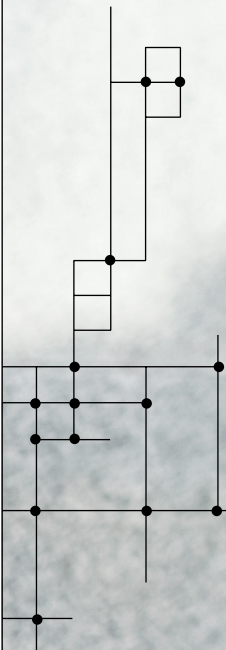


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Preface

Welcome to our study of financial services expectations in Europe.

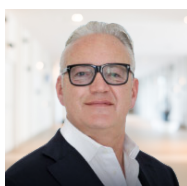
Building a business case, it reviews embedded wealth possibilities from a consumer perspective.

The motivation for our survey was to gauge consumers propensity for investment, pension and wealth services and how consumers wish to consume. The results are both surprising and telling of the evolving needs by consumers in Europe.

Our thanks go to the 1,500 consumers in Sweden, Germany and the UK that we interviewed personally for this survey.

We hope you enjoy our findings and are looking forward to your feedback and discussions.

Yours



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Executive summary

The popularity and importance of embedded finance is set to accelerate.

Started with transactional financial services the offer has reached the relationship side in finance with wealth, insurance.

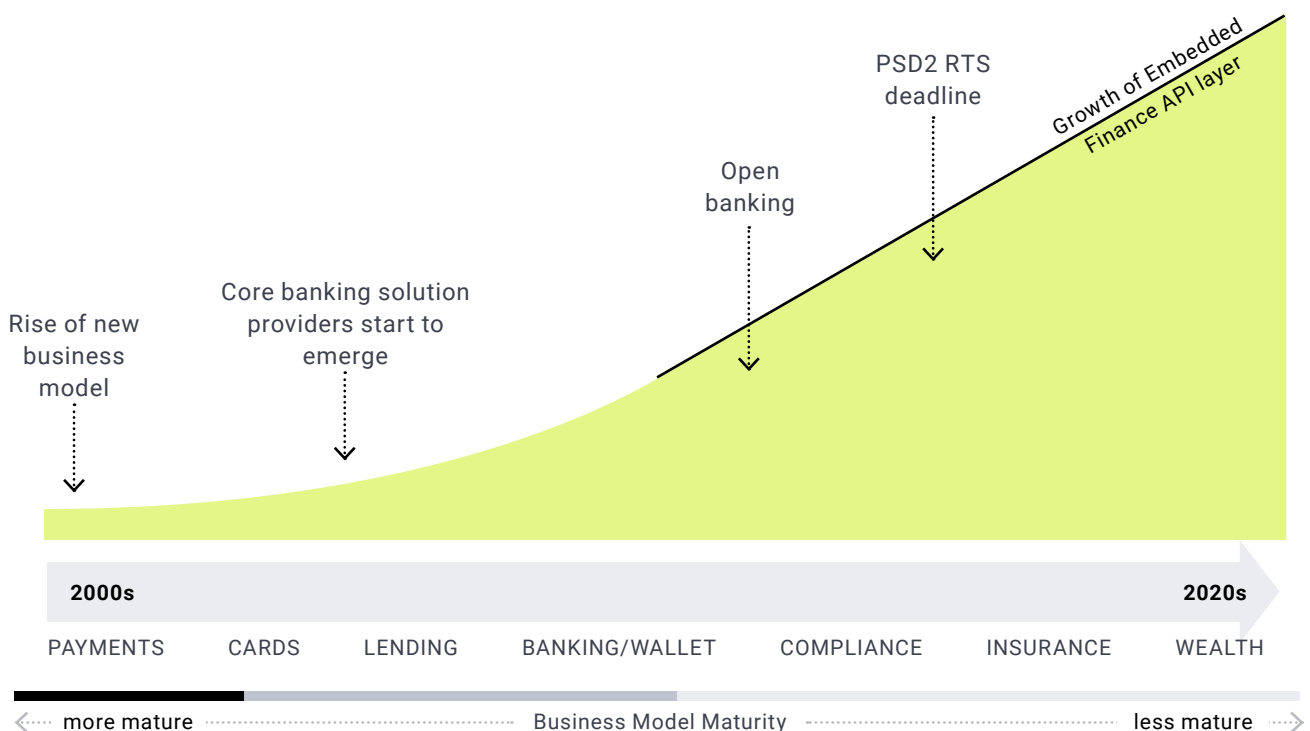
Consumers seek financial services at their point of need, personalized:

- Consumers want to change how they invest
- Impact investing is felt relevant for all ages
- They need guidance to budget and save
- And would use non-financial brands for planning help

Leveraging APIs to deliver financial services via an embedded finance model, any brand can meet these needs.

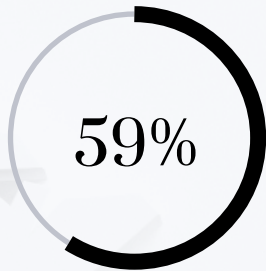
Figure 1

The evolution of the embedded finance ecosystem

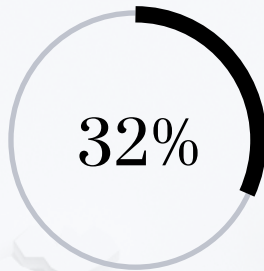


Source: Finch capital/additiv

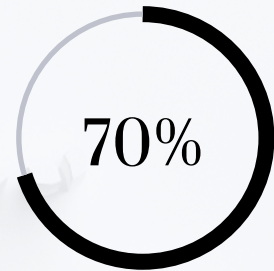
Key findings



Interested in financial services from a non-bank organization if they offer cashback and rewards



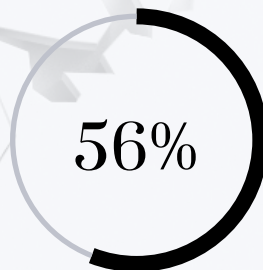
Would switch to a more innovative bank



Interested in earning cashback on household bills



Want automated savings/investment information and recommendations from a non-financial organization



Want to spread the cost of large purchases over several months (buy now pay later)

Digital financial services in Europe – positioning today?

>70%

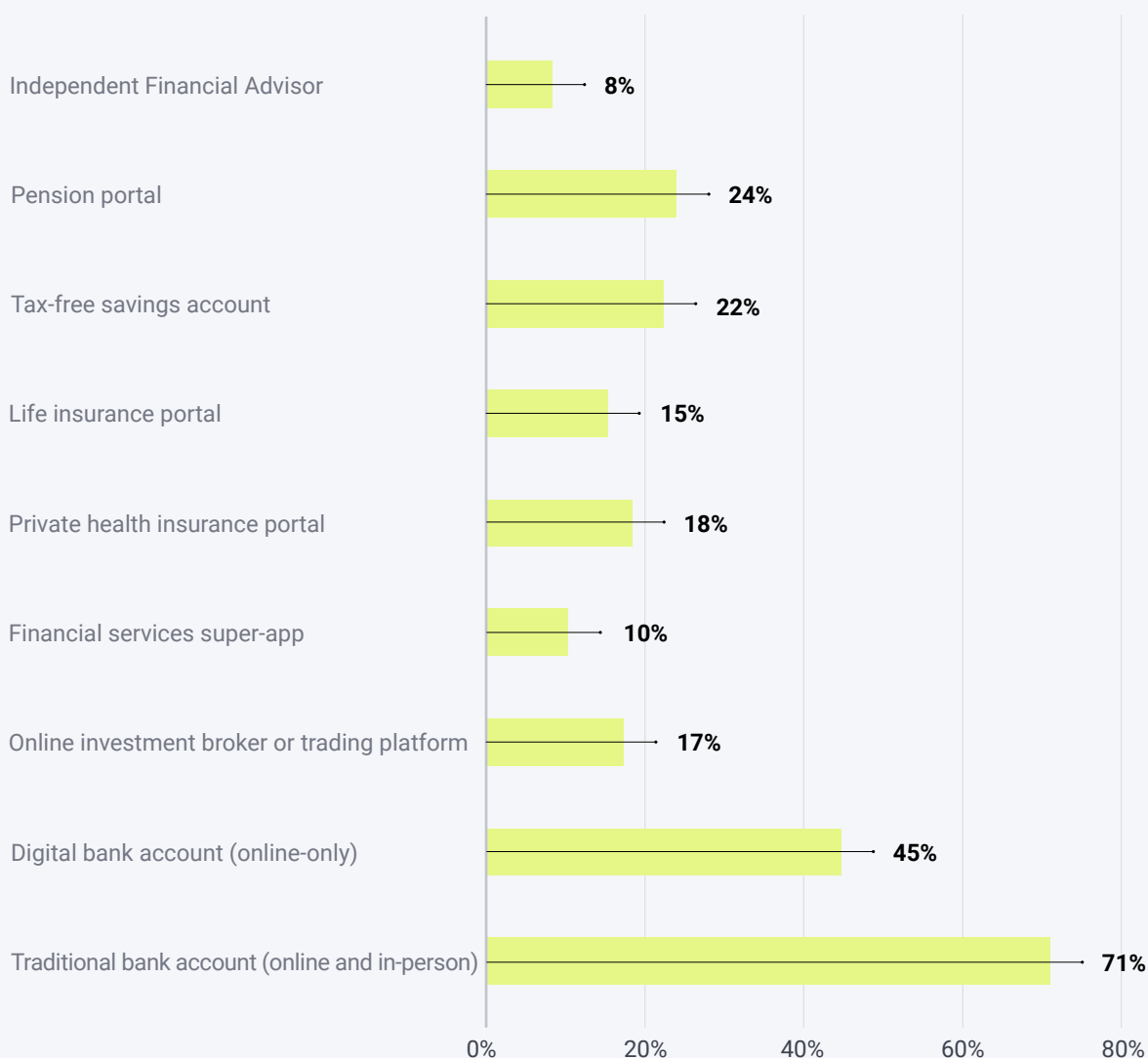
of clients in Europe with online bank account and in person service.

The pending generational wealth transfer will change this picture going forward.

Increasing the online access and the pure digital bank account.

Figure 2

% consumers who have access to financial services online



How satisfied are consumers in Europe with their financial services?

Financial firms do not have a satisfaction issue

74%

say their bank and/or financial service provider meets their personal needs.

And only half believe their bank is innovative.

only 56%

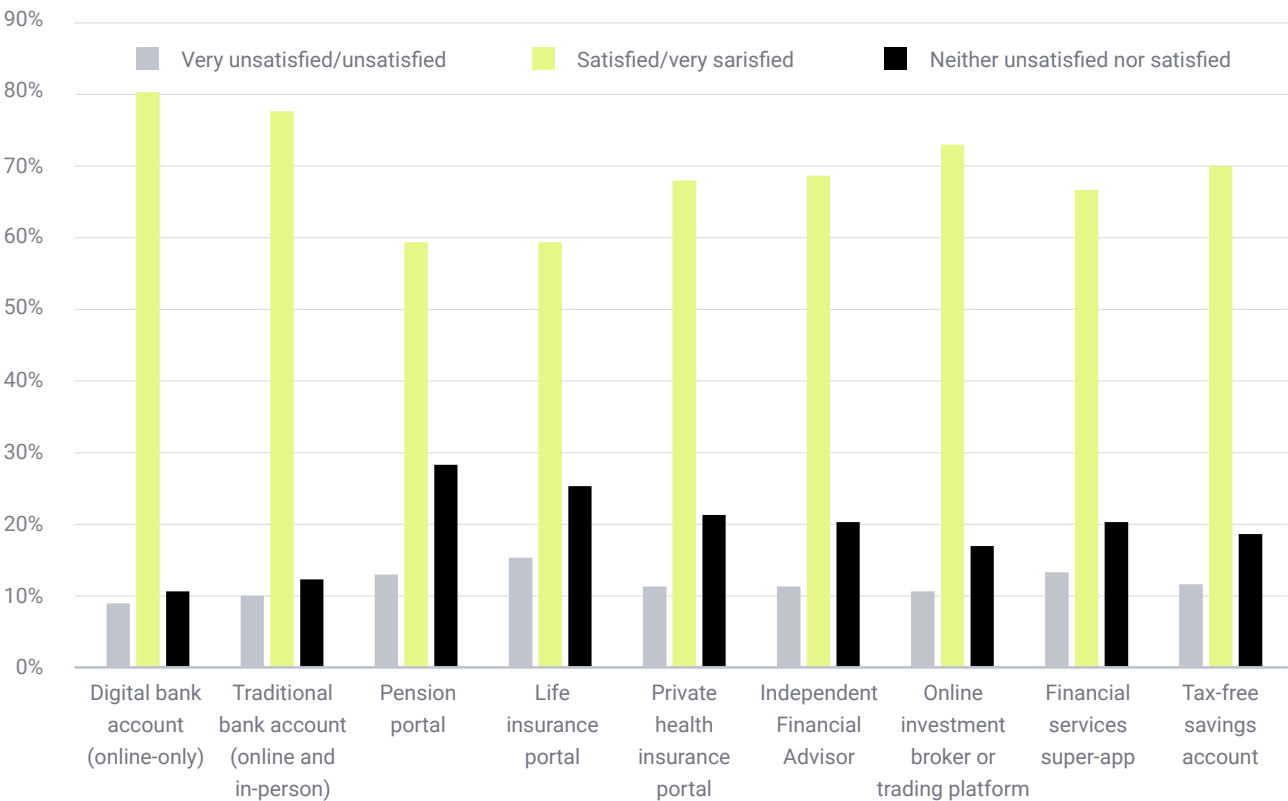
in Europe (49% in Sweden) believe their bank and/or financial service provider is innovative.

But 42%

would switch for a more innovative service

Figure 3

How satisfied are you with the experience when accessing the following services online?



Do financial service providers face an engagement gap?

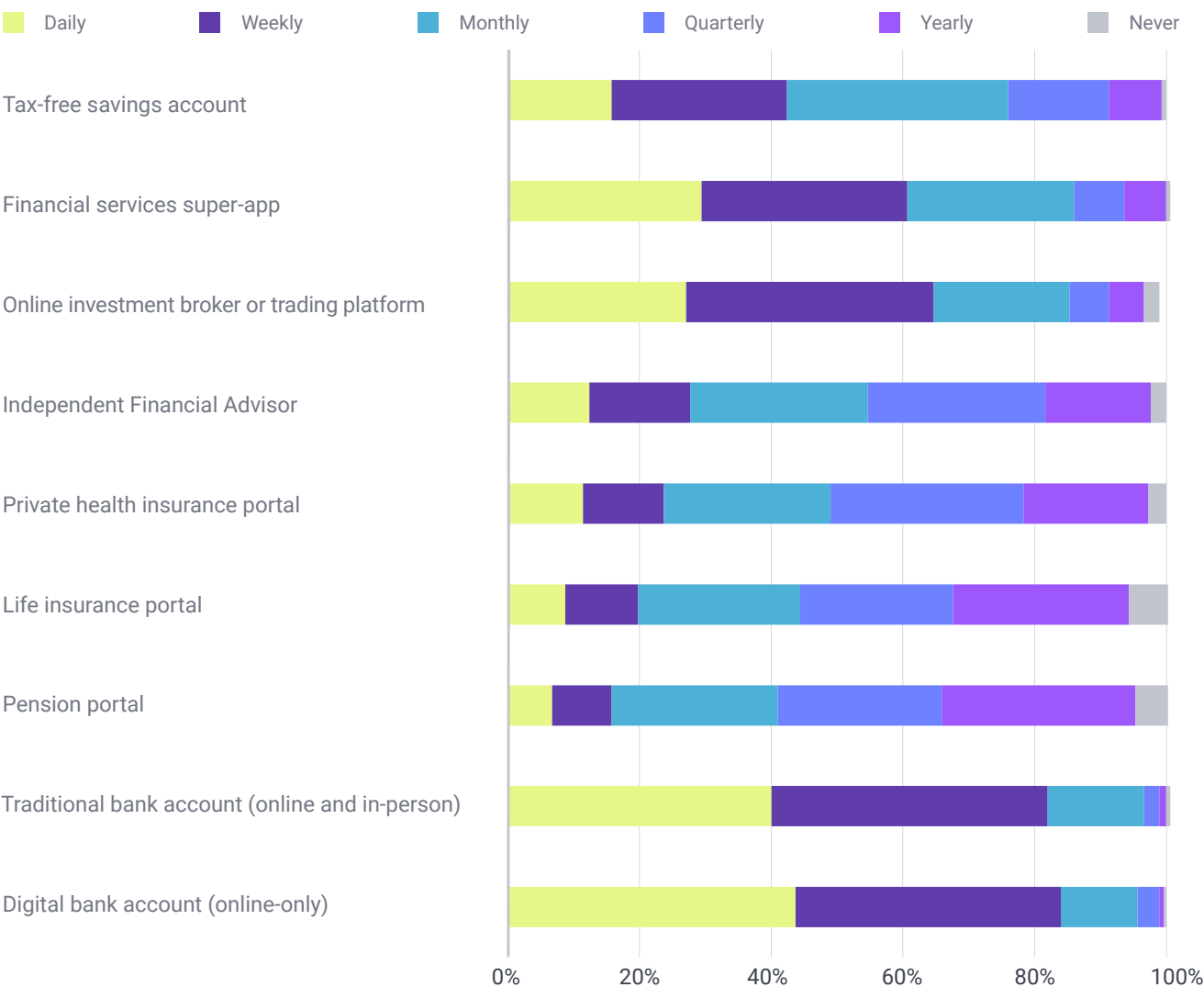
Engagement with financial service apps in general is **low**.

When **consumers have a shortfall** (example pension gap) they may not want to be reminded by interacting regularly.

Tools **offering realistic plans** are key, leading to increased interaction and up sale opportunities.

Figure 4

% frequency of consumers who use online finance services



How can consumer engagement be improved?

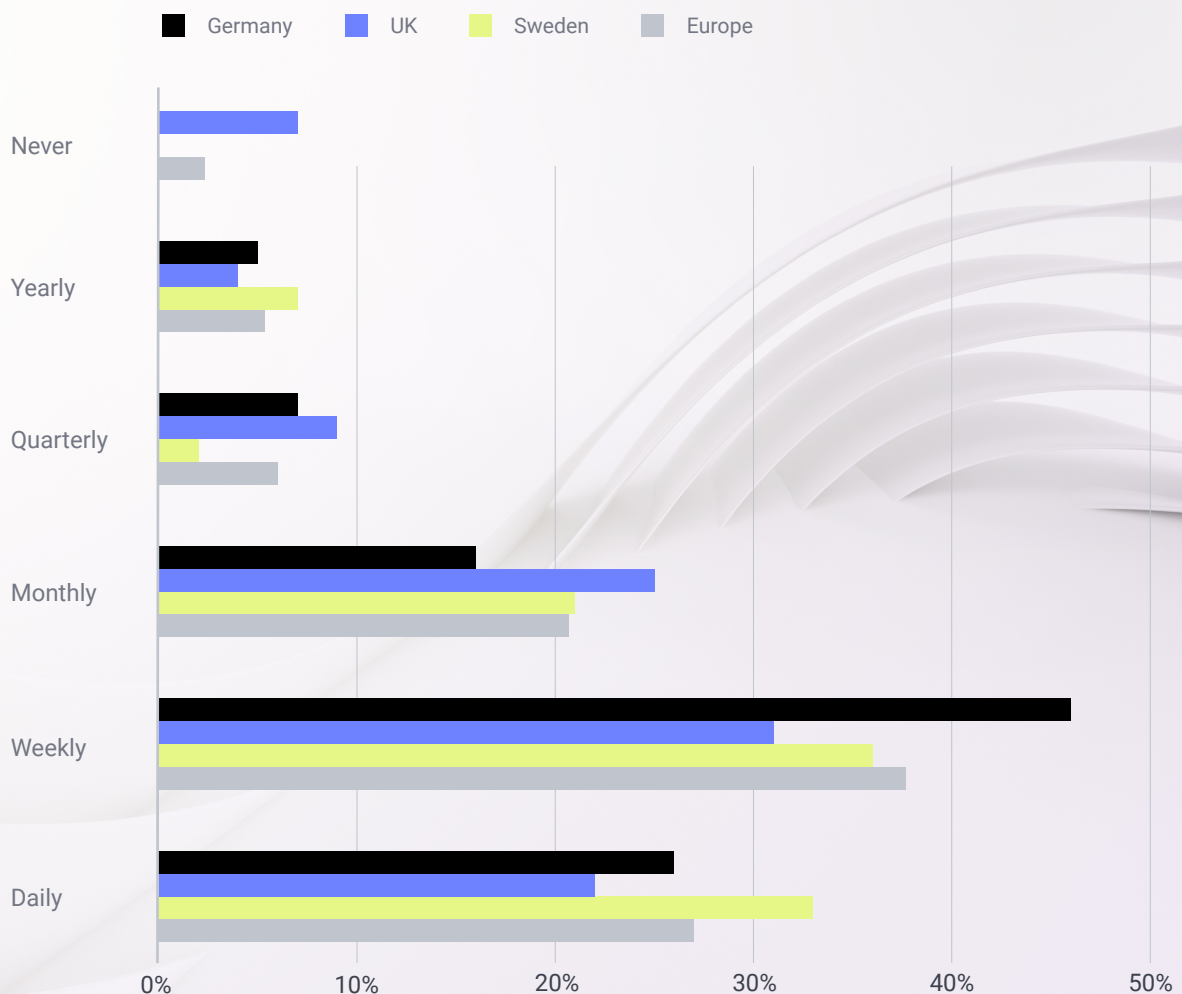
Investment apps such as Robinhood and eToro use **gamification**. This approach can support **investment education and responsible financial planning** and it ups consumer engagement.

29%

accessed investment apps in the last year globally, but we see less demand in Europe with only **17% of our European respondents seeking access**.

Figure 5

Online investment broker regularity



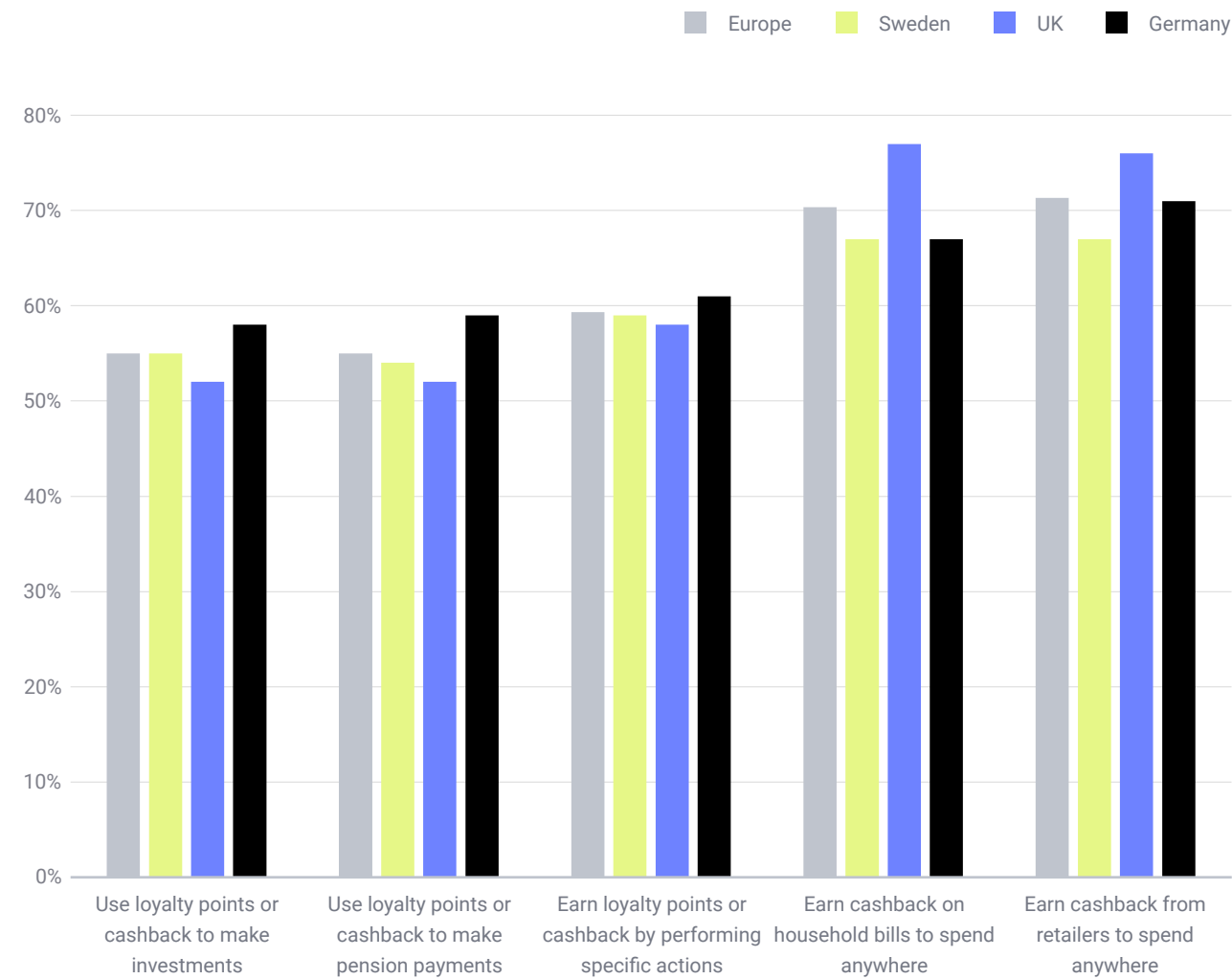
How important is giving rewards to consumers in Europe?

While you pay with your consumption for **loyalty points and cashbacks it does not feel like a spending**.

Over 50%
would use cashback and loyalty points to invest or save if offered.

Lifestyle related spending is most popular, unsurprisingly given living standard challenges, with UK after Brexit at the forefront.

Figure 6
% Interested in cashback and loyalty points



What's European's view of ESG and sustainable investments?

Only 1/3

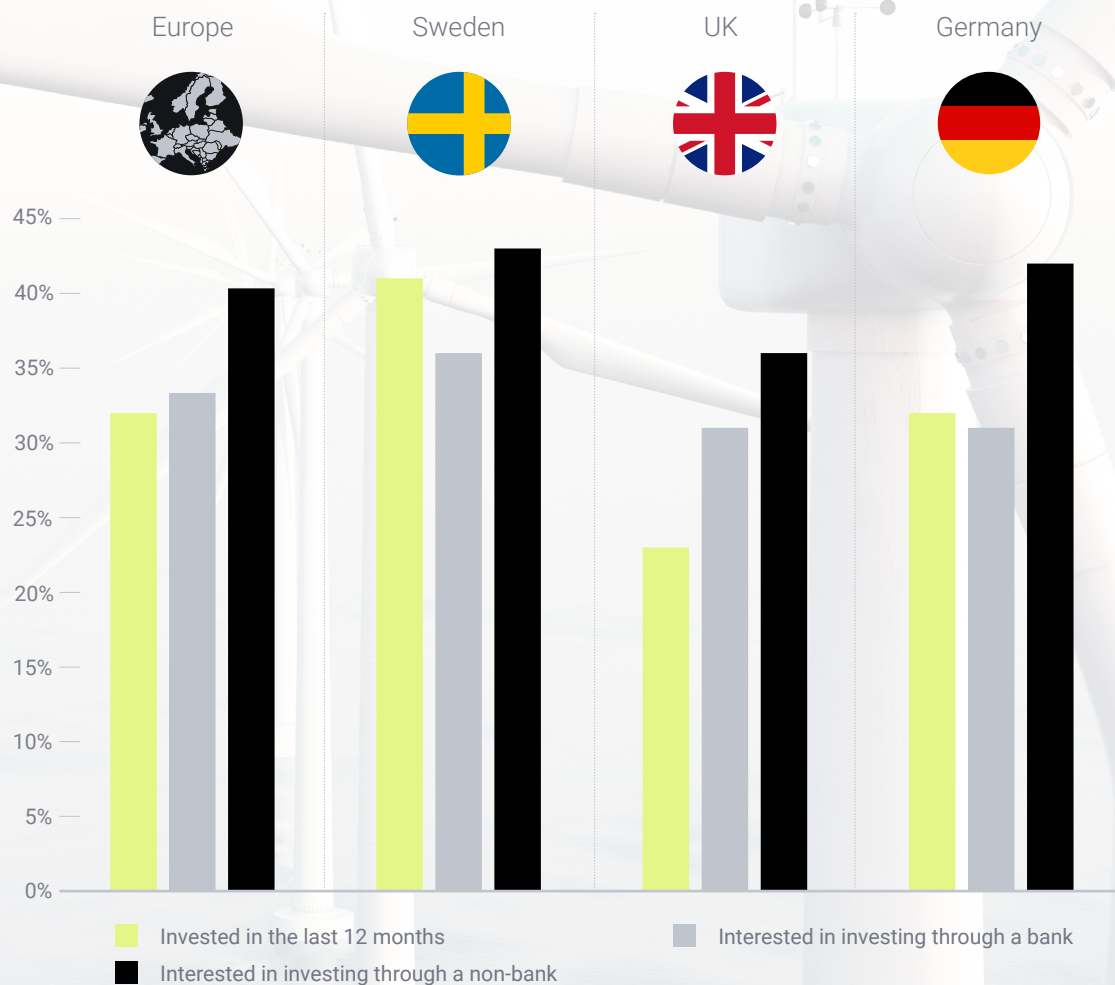
of the consumers invested in ESG products in last 12 months.

Sweden with **over 40%** of investors while the British remain skeptical.

Again **non-bank channels** seen as the more natural partner.

Figure 7

% interested in investing in ESG funds



What about embedding credit and insurance offerings?

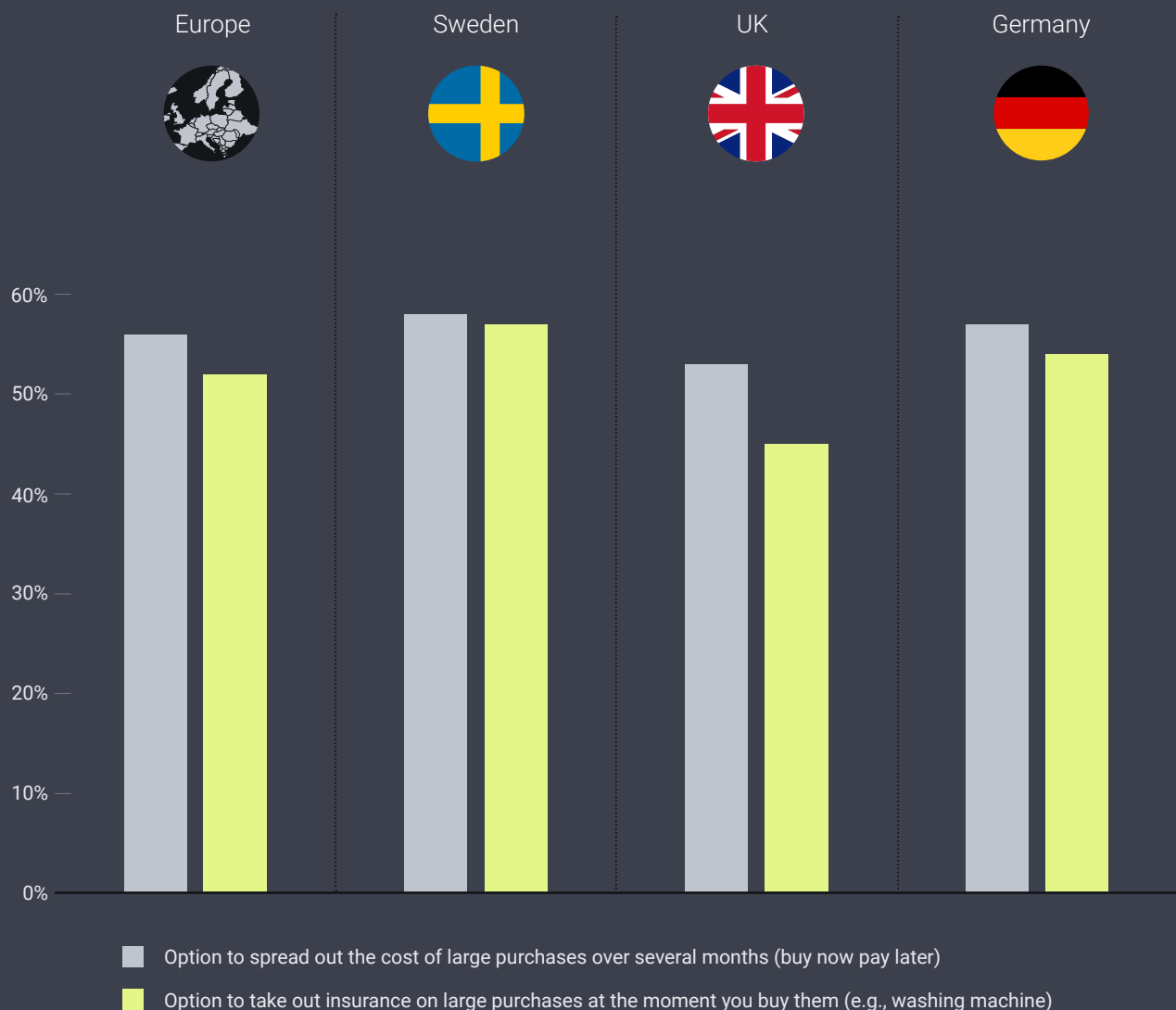
Consumers seek to spread or hedge the costs.

Over 50%

seek for the related offer to pay down in rates (BNPL) or to protect the purchase taken at point of sale.

Figure 8

% Interested in financial services at the point of sale



Do European consumers want help to manage their finances?

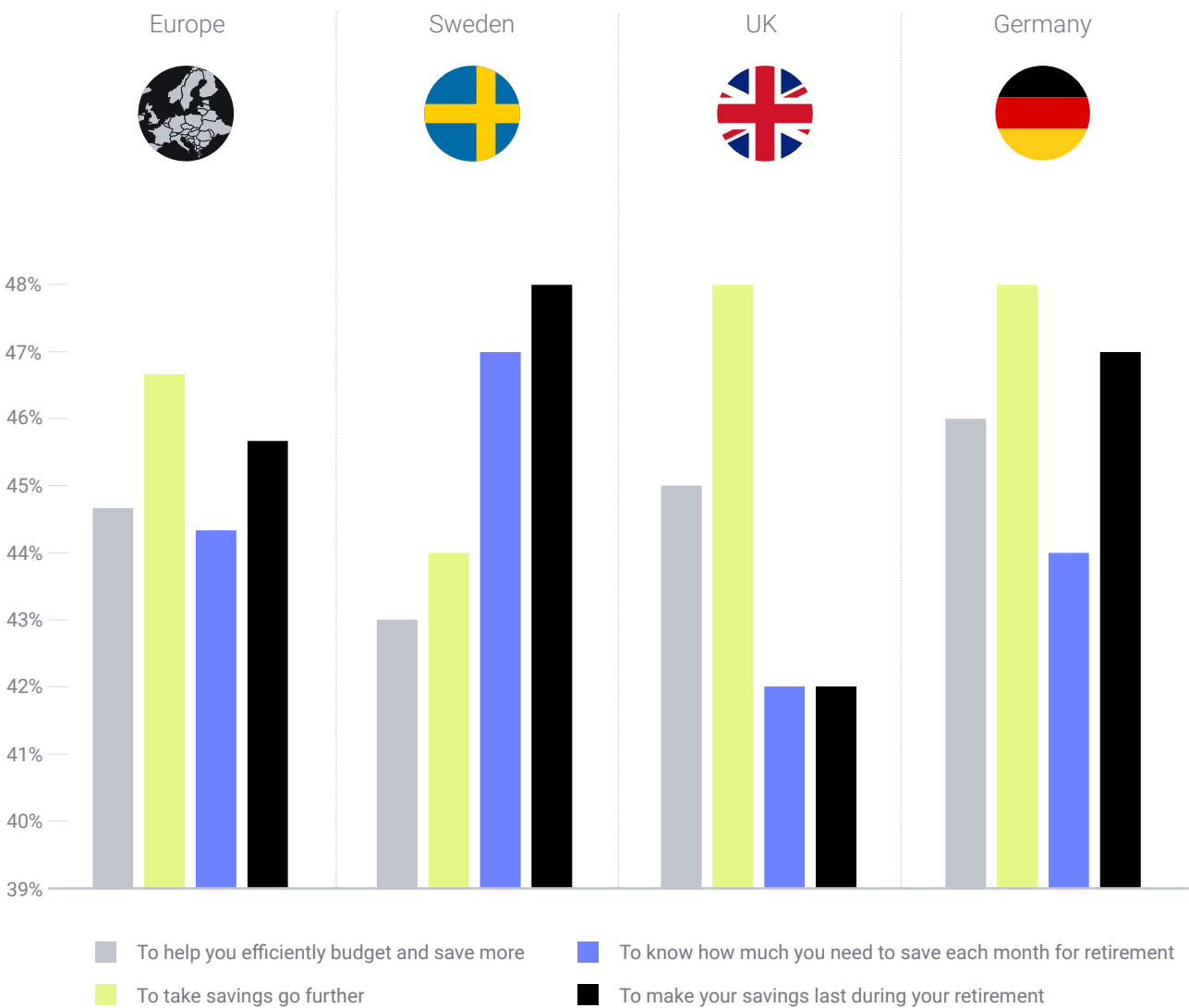
European consumers **seek support in managing their finances** – personalized.

AI solutions help to personalize content.

While consumers in **Sweden** are **focused on savings for retirement**, **UK and Germany** with **clear need for advice in times of inflation**.

Figure 9

% Interested in automated information to save and invest



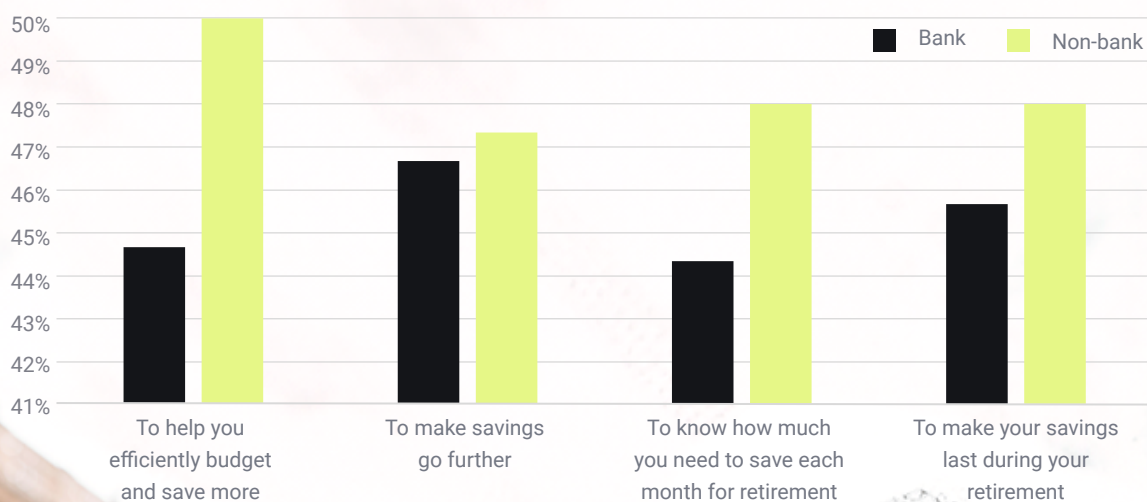
Which channels are preferred?

Consumers naturally link their spending with their budgeting and savings plan.

Thus **non-bank channels**, embedded offerings **preferred to guide for budgeting and savings guidance**.

Figure 10

% Interested in automated information and recommendations to save bank vs. non-bank



Embedded finance on the grow

Financial providers no longer have a **trust advantage** to protect them.

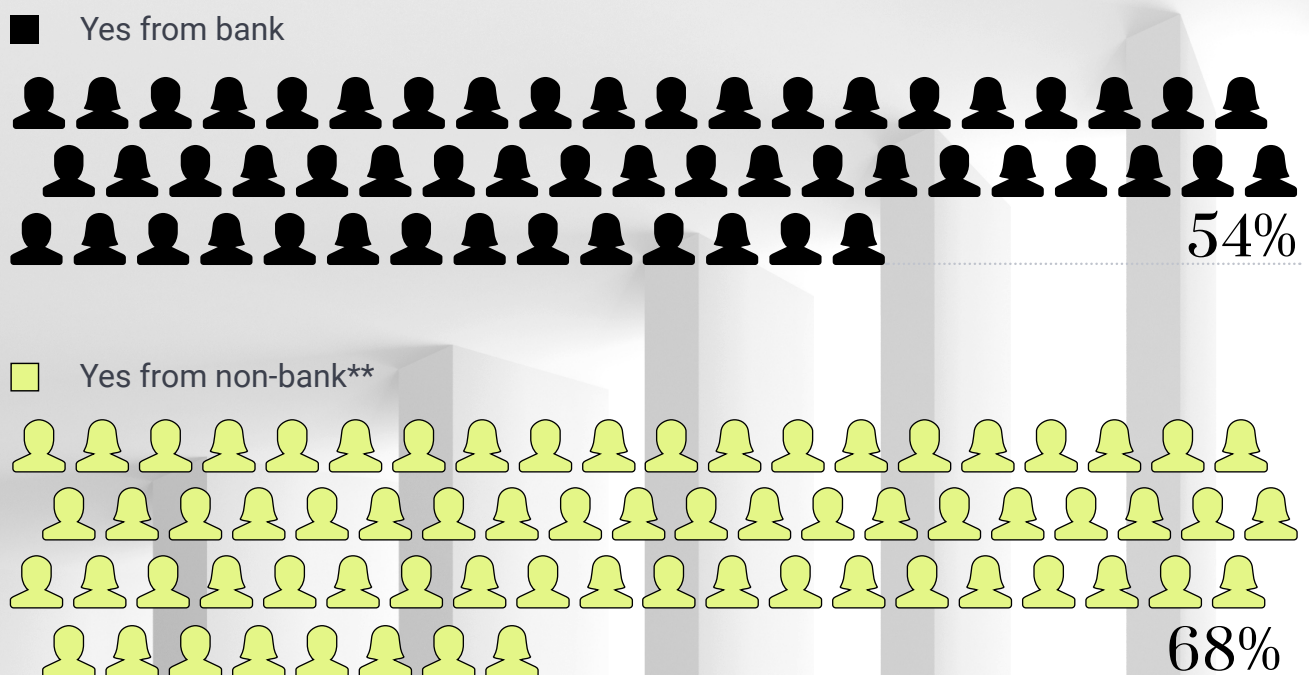
2/3

of consumers are inclined to take investment services via non-financial brands.

As a result the embedded finance model is set to grow exponentially from here.

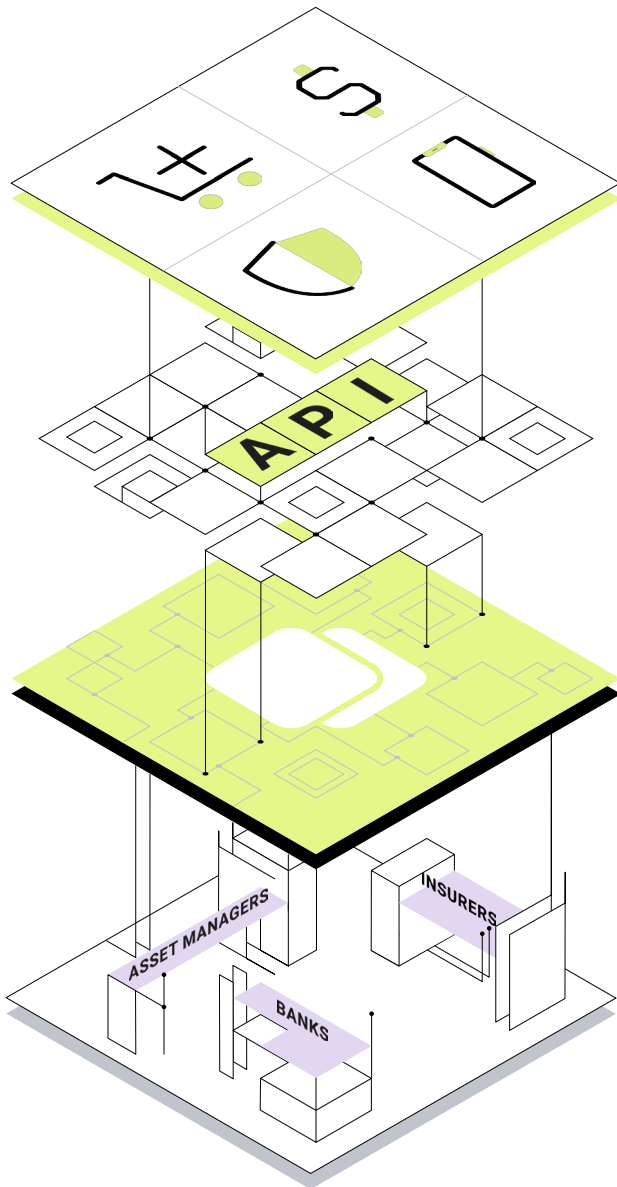
Figure 11

% inclined to take investment services* from financial service providers (i.e., banks) and non-financial brands (i.e., non-banks)



*Brands such as consumer platforms, utility providers, retailers, and comparison sites.

Orchestration Platform



Embed regulated financial services into context-relevant user journeys (embedded finance).

Orchestrate interactions between customer channels, systems of record, banking services and more.

Integrate your/3rd parties regulated services into new distribution channels (Finance/Banking-as-a-Service).

additiv

Established in 1998, additiv partners with leading companies across the world to help them capitalize on the possibilities of digital wealth and investment management.

additiv's embedded finance operating system, DFS®, is an orchestration platform enabling financial institutions to access new distribution channels through a Banking-as-a-Service (BaaS) model. It also allows banking and non-banking providers to embed wealth services into their client proposition. While it supports wealth managers looking for best-in-class Software-as-a-Service (SaaS) to deliver better engagement at greater scale.

Headquartered in Switzerland, with regional offices in Singapore, UAE, and Germany, additiv is supported by a global ecosystem of partners.

www.additiv.com