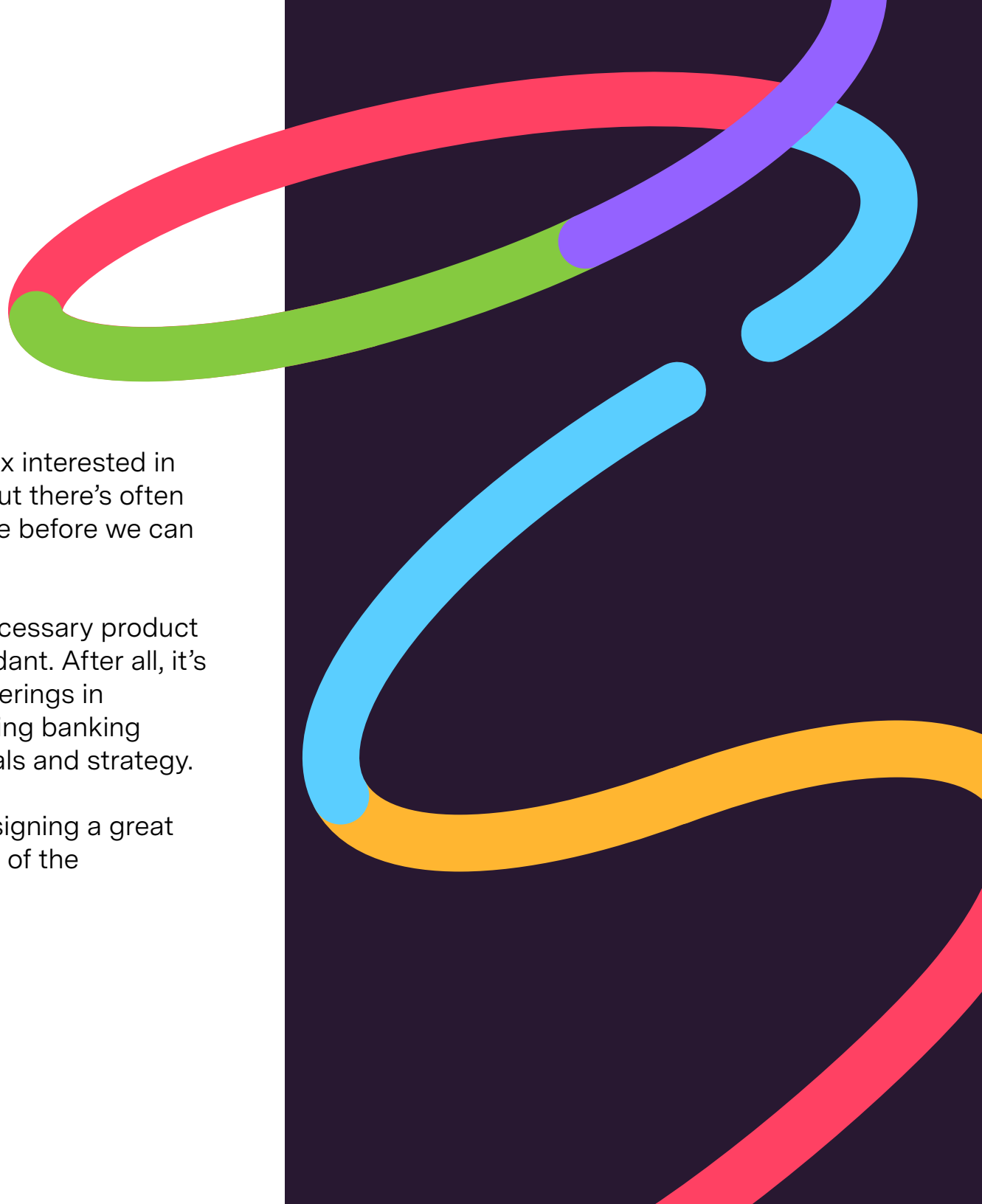


6 Steps to  
Designing a  
Great *Embedded  
Finance* Product





# Introduction

Many innovative companies come to Helix interested in embedding finance in their ecosystem, but there's often some internal work that needs to be done before we can make that possible.

It's not that these companies lack the necessary product development talent—that's usually abundant. After all, it's how they created compelling product offerings in the first place. But when it comes to adding banking products, they often need to align on goals and strategy.

We've outlined a six-step process for designing a great banking product. The first is where many of the difficulties lie: defining the problem.

## STEP 1:

# Determine the problem you're trying to solve

Before we dive in, it's important to lay out a couple of concepts. The first is differentiation—conceptual and practical.

### CONCEPTUAL DIFFERENTIATION

Differentiation that's easy to replicate. For example, if a company promises to donate a portion of its subscription money to charity, that technically differentiates the company, but it's a uniqueness that's easily reclaimed by competitors. Competitors can simply start donating money as well. Where's the differentiation now?

### PRACTICAL DIFFERENTIATION

Differentiation that's difficult to replicate. It adds significant value to your product offering. For example, Apple didn't succeed in the music space because it started offering an mp3 player with better usability. That would have been easily rivaled by other companies. Apple succeeded because it created iTunes, which combined with its mp3 player to create an unparalleled music ecosystem. This allowed Apple to capture the market.

The difference between these two types of differentiation plays into the concept of growing your moat. What is a moat? It's a **sustainable competitive advantage**. Warren Buffett paints the following picture to demonstrate this concept:



We have a company called See's Candy out on the west coast ... . If you give a box of See's chocolates to your girlfriend on a first date and she kisses you, *we own you*. We can raise the price tomorrow and you'll buy the same box. You're not gonna fool around with success. The key there is the the response ... . *Price, to a degree, is immaterial*. If you've got an economic castle, people are gonna come and want to take that castle away from you, and *you better have a strong moat.*"

Warren Buffett

## STEP 1:

Practical differentiation is sustainable. It grows your moat and should be the type of differentiation you're trying to achieve when adding banking products. While the moats that many of Warren Buffett's companies boast are hefty due to brand alone, most technology-driven companies require the right kind of features, deployed toward the right problem, to sustain themselves as differentiated.

**Companies often come to us because they believe a card and a checking account alone will differentiate their business. *But this is only conceptual differentiation.* Their competitor could easily add the same services, and now their competitive advantage is gone.**

To achieve practical differentiation, it's important to focus on creating synergy between your core product offering and your new banking products. How do you do that? By combining banking products with your core product offering in a way that solves a problem for the first time or in a new way. While most companies have already solved a problem with their core product, it's important to identify a second problem that banking services will solve before adding them to your company's ecosystem.

## STEP 1:

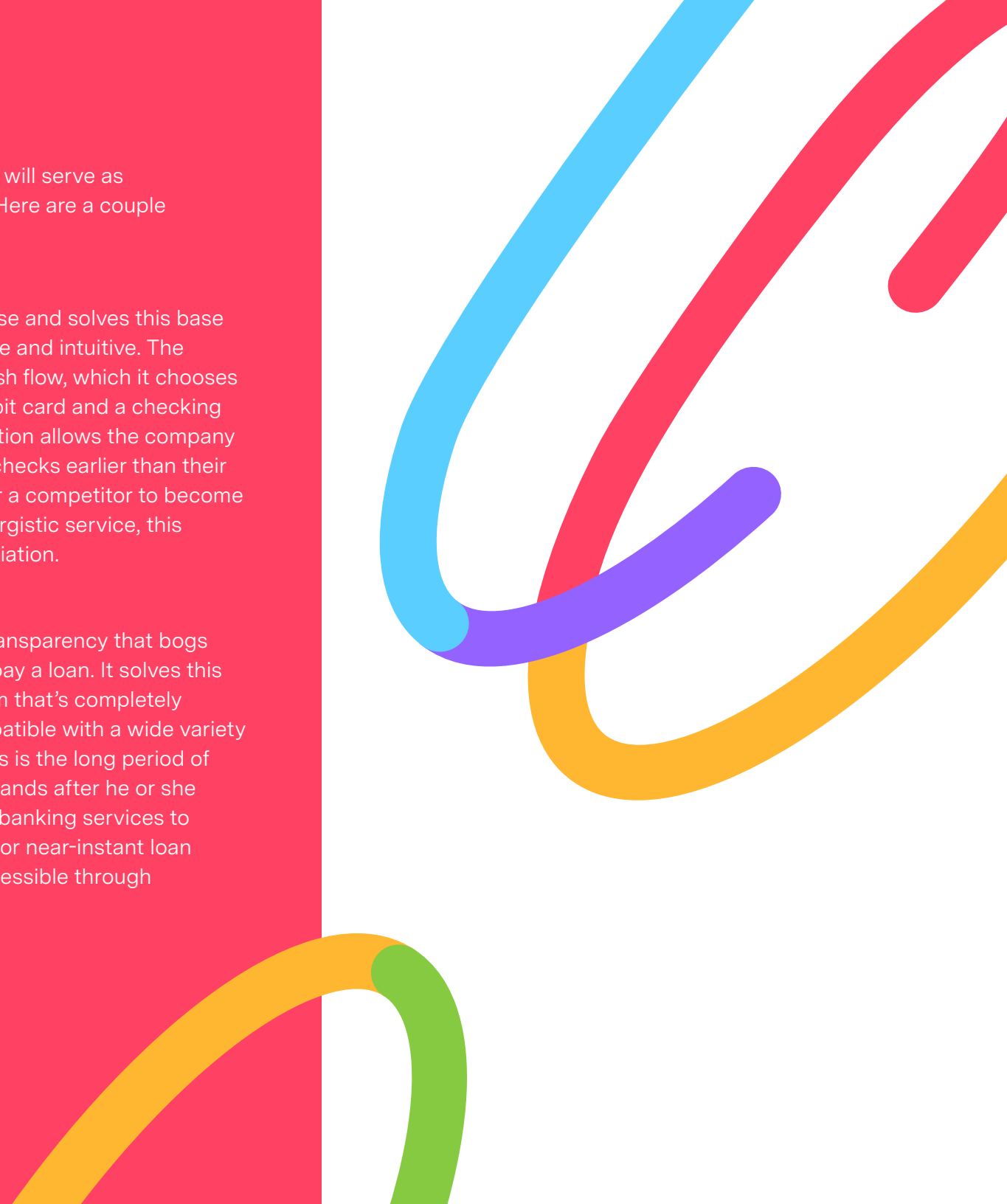
The problem you solve, and how well you solve it, will serve as the centerpiece of your product design process. Here are a couple of examples:

### 1 A PAYROLL COMPANY

finds existing payroll products difficult to use and solves this base problem by creating a platform that's simple and intuitive. The second problem it identifies is employee cash flow, which it chooses to solve by adding banking products (a debit card and a checking account) to its base offering. This combination allows the company to give employees free access to their paychecks earlier than their scheduled pay day. Because it's difficult for a competitor to become a payroll company and offer the same synergistic service, this solution is an example of practical differentiation.

### 2 A LENDING COMPANY

identifies its base problem as the lack of transparency that bogs down loan recipients in their attempt to repay a loan. It solves this core problem by creating a lending platform that's completely transparent, financially forgiving, and compatible with a wide variety of vendors. The second problem it identifies is the long period of time it takes to get money into a person's hands after he or she qualifies for a loan. It solves this by adding banking services to its existing lending platform, which allows for near-instant loan fulfillment to a checking account that's accessible through a debit card.



# Choose your priority metric

The only way to determine how well you're solving your priority problem is to measure it. And the best way to measure your product's effectiveness is to choose one or two priority metrics from hundreds of possibilities, as emphasized by Gartner in *3 Steps to Craft an Impactful Customer Experience Strategy*:



“A strategy means being focused and selecting how victory can be declared. A strategy needs to state how to keep score. This means making tough choices and boiling the strategy down to one (or sometimes two) top-level measures of success. This does not mean the other metrics are irrelevant to implementing the strategy; They should all be worked upon for improvement to achieve the top-level goal. But knowing whether the strategy has been successful means picking a measure.”

Ed Thompson, Michael Chiu, Don Scheibenreif, Augie Ray



## STEP 2:

Let's return to the examples from our first step to explore what a priority metric might look like for an embedded finance product:

### 1 OUR PAYROLL COMPANY

is attempting to solve a cash flow problem. How do you tell how well that solution is going? One way is to measure how many of your customers still view short-term cash flow as their biggest problem. Another is to measure the percentage of customers who are using alternative solutions. In this case, an alternative solution could be defined as payday lenders. Naturally, if you've solved the employee cash flow problem, employees shouldn't need to use payday lenders.

### 2 OUR LENDING COMPANY

wants to determine if it has reduced the loan fulfillment period enough to make it easy for users to access short-term cash. If they're getting the cash they need—when they need it—from the lending company, they're likely going to come back for more. Therefore, the lending company could measure how many people take out a second loan, which gives a read on the viability of the service. If many users are only taking out a single loan, there might be a problem with the product. You could also compare loan size and repetition differences between those who use the banking side and those who don't—essentially, did adding banking products increase the number of second loans?



# Design a product that reinforces trust at every level

There are two main reasons why trust should be built into every level of your product. Finances are personal and important to a person's well-being, and banking with your company is a new experience.

How do you manage this requirement for trust? First, you have to figure out the ways you can destroy trust. There are landmines scattered all over the place, and your job is to determine where they are so you can avoid them.

Once you've avoided ways to destroy trust, *you have to build it.*

Trust is simply a matter of successful interactions over time, and reputation is a matter of trust over time. Openness and transparency are useful along your journey. If you guide people on the path to succeeding with your product—it could be with public help content, for instance, that isn't just more marketing—you'll catalyze your journey toward a positive reputation. But it takes courage to be open and transparent, as competitors are always watching. So don't start a trust war if you don't think you can win.

Finally, you have to reinforce trust at every level of your product. Here are three examples:

## credit karma

A core tenet of Credit Karma is transparency and trust. To uphold that, they don't charge any fees and pass all savings back to you.

## Betterment

This wealth management company requires double authentication on everything, is transparent about all fees, and presents all information upfront rather than waiting until you're deep in the process.



# Add personalization features

The history of financial services is littered with “one-size-fits-all” products built for the average person intended to appeal to the broadest possible market. You may know them as “silver” or “gold” accounts that are merely determined by how much money you have. The problem is there’s no such thing as an average person. Everybody’s an individual and has unique needs.

## CONSIDER NETFLIX.

Your profile doesn’t show you the same videos as your partner’s profile. You watch different videos, and then Netflix’s algorithm learns what you like and serves you content that it thinks will appeal to you. That’s personalized service, and now it’s possible in the world of embedded finance. If you think about all of the tech products you use—Netflix, Google, Facebook, TikTok and more—they all follow this principle. That’s why you use them so consistently. So why hasn’t this change made it to banking?

## STEP 4:

Well, until now, the technology hasn't made it possible. Traditional core processor—and embedded finance platforms that use middleware to communicate with them—limit the amount of data you're able to access and use to personalize products. However, products built on a modern, cloud-native core like Helix offer a wealth of data and controls at the user and transaction levels for loyalty-building, personalized experiences. Traditional cores only let you set generic "product IDs," but modern cores enable you to use real-time data to make product configuration changes on the fly for each and every user, such as:



Monitoring restaurant spending and notifying you when you've exceeded your monthly limit.

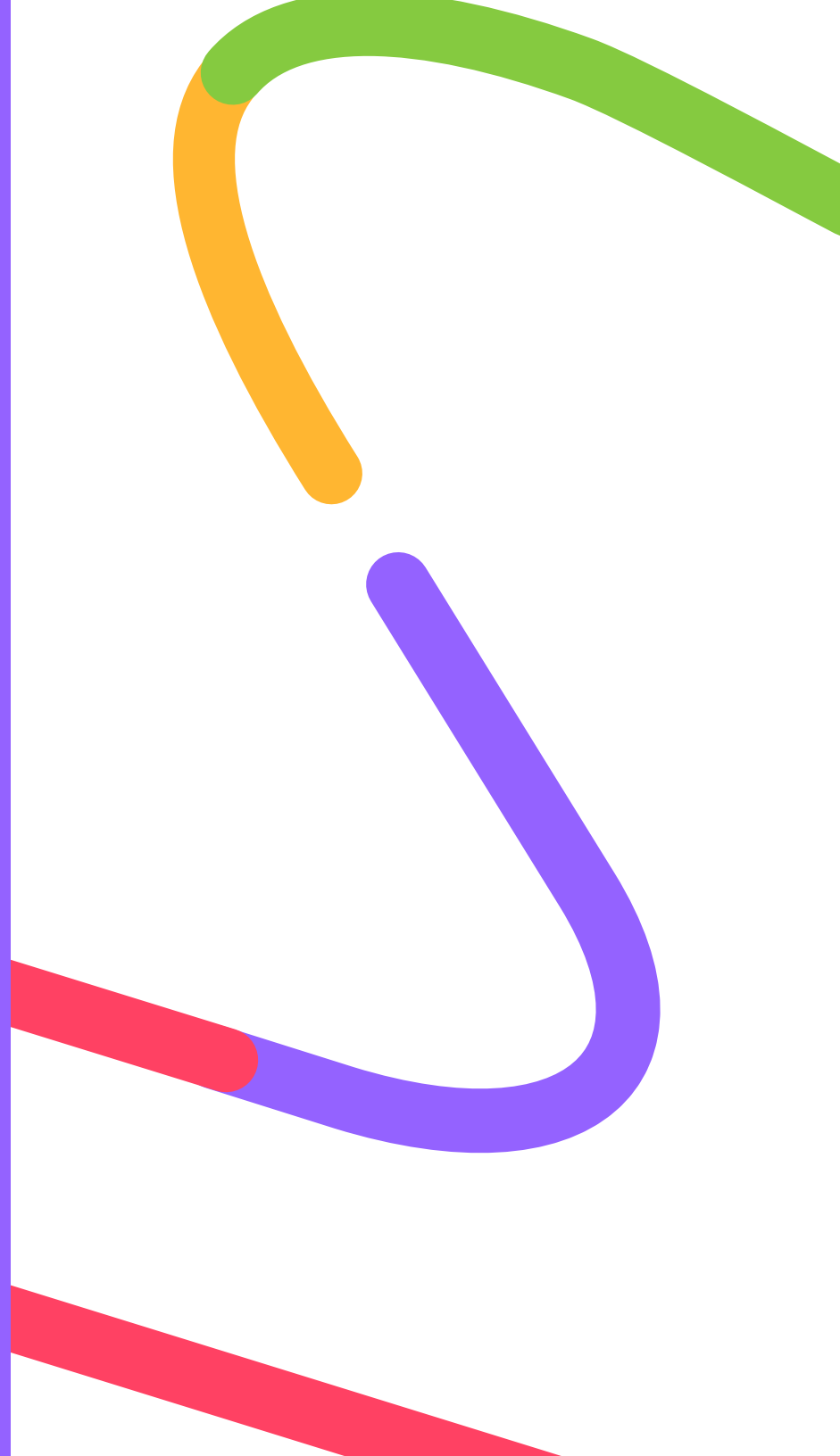


Tiered lending limits that go up when you successfully make payments.



Customized rewards at businesses whose products you've purchased in the past.

Personalization is the key to stickiness because it provides more value to your customers than static products. Whatever embedded finance platform you choose, make sure you're building on a cloud-native core that offers these types of solutions.



## STEP 5:

# Collect and analyze your data

There are three primary methods for gathering product data:

**DIRECT FEEDBACK** – This is data you’re directly soliciting from customers, typically through a survey.

**INDIRECT FEEDBACK** – You can gather this by looking at external review sites and social media.

**INFERRED FEEDBACK** – This type of feedback comes from observing activity on your platform and drawing conclusions from the data.

The key here is balance and spreading your efforts across multiple feedback channels. In Oracle’s [guide to optimizing customer experience](#), they emphasize the importance of reading “digital body language” instead of overwhelming your customer with direct feedback requests:



“Instead of asking customers to give up their time and effort to communicate their feedback to you, think about what their behavior and interactions are already telling you. By focusing on digital body language—the psychology of customers at various digital touchpoints—you position yourself in a far better way to understand them, providing the opportunity to change your approach and provide personalized CX. Like in real life, if a customer is showing body language that signals frustration you should not ignore this and react as if they were showing positive body language. Reading customer signals is all about taking this idea and mirroring it in the digital domain.”

It can be tempting to spam your customers with surveys because it’s relatively easy to do and provides very clear feedback in the exact format that you want it for analysis. But keep in mind that “people often don’t think what they feel, don’t say what they think, and don’t do what they say,” according to advertising legend David Ogilvy. Direct feedback has its place, but it can often be misleading. You still have to look for the underlying feelings that motivate their responses, and then light the way for your customers.

## STEP 6:

# Incorporate your findings into your product development strategy

One of the most difficult parts of designing a great banking product is drawing insights from data and incorporating those insights into your larger strategy. The exact methodology for doing so is complex. We recommend hiring people with expertise in data science to help with this process.

However, we can provide some areas of product development where data analysis will yield useful insights, including:

- Customer journey mapping
- CSR performance and engagement
- App usability
- Help-content creation
- Correlations between your priority metric and business performance

Then comes the challenge of combining these insights to make sense of your priority metric.



### QUICK TIP

Pay attention to how your best users are using your product, and then think about ways to encourage other people to start behaving like your best users. Errors in using your product are ripe for modification. You want it to be safe to make mistakes because safety means discoverability. If mistakes can't be easily undone, people will be discouraged from exploring.

# Conclusion

Embedded finance offers an outstanding path to enhancing user engagement, retention rates, revenue through interchange, and access to new markets. But in order to execute properly, you must build banking products in the context of your existing ecosystem, not as a siloed add-on. The more you can personalize the experience, the deeper users will be tied to your product. And collecting and measuring the right data is paramount to improving your offering.

Follow the steps outlined in this ebook, and you'll be well-positioned to build truly useful financial services into your offering, and to capture your market through practical differentiation. If you're interested in adding banking products to your ecosystem and want to learn more about the process, contact Helix. We're ready to listen, offer guidance, and educate you more about the exciting possibilities available through embedded finance. Let's make finance more human together.

## ABOUT HELIX

Headquartered in Austin, Texas, and part of the Q2 family, Helix makes it easy for innovative companies to embed personalized financial experiences that scale. Our proprietary platform currently supports 13M+ users and \$51B+ in annual transaction volume.

For more information, go to [helix.Q2.com](https://helix.Q2.com) or email [info@helix.Q2.com](mailto:info@helix.Q2.com).