

Neobank approaches to payment acceptance

1 B2B FOCUSED NEOBANKS & PAYMENT ACCEPTANCE (number of banks; top players in Europe and North America)

Market payment acceptance

11

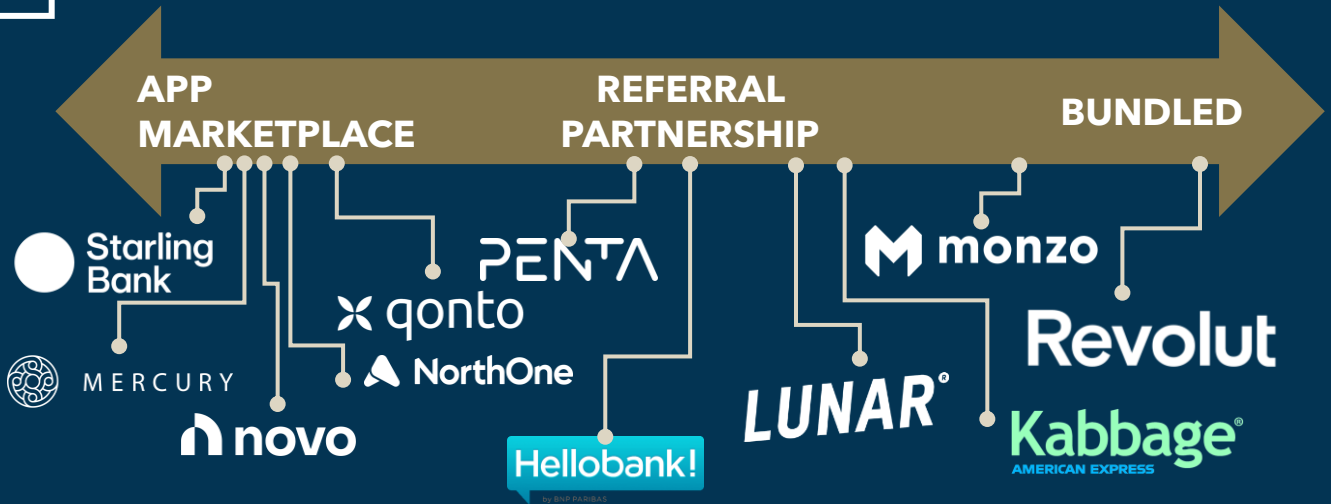


Do not market payment acceptance

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2 PREVAILING PAYMENT ACCEPTANCE MODELS



Operating Model	APP MARKETPLACE	REFERRAL PARTNERSHIP	BUNDLED
Operating Model	<ul style="list-style-type: none"> Does not refer to a partner Enables customer to integrate 3rd party providers with their bank account via APIs 	<ul style="list-style-type: none"> Refers customers to a payment acceptance partner Co-branded or white-label offering 	<ul style="list-style-type: none"> Payment acceptance is marketed as a core feature of the bank account that customers can turn on
Provider Examples			

Sources: Flagship research

OBSERVATIONS

- 11 out of 28 top European and North American neobanks offer payment acceptance
- Payment acceptance is a key product for banks: it meets a key customer need, has a logical fit with digitally-oriented transactional accounts, customers with payments acceptance exhibit lower attrition and higher deposit balances, and it generates attractive non-interest revenue
- B2B neobanks typically offer payment acceptance using one of three operating models:
 - App Marketplace: Do not refer to a partner, but enable their customers to integrate 3rd party providers with their bank accounts via APIs
 - Referral Partnership: Refer customers to a payment acceptance partner as part of a co-branded or white-label offering
 - Bundled: Payment acceptance is marketed as a core feature of the bank account that customers can turn on
- The provider landscape for neobanks is different than for traditional banks, due to neobanks' focus on the micro segment and digital channels (traditional bank acquiring partners find the business case to serve micro-merchants to be challenging, and are less adept at digital, as we discuss [here](#))
- Typical API integrations are to Stripe, PayPal (in the U.S.), mPOS providers SumUp and Zettle in Europe, and major commerce platforms such as Shopify
- Revolut and Lunar have made strategic moves into payment acceptance: Revolut by launching in-house, Lunar by acquiring Paylike, a PSP

OUTLOOK

- Since most neobanks start with transactional products, adding payment acceptance is a logical next step in growing their product catalogs
- We expect that many neobanks will progress along an evolutionary path in order to capture the benefits of offering payment acceptance: starting by integrating 3rd party apps, then creating referral partnerships, and then a few with the requisite scale and appetite may bring the business in-house

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