

by Erik Howell, Andrej Gažo, and Claire Hoffman, 06 February 2024

## Next-Gen Issuer Processors: Still Work to Be Done on Embedded Finance

Regardless of the wide variance in definitions for the term “embedded finance” (which Flagship defines in detail in an article [here](#)), most market participants can agree on the need to quantify how big embedded finance actually is today, and what its trajectory is towards obtaining its (typically huge) theoretical market size. This article seeks to provide some quasi-quantifiable evidence for indicating the level of traction that embedded finance has in the market today by mapping the press releases of a key segment of embedded finance providers, next-generation card issuer processors, in 2022 and 2023. While there are obvious limits to the utility of press releases as a data source, they provide an instructive indicator of market activity levels because (i) providers have a natural motivation to issue as many press releases about their growth and success as possible, and (ii) typically only relatively significant items get announced in press releases.

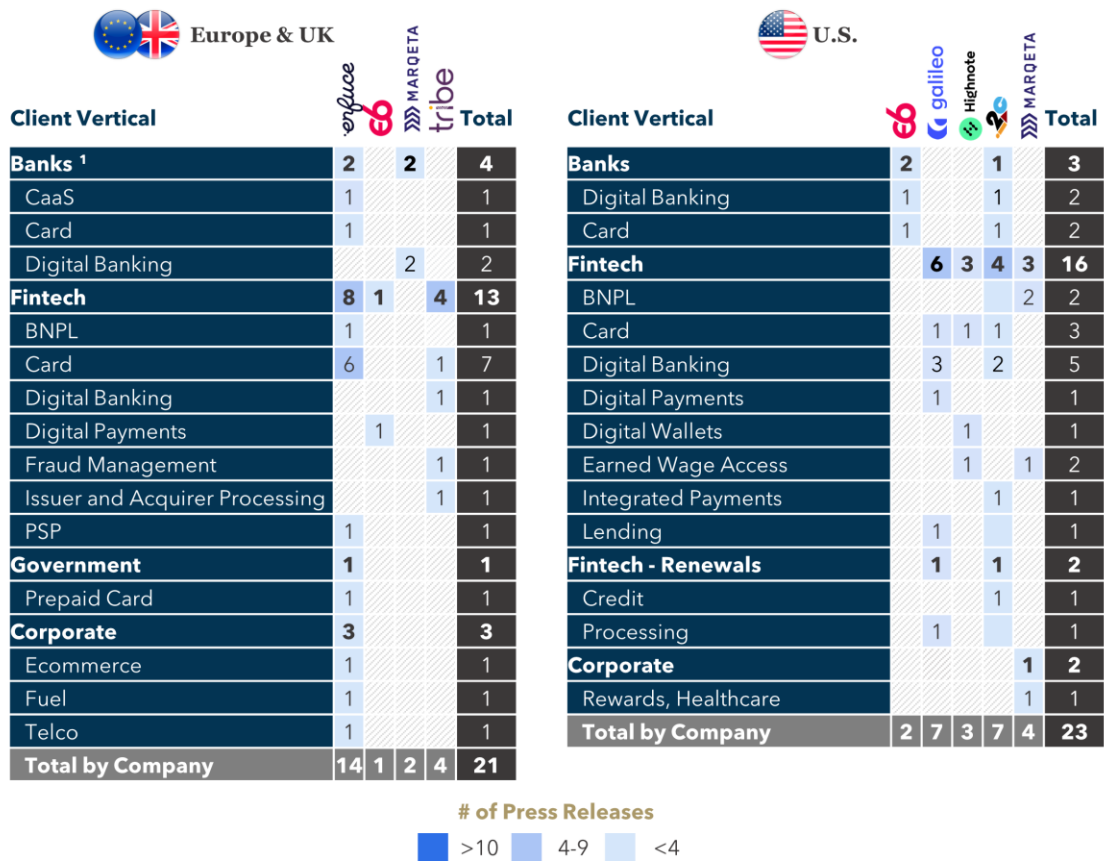
Based on this analysis, we found that the market traction of what Flagship defines embedded finance as (financial products embedded into non-financial use cases) is relatively modest (see Figure 1 below). Out of 44 new clients announced in North America and Europe, only 5 were with corporates (meaning non-banks and non-fintechs). Fintech clients represented the majority of new clients announced (29), followed by banks (7), and government (1). Arguably, some of the fintech clients announced by these next-generation card issuer processors can be providers of embedded finance, but in our experience, most large corporates typically evaluate utilizing a processor directly (although often utilizing that processor’s program management layer) rather than considering smaller providers.

Other key observations include:

- Overall, new client announcements are relatively modest: 72 globally over two years for all 10 providers, or about an average of 3.5 new client announcements per provider per year (see Figure 2).
- There was little traction in the bank segment and most announcements were for relatively small pieces of business rather than converting banks’ primary portfolios (see Figure 1).
- Relatively high emphasis on product introductions and partnerships: 55 over two years for all 10 providers, or about an average of 2.75 new product announcements per provider per year (see Figure 2).
- Few announcements regarding feature/functionality upgrades (4 total) and technical integrations (2 total) (see Figure 2).











- Little evidence of partnerships as a distribution channel (5 announcements total), despite the power of “one to many” sales, particularly for purposes of geographic expansion (see Figure 2).
- North America and Europe were the primary geographies for new announcements (combined 48%) (see Figure 3).

**Figure 1: Number of Press Releases Announcing New Clients in Europe, the UK, and the U.S. (Jan. 2022 - Jan. 2024) (non-exhaustive; marketed on providers’ websites)**



Notes: (1) Card as a Service; comprehensive solution that enables businesses to launch and manage card programs  
 Sources: Company Websites, Flagship analysis © Flagship Advisory Partners, February 2024

**Figure 2: Number of Press Releases Globally (Jan. 2022 - Jan. 2024)  
(non-exhaustive; marketed on providers' websites)**

Type											Total
<b>New Clients</b>	14	4	11	4	16		7	8	3	5	72
<b>Renewed Clients<sup>1</sup></b>			1		1						2
<b>New Products</b>	4	1	7			2	5				19
<b>New Product Features</b>			3				1				4
<b>Technical<sup>2</sup> Integrations</b>			1				1				2
<b>Partnership Products</b>	2	1	2	3	6	1	7	12	1	1	36
<b>Partnership Distribution</b>	1				2		1			1	5
<b>Geo Expansion</b>			2				2				4
<b>Corporate<sup>3</sup> Development</b>	3	1	1		1		2	1	1		10
<b>Total by Company:</b>	24	7	28	7	26	3	26	21	5	7	154

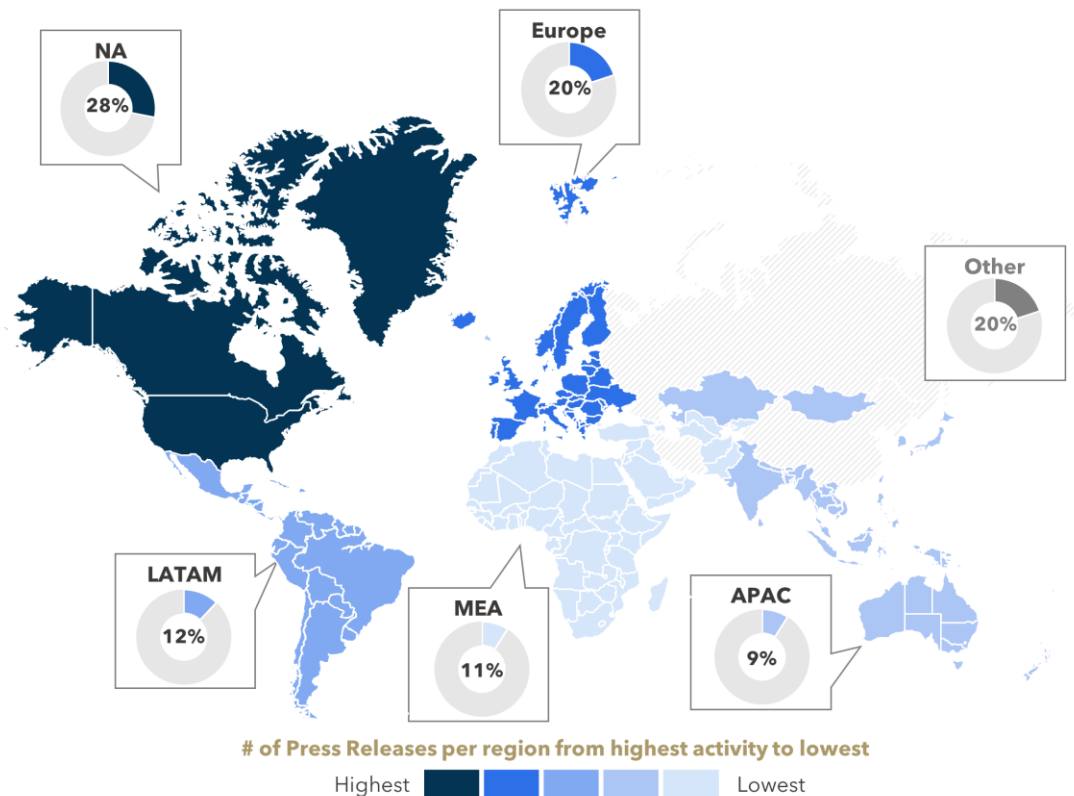
# of Press Releases

 >10  4-9  <4

Notes: (1) Renewed Clients - Press releases about the expansion/prolonging of current relationships (2) Technical Integrations - Integration of the product with the third party (3) Corporate Development- Press releases related to M&A, Funding, or others

Sources: Company Websites, Flagship analysis  
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**Figure 3: Number of Press Releases by Region (Jan. 2022 - Jan. 2024)  
(non-exhaustive; marketed on providers' websites)**



Sources: Company Websites, Flagship analysis  
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Although embedded finance has massive potential, it is clear that for next-generation issuer processors, that potential is still in the very early stages of being realized. In Flagship's view as it pertains to card issuer processors, significant work still needs to be done to realize this potential. In particular:

- Corporates (non-banks and non-fintechs) are seeking end-to-end value chain coverage (e.g., white label end-customer front-ends, back office capabilities, etc.) at price points that work for their business case, and there is a gap in supply of end-to-end solutions today;
- Non-financial companies are often not looking to implement a "program" that takes several months and requires a meaningful amount of resources and subject matter expertise, and are not yet "developer-led" enough to simply work with APIs and a developer page; therefore the product offering and delivery model needs to change to meet these customers' needs (often for a more basic product that can be MVP'd quickly, but with some hand-holding); and,



- Go-to-market strategies still need work, particularly around scalable, multi-geo sales, such as via focused targeting of use cases and verticals, and by leveraging distribution partners (e.g., local consultants and system integrators, etc.).

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