Helping Banks Help Corporates Modernize B2B Payments

BY **PYMNTS**
MAY 27, 2021

Payment rail innovation has created plenty of opportunities for corporates. Same-day payroll or greater predictability of supplier payments using real-time networks can be valuable cash flow management tactics. For financial institutions to support their corporate customers' B2B payments modernization journeys, they must loop into these networks and identify their key value propositions.

Yet a quickly evolving payments landscape has created risks for banks and other financial institutions (FIs) looking to modernize their own payment offerings. The logistics of participating in a faster and real-time transaction ecosystem are challenging and complex, and back-end systems must be prepared.

challenges FIs face as innovations deliver greater functionality to the legacy rail of ACH.

A Risk-Reward Analysis

Emerging payment technologies can present a conundrum for financial service providers.

“The rate of adoption of new technologies, automation, regulatory changes that are trying to quickly get up-to-speed, the immediacy of payments, all of that represents an opportunity — as well as a risk,” explained Nasim.

When it comes to ACH’s evolution, the acceleration of transactions that flow on the network has created a glaring point of friction for financial institutions that have historically had an entire day to complete workflows to post those payments. As Dotson highlighted, that timing has been compressed as a result of there now being three daily windows to process Same Day ACH transactions.

“It’s become pretty important for financial institutions to move away from manual processes and to automate those processes,” he said.

It is also important for the technologies that banks use to facilitate that processing to integrate seamlessly in their back offices. The more vendors an FI uses to facilitate that workflow, the more data management, supplier auditing and vendor management burden grows.

With FIs’ own corporate customers experiencing a similar challenge as they adopt new cash management, accounting and other platforms, system disparity and data silos create “fatigue” among financial service providers, explained Nasim, and can hamper the ability for technology to facilitate straight-through processing.

Supporting B2B Payments Modernization

For organizations to move away from the paper check, they need a value proposition of electronic payments that goes beyond the mere digitization of a transaction. Automation and straight-through processing can be important features of the payment services their FI partners provide, while the speed of Same Day ACH can also offer greater capital control and cash flow predictability for corporates.

While businesses can embrace application programming interface (API) technology to interconnect their back-office systems, financial institutions have struggled to access technology with the same kind of features.

“Some of the legacy technologies are ... lagging behind right now,” said Nasim. “It’s holding these financial institutions back from actually offering products that they are ... capable of handling.”

arrive prior to their effective date to hold the transaction. With support for seamless integration with existing infrastructure, the tool provides greater control for FIs to mitigate risk by avoiding the posting of transactions with erroneous amounts or effective dates — a feature that can also be useful in mitigating the threat of fraud in a world of faster payments.

It's a solution that reflects the need of technological support for the financial service providers that are offering services based on faster and real-time payment rails. And according to both Nasim and Dotson, embracing integrated tools that can mitigate risk will be key to FIs helping corporate clients modernize B2B payments.

"Businesses want [technology] to be simple, they want it to be straightforward, they want it to be fast," said Dotson. "Financial institutions are taking a look at this and asking, 'What can we do better?' ... Financial institutions see this as their time to step up to the plate and say, 'We can provide you with the technology and services you need to help your business be successful."

MoneyLion CEO Sees Profits Ahead for Financial Service Ecosystem's 'Interface Layer'

BY **PYMNTS**
MARCH 15, 2023

These are tough times to be a publicly traded tech company.

The last few days have been seismic in the industry. Silicon Valley Bank's gone under. Signature Bank has collapsed, too.

Stocks have gyrated, to put it mildly.

Dee Choubey, CEO of MoneyLion, told Karen Webster that being in the public markets means that executives get to see the volatility inherent in their stock prices each and every day.

But that same volatility should foster discipline in how they manage their businesses and how they report their performance to the public at large.

He noted that the ripple effects of the Silicon Valley Bank (SVB) implosion will be widely felt.

Even if companies had not had deposits with the bank, they were likely to have processed payments through SVB, he said — and MoneyLion had in the past, indeed, processed payments through SVB.

"One of the tragedies is that they actually had a very strong payments process business," Choubey said.

But the gyrations, stretching back well before the news of the past week, have masked solid underlying business fundamentals. In what might be proof of the broad brush investors have been using in the markets: Two years ago, MoneyLion went public at a $2.4 billion valuation, when revenues were $76 million; as of Tuesday, the market cap was $160 million, though 12-month

But as Choubey said, there are trends that will continue long after the current fears over startup funding and stock returns and bank bailouts have subsided.

Among those trends: Digital ecosystems are being forged across platforms that serve as an intersection for consumers and businesses to educate themselves about finance, investing and saving.

“There’s a large swath of the U.S. population that finances themselves on a week-to-week basis,” he told Webster. And the platform model, which serves embedded finance marketplaces and products, with data underpinning it all, can create value for individuals and enterprise clients alike.

Within finance itself, as Webster noted, the important lesson to be learned from the SVB debacle has been that client concentration (and relatively few lines of diversification) leads to a risky business model. By way of contrast, Choubey noted that MoneyLion’s app, as described in its investor materials from Tuesday’s earnings report, has a slew of monetizable opportunities by offering everything from direct deposit and cash advances to third-party offers for insurance and loans.

By the Numbers

Total customer count increased 97% year on year to 6.5 million, representing 20% sequential growth (65% of sales come from consumers, 35% from enterprises).

In describing MoneyLion’s different customer segments — which act as hedges to one another — he noted that in the enterprise business, the platform is providing the APIs and interfaces that help client firms monetize their audiences, matching them with a range of financial products “through just five lines of code.”

MoneyLion charges an origination fee and a software-as-a-service (SaaS) platform fee to the partner. The consumers matched with the channel partners, he said, typically have $250,000 to $300,000 in household income, and FICO scores above 740.

On the consumer side of the equation, the typical user earns between $50,000 to $150,000, and typically have not been “properly served by banks.” The recent retrenchment by regional banks amid the SVB and Signature blowups has helped present new opportunities for MoneyLion, he said. These consumers have been embracing digital banking and investing. InstaCash, he said (the cash advance product) has proven popular, too.

Most consumers use at least two products from the company, he said, as cross-pollination takes root. The consumer who opens a checking account might naturally gravitate toward investing or credit building. As the company sees when a consumer’s paycheck hits their bank account, it can

As much as 75% of the company's top line in the most recent period has come from consumers who were platform users dating back more than a year. Those cohorts, he said, "are a significantly recurring user base for us … the app never competes with the marketplace." Outreach and customer acquisition costs are streamlined by the fact that in November 2021, MoneyLion bought Malka Media, a creator network and content platform that has helped develop shows and multimedia efforts, such as MoneyLion University.

In a nod to the fundamentals of the business, he said the MoneyLion is "ahead of plan," in reaching profitability goals: MoneyLion recorded positive EBITDA (a rough measure of cash flow) in the December period.

"Ultimately, once you hit that [metric]," he said, "then you start thinking about net income."

As has been seen in virtually every corner of industry, the past several months have not been without challenges, he said, as MoneyLion has sought to right-size expenses, reducing marketing costs while delivering significant customer additions. And looking ahead, he said, the company will be embedding offers from gig economy firms such as DoorDash and Uber to help users reach their financial goals.

The stock remains undervalued, he contended, for a company that has $154 million in cash on its balance sheet.

"We're nowhere near any sort of ceiling," Choubey said, "because we're seeing 20-million-plus consumers come through our system on a quarterly basis. … The markets are going to want to see us continue to execute, and we know we've got great momentum. We're the interface layer on the existing financial services ecosystem."

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Credit Card Issuers Can't Wait a Lifetime to Show Gen Z Value

BY **PYMNTS**
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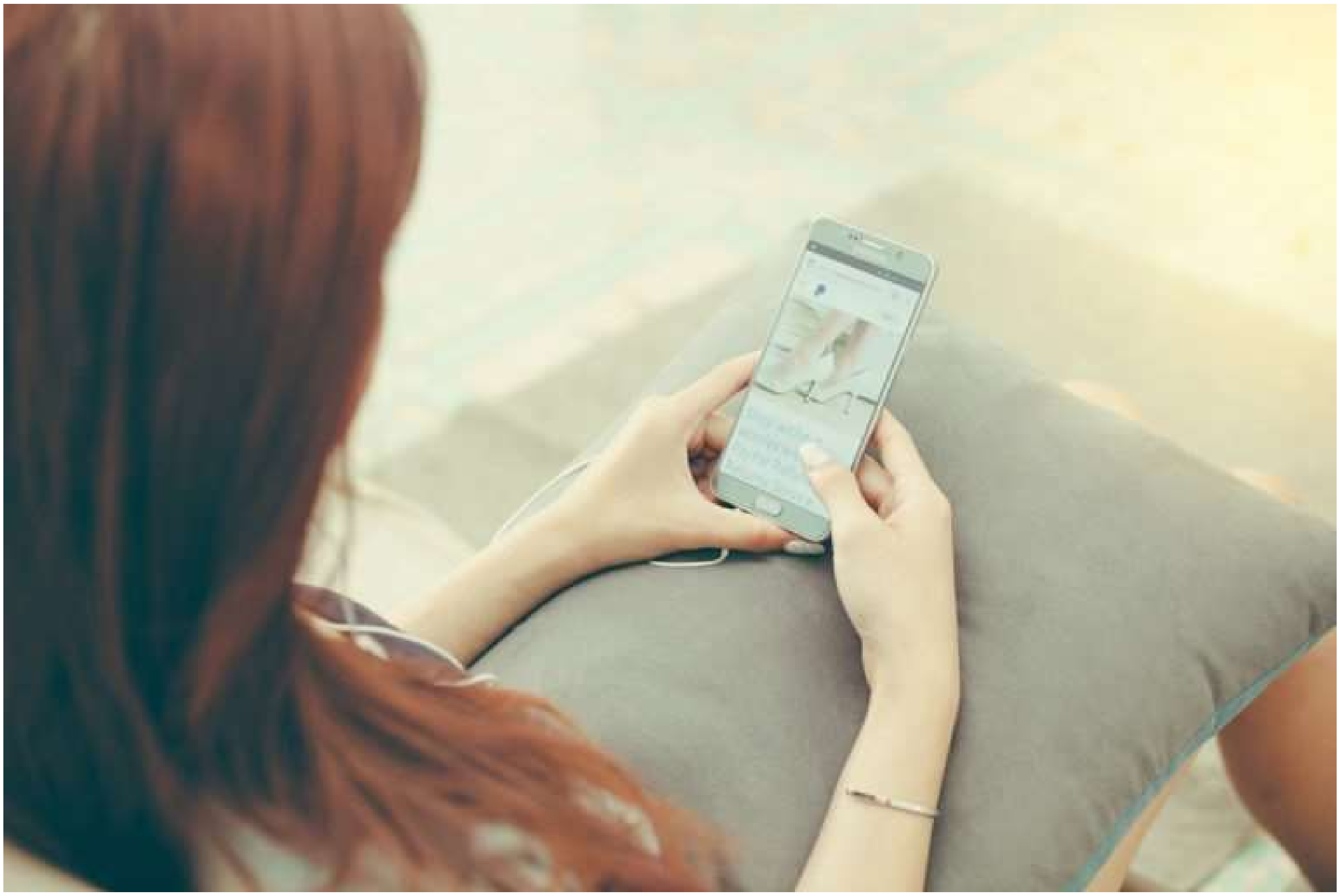

The best way to establish a lifetime-value banking relationship is by engaging young adult consumers.

And the best way to engage those members of today's younger generational cohorts is by providing the digital-first experience they've increasingly come to expect.

That's according to Matt Good, senior vice president and director of regional partnerships at Elan Credit Card.

"Digital capabilities are absolutely a demand of Gen Z and millennials — that the credit card product be a frictionless, seamless experience," Good said.

while Gen Z and millennials certainly want a low-rate card, and they want rewards that are competitive — they are the first generation to actually say that what's more important than rate and rewards is that the experience be digital. Therefore, you have to invest in that technology."

That digital-first behavioral mindset needs to be realized across every touchpoint, Good said. "It's no longer acceptable to tell someone who is Gen Z that they have to fill out a paper application — it's often not even acceptable to send them to a website. They want to be able to do it online, certainly, but they prefer to apply through a banking app, or they want to use new functionality like text-to-apply."

He emphasized that Gen Z and millennial customers who have their needs met now are more likely to stay with a financial institution when it comes time to purchase their first home, begin building their savings and investments, or take out a business loan because "they will be more likely to see you as their primary financial institution."

Making the Switch from Debit to Credit Products

Good noted that credit card products must provide strong risk management for younger consumers just starting off their credit journey, while also investing further in the capabilities and solutions this cohort prefers.

"You have to invest in the products [younger generations] are looking for, digital tools, financial education resources," Good said. "Seventy-eight percent of Americans say they wish they understood better how to manage their money, and 33% of Gen Z say they learn about managing their money through social media outlets such as TikTok, Instagram or YouTube."

As macroeconomic headwinds continue to drive widespread pessimism and dampen consumers' outlook about their ability to meet their financial goals, Good said that while no sociologist, he understands why Gen Z and millennials are increasingly "careful and conscious" concerning finances.

Still, Good noted that as consumers financially mature, they start to make bigger purchases that can be better served by credit products. "Why not make sure you have that full banking relationship, where [younger consumers] have both their credit and debit card with you," Good said, adding that it's important to market them as collaborative, and not competitive, products.

"Every consumer is at a different place, and being able to personalize that and have both functionalities available is very important," he noted.

As for what Good is looking forward to most?

It's helping community banks and credit unions navigate today's complex environment and challenging macro forces in order to bring to market credit card strategies that successfully

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