ECONOMIST IMPACT

Special report

Leaning into the blur between business and finance:

How payments drive new marketplace business models

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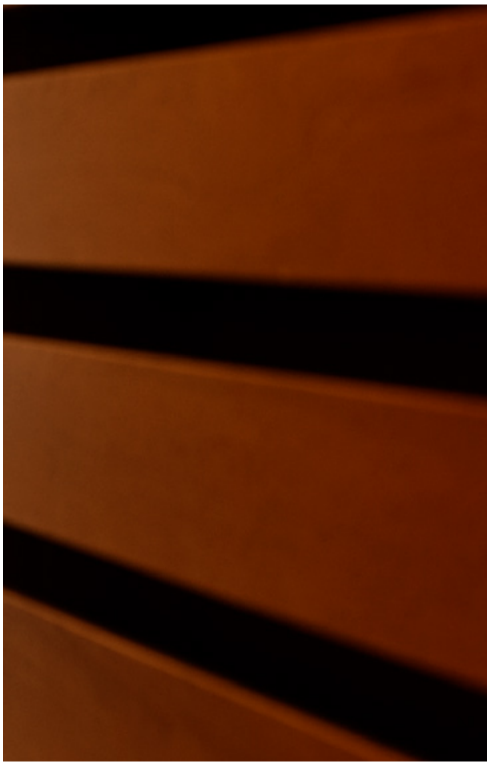

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Executive summary

- Digital marketplaces and 'super apps' are transforming industries as diverse as retail, autos, fashion and energy. They may start as platforms selling one firm's products or services, but the most successful collaborate with competitors and ancillary suppliers to scale up entirely new businesses.
- Marketplace business models require strategic business thinking, a new approach to the idea of competition, and a focus on customer experience and Big Data. They also need a new relationship between the business and treasury and finance functions.
- They rely on customers being able to buy whatever basket of products and services they want within an app or marketplace platforms. These purchases may well be from multiple sellers based in multiple regions selling in different currencies and operating in different tax and regulatory regimes.
- To deliver these fundamental services, marketplaces need transaction and financial services embedded as both core infrastructure (billing, payments, wallets, etc.) and product (credit, insurance, etc.). That is, financial functionality is itself a critical service, just as much as the other products and services the marketplace provides.
- In addition, marketplace business models fundamentally change the nature of corporate cashflows. Companies need to build processes able to handle more lower-value payments, 24/7 transaction flows, instant refunds and other direct-to-customer financial interactions in real time.
- This centrality of financial services to the logic of the marketplace, and the challenges the marketplace model brings to traditional finance functions, blurs the line between business and finance and should make corporate treasury a key stakeholder in the building of these new business models. To assume this role though, treasurers need to make sure they inform the business strategy rather than simply inherit it.

Introduction: Adapt to survive

Most firms have launched online or app-based versions of parts of their business. The next stage is to think in terms of ecosystems, marketplaces and super apps.

Traditional businesses interact with customers, suppliers and other third parties offline, and often through intermediaries – stores, distributors or outsourced marketing firms. The first steps towards a digital business model involve creating online versions of those relationships: a traditional e-commerce platform.

Direct-to-customer (D2C) sites are an obvious first step; direct-to-store models replicate the D2C online model to give small shops and business customers the same experience they get in their consumer buying platforms; digital procurement sites create online tools for buyers to interact with suppliers and other third parties; and a variety of B2B models exist too.

Firms have quickly realised that establishing a direct connection with customers creates resilience in times of disruption, saves on intermediary costs and creates branding and loyalty opportunities for marketing teams. It also:

- Generates monetisable data on product/service preferences and spending habits
- Prompts new thinking on inventory levels and forecasting
- Suggests further direct digital connections with suppliers and other third parties
- Drives firms to focus on customer experience

The next step for successful digital innovators is to move to a platform or marketplace model. These can be open to any group of sellers or curated to a limited market, perhaps just to the products of the marketplace owner. They can be for new, second-hand or rental products; and they can be across any buy-sell relationship – eg. B2C/D2C, B2B or P2P.

These marketplaces are not simply copies of Amazon, Etsy, eBay or Alibaba. Increasingly, industry innovators have been developing sector-specific platforms that replace and enhance their own offline transactions, later adding access to multiple brands, or using data to build entirely new business streams.

So, healthcare companies may want to develop marketplaces that sell their own products direct to consumer, but also to pharmacies, later developing the capability to sell other firms' products or adjacent services to one or both of those customer segments.

That's the model for L'Oréal USA's B2B retailer SalonCentric (see case study, p11), a marketplace to help salons and stylists run their businesses, adding hundreds of new vendors to their existing store line-up, as well as moving into new categories, including salon equipment and hair extensions.

Or take OREN, a joint venture between Shell and IBM creating the first B2B marketplace for the mining and industrial sectors. Described as "Amazon for the mining sector", it allows mining companies access to a range of software, services and digital solutions while allowing developers to efficiently get their products to potential mining clients.

The rise of the "Super App"

Successful marketplaces may evolve into "super apps" – one-stop shops where customers go for all the activities related to an original core service. Today, even related online activities are executed via separate apps or websites, each of which requires an account, a password and other user details. The most advanced marketplaces bring together multiple sellers in competition and collaboration across a range of products and services. Make the marketplace accessible via a single app and that's the super app.

Take J.P. Morgan's plans to launch a full-service travel business. It has bought a booking system, a restaurant review company and a luxury travel agent. It is building its own airport lounges and a force of thousands of travel agents. Why? Paying for travel is a one of the main reasons bank customers use banking apps. So why not put the travel booking process inside the banking app? Why not offer travel rewards for bank customers who use bank credit cards to book the travel? Why not offer buy-now-pay-later instalment plans for expensive trips?

Why not apply the same logic later to home buying? Existing online realtors aggregate potential house buyers, but the transactions happen off-platform and revenues come from referral and advertising fees. The real value of the audience would be realised if the platform became the place where real estate was bought and sold, with ancillary services like surveying and conveyancing done on-platform too. This would require just the kind of legal, regulatory and financial sophistication that has made other marketplaces so successful, with mortgages and payment rails embedded in the platform.

Case study:

Mobility, marketplaces and the connected car

Mobility Payment Solutions, formerly known as Volkswagen Payments[1], operates a payments platform designed for the auto industry. It incorporates a range of digital payments services across the auto ecosystem: initial purchase and leasing, in-vehicle payments, fuelling and electric vehicle charging, parking and subscription-based services such as insurance and in-vehicle entertainment. The platform focuses on digitally connecting the auto ecosystem and improving the payments experience for consumers, distributors and suppliers alike.

Volkswagen (VW) saw early that developing a next-gen payments platform was central to its ability to build a car sales marketplace – heycar – in collaboration with other manufacturers and service providers. The customer financial journey is central to its strategy.

For its partners, heycar opens up additional digital sales channels – whether dealers, manufacturers, financing or insurance providers – to present their products and services. This applies both to leads from the traditional classifieds business as well as to the dynamically growing field of e-commerce.

VW also saw that the car itself could become the central device in broader consumer marketplaces. In one sense, a connected car is just another device through which users can interact with marketplaces for goods and services. That starts with obvious use cases such as automatically paying for petrol or tolls to digitally paying parking charges.

But it extends much further: once drivers and passengers have become used to buying driving-related services, they may start to see the car as a twin of their smartphone through which they may want to purchase travel-related products, and from there anything. The connected car will provide a technology platform and a data-rich group of users, from which car manufacturers could launch marketplaces beyond just the auto and auto-related.

And it's not just auto OEMs who have realised. Take energy major Shell. Instead of starting from the perspective of ownership of the vehicle, the facilitation of loans/leases and insurance payments and then maintenance and add-on services, Shell starts from the perspective of a mobility retailer with 46,000 retail outlets in over 80 markets. This infrastructure already provides fuel, food, coffee and other products and services. Connected cars allow the company to look at the marketplace possibilities its existing relationships create in terms of facilitating day-to-day payment of charges related to fuel, then EV charging, and then to tolls and parking, food and refreshments, and then potentially even to purchasing entertainment services or food from quick-service restaurants.

Janine Albrecht-Webb, General Manager for Shell's Digital Customer Solutions and Platforms globally, explains: "We see our customers changing quite a lot, particularly with energy transition, digitalisation and connectivity as a whole. But whenever we have looked at this, the same three customer demands come up: 'Where can I find what I need? Can I pay easily? And can I be rewarded?'. So as Shell, we need to give customers the right digital channels and communications so that they can order what they want and pay for it. We then need to personalise our services to each customer. The idea is multiple touch points with one profile."

Frictionless payments are at the heart of this model, but with such a global business, Shell needs financial partners who can operate where they themselves are, and who understand the different cultural habits around payments in each market. "In some markets, drivers will go to the ATM at the petrol station, withdraw cash and use it to pay for the fuel. There are huge cultural differences between markets, and we have to be able to cater to all these different customer preferences," says Albrecht-Webb.

As auto manufacturers, their captive finance companies, oil majors and other companies in the automotive and broader mobility ecosystem develop these new mobility services divisions, they are all finding that consumer adoption longer-term is based on value for the customer in the form of savings, rewards or convenience. In particular, when it comes to payments, customers demand seamless real-time user experiences where the payments are increasingly invisible.

Ali Almakky, Global Head of Payments Solutions for the Mobility Sector at J.P. Morgan Payments points out: "This creates an increasing burden on traditional treasury functions designed to manage B2B flows, to now handle large numbers of Consumer to Business (C2B) micropayments, refunds and rewards. Treasurers need to understand mobility payments platforms and e-wallets, marketplace data analytics systems and loyalty and reward management for consumers and merchants. Most will be unaccustomed to this level of B2C operation and will require support from third parties. We can provide clients the ability to leverage our financial services licenses, our investments in our mobility payments platform and broader payments infrastructure and our sand-box environment to pilot new mobility use cases. We also have the tools to allow seamless connectivity via APIs to the client's front-to-back infrastructure depending on the client use case."

Looking further ahead, Ali Almakky sees a great deal of potential in making auto OEM wallets more ubiquitous in terms of their use cases to support what will eventually become 'invisible' payments. This is where the context and experience around the payment becomes more relevant, and these wallets become a regularly used application for the consumer in circumstances beyond automotive.

[1] J.P. Morgan acquired a nearly 75% controlling interest in Volkswagen Payments in April 2022.

Moving the business to marketplace thinking

The marketplace model is as much a change of mindset as it is an issue of technology. To succeed in the connected economy, the business must discard some hard-to-let-go attitudes around collaboration and competition, around target markets and products, and around its relationship with the treasury and finance functions.

The marketplace is not the technology platform on which it sits, and building a marketplace is not primarily a technology project. To build a marketplace in a particular sector, the business needs to:

Rethink addressable markets: Think in terms of the available revenue pools and the entire value chain in a sector rather than simply one set of existing customers or products. So, US health insurer Elevance Health started with a digital platform for its customers, but has launched additional ecosystems for employers and other groups, all related to but different from the original client base. It now boasts the industry's largest platform, integrating its immense data assets, proprietary AI and machine-learning algorithms.

Re-orient from competition to co-opetition: Marketplaces need scale. They must be the go-to choice for the customers they want, and this means abandoning traditional views of competition.

A good example is heycar, a joint venture established by units of VW and Mercedes-Benz to co-create a dealer platform through which to sell new and used cars online. The business now also counts Allianz and the Renault Group among its shareholders – so three competing manufacturers have joined an online community that can put manufacturers, dealers and second-hand sellers in direct contact with potential buyers better than traditional single-firm dealerships and online sites.

Return power to customers: Traditionally businesses have used asymmetries of information or scale to extract more profit from customers. Just as marketplaces upend old fashioned ideas around competition, they also allow customers to collaborate to drive prices down. On new procurement platforms, buyers come together with others who share their requirements to expand their purchasing scale. Customers can also share information about products, services and different suppliers to improve their procurement processes.

Redefine user experiences: This can be as profound as the ways in which Netflix and Spotify have redefined their respective industries, or as 'simple' as how Chinese insurer Ping An has completely automated its customer journey and used Big Data and AI to make claims processing faster and more accurate.

Focus on financial services: Transaction and financial services (billing and wallets for example) need to be embedded as core infrastructure on platforms (billing, payments, wallets, etc.), as do products ranging from credit to insurance.

In heycar's case, the core infrastructure is a platform that delivers transactional security, warehousing and inventory management, customer service and payment processing. The additional financial product cross-sell is that the marketplace also provides financing and insurance options from a variety of providers and (again) allows third parties to sell additional products and services to car buyers.

The data accumulated from servicing its customers will allow the platform to develop new revenue streams via personalised offerings, some of which may be outside the initial business model, for example, aftersales products and services related to connected cars.

Case study:

How connected commerce builds new businesses

L'Oréal USA launched SalonCentric in 2008 to distribute professional hair care products to salon owners and stylists. Today, the business operates 585 physical stores in 48 US states and, with its more than 400 salon business partners, is the premier distributor of salon professional products in the US. It is also one of the largest B2B e-commerce sites.

However, L'Oréal saw how the marketplace model could build on this success with an expanded assortment of items from a wider range of sellers, providing a one-stop-shop for salon owners and stylists to get everything they need for their salon. So, in 2021, they launched the SalonCentric Marketplace.

As Bertrand Fontaine, president of SalonCentric, says, this entails "a change of business model, so you need to change your way of thinking. To open up to the fact that we will have many more vendors, [the company must] be a bit less obsessed with cannibalisation of existing products."

Launching the marketplace required treasury collaboration across the organisation. To deliver the core financial functionality, treasury worked with IT and legal on the combination of Salesforce commerce for order capture, SAP for inventory management and invoice management and Mirakl for third-party catalogue, pricing and order management.

"We had to do new contracts and hire external counsel to be comfortable. We needed to solve a number of technology issues because the solution requires a number of third-party participants. It was a much more complex environment than we anticipated," says Marc Parenteau, VP Treasury, L'Oréal USA.

To ensure that SalonCentric is kept out of fund flows for third-party seller settlements on the e-commerce platform, treasury worked with J.P. Morgan. "Handling funds for third parties is regulated. We didn't have the bandwidth or knowledge to manage this, so we needed to find a way to be out of the flow of funds of those vendors," explains Parenteau. "By working with J.P. Morgan, we could achieve that and reduce our risk factors."

The e-commerce site uses J.P. Morgan's Merchant Services platform to receive funds from customers who have registered with this closed-access marketplace. Following purchase, funds are settled into a sponsored account that keeps SalonCentric out of the funds flow.

For Parenteau, the key challenge though was "embracing a new business environment. I would tell other treasurers to ask as many questions as you can and clarify everything. They don't know what we don't know, and we don't know what we don't know either! In this, it was also important to us to have a long-time bank partner that we trusted. They introduced us to new people within the bank to help us understand and anticipate all the hurdles we wouldn't have thought of."

Payments-as-strategy makes treasury a critical growth engine

The centrality of financial services to the logic of the marketplace and super app puts treasurers at the frontline of building these new business models. It blurs the line between business and finance.

Clearly the business has significant adjustments to make if it is to create a successful marketplace or super app. The most important of these is the focus on financial services.

Marketplaces succeed by reducing friction between buyers and sellers. Customers need to be able to buy whatever basket of products and services they want within an app or marketplace. These purchases may well be from multiple sellers based in multiple regions selling in different currencies and operating in different tax and regulatory regimes.

Customers and vendors want:

- one account through which they can pay for products and services using the channels and currencies they prefer
- real-time services through the ordering and billing process
- refunds to be easy and quick
- the whole payment process to be secure from fraud and cyberattack
- choice to pay in instalments or via traditional credit agreements and personal loans
- insurance or an extended warranty
- levels of personalisation far beyond those delivered by traditional businesses

Delivering this complex package of financial products and services invisibly increases customer retention and attracts new customers, which in turn attracts new vendors or other third-party suppliers.

The latter are just as much customers of the marketplace as are the buyers. They want to see buyers' financial needs met and they also have specific requirements like low-cost pay-outs in all currencies, automated reconciliation and split payments (to multiple merchants and the platform).

"All of this means that financial functionality is a critical service, just as much as the other products and services the marketplace provides. Since treasury is tasked with steering the daily cash-in and cash-out activities of the enterprise, it is best placed to shape the new payment infrastructure required," says Sara Castelhano, EMEA Payments and Commerce Solutions Product Head at J.P. Morgan Payments.

Treasurers must:

- align treasury tools and processes with the business strategy
- reduce friction from pay-in to pay-out: any form of friction may deter sellers from joining the marketplace
- understand the transaction costs, regulatory requirements and new methods of fraud associated with new forms of e-commerce payments
- consider the role of real-time payments, cross-currency solutions and virtual accounts in supporting the marketplace
- understand the implications for working capital of real-time marketplace environments
- manage the cashflows between the marketplace's partners efficiently

"Most importantly, treasurers need to inform the business strategy rather than simply inherit it. Too often treasury is not involved, or is involved too late, in the design and implementation of payments and other financial functionality in new marketplace models," explains Tristan Attenborough, Global Head of Energy, Power, Renewables and Metals/Mining at J.P. Morgan Payments.

But these new business models also mean a new model for treasury. It is no longer enough to be thinking about the process efficiency gains from rationalising bank accounts, migrating forecasting off Excel or upgrading financial reporting. Choices around financial infrastructure – the kind of financial infrastructure treasurers should understand better than anyone in the business – impact the strategic direction of the enterprise itself.

Optimal treasury models for the new economy

Marketplace business models fundamentally change the nature of corporate cashflows. Treasurers need to build processes able to handle more lower-value payments, 24/7 transaction flows and direct-to-customer financial interactions in real time.

Different marketplace models have different financial implications. Some marketplaces are essentially brokers charging vendors commission for their services. Others are distributors in which the platform acts as a final seller.

Some so-called light marketplaces, like Craigslist, do not facilitate transactions at all. Other more heavily managed marketplaces, such as Etsy, eBay and Airbnb, do facilitate transactions by processing payments and ensuring the security and efficiency of transactions.

In the more heavily managed marketplaces, suppliers can be required to obtain a merchant account with a payment processor and link that account to the platform to transact – and many processors will offer an OAuth solution that can grant a platform permission to act on a merchant's behalf. Alternatively, suppliers can onboard as merchants with the marketplace while control over how merchants get paid and how funds flow through the system are up to the marketplace.

Treasurers need to understand the legal, regulatory and financial implications of these different models and what they mean for the ability of the marketplace to execute the basics: onboard participants, execute transactions, take fees, control payments, detect fraud, deal with chargebacks and provide reporting to buyers and sellers.

It is critical to understand who holds cash on behalf of whom (and when), whether funds need to be segregated into different types of accounts in different jurisdictions and how payments may have to be split between different parties. Accounts must be in the "right" location in the name of the correct entity.

If marketplaces process payments directly, then they will likely need a license to do so, so treasurers need to understand whether a particular business model implies that the marketplace is in or out of the money flow. If they remain out of the flow, they need to use banks or third parties to help them.

Process challenges

In terms of pure process, online marketplaces and apps operate 24/7. Traditional treasuries may be more used to working periodically on agreed payment and delivery terms with bulk invoicing. Marketplaces alter the entire order-to-pay cycle, which changes everything from forecasting to funding models to procurement to inventory management.

Cashflow forecasting in a supplier distribution model is very different to forecasting for a model in which payments are flowing in and out continuously every day, and traditional processes may not scale to that. As transaction volumes surge, then how does that affect reconciliation, credit control and other functions?

"One of the key challenges for treasurers and their banks is customers' demand for real-time financial interaction."

Cross-border FX payments are crucial to many marketplaces, but they bring many complications. These multiply in certain jurisdictions like APAC where a marketplace may want to have local currency collections in each country while also being able to get those funds out into a centralised liquidity management pool. Whether this is possible may depend on the payment channel being provided by a Payment Services Provider (PSP) (eg. cards versus instant payments/request to pay).

Risk management processes must change too: pricing (possibly daily) in multiple currencies is very different from the bulk, wholesale currency decisions treasury typically deals with. How treasurers incorporate the growing FX cashflows from marketplaces into existing hedging policy is another issue.

To cope with these challenges, treasurers need technology that can provide real-time functionality and data needed to run a modern marketplace. This can include third-party applications, the use of APIs to link with bank and other systems and advanced back-office automation solutions to cope with the transaction speed and volumes required. Integrating these new systems with existing treasury technology is one of the biggest potential challenges for treasurers.

Olivier Denecker, Expert Partner, Global Payments at McKinsey says: "One of the key challenges for treasurers and their banks is customers' demand for real-time financial interaction – payments, refunds, rewards. Corporate treasury typically does not operate like this and if the business asks for real-time solutions to support a marketplace model, then treasury is already behind the curve. Ideally, treasurers and their banks make the transition before the business needs it. But that means getting the resources to make substantial overhauls without there necessarily being an immediate business driver for that spend. It's a challenge."

But treasurers need more than just technology. They need advice, and they need partners able to guide them through the process of building the right financial infrastructure for them.

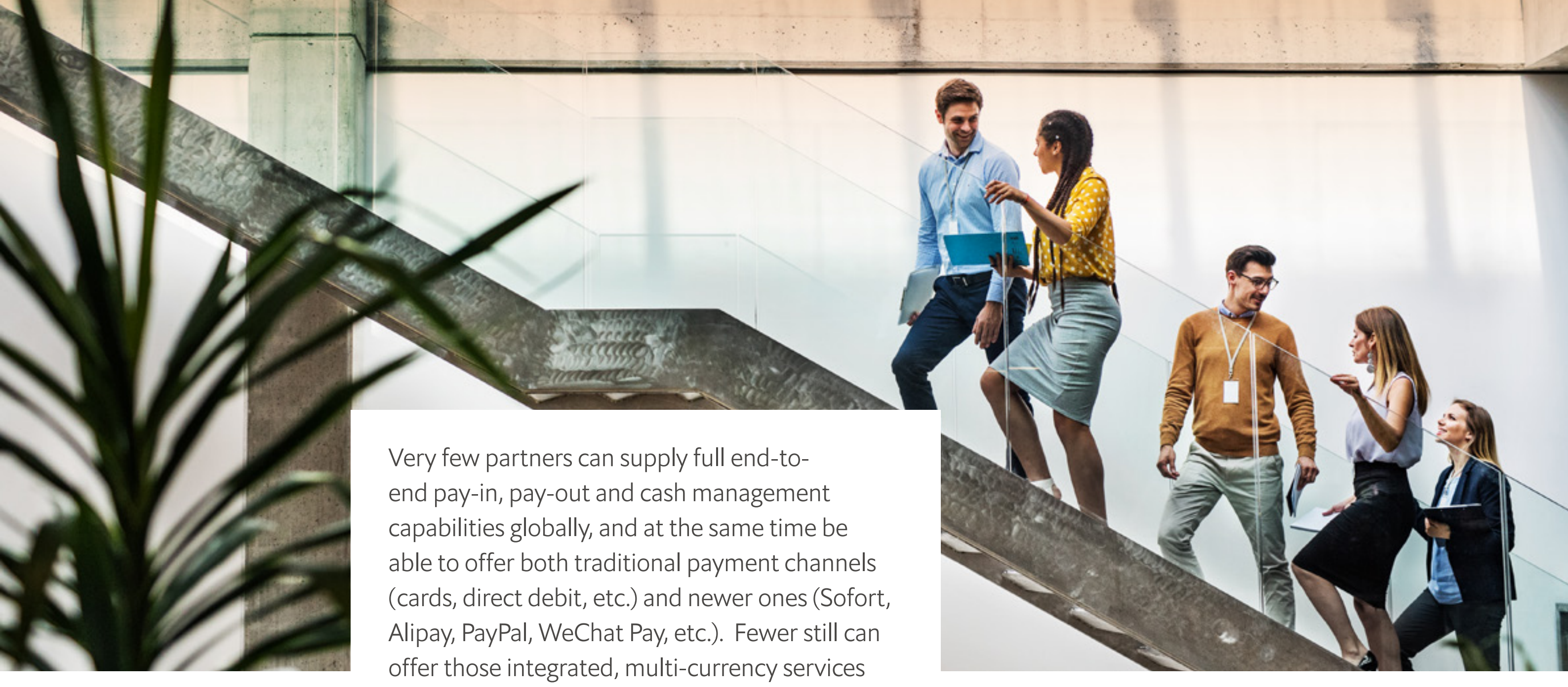
Choosing marketplace partners

Given the importance of getting the financial service offering right, picking the right partner(s) is crucial. So, what should treasurers look for when building a finance engine for their digital marketplace?

There are many ways to deliver the functionality and services marketplace customers require. Companies can choose one-stop-shop fintechs like Stripe Connect or Adyen for Platforms. They can piece together a solution from several partners: one for onboarding and Know your Customer (KYC) checks, others for payment processing and others for paying out to sellers and so on. Or they can partner with a bank.

To decide treasurers must ask:

- How much control over payments does their marketplace need to create trust?
- What payment tools and experiences are required for the best product-market fit?
- What payment solution will make sellers most successful?
- What solution will best integrate their e-commerce platform and PSP with their Treasury Management System (TMS) and Enterprise Resource Planning (ERP) to provide a seamless service to customers and provide the treasury data required for Accounts Receivables (AR) / reconciliation, etc.?
- What is the easiest way to meet all legal and regulatory requirements across payment partners?
- Which solutions provide the most scalability in terms of global reach and capabilities?
- What about counterparty risk?
- What are the pros and cons of one-stop shops over multi-provider solution stacks?
- Who can reliably keep you out of the flow of funds?



Very few partners can supply full end-to-end pay-in, pay-out and cash management capabilities globally, and at the same time be able to offer both traditional payment channels (cards, direct debit, etc.) and newer ones (Sofort, Alipay, PayPal, WeChat Pay, etc.). Fewer still can offer those integrated, multi-currency services through proven regulated entities with robust frameworks for risk and cyber security, cost management (fees, chargebacks), reporting and fraud management.

Most who can offer these services are the leading global transaction banks whose wholesale payments businesses combine corporate treasury services, trade finance, card and merchant services capabilities, and which can deliver an integrated payments experience to end users globally.

"Understanding the value chain from customer payment experience to method of payment to gateway to PSP to bank and to treasury is critical."

These banks understand the entire payments ecosystem from shopping carts to multiple payment channels, payment gateways to PSPs, card issuers to merchant acquirers. They have the means to create marketplace payment engines tailored to specific requirements around onboarding, managing PSP relationships, scaling pay-out and FX processes globally, incorporating credit, cash and liquidity management and helping to provide governance control across complex business groups. This holistic approach is what truly enables the types of innovative commerce companies are looking for.

Says Tristan Attenborough: "Marketplaces, wallets, consumer behaviours – these are not traditional treasury subjects. Even 'payments' in this context means something more than the traditional treasury definition. But understanding the value chain from customer payment experience to method of payment to gateway to PSP to bank and to treasury is critical if companies are to build the right infrastructure for the digital businesses AND understand the business and risk implications. For example, if you are selling digitally across multiple markets, multiple currencies and different payment methods, how do you manage currency risk? What is conversion costing you? How do different payment methods impact margins and working capital? How can virtual account or pooling solutions be part of the end-to-end solution?"

Driving down costs is not enough. Understanding the holistic model required to deliver the right customer experience is just as important.

Case study:

Energy, sustainability and the connected customer

The energy industry is undergoing a digitalisation transformation: it needs to become software-driven to create smart electrical grids and connect smart home appliances. And smart houses and cities will be key to reducing carbon emissions and the transition from fossil fuels to renewable energy.

Enel is the largest energy company in Italy and one of the largest in the world. This makes it one of the largest billers in Italy and in every country where it has an energy retail presence. This 'captive' customer base and the data associated with it are the starting point for Enel X, the company's digital platform-based ecosystem.

The Enel X marketplace, according to Matteo Concas, Head of Global Digital Banking Solutions at Enel X, aims to "enable smart living by adding financial services to provide an integrated series of Enel X services, all based on our knowledge of clients' needs."

The project was led by finance, off the back of the realisation that credit collection was a substantial cost for an energy group like Enel, and very profitable for the players that are already present in the market offering bill payment services to retail and corporate clients. New revenue generation opportunities from current clients (cross-selling) paired with cost saving vis-a-vis other players, became a clear business opportunity to take.

In practice, this has meant creating what Concas calls "effectively one of the largest neobanks in Europe." Enel X and Intesa Sanpaolo, through Banca 5, purchased Mooney Group, one of Italy's largest fintechs, which then acquired the entire financial services business of Enel X (Enel X Pay), creating one of the leading payment companies in Europe.

"We aim to enable smart living by adding financial services to provide an integrated series — all based on our knowledge of clients' needs."

Says Matteo Concas: "We are going towards automotive services like e-tolling, expanding our one million plus customer base of card holders, and creating ever more opportunities to become an omnichannel (in store and physical) player, catered to different client targets."

Conclusion: Leaning into the blur between business and finance

Getting the marketplace model right can deliver astonishing gains. But both the business and treasury must let go of traditional distinctions between business, finance and even industrial sectors.

As we have seen, the centrality of payments and financial services to the marketplace model means that payments become strategy – to an extent they become the product. This begins to break down the distinction between the business and finance, making both strategic partners in the future of the enterprise.

As we have also seen, the distinction between competitor and collaborator breaks down too: in the marketplace economy, it can make more sense to team up with providers of similar products or services to generate the scale required to succeed.

And even the distinction between industries starts to blur when a marketplace takes off: a car manufacturer may start by selling cars, but may end up with a connected-vehicle ecosystem in which drivers and passengers use cars, digital wallets and other embedded financial services to buy almost anything.

As Dr. Stephen Whitehouse, a Senior Partner in banking and Head of Oliver Wyman's Payments business in Europe says: "Some of the most unlikely industry verticals could be gamechangers – it is hard to predict which ones. But you can look at some of the drivers of success. One is behaviour. Businesses that can use data to analyse customer behaviours and change products and pricing accordingly will do extremely well. Another is identity: businesses that allow customers to use a single identity to navigate multiple parts of their ecosystem will be attractive because of the lack of friction. And what will become really interesting is the next phase of data and digital identity that will completely upend business models where consumers own their own data and sell it back to the partners in the marketplace."

In this landscape of blurring boundaries, successful businesses will be those that focus on customer experience. That in turn depends to a large extent on treasurers and the partners they choose, because best-in-class customer experience depends critically on best-in-class payments and transaction management providers.

Key takeaways for treasurers

- Get in front of business decisions: treasurers must inform business strategy not inherit it
- Understand the legal, regulatory and financial implications of the different marketplace models
- Identify the key financial requirements of the chosen marketplace model: the payments, refunds and rewards functionality, as well as any financial products such as credit or insurance that need to be delivered to customers
- Document how the shift to a 24/7, B2C, high-volume, low-value transactions model may stress existing financial processes and change the entire order-to-pay cycle
- Map how core treasury processes like cash forecasting, risk management, credit control and cross-border payments will have to change
- Work with legal on staying outside the flow of funds, and on jurisdictional issues around where cash is held and how it is disbursed
- Work with technology on order capture, inventory management, invoice management, third-party cataloguing, pricing and order management
- Evaluate technology and banking partners against business and treasury requirements

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