

Future strategies:

Five focus areas for every future-facing business

Find out the Modulr approach to building resilience, flexibility and great customer experiences, so you can take full advantage of opportunities.



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Executive Summary

We're living and operating in disruptive times. It's a world of heightened connectivity, accelerating automation and unprecedented digital transformation.

Today's businesses have a choice - adapt and thrive or ignore and fail. Because if one thing's for certain, it's that there are no certainties, and the concept of 'business as usual' is becoming increasingly irrelevant.

Disruption can often create innovative new ways of doing things, but resilience and agility are needed to take advantage of any potential that disruption may bring.

While we're not able to predict the future and we don't have a crystal ball (we wish!), we - like

many other companies - are actively building strategies that will help us navigate whatever lies ahead. In a lot of ways, it's like a game of chess. You can't predict what your opponents will do, but you can build a great strategy that'll be strong enough to push ahead, but also flexible enough to deal with anything thrown your way.

So, we've tapped into our wealth of internal talent and knowledge to give you the five main areas that we think every organisation needs to focus on if it's going to be future-ready, if not future-proof (after all, if we've learned anything from the past few years, it's that nobody can predict sudden change.)

1 Infrastructural efficiency: putting your pieces in place

Setting out the board isn't just about getting everything neat. It's about clearing space, getting yourself in the right frame of mind and thinking about your first moves. It's about being in the right place to play (and win).

Building in resilience

Future-ready businesses need to have built-in resilience which nowadays means that they need a solid, tech stack at their foundation. And you need to know when this stack is going to get stretched and plan accordingly. So, you should forecast expected demand and when those API calls are going to spike, to help make sure you have the in-built capacity to cope. It's also important to plan for worst case scenarios and have the right error handling protocols in place. After all, no system is up 100% of the time. It's important to assume that,

at some stage, you'll be offline - it's all about planning how best you deal with that and knowing what's an acceptable outage time.

Don't create points of failure

If you offer micro-services as part of your proposition then make sure they are built 'stateless', that's to say they're decoupled from each other. You can have as many as you want but make sure they are running in parallel. That way, you can update any aspect without affecting other services.

This enables you to react quickly and affords agility without risking the entire platform, which also greatly increases the likelihood that your system will stay up. Modulr's card offering, for example, is run as a micro-service that can be independently updated as we deliver new

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functionalities. The platform essentially operates on the hub and spoke model, allowing the Modulr wheel to keep moving even if one spoke is down. This means our clients don't have to build new integrations as features are added on, making for light development work.

Automate small tasks

Take advantage of time-saving and operational efficiencies by ensuring new features are automated, so your platform doesn't slow down over time, as new additions are introduced.

We operate in a highly regulated industry, so it's imperative that the Modulr platform is safe and secure - but 'safe' doesn't necessarily mean 'manual'. We've designed our platform so that we can provide everything we need to, from an audit perspective, in an automated fashion. So don't be afraid to challenge the

norm and find ways to employ automation for time-sensitive, labour-intensive tasks such as audits – your colleagues will thank you later.

And remember, you don't need to go after the big things straight away. Automate the little tasks and give yourself the capacity to tackle the big ones. It's all about those marginal gains! Plus, we all lose focus when we 'context switch' - that's to say move from one unrelated task to another. By automating away the smaller pieces of work, we can maintain momentum.

Don't be scared

Finally, don't fear change and don't create a platform that you're too scared to touch. It's important to keep changing and optimising to ensure a platform stays updateable. So, make those frequent small changes and stay on top of software updates. You don't have to be the first

to jump on the technology bandwagon, but don't be the last! Find that balance between cutting edge and stability. Some cutting-edge developments may allow you to leapfrog ahead but don't take a risk-based approach when it comes to your core platform – this needs to be stable and proven, but you've got to keep it up to date.

And if you're going to fail – fail fast! Get things out the door rapidly so you can gauge customer feedback and learn from any mistakes.

2 Customer experience: know your opening moves

There's an entire Netflix series named after an opening move (The Queen's Gambit) – and while those moves might be limited, it's all about starting with a strategy. Otherwise, you're allowing your opponent to set the pace and drive the game forward. You may not want to take too many risks, but you want to make sure your opening gives you options and makes the right start.

Only as good as what's beneath you

Customer experience is more than just a great UI (User Interface), it needs to be supported by a solid UX (User Experience), at every interaction, which means that you need the back-end of your business to be just as great as what's up front. Take Financial Services for example - there's no point having a slick interface on your neo

banking app if the customer doesn't know their money has arrived in their account. That initial deposit of funds into an account is a key element of their onboarding and their first experience of your app, so you need it to be good. Nowadays customers want total control and visibility over payments at all times - services which need to be underpinned by a real time, responsive digital infrastructure. Modulr's platform replaces the traditional payments infrastructure, which is cumbersome and costly, with a simple API. This enables customers to fully automate and manage transactions in real time, 24/7 and embed payments functionality into their propositions.

Too many businesses are focussed on improving customer service without addressing the real inefficiencies that lie in the legacy systems on which they're built. After all, you're only as good

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as what's beneath you!

Know your strengths, and work them

Work to your strengths and prioritise and focus by taking a best-in-class approach. And, once you've found your niche, make it work harder for you.

If you're a Financial Services company that aspires to be 'stickier', then layering on financial products by offering native integrations of financial services is a very effective monetisation and retention lever – increasing the lifetime value of a customer, without increasing the cost of acquisition. But the secret lies in embedding the fintech within your own platform, as this makes for a more seamless customer experience through a familiar brand interface, rather than redirecting customers to a strange third-party site.

Own your customer journey

Pick your partners carefully. It's important to find the right fit. We know that our clients really appreciate our consultative, problem-solving approach. Modulr was built to address the very payment challenges that our founders experienced when starting their previous businesses, so we have a very real understanding of the hurdles our clients face and, with our tech stack, regulatory permissions and deep access to critical payments infrastructure, we're uniquely positioned to help.

But don't tie yourself to a platform that's too prescriptive. You want one that gives you the tech tools you need so you can really own the customer journey.

You can't define roadmap in a vacuum

Remember that we all want cool solutions.

It doesn't matter if you're marketing to businesses or consumers – the B2B/B2C divide is no longer relevant. We're all driven by the market and our individual experiences, we've all been Netflix'd and Uber'd and we've all come to accept ultra-seamless customer experiences as the norm. So, take a look at your customer's front-end experience from their perspective. Ask yourself 'would I expect this from the customer journey on Netflix or Uber?'. And, once you've identified any front-end customer experience clunkiness, can you trace it through to the back end?

Because - we've said it before, and we'll say it again - you're only as good as the tech that lies beneath!

3 Get disruption-ready: anticipate your opponent's next move

Not everything is going to go smoothly. This is a game of competition, after all. And you're not the only one trying to win. The worst thing that can happen is to miss your opponent's strategy and get caught out. The best way to deal with that is to look at their opportunities the same way they do and try to anticipate what's going to happen.

Be a fast follower

It's nearly always better to be a Fast Follower rather than a First Mover. Yes, there may be some innovation kudos from being the first to market in a new product category, but First Movers rarely get the most value returned. Being first is expensive and educating the market is challenging. Also, there'll be many

that follow in your wake, ready to learn from your mistakes.

The Fast Follower's time to market is quicker and their research and development costs are usually lower. So rather than pitch yourselves at the bleeding edge of innovation, you could look for opportunities that fit your core skillset, follow what your competitors are doing and experiment.

Be sure to follow quickly!

Innovators will self-select

Innovation is important for any future-facing business but you don't need to hire new employees to do innovation. Innovation talent will rise to the surface and self-select from

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within your organisation. Once you've identified these people, give them headspace for that blue sky thinking.

Google's ITO (Innovation Time out) policy, which dates back to 2007, encourages Google employees to spend 80% of their time on core projects, and roughly 20% (or one day per week) on 'innovation' activities related to the business but speak to personal interests and passions.

Whether you adopt this 80/20 approach across the board or endeavour to have 20% of your workforce dedicated to thinking outside the box, you need to have enough resource to look over the horizon as well as at the here and now. At Modulr, we have a dedicated resource in our ModLabs department focused on the more speculative/experimental thinking.

Watch the whole board

Once you're looking over the horizon, and have sight of the disruptions that lie ahead, try to use them to your advantage. The payments landscape, for example, is fraught with regulatory disruptions, and it's getting more complex. It's something that Modulr used to its advantage when it started out six years ago. Regulatory changes, including the Open Banking Directive, were opening up the infrastructural playing field and traditional banking models (with its reliance on legacy analogue solutions) were being rendered increasingly obsolete. We went to market with an API-driven digital solution which eradicated the barriers to instant payments by offering businesses an easier way to move, manage and monetise – enabling them to offer new

products and services to their customers. Modulr does the regulatory heavy lifting on our clients' behalf, relieving them of the burden of maintaining payment scheme and regulatory compliance which can drain resources and stifle innovation.

So, look for the disruptions ahead, give yourself enough time to react and benefit accordingly. And if you can dodge the disruptions by outsourcing to a forward-thinking partner for them to insulate you, even better!

4 Innovation: finding your unbeatable gambit

You can be a great reactive player, but if that's all you're bringing to the game, you're going to struggle at times. You need to look for opportunities and know how to take advantage of them when they present themselves. And if there aren't any opportunities? You need to learn to create them.

Experimentation innovation

Firstly, there's incremental innovation and disruptive innovation. Incremental innovation focuses on cost or feature improvements in existing products or services – incremental improvements that can accumulatively combine to still make massive gains over the longer term. A disruptive innovation example is one that creates a dramatic change that transforms existing markets or industries, or even creates new ones, by introducing

ground-breaking new products.

I believe in both. You don't always have to build a brand-new technology or market, but for it to be innovative it still must be substantive, and material. It needs to have impact.

Either way, I prefer to call it experimentation rather than innovation.

Innovators don't innovate

One of the main misunderstandings of innovation is that it's a set process, with a set output.

This is a fallacy.

Innovation is subjective. Furthermore, it's

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detached from the one doing the so-called innovating — it's the outcome that's innovative, not your effort.

You cannot do innovation and you cannot be innovative. Instead, focus on making great products and services and create the environment for your team to have great ideas that could potentially be the next big innovation.

And no one can claim to be innovative. The market tells you that you're innovative or, more accurately, that your products or services are innovative. You're only innovative when others say you are. And, much like profit is an outcome of all the other processes and improvements, innovation is a potential outcome of your efforts, not simply a guarantee of your intent.

Remember, it's an outcome, not an input.

Get everyone on board

Experimentation must be a long-term strategy and you need to give yourself the headspace to do that. If you're constantly thinking about your next deliverable or your next stakeholder meeting, it becomes impossible to think beyond. One of the reasons ModLabs is so cool is that it's an investment for the future — we're not immediately delivering value. And that's OK. We've been given space and capacity to think and within that space, we're able to find opportunity.

We're hunting for that next big thing that could help Modulr dramatically change the industry. But that might come in

experiment 5 or experiment 50. We need to keep our heads down and focus on the task ahead. And not get bogged down in the hype.

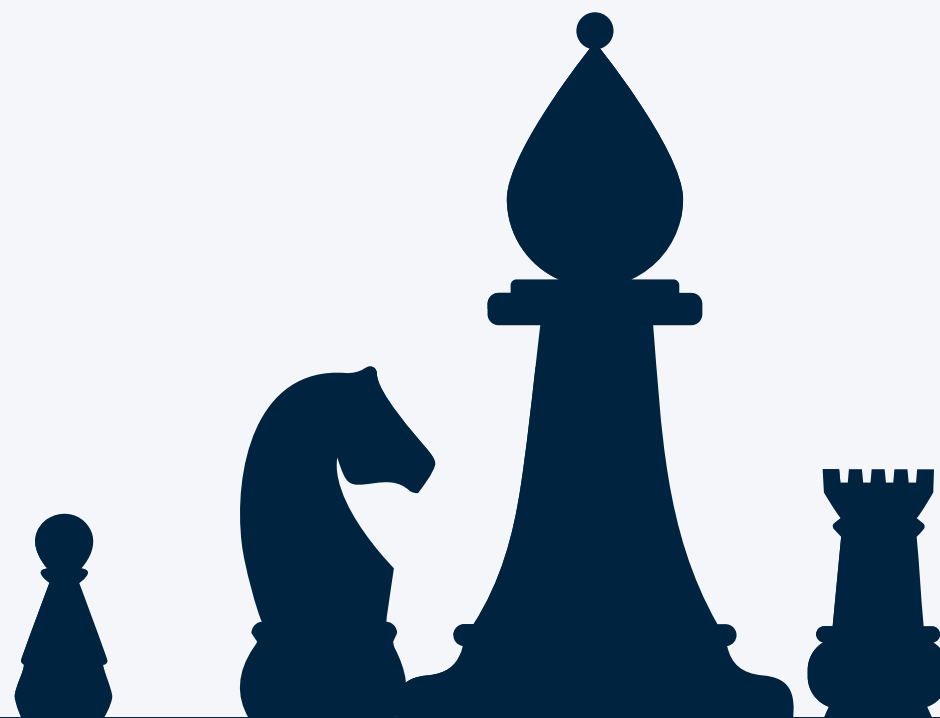
Play the long game

If you want to potentially have innovative products, then do good product. Speak to your customers, build what they need, have great people, treat them right, build psychological safety, nurture radical ideas, take a look at design thinking and working with agility, and empower your talented people to make big decisions, and maybe, just maybe, you'll get lucky and actually develop something that is seen to be innovative.

At the end of the day, we're all here to

solve problems for people. Stop worrying about whether you're innovative or not and just go about making things easier for the people who use your products and services — chances are the two align.

Every single person in the company is responsible for two things: the customer experience and improving the customer experience. Don't get distracted by terms like innovation, because at the end of the day, what we're doing is good product, and we're focusing on our customers, and you'll only know you're innovative after the fact.



5 Monetising payments: winning the game

There's an end-game and a winner. That's the whole point. Now, while in chess, there can only be one winner, business offers multiple ways to win. But that means there can also be multiple losers. So how do you win?

The potential of disruptive forces

Not so long ago, the idea of going to somewhere other than your bank for payment services would have been unheard of. But nowadays the reality is that much of the traditional banking infrastructure, and the payments processes that sit within it, is simply no longer fit for purpose.

Fintech has become a disruptive new market force. Embedded payments providers, such as Modulr, now offers a genuine alternative to traditional banking and payment systems. Their digital API platforms give businesses a faster,

easier and more reliable way to move money, all while improving the customer experience.

Whatever industry you're in, there are companies out there who are challenging the established way of doing things. Businesses need to wake up to the potential of disruptive forces such as fintech, because the chances are, their customers already have.

Offload the distractions

Choose a partner that can take away your administrative workload. For example, when it comes to payments, being a direct member of all the relevant payment schemes is hard work and incurs a heavy regulatory burden. But a small group of FinTechs has emerged that have the same level of payments access as traditional banks – like how Modulr

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connects directly to the UK payment schemes and has a settlement account at the Bank of England. Partnering with these payment powerhouses gives future-facing businesses a way to connect to payment schemes and benefit from fintech-driven microservices built on API-enabled architecture, without the complexities of having to manage direct access themselves.

And find a partner than can offer you an agile, 'open' platform. The Modulr infrastructure sits on top of a single tech stack that we've built ourselves – it's not plugged together with other systems. We built it new, it's hosted on AWS and it's kept up to date; Alex and Michael do a great job of describing how we bake in resilience in the first part of this ebook. We provide our clients with all the tools but we haven't tried to build-in any

client logic. In this way we can keep our platform clean, while giving our clients the technological bandwidth they need to build cool stuff on top of it.

And if you can, monetise it

If you want to increase your business profits, it stands to reason that you need to increase your revenue. So, finding new ways to monetise your proposition and increase the value you offer your customers just makes good commercial sense.

Embedding payments into your platform is a great way to create new revenue streams through interest, interchange, payments, financing and software subscription. This offers an opportunity to grow the revenue per customer while improving customer retention and

engagement by making a product stickier – that's to say, making it so indispensable that it would mean a considerable investment for customers to switch. And, thanks to the fintech infrastructural players, like Modulr, it's never been easier for businesses to embed the payments infrastructure that make financial features – from loans to cards to complex supplier and payroll flows – possible, and take advantage of the new market and monetisation opportunities that this brings.

The final gambit: payments

In chess, you can't say 'if you do this sequence of moves, you'll win'. That won't happen for one very simple reason – there are elements on the board that you can't control. All you can do is build offensive and defensive strategies, so you're in a good position to work with whatever happens.

A Taoist story tells of an old man who accidentally fell into the river rapids leading to a high and dangerous waterfall. Onlookers feared for his life. Miraculously, he came out alive and unharmed downstream at the bottom of the falls. People asked him how he managed to survive. "I accommodated myself to the

water, not the water to me. Without thinking, I allowed myself to be shaped by it. Plunging into the swirl, I came out with the swirl. This is how I survived."

So, if future facing companies take anything away from this cautionary tale, it's that they need to go with the proverbial flow (a strategy that also works surprisingly well in chess we find).



As our experts have shown, the key to not being scared of change is to be prepared for it and to embrace the opportunities it brings. Experiment rather than innovate and learn from those before you. Build in enough agility, capacity and flexibility so you can ride out the waves of disruption and knock your competitors out the water.

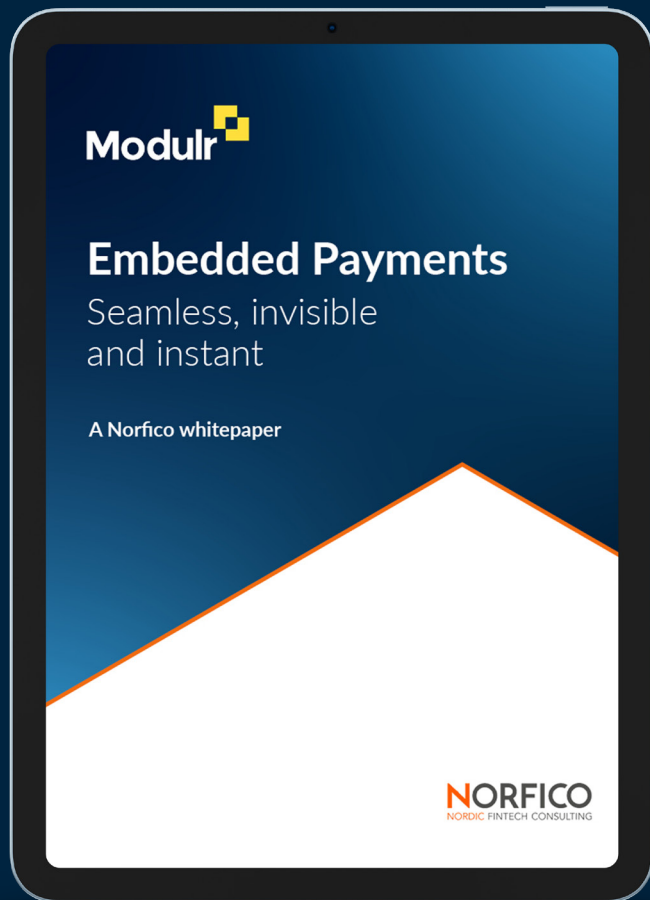
But how do you tackle so many things at once? The secret lies in seeking out those processes at the heart of your business that impact all these things – the common denominator as it were. And it'll be no surprise to you that we think payments are a good place to start.

Payments are the lifeblood of any business. With the right payments partner, you can build financial, infrastructural and operational efficiency and deliver a great customer experience. And, what's more, payments can be monetised, enabling you

to benefit from revenue that would otherwise have sat outside your platform.

Nowadays it's all about the seamless movement of money - payments can be embedded to the point of invisibility, rendering the concept of money abstract. So how do you find out more about something that, if done well, happens so intuitively that it's unseen? Well, we think that downloading our whitepaper for a deeper dive into the world of what we know as 'embedded payments' would be a good place to start...

*To find out more, download
Modulr's Embedded Payments
whitepaper [here](#).*



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