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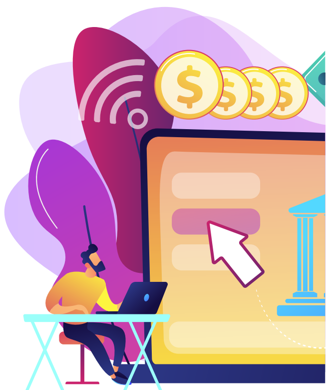

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Editors note

Greetings, and welcome to FinovateEurope! FinTech Futures decided to spruce things up a little bit and give this year's Finovate supplement a fresh look to steer us into the new year and showcase our sister brand's expertise.

In this edition, Greg Palmer, VP at Finovate, reflects on fintech's progress in the past 10 years and provides his predictions for where the industry will be heading in the next decade. Palmer notices three primary factors that play a major role in shaping the fintech industry: hardware innovations, developer tools and customer demands.

"As we look forward to the next 10 years, I predict that the industry will continue to be shaped at a high level by these same three factors," writes Palmer. "However, I think the way they exert their influence will be very different from what we saw in the past decade."

Julie Muhn, senior research analyst at Finovate, chose to usher in the new year by celebrating the Second Payments Directive's second birthday! Regulation has certainly played a key role in financial services and PSD2 has certainly made some impressive progress in the fintech sector.

"Although some consumers may not realise it, they are indeed better off. Many banks have expanded their APIs and integrated with third-party providers [...] and the introduction of more players has increased competition which, in turn, encourages banks to enhance their offerings and customer service," says Muhn.

Muhn explores the highs and lows of the directive, from enhancing open banking initiatives to the lack of education among consumers in control of their own data.

David Penn, staff writer and social media strategist at Finovate offers his interpretation of what the new year could bring – dissecting the rise of venture capital in challenger banks. "As 2020 begins, there may be no hotter fintech theme, both globally and in Europe, than the rise of the challenger bank."

He believes VCs provide neobanks with the capital to develop new products and scale their businesses, "which is an especially worthwhile option in Europe where a banking licence from one EU central bank can enable a challenger bank to operate through Europe," Penn notes.

FinTech Futures has produced a map with some of the latest upcoming fintechs based in the centre of Berlin to explore whilst you take a break from all the wonderful panels and demos ahead.

Feel free to also check out our website for more news and stories on challenger banks, payments, regulation and the latest upcoming technology in the financial services sector.

Editor, Sharon Kimathi

Finovate funding round-up

By Ruby Hinchliffe reporter at FinTech Futures

> Here, we unpack the top fundraises of the past month as reported on the Finovate blog. From AvidXchange's 'double unicorn' status to Tradeshift's $240m investment.

One week after French payment app Lydia announced its $45 million funding, French neobank Qonto raised $115 million in a funding round it dubs the largest to date for a French fintech.

Qonto's Series C funding was led by Tencent and DST Global, with participation from existing investors Valar and VC Alven. Two angel investors - TransferWise's co-founder Taavet Hinrikus and Adyen's CFO Ingo Uytdehaage - were also involved in the financing.

The French neobank has now raised more than $150 million in capital, and will use its most recent funds to fuel its expansion into three new markets just entered in 2019: Italy, Spain, and Germany.

The investment will also help Qonto strengthen its position in France where the majority of its 65,000 small and medium enterprises (SME) and freelancer customers do business.

The challenger is also set to grow its headcount from 200 to 300 and secure a credit institution license to become a bank by year's end.

HighRadius, a company which offers AI-powered order-to-cash and treasury management solutions, has raised $125 million in Series B funding.

The investment boosts the Houston, Texas-based firm's valuation to $1 billion, earning it the status as one of the first fintech unicorns of 2020.

The round was led by Iconiq Capital with participation from Citi Ventures and Susquehanna Growth Equity.

"Digital transformation is increasingly a CFO priority," says Iconiq Capital partner Will Griffith, calling HighRadius's platform "game-changing."

The company's integrated receivables technology optimises accounts receivables operations by combining all receivable and payment modules into a single, unified business process.

Founded in 2006, the company, which includes Citi and Bank of America Merrill Lynch among its clients, has processed more than $1.3 trillion in transactions via its AI-enabled platform.

US payments software provider AvidXchange has raised $260 million, which could push its valuation over the $2 billion mark, and achieve the coveted 'double unicorn' status.

Led by global investment firm TPG Sixth Street Partners, the round will power the company's continued growth, taking its total capital to more than $800 million.

"We're shaping the future of the B2B payments industry by fundamentally changing the way businesses pay their bills," says CEO and co-founder Michael Praeger.

AvidXchange enables mid-market businesses to avoid administrative costs by automating invoice and payment processing in a single platform.

New funding comes as the company's new acquisition BankTEL secures its first partnership leveraging AvidXchange's AvidPay solution with Tennessee-based Studio Bank.

Supply chain payments company Tradeshift has raised $240 million in a combination of debt and equity. It comes from new and existing investors, bringing the company's total funding to $672 million.

The San Francisco-based firm will use the investment to boost expansion efforts and gear toward a "direct path to profitability in the near future."

The funding will also be used to grow Tradeshift's network finance program which provides liquidity to companies in more than 100 countries.

Last year the company tallied record expansion, growing its revenue more than 60% and closing more than 300 enterprise deals.

"It's clear that the investor community has a strong focus on growth combined with profitability and they like our plan," says Tradeshift CEO Christian Lanng. "As a network business, growth is always going to be a key part of our story. But it's also important that we manage that growth responsibly."

UK-based alternative lending company B-North has landed $2.6 million in new funding. The investment comes as part of crowdfunding efforts on Crowdcube and Growthfunders.

Combined with the $5.5 million the company has already raised, the round brings B-North's total funding to more than $8 million, according to FSTech.

The company will use the new capital to increase its workforce and boost its infrastructure.

While B-North has not yet officially launched, the company plans to do so in "mid-2020." Taking a step in that direction, last month B-North partnered with Newcastle Strategic Solutions, which will provide a deposit-taking solution for the new lender.

Swedish open banking platform Tink has raised $100 million raised in its largest funding round to date.

The round, which was co-led by two new investors Dawn Capital and HMI Capital, serves as a reminder that investment interest and funding for companies dedicated to developing the infrastructure is very much in abundance.

Poste Italiane and the venture capital wings of both ABN Amro and BNP Paribas participated in the round.

"Our aim is to become the preferred pan-European provider of digital banking services," says Tink co-founder and CEO Daniel Kjellén.

The Swedish API platform opened Italian, Portuguese and Spanish offices in December 2019, following a major deal with Portugal's largest bank, Caixa Geral de Depósitos.

Tink demonstrated its platform at FinovateEurope 2019.

The $175 million in Series C funding raised by Latin American digital real estate platform Loft offers an insight into how proptech is providing new investment opportunities within the emerging markets of countries like Brazil and Mexico.

"We're aiming to reinvent the way people move homes by building the most consumer-focused real estate marketplace," says Loft founder and co-CEO Mate Pencz.

Loft's digital platform leverages transaction data and machine learning to price apartments at the unit level. This brings both liquidity and transparency to a market the company says suffers from a lack of data transparency, excessively-high selling prices, and long transaction times.

The company plans to also use the funding to fuel its continued growth in Brazil and throughout Latin America. Expansion to Rio de Janeiro is anticipated for early 2020, with Mexico City to follow soon afterward.

Loft also plans to grow its product portfolio in the new year to include mortgages and insurance.

Rise of the machines

Artificial intelligence in financial services

By Alex Hamilton Deputy Editor of FinTech Futures

Whether the future entails Daleks floating up staircases, T-1000s crunching through human skulls, or androids dreaming of electric sheep, AI and machine learning have certainly captured the imagination of banking executives across the industry.

While automated processes and the computerisation of trading and order flow have been around for decades, and banks have had long-established frameworks, the explosion of big data has had a profound impact on the development of analytical software which can detect correlations and derive value faster than the human eye can blink.

To discover just how ready the market is for this technology, FinTech Futures surveyed its readers on their investment, hopes, fears, and dreams for the development of innovative analytical technology.

When asked whether AI and ML would become a differentiator for financial services firms by 2024, more two-thirds (**69%**) of those asked agreed or strongly agreed that it would. **60%** stated that they would be increasing their spend on AI or machine learning in the near feature, and more than three-quarters of respondents said that the deployment of these new technologies would be a core part of their business strategy going forward.

The biggest hurdle to the proliferation of new AI technologies was believed to be uncertainty from regulators, with more than a third of all survey respondents indicating that better clarity from watchdogs would help move the sector forward.

Indeed, **61%** of those asked said that they believed their local regulator to be neither supportive or discouraging in the development of AI solutions. As ever, the spotlight shifts to regulators to provide guidelines and frameworks for best practice and ensure that a budding technology isn't stifled going forward.

AI and machine learning will certainly be front of mind for 2020 and beyond, especially as just over half of survey respondents said that they were forging ahead with solutions that are either going live in the next 12 months or sooner. To dive deeper into the results of this survey, visit the FinTech Futures website and download the free report today!

Machine learning and AI will become a core part of our business strategy

My jurisdiction's financial regulators understand and support the development of AI and ML in my sector

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Why Payments-as-a Service is the first choice for Financial Institutions

More and more Financial Institutions are choosing to outsource their mission critical payments infrastructure over building or licensing legacy technology.

The pace of change within the global payments technology space is still at full speed with no sign of slowing down. While traditional incumbents have until recently taken comfort in their size and decades of dominance, new digital-only challenger banks are ramping up and making a huge impact on the global financial landscape.

The reason for this surge? The accessibility of digital banking services has captured the attention of savvy consumers that want a modern banking service that is a quick and convenient option. Similarly, as corporate clients adopt digital capabilities in their operations and business models, they too require convenient, instant access to and real-time movement of funds, without delays or costly charges.

What are the incumbents doing to keep up?

Banks are increasing their spend on technology, while balancing their digital strategy with new regulations, such as European PSD2 which is designed to increase competition. Much of these technology investments are directed towards expensive and complex hard-to-transform legacy infrastructure, which still ends up dictating the digital process flow.

While some banks are attempting to bolt new solutions onto existing infrastructure others are moving legacy core systems to cloud hosting and layering on API's in a bid to reduce costs. Unfortunately this doesn't solve longer-term issues such as batch processing inefficiencies in the mid and back office and lengthy implementations for every system change and upgrade. These inefficiencies lead to a major competitive disadvantage.

In the race to win and retain customers long term, incumbents need to address cultural change, legacy barriers and adopt the type of flexible architecture and working processes that can instantly add new capabilities as the financial landscape changes.

In a drive to become operationally lean and agile in response to market demands, incumbents are now actively investing in cloud-native technology where there are no legacy constraints to deal with. Microservices architecture and a single code base enable scalability, operational efficiencies and speed to market, taking advantage of the latest technology innovations available.

Rather than building from scratch, partnering up with a specialist cloud native Fintech can really help. Once seen as fringe disrupters, Fintechs are now becoming important strategic allies at the core of digital banking change. By their nature and design, Fintechs are nimble, can deploy quickly and at a low cost. The technologies, operational processes and organisational culture are all born out of operating cloud-native in a real-time, always on environment.

A growing number of Financial Institutions are now choosing to outsource their mission critical payments infrastructure to specialist providers such as Form3. This removes the burden of regulation, variation across payment schemes, engineering, maintenance and updates. To build such an infrastructure is typically a multi-year, multi-million pound project which upon completion, will already be heading into legacy.

Moving to a 'Payments as a Service' option frees up time and resources to truly transform the customer experience, stay relevant and gain competitive advantage.

www.form3.tech

FORM3 FINANCIAL CLOUD

Fintech in the next decade

The intersection of what's possible and what people want

By Greg Palmer VP and director of fintech strategy, Finovate, Informa Connect

If someone asks you to write an article about where fintech is going in the next 10 years, you probably shouldn't do it. I mean, you'd basically be setting yourself up to be wrong – a lot. It's hard enough to try to predict things two to three years out, let alone see a full decade into the future. But if you're like me and somebody asks you a question that's enticing, you simply can't leave it alone, so despite the obvious risks, I'm pressing on.

Before we start to look at what the next 10 years hold, it's worth taking a quick look back at the previous decade. In the time that I've been working at Finovate, I've noticed three primary factors that play a major role in shaping the fintech industry.

The first is new hardware innovations. The iPhone, and the subsequent smartphone revolution, has had the biggest impact on the industry, but other pieces of new hardware have opened the doors for innovators as well. New hardware groups like smart watches, smart speakers, and virtual assistants have all shown up on the Finovate stage in various ways over the years as creative fintech builders have tried to figure out what to do with them.

New, better smartphone components have enabled tools like near-field communications (which underpins Apple Pay, Samsung Pay), biometric security, or remote deposit capture. Some of these tools were built specifically with finance in mind, but the majority of them were driven by hardware creators.

Not every new piece of hardware results in fintech that catches on (I don't think anyone's doing their banking on Google Glass), but a

> "I'm not just talking about banking customers and end-users; the fintech industry's customers include end-users of course, but also the financial entities"

huge number of fintech innovations in the last decade came to being simply because innovators were playing around with new hardware to see what they could do with it. The bleeding edge of fintech over the past decade has largely been defined by companies who are taking the latest hardware and using it to do something in finance that hasn't been possible before.

The second major component has been the new developer tools that have become available. In the same way that new hardware spurs creativity in the market, these back-end tools enable massive change in the fintech space. In the early days of Finovate, HTML5 revolutionised mobile and online banking, enabling completely new user experiences. Personal finance tools wouldn't exist without easy to use APIs. Similar breakthroughs in data storage, AI, and blockchain are still shaping fintech, both enabling new innovations, and encouraging competition in the marketplace as companies struggle not to fall behind.

Similar to the hardware example, in many of the early cases, the innovators who were playing with these tools didn't quite know what to do with them. Many simply looked at what the new tools would allow them to do, and started building products, regardless of whether they perceived a strong market need for them or not. And again, while not all of these early innovations panned out, they played a huge role in shaping the industry and getting us to where we are now.

The final primary factor that's heavily influenced the industry over the past decade has been customer demands. To be clear, I'm not just talking about banking customers and end-users; the fintech industry's customers include end-users of course, but also the financial entities that serve them. Increasingly, fintech innovators see banks as their primary customers. What's really interesting about this third point is that for a lot of the early part of the past decade, it wasn't as much of a factor as the other two.

So many new hardware components and new developer tools came into the market in such a short period of time, that for several years, innovators simply built the new pieces that they could build, without really thinking too much about who would want to buy it. There are exceptions to this, of course, and by and large, those exceptions are the companies that became fintech's early unicorns.

As we look forward to the next 10 years, I predict that the industry will continue to be shaped at a high level by these same three factors. However, I think the way they exert their influence will be very different from what we saw in the past decade.

Let's take hardware innovations first. While new hardware is always coming into the market, what we saw in the past decade cannot possibly be replicated. It's extremely unlikely that we'll see another piece of technology that changes the world as quickly and as dramatically as the smartphone, and we've already seen a decline among fintech innovations that seem to exist just because there's a new piece of hardware which will support them. New hardware innovations will continue to play a role, of course, but it would be reasonable to expect it will be a much smaller role than in the past 10 years.

The world of developer tools is still growing, and I expect to see that side of things continue at roughly the same pace in the next 10 years. Coders love to code new tools and languages for themselves, and the sheer volume of people who are embracing fintech as a lucrative career path should sustain continued growth in this area. I also expect to see more developer tools aimed specifically at fintech, as the value of those tools continues to rise in the marketplace.

If there are fewer new hardware innovations driving change, and a similar rate of growth among developer tools, that leaves customers themselves to play a greater role in shaping the industry. Many stakeholders within the financial industry, from the banks themselves through to the end users who are saving/borrowing/investing, are still in the early days of understanding and accepting fintech solutions. Many bankers still view the industry as a distraction that they don't need to engage with (they're wrong), and many individuals aren't comfortable with or don't trust tech solutions enough to allow them to touch their finances.

Over the next 10 years, though, that's going to change. More bankers and more individuals are going to embrace fintech as it becomes more commonplace, appears less risky, and is easier to understand. As that happens, consumers themselves will be able to play a bigger role in shaping the industry by sharing their opinions, highlighting problems that need to be solved, and giving feedback on the solutions that currently exist.

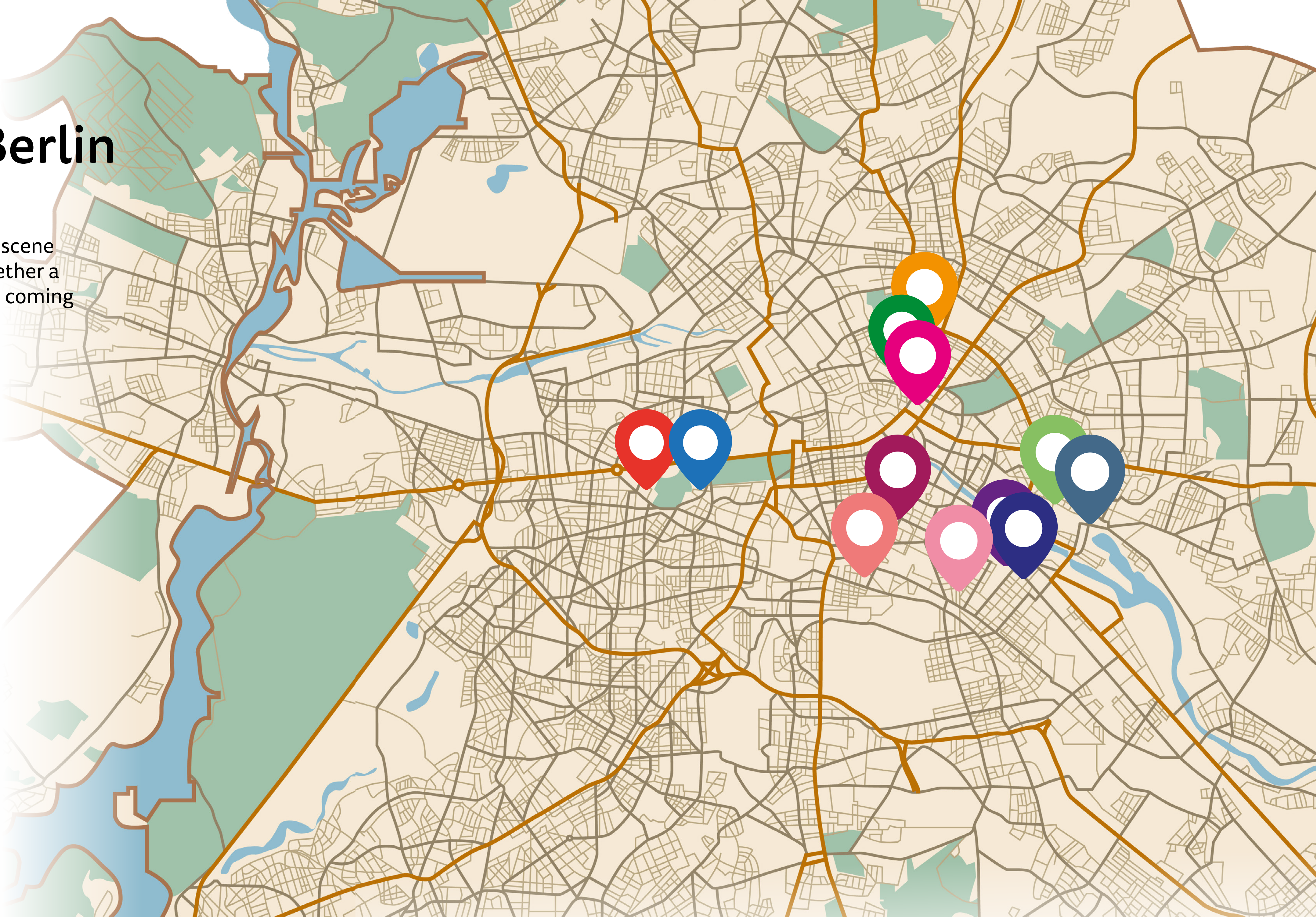
This increased customer-engagement is exactly what fintech desperately needs right now. An industry that has been largely shaped so far by what it can do is going to be spending a lot more time thinking about what it should do. The bleeding edge of fintech will no longer just be about who can build on the latest hardware or use the latest tools – it will be about successfully engaging with human beings all over the world to improve their financial lives, offering opportunities that don't exist yet, and solving problems that have persisted for far too long.

For the past 10 years, fintech has been defined by what's possible. In the next 10 years, it will be defined by what people want. And that's a good thing for all of us.

Upcoming fintechs in Berlin

By Ruby Hinchliffe reporter at FinTech Futures

Got some time to explore the local fintech scene whilst you're here in Berlin? We've put together a one-stop guide to some of the city's up and coming financial technology start-ups.



Penta

Penta offers an everyday business banking account for small and medium-sized enterprises (SMEs). Last August, the fintech raised €8 million. It was acquired by fellow Berlin-based firm Finleap a few months later.

Trade Republic

Trade Republic is a mobile-only broker and raised €10 million last July. The fintech's partners include HSBC and solarisBank, and it holds a German banking license.

Zeitgold

Deutsche Bank and French insurance giant AXA backed this accounting app start-up last year. Zeitgold is an AI-powered finance solution for SMEs and has between three to 20 employees

CrossLend

CrossLend is a digital debt marketplace offering SME loans, mortgages, and consumer loans. It secured €35 million last October in a round led by Santander InnoVentures with help from ABN Amro Ventures.

Moonfare

Moonfare serves wealthy clients looking to invest in private equity funds. Last May, it exceeded €100 million in assets under management, following a €28 million fund raise to fuel growth in Europe and Asia.

Bitwala

Bitwala has created a German bank account with an integrated bitcoin wallet and trading. Customers in more than 30 European countries can buy, sell, and store bitcoin through its platform.

Finiata

Finiata is an automated credit solution for small businesses and freelancers in Europe. The fintech is backed by DN Capital – the firm which has also invested in Raisin and Quandoo.

Billie

The creators of Billie sold their first company Zencap to Funding Circle. Now, they are offering small businesses access to capital. Last July, the start-up raised €30 million.

Simplesurance

Simplesurance partners with companies to offer access to insurance products. Last year, the fintech began working with Numbrs, a Berlin-based mobile banking app, and Portugal-based Banco Best.

Bonify

Bonify offers a free credit rating service to consumers. Last July, Experian invested in the start-up, attracted by its financial management tools which also help consumers improve their creditworthiness.

Comtravo

Comtravo, a platform for business travel booking expenses, raised €21 million last November. It secured backing from Deutsche Bank and AER Ticket – the largest seller of air travel tickets in Europe.

solarisBank

solarisBank is a Banking-as-a-Service platform with a full German banking licence. All its products are API-friendly for banks to white-label. Last December, it launched subsidiary solaris Digital Assets.

PSD2 turns two:

Where do we go from here?

By Julie Muhn, senior research analyst, Finovate

Break out the birthday cake as the Second Payments Directive (PSD2) just turned two!

PSD2 still has a long way to go but it has made some impressive progress in the fintech sector. So, after two years in, is PSD2 a success? And where do we go from here?

The positive

Despite growing pains, there is evidence that PSD2 has had a positive influence on the fintech industry by promoting both innovation and competition. Challenger banks have taken advantage of open banking, making Europe the leading region for such non-traditional financial institutions. Germany's N26, for example, now has 2.3 million users – a three-time increase from the previous year.

Although some consumers may not realise it, they are indeed better off. Many banks have expanded their APIs and integrated with third-party providers. Additionally, the introduction of more players has increased competition which, in turn, encourages banks to enhance their offerings and customer service. We recently spoke with Token.io CEO Todd Clyde, who added to this list, noting that open banking also offers consumers access to cheaper credit.

Clyde also laid out benefits for businesses and banks. "Businesses will benefit the most from a dramatic reduction in the cost of payments and will therefore lead the adoption of open payments," he said. "Banks will benefit as they move from compliance to commercialising open banking and bring new API-enabled propositions to market which allow them to compete with Big Tech and fintechs in the new financial layer and re-intermediate themselves with customers."

Missed the mark

The progress for compliance with PSD2 has been slow, primarily because of the cost to adapt. Last March, Tink interviewed 442 European banks across 10 markets and found that 41% of the banks were not in compliance with PSD2. Specifically, these banks failed to provide third parties a sandbox to test their APIs. Legacy systems in particular are costly to modernise, which is necessary when integrating with open APIs.

"On the payments side, the stability of the APIs is the greatest barrier," said Clyde. "If a data API fails and your balances are not reflected correctly for a few hours, the consequences are minimal. The same is not true for payments where API resiliency must be high in order to deliver success rates equal to or greater than cards."

Additionally, end consumers are still not well educated on the purpose or benefits of PSD2. One of the aims of open banking is to place consumers in control of their own data. This means that consumers can allow third-party companies to access their data easily and securely and have the right to decide what information third parties can access and for how long. However, Tink reported that, even among senior financial services executives, 20% were "not very familiar" with PSD2.

"End consumers are still not well educated on the purpose or benefits of PSD2. One of the aims of open banking is to place consumers in control of their own data."

If financial services companies aren't educating their staff about PSD2, it's unlikely they are educating their consumers.

Where do we go from here?

In an interview with Adam Farkas, executive director of the European Banking Authority, NS Banking reported that the new regulations will help the European payments market scale more easily and faster than in other regions and that industry participants will compete on a more global scale. Thus far, this has proven to be true. As we mentioned previously, the explosion of challenger banks in the European region is evidence of increased competition.

Multiple other fintech sectors have the potential to scale, as well, including:

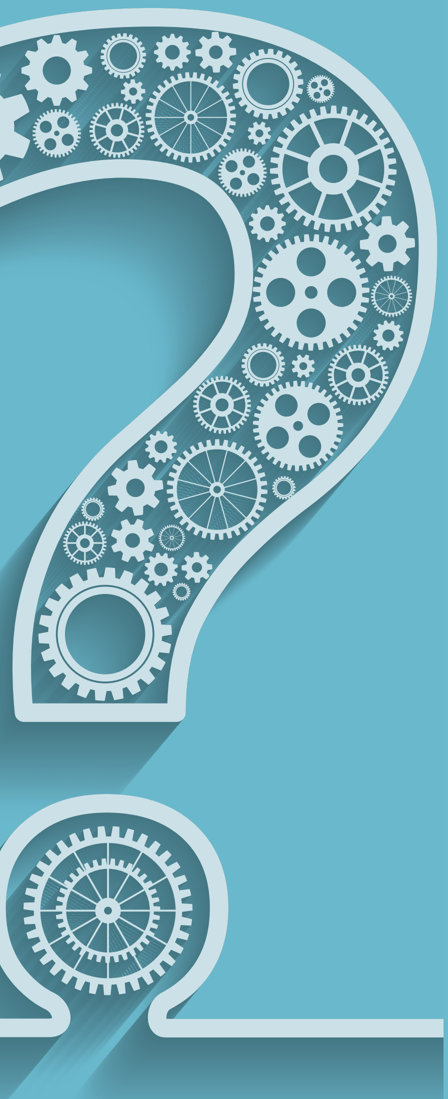
- PFM solutions are benefiting from a more liberal flow of customer account information and account aggregation.
- Fraud prevention solutions prove more effective when they have access to more consumer data. When a customer opens a new account or applies for a new product or service, fraud prevention solutions are able to verify the person's identity by cross-checking their personal data, such as name, address, and email, against their other accounts.
- Underwriting has the potential to become more efficient. When underwriters have access to up-to-date information from credit bureaus combined with a full picture of an applicant's financial situation, they are able to make more informed decisions and lower default rates.
- Digital lending also benefits. In a chat with digital lending company ITSCREDIT, company CEO João Pinto said, "One of the strengths [of ITSCREDIT] is that the platform is open so that implementations can use as much data as is available in order to have a more complete view of customers and their financials. In this scenario, open banking is a key element. It not only makes much more data available from different players, but also makes integrations much easier."
- Traditional banks can create more effective marketing campaigns to customers.

According to Token.io's Clyde, banks laid the groundwork for open banking with APIs in 2019 and he expects 2020 to be a turning point for open banking. "After a period of stabilisation for APIs, transactions will soon follow; starting with data and progressing to payments. 2020 will also be the year of open payments in the UK, with certain merchant categories going live with single immediate payments and transaction volumes following."

Ask the expert

I'm a new fintech – how can I generate awareness of my business among potential investors and target clients with limited resources?

By Greg Watts



It's a common misunderstanding that generating awareness of your business will cost a lot of money, particularly in the fintech industry. That doesn't need to be the case

Many businesses we've worked with have seen a surge in interest as a result of undertaking small yet focussed activities with little financial investment, if any.

Here are some tips to raise awareness of your fintech without significant investment.

1. Refine your pitch, sharpen your message.

Too many fintechs make the mistake of not articulating their business in a way that resonates with target investors or customers.

If your target audience doesn't understand what you're offering in a sentence or two – and the benefits it will bring them or the problems it will fix – you've wasted an opportunity.

By spending time early on creating a strong messaging guide, you'll see a step-change in how your business is seen by potential investors and partners. Here's a simple framework you can use:

	Description	Example – SME banking fintech
FOR	Your customer or audience	FOR new businesses that need help managing their finances and cashflow
WHO	Your customer's problem	WHO want to focus on growing their business without being frustrated or held back by legacy banking systems
PROVIDES	The solution your company, product or service provides	PROVIDES a bank account for SMEs that allows them to sign-up, issue invoices on-the-go and get access to loans and funding – in minutes and a couple of clicks
UNLIKE	Alternative or existing solutions	UNLIKE traditional, legacy high street banks
ONLY	What makes your company, product or service unique	ONLY ABC Bank has built a business bank account that gives time back to people who work for themselves

Creating a messaging guide will lay the foundation for how you communicate and articulate your business externally. And, by undertaking the exercise as a team, you'll create a healthy platform for discussion about what your business actually is, who it's for and why people should use it.

2. Understand your target audience.

In my Ask The Expert column, I've often stressed the need to define and understand your target audience. The same process applies when considering communications strategies for potential investors or prospects. For example, what do they look like? Which events do they attend? What groups or forums are they part of? What subjects are they interested in and engage with?

Once you've built a picture of your target audience, you can identify cost-effective channels and mechanics though which to connect with them.

Active participation on LinkedIn, speaking and participating at targeted fintech events such as Finovate, getting involved in forums and writing about your area of expertise are all great ways to identify, reach and engage with potential investors and prospects.

3. Become a LinkedIn expert.

In my opinion, LinkedIn is the most important communications channel for fintechs. Why?

- Most businesspeople are active LinkedIn users. This means you can reach prospective investors and potential partners simultaneously with relatively low effort.
- It costs nothing to connect with people on LinkedIn (albeit you may have a monthly limit based on your package). Start with a free account. As you build momentum, try a premium package that will provide you with more insights and ways to connect.
- LinkedIn provides an opportunity to participate in relevant discussions and share your point of view. Add questions to your LinkedIn posts to invite engagement and comment on wider conversations by responding to a relevant question or theme.
- You can create targeted, low-cost lead generation campaigns to attract and engage target audiences. Advanced analytics allows you to see click-through rates, engagement rates and other insights that can help you hone and sharpen your approach.
- Finally, if you haven't done so already, start a LinkedIn company page and post relevant content regularly. I suggest you try an underused feature through which you can invite personal connections to follow your page. This option can be found in your admin settings (note: this feature is often switched on/off by LinkedIn, so you'll need to check when it's available).

4. Start speaking and writing.

Industry publications such as Fintech Futures, events and forums are always on the lookout for interesting and engaging speakers or contributors. With a little effort and a well-considered presentation, article or quote, you can quickly raise your profile amongst target audiences for zero cost. Here are a few suggestions to get you started:

- Identify journalists who write about your area and approach them on LinkedIn. Pitch yourself as an industry expert who can provide quotes and insights for relevant articles.
- Consider joining a networking group or club focussed on helping fintech entrepreneurs and business owners pitch their ideas and connect with potential investors. Home Grown in London is one example of a club that has sprung up to foster and cultivate British businesses.
- Research industry events and approach the organisers to offer yourself as an insightful speaker or panellist.

As a bonus, the content you produce from your speaking and writing can be used throughout your marketing channels to amplify your messages. All of a sudden, you'll have an engaged group of followers who consider you a thought leader in your space.

Bringing it all together

Raising awareness of your business doesn't need to cost the earth. In fact, with careful planning and the use of effective tools and channels, it can cost virtually nothing.

The key is to understand your target audience, ensure you have a presence where they engage, and create content that resonates. By following these tips, you'll quickly see results.

Greg Watts is the founder of Demand Creation Partners, a London-based growth accelerator that helps fintechs and paytechs to scale. He is a regular speaker, chair and panellist at industry events, and a visiting professor at The American University in Paris. Greg was previously head of market acceleration for Visa Europe.

How far can venture capital take European challenger banks?

By David Penn, staff writer & social media strategist, Finovate

As 2020 begins, there may be no hotter fintech theme, both globally and in Europe, than the rise of the challenger bank. As we reported on our Finovate blog recently, the race for digital banking licences in Singapore, for example, has resulted in an increasingly-crowded field of at least two applicants for each available licence. In Europe, investment in challenger banks has made steady year-over-year gains since 2014, reflecting not only the strength in interest in the sector, but also the confidence that digital banks are likely to be a major component of the European financial landscape of the 21st century.

How has venture capital's surging interest in challenger banks shaped the industry and does the flood of funding VCs are providing tell us anything about the future success of challenger banks in Europe?

From the €100 million in VC investment in 2014 to the estimated €2.4 billion in VC investment in 2019, European challenger banks have been among the top recipients of regional venture capital in recent years – with sums comparable to that invested in payments companies. What is especially impressive about the growth in VC funding for challenger banks is the relatively smooth trend in positive funding growth over the year, with each year bringing in more investment dollars than the last.

In this way, investment dollars are following the customers. Research by AT Kearney indicates that European challenger banks have added more than 15 million customers since 2011, and that the industry will have as many as 85 million customers by 2023.

Quantifying the number of challenger banks in Europe overall is... challenging. In part, this is because there can be disagreements between which traditional banks with digital offerings can be considered truly challengers alongside fully, digital-only neobanks. FinTech Futures, Finovate's sister publication, is developing its own database of challenger banks by nation; there are an estimated 80+ challenger banks in the UK alone.

These firms include a number of companies that have demonstrated their platforms on the Finovate stage – such as Revolut (UK), Klarna (Sweden), and Twisto (Czech Republic). And virtually every European country is represented by a significant (and often expanding) challenger bank – from N26 in Germany to bunq in the Netherlands, and from Bnext in Spain to Fire in Ireland. In addition to generous funding, these companies have been able to grow and scale thanks in large part to regulatory changes the Second Payments Directive (PSD2) and the open banking movement that encourage data sharing and collaboration with incumbent financial institutions.

Challenger banks are also taking advantage of customer dissatisfaction with traditional banks; Koyo founder and CEO Thomas Olszewski noted that in 2017, the biggest bank in the UK has an NPS (Net Promotional Score) of -24, with Germany's biggest banks earning NPS scores of -8 and -22. NPS is a way to measure customer satisfaction via the likelihood of the customer recommending the company or service to another customer.

And, importantly, challenger banks are more likely to take advantage of the newest technologies for onboarding, and security, as well as provide the kind of digital customer experience (i.e., more mobile, more personalised; more social) that they have become accustomed to outside the world of finance.

> "Challenger banks are also taking advantage of customer dissatisfaction with traditional banks"

Marcin Mazurek, founder of Inteliace Research, observed earlier this year that the eight bigger European neobanks – Revolut, N26, TransferWise, Monzo, Starling, Curve, and Tandem – had almost 27 million customers by the end of last year. "In fact, their number of clients has increased exponentially as the figure doubled every year since 2016," he wrote. Mazurek credits the wave of VC funding to allow the strongest players in neobanking to get even stronger, suggesting that "investors are competing for the 'privilege' to fund top start-ups and not the other way around."

Mazurek also highlights a few warning signs for the sector, noting that VC investment driven valuations of challenger banks to potentially extreme levels. He does the math to reveal the fact that the seven biggest neobanks in Europe have implied valuation-to-funding multiples of 4.8x. This leads him to caution that there is a significant "disconnect" between challenger banks, their lofty valuations, and the relatively modest revenue per customer the major challenger banks are achieving (Mazurek estimates that challenger banks made between $3 and $38 in revenues per customer in 2018 and 2019).

> "In fact, their number of clients has increased exponentially as the figure doubled every year since 2016,"
>
> Marcin Mazurek

The way out for these challengers, according to Mazurek, is continued growth of the customer base. Investors, he said, are counting on future, "multi-million customer bases" to help close the valuation/revenue gap for neobanks. Another option is that these institutions will be successful in upselling their customers from the free and low-cost services and products they currently enjoy to more premium offerings. This may be all the more vital as fintechs explore "banking-as-a-service" offerings that will allow them to encroach on some of the territory newly disrupted by challenger banks.

Indeed, the view increasingly seems to be that venture capital has played a major role in putting challenger banks on the map. They have provided them with the capital they need to develop new products and scale their businesses (an especially worthwhile option in Europe where a banking licence from one EU central bank can enable a challenger bank to operate through Europe).

But at this point challenger banks may have reached a crossroads. At this point, the wisdom and mentorship venture capital provides may prove more worthwhile than their euros in determining which firms will grow and thrive.

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Mobile technology enabling financial access to millions

How one financial services company is employing unique tactics to serve a growing African mobile market

Africa is the fastest-growing mobile financial market in the world. While traditional banking services may be out of reach for many Africans because of the low density of bank branches or ATMs, mobile phones are providing hundreds of millions of Africans access to financial services.

Africa's young population that is about to double within the next 25 years is adopting mobile financial services faster than anyone else in the world. No wonder that the emerging African economies lure fintech companies to investigate the endless opportunities of the second biggest continent, as the best moment to invest in Africa is now.

Zenka Finance, a mobile lending fintech company with origins from Poland, has been successfully trying to make its mark in Africa. It began operations in Kenya in December 2018, targeting small business owners and consumers by offering micro mobile loans from $5 to $200.

The FinAccess survey of 2018 indicates that the highest number of digital loans are used for business needs. Given the value and tenors of the loans, the benefits of digital credit are most suited to the micro and small businesses that are otherwise unable to access credit from other sources.

Zenka has identified this need and gone out of its way to design and deliver a service that meets the requirements of this market segment.

Flexibility and Scalability

First and foremost, Zenka's loan products are fully flexible and scalable (which is not the market standard), and the client decides on the payment period ranging from one to 30 days.

Additionally, the extension and top-up options are ripe for the taking, allowing borrowers to extend their repayment date or apply for an additional amount of money within their loan limit.

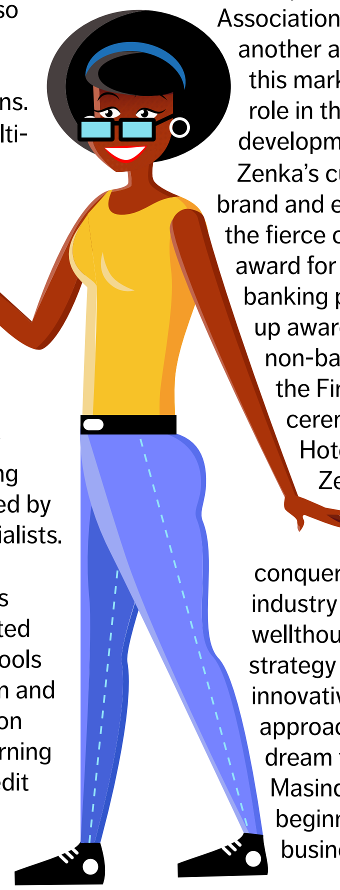
Another unique and revolutionary feature implemented by Zenka is the possibility for first-time borrowers to take their first loan for free.

The consumer-oriented approach is noticeable from every angle of Zenka's business. Not only does the lender provide highly tailored loan offers, but we also pay attention to the seamless client experience. The loans are easily accessible for every customer – through the app on Android and iOS, as well as through the USSD short code *841#. This multi-channel approach is ideal for micro and small business clients who may not have smartphones capable of hosting mobile apps. This client segment is often also sensitive to the cost of mobile data required to operate mobile applications.

Over and above the multi-channel service approach, Zenka has also invested a lot in customer care and experience.

Clients' service enquiries are managed swiftly by AI-powered CC system (arguably the only solution of that kind among Kenyan lenders), supported by a dedicated team of specialists.

To secure the clients' financial safety, Zenka has developed and implemented a range of sophisticated tools for customer identification and creditworthiness evaluation ranging from machine learning algorithms, the use of Credit Bureaus and internally developed anti-fraud methodologies to dedicated econometric-based scoring models.



Enabling Financial Inclusion

All this contributed to Zenka's dynamic growth, resulting in building the base of more than 700,000 customers in just seven months. Undoubtedly by enabling financial credit encounters for more than 700,000 people (considering that total population of digital credit users is estimated at 7 million), Zenka has made a substantial contribution to financial inclusion in the country and has shown the potential to continue doing so in the foreseeable future. It's also worth mentioning that Zenka's CEO, Robert Masinde, was appointed as the chairperson the Digital Lenders Association of Kenya, which is another argument for claiming that this market challenger plays a vital role in the Kenyan lending industry development.

Zenka's customers voted for the brand and enabled it to win (despite the fierce competition) the top award for the most preferred non-banking platform and the runner-up award for the fastest growing non-banking loan platform in the Financial Inclusion Awards ceremony held at Crown Plaza Hotel, Nairobi in August 2019.

Zenka is challenging its competitors and courageously conquering the Kenyan lending industry serving as a proof that wellthought client-focused strategy combined with the innovative solutions and bold approach results in the African dream fulfilment. Although, as Masinde claims, this is just the beginning of the incredible business journey.

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