

FIAT VENTURES

2022 FINTECH MARKET

Trends Report

JULY 2022

This market trends report highlights different businesses, investment trends, and new entrants that we see across the space.

OVERVIEW

FIAT GROWTH

Fiat Growth is the Fintech market's leading growth consultancy and operating firm. We provide holistic growth services across paid growth, partnerships, influencer marketing, go-to-market (GTM) strategy, and more for 30+ clients. Our clients range from early-stage companies (**StellarFi, Greenwood**) to large market leading firms (**Chime, Sundaes**) to publicly traded organizations (**Lemonade, WeWork, Redfin**). As operators-turned-advisors, we can identify emerging and evolving market trends in the Fintech industry.

FIAT VENTURES

Fiat Ventures is a growing venture capital firm focused on investing in early-stage Fintech startups. The majority of these startups are clients from the consulting side of our business. Working with these companies on the growth marketing side first, allows our team to execute the best due diligence in the industry. It also establishes deep, meaningful relationships with founding teams. We work with many promising companies across both sides of our business. This enables us to effectively deploy capital and better predict the next waves of innovation based on the problems we solve with our clients.

At Fiat Growth and Fiat Ventures, we believe financial technology is a powerful means of providing greater access to tools and services for previously underrepresented markets. Today, there are more than **65 million American adults who are underbanked**, of which **63% are from underrepresented minority households**. Working with founders that share our values isn't just the right thing to do. It also presents new opportunities that have been largely ignored by financial service firms to date. Customers in these underserved markets will be an important consumer base over the next decade. And these macro trends provide new opportunities to serve them.



M A C R O

Market Trends

The public market continued to experience a broad correction during H1 2022. The following market update outlines how Fiat Growth and Fiat Ventures are in a unique position to not just weather the storm, but to excel during this general market correction.

The correction is having a downward impact on private markets. More specifically, startups in the Fintech ecosystem.

Fiat Ventures Managing Partner, Marcos Fernandez, shares how Fiat Ventures is focused on investing in startups that have business models that can accelerate in a broader market correction [in this blog post](#).

Alex Harris, Co-Founding Partner of Fiat Growth and GP at Fiat Ventures, discusses more insights on how we're advising founders in our network in this [Guide for Startups During the Economic Pullback](#).

Before diving into the more granular trends, we want to highlight a series of macro trends we're seeing within the industry.

Fintech's Expansion into Adjacent Verticals

Entrepreneurs are expanding beyond the bigger traditional sub-verticals like PropTech, InsurTech, Banking and into new emerging markets both in Finance and adjacent markets like Healthcare and eCommerce.



Take the intersection of eCommerce and Fintech, where **Sleek** is building a one-click checkout solution for any store on the internet via a web browser extension.



Another example is **Sunfish**, who is providing better loans and guidance for families exploring fertility treatments.



And **Parachute**, who is improving the plasma donation experience with a dedicated card for immediate payments and rewards.

Countless other examples are indicators that in the coming years **Fintech will be a core part of every major business across tech and other industries.**

Accelerated Adoption of Fintech Products

Plaid's 2021 Fintech trends report revealed the adoption of Fintech products by Americans has grown from 58% to over 88% over the last two years.

Millennials have led this acceleration with over 95% adoption. This expansion to new populations provides the opportunity for existing Fintechs to reach new markets. And for emerging Fintechs to reach previously underrepresented populations.

88%

of Americans have adopted Fintech products.

Accelerating Launch of New Companies into Emerging Sub-Verticals

Fintech companies are continuing to expand into some of the last untapped market verticals and sub-verticals.

breeze.

For example, **Breeze** is building a fully digital disability and critical illness product, which is one of the last sub-verticals of the Insurtech space to be transformed.

 **upside**

Similarly, **Upside** is building out a new “self-collateralized debt” category that will help reshape how consumers can build savings while getting themselves out of debt. We see this type of expansion both vertically and into new geographies as an important evolution of the Insurtech and Fintech market.

FINTECH

Market Trends

These macro trends have created an environment for continued innovation in the Fintech market, expanding both downward into new sub-verticals, and horizontally into new parallel verticals.

While there is increased saturation in these markets, companies are still finding innovative ways to reach new customers and build deeper relationships with existing customers.

Despite a broader shifting sentiment, we remain optimistic that continued investment and innovation in the space will breed a new generation of market-leading Fintech companies.

The following are some of the key trends we see in the emerging Fintech market, as well as some of the companies that represent innovations within those trends.

Several are companies we've invested in and worked alongside, while others are market-leading startups that are close partners in our ecosystem.

Regardless of the relationship, these are some of the broader market trends that we believe in and where we're placing investments of time and capital today and in the coming months.

SOME OF THE TOP MARKET TRENDS WE'RE WITNESSING INCLUDE:

- 1 Acceleration of Embedded Finance
- 2 Creator Economy & the Future of Work
- 3 Fractional Ownership
- 4 Blending of Healthcare and Fintech
- 5 The Continued Rise of PropTech
- 6 Rebuilding of Credit
- 7 Rebundling Financial Services
- 8 Affinity-Focused Fintechs
- 9 Web 3.0

Acceleration of Embedded Finance

 RIZE

 unit

 Spinwheel.

 onbo

 sunlight

 Simplist

 BESTOW

 breeze.

In our last [Market Trends Report](#) we shared some examples of companies that are making it easier for both Fintechs and non-Fintechs to provide digital financial solutions to their customers. At the forefront of this innovation are two types of companies:

Embedded Native – These platforms are focused on building embedded services from day one. They include Banking-as-a-Service platforms like [Rize](#) and [Unit](#), vertical focused services like [Spinwheel](#) or [Onbo](#) for lending-as-a-Service, or [Sunlight](#) for data aggregation with a focus on the creator economy.

Consumer Turned Embedded – These companies start by building a direct-to-consumer product. Over time, they offer those same services as embedded solutions to others. Examples include [Simplist](#) in the mortgage lending space, [Bestow](#) in the life insurance space, and [Breeze](#) in the disability insurance space.

As we continue to see **every company becoming a Fintech**, these embedded services will serve as gateways for all companies to offer unique services to their customers. And, in turn, expand their customer lifetime values (CLV).

In financial services, “all roads lead to lending.” Which, historically, is why large incumbent banks are willing to lose money on deposit products in the hopes their customers take out a home mortgage or auto loan with them.

Today, we see the same trend with Fintechs who are starting with a particular audience and expanding service offerings over time.

Creator Economy & the Future of Work

The evolution of the “gig economy” gave way to a new platform for individuals to drive income. Work that was once considered passive has become a way for users to not only earn on a full-time basis, but also excel professionally.

This is further spurred by the emergence and hyper growth of influencer (TikTok, Instagram) and collectible (StockX, Rarible) markets.

Now, as Gen-Z, dubbed the “side hustle generation,” enters the working world, we see an increasing focus from Fintechs looking to support their growth and financial wellbeing in this new economy.



Caitlin Keep, Vice President at Fiat Ventures, highlights how some of our portfolio companies are stepping up to serve this growing demographic [in this blog post](#).



A Fintech company that’s currently providing a multitude of tools for freelancers is **Lili Bank**. Through a single platform, consumers can bank, save, plan, and protect their businesses.



Similarly, **Copper Banking** provides teenagers with tools to be able to better manage these different forms of income with controls that allow parents the transparency they need.



Other platforms like **Boost** are building “Quickbooks for the side-hustle generation” and a variety of other reimagined services originally built for W2 employees.

Additionally, the teams at **Sunlight** are focused on becoming the “Plaid for the creator economy,” while helping these developing Fintechs build better solutions for this growing market of influencers and freelancers.

These are just a few examples of companies serving this growing sector.

Fractional Ownership

here

DOORVEST

Vint

Rally

aqua

There continues to be a surge of startups focused on providing retail investors with access to previously unobtainable assets. The trend was sparked by recently released SEC guidelines for Reg A+ and Reg D allowing a broader set of retail investors to gain access to these typically higher priced point assets.

This is important for retail consumers having access to investments with higher/diversified returns, as well as asset holders who are looking to tap new sources of capital. This market was further validated in the last few months by [the acquisition of Otis by Public.com](#), helping accelerate the availability of fractional ownership to their platform.

Companies leading innovation in this space include [Here](#), where you can invest in vacation rentals for as little as \$1 per share; [Doorvest](#) where you can take a similar approach to rental properties; [Vint](#), which allows you to invest in rare collections of alcohol; [Rally](#) with a focus on collectible assets; and [Aqua](#) who's taking a similar approach toward PE investment assets.

We anticipate that a larger group of companies will surface in the coming year, followed by consolidation from traditional players eager to enter this budding space. Caitlin Keep, Vice President at Fiat Ventures, shared [Read more about how these company and fractional ownership is changing the financial system in this blog post.](#)

Blending of Healthcare and Fintech

One of the fastest growing verticals being penetrated by Fintech innovation is the broader Healthcare market. This is further propelled by broader innovation in the space and the increasing digitization of an industry that historically was slow to change.

As an increasing number of carriers and providers update their systems, opportunities arise to introduce new forms of underwriting and embedded financial solutions.



For instance, **Sunfish** is a startup focused on providing better lending solutions and guidance for families seeking fertility treatments. This market is poised to continue to grow as young professionals continue to wait longer before starting families and as social norms change making individuals more comfortable speaking about these types of fertility treatments. In addition, this product serves a large population who doesn't have alternatives, including the LGBTQ+ community.



Another company at the intersection of Healthcare and Fintech is **Parachute**, which provides individuals an improved experience when donating plasma. Not only do they provide a higher end facility to donate in, but they also have a dedicated debit card that pays out on the spot while offering unique rewards for multi-donation users.



But innovation isn't just reserved for humans. **Odie** is an example of a company offering a more simplified form of health insurance for our four-legged friends as well.

Fintech solutions will continue to drive innovation in the broader Healthcare market over the next few years.

The Continued Rise of PropTech

Real estate technology, otherwise known as PropTech (property technology), is one of the earliest categories in the Fintech market with companies like AirBnB, Lending Home and Vacasa as first movers.

In 2022, we're seeing the second generation of innovation in the broader PropTech space being led by founders and entrepreneurs from its first wave of innovation. This will further be propelled by enhancements in underwriting and the digitization of more traditional sub-verticals of the market.

Splitero

One such company is **Splitero**, who is allowing consumers to tap into equity in their homes without taking on more debt or monthly payments. With interest rates on the rise, their business is set to accelerate in a correcting market as consumers remain equity rich and cash poor.

Sundae

Another notable company is **Sundae**. Which allows consumers to sell their homes at market rates without making any needed repairs.

Simplist

Other companies like **Simplist** are focused on providing better lending solutions both for retail consumers and brokers who embed their service into their onboarding processes.

 **Divvy**

And companies like **Divvy Homes** are providing a new generation of "rent-to-own" options for younger consumers who aren't financially ready to buy a home but want their monthly rent to be applied toward a down payment.

Though the industry isn't new, PropTech solutions are still evolving and innovating as consumer needs change.

Rebuilding of Credit

Another major trend that we're witnessing across the Fintech sector is allowing consumers to better manage and improve their credit through non-traditional means. While companies like Credit Karma were early unicorns, who allowed consumers to view their credit, these Fintechs are focused on helping users improve their scores.

This provides a large advantage to underrepresented populations who traditionally haven't had access to credit or the means to pull themselves out of debt.



Grain Technologies allows consumers to access credit through their existing debit card solutions. By tapping into debt facilities in community and regional banks, Grain is helping underserved groups not only access credit, but build a better score.



StellarFi is a similar company focused on helping build credit for underrepresented communities. They allow you to connect weekly bills like rent, utilities, Netflix and Spotify, and report the payments to the three credit bureaus. This can help raise credit scores and provide competitive product offerings over time.



Upside is a startup that focuses on turning debt into savings through their "self-collateralized debt" product, a first in the market. Not only can consumers refinance their existing debt to reduce total interest payments, but they build a savings account over time as they set aside capital with each payment. Over time, you can use the growing savings as collateral against the loan further reducing interest rates for the payment. This will provide the opportunity to open up an entirely new asset class focused on helping consumers get out of debt.

Rebundling Financial Services

Financial technology has been around since the 1970s. But we've really seen it jump to the forefront in the last decade, given advances in underlying infrastructure and consumer adoption of mobile-first platforms.

When Fintech started taking off in 2012, there was a famous image of what was being called the "great unbundling" of financial services. Below is an image from CB Insights that displays all the different companies digitizing various services offered by Wells Fargo.



At present, we're seeing a trend in the opposite direction brought on by embedded technology.

Companies can now plug in APIs and white label solutions for products that traditionally required large teams to manage. The previous section shared further insights on the sectors and companies that are making this a reality.

The U.S. has often lagged behind other global markets in offering a "super app," like Grab and Gojek in South East Asia. However, as embedded finance grows, we anticipate the ability for a native super app to take hold in the U.S. and emerging markets will become more of a reality.

Today, companies like Fierce or **One Financial** (acquired by Walmart) are taking the lead in this category.

Affinity-Focused Fintechs

The first wave of Fintech brought along the Chimes and SoFis, who serve large audiences with diverse sets of products. Today's market makes it difficult for emerging Fintechs to compete with these first wave leaders. Especially given increasingly rising customer acquisition costs (CAC).



To overcome these barriers to entry, Fintechs are focusing more on creating “for us, by us” businesses. These are geared to serve a specific demographic who have largely been underrepresented in the past.



This strategy provides the ability to attract new customers at reduced CACs, build a stronger affinity toward their brands, and cross-sell services in the future to increase CLV.



A few examples of digital banks serving specific target audiences are **Daylight**, which is building a platform for the LGBTQ+ community; **Greenwood**, which is doing the same for African American and Latinx consumers; and **Cheese**, which is focusing on the Asian community.



Sigo Seguros is an Insurtech providing auto insurance to Latinx consumers on an all-Spanish platform through an easy-to-use mobile interface.



Octamile is building Insurtech products for the West African market utilizing new developments in digitization of carrier policies.



Possible Finance is providing better services to the deep sub-prime market that typically doesn't have access to credit and is targeted by predatory payday lenders. Their products don't just help users get out of debt but to build dedicated services to keep them from getting back in it.

Dorothy

Some incumbents might argue that these markets are small (TAM) but may miss the value that comes from strong loyalty and a higher willingness to take on additional products. This becomes increasingly easier to offer as embedded solutions become more abundant.

Aspiration

Affinity Fintech's aren't just focused on customer segments. They span causes, age groups and lifestyles.



For example, **Dorothy** focuses on providing instant relief following natural disasters. And digital banks like **Aspiration** and **Atmos** help turn your banking solution into a positive impact for climate change.



Another example of affinity banking is the emergence of teen/parent solutions with companies like previously mentioned **Copper Banking** and **Step**, providing financial literacy for teenagers and parents alike.



Neon Money Club is combining traditional wealth management services designed for "the culture," showcasing how important branding is becoming in Fintech as more products enter the market.



Similarly, platforms like **Onward** and **HelloDivorce** are focused on helping co-parents provide better solutions following challenging times in their personal lives.

onward

Lastly, companies like **EarlyBird** provide wealth building solutions for new parents and their communities who want to support them.

hello divorce.



Web 3.0



It's no secret that 2022 has continued to bring the emergence of digital assets into the forefront of broader technical discussions and retail investment.



Despite a broader market correction in the digital asset space, we're excited to see real world use cases focused on the adoption of non-fungible tokens (NFTs), providing improved digital ownership and DeFi / Staking protocols, providing alternative forms of generating consistent high yield returns. As the industry continues to mature, we anticipate that most Fintechs will need to broaden their general strategies to make Web 3.0 a core part of their strategies.



One of the biggest trends we've seen is in the decentralized finance (DeFi) and Staking space, providing outsized yields compared to traditional financial products.



Companies like **Juno**, **Burst**, and **Eco** are enabling retail consumers to access these types of returns without needing the technical understanding of managing assets, custody, and liquidity.



Other startups like **Lolli** and **Fold** help consumers earn Bitcoin and other digital assets as rewards with products that they shop for every day.



Additional embedded solutions like **Circle**, **Zero Hash**, **APEX Clearing** and **Gemini** are working to provide APIs so that any Fintech can provide digital assets to their consumers.



Another major trend that's built real world utility in the digital asset space is the emergence of non-fungible tokens (NFTs), or one-of-a-kind digital assets. This technology allows ownership of a piece of digital artwork on platforms like Async, where you can own digital trading cards like **NBA Top Shot** or broader marketplaces like **OpenSea**.



Startups like **DapperLabs**, which owns NBA Top Shot, see the opportunity to own a large swath of the NFT ecosystem including gaming, trading and collectibles. This is a small sample of a very broad and growing ecosystem. And we anticipate seeing more companies step into this space to provide access to new assets, investment products, and fractional ownership platforms like **Fractional.art**.



Thank You

Innovation within the Fintech space isn't just limited to these nine defined categories. Scores of entrepreneurs work tirelessly to continue to create efficiencies to many outdated systems, business models, and services.

Over time, those improvements will provide new opportunities for both startup teams and investors while providing better access to underserved and underrepresented populations. We're honored to be able to work at the intersection of innovation in this field. And we look forward to providing future updates highlighting the latest trends that we see developing.

We want to give a BIG thank you to the many entrepreneurs, mentors, and investors in our network who provide us with the ability to see across so many new trends. If it wasn't for you, we wouldn't have these insights into emerging trends.

Please also keep in touch. As we see new forms of innovation in the Fintech space, we want to know what you're seeing, too.

Stay tuned because we're just getting started!

-The Fiat Growth & Ventures Team

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