3 Trends Happening to Fintech That You Should Know About



This year is going to end up being a great one for B2B payments and lending companies, and for bank-fintech partnership – all benefiting business.

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We are now over a decade into the third era of finTtech innovation, which grew out of the fallout from the 2008 global financial crisis and the advent of the smartphone.

With record amounts of investment flowing into the sector again in 2018, this innovation train shows no signs of slowing. However, in the past couple of years, it has rounded a curve and started to branch off in some interesting new directions.

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The curve? Consumers reaped most of the benefits of the early part of this wave, with more efficient payment and lending products leading the way. However, investment in B2B fintech startups has been ramping up for the past couple of years, and by year's end we can expect to start to see businesses reap the benefits of the fintech wave in three major ways:

B2B payments

The early years of this third era saw a lot of very cool consumer payment products: The use of checks and physical wallets declined as people paid with smart phone apps. Mobile phones also proved to be a boon for the unbanked – meaning people without credit cards or even bank accounts– something very common in developing countries.

In that regard, Kenya's mPesa has been leading the way by letting people in markets long underserved by banks store and transfer money, using their phones.

All the while, B2B payments involving fintechs have been chugging along slowly and steadily, but lately they've really picked up speed. This is a market that has long been underserved by banks. Business payments are rife with complexity, manual processes and paper checks. Fintech solutions, on the other hand, can automate more of the process, not just move money from point A to point B, which is all that banks do.

Up-and-comers in this market include WorldRemit, which, on the heels of closing $175 million in new funding, announced its WorldRemit for Business service, which will facilitate cross-border money transfers to pay employees and contractors.

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Fintech Industry

Then there’s Ripple, which is building a global, blockchain-based payment network. My own company, Nvoicepay, was recently acquired by Fleetcor, which has been quietly assembling a portfolio of B2B payments companies over the past several years.

Banks have had a lock on business payments for decades, but we’ve seen that consumers have gotten comfortable turning to tech companies which have a better offering; and I predict that businesses are going to follow suit.

B2B lending

As anyone who’s ever tried to get a bank loan knows, the application process can be arduous, and credit can be hard to get. Banks tightened lending rules significantly following the financial crisis, and they really haven’t loosened them much. That left the playing field wide open for fintechs using big data and advanced technologies to speed up underwriting and create new financing options for a wider range of people.

We’re seeing that mirrored in the B2B world. Business lending is going to increase as fintechs draw on a wide variety of data sources to offer loans and lines of credit to small and midsize businesses, which have been hit the hardest by tighter credit. Companies offering business loans include the Lending Club, Fundera and OnDeck. Brex – a San Francisco-based startup, which issues corporate credit cards to startups so founders don’t have to max-out their personal cards – achieved unicorn status with its latest funding round.

I predict we’ll also see a dramatic increase in supply-chain finance options. People have talked about the supply-chain finance opportunity for a long time, but in reality it’s not a very big segment today. Still, B2B platforms, networks and marketplaces that sit in the middle of automated transactions

between buyers and suppliers have amassed huge stores of transactional data. They can combine their own data with external data sources and make all of it visible to a wide range of potential funders who'd be willing to lend against startup funding, invoices or POs.

Banks will probably provide a lot of the capital, but it's tech companies that will bring the parties together to transact. Entrants in this market include Surecomp, an established player offering an API that connects bank systems to corporate systems to pull underwriting information such as invoices and trade contracts.

Other entrants? Startups MarketInvoice and Invoice Fair; Ario, a Canadian firm that offers a white-labeled suite of tools for businesses to offer customer financing; and Finexkap, a French firm that recently raised $44 million to further develop its factoring platform.

Better bank offerings for businesses

Back when all thesefintech happenings started in 2008, banks and traditional financial institutions were really on the ropes, and the common wisdom was that tech companies were going to come into the market and eat their lunch.

That didn't happen, but fintechs did put a lot of pressure on banks, and banks have wisely embraced fintech companies, and vice versa – though perhaps more slowly than one would have assumed back in 2015 when JPMorgan Chase CEO Jamie Dimon famously declared that "Silicon Valley is coming."

Banks, of course, have tremendous assets, big customer bases and big reach. But they don't have the technology that fintechs have or the ability to sell it like fintechs do. The combination of strengths really makes a lot of sense for banks

to embrace fintechs. But to date there have been few partnerships, and only a handful of big banks, including Chase, which have acquired FinTechs.

Still, I think that as fintechs get more into B2B payments, and lending picks up steam, the pressure on banks will increase. These are much larger markets, with higher profit margins, and banks will likely fight hard to protect their market share. Then we'll see the number of bank-fintech partnerships increase and second-tier banks will start to get into the game. That will translate into better offerings for businesses.

It's interesting that payments and lending drove the early, consumer-oriented part of the third wave – probably because those are the broadest use cases and the area where the most people have pain.

Now that a broad swath of consumers has experienced the ease and efficiency of fintech products, their changed expectations are starting to influence business buyers. Accounts payable is really starting to question why so much inefficiency still exists in its world and it's looking for better ways to handle payments. Treasury and finance as well are waking up to all the new lending and financing options for consumers and starting to think beyond the bank for the first time.

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That's great news for business customers. When there is more choice in the market, whether it's for payments or lending or other kinds of services, the customer wins. So, while I think 2019 is going to end up being a great year for B2B payments and lending companies, and for bank-fintech partnerships, businesses are going to be the really big winners in 2019.

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