



Email Newsletter

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




-  Trend Report: The State of Fintech
-  Fintech Trends from the Quarter

Email Body

Introducing: The State of Fintech Quarterly Report

2020 was a big year for fintech, and it's not over yet. As the world changes rapidly, we're introducing a new quarterly report to keep you up to speed. Covering consumer payments, personal finance management, business finance management, lending, banking, and wealth, the Plaid report gives you a birds-eye view into what's happening across finance and tech.

This quarter, find out:

-  Which robo-advisors saw surges in account openings
-  How much consumers increased their time spent on fintech apps
-  Opportunities to reduce friction to pay for e-commerce businesses
-  How consumers are changing how they interact with banks
-  Growth areas for embedded fintech

And more. Visit the report here.

Access the report now

The State of Fintech Quarterly Report by Plaid

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Summary of Findings

E-commerce advanced by 5 years

COVID-19 accelerated the adoption of e-commerce by 5 years, and e-commerce is expected to expand by 20% in 2020. Groceries, alcohol, and home improvement materials were major areas of growth. Payments and checkout conversion solutions are well-positioned if online retail spending remains strong. However, traditional retailers will need to embrace omnichannel fulfillment to stay competitive, and shift stores to focus on pickup in store and ship-from store services.

Non-fintech industries accelerated their adoption of embedded finance

The line between fintech and not-fintech becomes ever more blurry. Automakers Toyota and Ford announced partnerships with Nationwide to rollout data-supported and usage-based insurance offerings. In the real estate space, companies like Zillow are integrating fintech with home loans and closing services.

Reducing payments friction is key

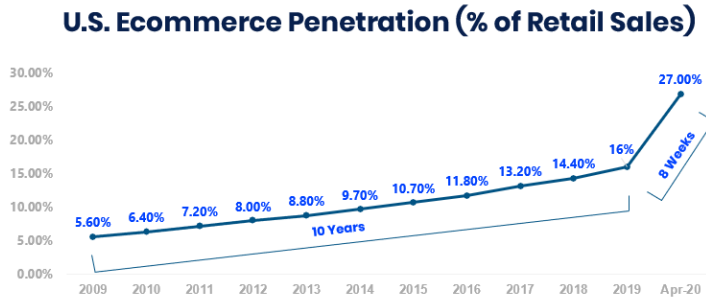
As online retail spending stays elevated, reducing payments friction remains critical. Digital wallets were already projected to account for 52% of global ecommerce sales by 2023. COVID-19 is likely to spur this percentage exponentially. Payment strategies shifted to contactless, while peer-to-peer transfer apps like Venmo, Zelle, and Cash App saw strong downloads. Large tech players and retailers are also adopting new chat features as users continue to shop at home.

Their eyes were watching Robinhood as day trading picks up

Users aren't just baking bread: Trading activity is surging as retail investors find profit-driven ways to pacify quarantine boredom. Asset managers were the main beneficiary of this trend as the creation of new brokerage accounts spiked. Robinhood took significant market share, grew 260% in time spent, and accounted for 35% of brokerage app downloads.

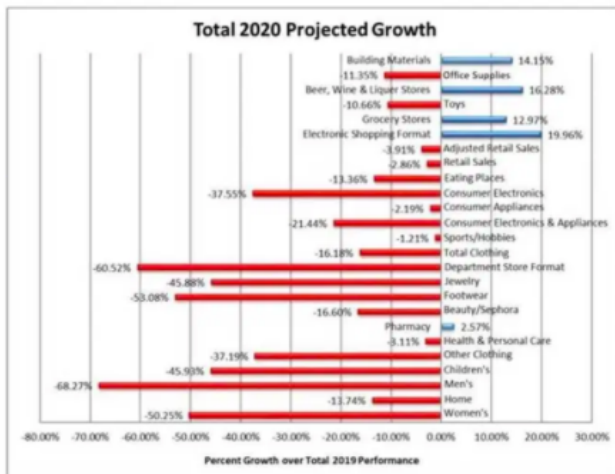
Highlight #1: E-commerce advanced by 5 years

As Regina George from the 2000s iconic film *Mean Girls* might say today: Get in, we're going shopping - online shopping, that is.



Source: Bank of America, US Department of Commerce, ShawSpring Research

Alcohol and home improvement materials accelerated by 16% and 14%, respectively.



Source: IBM

Online grocery sales for home delivery and pickup reached \$6.6 billion in May, up 65% from \$4 billion in March.

Online grocery delivery & pickup sales in 2020



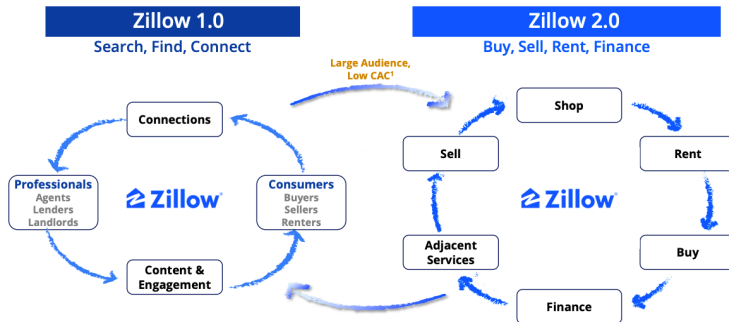
Source: Brick Meets Click | Geography: US

Source: Pitchbook

Highlight #2: Non-fintech industries accelerated their adoption of embedded finance

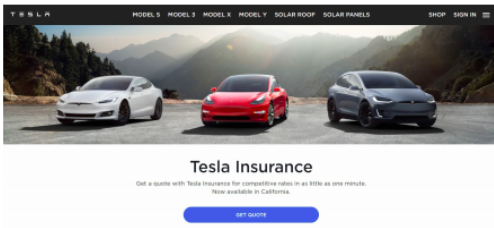
Zillow revealed Zillow Offers, Zillow HomeLoans, and Zillow Closing Services as part of their suite of real estate solutions.

Our national presence and scale create powerful synergies and network effects



Source: Zillow Investor Relations Presentation May 2020

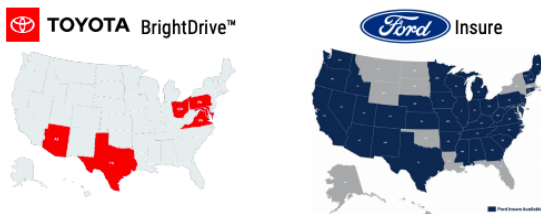
Automakers announced embedded insurance offerings with greater access to data.



*"A lot of that insurance cost is just because **the insurance companies don't have good information about the drivers** and that there is no good way to provide feedback where it's a very poor feedback mechanism in terms of the insurance rates versus the actual way that the car is being driven, whereas **we can do that in real time.**"*

– Elon Musk, Q4'19 Tesla earnings call

OEMs offering embedded insurance



Source: CB Insights

Highlight #3: Reducing payments friction is key

Peer-to-peer payments apps soared as contactless payments increased

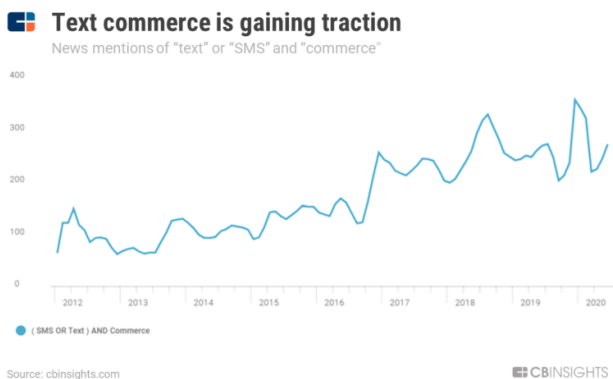
In Q2, Cash App, FreshEBT, PayPal, Venmo, and Zelle grew the most in downloads among fintech apps in the US.



Source: App Annie

Brands and retailers are turning to new chat features to improve the e-commerce experience.

From text messaging to chat bots, retailers are quickly adding more messaging features to reach customers and expedite shopping.



Source: CB Insights

Highlight #4: Their eyes were watching Robinhood as day trading picks up

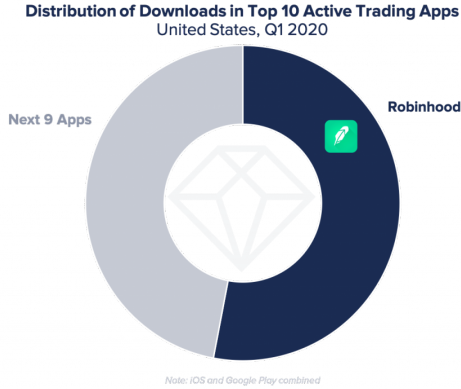
Robinhood made waves in both the financial sector and the mobile app industry.

PitchBook Analyst Note: Robinhood Shifts Trading to the Masses

August 20, 2020



Volatile markets have enabled new traders to seek ways to profit from the swings in stock prices spurred by COVID-19, which has helped to validate the Robinhood business model. The company experienced a dramatic surge in new account growth and trading activity in 2020. It is now one of the largest retail brokerages in terms of accounts and holds a private market valuation of over \$11 billion. This analyst note examines Robinhood's business model, competitors, expansion strategy, and more as the company moves toward an IPO in the near future.



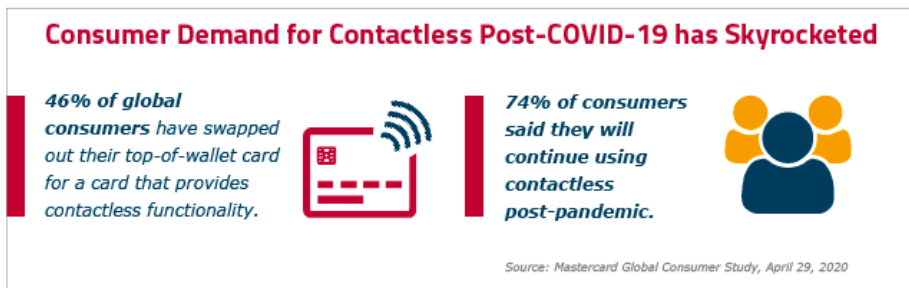
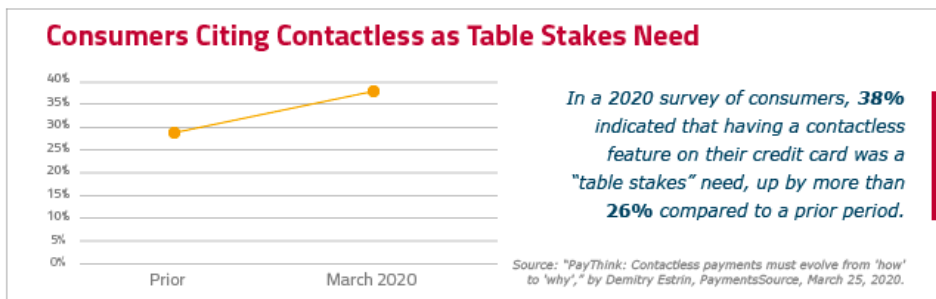
Source: App Annie

Q2 Fintech Sector Trends

Consumer payments

Contactless payment adoption surges in the US

The US lagged behind other countries in adopting contactless payment, but COVID-19 changed that dramatically. 74% of people plan to continue using contactless payments post-COVID.

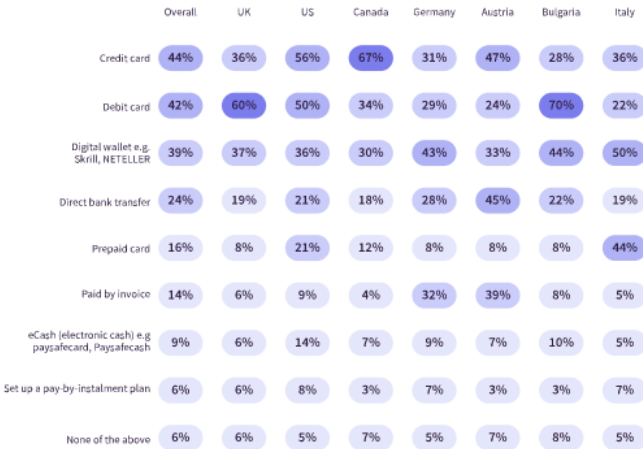


Source: The Motley Fool, Co-Op Financial Services

Worldwide, digital wallets are almost as popular (39%) with consumers as credit cards (44%) or debit cards (42%)

Consumers are turning to alternative methods of payments, as they shop online more frequently, for the first time, or encounter new vendors.

Q: Which payment methods have you used in the past month when making payments online?



Source: Paysafe Insights

Personal financial management

Say hello to your financial manager, the robo-advisor

Wealthfront saw account sign-ups go up 68%, while Betterment reported a 25% increase in account openings. Younger investors are paying attention to the markets, and using tools to get in the game.

Robos Benefit from COVID-19

While the COVID-19 crisis sparked a period of historic market volatility, digital advice providers appear to be faring well in the crisis. They may even be seeing net benefits.

Reports claim that new client sign-ups and activity held strong and, in many cases, increased during the months when markets were the most volatile this year.

Reports claim that new client sign-ups and activity held strong and, in many cases, increased during the months when markets were the most volatile this year.

Source: Backend Benchmarking's second quarter Robo Report

It's easier than ever to know your credit score

Equifax, Experian, and TransUnion teamed up to provide free weekly credit reports. Customers may develop a stronger foundation in personal financial knowledge.

You Can Get Free Weekly Credit Reports Amid the COVID-19 Crisis

The big three credit bureaus will give you greater access to your credit reports through April 2021.

At the same time, issuers are tightening underwriting rules

Traditional issuers are expecting larger losses, greater credit/loan risk, and surges in payment deferment. They may look to protect themselves by increasing credit scores/ratings required, as well as increasing credit card fees.

Biggest Wall Street banks set aside \$25bn for loan losses

Shares in lenders fall as Goldman chief Solomon warns of recession lasting into 2021



Bank of American chief financial officer Paul Donofrio warned investors that 'the biggest unknown is how long economic activities ... will be impacted by the virus' © Bloomberg

Source: Financial Times

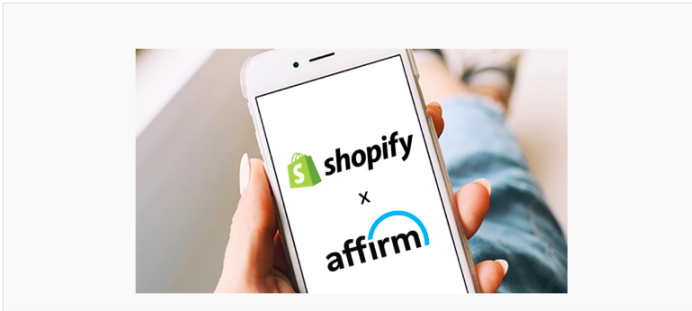
Business financial management

Flexible payments are de rigueur

Payment plans aren't just for phones or houses. Businesses want to make it even easier for customers to say yes an online purchase.

Affirm Partners With Shopify to Exclusively Power Shop Pay Installments in the U.S.

Eligible merchants will be able to seamlessly offer pay-over-time option to customers at check out



Big tech also wants in on the “buy now, pay later” game

Amazon and Apple both added options for interest-free installments, and Amazon's Pay Later launched live in India.



 CBINSIGHTS

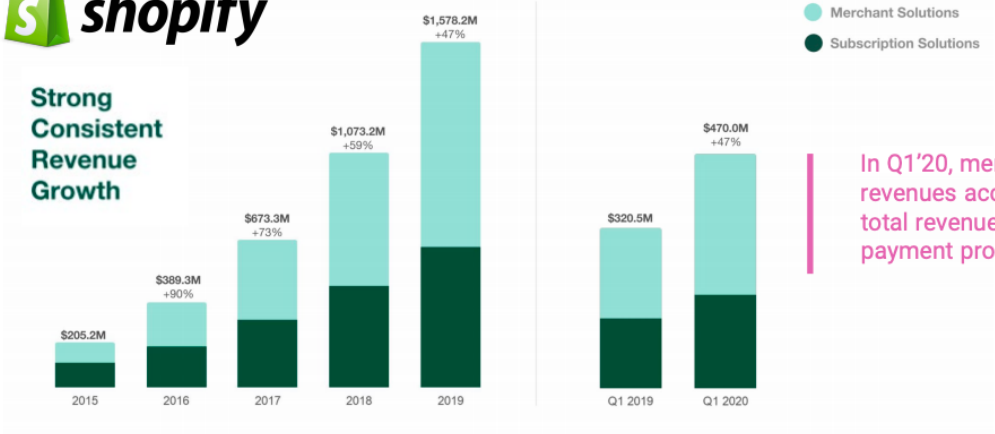
Source: CB Insights

Embedded fintech solutions drive revenue

Shopify saw their merchant solutions account for 60% of total revenues - signaling potential for e-commerce fintech solutions.



**Strong
Consistent
Revenue
Growth**



Source: CB Insights

Lending

The average personal loan from a fintech in May 2020 was \$10,338.

More Americans are getting loans. Notably, the number of personal loans in hardship increased from 3.58% in April 2020 to 6.15% in May. By contrast, only 0.28% of personal loans were in hardship a year ago in May 2019.

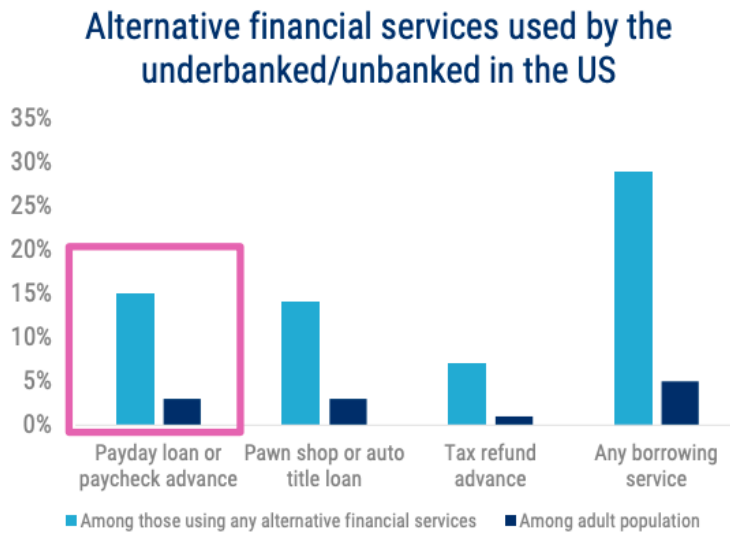
Originator	Average personal loan amount, May 2020
Fintech	\$10,338
Bank	\$13,514
Credit union	\$6,667
Finance company	\$2,750
Total	\$6,825

Data source: TransUnion Monthly Industry Snapshot, May 2020.

Source: Motley Fool

More Americans need paycheck advances and payday loans

Use of alternative financial services increased, as Americans sought to get their hands on cash sooner.



Source: Federal Reserve Report May 2020, CB Insights

Banks typically stayed away from alternative lending - but this may change

For example, a new partnership between JetBlue and Marcus by Goldman Sachs allows customers to pay back over time.

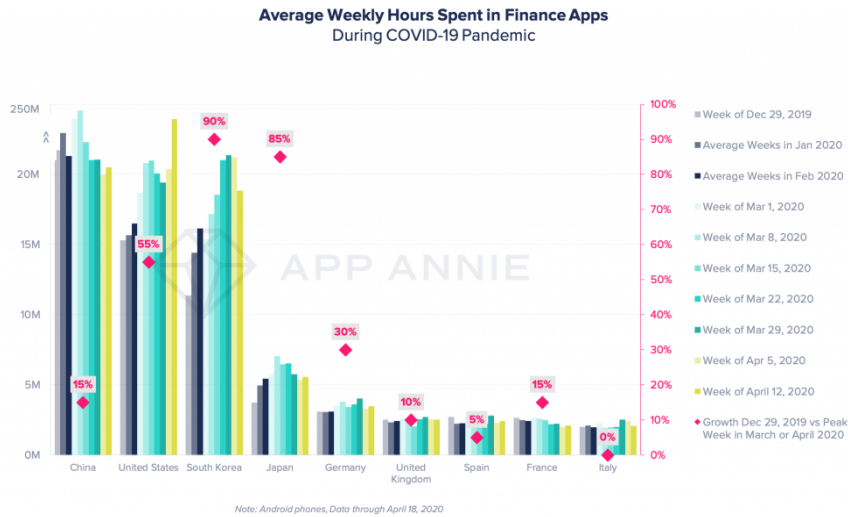
**JetBlue and Marcus by Goldman Sachs[®] Announce Broader
Availability of MarcusPay[™] – An Option for Customers to Pay
Over Time**

-- Inaugural Partnership for MarcusPay Allows JetBlue Customers to Lock in Fixed Rates and a
Flexible Way to Finance Flights and Vacation Packages --

Banking

Consumers are accessing banking apps daily

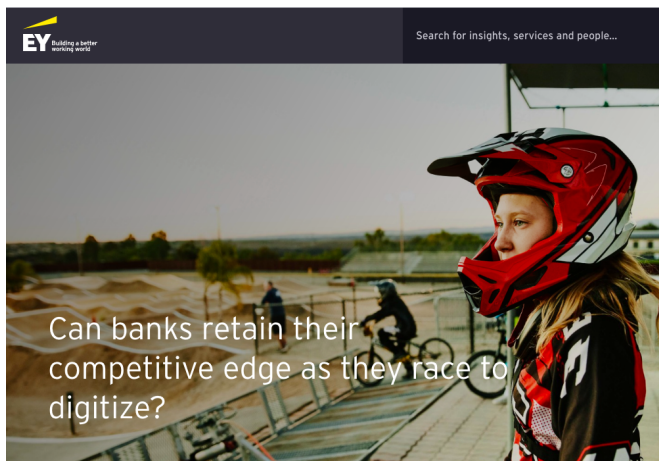
Time spent in finance apps increased by 55% in the US overall from the week of Dec 29 to the peak weeks of March and April (April 12-18, 2020).



Source: App Annie

Banks are racing to meet the needs of consumers in a digital-first world

Mobile banking registrations jumped 200% in early April, while mobile banking traffic rose 85%, according to Fidelity National Information Services (FIS).



Source: EY

Fintech companies and big tech are expanding their digital banking services

Google has expanded its plans to offer digital banking in the US, while startups like Varo are becoming their own banks.



Google signs up six more partners for its digital banking platform coming to Google Pay

Google is expanding its plans to offer digital banking services in the U.S. The company announced...

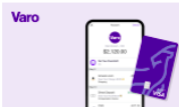
By Sarah Perez | August 3, 2020



Digital investing platform for women, Ellevest, expands into banking

Ellevest, a company whose focus has been on closing the gender investing gap by way of a financial...

By Sarah Perez | June 24, 2020



Mobile banking startup Varo is becoming a real bank

Mobile banking startup Varo is becoming its own bank. The company announced on Friday it has been...

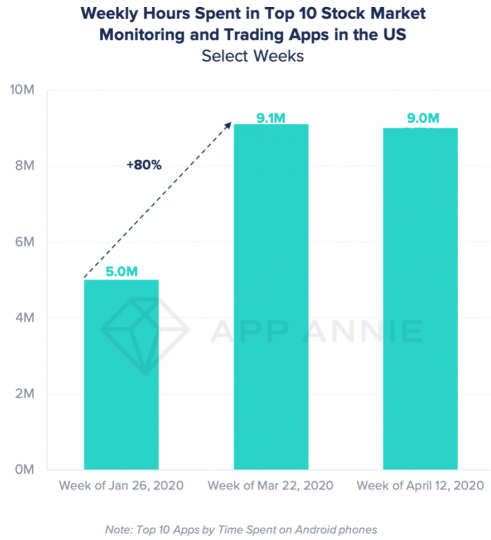
By Sarah Perez | August 3, 2020

Source: TechCrunch

Wealth

Time spent monitoring stock market and trading apps grew 80%

With extra time at home, consumers are both getting more involved in day trading and looking for ways to stay informed, especially as the market changes quickly in a volatile time.

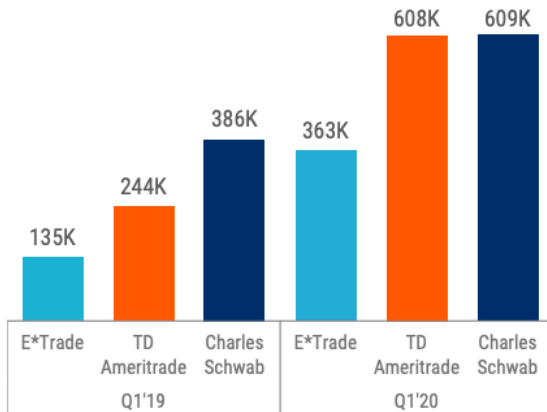


Source: App Annie

More new brokerage accounts were created in Q1'20 compared with Q1'19

Asset managers benefited from spikes in at-home day trading as new day traders opened brokerage accounts.

New brokerage accounts, Q1'19 vs. Q1'20



Source: CB Insights