



 EMERGING TECH RESEARCH

Retail Fintech Report

VC trends and emerging opportunities

Q1
2023

REPORT PREVIEW

The full report is available through the PitchBook Platform.





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Retail fintech landscape

- 1 Alternative lending
- 2 Credit & banking
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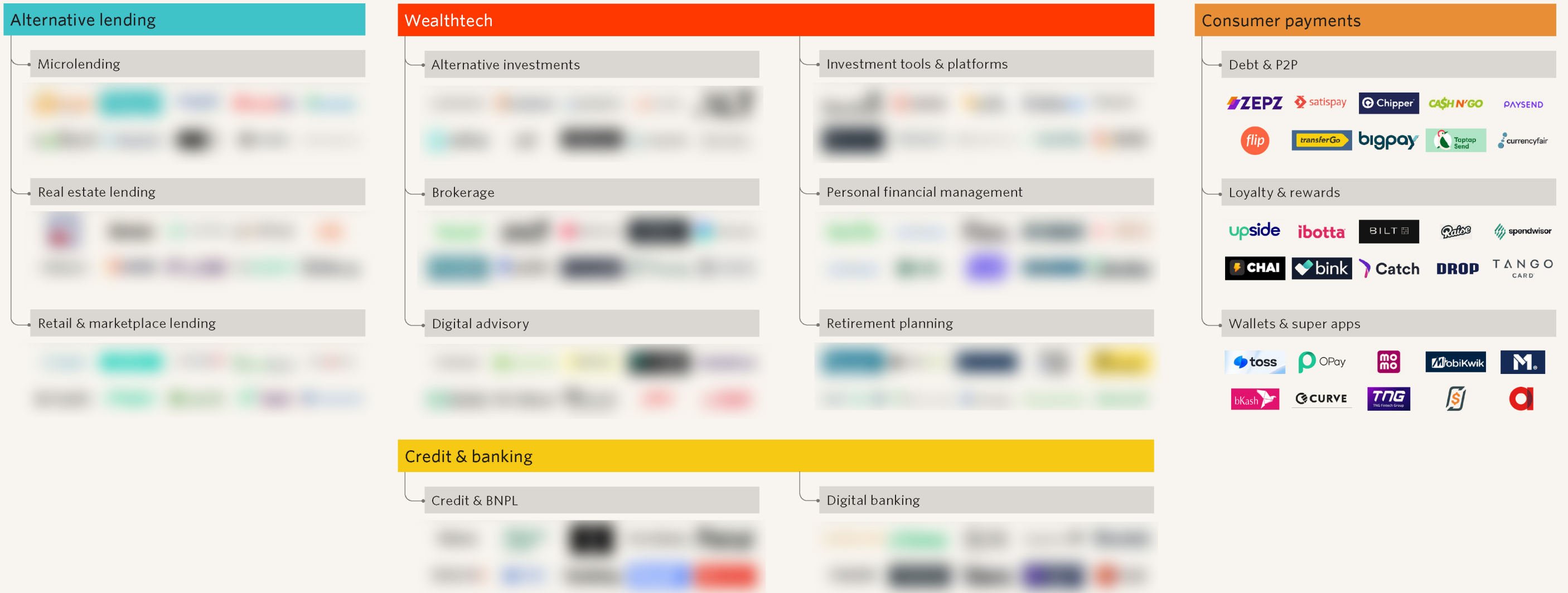




Retail fintech VC ecosystem market map

Click to view the interactive market map on the PitchBook Platform.

Market map is a representative overview of venture-backed or growth-stage providers in each segment. Companies listed have received venture capital or other notable private investments.





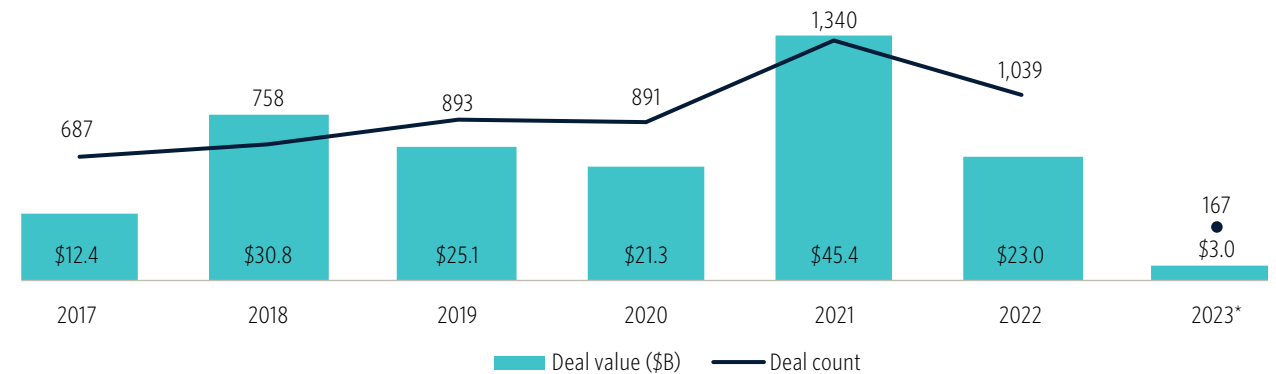
VC activity

Retail fintech VC deal activity remained muted in Q1, decreasing 4.4% quarter-over-quarter (QoQ) from \$3.2 billion to \$3.0 billion. Notably, VC investment for retail fintech startups has now reached the lowest quarterly level since Q3 2018, reflective of lower overall VC investment and the ongoing shift of capital toward B2B. Compared with the Q1 2022 VC investment total of \$7.3 billion, which had already declined 42.6% YoY from a record \$12.0 billion in Q1 2021, Q1 2023 VC deal activity was down substantially by 58.4% YoY to \$3.0 billion. We expect funding for B2C fintech companies to remain at similar levels in the near term as both VC investment and fundraising normalize to lower postpandemic levels.

Top fintech deals this quarter belonged primarily to late-stage B2B fintech startups. Still, there were a few notable retail fintech deals in Q1, including UK alternative lender [Abound](#)'s \$602.0 million early-stage round (comprised of both debt and equity), consumer credit firm [Kredivo Holdings](#)' \$270.0 million Series D, investment platform [eToro](#)'s \$250.0 million late-stage round, and India-based lender [KreditBee](#)'s \$200.0 million Series D. Overall, VC deal value was largest in the alternative lending and credit & banking segments this quarter, with \$1.5 billion and \$648.4 million invested in each segment, respectively.

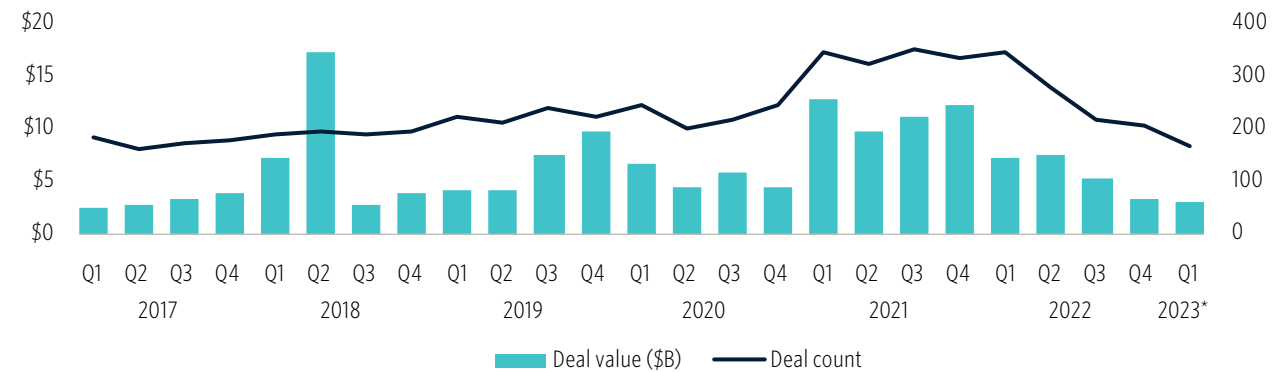
The median deal size for retail fintech companies in Q1 was \$3.5 million, down 28.5% versus 2022's median of \$4.8 million. Comparatively, the median enterprise fintech deal value in Q1 was steadier, declining 9.0% from 2022's median to \$4.6 million. Compared with 2022 averages, Q1 median retail fintech deal sizes were down by 25.0% for angel and seed companies and down 38.1% for early-stage companies to \$1.5 million and \$3.7 million, respectively. For late-stage and venture-growth companies, median deal sizes were notably up by 2.5% and 118.5% from 2022 levels to \$20.5 million and \$59.0 million, respectively. However, significantly fewer venture-stage deals—and thus a smaller sample size—were seen in Q1 relative to 2022. Additionally, the few

Retail fintech VC deal activity



Source: PitchBook • Geography: Global • *As of March 31, 2023

Retail fintech VC deal activity by quarter



Source: PitchBook • Geography: Global • *As of March 31, 2023



VC ACTIVITY

Key retail fintech late-stage VC and venture-growth deals*

Company	Close date (2023)	Segment	Subsegment	Deal value (\$M)	Post-money valuation (\$M)	Lead investor(s)
Kredivo Holdings	March 23	Credit & banking	Credit & BNPL	\$270.0	N/A	Mizuho Bank
eToro	March 23	Wealthtech	Brokerage	\$250.0	\$3,500.0	N/A
KreditBee	January 6	Alternative lending	Microlending	\$200.0	\$700.0	Advent International, MUFG Bank, Premji Invest (Bangalore)
Prizeout	March 13	Consumer payments	Loyalty & rewards	\$160.0	\$760.0	N/A
Moonfare	February 8	Wealthtech	Alternative investments	\$151.7	N/A	Insight Partners
Zopa	February 2	Alternative lending	Retail & marketplace lending	\$91.9	\$1,017.3	SoftBank Investment Advisers
Gojo & Company	February 22	Alternative lending	Microlending	\$80.0	N/A	N/A
Salt Lending	February 7	Alternative lending	Retail & marketplace lending	\$64.4	\$164.4	N/A
Tabby	January 18	Credit & banking	Credit & BNPL	\$58.0	\$660.0	Arbor Ventures, Endeavor Catalyst, Mubadala Investment Company, STV, Sequoia Capital India
Monument	January 26	Credit & banking	Digital banking	\$52.0	\$174.9	N/A

Source: PitchBook • Geography: Global • *As of March 31, 2023



Open-loop P2P payments

Peer-to-peer (P2P) payment platforms have gradually gained popularity among US consumers over the past decade. Widespread adoption remains to be seen, however, despite acceleration of digital wallet usage transpiring from the COVID-19 pandemic. Currently, only 40% of Americans use a P2P payment service on a monthly basis.⁷ In addition, the leading P2P payment providers see only a fraction of Americans using their services—just 20% use [PayPal](#), 19% use [Venmo](#) (owned by [PayPal](#)), 16% use Cash App, and 16% use [Zelle](#).⁸ We believe this can partly be attributed to the fact that many P2P providers operate in a closed-loop system, meaning users may currently only initiate payment transfers by operating on the same platform. In contrast, an open-loop system, which includes interoperability across multiple applications, could unlock greater convenience for consumers and facilitate superior adoption of P2P payment applications. Though competitive dynamics have naturally suppressed open-loop P2P payment systems, we see a growing movement toward open-loop P2P payments.

[Visa's](#) pilot launch of its open-loop payments infrastructure, [Visa+](#), has furthered the movement toward an interoperable P2P payments environment. Platforms integrated with [Visa+](#) will be able to connect with each other and provide seamless transfers to other P2P apps—a service which has not previously been made available by other network providers. Current participating platforms include [PayPal](#), [Venmo](#), [Western Union](#), [DailyPay](#), [TabaPay](#), and [I2c](#). We expect further payments interoperability to be unlocked within the neobank, gig economy, creator, and earned wage access spaces with the addition of new partners.

Currently, [Visa+](#) is set to launch in late 2023 as a US-only service. Still, [Visa+](#) can provide a meaningful step toward interoperable cross-border P2P payments if remittance providers join the [Visa+](#) network. For example, adding startups such as [Lemonade Finance](#), [Kappa](#), and [Chipper Cash](#) to an open-loop network would enable consumers to receive money from P2P payment apps such as [Venmo](#) and successively initiate an international money transfer. Other opportunities for greater consumer adoption could exist for P2P payment providers such as [Ping](#), which allows users to transfer money and convert to cryptocurrencies, or [EchoPay](#), a digital payments platform that offers early direct deposits.

An additional factor that could spur US P2P payment interoperability is the rollout of real-time payments (RTP) provider FedNow. Set to launch in July 2023, FedNow will allow banks to offer RTP services, enabling consumers to instantly transfer funds between bank accounts. Should the majority of banks choose to offer transfers via FedNow, we foresee P2P payment providers also adding interoperability capabilities in order to remain competitive. In our view, this could be a response to consumer utilization of instant account-to-account transfers via their banks. Nonetheless, RTP will likely be a strong driving force for P2P money transfers if fraud can be contained. We believe this is one reason for [Zelle's](#) success; total payment volume for [Zelle](#) is currently \$490 billion,⁹ compared to \$245 billion for [Venmo](#),¹⁰ and \$204 billion for [Block](#) (inclusive of Cash App and Square payments).¹¹

7: "Consumer Reports Finds Peer-to-Peer Payment Apps Offer Ease and Convenience but Pose Potential Financial and Privacy Risks for Users," [Consumer Reports](#), Delicia Hand, January 24, 2023.

8: "Peer-to-Peer Payment Services," [Consumer Reports](#), January 10, 2023.

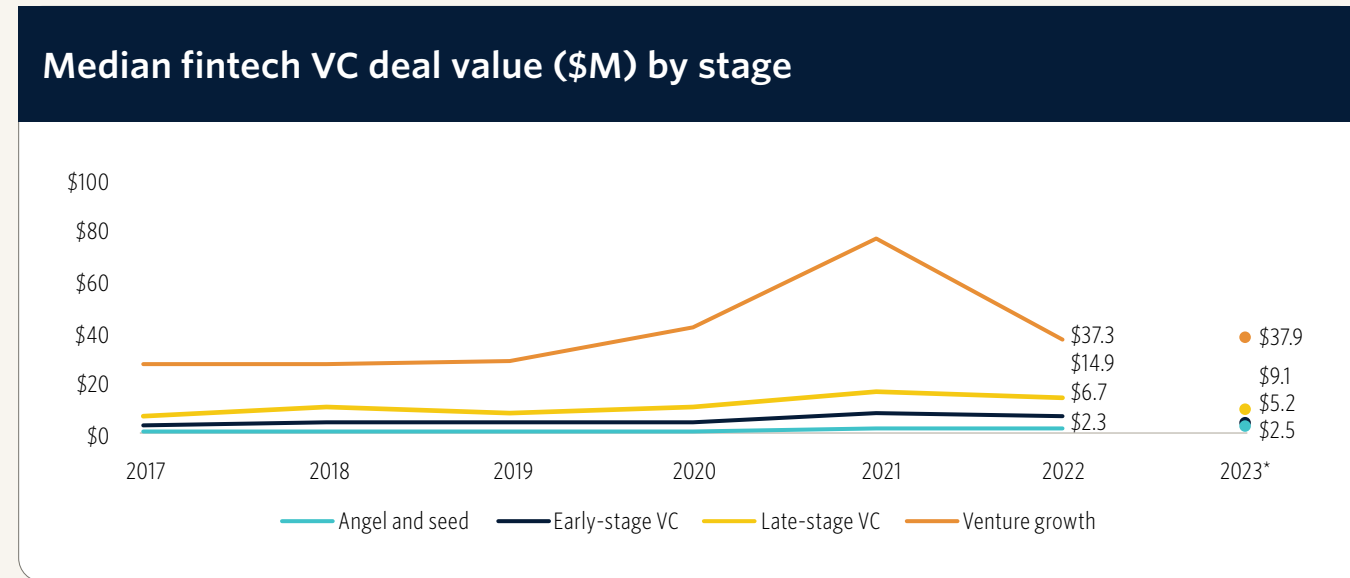
9: "Nearly Half a Trillion Dollars Sent by Consumers and Businesses with Zelle® in 2021," [Zelle](#), February 2, 2022.

10: "Fourth Quarter and Full Year 2022 Results," [PayPal](#), February 9, 2023.

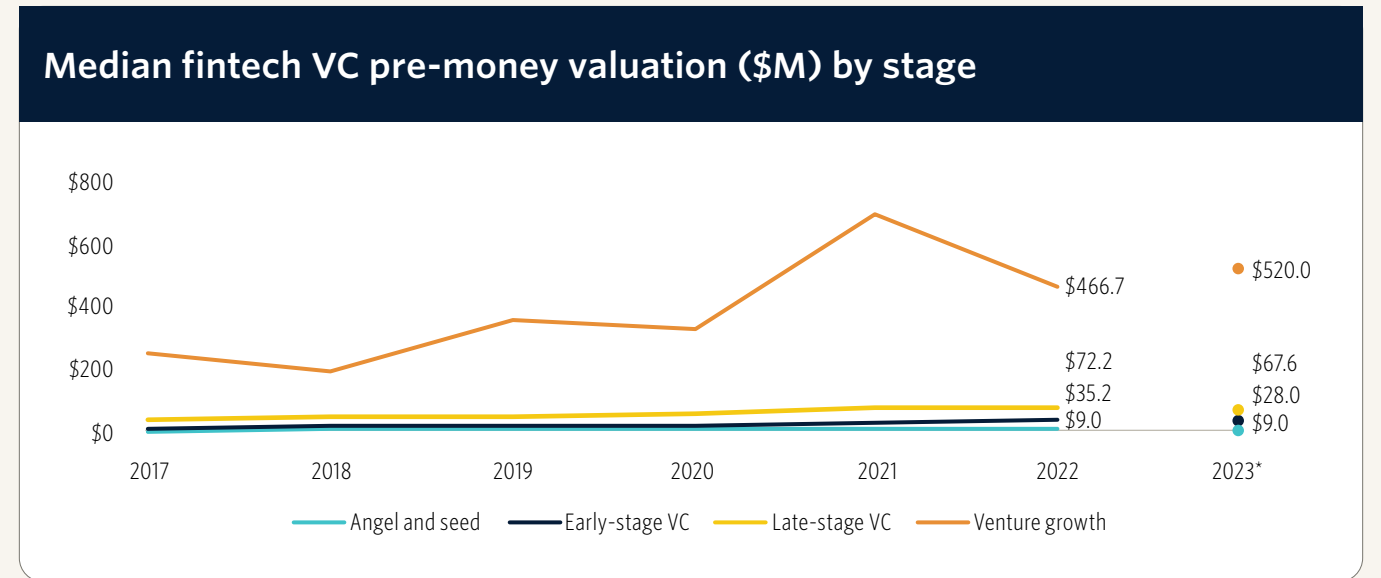
11: "Q4 2022 Shareholder Letter," [Block](#), February 23, 2023.



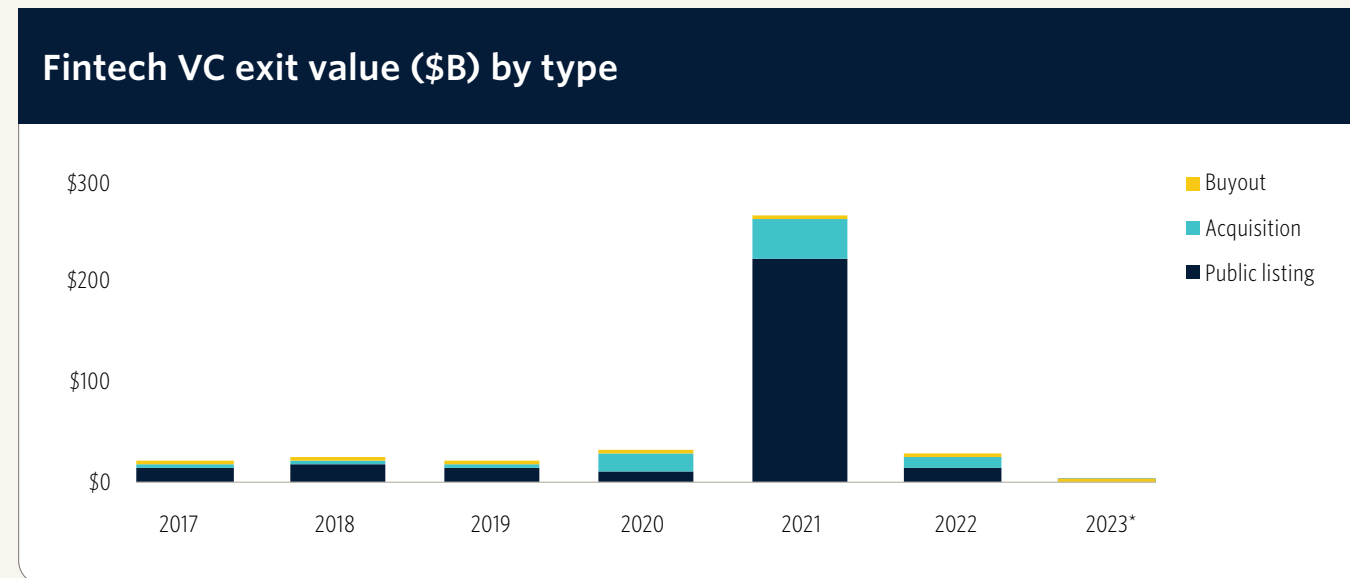
APPENDIX



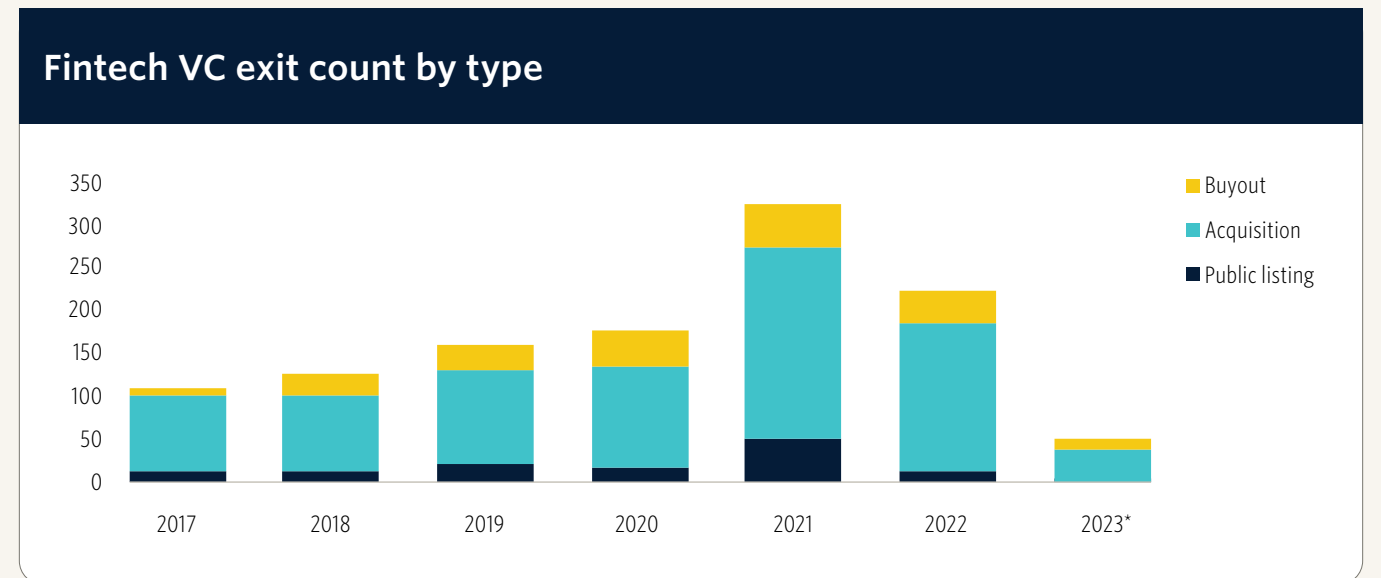
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Our Emerging Tech Research provides detailed analysis of nascent tech sectors so you can better navigate the changing markets you operate in—and pursue new opportunities with confidence.

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