



escalent

VOLUME 17 | OCTOBER 19, 2020

Financial Services COVID-19 Market Research Perspectives

Ongoing coverage of COVID-19's impacts

There are countless ways that companies are using tech to transform financial services. In 2019, investors poured more than \$53 billion into Fintech startups worldwide. And that investment has escalated even further in the COVID-19 environment. These new companies are challenging traditional practices and institutions, particularly in the digital-first/digital-only, and mobile customer experience spaces.

In this volume, we draw attention to a few examples of Fintech evolution during COVID-19 that we believe are reshaping the financial services industry.

IN CASE YOU MISSED IT

Webinar: [A Data-Driven Blueprint for Brand Authenticity](#)

Webinar: [How to Target Ad Spend to Advisors and Affluent Investors](#)

Blog: [How to Leverage an Insight Community to Deal with Unpredictability](#)



We've got you covered.

What to do:

- 1** See How COVID-19 is Escalating Fintech
- 2** Go Digital or Get Left Behind
- 3** Track Fintech Companies on the Forefront

Spotlight on Banking Fintech

“People are changing the way they bank in these unprecedented times. COVID-19-related precaution, and avoidance of in-person transactions, has accelerated demand for digital banking and lending. Fintechs are stepping up to fulfill this need.”

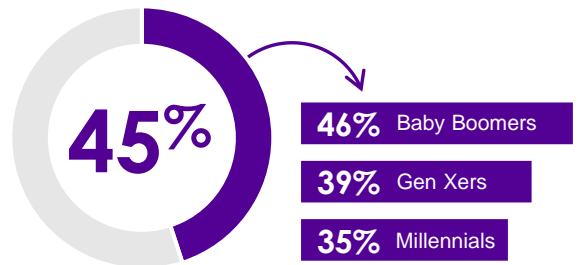
– Chad King, Vice President, Financial Services



Digital Advances to Meet New Needs

2020 has created a landscape of ever-shifting financial needs. Among individuals and small businesses alike, there is disruption in how money is accessed, managed and spent. Nudged out of the comfort zone of traditional banking, many consumers are rushing towards digital finance solutions and Fintechs are capitalizing. As needs quickly shift, agile and innovative Fintechs are best positioned to launch new solutions to meet them. Through these innovative solutions, Fintechs are also leading the digital financial inclusion effort, serving the margins that traditional financial solutions miss.

PEOPLE WHO HAVE CHANGED THE WAY THEY BANK



Source: ShuftiPro 2020

Banking Fintech to Track



HOW IT WORKS

Already one of the digital-only banking (neobank) leaders in the US at the start of 2020, Chime's valuation has doubled during the pandemic. With no minimum requirements, free two-day paycheck advances and a fee-free approach to banking, Chime is well positioned to continue its rally post-pandemic.

HEADQUARTERS

San Francisco, CA



HOW IT WORKS

Varo Money is another neobank thriving in 2020. As a champion for financial inclusivity, it excels at meeting the needs of underbanked and unbanked populations, while still appealing to traditional banking customers. Similar to Chime, it has no fees or minimums, however it also provides tools to develop positive spend/borrow/save habits, as well as a 24/7 digital coach (AI).

HEADQUARTERS

San Francisco, CA



HOW IT WORKS

A proprietary tech to quickly—even same day—provide working capital to small businesses. The application, approval and delivery processes are streamlined to provide near on-demand financing. Businesses can renew once the loan is 60% paid. In the COVID-19 economy, this can be the lifeline many small businesses need to stay afloat.

HEADQUARTERS

Boston, MA

Spotlight on Auto Finance Fintech

“Fintech and the rise of digitization has been a major disruptor in the automotive finance space in recent years. Initiatives to digitize the car buying process were put to the test as COVID-19 forced dealerships across the globe to temporarily shut their doors.”

– Jessica Tomlinson, Senior Project Director, Financial Services



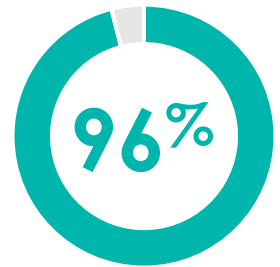
Improving the Car Buying Experience

Development of digital financing and vehicle delivery services has been accelerated to facilitate online car buying and leasing. While these services succeeded in providing positive buying experiences, many consumers flocked back to dealerships as restrictions eased. We know the dealership experience, particularly long wait times, can be a pain point in the shopping process, so why didn't more consumers jump on the opportunity to buy entirely online?

Data suggest each consumer has a threshold of how much of the process they are willing to complete online. The most effective Fintech solutions empower buyers with more information and streamline the loan originations and servicing processes. These solutions allow buyers to maximize time with dealership personnel focusing on what cannot be digitized, like the tactile aspects the vehicle shopping process (e.g., test drive, negotiation).

CAR BUYERS WHO START THEIR SEARCH ONLINE

(where Fintech now makes it possible to complete online as well)



Source: CarGurus report, 2019

Auto Finance Fintech to Track

TrueCar®

HOW IT WORKS

TrueCar is an automotive pricing and information website that now offers an eCommerce platform for car buyers to purchase or lease new and used vehicles from participating dealerships. The company offers an online process where paperwork is completed remotely and the vehicle is delivered to the consumer.

HEADQUARTERS

Santa Monica, CA

AutoFi

HOW IT WORKS

AutoFi is a solution that launches from a dealer's website to allow customers to build their finance deal, compare lender offerings, and receive instant credit approvals. Through AutoFi, customers can complete the buying process completely online and also schedule vehicle delivery.

HEADQUARTERS

San Francisco, CA

defi SOLUTIONS

HOW IT WORKS

Defi Solutions is a loan originations and servicing platform. The platform offers a consumer and dealer facing solution for shopping for financial programs and deal structuring. The servicing component offers a consumer facing solution for managing account(s) online.

HEADQUARTERS

West Lake, TX

Spotlight on Wealth Fintech

“The popularity of mobile investing platforms has skyrocketed, garnering much attention from investors and the media, especially among the younger generation. Due to their lower barriers to entry and ease of use, we are seeing a dynamic increase in retail investing, with more investors participating and taking the reigns of their financial future.”

– Ben Berey, Analyst, Financial Services

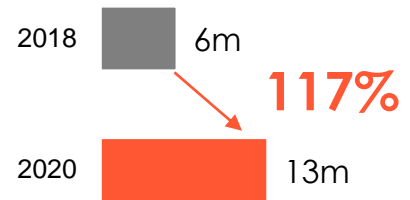


Investing Is More Accessible Than Ever Before

The emergence of new investing platforms has lowered the barriers to entry for investors, allowing a large influx of newer and younger investors to take part. The trend of lowering, or even eliminating, minimum balances has also allowed a new kind of investor, the micro-investor, to participate as well.

Ease of use, mobile ability and access to fractional shares (where investors are able to invest any dollar amount into a security instead of being forced to buy a whole share) are some of the key barriers that have been addressed. These newer platforms are forcing more traditional wealth management companies to adapt or be left behind as the next generation of investors joins the investing universe.

ROBINHOOD USER GROWTH 2018-2020



Source: BusinessofApps, Robinhood 2020

Wealth Fintech to Track

Robinhood

HOW IT WORKS

Robinhood offers commission free trading in stocks, ETFs, options and crypto-currencies, through its app and website. The platform was one of the first pioneers in low cost trading and is frequently the platform of choice for active and younger investors. One of the drawbacks is its more limited offerings, as mutual funds and bonds are not supported.

HEADQUARTERS

Menlo Park, CA

eToro

HOW IT WORKS

Robinhood is in for real competition from this Israeli-British trading firm that has been expanding into the US. eToro offers a “copy trading” service that lets investors replicate the allocations of top stock pickers. It also has products akin to mutual funds that build portfolios based on themes. They say “real time, mobile, and social” are their differentiators.

HEADQUARTERS

Limassol, Cyprus (& Hoboken, NJ)

acorns

HOW IT WORKS

Acorns uses an automatic savings tool and robo-advisor to make saving and investing simple and easy. Each purchase made on a linked credit or debit card is rounded up to the nearest dollar, and the excess change is automatically transferred into your account. The app offers five different investment strategies based on age, risk tolerance and goals.

HEADQUARTERS

Irvine, CA

Spotlight on InsurTech

“The pressure has been on for P&C carriers to innovate, while streamlining services and policy offerings. But, the onset of COVID-19 has accelerated the need, not only for digital improvements and simpler products and processes, but also enhanced virtual engagement opportunities. Many InsurTechs are well-positioned to meet this need, either as an insurer or a partner.”

– Breanne Armstrong, Lead Analyst / Supervisor, Financial Services

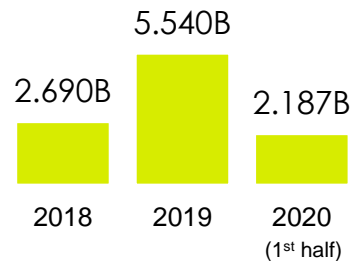


Accelerated Innovation & Virtual Engagement

Launching InsurTech startups mostly stalled in 2020, but investment in established InsurTechs is still very strong despite economic uncertainty. The on-demand or “gig” economy has already fostered an environment for InsurTechs to lead the way in creating “click and cover” policies.

Looking beyond on-demand insurance, the already evolving P&C industry landscape has been further accelerated by shifting priorities brought on by COVID-19. People, now more than ever, want insurance coverage that not only meets their changing individual needs, but is also affordable and accessible. With smartphones and smart homes, insurers have an opportunity to engage even more with customers to help them save money, prevent losses or even share content—all of which can build strong customer loyalty and advocacy.

INSURTECH FUNDING (IN BILLIONS) 2020 SET TO OUTPACE 2018



Source: COVID-19 pandemic shifts InsurTech investment priorities, Deloitte Center for Financial Services and Venture Scanner, 2020

InsurTech to Track



HOW IT WORKS

Hippo is a home insurer with a completely digital purchase experience, making it possible to buy a policy in less than five minutes. Hippo promotes its role as an active insurer by leveraging smart home technology and AI to monitor risks and help prevent potential accidents. It also provides extra coverage for electronics and home office equipment.

HEADQUARTERS

Palo Alto, CA



HOW IT WORKS

Metromile is the leading usage-based car insurance company in the US. The billing model benefits low-mileage drivers and does not take driving style or behavior into account. Through Metromile Enterprise, its SAAS business group, Metromile has licensed its proprietary AI claims platform to other insurance carriers.

HEADQUARTERS

San Francisco, CA



HOW IT WORKS

Home telematics companies plan to “transform property insurance with smart, in-home solutions to monitor real time.” Roost partners with insurers to provide a home and commercial telematics solution focused on customer engagement through a mobile app, loss mitigation, smart sensors and monitoring services.

HEADQUARTERS

Sunnyvale, CA

We've got you covered!

Our financial service research experts are committed to bringing you the data and insights you need to more effectively run your business. Let's continue our strategic partnership to keep research moving forward in a time when the financial services sector needs it more than ever.

Meet just a few of our financial service research experts:



Talk to us.

Chris Barnes

CPO & Managing Director

Financial Services

P: 860.919.3659

E: CHRIS.BARNES@ESCALENT.CO

Chad King

Vice President

Financial Services

P: 734.542.7654

E: CHAD.KING@ESCALENT.CO

About Escalent

Escalent is a top human behavior and analytics firm specializing in industries facing disruption and business transformation. As catalysts of progress for more than 40 years, we tell stories that transform data and insight into a profound understanding of what drives human beings. And we help businesses turn those drivers into actions that build brands, enhance customer experiences and inspire product innovation.

Visit [escalent.co](https://www.escalent.co) to see how we are helping shape the brands that are reshaping the world.