



Australia's fintech future

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About this report



The startup sector is a dynamic and increasingly important part of the Australian economy.

Within the startup sector, Australia's fintech community is made up of more than 500 companies, whose innovation is helping to usher in a new era of experiences.

So what is the fintech scene like in Australia? Visa partnered with Startup Muster to deliver an in-depth look into the nation's fintech ecosystem.

The report examines insights from 245 fintechs surveyed by Startup Muster between 2016 and 2018, exploring demographics, skillsets and attitudes and digging deeper into factors like funding strategies and why fintechs tend to be more hungry and bullish than an average startup. Three-quarters (76%) of the companies surveyed were less than five years old.

Introduction

More than sixty years ago, Visa pioneered the digitisation of money, becoming the world's first fintech. Since then, we've seen further major disruption across the financial services sector, with much of that change orchestrated by startups that have successfully shaken things up and made their mark. Others have struggled to have their concepts come to fruition in an increasingly competitive environment.

 **\$17 TN**  **1.7 BN**

With \$17 trillion in consumer payments still made in cash/cheque¹ and 1.7 billion people outside the formal financial sector²

there is a huge opportunity for fintechs to pioneer new kinds of digital payments that will drive the next generation of payments innovation forward.

As an enabler of many startups, Visa has deep insight into the impact of fintech on the financial services sector. In some ways, fintech is the starting point from which the conventional concept of finance comes to an end.

The level of investment, progress and growth in fintechs is dictated by market factors such as consumer trust and appetite, regulation, and access to talent, but wherever you look in the world, the potential and impact of digital financial services cannot be denied.

This report uncovers how Australian fintechs are faring at various stages of development and what the financial services sector needs to know about the newcomers.

We hope it offers innovators – in startups and established companies – insight and inspiration to thrive in the global fintech revolution.



1 Visa Annual Report (December 2018)

2 Global Findex Database (2017)

A message from Startup Muster



Startups matter because of the blank canvas they're able to use to create a solution that existing companies can't.

Whether it's who they are, how they work, what they work on, who they work with or who they work on it for, every part can be designed without concern for what currently exists in an established organisation, creating and capturing new opportunities along the way.

It's no stretch for any Australian to understand the size of company that is possible in this financial services industry – but the scale and success of these large institutions is exactly what prevents them from doing the kinds of things our young fintech startups can.

Having watched the growth of Australia's fintech industry closely, we believe it represents a unique opportunity for our country to leverage its existing strengths to develop new business models and supporting technologies that could not happen anywhere else in the world.

Visa's support of this industry is notable, as is the support from a growing number of funds, accelerators, incubators, educational offerings, regulatory and government programs and other forms of supporters, which similarly see the incredible opportunity that Australian fintech presents.

The 'average' Australian fintech

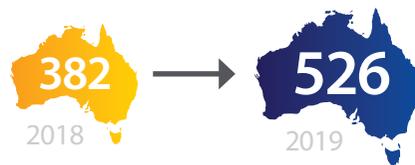


Australia is in the midst of a fintech revolution.

Entrepreneurs and **intrapreneurs** are changing the financial services landscape at a rapid pace.



Intrapreneurs refer to the many people innovating within established companies.



A Visa market scan identified 382 fintechs in Australia in 2018, which increased to 526 in 2019. And fintechs are growing in diversity as well. The market scan found 18 categories of Australian fintechs, highlighting the sheer depth and breadth of this community.



Emerging Fintech Areas:

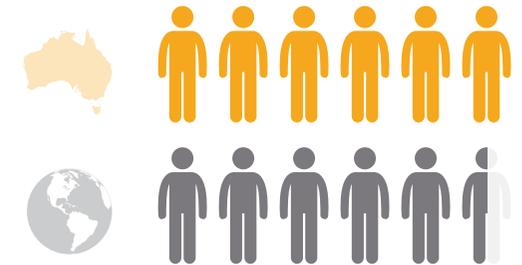
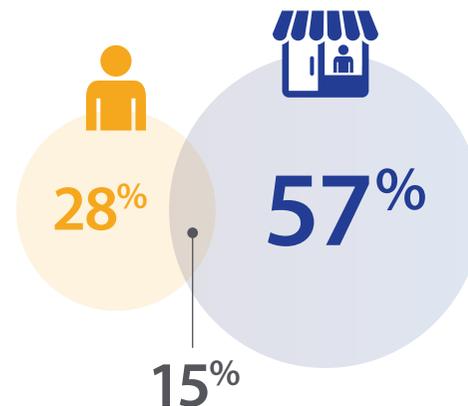
Breakdown of the various sub-sectors of fintech

 <p>Blockchain & Cryptocurrency Technology infrastructure powering blockchain & cryptocurrency ecosystem</p>	 <p>Crowdfunding Online Platform allowing business and products to raise investment from the crowd</p>	 <p>Data & Analytics Platforms that collect, aggregate, and analyse payment and customer data</p>
 <p>Direct Biz/Consumer Lending Platforms enabling business & consumers to borrow money from institutions</p>	 <p>Fin Services & Infrastructure Tools and platforms that help financial professionals and institutional investors</p>	 <p>ID Authentication & Security Technology enabling cyber security, fraud identification, and user authentication for financial software and platforms</p>
 <p>InsurTech Technologies and platforms modernising, optimising, or rethinking the insurance industry</p>	 <p>Investment Management Platforms allowing consumers to better manage and trade assets and securities</p>	 <p>Loyalty Platforms that provide loyalty, rewards, and retention solutions to consumers and businesses</p>
 <p>Marketplace Lending Online marketplaces that connect people and businesses to fund one another</p>	 <p>Merchant Services & Tools Platforms and tools that allow small-to-medium-sized business to better manage their businesses</p>	 <p>Money Transfer & Remittance Platforms and technologies facilitating the transfer of money around the globe</p>
 <p>Online Banking New consumer and business banks built and operating entirely online</p>	 <p>Payments, Wallets & Transfers Technology enabling peer-to-peer monetary transactions via mobile, web, and other devices</p>	 <p>Personal Finance Platforms that allow consumers to get a holistic view of their finances and manage their assets</p>
 <p>Process & Pay Infrastructure Underlining technology infrastructure powering modern banking and payment networks</p>	 <p>Retail Technology Hardware and software technologies enabling transactions and processing at point of sale</p>	 <p>Wealth Management Robo-advisors and other next-generation wealth managers and platforms</p>



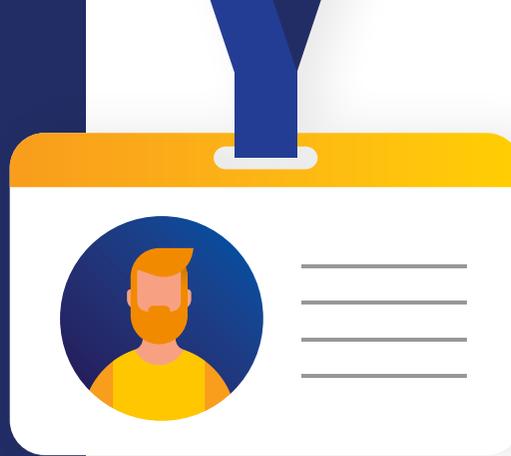
The nature of their offerings means fintechs aren't restricted to one or two verticals and can spread their solutions across multiple markets. In addition to finance, they are prevalent in education, retail, transport and health. They are also embracing the breadth of new technologies such as blockchain, internet of things and AI.

The fintechs surveyed by Startup Muster are split between those developing solutions for **consumers (28%)** and **businesses (57%)** – with some targeting **both (15%)** – indicating the breadth of the sector's current and potential impact.



The average Australian fintech startup has six full time employees, which is just above the average for all startups at 5.6 employees. And they're growing – 95% of respondents were planning to hire in the next six months.

So who are these six employees?



Fintech founders

There is a clear opportunity to encourage foundership among a more diverse group of entrepreneurs.

Today, the typical Australian fintech founder is an educated English-speaking male residing in New South Wales. He comes from a startup background and is resourceful and self-sufficient. He employs a lean and nimble team, and has a progressive, forward-thinking nature. He is confident, and while he may not record revenue, he is hungry for change and to make his product and vision known.

 **Male**
86% male, 14% female (looking at startups more generally – not just fintechs – 25% are founded by females).

 **Australian-born**
64% were born in Australia, 6% in the UK, 5% in New Zealand and 4% in India.

 **Varied in Age**
with founders evenly spread across late baby boomers, Gen X and millennials. 64% were born between 1970 and 1990, with the youngest founder being 19 years old and the oldest 65 years old.

 **Highly Educated**
90% have a post-high school qualification.

 **East Coasters**
60% have their primary office in New South Wales, 17% in Victoria and 12% in Queensland.

 **Solutions-oriented**
with 52% having started their company based on an identified compelling opportunity and 46% based on solving a problem they were experiencing.

 **English-Speaking**
96% speak English at home, 23% speak another language.

 **Self-Sufficient**
with 66% relying on their own cash contributions and 36% relying on family/friends to fund the company.

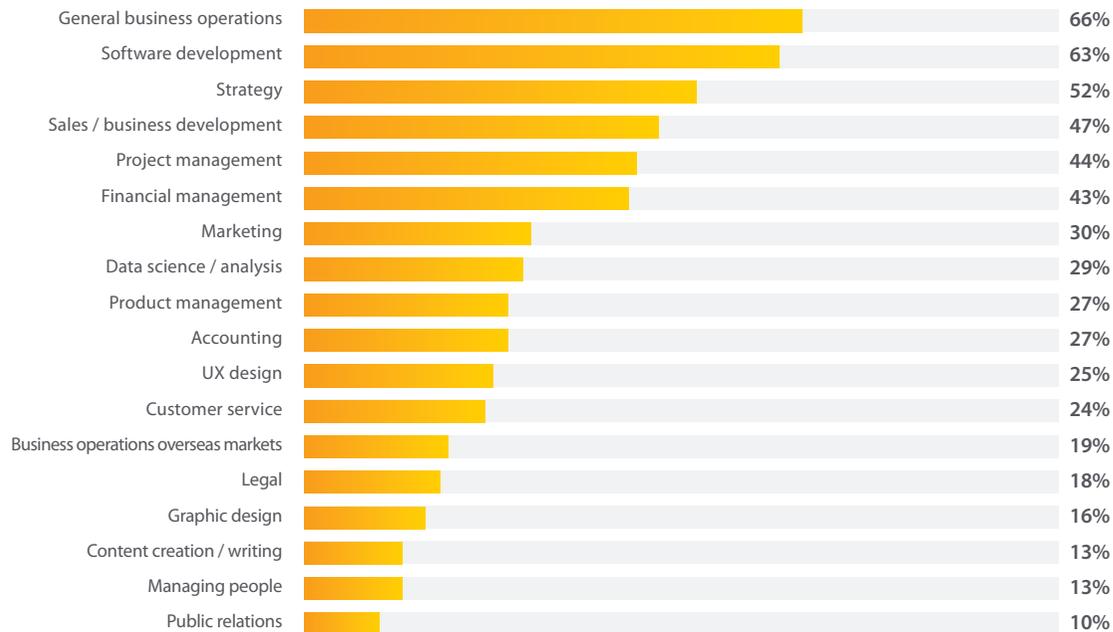
 **Experienced**
with 45% having previously worked at a startup.



Founding teams

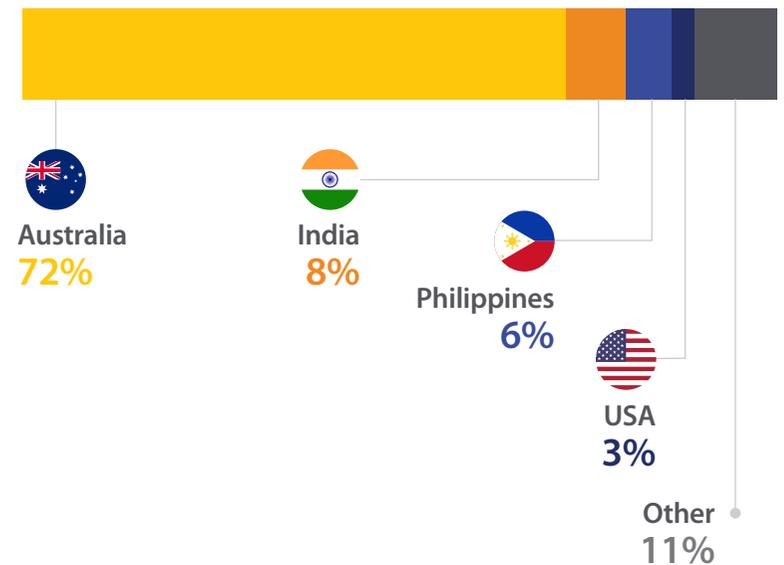
The three most common skills in fintech founding teams are general business operations (66%), software development (63%) and strategy (52%). When asked who they want to hire, respondents said they are seeking software developers (60%), marketers (38%) and sales/business development professionals (38%).

Skills strongly represented in founding team



Fintech startups are also open to outsourcing, with the most common reason being to acquire specific expertise. More than two-thirds of fintech startups (72%) are primarily outsourcing their work to people in Australia, followed by India (8%), Philippines (6%) and the USA (3%).

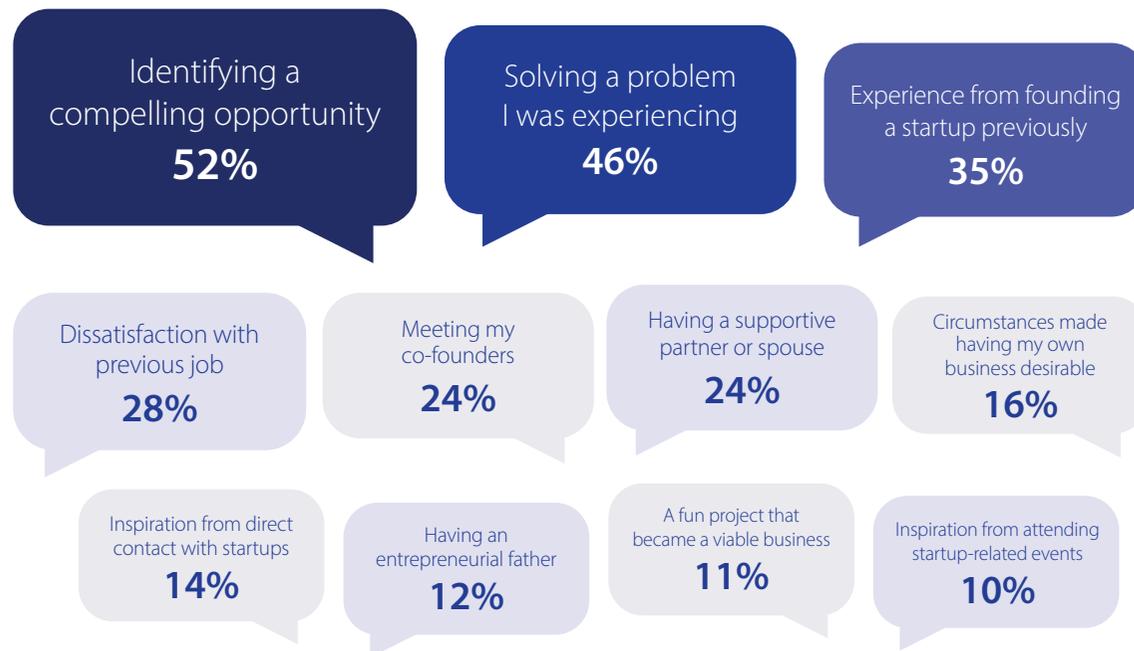
Primary country used for outsourced work



Why fintechs are founded

Fintech founders claim that **'identifying a compelling opportunity' (52%) was their biggest motivation to take the first step**, closely followed by 'solving a problem I was experiencing' (46%).

Motivation for founding company



What fintech founders enjoy most about running a company is ownership of the value created (81%), developing technology that is exciting (75%) and the opportunity for financial success (70%).



A bullish outlook

Of the respondents, 40% had recorded no revenue in the previous 12 months, while almost a third (31%) had revenue of up to \$100,000. Only 10% of respondents had achieved over \$1m in revenue.

Despite this, fintech startups are more bullish on revenue targets than startups in general.

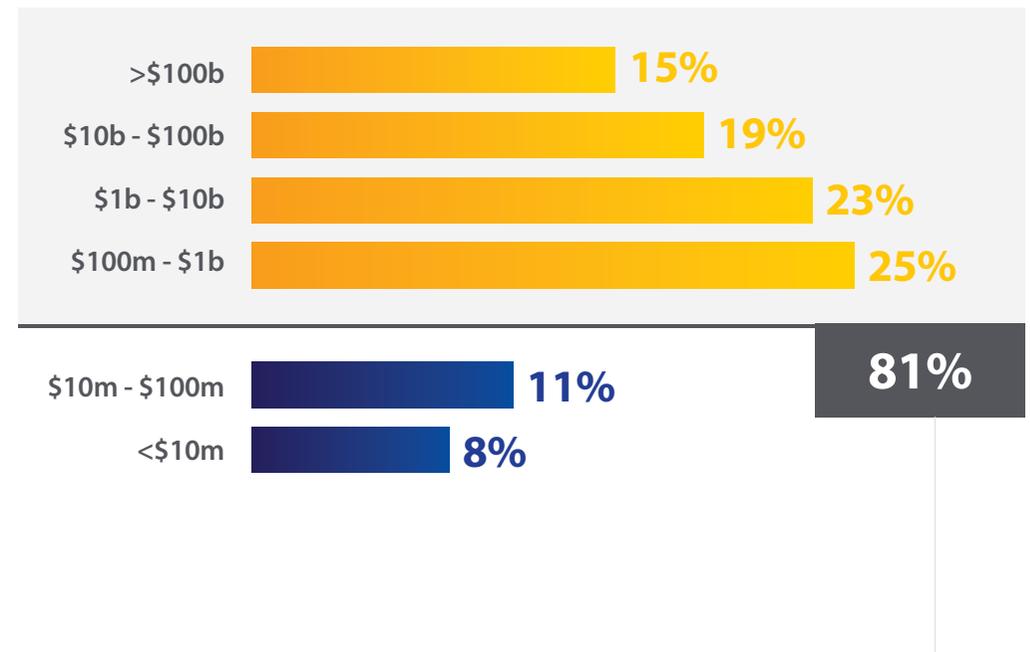
When asked how many years it will – or did – take for the company to reach \$10m in annual revenue, the average for fintechs is 4.9 years compared to 5.6 years for all startups.



A similar pattern emerges when asked how long it will – or did – take to reach \$100m in average revenue – 8.4 years for fintechs and 9.1 years for all startups.

This ambitious outlook may be attributed to the **Total Addressable Market** for fintechs, **which over three-quarters (81%) of respondents estimated to be over \$100m.**

Total Addressable Market



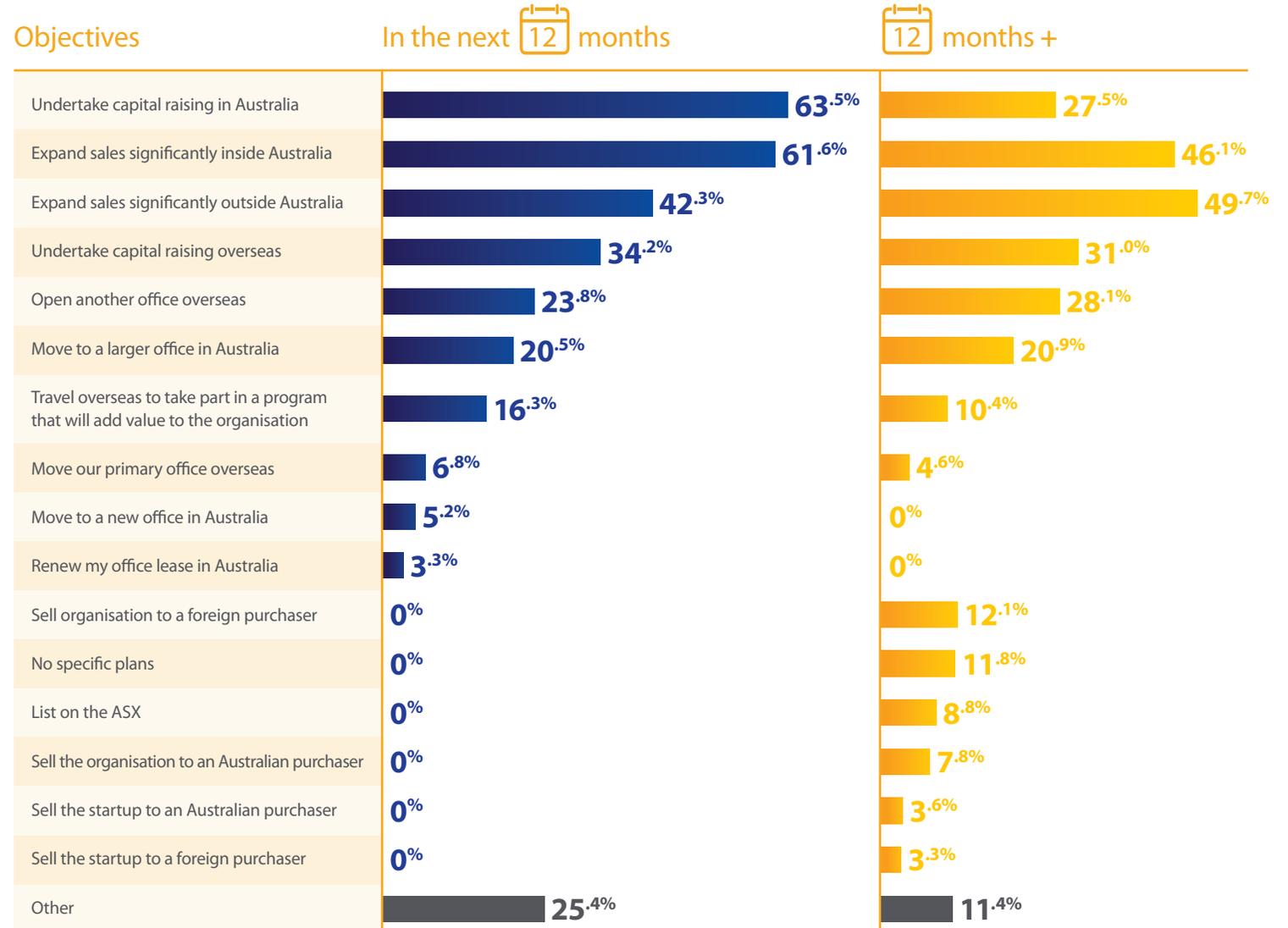
Defined in Startup Muster's survey as the maximum annual revenue you could make if you secured every potential customer around the world for your product or service.



Currently revenue for fintechs is mainly from Australian customers

(86% report this as the primary country of their customers), with US customers a distant second (8%), and other markets (6%) trailing. The domestic market is the target for both capital raising and expanding revenue in the short to medium term, as the graph below demonstrates.

Short to medium term business objectives

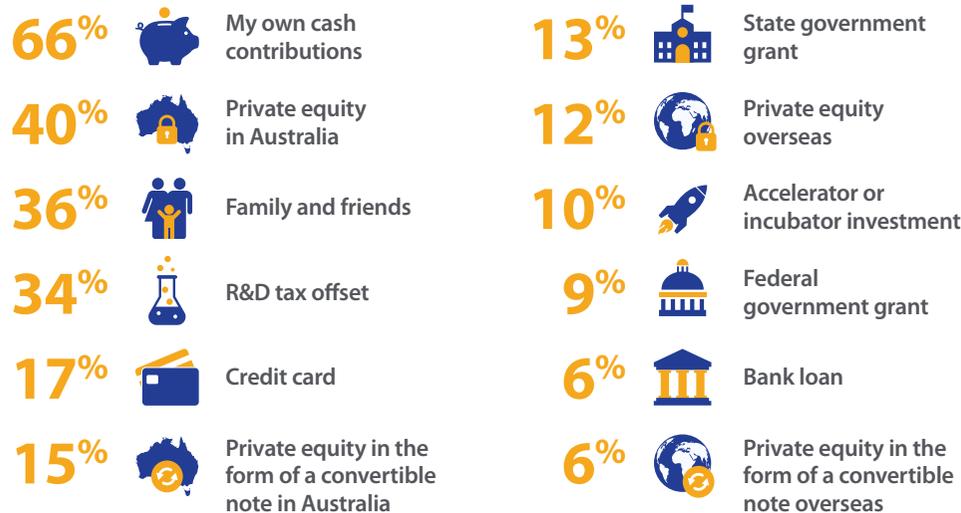


The financial reality

While Australian fintechs have their sights set on big things, as may be expected, their current finances usually don't yet match these plans. In fact, fintechs are slightly ahead (69%) of the broader startup sector (67%) in needing a financial injection to continue operating.

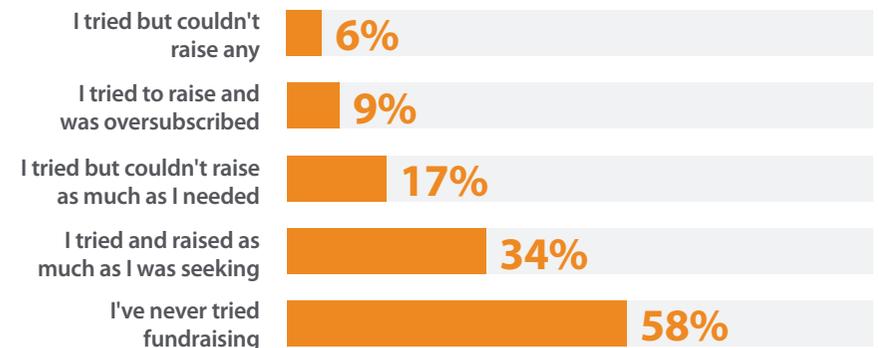
If there's one thing that's clear though, it's that fintech founders are committed. Revenues are not always strong enough to support founders and two-thirds (67%) need to work outside the company. In fact, 66% rely on their own cash contributions and 36% rely on family/friends to fund the company.

Fintech funding



When it comes to equity split amongst founders, the most common approach is an equal split (40%). Just over half (58%) report not having tried to raise investment.

Fundraising situation



When asked why they haven't tried to raise funds, respondents either said they weren't ready (46%) or their business plan didn't require external funding (35%).

How established businesses can help

The opportunity for established businesses is to support fintechs with funding, promotion and expertise.

When asked what fintechs require the most assistance with, media exposure tops the list at 43%, followed by corporate customers (37%) and mentorship (32%). Almost half (46%) of respondents have no marketing plans, highlighting the particular need in this area.

Accelerators or incubators have been used by just under a quarter (23%) of respondents, but of that number almost three-quarters (74%) found it a worthwhile process. The most valuable benefit of these programmes was the networking opportunities the participants accessed.

What startups need assistance with in the next six months





Conclusion

 The Australian fintech scene is young, but it is hungry.

While 40% are not currently recording any revenue, more than 81% consider the market opportunity to be well in excess of \$100 million.

What gives them confidence is the growing number of consumers, investors and businesses who favour the new and innovative. This includes the millennial generation with its undeniable purchasing power.

Financial services are becoming a level playing field for new entrants and established players alike – a trend that will only accelerate with the introduction of open data. As a fintech that 60 years after its inception continues to grow, Visa knows the power of collaboration and partnerships – increasingly critical for all businesses in today's economy.

They might not have the revenue today, but the demonstrated ability of fintech founders to understand and leverage the opportunities before them ensures they are well positioned for an exciting future.

Build the future of payments together with Visa

Visa is an active supporter and enabler of fintechs, in Australia and abroad. Through the Visa Everywhere Initiative, direct investments, partnerships and our suite of APIs, we work to help startups see their visions come to life and achieve success in the burgeoning global fintech market.

For existing and aspiring fintech founders ready to take their first or next step, Visa Partner is the place to do so. The portal provides fintechs with unprecedented access to Visa's technologies, network and solutions, enabling them to scale and bring new payments solutions to life with speed and security. It simplifies the process of working with Visa and helps fintechs more easily leverage Visa's network, resources and tools to succeed.

Through Visa Partner, you can also learn about Visa Fintech Fast Track – an application-based program that provides access to Visa's strong partner community and the security, speed and scale of our network.

Dependent on business stage and location, the Visa Fintech Fast Track will provide you with the right tools, resources and connections to scale. Visa's on-demand experts will help you navigate the complexity of payments via tailored onboarding, industry expertise, and marketing and consulting to facilitate growth. Through partnership, collaboration and investment, the program offers a clear path towards creating the future of digital payments.

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