

intellias

**From Startup to
Unicorn:**

Tech Recipe for Israeli FinTechs



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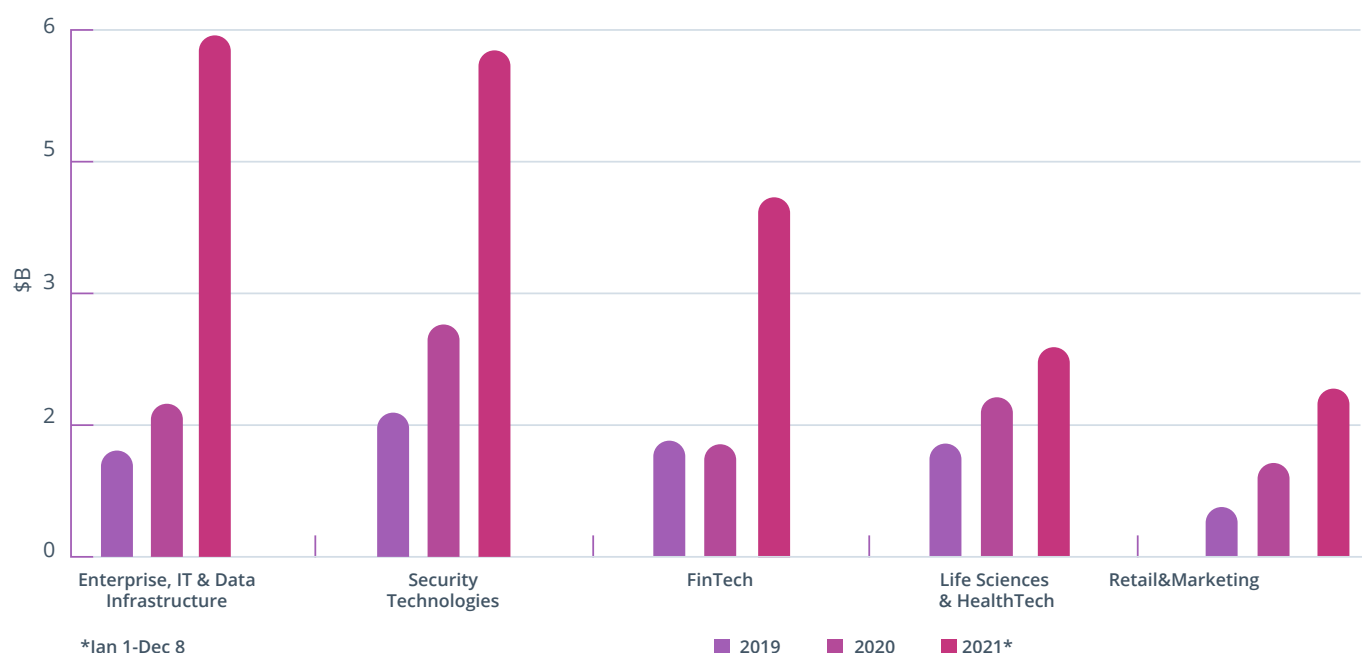
01 Israeli business ecosystem

Israel is no longer just a startup nation. The country's maturing business ecosystem is creating global unicorns and disruptors at a record pace. There are already 61 Israeli companies operating in the big leagues, 33 of which joined the billion-dollar club in 2021.

Last year also marked record capital investments for Israeli companies, who collectively raised almost \$18 billion in 575 deals. This is 71% higher than the amount raised in 2020. Another historic number is 75 mega rounds in 2021 compared to 22 in the previous year, reaching around \$15 billion — 310% more than in 2020.

FinTech is one of the largest sectors in Israel in terms of funding, and Israel is evolving as an entrepreneurial powerhouse. Still, young Israeli FinTech companies have many profitable business opportunities. By now, Israel has nurtured over a dozen FinTech unicorns operating in the banking, payments, and InsurTech domains.

Investment breakdown by sector





































































Source: CB Insights

Long known as an innovation and technology hub, Israel has lots to offer to satisfy the enterprise business ambitions of FinTech startups: cutting-edge technologies, record levels of funding, and a continuously developing business ecosystem to help startups find a place in the sun, not only in Israel but globally.
























02 · Becoming a unicorn: How, when, and why

The unstoppable growth of companies over the last couple of years is technology-powered and strikes multiple verticals.

AdTech & Marketing	Consumer	FinTech	Horizontal Application	Infrastructure	Cyber	Vertical Applications
 IronSource	 Lightricks	 PAGAYA	 GONG	 redis	 SentinelOne	 riskified
 AppsFlyer	 Playtika	 tipalti	 fiverr.	 INFINIDAT	 CATO	 verbit
 Outbrain	 VIA	 eToro	 walkme	 JFrog	 ARMIS.	 FORTER
 Taboola	 Gett.	 Payoneer	 WIX	 NextSilicon	 cybereason	 trax
 TREMOR VIDEO	 MOONACTIVE	 meliq	 deel.	 HAILO	 AXONIUS	 INNOVIZ TECHNOLOGIES
	 JoyTunes	 sunbit	 kaltura	 VAST	 aqua	 BRINGG
	 talkspace	 Rapyd	 monday.com	 Landa	 Cellebrite	 otonomo
		 Lemonade	 similarweb	 wiliot	 transmit security	 TripActions
		 Hippo	 papaya global	 DRIVENETS	 orca security	 Fireblocks
		 at bay	 sisense	 R3E	 snyk	 HoneyBook
		 NEXT			 WIZ+	
		 earnix			 exabeam	

Trends in the Israeli tech startup ecosystem display that we'll watch more of cybersecurity, AI and automation, HealthTech, data infrastructure, and FinTech (of course) startups booming and getting even more investments. FinTech startups are currently re-bundling products and services of their maturing customer base, preparing themselves for the next stage of growth.

Fintech startups are rebundling products and services of their maturing customer base

First beachhead	digital wallet	robo-advisor	micro-investing	brokerage	personal finance	crypto
						
	crypto	college saving	wealth management	crypto	wealth management	intitucional investing
						
Next pillar	bank accounts	lending	bank accounts	margin investing	lending	index investing
						
	brokerage	real estate		bank accounts	bank accounts	wealth management
						

Source: CB Insights

Your FinTech business can become the next Israeli unicorn if you understand and leverage one hidden nuance. If you look at four world-known local startups that became unicorns and analyze them in terms of various parameters, you will notice that the uniqueness of their business model was about focusing on the technology driver. By relying on cutting-edge technologies, they managed to become unicorns, reach a \$1-billion valuation, and attract investments in their product development.





Company	Description	Founded	Total funding amount	Company valuation	Main tech driver
Pagaya	Creates better outcomes, eliminates inefficiencies, and enables financial institutions to expand access to more customers.	2016	\$221,3M	\$8,5B	AI
eToro	The world's leading social investment platform aimed at opening the world's markets to everyone and everywhere.	2007	\$322,7M	\$8.8B	CX
Payoneer	The world's go-to partner for digital commerce that enables borderless payments and empowers boundless growth.	2005	\$570M	\$3,3B	Platformization and orchestration
Lemonade	Operates as a full-stack insurance company powered by AI and behavioral economics and driven by the social good.	2015	\$481,5M	\$1,38B	AI and behavioral economics

**Four Israeli FinTech unicorns.
Four different domains.
Four unique technology drivers.
But a single approach.**

03 Tech recipe to become the next unicorn

The financial industry is constantly maturing, but we're always talking about some basic things. These basics are the products that let FinTech's jump-start, targeting one comfortable niche for the future growth.

Platformization

But today, no matter the trends and tendencies, platformization is your key to becoming the next Israeli unicorn. It's a must-have feature that will allow you to move on with your product development and maximize market opportunities.

FinTech apps are rapidly transforming customer experience and evolving from utility apps (that do one thing great) into one-stop solutions for all users' financial needs. When it comes to finances, the majority (85%) of users would rather bank with one financial institution that offers a comprehensive range of services.

To succeed, you need to build an ecosystem of in-app services using cutting-edge technologies. Your platform must feature a collection of connected financial and lifestyle services ranging from wealth management to crypto investing, networking services, and discounts at retailers.

And herein lies the problem: as FinTech platforms grow more complex and feature-heavy, users start complaining about feature/information overload. When developing a product, mind its users' standpoint. Your app must satisfy the immediate needs of your customers, instead of twisting their path towards financial goals. Offering less with more is the new challenge for maturing FinTechs.



Customer-centricity

Make your app simple, fast, and intuitive. That's how users would love it.

A customer-centric approach to FinTech product development is what you should praise. Your customers don't look for specific banking products. They look for solutions to fulfil their (selfish) at-the-moment needs: finding ways to save for a trip abroad, setting aside money for a wedding, or just assessing the feasibility of ever buying a house in a desired area.

Your customer journey must be aligned with customers' actual life needs. And yet, instead of placing users' needs in the spotlight, most FinTech product owners construct customer journeys around products in their portfolio.

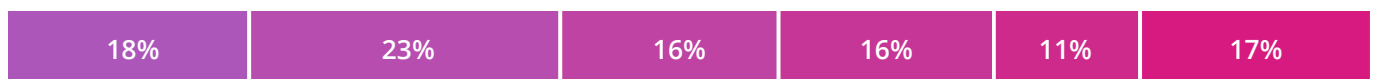
As a result, customers just don't see the **What's in it for me? component** in their pitches. So much so that 40% of millennials say they do not receive any personalized offers from their primary bank.

But most retail banking consumers do want to feel special at all stages of the banking journey:

Joining a bank



Leaving bank



Deepening an existing banking relationship



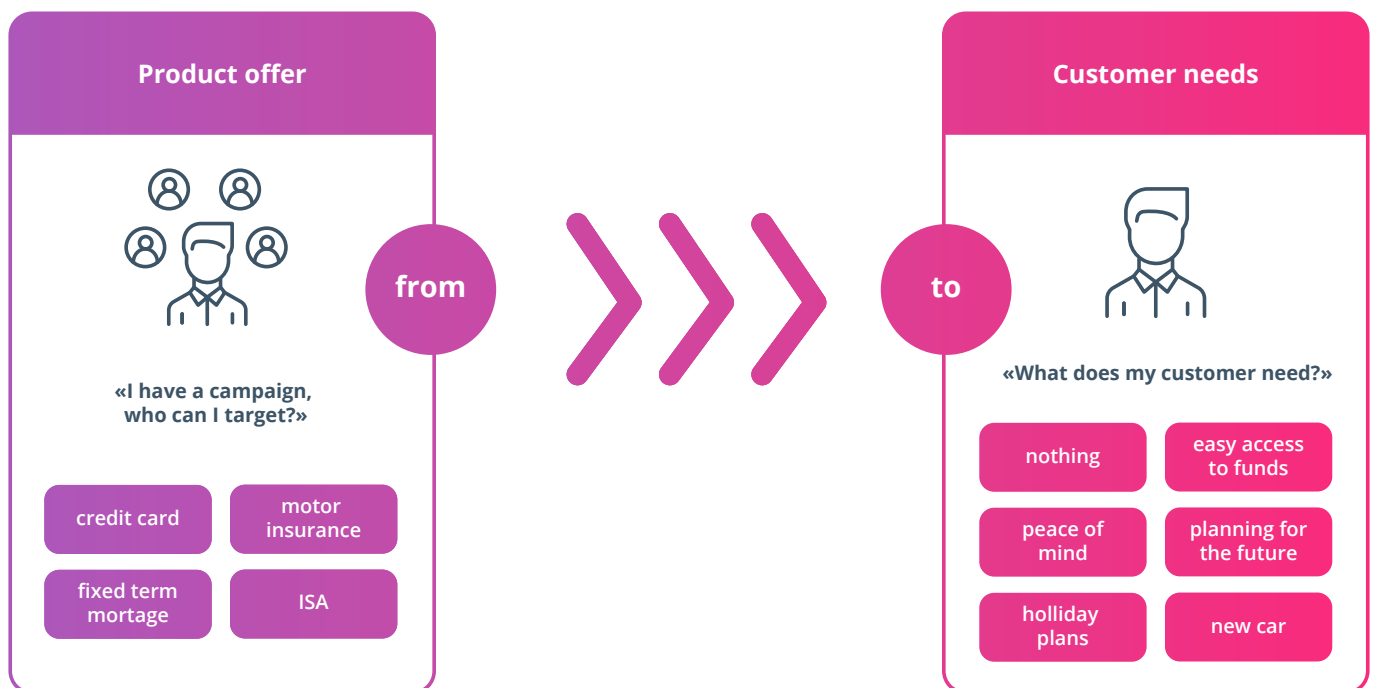
Source: The Financial Brand

Cutting-edge technologies

Here comes the importance of tech drivers. As a FinTech startup evolving in the Israeli tech ecosystem you may already have almost everything you need to provide a more personalized experience to users. Deploy **cutting-edge technologies like AI or predictive analytics** to deliver personalization.

Shift your focus from building a product you want to a product your customers need. How do you do that? Rely on analytics, predictions, and recommendation engines. Use your customers' data or start collecting it. By doing so, you can switch from managing a group of accounts to managing individual customers in the way they want to be managed.

Changing focus from products to customer



Source: Deloitte

Here's a quick example of defining customer requirements:

Linda has booked a flight to Majorca in five months. But her savings account is nearly empty. Perhaps she'll need some budgeting advice.

By adding predictive analytics to your product, you can catch this need in real time and pitch Linda with an offer she's likely to accept. You can learn what to sell, when to sell it, and when doing nothing is the best option. This way, you enable a new level of customer engagement with predictive analytics.

Deliver hyper-personalized offers, services, and rewards to individual customers in your FinTech apps. FinTech companies can generate dynamic personas and target users with relevant deals based on their spending data, location, purchasing behaviors, and past responses to campaigns. These can be provided as in-app messages, app notifications, or personalized advice from an in-app AI assistant. That is exactly what Israeli tech startups deliver on an extremely high level today.

Intuitive FinTech solution = Happy customer

Modern users' financial literacy is lagging when compared to other generations. They ask for intuitive, not overwhelming solutions. However, bear in mind that you operate in a regulated financial domain.

Make the experience smooth but do add some friction.

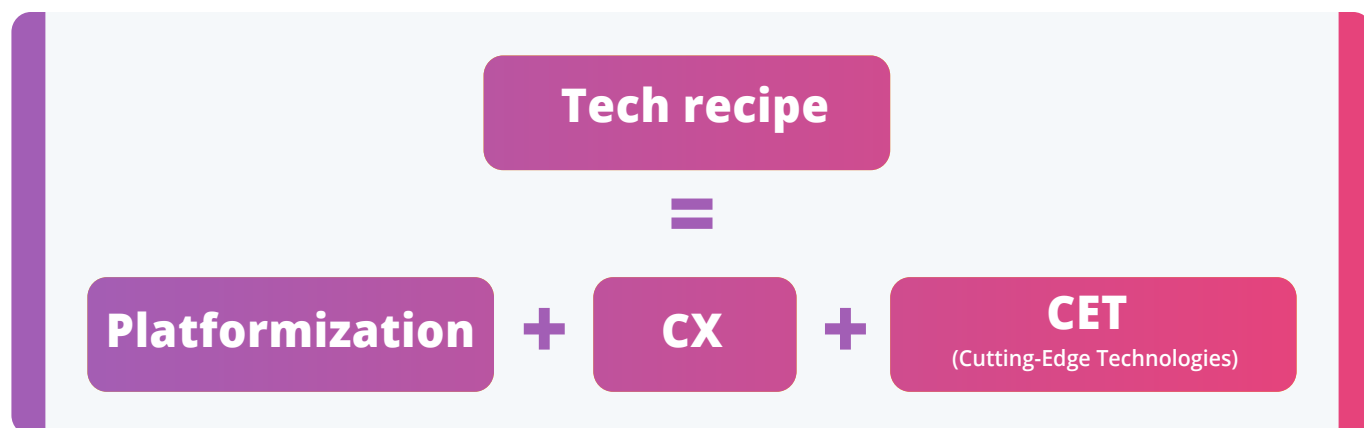
PayPal, Venmo, and the like set the bar for quick and easy payments. Borrowing a messenger UI to design a similarly smooth money transfer or account top-up experience is a good idea.

But a zero-friction UX can do more harm than good in FinTech products. No user would be delighted to realize they just sent \$1,000 to some spam contact just because doing so was “seamless” and “hassle-free.”

Confirmation pop-ups, two-factor authentication, and other minor roadblocks can reduce the risk of users taking the wrong actions. Balancing a smooth experience and necessary friction is necessary for FinTech products.

04 Wrapping up

The financial industry is constantly maturing, but we're always talking about some basic things. These basics are the products that let FinTech's jump-start, targeting one comfortable niche for the future growth.



The major growth of Israeli FinTech startups over these years has been powered by AI technologies. Technology drivers have been a strong differentiator for FinTechs aiming at crossing a \$1-billion valuation.

By investing in predictive analytics and machine learning in finance, you can move away from mass pitches to suggesting ultra-personalized deals and actions to your customers based on their current life stages and a multitude of other factors. Next, take weighted UX decisions that progressively lead users toward discovering more features while allowing them to do the essential stuff in a few taps.

That's how you create the ideal tech recipe for a FinTech product.

ABOUT INTELLIAS

Intellias is a trusted technology partner to financial services providers, offering a spectrum of consultancy, engineering, operations, and technology services. Over the past 20 years, we helped banking and FinTech leaders in Europe, the US, the MENA region, and the APAC region deploy innovative customer-facing solutions and modernize their technical infrastructure.

Our company provides proactive guidance on adopting emerging technologies — AI, machine learning, predictive analytics — as well as enhancing existing cloud and on-premises assets. Whether that's building a product that can be used by 160million users, tripling the acceleration of time-to-market, or saving you up to \$10million in optimizing infrastructure, Intellias has always brought value for their partners' growth strategies and supported their IT/engineering initiatives.



Get in touch!

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