

THE PAYMENTS SHOW

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E84: FIAT VENTURES: HOW AN EMERGING VC FUND IS SUPPORTING AND GROWING THE NEXT GENERATION OF PAYMENT INNOVATORS

GUEST

Alex Harris
Co-Founder



HOSTED BY

Satwant Phull



[Important]

- This transcript was produced with machine learning and has many *errors and omissions*
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[00:00:36] Introduction and Welcome

[00:00:36] **Satwant:** Alex, welcome to The Payments Show.

[00:00:38] **Alex:** so much for having me. Great to be here.

[00:00:41] **Satwant:** You're the first venture capital company on the podcast, which is great.

[00:00:45] **Alex:** Great, no pressure. I like it.

[00:00:47] **Satwant:** I had this vision of someone like Laurie Bream coming from from Silicon Valley.

[00:00:52] **Alex:** Those are, those are big shoes to fill. Yeah,

[00:00:57] **Satwant:** Bachman is here somewhere too, so.

[00:00:59] **Alex:** yeah. Hopefully I'm somewhere in between those, those two.

[00:01:04] **Satwant:** Well, we'll see. We'll see. You, you are actually based out of Silicon Valley. Is that

[00:01:08] **Alex:** I am actually. I was going to say, I'm at least location wise. Yeah, I'm in San Francisco, so I am,

[00:01:13] **Satwant:** I'm sure you've got some, I'm sure you've got plenty of great stories about what goes on there in relation to the show.

[00:01:18] **Alex:** Absolutely. That show, I love that show. I miss it all the time. It's I wish they would have redone it for COVID because the show was scary, scarily accurate in terms of so many ways and things shifted a little bit during COVID and I wish, I wish they would do kind of a, a modern take of it now.

[00:01:40] **Satwant:** Yeah, it would be cool because I mean, they made it at the peak of big tech on its kind of rise. And I never actually, I think there were four seasons. I never got to see the fourth one. That's where the guy that actually played Eric Bachman didn't come back. Right.

[00:01:53] **Alex:** right, right,

[00:01:54] **Satwant:** Did you manage to see that one season?

[00:01:55] **Alex:** Yeah, I think I watched it all. I think I watched it all. It went through, it definitely went through the cycles of, you know, it was a nice cycle of Success and failure and, you know, struggle at all stages and, and, and, you know, what, what can be a, a, a good problem is actually a bad problem when you, you know, they'll tell a story of someone who took on too much cap, too much capital, too high of an entry point, and then it ended up you know, being problematic down the road and all, all these things that are actually, they're not made up.

[00:02:23] They're, you know, they really came from they're very real problems.

[00:02:28] **Satwant:** Yeah, yeah. Well, I'll, I'll definitely had to, to finish the story there and get onto

[00:02:33] **Alex:** absolutely. Highly

[00:02:34] **Satwant:** I did just finish watching We Crashed, which was brilliant on Apple TV.

[00:02:38] **Alex:** I have, I have not seen that.

[00:02:40] **Satwant:** Do you know what it's about?

[00:02:41] It's about the rise and fall of WeWork.

[00:02:43] **Alex:** oh, yes, that's right, yes I, yeah, I have not, I have not seen it, actually.

[00:02:48] **Satwant:** Absolutely brilliant. Worth subscribing to Apple TV just for that.

[00:02:51] **Alex:** I'm definitely gonna add that to the list.

[00:02:54] **Satwant:** Well, we'll move on from the TV and movie reviews. I just couldn't help it

[00:02:59] **Alex:** no, always a fun topic.

[00:03:02] Start: Introducing Alex Harris and Fiat Ventures

[00:03:02] **Satwant:** So I'll, I'll introduce you to the audience. So Alex Harris, you're the co founder of Fiat Ventures and you're based out of Silicon Valley as as we've just discussed. And it'd be really interesting to find out about how your company came about.

[00:03:17] Cause obviously there are some great, many great venture capital companies in your part of the world. And I think it'd be really nice to, to start off with what Fiat Ventures is all about and how it's different to the venture capital companies that are out there.

[00:03:31] **Alex:** absolutely, yeah, yeah, thank you.

[00:03:33] The Journey to Venture Capital

[00:03:33] **Alex:** It's you know, we have, we have a different journey to venture capital than most it came from so full step back. I've been in growth my whole career prior to starting Fiat. Most recently I was at Chime, the digital bank here in the US joined Series A.

[00:03:49] Let paid growth and partnerships there from series A to series D. And China has now become the the largest digital bank in the U. S. And through that, a few things happened. One was refining kind of the growth playbook of how, how do we, how do we get there? The second was building relationships.

[00:04:07] With all of our partners and being a good partner meant giving them good advice on not just what TV shows to watch, but but also giving them good, good advice on, you know, Hey, you should talk to this partner. Have you thought about this? Let me make this intro. Found myself really enjoying kind of that advising and decided to actually start an advisory shop first before the fund. So that is Fiat Growth, which is our growth consultancy. And that, that came first.

[00:04:38] The Growth of Fiat Ventures

[00:04:38] **Alex:** Fast forward to today, the growth consultancy, we've worked with about 150 companies to date. We have 15 different service lines, essentially full set, full stack growth and marketing services, strategy and execution. It's everything tailored to the needs of growing startups and we've added services according to those needs.

[00:04:59] What we've done in tandem is we've built these growth playbooks, but we've also done what we call the ultimate due diligence of we work with these companies, we see the data, we see the analytics, we see the team dynamics, we see the real, real, we see past the data room and a deck and we get really our hands dirty and get to know, hey, this is highly investable.

[00:05:20] Hey, we should jump on this, try to lead this round. Because there's really something here at the same time, when we look at companies in the space, we have that context where we see these numbers are believable, this growth strategy is going to work, you're going to struggle here so we built out that track record of success from growth and heard from enough people, you should leverage that in order to start investing in these companies, we were taking the right to invest in these companies that we were working with. And that was kind of our first step into venture. And really that led to us founding Fiat Ventures, raising money from our LPs who love us doing the the ultimate due diligence. And in that way, we say that we've actually kind of.

[00:06:07] The Unique Approach of Fiat Ventures in Building Companies

[00:06:07] **Alex:** reverse engineered venture capital, that it was the the growth side first, the consultancy first, the due diligence first, and then we said, hey, there's some great advantages here. We should put some capital behind this. And so went in complete reverse of operator turned, operator in the consultancy space turned, let's add some capital to this.

[00:06:29] So in that way, Our journey is different, and also our understanding and our value add is quite different in terms of it's not just an introduction, it's not just a few nice talking points. It's very tactical, it's current, it's informed by the ever changing market and we think truly that the difference is we're not just picking winners, we're, we're building winners as well.

[00:06:55] **Satwant:** Okay. So basically you don't sit on a throne and Open the trap door with people presenting in front of you. You actually help them build if you decide to invest.

[00:07:06] **Alex:** Yeah. Yeah.

[00:07:07] **Satwant:** I'm quite a visual person, so I just imagine these

[00:07:09] **Alex:** I liked it. I liked the visual. Yeah, I mean, basically, I think, you know, I say so, so technically. I'm a venture capitalist, technically. I don't, I never say that. Yeah, I think you heard me just even hesitate as I said that just now. I never say that because really, I'm just a, I'm just a growth guy and an operator working with other operators to build companies and make an impact.

[00:07:37] Capital is just a piece of that. So really for, for me, it's this whether it is, you know, investing our capital because it's a necessary unlock in the growth journey. Or whether it's helping them craft their story so they can go out to investors themselves. It's really it's just a, a necessary piece in most cases, um, of that, of that journey to, to building a lasting company. Yeah, not, not, not on the throne.

[00:08:09] **Satwant:** Yeah, yeah,

[00:08:10] cool. So thanks for that explanation. my understanding from the research that I've done is that you and your co founder, I mean, he plays a, quite a key part in this story.

[00:08:22] It's not somebody that you sort of bolted on afterwards. You, I think you both worked together before you founded this

[00:08:28] **Alex:** Yeah. Yeah.

[00:08:29] The Founding Story of Fiat Ventures

[00:08:29] **Alex:** So I love, I love our story. It's, it actually goes back about 20 years. We met. In college at UC Berkeley my co founder Drew he played for our football team in college. And I was a student manager for the team. So I like to tell people that we met because I did Drew's laundry.

[00:08:49] Which is not untrue. I did, among other things, I did laundry for the team, including Drew's also spent a ton of time on the practice field and you know, in, in the stadium together getting to know each other over, over four years. So we became close friends built up a lot of trust, which is, you know, having, when I, when I look at founders, that's something I look for those dynamics and the kind of trust where, you know, Drew and I can tell each other anything we can be honest, we can say, We you know, not not holding back without hurting each other's feelings of just recognizing, Hey, I'm better for the This, you're better for that.

[00:09:24] You know that this is a flaw that you have. I, you know, I, I definitely have many flaws and, and appreciate any time Drew calls them out. And so we stayed in touch. I, when I was, and then I was at Chime and Drew was at Steady which is building a product for the 1099 world. And we started having these conversations similar, similar to myself enjoying those partnership conversations at Chime, Drew was doing the same at Steady.

[00:09:49] And we started having that conversation of. Hey, you know, we could actually make this a thing. What if we could do, we're talking about some of the favorite stuff that we do, some of the opportunities, some of the potential efficiencies at scale. If you, if you did some of this partnership work together as, as our, kind of our initial offering and decided to, to leave our day jobs and, and start this together.

[00:10:10] It's been it's been five years now. Yeah,

[00:10:15] **Satwant:** to get into the meat of it now so.

[00:10:17] Investments in Payment Tech Companies

[00:10:17] **Satwant:** venture capital firm focused on fintech and it'd be really good to know you some of the companies that you've that you're working with and helping to grow in, in the payment space.

[00:10:29] I saw a few such as, early Bird, which is saving money for like an app that helps children save. You're in SureTech, you've got Sunlight, which is solar financing. So it'd be good to understand in the actual specific payments area, uh, what you're investing in. Because, I mean, from what I've seen in the market, there's a.

[00:10:51] What seems like a thousand solutions built around a Stripe wrapper or a wrapper around Stripe. by Now, PayLater has been done to death. And there are all over the sort of Western world anyway, lots of neobanks they don't seem to be that profitable, most of them. So it would really good to understand what you're investing in that's just really innovative in the payment space rather than a copycat solution or something that's just a sort of a feature tacked on that maybe Stripe missed.

[00:11:22] **Alex:** absolutely. Yeah, it's interesting, especially coming from Chime, which is you know, publicly visibly you know, one of the core tenets of fintech. I think a lot of people make the assumption that, okay, fintech is just consumer banking or digital consumer banking. And You know, that is just one tiny slice of fintech when the reality is we call it fintech plus and fintech adjacent, that nearly every company is a fintech in some way, whether it's how they're processing payments, whether it's a a solution in this market, whether it's hardcore technology in terms of like a, a KYC provider, fraud prevention and something like that versus some of the examples that you mentioned.

[00:12:04] So it's, In investing for teens, we led the Series A for Copper Banking, which is a banking product for teens that helps them. It is both the knowledge component and helping build a financially literate next generation, helping them earn, helping them invest really a number of different solutions that are kind of holistically.

[00:12:27] Team Sunlight is actually, it's a, it's a card on file API, meaning it is when you when you update your card, when you get a new bank Instead of having to go into Netflix every time and update that card, it's keeping it on file. So it's, it's much better for the consumer experience, but it's also helping the bank capture that top of wallet, helping them retain the card, because otherwise it's an opportunity to potentially lose that expenditure, lose that interchange revenue.

[00:13:00] There's a number of others in the space. We, Touch on the lending space in terms of HEIs here in the US, which is home equity investments, a company called Spatero. And that is essentially buying into it's alternative to, to a HELOC. It is buying into a piece of your house and the appreciation that, that it has.

[00:13:23] A number of others Lunch Payments, which is tackling tackling the B2B payment space, starting with education and, and government there's a ton of opportunity there in terms of from a tech perspective, from a timing perspective, a lot of pieces that are broken in the B2B perspective. Payment space.

[00:13:41] **Satwant:** An understatement of the year. Yeah,

[00:13:44] **Alex:** talk about just that for a while and they've made some tremendous progress and we're really proud of that team. A number of others tackling, tackling the healthcare space and how, and how we look at healthcare as consumers, both the expense, how we understand it, the transparency around it.

[00:14:01] Again, there's a payments piece to that. InsureTech is a, is a huge piece as well. Working with companies like Sigo Seguros, which is tackling the auto insurance space for the Spanish speaking population in the U S they've made incredible traction, helping helping their members save a ton of money, have that transparency and and understanding and really have built a better product for that segment.

[00:14:26] We've invested in about 30 companies, so I could probably, I could probably ramble for quite a bit of time on them.

[00:14:32] **Satwant:** yeah. Now that's that's a real big mix there. I might just pick on one or two. So you mentioned lunch that was payments for government. What's so unique in that space? Why not just, again,

[00:14:47] **Alex:** Yeah. Yeah. Some of that is actually, so it's about the movement of money. In terms of the timing of it as well, a lot of these payments you know, you have vendors that, that you, that you move money with. And in some of these old legacy spaces, the timing is just brutal. You have accounts receivable issues.

[00:15:08] You have issues that can really be solved with a combination of technology and capital markets. That can that can take schools, government entities and help you get your payments much faster than before, which is really meaningful. There's a ton of companies in the space who are looking to, to do that and kind of bridge, bridge that gap when there's confidence that the money is coming to actually help you bridge that gap of timing, which can just can really be quite impactful for government entities, SMBs, schools a number of businesses that really just need to to modernize their, their flow of funds.

[00:15:48] **Satwant:** So in that example, would that be taking advantage of real time payments is RTP? Is that what it is?

[00:15:53] **Alex:** In a, in a sense, it speed, it speeds it up. It's not yeah, in, in terms of I think if you're alluding to like, yeah, the, the instant movement of, of like ACH, it's actually a little, a little different from that. But it is I think that it is part of that broader shift to real time payments where money doesn't need to be as complicated and delayed as it once was.

[00:16:18] Yeah.

[00:16:20] **Satwant:** And how do you decide, which payment companies to invest in? It'd be good to understand your criteria if you can share

[00:16:29] The Criteria for Investing in Companies

[00:16:29] **Alex:** Oh, yeah, most definitely. You know, I think it starts with, so, you know, everyone will tell you it's team and TAM are the two biggest things. So, you know, understanding Is there this large market there? Do you have a believable path to capture enough of that market that, that we think this will, you know, generate a good return?

[00:16:49] And so some of it is, you know, telling the story. I think some people think that they, you know, they come up with the idea and the pitch and they sell you on this is, this is a massive market that needs this solution. And a lot of people are like, cool, I'm there with you. The question though really is, are you the team to do it?

[00:17:10] Not just, are you the team who has identified this need, which will validate, but, you know, tell me why you're the team to do it. Ideas are, you know, for the most part, not worth much. It's about the execution of it. So getting to know the team understanding their experience, their dynamics, to my point of like, you know, knowing Drew for 20 years and the way we communicate, seeing their dynamics, how they deal with challenges.

[00:17:36] One of my favorite questions to ask a founder is what keeps you up at night. And that is an opportunity to show a few things. Self awareness, humility and knowing that they're really thoughtful and they see around corners because nothing is a straight line. You're not, you're not going to be able to you know, just map, map out on a deck.

[00:18:00] This is exactly how it's going to go. And there will be. You know, nothing, nothing, no obstacles thrown in your way. And so that's something that we we look for a lot is how will you, will you handle those, those pieces? That comes hand in hand with kind of our strategic advantage in terms of growth and go to market to understand, do you have, not just are you the team, but are you the team and do you have a plan that you're going to put in place to capture this market share?

[00:18:28] And we kind of, we dig into the weeds on that from a growth perspective. We'll make recommendations, see how they adapt to that in terms of, you know, are you coachable and open to that feedback? And really, are you someone that we can build together with? It's not just about picking winners. It's building winners.

[00:18:45] So, you know, validating the market, validating the team, and then validating their approach to that final piece is just, you know, validating to the extent that at the time we're talking to them, the product exists, validating that they can build good product that it is something that their end user wants, understands, can use well and a conviction that they'll continue to evolve and progress the product as well.

[00:19:11] **Satwant:** Okay. I want to re clarify, I want to make sure, I've got your organization completely nailed here.

[00:19:17] **Alex:** Yeah. Yeah.

[00:19:18] **Satwant:** It sounds to me it would be the same as going to another venture capital firm. They're going to look at the team. does it look like a team that will do it?

[00:19:27] Are they strong, et cetera, et cetera. Many of the points that you mentioned, and then we'll just fire money at it. And you're saying we'll fire people *and* expertise at it. Is that the key differentiator?

[00:19:38] The Unique Due Diligence Process of Fiat Ventures

[00:19:38] **Alex:** So it depends. Some, some of about 60 percent of our investments will actually work with them on the growth side first. So we'll get that seat to see truly how they're operating together. We'll look at the analytic analytics and data and validate that they're real. See where there are challenges. So that's definitely different in terms of that path that they, they come through that route. Fir first,

[00:20:02] **Satwant:** So another VC wouldn't do that? They wouldn't validate their information?

[00:20:06] **Alex:** uh,

[00:20:06] they, they don't typically have that kind of hands-on experience that we have first in, in actually working. With the companies. In some cases, we're working with the companies for, for, you know, several months before we're investing and really having months of hands on due diligence is pretty rare. so we have that approach for the companies we're actually working with.

[00:20:30] For the companies that come to us and we have not yet worked with them, we have, we can stress test that against some of what our team knows works and what doesn't. Again, that's kind of the unique insight of having those playbooks that we've developed and working with 150 plus companies.

[00:20:48] **Satwant:** Yeah. You've got multiple baselines, which you can see. Yeah.

[00:20:50] **Alex:** Yeah, yeah. And that, that's, that's definitely helpful. And, and then.

[00:20:55] The Role of Fiat Ventures' Platform Team

[00:20:55] **Alex:** You know, regardless of your path to a check from our venture fund. We have our platform team, which basically is there to support and build with you. So in that case what our platform team is essentially, you know, we are all operators.

[00:21:11] So it's beyond that, that introduction, it's, it's getting into the weeds and whether it is everything from, you know, hey, a therapist, because I feel your pain as a founder. And I know the journey can be lonely and stressful and difficult. Just that, that, the understanding to talking about our next raise and what's the story we tell and how do we interact with investors?

[00:21:34] Talking about go to market strategies, again, leveraging the expertise of fiat growth. Any number of things that come up, we can give the, the supportive lens to a founder of tried and true techniques and also true understanding of their challenges and pain points.

[00:21:52] **Satwant:** Okay, great. Thanks for that. Sorry to harp on about it, but I just wanted to make sure I got it right.

[00:21:57] **Alex:** no, absolutely. No, it's it honestly our model is unique, but that doesn't That comes with complication.

[00:22:05] Exploring the Payment Space

[00:22:05] **Satwant:** I want to ask a more general set of questions around the payment space. I mean, there are so many technologies, you've got crypto, and then you've got so many technology areas. That link to payments such as security, fraud

[00:22:19] **Alex:** Yeah.

[00:22:20] **Satwant:** embedded. Payments is a big one now. I've not used one yet personally, like ensuring something I buy on Amazon, but I see them everywhere.

[00:22:28] It'd be good to get an understanding from you, what your team is looking at investing in future, or what trends you're seeing in the payment space, which you're excited about, and maybe people are not aware of.

[00:22:41] The Rise of Embedded Finance

[00:22:41] **Alex:** Definitely, you know, I'd say it's interesting that you said that you haven't used an embedded finance because I think that's definitely one of the biggest trends we see every company's becoming a fintech in some ways and others are are you know expanding their use of Financial services, because they're embedded in their, their everyday products, whether it is you know, say it's a platform for, it's an accounting platform for my SMB.

[00:23:11] And actually I'm going to look at, you know, lending options and lending that's integrated through an embedded solution directly in the platform. So I don't need to. I don't need to go look elsewhere for, for alone. I, I, I trust you cause I've been using your platform for a while. And really embedding that directly.

[00:23:30] This team doesn't have to build their expertise in lending. Instead they can partner with a, with someone that can, you know, really expand that service. That's happening in tandem with all of these companies where. You know, the market is pressuring them to have revenue that they, you know, in many cases, as you identified, may not have today.

[00:23:48] And from there, the, you know, embedded solutions like that offer the ability for these companies to really open new revenue streams retain By offering them a more diverse set of products that they can, they can embed quite quickly. We see that as a, as a huge, huge piece and of the future of finance.

[00:24:11] And there are many who, you know, probably may not even realize that they're, that they're using an embedded solution already, some kind of white label tool, some kinds of connectivity in terms of of say Plaid for for your finances a number, a number of tools that are really kind of changing the way finances operate.

[00:24:31] Increasing Importance of Fraud, KYC and Compliance Tools

[00:24:31] **Alex:** To your point in terms of kind of the infrastructure, I'll say of You know fraud tools KYC providers, a number of different pieces. That, again, has become more and more critical. We've seen tremendous companies. They build a great product. They have a great acquisition engine that are actually significantly damaged if not completely killed by Not having kind of the back end from compliance, fraud, risk all of that buttoned up. These solutions that are keeping up with the speed at which other people are trying to attack the, these products. The, that can can continue to innovate and provide those solutions. Those are becoming more important than ever to survival for these businesses, making sure they're keeping their, their losses and their risk in check.

[00:25:28] The Role of AI in Finance

[00:25:28] **Alex:** Hand in hand with that, I'll just say, though, that probably the last call out probably is just is AI and its applications of not just for, you know, buzzworthy pieces to say, hey, we're, we're using AI, but actually AI that can provide cost savings can provide. Utility for customers that can identify fraud, risk, other challenges in the payment stack that can be optimized through artificial intelligence. That's, that's one we're, we're definitely continuing to, look at as are many, and I imagine we'll continue to.

[00:26:08] **Satwant:** Yeah, I think I think it was Kevin Kelly. I heard him on a podcast maybe a year and a half ago, and he said, AI is just going to be added to everything. Don't think of AI (I'm not quoting him exactly), but he was saying, don't think of AI as "the thing", but treat it as if you applied an electric motor to X, it could be anything. It could be a drill. It could be a car. It could be, you know, he was saying, think of AI like that. Anything you can apply AI to. So

[00:26:34] **Alex:** I love that. I love that analogy. It absolutely is. It's, you know, I mean, I think that.

[00:26:39] The Impact of AI on Jobs and Everyday Life

[00:26:39] **Alex:** You know, they, they say that AI will you know, some people are afraid AI is going to take my job. And I think that the reality is in, in many cases, AI is not going to take your job.

[00:26:50] It's a human using AI that will take your job, meaning, you know, get comfortable with the applications of it. So you can use it to become better at your job to do the work that is impactful from a human standpoint while leveraging these now cheat codes that have come through with technology. And, you know, AI can be fun and buzzy, but really it's about, for sustainability, it's about providing that utility that can You know, have cost savings, make you more efficient, see around corners that a human could not.

[00:27:28] And so that really, I believe is, is is, you know, it is the future of, of certainly FinTech, but almost every industry and it's you know, leveraging it in the proper, in the proper way.

[00:27:42] **Satwant:** yeah, the back office stuff is, is, you know, RPI, automation, all that stuff is excellent for AI, but, but applying it to your particular scenario, I think is going to be the key for finance because, I can't remember the name of the solution. Was it? Mint or Microsoft Money, really old stuff, which is too laborious for anyone to use. Nobody wants to enter data into something else from, from your bank or your credit card and what have you. I mean, I can think of one straight away, decoding gas and electric bills so that you can normalize them to compare them to other providers, for example, none of the providers would do that for you. It's not in their interest.

[00:28:22] **Alex:** Absolutely. There's a ton of, you know, there's been a movement in consumer transparency.

[00:28:28] The Importance of Data Understanding

[00:28:28] **Alex:** And that comes with access to data, but it also becomes, comes with understanding your data. So there's a, there's a lot of these spaces, whether it's your utilities, whether it's healthcare, a number of other sectors where there's a ton, the, the access to data is real the gap in the access to data is real, the, but the knowledge gap is real too.

[00:28:49] And when you have AI that can make a, a consumer and end user smarter. And and save them the time of, say, to your example of giving it all the data points that you once needed to do manually and no one's

going to take that time, you really have the opportunity to to enhance your life and your productivity, both in a personal sense and in the work that you do.

[00:29:16] And again, that that's kind of the trend is not seen, you know, seen beyond the is this, you know, a chat GPT wrapper a wrapper on chat, chat, chat GPT for a company. Is it something gimmicky or how do we take a look at my business today? Whatever my business is and think about, what are my pain points and how can technology AI in many cases you know, really streamline that.

[00:29:42] And so. It will be something that will be, you know, prevalent everywhere. And to your point, is it, is a discussion that you need to have of actual utility and, and, and not necessarily one of we have to build, build something revolutionary, but instead these are my everyday pain points that really shouldn't be this painful.

[00:30:02] **Satwant:** yEah, totally agree. I think it's important for me to ask you is there anything you want to talk about in the payment space that I've missed and that you wanted to share?

[00:30:12] **Alex:** Yeah. Yeah.

[00:30:13] The Future of Finance: Inclusion

[00:30:13] **Alex:** I, I guess I, I would say, you know We focus a lot on financial inclusion, inclusion, building a more inclusive, financial environment for the future. That's something that we're proud to close to 50 percent of founders that we've backed are underrepresented. And we think that's important for, for a variety of reasons.

[00:30:36] The, the biggest piece is, is, is the impact that there are a number of, of, Areas of the population that are ignored or underserved. And we see a lot of founders who typically have lived that experience in some way or another are familiar with it, building solutions for that. And we think that is both the right thing to do, but it's also a tremendous business opportunity in terms of these massive segments.

[00:31:06] There's certain segments that, you know, Everyone tries to cater to. There's a million different products. It's really expensive to acquire them. While there's massive markets with a ton of need That if you understand their need and can build for them It is both Meaningful in terms of a more inclusive financial world.

[00:31:28] It is meaningful in terms of the impact it has but also tremendous business opportunity, so I guess I would just say that thinking about the impact of businesses is not mutually exclusive from being quite profitable, having a great venture backable business. So I would say, you know, part of the future of, of finance is building, building that world.

[00:31:53] And so, yeah, encouraging everyone to continue to think about their individual lives. And how they can make an impact.

[00:32:02] **Satwant:** You're only the second person to talk about this and I'm glad you did because I, one thing that makes me really angry. You know, you and I, people like us, we all have credit cards, debit cards, wallets are almost bursting full of them.

[00:32:16] **Alex:** Right.

[00:32:18] **Satwant:** me, it goes back to basics. There's so many cafes and I'm sure it's, especially in Silicon Valley,

[00:32:23] **Alex:** Yeah.

[00:32:24] **Satwant:** cafes and shops here now starting to say, well, we don't take cash.

[00:32:28] **Alex:** Yeah.

[00:32:28] **Satwant:** And for me, that, It's terrible because the ultimate inclusive financial instrument is cash. Everything from a homeless guy that might find five pounds or five dollars on the street can go and buy food. Now they can't. Or somebody that's really hard up and their parents just gave them a hundred pounds, they can't spend it because, you know, for me, that's, that's just nuts.

[00:32:50] That cash, I mean, for me, it should be a legal requirement. If it's legal tender, it should be enforced that you're not allowed to refuse cash. But let's say we didn't have that problem and look at the next problem, which is, don't just assume that everybody has a Visa and MasterCard. There's so many other ways to pay.

[00:33:09] so I'm really glad that you're, well, I'm kind of not glad that you're only the second person to mention this because the other guest I was going to say was Shrap. So I don't know whether you heard of that solution. Have you heard of that?

[00:33:20] **Alex:** Yeah. Yeah.

[00:33:21] **Satwant:** Oh, okay. Right. So anyone listening that doesn't know, it's basically where you can.

[00:33:26] Pay in cash in shop and the shop can load a card with the change on it. So for anyone listening that doesn't know. And I just can't believe that that hasn't taken off. I thought it would grow like wildfire, but I mean, that's just one example. So I'm really, yeah, I'm really happy you mentioned that.

[00:33:43] **Alex:** Thank you. Yeah, it is.

[00:33:44] The Challenge of Financial Inclusion

[00:33:44] **Alex:** It's often easy and I realized this especially at Chime where, you know, we're in San Francisco, not typically living the way that the majority of people in the United States live that we didn't live that experience. So we made an active effort to try to understand, okay, what are the, Everyday pain points that you have.

[00:34:07] And to your, to your point, there's a massive percentage of the world that is either completely unbanked or, or underbanked, and it keeps them in many ways from being participants in the financial ecosystem, uh, has increased costs, has them have not, not have access to care, a number of pieces that. That that can prevent them from, you know, and there's so many areas that if you haven't lived it, you don't know, for instance it's, if you are coming out of prison in the United States, in many cases, it's actually hard to get a banking product because of some of the Some of the underwriting that, that occurs, some of the approvals, some of these pieces that we're talking about this is, especially in the United States, there's a large percentage of the population that's incarcerated that then is also left out of the financial system, which is not only a piece

of equity in terms of you know, they have served their time and and, you know, deserve to be included in the financial system once again, but it also is if you're, if you're putting obstacles in their way, It is making it more likely that they will turn back to other illegal activity because they have fewer options to participate in the, in the financial system.

[00:35:30] **Satwant:** I don't even understand that because if you, allow somebody to open a bank account and they can't spend anything unless there's money in there, I don't even see what the logic is behind denying anyone a bank account. If you offer zero overdraft

[00:35:45] **Alex:** yeah,

[00:35:46] **Satwant:** and you can only have a debit card, I don't even understand what the problem is.

[00:35:50] **Alex:** yeah, the, the, the fear is, I think you know chargebacks and a number of other techniques that can actually create fraud loss for, for a company. So everyone looks at whether it's, so it's, it's your identity that you are who you say you are running a number of other checks to see basically the likelihood that you'll, you might engage in some fraudulent activity.

[00:36:16] Coming from prison can be a major marker for that. And as a whole, that's not well placed. It needs to analyze the, the individual. And and again, that's also part of so better understanding the risk through new technology and then also opening the markets. to those who may be excluded from it.

[00:36:41] The, these are pieces that can that technology will hopefully help improve. That's part of what we're, we're trying to be part of.

[00:36:48] **Satwant:** Well, that's great. Really happy that you've mentioned that as a key focus for your organization. That's really awesome. I did want to actually use this point then to mention if people want to find out more about you guys, your website is fiat.vc (So F I A T dot V C). And on Twitter, you guys are @FiatVen, (V E N).

[00:37:10] **Alex:** That's right.

[00:37:11] **Satwant:** aNd yeah, you've got some great companies that you invested in. So I'm sure we'll see some of those IPO at some point in the future and go on to bigger and better things.

[00:37:20] **Alex:** Yeah, you know, I life is short and to be able to work with great people and make an impact, that's what it's really about. And I feel so lucky to work with our team is incredible, the companies we work with and and then the impact we're making, that's just it's such an honor. And I, I think that you know, these companies that we're working with.

[00:37:42] Many of them are finding tremendous traction and, and building you know, the future, the future of finance. And so yeah, I hope to see, I hope to see those, those great outcomes and, and, you know, no doubt if we keep our heads down and keep building and, and building the right way we will.

[00:38:00] **Satwant:** Great stuff. Well, one final businessy question before we move on to the final fun question. What are your predictions for 2024 in the money payment slash fintech space? And do you do any kind of roadshows or are you going to be at any conferences where people can meet you?

[00:38:17] **Alex:** Yeah. Yeah. So I'll start, I'll start with that. I'll, I'll say one is our, our go to conference for sure. Every year is money 2020 money 2020 in, in Las Vegas. They do have other, other venues, but that's our main one where we had this last year we had a party for about four or 500 people and just a great place to, to connect. We tend to go to FinCon. Some other some other events. We throw some events and ourselves LA Tech Week, San Francisco Tech Week, some stuff at our offices in San Francisco. We try to stay active and so you often can, can find us and. In many events

[00:38:55] 2024 Predictions

[00:38:55] **Alex:** far as predictions for 2024 it's interesting to try to predict anything in this market that really the past, you know, four years has not has played in many cases counter to what all of us thought, um, you know, we'll see, I think, continued consolidation.

[00:39:15] There are a lot of companies that couldn't raise a kind of an up round, but they were able to get from existing investors. They were able to get capital to stay alive. Some of them have become more efficient as a result. Some of them have unlocked new growth strategies and channels. I think those companies that are well capitalized or have found this unlock and can get well capitalized will be the leaders in consolidation.

[00:39:43] So in, in the market, so I think we'll see further consolidation through 2024 I think, you know, a big, a big one as far as interest rates and mortgage rates, I think they will improve through 2024, but of

[00:39:57] **Satwant:** It's an election year.

[00:39:59] **Alex:** yeah, yes, but, but, you know, not, not return to you know, the, the COVID interest rates that we're used to seeing people are kind of waiting for that.

[00:40:11] And, you know, there's not a lot of movement in the real estate market. So I think we'll, we'll start to see inevitably rates will return somewhat to, to a lower point. And then you'll have a number of people who are, you know, really forced because of. Age or other need to eventually sell their home, well the market will start to open back up.

[00:40:32] There will be same, same kind of movements in capital markets that are currently um, there's a lot of money that's standing still waiting to see what happens. So, I think we're gonna start to see things opening up more and more in 24.

[00:40:43] **Satwant:** Yeah, I did read the other week that home sales in the US have just gone to zero almost

[00:40:49] **Alex:** it basically doesn't

[00:40:50] **Satwant:** people are locked in on low rates and they just Terrified to move anywhere

[00:40:54] **Alex:** yeah, they basically say, yeah, they're, you're, you know, you're Whether it's good or bad, you're, you're locked into your house. In some cases, it's great. I think it's something like 30 percent of homes, I think have a, you know, a 3 percent or under interest rate. Which, you know, is just vastly disconnected from where the market is today.

[00:41:13] I think a huge percentage of our buying in cash, which again is, you know not realistic for, for most people, but that kind of shows how inaccessible the, the home ownership market is. So I think we will see some movement in that, in that market in 24. But probably not, not, not enough for for what's really needed.

[00:41:37] **Satwant:** Great stuff.

[00:41:38] **Alex:** Yeah. Thank you.

[00:41:40] Chit Chat

[00:41:40] **Satwant:** And the final question what are you excited to be learning about right now? I'm actually learning, relearning something I started probably 15 years ago and, but I'm revisiting it now is day trading.

[00:41:53] **Alex:** Nice. Nice. Learning

[00:41:55] about or active in it. Yeah.

[00:41:57] **Satwant:** Well, I, well, one is I, I did a course, a three day course, and I realized I could be bankrupt if I get this wrong.

[00:42:06] So it was actually really good. That was about 15 years ago. And so I realized by doing the course that it's probably not right for me at that time, but, but now my headspace is, is it's kind of different and I've got the patience and the time to learn it properly. So I'm actually really excited about it and I'm, I bought a course and it's quite a few modules to go yet.

[00:42:26] It's on currency trading.

[00:42:28] **Alex:** I love that.

[00:42:29] **Satwant:** But again, who knows whether I'll be successful at it, but.

[00:42:33] In addition to like regular buying and selling stocks, I wanted to do something else because buying and holding is, is, you know, what do you do in the meantime?

[00:42:41] **Alex:** Yeah. Yeah.

[00:42:42] **Satwant:** So yeah, I'm looking into that. How about yourself?

[00:42:45] **Alex:** Well, I'll give you two things. Cause the first thing is my seven and a half year old daughter is learning piano and I am just really enjoying kind of learning with her just a little bit. So she's already light years ahead of me. But doing that with her. But I imagine that's not the answer you're looking for.

[00:43:04] So I'll tell, I'll tell you. Oh,

[00:43:07] **Satwant:** Cara, Cara,

[00:43:08] **Alex:** oh yeah but the, the no, the, the other, the other piece in all sincerity that is, you know, related to technology is understanding actually how AI works in many ways. So it's, you know can I sit and have the conversation about how this could, like, let's look for inefficiency and knowing that, you know, hey, AI could probably help technology and machine learning can probably help here.

[00:43:33] Yes, we can have that conversation in many cases, but I actually want to understand. So I've been reading up and trying to understand on you know, how neural networks actually work and some of kind of the nuts and bolts to really understand the technology, understand the opportunities and the risks.

[00:43:51] And so that's probably the biggest area that I'm trying to understand. Not just what's investable and what isn't, not just how can it be applied to existing portfolio companies, but truly The inner workings of it to the extent someone non technical like myself can't understand that.

[00:44:08] **Satwant:** Great stuff. That's interesting. You're doing the opposite to me. So I've always been fascinated by tech, worked in it for 20 years and I was always keen to learn how stuff works. But it didn't help me in my goal to start a business because I over analyze everything to death. So I've, I now actively do not learn about how tech works. I consciously don't do it because I can read that stuff for months and achieve nothing.

[00:44:36] **Alex:** Yeah, yeah

[00:44:37] **Satwant:** so it's interesting. I've gone the opposite direction to, to, to actually do stuff. You know, try, put things out there and, and. I think, to be fair to myself as well, I think what's helped is all these no code tools, um, you can achieve in five hours what might take you a year to do before.

[00:44:56] **Alex:** definitely, definitely. I think some of it is the, yeah, you, you need to, you need to pick your spots that you want to dive deep in and some of it you just know that it works and that's okay. I, I think it's, some of it is just knowing the power of it. Wanting to understand it more and wanting to be able to I think get creative about some of the applications when ultimately understanding that technology, I, I hope in strategy sessions can help me think of, you know, what if we built this way, or, you know, maybe there's opportunity to build a business in the segment based on this learning, based on this data input.

[00:45:29] So that's really, you know, something I'm hoping to be even the tiniest bit educated in. So I can try to, you know, do, do my part. Yeah.

[00:45:41] **Satwant:** chosen to learn. I think if I went into AI, I'd need that. Pill in that movie, Limitless.

[00:45:47] **Alex:** Yeah. Most, most definitely. Absolutely.

[00:45:50] **Satwant:** it all and retain it.

[00:45:52] **Alex:** That's why I said just the, like the tiniest fraction that I'm trying to learn and hopefully that'll be, that'll be enough.

[00:45:58] **Satwant:** great stuff. Well, I'm looking forward to to seeing all the companies you guys invested in future and help to build. Wish you all the best in in future success and your, and your co founder as well,

[00:46:09] **Alex:** Thank you. Thank you so much.

[00:46:11] **Satwant:** and thank you for coming on.

[00:46:13] **Alex:** Thank you so much, it's been a pleasure.

[00:46:15] **Satwant:** Cheers.