

# STARTUP IN THE SPOTLIGHT

**VENMO**

Venmo, the peer-to-peer payments app that lets you send money to others with just a tap on your smartphone it a must have for College students.

Cofounded by college roommates Andrew Kortina and Iqram Magdon-Ismail in 2009, the PayPal owned peer-to-peer payments app is one of the best known and largest disruptive Fintech companies in the US and is dominating the millennial market. Venmo uses a mobile phone app to allow registered users to transfer money between one another through a 'digital wallet' that is seamlessly connected to the bank account, credit and debit cards of the users choice.

## Founders story

Cofounders Andrew Kortina and Iqram Magdon-Ismail met as randomly assigned roommates during their freshman year at University of Pennsylvania in 2001. In their senior year the pair began the first of their business ventures together when they formed a company called My College Post, which was to no avail. Post Graduation renting a flat together in west Philadelphia the pair pursued a variety of joint start-up projects like website analytics tool 'Swooge' and music site 'Philafunk'.

However after failing to scale those businesses Kortina and Magdon-Ismail spent a number of years individually working in roles for a variety of tech companies such as OMGPOP, Bit.ly and Ticketleap with the mind-set of eventually coming back together to team up on some new ideas in the future.

In 2009 the ideology of teaming up again became a reality when they launched Venmo. With the initial idea being that the start-up would be a music-sharing app, the vital change in direction occurred when Magdon-Ismail visited Kortina in New York City but forgot his wallet. Kortina subsidised Magdon-Ismail for the duration of his visit but the pair recognised the inconvenience of Magdon-Ismail paying him back by cheque and how payment processes were ancient in a world that was becoming dominated by mobile and technology.

Following the creation of Venmo, the peer-to-peer payments app was initially designed to let users send and receive payments via text. However early into the operations of the Fintech startup, it was realised that the information provided through the Venmo texts told a story about how and where users were spending their time, resulting in a social network aspect being added to the app.



The app become a huge hit with college students due to the convenience of cashless transactions and the social aspect of the app, for example a group of students can use it to split the bills of their rent or a group of guys can use it to pay for the beer on a night out. Having built a product that so effortlessly meets the need of the millennial market the company has experienced rapid growth to the point that the company recorded processing \$4.9 billion in payments in the second quarter of 2016 and hit \$1 billion and \$2 billion monthly milestones.



# BUSINESS MODEL

In an economy where cash usage is declining; Venmo provides an electronic alternative for traditional P2P payment methods such as cheque, wire transfers and ATM fees. Through the simple, costless and paperless digital payment service, Venmo app means that people can pay each other almost instantly without the hassle of the leg work that was required through traditional payment methods. A key aspect of the Venmo business is its brand value and recognition, with the app following in the footsteps of Facebook and Google in becoming 'verbified'.

With 'Just Venmo Me' becoming a common phrase being used in conversations between college students, the brand's ability demonstrate a personal connection between consumers and brand not only highlights the strength of the brand but the effect the company is having on the market. However, Venmo currently generates little to no profit due to majority of consumer transactions on the platform being fee-free. With the company looking to avoid charging consumers for use of the service due to the risk of tarnishing their brand a variety of monetization strategies are being unwound.



Venmo currently charges merchants a transaction fee of 2.9% for using the platform to accept payments and with in-store mobile payments forecasted to grow 80% between 2015 and 2020 the company is looking to capitalise through business targeted payment options such as Pay with Venmo. Also aiming to diversify revenue streams through the strategy of monetising its API platform. Venmo aims to revolutionise advertising, and lead a new form of communication between brands and consumers that provides genuine social interaction. Allowing developers to send and share messages alongside money, for example cab hailing app Hail used Venmo to send a customer \$10 and a meaningful thank you message.







# KEY TAKEAWAYS

## 1) Building a brand

Venmo rise to success hasn't come from instantly monetising the business and looking for a quick win, but understanding the importance and power of a large, loyal consumer base and having a strong brand value. Following in the footsteps of Unicorns such as Facebook, Venmo's rise to success has come through building a brand that connects and relates to the consumers whilst offering the service free-to-use in order to scale at a rapid rate. With the company now in a position where they are looking to monetise the business they are able to successfully build an ecosystem through diversifying revenue streams. Therefore not only charging for use of the platform but offering advertising space and brand partnerships, due to their direct connection to such a large consumer base.

## 2) Adding value to your market

Even though the Venmo founders found a gap in the P2P market and an opportunity to use technology to disrupt the market their key unique selling point and the reason they have scaled so quickly is the incorporation of the social network aspect. The founders ability to understand their market and constantly be looking to add value to their core product, in this case the incorporation of the social network on their platform is why they have been able to develop such a strong affiliation with the millennial market.

## 3) Importance of founding team

The Venmo case highlights the importance of a start-ups founding team, the characteristics that Kortina and Magdon-Ismail show reflect key characteristics of successful entrepreneurs. When you consider the history of the pair's journey it is a clear example of failed ventures and regular uncertainty that highlights the importance of resilience and perseverance. Building a successful company doesn't happen by the flick of a switch others wise everyone would be doing it. Founders need to have the ability to be able to accept the setbacks and move on to the next challenge.



Learning from the Venmo case having a cofounder who shares your values and visions and can add value and diversity to your team is extremely advantageous, but the most important aspect is to stay resilient, keep fighting and adapting and the wins will come.