



FINTECH ONE-ON-ONE PODCAST 384-SAMEER GULATI

Welcome to the Fintech One-on-One Podcast, Episode No. 384. This is your host, Peter Renton, Chairman & Co-Founder of Fintech Nexus.

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Peter Renton: Today on the show, I'm delighted to welcome Sameer Gulati, he is the Head of Fintech for ZenBusiness. Now, you might know ZenBusiness from their incorporation, business formation kind of tools, they've been doing that for many years, but they have recently moved into other areas. Sameer is a very experienced fintech executive and he started at ZenBusiness to basically create a fintech division and we obviously get into exactly what that means in some depth.

It's a really interesting operation because they are getting tens of thousands of people coming every month to incorporate their business and this is a very captive audience because they have, by definition, no existing relationships because they are a completely new business. So, we talk about obviously what this means, what they're going to be doing when it comes to fintech, we talk about the demographics of the small business formation and how it's grown so much in the last couple of years and we talk about the scale that ZenBusiness is at, we talk about what they're going to do when these businesses start to get more established and Sameer gives his vision for what this can look like. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Sameer!

Sameer Gulati: Thank you for having me here, Peter, very excited.

Peter: My pleasure. So, let's get started by giving the listeners a little bit of background when you and I met when you were at Lending Club several years ago, but why don't you give the listeners some of the highlights of your career to date.

Sameer: That Lending Club meeting has been quite some time, time does fly. So, about myself, I've been in fintech for over 20 years now, from when before it was called fintech, I guess, and have been incredibly lucky to have had multiple roles at Lending Club as the Chief Operating Officer. I started PlastiQ after that and now it's ZenBusiness. Prior to that I was at McKinsey as a Partner in the banking practice and started my foray into financial services actually as a software engineer enabling payments at German post offices in Europe and, you know, this journey has also luckily been a global one.



I grew up in India then spent about a decade in Europe and then the past decade has been in the United States and I'm in San Francisco now so could not be happier with how things have turned out and even more excited about what's next as a fintech community for us.

Peter: Right. I'd love to get your perspective, I know when we chatted a few weeks back, you said you didn't really know ZenBusiness much at all before this opportunity came along. So, maybe you can tell us about what caused you to take the job here at ZenBusiness.

Sameer: When I started thinking about what to do next, end of last year, I had no idea ZenBusiness existed. You know, I run in fintech circles and that's the space I know well and I'm incredibly passionate about small business. So, I was looking at the companies you would expect I would look at, but I'm incredibly fortunate that the lead investor at ZenBusiness, Matt at Oak, he insisted I speak to the CEO at ZenBusiness which is Ross and there was an immediate alignment of, you know, my personal mission around small businesses and what ZenBusiness is trying to do around unleashing the entrepreneur in each one of us.

I was blown away by the leadership team, Peter, this is the core HomeAway crew so they really know a thing or two about scaling technology businesses. Second, the commitment to expanding ZenBusiness to becoming a full-fledged fintech focused on the early stage entrepreneur was just inspiring. That's really what brought me here and today, ZenBusiness is starting to become a fintech and working hard at changing that, but I'm incredibly happy to have found them.

Peter: Okay, great. So, I knew of ZenBusiness really just for their...they help you incorporate your business, I know they do more than that. So, maybe you could tell us what is sort of the product suite today and maybe touch on their mission.

Sameer: ZenBusiness started about five years ago and the initial idea behind the company was to tap into this societal change that we are seeing towards entrepreneurship and small business ownership, right, and they came at it from a technology first perspective saying this should be incredibly easy for folks to start a business which, unfortunately, it is not that easy, you know, dealing with the Secretary of State to incorporate your LLC or C corp.

So, the origin of the company was essentially around company formation, but a couple of years in they were incredibly successful and they realized that, you know, we are helping start all these businesses. And then at the point of their highest need and excitement which is they've just taken this life step of starting a business and it is truly a life step, it's not just a financial or professional decision. They're also overwhelmed around how do I actually run a business, how do I get a bank account, how do I manage my expenses, how do I get paid and we just leave them into the wild without any help.

Peter: Right.



Sameer: So, both from a sense of responsibility, but also seeing an opportunity, the company decided to move beyond formations to becoming a platform that helps you not just launch a business, but launch, run and grow your business. In line with that, the product suite has now expanded well beyond formations and compliance related products to website and SEO services to help you get your customers and a whole host of financial services products to run your business.

Peter: Right, right, okay. So then, a lot has been made about the Great Resignation of the last 12 to 18 months with people quitting their jobs and a lot of these people are starting businesses, do you have some stats that you can share on business creation, maybe pre-pandemic and you know, over the last like two and a half years.

Sameer: We are seeing an unprecedented societal shift and not just in the United States, Peter, but globally, we are seeing a shift towards business ownership. Entrepreneurship tends to have a very specific connotation, particularly out here in the Valley, that's why I'm deliberately using the term business ownership. 2020 saw the highest number of business formations in the United States ever at 4.5 million new businesses were registered in the United States and then 2021 exceeded that by almost another million at 5.3 million. Now, of course, there is a little bit of a pandemic effect there and midway to 2022, we are seeing roughly about a 10% decrease in the total volume, but it's still at very elevated levels, right, so there is no denying that there is a fundamental shift in the psyche of folks around us.

What's more interesting beyond the numbers is what's driving it, right. One aspect of this is what used to be a 9 to 5 and a 5 to 9 profile is now a 9 to 5 and a side hustle profile. People are finding the confidence and tools and platforms like ZenBusiness where they're moving from being "want-trepreneurs" where they have been wanting to be an entrepreneur to being an entrepreneur, they're now getting the confidence that okay, I can actually take the step. I can actually jump off the diving board into the water, it's okay, I can make it work and that's fascinating and inspiring for us to watch every single day at ZenBusiness.

Peter: You know, because it's so easy now, you can now download the Uber or Lyft app and become a driver and be your own boss basically pretty easily, I mean, is that part of what's driving it or is there something like other different types of businesses, like are there any trends there with what people are starting?

Sameer: The one you mentioned around the gig economy is definitely true and that's the perception and understanding I had when I joined ZenBusiness, but one of the advantages of being in a company that is literally helping you start businesses at the scale that we do is a much deeper insight into what else is happening. So while, you know, the gig economy aspect is true, it's not the whole truth, what's really, really cool is that it's happening across all segments of our society.

To give you two examples, right, in addition to the gig economy that you mentioned, one profile that we're seeing emerge is actually professionals like folks who are executives at a Visa or a Mastercard or pick your favorite large financial institution who are now doing advisory and consulting services on the side by registering a business to do it more formally than just helping off the side of their desk,



right, or folks who recently retired from executive positions, that segment was actually very interesting to note because their needs are very different.

They're incredibly savvy, but they need something which just takes care of all of the busy work, right, it's the second segment which is somebody, like I said, the 9 to 5 and the 5 to 9-er and we see those profiles quite a lot. Folks in the marketing space or the advertising space, right, they are now on Fiverr offering their services or they are now on one of the other platforms, they're off to the 9 to 5 job as a marketing person working at a corporation, they're also offering services after hours or over weekends towards the next set of clients. So, the access to that broader opportunity that entrepreneurship offers is just inspiring to watch.

Peter: Is the demographic profile, you obviously mentioned a couple of different segments there, but I'm curious about the male/female split and the age range, like I imagine there's a bell curve, right, with age range, can you give me some more details there.

Sameer: As we have dug in deeper into the site ZenBusiness, we have actually realized that to truly be true to our mission it's not just enough to make it easy to start a business. We need to give people the confidence.....

Peter: Right.

Sameer:when you're thinking about starting a business to actually start the business and the reason I share that is when we look at the demographic profile based on gender, as an example, of folks who are looking to start a business in the next six months that's about evenly split between men and women. But when you actually look at the number of people who started a business that shifts dramatically, almost 80/20 men to women.

Peter: Wow, that's amazing.

Sameer: Yeah, exactly, wow is right, I mean, that's a stark fact. You know, there are a lot of underlying factors there which I wouldn't go into, but it is worth calling out, that huge delta between intent and actual action. In terms of age, it is skewed much more towards roughly the 45 and below and then depending on the segment, it varies a little bit, but we are starting to see retirees "re-enter the labor market" as entrepreneurs. What's interesting about that, Peter, is when you ask them, "do you intend to make this a fulltime job?" it's a very clear no, but they want to stay engaged and be productive while folks below 45 are very clear even if it's a side hustle, their ambition tends to be to make it a full-time gig.

Peter: Interesting. So, I'm curious about that thing you said before about giving people the confidence to start a business because, I mean, we, you know, America....I'm an immigrant as well, I came here to start a business, it's the land of opportunity. People world-over dream about coming here and it's a real entrepreneurial spirit in this country that many other countries don't have. So, I'm curious about this piece around the confidence, how do you even go about addressing that?



Sameer: That's a great question and a really, really hard nut to crack. A lot of it is around folks having access to information. One of the biggest stumbling blocks that we find is that people tend to rely on their own network, right, and those networks for a lot of these individuals tend to be quite limited. We don't quite realize that sitting in Silicon Valley or in New York, but professional networks are still very localized. If someone is thinking of starting a business they're like oh, my uncle or my friend has had a business for a while, let me ask them for advice, right, that's quite limiting.

Second is folks are a little afraid that the moment they take the step to becoming a small business owner, they're certainly expected to be an expert in customer acquisition, banking, how to get paid, invoicing, what's the next thing to do, how do I even submit an annual report which most states actually require you to do the moment you register as a business, for a lot of folks that's scary.

And so, a big part of the confidence is around the education that a lot of the stuff can be just taken care of by somebody else so you can focus on what you do best and the second is helping them expand their network through trusted voices. I'm not able to share the specific campaign, but it's already public that Mark Cuban is an investor in ZenBusiness, it started, like him to give people the confidence, he has a huge following. So, there are a number of different ways to do this, and it's a hard nut to crack, but we're pretty committed to finding the way.

Peter: Right, okay. So, take us through the process, if you will. You know, someone found you guys and they're going through the formation process of their business, you know, everyone's got to have slightly different needs, what is it you do with these people once they've kind of crossed that threshold and they've started a business?

Sameer: So, a couple of things and this is where us, being a technology company, really comes through. Our formations process itself is an adaptive chat process so we don't just assume that you know whether you need an LLC or a professional LLC or a C corp or an S corp or even assume that you have already decided, right, so a lot of it is a guided funnel, if you will, which obviously allows us to personalize it, but helps to guide through the process of making the right call.

During that process, Peter, once we get you to a place where you're like okay, I want to form an LLC, through a combination of education and visibility in what needs to happen next, that's where we first introduce them to the financial services product, right. So, as an example, it's very important for folks who are registering an LLC, as an example, to keep their personal and business expenses separate, they can't quite do that unless they have a business checking account.

Peter: Right.

Sameer: To get a business checking account, you need an EIN, a lot of people don't know what an EIN is when they start a business, right. So, those are just two very small examples which are obvious to you and I and probably to folks listening to this podcast, but to the vast majority of business owners these are alien terms. So, through that coaching and adaptive process, we guide them to the next set of steps beyond formation so they are better equipped to know what's coming next.



Peter: Okay. So, let's dig into the fintech side of things for a minute, obviously, that's your area of expertise and why you took the job there. You mentioned checking account, but what are you looking at offering, what are the financial services that ZenBusiness is going to offer their clients?

Sameer: So, we have a very ambitious roadmap. So, by the end of the year, we will have the ability to manage your expenses and categorize them into personal and business for tax purposes, we will have a business checking account, payment acceptance built into invoicing, basic accounting and tax and working on getting a credit card partnership. Just a few small items.

Peter: Right. It's a great thing that you're doing this now because we have this sort of, there's this embedded finance kind of ecosystem now, you don't have to create everything you said there from scratch. So, I'm curious about, are you doing these all through embedded finance, are there some things you're developing yourself, how are you approaching it?

Sameer: We are trying to stay very, very committed to two things. One is who our ideal customer is and building for them and for us, it is not just a small business owner, but an early stage small business owner. Their needs are very, very different than somebody who's already been in business for five years even if they are still small. And then the second is that they come to us for formations today when they are in the financial services part of our platform, it shouldn't feel like they are in a totally different environment. All of this needs to connect together.

We have an incredible advantage of the data that we have because we helped them register their business and that means that a lot of the financial services products we can offer them literally as a one click option. So, the second part is towards your question of, it is going to be ZenBusiness branded, it is going to be embedded from a UX perspective in the platform. How we are building it is through a combination of BaaS providers or embedded finance providers and some partnerships, but the eventual goal very much is that'll be all ZenBusiness branded in our mobile app, web experience and work seamlessly with all of our other services, whether it is website and formations or fintech.

Peter: Right, right. And so, like most fintech companies, a lot of people say they're focused on startups, but you're really focused on like the startup that has just literally been started and I don't hear of anybody else in fintech focused on that segment, specifically. I mean, you've got like an audience, I imagine your cost of acquisition is going to be really impressive compared to people going in cold, but like what are you doing to sort of differentiate yourself from all the others. You know, these people are going to be on Google and looking at different options, how are you differentiating?

Sameer: This particular sub-segment which is the early stage small business is incredibly hard to serve cost effectively which is why for a standalone fintech it's going to be very challenging, maybe impossible to make the economics work, right, because transaction volumes, the ability to pay, the wallet size is just not there and let's face it, a lot of these businesses don't survive the first two years of their existence, right. So, there are a lot of fintechs out there and I'm delighted to see how it's a



burgeoning ecosystem of SMB, neobanks and payment providers, but the early stage business is very hard for them to serve unless they are well funded through a venture capitalist, right.

So, our segment, our ideal customer profile is different. How are we looking to differentiate ourselves? To be honest, I don't think we are competing with the other small business neobanks out there, our goal is not to be the best option for folks as they search on Google. Our mission here as a fintech team is to be the obvious no-brainer choice right after you formed a business at ZenBusiness. And in the near future, knowing that you can do all of your banking, invoicing, payments, accounting, tax, forms on ZenBusiness, it's also reason for you to actually take that step towards entrepreneurship so you know that that big scary financial services thing is going to be taken care of. From the narrow view of the fintech team at ZenBusiness, our CAC is already taken care of, right. Today, ZenBusiness is helping start, broadly speaking, between 10,000 and 20,000 new businesses every month, right, my team is looking to take a percentage of those and convert them to also doing financial services on the platform.

Peter: I'm struck with that, there's an inherent challenge you have because every early stage small business is eventually not going to be early stage, they're going to be well established or, you know, hopefully, they won't fail. So, what is your plan there, I mean, like are you trying to get these people to stay with ZenBusiness for a long time, is there a graduation plan, I mean, what are you going to do?

Sameer: Unsurprisingly, you're already looking around corners, Peter. So, we think about this as we absolutely want our businesses to grow, in fact, one of the things we think about is the fact that somebody started at ZenBusiness does that increase their likelihood of success relative to somebody who didn't right, that's very important to us, hard to measure, but important to us. We plan to grow with our businesses.

That said, our roadmap is essentially today, as I said, banking, invoicing, payments, a lot of the basic stuff that folks need when they start a business. For 2023, we have payroll, lending, cash flow management which are for businesses that they get into hiring employees and grow from 5, 10, 20 employees to beyond. At some point, however, we recognize it's important for us to stay focused on broadly under 20 employees at which point our view is if they want to graduate to a different product, we would still love for them to stay with our bank account and our platform, but we will integrate into those providers so we will be part of their journey as opposed to the entirety at that point.

Peter: If someone, like they can get going with your platform, obviously QuickBooks has millions of small businesses, I mean, we run our business on QuickBooks, we're slightly more than 20 employees, but I'm curious, when you talk about integrations, is that the type of organization you're thinking of there?

Sameer: Yeah. QuickBooks is one example and it's not just size and scale, Peter, sometimes the specialization that is required for a particular subset of the business might cause them to move to a different one, that is a good example. I liken it a little bit to, like today we run a kindergarten, we aspire towards to have a high school, but we will never be a university, right, at some point, we will



actually be celebrating the graduation of some of our customers who go to university. We would love to have partnerships with universities so it's a seamless process.

Peter: Got you, got you.

Sameer: But, I think if we tried to be a kindergarten, high school and a university, I think we will fail.

Peter: Yeah, that makes sense, okay. So, I want to switch gears a little bit and talk about a recent fundraiser you guys did. I don't know when this was obviously closed, but you announced a pretty big raise, not many companies are doing that in 2022, particularly in the summer of 2022, so tell us a little bit about that process.

Sameer: The fundraiser was actually in November of last year. I do think of the fundraiser beyond the money raised because that was significant, \$200 Million, the other very important aspect of the fundraiser was this was the first time that it was done on the promise of expanding beyond formations.

Peter: Interesting.

Sameer: And that was remarkably well received. In fact, the lead investors, Oak HC/FT and Soft Bank came in because of the promise of us expanding into fintech and doing much more than just formations. So, in that sense, you know, this marked the belief internally within the company and from the investor world on ZenBusiness transitioning very clearly from a formations company to a platform for new businesses to launch, run and grow their business.

Peter: Okay. So, last question, I'd love to get your sense on it, It's clear that looking out at the landscape, there's no real well known brand, I mean, maybe ZenBusiness is the most well known, I know there are others that you compete against, but in the small business, particularly in the startup formation business, there isn't a large brand that everybody knows that has name recognitions throughout the general population so I'm curious about what your plans are with that and maybe you could kind of add the vision that you have for the fintech side of ZenBusiness.

Sameer: We are incredibly excited about the brand campaign, specifically around taking pride in ownership and the confidence that we talked about of launching your own business which is due for end of this year/early next year so stay tuned on that one in terms of positioning ourselves more visibly as a brand. On the fintech side, specifically, we are at the very early stage here, as I shared we have a very aggressive roadmap even for this year and we are looking at...if you just look at fintech revenue, on a run rate basis we should be well over \$10 Million this year or in the next 12 months and growing from there.

So, just really, really excited about what we are building and leveraging the big distribution advantage we have of being front and center for newly formed businesses. I also have to give a shout out to the broader fintech ecosystem because had it not been for the broad set of options when it comes to BaaS providers, embedded fintech providers, data, KYC, AML, all of these things



were incredibly hard to do in the past and now you're looking at so many options that you can cobble together that it's helped us accelerate tremendously and I could not be more thankful and excited to be part of that ecosystem.

Peter: Okay. It is exciting, it's breaking new ground, Sameer, lovely to chat with you as always, thanks so much for coming on the show.

Sameer: Thank you so much for having me, Peter.

Peter: You know, as someone who has started five businesses, I often wish it would have been as easy for me when I was getting going. You know, last time I started a business was 2013 with Fintech Nexus and you just have to do everything yourself, you just have to go, obviously, we had lawyers, but you have to go and start a bank account, do all these things piecemeal by yourself and for that I see that the real promise here is that suddenly, it becomes so much easier, it becomes effortless almost.

This gives the entrepreneur time to focus on their business rather than on the admin of getting a business set up and that could have huge ramifications. You know, Sameer was talking after we stopped recording, you know, according to their surveys, 20 million people in this country want to start a business and if it can become really simple and really quick you're going to get many, many millions more. You're going to break the records that Sameer referred to there.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

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