



FINTECH ONE-ON-ONE PODCAST – VIKRAM VANREDDY

Welcome to the Fintech One-on-One Podcast. This is Peter Renton, Chairman and co-founder of Fintech Nexus.

I've been doing this show since 2013, which makes this the longest running one on one interview show in all of fintech. Thank you for joining me on this journey. If you like this podcast, you should check out our sister shows, the Fintech Blueprint with Lex Sokolin and Fintech Coffee Break with Isabelle Castro. Or listen to everything we produce by subscribing to the Fintech Nexus podcast channel.

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Today on the show, I am delighted to welcome Vikram Anreddy, he is the Head of Product for Financial Services at Shopify. Now, I think we all know Shopify, the leading e-commerce platform, what you may not know is the breadth and depth of their financial services offerings. And Vikram runs that whole operation and so I wanted to get him on the show to talk about the different products they have like Shopify Capital, Balance, Bill Pay, and the brand new Shopify credit. So we talk about all those things in some depth. We also talk about design and how his...what the design philosophy is trying to bring all those together, we talk about the...what his philosophy is when it comes to integrating the different products into a cohesive whole. You know, we talk about the keys to a successful launch, we talk about the stickiness of financial products, and much more. It was a fascinating discussion. Hope you enjoy the show.

Peter: Welcome to the podcast, Vikram.

Vikram Anreddy: Peter, thank you so much for having me.

Peter: My pleasure. So let's kick it off by giving listeners a little bit of background about yourself. You haven't spent your whole career in fintech. But we'd love to get some of the highlights of your career to date.

Vikram: I am very new to fintech. As you can see, I joke to people that my career has been really been a random walk. I'm on the third innings of this random walk. I started out my career building, working on very deep technical problems, building wireless systems for phones to communicate using 4g. This was a long time ago. Think of me working in labs, building software and hardware. I enjoyed that for a few years, then went to business school and then came out of it working at McKinsey on strategy consulting, where I went from working on very deep technical problems to working on fairly broad business problems, everything from M&A, strategy and things like that - really enjoyed it. But I've always been a builder. And I was in the in the Valley and really wanted to get back to building products. And that's when I started doing product management and working, building SaaS software and so on. Before Shopify, I spent about three years working at Instagram, where I built different products for small businesses for creators and



advertisers. And the one common theme through my product career has been to build products for entrepreneurs. And in some ways, that is what brought me to Shopify. When the opportunity arrived to come to Shopify and build commerce products for our merchants, I grabbed that opportunity. I came to Shopify a couple of years ago now. I started out building products for our retail merchants, point of sale and helping them helping grow point of sale adoption among retail merchants. Yeah, switched over to fintech and building our financial services products for our merchants, Q4 of last year.

Peter: Well, we're gonna dig into that in a little bit. But before I do so, what was the what was the thing that really attracted you to Spotify in the first place? It's not Spotify, Shopify, I'm sorry.

Vikram: Everybody does that mistake, even I did it during my interviews for Shopify.

Peter: (laughs) Mustn't have hurt you too much.

Vikram: Yeah, yeah, I really did. I think I really enjoyed building for entrepreneurs and small businesses. The challenges are unique. And you've got to build products that really scale for this audience. And in some ways, what better place to do that than Shopify? I think you can describe Shopify as the entrepreneurship company. I think Harley was our president and Toby loves to say this, we're really focused on building for entrepreneurs. And that is number one. And number two. Personally, I think it was a fantastic growth opportunity for me to come build a team, at that time focused on retail and retail growth, bringing some of the skills that I've learned at a company called Intercom where we built a growth team to Instagram and then bring that skill set to Shopify, and then level up my own growth trajectory. So those are the two reasons I came to Shopify.

Peter: Interesting, interesting. So then let's talk about your role on your team today. Head of Product for Financial Services, like how many people on your team?

Vikram: Shopify is a fairly large company at this at this point. Broad range of products that we build. Financial services is an increasingly big part of that, of that mission and the product. I think if you look at all the parts of Shopify, that work on financial services across product, engineering, design, data science, our treasury, capital markets, teams, and all of those folks, I think it's several hundred folks working on financial services products, and enabling us to build these and get them out on the market and keep growing the adoption of these products.

Peter: Okay, so I want to dig into some of the fintech offerings that you guys have. And really, the first one that got onto my radar, was when you launched Shopify Capital that was many years ago now. But it's a product that had a great product market fit, shall we say, there's, this has always been a challenge for entrepreneurs is access to capital and having access inside the Shopify system, I think I imagine was, was a great relief to many entrepreneurs. But maybe you could describe the product, talk a little about the underwriting and more about the type of customer that is using this product.

Vikram: We launched Shopify Capital, way back in 2016. And since then, as you said, it's found amazing product market fit, and it continues to have a ton of momentum and product market fit with our merchants. I think to date, we've given out about \$4.5 billion in cumulative funding since the program's inception. And merchants keep coming back, coming back again and again, to take more funding. It works, it works for a lot of our Shopify merchants. To tell you a little bit about how the product works. Again, Shopify Capital, like all of the products in our portfolio, have been designed exclusively for Shopify merchants. Right. And we underwrite, I think one of the benefits that we have at Shopify is that we have a ton of scale, and a lot of data about merchants and their behavior, and so on. We use more than about 17 million data points in



our morals to help us underwrite and offer very tailored funding offers to our merchants, and we deliver these offers from within the Shopify admin proactively.

They change every week or every month, and merchants can, merchants who have this offer in the admin can apply within a few minutes, the vast majority of them are approved, as well as within a few minutes, 80% of them are approved within a few minutes. And funding is available in the preferred bank account within a few days that they can start using. Right? This is so different from what happens when a merchant goes to a bank, right? It is incredibly hard to get funding, as you pointed out, like 70% of them get rejected. After spending weeks going through that process. 30% of them who get the funding get much less funding than what they had asked for in most cases. And their terms are very inflexible. And last, the last thing I want to say on capital is, so this is actually this is the reason why it works for our merchants, right? It's easy, it's convenient, it is accessible, the pricing is transparent, and so on.

And the last thing is, it has very flexible payback terms. We underwrite based on sales. But we also, merchants also repay based on sales. As they make on days and weeks they make more money, they pay back more. When the sales are slow, they pay us less. So that's in a nutshell, Shopify Capital, we continuously see. And you asked me one question on who uses us. And we have interesting stories of merchants using funding and seeing growth in their business all through the spectrum of Shopify merchants. Some merchants use takeout loans and capital funding of a few hundred dollars to a few thousand. Very small, early stage, businesses and entrepreneurs. And the amazing thing is that over time as those businesses grow, they keep coming back to us. And on the other end of the spectrum, we have merchants who take loans up to \$2 million. So, a wide spectrum of merchants that use Shopify capital get value out of Shopify Capital. And the most interesting thing you will see that is that merchants grew up on Shopify Capital, and they keep using it.

Peter: You have a very rich data set, right? You said 70 million data points, whatever I can imagine because you've got insight into, oftentimes like the entire business, right, so I presume the data points you're using are not just the traditional financial metrics, but you're, I imagine you're digging into how the Shopify store is actually performing and ad conversions and all that sort of things. Is that fair to say?

Vikram: I think it's fair to say, see, Peter, Shopify is a is a very large commerce platform, we power in the US, we power, nearly 10% of all online commerce, which gives us a rich data set about how the commerce market is evolving how our merchants are doing, how engaged entrepreneurs are, and so on. And that gives us an ability to provide very tailored and right sized offers for merchants based on how they're doing. Right. It's not just purely based on sales, but really how we think the business is is doing for merchants.

Peter: Right. Right. Okay, I want to move on to Shopify Balance, which is a newer product than Capital, but it's somewhat mature now. But it's promoted as more than a bank account. It is I know you have partner banks. So there is an underlying bank that is providing the account. But how is it different to a regular bank account?

Vikram: Peter, all the products we build, right, we really are building these products to help make it much easier for our merchants to manage their finances, because we really want to help them focus their time and attention on what they can do best, build the best products for their customers, tell the story and acquire more customers, right? That is the basic thesis that guides all our investments in fintech in our financial services product, and balance, as you rightly pointed out, we built it in collaboration with Stripe



and Evolve underneath that, and it's a money management account. And it helps merchants get paid on their sales on the Shopify store sales much faster than any other bank account.

Trusted merchants can get paid instantly or same day, with balance versus having to wait three or four days. Now, this is really material for really small merchants whose cash flows are always stretched. Right? The second thing that I will say is that merchants can also earn rewards when they use the card that comes with the Balance card, spending their own money. Right. And again, it's a fairly unique thing that you will not see in a checking account or a savings account. And the last thing is that I will also say it gives you all the tools that you need from a money management perspective to move money in and move money out, all the things that you would expect from any traditional bank account. We have that in Balance as well. In some ways, the easiest way for merchants to manage the money within the Shopify ecosystem.

Peter: Right, right. Yeah, I get it. So then, are you finding that companies that are using this, is this their first bank account? Or are they moving over from an existing bank account? Now a lot of a lot of entrepreneurs start off just using their personal checking account before they get going. And so what are you finding? Is this a replacement or a first checking account?

Vikram: I think a lot of times it is the first business and bank account of any sort. Because what happens, what we are seeing increasingly is a lot. I mean, lots of new merchants and new entrepreneurs come to Shopify to start their business. And a lot of them now opt in to get a business bank account on day one of their business versus using their personal bank account. Because they get paid faster, they can earn rewards, and so on. So we were seeing really early adoption of business banking, with Balance in the entrepreneur's journey. Again, these entrepreneurs grow up, we launched Balance at the beginning of 2022, right, it's been a year and a half. And if you look at some of these early cohorts, some of these entrepreneurs have grown up, and they stick with Balance. Banking is a fairly retentive product. And you see a lot of this adoption in new merchants and new entrepreneurs. But at the same time, we also seeing adoption of Balance amongst existing merchants as a replacement account, again, driven by these two value props that we have - faster payouts and rewards on spend and that is again driven adoption of balance even in our existing merchants.

Peter: Okay, so a newer product that you've come out with earlier this year, is Shopify Bill Pay. Explain what you're, what you're doing there.

Vikram: We heard from our Balance merchants, right. So we started we started Balance and merchants started growing up on Balance and one of the pain points merchants told us that as merchants grow, they start to work with many vendors, and their number of bills they have to pay explodes and they start managing these bills in many different places because they have different timelines to be paid and so on. And that is what motivated us to build Bill Pay. And Bill Pay is tightly integrated and works very well with Balance. We built Bill Pay with in collaboration with Melio.

And we're trying to do something very simple there again, right, give merchants the ability to manage your vendors and pay your bills, pay your bills on time, schedule your bills on time, and pay with the methods that you care about. You want, even if the vendor doesn't accept those methods, because Melio and we will take care of that on the back end. We are motivated, a lot of times we are motivated to build products based on what we hear from our merchants on what their pain points are in managing money. Going back to my earlier point, we want to make it super easy for merchants to manage their finances, so that they can spend their time on building the best products for their customers.

Peter: Okay, so I want to move on to your brand-new product, which as of recording this isn't launched, but we'll be by the time this is published, Shopify Credit. Now it's a pretty logical extension of, of what



you're doing. So tell us a little bit about this. It's a business credit card, right? What is kind of the differentiator here?

Vikram: Yeah, I'm really excited to talk about Shopify Credit. We've been working on this for a while, and I'm really excited to bring it out and see how our merchants use it. Let me back up a second on why we even built this, our merchants, especially our smaller merchants tell us that they prefer to spend using credit cards for most of their business expenses. The majority, actually 58% of all non payroll expenses from SMBs are paid for using credit cards. But they also tell us that a lot of them can't even get access to a business credit card, a lot of them just get a personal credit card and use it. And even if they can qualify and get access to a business credit card, the credit limits are not right sized, the rewards are not truly rewarding. They're really confusing, there's lots of hidden fees and so on. And we are entering this space to really solve for these pain points. The other thing that I would say from a timing standpoint is in this current macroeconomic environment, access to credit and funding is pretty tight for a smaller merchants. And we thought this is the perfect time for us to actually provide this, bring this product to market.

Peter: So then, are you using like, the knowledge that you've gained with Shopify Capital, which obviously it's a different product, this is a revolving credit line with a credit card, but are you using some of the underwriting knowledge that you've gained from that into the credit product?

Vikram: Absolutely, I think we're building on a ton of learnings that we've had, and also the underwriting models that we've built on Shopify Capital to help us with Credit. But here are a few ways the Shopify credit card is kind of different from most business cards out there. Number one, as you pointed out, again, this is a business card, credit card, where we determine eligibility and credit limits based on your business's performance, and not based on your credit scores or credit history, we do not do any credit checks. And the beauty of this is also that this credit cards will grow, the credit limit will grow with your business. As your business grows, your needs grow you'll need a higher limit and the business credit limit will grow with you.

The second thing is rewards. We've kind of designed these rewards, really to be meaningful, and valuable to our merchants based on trying to amplify the rewards on categories they spend the most, be it marketing and sales, be it B2B wholesale, to buy inventory, or be it shipping the cost of fulfillment to their customers. Merchants can earn up to 3x rewards on the top spending category every month and 1% on the other two categories. Again, we are trying to make it super simple to redeem this rewards, we give you cashback and that cashback is applied to the merchant statement credit as the statement rate for the next statement, the merchant has to do nothing to get this rewards, right. And the third thing is like with Shopify Capital, we've learned how well this works for Shopify Capital, merchants get offers, if they're eligible, they get offers personalized offers in the Shopify admin, and they can apply within a few minutes, get approved a few minutes after that and get a virtual card that they can use. Start spending a few minutes after that, like a lot of these merchants will get approved instantly. Right. And the final thing I say is that this is a no BS card, no fees, no credit checks, we just like keep it very simple and transparent.

Peter: Okay, very interesting. So you've got a pretty nice suite of products there for small businesses. I'm curious. I mean, like a lot of these financial service products are pretty sticky. But I imagine the Shopify platform itself is pretty sticky, because I imagine it would be it's not a trivial exercise to leave Shopify and go to put your store somewhere else. But I'm curious about adding financial services. Is this...maybe you can tell me if you've seen anything in the, in the time that you've, you've had some of these products is, does it actually decrease churn, just having financial products?

Vikram: Actually Shopify Capital is a fantastic example to talk about, great. We've had this product for a long time. Peter, I would say it's not just decreases churn for the Shopify platform, it really amplifies the flywheel and increase, helps grow Shopify overall. Let me say, take the example of Capital, we've had a

long history with Capital. And we've done some analysis, which shows that Capital helps our merchants grow, it causes the growth driver and like merchants who take Capital versus their peers, very similar peers. merchants would take Capital grow at 36% faster. And this growth comes back to the Shopify ecosystem, because that GMV comes to Shopify, and in some ways, powers the overall Shopify platform and the flywheel there, right. So I would say I think the financial services products by making it easy to access funding and making it easy to manage your money will actually have an amplifying effect on the overall Shopify platform, not just in reducing churn but also driving growth.

Peter: Right, right. Yeah, imagine it does so. And a lot of the stuff we've talked about today is specific to the US market. I mean, Shopify is an international company. Is this...plans to roll this out around the world? Or is this, are you really focused on, in the as the Head of Financial Products really on the US?

Vikram: Shopify is, as you said, Shopify is truly a global platform, right? Entrepreneurs in more than 150 countries can build a Shopify store and sell using Shopify across the globe. The way we've approached all new products, not just financial services products, all new products at Shopify or many new products at Shopify, is to first figure out start within the core markets of the US and Canada, figure out the right product, make it work, and then slowly expand, right. And that's the path we've taken for Shopify Capital, for instance. We started out in a few states in the US, and then Canada, expanded to nearly all of the US. And then we went to the UK, we launched, last year we launched in Australia. So we slowly expand after that, right. And in some ways, we're also guided by how Shopify overall is doing in various international markets. Right. And so with some of our new products, like Balance, Bill Pay, and Credit, right now, we are focused on really making them work well in our core markets. And over time, we may think about how to expand them, and bring them to other new markets.

Peter: I've got an interesting question for you here that you, you're a product guy, you said so at the start, you know the fintech space, there's lots of great companies, lots of great products out there. You've now been doing this for more than a couple of years. So are there certain companies or products that you look at in the fintech space and think, okay, that's something that's really good, we can take some ideas from that and implement them inside Shopify.

Vikram: Actually, one of the amazing things about fintech, and one of the reasons I came to financial services within Shopify is that there's amazing talent, amazing product talent has moved to solve these problems in the fintech space across across different companies, right. A couple of companies that inspire me, I don't know not because their ideas or things are something that are interesting that we can bring to Shopify, but more so because of the way they build product.

One is, of course, Stripe, I think we work with them very closely. We partner with them on many different products. We build credit on Stripe as well as Balance, but I'm really inspired by and learn from how they do product, they are able to actually take very complex problems and build tools and products that make it super easy for developers in the fintech space to use their products, right, including us. I think it's a, it's a very interesting company, great talent, great product talent at Stripe.

The other thing I would say is that there are lots of exciting new startups. And who are able to move fast, especially during the recent SVB crisis, it was quite inspiring to see how quickly startups like Brex and Mercury were able to move fast and we also moved fast during that time, but it's quite inspiring to see

how quickly some of these new age companies can move and solve customer pain points. Not something that you see from the banks as such. Right.

Peter: Right, right. Sure. And so you've now been involved, I imagine with several product launches, either directly or indirectly, what do you say some of the keys, launching a new line, a new product line within an established business like yours. What are some of the keys to a successful launch?

Vikram: I think there are a couple of things. One, you want to be very, very clear about the problem and the opportunity that you are going after. You want to actually be very clear about what pain points and what problems you're trying to solve for the merchant and why it makes sense for you as a company, or Shopify as a business, to solve them for merchants, in some ways, I would say I would suggest, try to argue yourself out of building these products. And that is a good test, if you can then have a convincing case to go build this, that's great, because at the end of the day, launching is itself is just a simple milestone, right, you really want to build a product that is adopted by lots of your customers, and you'll see engagement and then over time, you'll start seeing revenue. So you, you need persistence, and that motivation to be persistent for a long enough time to build a new line of business, not just a new product. And I think that initial clarity around the problem and the alignment around the opportunity is really, really interesting and important, especially in established businesses like Shopify.

And the second thing I would say is, we'll all come up with solutions, or the first iteration of the product that we we should, of course, build something that we really believe in. But I also would say, do not fall in love with the first iteration of your product. And just be willing to learn from your merchants, see how they learn from your customers, see how they use it, and iterate and iterate your product. And that is how you scale up and really make this a success. I mean, those are the two things I'd say.

Peter: Right, I want to ask you about product design, specifically, because you've got obviously the Shopify platform, it's got a beautiful design, it's always very easy to use. It's been, it's renowned for that, how are you bringing these disparate products like applying for a loan doing Bill Pay, having Shopify Balance they've got, they're very different products with different design requirements. What's your approach in bringing these sort of different products into a unified design?

Vikram: I will say it's a constant challenge, Peter, this is something that we continuously work on. But fundamentally, I think what we have realized at Shopify is that we're trying to build a commerce platform. First and foremost, merchants come to what we call the Shopify admin, a lot of times to do their commerce jobs. And the context is really important on why the merchant is coming to Shopify admin and really try to get out of the way in some ways and try to help them do that job that they're hired, that they're hiring Shopify platform at that given time. Right. So in some ways, for instance, we don't try to distract the merchant with Shopify Capital, when they're trying to do, fulfill their orders that have come in on their store. We don't want to do that, right. So we want to let merchants discover these products and use these products when they need them versus us getting in the way of trying to do the job. That is one way we try to meet, keep it simple.

But then once the product merchant comes into the product experience, they want to actually think about capital. While we try to have a very unified and a simple design system. To do that, we are willing to actually tailor those experiences to serve the specific job. Like if it's capital, how do we help them understand what capital is and make it easy to apply and move forward in that process? Right. So I think two things I would say. One, just to summarize what I said, one is, be very clear about the context in which the merchant is hiring your platform for any given day and try to get out of it. Like try not to talk about, try not to show them everything there is because there's so much on Shopify. And the second is once the merchant comes into your experience, yeah, tailor the experience to actually solve the job at hand. What unifies all of this is I think one of the design is really, really important, we try to create simple



and transparent experiences across both our commerce products, but we've taken that and we're bringing it to fintech as well, as we build out these products.

Peter: So you do have a pretty full suite of financial products here. I wouldn't say you've got everything, but you've got a pretty, particularly with the addition of the credit card that's coming right now, just curious about plans to add to this already fairly extensive product suite.

Vikram: There are two main things right? First and foremost, we want to make sure this portfolio of products that we have really work well with each other. If imagine takes Balance and Credit and Capital, we want these things to really work well with each other. Second, is about how do we build new things? For instance, right? And here, we are always guided by what we hear from our merchants, what we observe from our merchants in terms of what are their pain points, what are the areas of complexity that they are facing in managing the money and that is what is going to guide us in terms of the new bets that we make or the new markets, we take the existing products and so on. But that's how we think about our roadmap right now as I look to the next couple of years.

Peter: Okay. So then last question, I mean, maybe we could frame this around Shopify's mission because you sort of touched on this at the start. I'm curious about what is it right now, that's exciting you about the future of Shopify and the future of financial products within Shopify?

Vikram: There's several things that excite me. But, again, the first of all, was, if I step back, what is it that we are trying to do at Shopify? We are trying to make commerce better for everyone, and we fundamentally believe that helping more entrepreneurs start their business and scale their business and grow their businesses, how we are gonna make commerce better, right. And the set of financial services products that we are building are in service of that mission. It's amazing to see how many new entrepreneurs come onto our platform every year, start their businesses, a lot of them fail, but the ones that succeed, keep growing and keep growing right.

Our mission at Shopify, across all our products is to marginally, to make it super easy for entrepreneurs to get started. And to marginally increase the probability of success. All the products that we build, whether they are fintech products, or whether or not fintech products, right. And that is just like the exciting mission that we are on, on the journey with right.

The second thing I would say, I think there's a ton of excitement around AI and what AI can do in helping entrepreneurs succeed on their commerce journey. And I'm excited to see what we're launching with additions. We're launching Sidekick, it's one of the first AI assistants for commerce entrepreneurs, it will be built into the Shopify admin. I'm excited to see how entrepreneurs use Sidekick for their financial jobs, for managing money within the Shopify ecosystem. We're excited to see how that works. So yeah, these are a couple of things that are really exciting as I look ahead.

Peter: Very interesting. Well, Vikram, we'll have to leave it there. Thank you so much for coming on the show. As a lifelong entrepreneur, I'm really excited about what you guys have been doing for, now for many years, I think, you know, I tell my kids and others who say that there's never been a better time to



be an entrepreneur, that the tools are so much better than they were you had 10, or certainly 20 years ago. So keep doing what you're doing. And thanks again for coming on the show.

Vikram: Thank you, Peter. Thank you for having me.

Peter: Well, I hope you enjoyed the show. Thank you so much for listening. Please go ahead and give the show a review on the podcast platform of your choice and go tell your friends and colleagues about it. Anyway, on that note, I will sign off. I very much appreciate you listening, and I'll catch you next time. Bye.

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