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Mobility-focused fintech delivers better mobility services and operations

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Payment cards and vehicles are probably something that is used every day, several times a day, by most of us. In the ever-evolving landscape of mobility, the intersection of fintech and mobility tech solutions is reshaping how we perceive, access, and experience transportation services. Financial services are tight with mobility, being part of it for decades.

In this quite complex environment, we're now beyond the emergence of new trends, such as electrification, used-cars demand increase, mobility-focused AI models and data-driven startups, and micro-mobility steady growth. The climate crisis is a key driver for more innovation in these areas, but there's another macro trend to be considered: any startup can be a fintech, including mobility ones. The abundance of digital financial infrastructure solutions is a really interesting playground for developing **highly-tailored financial services for mobility leveraging data**, **it helps to create new services for mobility by meeting the growing demand for more user-centric solutions.**

We're witnessing the emergence of vertically-focused fintech, which are acting as enablers of specific mobility segments, while this remains an underfunded segment (approx. €80M in 2023, and €175M YTD in Europe according to Dealroom.co), whereas the adoption rate for embedded financial services in mobility is over 30%.

Fintech helps meet the growth challenges of mobility, developing top-notch customer experience, as well as supporting the development of innovative and differentiated products and services. I won't cover the insurtech here, since my colleague Antonin wrote an excellent article about it.
A new financial ecosystem is growing, and tech solutions are there to help both incumbents and new entrants. There's a €25B pie for mobility finance players to capture in Europe by 2030.

How fintech infrastructures accelerates mobility businesses

Simply put, every single piece of the banking system can be integrated into products and services in an "as-a-service" way, thanks to Open Banking and Banking-as-a-Service providers.

Open banking provides "third-party financial service providers open access to consumer banking, transaction, and other financial data from bank and non-bank financial institutions through the use of APIs". In other words, **you're the owner of your banking data, and you're free to share it** (with your explicit consent) **with external service providers,** such as mobility companies. For instance, with access to banking accounts, refunds can be done instantly (think about a delayed train or flight). Europe pioneered open banking, with regulations such as the FIDA (Open Finance), PSD2

(PSD3 is currently under review, with the aim of improving security and efficiency of digital payments), and the UK's Open Banking Standard.

Banking-as-a-Service (BaaS) is a subscription-based model, which can be tailored to the services used by the customer. BaaS providers deal with regulatory constraints. Mobility startups can integrate banking layers in their core products or offers, with a simple API. This favored the emergence of embedded finance: this is how it's possible to pay your Uber without leaving the app. Notable examples include Betterway (French-based startup offering employee benefits payment card) using Treezor, and Navit (German-based startup focused on employee mobility budget solution) using Solaris.

Integrating financial services into mobility offers is a tremendous opportunity to create new revenue streams, increase customer retention through better customer experience, and leverage data to support end-users in their mobility journey.

Thanks to an easier access of API-based fintech solutions, mobility startups developed solutions with a customer-centric approach.

Cost-savings for fleet management

Fleet managers are facing some challenges such as green transition and environmental impact, vehicle maintenance, compliance, security, and operational efficiency. There are great opportunities for fintech startups harnessing operational data, to not just enhance financial services but to rethink them entirely, from payment systems to insurance and lending.

AI models can use data from operational efficiency, asset management, and historical financial behavior to develop better credit scoring for lending. Clearly helps fleet managers reduce emissions and costs, using trip-level up to fleet-level data: its solution can spot the cost savings and carbon reduction areas, and support fleet managers to get funded to meet these objectives.

Better digital payment automation and efficiency can help reduce processing times and provide a unified view of fleet expenses, especially when the fleet is a hybrid one (multi-energy that requires using multiple energy providers). Piana offers a centralized payment solution (payment card and software) for refueling and charging. Leveraging data, the fintech helps to decrease refueling and charging costs, as well as improve operational efficiency by decreasing the time needed for reporting. The startup offers a AI-based dynamic pricing model for services with variable costs (fuel and charging), predicting the best times to purchase, hence saving money for the fleet manager.

Increase revenue in the maintenance and repair space

Handling sudden, unexpected, and high maintenance costs is an unpleasant surprise. Maintenance and repair lack transparency and trust and are facing a low-level penetration for digital solutions. The automotive aftermarket [is expected to grow to €125B] in 2030 (from €100B in 2019). In a business where margins are super thin, customer satisfaction for retention and loyalty, and revenue increase are key. New car registrations are declining, and the average age of cars is increasing ([by one each year]). There's a situation where people are less keen to spend money on repairing cars that increasingly need to be repaired, in a highly competitive and low-margin business. Buy-Now-Pay-Later solutions appear to be well-positioned to fix that. Bumper, a UK-based fintech, has built a risk engine offering an alternative to unexpected car repairs: leveraging AI, the model uses vehicle and consumer data points on every repair loan applicant to make lending decisions. For automotive aftermarket merchants, the conversion rates can be improved while reducing the impact of discounting on their top line.

Enabling affordability (and increasing revenue for lenders) through digital car financing and used-car financing

There's a growing demand for affordable car financing solutions, as well as subscription-based cars, amidst rising vehicle prices and economic fluctuations.

The car financing market is undergoing a massive transformation, due to digitization, alternative credit scoring, customized loan offers, used-cars financing growth, and new leasing solutions.
The major car leasing companies [increased the number of contracts by 6,7%] (2018 - 2022), and the pre-tax profit per car is just less than €2000 (3,5 years leasing period for 2019 - 2022). These big companies are growing at a steady pace, with healthy unit economics. However, given their size (risk-averse organizations, siloed teams, heavy banking regulations…), innovation can be difficult, as well as developing customized offers for specific segments (especially SMEs). In addition, rapid technological shifts such as electrification and greater autonomous capabilities are impacting depreciation models: lenders must adapt their models.
[Lizy], a Belgium-based used-cars leasing startup for SMEs is a great example: the company developed an integrated and asset-heavy model, hence being able to develop its leasing model. Leveraging digital tools and automation, Lizy offers competitive and flexible prices to its clients.
Another interesting example is [Pelikan Mobility], which recently unveiled its software-enabled EV leasing solution. Traditional leasing offers short-term contracts (3 to 5 years). These traditional leasing models do not align well with the usage patterns and economic benefits of EVs, which are designed to last longer and have different resale value trajectories. Pelikan Mobility proposes extending the duration of leasing contracts for commercial EVs, which would reduce the financial risk associated with the vehicles' resale value and better align with their operational longevity. This approach could fundamentally change how fleet operators finance their vehicle acquisitions and manage financial risks.

Car dealerships can also benefit from fintech solutions to increase their revenues. There are still outdated processes, and fixed terms for car loans, far from an optimal and customized customer experience. Most new vehicles are financed through loans, unlike used ones, there's room for improvement. Carmoola is an online platform offering car finance in minutes. Customers can use their credit line to buy a car, reschedule, and pause payments. Such a user-centric approach helps increase revenue for car dealerships thanks to greater conversion rates.

Improving drivers' financials and experience with digital automotive payment management

The pain point is real for drivers who must manage various car-related payments: tolls, taxes, insurance, maintenance, etc. There's a need for more centralized payments into a single digital platform, helping the drivers to better manage their car-related expenses while offering service providers an opportunity to develop customized offers based on customers' behaviors and preferences, thanks to payment data and spending patterns.

Dealing with multiple payment points leads to a lack of information about the best prices for services, leading to higher costs for consumers. Transport is the EU's second-largest household expenditure item, after housing. In Germany alone, €229B was spent on transport by individuals (while this is not only for car-related expenses, cars are still, by far, the most used transport mode: 85% in Germany and France).

Fintech simplifies the process, enhances transparency, and leverages data for smarter financial decisions. Caura is a great example: the startup offers a vehicle management app for drivers, letting its users manage all their car admin, in one place. Caura simplifies car admin by sending relevant information, and timely reminders to help drivers stay compliant. In addition, the fintech helps drivers to save money thanks to its integrated offers. Leveraging its database, Caura plans to launch embedded financial services such as car loans and insurance, as well as white-labeled payment solutions. The fintech not only targets consumers but also car OEMs and SMEs.

We need more vertically-focused fintech for the mobility industry

The mobility industry is rapidly evolving, with enhanced connectivity and a growing trend of green transition with EVs. Fintech founders have a tremendous opportunity to leverage developments in data, analytics, and advanced AI models to craft cutting-edge solutions focused on the mobility industry. Electrification brings with it numerous challenges such as elevated costs, operational complexities in fleet management, and volatile energy prices. This environment creates opportunities for fintechs to create tailored, user-centric financial solutions that are both customizable and flexible to address these challenges.

With a real customer-centric approach, data-driven mobility-focused solutions can tap into a massive market opportunity, and compete with well-established players.

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