

Publication: Fintech Horizons Media

Date: Jan 31 2019

SnapCheck tipping toward a Series A round as digital platform grows _ CEO

by Bill Langbein

SnapCheck, a digital check company, expects it will pursue a Series A round this year as it expands in the marketplace, said Ken Kruszka, founder and CEO.

Kruszka said the San Francisco-based company still could fund operations from about \$500,000 remaining from its original seed round of \$2.5m. SnapCheck has attracted 25,000 small business users but has not yet actively marketed its services, said the CEO. The small business sole proprietors using SnapCheck include landscape companies and restaurant owners, who prefer to pay vendors regularly without a check or use of another service, such as PayPal.

SnapCheck claims its digital checks are faster, safer, and more cost-effective than paper checks, while also more fraud resistant than competing payment methods. Adoption of digital checks by sole proprietors is a natural transition to more efficient business practices but SnapCheck is positioning its next expansion to attract more B2B customers.

A key problem, said Kruszka, is no major industries want to commit capital to back office improvements, i.e., implementing new systems that would enhance electronic payments. Banks, however, now are beginning to recognize “instant payments” can become a new revenue stream for operations. Using and processing checks drags bank costs down by 70% and efficiency by 90%, according to the CEO. Banks are

eager to eliminate the use of checks, as are large merchants, such as grocery chains, who also view checks as a drag on costs.

The financial services and retail industries are telling SnapCheck and the fintech industry “if [we] build faster, people will use” improved services, said Kruszka.

SnapCheck naturally intends to target banks as the first vertical, followed by insurance companies and retailers, said Kruszka.

In the bank model, the CEO said banks could offer the SnapCheck service for free to a large number of customers, perhaps 300,000 to 3 million accounts. SnapCheck initially would be paid a wholesale fee. After the rollout, the bank would negotiate individual contracts with different clients.

Insurance companies likewise could exit check processing via a similar model, particularly in processing healthcare premiums, noted the CEO.

In spite of the demand for improved speed and efficiency in processing checks, Kruszka noted 2/3 of all B2B payments in the US still are completed by checks. Why? Owners are willing to wait a few days because of the confidence of a link to the vendor’s bank account, via the paper check.

Europe appears less patient. Germany and several Scandinavian countries have programs in place that mandate future use of checks will be discontinued.