

Starling reaches unicorn designation as it bolsters its business offerings

Article

The UK-based neobank closed its Series D funding round by raising £272 million (\$375.8 million), bringing its new valuation to £1.37 billion (\$1.89 billion), [per](#) TechCrunch. It plans to use the money to expand into other parts of Europe, make strategic acquisitions, and grow its lending operations in the UK.

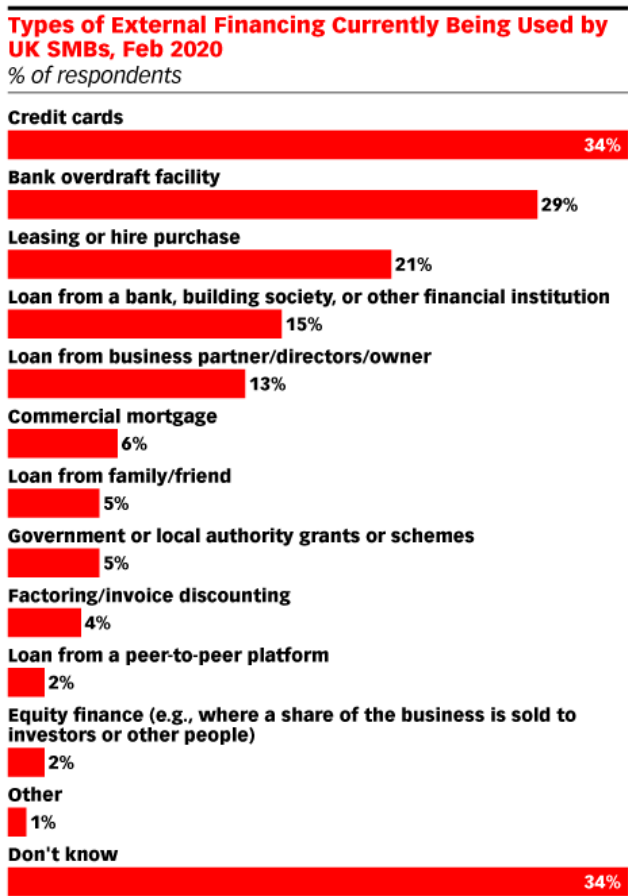
In addition to its funding raise, Starling announced that its business accounts have more than quadrupled since 2019. As of yesterday's funding announcement, it totaled 300,000 business accounts, up from 74,000 in 2019. The significant growth came on the back of its [participation](#) in the Coronavirus Business Interruption and Bounce Back Loan Schemes, which allowed it to provide government-backed loans to struggling businesses and increase its customer base: It had [issued](#) £1.4 billion (\$1.93 billion) in loans under the latter program as of last month, for example.

Starling could use the new capital to fortify its small business analytics offering and expand its business marketplace.

- **Analytics offerings:** With UK coronavirus cases on the [decline](#), most of the small and medium-sized businesses (SMBs) that joined the neobank throughout the last year will soon be [transitioning](#) from survival to recovery, and would benefit from tools that aid that process. Starling could bolster its recently acquired customer relationships by offering features that allow them to simulate different businesses scenarios—similar to Temenos' recently [launched](#) virtual COO platform. Providing business owners with the confidence and information they need to navigate the post-pandemic landscape could cement Starling's position as an important component of their broader operations.
- **Marketplace expansion:** Starling's business [marketplace](#) offers integrations with third-party service providers that assist businesses with everything from accounting to HR. Most recently, the neobank added a [PensionBee](#) integration that allows self-employed business owners to set up a pension from scratch. In addition to its current lineup, Starling could provide payroll or marketing plug-ins that would tie businesses more closely to its offerings and centralize more of their operations within the neobank, making for a stickier customer base. For the challenger bank to achieve its ambitious growth [goals](#) of increasing its holding of the UK SMB market from 4.4% to 18% in five years, it will need to become a reliable long-term partner and not just a lifeline in a business's time of need.

The neobank's expected growth path and continued profitability hinge on its ability to retain the customers it onboarded during the pandemic. Starling had reported four consecutive months of profitability through January 2021, with net income exceeding £1.5 million (\$2.1 million) per month. [Revolut](#) and [Monzo](#) have also rolled out their own SMB solutions. To be successful in its plan to nearly quintuple its share of the UK SMB market over the next five years while maintaining profitability, Starling will need to expand its offering to

become a central hub for small business operations in the UK—and avoid bleeding customers to its digital and incumbent competitors.



Note: businesses with 1-249 employees
Source: Department for Business, Energy & Industrial Strategy (UK), "Small Business Survey 2019," June 4, 2020

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