Fintech outsourcing: Supercharge your scaleup

How to boost customer journeys, crush CX challenges, and unleash competitive advantage

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Introduction

Europe's fintech industry has experienced profound transformation and turbulence over the last few years. Innovation, commercialisation, and regulation have reshaped the landscape, creating levels of demand for seamless payment services not experienced before. Pandemic-driven surges in product and service adoption are also pushing non-financial companies to integrate and deploy omnichannel payment solutions to their customers with as little hassle as possible.

At the same time, with current economic turbulence putting more pressures on operational budgets, fintechs across Europe are intensifying efforts to reduce costs, simplify and speed up internal and external workflows, and gain a deeper, more intuitive understanding of their customers' needs.

But at a time when the fintech industry is struggling to recruit and retain workers with the right skills to help businesses continue to innovate, companies face even more challenges in attracting and keeping customers.

Here, we talk to several payment and fintech industry leaders to get their perspectives on the challenges facing European fintechs, and the role outsourcing can play in solving them while also examining the risks. What they've told us, combined with our own insights, show that with the help of expert business process outsourcing partners, scaleup fintechs can:

- better adapt to fast-changing market conditions;
- unleash the power of technology while never losing sight of their customers;
- leverage their budgets to maximum effect and minimum cost, and;
- uncover unique business intelligence insights that will elevate them above their competitors.

Section 1:

The current payment & fintech landscape

The worldwide shift to digital payments, which was already underway before the pandemic, accelerated at a pace which many businesses were not prepared for. Bricks-and-mortar merchants suddenly had to switch to e-commerce for the first time, and even long-established online businesses experienced overwhelming surges in new customers and transaction volumes.

Fintechs everywhere face greater demand from consumers for more innovative payment solutions and fierce competition in an increasingly crowded marketplace. An uncertain economic outlook has led many fintechs to slash valuations, freeze hiring, and in many cases, cut jobs. But as fintechs scale, they still need to innovate without losing service quality or damaging their customers' experiences.

There is no hard-wired definition of a scaleup, but typically if a firm is seeing double-digit growth rates circa 20% in revenues and headcount for two consecutive years, those are strong indicators that a business is transitioning from startup to scaleup.

But growth opportunities also present new challenges, and these can overwhelm a business that's suddenly confronted with unforeseen obstacles. Think increasing pressure from customers, stakeholders, and regulators as the business scales. Smooth-running technology platforms that were easily able to handle fewer customers may suffer slowdowns or outages when trying to handle a surge in volumes or new customers. The same is true for human support, or using email or chat as your only contact channel. What worked when you only had 100,000 customers might not work when you have 1 million or 10 million.

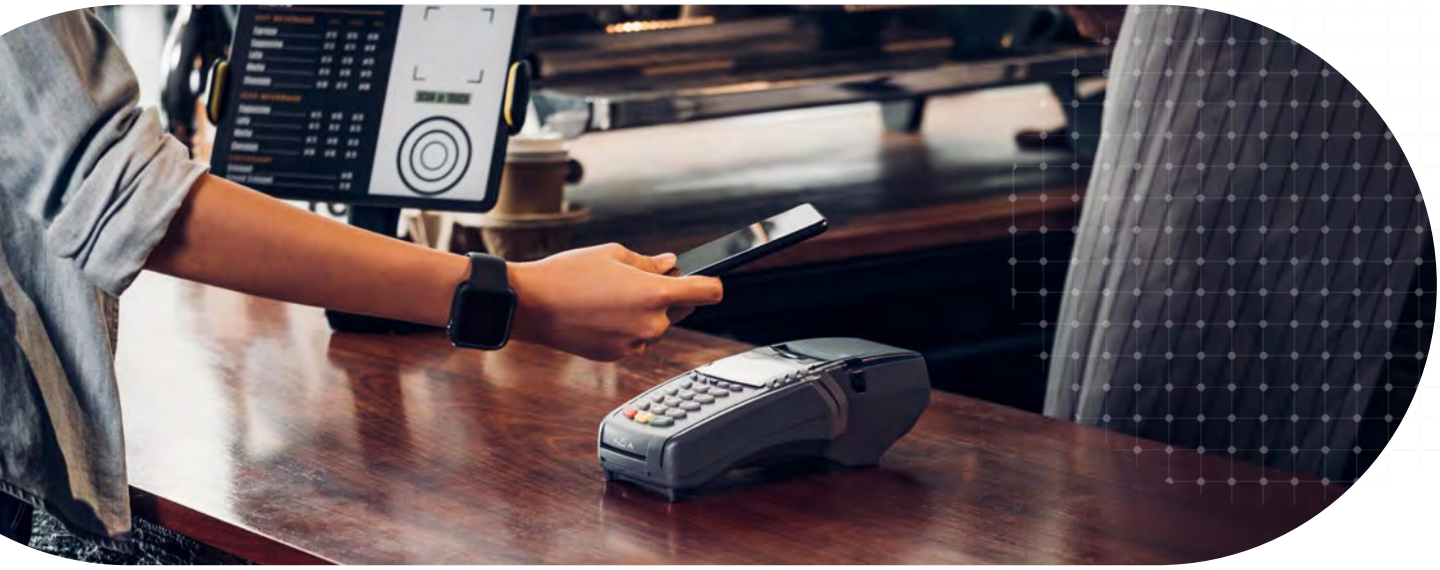
Fintech scaleups should follow these core priorities:

Recruiting, retaining, and upskilling staff

Managing complex and shifting regulatory and compliance requirements

Building agile, integrated, and scalable technology platforms and services

Scaling operations to accommodate growth while enhancing CX



Fintech market snapshot

41%

Fintech is the U.K.'s biggest scaleup sector, contributing to 41% of the value of the sector as a whole, and 34% of investment in 2021.

(Source: Tech Nation)

30%

Global fintech investment dropped by a massive 30% in 2022.

(Source: Innovate Finance)

76%

As of 2021, 76% of adults globally had an account at a bank, other financial institution, or with a mobile money provider—up from 68% in 2017 and 51% in 2011.

(Source: World Bank)

Why should your fintech business take the friction out of CX?

"Risk is pretty fundamental to most fintech businesses. Whether that's reputational risk, financial risk, and operational risk - amongst others. With the shortage of staff available with those specialist skills, it could affect fintechs' rate of growth or ability to meet compliance objectives. Good risk people don't grow on trees."
Roger Alexander

Yes, the e-commerce explosion during the pandemic was good news for merchants in terms of new customers and more online sales. But it also brought some aftershocks in the forms of fast increasing fraud, disputes, and chargebacks.

It's no bad thing that consumers know their rights and can legitimately dispute erroneous transactions or when goods or services aren't delivered. But with pressure on internal resources and budgets, a worrying trend of 'friendly fraud', where consumers are disputing legitimate transactions, is making it more expensive to manage disputes, mitigate fraud losses, and deliver good CX.

As much as 75% of transaction disputes can be attributed to friendly fraud, according to Mercator Advisory Group. When disputes are investigated and chargebacks are filed, that generates more cost. The dispute process means a longer wait for customers, which can hamper CX.

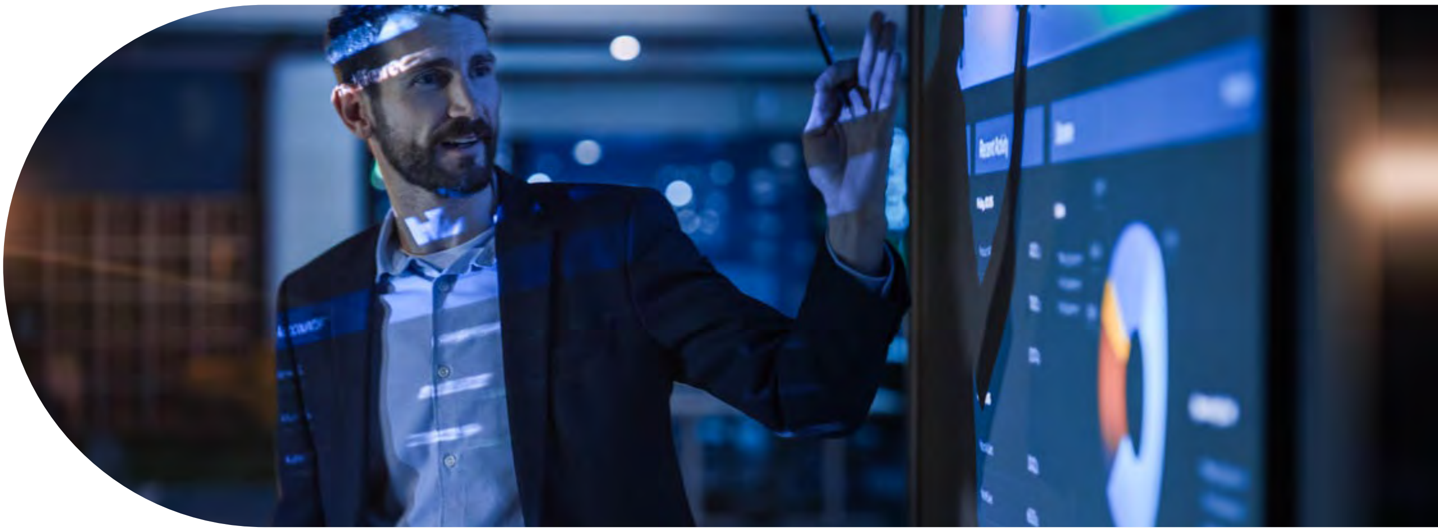
The age-old question of whether to outsource or DIY has traditionally been driven by cost considerations. Building in-house technology, product development, recruitment, scaling up services, and other business processes, are far more costly than they were previously.

It's true that cutting costs remains a key driver for outsourcing. But the last few years have shown that there's more to gain. Accessing new technologies, scalability, new business cases, and service capabilities for greater agility, are all repositioning outsourcing as a more flexible and easily accessible way to vault over long-standing obstacles to growth.

The 7 biggest challenges ahead for the payments sector

1. Compliance with new regulation and policy
2. Financial crime and cybersecurity threats
3. Keeping up with digital transformation
4. Streamlining backend infrastructure and processes
5. Implementing new payment methods
6. Understanding what the customer wants
7. Wider/macroeconomic downturns and shifts

Source: UK Payments Association "Pay360: State of the Industry" survey, 2023



Fintech challenges & opportunities at a glance

84%

Card-not-present fraud accounted for approximately 84% of the total value of card fraud in Europe in 2021.

(Source: ECB)

up to 60%

Outsourcing customer service can generate operational cost reductions of between 30%-60%.

(Source: Deloitte)

£1B

Issuers lose more than £1 billion due to the processing costs, liability losses, and write-offs for low-value transactions associated with chargebacks.

(Source: UK Finance)

$699.5B

Global spending on fintech outsourcing is predicted to reach $699.50 billion by 2030, with much of that taking place across Europe.

(Source: Adroit Market Research)

Section 2:

What are the risks to your business if you don't have good CX?

Getting CX right is one of the most important strategic moves you will ever make as a fintech. The world is increasingly digital-first. Customers expect great customer service as standard, and they won't hesitate to go to competing brands if they don't get it. A customer can have 100 positive experiences with a brand, but it only takes one poor experience to see them heading for the door.

It may be tempting for fintechs - particularly those with limited resources, funding, or staff - to try and tackle CX in-house. But if a fintech can't scale effectively to handle more customers, they risk damaging the experience and customer perception of their brand, and losing customers altogether.

Every call or email to a customer service agent, every balance check over the phone or in an app, and every payment transaction at the point of sale, in-person or online, can affect how customers feel about their brand. If brands fail to deliver on their customers' expectations, that loyalty starts to wane.

The highest value brands put a significant investment into CX, and they've consequently generated significant loyalty. Research from Gartner shows that CX now drives over 66% of customer loyalty - more than brand and price combined.

The fight to get and keep smartphone-savvy Generation Z consumers is even fiercer - it's a hugely valuable demographic; and more willing to switch the brands they do business with. Data from Entersekt shows that around 80% of Gen Z's digital banking interactions take place through smartphones, while 65% get their purchasing ideas from social media, according to data from Student Beans. Catering to these digital natives needs a fresh approach to CX.

Regardless of customer demographics, providing exceptional 365/24/7 customer service is fundamental to success. Whether that's provided through live chat, in-app messaging, an email or social media message, or a human being in a contact centre, it's vital that a fintech's customers can reach out for help through their preferred channel at any time of the day or night.

"Many fintechs will start with a small number of customers and employees onboarded. You need infrastructure and management processes in place to start a customer success function. When you're scaling, you need to have the competence, people skills, and systems to extend it."

Roger Bracken

69% of Gen Z consumers and 57% of millennials will switch brands after just one incident of poor customer service.

(Source: PwC)

73% of consumers will switch to a competitor after multiple bad experiences.

(Source: Zendesk)

What do your customers want?

62% want the same great experience through every channel

70% want personalised, intuitive services, and products that anticipate their needs and desires

71% enjoy the speed of technology, but want natural conversational experiences

64% will spend more when issues get resolved where they already are

(Source: Zendesk)

"Part of the fintech success story has been the comfort in using outsource providers, maximising external expertise whilst minimising set-up costs and time to market."

Joanne Dewar

"From a CX perspective, the most important thing is that irrespective of what channel the customers are using to interact with the company, it needs to be consistent. If I'm buying something through a mobile, I want it to work in exactly the same way as it does on a PC."

Gregor Dobbie

Trailblazing CX technologies can boost customer satisfaction

Customers want friendly, knowledgeable help, and instant support. You need to know who your customer is and what they want. Personalisation is about connecting with your customer on an emotional level, and providing them with meaningful experiences. Every bit of personalisation you can put into each interaction with your customer will keep them closer to your business - and it eases the pressure on you to acquire new customers.

So how do you achieve that?

Many smart technology innovations can drastically improve the delivery of CX, such as customer relationship management (CRM), internal performance management, contact centre as a service (CCaaS) platforms, self-service tools such as Interactive Voice Response (IVR) systems, and chatbots, as well as AI-enabled agent assistants.

But there's no point investing in CX technology if it's deployed in isolation from other business processes, can't map data effectively, and can't deliver measurable performance gains. By 2025, 50% of large organisations will have failed to unify engagement channels, resulting in a disjointed and siloed CX that lacks context, according to Gartner research.

"CRM is certainly one of the technologies which improve the customer lifecycle and is pivotal to improving CX strategies. If CRM is not up to par, it can mean lost opportunities for a firm as it can't react quickly enough."

Roger Alexander

13%

Most customers won't wait more than two minutes in a phone queue, and 13% say that any amount of hold time is unacceptable.

(Source: Odondo)

"An app may mean you check your balance much more frequently than you would have done by IVR or even a website. Customers may still go into physical locations like branches or retail stores for the occasional service, but they can choose not to and can create a journey that suits them. Adding further technologies has simply created even more options for those journeys."
John Goodale

By connecting agents, team leads, QA, and account managers within a single platform, managers and business leaders can identify and solve issues in real-time, and provide tailored coaching to staff. That in turn leads to better customer service and happier customers. With that in place, you can paint a full picture of customer motivations, sentiment, and aspirations.

A key aspect of successful customer service is knowing how and when to hand over more complex issues to experienced agents. Many customers will still prefer to speak to another human being at the other end of the phone, especially for more complicated or sensitive issues such as credit or loan repayment difficulties, for example.

Although omnichannel capability is the ideal, it's better to have a few channels that work well, rather than a multitude that don't work well, frustrating customers. Some high-profile app crashes and customer service hotline outages have left customers unable to get in touch with anyone about their accounts. This is all the more worrying for the customer if they're trying to resolve an urgent transaction request, dispute, or possible fraud incident.

Customers won't hesitate to vent their ire through the megaphone of social media. Reputational damage can happen swiftly in many ways and is incredibly difficult to rectify. To earn customer trust, you must be reachable in multiple and easy-to-find ways. Contact details should be clear and never buried in the small print.

A seamless self-service strategy can create more satisfaction

When designed well, IVR systems empower customers to self-serve. Although they are not a new technology, they play an important role in boosting call containment where possible, and can swiftly connect customers to the right agents when needed. If the IVR is integrated with a CRM or agent dashboard, agents can see IVR activity, including identity verification, and have more context about the customer's journey and intentions. That way, customers don't have to repeat themselves and businesses can resolve issues faster, increase first call resolution, reduce operational costs, and streamline information for more efficient service.

At the same time, even though customers are increasingly in favour of tech-driven seamless experiences, over-reliance on these technologies can backfire.

For example, nobody likes being kept waiting in automated queues, or having to go through menu after menu to get to the right option. If customer data and feedback loops aren't harnessed properly, IVR will leave customers frustrated.

"IVR can provide fantastically enhanced customer experience. But if customers go through seven levels of IVR nesting, then that's a poor experience. The balance is to try and optimise costs, and at the same time provide a really slick and speedy consumer experience. You can go and hire someone who could do that, or work with a partner who can figure everything out for you."
Roger Bracken

AI can automate the simple stuff, but CX still needs human oversight

There's no doubt that artificial intelligence has the potential to transform the design and delivery of customer service and CX. AI is also a catalyst for refining internal processes and fostering deeper customer relationships.

AI-driven chatbots are in use nearly everywhere, from major banks to niche fintechs. Gartner projects that one in 10 agent interactions will be automated by 2026, an increase from an estimated 1.6% of interactions today that are automated using AI.

As AI is fed with more customer data, it can build more branching logic, enabling it to provide more information, and speed up issue resolution even further.

AI also can revolutionise the quality and training aspects of customer service by applying speech recognition and natural language processing to customer interaction data across channels. This empowers businesses to identify exceptional and below-average customer interactions, spot contact behaviour, and preference trends.

This data-driven approach is more strategic and efficient compared to manual quality reviews and helps uncover valuable insights that might otherwise be lost. Furthermore, AI plays a crucial role in analysing agent behaviour during customer interactions, providing feedback to enhance agent efficiency. For example, you might uncover that agents are required to access too many disparate tools or need dual monitors to be effective.

It's also important to distinguish between generative AI and conversational AI. Generative AI refers

$7.3B

Chatbot operational savings are expected to reach $7.3 billion in 2023.

(Source: Juniper Research)

"It's not that AI itself is inherently biased. It's biased because it will learn from existing content that won't be accurate. The limitation of all of these models is that they're only as good as what they're fed and trained on."
Ben Jackson

"AI is going to have an impact in terms of response automation, which is clearly good for a business trying to save time and move things forward quickly, without having to resort to an individual trying to resolve an issue. But some chatbots are absolutely awful, or get into a loop that goes back to the same answer. Create something which actually feels good and can respond in a sensible way."
Roger Alexander

to the ability of AI systems to generate original and coherent content, such as generating written text or other media (like speech and images). Generative AI is useful in creating personalised responses or generating new dialogue for virtual assistants and chatbots.

Conversational AI focuses on the interaction between AI systems and humans. It leverages natural language processing and machine learning techniques to enable AI systems to listen for trigger words, understand, and respond to human queries in a conversational manner. It can provide agents with the best solutions for each customer, thereby improving the overall quality of customer interactions.

In the short term, it's likely that AI will be most transformational by automating manual or repetitive tasks, boosting business analytics and quality assurance, and helping customer support staff and other departments improve productivity.

By refining and streamlining internal processes, potentially AI can help banks and fintechs to reduce compliance and fraud management risks too. For instance, customer onboarding, KYC and AML checks can be accelerated. These processes require intensive document and ID verification. AI and ML natural language processing can speed-read documents, verify their authenticity, and cross-reference them with other sources to verify customers are who they say they are.

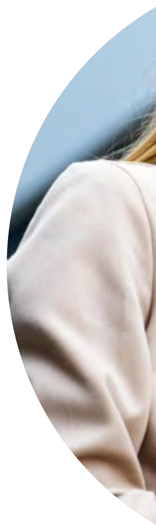
Streamlined onboarding enables customers to open accounts in just minutes, and banks and fintechs can be assured that they're in compliance with AML and KYC requirements. AI's ability to process massive datasets and compare a multitude of variables in real time will be a game-changer across many fraud prevention areas.

But there are also risks. AI is not yet sophisticated enough to effectively manage the dispute process, something which regulators pay close attention to. In the U.K. both debit and credit card purchases are eligible for chargebacks, and credit cards are also under the scope of Section 75 protection, meaning card providers may be equally responsible for compensating the customer as well as the merchant or supplier.

While the technology could be used to suggest next-best actions to investigators, the final decision requires a human. An algorithm can't explain why it made a decision for a specific claim, leaving the fintech exposed to possible accusations of discrimination, errors, or unfair judgment. At the same time hallucinations or missing data, and the risk of bias, means that AI needs human oversight.

AI is a helpful tool to guide customer service staff, but those staff need to have evidential proof to back up decisions. AI could become problematic if organisations don't have robust guardrails and governance frameworks in place. A possible framework could include transparent policies that prohibit staff from asking questions that could expose business or personal data.

There could be legal, financial, and reputational fallout if an AI system is found to have provided biased or incorrect information to either customers or agents.



Section 3:

What regulations do you need to consider?

Fintechs must balance smooth CX with strict compliance regulations as painlessly as possible. But as the fintech industry attracts closer scrutiny from regulators, it's getting more difficult for fintechs to stay on top of multiple compliance obligations. Compliance is multi-faceted and goes beyond merely knowing which regulations apply to your business. It has a direct impact on the way you design your CX strategies and user interfaces.

Some of the more recent regulatory developments that fintechs in Europe need to be mindful of include the EU-wide AI legislative framework (the EU Artificial Intelligence Act). This is aimed at ensuring the safety of individuals, the protection of fundamental human rights, and categorises AI into unacceptable, high- or low-risk use cases.

The proposed AI regulation is mainly focused on imposing prescribed obligations in respect of such high-risk use cases, including obligations to undertake relevant "risk assessments", to have in place mitigation systems such as human oversight, and to provide transparent information to users.

Additionally, the EU's Digital Services Act (DAS) and Digital Markets Act, and the U.K. Online Safety bill will place new rules on social media, digital delivery, and server locations, with the EU likely to set the standard for many other countries to follow.

"If you look at AML, the regulations are so complex. You really need a specialist as it's just not feasible for a company to have all of that capability in-house. If you suffer fraud, you can be out of business quite quickly or your reputation can be shot."
Gregor Dobbie

A new ePrivacy Regulation was set to enter into force along with the GDPR, but its implementation has since been delayed. When it is eventually implemented, the ePrivacy Regulation aims to safeguard the confidentiality of electronic communications through stronger privacy rules. Unlike the current directive, it includes internet-based voice and messaging technologies such as Skype, WhatsApp, and Facebook Messenger.

Although many fintechs have offered regulated products for years, scaling up may involve launching new products or services that immediately come under the remit of regulations that were previously out of scope at startup phase. From 31 July 2023, the U.K.'s Consumer Duty from the Financial Conduct Authority (FCA) applies to all financial services firms that engage directly or indirectly in regulated activities with, or provide certain services to, U.K. retail customers, and small and midsize enterprises (SMEs).

The Consumer Duty and the EU-wide regulations outlined above reinforce the necessity to have knowledgeable and accurate compliance expertise to draw upon.

As fintechs scale, their range of products and services will increase, and possibly into new geographic markets too, which will lead to more authorisation requirements for products in different locations. Outsourcers steeped in helping a range of clients maintain compliance across a range of functions and markets will have the most up-to-date knowledge on several regulatory frameworks. They can identify which of your activities require authorisation or reporting obligations.

Section 4:

How does employee happiness create better CX?

While keeping customers and regulators happy is vital to business success, keeping employees happy can be just as important. There is huge competition for candidates with the right skills, and the recruitment process can be one of the costliest outlays for businesses. Bad hiring decisions can drain much needed time and resources as the process must start all over again. But the payoffs for good hiring and retention strategies are numerous.

Companies that make concerted efforts to treat employees well will enjoy lower staff turnover rates, consistent operations, and uninterrupted experiences for their customers. Outsourcing gives fintech scaleups access to top talent pools at more affordable rates.

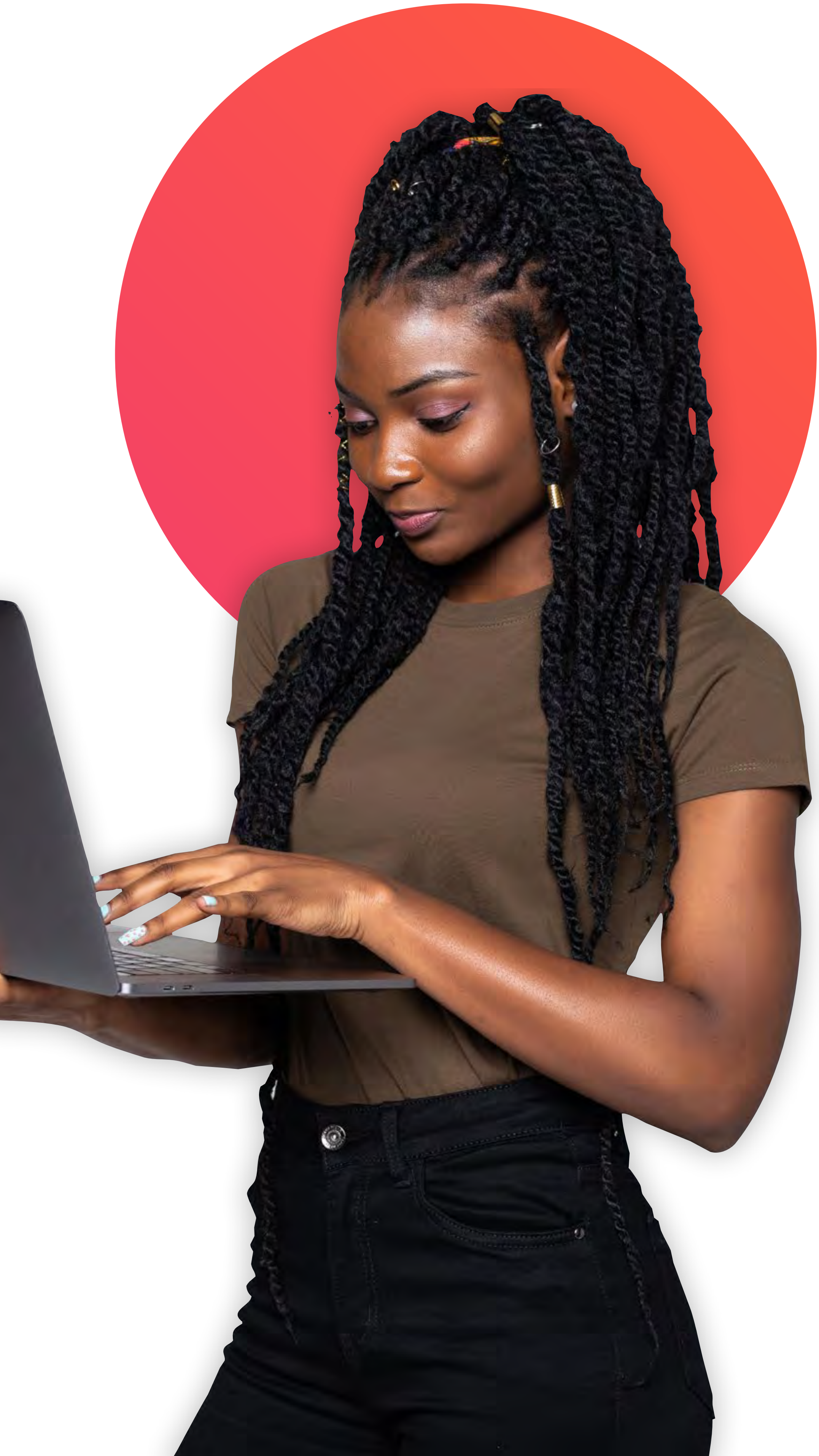
Outsourcers can also help train and upskill staff on a continuous basis, providing them with the most up-to-date product knowledge, technical guidance, and other essential attributes. Furthermore, with remote and hybrid working now commonplace, outsourcers can shoulder the burden of candidate screening, conduct remote interviews and onboarding, and provide virtual learning environments to help develop skills and professional growth.

There is a strong link between employee satisfaction and customer satisfaction - engaged employees care about solving their customers' problems. Hiring right the first time and nurturing your teams is much cheaper than having to spend time and money recruiting and training new agents up the learning curve.

By making long-term investments in people and culture, in partnership with high-quality business process outsourcing experts, businesses can find, train, and retain the right talent who understand and care about the business and their customers.

Business units with highly engaged employees had 10% higher customer loyalty and engagement, 18% higher sales, and 23% higher profitability than those with the least-engaged employees.

(Source: Gallup)



"For more junior-type roles, internal recruiting looks fine. But as you get to more mission-critical roles, internal recruiting limits your field and your available talent pool. If you go to external recruiters, you get access to a far wider talent pool."

Gregor Dobbie

"The benefit of outsourcing is that recruitment becomes somebody else's problem. With outsourcing, scaleups can skip the tightness of the labour market."

Roger Bracken

Section 5:

What should you look for in an outsourcing partner?

When is the right time to outsource? And how do you choose the right outsourcing partner?

Outsourcing can generate huge advantages for any size fintech, from startups with limited budgets and resources, to larger scaleups that want to lower costs and remove operational logjams from legacy processes.

Of course, many fintech leaders are understandably nervous about handing over their baby to an outside partner. Choosing the wrong or inexperienced partner can cause costly damage, can cause customers to leave in droves, and ultimately cause the business irreparable harm. One way to make the transition easier can be through outsourcing just one piece of your operations, with the potential to move to additional areas to your partner as the relationship grows.

Expert outsourcers can partner with scaleups for long-term or short-term commitments, one-off projects or to troubleshoot problem areas. Scaleups can adapt as and when they need to, and can pivot more quickly to test and launch new products or services without significantly increasing overheads or fixed costs.

When workflows are optimised by expert external partners, internal teams have more time to brainstorm even more ingenious innovations that will drive company growth.

"Make sure that the company can deliver what it says it can deliver. A provider will say: 'Of course we can provide this function'. If you probe a little deeper, they may say: 'We can't do that on that particular platform.' You really need everything in place before you go live."

Ben Jackson

"Outsourcers will continually invest in their service offering to ensure it remains leading edge and competitive in the market, with continuous improvements that would not otherwise get a look-in on a fintech's product development roadmap."

Joanne Dewar

What to look for when choosing who to work with:

Experience

Your outsourcing partner should know how best to integrate different technologies and processes with the least amount of disruption to both the business and your customers.

Understanding

Your provider should demonstrate deep understanding of fintech services, regulations, compliance requirements, and industry standards.

Insights

The right business process outsourcing specialist should provide a tailored assessment of your business based on your services, customers, existing processes, and potential growth objectives.

Testimonials

An expert third party should be able to supply you with references or testimonials from previous clients and case studies where they've successfully helped other companies to optimise their business processes.

Transparency

Any potential outsourcer should be happy to answer any and all questions you might have and be eager to let you assess their capabilities and project management methodologies.

Progress

Whoever you choose to work with should conduct ongoing monitoring, provide regular reporting of project progress to ensure implementation is on track, and show service levels are performing to expectations.

Section 6:

Conclusion - Don't let DIY CX stifle growth

One of the major pitfalls that fintechs encounter when scaling is the sheer learning curve. With all challenges they face in the market, how do they grow their CX operation to manage these things with a larger customer base, and without breaking their budget?

Good CX doesn't necessarily mean it's the most expensive - it just means it's been done in the right way. It's about blending the technologies, the use of agents, and using offshore support when it's required.

Place emphasis on the things that your customers most care about, such as whether they're getting a quick response when they raise a dispute, and what channel options they have without being limited by the technology.

Of course, outsourcing CX can create a concern that you might lose control of a competitive advantage by asking someone else to manage it. This worry can often be one of the biggest reasons some fintechs have never even explored the option.

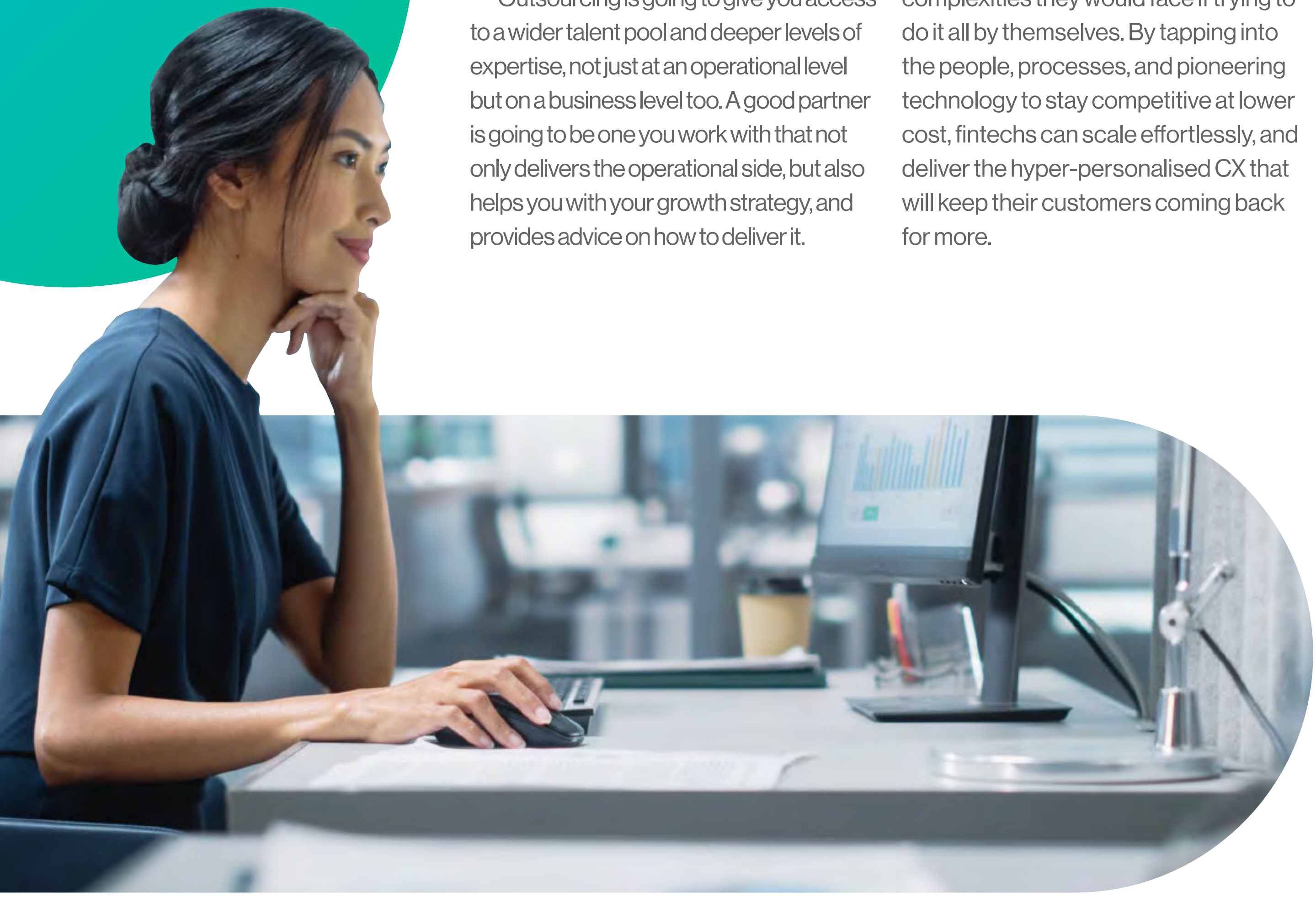
John Goodale
Executive Director,
Head of Europe
Ubiquity

However, you can not only differentiate from your competitors but can leverage additional skills, processes, and technologies that may not have been available previously. The best performing fintechs leverage the best-in-class capabilities and subject matter expertise that leading outsourcing businesses can provide.

Outsourcing is going to give you access to a wider talent pool and deeper levels of expertise, not just at an operational level but on a business level too. A good partner is going to be one you work with that not only delivers the operational side, but also helps you with your growth strategy, and provides advice on how to deliver it.

What also matters is having subject matter expertise. It makes sense to deal with people that have been there and done it before and whom you can rely on to challenge, advise, and implement the most beneficial changes.

With the help of expert outsourcers with deep knowledge of fintech, companies can deftly side-step the complexities they would face if trying to do it all by themselves. By tapping into the people, processes, and pioneering technology to stay competitive at lower cost, fintechs can scale effortlessly, and deliver the hyper-personalised CX that will keep their customers coming back for more.



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