

Ebook

FUTURE-PROOF YOUR FINTECH: STRATEGIES TO SUCCEED IN 2024 (AND BEYOND)



**Opportunities
To Grow and Scale
Amid Disruption**



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Fintech at a Crossroads

Fintechs experienced a decade of unstoppable growth from 2010 to 2019, with the total value of investments into Fintech companies worldwide reaching \$216.8B¹. Expansion was fueled by rapid technological advances, increasing acceptance of online banking by customers, and the proliferation of digital ecosystems. This attracted investments from venture capital, incumbent banks, and traditional payment providers.

However, 2023 presented a bleak contrast, with spiraling costs, inflation, higher interest rates, stringent regulatory demands, and a scarcity of low-cost funding. These headwinds created a tumultuous environment where 75% of Fintechs failed to survive².

Significant events, such as the collapse of Silicon Valley Bank (SVB) and crypto exchange FTX, have highlighted vulnerabilities and systemic issues in the financial/Fintech domains. Investor panic brought down both. SVB collapsed when concerns about its diversification and stability went viral and rocked the startup world. FTX imploded after revelations of blurred finances prompted Binance to dump FTT tokens, setting off mass withdrawals.

The twin debacles highlighted that trust shouldn't be placed in an institution, but in robust mechanisms for transparency and accountability. This has affected how companies manage risk, how regulators oversee Fintechs, and how investors assess the stability and security of their investments. Customers, too, have lost confidence and opted to move deposits from Fintechs to banks.

But, there's hope. **Innovation continues with new technologies, business models, and startups emerging across lending, payments, investing, and other segments. Customers still want digital financial services that are fast, affordable, and convenient.** VCs are cautiously optimistic that Fintech investment will rebound in 2024. And regulators are working to provide more guidance, oversight, and guardrails that could help regain trust. Building on this, the global Fintech market is expected to be worth \$515B by 2029³.

Moving forward, the focus must be on adapting to change and overcoming industry challenges with agility and innovation. This involves Fintechs recognizing the problem, formulating a strategy, and equipping themselves with the right tools and technology.

Three key themes have emerged against this backdrop, offering a roadmap for turning industry-specific hurdles into opportunities.



Trust shouldn't be placed in an institution, but in robust mechanisms for transparency and accountability.

¹ Statista: Value and number of investments in fintech worldwide from 2010 to 2023

² NCBI: What determines FinTech success?—A taxonomy-based analysis of FinTech success factors

³ Market Data Forecast: Fintech Market



01

The Rise of the **New Age** Customer

The digital-native Gen Z is entering the workforce, earning money, and making financial decisions. Studies estimate they have \$360B to spend now, and will likely inherit \$11T in the next 10 years⁴. Armed with this growing economic influence (and a smartphone), they are rewriting the rules of customer experience.

Gen Zers aren't just tech-savvy; they're discerning and demanding. They want a tailored experience, served on their preferred channel, catering to their specific needs, without missing a beat. Think online account opening and onboarding, digital KYC, mobile banking, digital wallets, peer-to-peer transfer apps, quick credit, AI/ML-powered investment advice, and more.

Unlike older generations, **Gen Z isn't particularly invested in legacy financial institutions**. They're wide open to exploring alternative financial services and products that disrupt traditional banking and finance models.

Therein lies opportunity. And, threat.

Today's customers – with their savviness and willingness to change – are incredibly fickle: 86% are ready to abandon a brand after just two poor interactions⁵. Fintech companies find themselves on the front lines of this skirmish; every interaction is an opportunity to win – or lose – a customer.

Given that revenue and margin pressures will only increase with time, Fintechs can't lose focus on earning customer trust and loyalty. Understanding, satisfying, and retaining younger customers is a key strategy and growth lever in 2024 (and beyond).

The challenge is clear: deliver a scintillating customer experience (personalized interaction, timely engagement, and value-led support) or risk becoming another statistic in the churn rate.

How do Fintechs rise to this challenge?



How do Fintechs retain young, tech-savvy customers who demand exceptional experiences on their terms?

⁴ Bloomberg: Gen Z Report

⁵ Sutherland: Digitalizing Customer Experience

Double Down on Superior CX - to Build Trust and Retain Customers

The modern customer experience is about creating a frictionless, secure, and personalized journey for the customer.

A modular omnichannel CX platform with built-in AI tools, predictive analytics, and AI/ML-based hyper-personalization models – combined with the right expertise – gives Fintechs the power to create the high-touch experience customers demand.

Here's a few ways to transform the customer journey:



HYPER-PERSONALIZATION

Use customer data and AI/ML to provide personalized financial advice, tailored product recommendations, and predictive services based on individual spending habits, investment preferences, and financial goals.



MOBILE-FIRST

Young customers are predominantly mobile users. Optimize for mobility – mobile payments, wallet services, and on-the-go account management. Focus on responsive design, intuitive user interfaces, and seamless app performance.



SOCIAL

Integrate with other financial services, social media, e-commerce platforms, and lifestyle apps. Think easy sharing of financial data with personal finance apps, payment services on social media platforms, or shopping apps.



CUSTOM

Allow users to tailor their app or platform experience – customizable dashboards, notification settings, and the ability to set personal financial goals.





ENABLEMENT

Empower young customers to achieve their goals with robo-advisory services, interactive budgeting tools, investment calculators, stock simulators, and educational content tailored to their financial literacy levels.



INSTANT, 24/7 SUPPORT

Utilize conversational AI (AI-powered chatbots) to offer instant, round-the-clock customer support and handle routine inquiries and transactions across different channels.



INNOVATION

Use advanced customer persona, journey analytics, and sentiment and social media analysis to gain insights into customer behavior, preferences, and trends. Create laser-targeted products and services to delight customers and earn loyalty.

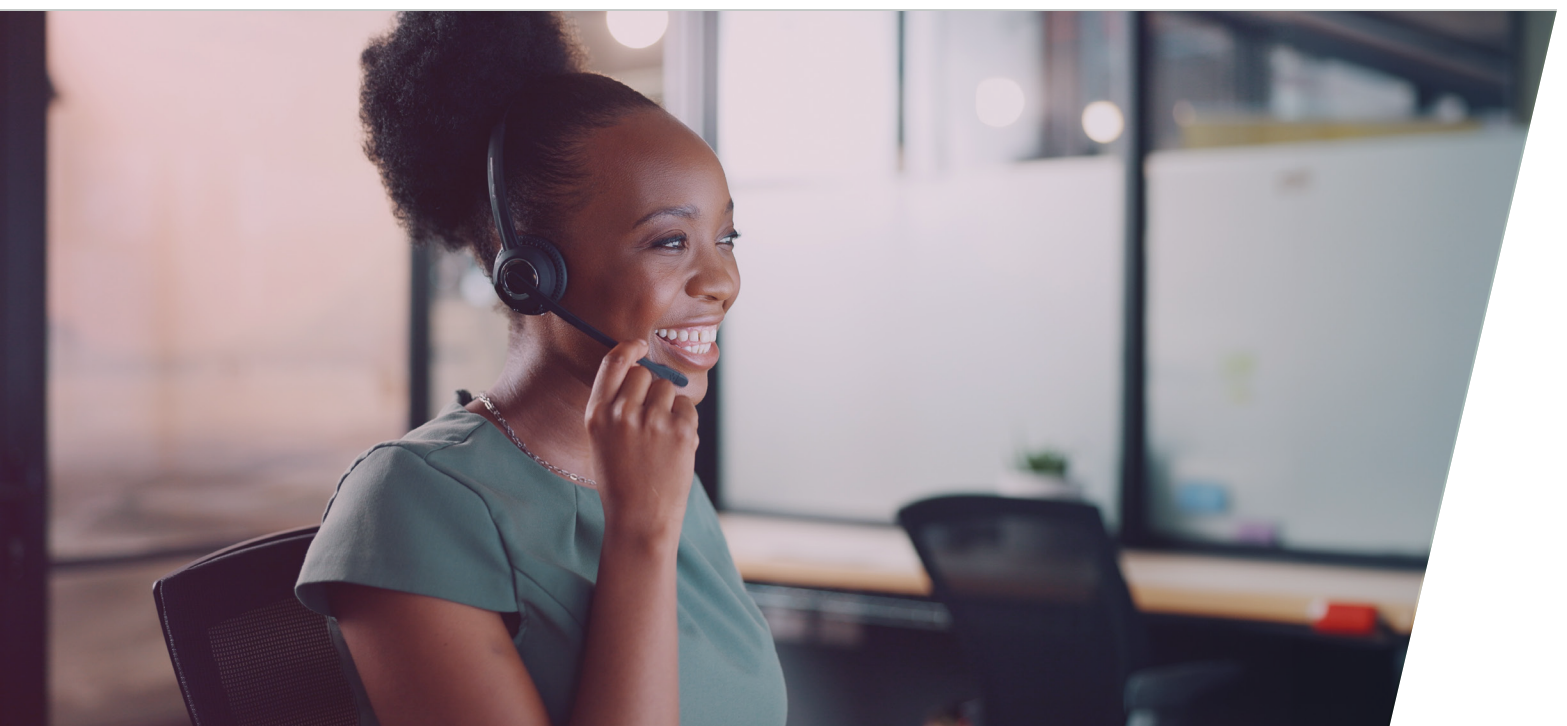


THE HUMAN TOUCH

A superior customer experience needs a human touch. Maintain a lean in-house team that truly understands customer needs and focuses on the human aspect of interactions.

Augment this core team with on-demand access to subject matter experts through a Center of Excellence (CoE) model. Tap niche specialists in fraud, lending, or product support to complement broader service teams. This allows flexibility to scale expertise up and down to match customer demand without extensive capital deployment.

The right blend of internal talent and on-call CoE expertise delivers the human touch needed to understand unique customer situations while maintaining cost efficiency.



USE CASE

Transforming the Customer Experience for a Global Remittance Service

Challenge

An international remittance service provider covering 21 countries and 75 currencies had ambitious growth plans but struggled with inadequate customer insights, lack of personalization, and long fulfillment timelines.

This blocked their ambition to scale to a fully global presence – especially in India and Latin America.

Our client wanted to redesign existing back-office processes – not only for efficiency and cost savings – but to introduce the 360-degree visibility needed for enhancing the customer experience. They also wanted to reduce their remittance timelines to improve customer service.

The challenge lay in achieving scale and efficiency without impacting service delivery and increasing costs. Much like changing the engine while driving the car.

Transformation

We partnered with our client – during a Sutherland Labs Design thinking workshop – to develop a transformation blueprint.

Combining deep domain expertise, extensive knowledge of process optimization, and proprietary and partnered tools and platforms, we designed a true omnichannel solution that modernized the customer experience and simplified operations.

A hub-and-spoke model (reinforced with micro hubs) was used to improve operational speed, shorten remittance times, and serve customers better.

The new future-ready operation leveraged:

- / Micro hubs in Colombia, Egypt, and India to serve growth markets.
- / A 360-degree customer journey map that integrates Speech Analytics and Conversational AI to improve interactions.
- / Customer experience tracking throughout the use of the app to better understand the customer journey.

Results

The transformation was achieved without any service disruptions or additional capital expenditure.

25%

reduction in customer complaints

40%

on demand flex capacity; managing ~40% growth and seasonality capacity (up and down) across geos

20%

improved KYC timelines; and robust AML leading to faster remittances



02

The Modern-Day Operations Playbook

Fintechs face escalating revenue and margin pressures, with a depleting cash runway. There's an urgent need to slash costs and improve operational efficiencies. It's not just about staying afloat; it's a strategic play that sets up Fintechs to tackle other business and operational challenges head-on.

Cybercrime and fraud are the most daunting and urgent challenges that threaten the Fintech business. Fintechs are in the crosshairs of escalating frequent and sophisticated cyberattacks. Financial organizations have, for instance, been hit by an average of 50 known attacks in the past year, positioning them as the most targeted sector⁶.

The financial toll of a cyberattack is estimated at 10% revenue loss, and businesses need nearly eight months to regain customer trust after a cyberattack⁷. Finance companies lose \$5.9M per data breach, 28% more than other sectors.⁸

No surprise, then, that 76% of businesses plan to boost cybersecurity budgets.

Moreover, Fintechs contend with a complex web of regulations. Compliance can be burdensome, costly, and time-consuming

The scrutiny around regulatory compliance has never been more intense. **Fintechs must prioritize compliance not as a formality but as a critical driver of operational integrity and customer trust.** With over 30% of financial institutions now allocating upwards of 5% of revenues to compliance, the message is clear: the cost of regulatory adherence is a necessary investment in securing a Fintech's future.

How can Fintechs navigate the complexities of modern-day operations – addressing existential threats while also saving costs and paving the way for innovation and growth?



How do Fintechs balance optimizing costs with increasing resources to fight cybercrime and meet compliance burdens?

⁶ Fastly: Global Security Research Report - The race to adapt

⁷ Fastly: Global Security Research Report - The race to adapt

⁸ Security Intelligence: Cost of a Data Breach

Invest Strategically to Upgrade Processes and Tackle Business-Critical Challenges

Digital transformation, i.e. the modernization of processes and platforms, is a vital element of the modern-day operations playbook. It drives efficiency, enhances reputation, and ultimately contributes to the bottom line.

With the right (and strategic) investments in digital transformation, risk management, and regulatory reporting, Fintechs can turn existential threats into a strategic advantage. Think cloud and edge computing, robotic process automation, blockchain, RegTech, AI-powered cybersecurity, and more.

Digital accelerators (aka transformation service providers) can bring together people, processes, products, and platforms across cognitive artificial intelligence (AI), intelligent automation, advanced analytics, and digital services to create unique solutions for Fintechs.

The end-to-end digital engineering service offered by transformation specialists is particularly valuable in building integrations with legacy infrastructure – a common challenge within the financial sector. Seamless integrations of new and old platforms help upgrade legacy environments without extensive overhauls, keeping operational continuity and minimizing disruption.

Here's some aspects to consider:



Turning existential threats into a strategic advantage



SCALING OPERATIONS

Grow rapidly and easily with Incubation to scale playbooks that detail and enable the art of setting up and expanding operations in a sustainable way.

Achieving scale and efficiency without compromising innovation is essential for Fintechs. To do so effectively requires designing, standardizing, and harmonizing processes. This is not easy, but harnessing the right blend of people, processes, and platforms working in synchronicity with the ability to benchmark and implement industry best practices can give Fintechs a competitive edge. Add in a global delivery rightshoring model that leverages AI, machine learning, and intelligent automation to drive further operational and cost efficiencies, and Fintechs will be equipped to scale at speed.



ACCELERATING DIGITAL TRANSFORMATION

Successful digital transformation is about more than simply modernizing platforms and processes. It requires augmenting and propelling core capabilities and platforms to the next level to support and enable expanding operations. The key here is having digital accelerators with easy integration and end-to-end digital engineering services to ramp staffing capacity up and down as needed.



ENHANCING CUSTOMER EXPERIENCE (CX)

Delivering personalized experiences that exceed the high expectations of today's discerning customer is becoming ever-more critical. Increasingly, that means adopting intelligent AI-powered capabilities such as: omnichannel CX platforms with built-in AI and machine learning tools and customer data strategies, advanced reporting and dashboards for high-touch customer support, and customer persona and journey analytics with sentiment and social media metrics.



IMPROVING COMPLIANCE

Regulatory oversight has been rising steadily and will continue to increase in the years ahead. Better regulatory compliance adherence is going to become a must-have, and Fintechs will need best-in-class risk and compliance management, partnerships, and regulatory reporting.

Continuing to prioritize integrating compliance checks in the product development lifecycle from the outset will be key to meeting tightening regulatory standards. So will utilizing AI-powered tools to automate and improve risk assessment and compliance processes, as well as adopting regulatory reporting platforms that can help streamline the process of gathering, analyzing, and submitting the required information to regulatory bodies, among others.



USE CASE

Enabling a Resilient Operating Model for a Leading Fintech and Digital Bank

Challenge

A large financial services company (one of the first peer-to-peer lenders) acquired another bank. To reap the full benefits of this acquisition, they needed to quickly integrate their systems and unify processes.

But, their systems weren't set up for smooth integration and this created inefficiencies, pushing up operating costs and impairing the customer experience.

Our client recognized this as an opportunity to streamline operations while also leveraging AI and automation to transform the customer experience. They tasked Sutherland to leverage our unique combination of market-leading technology and business process excellence to reinvent their legacy environments into state-of-the-art business enablers.

Results

The solution introduced agility and efficiency to operations.

45%

TCO reduction; optimized via a tailored operating model and intelligent automation

25%

increase in customer satisfaction; enhanced by streamlined optimization

15%

better and faster collections; reducing timelines and minimizing delinquency

Transformation

The first priority was to transform the core operations and bring operational agility and efficiency to the back-office. To achieve this, we implemented a flexible global rightshoring model, incorporating a strategic blend of onshore, nearshore, and offshore resources in a short span of 60 days.

CoEs were established to ensure consistency and quality for key business operations. Modern gamification-led learning techniques were tapped to help teams quickly standardize processes.

Previously siloed systems (such as borrower support and credit decisioning) were connected with Sutherland Robility and Sutherland Extract, streamlining operations further.

/ **Sutherland Robility** is a hyperautomation platform that enables Fintechs to manage complex processes, large volumes, and disparate IT systems with minimal manual intervention. It's designed to deliver operational transformation and maximize outcomes while also controlling costs.

/ **Sutherland Extract** is an AI-powered data extraction platform that seamlessly integrates with RPA platforms and existing applications to "read" documents like a human, to identify and classify the type of document and extract key data. Its cognitive OCR technology supports unstructured data, handwritten data, and language translation.

These initiatives, combined with a 360-degree customer view and comprehensive omnichannel support strategy, uplifted the customer experience.



03

The Scale Versus Sustainability Dilemma

Fintechs that grow rapidly often face a dilemma: whether to prioritize growth and scale or focus on profitability and sustainability.

Because technology development and customer acquisition is expensive, Fintechs need substantial upfront funding to launch and support hypergrowth. Venture capital funding supports quick scaling but can dry up if growth stalls. Profitability is not immediate.

Many Fintech services also face fierce competition. Customer acquisition costs tend to increase over time as marketing channels saturate. Putting growth ahead of unit economics can be risky.

While scaling and sustainability might seem at odds, the most successful Fintechs find ways to balance these objectives, recognizing that sustainable growth is a marathon, not a sprint. It's not about scale vs sustainability; it's about sustainable scale.

Scale with confidence by ensuring core capabilities and key support functions grow robustly and sustainably:

- / **Procurement.** Having reliable vendor relationships and payment processes to handle increasing purchases of services, hardware, software, and more is key.
- / **Accounting & Tax, Payroll, and Compliance.** As staff headcount, revenue, expenses, and regulatory complexity grow, staying on top of payroll, accounting accuracy, and compliance is essential.
- / **Training.** Employee skills and company knowledge should keep pace with product portfolio expansions.



How do Fintechs scale rapidly without stressing their infrastructure and operations?

Know When to Partner for Best Business Outcomes

Collaboration is key to driving the best business outcomes in a fast and sustainable way. Fintechs don't need to build everything in-house. The right partners can help quickly scale people, processes, products, and platforms without adding any operational stress – from enabling technologies to optimized and intelligent systems, support functions, business processes, and operating models.

Rather than going it alone, Fintechs can leverage partnerships to accelerate speed-to-market, enhance flexibility to meet fluctuating capacity needs, and control costs through variable pricing models.



TECHNOLOGY

Fintechs can license critical infrastructure like core banking, credit underwriting, payments, card issuing, and AML/KYC from specialized providers rather than building from scratch. This allows faster time-to-market and the flexibility to switch platforms based on evolving needs.



SYSTEMS

Non-core functions such as application processing, verification calls, collections, customer service, and IT support can be fully managed by partners via dedicated CoEs.



PEOPLE

Sourcing partners can recruit, train, and manage specialist teams to implement robust processes. They ensure performance by regularly measuring outputs and meeting SLAs. The most important benefit is the ability to rapidly scale up or down as needed.



ADVISORS

Digital accelerators and strategic advisors can deliver tailored services and solutions driving tangible results at scale across critical dimensions. They offer dedicated expertise or bandwidth on flexible, unbundled models – only charged for specific project needs.



USE CASE

Accelerating Scalable Transformation for Top Global Payments Fintech

Challenge

A global Fintech and payments company – among the largest in the world – enables complex transactions across thousands of institutional and retail customers globally. However, its siloed operating model with fragmented processes and inefficiencies was causing operational stress that prevented further expansion.

The escalating cost of serving clients was becoming unsustainable. Inefficient processes were responsible for significant fraud losses, data security concerns, and disappointed customers.

Our client wanted a partner to quickly and cost effectively streamline the technology stack. The goal was clear: substantially improve the customer experience by incorporating smart automation into core operations to continue growing operations. Rather than attempt to build the capabilities in-house, they knew they needed a partner with the know-how to create scalable solutions while they focused on day-to-day operations and market expansion.

Results

The solution suite integrated siloed systems for measurable results.

45%

savings delivered; with rightshoring and digital transformation led efficiencies that facilitated business expansion

100%

PII data masking compliance; no data breach reported since compliance optimization

100%

NPS rating for 7 years; by introducing data-backed, omnichannel digital interactions end-to-end

Transformation at Scale

Rather than patching together piecemeal solutions, we implemented a holistic transformation involving infrastructure, applications, data, and processes.

- / **Sutherland Sentinel AI** is the most comprehensive remote worker security suite available to Fintechs. Multiple layers of AI-driven security keeps important data secure and protects privacy, enabling remote employees to continue working productively while still adhering to company and client security policies. It allows Fintechs to secure the person, shield the data, and track the environment in real-time.
- / **Sutherland Robility** is an intelligent automation platform that includes AI-enabled data extraction, low-code workflow for business process management, RPA bots, real-time dashboards, and reusable AI/ML models for increased efficiencies and cost-savings.
- / **Sutherland Extract** is an AI-powered OCR solution that learns and becomes more intelligent over time. It integrates easily with upstream and downstream applications, measurably improves the quantity and quality of data extracted, and ensures best-in-class security of data.
- / **Sutherland Connect** is a cloud-based omnichannel customer experience platform that continually analyzes customer data and interactions and provides AI/ML-powered intelligent interactive responses, even when customers switch channels midstream.
- / **Speech Analytics** is a multi-step process that understands and analyzes 100% of customer interactions to provide rich insights, monitor quality, and provide predictive outcomes for enhanced future interactions and engagement.

Opportunity Ahead

Resilient Fintechs deliver a better experience, cut costs, manage compliance, address industry risks, and successfully fight rising levels of fraud. For this, they need to modernize their operating models, platforms, and processes.

Market leaders of tomorrow will be those that use partnerships judiciously to build a solid, flexible foundation for innovation and reliable execution. Getting the growth strategy and supporting infrastructure right early on and adapting it proactively will enable Fintechs to thrive.

The specific strategies a Fintech adopts will depend on its unique challenges, resources, and target market. However, by leveraging the deep domain expertise and extensive experience of digital accelerators in driving business and digital transformation, Fintechs can access better outcomes without having to build everything in-house.

The future is bright for both incumbents and disruptors – as long as they modernize their operations, back themselves to adapt to change and challenges, and scale sustainably.

Sutherland FinXelerate You Focus on Innovation, We'll Take Care of the Rest

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Sutherland is an experience-led digital transformation company.

Our mission is to deliver exceptionally designed and engineered experiences for customers and employees. For over 35 years, we have cared for our client's customers, delivering measurable results and accelerating growth. Our proprietary, AI-based products and platforms are built using robust IP and automation. We are a team of global professionals, operationally effective, culturally meshed, and committed to our clients and to one another.

We call it One Sutherland.

