

5 GROWTH OPPORTUNITIES FACING UK FINTECHS IN 2020

FINANCIAL SERVICES TECHNOLOGY (FST) IS BOOMING IN THE UK

London saw more FinTech investment deals (114) than any other city in the world in 2019. In the first eight months of the year alone, more than \$2 billion was invested in London-based FinTechs. Of Europe's 10 largest FST venture capital investments, **five were for London-based businesses.**

Yet there is more to the UK FinTech scene than the capital city. Across the whole country, there are over 1,600 businesses in the sector. Estimates suggest this number will **more than double over the next decade.**

This growth is unsurprising given the UK's apparent love of financial services technology products. Nationally, the country's **FinTech adoption rate** stands at 42%, against a global average of 33%.

All of which is excellent news for FinTech businesses. But the substantial growth opportunity means nothing without the expertise and foresight to take advantage. With that in mind, specialist data and analytics recruiter **Mana Search** has compiled the following in-depth guide to the five biggest growth opportunities facing the FinTech sector in 2020, plus our recommendations on how to leverage them.

Along the way, we will discuss:

1. Consumer adoption of multiple FinTech products
2. Advances in hyper-personalisation
3. Low barriers to entry for startups
4. Growing demand for robo-advisers
5. Continued innovation driven by data science

CONSUMER ADOPTION OF MULTIPLE FINTECH PRODUCTS

OPPORTUNITY

Not only do UK consumers see the clear benefits of FST, but they are also comfortable with using an array of products. In fact, they are more likely than almost any other consumers to use multiple financial services providers, with **23% using products from five or more providers** (second only to China, with 36%).

While the technologies themselves may be cutting-edge, adoption of these products is being driven by the oldest form of marketing – word of mouth. Indeed, 30% of adopters say they rely on advice from family, friends and colleagues when selecting financial services providers. In comparison, just 13% depend on relationship managers at their bank or insurer.

RECOMMENDATION

While consumers are happy to download and use a suite of FST products, FinTechs should not expect them to do so unless they can stand out in ever-more-crowded app marketplaces. Focus on a niche – or a niche within a niche – for the best chance of driving widespread adoption, and keep in mind the essential product characteristics that consumers now consider prerequisites.

FinTech products must be:

- SIMPLE
- TRANSPARENT
- FRICTIONLESS
- PERSONALISED
- OMNI-CHANNEL

For incumbents able to meet these basic barometers of success, there is a substantial opportunity to build on the brand's core strengths – such as existing customer relationships; long-standing connections with industry peers and regulators; and a global name – when marketing new FinTech products.

ADVANCES IN HYPER-PERSONALISATION

OPPORTUNITY

From retail to healthcare, consumers are increasingly craving the personal touch.

Things are no different in the world of financial services. Half of consumers have indicated an interest in receiving personalised financial advice from banks, shaped by their specific circumstances and spending habits, while two-thirds are interested in insurance premiums tied to their own behaviours (*such as linking car insurance prices to road safety*).

While people are generally becoming more wary over who they share their information with, consumers are actually happy to hand over their data in return for better advice and more attractive offers. For instance, many are interested in priority services such as fast-tracked insurance claims settlements.

However, banks are frequently failing to step up to the plate on personalisation. Just 6% of respondents to a survey by Digital Banking Report and Pegasystems were found to be offering customers 'advanced' personalisation, including individual one-to-one customer guidance.

In other words, there exists a substantial opportunity for FinTech businesses able to deliver the hyper-personalised experiences that consumers demand, but are all-too-often unable to access.

RECOMMENDATION

To deliver hyper-personalised experiences, FinTechs must be able to leverage the data given to them by customers to provide genuine insight and practical advice. What's more, this advice must be presented in a user-friendly manner.

Achieving these objectives is all about finding the best data and development talent. Unfortunately, this is no easy task. Indeed, 53% of UK FST businesses cite the ability to attract qualified or suitable talent as their top priority – more than any other issue, including customer adoption (48%). As a specialist data and analytics recruiter with a substantial track record in financial services technology, Mana Search is uniquely placed to support FinTechs struggling to source the talent they need to unlock their growth potential.

LOW BARRIERS TO ENTRY FOR INNOVATORS OPPORTUNITY

OPPORTUNITY

FinTech may be a relatively new sector, but it is lightyears ahead of many better-established industries when it comes to removing barriers to entry. Much of this is down to the Financial Conduct Authority's (FCA's) Project Innovate, which aims to mitigate the regulatory barriers that may otherwise stifle creativity and innovation. Launched in 2014, the initiative has so far supported 686 companies. Startups involved in the programme's first cohort received a total of **£135 million in equity funding** and around four-fifths are still in operation.

Such is the success of Project Innovate that many analysts have called for it to be scaled up, allowing the scheme to support a larger number of domestic and foreign FinTech startups – and also, potentially, more established tech businesses.

RECOMMENDATION

Project Innovate may not be new, but it remains a fantastic proposition for FST businesses of all sizes.

For startups, the opportunity is clear: sign up to Project Innovate and receive unparalleled support in navigating the regulatory landscape.

Perhaps more surprisingly, established players are also in a position to reap significant benefits from the scheme. Samantha Emery, the FCA's Innovate head of department, **explains**: "They may be partnering with FinTechs, or opening up their own innovation labs or programmes. But they're starting to mimic the behaviour [of startups]. They're starting to engage with the FinTechs and that will be seen as positive because it means the whole industry is moving forward."

CONSUMER DEMAND FOR ROBO-ADVISERS OPPORTUNITY

OPPORTUNITY

Despite its relative lack of maturity, the FinTech market has already spawned a wide range of subsections.

From a growth perspective, one of the most significant subsections is WealthTech, which combines an array of solutions – such as digital brokerage services and robo-advisers – to provide wealth management support to high-net-wealth individuals (HNWIs).

Robo-advisers are a particularly interesting opportunity for FinTechs operating in European markets. Awareness of the technology is higher here than in either Asia-Pacific or North America, the two other major WealthTech markets. Some **23% of HNWIs in Europe use robo-advisors**, versus a global average of 14%.

Going forward, adoption of robo-advisers looks set to increase significantly. One in three non-users who have heard of robo-advice services say they would consider using them in the future. This proportion rises to almost half (47%) among HNWIs under the age of 45.

RECOMMENDATION

Europe is leading the way on robo-advice adoption. But there is still a vast, untapped market available for new and existing players to access, and the rewards are out there for any FinTech that succeeds in delivering an effective WealthTech solution that effectively leverages robo-advisers. As ever, innovation is key, but is likely to be stifled without access to key data and analytics skill sets.

DATA SCIENCE CONTINUES TO DRIVE INNOVATION OPPORTUNITY

OPPORTUNITY

Data science is the emerging trend in technology. This is not just an opinion – the numbers speak for themselves.

Tech Nation analysed the changing topics of interest on Stack Overflow between 2008 and 2018. While the period of 2013-17 was dominated by front-end development (accounting for over a fifth of all conversation), data science has since come to the fore, generating more questions than any other topic in 2018.

Why is this important? Because developers using Stack Overflow naturally update their skill sets to stay relevant in an ever-adapting marketplace. In other words, their changing interests are an extremely helpful barometer for emerging tech trends.

Given that more than 80% of all data generated today is unstructured, it is hardly surprising that data science has such a crucial role to play in driving businesses forward. It is the key component behind any number of FinTech-adjacent technologies and solutions, from hyper-personalisation and AI to credit risk evaluation and fraud detection.

RECOMMENDATION

Data science is no secret. FinTechs have already found themselves locked in battle with one another – not to mention with organisations from other sectors – to secure the best data science talent, and this competition is only set to become more intense in 2020. Partnering with a dedicated data science headhunter will be crucial for FinTechs looking to access elite talent and **in-demand skill sets**.

FINAL THOUGHT: TALENT UNLOCKS POTENTIAL

FinTechs that thrive in 2020 will not be those that launch the most ground-breaking products or the most attractive interfaces; success will come through addressing a clear pain point and delivering it effectively. But without the necessary technical skills and resources, this becomes all-but impossible.

This is where Mana Search comes in. We unlock growth for disruptive FinTechs by connecting them with expert talent.

Ready to start your talent search?

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