

How to scale a fintech

Strategic advice
from industry leaders

GOCARDLESS

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Introduction

Fintech businesses have made an extraordinary impact in the past five years.

From banking and credit, to trading and insurance, there is a practically endless list of new financial services, all reinventing classic business models or bringing something new to the market.

But nobody said it was going to be easy. There is still inertia – plenty of people only have one bank account, and worse still go to that same bank for all their financial needs and products.

Then there's growth itself. Sure, challengers don't always have to worry about the grinding agony of impenetrable legacy mainframe systems, but global growth demands rapid matrixing of talent and technologies, and this is always painful.

But how do you navigate all these challenges? To find the answer, we spoke to founders, C-suite executives and other industry visionaries on key strategic aspects of the fintech scaling journey

This is the definitive guide to scaling a fintech – in the words of the people who have already done it.

01. Customer experience

Keep customers top of mind as you scale

Your customers got you here – so don't lose them along the way to growth. In digital services, the customer must remain your North Star. They now have plenty of options and the ability to switch with just a few clicks. Growth means new customer communities with different needs, so never stop engaging with them to understand what this new heterogeneous collection of clients actually wants.

" The important thing to remember is to always put the customer's requirements first. After all, this is how the fintech industry itself was started. Use technology to stay connected with customers, and make sure you are delivering the solutions they want and need rather than becoming complacent. "



Mark Walker,
COO, *The Fintech
Power 50*



" From the very beginning we have operated with the principle of quickly meeting the financial needs of customers. That is the company's mission. However, it is not enough to simply state it. You also need to regularly measure and improve performance on each step (of the customer journey), and regularly collect customer feedback on the ease and convenience of services."

Sergey Sedov,
CEO, Robocash Group

" Whether your customers are SMEs, massive businesses or small businesses, try to do everything and you will find that it is really difficult to do everything really well. It's much more realistic to do smaller services with much more focus, with a really deep understanding of what the customer wants and delivering a great experience from that. "

Carlos Gonzalez-Cadenas,
COO, GoCardless

" Expanding into new markets is an exciting project for any fintech company, but the mistake often made is failing to put processes in place to manage their existing user base. Harnessing automated systems that understand how to interact with your customers and support the process can help mitigate any problems further down the line. "

Mark Walker, COO, Fintech Power 50

" We need to understand the views and preferences of those unimpressed by our rhetoric, who do not want to join our exclusive club. "

Anne Boden, CEO, Starling Bank

" It's a very simple story, and it's always been a very simple story. We're just going to keep doing the same thing in more and more places, at bigger and bigger scale—and not try and get too clever. "

Samir Desai, CEO, Funding Circle

02.

Speed & agility

The most common pitfall: becoming bloated

During the high growth phase – and the mis-steps which will inevitably happen along the way – it's easy for a fintech to become as cumbersome as the incumbents they set out to challenge. But staying agile is as much a mindset as a bunch of processes: encourage an attitude of flexibility and you will maintain the healthy skepticism that continues to question the status quo.

" The kinds of problems our teams are working on impact millions of people every day, they're pioneering new ways of moving money around the world and that's a big responsibility. We give a lot of trust to our teams and they need to be comfortable with that freedom. Organising by autonomous teams has helped us to scale fast, because we're able to work on lots of different opportunities, in parallel, with little organisational overhead. "



Kristo Käärmann
CEO, *TransferWise*



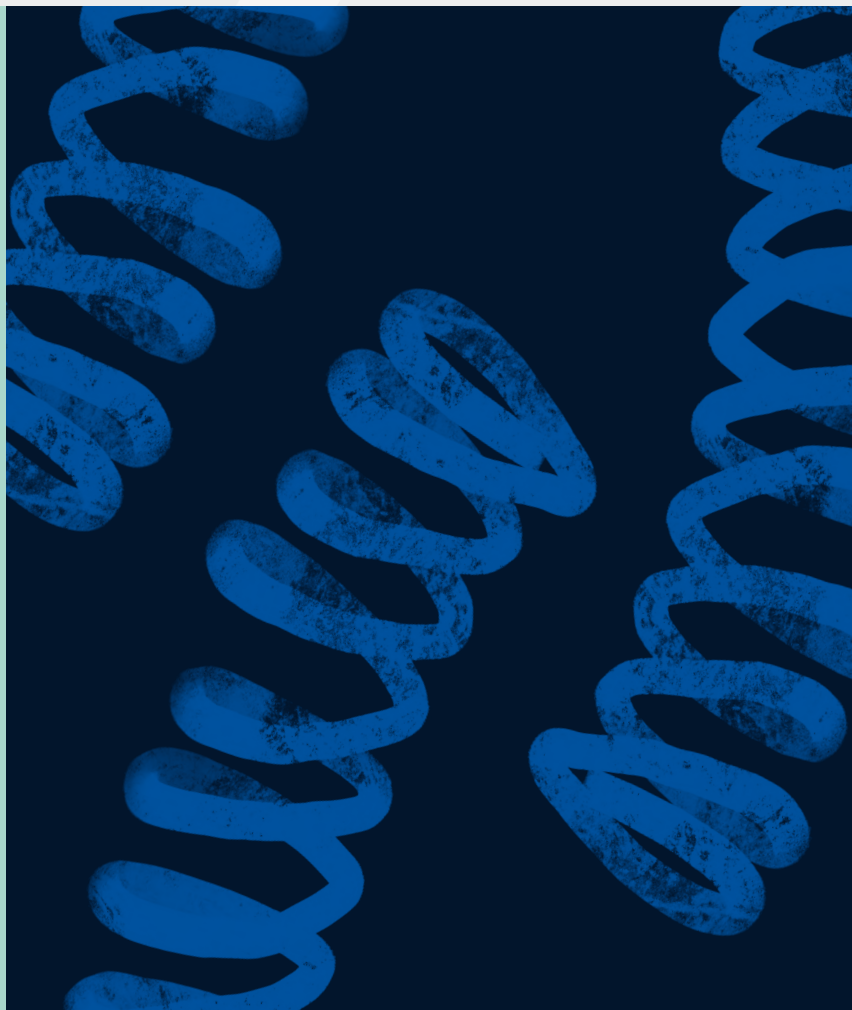
" One of the things you are going to deal with is that you will have to be prepared to run a whole load of initiatives and be prepared that some of them will fail... But the big banks don't do that; (with them) it's got to be 'well somebody's failed, who's responsible, we better fire them'. It's (about) not being scared to fail in certain aspects. "

Gary Dolman,
Ex-CFO (retired 2018), Monzo

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" We maintain a start-up culture of moving fast and trying new things. Just because we've done things a certain way for the last six months or even four years, doesn't mean there isn't suddenly a better, more efficient way of moving forward. "

Samir Desai
CEO, Funding Circle



" Focus on momentum. Mistakes are bound to happen, but I've learned to try and embrace them. Instead of agonising over every decision, it's better to get your head down, run with it and course-correct as you go. It's through that cycle of constantly moving and course-correcting that you build momentum and wiggle your way to success."

Hiroki Takeuchi, CEO, GoCardless

" Internal culture is the key (to staying agile). Regular meet-ups on a variety of topics, ranging from aspects of product development to user journey, encourage the team to stay open and share the experience. Then, to foster the spirit of innovation further, we have established a database of improvements. Each employee can suggest ideas on how to improve processes, solutions, technologies and so on. "

Sergey Sedov, CEO, Robocash Group

03. Technology

Investing for the future

Technology is a key scaling challenge, not least because fintech talent is expensive: and deep-pocketed banks are prepared to pay handsomely for it! That's not all: infrastructure configurations are changing faster than ever, cross-border data considerations are high on the regulatory and consumer agenda, and many fintechs will inevitably want to pivot their business models before going for growth. All this makes the CTO's role particularly interesting...

" We're spending a lot of money on technology; that's an investment for the future. We have over 300 employees, nearly half of them are in our technology team developing software for the future — integration with our partners, mobile apps, making it faster. All things like that which other finance companies just aren't. "



Samir Desai
CEO, *Funding Circle*





"Start-ups need to understand that, when scaling, they can't do everything themselves. Knowing when to build and when to buy is a dilemma many businesses face - it can leave your business running short on both ends. That's why you should always be looking at developing strategic partnerships with other firms, whose technology you can utilise to help you grow."

Ed Addario
CTO, Currencycloud

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" Broadly, things that help maintain productivity include: common tooling, investing in making onboarding slick as anything, decent documentation (so people can get independently productive fast), and staying aware of how long it takes to go from an idea to a feature in customers' hands... "

Meri Williams,
CTO, Monzo

" If it's fundamental to Starling, we are going to build it, not buy it. This includes core customer ledger, transaction processing and card processing where Starling has teams controlling it directly. (But) as we get to the more commodity outer layer, we tend to buy... When we buy software, we never want to run it ourselves, but prefer to partner with people that provide the service. We build and run banking software, and I want other people to run the other stuff. "

John Mountain, CIO, Starling Bank

" A workload shared is a workload halved. Collaboration means start-ups can access new capabilities without the total cost of implementation and ownership on their books. Using an already built structure from your partner, which you can plug into your existing service, often also means that some of the burden of compliance, as well as product development and ability to scale, is lifted from the company's shoulders. "

Sergey Sedov, CEO, Robocash Group

Scaling in-depth #1

" Understand what makes customers tick "

Edward Berks,
Director of Platform Business,
UK & EMEA, Xero

The needs of your customers should be at the heart of everything you do. Get a full understanding of what makes them tick through things like focus groups and online surveys. Only then will you be able to win over hearts and minds.

Ambitious start-ups are at a huge advantage as they can respond quickly to the latest societal trends that impact customer habits. Keep yourself informed with what your customers are saying, what's in the news and what other businesses are doing. You'll then be able to quickly map the market and thrive.

Always think about your customers, but don't obsess about the competition. The biggest mistake an ambitious fintech start-up can make is to look only at what the competition is doing. It's the people who are going to buy what you're selling that need the most attention. Your competitors won't have your individual

Adopt the right technology

Technology is, of course, also important. Businesses can create significant barriers to growth when they don't adopt the right technologies. Software and online tools provide one of the best and quickest ways to save time and increase productivity.

At Xero, we know that a [quarter of small business owners](#) that cloud accounting software helps them manage their accounts in less time. Storing financial data in the cloud also means it's easier for employees to collaborate. Access to this real-time information supports more intelligent forecasting and better decisions. When banks and others can access the right data in real-time, this also helps when securing funding.

Headspace to focus

By using these technologies, fintechs also access a range of world-class services. An example is with API integrations, which allow businesses to connect with fintech innovators to improve money management.

These technologies take the burden of administrative tasks away. As you grow, this will give you the headspace to focus on other more important things such as how you develop your product.

Ultimately, you'll find that the most likely determinants of your future success actually reside inside your business, not outside.

04. Data

Make great decisions quickly

In 2019, data is at the heart of digital services. It's not possible to drive efficiencies by cutting people – fintechs operate at maximum human efficiency already. But by deploying data, operations can be optimised and new customer segments uncovered. Data-driven businesses can be confident that they are driving every possible source of value; and in fintech that means everything from classic marketing to the decisioning that lets more of the right customers in and keeps more of the wrong ones out.

" One thing that we try to do is be very intentional in our actions every day: how do we get from here to there? And it often involves math. Can we measure the outcome of this process? Can we predict the value of this process? We tend not to do things that you can't measure, because if you can't measure it you're probably, in our opinion, not really doing the right thing, and you haven't asked the right question yet. "



Douglas Merrill,
CEO, ZestFinance





"A lot of our focus is on enabling the rest of Monzo to make great decisions quickly using the data that we have."

Neal Lathia
*Machine Learning Lead,
Monzo*

" Being data-driven will help you to flesh out where to put your long and short-term focus. It'll bring your mission to life and make it tangible. But being data-driven is not just about collecting data. It's not just using data somehow to improve your decisions. Data driven teams talk differently because they understand the problem they're solving more clearly. "

Jeff McClelland,
Head of People Experience, TransferWise

" We use a combination of data and risk analytics to effectively grade our loans in more detail than traditional lending institutions and to differentiate ourselves from what other banks can offer. Because of our deep analytical understanding, we can offer loans to businesses that banks might turn away. "

Samir Desai, CEO, Funding Circle

" Today, the rise of Open Banking allows any lender access to customer account histories that provide deep insights into the creditworthiness of each loan applicant. This new data source allows lenders to understand the income and spending habits of potential customers, reduce the number of 'thin-file' cases and approve more creditworthy customers. "

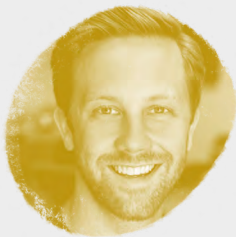
Rolands Mesters, CEO, Nordigen

05. Talent & teams

Team players, critical thinkers and natural communicators

The world of work is changing, and fintech is ideally placed to leverage new theories of talent management. Smart people learn the facts on the job – because they have to. Their core skills are the softer skills: engagement, teamwork, critical thinking and communication. Fintech must prioritise these agile players, and nurture them through the business to keep them.

" There are a few principles we use, which is we hire very smart people and give them a lot of responsibility, and really try to push decision making down as far as we can, to the people who are actually doing the work day to day. Having cross-functional, decoupled teams is something that's very important as well. "



Tom Blomfield,
CEO, Monzo



" I think companies can tend to underestimate the ability of internal stars to step up and take more responsibility. The Hut Group – not fintech but a big start-up success story – has promoted most of its senior team from within, often at young ages, with great success. "

Rob Moffat,
Partner, Balderton Capital

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" Hire people in the business who are aware of and sensitive to technology... We put hardcore technologists everywhere. For example, we have technologists in the finance department and programmers in marketing... When you run a bank you don't want to have an IT department, but rather run it as a technology company with technology in everything it does."

John Mountain
CIO, Starling Bank

" I'm actually most interested in making distributed working something we invest in a bunch, so that we can have access to the global talent pool, rather than assuming every new market we'd offer services in would have to have its own engineering team – that doesn't scale as quickly as we likely need to. "

Meri Williams, CTO, Monzo

" The C-level hires that a founder makes are really important - they need to have the right knowledge to do their jobs really well, but also the right attitude to influence company culture in the right way... This is a particular challenge for fintechs as they often want to hire people from the traditional banking or insurance world for their knowledge, but many of these people are the wrong fit culturally and struggle to adapt to start-up life. "

Rob Moffat, Partner, Balderton Capital



06.

Payments at Scale

Scaling payments and the payment experience

In fintech, profitability is not just about product. It's a function of seamlessness (making life easy from onboarding to regular use), pricing (the right service at the right pricepoint) and in-territory systems (especially in fintech, where regulation can be challenging and customer habits mean different systems have different relevance).

The payment ecosystem is surprisingly variable in different countries, so your payment back end is a crucial consideration.



" Over the last 10 years, we've seen the rise of the subscription economy and the boom of the business services sector. But while business models have adapted and evolved, payments haven't. Even enterprise companies are stuck with old-world payment, like cheques and bank transfers. At best, a bad-fit payment method is a major distraction and a blocker on growth. At worst it causes needless customer churn and starves businesses of the cash flow they need to keep the lights on. "



Hiroki Takeuchi,
CEO, GoCardless

GOCARDLESS



" A steady and predictable stream of revenue is critical for any business. As a fintech matures, it must tackle the fundamental problem - how to evaluate the creditworthiness of its customers before engaging with them. This is where credit bureau checks might not be enough and Open Banking might provide the answer. It allows any fintech to build smooth customer onboarding processes that allow instant creditworthiness checks in a manner that don't kill conversion rates. "

Rolands Mesters,
CEO, Nordigen

" Getting paid is one of the highest priorities for fintech companies, but it is of paramount importance during the early months and years. Cash flow problems while the company is growing can lead to a company's downfall. The best way to combat this is to present customers with automated and intelligent payment methods that enable them to pay in their preferred method, while allowing you to anticipate when monies will be paid. "

Mark Walker,
COO, Fintech Power 50

" We had very ambitious growth plans. We needed our processes to be able to scale with us, so that payments didn't become a bottleneck or a compliance risk. Moving to GoCardless was the natural step in our payments evolution to allow us to scale, without payments being the limiting factor. Our team are freed up from some activities and have been able to shift their focus. "

Chris Latchford, Global Head of Payments Strategy,
Funding Circle

Scaling in-depth #2

" Culture is key and the foundation for everything else "

Stephen Chandler,
Managing partner, Notion Capital

Fintechs succeed through disrupting conventional financial service business models with better value propositions, market reach or customer experience. It's not about the technology per se - technology is just an enabler to achieve these goals.

The key is to maintain and augment your differentiators as you scale and as copycats emerge. This is difficult and requires different organisational skills around the table, whilst never losing sight of what made you great in the first place. Systems, processes and regulatory compliance become ever more important.

But a few things don't change, like always driving continuous improvement for your customers. Disruptive fintechs are generally better at leveraging data than the incumbents and scale brings ever more possibilities in this regard. And most importantly as a foundation for the others, culture is key – hiring people that share your vision and values.

Stay close to your cash flow -
and customer experience

The 'start-up' phase (\$0-\$1m revenues) is all about identifying the market pain and associated opportunity, assembling your founding team and building a minimum viable product.. The next phase, what we call the 'grow up' phase (\$1-\$10m revenues), is about really honing your ideal customer profile and achieving proper product/market fit with a clear understanding of your unit economics.

After that you move into 'scale up' (\$10m+ revenues), where incremental investment generates predictable returns in your core markets but where you begin to test and augment these with investments into new adjacent markets (geographic, sector and / or product).

The evolving role of the founder

The founder role evolves across this journey from "jack of all trades" to increased focus on the areas you enjoy and are good at or those where you have gaps in the leadership team that need support or augmentation.

Some founders are great evangelists, others are sales people and, others still, product visionaries. Play to your strengths and passions but at all times stay close to your cash flow and your customer experience. It is these two factors more than any others on which your survival depends. As for maintaining organisational character and personality as you scale, then the key is to hire the very best people you can at every step.

Contributors

With thanks to all our contributors

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What is GoCardless?

GoCardless provides a smarter and more scalable way to take payments, helping you automatically collect instalments and invoices from your customers around the globe.

Deliver a great payment experience at scale, minimise failed payments and get real-time notifications and alerts.

We're already helping more than 40,000 businesses like Funding Circle, Nutmeg, Lendable and Propel by Deloitte get paid on time.

We're taking the pain out of getting paid, so you can focus on doing what you do best.

Speak to our experts today and find out exactly how GoCardless can help your business transform its approach to payments.