How to succeed at fintech

Disrupt your own business

Executive Summary

With fintech sweeping across financial services and disrupting long-standing business models, one ponders: what makes for successful fintech? Success stories in fintech are rooted in transformative business models. Technology is the enabler, not the inspiration. This guide explores the logic behind a business model approach to fintech and uses debt collection as a business example. There, the nexus of regulatory and lifestyle change inspired new thinking about collection practices, based on decades of collection experience. The outcome has been well received and successful from a performance standpoint.

Create value by disrupting old ways

Comedian Woody Allen once said, **"I am not afraid of death. I just don't want to be there when it happens."**

For many of us, the same might be said about change.

In the financial services market, business disruption is coursing through the halls of commerce, and fintech is the force making the waves. The growth in the number and variety of fintech applications is astounding. Arguably, it has changed our lives more than any other branch of technology (with the possible exception of healthcare), introducing new ways to manage our financial selves through the availability of easy-to-use technology.

Why is fintech so transformative? Simple: it creates value that displaces what has traditionally driven consumer behavior. Mobile payment applications create the value of convenience and security. Investment and trading applications create choice and prosperity. Insurance applications create savings and offer real-time protection.

So where does good fintech come from? It is rooted not in technology but in a transformative business model. Technology is its front end. Consumers adopt fintech if they recognize the underlying value represented in the application, not because the technology sizzles.

Good fintech causes disruption by creating a wedge between traditional and emergent ways of doing things. It flourishes by reducing cost, creating convenience, and saving time, especially time. It is the new currency: You can always make more money; you cannot make more time.

Fintech can level the competitive playing field by diminishing the importance of economies of scale, a physical geographic presence, or access to capital. It can bring down giant companies of long standing and turn young visionaries into billionaires.

Emergent fintech changes the basis for competition in an industry. Convenience trumps price: we order from Amazon because we do not want to trundle down to a retail outlet to purchase something—even if the price is lower in the store. Time usurps service: we forego hand-holding for self-serve. Safety replaces prestige: we opt for products with safety features over ones that have status emblems.

Critical thinking in fintech

A fintech strategy often begins with a critical self-assessment of one's own enterprise. are we exposed to disruption? If a start-up were to enter our business using a clean-sheet-of-paper approach, what business process would they focus on? How tumultuous could the change be? Start by focusing on what you know best. It is better to disrupt one's own business than to be disrupted.

An existing franchise in the industry undergoing transformation is seen by some as a disadvantage. Technologists eye a labor-intensive activity as ripe for disintermediation. Often, they believe technology is a 100% solution; often, it is not. The advantage goes to the disrupter that has sweat equity in the category and the business experience not just to envision a new way, but the wisdom to achieve a balance between people and technology in the approach.

We have had a franchise in debt collection for more than 30 years. We have learned much, and we put that to work in redefining Collections.

Debt collection comes out of the shadows

Long a boiler room industry characterized by gruff sounding characters who harangued debtors into repayment, we are developing fintech to reshape debt collection as a more humane endeavor. Over the course of 30 years, we learned that aggressive debt collection only drives debtors into the shadows and attracts regulatory attention.

The Fair Debt Collection Practices Act (FDCPA) afforded consumers new protection, particularly those provisions where consumers control communication and are protected from harassment. These provisions fostered our fintech vision:

- **If consumers control communication, let's give them options**
- **If consumers are protected from harassment, let's make the practice of debt collection more empathetic**

In the realm of consumer privacy rights, compliance is seen as a legal issue. That's why we're exposed to pop-up disclosures and acknowledgments: it's a practice controlled by lawyers. But privacy is not a legal issue, it's a marketing issue. In a world where we transact with companies that do not have a physical presence, trust is the cornerstone of an enduring relationship. Acknowledging and honoring consumer's privacy sensitivities is good business, one that wins loyalties and builds a brand reputation for trustworthiness.

The same is true in debt collection: compliance is a marketing issue. Applying the principles driving FDCPA to a new business model for Collections not only ensures you're on the right side of regulations, but also positions you to retain customers who may find themselves temporarily in the hole, so to speak.

Create value by disrupting old ways

So, how do you turn an event that is uncomfortable and embarrassing into a positive experience for the consumer while making debt collection more effective? This was our thinking as we built a fintech framework around debt collections.

Inspired by our decades of debt collection, we began to model a new approach. If consumers control communication, let's open new channels. They will gravitate towards the channel with which they feel the most comfortable, enabling more dialog.

If harassment is a no-no (as it should be), let's keep the dialog positive. Let's acknowledge consumers' desire to put unpaid debt behind them and give them paths to glory.

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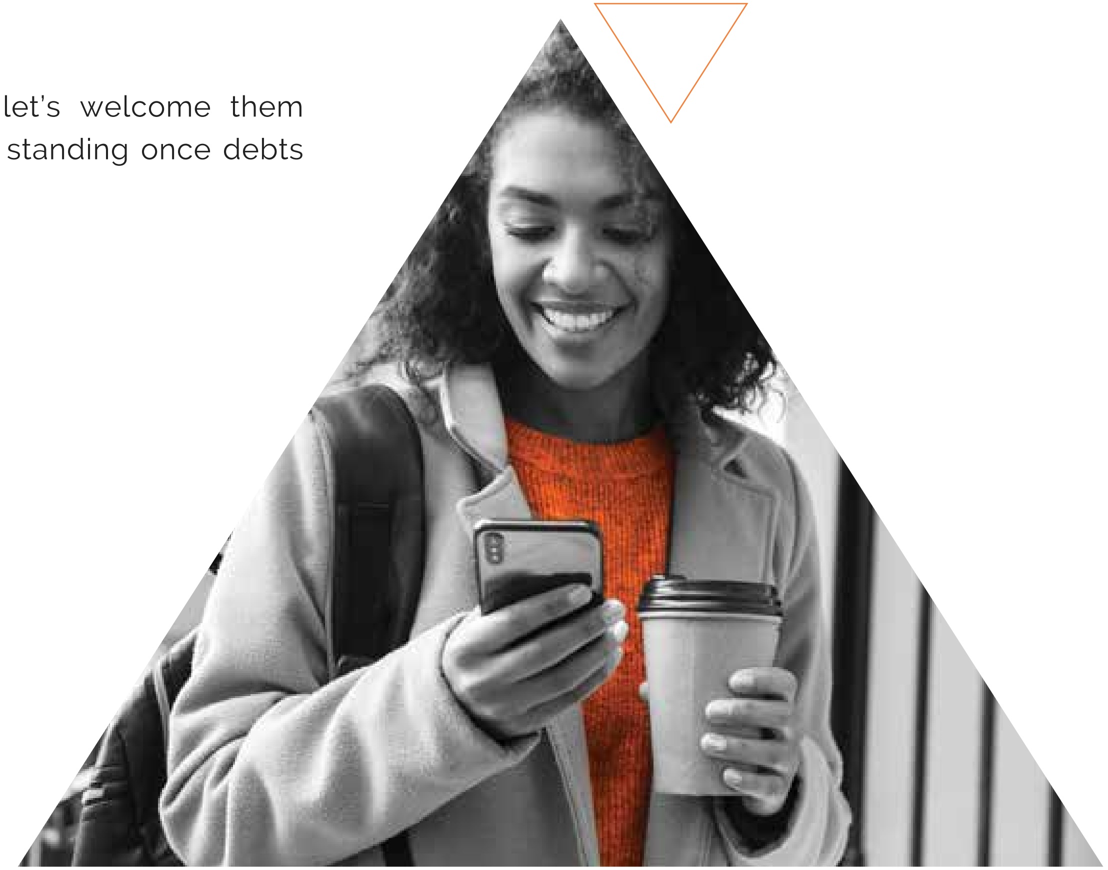
To engender self-esteem, let's welcome them anew as customers in good standing once debts have been settled.



Applying fintech to a new approach

Technology entered the conversation once we envisioned the best practices.

Choice in communication means enabling omnichannel, supporting everything from old-fashioned postal mail to real-time chat sessions.

Creating a path to glory means knowing and understanding the consumer and offering repayment strategies that fit their means and desires. This entails behavioral modeling that shines a bright light on a resolution that fits their pocketbook and their lifestyle.

Creating an uplifting dialog means hearing the customer, interpreting their words and tone of voice, and playing back responses that offer reassurance, not antipathy.

If control is a major element in collection compliance, let's create a self-serve path to debt resolution. Consumers need not engage a human unless they want to. And if they do, let's give the human on the other end of the connection the tools they need to have a constructive dialog.

If we do everything right and recover a debt that leaves the consumer with pride and self-esteem, clearly, we want them to remain customers. As the Girl Scouts say, "Make new friends but keep the old. One is silver, the other gold."

The point is our brand of fintech wasn't spawned from the latest technology; it was inspired by a new business model that met regulatory hurdles and complemented lifestyle trends. Technology was an enabler, not an inspiration.

How can Firstsource help?

Today, our model is applied to all manner of Collections, from buy now, pay later relationships to home loans. It produces results that are far superior to conventional collection practices.

It is manifest in a platform that features AI-driven technology that analyzes and guides debt collection. Voice analytics detect stress levels and informs the ensuing dialog. Digital conversion of chat, email and text communication enables us to instantly respond with definitive answers or prepares associates to respond to inquiries in context. Analytics help develop consumer profiles that predict payment probability and identify consumers that will likely default on their obligations in the future, triggering debt prevention strategies.

Our fintech attracts attention not for the technology, but for the knowledge that drives its development and refinement. Its success is testimony that the business model matters more than the technology. And with this approach, a little less apprehension about change.

Author

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Head - Collections

Arjun Mitra is President of Global Collections at Firstsource Solutions. Arjun oversees Firstsource's collections division and is responsible for client engagement and business performance. Arjun's role involves assisting clients through a wide range of challenges, from compliance and technology to performance.

Arjun's current focus is on developing integrated solutions to help deliver the best possible outcomes for Firstsource's clients. He values the opportunity his work gives him to have a positive impact on his clients' businesses. One such accomplishment was to build an empathetic and non-intrusive digital collections alternative to conventional FTE intensive models

Arjun is a graduate in Physics from St Xavier's College, Mumbai and went on to obtain a post graduate degree in Business Management from the University of Queensland, Brisbane, Australia. Arjun began his career with TATA Tea, before joining Enron's Indian business as a financial controller in its broadband unit.

Since joining Firstsource Solutions in 2002, Arjun has held a number of leadership roles, including Head of Commercial Finance and Chief Financial Officer, North America. During his time with the business, he has played a central role in growing the business' existing relationships in the US into global programs.

Helping customers stay ahead of the curve through transformational technologies and capabilities

Firstsource Solutions Limited, an RP-Sanjiv Goenka Group company, is a leading provider of transformational solutions and services spanning the customer lifecycle across Healthcare, Banking and Financial Services, Communications, Media and Technology and other industries.

Our 'Digital First, Digital Now' approach helps organizations reinvent operations and reimagine business models, enabling them to deliver moments that matter and build competitive advantage.

With an established presence in the US, the UK, India and the Philippines, we act as a trusted growth partner for over 100 leading global brands, including several Fortune 500 and FTSE 100 companies.

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