BABEL

Banking on trust: How Fintechs can win friends and influence consumer sentiment

October 2020

FOREWORD

Despite the clamour to invest in the fintech market and the vast number of emerging organisations in the sector, it has attracted its fair share of negative press in recent years. The former chief executive of Worldpay - Ron Kalifa – is reported to be leading an independent review into Britain's £7bn fintech sector. The review aims to evaluate the needs of Britain's fintechs so that the State can ensure the sector's "global reputation" is maintained and advanced.

As fintech companies battle with building and maintaining trust, as well as coping with crises as they hit, we wanted to discuss just how deep is the trust issue? What is it that the media wants, and needs to cover in its analysis? And what can organisations do to tackle crises and rebuild trust through their communications programmes?

To answer these questions, we spoke to a selection of experts in the fintech industry and the media prolific in this sector. Our aim? To understand why the industry is in this critical position, and how organisations can best work with the media to solidify their reputation or remedy a marred image.

In the pages that follow, you'll hear the thoughts and opinions of communications experts who have built their careers on building trust and managing reputations. You'll also hear from top tier financial media which cover this volatile space.

To the reader – we hope you find the report useful in helping you to analyse the market, manage challenging situations and build trust into your communications campaigns. And thank you to all those who formed our panel and took part in our event, asking questions of them; your time and insights are hugely appreciated.

If you have any further thoughts or insights to share on this topic, please do get it touch. We'd love to hear them!

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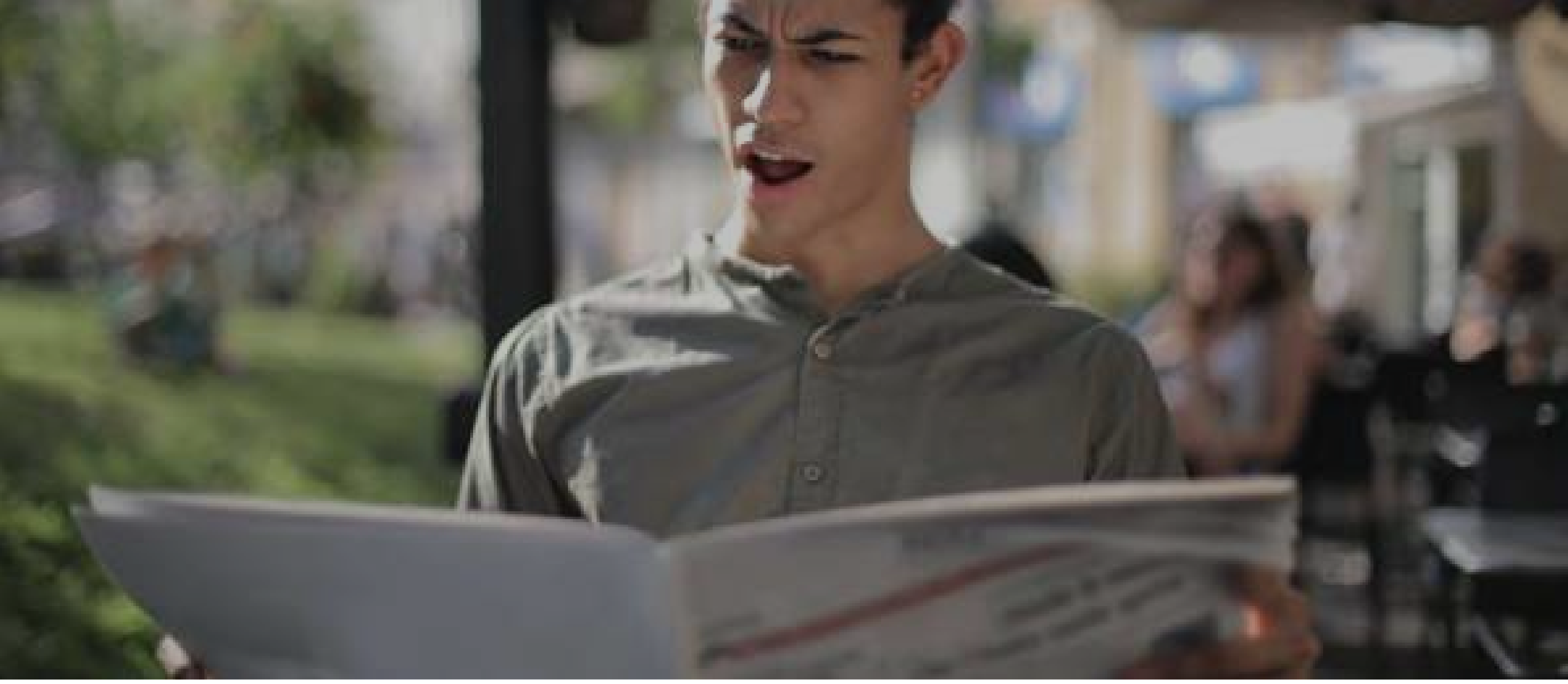
Would you trust Facebook with your finances? Would you bank with Uber? Would you borrow money from Apple? These brands certainly hope so, and they're not the only ones. The past decade has seen a growing number of tech companies and new challenger players enter the finance sector.

Developing new, digital-first services, these brands have created a global market, complete with slick apps, social media cred, and millennial/gen-z appeal. As such, the fintech space looks worlds apart from traditional banking. Many associate the latter with poor customer service and convoluted processes, with the legacy of the 2008 financial crash and fatcat bankers still proving a heavy burden. Fintech promises a fresh alternative.

It's little surprise then that 2019 was a stellar year for the sector, with total fintech investment in Europe hitting a record $58.1 billion, driven primarily by the $42.5 billion acquisition in July of Worldpay by Fidelity National Information Services (FIS). Recent regulatory changes – such as Open Banking and PSD2 in Europe – have fuelled significant growth of the fintech market in the region, and opened the door for a rush of challengers. This year could well be fintech's finest.

Mainstream adoption of fintech apps and services is gathering pace, and Covid-19 may prove to be the great finance leveller: in July, the UK government kicked off a six-month review of the country's fintech sector, which it cited as being 'vital to the UK's economic recovery.' However, all is not well in the world of fintech.



THE PRICE OF SCANDAL

While the traditional banking sector is dogged by perceptions of rigidity and conservatism it has, over the course of decades (and in some cases, centuries) built and largely held onto consumer trust. Upstarts in the fintech ecosystem on the other hand may be innovative and agile, but they lack that key ingredient which breeds consumer loyalty.

A series of scandals, poor decision-making, mismanagement, and questionable workplace culture have landed the sector in some seriously hot water. At the start of 2019, British fintech company Revolut came under fire for 'single-shaming' users through Tube advertisements, leading to a watchdog probe. In June of this year, a 20-year old Robinhood trader committed suicide after his trading account erroneously showed a $730,000 loss. This was followed in July by a police raid on the HQ of payments firm Wirecard, as part of a fraud investigation relating to its £1.7 billion accounting black hole. Prior to the police raid, a number of fintech companies were using Wirecard's payment system, which left these organisations exposed to scrutiny as a result of its alleged misdeeds.

Incidents such as these, in addition to money laundering, sanctions violations, data breaches, complaints from consumers of being locked out of their accounts (the list goes on), has earned fintech a pretty poor reputation. The adage that 'no news is bad news' means that these brands continue to play in the public eye and win public custom. However, they have a long way to go before they become part of the trusted, mainstream banking scene, and win both media and consumer trust.

Babel decided to delve a little deeper into this issue, gathering a number of industry insiders, influencers and communications specialists to a live-streamed panel event. Ruby Hinchliffe, Reporter, FinTech Futures; Eric Johansson, Senior Reporter, FinTech Global and Editor, RegTech Analyst; Caterina Ponsicchi, Group Marketing Director, Creditinfo; and Conor Coughlan, Chief Marketing Officer, Fenergo, shared their thoughts on trust in the fintech sector, under the watchful lead of Susie Wyeth, Director at comms agency Babel.

This whitepaper is a result of those discussions, and within it we'll examine fintech's bad reputation, how this is (mis) represented by the media, and the impact it has on consumers. We'll look at how brands can leverage communications and PR to re-build trust, respond in a crisis situation, and build and retain lasting consumer loyalty.

FINTECH'S FALL FROM GRACE

When we put the question to the floor, a resounding 94% of event attendees said that fintech had a trust issue. So just how did this come about? Fintech's souring reputation can be partly attributed to the sector's rapid scaling, explained Conor Coughlan. Challenger brands emergence onto the banking scene was a "nirvana", he said, with entrepreneurial upstarts providing a stark contrast to a market beset by the 2008 financial crash and the PPI, Panama Papers and Libor rigging scandals.

"Really creative entrepreneurial individuals, very often from the traditional financial services industry, [were] coming together and forming new businesses and saying, 'Hey, we're going to address this pain point, we can do this better, we can do this cheaper, faster, more reliably more accessibly. We can really help society and, citizens around the world get to avoid these excessive charges, and bypass these legacy infrastructures and systems, and just really have a great customer experience.'"

As a result, he said, "the whole world was super pumped and hyped up about this; this was great."

However, like any successful market, the segment (and execs' egos) grew. As a result, "we're seeing a pivot, and we're seeing some dark actions" from some players. Widely-publicised incidents include those listed at the outset, but how bad is the picture really? How much of this is actual law-breaking fraud, and how much is simply bad behaviour and error?

A significant turning point in this regard came in 2018, when Revolut was censored by the Financial Conduct Authority for turning off its anti-money laundering software and systems and controls. "At the time, the CEO said it was effectively a mistake, and they underwent an internal review," explained Coughlan. However, the incident effectively "opened the gates and allowed money laundering to run free through the system."

REGULATORS VS INNOVATORS

Compounding this is the fact that "most fintechs are not regulated," Coughlan continued. This is changing, with the Hong Kong monetary authority and the UK's Financial Conduct Authority pushing regulatory frameworks into play. "But if you want a higher-level picture," said Coughlan, "last year, there was $32 billion in sanctions and violation fines levied against the broader ecosystem. There isn't the same granularity when it comes to fintech because a regulator can't enforce an action against a non-regulated entity, unless it's breaching standard rules and regulations to do with funding, terrorism and crime."

The mainstream financial sector "isn't much better," he admits, however, "I think consumer expectations were that fintech would be superior to the traditional bricks and mortar institutions." The reality? "It hasn't exactly happened." In banking, perhaps more so than any other sector, trust, transparency, and accountability really matter. Brand image matters. This is an area in which there's still a lot of room for improvement.

A PwC study for example, cited a recent survey which found that 48% of British consumers would not consider purchasing any financial product from a fintech. This was reflected in the mindset of some of our panellists. "Do I trust those fintechs with all of my equipment, with paying out my mortgages and paying the rest of my bills, would I make them my primary account provider? At a personal level? No, I wouldn't. I don't hold them in the same level of trust that I do for certain other entities," admitted Coughlan.

Trust isn't only damaged by data breaches, a lack of regulatory oversight and legal scandal. Consumers also judge service providers by their brand image and the way they treat their own workforces and stakeholders.

WOKE CONSUMERS AND WORKPLACE CULTURES

In 2018, employees at Google, for instance, organised a mass walkout in protest at the company's mishandling of sexual misconduct claims against staff. Uber meanwhile was the subject of numerous media stories detailing its workplace culture, resulting in its CEO opening an investigation into HR and sexual harassment issues.

This is perhaps having the most significant impact among millennials and Gen Z, who, despite being prime targets for fintech, are also are often stereotyped as image-conscious and 'woke' to issues of social justice.

"I'm a young fintech user; I'm 24 and I do care about the way companies treat people," said Ruby Hinchliffe, who highlighted the backlash against fast fashion and cancel culture as examples of the conscious younger consumer having a real impact on certain industries – something fintech isn't immune to. "People my age and younger do care about cheap labour and they care about companies that might perhaps be taking advantage of young people who don't understand debt enough to take on the kind of loans [some fintechs are offering]."

There's also the issue of cancel culture. This attitude – prevalent among some younger consumers – "will become more of an issue around companies depending on how they treat their employees and what policies they have around things like sustainability."

Finally, making or breaking trust among consumers is down to that most cherished thing: consumer engagement and service provision. After all, we can read headlines about poor workplace culture or rules broken, but for many, what really matters is your own personal experiences with a brand. According to Salesforce's 2019 customer engagement report, 84% of customers say the experiences provided by a company are as important to them as its products and services, up from 80% in 2018.

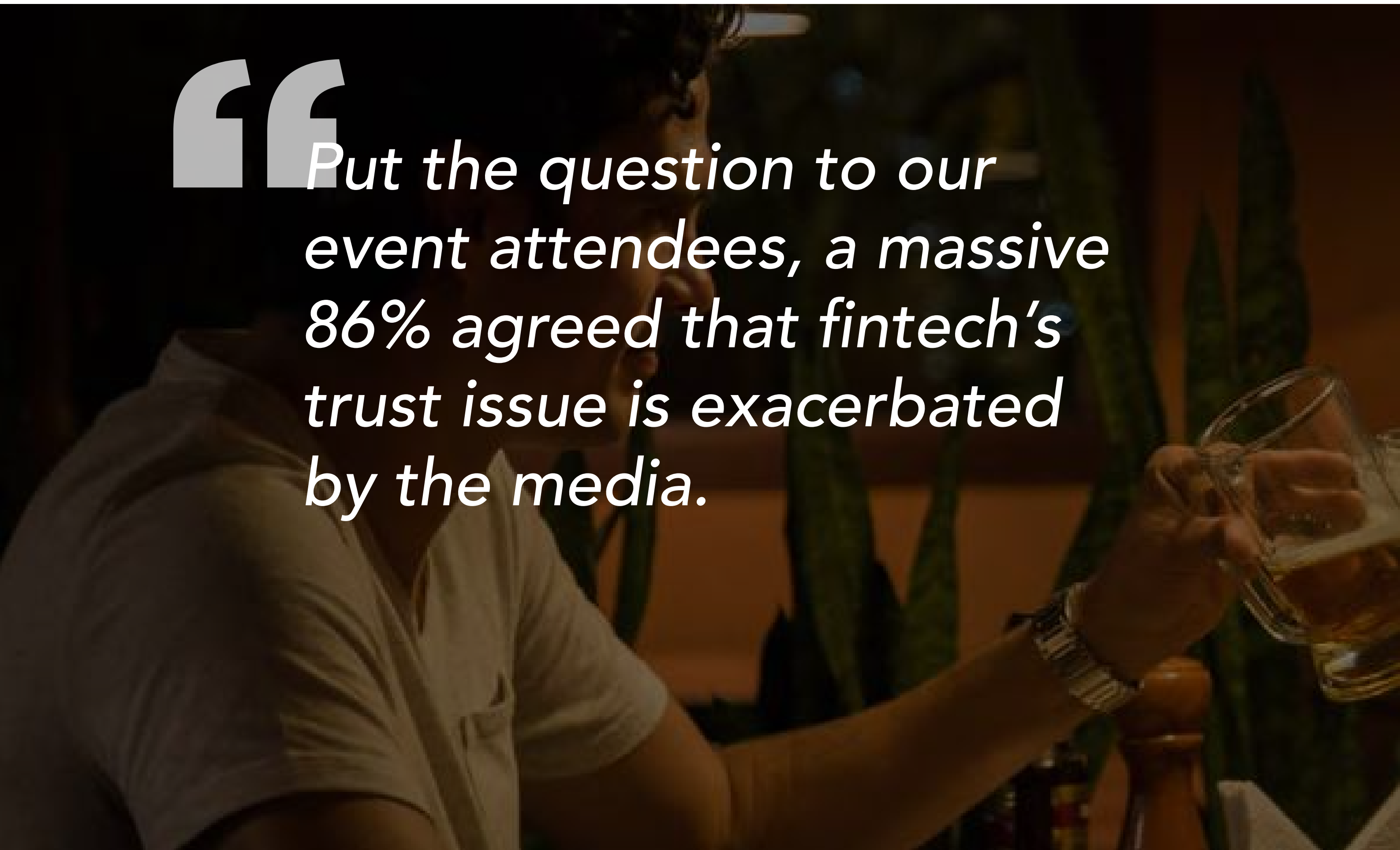
ROOM FOR IMPROVEMENT

With so many channels now available to interact with a brand – and many priding themselves on seamless customer engagement – fintechs have to be hot on customer service. "Thanks to the wide widespread use of smartphones and the use of social media as a medium, I'll say the daily communication with the consumer has become more circular and conversational," said Caterina Ponsicchi. "It's therefore harder for brands to hide away from inquiries from the customers." Despite this, she believes that fintech "is doing better than traditional banking in making an asset out of being transparent. Is there room for improvement? There certainly is."

That improvement – and the winning of consumer trust – is in large part the responsibility of the fintechs themselves. After all, it's down to the individual business to ensure it plays by the rules, is accountable and transparent. Which brings us to the question: how much are fintechs really entirely in control of their own brand image? How much is self-created and self-managed (and down to customer service, product offerings etc.), and how much is a product of the media?

When we put the question to our event attendees, a massive 86% agreed that fintech's trust issue is exacerbated by the media. This remains a hotly contested subject not only in fintech but in other sectors in which negative or sensationalist news dominates – a topic we covered in [Cybersecurity: Creating meaningful commentary in an industry full of FUD].

"There's been no shortage of poor headlines," admitted Eric Johansson, himself an editor and reporter. "We do try to cover it [fintech-related news] as fairly as we possibly can. But at the same time, we know that we need to report what's happening in this industry and what people are interested in." And what people are interested in, more often than not, is scandal, data breaches, and unscrupulous practices – particularly from big tech players.



GOOD NEWS STORIES & LOVING TO HATE

In addition to the likes of Google, Uber and Apple (who many of us love to hate) having a presence in the fintech space, many of the names that started out as underdogs (spearheaded by, as Coughlan said, "creative entrepreneurial individuals") are now also nudging elbows with big brands.

That's not to say that good news stories – and those that help drive positive brand sentiment and build trust – aren't covered by the media. "We do try and report when things go right," said Johansson, "but it has to be something that is really exciting." He used the example of the widely-covered story in April of Tom Blomfield, then CEO of Monzo, who forewent his salary for a year to help the company manage the economic downturn caused by Covid-19. Other examples of 'good news stories' Johansson gave included fintech supporting the LGBT community – Revolut with its Rainbow card for instance – and supporting charities. Not exactly headline-grabbing stuff.

So what happens when a fintech does fall foul of the media – and the public? Whether through poor leadership, a data breach or a genuine error, fintechs need to have a plan in place to handle any crisis. They must also be able to communicate clearly and with authenticity with both consumers and stakeholders in their company – both of which, incidentally, require a slightly different approach to comms.

KEEP COMMUNICATION OPEN AND NEVER STAY SILENT

When a PR crisis hits, the worst thing you can do is to do nothing. "Nowadays, it's hard to shy away from a PR crisis," said Ponsicchi. "Before, you had nine-to-five, so you could drop a press release and then [have time to] understand what was happening. But now, everything is live. As tempting as it might be to stick your head in the sand – silence speaks volumes." This view was shared by our panellists, including Johansson, who commented: "When something's happened, something's happened!" As such, "the best thing they [a fintech] can do is to be transparent and to speak with people like myself or Ruby [Hinchliffe]."

Speaking to journalists doesn't have to involve lengthy probing interviews, which can be challenging even for the most media trained of spokespeople. "I recognise that like when Revolut filed triple losses in one year, that the CEO may not want to sit down for a one-on-one interview with myself and talk about it." Instead, ensure key spokespeople have undergone media training, pre-prepare media-facing statements, which can be updated and edited for a timely response to a crisis.

"However you respond to a crisis, it has to be genuine. The importance of having a clear voice and identity in all communications means that you can create a genuine voice and tone to any crisis responses as well," said Susie Wyeth. "There are two critical elements in communications strategy at play here. Firstly, media training, and that isn't just a one off. Media conversation shifts, sentiment shift and spokespeople must adapt to that with continual refreshers in media training. The other is relationships with the media. If you don't know the journalists in your field well on a good day, why would they listen and believe you on a bad day."

Fintechs might not be bound by the same kind of regulations as traditional financial firms, but they do still have legal obligations when it comes to making statements and informing shareholders (if relevant). As such, a timely statement can sometimes be a hurdle for brands. In "the worst-case scenario, if you don't have a statement, if you don't want to give a one-on-one interview with some executive," Johansson advises, "it is okay to say, 'no comment. Thank you for the opportunity, but no comment.' Because what that does is keep the communication open." For a journalist like himself, this means that "in a few months' time, if something interesting does happen [with a fintech company], you would be more able and ready to report on that, and communicate that story."

Shutting journalists down is never the answer: always keep lines of communication open – you never know when you might need the support or coverage of the media further down the line.

COMMUNICATE CLEARLY, AT EVERY LEVEL

Many fintechs emerged at the pivotal moment in the wake of the 2008 financial crisis, during which "trust was at the lowest point possible," said Ponsicchi. The "chasm" between traditional banks and fintechs was notable, she explained, and so the opportunity to reflect this in marketing and communications was there for the taking.

Apply clear communication across your business, not only in your communication with the media and your interactions – on social media, via email, on the app etc. – with your consumers, but in the nitty gritty of your business and operations. Rewriting terms and conditions into "plain old English" for example, is a quick and easy way to get "closer to the end user, more transparent, and is more approachable for consumers," said Ponsicchi.

Brand values and brand image are core components of clear communication. Messaging should be consistent across all channels of communication and all forms of content.

"When people think of messaging, often they think of boring, worthy statements that look great on paper, but don't sound genuine or usable in day to day language. But when it comes to organisational messaging it's more than that. Messages carry the tone, the theme, the intent of the business. It's not about getting something across verbatim, but about speaking to a core value or proposition of the business that resonates with you audience and speaks to their need," added Wyeth.

Again, think of things at the nitty gritty level: even calling yourself a 'fintech' might not resonate with your target market. Hinchliffe discussed this "reach issue" by using the example of being at a party and talking to her peers – also in their mid/early twenties – none of whom recognised the term 'fintech.' "A lot of fintech is behind the scenes," she said. "It's supposed to work and sort of not be seen, and just make things easier for everyone."

Clear messaging should cover not just who you are or even the services you offer, but the solutions you're addressing and the problems you're helping your target market overcome.

CREATE A CULTURE OF TRUST FROM WITHIN

Whistle-blowers, leaked emails, staff walkouts, hiring and firing: the way a brand treats and communicates with its employees is nowadays rarely confined to the business itself. "Cancel culture," said Hinchliffe, is being bred in fintech as it is in other sectors and "will become more of an issue [as well as a trust issue] around companies depending on how they treat their employees and what policies they have around things like sustainability."

Before embarking on a PR and comms strategy, take a close look at your own working environment and HR policies. Ensure there are no skeletons in the workplace closet that could easily come out and haunt you, jeopardising both employee and consumer trust.

Building trust should start from within: create a positive workplace culture, and include CSR initiatives and internal communications in any PR and marketing strategy. If you do launch a CSR initiative, support a social cause, or get involved with a political movement, ensure your support is genuine and evidenced.

This is something Ponsicchi touched on when discussing CreditInfo. The company is "a very widespread group and by its nature is a very multicultural workplace. And we go from countries like Iceland to the Ivory Coast or Guyana, spanning very different cultures, and very different geographies and backgrounds." In light of "the latest anti-racist movements, and the voicing of the rights around the world" she said, "we had to interrogate ourselves" and ask if the team really was inclusive by default: did every team member have a voice, fair representation and a seat at the decision-making table? As a result, conversation was opened up and encouraged across different geographies, cultures, backgrounds and seniority levels. "The key to being trustworthy in the eyes of the customer is to keep ourselves accountable," she said.

Keeping communication open and accessible – in terms of both brand-to-consumer and brand-to-stakeholder is crucial. Hinchliffe cited the example of fintech start-ups which "create forums and communities around their investors", advising, "if you're creating a community where your users are literally invested in everything you do, you have that transparency more than ever."

JOURNALISTS: PART OF THE PROBLEM OR JUST THE JOB?

From the words of wisdom they shared, the journalists in our panel seemed equally invested as the others in helping to re-build trust in the fintech sector. This may come as a surprise to some, who perceive the media as being part of the problem. Journalists and editors are, however, merely doing their job: reporting on the facts and bringing truth to readers – many of whom will have invested heavily (quite literally) in fintech brands. "We can't sugar-coat things," said Hinchliffe. "We have to report on things, even if they're bad and it doesn't make us feel great. But we have to do it, and it's important because it's a fair representation of what's going on in the world."

"Journalists have a responsibility to report on all aspects of the industry. If they filtered the news then we would be living in a very different culture. So it's important for organisations to build those relationships with reporters and editors, as I've said," commented Wyeth. "This means when the positive stories land they'll be more inclined to listen to why it's relevant for their audience. And conversely if there's a negative story, they'll appreciate honest and genuine communication for fair coverage."

Fintechs, in return, should never try to hide – or even shy away from – the media. Not only does this present a poor picture to the public, it's a move that'll come back to bite you if you are trying to cover up any unscrupulous actions – as Ponsicchi said, "there's nowhere to hide." Hinchliffe cited the example of Monzo and what happened around its financial results. Trying to limit negative forecasts to small print was a bad move and one that Monzo wasn't going to get away with so quickly: "it's our job to pick out things like that, and to highlight it, because there's a reason why they're telling the shareholders that." Reporting on these kinds of stories is about telling the truth, and, crucially for the media, "it's interesting as well" – it makes headlines.

A NEW NIRVANA FOR FINTECH

Despite its many challenges, 2020 has also arguably presented a golden opportunity for fintechs. Our reliance on digital services has tested brands: products and customer service that are anything less than streamlined, seamless and intuitive could cost firms dearly. Protests, civil unrest, fights for justice and demands for accountability and transparency have prompted brands to rethink both internal and external communications – including those of decades ago (Lloyds Banking Group, Bank of England, we're looking at you).

Addressing crises head-on, and having a solid communications and PR strategy are critical elements of this. While the media will always cover 'bad' news, your relationship with a PR partner will enable you to communicate an effective media and stakeholder response, in the most effective way possible.

Fintech's nirvana may have been and gone, but there's a real opportunity now for brands to take things full circle. They are by their very nature digital and mobile-first, and able to promote services and products that are the right fit for our new normal. Fintechs have a lot on their side: a millennial/gen Z following, youthful management, and numerous channels of social and digital communication. They can present themselves as speaking to and speaking for today's outspoken banking generations. Now's the time for fintechs to reclaim consumer trust.

BABEL'S ADVICE ON CREATING BRAND TRUST

MESSAGING

Trust starts with creating a clear voice, tone and persona for the business. And is build with consistency of delivery. If an organisation can clearly communicate its messaging in a way that remains clear across all channels then media and consumers alike come to know and trust that message. This should be constantly review for relevance and adapted as the industry and audience adapt.

PREPARATION

In a quickly evolving market, spokespeople must be continually challenged and kept up to date. Media training from 5 years ago isn't good enough. Regular updates on the media landscape, attitudes, and of course messaging and tone are critical for consistency and to build trust.

RELATIONSHIPS

Build and nurture relationships with your core media. These contacts are critical for talking about you core priorities, but also for managing negative news in a way that is genuine. Trust with journalists, as with audiences, has to be earned.

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