

WHITE PAPER

Delivering Business Transformation

For Fintech Companies





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For Fintech Companies

Executive Summary

The financial sector has seen an influx of innovation and competition in recent years led by fintech startups. These new companies, built on modern technologies, have quickly captured market share from older, more established businesses. However, while the opportunity is huge, the influx of cash into fintech startups has meant increased competition and forced new and old companies alike to double down on operational excellence. Fintechs face challenges across many fronts, including improving product profitability, recruiting and retaining talent, managing risk, and complying with myriad regulations. For a company that isn't built on a solid and scalable back-end, the margin-sensitive and highly-regulated financial sector is dangerous territory.

As strategic partners to many fintech companies, Oracle NetSuite has successfully streamlined operations achieved at more than 21,000 customers. This digital transformation should start with a strong financial foundation that will enable your strategic initiatives and deliver:

- Agility to adapt to new business models and increase revenue and margins.
- Improved financial visibility across the fintech value chain and partners to streamline operations.
- Compliance with financial regulations.
- The ability to scale seamlessly by leveraging the cloud infrastructure.

Fintech Trends

Fintechs are disrupting the traditional financial services sector by leveraging scalable software platforms to deliver banking products and services faster and more efficiently than incumbent banks. A McKinsey¹ survey examined fintechs' development and found that these companies have expanded from payment applications, lending and money transfers to more than 30 areas that involve advanced technologies like blockchain, cybersecurity and telematics. Additionally, fintech has widened its client base to the unbanked, under-banked and high-risk clients that traditional financial institutions will not serve. Once they capture these customers, many look to retain clients through complimentary, value-added services like bookkeeping.

The prototypical fintech is an agile startup relying on business agility and speed of innovation to out-compete legacy financial institutions. Without the technology debt of larger institutions, they can build highly efficient organizations and offer products and services at vastly lower prices. Venture Capital is powering much of this advancement—2016 saw \$12.7B in financing to venture-backed fintech startups globally.²

As per an EY study³, fintech firms have reached a tipping point and are poised for mainstream adoption. They have not only established themselves in developed countries with solid financial institutions, but are also making their presence felt in developing countries too. Consumers are drawn to fintech services as they are simpler, more convenient and transparent, and readily personalized. It also attracts a demographic that prefer using digital channels and technologies, in other words, millennials.

One thing that impedes the digital innovation in the financial services sector is organizational and structural silos.⁴ While fintech startups in initial stages are immune from this, silos start creeping in as they expand from one product or channel or geography to many.

¹ <https://www.mckinsey.com/industries/financial-services/our-insights/cutting-through-the-noise-around-financial-technology>

² <https://www.cbinsights.com/research/fintech-vc-investor-funding-trends/>

³ [EY FinTech Adoption Index 2017 - The rapid emergence of FinTech](#)

⁴ [Digital Innovation: The Readiness of Financial Services Firms](#)

Typical Fintech Challenges

NetSuite has worked with hundreds of fintech customers. Here are the most common and urgent challenges fintechs typically face.

Portfolio Management/Profitability Analysis

Many fintechs, even the best, are not profitable. One of the primary causes, a lack of cross-portfolio and cross-customer insight, is driven by the rapid expansion of product offerings and customer base. Without clear insight into profitability and portfolios across the entire business, management is forced to make strategic decisions based on intuition.

Marketing ROI

Fintech startups must still build the most important asset of any business from scratch: customers. Most fintechs do not have an adequate marketing database to manage and prioritize marketing efforts. As a result, most marketing campaigns do not achieve the results they expect as fintechs can't identify the markets or the customer segments that are profitable. And when these companies do acquire customers, they need to keep them engaged, especially millennials who respond much better to collaborative selling than hard selling.

International Expansion

Fintechs looking to widen outside their primary markets, typically look to expand internationally. However, most fintechs struggle during that phase of expansion as they do not have the infrastructure to transact in multiple currencies and navigate the complex world of different tax regulations.

Revenue Management and Recognition

Fintechs, especially in the lending, banking and insurance segments, are required to recognize

revenue based on certain rules. In addition, fintechs are constantly looking to add revenue streams. This makes managing revenue and adhering to revenue recognition rules a significant burden.

Mergers, Acquisitions and IPOs

Most fintech startups are either looking to go public or be acquired by a traditional financial institution. In some cases, they might merge with another fintech in the same or adjacent space.

In all these cases, fintechs need an ERP system that supports rigorous accounting, compliance and financial reporting. They need the kind of robust planning and budgeting capabilities that will drive investment, initiatives and strategy while meeting applicable regulatory oversight.

Standardized Back-Office Processes

While many fintechs have excelled in bringing innovative products and services to their clients, their focus has not been on standardization of back-office processes and improving operational efficiencies. Fintech often struggle to make these processes faster and more transparent. Lowering the operational drag can generate additional potential margin increase and frees up resources for product innovation.

Talent

A common concern for both incumbents and fintech companies is that, on average, 80% have trouble hiring and retaining people with the necessary skill sets needed for innovation.⁵ There is a dearth of talent with the right skill sets. As the sector continues to develop, it becomes a challenge to retain these employees as competitors poach talent. The companies who do better than their peers in recruiting and retaining talent will be able to scale and create successful businesses. Identifying and retaining top talent paramount if fintechs want to keep their innovative edge.

Regulations and Compliance

Fintechs, just like traditional financial institutions, are subject to a body of complex regulations. This creates challenges not just with automating the regulatory and compliance processes, but also automating the customer identification process.

Risk

Fintechs face risks across operations, third party service providers, cybersecurity and macro financial concerns. Although the current open regulatory environment presents an opportunity,

it brings with it uncertainty. Unaddressed, fintechs can be left open to lawsuits, financial penalties and impacts to their reputation.

Security

On an annual basis, financial organizations yield the highest number of data breaches.⁶ Fintech organizations are even more vulnerable as they have almost all their data, including users' financial profiles stored digitally. It is imperative that these institutions safeguard data as any type of breach can lead to not only costly fines, but reputational damage and a loss of customer trust—the kiss of death for a fintech startup.

Business Model Agility and Innovation

Moreover, fintech startups as well as incumbent companies will likely face business model disruption over the coming years, which will put pressure on their IT infrastructure and its ability to respond to change. Most fintechs have a platform of innovation that gives them the competitive edge, but they face hurdles sharing data and integrating with the system of record. A flexible business platform will be key to insuring business agility.



⁵ [Redrawing the Lines: FinTech's growing influence on Financial Services](#)

⁶ <https://www.blackducksoftware.com/industry/financial-cybersecurity>

NetSuite Enables Operational Value Creation

An Integrated Platform Delivers Standardized Processes, Development and Compliance

NetSuite's unmatched financial controls, ability to deliver standardized business processes faster, agility to adapt to new business models and scalability offers the opportunity for substantial value creation. Several NetSuite customers have seen a 15-25 percent gain in productivity in back-office processes, whereas front-office processes could see improvements in many areas to drive higher customer satisfaction and improved margins.

Strategic Benefits

NetSuite offers several benefits that help fintechs in various aspects that are strategic in nature:

- Increased customer satisfaction
- Faster time to market
- Increased revenue
- Better management reporting
- Increased business visibility through analytics
- Increased business process efficiency
- Reduced risks and improved compliance
- Seamless upgrades to leverage latest features
- Robust partner ecosystem for extended functionality

NetSuite Capabilities

NetSuite delivers a unique set of processes, activities and systems specifically designed to deliver value for fintech companies. It provides them with a solid foundation to transform their business with a pre-configured solution and methodology that includes proven:

- Detailed workflows
- Pre-configured functional roles
- Dashboards
- KPIs

These leading practices leverage NetSuite's unmatched experience and knowledge of accounting and financials processes. The focus is on enabling fintech companies to rapidly meet their business objectives and seamlessly scale with NetSuite. Here are some of the key capabilities that NetSuite provides to help fintechs achieve their business objectives.

Project Portfolio Profitability

Nurture profitable products and jettison laggards by getting full visibility into profitability at product, line and portfolio level using out-of-the-box reporting and analytics dashboards.

Customer Acquisitions and Engagement

Acquire new customers and engage existing customers by creating and tracking highly targeted marketing campaigns based on demographics, purchase trends, response patterns and support histories. Streamline execution of marketing campaigns across multiple channels, including website, email, events and social media.

Global Expansion

Move into new markets with the ability to adjust for local currency, taxation and legislative differences, with regional and global financial consolidation and roll-up, in one cloud-based system and all in real-time.

Revenue Management and Recognition

Simplify the complexities of evolving revenue recognition mandates, no matter if a sale encompasses a single performance obligation, a series of obligations spanning a period or diverse obligations in a bundle. The results are "always on" compliance, real-time revenue intelligence and actionable data.

Mergers and Acquisitions

Position the company for a merger or acquisition by using a unified, fully integrated system that provides a deeper understanding of key business performance metrics spanning General Ledger and accounting, customer relationships and omnichannel commerce. Leverage budgeting and forecasting capabilities to build discipline and rigor in revenue, expense and headcount management.

Back-Office Processes Standardization

Standardize the back-office processes by using NetSuite's comprehensive accounting and finance capabilities and get end-to-end visibility into receivables and payables with integrated order-to-cash (i.e. sales order, billing, collection) and procure-to-pay (i.e. requisition, purchase order, invoice) transaction management. Support for reporting on profitability, and integrated budgeting and forecasting tools assist to optimize working capital.

IT Costs

Without the upfront expensive capital cost required with on-premise software, the lower costs to manage, deploy, integrate and upgrade a cloud platform drives lower total cost of ownership. NetSuite's multi-tenant cloud architecture provides economies of scale across a shared infrastructure, with cost efficiencies that are impossible for an individual department to realize on its own.

Human Capital Management

Acquire, nurture, protect and develop your most valuable resources, your people. Analyze the trends of the company and be proactive instead of reactive, which will help reduce turnover, improve morale and to stay competitive.

Governance, Risk and Compliance (GRC)

Be audit-ready, alleviate much of the burden of protection and empower your company's Governance, Risk and Compliance (GRC) programs with built-in capabilities and processes designed to handle increasingly complex regulatory, operational and compliance challenges, with easy and powerful customization, automation and reporting capabilities for your specific needs.

NetSuite provides a superior compliance foundation, with an array of supporting reports and certificates like SOC 1, SOC 2, ISO 27K, PCI/PA-DSS and more to meet your organization's risk and control expectations, and ensure the

accuracy of your financial statements. Further, NetSuite's partners extend and deepen our native functionality, so customers can confidently anticipate and address changes in security, segregation of duties and configuration, while automating your control processes.

With NetSuite's global end-to-end solution, customers can meet critical and time-consuming regulatory financial compliance requirements such as IFRS, SOX and GAAP.

SuiteCloud Platform

NetSuite's proven, secure, reliable and scalable SuiteCloud platform delivers the customization and extensibility to build a platform for both current and future needs.

Fintechs can easily integrate their fintech platform (system of innovation) to NetSuite (system of record) to share data such as customers, products, orders and leads. And with SuiteApp.com, customers gain access to an online marketplace of value-added integrated cloud solutions to power specific business processes or meet industry-specific needs.

CHAPTER 5

Partner Ecosystem

NetSuite’s robust and diverse partner ecosystem provides fintechs additional functionality to help extend the core NetSuite functionality to meet their business vision. Here are some key areas where partner products add tremendous value to fintechs.

Taxes

Partners like Avalara or Vertex help fintechs comply with transactional taxes, including sales and use, VAT, excise, communications, and other tax types, with easy-to-use, cloud-based automated solutions.

Payments

Fintechs must be able to offer their customers and vendors different payment options. NetSuite partners—AvidXchange, Mineral Tree and Bills.com—provide simple and secure way to accept credit and debit card payments, and support for variety of other options like EFT, ACH, Interchange Management and Level III Purchasing Card.

Electronic Signatures

Contracts and agreements are an integral part of fintech business processes. NetSuite partner DocuSign ensures that these important documents are electronically signed, tracked and filed in NetSuite.

Know Your Customer (KYC)

In the current environment, it is imperative for fintechs to obtain the information about the identity and address of the customers. Many partner solutions enable fintech to comply with the regulations and use the data for marketing purposes.

Business Analytics

NetSuite partners can provide fintechs with a range of capabilities from building intuitive, real-time analytics and dashboards within NetSuite to extracting data and performing cross functional, multi-source analytics.



A Stronger and Strategic Partnership

NetSuite is aligned and committed to your philosophy of enhancing operational value. As a strategic partner, we will take this responsibility extremely seriously and are ready to bring our expertise and cloud solutions delivery experience to your organization.

Proposed Next Steps

- Plan and schedule a value assessment engagement to confirm and validate both the strategic and operational value that can be realized with NetSuite solutions.
- Establish a joint executive sponsorship and governance team to track and monitor our strategic partnership.

