FINTECH: CHALLENGER TO COMPETITOR

THE IMPACT OF COVID-19 ON THE FINTECH SECTOR

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VACANCYSOFT
Data Publishers for the Recruitment Industry

ROBERT WALTERS

INTRODUCTION

In 2019, Robert Walters – one of the leaders in recruitment for Financial Services and Technology – and Vacancy Soft – trusted provider of lead generation, client intelligence and market analysis for the recruitment industry – produced the industry leading reports The UK Fintech Revolution and the 2019 Fintech Salary Survey.

One year on, we have partnered together to conduct an extensive data analysis of job vacancies and hiring activity within the fintech landscape. The report also considers the immediate and future impact the coronavirus pandemic will have on the fintech sector in the UK.

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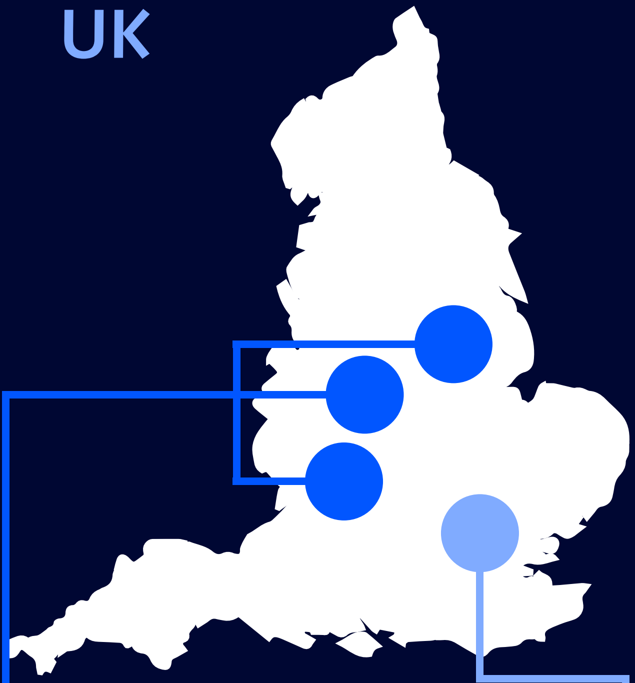
KEY STATISTICS

UK



50%
increase in tech roles within banking in UK regions since 2017 (Birmingham, Manchester, Leeds)

23%
increase in tech roles within banking since 2017 (London)

MOST POPULAR FINTECH PRODUCTS & SERVICES IN 2020

1. Borrowing & Lending
2. Messaging & Communication
3. Payments

FINTECH

53%
increase in overall job creation in last 3 years

16%
increase in overall job creation in 2019

45%
increase in tech vacancies in last 3 years

6%
increase in tech vacancies since 2019

1/3
of job roles advertised in banking are within tech

INVESTMENT

$48bn
total investment into UK fintechs in 2019

80%
of VC fintech investment into Europe goes to UK-based firms

No.1
the UK gets the most fintech investment in Europe, and is second in the world

1,400
EU firms have applied for FCA permission to have a base in the UK

BANKING & FINANCIAL SERVICES:

1/3
job roles advertised is tech related

46%
increase in tech vacancies in last three years

73%
UK adoption rates of online banking in 2019

COVID-19: THE CURRENT CLIMATE

The impact of Covid-19
Rapid and unprecedented measures taken as a result of the global Covid-19 outbreak has left several industries paralysed for the first half of 2020.

The unexpected market freeze has placed mounting pressure on banks and financial services firms as borrowing, defaults and payment holidays are required en masse.

With calls for banks to improve their digital offering, improve customer service and shake-up traditional methods of lending, the pandemic has provided fintechs with the opportunity to prove their worth.

The opportunity
Fintechs best placed to ride out this crisis will be those involved in lending. In addition, as normal restrictions on lending are waived to enable companies to ride out the crisis, artificial intelligence (AI) will play a key part in enabling the financial services sector to provide simultaneous support to thousands of businesses – at a rate far greater than the capacity of their current underwriting team. As a result, AI-driven fintech lenders will be the biggest 'winners.'

BANKING: A CULTURAL SHIFT

The worldwide Covid-19 outbreak has impacted the way businesses currently operate and will bring about long-term changes to the way the UK does business.

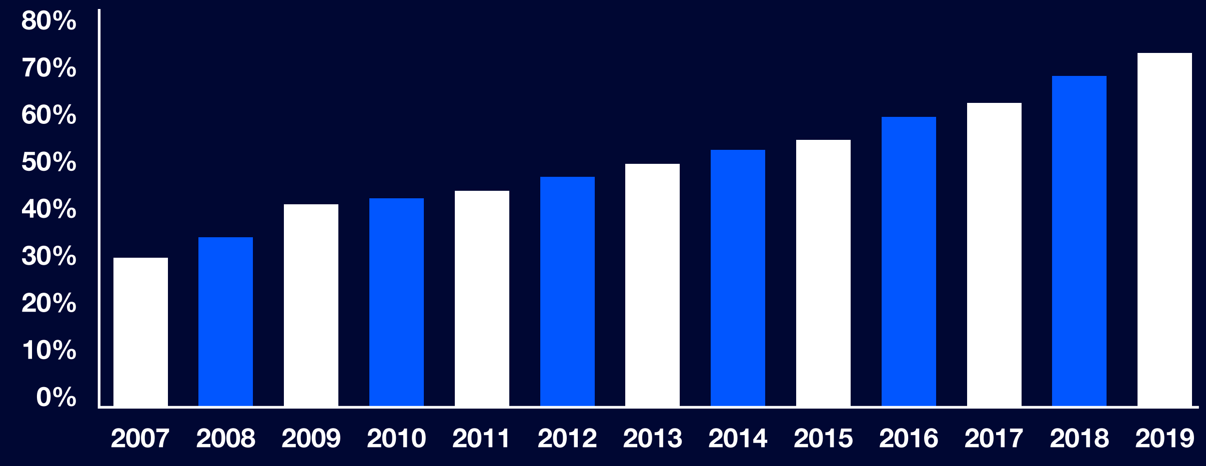
Lockdown and social distancing measures mean that banks have had no choice but to scale back their retail operations, instead pushing customers towards digital platforms. The UK has one of the highest adoption rates of digital and online banking – growing by 32% in the last 10 years.

Adoption rates of online banking in the UK were at an all-time high of 73% in 2019, with the majority of users accessing platforms via smart phones (64%) rather than over tablets (34%). The adoption rate is predicted to be significantly higher in 2020.

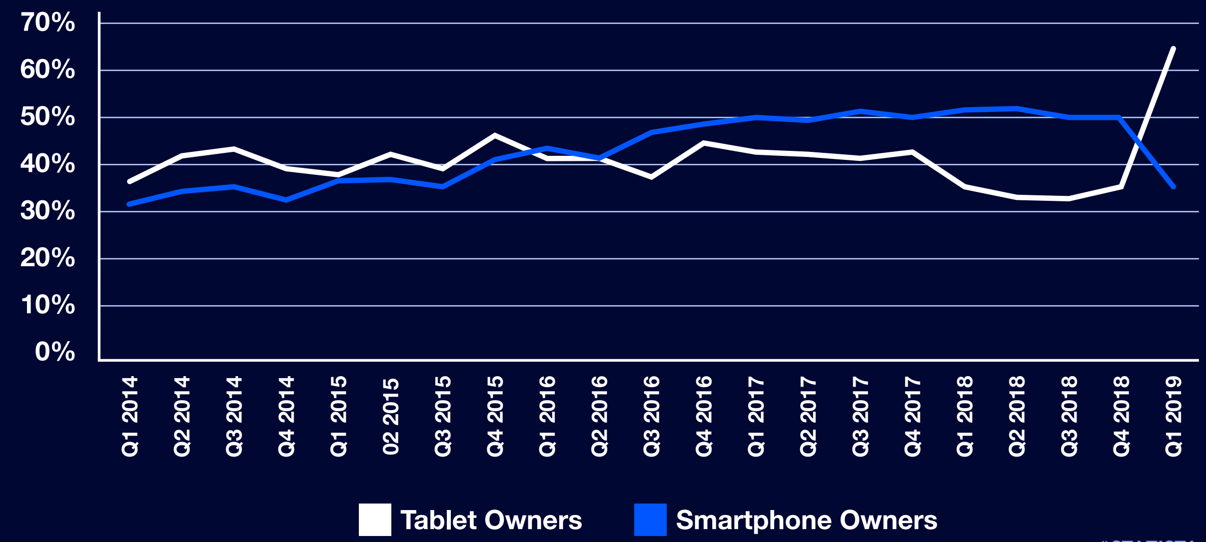
73%

UK adoption of online banking

ONLINE BANKING PENETRATION IN GREAT BRITAIN



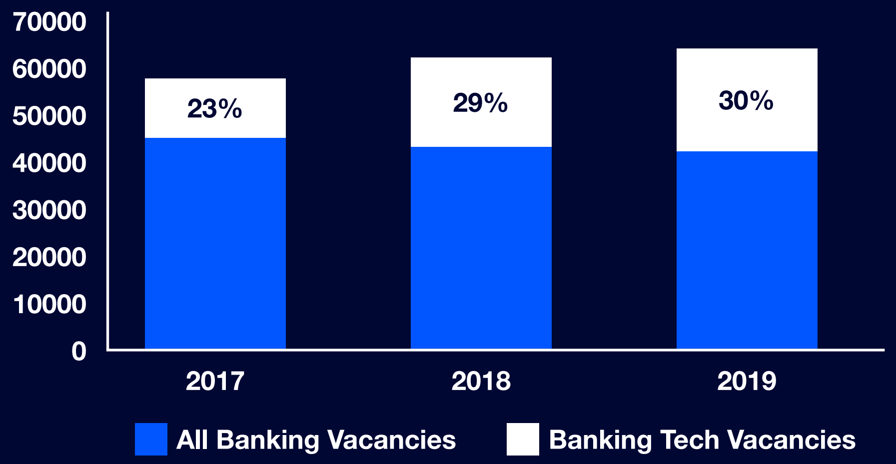
PENETRATION OF ONLINE BANKING IN THE UK BY TABLET & SMARTPHONE



*STATISTA

This trend coincides with an increase in the number of tech vacancies within banks. The percentage of tech vacancies in overall job roles advertised within banking increasing from 23% in 2017 to 30% in 2019.

FINANCIAL SERVICES: ALL PROFESSIONAL VACANCIES VS TECH VACANCIES



1/3

of job roles advertised in banking are within tech

Tom Chambers, Senior Manager - Technology (London)

“With the most at risk to Covid-19 also being the ones who traditionally were the most reliant on counter services, the societal challenge will be to help the elderly use banking services online - where their motivation will be that they simply don’t have a choice.

Assuming they successfully make this switch, retail banking as we know it will be changed – or in some instances disappear - forever.

As this happens, increasingly there will be little to separate banking and fintech.”

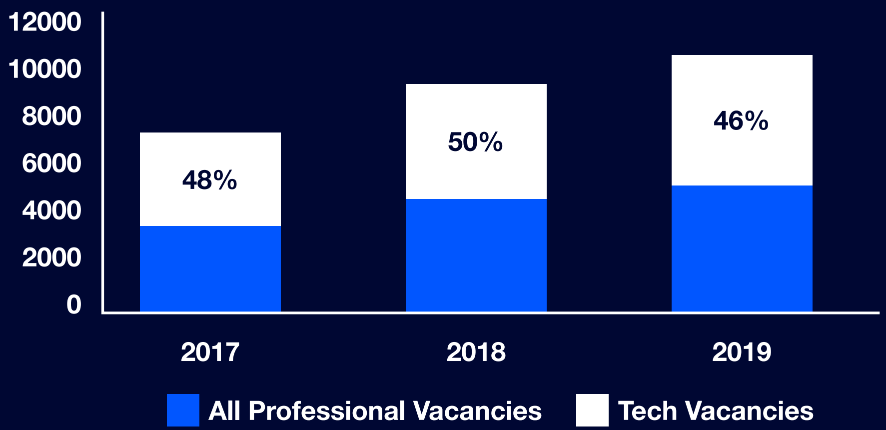
FINTECH: HERE TO STAY

Despite Brexit, the UK remains an attractive hub for fintechs. Growth of the sector can be illustrated by the ongoing increase in vacancies since 2018 - up +16% in 2019, and +53% since 2017.

Comparatively, tech roles within fintechs have grown at a slower pace, with volumes up +6% since 2019 and 45% since 2017.

However, the percentage of tech vacancies in overall job roles advertised within the fintech sector has decreased by around 4% in the last year.

FINTECH: ALL PROFESSIONAL VACANCIES VS TECH VACANCIES



Tom Chambers, Senior Manager - Technology (London)

“When looking at the slight slowdown in tech roles within fintech, the impact of Brexit and regulation can be seen here. Professional vacancies within legal, change management, and risk grew in fintechs as companies have been forced to prepare for leaving the single market.”

LONDON VS REGIONS

Banking & financial services
There has been significant growth outside the capital in banking & financial services, where tech vacancies have increased by +50% since 2017, and +7% in 2019.

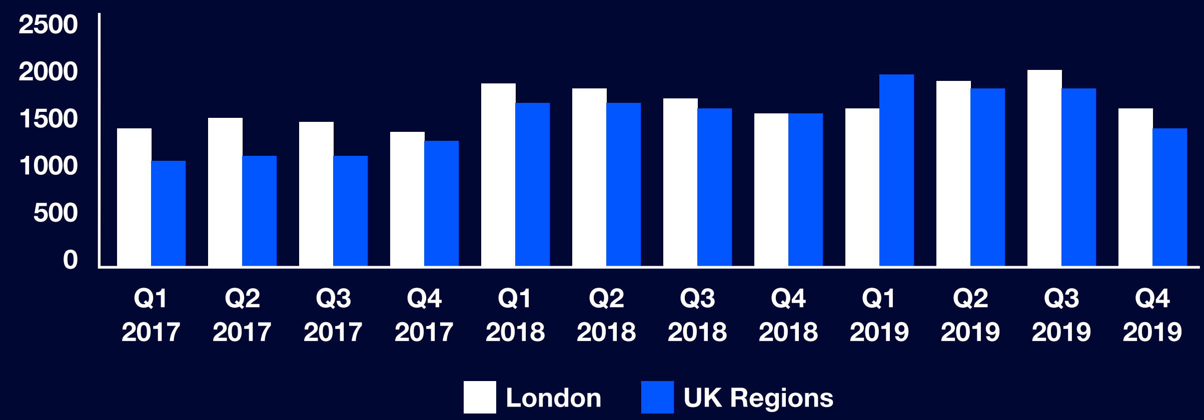
In London, tech vacancies within banking have increased by +23% over the past three years, but stagnated last year – growing by only +0.45%.

Fintechs
In contrast, fintech remains London-centred, where the growth in tech vacancies is primarily in the capital. London tech vacancies have increased by +31% since 2017.

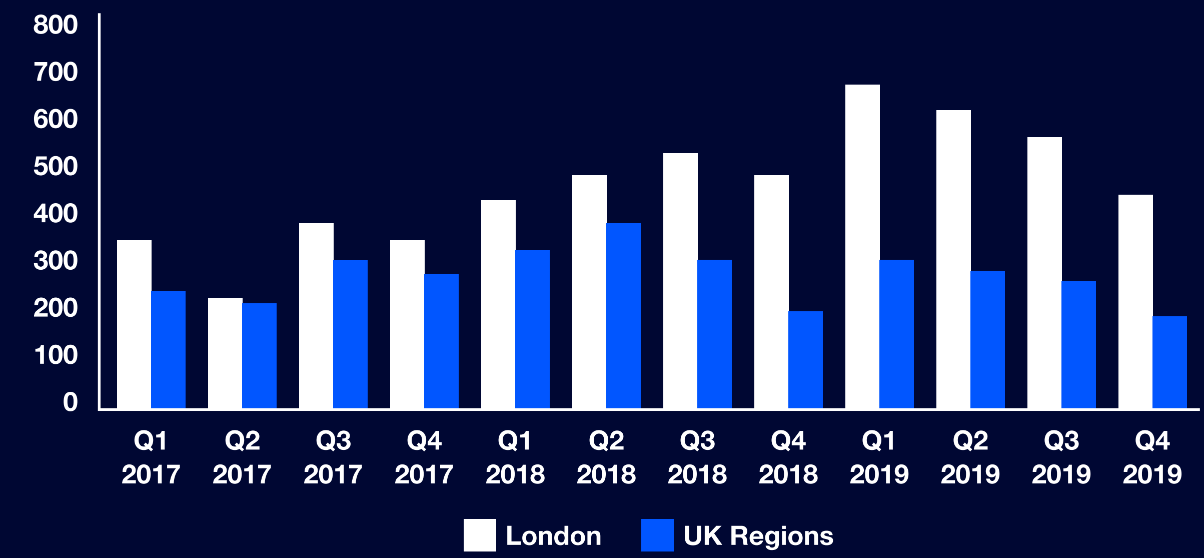
The concentration of VC funding in London is evidenced by the downturn in regional vacancies in 2019 compared to the previous year, with investment typically going into firms based in the capital.

For context, in 2018 there were 50 fintech deals of $1m or more within the UK, of which 45 were in London. In 2019, the number of investments had nearly doubled (96) yet only 8 were into regional businesses (under 10%).

BANKING TECH VACANCIES: LONDON VS UK REGIONS



FINTECH TECH VACANCIES: LONDON VS UK REGIONS

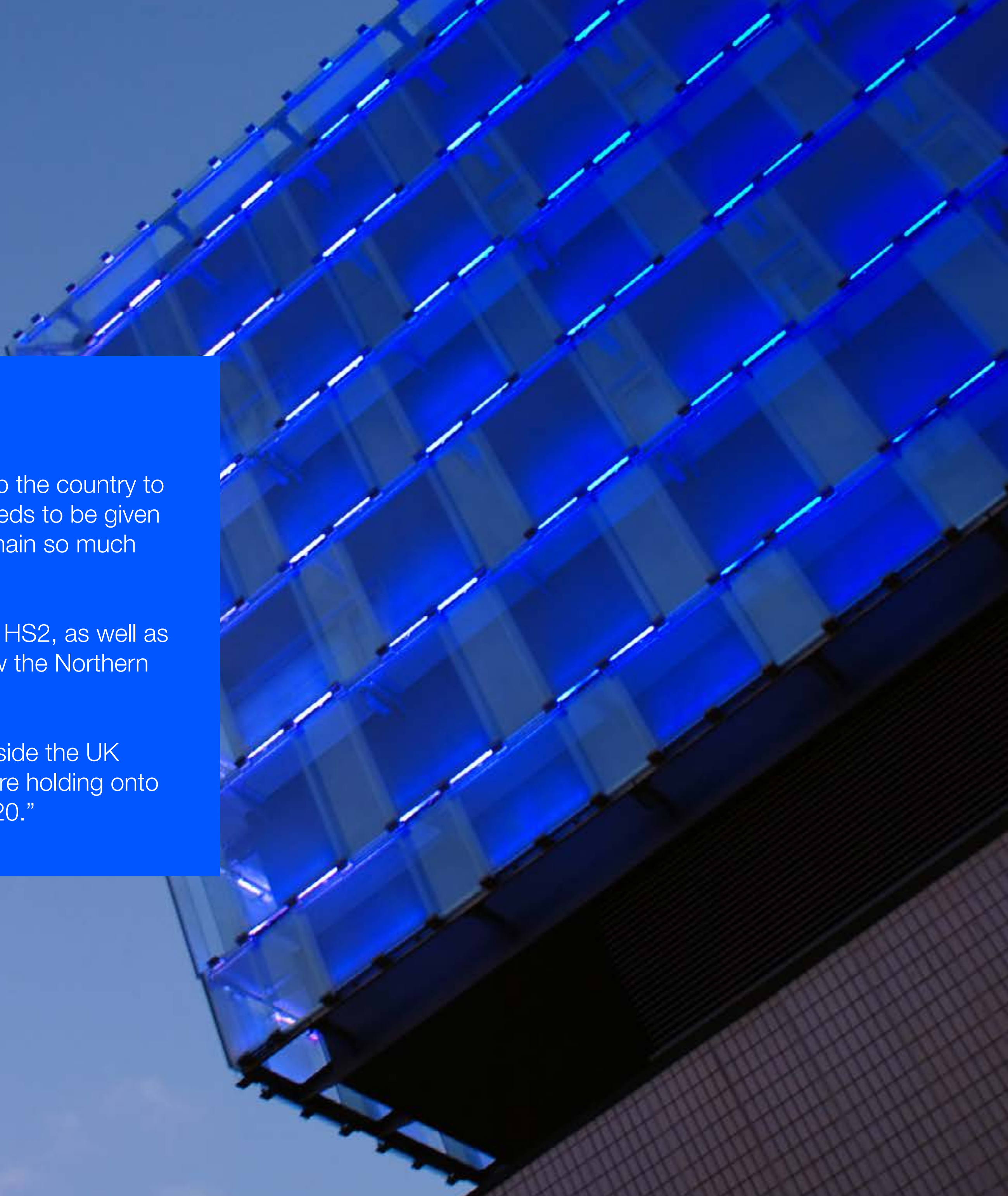


Ahsan Iqbal, Director of Technology (Regions) at Robert Walters

"If the government are serious about levelling up the country to catch up with London, then serious thought needs to be given to how and why London-based businesses remain so much more attractive to VC.

Work is already being done in Birmingham with HS2, as well as within Manchester, Leeds and Liverpool to grow the Northern Powerhouse.

In the last few years, we have seen regions outside the UK establish their own tech hubs and as a result, are holding onto talent. We will see this trend continuing into 2020."

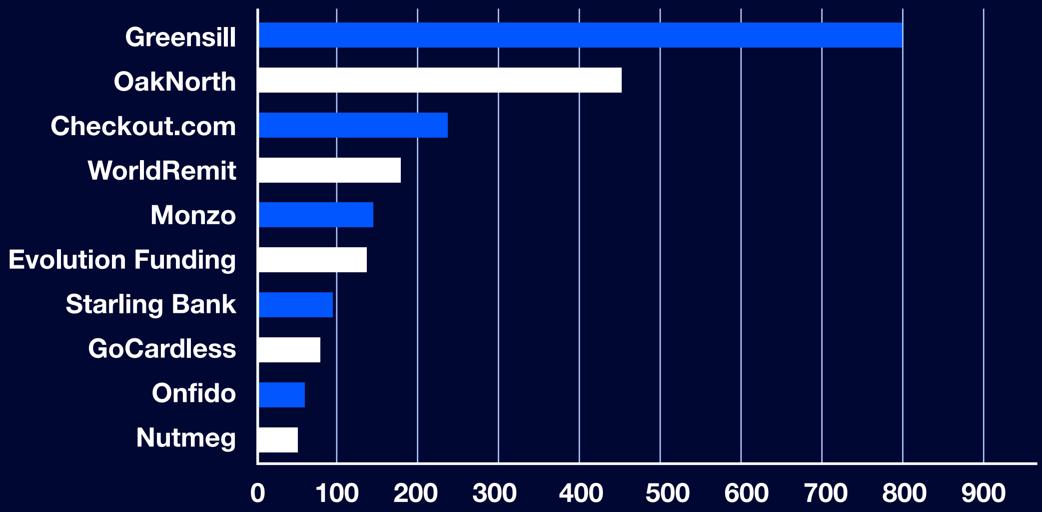


SPOTLIGHT: UNICORNS

Fintech continues to be the leading sector for attracting VCs, as funding and investment continues to grow year-on-year.

In 2019, UK fintechs attracted $48bn in funding – confirming the country's position as the number one spot for fintech investment in Europe and second in the world.

TOP 10 UK FINTECHS RECEIVING INVESTMENT IN 2019



Ben Litvinoff, Business Director at Robert Walters

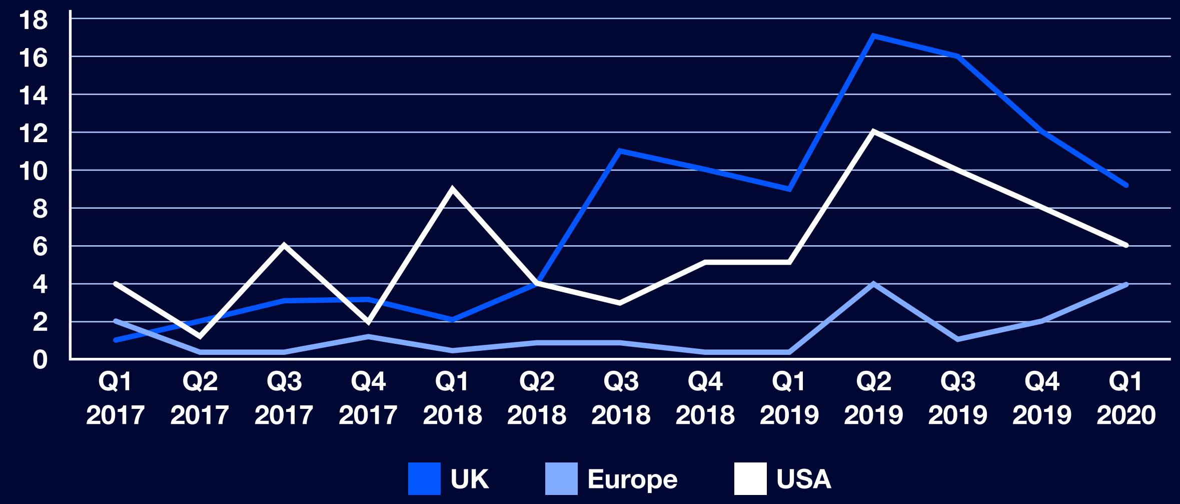
"In Q1 this year, UK fintechs generated almost as much investment as they did for the entire year of 2017 – highlighting the significance of 2020 for the sector."

The UK continues to demand 80% of total VC fintech investment into Europe and is outstripping the USA when it comes to the growth of VC investment.

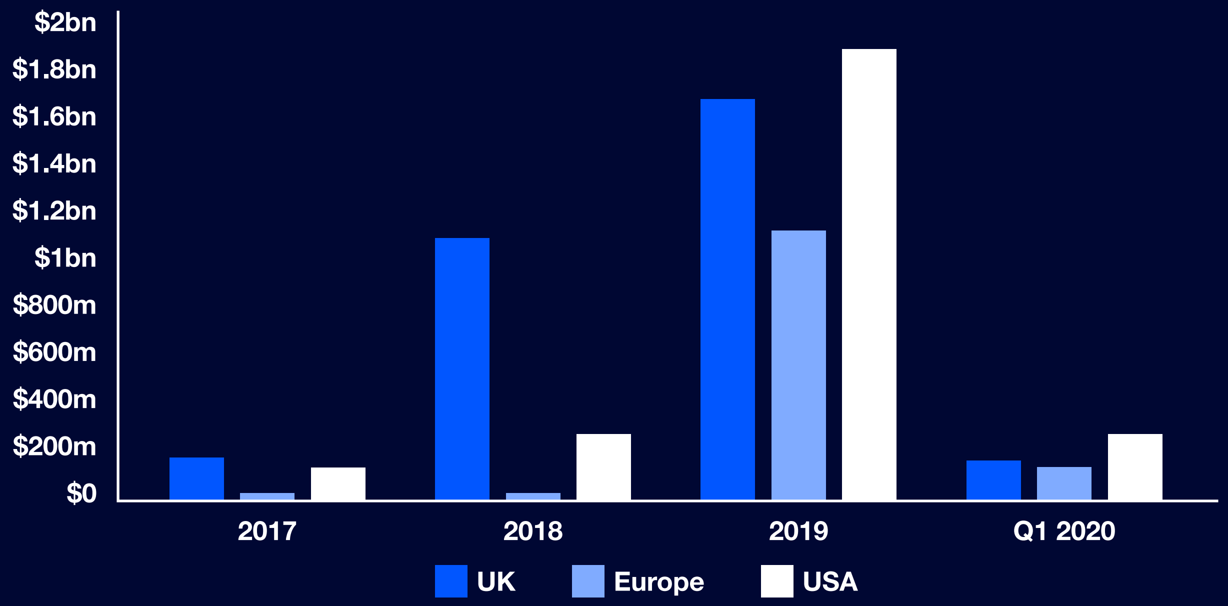
In fact, over the past three years, fintech investment in the UK has grown explosively by 500%, with the USA expanding by 170% and Europe by 133% comparatively.

Such is the draw for the UK, that a report from financial services regulatory consultancy Bovill revealed that more than 1,400 EU-based firms have applied for permission to operate in the UK after Brexit - with over 1,000 of these planning to establish their first UK office.

NUMBER OF VC 'DEALS' OVER $1M - UK, EUROPE, USA



VALUE OF FINTECH INVESTMENT PER COUNTRY, PER YEAR ($)



500%

growth in UK fintech investment in last 5 years

80%

of European fintech investment goes to UK firms

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TALENT HOTSPOTS

NON-TECHNICAL SKILLS HOTSPOTS:

Non-technical skills hotspots	YOY Growth	% of fintech talent pool
Regulatory compliance	+56.7%	7.10%
KYC	+51.9%	8.60%
Fraud Investigations	+42.8%	9.9%
Customer Experience	+33.4%	8.40%
Risk Management	+25.8%	13.7%

Regulatory compliance
As regulated entities, fintechs are required to adhere to the same, if not more stringent, guidelines and decrees by regulators as traditional financial services firms. An ability to meet regulatory requirements is integral to starting and operating a successful fintech. As regulations continue to change and become more stringent, experienced regulatory compliance professionals will become increasingly valuable to the sector.

KYC
Firms having an understanding of who they are transacting with, and on behalf of, is critical to ensuring transactions are compliant with rules and regulations set out by regulators. As an increasing number of customers engage fintech firms, there is a direct need to increase the ability to on-board them in an efficient and compliant manner. This is accelerating recruitment of compliance professionals that can perform KYC checks to limit a firm's likelihood of being involved in any illegal activity.

Fraud investigations
AI and machine learning capabilities have given rise to a breadth of financial transactions online, and with it, an alarming increase in financial crime. While AI is helping fintech firms detect fraudulent activity, specialists in fraud investigation with experience in leading intricate payment investigations are helping fintechs to improve their fraud response and boost their fraud prevention strategies.

Customer experience
As the fintech sector becomes overwhelmed with new products entering the market at a rapid pace, those best placed to succeed will be the fintechs with clear points of differentiation. As products offered become less differentiated, the need grows to acquire new customers via strong reviews, CRM, and customer experience, as does the requirement for specialists within this area.

Risk Management
As fintechs continue become more engrained and adoption rates increase, the need to have robust risk structures in place is essential. The balance of providing a fast, fluid and responsive service to compete in the fintech space, with robust risk controls will continue to be a challenge. As a result, professionals that can manage enterprise risk in a prudent manner will ensure the ongoing success of a business.

Highest growth in demand: Regulatory compliance +56.7% YOY growth

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TECHNOLOGY HOTSPOTS:

UX and UI Design

Fintech has continued to challenge the banking industry with its upper hand in providing ease of use and simple, stylised user applications. No matter how good the tech is behind the scenes, a fintech product propels in value due to firms' continued investment in UX & UI Design talent. This is evidenced by the rapid growth of UX (+52.3%) and UI (+40.4%) design skills within the industry.

Technology skills hotspots	YOY Growth	% of fintech talent pool
UX Design	+52.3%	7.8%
UI Design	+40.4%	8.1%

Product Management

Demand for product management skills remains steady (+15% YOY growth) as fintechs at points of scale require product owners or managers with the right balance of technical know-how, stakeholder management capability and strong customer mindset.

As fintechs continue to scale their product teams, a growing number are hiring a Chief Product Officer (CPO) to head up this function, acting as the organisational 'bridge' between the technology and the customer interface.

Product Management +15.8% YOY growth

Role to watch: Chief Product Officer

Data Scientists and Machine Learning Engineers

Leveraging big data is becoming increasingly key to both the fintech and banking sectors as customer behaviour continues to evolve and become further segmented. With this, adopting Machine Learning and developing predictive analytics enable payments providers to make strides in areas such as understanding customer spending patterns, automating fraud detection and customising product offerings.

With this trend, we're seeing banks and fintechs race to hire data scientists – demand is increasing by +71.2% annually within the fintech space, and +78% in the banking sector.

Technology skills hotspots	YOY Growth	% of fintech talent pool
Natural Language Processing (NLP)	+53.0%	9.6%
Computer Vision	+85.9%	6.6%
Machine Learning	+59.4%	9.4%

Software Engineers

The financial services space continues the ongoing battle to hire the best engineers in the constant push for improvements in availability of services, reduction of latency and real-time updates. In particular, we're witnessing exceptional growth (+81.7%) of ReactJS talent, and DevOps professionals (+56.5%). More generally, a continued focus on the use of APIs, Micro Services engineering, Containers and Cloud platforms are expected to be in force across the development space.

Technology skills hotspots	YOY Growth	% of fintech talent pool
QA	+46.6%	6.3%
DevOps	+56.5%	6.7%
React.js	+81.7%	7.3%
SQL	+35.3%	20.4%

InfoSec

Financial service providers have been forced to make major changes to their cybersecurity programs and protocols in order to manage the transition to remote working, leading to a spike of activity in the InfoSec space. This trend shows no signs of slowing down as fintechs respond to cybersecurity threats post-pandemic with Information Security (+63.9%) and Cloud Computing (+41.3%) on a strong annual growth trajectory.

As businesses continue to invest in cybersecurity software and adopt new platforms, there will be a heavy emphasis on Cloud skills, security engineering and site reliability engineering. Professionals involved in security orchestration with strong SIEM skills such as Splunk will be highly valuable, as well as AWS container security and micro service security architecture.

Technology skills hotspots	YOY Growth	% of fintech talent pool
Information Security	+63.9%	6.2%
Cloud Computing	+41.3%	13.4%
AWS	+51.1%	9.1%

Tom Chambers, Senior Manager - Technology (London)

"Recruitment within fintech talent hotspots shows no signs of stalling as fintechs look to hire talent within ever-tighter technology candidate pools. With the recruitment interests of fintechs and banking converging in the tech space, competitive salary packages and generous bonuses will be essential to lure limited pools of UK talent."

THE FUTURE: BLURRING THE LINES

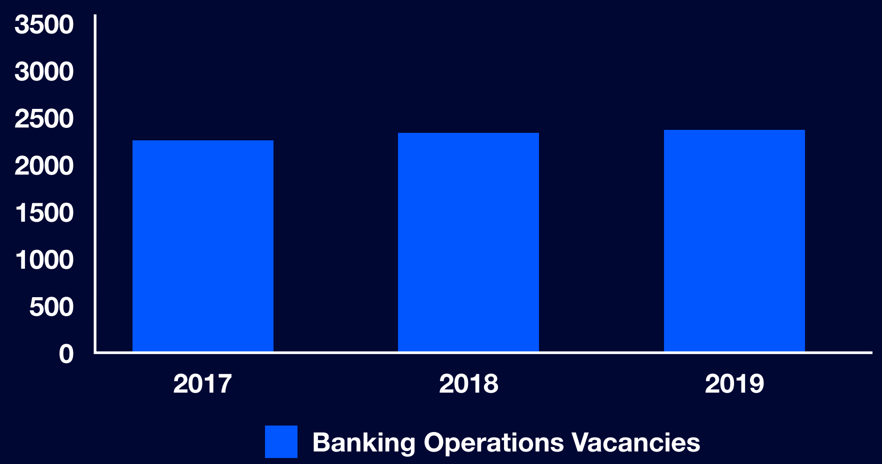
The way in which people engage with technology has resulted in banks altering their business processes, including a change to internal operations.

In the past five years alone, banks have raced against the clock to create smartphone friendly apps, which provide the same level of service and accessibility as some of the popular fintech platforms.

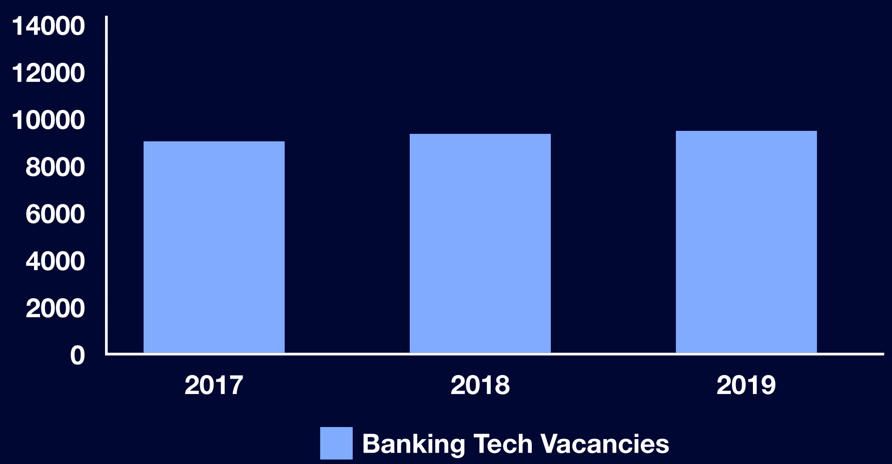
Job trends: Banking
As this happens, the number of people employed in traditional roles within the banking sector will continue to fall, whilst tech vacancies will continue to hold strong. Already, total employment in the industry has fallen in the UK by nearly 100,000 in the last five years.

Focusing on vacancies within financial services & banks over the last three years, the more traditional job roles have declined by -42%, whilst tech vacancies have increased by +46%. It is important to note, however, that the decline in traditional roles refers mostly to those jobs that can be easily automated or offshored.

TRADITIONAL BANKING VACANCIES



BANKING TECH VACANCIES



Dan Simmonite. Business Director at Robert Walters

“Fintechs were not initially seen as direct ‘competition’ to traditional banks – with their products and services differing vastly.

However, over the past 12-18 months we’ve seen fintechs apply for banking licenses so they can expand their offering to include overdrafts, guarantee deposits, and offer the ability to set-up direct debits.

Whilst fintechs creep into traditional banking territory, and financial services continue to embed technology into their processes, the sectors stand to become indistinguishable in the next year.”

KEY FINDINGS

1 GOVERNMENT SUPPORT OPENS DOORS FOR FINTECHS

Banks came under criticism for their customer-facing response to the Covid-19 outbreak, with calls for the financial services industry to work more closely with fintech counterparts to better utilise data and improve customer services.

Perhaps the most drastic change for fintechs was governments swift action to ‘shake-up’ traditional lending and allow fintech companies to be an official loan provider for the government bailout scheme - introducing fintechs to the masses.

2 LOCKDOWN MEASURES FORCE PERMANENT CHANGE

Over the past decade, the adoption rate of online banking has increased from 32% to an all-time high of 73%. Whilst the tide was certainly turning, enforced high street bank closures and cashless payments have dictated that even those most reluctant to change must adopt new ways of banking and processing payments.

Where banks have been slower in creating smartphone friendly apps, fintechs are now in a position to take market share.

3 BREXIT REMAINS A CONCERN

Unlike traditional banking, hiring for tech roles within fintech has slowed down in the past year as the sector switches hiring to legal, regulatory change, and risk roles in order to prepare for a post-Brexit Europe.

With the nature of fintech being truly digital – and therefore much easier to roll-out internationally – fintechs are now realising the task at hand to be compliant with sector regulations internationally.

4 REGIONALISATION VS LONDON

It seems traditional banks are taking advantage of the talent pool and cost savings available in regions outside of London – with job creation within banks for tech roles increasing by 50% in the last three years. This jump in recruitment has resulted in the emergence of ‘tech hubs’ in Birmingham, Manchester, and Leeds – mirroring what we see in London’s Shoreditch.

On the other hand, UK fintechs continue to recruit tech professionals in London, tactfully locating their operations for better access to VC investment.

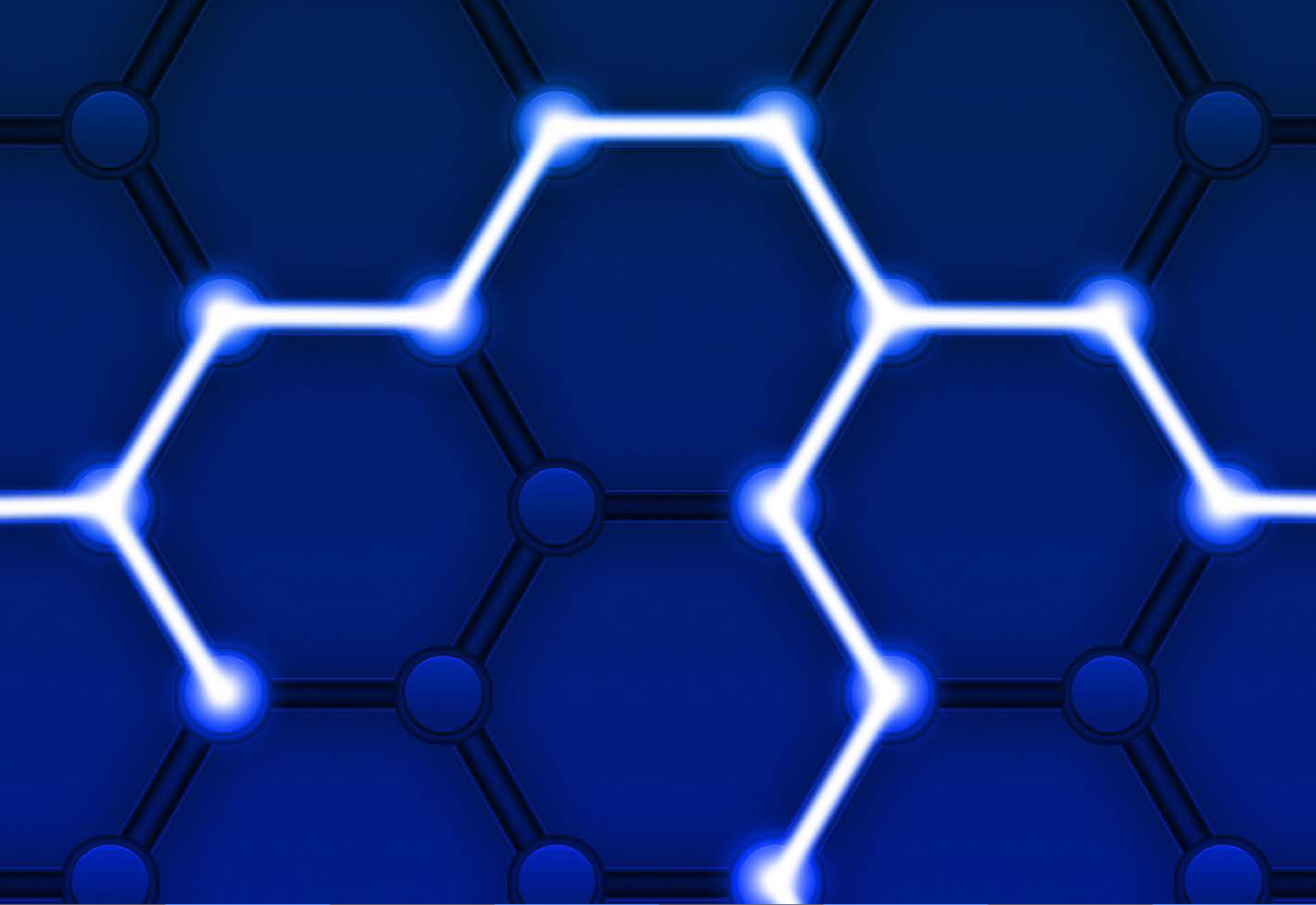
5 A HIVE OF INVESTMENT

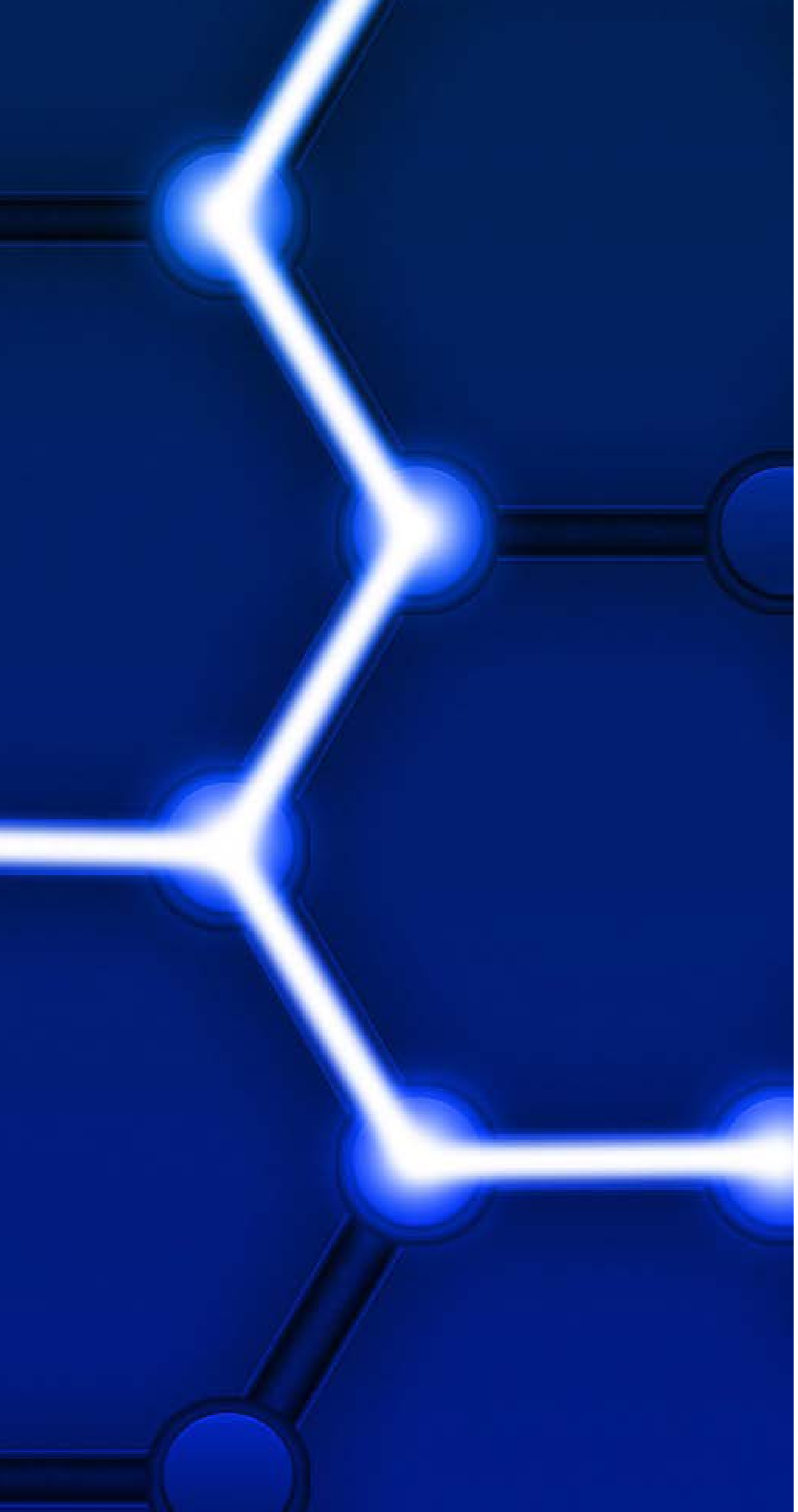
London has done a stellar job in proving its ROI when it comes to VC funding and investment. The capital now attracts the most amount of VC funding in Europe for its fintech firms and is second in the world only to the USA.

The current climate is like nothing we've seen before so fintechs should be mindful of their balance books. VCs will consider fintechs that are rapidly running out of capital as leaving themselves too exposed to external factors. Whilst confidence for investment has been high up until this point, we can expect VCs to be cautious throughout the rest of 2020.

6 THE LICENCE TO COMPETE

With several fintechs playing an active role in the government bailout scheme, as well as obtaining licences to be able to deliver traditional banking services such as direct debits and overdrafts, traditional banks will now have to view these once small 'challenger brands' as serious competitors who are taking bites at several market segments – from Generation Z and Millennials, to SMEs and entrepreneurs.





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Robert Walters

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