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Highlight: WNS could finally make its mark on the crowded BFS space with its FinTech strategy

Excerpt for WNS

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While it's existed for decades, in recent years FinTechs have really taken the banking and financial services (BFS) industry by storm; endless start-ups have emerged to disrupt, challenge, augment and advance existing incumbent firms. Naturally, we've seen service providers work with, partner, and acquire these disruptors, weaving their technology into their own offerings to deepen their capabilities. However, as these FinTech disruptors continue their impressive growth journeys, firmly establishing themselves in the BFS market, a small number of service providers have stepped forward to support the evolution of growing FinTechs into industry veterans. One such firm is WNS, who are helping growing FinTechs scale robust business operations while continuing to focus on market innovation. We spoke with WNS and some of their growing roster of disruptive clients to find out exactly what they are doing.

Disruption is the name of the game for FinTechs – service providers should enable them to focus on innovation, and less on the 'boring' stuff.

FinTechs come in all shapes and sizes; you have everything ranging from neobanks like Monzo and Starling to payments apps like Venmo and Stripe – and we can't forget veteran FinTech PayPal, one of HFS' favorite examples of what a grown-up FinTech looks like. Despite their differing approaches to the BFS market, they all have one thing in common: innovation. A quick glance at the mission statement of any leading FinTech and you will see promise of innovation and disruption – and that's exactly what these firms should be focusing on. But it's not that simple; BFS is not a monolithic industry and the obvious regulatory challenges are only the beginning of the ever-growing back-office tasks that they face as they grow and scale their business. For a new FinTech, managing growing back-office requirements alongside their continued quest for innovation can seem overwhelming, and in many cases be a significant roadblock to growth. This is exactly where an external service provider partner can help.

WNS' FinTech solution is a differentiated offering that could see the provider shake-up the space.

WNS is well known as a provider of business process management solutions, with strong domain depth in areas such as analytics, finance and accounting and procurement and deep industry expertise in sectors such as insurance and travel and logistics. For the past few years, it's been investing in its proposition for BFS firms. WNS recognized that many FinTechs were quickly transforming into large-scale BFS firms, with complex back office requirements, and while the majority of WNS' service provider brethren are competing to win deals with the traditional BFS players, it positioned itself differently and developed a solution to support these fast-growing firms. The solution is a complete back office offering focused heavily on compliance and operations, the full depth of which can be seen in exhibit 1. The idea is simple - identify FinTechs showing impressive growth potential early in their journey and help them tackle the daunting back office tasks, allowing them to focus on their core mission: innovation in building their core business and expanding their suite of products and offerings. You may be thinking this sounds like a great idea, but it will never work in practice; there's too much risk associated with gambling on small FinTechs. But WNS' nimble approach is perfectly positioned to invest in these smaller firms and joining them on their growth-journey. And besides, they already have clients to prove its success.

Exhibit 1: WNS' differentiated Fintech offering



Source: WNS, 2020

Varo Bank, now the only FinTech with a national bank charter in the US, is poised for massive growth and needed a trusted operations partner – WNS rose to the challenge.

WNS has already identified, and is working with, around a dozen FinTechs – one of which is Varo Bank. We sat down with one of Varo’s leaders, Jill Godsey, to discuss their journey and exactly how WNS had helped them. If you’re based in the US, or following up-and-coming FinTechs closely, you’ve likely already heard of Varo; a digital neobank with over a million customers, and the first of its kind to be granted a national bank charter in the US. Before Varo obtained this charter, it was just like any other neobank; partnering with a traditional bank to ensure regulatory compliance and acting more like a marketing arm. Essentially, Varo developed, marketed and serviced the front end, its digital banking platform, while its partner bank provided the actual banking services – the back office. But that all changed when Varo was granted a banking charter. The neobank quickly shifted from a disruptive front-end banking app to a fully-fledged bank - a clear competitive advantage, but also a whole new world of back office challenges that were previously handled by its bank partner. And that’s what led to Varo Bank to seek an external partner, and ultimately WNS. Jill herself explained to us:

“All of our engineering talent was in the front-end, focused on driving growth, but as we pivot towards profitability, we needed to bring our cost structure down.”

Jill Godsey, Head of Operations Strategy, Varo Money

Managing this new realm of back-office tasks was time-consuming and costly, and Varo realised very quickly that the majority of its talent was still better focused on its primary growth driver and point of differentiation: the front end. The Varo/WNS engagement includes aspects of back-office tasks like anti-

money laundering (AML) sanctions screening, account maintenance, exception handling and communications management - and Varo is currently looking at expanding the engagement further. Jill told us that WNS also offered domain expertise, helping the neobank identify risks and gaps in their business processes, procedures and documentation, while being attentive and responsive. She went on to explain that outsourcing also “kept them honest”, an unexpected benefit as Varo upgraded and strengthened processes before they outsourced them to WNS. WNS is supporting Varo’s growth by scaling their back-office support team rapidly (doubling the team in six months) in a cost-effective manner, helping Varo sustain its margin advantage over traditional banking players.

Clearly this partnership has proven effective, and it is a testament to WNS’ FinTech strategy. Jill expanded that WNS acts as a trusted partner and supplement Varo’s own back-office staff, rather than a replacement for them, which WNS claims aligns with their intent to enable transformative growth.

Bottom Line: WNS’ differentiated FinTech strategy could be right on the money; being exactly what the provider needs to make a dent in the crowded BFS market.

BFS contributed less than 5% of WNS’ almost \$900 million revenue in 2019, but while BFS is not one of WNS’ top revenue earning verticals, the provider claims to be committed to making BFS one of its key high growth focus areas. With its unique FinTech offering, WNS has identified a niche area in the increasingly crowded BFS market - and if the success of the Varo Bank engagement is anything to go by then WNS is well positioned to ruthlessly attack this expanding and lucrative area of the industry, delivering real value to rapidly scaling FinTechs, while driving their own growth.

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