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Market research and market entry recommendations in UK, Poland, and Germany for a FinTech company

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The thesis describes the market research process and provides new market entry strategy recommendations for a FinTech company CASHOFF Ltd in the UK, Poland, and Germany. CASHOFF has several products that aim to improve and enhance users' interaction with the mobile banking apps. Its clients are banks, financial institutions, and fast-moving consumer goods.

This research is focused on a Data Analysis product and supports market entry in the UK, Poland, and Germany. The market research process is cyclic and can be applied to any other countries considered for expansion. The method includes analysis of market opportunity and customers, SWOT, PESTLE, and Porter's five forces of the competition.

The importance of financial technology (FinTech) has been growing significantly in the past few years, driven by changing consumer demands. The COVID-19 pandemic has accelerated this even further. This forces traditional banks to adapt. One way to do that is by developing an in-house solution, which creates heavy competition between FinTech companies and banks. However, partnership and collaboration are always most fruitful. The thesis describes several forms of potential cooperation between FinTech and banks.

As a result, the thesis finds that CASHOFF's current market entry strategy, solely focused on the market size and potential share to be gained, is not working. To succeed, the thesis suggests that CASHOFF expands marketing and promotional activities, develops a strong brand positioning, actively seeks for partnership opportunities with banks, other start-ups, and neobanks.

Keywords
FinTech, market research, market entry strategy, digitalization

Contents

Abbreviations

API	Application Programming Interface
Fintech	Financial Technology
CIS	Commonwealth of Independent Stats
KPI	Key Performance Indicator
FMCG	Fast Moving Consumer Goods
ROI	Return On Investment
M&A	Mergers and Acquisitions
MCC	Merchant Category Codes
PFM	Personal Financial Management
BFM	Business Financial Management
UI	User Interface
TAM	Total Market Size
SAM	Serviceable Available Market
SOM	Serviceable Obtainable Market

1 Introduction

What is essential in discovering and entering a new market for a company? This question bothers not only smaller start-ups but also larger organizations following the trend of internalization. Going international opens new opportunities and revenue streams, however, it is not easy, and without in-depth market research and strategy, it is gambling.

This thesis describes the process of conducting market research and applying obtained knowledge to provide recommendations for further development of market entry strategy. The thesis is commissioned by CASHOFF Ltd., a FinTech company with a headquarters in Moscow, Russia, operating in B2B sector, working mainly with banks and other financial institutions. CASHOFF is a successful Russian company that is seeking to expand internationally. The company has offices in London and Hong Kong. CASHOFF's plans are ambitious. However, market research has been conducted only considering market share and opportunities, providing a limited overview of the market. As a result, a market entry strategy based on those data can't be considered reliable.

This project is a guidebook for CASHOFF to prepare a detailed market entry strategy for UK, Poland, and Germany. The market research approach is cyclic can be used for other regions and countries.

Chapter 4 summarizes the theoretical framework for market research and market entry strategy. Market research includes analysis of the market size and learnings about customers, defining market threats, growth, and trends with support of PESTLE and SWOT analysis, evaluating competition from the broader perspectives of Porter's 5 Forces. Market entry recommendations are based on analyzing existing market entry strategies, selecting the right entry mode based on the market research trends, applying the strategic positioning theory, and 11C of internalization by Newman & McDonald (2018). Besides, this chapter includes discussions on significant Fintech industry trends, such as competition of FinTech companies and banks and the growth and future of the FinTech industry.

2 CASHOFF and Data Analysis product

The CASHOFF Data Analytics team commissions this thesis project. The company provides data solutions for banks and FMCG companies around the globe. By applying Big Data and AI, CASHOFF helps to improve customer acquisition, engagement, and loyalty. Founded in 2013, CASHOFF has headquarters in London, strategic center in Hong Kong, and development hub in Moscow. CASHOFF has strong recognition worldwide. Deloitte listed the company as a TOP 10 Fintech Company, and in 2019 KPMG acknowledged it with Digital Innovation Award. Also, Silicon Review named CASHOFF as one of the 30 Best Asian IT Companies and CFO Outlook as a Top 10 fintech service company in the UK 2020.

CASHOFF solutions include several products.

Data Aggregation for multi-banking. This product helps banks get a deep insight into their customer finances and financial position (statement information, transactions, fraud control). Customers can bring all their banking accounts under one banking app. Data Aggregation's key benefits are accurate data, the opportunity to make quick loan decisions, and easy switch of account details and payment templates for customers.

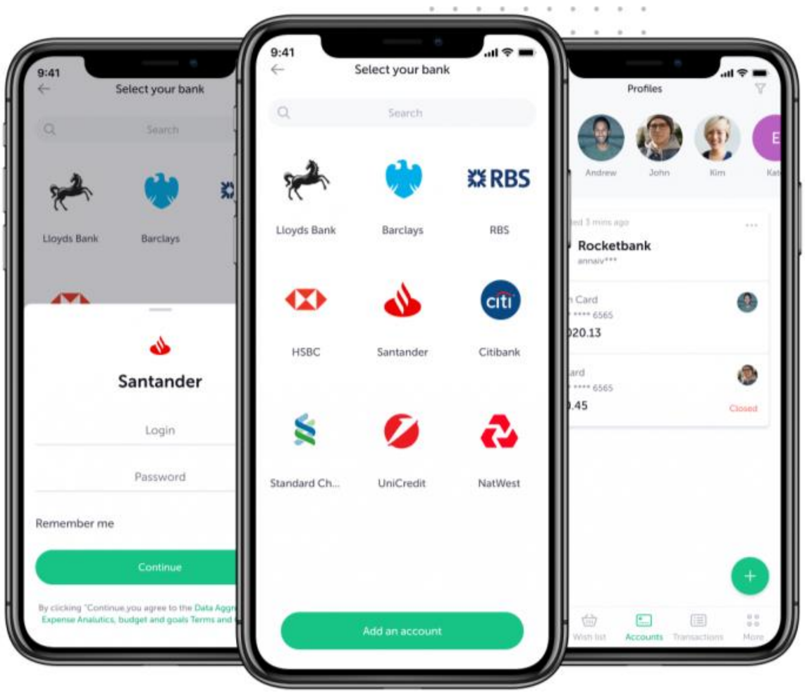

Figure 1. UI Samples. Data Aggregation

LOEE Loyalty Technology, which is a new type of banking loyalty program. It is tailored to the individual banking customer and provides cashback, which brands fund. This solution increases engagement, loyalty and creates a new revenue stream for banks.

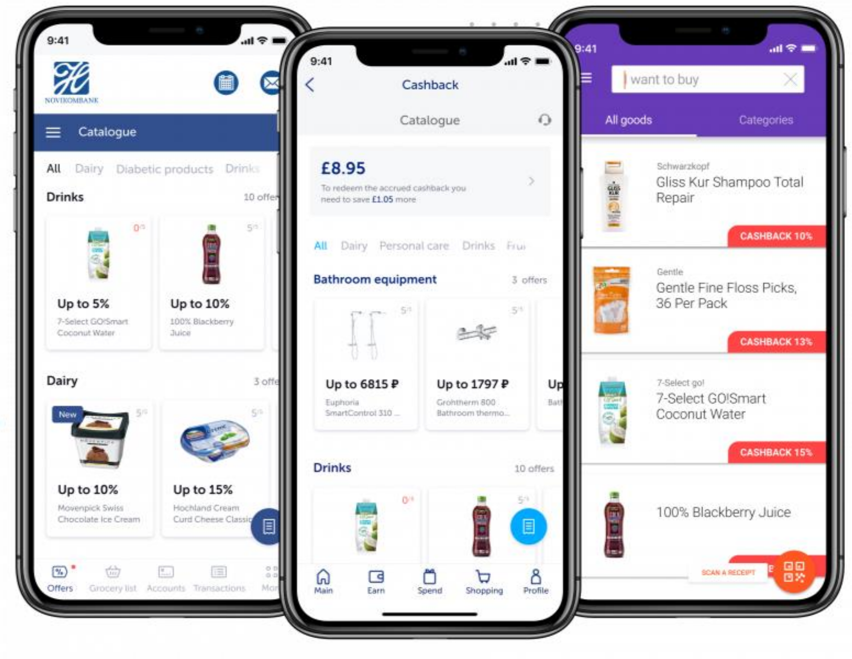

Figure 2. UI Samples. LOEE Loyalty Technology

Data Analysis is a range of data reports, allowing customers to understand their spending habits better and make more efficient use of banking apps. This solution is available for both personal and corporate banking. Data Analysis helps banks to increase conversion by identifying the target audience for the product. Solution's name is Financial Assistant (functioning based on transactions and receipts). It supports two primary functions.

The first one, **Smart Advice**, is a tool to improve user loyalty and boost cross-sales. This is a cloud-based solution that provides users personalized recommendations and advice in the bank account. It analyzes bank transactions, which reveal what is going on in a customer's life and identifies needs. As a result, the customer receives a personalized offer, which increases their involvement in the bank's relationship and lets them perceive the bank as their financial advisor. Additionally, it helps the bank sell marginal products, improve sales, and provide a comprehensive admin panel with customers' analytics and profiles. Another feature is the opportunity that CASHOFF provides banks is to create **stories** based on advice function and not only. Stories include advice, recommendations, weekly/ daily/ monthly reports, promotion campaigns.

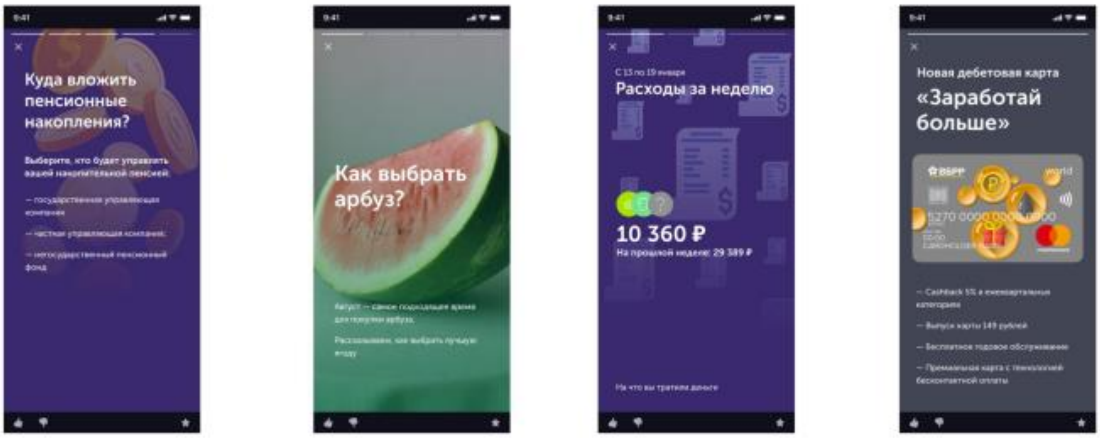

Figure 3. UI Samples. Stories

This solution's second function is **Personalized Financial Management (PFM)** and **Business Financial Management (BFM)**. PFM is a function integrated into the mobile banking app that helps analyze spending for individuals who use it, plan the budget according to the most common purchases, set financial goals, and track progress. It illustrates a comprehensive overview of what money was spent on, helping to keep assets under control. This can also be shared by family members who share the same household. In this case, PFM analyses each family member's spending behavior and plans the total budget considering purchases of all the relatives. Item refinement enables users to see a place of shopping and items purchased or gives a comprehensive purchase itemization:

- Item category identification
- Brand identification
- Product identification
- Item description refinement

Data enrichment displays transactions in the personal accounts of users in a simplified way by specifying the following details:

- Transaction category
- Merchant’s logo and name
- Merchant’s location

Reports provide users data about their spending patterns:

- Transactional categorization
- Merchant location report
- Balance
- Dynamics

Budget function assists in personal financial management by developing a habit of keeping assets under control with an illustrative overview of expenditures and monthly expense comparison.

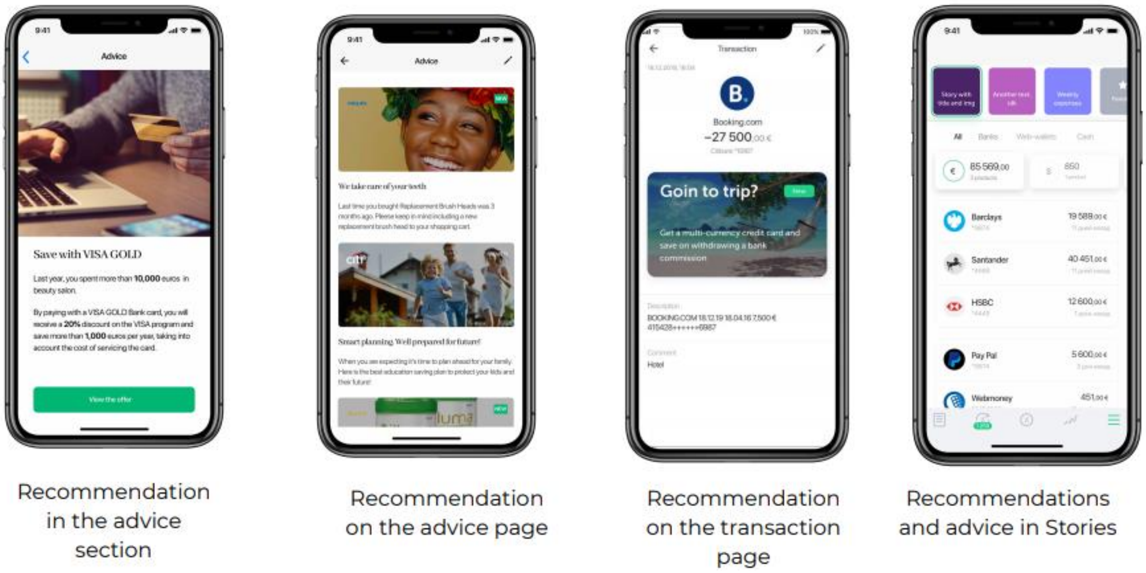

Figure 4. UI Samples Personalized Financial Management

BFM is a solution for small and medium businesses. It gives users an overview of assets and liabilities in the form of analytical reports, which opens many new opportunities for bank users, such as data on a turnover by category or counterparty, a full overview of counterparties, and the ability to customize an overview in the report. Other BFM feature helps with planning and budgeting by keeping budgets as expenditure items (setting limits for a selected period) and income categorization (financial plans for a selected period), budget control by comparison of actual vs. planned turnovers, planning, and control of achieving financial goals, prediction of potential cash gap. Additionally, BFM can support project execution by project financial planning and accounting, cost structure analysis, distribution of the money, list of most profitable operations.

3 Objectives

CASHOFF has a business need for global expansion. A comprehensive market study is a crucial step for a company that is entering a new market. This thesis's primary strategic objective is to conduct strategic market research in the UK, Poland and Germany and provide CASHOFF with recommendations for entering each market, based on research results. Hague, Cupman, Harrison &Truman (2016, 290) four critical criteria to consider before entering a new market:

- Market size and nature of the opportunity
- Market threats, growth, trends
- Competitive landscape
- The structure of the supply chain

In July 2020, my CASHOFF colleagues and I led a preliminary assessment of markets in different regions of Europe. We evaluated market capacity, key players, and level of digitalization of financial services. Based on the preliminary assessment results, the CASHOFF team selected few countries as a target for expansion and further research. For Europe, the shortlist includes United Kingdom, Poland, and Germany. The critical criteria for selection were a potentially high current market size and/or low entering barriers.

In the beginning of the thesis project, objective was to create a strategy for market entry in the UK, Poland and Germany but due to the COVID -19 pandemic and organizational changes, it was restricted to the market study and market entry recommendations.

3.1 Expected outcomes

This development project will include two outcomes that will support CASHOFF's European expansion in the UK, Poland, and Germany.

Paragraphs 6 & 7 will consist of market research and entry recommendations for UK, Poland, and Germany. As an attachment, I will create a shorter presentation with critical outcomes for top management review.

3.2 Research questions

RQ1. What are the opportunities and threats of entering selected markets (UK, Poland, and Germany)?

Sub questions to be referred to each selected market separately (UK, Poland, Germany):

1. What is the market size of the UK, Poland, and Germany?
2. What are the main obstacles and trends of the UK, Poland, Germany markets?
3. What are the strengths and weaknesses of the Data Analysis product?
4. What is the competition in the UK, Polish, and German markets for the Data Analysis product?

RQ2. Which market entry recommendations should the company consider for entering UK, Poland, and German markets?

3.3 Scope

The scope of this research is limited to Data Analysis products. As described, CASHOFF has four products that serve both B2B and B2C client segments. All products evolve fast and continuous development. Though products are interdependent and research findings may serve another product, that won't be recorded in the thesis. However, these opportunities will be mentioned to the relevant product manager and development team.

Another limitation of the scope is territorial. In July 2020, a preliminary assessment of several European countries was conducted, and a shortlist of target countries was made based on the findings.

Also, Fintech is a fast-evolving arena that includes hundreds of thousands of rapidly changing players across the globe. To limit the scope, I will only focus on critical players with proven records of successful cases.

This study will mainly focus on in-depth research of the UK, Poland, and Germany markets, and providing market entry recommendations.

4 Market research and market entry strategies in the financial services industry

4.1 Importance of market research

As stated by Hague & al. (2016, 17), market research is "the systematic and objective collection of data on a marketing subject." In other words, it is a map that helps to navigate marketing courses. Market research is used for many reasons, but the four most common ones, according to Hague & al. (2016, 32), include markets, customer assessment, positioning the brand and communications, understanding and developing the offer.

Companies should fully understand the market size that they operate in or plan to enter. Lack of knowledge may lead to missing a growth opportunity, lack of knowledge of evolving trends, low confidence in long-term planning. Assessment of market size consists of two major components, such as served available market and total available market, meaning that most of the time, the ultimate number of potential customers has not been reached, and there is still room for growth. Markets are not definite, but they consist of several products and services, and such division should be specified when estimating market size. As markets consist of people (users), they can also be divided based on gender, occupation, family status, education, geographical location, etc. To obtain accurate data on market size, it is essential to refer to government statistic reports, reports provided by trade associations, or other researchers (Hague & al. 2016, 40).

As a customer is a final decision-maker whether to purchase the product or not, market research should be customer-centered. According to Hague & al. (2016, 35), focusing on the customer while conducting market research is referred to as "the voice of the customer" or VOC. It can take different forms, including one-time feedback surveys or regular feedback forms. Customer segmentation is a three-level pyramid. On the ground level, the easiest type of segmentation – demographics (or firmographics in B2B), which is based on age, region, gender, income, religion, etc. The middle level of the pyramid is behavioral – when people buy some product, do they always take some particular brand, prefer to switch between different options, and so on. Those data are harder to obtain, but they enrich customer profiles much better than demographics. The top level of the pyramid is the hardest one to achieve, and it consists of needs and unmet needs. Recognizing those and grouping customers this way is the most effective way to make more sales. However, Hague & al. (2016, 38) specifies that need-based segmentation is

mostly used in a consumer market. In B2B sector, it is most common to combine firmographics and behavior due to the complexity of decision-making units.

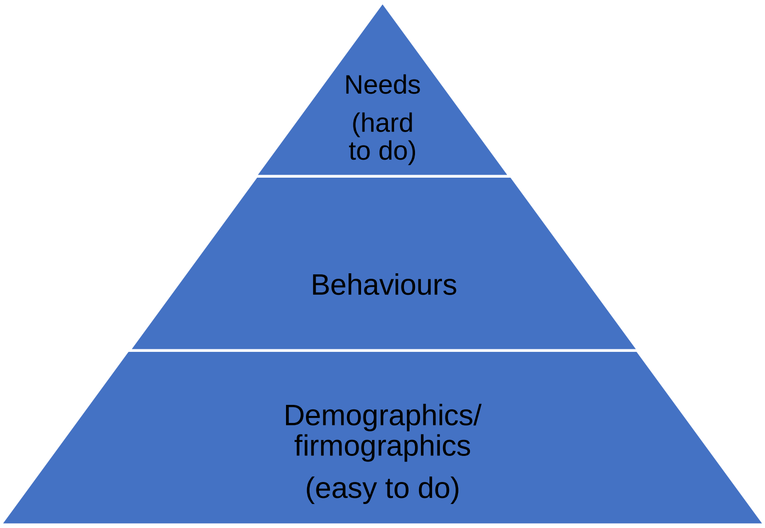

Figure 6. Three levels of customer segmentation (adapted from Hague & al. 2016, 35)

Another significant role of market research is to help the company most efficiently realize its promotional budget. Market research enables testing different advertising options and campaigns, developing and tracking its effectiveness, and positioning the brand on the market. Also, market research is essential while developing new products or services. It supports identifying needs, testing attitudes to new products, packages, or ways of communicating with customers, or design of the service delivery.

Market research is also playing an essential part in many business models and frameworks as they require data. Hague & al. (2016,7) emphasizes that the most common four Ps (Product, Price, Place, Promotion) require market research in all stages.

Product	Price
Market research enables product testing to identify possible customer attitudes through, e.g., presenting the product to the focus groups, hall test.	Market research can be used to identify the product's value for potential customers and therefore set the best pricing approach.
Place	**Promotion**
As a distributional aspect included, marketing research can arrange the most effective route to the market.	Market research helps to develop and test ideas for marketing campaigns.

Figure 7. The four Ps and market research (adapted from Hague & al. 2016, 35)

Conducting marketing research, particularly in entering a new market, has a large return on investment (Hague & al. 2016, 289). I can either confirm that market has an opportunity or find out that there is no opportunity and, as a result, save money. Other reasons that Hague & al. (2016, 289) suggest:

- It helps to decide whether to enter a new market or avoid it.
- Determine the strategy for entering a new market.
- Determine realistic goals and set targets.
- Form a business plan.

4.2 Market research methodology

The market research methodology consists of many tools that researchers can use to get information. Any collection of facts that can be relevant and used to make a marketing decision is market research. As a researcher, you are looking for evidence that will affect other decisions about the market.

As CASHOFF requested market research for entering new markets, I will mainly consider resources recommended to obtain the required information for this activity. Acquiring new markets is a considerable risk and significant investment. However, success can lead to high financial rewards, while failure will result in significant losses and sometimes even reputation damage. The importance of detailed and reliable market research is excessive.

As a first step, before starting market research, the company should make a shortlist of countries to consider for the research. It helps collect primary data on the countries, such as approximate market size, trends, legislation, biggest competitors.

The further steps of the marketing research process include:

1. Understanding market size and customers
2. Learning about threats, growths, and trends of this market
3. Analyzing competitive landscape

Frameworks help transform information about market entry into decisions, and for this study, I will use PESTLE analysis and SWOT analysis.

4.2.1 Market size and the nature of the opportunity

There are different measures of market size. Hague & al (2016, 290) defines **the total market size (TAM)** as “the total volume or value of a particular offering sold in the market, in a given year and at a given point in the supply chain.”

However, in practice, extensive total market size doesn't mean that the opportunity is significant. In some cases, the market won't be interested in purchasing the offering, or the company will fail to serve the market. The term **serviceable available market (SAM)** differentiates the market size from the part which can be served through existing sales channels. It is a part of the total market size and is useful when a company has established sales channels that they would like to stick with. Another measure is usually smaller than TAM or SAM, but the most useful is the **serviceable obtainable market (SOM)**. SOM size refers to the information about the market related to how many of it is likely to be interested in or willing and able to pay for the product. SOM is a short-term target. TO sum up, all measures have different goals: SOM presents the potential in the short-term, SOM & SAM set the target for the market share, and TAM indicates potential at a bigger scale.

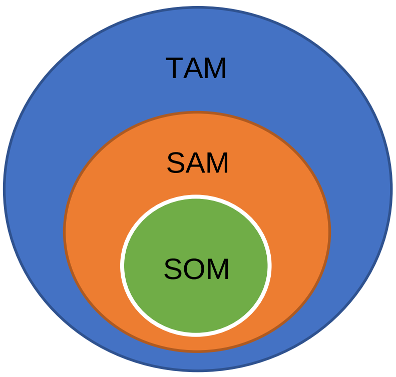

Figure 8. Market size calculation: TAM, SAM, SOM (adapted from Corporate Finance Institute)

Calculating total market size can be done in different ways (Hague & al 2016, 291):

1. Analyzing demand or identifying the number of potential customers and multiplying the number by estimated average spent on them.
2. Analyzing supply or identifying companies that supply customers and estimating revenue in the selected market.
3. Top-down. Find out the size of the market of which your market is a part and estimate your proportion of it. For example, in the case of CASHOFF, we can find out how many banks with a mobile app are in the country and the approximate number of clients they have in total. Most probably, most clients will use a mobile app to consider them as potential end-users of the products.
4. The proxy approach, or finding the market size in the "parallel" market, makes an estimation considering factors that potentially drive both markets. Population (assuming the same number of people who use banking apps in Spain and Italy), size of the economy, etc., can be a good proxy.

Aaker and McLoughlin (2007, 80) refer to an essential fact that companies need to consider while analyzing the new market's size. Current market size is a starting point, but in addition, it is useful to consider the potential markets. New usability, user group, or increase in usage frequency can drastically change both the market's size and prospect. Companies should see potential and prepare to exploit it to avoid missing profitable opportunities.

4.2.2 Know your customer

Even though the FinTech community is diverse and international, it is still possible to learn some new market parameters and aspects. For this purpose, Hofstede's culture dimensions framework is a valuable tool that can help compare two countries and find similarities and differences.

Hofstede defines culture as “the collective mental programming of the human mind which distinguishes one group of people from another. His framework combines all cultural differences into six dimensions: power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, long-term/short-term orientation, and restraint/indulgence.

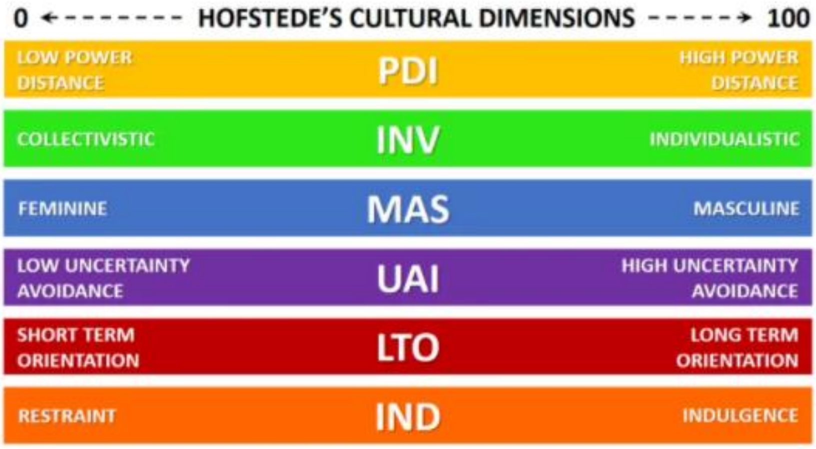

Figure 9. Hofstede's cultural dimension (Business-To-You)

Hofstede describes each dimension of the framework in detail. The power distance index shows how power is distributed in society, whether inequality is accepted amongst people and those who hold power support it. In cultures with a high index of power distance, society with a low index, on the opposite, distribute power equally and seek justification for inequality.

The dimension of individualism vs. collectivism refers to the significance of an individual's interests compare to a group's interests. Self-image is defined by either "I" or "we." Masculinity/femininity defines values accepted in society. A high index of masculinity means that society is competitive, strives for achievements, material rewards, heroism. A feminine society is consensus-oriented, prefers collaboration, modesty, caring.

The uncertainty avoidance index presents how easily society deals with uncertainty and ambiguity. Countries with high indexes that don't encourage deviant behavior tend to have a strict code of conduct. On the opposite, low uncertainty avoidance means society is more tolerant to unexpected situations.

Either long-term or short-term orientation defines the dimension of time. Countries that have a low scale tend to respect traditions and obligations, oriented on past and present. Countries that score high are more pragmatic and instead prepare for the future. The dimension of indulgence vs. resistance defines the degree to which people can control their impulses. High indulgence in society allows its members gratification of basic human drives to enjoy life. Restrained society has strict social norms and tends to regulate its members.

Another dimension not related to Hofstede's framework but essential due to the digital nature of the product is the digital awareness of the community in the countries

considered for entry. Digital awareness means how digitally savvy people are, their ability to find, understand, and reflect on the information provided by different digital channels.

4.2.3 Market threats, growth, and trends

Identifying market threats, growth, and trends, both existing and potential, requires comprehensive research. They may arise from anywhere in the market: macroeconomics, microeconomics, political situation, competition, popularity, change of tastes. To get valid information, a researcher should review publicly available information, create customer surveys, discuss with experts in the industry.

Analyzing and keeping yourself updated with the current market situation is vital for any company. However, it is even more essential to identify trends that will drive your industry in the future. There are many ways of keeping up with trends and predicting what will come next, but I would like to define several most relevant ones that I had an experience with:

1. Monitoring publications, interviews, and webinars by industry influencers.
2. Observe competitors' behavior and actions. Keeping updated with the new possible players on the market.
3. Asking and listening to your customers.
4. Prepare a long-term strategy for your product. Not focusing only on the current but look into the future for potential business opportunities.
5. One crucial point that concerns incredibly innovative firms that provide technology solutions is analyzing and overlooking the maturity of the technology and network infrastructure in the selected market to understand digital product adoption readiness.

In my thesis, I will focus on the current analysis of the market by applying PESTLE and SWOT techniques and analyzing potential changes in the industry in the future.

4.2.4 PESTLE and SWOT analysis

PESTLE analysis is a framework that helps to find out market trends and challenges. It identifies six groups of issues: political, economic, socio-cultural, technological, legislative, environmental.

Political	What kind of political philosophy and policies are there? What is the level of political stability?
Economic	Refers to economic policy, stability, and growth/ decline
Socio-cultural	Social norms and attitudes to the product in the related category
Technological	Attitude to technology in the society; technology adoption on the market
Legislative	Relevant legislation and potential change in the legislation
Environmental	Climate, weather, and geographical issues

Table 1. PESTLE analysis (adapted from Hague & al. 2016)

SWOT analysis is a tool that can not only help to define trends but also can be used to build a market strategy. SWOT stands for strengths, weaknesses, opportunities, and threats. Fleisher, C. & Bensoussan, B. (2015,105) define that SWOT is used to analyze the fit between an organization's strategy, internal capabilities (strength and weaknesses), and external possibilities (opportunities and threats). **Strengths** are factors that boost a company's success and competitiveness. They distinguish the company from its competitors and show its clear advantage. With strengths, the company can achieve its performance objectives. **Weaknesses**, on the opposite, are limitations that prevent the company from achieving success. They show what the company is doing wrong or the limitations of its resources. **Opportunities** are promising perspectives for the organization, for example, new positive trends, demands, or needs from consumers that the company can fulfill. Opportunities improve the company's competitive position. **Threats** refer to a disparaging situation or change in trends, consumer behavior can negatively affect the competitive position.

SWOT analysis asks four main questions (Andrews 1971):

1. What can be done? (strengths and weaknesses)
2. What do we want to do? (organizational and individual values)
3. What might we do? (external opportunities and threats)
4. What do others expect us to do? (stakeholders' expectations?

	Strengths (internal factors)	**W**eaknesses (internal factors)
Opportunities (external factors)	Internal strengths and external opportunities generate a strategy that utilizes strengths to increase opportunities. Example: higher delivery time in the market with lower standards	Internal weakness and external opportunities build a strategy that helps minimize weakness and take advantage of the opportunity. Example: extending product range when there is a market demand for that
Threats (external factors)	Internal strengths and external threats lead to strategies that use strength to minimize threats. Example: aggressive promotion of a strong brand in a commoditized market	Internal weakness and external threats – strategies to minimize weakness and avoid threats. Example: avoiding segment that is price sensitive to serve

Table 2. SWOT analysis (adapted from Hague & al. 2016)

4.2.5 Competitive landscape

It is essential to carefully analyze competition before settling on a new market. Companies should consider many parameters, such as the current state of business, strengths, weaknesses, possible strategy, customer loyalty, etc.

To make a quality assessment of the competitive landscape, Porter's 5 Forces can be useful. As stated by Porter, A. (2008), "understanding the competitive forces, and their underlining causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time." Five forces vary by industry. Typical steps of analysis include:

1. Defining industry: products and geographic scope of competition.
2. Identifying and grouping participants (buyers, suppliers, substitutes, competitors, potential entrants)
3. Assessment of underlying drivers and defining how weak or strong they are.
4. Assessing industry structure and testing the consistency of analysis.
5. Assessing both positive and negative potential changes.

6. Identifying industry factors that are influenced by competitors, new entrants, or your company.

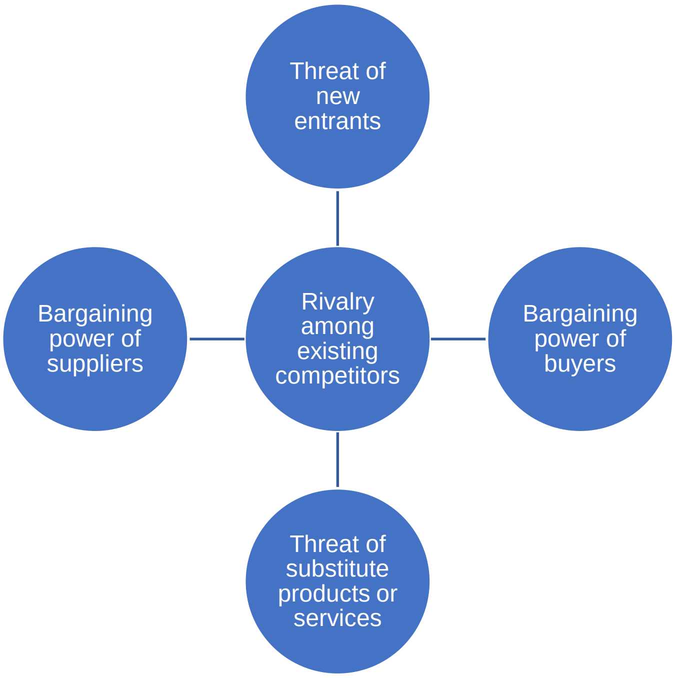

Figure 10. The five forces that shape industry competition (adapted from Porter 2008)

The force in the center is assessing current existing competitive rivalry. It helps define how many competitors are on the market, their competitive and other differences, and how loyal their customers are. The other four forces show potential changes that may arise in the competitive landscape. New players on the market bring additional capacity and want to gain a market share. It can result in driving down prices and diversification. The threat of new entry depends on the level of entry barriers. Analysis of this part includes time and costs of entry, expert knowledge, cost advantage, technology, entry barriers.

Existing substitute products can make a significant impact on the industry. They always but easy to overlook as they may seem to be irrelevant. The high number of substitutes reduces the entire industry's profitability, placing a ceiling on the pricing. In the analysis, it is essential to emphasize and alert potentially attractive substitutes.

The last remaining forces are buyer and supplier power, and those, ideally, should be in balance. Suppliers can set high prices and capture most of the profits, decrease quality levels. As companies highly depend on suppliers, they can't be ignored in the analysis. The analysis includes the number and size of suppliers on the market, uniqueness of services they provide, cost of changing, ability to substitute. On the opposite side, your

potential customers (or buyer power) impact you not less. According to Porter (2015, 50), the powerful buyer can force prices down, demand better quality and services.

A company that enters a new market should aim to differentiate itself from the competition. Therefore, a survey of competitors' customers is an excellent way to understand target customer group needs and understand how competitors perform against them. Unmet needs can be a key differentiation factor.

4.2.6 Competition between FinTechs and banks

Surprisingly, but in a Fintech environment, competition arises from fellow Fintech start-ups and clients – banks. As Margaris (2018, 212), banks are historically traditional and tend to reject the change. Regardless, it is happening.

King (2018, 200) mentions that banks have two choices – delivering innovation internally but at a much slower and more expensive pace or partnering with Fintech and doing it faster and cheaper. The vast majority of banks do not, however, partner with Fintech companies so far. On the positive side, McKinsey's research identified that only 8% of established firms believe they shouldn't respond to the financial industry changes.

Bank strength	Fintech strength	Fintech differentiation
Customer base	Innovative ideas	Experiences tailored to a specific customer group
Product set	Agile	Flexible approach
The cost of capital is low	Innovative and up-to-date analytics and data management	New business models
Regulatory protection	Online customer acquisition	Inclusion and support of underserved customers
Act as a revenue source for Fintech	Online and mobile UX optimized design	Focusing on differentiated technology experiences rather than product

Table 3. The benefits of collaboration between banks and FinTech’s (adapted from King, 2018)

So, both Fintech and banks need each other to deliver technology to the customers – why not collaborate? Margaris (2018, 212) emphasizes that partnerships between FinTech and banks should become more common in the coming day. We are about to experience a wave of the collaboration of banks with FinTechs. Banks that resist this opportunity will fall significantly behind the shifts in the industry.

Banks should understand that the goal of Fintech is not to destroy them, agents, brokers, and insurers but to remove the friction associated with financial services today as facts state, the fastest growing financial services organizations are not banking but Fintech and technology start-ups (King, 2018).

In Autumn 2020, I interviewed Ilkka Lähteenmäki, a managing member of Fintech Finland and Professor, focusing on teaching and researching Fintech, technology, banking, and finance. He mentioned that for traditional bankers, it is hard to understand and accept the fact that technologies and Fintech players are taking the scene, and there is a need for a change. Nordea, OP, Danske, etc., for them, it is difficult to change mental models based on history, and they struggle with understanding what new organizations are talking about. Even though there is still competition between banks and FinTechs, bigger banks are willing to consider collaboration but have some issues with it. For unknown reasons, hackathons, and development programs (e.g., Säästöpankki) don't work well.

King (2018) sees several barriers to cooperation between Fintech and banks.

- The mindset of bankers needs to be changed. Most banks are thinking too long about implementing new technology or trying to build it internally.
- Cultural differences influence collaboration and can lead to conflict. Banks tend to be careful and conscious with regulation, legal aspects, and compliance, while FinTechs don't worry about it until it starts threatening business.
- Procurement workload can waste Fintech resources. More specific contracts and more checkpoints should be introduced.
- Upcoming technology chasm, or gap that both banking and FinTech teams should be ready for and focus on the results.
- Too short-term ROI is one of the reasons collaboration clashes. Profitability is not a vital consideration for many FinTechs founded by venture capital. Banks, however, expect technology projects to have a short payback.

Besides banks, there is one more struggle that affects FinTech firms positively – regulation authorities. Skinner (2018, 140) finds it incredible that regulators build so many barriers for Fintech start-ups. He is wondering how it is possible to innovate in an economy that is strangled by existing players with no interest in development. According to Skinner, most banks consider collaboration with FinTechs as a charity until it threatens their business and profits.

Skinner believes that there is no threat for banks in collaborating with start-ups. Even successful players are not replacing banks but try to serve underserved markets. FinTech companies look for investments and access to funding and support. If they succeed, they don't replace banks but rather fulfil areas that could be difficult for the bank to serve due to the high cost of risk.

Darren Hughes, CASHOFF Director in the UK, also considers competition from another perspective. FinTechs will always be a driving force for innovations and keep on challenging the existing status quo. However, large media companies, such as Facebook, Amazon, Google, are present on the market too. Those big players are continually scouting the market to see what smaller niche competition is doing and whether they can develop the same innovation in-house or acquire a competing firm. In Data Analysis, the need for personalization is growing, and this can only be achieved with most data. Big media companies have more data about consumers than anyone else, which is their most significant advantage. Those companies will start using the information on the purchase history of consumers, payments, etc.

4.3 Market entry strategies and specifics of entering new markets

Going international is on the agenda of many companies, disregard the business sector they operate in. Political situations and changes in consumer behavior drive those agendas fast. For example, the UK leaving European Union (Brexit 2016) will likely force a business to expand in other regions due to high tax rates with EU countries. Overall, in the world, consumers tend to buy online, forcing businesses to close physical stores and shift to online ones, which allow selling worldwide.

4.3.1 Market entry approaches and strategies

Newman & McDonald (2018, 154) propose several approaches for entering new markets.

- Standardization (switching on buy button). This approach can give a good overview of potential demand. However, without localization, it might be suppressed.
- Adaptation or localizing some aspects of your product or service. It gives a better overview of potential demand on the market, but real perspectives are still hidden.
- Full online localization (e.g., payment, currency, service, and language) allows providing customers with a better experience of using products and maximizing demand. It is, however, a costly approach that requires a lot of investments.
- Dipping toes (presence on the marketplace). A cost-effective approach to learn about the potential demand for a new product. The negative side is that you will not acquire customer database or their data – they will belong to the market.
- Multichannel entry (online and offline). This approach is expensive, but it potentially results in an excellent customer experience and actual presence on the market.

- Offline (lead with stores) – brings the brand to life and gets you closer to your customers, however expensive and limiting outreach.

According to Newman & McDonald (2018, 162), critical blockers for entry often include entry strategy aspects. The leading cause for underperformance is often lack of localization. Other factors are advertising in the wrong areas, lack of resources, low recognition of the brand (it takes time to build a strong brand identity on the new market), lack of buy-ins on all levels (reduction in investment in case things initially go wrong). All market differs not only by size but also by terminology, payment methods, preferences, and marketing channels' behavior.

11C of internalization designed by Newman & McDonald (2018, 162) is a framework that summarizes all activities that need to be considered before and during new market entry:

1. Choose the right **country** to expand into.
2. Understand the local market **consumer behavior.**
3. Localize consumer **communication**.
4. Localize **culture and climate.**
5. Offer localized **customer support**.
6. Understand your **competitors**.
7. Offer the appropriate **currency and payment types**.
8. Know what good **conversion** looks like and how to deliver it.
9. Consider the most appropriate **channels** to the market.
10. Create localized **content**.
11. **Crew**: consider staff resourcing and structure.
12. Additionally, determine how to build trust in the new market.

Glowik (2016, 131) states few key drivers that motivate firms to enter the international market. The first factor is demand-oriented. A new market is attractive in terms of higher market volume and growth rates. It will provide additional sales volumes. The second, supply orientation - the market can provide access to resources, e.g., infrastructure, talents, knowledge.

The third factor is a necessity to follow the customer, which means that if the critical customer needs to operate on a new market, the firm can be forced to expand the operation to avoid income loss. On the other hand, it is also essential to see what competitors are doing to join and acquire new markets early enough to prevent losing sales opportunities and investment benefits. The last factor includes all financial reasons. A new market can provide investment incentives (tax reduction, subsidies).

As the reasons above present, often the company doesn't decide to expand to the new markets on their own, but rather under the strong influence of third parties (clients,

competitors, etc.). Expansion, or internalization, has a substantial long-term influence on its future, and selecting the right and educated strategy for entry is crucial.

There are many traditional forms and modes of new market entry, such as contractual (direct and indirect import), licensing, franchising, management contracts. However, due to the innovative and technological nature of the Data Analysis product, I will focus on analyzing modes that are the most common entry modes for technological innovation companies. According to the PWC report (2018) on new entrance and competition in Germany, the high pace of technological transformation is threatening all industries. There are six ways that disruptive entrants reach the market, according to the interview of established businesses (Figure 10).

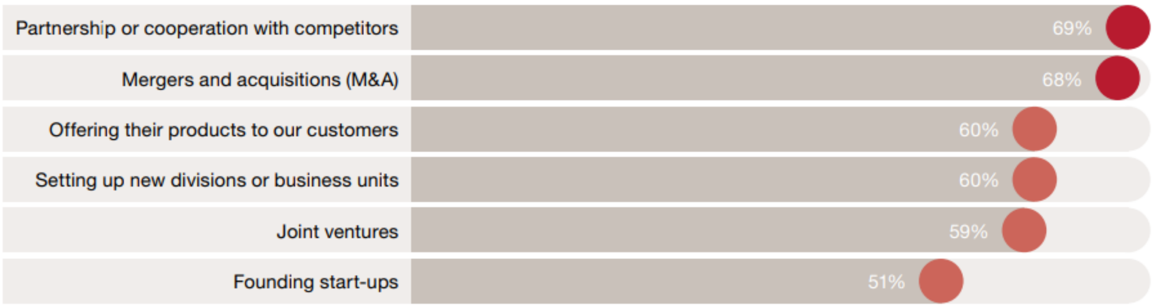

Figure 11. Market strategies of entrants into an industry (PWC, 2018)

Partnership or cooperation with competitors is one the most common market entry modes. Hashai & Markovich (2017) studied the effect of the competition level on the market on start-ups' entry strategy. According to them, some markets or industries tend to be more open for cooperation between start-ups and established firms (e.g., biotechnology), while others are characterized by intense competition. Either of the entry modes has its pros and cons. Hashai & Marckovich (2017) emphasize three main effects of cooperation.

1. Cooperation can bring additional value to start-ups, as it provides access to assets, reputation, and brand of an established firm.
2. Under the cooperation, the start-up will have to share revenues with incumbents.
3. Cooperation increases the probability of imitation of innovative start-up solutions by established firms.

Cooperation between firms can be arranged in several ways: start-up licensing out an innovative technology or engaging in strategic alliances. Glowik (2016) defines strategic alliances as a "category of cooperative market entry strategies; formal mechanisms that are established to strengthen the participating firms' competitive positions in the market." This form of cooperation is relatively long-term. The local firm strongly supports foreign ones by providing access to assets, customer database, information and expertise in the

market, marketing and branding, and government requirements. Particularly in high-tech industries, established firms agree on strategic alliances to have access to the new technological standard in the future. Defeating technological alliances can result in the need to license new and competing technology later (Glowik 2016).

A strategic alliance is different from a joint venture, as they usually leave parties legally independent. Companies involved in the alliance are solely responsible for business operations and don't commit mutual financial investments (Hollensen 2014). There are, however, cases in which one or both partners acquire a stake in the firm.

Another form, joint venture, is formed when two or more firms decide to own and manage one common business. Each party contributes assets and holds equity share, revenue, and risks (Glowik 2016). There are three possible setups for the joint venture. The horizontal joint venture is formed between companies that operate in the same industry; vertical joint venture is between firms located at different stages of the value-added industrial chain (supplier-buyer); conglomerate works when cooperating firms manage different lines of business (Kutschker & Schmid 2006).

One of the main reasons for establishing a joint venture is an international expansion and entering new markets. Companies often lack recognition and knowledge of the foreign market, and another organization can possess those missing units. Joint ventures are also helpful when a new market has significant socio-cultural and political-legal differences from the home market. Moreover, there are countries, such as, e.g., India, that restrict foreign ownership. Government pressure multinational organizations to set up a joint venture with local firms (Glowik 2016).

Trust is one of the critical components of a successful joint venture. It can be established by choosing a partner with similar strategic goals and objectives and agreeing in advance on how and to what extend sensitive information will be shared. Some factors can cause instability, and both parties should carefully consider them in advance (Glowik 2016):

- One partner attempts to hide proprietary knowledge, for example, technological advantage. That leads to mistrust and a lack of willingness to learn.
- One of the partners decides to change and redirect its strategic objectives, focus and reposition the firm on the market without proper communication with another partner.
- Renegotiation of the contract (for example, technology transfer).
- Reconfiguration of venture’s ownership and control structure, or lack of organizational structures and uncertainty.
- When the product is at the declining stage of the technology lifecycle, partners hope to improve its performance by bundling mutual resources, which is a common mistake.

- Bringing complementary resource assets together can lead to miscommunication and mistakes. For example, when one company brings marketing expertise and another one technological advantage. Engineers and marketers often have different objectives, understanding of end outcome, language, and cultural background, resulting in communication challenges.
- Significant technological product developments on the market can be unnoticed by both partners, damage the business's performance and lead to disputes (Contractor & Lorange 1988).

Merger and acquisition (M&A) are used to enhance financial performance. Merger refers to two companies combining into a single entity, while acquisition is when buying company is entirely overtaking and absorbing another firm. Besides enhancing financial performance, M&A can happen due to other reasons. M&A can unlock synergies, in which a combined entity will worth more than two separate firms. This happens due to economies of scale – cross-selling, more significant market share, increase in price. The M&A process initiates inorganic growth, and the combined company can generate revenues faster while allowing it to gain more substantial market power (CFI 2018).

The M&A process usually includes several parties. Buyer is one of the most important players that have different goals and motivations. It is essential to understand their business model and critical focus to ensure priorities are met. Frankel (2017,10) divides buyers into categories. Strategic buyers are mostly corporations that acquire to boost the performance of their business. They view M&A from the perspectives of its impact on the existing operations – the above-mentioned synergies. Repeated players (buyers) use acquisition as a standard business tool. This is especially relevant for tech companies as big corporations often acquire private companies. This category of buyers is highly experienced in M&A processes. Integration is also easier for them and not traumatic for businesses and employees.

Date	Purchaser	Acquired Company	Amount (Billions)
2020-09-13	Nvidia	Arm	$40.0
2020-10-27	AMD	Xilinx	$35.0
2020-12-01	Salesforce	Slack	$27.7
2020-02-21	Morgan Stanley	ETrade	$13.0
2020-02-04	Koch Industries	Infor	$11.0
2020-10-29	Marvell Techonology	Inphi	$10.0
2020-02-28	Intuit	Credit Karma	$7.1
2020-05-04	Nvidia	Mellanox	$6.9
2020-01-13	Visa	Plaid	$5.3
2020-01-09	Insight Partners	Veeeam	$5.0

Figure 12. The biggest tech M&A of 2020 (Visual Capitalist 2020)

Some companies who get involved in M&A are newbies or one-timers. Some continue to become repeated buyers, and others are unlikely to repeat. This category is usually lacking infrastructure, expertise, more frightened, and considered to be risky. This category is usually lacking infrastructure, expertise, more frightened, and considered to be risky. Occasional buyers fall under the same classification, with a difference that they can be even more unpredictable and inexperienced.

The last category that Frankel (2017,16) defines is financial buyers. They consider a new entity as a stand-alone firm to improve, grow, capitalize, and resell again. Some buyers can even purchase multiple firms, combine, and integrate them. This category generates a significant ROI for investors. Examples of financial buyers are private equity firms or management buyers (partners or management board of private equity firms).

In contrast, the seller in the M&A process is a one-time participant. Selling decision is singular and final for any firm, even in case they receive or keep stock. Sellers can be partial that sell a part of a company, or less than all, full sellers that sell all company, and unwilling sellers.

In case the company is undertaking a decision to enter new markets by itself and set up a new business, branch, or unit to offer its service to consumers, there are also several strategies to utilize. Bech (2015) from TBC Consult emphasizes that firms that expand globally, especially in the technology industry, must understand that it is a vast difference between building and leading a small team in your home market and managing an international organization in different time zones. There, however, three critical approaches that a firm can use to enter a new environment. The opportunity approach is the most popular and refers to responding to inbound opportunities. For example, the company gets a customer inquiry from Russia and responds to that. Later, there is an inquiry from the UK, and the firm reacts to that. It is possible to grow business this way but obviously will not lead to the market's leadership as getting market share and recognition will require much more significant investments.

The bulldozer approach means taking the market according to its size, setting up a subsidiary, hire people, and start operating. A preliminary market assessment is essential to understand how to position the firm. This approach takes a lot of time and financial resources.

The lean approach doesn't require significant financial resources but a competitive and robust value proposition. The firm should either have something that no one else is offering on the market, and there is a demand for that, or have a substantial advantage

over the competition. The tricky part of that approach is that it is hard to know your competitive advantage and demand before testing the individual market.

4.3.2 Strategic positioning on the market

Aaker (2007, 226) introduces a model of strategic positioning. This concept is essential not only for market entry processes when a firm needs to decide on how to position itself on a new market but also to drive and steer strategic initiatives throughout different departments, whether operations, product development, or research.

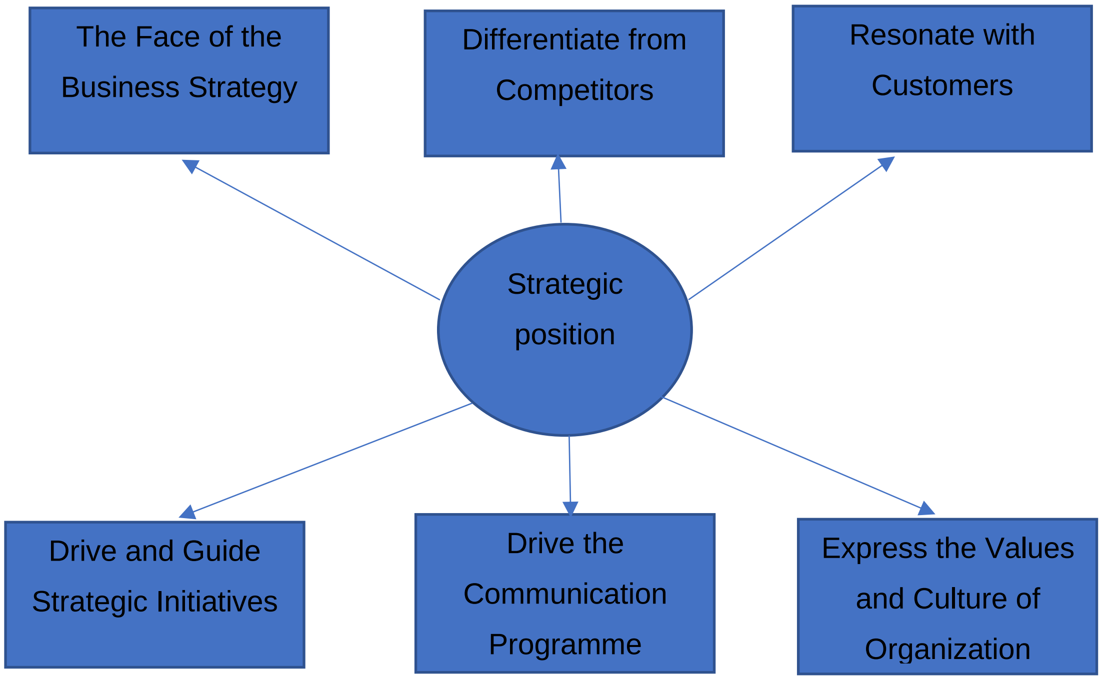

Figure 13. Strategic positions (adapted from Aaker, 2007).

The strategic position plays a core role in driving the communication processes, aligning external and internal messages in a long-term perspective. It is a core identity for the business.

4.4 The growth of the FinTech industry and digitalization of financial services

Fintech is the technology driving disruption in the financial services industry (Arjunwadkar 2018). King (2018) mentions that financial services' future is about financial services experiences embedded in ubiquitous technologies. FinTech allows rapid growth and solves many issues, such as financial inclusions, identity thefts, fraud, etc. Concerning research by Accenture on FinTech, King (2018) sees two possible scenarios that w

coming decades because of changes in the financial industry. Scenario 1: digitally disrupted – banks will start losing profits to FinTech and will continue offering a product-based sales approach without improving customer experience. Scenario 2: digitally reimagined – banks will start actively integrating new technology and shift focus to improving customers' experience.

Skinner (2018) thinks of FinTech as a new market that combines finance and technology. It is a hybrid of traditional banking processes, such as payments, insurance, deposit accounts, but it replaces outdated structure with innovative technological processes. Skinner sees FinTech as broader industry and defines different branches of it, such as RegTech for regulatory technology, InsurTech for insurance products, WealthTech for wealth management innovations.

FinTech's environment is not homogenous, and both bankers and innovation start-ups have different views of the world. Skinner (2018) states a question: Is it FinTech or TechFin? There is a subtle difference between how innovators and bankers perceive those terms. From the innovators' point of view, the correct term is FinTech – applying technology into existing financial processes. Incumbents think of it as taking technology to work with financial process and refer to the term TechFin. This difference in thinking might seem irrelevant, but according to Skinner, it generates different thought processes and outputs in which technology is used.

FinTech start-ups see the world through as a technologist, and technology is their starting point. Free thinking and operations are at the core of the culture. They begin by thinking about how to innovate existing processes, replace an intermediary with a technology intermediary. Established banks, however, follow a different line of thinking. From their perspectives, it is how to improve existing processes with technology. So, the focus is on technology improvement but not the total transformation that innovators often seek for. Incumbents are not aiming to disrupt and fully transform processes but pragmatically want to improve them.

A common practice amongst banks is setting up incubators, hackathons, and accelerators to offer mentoring and support to start-ups and attract them. According to King (2018), this initiative has its flaws. They are costly to run and to succeed in it, and banks preferably should already have experience in collaborating with start-ups before. This partnership is not profitable unless the organization structure is geared towards working with innovative companies. The bank should be initially aiming for a long-term partnership to make the program successful. Banks' usual problem is that access to Fintech is limited compared to stand-alone accelerators (e.g., more than 500 start-ups since 2005 by Y Combinator vs. a

handful of start-ups for one of the biggest banks). This prevents diverse and fruitful innovation growth for banks.

Arjunwadkar (2018, 80) analyzed the influence of Fintech on the state of the wealth management industry, which Data Analysis product is a part of. The wealth management industry is the third after lending and payments that have been disrupted. This industry's focus is on enhancing wealth management and investing. Fintech's involvement enabled the middle-class population to join wealth management processes by providing low charges, fewer initial investments, and digital interfaces. At the core of it are robo-advisors and financial planning. The most impacted functions are:

1. Financial advice
2. Automated investing
3. Socially responsible investing
4. Investment-related research

Incumbents were traditionally offering financial advisory services only to high-net-worth individuals (HNI). Besides investing advice, financial advisors can help to manage long-term finances. A middle-class salaried individual needs a tool that can help plan monthly spending and be updated on their financial situation and goals. Fintech managed to capitalize on this opportunity. Companies use a mix of digital tools and personal advice for an individual to support financial planning or generate target financial advice for the registered users. Those platforms often provide an opportunity to set a financial goal and keep track of steps to achieve it. Gamification helps millennials and newly joined investors to become more engaged.

The wealth management industry went through significant evolution from merchant banking, started in Middle Ages, to robo-advising happening now (Arjunwadakar 2018). Robo-advisor is a solution that provides financial advice only with the minimum presence of human beings. That advice is based on complex mathematical calculations and algorithms, and that protects from unexpected mistakes. It gives alerts and notifications to users concerning updates, news, trading decisions, etc.

With new and innovative wealth management technology, the customer acquisition costs drop-down, and customers get engaged with the service. As mentioned before, serving the underserved is on the agenda of Fintech, and changes in the wealth management industry are a great example of executing it in the right way. The middle-class had a need to monitor and plan financials, and as banks were providing this function to only HNI, FinTech innovation stepped up and closed the gap. The banks need to foresee such

demand from the clients and work with innovative companies to better and avoid losing market share.

4.5 Conceptual Framework

The Conceptual Framework that I use for the implementation consists of essential parts of the theory and literature review. The framework starts with market analysis and ends with market entry recommendations based on the results.

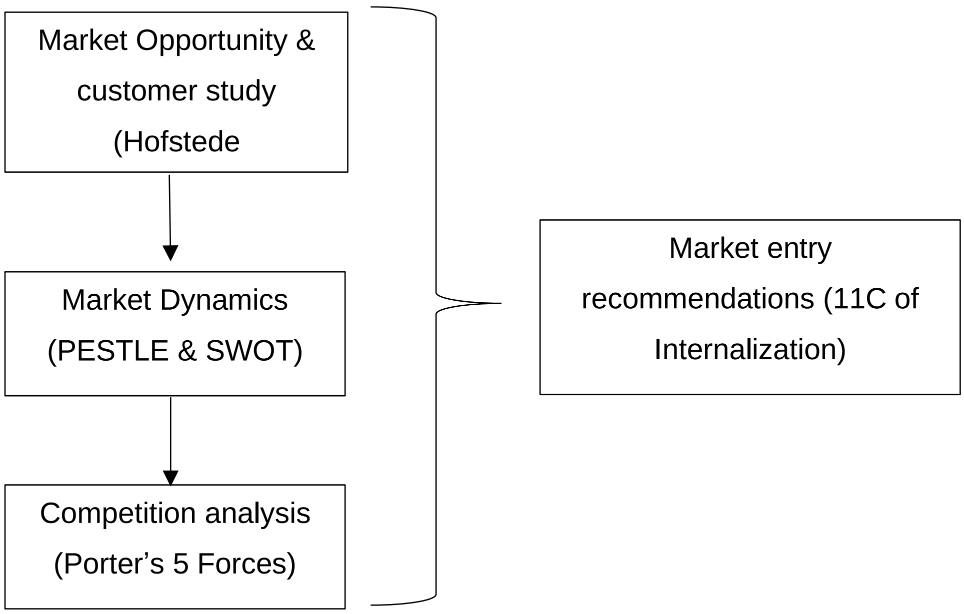

Figure 14. Conceptual Framework

The main part of Conceptual Framework is a market study. It is based on three elements. At first, I analyze market opportunity and size by applying TAM, SAM, and SOM approaches. In addition, this initial step includes learning the customer by applying Hofstede's Insights culture study.

The second step is learning about market dynamics, its threats, trends and opportunities with PESTLE and SWOT framework.

The third step of market study is analyzing competition on the market with the Porter's 5 Forces of competition framework. It gives a full overview of the market and helps to find out even hidden competition forces, which is helpful in the constantly evolving field of FinTech. This framework covers all three markets (UK, Poland and Germany) separately.

Lastly, I use learnings received from the market study to make conclusions and develop market entry recommendations with consideration of 11C of Internalizations designed by Newman & McDonald (2018, 162).

5 Methodology

5.1 Constructive research

My thesis project aims to produce a concrete output that is intended to solve a problem. For this purpose, the constructive approach research strategy is the most applicable. Constructive research is applied when there is a need to define and solve the problem, improve existing procedures. Close integration between practice and theory is a characteristic that is typical of the constructive research approach. Implementing the developed solution and evaluating its functionality and usefulness are central elements in constructive research (Ojasalo 2014, 22). Besides, in constructive research, ongoing feedback during the entire process is crucial, and its influence shall be recorded in the report. This is the approach that I plan to utilize as I will be advising the development team during the research process.

Lukka (2003, 86) describes formative research stages as follows:

- Find a practically relevant and theoretically exciting problem.
- Examine the potential for long-term cooperation.
- Obtain a general and comprehensive understanding of the topic.
- Create a novel construct such as a new solution or plan for improving the existing process.
- Implement and test the construct.
- Examine scope and applicability of construct.
- The present theoretical contribution.

The constructive research approach aims to solve relevant existing problems with an innovative solution. Though it is strongly linked to theoretical knowledge, it requires strong cooperation between researcher and practitioner, in which experimental learning will take place. Testing developed construction for its practical implementation is an essential part of this approach.

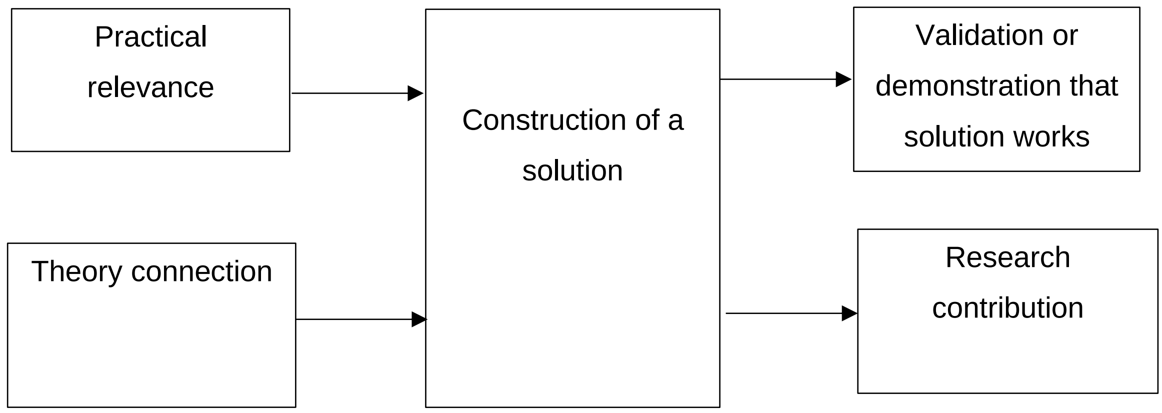

Figure 15. The features of the constructive research approach (adapted from Kasanen 1993 and Lukka & Tuomela 2000)

Like any other research approach, constructive research holds its benefits and risks. According to Lukka (2003, 96), it brings researchers to interesting research sites and topics. From the target organization's point of view, they expect cooperation with the researcher to contribute the existing theory into the problem-solving process. Practitioners emphasize that academic researchers are not biased towards the products and can bring much more profound theoretical knowledge. Overall, the constructive research approach removes the gap between practice and research, benefiting both if significant parties are committed to the development process.

Lukka (2003, 97) emphasizes the researcher's importance to acknowledge risks that potentially can occur during the process of constructive research. The outcome of constructive research can uncover too sensitive organizational issues and lead to a conflict of interests. Therefore, a contract concerning potential publication issues should be signed at the beginning of the collaboration. Another problem that the researcher may encounter is the inability to maintain the commitment of the target organization. As mentioned above, cooperation and contribution are at the core of a constructive research approach, and both parties' full dedication is essential. This risk can be minimized by discussing the initial research problem's practical significance with the target organization and keeping continuous contact with its representatives.

My thesis project's work plan and scope will be planned accordingly to support processes and stages of constructive research, considering the benefits and risks of the approach.

5.2 Research methods

To increase the credibility of research work, I am intended to use a variety of different research techniques and sources. This project will mostly rely on qualitative research methods. However, on some occasions, methods related to quantitative research might need to be implemented. Such cases may include numerical analysis of some innovative solutions' success, depending on selected KPIs, such as the number of users increased in mobile bank app after implementing the solution, amount of time users spend in the app after implementing the solution any other selected metrics. As stated by Ghauri & al. (2020, 97), "Quantitative research is a mixture of the rational, explorative, and intuitive, where the skills and experience of the researcher play an important role in the analysis of data." Qualitative research is most relevant when there is no sufficient information about the topic, as it allows being exploratory and flexible. The focus is gaining insight and building theory upon it; however, qualitative research allows testing hypotheses. In qualitative research data, collection and analysis are often conducted at the same time. When collected data is analyzed, it may create new questions and initiate further data collection. According to McGiven (2009, 162), qualitative research provides the following opportunities:

- It provides opportunities for testing. As a researcher, I can suggest several options to interviewees and ask for opinions.
- It allows generating more concepts.
- It helps to build an overview of the market.

There is a wide range of qualitative methods of data collection. Glowik (2016, 8) provides a comprehensive overview of data collection methods.

1. Academic literature: books, journals, conference notes, etc.
2. Secondary company and industry sources: company annual reports, balance sheets, press releases; official statistics, data by commercial market research institutions.
3. Primary study information sources: interviews, questionnaires, etc.

I apply several methods to collect data and enrich this research. The first data collection tool is depth interviews. As stated by Hague & al. (2016, 83), applying depth interviews in research increases the validity of research due to incorporation of respondents' perspective into research agenda". Interviews should be carried out face to face, as observing body language can improve the understanding of the answer. However, due to the COVID-19 restrictions, this option is not applicable, and video/audio interviews is used instead. Interviews are semi-structured to support the need for exploration of the topic rather than measurement. The experts for my interview were:

- Interview with EU Fintech landscape expert (representative of Fintech Association).
- Interview with product management (in-house expert).
- Interview with Director in the UK (in-house expert).

All interviews will be recorded and further analyzed to enable the implementation of received data to create a market entry strategy.

The next approach is desk research or reviewing of past literature. Desk research focuses on analyzing secondary data, information that is already available. I will only focus on data generated by industry experts. Such data will be searched on websites, directories, and lists of consultancy agencies, recognized market research experts who provide supported data, company internal data sources, government statistics, Fintech associations, Fintech webinars and events, market-research related literature, and journals.

The last research method is quantitative. With the support of an online questionnaire targeted at potential end-users, I will collect data that allow measurement and statistical analysis. This part will focus on understanding the need and trends of end-users of **the Personal Financial Management (PFM)** feature of the Data Analysis product. Quantitative research provides raw data to draw conclusions and take action. Hague & al. (2020, 127) stated a questionnaire plays an essential role in research in multiple ways. At first, it facilitates data extraction from respondents and acts as an "aide memoir." Secondly, it provides consistency to the interview process. Thirdly, they play an essential part in the data collection methodology, as they can be recorded reliably to facilitate further analysis.

Additionally, at the end of the thesis project, I presented results of the study to the management team of CASHOFF to receive their feedback and use it for evaluation of project success.

To collect more data, I used a structured questionnaire. It consists of prompted questions with possible predicted answers. Both open and closed type of questions can be used, in addition to other types of questions.

The online questionnaire will serve three purposes:

1. To determine if users in Europe have already experienced similar services as provided by CASHOFF Data Analytics product **PFM** (previous experience with competing products).
2. To find out if they are interested in using it if it will be introduced by their banking services provider (the need for products).
3. Learn the attitude of potential end-users towards already existing services and/or potentially introduced.

Question type	Information sought	Types of surveys
Behavioral	Designed to find out what people do. Extremely important to segmenting customer groups.	Surveys to find out market size, market shares, awareness, and usage.
Attitudinal	Designed to learn what people think of products, their image, and rating.	Image and attitude surveys, brand studies, customer satisfaction, and loyalty surveys.
Classification	Designed to be able to group respondents to see how they differ from each other.	All surveys.

Table 4. The three different types of questions (adapted from Hague & al. 2016)

The target audience is all users of mobile banking apps in Europe. The platform I will use for research is the Google Form tool. All responses will be exported to the Excel file for further processing. Questions will support include:

1. In which country/countries banks that you use are?
2. How often do you use your bank's mobile banking app?
3. What do you usually use the mobile banking app for? (loans, payments, tracking consumption, contacting a bank, adjusting credit/debit card settings, other).
4. What motivates you to use it? In other words, why do you use it and not walk to the branch office? (ease of use, clarity of financial data and transactions, security, 24/7 availability, entertainment, keeping track of your finances).
5. Are you satisfied with your bank's mobile banking app?
6. Would you be interested in a mobile banking app that could provide you with personalized financial management advice based on your previous purchases for free daily? This includes budgeting, setting up financial goals, and tracking progress, a comprehensive overview of expenditure.
7. Does your banking app provide personal financial management services?
8. If no, would the implementation of such a feature increase your engagement with the mobile app?
9. On a scale of 0-5, how important is the banking app's quality when choosing a bank?
10. Is there anything else you would like to tell us about banking apps or your needs that might help us develop better banking apps for you?

I have received 66 responses for the survey, which is sufficient to get any information and overview of the users' attitude toward PFM products.

6 Analyzing the business environment

"There is nothing more practical than a good theory" Lewin (1952). All theoretical ideas for conceptualizing a perplexing research problem should be developed to assess that they can be successfully implemented in the real world.

Analyzing the environment is a strategic approach that helps to identify the internal and external factors that can impact a company's performance and based on that, make strategic decisions. Internal factors are under the command of business and can be influenced by the organization itself in most cases, such as expenses, employees, business objectives. However, external factors on opposite impact business, no matter if they existed before the company appeared on a new market or happened later.

Appropriately and timely executed business environment analysis helps to keep the business upright. Internal factors are essential, but they are a layer on the top of the foundation – external influence. This chapter describes external factors that influence or may in the future influence CASHOFF performance in the new markets – UK, Poland, and Germany.

6.1 Overview of European financial services industry and FinTech landscape

Before proceeding to an analysis of each market, it is crucial to outline the overall trends on the FinTech landscape and state of the financial services industry in Europe as they will directly impact each market.

According to the BCG publication (2019), financial services have been going through a significant transformation, and the battleground has been wholly transformed overall and goes beyond traditional banking. For customers, centricity and personalization come as a priority. Banks should be able to use innovative solutions to fulfil unmet needs and engage with users at scale. Fintech companies proved to be successful at addressing niche markets and expanding offers. Financial services providers should aim for developing platforms and ecosystems to collaborate and establish enriched products and services.

BCG publication (2019) emphasizes that this transition is happening fast, and banks should rethink their business models and positioning. Traditional banks should transform into digitalized full-service banks, open banks, ecosystems, and product engines. How banks will respond to the change depends a lot on their current position. Some banks can approach building a digital foundation, more established incumbents invest in the capabilities they need to scale in the future.

The pace of change varies market by market. In some areas, established banks will strengthen as challengers gain market share. On other markets, newcomers will take over customers, and incumbent banks will vanish.

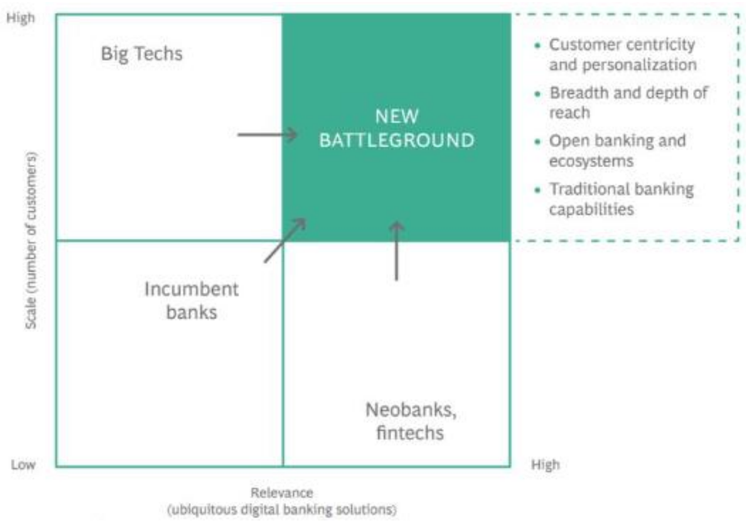

Figure 16. The new battleground in financial services (BCG 2019)

One critical condition that has significantly impacted the entire world also shaken up the FinTech industry – COVID-19. McKinsey report (2020) states that it forced many firms to reconsider the strategy and expand revenue streams on the back of contracted funding. Fintech investments dropped by 11% globally and by 30% in Europe in H1 2020 compared to the same period in 2019. B2B Fintech currently experiences challenges in closing sales. However, McKinsey said that those companies that help incumbents to digitalize, automate, and as a result, cut costs should not be affected.

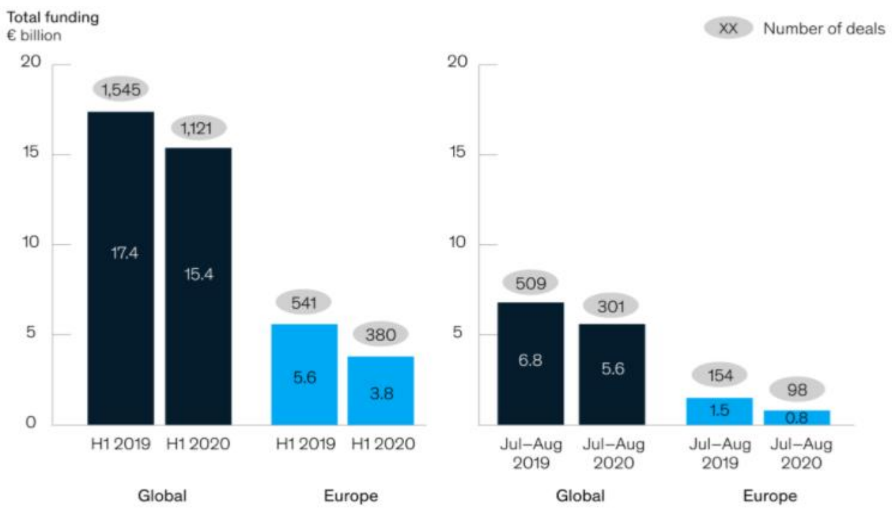

Figure 17. Global venture capital fintech funding and number of deals in H12019/2020 and Jul-Aug 2019/2020 (FinTech News, 2019)

McKinsey estimates that those changes will prompt a wave of consolation. Established banks and corporations will take an opportunity to gain access to technology and talent by acquiring Fintech start-ups lacking in investments.

Erik Zingmark, Nordea's Head of Transactional Banking, has shared his views and predictions on the impact of 2020 on the financial industry in an interview for FinextraTV in January 2020. He said that the main trends in transactional banking that Nordea has experienced are a steep decrease in cash and significant growth of contactless payments. COVID-19 motivated older adults to start using contactless means of payment and learn mobile banks' usability (IDs, payments, etc.) Nordea sees the importance of collaboration around infrastructure to fulfil customer needs sufficiently. Nordea is not the only one mentioning the importance of cooperation. This trend runs like a thread in all research articles on Fintech state 2020-2021. Brue, M., Senior Fintech Analyst in Forbes, states in her article of December 2020 that "collaboration is the new competition for Fintech." COVID-19 accelerated the change in consumer behavior so quickly that Fintech companies had to start collaborating to respond to the customer needs and requests promptly to function. A collaborative partnership between established banks and Fintech will Improve the financial space, provide consumers with the tools they need, and increase connectivity.

The market in the field of AI-driven personal finance and wealth management products field, such as Data Analysis by CASHOFF, is booming. Consumers need a straightforward approach to managing their finance. According to Statista (2019), the total value of the transaction in the personal finance segment is a bit over 1 million USD, the largest segment of which are robo-advisors. This segment includes a financial data management platform and individual financial management apps (PFM). GlobalData states that most of the banks (61%) find PFM services for consumers use, and there are high chances that demand for it will grow in the future. PFM modules use AO technology to track expenses and learn users' spending patterns to predict actions and provide personalized recommendations. This helps the bank establish a personalized and robust relationship with clients and deliver a better user experience. This technology also allows consumers to get rid of lousy spending patterns and start making smarter financial decisions.

"The industry is moving from addressing customers' needs retrospectively to anticipating them using AI" Heike van den Hoevel, the Senior Banking analyst at GlobalData.

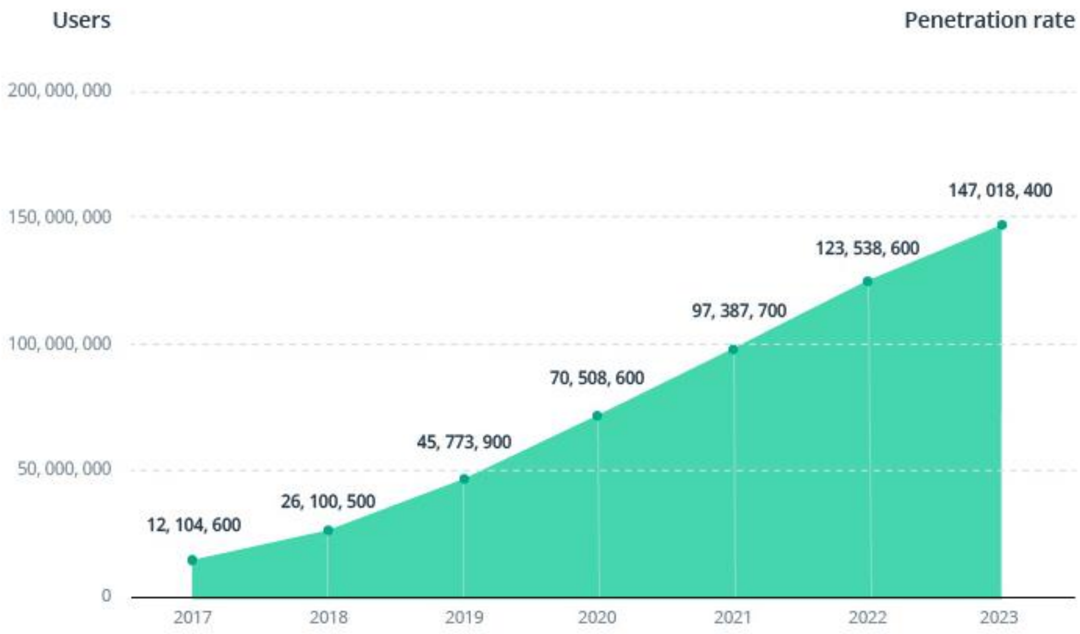

Figure 18. Number of robo-advisor users worldwide (Intellias 2019)

Darren Hughes, CASHOFF UK Director and FinTech expert emphasizes that the growing demand for personal financial management tools from consumers. One good example that clearly shows that it is an important area to consider for banks is Microsoft and Plaid's partnership. Plaid Data Aggregation services helped to enhance Microsoft Excel in terms of better analytics, charting, etc., while users could still work with the familiar interface of Microsoft Excel. Darren says that new technology is developing all the time, and people are looking for personalization. That will develop within the next few years – more personalized content recommendations, lifestyle banking, all will break down to the spending habits and expenditure patterns. As a result, consumers will be more engages with the mobile banking app. According to the data received by CASHOFF, it can increase time spent on the app up to 42%. Banks know that the more they can keep customers on their mobile applications, the more trust it brings, the less churn they have, and it allows cross-selling as well. 90% of consumers are ready to use the data more if there is a benefit to them.

To get real-time feedback from mobile banking users potentially interested in such services, I conducted an online questionnaire, interviewing mobile banking users in Europe. Responses were received from people living and using turns in Finland, UK, Portugal, Germany, Switzerland, and Sweden, with 66 replies. The purpose of the survey was to find out how often people use banking app and for what reason, how important it is for them, what motivates them the most to use them, how satisfied they are with the services, do they use, or would they be interested in using personalized financial

management tool in the mobile banking app, how would such feature change their attitude towards mobile banking app they are using.

The coverage of questionnaire included banking app users from Europe. My target audience was broad and considered people of all ages and genders with main criteria of being users of European mobile banking app. I have sent a request to several Facebook groups where potential audience would be present, including Fintech Finland, Start-up Finland, HH Digi Consultants, Women in Tech Global Movement, Finnish International Entrepreneurs, and other local communities. I have received 66 responses in total. Most respondents had banking accounts in Finland, Sweden, UK, Switzerland, Estonia, and Germany.

Besides low number of respondents, survey is reliable and worth mentioning as it provides relevant overview of the market and consumer attitude towards PFM product. CASHOFF Product Manager Vladimir Larin mentioned that results of the survey are interesting and support bigger study that company is considering in analyzing market.

At first, most users log into mobile banking app daily or at least 1-3 times a week (Figure 18), only 3%do it every month. This, as a result, drives the importance of the app to users. 91% responded evaluated the significance of the banking app's quality as high, 3-5 points on scale (Figure 19).

People mostly use banking app for payments (94%), tracking consumption (67%), contacting bank (23%), adjusting credit/debit card settings (23%) and loans (18%) (Figure 20).

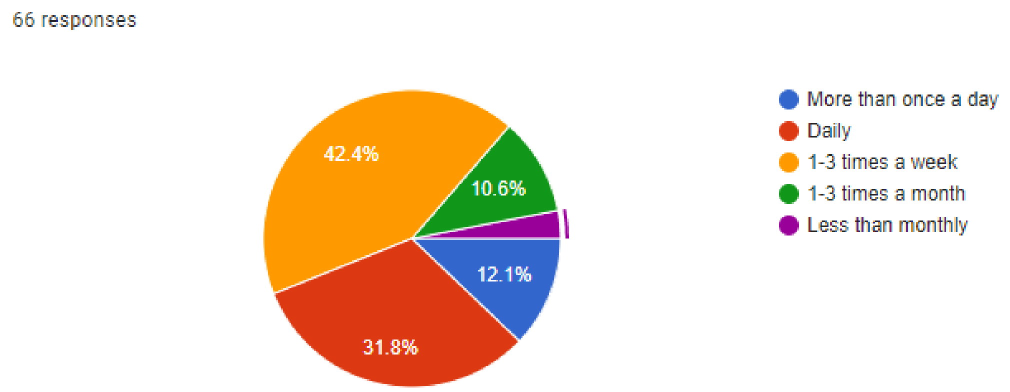

Figure 19. Question 2: How often do you use your bank’s mobile banking app?

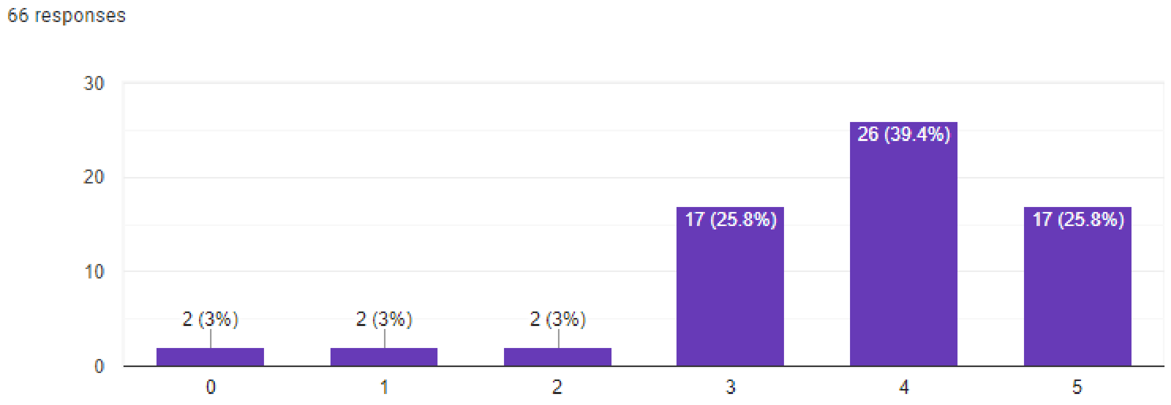

Figure 20. Question 9: On a scale of 0-5, how important is the banking app's quality when choosing a bank?

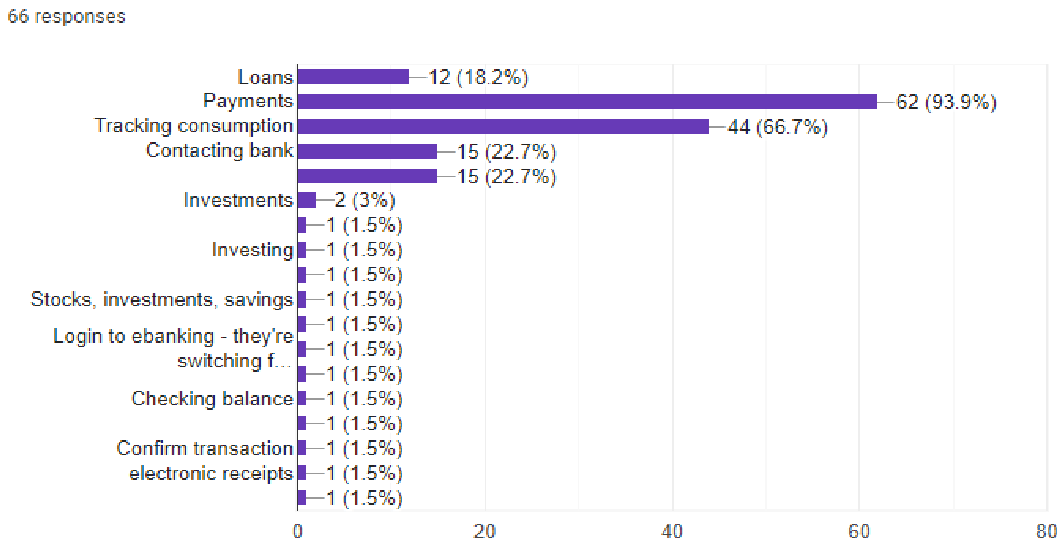

Figure 21. Question 3: What do you usually use the mobile banking app for?

97% of the users are either very or somewhat satisfied with their current banking app. They like it for ease of use, clarity of financial data and transactions, Security, 24/7 availability, forecasting, and keeping track of their finance.

For a question regarding existing services of personal financial management, responses were split in half. 50% of users have PFM services as a part of the banking app, and 50% don't. However, implementation of such services would increase engagement with a banking app for 74% of users.

As it is clear from the questionnaire results, there is a considerable demand for PFM services, and it is beneficial for banks to implement them in the banking app infrastructure.

Some users left comments that it would be useful to have a feature that could help them not exceed the budget or remind them to pay for bills on time and tracking habits. Many notice that even though their bank has similar PFM features, it often fails to categorize expenses correctly. Also, users mention that they would appreciate handling several banking accounts on one bank's page, as currently, this feature is mostly supported only by digital banks, such as N26 or Revolut. This is a functionality of the Data Aggregation product by CASHOFF that often goes hand in hand with Data Analysis. Detailed overview of results is presented in Attachment 1.

Another significant trend that is shaping the financial industry is legislation. In Europe, the Open Banking directive came into force in 2018 and is known as PSD2. Open Banking enables sharing financial information between institutions securely and quickly. In simple words, banks permit third parties (FinTech) to access financial data on their customers with API integration support. PSD2 is a substantial technological and regulatory improvement. Those regulatory laws enable competition and transparency, from which consumers and Fintech companies benefit. Darren Hughes mentions that legislation is one of the main obstacles in entering new markets, but awareness makes a difference. In European Union, PSD2 legislation simplifies the situation – users should consent and then re-consent after 90 days. The company should clarify its activities to users. The message must be clear, e.g., "we would like to analyze your transactions to offer you discounts, or we will read your receipts with your loyalty card connection and then recommend to your different brands, and different products that we think would be suitable for you and then you can then cashback on it." That explicit instruction to consumers and it is much easier for them to authorize a consent and are much more willing to do so.

6.2 Target market 1: UK

The UK is a well-known leader at the forefront of financial services. Fox says that "the perfect storm caused by growing technology demand, right touch regulation, and customer empowerment in financial services, coupled with the sector's response to the financial crisis, has fuelled FinTech's rapid growth in the UK." The UK has a robust ecosystem and a talent pool that enables the country to be a global Fintech leader now and in the future.

According to the UK FinTech report (2019), there are over 1600 FinTech firms in the UK, and this number is expected to double by 2030. 82% of established firms realize the need for partnership with FinTech in the next 3-5 years. Additionally, 56% of traditional financial institutions in the UK consider Fintech disruption an essential part of their strategy.

Andrews, G., Co-Founder and Director at Zopa, find three factors why the UK is the world's undisrupted FinTech capital. First, the strengths of the UK in the financial services. Vital and developed financial assistance in some way support FinTech with its established networks, skills, and investments. Second, UK consumers are highly digitally savvy and eager to try new and innovative solutions. They take advantage of new consumer technologies. Third, UK regulatory environment is advanced and robust but also supportive of innovation, fostering competition, and providing consumers choices. As Andrews (2019) mentioned, Zopa benefited from FCA's peer-to-peer regulations, PRA's new bank start-up unit, and FCA's Regulatory Sandbox.

Another important consideration is the impact of COVID-19 on UK FinTech companies. Innovate finance conducted a survey in June 2020 in an attempt to analyze the effect on the industry. According to the results, the size of the company is crucial for survival in the COVID-19 times. Smaller FinTech companies with up to 25 employees are at higher risk of closure due to limited funding. 75% reported that they hadn't received any private financing since the start of the lockdown. More prominent companies are in lesser danger. However, 30% expressed concerns. 60% of companies are adapting their strategy to survive in crisis times and expand in the future. It is unclear yet how long this trend will continue, but digital adoption of financial services is growing up due to COVID-19. There is a big risk that the sector will lose a significant number of start-ups.

The first step of market analysis is to analyze **UK market size and customer profile**.

As key clients of CASHOFF are banks, market size estimations are based on the UK's number.

	Number of banks	Average cost of support per Quarter	TAM (USD/Total Addressable Market)	SAM (USD/Served Available Market)	SOM (USD/Served And Obtainable Market)
Europe					
UK	401	100 000	160 400 000	80 200 000	8 020 000

Figure 22. UK market size estimation (CAHOFF 2019)

SAM share estimated percentage is 50; SOM share estimated rate is 10%.

As mentioned before, UK consumers are digitally savvy and open to innovation. According to eToro and the Centre for Economics and Business Research report, the UK scores highest on users of technology in Europe. But studies also showed that people are less willing to accept further digitalization. Only 46% of Brits find the pace of expansion of digital technologies comfortable, compare to 56% of all Europeans. 24% of people are

ready to resist the development of digitalization at the workplace. Concerning financial technology, 60% of Brits, however, are supportive of the growth of digitalization.

Hofstede's dimensions 6-D Model show an overview of what drives British culture relative to the other world, analyzing such parameters as power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, indulgence.

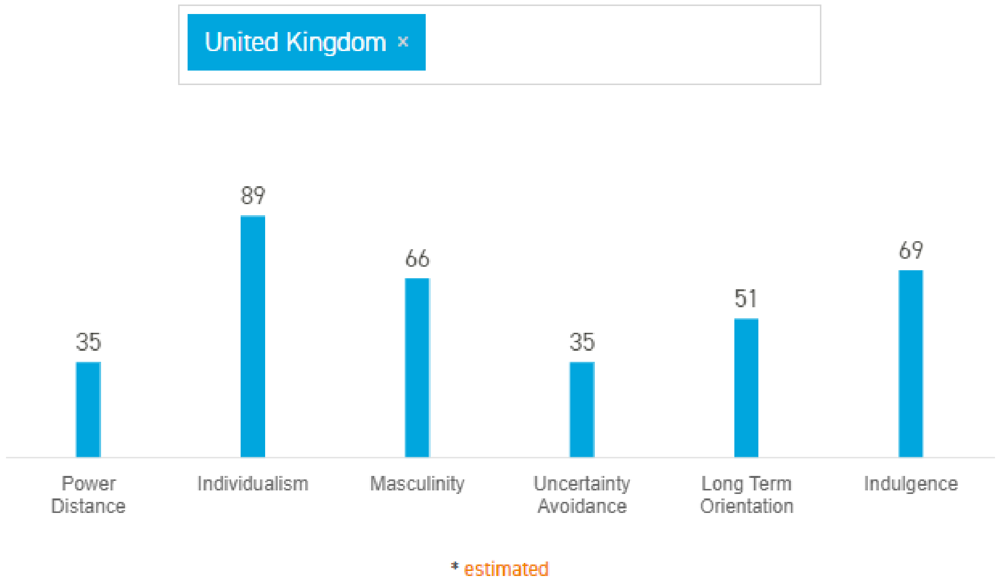

Figure 23. Hofstede's 6-D Model for United Kingdom (Hofstede Insights)

The power distance (PDI) ranking is 35, which is low. That means that society is not equal. It reflects a well-established class system historically adopted by the UK and exposes tensions in the community between the importance of rank and the belief that birthplace should not define your future. A score of 89 for individualism is amongst the highest worldwide. In such individualistic societies, people tend to look for themselves and close family only – "the route to happiness is through the personal fulfilment." With a 66 for masculinity, the UK is a masculine society oriented for success and results. A critical understanding of British culture is to "read between the lines," as what people say doesn't always mean it. A score of uncertainty avoidance is relatively low – 35, which means that Brits are okay with not knowing what the next day will bring. People are comfortable in confusing situations and not too detail-oriented in planning. If the final goal is clear, changing environment and processes on the way, there are normal. The combination with highly individualistic parameters makes the nation creative and innovative. Differences attract, and it emerges through the society - consumerism, humour, striving for innovative products and industries, such as marketing, advertising, and financial engineering.

Long term orientation parameter defines how healthy links society has with the past and how it reflects on the present and future. The UK has an intermediate score of 51, and the leading preference can't be defined. The indulgence score for the UK is 69, and it indicates that culture allows Brits to realize desires and enjoy life. People tend to have a positive attitude and stay optimistic. Leisure time is essential, which leads to spending money on entertainment.

The second step is **analyzing the UK market's threats, growths, and trends** with business frameworks' support.

PESTLE analyses the market from the political, economic, socio-cultural, technological, legislative, and environmental views.

Political factors:

Despite Brexit that resulted in the UK leaving European Union on January 24, 2020, the country considered to have a stable government. The UK is one of the wealthiest countries globally with modern parliamentary democracy and a constitutional monarchy with the monarch as a Head of State. According to the BBC (2019), the role of the monarch is highly ceremonial. The actual head of government is the prime minister, which is selected for five years. Dominating political parties are Labour, Conservative, Liberal Democrats, and Scottish Nationalist Party. The country consists of England, Wales, Scotland, and Northern Ireland, London is the capital. UK has a strong relationship with the United States and ga permanent member of the UN. However, the country has been criticized for the support of military dictators in other countries.

The result of Brexit on the British economy is yet unpredictable – some people believe it will boost the economy and create opportunities; others trust it will generate unmanageable chaos.

Economic factors:

The UK's nominal GDP in 2020 is 2. 638 trillion USD, which puts its economy 6th globally. UK economy is diverse and provides equal opportunities for businesses to grow if there is demand from consumers. Society is international and culturally diverse, which attracts international talents. Considering economic parameters from FinTech point of view, according to Fintech – the State of Nation report (2019), 76 500 people are working in FinTech UK, 42% of whom are international talents. 89 000 finance and insurance firms, 64 000 financial and professional services firms, and the world's highest number. UK is famous for foreign direct investment (FDI). Worldwide organizations invest in different

industries in the UK. In 2018, 3.3bn USD of VC, PE, and CVC investments were into UK FinTech. The current corporate tax rate is 18%.

Socio-cultural factors:

According to UN data, the UK population is estimated at 67 886 011 people. It is expected to reach 74 million by the end of 2039 due to the birth rate exceeding mortality. The UK is already the world's biggest consumer market, and businesses should be ready to fulfill even more people's needle.

The UK has a robust educational system that is recognized worldwide. The country is top 10 in the most educated societies in the world. UK unemployment rate for 2020 was 4.9%, which is 1.2% higher than a year before due to COVID-19. Also, the cost of living and the cost of higher education is rising. However, on an average level, UK citizens are still considered to be high-income earners.

Technological factors:

The UK is famous for its world's leading research and development institutes that are breaching barriers in every field of science. Economic factors give a spectacular opportunity for entrepreneurs, especially in technologies.

According to Perrot (0219), the owner of TRAction, UK is a Tech Centre of Excellence. The country's performance in the digital sector has been leading worldwide, and UK firms are attracting more investments than any other country in Europe, making the country a global leader in digital tech investments.

Legal factors:

The necessary regulations require companies to comply with the Employment Act 1996 to ensure employees are covered with sick leave pay, minimum wage, holiday pay, maternity leave, and other human rights protection. Since 2010, Equality Act has been in place to secure people from discrimination based on race, gender, or other differences.

The FinTech regulation in the UK is seen as transparent and structured. It is also applicant–friendly and a positive factor for entrepreneurs. A company that wants to operate in regulated financial activities needs to obtain authorization from one of the UK's financial regulators, the Financial Conduct Authority (FCA) or the Prudential Regulation Authority (PRA). When the firm is authorized, it is obliged to follow additional primary legislation. FCA and PRA are receptive to FinTech and aim to support growth and competitiveness. As forward-thinking regulators, they set up a "Project Innovate," which

helps new and established companies to launch a new innovative product. Project Innovate consist of three main elements (ICGL 2020):

1. Innovation Hub, which supports businesses in understanding regulatory normative, prepare to file for authorization application, continue to support up to a year after the company is authorized.
2. Advice Unit that provides regulatory feedback to the firms.
3. Regulatory Sandbox allows a business to test newly developed innovation in a safe environment.

Additionally, FCA's initiative for the Global Financial Innovation Network (GFIN) was launched in January 2019.

Suppose an international company is dealing with customers in the UK. In that case, the firm will most likely be considered carrying out business in the UK and, therefore, subject to local regulation and authorization.

Another non-financial regulation that takes place in the UK is the General Data Protection Regulation (GDPR). The GDPR requires businesses to process data legally and obtain a legal basis for processing. Filing to comply leads to large fines, criminal liability, and damages claims.

Technology innovations and inventions are protected in the UK by several IP rights, such as copyright, database right, patents, confidentiality, and trademarks.

PSD2 is also widely applied in the UK but known as Payment Services Regulations (came into force in May 2020. This initiative takes away the bank's monopoly for keeping users' data and allows Fintech to retrieve it with the user's permission to develop new services. PSD2 also requires more vigorous identity checks to proceed with online payment or other services.

Environmental factors:

Industrialization negatively affects the environment due to pollution, heavy use of material and resources, etc. However, UK has done a lot of work to mitigate the impact by encouraging citizens to recycle, abandon plastic use, and buy more eco-friendly products and services.

SWOT analysis helps to identify strengths, weaknesses, and opportunities of the business. In this case, I apply analysis for CASHOFF on the UK market.

Strengths	Weaknesses
A highly innovative solution that is in high demand by consumers Strong R&D unit and team Adaptive to change Improves customer engagement on the banking platforms Tested on the Russian market and proven to be successful Strong product competitive advantage	Low awareness amongst potential clients and therefore lack of trust The small or non-existent local sales team and limited presence on the market Limited financial resources No strong brand association Strong existing competition High market entry barriers Unclear positioning
Opportunities (UK market)	**Threats (UK market)**
The UK has the largest Fintech ecosystem in Europe Quickly growing UK FinTech industry, accelerated by COVID-19 pandemic Potential partnership opportunities with incumbents Strong demand and acceptance from consumers Government and regulators support Access to funding and talent Favorable taxation and investment opportunities	Legislation regulations (obstacles in obtaining a license in practice) The market is too mature with a lot of existing players (market penetration is too high) COVID-19 pandemic affects negatively smaller FinTech players Not all consumers are open to innovation going further – 24% of people in the eToro survey (2020) admitted they would rather resist the digital transformation going further Potential political instability and high taxation due to Brexit

Figure 24. SWOT analysis for CAHOFF in the UK

Overall, the UK market has a lot of potential for a FinTech company – regulation and legislation try to support FinTech organizations. Consumers are used to innovations, and

the UK has the highest market penetration in Europe. However, in this case, some of the opportunities turn into threats. In practice, obtaining an FCA license is not easy, and the company was rejected in the first round. Too high penetration means that market is mature full of players to compete with. Additionally, ¼ of a population admitted they could potentially be digital transformation gatekeepers as too high growth of digitalization will at some point generate resistance from the users. CASOHFF is winning competitors with a strong product and technology advantage, but low awareness and lack of trust limit its capabilities to get clients on the market.

6.3 Target market 2: Poland

Microfinance Center reports on the state of Fintech in Poland (2019), the Polish FinTech market is the biggest in Central and Eastern Europe with an approximate value of 856 million euros. Warsaw is a headquarter for 45% of start-ups and a hub of financial technology. FinTech landscape is diverse and hosts about 190 financial innovators, most of which operate in electronic payments and financial platforms; another mature industry is financing and financial management (personal and business). The Polish market is the 8th largest economy in the European Union and the largest one in the CEE region, which is its biggest strength for developing FinTech infrastructure.

One issue that positively affects FinTech start-ups is the local Financial Supervision Authority (KNF) issues. Most FinTech companies find that regulations are not favorable for small companies but rather designed for large businesses. Administrative processes take a long time, and there is no direct communication between FinTech and KNF authorities. However, KNF heard the message and came up with multiple initiatives to support FinTech growth and remove entry barriers for innovators. In 2017, a dedicated FinTech Working Group worked on the development of the FinTech sector. National bank NBP created an Innovation Hub in 2018 to help start-ups understand and adjust to the regulation. Overall, the Polish banking sector is open to innovation and new technology. They are dynamically researching the market for financial designs that can bring value to consumers and acquire them. Highly trending areas are consumer finance (short-term consumer loan, online credit providers), business financing, digital and mobile payments, crowdfunding and peer-to-peer lending, cryptocurrencies, personal finance management, IT services (supply of software and hardware solutions).

To conclude, Poland is a desirable market for FinTech start-ups compared to other EU countries despite rather conservative regulation. Banks in the country are key FinTech

innovators and looking forward to collaborating, consumers are open to the innovations and have high expectations.

The impact of the COVID-19 pandemic on the Polish FinTech market was relatively undefined. Statista surveyed representatives of the FinTech industry in Poland, and 55% responded that pandemic was beneficial for their business. However, for the rest, it was either destructive or fatal. Due to the pandemic, about 50% of respondents were forced to stop negotiations with potential business partners, and 44% postponed investment and new projects.

Poland's market size is slightly larger than in the UK due to the higher number of banks.

	Market entry Year	Number of banks	Average cost of support per Quarter	TAM (USD/Total Addressable Market)	SAM (USD/Served Available Market)	SOM (USD/Served And Obtainable Market)
Europe						
Poland	2020	627	100 000	250 800 000	125 400 000	12 540 000

Figure 25. Poland market size estimation (CAHOFF 2019)

SAM share estimated percentage is 50; SOM share estimated percentage is 10%.

Poland has less widespread digital platforms than the rest of Europe; however, according to the eToro report (2020), the country is still ranking high on digital transformation. Support for increased digitalization in the country is high, as well as attitude of people is favorable. 85% of Poles admitted that they would support digitalization in the energy & utility, and financial sectors. People value technologies, 87% said it makes their life more comfortable.

Digital 2020 report for Poland estimated that the number of mobile connections in the country for January 2020 was 137% of the total population (1.9% increase within one year). Internet penetration is 81%.

To enrich **customer profile** further, an overview of Hofstede's 6-D Model will be used. It helps to get a comprehensive overview of what drives people, what kind of cultural, behavioral patterns they tend to stick with, and how to build communication with them more efficiently.

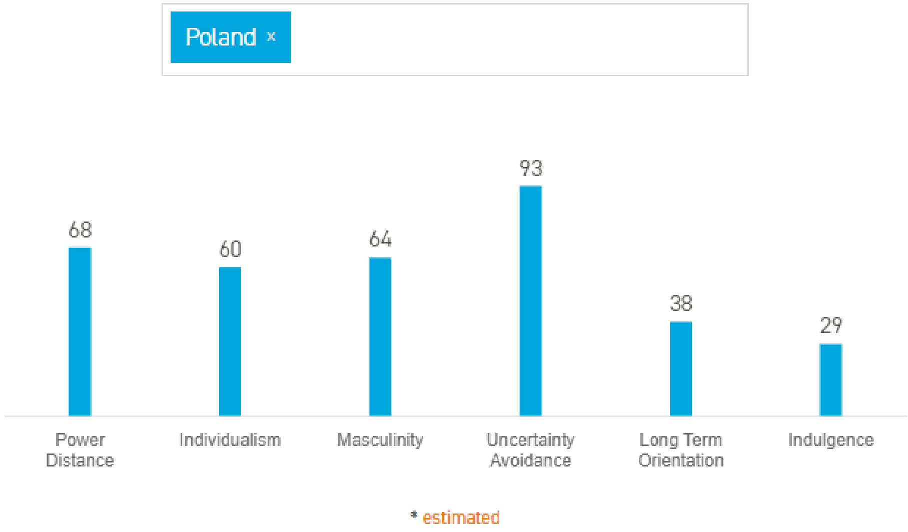

Figure 26. Hofstede's 6-D Model for Poland (Hofstede Insights)

A power distance of 68 points shows that Poland is a hierarchical society. Such a cultural pattern affects the work environment. In organizations, centralization takes place. Subordinates expect orders, and management holds all power. Poland is an individualistic society with a score of 60 on individualism, where people care most about themselves and close family members. Work culture in an individualistic society is based on common benefit, offense causes quilt, and promotion is based on merit. This contradiction of Polish culture being individualistic but hierarchical causes tension and some intense. Managers should give an impression of everyone being important in the organization, however unequal. Poland scores high on masculinity. That defines culture as decisive, assertive, competitive, and tends to resolve conflicts with a fight.

Poland scores high on uncertainty avoidance, which means there is an emotional need for rules, even if they don't work well. Deviant behavior is not supported, security and norms are essential aspects. This may be the driving factor for strict rules and regulations that affect FinTech start-ups in the country. On a long-term orientation, the score is 38, which means it is rather normative. People are looking for quick results; however, they respect traditions and don't save for the future. Polish culture is a restraint on indulgence and has a strong tendency for cynicism and pessimism. People control their desires and underestimate leisure time.

The second step is **analyzing the Poland market's threats, growths, and trends** with the support of business frameworks, such as PESTLE and SWOT.

PESTLE analyses the market by political, economic, socio-cultural, technological, legislative, and environmental dimensions.

Political factors:

Poland is a politically stable country and a part of the European Union (EU) since 2004. Poland takes measures to attract foreign investments by smaller income taxation rules in 14 Special Economic Zones. The Constitution defines the political system, which is a supreme legislative act, and states that the Republic of Poland is a democratic state ruled by law. The official website of the President of the Republic of Poland states:

“Constitution is implementing the rules of social justice, safeguarding the independence and integrity of its territory, ensuring the freedoms and rights of persons and citizens and the security of the citizens, safeguarding the national heritage, and ensuring the protection of the natural environment in line with the principle of sustainable development."

Legislative power is assigned to Sejm, and the Senate, executive power – the President and Council of Ministers, judicial power belongs to courts and tribunals.

Economic factors

The Polish economy is dynamic and 10th largest in Europe. GDP growth rate was exceeding 3% yearly until the COVID-19 pandemic restrictions in 2020. However, the country reacted well in Q3 by increasing industrial production, exports, and household consumption, so as a result, GDP loss was 3.6 for the entire year. Polish economy benefits from the usage of European Structural Funds resources, a robust banking system with high domestic demand, and its strategic position between Eastern and Western Europe. However, rigid labor code, low road and rail infrastructure, heavy tax framework, and weak commercial court system don't add advantage. Unemployment has been considerably low in the country (3%), majority of employment contracts are temporary. This situation is expected to worsen up due to the COVID-19 crisis. The main sectors of industry are agriculture (2.3% of GDP), manufacturing (28.6% of GDP), and tertiary sector (57.6% of GDP). The tertiary sector includes financial services, logistics, IT, and tourism booming in recent years (Santander Trade Markets, 2020).

FinTech investments are overgrowing in Poland. In 2019, the venture capital market had been most significant and exceeded PLN 1 billion. This guarantees that the market will get the required funds for growth.

Socio-cultural factors:

The population of Poland is 37 846 611, 60.3% of which are urban. Largest cities include Warsaw, Lodz, Krakow, Wroclaw, Poznan, and Gdansk.

According to the Microfinance Centre (2019), Poland's level of financial inclusion is on average lower than in other European countries with high-income. However, the number of citizens who had an account in a financial institution is still high (87% in 2017). There is no substantial difference between penetration in rural and urban areas. Reported reasons for not having a bank account are low income and usage of another family member's account. Besides that, digital payments in Poland are popular – about 82% has made or received digital payment in 2017. Saving money is not a trend for Polish adults yet, but the situation is slowly changing. Borrowing money is also less prevalent in Poland, and usage of credit cards is therefore not expected.

Technological factors:

As mentioned before, the Polish market is digitally advanced. An essential factor for FinTech start-ups is the responsiveness of banks towards technology implementation. For the past few years, the Polish banking sector boosted an openness to the new technology and pioneered the development of innovations in the local and global markets. Banks have units dedicated to market research and acquisition of innovations, especially targeting payment services and personal finances management solutions. The banking sector is the most innovative subject of the Polish economy, heavily investing resources into biometrics, AI, machine learning, Robotic Process Automation, cloud computing, and blockchain technology (ICLG 2020).

Legal factors:

In general, legal aspects that affect the FinTech industry in Poland include the Payment Services Directive (PSD2), General Data Protection Regulation (GDPR), Anti-Money Laundering Directives (AML4 & AML5). Financial Supervision Authority manages FinTech regulation in Poland (KNF). KNF is receptive to new players on the Polish FinTech landscape and supports it in several ways (ICGL 2020):

- Support Special Task Force for Financial Innovation in Poland helps identify legal, regulatory, and supervisory barriers and eliminate them.
- The Innovation Hub Programme at the national bank NBP enables a dialogue between KNF and FinTech start-ups.
- The "Digital Development Agenda" provides a sandbox, or test environment, for start-ups.

Environmental factors:

As stated by Sustainable Governance Indicators, Poland scores low on environmental policy with a weak emission policy point. The importance of economic growth prevails over the implementation of environmental initiatives. However, Poland adopted EU environmental standards. In 2018, the country hosted the World Climate Council (COP 24) that attempted to compromise to help countries fulfill climate protection goals.

SWOT analysis for Poland helps to identify weaknesses and strengths of CASHOFF and reveal opportunities and threats of the market.

Strengths	**Weaknesses**
A highly innovative solution that is in high demand by consumers Strong R&D unit and team Adaptive to change Improves customer engagement on the banking platforms Tested on the Russian market and proven to be successful Strong product competitive advantage	Low awareness amongst potential clients and therefore lack of trust The small or non-existent local sales team and limited presence on the market Limited financial resources No strong brand association Strong existing competition High market entry barriers Unclear positioning
Opportunities (Poland)	**Threats (Poland)**
Bank and regulators support PFM Strong demand and acceptance from consumers The favorable territorial position between Eastern and Western countries Favorable taxation and investment opportunities	Legislation regulations in practice may take a long time Relatively low digital penetration in the country amongst consumers The impact of COVID-19 on FinTech players is not yet defined, but the tendency is negative as GDP has fallen significantly Low financial inclusion of the population

Figure 27. SWOT analysis for CAHOFF in Poland

6.4 Target market 3: Germany

According to the GTAI report (2020), FinTech in Germany is maturing, and the adaption rate almost doubled during 2017-2018, putting the German market on the same level as global players – 64%. Germany has an excellent infrastructure that supports the growth – the Internet penetration level is 94% (Statista Digital Market Outlook, 2019). Germany has a high level of online payment users worldwide.

International investors are interested in the German market, and according to the Medici report (2020), 2.2 billion USD has been invested in the FinTech sector. 800 active FinTech firms are operating in the country. In the nearest future, the value of the companies is expected to grow. This growth has been stimulated by the PDS2 initiative that boosted new business models and made financial services easier. The market's key focus is on personal finance, digital payment, and insurance services. According to the report, partnership plays a significant role too. There are two popular forms on the market – a partnership between FinTech and bank (mostly in the form of acquisition) or inter-FinTech cooperation that enables FinTechs to grow customer base, reduce client acquisition costs, and expand the market rapidly.

GTAI report (2020) mentions that "Germany has several advisory policy bodies, platforms, and initiatives that are working together to ease market entry and support market growth activities across industry sectors." Such include numerous accelerators, incubators, and company builders.

According to the Banking Hub, the COVID-19 pandemic accelerated Germany's digital transformation. Pandemic boosted the usage of card and digital payment and reduced the number of cash payments that were popular before. Banking Hub predicts that the country's digital transformation will continue to grow, and German society is ready for that. Additionally, the banking and financial sector in Germany has not been highly affected by the pandemic yet. However, experts mention that when the entire economy is shaking, the financial industry should be prepared for a storm. Banks should be prepared for uncertainties going further.

According to the eToro report (2020), another weakness of the market is a low score on digital readiness. Only 48% of Germans surveyed admitted that they would be comfortable using online banking platforms, and just 37% said that they could easily make a payment over £100 with a mobile payment app. This shows resistance to applying new technologies in private lives. Banking Hub says that the German market is heterogeneous

in mobile banking due to the increasing digitalization growth, shifts in consumer behavior, and PSD2 regulations.

Germany's market size is one of the biggest in Europe due to the high number of banks in the country.

	Market entry Year	Number of banks	Average cost of support per Quarter	TAM (USD/Total Addressable Market)	SAM (USD/Served Available Market)	SOM (USD/Served And Obtainable Market)
Europe						
Germany	2021	1 531	100 000	612 400 000	306 200 000	30 620 000

Figure 28. German market size estimation (CASHOFF 2019)

SAM share estimated percentage is 50; SOM share estimated percentage is 10%.

Even though the overall digitalization level is lower in Germany than in Europe, and half of the population is concerned about increased digitalization (EToro, 2020), the general tendency is still positive. Germany is a big market that is rapidly changing, accelerated by the COVID-19 pandemic. The population is educated, and digital literacy is high.

Hofstede's 6-D Model for Germany shows us the main drivers of society.

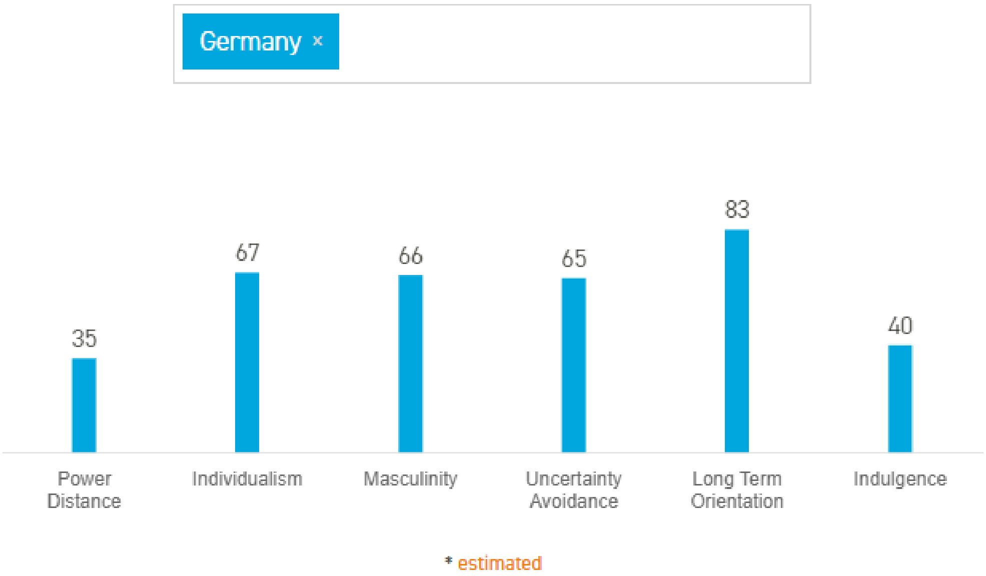

Figure 29. Hofstede's 6-D Model for Poland (Hofstede Insights)

The power distance level is low in Germany, which means society is decentralized and supported by the middle class. Management should consider subordinates' opinions. Control is not appreciated, and leadership should be supported by expertise. German society is individualistic, focusing on the closest family. Hofstede mentions that "there is a

strong belief in the idea of self-actualization." Communication is fair and honest, allowing one to learn from mistakes. Germany is a masculine society, striving for performance and "living to work." People's self-esteem depends on success at work. Management expected to be confident. People tend to show their status with expensive devices.

Germany has a slight preference for uncertainty avoidance and a strong tendency to deductive approaches in thinking, planning, and presenting. Details are essential, and topics are properly-thought-out. Germans tend to compensate for high uncertainty by heavily relying on expertise. German society is very pragmatic (83 points on long-term orientation). They prefer to adapt traditions even in changing conditions, preserve in achieving results. German society is restrained, tends to deprioritize leisure time, and control desires. People follow social norms and consider indulgence as wrong.

The second step is **analyzing the German market's threats, growths, and trends** with **the** support of business frameworks, such as PESTLE and SWOT.

PESTLE will enable us to see the country from different dimensions – political, economic, socio-cultural, technological, legal, and environmental.

Political factors

Germany is a Federal, Parliamentary, and Democratic Republic with the Chancellor acting ahead of the government. The primary source of authority is a Constitution. The Social Democratic Party and the Christian Democratic Union lead the political system. Germany has a strong alliance with France, which supports its position and leading power in European Union. Though the government is stable, Brexit and changes in leadership caused instability in the pollical landscape. Germany is a member of the European Union and the largest contributor to its budget. Additionally, Germany is a member of NATO, the OECD, the G8, the G20, the World Bank, and the IMF.

Economic factors

The German economy is the 4th largest in the world, with a GDP of 4.2 trillion USD. However, the impact of the COVID-19 pandemic and lockdowns hit the economy hard. According to CNBC news, German's economy shrank by 5% in 2020.

Most products produced in Germany are in engineering – cars, metals, machinery, chemicals. Popular brands worldwide and BMW, Mercedes Benz, Adidas, Porsche, Audi, DHL, Volkswagen, T-Mobile, Lufthansa, Nivea, SAP. Germany is also a leading producer of solar power technologies and turbines.

Corporate taxation consists of several tax rates and amounts to 30-33% (Fraai 2019).

Socio-cultural factors:

Germany of Germany is around 83 million residents for the year 2020, making it one of the most populous countries in Europe. Life expectancy is high, as well as living standards. Society is modern and multicultural. Good welfare and educational system, high economic standards, and technological achievements make Germany one of the best places to live.

German society is structured, private, punctual, appreciates hard work and perfectionism.

Technological factors

Germany is considered a technologically advanced country. It is ranked 1st most technologically advanced society worldwide by Bloomberg Innovation Index (2020). The Ministry of Science and Technology oversees the coordination and defining priorities for Germany's science and technology sector. The country is advanced in many areas, such as engineering, medicine, infrastructure, and IT.

Germany's FinTech is growing and maturing as well, providing significant market opportunities. The banking sector is the most interesting for investors, followed by digital payment and insurance technologies. According to ICLG (2020), there are successful innovations in almost all areas, and all of Germany's top 10 banks are working in partnership with at least one FinTech company.

Legal factors

Germany’s legal landscape is favorable and attractive for establishing business ventures and investments as it treats citizens and foreign nationals similarly. German government supports all types of businesses.

Banking, financial services, and insurance providers are regulated in Germany by The Federal Financial Supervisory Authority (BaFin), which ensures the stability of the largest financial market in Europe as an integrated financial supervisor (GTAI 2020). However, Germany has a regulatory level playing field, which obliges company's providing similar services with similar risks to be a subject of the same regulation – BaFin supervision. Others only need to comply with German regulatory laws – German Banking Act, Payment Services Supervisory Act, or Investment Act, potential licenses for providing banking, financial, payment, or insurance services. Authoritative evaluations are always made case-by-case.

Other regulatory regimes in Germany include the German Federal Data Protection Act (FDPA) and the European General Data Protection Act (GDPR), where FDPA is a subsidiary of GDPR. Data regulation in Germany is strict, and FinTech may be obliged to appoint a data protection official (DPO) to be compliant. FDPA requires the appointment of DPO if FinTech employs over 20 people. Additionally, the German IT Security Act provides a framework for cybersecurity regulation (ICLF 2020).

According to BaFin, PSD2 Directive was transformed into legislation as a Payment Services Supervision Act (ZAG), which came into force on 13th January 2018.

Environmental factors

Germany is facing global warming, as is the rest of the world – water and air pollution, damaging forests, emissions from the coal-burning utilities and industries. The country has done multiple initiatives to solve those issues, such as using fewer resources while ensuring a high level of prosperity. Additionally, a panel appointed by the government is working on an initiative that will enable Germany to stop burning coal to generate electricity by 2038 (Grieshaber 2019).

SWOT analysis will reveal the company's strengths and weaknesses and the opportunities and threats of the country.

To succeed in the German market, FinTechs need to keep pace with changing consumer demands while providing the highest level of security all the time. Customers will continue to expect more convenient solutions tailored to their individual needs.

Strengths	Weaknesses
A highly innovative solution that is in high demand by consumers Strong R&D unit and team Adaptive to change Improves customer engagement on the banking platforms Tested on the Russian market and proven to be successful Strong product competitive advantage	Low awareness amongst potential clients and therefore lack of trust The small or non-existent local sales team and limited presence on the market Limited financial resources No strong brand association Strong existing competition High market entry barriers Unclear positioning
Opportunities (Germany)	**Threats (Germany)**
Banks are ready to cooperate, and the environment is supporting Personal financial management innovations are one of the critical priorities of the market A technologically advanced country with strong growth of FinTech industry Financial regulation authorities support the growth of the innovation sector through multiple initiatives Inter-FinTech collaboration opportunities	Potential need to be licensed by BaFin and strict GDPR policies The impact of COVID-19 on FinTech players is not yet defined, but the tendency is negative as GDP has fallen significantly Heterogeneous market – 50% of the population rejects the implementation of innovative technologies into private life

Figure 30. SWOT analysis for CAHOFF in Germany

6.5 Competition analysis

As defined by Porter (2008), competition analysis includes looking after the existing competition and considering 5 Forces that drive and shape the industry: existing

competitors, bargaining powers of buyers and suppliers, the threat of a substitute product or services, and the threat of new entrants.

As market research for each target country revealed, the UK, Poland, and Germany have a high market penetration level. That results in buyer and supplier powers being in balance. Suppliers of the technology, or banks, are not resistant and open to providing innovation to the demanding buyers or banking services users. Even though there is a tendency to reject innovation in UK and Germany from some perspective, digitalization is still a maturing market.

This chapter looks at the competition from the standpoint of three remaining forces – current and existing competition, the threat of new entrants, or substitute products.

6.6 Big market players

6.6.1 Strands

Strands is a FinTech software company founded in 2004 in Spain, Barcelona. They provide a white-label solution, including personal financial management, business financial management, Engager (Insights Driven Solutions), and CLO (customer-linked offers). Strands headquarter is in Barcelona, with offices in Miami, Buenos Aires, Kuala Lumpur. The company works with more than 700 banks, including Barclays, Deutsche Bank, BBVA, BNP Paribas, Huntington National Bank, CBA, HSBC, Piraeus. Strands operate in 36 countries with 100 million banking customers and 94 million transactions processed every day. Their PFM solutions are driven by Artificial Intelligence and includes:

1. Empowering the user helps them spend better with functions of financial goals, planning, budgeting tools, account aggregation, transaction categorization, and spending analysis.

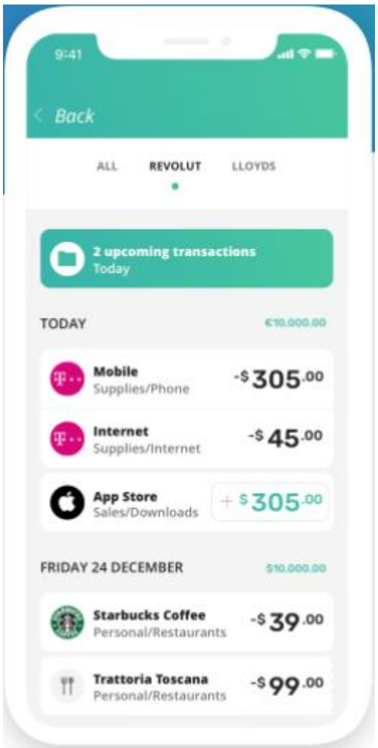

Figure 31. Strands User Control functionality (Strands)

2. Optimizing user spending with daily money management, cash flow forecasting, financial summary, and peer comparison.

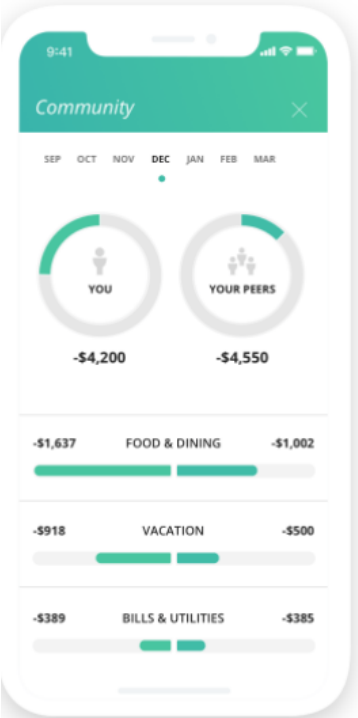

Figure 32. Strands User Optimization functionality (Strands)

3. Anticipating for users and eliminating surprises with personalized alerts, offers, and recommendations, improving money management patterns.

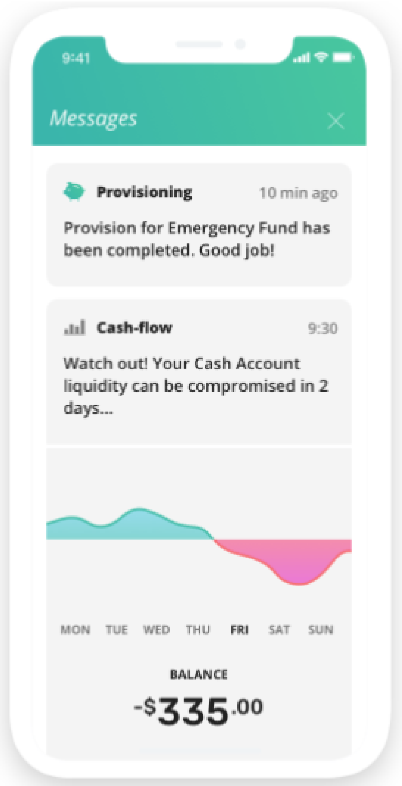

Figure 33. Strands User Anticipation functionality (Strands)

Strands say that PFM is a needed function for banks as it attracts and retains customers by providing better UX and interface, which is highly valued by millennials. By using Strands, banks will get a seamless integration, better quantity, quality, and duration of user interactions increased long-term value of customers. According to their statistics, 88% of customers responded that they would use PFM regularly. 9 out of 10 users would recommend it to others. Also, PFM users log into the banking app twice more often and double their time spent in the app. The exciting features that differentiate Strands are:

- 99% of the accuracy of categorizing transactions
- Financial calendar with a heat map showing spending habits
- Personalized notifications that trigger actions
- Historic cashflow analysis
- Community to anonymously compare spending
- Automatic aggregation of all banking accounts into one place
- An ok-to-spend function that shows the user how much they can spend today without impacting future balance
- Evaluation of user's assets and liabilities that shows net worth evolution over time

In 2020, CRIF acquired Strands. CRIF is a global firm that specializes in credit and open banking, business information. Strands are also working with Mastercard since 2018 to provide banks with an integrated platform of digital cash management and commercial payment tools for small businesses.

6.6.2 Salt Edge

Salt Edge Inc. is a financial technology firm with offices in Ottawa, London, Chisinau. The company was founded in 2013 to create stable and secure interoperability between financial providers and end-users, benefit all parties involved. Salt Edge operates in Europe, Asia, and Pacific, Americas. The company provides a wide range of services for the financial industry, helping banks to become everyday banks for consumers. They are working with more than 3000 financial institutions in over 60 countries. The service cycle includes:

- Compliance with PSD2 and Open Banking by creating AISP and PISP on behalf of the banks, providing TTP management dashboard, a consent management system, Strong Customer Authentication Solution.
- Providing access to unified Open Banking API by connecting account information and payment channels of all banks within the European Union. They also have a back-up solution in case API doesn't work correctly.
- Enrichment of the raw data, such as personal and business categorization, merchant identification, financial insights.
- White label personal financial management. A solution that enables the bank to create its own PFM app for managing finances. Users can connect all bank accounts into one place. App provides budgeting tools, saving goals, financial calendar, advanced reports, advice, and notifications. Salt Edge is connected to over 3800 financial institutions in more than 70 countries, including PayPal, Payoneer, etc., so users can connect those.

Personal Financial Management tool (PFM) by Salt Edge provides several benefits for users. As mentioned before, an aggregated overview of all accounts allows one to see all types of accounts in one place -current accounts, savings, checking, mortgage loans, insurance, etc. Transaction categorization and merchant identification have 93% accuracy. The categorization engine is self-learning and user-driven. The financial planning function enables setting up a monthly plan for payments, savings, daily spending. An automated budget plan is generated based on spending history. Saving goals allows one to track progress and estimate how much time it will take to achieve set goals. Daily advice and notifications support users in keeping financial health in check.

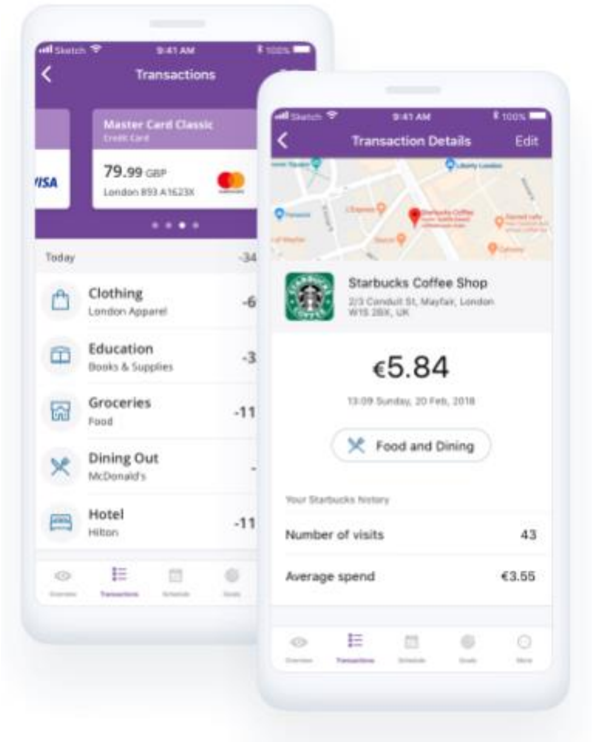

Figure 34. Salt Edge Transaction Categorization and Merchant Identification functionality (Salt Edge)

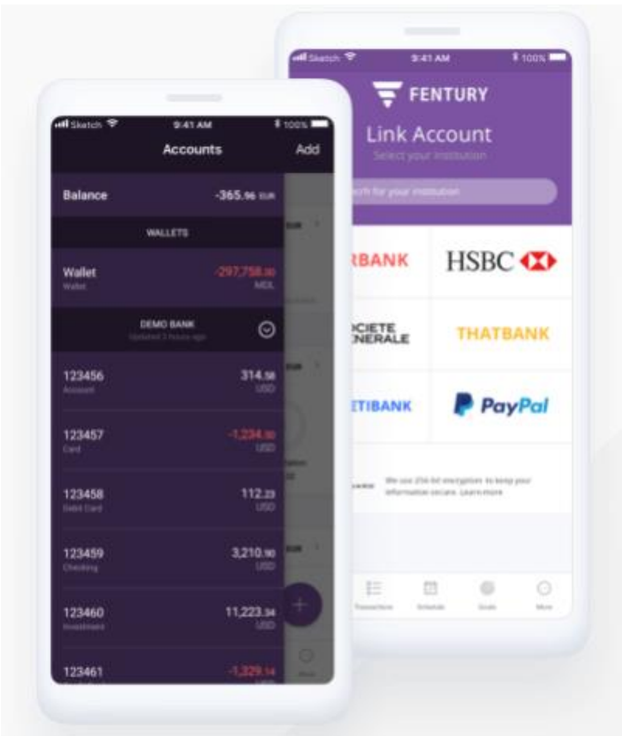

Figure 35. Salt Edge Data Aggregation functionality (Salt Edge)

6.6.3 Tink

Tink was founded in 2012 and has successfully built European's most robust open banking platform. Their tools enable anyone, big banks or FinTech start-ups, to build the future of financial services in Europe. Tink is integrated with over 3400 banks and financial institutions, has more than 250 million bank customers across Europe, and covers 14 European markets. The company headquarters is in Stockholm, Sweden, with offices in London, Milan, Lisbon, Oslo, Dusseldorf, Berlin, Bratislava, Paris, Madrid, Copenhagen, Amsterdam, Munich, Warsaw. Tink is a choice of market leaders. Their client list includes ABN AMRO, PayPal, BNP Paribas, Caixa Geral de Despositos, Nordeam Sopra Banking Software.

In November 2020, Tink acquired Eurobits, which will enable them to give broader and deeper account coverage in Europe and expand connectivity in Europe and Latin America. Additionally, it will bring more international customers such as BBVA and Santander, Bankia, Sabadell, Fintonic, National Bank of Greece, and La Banque Postale of France.

Tink products include account aggregation, account check, data enrichment, payment initiation, personal financial management. Tink's PFM tool is genuinely personalized and helps banks turn data into insights, drive engagement, and boost digital sales. The key features are actionable insights and quick development time through SDKS, with a smooth UX, high test coverage, and customization for the brand.

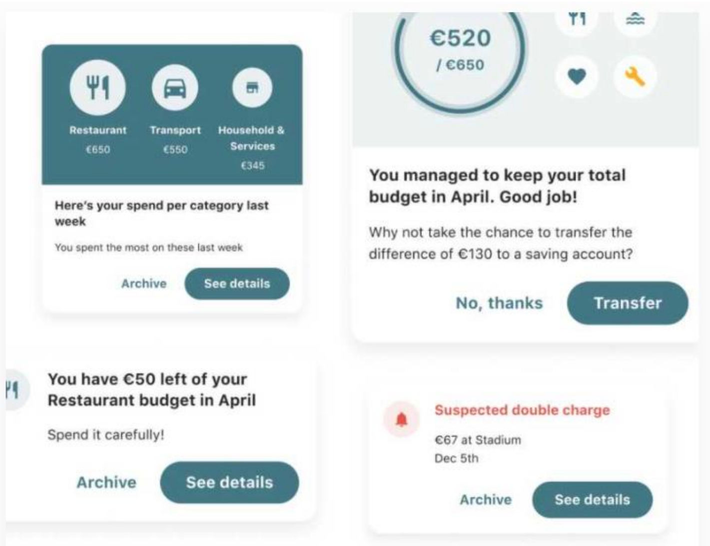

Figure 36. Tink PFM functionality (Tink)

6.6.4 Meniga

Meniga was founded in 2009 with a mission to create and implement practical and straightforward solutions to help people lead better financial lives. The company was founded in 2009 and had offices in London, Reykjavik, Stockholm, and Warsaw. Meniga was one of the first companies in Europe to provide PFM software. Company works with largest European banks – Santander, Commerzbank, CSOB, Intesa SanPaolo, ING, mbank, comdirect, Nordea and 165 other banks worldwide. They are present in 30 countries, e.g., Meniga has a Finland branch, established in 2016 called Meniga Finland Oy.

The personal financial management (PFM) solution by Meniga helps build a long-term and loyal relationship by providing an outstanding customer experience. According to Meniga's statistics, it leads to a 49% increase in monthly active users, a 100% increase in time spent on the app, 71% higher customer loyalty.

Meniga says that PFM should be easy to start and use, super engaging. Meniga's solution includes user profiles, budget, an overview of assets and liabilities developing overtime, challenges to motivate reaching set goals, upcoming expenses and income, activity feed, reports, all cards and accounts, enriched transactions with merchant mapping and categorization, search and filter, savings goals, community to compare your situation with peers, built-in user event. One exciting feature that I have discovered is a spending meter that shows how much is left to spend.

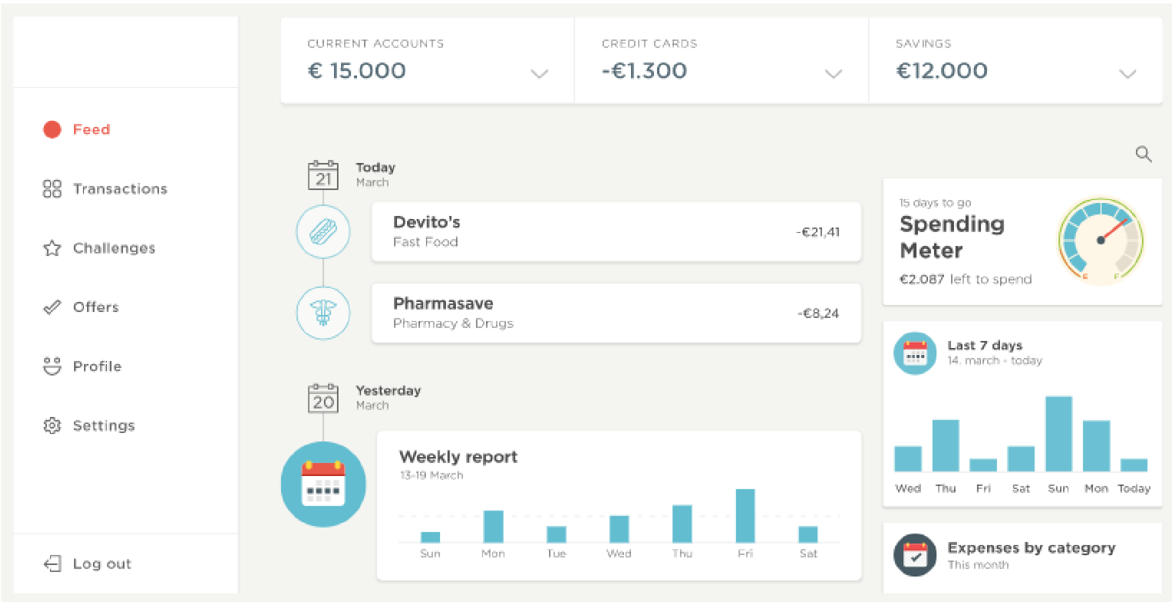

Figure 37. An overview of Meniga PFM solution (Meniga)

6.7 Other market players and substitute products

Besides the leading market players mentioned above, other PFM solution providers have widely covered the European market. There are both PFM banking providers and standalone apps, which might not be direct competitors but still a part of the same infrastructure that affects it and take over some market share.

Acorns money app is a standalone app that helps users to look after financials and allowing micro-investing. They are backed up by world-class investors and advisors, including PayPal, BainCapital, BlackRock, Rakuten, etc.

Asseco is providing a modern banking solution for banks, including PFM. They cover 50% of the market in Poland.

The Beans is a standalone banking app that supports finding a financial balance.

Betterment is a standalone app that is tech-driven and personalized. It helps to spend, save and invest and build plans and wealth to achieve goals.

BillShark is an app that can help to save 25% of the monthly bills on the Internet, wireless connection, TV, radio.

Emma app is a standalone app that helps track and cancel wasteful subscriptions and control and overview finance. It shows a list of all recurring payments.

Empower finance is an app designed for "today's generation." It helps to spend without overdraft fees. It has a budgeting feature with 650 000 people who connect it to the bank and get cash advance up to 250 USD.

EveryDollar app is a budgeting app. It helps to create a monthly budget in less than 10 minutes and achieve savings goals.

Finanzguru is a Germany-based company that provides an AI-based financial assistant.

Personetics claims to be more than a PFM provider but a personalized customer engagement platform for financial services. Their features include personalized insights, recommendations, guidance for the financial customer journey, automated financial wellness programs, AI-driven chatbot with personalized, context-aware, and timely financial advice and recommendations. They work with Santander, UOB, TMRW, and other big clients.

Bonify is a Germany-based company that provides a free credit score assessment, PFM tool, and personalized products.

Moneymeets is also a German company that enables customers to make better financial decisions to reach goals. They have a big community that shares insights. Their clients are Morgen&Morgen, figo, DAB BNP Paribas.

Squirrel is a UK famous provider of wellbeing benefits. It supports users in building good financial habits. It splits salary into bills, goals, weekly allowances and therefore limits overspending.

Other smaller or medium-size competitors are Fintonic, Fiserv, FutureAdvisor, Geezeo, Hiatus, Honeydue, Limitless, LunarWay, Minna Technologies, Mint, Mobilis, Money Dashboard, Moneybix, Moneygarden, MoneyLion, Moneythor, Mono, Moven, MX, Påmind, Plum, Prism, Qapital, Quicken, Quovo, Robinhood, SBDA, Spendee, Spiir, The Cash App, Trim, Truebill, Urban FT, Venmo, Volders, Wallet, Wally, Wealthfront, YNAB, Yodlee, Yolt, Zlantar, eWise, Linxo, ABAKA, Nutmeg, WealthObjects.

Another significant disruption is a digital bank that usually develops its in-house solution for PFM. It is a threat for traditional banks too. In the user survey that I have conducted, some respondents referred to digital banks as a better and preferred option for banking. In Europe, **Revolut**, founded in the UK and operated in 33 countries, is one of the largest digital banks with over 10 million users. They offer personal loans, free currency exchange and international transfers, phone and travel insurance, cryptocurrency trading.

Monzo is another UK-based digital bank with over 3.6 million users. They cooperate with Mastercard, which allows users to pay anywhere it is accepted. It is possible to set budgets in Monzo and use them for a salary account.

Another UK bank, **Starling**, is a famous digital bank in the country. In 2019, they won the Best British Bank and Best Current Account Award.

N26 is a German bank and one of the leading players with over 5 million users. Another smaller German bank is **Tomorrow**, which has 59 000 users for now. They support users with investing and focus on sustainability as a part of the operations.

Additionally, some bigger banks with a large customer base are going through the massive digital transformation process and develop own branches of fully digital banking solutions. This includes Intesa Sanpaolo, with a customer base of over 11 million that recently improved its app offering, French bank Boursorama, BBVA in Spain. Barclays,

which has 50 million customers worldwide, significantly enhanced their digital offering, including transactions, reporting, and communication. Other digitally developed UK banks are Lloyds, HSBC, RBS. In Germany, Commerzbank and Deutsche Bank are putting effort into the growing digital agenda.

7 Recommendations for planning and preparing market entry strategy

Market entry strategy is at the core of the success of the new market. It clarifies what goal your company aims to achieve and how. Entering international markets is always a challenge for businesses as it requires leaving a comfort zone and going for uncharted territories. New markets often have plenty of opportunities, however, not fewer threats. The market entry strategy consists of requirements that are formed by a deep understanding of market dynamics, entry barriers, customers, and the environment. Another vital factor to consider is that in a B2B environment, the closing sale may take a long time, especially when clients are financial institutions. Companies should focus on long-term goals, forgetting about a quick wins.

This chapter provides recommendations for planning market entry strategy for UK, Poland, and Germany. As all three markets are relatively similar, some recommendations may apply to all of them.

7.1 Current strategy and approach to the EU market (overview)

The current market entry strategy of CASHOFF prioritizes three European markets – UK, Poland, and Germany. The strategy includes three stages, which started in July 2020:

1. Information gathering or in-depth research. The purpose of this stage is to identify the number and number of banks in each country, learn about customers and key metrics, accelerators, partnership opportunities, associations, competition.
2. Searching for business opportunities. This stage's main activities include acquiring bank contacts, applying for accelerators, building a presence in associations, fintech hubs, business groups, and sending out collaboration proposals.
3. Decision-making includes analysis of bank contacts, feedback from remote banking service providers, accelerators, and target banks' prioritization.

CASHOFF was also actively involved in cooperation with the Department for International Trade (DIT). DIT has a vast network and supports British companies expanding overseas.

In total, in the UK, Poland, and German markets, CASHOFF aims to acquire a 5.4% market share based on the market volume and potential revenue.

	Region	Country	Live clients	Revenue	Market Volume	Share
2022	Europe	Poland, Germany, UK	20	2 781 260	51 180 000	5,4%

Figure 38. Estimated market share for Europe - Poland, Germany, UK (CASHOFF 2019)

Darren Hughes, CASHOFF UK Director who oversees expansion, mentioned that the main obstacle so far was a market penetration, or the digitalization level of banks, that varies region by region. In the markets with low market penetration, CASHOFF can offer a simple Data Analytics solution because banks wouldn't be ready for advanced opportunities. It is the first step in digitalization. It also takes time and resources to convince the audience that your services are necessary to invest in. On the other hand, markets with a high level of penetration are full of competitors taking over most of the market share. What the current strategy is aiming for is to find a “sweet spot” in the market. They don’t want to go somewhere where there is no activity, and they don't want to go somewhere where the other side is completely flooded.

According to Darren, if he were to change the market entry approach, he would focus far more on a particular country by conducting more in-depth research and talking to potential customers. Being present on the market makes a much bigger impact and speeds up things with expansion faster. People will generally be more open to the company. Also, cultural and language differences are essential, and it is always better to approach in a native language. Darren also mentions that more aggressive marketing would help speed up expansion, but the company should be careful not to waste resources too quickly. One approach that could benefit most is hiring an experienced consultant in a selected market with connections who speaks the local language and has strong technical knowledge.

One significant limitation that CASHOFF international expansion team is struggling with is a lack of financial resources to move on, hire people in a target market and lead massive marketing activities.

The current market entry approach can be referred to as "dipping toes." It is a cost-effective approach to learn about the potential demand for a new product, but the company can't acquire or grow a customer database. This approach also will not lead to a strong strategic positioning in the new market in the long term.

7.2 Recommendations for entry strategy for UK, Poland, and Germany

Selecting the market entry approach is an important step. However, seeing the results of it might take time. According to Gartner (2020), it takes at least six months to make a deal in B2B sector on average. The first thing that CASHOFF should define before planning a market entry strategy is how they want to position themselves strategically on the new market (or markets). Strategic positioning includes answering the following questions:

1. What differentiates us from competitors? As specified in SWOT, Data Analysis has advantages over competitors' solution (e.g., by a unique feature as "Stories"), but the way to deliver it to the market should be appropriately targeted.
2. How will our product resonate with customers?
3. What strategic initiatives the company will drive?
4. What message (communication program) company will use?
5. What are the values and culture of the organization? How to express it?

During the research, I have noticed that social impact and responsibility are not specified in the message delivered by CASHOFF to potential customers and society. Corporate social responsibility (CSR) is on the European Union's agenda, particularly in UK, Poland, and Germany, as market research revealed. It bolsters the company's image and brand, helps to attract investors, and is heavily used by the majority of CASHOFF biggest competitors. For example, Meniga enables the bank's customers to see Carbon Insights, which will boost the bank's CSR to the next level. Another message that Meniga states are that their goal is "helping people lead better financial lives." Similar positioning and considering social impact in the market entry strategy can support CASHOFF and significantly increase successful entry chances.

Another consideration that CASHOFF lacks compared to successful competitors is a lack of presence in the selected markets. UK, Germany, and Poland have FinTech communities that support its members and help to build connections. For example, one of CASHOFF biggest competitors Tink is a member of Helsinki Fintech Farm, and they cooperate with Nordea bank. Joining FinTech communities can help find partnership opportunities, learn about the industry from the experienced members, and build trust with potential clients.

There are different approaches and modes of entering the market. Even though CASHOFF is having a presence in the UK, the approach is rather one defined by Newman & McDonald (2018) as "dipping toes." It is cost-effective but doesn't help to acquire a market share or customer database. CASHOFF is reaching out to potential clients by email marketing and promotional presence on industry-related events (before the COVID-19 pandemic). The approach that this thesis recommends is seeking partnership or joint venture opportunities with companies in the cross-industry to acquire connections and a customer database. One example that I received from Ilkka Lähteenmäki is an Eficode, Finnish technology and design firm that has extensively grown after partnering with Chinese company Alibaba Cloud. A relevant example for CASHOFF could be cooperation with investment solution providers for B2C. They want to bolster their offering or competitors that would like to enter Russian and CIS markets, where CAHSOFF is one of the leading players. For Poland, the partnership is the only

reasonable way to enter the market (Microfinance Center, 2019). Another partnership opportunity is cooperation with digital banks that lack high-quality PFM solutions or consider a different provider. Digital and neobanks are disruptive companies that are open to innovations and more agile and fast than traditional banks.

11C of internalization (Newman & McDonald 2018,163) provide a framework for internalization that considers the most critical opportunities and challenges. Some of the aspects can be useful as a base for CASHOFF market entry planning.

Localize customer communication

- Build a successful and target email marketing campaign for each region, consider different testing approaches.
- Join local Fintech organizations.
- Invest in localized digital marketing activities.

Offer localized customer support.

- How many languages your support team speaks?
- Do you have to hire a local support team?

Think localized content

- Think not only about changing a language but the entire content strategy to deliver the right message.
- Test different approaches and eliminate those that don’t work

Crew: consider staff resourcing and structure for internalization

- How are you going to the resource team?
- Can you do it all from your central office?
- Localized language/ service.
- Localized marketing.

Determine how you will gain trust in new markets

- Tell how long you have been established.
- Tell about your presence in your home market.
- Present use cases that will help to build trust.

7.3 Evaluation of the results

The management presentation (Attachment 2) has received a lot of positive feedbacks.

The research was in-depth and contained relevant information that hasn't been considered by CASHOFF team before. It enriched the market knowledge about evaluation and potential opportunities. Particularly interesting part was legal considerations for the UK, Poland, and Germany, as well as well-defined potential risks and difficulties that company may encounter on each market. Links and material that I have shared with the team was useful and will be considered for the future market entry strategy development,

During the thesis project, I was actively engaged and collaborated with various departments within the organization, both in Russia and UK, learned technical and business background of the Data Analysis project. This thesis is a missing piece of the puzzle that will help CASHOFF to succeed in acquiring new markets in the future.

8 Conclusions

As an employee of CASHOFF, working closely with the expansion team, I realize importance of this research for the organization. The company and management team is aiming for ambitious goals about international expansion, but lack of quick results and failure to acquire market share can undermine the confidence.

With my own experience, interviews of CASHOFF management team, I uncovered several challenges that influence the expansion. Darren Hughes, CASHOFF UK Director, emphasized the importance of setting up a local team in each country to build client database. This is also stressed in market entry methodology by 11C of internalization (Newman & McDonald 2018). Vladimir Larin, Product Manager, and CTO mentioned that there are funds dedicated for international expansion, but they are limited. This results in a market entry approach that company is taking –"dipping toes" and trying cold email marketing campaigns. This approach slows down market entry as it neither supports building brand awareness, trust, and recognition nor help in acquiring a robust customer database.

The research questions I have set were to discover the opportunities and threats of entering the UK, Poland, and Germany based on market size, SWOT and PESTLE analysis, in-depth study of competition. Market research showed that all three countries are relatively homogenous. Market size and opportunity have great potential, digitalization, and growth of FinTech is high. The main obstacles that CASHOFF may face are a high digital penetration on all markets, which means high competition, legislation restrictions, the resistance of new technology by population, and impact of COVID-19. The effect of COVID-19 on the adaption of financial technologies and digitalization was positive. It boosted adoption globally and acted as a catalyst as people were forced to go digital due to extended lockdowns. This positive tendency, however, at the same time resulted in the growing rejection of additional technological advancements by population. As eToro and Statista surveys show, some UK and Germany citizens would reject further technology use either in private life or the workplace.

Competition analysis uncovered that CASHOFF is facing threats from leading players such as Meniga, Tink, Salt Edge, and Strands and new start-ups. There is also competition from banks, building similar in-house solutions, standalone PFM apps, digital banks.

Recommendations for market entry strategy include analyzing the current situation and providing new recommendations based on the market research data. Recommendations are general and can support the CASHOFF team in the further development of market entry strategy. The FinTech landscape analysis in the UK, Germany, and Poland showed that partnership and joint venture are the most advised way of successfully getting into the new market, particularly in Poland. CASHOFF should build a strong strategic positioning before approaching a new market, consider corporate social responsibility as a part of the plan, create and test different B2B growth marketing approaches, search for relevant partnership opportunities and join local FinTech associations.

From doing this thesis project, have not only learned about market research and entry strategies, but enhanced my knowledge in the FinTech industry, its future growth potential, current existing threats, and opportunities. FinTech environment is fast-evolving and requires constant learning to stay up to date. However, this expertise will serve as a reliable ground base for my future growth within the industry.

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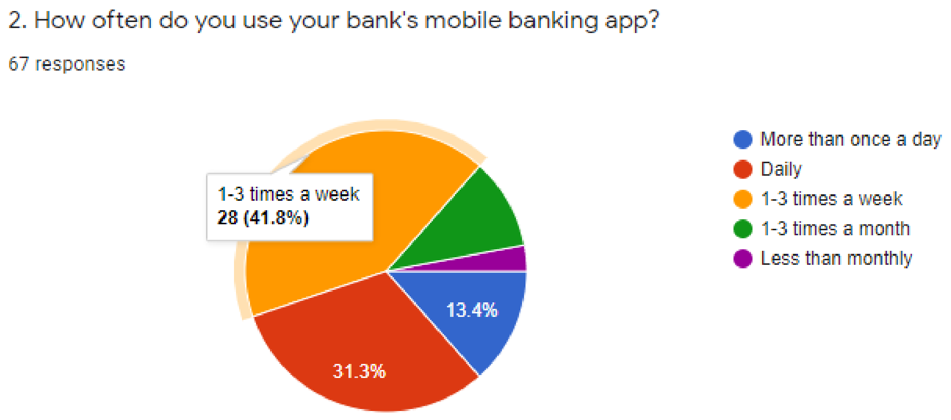
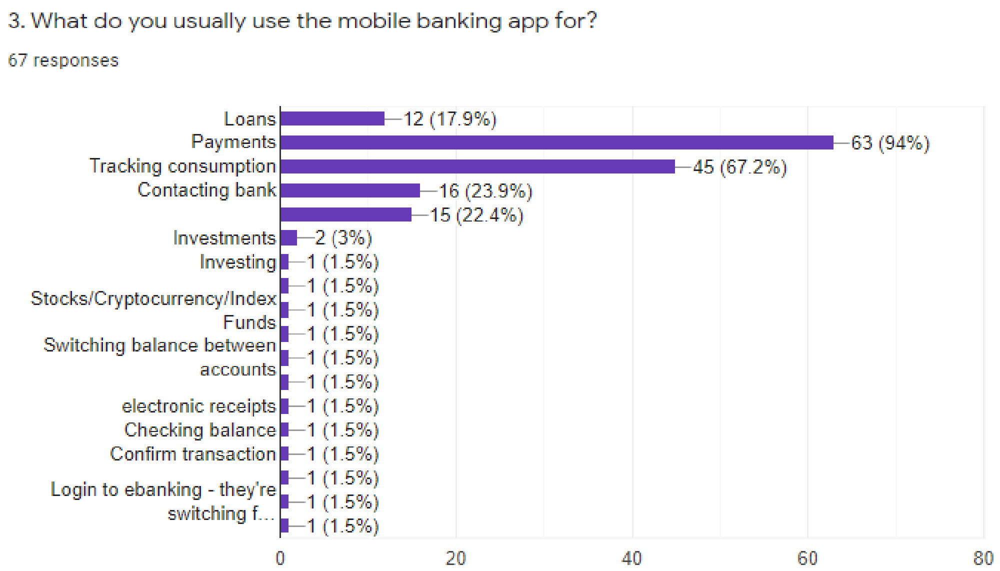
Attachments

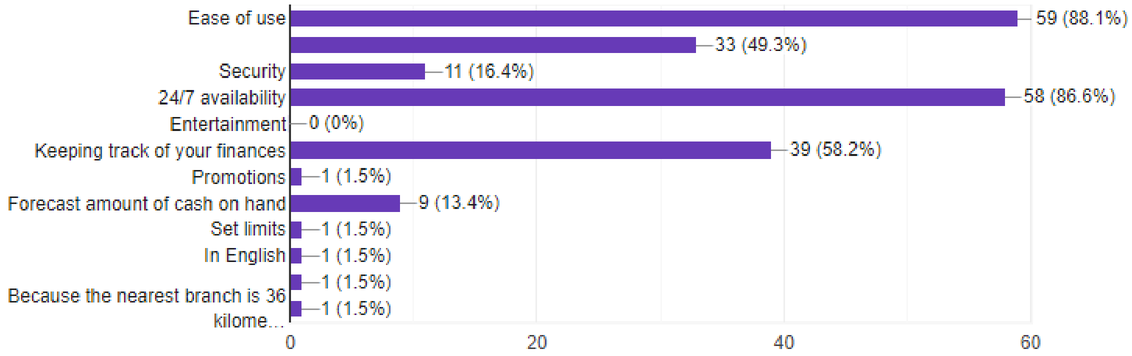
Appendix 1. Full overview of online questionnaire results





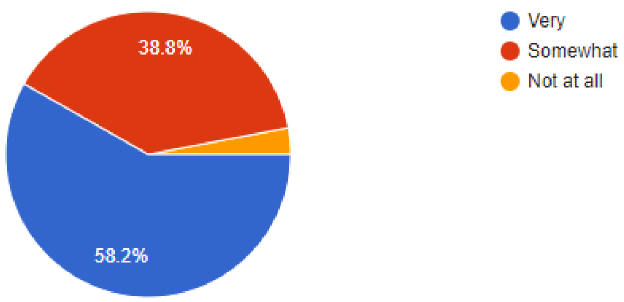
4. What motivates you to use it, in other words, why do you use it and not walk to the branch office? (select up to 3 most important factors)

67 responses



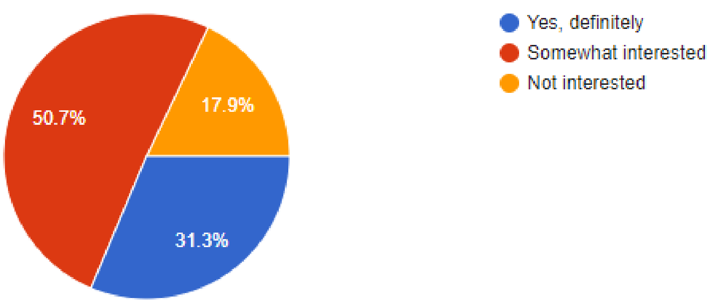
5. Are you satisfied with your bank's mobile banking app?

67 responses



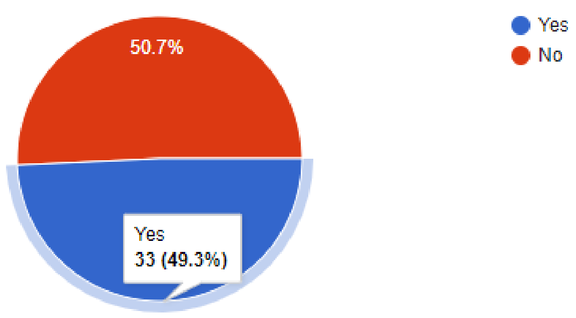
6. Would you be interested in a mobile banking app that could provide you with personalized financial management advice based on your previous purchases for free daily? This includes budgeting, setting up financial goals, and tracking progress, a comprehensive overview of spendings. See examples below.

67 responses



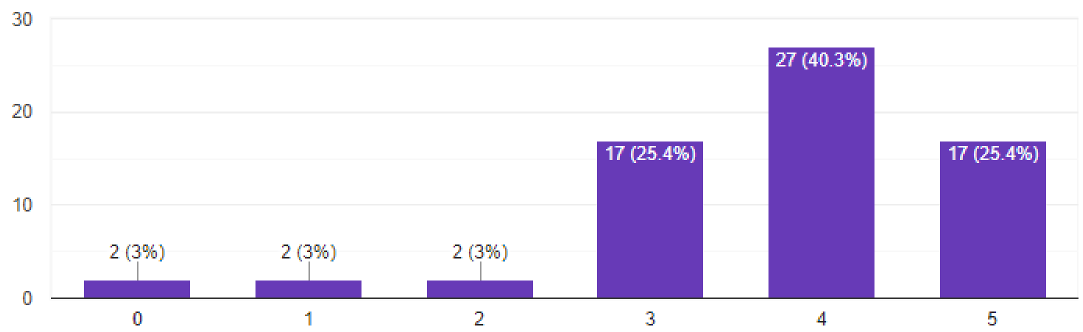
7. Does your banking app provide personal financial management services?

67 responses



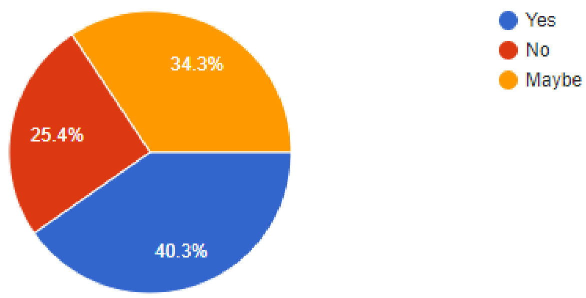
9. On a scale of 0-5, how important is the quality of the banking app when choosing a bank?

67 responses



8. If no, would the implementation of such feature increase your engagement with the mobile app?

67 responses



Appendix 2. Presentation of key outcomes

Market study & market entry
recommendations for Data Analytics

UK, Poland & Germany

CASHOFF

Goal of the study

1. Research UK, Poland and Germany markets for opportunities and threats

2. Provide market entry recommendations

End-user survey results (Europe)

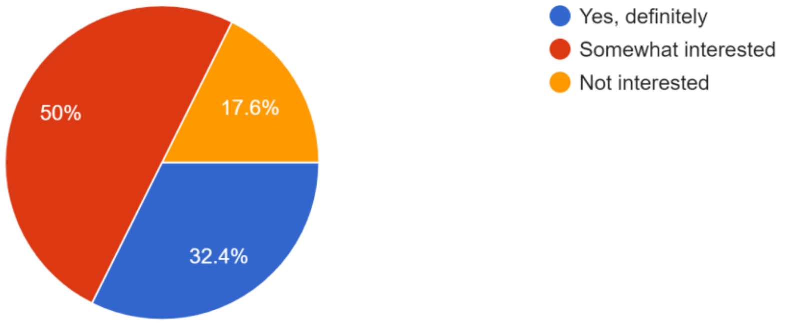
- The purpose of the survey was to analyse end-users' interest in PFM services as a part of mobile banking app.

- N=68

- Respondents’ banks were in Finland, Switzerland, Germany, Sweden, UK, Portugal, Estonia and other EU countries.

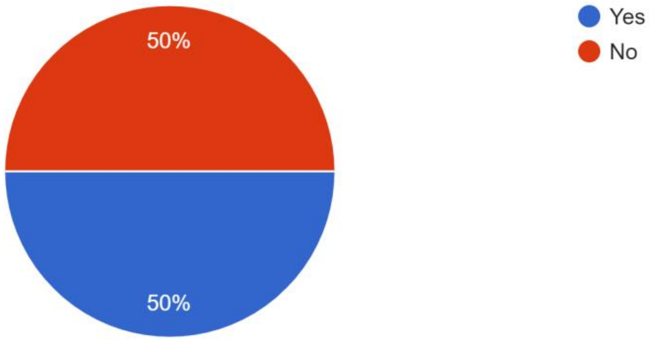
6. Would you be interested in a mobile banking app that could provide you with personalized financial management advice based on your previo...sive overview of spendings. See examples below.

68 responses



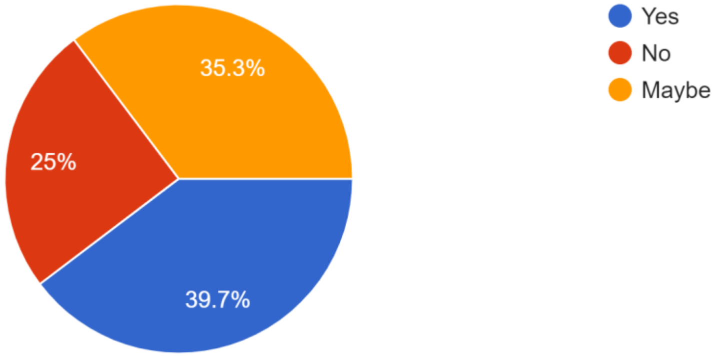
7. Does your banking app provide personal financial management services?

68 responses



8. If no, would the implementation of such feature increase your engagement with the mobile app?

68 responses



Other comments

“Tracking my spending habits is a very important feature. Currently my bank automatically categorizes the expenses but there are mistakes sometimes. Furthermore, there's basket called "other" and no possibility to teach the app to categorize them correctly which is frustrating. I would also like the possibility of more graphic information of my habits and being able to make own graphs based on the data”

“I have monthly consumption targets and sometimes I exceed them. It would be very useful to budget yourself monthly and app would give you a notice when there is still for example 100e left on budget or 0r or its exceeded”

“Maybe a calendar that shows the days bills are due, I think it is easier to understand when I should pay when I can see the day placed in a calendar”

“I personally wouldn't really need a personal finance banking app as I'm studying Finance myself and don't really need to watch my spending, BUT I think this is a great idea and would help a lot of people that are bad at tracking their finances!”

“So far, only 2 Banking apps (Revolut and N26) allows you to handle every single thing the bank provides. You still sometimes have to go online through a computer to do certain tasks, this is especially true to corporate accounts. The day you can really do all functions through the app, then banking can say they are truly next generation”

“I use different financial services from many providers. If I could collate those together to get an overall view and then track my spending based on that, it would be useful. But if it doesn’t then it’s simply another banking app to check that can’t truly give me an overall view of my financial position”

CASHOFF - Strength and Weaknesses

Strength

- A highly innovative solution that is in high demand by consumers
- Strong R&D unit and team
- Adaptive to change & agile
- Improves customer engagement on the banking platforms
- Tested on the Russian market and proven to be successful
- Strong product competitive advantage

Weaknesses

- Low awareness amongst potential clients and therefore lack of trust
- The small or non-existent local sales team and limited presence on the market
- Limited financial resources
- Strong existing competition
- High market entry barriers
- Unclear positioning
- No strong brand association

United Kingdom market study

EToro (2020) ranks UK as 3rd in European Digital Transformation ranking

"UK is the dominant force of technology – driven innovation". - Ron Kalifa

According to UK FinTech – State of nation (2019)

UK – Opportunities and Threats based on PESTLE and other study

Opportunities

- The UK has the largest Fintech ecosystem in Europe
- Quickly growing UK FinTech industry, accelerated by COVID-19 pandemic
- Potential partnership opportunities with incumbents
- Strong demand and acceptance from consumers
- Government and regulators support
- Access to funding and talent

Threats

- Legislation regulations (obstacles in obtaining a license in practice)
- The market is too mature with a lot of existing players (market penetration is too high)
- COVID-19 pandemic affects negatively smaller FinTech players
- Not all consumers are open to innovation going further – 24% of people in the eToro survey (2020) admitted they would rather resist the digital transformation going further

Links to read more

- UK FinTech – State of Nation (2019): UK FinTech - State of the Nation (publishing.service.gov.uk)

- Etoro (2020) report on Digital Transformation in Europe: UK-Report-2 (netdna-ssl.com)

- UK legislation for FinTech: Fintech 2020 | Laws and Regulations | United Kingdom | ICLG

Poland market study

EToro (2020) ranks Poland as 5th in European Digital Transformation ranking

KNF is receptive to new players on the Polish FinTech landscape and supports it in several ways (ICGL 2020):

- Support Special Task Force for Financial Innovation in Poland helps identify legal, regulatory, and supervisory barriers and eliminate them.
- The Innovation Hub Programme at the national bank NBP enables a dialogue between KNF and FinTech start-ups.
- The "Digital Development Agenda" provides a sandbox, or test environment, for start-ups.

Poland – Opportunities and Threats based on PESTLE and other study

Opportunities

- Polish banks strongly support the development of innovation and especially personal financial management
- Strong demand and acceptance from consumers
- Financial regulation authorities support the growth of the innovation sector through multiple initiatives
- The favorable territorial position between Eastern and Western countries
- Favorable taxation and investment opportunities

Threats

- Legislation regulations in practice may take a long time
- Relatively low digital penetration in the country amongst consumers
- The impact of COVID-19 on FinTech players is not yet defined, but the tendency is negative as GDP has fallen significantly
- Low financial inclusion of the population

Competitors

- Limitless: Financial wellbeing | limitless app for corporations
- Straal: Payment merchant solutions. International ecosystem | Straal
- Kontomierz: Budżet domowy, wydatki, oszczędzanie - Kontomierz.pl
- Asseco Group, which covers 50% of Polish market provides PFM Solution: Personal Finance Management Solution - Omnichannel sales and servicing - Asseco South Eastern Europe

Links to read more

- Poland FinTech case study by Microfinance Centre: POLAND_FINTECH-CASE-STUDY_FEB2020.pdf (mfc.org.pl)
- Poland FinTech legislation: Fintech 2020 | Laws and Regulations | Poland | ICLG

Germany market study

EToro (2020) ranks Germany as 6th in European Digital Transformation ranking

GERMANY RANKS SIXTH DUE TO CONCERNS ABOUT INCREASED DIGITALISATION

Germany – Europe's largest country both in terms of population and economic output – performs relatively poorly in the Digital Growth Index. The level of support for increased digitalisation is lower in Germany than in any of the other countries analysed, while the country also has the weakest score in the digital readiness indicator. Only 48% of Germans surveyed said that they would be comfortable switching to online banking platforms, while just 37% indicated that they would be comfortable making a payment in excess of £100 with a mobile payment app. This compares to a Europe-wide average of 54%. That being said, Germany has a high score in the digital gatekeepers indicator, with the lowest share of survey respondents stating that they would resist the expansion of digital technologies in their workplace. These results suggest that the main obstacles to the digital transformation will stem from concerns about the use of new technologies in people's personal lives rather than in their professional lives.

According to the **GTAI report (2020),** FinTech in Germany is maturing, and the adaption rate almost doubled during 2017-2018, putting the German market on the same level as global players – 64%. Germany has an excellent infrastructure that supports the growth – the Internet penetration level is 94% (Statista Digital Market Outlook, 2019). Germany has a high level of online payment users worldwide.

Germany – Opportunities and Threats based on PESTLE and other study

Opportunities

- Banks are ready to cooperate, and the environment is supporting
- Personal financial management innovations are one of the critical priorities of the market
- A technologically advanced country with strong growth of FinTech industry
- Financial regulation authorities support the growth of the innovation sector through multiple initiatives
- Inter-FinTech collaboration opportunities

Threats

- Potential need to be licensed by BaFin and strict GDPR policies
- The impact of COVID-19 on FinTech players is not yet defined, but the tendency is negative as GDP has fallen significantly
- Heterogeneous market – 50% of the population rejects the implementation of innovative technologies into private life

Competitors

- Finanzguru: Finanzguru - Finanzen magisch einfach.
- Bonify: Kostenlose Bonitätsprüfung & online Bonitätsauskunft mit bonify
- Moneymeets: moneymeets – von der Stiftung Warentest empfohlen – moneymeets

Links to read more

- Germany FinTech legislation: Fintech 2020 | Laws and Regulations | Germany | ICLG
- GTAI Germany trade & invest 2020. FinTech in Germany: https://www.gtai.de/resource/blob/159528/c55975a845abee7a86abc5930b590ff0/fact-sheet-fintech-germany-en-data.pdf

UK & other European competitors

Biggest: Acorns, The Beans, Betterment, BillShark, Emma, EveryDollar, Empower Finance, Personetics, Squirrel, Cleo

Other smaller or medium-size competitors: Fintonic, Fiserv, FutureAdvisor, Geezeo, Hiatus, Honeydue, Limitless, LunarWay, Minna Technologies, Mint, Mobilis, Money Dashboard, Moneybix, Moneygarden, MoneyLion, Moneythor, Mono, Moven, MX, Påmind, Plum, Prism, Qapital, Quicken, Quovo, Robinhood, SBDA, Spendee, Spiir, The Cash App, Trim, Truebill, Urban FT, Venmo, Volders, Wallet, Wally, Wealthfront, YNAB, Yodlee, Yolt, Zlantar, eWise, Linxo, ABAKA, Nutmeg, WealthObjects.

Note: many of those are standalone apps but with high recognition and trust from users.

Recommendations

- Current approach is “dipping toes” ⟶ focus on building strong brand positioning and presence on one selected market. Ideas:
  - “Stories” is a unique feature, owning part of Russian market
  - CSR is on the agenda of all banks – does DA solve this issue?
  - Join local FinTech community (Tink & Nordea), be actively present and involved
  - Increase budgeting or focus on countries with lower costs (Poland)
- Build localized communication & content
  - Hire local team who has connections to the market
  - Focus on building connections with potential customers (not only cold mailing)
- Search for partnership opportunities
  - Investment and loan providers
  - Digital banks (Tomorrow, N26, Revolut)
  - Participation in charity events (e.g., option to donate savings in app - Cleo)
  - Act as a standalone app