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Navigating the challenges of FinTech startups in the B2C market

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ABSTRACT
The FinTech industry has revolutionized traditional financial services by leveraging technology to offer innovative solutions for consumers and businesses alike. However, startups entering the Business-to-Consumer (B2C) market face significant challenges, including regulatory compliance, securing product-market fit, and building customer trust in a competitive landscape. This paper explores these challenges through a mixed-methods approach, combining surveys and interviews to gather insights from FinTech professionals, consumers, and a case study of a UK-based startup, 'Company A'. The findings highlight the critical importance of regulatory adherence, particularly in securing Financial Conduct Authority (FCA) approval and addressing consumer concerns around data security and digital payment reliability. The study also examines strategies for product-market fit and market positioning in the growing FinTech sector, offering practical recommendations for startups to overcome barriers to entry. Key recommendations include the adoption of value-added services (VAS), transitioning from B2C to B2B models for scalability, and leveraging regional FinTech hubs for support. The study contributes to the understanding of FinTech startup challenges and offers a strategic roadmap for achieving long-term success in the B2C financial services market.

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1. Introduction

The FinTech industry, valued at approximately $305 billion in 2023 and projected to grow at a compound annual growth rate (CAGR) of 20.5% through 2030 (Fortune Business Insights, 2023), is fundamentally transforming traditional financial services. As the largest FinTech hub in Europe, the United Kingdom generated $8.15 billion in revenue, driven by innovations such as digital wallets, mobile payments, and blockchain technologies (Statista, 2023). Within this evolving landscape, the Business-to-Consumer (B2C) segment plays a pivotal role, offering consumers enhanced convenience and security through services like escrow solutions, which ensure secure transactions by holding funds until specific conditions are met (Cambridge Dictionary, n.d.).

Despite these opportunities, FinTech startups face significant challenges, including navigating stringent regulatory requirements such as those mandated by the Financial Conduct Authority (FCA), achieving product-market fit, and addressing consumer trust issues. This study adopts a mixed-methods approach, including surveys, interviews, and a case study of a UK-based startup ('Company A'), to explore these barriers and propose actionable strategies. By integrating findings from regulatory and market analyses, this paper contributes a practical framework for addressing startup challenges, focusing on secure payment systems, consumer trust, and market differentiation. These insights aim to support FinTech startups in achieving long-term sustainability and innovation.

1.1. Gap in knowledge and challenges facing startups

FinTech startups face a multitude of challenges, especially in the regulatory and market contexts. The Financial Conduct Authority (FCA) governs financial services in the UK, and its stringent regulatory

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requirements can be difficult for startups to meet, particularly when they are new to the industry and have limited resources. FCA regulations focus on safeguarding consumers, maintaining market integrity, and promoting competition (Gov.UK, 2024). Compliance with these regulations is crucial, yet navigating the complexities of data privacy laws, cybersecurity protocols, and financial safeguards presents significant obstacles for startups (Siswanti et al., 2024). For example, the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) impose strict guidelines on how companies handle personal data, with severe penalties for noncompliance.

Another significant challenge is product-market fit, as highlighted in previous studies examining financial development and technological innovation (Nutassey et al., 2023). Many startups fail to validate their ideas before investing substantial resources. A report by CB Insights (2022) found that 35% of startups fail due to a lack of market need for their product. In the case of FinTech, where the trust of customers is paramount, understanding user pain points—such as security concerns, ease of use, and reliability—is crucial. Managing disruptions, particularly those caused by global crises such as the COVID-19 pandemic, requires careful attention to both technological and behavioral factors (Smith & Fatorachian, 2023). Without a clear understanding of these factors, startups risk alienating potential customers and losing out to more established competitors.

Funding also presents a considerable barrier for many FinTech startups. Despite the vast sums invested in the sector—$75.2 billion in global FinTech investments in 2022 alone (KPMG, 2023)—many new entrants struggle to secure sufficient capital to cover the cost of compliance, product development, and marketing. The costs associated with acquiring FCA approval, for example, can be prohibitive for startups.

The gap in knowledge lies in the limited practical guidance available for navigating these unique challenges. While various academic studies and industry reports explore individual aspects of the FinTech ecosystem, comprehensive resources that holistically address regulatory, market, and financial barriers for startups remain scarce. This study aims to bridge that gap by providing insights and recommendations for startups to successfully navigate the FinTech landscape.

1.2. Significance of the study

This study is significant as it addresses key gaps in knowledge for FinTech startups, particularly those aiming to enter the B2C market. The global FinTech sector is expected to grow to $492.81 billion by 2028, driven by innovations in mobile payments, digital banking, and blockchain (Fortune Business Insights, 2023). However, only a small percentage of startups survive long enough to capture market share. Understanding the primary challenges that FinTech startups face, such as compliance with regulations, data security, and gaining consumer trust, is critical to ensuring their long-term success.

For entrepreneurs and investors, this study provides a roadmap for identifying and mitigating risks. Additionally, policymakers can benefit from these findings by understanding the regulatory challenges FinTech startups encounter and potentially adjusting guidelines to foster innovation without compromising consumer safety. This paper, by analyzing both regulatory and market challenges, aims to contribute to the sustainability and innovation of the FinTech sector.

The primary aim of this study is to identify the key challenges faced by FinTech startups in the B2C market and to provide recommendations for overcoming these challenges. Specifically, the study focuses on the barriers related to regulatory compliance, product-market fit, and data security. The objectives of the study are as follows:

To examine the regulatory requirements that FinTech startups must meet, with a focus on FCA approval and data privacy laws like GDPR and CCPA.

To identify key customer concerns in using digital financial platforms and explore how startups can build trust through secure and innovative services.

To evaluate the competitive landscape of the UK FinTech industry and assess strategies for startups to position themselves effectively.

To provide actionable recommendations for mitigating legal, financial, and operational risks.

2. Industry background

The history of FinTech is deeply intertwined with advancements in information technology. FinTech companies began emerging in the early 2000s, leveraging innovations such as digital currencies, peer-to-peer lending, robo-advisors, and crowdfunding platforms to disrupt traditional financial services (Chemmanur et al., 2020). This technological shift was further accelerated in the 2010s with the rise of smartphones and mobile technology, leading to a wide range of innovative financial services (Rahman et al., 2024). As Chemmanur et al. (2020) note, mobile technology played a pivotal role in expanding the reach of FinTech, making financial services more accessible to consumers worldwide.

Traditional financial institutions, too, were forced to evolve in response to these changes. The rise of the internet in the late 20th century had already led to the development of online banking and e-commerce, allowing customers to manage their accounts and conduct transactions digitally. By the early 21st century, FinTech startups and tech companies had become direct competitors to these institutions, offering more innovative financial products and services (Homuf et al., 2021). The resulting competition pushed startups to continuously innovate, meeting evolving consumer needs and delivering greater value than established competitors (Homuf et al., 2021).

Globally, the FinTech industry has experienced unprecedented growth. In 2023, Europe accounted for 9.7% of the global market share, with the UK emerging as the largest FinTech hub in the region (Figure 1). London has become home to some of the most innovative startups, with UK-based companies raising approximately £9.6 billion in venture capital funding in 2022, marking a 24% increase from the previous year (Innovate Finance, 2023). The global FinTech industry is continuously evolving, with Industry 5.0 playing an increasingly significant role in globalization and supply chain innovation (Fatorachian, 2023).

The Business-to-Consumer (B2C) segment of FinTech is particularly significant, offering direct financial solutions to consumers, such as mobile banking, payments, insurance, and lending services. UK FinTech revenue is segmented into categories like payments, lending, wealth management, and personal finance management (Figure 2) (Statista, 2023). One of the most innovative areas within B2C FinTech is secure payment processing through escrow services. Escrow, which holds funds until certain conditions are met, builds trust between buyers and sellers, enhancing transaction security (Cambridge Dictionary, n.d.).

However, the FinTech industry faces several challenges, including growing threats from data breaches and cyber-attacks. In 2022 alone, over 1,800 cyber-attacks targeted financial services companies, affecting millions of users worldwide (IBM., 2023). To succeed, FinTech startups must implement robust data security measures to comply with regulations and maintain customer trust. Additionally, startups must navigate gender disparity in the sector. In the UK, women make up just 28% of the FinTech workforce, with

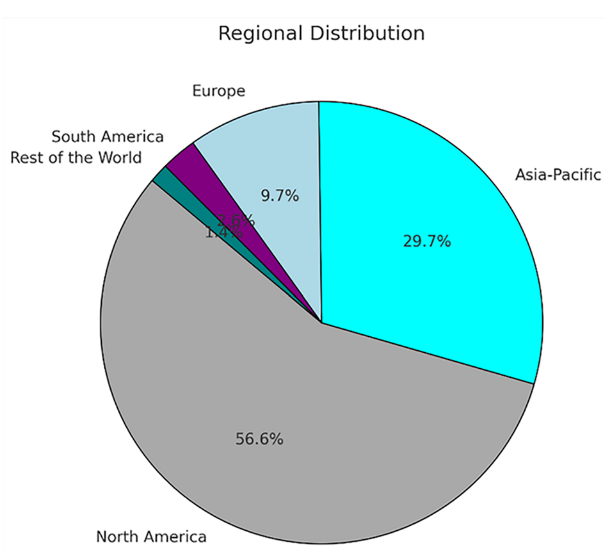

Figure 1. 'Global market geography segmentation: % share, by value' market line (2023).

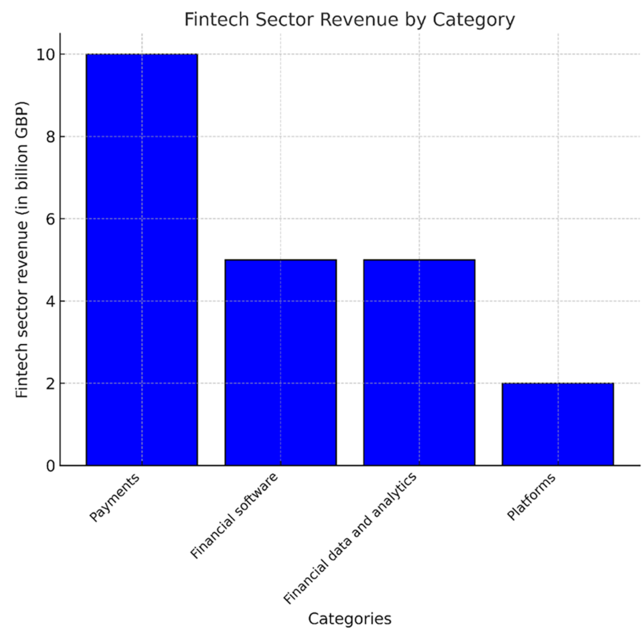

Figure 2. 'Annual revenue of the Fintech sector in the United Kingdom in 2014 by main sectors' Statista (2023).

even fewer in leadership positions (Kimber, 2023). Overcoming these internal and external challenges is essential for FinTech startups to achieve long-term success.

3. Startups in the FinTech industry

Startups are known for their ability to innovate and disrupt existing markets. According to Baldridge, they are young companies focused on developing a unique product or service that can become irreplaceable for consumers. In the FinTech industry, startups like Fluid often seek to solve deficiencies in existing products, such as payment security. Fluid, for instance, is focused on offering a digital payment app with an escrow feature, targeting tradespeople and aiming to provide customers with better security during transactions.

One distinguishing factor of a startup is its drive for rapid expansion. By iterating quickly on product development, based on customer input and usage data, startups can expand their customer base and gain a larger share of the market. This is critical in industries like FinTech, where speed and innovation are key competitive advantages. Rapid customer acquisition, in turn, allows startups to secure more funding and broaden their market reach.

However, startups face numerous external challenges. In the context of FinTech, these challenges include navigating a complex regulatory environment, ensuring compliance with data protection laws, managing cybersecurity threats, and dealing with market competitiveness. Additionally, socio-political factors, variations in economic conditions, and gender inequality within the sector further complicate the landscape for startups. For example, the lack of diversity in the FinTech workforce, where only 28% of the sector consists of women and less than 20% hold leadership positions (Kimber, 2023), highlights the gender disparity that many female entrepreneurs face when launching a FinTech startup.

Moreover, technological breakthroughs and consumer adoption trends heavily influence startup success. With growing concerns about data privacy and cybersecurity risks, consumers are becoming more cautious, requiring startups to implement robust security measures to gain trust. The funding and investment landscape is also critical, as securing adequate capital is often a barrier for startups, which require substantial investment to comply with regulatory frameworks and scale their operations.

By analyzing these external forces, startups can plan strategically and remain adaptable, ensuring they are equipped to handle both the risks and opportunities present in the FinTech space.

4. Literature review

FinTech companies have emerged as disruptive forces in the financial services sector by offering innovative solutions that challenge the traditional banking system (Iman, 2020). They utilize technology to enhance accessibility, efficiency, and transparency in financial services, reshaping how consumers and businesses engage with the financial system. The rise of FinTech has significantly lowered the barriers to accessing financial services, enabling underserved populations, such as those without access to traditional banking, to participate in the financial ecosystem. The integration of technology has led to increased accessibility, making financial services available to a wider audience (Antwi & Kong, 2023). McKinsey and Company (2020) further emphasize that the effectiveness of banking services has been transformed, as traditional banking processes—often slow, manual, and costly—have been automated and streamlined by FinTech firms.

FinTech companies have revolutionized traditional financial processes by automating and simplifying transactions, cutting down administrative burdens, and expediting the flow of funds. This benefits not only financial institutions but also the end-users, by providing faster access to services and reducing costs. McKinsey and Company (2020) point out that the speed of transactions and access to funds has significantly improved with the introduction of digital financial services. Similarly, EY explains that FinTechs often bypass traditional financial intermediaries, directly linking borrowers, lenders, and investors. This disintermediation eliminates many of the costs associated with middlemen and provides greater transparency in financial transactions. Moreover, FinTech companies play a critical role in financial inclusion by providing services to individuals and communities previously excluded from the traditional financial system. McKinsey and Company (2020) highlight that innovations such as mobile banking, digital wallets, and alternative lending platforms have opened up financial access to previously underserved populations, significantly advancing the goal of financial inclusion.

4.1. FinTech challenges

One of the most significant challenges FinTech startups face is establishing a sustainable competitive advantage, particularly when faced with the risks of technology adoption in banking (Al-Shari & Lokhande, 2023). According to Coyne (1986), a company that consistently outperforms its competitors over an extended period achieves this by developing a combination of features or attributes that are difficult for rivals to replicate. Industry 4.0 innovations have revolutionized supply chain performance and could provide similar benefits for FinTech startups (Fatorachian & Kazemi, 2021). Numerous studies emphasize the importance of long-term competitive advantages, which are crucial for organizations in the FinTech sector to thrive and maintain their market position (Coyne, 1986). FinTech businesses can achieve this by creating unique software, algorithms, or technologies that provide significant value, giving them an edge over competitors (Homuf et al., 2021). These companies can safeguard their intellectual property through patents, trademarks, or copyrights, providing them with legal protection and restricting competitors from replicating their innovations. However, as Homuf et al. (2021) highlights, achieving sustainable competitive advantages in the FinTech industry is challenging, as it requires a combination of strategic partnerships, cutting-edge technology, compliance with regulations, and continuous innovation.

Another key challenge is ensuring diversity and inclusion within the workforce. The diversity and inclusion theory underscores the importance of creating inclusive work environments where individuals from different backgrounds are acknowledged, valued, and empowered to contribute fully to the success of the organization (Bernstein et al., 2020). In the FinTech industry, as in many sectors of technology and finance, there has historically been a lack of diversity, with men occupying most leadership and technical roles. Khera notes that women, in particular, are underrepresented in the FinTech sector, both as founders and in technical roles such as software development and data analysis. Female entrepreneurs in FinTech face additional barriers when it comes to securing venture capital funding. As Forbes (2017) reports, venture capitalists are four times more likely to fund startups with all-male leadership teams than those with female leaders, limiting the growth potential of female-led companies (Popescu, 2019). Societal barriers, implicit biases, and gender stereotypes also contribute to the lack of gender diversity in the industry (Saima, 2022).

Data protection and privacy represent another critical challenge for FinTech startups, especially given the sensitive nature of financial data. The data protection and privacy theory emphasizes the importance of protecting individuals' personal information in an increasingly data-driven society. FinTech companies are tasked with ensuring that the collection, storage, and use of personal data comply with strict regulatory frameworks, such as the General Data Protection Regulation (GDPR) in Europe and the California Consumer Privacy Act (CCPA) in the United States. Numerous studies emphasize the importance of preserving consumer data, with Dincă et al. (2020) and Gajda et al. (2021) highlighting the need for transparency requirements, data privacy legislation, and robust procedures for resolving data-related issues. By adhering to these regulations, FinTech companies can build trust with their users and protect their privacy, which is essential for maintaining a strong customer base.

4.2. Regulations within the FinTech industry

Regulation is one of the most significant factors shaping the development and operation of FinTech companies. The legal environment in which FinTech startups operate is complex, involving both specialized FinTech regulations and more traditional banking laws. The integration of electronic supply chain practices has been instrumental in navigating complex regulatory frameworks for SMEs (Fatorachian, 2012). Understanding this regulatory landscape is crucial for startups aiming to enter the FinTech market, as different jurisdictions have varying legal frameworks that can impact business models. Gupta et al. stress the importance of comprehending the regulatory differences across countries and how these affect FinTech operations.

In the UK, the Financial Conduct Authority (FCA) is responsible for regulating financial services and ensuring that companies operate in a manner that protects consumers, promotes competition, and maintains the integrity of the financial system (Iscenko, 2018). Regulatory innovations, such as regulatory sandboxes, allow startups to test their products and services in a controlled environment without facing the full regulatory burden. Buckley et al. (2020) argue that these sandboxes are essential for promoting innovation while ensuring compliance with existing legal frameworks.

Internationally, the growing significance of cross-border FinTech activity has necessitated increased cooperation between regulatory authorities. Zetzsche et al. (2021) discuss how international regulatory cooperation is becoming more critical as FinTech companies expand beyond national borders. Regulatory compliance remains an ongoing challenge for startups, as unclear regulations, high compliance costs, and the need for specialized legal knowledge often present significant barriers (Khan et al., 2019).

The Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) are key players in regulating financial services in the UK. The FCA's mandate includes ensuring that financial markets operate fairly, transparently, and efficiently, while the PRA focuses on the soundness of financial institutions (Prudential Regulation Authority, 2015). In addition to these regulations, FinTech companies must comply with anti-money laundering (AML) laws, such as the Proceeds of Crime Act 2002 (POCA), which are designed to prevent the financing of terrorism and the laundering of illicit funds. These regulations require FinTech companies to implement robust systems for identifying and reporting suspicious transactions.

Consumer protection is another critical regulatory concern in the FinTech industry. Studies by Dincă et al. (2020) and Gajda et al. (2021) highlight the importance of data privacy laws, transparency requirements, and dispute resolution mechanisms in protecting consumers in FinTech transactions. Comparative studies analyze consumer protection laws across different jurisdictions, identifying effective practices and areas for improvement. Regulations such as the Payment Services Directive 2 (PSD2) in the European Union aim to regulate payment services and encourage competition and innovation in the payments industry (Nasinski, 2010).

4.3. Social media & brand awareness

Social media has transformed the way businesses market their products and engage with consumers. As Kent (2010) defines it, social media is 'an interactive communication channel that allows for two-way interaction and feedback'. Social media platforms like Twitter, Instagram, Facebook, and YouTube allow businesses to directly communicate with customers, gather feedback, and promote their products. For startups, social media provides an opportunity to build brand awareness at relatively low costs. It also allows companies to target specific audiences through demographic and behavioral advertising (Kaplan & Haenlein, 2010). By maintaining an active online presence, businesses can keep pace with industry trends and remain competitive in the market.

Social media is pivotal in enhancing both brand recognition and customer loyalty. As Chierici et al. (2019) points out, a successful brand strategy hinges on delivering a consistent experience across all customer touchpoints, which is crucial for building consumer trust. In the context of FinTech startups, this strategy can be further strengthened by leveraging electronic tools for efficient supply chain management and digital branding (Fatorachian, 2013a). Social media provides a platform for companies to communicate their values, interact with customers, and establish a distinctive brand identity. For startups, these interactions are vital, as they not only differentiate them from competitors but also help secure a strong presence in the market.

4.4. Product-Market fit

Product-market fit is a critical component of success for any startup. Taghian and Shaw (2010) define product-market fit as the alignment between a company's product offering and the needs of its target audience. Startups must ensure that their product meets the real needs and pain points of their customers, as this is crucial for generating demand and building a loyal customer base. Johansson (2017) highlights several frameworks that companies can use to evaluate product-market fit, including the model developed by Marc Andreessen, which provides guidelines for assessing whether a product meets market demands. Achieving product-market fit requires continuous iteration and improvement based on user feedback, as well as a clear understanding of the competitive landscape (Osterwalder, 2015).

A strong product-market fit helps companies allocate resources effectively, target the right customers, and differentiate their offerings from competitors. By understanding their target audience and continuously refining their product, startups can increase customer satisfaction, drive growth, and secure long-term success (Corrigan et al., 2014).

4.5. Models and theories

4.5.1. PESTLE analysis

The PESTLE framework is a strategic tool used to assess the macro-environmental factors that influence a business, focusing on Political, Economic, Social, Technological, Legal, and Environmental elements (Johnson et al., 2008). Internet technologies play a crucial role in enhancing supply chain integration, especially for SMEs in FinTech (Fatorachian, 2013b).

For FinTech startups, a thorough PESTLE analysis can help identify risks and opportunities in the external environment, which is essential for developing risk mitigation strategies. Economic factors such as inflation, interest rates, and consumer spending power can significantly affect a startup's success in the financial sector. The ongoing cost-of-living crisis, for example, may influence consumer behavior and spending patterns, creating both challenges and opportunities for FinTech companies (House of Commons Library, 2024).

Technological advancements, especially in cybersecurity and data protection, play a pivotal role in the success of FinTech companies. Implementing robust data security measures, such as encryption technologies, is crucial for safeguarding users' financial information and maintaining regulatory compliance (Clifford, 2023). Additionally, innovations driven by Industry 4.0 have the potential to enhance operational efficiencies within the FinTech sector (Fatorachian & Kazemi, 2018). These advancements align with the goals of Industry 5.0, which emphasizes sustainable development and long-term resilience in FinTech (Fatorachian, 2024). Strategic adoption of technologies like Cyber-Physical Systems (CPS) can further strengthen resilience against disruptive events, such as the COVID-19 pandemic (Fatorachian & Smith, 2022). Beyond technological factors, legal considerations, including the regulatory frameworks governing data privacy and financial transactions, profoundly impact FinTech operations. Compliance with regulations such as GDPR and CCPA is essential for ensuring data protection and fostering consumer trust in digital financial services (National Cyber Security Centre, 2024).

4.5.2. Porter's Five Forces

Porter's Five Forces framework is used to analyze the competitive dynamics within an industry, focusing on the bargaining power of suppliers and buyers, the threat of new entrants, competitive rivalry, and the potential for substitute products or services (Porter, 2008). In the FinTech industry, regulatory compliance and licensing requirements create high barriers to entry, reducing the threat of new competitors. For startups adopting innovative technologies, such as IoT in logistics, FinTech offers significant opportunities for competitive differentiation (Rajabzadeh & Fatorachian, 2023).

4.5.3. Ansoff's Matrix

The Ansoff Matrix is a strategic tool that helps companies evaluate growth strategies and assess the risks associated with expanding into new markets (Peterdy, 2015). For FinTech startups, market development and product development are critical strategies for gaining market share and driving growth. Engaging experienced professionals, such as co-founders or industry experts, can provide valuable insights and help refine product offerings. Additionally, product development strategies, such as incorporating user feedback and iterating on product design, can help startups achieve product-market fit and successfully enter new markets.

This study is based on a combination of three strategic frameworks: PESTLE Analysis, Porter's Five Forces, and Ansoff's Matrix, offering a comprehensive approach to understanding the challenges and opportunities for FinTech startups in the B2C market. PESTLE Analysis helps evaluate external macro-environmental factors such as regulatory compliance (FCA, GDPR) and technological advancements, which are critical in the heavily regulated and tech-driven FinTech industry. Porter's Five Forces provides insights into industry competition, identifying the high barriers to entry and the intense rivalry startups face from established financial institutions and emerging tech players. Ansoff's Matrix guides growth strategy, enabling startups to assess whether to focus on market penetration, product development, or diversification for sustainable growth. The integration of these three theories is relevant to the topic as it ensures a holistic analysis of both the external environment and internal strategic decisions that FinTech startups must navigate to achieve long-term success.

5. Methodology

This research adopts a critical realist approach, a philosophy that 'distinguishes between the real world and the observable world' (H. Bal, University of Warwick, 2020; Bhaskar, 1975). Critical realism acknowledges that while the world exists independently of our perceptions, our understanding is shaped by personal experiences and observations. This approach was used to explore the complexities of the FinTech industry, consumer behaviors, and perceptions, allowing for a deeper analysis of both observable and unobservable elements influencing market dynamics.

To build a solid foundation for the study, a comprehensive literature review was conducted. This involved analyzing academic journals, industry reports, and case studies to understand current trends in the FinTech startup market, identify key challenges, and capture the experiences of businesses operating in this sector. Using a Case study of Company A and its customer base, a mixed-method incorporating surveys and interviews approach was utilized for primary research. This approach allowed for the collection of both quantitative data, which offers measurable insights, and qualitative data, which provides a deeper understanding of the underlying experiences, attitudes, and behaviors of participants (Vibha, 2013). The combined use of these methods enabled a holistic view of the study's objectives.

For the quantitative aspect of the research, a survey was created using JotForm to gather feedback, opinions, and recommendations on Company A's product from respondents across the UK. JotForm was selected for its accessibility and ability to facilitate efficient data collection within the research timeframe. The survey aimed to gather insights into public perceptions of online payment security and awareness of competitors in the FinTech space. In just one week, 142 responses were received, the maximum allowed under JotForm's free plan. Although this provided valuable data, using platforms such as Google Forms could have allowed for a larger response size, potentially enriching the findings.

Respondents from various regions of the UK were invited to participate via direct links and social media. The survey consisted of ten questions, primarily quantitative, focusing on participants' experiences with and opinions on online financial services. This enabled the study to gather a broad understanding of consumer behavior in relation to FinTech solutions.

For the qualitative aspect, 3 semi-structured interviews were conducted to gather more nuanced insights. According to Saunders et al. (2023), qualitative interviews are a 'collective term for semi-structured and unstructured interviews aimed at generating qualitative data'. This method allowed the research to explore in-depth opinions and feedback regarding the client's business proposal. Semi-structured interviews, organized around pre-determined themes, were used to guide the discussions and support theory development, following the approach suggested by Saunders et al. (2023).

The first interview was conducted with a startup in the northern UK FinTech sector. This conversation clarified the business proposal, addressed potential misunderstandings, and ensured that the aims and objectives were aligned with the client's vision. Building a strong professional relationship with the client facilitated an open dialogue, allowing them to provide more detailed insights about the company's operations and strategic goals. The second interview involved a strategy consultant representing FinTech North and FinTech West, offering valuable industry-specific insights that extended beyond the scope of secondary research. This interview provided context on market dynamics and regulatory challenges within the FinTech industry. The third interview was with a potential customer, offering a user-centric perspective on the FinTech product. Together, these interviews enabled a deeper understanding of both the practical challenges and opportunities in the industry.

Through these interviews, the study gained a broader perspective on the FinTech landscape, including practical insights into the industry's operational challenges and potential areas of innovation. By combining quantitative survey data with qualitative interview findings, the research was able to develop a comprehensive view of the market's perceptions and expectations.

5.1. Case study: Company a

Company A is a startup in the northern UK FinTech sector aiming to launch a B2C platform that offers secure payment solutions for individuals hiring tradespeople. Founded by a seasoned IT professional with over 10 years of experience, Company A focuses on leveraging digital escrow technology to ensure safe transactions between consumers and tradespeople. The founder started the company after noticing the trust issues her friends experienced when hiring tradespeople for home projects. At the time of writing, Company A had not yet launched its product, and the company is navigating the pre-trading phase. Like many FinTech startups, Company A faces several challenges, including securing FCA approval and ensuring its service meets the needs of its target market. The company must also contend with external risks such as competition from larger, established FinTech companies, fluctuations in operational costs, and managing data privacy risks. The case study of Company A provides practical insights into how startups can apply the findings from this study to overcome these challenges and successfully enter the market.

Prior to conducting the study, ethical approval was secured from the Leeds Beckett University Research Ethics Committee. Informed consent was obtained from all participants, ensuring they were fully informed about the study's purpose, their rights as participants, and the intended use of their data. Participants were provided with a detailed project information sheet and a consent form. After reviewing the information, each participant signed the consent form, confirming their understanding and voluntary agreement to participate in the study.

6. Data analysis

This section analyzes the survey findings in relation to the research objectives, providing insights into consumer behavior, market opportunities, and potential challenges for FinTech startups like Company A.

The survey results are examined alongside relevant figures, and key findings are interpreted in the context of the literature review to ensure the product aligns with market needs.

6.1. Understanding consumer confidence and preferences for online payment methods

The data reveals that 93% of respondents feel confident or very confident when using online or in-app payments, indicating a strong consumer preference for digital transactions (Figure 3). This high level of confidence is a crucial indicator for Company A, as it demonstrates that most consumers are already comfortable using these platforms for financial transactions. This is particularly important given the reliance on secure online payments for Company A's business model. The small proportion of users who expressed discomfort or uncertainty represents an opportunity for the company to provide educational resources, such as FAQs or instructional guides, to alleviate concerns and broaden the potential user base.

The research objective of assessing consumer confidence in digital payments is critical for gauging whether Company A's target audience is ready to adopt its product. The high confidence level aligns with trends observed in the FinTech industry, where user trust in digital payment methods is becoming increasingly widespread (Patil et al., 2018). Company A can leverage this positive attitude toward online payments in its marketing strategies, emphasizing user-friendly features and secure payment handling to build on this confidence.

6.2. Identifying consumer demand for convenient and secure payment systems

A notable 85% of respondents expressed that they enjoy the ease and convenience of in-app payments, underscoring a clear demand for seamless payment systems (Figure 4). This figure is indicative of the growing market preference for apps that offer smooth and efficient payment experiences (Ionescu, 2023). Company A can use this information to refine its user interface, ensuring that the payment process within its app is intuitive, fast, and secure. Furthermore, the 12% of respondents who expressed no strong opinion on the ease of in-app payments offer an opportunity to influence these users through targeted communication strategies. Highlighting the convenience and security features of the app could convert this neutral group into satisfied users.

Company A's development should prioritize building a flawless payment experience, as this is a critical factor for market adoption. Additionally, by integrating high-level security protocols, Company A can position itself as a trusted platform that aligns with user expectations for both convenience and safety, two elements shown to be top priorities for consumers in this study.

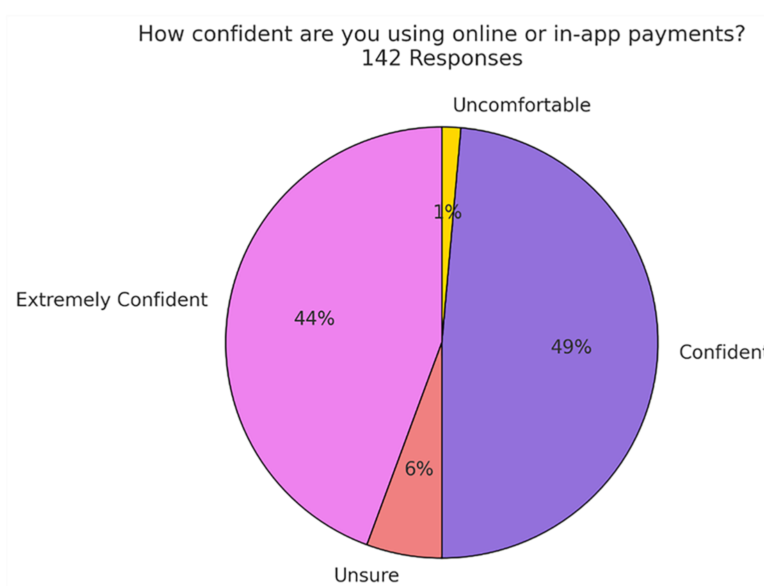

Figure 3. Confidence in using online or in-app payments.

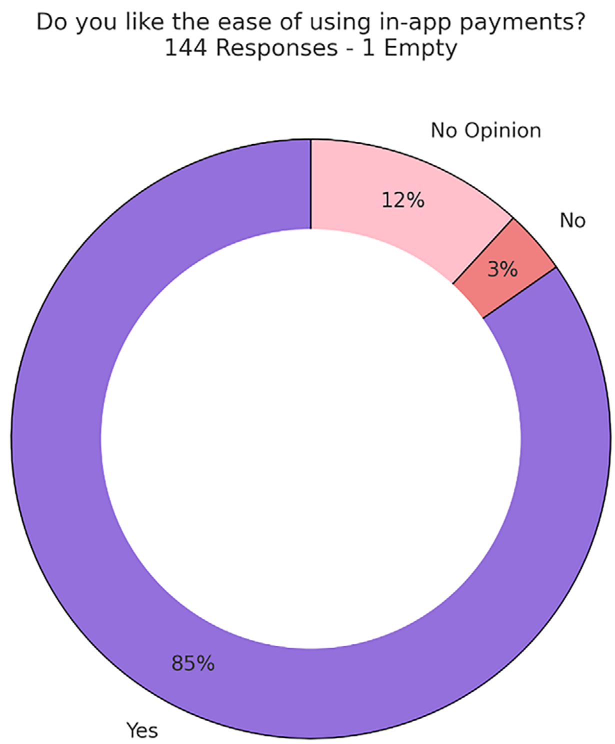

Figure 4. Preferences for the ease of in-app payments.

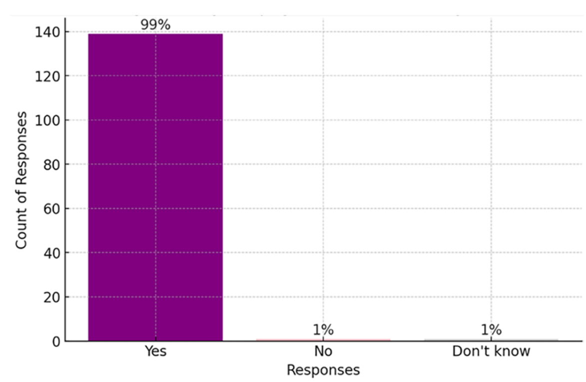

Figure 5. Preference for secure payment handling.

An overwhelming 99% of respondents indicated that they prefer their payments to be securely handled, further highlighting the importance of security in financial transactions (Figure 5). For Company A, this data confirms that a secure escrow-style payment system will be well-received by its target audience. The survey results reinforce that trust in secure payments is not just a preference but a necessity for the majority of consumers. This aligns with regulatory expectations, as noted in the literature review (section 2.1.3), where compliance with data protection laws like GDPR is critical to maintaining consumer trust and avoiding reputational risks (Gai et al., 2017).

By building robust security features into the app and clearly communicating these benefits to potential users, Company A can differentiate itself from competitors. This trust factor is essential for attracting new users and ensuring the long-term success of the app, especially in a market where secure payment handling is paramount.

6.3. Market awareness of online payment methods

The survey revealed that respondents are highly aware of popular online payment methods, including Apple Pay and Google Pay, with the majority of participants familiar with these platforms (Figure 6). High awareness of digital payment methods typically correlates with higher adoption rates, as noted by Kobb (2022). This data is significant for Company A because it indicates that users are likely to be open to trying new digital payment platforms. The familiarity with established brands also suggests that consumers value convenience and security, which aligns well with Company A's offering.

However, the survey also showed that awareness of other payment methods, such as Venmo and TransferWise, was lower, suggesting that these niche platforms cater to a smaller, more specialized audience. For Company A, this highlights an opportunity to introduce its product to a broader market, leveraging the high awareness of digital payments while differentiating its unique escrow-style solution. This creates room for Company A to target both mainstream users and niche markets, depending on its marketing strategy and service focus.

6.4. Frequency of digital payment use and market potential

The data demonstrates that 85% of respondents use digital payments regularly—either daily or weekly—highlighting the widespread adoption of these methods (Figure 7). This presents a significant opportunity for Company A, as it indicates that the majority of potential users already rely on digital transactions in their day-to-day lives. This insight is essential for understanding the viability of the app, as it aligns with the market trend of increasing reliance on digital payments for both routine and large transactions (Patil et al., 2018).

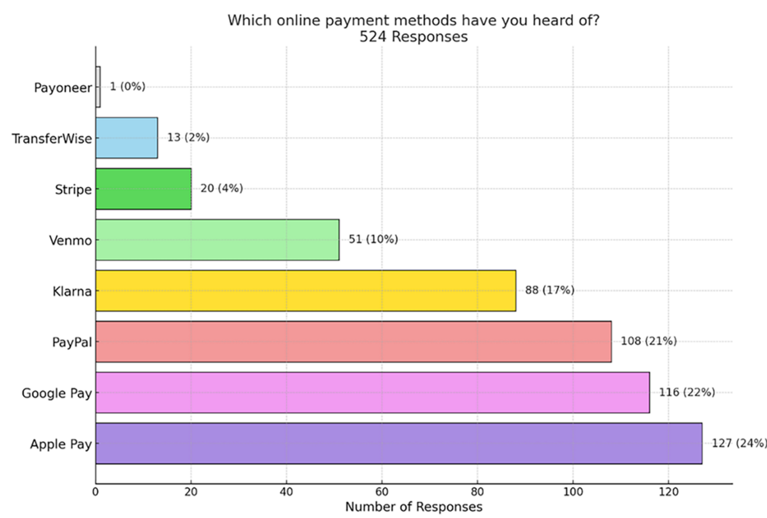

Figure 6. Awareness of online payment methods.

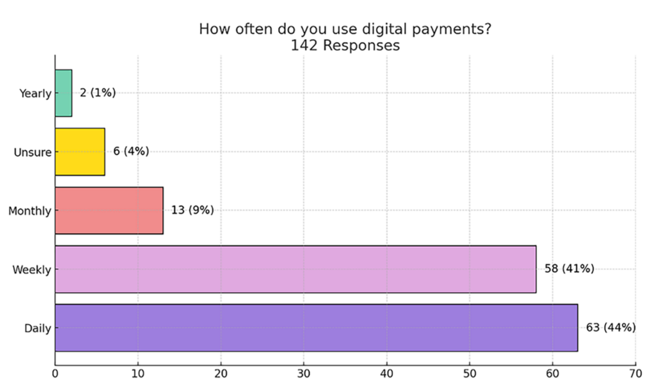

Figure 7. Frequency of digital payment use.

Given this high frequency of use, Company A should focus on offering additional value through enhanced security features and a seamless user experience to capture this existing market. The frequent use of digital payments suggests that users will likely adopt a new app, such as Company A's, especially if it provides added benefits like secure handling and escrow services for tradespeople, which are not currently common in the market.

The survey found that 63% of respondents hire tradespeople annually, which is a promising indication of the demand for Company A's product (Figure 8). The high frequency of tradespeople engagement aligns with post-pandemic trends, where individuals have invested more in home improvements due to spending more time at home. The consistent demand for tradespeople services provides a stable user base for Company A to tap into, offering secure and reliable payment options that simplify transactions for both consumers and tradespeople.

By positioning itself as a secure payment intermediary between tradespeople and clients, Company A can take advantage of this regular demand, offering a solution that not only facilitates payments but also ensures peace of mind for both parties involved.

6.5. Competitor awareness and market differentiation

The data indicates varying levels of brand awareness for existing competitors in the home services and trades sectors (Figure 9). While some competitors have established brand recognition, none provide the specific secure escrow payment service that Company A intends to offer. This differentiation provides a clear market opportunity for Company A, as the product fills a gap by addressing a niche market need that competitors do not currently serve. As discussed, achieving product-market fit is essential for a startup's success, and Company A's unique offering places it in a strong position to capture a segment of the market that values both convenience and security.

Company A can further capitalize on this competitive advantage by emphasizing its unique value proposition in marketing efforts, ensuring that potential users understand how its service differs from others in the market.

6.6. Marketing channels and consumer preferences

The data shows that 34% of respondents rely on word of mouth to find tradespeople, with Google and social media also playing significant roles (Figure 10). This demonstrates that personal recommendations and online discovery channels are critical touchpoints for consumers in this sector. For Company A, this insight highlights the importance of building strong referral programs and

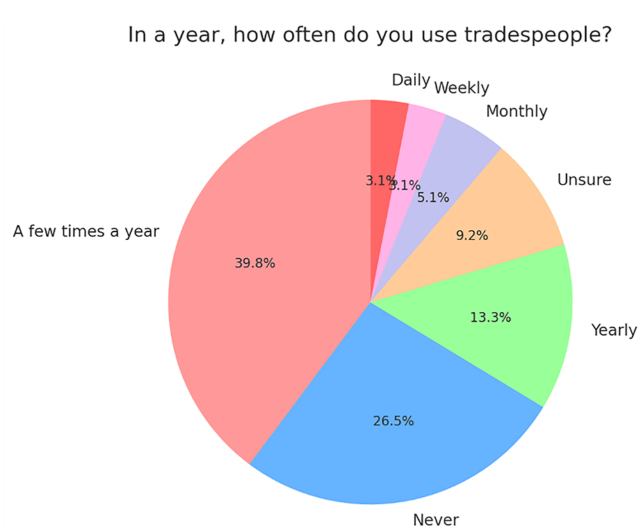

Figure 8. Frequency of hiring tradespeople.

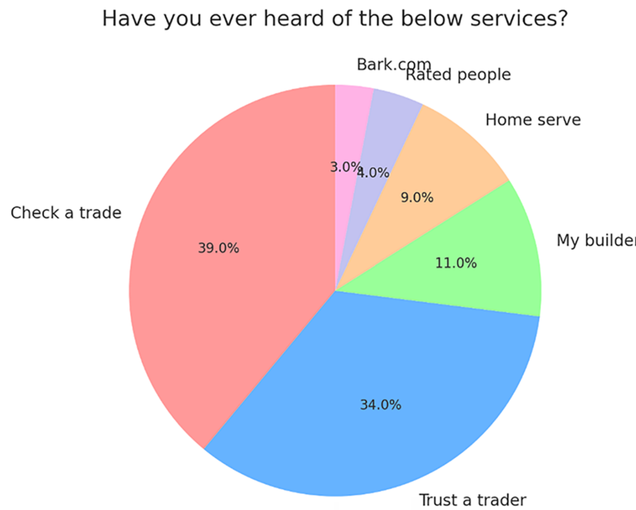

Figure 9. Awareness of competitors in trade services.

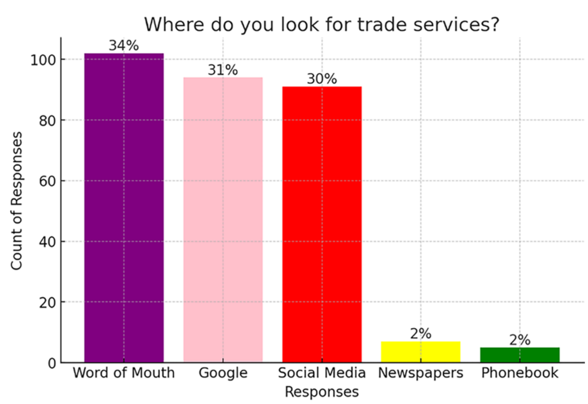

Figure 10. Where consumers find trade services.

encouraging satisfied users to leave reviews. The reliance on personal connections reinforces the need for a trustworthy and secure payment platform, as consumers are more likely to recommend services they trust.

Company A should prioritize building a strong online presence and actively engaging with customers on social media to ensure that its brand is visible in the spaces where consumers are seeking recommendations. Leveraging user-generated content, such as reviews and referrals, will be key to gaining market traction and expanding the customer base.

6.7. Addressing consumer concerns about payment experiences

While the majority of respondents indicated they had not experienced poor payment systems, a small portion of users did report negative experiences, such as double charges for a transaction (Figure 11). This suggests that although digital payments are widely trusted, there are still areas for improvement in terms of reliability and transparency. For Company A, this provides an opportunity to market its app as a solution to common payment issues by ensuring error-free transactions and offering robust customer support.

By addressing these concerns, Company A can differentiate itself from other payment platforms and build loyalty among users who have previously had negative experiences. This also aligns with the literature on the importance of trust in building a user base (Patil et al., 2018), particularly in the FinTech sector where security and transparency are essential.

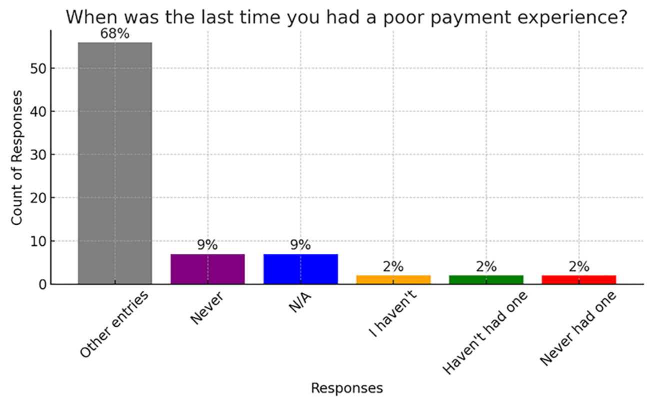

Figure 11. Experience with poor payment systems.

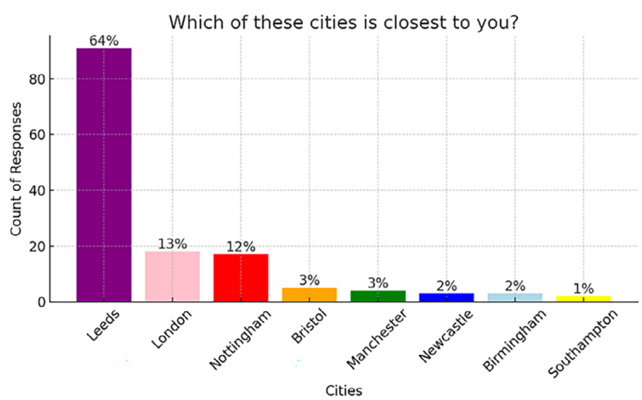

Figure 12. Geographic proximity to major cities.

6.8. Geographic context for market penetration

The data shows that 69% of respondents are from northern UK cities, aligning with Company A's focus on launching in the northern FinTech market (Figure 12). This geographic concentration is significant, as it validates the relevance of the survey findings for the intended market and provides valuable insights for targeted marketing strategies. By focusing initial efforts on the northern region, where the majority of potential users are located, Company A can more effectively allocate resources and design campaigns tailored to local consumer behaviors (Eckman et al., 2020).

This localized approach will help Company A build a strong presence in its target market before expanding further afield, ensuring a more controlled and successful launch.

The key conclusions drawn from the survey data are summarized in the Table 1. The table outlines each key finding, discusses its relevance, and provides insights on how Company A can leverage the data to enhance product development, marketing, and user engagement strategies.

6.9. Interviews discussion

From the interviews (Tables 2–4), several insights can be drawn that inform the development and market positioning of Company A's app:

- **Security and Trust**: All three interviews highlight the importance of trust in both financial transactions and tradesperson-client relationships. Company A's app must prioritize security features, such as ESCROW services and transparent transaction tracking, to build credibility and attract users.
- **B2C and B2B Strategies**: While starting with B2C makes sense, the expert's suggestion to eventually scale through B2B should be strongly considered. The B2B market offers quicker scalability through

Table 1. Survey key findings.

Survey key findings	Implication/discussion
1. 93% of participants were confident/ extremely confident when it comes to using online or in-app payments.	This high level of confidence suggests that consumers are comfortable with digital transactions, making the market ripe for Company A's app. The implication is that the product can enter the market with little resistance regarding users' willingness to use online payment platforms. Company A should focus on maintaining this trust by ensuring ease of use and reliability in the app.
2. 99% of participants would like their payments to be safely handled and protected.	The overwhelming demand for secure payment handling means that security should be the cornerstone of Company A's offering. Robust security features, such as encryption and fraud protection, must be implemented and clearly communicated to users. This trust in secure transactions will be a key differentiator for Company A in attracting and retaining customers.
3. 44% of participants use digital payments daily.	The frequent use of digital payments indicates a high level of user familiarity with these methods, which Company A can capitalize on. This suggests that there is a strong market for the app, and the company can build features that align with daily digital payment habits. It also implies a need for a smooth, uninterrupted user experience to keep users engaged.
4. 39% of participants use tradespeople a few times a year.	The fact that nearly 40% of respondents use tradespeople multiple times a year presents a significant opportunity for Company A's app. This steady demand for trade services implies that the app will have a consistent user base if it can provide value through secure payments and streamlined access to tradespeople. Company A should focus on marketing the app as a solution for recurring trade service needs.
5. Most respondents have not had a poor payment experience.	While most respondents have not encountered major payment issues, this doesn't mean they are not looking for improvements. For Company A, this implies that the product needs to go beyond just matching current payment systems—it should provide a superior experience. By emphasizing reliability and problem-free transactions, Company A can set itself apart as a trustworthy solution.
6. The viability of Melissa's product was found to be high.	The strong demand for secure, convenient payment solutions, combined with a steady user base, suggests high product viability. The implication is that Company A is addressing a real market need and has strong potential for success. The focus should now be on ensuring the product is user-friendly and secure, and that it is marketed effectively to reach its target audience.

Table 2. Key Findings from Interview 1 (client interview).

Key findings	Implication/discussion
1. Create protection for tradespeople and their clients.	This indicates the need for security in transactions. The app should be designed to ensure that both parties feel secure, enhancing trust between tradespeople and clients.
2. Tradespeople and clients can both track the progress of a job and payments.	The ability to track job progress and payments adds transparency, a crucial factor for client trust and satisfaction. This feature can become a competitive advantage.
3. Approval from both parties will be required for payment to be sent.	Requiring approval from both parties ensures that payments are made only when both the tradesperson and client are satisfied, mitigating potential disputes.
4. Wants to start with B2C but grow to B2B.	Starting with B2C gives the company an initial focus, but moving to B2B can help scale the business faster. B2B opportunities may provide higher transaction volumes.
5. App will be an ESCROW service.	The ESCROW service reinforces the app's value proposition by offering secure and controlled transactions, ensuring payments are held until both parties are satisfied.
6. All transactions will be recorded.	Recording transactions is essential for accountability and dispute resolution. This also helps with regulatory compliance, building trust in the app.
7. Has given a 12-month timeframe to be at market.	The 12-month timeframe is realistic for product development and market entry. It allows the company to refine features and ensure regulatory compliance before launching.

partnerships with larger organizations, which could provide recurring work and higher transaction volumes.

- **Market Opportunity and Competitors**: There is a clear opportunity in the Northern FinTech market, with limited direct competition. However, the absence of competitors may also signal challenges in market entry, requiring a well-thought-out strategy for customer acquisition and retention.
- **Customer Experience**: The potential customer interview highlights the need for a smooth, user-friendly experience that accommodates varying payment schedules. The app's design should offer flexibility for different job types, while ensuring that tradespeople are not left waiting for payments.

Table 3. Key Findings from Interview 2 (FinTech expert interview).

Key findings	Implication/discussion
1. No specific examples of direct competitors in the Northern FinTech market.	This suggests an opportunity for Company A to carve out a niche in the Northern FinTech market. However, the lack of competitors may also indicate challenges in market penetration.
2. Fluid can carve an opportunity for a new market in the Northern FinTech.	There is room for innovation and growth, but market entry challenges must be considered. Early movers like Company A can establish a strong presence if marketed correctly.
3. New FinTech companies can access organizations for help.	Company A can leverage local support networks and FinTech hubs to accelerate development and access resources. Partnerships with established FinTech entities could be beneficial.
4. Operating as B2B will scale Fluid quicker.	B2B offers greater scalability due to higher transaction volumes and potential for long-term contracts. A dual B2C/B2B strategy might be more effective for rapid growth.
5. 12 months is a good timeframe to be at market.	The expert supports the 12-month timeline, suggesting it's achievable, especially if Fluid leverages FinTech support networks and partnerships.
6. Financial services are highly regulated.	Regulatory compliance is crucial. Company A must prioritize consulting legal and regulatory experts to avoid costly setbacks and ensure proper adherence to financial regulations.
7. External drivers like employment rates, house prices, and interest rates may impact growth.	Company A should remain flexible and aware of macroeconomic factors that could influence consumer spending and market dynamics, adjusting its strategy accordingly.
8. Localized issues such as the relationship between tradespeople and customers may affect performance.	The app must address local market nuances, such as payment preferences and customer-tradesperson interactions, to succeed. Company A should adapt its marketing to local conditions.
9. Difficult market entry, with many FinTech companies transforming over time.	The unpredictable nature of the FinTech market means Company A must be prepared for adaptability. Continuous refinement of the product based on market feedback is essential.

Table 4. Key findings from Interview 3 (potential customer interview).

Key findings	Implication/discussion
1. Within the last three years, they had work done twice by different tradespeople.	There is a recurring demand for tradespeople, supporting the viability of Company A's app. The app can target customers who frequently require trade services, providing convenience and security.
2. Negotiations on payment terms were an issue with one tradesperson.	The app could solve this problem by offering standardized payment schedules that are agreed upon in advance, reducing payment disputes and making the process smoother for both parties.
3. Payments were made in different ways depending on the work setup (single vs. multiple tradespeople).	Company A's app should accommodate flexible payment schedules to meet different job requirements, including milestones or final payments for both single and multiple tradesperson projects.
4. Tradespeople are often selected through recommendations and word-of-mouth.	To build trust in the app, Company A could implement a feature that allows for reviews, recommendations, or referrals, similar to word-of-mouth but within a digital platform.
5. The interviewee wants control over payment timing but is unsure if tradespeople would agree to wait.	The app must balance customer control with tradespeople's needs. The ESCROW feature can help by protecting both parties, but terms must be clearly communicated to avoid friction.
6. Familiarity with Check-a-Trade but has not used it.	While Check-a-Trade is known, the potential customer did not use it, suggesting that alternatives like Company A's app can capture market share if positioned well.

- **External Factors**: Economic factors like house prices and interest rates could influence customer demand, and localized issues may affect the relationships between tradespeople and clients. Company A must be agile in responding to these variables, ensuring that its app adapts to different market conditions.
- **Regulation and Compliance**: Entering a highly regulated market means that Company A must consult with financial and legal experts to avoid setbacks. The app's design must ensure compliance with financial regulations, such as data protection laws and payment processing standards, to mitigate risk and foster user trust.

These findings provide clear directions for Company A in refining its app, marketing strategy, and operational plans to align with market expectations and consumer needs.

7. Recommendation

Based on the primary research findings from surveys and interviews, the following recommendations are made to support the success and market positioning of startups in the FinTech industry.

7.1. Value-added services (VAS)

One key challenge identified through primary research is the reluctance of tradespeople to adopt a system that may delay payments or add additional costs to them. To overcome this, Value-Added Services (VAS) can play a pivotal role in enticing tradespeople to adopt the platform. Value-added services are 'additional offerings provided by businesses that go beyond their core product or service offerings' (Switch Communications, LinkedIn, 2024). Although Matthyssens and Vandenbempt (2008) point out that VAS may not always lead to higher margins, this strategy has proven successful in building customer loyalty in various industries, such as American Express, which offers free rewards like airport lounge access to users as an incentive for using their cards (American Express, 2024).

A recommended VAS for startups entering the FinTech space would be the integration of a bookkeeping and tax service for tradespeople, aiding them in managing their financial documentation and tax returns. Filing taxes can be a time-consuming and complex process for many tradespeople. By simplifying the task of tracking income and expenses through the platform's transaction records, tradespeople could save significant time during the tax filing process. Although it may take longer for tradespeople to receive payments through the app, the bookkeeping and tax service could be a compelling factor, incentivizing them to use the platform despite potential delays.

7.2. Funding and support programs

One of the biggest challenges identified in the interviews, particularly from the industry expert, was securing funding for the business, especially as many startup founders are sole traders. Accessing grants and support programs specifically designed for female entrepreneurs could significantly reduce the financial burden of getting started. Various organizations and grants, such as Innovate UK's Women in Innovation Awards, The Prince's Trust Women's Enterprise Programme, and NatWest's Back Her Business program, provide financial assistance and mentorship for female-led startups (British Business Bank, 2024).

In addition to funding, startup founders can also benefit from mentoring programs such as Santander's Women Business Leaders Mentoring Programme and the Cherie Blair Foundation for Women, which provide guidance from experienced entrepreneurs. These programs offer essential knowledge, networking opportunities, and industry connections that can significantly boost the chances of success for any startup. By utilizing these resources, founders can minimize the need for loans or equity investments, allowing them to allocate more resources to product and software development without sacrificing ownership.

Participating in these mentorship and support programs not only provides financial assistance but also offers access to an invaluable network of industry contacts, investors, and potential partners. This network could help with customer acquisition and strategic partnerships, two key challenges identified in the interviews (British Business Bank, 2024).

7.3. B2B rather than B2C

The expert interviews suggested that transitioning from a B2C (Business-to-Consumer) to a B2B (Business-to-Business) model could offer significant advantages in scaling the business more quickly. B2B transactions often involve higher volumes and larger sums of money, leading to greater revenue potential. According to Revalize (2023), B2B customers tend to have higher lifetime value, as they require ongoing services over longer periods, reducing the need for constant customer acquisition.

Additionally, the B2B market often has fewer competitors compared to B2C, particularly in the escrow payment service sector. This provides startups with an opportunity to differentiate themselves by offering value-added services such as secure payment tracking for large-scale business transactions, a feature that was highlighted as critical in both the survey and interviews. Moreover, B2B relationships are often more enduring and require personalized interactions, which could allow startups to build deeper, more profitable partnerships with businesses that consistently need tradespeople for ongoing projects (Revalize, 2023).

A shift to a B2B strategy would allow startups to capture a larger market share in a less saturated segment, establishing themselves as key players in managing high-value transactions between businesses and tradespeople. Furthermore, businesses tend to have stronger referral networks, which would help startups gain traction and scale more effectively.

8. Conclusion

This paper aimed to evaluate the Product Market Fit for startups in the FinTech industry and to assess potential challenges and opportunities for businesses as they seek to enter this rapidly growing market. Through a combination of primary and secondary research, key insights into the FinTech landscape, customer behavior, and competitive dynamics were uncovered. The research highlighted several areas that startups must address to establish themselves successfully in this competitive industry.

The primary research, consisting of surveys and interviews, demonstrated that consumers have a high degree of confidence in digital payments, with 93% of survey respondents expressing trust in using online or in-app payment systems. This trust is a fundamental component of the success of any FinTech application, and startups can build on this foundation by incorporating features that meet customer expectations for both security and convenience. The introduction of an escrow service, as proposed in the interviews, aligns with these needs, offering a layer of protection that ensures payments are only released when both parties are satisfied. This adds transparency and trust to transactions, which are crucial elements for customer acquisition and retention.

Furthermore, the interviews revealed that while startups have a clear opportunity to carve out a niche in the Northern FinTech market, they must also overcome significant challenges, particularly in customer acquisition and engaging tradespeople who might be hesitant to adopt digital payments. These insights suggest that startups must go beyond simply offering secure payments; they must also provide value-added services (VAS) that address the specific pain points of their users. By offering tools such as bookkeeping and tax services, startups can differentiate themselves from competitors and incentivize tradespeople to use the platform, even if payments are delayed through the escrow process. The practical implication of this strategy is that it not only enhances the platform's functionality but also aligns with the long-term needs of tradespeople, making the platform more attractive as a comprehensive business solution.

Theoretically, this research makes a significant contribution to understanding how FinTech startups can strategically bridge the gap between consumer trust in traditional payment methods and the demand for new, secure transaction platforms, particularly within niche markets such as tradespeople. By integrating three strategic frameworks—PESTLE Analysis, Porter's Five Forces, and Ansoff's Matrix—this study provides a comprehensive approach to addressing the challenges and opportunities facing FinTech startups in the B2C market. The PESTLE framework highlights the influence of external factors such as regulatory compliance (FCA, GDPR) and rapid technological advancements, both of which are critical to the highly regulated FinTech industry. Porter's Five Forces offer insights into the competitive landscape, emphasizing the high barriers to entry and intense rivalry from established financial institutions and emerging tech players. Finally, Ansoff's Matrix guides startups in evaluating growth strategies—whether through market penetration, product development, or diversification—ensuring long-term, sustainable growth.

By embedding these frameworks, this research contributes to the FinTech innovation literature by illustrating how startups can leverage strategic planning to combine transactional security with value-added business management tools such as tax management and escrow services. This integration represents a vital intersection between digital finance and traditional business operations, providing FinTech startups with a competitive edge. Overall, the findings enhance theoretical understanding of how FinTech companies can effectively navigate both external market pressures and internal strategic decisions to achieve sustainable growth and innovation in a highly competitive industry.

In terms of practical implications, this study suggests that startups should seriously consider transitioning from a B2C to B2B model. The research highlights that B2B transactions offer larger transaction volumes and provide opportunities for long-term, scalable growth. This approach could position startups to become leaders in managing high-value transactions between businesses and tradespeople, rather than focusing solely on individual consumers. Shifting toward B2B not only reduces the challenges of customer acquisition but also leverages the greater lifetime value associated with business customers. Moreover, B2B markets may present fewer competitors, allowing startups to establish a foothold and grow in a less saturated environment.

While this study provides valuable insights into the challenges and strategies for FinTech startups in the B2C market, it is essential to acknowledge its limitations. The findings are based on a single case study, which may not fully capture the diversity of experiences across the broader FinTech ecosystem. Scalability of the proposed strategies might vary depending on regional regulatory environments, market dynamics, and consumer behaviors. Additionally, the reliance on self-reported data from interviews and surveys may introduce biases. Future research could expand on this work by including multiple case studies across different geographic and regulatory contexts to enhance generalizability and provide a more comprehensive understanding of scalability in FinTech innovations.

Future research directions could focus on exploring how FinTech applications that cater specifically to tradespeople or niche markets can optimize their services to enhance user adoption. More in-depth studies could also analyze the long-term viability of escrow services in different industries and how value-added features like tax management can increase user retention. Additionally, research on the challenges of transitioning from B2C to B2B in the FinTech sector could provide valuable insights for other startups facing similar decisions.

In conclusion, startups in the FinTech space are well-positioned to take advantage of clear market opportunities, especially in underdeveloped regions such as the Northern FinTech market. However, to maximize their potential, they must carefully consider their value proposition, funding strategy, and target market. The recommendations presented in this report—such as offering value-added services, leveraging funding opportunities for women entrepreneurs, and shifting to a B2B model—are designed to help startups overcome potential obstacles and capitalize on their unique business offerings. By integrating these strategies, startups can meet the evolving needs of their customers, differentiate themselves from competitors, and ultimately thrive in the competitive FinTech ecosystem.

Ethical approval

Prior to conducting the research, ethical approval was obtained from Leeds Beckett University, Leeds Business School Ethics Committee.

Author contribution

We confirm that the manuscript has been read and approved by all named authors. Amaya Maldonado, Chloe Lyons, Helena Willis, Lydia Abbott, Molly Brooks involved in the conception and design of the study, data collection, analysis, and interpretation. Hajar Fatorachian and Bex O'Higgins provided supervision for the project, contributed to the development of the manuscript and provided final editing. All authors approved the final version of the manuscript to be published and agree to be accountable for all aspects of the work.

Declaration of generative AI and AI-assisted technologies

During the preparation of this work the authors used Generative AI in order to improve the readability and flow. After using this tool/service, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

Disclosure statement

No potential conflict of interest was reported by the author(s).

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Data availability statement

The data and materials supporting the results or analyses presented in this paper will be made available upon reasonable request. Requests for data should be addressed to Hajar Fatorachian at h.fatorachian@leedsbeckett.ac.uk. Please note that some data may not be shared due to ethical considerations, and this will be clearly explained upon request. We confirm that the order of authors listed in the manuscript has been approved by all named authors.

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