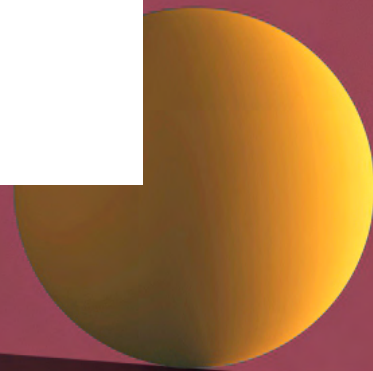


# The Importance of Social Proof in Fintech

Why customer reviews lead to  
consumer trust and investor  
confidence



# Executive Summary

Fintechs are freeing financial transactions from legacy technology and redesigning them for the modern, digital age.

The challenge is not just a technological one. They need to convince customers to switch from the well-known names they are familiar with, by soliciting, and then displaying, positive ratings and reviews.

When London Research and Trustpilot surveyed start-ups and scale-ups, the conclusion was very clear. **Customer experience is seen as the most important differentiator for emerging brands, ahead of product innovation.**

This is because good ratings create a virtuous circle through which delighted customers encourage new users to sign up. This makes the fintech more investable, which then funds feature improvements which encourage more customers to sign up and rate the service highly.

**The survey of 143 start-ups and scale-ups found that:**

- More than a third (35%) find ratings and reviews 'critical' for converting prospects into new customers, and a further 57% said they are 'important' or 'quite important'.
- Nearly a third (31%) believe that positive reviews and social proof are critical for generating interest from investors, and a further 52% said they were important.

- Around a fifth (21%) of those surveyed have been asked by investors to provide customer centricity proof points such as ratings and reviews, and a further 43% have proactively provided this information.
- More than half (52%) advertise their customer ratings on their websites, while 46% take to social media and nearly a third (31%) use email to display ratings.
- Around two-thirds (65%) of those surveyed strongly agree that they have built their business around an understanding of what customers really need.

The key for start-ups and scale-ups is to engage with and manage the review process, to make sure the resulting rating accurately reflects customers' opinion of the business. This doesn't mean removing bad reviews from view, since occasional criticisms reassure users that the good reviews are genuine.

As noted above, they also provide crucial feedback for improvement. Companies should be actively soliciting reviews from their customers, and use them to their advantage by funnelling that information back into the business to improve processes, products and services. The opportunity for a five-star rating is too important to be left to chance.

# Introduction

According to [KPMG](#), fintech investment across the world doubled to \$111.8 billion in 2018, with the US, China and the UK leading the way. In the UK alone, total investment in fintechs in 2018 was almost four times higher than 2017 levels (\$20.7 billion versus \$5.6 billion).

These record-setting levels of investment show there is a clear appetite to try new services and fund them, but it means standing out in a crowded marketplace is a major challenge.

The ultimate aim of fintech start-ups and scale-ups is to repeat the success of a company like TransferWise. It has signed up more than five million users since launching in 2011 and, through its latest round of funding, saw its [market valuation double to \\$3.5bn](#) in May 2019.

A key element of TransferWise's strategy was to use the ratings from its customers to demonstrate to potential investors it was meeting an unfulfilled need. This report is based on research conducted for Trustpilot by London Research, which shows that this type of social proof is increasingly used by fast-growing businesses, including those in the fintech sector, to show investors that they are highly investable, as well as to gain traction among customers.

The research also shows that companies are using ratings and reviews to improve their customer experience, and innovate on their products and services.

# 4x

higher investment in UK fintechs than previous year

Source: KPMG

# 2x

higher global Fintech investment in 2018

# Section 1: Building customer trust through social proof

Every disruptive start-up or scale-up needs to leverage consumer dissatisfaction with the way things are traditionally done in their sector, and channel it into engagement with their own challenger service.

These relatively small but ambitious companies are at an obvious disadvantage compared to globally known brands with huge advertising budgets. They are also competing against all the other start-ups in their sector, some of which will be spending their VC investments launching expensive marketing campaigns.

Persuading a prospect that a new market entrant is trustworthy is a challenge, particularly in the financial services sector where customers' savings and future financial health can be at stake. Although fintechs can point out that they operate in a highly regulated industry, many say that their most effective message is the reassurance offered by existing customers giving their service a high rating or a good review.

Such is the importance of the customer experience that it outweighs innovation in the eyes of start-ups and scale-ups.

According to the London Research survey, almost half (46%) felt the most important differentiator for their business was the quality of the customer experience it offered (Figure 1), compared to 38% for 'product / innovation', traditionally seen as a start-up's *raison d'être*. Customer experience is also seen as significantly more important than brand awareness (7%), online reputation (5%) and price (4%).

Start-ups and scale-ups need to capitalise on the quality of their customer experience for marketing purposes. The research also showed that more than a third (35%) of the companies surveyed view positive ratings as 'critical' for turning prospects into customers, and a further 47% regard them as 'important' (Figure 2).

What would you describe as the most important differentiator for your business? (Figure 1)

Customer experience / customer service

**46%**

Product /  
Innovation

**38%**

Brand awareness

**7%**

Online reputation

**5%**

Price

**4%**

How important would you say that positive ratings and reviews are for converting prospects into customers? (Figure 2)

Important

**47%**

Critical

**35%**

Quite important

**10%**

Not important

**8%**

## Ratings are crucial for establishing trust

Smart Currency Exchange helps people transfer money between different countries and currencies. The company's Digital Marketing Manager, Ricky Bean, is all too aware how nervous customers can be when they are asked to hand over their life savings to a third party to help them buy their dream property in the sun.

The company, like any other currency exchange in the UK, is highly regulated by the Financial Conduct Authority. This provides reassurance for potential users. However, Bean believes ratings are still incredibly important for its prospective customers.

"Our real differentiator is customer service and that's what the Trustpilot ratings show," he says.

"When we onboard somebody, we ask them to consider rating us and when we've made a transfer, we send them another email, from the person who helped them, asking for a rating and a review.

"Then when we talk to, or email, our next prospect, we always mention our five-star Trustpilot rating. For people to know we're highly rated is crucial when it comes to such an emotional purchase using their life savings. It's why we have our score front and centre on our home page."

**"Our real differentiator is customer service and that's what the Trustpilot ratings show."**

**Ricky Bean**  
Smart Currency Exchange

# Using ratings to improve customer service

Abba Newbery, CMO at mortgage broker Habito, agrees ratings and reviews are crucial. The company, which has already raised more than £27m in investment, **uses ratings to reward staff for providing great customer care which, in turn, encourages better reviews to help persuade more new customers to sign up.**

Habito aims to make getting a mortgage a lot simpler and quicker by matching customers with the best package and providing them with a customer care assistant to hold their hand throughout the process. Customers can rate both the service and the assistant who helped them.

“User reviews are absolutely vital in getting new people to try your service,” Newbery says. “Broking has always been a part of financial services that relies heavily on word of mouth, and so we encourage our customers to rate us to show we make one part of buying a house a lot easier. Our customers build a close relationship with their advisers, who ask them to rate the service they receive.”

“We value this Trustpilot score so highly we not only put it on our home page, but we also use it for members of staff in our employee reviews process.”

★ Trustpilot ★★★★★ Rated excellent from over 2,500 customer reviews



**We're Habito, the free online mortgage broker.**  
**How can we help?**

- First time buyers**  
 Make your mortgage easier than you ever imagined it could be. It's online, fast, and...
- Home movers**  
 We'll help you compare mortgages and find the very best deal for your new home...
- Remortgages**  
 Want to borrow more or find a better rate? We'll help you switch to the best deal with no...
- Buy-to-let**  
 We'll get you on the very best rate for your mortgage or remortgage. All for free...



## How fintechs encourage reviews

The London Research/Trustpilot survey shows that 55% of start-ups and scale-ups actively encourage consumers to leave reviews. The most common method is by email (75%), followed by verbal requests for a rating (64%). One in three companies surveyed are also taking to social media to secure ratings from their – hopefully – happy customers (see appendix, Figure 6).

Once a fintech has secured some positive ratings, the next step is to ensure prospects know about them. The most common channel for displaying positive ratings is the brand's website, used by just over half

(52%) of scale-ups and start-ups (see appendix, Figure 7). Social media channels are harnessed for this purpose by nearly half of those surveyed (46%), with email being used by one in three (31%).

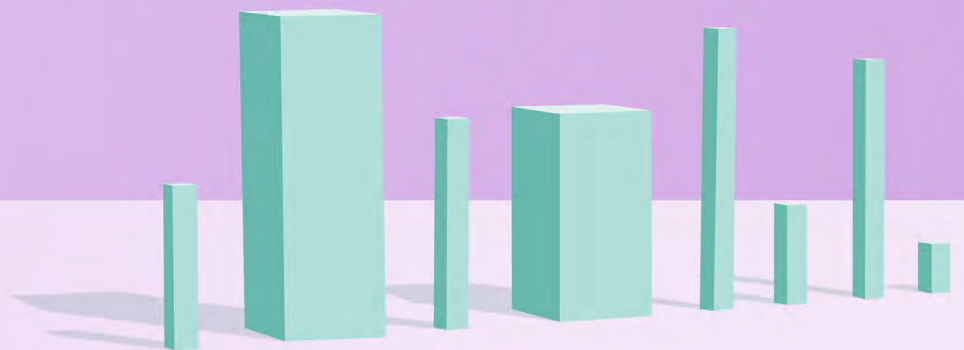
**Customer experience is seen as the most important differentiator for emerging brands, ahead of product innovation.**

## Section 2: The importance of customer ratings to investors

Ask any investor what they look for in a business asking for funding and there will be some common answers. A start-up or scale-up needs to have a great team behind it. Financiers ultimately invest in people they trust to turn a business plan into a thriving company that will offer good returns and, one day, a valuable exit route.

It must also answer a customer need. The London Research survey shows investors are now also looking for social proof to establish if a company offers a good service which people rate highly.

Nearly a third (31%) of the start-ups and scale-ups surveyed deemed positive reviews and social proof to be 'critical' for generating interest from investors, and a further 52% said they were important (Figure 3).



How important are positive reviews and social proof for generating interest from investors in your business? (Figure 3)

Important

**37%**

Not important

**17%**

Quite important

**15%**

Critical

**31%**

## Ratings tell investors the real story

Every VC wants to find the next big thing. At tech-focused VC Draper Esprit, Investment Director Vinoth Jayakumar explains that his firm, which takes a longer-term view than many, looks for people who can break the mould. To judge how well a service is going down with consumers, he looks beyond the metrics over which the company may have control to focus on what the public thinks.

For this, Jayakumar goes beyond the ‘organised sanity’ of Net Promoter Score (NPS) and marketing questionnaires, and delves into the live environment of ratings.

**“Companies will show us their NPS figure, but I also always look them up on Trustpilot because it captures the essence of what it’s like for consumers using the service,”** he says. “It’s important that you know these are genuine people, who aren’t being paid in any way. They let you see the direction of travel is correct.

“We know that a five-star rating is better than four-star but exactly how many new customers that attracts, we don’t know for sure. We invest in companies for the long term. We know their score may change, hopefully for the better, and so we look for a rating to show that someone has built a proposition that people want.”

Our research shows that not all investment companies are as tuned in to the importance of positive consumer sentiment as Draper Esprit. Around a fifth (21%) of start-ups and scale-ups surveyed have been asked by investors to provide customer centricity proof points such as ratings and reviews, but a further 43% have proactively quoted social proof such as ratings when dealing with investors.

Peer to peer lending company Funding Circle certainly understands the link between how investable a company is and its Trustpilot score. It has successfully helped more than 49,000 businesses access finance. It’s the job of Bernard De Barbeyrac, Head of Decision Science, to assess how suitable a company is for investment and band them based on potential risk.

“In the first instance we take a quantitative approach to build up the risk profile of a business wishing to go onto our investment platform,” he says. “After this, the underwriting team take more of a holistic approach to assess creditworthiness. They also look at external facing proof points such as Trustpilot and customer reviews to see if there are any potential reputational problems for future investors.”

Have you ever been asked by investors to provide customer centricity proof points, e.g. ratings and reviews? (Figure 4)

No, but we have provided this information

**43%**

No, and we haven't provided this information

**36%**

Yes

**21%**

## When your users are your investors

Just as fintechs are changing the way the public interacts with financial services, technology has also disrupted traditional investment models by allowing the public to crowdfund businesses they believe in.

That means some of the brightest ideas in financial services have many individual investors looking for a public-facing scorecard to gauge how well the business is doing in serving existing customers and, hence, attracting new ones.

Richard Cook, Online Community Manager at Monzo Bank, explains that a **fintech needs to look at its ratings not just for itself, but also to ensure its customers and investors are happy, because they are often the same people.**

“We’ve now got 36,000 investors and our Trustpilot ratings and reviews are something that crops up on our forums all the time,” he says.

“People who have backed us want to talk about our latest scores and what we are doing to move them in the right direction because they understand new customers want a good reason to sign up to a challenger bank. They don’t come better than positive ratings and reviews.”

**“People who have backed us want to talk about our latest TrustScore and what we are doing to move it in the right direction.”**

Richard Cook  
Monzo

# Ratings reach an investment and marketing sweet spot

Crowdfunding also provides another huge benefit for fintech start-ups. As a growing company reaches out to the public for backing, they are also raising awareness of their new service.

Hence, according to Roberto Napolitano, Marketing Director at Seedrs equity crowd funding platform, there is a virtuous circle developing. Platforms such as his are used by start-ups to raise awareness of their new service, attract new sign-ups, solicit positive ratings so they not only secure additional users, but also encourage members of the public to invest.

“We certainly see a lot of start-ups use the platform to help build awareness about themselves and get people to try them out so they can rate it,” he says.

“These ratings show potential investors that a company is interested in engaging with customers and improving on what they have to say; that they’re not solely about raising revenue. **Ratings are a very powerful tool for investors to take the pulse of a potential investment to see if anything needs to be improved.**

“It’s also useful for allowing start-ups and scale-ups to see how other companies are doing, what scores they’re getting, where they’re doing well, and where they’re getting tips on how they could improve.”

The screenshot shows the Seedrs website interface. At the top, there are navigation links for 'Investor', 'Entrepreneur', and 'Institution', along with 'Login' and 'Sign up' buttons. The main content area features a pitch for 'Culture Whisper' with the text 'Culture Whisper is raising on Seedrs' and 'The ultimate guide to urban life.' Below this is a 'View pitch' button. At the bottom of the pitch card, there are statistics: '£631M invested into pitches' and '839 funded deals'. On the right side of the bottom section, there is a Trustpilot rating of '9.1 out of 10' with five stars and the Trustpilot logo.



# Section 3: Harnessing consumer feedback for improved CX and innovation

Start-ups and scale-ups are finding that developing a great solution to a nagging problem in financial services is a great start, but it is only a start. Moving beyond a great idea to build scale by listening to customers, and being seen to do this, are top priorities.

As can be seen in Figure 5, **two-thirds (66%) of companies strongly agree that a reputation for openness and transparency is crucial for their**

**brand** and, encouragingly, a similar percentage (65%) strongly agree that they have built their business around an understanding of what customers really need.

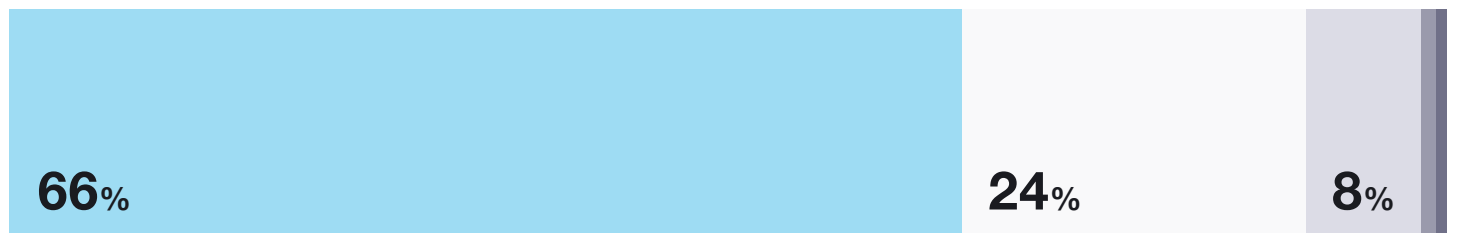
To achieve this, they need to take control of their ratings, listen to feedback, act on it, improve their offering and then, crucially, encourage users to rate them so their scores evolve and more new customers sign up.

The screenshot shows the Smart Currency Exchange website. At the top, there is a navigation bar with the company logo, contact information (Call Us 0808 163 0102), and buttons for LOGIN and REGISTER. Below the navigation bar are menu items: Reasons for Transfer, Services, Live Exchange Rates, News & Articles, and About Smart. The main content area features a large banner with the headline "Experts in Currency Exchange" and a sub-headline "I would like to transfer money for". Below this is a dropdown menu with "Buying or Selling Property" selected, and two buttons: "ENQUIRE NOW" and "FIND OUT MORE". At the bottom of the banner, there is a testimonial section titled "Ranked No.1 for Currency Exchange & Money Transfers" with a 5-star Trustpilot rating. The testimonial is from John Edwards, who states: "We found our experience with Smart Currency Exchange to be excellent. We found the company most professional and they delivered on everything they promised making our transaction feel totally seamless. I will be using again and would recommend 100%." A "View All Testimonials" link is also present.

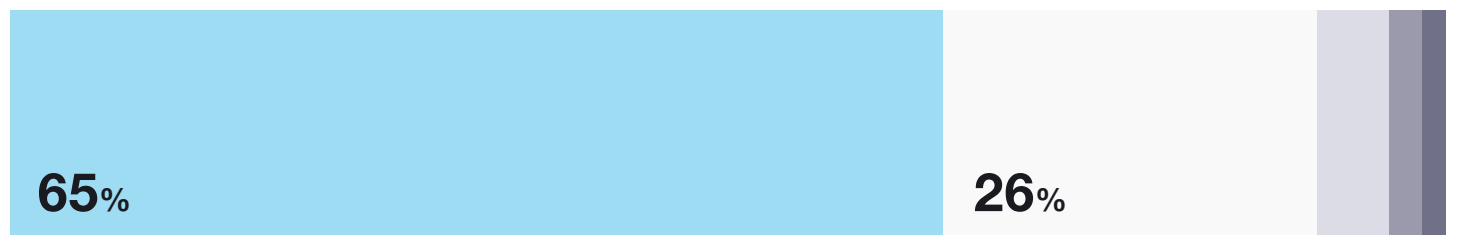


Do you agree or disagree with the following statements?

(Figure 5)



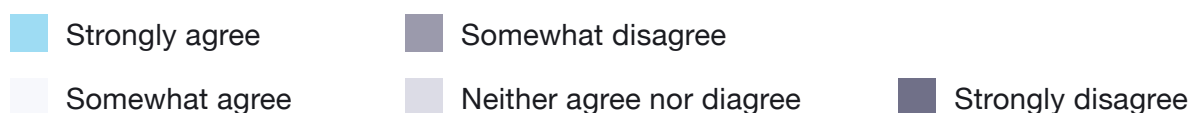
A reputation for openness and transparency is crucial for our brand



We have built our business around an understanding of what customers really need

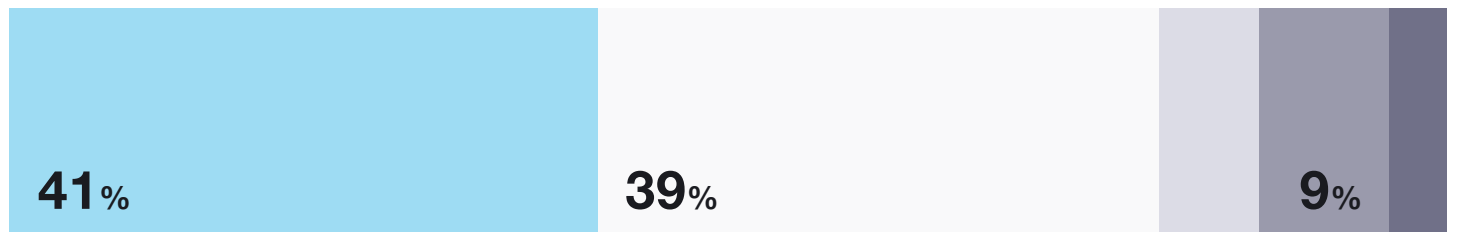


We are committed to building products and services that are as customer-friendly as possible

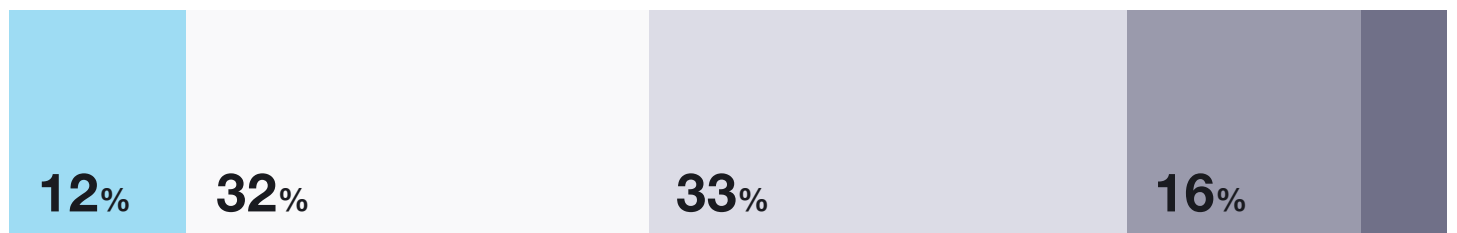


## Do you agree or disagree with the following statements?

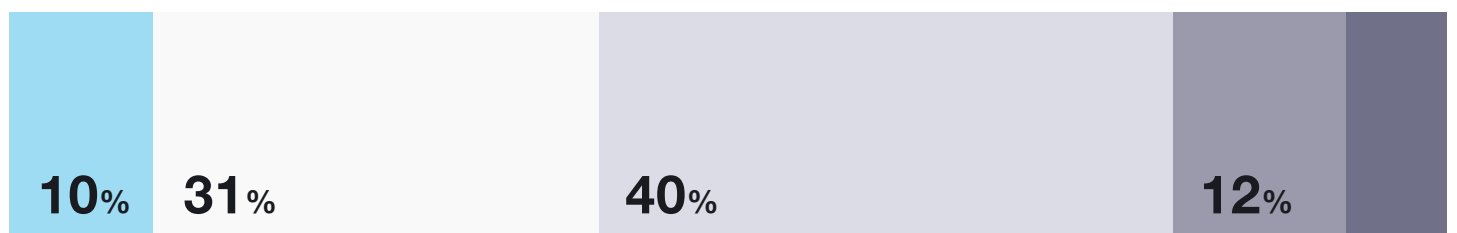
(Figure 5)



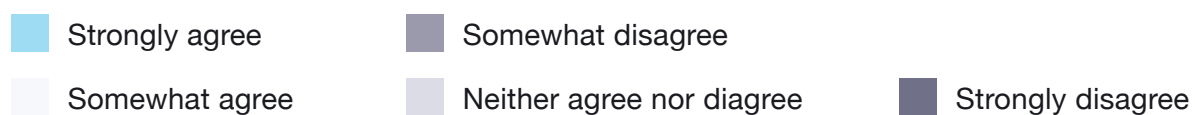
We systematically research the market to understand customer needs and pain points



We find it easy to get our customers to provide ratings and reviews



We find it easy to manage ratings and reviews



# The need to take control

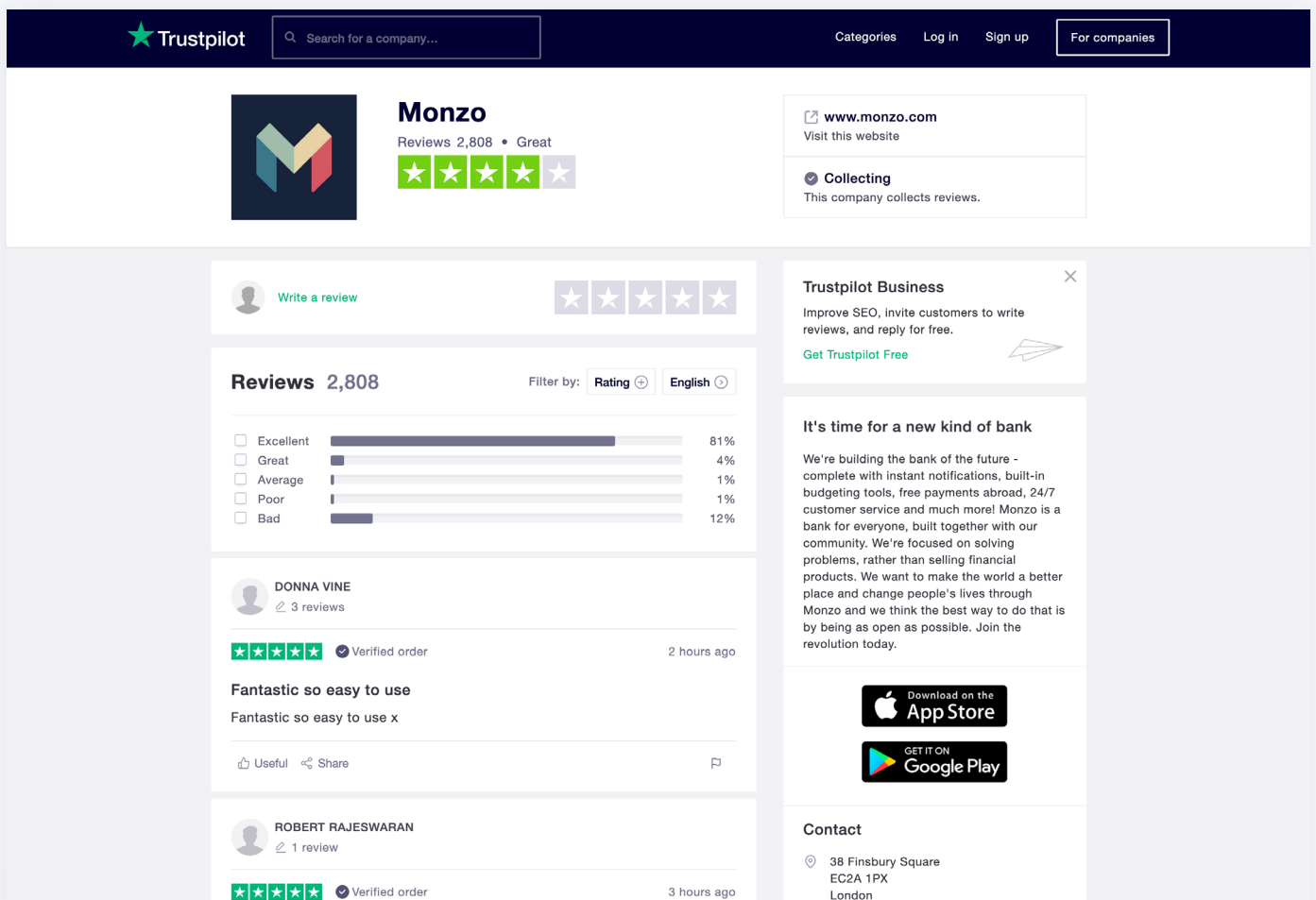
Fintechs are going to be rated whether they have engaged with the process or not. It's only by being proactive with review collection that you can get an accurate picture of your customers' views.

When Monzo's Cook decided to explore the use of Trustpilot ratings, for example, he found that they were lower than he expected. The bank looked like it was providing an inferior service, which other evidence suggested was not the case.

"Trustpilot always came up first on a Google search for our reviews and we were shocked to see we were only a three out of five," Cook recalls.

"We knew our customers generally thought we were doing a good job and that we were much better than a three-star rating. When we drilled down, we were getting some bad reviews from people whose accounts we had to freeze. We're a licensed bank and so we have to apply the law and that sometimes means freezing accounts.

"That's when we decided to really get to work on our ratings and we now regularly ask our members to review us, so the good reviews far outnumber the bad ones. We're very nearly at a five-star rating and, when we are, we intend to use the stars in our advertising."



# Listen and improve

The business side of banking shares many of the frustrations that consumers experience with traditional banking brands. Laborious form-filling and lengthy decision-making processes, combined with non-transparent fee structures, prompted Capital on Tap to launch a service that is upfront about fees and can let a company know if they qualify for a loan within two minutes.

The business lender's Head of Growth, Alex Miles, reveals that it is only by listening to customers that the company can take the initial discontent with the banks and turn it into repeat business from customers who are happy to spread the word about what they have found to be a better alternative.

**“We use our ratings to show prospects how popular we are with users but, crucially, we use the feedback from them to keep on improving our service,” he says.**

“We’ve made many improvements but the biggest we were getting asked about, in our Trustpilot rating reviews, was integration with accountancy packages, such as Xero. So that’s something we’ve done, and we’ve encouraged our users to try out the better service and rate us, so we create a virtuous circle of better features leading to higher Trustpilot scores, which encourages more people to try out the service.”

The screenshot shows the Capital on Tap website header with navigation links: Business Mastercard, Loans, How it works, About us, Log in, and a SIGN UP button. The main content area features a section titled "Learn why our customers love us." with a sub-headline: "We have already helped over 50,000 businesses in the UK and add a new customer every 5 minutes. See how we can help you today." Below this are three review cards, each with a 5-star rating and a timestamp:

- Easy to use card** (70 minutes ago): "Easy to use card, accepted everywhere and statements are accurate. Would recommend t..." by Lesley-Anne.
- The application was very quick ...** (89 minutes ago): "The application was very quick and easy. I highly recommend." by Kerry Jones.
- Everything I do is handled easily...** (90 minutes ago): "Everything I do is handled easily and without drama The best credit card I've ever ha..." by Jeff Allen.

At the bottom of the review section, it states: "Rated 9.4 out of 10 based on 5,000 reviews on ★ Trustpilot".

## A barometer for business success

It may seem obvious that user ratings are a useful barometer for how a company is serving its clients, and that more people will sign up for a new service if existing customers have expressed their delight.

An interesting question, though, is what happens when the opposite occurs, and ratings dip? The mortgage broker, Habito, found that it could use its Trustpilot score as a guide not just to how well it was performing, but how well other parts of the business were impacting that performance.

“We had a major marketing drive to get more people on the platform, which worked really well,” Habito’s Newbery says.

**“The problem was it probably worked too well, and we found that we had more customers than we could serve to our usual very high standard. We noticed our Trustpilot scores started to drop off a little, and so we knew we had to take immediate action and scaled down the marketing activity.”**

“Our Trustpilot rating is too valuable to us in the longer term to allow it to go down and risk discouraging people to sign up and try us out.”

**“Our Trustpilot rating is too valuable to us in the longer term to allow it to go down and risk discouraging people to sign up and try us out.”**

Abba Newbery  
Habito

# Conclusion: Ratings help create unicorns

It is no secret that every fintech start-up and scale-up is trying to follow in the footsteps of the likes of TransferWise and Revolut to become the next billion-pound 'unicorn'.

This research shows that to do so, they are concentrating more on the customer experience they provide than on innovation (46% vs. 38%). Despite the sector being crowded with emerging tech-driven companies that have a new approach to how legacy financial services are handled, providing customers with the best experience possible is the top priority.

It is clear that this is because they realise that focusing on the customer builds a virtuous circle, based on ratings and reviews. These are considered as 'important' or 'critical' by a majority (82%) of start-ups and scale-ups. This is because praise from delighted users is fundamental in convincing prospects to sign up.

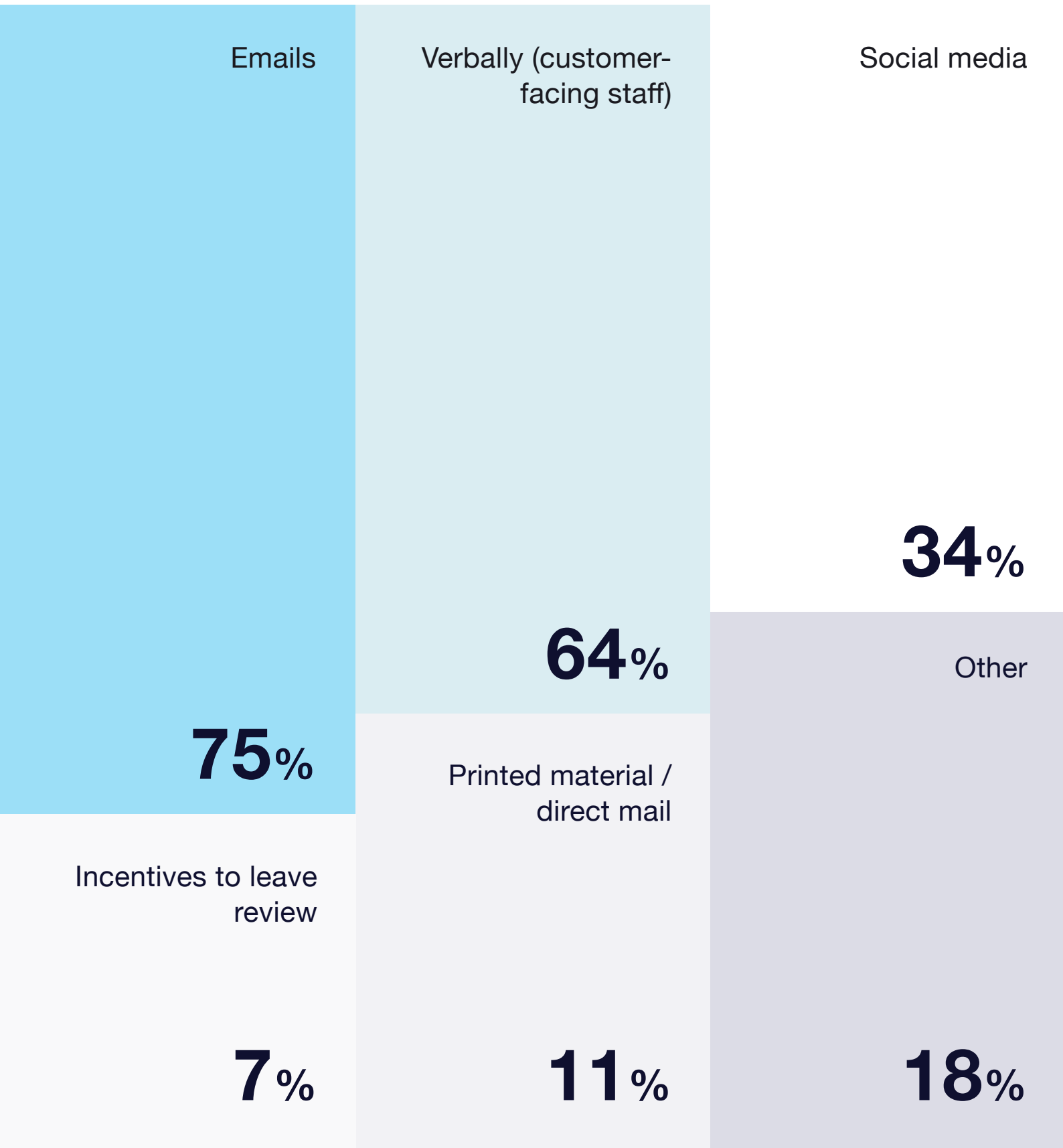
It helps grow the user base and provides compelling evidence that the company is answering a consumer need with a popular service that, in turn, helps it stand out as highly investable.

**It comes as little surprise, then, that nearly two in three of the fintech companies surveyed revealed they had been asked to provide ratings scores or they proactively decided to include them in presentations when seeking funding.**

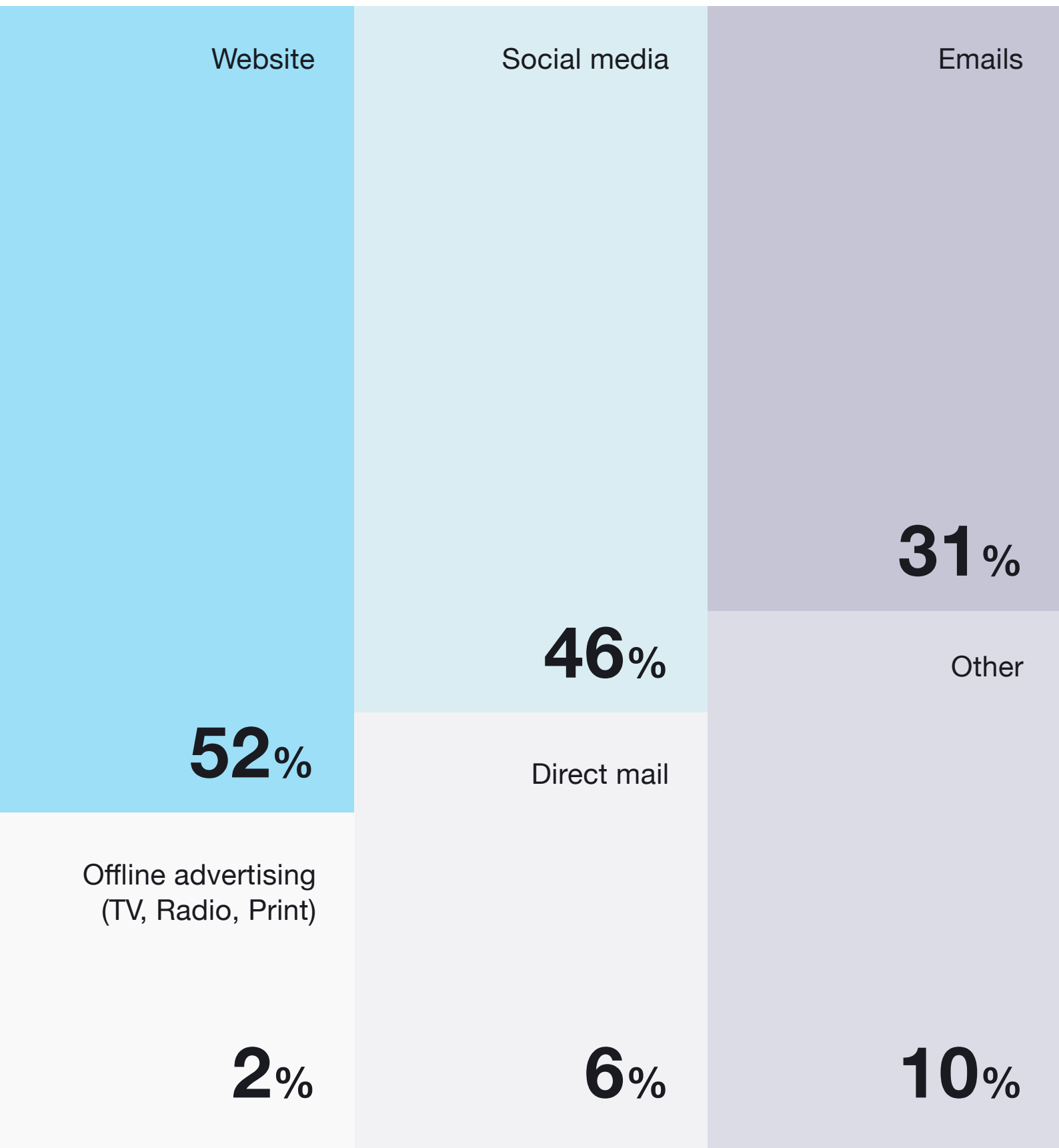
The research shows that a great customer experience rates above innovation, brand awareness and price when it comes to winning new customers. This means that ratings are a crucial tool in achieving fintech companies' top-line strategy of both attracting new users and accessing the necessary investment to deliver on their vision of becoming the next unicorn.

# Appendix

How have you encouraged your customers to rate and review your products and services? (Figure 6)



How do you advertise positive ratings and reviews for your products? (Figure 7)





# Methodology

As well as conducting the interviews for this research, London Research also carried out a survey of 56 start-up and 87 scale-up businesses across all major business sectors, including fintech companies. The survey was promoted via email and social media channels by both London Research and its sister company Digital Doughnut in May 2019. The vast majority of responding companies were in the USA (43%) and the UK (35%). The breakdown by region was as follows: North America (45%), Europe (43%), Asia Pacific (5%), Other (7%).

# Acknowledgements

London Research and Trustpilot would like to thank the following people for their insights.

- Ricky Bean, Digital Marketing Manager, **Smart Currency Exchange**
- Richard Cook, Online Community Manager, **Monzo Bank**
- Vinoth Jayakumar, Investment Director, **Draper Esprit**
- Alex Miles, Head of Growth, **Capital on Tap**
- Roberto Napolitano, Marketing Director, **Seedrs**
- Bernard De Barbeyrac, Head of Decision Science, **Funding Circle**
- Abba Newbery, Chief Marketing Officer, **Habito**

# Sources

1. [KPMG - UK remains leader in fintech investment but loses global crown](#)
2. [TransferWise co-founders sell part of stakes at \\$3.5bn valuation](#)



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