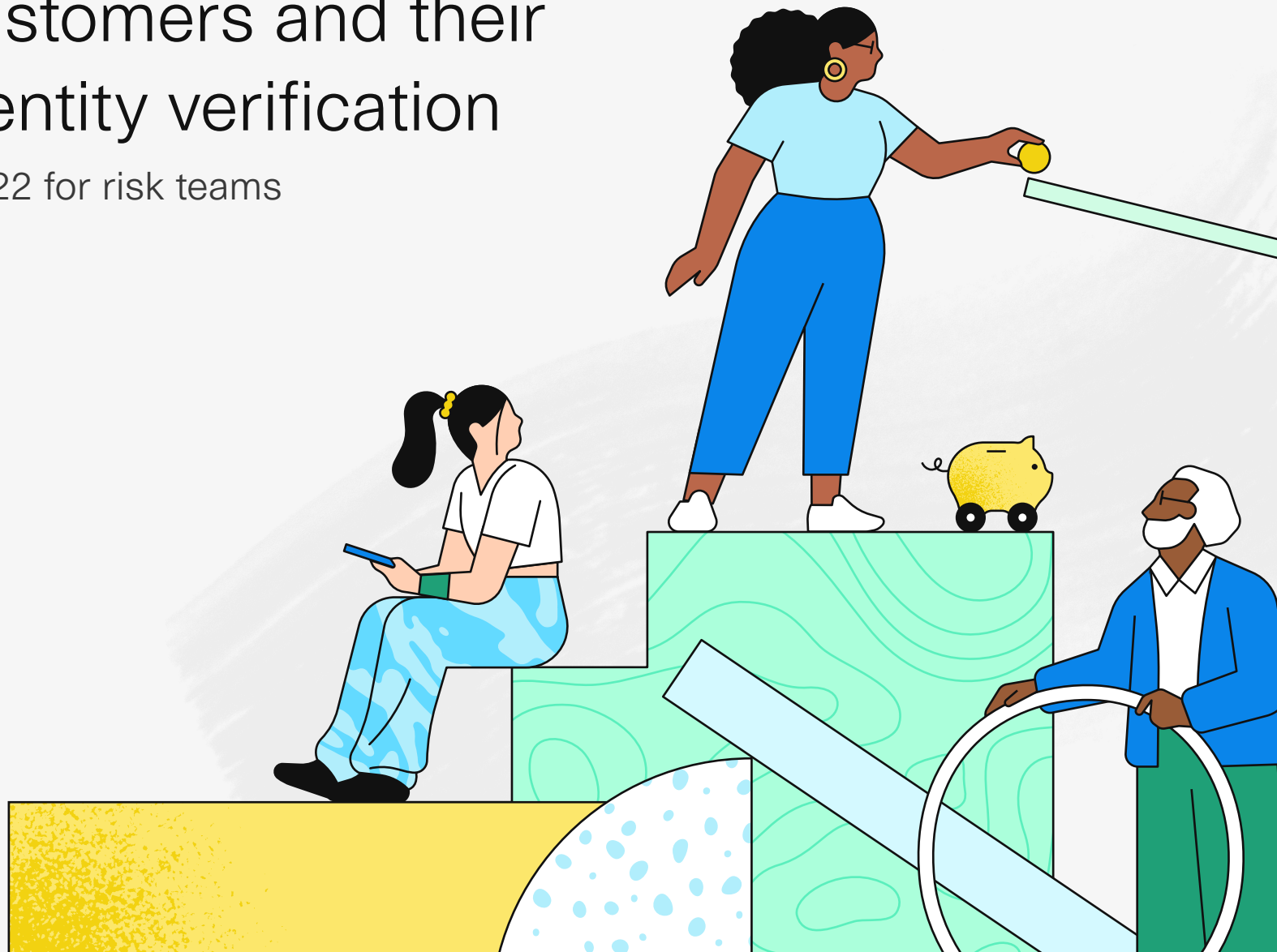


2022 FINTECH REPORT

Win more customers and their trust with identity verification

The Fintech Effect 2022 for risk teams



At 80% adoption in 2022, fintech is mainstream in the US and consumers are increasingly clear about what they want out of their experience. Consumers rank convenience (54%) and security (38%) as the top two factors impacting their decision to adopt a new fintech app, but these priorities can be difficult to balance. The good news is that 70% of consumers feel more secure when a fintech app asks them to verify their identity. Organizations can prevent fraud and win more customers by implementing high-fidelity identity verification measures while maintaining a smooth onboarding process.

The following insights are curated from Plaid's third annual [Fintech Effect report](#), which examines consumer attitudes about and usage of fintech. The report is based on data collected by The Harris Poll between June and July of 2022 from 2,000 participants in the US across a range of demographics.

The report's key findings include:

- ✱ **Consumers want convenience, security, and trust:** 73% of consumers agree that the ease of a sign-up process impacts their willingness to choose a fintech app, and 70% feel more secure using apps that ask for identifying information. Additionally, consumers demonstrate a strong desire to trust the apps they use, with control, transparency, and engagement determining their level of trust.
- ✱ **Identity verification as a competitive advantage:** Consumers feel more secure with apps that verify their identity and 80% prefer them over apps that don't. Even if organizations do not need to comply with know your customer (KYC) and anti-money laundering (AML) requirements, they can attract more customers and deepen trust with them by strengthening their anti-fraud practices. That said, businesses will have to balance these security measures with a smooth onboarding process to meet consumer expectations.

Key takeaways

- Efficient onboarding is critical to the user experience
- Consumers understand the importance of preventing identity fraud
- Businesses should prioritize building trust with consumers over time

Consumers want convenience, security, and trust

When asked what has the greatest impact on their decision to choose new fintech tools, consumers' top factors were convenience (54%) and security/privacy (38%).

Consumers also demonstrate a strong desire to trust the fintech tools they use. Altogether, these expectations show that businesses must balance consumers' short-term desires with building long-term goodwill.

Convenience: onboarding makes or breaks user experience

The onboarding experience is highly impactful for digital finance apps. An easy sign-up process impacts whether or not 73% of consumers sign up for an app and another 76% are more likely to sign up for apps they can access instantly. A complex onboarding setup can also create a drop-off in completed sign-ups — 58% of consumers have abandoned a sign-up process that was too complicated.

Between consumers' high expectations and the potential for drop-offs in signups, businesses should pay special attention to perfecting the onboarding experience.

76%

of Americans say they're much more likely to use an app when they can sign up and access it instantly

73%

of Americans say easy sign-up impacts whether or not they use an app

79% MILLENNIALS

58%

of Americans say they've given up on signing up for an app because the sign-up process was too complicated

Security: identity verification can prevent fraud and win customers

Fraud is a major concern for consumers, and identity verification measures can boost their confidence in the security of an app. Seventy percent of consumers feel safer using a digital finance product when they need to provide a driver's license or other identifying information. This feeling also inspires action: 80% of consumers prefer applications that verify their users and their identities over ones that don't.

As much as efficiency matters in onboarding, consumers understand the importance of protecting their identity. Fraud prevention should be an important consideration in onboarding.

Deepening trust through control, transparency, and engagement

Consumers also demonstrate a desire for trust in their fintech app experience.

Businesses can foster trust by promoting:

- ✦ **Control:** 83% of consumers prefer direct control over where their data is shared, as opposed to giving that power to a company.
- ✦ **Transparency:** 76% of consumers have more trust in financial companies when they clearly provide their privacy practices.
- ✦ **Engagement:** 76% of consumers say that the more they use digital tools to manage money, the more they trust them.

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BOTH BANKS
AND FINTECHS



Like preventing fraud, building trust with consumers is a longer-term goal that businesses must foster over time.

Overall, consumer expectations emphasize the importance of a secure and efficient onboarding experience. While more immediate needs like accessing apps quickly matter to consumers, longer-term benefits like preventing identity fraud and building trust are just as critical. Fostering convenience, security, and trust can not only attract more users but also create a more engaged customer base.



Key takeaways

- Identity fraud is costly and on the rise
- Consumers are willing to take robust identity verification measures to prevent fraud
- Smooth, secure onboarding can help companies win customers

Identity verification as a competitive advantage

Identity fraud is on the rise: in 2021, the number of consumers who experienced it rose 64% year over year. It's also costly — accounting for \$24 billion in losses in the US in 2021.

Fortunately, consumers are willing to do more to protect their identities. Sixty-five percent of consumers are willing to take a selfie and/or picture of their driver's license to verify their identity. Another 56% are willing to provide personal identifying information (PII) to prevent fraud.

Of course, many companies are already taking some level of anti-fraud measures, even if they do not have to comply with KYC or AML requirements. But there is an opportunity for companies to improve this process. That said, anti-fraud measures should not create a burdensome user experience, because users have been clear that that will deter them from signing up.

The opportunity for businesses lies in striking the right balance between these factors, so anti-fraud solutions that prioritize an efficient onboarding process can offer businesses significant value.

Winning more customers with identity verification

As consumers have adapted to fintech, their understanding of what they want from their experience has taken shape. Fortunately for digital finance businesses, consumer expectations form a clear roadmap:



Smooth, secure onboarding is a must: The sign-up process can make or break the user experience. Consumers want to access fintech apps instantly and feel secure, so balancing rigor with speed is critical for winning new customers. For organizations who are not already using advanced anti-fraud tactics, incorporating higher-fidelity measures like submitting selfies can better protect customer data. Thus, choosing tools that can quickly verify a user's identity is key.



Exercise transparency: Consumers have made it clear that control over data is critical to garnering trust. Thus, businesses should be upfront about and proactive in communicating privacy and security measures while also giving users power over how their data is shared.

Together, these steps will not only better defend consumers against identity fraud but also help businesses attract more new users and better meet their needs.

Learn more about preventing fraud and winning customers with Plaid's [identity verification solution](#).

Plaid powers the digital finance solutions that enable millions of people to live healthier financial lives. Trusted by 7,000+ of the world's leading companies and connected to 12,000+ financial institutions across the US, Canada, UK, and Europe, Plaid's mission is to unlock financial freedom for everyone.

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