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The Five Emerging Business Models of Fintech for AI Adoption, Growth and Building Trust

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4.1 Introduction

Fintech is widening financial inclusion and bringing extraordinary ease of use and value to consumers (Jagtiani & Lemieux, 2018). The world is in the middle of a digital transformation the likes of which have not happened since the emergence of the Internet. New technologies like Artificial Intelligence (AI) are dovetailing with proven and widely used technologies like big data and cloud computing. While AI is the obvious catalyst, the wider adoption of technologies like cloud computing, 5G,

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blockchain and the Internet of Things (IoT) is also important. Fintech is disrupting digital transformation, going beyond just making existing models leaner and faster (Ashta & Herrmann, 2021; Zarifis & Cheng, 2023). This change is neither top-down nor bottom-up but is being driven by many different stakeholders in many different parts of the world, making it hard to predict its final form. Innovation does not just impact the organization's business model, but the business model becomes a source of innovation (Zott & Amit, 2017). This research identifies the five prevailing approaches of digital transformation in Fintech so that the organization in finance and the other stakeholders can learn from the success stories and move forward more and grow.

The term Fintech is used quite narrowly at times to mean innovative financial companies that rely heavily on technology and automation, Fintech startups, or quite broadly to refer to any technology used in finance. While these definitions have their logic and will most likely continue to be used, a more accurate and potentially useful definition is that Fintech involves organizations that utilize the latest technologies, automation, and new processes to offer new services that are more centred on the customer's needs (Puschman & Alt, 2016).

While this widely used definition is helpful, it does not fully capture the dynamic transformation in finance that is not only generated by the traditional businesses, but also by many startups and other unexpected sources (Zarifis & Cheng, 2021). There are signs that we are in the second stage of this transformation with lessons learned on all sides and strategies refined. Incumbents often accept that they can no longer shape the market however they want, and no longer underestimate the new disrupting businesses entering finance. The new businesses entering finance, some small startups, others larger organizations from other areas outside of finance, often no longer underestimate the ability of incumbents in managing risk, shaping regulation and so on. It appears that those that like 'placing bets' on either the incumbents or the disruptors dominating will be disappointed.

While Decentralised Finance (DeFi) is a large part of Fintech it is important to make clear that it is not the only trend in Fintech and the spirit of decentralization is not the Zeitgeist of our times, as many Fintech solutions do the exact opposite, further centralizing services (Auer et al.,

2023). An example of a technology further centralizing finance would be a one-tier Central Bank Digital Currency (CBDC).

The adoption of technologies and evolution of finance will never end, but this level of disruption seems like a transitional period that will be followed by more stability. If we take the disruption the Internet caused as a guide, the higher degree of stability will be reached in finance when (1) the new business models are clarified and (2) when those that adopt them best drive those that did not utilize them as well, out of business. A third possible scenario is consolidation across finance with organizations working together in ecosystems to offer services together. For consolidation to happen there must be clarity on the processes and business models.

Given the uncertainty in this area, and the inadequacy of simply distinguishing between incumbents and startups, identifying the broad Fintech models that are successful will give traction to move forward. Where there is uncertainty, ambiguity and turmoil, there is also risk and a need for trust. The increased use of customers' data also creates personal information privacy concerns that can challenge trust further (Zarifis et al., 2021). The issues around trust are not limited to acknowledging its importance, as there is also the question of who will build the trust with the consumer. In these broad dynamic collaborations between 'friends' and 'frenemies', building trust should not be seen just at the level of customer facing processes but at the broader business model level. Therefore, the research questions are:

What are the prevailing Fintech business models?

How do the prevailing Fintech business models build trust with the consumer?

This research used a qualitative approach in three stages, utilizing focus groups, short case studies and longer case studies with interviews to come to a degree of consensus around five models of fintech that are (a) an incumbent disaggregating and focusing on one part of the supply chain, (b) an incumbent utilizing AI in the current processes without changing their existing business model, (c) an incumbent extending their model to utilize AI and access new customers and data, (d) a startup finance disruptor only getting involved in finance and (e) a tech company disruptor adding finance to their portfolio of services. The five Fintech

business models give an organization five proven routes to AI adoption and growth. Trust is not always built at the same point in the value chain or by the same type of organization. The trust building should usually happen where the customers are attracted and onboarded.

The following section presents the theoretical foundation from the literature on Fintech, trust in finance and technology and existing business models in related areas. This leads to the recommended model this research starts with (Zarifis & Cheng, 2023). The methodology explains the three qualitative methods and gives the demographic information. This is followed by the analysis, discussion and conclusion.

4.2 Theoretical Foundation

Digital Transformation with Fintech

Fintech is defined as using technology and innovation to provide new or more efficient services to individuals and organizations (Puschman & Alt, 2016). The term emerged around 2014 and gained popularity in both the industry press and academia as the role of technology increased. Fintech is driven by startups, incumbents, governments and supra-organizations like the European Union. The variety of actors in Fintech is also reflected in different degrees of centralization in Fintech, from DeFi that is very decentralized to a one-tier CBDC that is very centralized.

The progress of digital transformation with Fintech is happening in many different areas at different speeds. Some transformations, such as moving services online, have been underway for 15–20 years since e-commerce gained popularity, while others such as the AI-enabled chatbot have gained traction more recently (Zarifis et al., 2021). The digital transformation can be separated into ‘front office’ the relationship with the customer, ‘back office’ the relationship with the suppliers and partners, or ‘ecosystem’ with more dynamic links.

Digital transformation in the relationship with the consumer is the more visible part of this process that captures most of the attention

(Cheng et al., 2022). The use of chatbots that interact either by text or by voice is extensive. While the companies providing them can point to some numbers showing that they can handle simple cases and reduce the headcount in call centres, they are still far away from delivering the service a human can. Front-office processes that have been transformed include (1) fast onboarding without the need to submit personal information as this is taken from other sources by an Application Layer Programming (API) interphase with another organization; (2) fast response to requests 24 hours a day, 365 days a year due to automated analysis; (3) automated delivery of a service without the need to make a request, for example an insurance pay-out triggered by a smart contract and an IoT; (4) IoT, wearables such as smart watches used to collect data and adapt insurance rates; (5) 'super-apps' bringing together many services including financial services, for example Tencent's WeChat (Guo & Liu, 2021); (6) greater access to banking, finance and insurance, for example by not requiring from a new customer to visit a branch so people living far away from one can open an account and (7) understanding the customers' emotions by analysing facial expressions and the tone of voice enabling more tailored solutions.

Back-office processes that have changed significantly with Fintech are (1) analysing risk with AI and Machine Learning; (2) better fraud detection utilizing big data; (3) analysing both structured and unstructured data; (4) bringing together the necessary information for an expert to make a decision, such as the relevant regulation needed by the insurance underwriter; (5) requesting and receiving data through APIs, processing applications; and (6) more regular, automated audit. These front-office and back-office capabilities are combining to offer many new services such as crowdfunding, peer-to-peer lending platforms, mobile payments and buy-now-pay-later services.

Trust in Finance and Technology

Trust is necessary in many interactions, but its importance becomes more critical when the risk to the consumer is high. There are several dimensions of Fintech that increase the perceived risk and need for trust from

the consumer's perspective. Examples of how risk in the interaction increases with Fintech are the use of chatbots in the interaction (Zarifis et al., 2021), and the use of AI in decision making (Bankins et al., 2022). The decision making of AI may not be transparent or may use criteria that may not seem relevant to the consumer, such as the speed at which they type (Bankins et al., 2022). Humans also change their approach when interacting with technology. For example, they may search for financial services on the Internet more often based on attributes, such as lowest price, rather than brands (Klaus & Zaichkowsky, 2022).

In addition to the changes in interaction and decision making, Fintech also creates some potentially negative side-effects on human behaviour. New financial services may enable impulsive and wasteful purchases and investments. This criticism is often levelled at purchases utilizing 'buy now, pay later' services like Klarna (Johnson et al., 2021). This criticism is also levelled at non-professional investors using platforms like Robinhood (Eaton et al., 2022). In addition to these negative effects a customer can easily avoid by not using these services, there are some potentially negative effects on personal information privacy that may be harder to avoid. The effortless, smooth and seamless service Fintech provides is often achieved through the sharing of customers' personal information between organizations (Zarifis et al., 2021).

When a model has matured, many processes become a habit for people, and they are not given too much thought (Polites & Karahanna, 2012). Many processes that build trust are taken for granted in a mature model. This is not the case when a new model emerges. A metaphor to illustrate this point is that if we are in a busy café, we trust that adults will not bump into us, but we are not entirely sure about children's behaviour. With the new models that rely on ecosystems that form and reform, adapting to changes in regulation for example, it should not be taken for granted that trust is being built. Some startups try to promote themselves and create a positive image and a climbing stock price, but this is like a band aid, and it does not build trust sufficiently.

Trust from the consumer towards the organization providing them a product or service requires trust in both the organizations and the institutions involved, such as the regulators, and the technology they interact with (Pavlou & Gefen, 2004). More specifically, trust in Fintech and

Insurtech has been found to be shaped by (1) the individual's psychological disposition to trust, (2) sociological factors influencing trust, (3) trust in the financial organization and (4) trust in AI and other technologies used (Zarifis & Cheng, 2022).

Business Models

General Business Models: There are several approaches to what exactly a business model is and what it should include. As with many theories this might also evolve gradually over time. Some business models cover the value chain used to deliver services or products (Eling & Lehmann, 2018). Other business models follow a similar approach but go into more detail, also covering some important processes (Zott et al., 2011). Other business models include the partners of the organizations capturing the ecosystem directly around the company (Ng et al., 2013). Sources of customers and sources of data are included in some business models, as they are central to those models' competitive or relative advantage (Zarifis & Cheng, 2023). To include a competitive advantage at the business model level it must offer a long term, resilient advantage (Morris et al., 2005). A related approach is that the business model must cover the content (what), structure (how) and governance (who), and that the priorities are novelty, lock-in, complementarities and efficiencies (Zott & Amit, 2017).

Business Models in Fintech: The literature on business models in Fintech is mostly on specific services related to a specific technology. There is less research on a taxonomy of broader business models of Fintech that identify the value chain. A taxonomy of business models attempts to identify a number of broad business models that cover all, or most Fintech organizations, as opposed to focusing on a narrower model that does not cover all of them. A broad taxonomy has been made in a subset of Fintech, the technology of insurance, Insurtech (Zarifis et al., 2019). This model identifies four general Insurtech models for getting the best out of AI. This model has been further developed into five business models that utilize AI (Zarifis & Cheng, 2023).

Previous research has shown some convergence between incumbents and disruptors but finds that they will remain distinct (Zarifis & Cheng, 2021). This is an indication that even after this transitional period there will be distinct business models optimized for different types of Fintech, including incumbents and startups.

Research Model

The research discussed support the importance of Fintech and the importance of providing clarity on the business models that are best suited for AI adoption and growth. Many Fintech business models exist that are focused on one technology and service, but a broad taxonomy of Fintech business models optimized for AI is necessary. Such a taxonomy does exist for the related area of Insurtech. Furthermore, the higher risk and uncertainty that technology brings, particularly AI, are supported by existing literature. Therefore, trust must be included as a parameter of the Fintech business model. Research has found that trust in Insurtech and Fintech is similar (Zarifis & Cheng, 2022). Therefore, the existing taxonomy of Insurtech business models should extend to Fintech. Therefore, this research uses the existing taxonomy and explores and further develops it for Fintech.

The initial taxonomy identified four models: (a) incumbents focusing on one part of the supply chain, (b) incumbents not changing the business model, (c) incumbents expanding the business model and (d) new entrants utilizing technology to disrupt insurance (Zarifis et al., 2019). The further development of the taxonomy found support for splitting the fourth model into two. Therefore, the second version had five models: (a) focusing on one part of the supply chain, (b) utilizing AI in the current processes without changing the business model, (c) incumbent extending their model to utilize AI, (d) insurance disruptor only involved in insurance, and (e) tech company disruptor adding insurance to their portfolio of services (Zarifis & Cheng, 2023).

4.3 Methodology

Data Collection

The methodology chosen must not only develop insightful business model taxonomies, but it must ensure that the models identified are robust and hold true in these turbulent times. Therefore, an iterative qualitative approach was taken with three stages (Eisenhardt, 1989). While qualitative data collection can start without a specific focus, with a more exploratory approach, having a specific focus from the start on what kind of data will be collected is beneficial (Miles & Huberman, 1994).

Focus Groups with Experts

The first stage involved three focus groups. Focus groups are also referred to as in-depth group interviews. The first group had four participants, the second had five and the third had five also. The participants came from three fintech companies, two large and one small. The priority of this stage is to achieve a broad idea generation to capture all the perspectives on these issues and avoid any 'blind spots'. A secondary objective was to gain a deeper understanding of the issues that emerge. The focus groups were carried out online by videoconference. The focus group was not recorded to ensure participants' privacy, and so they feel more comfortable to speak freely. The topic put to the focus groups was what their experiences of Fintech are, and if they see some general patterns of what usually works and what does not. Then the five models of Fintech, based on the five Insurtech models, were put forward to them and explained. This was followed by looking at each of the five models one by one and discussing if it resonates with them, and if they think it is valid. It was then asked from the focus group what they thought the competitive advantage of each business model is. The next topic was about if they thought a different model should be added to the taxonomy. Lastly the topic put forward was the role of trust, in general, for each of the models put forward to them and in any additional models they put forward. The focus groups stopped when the topics were saturated.

From the fourteen participants six have more technology-focused roles and the remaining eight have more managerial or administrative roles. Eight are women, and six are men. Their age ranges from twenty-five to fifty-seven with the average age of thirty-seven. They all have a university bachelor's degree, and three have a master's degree.

Short Case Studies

The second stage of the iterative, qualitative research involved short case studies often referred to as case vignettes. The case studies identified and explored three companies for each proposed Fintech business model. An effort was made to cover the typical types of Fintech companies such as retail banks, investment banks, insurers and brokerage firms. The purpose for the short cases was to learn as much about the companies, and how well they fit into the proposed taxonomy. For the taxonomy to be valid, all the cases must match one of the five categories. Additionally, the cases within the same category must be similar across the criteria of that business model. The cases were chosen to cover a broad range of Fintech organizations. Five were incumbents and five were startups or disruptors. The companies chosen were active in Europe. Desk-based research reviewed these companies' websites, reports, industry press and research to create a clear picture of their business models.

Interviews with Ten Experts (Two for Each of the Five Fintech Business Models)

The third stage involved interviewing ten professionals from five companies that represent the five Fintech business models. The third iterative stage further triangulates the results but also offers a deeper understanding of each of the business models. The interview questions were semi structured. Unlike the focus groups, the interview questions were on one Fintech business model, the one the participant being interviewed is part of.

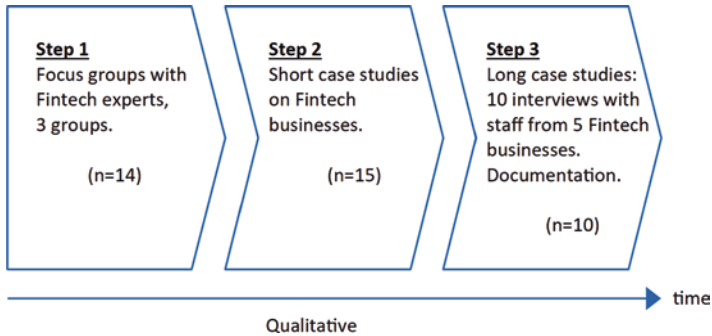


Fig. 4.1 The stages of the qualitative methodology

From the ten participants four have more technology-focused roles and the remaining six have more managerial or administrative roles. Five are women and five are men. Their age ranges from twenty-eight to fifty-four with the average age of thirty-four. They all have a university bachelor's degree, and two have a master's degree. The three stages are summarised below (Fig. 4.1).

Data Analysis

The focus groups were conducted for two reasons, firstly to better define the problem and secondly to validate the constructs. Template analysis was used, with the five business models and the role of trust being the six initial templates. The small case studies involved analysing data from secondary sources including company reports, research from academic and other sources, and reputable industry press such as *The Financial Times* and *The Economist*. Firstly, there was a within-case analysis to evaluate if the cases that were posited to be similar are indeed similar, and then there was a between-case analysis to evaluate if the cases that were posited to be different are indeed different. Finally, the interviews used template analysis, but the templates were limited to one business model, the one that matched the company the interviewee worked for and the role of trust.

4.4 Analysis

Focus Group

Trends in Fintech: The topic put to the focus groups asked what their experiences of Fintech are and if they see some general patterns of what is working and what is not working so well. Some of the themes touched on where how banks are adapting, how branches are closing and that banks are hiring more people with skills related to technology. Another popular theme was how cryptocurrencies, stablecoins and CBDCs are going to shape Fintech. More generally the role of technology in Finance was discussed.

Five models of Fintech for AI and growth: The five models of Fintech based on the five Insurtech models were put forward to them and explained. This was followed by looking at each of the five models one by one and discussing if it resonates with them and if they believe it is valid based on their experience.

The models put forward to the participants, adapted from Insurtech, are (a) disaggregating and focusing on one part of the supply chain, (b) utilizing AI in the current processes without changing the business model, (c) finance incumbent extending their model to utilize AI and access new customers and data, (d) startup finance disruptor only getting involved in finance, and (e) tech company disruptor adding finance to their portfolio of services (Zarifis & Cheng, 2023).

The participants discussed their understanding of the five models and put forward their examples for each one. For example, in the discussion around the first proposed Fintech businesses model, examples were given of local banks that collaborate with large tech companies over payments, investment functionality and other process, reducing their part in the value chain. In most cases the competitive advantage is seen as getting access to the best technology and the most data faster than the competition.

Additional fintech business models: The next topic was if they thought a different model should be added to the taxonomy. The participants identified several business models tied to specific services such as 'retail'

trading apps but not a general model that could be part of a high-level taxonomy.

Trust building: Lastly the topic put forward was the role of trust in general at each of the five models being discussed and in any additional approaches put forward by them. Most participants considered trust important both from the perspective of their role as professionals working in Fintech, as well as from their perspective as consumers of Fintech services. Several participants made the point that this should not be lost when there is business model innovation. It was mentioned in all three groups that the organization the customer engages with directly is responsible for building trust and protecting it.

Short Case Studies (Case Vignettes)

The within-case analysis evaluates if the three cases that were posited to be similar, in terms of their business model and how they utilize AI and build trust, are indeed similar. Despite the inevitable differences between different Fintech companies such as retail banks, investment banks, insurers and brokerage firms, there are similarities in relation to the part of the value chain they are active in, the competitive advantage achieved by AI and the way trust is built as illustrated in Table 4.1.

The between-case analysis evaluated if the cases that are posited to be different in terms of their business model and how they utilize AI and build trust are indeed different. Despite some similarities between the different models there were several differences supporting that they are indeed distinct models. For example, the companies that fall into the third model are indeed developing their in-house capabilities in AI extensively, unlike those that fall into the first model.

Longer Case Studies, Interviews and Documentation

The longer case studies involved two interviews from one company representing each of the five Fintech business models and desk-based research of those companies. Several of the participants emphasized the unrivalled

Table 4.1 The fifteen short cases of the five Fintech business models

Case	Fintech business model	AI competitive advantage	Trust building
1. Retail bank active in Germany.	(a) Disaggregating and focusing on one part of the supply chain.	Estimating risk, interacting with the customer twenty-four hours a day.	Reliable services, heritage.
2. Retail bank active in Germany.			
3. Vehicle insurer active in Germany and several European countries.			
4. Retail bank active in Germany.	(b) Utilizing AI in the current processes without changing the business model.	Estimating risk, interacting with the customer twenty-four hours a day, automating some processes.	Reliable services, heritage.
5. Brokerage firm active primarily in Germany.			
6. Insurer active in one region of Germany.			
7. Retail bank active in Germany.	(c) Finance incumbent extending their model to utilize AI and access new customers and data.	Estimating risk, interacting with the customer twenty-four hours a day, automating some processes, adding new highly automated services.	Reliable services, heritage, more extensive and deeper engagement with the customer.
8. Investment bank active primarily in Germany.			
9. Brokerage firm (investment app) active in Germany and over ten countries.			

(continued)

Table 4.1 (continued)

Case	Fintech business model	AI competitive advantage	Trust building
10. Internet bank active in Germany and over twenty other countries.	(d) Startup finance disruptor only getting involved in finance.	Extensive automation, fast onboarding, fast payments, customized offers.	Reliable services, transparent, customizations make consumer feel close to company.
11. Internet bank active in Germany.			
12. Internet insurer active in Germany.			
13. Tech company offering financial services in Germany and over ten other countries.	(e) Tech company disruptor adding finance to their portfolio of services.	Extensive automation, cross-selling, fast onboarding, fast payments, customized offers, identifying new patterns across diverse services.	Already familiar to the customer from a young age—before they need their services, reliable services, transparent, customizations make consumer feel close to company.
14. Tech company offering financial services in Germany.			
15. Tech company offering financial services in Germany and over thirty other countries.			

pace of change and the extraordinary times finance is going through. Many of interviewees made the point that there is an eagerness to move forward, combined with a hesitation to not move too quickly and make mistakes. The concern was often in both what the organization would evolve into and the process of business model innovation. Several of the interviewees stated that this change was in pursuit of a competitive advantage. All the interviewees believed trust plays an important role. Therefore, the interviews supported that the competitive advantage and trust are an integral part of the new business model.

The participants from the fourth Fintech business model, a startup finance disruptor only getting involved in finance, were very clear about what their business model is, and did not see the need to change at this point. This is very interesting as these Fintech organizations were created with a specific business model in mind and are probably the only ones out of the five models that are not in transition. It is a strength for a Fintech business when the staff know, and can explain, the Fintech's mission statement and model. The participants from the fifth model explained how by using AI, big data and A/B testing they can approach risk differently, taking on far more risk than before.

The interviewees were also concerned about how they would fit into a new business model. Their comments also illustrate how clarity on the competitive advantage pursued and the form and governance of the trust building are necessary in order to go through the process. The interviewees explained their organization's business model in their own words, but their explanation is in line with the taxonomy of five Fintech business models. While the impact on the individual working in a Fintech company going through business model transformation is not the primary focus of this research, it is worth being reminded that many, if not most, people working in a Fintech are primarily concerned with how the changes impact them as opposed to the organization's future.

Several participants also took the issues put to them one step further, reflecting on how the business model innovation would influence society in general. This is outside the scope of this research but an important issue, nevertheless.

4.5 Discussion

While it is important to have narrow business models that typically explains a specific service tied to a specific technology, such a crowdfunding or peer-to-peer lending, broader business models that identify the key processes and competitive advantages of businesses are also important. These models must be not only be insightful but also robust in turbulent times.

Contribution to Theory

There are four primary contributions to theory: (1) identifying the five Fintech models for AI adoption and growth, (2) identifying how trust is built in each of them, (3) that trust should be covered at the level of the business model, and (4) showing the similarities between Fintech and Insurtech. The five Fintech models that are based on the five Insurtech models (Zarifis & Cheng, 2023) are discussed in more detail below:

- (a) Disaggregating and focusing on one part of the supply chain. This model seeks to get complementarities with partners (Zott & Amit, 2017) either through outsourcing or through an ecosystem. A financial organization utilizing this model may have less access to data and may need a way to overcome this. If it does not overcome this limited data, it will have less ability to identify trends and train Machine Learning. Using federated Machine Learning may be one of the solutions to overcome this, as this approach allows a Fintech to utilize other organizations' data without compromising privacy (Kaissis et al., 2020; Treleven et al., 2022). Growth is achieved by attracting partners and utilizing the Fintech ecosystem better than others.
- (b) Utilizing AI in the current processes without changing the business model. In this scenario a financial organization that covers the main parts of their supply chain integrates AI into their processes. Some internal capability in AI may be developed, but typically off the shelf solutions are used. In this model trust is built by the financial organization as they did before their digital transformation. Building trust

is simpler in some ways, as it is easier to maintain customers' personal information private when the processing is mostly done internally. Therefore, the organization moves forward keeping as much in-house as possible. This model will need a strong competitive advantage to overcome the challenges to scaling and achieving growth in this way.

- (c) Finance incumbent extending their model to utilize AI and access new customers and data. A financial institution applying this model builds up their in-house AI capability and their ability to offer innovative services. By offering these new services they can reach new customers they would not have been able to access previously and obtain new data from those customers. Access to more data enhances their ability to utilize Machine Learning. An oversimplification of this approach would be an organization perceiving the increasing role of AI and automation as an opportunity for growth, not a threat. As AI favours large-scale operations and large-scale operations favour AI (Ashta & Herrmann, 2021), this model is a good fit for AI adoption and growth.
- (d) Startup finance disruptor only getting involved in finance. These are often 'mobile-first' or at least 'born-digital' companies. They are created with a clear business model in mind with the purpose of utilizing the latest technologies, particularly AI. The model, with high automation and a low headcount, can achieve growth at a pace rarely seen in this area. These models cannot cover all the financial services and often find difficulty with the more complicated ones, such as complex loans, complex investments or complex insurance underwriting (Zarifis & Cheng, 2021).
- (e) Tech company disruptor adding finance to their portfolio of services. Tech companies are in a strong position because they have a competitive advantage on AI, and they have existing customers and a vast volume of data. Previous barriers such as the need for specialized experts in the various facets of finance, and regulatory hurdles, are not what they used to be. Unlike a traditional financial organization that must build trust in their financial services, a tech-focused organization builds trust when the customers are attracted and onboarded to their other services.

The analysis supports the integral role of trust and why it should be included at the business model level. A business model should cover the governance of actions (Zott & Amit, 2017), and in the new Fintech business models, it must be clarified where in the value chain, and by who, trust is built with the consumer. Trust can be built in the traditional way by a dedicated finance company or by a tech company offering financial services.

This research contributes to a better understanding of the relationship between Fintech and Insurtech. As with previous research (Zarifis & Cheng, 2022) it finds similarities, but it also identifies some differences. The taxonomy of business models developed and illustrated in Fig. 4.2 is similar, but not entirely the same, as the taxonomy of Insurtech it evolved out of.

Contribution to Practice

An innovative business model can increase the value for the organization, the customers and other stakeholders like suppliers and partners (Zott & Amit, 2017). Professionals working in Fintech or in a related field are looking for more clarity and direction in this transitional period. Based on the literature review and the three stages of qualitative data collection and analysis, Fintech is going through a disruptive digital transformation. This transitional period is happening in most parts of the world, but it may be happening at different speeds. The transition is not being driven by only one nation's economy, so it is hard to predict its development.

The five Fintech business models give an organization five proven routes to AI adoption and growth. In addition to providing a path for an organization to follow, the five models also make it easier for an organization in, or around, finance to understand what their 'friends', 'frenemies' or competitors are doing. This is helpful in a sector of the economy where success is highly dependent on choosing the best partners in the supply chain and fitting into the ecosystem better than the competition.

However, moving through a disruptive innovation in Fintech that started over five years ago and is still disrupting, with no clear sign of when this dramatic change will slow down, is not just about choosing the

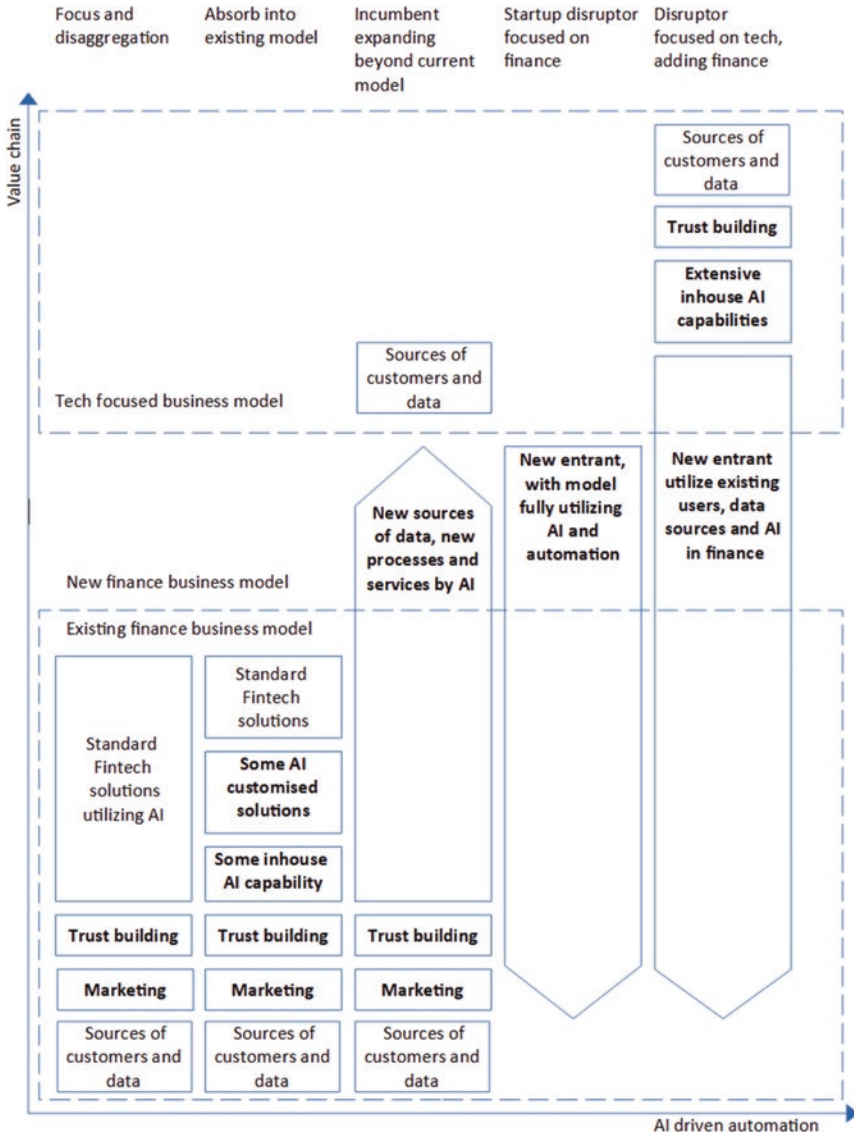


Fig. 4.2 The five Fintech business models that are optimized for AI

right business model. It is also about getting the timing right for each change that is implemented. For example, if customers are not comfortable interacting directly with AI for a claim on their insurance at this point in time, and it is implemented nevertheless, there will be pushback by the customers, and trust will be broken. While this research cannot resolve the challenge of getting the timing right on its own, it can inform these decisions. Fintech leaders can look at the taxonomy of the five Fintech business models and the dynamics of startups and tech companies entering and disrupting, and evaluate at what rate this is happening in their region.

In relation to trust, not only are Fintech managers given practical guidance on how to build it, but they are given some guidance as to where in the ecosystem it is a suitable place to build it. Trust should usually be built by the organization in the value chain that attracts and onboards the customer. Leaders of Fintech organizations should be clear where in the value chain trust is built and who is responsible, who has governance, of this.

Most governments are involved in the financial sector in various ways. Some take a more hands-on approach actively shaping the sector, while others take a more hands-off approach following the innovation in the sector. This research gives public sector managers, and leaders, a broad overview of Fintech informing their decisions. This research also has practical implications for regulators that need to understand the Fintech value chain and governance of different stages like AI development.

4.6 Conclusion

After three stages of iterative qualitative analysis this research identified five Fintech business models that are suitable for AI adoption and growth and how these models build trust. The five Fintech business models are (a) disaggregating and focusing on one part of the value chain, (b) utilizing AI in the current processes without changing the business model, (c) finance incumbent extending their model to utilize AI and access new customers and data, (d) startup finance disruptor only getting involved in finance, and (e) tech company disruptor adding finance to their portfolio

of services. The five Fintech business models give an organization five proven routes to AI adoption and growth.

This research also finds support that for all Fintech models the way trust is built should be part of the business model. Trust is often not covered at the level of the business model and is left to operation managers to handle, but for the complex ad-hoc relationships in Fintech ecosystems this should be resolved before Fintech companies start trying to interlink their processes.

Trust is not always built at the same point in the value chain or by the same type of organization. The trust building is happening where the customers are attracted and onboarded. This means that while a traditional financial organization must build trust in their financial services, a tech-focused organization builds trust when the customers are attracted to other services.

Limitations and Future Research

The first limitation of this research is that the data was collected from people living in Germany and financial organizations active in Germany. The qualitative method, despite the iterative process, is based on peoples' subjective beliefs. Future research can further explore and validate the model in other countries and economic zones.

The qualitative method had a clear focus, but it did not stop participants from sharing their views on related issues. Participants were interested and, in some cases, concerned about how Fintech business model innovation affected other aspects of the economy and society in general. The broader implications of business model innovation in Fintech could be explored in future research.

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