BANKS VS FINTECHS: COMPETITION VS COOPERATION?

Presentation by Pedro Pinto Coelho | Executive Chairman BNI Europa

Kuwait Fintech Conference & Exhibition 2019
THE NEW ENVIRONMENT

• A fintech ecosystem is growing rapidly around the world. Regional clusters become more or less strong depending on the market ability to nurture these companies (market size, investment appetite, regulation, etc.).

• Fintech companies can offer from a single technology component to a full stack of products and services.

• The number of verticals has grown fast: regtech, payments, investing, big data & analytics, blockchain technology, direct lending, personal finance, etc.
ADAPT OR FALL BEHIND

• To leverage from these technologies and services, banks need to change the mindset and reorganize themselves to benefit from the digitalization.

• A front-end facelift is required to be followed by a redesign of the middle and back office and focusing on automation.

• The bank needs to accept an open architecture model.

• The consumer experience is required to be seamless from digital to physical contact depending on the product/service.
THE CHALLENGE

• A new wave of fintech’s and nonbanks are competing in certain categories and will become an important threat.

• Aggregators will commoditize the main banking products making it difficult to differentiate.

• To survive banks need to select specific segments where they have a competitive advantage. The universal banking model is difficult to sustain over time.
• A number of financial institutions have created captive VC’s to invest in fintech’s.

• Such strategy may give you insights and first-hand access to the technology.

• However, technology is moving fast and these fintech’s may loose their edge in a short period of time.

• If you buy a minority stake it may make it difficult to exit since other investors may lose interest.

• If you buyout the fintech it may create a corporate cultural crash between a more formal governance structure and a relaxed start-up culture.

• Partnering with key fintech’s and transferring knowledge over time may be a cheaper and more successful way of reaching your goals.
• Take the technology available to get state of the art onboarding solutions
• Get help from AI experts on KYC/AML, Fraud detection and credit scoring
• Increase your product mix by partnering with experts (e.g. Robot advisory, SME lending)
• Conquer new markets by going digital only.
• Integrate digitally with retailers to provide financial services to their customers
• Embrace technology and Fintech.

• Be open minded and do open banking.

• Being agile and flexible is a must.

• Focus on what you can do best. Universal banking is dead.

• Be customer centric. The clients are becoming more and more spoiled by the likes of Amazon and Uber.
THANK YOU

Contact: Pedro Pinto Coelho | pedro.coelho@bnieuropa.pt