

Banks vs. FinTech: Who dares wins.

One has the client base, and the other versatility.

The question remains, is there room for both?

Can the rise of **data** and **technology** help
bring these two forces together?

We delve into the depths of the financial sector, to
determine who will win the Banks vs. FinTech battle.



"As customers continue to change the way they bank, we must change the way we serve them"

RBS spokesman, [BBC News Report](#), June 2018

A NOTE FROM THE AUTHORS

“Banks vs FinTech: Who Will Win?”

FinNews, Sep 2018

Recent headlines have been focused on the global debate of the traditional banks versus its newest rivalries, the FinTech organisations. And its no surprise as to why; as FinTech’s user friendly app-based platforms adhere to the ever growing demands of the consumer, the traditional banks are being threatened with closing branches and negative articles. But, it’s not all plain-sailing for the new recruits.

Despite the hype, many industry veterans believe digital banks face innumerable issues.

Whilst there’s no doubt that FinTech organisations have thrived in the online ecosystem, experiencing such disruption at an increasing pace has earned them equal amounts of bad press.

What does the future hold for the finance sector? Will the two work in harmony to create a better future for the consumer? Or will technology innovations overtake legacy, leaving our trusted, traditional banks behind?

This playbook explores the evolution of the finance sector, uncovering what needs to be done, in order to obtain a bright, sustainable future. We explore the fundamental need for creating the right data culture, customer loyalty and business innovation.

So, let’s begin.

**Let's
rediscover the
finance sector.**



Silverbullet

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YOUR ONLINE STATEMENT IS NOW READY TO DOWNLOAD

Personal banking once filled us with dread.

Traditionally, banking was somewhat a drawn out process, compiled of delving into the home filling systems, calling up customer services – or worse even – heading into the bank branch to speak to someone directly in order to manage your day to day finances. Imagine that. Having to speak to another human in order to manage your finances?

Unimaginable for today's consumer, to have to comprehend this lengthy practice within the Monday – Friday, 9-5 era of pre-millennial banking.

Fast track to 2019, and we're now able to make a payment, transfer funds or access an online statement within the matter of seconds. Even our phones now act as payment devices, leaving the traditional worlds of cash, credit notes and cheques, far, far behind us.

The digital revolution has truly transformed the banking sector.

The future's bright:

77%

of financial institutions will increase internal efforts to innovate and embrace the future of fintech.¹

1/4

of finance businesses have ranked customer experience as the most important future strategy.²

37%

of financial businesses regard data-driven marketing as the second most exciting opportunity.²

The future's uncertain:

55%

Online security threats have risen by 55%, which equates to nearly half a billion personal records being stolen.³

36%

of consumers believe their banks work in their best interests, despite consumer trust being at its highest level since 2012.⁴

\$165M

WB21, a London based Fintech start-up hit a lawsuit of its Chief Executive for the fraudulent sale of \$165m worth of shares in microcap stocks.⁵

THE HEADLINES

“Santander to shut 140 branches”

[BBC News](#)

“Who Will Win? When Banks Fight Back Against Fintech Startups”

[Medium.com](#)

“Banks close 2,900 branches in three years, says Which?”

[BBC News](#)

“Global Fintech Warning To Traditional Banks -- The Threat Is 'Real And Growing”

[Forbes](#)

“Branch transactions have fallen 23% in the last three years, while digital transactions have soared 99%”

[BBC News](#)

THE RISE (AND FALL?) OF FINTECH

The fintech industry has expanded tremendously in the last two years.

Early 2018 saw the global fintech world attract **\$58 billion₁** in financing. One particular example of this growth surge is seen with Germany's Wirecard, which is now worth more than Deutsche Bank₂.

Perhaps most notable for our British readers, is the rise of **Monzo**. Positioned as the '**bank of the future**', it has already attracted over **one million customers**, and investment from a huge variety of sources.

In addition, **Revolut**, the travel friendly debit card has just been valued just shy of **£2BN**.

Despite the hype, many industry veterans believe digital banks face innumerable issues. High among them is how they will make a profit. Last year, Monzo's losses quadrupled₃ to **£33.1 million**, posing danger for these popular banking solutions. A swanky-looking app and basic checking accounts are unlikely to be enough for long-term success.



 **monzo**

- Set spending budgets ✓
- Easy summary via mobile app ✓
- Receive instant notifications ✓
- Avoid fees when travelling ✓
- Pay people in seconds ✓
- Direct debits + standing orders ✓
- Freeze your card ✓
- Insurance ✓

Revolut

- ✓ Set spending budgets
- ✓ Easy summary via mobile app
- ✓ Receive instant notifications
- ✓ Avoid fees when travelling
- ✓ Pay people in seconds
- ✓ Direct debits + standing orders
- ✓ Freeze your card
- ✓ Insurance

Location based security
Exchange cryptocurrency

THE EXPANDING POTENTIAL OF FINTECH

The FinTech industry doesn't just stop at the **Monzo** and **Revolut's** of the world. The sector itself has expanded far beyond that, with the likes of **PensionBee**¹ (pulling all pension schemes together), **Freetrade**² (investment platforms) and a number of aggregator apps including **Yolt**³ and **Emma**⁴ (who are taking full advantage of the Open Banking Agreement 2019).



Note: Open Banking is a secure way for consumers to use financial products and services from regulated apps and websites.

"The Open Banking Ecosystem refers to all the elements that facilitate the operation of Open Banking. This includes the API Standards, the governance, systems, processes, security and procedures used to support Participants."

"The Open Banking Ecosystem is also governed by UK and European regulations including Revised Payment Services Directive (PSD2), General Data Protection Regulation (GDPR), Draft Regulatory Technical Standards (RTS) on Strong Customer Authentication, and the Payment Services Regulations (PSR)."



"The Open Banking agreement is essentially going to increase competition (and raise standards) between banks, by automating a process to allow you to switch from one bank to another. How? Well, you simply give your new bank your current account details and the agreement forces your current bank to do all the hard work for you - such as transfer all your cash, update standing orders, ensure payments made into your old account are re-directed etc. It's fuelling the growth of banking and tech."

Simon Theakston, Co-Founder, SBDS

THE FINTECH STARS

“Monzo rated ‘Best Bank’ list by Which?”

[Which?](#)

“Starling wins Best Current Account”

[ThisMoney.com](#)

“Monzo generates the fastest ever crowdfund in history”

[Monzo News](#)

“Starling raises £75M from a series C round”

[Starling News](#)

THE LEGACY (AND DEMISE?) OF BANKS

New candidates to the banking market are amassing up to **one-third of new revenue**, which is challenging the future of traditional banks, according to global consulting organisation, Accenture.

Despite their long-term legacy and trust with consumers, the banks we know so well are under immense threat. However, many of our large, global banks continue to '**dismiss the threat of new entrants**' according the Accenture research, claiming new entrants are not creating new innovations, but instead dressing up traditional banking products, whilst hinting the FinTech's simply aren't generating enough revenue.

And you can't blame them. Traditional banks hold many strengths over their rivals, including:

- ❑ Secure infrastructures
- ❑ Large, trusted customer base
- ❑ Strong knowledge of customers + historic data
 - ❑ Professional and legacy experience
 - ❑ Instantly available data to utilise
 - ❑ ATM's

However, many reports, articles and industry bodies are seeing things differently.

Across Europe, **20% of the banking and payments institutions²** are classified as 'new entrants' and have captured nearly 7% of total banking revenue – and **one-third (33%) of all new revenue since 2005**.

And the disruption doesn't end there.

By using innovative and smart technology to bring efficiencies to the making, registering and lending of new consumers, FinTech companies will slowly force the traditional banks to react. **But is this happening fast enough?**





The battle of the banks.

Whilst there's no doubt that the finance sector has thrived in the online ecosystem - seamlessly fitting into our growing digital lives - challenges have inevitably followed.

Experiencing such disruption at an increasing pace has placed the finance sector firmly into our trade and national headlines, creating many debates over the rise and fall of Fintech, and the surging power of our banks.

LET THE DEBATE COMMENCE

The arguments for both sides are compelling.

Whilst the old banks have a trusted legacy with consumers, the up-and-coming FinTech businesses are bringing a much-needed versatility approach to banking.

Yet, a shiny new app just won't cut the mustard, and these disrupters who are seemingly gaining market share, are running at a loss. In contrast, headlines are exploding with news of physical banks closing down with the gradual demise of the high-street.

It's a story we're all too familiar with in the world of digital marketing and adtech. Much like the Black Cab versus Uber battle - this new wave of consumer demand and digital innovation is challenging the status quo. And it all boils down to one core question:

Who can harness their data more effectively?

We've posted each sector against each other across four core areas:



DATA CULTURE



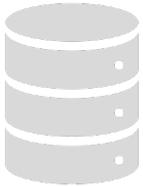
USER LOYALTY



FUTURE INNOVATION



TRANSPARENCY



DATA CULTURE

In the Traditional Corner:

The strength of the shiny new app will only take businesses so far. Offering services such as mortgages, loans and personalised advances that bring in higher interest rates, will help build profitability - but are the FinTech's willing to do this? Or will they partner with organisations who can offer these already? One thing that will be required, is thorough data-driven strategy.

In the FinTech Corner:

The advantage of these smaller, more agile FinTech environments, is that they can offer their services quicker, and at half the price of what established finance companies can do. Traditional banks will have to reinvent and disrupt themselves very quickly or risk losing the fight for business. But the banks have a huge amount of data that they sit on - could this be their golden ticket?



USER LOYALTY

In the Traditional Corner:

There's an argument to be had, that despite the rise of the FinTech applications, users aren't physically moving away from the traditional banks - more so just taking advantage of the FinTech's platform, whilst still banking with their trusted accounts. Consumers hold high trust for their banks¹, with 71% of Australians, 67% of Brits and 66% of Italians having confidence in their banks.

In the FinTech Corner:

Consumers are increasingly becoming more digitally savvy, and demand a huge amount of personalisation. In fact, 77%² of the younger generation³ of today demand services and solutions to be personalised to their location and interests. This new way of banking serves these demands well. However, do consumers trust their FinTech's as much as their banks? Will they be willing to share more or less data?



FUTURE INNOVATIONS

In the Traditional Corner:

According to the 2017 World Retail Banking Report¹, 91% of banks state that they expect to partner with a FinTech business in the near future. What's more, based on a survey by PwC², 63 percent of bankers see the rise of Fintech as an opportunity to expand products and services.

In the FinTech Corner:

In addition, 75% of FinTech businesses agree with the banks, and foresee a future of merges and collaborations. Many have stated that banks will see the benefits of Fintech's culture, through regulatory technology (RegTech) to improve processes, robotics and automation to artificial intelligence and machine learning.



TRANSPARENCY

In the Traditional Corner:

Traditional banks have largely relied upon physical trips to the bank, with limited services available to consumers to truly manage their finances. Many traditional organisations will sell product offerings and financial solutions with limited or no transparency about what it means for the consumer as an individual.

In the FinTech Corner:

The new Fintech's want to educate users around an industry that has previously been somewhat deliberately difficult to understand. Monzo have [a specific page](#) on their website dedicated to it, alongside [PensionBee](#). These companies are striving to have a community set up for anyone to ask questions about how they work, posting regular blogs from everything around how the current account works, to tech and planning tools.

THE CURRENT CHALLENGE

The World Fintech Report 2018 displays the variety of pressures legacy financial services organizations are experiencing due to the impact of new competition. We've shone a light on a few:

Speed and Efficiency: For an industry that lived with batch processing and monthly updates, the speed and accessibility introduced by FinTech firms put pressure on distribution, delivery and innovation. Real-time updates, proactive alerts and agile innovation are an integral part of an enhanced customer experience.

Transparency: With a digital-first and consumer-centric value proposition, FinTech firms have a significantly lower cost structure than traditional banking organisations. This allows most FinTech firms to offer services at a much lower cost and to clearly show prices up-front.

Personalisation: Digital organisations are much better positioned to provide highly personalised and customised solutions similar to what is experienced with Amazon. Despite having access to a treasure trove of customer insights, the pressure is on legacy organisations to apply these insights for the benefit of the consumer in the form of personalised solutions.

Predictive modelling: At the foundation of most FinTech firms is the ability to use predictive and analytical tools that are far less prevalent at most banks. This allows FinTech's to target and personalise offerings and communications based on customer profile and behaviour.

Digital distribution: The rise of FinTech businesses has forced incumbents to re-evaluate product and service distribution. Leveraging the power and accessibility of 'always-on' digital devices, FinTech's emphasize the simplicity of design and power of contextuality that consumers are increasingly expecting.

Operational efficiency: Beyond the cost benefits delivered by the digital technology used by FinTech firms, a completely rethought operational back-office has resulted in streamlined delivery and product development that provides a significant competitive advantage. From mortgage loan applications delivered on mobile devices to one-touch P2P payments, FinTech firms have changed the game around internal efficiency and external simplicity.

Advanced data analytics: Advanced analytics, combined with a broader pool of data sources, have enabled FinTech businesses to test new risk management and underwriting models, which results in lower costs, expanded prospect pools and higher efficiency.

TWO HEADS ARE BETTER THAN ONE

With pros and cons posted on both sides of the spectrum, is there room for both sectors to work in unison? Will the shifting digital landscape see them merge together?

Let's take a look at how these sectors might work together in the future:

The Banks:

The need for innovation

The challenge is validating which to actively pursue and how to implement the tech. The complexity, scale and siloed nature of banks mean they often struggle to do this effectively.



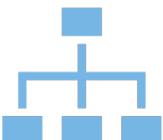
Develop a "FinTech" framework and strategy that encourages innovation



Choose technology and platforms that connects data to businesses needs and goals



Assess the pros and cons of your FinTech engagement strategies



Consider talent, skill and right-housing to manage architecture and on-going success

The FinTechs:

The need for structure

In an industry where organisational structures are often complex, FinTechs need to know how to navigate their way through banking. To deliver value, they must focus on building credible business cases and pricing models, which can present some tough choices in the future.



Articulate a value proposition - define what they are and what they intend to be



Differentiate yourself with regulatory prowess to ensure business conduct in accordance with the law



Be prepared and well-networked - within the digital frenzy, the need for connections will remain strong



Build credible business cases where ROI can be demonstrated

IT'S DATA, DATA, DATA

What resonates throughout all the arguments discussed in our Playbook, is the increasing focus **on data and technology**.

FinTech's success is largely down to the digital evolution, and the opportunities offered through automated technology and customer data sets.

And, traditional banks are starting to realise the need for forward-thinking solutions. However it's no easy feat; the surge of digital has flooded our businesses with data, and left organisations somewhat treading water to survive. Even FinTech's will reach a point where the flood gates will open and the need for a much stronger, smarter data strategy will become ever more prevalent.

With consumers demands staying firmly placed, banks and FinTech's need to align their business goals to where their customers are going:

67%

of consumers are more willing to share personal data, with 63% expecting tailored advice and messaging.

48%

of consumers want relevant advice on product information right at their fingertips

40%

of consumers want easy access to their local branch, alongside their digital services



"Data is an incredibly powerful thing, and when used responsibly it can fuel innovation that has a phenomenal capacity to improve people's lives. At British Pearl, our decisions are driven by how we can break down barriers to property investing and provide our customers with value. Data and technology are essential tools in driving these decisions so we can continue to build products and services that anticipate our customers' needs, and fortunately we live in a time when there's a plethora of data available. It's what you do with it that matters, and we're harnessing it to add to a bright future of our customers."

Ali Celiker, Founder and CEO, [British Pearl](#)

**Forward
thinking
business in
finance.**



Silverbullet

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A SILVERBULLET USE CASE

Silverbullet have worked with several global finance clients to support them through their data journey's.

FinTech Biz



Silverbullet worked with a leading FinTech business to apply smart data technologies in order to understand and better communicate to its audiences. A blend of 1st party and 2nd party data methods were used to improve targeting efficiencies and support new audience acquisition:

- ❑ SB used 1st party audience data to target across social media platforms to both existing and new customers.
- ❑ SB advised on the integration of an ESP (email service provider) to inform audience buying (i.e. if high net worth individuals have clicked on a banner but haven't yet invested, follow up with a targeted email)
- ❑ SB carried out 2nd party data sharing with a national publisher to suppress and target audiences efficiently across the publisher's network, with an increased match-rate
- ❑ SB used A/B tests to see how different DSPs perform with the same audience
- ❑ Suppressing media based on cross-channel audiences – e.g. not targeting users who have clicked on a search campaign with display creative



Traditional Bank Biz

Silverbullet worked with a global, leading bank to help them increase their digital capabilities and enhance their legacy name. Through a blend of both DMP and CDP technologies, Silverbullet helped the business truly understand their audiences and creatives to keep afloat of the FinTech growth in market:

- ❑ SB used a mix of 1st party and 3rd party data to carry out extensive modelling that gets refreshed hourly
- ❑ SB supported cross selling audiences with in-house product recommendation engine (audience + site optimisation)
- ❑ SB helped the management across bidding more to target high net worth individuals
- ❑ SB ingested log level media data to suppress users who have converted
 - ❑ Suppressing media based on cross channel audiences – e.g. not targeting users who have clicked on a search campaign with display creative

Building a banking ecosystem fit for the future.



THE NEED FOR CHANGE

Let's revisit the World Fintech Report 2018 and explore what needs to happen for banks + FinTech businesses to truly win:

Speed and Efficiency: FinTech firms have put the pressure on distribution, delivery and innovation. Real-time updates, proactive alerts and agile innovation are an integral part of an enhanced customer experience. *Banks need to consider updating their own, internal efficiencies, or look to merge with the financial technology sector.*

Transparency: FinTech firms have a significantly lowered cost structure over traditional banking organizations. This allows most FinTech firms to offer services at a much lower cost and to clearly show prices up-front. *Banks need to explore competitive pricing structures to help them compete.*

Personalisation: Despite having access to a treasure trove of customer insights, the pressure on banks to apply these insights for the benefit of the consumer is huge. *Banks need to seriously look into technology for data, such as a DMP (data management platform) or a CDP (customer data platform).*

Predictive modelling: At the foundation of most FinTech firms is the ability to use predictive and analytical tools allowing them to target and personalise offerings and communications based on customer profile and behaviour. *Banks need to explore the opportunities surrounding DMPs, and CDPs, and further data activation tools.*

Digital distribution: The rise of FinTech firms has forced incumbents to re-evaluate product and service distribution. *Banks need to leverage the power of 'always-on' digital devices, and explore technology solutions to help them do so.*

Access to unserved/underserved segments: With a lower cost structure, FinTech businesses can deliver convenient and affordable services to market segments that are unprofitable for banks. *Banks need to consider partnerships with the FinTech's to help them take advantage of a low-cost structure.*

Operational efficiency: Beyond the cost benefits delivered by the digital technology used by FinTech firms, a completely rethought operational back-office has resulted in streamlined delivery and product development that provides a significant competitive advantage. *Banks need to consider right-housing and in-housing approaches to help them innovate faster, with the required skill.*

Advanced data analytics: Advanced analytics, combined with a broader pool of data sources, have enabled FinTech companies to test new risk management and underwriting models, which results in lower costs, expanded prospect pools and higher efficiency. *Banks can take advantage of this themselves with a strong data strategy.*

THREE KEY TAKE-AWAYS



THRIVING IN COLLABORATIONS

The banking industry will be significantly transformed over the following decade. Digitisation, automation, and innovation will be the main drivers, and together with other disruptive forces, could drastically alter how banking products are delivered.

The success of the 'banks and FinTech' collaboration rests with those organisations who can understand each other's strength and weaknesses - to improve the customer experience while also reducing operational costs.

Perhaps more important will be whether these partnerships will deliver the level of personalisation, speed, contextuality, and seamless delivery to defend positions against the threat of the more pronounced competition that could come from the likes of Google, Amazon, Facebook and Apple (GAFA).

THE IMPORTANCE OF TECH



Whilst we long await the shift of banks and FinTech's merging, banks can start to learn from their peers. Data and technology is hugely important moving forward, and so banking services need to seriously consider a strong, smart data strategy.

The rise of the DMP and CDP has taken the adtech industry by storm, and is helping to transform businesses manage and activate their data sets.

With data sets often living in silos across any given organisation, these platforms help to collate, house, manage and segment data to be better utilised for customer experiences and communications.



THE NEED FOR SKILL

One of the main reasons for traditional banks shying away from a well-rounded data strategy, is that the lack of understanding around the tech.

We spoke to 100 UK CMOs in 2018 and discovered that despite nearly 80% having invested in the technology to manage data sets, 67% had experienced a 'DMP disaster', with 35% saying they experienced regular disasters.

Why? Well businesses don't always have the right skill in-house to help drive the tech. And marketers within our traditional banks will likely stumble into this very same trap. Data has submerged our organisations at such speed, leaving many marketing teams investing in what ever shiny new tech they can find to help manage their current data stacks. Problem is, there is no one internally to drive the machine.

About the author.



Introducing

Silverbullet

Silverbullet

www.wearesilverbullet.com

Silverbullet empowers businesses to create powerful data strategies.

We are a global team of data and technology experts, and we are here to support businesses throughout their entire data journey with operational services and a tailored product suite.

Collectively, we've implemented 100+ Data Management Platforms (DMP) and Customer Data Platforms (CDP) providing both unparalleled knowledge and expertise in data activation. What's more, we have built an industry-first unique set of tools to help you unlock your data's full potential.

Silverbullet is pioneering the datatech services sector.

In a world awash with data and software, it can be somewhat overwhelming trying to determine the best data strategy for your business. That's what we're here for.

Uniquely positioned, Silverbullet help businesses understand what's possible with data, and how to best succeed in this ever-moving landscape.



01| **Empower**



02| **Build**



03| **Achieve**

WANT TO GET STARTED?

Talk to our team of [DataTech experts](#) to see how you can kick start your smart data strategy. A team of DMP and CDP experts, we know the wonderful world of data like the back of our hands.

We advise and consult on the best solutions for you; we build and implement the tech so you don't have to; and we open up the doors for future considerations to ensure you achieve significant business goals through the power of data activation.



Alex Jacobson

**DIRECTOR, CLIENT
STRATEGY**

Alex is our Director of Client Services and knows a thing or two about the finance sector. Having worked with 90% of Silverbullet's financial clients, Alex is best placed to answer all your questions.

[Drop Alex a line](#) today to find out how you can empower your business for a successful future.

Thank you.

