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Half of Banking Customers Globally Now Using FinTech Firms Finds World FinTech Report 2017

Innovation, collaboration key for traditional firms and FinTechs to meet rising customer expectations

Paris, New York, November 2, 2016 – Half of banking customers across the globe are using the products or services of at least one FinTech firm¹, according to the first World FinTech Report (WFTR) from [Capgemini](#) and LinkedIn, in collaboration with Efma. The inaugural report quantifies and tracks customer response to the rise of FinTechs, includes the views of financial services industry executives at both FinTech firms and traditional financial institutions², and summarizes how innovation is key in the emerging industry landscape.

In particular, the WFTR found that FinTechs are gaining momentum and mindshare amongst younger, tech-savvy, and affluent customers. Emerging markets led the adoption where over 75 percent of customers in China and India report using services provided by FinTech firms, followed by the UAE and Hong Kong. FinTechs have made the greatest inroads in investment management, where 17.4 percent of customers rely on them solely and another 27.4 percent use them in addition to their traditional providers. With so many FinTechs specializing in niche services, the WFTR also found that many FinTech customers (46.2 percent) are using services from more than three FinTech providers.

FinTechs continue to gain momentum, but overall customer experience and trust remain low

While FinTech providers continue to have a disruptive market presence, overall customer trust levels in these providers remain low. Only 23.6 percent of customers say they trust their FinTech provider compared to 36.6 percent for traditional firms. Customers noted traditional financial institutions still hold some advantage over FinTech providers when it comes to fraud protection, quality of service, and transparency.

“Rising customer expectations for more personalized and advanced digital experiences, advancements in technology, greater access to venture capital, and lower barriers to entry have created fertile ground for growing FinTechs,” said Penry Price, Vice President, Marketing Solutions, LinkedIn. *“FinTechs are*

¹ FinTechs are the new financial services firms which are less than five years old and have a relatively small but growing customer base

² Traditional firms are generally financial services firms have been in the business for at least five years and have a large, and established customer base

largely gaining momentum by meeting needs traditional players have yet to address, but many FinTechs lack the transparency required to earn the trust of their consumer audiences to capitalize on these opportunities ”

The drive for collaborating with FinTechs is seen as key to delivering innovation

Traditional financial institutions continue to face challenges, with less than half (44.0 percent) of executives confident in their FinTech strategy. This is not surprising given only about one-third (34.7 percent) affirmed they have a well-structured or proactive innovation strategy in place that is embedded culturally. The risk-averse nature of traditional firms also makes it difficult for them to create cultures that prioritize innovation, and 40.3 percent of executives said that theirs is not conducive to innovation.

“Financial services senior executives are seeing FinTechs in a whole new light as they see greater opportunities to collaborate, but are also making significant headways in building more agile, in-house FinTech capabilities.” said Thierry Delaporte, Head of Capgemini’s Global Financial Services Business Unit and Member of the Group Executive Board. *“But with the exception of a handful of industry leaders, most firms are struggling to achieve positive results from their innovation initiatives with only 10 percent of executives stating they have been very effective at achieving desired innovation results.”*

The WFTR found that traditional firms are increasingly pursuing a wide range of strategies in response to FinTechs. A majority of financial institutions (60 percent) now view FinTechs as potential partners, but nearly the same percentage (59.2 percent) are also actively developing their own in-house capabilities. Beyond partnership and in-house development, executives are exploring a full range of models, whether it be Investment in FinTech (38 percent), partnering with educational institutions (34.3 percent) or setting up accelerators (29.6 percent), while a much smaller percentage (18.6 percent) are acquiring FinTechs.

Traditional firms actively investing in emerging technologies to improve both operations and customer experience

Traditional firms are in large, part responding to this shift by giving highest priority to investment in technologies which facilitate more streamlined and effective operations, thereby providing better day-to-day customer experiences. Nearly 90 percent of executives report they are most focused on implementing big data and analytics, followed by the Internet of Things (IoT) (55.8 percent), blockchain (54.7 percent), robotic process automation (52.3 percent), and open API technologies (50 percent). Blockchain technology, which forms the backbone of the popular virtual currency bitcoin, is increasingly penetrating the financial services industry. It has numerous applications including enhanced transfers of digital assets, identity management, and better management of reward and loyalty solutions.

“Both FinTech and traditional firms still have work to do on delivering a better customer experience,” said Vincent Bastid, Secretary General, Efma. *“The arrival of FinTechs has accelerated the improvement of overall customer experience in the industry but it is still not at the level that customers perceive that it*

should be. It is only a matter of time before BigTech³ companies and players in e-commerce and telecommunications join in to stake their claim to benefit from this industry disruption.”

To help traditional firms overcome their innate resistance to innovation and address current and potential future disruption, the WFTR has defined a four-step framework which will be essential in the face of a growing number of prospective threats to the financial services business. According to the report, traditional FS firms can unlock innovation by: discovering new technologies, devising ideas and insights into business models, deploying aligned executives to support innovation, and sustaining innovation by improving efficiency and implementing best practices. As the “platformification”⁴ of the industry continues to gain momentum, it will be more and more imperative that financial institutions take aggressive action to innovate to ensure they are prepared.

About the World FinTech Report

Capgemini and LinkedIn, in collaboration with Efma bring the **World FinTech Report 2017** (WFTR) which features a high-profile executive steering committee from a mix of biggest traditional, non-traditional and industry expert firms. It also includes deep insights into “Moments of Truth” for customers on their customer experience traditional firms and FinTechs with results of a survey of 8,000 customers in 15 countries. The report utilized the executive roundtable discussions, Agents of Change videos, as well as numerous executive interviews to discuss the impact on the industry as it faces disruption along with opportunities for new collaborations and innovation.

For more information, explore the report website at www.worldfintechreport2017.com.

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About Efma

A global non-profit organisation, established in 1971 by banks and insurance companies, Efma facilitates

³ BigTech refers to large technology players that are offering technology products and might also be offering or have the potential to offer financial products. e.g., Apple, Google, Facebook, Amazon etc

⁴ Platformification refers to firms providing back-end core processing services to few firms (traditional, non-traditional, and/or BigTech) that would own the front-end customer relationship

networking between decision-makers. It provides quality insights to help banks and insurance companies make the right decisions to foster innovation and drive their transformation. Over 3,300 brands in 130 countries are Efma members.

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