Published by
FINTECH FUTURES
www.bankingtech.com

In association with Flybits

FINOVATE SPRING SUPPLEMENT

7-10 MAY 2019

INSIDE:

- New wave of disruption
- Five imperatives to scale your fintech
- And more!

@FinTech_Futures

Greetings, and welcome to FinovateSpring!

It's always exciting when we get to come to the West Coast of the US, and this year we're delighted to be returning to downtown San Francisco after spending a couple of years further south in San Jose. Fintech innovation continues to spring up all over America (and beyond), but the Bay Area is still America's technology hub, and San Francisco is truly unique as an intersection between finance and technology.

You'll get a sense of this vibrant fintech ecosystem as you take in the demos over the next few days. And as you watch them, pay attention to how young this group of presenters is. 60% of the companies you'll see are seed-stage/early-stage, which makes our FinovateSpring cohort the youngest group of presenters we'll see all year. Just under two thirds of our demoing companies are completely new to Finovate, and the companies who have been on one of our stages before all have new technology to show you.

This start-up mentality and the focus on early-stage companies have always made FinovateSpring one of my favourite shows of the year, and it's great to see this trend continuing even as fintech as a whole is undergoing a period of consolidation. As a greater percentage of VC funding is going to a smaller number of companies in the hope of zeroing in on the next unicorn, it's vital that the industry maintains an environment that's open to new ideas, new companies and new individual talent.

Cutting-edge innovations from driven entrepreneurs force the industry as a whole to continuously improve. While the process is not always a comfortable one for incumbents, it's vital to the long-term interests of the only major fintech stakeholders that you won't find in the room here today: the average banking customers who we all depend on for our livelihoods.

I genuinely hope you enjoy the next few days, and I hope you walk away inspired by the energy, mentality and technical capabilities on display. And even more so, I hope you find something new. ***FS***

Sincerely,

Greg Palmer
VP, Finovate

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It's time to disrupt "disrupt"

BY ***GREG PALMER***, VP, FINOVATE

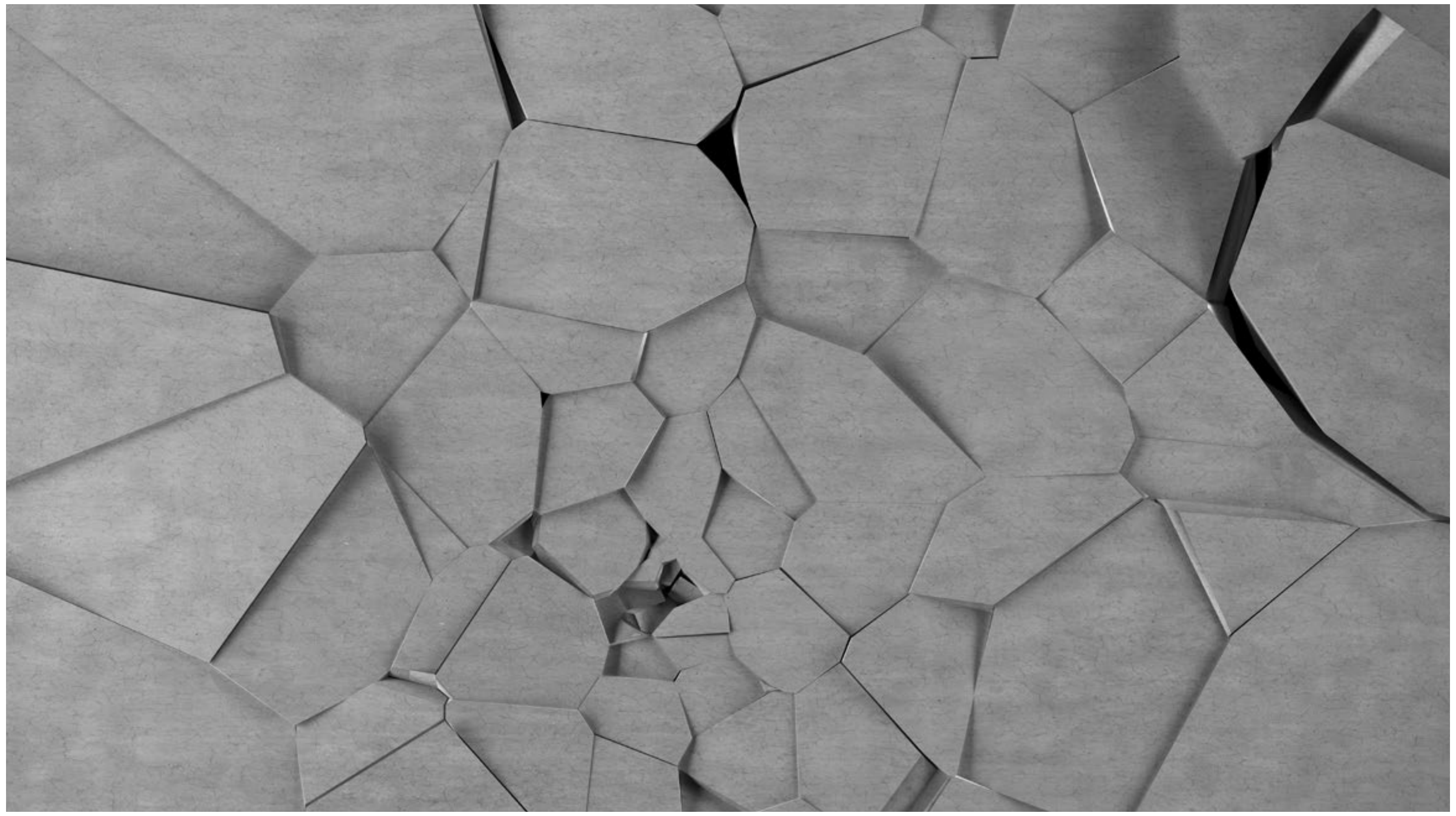
As any successful entrepreneur will tell you, language and messaging are crucial to long-term success. Being able to deliver the right value proposition to the right audience at the right time is a skill that frequently separates those who get funded (or close their first customer, establish a key partnership, etc) from those who don't. Fintech as an industry, though, has a problem with language: namely, we don't have one.

The word "fintech" itself illustrates the problem. It's a combination of the words "financial" and "technology", and while the two words blend nicely into a shorthand slang word that rolls easily off the tongue, the two different groups that it joins together frequently have trouble communicating with each other.

It's not difficult to see where that disconnect comes from. Innovators who come from a technology background (particularly young innovators who create start-ups) are pushed to adopt the language that venture capitalists (VCs) like to hear. They are rewarded for creating pitches that sound similar to the pitches other successful technology companies have used in the past, regardless of whether those success stories operate in finance or other areas altogether. An elevator pitch that includes words and phrases like "disrupt", "hockey stick growth", "gamification", or "the Uber of X" tends to play well in the tech community. Even if some people roll their eyes at the obvious use of buzz words (Finovate Bingo, anyone?), enough companies use this type of language to describe themselves that it's clear that these words and phrases still resonate with those who decide what companies get funded and what companies don't.

The financial industry, needless to say, has an entirely different set of language that stem from a very different source of motivation. For one thing, banks and other companies that move money from place to place are much more heavily regulated than most other areas that have seen dramatic technological disruption. If a new company starts putting electric scooters on sidewalks that can be rented by anyone for short periods of time, for example, they may eventually face some sort of legal repercussions as municipalities respond by adjusting their traffic laws, but this type of innovation typically moves faster than governments can, which minimizes the company's exposure to risk. Banks, though, face very real and very well-established risks for non-compliance, which means that they can't operate with the same "it's better to ask forgiveness than permission" mentality.

Another major factor is that banking as an industry is necessarily much more risk-averse than the tech industry. VCs can afford to chase unicorns because they know that one big win can make up for a large number of investments that didn't pan out. For a financial institution, though, a failure rate of 1% is unacceptable. A small misstep can quickly erode customer trust, and an untrustworthy financial institution won't be an institution for much longer.



> This is a problem that is unique to financial technologists: in no other technology arena do the disruptors need the complicity of the disrupted to function.

These fundamental differences mean that technologists are implicitly coached use a very different kind of language than financial professionals are, which leads to a disconnect in the fintech industry.

To some extent, this disconnect can be seen as a holdover of the early days of fintech, when innovators were really trying to disrupt the banking industry in the most literal sense of the word. Innovations that were ready to "put the banks out of business" were common, and many companies believed that a fintech company could succeed by going directly to consumers, without needing any help from the more traditional areas of finance. There certainly have been some notable winners that have been able to do that, but the vast majority of companies haven't been able to dislodge more traditional FIs, who enjoy an immense institutional advantage. Fintech innovators have responded to that reality by creating products that sell through traditional financial institutions rather than selling past them.

> A fintech start-up now finds itself in an awkward position of having to pitch VCs using language that is likely to disturb the companies who are their intended customer base.

This fundamental strategy shift, though, hasn't brought with it a fundamental shift in the language fintech technologists have to use. A fintech start-up now finds itself in an awkward position of having to pitch VCs using language that is likely to disturb the companies who are their intended customer base.

No word highlights this dichotomy better than "disruption". To a VC, disruption represents an opportunity, a correction of an institutional inefficiency. To a banker, a disruption is a major problem, something to be avoided at all costs. This is a problem that is unique to financial technologists: in no other technology arena do the disruptors need the complicity of the disrupted to function.

It's important to enter some caveats here. There will always be fintech companies that seek to bypass established FIs and go directly to consumers, and that's a good thing. That kind of direct competition keeps the industry honest, and will ultimately help end-users have better products and cleaner experiences. It's also true that there are more and more venture capitalists who specialize in fintech and have a strong understanding of the unique challenges facing the financial industry and the motivations of the people who operate inside of it. And finally, there has always been room in fintech for innovative companies that bring together a team of people from both banking and technological backgrounds. The lines between "innovator" and "banker" are blurry, and they're getting blurrier.

Those caveats don't change the fundamental truth about the language of fintech, though. There is still "fin" language and there is still "tech" language, and until those two languages blend together, there are always going to be uncomfortable disconnects between the major factions within the industry. At best, those disconnects are an annoyance, a small distraction that needs to be corrected for when reading information from a specific source. At worst, though, this disconnect can lead to missed opportunity on both sides, and a failure of two parties to find a common interest that serves them both well.

"Fin" and "tech" don't always get along, but the more they can speak the same language, the better they'll both be served. The time has come to disrupt "disrupt". ***FS***

To keep bigtech at bay, banks should see fintech as friend, not foe

Bigtech is embedded in every facet of modern life. Acting as concierge services, platforms such as Netflix, Uber, Amazon and Google set the standard for how consumers interact with the world around them. These companies have set high benchmarks for consumer expectations – benchmarks that consumers also want from their financial institution.

To compete and stay relevant in the face of change, financial institutions must look to revolutionize the types of services they offer consumers. This can come in the form of lifestyle banking, AI-driven, smart offers and predictive next-best-action. However, in the face of mounting competition, financial institutions must go a step further to stand out from the crowd.

Impossible as it may seem, this is a feat that can be accomplished by leveraging contextual intelligence and layering it on to proprietary data to deliver hyper-personalized customer experiences.

To achieve this in a timely manner, banks need to partner with fintech and leverage their capabilities to revolutionize banking and combat bigtech.

When banks and fintech collaborate

A collaboration between fintech and legacy banks has the potential to thwart any attempt made by bigtech to take over the financial services space. Envision a bank with better customer service than Amazon and better personalization than Netflix. By joining forces with fintech, banks can make this a reality in the not-so-distant future.

Predictive, personalized products and services will lie at the heart of the elevated banking experience. Imagine if you could surprise and delight a customer with an offer based on their proximity to a shop they frequent, identify that a customer is traveling and provide suggestions and discounts on local attractions or popular restaurants, and even provide non-traditional services like proactively notifying consumers of delays in their commutes. Technology that can read and act on data in real time can do that and more. From recommending investment products to customers with rising incomes to recognizing optimal times to directly engage with customers, banks have a world of possibilities ahead.

Technological innovation is the banking battleground of the present and near future. Consumers want new and better services more specifically tailored to their needs and goals. To provide this, banks must explore the possibilities of smarter technology.

Daunting as it may seem, making this technological shift doesn't necessitate a full-scale infrastructure revamp. Rather, it requires careful consideration of the fintech partnerships that are made in the process. Specifically, solutions that can work with your organisation by plugging directly into your bank's existing infrastructure ensure a quicker time to market, allowing you to provide better customer experiences and see improved ROI sooner. ***FS***

Five imperatives to help you scale your fintech

BY ***GREG WATTS***, FOUNDER, DEMAND CREATION PARTNERS

Here's a situation I often encounter with clients and prospects in the fintech space:

- They're the founder/CEO/COO/CGO of a successful fintech.
- Their company has been trading for a few years, has between 30-60 employees and is growing rapidly.
- They've secured solid investment (Series A-B, but pre-IPO) earmarked to enhance product, enlist partners and grow new markets.
- They want to exit the business in 18-24 months, having made large sums of money.

Needless to say, these individuals want to rapidly scale their business. The question is, what's the best way to do it?

Here are five imperatives for any fintech wanting to accelerate growth:

1. Research target markets thoroughly

It may sound obvious, but it's surprising how many fintechs haven't undertaken detailed research to underpin their growth strategies. Research doesn't have to take long — or be expensive — but it needs to be done well. For example: What are the characteristics of your target markets or sectors? How do you prioritise which to enter?

Many fintechs want to start with the UK and USA, but they frequently underestimate the time and level of investment required to effectively compete in these mature markets. As a result, they can fail to make the impact sought by investors.

It's often better strategically to start by targeting smaller markets with high growth potential and lower barriers to entry, then create powerful case studies to facilitate entry into more established markets.

2. Be clear who your target customers and partners are

Many fintechs target prospects too broadly, then get frustrated when their efforts yield few results. As a fintech, your customers will typically be retailers, issuers (banks), acquirers or other payment-related businesses.

Within retailers, for example, it's vital to understand who you're targeting. I sometimes hear: *"We want to go after **all** retailers."* That's an impossible task. How can finite sales and marketing efforts be marshalled to pursue ***all*** retailers?

You need clear prospect criteria to prioritise your commercial efforts. For instance, does your solution help increase conversion or basket size – or both? Are you targeting higher or lower frequency purchases? Does your solution help every sector or just some? Once you have these criteria in place, you can allocate weightings and tier the prospects into groups.

Once agreed, your final target list should be visible throughout the business, with every staff member understanding who you're going after and why. Marketing activities, from lead generation and PR to content creation, should be focussed on helping the sales team get in front of targets – and ultimately, closing the deal. A good way to keep up sales momentum is to create "command post" meetings focussed around the pursuit of particular tiers.

3. Identify key stakeholders and buyer personas within your target customers – then create messages that resonate

Where individual stakeholders are concerned, try to go beyond the C-suite – who, yes, often have the final say and own the budget – to identify middle and senior managers who have influence over purchasing decisions. For loyalty fintechs, for example, these might include the head of loyalty or a senior marketing manager. In addition, reach out to support functions such as procurement and finance, which are often overlooked when it comes to building advocacy within a target client.

Once these stakeholders are mapped out, the next step is to create buyer personas. Understanding the goals and challenges of these stakeholders will enable you to create targeted messages for your contact strategy and marketing efforts.

Remember that your teams can help expedite the outreach as its likely they'll have some of these stakeholders within their networks. Make it a group effort.

4. Demonstrate an understanding of your prospect's business in the first meeting

One of the first things I ask a new client to show me is their sales pack. I do this because I want to understand how they pitch. In nine out of ten packs I see, the majority of content is about the company's business.

This fails to tell the prospect how the company can help them; why they should partner with them; and crucially – how much money they could make.

In the first meeting with a prospect, fintech representatives should demonstrate an understanding of the prospect's business. This can be done quickly and easily by looking at annual reports, LinkedIn bios and other secondary sources. It's also an opportunity for you, as a fintech, to validate your assumptions – for example: What are the prospect's challenges? How can you help them? Why should they partner with you?

It's amazing how a prospect will open up once they've seen you've done your homework; and they'll be more receptive about learning about you, too. A little preparation goes a long way in establishing your credibility and creates an opportunity for continued discussion.

5. Show them the money

Second meetings are the time to show prospects the size of the opportunity. This can be presented as a value model, using an interactive spreadsheet, which allows you and the prospect to have a conversation about how much they could potentially make.

For fintechs targeting retailers, there are often two considerations. The first is: How many more incremental (new) customers can they bring to the retailer? The second is: How much more will existing customers spend as a result of engaging with this new product or service?

In summary, if market acceleration is a priority, it's imperative that fintechs know their target markets, clients, stakeholders and buyer personas – and frame their proposition in a way that helps the prospect achieve their goals. Taking the time to do this will also allow you to better focus your resources – yielding more impressive results. ***FS***

About the author

Greg Watts is the founder of Demand Creation Partners, a London-based growth consultancy that helps fintechs and payment firms to scale.
He was previously Head of Market Acceleration at Visa Europe.

The world of payments is well and truly open

OPEN BANKING AND REAL-TIME PAYMENTS ARE TURNING THE TRADITIONAL RETAIL BANKING MODEL ON ITS HEAD. ARE YOU READY?

Widespread adoption of open banking in the US is not too far away and as seen in the UK and Europe, it can only be a good thing for creating a level playing field and enabling greater consumer choice and a better experience.

The new wave of banking platforms is highly secure, cloud native, API first and utilises micro-services architecture, which not only is solving some of the big questions around data sharing and security, it is game-changing.

> "I've been in and around payments since the founding days of PayPal. Nowhere have I seen a payments platform as modern, clean and easy to integrate with as Form3. Their deep understanding of global payments, together with their responsiveness and technology, make payments beautifully simple to the provider and almost invisible to the customer."
> *Bill Harris,*
> *former CEO of PayPal, Intuit and Personal Capital*

While some major US banks are tackling the challenge of building their own digital payments platform, increasingly a number of digitally native banks are emerging, utilising third party specialist platforms to deliver new propositions to customers quickly, easily and at an affordable cost.

Until recently, access to real-time faster payments has typically been limited to only a few banks but this is changing. As seen in the UK and Europe, digital payment services are not only widespread across the financial community but now payments are processed end to end in real-time (under ten seconds).

Form3 was founded on the belief that we can create better experiences for customers and their users when moving money globally. Leveraging technology to lower barriers and open up clearing and settlement scheme access to financial communities in order to move money in real-time is our mission.

By combining cutting edge micro-services technology and APIs, backed by decades of banking and payments expertise, Form3's end-to-end, cloud-native, payments platform enables access to payment schemes and real-time transaction processing through a single API. The cloud-native, nature of the Form3 platform means that as customers grow, they can scale their mission critical payments environment instantly. It's all automated, no hardware, no software and the service is fully managed by our 24x7 operations.

What makes Form3 relevant today and in the future is that we continue crafting payment technology solutions that make moving money faster, easier and more economical for financial institutions in their home markets and across borders. Removing the technology and engineering burden from customers means they can focus on delivering new propositions and an enhanced experience to their users. ***FS***

Find out more at www.form3.tech

The subtle art of holding yourself accountable: running away with the circus

BY ***LEDA GLYPTIS***, CHIEF OF STAFF AT 11:FS AND CEO OF 11:FS FOUNDRY

Knowing when to say "this is not my circus, these are not my monkeys" is important to your sanity and other people's accountability.

Don't you even tell me you have not been tempted.

To run away.

And join the circus.

Not literally.

But a figurative departure from all that holds you hostage, that pins you down, that mutes your melodies and dulls your colours. The temptation to think that what holds you back is situational can be, at times, so strong. Living and working and delivering and dreaming and growing and dying by numbers and other people's yardsticks. Surely if you moved away from the situation that imposes all this upon you, it would also stay behind... with the situation...

Don't you dare tell me you have never been tempted to run off to the other side of the world, become an antithesis of yourself, a denial of everything you have spent time building, just to prove that you can.

Be.

Differently.

And what can be more romantic, more radically unconventional than the circus. Monkeys (I. Love. Monkey babies. Don't say a word) and acrobats, lion tamers and contortionists. Lights and magic and illusion. And each morning a new road.

Don't tell me you have not been tempted.

The circus comes to town

Whatever, lady. I am a banker, I hear you say.

Why so am I, what a coincidence.

And when the circus comes to town, small children dream of elephants and monocycles on a tightrope. But when the circus comes to the City the stakes are higher, as are the somersaults and hopes of greatness that come with it.

Don't you tell me you have not been tempted.

To run away.

And join the circus.

Jump on a bandwagon. Do the jazz hand thing. Or at least take the sweet escape of the corporate circus, since you haven't yet run away to join the real one: a little taste of freedom, a little taste of unconventional creativity. And the safety net of corporate approvals.

You know what I mean.

The breath of freedom we all shared when the fintech circus came to town and our corporate overlords allowed us to train with the clowns and the lion tamers. To learn some tricks and join in some acts.

The breath of freedom we all shared when the fintech circus came to town and our corporate overlords allowed us to train with the clowns and the lion tamers.

And as it turned out, to talk the talk and leave the walk to others because the circus packs up each morning and decamps to the next destination, so if you are the doing type you will be disappointed. But if running away from the metrics and the Powerpoint and the hard meetings and the measurements and the drudgery of talking at cross purposes was what it's is all about, then you may be in luck. Because the circus does come to town with alarming regularity. Most recently it was fintech but don't be fooled. There is always something.

Joining the circus

Don't you even tell me you have not been tempted.

To run away.

And join the circus.

And not have to go another round of pointless fighting with the guys from the CAO's office, or any other flavour of business prevention department. So the fintech circus didn't take you with it. You still have to go back to the office. You still have to do projections and Powerpoints and sit in meetings that resolve nothing, address nothing, move nothing forward. And you blame the circus. For not being real. For not taking you with it.

But hey.

Why didn't you keep it with you? A small scrap of sequinned costume? A peanut shell? A taste for freedom?

The monkey enclosure

The reality of life in big corporates is that everyone seems to resent the grey, the constraints, the lack of imagination, cooperation and flair. The lack of decisiveness and true ambition, for the team and the organisation. There is plenty of individual ambition and vying for position.

Everyone vocally resents all this. And everyone feels equally innocent of creating and perpetuating it, equally helpless to change it. Trapped in the monkey enclosure and, while someone else holds the keys, it's monkey see monkey do.

And if monkey get the corner office in the process, then monkey happy even if, secretly, monkey still dreaming of open spaces, freedom and running away from the circus to whatever freedom looks like once you've done the circus thing.

Because let's face it, it is all a matter of perspective and although there is no life without constraints, what you do within those constraints is ultimately a matter of choice. Do you mimic the other monkeys? Do you dream of running away with the circus? Or do you actually sit up and go "hold on a minute".

This may be your circus but these are not your monkeys

Not everything is your problem, not everything is yours to fix.

Knowing when to say "this is not my circus, these are not my monkeys" is important to your sanity and other people's accountability. But equally, knowing when to own the monkeys matters. And yes, this may not be your circus. Neither the corporate monkey enclosure you find yourself in nor the questionable "ecosystem" that has given you a whiff of freedom and no end of headaches. And yes, you may be tempted to join the circus and run away with it. Work for a charity. Go back to school. Move to the country and start a small business. Break away from the hamster wheel. The reality is, you are here. And even though this is not your circus, these could well be your monkeys. And there is something you can do to end the madness.

By behaving differently.

By expecting different and allowing different.

By admitting that you are tempted to run away and so are others. So, rather than all of us running away with the circus and bringing all our bad habits with us, why don't we bring some of the circus here? Not the jazz hands and monkey noises. But the sense of freedom, magic and possibility.

Have the analogies gone too far?

Okay. Try this one for size.

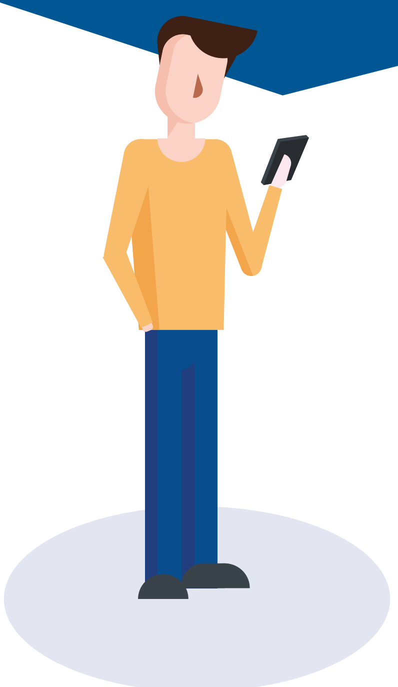
The things you want to run away from bug us all. And by thinking that they are not yours to fix you allow them to carry on. And by feeling innocent of their existence you become guilty of their perpetuation. And when you ran away to the sanctioned fintech circus you found that, actually, change is hard and it takes two things: will and effort.

In your desire to join the circus, in your dreams of leaving, you have the will alright. Now make the effort. These are your monkeys. With enough effort, courage and accountability this can become your circus.

And when people start running away to join you, you know it's working. ***FS***

Leda Glyptis, 11:FS

GIVE YOUR CUSTOMERS
WHAT THEY NEED, WHEN THEY NEED IT.



Flybits helps you know what your customers need in the moment, so you can deliver the right experience that will help them reach their goals. This is the power of hyper-personalization. And our contextual recommendation engine makes it all possible.

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Learn more at flybits.com