
Incumbent and Emerging Financial Service Providers

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Sorting the Hype Cycle

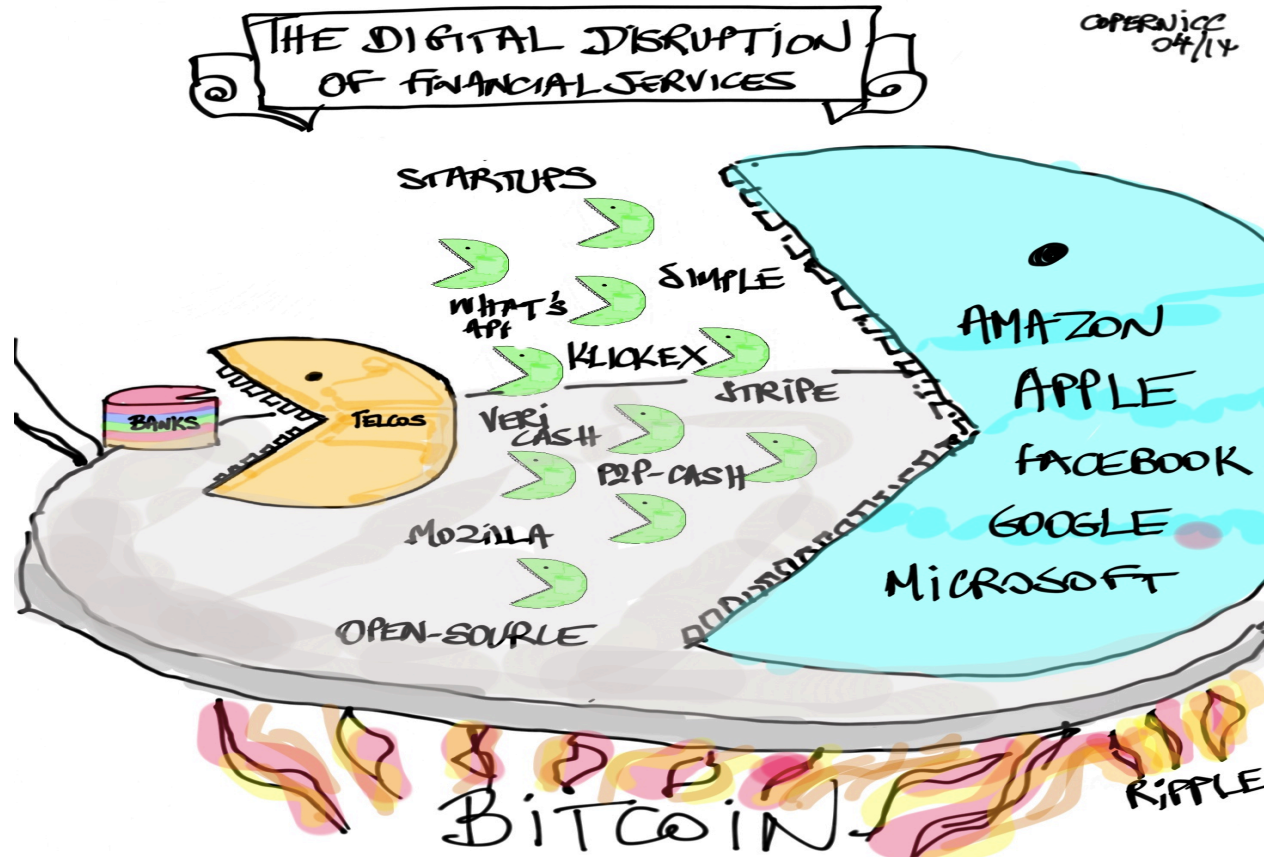
FileNet and University of California, Irvine

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What is FinTech?

- Working definition:
 - Any technological innovation that improves the delivery, access, and/or efficiency of the financial system
- FinTech has been around for decades
- What is different now?
 - ▶ More customer focus (cc networks vs p2p)
 - ▶ Access to customer data in real time
 - ▶ Integration into platforms run by financial institutions

Digital Disruption



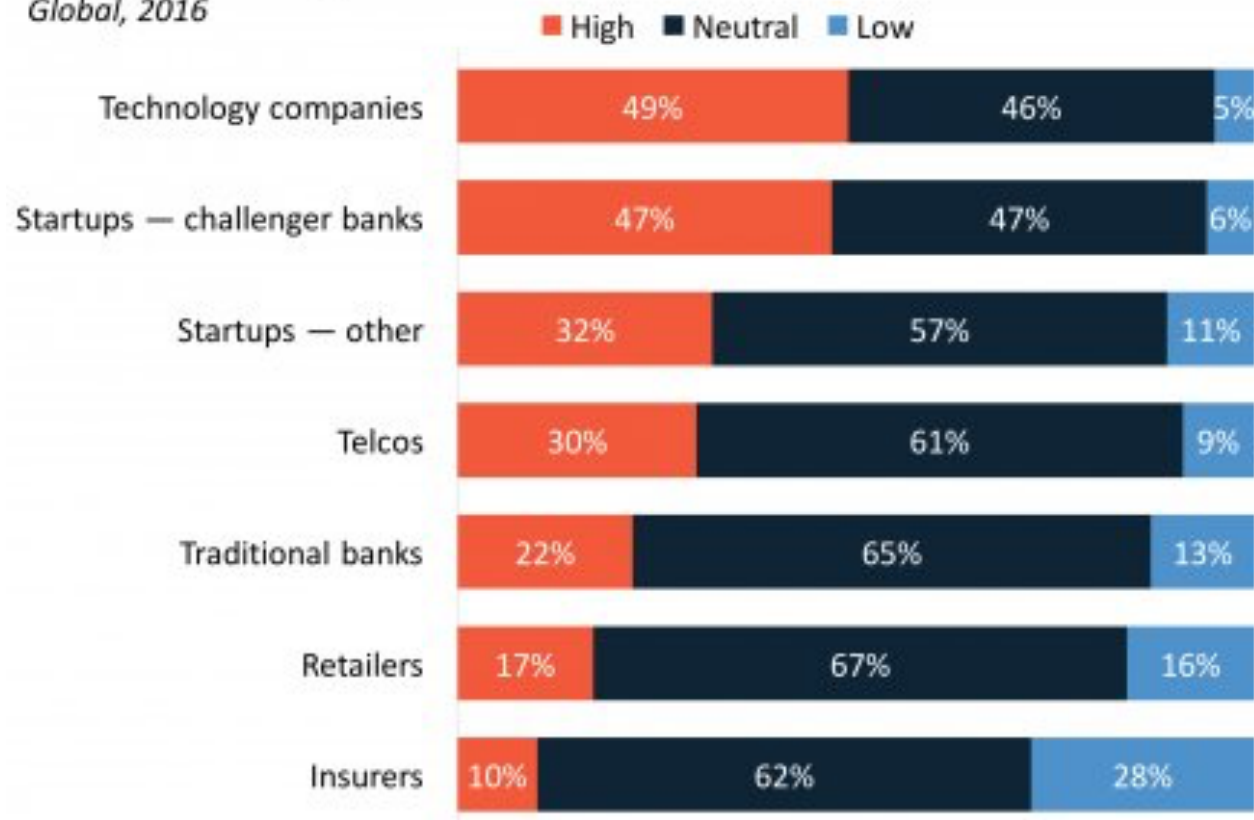
Source: Kosta Peric in Ripple Insights, June 16, 2014

<https://ripple.com/insights/kosta-perics-mission-to-reach-the-unreachable/>

Likely Disruptors According to Banks

Incumbent Banks' Assessment Of Threat Posed By Industry Disruptors

Global, 2016



Source: Efma, Infosys, n = 158

BI INTELLIGENCE

FinTech Firms' Retail Focus

- Lending to consumers and businesses (untapped markets)
- Payments and transfers among consumers and businesses (domestic and international)
- Wealth and asset management (robo advising and financial management)
- Insurance (lower fees, better service, or improved risk management)
- Cryptocurrencies (cross border, digital payment alternative)
- Blockchain technology (better management of transactions and supporting documentation)

Why Consumers Use FinTech Products

Easy to set up account	43.4%
More attractive rates/fees	15.4%
Access to different products and services	12.4%
Better online experience and functionality	11.2%
Better quality of service	10.3%
More innovative products than traditional bank	5.5%
Greater level of trust than traditional bank	1.8%

Source: The Fintech Blog, June 9, 2016.

Strategies for Traditional Financial Institutions

- Traditional financial institutions should have a holistic approach to digitalization of financial services
- Traditional financial institutions need to partner with FinTech and other firms to provide seamless delivery and processing of financial products
- Traditional financial institutions should provide more customized products to their customers especially across the demographic and socio-economic spectrum

Digital Mint and Financial Inclusion

- Digital Mint, Chicago-based, is democratizing access to digital payments via Bitcoin at 62 locations across 10 states
- Initially, targeted at low- to moderate-income neighborhoods
- Technology enabled POS applications placed in check-cashing outlets and other venues
- Unbanked consumers benefit from access to digital payments that are necessary for online purchases
- Merchants benefit from lower transactions costs than credit cards

The Inamo Platform

- Peter Colbert, an avid surfer and engineer, created Inamo for on-the-go consumers as an information platform to enable payments
- Piloted product in Australia to great success
 - ▶ In a short period, daily usage among users is relatively high at 17% compared to 5% for prepaid/debit and 2% for Apple Pay
- Pay with your sunglasses



The Inamo Curl



A small waterproof NFC chip

Used to make payments at
NFC enabled terminals



An Interesting Issue

- Cannabis recreational consumption has been legalized in certain states but not at the federal level
- Benefits include increased tax revenue, safer product, and reduction in crime
- However, cash is dominate payment mechanism because financial institutions are worried about enforcement at the federal level
- Challenge: what would be a digital payment solution for the cannabis industry?

Conclusion

- Partnerships between traditional financial service providers and FinTech firms will continue to grow
- Digitalization of financial services is moving forward and all financial service providers will have to evolve to continue to provide value to consumers and businesses
- Data analytics and product customization will be key
- Challenges going forward include privacy, cyber security, consumer protection, and legal infrastructure