



News release

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Customer in driver's seat as banks seek to collaborate with FinTechs

28 July 2016 – A vast majority of banks are concerned that part of their business will be lost to new FinTech entrants who better understand evolving customer needs. As they work to improve their customer service, many banks are engaging in partnerships with FinTech companies, and it's the customer who's benefiting.

These are the main banking findings from PwC's 2016 Global FinTech Survey.

As many as 76% of the banking respondents in the survey think part of their business is at risk to FinTech. They see start-ups going directly to the end-user, bypassing banks altogether. Unsurprisingly, a loss of market share and margin pressure are seen as the key threats in the banking industry.

Three-quarters of the survey respondents see an increased focus on the customer as the top impact FinTechs have on their business. But while customer orientation is a weak spot of traditional banks, it's a position of strength for start-ups. New entrants have identified customer frustrations as an opportunity and are building solutions to address these, while traditional banks are still lagging behind in delivering incremental improvements.

This may explain why competition between banks and new entrants is beginning to give way to direct collaboration. Banks are the most active of all financial sectors in partnering with FinTechs. 42% of the banking respondents in the survey say they are engaging in joint partnerships and setting up venture funds to finance FinTech companies.

Manoj Kashyap, PwC's Global FinTech leader, says:

“Customers want convenience, personalisation, accessibility and ease of use. To live up to these expectations, banks and FinTechs should focus on opportunities that leverage each other's strengths, whether in product design and development by start-ups, or distribution and infrastructure capabilities by banks. FinTechs are great at offering product simplicity and seamless integration, but they lack the proper IT security and regulatory certainty that banks have. We see both sides coming to the



realisation of a new, mutually beneficial relationship and it's ultimately the customer who will benefit the most from this.”

But Kashyap warns that while cooperation between traditional banks and new entrants is important, it is still early in execution and agreeing on optimal ways of working can take time:

“Meanwhile, banks should start simplifying products and services to facilitate comparisons between the market players and reduce client confusion. In parallel, it is crucial that banks design products with the user experience in mind instead of the common ‘processes as design guidelines’ approach. Finally, banks should listen to customer feedback and develop into offerings in a timely manner. These actions must be taken regardless of the FinTech-caused disruption.”

Ends

Notes to editor:

1. The report “Customers in the spotlight - How FinTech is reshaping banking” is part of the 2016 PwC Global FinTech Survey and can be downloaded here: www.pwc.com/fintechreport
2. The 2016 PwC Global FinTech Survey gathered the views of 544 respondents from 46 countries, principally Chief Executive Officers (CEOs), Heads of Innovation, Chief Information Officers (CIOs) and top management involved in digital and technological transformation, distributed among five regions. The banking-focused cut is based on the responses of 163 respondents from banks around the globe.
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