

The Convergence of FinTech

Newly Formed Financial Services Companies Are Succeeding

Financial institutions run the risk of missing an entire generation of users that increasingly exhibit mobile and web only behavior, place emphasis on user experience over depth of functionality, and expect more automation over manual process. As financial technology (FinTech) companies converge into offering basic banking products, financial institutions must leverage their existing platforms and evolve their services in order to remain competitive. It is clear that FinTech companies will take significant market share away from established financial institutions that do not keep up with banking technology or trends in consumer use.

The Convergence of FinTech towards Banking Services

FinTech companies are rapidly converging towards traditional banking products and services, yet only a fraction of Financial Institutions offer the functionality of FinTech companies.

FinTech companies operate in a number of niche verticals:

- Brokerage
- Automatic savings
- Bill negotiation
- Personal financial management
- Financial aggregation
- Crypto
- Marketplace lending
- AI-Driven insurance

By comparison, financial institutions typically offer these products & services:

- Debit card
- Money movement (internal transfers, ACH, wires)
- Card controls
- Transactions
- Loans
- Messaging / Self-service
- Personal financial management

FinTech Companies that offer or will offer debit cards¹:



¹ https://www.cbinsights.com/reports/CB-Insights_Fintech-Trends-2019.pdf

FinTech companies – regardless of vertical – are converging towards traditional banking products and services (i.e. debit cards). By comparison, the number of financial institutions offering functionality mirroring financial technology companies is very small.

Robinhood & the Brokerage Business²

“In the next couple of years, I think you’ll see Robinhood looking like a full-service consumer finance company,” Baiju Bhatt, Robinhood co-founder and co-CEO, told CNBC in May 2018.

Changes to the brokerage business is an example of what could potentially happen to traditional financial institutions. Loss of market share, lower growth and higher acquisition costs were a result of a new investing generation that was fed up with:

- Paying fees on a per trade basis
- Antiquated software
- In-person and Human-driven investing (as opposed to mobile-first and automated)
- No fee transparency

It was reported in May 2018 that Robinhood, a commission-free stock trading company, had over 4 million accounts approved to trade compared to the online brokerage E-Trade’s 3.7 million accounts. This statistic is even more impressive considering Robinhood accomplished this in less than 5 years.

What happened to the legacy brokerage business (E-Trade) can potentially happen to financial institutions.

How Financial Institutions Can Succeed

The agility and innovation of FinTech companies are undeniable advantages, though the most formidable are those of Financial Institutions: the ability to facilitate money movement, flexible lending practices, the foundation to power deep banking needs and government backing. We believe the most successful Financial Institutions will be those that integrate a truly user-first, omni-channel approach to banking while employing the following Five Key Elements to Success:

- Offering feature-rich and high value-add financial services natively integrated into mobile
- Streamlining money movement (higher limits, seamless experience, same-day capabilities)
- Prioritizing seamless online account opening
- Valuing thoughtful design and user experience
- Automating banking processes (user-facing and back-office)

As FinTech companies continue to converge towards becoming Financial Institutions, Financial Institutions need to adopt FinTech’s best practices, services and forward thinking technology in order to survive. Our fundamental goal is to provide Financial Institutions with the tools to not only survive, but to experience unparalleled of growth, profitability, and sustainability in years to come.

Email contact@narmitech.com for a demo today.

² <https://www.cnbc.com/2018/05/11/how-commission-free-trading-app-robinhood-tries-to-make-money.html>