Fintech Forever

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Fintech's durability in Spain must not be questioned. Fintechs rely on a sustainable business model in the most advanced international markets, as well as on the capacity of Spanish fintech to democratize our financial sector and make it more dynamic.

However, to achieve this goal, the most important part is missing: doing things right. The leading actors have made it a priority to make clear their specific characteristics and many specializations to the market (as more than half a dozen specializations coexist under the term fintech), and to establish a regulatory framework that supports innovative development in a sector that has yet to regain society's trust in the aftermath of the financial crisis. Despite these efforts, they are not enough; much more must be done, and is being done, to win back the trust of investors and clients.

FINTECH DRIVE

A new revolution is paramount: a new revolution that would boost the sluggish economic growth in the aftermath of the financial crisis. Institutional and private investors boast of their ability to identify business disruptions that catch their investor's eye and **it seems that the fintech sector is fast becoming the new darling of venture capitals**.

These companies allocate many resources towards the reinvention, in terms of efficiency and transparency, of the financial sector; setting focus on customer experience. For this, fintech companies make use of information technology and communication to offer their clients financial services and services that are more efficient and less costly.

The digital boom and the need for a transformation of banking and financial business models have contributed to this. Over a short period of time, these companies have added dynamism to the market. It is calculated that solely in 2016 the total global investment in fintechs amounted to 24 billion dollars, and the cumulative direct investment since 2010 exceeds 75 billion dollars. In Spain, investment is still in the embryonic stage when compared to England or the United States, but the figures hint at a powerful take-off. Just last year, more than a hundred new fintechs were created, for a total of over 240 companies. A peek at the most prestigious innovations labs and start-up accelerators, globally confirm that the fintech sector is on the crest of a wave.

The word "fintech" is, of course, a portmanteau of "finance" and "technology." Technology has an important impact on the manner in which alternative and innovative financial products and services are created or distributed. Innovation is, precisely, what clients value most, even over cost.

Good examples of these innovation practices can be seen reflected in the credit sector. It has felt how fintech have improved their competitively with the irruption of direct business such as fast online loans or the introduction of P2P loans (between private individuals).

Simultaneously to their role of sector invigorator and rival generator, fintech have managed to channel other business needs. In an era where credit is limited, small and medium businesses and start-ups are finding their funding needs solved by the so called Crowdlending and Crowdfunding, from where businesses and projects are funded; the Equity Crowdfunding platforms, for investment via capital; and Crowdinvesting and factoring platforms, with notes for debt compensation.

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Thinking of more traditional business ventures, such as asset management and advice services, this irruption has given birth to investment related social networks where portfolio monitoring, risk assessment, profitability and diversification data is shared. We find on the one hand, businesses with automated assessment and management; and on the other hand, online platforms for the negotiation between investors.

In the field of personal finances, the offer leans towards services that enable a more efficient management, offering the client a better expense control and giving them access to expense predictions based of their previous behavior.

In this journey through the technological world of finance, it is impossible not to mention the agility, speed and convenience that it provides for users and retailers, with the enablement of payments via mobile phones and other electronic devices.

Technology such as blockchain and criptomoney–also referred to as bitcoins–are the pure essence of fintech, for they are based on the exchange of purely digital currency that facilitates purchases, brokerage or the creation of virtual credit cards. They are still a broadly unknown, and for many individuals considered mere words, complex in understanding and pronunciation. Experts highlight, for those more suspicious, that criptomoney permits the immediate identification of the owner, hindering its unlawful use.

These companies invest a lot of resources in re-thinking the whole sector, in terms of efficiency and transparency, focusing on user experience. They seek to solve their clients' problems and provide them with easy access to products and services which were not available to them until now.

It is clear that that exponential technological development is accelerating change in consumers and in what they demand from their providers, particularly from their financial services providers. This revolution suits fintech perfectly, since its mission is to drive digital transformation in to the financial sector.

Fintech also encompasses a wide range of services. As mentioned, it is an umbrella term that includes all kinds of financial services, especially those based on digital technologies and mobile technologies. Having such a broad meaning grants the sector a higher visibility and makes it a powerful lever for change, although, at the same time, it may demand greater efforts in relation to differentiation.

MAPPING ITS OWN ROUTE

At this point, without abandoning the focus on shared knowledge and network based work, a specific roadmap must be defined on an individual basis; to gain the trust of each and every client, to avoid congestion in the market and avoid suffering a blow from any domino effect.

Building a brand image is a fundamental part of success. Such image must also be consistent and sustainable over time, especially for those fintechs whose services are focused on retail and private investors. Thanks to network-based work, business models are no longer something that just a chosen few– those highly qualified or highly innovative–understand, and enabling the opportunity to highlight one's own strengths and specifications. **In other words, the visibility of the sector must go hand-in-hand with the prestige of one's own brand.**

This additional challenge does not arise from technological labs nor does it require rounds of investment. The approach must start of at street level, and based on building dialogue with more heterogeneous groups and penetrating different territories and communities (media, private investors, citizens, millennial and many more). The goal is to start a wider dialogue, maintaining our presence and relationships with peers and the industry while entering a wider, deeper sphere of dialogue, where potential users and clients are. In this respect, one figure is especially representative. The client recommendation rate for their fintech provider is 50 percent, while that for their traditional banking institution is just 30 percent.

Spoken and written communications, dialogue and relationship-building are the strategic tools that will help build this markedly digital business model. An appropriate strategy developed over time, will allow fintechs to gain clients' attention, and that of venture capital funds or private investors.

A second derivative point must also be highlighted regarding the increase in user demand: estimates show that the number of fintechs will double in 2017 (from 200 to 400), bringing with it increased competition in the sector. **Not only does this make differentiation essential but it means that to anticipate this, to differentiate, gain exposure and own brand prestige, constitutes today a unique opportunity.**

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