June 16, 2016 – Bari (Italy)
Users play a key role (*The Roar of the Crowd*)

- **Individual investors** represented 90% of the asset management industry’s net new flows in 2014.

- **Individual investors** will account for nearly 120% going forward, as annual organic growth rates shrink below 2% by 2020.

- **Individual investors** will change the asset management industry in 4 profound ways:
  - **Products**: > $3 trillion of demand between now and 2020 for multi-asset and benchmark-agnostic strategies worldwide.
  - **Services**: > 70% of U.S. financial advisors want more investment-oriented, resource-intensive advice from asset managers.
  - **Productivity**: distributing to individuals is > 1/3 less efficient than selling to institutions, reducing industry leverage.
  - **Regulation**: policymakers worldwide will call for objective and discretely priced investment advice, re-arranging economics for asset managers.

Scenario: asset management

• **Individual investors** will encourage **disintermediation**, an opportunity and a threat for asset managers

• To conquer individual investors, the industry’s most powerful players will need to **compete differently**

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Individual Users + Personalization
Scenario: banks & financial services

• **Digital Innovators in financial services**
  - a significant **threat** to traditional business models of retail banks

• **Retail Banks’ business model**
  a mixture of
  - **Basic services**
    (bank accounts, low-cost checking...)
  - **Added-value services**
    (investment management, credit card fees, foreign-exchange transactions...)

Scenario: banks & financial services

- **Fintechs** (Digital start-ups) can exploit the mismatch on banking’s business model (*Schumpeter’s gale* - creative destruction)

- **Digital Innovators**: low-cost attackers targeting customers in lucrative parts of the sector

- Digital attackers **disintermediate** profitable customer-facing businesses and **avoid** capital-intensive areas

- Most Fintechs
  - Don’t want to be banks
  - Don’t ask customers to transfer all their financial business at once
  - Offer targeted (and more convenient) services
Fintechs


- **Moneysupermarket.com** ([www.moneysupermarket.com/](http://www.moneysupermarket.com/)) started with a single product springboard—consumer mortgages—and now not only offers a range of financial products but serves as a platform for purchases of telecom and travel services, and even energy.

- **Schwab Intelligent Portfolio** ([http://intelligent.schwab.com/](http://intelligent.schwab.com/)) and **Moneyfarm** ([www.moneyfarm.com](http://www.moneyfarm.com)) are online robo-advisor services that build, monitor, and rebalance investment portfolios.

Fintechs’ Landscape

• Customer Segments
  • Millennials
  • SMEs and Small Businesses
  • Underbanked

• Enhancing User Experience (UX)
  • Alipay (http://intl.alipay.com), Chinese payments service: makes online finance simpler
  • Gamification of saving strategies and online finance services
  • Competitions among players comparing users’ returns with those of others. It also makes peer-to-peer transfers fun by adding voice messages and emoticons (whatsappification?)

Fintechs & Venture Capital

$4.9B DEPLOYED ACROSS 218 DEALS TO VC-BACKED FINTECH COMPANIES IN Q1’16

Limiting the data to equity funding involving VC-backed fintech companies shows 2016 on pace to top 2015’s funding total by 36% at the current run rate. Deals are on track to rise 13% in 2016 at the current pace.

Annual Global Financing Trends to VC-Backed Fintech Companies
2011 – 2016 YTD (Q1’16)

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• Available online

• CEUR-WS post-proceedings available soon: email to authors, URL on FinRec 2016 web site
Thank you for being here. See you next year!
when...

...the Brexit scrabble will be solved