The Inevitable
a glimpse into the future of fintech

Julian Kyula
THAT'S A BIG MARKET
YOU GOT THERE
THE FINTECH BOOM
MAJOR SHIFTS IN
Consumer expectations
Digital buying options
Product relevance
THAT’S A BIG MARKET YOU GOT THERE

THE FINTECH BOOM

Over the last decade, this massive market opportunity coupled with shifts in technology, demographics, and consumer expectations has made the idea of disrupting financial services more feasible in the minds of investors and startups.
GLOBAL FINTECH VC BACKED EQUITY FUNDING IN Q3’18:

$5.64 BILLION

ACROSS

375 DEALS

SOURCE: CBINSIGHTS
30 Fintech 250 unicorns valued at $252.94B

2018 Fintech 250 with a private market valuation of $1B+ (10/9/18)

NORTH AMERICA
- United States
  - stripe: $20B Valuation
  - coinbase: $1.56B
  - affim: $1.76B
  - osscar: $3.2B
  - tradeshift: $1B
  - gusto: $3B
  - circle: $3B
  - kabbage: $1B
  - root: $1B
  - symphony: $1B

EUROPE
- United Kingdom
  - TransferWise: $1.6B Valuation
  - Revolut: $1.7B
  - Klarna: $2.5B

SWEDEN

ASIA
- China
  - linshou: $150B
  - lu.com: $18.5B
  - zing: $1.61B
  - caifanzheng.com: $1.43B
  - ehuigu: $1.06B

SOUTH AMERICA
- Brazil
  - nubank: $4B

INDIA
- policybazaar: $1B
- paytm: $7B

Created with: CBINSIGHTS
startups are experiments
THE END STATE FOR MOST STARTUPS IS FAILURE

Source: https://www.cbinsights.com/blog/venture-capital-funnel
“A startup is a temporary organization used to search for a repeatable and scalable business model.”

Steve Blank
“A startup is a human institution designed to deliver a new product or service under conditions of extreme uncertainty.”

Eric Ries
In the last 5 years, there have been 38,135 early-stage startup financings to these “experiments”

(Seed, Series Aonly according to CB Insights)
WHAT MOTIVATES YOUR ORGANIZATION?

F O M O
(fear of missing out)
WHAT MOTIVATES YOUR ORGANIZATION?

FOGS
(fear of getting screwed)
FOGS MINDSET: HERE IS WHY STARTUPS WILL FAIL

“They don’t have our balance sheet….”

“Our brand is trusted…”

“Supply chain is complex…”

“This is a highly regulated industry….”

“We’ve been doing this for 140 years….”

“Clients trust us. They won’t trust some startup….”

“We have a cost advantage…”

“Our risk management capabilities are proven….”
YOUR RESPONSE TO DISRUPTIVE, EMERGING THREATS WILL BE DRIVEN BY YOUR ORGANIZATION’S PERSONALITY

Are you focused on defense… 

...or offense?

FOGS

FOMO

SOURCE: CBINSIGHTS
TONS OF STARTUPS THAT MIGHT IMPACT YOUR INDUSTRY WILL FAIL

SOURCE: CBINSIGHTS
IT’S THE ONES THAT SURVIVE THAT BECOME THE PROBLEM
...AND THE THREATS ARE MULTIPLYING

Cost to Launch a Tech Startup

Source: Upfront Ventures
THE STRUGGLE IS REAL
IT'S NOT GODZILLA VS KING KONG

Incumbents often spend time worried about basis points traded among large peers.
IT’S HARDER THAN EVER TO STAY ON TOP....

Average company lifespan on S&P 500 Index (in years)

Year (each data point represents a rolling 7-year average of average lifespan)

DATA: INNOSIGHT/Richard N. Foster/Standard & Poor’s
The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.

Rupert Murdoch
A NEW FRONTIER?

DEATH BY A THOUSAND CUTS
“Silicon Valley is coming. There are hundreds of startups with a lot of brains and money working on various alternatives to traditional banking. They are very good at reducing the ‘pain points’...”

Jamie Dimon
JPMorgan Chase & Co.
Chairman & Chief Executive Officer
April 2015
Digital banking startups are cropping up globally to challenge traditional institutions

Global VC-backed digital banking financing trends, Q3’17–Q3’18, ($M)

SOURCE: BERKSHIRE HATHAWAY & SOFTINC, CBINSIGHTS
DEMOGRAPHICS: WHEN IT COMES TO FINANCIAL SERVICES, MILLENNIALS THINK DIFFERENTLY

- 18% Switched from their primary bank in the past 12 months
- 40% Would consider banking with Google
- 59% Think financial products are not targeted at them
- 79% View relationship with their bank as “transactional”
Regulators are lowering barriers for tech entrants

The Hong Kong Monetary Authority announces details on its virtual bank licenses
May 30, 2018

Standard Chartered says it will apply to operate a virtual bank in Hong Kong
March 26, 2018

Fintech regulations: Chile follows Mexico’s lead
May 15, 2018

Brazil cuts interest rates to new record low of 6.5%
March 21, 2018

US’s OCC Provides a Path for FinTech Charters
August 24, 2018
Fintech challengers have 15M+ reported users

Combined, startups disrupting banking have attracted millions of customers, accounts, and downloads

Source: Company's respective press releases
THIS IS NOT A ‘TECH INDUSTRY’ THING

AirBnB vs. Public Competitors: Valuations Over Time ($B)

Source: https://www.cbinsights.com/blog/airbnb-hospitality-industry-valuation-breakdown/
“Insurance is an industry that has been lagging behind every other industry – it has been paralyzed. Either you understand it and you move towards the forefront of change … or this industry will disappear.”

Mario Greco
Zurich Insurance Group
Chief Executive Officer
May 2015
Global life insurance premiums:

$2.7 \text{ TRILLION}

Global non-life insurance premiums:

$1.4 \text{ TRILLION}
“You have to sit by the side of a river a very long time before a roast duck will fly into your mouth.”

— Guy Kawasaki
SYNONYMS
- make obvious
- make apparent
- make clear
- make visible

DEFINITION OF MANIFEST:
"To make clear or evident to the eye or the understanding; show plainly"
The Way I Get IT Done

05
TEST
Test it with trusted internal teams and people.

04
EXECUTE
Let it get out there and don’t waste opportunities.

03
BUILD
Start building – don’t waste time on the building

02
SEE
You have to see it even though partially

01
HEAR
Hear it in your soul – this is the thing that I will flow with no matter what
think
LEARN to ADAPT
WHERE VISA IS ACQUIRING AND INVESTING?

Payments Processing

- Stripe
- Square
- SecureKey Technologies
- LoopPlay
- DocuSign
- Better Than Cash
- Chain
- Fundamo
- PlaySpan

Blockchain

SOURCE: CBINSIGHTS
WHERE AMERICAN EXPRESS IS ACQUIRING AND INVESTING

- Verification
- Blockchain
- eCommerce
- Payments
WHERE IS MASTERCARD IS ACQUIRING AND INVESTING

Mobile commerce

Blockchain
UNBUNDLING THE AUTOMOBILE

Created by CBINSIGHTS
www.cbinsights.com
UNBUNDLING P&G

SOURCE: CBINSIGHTS
INSURANCE COMPANIES HAVE PURSUED A RECORD NUMBER OF TECH INVESTMENTS
...AND OVER HALF OF Q1’16 INSURANCE TECH DEALS WERE AT THE SEED-STAGE
WITHOUT DATA

YOU’RE JUST ANOTHER PERSON WITH AN OPINION

W. EDWARDS DEMING