# Fintech and financial institutions in the face of Covid-19

By David Reynders

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Tom and Jerry. David and Goliath. Fintechs and Financial Institutions. I've watched this 'plucky underdog takes on industry giant' movie several times. In 2020, it's profoundly different, though.


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Ten years ago, I was managing director of a startup called POCiT. It was a mobile payment system that was going to change the world. It was a glorious failure, but what a ride it was. We managed to pop up on the competitive radars of all the big players – but we were in no mood to partner with them. In fact, in our utopian little world, they were the enemy. How naive we were.

It was a time of intense awkwardness between fintechs and banks. The overwhelming relationship dynamic was one of suspicion. It was difficult enough to get supplier agreements, let alone be talking about partnerships. Banks were having none of it, and to be honest, I'm not sure we wanted a partnership on any reasonable terms either.

Fast forward 10 years, and it's a different movie. There's been a sea-change in the way fintechs and financial institutions work together – especially now, in the midst of a global pandemic that's demanding more innovative digital solutions, and demanding them right now.

## Unlocking the magic

Fintechs are innovative and agile, but they've realised that building a client base, and trust and credibility, is really difficult.

Every sale that they make is a slog. They've got to sell themselves to the client first, and then only get to the product.

Big financial institutions have massive brand equity that people trust, and hundreds of thousands of customers, but they haven't always been agile when it comes to bringing new products to market.

Fintechs have low costs, agility and passion. Banks have brands, trust and a footprint.

See where this is going? Increasingly, the dynamic we're seeing is that when you can combine an innovative, nimble, risk-taking culture with an established brand, a massive customer base and a sense of trust, you can unlock magic. Suddenly, we're not fighting over the same pie anymore. We've created a much bigger pie. Now, fintechs can actually change the world and be profitable, while big banks can bring great new offerings and value to their customers.

**Collaboration**

And so, the light is going on for many people: why don't we work together, to offer real value to our customers, who otherwise wouldn't have had access to the innovation at the same scale? It's the kind of win-win situation that should be taught in business schools.

But. Yes, there's a but. While many players are realising that this kind of cooperation can unlock immense value, the success rate of collaborations between fintechs and big financial institutions has been relatively low until now. That's because not everyone has worked out how to make these partnerships work.

Fintechs have to be able to slow themselves down and understand big institutions have multiple stakeholders and processes and a lot to lose if a mistake is made. Banks have to acknowledge that fintechs don't necessarily have the resources or skills to operationalise themselves at the scale that's required. To make this type of partnership work, everyone has to put on their grown-up trousers and see the bigger picture.

It's not always attainable. Sometimes, the culture gap is just too big. We've seen several examples of big institutions buying interesting fintechs and their products, and after a couple of years, the founders simply buy it back, because they just couldn't make it work. Yet we have also seen other cases, such as in Merchant Capital and Standard Bank's partnership, where it works brilliantly.

One thing is for certain, though. There's a new template for engagement in play; a new set of rules that offers the possibility for far more value for end-users. Now that's a movie we can all get used to watching over and over.

## ABOUT THE AUTHOR

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