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# Much Ado About Nigerian Fintechs?

## The Social Media Banking Hype

There had been a lot of hype about social media banking prior to 2015, with some analysts predicting that bank branches only had a few years before social media would completely take over. As a result, Ciuci Consulting decided to investigate this through its annual retail banking survey.

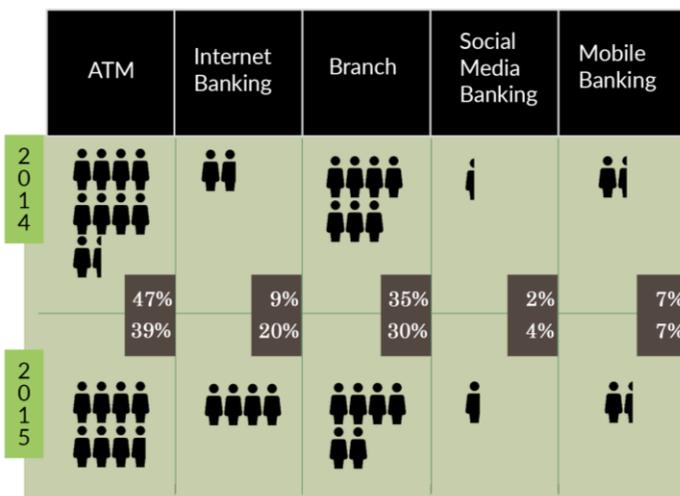
► Based on the insights from both the 2014 and 2015 reports, it is clear that social media as a preferred channel of engagement increased marginally from 2% to 4%. However, preference for branches reduced from 35% to 30% indicating that the preference for non-branch channels increased overall. Another interesting takeaway is the increase in the preference for internet banking, confirming that although engagement via social media is not yet significant, customers are still gravitating towards internet based platforms. This perhaps points to why Fintechs are appealing to many users of financial services.

## Now Fintechs.

Fintech is a new fad in the innovation world. It refers to a line of businesses using applications, software and modern technology to provide financial services to consumers. They act as disruptors to the traditional model of banking, selling financial services and solutions directly to customers. Fintechs are often quicker and more responsive to customer needs in their operations and provide seamless integration of financial services into the lives to today's customers.<sup>i</sup>

Some of the popular global Fintechs include PayPal and Atom Bank. PayPal allows users to send and receive money, make online payments, and setup merchant accounts. Atom Bank on the other hand, is a bank exclusively for mobile, delivering all their services via an app.

Atom Bank is setup as a bank for the future. CEO, Mark Mullen, who has 28 years banking experience in business and retail banking, believes traditional banks are weighed down by their past and therefore, decelerating their response to innovation. He believes this provides a strategic advantage to Fintechs such as Atom to fully dominate the future of banking, providing solutions for tomorrow's customers.<sup>ii</sup>



### Customer Preferred Channel of Engagement

*\*Referenced from Ciuci 2014 & 2015 Retail Banking Report*

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The futuristic bank is now targeting the mortgages market in the UK, raising £100m from its shareholders to commence its competition with traditional banking products. Since April 2016, it has had 40,000 downloads, but only 2,000 accounts opened as of September 2016. It has savings of £18 million so far, and key investors such as the Spanish bank BBVA.<sup>iii</sup>

In Nigeria, Paga is contributing its own quota of disruption in the financial services industry. It is allowing both the banked and unbanked perform different financial services such as money transfers and bill payments through basic SMS enabled devices.

## Should Banks be Worried?

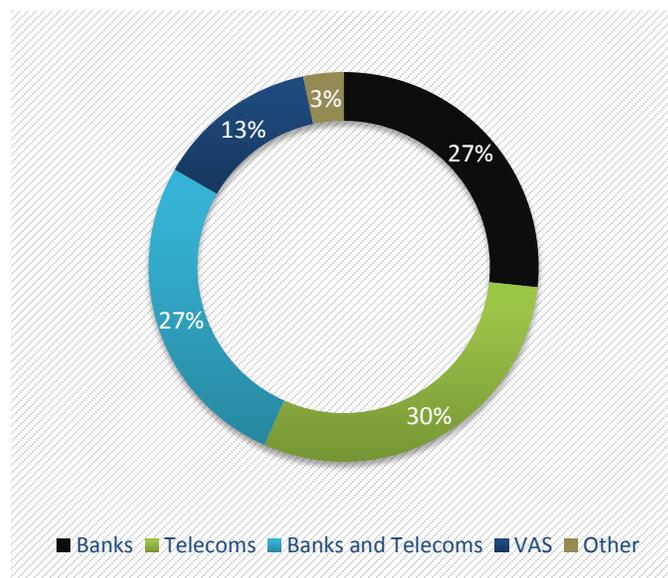
Globally, banks are nervous about Fintechs as they are causing a change in customer behaviour and expectations. As seen in other industries affected by disruptive innovations, customers want more control over their offerings. Fintechs are often able to provide better services than the traditional banks with increased speed and reliability.

While some banks have opted for the acquisition of many of these Fintechs, there are other threats to the banks- technology giants- as banks are not the only interested parties in the acquisition of Fintech disruptors. Tech giants such as Amazon and Google already have electronic payment products and they have significant resources and capabilities that can be employed to provide great competitive advantages.

The emergence of Fintechs has also got the Nigerian banks reviewing their business models with some establishing collaborative strategies while others have decided to spin off their own or other forms of disruptive solutions.

At the recently concluded 2016 Nigeria Retail Banking Workshop organised by Ciuci Consulting, executives from 16 banks were surveyed and asked their views on who is best positioned to provide digital financial services.

### Opinion Poll: Digital Financial Services Provision



*\*Referenced from Ciuci 2016 Retail Banking Workshop*

► The result of the survey indicates that banks by themselves are not positioned to drive the 'mobile money movement'.

Only 27% of the respondents felt that banks are well positioned while majority suggested that either telecos by themselves or collaborations between them and the banks are the way forward.

# 27%

of bank executives think that banks are well positioned to provide digital financial services

A lot of positive ideas were discussed during the workshop. Two key takeaways were that retail banking players are now more interested in collaborative strategies and are also keen to improve the way they are organized to better serve retail customers.

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<sup>i</sup> *Fintech Definition*. (n.d.). Retrieved from Fintech Weekly:  
<https://www.fintechweekly.com/fintech-definition>

<sup>ii</sup> Genesys (Director). (2016). *Mark Mullen, CEO of Atom Bank, on Genesys* [Motion Picture].

<sup>iii</sup> Williams-Grut, O. (2016, September 20). *Atom Bank is raising £100m and getting into mortgages*. Retrieved from Business Insider UK: <http://uk.businessinsider.com/fintech-atom-bank-raising-100-million-to-get-into-mortgages-2016-9>