Fin-tech Industry Overview

Right now, fin-tech accounts for about 2% of the world's financial services revenue. By 2030, that figure is expected to be $1.5 trillion, or 25% of all banking valuations. From a stock market perspective, fin-tech has had a bumpy ride of late, which will happen when more than 30,000 startups competing for business and personal spending habits shift due to inflation and other pressures.

On a broad level, however, this industry is going to grow. People are already comfortable with digital banking and increasingly expect such tools from virtually every industry they interact with. The financial services sector is evolving in that direction, moving past its traditional face-to-face model of transactions and embracing tools that enhance service quality and the overall user experience.

Did you know

- **64%** of adults use at least one fin-tech app
- More than half the world's population does not have a **bank account**
- Cash will become the least-used payment method in the next few years

In less than a generation, fin-techs have gone from disruptors to the mainstream. Companies like PayPal and Stripe are practically household words, and who among us has not paid a bill over a laptop or smartphone? We are seeing an industry change in real time and it's not just the rise of technology. It is also the crypto market, external issues like uncertain interest rates, venture capital fluctuations in fledgling companies, and, more recently, talk of a digital currency. All of these factors create an undercurrent of further development and they also raise some possible red flags.

Notable trends

It almost sounds redundant to say that technology is a significant trend within a field based on technology, but it is also true. No innovation lives in a vacuum. Wherever tech exists, AI and machine learning will be involved and fin-tech is no exception. There is process automation from fraud protection to originating and processing loans, there is the ability to analyze customer behavior and offer predictive insights, and there are the anticipated results of greater efficiency and lesser costs.

For consumers, there are also other considerations:

- **Buy now, pay later:** retailers like Amazon are on this bandwagon, through which consumers can buy products with money they do not have on hand. It's a lower-cost alternative to credit cards and one that does not consider a person's credit history.
- **Gamification:** this adds in the piece found in most credit cards – loyalty and rewards programs. These will vary by technology provider and are means of injecting a bit of fun into otherwise dull and routine tasks. They can be used to engage an audience or incentivize certain behaviors.
- **Virtual bank cards:** these reside in the user's e-wallet rather than a pocket with less risk than traditional cards. Since a consumer's banking app authorizes every virtual purchase, a compromised card can be voided and replaced in a matter of clicks.
- **Biometrics:** security is a concern with tech as a whole, and that naturally extends to one's money. Approving a transaction through a fingerprint or facial recognition is quick and easy, though those examples should be used as part of a two-factor means of authentication. Still, they lend themselves to a smooth user experience.

Meanwhile, there are trends on the business side, too:

- **Embedded finance:** in part, this is BNPL from the merchant side by embedding services within a single app or platform so users don't have to switch back and forth. It also includes things like Tesla offering insurance coverage for its vehicles, or other non-banking companies offering what were once exclusively bank-provided services.
- **Alternative lending:** as the name implies, this marries underserved borrowers with options to traditional lending. The loan can be done directly, just like one would do with a bank, or it can be structured around equity products like bonds and securities.
- **Open banking:** this allows third parties to use existing infrastructure through which customers can share financial information, enabling data exchange across multiple apps and providing convenience.
- **Offshoots like prop-tech and reg-tech:** for the real estate and regulatory industries, respectively, these are tools of convenience for managing bureaucracy and complying with it. Prop-tech cuts the time needed to apply for and get a mortgage, while reg-tech automates compliance with changing regulations.

For consumers and providers, automation will improve, as will the integration of multiple applications and platforms. The anticipated result is a more personalized level of available service that ties into a greater reliance on technology, especially mobile devices.

Looming threats

The universal concern about any technology is security, which becomes more pronounced as more apps, platforms, and systems are expected to cooperate seamlessly. Almost as many applications have vulnerabilities as those that don't, and breaches and hacking attempts are a large and growing business. Response mechanisms include data encryption, two-factor authentication, AI analytics, and the zero-trust approach that provides for ongoing validation by the user. The value of fin-tech relies mainly on the belief of parties that their transaction will be securely completed and that personal or proprietary data will remain that way.

This is an integral part of promoting the customer experience. Financial services have not always gotten high marks on how they interact with clients. Fin-tech can address that through greater personalization of service and also by addressing mobility and the expectation of completing any financial task from a smartphone. 90% of users already make at least one mobile payment; that number will only increase. Other challenges include:

- **Third-party integration:** this connects to both the user experience and security. Tools have to be compatible with each other or people will not use them. But this is also a weak point in the chain.
- **Finding talent:** behind every innovation is the person or team who built it. Companies not only compete with each other but also with every other organization that needs technically competent people. One option, of course, is outsourcing. Beyond the IT component, there is also a need for people who understand the business side and how to grow a company.
- **Raising investment capital:** remember this is a relatively young and crowded marketplace. No one knows which companies will last, and each enterprise needs money to fund operations until it reaches profitability.
- **A reactive regulatory structure:** this is not meant to point fingers at regulators but rather to illustrate that a fast-changing landscape often results in rules designed to prevent what just happened from reoccurring while failing to consider future contingencies. Guardrails, of course, are necessary and require the same type of forward-thinking used on the innovation side.

The world of finance is rapidly changing and that is a separate challenge. Keeping up with the competition is central to business success. This industry is spawning a collaborative culture to keep up with trends and address the issues that arise.

GlowTouch Global Headquarters
9931 Corporate Campus Dr, Suite 1400, Louisville KY 40223
+1 (502) 410-1732 | info@glowtouch.com

Where we fit

Our client base includes numerous firms in the technology, SaaS, and cloud environments, from insurance and health care to web hosting and identity theft products. The consumers range from tech-savvy to casual users, with the common factor being a problem needing resolution or a question requiring an answer. More technology being used more often naturally results in greater demand for customer care. Continuing innovation also makes tech issues more complex, requiring an experienced tech-forward team to resolve them.

We also have the key certifications that govern data security and user privacy procedures: **PCI, SOC 2, HIPAA, and ISO 27001, 27018, 9001, and 14001.** Compliance is an issue that we are very sensitive to, and we proactively take steps to ensure our systems and personnel uphold consumers' trust in your brand.