HOLLAND FINTECH

# How to build a successful partnership between Incumbents and Fintechs

*Working Group: Digital Transformation*

December 2023

# Table of Contents





# Executive summary

Over the last 5 years, partnerships between incumbent banks and fintech companies have evolved significantly to become a fully accepted and a compelling strategic option to drive innovation. And even though the triggers for partnerships between incumbents and fintechs – like new technology, changing customer behaviour, and increasing regulations influencing the top-line growth or efficiency of organisations have not changed over the years, the ability to initiate and maintain successful partnerships between fintechs and incumbents is still a limiting factor and often a steep learning curve for those involved.

In this whitepaper the Holland Fintech working group Digital Transformation led by Accenture have explored insights into how to have successful partnerships. The purpose of this working group is to give our members and stakeholders, and in particular scaling fintechs, a structured overview of good practices on how to accelerate in initiating and building future-proof partnerships creating mutual benefits for both fintechs and incumbents.

Interviews were conducted in 2022 and 2023 with incumbents and fintechs operating in the Dutch market to gather input from experts and understand the dynamics and their experiences with these kinds of collaborations, and in turn determine what factors need to be addressed to enable successful collaborations.

Results boil down to the following key insights. For fintechs a good understanding of the environment in which the incumbent operates and the collaborative maturity of the organisation is key to selecting the right partner and type of collaboration. For incumbents a clear and structured approach to partnering with fintechs is essential. Expectations on both the digital maturity of the incumbent and the product maturity of the fintech need to be aligned and validated early on. This significantly increases the chances of success in both the search for potential partners and how to manage these partnerships.

# Introduction & background

Holland Fintech is the digital finance community in the Netherlands. It is a member association consisting of approximately 200 members ranging from start-ups to scale-ups and incumbent corporations, commercial and non-profit organisations, in all segments that define digital finance.

The Dutch fintech ecosystem has significantly matured over the years and as such contributed to the digital transformation of the financial industry at large. However, more can and needs to be done to create a resilient and innovative financial sector that offers products and services to everyone. Holland Fintech strives to empower individuals and organisations with tools and knowledge to understand, manage and enhance their economic circumstances.

Partnerships between enabling fintechs and traditional financial institutions, also referred to as incumbents, play a crucial role in expediting the digital transformation of the financial industry. Fintechs contribute with essential technological expertise, data proficiency, and customer-centric approaches, while incumbents bring scale and deep knowledge of operating within a highly regulated industry.

Holland Fintech firmly believes that collaboration enables innovation through cutting-edge technology, enhanced customer experiences, and effective compliance with regulatory complexities. However, collaboration between incumbents and fintechs in the financial industry is easier said than done. Often cultural and organisational differences, regulatory compliance, legacy systems, trust issues and security concerns, hinder progress. Resolving these challenges is vital to accelerate the industry's digital transformation, promoting successful partnerships, and unlocking growth opportunities.



Therefore, Holland Fintech launched in 2021 the working group Digital Transformation to further explore what drives the strategic decision to collaborate, what defines a successful collaboration between fintechs and incumbents, and provide hands-on insights and good practices on how to best initiate and maintain these collaborations.

To gain insights into the partnership experiences, interviews were conducted with incumbents and fintechs active in the Dutch market. These interviews give valuable input to understand the dynamics and experiences of collaboration between these parties.

The insights gathered have helped to identify potential pain points, best practices and facilitate fostering a more seamless partnership experience for all parties involved. In this white paper the working group is proud to share these insights with you.

With this whitepaper, the working group Digital Transformation has created a good foundation to address the right topics for our members and their stakeholders. On the back of this whitepaper participants have identified several areas that are eligible for follow up, which were shared during the Amsterdam Fintech week in September 2023 with an open invitation to participate to all members of Holland Fintech and other industry participants alike.

## Scope

The purpose of conducting this research is to develop a set of tools and guidelines that can enable fintechs in establishing successful partnerships with incumbents.

The effort that a fintech puts into creating these partnerships has not always resulted in beneficial collaboration. Some of the fintechs do not go further than the proof-of-concept phase. The aim of the research is to provide some insight into what points are relevant when an enabling fintech considers partnering with an incumbent. However, before entering into such partnerships, fintechs must undergo a process to demonstrate the maturity of their product and establish credibility in the industry where the incumbent operates.

## Definitions

### Partnerships and collaboration

In the context of this paper, partnerships and collaborations are defined as the establishment of mutually beneficial relationships between fintech companies and incumbent financial institutions. These relationships can take different forms, such as joint ventures, strategic partnerships, supplier or vendor relationships, co-marketing or co-branding initiatives, channel partnerships, and more. The common objective across these partnerships is for fintech companies to support incumbents by enhancing their operations and products, leading to mutual benefits for all parties involved.

### Fintech types

This research distinguishes between two types of fintech companies: Challenging and Enabling fintech.

**Challenging fintech** companies are direct competitors to traditional financial institutions (FI), offering similar services. They compete based on price, customer experience, and targeted value propositions that address specific pain-points. Additionally, they may provide adjacent products and services that FIs have the capability to offer but have not yet done so.

**Enabling fintech** companies, on the other hand, provide a variety of services and solutions to support incumbents (traditional financial service providers) in their operations. These services can include technology infrastructure and integration, regulatory compliance solutions, and enhancements to customer experience.

In the context of this research, the primary focus has been on enabling fintech companies. The aim is to understand and uncover the pain-points that hinder collaboration in the current Dutch Fintech landscape and best practices, so the proper steps can be taken to accelerate digital transformation through partnerships with these enablers.



# Fintech & Incumbent partnership developments

### Partnerships then and now

Over the last five years, partnerships between incumbents (traditional FIs) and fintech (technology-driven financial services companies) have evolved significantly, driven by a variety of strategic factors such as changing customer needs, regulatory and cost pressures, and technological advancements that also allow unlocking the full potential of data and AI.

However, the fintech and incumbent relationship wasn't always fruitful. In the early days when fintech companies emerged, incumbents saw these start-ups as a threat to their business models. Fintechs promised faster, cheaper, and more accessible financial services, which was seen as a direct challenge to the traditional players. Incumbents saw fintechs as potential competitors and attempted to create their own fintech offerings to counteract the threat by proactively disrupting their own business model[1].

Only after a few years, fintechs gained prominence and a foothold in traditional financial services, and incumbents began to see some of the enabling fintechs as potential partners rather than just competitors.

This has led to an increase in collaboration, with incumbents working with fintechs to bring innovative new products and services to market. The increased collaboration was mainly driven by three developments:

### New Technologies

Technologies such as cloud, API enablement, AI, and machine learning continue to transform the financial services industry in ways that we have anticipated but also caught everyone by surprise. For example, generative AI, using AI models such as ChatGPT, is a good example of a change that the industry at large did not see coming. The continuous and accelerating technical landscape is a driving force in the collaboration between incumbents and fintechs.

(1) Arner, D., Barberis, J., & Buckley, R. (2015). The Evolution of Fintech: A New Post-Crisis Paradigm?. University of Hong Kong Faculty of Law Research Paper, (2015/043).

## Changing customer behaviour

Big tech[2] has played a crucial role in driving digital adoption among consumers. Through their user-friendly platforms, innovative technologies, and seamless user experiences, they have accelerated the shift towards (mobile) digital channels for various activities, such as online shopping, communication, and financial transactions. This has resulted in customers becoming more digital savvy and reliant on digital tools and platforms for their daily activities and interactions. This has changed expectations and raised the bar for consumer experience and convenience. Consumers now expect the same level of seamless, personalised and efficient experiences across industries, including the financial service industry.

## Introduction and pressure of regulations

Regulatory frameworks, such as open banking mandates in the UK and PSD2 in EU, require banks to share customer data securely and efficiently with authorised third-party providers, including fintechs. This regulatory push promotes collaboration by enabling fintechs to access customer data held by banks, allowing them to develop innovative products and services that use this data. These regulations create a standardised framework for collaboration, fostering partnerships between fintechs and banks. Further, regulatory pressure encourages collaboration between fintechs and FIs in the development and adoption of compliance and risk management solutions. Fintech companies specialising in regulatory technology (RegTech) can offer innovative tools, systems, and processes to help banks meet their compliance obligations more efficiently.

Collaboration between fintechs and incumbents is driven by a combination of factors, and while no single factor is solely responsible, the three drivers mentioned above have emerged consistently in our interviews. It is often the synergy between two or more drivers that leads to successful collaboration. Regulatory pressure compels incumbents to adopt new approaches and strategies, while technological advancements empower fintechs to develop regtech solutions that can support incumbents.

(2) In this context, "big tech" refers to major technology companies with a significant global presence and influence. These companies, often characterized by their substantial market capitalization and extensive user bases, include well-known names such as Google, Apple, Facebook (Meta), Amazon, and others.



## Creating partnerships over the years

Continued collaboration and partnership between these two groups is expected in the years to come; however, the ability to initiate successful partnerships between fintechs and incumbents is still a limiting factor and often a steep learning curve for those involved.

As the number of partnerships continues to grow, incumbents are making efforts to enhance the formalisation and professionalism of their processes when collaborating with fintechs and other innovative entities. This trend is evident through the establishment of innovation centres within prominent Dutch banks, which function as centralised hubs for exploring, nurturing, and launching new technologies and partnerships. These innovation centres employ cooperative models that promote a structured and transparent approach to introducing new technologies and forging partnerships. By establishing effective communication channels and clearly defining the roles and responsibilities of all involved parties, incumbents aim to elevate the professionalism of the partnership process.

Nevertheless, even with the establishment of innovation centres, certain incumbents continue to exhibit a fragmented landscape in terms of identifying and engaging new fintech partners. The lack of a cohesive approach can be challenging for fintechs, as they may struggle to identify the appropriate incumbents to approach and how to best navigate the partnership initiation process. Incumbents lacking a formalised process run the risk of overlooking valuable collaboration opportunities with fintechs, which could ultimately impede their ability to maintain competitiveness within the market.

Conversely, on a different note, a fintech may have an appealing proposition, but it might lack a comprehensive understanding of the regulatory framework within which incumbents operate. By being aware of and considering the relevant regulatory requirements right from the start, fintechs can significantly lower barriers for incumbents to engage in active partnerships. This proactive approach facilitates smoother collaboration and increases the likelihood of successful partnerships between fintechs and incumbents.

To sum up, the establishment of innovation centres serves as a valuable purpose for incumbents to enhance their partnership processes with fintechs and other innovative entities. However, it is crucial for all incumbents to adopt a clear and structured approach to partnering with fintechs to foster fruitful collaborations.

# Strategic drivers for collaboration

## Initiating a partnership

### Partnership motives

When initiating a partnership between fintechs and incumbents, it is essential to acknowledge the existence of two distinct perspectives. Each party involved has its own unique motivations for seeking a partnership with the other. Understanding these motives is crucial for both parties. In the interviews conducted, we gathered some of these motivations from both incumbents and fintechs.

## Incumbent

For incumbents, fintechs are primarily seen as an avenue to secure or attain strategic advantages. This is particularly true when the products and services offered by fintechs align with the strategic objectives of the incumbent. Such alignment may involve creating enhanced customer experiences, improving cost and time efficiencies, acquiring specialised market knowledge and insights, or entering new and niche markets.

**Superior customer experience** – Fintechs offer products and services that use new technologies that create better and highly customised customer journeys since they focus on specific segments. Incumbents seek to gain access to these technologies and leverage their capabilities.

**Cost and time efficiency** – By using fintech products and/or services, incumbents can improve cost and time efficiency by implementing innovative automation technologies or outsourcing specialised tasks. These strategies significantly reduce the resources and time required for activities like data entry or repetitive manual processes, which are often responsible for delays and increased costs. Additionally, fintechs have the capacity to work with multiple incumbents and benefit from economies of scale in certain activities. This can be particularly advantageous for smaller incumbents, as exemplified by Fidor's collaboration with Van Lanschot Kempen.



**Knowledge transfers** - Through collaboration with fintechs, incumbents can gain valuable insights from their expertise in new digital technologies and culture of innovation. This knowledge can be harnessed by incumbents to enhance their own digital capabilities and work processes. In certain instances, a joint team comprising employees from both the incumbent and the fintech may be formed to facilitate rapid knowledge transfer and foster a collaborative environment - this is sometimes called "acquihire".

**New niche markets** - Incumbents can derive advantages from partnering with fintechs in terms of broadening their market reach through two key approaches. Firstly, by selecting strategic partners that grant access to previously untapped customer bases, incumbents can extend their market presence and reach new audiences. Secondly, by collaborating with fintechs to develop and offer innovative products and services, incumbents can specifically target new customer segments, allowing them to cater to evolving market demands and expand their market share.

## Fintech

Fintechs, typically start- and scale-ups, predominantly seek partnerships with incumbents from both a revenue and product development perspective. Collaborating with incumbents offers fintechs the opportunity to gain valuable experience and refine their products through direct engagement with established financial institutions. Moreover, incumbents often possess the necessary resources to grant fintechs access to a client base, support the scaling of their products, and provide operational backing that some fintechs may require. These collaborative efforts can result in enhanced revenue streams, improved products, and increased market credibility, which can in turn facilitate onboarding of additional clients and even secure new investments. Our interviews highlighted the following reason for enabling Fintechs.

**Validation & Scalability** - Incumbents play a significant role in enabling fintech to achieve scalability and advance their product development. When fintechs partner with incumbents, it enables further refinement and validation of their product offerings to align with industry standards, such as regulatory compliance requirements. This partnership not only aids in the development of fintech products but also contributes to building credibility within the market. By collaborating with incumbents, fintechs gain access to resources and expertise that accelerate their ability to scale rapidly and attract necessary investments.

**Market entry** – Partnering with incumbents allows fintechs to gain market entry by accessing the incumbent's established customer base. This immediate access to a large customer network provides fintech with a ready market and accelerates their entry into the industry. Additionally, by collaborating with incumbents, fintech benefits from the association with the incumbent's brand. This endorsement helps overcome initial scepticism, builds confidence among potential customers, and enhances the fintech's market positioning.

**Credibility** - Fintechs need credentials to establish credibility and differentiate themselves in the competitive financial industry. By demonstrating regulatory compliance and forming partnerships with established institutions, fintechs enhance their reputation, build trust, and set themselves apart from competitors. These credentials serve as proof of their capabilities, expertise, and commitment to industry standards, giving them a distinct advantage in the market.



# Priorities in collaboration

Choosing the right partner is a challenging task that should not be underestimated. Fintechs and FIs often have different expectations and priorities when it comes to partnerships. These differences can lead to prolonged discussions, inconclusive proof-of-concept projects, and, in some cases, partnerships that fall short of their envisioned potential. It is essential to understand the key factors that influence the decision-making process for both parties. Below, we have outlined the main factors that both fintechs and established companies consider important when selecting their partners, ranked by their degree of significance.

## Incubents demand of Fintechs

### SHARED VISION

It is pivotal to be able to align closely and agree on a shared future vision to create value for both partners.

### PRODUCT MATURITY

The product should be a fully developed solution, and emphasis should be placed on its functionality and technology rather than its marketing efforts. It is important to prioritise the product's capabilities and features, ensuring that it meets the needs and expectations

## Fintechs' demand of Incubents partners

### SHARED VISION

It is pivotal to be able to align closely and agree on a shared vision to create value for both partners.

### PRODUCT DEVELOPMENT

Once a product or service is created, the primary focus is on validation and further improvement to ensure it is customised according to the needs of incumbents and ready for deployment across multiple clients.

Incubents demand of Fintechs | Fintechs' demand of Incubents partners

### EXISTING PRIOR CLIENTS

Incumbents prefer partners with experience in their specific business case or with whom they have worked before. Some incumbents mentioned that it is a non-negotiable for fintechs to have at least one regulated client live.

### MANAGEMENT TEAM

There must be a capable and trustworthy management team in place. It is a big advantage if the team shows a thorough knowledge of how the financial industry works and preferably has prior experience.

### RISK CULTURE

Fintechs must demonstrate a comprehensive understanding of risk, encompassing financial, non-financial, and compliance aspects. Incumbents, in general, are cautious about collaborating with entities that exhibit a reckless approach to risk management.

### PRIVACY & SECURITY

Fintechs need to meet specific privacy and security requirements set by incumbents when considering partnerships. It is important to understand that different incumbents may have varying levels of flexibility in accommodating these requirements.

### CREDENTIALS & EXPERIENCE

Fintechs aim to build credibility to be able to work with other parties. Credentials signal a proven product. The experience used from previous partnerships can be leveraged to sell and develop their product offerings.

### COLLABORATION PROCESS

A fintech company needs to consider the level of effort required to kickstart the process at the incumbent and the decision-making steps involved before proceeding with the collaboration

### COMMITMENT

The commitment from the incumbent towards the fintech is crucial for a successful partnership. It is essential that senior management within the incumbent organisation mandates and demonstrates a strong commitment to initiating the partnership during the early stages of exploring it. Without this commitment, the collaboration process can get stuck in a cycle of endless proof of concepts (POCs) without concrete agreements. This can lead to significant waste of time, effort, and financial resources for fintech companies.



Incubents demand of Fintechs | Fintechs' demand of Incubents partners

### LEGAL AND REGULATORY COMPLIANCE

Due to the highly regulated nature of the financial industry, FIs are held responsible by regulators for the actions of their partners. As a result, fintech companies are required to comply with the standards and regulations set by the incumbents.

### SPEED

The speed at which a fintech company can build a solution can be a key factor in determining which partner to collaborate with.

### PITCH

Incumbents generally prefer actionable pitches that emphasise the functionality and technology of the proposed solution, rather than generic or theoretical presentations.

### CLEAR ASK FROM INCUMBENTS

Incumbents need to have a clear ask and formulated problem statement to effectively define a collaboration. This way demos / POCs / etc. are well tailored to the incumbent's needs. Additionally, it shows commitment from the incumbent's side.

## Both sides need the other to understand them

In general, fintech companies prioritise credibility, product development, and a structured collaboration process when looking for partnerships. They seek out partners who can facilitate the rapid development of new products and services, as well as offer opportunities to access untapped markets and user groups. Fintech companies value partners who align with their vision and demonstrate a strong commitment to achieving shared goals.

Conversely, incumbents place a higher emphasis on stability and security when assessing potential partnerships. They seek partners with a solid track record of success, particularly those who can contribute to enhancing their current product and service offerings. Incumbents also prioritise regulatory compliance and risk management, seeking partners who align with their legal and regulatory standards. By partnering with such entities, incumbents aim to reinforce stability, ensure adherence to industry regulations, and bolster their overall security measures.

In summary, there is a notable contrast between fintech companies and incumbents in their willingness to take risks and embrace experimentation. Fintech companies are generally more inclined to explore new ideas and push boundaries, while incumbents prioritise stability and long-term sustainability, making them more risk-averse. However, as the fintech industry matures, we are witnessing an increasing number of successful partnerships between fintech companies and incumbents. These partnerships demonstrate the ability of both parties to use their unique strengths and collaborate effectively to create innovative and mutually beneficial solutions.



# Types of partnerships

## Searching prospective partnerships and initiating a partnership

In recent years, incumbents in the financial industry have increasingly engaged with fintechs, although the nature of their collaborations can vary across the sector. When it comes to seeking and establishing partnerships, incumbents adopt diverse approaches, and we have identified three general methods that are commonly observed.

**Unstructured** - incumbents do not have a central team dedicated to venture building and partnerships. Instead, different departments or functions within the organisation are responsible for finding and executing their own partnerships, with little to no coordination between them.

**Semi-Structured** -incumbents have a central team dedicated to knowledge sharing and initiating innovation, venture building, and partnerships. This team facilitates the search and initiation of partnerships for different departments or functions, while the responsibility for the execution of the partnerships remains with the respective department or function. The innovation department has a facilitating role.

**Structured** - incumbents have a central team dedicated to innovation, venture building, and partnerships, which includes search, initiation, and execution in collaboration with different departments or functions. This central team takes on the responsibility for the execution of the partnerships, while the departments or functions have a supporting role.

Overall, the category that is applicable to the incumbent depends on the level of centralisation and coordination they have in their approach to partnerships with fintechs. Each method impacts the pace of starting a collaboration.

In an unstructured method, the absence of a central team or a defined partnership strategy can pose challenges for fintechs that are seeking ways to engage with the incumbent. Fintechs may have to invest additional time and resources in identifying the appropriate internal stakeholders to negotiate with. Moreover, they may encounter inconsistencies in the nature and quality of partnership opportunities that are available to them.

In the semi-structured category, the presence of a central team within the incumbent's organisation supports fintechs in navigating and eases the identification of potential partnership opportunities. However, the execution of these partnerships still lies within the responsibility of the respective department or function. This decentralised approach may introduce more variability in the success and impact of the partnerships, as the level of commitment and effectiveness may vary across different departments or functions.

The structured method often involves the presence of a central team that is specifically dedicated to innovation, venture building, and partnerships. This central team plays a key role in creating a more consistent and streamlined approach to collaborating with fintech companies. For fintechs, having a clear point of contact within the incumbent's organisation and a more strategic and coordinated approach can be advantageous. However, the central team's control over the process may limit flexibility and influence the decision-making process compared to a less structured approach.

Fintechs need to be aware of the type of organisation they are collaborating with. Working with an organisation that has an unstructured process requires more effort on their part compared to a structured approach.



# How to create a successful partnership

In the realm of fintech and incumbent partnerships, selecting the right partner is vital, yet it doesn't guarantee a successful and stable relationship. Fintechs, despite their innovative technology and ideas, must also possess the ability to master the complexity of regulatory compliance and risk management. This presents a significant challenge that fintechs need to address to establish a fruitful partnership with incumbents.

Similarly, FIs must demonstrate a willingness to embrace new technologies and be open to change to remain competitive. However, this process is not without its challenges, and both parties involved in the partnership will inevitably face obstacles along the way.

## Challenges

During the interviews, we gathered insights from both fintechs and incumbents regarding the challenges they encountered in their partnerships. Some of the common challenges mentioned include:

**Cultural differences:** Fintechs and incumbents may have divergent corporate cultures, making it challenging to establish a shared vision and collaborate effectively. For example, different ways of working or different views on a product's roadmap.

**Data sharing and privacy:** Sharing customer data with fintechs raises concerns regarding data privacy and security, as incumbents are entrusted with protecting customer information according to stringent rules and standards.

**Different priorities:** Fintechs and incumbents may have conflicting priorities and goals, making it difficult to align interests and achieve mutual objectives.

**Lack of trust:** Building trust can be difficult between fintechs and incumbents, especially if the management team of the fintech lacks experience in the financial industry or understanding of the complex regulatory environment, or when there is no confidence that these differences can be bridged.

Resistance to change: Fintechs bring new technologies that can make the incumbent processes more efficient and may lead to new ways of working and operating. The incumbent employees and stakeholders may resist the changes brought about by the partnership, hindering the implementation and success of new processes and systems.

**Technical integration:** Integrating the technology and systems of fintechs and incumbents can be complex and resource-intensive. It requires significant expertise and effort. This is mostly due to the difference in digital maturity between fintechs (digital-native) and incumbents (transforming to digital). Further, meeting risk and security requirements for approval can also pose challenges for fintechs

## Success factors

There are certain challenges that a collaboration brings, such as establishing trust to share knowledge and to helping each other to make the envisioned changes happen. The interviews highlighted some clear points to tackle these challenges, resulting in positive impacts on the collaborations.

**Clear communication** - Establishing clear and open lines of communication is crucial for fostering a positive relationship between incumbents and fintechs. This includes setting clear expectations, discussing shared goals and objectives, and addressing any concerns or issues that arise and agreeing on a mechanism on how to solve them. Discussing issues early should be part of the agreement process.

**Clearly define roles and responsibilities** - Establishing clear roles and responsibilities for both parties can ensure that everyone knows what is expected and can work effectively together. Alongside this, it is also beneficial to have a clear view of all stakeholders involved and whose responsibility it is to involve them and in which stage of the process. This also provides insight for the fintech into how the decision making process works within the incumbent.

**Creating a collaborative culture** -Encourage a culture of collaboration and innovation, where incumbents and fintechs are encouraged to work together to find new solutions and drive growth. Both parties will have certain capabilities that the other can benefit from. Therefore, it is advised to create joint teams with representatives of fintech and incumbents to enable knowledge transfer.

**Create shared goals** - Both incumbents and fintechs must align their goals, they need to be mutually invested in the success of the partnership. This will help drive collaboration and cooperation and ensure that both parties are working towards a shared vision. Incumbents that have a structured approach in place for collaboration



## Measuring success

Communication and transparency are key to building trust and ensuring a healthy partnership, and both parties must be committed to working together to achieve their shared goals. However, tracking the performance and having clear KPIs are often overlooked. It is key to establish clear metrics that align with the goals and objectives that are defined for the partnership. These help fintechs to showcase their added value and help the decision makers at incumbents to better review the value of the partnerships.

Some of these KPIs are:

- **Customer feedback:** Collecting feedback from customers can provide insights into how the partnership is impacting them and whether they are satisfied with the outcome.

- **Financial performance:** Reviewing financial performance can help determine whether the partnership is generating revenue or cost savings, and whether it is providing a return on investment.

- **Innovation:** Measuring the level of innovation by the number of profitable products or services that are developed by the partnership can be a way to evaluate the success of the collaboration.

- **Employee satisfaction:** Measuring employee satisfaction can provide insights into how the partnership is impacting employees and whether they are engaged and motivated to work together.

- **Market share and brand awareness:** Measuring the increase of market share or brand awareness as a result of the partnership.

HOLLAND FINTECH

# Digital maturity matters

Establishing successful partnerships can be complex, as set out earlier. One aspect that presents a unique set of challenges, is the digital maturity of the incumbent, as it significantly impacts the initiation and sustainability of the collaboration. Therefore, it is beneficial for a fintech to understand where the incumbent is in its digital journey.

Digital maturity encompasses more than just the utilisation of advanced technology; it also entails the presence of a well-defined and adopted digital strategy, supported by a robust IT architecture capable of integrating with third-party solutions. Essentially, it refers to the extent to which an organisation has embraced and integrated digital strategies and technologies. A digitally mature incumbent possesses the essential technological infrastructure to support digital business models, streamlined processes, and a receptive culture that enables seamless integration of new technologies. Consequently, such incumbents are better equipped to effectively pursue collaboration objectives with fintechs.

Hence, the digital maturity of an incumbent holds significance in the context of partnering with fintechs. It can facilitate a streamlined collaboration, allowing both entities to operate with enhanced efficiency and effectiveness. Conversely, if an incumbent lacks digital maturity, collaborating with a fintech partner can become more demanding. Outdated legacy systems and inefficient processes within the organisation can hinder the adoption of new technologies and impede the progress of the collaboration.



## The effect of digital maturity of an incumbent on a collaboration

Level of Incumbent Digital Maturity

### HIGH

The incumbent is far along in their digital journey and has advanced digital capbilities combined with a clear vision, engagement, and sufficient investment in new opportunities.

- The partnership compels higher expectations regarding the technical maturity of the fintech, resulting in a relationship that involves thorough testing and evaluation.
- The incumbent may exhibit dominant behavior, consistently pushing the limits of the product and fintech's capabilities.
- Once the fintech successfully passes the test and fulfills the requirements of the incumbent, they can showcase that their product will meet the demands of incumbents.

### MIDDLE

The incumbent has just started their digital transformation journey by committing to become more mature, setting a strategy on how to evolve, and by allocating a budget.

- Many fintechs consider it the ideal scenario as there is a balanced partnership without any inherent imbalances, resulting in a smoother collaboration overall.
- The collaboration becomes more seamless as the incumbent possesses a comprehensive understanding of the fintech's technological offerings, thereby reducing the need for extensive fintech education efforts.

### LOW

The incumbent has not yet embarked on a digital transformation journey, with no clear strategy, governance, and IT capabilities.

- FinTech's need to spend more time and effort to teach the incumbent about digital transformation.
- This leads to a slower collaboration and more painful engagement on the finTech side.

# Conclusion and next steps

The value of having successful partnerships to enhance innovation, accelerate scaling and ensure relevance to customers, will continue to be an important strategic priority for both fintechs and incumbents.

With these interviews the Holland Fintech working group Digital Transformation has been able to collect valuable input from some of the key players in the Dutch market and identified potential challenges and good practices that could impede and respectively accelerate collaborations between incumbents and fintechs. These insights shed light on areas where potential upsides can be found for all ecosystem participants. On the one hand, incumbents need to enhance their onboarding processes, while on the other hand, fintechs should strive to better understand incumbents before initiating collaborations to avoid investing substantial effort with little outcome.

To further enhance the collaborative environment for incumbents and fintechs, the following topics/actions have been identified for further exploration by the working group:

- A checklist or overview for fintechs listing applicable rules and regulations for specific financial services. Also capturing good practices that FIs apply in their third party risk management that for instance require fintechs to comply with specific standards or provide assurances. Especially with the DORA regulation coming up, FIs will have to comply with more regulation centred on core activities.
- Explore the feasibility of an industry standard for collaboration for all players, or more focused and customised to relative smaller incumbents in the market. The standard will provide certain guidance and may accelerate the process and provide an understanding of what is the minimum level of activity required to establish a good collaboration.
- To streamline collaborations between fintech companies and incumbents, the introduction of a market-accepted standardised Proof-of-Concept (PoC) contract can be highly advantageous. This standardised contract would serve as a framework that is widely accepted by the risk, compliance, and procurement departments of incumbents. Its acceptance by various departments within incumbents would help alleviate potential obstacles and accelerate the collaboration process.
- Create a platform to find or meet more fintechs/incumbents. Relatively smaller incumbents with no structured process for innovation or collaboration have a hard time finding the ‘right’ fit. The establishment of a platform to find and meet each other can be immensely valuable to facilitate partnerships between fintechs and smaller incumbents who lack a structured process for innovation or collaboration. As a result, this can significantly enhance the collaborative landscape and foster more productive and mutually beneficial partnerships between incumbents and fintechs.

We would like to invite fintechs, incumbents and other experts to reach out to us if you wish to contribute to the Holland Fintech working group Digital Transformation. Together we can shape an innovative and resilient financial sector and break down unnecessary boundaries and hurdles for collaboration.

# Successful examples

**ING[3] and Ockto:** ING partnered with Ockto, a fintech company specialising in data automation. Through this collaboration, ING integrated Ockto's technology into its mortgage application process, allowing customers to retrieve and share their financial data securely and efficiently. This partnership streamlined the mortgage application process and improved the customer experience.

**ABN[4] AMRO and New10:** ABN AMRO collaborated with New10, a fintech subsidiary of the bank, focused on providing digital business loans. Through this partnership, ABN AMRO leveraged New10's technology to offer fast and streamlined lending solutions to small and medium-sized enterprises (SMEs). This collaboration supported the growth and financial needs of SMEs in the Dutch market.

**ING[5] and Flowcast:** ING aims to accelerate global expansion and product development. ING and Flowcast started with a pilot that aims to investigate which preventive and proactive options the bank can offer in the case of non-performing mortgage loans. Flowcast uses an algorithm for this purpose, which is tailored to the local situation, taking regulations and COVID-19 support measures as an example. The company also develops scenarios for situations when customers are at risk of encountering acute payment difficulties.

(3) ING digitaliseert hypotheekaanvraag verder samen met Ockto (banken.nl)
(4) ABN AMRO start online zakelijke kredietverlening met New10 (banken.nl)
(5) ING investeert opnieuw in fintech startup Flowcast (banken.nl)



# Thank You!

Holland Fintech would like to thank all members and non-member organisations who have participated in the interviews, shared their views and experiences that have been key to writing this white paper. Our thanks go to **Accenture, Aegon, Allen & Overy, APG, Dazure, eMudhra, Encompass, FMO, Form3, ING, MavenBlue, NIBC, NN, Owlin, Propellant.Digital, Rabobank, Robeco, and Van Lanschot.**

Additionally, we want to express our sincere appreciation to the team that has been leading this working group since its inception in 2022. The team has persevered in shaping the approach, gathering the input and translating it into the whitepaper it is today. It has provided Holland Fintech with the insights our members have requested and we trust this will give us a great opportunity to continue working on this important topic in the coming years with our members and stakeholders.

So, thank you **Farhad Amiri**, Holland Fintech Content Lead Digital Transformation at Holland Fintech and Lead FinTech within Strategy & Consulting at Accenture, and your team for shaping the approach, leading and executing on the interviews, writing the paper and enrich it with your expertise, endless positivism and passion for transformation.

Thank you, **Esther Groen**, Holland Fintech Working Group Lead and Head of the Payments Centre of Excellence at Icon Solutions, for driving and managing this working group, co-writing the paper, your collaborative way of working and continued focus on bringing this to a close.

And last but not least, thank you **Marcel Prins**, Board Member at Holland Fintech and COO at Robeco, for sponsoring this working group and guiding the team with your experience, sharp insights and positive and solution focussed mind.

HOLLAND FINTECH

hollandfintech.com

holland-fintech

info@hollandfintech.com