# Scottish and Irish fintech summit –

Pinsent Masons, Edinburgh. September 27, 2018


## Key themes:

Our first summit meeting between Scottish and Irish fintech participants was a great success – the key proposition of the Scottish Irish Finance Initiative is that by extending the size and scope of the domestic fintech markets through collaboration, we can come up with better solutions, better products, shared intelligence on the needs of the global finance community and greater insights into successful sales strategies. This was amply demonstrated in the interaction between our various companies.

What is noticeable is that there are key strengths in both markets as outlined below. Given the broad expertise that extends across the two locations, it is our recommendation that we consider further joint thought leadership from the two communities. While we have suggested it could focus on something as elemental as the foundations and ethics behind fintech, it could also cover areas of recommendations for best practice in sales and engagement with potential customers. By combining our voices this not only amplifies what we are saying; the combination of the two locations working together gives greater impetus as the start of a more international, joined-up approach to fintech. Being at the forefront of international cooperation is something that can only benefit the prospects for companies in the two locations.

## A central concern – connecting with clients

The major issue that sprang up again and again during the conversation was the process by which fintech companies engage with clients' businesses and the sales processes that they follow. The vast majority of companies present operated within the B2B framework; the general consensus was that selling involved navigating one of the most difficult aspects of running a fintech company, with a sense of frustration at the difficulties involved in moving along what can be a tortuous sales cycle.

Most the companies identified that their client businesses tended to be very large banks, asset managers and other financial institutions. The challenges that fintech companies face here are clear: they are dealing with businesses where there is a significant asymmetry in magnitude that leaves the fintech company in a difficult starting position – it's difficult even to get your foot through the door of major companies. Following on from that is the significant long-term sales cycle propagated by procurement policies of big business., A sales cycle of up to two years is a significant barrier to a fintech company that needs to generate sales in order to continue as a going concern. Of course, the fintech businesses recognise the hurdles that prospective clients must go through and the fears that they have when balancing innovation with compliance

Fortunately, there were many different views as to how to overcome the challenging sales cycle. At the first level it was clear that product or service validation was key – ensuring that the product or service is something that your client wants or needs. With this in mind, it was mooted that there is a challenge for large financial institutions in engaging with fintech because of perceived challenges to business models that may arise from technological efficiency.  The old adage of "Every platform has an owner and every owner has an empire" may exacerbate the gaps between fintech companies and their potential business partners. One of the more interesting approaches to this, whether inadvertent or deliberate, was to find commonality between the fintech business and the larger financial institutions through stressing the importance of the benefits that fintech companies can bring to the end consumer. If it is seen that fintech businesses can work with banks and large institutions to create better products and services for their end clients, then this will accelerate and ease the engagement process between fintech business and institutional clients.

We identify further aspects of this challenge, along with other topics covered, in the bullets below:

## Scotland

- Lots of fintech energy and enthusiasm on the ground in Scotland
- Institutional interest is a question mark - how do we increase this?  While some might suggest there is plenty of investor capital to fund the Scottish fintech startups, especially with the long-term asset management heritage, the question is whether Scottish fintechs face similar hurdles as their Irish counterparts?
- Good substance with natural language processing / natural language generation
- Engineering heritage of Scotland vs the agrarian heritage of Ireland, although the Irish story quickly became geared towards big tech and big finance in the last 30 years.
- Proficient in concepts such as data flow, cognitive processing, sentiment analytics
- Bringing things back to first principles – preserve and grow wealth

## Ireland

- A strong fintech industry with a wide range of products and services ready for market
- However there are clear common challenges when selling:
    - Decisions on tech can be made in a different location from where fintech contacts are based
    - Out-of-date mindsets towards new technologies and procurement approaches
    - Superiority complex and old-boy network – how can I pick a young fintech when my career is on the line?  No one gets fired for choosing IBM.
    - Finding the right internal champion can be hard – if they're not local, find out where they are and go there. Getting in the door however, often the most difficult step, can be eased with the local connection.
    - Enterprise sales cycle can be hard on a startup – 18-24 months of not getting paid by someone you're spending time with that may or may not become a customer.
    - Once you do go elsewhere, i.e. UK, Continental Europe or USA, buyers may look for evidence of domestic market traction – which is somewhat ridiculous, as you just need to demonstrate that you have real live clients.
- Other solutions – make your small company into a regulated company – many are opting to be regulated under PSD2 of MiFID as an indicator of corporate robustness.

## Common ideas

- Seeding a new business isn't just about capital, but it's also about talent and customers – people forget that.  Your first 10 hires will shape your next 90 hires.
- Asymmetry of information and the negotiating benefit – our clients know more about us than we know about them – how do we change that?
- Glass Door suggestion – how does fintech feel about working with specific players in the WAM space? This could be helpful for fintech but volatile for relationships with customers.
- Investor outcomes tied to WAM P&L, but no clear trend on whether WAMs consider fintech more when their funds are up (more to spend) or down (greater need for efficiencies).

- Proof-of-concept as a necessary evil? Just make sure you get paid for it. Lots of WAMs talk about engaging with fintech, but until you're paying them, you're not really engaging them.
- Concept of a sound practices guide – based in SOC2-type standards – is there some level of common operating standards across fintechs that can be stated in a document to share with the WAM community. Will this be helpful? We will explore with an Irish market expert on SOC2.

## Next steps

- We look forward to organising a return trip for Scottish fintech to Ireland, most likely around the end of November. For the afternoon session we will again link up the Irish and Scottish fintech companies. In the morning , we should match up those fintechs with the most ready-to-go and relevant product for a particular financial services vertical:
    - Insurance – a number of global players,
    - Wealth management – a few local players
    - Asset management – small local market, mostly regulatory-geared satellites but some bigger players.
    - Asset servicing – a major European hub
    - Payments – a major local player that may be open to new ideas
    - Retail/Corporate Banking – some interest here in new technologies