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Fintechs have materially changed the basis of competition in financial services, but have not yet materially changed the competitive landscape, according to a new report released today by the World Economic Forum with support from Deloitte Consulting LLP.

The report, [Beyond fintech: A pragmatic assessment of disruptive potential in financial services](#) explores the main drivers of future change, citing that fintechs

represent the first wave in a series of disruptive forces that will likely shape the future

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the industry,” said [Rob Galaski](#), partner, Americas FSI Regional Leader, Deloitte Canada. “The success of fintechs in changing the basis of competition, as well as the increasing pace of technology, means that incumbents have the potential to improve rapidly — but also face rapid disruption going forward.”

“However, many consumer facing fintechs have struggled to achieve scale in the face of high switching costs,” said R. Jesse McWaters, Financial Innovation lead at the World Economic Forum. “Meanwhile incumbent financial institutions have been able to catch up faster than many expected, treating the proliferation of fintechs as a supermarket for capabilities that allow them to use acquisitions and partnerships to rapidly deploy new offerings.”

The report identifies eight key forces that have the potential to shift the financial services landscape. These forces include three core findings:

Platforms rising

The rise of customer choice will have profound implications on the design and distribution of products, and will likely force companies to shift roles. Platforms that offer the ability to engage with different financial institutions from a single channel may become the dominant model for the delivery of financial services. The rise of these platforms, such as open banking, will likely reshape financial services from clearly defined organizations to interchangeable entities. This may require that platform owners are capable ecosystem managers, balancing the needs of the product manufacturers with customer demand.

Financial regionalization

Differing regulatory priorities, technological capabilities and customer needs are challenging the narrative of increasing financial globalization and making way for regional models of financial services suited to local conditions. Even global firms

may need distinct strategies to cultivate regional competitive advantage and

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technology firms. For example, as financial institutions seek to enhance customers' digital experiences and unlock data and revenues from customer platforms, they are increasingly dependent on large techs' cloud-based infrastructure to scale and deploy processes and to harness artificial intelligence as a service. As financial institutions seek new advantages to grow their competitive footprint, they will be left with tough choices: become dependent on large technology companies or risk falling behind on technological offerings if they minimize engagement to protect independence.

“Differing regulatory priorities, technological capabilities, and emerging platforms are rising as key issues for the industry,” said [Bob Contri](#), principal, Deloitte Consulting LLP (US); Deloitte Global Financial Services Industry leader. “But in addition to these forces, there are a number of open questions that will influence the future of all financial services sectors, ranging from the role of digital identity to how financial services firms will mitigate risk, how data flows will be monetized and more. With all of these uncertainties, it is clear that disruption and evolution is the new status quo for the industry.”

Additional forces uncovered in the report include:

- **Cost commoditization:** Financial institutions may aggressively commoditize their cost bases, removing it as a point of competition and creating new grounds for differentiation
- **Profit redistribution:** Technology will likely enable organizations to bypass traditional value chains, thereby redistributing profit pools
- **Experience ownership:** Power will likely transfer to the owner of the customer interface; pure manufacturers must, therefore, become hyper-scaled or hyper-focused
- **Data monetization:** Data may become increasingly important for differentiation, but static datasets will likely be replaced by flows of data from multiple sources

combined and used in real-time

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