

The race for the payments space

By  Nicci Botha

17 Mar 2017

Long the bastion of institutionalism and trust, and therefore fairly resilient to disruption, banks are now confronted by the ascendance of fintech and social and economic influences in a war of adapt or die.



©tashka2000 123rf.com

“Banks have been surrounded by a moat comprising the size and scale of their networks – something fintech companies lack; credit jurisdiction; expertise, role in economic growth and client inertia to protect their domain,” says Phil Hogg, author of *The Challenging Payments Ecosystem* at the [Seamless Africa 2017](#) conference at the CTICC this week.

“So what happened to the moat?” he asks.

It all started in 2008 with the financial crisis. Consumer confidence in venerable brands was eroded. This in turn, created a flurry of regulation, and banks became more inward than outward looking.

Digital advances such as low-cost data services, affordable cloud-based technology and mobile device ubiquity have also played a role.

Then there’s the human factor. The changing nature of consumer behaviour, including the impact of social media and the demand for real-time response, demographics, the e-commerce experience and the rise of the middle class, have also

changed the face of banking, Hogg says.

New battlefield

"Payments are the new field of battle, with the exponential growth in debit and credit card usage. Money is going out of fashion and there's a decline in ATM usage," he says.

To counteract the threat of fintech, banks must meet merchants' needs through access to software and over-the-top service.

Weapon of choice

"Mobility is the weapon of choice, especially in emerging markets like Africa where cross-border payment is often a requirement.

Hogg says that there has been a growth in global venture capital investment in fintech, which is starting to mature. The Trump presidency, Brexit and the slow down in China's growth are also influencing where investors put their money.

The counterattack

Banks need to have a fintech strategy or risk losing their market share. They should look at containing costs, targeting client segments, effectively using big data and forming partnerships and alliances with fintech companies, he concludes.

ABOUT NICCI BOTHA

Nicci Botha has been wordsmithing for more than 20 years, covering just about every subject under the sun and then some. She's strung together words on sustainable development, maritime matters, mining, marketing, medical, lifestyle... and that elixir of life - chocolate. Nicci has worked for local and international media houses including Primedia, Caxton, Lloyd's and Reuters. Her new passion is digital media.

- #WomensMonth: Prudential's Leshni Dial-Harikaran on the beauty of a perfectly balanced spreadsheet - 10 Aug 2021
- #WomensMonth: MWay's Mlogadi Kekana on the importance of financial independence - 6 Aug 2021
- #WomensMonth: Maredupi Matsipa's passion for finance charted her career path - 5 Aug 2021
- #WomensMonth: Standard Bank's Simone Cooper asks, "How does your business grow?" - 4 Aug 2021
- #WomensMonth: Twané Wessels, product actuary at Just SA - 2 Aug 2021

[View my profile and articles...](#)

For more, visit: <https://www.bizcommunity.com>