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Global investment triples to \$12.2 billion in 2014

Bank's organisational culture requires change to work effectively with start-ups

LONDON; Mar. 26, 2015 – Global investment in financial-technology (fintech) ventures tripled from \$4.05 billion in 2013 to \$12.2 billion in 2014, with Europe being the fastest growing region in the world, according to a new [report](#) by Accenture (NYSE:ACN). Last year, fintech investment increased at more than three times the rate of overall venture capital investment.

While the United States still captures the lion's share of fintech investment, Europe experienced the highest growth rate, with an increase of 215 percent to \$1.48 billion in 2014. The United Kingdom and Ireland (UKI) accounted for more than two-fifths (42 percent) of the European total, as investment in the region rose from \$264 million in 2013 to \$623 million in 2014.

In the rest of Europe, the regions that experienced the most significant levels of investment in 2014 were the Nordic countries (\$345 million), the Netherlands (\$306 million) and Germany (\$82 million).

"The massive investment in fintech shows that the digital revolution is well advanced in financial services, and it is both a threat and an opportunity for banks," said Julian Skan, Accenture managing director overseeing the [FinTech Innovation Lab London](#). "Fintech is empowering new competitors and start-ups to move into parts of the banking business but, paradoxically, it is also helping banks to create better, more convenient products and services for their clients. It is also leading to increased cooperation between traditional banks and innovative start-ups and technology businesses in a way that can result in totally new business models and revenue streams."

The report, [The Future of Fintech and Banking](#), released at the third annual "Investor Day" of the [FinTech Innovation Lab London](#), suggests that many established banks are not well equipped to deal with the digital revolution. According to a survey of 25 senior banking executives involved in technology innovation, 72 percent of the respondents feel their banks have a fragmented or opportunistic approach to dealing with digital innovation, and 40 percent think the time it takes their organisation to deploy new technology is too slow, either negatively impacting their ability to realise value or providing no net benefit at all.

The vast majority also believe that they lack the skills and culture needed to succeed in the digital age. Among respondents, four out of five say that when it comes to skills and culture, their banks are only "somewhat" or "minimally" equipped for the digital age. In addition, although 80 percent see working with start-ups as a valuable way to bring new ideas to their business, 56 percent claim that their organisational cultures need to change in order to work effectively with start-ups.

Forty-four percent of the executives surveyed claim that their banks do not invest enough in innovative technologies, and while all of the respondents believe that legacy technology presents an issue to their organisations, only half say their bank has a strategic approach to replacing its old technology.

Despite these challenges, the report also suggests that many banks feel confident about the future. Three-fifths of survey respondents believe that banks and new competitors will coexist by providing differentiated offerings, or the established banks will acquire the new players.

A majority of respondents (72 percent) expect their banks to increase investment in technology innovation over the next two years. Fifty-six percent say their banks will explore open innovation, such as opening up their intellectual property, assets and expertise to outside innovators to help generate new ideas and discover new areas for growth. Thirty-two percent say their banks will create a corporate venture arm within the next two years.

The report shows that banks are also open to collaboration with their peers and with organisations outside of their industry, to more effectively adopt innovative technologies, with all survey respondents saying they are willing to do so. Furthermore, 60 percent of respondents say they are open to sacrificing current revenue in order to move to new business models.

"Banks are starting to realise the full potential of digital technologies and their potential to disrupt and transform the banking industry," said Richard Lumb, group chief executive, [Financial Services, Accenture](#). "The leaders recognise that digital goes far beyond channel and process innovation - it dissolves industry boundaries and provides opportunities for new business models and competitors, and banks have no choice other than to innovate to remain relevant to their customers. It is encouraging that many are receptive to the idea of open innovation, collaboration and fintech investment and also are prepared to sacrifice current revenue in order to move to new business models. But banks need to innovate faster, become more nimble and develop a more entrepreneurial culture if they are going to compete effectively and meet customers' needs."

The [FinTech Innovation Lab London](#), launched by Accenture in 2012, is a collaboration between Accenture and leading financial institutions, and is supported by the Mayor of London, the City of London Corporation and Innovate UK. It is designed to nurture early-stage companies from the UK, Europe and elsewhere that are developing new technologies for the financial services sector. Since the launch of the FinTech Innovation Lab London, the 14 companies that have passed through the program have raised more than \$35 million in new investment, signed nearly 50 contracts to do business with banks and increased revenues by 170 percent. The 2015 Lab participants are: Atsora, Cytora, Duco, Pontus Networks, Ripjar, Torusware, and xWare42. Their innovations include a web-based programme for real time geopolitical risk assessment, solutions that help small business owners manage their finances, and faster data exchange and reconciliation technologies.

The FinTech Innovation Lab London is modelled on a similar program that was co-founded by Accenture and the Partnership Fund for New York City in 2010. The Partnership Fund for New York City is the \$110 million investment arm of the Partnership for New York City ([www.pfnyc.org](#)). In 2014, Accenture also launched the FinTech Innovation Lab Asia-Pacific in Hong Kong and the FinTech Innovation Lab Dublin in Ireland.

Methodology

The study is based on Accenture's analysis of fintech investment-data from CB Insights, a global venture-finance data and analytics firm. The analysis included global financing activity from venture capital and private equity firms, corporations and corporate venture-capital divisions, hedge funds, accelerators, and government-backed funds. Fintech companies are defined as those that offer technologies for banking and corporate finance, capital markets, financial data analytics, payments and personal financial management. The list of deals included are dynamic and constantly changing, as new companies are added to the database; all publicly known fund raises for a company, which can include earlier rounds, are back filled into the database. In addition to the fintech investment-data, Accenture conducted a survey of 25 innovation-focused senior banking executives from across the banks that participate in the FinTech Innovation Lab London and Dublin. The banks involved represent 40% of the top 10 global banks by market capitalisation including two of the world's top five banks; however, these survey responses do not represent a statistically significant sample size, and should be used only as an indicative guide.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 319,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is [www.accenture.com](#).

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Contacts:

Melodie Laroche-Gray
Accenture

+ 44 207 844 8513

melodie.laroche-gray@accenture.com

François Luu
Accenture
+ 33 6 60 53 84 28
francois.luu@accenture.com