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Competitors or Collaborators?

A Qualitative Study of the Evolving Relationship Between Banks and FinTech Companies in the Swedish Retail Banking Industry

by

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Abstract

Title: Competitors or Collaborators? - A qualitative study on the evolving relationship between banks and FinTech companies in the Swedish retail banking industry

Purpose: The primary purpose of this study is to provide an understanding of experts' perceptions of the evolving relationship between banks and FinTech companies in the Swedish retail banking industry.

Research questions: How have experts' perceptions of the competitive and collaborative relationship between banks and FinTech companies in the Swedish retail banking industry evolved over time? How are experts perceiving the relationship to evolve in the future?

Methodology: The purpose of this thesis has been achieved through qualitative research with an abductive approach. To capture the perceptions of experts, the data has been collected through nine semi-structured expert interviews.

Theoretical perspective: Porter's (1980) Five Forces Model and Nalebuff and Brandenburger's (1996) concept of co-opetition through the Value Net Model has been used to display the two extremes of the perceived relationship between the banks and FinTech companies. It has provided insights into the perception of the evolving relationship by representing the dichotomies competition and collaboration.

Conclusion: The finding shows that the experts perceive that the relationship between banks and FinTech companies have evolved from a mainly competitive relationship to a beneficial collaborative relationship. The collaborative relationship is further perceived to continue in the future. However, the future relationship is perceived to be affected by the quest of retaining the customer relationship within the new constellation of the Swedish retail banking industry. Further, the findings indicate that the experts' perceptions vary; however, it is often possible to identify patterns in the perceptions that can be categorised into bank experts and FinTech expert, demonstrating uniformity based on where the experts work.

Keywords: Collaboration, Competition, Co-opetition, Perception, Evolving Relationships, Retail Banking Industry, Banks, FinTech Companies

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Table of Contents

1 Introduction

In 1994, Bill Gates famously said that “Banks are dinosaurs, they can be bypassed!” (Randle, 1995). According to Randle (1995), the famous citation annoyed and set fears in bankers, who feared a shift towards a technology-driven industry. For many years, the banking industry has been characterised as an oligopoly, dominated by incumbent banks with a great legacy mainly facing competition from other similar banks (Dong, Huangfu, Sun & Zhou, 2016). However, the powerful forces of customer expectations, technological capabilities, regulatory requirements, demographics and economics are together reshaping the banking industry (Sullivan, Garvey, Alcocer & Eldrige, 2020). Nyström (2019) argues that the most significant disruptions over the past two decades have occurred in consumer banking, i.e. the retail banking industry. Trends such as new technologies, consumer behaviour and regulations are stated to completely have begun to disrupt the traditional retail banking model (Nyström, 2019).

Felländer, Siri and Teigland (2018) states that the development of the internet has significantly impacted consumer behaviour as they have gotten used to high-quality user experience, which is becoming increasingly expected independent of industry. However, they further argue that it has not have been sufficiently provided by the retail banks in the retail banking industry (Felländer, Siri & Teigland, 2018). This enabled FinTech companies to emerge at the beginning of the 21st century by delivering financial services with superior digital experience, in line with consumers’ desire (Desai, 2015; Felländer, Siri & Teigland, 2018; Nyström, 2019). According to Puschmann (2017), FinTech is an abbreviation of financial technology, which is an umbrella term for innovative financial solutions that are enabled by information technology (IT). Even though FinTech solutions often are associated with start-ups, the term also includes the solutions provided by incumbent financial service providers, such as banks (Puschmann, 2017). FinTech companies, in particular, are known to creatively integrate technology to financial service offerings to improve its delivery to consumers, and by targeting a niche market they are becoming experts in that particular service (Lee & Shin, 2018).

FinTech companies are argued to be the biggest disruption for financial institutions and the challenge for the majority of the institutions has been determining how to embrace the FinTech companies (Pollari & Raisbeck, 2017). Holloman (2018) explains that initially, the astounding growth of FinTech companies was a threat to the incumbent banks who feared they would lose revenue in certain segments. Over the last years, the perception of FinTech companies appears to have changed and are now considered to have the potential of acting as efficient partners rather than competitors (Holloman, 2018). However, there are still arguments being made that FinTech companies pose a threat to banks, as the landscape is changing (Sullivan et al. 2020), which arguably indicates a disagreement on the perception of the relationship between banks and FinTech companies. It is further highlighted by Sullivan et al. (2020) that bank managers are poorly prepared for the transformation and unsure of how to utilise the emerging capabilities in current services.

Further, the FinTech companies are argued to be the most important source of FinTech innovation in the future (Pollari & Raisbeck, 2017) and the increasing number of FinTech companies entering the retail banking industry is creating FinTech hotspots around the world (Michael Page, n.d.). Sweden is considered to be a FinTech hotspot and is recognised as one of the biggest exporters of FinTech solutions in the European Union (Mansilla-Fernandéz, 2017).

1.1 The Swedish Retail Banking Industry

Sweden has generated a large number of successful FinTech companies and is commonly known for FinTech companies such as Anyfin, Bynk, iZettle, Klarna and Tink (Freij, 2018), indicating that the Swedish consumers desire new innovative and convenient ways of banking (Invest Stockholm, 2019). Various actors have over the past years entered the retail banking industry with new offerings and/or new ways of delivering financial services, to provide customers with alternatives to the incumbent retail banks (Lee & Shin, 2018; Nuyens, 2019). In the mid-nineties, insurance companies, such as Skandia and Länsförsäkringar, expanded their businesses to include retail banking (Skandiabanken, n.d.; Länsförsäkringar Bank, n.d.). This initiated the blurring of the retail banking industry's boundaries (Ruotsila, Ekdahl & Vitali, 2015) and further enabled the entrance of online-only banks, such as Avanza and Nordnet, who entered the market focusing on managing its customers' investments (Avanza, n.d.; Nordnet, n.d.). Lastly, FinTech companies started entering the industry at the beginning of the 21st century (Bertsch & Rosenvinge, 2019) and have transformed the traditional way of providing banking services by using niche expertise in selected financial services with a customer-centric mindset (Teigland, Siri, Larsson, Morena Puertas & Ingram Bogusz, 2018). A recent study by

Grabo and Norell (2020) suggest that there is still a drastic increase of FinTech companies in the Swedish retail banking industry, thus indicating that it is still in its growth phase.

1.2 Research Problem

Previous research in the field of FinTech companies have focused on trying to define and understand the concept of FinTech (e.g. Beeston, 2020; Puschmann, 2017; Schueffel, 2016; Thakor, 2020), the impact FinTech companies have had on the banking industry (e.g. Ali, Abdullah & Zaki Zaini, 2019; Lee & Shin, 2019; Li, Spigt & Swinkels, 2017; Nuyens, 2019; Siciliani, 2018) and provide suggestions on how and why banks should interact with FinTech companies (e.g. Agrawal, 2017; Coetzee, 2018; Felländer, Siri, & Teigland, 2018; Zhao, Tsai & Wang, 2019). There is some research on the relationship between banks and FinTech companies (e.g. Bömer & Maxin, 2018; Klus, Lohwasser, Holotiuk & Moormann, 2019; Suprun, Petrishina & Vasylchuk, 2020; Svensson, Udesen & Webb, 2019), concluding that there are many benefits for both parties to collaborate. However, there is limited empirical evidence on how the relationship between banks and FinTech companies has developed over time. To the best of our knowledge, there is no research conducted on the relationship between banks and FinTech companies in the Swedish retail banking industry.

1.3 Aim and Objectives

The aim of this thesis is to provide an understanding of how the relationship has and will continue to evolve between banks and FinTech companies, as perceived by experts in the Swedish retail banking industry. This will be achieved through a qualitative study that gathers empirical data through semi-structured interviews with experts that have purposely been selected based on their knowledge of the relationship between banks and FinTech companies.

1.4 Research Purpose

The motivation for this study is twofold. Firstly, a new constellation of the retail banking industry is emerging and rapidly taking form. The form will depend on how the different actors within the industry are perceiving the industry and how they decide to act. Thus, the practical problem is identified in the various relationships taking shape, as a result of the entrance of new actors. The banking infrastructure can be considered the backbone of the economy; thus, it is arguably important to understand the competitive and collaborative relationships within the industry as they are eminent for the performance of the retail banking industry. Secondly, the theoretical problem is identified in the lack of previous studies on the perceived relationship between banks and FinTech companies. Hence, the purpose of this study is to contribute both to practitioners and academia with an understanding of industry experts' perceptions of the relationship between banks and FinTech companies in the Swedish retail banking industry. In view of the purpose of this study, the aim is to answer the following research questions:

- *How have experts' perceptions of the competitive and collaborative relationship between banks and FinTech companies in the Swedish retail banking industry evolved over time?*
- *How are experts perceiving the relationship to evolve in the future?*

1.5 Research Limitations

The new relationship taking form between banks and FinTech companies is not limited to the Swedish retail banking industry. However, due to factors such as country-specific regulations, infrastructure, financial landscape and customer demands, it will most likely never be identical to the industry in a different country. The study will be framed to the context of the Swedish retail banking industry, thus limiting the generalisability of the results, but can indicate possible conclusions in related industries or function as a comparative case.

1.6 Outline of the Thesis

The thesis is divided into six chapters. After this introductory chapter follows the second chapter with a presentation of previous research and the theoretical perspectives used to analyse the data. In the third chapter, a detailed description of the methodology used to achieve the purpose of the thesis is demonstrated. The fourth chapter simultaneously presents and analyses the data and the findings from the fourth chapter is further discussed in the fifth chapter. Finally, the conclusion will be presented in the sixth chapter, along with suggestions for future research and limitations of the study.

2 Literature Review

This chapter functions as the theoretical basis of this thesis and is divided into two sections. The first section presents a literature review of prior research on the competitiveness in the retail banking industry and the relationship between different actors. This part of the chapter aims to provide insights into the findings of previous research. The second section presents the theoretical perspectives competition and collaboration, which primarily focuses on Porter's (1980) Five Forces Model and the concept of co-opetition through the Value Net Model presented by Nalebuff and Brandenburger (1996). This theoretical basis is aimed to guide the analysis of this thesis.

2.1 The Evolution of the Retail Banking Industry

The first section of the chapter presents a timeline of previous research on competition and collaboration in the retail banking industry. Initially, research mainly focused on the competitive aspects of the relationships between different actors in the industry. However, recent research is focusing more on the collaborative aspect, in particular collaboration with FinTech companies, and the positive effect it may have on the retail banking industry.

2.1.1 The Increasing Competition Within the Retail Banking Industry

Previous research on the relationships within the retail banking industry have heavily focused on competition between firms (Sager, 1989). For many years, Lamers and Purice (2017) argue that researchers have studied the competition within the banking industry in various ways in an attempt to create an understanding of what the competitive landscape looks like and how it has changed over time. The changing environment has prompted researchers to measure competitiveness in new ways (Lamers & Purice, 2017). However, it is argued to be difficult to quantify, measure and evaluate the competition in the banking industry (Kay, Manuszak &

Voljech, 2018; Lamers & Purice, 2017), thus resulting in an evolution of the measures of competition (Lamers & Purice, 2017).

The banking landscape has undergone several changes over the last decades and Lamers and Purice (2017) discusses the global evolution of competition between banks. The level of competitiveness significantly differs between countries and regions, and the potential drivers for this are identified as a country's level of economic development (GDP), the domestic markets openness to foreign entrants and the country's financial stability and improved financial intermediation. The authors argue that the important developments affecting the competitive landscape of the banking industry include deregulation, technological progress, consolidation, internationalisation and financial crises. Further, the study concludes that the pattern of decreased competition is most significant in North America, Asia, Africa and the Middle East, while the competition in Central and Eastern European countries have remained relatively constant over time. However, the competition between banks in Western European countries has slightly increased. Finally, Lamers and Purice (2017) argue that Eastern Europe, Western Europe and Oceania currently are the most competitive regions.

Even though the competition between banks is argued to have increased, Ashton (2001) concludes that perfect competition within the British retail banking industry between 1992-1997 can be rejected. The level of competition in the industry is argued to influence efficiency, where a low-cost entrant can increase the levels of competition, thus have a significant impact and disturb the stability and equilibrium of the market as well as the profitability of incumbent banks (Ashton, 2001). Competition is therefore considered to "[cause] efficient organisations to prosper at the expense of inefficient ones" (Vickers, 1995, p. 1). The emergence of the internet has further changed the competitive landscape of retail banking and lowered the barriers to entry (Smith, 2009), thus enabled new low-cost companies, such as online-only banks and specialist technology providers, to enter the industry (Wright, 2002). Wright (2002) argues that the internet has eroded the distribution-based barriers to entry that have long protected the traditional retail banks since online-only actors can deliver banking services without physical branches. Despite the online-only actors' possibility to pose a significant threat in the retail banking industry, Wright (2002, p. 82) argues that it is unlikely that they will "be able to capture a customer's primary banking relationship in the longer term" as a result of their niche service offerings.

The development of the internet is not considered to be the only factor describing the increased competition in the industry over the years. The financial crisis in 2008 resulted in a significant number of reconstructions and consolidations between actors within the European banking industry, which increased the market concentration as a result of a smaller number of competitors (de Guevara & Maudos, 2017). The implications for the intensity of competition can be significant and competition policy can be necessary to ensure an intermediate level of competition (de Guevara & Maudos, 2017). Buchak, Matvos, Piskorski and Seru (2018) conclude that as a result of the financial crisis, the banks have been faced with greater regulatory restriction, which has resulted in new actors entering the industry. These new actors enter the industry with new business models and offerings, which means that they are not subject to the same regulations as incumbent banks, thus increasing the competition in the industry (Buchak et al. 2018).

Regulations and regulatory changes are argued to have a significant impact on the competition within the banking industry and can strategically be used by policymakers in an attempt to increase competition (Heffernan, 1993). Heffernan (1993) aimed to understand the effectiveness of regulations passed to achieve more competitive pricing and if they benefited the customers. The complexity of retail banks pricing behaviour is highlighted, and the author argues that the competitive behaviour of the retail banks has drastically been affected by the regulations. However, the study is unable to confirm the benefits of a law of one price in the retail banking industry (Heffernan, 1993).

There are however other regulations that are argued to have had a larger impact on increasing the competition by promoting innovation to support the ongoing digitalisation of the industry (Scheja & Machielse, 2019). Since the financial crisis in 2008, governments have altered regulations to benefit FinTech companies while simultaneously risk-minimising the behaviour of the banks (Lee & Shin, 2018). The revised Payment Services Directive (PSD2) was introduced in the European Union to allow third-party providers to access customer data from banks, with the customers' consent, in order to access account information and process payments (Scheja & Machielse, 2019). Scheja and Machielse (2019) conclude that PSD2 adds value and increases the industry profitability by delivering financial services that benefit the customers through new business models. Jun and Yeo (2016) further highlights the importance of regulations to enable increased competition. The authors conclude that in the absence of regulation, incumbent banks can deny new entrants' access to their infrastructure and thus limit their ability to enter the market unless they develop their own infrastructure. Further, banks often perceive new non-financial firms more as "threats and rivals than as partners for cooperation, and vice versa" (Jun & Yeo, 2016, p. 179).

The internet and innovative technology are argued to enable new actors to enter the industry (Gropp & Kok, 2017; Smith, 2009) and regulations promoting innovation to have further increased the competition and particularly benefited new actors (Scheja & Machielse, 2019). These factors are argued to have been in favour of the entrance and intense growth of FinTech companies (Gropp & Kok, 2017).

2.1.2 The Rise of FinTech Companies

FinTech companies are perceived to have initiated the trend of introducing technology in financial services, which is commonly being referred to as FinTech (Lee & Shin, 2018). FinTech is generally defined as "... technologically enabled financial innovation that could result in new business models, applications, processes or products with an associated material effect on financial markets and institutions and the provision of financial services" (Financial Stability Board, 2017). Beeston (2020) compares the disruption of FinTech companies like that of other technological entries, such as Uber in the taxi industry or Airbnb in the accommodation industry. FinTech companies identified an opportunity to establish a position in the market through offering niche financial services, as a result of the achievements in FinTech, new regulations and changing customer demand, thus forcing the retail banking industry to adapt (Beeston, 2020; Felländer, Siri & Teigland, 2018; Lee & Shin, 2018; Thakor, 2020).

FinTech companies further leverage the development of infrastructure, big data, data analytics and mobile devices with their entrepreneurial mind-set, modern business model and ability to focus all of their resources on a single niche service (Lee & Shin, 2018). This provides them with a valuable competitive advantage towards the incumbent retail banks (Beeston, 2020; Felländer, Siri & Teigland, 2018; Stulz, 2019). Stulz (2019) emphasises the ability of FinTech companies to achieve economies of scale and scope. Further, she refers to FinTech companies as working closely with its customers, allowing their business to be re-directed by them and not being afraid of making mistakes, thus focusing on "creating the most satisfying customer experience" (Stulz, 2019, p. 91)

As a result of a consistent hype around its ability to disrupt a static industry, FinTech companies are continuity attracting an exponential increase of funding (Beeston, 2020; Lee & Shin, 2018; Li, Spigt & Swinkels, 2017; Navaretti, Calzolari, Mansilla-Fernandez & Pozzolo, 2018; Nuyens, 2019; Sullivan et al. 2017). Such funding is by Navaretti et al. (2018) argued to be negatively related to stringency in regulations for FinTech companies. However, Lee and Shin (2018) further legitimises FinTech companies as being beyond the hype and are by the day becoming more and more established players in the industry. While the FinTech companies enjoy the benefits of digitalisation, the retail banks struggle with their bureaucratic structure, agency problems and legacy systems in transforming their business in line with the evolving industry (Lee & Shin, 2018; Stulz, 2019). In conclusion, the FinTech companies' ability to use the technology to develop new creative business models have harmed the banks' relationship with their customers, thus initially being considered as a threat to the traditional way of banking and the dominance of its incumbent actors (Boot & Thakor, 2000; Felländer, Siri & Teigland, 2018; Lee & Shin, 2018; Li, Spigt & Swinkels, 2017; Nuyens, 2019; Stulz, 2019).

2.1.3 The Different Phases of FinTech

There is limited consensus regarding when FinTech companies and FinTech as a concept was introduced (Beeston, 2020; Felländer, Siri & Teigland, 2018; Lee & Shin, 2018; Thakor 2020). Beeston (2020, p. 42) argues that "...the most significant moment in the evolution of FinTech, previous to the modern-day computing" is dated back to 1494 when Luca Pacioli invented the double-entry bookkeeping. However, he agrees with Lee and Shin (2018) that it is first with the online revolution after the introduction of modern-day computing in the 1990s, that FinTech, as we know it today, is argued to have emerged. Beeston (2020) emphasises that the FinTech hype reached its peak in 2014 but is still under exponential increase. Thakor (2020) agrees with Beeston (2020) that modern-day computing has had a great influence over FinTech but also argues that the implementation of the ATM greatly impacted the development of payments and clearing systems. Further, Thakor (2020) emphasises the importance of the financial crisis in 2008, presenting the opportunity for FinTech companies since the crisis harmed consumers trust in banks. This financial crisis is also mentioned by Felländer, Siri and Teigland (2018) as being a major factor but further also the initiation of what they perceive to be the emergence of FinTech companies. It is noteworthy that Felländer, Siri and Teigland (2018) focus on the emergence of FinTech companies whilst Thakor (2020) and Beeston (2020) focus on FinTech as the technology, where the FinTech companies are rather referred to as drivers in the modern-day industry.

Felländer, Siri and Teigland (2018) focus on the Swedish market and divide the emergence of FinTech companies into three phases. The first phase starting with the financial crisis in 2008 is referred to as *the innovation struggle,* where banks started to lose their dominant position that was previously protected by high entry barriers. As a result of constraints from compliance, unclear regulatory framework and reduced trust, the banks failed to react to the emergence of a new type of actors, serving new real-time demands of customers. FinTech companies gained momentum in niche markets, challenging banks head-on in a zero-sum-game. Following the emergence of success in one niche, other FinTech companies popped up, targeting other segments of the banks' businesses. Finally, banks started to pick up the pace, learning from their new competitors and politicians started to notice the impact of FinTech companies. This initiated investigations into the regulatory framework on how not to inhibit the new innovative force (Felländer, Siri & Teigland, 2018).

The second and on-going phase started in 2016 and is according to Felländer, Siri & Teigland (2018) centred around the new landscape that has begun to take form and is referred to as the phase of *partnerships and client focus*. Banks and FinTech companies are realising their strengths and weaknesses, thus initiating collaborations. Through collaboration, FinTech companies gain access to the networks, public trust and capital resources connected to banks whilst banks gain access to tailored and agile technologies appealing to the demand of customers. In 2018, PSD2 was implemented which legislates the banks to open up their information to third-party providers. This enables FinTech companies to access customer relationships that have previously been dominated by banks, who now fears only becoming a utility provider. This has led to several of the banks in Sweden setting up internal FinTech hubs in an attempt to keep up with the start-ups (Felländer, Siri & Teigland, 2018).

Felländer, Siri and Teigland (2018) refers to the third phase as *repositioning,* which is perceived to start in 2020 and be technology-driven. It is speculated that by now, traditional value chains have been re-configured or out-competed and replaced by networks of partnerships. They further argue that every step in the value chain will within five to ten years have become replaced by a digital alternative. Banks that adapt accordingly will once more gain a competitive position through adaptation by incorporating FinTech features. However, FinTech companies might find other ways of gaining trust and accessing resources through alliances with, for example, big technology (BigTech) companies or companies active in the market of fast-moving consumer goods. Hence, they speculate that the survival of banks lies in their ability to attract FinTech companies into partnerships or to develop effective in-house activities (Felländer, Siri & Teigland, 2018).

As a result of banks engaging in various initiatives to benefit from the competitive advantages of FinTech companies, a new ecosystem is taking form (Nuyens, 2019). Nuyens (2019) argues that these initiatives include internally investing in FinTech ventures, innovation hubs, joint ventures, procurement and other contractual agreements. He further describes that the ecosystem contains four actors; (1) banks and financial institutions, (2) FinTech companies, (3) tech providers and BigTech and (4) bank regulators and supervisors (see Appendix A). These actors constantly evolving and needs to be into consideration. A similar ecosystem is developed by Lee & Shin (2018), who states that it is impossible today to enumerate the actors in the industry of financial services without mentioning FinTech companies. They visualise a FinTech ecosystem (see Appendix B), to demonstrate that shifts in different actors' businesses can affect their relationship to other actors, which in turn can affect the industry as a whole. The FinTech companies are viewed as the engine of evolution with their entrepreneurial way of offering new business models. However, the authors discuss how technology developers have paved the way for FinTech companies by disrupting other industries. These disruptions have resulted in changing customer demands in favour of digital services, which has contributed to the transformation of the retail banking industry. By unbundling services and targeting niche services, the authors emphasise FinTech companies' ability to disrupt the previous dominance held by traditional financial institutions. Despite the disruptive force of the FinTech companies, they predict that the traditional financial institutions will continue to exist in the future since many have already re-evaluated their business models. However, banks are stuck in a full-service business model, which limits their growth (Lee & Shin, 2018).

Nuyens (2019) further argues that in line with the new ecosystem that is emerging, banks need to evaluate if FinTech companies are considered a threat, opportunity or maybe both, in order to further understand their relationship (Nuyens, 2019), since FinTech companies have the potential to impact the industry both positively and negatively (Ali, Abdullah & Zaki Zaini, 2019; Li, Spigt & Swinkels, 2017).

2.1.4 Collaboration

Early literature of the retail banking industry has mainly focused on competitive aspects of companies but already back in the 1980s, banks initiated collaborative relationships to gain competitive advantages and thus deal with increased competition in the industry (Sager, 1989). According to Sager (1989), banks entered into strategic alliances with information technology (IT) providers, which was deemed successful, but not a guarantee for success. A competitive alliance is defined as "a formal arrangement between participants in a competitive market for conducting business in a cooperative manner" and may provide benefits such as lowering barriers to entry and exit as well as reducing costs through economies of scale (Sager, 1989, p. 189). Alliances with technology providers, thus potentially also competitors, is continued to be perceived as an important strategy for the survival of traditional banks (Wright, 2002). Even though non-financial firms generally are perceived as posing a threat to banks business, Suprun, Petrishina and Vasylchuk (2020) argue that FinTech companies are not competitors in the traditional sense. Despite their growth, FinTech companies' global financial market does not exceed 1 %. The authors thus conclude that banks and FinTech companies are doomed to cooperate (Suprun, Petrishina & Vasylchuk, 2020). This is confirmed by Jun and Yeo (2016), who conclude that cooperation and partial integration is more beneficial than competition.

The financial service industry is considered a relatively conservative industry where the collaborative initiatives of alliances are still a new phenomenon (Klus et al. 2019). To respond to the increasing customer demand for rapid innovation and adapting to the changing market, incumbent banks are increasingly forming alliances with FinTech companies. The motives behind the partnership are however argued by Klus et al. (2019) to vary between the banks and FinTech companies. FinTech companies seek partnership with banks to benefit from their customer base, resources and reputation as well as to avoid dealing with regulatory requirements and gain customers' trust. Svensson, Udesen and Webb (2019) further emphasise strategic alliances as a legitimating function for FinTech companies and banks to gain competitive advantages. Banks reach out to FinTech companies for outsourcing and rapid innovation (Svensson, Udesen & Webb, 2019). However, in the specific case of outsourcing, the issue of accountability and liability is raised by Nuyens (2019) and Beeston (2020), emphasising the problem of being responsible for a service delivered by someone else. Therefore, banks carefully select their alliances to avoid reputational damage as a result of misconduct from partners (Klus et al. 2019). Bömer and Maxin (2018) further conclude two main reasons why FinTech companies collaborate with banks. Firstly, some FinTech companies are reliant on collaboration with banks to enter the industry. Secondly, collaboration increases profitability and enables the development of new products (Bömer & Maxin, 2018).

Collaboration is deemed beneficial for both banks and FinTech companies (Bömer & Maxin, 2018; Klus et al. 2019; Suprun, Petrishina & Vasylchuk, 2020). However, Klus et al.'s (2019) findings indicate that the different actors desire different levels of integration. Banks desire FinTech companies to be exclusive providers of outsourcing or customer-service through loose integration. For FinTech companies to achieve the desired benefits, deeper integration into the banks is generally required. Further, they discuss that the partnership is not necessarily a lifelong commitment. FinTech companies can develop organisational structures, expand their customer base and build a reputation through an alliance. If the partnership ends, Fintech companies can establish themselves as significant competitors. However, it is also argued that banks, theoretically, can develop FinTech products internally, thus not depending on partnerships. The authors' final conclusion is that the banks' motivation for collaboration with FinTech companies cannot only be based on reducing costs and resources. By not striving to learn from FinTech companies, banks' may become dependent on their partnership, thus increasing the bargaining power of FinTech companies. This can further impact the conditions for collaborations in the future (Klus et al. 2019).

2.2 Theoretical Perspective

Findings from previous research have shed light on the complexity of the relationship between banks and FinTech companies and how it has been studied over time. However, better insights into their evolving relationship can be achieved by attaining an understanding of the theoretical perspective of competition and collaboration. Therefore, the following section will present Porter's (1980) competitive analysis model Five Forces, criticism of his model and a presentation of the more recent concept of co-opetition through the Value Net Model by Nalebuff and Brandenburger (1997).

2.2.1 Porter's Five Forces Model

There are various ways of determining and evaluating the competitive landscape within an industry (Lamers & Purice, 2017). Porter's (1980) Five Forces Model is one of the most well-known theories on the field of business strategy used to determine the competitive intensity and attractiveness of an industry, in terms of its profitability (Brandenburger, 2002). The Five Forces Model is deemed relevant to analyse our data in order to further understand how the relationship between the banks and FinTech companies is perceived. To further make it applicable in our case, it will be operationalised to fit into a retail banking context. The Five Forces Model is composed of (1) bargaining power of suppliers, (2) bargaining power of buyers, (3) threat of substitutes, (4) threat of new entrants, and (5) rivalry among existing competitors (see Appendix C) (Porter, 1980). According to Porter (1980). each force has a different impact depending on which industry it is intended to analyse.

Bargaining Power of Suppliers. Porter (1980) explains that powerful suppliers have the ability to limit the profitability in an industry by increasing costs. In a case where suppliers are not dependent on a specific customer, they are able to maximise their own profits by raising prices. This is further enabled in an industry where the supplier is more concentrated than the industry it sells to, achieving capabilities similar to monopoly markets. Additionally, suppliers can gain power by increasing the switching costs, thus limiting the financial incentive for its customers to search for a new provider of services. (Porter, 1980). Three major suppliers in the retail banking industry are considered to be employees and the providers of hardware respectively software (Smith, 2009).

Bargaining Power of Buyers. The case of powerful buyers is according to Porter (1980) similar to powerful suppliers but reversed. Powerful buyers have the ability to play actors in the industry against each other, forcing down the price of its services and thus lowering the profitability. If the switching costs are low, buyers can more freely swap suppliers and gain leverage. Similar but reversed to suppliers, buyers lose power when the products are undifferentiated, perceived cheap and when dealing with products where quality is less important (Porter, 1980). Buyer power has gained relevance through the broader use of technology and the internet, enabling the customers to swiftly change providers of financial services, due to lower switching costs (Felländer, Siri & Teigland, 2018). Simultaneously, the trend of using complementary financial services is becoming more popular, enabling the customer to freely choose which specific service to buy from which specific actor (Beeston, 2019; Li, Spigt & Swinkels, 2017).

Threat of Substitutes. Porter (1980) defines substitutes as products that fill the same or similar function as the industry's product. They are often overlooked as they appear to fulfil a different need than that of the industry's product, due to lack of familiarity amongst industries. However, substitutes can harm the profitability in an industry and are therefore considered a threat, particularly if the switching costs are low and it provides a better alternative in the price-performance trade-off (Porter, 1980). The banking industry is offering a wide range of products and services, where the incumbent banks generally are considered full-service institutions (Lee & Shin, 2018). However, non-banks operating in other industries can offer attractive substitutes and thus steal market share from the banks in offerings where a banking license is not needed (Stulz, 2019).

Threat of New Entrants. New entrants are argued by Porter (1980) to pose a threat to the industry with their aim to gain market share. They are particularly relevant when they are diversifying from other markets since they have access to capital and the ability to leverage their capabilities into a new market. They are therefore considered to have a negative impact on the industry's profitability by influencing prices, costs and the rate of investment necessary to compete. The threat of new entrants is determined by seven major barriers to entry, limiting the ability for the new actor to establish themselves in the industry (Porter, 1980). These barriers to entry are (1) supply-side economies of scale, (2) demand-side benefits of scale, (3) switching costs, (4) capital requirement, (5) disadvantages independent of size, (6) access to distribution channels and (7) restrictive government policy (Porter, 2008). Porter (2008) emphasises that it is the threat of entry, and not necessarily the actual entering, that holds down the industry's profitability as it is the high margins that attract newcomers. By establishing *supply-side economies of scale*, incumbents either force the new entrant to come into the industry at full scale to become competitive or accept the cost disadvantages. Further, *demand-side benefits of scale* arise in the industry when the buyers' willingness to purchase a company's product increases with the number of other buyers of the same product or service. This is considered a barrier to entry as the lack of network effects of new entrants limits the buyers' willingness to purchase a newcomer's product or service. Buyers may also be hesitant to change suppliers as a result of *switching costs*, which are fixed costs that the customer is charged for switching from one supplier to another (Porter, 2008).

The fourth acknowledged barrier to entry is *capital requirement,* which can be particularly eminent in industries where a large fixed and/or up-front cost is necessary for establishment in an industry (Porter, 2008). Smith (2009) argues that capital requirements and economies of scale have become less powerful in the banking industry due to the ability to nowadays provide services through technology, thus lowering the costs for financial services. Further, Porter (2008) argues that incumbents may also have *advantages independent of size* only by having occupied certain resources or capabilities, such as most favourable geographical location, technological infrastructure or established brand identities. Additionally, unequal *access to distribution channels* hinders new entrants to establish their product or service on the market and is often related to an extensive need of finances in for example promotions or development of new distribution channels (Porter, 2008). Today, the need for physical branches in the retail banking industry has been reduced as a result of the internet and thus fewer customers visit physical bank branches (Smith, 2009).

Lastly, Porter (2008) argues that restrictive *government policy* is considered to have both negative and positive effects on the threat of new entrants by legislative measures. Government policy is often definitive and could thus completely hinder new entrants by for example imposing legal monopoly, increased tax rate of sales and/or increased terms of internal supervisory costs (Porter, 2008). This barrier has significant consequences in the retail banking industry, being a highly controlled industry due to the extensive risk that follows when managing other's financials (Smith, 2009). Governments and regulatory organs are implementing regulations to cope with the disruptive effects of FinTech companies, whilst battling with the dilemma of inhibiting the innovative force (Felländer, Siri & Teigland, 2018). For example, PDS2 was introduced in the European Union, to regulate payment services while simultaneously enabling innovation through third-party data access (Scheja & Machielse, 2019). Porter (2008), emphasises that the threat is often limited by a history of aggressive response, preparedness from incumbents to perform cost-cuts and when the industry shows indications for perfect competition.

Rivalry Among Existing Competitors. Porter (1980) views the fifth force of internal rivalry within the industry as the most important force. The extent of the rivalry and the effect it has on the profitability is determined by the intensity and basis on which the firms compete. The intensity is high when there are many actors on the market, high exit barriers and high aspirations of becoming industry leaders. Further, he highlights the issue of price competition as an activity particularly harmful for profitability. It often arises when competitors, who have similar products with low switching costs, are faced with high fixed costs and low margins. Rivalry could also have a positive impact on profitability by extorting differentiation within the industry and through that avoiding a zero-sum-game and better appealing to customer demand (Porter, 1980; 2008). The retail banking industry has often been referred to as an oligopoly where a few powerful and similar actors dictate the industry, resulting in a high margin industry (Smith, 2009). Over the past years the number of actors in the industry has significantly increased (Stulz, 2019), thus increased the rivalry in the industry.

In concluding his theory, Porter (1980; 2008) emphasises that even smaller adjustments in any of the forces may have a major impact on the competitive landscape of the industry. These adjustments or changes could be identified by changes in customer demand, implementation of new technology or other unrelated events. Additionally, the impact greatly differs depending on the market and the Five Forces Model serves as a tool in understanding "why *industry profitability is what it is.*" (Porter, 2008, p. 88).

2.2.2 Criticism of Porter's Five Forces Model

Brandenburger (2002) explains the success of Porter's Five Forces Model as a result of its ability to provide a memorable picture of the business landscape, reflecting how real-world business strategists view it. However, despite the apparent success of the Five Forces Model and its significant influence on the field of business strategy, it has received criticism for its lack of scientific rigour (e.g. Aktouf, Chenoufi & David Holford, 2005), and practical value particularly in the modern business environment (e.g. Wang & Chang, 2009). Aktouf, Chenoufi and Holford (2005) question Porter's inadequate strategic thinking and argues that the Five Forces Model is impossible to operationalise. Further they state that Porter's theory on an industry level justifies and legitimises domination by large corporations, the concentration of capital and excessive hierarchisation-centralisation. The Five Forces Model is thus argued to not bring value to small companies or to companies striving to benefit from employee's knowledge and field experience when formulating strategies. Further, they highlight Porter's perception that the relationships between actors in an industry is hostile and argues that the Porterian edifice is the quest of domination and that there is a war against all.

This view is shared by Wang and Chen (2009) who argue that according to Porter, organisations view everyone as competitors and they have the ambition to maximise their profit while minimising competitors, i.e. Five Forces is a model about competition for profits. Further, the authors argue that all of the five forces are out of the business' control, which means that the use of the model will not lead to effective actions. In order to account for the limitations with Porter's Five Forces, the authors present a new Five Forces Model based on the ancient strategic wisdom of the military strategist Sun Tzu. The authors have converted the analogy "us-versus-enemy" to "us-versus-competitor" and focus on the highest wisdom of Sun Tzu, "war is so destructive that it should be avoided in the first place", i.e. competition should be avoided (Wang & Chen, 2009, p. 57). In order to develop a new model that considers the limitations of Porter's Five Forces Model, Wang and Chen (2009) have used Sun Tzu's five perspectives on how to study war; moral influence, weather, terrain, general and doctrine. These were translated by Wang (2006) into a business context and generated a model consisting of five new forces, consisting of the moral force (business purpose), the temporal force (business climate), the spatial force (business location), the command force (business leader) and the organisational force (business organisation) (see Appendix D).

Wang and Chen (2009, p. 57) argue that even though this new model is considered to have "profound implications for business anywhere in the world" it is not the end of Porter's Five Forces Model, but rather the initiation of new collaborative innovation possibilities. Aktouf, Chenoufi and Holford (2005) also discuss the alternative options of inter-corporate relationships that focus on co-operation and collaborations rather than solely on competition. They further argue that viewing the relationship with other organisations in the industry as co-opetitors or collaborators can lead to reduced costs, increased access to skills and knowledge as well as a catalyst for innovation (Aktouf, Chenoufi & Holford, 2005).

2.2.3 Co-opetition and the Value Net Model

This new motion of combining competition and collaboration is by Nalebuff and Brandenburger (1996) defined as co-opetition. The term co-opetition was originally coined by Novell's founder Ray Noorda who famously said: "you have to compete and cooperate at the same time" (Nalebuff & Brandenburger, 1996, p. 14). Nalebuff and Brandenburger (1996, p. 13) discuss how the traditional language used in the business world indicates that "business is war" and emphasises that there are always winners and losers, but in the end, it can be argued that no one wins. Further, Porter's Five Forces Model is argued to almost exclusively focus on competition, thus resulting in the limitations of not considering collaboration within the industry to achieve competitive advantages. Therefore, the authors further states that it is more beneficial for competitors to work together rather than against each other, by combining business strategy and Game Theory (Nalebuff & Brandenburger, 1996).

To adapt the original Game Theory to fit in business contexts, Nalebuff and Brandenburger (1997) took a more holistic approach to the game, rather than focusing on finding the answer to a particular game. In games like football or chess, someone has to lose for someone else to win, i.e. it's a zero-sum game. The authors argue this is not the case in the game of business. Further, in most games, the playing field, the players and the rules are set, which is not the case in the business context as the game changes based on the actions of various players. The players thus bring added value into the game and the game is affected by the players' perceptions of the boundaries and linkages of different games. To change the game, you must change the structure of the interaction between players, the players' perception and/or the scope or boundaries of the game. The players and the value they add to the game is considered fundamental elements and if a systematic change of the game is made in one aspect it will most likely change in other aspects as well (Nalebuff & Brandenburger, 1997).

Nalebuff and Brandenburger (1996) introduced the Value Net Model in order to identify co-opetition potential within an industry between the following four players: customers, supplier, competitors and complementors (see Appendix E). The complementors are considered the significant contribution of the Value Net Model, that Porter's Five Forces Model is argues by the authors to lack. The Value Net Model provides a map of the whole game, the players and the relationships between the players. It is intended to help companies see the world from the perspective of its customers and suppliers, in order to find collaboration opportunities with companies that can complement their product and/or service to increase the total customer value (Nalebuff & Brandenburger, 1996). Nalebuff and Brandenburger (1997) argue that the relationship between the business, its customers and its suppliers are founded on the money that is transferred from the customers to the suppliers, via the business. Customers have other suppliers at their disposal that can either be considered to have a positive impact on their perceived value of a business' products, i.e. complementing the products offered by that business, or harm the perceived value of your products, i.e. are your competitors. Other suppliers can, therefore, make the product more or less valuable to the customers. Similarly, suppliers have other customers that can impact the business and thus the customers can be viewed as competitors or complementors to the business. If the suppliers' other customers limit the suppliers' ability to support the business' needs, the other customers are competitors. If the suppliers' customers, on the other hand, increase the suppliers' ability to meet your needs, they are considered complementors on the supply side. This means that for a business to understand if a player is a competitor or complementor, it must take an allocentric perspective, i.e. the perspective of customers and suppliers (Nalebuff & Brandenburger, 1997). Finally, Nalebuff and Brandenburger (1996) highlight the importance for companies to create strategies for each relationship within the Value Net to ensure that all collaboration opportunities are evaluated to increase the total customer value.

In conclusion, Porter's Five Forces Model may be considered one of the most well-known theories to understand the competitive landscape in an industry (Brandenburger, 2002). However, by only looking at other actors in the industry as competitors, it is argued to miss out on value-creating relationships through co-opetition (Nalebuff & Brandenburger, 1996). To create an understanding of how experts within the Swedish retail banking industry perceives the relationship between banks and FinTech companies, it is not deemed sufficient to only use one of the concepts to analyse the data. Further, the two models can be viewed as extremes and represent the two dichotomies competition or collaboration.

3 Methodology

This chapter will function as a transparent account for how the chosen research approach and methods have been selected and implemented to achieve the aim of this thesis. A qualitative approach has been deemed suitable and the data has been collected through semi-structured interviews with experts. The chapter is concluded with a discussion of the measures taken to ensure the quality of this thesis.

3.1 Research Approach

This report aims to understand how experts within the Swedish retail banking industry perceive that the relationship between banks and FinTech companies has evolved over time and how it is perceived to continue to evolve in the future. The purpose of this study is not to achieve generalisable findings but rather to understand and interpret the experts' perceptions of the relationship. In line with the exploratory objective of this study and the research questions it aims to answer, a qualitative research design has been selected. To understand a phenomenon from the perspective of the people within a specific context, a qualitative research approach is considered suitable (Holme & Solvang, 1997). This study emanates from an empirical phenomenon where data has been collected to increase the knowledge-base of perceptions of the expert within the industry. The empirical data has further been analysed through previous research on the field and the theoretical concepts of competition and co-opetition, thus an abductive approach is arguably suitable. Abductive reasoning is used to make logical inferences about a puzzling phenomenon by going back and forth between empirical data and existing literature (Bryman & Bell, 2015).

3.2 Research Design

To gain a deeper understanding of how the relationship is perceived to have evolved and will continue to evolve in the future between banks and FinTech companies, the design of inquiry has been expert interviews. Bogner, Littig and Menz (2009) argue that expert interviews are an efficient and concentrated method of data gathering, where experts can provide practical insider knowledge to a particular social field. Further, they state that despite being a relatively new method, expert interviews is a legitimate method for qualitative studies (Bogner, Littig & Menz, 2009). An expert is an individual whose expert knowledge of a social phenomenon can be distinguished from other forms of knowledge, such as common-sense knowledge and everyday knowledge, and cannot be accessible to anyone in the field of study (Gläser & Laudel, 2009; Meuser & Nagel, 2009).

The experts deemed suitable for this thesis have expert knowledge within the Swedish retail banking industry and particular knowledge of the relationship between banks and FinTech companies. For the experts to be considered experts on this phenomenon, two aspects have been looked at. Firstly, for the experts to be considered to have expert knowledge they should have long-term experience working in Swedish retail banks and/or FinTech companies. Secondly, the experts are not viewed as experts only by their tenure in the industry. It is further essential to consider their existing and previous positions within different organisations in the industry, in order to confirm the relevance of their expert knowledge in relation to the aim of this thesis. Hence, the experts participating in this study have been selected based on their expert knowledge on the relationship between banks and FinTech companies. Some of the experts have a shorter tenure in the industry but significant expert knowledge of the phenomenon due to the focus of their work, thus expert knowledge may have triumphed tenure.

3.3 Data Collection Method

Data can be divided into primary and secondary data, where primary data is defined as empirical material that has been created for a specific study and secondary data is empirical material that has been created for a different study or purpose, i.e. already existing data (Alvehus, 2013). In line with our research questions and the study's focus on perception, only primary data have been gathered through qualitative semi-structured interviews with experts working in the Swedish retail banking industry. Interviews are a flexible data collection method (Bryman & Bell, 2015) which aims to understand a phenomenon from the respondent's perspective (Kvale, 1997). Semi-structured interviews are designed to allow experts to speak more freely while guided by a number of general questions, which in turn allows for flexibility in the order of the interview questions and follow-up questions (Bryman & Bell, 2015).

3.3.1 Selection Process

To identify relevant and suitable experts to participate in our study and provide the data necessary to enable us to answer the research questions, a non-probability sampling method has been used, more specifically a purposive sampling method. The purpose of using a purposive sampling method is to select the cases and participants in a strategic way to ensure that they are relevant for the research question (Bryman & Bell, 2015). The downside of using a non-probability sampling is that the result is not generalisable (Bryman & Bell, 2015). However, the aim of this study is not to achieve generalisable results but rather to gain a deeper understanding of the industry experts' perceptions of the evolving relationship between banks and FinTech companies. The use of a purposive sampling method is thus arguably suitable.

In order to gather a holistic understanding of how the experts perceive the relationship, it is arguably beneficial for the purpose of this study to include experts currently working in banks and FinTech companies in the Swedish retail banking industry. To find the desired experts, we first identified relevant banks and FinTech companies, which enabled us to identify experts within each organisation. As discussed in the introduction chapter, Sweden is one of the leading countries in the world in FinTech solutions and has generated a large number of FinTech companies. To identify potential interviewees that are working in FinTech companies (i.e. FinTech experts), extensive Google-searches have been conducted to gather information about the most well-known and successful FinTech companies founded and operating in Sweden. Since the purpose of this study is focusing on the retail banking industry, we focused on FinTech companies that offer financial services directed at consumers. The Google-search enabled us to find 30 FinTech companies relevant for this study. Further, LinkedIn was used to identify employees at each company that were deemed suitable to participate in our study, i.e. possess the expert knowledge needed to answer our research questions. The expert knowledge desired for this thesis was deemed to be possessed by founders of the FinTech companies or employees obtaining positions such as, or equivalent to, Chief Executive Officer (CEO), Chief Technology Officer (CTO), Chief Strategy Officer (CSO) and Business Developer. Once the desired experts had been identified, an email was sent to all of the potential participants through a semi-structured email-template, which was individually adjusted to fit the receiver.

A similar process was initiated to identify relevant experts working in banks (i.e. bank experts). Sweden has more than a hundred banks which are categorised as banking corporations, foreign banks, saving banks and member banks (Svenska Bankföreningen, 2019). Similar to the criteria used to identify relevant FinTech experts, the banks suitable for this study are retail banks that offer financial services to consumers. The number of retail banks that matched our criteria in the Swedish retail banking industry was significantly lower than the number of FinTech companies. Six retail banks were identified as relevant for this study, including incumbent Swedish banks and insurance companies with banking units. The relevant experts within the banks obtained positions such as, or equivalent to, Chief Technology Officer (CTO), Chief Strategy Officer (CSO) and Business Developer. The contact was initiated in the same way as for the FinTech experts.

Out of the 36 experts that received an invitation to participate in our study, we received confirmation from eleven experts that were interested in sharing their experience and perception on the evolving relationship between banks and FinTech companies. We further received an interest to participate from six other experts; however, as a result of the prevailing circumstances of COVID-19, they were unable to find the time to participate. Further into the process, two out of the initial eleven confirmed participants had to withdraw their interest due to COVID-19. The nine experts participating in the interview were distributed as follows: four experts work at the large Swedish banks, one expert works at a banking unit within an insurance company and four experts work at FinTech companies. As a result of one of the expert's recent employment within one of the Swedish banks, a tenured colleague of his was invited to join the interview, thus resulting in two out of the five experts working in the same bank. We do not believe that this has negatively affected the result of this study, rather the experts complemented each other's perceptions and provided rich data. Hereinafter, the experts will be mentioned as bank expert(s) or FinTech expert(s), based on where they are currently working.

As a result of the sensitive and detailed information shared in the interviews, the decision was made to anonymise the experts and the companies they work at. All of the experts are male who combined have 115 years of experience working in the retail banking industry. Besides working in Swedish banks and FinTech companies, the experts have prior experience working in foreign banks and consultancy within the financial service industry. The FinTech companies, where four of the experts are working, offer different services which can be categorised to (1) enabling collaboration with the banks, (2) creating competition between the banks, (3) enabling collaboration between the banks and (4) competing against the banks. This can arguably influence the perceptions of the experts, thus generating richer data.

3.3.2 Interview Preparation

An interview is generating the raw material of a research study and the quality of the interviews will be crucial for the entire study, therefore the interview preparations are of the utmost importance (Kvale, 1997). Firstly, we conducted desktop research on all of the experts and their companies through company webpages, industry reports and news articles, in order to gather a cohesive knowledge-base. Secondly, to ensure a certain level of consistency between the interviews, two interview guides were created. The purpose of creating two interview guides, one for the bank experts and one for the FinTech experts, was to adapt the interview questions to suit the experts' knowledge. The separate interview guides, for example, enabled us to gather more detail from FinTech experts regarding their entry to the industry, while bank experts could reflect upon how the entrance of FinTech companies affected the industry. However, the underlying questions they were aimed to answer are the same.

An interview guide fills the purpose of ensuring that the same or similar questions will be asked across all interviews, even though follow-up questions may vary depending on each respondent's answers (Bryman & Bell, 2015). Due to the exploratory nature of this thesis, semi-structured interview guides were created and used throughout all of the interviews to create structure while still allowing for flexibility. A semi-structured interview guide consists of questions that are phrased in accordance to specific topics that the interviewer strives to cover but enables the interviewer to be attentive to the interviewees' answers and extract richer data (Bryman & Bell, 2015). The interview guides were designed as a timeline to understand the experts' perception of how the relationship between the banks and FinTech companies has evolved over time. Each of the interview guides consists of four main questions which have underlying topics that we aimed for the experts to cover (see Appendix F & G).

Initially, a pilot interview was intended to be conducted to evaluate the interview guides' ability to gather the data desired from the experts and enable us to make adjustments prior to the first expert interview. A pilot interview enables the researcher to test the design of the interview prior to the data collection and thus provides an opportunity to amend the interview questions and structure (Holme & Solvang, 1997). However, due to the circumstances of COVID-19 and the two experts that had to withdraw their participation, we decided to use all eight scheduled interviews for data collection. Since both authors previously have conducted qualitative studies based on interviews, it was deemed feasible without a pilot interview. We arranged time for reflection after each interview to evaluate the interview guides and the collected data's ability to answer our research questions. The interviews were conducted over a two-week period, to ensure enough time for preparation and reflection of each interview.

3.3.3 Conducting the Interviews

Due to the distance between the authors and the interviewees, as well as the limited timeframe of this study, all of the interviews were conducted through telephone calls, Skype or Google Hangouts. Besides enabling flexibility in the interview process, it allowed the experts to conduct the interview in an environment of their desire. Further, telephone interviews are argued to reduce the bias that physical interviews generate, where the interviewer may affect the interviewee to a significant extent (Bryman & Bell, 2015). All of the experts were offered the option to conduct the interview per telephone or video call and we do not believe that the different methods of conducting the interviews have affected the data. Further, all of the interviews were recorded using the application Voice Memos on an iPhone. Recording interviews increases the responsiveness and attention of the interviewer and ensures that the interviewees' answers are captured in their own term and enables a more fruitful analysis (Bryman & Bell, 2015).

All of the experts were at the beginning of their interview informed that all of the interviews would be anonymised. Anonymising qualitative data is challenging as it contains detailed information about the context and individuals (Bryman & Bell, 2015). However, when a report is publicly published, the sensitive data of the study is publicly accessible and may cause harm to the interviewees (Bryman & Bell, 2015). Our main goal was to collect as detailed data as possible, based on the experts' experiences and personal perceptions. Therefore, offering the experts anonymisation arguably was needed to maximise the possibility to receive honest data from the experts. The anonymity allowed the experts to share information and thoughts that were not always in-line with their company's image or strategies. However, the anonymisation does limit the potential to provide detailed information about the individual experts and the company they work for. Since this study aims to provide an in-debt understanding of the perception of the relationship between banks and FinTech companies, it does not per se require detailed information about the experts. To demonstrate that there can be differences between the perceptions of the experts, which may be connected with the company they work for, the experts will be referred to as *Interviewee BX* (bank expert) or *Interviewee FX* (FinTech expert) in the analysis. The experts have been numbered, in no particular order, and bank experts will be referred to as Interviewee B1, B2, B3, B4 and B5 while FinTech experts will be referred to as Interviewee F1, F2, F3 and F4. To ensure anonymity, the expert working in the bank unit of an insurance company is not distinguished from the other banks in the analysis.

All of the interviews were held in Swedish since both the authors and the experts speak Swedish. This decision was made as we believe that it would create a more comfortable atmosphere and be the most natural option for our experts. However, we did consider the limitations with conducting the interviews in Swedish while writing the thesis in English, as the data had to be translated into English when citations are presented in the analysis chapter. Translating data can result in a loss of meaning or cause conflicts in cultural interpretation between languages (Bryman & Bell, 2015). We think that by making careful and accurate translations based on the full context of the interview, we can limit potential losses when translating the small amount of data used for citations from Swedish to English. Since both of the authors participated in all of the interviews and have strong English and Swedish language skills, this is not considered to affect the results.

The experts received the main interview questions a minimum of three days prior to the scheduled interview. By sending the interview questions to the experts in advance we allowed them to review the questions and prepare before the interview. All of the interviews began with a brief introduction of us and practical information, such as repeating the purpose of the study, the expected time for the interview, anonymisation and getting consent for recording the interview. Additionally, the experts were informed that the interview emphasises on their perception. The main questions were then asked one by one, in the order of the interview guide, without trying to steer the experts. Based on the answers, follow-up questions were asked to get more detailed information on specific things mentioned, thoughts, statements and speculations, which was guided by premade touchpoint sub-questions of each main question. The sub-questions thereby acted as guidance and checkboxes to ensure that the interview covered what we expected it to cover. However, most of the experts elaborately discussed the main questions and thereby covered the sub-questions, which in turn opened up for other follow-up questions. All of the interviews were wrapped up by providing the experts with an opportunity to add something before ending the interview or ask questions regarding the study, which in some of the interviews led to elaborations and recommendations for interesting directions the study could take. As a result of the high-level positions all of our experts hold within their respective company, in combination with COVID-19, they had limited time to set aside for our interviews. The interviews were between 30-50 minutes long and the data collected from all of the interviews are deemed sufficient to answer the research question.

Both of the authors participated in all of the interviews, as we argue that it was valuable for one of the authors to lead the interview with the expert and focus on active listening, while the other took notes and added follow-up questions when needed. The structure of the interview remained the same throughout all interviews to ensure consistency. Qualitative research interviews can result in a significant power asymmetry between the interviewer and the interviewee (Kvale, 1997), where the interview situation can be stressful for the interviewee (Holme & Solvang, 1997). The researcher can be considered the tool in a qualitative interview and the researcher's ability to create a safe environment through knowledge, sensibility and empathy is of importance to get the desired data (Kvale, 1997). Based on the positions held by all of the experts in the respective company, they often conduct interviews and/or advanced presentations, which arguably reduces the power asymmetry between us and the experts as the situation is not entirely foreign to them.

3.4 Data Analysis

The collected data from the interviews was analysed using a general inductive approach. The general inductive approach enables large amounts of data to be condensed into summaries, thus simplifying the establishment of relationships between the research purpose and the data through a systematic set of procedures (Thomas, 2006). In contrast to other popular qualitative analysis approaches, the general inductive approach strives to understand the relevant core meanings in the raw data by generating themes and categories, which finally can be described and discussed (Thomas, 2006). Since the purpose of this thesis is not to generate a new theory or framework, but rather to shed light on the phenomenon and understand how the experts perceive the evolving the relationship between banks and FinTech companies, the general inductive approach is deemed most suitable.

The analysis began with listening through the recordings of the interviews and transcribing the information that was deemed relevant to have in text. There are several argued benefits to transcribing interviews, however, it is a very time-consuming process and can result in a large amount of text that needs to be analysed (Bryman & Bell, 2015). Due to the limited timeline for this study, it was decided not to fully transcribe all of the interviews from start to end. Often, parts of the interview have limited value for the analysis as it is not relevant to the research topic, thus arguably not worth transcribing (Bryman & Bell, 2015). The authors initially individually thoroughly read through and coded all of the transcripts by hand and line-by-line. Codes are attached to phrases, sentences and/or whole paragraphs in order to assign meaning to the data compiled during the study and will be revised throughout the analysis depending on their relevance to the study (Miles & Huberman, 1994).

After the initial coding, the codes were compared and categorised to generate 16 overarching themes. After an additional readthrough of the transcripts, these themes were consolidated and revised down to the following eight themes: emergence of FinTech, competitive advantages, competition, collaboration, threat, opportunities, substitute and complement. The first two themes create an understanding of how the experts perceive the banks and FinTech companies on a broader level. The remaining six themes are dichotomies that are discussed and reflected upon by the industry experts throughout the interviews. We read through the transcripts again with these themes in mind and colour coded sentences and/or sections in the texts that fell under the respective themes. After this colour coding, we noticed that the themes substitute and complement were not reflected upon in the same extent as previously perceived and were thus removed. The findings categorised under the remaining six themes will be presented and analysed in the following chapter, in relation to previous research on the field and theoretical perspective

3.5 Research Quality

Within social research, the concept of reliability, validity and generalisability have gained traction as the holy trinity of science (Kvale, 1997) and are considered important criteria to establishing and assessing the quality of research (Bryman & Bell, 2015). Even though some argue that the concepts reliability and validity is applicable in both quantitative and qualitative research, others argue that the concepts are inapplicable to or inappropriate for qualitative research (Bryman & Bell, 2015). Based on our qualitative approach and the limitations of the traditional criteria, alternative criteria were used in this qualitative study, based on Lincoln and Guba's (1985) criterium trustworthiness. Trustworthiness is made up of the following four criteria: credibility, transferability, dependability and conformability. These are argued to be equivalent to the following criteria generally used in quantitative research: internal validity, external validity, reliability and objectivity (Lincoln & Guba, 1985).

3.5.1 Credibility (Internal Validity)

Firstly, credibility is presented to be equivalent to internal validity and strives to ensure the researcher has carried out the research in good practice and taken necessary measures to ensure that the interviewees' social world has been correctly understood (Lincoln & Guba, 1985). As a result of the scope of this study, the research process was thoroughly planned in accordance with a timeline, to allow enough time for each step and thus ensure good practice. Initially, we reviewed secondary data in order to understand the existing discussions of the relationships in the Swedish retail banking industry and to prepare ourselves for the interviews. Additionally, the interview guides ensured that all of the experts got similar questions and thereby reflected upon the phenomenon based on the same ground, which enables comparison between the different experts.

3.5.2 Transferability (External Validity)

Secondly, due to the limitations of determining the generalisability of the findings in qualitative research in line with the criteria external validity, transferability aims to confirm the quality of the research (Lincoln & Guba, 1985). Through transferability, findings in qualitative research are judged on the researcher's ability to describe the context with rich accounts of data, allowing the reader to determine the transferability of the findings (Lincoln & Guba, 1985). This thesis starts by thoroughly defining the context and phenomenon, allowing the reader to understand the factors that may affect the transferability to other contexts, for example, other countries. We have conducted expert interviews with nine different experts in the industry, which is widening the understanding and perception of the evolving relationship between banks and FinTech companies. Further, by incorporating citations in the analysis, we make it possible for the reader to make his/her own interpretations of the data and thus determine the findings' transferability.

3.5.3 Dependability (Reliability)

Thirdly, Lincoln and Guba (1985) argue that reliability's equivalent in qualitative research is dependability and the purpose is for researchers to establish merit by adopting an auditing approach. This entails that the researcher keeps complete records of every step of the research process in an accessible manner for peers to evaluate how well the researcher has followed the procedures. However, these criteria have had limited acceptance as a result of the large datasets generated in qualitative data, which results in demanding auditing processes (Lincoln & Guba, 1985). We argue that, with smaller adjustments, the dependability criteria can be valuable for this study. Even though we have recorded data and information in various documents and spreadsheets throughout the process, this has been the foundation of our method and therefore the methodology section will reflect the procedures of the research. By including a detailed methodology, we enable the reader to, in a way, audit the research process. Additionally, we have actively requested feedback on our process, method selections and arguments from our supervisor and fellow students throughout the process to increase the quality of the study.

3.5.4 Conformability (Objectivity)

Lastly, confirmability is similar to the quantitative criteria objectivity, which strives to determine if the researcher has acted in good faith and not allowed personal values or theoretical inclinations to overly influence the research and thus its findings (Lincoln & Guba, 1985). When we first selected the phenomenon of interest and confirmed the interviews with the experts, we discussed our personal experiences and relations to the phenomenon and the companies where the experts work. To further limit personal views, we conducted all of the interviews together and reviewed the data with a critical perspective, as companies tend to want to put their business in the best of lights and not share the full truth. Even though we have been shaped by a specific set of theories throughout the years, we aimed to enter the interviews with a broad perspective.

3.6 Ethics

The codes of ethics for social research stems from medical research and have been developed for years. The core principle of ethics in social research is “that in their pursuit of knowledge researchers must not ruthlessly use any means at their disposal” (Denscombe, 2014, p. 309) and consists of the following four principles: (1) participants’ interests should be protected, (2) participation should be voluntary and based on informed consent, (3) researchers should operate in an open and honest manner with respect to the investigation, and (4) research should comply with the laws of the land (Denscombe, 2014). These codes of ethics have been carefully considered throughout the study, for example by offering the interviewees anonymity in order to protect their interests and inviting them to voluntarily participate in the study.

4 Analysis

In this chapter, the main findings from the expert interviews are presented and connected to the findings of previous research on the field as well as Porter's (1980) Five Forces Model and Nalebuff and Brandenburger's (1996) concept of co-opetition through the Value Net Model. The chapter initially presents the experts' reasonings around the rise of FinTech companies and what they perceive are the banks respectively FinTech companies' competitive advantages. This will provide a deeper understanding of the remaining analysis, which is centred around the dichotomies of competition and collaboration. The findings are presented in a timeline, in order to thoroughly portray the perceptions of the evolving relationship between banks and FinTech companies.

4.1 The Emergence of FinTech

FinTech companies are today a well-renowned concept, however, the experts have slightly different perceptions of when FinTech companies initially entered the industry. The FinTech experts all agree that FinTech companies started gaining traction somewhere between 2007 and 2010. However, a number of FinTech companies were founded prior to that:

> Yes, the hype started there somewhere in 2009, but it was back in 2007 when the iPhone came and contributed to a major lift in the use of phones as a tool it all started (Interviewee F3).

> The digital experience needs to be smooth and quick, so you have that when you listen to music and when you watch video content. Why should you not have that with your banking services and that you have control over it? So, it is very clear for everyone now, but this has been an ongoing process for over ten years (Interviewee F4).

These perceptions go in line with Felländer, Siri and Teigland's (2018) argument that the rise of FinTech companies is argued to occur around the financial crisis in 2008. Interviewee B4 agrees with F4 and specifies that the entrance of FinTech companies has not occurred overnight, rather they have been entering the market gradually. Further, Interviewee B1 highlights that FinTech, i.e. financial technology, has been around for quite some time but the concept of FinTech companies as we think of them today gained traction approximately eight or nine years ago. This is similar to Beeston's (2020) discussion that the first use of FinTech can be traced back to the late parts of the 15th century but reaching its peak of hype in 2014, depending on how FinTech is defined. This is further reflected upon by Interviewee F1, who emphasises the challenges with determining exactly when FinTech companies first "became a thing", which could also have occurred earlier than 2007.

4.2 Competitive Advantages

Even though the perception of when the rise of FinTech companies occurred varies amongst the interviewees and previous research, the FinTech companies' competitive advantages are more commonly agreed upon. In line with reviewed literature, a number of competitive advantages have been argued by the experts as being the underlying success of the FinTech companies and their disruptive effect on the industry. All of the experts have emphasised that one of the FinTech companies most significant competitive advantage is their ability to offer services designed with better user experience than the banks. Through a customer-centric business model, FinTech companies are able to deliver services focusing on user experience (Stulz, 2019). Interviewee B1 and F4 argue that BigTech companies deliver an incredible digital experience, thus defining the consumers' expectations of digital experience with other companies and industries. Interviewee F1 mentions that this level of focus on user experience was not on the banks' radar a couple of years ago and he further reflects upon how the user experience differs between banks and FinTech companies:

> Actually, if you remove the colours and logotypes on the banks you would not be able to tell the banks apart. You have no emotional connection to a bank today, while you think that Revolut is the best thing since toasted bread (Interviewee F1).

Banks are argued to have overlooked an opportunity to enhance their customers' experience, thus creating a gap for FinTech companies to fill (Interviewee B1). Interviewee F1 states that the banks' lack of personality is argued to cause consumers to explore alternative solutions to conduct their financial needs. Further, he highlights FinTech companies' influence on the consumers' expectations of the retail banking industry, which puts pressure on the banks to step up the level of user experience in their digital channels. Banks are argued to previously have been focusing on their core products and due to legacy systems have fallen behind on innovation on user experience (Stulz, 2019). Several experts define financial services as low engagement products that to the majority of the population is viewed as a necessary evil. By delivering financial services in more innovative ways, FinTech companies have managed to increase customers' engagement to financial services (Interviewee B1). Further, Interviewee F2, F4 and B1 argue that FinTech companies to a large extent have been successful as they are able to offer consumers more value-creating services than the banks.

It is discussed by several experts that FinTech companies generally focus on niche services and are thus according to Interviewee B2 able to focus a larger amount of resources on a single service:

> They are able to focus more resources per point in comparison to us (Interviewee, B2).

He further argues that this generally enables them to become experts at delivering that offering. In contrast, full-service retail banks offer a wide range of offerings to many different customer segments and therefore have to spread their resources more thinly on certain offerings (Interviewee B4). Further, Interviewee B1 highlights that the FinTech companies' strategy to enter the market with a niche product increases the competition within specific parts of the banks' service offerings. Further, he states that FinTech companies' niche strategy not only enables them to select the most profitable and desired offerings, it also reduces the legal compliance in comparison to the retail banks. Interviewee B3 argues that the FinTech companies have gained competitive advantage partly by not falling under the same regulatory framework as the full-service banks, but partly also because they have benefitted from regulatory changes, such as PSD2. Regulatory measures have the ability to hinder or enable competition, and regulatory initiatives such as PSD2 have enabled the entrance of FinTech companies and thus benefitted the innovation within the industry (Felländer, Siri & Teigland, 2018; Scheja & Machielse, 2019) Further, Interviewee B3 discusses that the competitive advantage gained by targeting niche services and lower regulatory frameworks is enhanced by the FinTech companies new business models and innovative use of technology. According to

Interviewee B1 and F1, this means that they can achieve low operating costs and scale in manual processes, in line with the arguments made by Stulz (2019) that due to technology, the marginal cost of one more customer is fairly low. These new business models and systems used by FinTech companies are according to Interviewee F1 allowing them to be agile and quickly respond to changes in the market. Further, Interviewee F2 argues that the reduced cost in combination with the carefully considered selection of services also enables FinTech companies to reduce prices for the benefit of the customers, thus further increasing the customers' perceived value.

Based on the perceptions of the experts, it can be argued that FinTech companies have valuable competitive advantages, however, there are a number of things that the experts perceive the banks to be better at. The majority of the experts have highlighted the banks' main competitive advantages to be their trust and muscles, which is commonly referred to when describing their various resources. The banking industry requires a lot of trust which is developed through years of customer relationships in relation to the exposure of the brand (Interviewee B3 and F4). Interviewee B1 argues that even though FinTech companies are providing consumers with new innovative financial service solutions, contextual factors significantly can benefit the banks. He exemplifies this through the prevailing COVID-19:

> In these Corona times, potentially resulting in a recession, people get more nervous and have less trust in new actors. This helps the large banks that have existed for 200 years since people become less willing to change providers to limit the risk of losing money (Interviewee B1).

Interviewee B3 further confirms that during uncertain times like these, it is still obvious that banks will survive while the FinTech companies may struggle. However, the financial crisis in 2008 had the opposite effect where people’s reduced trust in banks is argued to be a cause for banks losing hold of their dominant position (Felländer, Siri & Teigland, 2018; Lamers & Purice, 2017). Despite these environmental factors, Interviewee B1 highlights that the banks are extremely important as a social function. Besides trust, the banks’ muscles are defined as a clear competitive advantage against other actors in the industry. The resource capabilities of the banks are according to Interviewee B3 one of the significant competitive disadvantages of the FinTech companies.

4.3 The Past

In the previous sections, the experts' perceptions of the emergence of FinTech companies and competitive advantages have been presented. The perceptions of competitive advantages will enhance the forthcoming parts of the analysis by shedding light on the different strengths and weaknesses of the banks respectively the FinTech companies. In the following section, the experts' perceptions of the initial relationship between the banks and FinTech companies will be presented and analysed. The past is defined as beginning around the time when the experts' perceived the FinTech companies to have emerged until today.

4.3.1 The Evolving Swedish Retail Banking Industry

FinTech companies have arguably contributed to the significant modern time development within the Swedish retail banking industry (Lee & Shin, 2018, Thakor, 2020). The majority of the experts describe the industry before the entrance of FinTech companies as an oligopoly of large banks that designed the rules of the game. Interviewee B1 describes the previous competitive landscape in the industry as:

> … the only new competition that existed was if completely new banks were established, which happened occasionally but then it was mostly insurance companies that opened a new bank in order to complement their existing offering (Interviewee B1).

The dominant position held by the retail banks can be viewed as a result of high barriers to enter the industry (Smith, 2009), where the barriers of capital requirements, scale economies and access to distribution channels can be argued to be the most significant barriers for new actors to enter the industry (Porter, 2008). Interviewee B1 states that before the entrance of new online-only actors, retail banks had widespread network branches and operational infrastructures that required new banks to put in substantial capital in order to compete with the incumbent banks. Despite the fact a number of insurance companies have entered the industry (Smith, 2009), the experts rarely refer to them as perceived competitors or threats. Further, Interviewee F1 argues that country-specific infrastructure and regulations pose a barrier to entry, in terms of international growth when expanding existing companies to new geographical markets. This can further be considered to result in different competitive landscapes in different countries (Lamers & Purice, 2017).

The use of and need for different financial services are constantly increasing but as a result of resources being focused on its core business areas, the banks have not had the capacity or ambition to develop their services in line with the shifting consumer demand (Interviewee B4). The shifting consumer demands and digitalisation have arguably lowered the barriers to entry (Smith, 2009) and FinTech companies have identified opportunities in the retail banking industry, thus further inflicting a shift in customer demand (Interviewee B5). FinTech companies' innovative way of utilising technological development enabled them to quickly seize market share and thus establish themselves as a threat to the banks (Interviewee B3). Initially, the FinTech companies could be perceived as cocky and aggressive towards the banks (Interviewee B2 and B4) but achieving scale both on supply- and demand-side, as well as advantages independent of scale, are considered particularly essential for the new entrants to pose threat (Porter, 2008). However, Interviewee B3 emphasises the need for FinTech companies to develop unique products, break new ground, maintain high-paced innovation and globally expand their business in order to pose a real threat to the banks.

By offering selected niche services through digital platforms using innovative technology, FinTech companies have circumvented the traditional barriers to entry and have improved the services delivery compared to the banks (Interviewee B1 and B4). A more favourable technological infrastructure is arguably an advantage independent of size (Porter, 1980), since the retail banks' legacy systems generally are not compatible with the modern technology, thus limiting banks to meet the modern consumers' digital needs (Stulz, 2019). Further, the FinTech companies manage to avoid the industry's heavy regulatory framework by strategically choosing to offer niche services, thus lowering the barrier of government policy (Porter, 1980). Since the companies operating in the retail banking industry are managing other people's financials, this barrier is arguably necessary to limit the risks of mishandling customers' money and data (Smith, 2009). All of the experts agree that the regulatory frameworks are in place to protect the consumers. However, Interviewee B4 highlights the number of resources required from the companies to comply with the regulations, which is particularly challenging for a newly started company. Interviewee F3 agrees and further argues that:

> … I think that it to some extent is slightly too regulated when it comes to the banks and too simple for the FinTech companies, where they put a lot on the

> banks and take advantage of them. So, the banks are stuck with the costs and risk controls, which inhibits the development on the market as a whole. On the other hand, it would be devastating if the requirements for the FinTech companies were the same as for the banks because it is expensive and requires a lot of resources, personnel and so on (Interviewee F3).

Government policy will remain a barrier to enter the Swedish retail banking industry for both new companies and established actors in other industries, in order to limit the risk of the fraudulent behaviour (Felländer, Siri & Teigland, 2018). Interviewee F2 have noticed that as a leader within their niche, the government is focusing more on the compliance of their business than their smaller competitors. The digital industry has lowered the barriers to entry since physical branches or access to traditional distribution channels are generally not needed, which results in a large number of actors that cannot always compete under the same conditions (Interviewee F2). This issue is also highlighted by Wright (2002), arguing that the internet has eroded the distribution-based barriers to entry as many new actors swiftly manufacture new distribution channels. The reduced barriers of technological infrastructure and eliminated need for physical presence are enabling more actors to enter the industry, thus increasing the competitiveness (Porter, 2008). Interviewee F3 further describes that as a result of small actors' inability to compete on the same terms they are perceived to exploit potentially unethical opportunities, which in turn can have devastating effects for the consumers. All of the experts agree that the changes in the competitive landscape and the significant increase of new entrants are continuously changing the regulatory framework. As FinTech companies gained traction and were perceived to have a positive influence on the banks and thus the industry, investigations on the regulatory framework were initiated to motivate further innovation (Felländer, Siri & Teigland, 2018) However, in relation to regulations, Interviewee B1 emphasise that:

> They continually change but if there is someone that is slower than banks then it is the ones regulating the banks (Interviewee B1).

The reduced barriers to entry have gradually increased the number of companies operating in the Swedish retail banking industry, thus changing the oligopolistic structure of the industry (Felländer, Siri & Teigland, 2018).

4.3.2 The Relationship Taking Form

All of the experts argue in various ways that the entrance of new actors operating with innovative technology have had a positive, and potentially crucial, effect on the industry's digitalisation. Interviewee F2 emphasises that:

> The only thing we can be 100 % sure of is that what we are doing today we will not be able to do forever. So, the thing is, competition is always good! It keeps us on our toes (Interviewee F2).

According to Interviewee F1, F2 and F4, this is not a viewpoint that was shared by the incumbent banks when FinTech companies entered the market. Generally, increased competition is perceived as having a negative effect on the profitability in an industry, since the profitability is argued to be reduced as a result of the increased competitiveness (Porter, 1980). Wang and Chen (2009) further emphasises the destructive competition can be in general, but Interviewee F2 highlights the importance for companies to find a way for his company to benefit from the success of other companies. Scheja and Machielse (2019) confirms the positive impact increased competition can have on the industry and its profitability, which is contradicting Porter (1980). However, many FinTech companies are offering services that are considered to be some of the banks' highest margin services, thus posing a threat towards the banks' profit margins (Interviewee F1).

Industries with the potential to achieve high margins often attract a high degree of new entrants (Porter, 1980). Some of the incumbent banks have, according to Interviewee F1 and F4, initiated legal processes and involved the police in attempts to shut down a number of the initial FinTech companies entering the market, even though their operations complied with the regulatory frameworks. Porter (1980) discusses the aggressive actions often taken by incumbents towards new entrants in order to scare off the next entrant. The bank experts did not mention this at all, but rather discussed that the first FinTech companies entering the market were not seen as significant competitors. Interviewee B1 describes the effect of the entrance of FinTech companies as:

> The biggest difference is that FinTech introduced more competition within different parts of our service and product offerings. There is no FinTech that

> competes with everything a bank does but maybe 50-100 FinTech companies who individually in principle offer everything a bank offers (Interviewee B1).

As a result of the FinTech companies not offering the banks' full-service portfolio, they have by the banks not originally been perceived as a significant competitor (Interviewee B1). The perceptions that are put forward by the bank experts do not reflect the perceptions of the FinTech experts. The explanation presented by Interviewee F1 and F4 is that these FinTech companies posed a new kind of threat that was new to the industry and the actions initiated by the banks were thus not entirely unexpected. Since the FinTech companies' business models were in line with the regulatory frameworks, many of them managed to remain in the industry despite the legal actions. This has further paved the way for an increasing number of FinTech companies entering the industry (Interviewee F1 & F4), which all of the experts agree has affected the concentration in the industry. The increased intensity has, according to Porter (1980), potential to negatively impact profitability, as a result of the increased number of actors striving to take their share of the profit available in the industry.

While some of the bank experts have not perceived FinTech companies as competitors, some of the FinTech experts experienced challenges when their company entered the market and attempted to initiate a collaboration with incumbent banks. Interviewee F1 describes that their request for collaboration was denied and met with hostility. Collaboration has the potential to increase the end customers' value (Nalebuff & Brandenburger, 1996) and with the innovative technology used by the FinTech companies, there could have been great potential for collaboration and opportunity for the banks to gain a first mover advantage (Interviewee B1). Interviewee B acknowledges that advantages could have been gained by paying more attention to the emergence of FinTech companies and use them as a tool in their own growth. Similar is stated by Interviewee B3:

> When I started here, I would not say that the bank had a frequent ear against the railway and had it all under control. Of course, they saw that things were happening, but they did not take it in and use their success in the bank's own success (Interviewee B3).

According to Interviewee B1, the banks did not perceive collaborations with FinTech companies as value-adding. This could thus be described as a limited or flawed analysis of the Value Net resulted in missed opportunities that instead transformed into threats (Nalebuff &

Brandenburger, 1997). Interviewee B1 further highlights that the banks initial naive approach towards FinTech companies have contributed to their way of disrupting the industry and left the banks fighting to catch up. However, Interviewee B2 and B4 argues that the banks' attitude towards FinTech companies is perceived to have changed over time and today they have more of a collaborative relationship. Further, they mention that collaborations with FinTech companies started around 2015. Interviewee F3 describes the banks' shifting desire to collaborate with FinTech companies as a result of the enhanced threat and consumers increasing demand for digitalised financial services. It is argued important for banks to differentiate their offerings beyond the core business and their way of operating, in order to remain relevant and keep up with the changing environment (Smith, 2009).

Interviewee F3 argues that the most successful FinTech collaborations on the Swedish market are the payment service Swish and digital identification service BankID. This partnership evolved from internal activities amongst some of Sweden's largest retail banks. Further, he states that Swish is a FinTech company that the banks have created to be able to fend off other FinTech companies (Interviewee F3). By going beyond Porter's perception that every actor in an industry is a competitor, companies can find fruitful collaboration opportunities with actors that have previously only been viewed as competitors in order to gain a larger market share (Nalebuff & Brandenburger, 1996). This co-opetition perception has developed over time (Nalebuff & Brandenburger, 1996) and Interviewee B2 explains that the banks increasingly have sought out collaboration opportunities with FinTech companies.

4.4 The Present

In the past, the experts expressed an uncertainty of the FinTech companies' initial position on the market. Further, the experts' disagreed on whether the banks perceived FinTech companies as a threat or not when they first emerged. However, the initial relationship between the banks and FinTech companies was perceived to be of the competitive nature, but as the FinTech companies became more established in the industry a collaborative relationship is perceived beneficial. The upcoming section presents and analyse the experts' perception of the current relationship between banks and FinTech companies.

4.4.1 FinTech Companies Becoming an Established Actor

All of the experts discuss that the current perceived competition in the Swedish retail banking industry has changed compared to when FinTech companies first started to enter the market. The FinTech experts acknowledge that FinTech companies have taken market shares in certain niche segments and thus posing a threat to their market position. However, Interviewee B1 argues that:

> If you look at the banks' key performance indicators, it is very difficult to see that it has become extremely more competitive and that the banks have lost a lot of revenue and customers to FinTech companies. The banks are doing very well if you look at the key performance indicators, but the key performance indicators do not necessarily show that you have missed a market entirely, like Klarna, which the bank is not in. It is not compared like for like (Interviewee B1).

Interviewee B1 uses Klarna as an example of a FinTech company that introduced an innovative service in an emerging market. However, neither of the banks predicted the potential in e-commerce to the same extent Klarna did, thus enabling Klarna to establish a market-leading position, initially with limited competition (Interviewee B1). By initiating a differentiation strategy, banks could seize the opportunity to gain competitive advantages through broadening their business offering to new markets (Smith, 2009). It took the banks a few years to acknowledge the emerging market of e-commerce and banks, such as Nordea and Swedbank, have reactively launched similar services in an attempt to compete with Klarna (Interviewee B1). Interviewee B4 believes that even though banks are playing catch up with the FinTech companies, they are not too far behind:

> Yes, we are running a little bit behind, but I do not think that the lead is as big as you think. I think that within two to three years, we will be up to par with most of the FinTech companies (Interviewee B4).

Interviewee F2 further highlights the importance of first-mover advantage in niche segments. The reactive response from the banks is considered to be a result of banks being inherently slow-moving and not investing in innovation beyond the core business (Interviewee B1). Interviewee B5 describes that FinTech companies are perceived to have become relevant as they are leading the digital development of financial services in the Swedish retail banking industry. To limit the risk of missing out on future market opportunities and maintain their market positions, many of the Swedish banks are developing their own venture capital divisions and initiating various collaborations with FinTech companies (Interviewee B1, B2).

As several FinTech companies have gained traction and established a brand in the industry, a recent trend is to widen their offering to include new services, which means that they increasingly expose a greater variety of the banks' services to competition (Interviewee B1, B2 and F1). This has further negative effects on the industry since some services end up in price wars to attract customers (Interviewee F1 and B3), which according to Porter (1980) is a risky activity that negatively affects the industry's profitability. The profitability of the industry is further affected by consumers' increasing demand for innovative financial services and their increased behaviour of seeking the best service provider due to the reduced switching costs (Smith, 2009). The consumers' desire to have multiple providers for their financials increases the attractiveness of the industry, thus increasing the competitiveness (Interviewee F3). Previously, banks have often been the single provider of services to a customer, but as a result of the entrance of various new actors, the consumers now have the option to cherry-pick their own portfolio of providers (Interviewee B5). The increased number of suppliers of similar services in the industry increases the bargaining power of the customers, thus affecting the industry's profitability as a whole (Porter, 1980). This new consumer trend is according to Interviewee F3 not only increasing the competition between FinTech companies and the banks but also amongst the FinTech companies.

4.4.2 The Collaborative Relationship Taking Form

Interviewee F3 highlights that FinTech companies have had a significant impact on the competitiveness in the market, but not only in a negative way. The increased competition drives the innovation within the industry and has been the driving force of digitalisation (Interviewee F3). As a result of this, and the FinTech companies competitive advantages, Interviewee B1 suggests three potential responses banks can have towards the FinTech companies established role in the industry; (1) develop similar service to directly compete with a FinTech-company, (2) speed up the banks own digitalisation and (3) initiate more collaboration with FinTech companies. By identifying the competitive advantages and capabilities of other companies within the industry and understanding how those can complement your company's offering, potential collaborative relationships can be initiated to increase the customer value (Nalebuff & Brandenburger, 1996).

All of the experts agree that the perception of the relationship between banks and FinTech companies have changed over the last years, more and more transforming into a collaborative relationship. However, different experts have different perceptions of how the collaborative relationship is formed. Three out of the four banks experts explain that their bank proactively collaborates with FinTech companies, where Interviewee B1 and B2 states that they are investing in FinTech-hubs, Hackathons and direct collaborations. As visualised by Nuyens (2019), a new ecosystem is taking shape and both interviewees show great understanding and acceptance towards it by describing their contributions in shaping it. Further, Interviewee B2 emphasises that his bank intends to meet with FinTech companies to understand their individual competitive advantages and how they potentially can help the bank grow. Further, he explains that there are two ways to collaborate with FinTech companies, either they enter the market with their brands together or that the FinTech companies are incorporated as a white label, i.e. not visible in the banks' channels.

> So, there are different ways of meeting the market, but the shape is collaboration. We contribute with our long experience and muscles while an agile FinTech has a different approach and contributes with other ideas (Interviewee B2).

Interviewee B1 and B2 can be considered to thoroughly conduct an analysis of their relationships within the Value Net, in accordance with Nalebuff and Brandenburger (1997), to ensure that their company can find complementors and thus enhance customer value. Interviewee F3 agrees with Interviewee B1 and B2 that there are significant competitive advantages to gain in the market through collaboration by combining the muscles of the banks with FinTech companies' innovativeness. By combining capabilities Klus et al. (2019) argue that the two actors could achieve advantages difficult to do on their own. Interviewee F4 further recommends that banks should combine internal innovation with collaborative relationships with FinTech companies to increase the learning opportunities. In contrast, Interviewee B4 argues that some of their business segments are still very restrictive towards collaboration with FinTech companies since they view FinTech companies as a direct threat in certain niche segments, thus is more in line with Porter's (1980) competitive view. Interviewee B4 further explains that their bank's main collaboration with FinTech companies is through the sharing of data and APIs. Further, Interviewee F4 mentions the trend of open banking platforms enabling FinTech companies to utilise the information previously accessed only by banks. In extension, this is also a way for banks to learn from FinTech companies (Interviewee B2).

Collaboration between banks and FinTech companies are thus generally perceived by the experts as a bank having ownership in a FinTech company, contractual partnerships or simply providing data and APIs. Further, Interviewee B1, B3, B4 and F3 discuss collaboration in terms of mergers and acquisitions (M&A), where FinTech companies are acquired by a bank with the intention of integration. However, Interviewee B3 argues that there are challenges with integrating a FinTech-company into a bank:

> Usually, the FinTech-spark disappears immediately on the day they are integrated into a large dragon. Often you lose the personnel that you actually are looking for at a FinTech company because they will get tired when they enter a large dragon. Of course, if there is a finished product that you can buy and integrate into your other engagement it can be an alternative, but that is rarely what you are after (Interviewee B3).

To achieve the most out of a collaborative relationship, Interviewee B3 further argues that integration is not the ideal solution in the majority of cases. The goal of collaboration is to complement each other to achieve greater results and increased consumer value than possible on your own (Nalebuff & Brandenburger, 1996). Collaboration is emphasised by Interviewee B2 as the natural way for the industry to move forward.

There are various constellations for collaborations between FinTech companies and banks but the collaborative possibilities within the retail banking industry are not limited to FinTech companies and banks (Interview B1 & B3). The increasing number of actors within the industry has generated a new ecosystem which in turn has developed the relationships between the actors (Nuyens, 2019). Interviewee B1 argues that FinTech companies are also seeking collaborations with other FinTech companies and non-bank entities. Further, BigTech companies are becoming a more relevant player in the industry (Interviewee, B1). Collaboration between FinTech companies and BigTech companies enables companies to combine flexibility and rapid innovation with massive platforms (Interviewee F1). This type of collaboration is by Interviewee F1 exemplified as the partnership between the FinTech company PayPal and the BigTech company Facebook. He further argues that the partnership enables Facebook to provide its Messenger users with a peer-to-peer payment solution while PayPal increases its customer base and presence. When it comes to collaboration between banks and BigTech companies, the majority of the experts further discusses the relationship by exemplifying Apple's payment service Apple Pay. Instead of creating the entire service from scratch, collaboration can be more resource-efficient, increase quality based on individual expertise and enable a higher perceived customer value (Nalebuff & Brandenburger, 1996).

4.5 The Future

The current relationship between banks and FinTech companies was in the previous section identified as moving away from being mainly competitive towards the a more collaborative relationship. Further, the experts' speculations about how the relationship will continue to evolve in the future will be presented and analysed in the next section.

4.5.1 Collaboration as the Way Forward

Interviewee B1 discusses that the currently increasing collaborative relationship between the actors is perceived to continue as it is argued to be an effective solution for both parties to retrieve the necessary capabilities and gain competitive advantages in the future industry. Interviewee B3 further argues that even though FinTech companies are driving the innovation within the industry, only a few FinTech companies will succeed on their own, while the majority will have to initiate some kind of collaboration with banks to survive in the future. Further, banks are considered to engage in some form of collaboration with FinTech companies to keep up with technological innovation and stay relevant for their customers (Interviewee B3). It is therefore argued more beneficial for the banks to share the profit with other actors in the industry than to completely miss out on a new market or trend (Interviewee F3). The interviewees discuss two main aspects that may affect the collaboration between banks and FinTech companies in the future. Firstly, who will be the future owner of the customer relationship and secondly, other actors as financial service suppliers.

4.5.2 Chasing the Customer Relationship

While the FinTech companies are needed to drive the digitalisation of the industry, they are simultaneously perceived by Interviewee F2 to threaten the bank's relationships with their customers.

> The question is if the customer relationships always have to be owned by the bank if you know what I mean. There are often small FinTech companies that, as a result of PSD2 and different EU directives, are able to put one platform on top of another platform that deals with the customer relationship. The bank could then, in principle, only be a book for accounting (Interviewee F2).

The risk of the banks only becoming a utility provider in the future is also discussed by Felländer, Siri and Teigland (2018) and the majority of the experts, who further mentions the FinTech companies' strength in providing an enhanced customer experience. Interviewee B1, F1, F2 and F3 argue for a clear trend in the future where banks will provide the infrastructure and FinTech companies will manage the customer relationship, thus utilising their respective competitive capabilities. If the FinTech companies continue to provide better customer experience, they are perceived to have the potential to own the customer relationship in the future (Interviewee B1, F1, F2 & F3), thus potentially affecting the future relationship between banks and FinTech companies. On the one hand, the interviewees working at FinTech companies argue that the banks sooner or later will lose the customer relation and only provide the infrastructure, in line with Felländer, Siri and Teigland's (2018) speculative view of the new value chain. On the other hand, the bank experts have a more opportunistic perception, where they believe they can maintain the customer relationship if the cards are played correctly:

> I believe that a lot of the banks are not in a place where they want to hand over the customer relationships. The banks still want to be a key player towards the customers in the future (Interviewee B1).

Even though the experts agree that the banks do not wish to end up in this position, where they are losing the customer relationship (Interviewee F1), it is argued that they will be unable to do everything by themselves in the future (Interviewee B4). Interviewee B2 agrees that it is a constant make or buy analysis to understand what the competitors are good at in relation to what the bank is good at.

> … but to make everything from ears of grain to loaf in the future is not something I believe in (Interviewee B2).

This is further argued as a strategy for the bank to become the best version of itself in the future (Interviewee B2), where collaboration will enable the bank to benefit from the capabilities of other actors in the industry (Klaus et al. 2019).

4.5.3 Other Actors

All of the experts discuss that there will be a larger number of actors in the future offering financial services, thus perceived amongst the experts to affect the future relationship between banks and FinTech companies. Interviewee F4 argues that there will be an increase in FinTech companies that provide very specific, high-quality products. However, he does not believe that FinTech companies will be the only innovator in the future. Instead, he predicts that innovation will come from large non-bank companies in other industries, such as media houses and retailers, and thus adds another type of actor beyond those exemplified in Nuyens' (2019) and Lee and Shin's (2018) ecosystems. Interviewee B1 further states that he envisions the future retail banking industry to consist of four major actors; banks, FinTech companies, BigTech companies and non-bank companies from other industries. Regarding his perception of FinTech companies as a competitor, he expresses a larger fear of FinTech companies collaborating with online-only banks like Avanza and the insurance companies, accessing similar resources as conveyed by banks. Further, he argues that BigTech companies "...could easily become the world's largest FinTech" and highlights the significant threat they can pose in the future. Interviewee B3 agrees and further expresses his concern with the potential threat:

> I think that it is slightly messier and tougher because if the right company makes a move there, that already has an underlying trust particularly with the younger generation, then I think that can be tough. It is Amazon, Google, Apple and all of them. They possess an unpleasant amount of data and thus have the potential to do something great. Then that can become messy (Interviewee B3).

The BigTech companies are described by all of the experts to have extensive databases, resources and a well-known brand, much of what is previously perceived as limitations of FinTech companies entering the industry. The barriers to enter the Swedish retail banking industry have to some extent already been lowered by FinTech companies (Felländer, Siri & Teigland, 2018). However, neither of the experts predict that BigTech companies will enter the banking industry as a full-service bank. Interviewee F1 believes that BigTech companies will:

> Dip their toes in a market here and there to try but in the end, I think it is too messy, too difficult, too big reputational damage if one fails (Interviewee F1).

This highlights that Porter's (1980) government policy barrier can be considered a significant barrier for BigTech companies to desire entering the industry as a full-service bank. Further, government policy varies from country to country, thus requiring extensive resources from the BigTech companies to ensure compliance with local laws and the risk of reputational damage is perceived too high (Interviewee F1). Interviewee B2 and B3 agree and discuss the challenges of entering the local markets and becoming relevant to the customer. However, they further perceive that BigTech companies have the potential to take a substantial market share in niche segments, thus affecting the future relationship between actors in those segments. It is an evolution Interviewee B2 describes as exciting to follow but he further argues that the BigTech companies' selection of service will determine their success.

The industry is not only perceived to be threatened by BigTech companies. Interviewee B1 also believes that financial services will be offered in the future by large companies in other industries. Industrial companies, such as car manufacturers, construction companies and retailers with large customer bases already have started to offer financial services.

> Everyone wants to start to offer financial services in some way. Everyone wants to start to handle payments. Everyone wants to start a financing supply chain for their customers. So regular companies outside of the banking industry have started to understand that financial services are profitable and often more profitable than their own business (Interviewee B1).

Therefore, he speculates that industrial companies will further expand their business to offer financial services in the future. Further, these companies often enter into partnerships with FinTech companies to increase their market position in the industry (Interviewee B1). The Value Net Model enables identification of potential complementors within an industry (Nalebuff & Brandenburger, 1997); however, the collaboration between FinTech companies and companies in other industries arguably highlights the potential to identify complementors outside of the industry as well.

Even though there is a perceived fear of the effect BigTech companies may have on the competitiveness in the industry in the future, Interviewee B1 discusses the collaboration that already exists today between banks and BigTech companies and how they may evolve in the future. He exemplifies the collaboration with Apple and the banks through Apple Pay, where Apple has developed a digital card solution and platform where banks are signed on to offer their digital card in Apple's products. Customers have a number of suppliers to choose from that offer's similar products and some of the suppliers can arguably achieve a higher customer value through collaboration as they complement each other (Nalebuff & Brandenburger, 1997). Interviewee B1 argues that Apple and banks have complementing products, where Apple provides the digital experience desired by customers and the banks provide the payment service. Apple Pay can thus be viewed as having a positive impact on the customers perceived value of the products. He further explains that the power asymmetry that may occur in this collaborative relationship in the future, may threaten the banks' relationship with its customers as it takes over the customer interaction (Interviewee B1).

Interviewee F1 further emphasises that the BigTech companies are unlikely to innovate a financial product from scratch, thus indicating that BigTech companies focus on collaboration with other actors to provide financial services.

> Facebook and PayPal have a very close collaboration where PayPal-rails is used for Payments in messenger etc. [...] Now Apple has its Apple Pay but it is the same thing there. It is running on Visa and Mastercard rails, so I think that kind of points at BigTech being a distributor of financial services, distribute the usage of digital financial service, but not necessarily focusing on developing them (Interviewee F1).

Instead of competing head-on with banks or FinTech companies, these BigTech companies have arguably conducted an analysis of their Value Net, as suggested by Nalebuff and Brandenburger (1996) to identify potential complementors.

In conclusion, the analysis has portrayed the evolving relationship between banks and FinTech companies in the Swedish industry of retail banking. The initial relationship was perceived by the experts to be of the competitive nature but has since then evolved to various kinds of collaborations between the banks and FinTech companies. The future relationship is perceived to remain collaborative, as an intent to combine each actors' separate capabilities. However, various environmental factors can impact how the relationship continues to evolve. As demonstrated in the analysis, the perception amongst experts is partly in line with the previous literature and seen to move from the all competitive view of Porter (1980) to more of the collaborative view of co-opetition as described by Nalebuff and Brandenburger (1996). The most impactful aspect will further be elaborated upon in the discussion, to examine the identified change in more practical aspects.

5 Discussion

The findings presented in the previous analysis indicate that the experts perceive that the relationship between banks and FinTech companies have evolved from a competitive to a collaborative relationship. Further, the experts perceive the collaborative relationship to continue to evolve in the future; however, certain factors are speculated to affect this relationship as described in the previous chapter. In this chapter, we will further discuss the perceptions presented in the analysis and develop those in a broader context by discussing the practical aspect to a greater extent.

5.1 How the Relationship has Evolved

The findings from the empirical data indicate that the entrance of FinTech companies have significantly changed the Swedish retail banking industry. However, there is a difference in the interviewed experts' perception of the initial relationship between the banks and the FinTech companies. Bank experts express that they failed to view FinTech companies as a big enough threat when they initially entered the industry. However, the statement from FinTech experts shows different indications, since the banks took legal actions to keep them down, thus indicating a higher perceived threat-level than stated by the bank experts. For the banks to take these measures against FinTech companies, they can arguably have been perceived as a considerable threat to their profitability. Interestingly enough, neither of the banks reflected upon these incidents, which can potentially be explained either as not being top of their minds, not known by the experts or a conscious choice not to mention it. Some of the experts clearly state that no collaboration between the banks and FinTech companies was considered when the FinTech companies entered the industry. However, one of the FinTech experts further explained that his company initially desired a collaborative relationship with the banks in order to provide enhanced customer experience. As a result of the hostile response from the bank, the FinTech company adapted a different strategic approach and instead competed head-on with the banks. Thus, moving from a desire to collaborate to a need to compete.

Further, experts from both banks and FinTech companies emphasise the lack of banks perception of FinTech companies as competitors is a result of FinTech companies lacking resources and rarely desire to become a full-service provider of financial services, thus stating that the perceived threat is mainly in certain niche segments. However, it is emphasised by experts that multiple FinTech companies have the ability to jointly provide several of the services provided by banks. The threat perceived by the entrance of FinTech companies can be considered remarkable in contrast to previous threats posed by new entrants to the industry. First of all, the oligopolistic position held by the Swedish banks resulted in a very low number of new entrants. Secondly, the new entrants that did enter the industry, such as insurance companies, can be perceived as more predictable and thus not threatening the businesses of the banks in an unexpected way. The FinTech companies entered with new business models and high-tech innovative solutions that only targeted a niche segments, thus becoming less predictable than previous competitors. As a result, the banks are perceived by all of the experts to have taken a reactive position, thus lagging behind and missing out on opportunities that could have been used to leverage their advantage in the evolving industry. This missed opportunity can also arguably have fuelled the increased perceived threat over the years, as FinTech companies gained traction in the industry.

A lot has happened over these past years where the relationship between the two parties have gone from some level of foes to friends and partners, by developing an understanding of how to combine their capabilities. All of the interviewed experts' currently work at a bank or FinTech company that has some form of a collaborative relationship with each other. Thus, indicating a shift in the perception of each other as a threat to a partner, in order to gain a greater position in the market and provide better customer experience. This shift can be argued to have occurred for various reasons. Firstly, both parties have realised that their shortcomings and strengths can be combined to become greater together. Secondly, the banks realised their legacy systems' limitations to enable banks to catch up with the FinTech companies' innovative solutions and had to reach out for collaborations. Thirdly, a partnership could be viewed as a response to an increased perception of threat from the FinTech companies and aim to neutralise it.

5.1.1 Accepting the Benefits of Collaboration

The significant growth of FinTech companies in the Swedish retail banking industry can have resulted in banks perceiving a need to collaborate in order to stay relevant in the industry. The increased number of FinTech companies can also be considered to have increased the competition amongst different FinTech companies, thus potentially having a positive effect on the speed of innovation and its quality. This can further extend the gap between the FinTech companies and the banks, thus affecting their relationship. Additionally, several experts argue that the banks are the enablers of collaboration. This is due to the banks' dominant position in the industry and it can be argued that if they had perceived it possible to continue running by themselves and achieve similar results as when partnering up with FinTech companies, they would have. This kind of scenario could potentially have driven FinTech companies out of business and restored the oligopoly previously possessed by the banks. However, this has not been the case, thus emphasising that the banks need to accept a collaborative relationship with FinTech companies.

In line with the growing number of FinTech companies, the number of targeted niche segments are growing. This means that the banks are facing competition in an increasing number of financial services by various FinTech companies. This, in turn, has a negative effect on the banks' profitability which often lead to price wars, thus negatively affecting the profitability of the entire industry. By initiating partnerships, the joint capabilities have the potential to deliver a service with higher customer value than other services on the market, thus gaining competitive advantages through differentiation. However, the perception of what is considered collaboration between the banks and FinTech companies varies amongst the interviewed experts. Collaboration is by the interviewed experts perceived as investments in FinTech-hubs and hackathons, banks having ownership in FinTech companies, contractual partnerships, M&As and the banks providing data and APIs to third-parties. The last definition of collaboration can be questioned as a voluntary strategy for banks to collaborate with FinTech companies. As a result of PSD2, banks are obligated to share customer data with third-party providers through APIs. In viewing sharing of data as a type of collaboration, it could be argued to hinder banks from initiating more extensive collaborations, since sharing of data is deemed sufficient.

5.1.2 Other Actors Affecting the Relationship

The collaborative relationship between banks and FinTech companies is perceived to have a positive effect on the development of the industry, innovation and customer satisfaction. The innovative solutions created by FinTech companies can be considered highly desirable, not only by banks. FinTech companies are also engaging in collaborative relationships with for example BigTech companies and non-bank companies in other industries. It can be argued that the more desirable and valuable the services provided by FinTech companies become to other companies than banks, the larger effect it will have on the relationship between the banks and FinTech companies. If the demand for FinTech companies and their solutions significantly increases, the bargaining power of the FinTech companies becomes higher, thus enabling the FinTech companies to be selective in their search for collaborations. As the bargaining power is increased for FinTech companies, it is simultaneously reduced for banks since FinTech companies can access necessary capabilities through other collaborations. Hence, this could affect and even reduce the ambition for FinTech companies to collaborate with banks. However, it can further be argued that the entrance of new actors can negatively affect this potential leverage gained by FinTech. For example, BigTech companies possess different capabilities than FinTech companies, thus can be perceived as a more suitable partner to banks in certain aspects. An increasing number of collaborations between banks and other actors can, therefore, reduce the bargaining power of FinTech companies. This complex new ecosystem puts additional pressure on initiating the right collaboration where the one between bank and Fintech companies is not necessarily the most beneficial.

In concluding remarks, the experts perceive that the relationship between banks and FinTech companies in the Swedish retail banking industry has transformed from a competitive relationship to a more collaborative relationship over recent years. This is in line with Felländer, Siri and Teigland’s (2018) view of the transformation in the industry but portrayed in the perspective of the evolving relationship. Further, the industry is perceived to be influenced by new actors, as proposed by Lee and Shin (2018) and Nuyens (2019), forming a new ecosystem and thus presenting new potential collaborations.

5.2 How the Relationship will Evolve in the Future

All of the interviewed experts agree that some form of a collaborative relationship between the banks and FinTech companies are perceived to continue in the future as well. Some of the experts reflect upon two main reasons why collaboration will continue. Firstly, it will not be possible for the banks to do everything by themselves, and secondly, the majority of FinTech companies will not survive in the future without collaborations. To some extent, all of the interviewed experts perceive that there is a need for collaboration to gain competitive advantages in the future retail banking industry. However, it is perceived that actors in other industries will continue to expand their offerings to include financial services, which arguably can have a significant impact on the future relationship between banks and FinTech companies. The interviewees speculate that the two main actors that are perceived as most likely to impact the relationship are BigTech companies and large non-bank corporations.

The experts do not perceive that BigTech companies strive to enter the retail banking industry as a full-service bank, as a result of the regulatory aspects and the prioritising of high-level margins. However, they are perceived to act similarly to FinTech companies and utilise their capabilities to increase their customer value by offering financial solutions through digital platforms. By not entering the industry as a bank, the BigTech companies can benefit from collaboration with an established actor. Through collaborations with FinTech companies, exemplified as the collaboration between Facebook and PayPal, BigTech companies can indirectly access the infrastructure of the banks. The collaborative relationship between banks and FinTech companies can thus arguably be threatened as there is an increased demand for innovative FinTech companies amongst a larger number of actors. The banks are therefore perceived to compete for the best FinTech companies with global BigTech giants. In addition to the BigTech companies' influence on the relationship between banks and FinTech companies, large companies in other industries are perceived to increase their collaborations with FinTech companies in the future. For example, large companies can collaborate with FinTech companies in order to provide their customers with financing options to purchase their products, thus increasing the companies' profit margins. The increasing number of actors requiring the service of FinTech companies increases the power of the FinTech companies, thus challenges the collaborative relationship that has developed between the banks and FinTech companies.

On the contrary, it is also perceived that for example, BigTech companies can limit the power of the FinTech companies as a result of directly collaborating with the banks. The payment service Apple Pay is exemplified as a collaboration between the BigTech company Apple and banks globally, in order to digitalise different types of cards. This type of collaboration increases the banks' selection of suppliers when it comes to innovative front-end solutions to enhance customer value. It is highlighted that BigTech companies have the possibility to become the world's largest FinTech company and as a result of its impressive capabilities can be perceived as a serious threat towards the future relationship between banks and FinTech companies. However, the entrance of BigTech does not only need to have a negative effect on the relationship between banks and FinTech companies. Since the threat from BigTech companies is perceived more significant than that of FinTech companies by banks experts, it has the potential to strengthen the future relationship between banks and FinTech companies, in order to limit the BigTech companies to gain traction.

The experts perceive that there will be an increasing number of collaborative relationships between various actors in the future. However, it is speculated that banks face the risk of losing the customer relationship, as this is often targeted, and better supplied, by BigTech companies and/or FinTech companies. Further, it is deemed unlikely that any other actor will develop a new infrastructure, thus resulting in the banks being the only infrastructure provider in the Swedish retail banking industry. The unique advantages of BigTech companies are similarly concluded by Stulz (2019) and defined as "fintech firms are making faster horses whereas [BigTech] firms are working with airplanes" (Stulz, 2019, p. 96). Further, she argues that these advantages can enable BigTech companies to replace traditional banks in the future (Stulz, 2019). Even though it is a realistic possibility, it is argued by the experts to be unlikely as it would force BigTech companies to develop their own infrastructure. Rather, BigTech companies are perceived to target the customer relationship in niche segments, as it is deemed more profitable. Instead of creating the entire service from scratch, a collaboration with a competitor can be more resource-efficient, increase quality based on individual expertise and enable a higher perceived customer value (Nalebuff & Brandenburger, 1996).

5.2.1 Implications of The Evolving Value Chain

The experts argue that the different actors' individual competitive advantages will influence the future relationship between banks and FinTech companies as different actors are speculated to exist alongside each other but provide different parts of the value chain. Some of the experts' express uncertainty as to whether the banks will voluntarily take on the position as the provider of infrastructure, which other actors build their platforms on top of, or if it will be forced upon them. Further, some experts argue it to be a no-brainer that banks will end up only as the provider of infrastructure, since PSD2 may in some cases indirectly force banks to give up the ownership of customer relations to more innovative FinTech companies. The relationship between banks and FinTech companies can thus be argued to be affected by how the banks approach the new value chain dilemma.

If the banks decide to resist the disintegration of the value chain, they may need to establish more of a competitive relationship with FinTech companies, as they both will be targeting the customer relationship. One strategy for the banks to maintain their dominance in the industry and avoid losing the customer relationship is to develop FinTech solutions internally, which would compete with the solutions provided by FinTech companies. There is however a disagreement amongst the experts in regard to the banks' ability to internally develop more user-friendly interfaces. On the one hand, some experts argue that front-end solutions are the easier and cheaper part to get good at, in comparison to the back-end. On the other hand, other experts argue that banks will remain limited by their legacy systems and bureaucratic structures, thus not able to be as innovative and efficient as FinTech companies. Whether or not the banks are actually capable of internally developing competitive FinTech solutions, it would be affecting the relationship with the FinTech companies in the fight of owning the customer relationship.

If the banks instead accept, what is often described by FinTech experts as their destiny, to only provide the infrastructure that other actors in the industry can build FinTech solutions on, they would lose their customer relationships. However, it can be argued that if one of the banks decides to accept the fact that they will become an infrastructure sooner or later, they are in a favourable position to gain first-mover advantage. Instead of focusing their resources on developing FinTech solutions internally, that may not meet the standards of the solutions developed by FinTech companies, they can focus on developing a more favourable infrastructure. If the bank is able to provide an infrastructure that is superior to the other banks', then it is possible to gain a first-mover advantage by attracting the most prominent FinTech companies, and other actors, into collaboration. This could further down the line become crucial as it is argued by one of the FinTech experts that infrastructure will only be provided by a limited number of actors. Further, it is important to understand that the infrastructure is not exclusively provided by the banks. The experts refer to Tink as an example of a FinTech company that changed their strategy from providing a successful consumer service to providing a back-end infrastructure to banks all across Europe. This can arguably confirm that FinTech companies are not only able to develop successful front-end services, but also more efficient infrastructures than the banks. Thus, indicating that the future changes within the value chain have the potential to significantly impact the relationship between banks and FinTech companies. Particularly, banks may have to consider what kind of relationship they will have with FinTech companies in various parts of their value chain.

In conclusion, there are different perceptions of the future of the value chain where the most commonly agreed-upon perception of the experts, in the long-run, is that it will be transformed into a dis-integrated value chain with banks supplying the infrastructure and thus losing the fight of the customer relationship to more user-friendly FinTech companies. A similar change has according to some of the experts been witnessed in the telecom industry where telecom providers previously aimed to manage the customer relationship but ended up only supplying the infrastructure. The change is perceived as induced by for example new customer demand, innovation and regulations, where bank experts describe it as a fear of becoming less relevant while FinTech experts describe it as an interesting and beneficial transformation. This puts emphasis on the need for different actors to decide whether to pursue collaborations or not. Here, there two theoretical perspectives on competition and collaboration can be revisited. Porter's (1980) Five Forces Model explains the new buyer and supplier power emerged from the potential future reconfiguration of the value chain whilst the Nalebuff and Brandenburger's (1996) Value Net Model describes the positive aspects of this type of transformation. As the perception amongst the experts are divided, one could argue that the views of FinTech experts are more in line with co-opetition and bank experts perceive it more traditionally through the competitive perspectives of the Five Forces Model, as they still believe their position could be withheld.

6 Conclusion

The rise of FinTech companies has fuelled an interest amongst researchers to understand their impact on the banks and the retail banking industry as a whole. Earlier research focusing on the relationships between the different actors in the industry have viewed it mainly as competitive while more recent studies have shifted to viewing the relationships as more collaborative. In line with the growth and success of FinTech companies, the field has seen an increase in studies. However, few studies have focused on the perceived relationship between banks and FinTech companies and no studies have been identified that incorporates the perspective of how the relationship has, and further will, evolve over time, in the Swedish retail banking industry.

Guided by the research questions, this thesis has concluded that there is a rapid ongoing transformation in the Swedish retail banking industry as a result of the rise of FinTech. The transformation has resulted in FinTech companies being established as new actors in the industry and thus inflicting a need for banks and FinTech companies to consider what kind of relationship they should have. The findings conclude that the relationship between banks and FinTech companies is perceived by the experts to have evolved from a competitive relationship to more of a collaborative. The most significant driver for this transformation is the realisation that the combined capabilities can further strengthen both parties in the market. Further, the relationship is perceived to continue in a collaborative manner in the future. However, the experts speculate that there are two main factors that have the potential to affect the nature of the future relationship. Firstly, other actors' actions are perceived to influence if the relationship between banks and FinTech will remain collaborative or not. The increased possibilities to initiate collaborative relationships with actors besides banks and FinTech companies are perceived to affect how the relationship between banks and FinTech companies evolve in the future. Secondly, the disintegration of the industry’s value chain and how it will be reconfigured is deemed by the experts to play a significant role in how the relationship will continue to evolve, depending on whether the banks will surrender the ownership of the customer relationship or not.

The finding further demonstrates that the perceptions of the experts in some respects are unified while in other they vary widely. However, often it is possible to identify patterns in the perceptions that can be categorised between bank experts and FinTech experts, demonstrating uniformity based on where the experts work.

6.1 Research Implications

The conclusions drawn from this study can provide useful insights for practitioners. The retail banking industry is evolving and alongside it, the relationships between its actors. The findings demonstrate that the experts' perceptions of the relationship between banks and FinTech companies vary, which will have implications for the decision made by the individual experts within their respective firm. Further, the relationship is confirmed to have evolved over time and the actions of other actors can have significant implications for how the experts perceive the relationship. For practitioners, this study indicates the importance of understanding actors in the new ecosystem and the different relationships taking place between various actors, especially within the retail banking industry. Particularly, since it will impact the competitiveness and profitability in the industry, which further affects the entire economy.

Further, this thesis has theoretically contributed to closing the research gap in the existing literature by illustrating how the relationship between banks and FinTech companies is perceived to have evolved over time and how it is perceived to continue to evolve. The use of expert interviews further contributes with a different perspective to previous research. Additionally, this study demonstrates the relevance of not limiting the perspective of the relationships within the retail banking industry to solely competitive. By adding a collaborative perspective, and in particular Nalebuff and Brandenburger's (1996) concept of co-opetition and the Value Net Model, it nuances the relationship further.

6.2 Limitations

We have identified three limitations with this study. Firstly, it is worth once more to highlight the limitations of generalisability that was mentioned in the introduction. The purpose of this study is to gather in-depth knowledge on a specific phenomenon, thus selecting a research method that does not intend to provide generalisable results. The limitations with generalisability are not limited only to the selection of research methods, but also the retail banking industry as a context. The uniqueness of every country's retail banking industry makes it difficult to draw conclusions about one country's industry based on the findings of another. Secondly, the number of expert interviews can be considered a limitation to be able to draw definite conclusions of the relationship between banks and FinTech companies. However, the conclusions provide perspectives from different sides of the relationship and indicate that it is a relevant topic to study more extensively to generate a more comprehensive perception of the phenomenon. Thirdly, the study involves subjective features as it focuses on the experts' perception of the phenomenon, thus it is not possible to consider the findings as definite.

6.3 Future Research

When conducting our study, we have identified interesting findings that were not possible to include in this study. Firstly, the power extortion in the new ecosystem has caught our interest. It is to a limited extent covered in this study, from the perspective of its effects on the relationship between banks and FinTech companies. However, we suggest that it is relevant to conduct future research on the underlying factors that could influence the shift in power between actors over time as well as the implications power has on the relationships in the industry. This is particularly demonstrated through the power of BigTech companies discussed amongst some of the experts and how the power can shift between actors depending on shifts in buyers and suppliers bargaining power. Secondly, the experts speculate that an increasing number of actors will expand their offerings to include financial services, which is perceived to affect the relationships within the industry. We propose a similar study to be conducted in the future that further includes experts working in BigTech companies and large companies in other industries. This will provide an opportunity to understand how the relationships have evolved and further will continue to evolve between all of the actors in the new ecosystem. Thirdly, future studies are suggested on the evolving disintegration of the value chain and what effect it might have on the positioning of different actors in the industry and particularly how it will benefit the customers. Lastly, this thesis has studied financial services as a whole. Further it could be interesting to study potential variances between different niche services, e.g. between payment services and personal financing services.

In concluding remarks, we believe this study will serve as a tool in understanding the evolving relationship between banks and FinTech companies in the rapidly changing Swedish retail banking industry. We hope to have initiated a future interest in performing studies on the growing trend of collaboration, moving away from the one-sided view of competition.

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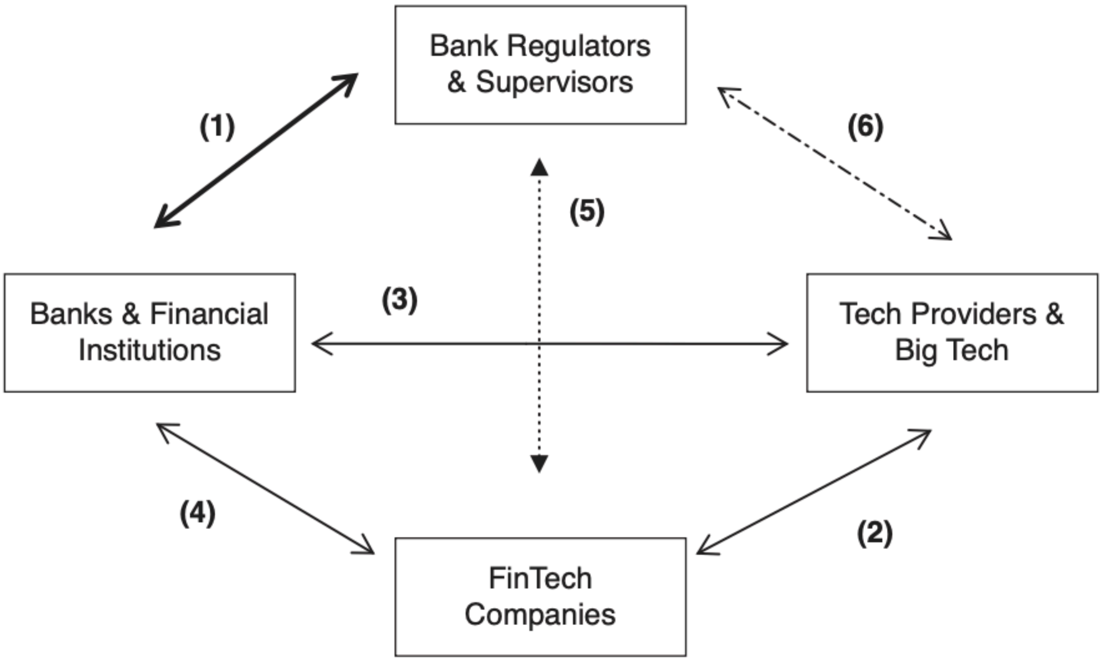
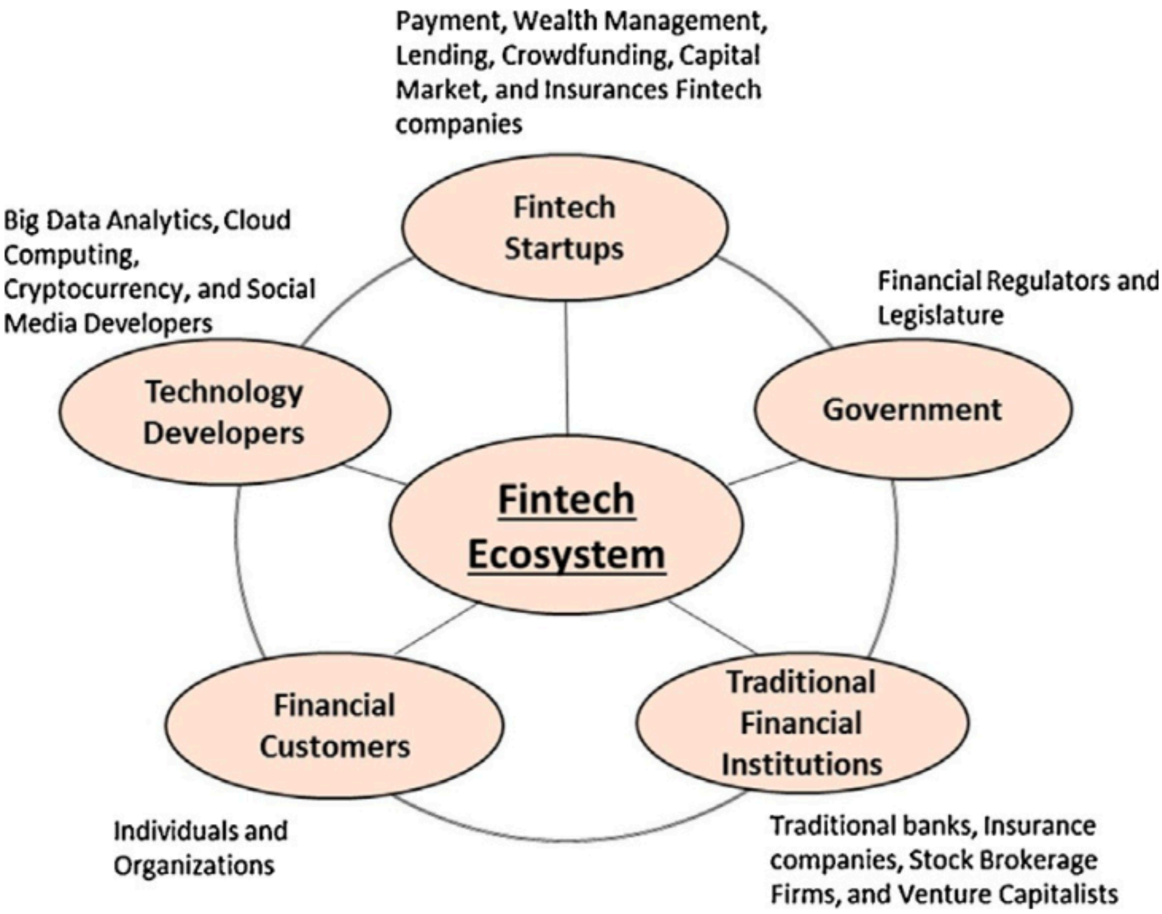
Appendix A



The figure in Appendix A was retrieved from Nuyens (2019) and visualises the new ecosystem.

Appendix B

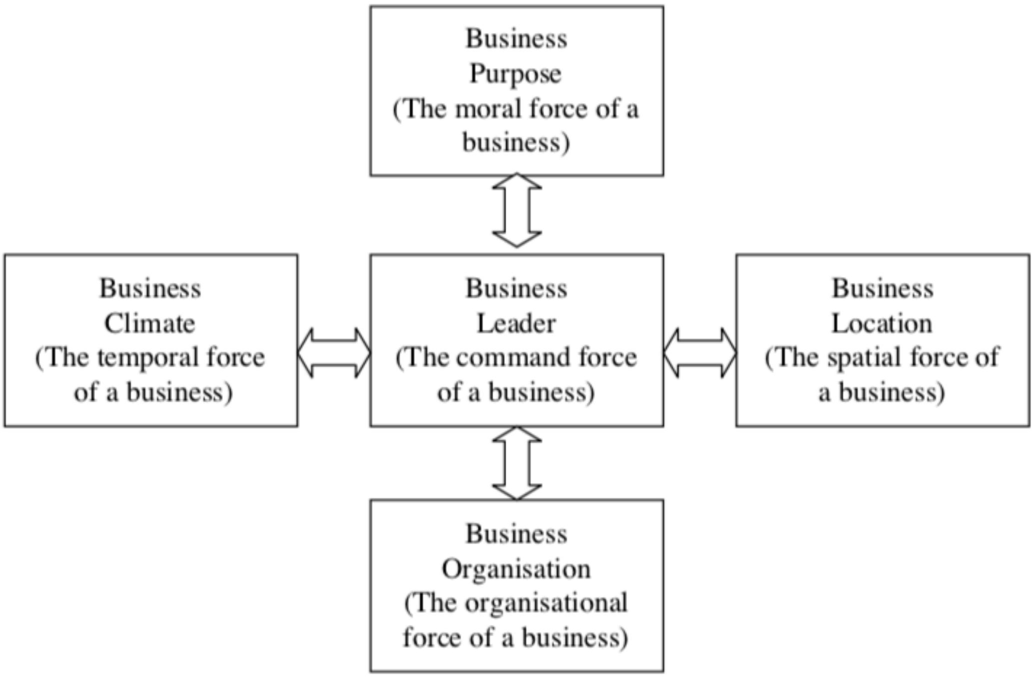


The figure in Appendix B was retrieved from Lee and Shin (2018) and visualises the new FinTech ecosystem.

Appendix C

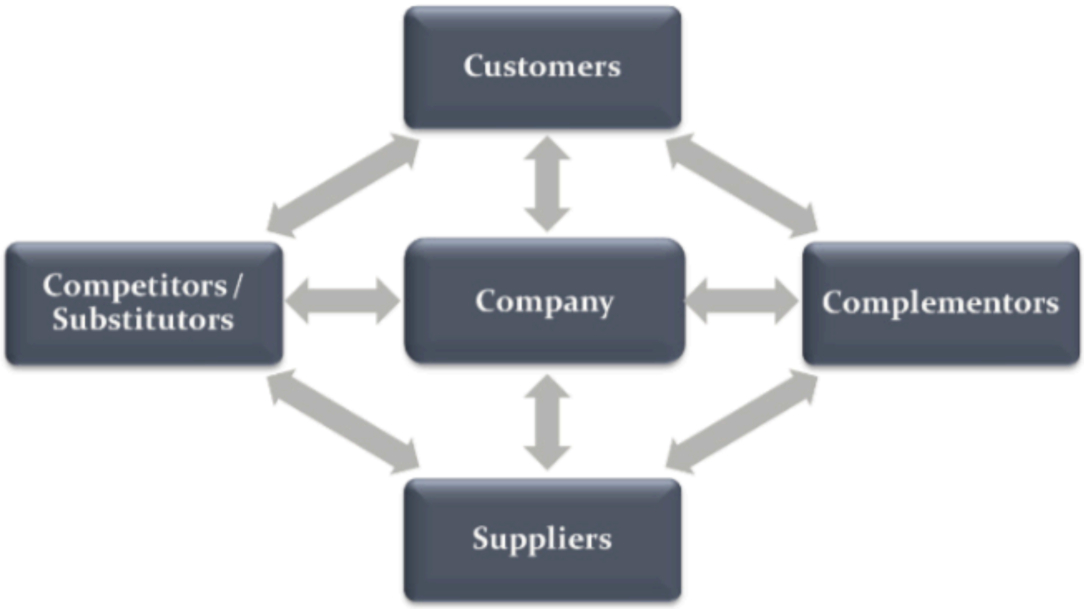
The figure in Appendix C was retrieved from Porter (1980) and visualises the Five Forces Model.

Appendix D



The figure in Appendix D was retrieved from Wang and Chen (2009) and visualises the new Five Forces Model.

Appendix E



The figure in Appendix E is based on Nalebuff and Brandenburger (1996) and visualises the Value Net Model.

Appendix F

Interview guide for FinTech experts.

1. **What was the purpose of your service when it was launched?**
   - What was your vision?
   - What was your motivation?
   - What was the identified business potential?
   - Was it a customer-driven or product-driven development?
   - How did it differ from similar products?
   - What was your strategy to penetrate the market?
   - Did you run into any obstacles? (Regulations, financial hinders etc.)
   - What was your perception of the existing financial service market?
   - Are there similar products that did not make it?

2. **How was the service and the company received by the industry?**
   - By customers, competitors, regulations?
   - What happened?
   - Why did you make it? Key success factors?
   - Have you received acquisition offers?
   - How did you establish yourself on the market? (E.g. marketing strategy)
   - Who was/is your customer segment?

3. **What do you think the future of the market, your service and your company will look like?**
   - What will the industry look like in the future?
   - How will you relate to this?
   - Are you building barriers and to whom?
   - Are the specific factors determining your future success?
   - What will the relationship between banks and FinTech companies look like?

4. **What do you think the future development of FinTech will look like?**
   - Will we as consumers only use FinTech or will it look similar to now?
   - What role will the traditional retail banks have?

Appendix G

Interview guide for bank experts.

1. **What is the difference in the retail banking industry before and after the entrance of FinTech companies?**
   - What changes have you noticed and how have they affected your business?
   - How do your customers relate to the FinTech companies?
   - Have you lost customers?
   - Have the demands of your business and services changed?
   - Did you predict the change?

2. **How did you react/act when the FinTech companies started to enter the market?**
   - Did you then, or do you now, see FinTech companies as a threat or an opportunity?
   - Has this changed over time?
   - Have you adapted your offerings?
   - What is your view on acquiring FinTech companies?
   - Have you made strategic changes?
   - Have you attempted to tie your customer to your business?
   - How do you work with regulations?

3. **What do you think the future of the market and your company will look like?**
   - What will the industry look like in the future?
   - How will you relate to this?
   - Are you building barriers and to whom?
   - Are the specific factors determining your future success?
   - What will the relationship between banks and FinTech companies look like?

4. **What do you think the future development of FinTech will look like?**
   - Will we only use FinTech or will it look similar to now?
   - What role will the traditional retail banks have?