

Financial Technology's effect on the Swedish banking Industry

A study on competition and competitive strategies

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The rapid advancement of technology has the potential to disrupt established industries, including the banking sector. Companies that fail to adapt to technological shifts risk losing their competitive advantage and face challenges. As the banking industry undergoes digital transformation, banks face the challenge of aligning technology and business models to engage digital customers effectively. Banks must navigate the changing landscape to remain competitive and fend off the threat of new entrants.

The findings of the study shows that the Swedish banks are affected by Fintech in several ways. FinTech's entry into the Swedish banking industry has increased the threat of entry, strengthened the bargaining power of buyers and suppliers, and increased the rivalry of the incumbent banks. FinTechs have done so by leveraging technology and customer mobility to compete in the industry by offering customers new innovative solutions.

The increased customer mobility is mainly due to the digitalisation of the industry. However, new regulation has opened the value chain resulting in new opportunities which FinTechs quickly seized with the most successful example being Klarna, that revolutionised the payment industry. As consequence of the new open value chain, FinTechs have become both suppliers and competitors to the banks. Subsequently, the universal banks take the threat of FinTechs seriously. Resulting in that the universal banks have started to proactively work with FinTechs to create strategic partnerships

and integrate FinTechs innovative services into their own offering.

The collaboration between Fintech and banks seems to be fundamentally based on FinTechs targeting small segments and great offering. This specialisation characteristics of FinTechs might be a consequence of FinTechs avoiding the traditional entry barriers. However, the current industry barriers are still significant.

Furthermore, the comparative study of the incumbent banks and FinTechs shows that the changing industry dynamic has of yet not severely impacted the positioning of the incumbent banks. However, banks are positioned quite differently compared to FinTechs as FinTechs are more focused on cost and is offering less customised services. This might become a problem for banks as the trend of using online services increases. The number of banks branches has decreased significantly and the comparative advantage of offering personalised services is getting weaker.

But as the banks work proactively and by investing in FinTechs early and integrate their services into their own offering might limit the impact of FinTechs. As the banks' strategy are largely based on differentiation in relation to FinTechs, cooperation with FinTechs or using Fintech suppliers might become essential to keep their comparative advantage.

Since most industries pass through periods in which the landscape is changing. Getting an understanding on what is changing and what is staying the same is highly valuable information for both existing competitors as well as new potential entrants. Furthermore, the knowledge of how FinTech and banks operate not only as competitors, but also as partners is of importance for the industry stakeholders.