

Press release

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Who Will Survive the FinTech Evolution?

The Lucerne University of Applied Sciences and Arts has conducted its fourth review of the Swiss FinTech market. The results of the study indicate the continued strong growth and increasing importance of the local FinTech sector. The study also seeks to investigate how traditional banks are dealing with the digital evolution.

The «IFZ FinTech Study 2019» from the Lucerne University of Applied Sciences and Arts, which was released today, provides an extensive overview of the current condition of and developments in the Swiss FinTech sector (see Box 1 and Figure 1 for the definition). In line with the results from last year's study, the Swiss FinTech sector is still shown to benefit from excellent conditions. The global FinTech hub ranking once again positions the cities Zurich and Geneva on rank 2 and 3 (see Figure 2).

FinTech is important for Switzerland

The FinTech sector experienced strong growth in the year 2018. At the end of the year, Switzerland hosted 356 FinTech companies, corresponding to a growth rate of 62 percent compared to the previous year (see Figure 3). Judging by the increasing number of employees and capitalisations of the companies, the sector is also maturing. In contrast, developments in the traditional financial sector show a decreasing number of institutions and employees.

Fin is local, Tech is global

One of the important conclusions drawn from the FinTech Study 2019 was that global innovation drives FinTech companies. A specific pattern can be identified among the different FinTech business areas. On the one hand, the tech-driven FinTech companies, namely in the areas of Distributed Ledger Technology (eg. Blockchain) and Analytics, have an international orientation. On the other hand, the finance-driven FinTech companies, such as those in the areas of Deposit & Lending or Payment, set their focus on the domestic market. This pattern is observed among the local, as well as international FinTech companies.

Innovation should solve a real problem

The main objective of technological innovation in the financial industry should be to achieve higher business volumes, lower costs and/or lower risks for businesses, as well as improved usability and lower costs for users. The consistent implementation of a solid business model is by far more important than the use of exotic technologies. The financial industry needs solutions that are both reliable and interpretable. This presents opportunities for Switzerland as an innovation centre.

From hype to reality through disillusionment

The findings from last year's study identified the FinTech sector as moving from a hype to reality. This conclusion is confirmed by the results of this year's study with an increased maturation of the sector and larger venture capital transaction volumes. On the contrary, the cryptocurrency market suffered from significant corrections. The developments in the FinTech sector are very diverse and at different stages depending on the business segment and individual company.

Traditional banks have to evolve or will end up becoming irrelevant

Although FinTech companies are not expected to replace banks, new technologies could make some of the services and processes in the traditional banking industry become irrelevant. The

winners of the digital transformation are those businesses which possess the right skills and corporate culture to implement technological innovation quickly and consistently.

IFZ FinTech Study 2019

The «IFZ FinTech Study 2019» from the Lucerne University of Applied Sciences and Arts is released today. The study provides an extensive overview of the Swiss FinTech sector. On the one hand, the study describes the FinTech ecosystem. The analysis is based on the description of the political and legal, economic, social, and technological environment. Furthermore, a review of the different business models from Swiss and foreign FinTech companies is provided, more specifically for the 149 Swiss FinTech companies which participated in the survey. The overviews provide information on the markets, distribution channels and revenue models, as well as the key figures of the company. On the other hand, the study looks at how banks position themselves towards digitalisation and FinTech. **The entire study can be ordered at ifz@hslu.ch.**

What is FinTech?

FinTech is defined as software solutions for innovative products, services, and processes in the financial industry, improving, complementing, and/or disrupting existing offerings. Hence, FinTech companies are firms whose main activities, core competencies, and/or strategic focus lie in development those solutions.

Appendices:

- Figure 1: Taxonomy of FinTech business models
- Figure 2: FinTech hub ranking
- Figure 3: Number of FinTech companies in Switzerland

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Lucerne University of Applied Sciences and Arts – the university of applied sciences of Central Switzerland

The Lucerne University of Applied Sciences and Arts is the university of applied sciences of the six Central Swiss cantons and comprises the Lucerne Schools of Engineering and Architecture, Business, Information Technology, Social Work, Art and Design, and Music. More than 6,200 students are working towards bachelor's or master's degrees here, while a further 4,400 are in continuing education. The Lucerne University of Applied Sciences and Arts is the largest educational institution in Central Switzerland and employs nearly 1,700 staff.
www.hslu.ch

Appendix:

Figure 1: Taxonomy of FinTech business models

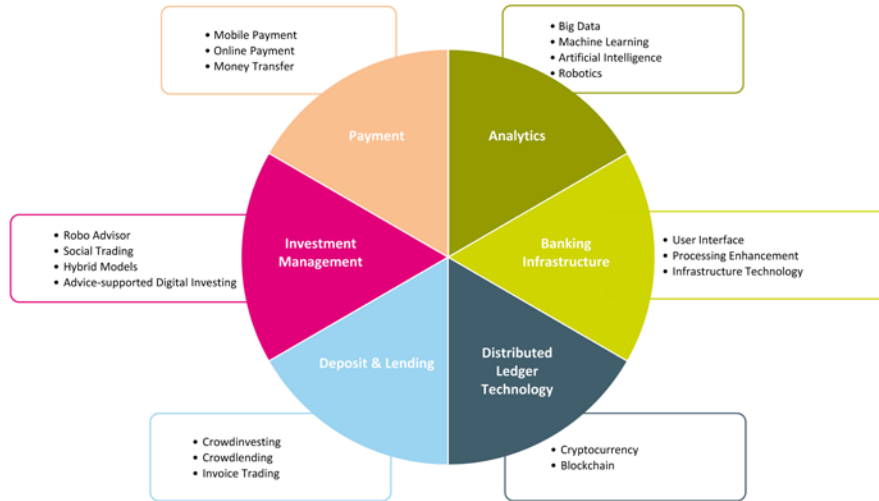


Figure 2: FinTech hub ranking

Rank	YoY	City / Country	Scores
1	-	Singapore	Political/Legal, Economic, Social, Technological
2	-	Zurich / Switzerland	Political/Legal, Economic, Social, Technological
3	-	Geneva / Switzerland	Political/Legal, Economic, Social, Technological
4	-	London / UK	Political/Legal, Economic, Social, Technological
5	-	Amsterdam / Netherlands	Political/Legal, Economic, Social, Technological
6	-	Toronto / Canada	Political/Legal, Economic, Social, Technological
7	↑1	New York City / US	Political/Legal, Economic, Social, Technological
8	↑1	San Francisco / US	Political/Legal, Economic, Social, Technological
9	↑1	Hong Kong (China)	Political/Legal, Economic, Social, Technological
10	↓3	Stockholm / Sweden	Political/Legal, Economic, Social, Technological
11	↑5	Tokyo / Japan	Political/Legal, Economic, Social, Technological
12	↑1	Sydney / Australia	Political/Legal, Economic, Social, Technological
13	↓1	Berlin / Germany	Political/Legal, Economic, Social, Technological
14	↓3	Frankfurt / Germany	Political/Legal, Economic, Social, Technological
15	-	Vienna / Austria	Political/Legal, Economic, Social, Technological
16	↓2	Oslo / Norway	Political/Legal, Economic, Social, Technological
17	-	Dublin / Ireland	Political/Legal, Economic, Social, Technological
18	NEW	Seoul / South Korea	Political/Legal, Economic, Social, Technological
19	↓1	Paris / France	Political/Legal, Economic, Social, Technological
20	↓1	Luxembourg	Political/Legal, Economic, Social, Technological
21	NEW	Tallinn / Estonia	Political/Legal, Economic, Social, Technological
22	↓1	Dubai / United Arab Emirates	Political/Legal, Economic, Social, Technological
23	↓3	Tel Aviv / Israel	Political/Legal, Economic, Social, Technological
24	↓2	Milan / Italy	Political/Legal, Economic, Social, Technological
25	↓1	Shanghai / China	Political/Legal, Economic, Social, Technological
26	↓3	Beijing / China	Political/Legal, Economic, Social, Technological
27	↓2	Warsaw / Poland	Political/Legal, Economic, Social, Technological
28	↓2	Moscow / Russian Federation	Political/Legal, Economic, Social, Technological
29	NEW	Santiago de Chile / Chile	Political/Legal, Economic, Social, Technological
30	↓3	Cape Town / South Africa	Political/Legal, Economic, Social, Technological
31	↓3	Sao Paulo / Brazil	Political/Legal, Economic, Social, Technological
32	↓3	Mumbai / India	Political/Legal, Economic, Social, Technological
33	↓3	Buenos Aires / Argentina	Political/Legal, Economic, Social, Technological

Figure 3: Number of FinTech companies in Switzerland (n=356)

