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Lost in translation: Why banks must learn the language of their customers

Back in 2017, the future of the fintech sector and its potential felt truly limitless. Bold claims were bandied about including the theory that the movement would soon supersede the traditional banking sector in terms of popularity. Nowadays, things don't look as cut and dry. Personally, I'm still a supporter of the fintech sector and feel that there is still vast potential for it to create real change for businesses and consumers, but I'll also admit that a lot of those early proclamations have now been shown to be quite wide of the mark.

Ultimately, the staying power of the banks was much greater than many people expected. Despite the devastation of the financial crash and more recently with the COVID-19 pandemic, the broader banking sector remains strong and where people still feel most comfortable and trusting when it comes to depositing, sending, and saving money. This argument extends to SME customers, who still largely want to use traditional banking portals to conduct business.

Are banks still the best for businesses?

The recent failure of the UK's Incentivised Switching Scheme perhaps best highlights the idea that business customers still prefer traditional banking institutions. Some years on from its launch, it's now safe to say the scheme has significantly failed to reach its initial targets, despite spending close to £220M in sweeteners that looked to encourage SMEs to transfer business accounts over from traditional, legacy banking companies and into the hands of *new and emerging challenger banks*.

Similarly, despite receiving significant capital under the Banking Competition Remedies fund, challenger banks have been unable to capture any significant market share within the world of SME customers. In fact, between 2018 and 2020, the number of people using a 'Big Four' current account only *decreased from 94% to 90%*. Still, over this period overall adoption rates of challenger bank and fintech solutions has risen, however, these services have often been used to supplement services already offered by larger companies.

Striking the right balance

The numbers are quite damning, but it's too easy to write the fintech movement off as totally underwhelming. Undoubtedly, the sector has helped to expose several big issues within banking, which can't be ignored for much longer. Most notably, the banking industry continues to lag behind in its marketing efforts. The fintech sector doesn't struggle with this. In fact, while I wouldn't go as far as to call the sector 'style over substance' it certainly has marketed the absolute most out of the limited value it can really offer.

So, we're left with one industry, which customers clearly trust, and who are able to deliver genuine value-added services, and another, which customers are still unsure about, yet it manages to market its services in ways that people find intriguing. Ultimately, it's all a bit of a mess, and often distracts from some of the more pressing questions surrounding the broader financial market. Chief among them is the question of whether either sector is currently doing enough to help those using its services on a daily basis.

Don't fix what's not broken

I won't name names, but we've seen this phenomenon across banking players. Whether it's abstract TV adverts that don't relay actual customer benefits, or the industry's long running resistance to fully embracing the digital sphere. Similarly, the fintech sector has similar issues, seemingly becoming obsessed with a new trend every year, whether that's *Buy Now, Pay Later* or crypto. While these trends may look good on paper, they seldom serve to help solve the real economic issues of the day, namely cost of living increases and rising interest rates.

The good news is that the respective strengths and weaknesses of the two industries complement each other quite well. If banks can learn to speak to customers in the ways that fintech companies do, then they will undoubtedly see renewed interest in their products and can deliver real value. Likewise, if fintech businesses can learn from the banks and begin to deliver services, which truly help customers in their daily lives, then they may soon start to see the robust product adoption rates first envisioned in 2017.

Collaboration is key

I'm going to make a prediction that we currently stand at the precipice of a huge correction across both sectors. In my opinion, this culture shift will take funding capital away from projects peddling speculative, high-risk solutions, and instead move it towards more grounded and warranted financial services. As such, increased collaboration between fintech businesses and the traditional banking sector would now be beneficial for both parties, but most importantly, would invariably benefit customers and SME owners.

In this endeavour, there's absolutely no doubt that brand is important. At *BankiFi*, we recently conducted internal research on the subject. The findings indicate that users place far more trust in third party apps, which are more closely aligned to a banks' brand, or look like they were an extension of the bank rather than something separate. However, to make good on this demand, the banking sector must get infinitely better at marketing itself to customers, which is where the fintech industry can really help.

Building a better world for SME customers

With the right approach, fintechs and banks can align their respective strong points to deliver services to customers that truly add value. In short, the time is now for both sectors to stop looking at each other as rivals, and instead begin to assess the significant synergies that can be manifested from a closer working relationship. Of course, it's a change that's going to take work and patience, but the goal is highly achievable and will benefit all involved parties, including personal and business banking customers.

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