



NAVIGATING THE PERFECT STORM

Multinational Spanish banking group BBVA has been at the forefront of FinTech for some time and is revolutionising how it services its 66 million customers throughout the world. Head of Strategy and M&A JAVIER RODRIGUEZ SOLER talks us through his own journey and vision for the future.

Joining a global bank in the summer of 2008 is a scenario some may have shied away from, but for Javier Rodriguez Soler it was an opportunity to tackle the 'perfect storm' of challenges facing the financial services sector.

'There have been a lot of pressures on the profitability of banks in recent years caused by issues such as regulatory changes, low/negative interest rates and new players entering the industry,' he says. ▶

SPEED READ

- Banks have been facing a 'perfect storm' since 2007
- Financial services firms must refine their value proposition
- Collaboration between incumbents and FinTech firms is crucial
- Big data will revolutionise lending across the world

'BLOCKCHAIN'S IMPACT ON BUSINESS COULD BE AS BIG AS THE INTERNET.'



It gives people the ability to put temporary blocks on credit and debit cards, receive transaction alerts on the move and cancel cards that are lost or stolen. In other words, it's disruption with a clear purpose which benefits the end-user, and one with a global reach, with over four million users internationally.

FINDING THE WINNING FORMULA

On the topic of FinTech, it's about building on an already established relationship, according to Rodriguez Soler. 'The winning FinTech formula is when an incumbent partners with a credible new player to design and deliver an experience to benefit the customer.' It's something Rodriguez Soler has a wealth of experience in, having developed partnerships with FutureAdvisor and Simple in the US and Atom Bank in the UK.

So what about those new kids on the FinTech block looking to grab a large piece of the financial services pie? 'People get more stressed about money than anything else in their lives and that's why it's important to reach out to the market with that trust already in place,' Rodriguez Soler suggests. 'This convergence of the best of both worlds results in the most important outcome – the customer wins.'

BBVA's commitment to FinTech collaboration is further demonstrated via its annual Open Talent competition. See more at www.centrodeinnovacionbbva.com/en/opentalent

LOWERING THE THRESHOLD

Robo-advice is about the democratisation of financial services. In the not too distant past, tailored financial advice was the preserve of HNW individuals only. Robo-advice is opening up the advice market to millions more in different income brackets all over the world. And in Rodriguez Soler's view, 'the established banks are in an enviable position because they already have a customer relationship where people trust them to keep their money safe and allow us to invest it'.

It's important for the financial advice industry as a whole that newcomers to the sector are properly regulated. The Financial Conduct Authority (FCA) in the UK launched its 'Advice Unit' at the end of

► And the changes to the sector haven't just come from internal sources. With customers having more access to their finances online, their needs, expectations and demands have undergone a significant shift too. Not to mention the sizeable task of having to rebuild trust in the industry as a whole.

Rodriguez Soler has been of the opinion for many years that the traditional banking model needs to change. 'The future is about being able to deliver the best service to wherever the customer is. Increasingly, this is on a smartphone and involves a mix of platforms – online, in-branch and telephone.'

Disruption through technology has come at an important time and provides huge opportunities through areas such as robo-advice, blockchain, big data and AI.

'Traditionally, financial advice was for High Net Worth (HNW) individuals who could afford it. Technology is changing that so more people in different income brackets can benefit from tailored advice,' Rodriguez Soler says.

THE VALUE PROPOSITION

A challenge not unique to BBVA is that of refining a value proposition against a backdrop of changing customer expectations in terms of service delivery, driven by the smartphone and their experience of leading digital brands such as Amazon, Uber and Spotify. Rodriguez Soler has a clear vision in the form of a solid set of values used throughout BBVA to ensure the customer experience across all platforms is engaging and consistent. 'Transparency, UX & design, fairness, best offering and providing quick fixes are the heart of what we do,' he states.

On the subject of 'quick fixes', Rodriguez Soler is keen to point out that a real-time solution for customers is typically the end product of sizeable investment in internal processes and systems alongside months of testing.

BBVA is driving innovation in disruption through various channels, one of which is the BBVA Wallet – a proprietary payments app also providing customers with an extra layer of security at the touch of a button.

May 2016 as part of Project Innovate – such was the demand from new FinTech companies looking to offer services such as robo-advice.

DRIVING AROUND THE BLOCK

Blockchain is the much-heralded automated, multi-user, universally trusted transaction processing system set to revolutionise the financial services sector and many others.

However, as with any new technology, there are advantages and disadvantages, says Rodriguez Soler. ‘The main plus points of blockchain are that it enables trust, works in real time and transaction history is always available.’

Amidst the media frenzy around blockchain (the technology used to power Bitcoin – the infamous cryptocurrency), there are potential downsides, according to Rodriguez Soler, which include non-financial service firms entering the space without being properly managed, the lack of experience of those using it and the

level of controls and regulation in place around its use.

From BBVA’s perspective, blockchain is about business optimisation. Rodriguez Soler sees three distinct areas where the business can benefit, namely employing simpler processes, reducing capital expenditure in and around transactions, and real-time processing which has benefits for the bank and its customers.

‘Blockchain’s impact on business could be as big as the internet,’ Rodriguez Soler predicts. And in the next few years, we’ll start to see the full scale of possibilities, not just in financial services but for business as a whole.

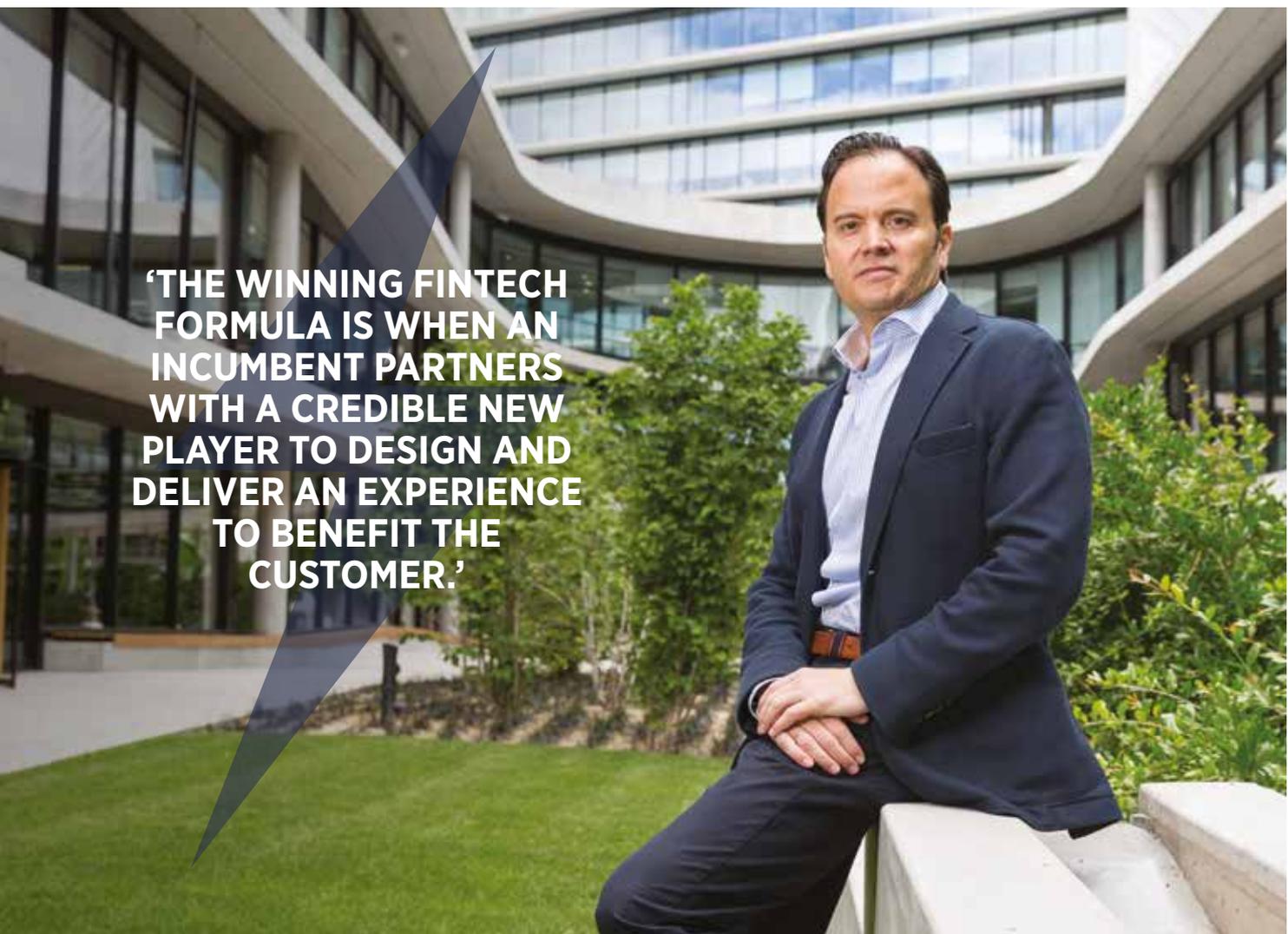
A LOOK AT LENDING

Of course, a huge part of retail banking involves lending money to customers, whether they’re individuals or businesses. What is Rodriguez Soler’s standpoint on Peer-to-Peer (P2P) lending? ‘P2P is one of the most interesting areas of disruption. While the market has grown around tenfold

in the last two years alone, it’s still a small market overall, but it can have a significant impact in terms of convenience, flexibility and transparency for the customer,’ he says.

P2P lending needs a differentiating factor if it’s to be successful and that will come down to the quality of each lender’s underwriting systems. If they have the same as everyone else, then it’s really just the customer platform that’s the differentiator. Rodriguez Soler believes big data has a critical role to play not just in P2P lending but traditional bank lending too. ‘Ultimately, for these systems to be successful, lending has to be done at a rate that the individual or business can afford to pay back. Using more in-depth background data can help to inform better lending decisions, thereby reducing the risk of late payments and defaults.’

The banking landscape is being disrupted like never before and incumbents need to be leading the way. BBVA and Javier Rodriguez Soler are showing them how. ■



‘THE WINNING FINTECH FORMULA IS WHEN AN INCUMBENT PARTNERS WITH A CREDIBLE NEW PLAYER TO DESIGN AND DELIVER AN EXPERIENCE TO BENEFIT THE CUSTOMER.’