MATCH-MAKER VENTURES

Open Innovation – Fact or Fiction?

The beautiful and ugly truth about financial sector startup-corporate collaboration

May 2017

Mind the Bridge

MATCH MAKER VENTURES

"It is the long history of humankind (and animal kind, too) those who learned to collaborate and improvise most effectively have prevailed."

– Charles Darwin

LEAD AUTHOR:

Mae Hansen
mae@match-maker.ventures

MAIN CONTRIBUTORS:

Match-Maker Ventures team members:
Barbara Stockinger, Nicolai Schättgen,
Mind the Bridge team members:
Alberto Onetti, Monia Ben Nejima

MM Ventures GmbH
Türkenstraße 25/11
1090 Vienna
Austria

+43 1 9220913
office@match-maker.ventures

www.match-maker.ventures

Introduction

Covering insights from the 65% of the European top 20 banks

This brief report deep dives into startup-corporate collaboration in FinTech/financial sector and sheds light on what's really happening behind the curtains. The sector talks notably about innovation need and collaboration with startups. Is it just a talk or is the sector truly walking the walk? We looked behind the scenes to see how deep does the engagement go, what can be learnt from the current status quo and how can startups and corporates benefit even more from the collaboration.

Scaleup definition:
Scaleups are startups that raised $1M+, Scalers raised $100M+
Source: SEP

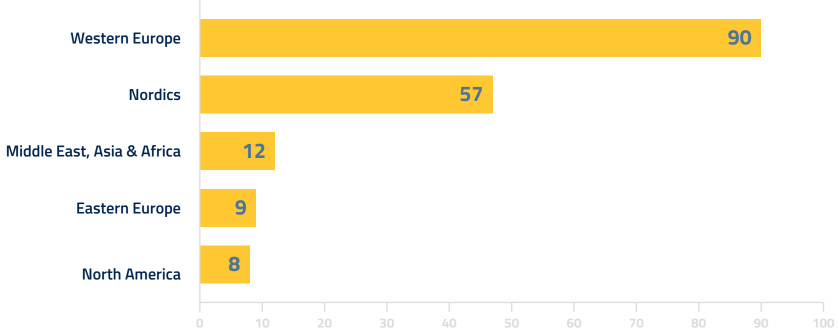
The report focuses on European banking and insurance world drawing conclusions based on the insights gained from the survey, interviews and industry's in depth knowledge of the teams of Match-Maker Ventures and Mind the Bridge. It is the outcome of three-months work by various stakeholders covering input from 65% of the European top 20 banks.

The quantitative results are based on our own proprietary survey. Survey was targeted exclusively at experts in the fields of innovation and strategy at financial sector corporates, startups and scaleups. Third parties, like accelerators and VC funds, who have great overview of the collaboration in the sector were also engaged. Online responses were gathered from roughly 200 participants from 32 countries – 89 were financial sector corporates, 46 startups/scaleups and 47 third parties.

About Match-Maker Ventures:
Match-Maker Ventures accelerates innovation by fundamentally changing the way corporates and startups work together. We drive the process end-to-end and are measured against actual impact created.

About Mind the Bridge:
MTB is a global organization that provides innovation advisory services for corporates and startups.
With HQs in San Francisco (CA) and offices in London, Italy and Spain, since 2007 we have been working as an international bridge at the intersection between Startups and Corporations.
On behalf of the European Commission we run the Startup Europe Partnership (SEP) open innovation platform and the Startup Europe Comes to Silicon Valley (SEC2SV) annual mission.

RESPONDENTS GEOGRAPHICAL BREAKDOWN, COUNT



Source: Match-Maker Ventures; May 2017

Aside of the online survey, close to two dozen interviews were hosted shedding light on the ways financial sector corporates collaborate with FinTechs. These interviews gave valuable insights based on the real life and on the events happening behind the curtains.

The report summarizes our key findings and offers deep insights for anyone interested in open innovation in the financial sector. It reveals the beautiful as well as the ugly truth and will give recommendations on how to take the sector startup-corporate collaboration to a new level.

FACT 1:

Corporates admit they need to collaborate

61%

of the corporates say they must collaborate to survive

85%

of corporates see potential in collaboration

FICTION 1: Corporates and startups are not aligned

FACT 2:

Money keeps flying into FinTechs

57%

FinTech investment YoY growth is expected in Europe in 2017

51%

of consumers between age 35 and 54 with annual income above 150,000 USD have used FinTech solutions

FICTION 2: FinTech solutions are for millennials

FACT 3:

Collaboration with startups is a long-term relationship effort

» Coming together is a beginning, staying together is progress and working together is success «

— Henry Ford

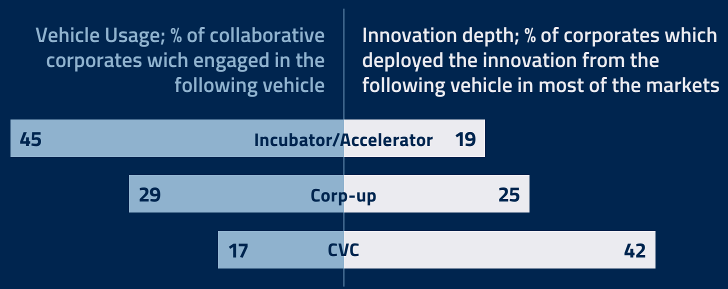
83%

of FinTechs consider themselves collaborators

FICTION 3: FinTech startups are disruptors and not open to collaboration

FACT 4: Incubator/Accelerator is the most popular collaboration format

COLLABORATION VEHICLE DEPTH ANALYSIS; %



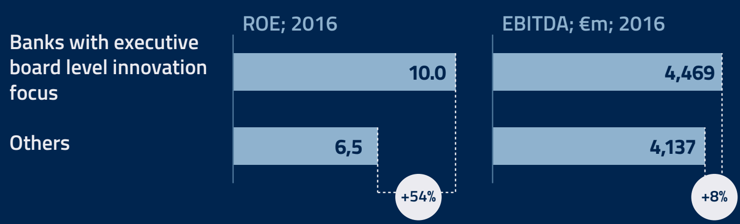
30%

of the banking licenses in UK were issued to startups in 2015

FICTION 4: Financial sector is too regulated to innovate via startups

FACT 5: Banks that truly commit to innovation perform better

ROE & EBITDA ANALYSIS FOR EUROPEAN TOP 20 BANKS



84%

revenue drop for a bank, if it charged the same for cross border payments as a startup

FICTION 5: Startups will never replace the banks

Collaboration – fact or fiction?

Compared to any other, financial industry has the advantage of enjoying the longest as well as notable exposure to the startup world. That's because, it is the first industry that startups turn to due to the funding needs. In many cases, startup link to financial industry happens even before the link to potential customers and before the minimum viable product is developed. Part of the industry has mastered the investor role, but has it been able to reap full benefits from its "jus primae noctis" to the startups? Has it been able to benefit from the technology and business models that FinTech startups offer? Are the corporates truly interested in collaboration or is it simply mere attempt to avoid disruption in the industry's status quo? Is the corporate-FinTech collaboration fact or fiction?

FACT 1: Corporates admit they need to collaborate ...

... making it the right time for next steps

Corp-up definition: contractual, non-equity engaged collaboration between corporate and startup

No doubt, financial sector corporates have realized that they need to collaborate with startups and 84% have done so either through incubator/accelerator, corp-up or corporate venture capital initiatives.

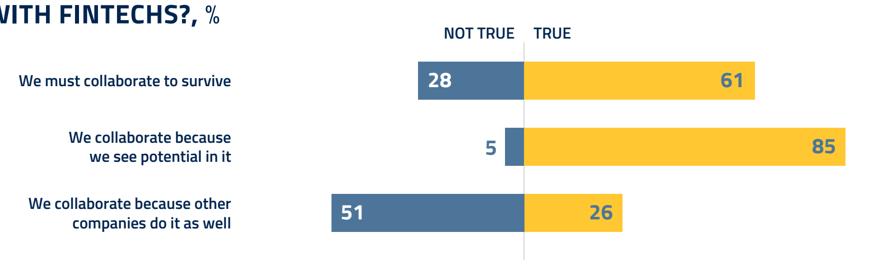
On the other hand, needing, wanting and truly doing are three very different topics. Realizing the need to collaborate, doesn't necessarily imply the want to collaborate, nor does it indicate that there are sufficient actions to support the need. Putting "lipstick on a pig" is an action, yet not the kind of action that will change the pig. Out of top 20 European banks only 5 have shown truly committed activity while having the innovation responsibility assigned at the executive team level with the necessary resources to back up the collaboration hunger. With only 25% of the banks taking firm action, there is room for improvement regarding the alignment of the wanting and truly doing.

Only 5 out of European top 20 banks have innovation responsibility assigned at the higher organizational level

Source: Match-Maker Ventures research

Despite the limited actions, the sector does not only look at the collaboration as a need, it sees potential in working with the FinTechs. 85% of the corporate respondents noted that they collaborate, because they see potential in it. With the limited depth of the actions, yet notable want to collaborate it's hard to find better timing for the corporate-FinTech cooperation.

WHAT IS YOUR COMPANY'S GENERAL PERCEPTION ON COLLABORATION WITH FINTECHS?, %



Source: Match-Maker Ventures; May 2017 | **Note:** analysis excludes the undecided responses

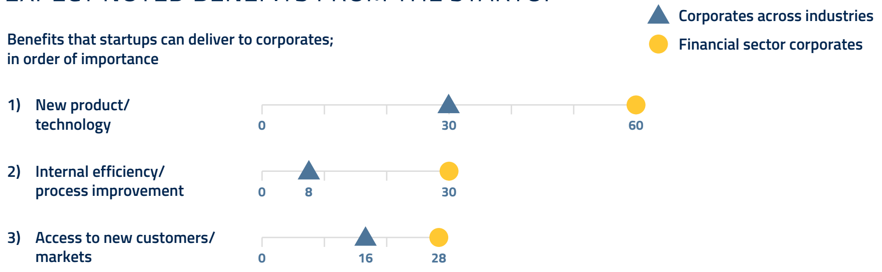
FICTION 1: Corporates and startups are not aligned ...

... steering the perceptions and posing unnecessary obstacles on the path of effective collaboration

> ***"Startups are moving at the speed of light and corporates at the speed of an oil tanker. Both sides need to acknowledge that they need to adapt in order to work together"***
>
> **Ruedi Greiner,** UBS

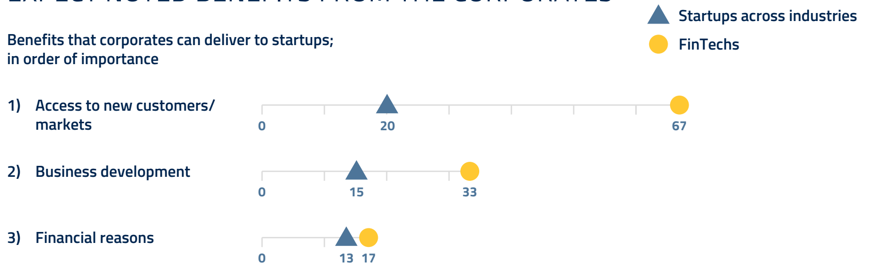
Compared to general startup-corporate collaboration, financial sector is much better aligned on the overall expectations on the value that corporates and FinTechs can generate to each other. Financial corporates are initiating collaborations first and foremost to develop new products or technology, while FinTechs are in it for the access to customers and markets. This is fully in line with what one can offer to another.

CORPORATES EXPECTATIONS TO STARTUPS; % OF CORPORATES THAT EXPECT NOTED BENEFITS FROM THE STARTUP



Source: Match-Maker Ventures studies and analysis; 2016 & 2017

STARTUPS EXPECTATIONS TO CORPORATES; % OF STARTUPS THAT EXPECT NOTED BENEFITS FROM THE CORPORATES



Source: Match-Maker Ventures studies and analysis; 2016 & 2017

Unfortunately, this does not necessarily imply that the collaboration is a piece of cake, as there is still misalignment for the modus operandi. Startups move in a very different pace and can easily get stressed because the decisions in corporates are not made fast enough or execution takes longer than anticipated. Getting a meeting with corporate can easily take 3 months, waiting reply after the meeting is another 3 months, summing up to 6 months, which for startup is equal to 2-3 corporate years. By the time, corporate is ready to make next steps, startup has already developed the technology and product to a new level. Despite that, the strong alignment on overall values builds strong grounds for successful collaboration, and the modus operandi aspect can be overcome by engaging third parties.

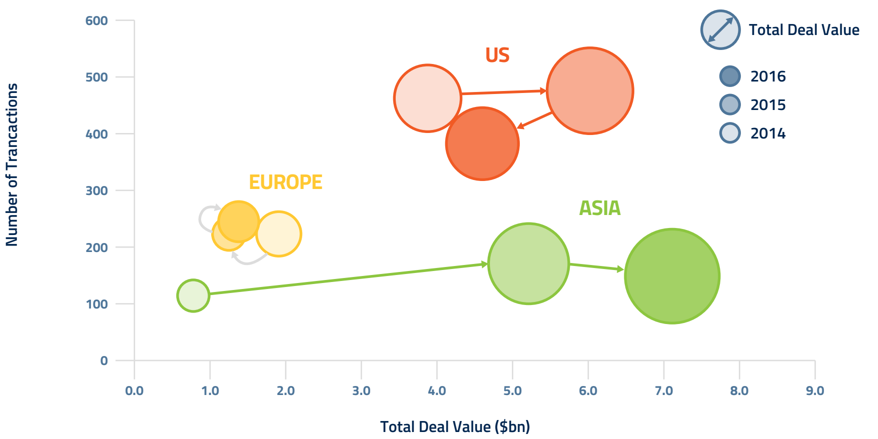
FACT 2: Money keeps flying into the FinTechs ...

... helping the newcomers scale and conquer the hearts of the consumers

In 2016, global venture capital investments in FinTechs rose by 7% YoY totaling $13.6 bn. Even though Europe, is the smallest piece of the global FinTech investment pie, it grew in 2016 indicating markets continuous appetite. Furthermore, Q1 2017 has shown strong growth for European FinTech investments and if the pace continues the region may see a total of 57% growth YoY in 2017.

With such funding trends, FinTechs get increasing power to spread their wings in the market and it's only a matter of time when their wings are wide enough to grasp notable share. Today, corporates have still firm grip on the access to the market and to hold on to it, means to benefit from the agile development and technology that FinTechs offer.

FINTECH INVESTMENT ANALYSIS



Source: GP Bullhound analysis, March 2017

FICTION 2: FinTech solutions are for millennials …

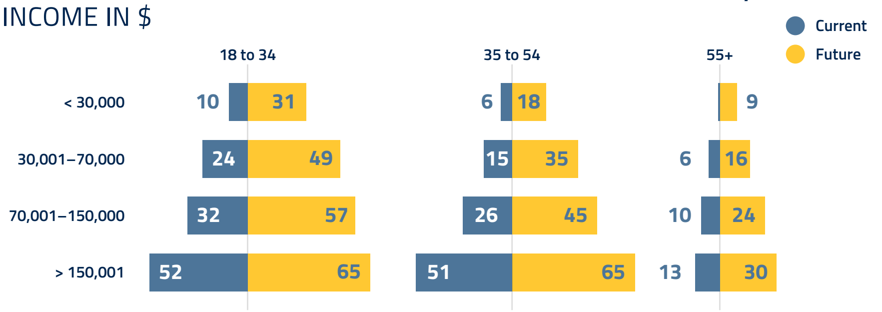
… leaving many players sitting on the sidelines while they could play a winning game

Unicorn definition:
Unicorn are venture-backed private companies valued at $1 billion or more.

Source: The Wall Street Journal and Dow Jones Venture

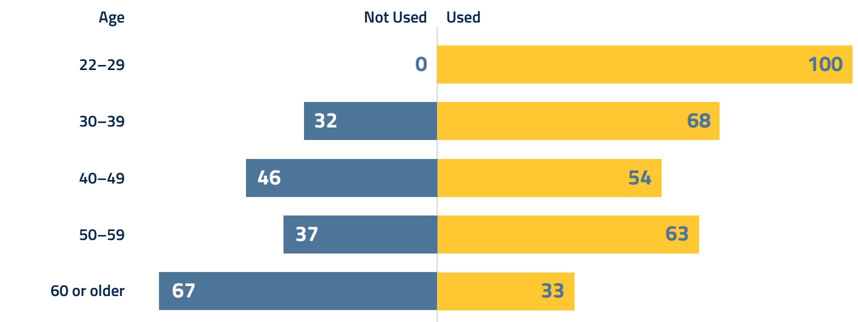
Despite the talk on the street that FinTech solutions are for millennials, it's no longer exclusively the game for the younger tech generation. They may have been the early adopters, but the rest of the market is following their example. The usage drivers for the older consumers are likely different, e.g. costs and efficiency, yet they are not shying away from trying the FinTech solutions. FinTech solutions are especially popular among the high-income consumers, which includes the fellow bankers. The lowest adoption rate amongst the bankers stands at 33% for the 60+ year olds. In the coming years, adoption rates are expected to more than double amongst the elderly as well as lower income groups, which spreads the usage wider across all age and income groups.

FINTECH ADOPTION RATES BREAKDOWN BY INCOME GROUPS; INCOME IN $



Source: Ernst&Young, The Financial Brand; Match-Maker Ventures analysis; 2016

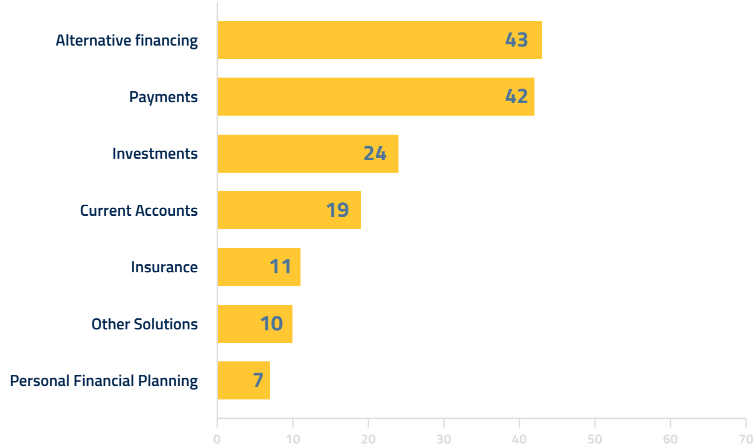
BANKERS FINTECH USAGE; %



Source: Match-Maker Ventures; May 2017

Not surprisingly, payments and alternative financing are the most popular product categories from the consumer perspective. These same two categories have been around the longest and comprise the biggest share of the FinTechs in the Unicorn club. Out of 39 global FinTech Unicorns 16 are alternative finance and 10 payments startups, leaving only 13 for other product categories.

FINTECH USAGE, % OF ALL RESPONDENTS THAT HAVE USED FINTECHS



Source: Match-Maker Ventures, May 2017

The FinTech adoption trends pose threat to the corporates and increases their hunger toward collaboration, as corporates know that startups ability to follow tech trends is more agile than their own.

FACT 3: Collaboration with startups is a long-term relationship effort …

… while many financial corporates look at it as an opportunistic quick-win

"Coming together is a beginning, staying together is progress, and working together is success."

Henry Ford

To collaborate with startups is no quick win, it's long-term relationship requiring committed efforts from both ends. To truly collaborate means to commit the corporate resources and attention end-to-end.

Banks know how to play the winning game when acquiring the startup, yet in case of collaboration their hand falls short in most instances. M&A topics receive focus on the board levels and whenever investment is made, it's followed carefully through cradle to grave. True work starts after the M&A deal is signed. The same principle should hold true for the startup collaboration, be it incubator, accelerator or corp-up. Unfortunately, collaboration with startups is in many cases viewed from opportunistic point of view without end-to-end support. In many instances, large part of the organization is not even aware of the deals and startup engagements.

FICTION 3: FinTech startups are disruptors and not open to collaboration …

… giving birth to false attitudes that result in losing out in the long run

83% of the FinTechs consider themselves collaborators, not disruptors

67% of FinTechs have already collaborated and the share of FinTechs who consider themselves collaborators vs. disruptors is even higher standing at 83%. Startups are open for collaboration in the financial industry. They understand their own limits and will welcome corporates with open arms to jointly conquer the markets. There is no illusion on the startup side regarding corporates holding the access to the markets.

While FinTechs view themselves as collaborators, banks may not always share the view. This is especially true in the payment space, where the banking model is built on cross subsidization and where FinTechs are viewed as disruptors by banks whose revenue streams are at risk. For instance, TransferWise can offer cross-border money transfer at six times cheaper price. This is a clear threat to financial institutions where cross-border payments business can contribute double digit share to the overall profits.

SIDE STORY

Insurance companies are struggling with innovation

Insurance business has been one of the most traditional business forms for centuries due to its essence of product and risk calculation principals. The change there is hard to come. Most insurance companies are still only talking about innovation instead of implementing the activities so much needed for the change in the business.

There are a few examples where insurance has shown development, like Munich Re's or AXA's collaboration with startup Trov. In most instances the change is simply about upgrading the sales channels, like increasing the importance of internet and mobile offering, which is just a fraction of the entire insurance game.

In the bigger picture, insurance is way behind banks when it comes to startup collaboration. One of the first InsurTech accelerators was set up only in 2015 by Startupbootcamp. Even though, the driving force behind it was not an insurance firm, the latter were engaged actively. The same happened in banking 10 years earlier in 2005, when YCombinator was set up with one of the key focuses on FinTechs and collaboration with banks. The picture is also somewhat bleak when following the InsurTech funding trends. Funding started to pick up just in 2015 when global investment volumes crossed the $1bn mark ending the year at $2.6bn, before dropping back to $1.7bn in 2016.

Four key aspects are standing on the way of full adoption of innovation in insurance:

1. **Complicated regulations and capital requirements are often hindering the collaboration.** Rules and regulations are becoming tougher increasing overall product development cycles. Bringing a third party (startup), into the game may increase the cycles further, as startups at many times are not fully aware of the sector regulatory constraints and insurance firm will have to educate the partner during the collaboration. The overall picture does not look bleak at the regulatory aspects and it's easy for management boards to reject startup collaboration projects that are time and resource consuming with limited success probability.

2. **Insurance has viewed and managed the business for too long from the product point of view foregoing the customer needs.** Organizational structures are built from product versus customer perspective. Product development is built up in layers having different systems within one organization that support different business lines. This all leads to complexity in managing and maintaining, leaving no room for any customer focus.

3. **The management has become distant from the real business.** Complexity of the insurance products, processes, conditions and legal requirements has distanced the senior management from customers. Many of the insurance sector's executive boards comprise of mature professionals, who are distant from daily innovation. For instance, the average age of the insurance board members at Prudential is 62. Sitting in the Ivory Towers distances the executives from the street and their customer. We haven't witnessed true visionary Steve Jobs in the insurance world, who would talk about insurance's possibility of making difference in people's lives. After all, insurance is in a way social responsibility and could have much larger meaning, especially with the new generation that cares about the World around them.

4. **Insurance product is simply not sexy in the customer's eyes and industry's current way of selling it is not helping much to change that.** Customer has not shown deep interest in the insurance products. For them it's more of a burden than a benefit. For instance, health and life insurance is still considered a luxury product in many markets. The way the insurance products are sold, enforces the negative perceptions further, as it's about insurance consultant contacting the customer and the last thing that they want is to have another sales guy on the line.

Many of these obstacles can be addressed through innovation and collaboration with InsurTechs. The momentum is right for bringing innovation into the insurance industry and to collaborating with the new technology. Will be interesting to see which ones shall be the forerunners to give grounds to the birth of new insurance industry.

Maarika Liivamägi
Match-Maker
(former insurance industry executive)

FACT 4: Incubator/accelerator is the most popular collaboration format …

… setting scenery for the lightest collaboration mode leading to only mediocre outcomes

> ***"There is still too much marketing and face showing without actual content in the financial sector-FinTech collaboration"***
>
> **James Vargas,** The ID Co, CEO

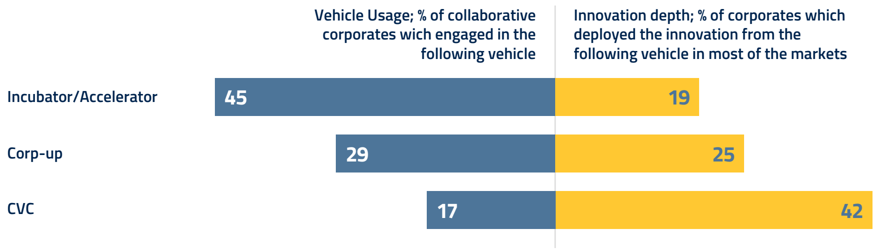
The collaboration vehicle forerunner in the financial sector is the incubator/accelerator. Hard to come across a leading bank or insurance firm in Europe that has not been engaged in one format or another in the incubator/accelerator. Some have set up their own incubators/accelerators, some participate in the ones run by third parties (e.g. Startupbootcamp, Plug&Play), others have engaged through limited resource commitments like sponsorship, mentorship or premises.

The reality of incubators/accelerators is that most of the times this engagement remains as a *"lipstick on the pig"*. Incubator/accelerator is the vehicle that, so far, has shown the weakest outcomes in terms of collaboration depth. Only 19% of the financial institutions who have used this vehicle, have made true use of the innovation coming out of this collaboration vehicle. To truly use the innovation, means to deploy it across most of the relevant markets or to use it internally to maximum extent. There are two key reasons why innovation deployment from incubators/accelerators remains low:

1. Startups engaged are often too early stage increasing the time it takes internally to exploit and deploy the innovation. With that, many times business units lose interest before the innovation is ready.

2. Financial corporates allocate limited resources to be engaged with the incubator/accelerator, yet make no commitments for the use of the innovations. Limited commitments come in form of mentorship, premises, etc. Full commitment means taking it as a strategic initiative that receives full end-to-end focus.

COLLABORATION VEHICLE DEPTH ANALYSIS; %



Source: Match-Maker Ventures; May 2017

"Open innovation is not about talking with hundreds of startups at events; it is about commercially deploying solutions with a bunch of them"

Alberto Onetti,
Mind the Bridge, Chairman

As such, the vehicle allows for publicity and image development, yet leads to very limited outcome, unless organization is fully committed, which current examples from the market do not support. In most instances, much of the organization is not even aware of which innovations are being developed in the incubator/accelerator. Business units are often not involved or they lose interest when dealing with innovation that still needs months or years to be deployed.

In this respect, the Corporate Venture Capital is the vehicle with deepest collaboration depth. 42% of the financial institutions that have used this type of collaboration have utilized the innovations from their portfolio to the largest potential extent. It is, of course, also the most expensive engagement type and thus not suitable for all.

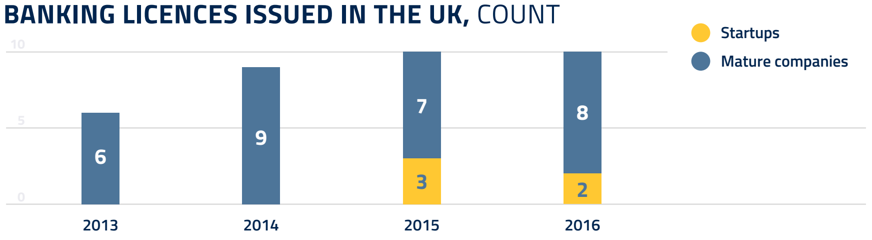
FICTION 4: Financial sector is too regulated to innovate via startups ...

... leaving the sector empty handed and pushing more cards into the hands of the startups

> ***"We have to embrace the disruption that is happening in the market, because it is going to happen anyway and it is in our interest to be part of it"***
>
> **Teppo Paavola,** BBVA

Financial sector is without a doubt a heavily regulated industry, just as is for instance pharma, aviation and many others. It's not the regulation that poses obstacles in startup collaboration, it's the mindset and openness to mistakes. Startups are capable of complying with the regulatory framework with the number of startups obtaining the financial sector licenses growing. In 2015, 30% of the new banking licenses in UK were issued to startups. The same indicator stood at 20% in 2016. With more and more licenses being issued to startups, it's just a matter of time when FinTechs will acquire noticeable share of the customers' hearts decreasing the corporates' playing field and corporates customer access power.

BANKING LICENCES ISSUED IN THE UK, COUNT



Source: Bank of England; Match-Maker Ventures analysis; May 2017

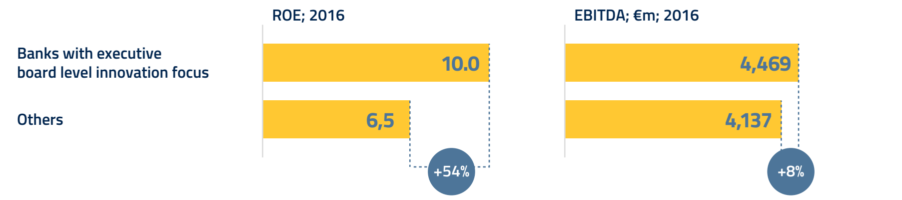
It's easy to hide behind the regulatory burden and consider the industry too complex for innovation via startups. Collaboration forerunners in the financial sector, like BBVA and Santander, are looking at the picture from a different angle. They have shifted their mindsets and are open to testing, knowing that mistakes are likely to follow, yet admitting that there is no moving forward without mistakes. To lower some of the risks they are using separate entities to test the innovation solutions and products (e.g. Openbank, Simple, Atom Bank).

FACT 5: Banks that truly commit to innovation perform better …

… depicting that benefits can be reaped from collaboration

Five out of 20 European top banks have assigned innovation responsibility at their executive committee / board level. These include for instance ING and BBVA, the two which are some of the European FinTech collaboration forerunners. On two key financial metrics, the banks which have taken innovation seriously, outperformed peers in 2016, with their EBITDA being 8% and ROE as much as 54% greater. Even though, performance is dependent on multiple variables, we believe that innovation is one strong component of it. Assigning innovation on high organizational level assures that the topic will be embedded in the overall corporate culture. Over time, it will become part of the corporate DNA and that's the first step toward change. We are so used to seeing Corporate Banking and Retail Banking on all the executive boards, though putting Innovation next to them is yet a thinking to be fostered amongst the banks.

ROE & EBITDA ANALYSIS FOR EUROPEAN TOP 20 BANKS



Source: Match-Maker Ventures Analysis; May 2017

SIDE STORY

The collaboration picture in the financial industry is still far from where it could be. Some stars stand out getting it right, while most of the industry falls into the "Average Joe" category. The latter is more prone towards PR, than actual commitment.

Collaboration "Stars" versus "Average Joes"

	Stars	Average Joes
Strategic focus	Collaboration is strategic focus and part of the corporate DNA. It gets regular coverage and review at the Board level assuring full commitment from the top	Collaboration is opportunistic activity with no commitment from the top
Resource allocation	Startup collaboration is organized into separate unit/focus with full decision-making power and budget allocation (e.g. Open Innovation Unit)	Startup collaboration may be in separate unit, but that unit has neither decision-making power nor budget
Collaboration depth	Startup gets end-to-end focus and support from the corporate. Engagement process is lean and fast	Enthusiastic beginnings come to an end the minute things get a bit tougher
Integration with Business Units	Open Innovation has direct and intense dialogue with the Business Units that will work with startups	Business Units are not directly involved in the startup collaboration

FICTION 5: Startups will never replace the banks …

… resulting in cognitive dissonance at the corporate side which leads to underestimation of the market developments

"Startups are attacking one at a time all the profitable slices of business. The only predictable outcome is that banking margins are gone forever"

Alberto Onetti
Mind the Bridge, Chairman

If Santander charged the same for cross-border payment as TransferWise, it's revenues would fall by 84%

Banks and insurance companies operate in an environment where regulation and scale create a barrier that makes the entry for newcomers difficult. Yes, that is true, but difficult does not make it impossible. Banks and insurance corporates are not safe and they are already under siege. Startups are attacking – one by one – almost all the profitable slices for each line of businesses. One by one, rebuilding from scratch the operations and offering single solutions at a fraction of the cost. The outcome of such attack is a severe contraction of margins to the banks and insurance firms. Probably, no startup will be able to rebuild, in the near term, the entire offering banks and insurance players provide to customers. Yet, the margins are gone forever.

An internal Santander memo leaked to Guardian Money proved that while TransferWise, an Estonian originated startup in the money transfer business, was charging €64 to move £10,000 from UK to Spain, Santander charged €394 – six times as much. If the bank charged the same as TransferWise its revenue would collapse from €585m to €95m, a fall of 84%! It's no longer a fiction, it's a fact that margins are under siege.

GGG: Generating Greater Gains from collaboration with **startups**

1.

CREATE the collaboration facilitating organizational structure – assure that your Chief Innovation Officer or Head of Open Innovation has the power to make decisions as well as resources to follow the startup collaboration end-to-end in the speed that is necessary. Startups work much faster than corporates and corporates need to adjust their relevant resources to faster working modes.

2.

Be ready for long-term relationship – successful startup collaboration is a long-term journey and engage in it only, if you are willing to be in it for the long-run. In general, you don't go into short few-month contracts with suppliers in your key strategic areas. Nor do you go for joint ventures or M&As without being ready for long-term relationship. Why should it be any different with startup engagements? Just because startups are agile, does not make the collaboration a quick win game as you are putting face-to-face two very different animals and need time for them to adjust to each other. Any collaboration, be it on a supplier, joint venture, M&A or startup level is a long-term relationship effort and should be viewed as such.

3.

Follow through from cradle to grave – engage in the collaboration only if you are ready to commit end-to-end. Don't run in case of first hindering obstacles. That's the time to tighten the grip and to get through jointly. Biggest obstacles are likely to rise after successful proof-of-concept implementation, as taking it from PoC (Proof-of-Concept) to full scale is never an easy task. Don't forget that you hold the upper hand in the market knowledge, and startup holds the upper hand in agile development. Combine the two and you can jointly overcome the hurdles.

4.

Open your culture to making and learning from mistakes – develop culture that is open to making mistakes and to learning from them. If highly regulated aviation industry can nurture black-box think, so can financial industry. It's a matter of mindsets and your corporate culture. Don't forget that progress comes through mistakes and through the organizational learning that is gained from those mistakes. PoC is lean and concrete way to explore the potential of startup-corporate collaboration.

5.

Kill the "not invented here" syndrome – overcome the cognitive dissonance in your people's mindsets and set the scenery for the organization to embrace the collaboration. Make sure your innovation teams are not working in silos and open your organization's eyes to the power of collaboration

6.

Set up regular check points on the Board level – follow the progress on a regular basis with attention from the Board level. Board level engagement may take its time, yet there are some quick wins on how to open the mindsets, like engaging your Board members with startups through mentoring.

7.

Stop wasting time on scouting – outsource the scouting and filtering to third parties that are following the landscape closely and have the expertise in the startup space. Focus on end-to-end integration of the few selected startups and dedicate your open innovation resources fully to it.

8.

Focus on later stage scaleups – unless you are one of the few corporates who has the luxury of time and deep pockets, focus on the later stage scaleups. Look at the innovation that has the proof-of-concept from the market.

9.

Bring the Business Units on board from day one – Business Units are the final decision makers and ultimate adopters of the innovation coming from the startup world. Keep them in the loop and involve them already in the selection.

10.

Align on expectations beforehand – there is notable gap between startup and corporate expectations, which need to be openly discussed before deep engagement. If there is too large of a gap, the collaboration road will be rocky and might not be the best way forward.

GGG: Generating Greater Gains from collaboration with **corporates**

1.

Understand the corporate strategy and culture – you'll be surprised how much information can be gathered via online research. Before you jump in front of the corporate, take your time to study their strategy, near-term focus and culture. Not doing this work is likely to lead into waste of your limited startup resources.

2.

Understand the corporate structure – corporates are large houses with plenty of rooms to get lost in. Many of these rooms are irrelevant to you. Learn how the full house is structured and who are the key persons of interest to you. Understand the key persons' backgrounds and adjust your pitch accordingly. Remember, having the business card doesn't mean you have found the right person in that corporate labyrinth.

3.

Understand your solutions use cases – the key foundation to successful collaboration is your ability to take away the pain that corporate is facing. For that you need to understand the use cases relevant to that corporate, their pains and their customers. How can your technology really help and how can it be applied by the corporates?

4.

Understand your competition on granular level – understand your competitors down to the product feature level. There is no single startup that has no competition. Everyone has competition, it might not be direct, but there are always competitors. The same corporate you are talking to, could be your competitor. Don't be afraid of the competition, it's positive sign proving that there is demand. Remember, that the corporates you'll talk to have done their homework and there is high probability that they know your competitors better than you do. Don't let that happen, be the one holding the upper hand in the room

5.

Balance your resources toward corporates – don't put all your resources in a single corporate lead. Balance it and know when to add more resources to the discussions. Before you have the deal signed, you shouldn't get carried away with high hopes and over commitment of resources.

7.

Be patient – you as a startup, you measure time in days. Corporates measure it in quarters, some even in years. In their multi-tier long approval processes corporates need time. Waiting for weeks, or in some instances for months, for an answer is the norm in the corporate world.

9.

Know when is the right time to approach financial sector corporates – in highly regulated financial sector, you are very unlikely to be taken seriously by tier A players unless you are at least 3-4 years old. Corporates need to make sure that you'll be there 3-4 years down the road, as once they engage with you, they are making certain promises to their customers, which is long-term game for them. If you are not at that stage yet, start with tier B/C players, who are much smaller and more flexible.

6.

Help corporates build your own case – your job is not done after you've been able to convince a person or a group of people inside the corporate. These people need additional internal approvals while convincing other stakeholders. Help them get that approval by building your business case and providing them with necessary strong support materials.

8.

Have a back-up plan – corporates are often subject to internal reorganizations. People leave and new come in. Don't put your cards in a single hand. When you have found your internal champion, try to expand your relationships inside the corporate. Yes, the old fashioned "walking the corridors sales approach" does apply to startups as well. Despite all the technology that surrounds it, it is still people's business and relationships determine whether you win or lose.

10.

Align on expectations beforehand – there is notable gap between startup and corporate expectations, which need to be openly discussed before deep engagement. If there is too large of a gap, the collaboration road will be rocky and might not be the best way forward.

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