A new breed of innovative businesses are using technology to disrupt the status quo once enjoyed by the banks and changing how people and businesses access, receive and use financial services in the process. This is FinTech; and everyone's writing, tweeting and talking about it.

But – perhaps more pertinently – what do businesses and SMEs think of these new industry pioneers? How do the nimbler technology-led providers compare to the traditional banks in terms of customer service and value? To understand these trends and the attitudes of SMEs towards the service offered by banks in comparison to FinTech specialists, World First undertook a survey of 1,000 senior decision makers at SMEs across the UK to gather their thoughts, specifically in relation to FX services.

This short report - Don’t Bank On It: The FinTech FX - presents the results.
What we found out

World First’s research reveals that the message from UK SMEs to high street banks is clear; they just aren’t cutting it. When it comes to FX, nine out of ten SMEs (87%) stated that they receive ‘better service’ from newer FinTech providers. 89% of UK SMEs using a specialist FX provider would recommend their services to another business – just 35% of those using a bank would do the same.

Three areas in particular were highlighted by UK SMEs as benefits of using FinTech specialists compared to banks. 85% of those using a specialist said they demonstrated a better understanding of their business’ needs, 94% said they delivered a more tailored proposition whilst 88% said they provided greater transparency on fees.

These results alone are evidence that major banks are coming under increasing pressure from the new technology-led pioneers.

Commenting on the headline results Jonathan Quin, CEO and Co-Founder of World First said: “Whilst SMEs have historically had to rely on the big banks for any sort of financial service, genuine innovation and technological development from the FinTech sector has given rise to a wide range of truly compelling alternatives. This new breed of specialist providers are often better placed to serve the needs of SMEs than traditional banks, offering greater flexibility for the user, more transparent pricing and, ultimately, better value.
“We buy our orange juice from Spain, our apple juice from Germany and our pineapple juice from Costa Rica. Everything is coming from all over the world so we end up needing to buy a lot of dollars and euros.

I was with my bank but I didn’t feel I was getting a good service, every time I called up, they didn’t remember who I was. I came across World First and now I’ve got really good customer service, a great relationship and most importantly better rates than my bank. From our point of view, it’s a win-win.”

Ed Rigg, Founder of Eager Drinks

Lack of awareness

Despite the fact that SMEs using FinTech providers for international payments are happier with their service, our research showed that many – 31% to be exact – remain unaware of the opportunities with providers outside their traditional banks.

Worryingly, 30% of those surveyed stated instances where their bank had been unable to meet their FX requirements, yet 88% of those affected didn’t switch to an alternative provider.

Under one in four (24%) of SMEs in the North East are aware of alternative FX providers outside of banks

Whilst SMEs in Northern Ireland stand to benefit as they are the most aware (53%) of alternatives.
Conclusion

Over the last decade, we’ve seen an influx of pioneering specialists in the FinTech space disrupting the financial industry. In particular, how businesses get advice on their currency transfer needs has evolved with the rise of technology-led currency experts offering a better service than banks. However, lack of awareness remains an issue with many SMEs in the dark about how they can benefit from these specialist providers. More needs to be done to inform SMEs of the choices available to them so they can be best equipped for growth.

World First are specialists in currency transfers. We combine bespoke technology and people first principles to provide a cheaper, more agile and more tailored service to our clients which allows them to better manage their foreign currency needs in order to protect, and even enhance their bottom line. By making payments quickly, securely and transparently we provide a fresh approach to foreign exchange.

Currency volatility continues to remain an important consideration for business managers. With sterling currently down 10% against the euro since December¹, and further volatility likely before and after the EU referendum result in June, having an effective currency strategy is vital for businesses looking to limit costs and maximise margins. Evidently, this is a concern for many SMEs as 70% of those surveyed felt their business could be better prepared to protect themselves against exchange rate fluctuations.

Jonathan Quin adds: “Currency market volatility is ever present, and with the EU referendum in June and the US election later in the year, is likely to continue. Therefore, much more must be done to raise awareness of currency risks to SMEs, as well as the benefits of using FinTech specialist providers. This is particularly true for the mini-multinationals targeting business growth through international expansion. Until this awareness gap is addressed, UK SMEs – the engine of our economy – may be exposed to additional risk and cost, which could impact on them achieving their potential.”

¹As of 18th March 2016

MAKING A DIFFERENCE
FINTECH SPECIALISTS EDGE TRADITIONAL BANKS

83% of UK SMEs using a specialist provider say they offer them a good range of appropriate products

81% of UK SMEs using a specialist provider think their current provider acts in their best interests

83% of UK SMEs using a specialist provider say they are cheaper than a bank
“Any business exposed to currency markets should actively manage its risk – market movements can hit your margins or increase costs without warning. Indeed, our recent survey suggested that 78% of UK SMEs trading internationally recognised that having a proper currency strategy could improve profitability.

We would recommend that businesses put in place an order using a budget rate to calculate costs on goods bought in other currencies and expected revenues on overseas sales. A budget rate is an essential planning tool as it is a constant used when forecasting. The rate is often set by using prevailing forward rates.”

Sectors where SMEs are most let down by banks’ FX services

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<thead>
<tr>
<th>Sector</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Property</td>
<td>45%</td>
</tr>
<tr>
<td>Law</td>
<td>53%</td>
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<tr>
<td>Media &amp; Marketing</td>
<td>43%</td>
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<tr>
<td>Fashion</td>
<td>17%</td>
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Law (53%), Property (45%) and Media & Marketing (43%) have all experienced being let down by their bank’s FX services. Despite Fashion being the industry least let down by banks for FX services, 17% still recorded having been let down in the past.
We’re an award-winning, high-growth, customer-focused FinTech business.

We help people move money around the world and businesses to grow.

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