Five disruptions to the African fintech landscape in 2018

By Pieter Zylstra

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Africa is no stranger to financial innovation. Mobile financial wallets have been rapidly adopted by the younger population, with partnerships between telcos and banks set to dominate the future of the mobile payment industry. Online access among African consumers has increased due to the rise in mobile penetration and mobile Internet connections.

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This sparks the question, what does 2018 have in store for the African fintech landscape, and what will be the most disruptive trends?

1. Personalisation remains king

The hype around personalisation will prevail in the year 2018. The customer experience landscape is constantly shifting, and so are the expectations of the digital consumer. Financial service providers will look to achieve sustained growth by continuing to embrace digital transformation within their businesses, and reinventing their business models and product and service offerings in order to remain relevant.

More of these providers will use predictive analytics to enable an improved personalised digital experience for their customers. Artificial intelligence pilots and centralised data management solutions are being implemented at 'back-end' systems to allow banks to build up the necessary digital customer profiles and customer journeys to address more sophisticated personalisation strategies for 'front-end' operations.

2. Digital engagement

Last year was dominated by the mobile app. While 2018 will see financial services providers not only continuing to roll out improvements to their mobile apps, but also pivoting to a more focused customer segmentation approach.

For instance, through the use of chatbots as a means of self-service, customer communication and relationship management. With consumers gradually getting used to the idea of conversing with bots, chatbots will provide significant cost savings for the Fintech industry while assisting with improving customer satisfaction. Chatbots not only respond to customers promptly (in line with their expectations), but can assist financial providers in cutting costs and time spent on customer engagement, freeing up budgets for value-added customer service investments.

In 2018, we will see further investments directed towards omnichannel implementations, using digital channels to create a 'human touch' with the goal to strengthen customer loyalty. Solutions here range from creating flagship 'experience' branches to more sophisticated video banking solutions.

3. Biometrics invisible payments

There has been a definite increase in the use of biometrics to make payments in 2017, with providers like Visa stating that they are looking to implement this in the future. Biometrics goes back to basic human biology making use of fingerprint scanning and facial recognition, for example. Next generation smartphones will increasingly make use of facial recognition, paving the way for adoption in mobile banking applications. This transition may simplify customer experiences and passwords may become a thing of the past.
Following on biometrics, 2018 will also see the adoption of new mobile payment and e-wallet offerings. Invisible payments will continue to make the checkout process more efficient, eliminating the need to produce a credit, debit card, or cash – in line with consumer expectations. When WeChat launched WeChat Payment, for example, it gained over 100-million new payment users in just 15 days, according to Juniper, 2016. Whilst this technology has the potential to significantly reshape the FinTech industry, it faces some security difficulties.

In an African context, biometrics will support Know Your Customer (KYC) programs, with benefits varying from seamless digital onboarding processes (using biometric-enhanced ATMs), to identify-fraud (reducing bad debts), and secure payment processing. Customers may worry about how their personal information is being kept safe, and both traditional banks and the fintech industry would need to ensure security programs are adopted and communicated.

4. The introduction of robotics

Similar to chatbots, voice assistants, robotics and automation seek to improve the customer experience. When implemented effectively, these technologies can assist in streamlining business operations such as helpdesk support, product enquiries, claims processing and service desks. This would, in turn, automate high volume processes and increase accuracy in institutions such as banks. As a consequence, in 2018 more African banks will be expanding their in-house digital labs budgets or sign partnerships with technology digital labs to launch MVPs into the financial marketplace. "Fail Fast" is becoming the new strategic mantra, overcoming the traditional risk-avoidance mind-set. Whilst the ecosystem for robotics is there, the cost of these products is still not at a level where mass adoption is viable. With niche fintech players such as Additiv as well as large financial services providers such as Morgan Stanley entering the digital robo-advisory market, 2018 will see an increase of robo-advisor pilots to test the market acceptance of African banking customers.

5. Blockchain disrupts traditional financial markets

Given the rapid pace of innovation in the blockchain ecosystem, the use of blockchain technology will gain tremendous traction in 2018. Combining shared databases and cryptography, blockchain technology allows multiple parties to have simultaneous access to a constantly updated digital ledger that cannot be altered.
Financial providers have already started with blockchain-pilots to address inefficiencies in back-end operations, focusing initially upon clearing and settlement- processes. In parallel banks are assessing the significant changes in the current financial ecosystem when blockchain will be adopted for trade financing, syndicated loans and international payments.

One of the major obstacles in the Fintech landscape is lack of identify. For years banks have tried and failed to set-up a shared digital utility to record customer identifies.

Blockchain could offer a solution because of its cryptographic protection and its ability to share a constantly updated record with many parties.

Businesses looking into blockchain will be seeking to implement it largely from a security, transparency and efficiency perspective. The blockchain technology protects identity theft and opens up global economies into an integrated 21st century economy. While most of the fintech applications landscape is in constant need of updating, blockchain memberswill realise that the real issue for most is not technology but existing market structures and other nontechnical challenges. The year 2018 will usher in an era of increasing experimentations with blockchain technologies as more businesses in the fintech industry realise its true potential and benefits.

Fintech innovations will continue to invade and disrupt the traditionally protected banking industry, with customer experience to remain the most important aspect of the fintech industry in 2018. The need to meet changing customer demand will force traditional financial services providers to continue to look for newer ways to render their products and services, so 2018 is expected to be the year of more widespread adoption of disruptive technologies for the financial sector.

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