“Uberization” of the economy, the new digital obsession – impact on corporate treasurers

Uberization is the latest fixation among CEOs and has got strategy experts racking their brains regarding how best to react and adapt. The effects of this revolution on traditional industry’s old business models will extend to every sector, banking included. It will impact upon corporate treasurers either directly within their company or indirectly through new financial partners. So it’s a case of react now or be “uberized”.

The new digital obsession of businesses

Traditional companies, including heavy industry, are in the process of being “uberized” (as old-style taxis are being by Uber). Hot on the heels of the “selfie” and “big data”, the latest business buzz word is “uberization”, a term inspired by the revolutionary Californian taxi company currently gobbling up a traditional, age-old activity courtesy of a totally fresh (i.e. disruptive) approach made possible by the Internet and new technologies. One-by-one, traditional models are falling by the wayside and it’s increasingly clear that businesses that fail to adapt risk disappearing. In the words of the visionary boss of Publicis, Maurice Lévy: “Everyone’s starting to worry about being uberized” (December 2014). The digital revolution is no longer the sole preserve of IT company bosses and marketing experts. Everyone’s getting in on it, so why not treasurers after bankers? The Silicon Valley mind set is worming its way into every corner of the globe, disrupting all kinds of sectors such as hotel and travel with the likes of Booking.com, Tripadvisor and Airbnb. For established companies, the big danger lies in being “disintermediated”, i.e. cut out as middle men, and the banks are of course highly exposed to this risk. Businesses from the old economy, such as automotive, for example, are running scared from any sudden emergence of web companies who might try to position themselves between them and their customers, or even produce cars themselves, such as Apple’s vision for the electric car. Tyre giant Michelin, for instance, has snapped up stakes in Allopneus, Blackcircle and Sascar in order to develop its online sales. “I don’t want to submit to the digital solution, I want to dominate it”, declared Jean-Dominique Sénard, Michelin’s CEO.
“The winner takes it all” - ABBA

The winner really could take it all, and potentially on a global scale. The disruption may not yet have spread everywhere, but nobody will be immune. In order to control and increase your sales, improved knowledge of your customers and command of big data will be essential. The world of payments could well be revolutionized by the likes of ApplePay and Yapital. A ruthless world is opening up before us and engulfing victims, whether we like it or not. Banking could find itself being “uberized” in terms of its distribution activities, and the same goes for insurers. Worried, the European Union is already forecasting the takeover of traditional industries by the web giants. The principle is to start from a longstanding convention and widely accepted belief in an operational or industrial model, then to contend with radical disruption due to a new idea, rapidly achieving your vision before finally projecting the company into the future via an innovative concept, a big idea radically different from that to which you previously aspired.

Legal and regulatory context

Where problems can arise is when there exists a lack of legislation, a vacuum, or rift into which certain operators rush headlong. For the European Commission, the dilemma involves finding the right balance between opening the gateway to greater competition without favouring the already highly dominant US Internet stars, and not completely destabilising the existing markets. Opening, yes, but not at any price, particularly not killing off certain industries. But conversely, they’re aware that doing nothing could prove just as dangerous in the end. Revolutions such as digital tend to impose themselves whether we like it or not, with reticence to change and conservatism ultimately proving powerless. The technological and economic context is perfect for the blossoming of this new type of business, based on non-standard models differing greatly from what we’ve known before. The generation of “millennials” is catching up with us and imposing its Internet culture, including in treasuries,
where young recruits are bringing their new vision with them. It’s nothing like the revolution triggered by Gutenberg’s invention of the printing press, as the speed of transformation is exponential and so fast that a business can be affected and rendered loss-making within the space of a year. Unfortunately, this super-rapid change leaves little time for reflection, requiring instead flexibility and a fast reaction. This is one of the major problems for banks, which tend to be hampered by inertia, slow self-transformation, cumbersome IT practices and hyper-restrictive regulatory constraints. Nonetheless, this digital revolution remains a train that we all need to catch and, to do so, we all need to invest to a greater or lesser extent, or risk rapidly becoming obsolete and outmoded. Nobody wants to be left standing on the platform. Hence uberization’s status as the major strategic risk of this decade and the chief focus of the CEOs of this world.

**Traditional industry against the new digital business model**

It’s a culture clash between old and new, where success will be contingent on transforming yourself without losing your soul or your core business. In some cases, it’s only the distribution side that’s affected, while in others, the entire business model requires a bottom-up overhaul.

![Image](image.png)

**Effects on the financial services & treasury profession**

Who hasn’t heard talk of “FinTech”? London has become the place to be, which proves, if proof were needed, that the world’s number one financial centre has grasped the importance of these financial-technology companies. In 2014, no less than 12.2 billion euros were invested in FinTech start-ups or in “e-joint-ventures”. Certain banks have understood this too and are buying massively or developing the weapons of tomorrow. The world of financial services and banking has no choice but to reform itself, for technological reasons but also due to the general backdrop of lower returns, stultifying regulations and slow economies. All the cards will be re-dealt, including to non-banking newcomers, and the corporate profession will be fundamentally changed.
In terms of consequences, there are likely to be 12 major ones for us, but also many more which can’t all be listed at this stage. A niche approach and specialisation (1) is going to be the key factor. No longer will any one institution offer everything, everywhere. The global bank has had its day and “cherry-picking” will become the norm. Certain roles of banks will no longer be maintained on principle, subsidised by other more profitable ones. Bank profitability (ROS/ROE) will once again be a key element in their development, at risk of undermining “The Bank of Dad”. The name and brand will take a back seat, with service taking precedence for the “millennials” (the managing directors of tomorrow) in particular.

But if the banks want to avoid leaving the richest pickings to unscrupulous and fund-less FinTechs, they will have to become selective. Therefore, the first consequence for treasurers will be the need to adapt their banking relationship strategy, by multiplying their number of counterparties for similar services. The banks will seek to protect their activities through active ring-fencing, but will they succeed? That would appear to be doubtful and not the right strategy to adopt. After all, the challengers will be at an advantage because they will be starting from a blank page and be without cumbersome technological assets or the need for time to develop them. The second trend will be (2) collaborative innovation. A phrase heard increasingly these days is “sharing economy disrupters”, referring to the fact that solutions are going to be more “collective” and more “shared” than before. It’s likely that associations for innovation will emerge, such as SWIFT over 30 years ago, or Master Card, to name but two examples. The third consequence (3) will be the intermediate period of flux during which solutions and players will proliferate before standards and leaders emerge, most notably in the field of alternative payments or “e-payments”. A treasurer’s partners will no longer come solely from the banking realm. They will need to work with the likes of Yapital, HyperWallet, Facebook, eBay/PayPal, etc. Suppliers of financial services will become much more diverse and numerous. However, (4) as a fourth consequence, the banks will invest massively in FinTechs, applying the “beat them or eat them” principle to avoid becoming a victim. They will therefore need to recapitalise, this time not for regulatory reasons (i.e. Basel III) but strategic ones. People need banking and financial services, but they no longer need banks per se. Not actually a bank at all, the bank of tomorrow will be largely virtual, making use of messages and secure Swift XML connectivity and incorporating the soon-to-be-imposed eBAM model. The next consequence (5) will be the emergence of “Peer-to-Peer” or “Treasurer-to-Treasurer” solutions, along with platforms such as KANTOX, crowd-funding and peer lending solutions such as Prosper, Lending Club, Zopa,..., MyTreasury/360T/Bloomberg... new one-stop platforms, a sort of Netflix for banking services, etc... (6) Certain banks will purely and simply disappear or at worst simply exit certain sectors, as has already been seen recently. The portability of payment tools is also set to become a prerequisite for corporates in the short term (7). Quality of service and innovation, as well as technology, will be essential criteria in the choice of banking partners, within the context of calls for tenders (i.e. RFPs). The ability to manage big data and to extract its essence will be key to a bank’s success (8). It’s reasonable to assume that the
“disintermediation” juggernaut will continue on its unstoppable course (9). At the moment, we’re still in the early stages of the dot.com boom but, in time, treasurers’ work with financial services suppliers will transcend all borders (10). The concept of geographical location will completely lose its meaning and, while the personalisation of relationships won’t necessarily be lost, proximity will cease to be the major advantage that it has been in the past. (11) Oligopolistic positions will disappear in favour of hyper-competitive ones where the treasurer’s choice will be extremely wide (perhaps excessively so). And finally, to end this non-exhaustive list (12), new virtual currencies will emerge, eventually rendering “traditional” flat currencies redundant.

**Act or die**

There are two types of managers in financial services these days - those who believe that a cataclysm of disruption is imminent, and those who have not yet paid the issue any attention.

The same goes for the banks, some of which have been more active than others, such as BBVA with SEED, Goldman Sachs with GitHub, Credit Agricole with API or ING, to name but a few. Without a certain amount of reorganisation and focusing on the Internet, traditional banks and minor players, as we know them, will disappear. To quote a former President of the USA who was tragically assassinated in his prime: “Those who make peaceful revolution impossible will make violent revolution inevitable”. Treasurers too will need to continue to adapt to the changes in their environment and to the new suppliers of financial services. The changes in financial services will directly and indirectly affect the treasurer’s day-to-day work, which will itself be greatly simplified by the automation and virtualisation of processes and accounts. Tomorrow’s banking relationship is sure to require very different management, due to being multiple, complex, varying, innovative and requiring permanent
adaptation. A treasurer’s counterparties are going change (more) often, so let’s prepare ourselves for a new strategy that will certainly be less personalised than before.

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