



Lisbon School
of Economics
& Management
Universidade de Lisboa

MASTERS IN MANAGEMENT (MIM)

MASTERS FINAL WORK

INTERNSHIP REPORT

THE CHANGING MARKET OF FINANCIAL SERVICES: THE ROLE OF FINTECHS AND THE CONSUMERS' NEW EXPECTATIONS

CAROLINA DUARTE BORGES DE FREITAS

MARCH - 2023



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RESUMO

O mercado dos serviços financeiros tem sofrido inúmeras mudanças resultantes da transformação digital, com destaque para as novas expectativas dos consumidores e para o aparecimento de novos concorrentes especializados em tecnologias inovadoras, chamados *fintechs* – fatores que têm vindo a afetar a competitividade dos bancos tradicionais pela sua falta de capacidade de resposta. Desta forma, o objetivo da presente investigação passa por identificar quais as novas expectativas e necessidades dos consumidores, de que forma as *fintechs* estão a transformar o setor dos serviços financeiros, e da mesma maneira perceber a estagnação dos bancos em termos de inovação.

Este relatório é realizado no âmbito de um estágio no BNP Paribas Personal Finance, uma sucursal em Portugal do Grupo BNP Paribas, que se especializa em oferecer soluções de crédito a todos os seus clientes. O estágio inserido na equipa de oferta da área de marketing, teve como principal objetivo a gestão da oferta de produtos B2C consoante as necessidades do mercado e dos consumidores.

A investigação apresenta um carácter descritivo-explanatório, baseando-se num estudo quantitativo mono-método com recurso a uma técnica de amostragem não probabilística. O questionário online obteve um total de 207 respostas válidas e os dados foram analisados com base no relatório estatístico do Qualtrics.

Os resultados demonstraram que a transformação digital resultou em novas expectativas dos consumidores (canais digitais, disponibilidade e rapidez) e que essas mesmas expectativas estão a ser mais satisfeitas pelas *fintechs* do que pelos bancos. Também foi possível concluir que as *fintechs* estão a transformar o mercado dos serviços financeiros através de estratégias com foco no consumidor e de serviços inovadores com tecnologias associadas, aspetos em que os bancos também ficaram aquém.

A nível académico a presente investigação contribui para aumentar a existente literatura sobre o tema, apresentando algumas implicações que surgem como possíveis investigações futuras. A nível empresarial os resultados permitem aos gestores do BNPP PF delinear as melhores estratégias que vão ao encontro das necessidades atuais do mercado e dos consumidores, colmatando as ações dos concorrentes digitais e fintechs, permitindo ganhar vantagem competitiva no mercado e manter-se inovador e relevante.

Palavras-Chave: serviços financeiros; transformação digital; *fintechs*; novas expectativas dos consumidores; estagnação dos bancos

ABSTRACT

The financial services market has undergone numerous changes resulting from the digital transformation, with emphasis on the consumers' new expectations and the emergence of new competitors specialized in innovative technologies, so-called fintechs – factors that have been affecting the competitiveness of traditional banks due to their lack of response. Therefore, the objective of this investigation is to identify the new expectations and needs of consumers, how fintechs are disrupting the financial services sector, and in the same way to understand the banks' stagnation in terms of innovation.

This report is carried out as part of an internship at BNP Paribas Personal Finance, a subsidiary in Portugal of the BNP Paribas Group, which specializes in offering credit solutions to all its customers. The internship, as part of the offer team in the marketing area, had as its main objective the management of the B2C product offer according to the needs of the market and consumers.

The investigation presents a descriptive-explanatory character, based on a mono-method quantitative study using a non-probabilistic sampling technique. The online questionnaire obtained a total of 207 valid responses and the data were analyzed based on the Qualtrics statistical report.

The results showed that the digital transformation resulted in new consumer expectations (digital channels, availability, and speed) and that these same expectations are being more satisfied by fintechs than by banks. It was also possible to conclude that fintechs are disrupting the financial services market through consumer-focused strategies and innovative services with associated technologies, aspects in which banks also fell short.

At an academic level, the present investigation contributes to increasing the existing literature on the subject, presenting some implications that arise as possible future investigations. At a business level, the results allow BNPP PF managers to outline the best strategies that meet the current needs of the market and consumers, overcoming the actions of digital competitors and fintechs, allowing them to gain a competitive advantage in the market and remain innovative and relevant.

Keywords: financial services; digital transformation; fintechs; consumers' new expectations; banks' stagnation

ABBREVIATIONS

AI: Artificial Intelligence

ASFAC: Associação de Instituições de Crédito Especializado

B2B: Business to Business

B2C: Business to Customer

BNP: National Bank of Paris

BNPL: Buy Now Pay Later

BNPP PF: BNP Paribas Personal Finance

CIB: Corporate & Institutional Banking

CPBS: Commercial, Personal Banking & Services

IPS: Investment & Protection Services

IT: Information Technology

KPIs: Key Performance Indicators

NFC: Near Field Communication

P2P: Peer-to-peer

SDG: Sustainable Development Goal

SMEs: Small and Medium-sized Enterprises

ÍNDICE

RESUMO	II
ABSTRACT	III
ABBREVIATIONS	IV
TABLE INDEX.....	VI
FIGURES INDEX.....	VI
CHAPTER 1 - INTRODUCTION	1
1.1 Background.....	1
1.2 The Main Problem and Research Questions.....	1
1.3 The Structure of the Report	2
CHAPTER 2 – LITERATURE REVIEW	3
2.1 Digital Transformation	3
2.2 Consumers' New Expectations	4
2.3 Stagnation of Banks' Innovation.....	5
2.4 New Entrants	6
2.4.1 Fintechs.....	6
2.4.2 Disrupting the Market of Financial Services	6
2.4.3 Enablers of the Disruption.....	7
2.4.4 Consumer Adoption of Fintechs.....	8
2.4.5 Development of Fintechs and SDGs	8
CHAPTER 3 – CONCEPTUAL FRAMEWORK	10
3.1 The Internship and the Conceptual Framework	11
CHAPTER 4 – COMPANY AND INTERNSHIP OVERVIEW	13
4.1 The Company.....	13
4.1.1 Vision, Mission, and Values.....	14
4.2 Business Sector and Main Competitors.....	15
4.2.1 Business Sector.....	15
4.2.2 Main Competitors	15
4.3 Products and Services	16
4.4 Internship Scope and Main Activities.....	16
CHAPTER 5 – RESEARCH METHODOLOGY AND DATA ANALYSIS	18
5.1 Methodological Approach.....	18
5.2 Data Collection Methods.....	19
5.3 Data Analysis	20
5.3.1 Sample Characterization.....	20
5.3.2 Consumers' Expectations and Preferences	21
5.3.3 Digital Transformation - New Services and Technologies.....	23
5.3.4 Banks and Specialized Credit Institutions	23
5.3.5 Fintechs.....	24
5.4 Discussion of the Main Findings.....	25
5.4.1 The Consumers' New Expectations of Financial Services	25
5.4.2 How Fintechs are Disrupting the Financial Services Market	26

5.4.3 How Banks Stagnated in Terms of Innovation	26
5.5 Recommendations.....	27
CHAPTER 6 – CONCLUSIONS	27
6.1 Main Contributions	27
6.2 Limitations and Future Research	28
REFERENCES.....	30
APPENDIXES	35
APPENDIXE 1 - Organigram of the BNP Paribas Group	35
APPENDIXE 2 - Organigram of BNPP PF	36
APPENDIXE 3 – Questionnaire.....	36

TABLE INDEX

Table I - Fintech-related issues in the United Nation’s Sustainable Development Goals	9
Table II - Concepts of the conceptual framework reasoned by literature review.....	11
Table III - Sociodemographic Characterization of the Sample	21
Table IV - The importance of the financial services aspects.....	22
Table V - Attractiveness of the new services and technologies	23
Table VI - Satisfaction with banks and specialized credit institutions.....	23
Table VII - Satisfaction with fintechs.....	24

FIGURES INDEX

Figure 1 - Conceptual Framework.....	10
Figure 2 - Conceptual framework linked with the internship activities and the Bank’s business model.....	13
Figure 3 - Preferred channels for using/buying financial services	22
Figure 4 - Main reasons for not using services provided by fintechs.....	25

CHAPTER 1 - INTRODUCTION

1.1 Background

Digital transformation and the implementation of new disruptive technologies are changing societies and organizations (Parviainen et al., 2017). These recent changes have impacted the financial services industry in a revolutionary way (Omaniri, 2017).

New financial competitors specialized in technologies, the so-called fintechs, began to enter the traditional banks market and started to offer financial services to niches while implementing strategies that focus on the customer and the availability and fastness of the services (Liu, 2021; Wewege et al., 2020). As a result of digitalization consumers' wants and needs shifted, and they are now requiring services that are provided through digital channels and that offer accessibility (Liu, 2021). Whereas fintech companies have been able to meet consumer needs, traditional banks have failed to adapt to the new environment and the new demand, widening the gap between these new players and losing competitive advantage (Nicoletti, 2017). To gain pace and do not get left behind, traditional banks will need to transform their business models by betting on technology and innovation at the same time as addressing the consumers' needs (Cuesta et al., 2015; Wewege et al., 2020).

1.2 The Main Problem and Research Questions

Lee and Shin (2018) described fintech as a paradigm-shift, game-changer force that has the power to disrupt the market of finance. The novelty of the subject sparks a curiosity to discover it better. The internship at BNP Paribas Personal Finance in the marketing area justifies the choice of the theme of this report.

At an academic level, the present research intends to contribute to the existing literature on the impact and role fintechs are playing in the financial services industry and the consumers' needs and expectations regarding financial services.

The new entrants to the market of financial services specialized in technology are challenging traditional banks (Wewege et al., 2020) as well as the new consumer practices, so banks are in a compromising position where they need to address digitalization and review their business models if they want to maintain their competitiveness in the market (Cuesta et al., 2015). Therefore, on a business level, the main conclusions and findings of this research aim to help traditional banks and their managers and professionals, more specifically BNPP PF, by providing some options or

courses of action on how to react to these changes in the market caused by the fintech companies and how to better meet consumer needs, so that they can design strategies and update their business models to stay competitive.

This study intends to analyze how the market of financial services is changing as a result of the digital transformation more specifically how the new entrants to the financial services market whose core is technology, the fintechs, are impacting and changing the market and what are the consumers' new expectations. This report, carried out as part of an internship at BNP Paribas Personal Finance, within the financial sector, aims to explore from the consumer point of view the changes in the market. The goal is to better understand what the consumers' new expectations and needs are in the context of the digital transformation in financial services and how are fintechs meeting these needs and disrupting the sector. Additionally, this study means to explore how traditional banks stagnated in terms of innovation in the new competitive market revolutionized by fintechs.

Therefore, this study aims to answer the following research questions:

Q1: What are the consumers' new expectations of the financial services market as a result of digital transformation?

Q2: How are fintechs disrupting the financial services market?

Q3: How have traditional banks stagnated in terms of innovation in the new competitive market?

1.3 The Structure of the Report

This report is structured into six chapters. The first chapter refers to the introduction, the scope of the subject of the report, with the description of the background of the internship, followed by the main problem and research questions of this study. The second chapter concerns the literature review where a contextualization of the digital transformation and the resulting new expectations of consumers is first made, as well as the reasons behind the stagnation of banks' innovation. Then the deepening of the phenomenon of fintechs and how they are revolutionizing the sector. The next chapter presents the conceptual framework of this study and the link between the literature review and the activities performed in the internship. Chapter four includes an overview of the company and the internship, starting with the presentation of the company, followed by an analysis of the sector where it is inserted and its main competitors. Then the description of the products and services offered by the company and finally the scope of the internship and the

activities performed. The following chapter, the research methodology and data analysis, starts with a brief description of the methodological approach and the data collection methods used for this study, then the analysis of the data and the discussion of the main findings with the proposed recommendations. In the sixth and closing chapter, the conclusion and the main contributions of this study are exposed and the limitations and suggestions for future research are presented.

CHAPTER 2 – LITERATURE REVIEW

2.1 Digital Transformation

Digital transformation has led to significant changes in business models, activities, processes, and society in general, being considered one of the major disruptive forces that originated from the Forth Industrial Revolution (Parida, 2018). According to Parviainen et al. (2017), digitalization or digital transformation is defined as “changes in ways of working, roles, and business offering caused by the adoption of digital technologies in an organization, or in the operating environment of the organization” (p. 64). Therefore, it has the power to create new businesses, change its value chains entirely, and turn others obsolete, if not taken as a serious force in the ever-changing global environment (Parviainen et al., 2017).

According to Liu (2021), the impact of digital transformation on the financial services industry can be measured by two dimensions: the new technologies used, and the new services created. In terms of the new technological developments that have significantly impacted how the financial industry operates, Liu (2021) highlights “cloud, artificial intelligence (AI), big data analytics, blockchain, mobile technology, and robot advisors” (p.6). These new tech trends enable process efficiency, decision-making improvements, fraud control, and improved risk management (Chui et al., 2022), as well as cost optimization and customer interaction (Liu, 2021). In terms of AI, this innovation applied to finance is described by Zarifis and Cheng (2022) as transformational as the internet was, increasing the scalability and effectiveness of operations. Zarifis and Cheng (2022) give the example of instant loan approval for consumers that in the case of traditional banks technology, would not meet the necessary credit requirements, like students, but by using AI and behavioral data, the opportunities change. AI also provides customers with an improved customized marketing experience, for instance, 85% of

banks now use chatbots to increase efficiency for personal banking human-computer interaction that can offer 24/7 service, immediate answers to questions, and faster complaint mediation to considerably enhance customer experience (Wewege et al., 2020). Regarding the new services that have risen by digitalization, “the emerging mobile payments market, personal lending, general insurance, and more recently financial advisory” (Omarini, 2017, p.3) have been the most impacted.

2.2 Consumers' New Expectations

As a result of this digital transformation, the use of mobile devices (smartphones and tablets) has increased throughout the last 20 years, replacing even the use of the computer as the first consumer go-to device for the use of the internet (Liu, 2021). Consumers' habits and preferences on social navigation changed drastically into a more digital life in every aspect and, consequently, the new generations of Millennials and Gen-Z, have become more demanding of new digital and mobile financial services, that offer convenience by being available on a 24/7 basis (Cuesta et al., 2015; Liu, 2021).

According to Adarkar et al. (2022), the share of global bank customers that purchase personal loans through digital platforms increased from 34% in 2020 to 44% in 2021 and the customers' willingness to resort to digital means for the purchase of financial products went up 6 percentage points in Europe and 15 in the United States, between 2018 and 2021. In terms of investments, cash loans, and mortgages, customers' willingness to use digital channels stands between 60% and 80%.

This shift from in-person, physical branches to digital means incurred a new spectrum of mobile innovations that makes consumers want to integrate every aspect of their life into these digital platforms from which they can jump readily (Omarini, 2017). Consumers expect banks to keep up with the constant innovations of the market to offer updated services and products that are fast, user-friendly, and personalized (Omarini, 2017). Consumers' choice of financial services depends increasingly often on services and products that fit and adapt to their personal needs in an ever-changing environment (Pousttchi & Dehnert, 2018).

In terms of trends that consumers are now searching for in their financial services providers, Anan et al. (2022) highlight the Buy Now Pay Later (BNPL), the peer-to-peer (P2P) purchases, and the integration of loyalty/rewards programs, as we walk towards a cashless society.

2.3 Stagnation of Banks' Innovation

These new consumer demands in the financial sector aligned with new market competitors are leading banks to realize the need to urgently implement changes, to evolve and stay relevant in the market (Cuesta et al., 2015).

According to Cuesta et al. (2015), in the process of digitalization and compliance with market changes, the majority of banks opt to create and develop new digital products and channels. Therefore, from an early age of the digital transformation, banks have extended their offer of financial services through the internet, and now with the recent trends, the expansion of these channels to mobile devices started, with the creation of apps inspired by social media designs and interfaces (Cuesta et al., 2015). In terms of the new products that banks take on, they are usually regarding retail payments, such as P2P lending, digital wallets, and NFC technology that allows contactless payments (Cuesta et al., 2015).

However, in a fast-changing market and with innovations around the corner every day, it gets difficult for banks to keep up, and by the time they have developed new groundbreaking products via new differentiating channels, they are already ordinary for customers (Accenture, 2015). This relies heavily on the fact that traditional banks operate with outdated business models (Nicoletti, 2017), as well as legacy technology that constrains their ability to seize opportunities in time (Liu, 2021; Senyo et al., 2021). Traditional banks also face challenges in terms of compliance requirements, as they have to prioritize security in their systems instead of improving customer experience (Omarini, 2017). Regulatory pressures stand as another obstacle for these banks as their activity is usually dependent on a fractional-reserve banking system, which imposes more strict rules about the required qualifications for lending processes (Lee & Shin, 2018). Lastly, most banks do not design a specific strategy for innovation that aligns the different investments that need to be made, they lack cohesion (Accenture, 2015).

The financial services industry had been relatively stable for many years but with the burst of digitalization and the new competitors (Alt et al., 2018), all the challenges that banks are facing have created a gap between what consumers expect and what banks have to offer, so they are being left behind in the new technological and innovative market of financial services (Liu, 2021).

2.4 New Entrants

2.4.1 Fintechs

Driven by digitization and with the increase of investments in start-ups after the 2008 crisis, new entrants have begun to make their way into the financial services market (Alt et al., 2018). These new entrants ranging from digital banks to fintech companies have been able to fill the existing gap by providing consumers with what traditional banks have failed to offer and therefore started to gain market share (Nicoletti, 2017).

Fintechs are start-ups that combine two major areas with each passing day more indispensable to each other, the modern technology advancements, and finance (Nicoletti, 2017), a combination that allows the development of new innovative and enhanced financial services (Senyo et al., 2021). According to Alt et al. (2018) “the term ‘FinTech’ stands for all applications using analog and primarily digital IT to deliver financial solutions. It comprises a broad variety of innovative ideas and new business models enabled by digital technologies” (p.239). The developments implemented by fintechs play an important role in the financial services industry, as a powerful booster of economic expansion (Gomber et al., 2018).

2.4.2 Disrupting the Market of Financial Services

Fintechs are leveraging technology to target niches (Nicoletti, 2017) in the banking markets of mobile payments, personal lending, insurance, and finance management (Omarini, 2017). Fintechs’ strategy and business models rely heavily on satisfying the consumers’ new needs mainly through a more customer-centric approach with personalized services at a much lower cost (Lee & Shin, 2018). According to Nicoletti (2017), these companies have been disrupting the market by unbundling, creating better and more innovative products and services, improving customer experience, offering better pricing, targeting underserved markets, and using innovative solutions. Fintechs are unbundling the products and services offered by traditional banks in a way that they can enter the market without having to face the constraints of providing a full range of banking services and therefore gaining some competitive advantage (Omarini, 2017). Customers have become less loyal and have shifted their ways of navigating through the financial market, they are more comfortable turning to different companies for different types of services that are more specialized and can better meet their needs (Lee & Shin, 2018; Nicoletti, 2017). Fintechs’ business models focus is the customers, it is to create

deeper connections and improved interactions through customer journeys that are simple, and transparent and allow retention and acquisition of the users (Nicoletti, 2017; Omarini, 2017). According to Adarkar et al. (2022), contrary to traditional banks that have an average revenue spent in marketing of 3%, fintechs direct more than 8% to ensure customer interaction and engagement. They also resource gamification for the same purposes by offering immersive experiences that modify clients' behavior through a rewards system, which inspires emotions of satisfaction and achievement (Capgemini & Efma, 2022). These start-ups develop their products and services in a differentiating way from those of traditional banks with high specialization, customization, and innovation so they establish competitive prices (Nicoletti, 2017). The fact that the fintech core business is built on technology applied to finance gives them the upper hand to implement new advancements and innovations easily and quickly in technology that can enhance their services (Botta et al., 2022). According to Botta et al. (2022), fintechs' average time to introduce a new product or service is 2-6 months, while traditional banks take about 12-18 months.

2.4.3 Enablers of the Disruption

Investments in start-up fintechs are growing by the day as investors see and understand the returns of what these disrupters of the financial market can offer and how they can contribute to the global economy (Cuesta et al., 2015; Botta et al., 2022). These investments are crucial for fintech companies to grow and thrive in the competitive market so that they can put in the resources to ensure the best and most updated IT infrastructures to enable innovation and cost-effectiveness (Botta et al., 2022). The total investment into fintech companies worldwide reached almost 239 billion U.S. dollars in 2021, with more than 40% of all investments in the industry being directed to the Americas, values by Statista (2023), and another survey from Mckinsey & Company (2021) cited in Botta et al. (2022), states that in Europe more than 700 fintechs attracted investments that surpassed 57 billion euros in 2022.

Fintechs are under fewer regulatory obligations regarding licenses, capital requirements, and/or laws governing who can be a customer and how to monitor and report transactions, given the fact that, despite their actions having a global reach, most of them operate from regions where regulations either do not exist or are very lenient (Cuesta et al., 2015). This enables them to offer consumers more tailored, affordable, and accessible services than established banks (Lee & Shin, 2018). Alt et al. (2018) add that

fintechs also differ from traditional banks because while traditional banks rely on centralized national bodies for the functioning of their core activities, fintechs can either operate on decentralized finance for services based on cryptocurrencies or through a network of several entities that provide individual services, such as payments or financing. This broad usage of digital infrastructures enables cost-effective operations and the transition to cashless societies (Alt et al., 2018).

In addition to that, they lack the challenges of traditional banks regarding legacy technology, and they implement a business strategy focused on high specialization (Omaniri, 2017).

2.4.4 Consumer Adoption of Fintechs

A survey from Capgemini and Efma (2022) stated that 75% of respondents are attracted to fintech companies due to the fastness, 24/7 availability, and easy-to-use products that are offered at lower costs than other competitors. According to Botta et al. (2022), the price of fintech products and services stands as one of the leading reasons for customers to choose these firms, and “a recent McKinsey retail banking consumer survey in seven large European countries found that 32 percent of respondents listed pricing as the main reason to use fintechs or digital banks” (p.6), with the other main reasons being easy access (32%), speed of service (30%), quality of service (22%) and, quality of products (17%), which overall amounts to pricing and customer experience. Another survey from EY (2019) showed similar results with the main reasons being: more attractive rates or fees (27%), easier to set up an account (20%), access to different and more innovative products and services (18%) and, better experience, better product features and quality of service (12%).

Customers in emerging economies seek fintech firms to achieve financial inclusion that traditional banks cannot offer, which shows shortcomings in traditional banks' service offerings (Omarini, 2017; Senyo et al., 2021). By 2019, the global consumer adoption of fintech services was 64%, more 31% than in 2017 (EY, 2019). The adoption of fintech innovations was accelerated by the widespread use of mobile technology, the accessibility to the internet, and the COVID-19 pandemic (Eira, 2023).

2.4.5 Development of Fintechs and SDGs

Lee and Shin (2018), describe five actors of the fintech ecosystem: the fintech companies, providers of technology-mediated financial services; technology developers that

incorporate the new technological advancements to create new digital products and services; government actors responsible for regulation; customers that use the financial services, and the traditional banks that safely keep the money.

Fintech, regarded as one of the most significant breakthroughs in the financial sector, is developing quickly, in part due to the sharing economy, supportive regulations, and technology. By reducing costs, enhancing the caliber of financial services, and fostering a more diversified and stable financial environment, fintech aims to transform the financial sector (Lee & Shin, 2018).

Additionally, fintech firms have the opportunity to change how people can access banking services, enhance the efficiency of the financial system, as well as stimulate economic growth (Omarini, 2017), therefore removing major finance barriers to inclusiveness and sustainable growth, contributing to various SDGs (Hoang et al., 2022) (see Table I).

Table I - Fintech-related issues in the United Nation’s Sustainable Development Goals

<i>SDG</i>	<i>Potential impact</i>
<i>SDG 1: No Poverty</i>	End Poverty in All its Forms Everywhere
<i>SDG 2: Zero Hunger</i>	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
<i>SDG 4: Quality Education</i>	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
<i>SDG 7: Affordable and Clean Energy</i>	Ensure access to affordable, reliable, sustainable and modern energy for all
<i>SDG 8: Decent Work and Economic Growth</i>	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
<i>SDG 9: Industry, Innovation and Infrastructure</i>	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
<i>SDG 10: Reduced Inequalities</i>	Reduce inequality within and among countries
<i>SDG 16: Peace, Justice and Strong Institutions</i>	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
<i>SDG 17: Partnerships for the Goals</i>	Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

Source: Adapted from Hoang et al. (2022) and United Nations (2022)

CHAPTER 3 – CONCEPTUAL FRAMEWORK

The conceptual framework of this study was constructed based on the works of several authors. It was considered relevant to study the impacts of the digital transformation in the financial services market, understood by the new services and the new technologies that it originated (Liu, 2021), to better understand the new consumer behaviors and how fintechs arose. Of these consumers' new expectations, three were included in the framework being them, mobile channels (Adarkar et al., 2022; Cuesta et al., 2015; Liu, 2021; Omarini, 2017), customization (Pousttchi & Dehnert, 2018) and availability and fastness (Cuesta et al., 2015; Liu, 2021; Omarini, 2017) that influenced the role of fintechs in the financial services market, according to Lee and Shin, (2018). To understand how fintechs are disrupting the market, the strategies of a customer-centric approach, innovation and cutting-edge technology, low prices and rates, and unbundling described by Nicoletti (2017) were considered for this framework. Lastly, it is important, considering the context of this internship, to include in the framework the relationship between the three main variables and the stagnation of banks' innovation. (Cuesta et al., 2015; Nicoletti, 2017), to understand what can be done.

Based on the literature review and the research questions of this work, the proposed conceptual framework is presented in figure 1 below.

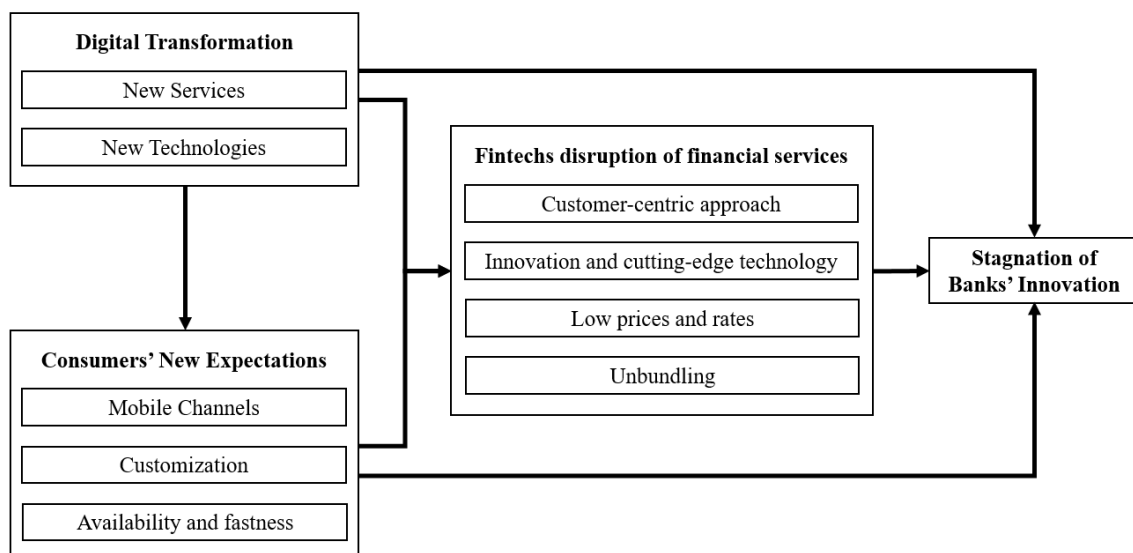


Figure 1 - Conceptual Framework
Source: Author's Elaboration

Table II below shows the concepts that are included within the three main variables of the conceptual framework with a definition or explanation reasoned by the authors of the literature review on which the framework was based.

Table II - Concepts of the conceptual framework reasoned by literature review

Concept	Definition/Explanation	Literature
<i>New Services</i>	The digital transformation in the financial industry created new services in terms of the payments, insurance, lending, and advisory markets.	Liu, 2021; Omarini, 2017
<i>New Technologies</i>	The digital transformation enabled the development of new technologies that enhance and improve financial services such as “cloud computing, artificial intelligence (AI), big data analytics, blockchain, mobile technology, and robot advisors.” (Liu, 2021, p.6)	Chui et al., 2022; Liu, 2021; Zarifis & Cheng, 2022
<i>Mobile Channels</i>	Consumers have become more digital and resourceful to mobile channels such as smartphones and tablets to use and buy financial services.	Adarkar et al., 2022; Cuesta et al., 2015; Liu, 2021; Omarini, 2017
<i>Customization</i>	Consumers expect the personalization of products and services to their individual needs.	Pousttchi & Dehnert, 2018
<i>Availability and fastness</i>	Consumers are demanding financial services that operate fast and that are available 24/7, everywhere.	Cuesta et al., 2015; Liu, 2021; Omarini, 2017
<i>Customer-centric approach</i>	Fintechs' main goal is to improve customer experience with customer journeys that have ease-to-use features.	Nicoletti, 2017; Omarini, 2017
<i>Innovation and cutting-edge technology</i>	Fintech companies incorporate the latest and most advanced technologies in their business models, products and services which allows them to develop differentiated offers and foster innovation.	Botta et al., 2022; Nicoletti, 2017
<i>Low prices and rates</i>	Fintechs have the competitive advantage to establish prices and rates that are more appealing to the consumers.	Nicoletti, 2017
<i>Unbundling</i>	Fintechs are unbundling the traditional banks' offer, by exploring a specific service, which allows them to enter the market without having to face the constraints of providing the full offer.	Lee & Shin, 2018; Nicoletti, 2017; Omarini, 2017

Source: Author's elaboration

3.1 The Internship and the Conceptual Framework

At BNPP PF the effects of the digital transformation, the new consumer expectations, and the impact of fintech firms, were visible during the activities performed and inside the bank. As a product manager, the main responsibilities were developing new projects and products based on the market forces, benchmarking the market, designing campaigns and

establishing partnerships for the customers, defining the prices every new quarter, and designing the 2023 marketing plan.

The main handled projects were the Personal Loan Flexibility project, a series of new features available on the mobile app that provide flexibility in the consumers' loan management; and the Rewards Program project, a program that allows customers to customize their credit card by choosing from 5 different lifestyle sectors on the mobile app where they prefer to receive cashback. These two projects meet the consumers' preference for mobile channels as well as the demand for customization of the products to their personal needs. In terms of availability 24/7 and the fastness of the services, there is still a long way to go. By looking at the benchmark, Cetelem's app is the worst classified in the market in comparison to our competitors, and many of the campaigns that were done, and the projects implemented started by being handled manually costing not only the productivity of the teams, but the fastness and availability demanded by the consumers.

Regarding new services, the bank shows determination in following the trends of the market even if at a slower pace than fintechs or digital banks. There have been several features implemented in terms of payments for credit cards and the BNPL payments were implemented a few years ago. In terms of new technologies for products or services, none are considered innovative.

Through the benchmark it is clear that the impact of fintechs and digital banks is felt in a way that these players are better positioned in every aspect of the framework, for example, in terms of rates, BNPP PF's rates are not the lowest, they are even the highest sometimes. The technology used inside the bank is outdated and slows down the ability to keep up with the fast innovations of fintechs and other players and, as a specialized credit institution, BNPP PF offers a full range of services instead of unbundling. On the other hand, the customer-centric approach is a crucial part of the business model, as seen by the customization and consideration of the consumers' demands. Additionally, several questionnaires are conducted inside a community to understand what the customers want and to improve the existing products and customers' journeys.

Developing the annual marketing plan was also a crucial activity which mainly consisted of gathering all the new technological trends and consumers' demands to design the 2023 campaign strategy as well as present the final plan to the other areas so that they could implement new changes and features.

Figure 2 shows the conceptual framework linked with the activities performed during the internship, and the BNPP PF's business model through a Yes or No duality, where "Yes" relates to a concept that is implemented at the bank or that was performed, and "No" relates to a concept that it is not implemented at the bank. As described before and to summarize, new services are being implemented at BNPP PF but there are no new technologies. In terms of the consumers' new expectations, the bank is focused on implementing mobile channels and customizing the products, but it does not have the availability and fastness of services that consumers want. At BNPP PF the effects of the fintechs disruption are notable because, besides having a customer-centric approach, it does not have innovative technology and innovative products or services, low prices or rates and it does not resource to the unbundling of services. Therefore, it is a bank that has stagnated in terms of innovation and is losing competitiveness in the market.

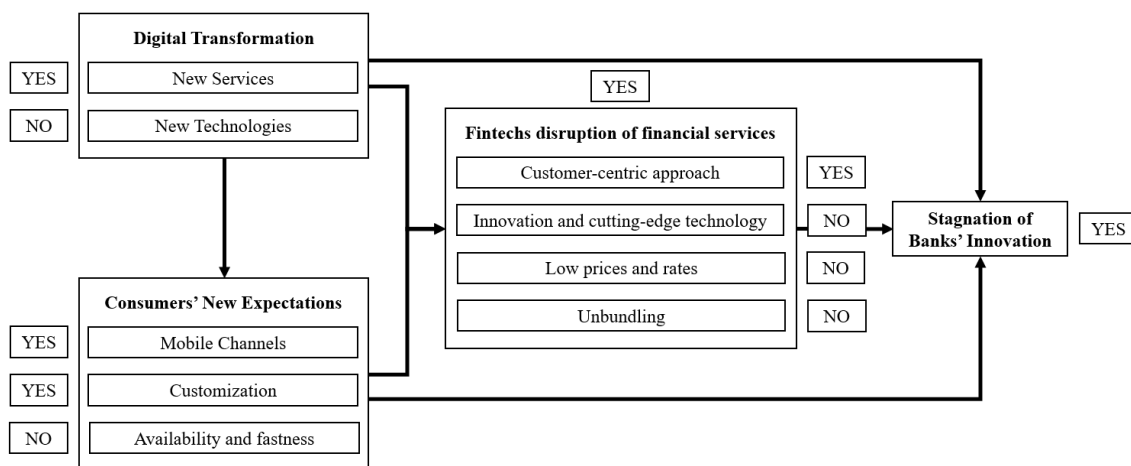


Figure 2 - Conceptual framework linked with the internship activities and the Bank's business model

Source: Author's Elaboration

CHAPTER 4 – COMPANY AND INTERNSHIP OVERVIEW

4.1 The Company

The BNP Paribas Group is an international bank and European leader, instituted on the 23rd of May of 2000, from the merger between the National Bank of Paris (BNP) and the international investment bank, Paribas (BNP Paribas, 2022). The Group is present in more than 65 countries and employs more than 190 000 collaborators, with the main goal of helping its customers - individuals, associations, entrepreneurs, SMEs, and institutions –

in the achievement of their projects by offering financing, investment, savings, and insurance services (BNP Paribas, 2022). Its activities extend through three branches: Commercial, Personal Banking & Services (CPBS), Investment & Protection Services (IPS), and Corporate & Institutional Banking (CIB) (BNP Paribas, 2022).

The BNP Paribas Personal Finance is a subsidiary of the BNP Paribas Group that specializes in personal loan granting (BNP Paribas Portugal, 2022) (Appendix 1). It operates in 30 countries on four continents with around 20 000 employees, offering a complete set of consumer credit products through branches, retailers, car dealerships, and on a B2C basis via the Internet and customer relations centers (BNP Paribas Portugal, 2022).

BNP Paribas Personal Finance, Sucursal Portugal SA. is present in Portugal since 1993, operating under the brand name Cetelem, and employs around 700 people with more than 3800 partnerships (BNP Paribas Portugal, 2022).

4.1.1 Vision, Mission, and Values

Cetelem's mission is to support its clients and partners by influencing and providing sustainable, responsible, and ethical ways of consumption. Its manifesto is based on commitments to creating a positive impact through several axes, such as creating a fair and inclusive workplace, protecting the planet by reducing the Bank's carbon emissions and energy consumption, fostering positive relationships with the customers and partners through the stimulation and expansion of the Bank's offer and business model, while encouraging and advising them on ecological footprint reduction. Another commitment is to have a positive impact on consumers' lives by contributing to financial literacy, therefore the portal notasemdia.pt was created to provide tips on savings and budget management. Giving back to society is incorporated in the bank's values as well, so it donates to charity institutions and hospitals and promotes volunteering work among its employees. (Cetelem, 2022)

Therefore, it is notorious that BNPP PF with its commitments, values, and actions, contributes to many Sustainable Development Goals more specifically to SDG 5 – Gender Equality, SDG 7 – Affordable and Clean Energy, SDG 8 – Decent Work and Economic Work, SDG 12 – Responsible Consumption and Production and SDG 13 – Climate Action (United Nations, 2022).

4.2 Business Sector and Main Competitors

4.2.1 Business Sector

The BNP Paribas Personal Finance belongs to the banking sector with a focus on the consumer credit market and therefore reports directly to Banco de Portugal. Being a credit institution, it also belongs to the responsible entity in Portugal of specialized consumer finance, the ASFAC - *Associação de Instituições de Crédito Especializado* [Association of Specialized Credit Institutions] - composed of over 27 members and responsible for supporting its associates by representing them before supervisory institutions and international bodies (ASFAC, 2022).

In a statement, the ASFAC reported that the progression of credit showed stability, in terms of monthly analysis, since that in the first semester of 2022 its members had already lent 3.3 thousand million euros in consumer credit. From that value, 29% represented car loans, 16% personal loans and consumer goods and 46% represented credit cards and lines of credit, which approached pre-pandemic values even with the shortage of vehicles resulting from the war in Ukraine and the COVID-19 crisis (Dinheiro Vivo, 2022).

According to Banco de Portugal, there has been a growth in the consumer credit market with a chain variation in the percentage of 6,0% for personal loans, 1,8% for car loans, and 6,7% for credit cards, of August 2022/July 2022 (Banco de Portugal, 2022).

4.2.2 Main Competitors

Cetelem's competitors in Portugal can be divided between digital banks and traditional banks, as indirect competitors, and specialized credit institutions as direct competitors. From specialized institutions, Cofidis stands as the main competitor to Cetelem, with a significant market share due to improved digital customer journeys and the launch of a new digital service (Cofidis Pay). Cofidis was created in 1982 in France, and is present in 9 countries, appearing in Portugal in 1996 with a focus on the sale and management of credit to individuals (Cofidis, 2022a, 2022b). After Cofidis, follows Credibom, WiZink, Oney, and Unicre. From the traditional banks, the main competitor is Caixa Geral de Depósitos (CGD), the biggest Portuguese Bank, which develops activity in almost all financial services. Then there is Millennium, Bankinter, Santander, Novobanco, and BPI (Banco Português de Investimento). Digital Banks which are 100% digital, such as Universo, Revolut, ActivoBank, and Moey! are leading the market in terms of consumers'

digital and financial needs while specialized institutions and traditional banks are still a step back. Universo, part of the Sonae Group, stands as the most relevant competitor to Cetelem, given its similar range of products.

Therefore, it is notorious that there is a significant impact of the new digital trends and what the consumers expect from financial services, which will redefine the sector and change market leader positions.

4.3 Products and Services

The BNPP PF in Portugal provides financing solutions in four different sectors - Retail & e-Commerce, Mobility, B2C, and Financial Sector & Brokers.

The “Retail & e-Commerce” sector offers solutions, such as credit cards and lines of credit, for the purchase of household goods and personal equipment in the extended network of partners, whether in online stores or physical stores. FNAC, Rádio Popular, Media Markt, Conforama, Euronics, JOM, TAP, and Decathlon are some of those partners.

The “Mobility” sector offers financing solutions for the acquisition of cars, motorcycles, and other vehicles having dealership partners such as Ford, Toyota, Hyundai, Honda, Peugeot, and many others.

The “B2C” sector offers a set of financing solutions for the end customer operating with two products, the Black Plus Credit Card and Personal Loans for the most varied projects - Health, Home and Décor, Education, Renewable Energies, Travels, Vehicles, and Small Projects.

The “Financial Sector & Brokers” offers financing solutions for the end customer through non-traditional partnerships such as Banco CTT, Doutor Finanças, Private Solutions, and Partners Finances.

In a transversal way, BNPP PF acts as an insurance intermediary, selling personal credit and credit card protection insurance, as well as individual protection for health and family. All insurance belongs to BNP Paribas Cardif, the life insurance and risks insurance subsidiary of the BNP Paribas Group.

4.4 Internship Scope and Main Activities

The internship lasting 4 months from October to February, was at the headquarters of BNPP PF located in Rua Galileu Galilei, West Tower nº2, 7th floor, Lisbon. It was inserted

in the Department of Offer, Relational Marketing and Insurance which belongs to the Direction of Communication, Offer, and Engagement, inserted in the Customer Experience and B2C Business Line (Appendix 2). More specifically, it was part of the Offer Team as a Product Manager. The team consisting of 3 members, one member being the team leader, was responsible for monitoring the development of the BNPP PF's offer or range of products, ensuring its adequacy to market changes and customer needs, under the Bank's positioning, objectives, and strategic guidelines, while contributing to the profitable evolution of the portfolio and the implementation of successful customer engagement strategies.

The main activities of the internship consisted of:

- The definition of the annual marketing plan for 2023 to ensure compliance with the company's strategic objectives. Therefore, it was necessary to first analyze the market in terms of the current trends and consumers' needs and make a small benchmark on the players' marketing strategies in terms of campaigns. Its elaboration also involved the analysis of the production by product of BNPP PF in the last years as well as of the other ASFAC players and the analysis of the prospects for 2023. Then it was possible to develop the campaign plan for 2023 for each product.
- The definition and implementation of marketing campaigns aimed at the end customer (B2C) and the business partners (B2B), identifying the targets to impact, the offer for each segment, and the communication channels, ensuring adequate value proposition and positioning. These marketing campaigns were done according to the previously established marketing plan or according to the needs of the market.
- Identifying new market opportunities for new projects' development and implementing improvements on the existing offer, focusing on the customer. The development of the Personal Loan Flexibility project consisted of exploring the different flexibility options for personal loans in order to provide customization and facilitate budget management for the customers and quantify its profitability for the Bank. The Rewards Program project for the Black Plus card consisted of developing a system of 5 different sectors of lifestyle in which the customer could choose where to receive cashback. Other improvements in services were made

which mainly consisted of updating the processes by making them simpler and faster or by providing options via mobile channels.

- The development and follow-up of strategic partnerships for the Bank and its products. Two partnerships were developed, one with Phenix, a company that fights food waste for the Black Plus Card, and the other with MEO for credit projects.
- Contribute to innovation and monitoring of competition by carrying out technological, price, product, and campaign benchmarks. It was important to keep track of the competitors' actions therefore the benchmark consisted of gathering as much information as possible on the players by browsing through their websites and mobile apps and then combining it on a well-structured document shared internally.
- The pricing of products by applying the new usury every quarter, complying with profitability objectives, and also performing the required tests before going into production.
- The development of relational plans for each product in collaboration with the Relational Marketing Team to ensure customer follow-up and engagement throughout their life cycle at BNPP PF.
- The analysis of the various KPIs associated with the products.

CHAPTER 5 – RESEARCH METHODOLOGY AND DATA ANALYSIS

5.1 Methodological Approach

The purpose of this research is to clarify the relationship between the variables formulated from the literature review that make up the proposed conceptual framework, therefore this study has a descriptive-explanatory character (Saunders et al., 2019).

The methodology of this research is quantitative resorting to the use of a structured questionnaire for the collection of primary data, which has the advantage of collecting a large number of data that allows easy comparison (Saunders et al., 2019). Therefore, this report is a mono-method quantitative study since it only used one data collection technique (Saunders et al., 2019).

Regarding the time horizon, this research is cross-sectional as the collection of data occurred in a pre-determined and specific time (Saunders et al., 2019).

5.2 Data Collection Methods

Initially, this research started with the collection of secondary data through the review of the literature on the subject, to formulate the main problem and the research questions of this study. Then, we proceeded to the collection of primary data using a structured, self-completed, Internet questionnaire with the main goal of answering the questions of the research (Saunders et al., 2019).

The questionnaire was developed on the Qualtrics platform and shared and distributed online on the social media Facebook, Instagram, LinkedIn, and WhatsApp and by email with the BNPP PF's network of collaborators from the 13 to 27 of February of 2023, obtaining a total of 314 responses.

The study collected data on all individuals that use financial services, being this the target population of the study. The sample of this study was defined through a non-probability sampling technique, due to time and financial constraints, which means that the sample is not representative of the population and can be biased (Saunders et al., 2019).

The questionnaire, apart from the brief introduction of the study, is composed of five sections with a total of 15 questions of mandatory response. The first section includes an explanation of what encompasses financial services and starts with one filter question so that only individuals who have already used financial services respond to the questionnaire, and two other questions to try and understand what the consumers' expectations regarding financial services are in general, in terms of channels they use and the importance of several aspects. Section two is meant to better understand the attractiveness for consumers of some of the new services and new technologies brought on by digital transformation. Section three intends to evaluate the satisfaction of the consumer with his current bank or specialized credit institution in terms of the same aspects used in section two. Section four starts with an explanation of what is a fintech and some familiar examples, including a filter question so that the individuals who use fintechs can be evaluated in terms of their satisfaction with the service provided by fintechs and to understand the reason behind individuals who have not used fintechs. The fifth and concluding section included seven sociodemographic questions to characterize the sample for a better understanding of the profile of the respondents.

In the questionnaire for Q3 in section one (Consumer Expectations), Q4 in section two (Digital Transformation - New services and technologies), Q5 in section three (Banks and Specialized Credit Institutions), and Q7 in section four (Fintechs), Likert-type scales

with 5 points were used, whereas for the other questions nominal and ordinal scales were used.

Before the final data collection, a pilot test of the questionnaire was conducted with a convenience sample of 5 individuals, to exclude comprehension or interpretation problems. The sample attended the target population requirements and after the pilot test some questions were reformulated to achieve a better level of consensus in terms of ease of interpretation. The last version of the questionnaire is presented in Appendix 3.

5.3 Data Analysis

Carrying on to the data analysis using the Qualtrics reports and statistics, of the total of 314 responses obtained, only 207 were considered valid and 107 were excluded. Of the 107 responses that were excluded, 33 did not belong to the target population because the respondents did not use financial services and 74 were incomplete.

5.3.1 Sample Characterization

In this study with a sample of 207 respondents that use financial services, 54,6% consisted of female respondents, and 45,4% of male. In terms of the age range of the sample, respondents were predominantly young adults between the ages of 18 and 25 representing 40,6%, followed by adults with 46 to 55 years old representing 24,2%. The respondents were employed by others in terms of their professional situation (60,4%), and regarding their highest level of complete education, most of the participants had a bachelor's degree (50,2%). In terms of income, it was asked of the respondents to describe their feelings about their household's income and 45,9% are coping with their present income and 36,7% are living comfortably on their present income. The place of residence of the respondents was mainly in large cities ($\geq 100\ 000$ inhabitants) with 30,9%, followed by towns (24,6%) and then small cities ($\leq 49\ 999$ inhabitants) (18,4%). The scale of the cities by inhabitants was adapted from the 2011 Censos (INE, 2014). Lastly, the majority of the participants were single (48,7%) and married (38,6%). Table III below summarizes the sociodemographic characterization of the sample.

Table III - Sociodemographic Characterization of the Sample

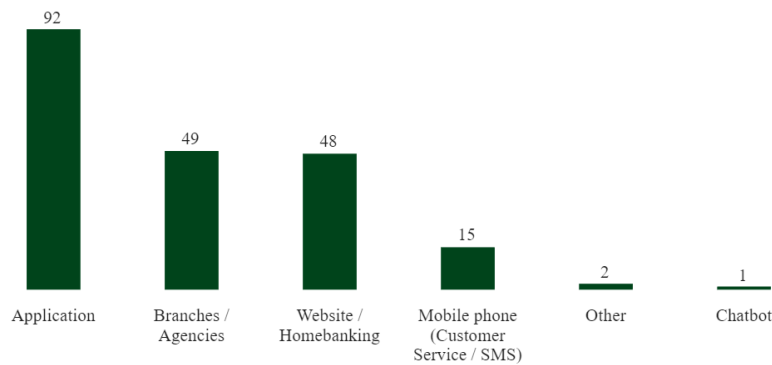
Indicator	Answer Options	%	n
Gender (N = 207)	Female	54,6	113
	Male	45,4	94
	Other	0	0
Age (N = 207)	< 18	1,4	3
	18 - 25	40,6	84
	26 - 35	7,7	16
	36 - 45	20,3	42
	46 - 55	24,2	50
	56 - 65	5,8	12
	> 65	0	0
Professional Situation (N = 207)	Unemployed	1,9	4
	Student	19,3	40
	Worker - Student	13,0	27
	Self-employed worker	4,3	9
	Worker for others	60,4	125
	Retired	0	0
	Other	1,0	2
Qualifications (N = 207)	1st cycle (equivalent to primary school)	0	0
	2nd cycle (equivalent to the 6th grade)	0	0
	3rd cycle (equivalent to 9th grade)	2,9	6
	High school) (equivalent to 12th grade)	22,7	47
	Bachelor's degree	50,2	104
	Master's degree	22,2	46
	Doctorate	1,0	2
	Other	1,0	2
Household's Income (N = 207)	Living comfortably on present income	36,7	76
	Coping on present income	45,9	95
	Finding it difficult on present income	12,1	25
	Finding it very difficult on present income	2,0	4
	I prefer not to answer	3,4	7
Place of Residence (N = 207)	Village	10,6	22
	Town	24,6	51
	Small City (<= 49 999 inhabitants)	18,4	38
	Medium-sized city (50 000 – 99 999 inhabitants)	15,5	32
	Large city (>= 100 000 inhabitants)	30,9	64
Marital Status (N = 207)	Single	48,7	101
	Married	38,6	80
	Divorced	9,7	20
	Widowed	0	0
	Other	2,9	6

Source: Author's elaboration based on Qualtrics Results

5.3.2 Consumers' Expectations and Preferences

Regarding the question about the preferred channels for using or buying financial services, the majority of the respondents choose the options application (44,4%), followed by branches (23,7%), and with a similar response the option website/homebanking (23,2%). Then with less expression the option Mobile phone (Customer Service / SMS) (7,2%) and lastly the options other (1,0%) and chatbot (0,5%). Figure 3 below shows the

results of the responses of the preferred channels in number ordered from the highest to lowest.



N=207

Figure 3 - Preferred channels for using/buying financial services

Source: Qualtrics

When asked to rate from 1 to 5 the importance respondents gave to the aspects related to financial services in general, being 1 – not important and 5 - very important, we can observe that the aspect “Information transparency (in terms of charges, processes, ...)” has the highest mean (M=4,69; SD=0,63), followed by “Simplicity/ease of access to products/services” (M=4,68; SD=0,62) and then “Speed of service/processes” (M=4,64; SD=0,55). On the other hand, the aspect with the lowest mean was the “Rewards/offers programs” (M=3,64; SD=1,04), which also holds the highest standard deviation. Table IV below shows the detailed statistics of the results regarding the importance of the financial services aspects.

Table IV - The importance of the financial services aspects

Aspects	Min	Max	Mean (M)	Standard Deviation (SD)	Sum
<i>Information transparency (in terms of charges, processes, ...)</i>	1	5	4,69	0,63	971
<i>Customizing the product/service to my individual needs</i>	1	5	4,29	0,76	889
<i>Simplicity/ease of access to products/services</i>	1	5	4,68	0,62	969
<i>Availability 24h/7 days</i>	1	5	4,50	0,71	931
<i>Speed of service/processes</i>	3	5	4,64	0,55	960
<i>Existence of an App to manage my products and services</i>	2	5	4,42	0,78	915
<i>Innovative products/services with associated technologies</i>	1	5	4,05	0,81	838
<i>Prices and associated fees</i>	2	5	4,50	0,77	932
<i>Reputation of the company/bank providing the service/product</i>	2	5	4,35	0,74	901
<i>Rewards/offers programs</i>	1	5	3,64	1,04	753

N=207

Source: Qualtrics

5.3.3 Digital Transformation - New Services and Technologies

Regarding the attractiveness the respondents think of some of the new services and technologies brought on by the digital transformation of the industry of financial services, when asked to rate from 1 to 5, being 1 – not attractive and 5 – very attractive, promotional rates or interest-free products stand with the highest mean (M=3,95; SD=1,04), followed by P2P payments (M=3,60; SD=1,04). The least attractive to participants were the cryptocurrencies (M=2,52; SD=1,23). Table V below shows the detailed statistics of the results regarding the attractiveness of the new services and technologies.

Table V - Attractiveness of the new services and technologies

Services/Technologies	Min	Max	Mean (M)	Standard Deviation (SD)	Sum
<i>BNPL payments (Buy now, pay later)</i>	1	5	2,82	1,19	584
<i>P2P payments (person to person)</i>	1	5	3,60	1,04	745
<i>Rewards/offer programs</i>	1	5	3,47	1,04	718
<i>Instant loans</i>	1	5	3,20	1,08	663
<i>Promotional rates or interest-free products</i>	3	5	3,95	1,04	818
<i>Robots equipped with Artificial Intelligence that provide personalized and unique services</i>	2	5	3,18	1,14	658
<i>Cryptocurrencies</i>	1	5	2,52	1,23	521

N=207

Source: Qualtrics

5.3.4 Banks and Specialized Credit Institutions

Participants were asked to rate their level of satisfaction from 1 to 5, being 1 – not satisfied and 5 – very satisfied, about their bank or credit institution of choice, and revealed the most satisfaction in terms of the existence of an App to manage their products and services, with the highest mean (M=4,20; SD=0,87), contrary to the existence of rewards/offers programs that showed the lowest mean (M=3,15; SD=1,07). Table VI below shows the detailed statistics of the results regarding satisfaction with banks and specialized credit institutions.

Table VI - Satisfaction with banks and specialized credit institutions

Aspects	Min	Max	Mean (M)	Standard Deviation (SD)	Sum
<i>Information transparency (in terms of charges, processes, ...)</i>	1	5	3,92	0,84	811
<i>Customizing the product/service to my individual needs</i>	1	5	3,81	0,88	788
<i>Simplicity/ease of access to products/services</i>	1	5	3,97	0,89	821
<i>Availability 24h/7 days</i>	1	5	3,91	1,01	809
<i>Speed of service/processes</i>	1	5	3,83	0,94	793

<i>Existence of an App to manage my products and services</i>	1	5	4,20	0,87	869
<i>Innovative products/services with associated technologies</i>	1	5	3,81	0,89	789
<i>Prices and associated fees</i>	1	5	3,29	1,18	681
<i>Rewards/offers programs</i>	1	5	3,15	1,07	652

N=207

Source: Qualtrics

5.3.5 Fintechs

Section four of the questionnaire started with a filter question, as mentioned before, therefore from the 207 participants, 134 used fintechs or services provided by fintechs, 49 did not use it and 24 did not know.

Concerning the respondents that use fintechs, they were asked to rate 1 to 5 the level of satisfaction with the financial service provided by their fintech, being 1 – not satisfied and 5 - very satisfied, and the aspect with the highest mean was the availability 24h/7 days (M=4,56; SD=0,62), and with the lowest mean the rewards/offers programs (M=3,49; SD=1,10). Table VII below shows the detailed statistics of the results regarding satisfaction with fintechs.

Table VII - Satisfaction with fintechs

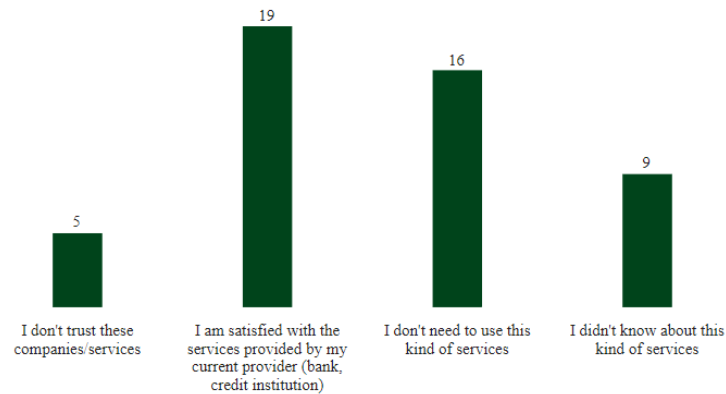
Aspects	Min	Max	Mean (M)	Standard Deviation (SD)	Sum
<i>Information transparency (in terms of charges, processes, ...)</i>	1	5	4,20	0,80	563
<i>Customizing the product/service to my individual needs</i>	1	5	4,02	0,85	539
<i>Simplicity/ease of access to products/services</i>	2	5	4,37	0,72	586
<i>Availability 24h/7 days</i>	3	5	4,56	0,62	611
<i>Speed of service/processes</i>	2	5	4,45	0,68	596
<i>Existence of an App to manage my products and services</i>	3	5	4,48	0,63	600
<i>Innovative products/services with associated technologies</i>	1	5	4,14	0,71	555
<i>Prices and associated fees</i>	1	5	3,93	1,03	526
<i>Rewards/offers programs</i>	1	5	3,49	1,10	467
<i>Offer of services/products not provided by other traditional providers</i>	1	5	3,75	0,93	502

N=134

Source: Qualtrics

Those who did not use fintech-provided services listed as the main reason that they were satisfied with the services provided by their current provider (38,8%), followed by not needing to use this kind of services (32,7%), then not knowing about this kind of services (18,4%) and lastly the lack of trust in these companies/services (10,2%). Figure

4 below shows the results of the responses of the main reasons respondents did not use services provided by fintech companies.



N=49

Figure 4 - Main reasons for not using services provided by fintechs

Source: Qualtrics

5.4 Discussion of the Main Findings

After analyzing the data, it is possible to compare the results of the study with the literature review and present the main findings.

5.4.1 The Consumers' New Expectations of Financial Services

The study meant to analyze what were the consumers' new expectations in the market of financial services that resulted from the digital transformation of the industry. It showed that the preferred channel for using or buying financial services was the app over other options, therefore supporting the existing literature of Adarkar et al. (2022), Cuesta et al. (2015), Liu (2021), and Omarini (2017) about the increasing use of mobile channels, either smartphones or tablets, for the use of financial services as a result of a more digital-driven consumer. The availability 24/7 and the speed of services and processes had some of the best means in the results of the study, which demonstrates once again that the works of Cuesta et al. (2015), Liu (2021), and Omarini (2017) are verified by this study. In terms of customization, the study revealed that the consumers did not value the customization of the product or service to their individual needs as much as the rest of the available options, so this did not support the work of Pousttchi & Dehnert (2018).

Considering the new services and technologies, participants find most attractive the promotional rates and interest-free products, followed by the P2P payments and then the rewards programs which meet Anan et al. (2022) study results, except for the BNPL trend which was the second least attractive.

5.4.2 How Fintechs are Disrupting the Financial Services Market

The second question this study was meant to answer was how fintechs are disrupting the financial services market. By analyzing the results of satisfaction with fintechs, the first three aspects with the highest means, this is, that the participants are most satisfied with are, availability 24/7, the existence of an App to manage products and services, and speed of service/processes. From that, and from what has already been validated, it is possible to conclude that fintechs are answering the consumers' new expectations as Lee and Shin (2018) research demonstrated. After these three aspects that regard consumers' expectations, the one that participants were most satisfied with fintechs, was simplicity/ease of access to products/services, which essentially relates to a customer-centric approach, supporting Nicoletti (2017) and Omarini (2017) research about fintechs improving their customer experiences through user-friendly features and simpler customer journeys. The aspect of innovative products/services with associated technologies, although it showed a lower mean than the previously referred aspects, still had a meaningful one, therefore the study supports the existing literature of Botta et al. (2022) and Nicoletti (2017) on the fintechs disruption of the market by leveraging on innovation and cutting-edge technology. The study shows that the participants were not satisfied by the prices and associated fees as well as with the offering of services/products not provided by other traditional providers, as these aspects had the lowest means. Thus, the existing literature of Nicoletti (2017) in terms of low prices and rates, and Lee and Shin (2018), Nicoletti (2017), and Omarini (2017) for the unbundling of the traditional banks' offer by fintechs was not supported by the study. Although the prices and associated fees were not the aspect respondents were most satisfied with of fintechs, the study revealed the most attractiveness for the promotional rates or interest-free products that fintechs usually have to offer.

5.4.3 How Banks Stagnated in Terms of Innovation

The last research question of this report concerns the way banks stagnated in terms of innovation in the new competitive market. By comparing the results of the satisfaction of the respondents with banks or specialized credit institutions and the satisfaction with fintechs it is possible to reach some major conclusions. In all aspects, participants were more satisfied with their fintech service than with their bank or credit institution of choice, both in aspects related to the consumers' new expectations and aspects related to how fintechs are disrupting the market. Thereby, the study supports the existing works of

Cuesta et al., (2015) and Nicoletti (2017), in the matter that banks are losing a competitive advantage by not being able to keep up with the digital transformation in terms of new services and technologies, by not meeting the new consumer demands and with the new entrants - the fintechs - revolutionizing the market.

5.5 Recommendations

Based on the internship experience at BNP Paribas Personal Finance and the Bank's current operating model and business strategy, the lead time for any activity or new project/product development and implementation is exceedingly long, which in a fast-changing market flooded with highly efficient new entrants, results in loss of competitive advantage. Additionally, as seen by the results of the study, speed and availability are one of the aspects consumers value the most. Therefore, the bank will need to implement a new operating model based on agility and the use of updated technology to foster innovation at a quicker pace and lower cost (Adarkar et al., 2022). It will also need to maintain its current customer-centric approach to answer the consumers' needs in terms of preference for digital channels, mainly mobile, with user-friendly customer journeys to access the bank's whole product and service offer (Adarkar et al., 2022).

The main approach for a bank such as BNPP PF can be to partner up with a fintech start-up to benefit from their technology expertise and stay ahead of new developments, retain customers, and gain others while saving time and money (Krivkovich & Townsend, 2020). However, this is not the only alternative, it can also establish innovation labs to work on improving the technology gap (Nicoletti, 2017) or build its fintech internally (Krivkovich & Townsend, 2020).

There is no right way to navigate the digital transformation of the market as well as the new demand and new entrant threats, BNPP PF should design its new strategy but still leverage its core strengths, which are its current client base, established reputation, and already customer-centric approach.

CHAPTER 6 – CONCLUSIONS

6.1 Main Contributions

At an academic level, this study contributes to filling the gaps that exist on the subject of the impact of fintechs on the financial services sector from the consumer's perspective and demands, allowing to increase knowledge on a topic of such importance. The development of a conceptual framework that interconnects the works of several authors

allows the understanding of the whole phenomenon and the relationships between its main variables and its determinants. The results of the study revealed great implications for the existing literature. Highlighting the aspect referred by some authors as one of the main ways fintechs were disrupting the financial services industry, the method of unbundling the traditional banks' offers by providing unique and specialized financial services (Lee & Shin, 2018; Nicoletti, 2017; Omarini 2017), was contradicted by the study, which suggests further investigation. It also allowed confirming how fintechs are answering the consumers' new expectations (Lee & Shin, 2018) on mobile channels and availability and fastness (Adarkar et al., 2022; Cuesta et al., 2015; Liu, 2021; Omarini, 2017). Another significant contribution was the study's satisfaction comparison between banks and fintechs which reinforced the existing literature on how banks are losing ground in the competitive market by having stagnated in terms of innovation (Cuesta et al., 2015; Nicoletti, 2017).

The business contributions of this study encompass the need for banks, more specifically BNP Paribas Personal Finance, to understand how to navigate the new competitive market. Thereby, this study allowed to confirm the consumers' new expectations which rely on services that are provided on mobile channels, that are available anywhere, anytime and that operate fast. It also revealed that the new entrants are in fact disrupting the market by assuming a customer-centric approach and by providing innovative products that rely on advanced technologies. However, the low prices and rates and the unbundling of products were not supported by this study. These insights allow the BNPP PF managers and marketers to design a strategy that can provide the much-needed competitive advantage to face the new digital competitors, by focusing on meeting the right consumer demand while enhancing its technology and innovation capabilities.

6.2 Limitations and Future Research

This report shows some limitations mainly due to time and financial constraints that should be taken into consideration for future research. The first limitation results from the fact that this study and its main conclusions were applied to the internship at BNP Paribas Personal Finance and should not be generalized to all banks. The second limitation is due to the use of a non-probability sampling technique in the study which results in a sample that is not representative of the entire population. The last limitation results from the use of a mono-method quantitative study, which restricts the research in a way that a mixed

method with qualitative data collection techniques, such as interviews or focus groups, could have allowed a better understanding of the theme and the meaning behind certain results.

In the context of the market of financial services, the topic of fintechs and their disruptive methods is extremely important as well as the new consumer demand, therefore continuous research on the subject must be ensured to monitor the development of these phenomena. The first suggestion would be to use a probability sampling technique so that the population of the study could be as unbiased as possible. Secondly, it would be interesting to deepen each variable of the study, the consumers' new expectations, and the aspects in which fintechs are disrupting the market, by using qualitative techniques, to better understand the relationship they have with the consumer. Furthermore, it is recommended to expand the research into how banks should respond to these changes in the market and how the ployout between fintechs and traditional banks is predicted to end.

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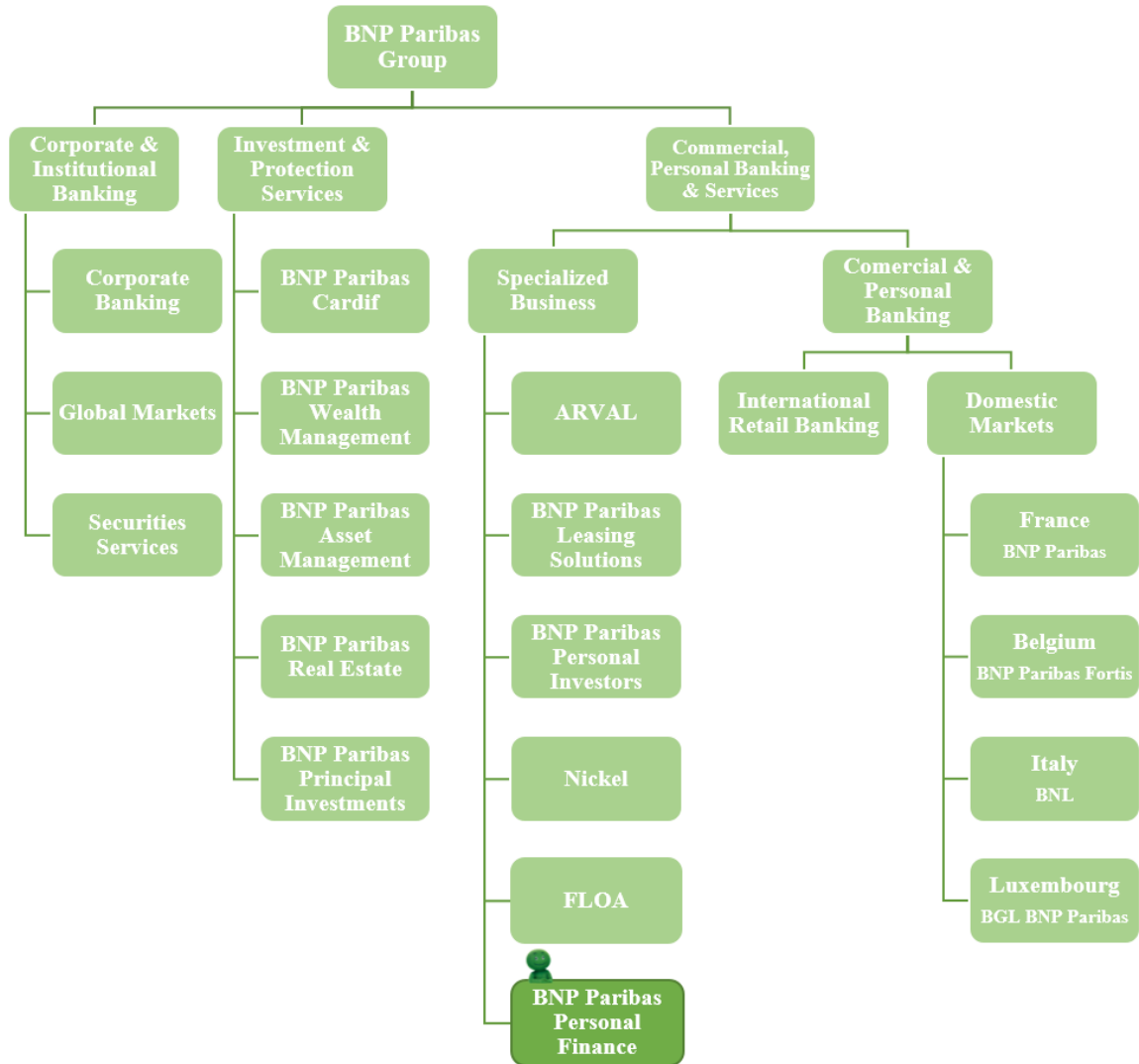
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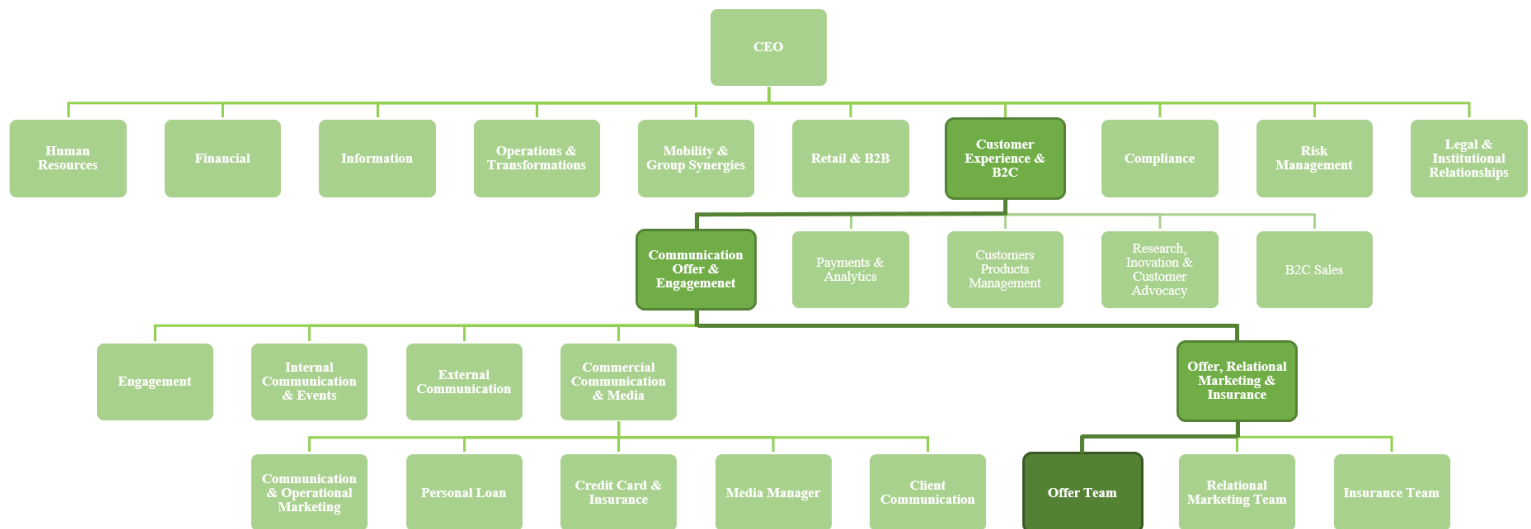
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APPENDIXES

APPENDIXE 1 - Organigram of the BNP Paribas Group



APPENDIXE 2 - Organigram of BNPP PF



APPENDIXE 3 – Questionnaire

This questionnaire is part of the Final Work of the Masters in Management at ISEG - Lisbon School of Economics and Management and aims to analyze the impact of Fintechs on the financial services market and the consumers' new expectations.

Fintechs are companies that offer financial services based on technologies such as MB Way, Revolut, Klarna, Lydia and Paypal.

The response time to this questionnaire is about 4 minutes, ensuring the confidentiality of the data provided during it and its use only for academic purposes.

Thank you very much for your collaboration!

Section 1: Consumer Expectations

This part of the questionnaire concerns your opinion about financial services in general. Financial services include debit/credit cards, payments, transfers, personal/car loans, budget management, investments, insurance, etc.

Q1. Do you use financial services?

- Yes
- No

Q2. Indicate your preferred channel for using/buying financial services:

- Application
- Website / Homebanking
- Chatbot
- Mobile phone (Customer Service / SMS)
- Branches / Agencies
- Other

Q3. Rate from 1 to 5 the importance you give to each of the following aspects of a financial service:

	1 – Not Important	2 – Little Important	3 - Important	4 – Moderately Important	5 – Very Important
Information transparency (in terms of charges, processes, ...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customizing the product/service to my individual needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Simplicity/ease of access to products/services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability 24h/7 days	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Speed of service/processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existence of an App to manage my products and services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovative products/services with associated technologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Prices and associated fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Reputation of the company/bank providing the service/product	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rewards/offers programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section 2: Digital Transformation - New services and Technologies

Q4. Rate from 1 to 5 the attractiveness of the following new technologies and services existing in the financial services market:

	1 – Not Attractive	2 – Little Attractive	3 - Attractive	4 – Moderately Attractive	5 – Very Attractive
BNPL payments (Buy now, pay later)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
P2P payments (person to person)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rewards/offer programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Instant loans	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Promotional rates or interest-free products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Robots equipped with Artificial Intelligence that provide personalized and unique services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Cryptocurrencies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section 3: Banks and Specialized Credit Institutions

This part of the questionnaire is related to your opinion about traditional banks and specialized credit institutions (excluding fintechs).

Q5. Rate from 1 to 5 your level of satisfaction with your bank or credit institution of choice, about the following aspects:

	1 – Not Satisfied	2 – Little Satisfied	3 - Satisfied	4 – Moderately Satisfied	5 – Very Satisfied
Information transparency (in terms of charges, processes, ...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customizing the product/service to my individual needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Simplicity/ease of access to products/services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability 24h/7 days	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Speed of service/processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existence of an App to manage my products and services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovative products/services with associated technologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prices and associated fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rewards/offers programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Section 4: Fintechs

This part of the questionnaire concerns your opinion about fintechs and the services provided by them.

The term fintech results from the combination of the words finance and technology, it's the application of technology in the provision of financial services. Some better-known examples in Portugal of fintechs or financial services provided by fintechs are MB Way, Revolut, Klarna, Lydia, Paypal, among others.

Q6. Do you use any application/service provided by a fintech?

- Yes
- No
- I don't know

Q7. Rate from 1 to 5 your level of satisfaction with the financial service provided by your fintech, about the following aspects:

	1 – Not Satisfied	2 – Little Satisfied	3 - Satisfied	4 – Moderately Satisfied	5 – Very Satisfied
Information transparency (in terms of charges, processes, ...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Customizing the product/service to my individual needs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Simplicity/ease of access to products/services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Availability 24h/7 days	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Speed of service/processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Existence of an App to manage my products and services	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Innovative products/services with associated technologies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Prices and associated fees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rewards/offers programs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offer of services/products not provided by other traditional providers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q8. Identify the main reason why you do not use services provided by fintechs: (if the answer to Q6 is 'No' or 'I don't know')

- I don't trust these companies/services
- I am satisfied with the services provided by my current provider (bank, credit institution)
- I don't need to use this kind of services
- I didn't know about this kind of services

Section 5: Sample characterization

Q9. Gender:

- Male
- Female
- Other

Q10. Age:

- <18
- 18 - 25
- 26 - 35
- 36 - 45
- 46 - 55
- 56 - 65
- > 65

Q11. Professional Situation:

- Unemployed
- Student
- Worker - Student
- Self-employed worker
- Worker for others
- Retired
- Other

Q12. Qualifications (highest level of complete education):

- 1st cycle (equivalent to primary school)
- 2nd cycle (equivalent to the 6th grade)
- 3rd cycle (equivalent to 9th grade)
- High school (equivalent to 12th grade)
- Bachelor's Degree
- Master's degree
- Doctorate
- Other

Q13. How would you describe your feelings about your household's income?

- Living comfortably on present income
- Coping on present income
- Finding it difficult on present income
- Finding it very difficult on present income
- I prefer not to answer

Q14. Place of residence:

- Village
- Town
- Small city ($\leq 49\,999$ inhabitants)
- Medium-sized city (50 000 - 99 999 inhabitants)
- Large city ($\geq 100\,000$ inhabitants)

Q15. Marital Status:

- Single
- Married
- Divorced
- Widowed
- Other