



Short Case 2: Busted Banking Barriers?

- Macro-environment & Industry Analysis

Topics



Lisbon School
of Economics
& Management
Universidade de Lisboa

- Entry barriers in banking
- Ethical behaviour of incumbents
- Portuguese banking industry
- Competitive rivalry
- Portugal vs Europe
- Strategic conclusions



Industry Context: Banking

- Highly regulated industry
- Central to financial stability
- Traditionally high entry barriers
- Dominated by large incumbents



Entry Barriers in Banking

- High capital requirements
- Economies of scale
- Regulation and licensing
- Brand trust
- Customer switching costs

Are Entry Barriers Weakening?

- Regulatory support for competition
- Rise of fintech and digital banks
- Lower fixed costs through technology
- Less need for physical branches

Ethical Evaluation of Incumbent Banks

- **Ethically defensible:**
 - . Financial stability
 - . Customer protection

- **Ethical concerns:**
 - . Reduced competition
 - . Slower innovation



Macro-Environment Drivers

- Political & Legal:
 - . Strong regulation
- Economic:
 - . Low interest rates
- Technological:
 - . Fintech disruption

Portuguese Banking Industry

- Highly regulated
- Concentrated market
- Risk-averse incumbents
- Post-crisis supervision

Competitive Rivalry in Portugal

- **Limiting factors:**
 - . Concentration
 - . Regulation

- **Increasing factors:**
 - . Digital entrants
 - . Margin pressure

Five Forces Summary (Portugal)

- Threat of entrants: Moderate
- Rivalry: Moderate
- Buyer power: Increasing
- Substitutes: Fintech services

Portugal vs Europe: Similarities

- Strong regulation
- Incumbent dominance
- Capital requirements
- Fintech growth

Portugal vs Europe: Differences

- **Portugal:**
 - . Smaller market
 - . Fewer challengers
- **Other EU markets:**
 - . More digital banks
 - . Stronger competition



Strategic Implications

- Traditional advantages eroding
- Regulation no longer sufficient
- Innovation is critical



Key Strategic Takeaways

- Entry barriers are weakening
- Fintech reshapes competition
- Portuguese banks face rising pressure