In-Class Exercise: FinTech Business Models & Value Creation

Exercise 1: Structured Debate — “Is Revolut a Bank or a Tech Company?”

Format: Split into two teams. Each team prepares arguments for its assigned position, then presents. After both sides speak, the class votes—but first, read the debrief questions.

Team A — “Revolut Is a Bank”

Anchoring evidence: Revolut holds banking licences in multiple jurisdictions, accepts deposits, earns net interest income on customer balances, and is subject to banking regulation including capital-adequacy requirements.

	Team A: Revolut Is a Bank
Argument I	
Argument II	
Argument III	
Concession	*Strongest argument AGAINST your position:*
Closing	*How you address the concession:*

Team B — “Revolut Is a Tech Company”

Anchoring evidence: Revolut was founded by engineers, acquires users through app stores rather than branch networks, iterates features on a software release cycle, and has historically been valued on revenue multiples typical of technology firms rather than book-value multiples typical of banks.

	Team B: Revolut Is a Tech Company
Argument I	
Argument II	
Argument III	
Concession	*Strongest argument AGAINST your position:*
Closing	*How you address the concession:*

Debrief Questions

Q1: Does the answer—bank or tech company—matter for how regulators should supervise Revolut? Why or why not?

Q2: Could the answer genuinely be “both”? If so, what does that imply about the usefulness of traditional industry categories?

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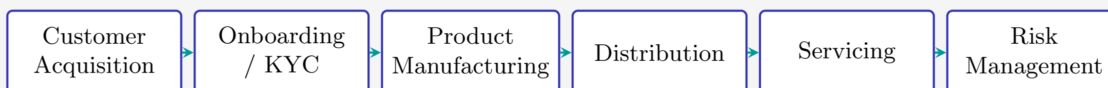
Q3: Name another company (in any sector) that blurs established category boundaries in a similar way. What tensions does that blurring create?

Exercise 2: Value Chain Mapping

Scenario: The traditional banking value chain can be broken into six links. FinTechs attack individual links with specialised solutions. Your task: for each link, identify a FinTech, describe the friction it removes, and predict the long-term outcome.



Value Chain Link	FinTech Attacking It	Friction Removed	Replaces or Improves?	Bank Loses or Adapts?
Customer Acquisition				
Onboarding / KYC				
Product Manufacturing				
Distribution				
Servicing				
Risk Management				

Synthesis Question

Q1: Which link in the value chain is *most vulnerable* to FinTech disruption? Which is *most resistant*? Defend your reasoning with reference to switching costs, regulatory barriers, and data advantages.

Facilitator Solutions

Sample answers for instructor reference. These are illustrative; student reasoning may diverge and still be valid.

Exercise 1: Debate Sample Answers

Team A (Revolut Is a Bank) — sample arguments

Argument I. Revolut holds full banking licences in multiple jurisdictions, which legally obligates it to maintain capital buffers under prudential regulation. A tech company cannot take deposits or lend against them; Revolut does both, placing it squarely within the banking regulatory perimeter.

Argument II. Revolut earns net interest income by deploying customer deposits into loans and money-market instruments. This revenue logic is the defining value-creation mechanism of a bank, not of a software firm whose revenue comes from subscriptions or advertising.

Argument III. Because Revolut accepts deposits, those balances attract deposit-insurance obligations in the jurisdictions where it holds a licence. Deposit protection exists to prevent bank runs — a risk that software products simply do not carry. The presence of that systemic risk makes Revolut a bank in any meaningful sense.

Concession. The strongest argument against Team A is that Revolut's customer-acquisition model, release cadence, and cost structure all resemble a technology firm far more than a traditional bank.

Closing. Regulatory form follows economic substance: because Revolut intermediates credit and takes deposit risk, the banking classification is correct regardless of how it acquires customers.

Team B (Revolut Is a Tech Company) — sample arguments

Argument I. Revolut acquires customers through app-store virality and referral growth loops, not branch proximity. Its primary channel is a smartphone interface, and its user experience competes directly with consumer-software products. The business model of a bank is to rent money; Revolut's dominant logic is to sell a premium software subscription.

Argument II. Revolut iterates its product on a software release cycle — weekly feature deployments, A/B tests, gradual rollouts. No traditional bank operates at that cadence. The platform economics at work here (one app, many side-by-side financial services, strong cross-side network effects between consumer and merchant) match a platform-technology firm, not a balance-sheet lender.

Argument III. Revolut has historically attracted technology-company valuation multiples based on revenue growth and user base, not on book-value multiples tied to loan portfolios. The capital market treats it as a technology firm because its dominant value-creation mechanism is the software platform and the data network, not credit intermediation.

Concession. The strongest argument against Team B is that banking licences and deposit insurance create genuine systemic obligations that pure software firms never face.

Closing. Regulatory classification is a lagging indicator: the economic substance that drives most of Revolut's growth, valuation, and competitive advantage is technology-platform logic, even if a slice of its revenue uses a banking licence as infrastructure.

Debrief Q1 — Regulatory supervision

Whether the regulator should treat Revolut as a bank depends on the economic risks the entity creates, not on the label it prefers. A firm that accepts deposits can generate a bank run; a firm that underwrites loans can create credit losses that ripple through the financial system. If Revolut does both, prudential supervision (capital adequacy, liquidity coverage, deposit insurance)

is warranted regardless of its technology pedigree. The answer matters because the supervisory toolkit — stress tests, resolution regimes, ring-fencing rules — is calibrated for balance-sheet risks. Applying software-industry oversight to a deposit-taking institution would leave those risks unaddressed.

Debrief Q2 — "Both" as an answer

The answer genuinely can be "both": Revolut operates a regulated banking entity inside a technology-company organisational structure. That duality reveals that traditional industry categories, inherited from a world where distribution, manufacturing, and risk-taking were bundled inside one institution, cannot cleanly capture a firm that unbundles those functions across a software platform and a licensed subsidiary. If "both" is the right answer, it implies that regulators, investors, and analysts need new classification systems — functional rather than institutional — that focus on what risk a firm creates rather than what name appears on its charter.

Debrief Q3 — Cross-sector blurring example

Tesla blurs the boundary between automotive manufacturer and technology company. It sells vehicles but derives a growing share of its market capitalisation from its proprietary software stack, over-the-air update capability, autonomous-driving data assets, and energy-storage platform. Traditional automakers are valued on capital-intensive manufacturing multiples; Tesla has at times attracted software-like growth multiples. The tension this creates is acute for regulators (vehicle-safety rules vs. software-update liability), for investors (which comparable set should price the stock), and for competitors (do you benchmark against GM or against Apple?). The parallel to Revolut is direct: the blurring is not a marketing claim but a structural consequence of embedding software-platform economics inside a traditionally non-tech industry.

Exercise 2: Value-Chain Mapping Sample Answers

Value Chain Link	FinTech Attacking It	Friction Removed	Replaces or Improves?	Bank Loses or Adapts?
Customer Acquisition	Revolut (referral growth loop)	Branch dependence for account opening	Replaces	Bank Loses
Onboarding / KYC	Wise (mobile document KYC)	Paperwork and branch visit for identity verification	Improves	Bank Adapts
Product Manufacturing	Stripe (payment infrastructure-as-a-service)	Multi-week integration timelines for merchant payment acceptance	Replaces	Bank Adapts
Distribution	Square/Block (merchant point-of-sale)	Legacy terminal cost and contract lock-in	Improves	Bank Adapts
Servicing	M-Pesa (agent-network servicing)	Branch distance for cash-in/cash-out and account queries	Replaces	Bank Loses
Risk Management	Specialist AML-screening vendors	Manual rule-based transaction monitoring with high false-positive rates	Improves	Bank Adapts

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Synthesis Question Sample Answer

The most vulnerable link is Customer Acquisition. Switching costs at the acquisition stage are near zero: a prospect can open a digital account in minutes without any prior relationship with the FinTech. Network effects and referral loops compound this — each new user who invites a peer reduces the incumbent bank's addressable market without the bank even being aware of the loss until well after the fact. The most resistant link is Risk Management. Credit underwriting and AML compliance depend on proprietary behavioural data accumulated over many customer relationships, supervised model validation under regulatory oversight, and deep integration with core banking ledgers that carry high switching costs. Regulatory barriers — model-risk governance requirements, fair-lending obligations, stress-test regimes — further entrench incumbents because compliance investment is non-transferable. A FinTech can improve the interface but rarely displaces the data moat and regulatory licence that underpin this link.

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