

Pre-Class Discovery Handout: FinTech Business Models & Value Creation

Activity 1: Business Model Canvas Detective

Scenario: Pick ONE FinTech you use personally—Revolut, Wise, a payment app, or any other. Fill in the Business Model Canvas below by investigating how that company actually works. Think beyond marketing slogans; focus on the mechanics of value creation.

Canvas Element	Your Analysis
Value Proposition <i>What friction does this FinTech remove?</i>	
Customer Segments <i>Primary and secondary users?</i>	
Channels <i>How does it reach users without branches?</i>	
Revenue Streams <i>Type of income (not amounts)?</i>	
Key Resources <i>What does it need that a bank already has?</i>	

Q1: What is the single most important friction this FinTech removes?

Q2: How does the FinTech reach new customers without physical branches?

Q3: If this FinTech disappeared tomorrow, what would users lose that their bank cannot replace?

Activity 2: Unbundling Map

Scenario: Traditional banks bundle many services under one roof. FinTechs attack individual services. Match each FinTech to the banking service it unbundled, then answer the questions below.

FinTech	Banking Service
Stripe	_____ Payment processing
Wise	_____ Foreign exchange
Lemonade	_____ Insurance underwriting
Betterment	_____ Wealth management
LendingClub	_____ Lending

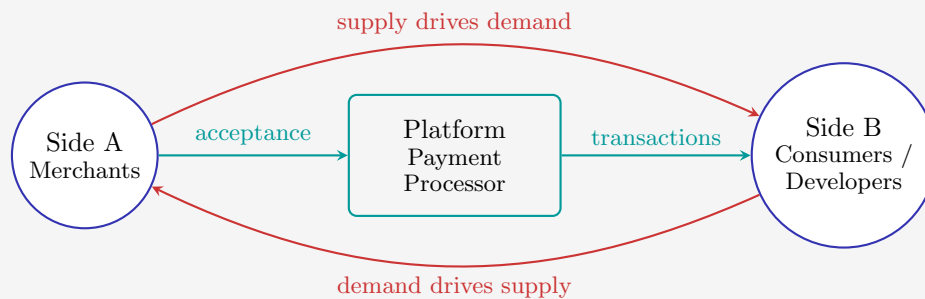
Q1: For each pair, describe in one sentence what friction the FinTech removes.

Q2: Which of these companies has started adding products beyond its original service? What did it add?

Q3: Why might a FinTech that starts with one product eventually want to offer many?

Activity 3: The Platform Puzzle

Scenario: A payment processor connects two sides of a market—merchants who accept payments and consumers (or developers) who initiate them. Neither side finds the platform useful without the other.



Q1: Why does a platform with more merchants attract more developers (and vice versa)?

Q2: The “chicken-and-egg problem”: which side should the platform attract first, and why?

Q3: Once the platform reaches critical mass, why is it hard for competitors to enter?

Solutions

Activity 1: Business Model Canvas Detective

- A1: Model answer for Revolut:** The most important friction removed is the pain of multi-currency spending—traditional banks charge hidden foreign-exchange markups and out-of-network fees, while Revolut offers near-interbank rates instantly from a single app.
- A2:** Revolut acquires customers through app-store discovery, word-of-mouth referrals (rewarded with perks), and social media presence. The product itself acts as its own distribution channel: when a user splits a bill or sends money, the recipient is introduced to the platform organically.
- A3:** Users would lose seamless currency switching, instant peer-to-peer transfers across borders, and the single-dashboard view of spending across multiple currencies. Traditional banks typically silo each currency into separate accounts with manual conversion steps.

Canvas elements (Revolut):

- **Value Proposition:** Friction-free multi-currency spending and transfers.
- **Customer Segments:** Primary—frequent travellers and expats; secondary—freelancers receiving foreign-currency income.
- **Channels:** App stores, referral programmes, social media, in-app virality.
- **Revenue Streams:** Subscription tiers, interchange on card transactions, foreign-exchange markup beyond free-tier limits, premium features.
- **Key Resources:** Banking licence (or e-money licence), technology stack, compliance and anti-money-laundering team, card-scheme partnerships.

Activity 2: Unbundling Map

- A1:** Stripe → Payment processing (removes integration complexity for online merchants). Wise → Foreign exchange (removes hidden FX spreads on cross-border transfers). Lemonade → Insurance underwriting (removes slow claims and opaque pricing). Betterment → Wealth management (removes high minimums and advisory fees). LendingClub → Lending (removes bank intermediation between borrowers and investors).
- A2:** Revolut began with foreign exchange and added crypto trading, stock access, insurance, and salary advances. Stripe began with payment processing and expanded into billing, fraud detection, corporate cards, and treasury management. Both illustrate **rebundling**—starting narrow, then cross-selling adjacent services once trust is established.
- A3:** A single-product FinTech faces high customer-acquisition costs. Once a user trusts the platform, the marginal cost of offering an adjacent service is low, while the marginal revenue is high. Rebundling increases lifetime value per customer and creates switching costs, making the relationship stickier.

Activity 3: The Platform Puzzle

- A1:** This is a **cross-side network effect**: more merchants mean consumers have more places to pay, which makes the platform more attractive to consumers. Simultaneously, more consumers mean more potential revenue for each merchant, which draws additional merchants in. Each side's growth reinforces the other's.
- A2:** Most successful payment platforms attract the **supply side** (merchants or developers) first, often by subsidising onboarding or offering free tools. The logic: if the platform already has merchants, consumers have an immediate reason to join. Attracting consumers first is harder because they have no place to spend. This is the classic “cold-start problem.”

A3: Once critical mass is reached, the platform enjoys a self-reinforcing loop that creates a **structural moat**. A new entrant would need to simultaneously attract both sides—each of which has little reason to join an empty platform. The incumbent’s network utility grows with every additional participant, making the gap progressively wider. Competitors must find a niche underserved by the incumbent or offer dramatically superior economics to pry either side away.