



ISCTBL 2020

INTERNATIONAL SCIENTIFIC CONFERENCE

Универзитет „Гоце Делчев“ –
Штип

Goce Delchev University
Shtip

Факултет за туризам и бизнис
логистика

Faculty of Tourism and
Business Logistics

**Трета Меѓународна Научна Конференција
Third International Scientific Conference**

**ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС
ЛОГИСТИКАТА ВО 21 ВЕК
CHALLENGES OF TOURISM AND BUSINESS
LOGISTICS IN THE 21ST CENTURY**

**ЗБОРНИК НА ТРУДОВИ
CONFERENCE PROCEEDINGS**



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Plenary session

Prof. Gligor Bishev, University Professor and Chairman of the Board, Sparkasse Bank-Skopje – *“The impact of the pandemic on economic developments”*

Peter Tabak, Executive Director, Leading Regional Economist for Economics, Policy and Governance in the Western Balkans Vice-President for Policy and Partnerships, European Bank for Reconstruction and Development - *“Economic outlook for the Western Balkans during and after the epidemic”*

Milan Zdravkovic, Executive Director of the Distribution System Operator in J.P Srbijagas, Belgrade, Serbia – *“Supply of natural gas in COVID-19 conditions - experience and expectations”*

Prof. Misko Dzidrov, University Professor and Vice-rector for Teaching and Students, Goce Delcev University of Stip – *“UGD in a time of pandemic”*

Prof. Tatjana Boskov, University Professor and Dean of the Faculty of Tourism and Business Logistics, Goce Delcev University of Stip – *“The impact of coronavirus on global growth and global supply chain shifts”*

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I and II session

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УНИВЕРЗИТЕТ „ГОЦЕ ДЕЛЧЕВ“ - ШТИП
GOCE DELCEV UNIVERSITY OF STIP

ФАКУЛТЕТ ЗА ТУРИЗАМ И БИЗНИС ЛОГИСТИКА
FACULTY OF TOURISM AND BUSINESS LOGISTICS

ТРЕТА МЕЃУНАРОДНА НАУЧНА
КОНФЕРЕНЦИЈА

THIRD INTERNATIONAL
SCIENTIFIC CONFERENCE

ПРЕДИЗВИЦИТЕ ВО ТУРИЗМОТ И БИЗНИС
ЛОГИСТИКАТА ВО 21 ВЕК

CHALLENGES OF TOURISM AND BUSINESS LOGISTICS
IN THE 21ST CENTURY

ЗБОРНИК НА ТРУДОВИ
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13 ноември, 2020, Штип / Shtip, November 13th, 2020

ПРЕДГОВОР

Факултетот за туризам и бизнис логистика при Универзитетот „Гоце Делчев“ во Штип, беше организатор на Третата меѓународна научна конференција „Предизвици на туризмот и бизнис логистика во 21 век“. Конференцијата се одржа на 13 ноември 2020 година на платформата Microsoft Teams, со повеќе од 90 учесници од матичната земја и странство. Оваа година Меѓународниот научен комитет брои еминентни професори од нашата земја и над 15 странски земји како Израел, Шпанија, Франција, Молдавија, Италија, Грција, Египет, Полска, Турција, Романија, Бугарија, Србија, Хрватска, Босна и Херцеговина и Словенија.

Целта на оваа конференција е да промовира поголемо разбирање на бизнис администрација, логистиката, туризмот и угостителство во однос на управувањето, економијата, образованието и претприемништвото. Ова подразбира дека фокусот на учесниците го насочивме кон најновите трендови и предизвици во врска со развојот на туризмот, менаџирањето со компаниите, пазарот на труд, можностите за придобивки и профит, изгледите за подобра конкурентност на меѓународниот пазар, што пак е императив за финансиската стабилност на нашата земја во целина.

Имено, со пристигнатите трудови и авторските истражувања се оствари целта на конференцијата - а тоа е оценувањето на тековната состојба и идните изгледи за развој на микро план што се однесува на домашниот пазар, како и движењата на глобалната економија, подготвувајќи ја бизнис заедницата за предизвиците со кои ќе се соочуваат при остварувањето на нивните цели, што де факто влијае врз одржувањето на финансиите особено во времето кое го живееме под притисокот на пандемијата.

Препораките кои се пренесоа се однесуваат како да се зајакнува капацитетот на компаниите како и промените во регулативите кои го диктираат нашиот пат кон ЕУ. Дискусиите во текот на конференцијата беа одговор на тоа како реагираа и се позиционираа менаџерите на финансиски средства во услови на голем пазарен ризик, пазарни шокови и турбуленции и како треба да се подготвуваат инвеститорите во поедини сектори. Трудовите прикажаа изгледи и кон идната интеграција на земјите од Западен Балкан, со осврт на досегашните постигнувања и идните предизвици пред овие економии како и размена на искуства на сите учесници кои сме денес присутни од повеќе земји.

Токму овие препораки треба да бидат двигател на процесите на реформата во насока на подигање на квалитетот на образованието заради поголема продуктивност на трудот, конкурентност на економијата и намалување на неусогласеноста на понудата на вештини и компетенции како и побарувачката на пазарот на труд.

Постигнувањето на овие цели е заедничка задача на сите оние што се во позиција да го дадат својот придонес за имплементација на реформите во општеството. Токму тие реформи, тие промени во начинот на пристап, методологија на работа и организација, не треба да ги правиме само за да станеме дел од економскиот блок, туку да бидат во насока да постигнеме нешто друго, многу позначајно, односно сите напори што ги правиме да бидат за остварување на повисок степен на благосостојбата на нашите граѓани, за создавање на достоинствени услови за живот и работа.

Во регионот, меѓутоа и пошироко, во Европа, искуствата се најразлични. Наидуваме на успешни, и на не толку успешни модели. Токму ваквите научните конференции, дебатите што се развиваат тука, се најдобриот начин за размена на искуства, за идентификација на предизвиците и перспективите, за споредување на моделите и третирањето на нивните недостатоци или предности, меѓутоа и презентирање

на можните нови комбинирани модели. Едукацијата на новите генерации кои ќе бидат подготвени да се соочат со предизвиците што ги носи глобализацијата, е заеднички предизвик на Универзитетите, на бизнис заедницата, но и на централната и локалната власт.

Штип,
13 Ноември 2020

Главен уредник
Проф. д-р Татјана Бошков, *Декан*

PREFACE

The Faculty of Tourism and Business Logistics in Gevgelia, part of the University Goce Delchev from Shtip, hosted the Third International Scientific Conference, "Challenges of Tourism and Business Logistics in the 21st Century". The conference was held on 13th of November 2020 on the platform Microsoft Teams, with more than 90 participants from the country and abroad. This year the International scientific committee included eminent professors from our country and more than 15 from foreign countries, such as Israel, Spain, France, Moldova, Italy, Greece, Egypt, Poland, Turkey, Romania, Bulgaria, Serbia, Croatia, Bosnia and Herzegovina and Slovenia.

The aim of this conference is promoting a greater understanding of the business administration, logistics, tourism and hospitality in terms of management, economics, education and entrepreneurship. In that context, the focus of our participants was on the latest trends and challenges related to tourism development, company management, labour market, opportunities for gain and profit, opportunities for better competitiveness in the international market, which is imperative for the financial stability of our country entirely.

Furthermore, the conference papers and authors' researches fulfilled the aim of the conference, the assessment of the current situation and future prospects for the development of the micro plan in terms of the domestic market, as well as the global economy changes, prepared the business community for the challenges that will they face during their goal achievement, which de facto affects the maintenance of finances especially in the time we live under the pandemic pressure.

The detection of the conditions that have been presented is a real mirror of where we are, where we have been, and what is even more difficult, to answer the question what next? Achieving these goals is a common task of all those who are in a position to contribute to the implementation of reforms in society. Exactly those reforms, those changes in the way of approach, methodology of work and organization, we should not make only to become part of the economic block, but to be in the direction of achieving something else, something much more significant - efforts for achieving a higher degree of well-being of our citizens, for creating dignified living and working conditions.

In the region, but also beyond, in Europe, the experiences are diverse. We come across successful and not so successful models. Exactly such scientific conferences, debates that develop here, are the best way to exchange experiences, to identify challenges and perspectives, to compare models and how to treat their disadvantages or advantages, but also to present possible new combined models. The education of the new generations that will be ready to face the challenges posed by globalization is a common challenge of the Universities, the business community, but also of the central and local government.

Shtip,
November, 13th, 2020

Editor
Tatjana Boshkov, Ph.D. *Dean*

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OVERVIEW OF NEOBANKS MODEL AND ITS IMPLICATIONS FOR TRADITIONAL BANKING.

Zoran Temelkov¹

Abstract

Traditional banks enjoyed a favourable position in the financial markets for many decades, as the number of threats coming from outside the sector was almost non-existing. Nevertheless, the changing landscape of the banking industry in the post crises period opens up the gates for new entrants to become a significant disruption for the traditional banks. One such disruption comes from neobanks which represent an institution operating under a new type of bank business model.

This new model may be considered as the opposite of the existing banking models since it is a fully online bank while conventional banks rely heavily on the physical presence through a network of branches. Hence, the development of new ways for the creation and delivery of financial products have some major implications for the traditional bank. These implications predominantly can be found in the cost levels and cost structure, products and service delivery, personalization of products and acquisition of new customers.

Keywords: Neobanks, traditional banking, disruption, fintech, bank business model
JEL classification: G21, G23.

Introduction

Traditional banks have been a crucial player in the financial markets for a long time and the number of potential competitors was rather limited because it was difficult for new entrants to enter this industry. However, the last financial crises, along with technological innovations, have removed some of the main barriers and enabled easier access in the industry for banking products and services. Also, a new form of competitors has emerged during the last decade, which pose a serious threat to the traditional banking model and they are considered to be a significant disruption for the overall banking industry.

Neobanks are among the most severe competitors that have appeared during the last decade. This type of banks operates fully online and exclude the need for delivery of financial services through the physical presence and brick-and-mortar branches. Consequently, this new model of financial institutions has some significant implications for conventional banks as it threatens to disrupt their long-standing comfortable positions.

Implications can be found for different areas of traditional banking activities since neobanks rely heavily on technological innovations and fintech in every aspect of its operations. The

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implications for conventional banks show the need for replacement of existing technology, removal of non-value adding costs, modifications of different internal processes and simplification of the existing bureaucratic structure.

Banking terminology associated with fintech developments

The last decade, or the period since the last financial crisis, is characterized with significant innovations which caused changes in the financial markets and the way financial products and services are delivered. The banking industry has experienced significant changes due to the revision of the regulatory framework and the relaxed entry barriers. Banking institutions are also under heavy influence coming from the developments and growth of the fintech industry. Accordingly, a variety of non-banking institutions, the fintech companies, entered the market for financial products and services traditionally provided by the banking sector.

The new type of competitors utilizes the benefits brought by the innovations in financial technology up to a level where they may be more efficient in the delivery of certain services compared to the large and sleepy banking institutions. Consequently, analyzing the implications, coming from what may be considered the ultimate bank competitor, imposes the need for certain terminology to be defined. Accordingly, the developments in the fintech industry had spurred the creation of new types of banks and also assigned different labels to existing banking models. However, confusion may arise in the correct usage of the different terms and they are sometimes used interchangeably even though they may refer to different aspects. Hence, a distinction should be made between the following:

- Challenger banks - The term challenger bank is among the most heavily used terms to refer to a specific type of banks in terms of how they affect the existing banking institutions. Accordingly, challenger banks can be defined as a newly created banks or an established institution that aims to enter into direct competition with large, well-established institutions (Carmona, F. A. et al. (2018)). Moreover, the term challenger bank can also be used for institutions offering specialized services to markets which are neglected by the conventional banks.
- Big tech – or Tech giants is a term assigned to technology companies such as Google, Apple, Amazon and Facebook that have a significant influence in different areas, including the financial markets. These companies are also considered to be among the major threats which could jeopardize the position of banking institutions.
- Digital banks - This bank model may be perceived as the model which announces the arrival of neobanks models based on its characteristics. A digital bank is essentially a traditional bank which moves a step further and makes its products and services available online (Laloux, G., 2015). Digitization of activities and services enables banks to lower their costs and augment the process of service delivery.
- Neobanks – represent a financial institution (with or without banking license) offering its services fully online without a network of physical branches. This bank model employs innovative technology to provide personalized services to targeted niches.

The financial markets and the banking industry may be considered to be among the most dynamic industries and areas in the economy. Accordingly, the constant developments mean that there is a need for new emerging terminology to be clearly defined and understood. For

instance, what was once known as a major innovation and the latest business model, is now labelled as a traditional model or a digital model. Also, it may be noted that a large portion of the newly created terminology comes from the developments in the fintech industry and the way this industry affects the sale and delivery of financial products and services.

Evolution of neobanks

Technologically advanced and fintech based banks and financial institutions had gained popularity during the last decade when drastic changes in the regulatory frameworks were initiated under pressure from the last financial crises (Alvaro, M. et al., 2016). However, the digitalization of bank activities, in one form or another, has started a couple of decades ago. Consequently, it can be said that, to some extent, neobanks are a modern version of traditional banks as they offer financial products and services through the application of fintech and other innovative technology. Noteworthy mentioning is that these types of banks have begun their operations by offering simple and basic products such as current accounts or debit cards (Gabriel Hopkinson et al. (2019). Afterwards, they have managed to broaden their range of products in a relatively short period of time. Table 1 provides a brief overview of the developments in direct banking models that took place during the last 30 years.

Table 1: A short history of direct banking models

1990	2000	2010	Today
—			
First generation direct banks	Second generation direct banks	Neobanks	
<ul style="list-style-type: none"> • Starting point in the 90's – peak before the dotcom bubble • Call Center as pivotal point of the business Model • In most cases affiliated with one of the incumbent banks • • No long-term economic success 	<ul style="list-style-type: none"> • Launched as direct alternative to traditional banks • Strong growth in the 2000s – reaching scale through acquisitions (e.g. ING DiBa) or organically (e.g. DKB) • Focus on Online (desktop) and process automation (cost reduction!) • Different types of direct banks emerging: brokerage specialist, savings monolines, or primary banking alternatives to branch banks 	Five common identifiers for Neobanks: <ul style="list-style-type: none"> • Disrupting a specific segment, product or process • Extreme focus on customer experience and "journeys" • Smartphone as primary distribution and communication channel • Based on new, flexible IT-architecture – no "Legacy" • API-Native and Open Banking oriented 	

Source: Exton definition, presented in - Lance Daniels and Christoph Stegmeier (2018) Facing the arrival of the new wave of digital banks: The Neobank, Inside Financial Services – The Neobanks, Exton Consulting – Strategy and management

At the time of its introduction, the call centre model has been considered a significant step in the augmentation of the direct bank model from 1990 to 2000. The second generation of direct

banking post-2000 aimed at online and process automation with the ultimate goal of cost reduction. Neobanks developments took place during the decade when it took the form of a fully online bank. Its business model is significantly more advanced compared to the previous two generations as it is focused on a specific niche, customer experience and product customization delivered through innovative technology.

Neobanks business model defined

Even though there might be a lack of generally accepted definition of neobanks, this type of institution could be defined as a financial institution which offers its products and services fully online excluding the need for physical branches which is a distinctive characteristic of traditional banks. Neobanks may also be defined as an institution offering financial services with the application of apps with the aim to serve specific niches in a more efficient manner (Bradford, T., 2020). Furthermore, because neobanks are fully online institutions, they are focused on developing their own IT infrastructure and the associated technology through cloud-based operating systems (Gabriel Hopkinson et al., 2019). However, Bradford, T. (2020) states that neobanks should not be considered to be a full bank institution per se because not all of them are a chartered financial institution. Alternatively, neobanks may operate through a partnership with a licensed bank or fintech institution or it may obtain a license from the relevant authority when it fulfils the regulatory requirements (Ahishek, K. and Mishra, V., 2019). Hence, in essence, they can operate under either of the two basic models which impose a different way of conducting the activities. The primary difference between the two models is in the bank license with which they conduct their operations. Accordingly, a distinction can be made between full-stack neobanks and front-end focused neobanks. The basic characteristics of these two fundamental neobanks models are presented in table 2.

Table 2: Overview of full-stack and front-end Neobanks

Full-stack Neo Banks	Features	
<ul style="list-style-type: none"> Built on Platform model Have a banking license Control most of the value chain from front-end to back-end Use a lean/asset-light approach Have their own/proprietary CBS Leverage unsoiled data to gain customer insights/offer personalized services 	Asset-light platform	
	N26; Starling Banks; Monzo	
	Full Services (in-house)	
	Atom bank; Tandem	
Front-end Focused Neo Banks	Features	
<ul style="list-style-type: none"> Do not have a banking license Partner with a larger/established bank CBS/tech systems are off-the-shelf or sourced externally Control only front-end of the value chain (customer interface) Support B2C and B2B apps Target niche segments (young millennials, SMBs, Entrepreneurs) 	B2C	B2N
	Targets young people	SMB Focus
	Osper; Loot	Qonto; Revolut
	Basic Banking Services	Solo Entrepreneur
	Revolut; Compte Nickel; Monese	Holvi; N26; Kontist

Source: Finnovate, 2018: Neo-Banks: Performance and New Ideas, Finnovate Research – Ideas for financial innovation, October

It is evident that the full-stack neobanks have a bank license and could offer their products and services without the need for partnership with a traditional bank. Also, this type of neobanks has almost full control of the value-chain. On the other hand, the front-end neobanks cannot operate independently and they need to establish cooperation with an existing bank with a valid bank license.

Furthermore, in terms of the products offered, neobanks may be focused on providing a specific product or a group of related products. Through the offerings of specialized products, neobanks attempt to satisfy the need of a particular market which is commonly underserved by the conventional banking sector. Also, their products may be developed with the aim to offer financial products to the underbanked populations.

Diogo Silva and Peter Ward (2016) argue that neobanks may take three basic approaches when developing their product lines in the process of attracting new customers. These approaches are the savings-led, credit-led and account-led approach. As the name implies, products developed within the first approach are intended to acquire a higher number of savers looking for higher yield. The credit-led approach serves the purpose to attract new customers in need of a specific credit product. The last, or account-led approach offers enhanced app experienced that support better management of finances.

Regardless of the product offered, neobanks business model is oriented toward improvements of the traditional services and adaptation to the changing environment through innovations. According to Gabriel Hopkinson et al. (2019), neobanks business model stimulated innovation in areas such as:

- Customer experience – since they offer a high degree of personalization and have well-established customer support infrastructure. Also, neobanks enable the customer to swiftly open a bank account or use specific types of services at a lower cost compared to the cost when using traditional banking institutions.
- Features and money management tools – the neobanks apps help its customers to better understand their personal finances by providing different types of notifications and details related to the way money are spend or saved.
- Agility and low-cost structure – as a fully online bank, neobanks have better operating efficiency compared to brick-and-mortar banks. Consequently, they may offer lower fees or remove fees charged by conventional banks. Neobanks are based on technology which means that they can swiftly adapt to potential changes in customer preferences or market innovations.
- Transparency – neobanks are focused on providing as much information as possible to the public and their users. Neobanks activities and operations are presented through a variety of financial reports, documents, blogs and other types of communications.

Since neobanks operations are centred around the utilization of financial technology and because it is a fully online institution, its business models have a low-cost structure while offering features rich products and services (Finnovate, 2018). Consequently, these business models disrupted the long-standing model based on the delivery of financial products through a network of physical branches. Accordingly, the widespread acceptance and increased popularity of the new, technologically advanced models come from the benefits it brings for its customers as well as shareholders.

Fundamental advantages of neobanks

Neobanks are classified as fintech based bank because its business model is developed through the application of specific financial technology. Consequently, the utilization of technological innovations and the elimination of brick-and-mortar branches bring a variety of advantages for this business model.

The most distinguished advantages of neobanks come in the form of simple structure, low operation costs, the ability to charge lower fees and offer higher rates, swift product creation, leveraging technology, lower risk aversion and superior user experience (FinTech Futures, 2019; Alvaro, M. et al., 2016).

Needless to say, is that the most obvious advantages of low operating costs come from the elimination of a network of physical branches as neobanks offer their products and services fully online. It is stated that certain operational costs of neobanks compared to the costs of conventional banks may be lower by 40% - 70% (FinTech Futures, 2019). Moreover, the simple structure and the utilization of advanced IT solutions additionally supports the low costs structures since potential changes in processes, products or operations are implemented much faster compared to the traditional banks.

Having lower cost structure means that neobanks are able to charge lower fees or even remove certain fees while offering interest rates which are usually higher than those offered by most traditional banks. Moreover, neobanks are also able to offer a higher degree of personalization in their products and services, unlike mainstream banks which tend to have a bureaucratic structure which complicates the product development. Superior customer experience is another advantage and it comes from the possibility of neobanks to provide financial services in a much faster and in a more user-friendly manner which is rather hard or even impossible to be offered by traditional banks.

Ahishek, K. and Mishra, V. (2019) add that another advantage of a neobank is its ability to integrate modified or new business processes and products in their current platform in a faster and efficient manner where the ultimate benefit is utilized by the customers.

Neobanks influence of traditional banking institutions

Going through the neobanks business model and the advantages of this new type of banks show why neobanks are considered to be a major threat for traditional banks and why they gradually become one of the most serious competitors. Hence, the development of these fintech based banks has certain implications for the industry historically dominated by the conventional banking business model.

First, it can be said that traditional banks are faced with low flexibility and a high degree of rigidity when it comes to the brick-and-mortar model of providing financial services. This is in a sense that the process of attracting new and retaining existing customers is much harder and incurs higher costs compared to the neobanks (Clara Grillet and Louise Pacaud, 2020). Neobanks has shown that nothing can beat the fintech innovations when it comes to selling and delivery of financial products and services and satisfying the financial needs of customers.

Since neobanks are serving specific segments of customers usually served by traditional banks, it is implied that banks should find a way to increase their flexibility.

Therefore, if wondering when is the right time for banks to start adapting to the new changes, it could be said that the right time is yesterday considering the speed at which new competitors such as neobanks change the market for financial products and the speed at which they attract new customers (Skan, J. et al., 2018). Noteworthy mentioning is that the danger doesn't come only from neobanks and other fintech companies but also from players who are not part of the banking industry such as the big internet platforms and the big tech companies.

Examining the implications coming from neobanks means that banks should understand which institution is the real threat. While neobanks are quoted as the major danger, it should be noted that not all neobanks pose an equal threat to conventional banks. A better understanding of the real threat means that a distinction should be made regarding the effect coming from the two basic types of neobanks, i.e. full-stack neobanks and front-end focused Neobanks (Finnovate, 2018).

Consequently, while full-stack neobanks may have negative implications, front-end focus neobanks may affect the traditional banking industry in a positive manner. The need for front-end neobanks to partner with an established bank means that they can be considered to be an opportunity for banks to expand their activities and offer specific products to targeted niches. Ultimately, this might have a positive effect on the bottom line as well as the customer base.

On the other hand, full-stack neobanks are considered to be a danger for the traditional banking institutions because they operate under own bank license and they have control over most activities related to the development and delivery of financial products and services.

It is expected that neobanks developments have significant implications for traditional banking because they affect multiple areas of the business operations and activities. Consequently, the affected areas, along with recommended actions to be taken, are presented in table 3.

Table 3: *Areas of conventional banks under the influence of Neobanks*

Traditional banking	Brief explanation	Suggested actions
Operational costs	The high cost of maintaining a network of branches	Reduce the number of branches or increase branch efficiency
Fee structure	High fees for non-value adding activities due to the high operational costs. Fees may have a negative effect on customer satisfaction, especially because Neobanks charge lower fees.	Increase operating efficiency through improvements in business processes and the application of advanced IT solutions.
Technology	Higher maintenance costs and outdated internal systems	Although costly, switching to new technology may have a significant positive impact on multiple business processes.

Availability of services	In general, services are available during bank working hours. Outside of working hours, customers have access to limited services.	Enable 24 hours of access to most services through the application of new technology while maintaining low costs.
Products and service development and modification	Inflexible and stiff products and services as offering customized products are almost non-existing.	Remove the bureaucratic decision-making processes and increase the responsibilities and flexibility of branch employees.
Number of products and services and markets served	Offering a large variety of products may impede the competitive advantage	Traditional banks may want to primarily gain a competitive advantage in serving specific segments or package of products. Other products may also be offered after reaching adequate market share in the served niche.
Processing time	Outdated technology and the need for physical presence (which may form queues) limits the speed at which products are delivered to the end-user.	Utilization of adequate technology and the elimination of unnecessary steps in the business processes
Delivery of services (level of complexity to use products and services)	High level of paperwork complicates the delivery and usage of bank products which creates dissatisfaction.	Reduce the number of steps in the delivery of different products and services.
Utilization of collected data	Traditional banks lag behind to grasp the benefits of collected data to understand their customer's needs better.	Employment of technology which will augment the analysis of existing data. AI technology may be used for the analysis.

Source: Compiled by the author

Aside of the aforementioned implications of Neobanks on traditional banks, the new bank models may also create a strategic and profitability risks along with disturbances in the liquidity levels and the level of funding sources (BCBS, 2017). Since neobanks gain popularity, especially among millennials, they have the potential to attract a higher number of savers which usually held their deposits and savings with traditional banks. Consequently, the banks may lose a portion of this type of funds used to finance their lending activities further.

It can be freely said that neobanks become a serious threat for the traditional banking industry and it affects traditional banks in numerous ways. The major drawback is that neobanks doesn't affect only a couple of areas of the bank operations. Instead, they affect the majority of

processes for the creation and delivery of products and services as it can be seen from the table. Consequently, banks need to pay attention to this threat and initiate adequate actions which will ensure that they will not lag.

However, it should be noted that the effects from these implications are not severe since neobanks need to grow even further before they can become a serious danger for conventional banks. Nevertheless, banks should not take this new type of competitors for granted, as they have the potential to grow substantially.

Conclusion

Banks have been conducting their activities on the basis of the traditional bank business models for many decades without any major threat. However, the actions initiated with the last financial crises have jeopardized the commodity of these models in a way that they impose the need for conventional banks to modify their models if they want to remain competitive. Also, the fintech developments have opened up a playground for the development and creation of new, modern, business models, which utilize innovative technology and improve the processes of traditional banks. Consequently, one of the major disruptions for the banking industry comes from the neobanks which sell and deliver the financial services fully online.

Accordingly, traditional banks should not ignore the implications which are brought by the neobanks, since this new type of business model has some significant advantages compared to the conventional banks. Hence, couple of primary implications which have been identified are in the areas of types of costs, operating efficiency, fees structure, the flexibility in the personalization of products and services, degree of customization of products, ability to utilize gathered data, the speed of adaption of new technology, the complexity of organizational structure, etc.

The implications coming from the developments of neobanks show that conventional banks should initiate the process of modifying and adapting their existing operations if they want to remain competitive in the market for delivery of financial products and services. There are multiple approaches which can be used by the traditional banks in their efforts to suppress the effects coming from neobanks and the fintech industry. Of course, the selection of an adequate approach depends on a variety of internal and external factors.

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