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Formulation of Strategic Plan for a Financial Technology Startup Company

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Abstract

This study formulated a strategic plan for a financial technology start-up company in the Philippines. The business model involves selling airtime prepaid loads and mobile top-ups, channel and medium for various remittance and financial institutions, and Artificial Intelligence (AI) capable system that gives assistance and basis to its users for granting of loans. The FinTech industry is a fast-emerging industry in the county. The Philippine government pushes and backing up the financial inclusion and digitization programs aiming to simplify and bring ease and convenience of doing business which brings stiff competition among FinTech companies. The emerging market and stiff competitors can bring disadvantage position, thus strengthening marketing initiative campaign will be the best strategy for the company. Based on the strategic management tools and gathered data, market penetration will be the best strategy for the FinTech company to sustain performance. The marketing campaigns and use online social media platforms must be utilized to do promotions and advertisements. Specific action plans to achieve the company's objective is to create social media accounts and increase its presence on all social media platforms. The creation of short audio-visual presentations and videos will inform, and educate the targeted market about the company, and its product and services. The videos will be also used to inform the market about the importance and advantage of doing online transactions. The implementation of the strategies and program plans is expected to bring a FinTech company to a better position and can be the leading and most trusted financial solution providers in the country.

Keywords: *Financial Technology, strategic plan, startup company, FinTech*

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1. Introduction

Financial Technology, otherwise known as fintech, is an emerging industry brought about by the innovation in technology. It is considered as the most important innovation in the financial industry in the recent year. According to KPMG India (2016), there were more than 12,000 start-ups and massive global investment of USD 19 billion in fintech industry in the year 2015 alone. Lee and Shin (2017) describes this new landscape as a promise in reshaping the financial industry through cost-cutting, improving services and offering diverse products and services. With the easy access to technology, fintech opens a wide range of opportunities for startup companies by providing financial solutions using the internet (Milian et al., 2019; Gabor & Brooks, 2017; Alt et al., 2018; Gomber et al., 2018) in the form of trading, lending and asset management (Gomber et al., 2018; Alt et al., 2018; Lee & Shin, 2017).

There has been a phenomenal growth in fintech investment within the last decade. For example, the first quarter of 2016 saw an increase of 67% to reach $5.3 billion in ventures (Accenture, 2016). According to Statista (2023), investments into fintech companies reached $216.8 billion from 2010 to 2019, dropped below $125 billion in 2020 and increased to almost $239 billion in 2021. Although the pandemic period was a slow year for fintech, it opened opportunities for small and medium enterprises through the use of technology. With the threat of fintech competition in the past that 83% of financial institutions believed at risk to fintech startups (PwC, 2016), to opening significant impact on the financial industry and opening more doors for entrepreneurial undertakings. Fintech is touted as a game changing, disruptive innovation capable of shaking up traditional financial markets (Lee & Shin, 2017), which led to cost reduction, innovation and flexibility (Thakor, 2020).

According to KPMG India (2016), fintech start-up firms engage in external partnerships and embeds innovations in financial education and literacy, investments, retail banking and cryptocurrencies (Gomber et al., 2018). The challenge of innovation and digitalization leads financial institutions and FinTechs to cooperate with each other (Ruhland & Wiese, 2022). Through these partnerships, several small entrepreneurs are given opportunities to start their business ventures online. As the industry opens opportunities to almost every budding entrepreneur, Ayman (2021) describes this as providing traditional financial services through a more sophisticated and faster style.

In the Philippines, FinTech is filling a gap that the banking sector has not reached, through cheaper on-boarding, the ubiquity of access, and technology solutions (Ayannah, 2016). Although the country has smaller fintech ecosystem (Economist Intelligence Unit, 2018), there are eight technologies operated such as predictive analytics, machine learning, RPA, image recognition, blockchain, NLP, speech recognition, and deep learning (Rylida et al., 2020). CCAF et al. (2019) identifies six business models in the Philippines including digital lending, digital payments, enterprise tech for finance, capital raising and crowdfunding, AI/ML/Big Data, and personal financial management. According to Parsad (2017), fintech companies are in partnership with several local pawnshops like Raquel Pawnshop, Tambunting, and MLhuillier, traditional remittance companies such as Western Union, MoneyGram, and TransFast, new online remittance companies like World Remit and Xoom, Bitcoin-based remittances like Coins.PH and Rebit.PH, and leading remittance centers like Cebuana Lhuillier, LBC, and Tambunting.

While majority of the studies conducted related to fintech focus mainly on its evaluation and assessment of ecosystem (Schellhase & Garcia, 2019; Vandenberg et al., 2020; Asia-Pacific Economic Cooperation, 2022; Haddad & Hornuf, 2023; Anifa et al., 2022; Bittini, 2022; Gimpel & Röglinger, 2018; Wang, 2022; Siddiqui & Rivera, 2022), there is absence of evaluating the fintech industry for the purpose of formulating a strategic plan for potential fintech startup company. Hence, this study formulated a comprehensive strategic plan for a potential fintech startup company. This study followed a three-stage approach including external analysis, industry and competitor analysis and case study of an existing fintech company.

2. Methodology

This research used the combination of exploratory and descriptive research designs. Exploratory research design discovered ideas and insights to better understand the existing business policies, processes, and guidelines to come up with a doable recommendation or solution to improve business performance. The descriptive research design was used for the better and clear specification of the business.

The development of this paper were based on several facts and information obtained primarily through public and private sources. Accessing various websites was done to get the essential and needed information and data such as Anti-Money Laundering Council (AMLC) (www.amlc.gov.ph); Association of Remittance Company Compliance Officers (ARCCO) (www.arcco.com.ph); Ayannah Business Solutions Inc. (ABSI) (www.ayannah.com); Bangko Sentral ng Pilipinas (BSP) (www.bsp.gov.ph); FinTech Philippines Association (www.fintechph.org); and Securities and Exchange Commission (SEC) (www.sec.gov.ph).

The study used three-stage approach to formulate a comprehensive strategic plan. The first stage is the external analysis, which identified all the important external factors contributing to the success or failure of any fintech startup company. The second stage is the industry and competitor analysis that provided a comprehensive framework of the industry market as foundation of the strategic actions. The last stage is the case study of an existing fintech company as basis of the comprehensive SWOT and financial analysis. The financial reports are anchored on the case study of an existing fintech company.

There were several methods and tools used to gather information and to evaluate the business processes, data, and information. The summary of the tools and activities used was summarized in the table:

Table 1

Summary of Frameworks, Activities, and Outputs

Framework	Activities	Output
Porter's Five Forces Model	Industry Analysis	
David's Functional Analysis	Company Analysis	Strengths and Weaknesses
	SWOT Analysis	Recommended Strategies

As basis of the case study, the selected sample company (X Company) provides an online platform that offers business solutions with various products and services to tap the huge market. The advancement of technology leveraged the company to develop an interoperable system to cater to various products and services for a specific target market. The targeted market was the unbanked and financially marginalized communities in the Philippines to offer four (4) major products and services: Sendah Direct, a secure, reliable, and scalable

Software-as-a-Service (SaaS) platform that partners with brick-and-mortar retailers can offer mobile top-ups, online game credits, and domestic remittance; Sendah, a Business to Consumer (B2C) gift remittance service for migrants; Sendah Remit, a bank-grade SaaS that allows interoperable international and domestic remittance transactions across different networks; and Kaya Credit, the Philippines' first credit scoring service that uses artificial intelligence to incorporate behavioral data that will give aid and assistance in decision making.

In practicing the Data Privacy Act of 2012, proper notice and requests were made and discussed with an existing fintech company. Other sources used were publicly available on government offices and agencies and over the internet.

3. Findings and Discussion

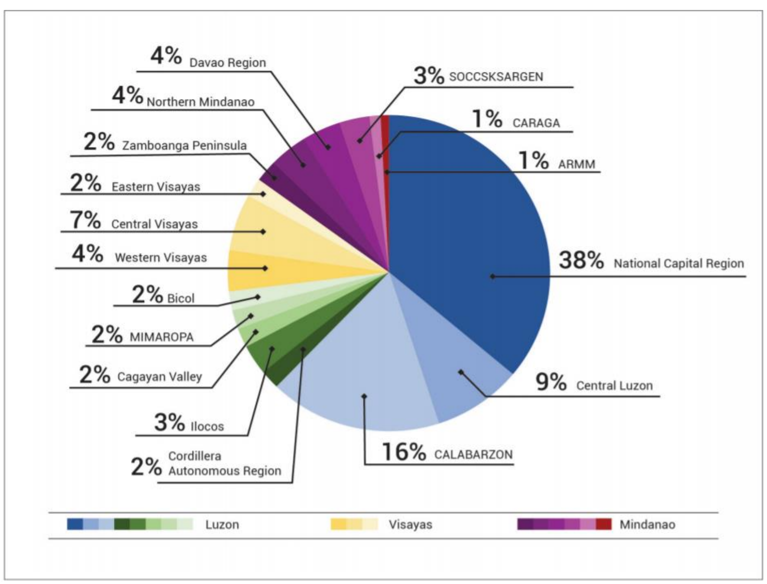
3.1. External Analysis

a. Philippine Regional Economic Growth

The Philippines' three (3) most populous regions are CALABARZON (Region 4A), National Capital Region (NCR), and Central Luzon (Region 3), which account for nearly two-thirds of the Philippine domestic production. NCR had the largest share of GDP at 37.9 percent in 2015, followed by CALABARZON at 15.5 percent, and Central Luzon at 8.9 percent, for a combined total share of 62.3 percent. The growth of these regions has been due primarily to the location of the central government, which facilitates the expansion of the industry and services sectors (NEDA, 2017).

Figure 1

Average Regional Share in GDP, 2010-2015



Source: National Economic Development Authority

The government aims to decongest NCR and direct growth to key centers throughout the country, where the benefits of agglomeration can have greater potentials of being realized. It recognizes the comparative advantages of cities and municipalities and seeks to address spatial and socioeconomic inequalities by linking lagging regions with leading ones, rather than advocating the uniform dispersal of development, which can create diseconomies and inefficiencies.

Significance: The decongestion of NCR and other key locations for economic activities will mean the building of different infrastructures including telecommunication, diversion of investors, creation of employment, and rise of micro and small enterprises in those areas. It will be an opportunity for the company to do business and reach more clients. The creation of different infrastructures like roads and telecommunication lines will expedite the market penetration, thus it will create a higher opportunity and a higher income.

b. Bayanihan Act to Recover as One (BARO)

NEDA Undersecretary Rosemarie G. Edillon explained *"this pandemic has caused substantial disruptions in the domestic economy as community restrictions have limited movement of people and reduced business operations nationwide. As we are now living with the new normal, the use of digital technology and digital transformation has become important for Filipinos in coping with the present crisis, moving towards economic recovery, and getting us back on track towards our long-term aspirations"* (NEDA, 2020).

Significance: The pandemic pushed the people to patronize and used various online applications in their everyday transactions from paying bills to simply purchasing daily necessities. The pandemic also gives way for the government plan and project for financial inclusion aiming for safe cashless transactions. The company will have an opportunity with this government program and with the people's realization for the convenience of doing transactions at the comfort of their home via online platforms and applications.

c. Increasing In-bound Remittance

World Bank (2018) reported that the Philippines raked in $32.6 billion (₱1.72 trillion) of remittance in 2017, making it the third-largest remittance receiving nation in the world that year, with most of those remittances coming from OFWs (Grit.ph, 2020).

Significance: Remittances from OFWs were sent here in the Philippines to finance the needs of their families for their needs and necessities, for education, for investments, and other financial purposes. The continuous increase in the inbound remittances will increase the purchasing power of the Filipinos creating a demand for various financial transactions, a possible avenue to do business with. This is an opportunity for the company to acquire new partners and clients and perhaps create new services and products to cater to the increasing demand for financial services.

d. Increasing Domestic Remittance Factoring Pandemic

In a written article published by Development Bank of the Philippines (DBP) dated July 19, 2020, DBP used multi-channeled approach keys in cash aid disbursement. DBP president and chief executive officer Emmanuel G. Herbosa said the bank relied on this unique mechanism in the disbursement of more than P50-billion under the Small Business Wage Subsidy (SBWS) program. Mr. Herbosa also said that DBP utilized PESONet to quickly credit the funds to more than two million employees who have accounts with 58 PESONet participating banks, or who maintain e-wallets with PayMaya, a fintech company. DBP also tapped M Lhuillier, a BSP-licensed non-bank financial institution (NBFI), to disburse the social amelioration funds of more than one million unbanked employees through the latter's network of more than 2,500 cash outlets nationwide (Development Bank of the Philippines, 2020).

Significance: The covid-19 pandemic pushed the government to release cash aids to the Filipino people to lessen the impact of the lockdowns due to the pandemic. The government tapped the fintech companies and the non-bank financial institution to disburse the social amelioration funds since the majority of the Filipino people are unbanked. The fintech companies are more accessible to the recipient of the funds. The government program is very beneficial to the Fintech industry as it increases domestic remittance and online transactions.

e. Socio-cultural, demographic trends, lifestyle changes

Unbanked Filipinos. The BSP revealed that the number of Filipino adults who are unbanked is estimated at 51.2 million, out of a total adult population of 72 million in 2019. It added that the lack of enough money remains the topmost reason for not having an account, as reported by almost half (45%) of the unbanked. Other reasons they reported were the perceived lack of need for an account and the lack of documentary requirements. They also noted that the perceived lack of need for an account may be linked to the lack of awareness that an account can be a tool for convenient digital payments. This comes even as over 80% of the unbanked have various payment transactions such as receiving benefits and wages, as well as paying fees, which they do primarily in cash (Adrian, 2020).

Significance: The high number of unbanked Filipinos having various reasons for not having a bank account is the primary targeted market of ABSI. Those high unbanked will be an opportunity for ABSI to expand and widen its reach to cater to the untapped market.

The Millennial Impact. The Philippines alone has approximately 28 million millennials (based on Comelec's voters' data in 2015), with a median age of 23. Many economists believe that this puts the country at an advantage. The entrance of the millennial into the local workforce has already started boosting the country's productivity and the sustainability of the current economic growth will be highly affected by this (KMC Solutions, 2020).

Significance: Millennials are persons reaching young adulthood in the early 21st century that was born from 1981 to 1996 aging from 24 to 39 years old as of 2020. This age group is the computer literate and tech-savvy who can easily adapt to technological advancement and developments that include online financial transactions. An opportunity for the company to easily convince clients about the advantage of being online that will eventually be converted to income (Vogels, 2019).

f. Technological developments

The Philippine Third TELCO. Philippine News Agency (PNA), (2020) reiterated that the House of Representatives approved a third and final measure renewing the franchise of the Dennis-Uy led Mislatel consortium, presently known as the DITO Telecommunity Corp., for another 25 years. There are 240 affirmative votes, 7 negative votes, and no abstention, the chamber approved House Bill 7332, which grants the 25-year franchise application of DITO, as the country's third major telecommunication player, to construct, install, establish, operate, and maintain wired and/or wireless telecommunications systems.

Significance: The entry of the “third TELCO" will create additional competition for the country's existing TELCO provider. The government aims to create healthy competition within the TELCO industry to the benefit of the users and subscribers. The competition and rivalry of the TELCOS will eventually result in better telecommunication infrastructures that can reach the far-flung areas. An opportunity for financial technology companies like ABSI, since FinTech companies are dependent on telecommunication lines, the company can reach more clients.

g. Political, legal, governmental aspects

Philippine Vision 2040. On October 11, 2016, President Rodrigo R. Duterte signed Executive Order No. 5, s. 2016 approving and adopting the 25- year long-term vision entitled AmBisyon Natin 2040 as a guide for development planning. According to EO 5, the Philippine Development Plan 2017-2022 (PDP 2017- 2022) and the succeeding PDPs until 2040 shall be anchored on AmBisyon Natin 2040. In its preamble, EO 5 recognizes the need for a “bold vision and effective development planning” based on a “forward-looking approach that goes beyond a single administration”. It also emphasized the centrality of people in development planning and their aspirations as requisite for the design of government interventions to achieve development outcomes (National Economic Development Authority, 2017).

Significance: The AmBisyon Natin 2040 is the President's plan for Philippine development, aiming for a better economy. Its direction is to create government interventions to achieve the development plans, with the AmBisyon Natin 2040. It will encourage more investors to invest in the country, the building of various infrastructures, and the creation of jobs and employment. The projects and programs in the AmBisyon Natin 2040 will be beneficial and an opportunity for the company because the creation of employment will induce the financial capabilities of the client and increase the financial services as well.

Digital Transformation. The Bangko Sentral ng Pilipinas (BSP) has unveiled it is Digital Payments Transformation Roadmap 2020-2023, which charts the central bank's current initiatives and strategy in advancing a digital payment ecosystem. The roadmap, which aims to meet the needs and capabilities of individuals and firms, identifies two key strategic objectives, first is the strengthening of customer preference for digital payments by converting 50% of the total volume of retail payments into digital form and expanding the number of the financially included to 70% of Filipino adults by onboarding them to the formal financial system through the use of payment or transaction accounts. The second is the availability of more innovative digital financial products and services designed to be responsive to the needs of consumers, enabled by a digital ID (Philippine Identification System or PhilSys), and supported by the availability of a next-generation payment and settlement system to facilitate real-time processing of financial transactions (NewBytes.PH, 2020).

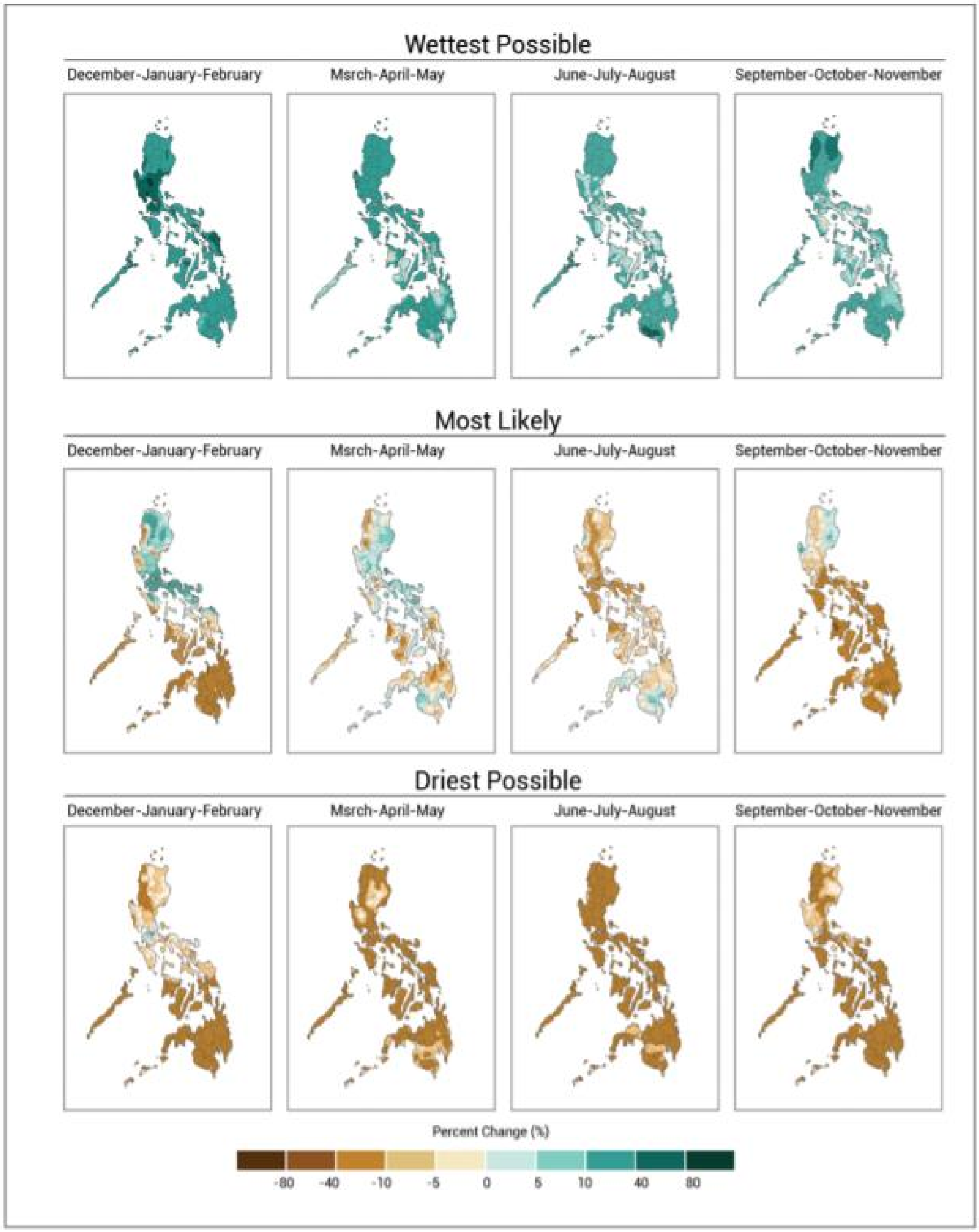
Significance: The Digital transformation of doing business from the traditional face to face to a more convenient way of online and app-based financial transactions and solutions will push the business owners and their patrons to access online platforms. This BSP initiative for the advancement of the digital payments ecosystem will be beneficial for those industries in the financial and technology as it will be easier for FinTech companies to push their products and services to the market and clients. This will be an advantage and an opportunity for ABSI to partner with business owners to be financially online. Since this is a BSP initiative the company can also partner with the BSP in educating and informing the public about the importance of doing business online.

h. Ecological aspects

Climate Change. The Philippines is prone to both geological and hydro-meteorological hazards. The frequency and severity of these hazards, climate change, and their impact are expected to increase. Thus, the Philippines ranks third among the countries with the highest disaster risk in the world, after Vanuatu (1st) and Tonga (2nd), according to the World Risk Report 2016. Based on the climate projections in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, which uses emission scenarios or Representative Concentration Pathways, the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) estimate the country's average temperature to be warmer at 0.9-1.9 °C2 to 1.2-2.3 °C3 by mid-21st century (2036-2065). The projected changes in seasonal rainfall in most parts of the country are expected to be within the range of its natural variability. These changes are strongly influenced by the El Niño Southern Oscillation, except for a highly likely drier future over the central sections of Mindanao. Projections further reveal, although, with low confidence, that wetter conditions associated with extreme rainfall events could be experienced over most parts of Luzon and western sections of the Visayas. Sea level rise, faster than the global average, has been observed in some coastal areas in the country, and this condition is projected to continue.

Figure 2

Projected Changes in Seasonal Rainfall in the mid-21st Century (2036-2065) relative to 1971-2000 under High Emission Scenario (RCP8.5)



Source: DOST-PAGASA

Significance: The effect of climate is changing and the increasing temperature will result in severe weather conditions, stronger rains, storms, and typhoons to a more humid environment up to extreme heatwaves. These weather conditions are greatly felt and experienced by the country as the Philippines are exposed to geological and hydro-meteorological hazards. This will affect the traditional way of doing the financial businesses and transactions via face to face or needs physical presence of the client. The extreme weather conditions will also affect the accessibility to those physical business locations and offices since public transportation is limited during those situations. This will be an opportunity for the company opportunity because people will tend to stay at home and access online platforms and applications to do their transactions that will eventually increase transactions and sales.

FinTech Bring Environmental Accountability. Barbieri (2019) cited that the environmental concerns are an increasingly important issue for people around the world. From cutting back on the amount of plastic being used to taking public transport wherever possible, there has been a fundamental shift towards more green-conscious habits in many parts of society. Consumers have also come to expect the same standards from businesses, with 81% of people across the globe saying that it is the responsibility of companies to help improve the environment. Consumers enjoy the knowledge of being able to observe and manage their carbon footprint, while manufacturers can show off their sustainability credentials and benefit from any radiant upswing in purchases three quarters (73%) of Millennials say they are willing to pay more for sustainable goods (Vogels, 2019).

Significance: The increasing consumer awareness for reducing carbon footprints will mean a shift to a greener option for doing business. The realization of the consumer to green-conscious habits will create a shift to technological-based processes that includes online transactions. This shift of consumer to a greener option of doing business will be an opportunity with ABSI since the company is engaged in FinTech business. This will lower the cost of doing the business physical offices and stores will not be needed anymore and production costs for cards and other tangible collaterals will not be needed anymore. The lowering of operational costs will increase company profitability.

3.2. Industry and Competitor Analysis

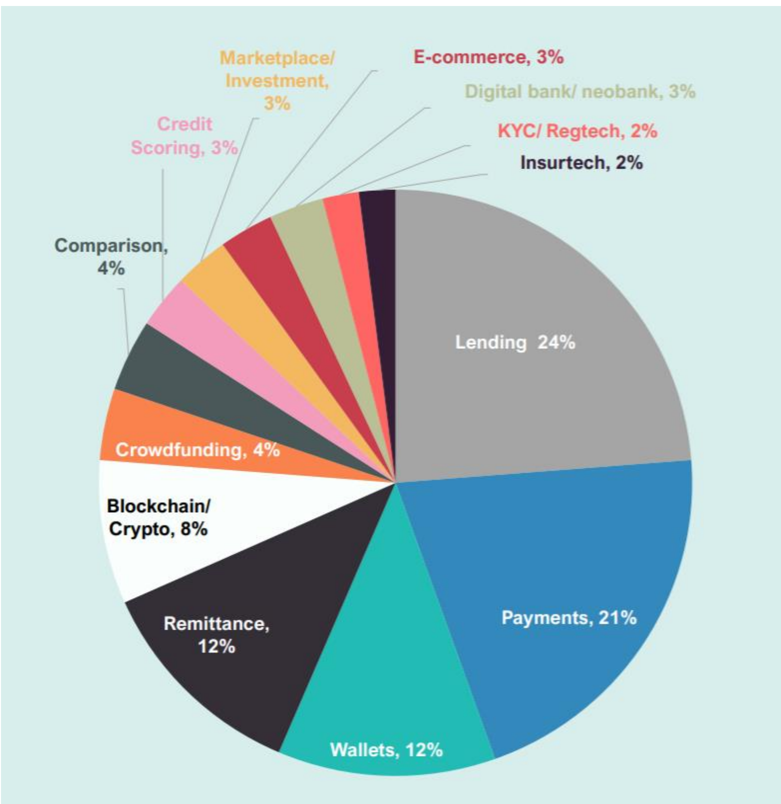
a. Industry Analysis

Philippine FinTech Industry. Gimenez (2020) explained that financial technology is a rising industry that utilizes technology and other digital means for financial activities that have seen a boom recently in the Philippines. The country's government agencies like the Bangko Sentral ng Pilipinas (BSP), Department of Trade and Industry (DTI), and the Securities and Exchange Commission (SEC) have been fervently supportive of the bullish growth of FinTech innovation and the financial sector's digitalization. The BSP has been pushing its initiatives aimed at financial digitization for some time now to accelerate inclusive growth, the progress of the overall economy, and in making the country more globally competitive (Emerging, Fintech, n.d.).

Financial Technology Sectors. The Financial Technology industry can be categorized into 13 sectors, with lending (24%), payments (21%), digital wallets (12%), and remittances (12%) being the four most predominant sectors (www.fintechnews.ph).

Figure 3

Breakdown of FinTech Companies by Sector

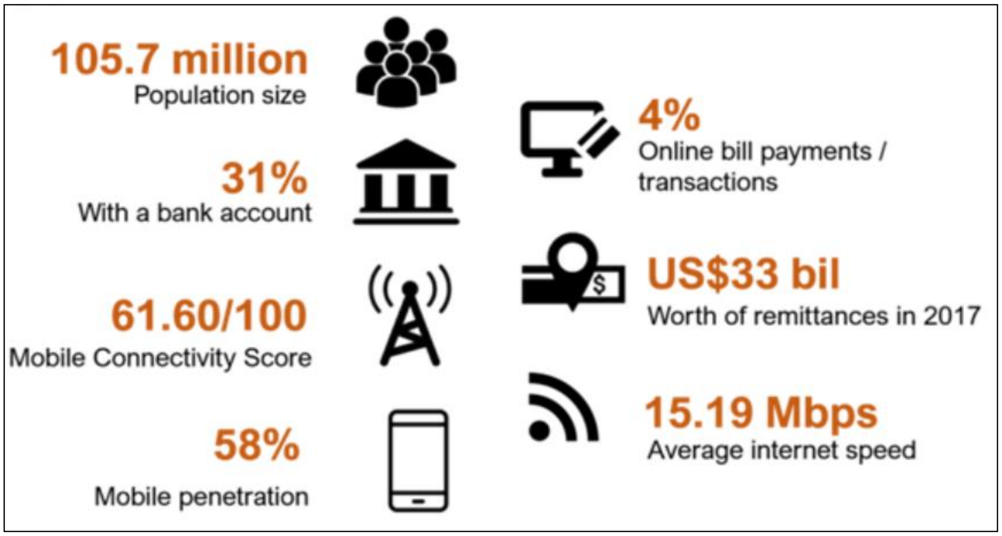


Source: Compiled by FinTech News Philippines

Market Size. The Philippines has a population of over 100 million people, with 71% being active internet users and most of them have mobile subscriptions. With the internet penetration rate of the country at 73%, this makes it a suitable breeding ground for the latest technology to be introduced and tested. The e-money system has recently seen a rise in users ever since its debut in the country, now has 20 million registered users and over 63,000 partner merchants that accept e-money payments. This overtakes the total number of credit cardholders and has made transactions more convenient for Filipinos. The way the digital wallet works is by making transactions possible using Smartphone apps that have digital payment schemes (Emerging, Fintech, n.d).

Figure 4

A Hotbed for FinTech Statistics



Source: World Bank, We are Social, 2018

Dumlao-Abadilla (2020) exposed that the transaction value of the FinTech market is expected to grow at an annual rate of 16.4 percent to reach $10.5 billion by 2022, from $5.7 billion in 2018.

FinTech Cyber Security and Stability. According to Walker (2020), the digitalization of financial institutions might concern most consumers because technology has not been known to be 100% reliable. The threats that most people were concerned about were identity theft, money laundering, and espionage. Cybercriminals have preyed on the little guys which are smaller banking firms because they were known as companies that do not invest much insecurity. There are more efforts to build awareness on the importance of safety, especially in FinTech companies. More FinTech companies will be educated about how they can secure their business operations and survive a cyber attack. Part of their education includes being proactive in their security system planning but also includes a reactive strategy (www.fintechweekly.com).

b. Competitor Analysis

FinTech Competition. FinTech News Philippines (2020) presents that there are 197 registered FinTech companies in the Philippines, out of the 197 there are some companies that appear in more than one (1) category to better reflect the nature of the business, but they still count as one towards the total.

Figure 5

Philippine FinTech Map 2020

Source: FinTech News Philippines

Ranking FinTech in General. Noda (2018) presents the top 10 local FinTech companies in the Philippines, focusing on their achievements, present status, innovations, and plans as shown in Figure 6.

Figure 6

Top 10 FinTech Startups in the Philippines

Source: FinTech News Singapore

Ranking concerning the similarity of offerings. Forbes Philippines published in its October 2016 issue a list of the country’s leading FinTech startups. The list includes 24 FinTech startups in the country. These offer a variety of Internet-based financial services such as remittance, payments, and lending.

Top 1 Mynt. The Globe Telecom-backed startup extends the mobile money service of GCash into online and mobile payments, remittance, loans, and business solutions platforms. In August, the firm partnered with the Bureau of Internal Revenue to extend the agency's tax payment services to mobile.

Top 2 PayMaya. One of the first and most aggressive FinTech companies in the country, PayMaya provides users with a digital prepaid Visa card which can be used for both offline and online payments. It has also partnered with Beep as an added feature of its physical card. The company has earned PHP 838.7 million, according to Forbes Philippines.

Top 3 PaySwitch. Through its web platform, PaySwitch allows MSMEs to offer services such as electronic loading, remittances, and bill payments. Using a point-of-sale system, customers may use over 500 products and services from 200 companies. The platform is mostly used by MSMEs such as internet cafes, pawnshops, and drug stores in far-flung areas.

Top 4 Ayannah. One of the first FinTech companies founded in the Philippines, Ayannah offers digital remittances, payments, and business solutions through its platforms: Sendah, Sendah Direct, and Sendah Remit. The startup mainly caters to OFWs but aspires to grow its network in South Asia and Latin America. Founded in 2006, the company won the main award at the Rising Expo SEA 2015.

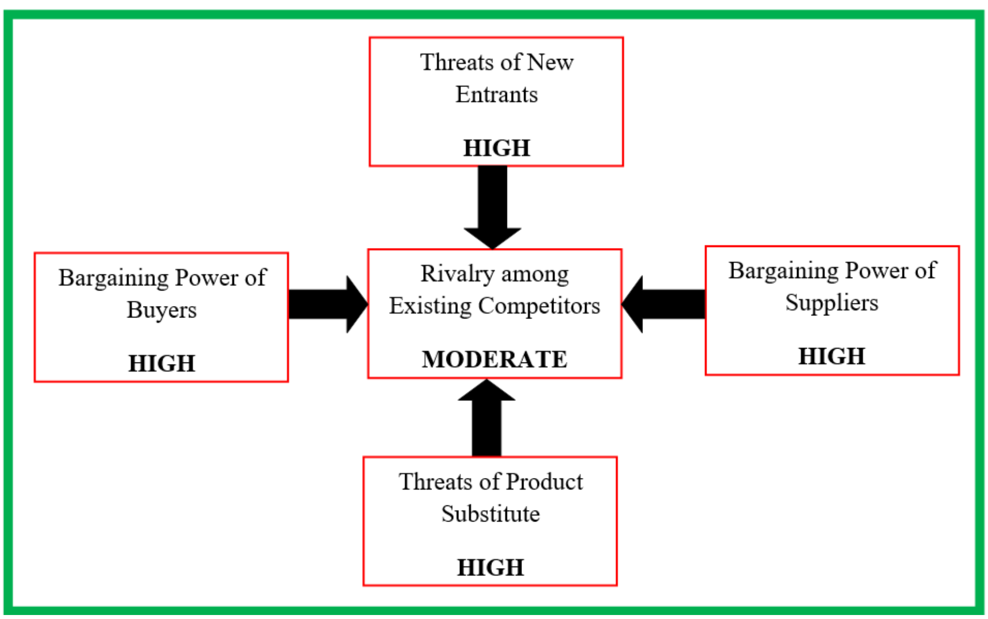
Top 5 Coins.ph. The two-year-old startup offers remittances, fund transfers, bill payments, and shopping through the digital currency of Bitcoin. With 17,000 locations nationwide, Coins.ph hopes to reach the underserved markets in far-flung areas with a digital wallet and financial service (www.fintechnews.sg).

3.3. Porter's Five (5) Forces Analysis

Figure 7 shows the Porter's Five Forces Analysis that evaluates the threats of new entrants, bargaining power of buyers, threats of product substitute and bargaining power of suppliers.

Figure 7

Porter's Five Forces Model



a. Threats of New Entrants- HIGH

New entrants' probability to gain technology and specialized Know-how –HIGH

Under the Republic Act (R.A.) No. 11293 also known as the Philippine Innovative Act, Section 1, "*the State to foster innovation as a vital component of national development and* *sustainable economic growth*." According to Section 10, Article XIV of the Constitution recognizes science and technology as "*essential for national development and progress*" and gives priority to research and development, invention, innovation, and their utilization.

Under R.A. 11293, Section 25 Innovation Alliances the NIC shall establish the necessary conditions and framework that will promote the establishment of Innovation Alliances. Such a framework should encourage companies to engage in collaborative research consortia among private sector entities and with academic or educational institutions. This framework shall also facilitate regional networking and alliances to promote knowledge and technology sharing as well as collaboration in innovation projects (www.lawphil.net).

New entrants' probability to gain customer loyalty – LOW

KPMG (2019) discovered from a survey to18,520 consumers from more than 20 countries explores the truth about customer loyalty and how brands and retailers can attract and retain customer loyalty through enhancing customer loyalty programs. Customer loyalty is alive and well, but digital disruption and new generational influences show that the nature of loyalty is changing. Overall, only 37 percent of respondents identified points and rewards as one of the most effective ways to secure their brand loyalty. In almost every country, points and rewards were less likely to earn loyalty than corporate transparency and honesty. Customer loyalty is too critical to be left to a customer loyalty program. When a customer is loyal to a brand 86% will recommend the company to their friends and families, 66% are likely to write a positive online review after a good experience, and 46% will remain loyal even after a bad experience.

Large capital requirements – MODERATE

General Capitalization- LOW. The general minimum capital requirement when registering a FinTech company in the Philippines is PHP10, 000,000 (Emerub, 2018).

Engage in Electronic Money Issuance- HIGH. According to Section 5 of the BSP Circular No. 649 Series of 2009, Electronic Money Issuers must be a stock corporation with a minimum paid-up capital of PHP 100,000,000.00 (Bangko Sentral ng Pilipinas, 2009).

Ease of government regulatory policies – HIGH. The local regulators that have the most intimate contact with the FinTech industry in the Philippines are primarily the Philippines' Securities and Exchange Commission (Philippine SEC), the Bangko Sentral ng

Pilipinas (the BSP), and the Insurance Commission of the Philippines. The regulators consistently expressed openness and positive regulatory view towards the developments offered by the FinTech market, particularly to the extent FinTech players and their products, services or new ways of doing old things can engender financial inclusion for a population that is largely unbanked or underserved by traditional financial institutions (FinTech News Singapore, 2018).

In 2017, the Bangko Sentral ng Pilipinas (BSP) issued two circulars encouraging the development of remittance services, virtual currencies, and other FinTech services in the Philippines. BSP Circular No.942 concerns remittance and money transfer companies while BSP Circular No.944 provides directives for handling virtual currencies. These regulations are especially targeting those that aim to engage the excluded and the unbanked Filipinos, including companies in remittance services, e-money, digital currency, and other FinTech businesses (Emerhub, 2018).

Under Section 24 of RA11293, the National Innovation Council (NIC) and its member government agencies shall eliminate regulatory barriers to innovation and cut red tape to boost innovation efforts. Towards this end, the NIC shall facilitate consultations with stakeholders to identify and cause the removal of barriers in accelerating innovation efforts, such as procurement rules and regulations, and to align efforts and enhance collaboration (Law Phil Project, 2019).

b. Bargaining Power of Buyers- HIGH

Number of Customers- HIGH

The Philippines has a population of over 100 million people, with 71% being active internet users and most of them have mobile subscriptions. With the internet penetration rate of the country at 73%, this makes it a suitable breeding ground for the latest technology to be introduced and tested (Emerging, Fintech, n.d.).

Number of Customer Choices- HIGH

FinTech News Philippines (2020) publishes that there are 197 registered FinTech companies in the Philippines. The industry can be categorized into 13 sectors, with lending (24%), payments (21%), digital wallets (12%), and remittances (12%) being the four most predominant sectors (FinTech News Singapore, 2016).

Few Switching Costs Exists –LOW

There is no switching cost in the FinTech industry since the market and consumers just need to access the web or download the company's application.

c. Bargaining Power of Suppliers - HIGH

More small number of companies - MODERATE

Systems and Channels- LOW. The systems, and channels for FinTech companies are developed by their Information and Technology Team and by their System's Engineers. The developed system and platform are to be submitted to the regulatory agencies such as BSP and DICT for evaluation and system integrity checking.

Products and Services – HIGH

Airtime Load (TELCO) – HIGH. There are only two (2) suppliers of airtime loads for telecommunication in the country, Smart PLDT, and Globe Telecoms, thus they can dictate and control the price.

Bills Payment – HIGH. Bills payment services are dominated by aggregator Bayad Center Inc. allowing system integration to facilitate the bills payment services to various FinTech Companies.

Remittance- HIGH. MoneyMax.ph cited there are fourteen (14) leading remittance companies in the country with almost 20,000 money remittance centers operating all over the Philippines, including far-flung barangays where banks and ATMs are scarce.

Products are differentiated – LOW. Since there are limited suppliers available there is no product differentiation.

Threats of Substitutes - HIGH

For Philippine consumers, "cash is still king," (BSP's Financial Inclusion Survey). In its 2015 country diagnostic for the Philippines, the Better Than Cash Alliance (BTCA), an UN-based global partnership supported by governments, nonprofits, and the private sector reported only 0.3 percent of personal payments were made electronically. The rest were almost entirely transacted in cash. Even among the small number of banked Filipinos, only 18 percent have used their account for payments, according to the FIS. Nearly two-thirds of Filipino adults or 64 percent preferred to use cash, and 20 percent did not know they could use their account to make payments (Schellhase & Garcia, 2019).

Rivalry among existing Competitors- MODERATE

Number of Players in the Industry - HIGH. FinTech News Philippines (2020) published that there are 197 registered FinTech companies in the Philippines. The industry can be categorized into 13 sectors, with lending (24%), payments (21%), digital wallets (12%), and remittances (12%) being the four most predominant sectors (FinTech News, 2016).

Ability to Switch Brand- HIGH. Since there is no switching cost in the FinTech industry, and market and consumers just need to access the web or download the company's application, the ability to switch from one brand to another is high.

Diverse Competitors- LOW. There is no diversification as to FinTech Competition except with the product or service mixed to offer. According to FinTech News Philippines (2020), there are 197 registered FinTech companies in the Philippines with companies that may have offered more than 1 category (FinTech News, 2018).

Lack of Differentiation- LOW. Physical banks have advantages that FinTech lacks more capital, greater knowledge of regulations, recognized brands, and customer confidence FinTech can bring new capabilities to banks, including agility, innovation, cost reduction, better user experience, and greater ability to use data. Banks are transforming themselves into "FinTech banks" or "marketplace banks (Forbes Magazine, 2019).

3.4. Strategy Formulation

For the purpose of analysis, the strategy formulation and financial projections are based on the evaluation of the X Company operations. It should be noted that the company's market are unbanked and financially marginalized communities in the Philippines accounting for 77% of Filipino adults with no bank accounts (de Guzman, 2018) estimated to be 15.8 million (Financial Inclusion Survey, 2017). In addition, the company provides an online platform that offers business solutions with four (4) major products and services. The company partners with local pawnshops, traditional remittance companies, new online remittance companies and leading remittance centers.

Strengths, Weaknesses, Opportunities, and Threats (SWOT)

The identified strengths, weaknesses, opportunities, and threats based on the assessment of the company and to the business environment shows that the company has a lot of opportunities. Eight out of nine (8/9) opportunities identified were government-initiated or mandated, thus, it is feasible and most likely to happen in the coming years. The company must create necessary and immediate programs to grab such opportunities. The system and the platform is the strength of the company. Capitalizing the company's system will be a great advantage. The company should also take into major consideration to address the noted weaknesses and threats, covering the marketing initiatives and security issues.

Figure 8

SWOT Matrix

Strength -S	**Weaknesses- W**
1. Product/Service Variety 2. 24/7 Customer Service 3. Award-winning system 4. Information System Analytics 5. Pre-fund System Policy	1. No advertisements and promotional activities 2. No alternate in the absence of the approvers 3. Increasing Losses 4. No mandatory personnel as mandated by the regulators
Opportunity –O	**Threats- T**
1.Philippine Regional Economic Growth 2. Bayanihan Act to Recover as One (BARO) 3. Increasing inbound remittance 4. Increasing Domestic Remittance 5. High Number of Unbanked Filipinos 6. The Philippine third Telco 7. Philippine Vision 2040 8. BSP's Digital Transformation Campaign 9. Climate Change	1. Cyber Security and Stability issues 2. The increasing number of competitors 3. Filipino mindset that "Cash is still king"

Using the SWOT matrix, the identified company's strengths, weaknesses, opportunities, and threats are matched and streamlined to help the company come up with workable strategies that will improve the company's overall performance and position in the FinTech industry. The matched or combined quadrant is as follows:

- SO. The strategies on this quadrant focuses on how to capitalize on the identified strength of the company and use this to take advantage of the opportunities. The greatest strength of the company that was identified is the system, a marketing campaign to sell, introduced the products and services of the company as a platform and channel for the implementation of the government projects. The campaign shall focus on highlighting the effect of the improvements on the government projects, more especially to the government and BSP direction of digital transformation. The campaign shall also give the importance and advantage of online transactions.

- WO. Strategies on this quadrant will focus on taking advantage of the opportunities by addressing the identified weaknesses. The redirection of the marketing initiatives and additional marketing personnel to strengthen the marketing campaign. The marketing campaign will focus on advertisement and promotion using social media platforms. This will also address the increasing losses, factoring in the marketing campaigns for the noted government projects. Programs for the lack of key alternatives will be handled by the Human Resource Department by appointing key alternates as part of the business continuity plan.
- ST. Addressing the threats with the identified strengths shall consist of a marketing campaign for financial literacy, education, and security. Changing the Filipino mindset that doing an online transaction is safe and very convenient highlighting that the system is a user-friendly one and an award-winning system. The noted threat on the personnel handling the government-mandated position and post for AMLA and Compliance task will be handled by HRD in appointing and nominating one.
- WT. A campaign strategy that will inform the public on the safety and reliability of the products and services is the company's top priority. Regular reminder updates on the security and advantage of doing business online will be the key strategy for this quadrant.

The analysis shows that improvement in the Marketing department and its campaign will be the key to the improvement of the overall performance of the business. The company can improve its performance by redirecting the marketing efforts and hiring additional marketing staff to handle the marketing redirections. Market development and penetration will be the best strategy for the company factoring in the SWOT analysis. Information and educational campaigns must take into consideration. Product development can also help the company to increase its reach by improving its products and services.

Based on the analysis of the existing fintech company, the following marketing strategies can be formulated. At the end of each strategy, a powerful strategy for a new startup company is suggested.

Market Penetration. The company must prioritize the programs and strategy for penetrating the market. The Philippine market is an emerging market for the FinTech industry, with the development of various infrastructure and improvement projects of the government and the BSP campaign for financial digitization, the Philippine FinTech market will increase and stiffed the competition. New company needs to increase visibility in all available and accessible communication means.

Market Development. The company can also improve its reach and presence in far-flung locations and provinces within the country. The government program to decongest the current key cities and push the business to the provinces will create a new market segment. New company should grab this opportunity to have a bigger and wider reach all across the Philippines. The entry of the "third Telco" will create a new untapped market, thus new company can utilize such to cater to that emerging market. It can also create a system to cater to the small and local enterprises.

Product Development. The marketing strategy will increase sales by improving the existing product or service being offered. The technologically based business is fast-evolving, the urge and needs to improve is mandatory, or else the business cannot survive. The new company can start with the top-up and airtime load, and the system and platform, which can run via a web tool using the computer and the internet. Improving the product and service by developing a mobile application that can be operated on any smart mobile devices can be an advantage.

3.5. Strategy Implementation

Action Plan and Programs. Startup company must synchronize its programs to attain the objectives, mission, and vision of the company. The marketing team will be the lead department that can attain the company's goals, hand in hand, and with collaborative efforts to other departments.

Marketing. The marketing strategies will focus on improving marketing programs to increase sales. The company's marketing department must focus on improving the awareness campaign to fulfill the objectives set. Online web and social media platforms will be used as a channel in making the campaign. It has the least cost comparing with the traditional marketing channels giving an advantage for the company.

Human Resource. The company's Human Resource (HR) will focus on addressing issues on personnel. Supplying the needed manpower and appointing the mandatory positions as one of the identified threats. The HR will also lead the programs to uplift the lives of employees through training.

Business Development. The Business Development (BD) will focus on acquiring partners and partner-clients. The BD will work for hand in hand with the marketing department in achieving the company's goal.

Engineering. The Engineering as the main department deals with the company's system and platforms. Engineering will lead the programs to address the cybersecurity issues. This will also collaborate with the Marketing and Product Development to make new and system adjustments.

3.6. Financial Projection

For the purpose of analysis, the financial figures are based on the audited financial statements of X Company from 2016 up to 2018. The 2019 financial statements are based on the industry trend since the financial statements given do not have a good trend. For the bases of calculation, it is presumed that all programs will be implemented as planned and as scheduled. Similarly, the Philippine economy and environment will be in a normal situation. The assumptions used in making the 3-year financial projections are the following:

a. Uniformity of the account titles will be the same;
b. Reflection of the program budgets and the effect of the program on the business operations; the operating expense will increase by Php 1,885,000 in 2021 and 30% in 2022 and 2023; and
c. Increase 30% in Sales for 2021 and a 40% increase year on year as an effect of the program implementation.

Table 1

Projected Financial Ratios

Ratio	2020	2021	2022	2023
Liquidity				
Current ratio	1.31	1.65	2.08	2.54
Quick ratio	1.03	1.17	1.44	1.86
Leverage				
Debt-to-total asset ratio	0.34	0.28	0.24	0.22
Debt-to-equity ratio	1.48	0.75	0.48	0.38
Activity				
Inventory turnover	5.47	4.81	4.42	4.56
Fixed assets turnover	12.90	17.42	23.48	33.98
Total assets turnover	0.82	0.87	0.88	0.90
Profitability				
Gross profit margin	6%	6%	6%	6%
Net profit margin	17%	25%	27%	30%
Return on total assets (ROA)	13%	20%	21%	23%
Return on stockholder's equity (ROE)	56%	52%	42%	40%
Growth				
Sales	30%	30%	30%	40%
Net income	106%	92%	40%	57%

Liquidity. Data shows that the current ratio has significantly improved and can be managed to pay for their current liabilities. It also implies that the company can pay its liabilities with its short-term assets. The company's quick ratio also increased and improved the previously noted liquidity concern was already been addressed.

Leverage. The equity continuously increases year-on-year as reflected in the figure, which indicates that the company is already financing its operations from its assets. The company was using less debt to finance its assets, resulting in a lower risk for the company.

Activity. The company is continuously doing great on managing its inventory, with the pre-funded system being implemented. The company's asset turnover ratios are continuously increasing, this is a sign that the company is managing its assets well and efficiently using them to generate sales.

Profitability. The gross profit margin shows no changes from 2020 to 2022. The company cannot increase its selling price to increase profit margin as it will affect the business operations. Despite the stagnant figures of gross profit margin, the company's net profit margin significantly increases due to the increase in sales volume.

Growth. The sales growth is constantly increasing by 30% year-on-year as a result of the extensive marketing campaigns. The company's bottom line also increases year-on-year, a clear indication that the company is doing great.

Table 2

Statement of Financial Performance Horizontal Analysis

	Estimated		Projected					
	2020		2021		2022		2023	
Service Revenue	30,362,698	30%	39,471,508	30%	51,312,960	30%	71,838,145	40%
Operating Expenses	23,431,050	16%	25,316,050	8%	32,910,865	30%	42,784,125	30%
Other Income (Charges)								
Interest Income	19,387	65%	25,203	30%	32,764	30%	45,869	40%
Interest and other Financing Charges	(546,960)	-18%	(426,960)	-22%	(306,960)	-28%	(186,960)	-39%
Other Expense	(48,365)	408%	(1,245,612)	2475%	(383,674)	-69%	(575,511)	50%
	(575,938)	-13%	(1,647,369)	186%	(657,870)	-60%	(716,602)	9%
Profit/Loss Before Income Tax	6,355,710	147%	12,508,089	97%	17,744,225	42%	28,337,418	60%
Provision for Income Tax	1,906,713	147%	(3,127,022)	64%	(4,436,056)	42%	(7,084,355)	60%
Net Income/Loss	4,448,997	14%	9,381,067	111%	13,308,169	42%	21,253,064	60%
Other Comprehensive Income (Loss)	700,000	0%	529,625	-24%	529,625	0%	529,625	0%
Total Comprehensive Income/Loss	5,148,997	106%	9,910,692	92%	13,837,794	40%	21,782,689	57%

The 3-year projected financial performance indicates that the marketing strategies implemented are all working. The strategy on marketing penetration requires a dedication budget of an 8% increase based on the last years operating expenses. Marketing requires a little budget since it will utilize social media that is free to advertise. The program budgets and expenses were factored in the operating expenses. Following years will have a budget of at least 30% increase factoring in a more extensive marketing campaign involving incentives and audio-visuals. Following the plan and all interventions, the financial objective will be attained with including the projected increase year-on-year.

Table 3

Operating Expenses Horizontal Analysis

Expenses	Estimated						Projected	
	2020		2021		2022		2023	
Salaries, wages and employee benefits	13,279,604.63	3%	14,127,992.77	6%	16,540,792.05	17%	20,149,993.92	22%
Communication	3,399,820.48	85%	3,739,802.53	10%	4,487,763.04	20%	5,385,315.65	20%
Rent	2,895,571.69	71%	3,071,561.98	6%	4,182,121.34	36%	6,478,678.89	55%
Transportation and travel	1,129,513.71	3%	1,163,399.12	6%	2,326,798.24	100%	3,490,197.36	50%
Utilities	545,807.59	3%	562,181.82	3%	730,836.36	30%	877,003.63	20%
Dues and subscriptions	467,844.17	3%	481,879.49	3%	505,973.47	5%	556,570.82	10%
Taxes and licences	442,386.81	3%	455,658.42	3%	501,224.26	10%	561,371.17	12%
Professional fees	415,314.77	3%	427,774.21	3%	440,607.44	3%	484,668.18	10%
Advertising and promotions	211,269.75	3%	503,045.65	138%	2,204,561.60	338%	3,271,407.84	48%
Outside service	116,484.70	3%	119,979.24	3%	137,976.13	15%	206,964.19	50%
Supplies	110,354.82	3%	113,665.46	3%	170,498.19	50%	340,996.39	100%
Representation and entertainment	97,339.70	3%	146,009.55	50%	150,389.83	3%	300,779.66	100%
Actuarial fee	93,329.61	133%	93,329.61	0%	93,329.61	0%	93,329.61	0%
Depreciation expense	176,523.00	566%	201,523.00	14%	201,523.00	0%	201,523.00	0%
Repairs, maintenance and security	26,365.49	3%	27,156.45	3%	32,587.74	20%	43,993.45	35%
Insurance expense	14,608.59	3%	21,912.89	50%	132,869.33	506%	199,304.00	50%
Seminars and workshops	8,910.50	3%	59,177.81	564%	71,013.38	20%	142,026.75	100%
Others		-100%		0%		0%		0%
TOTAL	**23,431,050.01**	**16%**	**25,316,050.00**	**8%**	**32,910,865.01**	**30%**	**42,784,124.51**	**30%**

The horizontal analysis of the Statement of Financial Performance shows that the financial objective set of increasing revenue by 30% year-over-year was achieved. The significant increase in the operating expenses especially on the advertising and promotions was due to the implementation of the marketing programs for the said years. Likewise, the expense increase in seminar and workshops were due to the implementation of programs from the Human Resource for AMLA training that will be a yearly activity.

The 3-year projected statement of financial position expresses a stable increase in total assets. The company will become liquid because of the implementation of the pre-fund system and the nature of the business in dealing with airtime loads, and commission-based remittance transactions. The company's inventories will continue to increase as part of the marketing and business development intervention and programs. The non-current asset will remain the same since the nature of business is more technology and systems development. Through the marketing programs the company will continuously increase its assets and the stakeholders will expect a better return on their investments.

Table 4

Statement of Financial Position Horizontal Analysis

	Estimated		Projected					
	2020		2021		2022		2023	
ASSETS								
Current Assets								
Cash	2,564,003	65%	3,333,204	30%	4,333,165	30%	6,066,431	40%
Receivable	2,890,045	52%	7,089,126	145%	15,697,144	121%	36,834,861	135%
Receivable from related parties	24,020,950	0%	24,020,950	0%	24,020,950	0%	24,020,950	0%
Inventories	6,311,757	32%	10,091,583	60%	13,119,058	30%	18,366,681	40%
Prepayment and other current asset	1,740,247	10%	3,904,574	124%	6,754,914	73%	5,931,087	-12%
Total current asset	**37,527,002**	**11%**	**48,439,437**	**29%**	**63,925,230**	**32%**	**91,229,009**	**43%**
Non-Current Aseets								
Rental deposit	873,736	100%	961,110	10%	1,057,221	10%	1,162,943	10%
Office equipment	1,480,814	841%	1,304,291	-12%	1,127,768	-14%	951,245	-16%
Total non-current assets	**2,354,550**	**296%**	**2,265,401**	**-4%**	**2,184,989**	**-4%**	**2,114,188**	**-3%**
	39,881,552	**15%**	**50,704,838**	**27%**	**66,110,219**	**30%**	**93,334,197**	**41%**
LIABILITIES & EQUITY								
Current Liabilities								
Accounts and other payables	1,825,449	-66%	2,094,465	15%	2,729,759	30%	6,892,296	152%
Payables related to parties	7,217,890	32%	8,662,468	20%	10,393,762	20%	12,472,514	20%
Loans payable	4,558,000	-18%	3,558,000	-22%	2,558,000	-28%	1,558,000	-39%
Deposit for future stock subscription	15,000,000	25%	15,000,000	0%	15,000,000	0%	15,000,000	0%
Total current liabilities	**28,601,339**	**1%**	**29,313,933**	**2%**	**30,681,521**	**5%**	**35,922,810**	**17%**
Non-Current Liability								
Pension liability	2,068,058	11%	2,268,058	10%	2,468,058	9%	2,668,058	8%
Deferred tax liability		-100%		0%		0%		0%
Total non-current liability	2,068,058	2%	2,268,058	10%	2,468,058	9%	2,668,058	8%
Total liability	**30,669,397**	**1%**	**31,581,991**	**3%**	**33,149,579**	**5%**	**38,590,868**	**16%**
Equity (Capital Deficiency)								
Capital stock	28,000,000	0%	28,000,000	0%	28,000,000	0%	28,000,000	0%
(Deficit)/Surplus	(20,480,326)	-18%	(11,099,260)	-46%	2,208,909	-120%	23,461,973	962%
Other comprehensive income	1,692,481	71%	2,222,106	31%	2,751,731	24%	3,281,356	19%
Total equity	**9,212,155**	**127%**	**19,122,846**	**108%**	**32,960,640**	**72%**	**54,743,329**	**66%**
	39,881,552	**16%**	**50,704,837**	**27%**	**66,110,219**	**30%**	**93,334,197**	**41%**

The horizontal analysis of the statement of financial position confirms that the company is continuously improving as a result of the implementation of programs and action plans. A significant increase was seen on the current accounts, both for assets and liabilities. The significant increase on those accounts was normal factoring the business operations of primarily selling of airtime loads and the remittance which involve frequent movements on current accounts.

4. Conclusion

The Philippine market has a lot of potentials based on an industry analysis conducted with a lot of untapped and underserved market in a population of over 100 million and 71% active internet users. A new fintech startup venture is feasible following the government interventions of pushing to an online economy as backed up by the BSP's unveiling of the Digital Payments Transformation Roadmap 2020-2023, which charts the central bank's current initiatives and strategy in advancing the digital payments ecosystem. Similarly, the approval of the third TELCO franchise is beneficial for the industry.

The fintech industry is a promising one, despite the results of Porter's five forces model. The Philippines' fintech ecosystem is brimming innovation with a vibrant mix of entrepreneurs attempting to fill in the gap within the financial system. Despite the strides that the country has made in this space, the Philippines' narrative has often been overlooked by international media when examining financial innovations. In addition, the identified external and internal forces that are affecting the fintech industry in the county serve as tools to have better performance results. For any new start-up company, the programs covering minimal investment or expenses but with a desired return are manageable.

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