

Fintech Scotland Business Plan

Bringing Fintech Scotland's membership to life

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Having these four membership types allows for Fintech Scotland to build a proposition that resonates with and is appealing to each area of the Fintech ecosystem. To bring this to life, we have considered what this means to those potentially considering membership. The short case-studies below show how Fintech Scotland would created value for: (1) a Fintech company based in Scotland and looking for space to scale-up alongside other Fintech companies (2) a Scottish University who would like to work with Fintech companies on research as well as linking their students into the ecosystem and (3) a Financial Institution who would like to be seen as leading the way in Fintech in Scotland.



Situation: after surviving the early stage of their Fintech company's growth, this business is outgrowing their current tenancy and would like to move somewhere they can naturally expand, while remaining linked to other players in the Fintech start-up community.

Value created: Through taking on a physical hub membership the company becomes a resident in [redacted]. This young business will now be able to link in with Fintech companies, while having direct access to other residents such as the FCA and other members of the public sector while also being able to attend events & host conferences inside the hub building. As well as this they will also have access to the other member benefits such as the virtual Fintech hub.

Potential costs: in their current office space, they are spending [redacted] on annual rent. Moving into the hub, with its enhanced services, would range from [redacted]. This is attractive to them – the price-point is low in comparison for what they get in return.

Situation: having led the way with some innovative Masters courses, this University has heard about the launch of Fintech Scotland and sees this as the perfect opportunity to enhance their Fintech capabilities within the University.

Value created: Through an enhanced or founder / investor membership they would be able to use the physical hub's community desks along with access to meeting rooms for their staff & students when working on projects, consultancy & developing joint research proposals. Working alongside Fintech companies would keep them at the heart of development in Scotland. Access to event space would be of further benefit.

Potential costs: the University could either take up an enhanced membership at a cost of [redacted] for the use of the community desks. If they were to become investors or founders in Fintech Scotland, they could take up that membership for [redacted] which would give them free access to the hub as well as founder benefits.

Situation: as a major player in financial services in Scotland, this firm has ambitions to play a strong role in Fintech & innovation as a whole. They do not require space, however they are very interested in developing their role in the ecosystem.

Value created: Through an enhanced or founder / investor membership the institution could build their brand through sponsorship & branding opportunities, placing them as leaders in the Fintech market in Scotland. It would help provide opportunities to scout Fintech companies that they could use to help solve industry problems. Collaboration opportunities would increase with contacts with all areas of the Fintech ecosystem both in Scotland and beyond. Having access to this network could be priceless to this Financial institution at a time where collaboration is becoming a major part of Financial Services.

Potential costs: as a member of the private sector, this financial institution can put themselves as a leading player in the space by taking up a founding/investor membership at [redacted]. This would provide many benefits which would place them at the heart of Fintech in Scotland.

Situation: as a major player in financial services in Scotland, this firm has ambitions to play a strong role in Fintech & innovation as a whole. They are considering developing an innovation lab but this seems extremely costly to set-up.

Value created: Through an enhanced or founder / investor membership the institution could use this community desk space to house some staff and use [redacted] as an innovation space without the costs of building their own location. They can kit out the space to their specification (if founder or investor members) and the space would allow them to both use the innovation space to promote their business but to also work closely with the Fintech ecosystem to solve some of their industry specific problems.

Potential costs: as a member of the private sector, this financial institution can put themselves as a leading player in the space by taking up a founding/investor membership at [redacted]. This would be a significant cost saving to developing their own innovation space while providing many other benefits which would place them at the heart of Fintech in Scotland.

The membership structure suggested can create an affordable proposition for each member of the ecosystem to engage with Fintech in Scotland in both a 'physical' and 'network' capacity.

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Global benchmarking

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With an understanding of all the membership types for Fintech Scotland, it's important to see the role Fintech Scotland will play both in the local and global market. Each of the 12 hubs below are renowned in their local ecosystem as a dedicated Fintech hub and a key part of the local and global Fintech industry with some publicly funded, some privately funded and others are jointly funded. We considered the business models and structures of these organisations among others to inform the opportunities available to Fintech Scotland.

Hub	Location	Physical Hub?	Ownership structure	Revenue model
Innovate Finance	 London	X	Independent, private co. limited by guarantee	Funding from benevolent sponsors, tiered membership fees, event ticket sales, paid-for advisory work
Holland Fintech	 Netherlands	X	Independent not-for-profit	Funding from benevolent sponsors, tiered membership fees, event ticket sales, paid-for advisory work
The LHOFT	 Luxembourg	✓	Public-private partnership	Funding from Luxembourg Ministry of Finance, fees from corporate and founding partners
FinLab	 Singapore	✓	Public-private partnership / joint venture	Funding from parent companies and corporate sponsors and partners
Lattice80	 Singapore	✓	Private, founded by Marvellstone Group	Revenue from corporate partners and startup membership fees & co-working space fees
The Floor	 Tel Aviv	✓	Private, founded by HSBC, Santander, RBS and Intesa SanPaolo	Revenue from tiered membership fees
SellaLab	 Italy	✓	Private, owned by Banca Sella Group	Funding from Banca Sella Group, revenue from tiered co-working space fees
Tyro Fintech Hub	 Australia	✓	Private, owned by Tyro (Fintech company)	Co-working space fees
Rise	 Various	✓	Private, owned by Barclays bank	Tiered membership & co-working space fees
Stockholm Fintech Hub	 Sweden	✓	Independent not-for-profit	Corporate + Fintech membership fees & desk space
Copenhagen Fintech Lab	 Denmark	✓	Independent not-for-profit	Corporate + Fintech membership fees & co-working space fees
Stone & Chalk	 Australia	✓	Independent not-for-profit	Tiered co-working space fees


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Global benchmarking – where does Fintech Scotland fit and how competitive is it?

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A key reference point is the comparison of the proposed rates for Fintech Scotland's membership against both co-working space rates in Edinburgh & global Fintech hubs. Doing this provides a benchmark for establishing feasible, market-competitive rates for Fintech Scotland. The average monthly cost for a fix desk across Edinburgh co-working spaces is ~ £230, compared with ~ £400 globally. As highlighted, this places Fintech Scotland well in the marketplace both locally and globally.

Co-working spaces in Edinburgh

Hub	Location	Pricing –per desk unless specified
Fintech Scotland 		
Andell studios	Eh3 4bl	Fix desk - £175 /m
Codesk	Eh9 1pl	Fix desk [starter] - £240 /m Fix desk [business] - £300/m Fix desk [exec] - £360 /m
Creative exchange	Eh6 7bs	Fix desk [standard] - £240 /m Fix desk [super] - £270 /m
Deskhop	Eh3 9js	P-A-Y-G - £17 /Day Fix desk - £180-230 /m
Kingsford office	Eh3 6nn	5 Day /m - £125 /m 10 Day /m - £175 /m Hot desk - £295 /m
No. 3	Eh1 1pg	P-A-Y-G - £18 /Day Fix desk [1-3m] - £250 /m Fix desk [3-6m] - £230 /m
The loft	Eh9 1nr	Fix desk - £225 /m
The melting pot	Eh2 2pr	Fix desk - £300 /m Fix desk [premium] - £348 /m
Tribe party	Eh15 2aj	Hot desk [32/65/100/unlimited hours] - £65-150 /m Fix desk - £170 /m

Key:  Fintech focused

Global Fintech hubs

Hub	Location	Pricing –per desk unless specified
Fintech Scotland 	Edinburgh	
Copenhagen Fintech lab	Denmark	Hot desk: £294* /m
Lattice80	Singapore	Hot desk: £112* /m Fix desk: £280* /m
Level 39	London	Hot desk: £325 /m Fix desk: £525 /m
Lhoft	Luxembourg	Office: from £612* /office
Rise	London	Club: £400 /m Resident: £550 /m Private: £650 /m
Sellalab	Italy	Hot desk: £53-70* /m Fix desk: £65-88* /m
Stockholm Fintech hub	Sweden	Hot desk: £224-360* /m Fix desk: £495* /m
Stone & chalk	Australia	Hot desk part time: £260* /m Hot desk full time: £375* /m
Tyro Fintech hub	Australia	5 Day /m: £156* /m 10 Day /m: £277* /m Full time: £384* /m
Wework	London	Hot desk: from £200 /m Fix desk: from £300 /m Office: from £600 /office

* converted based on exchange rates and information as at 4th June 2017

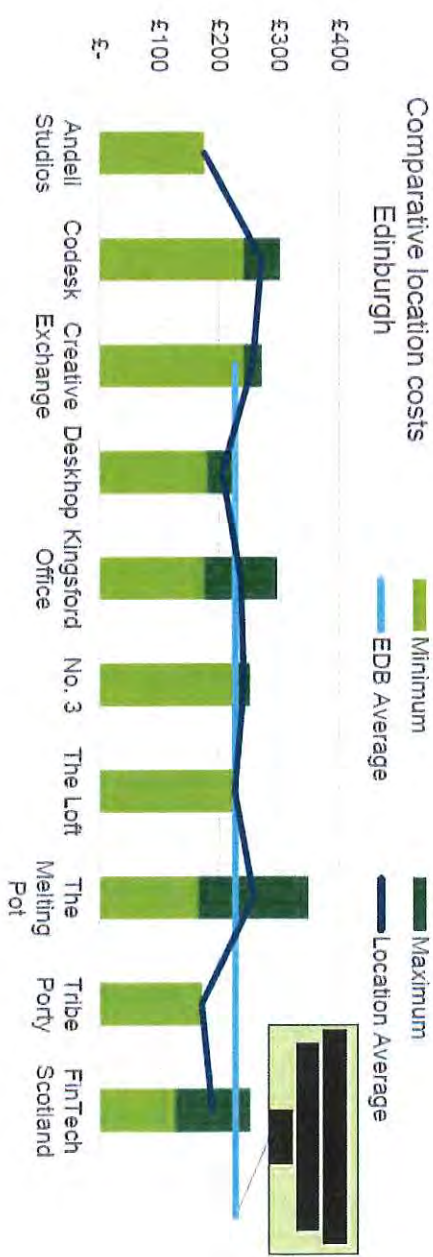
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Global benchmarking – where does Fintech Scotland fit and how competitive is it?

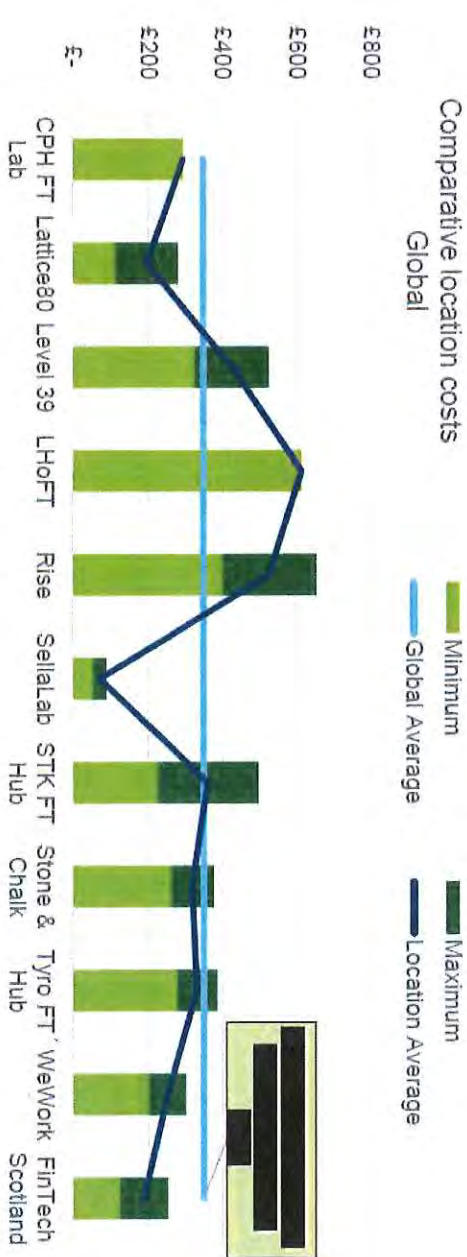
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Graphically representing the costs associated with other Fintech hubs shows that Fintech Scotland is evidently a cost effective option for Fintech companies both at an Edinburgh level & globally.

- In Edinburgh, even as the only Fintech specific hub providing additional services that are not currently available on the market, the average Fintech Scotland membership price is cheaper. This could make Fintech Scotland an attractive proposition in Edinburgh and places Fintech Scotland well in the market place.



- On the global stage, Fintech Scotland could be one of the cheapest Fintech hub locations with only the Sellalab in Italy providing a membership that is cheaper. On average, Fintech Scotland will be cheaper than the average Fintech hub globally.



The membership structure and associated pricing has been defined to help Fintech Scotland membership be attractive, and also allow 'headroom' for it to become more commercial in future.

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Benefit areas in ecosystem

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A fundamental principle behind Fintech Scotland is that it is representative of the whole ecosystem in Scotland. While the main benefactors to an independent, not-for-profit company covering the Fintech ecosystem in Scotland will be Fintech companies, there are still significant benefits for all aspects of the ecosystem.

Ecosystem Sector	Example Players in this space	Benefits from Fintech Scotland	Overall Benefit
 Fintech Companies		<ul style="list-style-type: none"> • Access to Financial Institutions • Source for Funding & PR information to enhance their business • Easy to communicate with other Fintech companies • Network of people to share ideas & to build their business 	
 Academic/ Skills Providers		<ul style="list-style-type: none"> • Access to Fintech Companies in Scotland • Membership Body who can be used to help lead individuals into work • Key source of members for Research / training courses 	
 Financial Institutions		<ul style="list-style-type: none"> • Access to Fintech Companies in Scotland • Opportunities to lead events & become a key player in the Fintech ecosystem in Scotland • Access to talent 	
 Funding Providers		<ul style="list-style-type: none"> • Access to Fintech Companies in Scotland • Opportunities to link in with a network of ecosystem members 	

Key:

Benefit scores



























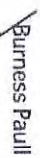



Little or no benefit
 
 Some benefit
 
 Large benefit
 
 Majority beneficial
 

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Benefit areas in ecosystem

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A fundamental principle behind Fintech Scotland is that it is representative of the whole ecosystem in Scotland. It is clear the main benefactors to an independent, not-for-profit company to focus the effort in Fintech in Scotland will be academia, Fintech companies & financial institutions however there are still significant benefit areas for all aspects of the ecosystem.

Ecosystem Sector	Example Players in this space	Benefits from Fintech Scotland	Overall Benefit
 Enablers/ Networks/ Government & Public Sector	     	<ul style="list-style-type: none"> • Access to Fintech Companies & Financial Institutions in Scotland • A key area that can help put Fintech in Scotland on the map globally. • Benefit to the overall Fintech Industry in Scotland and beyond. 	
 Incubators & Accelerators	   	<ul style="list-style-type: none"> • Access to Fintech Companies in Scotland • Ability to showcase their locations to a wider Ecosystem in Scotland. 	
 Service Suppliers / System Integrators	   	<ul style="list-style-type: none"> • Access to Fintech Companies & Financial Institutions in Scotland • Opportunities to lead events & become a key player in the Fintech ecosystem in Scotland • Opportunities to link in with a network of ecosystem members 	
 Specialised Business Services	       	<ul style="list-style-type: none"> • Access to Fintech Companies & Financial Institutions in Scotland • Opportunities to lead events & become a key player in the Fintech ecosystem in Scotland • Opportunities to link in with a network of ecosystem members 	

Key: Benefit scores

Little or no benefit

Some benefit

Large benefit

Majority beneficial

Finance & Forecasts

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Notes

Summary Financials		Notes
<div>1</div> <div>Page 40</div> <div>Capital investment [REDACTED] required to stand up initial Fintech Scotland business and components set out in this paper</div>	[REDACTED]	[REDACTED]
<div>2</div> <div>Page 41-42</div> <div>It is forecast that income (revenue) could grow from [REDACTED] in Year 1 to [REDACTED] in Year 5</div>	Growth is based on membership levels. Dedicated focus on growing the member base and evolving the proposition is crucial to success.	
<div>3</div> <div>Page 43</div> <div>Running costs (expenses) are forecast to be [REDACTED] in Year 1, and flatten at [REDACTED] per annum by Year 5</div>	Driven predominantly by supporting the creation and running of a physical fintech hub [REDACTED]	

- 4
- Fintech Scotland could [REDACTED]**
- Page 44-45
- This should be stress-tested over time as the pipeline is continually studied. If dedicated resource is not on-board to drive the delivery and evolution of the Fintech Scotland business plan this period could lengthen significantly.
- There are a number of risks associated with achieving the financials set out above. These are highlighted on Pages 47-48 and should be closely monitored. Assumptions are also highlighted on Page 46.
 - All figures should be considered indicative and are based on input Deloitte have received from key stakeholders, e.g. [REDACTED]. Where there are no direct figures to draw from, sensible reference points have been on comparison with other global Fintech hubs.
 - It is critical that beyond this initial business case, ongoing and continued update should be made to these financials. The following pages give further detail each summary.

1 Capital Investment required (CapEx)

The source of each CapEx item is based on sources engaged over the last 6 weeks. Where a source can not be found sensible suggestions have been put forward. Each item is deemed critical to enabling the proposition set out in the business plan

This abstract artwork is a complex composition of vertical bars and rectangular blocks. The top section features a grid of vertical bars in black, white, yellow, and blue, with some bars containing horizontal lines or patterns. Below this, there are more vertical bars, some of which are solid black, while others are white with black outlines. The bottom section consists of a grid of vertical bars, some of which are solid black, while others are white with black outlines. The overall effect is a dense, layered structure of geometric forms.

If this [redacted] was split equally, [redacted] would be required each from the public & private sector

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2 Expected revenue – the importance of defining a membership structure

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Driving revenue through memberships is the 'lifeblood' on Fintech Scotland, importantly this also helps act as a subsidy to the physical hub to help retain its attractiveness.

- A primary revenue stream to Fintech Scotland will be membership, fees from permanent, access to community desks and access to the virtual hub (Enhanced memberships)
- Following discussions we have had with potential occupants and experience of other global locations, we have forecast a model that sees membership grow to a total of [REDACTED] by the end of Year 1. This consists of [REDACTED] permanent desk members and [REDACTED] other members.
- In subsequent years permanent desk memberships do not grow by a large amount as they are physically capped. We have currently assigned [REDACTED] of the [REDACTED] available desks to permanent members.
- Growth rates of [REDACTED] are forecast in non-permanent members in Years [REDACTED] taking the total number of members to [REDACTED] by the end of [REDACTED].
- As these memberships grow they become an ever larger part of total revenues. In [REDACTED] membership comprises [REDACTED].
- Additional revenue from events and further sponsorship has also been forecast, this is considered overleaf.
- It is important to note that members = individuals, rather than companies.