Interview

BACK TO THE FUTURE

Some of us get so caught up in the present, that we forget to look ahead and prepare for the future – with dramatic effects. Neil Scaife questions David Smith on the changing shape of the consumer model and discovers why it is important to take a long-term view.

What is the futurist's community all about?
It's a very diverse community made up of professionals and amateurs who seek to understand what the future might be like, in the short and longer term. There are academics undertaking very interesting research in our Universities and Business Schools and there are analysts, who in their own speciality are thinking about the future, often on shorter timescales. There is a final group, the business community, who seek to imagine what the future might be like for their own organizations. Futurists are fascinating people because they are generally very focused on a specific geography or on a particular element of life in the future, such as people, ecology, political, economic, life science, climate, technology etc.

How does the Global Future Forum fit within this community?
Unisys funded the creation of the Global Future Forum which today comprises a network of over two thousand future thinkers.

Today, the GFF is a future looking organisation that consolidates and originates future thinking in different market sectors and forms global views of some of the most important drivers of change affecting business in the near future.

Our passion has been and remains to create a network of future thinkers comprising; futurists, academics and business people from across the world to help business better prepare for the future.

With the diversity, how does the GFF decide on a point of view or issue to develop?
Our Advisory Boards help us identify the issues that are worthy of investigation. The main agenda we pursue is focussed on a few key drivers of change which we believe will have major impact on business. One such focus area is around people and how we are changing as employees, as leaders and as consumers. We are also looking at changing organisations and organisational structures and how leadership needs to adapt to cope with the changing environment. We are looking closely at technology, which has been a major driver of cultural and business change this century.

What time dimensions do you look at?
We try to talk about the issues that will have a big impact within a five-year time frame. Talking about general issues of 2050 might be fun to improve your dinner party conversation but for most businesses it's irrelevant. We would like people to look at the issues we raise and see an opportunity or threat to their organization that will have an impact within the next few years. Of course, as soon as you start to think it will have an impact, it is already having an impact on your thinking. Anything you are convinced could happen within five years can have an immediate impact on our attitudes and actions today.

But short-termism is so prevalent in most business
Amongst the investment community the driving need for short-term reporting and fast return is one thing, but business leaders are seeking two and three year views ahead at least. The role of the chief executive amongst other duties must be that of chief strategist and it is the sole responsibility of the CEO to ultimately decide where the company is heading. Operational people simply don't get it. It is of no use to them if their single focus is to make the company run more efficiently today. But if you are in the business of trying to understand where it should be tomorrow, as much of your readership is, then you need to understand as much of that future environment as possible in order to make reliable decisions.

A lot of people use industry analyst's reports. There is nothing wrong with that but everybody has access to those same reports. I'm not just talking about understanding trends but about understanding the discontinuous change that regularly disrupts our markets and geographies where after they occur life isn't the same again. Good examples might be 9/11 and Glasnost and Perestroika resulting in the Berlin wall coming down. Things just weren't the same after those events happened.

In hindsight you can frequently see these discontinuous events coming. Having said that they tend to arrive unannounced and have a dramatic impact when they occur. If you aren't tracking some potential discontinuous events which could impact your organisation today you are exposing your business to unnecessary and potentially significant risk.

Can you give a good example of a futurist helping a business?
Dealing at governmental level, the EU has had a significant number of future thinkers in its organisations. Whether we like or dislike the way the EU has gone, there is a lot of deep thinking going on as to where we are going as a society and what issues that presents.

Bringing it into UK focus, the future thinking Department of Trade and Industry 'Foresight' programme is producing scenario's on the future of UK infrastructure including transport, housing, sea defence and at cognitive recognition, the ability for computers to 'think' like human beings. The DTI is working on what our future cities will look

David Smith has been the chief executive of the global future forum for four years in which time he has become convinced that there is great value in occasionally looking up and seeing what may be in store for us all. He has over 30 years of business experience in both the commercial and the financial services sectors and has held marketing and management roles in both large corporations and small firms. He has spoken at many international conferences across the world and contributed to numerous private client events and publications. He has a great interest in the future as it is where he, his wife and four sons expect to spend the rest of their lives. He is a keen sailor and any spare time available to him you'll find him somewhere in the Solent. Visit www.thegff.com or email david.smith@thegff.com

like, helping us to shape building regulations so we have cities in 2050-2100 which are far more ecological and energy efficient than we have today. They are informing government and local policy to conform to those potential scenarios.

At organisational level Shell, which is the past master of scenario planning, looked at the emergence of OPEC in the 1970s and questioned what the impact might be if this fledgling body flexed its muscles. So they were ready for the OPEC inspired oil price hike of the early 70s and as a consequence moved from world's seventh largest oil player to fourth.

How do you find the financial services industry in its willingness to engage and plan for the future?

My experience is that in recent years it has become one of the most responsive markets. Unlike capital intensive markets which have always had to think twenty and thirty years ahead, financial services has not had to take these longer term views. As a consequence products and services have become undifferentiated and competition has frequently been driven towards price and percentage returns. A real understanding that there has to be change seems to have emerged.

There is an understanding that the consumer is changing. Their attitudes and expectations are changing and cynicism towards financial services providers is increasing by the day. Trust between the consumer and financial institutions has been badly shaken and we have seen a breakdown in the relationships with each other. Maybe, partly as a consequence of this, regulation has increased dramatically. During this time we have seen very little product innovation, but we have seen consumers become more aware of what is available because of the proliferation and ease of access to information, largely provided through the Internet.

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The industry now appears to have an appetite to become re-engaged with the consumer and build a new trust model. Consumers will continue to be more sceptical and self-sufficient in attitude and it will be necessary for successful institutions to recognise this in how they approach their customers.

Can you name an organisation that has embraced change well and hence, is prospering?

One I came across recently was Clydesdale. What they have done in de-committing to their Northern Ireland banks and focussing on their Clydesdale branches to create a real and differentiated relationship with their clients looks exciting. They have created a much more relaxed and business like environment for their clients to relate to their bankers. It's a very different model than we have seen in the general retail banking market for a long time. But it has differentiated them, and things are going well apparently. The various insights they collected from different sources had led them to the position where they felt it was unsustainable to provide 'more of the same' products and services to their market. People are hungry for genuinely differentiated products and services where there is real choice - in this case for a highly personalised and differentiated banking experience. Our own research strongly supports this view.

But that's easier for a small local supplier.

In many ways it is a lot easier if you a small local bank, rather than a global bank, but exactly the same issues apply. Maybe those that cannot create new propositions in a timely way will find themselves at a real disadvantage.

What are the key issues and challenges for UK financial services?

Trust, personalisation, handling technology, adopting and influencing regulation, and cost reduction. Improved service and cost reduction is now table stakes. The real issue is how do you engage with consumers according to the brand position you want in a way that is meaningful, sustainable and differentiated? Potentially technology has a big part to play. Japan has 250 varieties of humanoid robot under development currently and they could become an easy channel, or 'employee' for financial institutions to deploy in customer-facing roles. Animated posters and wall size glass screens in public places are going to be commonplace very soon. The winners will be those that remember what it feels like to be a consumer and provide a positive experience and use technology sympathetically. Recently I asked a group of UK financial services executives if they hated automated telephony systems. I think every hand went up. I asked the same audience if they used these technologies in their organisations. You won't be surprised that the same hands went up. This makes no sense. In the future when we are looking at using new technologies we needs to avoid the early-adopter type mistakes in its deployment, particularly when it interferes with customer relationships. Customers want to be offered solutions to their problems. The industry will need to find new ways to utilise and combine their products and services to meet these needs rather than rely on customers understanding what their products do.

And you briefly touched on trust.
The context is that over the last twenty years, as identified in four studies over this period, trust in many institutions has fallen dramatically. Trust in the media has dropped 80 per cent. Trust in government has dropped 70 per cent. Trust in the Civil Service had dropped 60 per cent. The church is 40 per cent and so on. There has been a major fall in our trust of the establishment. The falling trust in financial institutions is in line with this background fall in institutional trust. The industry has also had scandals and broken promises paraded in public, which has disillusioned a whole generation. It may be very difficult to persuade people that a promise of repayment of an investment in a financial product in forty years is reliable. We need something to change.

The UK government needs the financial services industry to be innovative and imaginative in the products they offer to help re-engage people in looking after their own futures.

The industry has a responsibility to adapt, to provide products that people will believe in. Trust has shifted from institutions, organisations and government, to individuals, networks and family. That has been a big move and a very rapid move and is forecast to continue.

So whom do consumers trust?
That is very clear. Other individuals. One of the signals of this has been the rise of blogging (web logs) and our desire to hear the opinions of other individuals. You have only got to go onto Trip Advisor and the one thing you want to know is what someone else has said about the experience staying at a particular hotel or travelling on an airline. It is extremely influential. If you find one bad reference amongst ten good ones, then it blows your confidence in that provider completely. We are desperately seeking peer-to-peer opinion, and with the Internet, we can. Any organisation not monitoring the blogs that might be talking about them are missing a major trick and putting their institution at reputational risk.

We also trust our family and networks. And our networks of friends are overtaking family as the people we turn to for advice and guidance. We are far less interested in the views of the institutions and those that use celebrities to endorse their offerings may find that route increasingly backfiring in a more cynical and better informed market.

Interestingly some of the most successful call centre operations of UK financial services are those that allow people to retain their personality and give time to their customers on the phone. We all know to whom I'm referring. The multiple awards winning First Direct Bank. It's all about people, and it always has been.

I'm surprised this model hasn't been replicated.
It's clearly coming in so many areas. The current winner of the Commercial Services Excellence Award, which is a UK, Management Today/Unisys annual award, is a

very small wedding list company. They allow every customer to write whatever they want about the service they received on their website and promise they won't edit it. They will have one or two bad comments but the vast majority are from delighted customers. It would be unbelievable if it were all good news, wouldn't it? But they trust that their service is generating the right response and they trust their customers not to abuse the facility, Could you do that? What would your customers say?

It's so important to get customer service right at every touch point with the consumer, now more than ever because of this networking and personal testimony effect. The impact of blogs and other feedback mechanisms is so much greater than ever before. You may have got a grumpy letter in the past, but now you have to deal with someone who is prepared to broadcast their views of you to the world. That can have a huge impact for good or bad

This phenomenon is only set to increase in volume and importance as we become more confident as consumers and feel empowered by the Internet to share our views and opinions with the world.

Staying on service excellence, what is your view on overseas call centres?

Offshore call centres are a very important phenomena. There is nothing wrong with the philosophy of the offshore call centre taking advantage of lower labour costs across the world. But when you move it offshore to save on labour costs and you abuse the privilege of a customer calling you by making them deal with multiple layers of automated telephony and then keep them waiting in a queue, and then someone reads from a script in barely audible English to try and sell a product, it is glaringly obvious that the consumer will feel abused.

It is not a service. It is apparent that it is a cost cutting means of administering the business and an attempt to increase sales. Most people in surveys believe new customers get a better deal than existing customers and this sort of abusive behaviour does not endear existing customers to their providers.

Do you feel this will change?

It can go in two directions. More automation will emerge for brands that are clearly low cost options, the Ryanairs of the financial world. If you know you are getting a significantly cheaper product, you are more likely to accept inconvenient service. On the other hand, you can look at Prudential, which has withdrawn automated telephony for all their directly sold products. You actually get to speak to a sympathetic person on the telephone as soon as it's answered and customer satisfaction has gone through the roof even though more often than not you now have to have your call forwarded to the appropriate department… isn't this where it all started ?

We will also see a large increase in click throughs from the Internet into the call centre to speak to a person, increasingly on video links. We are happy to use the Internet to do research on products and pricing, but when we get stuck and need more information and help, we want a click through to speak to an agent on screen immediately. Flexible resourcing in these centres will become a core competence of successful companies as they seek to match resources to fluctuating patterns of demand.

Do financial services companies pay lip service to the issue of loyalty?

Data we have gathered shows that new customers get a good deal and existing customers get a bad deal. Customers are beginning to recognise this. 'Janet and John' marketing always told you that the first sale was expensive to acquire and that the second one was significantly cheaper and more profitable. Yet we operate in financial services in exactly the opposite way.

It's hard for an existing player and brand to change the rules if a whole market sub-segment is operating in this way. Motor insurance is a good example. How can anyone change the game and attract new customers when if it were to equalise pricing it would make a customer's first year with them uncompetitive, against the discounters? Maybe that is the opportunity. A promise of a longer relationship, not an annual transaction. Maybe you cost it lower because it's a two-year agreement. There are many things that can be done to take a different view but we tend to be very focused around the same issues as the market around us.

How should we work with the regulators of the future?

Having spent some time with the regulator over the last few years, they appear to be open to new propositions. Although they regulate a market en-mass, they have an appetite for regulating products and services for a single institution, if that institution is able to protect their invention. If we don't give institutions protection in their attempts to change the mould of financial services and a chance to maintain their differentiation, then every advance made will be copied and innovation, once again will be stifled. I can envisage a future where the industry is working closely with the regulator and presenting new options and ideas where regulation is being applied for proprietary offerings.

What are the ongoing impacts and opportunities of the Internet?

The Internet has had a huge impact already. On the one hand we spoke about blogging, which has allowed the individual to have an influential voice. On the other hand, it has reduced the cost of administration quite dramatically in many areas of the business, particularly in less complex transactions as data entry which has been outsourced to the customer. In areas where you get comparative pricing, it has polarised and commoditised a lot of what might have previously been differentiated offerings the differences explained by the brokers.

We are going to enter a much more sophisticated era on the Internet, of richer content. Much more multi-media, interactive, contact between people on transaction web sites. This will be the growth area of the Internet. Skype is showing the way with voice over Internet Protocol and video. We can see that person-to-person interaction on the Internet will be much richer, therefore could be much more persuasive. Allowing providers and IFA's in turn to better explain the characteristics of their products and get away from the focus on price.

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Almost a more human touch.

When people talk about service they always mean people. It is never anything other than that. Therefore that is what we equate to good service. Maybe we have to be more flexible how we employ staff. If you look at some models of branch staffing in America, which can be easily applied to call centres, there are many more part-time, fully trained, fully integrated staff, available to satisfy demand peaks. And they can be based anywhere. We will use intelligent predictive tools to tell us when demand means we need more people available. That is another way we will become more satisfied with service.

Is the Internet reaching maturity on what it can offer financial services?

No. We will still do our window shopping and research online. When it comes to the final decision, we still want to interact with humans, increasingly across the Internet by means of voice and video.

> The impact of blogs and other feedback mechanisms is so much greater than ever before.

Is there any differentiation between financial services brands anymore?

I'm sure the financial services industry is fed up hearing about it, but it is the First Direct model, that is so differentiated. Through the attitudes they set in their call centres, they have deservedly won the Service Excellence Award in the UK twice in ten years. That is because they allow employees to be the people they are, and interact with the customer. The last advertising series they did called for volunteers to give testimonials for the bank. They had 160,000 email responses. It's unlikely that a global bank would achieve anything like that positive response. At the heart of it is a single belief that you employ good people and you are good to them. It's good leadership and good management and good business sense.

What will differentiate financial services companies in the future?

It will be deciding if your strategy will be about personalisation or low cost and getting that in sync so that the brand promise is consistent to what is delivered. There are great opportunities if we allow human beings to act differently and be the people you hired, not scripted, disempowered, clerks. Whether a highly personalised, high cost model, or a 'stack-em-high' low cost no frills model, aligning the staff, technology and channels will be as vital as ever. There's nothing wrong with the low cost model. The rise of the 'savvy' customer, identified by their shrewd purchasing skills has grown many new market leaders in other sectors, such as Ryanair, Easyjet and EBay.

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Is the industry getting more astute at taking up new technologies?

The typical model of technology take-up goes through the phases of early adopters, a trough of disillusionment, then a gentle rise in take-up and then a tailing off.

A good example was the enthusiastic take-up of WAP for mobile banking. It was slow and required you to be on-line, so expensive. It wasn't a great success. The disillusionment in WAP has delayed the take-up of secure browser based mobile banking for too long.

We need to understand what new technology can do, experiment with it and then release product and services that incrementally uses the new devices or channels and avoid the stop-go cycles in technology take-up. The future has some startling technologies which financial services could use to its advantage but we need to see a more sophisticated understanding of technology cycles employed so that we can all benefit from them in a more predictable and lower risk way.

Are organisations themselves undergoing any change?

We are seeing a massive change in the structure of businesses away from the monolithic corporate institutions to the rise of the networked business structure. We are seeing it develop by the backdoor with outsourcing, where more and more functions of the institution are being run by third parties. The network company per se will be seeking to 'partner' with best-in-class service providers or lowest cost operators in the market for each function of their organisation. We will need much smarter middle managers to run our companies than we have ever had. People who can deal with complexity and change and deal with integration seamlessly. And that means getting the technology right as well, to adopt new channels, services and service providers as they emerge in every and any area of the business. The Wharton Business School in the USA believes that any corporation's capacity to outsource is usually 12 per cent higher than that institution believes possible. What we hold as 'core' is frequently, and in reality, less of a competitive advantage than we think. In the future we can expect to see more agile, networked institutions with few of their own staff and many functions provided by third party providers.

Had the industry lost its purpose?

The issue of a higher purpose and ethics is very much on the agenda. Anyone who doesn't understand corporate governance and why it is becoming an issue is leaving themselves open to an enormous risk. We will be judged by tomorrow's standards for our actions today, which will have an enormous deleterious effect on our brand in the future, but we will have done nothing wrong by today's standards.

We are going to have to look at how we run our businesses and what impact we make on society and the planet to protect our brands from being damaged in some years to come. Now is the time to show, at least, you are doing your part, because you can't refer back to a history of caring for the planet and its resources if you don't have that history. The Internet has closed that option to us, acting now is important. Doing something as simple as being carbon neutral by investing in tree planting in a low cost area of the world could have a major impact in just a very few years as the fight for world resources, particularly carbon resources gets under way.

Who will be the future winners and losers?

I won't name names, but the winners are those who pay attention to what the future may be like. However any institution responds to that future is up to their commercial judgement. The losers will be the people who believe tomorrow is just an extension of today and nothing will be very different. □

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