The Financial Services Forum Annual Member's Conference
Tuesday 22 November: BT Centre, London

What is the Future for Financial Services?

If there was one word that could be used to describe every speaker's response to the question posed at the start of this year's members' conference – what is the future for financial services? – it would be 'opportunity.'

David Cowan, Managing Director for the Financial Services Forum, opened the conference with this boldest of questions, and seven speakers gave insightful visions of financial services' brave new world. Read on to find out what they said…

Rohit Talwar
CEO, Fast Future and Editor of The Future of Business

www.fastfuturepublishing.com

Futurist Rohit Talwar was the conference's first speaker and presented a bold vision of the key disruptions driving the future of financial services, and the products and services required in an era of game changing technologies such as artificial intelligence, blockchain, cloud computing, human enhancement, nanorobotics and cryogenics.

He highlighted how these technologies are reinventing existing sectors and enabling the birth of new ones - which could represent over 50% of the US$128Tn global economy by 2020. He emphasised the resulting opportunity to drive exponential improvement in customer acquisition, retention, operations, revenue growth and profitability. Rohit explained this could be achieved by focusing on the unmet needs of emerging sectors, early stage firms in existing ones and of existing customers, the unbanked and the uninsured.

Rohit pointed out that digital transformation strategies in financial services were largely undifferentiated - leading to commoditisation unless the sector can find a way of truly developing deep and unique relationships with their customers. He pointed out that the majority of venture funded FinTech start-ups are likely to fail even with corporate backing unless the investor firms can find a way of integrating the new solutions into their business and proving their value. According to Talwar, the brands most likely to thrive in the future are those who can optimise their approach to business across multiple timelines at once – focusing on operational excellence in the short term, growth in the mid term, and anticipating future drivers in the long term.

Renee Friedman
Financial Services Editor, The Economist Group

Renee Friedman presented some of the key findings from the latest study on the future of retail banking by the Economist Intelligence Unit.

Beyond ongoing issues around modernisation, cost cutting, and the future of the branch network, this year's survey has identified that innovation is moving to the top of the list of concerns for retail banks. Banks are particularly worried about the development of payment players (20%), the growth of non-financials like Google and Facebook (20%), and peer-to-peer lenders (21%) taking up market share.

Comparing this to the relatively lower concern about new banks (16%) bears out the Economist's observation that customers are increasingly comfortable with seeking out pick and mix solutions to their financial needs rather than looking to a traditional provider to offer them everything under one roof.

Tom Blomfield
CEO, Monzo Bank

The UK's youngest bank CEO, Tom Blomfield, spoke about needing to put customers first and ensuring that a commitment to solve their problems rather than the industry's is at the heart of future strategy. He used the transition from passbooks to banking apps as an example – modern account management is much more streamlined and cost efficient for banks, but not all that different from a user's perspective.

A key barrier to putting customers at the centre of financial services, according to Tom, is that people don't fully understand the value and potential of their data. If customers were comfortable with allowing their banks to use their purchasing and behaviour data intelligently, banks could offer far more services beyond current accounts, savings and loans. For instance, they could review energy tariffs, optimise loyalty cards, or manage our insurance needs, building long-term brand loyalty as they did.

Michael Mainelli
Executive Chariman, Z/Yen Group

Michael Mainelli, co-founder of the City of London's leading think tank, made three core points about innovation: it comes from competition, it's messy, and it's hard for large companies with entrenched processes to achieve.

He also exploded some myths around innovation, including the age-old belief that the state thinks it's driven by the private sector and vice versa. Michael presented detailed research that showed neither the state nor the private sector is better at fostering innovation. Rather, the flexibility to exploit a gap in the market faster than your competitors is the key factor. On a sobering final note, he also presented research that showed that increased regulation of the UK financial services sector over the last ten years directly correlates with stagnation in the sector's productivity figures.

Oliver McGuiness
Managing Director – Insurance, Opun

Oliver McGuiness talked about the innovation challenges facing the insurance sector. He asserted that insurance is great at proving value when disaster strikes, but it struggles to engage and reinforce value to customers in non-emergency times. In fact, on average customers only touch their insurance provider once every eighteen months.

Oliver believes simplicity and relevance is key to driving innovation and increasing brand value within insurance – becoming a lifestyle provider, or integrating the product into connected homes and car propositions. Drawing data from the Brand Simplicity Index (which insurers universally score poorly on), Oliver pointed out that increased simplicity correlates to 214% stock out-performance of peers, and leads 69% of consumers to recommend and 63% to pay more.

Pete Connell
Managing Director, Wealth Wizards

In response to the conference's opening question, Pete Cornell proposed his own for helping guide the future and make the case for innovation: is it cheaper and better?

Having a grand purpose to disrupt, innovate or evolve is crucial to maintaining drive and passion, but delivering on the bottom line is also key. Taking the evolution of VHS to DVD and digital download, Pete explained that each new development occurred because the newer product was either cheaper (for the customer or the producer) or better, or both.

He also pointed out an interesting sea change in attitudes within financial services. Where risk has traditionally been viewed in relation to compliance or delivery, it is now about the fear of missing out on opportunities by not moving fast enough to create products that answer consumer needs in simple, efficient and, of course, cheaper and better ways.

Dr Greg Davies
Founder, Centapse

Behavioural finance expert Dr Greg Davies closed the conference by exploring some of the problems around engagement within financial services.

The concept of the 'nudge' has become an established concept in behavioural finance – from push notifications to auto-enrolment. But, Greg argues, this is making us less informed, less engaged and less self-motivated.

Instead, Greg suggests that once nudge behaviour has been used to introduce consumers to financial services, they should be encouraged to move through an increasingly sophisticated journey, using a combination of behavioural science, data and digital contact. Such a process, Greg believes, would better prepare people for those major financial decisions, like home buying or retirement, which they can't always put off or shy away from.