a meeting of MINDS

owenjames

The Findings

Tuesday 25 April 2017, The Berkeley, London

Contents

Summary

The twenty-first Meeting of Minds Bank and Brand Distribution of Retail Financial Services took place on 25 April 2017 at The Berkeley Hotel in Knightsbridge, London. This document summarises key issues raised in the topics discussed during the roundtables that took place on the day.

A Meeting of Minds Bank and Brand Distribution of Retail Financial Services is a strategic forum organised by Owen James. It is an opportunity for 80 senior level decision makers from the largest high street banks, building societies, affinity groups, product and service providers and industry experts to meet in a neutral environment where they can examine industry issues and opportunities and develop business strategies to address them.

Participants enjoy access to strategic insight, active involvement in shaping the industry and networking at the highest level.

At the core of these Meetings is a series of boardroom style sessions addressing a pre-researched and pre-agreed agenda, with open discussion led by objective and professional moderators. External speakers spark debate and encourage fresh and original thinking.

To find out more about taking part, please contact Hannah Jackson at Owen James: hannahjackson@owenjamesgroup.com or you can contact her at 01483 861334.

This Report

The Roundtable Sessions were moderated by:

- *Mr Kevin Mountford – PBF Solutions*
- *Mr Phil Alcock – PBF Solutions*
- *Mr Scott Waters – Affinia*
- *Mr Collette Dunn – Milliman*
- *Mr Peter Smith – TISA*
- *Mr Andy Follows – Aquilae*
- *Mr John Chapman – Owen James*

We are very grateful for the time and energy they have expended on making A Meeting of Minds Bank and Brand Distribution of Retail Financial Services a success and hope you will consider this report an interesting, thought-provoking and accessible read. As ever your feedback is much appreciated.

We would also like to thank the independent experts who were part of the sessions for sharing their knowledge and giving us their time and energy both in the run up and on the day.

The Sponsors

We would like to thank all our sponsors, without whom the event would not have been possible. The following groups took part in the Meeting and their motivation for taking part is threefold:

- To be, and to be seen as being, supportive of the industry
- To understand the stresses and strains being placed on the industry and, where possible, respond to them
- To talk openly with these business leaders with a view to ensuring that their businesses are strategically aligned.

The Millennials

Moderator: *Phil Alcock – PBF Solutions*
Expert: *Sophie Robson – MRM*

- An opportunity to look at the Millennials - they are your future clients (and future employees) and you need to pay attention to them.
- Millennials are likely to be the first generation since the turn of the last century to be financially worse off than the previous generation. This is in large part due to the financial crisis, plus the unaffordability of UK housing.
- However there are certainly investment opportunities as the Baby Boomers transfer their wealth to them; some are already successful in their own right and have their own money to invest; and if they don't already have money they will some day – well let's hope!
- With regard to their current FS requirements, their focus is on mobile banking and debt products rather than any savings / pensions / investments. They are more inclined to be influenced by the 'gamification' of their purchasing decisions and so FS providers should be looking at online communities and social media to enhance their product distribution.
- Millennials' expectations, driven from other online transaction experiences such as Amazon, are likely to influence their interactions with PF providers. They also have very little patience so the initial online experience has to be slick and seamless. "Instant gratification" is a constant theme in describing this demographic.

This session will consider what makes them tick and how best to market to them.

HEADLINE FINDINGS FROM THE SESSION:

- Millenials' characteristics with regard to banking: they are connected by new technologies, disillusioned with UK housing market, and accustomed to getting answers. As a result, they have a new set of needs, goals and expectations.
- In providing products and services to Millenials, banks need to evolve quickly and are under threat from alternative FS competitors and technology companies. In particular, banks need to revisit their service delivery and attempt customer-centric innovation.
- Millenials believe banks and FS providers do not speak to them in terms of products and services nor how those products and services are delivered. Very few cases of mortgages for example which are devised for this segment
- Millennials want help and advice from banks and FS providers in areas such as improving their credit history and better managing their money
- Millennials totally reliant on mobile banking services – if it cant be delivered on a smartphone then not fit for purpose

- Millennials are used to receiving advice from their peers and family and discussing advice socially and online. Personal networks seem more important than third-party recommendations. Banks therefore can miss out on an invaluable chance to differentiate their offering and drive engagement. This means there is an opportunity for disruption from tech companies who are better placed to deliver

WHAT ARE THE NEXT STEPS?

- For most established banks, responding to millennial expectations requires a more conscious and consistent effort. Those that rise to the challenge will reap the benefits – successfully differentiating their service, gaining new efficiencies, and taking the fight to the competition.

Keeping the customers satisfied – the rise of convenience at the expense of loyalty

Moderator: Kevin Mountford – PBF Solutions
Expert: Sarah Collinson & Alexandra Korda – Affinion

Following introductions we asked the question;

'Building long-standing relationships: How can you enhance customer engagement in an increasingly digital world?'

Financial services businesses still spend much more time trying to find new customers than trying to keep them. In a world where switching and moving providers is getting easier and easier, companies need to spend more time working out what will make their customer stay.

Banks take on various roles in customers' lives and these mainly depend on the life stage and financial requirements of the customer segment. Wealthy older savers and pensioners will require a bank's service in a totally different way to a recently-qualified graduate.

Each role demands something different from the bank:
• Provider of financial education;
• Provider of products;
• Provider of information services; and a role as the
• Community heart.

So it would seem that banks need to develop a more personal role in customers' lives. This includes the way in which they communicate and a more bespoke service. Are there lessons to be learned from the challenger banks?
Given the depth and breadth of data captured by most banks offering transactional services, surely this shouldn't be too difficult.

As banking goes more and more on line, the push for personalisation takes on a greater urgency – a long term relationship is a long term gain!

- Affinion 'experts' shared some thoughts in terms of what customer engagement means for different customers and organisations and cited some examples of success stories in the market.

- They recognised that the advent of a new digital age gives organisations an opportunity to review and re-think their propositions. Fundamentally, customer centricity is first and foremost about delivering on the basics, the core services. If we deliver on the basics, customers will more easily give permission to allow us to extend into their daily lives, to do more and sell them more.

- In developing more personalised offerings, the group discussed the wide scope of considerations and requirements that are part of such a project. They highlighted the commitment that a business needs to take to enable change.

There are many facets but we focused upon:

- Delivery frame-works
- End to end mapping of customer journey's
- Value streams
- Identifying challenges and evaluating negative impact points on customer behaviour

- Additional considerations for Customer experience (CX) projects in large organisations, is the involvement of multiple work-streams, matrix structures and product silos. Ultimately, for these projects to succeed, it is important to create an environment where change is embraced, led from top down and where the life-time value of a customer is understood, and can be clearly measured. This approach also supports the ability to make SMART decisions regarding budget allocation.

  Taking this approach can help structure:
  - Clear and defined KPIs revised to fit new journeys
  - An understanding of organisational structure, roles and responsibilities.
  - Process and process flows
  - Technology capabilities
  - Business priorities

From this start-point we then discussed that Financial Services as a sector are not always clear on what they offer, and also on which customers they want to serve.

- In the many needs that customers have, each demands something different from the bank:

  - Provider of products
  - Provider of financial education
  - Provider of information services
  - A role in the community

- Therefore, it seems that banks need to continue to develop a more personal role in customers' lives, both in the way they communicate and their ability to offer more bespoke services.

- *However, is the question really, how do we use data to the benefit of both customer and business? Are there lessons to be learned from the challenger banks?*

- As banking goes more and more on line, the push for personalisation takes on a greater urgency, having data is one thing, but using it brilliantly to build long term customer relationships is really the ultimate goal.

- It was noted that enhancing the customer experience isn't exclusive to the digital world and in fact, applies across all touch points. However, challenges are different, and may be greater where a wider range of products are offered across multiple channels.

- Technology and trends in customer experience from other sectors, such as retail are playing an important part in influencing consumer behaviour, increasing customer expectations, and in defining requirements and new standards of delivery. The use of Artificial Intelligence is opening opportunities for innovative financial services organisations to jump whole generations of technology and become market leaders through the use of Chabots. Need we do more than just mention the IBM Watson Engagement Advisor?

- It was recognised that over the last decade the industry had faced some of its biggest challenges such as:

  - Increased regulation and costs of the supporting infrastructure
  - Decline in fee incomes
  - Rise of new challengers both from within and outside the UK

    - Digital and mobile offerings and the speed and magnitude of delivery

- Open banking and the API world will only add to this, meaning that established players need to adapt and adopt best practices or run the risk of being over-taken. In addressing these challenges, the industry players need to be clear in terms of what they want to be and who do they want to appeal to. There also needs to be a cultural shift from being product centric to being customer centric and truly customer centric in a way that extends far beyond just an NPS score.

- Looking at new metrics a measurement on an ROI might also include:
    - Sum of customer interactions
    - Customer perception of brand and organisation

- Real advocacy leads to deeper relationships and longer term value.

- Armed with the right data, and analysis of customer needs, organisations can start to develop some quick wins achieved through 'tweaks to transformation' as opposed to having to always aim for the 'big bang' approach. For this to be successful, it has to be led, top down, and staff need to live and breathe this approach.

- Finally, it was concluded that successful customer experiences (CX) when taken over the duration of the relationship between an organisation and the customer has the potential to deliver greater financial reward.

Big data initiatives to achieve competitive advantage

Moderator: John Chapman – Owen James Group
Expert: Paul Alexander – Beyond Analysis

Key issues for participants prior to the session:

- How big data can be practically applied.
- How to improve data quality to ensure big data can be applied.
- When does data become big data?
- Maximising commercial opportunity with customer data.
- The impact of GDPR on use of data.

Key discussion points during the session:

- First step in use of data is to define the company's data strategy and what targets are expected because of using the data, without focusing the approach the initiatives are unlikely to land.
- Having a clean data set and 'one version of the truth' are critical to provide meaningful insights across a business.
- Data is not the 'silver bullet', it needs to be handled properly and understood and adopted across the business to be a success and often human interpretation is essential.
- People in the frontline of the organisation are often data inhibited due to a lack of access to the appropriate data. 'Appropriate' encompasses all aspects of the data, from confidentiality to complexity. Being numerate should not be a requisite of making data driven decisions. Graphs/Charts/Spreadsheets/rows and rows of numbers don't work, pictures and colours do. Data should be presented in a way that is meaningful to the organisation and can be understood and interpreted by whoever the audience is.
- There should be consistent key measures within the organisation which can be tracked and monitored and which all teams should work together towards.
- Establishing key MI metrics is essential in any company.
- GDPR is a major issue that all companies need to be aware of and acting on – the key issue is being prescriptive with each customer about exactly how the company is going to use their personal data and get their positive approval for use of that data in that way.
- We have a long way to go with GDPR as we currently have no definition of 'personal data' and therefore what would be covered by this is not uniform. However, the time to implement is short and the data commissioners will be looking to make examples of large companies that don't comply.
- Companies should look to develop customer segmentations that capture more than just 'recency and frequency' but actually reflect customer behaviours to enable more effective, targeted marketing initiatives.
- We should not draw inappropriate conclusions from data - it's easy to rely on data, but the business context and practical applications must be taken into account. Data is not there to be manipulated to the answer you want – it is a huge asset and opportunity to help businesses make better decisions, not justify the wrong ones.

Positive outcome from discussion:

- Data analysis has a key role to play in gaining competitive advantage, but strategy must be company-wide ('democratisation of data').
- Key measures should be established across the organisation.
- Frontline staff should be data enabled. The implications of GDPR should be understood and implemented

Waking up a sleepy industry - innovation within the insurance industry

Moderator: Scott Walters - Affinia
Expert: Gavin Dobson – Hood Group

The session was split into three areas for discussion

- What are the key trends that are going to transform the market in the next 5 years?
- What new start up brands are threatening to disrupt traditional consumer brands and insurers?
- What practical ways can you encourage innovation in your organisation?

What are the key trends that are going to transform the market in the next 5 years?

- There was a consensus that the insurance industry is hog tied by legacy systems and attitudes that make innovation very difficult to achieve.

- Consumers are not interested in insurance: they do not wake up in the morning and yearn for insurance, but they do need it.

- While it is easy to market lifestyle products; holidays, games, theatre etc, it is far harder to make someone excited about an insurance product.

- It was generally agreed that innovation in insurance will not be about new products in the traditional sense, but new ways of transacting, marketing, promoting product.

- Peer to peer propositions and the sharing economy are areas that insurers need to take note of.

- Unbundling products and pay as you use propositions are the future.

- Lifestyle promotions can drive sales. The Vitality product was given as a good example of insurers who have recognised that people want to be rewarded for the good behaviors that underwriters value such as going to the gym, eating properly etc.

- The rise of GPS location tracking, Fitbit etc, has given insurers a wealth of information that can be used during underwriting.

- Insurers and banks consider themselves slaves to their IT systems rather than masters. Insurance company records have historically not lent themselves to easy interrogation or manipulation for CRM purposes. In order for innovation to occur this can mean looking at outside resource, JV's with startups, taking over startups, or hot housing innovation.

- Using big data should make selling home insurance as simple as travel insurance. A caller's phone number can be linked to an address and postcode. The system should be able to tell how long they lived there from land registry, and how old the house is. Credit records can tell the financial risk, google maps what sort of house it is and how well looked after, and crime statistics and flooding information from the environment agency is readily available. The system could even use Facebook, Instagram, Twitter, LinkedIn to see what else the customer gets up to.
- Customers' expectations are changing and what they can expect to achieve in life also. No longer is the assumption that you get a job, get married, buy a house and settle down. Younger people are far more interested in how they can get on the property ladder than whether they need a pension.

- Machine learning and artificial intelligence are seen as the new ways to streamline business, reduce errors and costs.

What new start up brands are threatening to disrupt traditional consumer brands and insurers?

- New startups in the insurance arena are generally considered a good thing. One reason is that to transform a sleeping industry it will not be done from within. New guys with new ideas, not traditional insurers will provide new markets.

- The new startups may be in peer to peer, Awareness and aggregators who are promoting product, possibly in different ways.

- Gamification, the application of game-design elements and game principles in non-game contexts is where startups could have a major influence on how and what the insurance industry will be selling in the future. Immediate purchase of insurance in the same way you buy a game on an app. Far from being threats to established brands and insurers startups should be seen to be breathing life into the industry.

What practical ways can you encourage innovation in your organisation?

- You need the right culture in your business to be able to breed innovation.

- Two businesses in the group had hot housed their innovation areas out of the established HQ structure. Offices were set up and treated like a startup venture. These businesses were given carte blanche to come up with ideas, prototypes and test the theories. By being outside of the "that will never work," "that will never happen," "that will never get signed off by compliance" culture they created their own culture that allows for innovation.

- Employing non-insurance professionals was then seen as an advantage, to bring in new ideas and ways of doing things.

- Breeding a culture of innovation is easily said but difficult to achieve, there will always be more followers than leaders. But if the insurance industry is to flourish, new ideas, products, and services for the millennial generation, and probably imagined, designed, and created by the millennial generation need to be adopted.

Right first time lending – the brand impact of saying no

Moderator: Collette Dunn, Milliman
Expert: Brian Brodie – Freedom Finance

- Sometimes saying no can be the hardest thing, well not for banks as they tend to be quite tough these days. However when a bank does say no – is it a lost opportunity to build a relationship which might pay dividends in the future?
- I always remember the presentation of how a certain favourite airline's clients who had had a really good flight or even an okay flight were less loyal than those who had had a difficult time of it and then been supported well.
- So handle the rejection with panache and offer them a worthy alternative and one day when they are more likely to be told yes they will think of you warmly.
- This session will look at the 'no' customer journey and advocate working with, dare we say, competitors – brands with an offering that might be suitable for the rejected client.
- Brian Brodie, Freedom Finance, provided an introduction which highlighted a number of statistics around retail finance. For example, 59% of customers said that they would have bought elsewhere if finance was not available. Also, 72% of customers said that they would have postponed their purchase if finance was not available. Clearly the availability of finance at the point-of-sale is important to maintain sales.
- Retail finance requires the retailer to work with a lender. In order to maximise the times when the lender will say 'yes' to the consumer, one solution is to work with multiple lenders, potentially via a single platform/broker.
- Lenders have different consumer profiles of who they would like to lend to and therefore credit worthiness varies according to the lender in question. A strategy for maximising the number of consumers who get a 'yes' is for the retailer needs to find a lender that desires a consumer profile that is similar to their customer base. Despite this, there are likely to be times when the lender says 'no' to the consumer.
- One of the retailers in the room said 'no' to approximately 70% of consumers who asked for a loan to buy a product from them. They have honed their own credit worthiness profile which is so refined that they can reject consumers according to their browse history on their website (how they browse and attempt to purchase a product and request a loan). They do not hand off to anyone to allow their customer to get a loan elsewhere.
- As an alternative, one of the other members of the group is working with lenders on a project titles 'no dead end'. The objective is that, when consumers are turned down for a loan, they either get passed to another more suitable lender, or they get information on why they got turned down and what they can do to improve their credit worthiness.
- Retailers passing consumers to alternative lenders to maximise the numbers who get a loan is common. Lenders may also pass their consumers on when they have been rejected for a loan. For example, Barclays passing rejected consumers to Freedom Finance.
- The group acknowledged that there would always be a section of consumers who would not pass credit worthiness with any lender.
- The way credit worthiness is established is evolving. PSD2 will allow organisations to ask customers to show their current accounts. Credit bureaux are emerging that seek to build a credit score by analysing a consumer's social media activity.

- To wrap-up we concluded that there were various techniques that organisations are using to maximise the chance of saying ‘yes’ to a consumer who would like to borrow money.

How do we improve the nation's money habits across all customer segments?

Moderator: John Chapman – Owen James Group
Expert: Dominic Baliszewski – Momentum

Key issues for participants prior to the session:

- What are we missing about customers that they don't engage with the FS industry?
- As an industry we need to attract younger customers.
- We need to improve the financial education of the nation.
- The industry is not "set up" to serve the customer – we make things difficult.
- We need to provide insights for educational content.
- It's amazing how little people know about what to do with money.
- There is a feeling that robo-advice will disrupt the industry.

Key discussion points during the session:

- People often think about budgeting for short-term issues, but completely forget pension savings.
- People are confused with the way financial articles are written – we need to improve the way we communicate. We need to be more simple with our language, reduce acronyms and help people understand their finances. There is too much information that is not personalised, it causes confusion, but people don't know what they want.
- Most content, whether this be online or elsewhere is too focused on a specific problem where people have more general issues e.g. a person might receive some content that they should save more, so they think about saving money, but when they get home they hear that paying off their credit cards is the most important thing to do….. so they are confused. How do we help people aggregate information, while keeping it simple?
- Who do people trust for their financial information? Martin Lewis, mainly!
- We need to provide simple solutions, but we have to keep in mind the financial promotion rules.
- The younger generation do not get the practical financial education they need. Perhaps there is a role in targeting parents to help with their children's financial education.
- As an industry, we need to do more to fill the advice gap. We need to get people financially engaged. Gamification and story-telling could be key elements to achieving customer engagement.
- Positive outcome from discussion - technology has a huge role to play in achieving customer engagement across all segments, but it has to be fun, engaging and easy to understand.

The session with the most acronyms! - let's talk AISPs, PSD2 and API. How will all these acronyms impact the world of banking in the very near future?

Moderator: Peter Smith - TISA
Experts: Brian Brodie – Freedom Finance

- Open banking is the idea that UK banks will have to shift from being one-stop-shops for financial services, to open platforms where consumers can start to embrace a more "modular" approach to banking.
- This isn't some far off possibility though, as regulators in the UK and EU are forcing the banks to open up customer data to third parties in the form of secure APIs this year (2017), creating more choice on where and how consumers manage their money. However, concerns remain around security and data privacy issues created by the new rules
- The Competition and Markets Authority (CMA) has issued its final order to formally implement open banking. Open banking will make a transformational change to banking for personal customers and small businesses. For the first time innovative and secure apps will provide personalised services and information to cover all financial needs in one place, and make it easy for people to find out what bank account & services are best for them. So, instead of doing all of your banking through one or two firms, customers could have their current account with one provider and then bolt on other financial services like an insurance policy, ISA, mortgage and investments through other providers or brands, all under the user interface of your choosing. This approach is also known as banking as a platform (BaaP).

- In order for this to happen the banks will have to open up their data through application programming interfaces (APIs). Fortunately for consumers the CMA is forcing the banks to adhere to open banking standards by January 13, 2018. The new rules state that banks must create open APIs so that customer data can be shared between organisations and be incorporated into third party applications in a common, consistent format. The first stage will be open APIs for what the CMA calls product and reference data. This will allow developers to create price comparison services, or include ATM locations on their maps, for example.
- This was due to be in place by the end of March 2017 and is something of a test run for the more confidential customer transaction data being opened up by January 2018. This data will allow developers to securely view things like transaction history to aid applying for a mortgage, or to alert users that they are at risk of becoming overdrawn, for example.
- An API standard should look like a set of documentation, development code and reference implementations that anyone can use, dramatically bringing down entry barriers for participation in financial services. The advantage of this would be reliable, personalised financial advice, precisely tailored to a clients particular circumstances delivered securely and confidentially. So the opportunityor challenge to the big banks and from smaller challenger banks and fintech companies in order to provide customers with the best possible banking experience and digital facilities.
- A challenge will be take-up profile and engagement with consumers, with early adopters waiting to consume this. There will be an adoption curve and the steepness of that will come down to how we as an industry get trust and security right. As well as the CMA's new rules, banks have to also face the overlapping European Commission's Revised Payment Service Directive (PSD2). This, similarly, forces European banks to open up customer data via a standard set of APIs. The applicability of PSD2 post-Brexit whilst it will be implemented remains unclear but current government has confirmed it to proceed regardless. The directive requires all member states to comply by 13 January 2018, a timetable the CMA is looking to match.
- Fintech's true promise springs from its potential to unbundle banking into its core functions of: settling payments, performing maturity transformation, sharing risk and allocating capital. This possibility is being driven by new entrants – payment service providers, aggregators and robo advisors, peer-to-peer lenders and innovative trading platforms who will challenge or work in partnership with the current incumbent

banks. Aggregators, making use of banks' Application Programme Interfaces (APIs), are providing customers with ready access to price comparison and switching services. New pro-competition policies are reinforcing this competition. The banks currently tend to be positive about open banking, in public at least, despite it posing a dramatic existential threat. A recent report by McKinsey titled 'A Brave New World for Global Banking' estimates that banks in Europe and the UK currently have $35 billion, or 31% of profits at risk because of digitisation in general. The report reads: "More severe digital disruption could further cut their profits from $110 billion today to $50 billion in 2020, and reduce returns on equity in half to 1 to 2% by 2020, even after some mitigation efforts."

- We will see the disaggregation of banking services, the disintermediation of banking services, and banking becoming more unbundled, more modular. We are moving from an era of physical banking to a connected bank of digital services. This starts to re-frame banking and our role in it as much more of a composite where we both provide services and link to other services. So we become a platform for our customers to navigate around. GDPR will be a central challenge to API development which includes the ability to provide customers who have transactions data and money held with banks to easily and securely get access to that data to use with whatever provider they choose.
- The UK "challenger banks" could be well placed to thrive in this new open banking ecosystem once they have acquired their banking licenses, possibly becoming the open platform of choice for consumers. The bank of the future will be a marketplace rather than selling dozens of different financial products offering their customers access to the best products and services from across the market.
- In a world where the data is freely available and the consumer chooses where to do their digital banking, this raises some interesting questions around accountability? Practically we need to ensure security of that change of data as GDPR rightly ensures the way we get consent for sharing and securing that information is in line with what customers expect. GDPR poses several important questions around data security and privacy that need to be answered before we can allow developers to publish apps that can access other people's data. A major concern for the banks here is around accountability and liability in the case of a hack or cyber breach. In short, consumers will have to be very trusting that the APIs are working in a way that doesn't allow for criminals to embed themselves in-between the banks and the trusted third party apps.
- There are already plans to 'whitelist' third parties that have appropriate security in place to protect against fraudsters. However fintech companies have already raised concerns that the banks may impose unrealistic criteria for whitelisting in order to limit the number of approved third parties accessing customer data. Due to the strict timetable set by regulators this year will see banks reckoning with open APIs, the proof will be if the transition is a smooth one and if developers truly embrace these new data streams and create applications that consumers actually want to use.
- Traditionally UK consumers have been reluctant to switch things like bank accounts, 2017 will be the year we see if open banking can convince them otherwise. With PSD2 demand will come from the merchants particularly the big merchants operating online or by mobile and physical points of payment channel creating services that buy API's. The industry needs to know where is the demand going to come from what is the likely take-up rate of payment initiations what should they be doing between the period that PSD2 comes into effect and the strong customer authentication rules which will follow 12 months after that.
- Comply or compete will be a huge opportunity for banks to treat API's as products creating a new revenue stream, interact with third parties and merchants as a distribution channel and also distribute products leading to new customer distribution. Execution will be critical, not only do they need capability to apply API's that organisationally they will need help to run and go to market and take those API's to market the ability to execute its critical.
- Therefore API's create third-party products providing more powerful end-to-end experiences for customers. This will effectively mean more power to customers on technology panels. In this where do the Fin Tech's sit, do they provide what the banks do not want to offer. How many API's will be loss leaders and how do providers plug into play with customers. Does the financial services market and consumers understand what exactly open banking is? For the banks, do you open up to your competitors or hold the area of customer interest to retain customers and does brand & loyalty have any future value. There is opportunity to radically change the interface with customers. The assets you own could be the customer data only, they will be disaggregated with the customer to plug the data. Balance sheet constraints means that banks do not need things on their balance sheets very much like Uber, with no cars, airBNB etc. Is open platform they answer? Who picks up API's and how do partners plug in and

unlock the provider capability to plug into platforms or the bank? API's will cover mortgages, savings, credit cards and current accounts. The API doesn't own the relationship that controls the function or product. Will SME's which are mainly consumer or corporates be able to operate in this space and where will new entrants go to find customers? SME's lending problem is it a tech problem or an appetite issue. Is changing a traditional banks area in a position of strength those smart enough will make it a communications channel which will be key to distributions posing the future viability question to continue to use traditional channels.

- Does the customer buy all of the brand (loyalty) drawing parallels with the telco's utilising switching deals to drive retention rates would it not just be a pricing play. Where multiproduct holders are the consumer will people buy from one source or mix across an API platform?

The rising spectre of cyber security – do banks hold the solution?

Moderator: Kevin Mountford – PBF Solutions
Expert: Anton Baboglo & Sarah Collinson – Affinion

In the digital age, online fraud is a constant challenge for businesses. The annual Crime Survey of England and Wales (CSEW) revealed that online fraud is now the most common crime in the country, with almost one in ten falling victim. Hackers are finding increasingly sophisticated ways to gain access to, and harvest, personal data across multiple industries.

As custodians of highly sensitive customer data, banks are now under more pressure than ever to keep their customers safe online. Banking systems are the most secure in the world but their customers are vulnerable at the point of mobile Wi-Fi so what can they do to limit the dangers?

Beyond banking platforms, is there an opportunity for banks to build on their relationships with customers by helping to keep their entire online identities safe?

- Delegates were asked for their overall objectives from attending the session. In the main, the aim was to listen and learn with a clear recognition that the rise of new technology and resulting changing consumer behaviour made this issue of cyber security increasingly more challenging. Recent events with the likes of Tesco bank have highlighted the problem and made it all the more real for both the industry and its customers.

- Experts from Affinion outlined that the session was not about IT security and was not a technical session. They raised the question of what happens to customer's data outside a banks secure environments and particularly when undertaking browsing in non-secure, mobile Wi-Fi hotspots. They emphasised the economic aspects of ID theft and fraud and the possible risks of damage to customers' credit, reputation and financial wellbeing. They asked whether banks have an opportunity to expand their role in customer's lives by helping customers keep their entire online identity safe and therefore reducing customer anxiety.
- We discussed whether banks have a duty of care to do more to protect their customers outside the banks secure environments? The general view was that it is the bank's responsibility to protect customers and that there is a need to deliver better education on the risks customers face.

- However it also tabled that customers need to play their part, that there is a danger that consumers have become complacent. There is an acceptance that we live our lives on the move and mobile technology means this can by 24/7, however, there is an assumption that if something does go wrong the industry will put things right and if they don't, there is always the consumer rights, i.e. regulatory route to take.

- Although the issue of cyber-attacks has been highlighted for events outside Financial Services, in general, customers trust banks to protect their interests.

- This can also be an opportunity for banks, given their continuous experience with customers, to take the high ground, increase trust and build goodwill by offering greater transparency and education using all channels and means of communication. However it was raised organisations need to be mindful not to be seen as scaremongering, and that is some cases this may be why the industry stays quite on such matters. Also, that there is a fine line between achieving greater transparency and education and the inconvenience that is caused for customers when ID theft or fraud occur.

- In recent times we have seen a variety of products aimed at protecting and insuring against ID theft but generally people are cynical and don't believe that they offer value for money, "we all know someone who has suffered a cyber related attack but it won't happen to me".

- Products need to be better positioned to take into account all of the above to enable them to really support customers. Customers are anxious and there is an opportunity to earn their goodwill.

- In summary it was accepted that the threat of cyber-attacks will be an everyday one and that the industry and customers it services need to play their part. It was further noted that a major lead has to come from the government and regulators, but not to the extent that it stops us all doing business!

Building an eco-system to help more people look after their relatives in later life

Moderator: Collette Dunn – Milliman
Expert: Gordon Henderson, AXA PPP Healthcare

Let's look at issues around healthcare for those in later life.

- With all the pressures on the NHS, we want to encourage people to stay in their own homes for as long as possible. Independent living is to be encouraged. However, it isn't always that easy and sometimes they need the support of their family.
- So this is another call for new thinking. In Asia, the culture is for families to care for their elderly family members – in fact they are respectful of all that accumulated wisdom (the writer says wistfully).
- In the West, we are not always quite so caring … so is there some way in which we can "encourage" or "nudge" families into being more supportive of their elderly relatives? Create an ecosystem?
- Thoughts?
- Gordon Henderson, AXA-PPP, presented selected data and information to inform the context of caring for the elderly and the needs of this age group.
- We have an ageing population (10 million in 2010 rising to an estimated 19 million in 2050) and as people age there is a higher risk of accidents. For example, falling is a major risk for the elderly with 1 in 3 of those over 65 years having a fall and 1 in 2 of those over 75 years. Falls are the leading cause of disability and death from injury in this age group. The fear of falling reduces the quality of life of people once they have had a fall.
- The growing elderly population and their increased need for healthcare, places increased pressure on limited resources. For example, of those over the age of 75 years, 75% have a chronic condition. A 65 year old woman can expect to live, on average, for a further 11 years free from disability and a further 9.7 years with a disability.
- There are many opportunities for better eldercare. However, at present there is no single point of information to go to for help with eldercare that can be accessed by either the elderly person, or their children. Commercial organisations provide financial information and advice, for example the Skipton Building Society, Just Retirement and Nationwide. Many are focussing on offering the right customer propositions and improving the service and products they currently offer. We also have healthcare organisations, such as AXA-PPP, offering health information, advice and services. Coupled with these commercial organisations, we noted that there are some excellent charities, such as Age Concern, and of course the NHS and Social Services.
- In this context, we discussed some of the great technology available to keep elderly people safe and in their own homes for as long as they want. For example, watches that trigger an alarm if the wearer falls and doesn't move for one minute.
- Whilst all the organisations mentioned above, and others, do excellent work for elderly people, they do not currently work together to provide a one-stop-shop for eldercare. One of the commercial

organisations in the group mentioned that they had approached the NHS and Social Services but neither were willing to work with them on providing a single point for eldercare.

- We discussed the idea of some of the organisations working together to form an ‘ecosystem’ to provide this single point of access for eldercare. This would be likely to involve a single interface that would direct people to the appropriate organisation to help them. Ideally the interface would be more than a platform and would actually help in the provision of joined-up advice (currently advice on eldercare is given in silos). We discussed whether this could be run as a commercial model. Our view was that there is a huge unmet need in the UK and that most of the pieces to form the solution – the ‘ecosystem’ – were already in place.

. wazoku Aquilae

Business success depends as much on employee satisfaction as it does on customer satisfaction

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Moderator: Andy Follows - Aquilae

Expert: Simon Hill – Wazoku

- Simon set the scene, explaining that innovation can be a hook towards employee engagement which, as well as providing multiple other benefits, is synonymous with employee satisfaction. He suggested that, rather than focusing on innovation as an outcome, companies should practise behaving innovatively and let the innovations emerge. He also pointed out the connection between a company's culture and its ability to innovate. He shared an example of two separate businesses within a group well known for its innovative behaviour. One entity had grown up being innovative and the other, an acquisition of an established business from a traditional sector, was having to learn to behave innovatively and was finding it a struggle. He recommended that we ask ourselves, "How do we engage and develop people to drive the business forward?" as well as considering, "What are the blockers to behaving innovatively? Is it our culture, are people afraid, could it even be our managers?"
- To the question of how to handle the increasing aversion to risk experienced in organisations beset by regulatory compliance pressures we were advised to adopt innovative behaviours "at the level of the organisations we want to be".
- There is a feeling that behaving innovatively has to be expensive, this is not the case. How much do you know about the people in your organization and the value that they could add? You need people with different qualities. Some may be great with ideas while others provide useful challenge to strengthen and refine those ideas and so on. There are lots of steps in the change journey and a range of actions that we need to be taking to avoid potential icebergs. It's important to harness the diversity of opinion that exists within our businesses and in so doing to engage our employees in the task of keeping us relevant. The at times all-consuming nature of maintaining "business as usual" was a common challenge for the group. One organization has set up its innovation lab completely separately from the main business to allow it the freedom to explore and develop new ideas away from the more traditional behaviours and daily operational pressures of the main business. So far this approach seems to be working with their "hackathons" attracting a lot of interest.
- We discussed and agreed the value in having specific problems in mind when engaging with employees to elicit their innovative solutions. For example, we might ask them, "How do we do away with policy wording?" If the brief is too wide, so will be the ensuing suggestions and the quality of those proposals will suffer. Use the hackathon to hone in on a specific area that you want to address and take care in positioning it that its name, borrowed from the world of cyber-crime, does not cause people to assume that it's a day for techies only. The comparison with Silicon Valley firms and how they treat employees interested our group. Who doesn't like free food?! It was acknowledged that encouraging people to eat together also created an opportunity for people from different areas of the business to sit together and talk about what they were doing and challenges they were tackling. Allowing ideas to rub up against each other in this way is a recognized ingredient for innovation, so there's a potential payoff for all that generosity

- Equally, there were lessons to be learned from a much more traditional UK retailer, known and appreciated for the quality of customer experience it delivers. This took us into other elements that drive employee engagement like having a sense of ownership of the business, the importance of trust and the levels of performance that can be maintained when employees hold each other accountable and call each other out should their standards slip below the group's expectations. Collaboration was cited as a strong contributor to the success of this particular business and that behaviour kept appearing throughout the session as a cornerstone of healthy and effective culture and an ingredient for innovation. Communication and the cascading of key information was also felt to be vital. Being kept up to date by your manager had a special value and was perceived to hold more significance than a blanket "corporate" message.
- Celebrating success and recognizing achievements was acknowledged as providing fuel for continued efforts as well as shining a light on areas of the business that employees may otherwise not know much about. A greater all round awareness can lead to more collaboration and innovation as people merge their different perspectives. The value of having a clear mission that motivates employees to jump out of bed in the morning was also discussed. For some organisations it's very easy for employees to see how the work, that what they are doing is making the world a better place. For others, it's not immediately apparent and the leaders must spend time identifying their mission and helping employees at all levels connect with it or they risk letting a significant amount of potential contribution go to waste. (This was echoed by Linda Moir in her closing keynote with the excellent example of the incredible commitment of the volunteers at the Olympic and Paralympic Games). Some organisations collaborate with charities to help bring some overtly meaningful activity into their employees working day.
- We touched on the barrier represented by acronyms when people are prevented from understanding and potentially collaborating with other departments because they don't know what they're talking about! Jargon can speed things up for those in the know and may engender a sense of cohesion for the group using it but at what price if it's also serving to isolate them within the business?
- Simon had expressed his desire at the outset that participants should take away at least one action point to promote innovative behaviour within their own organisations and during the final feedback round it was clear that participants had found the session informative and valuable

Saving for your retirement is a little passee - multiple/portfolio careers and working until we drop - let's take a look at the new paradigm

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Moderator: Evie Owen – Owen James Group
Expert: Dominic Sherry – Just Retirement

- One of the introductory statements was that people are living longer but working in a different way e.g. taking gaps.
- However this was immediately countered with the comment: *"Great idea if they can."* The average pension pot is £50K which is up on past talk of £30K pots …however it still does not tally with the portrayal of wealth held by the Baby Boomers. The reality on that front is that this "alleged" wealth sits in their houses. People are actually taking debt into their retirement.

So how are people working? What is the personal reality? At what age are people taking pension savings? DB schemes ending at accrual. DB being transferred to DC.

Auto enrolment – the Treasury is not actually giving much away which sends a conflicting message.

- There was quite a lengthy discussion around transfer values. Advisers are keen to avoid giving advice they are not qualified to give and those that are qualified are battling with insistent clients.
- In effect it is a gamble on the annuity rates of the future and how long you are going to live. Gilt yields are at a record low which is another factor to take in.
- Several schemes transfer some to pot for inheritance. People do need advice. DB requires you to stop work at a certain date. They might want to dip in or out of the fund.

Where to invest is the next question?

- Equity release – borrowing reasonable amounts of money to give to kids. Our session leader cited a £2m equity release deal at an interest of 4%. If house prices are going up by 20% the deal makes good sense.
- It offers the ability to pass the wealth on.
- It was noted at this juncture that there is a definite shift in sentiment in that parents are NOT always willing to pass their wealth on to the kids. They will give them a good education but then enjoy their own later life. However there are others who enjoy watching them spend it. They view their house as an asset from which they can decumulate.
- Another changing trend: people used to stay put but others move a lot. The house is no longer such a big deal so to downsize financially is just a different route from physically downsizing.
- Might ER be a solution to provide food rather than a luxury? After all, pension money is the last money you have to spend.
- Lending advice and financial advice are a bit detached. Very few financial advisers can give equity release advice plus drawdown etc. Maybe there should be one qualification to advise on both?

Older people in the workforce:

- Sainsbury's actively employs older people – 70+.
- Barclays have an intern programme for those in their early 60s. They have a graduate entry scheme for those aged 55+. It is more a personality issue than an age issue. How do you manage these older workers? What do you do if they cease to deliver? The approach requires a fresh mindset.
- The Government is looking at initiatives around phasing into retirement. Going part time. After a full guns blazing career people might consider toning down over ten years. Retrain.
- People are rejected because they are thought to be too experienced. One of the group cited the example of someone on a six figure salary who downsized to working at a building society counter. The board were suspicious – why did he want to do it? He was actually really good at it.
- Maybe people should be encouraged to stay in the same company and do something different?
- When you start to decumulate maybe that is the time to work part time? This is all great if you have earned enough.
- The wealthiest live longest; those who have to work are not always healthy.
- People start their own businesses when they can't get another job.
- There have been questions raised over age discrimination on risk-based products. Mortgages are now available to those over 60. Lack of risk taking – limits ability to grow wealth.
- Looking at the approach of the younger members of society: they go to University; won't buy a house; won't pay off loan – they have no aspiration to accumulate wealth. They feel they are already written off. Bit depressing!
- Their feeling is that they do what they want to now and kick the decisions around later life down the road. Millennials save something like £300 a month – quickly get to the point that it isn't worth it.
- Maybe it is a question that no one explains what investing is all about?

Is there a case for simplified retirement advice?

- For those who have between £20K and £30K. Their need will be less sophisticated but the opportunity cost is crucial. Looking at compound interest of 2% over 25 years.
- The public have had their fingers burned viz endowment mortgages, Iceland, Equitable.
- With all the payments out for PPI there has been a huge influx of cash. It is money people didn't realise they had.

Talk about the advice gap:

- We are not offering advice to the ones who need it most. In the old days *"Mr £100K paid for Mr £12K"*.
- "Which is worse – slightly biased advice or no advice

P2P, crowdfunding, etc – viable alternatives to bank lending

Moderator: *Phil Alcock - PBF Solutions*
Expert: *William Rist – Lending Works*

P2P, CROWDFUNDING ETC – A VIABLE ALTERNATIVE TO BANK LENDING?

- Consumers get better access to money than SMEs, so how about considering some of the alternatives on the market?
- They are regulated now so it is not such scary territory. They also have something of a track record and some stats to share. So let's dig deeper.
- This session will talk you through the myriad of lenders in this space; how to cherry-pick the good ones; the sort of amounts which are typically invested and the level of returns anticipated. It will give you a feel for what good looks like.

HEADLINE FINDINGS FROM THE SESSION:

- A combination of better technology and freedom from the regulation weighing down banks means that P2P lenders aim to offer better rates of interest to both savers and borrowers.
- Low interest rate environment, political and regulatory pressure to stimulate competition and low trust in banks mean that P2P lending is here to stay.
- The IF ISA is a recent development which will pull more retail investors and savers into P2P lending although it was felt that traditional IFAs and intermediaries will not embrace it as an asset class due to the risks
- Not all P2P platforms are true peer-to-peer and this makes comparisons around the risks and returns very difficult to evaluate.
- It was felt that the key challenge was to raise the awareness of the sector as an alternative. More can be done here through better industry coverage and reporting, events and more involvement from trade bodies
- The key differentiator in terms of borrowing (particularly for business and property lending) was deemed to be the speed of the decision making process versus traditional lenders such as banks and building societies.

WHAT ARE THE NEXT STEPS?

- It was felt that there were strong opportunities for collaboration between banks and alternative lenders, possibly on both sides of the balance sheet. Also with Zopa going down the banking licence route, there is going to be convergence where similar regulation will come into effect