

FINANCIAL PROVIDERS:

TRANSFORMING DISTRIBUTION MODELS FOR THE EVOLVING CONSUMER

**ACCENTURE FINANCIAL SERVICES
2017 GLOBAL DISTRIBUTION & MARKETING
CONSUMER STUDY: FINANCIAL SERVICES REPORT**



SHIFTING CONSUMER TRENDS CREATE NEW OPPORTUNITY FOR FINANCIAL PROVIDERS

Consumer behaviors and expectations are shifting in ways that will challenge financial services providers to rethink how they service their customers—and even transform their distribution models. Accenture Financial Services Global Distribution & Marketing Consumer Study gathered the views of nearly 33,000 financial services consumers—including banking, insurance and investment advisory customers—across 18 markets. The research identified valuable insights about how customers want to interact with financial providers in future, and where digital innovation must play its part. But it also suggests that providers who can both deliver a compelling new digital service model, and retain traditional values around trust and service, will be best placed for the competitive battleground ahead.

OUR GLOBAL STUDY IDENTIFIED FIVE EMERGING TRENDS REFLECTING WHAT CONSUMERS WANT THE SECTOR TO DELIVER:



1. DATA AS A CURRENCY

Consumers are willing to share their personal data with financial providers, but they want something in return. Today's consumers understand the value of their data, and they expect those providers to whom they entrust it to deliver added benefits, such as a priority service, pricing benefits, or more personalized product, service or non-regulated financial advice.

67% would share more data with banks in return for new benefits.

57% would share more data with insurers in return for new benefits.

67% would share more data with investment advisory firms in return for new benefits.



2. YOUNGER CONSUMERS DRAWN TO GAFA MODEL

For many consumers—especially Gen Y and Gen Z respondents—Google, Apple, Facebook and Amazon (collectively known as GAFA) are attractive alternatives to traditional financial providers.¹

40% of Gen Y respondents would consider banking with Google or Amazon. This is even higher in markets such as the United States, where **50%** would be willing to make this switch.

36% of Gen Y respondents would consider buying insurance from an online service provider, such as Google or Amazon.

46% of Gen Y respondents would consider purchasing investment advisory services from an online service provider.



3. AUTOMATED SERVICING

A very high number of respondents are open to a purely automated service and support experience, even when making more complex decisions around product choices.

71% would use entirely computer-generated support for banking services.

74% would use entirely computer-generated support for purchasing insurance.

78% would use entirely computer-generated support for investments.

This is clearly viewed as a route to greater control over their service experience: Improved speed and convenience is the main reason consumers will turn to automated servicing.



4. PERSONALIZATION

Tailored advice related to product selection and asset allocation are key to a successful relationship between customers and their financial providers. Individuals increasingly expect interactions to be personalized and relevant to their financial needs and objectives.

63% say sharing data should deliver personalized product and services advice (banking).

64% say sharing data should deliver product and services advice (insurance).

73% say sharing data should deliver personalized product and services advice (investment advice).



5. CHANNEL AGNOSTIC

Most customers say they are less and less likely to care about which channel they use to communicate with their bank, insurer or investment advisor. Their primary concern is that they can get what they need quickly and easily.

57% say they don't mind which channel they use to communicate with their bank.

57% say they don't mind which channel they use to communicate with their insurer.

59% say they don't mind which channel they use to communicate with their investment advisor.

MAPPING THE TRENDS

Identification of trends was based on analysis of consumer responses for each category of financial services. Responses were also organized by country and/or geographic region.

TREND 1: DATA AS CURRENCY

Percentage of respondents that would share more data with their bank/insurer/investment advisor in return for new benefits.

	BANKING	INSURANCE	INVESTMENT ADVICE
Global	67%	57%	67%
Australia	63%	52%	73%
Benelux	60%	52%	56%
Brazil	83%	68%	69%
Canada	65%	55%	77%
Chile	74%	48%	59%
China (Hong Kong)	66%	56%	54%
France	59%	49%	64%
Germany	58%	52%	58%
Indonesia	87%	70%	79%
Ireland	58%	50%	66%
Italy	73%	61%	59%
Japan	54%	54%	66%
Nordics	65%	58%	59%
Singapore	67%	57%	68%
Spain	68%	53%	69%
Thailand	85%	68%	76%
UK	64%	51%	68%
USA	73%	66%	79%

TREND 2: GAFA MODEL APPEALS

Percentage of Gen Y respondents that would consider banking/buying insurance/purchasing investment advice with an online service provider, such as Amazon or Google.

	BANKING	INSURANCE	INVESTMENT ADVICE
Global	40%	36%	46%
Australia	38%	36%	53%
Benelux	29%	27%	41%
Brazil	60%	56%	56%
Canada	14%	13%	16%
Chile	41%	33%	42%
China (Hong Kong)	33%	29%	40%
France	29%	26%	48%
Germany	40%	29%	36%
Indonesia	54%	38%	48%
Ireland	40%	42%	40%
Italy	52%	47%	46%
Japan	21%	18%	43%
Nordics	25%	21%	37%
Singapore	36%	34%	38%
Spain	45%	40%	43%
Thailand	51%	40%	50%
UK	45%	46%	49%
USA	50%	45%	59%

TREND 3: AUTOMATED SERVICING

Percentage of respondents that would use entirely computer-generated support for banking/purchasing insurance/investment advice.

	BANKING	INSURANCE	INVESTMENT ADVICE
Global	71%	74%	78%
Australia	60%	64%	66%
Benelux	65%	67%	65%
Brazil	83%	87%	89%
Canada	59%	63%	52%
Chile	82%	86%	85%
China (Hong Kong)	77%	78%	81%
France	67%	69%	76%
Germany	60%	61%	61%
Indonesia	90%	91%	95%
Ireland	66%	69%	60%
Italy	79%	81%	84%
Japan	60%	66%	76%
Nordics	65%	69%	74%
Singapore	79%	80%	84%
Spain	78%	80%	79%
Thailand	87%	88%	94%
UK	68%	71%	74%
USA	72%	74%	79%

TREND 4: PERSONALIZATION

Percentage of respondents that say sharing data should deliver personalized product and services for banking/insurance/investments.

	BANKING	INSURANCE	INVESTMENT ADVICE
Global	63%	64%	73%
Australia	62%	64%	67%
Benelux	51%	51%	53%
Brazil	80%	78%	84%
Canada	64%	70%	87%
Chile	76%	75%	74%
China (Hong Kong)	57%	59%	61%
France	68%	68%	70%
Germany	57%	57%	64%
Indonesia	67%	69%	77%
Ireland	64%	69%	71%
Italy	67%	67%	73%
Japan	46%	53%	66%
Nordics	58%	58%	65%
Singapore	70%	72%	74%
Spain	68%	69%	73%
Thailand	60%	64%	74%
UK	62%	62%	69%
USA	67%	69%	84%

TREND 5: CHANNEL AGNOSTIC

Percentage of respondents that don't mind which channel they use to communicate with their bank/insurer/investment advisor.

	BANKING	INSURANCE	INVESTMENT ADVICE
Global	57%	57%	59%
Australia	58%	58%	59%
Benelux	52%	52%	45%
Brazil	74%	74%	74%
Canada	57%	57%	60%
Chile	64%	64%	60%
China (Hong Kong)	46%	46%	44%
France	60%	60%	60%
Germany	50%	50%	52%
Indonesia	66%	66%	68%
Ireland	57%	57%	50%
Italy	59%	59%	55%
Japan	37%	37%	47%
Nordics	50%	50%	50%
Singapore	63%	63%	62%
Spain	54%	54%	51%
Thailand	71%	71%	75%
UK	59%	59%	59%
USA	61%	61%	66%



EMERGING CONSUMER PERSONAS

Three distinct consumer personas emerged within our research findings, each with specific characteristics linked to what they value most from their financial providers, what drives their loyalty and how they would like their providers to embrace digital innovation.

The key drivers of loyalty are cost; customer service (defined by high quality and responsiveness); trust (particularly as it relates to acting in the customers' best interest and to protecting data) and the appetite or willingness to consider new digital models.

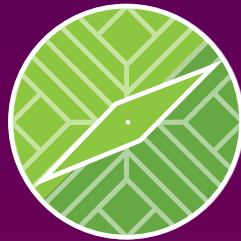
The varying needs and priorities of these groups provide insight into how financial providers may need to reshape their proposition, both to secure the loyalty of existing customers and to reach out to new consumers.



NOMADS

A highly digitally active group, ready for a new model of delivery

- Nomads are not tied to traditional financial services providers (78 percent will use a tech firm such as Google or Amazon for banking; 74 percent for insurance; and 60 percent for investment advisory services)
- They value digital innovation and embrace new ways of interacting with providers for accessing services and support (28 percent say digital innovation is a top driver of loyalty to a bank, for example, versus 13 percent of Hunters who say this)
- Nomads are comfortable with fully automated servicing. For instance, 85 percent are willing to use computer-generated advice for banking; 86 percent for insurance; 87 percent for non-regulated investment advice)



HUNTERS

Searching for the best deal on price

- Competitive pricing is crucial to keeping Hunters loyal (83 percent say it is essential for banking; 100 percent for insurance; and 48 percent for investment advice)
- Human advisors remain important to them as they don't feel they can get everything they need without them (40 percent of banking customers most value the ability to ask a human a direct question; 42 percent for insurance and 33 percent for investment advice)
- They want to use traditional financial services providers—none of them will consider using Amazon or Google for banking; and only 12 percent will use a supermarket or retailer



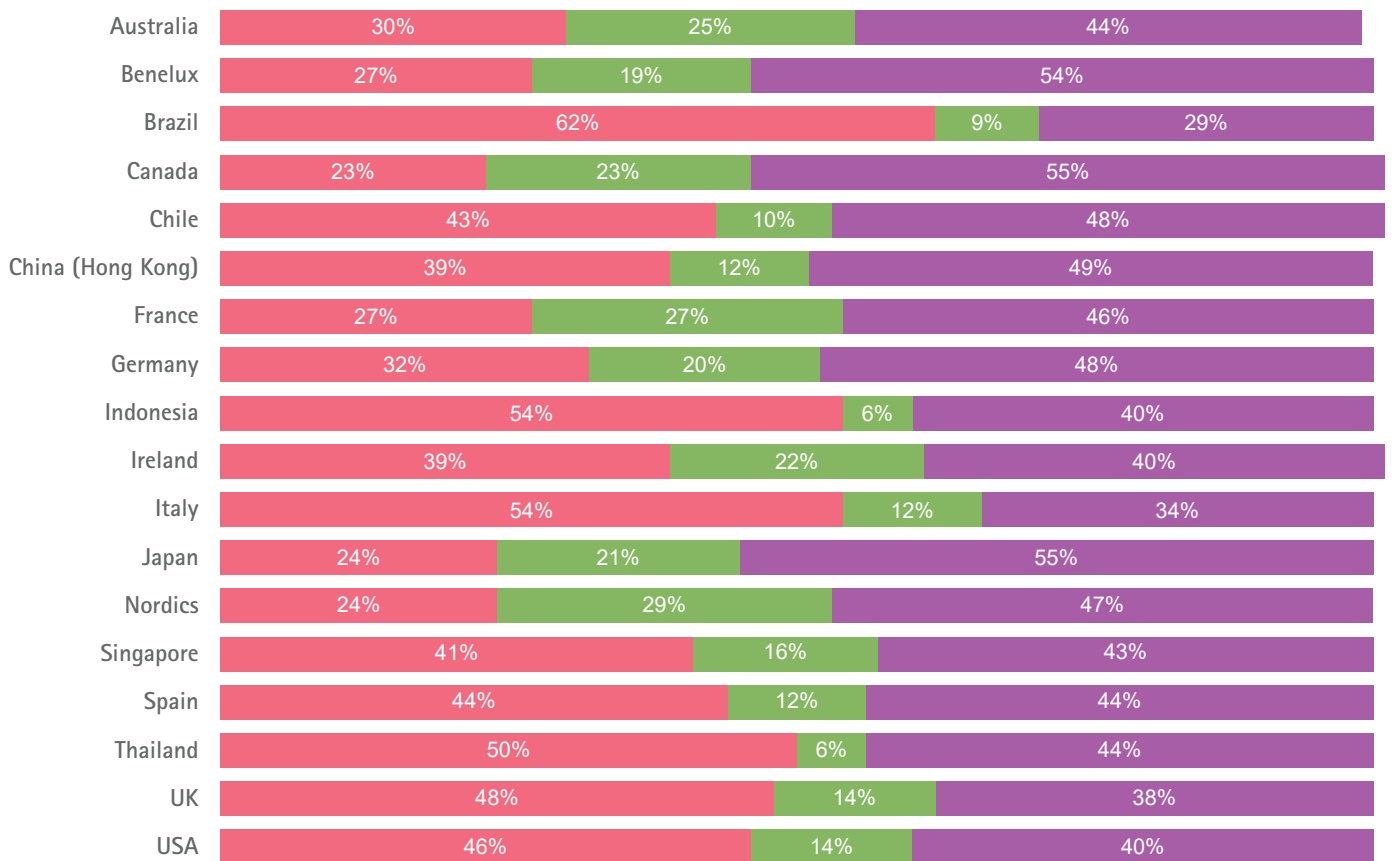
QUALITY SEEKERS

Looking for high quality, responsive service and data protection

- They want financial services providers who they can trust to protect their personal data—53 percent say this keeps them loyal to banks, 40 percent for insurers and 39 percent for investment advisory firms
- They demand a high quality and responsive customer service—49 percent say this keeps them loyal to banks, 46 percent for insurers and 44 percent for investment advisory firms

PREVALENCE OF CONSUMER PERSONAS BY MARKET

The populations for these three personas varies by market. See which personas dominate in various locales.



Note: due to rounding, totals may not equal 100%

█ Nomads
 █ Hunters
 █ Quality Seekers



THE SECTOR RESPONSE

The shifts in consumer behavior that our study identifies send some stark messages to the financial services sector:

1. CUSTOMERS ARE IN CONTROL—GET USED TO IT

Financial providers used to control the customer relationship, but now consumers do. Retail financial services is no longer “business-to-consumer” (B2C)—it has become “consumer-to-business” (C2B). And loyalty is rapidly declining, as indicated by the high percentage of Nomads willing to use GAFA providers; Hunters and Quality Seekers also demonstrate a readiness to switch for their own reasons. In a world where the customer is in control, providers need to show every day that they are committed to customers and passionate about delivering great service. However, they need to do this cost effectively, considering pressures on margins and shareholders’ desire for optimal returns. This will entail developing new propositions, transforming the distribution network and creating models for sustainable growth.

Consumers want to engage providers whenever and however they like. More than half (55 percent) of Nomads expect to increase their use of online investment tools provided by their investment advice provider over the next 12 months. New technologies such as computer-generated support, coupled with the proliferation of mobile apps, enable customers to perform financial activities with limited involvement from

providers. Our banking study shows customers increasingly want to help shape future products too, with 43 percent of Nomads saying this.

Providers will need to equip customers with new technologies and apps, and rethink their approach to product development, to hand customers the increased control they want.

2. SEEK OUT NEW OPPORTUNITIES FROM DATA

Financial providers need to capitalize on the trend of consumers being willing to share more personal data, for example through capturing new data monetization opportunities.

By implementing centralized data warehouses, advanced analytics engines and sophisticated CRM solutions, providers can obtain a 360 degree view of their customers in real time. Armed with this rich insight, providers can multiply the number of interactions they have with their customers. For instance, banks can reinforce relationships with customers by sending them relevant information to help with house-hunting, which could open the door to selling mortgage or insurance products further down the line. Similarly, auto insurers can position themselves as more than mere coverers of risk by sending notifications to car drivers about accident-prone areas.

Access to real-time data is key to promoting more customer interactions, and interactions that add value. More targeted marketing and sales activity will be possible as a result, as new opportunities for cross-selling and upselling emerge.

3. CONSIDER YOUR PLATFORM APPROACH

Customers are spending increasing amounts of time on digital platforms such as those offered by GAFA (Google, Amazon, Facebook, Apple) companies. To remain relevant to customers, financial services providers need to reach them on these platforms with tailored products at the right time. This is especially true for Nomads, who are most open to digital innovation.

There are different ways to achieve this. Providers may seek to integrate their services onto third-party platforms, embedding tailored products at “point of sale” during other shopping experiences. This means developing the ability to customize products—such as tailoring loan terms or insurance premiums—in response to consumers’ immediate financial needs.

An additional option would be for financial services providers to become “curators” of their own platforms that provide broader benefits to their customers across an integrated digital ecosystem. This would involve building new networks of partners.

4. PROVIDE A SUITE OF PERSONALIZED PRODUCTS

Tech giants such as Google, Amazon, Facebook and Apple have become masters of tailoring their services to the customer's individual needs. Financial providers need to learn from this experience, and provide a suite of products and services that are relevant to the customer's stage of life or immediate financial needs. This requires two sets of capabilities: first, advanced analytics to understand customer needs in real time; and second, the ability to build out an ecosystem of in-house and third-party services that are tailored to customer needs and can be targeted to the right segments at the right time.

5. SCOPING THE POST-DIGITAL BATTLEGROUND

The Luddite consumer is consigned to history—everyone is digitally active to some degree. Financial providers are undergoing digital transformation, but they must ensure there is a carefully structured proposition beyond digital, designed to cater to the nuanced needs of consumer factions.

With all customers using digital channels to connect with their providers in some way, and all providers delivering on digital, it is critical to assess the value proposition to distinct customer segments. For instance, Nomads may be more likely to be drawn to

providers that boast early adopter status, sitting at the extreme end of the digital innovation spectrum. Hunters, meanwhile, expect a digital offering, but are more likely to be swayed by the most competitive prices in the market. And for Quality Seekers, high quality, responsive customer service is one of the biggest loyalty drivers for banking, insurance and investment advice customers. Regardless of how providers choose to restructure their customer servicing operation in future, they will need to maintain this level of responsiveness to remain attractive to the Quality Seekers.

6. SIMPLIFY THE CUSTOMER JOURNEY ACROSS CHANNELS

Omnichannel has become a way of life for today's consumers. In our survey, 57 percent of consumers say they do not mind which channel they use to communicate with their provider, as long as they can get what they need. However, only 20 percent of consumers in our study feel the customer service they receive is of the same quality across all of the communication channels they use with their financial providers.

Delivering a smooth customer journey has become vital to attracting prospective customers and preventing existing customers from switching providers out of frustration. Processes that have previously required physical interaction will need to be

rethought as they are transitioned online, while providers will need the ability to collect and share real-time data on customer interactions to enable seamless hand-offs between channels.

Access to real-time data is key to promoting more customer interactions, and interactions that add value.

ABOUT THE CONSUMER STUDY

Accenture surveyed 32,715 respondents across 18 markets including Australia, Benelux, Brazil, Canada, Chile, China (Hong Kong), France, Germany, Indonesia, Ireland, Italy, Japan, Nordics (Finland, Norway, Sweden), Singapore, Spain, Thailand, the United Kingdom and the United States. Respondents were consumers of banking, insurance and investment advice services; they were required to have a bank account and an insurance policy and were asked if they used an independent financial advisor, wealth manager or asset manager (investment advisory responses totaled 9,987.) Respondents covered multiple generations and income levels. The fieldwork for the survey was conducted during May and June, 2016.

Visit www.accenture.com/FSCConsumerStudy



References

¹ Generational groups were specified as: Gen Z = 18-21;
Gen Y = 22-34; Gen X = 35-50; Baby Boomers = 51-64; Senior = 65+

About Distribution & Marketing Practice for Financial Services

Accenture's Distribution & Marketing Practice helps financial institutions improve growth and cost management by transforming customer relationships. Serving more than 100 institutions worldwide, we combine Accenture's deep industry knowledge in banking, insurance and wealth management offering consulting, technology and outsourcing capabilities across marketing, distribution and digital innovation to help our clients achieve high performance.

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