

**Bank & Brand Distribution of Retail Financial Services**

**Thursday 12 October 2017**

**The Berkeley Hotel, Wilton Place, Knightsbridge, London, SW1X 7RL**

**THE SUBJECTS BEING TABLED FOR DISCUSSION**

The following subjects are being tabled for discussion in the roundtables at the Meeting of Minds. You will be able to join three of these sessions. You are invited to prioritise your six preferred topics with 1 being the subject about which you are most passionate.

The roundtables take place in a private room with, typically, some 15 people around the table. Tent cards with participants' names and companies are set out to make it easy to identify your peer group. The sessions are introduced by an expert on the subject. This introduction will last usually about 10 minutes before the conversation is opened up to the table, the goal being to ensure that everyone gets stuck in! The session facilitator will aim to bring the session to a conclusion highlighting the key points raised.

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## YOUR FUTURE CLIENTS:

### **1. THE POWER OF NUDGING AND SUBLIMINAL MESSAGING – UNDERESTIMATE IT AT YOUR PERIL!**

The initial role of behavioural science was to see how one could influence people's behaviour in the event of a pandemic. Its scope has now widened substantially and the results are astonishing. You underestimate its power at your peril!

The question is: (politely put) how do you use it effectively to optimise client engagement?

- The definition of nudge is a light touch or push.
- Gently persuading people to act differently is a trick long known to advertisers. Several initiatives have proven its benefits for implementation of private and public policy – think “five a day”.
- Nudges are interventions that steer people in particular directions but that also allow them to go their own way. If asked “what can we do to make a mouse run across a table?” the classic gamification approach would be to place some cheese on the other end of the table, so the mouse is motivated to run across. The nudge approach would be to gently lift one end of the table, so it's easier to run across. It becomes the path of least resistance. A reminder is a nudge; so is a warning. A GPS is a nudge. To qualify as a nudge, an intervention must not impose significant material incentives. A subsidy is not a nudge; a tax is not a nudge; a fine or a jail sentence is not a nudge. To count as such, a nudge must fully preserve freedom of choice. If an intervention imposes significant material costs on choosers, it is not a nudge.

How therefore do your companies and organizations use nudging? This session will provide some valuable pointers.

*Expert: Antony Elliott, Founder, The Fairbanking Foundation*

### **2. HOW DO YOU JUDGE JUST HOW SUCCESSFUL YOUR CUSTOMER ENGAGEMENT STRATEGY IS PROVING? MAYBE ASK THEM?**

- The challenge universally acknowledged is benchmarking results against the wider industry and the impact that this has on strategy. The challenge is that any change instigated as a result of survey feedback has to be backed up by the whole organisation. This can focus on certain key metrics, or the wider strategic positioning of the business.
- Benchmarking proves to be difficult, but rewarding. Customer insight collection is associated with challenges, such as statistical relevance, how best to organise the feedback-sharing, etc. Communication strategies should depend on customer behaviour.
- Among the approaches taken by various companies to collecting customer data were annual and semi-annual on-line surveys, as well as face-to-face meetings and phone interviews. In some instances only customers who were valued by the business were encouraged to take part. In other instances they are chosen randomly
- One successful strategy used was in bringing together Detractors and Promoters and asking them to help shape the strategy of the firm. In the experience of one delegate, clients were proactive and talkative. One of the positive by-products of this meeting was that Detractors could change their opinion / mood because Promoters could give them another or different perspectives on a certain point.
- This session will examine the different approaches taken to collecting customer feedback and successful strategies in reacting to what they have to say.

### **3. IS IT TIME TO HELP THE MILLENNIALS AND THE FOLLOWING GENERATIONS BOTH UNDERSTAND AND BENEFIT FROM FINANCIAL SERVICES?**

- 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 overhang from the financial crisis, which has led to salary stagnation; the unaffordability of UK housing; and maybe as a result of Brexit. And it is only going to get worse as university students leave with overwhelming levels of debt. Maybe a few political statements in there... but everyone must

agree that it is tough and that the financial services industry needs to work with them to engage them and ensure they understand the world of FS and how they can turn that knowledge to their advantage.

- As a result of all of the above, their focus is more on debt products rather than any savings, pensions or investments. However there is a positive in that the introduction of auto-enrolment has made them aware of what they need to do ... it is just a question of when they can afford to do it.
- So how to engage with them? At the last Meeting, it was agreed that Millennials are much more inclined to be influenced by the 'gamification' of other purchasing decisions and so FS providers should be looking at online communities and social media to enhance their product distribution. Their expectations are driven from other online transaction experiences such as Amazon. They also have very little patience and no sense of loyalty so the initial online experience has to be slick and seamless. "Instant gratification" might be a bit shallow but it is definitely how they see the world.
- As Open Banking comes in and the tech boys get on the front foot offering lots of gismos with aggregated views of their overall financials, this lack of loyalty means that the doors are open to lots of new players to enter the market. Can the legacy brands fight back?
- Vice have done a lot of work in understanding how to engage with Millennials. Our expert will provide some pointers.

*Expert: Mark Adams, Senior Vice President, Vice*

**4. HOW DO YOU CREATE A SENSE OF LOYALTY? CALL THE CLIENT SIR ON THE PHONE (WELL IF THEY ARE A MAN PERHAPS); HAND OVER A CASH INCENTIVE TO SWITCH? OR MAYBE – RADICAL THOUGHT – PROVIDE THEM WITH EXCELLENT CUSTOMER SERVICE?**

- Customers have never had more choice, and never been less loyal. Especially when it comes to selecting the providers, brands and services necessary to manage their day-to-day lives.
- Nowhere is this truer than in the banking industry. UK consumers are bombarded by providers on a daily basis; whether it's with big-budget advertising campaigns or attractive cash-incentives for switching current accounts. For example, as part of a growing trend, HSBC, First Direct, The Co-operative and Halifax have been offering various £50-£200 cash incentives to attract switchers, or in the case of M&S, gift card enticements.
- Utilities and telecoms are necessary to our lives but these days they behave like little more than providers of a commoditised service.
- Emotional versus rational – which is more important? Studies show that the journey of customer engagement begins with a very rational decision but, as we move further towards commitment and loyalty, emotions play the bigger role and achieving engagement becomes more difficult. It seems the rational part of the decision-making process is crucial to the initial stages of investigating, considering and comparing providers (where are the branches located? how much does it cost?) – but emotional factors are also critical. Crucially, family influence is more powerful than advertising when customers are deciding who to bank with, more than half of customers (55%) following their parents and other relatives. This reveals a 'hand me down' mentality that could mean the difference between having a customer for life – or not at all.
- This session will however ask the question: what do you value from a service provider? Tailored communications, great customer service on line, easy to read bills accessible in exactly the way they have been requested.
- Cash incentives may work for a while but will it ensure a long term relationship – one suspects not.

*Expert: Ross Cox, Commercial Director, Bizfitech*

	<p><b>5. COMPANIES ARE INVESTING MILLIONS IN ‘EVERYTHING TECH’ TO ‘KEEP UP’ BUT ARE THEY LOSING SIGHT OF THE CUSTOMER AND WHAT THEY ACTUALLY WANT? AND JUST HOW COMMERCIALY VIABLE ARE SOME OF THESE NEW FIRMS? MENTIONING NO NAMES!</b></p> <ul style="list-style-type: none"> <li>• Do you have to embrace all this technology? Is it what your customer’s desire?</li> </ul>
	<p><b>6. IS IT TIME TO CHANGE THE WAY WE SEGMENT OUR CUSTOMERS?</b></p> <ul style="list-style-type: none"> <li>• From Baby Boomers to Millennials to the newest group, Generation Z (or iGen), as a society we have become used to categorising people based on the year they happened to be born in. For banks, it has long been tradition to do just this and build campaigns that target customers by age or money. But have we become too hung up on age groups? At a time where we’ve never had more access to rich customer data, is this still the best way to reach, engage and convert customers?</li> <li>• Is it time to shift our thinking and segment our customers by tribes, or life stages? This roundtable will look to address the following points... <ul style="list-style-type: none"> <li>○ Targeting by life stages – there is no set time frame when people are buying homes or having a baby, and banks need to be just as flexible in the way they target consumers. How can banks use data-driven marketing to achieve this sophisticated segmentation on top of generational profiling and which industries are already doing this well?</li> <li>○ But how far is too far? Everything is about moments and experiences, so how can a brand be there at the right time with the relevant content, without being intrusive?</li> <li>○ How will Gen Z customers evolve and how will they want to engage in the future?</li> <li>○ Open Banking possibilities – how PSD2 and the opening up of APIs present an opportunity for banks to access a wealth of data and clearly identify potential customers based on the opportunity to engage, not their age bracket. But will this also present challenges, as customers take more control of how their data is stored and shared?</li> </ul> </li> </ul> <p><i>Expert: Ingrid Sierra, Vice President, International Marketing, Affinion</i></p>
<b>YOUR FUTURE BUSINESS:</b>	
	<p><b>7. DIFFERENTIATION – HOW TO STAND OUT?</b></p> <ul style="list-style-type: none"> <li>• How can you be different and stand out from the crowd in an ever changing world?</li> <li>• What do your customers really appreciate about your service? Why are long standing customers still with you? What was one of the nicest things a customer ever said about how you conduct business?</li> <li>• The challenge for service businesses is to clearly identify what you do best in a way that is visible to your target. Come up with something unique that adds value over your competition that you can offer.</li> <li>• Other ideas perhaps: <ul style="list-style-type: none"> <li>○ Narrow your target market, focus on superior customer service, solve a problem, be innovative, create offers that are hard to ignore, be known as the expert in your field, make it easy to do business with you, create a business model based on your values</li> <li>○ No mention of price as a way to differentiate yourself. Although price can be used as a differentiating factor how important is it? What makes your business different?</li> <li>○ What is your unique difference that makes your customers want to work with you?</li> </ul> </li> </ul>
	<p><b>8. THE UK “CHALLENGER BANKS” COULD BE WELL PLACED TO THRIVE IN THIS NEW OPEN BANKING ECOSYSTEM. WILL THEY BECOME THE OPEN PLATFORM OF CHOICE FOR CONSUMERS?</b></p> <ul style="list-style-type: none"> <li>• The Challenger banks don’t have the cumbersome legacy that the high street banks do. They are more nimble and able to access new technology</li> <li>• They are also able to employ savvy, tech friendly people keen to be part of something new and exciting. They don’t employ ‘lifers just working for their pension with no genuine desire for</li> </ul>

	<p>change. Does this give them the edge over the advantage that the incumbent banks have due to their brand strength?</p> <ul style="list-style-type: none"> <li>• What is the level of take up by the challenger banks?</li> <li>• How do they attract attention and new clients when they don't have a physical infrastructure?</li> </ul>
	<p><b>9. IS EVERYTHING “BRAND NEWS”? WHAT STEPS MUST YOU TAKE TO PROTECT YOUR COMPANY’S HARD EARNED REPUTATION? AND WHAT HAPPENS WHEN YOU ARE PARTNERING WITH ANOTHER FIRM – YOU DON’T JUST HAVE TO WORRY ABOUT YOUR OWN COMPANY BUT THEIRS AS WELL!</b></p> <ul style="list-style-type: none"> <li>• Cyber-attacks, fake news, the Panama Papers, rogue employees, regulatory slip ups – how easily can your brand be damaged and what steps must you put in place to protect your company's hard earned reputation?</li> <li>• And that danger becomes two fold when you have partnered with a firm to achieve greater distribution!</li> <li>• Our expert is Director of Corporate Governance at Legal &amp; General Investment Management. As substantial investors of your clients’ money, they take their stewardship obligations very seriously and are keen to see best practice embedded.</li> <li>• He will talk you through some of the behaviours which he thinks you can protect against through robust corporate governance “at home” and which you should look for and expect from a partner firm e.g. environmental, social and financial.</li> </ul> <p><i>Expert: Sacha Sadan, Director of Corporate Governance at Legal &amp; General Investment Management</i></p>
	<p><b>10. SHIFTING THE NEEDLE! WHAT PRACTICAL WAYS CAN YOU ENCOURAGE INNOVATION IN YOUR ORGANISATION?</b></p> <ul style="list-style-type: none"> <li>• Innovation is a word we can't escape from in the digital age. Nowhere is this more true than in the financial services industry, with the rise of fintechs and new technology evolving traditional banks to meet the needs of today's consumers. But has the time come to ditch the word itself? The definition of innovation is “a new method, or idea”. What happens next: how does innovation evolve to deliver tangible business results?</li> <li>• Affinion, global leaders in B2B2C customer engagement, welcome you to join them tell their own story of product innovation. Sharing various innovation methodologies and practical processes, this workshop session will raise questions around what innovation means to different businesses and how an organisation can ‘start-up’ an innovation mindset within an ambiguous B2B2C environment.</li> <li>• The workshop will look to discuss the following: <ul style="list-style-type: none"> <li>○ Four key quadrants that a company can innovate in – why a company must decide how it wishes to innovate and whether it is able to practically deal with the output</li> <li>○ Core considerations – from the business’ objectives to the needs of the end customer, how can the demands and expectations of each be met?</li> <li>○ Mapping out the innovation journey – from incubator, to idea canvas, to assessment and playbook and the final stage: dissemination of the new innovations. What are the key considerations at each juncture?</li> </ul> </li> <li>• Bringing innovation to life – which financial services firms are leading the way when it comes to innovation?</li> <li>• Learnings for your business – how can this approach to innovation be incorporated into your business? How do you approach new ideas and see them through to delivery?</li> </ul> <p><i>Expert: Lorraine Salmond, Vice President, International Product Development and Innovation, Affinion</i></p>
<b>YOUR FUTURE PROPOSITION:</b>	
	<p><b>11. D2C - THE FUTURE OF INVESTMENT ADVICE</b></p> <ul style="list-style-type: none"> <li>• BlackRock has just launched its D2C platform. Are we now seeing the beginnings of a trend towards a scale digital solution for all those clients who can't quite manage to pay for advice but who want to start investing?</li> <li>• Maybe this is what the next generation of investors is going to be looking for – low touch, data rich and value for money? Or is it a combination of technology backed up by humans when that</li> </ul>

	<p>reassurance is needed?</p> <ul style="list-style-type: none"> <li>Finally, with the introduction of Open Banking and the public finding it much easier to see their “money” set out in an aggregated way might the timing be perfect to fit in with that brave new world?</li> </ul> <p><i>Expert: BlackRock iShares</i></p>
	<p><b>12. WITH THE ADVENT OF PSD2, LET’S LOOK AT THE WORLD OF MORTGAGES AND CONSIDER THE STRATEGIES YOU MIGHT CONSIDER ADOPTING TO ENSURE YOU HOLD ON TO YOUR CUSTOMER BASE.</b></p> <ul style="list-style-type: none"> <li>Given the added pressures around affordability and stress testing, customers applying for a mortgage are being assessed on being able to afford their mortgage at 3.5 times their actual product APR.</li> <li>Our expert believes there are clear partnership opportunities between direct lenders and intermediaries not to promote their own products to a wider audience but to help their core customers find a solution that is right for them and retain that customer base within brand for a commercial value share e.g. most lenders offer circa 10 – 20 products whereas a large intermediary can access up to 10,000 and quickly.</li> <li>We all know that it is far more expensive to lose customers than to obtain new ones so how do you ensure you hold on to them?</li> <li>Open banking may mean a race to the bottom in terms of costs to start with however this is unsustainable and it may well come down to service and loyalty.</li> <li>Or maybe it is ease of use? People can be lazy. Transparency and choice and good value lie at the heart of this.</li> </ul> <p><i>Expert: Freedom Finance</i></p>
	<p><b>13. CONTACTLESS; OYSTER CARDS; PAY ON LINE; BITCOIN... WHAT’S NEXT?</b></p> <ul style="list-style-type: none"> <li>In 1903, the president of the Michigan Savings Bank infamously said "The horse is here to stay, but the automobile is only a novelty – a fad". So is Blockchain a “horse” or an “automobile”?</li> <li>We happily offer up our debit cards or our “watches” to pay for the tube; buy endlessly on line...</li> <li>So what is next?</li> <li>This session will look at the future of payments... may be a world without money!</li> </ul>
	<p><b>14. A PACKET OF WEETABIX, A PINT OF MILK AND AN ISA PLEASE...</b></p> <ul style="list-style-type: none"> <li>We are always talking about the prospect of investing with John Lewis. Not investing in but investing with! For the rather substantial part of the population who cannot afford the bespoke investment services of a private bank or indeed are not particularly wild about forking out to see a financial adviser, what is the alternative?</li> <li>This is the 21<sup>st</sup> time we have run this Meeting of Minds and the theme of investing via a trusted brand has been a consistent one. The worry for the brand is of course the toxic nature of financial services which can “go wrong” or fail to deliver the expected returns viz the financial crisis.</li> <li>The financial services crisis is no longer quite so fresh in the nation’s memory “bank” although banks are still struggling to convince the nation that they are total heroes. Who is these days? Certainly no longer the politicians. However the pensions freedoms legislation kickstarted a bit of a revolution in terms of people taking control. And that backed up by auto enrolment means that the populous are realising that they need to get with the programme. So against that background maybe the timing is now right for a trusted brand to launch into this space.</li> <li>A respected fund manager will guide you through the possibilities as well as the realities and put forward some practical ideas on how they believe it could be done “safely” and successfully – regulated and light touch.</li> </ul>

## **FUTURE REGULATION:**

### **15. THE GENERAL DATA PROTECTION REGULATION (GDPR)**

- This regulation marks a significant step up in data protection requirements with many firms not yet appreciating the significant impact it will have on their operating models.
- There is a low level of knowledge when it comes to understanding the implications of GDPR, which will directly impact firms and clients, day to day
- Penalties for failure under GDPR are also significantly higher with fines of up to 4% of turnover for firms that suffer a security breach. It was recently pointed out that under GDPR, Tesco would have faced a fine of £1.9bn for its security breach.
- Organisations have until May 2018 to understand the implications of GDPR and identify the gaps; assess its impact and design/implement an action plan; and ensure and demonstrate the effectiveness of your data protection improvement program.
- Firms must be able to prove that they have obtained permission to use client data and know where on the system the data sits. While for on-boarding clients, though the same rules apply, terms and conditions should now openly set out permission procedures and how they relate to your data protection obligations. Therefore on an individual client level, something like a “data dashboard” can help to solve consent forms – as clients choose their level of data consent, which can be edited and changed on log-in. Firms will also need to be able to show that data protection safeguards exist into new products and services from the beginning of the process.