



REIMAGINING AND REINVENTING RETAIL AND FINANCIAL SERVICES

Staying Relevant in Our Customers Lives

Peter Neufeld, Head of Digital, Financial Services

@peterneufeld

The Digital Marketplace



“Silicon valley is coming. There are hundreds of start-ups with a lot of brains and money working on various alternatives to traditional banking.”

- Jamie Dimon, CEO, J.P. Morgan Chase

'Digital' is standing in for a dramatic global shift across industries driving radical disruption



Uber, the world's largest taxi company, owns no vehicles.

Facebook, the world's most popular media companies, creates no content.

Alibaba, the most valuable retailer, has no inventory.

Airbnb, the world's largest accommodation provider, owns no real estate.

Something interesting is happening . . .

Challenger banks are bringing new, innovative propositions to market but may struggle with growth



40,000

new users in under
a year



2 for 1

Clydesdale and
Yorkshire with leading
AI like features



£100M

capital raise to invest
in mortgages for
mobile first digital
bank



200,000

new customers in 18
months

New entrants are challenging the underlying business model, moving beyond omnichannel to a digital and mobile only world

Simple

Branchless

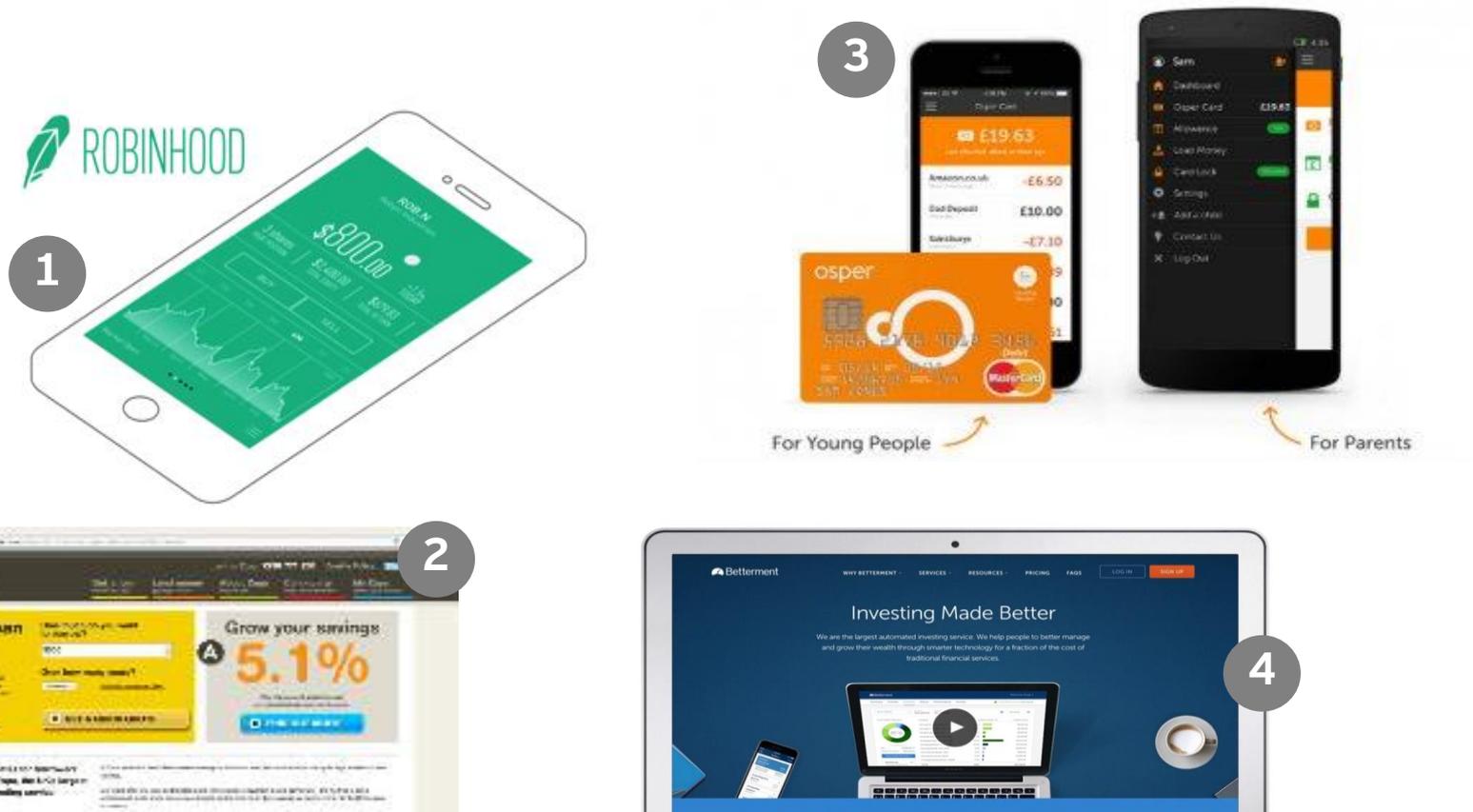
Connected

Mobile First (Only)

Intuitive

Collaborative

New entrants, challengers and FinTechs are changing the traditional business model



By creating secondary markets for data (1) , developing new marketplaces (2), focusing on customer segments (3) or automating advice (4)

Past performance is not an indicator of future success

2012

Kodak

Instagram

Filed bankruptcy

Acquired by Facebook

-\$1.65BN

\$1BN

17,000 employees

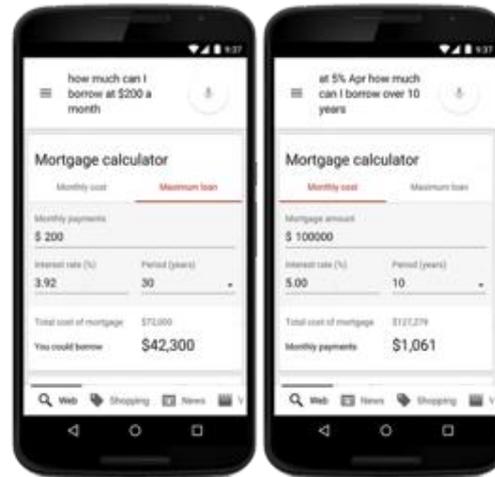
13 employees

DIGITAL DISRUPTION IS SIGNIFICANT

AS NEW PLATFORMS FOR CONSUMER ENGAGEMENT ACHIEVE SCALE MORE RAPIDLY THAN EVER BEFORE, TRADITIONAL BRANDS EXPERIENCE SIGNIFICANT, LIFE-THREATENING DISRUPTION

Traditional industry boundaries?

Regulation may be a barrier to full banking solutions, but the many non-FS brands are beginning to own the customer interface



Competition is increasing from digital natives with considerable global access to customers (digital platforms at scale) and innovation capital

Customers' express a growing willingness to use non-banking providers for banking needs

What kind of providers do you use now?*



What kind of providers would you consider in the future?*



Bank only
 Bank and non-bank
 Non-bank only
 *% UK respondents n=5662

The emergence of viable non-banking alternatives powered by FinTechs and digital native incumbents are reshaping customer preferences. This shift will attract more non-banking institutions to the category and create additional demand for digital banking business models

The new first Platform?

It took **13 years** to get **2 million customers** using Internet banking; it took just **2 months** to reach that number for **mobile banking**.

Customers are going for **1 online engagement per month** to averaging **3 check-ins a day** on mobile Apps



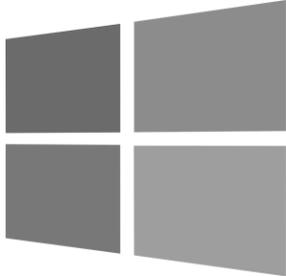
Historically, digital delivered greater scale



But are we leaving customers behind?



Who really owns the digital economy?



What if . . .



Today - an integrated value chain



Tomorrow - a more distributed model may emerge through momentum provided by PSD2, Open Banking, Blockchain, and consumer data initiatives

Many people struggle to make sense of the complex financial choices they are presented with

Snapshot of UK demographics suggests;

- Average reading age in the UK is 9 years old
- 16% of the population are functionally illiterate
- 4 in 5 adults have below GCSE Grade C maths
- 16% of the population are unable to identify the available balance on a bank account
- 1 in 10 cannot identify a better deal

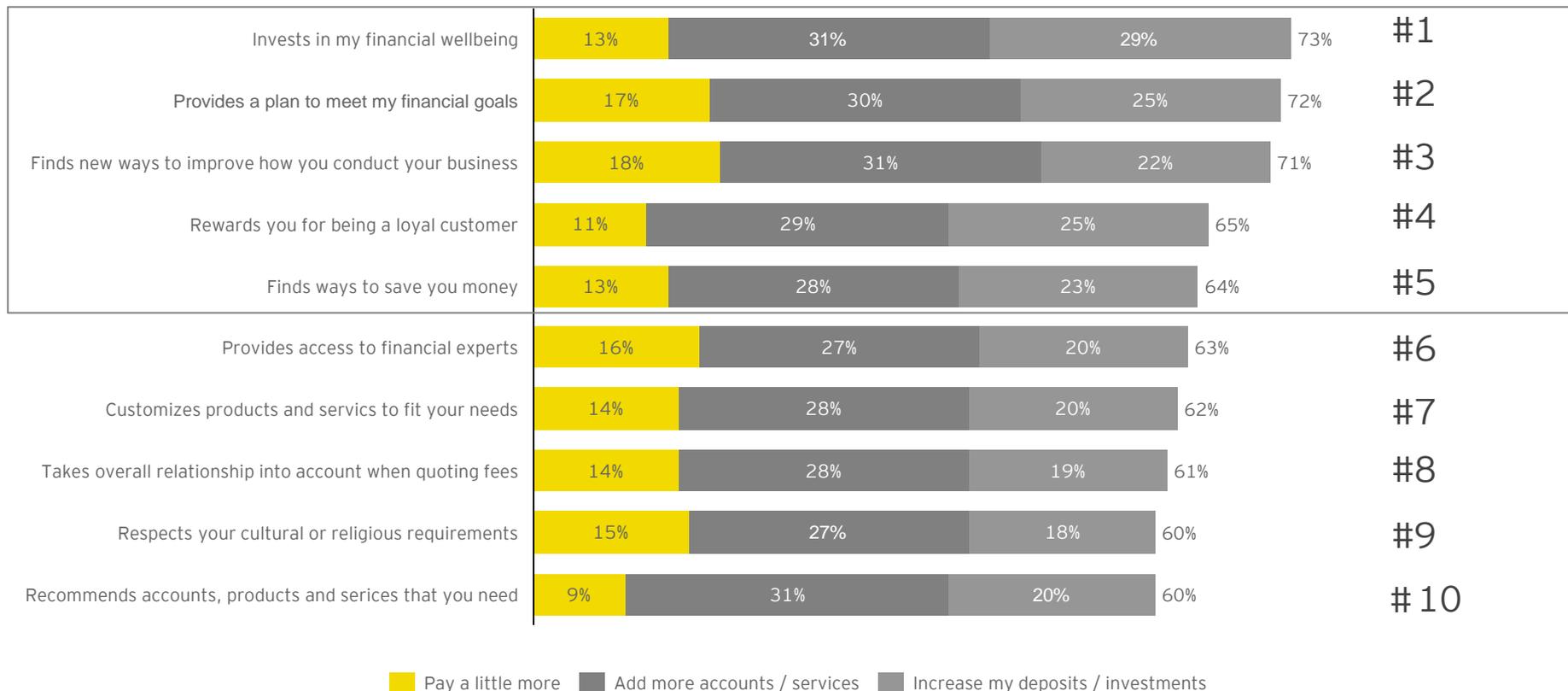


Sources: EY Research, Gov.UK

Our research suggest customers want more from their financial lives that just transactions

Customer Engagement Drivers In Financial Services 2015(1)

Importance Ranking



Sources: EY Digital Financial Services Survey 2015

People want and need help. They need financial services brands to help them make better decisions

Digital is great at creating really efficient transactions and influencing behaviour, getting you to click here instead of here. But how suitable is it for long term financial planning?



Digital disruption requires more than just technology to drive innovation and overcome cost pressures



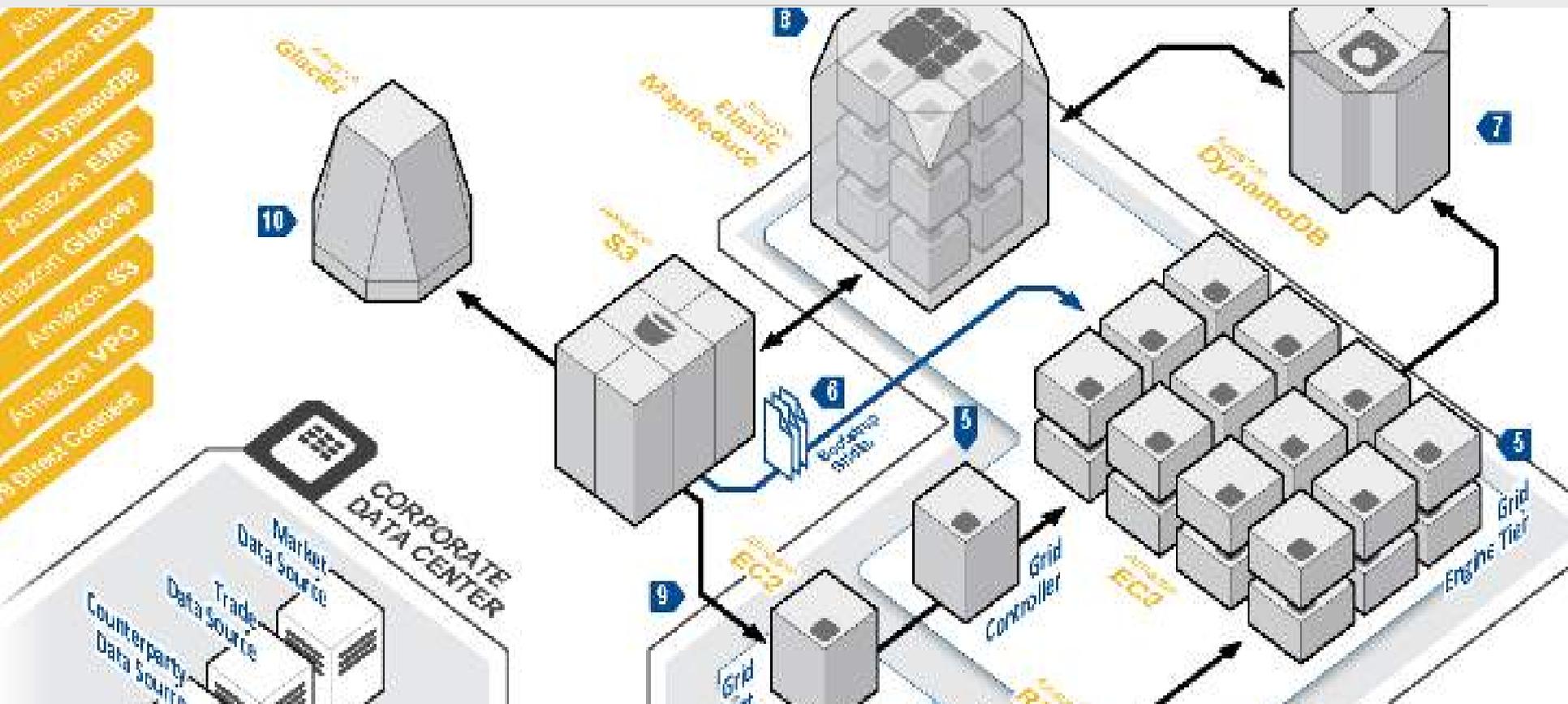
1. Embracing customer centricity
2. Digitising products & services
3. Creating new digital propositions
4. Building the future digital organisation
5. Building the future digital platform
6. Digital regulation innovation

Defining 'digital' can be a challenge - Is it a strategy, a team, a new breed of customer? It starts with a renewed focus on our customers and a commitment to the transformation required to achieve it

Fintech challenges are addressing a customer experience gap - focusing on the customer journey over the transaction yields insights that are driving new product and service experience

Analytics underpins and powers up the customer experience and the marketplace - powering up new customer experiences and creating secondary markets to exchange value, data is changing core principles of the business model

The digital platform transformation should start from day one - it's always harder than it first appears



Cloud based

Create an infrastructure that's truly scalable and cost effective to optimise development timelines

Rapid agile development

Going beyond agile to ensure adoption of advanced software development approaches such as microservice architectures

Automation enabled

Apply best practices in bringing development and operations together to optimise and automate testing and other deployment functions

We need to deliver change in a new way to stay relevant in their customers financial lives



Business case or new business model

Required customer behaviour change

Required regulatory transformation

Target customer journey & service vision

Target service design blueprint

Target operating model

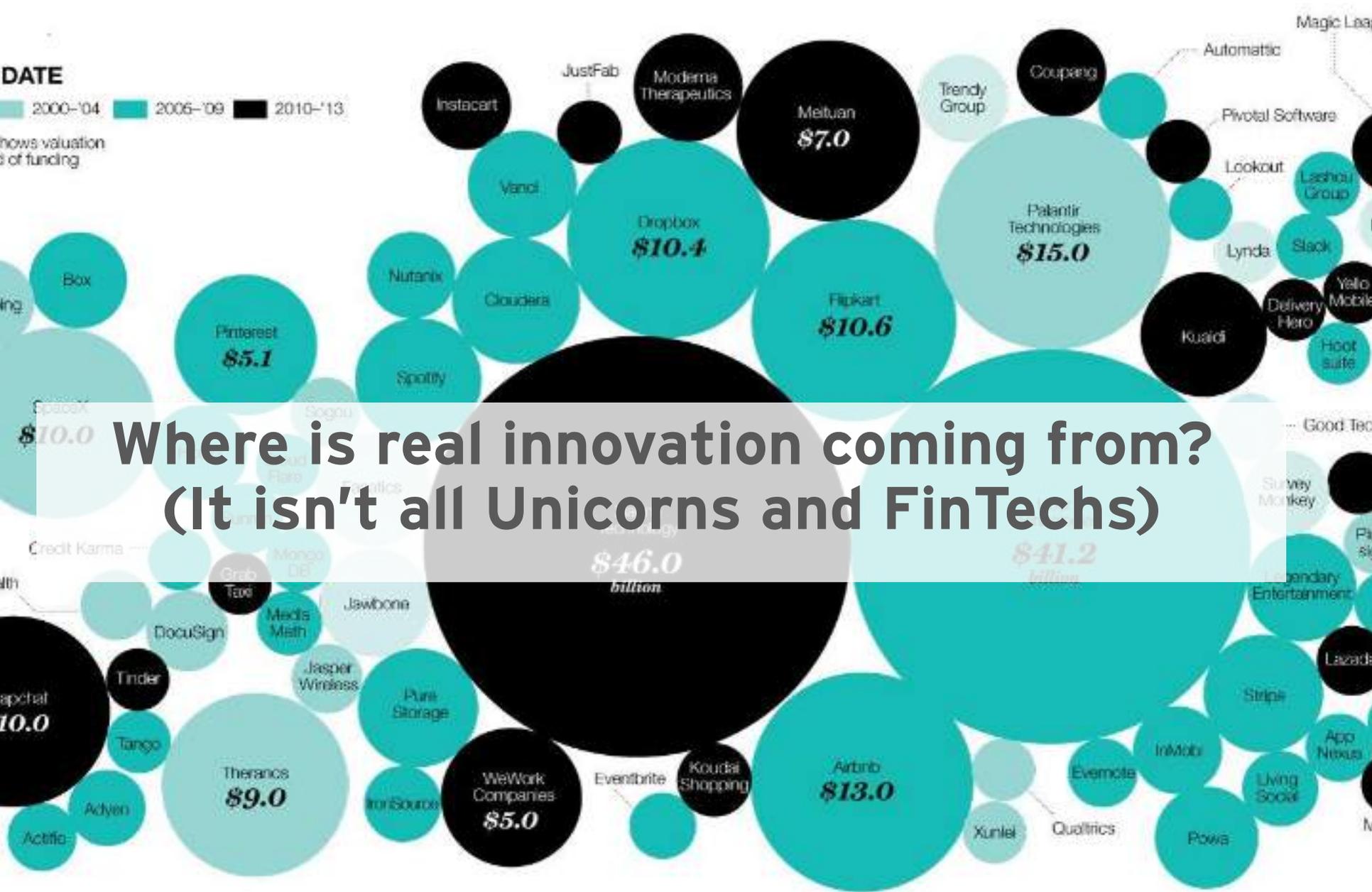
Target system architecture

Making better financial choices - All value derives from the customer journey - we need to focus on end to end customer journeys rather than discrete transaction and differentiate by helping people make great financial choices

Business case for topline growth - The business case is based on behaviour change, not cost - we need to bring a relentless focus on customer behaviour and the change we require to deliver our business case - brand, product and channel preference

DATE
 2000-'04
 2005-'09
 2010-'13

shows valuation
 of funding



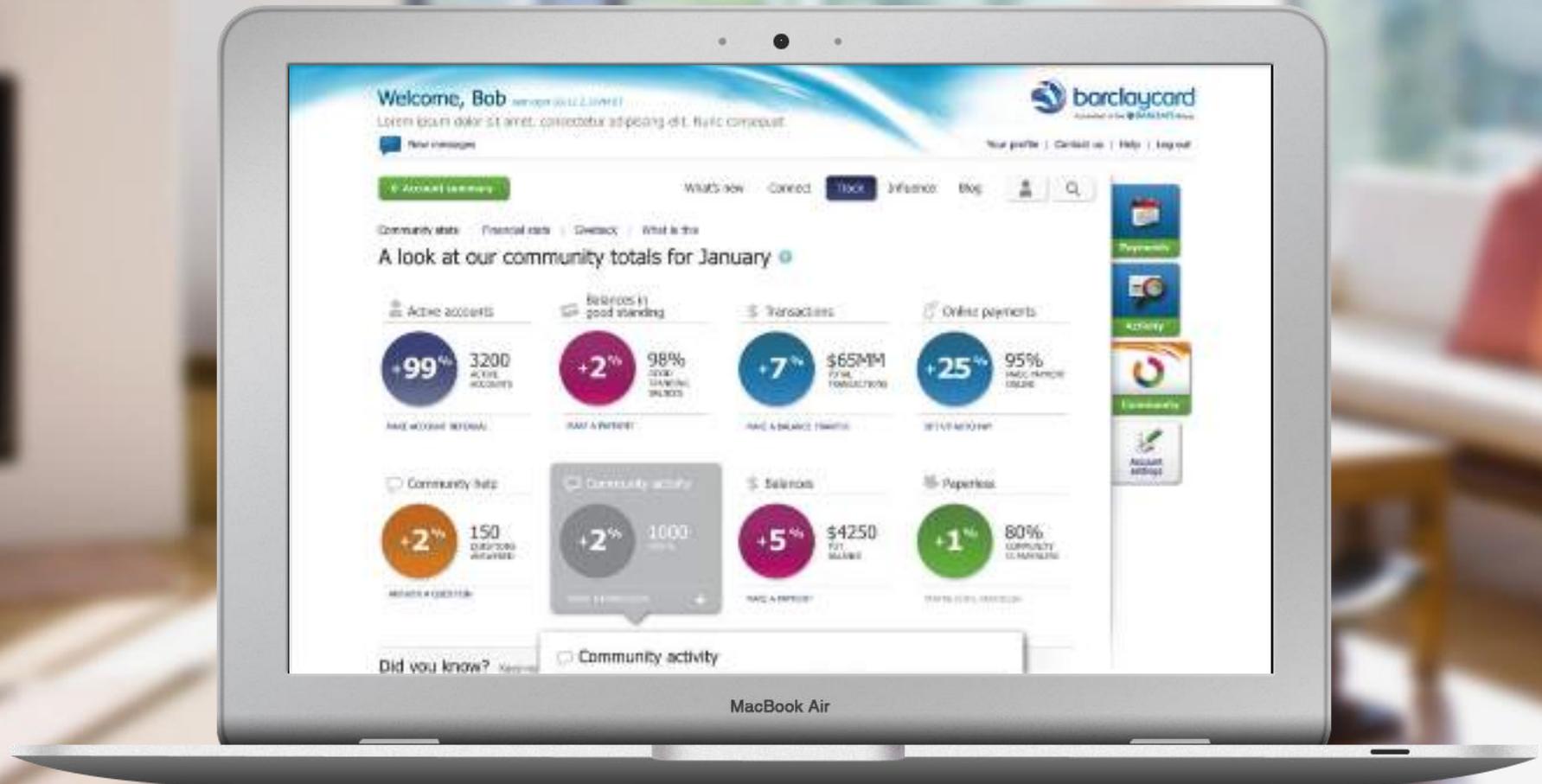
Where is real innovation coming from?
 (It isn't all Unicorns and FinTechs)

Customer configuration



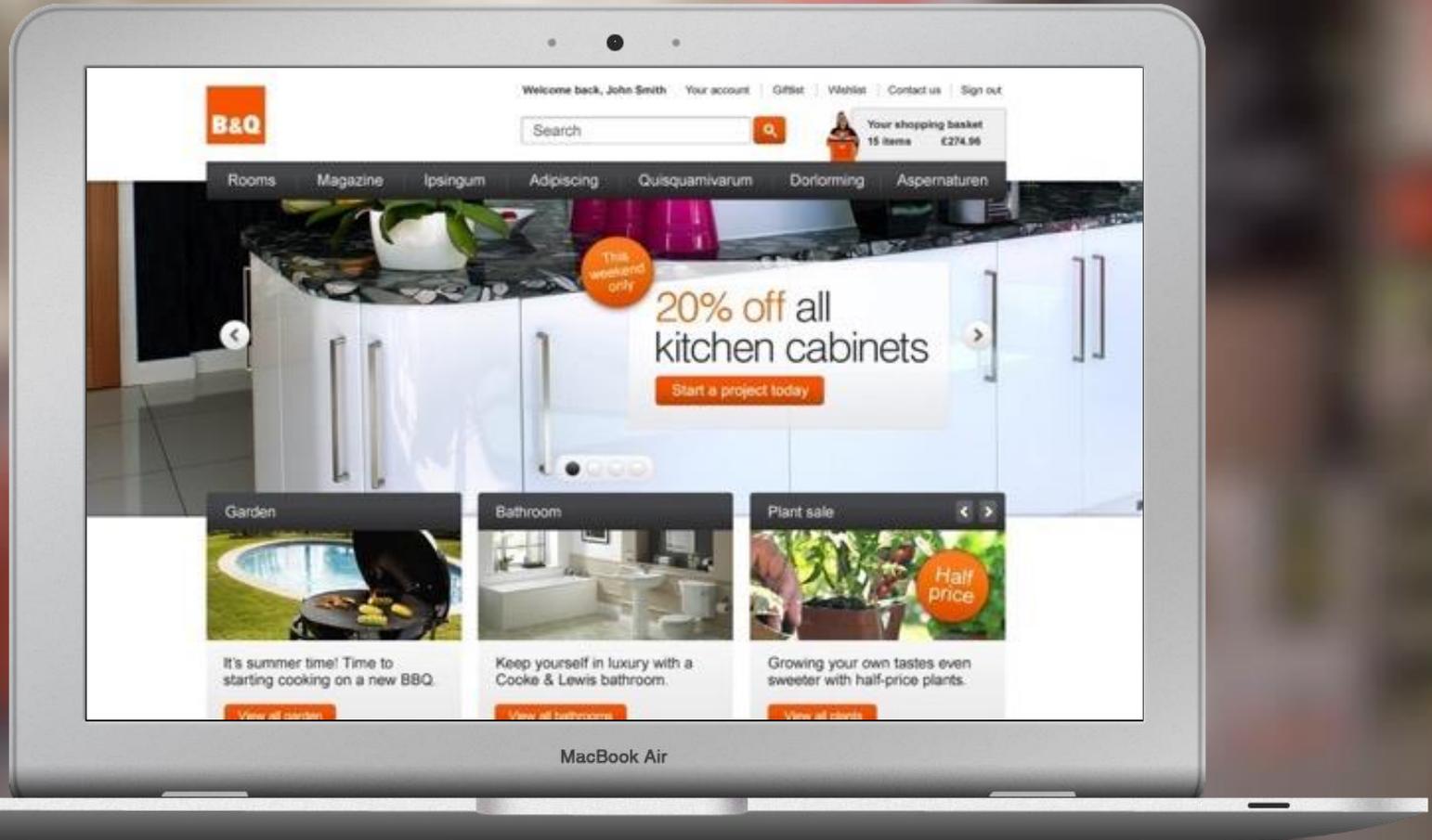
Sources: Forrester, EMC Consulting, EY Research

Community banking



Sources: Lithium, EMC Consulting, EY Research

Omnichannel retail

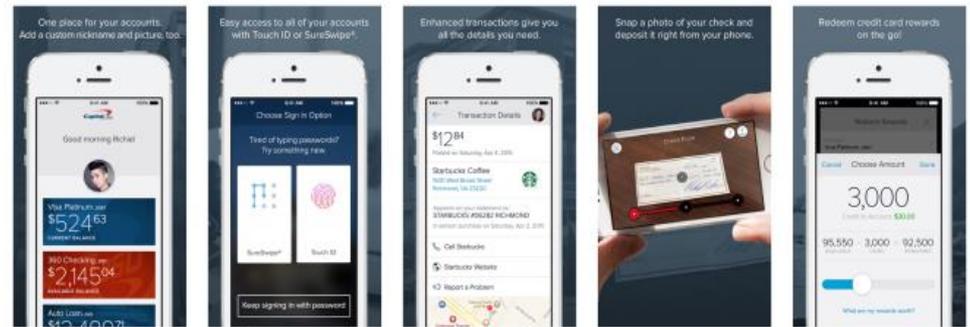


Sources: Forrester, EY Research



"We're bringing in the kind of talent that can do that, the 4 most highly sought out jobs in America right now, software engineers, data scientists, product managers and designers."

Richard Fairbank
CEO
Capital One



monsoon adaptive path



'Last week my team started working and brainstorming with ordinary people. Most innovation teams work in top-secret labs, closing everyone out. What these skunk work operations don't quite understand is the extraordinary power of open, collaborative inclusion.'

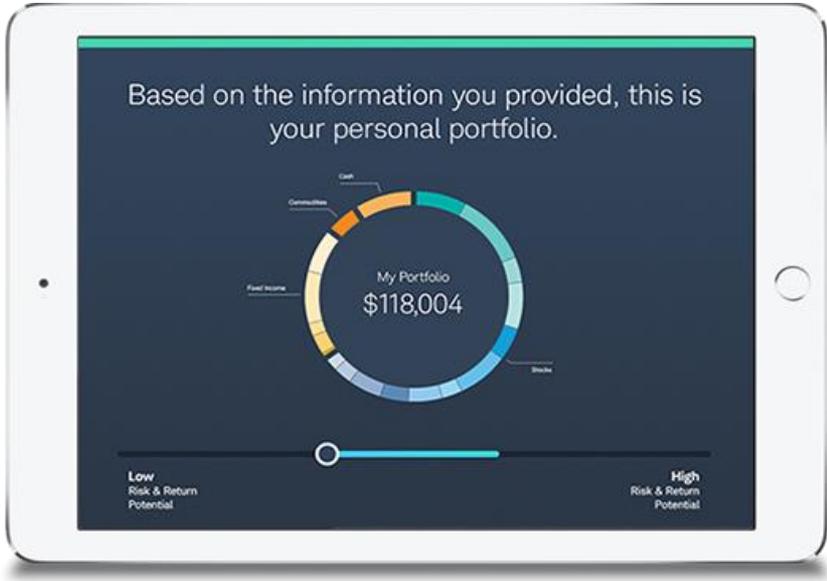
Daniel Makoski



INTELLIGENT PORTFOLIOS

“This is an evolution, not a revolution for us.”

Naureen Hassan
Executive Vice President
Investor Services Segments and Platforms

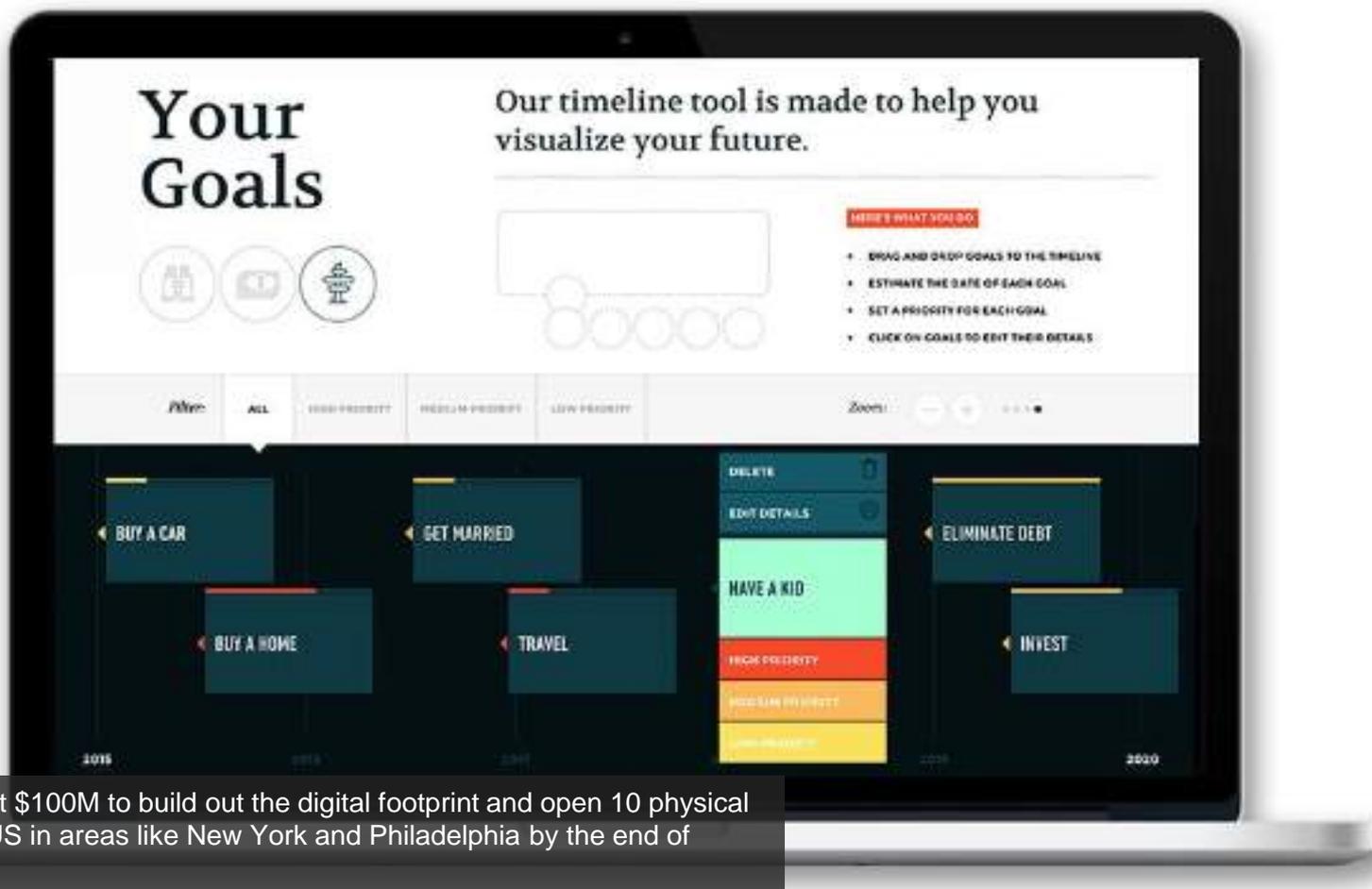


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In April 2015, San Francisco-based broker-dealer *Charles Schwab* became the first big player to move into robo-advisory, demonstrating how the technology could tap into a mass market by offering a service to savers with just **\$5,000**. In **six weeks** it had collected **\$1.5 billion**.

“The traditional financial services model is broken, which is why we needed to make a bold move to disrupt the market.”

Gareth Ross
Senior Vice President
MassMutual





“The competitor that gets to scale first nearly always wins. First-scaler advantage beats first-mover advantage.”

Reid Hoffman, Co-Founder, LinkedIn

Thank You



Peter Neufeld
Head of Digital, Financial Services

pneufeld@uk.ey.com

[@peterneufeld](#)