Digital Intelligence Briefing

2017 Digital Trends in Financial Services and Insurance
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Executive summary

The 2017 Digital Trends in Financial Services and Insurance report is based on a sample of almost 850 FSI respondents who were among more than 14,000 digital professionals taking part in the annual Digital Trends survey carried out in November and December 2016.

The research, conducted by Econsultancy in partnership with Adobe, explores the effects of digital disruption in the sector, providing guidance to organizations that want to stay ahead of the curve.

The results show a sector that is being driven forward by the rise of fintech competition – resulting in innovative new products and brands that put the customer at the heart of their strategy – but that is being held back by regulation, inhibitive technology and rigid organizational structures.

The key findings from the research are summarized below.

FSI is catching up with the rest as it recovers its image

- The financial services and insurance (FSI) sector has historically lagged slightly behind other sectors in terms of digital capabilities, particularly in insurance. This is still the case; 9% of FSI organizations claim to be digital-first, compared to 11% across all sectors.

- Financial organizations have had to rebuild their image after numerous highly publicized failures over the past decade. Resulting regulation and a need for targeted and trustworthy messaging has resulted in a culture shift within FSI, where the focus is on gaining trust and leading customers along a stable financial journey.

Customer perceptions have improved as a result, bringing open-mindedness towards new products and companies.

- Technology improvements – particularly in data collection and analytics – and advances in mobile and wearable technologies have disrupted the industry. The new wave of brands appeal to the needs of a digitally-savvy younger generation, and have been promoted through a surge in the quantity of independent financial content available to consumers.

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1 The 844 FSI respondents who took part in the 2017 Digital Trends survey were among a total of more than 14,000 digital marketing and ecommerce professionals from all sectors who participated, from countries across EMEA, North America and Asia Pacific.
The focus has shifted from products to the customer

- FSI is no different from the wider marketing community when it comes to prioritizing customer experience. Targeting, personalization and customer journey management are the highest priorities for FSI marketers in 2017, and 55% plan to increase investment in personalization in 2017.

- The quest for a good customer experience means that the content produced needs to be consistent across channels. Seven in ten (70%) respondents class this consistency as ‘very important’ to their digital marketing efforts over the next few years.

FSI organizations are data-rich and data-savvy

- FSI companies are 6% more likely to rank data-driven marketing as a top-three priority than their peers in other sectors.

  It’s clear that the sector understands the need for data-driven marketing and is making it a priority. More than half (53%) are increasing their investment in marketing analytics in 2017.

- Digital-first organizations are nearly twice as likely to rank data-driven marketing as a top strategic priority (26% vs. 14%), illustrating the importance of data’s role in digital transformation.

  However, they are limited by regulation. Compared to last year, the proportion of organizations claiming to have ‘access and control over customer and marketing application data’ has remained unchanged at 64%. This is significantly lower than the average of 75% across other sectors.

- FSI organizations are finding new ways to collect data that is not as heavily regulated – for example, lifestyle data collection through wearables.

Fintech competition is driving innovation and acquisition

- Increased team training is needed, as organizations attempt to catch up with the newcomers riding on a wave of digital disruption. This is clearly a high priority: 58% say training will be ‘very important’ to their digital marketing efforts over the next year.

- Established organizations are forced to innovate or find other ways to compete with startup brands. Next year could see increased acquisition and partnerships. Despite an increase in digital training, buying or collaborating to access new technology could be a more efficient solution than struggling to develop it in-house, given legacy technology and organizational barriers.

  Over the past couple of years, the forefront of the industry has been delivering digital-first and mobile-only banking and insurance platforms. In 2017 and onwards, the forerunners are likely to be those utilizing artificial intelligence (AI) to further improve the customer experience, such as robo-advisors and chatbots, but reticence remains in the majority, who see the risks outweighing the rewards.
Fintech is leading the FSI chase

The last few years have seen a shake-up of the financial services and insurance industry; a drive in innovation caused by digital-first startups that are making their mark in the sector with a highly marketed focus on customer experience.

Having said that, the sector started late in comparison to other industries as it dealt (and continues to deal) with regulation and a lackluster drive to make changes. The industry was set in its ways – and until recently, there were few new entrants to the market being able to challenge the size and experience of the established banks and insurance companies. This slow start means that digital marketing trends established in other sectors are not yet impacting banking and insurance to as great an extent.

Figure 1 shows that for most FSI businesses, digital is permeating marketing activities in 2017, but only 9% profess to be a digital-first organization. In comparison, a slightly higher 11% of all sectors claim to be digital-first, with organizations in sectors like media and technology more than twice as likely to be digital-first (22% and 19% respectively).

Figure 1: To what extent does digital permeate your own organization’s marketing activities?

Econsultancy / Adobe Digital Intelligence Briefing

Respondents 2017: 633
Respondents 2016: 280
Digital transformation in this sector is slow to happen – particularly for wealth and asset management, which is not driven by the need to gain mass consumer uptake. Regulation, antiquated technology stacks and internal cultural and organizational issues have acted as barriers to digital transformation, but the past decade has also seen the industry recovering from somewhat of an image crisis after the crash of 2007.

A culture shift within FSI has resulted. Regulation from the Financial Conduct Authority (FCA) and disruption from fintech challengers have worked together to cause a change in mindset that puts the customer first, particularly in retail banking. Messaging from banks now focuses on caring about customers and the importance of products being affordable, and the provision of appropriate and accurate guidance and advice is now the norm.

YouGov branding figures suggest that the new messaging is succeeding: customer perceptions are improving. In 2016, FSI providers were among the most improved brands in terms of the BrandIndex impressions score, which looks at whether or not customers have a favorable impression of a brand2.

Digital transformation in this industry has resulted in the ability to provide services and experiences in real time. FSI providers, particularly banks, have multiple customer touchpoints; from an in-branch visit down to individual transactions, providing them with vast quantities of data. The ability to collect and process this ‘big data’, and use it to inform product development and take action in real time, has defined the transformation of the sector.

The rise of fintech brands, enabled by this improved data analysis capability and mobile technology advances, is filling a gap in the market opened up by a surge in digitally-savvy consumers and a proliferation of devices. Further disruption has been seen with the rise of comparison sites and the availability of consumer-friendly financial content, which surfaced the startup brands and promoted their benefits.

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Challenger banks, such as Atom, Fidor Bank, Mondo and Starling, have emerged from the disruption by concentrating on simplicity and speed to produce products that offer a superior customer experience, and supported this CX with the latest wearable and mobile technologies. The distinct USP offered by these challengers, which is separate from the traditional bank proposition, has gained favor with younger digital-first customers looking for an end-to-end experience that is generally mobile-first and very fast.

The popularity of this approach is evident in the level of funding the sector is receiving. Venture capital (VC) investment in fintech grew from $9 billion in 2010 to reach $25 billion globally in 2016.\(^3\)

Examples of where this injection of cash is landing are:

- Mobile-only banking and mobile wallets, e.g. Atom, Monzo, Revolut
- Payment technologies, e.g. Contactless, ApplePay
- Cryptocurrency, e.g. Bitcoin
- Peer-to-peer loans, e.g. Funding Circle
- Lending and cash transfers, e.g. Even
- Pay by mile or by day insurance, e.g. Cuvva
- Credit scoring, e.g. ClearScore
- Spending aids, e.g. Mint
- Crowdsourcing, e.g. boughtbymany.com
- Bill payments, e.g. Cake
- Consumer online investment platforms, e.g. Nutmeg and eToro

\(^3\) Pulse of Fintech Q4’16. KPMG International
With competition in the sector increasing as a result of the entry of newcomers to the market, priorities for 2017 are focused on the individual consumer. The multi-industry Econsultancy/Adobe 2017 Digital Trends research⁴ reported that customer experience was the number one opportunity for businesses in 2016 and it is expected to be the same in 2017.

Optimizing customer journeys is clearly a priority for marketers in all sectors, and is seen as ‘very important’ for digital marketing over the next few years by 71% of marketers across all sectors.

This is no different in FSI: more than a third (34%) of marketers in the sector selected ‘optimizing the customer experience’ as the most exciting opportunity.

Figure 2: Which three digital-related areas are the top priorities for your organization in 2017?

<table>
<thead>
<tr>
<th>Area</th>
<th>Respondents (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeting and personalization</td>
<td>33%</td>
</tr>
<tr>
<td>Customer journey management</td>
<td>31%</td>
</tr>
<tr>
<td>Content marketing</td>
<td>25%</td>
</tr>
<tr>
<td>Social media engagement</td>
<td>23%</td>
</tr>
<tr>
<td>Multichannel campaign management</td>
<td>21%</td>
</tr>
<tr>
<td>Brand building / viral marketing</td>
<td>20%</td>
</tr>
<tr>
<td>Marketing automation</td>
<td>19%</td>
</tr>
<tr>
<td>Mobile app engagement</td>
<td>18%</td>
</tr>
<tr>
<td>Conversion rate optimization</td>
<td>16%</td>
</tr>
<tr>
<td>Mobile optimization</td>
<td>14%</td>
</tr>
<tr>
<td>Video content</td>
<td>13%</td>
</tr>
<tr>
<td>Search engine marketing</td>
<td>13%</td>
</tr>
<tr>
<td>Joining up online and offline data</td>
<td>11%</td>
</tr>
<tr>
<td>Customer scoring and predictive marketing</td>
<td>10%</td>
</tr>
<tr>
<td>Programmatic buying / optimization</td>
<td>7%</td>
</tr>
<tr>
<td>Social media analytics</td>
<td>5%</td>
</tr>
<tr>
<td>Real-time marketing</td>
<td>5%</td>
</tr>
<tr>
<td>None of the above</td>
<td>2%</td>
</tr>
</tbody>
</table>

Note: Respondents could select up to three options.

Similarly, Figure 2 shows that targeting and personalization was the most-selected digital priority for FSI organizations in 2017, followed by customer journey management (31%). Both put individual customers at the heart of marketing efforts, and most marketers (55%) plan to increase investment in personalization in 2017. The change in the way consumers are interacting with banks means that the focus of strategies is being shifted away from products and to the customer.

RBS’ Superstar DJ program began in 2015 and continues to be an industry-leading example of a bank making the customer journey the focus. Giles Richardson, Head of Analytics at RBS, implemented an organizational structure in which 50 ‘journey managers’ have completely analytics-focused roles, and are empowered to test every possible journey to create the exact experiences that their customers desire. At the Adobe Digital Summit in March 2016, RBS reported that they had grown their optimization capabilities exponentially and generated more than $1.5 million in incremental revenue.

The changed consumer-to-business relationship in the FSI sector has also led to changes in the type and amount of content being provided directly from banks and insurers. Historically, content has been provided by comparison and advice websites, as it doesn’t fit the traditional ways marketers measure campaign performance, especially within the FSI sector. These websites saw a gap in the market and filled the niche of explaining and comparing products and providers for the average consumer, which has put pressure back on FSI providers in the form of increased competition.

As a result, the quantity of influential financial content available to consumers is vast, and banks and insurers are increasingly investing in content creation in-house to keep up and set themselves apart from their competitors. Figure 2 shows that content marketing is the third highest priority for marketers in the sector for 2017, selected by 25% of respondents. Examples of this priority in action include Chase, a subsidiary of JP Morgan Chase in the USA, which has created a ten-person newsroom dedicated to creating articles and videos on personal finance, retirement planning and life advice.

Figure 3 reveals that ensuring consistency of message across channels is considered ‘very important’ to digital marketing efforts over the next few years by 70% of respondents. This priority is second only – predictably so – to optimizing the customer journey across multiple touchpoints. In fact, it could be argued that all options in Figure 3 come under the umbrella of optimizing the customer journey. This is particularly true for data, which is the foundation of optimization despite being perceived by less than half as ‘very important’.

In the Econsultancy/Adobe 2017 Digital Trends report, the results reflected the same emphasis on customer experience, but also suggested that data capabilities are not developing fast enough as other marketing functions take priority. This appears to also be the case for the FSI sector. Section 4 discusses the data innovations that are disrupting and therefore digitally transforming this data-rich sector.
The focus on mobile required to compete with challengers and to cater for the demands of a new generation of digitally-versed customers has led banks to focus heavily on being mobile-first, and has therefore meant digitally training large proportions of marketing and customer service teams.

The impact of digital disruption on people and skills within FSI organizations is shown in Figure 3 to be widespread. ‘Training teams in new techniques, channels and disciplines’ is perceived to be ‘very important’ by nearly three in five organizations, which is encouraging given that talent and skills is an often-cited barrier to digital transformation. Indeed, the proportion of organizations saying that they have the people they need to engineer good customer experiences has increased by 19% since 2015, and its continued importance indicates that this trend is likely to continue.

Figure 3: How important will the following be for your digital marketing over the next few years?

- Optimizing the customer journey across multiple touchpoints: 78% (Very important) 19% (Quite important) 3% (Not important)
- Ensuring consistency of message across channels: 70% (Very important) 28% (Quite important) 2% (Not important)
- Training teams in new techniques, channels and disciplines: 58% (Very important) 39% (Quite important) 3% (Not important)
- Understanding how mobile users research / buy products: 52% (Very important) 35% (Quite important) 13% (Not important)
- Using online data to optimize the offline experience: 49% (Very important) 42% (Quite important) 9% (Not important)
- Understanding when and where customers use different devices: 46% (Very important) 44% (Quite important) 10% (Not important)
- Using offline data to optimize the online experience: 46% (Very important) 45% (Quite important) 9% (Not important)

Econsultancy / Adobe Digital Intelligence Briefing

Respondents: 506

More than a third of FSI marketers consider ‘optimizing the CX’ to be the most exciting opportunity

Red-taped data leads to innovation

Data brings with it the greatest advantage for and the greatest barrier to marketing within the FSI sector. It is the lifeblood of targeting, of personalization, of omnichannel marketing: all part of the ever-improving customer experience that brands are striving for. Financial data is also among the most heavily regulated, and this therefore stands in the way of rapid digital progression within the sector.

As discussed in Section 3 and reiterated in Figure 4, the customer experience continues to be a priority for FSI marketers; 63% marked it as the top business priority for their organization in 2017, and were 17% more likely to do so than in 2016. Second to CX is data-driven marketing: FSI companies are 6% more likely to rank data-driven marketing as a top-three priority than their peers in other sectors (73% vs. 69% in other sectors).

Our results show that marketers realize the role data has to play in the customer experience, particularly when it comes to analytics. Improving data analysis capabilities is considered a key element in better understanding CX requirements by 99% of respondents, and as ‘very important’ by 72%. Though data-driven marketing is the number one priority for only 14% (dominated by those prioritizing CX), more than half of respondents (53%) plan on increasing their budget for marketing analytics over the next year, which will aid the development of analysis capabilities.

Figure 4: Please rank these five areas in order of priority for your organization in 2017.

<table>
<thead>
<tr>
<th>Area</th>
<th>First choice</th>
<th>Second choice</th>
<th>Third choice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer experience</td>
<td>63%</td>
<td>18%</td>
<td>10%</td>
</tr>
<tr>
<td>Data-driven marketing</td>
<td>14%</td>
<td>30%</td>
<td>29%</td>
</tr>
<tr>
<td>Cross-channel marketing</td>
<td>12%</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>Mobile</td>
<td>8%</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>Programmatic buying / optimization</td>
<td>3%</td>
<td>8%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Respondents: 596
The front runners in the race towards CX optimization are putting analytics teams in place, akin to the Superstar DJs project discussed in Section 3. Digital-first organizations (9%, see Figure 1) are nearly twice as likely to rank data-driven marketing as a top strategic priority (26% vs. 14%), illustrating the importance that data and analytics have for achieving success in digital.

Despite the majority evidently understanding the role that data has to play in modern marketing, particularly in relation to CX, data tactics such as joining online and offline data are a long way down the list of priorities (selected by 11%, see Figure 2). Developing the ability to connect online with offline could create an important advantage for established organizations with a high street presence, over the digital-only challengers.

Data regulation is the obvious and overriding barrier to maximizing data usage, and rightly so. However, many established FSI organizations are falling behind their new competition in terms of the technology they are using. Legacy technology is a well-documented hindrance to digital transformation, and in the bigger financial services businesses, layer upon layer of software and hardware has been added over the years, resulting in something of a knot to untangle and transform.

Some banks are tackling this by investing in – or outright buying – new technology (and the accompanying skilled staff) from the competition, that they can then use in-house. Others are working with third parties to offer additional services, and the next 12 months could see increased acquisition and partnership activity as they circumvent lengthy development projects.

An example is UK bank Santander, which last year began a collaboration with US fintech company Kabbage to offer small companies quick access to funding. These solutions could appear somewhat counterproductive, adding further layers of tech and data to be managed. However, the time and development skills needed to either move tech platforms or develop capabilities in-house is prohibitive for the majority of enterprise FSI organizations. The hurdle of organizational transformation in working with other parties is often easier to face.
Figure 5 shows that access and control over customer data is, as expected, more of a challenge in the FSI sector than others. Compared to last year, the proportion of organizations claiming to have ‘access and control over customer and marketing application data’ has remained unchanged, at 64%. This is significantly lower than the average of 75% across other sectors.
The strict regulation over consumer data is reflected in *Figure 6*, which shows the difference between retail banking, wealth management and insurance company responses regarding control over data. Wealth and asset management companies are most likely to say they have ‘access and control over customer and marketing application data’: 72% compared to 62% in retail banking and 59% in insurance.

Insurance companies are overcoming regulation by creating new ways of collecting and using data to gain and retain customers. Wearables are being used by the likes of UK health and life insurer Vitality to gain new customers and incentivize them to make lifestyle improvements; reducing the likelihood of insurance payouts in the future. Though fitness application data is personal, it is willingly shared by customers and not subject to the same levels of regulation as other FSI data.

**Sub-sector comparison**

*Figure 6: ‘We have access and control over customer and marketing application data’ – agree or disagree*

![Sub-sector comparison chart](chart.png)

Data-driven marketing is a key strategic priority for 73% of FSI companies
5 The opportunity and challenge of AI

As challenger fintech companies continue to facilitate change within the financial services and insurance sector, those digital-first companies at the forefront of innovation are seeking out new ways to apply the latest digital technologies.

In the past couple of years, the bleeding edge of innovation has been the digital-first and mobile-only banking and insurance platforms such as Atom, Monzo and Cuvva. In 2017, the digital forefront of the sector will be those utilizing artificial intelligence (AI) to further improve the customer experience.

Although only 4% of FSI marketers see ‘using artificial intelligence / bots to drive campaigns and experiences’ as the most exciting opportunity for 2017, it is likely that some respondents see these developments under the umbrella of ‘optimizing the customer experience’ (selected by 34%). About a third of respondents believe that artificial intelligence is expected to play an exciting role in the industry in the longer-term future (Figure 7).

Figure 7: Looking ahead, which of these do you regard as the most exciting prospect for 2020?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilizing artificial intelligence / bots to drive campaigns</td>
<td>33%</td>
</tr>
<tr>
<td>Enhanced payment technologies e.g. mobile wallets, e-receipts</td>
<td>29%</td>
</tr>
<tr>
<td>Internet of Things / connected devices e.g. wearables, audience tracking</td>
<td>17%</td>
</tr>
<tr>
<td>Engaging audiences through virtual or augmented reality</td>
<td>13%</td>
</tr>
<tr>
<td>Voice interfaces e.g. Amazon Echo, Google Home</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>3%</td>
</tr>
</tbody>
</table>

0% 5% 10% 15% 20% 25% 30% 35%
Data is the power-source behind AI, and the financial services and insurance sector is extremely rich in data. The opportunity that this data offers is reflected in the level of investment in the area; 658 AI venture financing deals were completed in 2016, totaling more than $5 billion.6 Canadian Bank of Nova Scotia is spending around $2.5 billion a year on technology, with 60 to 65% of that devoted to running the bank, and the balance aimed at initiatives to create new ways of banking.

Without regulation and privacy concerns, innovations, including AI, would have been able to push their way into the industry at a much faster pace. As it is, even with the inevitable and imperative regulations around use of financial data, enough data is filtering out to power a steady increase in the use of AI.

In wealth management, robo-advisors (online automated portfolio management services) have begun to provide much more substantive advice and recommendations based on a person's portfolio, risk tolerance and previous actions. California-based automated investment service Wealthfront is offering asset management through a service known as direct indexing. The robo-advisor already manages over $4 billion in assets and recently added AI capabilities to track account activity on its platform and other integrated services, aiming to provide a more personalized experience for their customers.

In insurance, Brolly has developed a free personal insurance 'concierge', powered by AI. An innovation on insurance comparison engines, Brolly provides a more personalized service to find the right insurance policy for customers, understanding their needs and automating the advice that they would traditionally get by speaking with an insurance broker or an independent financial adviser. Other insurance uses include the incorporation of AI into underwriting systems to automate the underwriting process and utilize ‘big data’ to improve insurance decisions.

The new era of financial services, where companies are tasked with showing compassion and care for their customers, encouraging responsible spending and affordable products, has found a use for AI in powering mobile payment wallets with AI technology to monitor and learn from spending habits and providing alerts and advice based on personalized limits and goals.

This learning aspect of AI partially explains the reticence some have towards using the technology. The risks can be high for a technology not yet stress-tested for mass use, or an economic downturn. As in the well-publicized failure of Microsoft's AI bot, Tay, the risks associated with AI are very real, and it's hard to predict or understand unexpected outcomes by bots.

The question will be whether or not AI is allowed to be applied to more elements of FSI services, and therefore have an increasing impact on consumer privacy. Technological advances have empowered businesses to collect and use consumer data on scales unimaginable a few years ago, but whether or not consumers and businesses can be convinced that their data is safe and AI won’t ‘go rogue’ in the way of the Tay bot remains to be seen.

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6 https://www.cbinsights.com/blog/artificial-intelligence-startup-funding/
1. Watch the challengers and learn from them

Challenger fintech brands are seeing success through their combination of new technology and superior experience. However, established banks have the benefit of experience and the support systems in place ready to cope if things go wrong. They also have huge amounts of data from decades of doing business on their side.

Forward-thinking organizations will take note of what the challengers are doing well, apply their data and experience and compete with those at the bleeding edge.

2. View data as an opportunity and not a barrier

FSI organizations are inherently data rich, but regulation can put barriers between the data and progress. The digital-first of the sector are concentrating their data efforts on the customer, by collecting all the data possible on the customer journey and continually testing it.

Investment in data analysis capabilities is necessary in order to meet the experience demands of customers. Data needs to become a priority of the business, rather than of individuals.

3. Collaborate internally to take advantage of this opportunity

Internal fragmentation is just as much an obstacle to the FSI industry’s digital transformation as regulation. Established financial services organizations tend to be disconnected internally, with a history of separate departments building their own processes and using siloed technology systems. These internal barriers need to be overcome, and technology streamlined, to enable full utilization of customer data and improve customer journeys across multiple channels.

4. Get testing, then start writing

Get in on the content creation game and use it to improve the journey for your customers. Consumers are taking a much more active role in their finances; advice is freely available and most financial administration, from payments to trading, can now be done from your phone.

Provide consistent messaging based on customer journey analytics; find out what information your customers are looking for, and provide the answers through the fewest possible clicks. Continually track and test these journeys to optimize the content and messaging.
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