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A conversation about  
innovation and customers

An extract from Australian Mortgage Report 2016





Jenny Wilson

## A CONVERSATION ABOUT INNOVATION AND CUSTOMERS

Passionate customer advocates **Jenny Wilson**  
(Deloitte Customer lead) and **Lisa Claes**  
(Executive Director, Customer Delivery ING Direct)



Lisa Claes

**Lisa Claes (LC):** There are three main ways you can innovate in Financial Services:

1. Products
2. Customer experience
3. Segments.

The single or party of one segment is a sleeping giant. Recent statistics show that, whether by choice, divorce, longevity, etc., this cohort, which in the USA is traditionally around six to seven percent, is predicted to reach 20% to 21% in the next 25 years.

Other industries are already way ahead catering for the rise of this party of one. The travel industry for instance is beginning to cater for singledom and develop ways to serve this new segment.

In Financial Services, we largely default to the concept of the nuclear family – a construct that will become the minority. The one size fits all mentality of: “Here is a product. This is how we market it. You either, fit in, or don’t,” will be completely upended.

We know these segments, their behaviours, their preferences. We have to use the data intelligently to be appealing and help each segment meet their particular needs.

**Jenny Wilson (JW):** I think the fintech wave is good for the sector as a whole. Some fintechs are already working with the banks; some will get it wrong, and go. That is inevitable. In any transformational or evolutionary shift in an industry, there will always be part of the mix that gets it wrong. The good thing is that the journey is making the sector at large, sit up and rethink.

Questions include whether there are enough segments currently, and seeking niche opportunities. There is still significant focus on traditional youth, pre-retiree and post-retiree segmentation, which feels a bit staid.

Even many of the new innovation centres are product driven structures, which can dismantle a lot of creative thinking through bottlenecking and pushback, especially around product sales.

**LC:** We use a lot of terminology in Financial Services. But customers come to organisations without any barriers or vocabulary.

To go to the heart of what is attracting customers to certain organisations, let us look at what has fueled the phenomenal success of Uber for instance, which doesn’t own taxis; of Airbnb which doesn’t own properties; and Amazon that doesn’t manufacture books. So what is it about these organisations? It must be the experience, not their labels or products.

Their success is delivering what customers want – which is easy to say, but hard to do. It is about saving customers’ time, doing things quickly, and being transparent. Showing customers exactly where their assessment information is for example, and asking just once for information.

At ING we are trying to do that by working with Deloitte to re-platform our digital assets to get to the heart of what is fueling this appetite, and so determining what customers really want from us.

We are trying to bring the attributes that have made non-financial services players so successful to financial services, while keeping within our risk appetite, meeting necessary regulatory constraints, and serving our stakeholders.

**JW:** I think there is a danger in letting regulation be the excuse for not rethinking how we deliver. Our work with the World Economic Forum (WEF) on the taxonomy of innovation involved a number of discussions

with regulators, the financial businesses, innovators and fintechs. It started from the base that financial services triggered the global financial crisis. And explores how to meet the challenge of new technologies; how to think about data; and the new ways customers behave and want to engage.

**LC:** Yes. Even customers would have sympathy with the regulatory push, because they realise that regulators are acting in the best interest of the customer.

In essence more capital needs to be injected into the system across all sectors globally.

So how you adapt to the ‘new black of capital’, as well as modify your proposition to attract more customers, is key.

Having more capital, means to produce the same return to your shareholders – another stakeholder group – you certainly have to generate more revenue.

The easiest way to do that is to ensure that you are attracting and sustaining your customer base. And that you are getting greater share of wallet from your customers.

You won’t do that by acting in a way that’s not customer centric.

You will need to mimic the attributes of the innovators and the successful fintechs. Regulation is here to stay and it is well intentioned.

There will be more demands on capital and I direct my energy towards how I ensure that I can attract more customers and keep them rather than resist or deny a constructive regulatory regime.

Ideally, I want ING DIRECT to be part of those customers’ family balance sheet in their financial lifecycle journey.

# A taxonomy of innovation, WEF research – the future of banking

Financial services are being disrupted across the value chain – the six areas of greatest disruption.



## Some principles and outcomes

**LC:** The principles and attributes we try to imbue, revolve around:

1. **Onboarding for life:** When you join an organisation, you don't just get that one product but with access to those fundamentals about a customer you should be able to predict and provide what that customer will need in his or her entire financial lifecycle. This is onboarding for life; with only a need to adjust when the customers' circumstances change.
2. **Time:** We are all time poor and the data shows that if your site doesn't load within four seconds the prospective customer moves on. Conversely there are some offerings from Financial Services where there is an expectation from the customer that you will take some time to consider their offer or their proposition. Generally however, you need to be quick. Whether it is a 'yes' or a 'no'.
3. **Next best offer:** By using data intelligently, you can predict and tap the customer digitally in a respectful way with the next best offer. By seeing their digital footprint, knowing their behaviour, knowing age, demographics and transactional behaviour, you can predict where they are in their financial lifecycle and what may assist them in the next phase. The reward is loyalty.

By sharing something significant, meaningful and relevant to the customer, there is an amazing opportunity for loyalty as you are almost in a partnership with the customer as they go through their financial lifecycle.

**JW:** By letting a customer know where they are in the journey you also save them money; and as an organisation, potentially cost. I also think the concept of an exchange of information equals an exchange of value that builds intimacy, relevancy and convenience.

- **Trust:** It starts with a sense of mutual trust
- **Equality:** Delivering a customer experience that doesn't feel like a set of transactions, or even a set of interactions, will feel more equal. By sharing in that way, both parties learn and build trust
- **Simplicity:** With financial literacy and simplicity, customers will also be more able to make better decisions
- **Outcome focus:** By changing the language and moving from 'product' to a 'next best outcome' approach for the customer, will assist them better manage their finances, and make better decisions.

**LC:** In fact we could have a universal offering, on the basis that we all save, transact, borrow, insure, retire and invest – activities I believe will endure for some time. If the customer's behaviour telegraphs: 'I am going to want this in the next 30 years?' We can respond with: 'How can we help you achieve that? Etc...'

**JW:** I really do hope that by collaborating we embrace the benefits of innovation. If that means taking audacious steps with more of an open source mindset to data exchange, to the way the banking sector collaborates with customers, with fintech partners, and with the regulator, then we should be able to build a true community of commerce.



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