

NextWave life and retirement

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4 October 2021



What is NextWave life and retirement?

- ▶ NextWave life and retirement is EY global thought leadership looking at the future of the industry to 2030
- ▶ Developed with extensive external and internal input
 - ▶ Interviews and workshops with 43 EY member firms
 - ▶ Input from 200+ EY SMRs across the globe
 - ▶ Validated with multiple clients and data from 25 external providers
- ▶ Designed to challenge EY clients' thinking and drive new insights into their strategic planning
- ▶ Articulates key megatrends and hypotheses for success in the future market that are rooted in live examples around the world

“

The future is already here — it's just not evenly distributed

William Gibson, *The Economist*, December 2003



NextWave life and retirement on a page

An industry under pressure

- ▶ Persistently low interest rates
- ▶ Competition for assets
- ▶ Lagging relevance and unclear value
- ▶ The impact of the COVID-19 pandemic
- ▶ A strong foundation for growth

Megatrends shaping the future

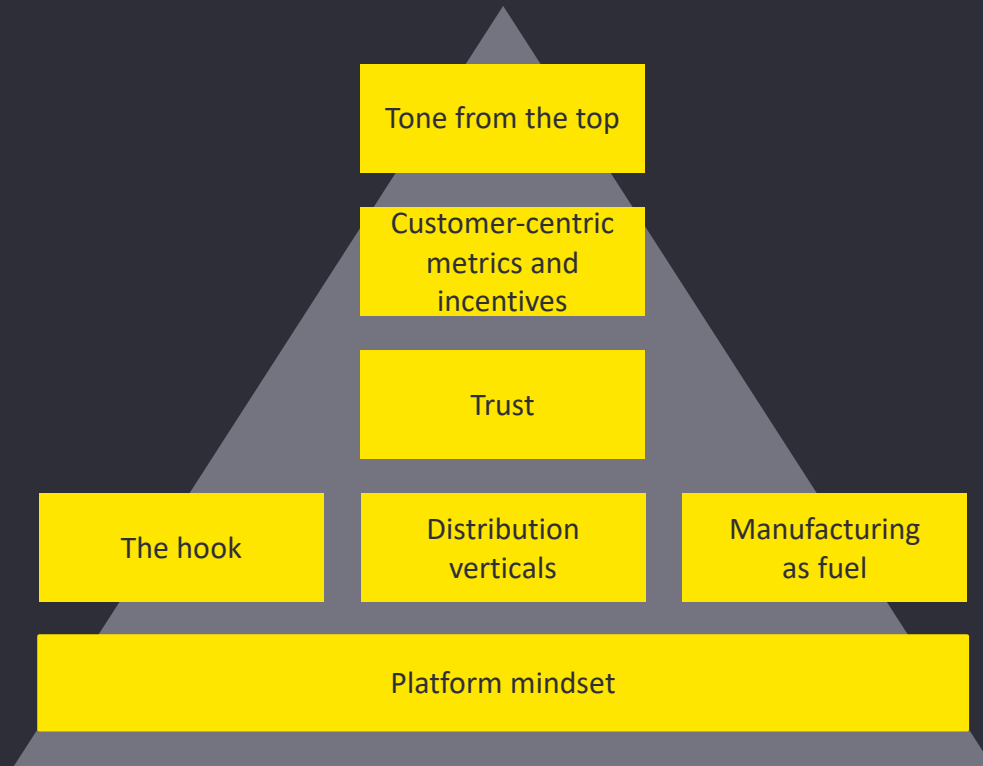
Hypotheses for market leadership

Continuation of today	Capital optimisation and convergence	Consolidation significantly reduces the number of players
	Commoditisation and customisation	Workforce shifts strategically and shrinks dramatically
	Financial health and wellness	Retirement 2.0
	Long-term value	Life and wellness concierge
Disruptors of tomorrow	Collaboration with governments and regulators	Subscription models
	Ecosystems and omnichannel engagement	Open finance creates unprecedented access to customers

Business models for 2030

- ▶ Global/regional giants
- ▶ Back book aggregators
- ▶ Market extenders
- ▶ Segment specialists
- ▶ Solution specialists
- ▶ Digital challengers

We see the rise of financial ecosystems and open finance as the most disruptive megatrend for the UK



- ▶ **Different from what we have seen before**
 - ▶ Focused on creating value for the customer
 - ▶ Priority is broadening the relationship, not individual product P&Ls
- ▶ **... But with parallels to existing models**
 - ▶ Price comparison sites (but less transactional)
 - ▶ Vertically integrated wealth managers
- ▶ **Drives new business models and economics**
 - ▶ Ecosystem captures c75% of total value
 - ▶ Quality and ease of customer experience key
 - ▶ Products commoditised and industrialised
 - ▶ Accelerates convergence — all sectors competing to own the same customers
- ▶ **Access to customers is critical**
 - ▶ Customer owners control access to value
 - ▶ Banks have an inbuilt advantage
 - ▶ Current account and workplace as key battlegrounds for customer attention

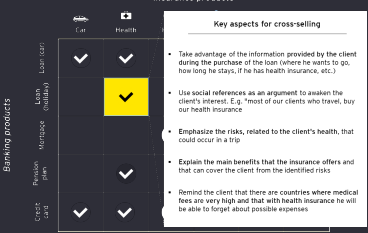
Key questions to consider:

- ▶ What has to change in the UK regulatory environment for ecosystems to happen?
- ▶ Which customers do we want to serve? How can we reach them? How can we expand that reach?
- ▶ What new capabilities will we need to compete?
- ▶ What channel shifts will we need to make? How do we mitigate the risk?
- ▶ What is our M&A and alliances strategy?

BBVA is a strong European example of the ecosystem business model

Three key strategies to meet customer needs

1




Link banking products to insurances satisfy customers' unmet needs with relevant propositions

2

A loyalty plan that offers better control and flexibility as well as cost savings

Group	Split	Save
All insurances in one policy	One monthly payment	More insurances = bigger savings

3



Consistent advice and customer experience across all channels

Demonstrates all the attributes of the ecosystem pyramid

Tone from the top

- This was a global strategy to build from their leading position in digital banking

Customer centric metrics and incentives

- Metrics and KPIs drive collaboration e.g, branches direct customers to digital

Trust

- BBVA leverages on excellent servicing capabilities - NPS leader in Spain.

The hook

- Smart alerts to RMs and personalised digital recommendations help broaden relationships

Distribution verticals

- Frictionless channel transitions: 70%+ of sales have interacted with 2+ channels

Platform mindset

- BBVA has an ecosystem of apps ("Google style"): financial planning, baby planning, investing, and an insurance centre

Built in small steps over several years... but adding up to a big impact

+19 Seed projects launched	+35 SDA projects	+25 Global experts	+200 Practitioners
+19,000 People trained in BE	+30% Communication conversion	+ €43.86mn Annual revenues	

Could we do this in the UK today?

- ▶ The current UK regulatory environment makes engaging holistically with customers difficult
- ▶ Various UK providers have attempted holistic, insight driven initiatives and struggled to reach an acceptable risk profile under current regulations
- ▶ Currently many forms of personalisation risk being construed as financial advice
- ▶ The FCA is concerned about customers' access to financial services
- ▶ It is not clear they have fully grasped the barriers that the current regime presents for realising the aims of open finance – but they are open to evidence
- ▶ They have engaged with the industry via TISA to gather evidence on customer needs and expectations around advice and guidance
- ▶ However, the *Consumer Investments: Strategy and Feedback Statement* paper shows there is more to do.

Questions and contact details

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