From Connected to Converged:

A vision of what Financial Services and Insurance will be like in 2030

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shaping tomorrow with you

Predicting the future of any industry is always difficult, and the Financial Services and Insurance sector is no exception – it may even be harder. But one thing is clear: digitalization is radically changing how enterprises in the sector work and, most importantly, the way they engage with their customers.

Simply, digital is enabling them to go deeper into people's lives. It's becoming essential to how they organize their lives, their finances, and their plans.

From transactional to fully integrated

Right now, what most players in the sector do is transactional. It can be imprecise at times, and it invariably is part of a different ecosystem to that of the customer. Simply, it's merely a function rather than something interwoven with the customer's daily life or business.

That's changing. And it's changing at an unprecedented pace. According to a recent Fujitsu European wide survey, finance companies are the most advanced when it comes to digitalization. 89% of them working toward digital transformation and almost a third say that projects are yielding the results they planned for and want.

It's happening because once disruptive technologies are maturing. They're becoming mainstream. We understand their implications and benefits better. That's driving Financial Services organizations to understand that they can be used to boost their competitiveness in a world where customers are eager to embrace digital banking and insurance products.

That's not surprising. We all expect seamless digital interfaces with organizations of all kinds – from the private to the public sector, from buying things online to sorting our financial lives whenever we want to, on any device, and at any times. The rapid rise of contactless payments by card or phone, banking apps, and micro-managing your insurance cover via an app is clear evidence of that.

At the heart of the change is the demand for a truly personalized experience. That's what customers – in both business and the general public – want from their bank or insurance company.

The three megatrends driving change

The road to 2030 is sign-posted by three trends which are happening right now. They are:

Engagement Banking

Services which are integrated into our everyday lives and businesses and allow us to access the Financial Services we need and want whenever and wherever we want them. And do it through a range of non-bank services we're familiar with.

Platform Banking

Offering plug-and-play banking functions that work brilliantly. To achieve that you need seamless and efficient back-end service which deliver banking functions to non-banks using APIs based on highly scalable cloud infrastructures.

Technology Banking

Boosting the efficiency and range of operations by leveraging the power of emerging technologies like Robotic Process Automation (RPA) and Artificial Intelligence (AI). They're helping organizations shift labor intensive, routine and repetitive tasks away from humans so that the humans can do higher-value (more human!) work. It also increases efficiency, minimizes errors, and speeds processes across complex banking and insurance organizations.

What do those trends mean? More power to customers!

Simply, banking and insurance will become more open and transparent by 2030. But, more importantly, there will be a fundamental shift of power from the institution to the customer. They will have more choice and greater freedom to move to new providers (quickly and easily) or mix-and-match products and providers to suit their specific needs.

Success in 2030 will be based on which Financial Services brands embrace that future of freedom and deploy a wide spectrum of digital technologies and tools to not just mitigate the threat of disruptors (of which there will be many) but to positively improve the lives of customers.

So, is the advantage with the new players? Not necessarily. Traditional banks and insurance companies have the pedigree and brand presence to win if they can take the opportunity presented by digitalization to maximize the power of their deeply founded expertise, experience, and knowledge of customers' needs. That's where true value lies.

2030 is already here – if we look for it

In one sense, 2030 isn't going to be that different from what we have now. It'll be more connected of course, but we are already hyper-connected. We can share information easily (between organizations and people) and that means it's easier to forge partnerships. The advent of AI and automation (including RPA etc.) and ever-increasing computational power means that the farsighted businesses will be able to combine and converge services (internally or in alliance with partners) much faster and more easily.

That's all possible now. That's why business models are evolving rapidly. And they will do so even faster as we head toward 2030. Existing business must evolve to match the demands of customers we've mentioned already. More flexibility, more open, more personal and, vitally, more integrated across Financial Services providers.

A vision of 2030

So, by 2030 the successful Financial Services providers will have become highly integrated into their customers' ecosystems or, to put it more precisely, their 'service fabric' – all the services they want however large or small. They will do that through automated, precise and real-time services, instead of a disparate collection of add-ons.

They will have totally reinvented the services they offer and transformed their operations to ensure that customer priorities drive change rather than the other way around.

What will that look like? Well, it looks a lot like what's emerging today as pioneers work to converge their services and offerings. They are foreshadowed by new ways of doing business which reveal the potentially radical way in which the nature of Financial and Insurance Services will change:

Insurance cover will be precise and real-time

The cost of insurance will be precise, based on a more accurate assessment of risk. That means the 'best guess' approach will disappear. All the right data – personal, location, historic, etc. – will be accurate and easily computed to deliver the best price for the consumer. They, in turn, will only interact with insurance providers who can offer those premiums.

The automotive sector will be transformed by data as well as the rise of the sharing economy and (eventually) autonomous systems in cars (from limited to full) that will demand new service models.

AI and scalable processing (using an array of 'big data' sources) will enable new risk management models that see insurers act as 'partners' with customers to help them protect their assets and wellbeing before anything happens. Simply, risk can be mitigated far more effectively.

A higher value workforce

Automation (mainly RPA) is already reducing processing time from hours to seconds, and that means fewer people will need to do repetitive, routine tasks. That cuts error rates, lowers cost, enables standardization around best practices, and boosts efficiency. But what about the people? The point is to enable them to work alongside AI based processes and focus on higher-value work such as engaging with customers, most of whom still want to talk to a real person about landmark financial or insurance products (mortgages, pensions, investments etc.).

Problem solving will be easier

Financial Services business are already starting to make use of quantum computing (with varying degrees of success so far) to leverage rising processing power to transform the way existing products work and to create new ones. Real-time, personalized products demand vast amounts of data, instantaneously. Right now, investing in that power is a good idea. It will have paid dividends long before 2030.

Artificial Intelligence will ease the burden of regulation

The sector is one of the most regulated – and rightly so. Regulation will only grow. That adds burdens in terms of time and resources. It's important to invest in dealing with that as efficiently as possible. And it's happening. IDC says that by 2021 almost half of the sector will have begun to automate (using AI, RPA, analytics) their Governance, Risk Management and Compliance applications to improve operational performance and substantially reduce the operating expenses associated with manual processes.

The key to success is balancing the old and new because technologies will need to complement and augment existing legacy systems.

2020: Balancing today's needs and building for the future

2030 is a decade away, and there are immediate challenges to be faced in the here and now. You need to be competitive – today. You need to invest in the right technology over the next few years. And you need to develop your business models to ensure they yield value and survive into the future.

So, what do you need to do right now?

1: Focus on the experience

Forget the mechanics of monetary transactions; customers don't value them, and you don't really expect to profit from them. Customer experience is what sets you apart. It is, in fact, your new product. You need to be a life partner and/or a business associate. Your role is to forge a long-term relationship; the kind that today's fin-tech challenger start-ups offer – relevant, agile, and intuitive. Those companies that don't, will perish.

2: Adopt a 'digital first' mind-set

Those new digital players are moving fast, they're making the best use of emerging technologies. What established players need to do is develop clear strategies for how they can embed and drive value from those tools and achieve the ability to act swiftly and intelligently in every channel not just to stay relevant, but to be more competitive. That means building and securing technology capabilities which can be deployed, modified, and scaled at will. People working in Financial Services organizations will work with smart, digital technologies in a new collaborative and agile style, directing attention and resources to delighting customers and removing operational roadblocks. Simply, digital must be in your DNA and not just bolted on.

3: Confront the challenge of legacy

You have legacy. It costs you money. You don't want to rip everything out and start again. That's fine. But, worrying about legacy is holding many financial organizations back. That's hurting their bottom lines.

The answer is to become software defined rather than software supported. This means banks and insurers need to redesign their capabilities 'in flight' and adapt to the changing environment on a continuous basis. The old, multi-year cycle of major systems surgery, where changes are made to try and keep up with evolving requirements, must be replaced by cloud-based, channel-agnostic services composed, scaled, and evolved at pace. Adopting cloud service, automation, and analytics will free organizations from their dependence on legacy.

4: Avoid digital myopia

The investments you make now might be forgotten by 2030, but the agility, connectivity, and deeper customer engagement they yield will be what delivers success in ten years' time. So it is important to learn from the mistakes that have happened in the recent past when it comes to digital transformation.

Mistakes like:

- Allowing the desire to deliver to overshadow the need to maintain discipline in business change – Gather, Interpret, Analyze, Decide, Secure and build Resilience. Disciplined does not have to mean slow.
- Assuming digital transformation will be the 'miracle cure' to solving fundamental business challenges.
- Failing to harmonize and fully interlock the business process into the digital engine – the best digital transformations are where the organization has made itself think digital from the inside out.
- Seeking perfection. Half done quickly then adapted is better than perfect too late.

Use that experience to inform what you do now. It'll pay off in the future. Don't hesitate. Doing nothing really isn't an option. Worse still is embarking on a digital agenda without the proper insight, support and guidance.

Unlocking creativity, knowledge and Innovation with Fujitsu

Digital Co-creation is the key. It's how you can truly leverage digital technology and deliver innovative value with your partners and customers.

At Fujitsu, we are convinced that this is the fastest, most effective route to innovation and growth. We are actively embracing this approach with many customers in the Financial Services and Insurance sector.

So, let's use that vision of success in 2030 to accelerate change and development; to transform your business now, and deliver value not just in a decade, but this year, next year, and every year through to 2030 and beyond.

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The count down to the future starts today.

To explore how a dedicated Co-creation workshop can support your digital journey please get in touch.

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