



Deloitte.

The future of
financial services
Impact for Australia

Shaping the future of financial services in Australia

The Future of Financial Services report co-produced by World Economic Forum and Deloitte focused on how disruptive innovations are reshaping the way financial services are structured, provisioned and consumed. It was based on extensive research undertaken with global industry leaders, innovators and regulators, in an effort to understand the transformative potential of innovation.

As we continue to explore the future of financial services, this document builds on the original research to look at the key areas of impact of the 11 clusters of innovation and considers what really matters to Australia. It also takes the original research a stage further and identifies the six key stakeholders that will be impacted.

We hope you find the document useful and thought provoking. If you have any questions, please do not hesitate to also reach out to us directly.

Kindest regards,



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This is the first consolidated framework for disruptive innovation in financial services

Six high level insights on innovation in financial services:

Innovation in financial services is deliberate and predictable. Incumbents are most likely to be attacked where the greatest sources of customer friction meet the largest profit pools.

Innovations have the greatest impact where the business models are platform based, modular, data intensive, and capital light.

The imminent effects of disruption will be felt in the banking sector; however, the greatest impact is likely to be in the insurance sector.

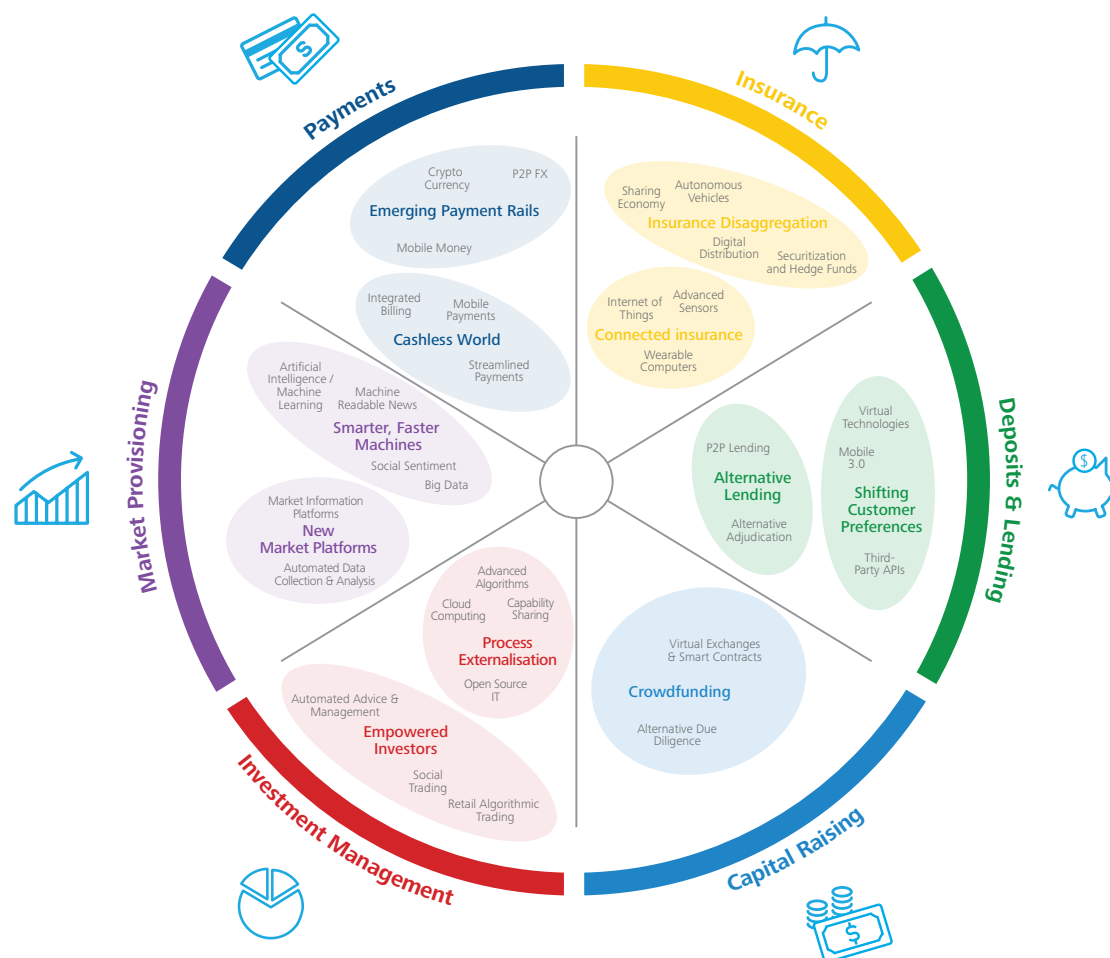
Incumbent institutions will employ parallel strategies. They will aggressively compete with new entrants while leveraging legacy assets to provide entrants with infrastructure and access to services.

Collaboration between regulators, incumbents and entrants will be needed to understand how innovations alter the risk profile of the industry.

Disruption will not be a one-time event. Continuous pressure to innovate will shape customer behaviours, business models, and the long-term structure of the financial services industry.

11 clusters of innovation

These 11 clusters of innovation will have major implications on the incumbents and their customers and the overall financial services ecosystem.



To download a copy of the full report visit <http://www2.deloitte.com/au/wef-financial-services>

What does innovation mean for Australian financial services?

Given the significant contribution of the Financial Services Industry to Australia’s current and future prosperity, any disruptions and opportunities for growth should be keenly considered. Building on our research with the World Economic Forum, in this report we have synthesised these insights down to what really matters to Australia. We have also considered the impact of innovation on the Australian financial services market activities and how incumbents might best respond.

MARKET ACTIVITIES

					
Deposits and lending	Insurance	Capital raising	Investment management	Market provisioning	Payments

The broader impact for Australia

To help us understand the broader impact for Australia, we then considered the key stakeholders that will be impacted by the 11 clusters of innovation. We identified six key stakeholder groups shown below:

In the attached analysis we call out how each Australian financial institution might respond to these changes through:

- Strategic decisions
- Operating models and
- Ecosystem behaviours.

With the right actions, at the right time, contingent on each individual business, this is a framework to gain future market share and expand services.

STAKEHOLDERS



Customers

Customer preferences and behaviours demand these innovations and opportunities for consumers, while creating additional risks and considerations.



Cybercrime

Increased digitisation attracts greater criminal activity and corresponding scrutiny from regulators and government agencies.



Regulators and government

Innovation will require careful, agile policy and regulatory responses to protect Australian consumers and business.



FinTechs

FinTechs continue to thrive and global entrants are attracted to the profitability of the Australian financial services industry. Incumbents will want to both partner and protect.



Enterprise technology

Large multinational technology providers will play a key role in the delivery of the 11 clusters of innovation.



Incumbent business models

Given major disruptions, existing business models will be under greater scrutiny than they have been for decades.



MARKET ACTIVITY

Deposits and lending

Here comes peer-to-peer lending

Current

As innovators continue to focus on large profit pools and customer friction, consumer unsecured lending is likely to be disrupted more than any other major product segment since the financial crisis viz the groundswell towards alternate credit models and the rise of P2P lending.

Pressure points for Australian deposit-taking and lending institutions:

Niche, specialised products

New entrants with deep specialisations are creating highly targeted products and services, increasing competition and creating pressure to unbundle for the traditional end-to-end financial services model.

Rise of 'banking as a platform'

The application programming interface (API) economy means developers easily build and integrate customer-facing enhancements. This is boosting market reach for new entrants, and traditional players, and provides numerous new competitor offerings for customers.

Disintermediating the customer relationship

The rise of alternative lenders and unbundling of traditional banking products is putting greater pressure on existing customer relationships held by incumbents.

Removing friction

Australian incumbents will continue to focus on the simplification of customer interactions, reducing the comparative advantage many new entrants are able to deliver.

Changes to credit models and distributed portfolios

Potential challenges for incumbents to assess creditworthiness based on non-traditional data sources. Customers' loan portfolios will also become distributed across many platforms with varying reporting standards, making it difficult to measure each customer's creditworthiness.

Key disruptive trends



Alternative lending:

- P2P
- Lean, automated processes
- Alternative adjudication.

Shifting customer preferences:

- Virtual banking 2.0
- Banking as platform (API)
- Evolution of mobile banking.

The future banking experience

Innovation in deposits and lending within Australia will provide opportunities for banking to become:



Fully virtual

Virtual channels will evolve beyond basic transactions to provide broader functionality such as on-boarding and servicing.



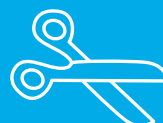
Customer driven

As customers become more tech savvy, they'll wield greater influence on the value propositions and customer experiences that financial institutions bring.



Seamless

Banks will need to cater to heightened expectations of customers accustomed to the effortless experiences offered by adjacent and non-traditional industries.



Customised

Service offerings will evolve to target and meet the needs of each segment or community, moving away from a one-size-fits-all mass-market approach.



Externalised

Financial institutions will rely more on external providers to deliver online and mobile solutions in a timely manner.



MARKET ACTIVITY

Insurance

Facing significant disruption

Current

We expect insurance to be the industry under greatest pressure from the costs of regulation and administration, the ageing population, catastrophe risks, technology advancements and competition.

The two opposing trends in digital distribution in insurance are:

- Personalisation - access to more client information to be able to better price an individual's risk
- Radical simplification through simpler application processes and fewer upfront risk assessment questions.

Pressure points for Australian insurers:

Internet of things

The devices that connect cars, people and homes are part of the web that will disrupt existing insurance models.

Personalisation

As Australian insurers offer more personalised policies and premiums, the current business model of cross-subsidising across customers will no longer be feasible. This may also have a social impact given decreased pooling of insurance.

Autonomous cars

Industry experts and automotive manufacturers predict that fully autonomous vehicles will be available on the market within five years. Autonomous cars will radically alter the current risk models in the \$6bn motor insurance market in Australia, and force organisations to rethink the role of insurance.

A longer living population

The combination of an ageing population with significantly greater life expectancies will challenge existing models of health and life insurance.

New distribution models

To establish the desired personalised insurance platforms, insurers will have to work around brokers and other traditional channels to interact directly with customers.

The changing role of data

Insurers currently use data primarily as a means to report and mitigate risk for policy renewals, however new data sources and collection frequencies will enable insurers to use data throughout the lifecycle of a policy.

Key disruptive trends



Insurance disaggregation:

- Disaggregated distribution
- Sharing economy
- Self-driving cars
- Peer-2-peer / social models.

Connected Insurance:

- Smarter, cheaper sensors
- Wearables
- Internet-of-things
- Standardised platforms.

The future of insurance

As innovation increases and attitudes evolve, insurance in Australia is likely to become increasingly:



Personalised

Pricing will be based on individual risk rather than cluster risk.



Accurate

Cross-subsidisation will decline, leading more customers to pay premiums appropriate to their personal risk.



Transparent

Fraud may well decline as insurers gain greater visibility into the circumstances surrounding a claim.



Data-rich

Insurers will become a custodian of behavioural data (e.g. vehicle movement) on top of historical and static data (e.g. type of vehicle owned).



Engaged

Better data will help insurers generate content that is more relevant to their customers.



MARKET ACTIVITY

Capital raising

Catching up with crowdfunding

Current

Crowdfunding regulations are underway in the US and New Zealand. They are also being considered in Canada, France and the UK. However, the grassroots approach to raising money still lies outside the financial mainstream in Australia and some analysts think more regulations are necessary.

The Federal Government's Corporations and Markets Advisory Committee (CAMAC) recent report laying out a regulatory blueprint for crowd-sourced equity funding to better protect the funders, includes limiting funders to \$2,500 per project per year and \$10,000 per year for all crowdfunding projects.

Pressure points for Australian capital markets:

Customer empowerment

With a wider array of choices available, individual customers will likely challenge the traditional mix of their wealth management products.

Increased competition for investments

While there is currently minimal overlap between traditional lenders and crowdfunding platforms, the growth of crowdfunding suggests that financial services will have to compete against them for more traditional lending.

Regulatory change required

The sophisticated investor restrictions and regulations surrounding crowdsourced equity fundraising in Australia, even though technically legal, means we are losing new entrepreneurs to overseas markets.

Increased investment targets

The rapid rise in start-ups and business ventures requires significantly more investment opportunities for the financial services industry. The nature of technology disruption also removes investment barriers through global funding sources, providing greater access to capital for SMEs.

Margin pressure

While currently focused on seed-stage venture capital, the ongoing maturity of crowdfunding towards larger companies will create more margin pressure for the Australian industry.

Key disruptive trends



Crowdfunding:

- Virtual exchanges and smart contracts
- Alternative due diligence
- Reduced intermediation
- Customer empowerment.

The future capital market

As innovation increases and attitudes evolve, the capital markets in Australia are likely to become more:



Accessible

More businesses and projects will get in front of investors.



Controllable

Individual investors will gain more control over investment decisions.



Efficient

As businesses are tested through the capital raising process, investments will flow to the most promising opportunities.



Flexible

Businesses will be able to structure funding instruments to better meet their needs and appeal to more investors.



Economical

As intermediaries decline, so will the cost of investment to individual investors.



MARKET ACTIVITY

Investment management – wealth

Power to the investor

Current

Five major institutions dominate the value chain and each component is ripe for disruption. The rapid growth of half a million self-managed superannuation funds reflects consumers' appetite for control, interest in automated services, and improved accessibility to sophisticated financial management.

They are creating margin pressure and forcing traditional advisers to evolve and embrace new processes and levels of efficiency and sophistication.

Pressure points for wealth management:

Customer empowerment

Social and retail trading platforms are enabling individuals to share and sell their investment expertise. This could lead to influential consumers becoming a source of competition in Australian wealth management.

Automated services

Online tools that originally catered to underserved customers could steal share from traditional wealth managers in the mass affluent market. Major financial institutions might leverage these technologies to better connect across customer channels, while adapting their offerings and serving new customer segments.

Changing role of wealth managers

Today's wealth managers may find themselves revamping their value proposition to stay in business, and turning up the services for high net-worth individuals.

Separation of advisory services from products

As customers continue to turn towards self-management, fewer wealth products will be sold through proprietary advisory channels.

Waning advantages of scale

As more processes become automated, more entrants will use low-cost infrastructures, reducing the competitive advantages provided by scale.

Key disruptive trends



Empowered investors:

- Automated advice and wealth management
- Retail algorithmic trading
- Social trading.

Process externalisation:

- Advanced analytics
- Natural language
- Process-as-a-service
- Capability sharing.

The future of wealth management

As innovation increases and attitudes evolve, wealth management in Australia is likely to become increasingly:



Accessible

Automation will extend sophisticated wealth management services to mass affluent and mass-market customers.



Transparent

Customers will gain greater visibility into their investments and make adjustments more readily.



Convenient

Customer interaction and service delivery will increasingly take place on demand via online and mobile channels.



Personalised

Mass affluent and mass-market customers will benefit from more individualised services and advice.



Cost-effective

The cost of wealth advice and management services will shrink as lean new entrants spur competition.



MARKET ACTIVITY

Market provisioning

The rise of machines

Current

Market provisioning is characterised by two primary activities:

Algorithmic trading

Which is machine-led trading that incorporates real world data, major news events and social media sentiment, with machine learning and artificial intelligence.

New capital market connection platforms

New platforms are emerging to facilitate the flow of market information and the discovery of counterparties and so the new platforms will level the playing field between large institutions and smaller intermediaries by providing greater information transparency and exchange.

Pressure points for Australian market provisioning:

Increased technology investment

Emerging platforms and decentralised technologies provide new ways to aggregate and analyse information. These new technologies will need significant ongoing investment from the large institutions to maintain market advantage.

Automation of high-value activities

Leveraging advanced algorithms and computing power to automate activities that were once highly manual, will change the current workforce.

Increased regulation and controls

Australia's regulators will continue to monitor the impact of machine-led trading and its associated market risks.

Larger impact of errors

As demonstrated by the false 'White House explosions' tweet that wiped \$136 billion from the S&P 500, the market impact of automated high-volume trades can be enormous.

Differentiation challenges in capital markets

Once the sole domain of relationship-based intermediaries of the larger institutions, new market platforms will mean incumbents will need to differentiate on different market specialisations and services.

Key disruptive trends



Smarter, faster machines:

- Artificial intelligence / machine learning
- Machine readable news
- Social sentiment
- Big data.

New market platforms:

- Market information platforms
- Automated data collection and analysis.

The future of market provisioning

As innovation increases and attitudes evolve, market provisioning in Australia is likely to become:



Agile

Real-live events will be reflected in the marked price at a much faster speed.



Accurate

The room for human error will decrease as more aspects of trading activities are automated.



Privileged

The gap between trading institutions and individual investors will increase.



Regulated

There will be an increase in regulatory activity in Australia and globally as regulators look to mitigate risks of machine-generated trading.



Faster, cheaper

The growth of market connection platforms for illiquid assets will improve efficiency, leading to faster and lower cost transactions.



MARKET ACTIVITY

Payments

The promise of the new payments platform

Current

Most major banks are currently investigating the potential of distributed ledger-based systems such as Ripple.

However, the large investments being made into the new payments platform (NPP) for real-time payments suggests that domestic payments will still go primarily through the safe, low-cost systems managed by incumbents.

The opportunities for alternative payment mechanisms are largely in cross-border payments, where there are high costs, complexity and friction.

Pressure points for Australia Payment providers:

Real-time payments

Refurbishing the inter-bank payments infrastructure via the NPP will be a major focus for management bandwidth, investment and innovation. It will also drive innovative overlay services in the medium term.

Disintermediation

Integrated billing, digital wallet services and NPP simple addressing, will require financial institutions to rethink customer interaction and heighten the need to be the default card or account.

Alternative payments schemes

Distributed ledger and other alternative transaction mechanisms will provide viable payment alternatives, especially where complexity currently drives high cost (e.g. cross-border funds transfers).

Value-add beyond the transaction

Customers will demand value beyond just the movement of funds. Financial institutions need to move quickly on data sharing and merchant partnerships given the threat posed by FinTechs and others pursuing the same potential.

Mobile payments

Smartphones will become the financial control centres of customers' lives, driving demand for seamless mobile payments, peer-to-peer transfers and integrated solutions, as a basic customer expectation.

Harder to keep the bank and customer safe

Financial crime will become increasingly complex. While transaction logs will provide traceability and improved audit, the future volume, velocity and distributed nature of payments will mean increased cybercrime vulnerabilities.

Key disruptive trends








- Cashless world:**
- Mobile payments
 - Streamlined payments
 - Integrated billing
 - Next generation security.

- Emerging payment rails:**
- Cryptographic Protocols
 - P2P Transfers
 - Mobile money.

The future of payments

As innovation increases and attitudes evolve, payments in Australia are likely to become more:

 <p>Cashless More customers will choose payment cards and digital mechanisms over cash.</p>	 <p>Invisible Payments processes will be concealed from end customers, changing their needs and behaviours.</p>	 <p>Connected Transactions will become a more important customer touchpoint for merchants and financial institutions.</p>	 <p>Data-driven The data flow from payment transactions will enable financial institutions, services providers and merchants to better understand customers and businesses.</p>	 <p>Economical Electronic transactions will become cheaper and margin will compress further as new solutions proliferate.</p>
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STAKEHOLDERS

Customers

At the heart of it all

What lies ahead

For consumer and business alike, new and disruptive alternatives are raising the bar of expectations on quality of both products and services.

Shifts in the power base between customer and provider are redefining the trust equation from the simple one of 'safety and security' to a more complex one of 'maximum financial value'.

As we head towards a market 'made for the customer', the losers will be the incumbents that fail to re-platform their organisations to respond.

Pressure points from Australian customers:

Accessibility

Cognitive analytics and prescriptive actions will enable robo-advice in wealth management enabling financial planning services to be available to lower tier customer groups.

Heightened expectations

Customers will increasingly experience and expect more personalised and tailored products and services from their providers.

The strategic role of data

Customers can expect that their data will be used across multiple entities, across multiple industries. This will challenge the tenants of customer privacy.

Building trust

The expectation that personal data will be used for positive and transparent outcomes for the customer will be a fundamental pillar of trust .

Engagement opportunities

Customers will increasingly be engaged by brands on social platforms and owned channels.

Customer empowerment

Customers will have opportunities to contribute design, establish buying groups, and even take ownership stakes in the products they participate in.

Key innovations



Cashless world:

- Mobile payments
- Streamlined payments
- Integrated billing
- Next generation security.

Emerging payment rails:

- Cryptographic protocols
- P2P transfers
- Mobile money.

How should the financial services industry respond?



Strategic

- Shift beyond mere engagement to a true empowerment of the customer
- Collaborate with platforms beyond the 'four walls of the bank' as customers self-select their preferred platforms
- Act as the catalyst for improved regulatory reform advocating for better customer outcomes to rebuild trust with the Australian consumer.



Operating model

- Define performance measures as customer outcomes, not product-related incentives
- Advanced customer insights and analytics to be an integral part of a future core-banking platform
- Challenge latent policy and procedures, and empower staff members to address customer needs with authenticity.



Ecosystems

- Seek a relationship with the customer – working with them as an ideator, innovator and market advocate
- Adopt an open source platform for value creation in many to many relationships
- Seek out unique networks and alliances to bring the totality of experience to the customer.



STAKEHOLDERS

Cybercrime

The low-hanging fruit for global crime

What lies ahead

Cybercrime is led by globally coordinated and sophisticated entities. Many of these groups see Australia's FSIs as low-hanging fruit and a precursor to the larger US and European banks.

While the top tier financial institutions are relatively well equipped to deal with the threats of cybercrime, it is the second tier organisations in Australia that are most vulnerable to attacks in foreign exchange, superannuation, trading platforms and wealth managers.

Real time payments (NPP) will also provide richer opportunities for cybercrime and further challenges for FSIs.

Pressure points from cyber criminals:

Customers are the weakest point

As Australian consumers continue the global trend for freedom of choice and flexibility, cybercrime will increase its efforts to attack consumers directly.

Legacy technology is being exposed

By supporting customer preferences for self-service, FSIs continue to expose legacy systems online and their vulnerabilities. This drive to meet consumer flexibility is making it very hard to maintain all security points.

Agility and responsiveness

Crime syndicates can and do change their attacks daily, while FSIs are much slower to respond. Traditional change controls do not move fast enough, exposing incumbents through old methods of defence.

Real-time payments (NPP)

As payments move closer to near real time, FSIs will be given almost no time to detect criminal activity and respond.

Targeting beyond the Tier 1

While leading FSIs invest heavily in cybercrime prevention, the second tier and FinTech disrupters are not prepared for the sophistication of global crime syndications.

Key innovations



Cashless world:

- Mobile payments
- Streamlined payments
- Integrated billing
- Next generation security.

Emerging payment rails:

- Cryptographic protocols
- P2P transfers
- Mobile money.

How should the financial services industry respond?



Strategic

- Attract, retain and develop talent to bridge the skill shortage in cyber security. Train and build capability more broadly for Australia and cyber security especially non Tier 1
- Prevention alone is an outmoded strategy: vigilance, resilience and actionable intelligence are key
- Continue dialogue with Federal Government bodies and regulators to help build response and share learnings.



Operating model

- Develop detailed incident response plans, providing access to bring people in in a timely manner
- Become faster to respond to market as per the drive for faster response to customers' needs, be faster to respond to cybercrime
- Leverage external providers where necessary to bridge skill gaps and provide rapid responses as needed.



Ecosystems

- Greater connectivity across organisations to share learnings. Cybercriminals are sharing openly through collaboration; FSIs also need to
- Assist smaller players and FinTechs be ready for cybercrime. Put the customer first and balance protecting the customer with any public perception of self-preservation.



STAKEHOLDERS

FinTechs

A major cause of disruption

What lies ahead

FinTechs continue to challenge traditional financial services organisations' interactions with customers, internal operations, and interactions with other institutions through:

- Changing customer preferences
- Providing new technology
- Maximising macroeconomic conditions
- Changing regulatory strategy and objectives.

By focusing on large profit pools and areas of customer friction FinTechs will continue to be a major creator of innovations and cause of disruption.

The Australian FinTech ecosystem is still forming and will require investment and government intervention given the competition for talent coming globally and from our Asian neighbours.

Pressure points from FinTechs in Australia and opportunities for incumbents:

Clarity

FinTechs have a clear and laser-like focus on the strategic issues they are solving. The collision of empowered customers and investors seeking specialised products means there is an opportunity to accelerate fast with the right solution as long as they are well delivered.

Agility

FinTechs move with agility to bring new ideas to fruition fast. They challenge the slower delivery and change controls of incumbents. Many entrepreneurs behind FinTech companies are ex-bankers with the experience of the banking process who have identified a solution with less friction.

Access to finance

Capital investment is a key constraint for many FinTechs, as is access to privileged data assets and customers.

Access to ecosystems

FinTechs with limited time and resources must be deliberate in the ecosystems they choose nurturing only essential networks and partner relationships.

Mentors

FinTechs may lack capabilities, experience and the knowledge to connect, and may therefore need access to mentors, networks and brands to accelerate their growth.

While leading FSIs invest heavily in cybercrime prevention, the second tier and FinTech disrupters are not prepared for the sophistication of global crime syndications.

Key innovations



- Empowered, digitally connected consumers
- Automated, accessible and commoditised high-value activities and financial products.
- Relevant partnerships
- Regulatory oversight
- New business models
- Adequately skilled and developed staff members.

How should the financial services industry respond?



Strategic

- Most organisations are responding to digitisation with internally driven initiatives, but given the complexity and speed of change this will not be adequate
- Clearly articulate customer problems, identifying where to play and how to win innovation strategies.



Operating model

The trick for incumbents is finding the right FinTech to enlist as a partner

- Enablers - support incumbents by using their technology-driven software, platforms and infrastructure to provide digital solutions to support the incumbent's existing offerings
- Disrupter w- focus on specific products or solutions with the potential to disintermediate.



Ecosystems

- Participate in local innovation hubs
- Collaborate with venture capital funds
- Track specific FinTechs directly, to develop working relationships to test and learn how their solutions can add to the incumbent's existing ecosystem.



STAKEHOLDERS

Regulators

The expanding role of regulators

What lies ahead

There is no need for either a fundamental rethinking of regulatory mandates or new regulatory bodies. To support innovation in financial services, alongside competitive neutrality and investor protection, Australian regulatory perimeters may need to be reshaped.

New regulations will focus on activities rather than the type of institution or entity. Innovations that enable consumers to have access to more tailored products, improve customer service, and manage risk, will assist regulators to carry out their role of ensuring consumer trust and confidence.

Pressure points from Australian regulators:

Technology

New platforms and decentralised technologies that create more streamlined infrastructures may fall outside the existing regulatory remit challenging regulators' ability to carry out their mandates.

Consumer trust

Mandates on ensuring consumer trust and confidence may require more attention if removing professional intermediaries (subject to prudential and licensing requirements) leads to poor consumer choices.

Data

The strategic role of data will mean increasing regulatory action around breaches of data security and misuse of personal information.

Risk

Customer empowerment will heighten consumer risk, requiring regulators to adjust regulatory frameworks to ensure such risks are identified and mitigated.

Education

Financial and technological literacy among consumers, as well as within regulators themselves, will increase in importance.

Key innovations



Empowered investors

- Automated advice and management.

Connected insurance

- Internet of things.

Alternative lending

- P2P lending.

Crowdfunding

- Virtual exchanges
- Alternative due diligence.

How should the financial services industry respond?



Strategic

- Proactive engagement with regulators, technology providers, and consumers to help formulate products and the rules of the game to be beneficial for all
- Participate in, or establish, innovation hubs with representatives from each of the stakeholder groups.



Operating model

- Establish a team specifically devoted to developing innovative technologies
- Partner with non-traditional technology providers to tap their expertise
- Appoint an innovation 'go to' for your business, a point of contact for external parties (such as regulators) to connect with on all things innovation.



Ecosystems

- Exposure to evolving ecosystems makes financial services organisations the principal source of information on what is changing in the space
- Regulators will welcome an organisation that maintains a continuous feedback loop on disrupters with suggestions on how disruptions can be harnessed for positive outcomes.



STAKEHOLDERS

Enterprise technology

A mix of opportunities and challenges

What lies ahead

This will be a watershed year for Australian enterprises to rise to the challenges of digital business.

The primary challenge for enterprise technology vendors is how they enable their financial services clients to respond to the exponential pace of change across the enterprise connecting employees, digitising operational processes and reaching out to customers.

Pressure points from enterprise technology vendors in Australia:

Agility

Enterprise technology vendors play a key role in enabling financial institutions to embrace change and build the capability to adapt their IT landscape.

Simplification

As financial institutions continue to simplify their technologies, several options exist for enterprise technology vendors, including cloud solutions, API architectures, and 'as-a-service' and 'as-a-platform' offerings.

API economy

Financial institutions are seeking to rapidly and securely connect into new channels. Enterprise technology providers need to develop external APIs to create rapid and secure new channels and customer facing applications.

Enable data

Enabling financial institutions to embrace the use of data and analytics to discover new patterns that can be automated.

FinTech disruption

As financial institutions look to move faster and engage with the FinTech disrupters, the enterprise technology vendors need to enable incumbents to participate in entirely new business ecosystems.

Key innovations



Emerging payment rails

- Crypto currency.

Cashless world

- Streamlined payments
- Mobile payments.

Alternative lending

- P2P lending.

Shifting customer preferences

- Third party API's.

How should the financial services industry respond?



Strategic

- Embrace change as a core capability and openly acknowledge change.
- Embrace the improvements and updates in enterprise technology and simplify processes and technology where possible.
- Move away from integrating systems towards integrating platforms. Leverage the skills of key partners and suppliers to deliver solutions.



Operating model

- Simplifying the technology landscapes is imperative to ensure necessary changes and updates in enterprise technology.
- Financial institutions will be even more reliant on technology and data
- Their relationships with enterprise technology suppliers will become even more vital.



Ecosystems

- Financial services institutions will need to create an innovative environment to connect into ecosystems.
- Connecting enterprise technology to new platforms internally and externally will help facilitate innovation.



STAKEHOLDERS

Business models of incumbents

It's time to be proactive

What lies ahead

Historically, classic economies of scale have shaped the designs for large institutions. However as the businesses of today transform to their future state, the winning organisations will be those that manage the transition from their current business models to the models that best commoditise value, deliver agility, create simplicity, and build customer trust.

Managing the pace of this transformation is the key to success. Each business will need to work out how long it can sustain its current business model and how quickly it can effectively transition to its new state.

Pressure points facing Australia's financial services organisations:

As highlighted in our research with the World Economic Forum, the combination and presence of either large profit pools or customer friction will be sure to draw continued disruptive pressure. To reduce the effects of disruption, financial institutions will need to:

Regulation

Build their ability to anticipate, plan for and interpret future regulation.

Technology

Increase their use of technology to streamline infrastructure, processes and resources.

Data

Enhance their data management strategies using statistical and quantitative analysis and fact-based management to drive integrated decision-making.

Culture

Create a strong culture and transparency to enable seamless deployment and change management strategies.

Customers

Embrace customer-centred design to accommodate more demanding consumers and remove friction from existing processes to create new and unexpected experiences, platforms and services.

Partnering

Be open to partner with external organisations, regardless of size, to help move beyond traditional financial services verticals and ecosystems.

Your Q&A notes

How should the financial services industry respond to...

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