



WAVESTONE

The banks and insurers of the *future*:

In search of new business models





Introduction

We've recently launched an initiative to think about the banks and insurers of the future. Our aim is to develop a research program with our teams, clients, and partners that will imagine the future of the financial sector. Our starting point: an invitation to open yourself up to a new perspective - one that looks beyond the horizons that companies typically consider. We wanted to encourage new ideas and an alignment between our visions as professionals and our own personal intuitions, given that banking and insurance reflect - or even facilitate - society's evolution.

This publication presents an overview of our research in recent months. In that time, we've sought perspectives from experts across a range of disciplines: philosophers, sociologists, scientists, anthropologists, geographers, and neurobiologists, as well as exploring the visions of finance sector practitioners, executives, and specialists who have proved invaluable witnesses of the changes taking place in their industry.

We've shared our observations on a world searching for major transformations, whether in terms of the environment, regional balance, or social connections: demands for transparency, the protection of the planet, more meaningful

lives, better designed living and working environments, a desire for connection, richer ways of life, an improved relationship with work, etc. The sector is responding to these challenges in a multitude of ways: digitalization and technological opportunities, major sector reforms and open platforms, a collaborative culture, but also by undertaking more conceptual work on alternative business models, new disciplines, an increasingly rapid transition to a preventive approach in insurance, savings tracking in banking, the envisioning of broader purposes, etc.

As a result of gathering these initial views, we want to share an invitation to think deeply. We believe strongly that if we do this together, rigorously and sincerely, it can lead to real-world action that's both ambitious and pragmatic. Let's devote some time to understanding the present - and the past that forged it; and some time to think about the future - and act to create it. The bank and insurer of tomorrow will be as we envisage them today: responsible and working to deliver the transitions of the future - economic, social, and environmental. Let's move forward together toward this exciting future!

Joël Nadjar,
Partner, Wavestone

Summary

01 Purpose
t h e m e

p.12-13

02 Strategic directions
t h e m e

p.14-15

03 Technological strategies
t h e m e

p.18-19

04 Customer relations
t h e m e

p.20-21

05 Organizational models
t h e m e

p.24-25

06 The drivers of growth
t h e m e

p.26-27

In search of a new role for banks and insurers

Interview with **Olivier Aubert**, CEO of Temsens, and **Joël Nadjar**, Partner, Wavestone.



Olivier AUBERT,
CEO of Temsens

01. What has been the role of banks and insurers until now?

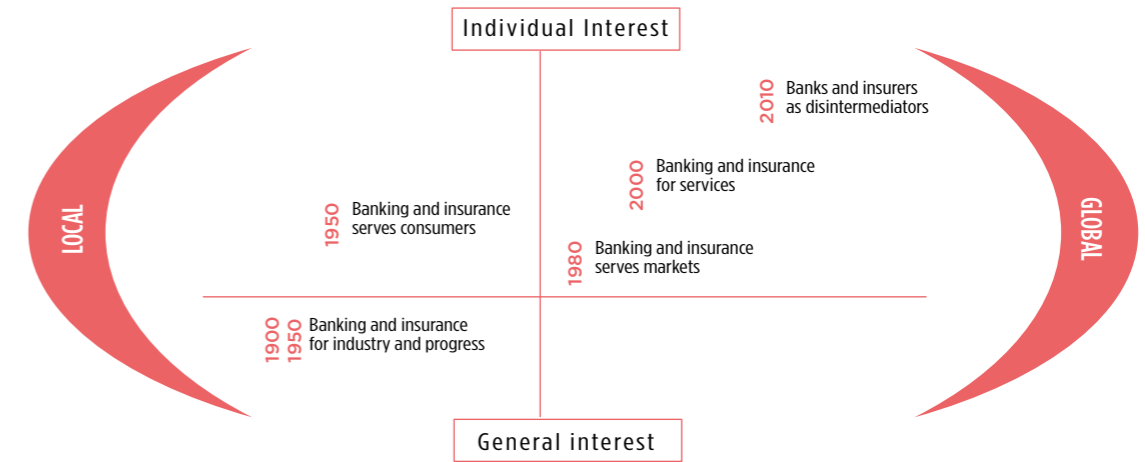
O. A.: Historically, the relationship between banks and insurers with the societies in which they operated was primarily one between lords or merchants and their bankers, who helped them exercise power and pursue commercial interests. The creation of modern banks in the 19th century had the sole objective of supporting individuals' aspirations for free enterprise, collecting savings, and providing capital to buy land and equipment, and unlock the potential of science and technology for the common good.

By the 1950s, a new collective dream was becoming a reality: that of consumerism. Then, toward the end of the 1980s, another driver joined the ranks: that of perpetual growth; something that banks and insurers helped deliver through an unprecedented financialization of economies. Through the roles they play in collecting, generating, and distributing money, as well as mutualization and protection, "modern" banks and insurers have responded to society's collective expectations.



Joël NADJAR,
Partner, Wavestone

The development of banks and insurers:



02. How do we explain that these organizations have undergone profound transformations in recent years?

J. N. : The fast-paced transformations that banks and insurers are living through today have multiple causes: high levels of market liquidity, following central banks' post-2008 money creation policies; uncertainty about the growth potential of the global economy on a planet with limited resources and deteriorating living conditions; the disappearance of financial-sector barriers to entry, especially as a result of new technologies; regulatory pressure fueled by a society that wants to protect itself from speculative

spirals and bubbles; the strong imperative to automate processes; the need to reduce headcount to protect margins; and others. However, this myriad of reasons masks the fact that the special bonds that bind banks and insurers to the societies in which they operate are being weakened.

The ties that bound them closely to local areas and communities have been eroded: financial activity has gone global, money deposited in one country can flow to a project on the other side of the world; offerings are aimed squarely at individuals, with the concept of the common good being eroded. The quest is for personal relationships, the search for a "segment of one". This raises the question of what the new link will be between financial players and society.



03. In a world of transition, what roles will banks and insurers play in the future?

O. A.: We've entered an era of transitions: the energy transition, the economic transition, even the regional development transition. Although the public already has an awareness of the need for radical and urgent transformation, implementing concrete lifestyle changes remains a major challenge: it involves modifying a large part of the modern world's economic systems, which have come to rely on an abundance of energy and natural resources.

Financial players, then, who are at the heart of the collection and allocation of resources, have a major role to play: to engage in making these transitions a reality, while contributing to balanced regional development, and to the forging of social bonds that can change the way society views its role – and which will have a direct impact on their approach, strategic plans, and objectives.

For example, last spring, Crédit Agricole announced its purpose in its 2022 strategic plan: the ambition to

"act every day in the interests of its customers and society."

04. Should financial players consider new criteria for allocating their resources?

O. A.: It's true that the criteria for allocating resources now needs to reflect the complexity of the transitions underway. An insurer who withdraws from the financing of carbon-based energy production, invests in the platform economy, or contributes to regional development, may see a short-term impact on its results, but helps stop the degradation of future living environments and preserve the health of its policyholders. It's therefore a positive decision for the company's future profitability and one that shareholders can accept.

The model for selecting opportunities and allocating resources should no longer focus on responding to a specific narrow interest, but on the impact over time, on the whole planet and its contribution to the common good.

For example, BNP Paribas has not funded any new coal-fired power station projects since 2017. Societe Generale has also made commitments, in particular to stop funding coal in favor of renewable energies (with a financing plan of €100bn between 2016 and 2020).

05. What will be the place of new technologies?

J. N.: We are witnessing a huge acceleration in the power of technologies, something that creates new opportunities for people, since they aid transition, don't increase ecological footprints, and enable people to regain control of their time. We might well ask what a bank or insurer's role will become if risks to health become increasingly predictable, the aging process can be measured and optimized over a lifetime, and if algorithms are constantly pushing the limits of our capacity for analysis and understanding.

06. What support do banks and insurers need to meet the new expectations of society?

J. N.: Wavestone has developed an original approach to considering the future. In our opinion, the challenge this research faces is to shift perspectives, to recast beliefs by gaining new insights, and to modify the framework within which we see reality. A new perspective offers the potential to approach issues differently, identify new opportunities, connect with new players, and change people's language, vocabulary, and logic. This paradigm shift can be developed by drawing on the views of researchers, artists, entrepreneurs, associations. It means creative teamwork and drawing on third parties from outside the company.

The result is the identification of new challenges the company could address – because it has the legitimacy, culture, and reach to do so. By doing this, we place banking and insurance in the vanguard of the transformation of our lifestyles and consumption patterns.





01 Purpose

theme

To speak of a bank's purpose as being to serve society is neither an ideal nor a new concept. Through their past actions, banking and insurance players have already proved their capacity to contribute to society and its development.

Today, many customers are questioning the usefulness of banks: 67%¹ of French people consider that they no longer meet their needs and 71%² of respondents believe that banks will need to play a new role in society in the next ten years; one that goes beyond merely incorporating new technologies.

It is the aspirations of society that have changed. The need for the immediate satisfaction of desires is now giving way to questions of meaning and usefulness, as well as people's desire to have more time for themselves.

Beyond satisfying personal interests, customers

want to see banks and insurers take up large-scale social and environmental challenges: climate change, biodiversity, health, living conditions, migration, and others. The status and size of financial organizations mean they have the capacity to influence. AXA and BNP Paribas have already taken steps in this direction: the former through the development of its preventive health policy, and the latter through its acquisition of Compte Nickel, a strong lever for local development and financial inclusion.

While still continuing to develop its technological and organizational capacities, the financial sector must reinvent its promise to society. An opening for a "bank for good"?

“Everyone, in both their working and private lives, must find the right balance between the three relationships with time (past, present, and future) that order our existence.”

Heinz WISMANN,
philologist, philosopher,
and Emeritus Director
of Studies at EHESS

“The survival of banks, like all other financial organizations, will be determined by their usefulness. Younger generations are more expressive of this sensible, and ultimately right, need to feel useful.”

Françoise MERCADAL-DELASALLES,
CEO of Crédit du Nord

71%

of those surveyed believe that banks will need to play a new role in society in the next ten years; one that goes beyond merely incorporating new technologies

“The first thing to do when you want to support these changes is to envisage both the opportunities but also the dead ends in a world undergoing an energy transition..”

Matthieu AUZANNEAU,
Director of The Shift Project

¹Source: Elabe study for Wavestone, March 2018

²Source: EFMA/Wavestone study, October 2018

02 Strategic directions

theme

Calling into question the purpose of banks and insurance companies inevitably involves considering changes in strategic direction. Geographic reach, support for customers, and the sharing of social values are the key areas in these new directions.

Financial organizations' annual reports provide evidence of the resources allocated to social responsibility commitments through the financing of ethical funds. Beyond this, it is banks' expertise and core business that will need to adapt. Such commitments must become guiding principles for the long term, and successive strategic plans must be driving forces – not just objectives. This trend has started since, these days, corporate CSR often

has board-level representation and a wide range of indicators is emerging to help steer such changes. For example, Natixis has created its own "Green Weighting Factor" methodology, which allocates capital by weighting the profitability of each loan by its climate impact .

The finance sector is ideally placed to broaden its strategic position as a Trusted Third Party that can protect its customers' digital identities. By grasping this opportunity, banks and insurers could position themselves as generators of digital interactions, developing an ecosystem of brands that offer new services to customers. This would be a new business model addressing data-protection

“ Twenty years ago, societal questions were viewed merely as issues for governments to deal with; today, they are seen as everyone’s concern – including that of businesses. ”

Laurent MIGNON,
CEO of BPCE Group and Chairman of the Board at Natixis

needs in innovative ways, and offering an alternative to the uncontrolled exploitation of data by the GAFA (Google, Apple, Facebook, and Amazon) companies.

From these new directions, driven by a changing world, must flow a model for banking whose strategic focus is serving its ecosystem, rather than simply making use of it. The concerns and aspirations of society will become the new extra-financial indicators used to steer the performance of the banks and insurers of the future.

“ The financial sector has a responsibility, and the opportunity, to be a leader in developing a sustainable policy. ”

Guy HOFFMANN,
The Chairman of ABBL (The Luxembourg Banking Association)

83%
of customers think that banks will be providing services that go beyond mere financial offerings.⁴



03 Technological strategies

theme

The financial sector has embarked on a race for technological innovation to improve its value proposition and bring itself in line with the evolving behavior and expectations of customers. **Technology must go hand in hand with the transformation of banking models in order to create offerings that generate real added value for all stakeholders rather than just supporting customer retention.**

Technological innovations in the financial sector can enable players to:

- / enhance customer relations, by guaranteeing immediate and personalized interactions;
- / optimize operational efficiency, help business-function teams carry out both simple and complex tasks, and increase productivity;
- / improve business development, by promoting cross- and up-selling and reducing customer turnover.

Among the technologies that now feature in the financial landscape is artificial intelligence (AI). AI has become a core technology, providing personalized and intelligent digital support, as well as a better understanding of customer expectations. The emergence of fintech, combined with advances in AI, offers banks an exceptional opportunity to reinvent themselves against a backdrop of

increasing competition between traditional banks, online banks, and neo-banks.

The banking sector is also investing in the development and implementation of technological solutions that are revolutionizing traditional payment methods. For example, companies like Lyf-Pay, ShareGroop, and SharePay, offer payment solutions that respond to changing consumer trends (an increasing desire for rapid transactions, group purchases, etc.).

Lastly, banks have started to develop services platforms based on APIs⁵, following an Open Banking strategy that allows them to maintain customer relationships as a result of enriched banking services and uninterrupted support. Thanks to these platforms, customers will only have one interface: that of their bank. Several services from the payment initiators and account aggregators in the market could then enrich banks' offerings. Using this approach, property-search and transport services could be offered on banking interfaces.

However, the financial sector is not limited to the technological innovations discussed above, since it also makes use of Augmented Reality, Blockchain, and security solutions that can meet the latest financial security and data protection regulations.

“ The promise of AI will only be realized if banks embark on far-reaching data transformations. Banks will have to acquire new skills, such as those of data scientists, and build a data culture in their business functions, IT, and senior management. Attracting and retaining talent will be essential. The agility offered by fintech, cloud providers, and new organizational designs is the way to go. ”

Vincent BASTID,
CEO of EFMA

73%

of Europeans think that their banks ought to be at the cutting edge of new technologies.⁶

“ We have set up a Datalab in less than a year, thanks to Big Data technologies. One of the results has been that customers' use of our digital channels and payment methods has seen exponential growth in the last two years. Our business functions must leverage technological developments still further to improve access to banking products and services, and offer our customers experiences and journeys with high added value and an exemplary quality of service. ”

Lotfi SEKKAT,
CEO of CIH Bank

⁵ Application programming interface

⁶ Source: 2019 study conducted by ING international



04 Customer relations

theme

The emergence of new societal aspirations (sustainability, social connectivity, sharing, etc.) and the advent of new technologies, have changed the relationships between banks, insurers, and customers.

While providing efficient personal services is essential, the challenge for banks and insurance companies is to succeed in creating customer relations that fit within a framework of improving living conditions for the entire community in the geographical areas they serve.

Knowing how to build new ways of enhancing life for customers, through their power to influence multiple stakeholders, could be a major differentiator for banks and insurers, especially in smaller cities, where there is less scope for social connectivity and fewer development projects. The future of customer relations will therefore depend on taking into account people's localities.

In a world where consumers are making increasing use of mobile applications and other digital channels, another challenge for financial organizations is to stay close to their customers. Using new technologies, such as machine learning and AI, will enable the banks and insurers of the future to develop very close relations with each of their customers. **The objective for these organizations is to succeed**

in an approach known as a "segment of one" a single bank, which specifically addresses a single customer. The time has now arrived for end-to-end personalization and customer support. The increased customization of services offered also makes it possible to offer personalized advice, for example on wealth management or investments.

The scope to replace purely functional (need-solution) customer-advisor interactions is high. Conversely, customer-advisor interactions remain essential where knowledge is added to the relationship, allowing the customer to feel considered and valued.

Within the conceptual framework of a financial sector that is a player in the social and economic development of a region, local branches can expand their role, becoming more than just a place of basic contact and transactions. The way branches are configured for these new uses will depend on the local operating environment, skills, and opportunities. The challenge is to again become a hub where there's something important happening for everyone in the community. This approach could also incorporate new forms of communication, financial education, and open information - almost certainly supplemented by new, more interactive, sales techniques.

60%

of French people say that engaging in activities that are useful to society plays an important role in their choice to remain a customer of their bank.⁷

" New technologies are helping our advisers to be more efficient, but nothing can replace social ties. **"**

Léonor LOPES-GIL,
Director of Strategic
Programmes & Marketing, BPCE

" Human relations are not only between individuals, they always require a social framework and shared frames of reference. **"**

François FLAHAULT,
philosopher and
anthropologist, Emeritus
Research Director at CNRS
and EHESS

⁷ Source: ELABE study for Wavestone, June 2019



05 Organizational models

theme

According to a survey by ELABE and Wavestone, 84% of banks are aware that they will have to change their organizational models if they are to meet new societal expectations.

It's as a reflection of evolving societies that customers will consume evolving banking services.

Banks and insurance companies must adapt their organizational designs to meet new consumer aspirations and put customers back at the heart of their models.

The transition to an agile organization, across the entire company, is becoming a new ideal for the organizational models of financial players. This model enables, on the one hand, the customer experience to be placed at the heart of the organization, by the ability to regularly adapt offers and

services and therefore meet the new expectations of consumers; and, on the other, to transform the employee experience, by giving the responsibility for the end-to-end project to a team.

For banks, there's also a question of finding the balance between the use of new technologies and the importance of human interaction in customer relationships. While technological developments offer opportunities to optimize the customer journey, the human element is still the main differentiating factor. The new organizational model for banks and insurers will operate through a multi-channel relationship that will combine the presence of advisors in the field and the use of digital. Therefore, digital isn't only a disrupter of customer

relations, but will drive the organizational models of banks in their entirety.

In addition, banking organizations will need to make massive investments in training plans that enhance their human capital. New skills will emerge around relational intelligence, customer culture, and a sense of service.

84%

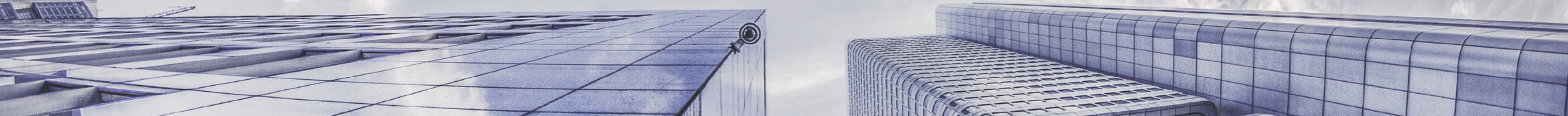
of banks are aware that they will have to change their organizational models to meet new societal expectations.

“ It's only by taking such actions [avoiding claims by acting upstream] that we can move away from claims management alone, and toward more prevention and making claims an exception.”

Thomas BUBERL,
CEO of AXA

“ It's important to define an organization as serving a customer need and not a product.”

Delphine ASSERAF,
Head of Digital Marketing
and Distribution, Allianz



06 The drivers of growth

theme

Society's new aspirations are drivers of growth for banks and insurers. Among French people aged 18 to 24, 71%¹⁰ say that their bank's involvement in activities that benefit society is an important factor in choosing it.

Innovation provides an opportunity to stand out from competitors and move beyond traditional banking services. It's no longer a question of focusing efforts on accumulating new technologies, but on offering innovative services that will prove to be differentiators. Focusing on developing a people's bank that meets consumers' aspirations is the very core of the banking and insurance of the future.

Regional anchoring is one of the growth drivers identified. Through a regional presence, financial players can tackle questions of collaboration, local matters, and the creation of social ties.

Consumers also aspire to improve their well-being through their banks, a service that could make their daily lives easier by the development of tailored offerings. The ecological transition and questions of energy sustainability also act as positive

drivers of growth for banks. A third¹¹ of French people would like banks to play a more important role in improving their purchasing power, reducing inequalities, and developing a more socially responsible economy.

These new services, which banks and insurers will have to place at the very heart of their activity, represent major drivers of future growth. Tomorrow's growth drivers won't simply operate through the regular adoption of new technologies, but through a search for consistency with the new aspirations of society.

Our role as a regional bank is to help economic players progressively make their transitions.

Jean-Paul MAZOYER,
CEO of Crédit Agricole,
Pyrénées Gascogne

Groups like BNP PARIBAS can act on two levels: we can strengthen our network of branches across an entire region, with the measures that digital makes possible, thus maintaining employment locally; and, we can play a strong role in the development of these same regions by facilitating useful connections between different types of players within an economic fabric that we know very well.

Marie-Claire CAPOBIANCO,
BNP Paribas Executive Committee
member and Director of Growth
Development and Corporate
Coverage

Consumers consider that banks must reinvent the banking relationship model by significantly broadening the range of services they offer, and, above all, providing services that go beyond mere banking and make a much greater contribution to the common good of society.

Laurence BEDEAU,
Associate Director
of the research firm
ELABE

71%
of French people aged 18 to 24 say that their bank's involvement in activities that benefit society is an important factor in choosing it.

¹⁰ Source: Wavestone study by ELABE, June 2019

¹¹ Source: Wavestone study by ELABE, June 2019



What will banking and insurance be used for tomorrow?

In developed countries, the business model of universal banking is being strongly challenged under the combined pressure of several factors: uncertain prospects for growth and profitability; an erosion of banks' core business, which is being challenged by new fintech entrants; an erosion of the value of banking as a profession; and new societal challenges (global warming, geopolitical instability, the classical growth model being called into question, new aspirations, etc.).

Faced with this apparently dark picture and a future that is ever more difficult to foresee, **banks are, today, responding mainly with strategies based on technological innovation and modernizing existing uses.** While this approach has the merit of meeting society's immediate expectations, and of driving organizations to embrace digital technology and innovation as levers of transformation, it does not fully address the crucial issues facing the sector.

All the elements are coming together to provoke deep thinking about what banks and insurers should look like tomorrow. There are new models to be created, and core businesses that need to be redefined. The broader question is to determine what role banks and insurers must play in realizing the new aspirations of society.

New uses, more in line with the profound aspirations of our societies could emerge from this existential reflection on the future of financial institutions. The initial work that we have carried out highlights that **the future development of financial services seems to turn on balanced growth, the quest for a relationship better in step with the**

times, the definition of a new role for technologies, and perhaps the rediscovery of "community living" and maximum inclusion.

In contrast to a Transhumanist vision of societal development, which advocates a technological panacea but risks a reductionist view of what it means to be human, financial players could help foster local economies that consume fewer resources, and produce goods and services more responsibly. Perhaps tomorrow, the quest for a more balanced life, valuing delayed gratification, the prevention of health problems, and a diet that rediscovers natural cycles, will be powerful catalysts for new services that become core to the purposes of banks and insurers. Significant investments will have to be made to reduce the impacts of climate change, transform land-use planning, and put in place new types of facility that bring people together to relate and interact.

The key question is what the place of banks and insurers will be in this new paradigm of development. The final destination is much less important than the thinking the question calls for, and the transformation it will set in motion.

Acknowledgements

We would like to warmly thank **Delphine Escudero**, Account Director at Wavestone, for her contribution to the creation of the Banks and Insurers of the Future Program, and for her active participation in the work carried out.

We would particularly like to thank **Olivier Aubert**, the Founder of Temsens, a prospective consultancy, for his invaluable contribution to this work.

We would also like to thank the following people for enabling us to shift our perspective and generate a new framework for thinking:

Delphine ASSERAF,
Head of Digital Marketing and Distribution, Allianz

Marie-Claire CAPOBIANCO,
BNP Paribas Executive Committee member and Director of Growth Development and Corporate Coverage

Jean-Paul MAZOYER,
CEO of Crédit Agricole, Pyrénées Gascogne

Matthieu AUZANNEAU,
Director of The Shift Project

François FLAHAULT,
Philosopher and anthropologist, Emeritus Research Director at CNRS and EHESS

Françoise MERCADAL-DELASALLES,
CEO of Crédit du Nord

Vincent BASTID,
CEO of EFMA

Guy HOFFMANN,
The Chairman of ABBL

Laurent MIGNON,
CEO of BPCE Group and Chairman of the Board at Natixis

Laurence BEDEAU,
Associate Director of the research firm ELABE

Valérie JOUSSEAUME,
Geographer and professor at the University of Nantes

Léonor LOPES-GIL,
Director of Strategic Programmes & Marketing, BPCE

Lotfi SEKKAT,
CEO of CIH Bank

Nathalie BROUTÈLE,
Member of the Executive Committee of Natixis and Head of Non-life Insurance at Natixis Assurances

Pierre-Marie LLEDO,
Neurobiologist, Director of the Unit "Genes, Synapses and Cognition" at the French Center for Scientific Research (CNRS) and the "Perception and Memory" Unit at the Pasteur Institute

Heinz WISMANN,
Philologist, philosopher, and Emeritus Director of Studies at EHESS

Thomas BUBERL,
CEO of AXA

Authors

Joël Nadjar,
Financial Services Partner, Wavestone

Pierre de Brabois,
Financial Services Partner, Wavestone

Contributors

Laurence AL NEIMI,
Financial Services Senior Manager, Wavestone

Justine BROSSET,
Communications Officer, Wavestone

Jaouad JBILLOU,
Director of Financial Services, Wavestone

Clara SZYBOWICZ,
Financial Services Analyst, Wavestone

Emmanuel ARNAUDIN,
Financial Services Partner, Wavestone

Jean DIEDERICH,
Partner, Wavestone Luxembourg

Benjamin LEMIUS,
Financial Services Consultant, Wavestone

Daniel VERSCHAERE,
Director of Marketing, Wavestone

Salma BENNANI,
Director, Wavestone Morocco

Amanda HOUISSE,
Financial Services Senior Manager, Wavestone

Emilie SALAS,
Financial Services Manager, Wavestone

Jad ZIANI,
Financial Services Consultant, Wavestone

For further information: : Efma, Elabe, Les Echos Prospective

Our latest publications

Find our latest publications at: www.wavestone.com/insights

ENERGY

The circular economy: The only viable way to do business

NEW TECH

Quantum computing: ready for the huge leap?

Artificial intelligence and cybersecurity: Protecting tomorrow's world today

TRANSPORTATION

The mobility of the future: an exhilarating ecosystem

Contact : communication@wavestone.com



www.wavestone.com

In a world where knowing how to drive transformation is the key to success, Wavestone's mission is to inform and guide large companies and organizations in their most critical transformations, with the ambition of a positive outcome for all stakeholders. That's what we call «The Positive Way.» Wavestone draws on over 3,000 employees across 8 countries. It is a leading independent player in European consulting. Wavestone is listed on Euronext Paris and recognized as a Great Place to Work®.

2020 | © WAVESTONE