How the COVID-19 pandemic will accelerate digital financial services.

11 FS

Summary

Why you should read this report

Business as usual is over

We are living through the worst public health crisis in a century. The travel bans, physical distancing and lockdown measures necessary to control the COVID-19 pandemic have shut down normal life and, with it, entire sectors of the world's economies. That has triggered massive economic consequences and a deep global recession that threatens to overwhelm many companies and households. Beyond East Asia, there is no end to the crisis yet in sight.

1. The short-, medium- and long-term consequences for the financial services industry are severe. Revenues will drop across most business lines and capital will be precious.

2. The pandemic will accelerate the shift to digital, accelerate the shift from commodity products to intelligent services, and permanently reshape the financial services industry.

3. Survival depends on evolution. Rapid change creates opportunity for fast-moving digital businesses.

01

Summary

The short-, medium- and long-term consequences of the economic shock from the COVID-19 pandemic

02

Context

The world's economies have gone into reverse

03

Reaction

The crisis Is forcing the industry to digitise at speed

04

Recession

Domino effects will cascade through financial services

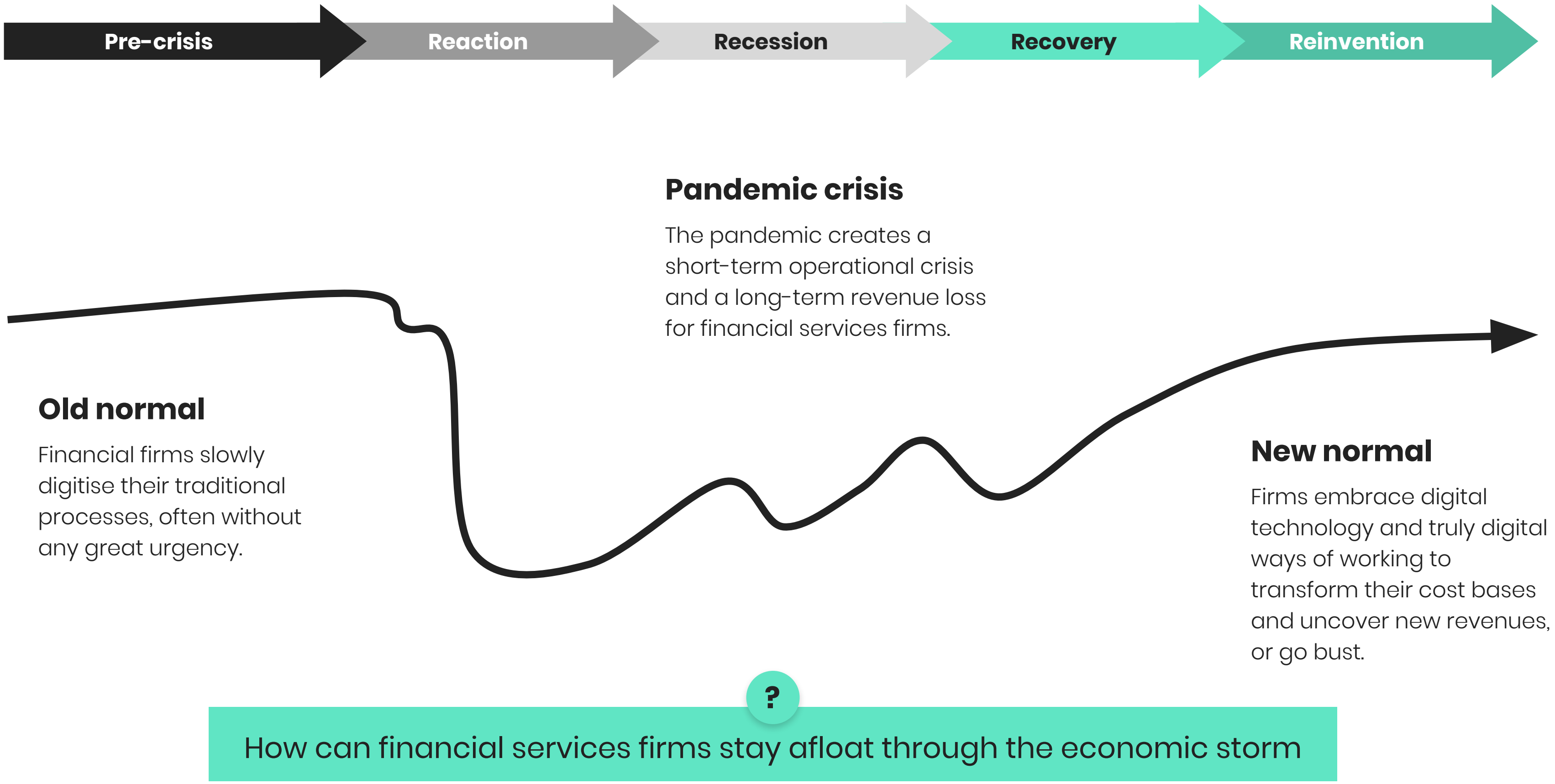
05

Reinvention

The pandemic will accelerate transformation in financial services

01

Summary: The pandemic will accelerate digital financial services


Pre-crisis
Reaction
Recession
Recovery
Reinvention
Pandemic crisis
The pandemic creates a short-term operational crisis and a long-term revenue loss for financial services firms.
Old normal
Financial firms slowly digitise their traditional processes, often without any great urgency.
New normal
Firms embrace digital technology and truly digital ways of working to transform their cost bases and uncover new revenues, or go bust.
?
How can financial services firms stay afloat through the economic storm

Summary

The pandemic is a catalyst for digital financial services

Pre-crisis → **Reaction** → **Recession** → **Recovery** → **Reinvention**

Reaction	Recession
Operational crisis forces firms to digitise at speed.	Domino effects rip through financial services.
Banks are overwhelmed with credit requests.	Banks brace for a deep recession.
Investment firms scramble to reassure investors.	Recession accelerates M&A among investment firms.
Insurance companies hope to avoid huge payouts.	Insurance companies come under intense pressure.

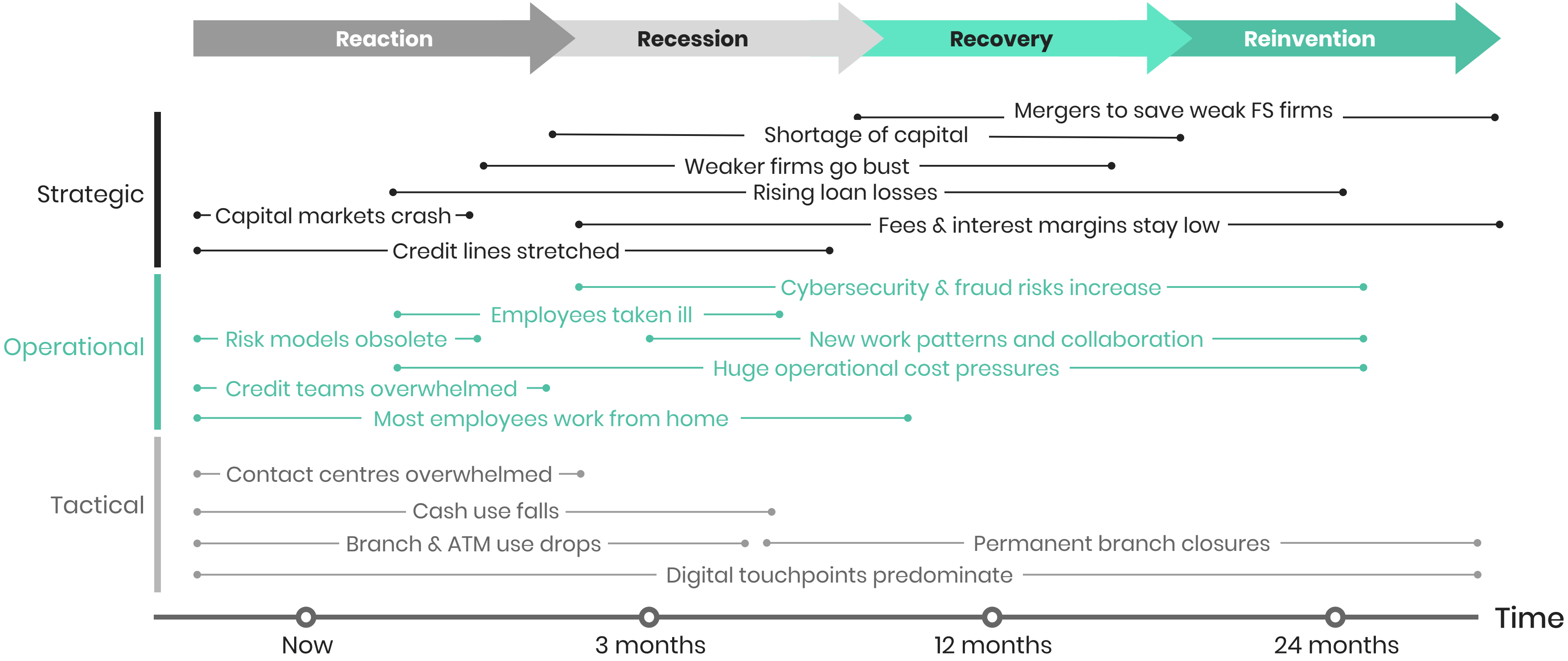
The pandemic is a catalyst for truly digital financial services, reshaping the structure of the industry:

- Digital partnerships will proliferate.
- Marketplaces will take a growing share of distribution.
- Artificial intelligence use will increase.
- Fewer people will be needed in some roles.
- Leaner organisations will emerge.

Source: 11:FS

Summary

The impact of the pandemic on financial services



Source: 11:FS

02

Context:
The world's economies have gone into reverse

Pre-crisis → Reaction → Recession → Recovery → Reinvention

Old normal

Financial firms slowly digitise their traditional processes, often without any great urgency.

Pandemic crisis

The pandemic creates an short-term operational crisis and a long-term revenue loss for financial services firms.

New normal

Firms embrace digital technology and truly digital ways of working to transform their cost bases and uncover new revenues, or go bust.

Summary

The world's economies have gone into reverse

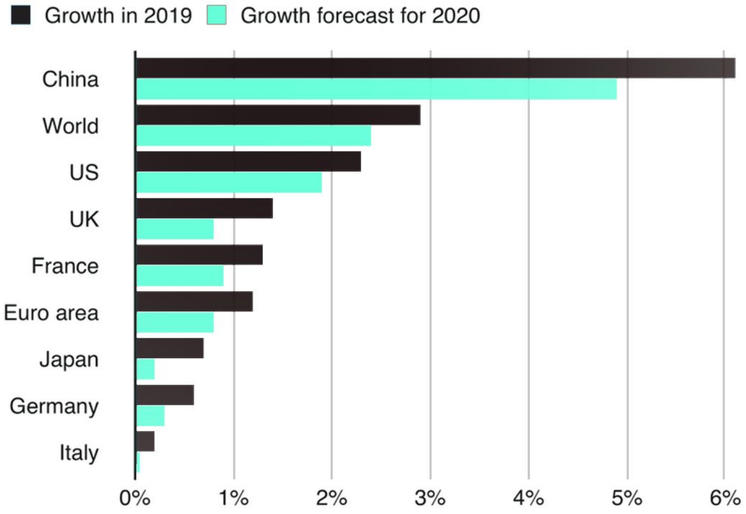
1. Whole sectors of the economy have shut down
2. Stock prices have crumbled
3. Businesses face bankruptcy
4. Workers are being laid off in record numbers
5. Millions will struggle to repay their debts

Context: the world's economies have gone Into reverse

Whole sectors of the economy have shut down

OECD downgrades growth forecasts

Economic growth (GDP) expected to slow down in 2020



01 Airlines, hotels, restaurants, bars, cinemas, gyms, sports clubs, and other businesses have been forced to shut down in many countries.

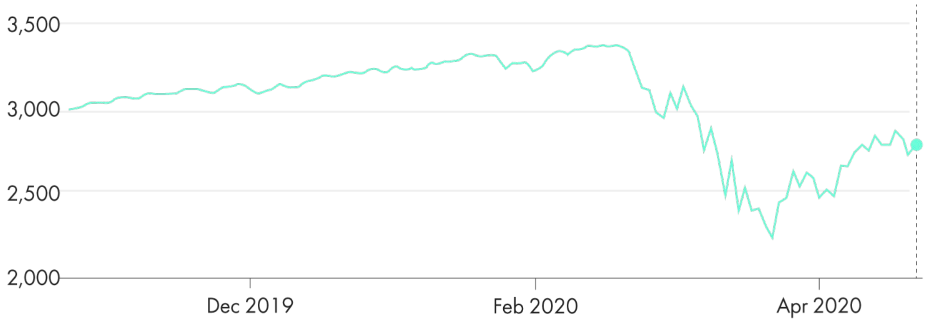
02 Retailing, apart from groceries and online sales, is almost as hard hit. Most countries have also closed schools.

03 Each business that closes has a knock-on effect on its suppliers and employees.

Source: OECD; 11:FS

Context: the world's economies have gone Into reverse

Stock prices have crumbled



01 The pandemic has caused sharply increased volatility and substantial overall losses in the world's stock markets.

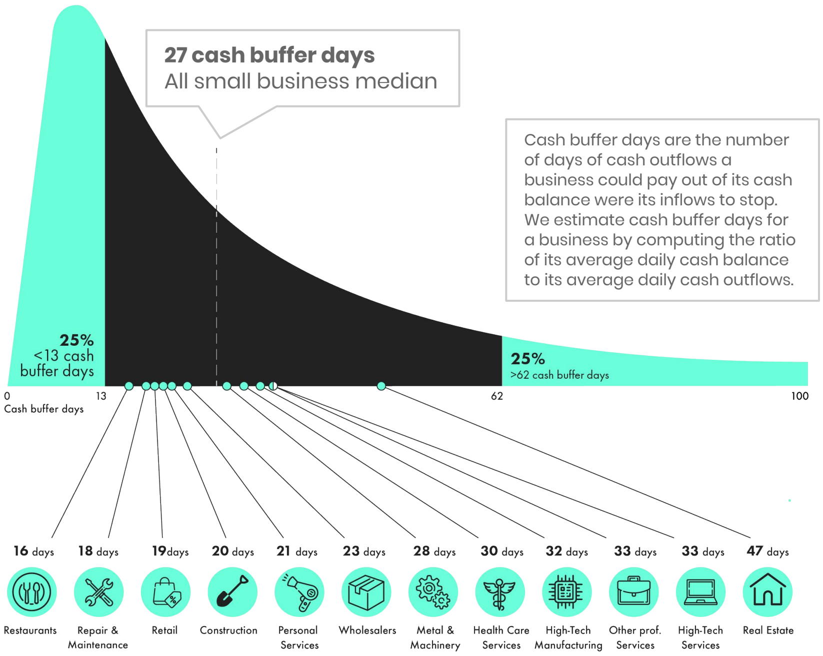
02 Corporate bonds have fallen sharply too, as investors fear that some indebted big companies will go bust.

03 Investors have sought safety in cash and government bonds, driving 10-year US Treasury interest rates to record lows.

Sources: Reuters; 11:FS

Context: the world’s economies have gone into reverse

Businesses face bankruptcy



01 JPMorgan Chase estimates that half of US small businesses have a cash buffer of less than one month.

02 In the UK, digital bank Tide expects small business revenues to be down nearly 60% in April 2020.

03 At least 21,000 more UK companies failed in March 2020 compared with the year before.

Sources: JP Morgan Chase Institute; Tide; FT; 11:FS

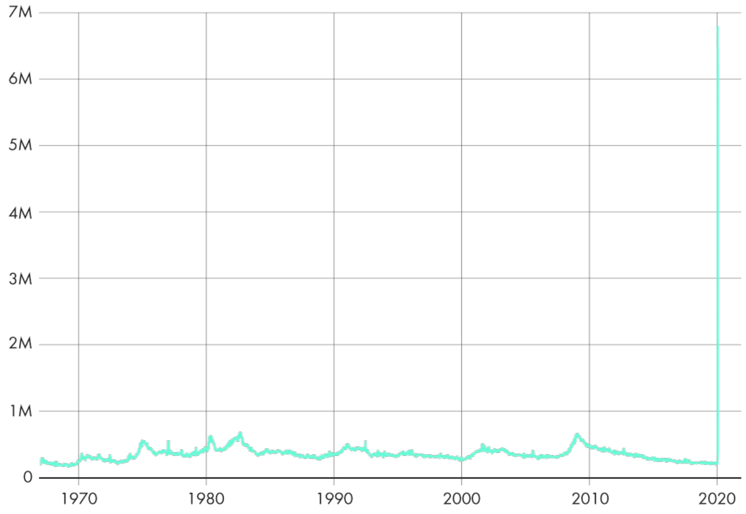
We shouldn’t lose sight of the psychological element of all of this. If you’ve been working for 10 or 20 years to build up a business and literally overnight it’s destroyed, it’s really hard for people to pick themselves up again and say, ‘Well, I’ll do the next 10 years just to get back to where I’ve just come from’”

Stephen Welton
CEO BGF

Context: the world's economies have gone into reverse

Workers are being laid off in shocking numbers

Weekly US unemployment claims, to week ending April 11



01 In the US, a shocking 22 million people filed for unemployment benefits in just four weeks.

02 With workers laid off, or worried about being so, consumer demand in most economies is collapsing.

Source: US Bureau of Labor Statistics; 11:FS

Context: the world's economies have gone into reverse

Millions will struggle to repay their debts

70%

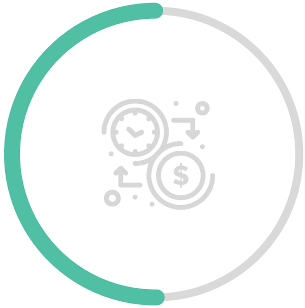
of Americans live paycheck to paycheck

3 in 10

have no emergency savings at all

50%

of people with a budget exceed their budgets due to monthly living expenses alone



Source: MX

“Given the nature of the crisis, all hands should be on deck, all available tools should be used.”

Christine Lagarde
President, European Central Bank

Summary

Governments can’t act fast enough

1	Traditional government intervention won’t work
2	Governments need to support workers and businesses directly

Context: the world's economies have gone into reverse

Traditional government intervention won't work

Lower interest rates won't help.

Loans won't help (much) either.

People and businesses need rent and mortgage relief.

Source: 11:FS

Context: the world's economies have gone into reverse

Governments need to support workers and businesses directly, but lack the tools

Mandating loan holidays.

Lending to businesses.

Paying furloughed workers.

Source: 11:FS

03

Reaction: The crisis is forcing financial services to digitise at speed

Pre-crisis | **Reaction** | ession | Recovery | Reinvention

Pandemic crisis

The pandemic creates a short-term operational crisis for financial services firms.

Old normal

Financial firms slowly digitise their traditional processes, often without any great urgency.

New normal

Firms embrace digital technology and truly digital ways of working to transform their cost bases and uncover new revenues, or go bust.

The short-term impact for financial services

The crisis is forcing services to digitise at speed

Banks are overwhelmed with credit requests

Investment firms are scrambling to reassure investors

Insurance companies are hoping to avoid huge payouts

The crisis is forcing the industry to digitise at speed

The short-term impact across financial services

“The number one thing is to focus on employees and customers. Keep people well, keep them employed and keep them mentally healthy.”

Brian Moynihan
CEO of Bank of America

Millions of employees are working from home

- Corporate teleconferences and virtual private networks (VPNs) are struggling to cope with large numbers of simultaneous users.
- Some employees don't have suitable devices, home WiFi or an appropriate workspace.
- BlackRock has had up to 90% of people working from home, a situation described by CEO Larry Fink as "no small task".

Source: 11:FS, Reuters, BlackRock

Contact centres are overwhelmed with calls

Closed down call centres and branches over evenings and weekends.

Offered call centre staff a $1000 incentive to keep working.

Paying frontline staff triple overtime to ensure call centres are fully staffed.

Sources: Finextra, Nationwide Building Society, The Guardian, 11:FS,

The short-term impact for financial services

Digital businesses have often responded faster than established firms

- Digital lenders offer application processes for government loans that take minutes, not days.
- Digital payments providers are helping to deliver government credit.
- Digital insurers are offering COVID-19 specific products and services while incumbents take products off the market.

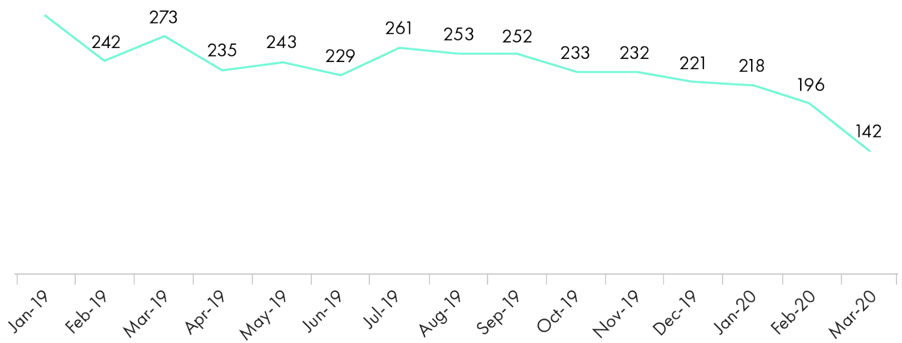
Source: 11:FS

The short-term impact for financial services

The hot air has been let out of the fintech bubble

Fintech deals have fallen for 8 straight months

Global deals to fintech companies, January 2019 - March 2020



01 The sudden onset of recession has closed some of the exit options for venture capital investors.

02 Euphoric valuations based on unrealistic growth expectations will crash back to earth.

Sources: CB Insights; 11:FS

The crisis is forcing the industry to digitise at speed

The short-term impact for banking

“

We’re making additional loans. We’re adults. We know that if the economy gets worse, we’ll bear additional loss, but we do forecast all of that so we know we can handle really, really adverse consequences.”

Jamie Dimon

CEO JPMorgan Chase

The short-term impact for banking

Banks are overwhelmed with credit requests

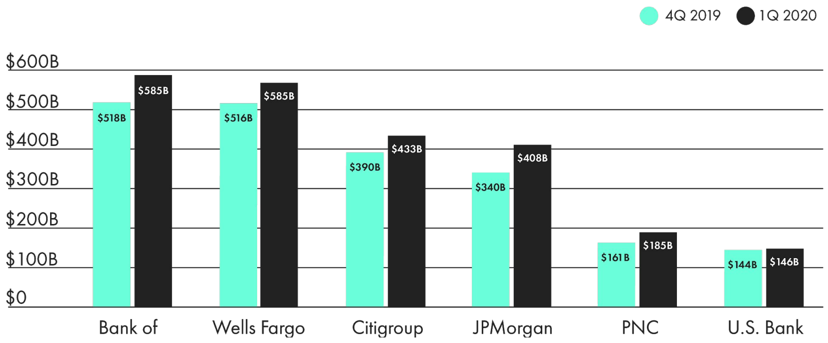
1. Credit lines are stretched
2. Credit teams are stressed
3. Credit ratings have become obsolete
4. Branch use has fallen sharply
5. Cash and ATM use has plummeted
5. Digital banking use has shot up

The short-term impact for banking

Credit lines are stretched

Demand for drawdowns

Five of these six large banks reported double-digit increases in commercial and corporate loans in the first quarter as clients aggressively tapped credit lines to weather the coronavirus outbreak.



01 Businesses and households will quickly use existing credit lines and credit-card maximums.

02 According to Goldman Sachs, public companies have drawn $231 billion from bank revolving credit lines in a month in the US alone.

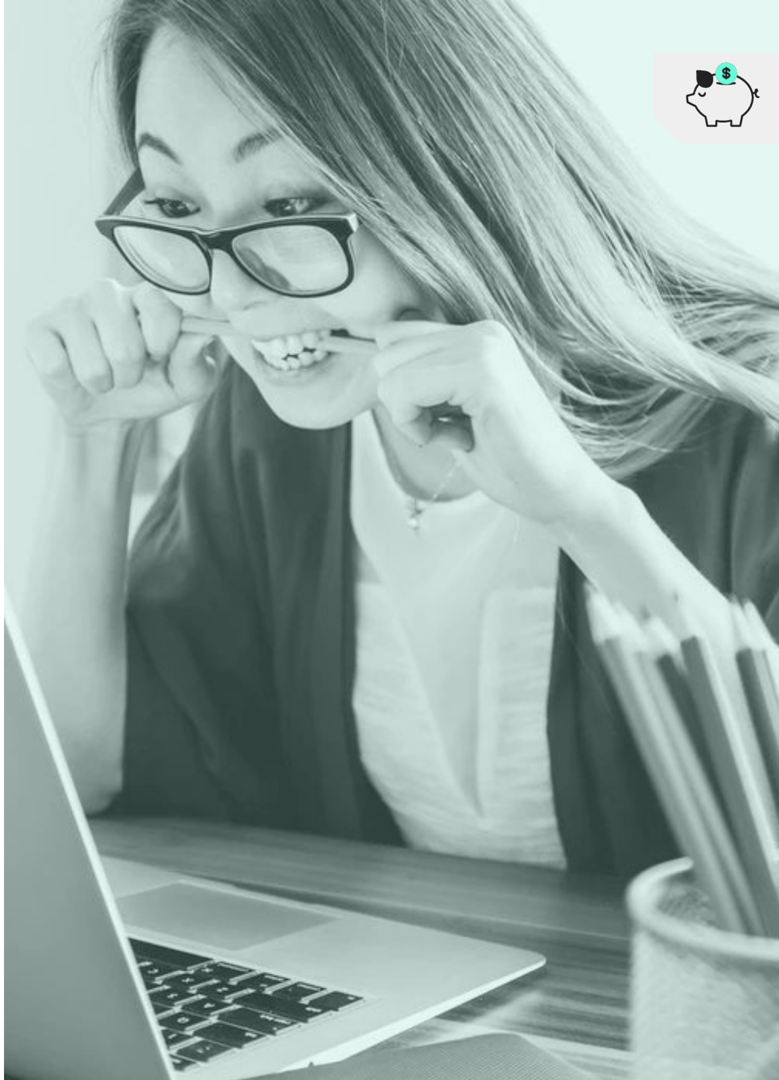
Sources: American Banker; Goldman Sachs; 11:FS

The short-term impact for banking

Credit teams are stressed

- Banks are being inundated with requests for credit from businesses of all sizes.
- Credit teams must make hundreds of urgent credit decisions when the normal rules don't apply.

Source: 11:FS



Credit ratings have become obsolete

- Normally robust businesses and households suddenly have little or no income.
- Historic credit patterns are no use for predicting current creditworthiness.

Source: 11:FS

"This crisis will speed up certain changes that were happening. Before you know it, paper money will largely disappear as people are not taking cash out of the ATM. I don't think there's any going back now to branches."

Anne Boden
CEO Starling Bank

The short-term impact for banking

Branch use has fallen sharply

Europe

- Reduced hours and temporary closures across most major banks.
- Germany: Hundreds of Commerzbank's branches closed.
- Italy: 50% of Intesa Sanpaolo's branches with reduced hours.

North America

- US: 20% of JPMorgan Chase's c.5000 branches closed.
- Some US banks switching to drive-through and ATM operations only.
- Canada: 6 biggest banks closing branches and reducing hours.

Asia-Pacific

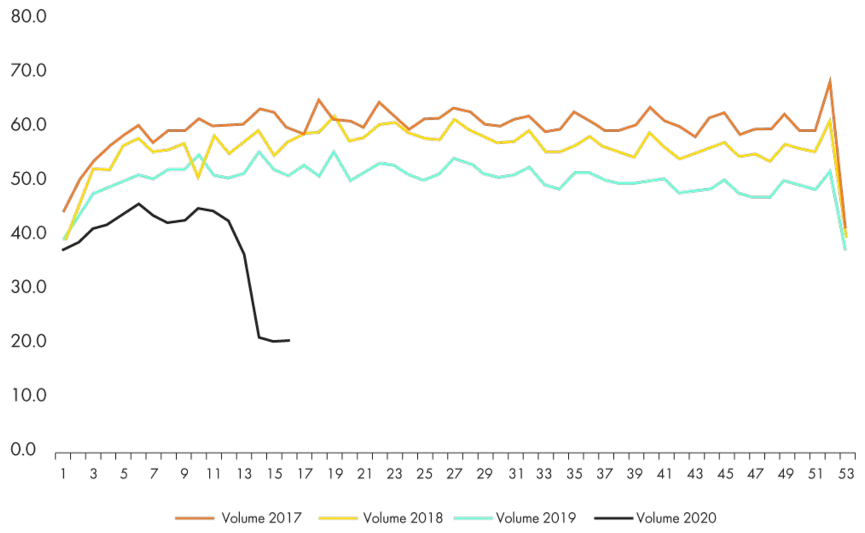
- Hong Kong: Quarter of Standard Chartered branches closed.
- Australia: NAB, Westpac and Commonwealth temporarily closing some branches.

Sources: Reuters; 11:FS

Cash and ATM use has plummeted

Link transaction volume and value by week (millions)

Weekly LINK ATM transactions (millions)



01 Cash use in the UK dropped by half within days of the government-imposed lockdown.

02 ATM withdrawals have fallen to less than half their usual level in the UK.

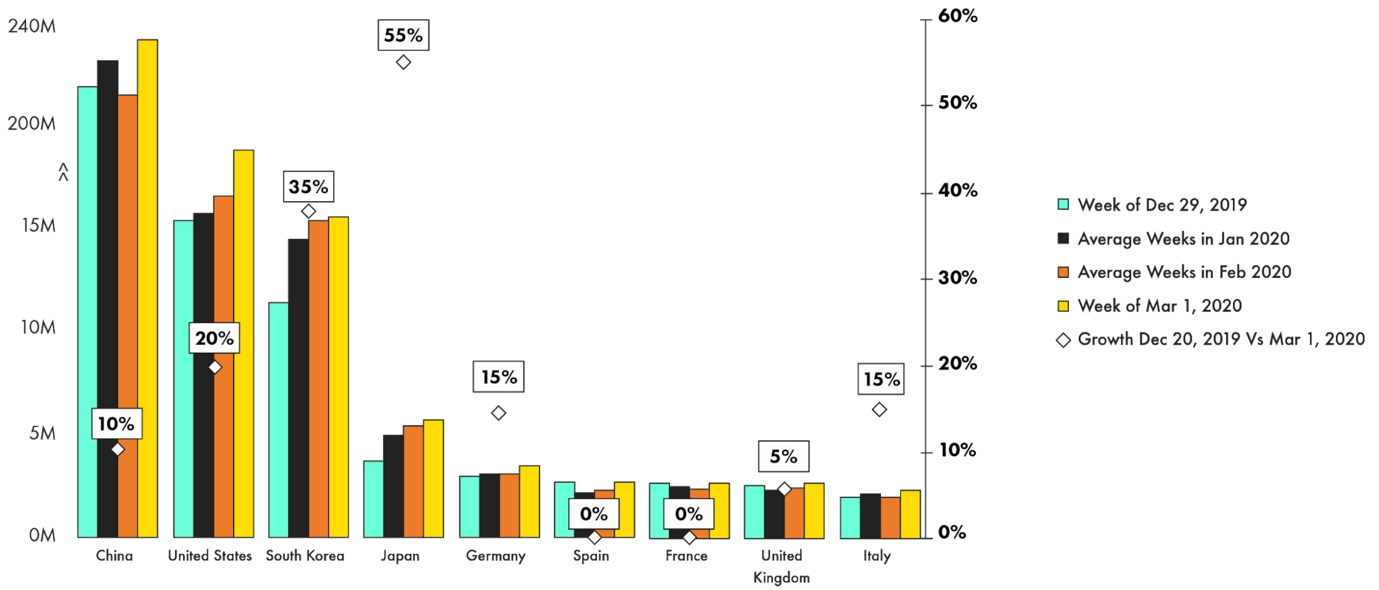
Sources: Link; 11:FS

The short-term impact for banking

Digital banking use has shot up

Average weekly hours spent in finance apps

During COVID-19 pandemic



Source: App Annie; 11:FS

The crisis is forcing the industry to digitise at speed

The short-term impact for investment management

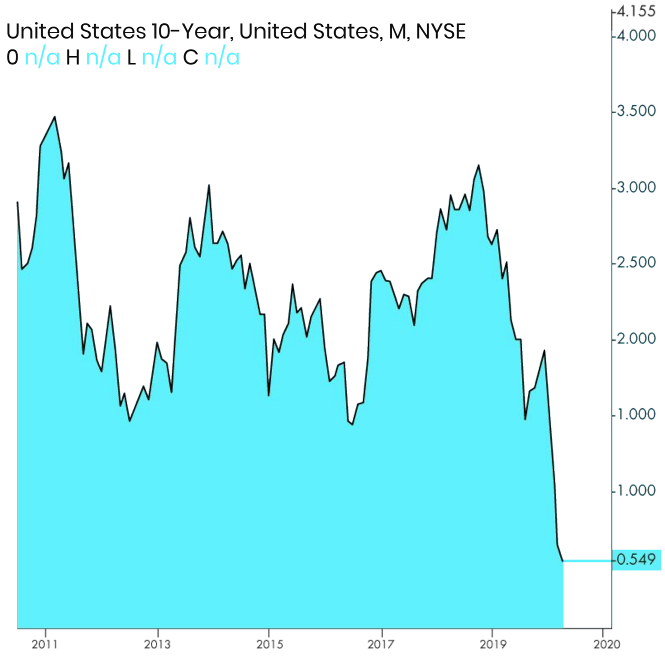
Investment firms are scrambling to reassure investors

1. Investors have shifted to cash and other safe assets
2. Some brokers are struggling to cope with volumes
3. In-person intermediaries are cut off from customers
4. Investors are opening new digital investing accounts

Source: 11:FS

The short-term impact for investment management

Investors have shifted to cash and other safe assets



Source: 11:FS

01 Commodity prices, particularly gold, soared as the initial impact of the pandemic became apparent.

02 Yields on US Treasury bonds, considered one of the "safest" assets available, have fallen to record lows.

Some brokers are struggling to cope with volumes

charles SCHWAB

Investors had difficulty accessing their accounts in February.

Fidelity INVESTMENTS

Like Schwab, investors at Fidelity had difficulty accessing their accounts in February.

robinhood

Suffered several days of outages in early March that saw furious customers demanding compensation.

Sources: Business Insider; Forbes; 11:FS

In-person intermediaries are cut off from customers

- Financial advisors are cut off from customers they can no longer meet in person.
- Less digital-savvy advisors will struggle to serve existing clients or win new ones.

Source: 11:FS

Investors are opening new digital investment accounts

Reported a 3x increase in UK new accounts opened in Q1 2020, compared with Q1 2019.

Reported record trading volumes and a 119% increase in ISA account openings.

Reported new account openings up 90% in Q1 2020, compared with Q1 2019.

Reported a 269% increase in account openings in March 2020 compared with March 2019.

Reported record account opening and trading volumes.

Reported a 4x increase in trades on its platform since Christmas.

Sources: FT; AltFi; 11:FS

The crisis is forcing the industry to digitise at speed

The short-term impact for insurance

Insurance companies are hoping to avoid huge payouts

1. Insurers face a massive spike in claims and queries

2. Insurers have stopped selling some policy types

3. Regulators are forcing insurers to do more for customers

Source: 11:FS

Insurers face a massive spike in claims and queries

£275 million

Expected COVID-19 travel related claims in the UK in 2020 - the largest ever.

£250 million

Swiss Re's exposure to the 2020 Olympic Games.

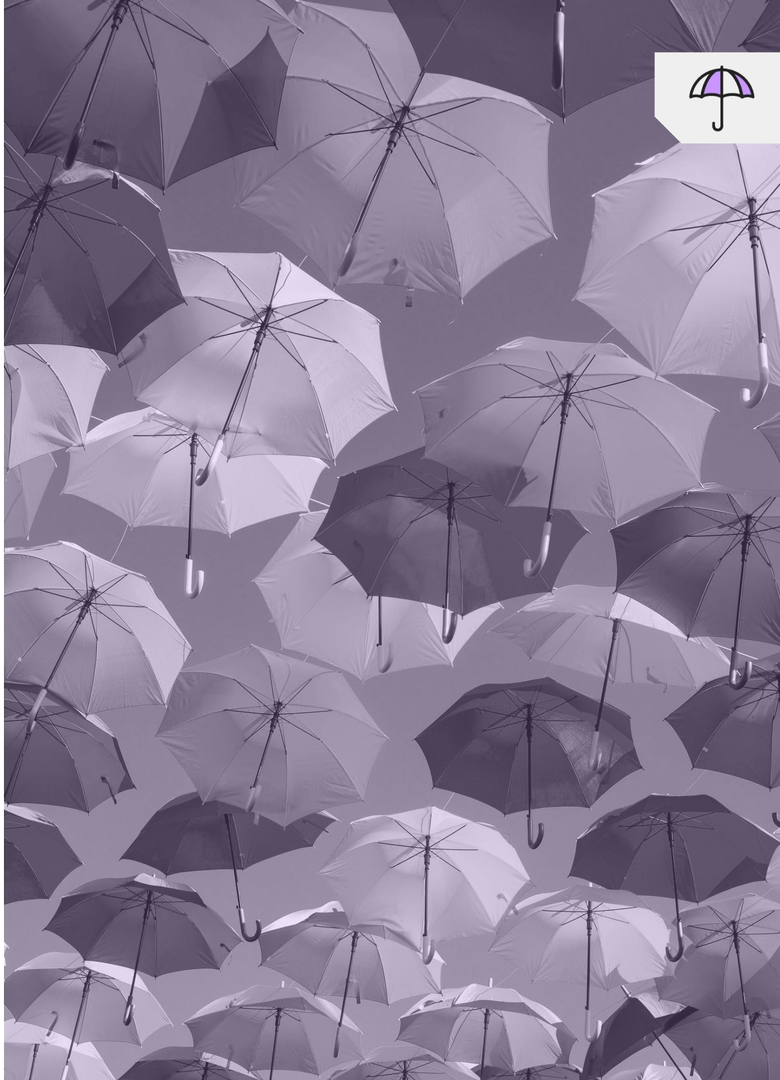
£500 million

Expected if all the major events it covered this year were cancelled.

Insurers have stopped selling some policy types

- Nearly half the UK's largest insurers have stopped selling travel insurance.
- Other companies have changed their terms to exclude COVID-19 for new customers.
- In the US some insurers have stopped accepting applications for new life insurance policies.

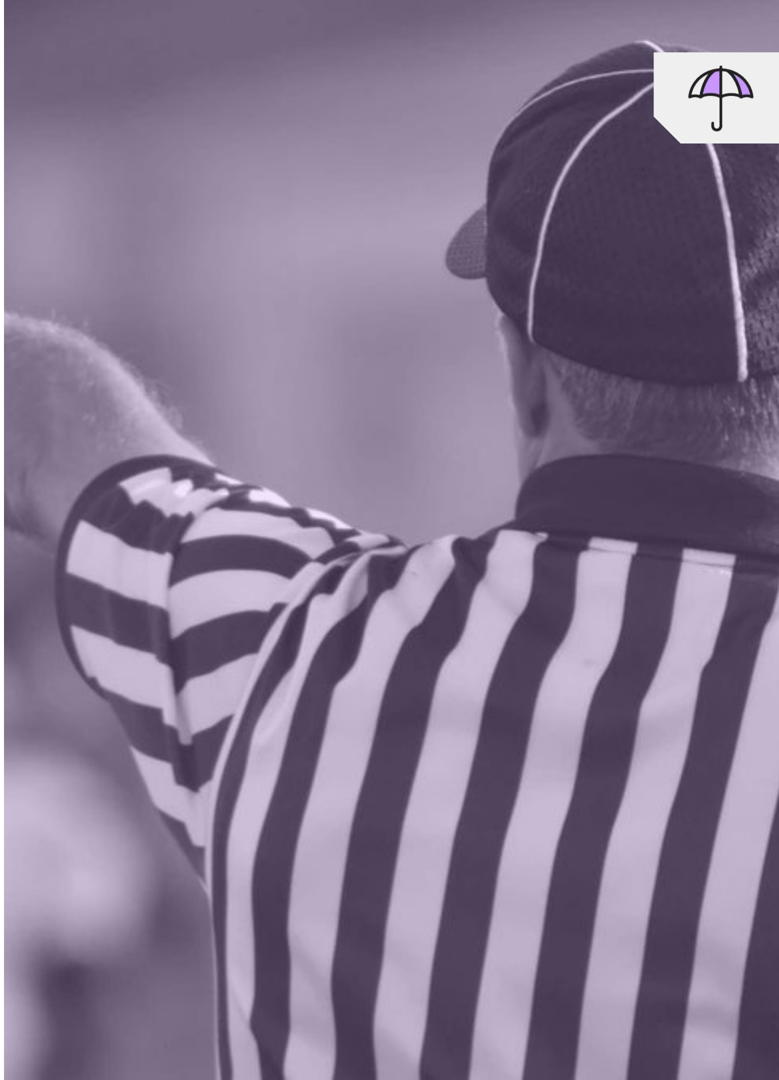
Sources: Which?, 11:FS



Regulators are forcing insurers to do more for customers

- The UK's FCA has ordered insurers to pay out or explain themselves to the regulator.
- France's ACPR asked insurers and reinsurers to refrain from paying dividends until at least October 2020.
- The Polish Financial Supervision Authority (KNF) has set out expectations that insurance companies will retain all profits and not undertake activities which will deteriorate capital bases.
- Legislators in some US states have introduced bills that would force *retroactive* cover of business interruption claims.

Source: 11:FS

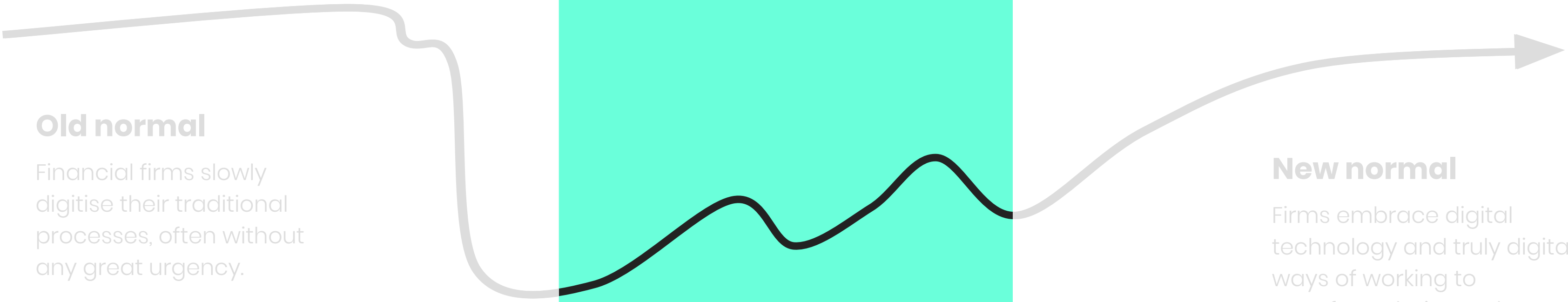


04

Recession: domino effects will cascade through financial services

Pandemic crisis

The recession creates a long-term revenue loss for financial services firms.



Old normal

Financial firms slowly digitise their traditional processes, often without any great urgency.

New normal

Firms embrace digital technology and truly digital ways of working to transform their cost bases and uncover new revenues, or go bust.

The medium-term impact for financial services

Domino effects will cascade through financial services

Banks must brace for a deep recession

↔

Recession will accelerate M&A in investment management

↔

Insurance companies will come under intense pressure

Domino effects will cascade through financial services

The medium-term impact across financial services

“

We need to reduce costs and focus on productivity, but without losing sight of the fact that human lives are the most important priority.”

Recep Baştuğ
CEO Garanti BBVA

The medium-term impact for financial services

Revenues will crumble across most lines of business

Net interest income

Low interest rates mean net interest margins are already tight.

Banks will raise deposit interest rates to win and retain deposits.

Fees & commissions

Card interchange and ATM fees will drop with consumer spending.

Trading commissions will rise with volatility then fall away.

Investment fees will fall with assets under management.

Premium income

Premium income will drop with economic activity.

Source: 11:FS

The medium-term impact for financial services

Operational cost pressure will be widespread

Loan losses

Bad loans will rise with frightening speed as businesses fold.

Loan loss provisions will shoot up as entire sectors hit trouble.

Operational costs

Operational costs will jump as firms scramble to digitise.

Claims costs

Insurance payouts will be substantial.

Insurance companies face lengthy litigation.

Source: 11:FS

The medium-term impact for financial services

Most financial firms will be acutely short of capital

BANK OF AMERICA

$3.6 billion

citi

$4.9 billion

WELLS FARGO

$6.8 billion

JPMORGAN CHASE & CO.

$3.8 billion

01 Banks are setting aside huge sums in loan loss provisions.

02 Firms will slash marketing budgets, cut or eliminate bonuses and cancel dividend payments to shareholders.

Sources: bank earnings reports; 11:FS

The medium-term impact for financial services

Cash reserves will be crucial for survival

Firms in a strong cash position:

- Won’t be forced to slash costs indiscriminately.
- Won’t be forced to lay off workers.
- Will have opportunities to pick up distressed assets at reduced prices.

The medium-term impact for financial services

Exposed, weaker and smaller firms will go bust

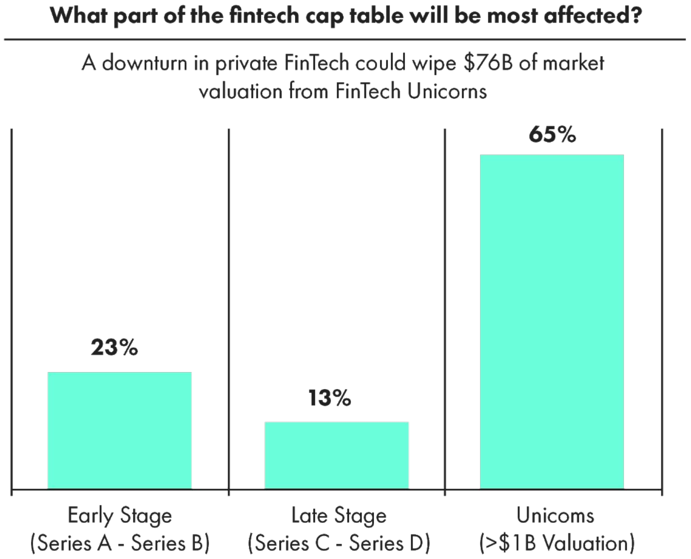
The most vulnerable financial firms are those that:

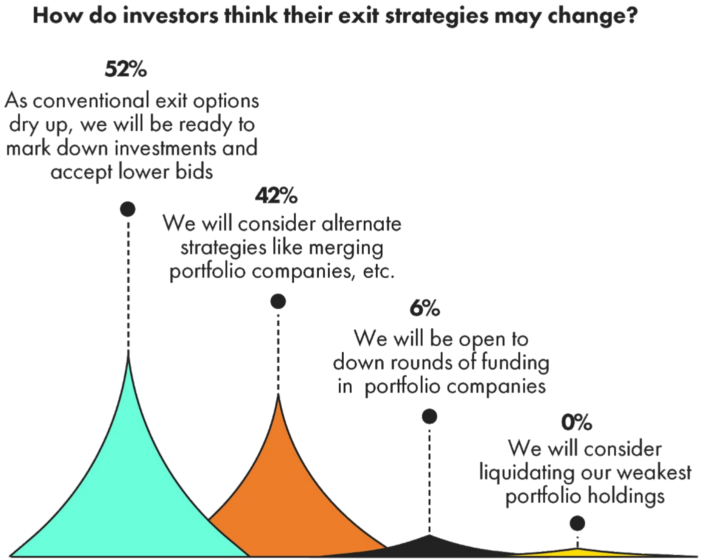
- Are heavily exposed to sectors like travel, leisure and construction.
- Were marginally profitable (or worse) before the pandemic.
- Don't have the cash reserves to survive a long recession.

Source: 11:FS

The medium-term impact for financial services

Fintech valuations will return to earth, sparking acquisitions





Source: Rosenblatt Banking Survey of FinTech Investors, October 2019; 11:FS

The medium-term impact for financial services

Widespread industry consolidation beckons

charles SCHWAB → $26 billion → TD Ameritrade

VISA → $5.3 billion → PLAID

AON → $30 billion → Willis Towers Watson

Source: 11:FS

Domino effects will cascade through financial services

The medium-term impact for banking

“

Do not assume this is going to be a short problem. First, you take the immediate hit from the collapse in revenues, leading to losses and need for cash. Then we’re going to have the next problem as the economy starts to recover: where’s the working capital coming from?”

Stephen Welton
CEO BGF

The medium-term impact for banking

Banks must brace for a deep recession

1. Digital processes will be crucial
2. Payments revenue will drop with discretionary spending
3. Banks will see a frightening rise in loan losses
4. Banks will divest marginal businesses
5. There will be a race for retail savings deposits
6. Several countries will see banks run

Source: 11:FS

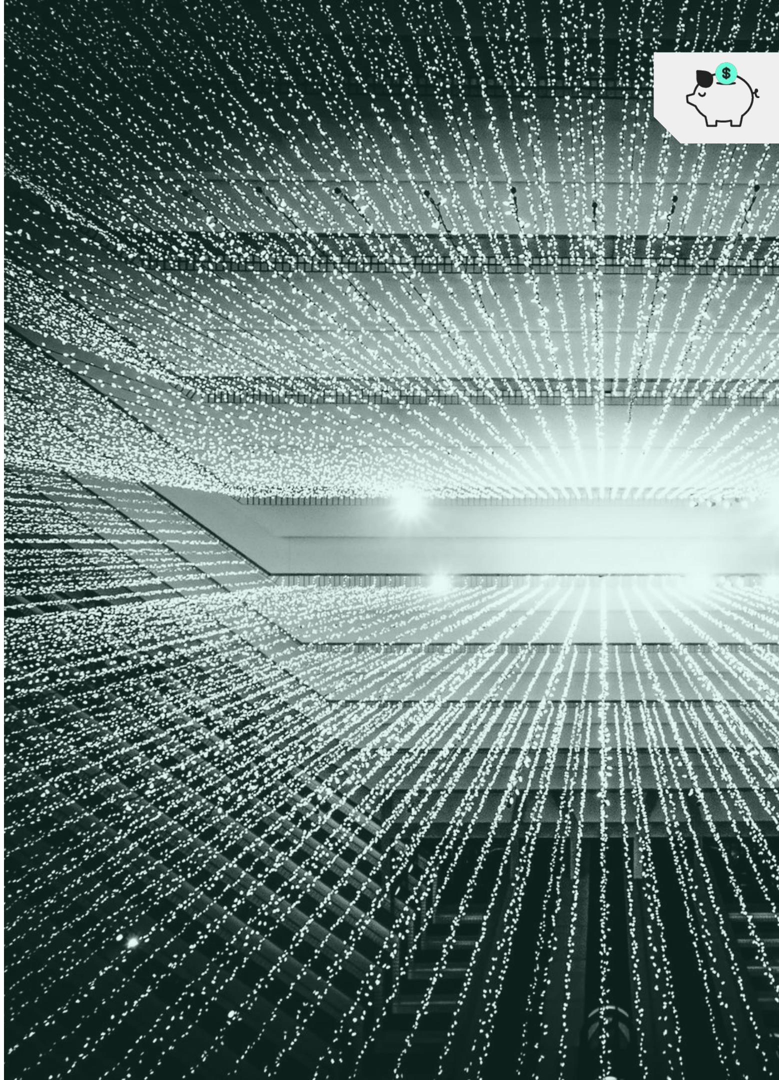
The medium-term impact for banking

Digital processes will be crucial to operations

Digital processes will be crucial throughout the pandemic:

- Digital identity and verification will be the only way to open new accounts.
- Digital payments will support the vast majority of transactions.
- Digital credit scoring and underwriting will be the only way to lend.
- Many customers will need help to avoid being excluded from banking services.

Source: 11:FS



Payments revenue will drop with discretionary spending

- In-person payments won't recover until national lockdowns end, if then.
- Card interchange fees will drop with consumer spending; online sales won't offset store sales.
- ATM interchange fees will drop with cash withdrawals.

Source: 11:FS

The medium-term impact for banking

Banks will see a frightening rise in loan losses

US banks are already setting aside record loan-loss provisions:

Bank	Loan-loss provisions
Bank of America	$3.6 billion
Citi	$4.9 billion
JPMorgan Chase & Co.	$6.8 billion
Wells Fargo	$3.8 billion
PNC	$914 million
Goldman Sachs	$937 million

Sources: bank earnings reports; 11:FS

The medium-term impact for banking

Banks will divest marginal businesses

Faced with falling revenues, rising costs and a shortage of capital, banks will:

- Cancel plans to expand into new markets or product lines.
- Seek to sell marginal businesses where they lack economies of scale, particularly outside their home country.
- Look for partners that can deliver non-core products, services and capabilities more efficiently.

Source: 11:FS

The medium-term impact for banking

There will be a race for retail savings deposits

- As loan losses hit banks' balance sheets, interbank lending will seize up.
- Banks will compete for retail deposits with high short-term interest rates.
- Net interest margins will narrow further, squeezing inefficient banks.

Source: 11:FS

Several countries will see bank runs

Image sources: AFP/Getty Images; PTI Photo; Patrick O'Brien

Domino effects will cascade through financial services

The medium-term impact for investment management

Recession will accelerate M&A in investment management

1. Cautious investors will avoid riskier assets
2. New investment strategies face their first test
3. Active fund managers won't prove their worth
4. Smaller investment managers will fold or sell

Source: 11:FS

Cautious investors will avoid riskier assets while uncertainty lasts

- Cautious investors will avoid risky assets, particularly stocks in industries like travel that will need government bailouts.
- Bolder investors will seek buying opportunities as uncertainty reduces.
- Some active managers will deliver market-beating returns with well-timed stock picking and asset allocation decisions.

Source: 11:FS

New investment strategies face their first test

- The massive economic shocks and increased volatility of the pandemic are testing all investment strategies.
- Dozens of digital investment managers differentiate through investing strategies such as thematic investing and environmental, social and governance (ESG) strategies and copying other investors' trades.
- Alternative investment strategies have held up with conventional strategies, so far.

Source: 11:FS

Active fund managers won't prove their worth

Asset class	Net flows (£1m in March 2020)		
	Passive	Active	Total
Allocation	-1	-664	-665
Alternative	-	-1,701	-1,701
Equity	3,149	-3,919	-769
Fixed income	-2,199	-3,289	-5,488
Property	-	-84	-84
Other	-	-6	-6
Total	949	-9,662	-8,713

01 The trend towards passive funds will accelerate.

02 Passive leader Vanguard had its best ever month in March 2020, with £1.2 billion of net inflows in the UK.

03 BlackRock, which is also passive-heavy, won £80 million of net inflows in the UK.

Sources: Morningstar; FT; 11:FS

Smaller investment managers will pivot, sell or fold

smartly

Singaporean digital investment platform closed April 2020.

MOOLA

UK digital investment platform closed January 2020.

GROVE

US digital investment platform acquired by Wealthfront August 2019.

bento

Singaporean digital investment acquired by Grab February 2020.

Source: 11:FS

Domino effects will cascade through financial services

The medium-term impact for insurance

“The coronavirus has hit our industry like a meteorite impact. There will be huge losses for the industry; it just takes a while for those to materialize.”

Oliver Bäte

CEO Allianz

Insurance companies will come under intense pressure

1 Lower asset prices hammer investment portfolios

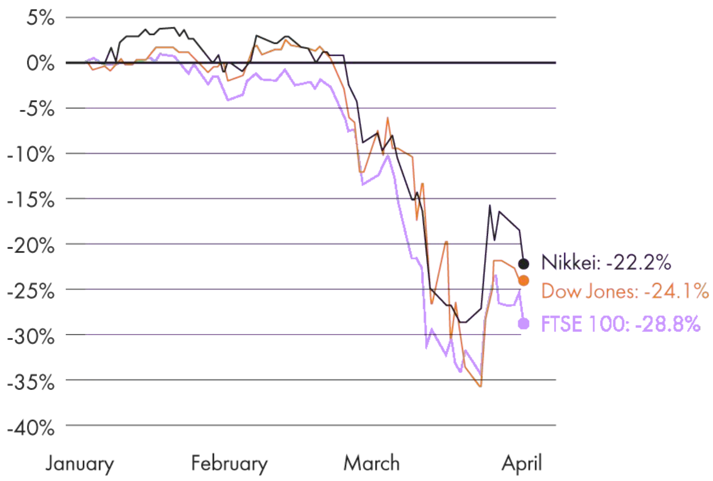
2 Some property & casualty insurance claims will drop

3 Payouts could be vast and lead to long legal battles

Source: 11:FS

Lower asset prices will hammer insurers' investment portfolios

The impact of coronavirus on stock markets since the start of the outbreak



Sources: Bloomberg; 11:FS

01 Insurers that have suffered losses on their investments will increase premiums.

02 Criteria for policies will be tightened as insurers seek to protect capital buffers.

The medium-term impact for insurance

Claims will drop in some P&C insurance lines

- Massive drops in car journeys and road traffic will result in fewer road accidents.
- More homes occupied throughout the day will reduce the risk of fire and burglary.

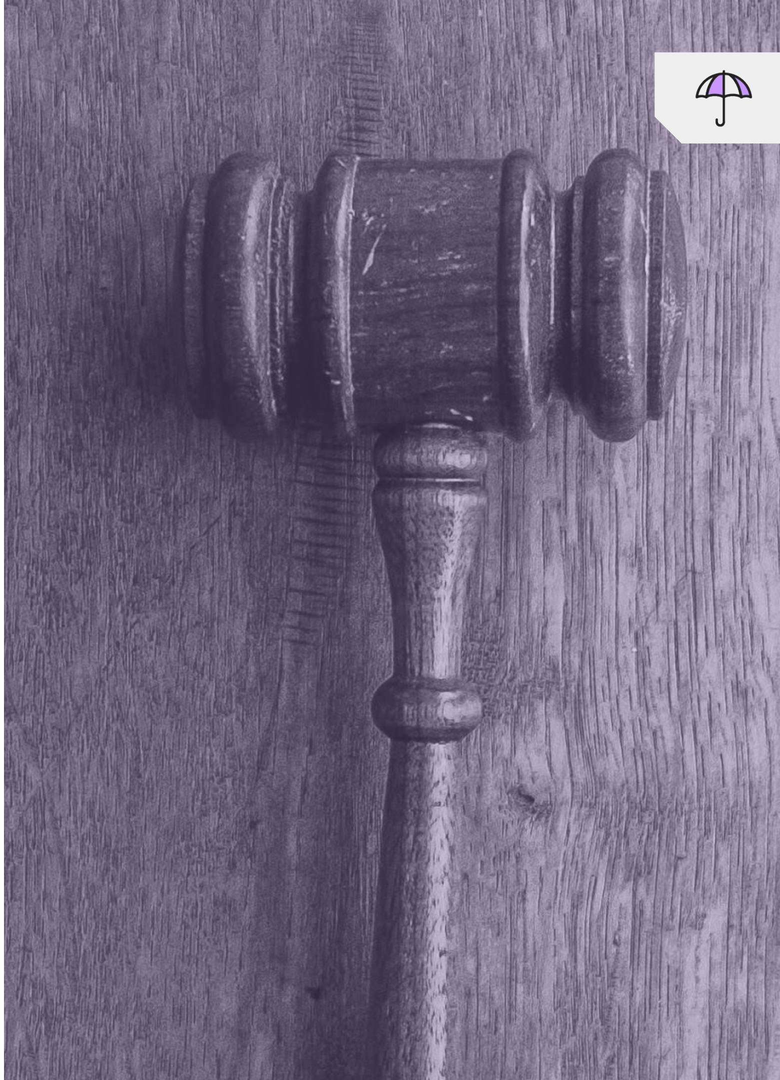
Image source: AP

The medium-term impact for insurance

Payouts on liability insurance could be vast and result in long legal battles

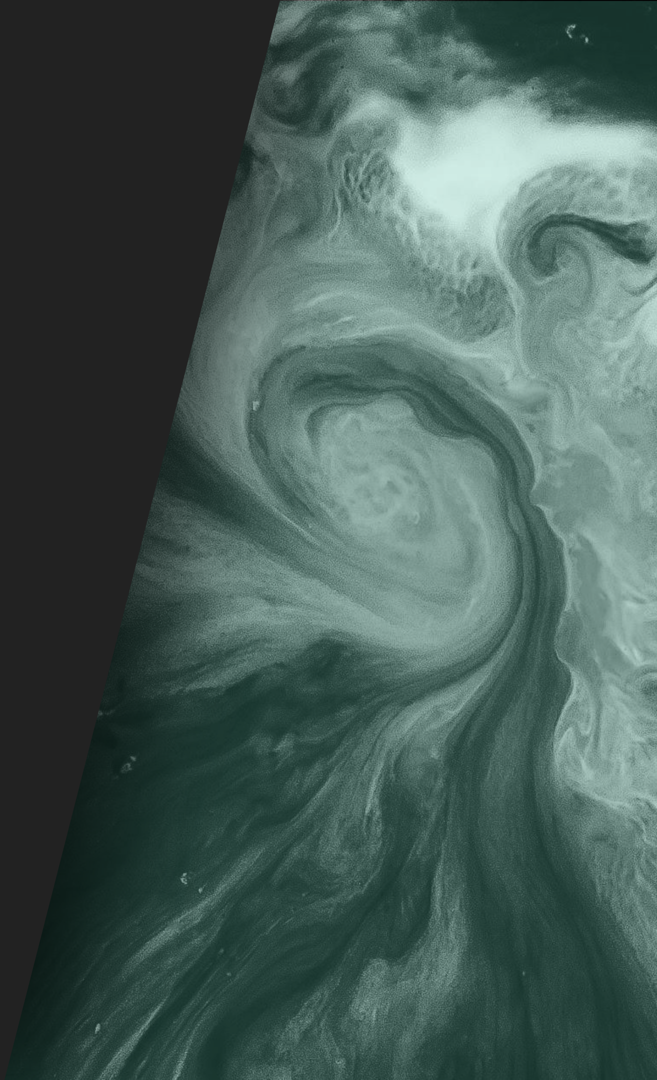
- Lawmakers in seven US states want retroactively to include pandemic coverage in business interruption insurance.
- Business continuity losses for US small and medium businesses could total $200 billion to $383 billion per month.
- Claims on Directors & Officers insurance could run into billions of dollars and take years to resolve.

Source: 11:FS



05

Reinvention: the pandemic will accelerate transformation in financial services



Pre-crisis → Reaction → Recession → Recovery → **Reinvention**

Pandemic crisis

The pandemic creates an short-term operational crisis and a long-term revenue loss for financial services firms.

Old normal

Financial firms slowly digitise their traditional processes, often without any great urgency.

New normal

Firms embrace digital technology and truly digital ways of working to transform their cost bases and uncover new revenues, or go bust.

The pandemic will accelerate transformation in financial services

The long-term impact across financial services

“You will see not only bank mergers but also job losses. This crisis didn’t start in the financial sector, but it will spill over into it. In 2021, you will see a second round of losses flow through the banking sector.”

Piyush Gupta
CEO DBS

The pandemic will force leaders to adopt a truly digital mindset

From digitising analogue processes to building truly digital capabilities.

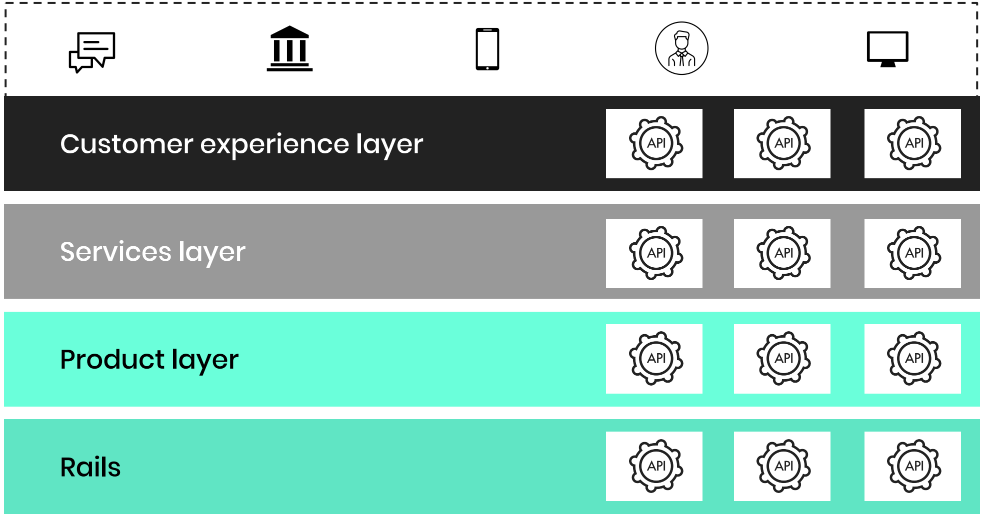
From selling commodity products to delivering intelligent services.

From big-bang waterfall projects to agile, iterative change.

Source: 11:FS

The long-term impact for financial services

To survive, firms will replace outdated monoliths with microservices-based technology stacks

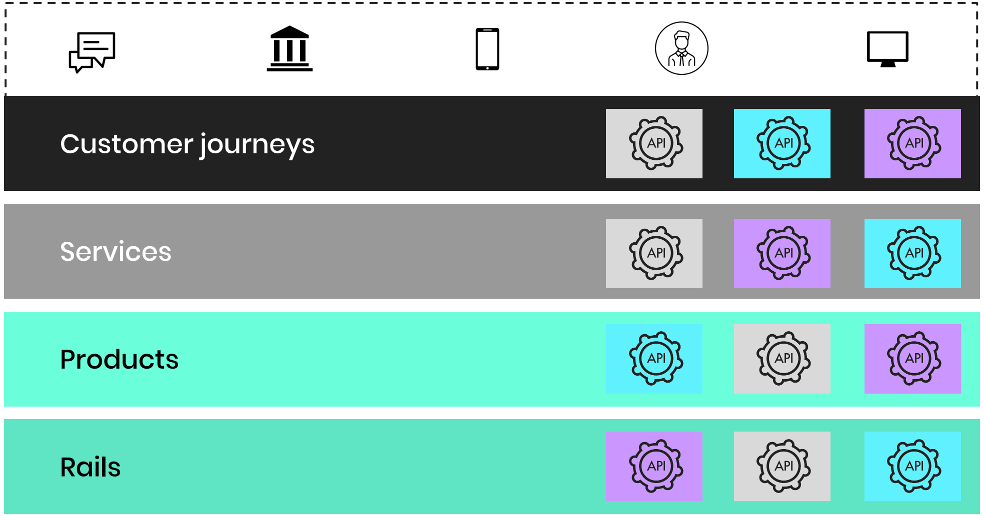


- Modular architecture will replace vertically integrated tech silos.
- Flexible microservices will replace monolithic systems.
- Software will be cloud native, not on premise, enabling partnerships.
- APIs enable firms to offer business capabilities as a service.

Source: 11:FS

The long-term impact for financial services

Industry value chains will be reshaped as companies combine capabilities through ecosystems



- APIs enable firms to deliver business capabilities to partners as a service.
- Companies will orchestrate capabilities from many specialist partners to deliver intelligent services to customers.
- Open banking and open finance regulations will accelerate the reshaping of the industry.

Source: 11:FS

“In every hardship, there lies an opportunity to envision and create a brighter future. We believe that service providers who are able to tap into the power of digital technologies will come out the strongest.”

Simon Hu
CEO Ant Financial

Summary

The pandemic will be a catalyst for truly digital financial services

1 Digital partnerships will proliferate

2 Marketplaces will take a growing share of distribution

3 Artificial intelligence use will increase

4 Fewer people will be needed in some roles

5 Leaner organisations will emerge as roles evolve

Source: 11:FS

The long-term impact for financial services

Digital partnerships will proliferate

- Firms will seek partners that can deliver non-core services more efficiently.
- Expect to see rapid growth in the delivery of capabilities as a service.

Source: 11:FS

Digital marketplaces will gain share as distribution channels to businesses and consumers

- Marketplaces will play a bigger role in product distribution as customers shift to digital channels.
- Platform-based companies will gain share at the expense of other distributors.
- APIs, open banking and open finance will accelerate the shift to marketplaces.

Source: 11:FS

The long-term impact for financial services

Artificial intelligence use will increase

Focus / Business goal	Manage risk	Grow revenue	Cut costs
Customer experience	E.g. using behavioural biometrics to speed authentication for customers.	E.g. tailoring content and recommend-ations for different customers.	E.g. using machine learning to process insurance claims faster.
Operational efficiency	E.g. using machine learning to spot payments fraud.	E.g. shorten and accelerate sales processes by eliminating human data entry errors.	E.g. using optical character recognition to speed data entry.

Focus

Business goal

Firms will seek efficiency by using artificial intelligence and machine learning to augment people.

Machines will carry out repetitive tasks, such as spotting fraud, trading and mortgage processing.

Source: 11:FS

The long-term impact for financial services

Fewer people will be needed in some roles

Product complexity	Customer complexity: Low	Customer complexity: High
High	Advisors and agents who explain complex retail products will gradually lose out to video and self-service	Consultants who advise on growth, tax and protection from risk will thrive
Low	Firms will need fewer order-taking and clerical roles, like branch tellers and contact-centre agents	Relationship managers will manage more clients each, resulting in fewer jobs

Firms will use software to reduce or eliminate routine tasks, such as cheque processing.

Firms need fewer advisors and insurance agents as customer turn to video and self-service.

Machines will take on even more routine work, such as spotting fraud, trading and credit processing.

Source: 11:FS

The long-term impact for financial services

Leaner organisations will emerge as roles evolve

Roles that diminish

- Branch tellers
- Contact-centre agents
- Insurance agents
- Compliance officers
- Middle managers
- Operations roles

Roles that stay

- Marketers
- Relationship managers
- Financial advisors
- Investment managers
- Risk consultants

Roles that increase

- Partnership managers
- Systems architects
- Data scientists
- Designers
- Developers
- Product managers

Source: 11:FS

The time to become truly digital is now

Listen to customers	Set a clear vision	Execute at speed	Tackle your tech stack
Customers' needs are changing faster than ever. Listen to them to understand how, and what that means for how you create value for them.	Leaders need to set a clear vision of how the firm will create value for customers by delivering intelligent services, not commodity products.	Leaders need to change culture and ways of working by devolving power to the edge, forming small interdisciplinary teams and rapidly iterating.	Obsolete technology is crippling firms. Survival will depend on building a flexible, modular, cloud-based architecture using APIs and microservices.

More COVID-19 insights from 11:FS

Our COVID-19 page - info.11fs.com/covid19 will be continuously updated with our latest research, predictions and recommendations as the situation continues to evolve, including the shifting market realities for retail banking and lending, business banking and insurance, as well as its impact on customers.

About the authors

Benjamin Ensor

Director of Research

Benjamin leads the Research team at 11:FS, with more than 20 years of experience advising leading financial services firms around the world about changing customer behaviour, changing market dynamics and the impact of digital technology on business strategy in financial services.

linkedin.com/benjaminensor

Sarah Kocianski

Lead Researcher

Sarah is a highly experienced researcher and analyst, delivering cutting-edge insights into the landscape of financial services, and and has experience delivering research for financial technology firms of all sizes. She is a regular host of 11:FS podcasts Fintech Insider, Blockchain Insider and Insurtech Insider.

linkedin.com/sarahkocianski

We believe digital financial services are only 1% finished. We're building the next 99%.

Find out more about the next generation of financial services at 11FS.com.

Thank you