



RESET4VALUE SERIES

RE-ENVISION CLIENT VALUE

The first act of your transformation journey

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**Customers' needs are
changing, and so are
the rules of the game.**

NOW IS THE TIME TO RESET4VALUE

As leaders remain pressured with ongoing cost and consolidation pressures, they need to find ways to best leverage disruption and drive new opportunities. Our previous insight described our [“Reset4Value”](#) approach — a sustainable way to transform cost, and take these savings to ignite growth in your business. Leaders can pick their spots for quick wins, reallocate resources to the highest priority areas, and accelerate self-funding to monetize new capabilities.

Four acts of unconventional leadership

1

Re-envision how you create client value

Anchor on the client

Get specific on how client value is delivered and use this as a key lever to drive execution

2

Segment capabilities based on value creation

Focus on making hard trade-off decisions

Be clear what the firm can and needs to do best

3

Link your cost, growth, investment agendas

Treat costs as investments

Prune what doesn't matter to invest more in what clients value

4

Change how the work gets done

Leverage culture strengths

Build on and enhance positive business-as-usual behaviors

What follows is a deep dive into the first act of your **Reset4Value** transformation journey — “Re-envisioning client value.” Here, we bring industry trends and insights from the front lines, tailored specifically for financial services leaders. Customer values are changing, and today there are immense opportunities for CEOs and financial services leaders to capitalize on market trends, fuel growth, and drive new revenue streams — but to get there, businesses need the right capabilities and business leaders need the right mindsets.

PROVOCATION

CUSTOMERS' NEEDS ARE CHANGING, AND SO ARE THE RULES OF THE GAME

The traditional rules — manufacturing a product and distributing it through well-understood channels, with the right price and appropriate brand awareness — no longer work like they used to. Today, consumers have many more choices to fulfill their needs, and they are open to both established and new brands that represent innovation, progress, and ease.

Increased commoditization in financial services has made it harder for companies to differentiate on features, functionality and price. As your company strives to differentiate, you need to focus on the value you are bringing to customers today — and going forward.

Our recent [“Think CustomerFirst”](#) paper shared perspectives on realigning corporate strategy with investments that are deeply tied to customers’ needs. With our structured, systematic approach, we can help executives navigate this next wave of uncertainty and beyond.

Traditionally, organizations focus on products, and what they do well...

We sell products, but don't solve customers' problems

“When facing a life event, my products are not top-of-mind for customers.”

We are competing on features, functionality and price

“We spend too much time tweaking products to stay competitive rather than truly innovating for customers.”

We are playing defense, instead of offense

“We are not keeping up with digital disruption and we are spending too much on resources without staying relevant in the market.”

It's often easier for leaders to focus resources on what their organization does well, rather than understanding what the customer values.

FIRMS

ARE TRULY CHALLENGED TO TRANSFORM

MOST INCUMBENTS ARE FACING DECLINING MARGINS AND A LOW-GROWTH REALITY

Cost takeout has been a perennial objective, with many financial firms in efficiency mode for the last decade.¹ Although the banking industry has started to see some margin improvement, for many asset managers and insurers, margins have declined despite cost programs.

-3%

point change over the last 10 years in North America, Insurers and Asset managers have faced declining net income margins²

90%

of the Fortune Top 50 companies have announced a cost action since the beginning of the pandemic³

Only 35%

of survey participants rated their cost programs as very successful³

Only 25%

of investors are confident digital transformation strategies will be effective⁴

1. See Oliver Wyman's, ["The State of the Financial Services Industry 2020 report, When Vision and Value Collide."](#) page 13

2. Source: S&P Global Market Intelligence

3. Source: Oliver Wyman's ["All Eyes on Cost"](#) report, July 2020; Oliver Wyman Cost Survey, June 2020.

4. Source: Oliver Wyman's, ["The State of the Financial Services Industry 2020 report, When Vision and Value Collide"](#); and Oliver Wyman and Procensus investor survey, November 2019.

WHY IS THIS HAPPENING?

A COLLISION OF MEGA TRENDS ARE CHANGING CUSTOMERS' NEEDS

Many of these trends have accelerated over the last few months with COVID-19



Tech and data

- Cloud
- Social media
- Sensors
- Big data
- Machine learning
- Conversational user interface (UI)



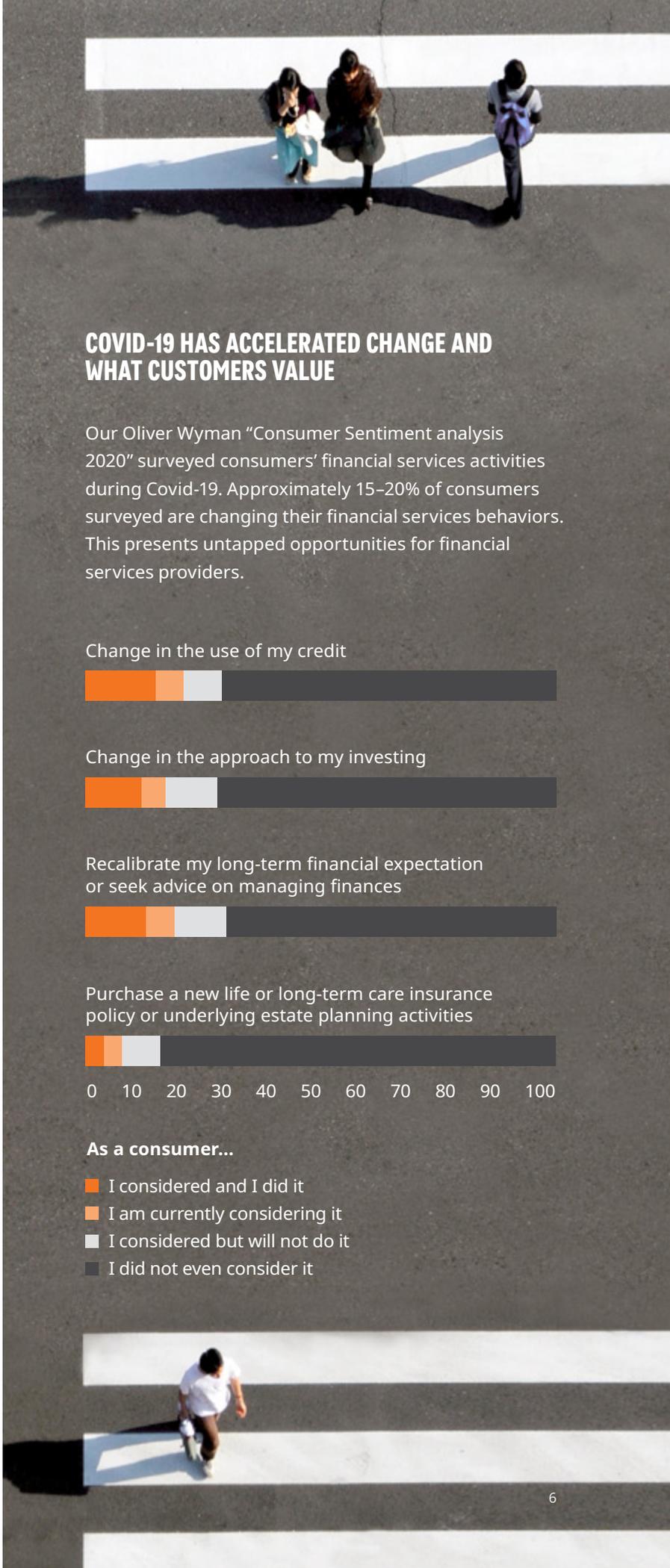
Behavioral

- "Click to brick" strategies
- Work-to-life transitions
- Sharing economy
- Online shopping



Societal

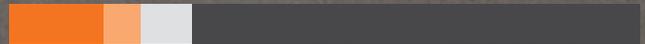
- Aging
- Urbanization
- Life expectancy
- Job mobility
- Global power shifts



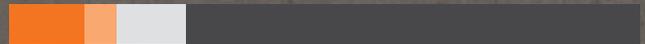
COVID-19 HAS ACCELERATED CHANGE AND WHAT CUSTOMERS VALUE

Our Oliver Wyman "Consumer Sentiment analysis 2020" surveyed consumers' financial services activities during Covid-19. Approximately 15–20% of consumers surveyed are changing their financial services behaviors. This presents untapped opportunities for financial services providers.

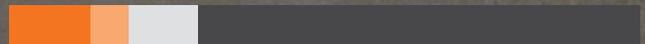
Change in the use of my credit



Change in the approach to my investing



Recalibrate my long-term financial expectation or seek advice on managing finances



Purchase a new life or long-term care insurance policy or underlying estate planning activities

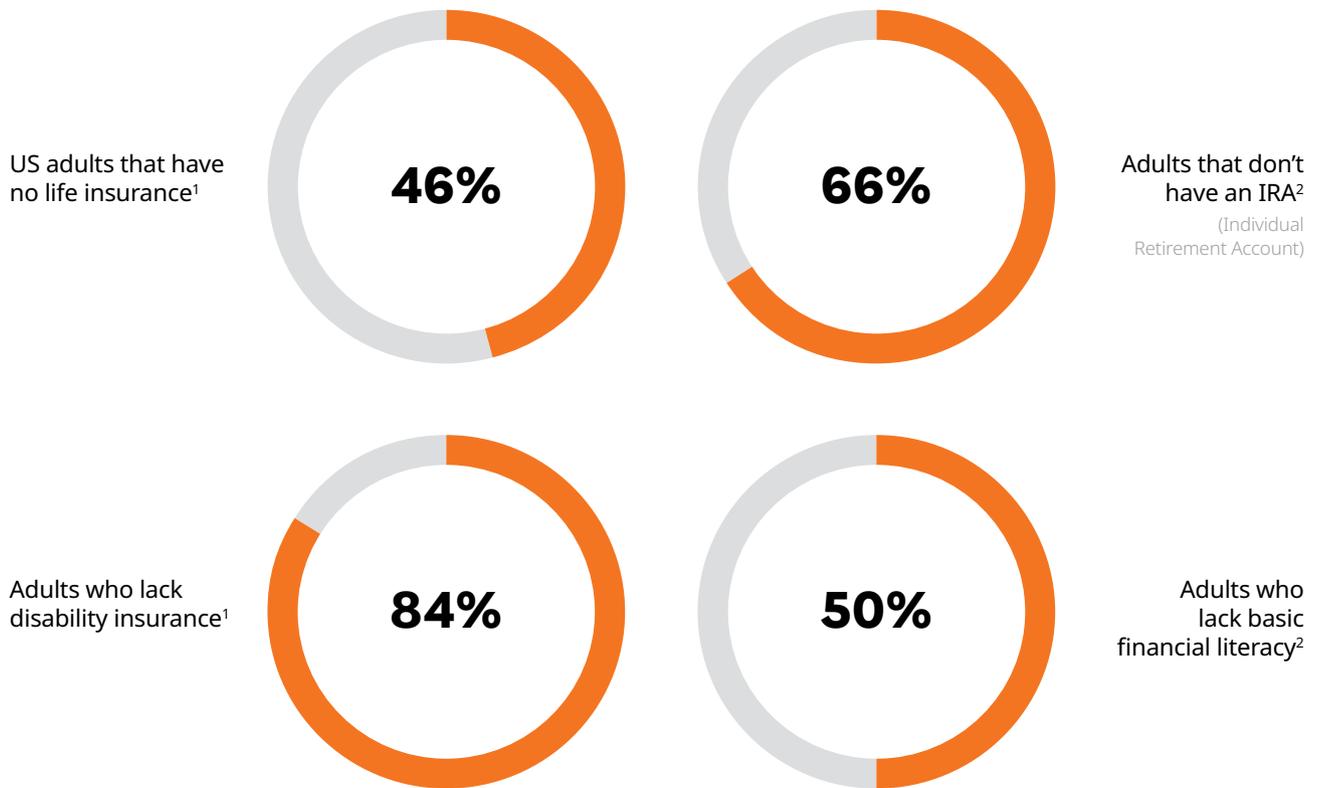


0 10 20 30 40 50 60 70 80 90 100

As a consumer...

- I considered and I did it
- I am currently considering it
- I considered but will not do it
- I did not even consider it

Opportunities: There are huge unmet financial needs



1. Source: LIMRA Insurance Barometer Report 2020. www.LIMRA.com
2. Source: "Invest in You Savings Survey" conducted by CNBC and Acorns in partnership with SurveyMonkey, 2019

When it comes to navigating financial hardship, most consumers are going at it alone rather than turning to their financial providers



Actions most taken by consumers to navigate financial hardship

- Reviewing household budget and reducing expenses
- Prioritizing which bills to pay
- Finding a new job
- Seeking advice from a friend or family member
- Withdrawing money from a retirement account



Actions least taken by consumers to navigate financial hardship

- Selling assets
- Borrowing money from a banker
- Seeking advice from a banker
- Declaring bankruptcy
- Seeking advice from a credit counselor

Source: Oliver Wyman consumer sentiment survey

THE NEW NORMAL HAS CREATED HIGHER DIGITAL ENGAGEMENT

Oliver Wyman analysis showed consumers are shifting toward digital channels for routine banking activities, and this is likely to continue post-pandemic.

Respondents who changed to digital channels

63%

would repeat and use a digital channel again (within one year from now)

44%

are keen to continue new digital habits, even post-COVID-19

34%

believe doing things online just reinforces the value of being face-to-face

Source: Oliver Wyman Consumer Sentiment Survey 2020

48%

Used digital banking during COVID-19

40%

Used digital banking pre-COVID-19



OPPORTUNITIES

FOR FIRMS WITH THE RIGHT CAPABILITIES

Firms that understand what customers value most have an opportunity to accelerate growth and consider which capabilities to invest more or less in. Look beyond where you have traditionally played and consider the specific value customers are expecting from both traditional and non-traditional competitors, as well as the unmet customer needs not yet fulfilled by players in your market. This will allow you to double down on capabilities that truly differentiate and are unique, while reducing spend on capabilities that customers value less.

Below are examples (not exhaustive) of capabilities matched to what customers value.



Simple, less complicated offerings

- Digital payments
- Simplified underwriting
- Multi-generational compatibility



Seamless one-stop shop

- Insurance and wellness products
- Banking and financial literacy
- Asset management and liquidity



Digital and contactless experience

- Omni-channel
- Digital sales and relationship manager productivity



Integration with other providers

- Open banking to multiple services
- Insurance partnerships with employer benefits
- Asset managers with RIAs



Fully understand their needs

- Data mining, scrubbing and aggregation
- Forecasting models on customer needs
- CRM with next best action alerts



Solutions customized for them

- Customer configurability built into product development
- Solutions for specific customers
- Credit access to those with uncertain cash flow
- Data-driven credit targeting, underwriting

GET STARTED

RE-ENVISION HOW YOU CREATE CLIENT VALUE

A ACTIVATE A FOCUSED, CUSTOMER**FIRST** MINDSET

Firms need to move toward understanding customers' needs and focus on solving problems that enable "real progress" in their consumers' lives (for example, triggered by life events). By solving customers' most pressing problems and doing more of what customers value, firms will win more share of consumer attention. Our ["Think CustomerFirst"](#) paper shared seven practical considerations to begin making this progress and poise organizations for long-term growth.

B BUILD A TREASURE TROVE OF CUSTOMER DATA

Financial services firms will need "on the ground" information to get ahead of where customers' needs are going. Increased consumer attention allows firms to build a treasure trove of customer data — signals of future intent versus records of past transactions. This data can help companies develop better value propositions and richer solutions for customers — with a greater scope. Solutions need to be customized and proven with data. To achieve this, embracing a test-and-learn mindset is crucial. The approach needs to: (1) Test with customers, early and often; (2) Capture signals generated by customers' engagement to improve the experience, function, or both; (3) Iterate the experience and functionality (4) Evolve the experience in lockstep with becoming richer and stickier with increasing functionality.

C VIEW COST PROGRAMS AS A WAY TO FUEL GROWTH

Rather than performing a one-time slash of expenses (that often trickles back in), leaders need to change their mindset and view cost programs as a way to fuel growth. This can be achieved by **building capabilities linked to customer value, growth and the firm's differentiation.**

We believe "unconventional times require an unconventional mindset." You may already have the necessary capabilities in your arsenal and our **Reset4Value** approach takes this into account. We can help your firm to bring large opportunities into plain sight and gain a true view of your differentiation. Using our structured playbook, firms can look at what they are doing today through a new lens — and optimize current and new capabilities to create more customer value.

Performing the “**Four Acts of Unconventional Leadership**” in a cohesive, self-reinforcing whole is key to fusing your cost transformation efforts together. Our upcoming papers will take subsequent deep dives into the next set of Acts. **With Act 2**, we will build on re-envisioning client value. We will showcase how leaders can segment and align costs to client value — to further drive discussions on which capabilities can fuel future growth. This synthesis of the business portfolio ensures leaders are spending the appropriate amount of time, money, resources and attention to the right areas and priorities.

As we’ve said, it’s often easier for leaders to focus resources on what their organization does well, rather than understanding what the customer wants. Using our **Reset4Value** playbook, we can help your management team focus — to solve your customers’ most pressing problems, align the necessary resources, and execute on the change. **The time to get started is now.**

There is an extraordinary future growth opportunity for financial services firms. However, as customer demand evolves and competition broadens, leaders must change their mindset.

Oliver Wyman is a global leader in management consulting that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation.

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