

# Disruption rubber hits the road in finance and insurance

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The pace of change in SA's financial services sector will accelerate rapidly in 2017, as at least one fully-fledged bank gears up for its launch, and other players start releasing new digital services to serve unmet customer needs.

## True digitisation

The three biggest areas of disruption are likely to be retail banking, payments, and insurance. For startups and incumbents alike, the name of the game will be true digitisation. Firms can no longer survive by merely paying lip service to digital - spinning off ineffective digital outposts, launching isolated incubator programmes, or creating surface-level brand campaigns.



2017 will be the year that the proverbial rubber hits the road. The winners will be those that deeply integrate digital principles into their organisations, demonstrate bold new thinking, and move towards intelligent and lean operational processes.

## Quad-play customer engagement

Banks will increasingly look to pervasive customer engagement strategies - extending the concept of triple-play into the realm of quad-play: where transactions are bundled together with connectivity, communication, and content services. By broadening their suite of services, banks will play a more engaged role in customers' lives, facilitating point-in-time transactions and adding increasing levels of convenience.

## On-demand insurance cover

Look out for new embedded payments features within popular messaging apps and broadcast services. Look for new on-demand insurance offerings, such as temporary life cover for holidays abroad, or temporary third-party car insurance for a

weekend away. Perhaps even shared insurance services where multiple parties are underwritten for the same asset. Look for new tie-ups between media companies, telcos and banks - and possibly even mergers and acquisitions.

## **Payment services**

Innovative digital payments services using apps, QR codes, online payment gateways and social media platforms will continue to gather steam in 2017. They're forcing banks to start abandoning decades-old revenue models such as the four-party model and bundled monthly accounts. In their place will emerge new opportunities in different market segments, microservices, digital-only offerings, and new joint ventures.

## **Challenging regulations**

This will also be a year where financial services companies start actively challenging any regulation that impedes customer convenience or the inclusion of new participants into the formal economy. Perhaps the biggest learning from Uber's success is that regulatory compliance shouldn't always be the starting point when launching something new.

In fact, if Uber had taken a conservative approach to the established regulations of taxi licenses, medallions, demarcated territories, and corporate tax, they would not have revolutionised the metered taxi industry. Financial services regulations belonging to an analogue world will be increasingly challenged by digital players.

## **Customer centricity**

Perhaps the biggest shift in 2017 will be a focus on customer experience. While it's true that terms like customer centricity have been bandied around by banks for years, their big data programmes will soon start delivering value - understanding customers at a richer level, personalising services, and providing useful recommendations about how we should manage our financial worlds.

The traditional banking, payments and insurance business models are undergoing dramatic changes. This year we'll see competition continuing to heat up, as global digital firms continue to encroach on the incumbents' turf. Fintech firms and traditional financial companies will require a concerted focus on digital technology, to gain ground in 2017.

## **ABOUT THE AUTHOR**

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