



Choices on your digital path

by Roman Regenbogen and Catherine Ishhab

How will financial companies retain relevant business in the future while coping with new rules of competition and external uncertainties? You have to choose between options and reconsider them regularly on your way through the digital age.

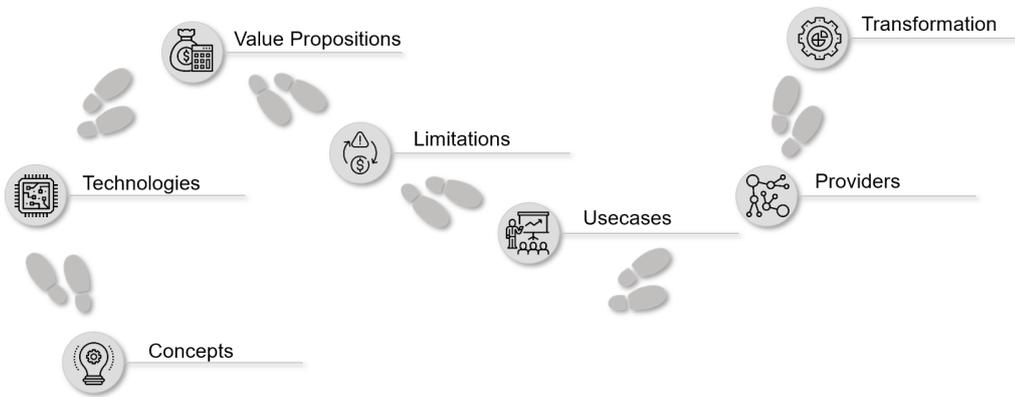


Illustration:
TALOS – Finding your digital
path

Defining a clear digital strategy has never been of such vital importance for the Financial Services industry as now. Over the past decade banks were significantly involved in making their way through the regulatory jungle. Less focus was on improving existing or introducing new services to clients. At the same time FinTech start-ups as well as other BigTech players like Apple or Google entered the Financial Services market, leveraging innovative technologies as well as their advanced expertise in interacting digitally with customers. Traditional financial institutions have to catch up as they have already lost substantial parts of the financial value chain.

Catching-up requires developing and adapting digital strategies per market or line of business in a continuously changing environment. New rules of competition apply in today's ecosystems comprised of platforms, marketplaces and FinTech companies. A competitor today might be a partner tomorrow or vice versa. Besides fierce competition, a digital strategy in the Financial Services industry must factor in further external challenges such as low or even negative interest rates, increasing market volatility and a still increasing number of regulations.

Basically, your strategy needs to address three key questions:

- 1. What will banking or the insurance business look like in five, ten or fifteen years?**
Answering this question requires a sound understanding of customers' needs as well as of the business models of other market players. It goes without saying that uncertainty will remain unless you are the lucky one to have a crystal ball. Any participant of strategic discussions should at least have an opinion about the future state.
- 2. What will be the role of your company in a future market?** By working out your core competences and your unique value propositions you need to decide on when to enter which market (either as a first mover or a fast follower), what role to play in target markets (e.g. client advisor, product supplier, technology/platform provider) and whom to partner with.
- 3. What to do next?** Based on 1. and 2. you need to provide direction in a situation of uncertainty about the target state. The challenge is to have concrete actions to communicate to your stakeholders while allowing flexibility for adjustments over time.

In order to support the dialogue with our clients TALOS has developed a so-called Digitalization Guide. The Guide can be useful in three ways:

First, it offers definitions and clarity on some of the main 'buzzwords' (IoT, Blockchain, Open Banking etc.). While these buzzwords are widely spread, it is neither always clear to everyone what they really mean nor how they relate to each other. The Digitalization Guide clarifies which of the buzzwords simply refer to a technology and which represent an overarching concept. Each concept is amended by value propositions as well as known limitations for Financial Institutions. We believe that only once all stakeholders have the same understanding of digital concepts they can seriously discuss the opportunities and threats for their own business and evaluate strategic options.

Second, the Guide provides a set of known use cases. Clients in search of specific topics or technologies get examples of real life implementation and related technology providers. Known limitations of technologies are highlighted in the guide and can be addressed at an early stage.

Third, when a decision for a certain technology has been made clients may need a starting point for selecting adequate providers. The guide lists more than 100 technology providers grouped by their technology stack and provides more details about their solution.

Of course, we keep the content of the guide up-to-date to reflect changes over time. For a sample snapshot of the Digitalization Guide please refer to the picture below.

The screenshot displays a digital interface for the Digitalization Guide. It is divided into three main sections: Concepts, Use Cases, and Providers. A red 'Extract' stamp is visible in the top right corner of the Concepts section.

Concepts Section:

- Concept:** Make use of data collected from physical devices to create value for customers.
- Technology:**
 - IoT: network of inter-connected physical end-user devices
 - Application Programming Interface (API): software middlemen that connects applications to back-end office IT systems enabling third party developers to build applications and services around the financial institution.
- Maturity:** Expansion
- Limitations:**
 - Data ownership & privacy
 - Data Security
 - Digital automation
- Value Proposition:** Top-line Growth (filled), Cost Efficiency (partially filled), Regulatory Compliance (empty), Digital Readiness (partially filled).

Use Cases Section:

Company	Description	Value Proposition
Idea Bank (PL)	The bank runs a fleet of cars, each customized with an integrated security deposit box and an ATM, which can visit the customer, rather than vice versa.	Top-line growth
Starling Bank (UK)	The bank enables Siri, Alexa and recently Google Home to access client's banking data and ask for current balances or order money transfer.	Top-line growth Digital Readiness
State Farm (US)	With Drive Safe & Save telematics programme, a smartphone and beacon tell the insurer exactly how the customer is driving, a move that can apparently save the customer up to 50% on their annual policy.	Top-line growth Cost-efficiency

Providers Section:

Technology Provider	Country
Amazon	US
DXC Technology	US
Google	US
Oracle	US
Ring	US
Samsung	KR

Illustration:
TALOS Digitalization Guide
- Snapshot

Be aware that there is no universal approach to build a strategy as it significantly depends on the market conditions. In highly predictable environments with settled market players, established regulations and limited changes of technology you can analyze lots of data, you can plan and implement in the classical way. This approach fails in adaptive environment where you cannot plan but experience constant change and uncertainties. Your strategy should adopt these conditions by following a more iterative approach with regular review cycles and reconsideration of former decisions.

If you are interested in discussing any of the above in more detail, please find your contact below.

Who we are

TALOS is continuously striving to shape new standards in management consulting. As a specialized consulting boutique of Swiss origin, we are serving the European financial services industry from our local offices in Zurich and Luxembourg.

Founded by experienced management consultants in 2008, we have grown since then to a renowned consulting company with a complementary service offering across various disciplines. **2018, we are celebrating our 10th anniversary.**

With our tailored hands-on approach, we accompany our clients in mastering the fundamental challenges the industry is facing.

We are a trusted partner for our clients helping them to increase their organizational effectiveness and operational efficiency.

We strive to be recognized as one of the leading management consulting boutiques for the European financial services industry.

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