

July 2014

# The . Insights Review

## Financial Services Edition

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Featuring:

- General Strategic Interest
- Retail & Business Banking
- Corporate & Institutional Banking
- Wealth & Asset Management
- Insurance

- Strategy & Transformation
- Corporate Finance / M&A
- Regulation & Compliance
- Human Capital
- Finance & Risk

- Marketing & Customer Experience
- Operations & Change
- Strategic Analytics
- Technology

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## About this Report

*The Insights Review – Financial Services Edition* by ICG presents timely abstract reviews of the most relevant ‘open published’ perspectives and research reports from the world’s leading branded management consulting firms.

This publication ensures that executives and consultants are exposed to the widest range of high quality ideas, techniques and methodologies developed across the management consulting industry globally.

Relevant insights are identified and classified once only, either in a general category, or by topic alignment to an industry segment or a functional area using our proprietary taxonomy.

## Access to Full Reports

If you find an insight review of interest and wish to access the full report, simply follow the link beneath the title. Where possible, this will take you to the full report. Occasionally, the publisher may require the user to complete a registration or payment process prior to accessing the report.

Links are current at time of publication.

## Insight Sources

ICG sources candidate insights for review from the best and most relevant material published openly by (at least) the following branded consulting firms:

- Accenture
- AT Kearney
- Bain
- BCG
- Capgemini
- Deloitte, Touche & Tohmatsu
- Ernst & Young
- FMCG
- IBM
- KPMG
- McKinsey & Company
- Oliver Wyman
- Promontory
- PwC
- Roland Berger
- Strategy&

# A Message From the Editor

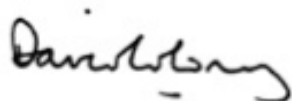
This month we review insights issued just prior to the Northern Hemisphere holidays, so a traditionally lighter month for insights. However, some of the houses have published excellent articles, especially McKinsey. This month, we highlight their article entitled *Accelerating the Digitization of Business Processes* as a worthy winner of our Article of the Month (page 23).

Others we recommend include:

- Accenture's *Reimagining Wealth Management for the Digital Age: Empowerment, Engagement, Agility*;
- Accenture's second highlight this month, *Rise of Fintech in New York*;
- Bain's *Leading a Digital Transformation*;
- Bain's other standout, *Customer Loyalty and the Digital Transformation in P&C and Life Insurance: Global Edition 2014*;
- BCG's *Incubators, Accelerators, Venturing, and More: How Leading Companies Search for Their Next Big Thing*;
- EY's *Risk Culture*;
- McKinsey's follow-on with another *Digitizing the Consumer Decision Journey* piece;
- PwC's *Equipped for the Future: Re-inventing Your Organization*.

We trust you will enjoy this month's edition and as always, we welcome feedback about how to maximise the value of this publication for yourself and your team.

Best,



David

## GENERAL STRATEGIC INTEREST

### ***“CEO Briefing 2014: Banking Industry” – Accenture***

[View PDF \(12 Pages\)](#)

Comfortingly outsourced to the Economist Intelligence Unit, this report is based on a survey of 1000 ‘C-suite’ executives around the world.

The messages are high-level, and largely well trodden but well articulated. On business models, the move is towards more defensive and reliable strategies, such as enmeshment with existing customers as retrenchment from globalization and other stretch efforts refocuses growth at home. Skip the first digital section unless you haven’t heard of cloud, data or mobile.

The second section highlights a heightened need for change management as the complexity and pace of change increases. This is because a) new technology now suffers from regulatory scrutiny; and b) because shorter half-lives force the need to pick winners or fast follow. Far more value to be had there than in the more elementary first section.

### ***“Economic Conditions Snapshot, June 2014” – McKinsey***

[View PDF \(11 Pages\)](#)

This is a ‘wet finger in the air’ survey of 1,700 executives from around the world. They answer questions on optimism for their economy and region and McKinsey package it up as fodder for us and their teams.

Light on data analysis and insight – the headline is ‘things’ are trending up in developed economies and India (due to the elections), whilst trending down elsewhere.

We only review this series in light content months while we wait for McKinsey to revamp it into something befitting their brand.

## **KAR – Best Practices in Relationship Management**

Best Practice Relationship Management across Financial and Non-Financial Services • 113 pages.

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## ***“Retail Banking 2020: Where Will We Be in Six Years?”*** ***– AT Kearney***

[View PDF \(11 Pages\)](#)

AT Kearney present a helpful scenario analysis for retail banks (US but broadly applicable). Their first (and we believe the critical) dimension is the impact from technology combined with non-traditional competition. Their second dimension is macro-economic and financial system stability, which is much harder to respond to.

The result is four sensible scenarios which are explained with a potpourri of implications and strategic responses, serving as useful input to more comprehensive strategy formulation efforts.

Read the early ‘no regret’ moves on page 3, especially ‘get lean, agile and integrated’.



## RETAIL & BUSINESS BANKING

### ***“From Challenger Bank to Market Leader in Seven Moves” – AT Kearney***

[View PDF \(2 Pages\)](#)

Not an article, more a consulting brochure setting out a basic framework for how challenger banks can consider developing competitive advantage against incumbents. Options include being solution-focused not product-focused, winning the war for talent, and maintaining simplicity. These are familiar themes addressed in motherhood terms – this one can be safely skipped.

### ***“2014 Retail Banking Radar” – AT Kearney***

[View PDF \(15 Pages\)](#)

Euro-centric consultants will be interested in AT Kearney’s assessment of Europe’s beleaguered retail banking industry. While some positive indicators point to a gradual recovery, industry performance continues to lag pre-crisis levels. A key theme is that cost reduction has been an under-utilized lever, with new approaches to productivity, including rethinking business models, required to lift performance.

## **KAR – Digitisation of Retail Banking**

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## ***“Banking on Our Future: Framing a Vision for the Australian Banking Industry” – AT Kearney***

[View PDF \(46 Pages\)](#)

AT Kearney’s white-paper on Australian retail banking also serves as their FSI response. This document sets out a future-state vision for a vibrant and innovative financial services industry serving as a key enabler of a diversified, integrated, and digital economy.

This is an insightful and forward-looking article that will be of interest to banking executives, regulators and consultants. A highlight is the overview of the recent performance of the Australian FS industry, indicating how successfully the banks have balanced competing objectives to deliver across multiple stakeholder groups – shareholders, customers and regulators.

## ***“Digitizing the Consumer Decision Journey” – McKinsey***

[View PDF \(14 Pages\)](#)

As this article makes clear, the customer experience is being fundamentally transformed by digitisation, at a rate that is faster than most companies can react to. The stakes are very high, as digital maturity increasingly becomes a key differentiator.

To maximise digital channels, companies will need to develop new capabilities including:

1. Advanced data capture and analytics;
2. Using insights to create positive and frictionless customer experiences; and
3. Redesigning the organization for agility.

This is a well-argued prescription for change that should be read by digital executives and consultants.



## ***“Building the Retail Bank of the Future” – Bain***

[View PDF \(12 Pages\)](#)

Digital executives are spoilt for choice this month with Bain also contributing an urgent call-to-action for retail banks to accelerate the digital journey.

As digital transactions now represent over 85% of banking interactions across many countries (and will soon exceed 95%), it is clear that retail banking has already become a digital business, and digital differentiation will be the key factor to winning and retaining customers as the digital transformation continues to unfold.

Imperatives for retail banks include building omni-channel distribution, overhauling technology platforms, and organizing across departments to speed innovation and change. Examples from CBA, Westpac, Hana Bank (South Korea) and BBVA show that retail banks can deliver “wow” experiences to position themselves as global leaders in digital innovation.

### ***“Expect Revolution, Not Evolution, in Securities and Financial Services” – AT Kearney***

[View PDF \(9 Pages\)](#)

This AT Kearney article focuses on the “plumbers” of the European capital markets, that is those firms that provide essential back-office services that keep capital markets working.

Industry specific cost pressures, including those from an army of new regulations, continue to hamper both the plumbers and their clients. The article postulates that revolutionary rather than evolutionary change is required to bring the ‘plumbing’ up to requirements. It elucidates this with a Situation & Response articulation for the asset managers and their plumbers. The final conclusion is that the plumbers had better not aim to play in the middle ground (i.e. do nothing) but that they should either offer more or offer less.

A worthwhile read for all concerned about the plumbing in European capital markets.

### ***“Global Banking and Capital Markets Sector: Key Themes from Q1 2014 Earnings Calls” – EY***

[View PDF \(21 Pages\)](#)

A quote and comparative-data rich article by EY, comprising a review of the 1Q14 earnings reports of 35 global institutions in the banking and capital markets sector. It identifies the top ten themes that are common in the reports.

Overall, it provides an interesting 60,000ft view of the global banking sector that concludes 1Q14 reflects “a pause in the marketplace rather than a return to sustainable performance”.

A handy list of who’s who in global banking.

### ***“Reimagining Wealth Management for the Digital Age: Empowerment, Engagement, Agility” – Accenture***

[View PDF \(20 Pages\)](#)

A very good and timely article from Accenture that captures the essence of the risks and opportunities facing the wealth management industry from the inexorable rise of digital technologies. It describes how mobile, analytics, social, and cloud are impacting business models in terms of client engagement, value proposition, and operational efficiency, and notes correctly that there are no ideal response strategies – each will be unique to firm, business strategy, and client segment.

Of particular interest is research that illuminates the conservative “Gen-D” (generation digital) segment – highly educated, tech-savvy, wealthy, and cross-generational. Gen-D is an attractive client group that many wealth management firms would be considering for growth but whose needs are unlikely to be met with current industry value propositions. Leading firms who best meet the needs of this segment will find themselves well-placed to service the far larger digital native generation coming through in the next 10 years.

The article closes by proposing a good framework on engagement and empowerment of clients that describes various ways in which firms can harness the evolving digital technologies. While not exhaustive (e.g. no commentary around shared advice) it is one of the more comprehensive assessments on the digital technology theme.

At just 20 pages, it is important reading for all involved in the wealth management industry, but particularly for Heads of Strategy and C-suite execs charged with mapping the path forward into a rapidly-evolving new world.

### ***“Global Wealth 2014: Riding a Wave of Growth” – BCG***

[View PDF \(34 Pages\)](#)

In its fourteenth annual report on the global wealth management industry, BCG provide a clear, data-rich guide to the industry.

Starting with a solid analysis of the market and growth since 2013 (14.6% with equity market performance the stand-out driver), the report provides some regional benchmarking and analysis of efficiency and productivity.

The section on digital transformation is also thorough, with a good exhibit (Exhibit 9 on p19) comparing the digital demands of clients against the investment in digital capabilities by wealth managers.

The report ends on a discussion of business model choices and a review of how regional requirements drive these.

Recommended reading for Wealth Management CEOs and strategists.

## ***“Rethinking the Superannuation Fund Mission” – Towers Watson***

[View PDF \(8 Pages\)](#)

An article from actuaries Towers Watson for super fund trustees, this piece articulates an approach to address an increasingly vocal expectation from wealth industry commentators, i.e. that funds evolve their mission beyond managing for account balance toward managing member expectations for retirement income levels. They suggest three primary risk levers that can be communicated to members as having significant influence on retirement incomes: contribution levels, years from retirement, and expected income usage in pension phase.

Their premise is sound, however the implementation challenges are significant and the article does not delve into the complexities around the reality of providing retirement income clarity at member level (or even member ‘segment’ level). Two prominent challenges here include accommodating the impact of changes in member contribution levels over time, and the issue of consolidating fund data across multiple super funds when members change jobs, or when employer default fund changes. The financial advice industry flourishes to address precisely these issues.

While ultimately simplistic, the article is a good starting point for what will be a multi-year journey for super fund trustees.

## ***“World Wealth Report 2014” – Capgemini***

[View PDF \(34 Pages\)](#)

Capgemini present their annual wealth report, with a comprehensive picture of the High Net Worth Individuals (HNWI) market around the world.

The picture as presented is generally ‘upbeat’ about the market growth outlook, as well as HNWI investor sentiment and the opportunities this creates for wealth management players.

The report also explores the topical area of social impact investing, presenting a sound analysis of drivers of investing for social good, mechanisms for achieving social impacts, plus the role HNWIs expect their wealth manager to play in this form of investment.

The report rounds out its HNWI market coverage with a discussion of the impact of digital technologies and emerging forms of digital interaction with HNWIs.

Wealth Management executives dealing in the HNWI segment will find much to be encouraged about in this report – it nicely highlights the growth prospects for this market – and more than a few good ideas on where new business opportunities may lie.

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## INSURANCE

### ***“Customer Loyalty and the Digital Transformation in P&C and Life Insurance: Global Edition 2014” – Bain***

[View PDF \(40 Pages\)](#)

Bain have produced a heavyweight piece this month which comes on the heels of many digital futures articles (we have reviewed these over the last few months, such as those in our *June edition*). This article is data-rich and, whilst a full read, does provide a good depth and breadth of data to support both non-life and life players with an emphasis on how digital – or digital – can enhance loyalty for these businesses.

Loyalty has always been a challenge and the use of digital to produce more interactions with customers, together with the targeting of acquisition and retention plans assisted by new technology, is the cornerstone of the work.

A full but informing read.

### ***“An Industry Transforming: Insurers in a Fast Changing, Digital World” – KPMG***

[View PDF \(20 Pages\)](#)

The latest in a 3-year series of digitally-focused pieces from KPMG in the UK. This article is grounded in Big Data research and focuses – in line with a few others this year – on the need for cohesive, wide-ranging plans to embrace ‘digital’.

Technology must not be the ‘tail that wags the tiger’ and Big Data is not the only story here... these are two key messages, along with a view on telematics and the critical area of cultural changes needed to drive such organization-wide developments.

A well-constructed and flowing piece.

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## ***“Insurance 2020: The Digital Prize: Taking Customer Connection to a New Level” – PwC***

[View PDF \(24 Pages\)](#)

Another wide-ranging article by PwC. From a premise that ‘digital holds the key to customer interaction’ through to ‘claiming the future’, the article focuses on social media, mobile and sensors, analytics, and cloud.

Whilst discussing the key challenges of the interconnected developments needed, tables on pages 15 and 18 prove particularly helpful for context setting.

A good read capturing many previously covered thoughts in one place.

## ***“Global Trends in Life Insurance 2013” – Capgemini***

[View PDF \(16 Pages\)](#)

A broad global landscape view of potential changes in the Insurance market in the years ahead, drawing (unfortunately) on facts and figures from 2012 – so well out of date by the time you read this.

Most senior executives will find this fairly lightweight in terms of analysis, insight, and potential to change business strategies.

Its strengths and focus are in the description of insurers’ potential adoption of virtualized business models (software and process as a service, in order to improve customer experience and productivity. However, in these areas the report feels a bit like a brochure as it lacks facts, case studies and impact analysis. Instead, it relies on assertion and verbal logic to make its arguments.

This is one to skip if you have heard of, and already understand, the big picture arguments behind some of today’s biggest IT trends such as: Big Data, SAAS, and Business Process Management



### ***“Leading a Digital Transformation” – Bain***

[View PDF \(16 Pages\)](#)

An interesting article from Bain on the interface between digital and physical worlds – something they’ve coined as ‘Digical’. The authors argue that companies and industries will continue to cross this divide... and heaven help those companies that fall behind. Digical examples include medicine (which increasingly uses digital devices for patient assessment/diagnosis); and travel (where customers rely on digitally-controlled planes, use digital systems to book, and pass through digital security systems). Then there is ‘the internet of things’, best described as the process of putting sensors (including cameras) on just about everything...

Bain quote their study involving 300 companies (including Commonwealth Bank of Australia) and offer their views on what industries and companies need to be thinking about. CBA is an example of one who has got this right, investing significant effort and resources in establishing a single, one-team culture and infrastructure to support it.

Included is a framework for assessing whether you’re a ‘Beginner’, ‘Intermediate’ or ‘Expert’, plus a number of good examples of what has worked and what hasn’t.

All-in-all, an interesting read. Unfortunately, it doesn’t tell you what you need to do – other than hire Bain, perhaps, so no surprises there.

### ***“BCG Classics Revisited: The Growth Share Matrix” – BCG***

[View PDF \(9 Pages\)](#)

Forty years ago, BCG’s Bruce Henderson introduced the BCG Growth Share Matrix, with the now famous quote:

“A company should have a portfolio of products with different growth rates and different market shares. The portfolio composition is a function of the balance between cash flows... Margins and cash generated are a function of market share”.

The Matrix provided diversified companies with a logic to allocate scarce resources and achieve a balance between realizing the value from mature businesses and investing in new businesses to ensure growth in the future.

Forty years on, the world has changed:

1. The time between innovation and adoption has condensed;
2. EBIT margins are more volatile; and
3. Market share is no longer necessarily an indicator of profitability and/or success.

This article investigates whether the BCG Growth Share Matrix still holds true and if/how it can be utilized moving forward. Relatively short at nine pages, it makes for thought-provoking reading.

### ***“Incubators, Accelerators, Venturing, and More: How Leading Companies Search for Their Next Big Thing” – BCG***

[View PDF \(20 Pages\)](#)

This article provides a very good “Innovation 101” view, the finance side being that many of the paths to innovation start with investment in incubators, accelerators, or other innovation vehicles.

We found this to be a great starter kit article, with clear summaries of the tools available and their individual qualities. However, as the article notes, if you are not already on the train then you are falling further behind and you had better get moving.

### ***“Goodwill Shunting: How to Better Manage Write-downs” – McKinsey***

[View PDF \(4 Pages\)](#)

This article confirms empirically what has been quite prevalent in the business media of late: that the recording of a write-down can often be seen as the drawing of a double line under a bad investment, thereby solidifying a loss and enabling the company and the market to move on.

The advice for making write-downs: act and inform the market quickly; deliver the bad news or most of the impairment in one go; and define the path out.

Brief, cleverly-titled, and helpfully descriptive.

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## ***“Uncovering Cash and Insights from Working Capital”*** **– McKinsey**

[View PDF \(12 Pages\)](#)

This article notes that as working capital measures are rarely included in remuneration metrics, its management is often overlooked.

Improving working capital management not only generates additional cash to fund value-creating opportunities, but in certain instances may also reveal insights to improve other areas of the business.

This ‘insight’ should be very obvious to all finance departments.

## REGULATION & COMPLIANCE

### ***“The Single Supervisory Mechanism: Mind the (Capital) Gap” – Deloitte***

[View PDF \(16 Pages\)](#)

A glee-filled insight that outlines yet another new comprehensive regulatory assessment tool for European banks which has been designated as significant.

The report outlines the timeline, some small case studies, and some analysis of the typical levers used to address shortfalls including capital issuance, asset sales, de-risking and M&A.

Relatively light but worthwhile reading for those with an interest in the European banking space.

## HUMAN CAPITAL

### ***“Everyday Moments of Truth: Frontline Managers are Key to Women’s Career Aspirations” – Bain***

[View PDF \(20 Pages\)](#)

This article begins with a startling set of facts around how women’s aspirations for a C-suite corporate role decline over time, whilst for males that aspiration stays constant.

The remainder of the article goes into detail on the root causes of the problem and then goes further to make helpful recommendations on practical things leaders can do to address the issue. Interestingly, the authors choose to focus on what should happen in the conference room, as opposed to in the classroom or in the Boardroom – which is where most of today’s literature on this topic tends to focus.

A nice piece by Bain backed with solid research. Of note, the article’s source references act as an excellent reading list for those interested in this topic.

### ***“Leaders Who Inspire: A 21st-century Approach to Developing Your Talent” – Bain***

[View PDF \(8 Pages\)](#)

Bain explores the idea of ‘ability to inspire’ as a leadership competency, in the context of today’s new world of work where customer experience is valued over product design, the nature of work has become more collaborative, and new ‘Millennial’ workers need to be engaged more than any other generation in the past.

Against this backdrop, Bain tries to distinguish between performance skills and inspirational skills, making suggestions on what a better learning and development model may look like.

A useful thought-starter for those responsible for creating high-impact programs capable of building the next generation of inspirational leaders.

### ***“Risk Culture” – EY***

[View PDF \(5 Pages\)](#)

There is a lot to like in this snappy little insight from EY. In a few short pages, EY provides a wonderfully clear and insightful distillation of the issue, some hotspots to look out for, and its own framework and approach for aligning culture to the new normal. It's so good that we forgive them the pocket of advertorial.

In the insight, the three foundation blocks highlighted by the FSB are related to four key indicators of a sound risk culture:

1. Tone from the top;
2. Accountability;
3. Effective communication and challenge; and
4. Incentives.

These four elements form the basis of a proposed framework which is intended to address the issue of how firms can assess and change their culture.

The paper concludes with some guidance on where to begin in assessing and addressing risk culture requirements, which may be helpful to those charged with this responsibility.

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### ***“The Essential Role of a Customer Advocacy Office”*** **– Bain**

[View PDF \(4 Pages\)](#)

A good introductory article discussing the role and functionality of a centralized team to manage customer experience. In short, it highlights three benefits of entrusting the oversight of customer experience to a centralized Customer Advocacy Team: standardization, cross-functional perspective, and clear responsibility.

Whilst there may be nothing surprising here for those organizations who already centralize this function, an interesting case is made for the benefits of this model versus other business units having responsibility.

Firstly, adopting a standardized repeatable process will produce more consistent and accurate data for benchmarking and measuring progress to support investment decisions.

Secondly, a centralized office can better identify issues, resolve problems, and leverage learnings from multiple business units.

The third benefit is that it becomes the arm of management whose sole focus is to be the customer representative. It has clear focus, responsibility, and authority to influence policy and procedures across business units that affect the overall customer experience.

This last point is particularly relevant if your organization collects customer data at individual business unit level, and doesn't map the overall customer journey.

Brief but solid; a worthwhile read if only as a reminder.

### ***“Mastering Digital Marketing”*** **– McKinsey**

[View PDF \(8 Pages\)](#)

The era of the traditional marketing campaign is ending. In this article, McKinsey explains what companies get wrong when it comes to digital marketing and the changes needed to better engage consumers.

McKinsey provides practical guidance for overcoming the obstacles with smart decisions, organization, and process design. Senior leaders need to recognise one of the first things is that digital is not just this 'added thing'. It's not just one more channel; it is different. It's about changing the way you operate, because it is about using data, faster cycle times, and more interactivity with more empowered customers.

The article would benefit from case studies on the senior executive attitude and leadership required for the transformation.



## OPERATIONS & CHANGE

### ***“Equipped for the Future: Re-inventing Your Organization” – PwC***

[View PDF \(24 Pages\)](#)

A very strong yet pithy article focused on the critical five attributes companies must develop to compete in the Digital Age. According to the authors, this includes:

1. Inspirational mission and brand;
2. Capabilities fit for the future;
3. Decisiveness: speed fit to risk and value;
4. Agility: fact-based iterative improvement; and
5. The right people.

This thoughtful article does a great job of describing these attributes, their value, and their rationale. Better yet, it begins to get prescriptive of how the shift (from-to) can be accomplished.

Well worth the 15-30min read for most executive teams.

### ***“Accelerating the Digitization of Business Processes” – McKinsey***

[View PDF \(7 Pages\)](#)

A great and easy read on the value, role, and approach to digitization of business processes. Applicable to companies of all sizes and capabilities.

The authors Paul Wilmott and Shahar Markovitch lay out the simple and powerful logic for change and also the radical approaches required to break traditional points of resistance within the idea to implementation flow. Digital initiatives must be set up to be the end-state way of doing business. Therefore, legacy business units must be “rolled-in” to this new way of work – which will eventually absorb the legacy business. This truism will feel counter-intuitive and threatening to many leaders.

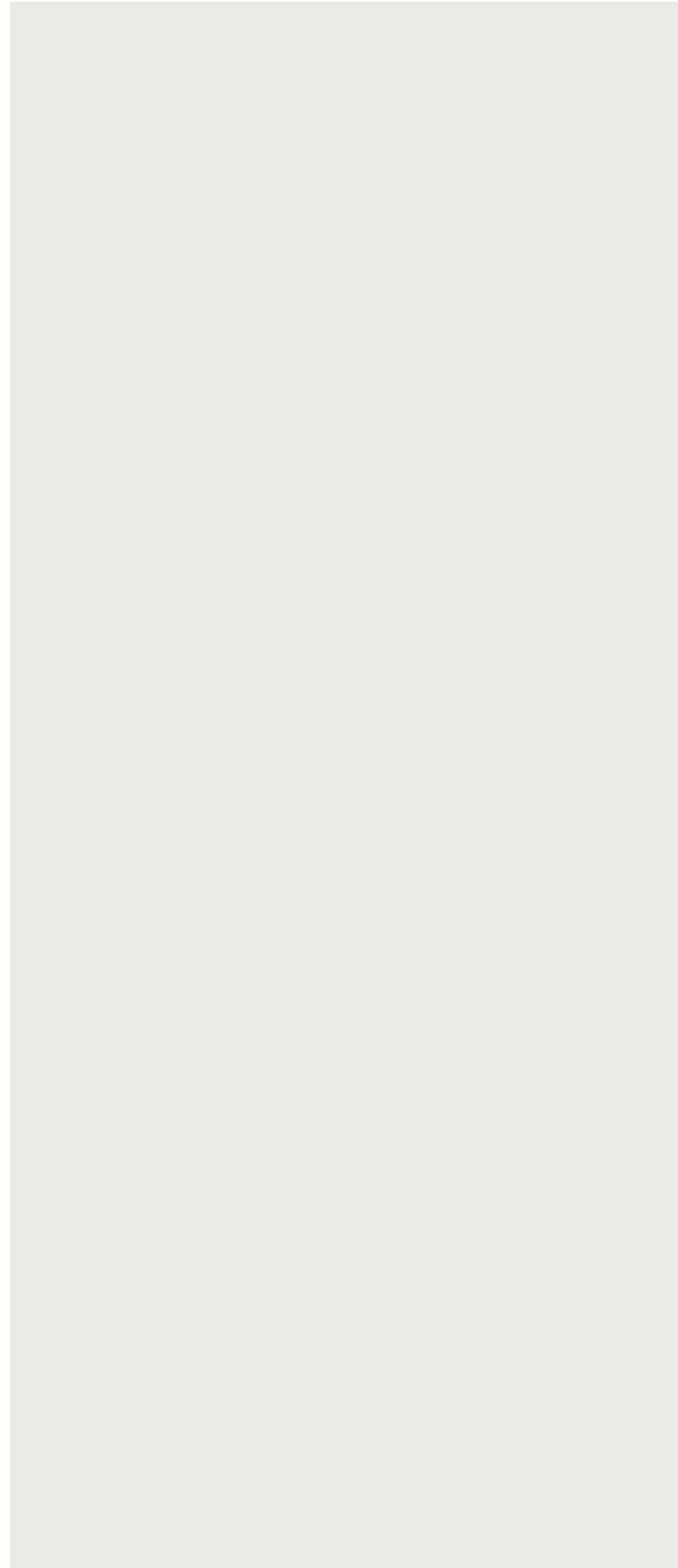
*Article of the Month*

## ***“10 Principles of Leading Change Management” – Strategy&***

[View PDF \(13 Pages\)](#)

One of the best things about the writings of Booz (now Strategy&) has always been their use of rich and powerful case studies to illustrate the arguments in their articles. This article follows that pattern and, together with the other article in this section, represents a comprehensive view of what to change to (ref: *PwC article*). Just as importantly, it addresses “how to make change meaningful and sustainable”.

Each of the principles in this list stands on its own. Readers should think of this as a menu of tools that can be used independently or collectively, depending on your situation, energy, and the complexity of the change challenge you face.



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## STRATEGIC ANALYTICS

### ***“Big Data Maturity: An Action Plan for Policymakers and Executives” – Strategy&***

[View PDF \(24 Pages\)](#)

A high-level review piece which traces the genesis of the Big Data phenomenon back to the early 1970's – and then forward to today and into the future. It is notable for its wide breadth of content and its appeal to an executive-level audience more interested in strategic ideas than operational minutiae.

### ***“Using Marketing Analytics to Drive Superior Growth” – McKinsey***

[View PDF \(9 Pages\)](#)

McKinsey lives up to its reputation as a thought leader by identifying and honing in on the Big Data sweet spot with the highest potential ROI – that of marketing analytics. Positioning this critical capability correctly within corporate strategy is the key to unlocking the upside... which McKinsey estimate at some \$200 billion globally.

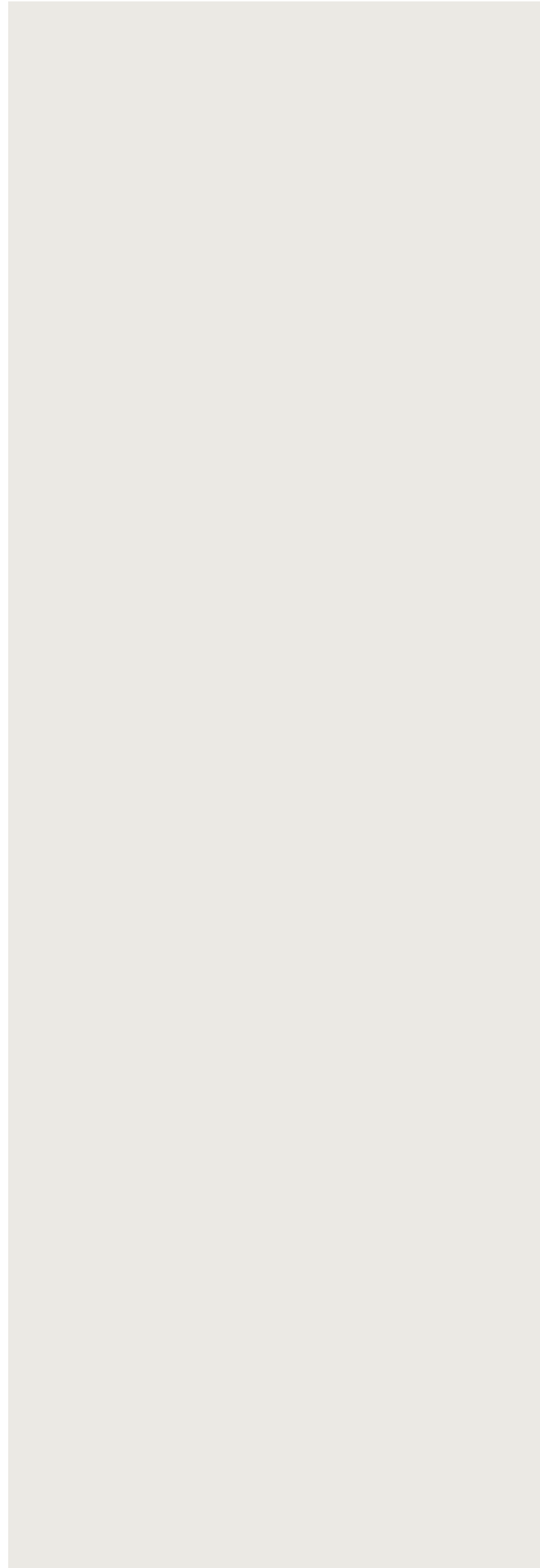
Worth a read.

## ***“Using Big Data to Make Better Pricing Decisions” – McKinsey***

[View PDF \(7 Pages\)](#)

An insightful piece from McKinsey showing the profit potential lost to sub-optimal pricing decisions. Thankfully, the solution is also at hand – better analytics in support of the pricing function.

Another article well worth the time to read.



## TECHNOLOGY

### ***“Rise of Fintech in New York” – Accenture***

[View PDF \(12 Pages\)](#)

A brochure-style article providing a high-level overview of the growth in Fintech, as well as trends and examples of recent partnering initiatives and investment commitments (such as banks setting up specialist Fintech VC funds). It also provides a progress report on the Fintech Innovation Lab, an accelerator program Accenture has been running in New York since 2011 in conjunction with local government and financial services industry partners (and which has now expanded to London and Hong Kong).

The ambition of New York City and these world finance centres is to become Fintech innovation clusters to rival Silicon Valley, leveraging their concentrations of financial services firms, customers, expertise and capital, to create dynamic ecosystems and jobs growth. For FS firms, the rationale is to make more use of external innovation, analogous to big pharma’s increasing use of young biotech firms. For more perspectives on external innovation, see our review of the *BCG article on corporate VC funds, accelerators and incubators* – although we note with surprise that financial services isn’t included in its analysis.

An important observation in the article is how strong risk management and compliance cultures in FS make it difficult to take advantage of external innovation, with sales cycles often too long and expensive for startups. Increasing permeability for external innovators and shortening sales cycles are two benefits described for the Fintech Innovation Lab.

### ***“More Bank for Your IT Buck” – McKinsey***

[View PDF \(11 Pages\)](#)

The dry findings from McKinsey’s survey of IT spend across Asia Pacific’s Banks. The authors make much of low relative (incremental and evolutionary rather than strategic and revolutionary) spending by smaller developing country banks relative to the Australians and Europeans.

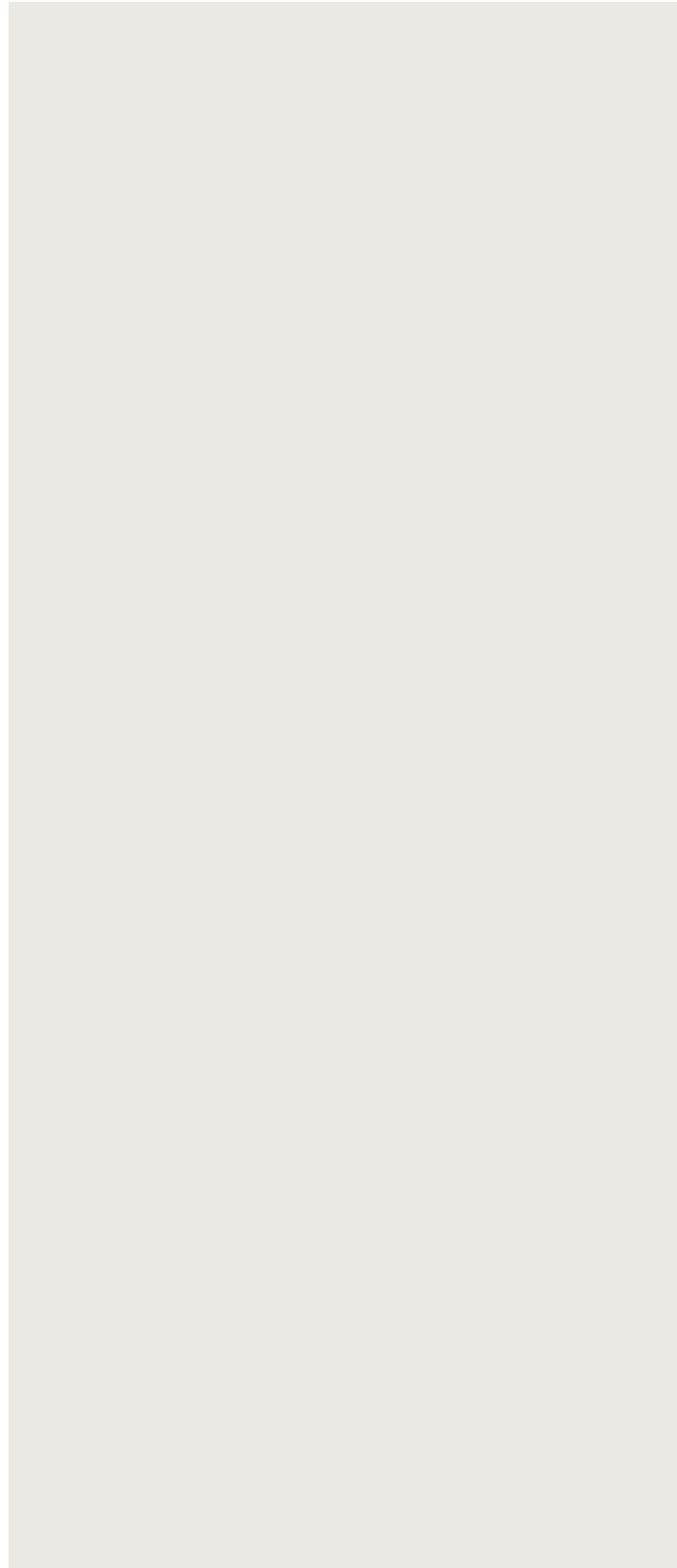
Benchmarking results can always be challenged because of false comparison risk – however, this insight suffers from this risk more than most we have seen.

## ***“Why Senior Leaders are the Front Line Against Cyberattacks” – McKinsey***

[View PDF \(5 Pages\)](#)

An interesting article that uses the new term ‘cyber resiliency’.

The article calls for CEO-level attention because cyber risk is structurally difficult to manage. The reasons include: it is impossible to eliminate without curtailing business operations; it is impossible to quantify; and it is hard to change user behavior. With such an unspecified problem and solution, McKinsey recommend leadership from the top with a predictable list of better practice mitigants.



## **KAR – Digitisation of Business Banking**

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