



NextWave Financial
Services

A confluence of disruptive forces will reshape the FS industry over the next five years

Trust redefined

Trust being reshaped across regulatory, privacy, cyber, conduct, and customer-transparency mandates

Data driven everything

Insight is the scarcest resource and ability to harness it for advantage will separate winners from losers

Pace of technology change

Driving need to accelerate transition to more modern platforms

Agile workforce

Agile operating models transform how companies work and create arms race for new talent

Hyper connectivity

Integration between digital and physical experiences will create new interaction paradigms

Cross sector convergence

Blurring lines between traditional industry silos is shifting the competitive landscape

New industry economics

New tech is driving marginal costs lower while new commercial models are pressuring traditional profit pools

Business model pressure

More empowered customers and new competitive dynamics will force incumbents to rethink value creation

Open ecosystems

Ecosystems become the new value chain and open data creates new distribution and servicing paradigms

Barriers to entries removed

New reg-tech solutions will lead to risk data and process standardization, lowering barriers for new entrants

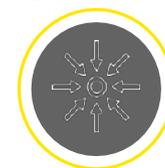
Facing this Nextwave of complex change, FS firms are demanding different capabilities from their consulting service providers

COMPETENCIES



+

TECHNOLOGY



+

DATA



The end result: a still fragmented financial landscape

Consumers rely on a patchwork of firms to meet all of their financial needs, creating a disjointed financial experience —consumer financial behavior is the same today as it was 20 years ago.



By 2025 ...

Hypothesis 1

Shifting trust dynamics will reshape the US financial landscape, and prompt the movement of \$11.3 trillion in assets.

Hypothesis 2

AI-driven financial health platforms will become clients' "financial operating systems."

Hypothesis 3

Finance will become the next subscription model, unbundling products and re-bundling personalized and holistic value propositions based on life events.

New expectations replace old assumptions about trust

Expectations and trust features modeled in our simulator platform

Customization of offerings

The ability to create custom bundles and apply specific features based on personal need

Price transparency

The ability to have transparency into, and certainty about, fees and expenses and to evaluate value received

How institutions use information

To improve products, make offers and share with affiliates for marketing

Security and regulatory

Extent of regulation around use of customer data and strength of protections for it

Personalization capabilities

Preferences, customer data history and third-party data use for personalized offerings

Value-added services

Inclusion of identity protection, data removal and additional services in bundles (either free or for a fee)

Control and discretion of personal data

Who owns the data and decides how it is used to create value

A vision for personal financial “operating systems”

Dynamic, integrated and secure views of personal financial health can influence financial decisions and incentivize financial confidence and security.

The screenshot shows a 'FINANCIAL HEALTH CENTER' dashboard for a user named Kait. The dashboard is divided into several sections:

- FINANCIAL WELLNESS SCORE:** A circular gauge showing a score of 82, with the text 'You place in the top 20% amongst your peers' and 'Based on financial activity from 08/01/18-Present'.
- WELLNESS SCORE PANEL:** A checklist of financial actions:
 - Refinanced home: saving \$500 per month
 - \$5,000 credit card payment
 - \$250K life insurance plan purchase
 - Contribute to annual IRA fund
- ACCOUNT OVERVIEW (September 25, 2019):** A summary of financial metrics:
 - INCOME THIS MONTH: \$5,645
 - RECURRING EXPENSES: 2,856
 - EXPECTED INCOME: 11,290
 - TOTAL INCOME (YTD): \$95,965
 - PROJECTED TAXES: \$16,348
 - PROJECTED WRITEOFF: \$8,653
- Aggregated Account Overview:** A table listing various accounts with their balances and 'View' buttons:

Account Name	Balance	Action
Bank 1 Checking (7048)	\$15,462.22	View
Bank 1 Savings (9882)	\$64,776.13	View
Private Client (2432)	\$48,265.54	View
Investments (H88279)	\$26,038.02	View
Computer Stock (62534)	\$1,357.13	View
Local Car Dealership Expense (9982)	\$8,004.87	View
Credit Card 1 (4239)	\$642.53	View
- Savings Snapshot compared to peers:** A donut chart showing progress towards a goal, with a graduation cap icon. Metrics include 43.7% vs 53.6% and a goal of \$65,693.00 vs a current amount of \$96,786.00.
- Anything you would like to cancel?:** A list of subscriptions with possible savings:
 - Country Golf Club: \$1,242.68
 - Weekly Wine Club: \$134.00
 - Monthly Meal Plan: \$159.76

Annotations with yellow lines point to specific features:

- 'Financial wellness score and gamification' points to the 82 score gauge.
- 'Subscriptions' points to the top navigation bar.
- 'Proactive financial advice' points to the 'Anything you would like to cancel?' section.
- 'Access to lifestyle needs' points to the 'Let's take a look' button in the subscription section.
- 'Single views of accounts' points to the 'Aggregated Account Overview' table.

Bundles will evolve into subscription-based models

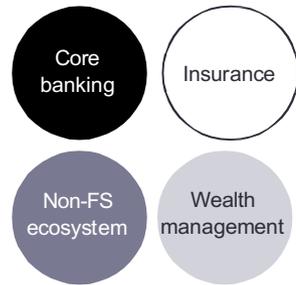
Today

1–2 years

3–4 years

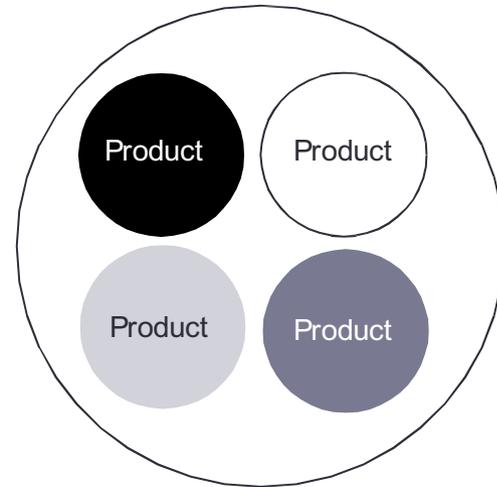
5+ years

“À la carte”



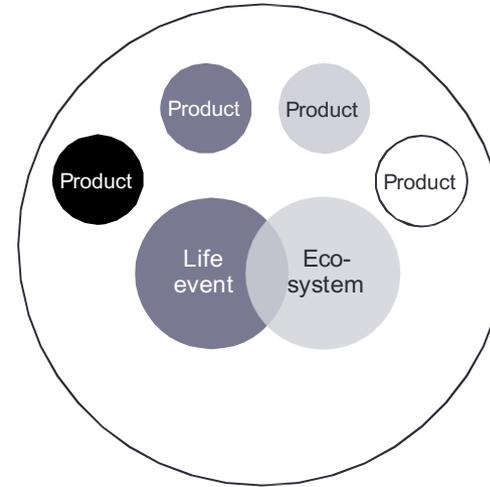
- ▶ Product-centric sales with pricing and benefits tied to individual products only
- ▶ No customization or personalization
- ▶ Consumers manage separate, un-integrated product accounts and relationships
- ▶ Monetization of traditional product profit pools

“Convenience bundles”



- ▶ Simple product bundles with aggregated benefits and pricing
- ▶ Limited personalization
- ▶ Monetization of traditional product profit pools

“Lifestyle bundles”



- ▶ More complex product bundles aligned to life event needs
- ▶ Benefits and pricing bundled as a subscription with a fixed-fee based on chosen products and service features
- ▶ Customized and personalized bundled offerings
- ▶ New “user” profit pool in addition to existing product profit pool

“Life event subscriptions”



- ▶ Holistic life-event based subscriptions
- ▶ Subscription fee based on chosen features and options
- ▶ Hyper-personalized
- ▶ A platform-based ecosystem with access to marketplace, financial health navigation, and advice (i.e., scaling the ultra-high-net-worth model to the masses)

What does it all mean
for financial institutions today?

**Evolve or become
irrelevant**

Competing across silos requires flexible business models

Several business models are emerging to harness growth opportunity and create differentiation throughout the value chain.

Vertical integration

Own the entire value chain across consumer, producer, distributor and servicer

Digital native

Build stand-alone business model on greenfield, digital-native platform to target a specific segment and/or value proposition

Financial utility

Become the invisible back-end and/or data custodian for intelligent commerce experiences

Product producer

Create financial products known for excellence and leave the customer relationship, experience and distribution to others

Ecosystem integrator

Aggregate products and service providers in a marketplace ecosystem

Eight decisions for business model strategy

1 Defend vs. disrupt

- ▶ Defend if already a dominant player in the market
- ▶ Disrupt if trying to capture and/or exploit an underserved market need quickly

2 Transform vs. innovate

- ▶ Transform if focus is enhancing existing value proposition within current business model
- ▶ Innovate if experimenting with new business model and/or value proposition

3 Separate vs. integrate

- ▶ Separate if attempting to create distinction with a specific market segment or sub-brand
- ▶ Integrate if attempting to create synergy through a bundled and seamless value proposition across market/product silos

4 Business vs. ops/IT-led

- ▶ Business leads when primary focus is on growth and expansion
- ▶ Ops/IT leads when primary focus is on efficiency, productivity and resiliency

5 Diversify vs. focus

- ▶ Diversity to capture more of the value for a specific client proposition or life event
- ▶ Focus to win and solidify distinction and competitive advantage in a unique asset or capability

6 Build, buy or partner

- ▶ Build when capabilities are truly proprietary and provide strategic advantage
- ▶ Buy when trying to enter into a new market or segment quickly
- ▶ Partner/rent when efficiency, scale and proven capability are most important

7 Client vs. product focus

- ▶ Client focus when owning the entire client experience end to end
- ▶ Product focus when there is distinct advantage in product superiority vs. client experience

8 Role in the ecosystem

- ▶ Own the client
- ▶ Own the experience
- ▶ Own the ecosystem
- ▶ Own the value chain
- ▶ Own the product
- ▶ Be the utility

The path forward to reframing: three critical actions

Fundamental change requires bold approaches to digital transformation, legacy modernization and new product offerings.

1

Pressure-test today's thinking: Strategies need to address the now, the next and the beyond.

2

Experiment with bold action: New approaches to trust, wellness and subscription models must be learned and refined over time.

3

Make the case to address legacy: Rapid—rather than incremental—modernization is an imperative for future relevance.

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