Santa Barbara, CA
(805)965-1400
info@bigspeak.com
bigspeak.com

Custom Corporate Education Programs

Designed with Solutions in Mind for Positive Long-term Change

Source: White Papers - http://bigspeak.com/consulting/whitepapers

INSIGHT

March 2009 | MIKE WALSH

The Future of Finance

Disaster tends to breed a touch of schadenfreude in all of us. As a new generation of Gorden Gecko's burn under the blowtorch of angry nations and world leaders brace themselves for the bill from mass bailouts – it's easy to answer the question 'what is the future of finance?', by simply asking another; 'is there a future for finance?'.

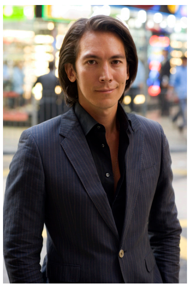
As it happens, the answer to that question is yes, but not as you knew it. How the consumer experience of finance is set to change is something that I have been thinking about lately for some of my clients. Here are a few of my observations:

1. Mobile Will Become The Primary Transaction Channel

Mobile banking has been talked about for a while, but things are finally speeding up. Interestingly, the catalyst for innovation is not smart phones but dumb ones. In the same way that creating a $100 laptop for the Third World, led to the development of the netbook for everyone else – mobile banking is taking off fastest in developing countries like Kenya and South Africa. For example, Absa Bank in South Africa have now reached a million mobile banking accounts, close to a quarter of their customers base and more than twice the number of their customers accessing from the web.

From Indian workers using SMS to send money back to relatives to Japanese consumers using contactless Felica chips in their phones to pay for just about anything – mobiles will increasingly become both a primary originator of transactions and, with integrated biometrics, an important link in the identity authentication chain.

ABOUT MIKE WALSH



Mike Walsh, author of Futuretainment and CEO of innovation research agency Tomorrow is a leading authority on the digital future. A dynamic keynote speaker and experienced trends analyst, Mike helps prepare business leaders for what's next.

2. Personal Finance Management Moves to the Cloud

Quicken might have been the state of the art in personal finance in the nineties, but these days, money management tools are moving rapidly online. - or as they are calling these days - 'the Cloud'. Cloud based upstarts like Mint.com and Wesabe not only offer consumers the ability to track their expenditures, they also draw on their networked data sets to offer intelligent suggestions for saving money, comparing financial products and even alerting users to credit card scams.

Mint.com, for example, has quadrupled their registered users since the financial crisis hit in September. With over 900,000 members, close to 1% of US households, they are able to use their sample data to let you know whether you spend more or less on coffee than the average user, or whether your average purchase price and purchase frequency at Amazon.com, Starbucks, and JetBlue is radically different from someone else with your earning profile. Data is a powerful incentive to share information, particularly for younger demographics. More importantly, these tools are exactly the kinds of features that will need to be rapidly replicated or integrated in the online channels of more traditional financial product companies.

3. Physical Outlets Will Become More Important

Given the growth of online and mobile channels, investing in branch networks may seem counterintuitive. But curiously, as branches become less important for transactions, they will become more important as branding and consumer engagement channels.

In retail circles, the Apple store has become a cliché for design innovation but the Finance sector is catching on. ING Direct were early pioneers with their café branch concept, while more recently Barclays have piloted Microsoft Surface technology in their redesigned UK flagship. Barclay's Surface program allows customers to manipulate digital content with their hands and access information about banking products with simple gestures.

4. Social Lending Moves Mainstream

If one thing is certain over the next few years – it will become harder for many people to obtain access to personal loans. Interestingly enough, that is exactly the kind of environment under which social or P2P lending players like Zopa, Prosper and Kiva may begin to flourish. Social lending sites work like an online money exchange, allowing people who have money to lend to offer it to those who wish to borrow.

Although micro-credit really began as an innovation to help entrepreneurs in the poor countries to access funding, there is a broader niche in the rest of the world for consumers who might have never used a pawn shop, but still want to access alternative sources of cash finance.

5. Credits Ratings Go The Way of Ebay

For something that is so essential to calculation of consumer risk profiles – it is astonishing how arcane and inefficient the system of credit ratings is. In the US for example, you can arrive in town with a million dollars in the bank and still struggle to get a mobile phone on contract because you have no prior credit history. For inspiration, financial institutions would do well to observe how reputation is recorded and shared online.

From consumers trading with each other on eBay to more subtle attention filters like Slashdot or Twitter – the Web has come up with a variety of ways to manage and mitigate issues of trust. Repayment histories are not the sole determinant of future behaviour. Interestingly, as consumer financial products evolve other factors such as social capital may become more influential.

A recent MIT study of social lending on Prosper.com found that social features such group affiliations and endorsements significantly impacted the chance of a consumer getting funding for a loan request. Such social factors not only doubled the probability of getting a loan request fully funded, but made it possible for a borrower with a priori non-bankable profile to get a loan with reasonable rates.

None of these trends are a panacea for the current Credit Crisis, but in a way that is also the point. The problems facing the finance industry are more complex than the loss of liquidity.

There is a growing disconnect between retail consumers and financial institutions. In the same way the Web changed the dynamics of the music industry – the risk for major players is that others will innovate faster at the consumer level, leaving them the unglamorous role of backend factories of commoditised financial products.

This isn't great news in a time of generally bad news. But then again, there is probably no better time to stop and re-imagine exactly what the future of finance might look like.

Santa Barbara, CA
(805)965-1400
info@bigspeak.com
bigspeak.com

Reprinted with Permission

Keynote programs provide the sizzle and have their place. However, a comprehensive learning program needs to embed new behaviors and thought processes into your corporate culture and hold people accountable to make certain that positive change sticks. An expert at BigSpeak Consulting partners with you to customize a learning program specifically designed to fit your needs. Together, we construct the path to success, aligning it with your core business strategies and budget. Partnering with BigSpeak Consulting gives you the edge, ensuring successful implementation of custom corporate education programs.

Source: White Papers – www.bigspeak.com/consulting/whitepapers