Operating under new regimes: adapting business models to flourish in the times ahead

Back to the future....

Trevor Matthews
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I have been here before...
Outline

• Our noble profession
• Shaping the new regimes
• Adapting our business models to flourish
Our noble profession

Man’s basic instinct to protect and provide for the future has remained unchanged for many years....

Insurance developed to bring prosperity and peace of mind...
Our noble profession

Extract from:
The Anatomy of Britain
Anthony Sampson, published 1962
Our noble profession

Extract from: Who Runs This Place? The Anatomy of Britain in the 21st Century
Anthony Sampson, published 2004
Our noble profession
Shaping the new regimes

- Demography & longevity
- Technology advances
- Economic challenges
- Regulation
Record female life expectancy...

![Graph showing life expectancy over time for Australia, Iceland, Japan, Netherlands, New Zealand, Norway, Sweden, and Switzerland.](image)

Source: Supplementary material Oeppen and Vaupel (2002)
We have consistently underestimated longevity improvement...

Source: Government Actuary’s Department
Demography and longevity

We are not saving enough...

EU pensions gap €1,900bn, says study

Hole is worst in Germany and UK

By Paul J. Davies in London

Workers across the European Union need to save €1,900bn ($2,490bn) more a year if they hope to retire with pensions that will maintain their standard of living, according to insurance industry research.

The so-called “pensions gap” is worst in Germany and the UK, where the total additional savings required each year are €468.8bn and €379bn respectively.

When calculated per head, the situation is worse for UK citizens, who need to save an average €12,300 a year extra, while Germans should put aside an extra €11,600.

The research, which is the first attempt to calculate the savings shortfall across the 27 EU nations in a comparable fashion, is being released as the European Commission nears the end of a consultation process on its pensions green paper, issued in July.

The commissioners who launched the green paper said the financial crisis had increased the pressure that EU retirement systems already faced from ageing populations in all member states. The ratio of pensioners to active workers was poised to double by 2060, the commissioners said.

Andrea Moneta, chief executive of Aviva Europe – the insurer that drew up the research with consultants Deloitte, Oliver Wyman and The Future Company – said while the headline number would shock, the point of the research was to help show how the gap could be closed. “There is a lot of discussion of public sector deficits and how much they need to be cut, that is one side of the coin. The other is the consumer and how lower public spending could affect them,” he said. “We want to talk to politicians at all levels because there are a lot of ideas that are possible to pursue.”

Mr Moneta said for a start there should be better information across Europe to help individuals understand exactly what they were likely to get when they retired. He added that Brussels should promote pensions savings targets, for countries as they did with carbon emissions, for example.

The amount people need to save differs sharply by age group so a 50-year-old German, for example, ought to be saving an extra €9,700 a year, while a 20-year-old only needed to put aside €1,700 more each year in order to achieve 70 per cent of pre-retirement income.

The French, Italians and Spanish also face large pensions gaps but, according to the research, were likely to have a much greater level of financial support from their non-pension assets, such as life assurance, other savings and home equity.

Cashing in all these things would cover 80 per cent of the gap for the French, 85 per cent for Spaniards and 220 per cent for Italians.
The social media revolution...

- If Facebook were a country, it would be no. 3 in the world
- A new member joins LinkedIn every second
- Every minute 30,000+ tweets are sent
- Lady Gaga and Justin Bieber have more Twitter followers than the population of Australia
- YouTube exceeds 2bn views a day
- By 2015, the number of mobile internet users will surpass PC users globally
Technology advances

Mobile technology is starting to outstrip desktop...

Source: StatCounter Global Stats, Mary Meeker presentation at KPCB Internet Trends Conference. May 2012
Technology advances

Growing data and analytics...

- 90% of all data worldwide created in last two years
- In 2010 1 zettabyte of data produced - estimated to hit 8 zettabytes by 2015
- 30 billion pieces of content shared on Facebook each month
- Demand for deep analytical talent in US could be 50-60% greater than supply by 2018
Technology advances

Pure internet businesses are influencing customers’ expectations...

“You’ve got to start with the customer experience and work back toward the technology - not the other way around.”
Steve Jobs

“If you do build a great experience, customers tell each other about that. Word of mouth is very powerful.”
Jeff Bezos
Economic challenges

- Eurozone risk
- Sovereign debt risk
- Demand for capital strength
- Low inflation, low investment return environment
- Consumers seek security and reasonable returns
• Growing multitude of supervisors
• Europe increasingly important
• Solvency II impact is profound
• Retail Distribution Review
• Auto-enrolment
• Gender Directive
Shaping the new regimes

But we must examine these challenges through a customer lens if we are to flourish...

- Demography & longevity
- Technology advancements
- Economic challenges
- Regulation
Get your CEO...

...means get your Customer Eyes On...

- Customer at the heart of firms’ agendas
- Treating Customers Fairly - a good start
- Simple products, easy access & Amazon-standard service
Adapting our business models to flourish

Jockeying for position along the value chain...
Adapting our business models to flourish

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It’s all about conversations...

- Understanding what conversations are happening
  eg Google UK each month:
  - What is an ISA? 1,000,000
  - What is a pension? 300,000
  - What’s being said about us?
- Earn the right to join and stay in the conversation
- Become the natural choice

From cross sell → cross buy
Adapting our business models to flourish
Adapting our business models to flourish

Back to the future...getting closer to customers again...

- An opportunity to rebuild trust in our noble profession
- An opportunity not just to survive, but to flourish
Thank you