FINANCE DNA

The future of finance and payments

Foresight Factory
Seeing Beyond

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Contents

Foreword

Today we are continuing to live in an uncertain world. In the last few years, we've faced global political uncertainty, we've dealt with the disruption of a pandemic, and we are now coping with a spiralling cost of living crisis. But what does this mean for consumers and how can brands navigate today's landscape?

In this report, we explore the themes that will shape the next ten years in terms of consumer behavior and brand response in the Finance and Payments sector.

A Now, Next, Future Vision for Finance

We have identified 10 key trends which will explore in detail the consumer shifts impacting finance and payments over the next decade. We will chart the Expected Trend Trajectory by visualizing its projected intensity in the next years – based on our objective analysis of the relative impact of consumer change in behavior and attitudes on the trend in question.

Finance DNA uncovers the actions and motivations of today's consumer and provides recommendations for brands. Exploring both the short- and long-term implications of each trend, we provide a framework for brands to respond effectively to evolving consumer demands, attitudes and behaviors for the next decade.

The Economic Backdrop
The Cost-of-Living Crisis & Consumers

Coming out of the pandemic, things were supposed to be different. Instead, the impact of the war in Ukraine and the subsequent cost-of-living crisis continue to cause significant challenges for consumers across the world.

The events of 2022 have had a notable and directly-felt impact on the personal finances of consumers. The Russian-Ukraine war, combined with wider inflationary pressures, have resulted in soaring energy prices and increased costs across the board for many consumers. 2023 is projected to be a year of weak global economic growth, with the International Monetary Fund (IMF) forecasting growth of 2.9%, a marked slowdown from the 3.4% growth expected for 2022.[1] This is “the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic,” with rising interest rates and the war in Ukraine continuing to weigh on economic activity.

Inflation is proving to be a major obstacle in the path of economic growth, as it is reducing consumers' real incomes and forcing businesses to pass on higher costs to customers. Although the IMF expects a decrease in inflation rates, it projects average inflation will still be higher than pre-pandemic levels in more than 80% of countries even by 2024.[2]

Whilst future interventions from the governments and central banks could impact how long inflationary pressures last, it is clear that economic uncertainty, a growing sense of financial risk and downward pressures on consumer spending will remain dominant context for consumer behavior and attitudes in 2023.

Such precarious economic conditions are clearly impacting consumer mindsets. In recent research surveying nine global markets – Australia, Brazil, China, France, Germany, South Korea, Sweden, UK and USA – 28% of consumers said they expect the state of their personal finances to worsen over the next 12 months, that percentage rising to 43% among British and French consumers. But cautious optimism prevails. A greater proportion of consumers (41%) say their own personal finances will improve in the year ahead than those who say their finances will worsen. However, there’s less optimism when it comes to national economies. Almost one in two (49%) globally believe their country’s economy will worsen in the year ahead, with just over one in three (34%) anticipating an improvement.[3]

What’s more, when asked what best describes their current financial situation, 22% say they can *only* afford to cover the essentials such as food, bills and rent. This is resulting in cutbacks across a range of areas: 40% of consumers have recently cut back on leisure (e.g., holidays, cinema, bars, pubs, restaurants), 37% have cut back on food and drink (e.g., groceries, takeaways), 33% have cut back on household bills (e.g., energy, broadband, mobile phone, car fuel), 30% have cut back on media (e.g., newspapers, TV/film/music subscriptions), and 28% have even cut back on savings (e.g., pensions, investments). In this way, creative self-reliance will characterize the mindsets of millions in the years ahead, keeping the door open for brands to step in to help consumers build personal (financial) resilience.[4]

It is against this backdrop that this Finance DNA report will explore the core trends that will shape the future of finance and payments over the coming decade. With the cost-of-living context sharply in focus, reviewing how the current economic situation will likely accelerate or impact the trajectory of the trends outlined.

[1,2] International Monetary Fund, January 2023
[3,4] Foresight Factory | Base: 11276 online respondents aged 16+, Global Average (9 markets), 2023 January

The 10 Trends Your Brand Must Master Today:

Trend 1:
Financial Wellness

Trend 2:
Banking Goes Green

Trend 3:
Inclusive Banking

Trend 4:
Humanized Banking

Trend 5:
Purposeful Rewards

Trend 6:
New Payment Frontiers

Trend 7:
The Investment Revolution

Trend 8:
The Credit Makeover

Trend 9:
AI-Powered Insurance

Trend 10:
Branches Reinvented

Trend 1:
Financial Wellness

As wellbeing needs continue to expand in the 2020s, financial wellness is increasingly recognized by consumers as just another contributing factor of holistic health. Seeking financial empowerment and control over finances, consumers will turn to new and fragmented sources of influence for support. Looking ahead, expect financial wellbeing and literacy to become a core focus for consumers and brands alike, as the link between healthy finances and happiness is further underscored by the cost-of-living crisis.

The COVID-19 pandemic highlighted the link between healthy finances and a stress-free life. Though some households were able to save, many consumers felt their finances deteriorate during the crisis. A negative change in personal finances exacerbated money worries, and also made clearer the link between financial and mental health. This is evidenced by the fact that 76% of global consumers who felt their mental health got a lot worse during the pandemic also worried about their finances at that time, compared with 48% of consumers who felt their mental health had not been affected.[1]

In the coming years, financial wellbeing will become increasingly synonymous with general wellbeing as the link between healthy finances and a happy, healthy life is further underscored by the cost-of-living crisis and squeezed household incomes.

Only 36%

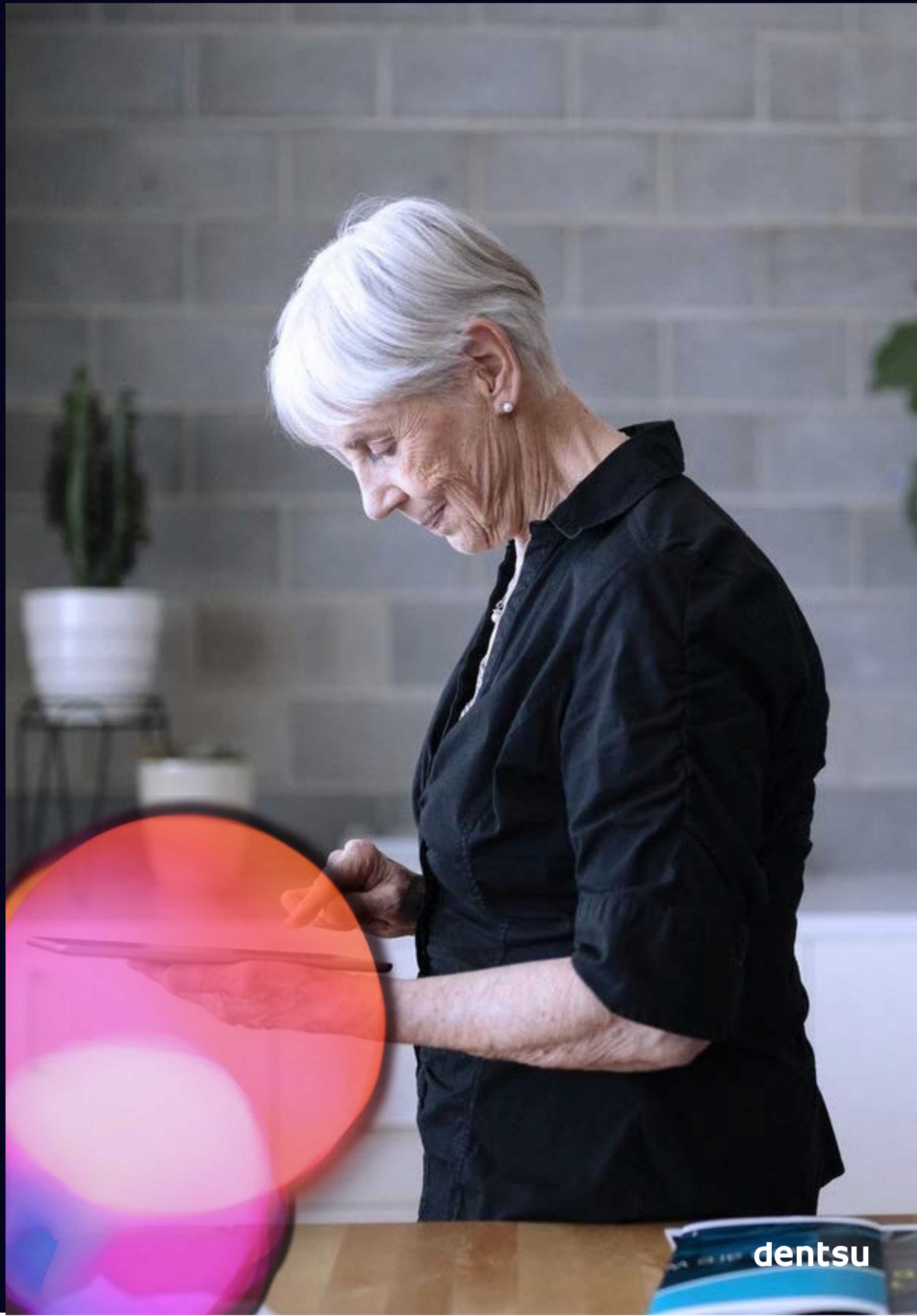
of global consumers say they are happy with their personal financial situation.[2]

54%

feel personally at risk from financial hardship over the next five years, an increase of two percentage points since 2021.[3]

In line with this, we expect banks and financial service players will provide more proactive guidance and educational content to help consumers improve financial literacy, budgeting, saving and investing – and prevent their finances negatively impacting their mental health. Encouraged by more open conversation around personal finances in both public and private spheres, consumers will also start to open up more to others about their salary, spending and savings, with not only financial professionals but also family and friends. As the saying goes, a problem shared is a problem halved.

But some consumers will continue to be less forthcoming when it comes to talking about money, viewing it as taboo and in conflict with their values of privacy, self-worth and dignity.



[1] Foresight Factory | Base: 34856 online respondents aged 16+, Global Average (27 markets), 2021 March
[2] Foresight Factory | Base: 11000 online respondents aged 16+, Global Average (9 markets), 2022 January
[3] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March

Looking ahead, financial therapy will emerge as a new kind of counselling that helps consumers spend, save and invest in line with their values, empowering them to a build a better financial future. Consumers will become more open to sharing personal details of their financial lives, and many will turn to social media for answers, putting pressure on banks to offer more accessible advice. Already popular with a niche audience, finfluencers (i.e., financial influencers) will become more mainstream due to their ability to identify with consumer issues and provide practical solutions.

In 2019,

21% of global consumers followed a money management influencer.

37%

were interested in doing so.[1]

Indeed, influencers such as Amanda Frances, AKA the Money Queen, are growing in popularity. In 2021, following the launch of her book *Rich As F*ck*, which aims to demystify the topic of money and empower readers to improve their finances, Frances launched a new Money Loves You Meditation, which helps consumers to set the intention to live a more financially stable life. Her use of social media channels – plus the way she combines mindfulness, spirituality and financial savviness – helps make her holistic financial wellbeing content and advice more accessible and engaging, especially for younger women who feel that taking control of their finances is out of reach.

Meanwhile, influencers Humphrey Yang and Tori Dunlop have more than one million followers on TikTok, where Gen Z seek advice on credit, investing, saving, taxes and budgeting.

Financial literacy is key to achieving financial wellness, something which fintech targeting kids, teens and young adults will continue to advocate for with more accessible, proactive, and, often, gamified financial education. Already in 2020, young consumers were most likely to have used an app that motivated them to stick to a personal goal – at 38% uptake among global 16-24s vs. 15% among consumers aged 55+.[2]

Trend in action

Loop aims to change this by removing the friction and taboos that exist when friends, families and money mix – believing that "sharing, of all kinds, brings us closer together and helps strengthen our relationships." Launched in the spring of 2022, the social networking app enables friends and family members to share money, "to help money and relationships work better together."

[1] Foresight Factory | Base: 32296 online respondents aged 16+, Global Average (27 markets), 2019 May
[2] Foresight Factory | Base: 41473 online respondents aged 16+, Global Average (27 markets), 2020 May

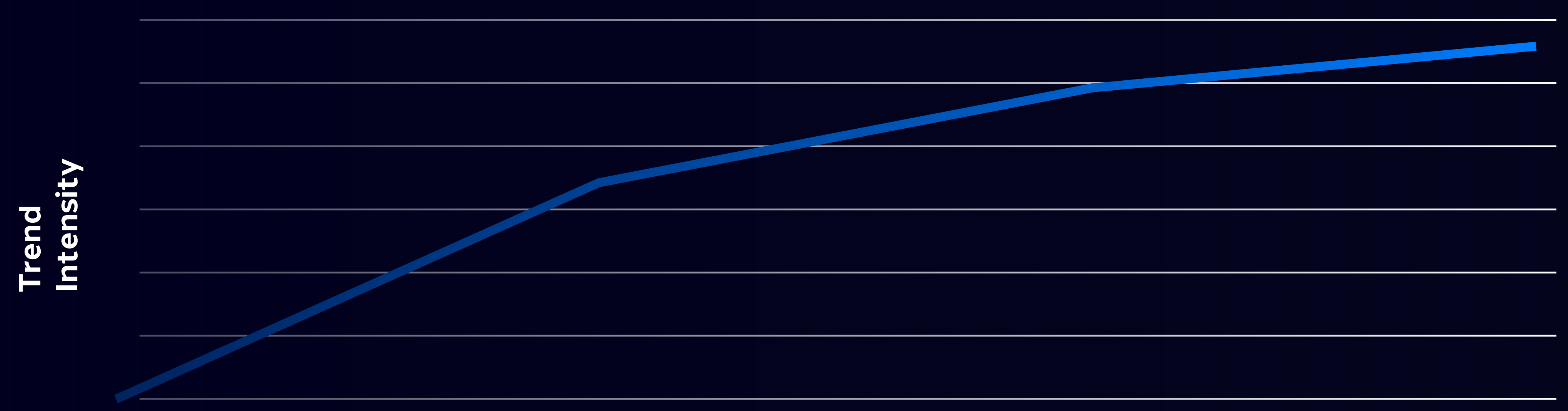
Trend in action

In 2022, US financial services giant Truist purchased mobile savings gamification app Long Game, with a view to incorporate more interactive features into its banking services. Long Game uses prize-linked savings and casual gaming to encourage customers, particularly Millennial and Gen Z populations, to improve financial education and adopt smarter financial behaviors. Similarly, in July 2022, GoHenry, which provides debit cards and financial education apps to 6-12 year olds, announced that it had acquired Pixpay, which offers similar services to teens in France and Spain, to combine their expertise in financial education to accelerate not only GoHenry's growth but also the financial fitness of even more kids and teens globally.

Expect this education to come to fruition in five-plus years' time as Gen Z grow up to have a higher level of money savviness than previous generations. Knowledge of positive financial management behaviors, such as saving for a specific goal or investing small amounts regularly, will be fully embedded. This will also allow younger consumers to share their knowledge with their peers, further democratizing access to financial education.

Financial Wellness

Expected Trend Trajectory in the 2020s



Now (2023)

The cost-of-living crisis will worsen financial wellness and already fragile mental well-being, heightening the need for proactive financial guidance and education to help consumers take control of finances.

Next (2024-2025)

Emerging services like financial therapy and more accessible and engaging online advice will empower more consumers to spend, save and invest in line with their values, and overall build a better financial future.

Future (2025-30)

Financial wellness will be more pervasive as the cost-of-living crisis wanes and as fintech players targeting Gen-Z with gamified services see them possess a higher level of financial literacy than previous generations.

Trend 2:
Banking Goes Green

In the years to come, climate change will remain the dominant global threat, with over half (58%) of global consumers feeling personally at risk of its effects over the next five years.[1] This is prompting consumers to adopt eco-ethical values which are transforming their relationship with the products and services they interact with on a daily basis. These values-based consumer behaviors have entered banking, with sustainable credit cards, impact investing and ESG strategies now commonplace.

The question of who is principally responsible for the future of the planet is a complicated one. While 43% of consumers believe the main onus lies on governments (vs 24% for business)[2], rising distrust means consumers will actually be looking to brands, including banks, to help effect positive change. Promises to "build back better" from the pandemic will be expected to be upheld with ambitious environmental, social and corporate governance (ESG) activity. Climate targets will need to be reviewed and rewritten to reflect this, with quantifiable commitments that give back more than they take rather than sustaining the status quo.

In line with this, products and services that involve the gratuitous consumption of natural resources, such as bitcoin mining, will come under intense scrutiny and may become more tightly regulated. Divesting from fossil fuels will become a main area of scrutiny from consumers, with Russia's war in Ukraine fueling momentum towards efforts to reduce the dependency on natural gas, particularly as the connection with conflict and insecurity becomes more pronounced. Consumers will push banks to redirect these investments towards carbon negative and neutral companies.

Beyond decarbonization, consumers will expect banks to use their huge financial power to take a more holistic view of sustainability, using their influence to support climate justice and biodiversity, and pushing for climate-positive operations across the business. Consumers will not hesitate to switch banks if they find that theirs does not do enough. This behavior is expected to be accelerated by economic uncertainty, which will cause brand loyalty to fluctuate.

39% of global consumers already say they always or sometimes consider sustainability when choosing financial products such as credit cards and investments, rising to 45% among Millennials.[3]

Banks will also need to be allies to consumers' personal fight in reducing their carbon footprint. Innovation and uptake will grow of apps and wearables that help consumers track the impact of their transactions and investments, suggesting alternatives if the impact is too great and rewarding them for reducing their footprint. Interest amongst consumers is already reaching the mainstream, with 54% globally interested in an app that tracks their personal impact on the environment.[4] Some banks are already catering to this need, including NatWest, which in July 2021 added a carbon footprint tracker to its banking app, to help users "reduce the climate impact of their spending."

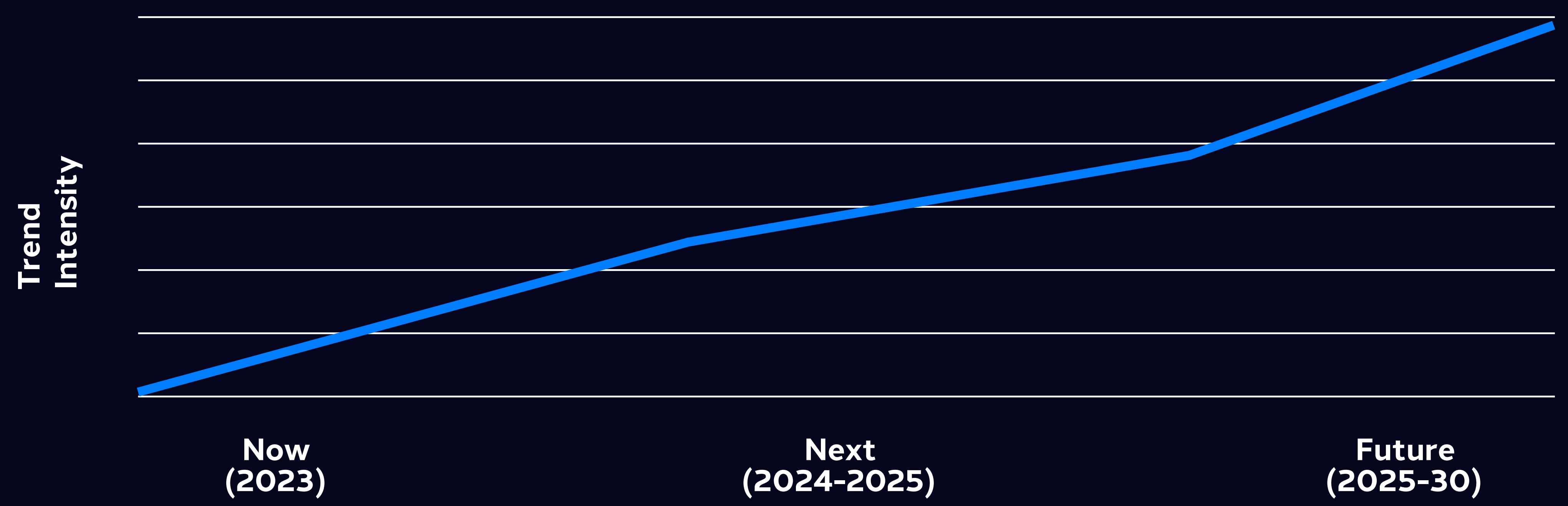
[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March
[2] Foresight Factory | Base: 10629 online respondents aged 16+, Global Average (9 markets), 2022 January
[3] Foresight Factory | Base: 11000 online respondents aged 16+, Global Average (9 markets), 2022 January
[4] Foresight Factory | Base: 34175 online respondents aged 16+, Global Average (27 markets), 2021 March

Consumers' personal actions will also take the form of sustainable investing. While ethical investing – investments which are screened to avoid companies or industries that have a negative impact on society or the environment, such as weapons or tobacco – have been around for a while, we are now seeing a growth in sustainable investing, which takes environmental, social and governance factors into account when assessing whether a company is worth backing. Environmental factors include climate change policies, pollution and waste management, while social considerations are those relating to employee conditions, community engagement and health and safety. Governance, meanwhile, relates to business practices such as employee diversity, executive pay and tax policies. We expect that by 2030, the proportion of global consumers using sustainable investment funds will have grown from 9% to 15%, while the proportion interested will have grown from 48% to 59%.[1]

As consumers place more and more trust in their bank to help them in their journey towards sustainable living, we will see an influx of banks claiming to be green. As the amount of skepticism around greenwashing increases in line with this, banks will need to be explicit about how their environmental, social and corporate governance (ESG) initiatives work – responding to greater demands for transparency including proof of impact. New certifications will be developed to give consumers the peace of mind that their claims are substantiated.

Financial Wellness

Expected Trend Trajectory in the 2020s



Now (2023)	Next (2024-2025)	Future (2025-30)
Value-based brand choice grows in prominence and financial brands are required to demonstrate eco-friendly credentials in a way that can be trusted and avoids any claims of "greenwashing."	Consumers seek branded support for their personal green financing - gearing their savings, investments and choice of products towards the sustainability matters they most care about.	Growing focus on green financing for carbon positive futures - consumers seek financial brands and services that help promote climate regeneration and have a net benefit impact on the environment.

1 Foresight Factory | Base: 9182 online respondents aged 16+, Global Average (9 markets), 2022 January

Trend 3:
Inclusive Banking

As consumer demands shift from passive inclusivity to active empowerment, companies in all sectors, including banking and finance, will be increasingly expected to not just represent but more actively cater to and empower ever-more diverse customers, communities and needs. Targeting specific groups will enable financial service providers to better connect with customers' values and experiences on a meaningful level, while general promises of inclusivity will appear inadequate. Looking ahead, expect financial inclusion to become a widespread aim across the banking and finance industry, as brands try to help consumers from all backgrounds build a more financially secure future.

Access to financial services can be difficult for consumers in minority groups, as a lack of credit history, unorthodox routes into the labor market and language barriers have often made it hard to obtain bank accounts, credit cards or other loans. Moreover, the shift to a digital payments society, where card is replacing cash as king, also exacerbates access to finances for the unbanked and the underbanked. While countries including Australia, Canada, Denmark, Finland, Netherlands, Norway and Sweden all have an unbanked population of 0%, countries like Morocco, Vietnam, Egypt, Philippines, Mexico and Nigeria have very high unbanked populations. Morocco is the country with the lowest share of bank account owners: less than 30% as of 2021.[1] But new startups are beginning to address these issues by offering services specifically designed for consumers who have trouble accessing banking services—something that will be particularly relevant during tough economic times.

Recent migrants and refugees are one group who are likely to find it difficult to access financial services. In March 2022, fintech Revolut announced it was offering payment services through its app to refugees of all nationalities displaced by the crisis in Ukraine.

To ensure those affected by the invasion have quick and easy access to their money, the company removed many of the requirements needed to set up an account and waived a number of fees. Looking ahead, ongoing geopolitical tensions and wars along with liberal immigration policies will all boost the need for finance players to at least consider the support they want to provide in this space.

Trend in action

Leaf is an African fintech company described as a global Venmo account for refugees, unbanked and underbanked consumers. The Leaf Wallet allows individuals to carry and send digital cash across the borders of Kenya, Uganda and Rwanda, where consumers currently have limited access to traditional banking services. It functions on both smartphones and non-smart cell phones, so consumers can store money securely regardless of their access to the latest technology. In this way, Leaf hopes to help migrants and refugees take their money with them without being exposed to additional risks of theft or scams from thieves or corrupt border guards.

[1] Global Finance Magazine, World's Most Unbanked Countries 2021, February 2021

Meanwhile, as more and more bank branches close down in response to increased automation of everyday banking tasks, another vulnerable group at high risk of financial exclusion is the older population—who often don't have the technology, digital know-how or physical or cognitive proficiency to access online banking. Whilst uptake is growing, 17% of global consumers aged 75+ still don't own a smartphone.[1] To these groups more financial institutions are innovating to make services more easily accessible and showing a decidedly caring, empathetic attitude. For instance, InDebted, a debt collection agency, uses digital channels such as SMS and email to communicate with customers, and offers a number of options for managing debt through a self-service portal. And in 2021, the charity Age UK campaigned to get government to introduce legislation to guarantee that a cash machine or bank branch remains within reasonable travelling distance of every home across the country, based on findings that millions of older and vulnerable people are cut off from ATMs and banking services.

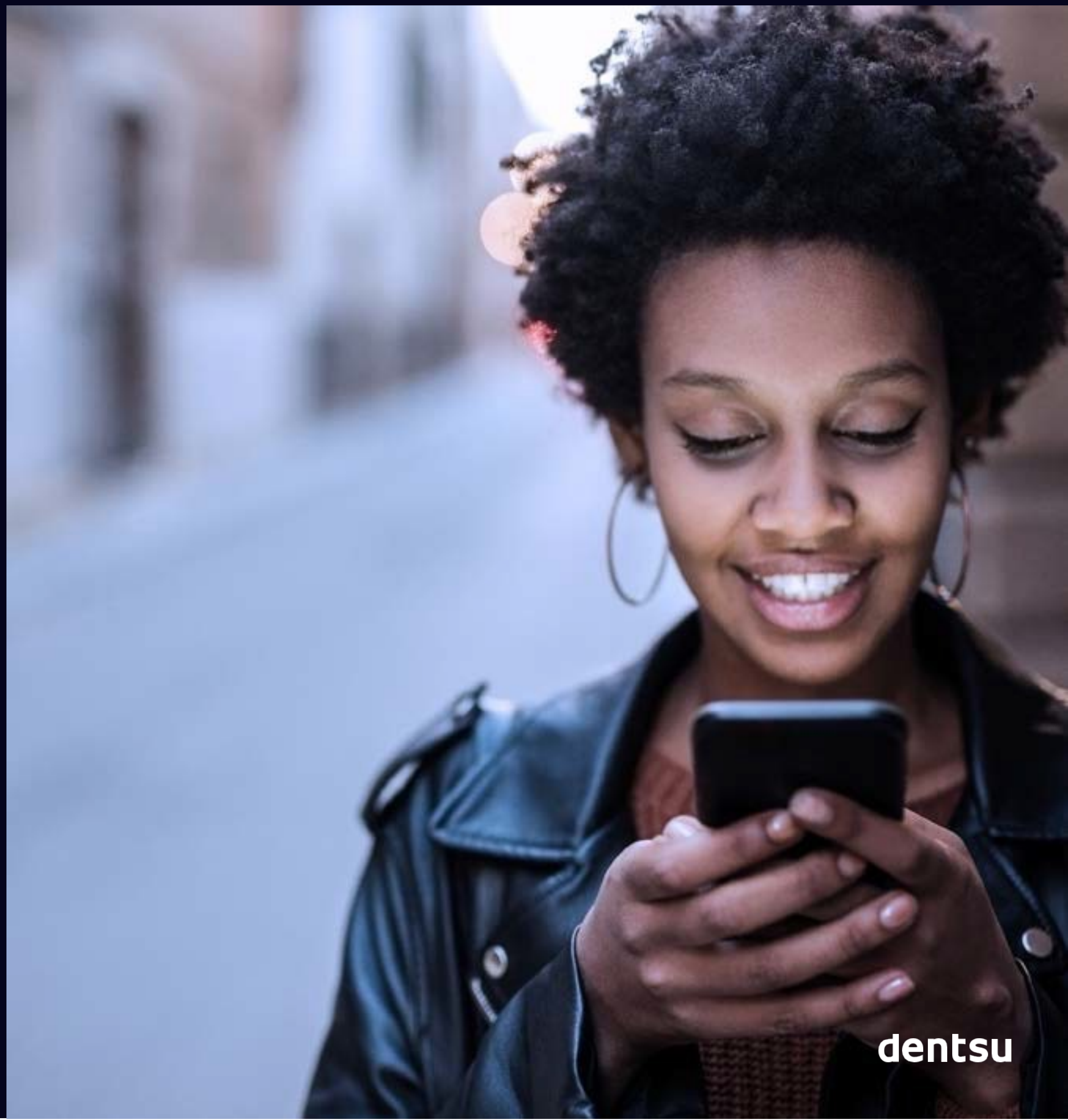
Inclusivity also means ensuring that typically underserved groups are better represented and have equal access to the latest financial offerings. In 2021, 47% of global 16-24s thought that advertising was inadequately representing diversity in their country —an increase of five percentage points since 2018.[2] All brands in all sectors will need to work to improve diversity and representation externally.

Trend in action

In May 2021 Starling Bank evolved their Make Money Equal campaign to remove gender stereotypes and get better representation for women in the images used by media and advertisers when talking about money. The bank created a new library of 100 photographs, showing women of various ages, ethnicities and backgrounds in control of their finances and empowered to make good financial decisions—rather than the frivolous and illiterate spenders dominating the public conversation to date.

However, companies are increasingly expected to be inclusive in a more meaningful way, or risk being accused of purpose-washing. Proactively offering education and improving access to new financial products among minority groups is one way forward, as The Bitcoin Academy aims to do. Launched in June 2022, the initiative, backed by rapper Jay-Z and Twitter co-founder Jack Dorsey, offers free education on how to get the most out of the cryptocurrency—with in-person classes offered exclusively to residents of the Marcy Houses public housing project in Brooklyn, New York, where Jay-Z grew up.

As general promises of inclusivity are increasingly deemed inadequate, banks and financial service providers will also be expected to ensure diversity and inclusion efforts start at home. This challenges brands to undertake an audit of all aspects of customer interactions and internal business practices, considering, for instance, what the company board of directors looks like in comparison with the communities in which it operates. Brands that don't reach the standards of inclusivity and ethical practice expected by consumers could face the risk of being boycotted.



1 Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March
2 Foresight Factory | Base: 33390 online respondents aged 16+, Global Average (27 markets), 2021 March

44% of global consumers—rising to 51% among Gen Z—agree that it's more important for brands to represent minority groups in their leadership teams than in their advertising.[1]

15% of Millennials globally say they have stopped using a brand because it treated their workers badly, 10% did so because it wasn't inclusive enough, and 6% did so because they didn't have people from diverse backgrounds in their leadership.[2]

Meanwhile, new and underserved groups requiring targeted banking and finance solutions will continue to emerge in the next decade—as employment, ownership and business models change and evolve. For example, as more people embrace the flexibility of gigging and the autonomy of the creator economy, they will seek out precise fintech solutions that support their small business goals—from peer-to-peer lending sites to freelance-oriented current account services.

Trend in action

UK-based Jove, launched in early 2022, offers ultra-flexible insurance cover for workers such as drivers of ride-hailing services like Uber. Previously, in summer 2021, XPO launched a digital banking solution to specifically support online creators and give them access to better banking services, claiming that traditional banks didn't really understand how creators earn money. And in August 2022, Moove, which bills itself as the world's first mobility fintech, announced that it was teaming up with financial group MUFG and car manufacturer Suzuki to promote financial inclusion for mobility gig workers across Africa.

Digital-first providers such as Jove, XPO and Moove, embrace inclusion and position their services as offering time-saving benefits and flexibility, threatening to eclipse the enterpriser's preference for established legacy banks.

In this way, diversification and personalization is increasingly both a consumer expectation and industry innovation goal, with banks that target very specific groups able to connect with their values, needs and experiences on a deeper and more meaningful level. Algbra, for instance, is a financial services provider offering values-based banking for minority communities.

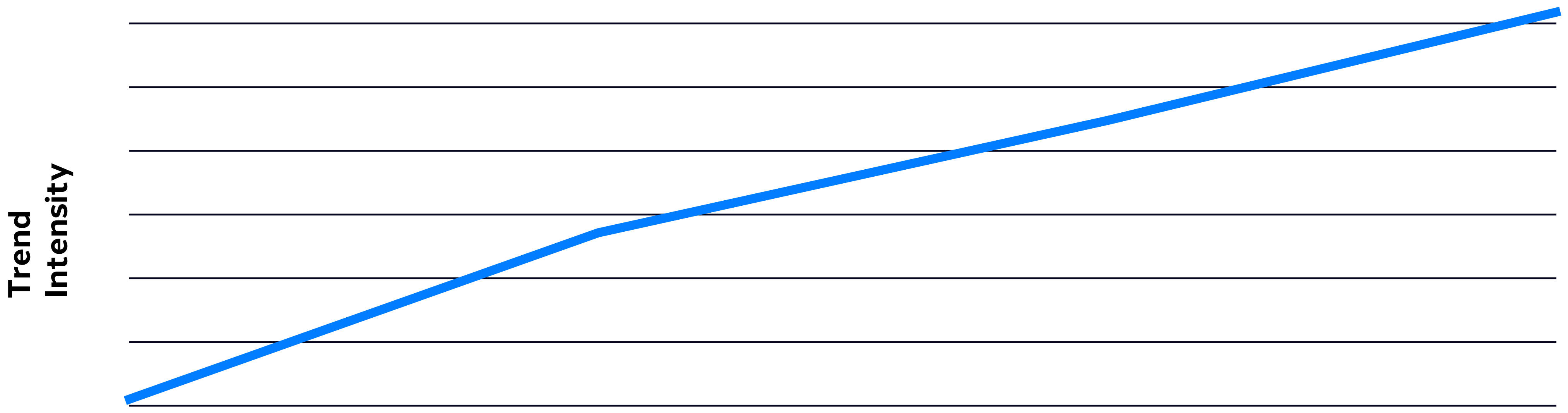
The startup's mission is to educate, empower and engage minority communities by creating a platform that offers products and services that serve the needs of consumers who wish to bank in line with their values and faith.

[1] Foresight Factory | Base: 36341 online respondents aged 16+, Global Average (27 markets), 2022 March
[2] Foresight Factory | Base: 11000 online respondents aged 16+, Global Average (9 markets), 2022 January

Looking ahead, banks will similarly aim to connect people with money, values and experiences, creating resources and products that help consumers make the most of their wealth in an inclusive environment. As products evolve, consumers in historically underserved groups will feel better catered to and understood by the industry. Overall, financial inclusion will become a widespread aim across the industry, as brands try to help consumers from all backgrounds build a more financially secure future.

Inclusive Banking

Expected Trend Trajectory in the 2020s



Now (2023)	Next (2024-2025)	Future (2025-30)
The cost-of-living crisis will energize calls for inclusive banking, with traditional finanical services as well as startups boosting efforts to lessen financial exclusion and support the underbanked and unbanked.	General promises of inclusivity will be inadequate, and more financial service providers will emerge that target very specific groups to better serve their unique needs and values.	Financial inclusion will be a widespread industry aim, and more consumers will seek to "bank-by-values". More niche and tailored products will emerge that better cater to previously underserved groups.

Trend 4:
Humanized Banking

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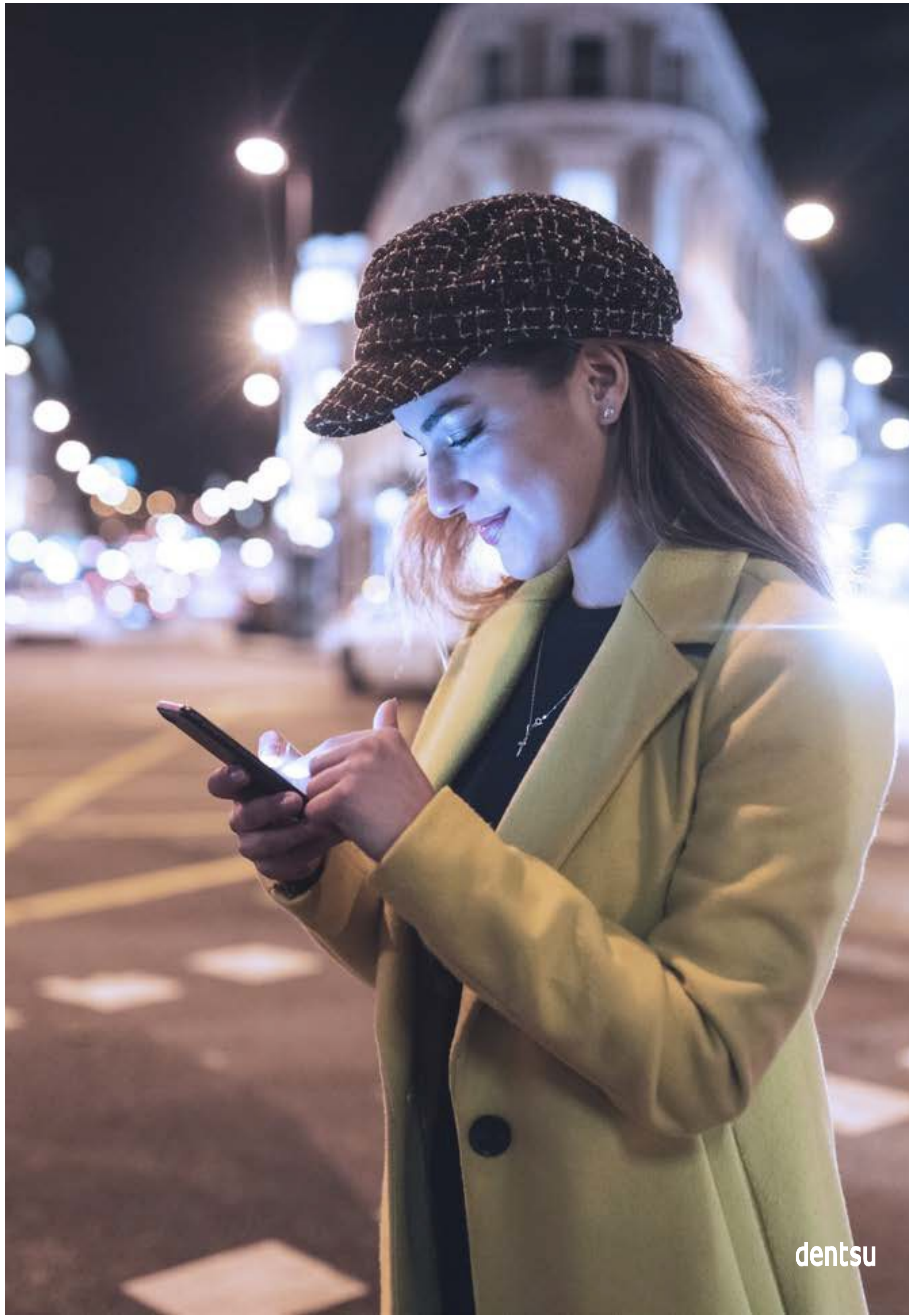
In the 2020s, expect growing demand for more human, natural and empathetic brand interactions via all channels (as a counter-trend to the rise of more automated financial services). Indeed, there is growing expectation that financial brands offer avenues to human service where needed and that digital or automated services embed human-like propositions to provide a more consistent customer experiences across offline and online channels.

The move towards the financial sector having to adopt more human-led service and engagement propositions was accelerated by the COVID-19 pandemic and then further amplified by the current cost-of-living crisis.

On the one hand, the pandemic resulted in a more rapid shift to consumers seeking digital and virtual channels to engage with brands. For example, before the pandemic (in 2019), 48% of global consumers used a chat messenger service to speak to a customer service assistant at least monthly. Post-pandemic (in 2022), this number rose to 51%. The biggest increase is observed among Generation Z: from 51% in 2019 to 59% in 2022. And consumers who use the internet for banking purposes over-index compared to those who don't. Among those who use online banking services on a weekly basis, 59% engage with brands using a chat messenger service – compared to just 35% of consumers who only occasionally use online banking services.[1] While such findings don't diminish the importance of face-to-face, human interactions for a significant proportion of consumers, it points to the rising preference and expectation of more virtual engagement with financial brands in the 2020s.

At the same time, however, it is clear that the pandemic and the current cost-of-living crisis is also driving a need for more compassionate and supportive brand engagement; helping customers navigate their financial future in uncertain times with a strong degree of understanding and empathy. As a result, the need for human-led brand services will remain important, particularly in moments when things go wrong, or the customer requires a specific issue to be redressed.



[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March

Seven in ten

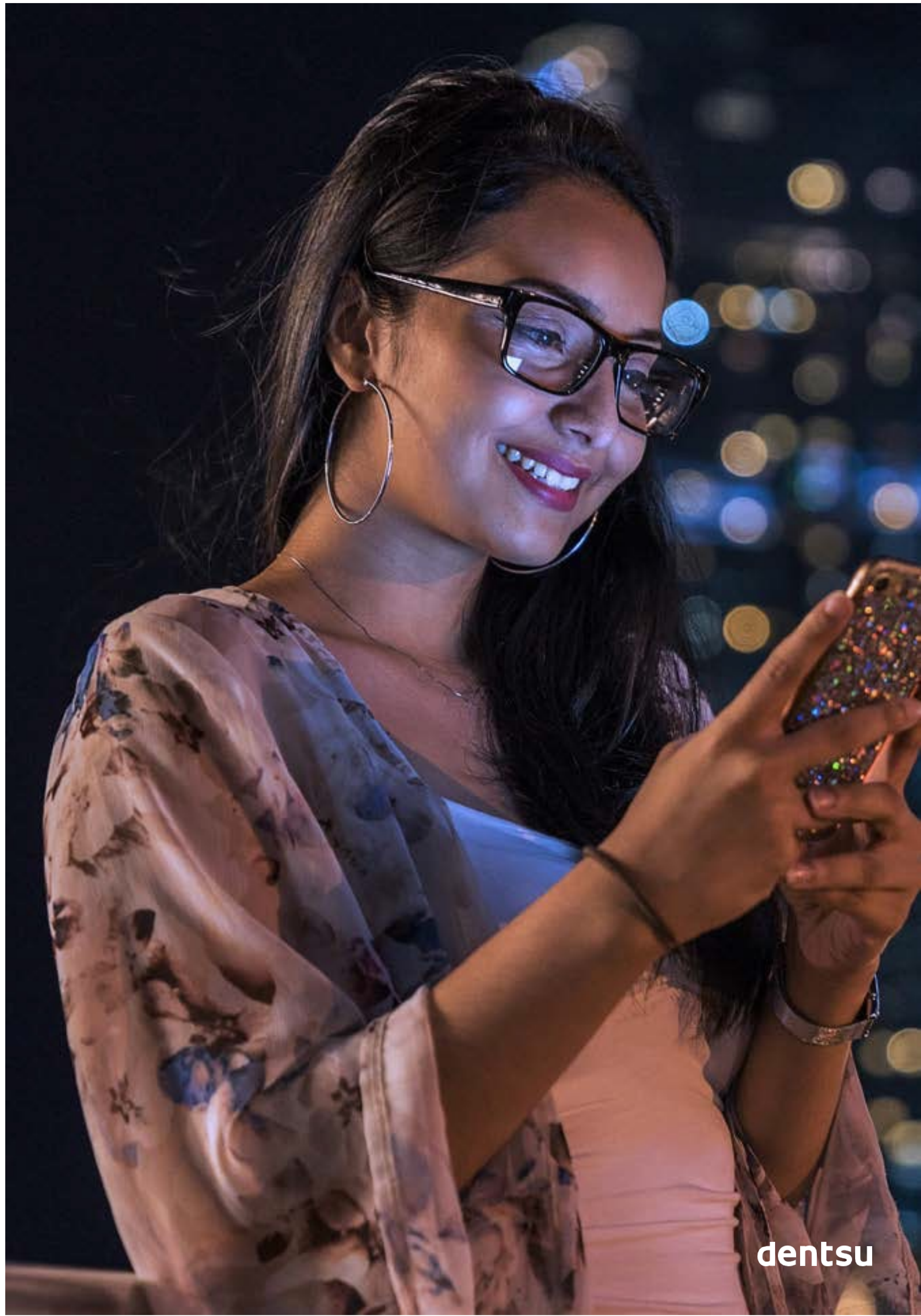
global consumers still say they prefer to speak to a human being when making a complaint about a product or service.[1]

As a consequence, there will be growing demand for financial brands to provide digital and convenient tools to engage with human customer service agents for more emotionally responsive and empathetic support – from offering video call services to using social media to communicate directly with customers. Indeed, a growing number of consumers globally want brands to reply to posts about them on social media. In 2019, 42% of global consumers agreed “I like it when brands comment on posts about them on social media,” rising to 46% in 2022—and 58% among Gen Z and Millennials.[2]

Indeed, direct to human customer service channels will likely be of most demand for affluent consumers who seek premium banking solutions.

Trend in action

In March 2022, HSBC announced a video call support feature as part of its online advice service, My Investment. The new feature, Remote Assisted Digital, will allow customers to complete a booking request through the My Investment public website page and organize a Zoom appointment to complete their applications. This follows the introduction of a live chat functionality, which allows customers to have on-screen conversations at any step of the investment process with HSBC Wealth Engagement Officers.



[1] Foresight Factory | Base: 34801 online respondents aged 16+, Global Average (27 markets), 2021 March
[2] Foresight Factory | Base: 38026 online respondents aged 16+, Global Average (27 markets), 2022 March

Digital services that provide real-time assistance but with an empathetic voice will also be an important part of future services aimed at customers in financial distress. Looking ahead, digital platforms can be used not only to provide real-time human services, but also as platform to build communities; whether that be to create enhanced brand to customer engagement, or customer-to-customer interaction. For example, in 2021, Catalonian digital community bank 11Onze launched a private social network for customers. Via this platform, customers can connect with bank agents and other community members in La Placa (the market square). 11Onze says it wants the network to "give a human touch to digital banking," which often lacks an emotional connection with customers.

Longer-term, financial brands will need to embed real and simulated forms of human engagement via more instant digital channels. Indeed, there is a consistent uptick of using chat messenger services to interact with brands. In the 2020s, instant messaging channels will offer more convenient means for customers to engage with financial brands when most needed.

51% of global consumers now use chat messenger services to interact with brands on at least a monthly basis, rising to 65% of Millennials.[1]

Trend in action

In 2021, Axis Bank launched a WhatsApp channel to allow customers to carry out basic banking services through the messenger app. Axis Bank WhatsApp Banking will allow both customers and non-customers to ask questions about regular banking transactions, account balances and new products. Customers can also block their debit or credit card on WhatsApp, offering an easier way for customers to report suspected fraud or lost cards. The service is now available 24/7 and is end-to-end encrypted, making the messages secure.

The core challenge for brands will be to offer more automated solutions that can respond rapidly to customer needs, but that maintain a sense of human interaction. Indeed, a core focus for financial brands over the coming decade will be to increasingly embed human-like propositions into fully automated customer service and brand engagement channels. To achieve this, AI technology will be vital to provide digital assistants that react and respond to customer needs in ways that seem empathetic and emotionally responsive to the context and challenges faced by the customer.

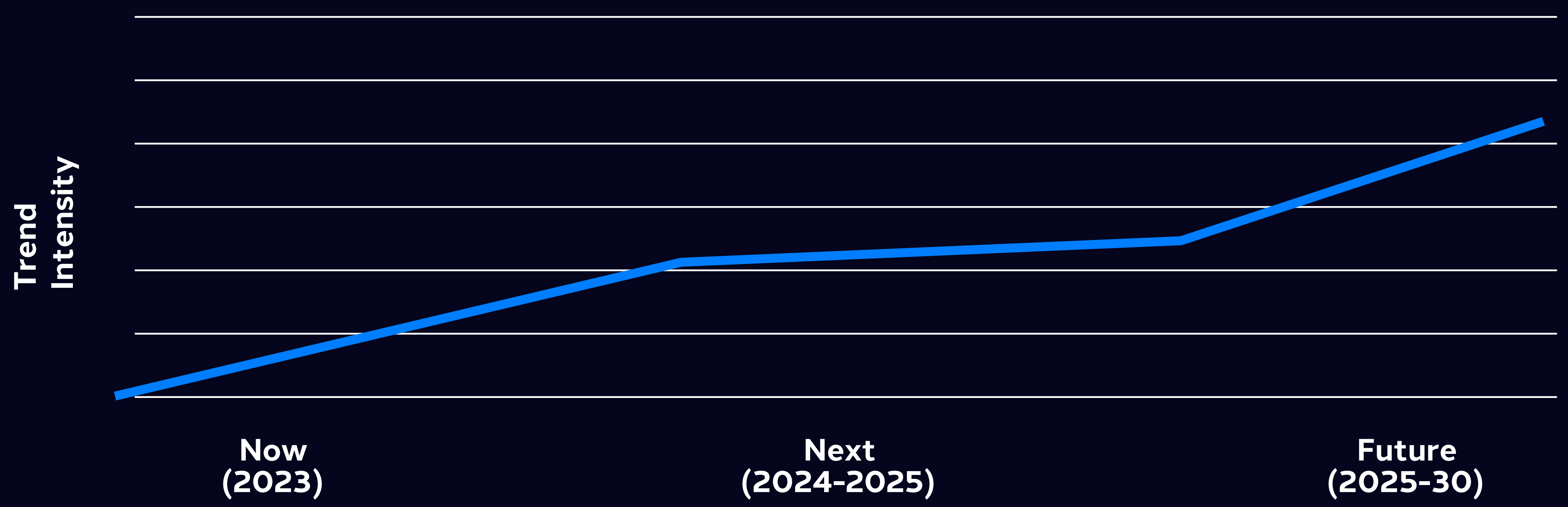
At present, the best examples of such technology being utilized are coming from outside the financial sector, for example, in the mobility sector, the use of AI to provide more human-like automated services. For example, in 2021, Toyota unveiled the Toyota Driver's Companion for the Sienna minivan. It is a dedicated AI voice assistant for the vehicle, which is accessed through the Toyota app. The assistant is named Joya and helps drivers set up the car to their unique preferences, explains how new features work, takes them through what is happening with the car's parts, and much more. Crucially, she is powered by Google Cloud, and AI and machine learning make her voice sound more human. Moreover, at CES 2022, the AI software company Cerence unveiled its Co-Pilot, an in-car assistant that uses continuous learning to predict and respond to the needs of passengers, analyzing passenger voice, gaze, gesture and touch to understand preferences and personal interactions accordingly.

Such technology shows the potential for automated AI services to become increasingly human-like, understanding and responding to the consumers state of mind and context in real-time, with ever more sophisticated forms of natural communication. In the 2020s, financial brands will need to invest in such technologies to embed a more human feel in future automated services and functions. Indeed, this will become more critical as consumers experience leading innovations in this space across their interactions with brands in other sectors.

[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March

Humanized Banking

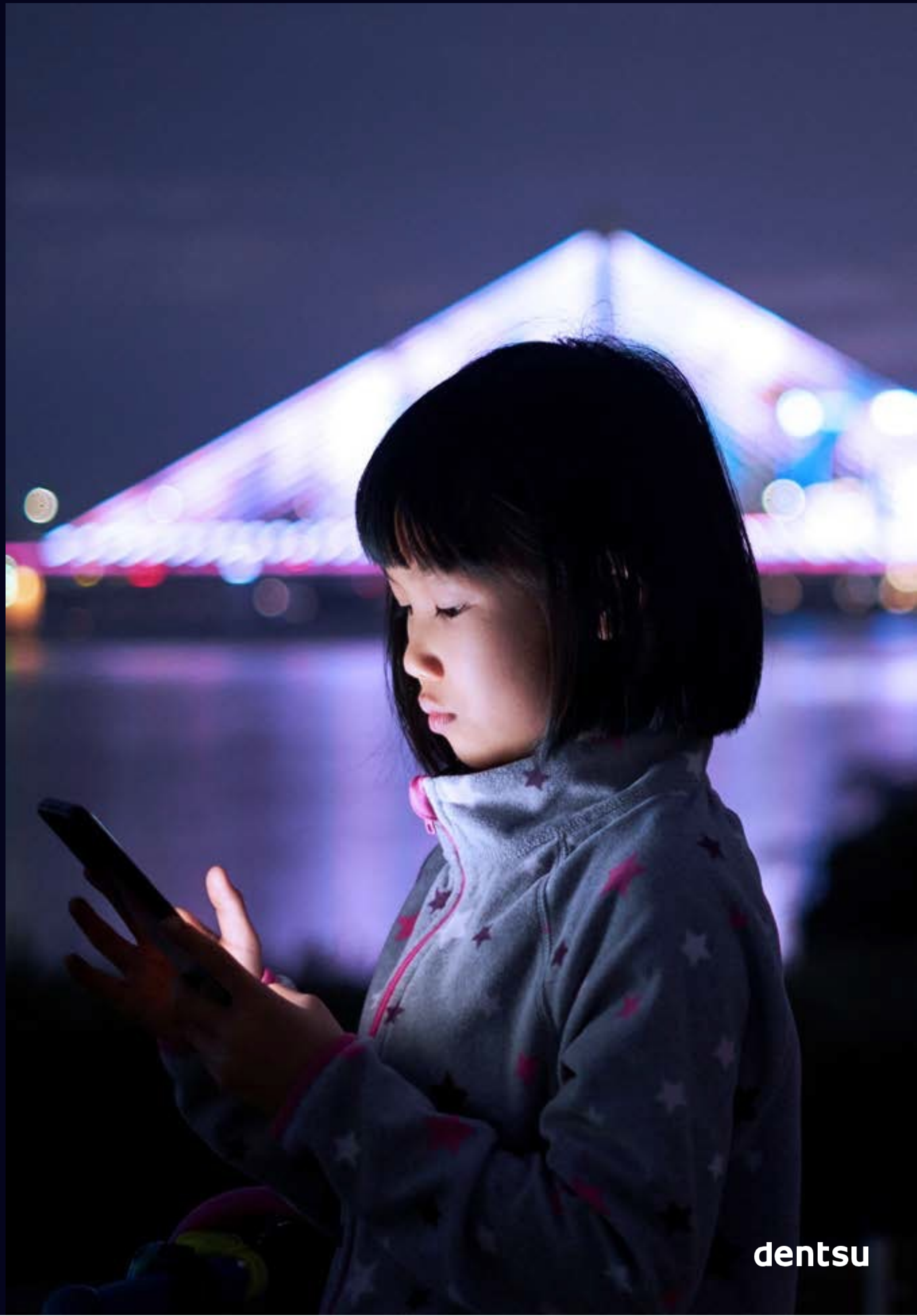
Expected Trend Trajectory in the 2020s



The cost-of-living crisis accelerates needs for human interactions from finance brands to offer support and reassurance - seeing more brands add avenues for human customer services via digital channels.

Increased interest for brand platforms that allow for community building and P2P customer interactions. Growing investment in AI services sees customer expectations of humanized virtual channels grow quickly.

Use of biometric and emotional tracking technology quickly improves the ability of automated brand services to mimic human interactions - such services become the growing norm across the sector.



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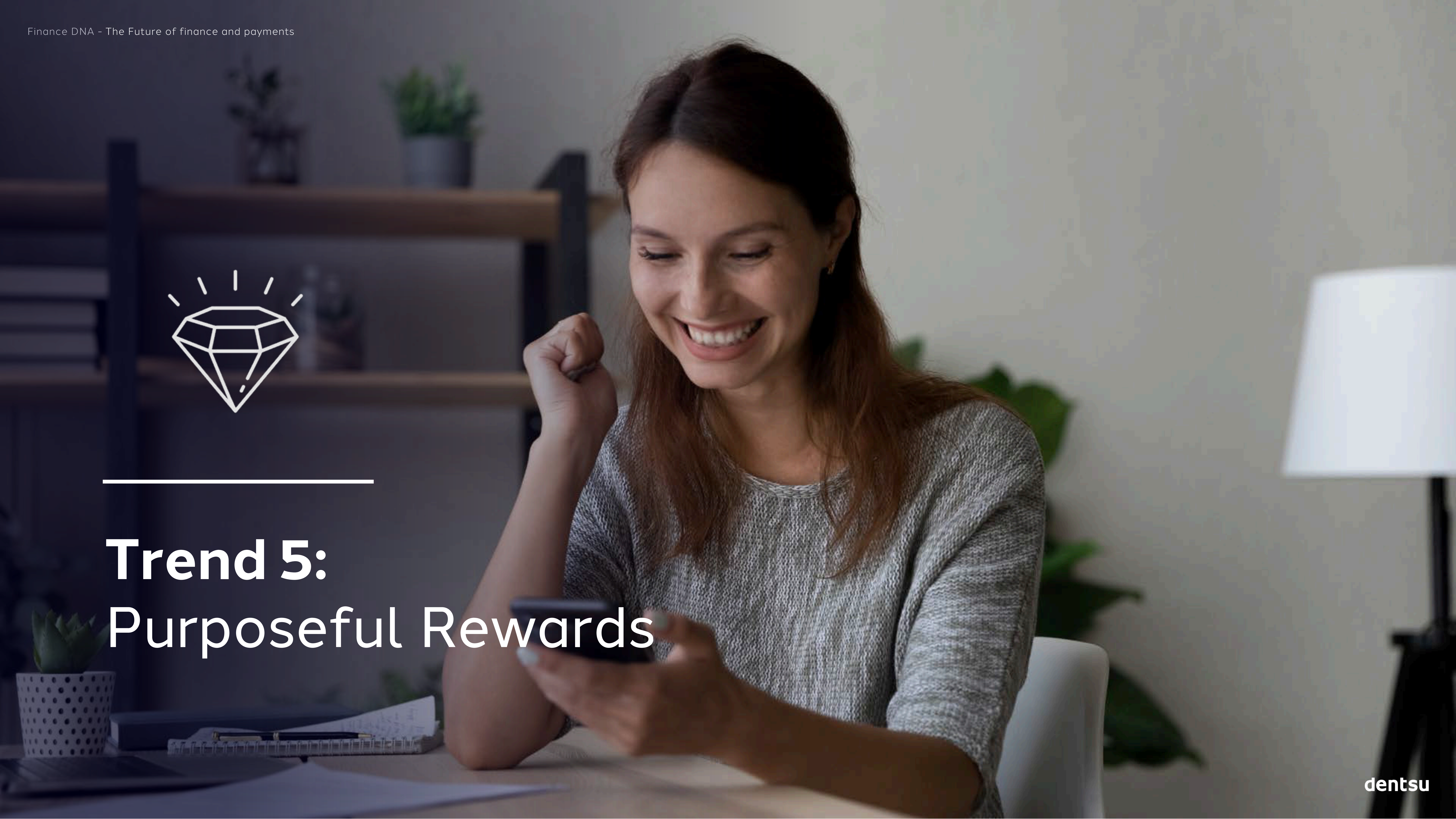


Trend 5:
Purposeful Rewards

In the 2020s, rewarding consumers for adopting behaviors that promote some form of social good and benefit will be a key feature of B2C loyalty programs. In particular, rewards will be aimed at nudging more eco-friendly and healthy habits. Moreover, the finance/banking and insurance sector is optimally placed to capitalize on this trend due to the sector's ability to access spending data to monitor and reward such behaviors.

In times of economic uncertainty and financial pressures, it is not surprising that consumers are becoming more focused on optimizing their commercial choices—with customer loyalty at risk when brands fail to consistently provide value for money. Indeed, in 2022, 31% of global consumers agreed with "If a brand I like stopped offering promotions, I would stop buying the brand" – compared to 27% who agreed with this statement in 2019.[1] At the same time, the benefits that consumers believe they are getting from current loyalty reward schemes is waning. For example, in 2013, 64% of UK consumers claimed that they really valued the benefits received from loyalty cards.[2] However, by 2022, this has fallen to 56%. Similarly, in the US this sentiment fell from 71% in 2016 to 59% in 2019.[3]

As brands face a mounting loyalty battle in the 2020s, banking, finance and insurance brands are well placed to be industry leaders in driving new forms of customer reward. This for two key reasons. First, consumers are showing growing interest in finance brands collecting and monitoring spending patterns in order to offer an improved service. A growing area of interest for loyalty schemes is reward programs that give discounts based on the customer adopting more eco-friendly actions. More than three in four (76%) global consumers in 2022 claim to be interested in such a service.[4] Taken together, it is clear that more purpose/value-based reward schemes will offer competitive edge in the 2020s, and financial brands are strongly placed to respond to such opportunities – due to the sector's ability to access spending data to monitor and reward purpose/value-based actions.

68% of Gen Z

consumers globally would be interested in a financial service which linked to your bank account or credit card and analyzed personal spending to help you budget better and meet your personal financial goals.[5]

The key areas where financial brands will be able to develop reward schemes around social good are health and the environment. Indeed, there are already a number of first-mover brands who are looking to reward customers via mechanisms that promote and nudge healthier behavior.

Trend in action

Credit card company Ness promises to be "the card that keeps you healthy." The credit card offers five times as many points for health and wellness and medical purchases, which can then be exchanged for wellness-focused rewards such as exercise classes and spa treatments. The brand also has a connected digital platform, The Ness Well, where it recommends health and wellness products that have been rigorously tested by its team, as well as a newsletter that helps subscribers discover new, high-quality wellness products.

1 Foresight Factory | Base: 38032 online respondents aged 16+, Global Average (27 markets), 2022 March
2 Foresight Factory | Base: 1237 online respondents aged 16+, GB, 2022 May
3 Foresight Factory | Base: 972 online respondents aged 16+, USA, 2019 June
4 Foresight Factory | Base: 10555 online respondents aged 16+, Global Average (9 markets), 2022 January
5 Foresight Factory | Base: 38007 online respondents aged 16+, Global Average (27 markets), 2022 March

There is also growing investment in this trend within the insurance sector. For example, Avibra is an insurance company that describes itself as “your personal wellbeing, risk and protection advisor.” The company aims to help customers “be the best version” of themselves while also converting positive habits into a tangible reward. As customers improve their physical health, personal and social relationships, meet their financial goals and advance their careers, Avibra rewards them with an increase in life insurance coverage. Customers who complete Wellbeing Advisor activities – which include filling in a gratitude journal, taking quizzes on wellbeing topics, meditating, watching videos on how to boost financial and physical health, and doing a brain workout – earn $10 of extra insurance coverage.

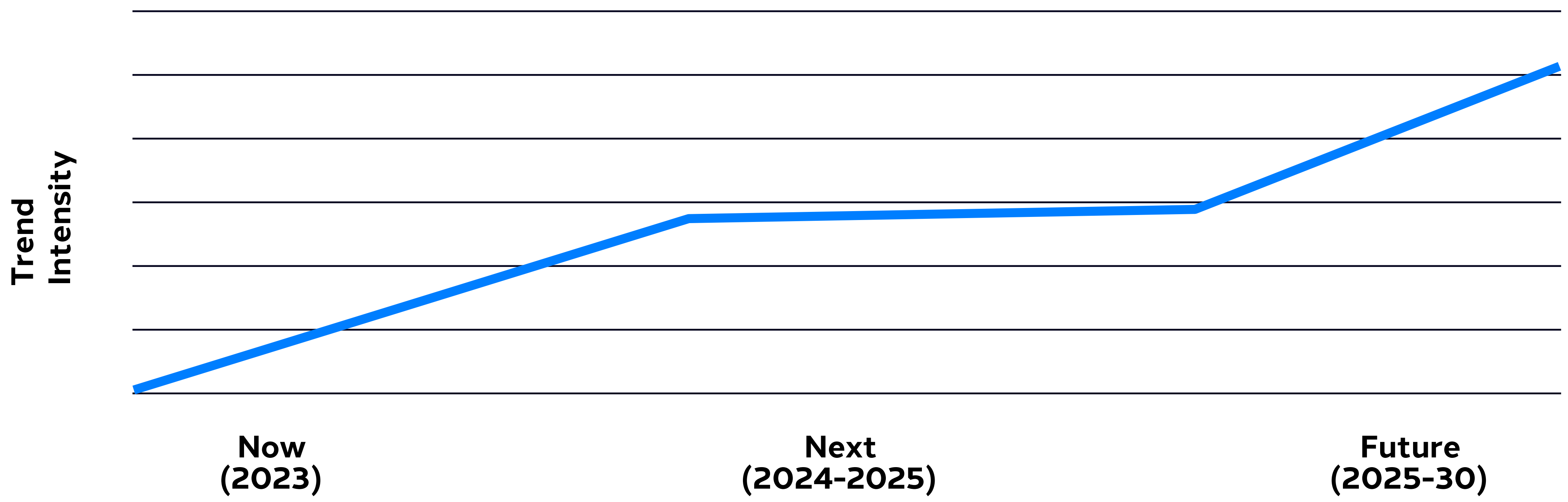
The finance and banking sector are also especially well placed to drive new forms of reward schemes that encourage more eco-friendly and sustainable behaviors. Due to having access to consumer spending data, the sector has been an industry leader in building eco and carbon tracking services. For example, in 2021, DBS Bank launched LiveBetter – a one-stop digital platform with a carbon calculator that automatically generates a profile of the user’s eco-impact.

Looking ahead, it is expected that banking and finance brands will look to incorporate such carbon and eco tracking into loyalty scheme programs. A sign of what is to come is provided by the Maryland-based startup Future who announced plans for a rewards card, in partnership with Visa, that offers a higher rate of cashback on spending that has a lower carbon footprint. The Visa FutureCard will offer 5% cashback on a range of purchases that are deemed to be “climate smart” including public transport, electric charging, second-hand clothes and plant-based food alternatives. Again, the card also helps users to monitor their carbon footprints.

Taken together, the shifting consumer attitudes and expectations towards loyalty, combined with the early innovation apparent in the finance/banking and insurance sector, points towards a longer-term future where an increasingly common and successful part of B2C loyalty schemes are built around the notion of rewarding for social good. Moreover, the sector seems better placed than any to capitalize on this trend over the coming decade.

Purposeful Rewards

Expected Trend Trajectory in the 2020s



New investment and start-up activity sees purpose-led rewards provide competitive edge for some finance brands. Customer interest grows and a wider set of brands start to innovation in this space.

Advanced data tracking of eco and health behaviors makes purpose reward schemes more sophisticated, accurate and tailored to the customer. Such advances result in rapid adoption of such schemes by brands.

Growing differentiation in issues customers care about, and better data technology to track engagement with such issues, results in stable demand for purpose rewards – but more tailored to a wider set of topics/issues.

Trend 6:
New Payment Frontiers

Driven by the increased digitization of payment technologies, the COVID-19 pandemic, and the growing need for convenience in point-of-sale (POS) systems, consumers are increasingly seeking different ways to make payments. Considering the recent technological advances in contactless payment infrastructures, consumers are making use of more digital payment methods, which are slowly becoming the default. In the coming years, digital technologies will allow consumers to use a range of payment methods, from e-wallets to cryptocurrencies, further increasing expectations and making the POS more efficient and convenient than ever.

Although cash has been in decline for some time, the COVID-19 pandemic accelerated the shift towards more digital and biometric methods of payment. In the 2020s, contactless payments will continue to rise at the expense of cash, digital payments will become the default, and e-wallets will increasingly bypass traditional banks. Indeed, there has been a steady uptick in consumers using their smartphones as payment devices over the last two years, with 46% of global consumers in 2022 indicating that they used their mobile device to pay for something at checkout— rising to 54% among Millennials.[1]

A key driver for future contactless payments will continue to be convenience: cashless payments are efficient, secure, and also allow the consumer to use tools to analyze their spending.

Through integration with mobile and app interfaces, cashless payment methods enable tracking, monitoring and scrutiny of spend for automated and integrated budgeting purposes, giving the consumer full control over their expenditure and purchasing habits.

27% of global consumers are using their smartphones to analyze amount spent on a daily basis.

Over one in three

Gen Z (37%) and Millennials (35%) respectively[2]

Looking ahead, the cost-of-living crisis and continued downward pressures on consumer spending will increase the need for consumers to have control over spend and budget accordingly. The shift towards a cashless society provides some respite for consumers concerned about money and financial risk, since it allows them to receive instant payment notifications, low balance alerts as they spend, and other clever perks.

In the 2020s, as consumers continue to adopt a digital-first approach to personal finances, it will create ever more fertile space for online-only challenger banks and wealth management services, as well as alternatives to fiat currencies such as cryptocurrencies. Today we are already seeing brands that are working in collaboration to provide their customers with expanded financial services and payment methods—so that consumers can pay in the way that is most convenient or accessible to them. For example, in August 2021, PayPal-owned Venmo launched a feature that allows users to convert their cashback rewards into cryptocurrencies. And in June 2022, Visa announced that it was ramping up its activities to support cryptocurrency uptake in Latin America and the Caribbean via a number of initiatives and partnerships. Teaming up with fintech start-ups and firms in the region, Visa will issue cards that allow users to receive bitcoin cashback with every payment made.

This expansion of support shown by both PayPal and Visa is exemplary of how new payment frontiers are being explored by traditional banks and financial service providers as alternatives to traditional payment methods. Contactless, mobile, and biometric payments will steadily become the default within the next three to five years.

By 2025, it is predicted that two in five (41%) of the global population will have used their fingerprint as a form of I.D. to make a purchase, up from just one in four (24%) in 2018. As is the case today, uptake will remain highest among consumers in emerging Asia, with China and Vietnam predicted to have the highest levels of usage by 2025.[3]

[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March
[2] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March
[3] Foresight Factory | Base: 35342 online respondents aged 16+, Global Average (27 markets), 2021 March

However, barriers to completely cashless payments still remain. For instance, there is a worry that vulnerable groups within society, such as the unbanked and underbanked, will be left unable to access services. There is also some consumer resistance based on privacy concerns, data anxiety, and the threat of technocratic control. Already, the talk of Central Bank Digital Currencies (CBDCs) has drawn criticism due to their potential to enhance government control. For instance, PayPal faced backlash from British MPs for its freezing of anti-lockdown accounts Free Speech Union and the Daily Sceptic blog. As we continue moving in the direction of digital banking and contactless-only payments, the need for cyber security assurance will also be heightened.

Longer term, biometric and cryptocurrency payments may become mainstream and will benefit from backing by central banks, allowing payments to be more seamless and secure. Cryptocurrencies such as bitcoin will be useful as a method of payment as well as a store of wealth. This shift will give rise to new currencies, too, such as paying with one's "likes" on social media or positive interactions with a brand, or using exclusive brand currencies awarded in return for loyalty.

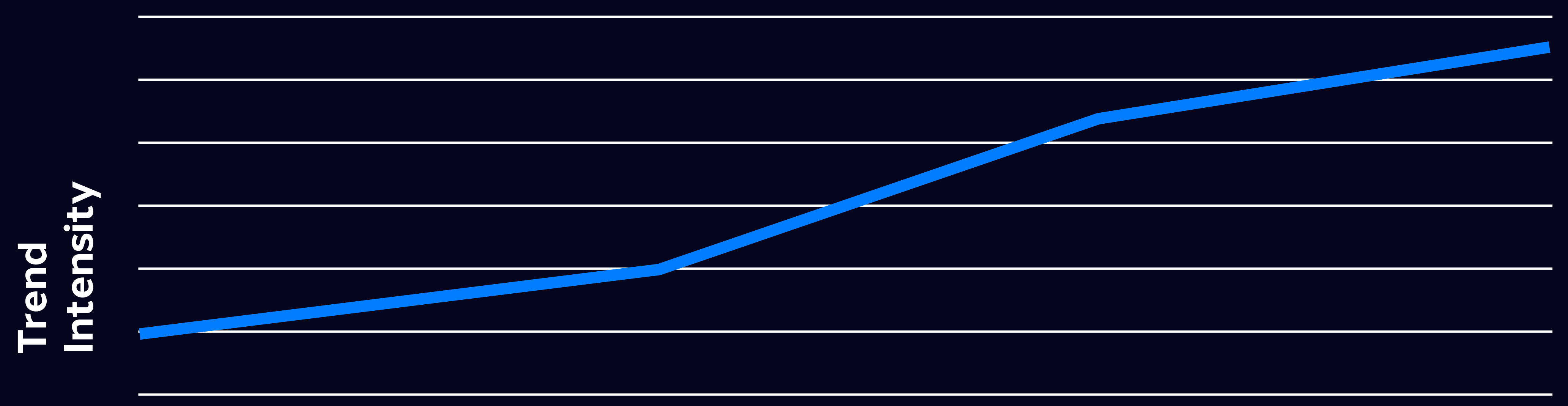
Trend in action

Filipino oil company Cleanfuel in February 2021 partnered with social app Lyka to allow customers to pay for gasoline using Lyka Gems, which are awarded in recognition of user interactions on the platform, such as rating posts or having posts rated by others. Partnering merchants and businesses can print QR codes for app users to scan and pay for real-world goods with their Lyka Gems. In this way, customers were able to pay to refuel their vehicle with interactions and time spent on social media.

In the next 5-plus years, everyday payments will be feasible with a wide range of methods and currencies, and POS may even be removed altogether (as exemplified in Amazon Go's checkout-free stores). For consumers, this represents the ultimate convenience as purchasing is seamless and payments automatic. But despite convenience being the key driver of new payment frontiers, brands will need to reassure consumers that they have the choice and ability to pay on their terms—proving a variety of physical and digital payment options to meet individual needs and ensure no one is left behind.

New Payment Frontiers

Expected Trend Trajectory in the 2020s



Now (2023)

The cost-of-living crisis will drive some to increase their use of digital payments to reap the benefits of integrated money management. tools, while others will return to cash as a more tangible way to budget.

Next (2024-2025)

Continued bank branch and ATM closures will make digital payments the default. E-wallets will bypass traditional banks, and cryptocurrencies will become a more widely accepted payment method.

Future (2025-30)

Everyday payments will be feasible with a wide range of methods and currencies, including biometrics, crypto and personal data. But calls for inclusivity and mounting privacy concerns will slow some uptake.

Trend 7:
The Investment Revolution

The emergence of trading apps and the growing sophistication of Artificial Intelligence (AI) is set to revolutionize, and democratize, who and how consumers invest. Meanwhile, fractional shares will be key to encouraging a wider audience to start investing with small amounts. While the current cost-of-living crisis will dampen the pace of this trend, as consumers look to shorter-term financial planning, the desire to build long-term resilience and maximize savings will see this trend full energized later in the 2020s.

Following the 2008 financial crisis, as the financial industry sought to reinvent itself and attract consumers back to investing, the first AI-based services and trading apps emerged. These have come a long way in the last decade, accelerated by mainstream access to smartphones, developments in machine learning technology, and the emergence of Open Banking – a practice that allows banks and third-party financial service providers to secure access to banking and other financial data.

The emergence of new assets and investment routes have energized this trend and will continue to do so in years to come. Cryptocurrencies have enjoyed front page media coverage, and while sentiment is not always positive, the potential for quick returns has encouraged many young and less risk-averse consumers to invest for the first time. Similarly, “Meme stocks” have gained a cult-like following online, building hype around a stock through conversations on platforms such as Reddit, Twitter and Facebook, attracting many new investors that want to be a part of the movement - as seen in the surge in value of companies such as GameStop ad AMC in 2021.

Digital wealth platforms will keep growing as more consumers seek easy and cheap access to investments. Moreover, access to fractional shares will be key to encouraging a wider audience to start investing with small amounts. Fractional shares allow consumers to purchase stocks at a set price amount, rather than by number of shares – meaning the consumer can purchase parts of/less than one share (e.g., half a share or 1.5 shares). This enables consumers to access more expensive stock from larger companies and the building of more diverse portfolios for those who are new to investing and may have limited initial funds at their disposal.

As consumers, especially younger consumers, become aware of increased concern about government debt and ability to provide pension support in later life, it is not surprising that more young people are looking at investment opportunities to find alternative routes to future savings. Indeed, our trended data indicates growing engagement with investment accounts by younger age groups: the proportion of global Millennials who have stocks/investments grew from 24% in 2020 to 35% by 2022.[1]

The gamification of investing, which refers to the addition of features to make the experience more appealing and fun, will be a key characteristic of trading apps as a way to engage younger consumers. However, this approach has recently been criticized for making risky trades seem too like a trivial game. Negative commentary and connotations of addiction will grow, resulting in potential regulatory interventions to help protect vulnerable investors. Brands will need to prioritize the long-term game plan over short-term fun as they try to introduce more responsibility and safeguards into online investing.

Moreover, in the face of a boom in investing, many consumers will fear being left behind, seeking reliable information on how to safely and successfully invest their money. While many will turn to how-to videos and online tutorials in order to gain expertise, others will look to social investing platforms, turning to peers and apps that enable social investing for advice. In light of this, educating consumers about risks, facilitating community discussion and encouraging long-term thinking will become central pillars to digital investment offers.

[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March

In the longer term, and as consumers overcome their reticence to trust artificial intelligence, investment advice disseminated by AI will start to enter the mainstream. This will democratize access to personalized advice, a practice historically reserved to those with higher incomes and in-depth knowledge of financial markets, as AI will be able to offer the service at a cheaper price point than human professionals.

More than one in two

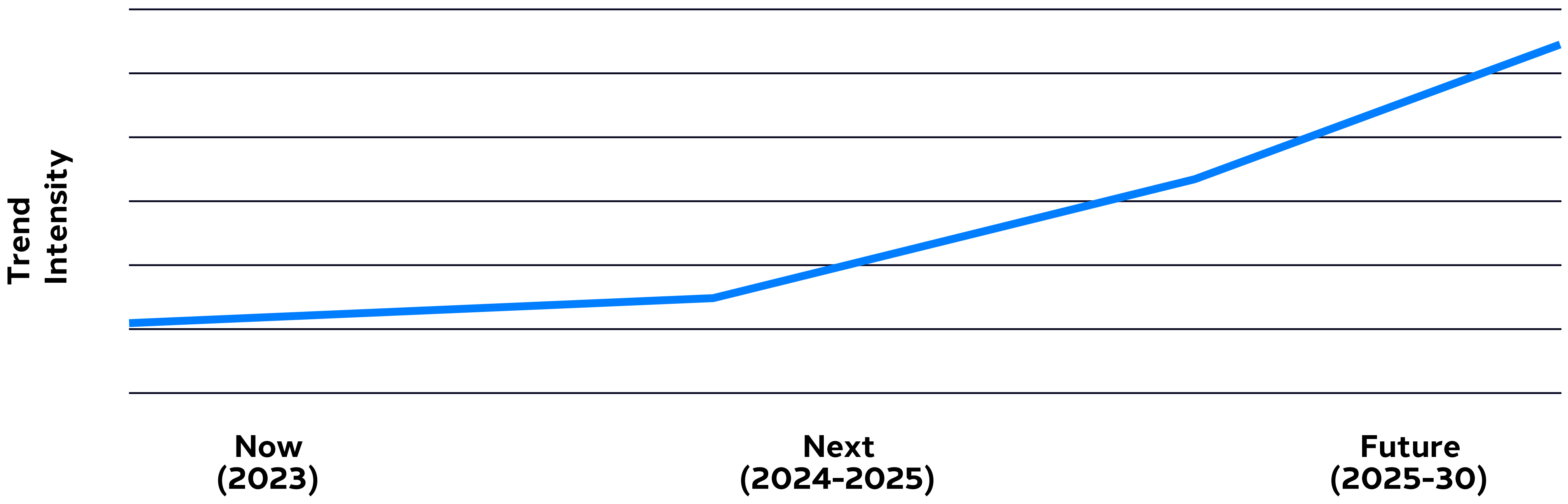
(53%) of global consumers (and 67% of Millennials) already show interest in an investment service that uses AI to automatically decide where to invest their money.[1]

In the face of rising inflation, consumers will end up will less money in their pockets at the end of the month. This coupled with a cost-of-living crisis, and the poor performance of the global stock market in 2022, will subdue the uptake of this trend to some extent, as many will need to apply a more short-term lens to their spending. These consumers will gravitate to current accounts that automatically move any extra funds into investment portfolios as they become more common and consumers are urged to make the most of any spare cash.

But quickly, the returns offered by a stabilizing global market and the desire of younger consumers to catch up with savings and investments will energize the trend once the current crisis has abated.

The Investment Revolution

Expected Trend Trajectory in the 2020s



The cost-of-living-crisis shifts focus to short-term financial planning and subdues interest in using savings for future investments, as consumers look to build resilience for the immediate future.

As the current crisis is abated, the need to build longer-term financial resilience will see more consumers make use of the growing number of flexible investment services made available.

AI makes investment services better able to tailor portfolios to the precise needs of each user. Ease of access, and promise of longer-term returns, sees the trend accelerate and expand across the customer landscape.

[1] Foresight Factory | Base: 10384 online respondents aged 16+, Global Average (9 markets), 2022 January

Trend 8:
The Credit Makeover

Though traditionally consumers have relied on credit cards to avoid paying the full price of products up front, the rise of the option to buy now, pay later (BNPL) has empowered consumers with cheaper and more flexible credit options than ever. In the 2020s, BNPL is set to become an increasingly popular way to pay for products and services. But as the cost-of-living crisis continues, and awareness of the importance of financial wellbeing grows, consumers will look for ways to reduce the amount of credit they take on—also raising calls for more ethical financing alternatives.

With cash on the decline, contactless payments on the uptick, and the cost-of-living crisis hitting consumers hard, many are seeking alternative methods to pay for and finance purchases of products and services—with the ability to pay in instalments instead of paying upfront an appealing option. By March 2022, already three in ten global consumers had used a BNPL service when shopping, rising to four in ten (39%) among 25-34s. And uptake will likely continue to increase as the crisis boosts the need for credit among some consumers. Indeed, on top of the 39% already using, a further 31% of global 25-34s claimed to be interested in using BNPL in the future—rising to 35% interest among Gen Z consumers.[1]

Consumers with low or no credit scores will be the main audience for BNPL, as it provides a cheaper way to access credit and obtain products and services without paying the full price of an item up front. Something that became clear during the COVID-19 pandemic was the need for flexible purchasing options to give consumers peace of mind. In a similar vein, BNPL services are now being used within the travel industry.

Trend in action

Clearpay announced in September 2022 that they were partnering with Alternative Airlines to launch a 'Pay in 4' option for their customers. Customers can choose from over 600 global airlines and book flights to any destination, with the option to spread the cost over four interest-free instalments within a six-week period.

In the next few years, consumers will be able to pay in instalments for ever smaller amounts and in more categories, such as consumer packaged goods (CPG). Historically, BNPL services have been reserved for big-ticket items, but now consumers in many markets can pay in instalments for low-cost purchases, too. This shift towards more accessible and smaller credit payments has allowed previously absent sectors such as beauty, fashion, and haircare to become prominent within the BNPL space.

Trend in action

Apple has introduced a BNPL functionality to its Apple Wallet in the form of Apple Pay Later. This will allow users to split the cost of an Apple Pay purchase into four equal payments spread over six weeks, with zero interest and no fees of any kind. The upcoming service will use Goldman Sachs Group Inc. as the lender for the loans needed for the installment offerings. Meanwhile, brands such as Zilch are bypassing BNPL brands by allowing consumers to pay in installments at any retailer, regardless of whether they offer the service in-house. In 2021, the start-up announced the launch of "tap and pay over time", a feature that allows shoppers to spread the cost of in-store payments over six weeks.

1 Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March

With convenience the main driver of BNPL, brands are under constant pressure to meet ever-increasing consumer expectations and make POS services more flexible, seamless and transparent. Indeed, when shopping online, 33% of British consumers,[1] and 27% of consumers in the US,[2] state that the option to buy now and pay later is important to them. This reaches a majority of 25-34s in both markets.

45% of consumers prefer BNPL services over credit cards because it's easier to make payments.[3]

However, while BNPL services have been rapidly increasing in popularity, they have recently also come under fire for not being transparent enough about their impact on customers' credit scores and for encouraging consumers to get into more debt than they can afford. Indeed, 28% of European consumers say they do not feel like they are taking on debt if they pay using a BNPL service, while 18% are unsure whether it would be considered as debt or not.[4] Such uncertainty could cause problems for consumers down the line and represents a key factor in the argument for regulation.

Looking ahead, as financial wellbeing becomes increasingly tied to general wellbeing, tighter regulations and controls on marketing and the use of BNPL services might follow to protect vulnerable consumers. Living through numerous financial crises, consumers are becoming aware of how BNPL brands can glamorize unsustainable spending—for instance, encouraging unemployed consumers to buy goods they cannot afford. The cost-of-living crisis will cause many consumers to self-moderate such risky spending behaviors to protect their savings and finances in general.

In this way, the 2020s will see increased tightening of regulation, as well as the emergence of ethical alternatives to BNPL. Save-to-buy, for instance, is regarded as a more virtuous competitor, helping consumers save up so they can afford to buy items outright rather than relying on credit. In 2020, seven in ten global consumers say they would rather save up for something than buy it on credit, suggesting save-to-buy products such as Reel will become popular.[5]

[1] Foresight Factory | Base: 1030 online respondents aged 16+, GB, 2021 May
[2] Foresight Factory | Base: 780 online respondents aged 16+, USA, 2021 May
[3] C+R Research, Buy Now, Pay Later Statistics and User Habits, 2021
[4] ING International Survey, The Psychology of Debt, 2020
[5] Foresight Factory | Base: 41012 online respondents aged 16+, Global Average (27 markets), 2020 May

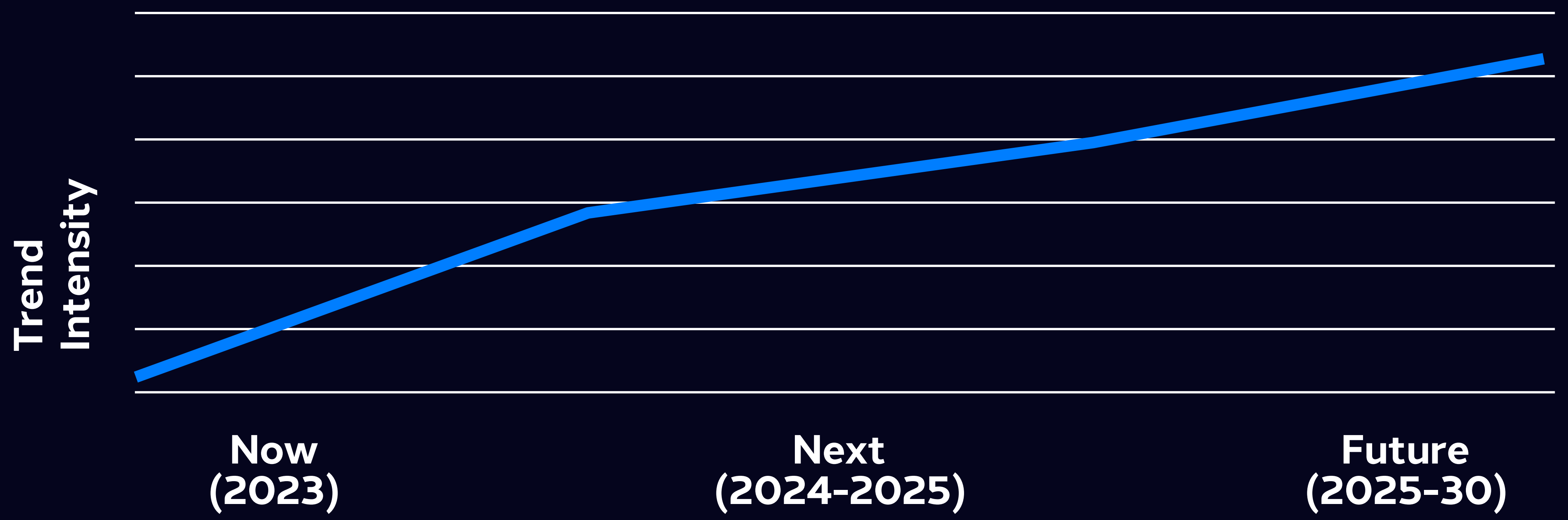
Trend in action

Reel helps you to easily start a savings plan for what you want to purchase while getting 1% back in cash rewards for every dollar saved. Similarly, in August 2022, Australian challenger bank Up Bank launched Maybuy, a save-to-buy service that creates an automated savings plan for users looking to buy something online. Once the target has been reached, the user can choose to either buy the item or, if their plans changed, to put the money to a different use.

Considering an ongoing cost-of-living crisis and future economic uncertainty, save-to-buy will cause interest in BNPL to decrease. Enhanced awareness of financial wellbeing will also mean that consumers are wary of taking on too much debt. Nevertheless, BNPL will continue to appeal to consumers as a means of fully embracing the present, despite financial concerns. BNPL offerings across retail and travel are enabling people to "live now, pay later," something particularly appealing to younger generations disconnected from the possibility of obtaining things like mortgages or building up credit amid unstable financial times. This will lead to BNPL and other alternatives becoming the preferred way for many to pay, disrupting traditional lines of credit.

The Credit Makeover

Expected Trend Trajectory in the 2020s



Now (2023)

The consumer need for experience is heightened in a post-pandemic context, and the cost-of-living crisis boosts the need for escapism too. This will drive uptake of BNPL as a way to "live now, pay later."

Next (2024-2025)

New legislation will mean that that consumers using BNPL will be subject to affordability checks, preventing them from taking on unsuitable debts. Save-to-buy will emerge as a more ethical competitor.

Future (2025-30)

BNPL will operate within tighter regulatory limits. By allowing instalment payments for ever smaller amounts and in more categories, BNPL and other alternatives will continue to disrupt traditional lines of credit.

Trend 9:
AI-Powered Insurance

The growing sophistication of AI technology is set to transform the experience of buying insurance and making claims. From automating the issuing and claims process of insurance, to being able to respond to real-time events via the use of advanced data collection and smart environments, consumers in the 2020s will have access to more efficient and on-demand insurance services supporting them in their quest to build personal resilience to future financial and climate risk.

Technological advances will enable insurance brands to target a growing set of consumer needs in the 2020s – resilience and convenience. Consumers have experienced significant levels of uncertainty in recent years, from the pandemic through to the current cost-of-living crisis. This sense of 'never normal' times has resulted in consumers seeking to build resilience against potential future risk. In 2022, more than half (54%) of global consumers felt at risk from financial hardship over the coming five years.[1] Such concerns will increase demand for insurance and financial services that people are confident will provide the assistance needed; where and when most required.

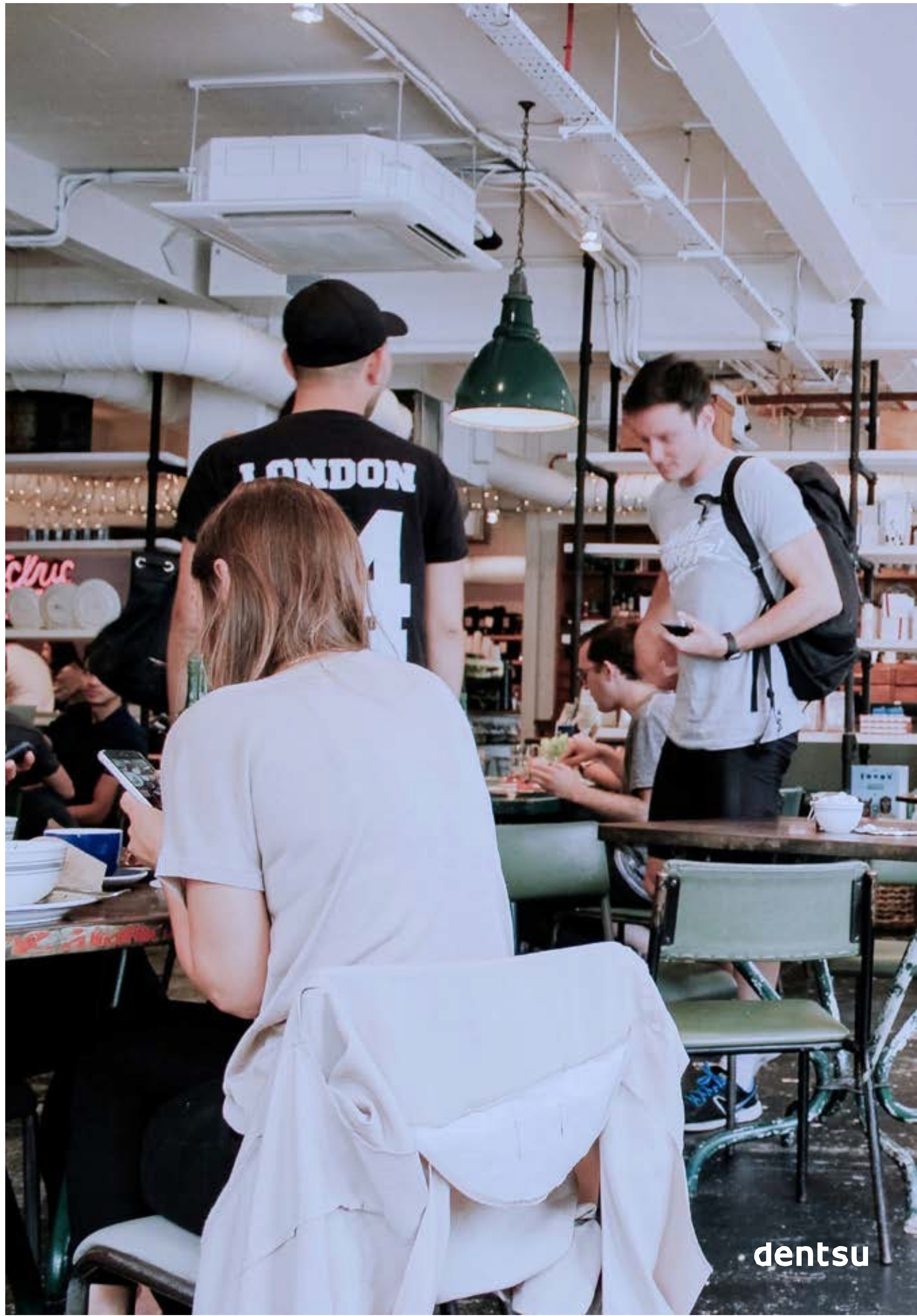
Concomitant to such demands, consumers are also increasingly showing interest in more convenient products that can be efficiently and effortlessly tailored to their needs without significant time investment. Globally, 41% of consumers claim to feel under time pressure in their everyday life, rising to 52% of Gen Z.[2] Meanwhile, the number of consumers who state they would be willing to spend money in order to save time is rising – from 39% in 2017 to 44% in 2021.

This figure rises even further among younger age groups, reaching 51% of Millennials globally.[3] Such findings indicate that not only will there be increased demand for more efficient and convenient financial and insurance services, more and more consumers will be prepared to pay a premium for such benefits.

In the 2020s, finance, banking and insurance brands will have access to new technological advances that will enable them to respond to the dual consumer demand for resilience and convenience. Indeed, already today the industry is becoming increasingly able to use big data to underwrite policies with active involvement from the customer no longer required. Car, home and contents insurance are set to be first to be automated, as risks and an item's condition can be fairly easily verified using widely available metrics, such as a car's age or a house's flood risk. At the same time, there are also new start-up companies aimed at providing bundled insurance products for increased convenience.

Trend in action

Insurtech start-up Branch, which in June 2022 raised $147 million in Series C funding, claims it is unique in allowing consumers to bundle auto and home insurance in a single transaction. It also allows its partners to embed an "add insurance" option at point of sale, meaning that users can purchase coverage at the same time as they take out a mortgage, for instance, or buy a security system.



[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March
[2] Foresight Factory | Base: 40702 online respondents aged 16+, Global Average (27 markets), 2020 May
[3] Foresight Factory | Base: 31902 online respondents aged 16+, Global Average (24 markets), 2021 March

Looking ahead, growing investment in AI technology will quickly improve the capabilities of insurance and finance brands to provided more automated, personalized and speedy services. In particular, the combined use of Optical Character Recognition (OCR) to automate the review of information related to an insurance claim and Natural Language Processing (NLP) to automate the review of a customer's policy. There are a growing number of start-ups aimed specifically at utilizing such technology. For example, Sprout.ai is a start-up that uses AI to help insurers settle claims within 24 hours. The company uses OCR to review all required information and then uses NLP to map that information to the customer's policy documents in order to automate the entire claims procedure. Utilizing such technology will provide consumers with greater confidence that their claims can be resolved as efficiently as possible, responding to their unique needs closer to real time.

Technological advances will also open up wider access to more instant insurance coverage for consumers.

Trend in action

Today, insurance companies such as Hippo Insurance have already developed a rapid home insurance offer via a partnership with Cape Analytics, a company that uses AI and geospatial imagery to provide real-time property intelligence. With Cape Analytics' machine learning algorithms, Hippo will be able to target specific property characteristics and tailor policies accordingly, providing accurate levels of coverage for each home and premiums unique to the property. For example, factors such as the roof's condition, garden debris and the presence of overhanging trees can be assessed in real time to support the underwriting process. The new data will be automatically integrated into the purchasing flow for prospective customers, ensuring that they have the most accurate information when buying protection for their home. For existing customers, this will reduce the need for in-person agent visits, delivering a "streamlined home insurance experience year after year." Hippo will also proactively reach out to customers to make recommendations to mitigate potential issues, as the geospatial analytics tech captures changes to a property's condition continuously.

Longer term, automated claims will become increasingly hyper-personalized as the rise of smart and connected environments allows claims to be triggered and verified in real time against the precise risks that the insurance policy covers. For example, insurance companies such as Yokahu and Bounce are now using live satellite or GeoNet data to identify customers who have experienced a hurricane or an earthquake and automate pay outs accordingly. For example, Yokahu offers home insurance policies that pay out automatically if your home is hit by a hurricane at a specific speed (with the amount pre-set to a certain range of wind speed in miles per hour). Meanwhile, Bounce is an insurance start-up who announced in 2021 a partnership with Lloyd's to offer affordable earthquake insurance and fast claims payments. Bounce uses GeoNet data to identify which consumers have experienced a strong earthquake. Once the seismic trigger has been reached, the claim is paid within days to help customers with immediate cash flow issues. Payments are determined by the strength of the quake, with stronger earthquakes generating higher pay outs.

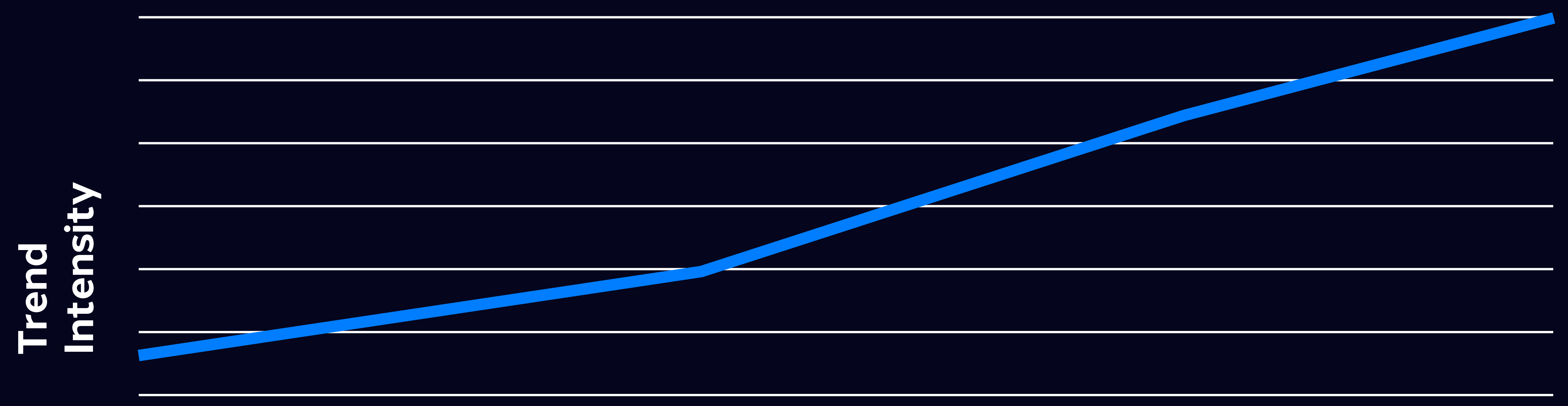
Such services will increasingly appeal to consumers. Having experienced the uncertainty of recent years and expecting continued uncertainty in the future, consumers will seek financial services that can quickly and efficiently respond to their unique set of needs and changing circumstances, providing certainty that financial service support will be there if, and when, they need it.

The rise of connected environments which can monitor the real-time impact of events, and growing concern about the increased risk of climate change, will be key drivers of demand for AI powered/automated insurance in the 2020s. The number of consumers who feel at personal risk from climate change has grown dramatically between 2016 and 2022 – from 23% to 41% in the US; 31% to 61% in Germany; 20% to 52% in the UK; 27% to 51% in Sweden; and 43% to 62% in China.[1]

As concerns about the impact of specific climate related events such as floods or wildfires continue to grow, look for increased consumer expectations that financial and insurance brands will use the latest advances in AI to provide solutions that can respond to potential environmental risks in real-time, providing customers with a sense of personal climate protection and resilience.

AI-Powered Insurance

Expected Trend Trajectory in the 2020s



Now (2023)

Customer demand for convenient insurance services that will respond rapidly to future risk sees growing demand for automated and integrated insurance solutions.

Next (2024-2025)

Growing investment in AI technology accelerates speed at which insurance policies can be provided, assessed and paid out. Customer expectation grows for seamless and rapid service provision.

Future (2025-30)

Rise of smart cities and connected environments makes the monitoring of risks factors such as climate change more immediate. Consumers expect instant responses to environmental risk factors.

[1] Foresight Factory | Base: 1001-4869 online respondents per country aged 16+, [China 16-74], 2022 March

Trend 10:
Branches Reinvented

With ever more of life's activities moving online, financial service providers will continue to evolve the digital and offline customer experience to better serve consumers. More banks will close low-traffic retail outlets to streamline their network of branches and will innovate to ensure that their online systems and spaces are seamless, easy to access and complementary to offline services. Looking ahead, financial services will expand into emerging virtual worlds while also reimagining the role of the traditional bank branch—utilizing pop-up and multi-use spaces to provide customers with a range of benefits in addition to financial assistance.

The pandemic accelerated the move towards online banking, pushing even those previously reluctant to embrace virtual services to try them out of necessity. Over the next decade, expect heightened uptake of online banking to persist, with everyday banking activities increasingly moving to online platforms to align with the societal digitalization of consumer life and the convenience expectations that come with it.

By 2022,

72% of global consumers were using online banking services at least weekly.

80% of 25-34s currently using the internet for banking purposes on a weekly basis.[1]

In light of more services moving online, banks will continue to streamline branch networks—closing outlets with less footfall. Indeed, in March 2021, the Bank of Ireland announced plans to close one-third of its branches, stating that customers were using branches less and less. Technology will be key to a smooth transition away from bank branches as the main customer service point.

[1] Foresight Factory | Base: 39400 online respondents aged 16+, Global Average (27 markets), 2022 March

As online banking evolves to handle all transactions, it will empower human staff in remaining branches to focus on more involved inquiries and tailor-made advisory services. The branch will be less functional than before, and instead, fulfilling the consumer need for human service (as discussed in Humanized Banking), personalization, including tailored information and recommendations, and community. In this way, front-facing financial service employees will need to possess the skills to provide customers with exceptional, personalized and empathetic customer service that cannot adequately be accessed or provided online, like offering complex financial advice, or tailored advisory services such as supporting customers through purchasing a home, and better serving vulnerable customers.

Meanwhile, banks and other financial service providers will increasingly explore the use of alternative offline spaces, from retail outlets to lifestyles spaces, as a base for customers and communities to visit. This means that, in the 2020s, the branch network will no longer be confined to traditional retail banks. New branches will pop up in community spaces where face-to-face contact is most needed. For example, in April 2021, TSB announced the launch of 43 pop-up branches across the UK to help local communities get access to banking services—hosting the pop-ups in community buildings such as town halls and libraries. The bank also introduced 100 advisor roles to offer customers end-to-end access to products and services outside of a physical branch. Similarly, startup OneBanks operates pop-up kiosks offering face-to-face banking services for customers with accounts at any bank, facilitated by Open Banking technology.

As pop-up branches become the norm in the medium- to long-term future, more banks will also explore partnerships with brands in other sectors to offer complementary, in-person services—utilizing the same, shared space for multiple uses and activities. For some players, partnerships will help enhance the in-branch offer for customers and will allow banks to be progressively seen less as just financial support and more as lifestyle partners—providing support for consumers in all areas of life in addition to more traditional banking benefits. For instance, in February 2021, IKEA acquired a 49% stake in Ikano Bank, with the aim of offering a full suite of banking services in IKEA stores and online. Customers will be able to shop and bank at IKEA outlets, enhancing convenience by providing a one-stop, multifunctional shop for financial and retail services.

Longer term, flagship bank branches will emerge alongside virtual branches in the Metaverse. Already, 46% of global consumers express interest in a 3D digital world where they could engage in various virtual activities such as shopping, socializing, and working by using an avatar—rising to 59% and 57% among Gen Z and Millennials respectively.[1] In this way, the metaverse represents an appealing avenue to explore to bring together and engage young customers who want more immersive and experiential online alternatives to in-person branches.

As the virtual economy grows and ownership of virtual assets becomes more mainstream, there will also be an increasing need for practical financial services in the Metaverse, such as banking facilities to manage virtual and cryptocurrencies, or insurance for exclusive digital goods like NFTs. Accordingly, to offer "real world services that are critical to the metaverse world," New York-based accounting firm Prager Metis in January 2022 announced it had become the first certified public accountant to have an in-game branch, by opening an outlet on virtual world platform Decentraland. Meanwhile, in March 2022, HSBC acquired a plot of LAND virtual real estate in The Sandbox metaverse, which will be developed to engage and connect with sports, esports and gaming enthusiasts.

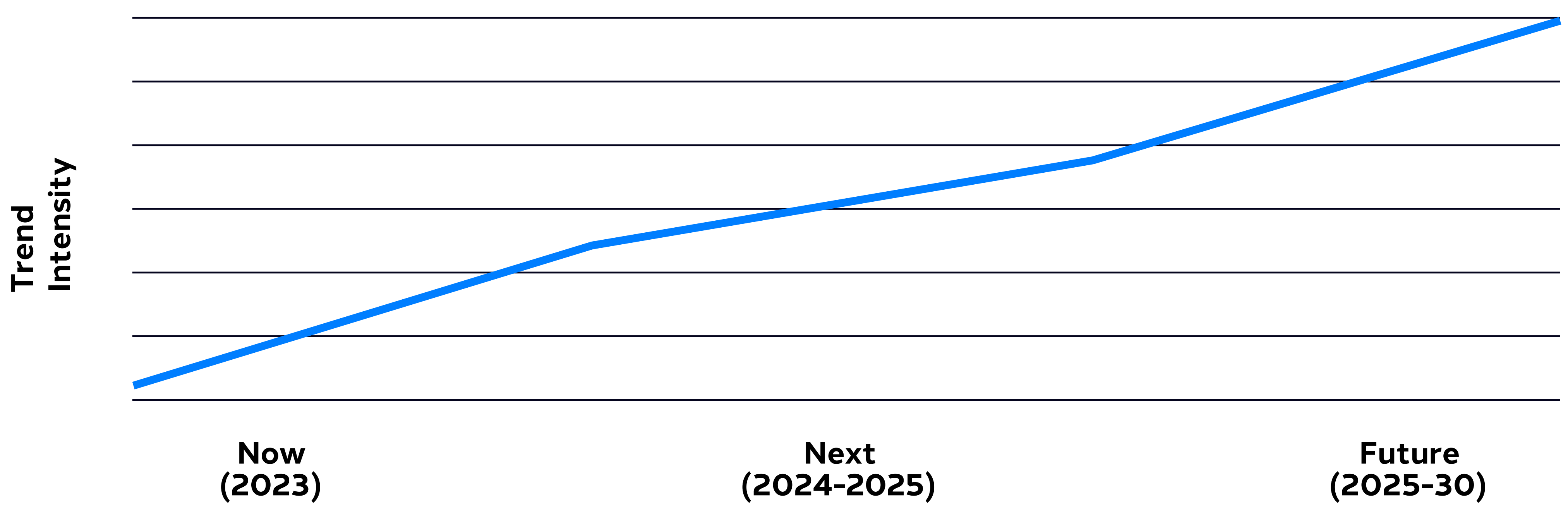
[1] Foresight Factory | Base: 37707 online respondents aged 16+, Global Average (27 markets), 2022 March

Pressure for physical branches to become more advisory and experiential will be propelled by the growing number of virtual branches that take online banking to the next level. For example, in April 2022, Spanish bank CaixaBank announced it was entering the Metaverse via imaginLAND, a virtual offshoot of its digital and lifestyle services platform imagin. In doing so, the brand claims to be the first European fintech company with an active presence in the virtual world, offering digital services specifically targeted at consumers under 30. The first project will be a 3D modelled, Metaverse virtual version of imaginCafé, imagin's physical space in downtown Barcelona, where users can access content linked to culture, creativity, technology and sustainability. Such innovation will further boost the need for flagship brick-and-mortar locations to become holistic destination spaces where consumers can access financial advice alongside other amenities, such as co-working spaces or gyms. Indeed, as imaginBank's only brick-and- mortar location, imaginCafé aims to be "a place where the brand is rendered tangible" as it serves as a co-working space, art exhibition, modern theater and more. Similarly, Santander's Work Cafes are designed to give entrepreneurs a space to socialize, work and bank.

By 2030, although most customers will access day-to-day services online, pop-up branches will continue to serve experience-seekers and customers who struggle with digital tools and will increasingly act as important community outreach posts.

Branches Reinvented

Expected Trend Trajectory in the 2020s



Expect heightened uptake of online banking to persist. Banks will continue to close branches and explore remote alternatives, but the cost-of-living crisis will uphold a need for in-person advice and support.

Advancing technology will help tackle pain points of online banking. Branches will emerge in local community spaces to offer face-to-face support, and in lifestyle spaces to offer more experiential banking.

Branches will become destination spaces as banks attempt to become lifestyle partners. More widespread adoption of VR will help deliver realistic and advanced financial services in digital and metaverse spaces.

Finance DNA: Understanding Your Customer Now and In the Future

The trends outlined in this Finance DNA report, while impacted to a lesser or greater extent by current economic conditions, are expected to remain the key features of the global finance and payments landscape. While their pace of change, trajectory and forms of manifestation may alter due to the changing economic context, the trends explored in this report are the core areas of changing consumer demand, attitudes and expectations that brands will need to be aware of and action against over the short, medium and longer term.

Here is what brands can do to stay ahead of the curve.

The Implication For Brands Now

Support & Education

- As the cost-of-living crisis continues consumers will look for ways to become more financially savvy. Consider how you can be an educator brand in this area, including what resources your brand could offer – from campaigns to new products that explain how current decisions affect long-term prospects, or communities where consumers can come together and share knowledge.
- Break down taboos around personal finances. Help consumers talk about their money worries with friends, family and their banking provider(s) by speaking openly about issues such as debt spirals or budgeting troubles.
- Campaigns that destigmatize discussion of finances by featuring difficult topics out in the open will help consumers feel more comfortable and empowered to share, removing some of the secrecy that makes talking about finances so daunting.
- Make financial advice more accessible and engaging by leveraging new channels, formats and sources of advice. As money talk is no longer the preserve of banks alone, consider partnering with finfluencers, making your brand more relatable on social media, or offering gamified tools to help consumers engage with their financial wellbeing. Gen Z will be the target audience – this generation is already comfortable using social platforms and gamification for educational purposes, and finance is no different.

The Human Touch

- Post-pandemic, seamless remote banking is now a hygiene factor. If your brand is considering cutting down the number of physical branches, your online experience must be easy to access and navigate to avoid customer frustration. However, make sure to maintain the human touch, ensuring that digital interactions with your brand retain empathy and understanding, leveraging emotionally-intelligent chatbots or offering video calls with staff members, for instance.
- Personalize face-to-face contact to provide exceptional customer service for complex issues and vulnerable customers. When a customer does come into a branch, they will be looking for exceptional customer service that they cannot access online. Offer personalized advice in one-on-one meetings, for example, a first-time buyer would welcome support across the whole purchasing process, not just in securing a mortgage, while fledgling entrepreneurs may appreciate wider financial advice relating to running a business, not just in securing a loan or opening a business account.
- Consider whether you can use pop-up sites in community spaces to reach and maintain contact with vulnerable or remote consumers. Be sensitive to the specific needs of each local community and tailor your offering accordingly. During the cost-of-living crisis, consider using bank branches and pop-up spaces as financial educational hubs that offer consumers the opportunity to upskill and enhance their financial wellbeing.

Convenience & Experience

- Make payments ultra-convenient, aiming to remove friction at the POS by allowing consumers to pay with contactless cards, e-wallets or via biometric identification. Consider how you can support retailers too, for instance, by developing biometric recognition systems, or secure apps that identify physical shopping baskets and automatically take payment.
- Offer customers the benefit of choice by facilitating and accepting all payment methods. Despite convenience being key for consumers who have access to new technology, some consumers will still need to pay in cash. Consider how you can support retailers in offering a full spectrum of payment methods to customers to ensure that vulnerable or disadvantaged customers are not left behind.

Products & Partnerships

- Develop integrated and bundled product solutions that enable consumers to purchase products that include a range of, if not all, their insurance needs in one place.
- Develop reward propositions specifically aimed at driving new and improved forms of health related and/or eco-friendly behaviors.
- Invest in emerging AI technology that will enable your insurance claims process to be increasingly automated, providing customers reassurance that support will be provided at the point where it is required.
- For non-insurance brands, seek partnerships or other means to add insurance products to the sale of your products and services – enabling your customers to add insurance to items purchased within your shopping platform, for example, adding car insurance when buying a car online.
- Explore data monitoring capabilities and the forms of reward that can be deployed which are best suited to influencing and nudging consumer behavior.

Next (2-5 years)

Financial Wellbeing

- As financial wellness becomes increasingly synonymous with general wellbeing, financial service brands that support customer holistic wellbeing, not just the health of their wallet, will be better placed to earn trust and position as empathetic life partners. Consider what areas of health and wellbeing, such as mental health, your brand can credibly and relevantly tap into, leveraging partnerships with health and wellbeing brands to reinforce your credibility on the topic.
- Consider offering financial therapy as part of your services. Create an open dialogue with your customers about mental health concerns and the link between financial health and mental wellbeing and ensure your customer service channels make it easy for consumers to open up by destigmatizing money worries. Make interactions more compassionate and create discreet ways for customers to get in touch and share.
- Develop more ethical alternatives to BNPL. Consider whether your brand can offer an alternative to taking out credit, such as savings products or salary-smoothing services. Save-to-buy helps consumers see how much they need to save to be able to afford that sought-after new item rather than paying before they can afford it. Conversely, salary-smoothing services give consumers early access to their monthly salary or make it easier for freelancers to smooth payments so that they can spend over the whole month without waiting for payday. These types of new products that help consumers to manage their finances responsibly will gain traction as the darker side of easy credit services comes to light.

Delivering & Experience

- Attract branch footfall and engage customers with your brand by creating lifestyle and leisure spaces—making visits something that consumers want to schedule, not an obligation. In the future, branches that offer lots of services, such as co-working spaces, gaming areas, art exhibitions, yoga classes or concerts, will draw customers in and make them a useful brand space for building customer relationships. Consider how you can leverage partnerships with brands in other sectors to credibly offer such complementary in-person services.
- Invest in the right capabilities to establish a virtual presence in gaming worlds and the Metaverse. Carefully consider the role you want your metaverse branch to play—whether that is providing customers with an online community, additional lifestyle services or simply fun and entertainment. Also consider offering Metaverse-specific products, such as financial advice or insurance pertaining to virtual assets like NFTs.
- Continue to build a wider array of digital and virtual channels to meet growing customer expectation for seamless brand engagement but ensure avenues for human service remain for those who seek it. For example, ensuring that a video call or instant messenger chat with a brand representative is available to customers (identifying who within your customer segments will most demand such services and when they will expect them, i.e., what parts of the customer journey or moments of disruption will most require access to human customer service).

Technology & AI

- Explore building a digital platform to enable more meaningful interactions between brand ambassadors and the customer, or even between customers themselves, to share information and experiences related to the brand's service. For example, consider constructing your own social media platform, available just for your customers.
- Invest in emerging AI technology that can empower your automated customer service channels to adopt more personalized and human characteristics. Seeking solutions that connect biometric data tracking with such AI services will offer the strongest route to building advanced automated solutions and to gain a competitive edge.
- Prepare for new currencies by investing in infrastructure that ensures you can deal with new currencies when they arrive. As digital payments are now the norm, cryptocurrencies are slowly moving from being assets to useful means of payment. And as central banks begin to explore the launch of centralized digital currencies, retail banks will need to make sure they have the capability to keep up with the innovation.

Driving Purpose & Impact

- Build partnerships with other brands and organizations that help you develop a wider eco-system of propositions for health and eco-friendly forms of reward, e.g., health treatments/services that can be offered to reward behavioral change or discounted rates for EV charging stations to reward environmentally beneficial behaviors.
- Use new forms of loyalty programs as a new approach to CSR and social good, i.e., driving social change from bottom-up nudging of societal behavior across your customer base, alongside wider top-down corporate initiatives.
- Future proof your sustainability plans, looking beyond consumer expectations of today and towards what sustainability will look like tomorrow. Look to divest from companies and sectors with a bad sustainability track record in favor of eco-friendly investments.
- Respond to the longer-term need for climate resilience – building home insurance and wider product offers that monitor and respond to environmental risk in real time.

Methodology

Finance DNA has been developed with the support of Foresight Factory, a leading consumer trends agency.

Our analysis draws on different sources, including:

- Expert interviews from brand and retail organizations who provided a rich, diverse set of perspectives, and we are extremely grateful for their commitment to this project.
- Primary consumer surveys: We have used Foresight Factory's proprietary consumer surveys and trends database.
- Innovation and patent scan: A thorough review of upcoming and possible industry, technological and scientific advances over the coming decade.
- Secondary research: Extensive desk-based research was undertaken to develop a long list of potential trends that were then prioritized and downselected.

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