EUROPEAN EDITION

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THE REPUTATION REVOLUTION:

How Can the Financial Services Industry Capitalise on Recovery?

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LET'S START AT THE BEGINNING

Right now, the new normal is everywhere. A phrase that we first used back in 2020 March has since become the go-to term in blogs and whitepapers across the industry. But what exactly does the new normal mean?

Some will consider the future to be a gentler, more accommodating, more benevolent world where environmental issues become front of mind, and capitalism and international trade become dirty words. Others believe that whilst a more considered and responsible population may emerge briefly, the fiscal pressures on the economy, potentially for a generation or more, will require companies to step up productivity, resilience, M&A activity, and generally perform better than before.

In an attitudinal survey by ReachSolutions, which compares the pre-COVID-19 British public to a similar mid-crisis cohort, little behaviourally may actually have changed, with many respondents believing that the only future certainties will be a recession and social distancing, both of which may impact their social and discretionary expenditure in the short term.

This is at odds with LinkedIn's metrics, which show that the most used terms in recent posts were wellbeing, new-normal, reliability, trust, and green recovery. It can also be a sign of disparity in corporate versus public sentiment, as many commentators saw in the years following the 2008 crash.

Any global economic stress will affect financial services first, and as many of us have already seen, some commentators are beginning to reflect on similarities between today and the 2008 banking crisis.

While now isn't the time to replay the well-known differences, there are some stark similarities and lessons unlearned, which may be useful to reconsider when planning your business models.

We don't believe that COVID-19 will be the defining event of our time. Instead, what happens in the recovery period will cement perceptions for the next generation.

WHAT DID WE LEARN IMMEDIATELY AFTER THE CRISIS OF 2008?

Since the banking crisis of 2008, Net Promoter Scores (NPS) and overall trust levels in European Financial Services players have remained low, with only challenger banks and new entrants making some progress to build consumer confidence. For almost 10 years, the net promoter scores and consumer trust levels for many businesses have ranked alongside government, media, and some professional services, with the credit crisis and resulting European austerity schemes still cited as a reason for low investment levels in public services, poor mental health, low wages, and high levels of unemployment in some EU member states.

But it didn’t have to be like that. We’ve looked at some historic research data that was conducted for a leading UK retail bank for three years following the crisis. During this time, the general public wanted the industry to “stand up and be counted.” Trust hadn’t been eroded completely, they just wanted accountability, responsibility, and an assurance that a similar event couldn’t recur.

Despite the intervening decade or so, the blame for so many ills still lies at the financial services industry’s door because the public hasn’t seen or been told of the huge strides the industry has made, how layers of regulation have made structures more compliant and resilient, and how technology and cost-cutting have made companies leaner and nimbler than ever before.

Just a few months ago, businesses were tested to tolerances greater than any business continuity playbook and any regulatory stress-test, and came through – with banks still lending, record levels of trades still being made, and the general public making card payment transactions just as on any other day.

While the whirlwind has died down a little, confidence levels (like interest rates) remain low, costs are being cut, and human resources are still disparate. However, enlightened organisations are making correlations between historic feedback (not acted upon) and how this may fit with the new world post-COVID-19.

2008 / 2009

PUBLIC PERCEPTIONS

Lack of trust
You had no plan for the future
You collapsed
This is your fault
You were out of control
Why didn’t you see this coming?

2020 / 2021

POTENTIAL PUBLIC MESSAGING

We're by your side
Environmental agenda
Resilience
We're in this together
Compliance
Prepared

Of course, it’s simplistic to think that subtle changes in marketing messages will change all public perceptions, but traditional financial services brands now have an opportunity to talk to their workforce, clients, and customers individually, and build reputation and trust.

Commentators have remarked how some new market entrants haven’t been part of government support schemes and how communications from these brands have often been lacking. In short, no one in the financial services industry should consider themselves completely resilient, bullet proof, or new-world ready yet.

It's not clear how regulators will try to restore balance or retrospectively censure firms for failings during the crisis. Firms themselves will also need to consider how they will meet the challenge of a post-traumatic marketplace.

Even if the stoicism of the European public shrugs off the virus in the short term, the muscle memory is likely to be far longer lasting, and firms that respond correctly will see reputational benefits.

Conversely, we believe that that those firms who return to pre-crisis BAU are likely to miss the mood, and at best maintain their previous net promoter scores.

WHAT DO THE NEXT FIVE YEARS LOOK LIKE?

Our hypotheses:

1. Those employed now may not be in the same role in the future
2. Experts will be pivotal within enlightened organisations
3. Remote teams will be the new norm
4. Automation will complement human intervention
5. Technology resilience will be front of mind for regulators
6. Environmental policies as part of a demonstrable ESG agenda will become public focal points
7. The challenges we faced before the crisis (Brexit, Regulation, Geopolitical) will still be there with varying impacts

1. Those employed now may not be in the same role in the future

Repurposing of roles offers significant advantages if your organisation can afford to maintain headcount. Many of your employees have become specialists, but they also can bring other skills to the table.

The new world will require us all to think about a future where physical connections are no longer paramount, or indeed allowed. Whether it's digital applications, attestations, remote learning and CPD, or compliance oversight on any device, changing processes to fit with new requirements will need human dexterity and oversight.

The worlds of customer and user experience will now work alongside compliance, human resources, and product development, all wrapped into a package that supports a new ethos. In short, a resilient firm with a caring culture will be central.

2. Experts will be pivotal within enlightened organisations

In a pre-COVID world, experts may have been considered superfluous, but subject matter expertise is now *de rigueur* in enlightened organisations. Expertise is crucial in the new world where change is rapid and inevitable, therefore those in leadership roles will need experts to be on-hand to help them create new strategies that meet business and regulatory challenges.

Those experts in risk, compliance, and human resources roles are already learning about the new world. Whether it's the operational risk encountered from a remote workforce, the challenge of constant and more intelligent online attacks, or the management of external grants and regulatory change, we believe experts in leadership and operations will be vital to stability and recovery.

3. Remote teams will be the new norm

We've seen headlines from Silicon Valley tech companies suggesting the days are numbered for the big, expensive head office. While it's true that there will be a shift from city centre sites with employees being relatively easy to site at home, there are significant pros and cons to either operating model.

Apart from the obvious productivity risks, remote employees will operate in different home environments.

Many organisations are unable to translate the office environment into a remote setting, therefore without significant investment, will have no option but to maintain offices with appropriate social distancing measures incorporated. This will be the lesser of two burdens.

For the short term, we believe that there will be a balance of home and office working, less by rota, and more out of necessity.

4. Automation will complement human intervention

We've all seen the growth of bots in our daily lives, especially when trying to contact banks, travel companies, and other service operators. That automation will play a crucial role in the new world and will ideally replace many firms' reliance on manual processes, such as approvals via email.

Automation, which is derived from real life knowledge and modeled around improving fulfillment (not just removing people) is more complex to achieve, yet is reputationally much more advantageous. While qualitative tasks can be automated, quantitative tasks still require human intervention.

In the long-term, the machine learning and artificial intelligence space may begin to alter our current thinking. If technology can begin to learn about how and why humans make certain decisions or know all desired outcomes, then this will change our relationship with machines. How quickly this develops will depend on demand and whether users believe tech/human interdependence is desirable or even possible.

5. Technology resilience will be front of mind for regulators

With a greater reliance on technology, whether in or out of the office, the resilience and protection of networks which connect us all will be crucial. During the COVID-19 crisis, for example, there were increased levels of fraud, virtual attacks, and network outages.

As we saw pre-crisis, the resilience of cloud platforms and other virtual software was already on the regulatory radar. We can expect these thematic reviews to be further buoyed to cover many other technology infrastructures in the months and years ahead.

6. The Importance of the ESG Agenda

As Europe makes tentative steps to reopen borders and business, some suggest that the ESG agenda is now defunct. We disagree.

We believe that the Environmental, Social, and Governance agenda will emerge in the spotlight as medical interventions reduce the day-to-day impact of COVID-19. Over half of ethical investments outperformed wider stock indices in 2020 April.

In the last few months, we have seen various mindset research which shows that around a quarter of all investors will put environmental matters first when making future investment decisions. Interestingly, almost 50% of investors state that the importance of "social criteria" has risen during the crisis, with many citing that financial services firms must be seen to be doing the right thing by their employees, stakeholders, and customers.

It is also abundantly clear that oversight and governance are also rising in importance. We can see that resilience, business continuity, and ongoing compliance are now pivotal themes in those considering investments.

The new world will provide the perfect platform for enlightened organisations to develop clear, defined, and regular communications with their employees, stakeholders, and customers to outline how risks are minimised and mitigated, and how prepared they are to weather future storms while maintaining stellar performance.

7. The challenges we faced before the crisis

When was the last time you heard about Brexit? Let's face it, COVID-19 has repositioned our focus for a few months, but the UK's departure from the EU remains one of the greatest challenges for pan-European organisations.

Firms should also remember the five greatest regulatory challenges, which we outlined in our Whitepaper earlier this year.

They are:

I. Technology transformation
II. Customer interaction
III. Payments modernisation
IV. Market expansion
V. Cost efficiencies

Each of these challenges still exist today and add to the pressures applied by geopolitical change and almost daily legislative and regulatory temporary guidance. Every firm will be balancing a packed, diverse agenda for many years.

WHY WILL 2020 SIGNAL THE START OF THE REPUTATION REVOLUTION?

The UK started the year with split opinions – leave or remain, conservative or labour, with the country now facing similar stark differences in those looking to reopen at pace or to remain at home.

The general public is now more closely connected, but less trustworthy of the Government and the media than at any time since WWII and is more opinionated about things they like and dislike.

This polarisation of beliefs, when combined with digital media tools, provides huge challenges for brands in every industry.

For financial services firms that have suffered from low reputation scores over the past decade, the recovery from the COVID-19 crisis will allow them to make up lost ground. Here are a few steps firms can take today:

- Do more to help clients than is prescribed under regulation
- Put your people first
- Combine liquidity with sustainability and make the right long-term corporate decisions
- Protect assets, investments, and payments
- Ensure technology and data resilience
- Place compliance and governance at the heart of the organisation

Firms that carefully integrate these themes into their operation will be able to demonstrate authenticity, which some would say has been lacking until now. This could be the start of a reputation revolution and while far from simple, small steps today can help jumpstart the process.

Trust within the financial services industry requires investment, effort, and constant maintenance. When prioritised, the benefits are immense. Now is the time to put plans in place and be at the forefront of the reputation revolution.

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