IGNITION

Australian Government
Australian Trade and Investment Commission

Asia Insights

Innovation in Digital Financial Advice

Korean Webinar Highlights

In late 2021, Ignition hosted a webinar in collaboration with the Australian Trade and Investment Commission (Austrade) - Seoul, to discuss how the digital transformation of financial services is enabling institutions to improve customer engagement and the wellbeing of society at large.

Craig Keary, Ignition CEO Asia Pacific, chaired the session and was joined by Ron Green, Liz Griffin, Simon Bussy and Toby Walsh to discuss:

- opportunities for Korean institutions to scale financial assistance for their customers using digital advice,
- the importance of social responsibility for financial institutions and how financial guidance improves wellbeing,
- insightful learnings about digital advice adoption in the United Kingdom,
- the latest global trends in artificial intelligence (AI), AI regulation and privacy challenges, and application of AI for financial guidance and wellbeing, and
- an overview of the Korea-Australia partnership, Australia's growing contribution to the financial services industry, and how digital services in Korea can leverage digital advice for greater opportunities.

About Ignition

Ignition is a leading global advice technology specialist for financial institutions seeking to help more customers access financial advice in a fast and scalable way.

We help our clients combine the power of digital intelligence with a human touch to enable smarter, more flexible and more secure advice delivery.

We partner with banks, life insurers and wealth managers worldwide. Our SaaS platform integrates seamlessly into existing systems enabling our clients to deliver a frictionless, customer-centric experience that brings a customer and adviser together into a single advice workflow.

For more details on how we can help you build your advice vision and enable more customers to make better financial decisions, visit discoverignition.com

Ron Green

Trade Commissioner, Austrade Seoul

Ron joined Austrade in December 2016 as a Trade Commissioner and Consul based in Hokkaido, Japan. In January 2019, he moved to Seoul as Trade Commissioner. Ron holds an Honours degree in Science from the University of Tasmania, an MBA from Deakin University and a Diploma of Mining Engineering from UNSW.

Ron opened the webinar by noting that 2021 marked the 60th Anniversary of diplomatic relations between Australia and Republic of Korea (ROK). It also marked a milestone towards recognising the depth and strength of the economic and strategic relationship between the two countries. He also confirmed a desire to generate greater public awareness of Australia and the ROK's shared values, particularly through greater socio-cultural cooperation.

Today, we are here to discuss how digital advice can support wellbeing, customer engagement and social responsibility goals. With the evolution of technology, digital financial advice has re-emerged as an alternative to the traditional face-to-face model, which is struggling under the high cost of fees, poor profitability, heavy compliance, COVID, and the need to provide universal access to wealth management advice.

We have seen in Europe, the UK and US, how scaled advice can be delivered via a hybrid of digital and human generated services, a model that is meeting the needs of both customers and regulators, which indicates it should suit Korea as well.

Digital advice however is not just limited to advice on investment. Nor is it simply robo-investing, the allocation of money based on small algorithms, which has had some traction in Korea. According to the Australian regulator ASIC, digital services must demonstrate transparency about the scope of services and if they are not aligned to the client's needs, the client is triaged out of the process.

The use of robo-advisory and digital advice, as applied to insurance and wealth management, is available and growing with improved fraud detection solutions. However, the opportunity for digital wealth management is still at an early stage of adoption and returns have been mixed.

Today, many Korean financial institutions have recognised the importance of digital advice and there have been several new entries in the sector recently, including services offered by Standard Chartered Bank, CITI Bank and a range of start-ups offering innovative ideas and products.

We hope today's conversation will lead to greater opportunities for digital services in Korea by Australian entities such as Ignition.

Liz Griffin

Executive Director, Australia-Korea Business Council

Liz has a Bachelor of Commerce at the University of Melbourne and a Diploma of languages (Korean) at Monash University. She has also studied Korean language at Seoul National University, Yonsei University and Sogang University. She is also a graduate of the Australian Institute of Company Directors (AICD).

Liz joined the discussion, highlighting the great outcomes Australia and Korea have already achieved together through trade and commerce.

Australia and Korea have a robust history. We share democracy, fairness, respect and security as core values, and together, we have achieved great outcomes for our people that include strong trade relationships, international education benefits, and foreign investment opportunities.

As of 2016, there were almost 100,000 Korean-born Australians, and over 123,000 Australians with Korean ancestry. Our strategic and defence cooperation is well advanced and supported by our Foreign and Defence Ministerial framework. We've partnered in education, health, infrastructure and transport, with farmers, miners, engineers, entrepreneurs, investors and builders in both countries benefitting enormously from our trade and commercial links.

And there is still so much we can achieve together across the energy and mineral sectors, education and research, innovation in health and biotechnology, food and beverage, and importantly, financial services.

At AKBC, we see the merger of technology, digitisation and financial services as a major area of collaboration for our two countries.

Korea has the fastest mobile internet in the world, smart phone penetration of 95% and more than 93% of the population banking online. Bloomberg ranks it as the most innovative country, and its population is almost cashless, with domestic online purchases reaching $136.5 billion in 2020.

In both countries, we are seeing the beginnings of a major trend toward technology and finance coming together with growth and development of digital banks, digital advice and robo-investing; the rise of FinTech, and the push of global tech giants into financial services; and Digital ecosystems are ever-present and in-particular the e-commerce sector is booming, with obvious impacts from COVID.

Ultimately, constant innovation in financial services and digital advice can provide better outcomes for consumers in Australia and Korea, and we can leverage our bilateral relationship to help achieve this.

Craig Keary

CEO Asia Pacific, Ignition

Craig is a senior global financial services executive with over 30 years' experience. He has worked across Asia and Europe for blue chip international companies, most recently based in Tokyo as Managing Director Asia Pacific for AMP Capital. Craig is an advocate for cross-cultural inclusion and improving wellbeing.

Craig followed Liz with discussion on how digital advice can improve financial wellbeing. Craig is very passionate about this topic, and is currently undertaking a PhD part time, researching how financial planning and financial advice can improve an individual's wellbeing.

The need for financial advice, or guidance, has really accelerated.

Globally, COVID-19 has significantly impacted our society's mental health and wellbeing, particularly financial wellbeing. If I think about my home country Australia, one in four people are under financial stress or other mental health challenges because of COVID.

With changing generations, we're also seeing the rise of a new and enlightened society, and new expectations from consumers. Shareholders, boards, and governments are pressuring companies to increase their focus around social responsibility. I'm particularly encouraged by this, because I feel we have reached a turning point in history, where we should all be collaborating to solve these big sustainable goals.

Technology can be used for good. We're seeing COVID accelerate digital adoption for consumers and for businesses. We're seeing consumers have really shifted to digital across many categories, whether that's shopping or fitness, and the majority intend to continue using digital post COVID.

This means consumers are primed for financial institutions to use technology to do the heavy lifting, allowing financial advisers or branch staff to increase direct support to more clients and customers. In my view, technology and humans can work together to do this.

Craig moved the discussion towards a series of very ambitious goals the United Nations (UN) has set for 2030, regarding sustainable development. He raised the idea that better access to financial advice, or guidance, has significant potential to amplify four of the UN's 17 broader goals, working to end poverty, protect the planet, and improve the prospects of everyone, everywhere.

Globally, there's a strong link between poverty and a lack of financial advice. We know financial advice can help ensure people have healthy lives, and therefore allow us to focus on wellbeing. We also know that more access to financial advice can create a more inclusive society, which in turn creates sustainable economic growth. It also reduces inequality within and among countries.

But how can financial services really help achieve these UN goals?

Firstly, institutions can help their customers by using technology to provide greater access to financial education, through calculators, and fun financial health check tools. Increased financial education helps people budget, save, plan and gain control of their finances, which will improve their quality of life, and have flow on effects to the wider community.

Digital advice tools and technology can become even more powerful when leveraging AI and open banking by reducing the pressure on overworked humans. Institutions that adopt digital financial advice or guidance technology have the capability to provide financial advice at scale. And this is something that I think is worth pursuing. Because it means we provide advice and guidance to more people, in a more cost-effective way.

We are already seeing several financial institutions in Korea focused on this, which is very exciting.

Craig continued with an important message around the support that digital financial advice can provide within the workplace.

There is also a workplace opportunity for digital financial advice. One thing we certainly know is that employers who invest in employee wellness have a competitive advantage. Research from the Organisation for Economic Co-operation and Development (OECD) has found over 50% of employees are stressed about finances. We also know when an employee is stressed or is under stress, that directly impacts their work performance, which in turn costs employers' productivity loss.

Financial education and guidance is one way to empower employees to feel more in control of their own finances, and digital advice makes this much more accessible.

Craig concluded by recapping why it is vital for institutions to begin scaling financial assistance and guidance.

Firstly, institutions with societal purpose are growing faster than those without. And we're seeing that continuing to accelerate coming through the pandemic. So in order to remain competitive, institutions must start to think more deeply about, and demonstrate they are acting on, global issues like ending poverty, inequality, and improving financial wellbeing.

Secondly, institutions who invest in employee financial wellness increase the loyalty and productivity of their employees.

Thirdly, institutions who make financial advice more affordable and accessible, will not only improve their own profits, but will also improve the financial wellbeing of the community they serve.

Simon Bussy

Consulting Director, Behaviour Consulting, UK

Simon is the Consulting Director at Behaviour Consulting, a specialist financial services and health consulting business based in the UK. Simon is an authority on the evolving digital ('robo') and hybrid advice sector, and over the past 7 years has led around 150 client engagements at over 40 financial services businesses around the world.

Simon followed Craig, sharing key UK insights about robo advice.

I'm delighted to share key UK insights about robo advice, also known as digital advice here in the UK. And more recently, hybrid advice, where digital capabilities and humans work together in harmony.

This is the area of advice that is generating the most excitement in the UK, and for good reason. As Terry Donahoe, Ignition's Europe CEO says, it is the perfect balance of adviser touch and automation through digital intelligence. It frees advisers to focus on what they do best. It drives greater customer engagement. And it provides firms that provide regulated advice with consistency of output, something all Chief Risk Officers and Compliance heads want to hear.

There is recognition that retail consumers, who previously could not afford to pay for face-to-face advice, can now be supported via a lower cost, more digitally enabled, more efficient service. Importantly, businesses are not restricted to just one of these models. With the right technology approach, they can offer propositions to suit the needs of all customers in a professional, robust and cost-efficient manner, using just the right mix of human and digital capabilites for each service to deliver exactly what the end customer requires.

To understand why the UK currently views digital and hybrid advice in this way, Simon explained how the journey began in the United States more than 10 years ago, when original 'robo' advisers such as Wealthfront and Betterment began to flourish, often targeting young professionals in Silicon Valley. He also noted it has been a tough journey in the UK, and with many propositions failing, not quite getting the value proposition right or understanding the power of distribution.

While the UK financial services market has long been intermediated, increased regulation over the past decade or more led to many retail, or mass market, consumers being neglected due to their inability to afford traditional (face to face) financial advice. A number of UK FinTech entrepreneurs saw what was happening in the US and identified an opportunity to introduce their 'robo' advice equivalent to the UK, excitedly targeting digitally-savvy milennials.

The term itself is a misnomer as no actual advice was given! The offer was typically investment only and direct to consumer, positioned as a significantly cheaper alternative to human advisers. But without a trusted brand name, distribution or deep marketing pockets - or indeed target customers with any spare money to invest - these propositions did not fare well!

Big brand institutions followed with their own propositions, believing their well-known names, existing customer base, and larger marketing budgets would be sufficient to convert millions of cash savers into investors, particularly if they could offer some form of simple algorithmic advice. But many of these propositions were poorly designed and executed, repeating the same linear product-centric journeys of their FinTech predecessors, this time with even more compliance and jargon wrapped around them. Not surprisingly, product sales for many did not meet their original expectations.

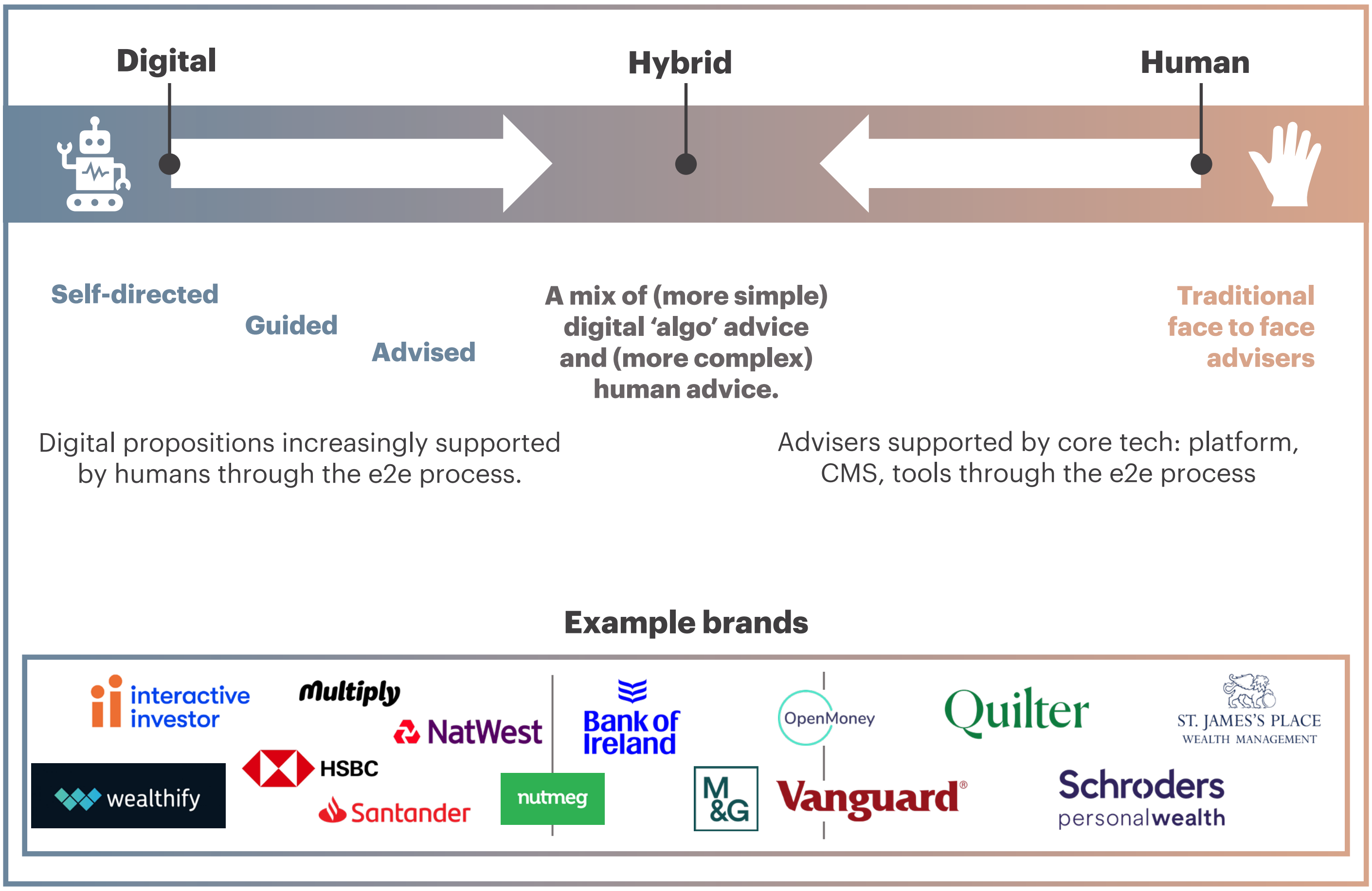
The market has evolved significantly. We are now witnessing far broader and stronger propositions coming to market from institutions like Chase and JP Morgan, which recently acquired Nutmeg – the most successful of the early UK robo advisers. If the traditional high street banks in the UK want to compete long term, they will have to up their game, and perhaps note, too, how Vanguard has quietly gone about its business, adding more and more capability to their low-cost proposition.

Many financial advisers in the UK have reported significantly increased new business (up 30+% in some cases) as a result of the pandemic. While this is great news in one respect, some advice firms are facing serious fulfilment issues, especially where their systems aren't integrated, don't talk to each other and rely on numerous manual processes.

Not surprisingly traditional face-to-face propositions are increasingly adding digital capabilities to the mix to provide a better, more professional service. And, of course, primarily digital propositions recognise the importance of adding reassuring humans to the equation - different versions of the hybrid proposition we touched on earlier.

Propositions are no longer millennial focused. In fact, the typical age of customers accessing digital robo- style services today is late 30s and early 40s.

The perfect balance of adviser touch and automation



Importantly, some propositions are now focusing solely on a more mature wealthier market, while one new hybrid proposition coming to market later this year (2021) will be aimed at retirees.

These new best of breed, more customer-centric, propositions are just what the sector needs to generate more interest, meet the needs of different cohorts of customers, and drive increased scale.

Referring to Craig's earlier comments about COVID-19 providing a catalyst for new digital propositions and operational thinking, Simon noted he was now working with organisations to deliver much improved propositions, underpinned by digital capabilities. These new services will offer their clients more convenience with increased personalisation, and supported by better, more robust controls. He also commented that the links between physical, mental and financial wellness are increasingly understood, and is now impatient to see this knowledge work its way into proposition design and delivery.

A number of clients are now thinking about how they can design propositions to reach new audiences, to add real value to their customers by meeting their needs, ambition and challenges. While many of today's propositions offer good product design, the most enlightened business leaders have come to realise that just having good design does not equal customer engagement. And neither is offering a simple link to a third party well-being service without any real depth or empathy - savvy consumers want and expect, real value and will quickly spot a fake!

An increasing number of organisations we work with now understand that by applying behavioural psychology and behavioural design theory into the design and execution of the solution – the initial research and testing, the products, the services, the overall design of the customer (and adviser) experience and the communications - they can better support their customers' decision-making process, and can move them to take action at the appropriate time.

Some are also considering how they can provide better propositions for underserved customer segments, including women, who research suggests are less confident to invest their money. And where appropriate, also support advisers to better frame conversations for potentially anxious clients to help move them through the process to buy and retain solutions that correctly address their needs.

To conclude his brief look at the UK market, Simon shared the thoughts of Richard Caldicott, Deputy CEO M&G Wealth, who recently led a significant digital transformation at M&G wealth advice.

Richard is a strong advocate of the hybrid model, believing it brings together the best of human capability with the increasing power of technology. He recognises that while some skills and behaviours can *only* be delivered by humans in the right organisational design and team structure, the best customer outcomes will be underpinned by advanced technology. These solutions will be more cost effective, increasingly capable, and can help deliver enhanced customer service in robust, consistent and compliant environments.

In closing, Simon shared his challenge to business leaders who wish to create a sustainable, winning strategy.

- Assess the changing financial services landscape in the context of politics and regulation, the economy, changing social behaviours, and the advancements in technology.
- Understand their impact on your propositions and operations.
- Reduce the complexity and cost of your technology estates.
- Let technology do the heavy lifting, data capture, and digital factfinding, but don't forget the value and importance of your people - your differentiating asset.

In doing so, you will provide an outstanding customer experience. And a company that the best people will want to work for. Quite frankly, nothing less will do.

Professor Toby Walsh

Professor of AI, University of NSW, Australia

Professor Walsh is a recognised thought leader in Australia's digital revolution and a highly respected global authority. As a Laureate Fellow and Professor of AI, he is a strong advocate for limits on AI, to ensure it is used to improve our lives.

Toby began by sharing where artificial intelligence and similar technologies may take us in the future by sharing a quote from Hal Varian, Google's Chief Economist, "A simple way to forecast the future is to look at what rich people have today; middle-income people will have something equivalent in 10 years, and poor people will have it in an additional decade".

Take driving for example: today, rich people have chauffeurs, and in the not-too-distant future, many of us will have self-driving cars. Looking at our finances, rich people today often have a family office to manage their complex finances. And soon, those with less assets will have automated and digital advisers to help manage their future.

Raising two of the most important issues when providing advice to people, risk and fairness, Toby discussed how digital tools can allow us to better manage these issues in a more data and evidence driven way. He also noted it can raise some ethical challenges.

Today, there are car insurance companies that will ask you to download an app to your smartphone to monitor your driving to identify whether you brake more frequently than other drivers. The data from this app allows the insurer to more accurately price the risk, but also raises a fundamental question around fairness, because insurance was originally designed to spread risk over a group of people, not to identify exactly where that risk is.

Let's look at how this has impacted the market in the European Union (EU), where regulations now enforce any type of insurance (car, life, health) to be priced irrespective of a person's gender – men and women must pay the same prices, despite their actual level of risk. The consequence of this is that women, who generally had cheaper car insurance because they historically have fewer accidents than men, now must pay higher insurance rates. Now, that risk question has turned into one of fairness. Is it fair for us to make women subsidise men's bad driving?

This is a good example of the type of ethical challenges AI can raise. However, there aren't as many completely fresh challenges as some commentators might suggest. Digital is not the first technology that has touched our lives, and we've already had to address many of the issues it raises, including what is fairness when pricing insurance products.

But AI has changed the speed, the scale, the cost, that we can do things. We can now quickly personalise the cost of car insurance, because we can collect real time data about how people drive. So even if it's not a completely new ethical principle we need to resolve, AI does raise the speed at which we need to address it.

Toby moved to the question of regulation, and how we can regulate digital technology to ensure it is used to improve wellbeing rather than increase inequalities that already stress society today.

The EU is leading this space, particularly around artificial intelligence. With the introduction of the General Data Protection Regulation (GDPR) Act in 2018, they demonstrated that some regulation not only provides improved outcomes for the consumer, but also improves businesses overall.

In fact, the idea of GDPR is now in being widely adopted across the world. California has a version of GDPR. In Australia, many companies provide similar sorts of GDPR standards in terms of consumers rights, even though there is no official GDPR law.

It is quite interesting to see how these regulations can go viral. Which is why we are very closely watching the draft AI regulation act currently being drafted in Europe.

I know they are very focussed on identifying high risk applications of artificial intelligence that threaten fundamental human rights – uses of facial recognition and other biometrics, and micro targeting of people. I think we will see, and rightly so, regulators around the world, not just in Europe, start to draw red lines around these applications.

Toby concluded with a common AI question - can the human brain be hacked? Using the Cambridge Analytica scandal, he illustrated how AI can be used to influence our decision-making processes, and not always in our own best interests.

What surprises me about Cambridge Analytica is that much of the concern focused on privacy, where personal data from Facebook users was being collected without appropriate consent.

But we should be much more concerned about how that personal data was then used to manipulate how people voted, by micro targeting political advertisements disrupting our democratic process. We certainly saw the United States presidential election influenced by this, and potentially, the Brexit referendum.

But when people question whether I am optimistic or pessimistic about the future of technology, I am definitely optimistic. While we face some very wicked problems (the climate emergency, increasing inequality, decreasing biodiversity of the planet, and of course, this ongoing pandemic), AI offers an opportunity to help us deal with many of these challenges.

Learning from history, we have seen significant and important societal shifts around major events like global wars, and a possible silver lining of this global pandemic may be the ability to consider how we can use AI tools to improve the quality of all our lives, to shorten the working week, or to spread the wealth these technologies allow us to generate.

Craig closed the webinar, warmly thanking Ron, Toby, Simon, and Liz for their insightful presentations.

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Digital advice. Made human.

Ignition is reimagining financial advice.
We combine the power of digital intelligence with a human touch to enable smarter, more flexible and more secure advice delivery for everyone.

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