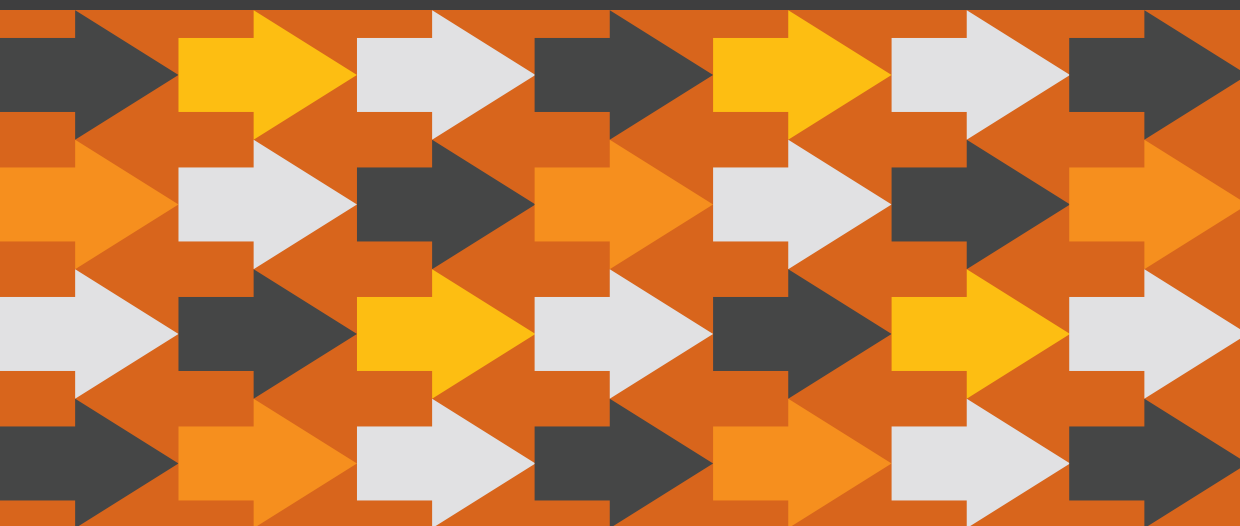


# To Digital and Beyond

## The changing role of the financial services intermediary

A report by BZB-Fedafin and PwC Belgium



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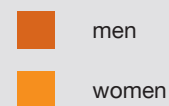
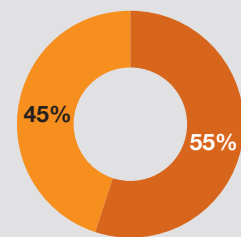
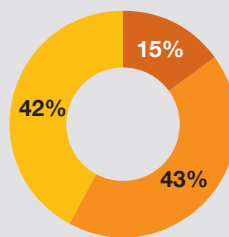
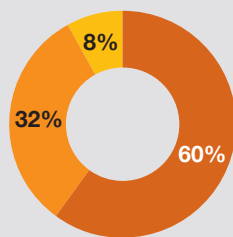
# 1. Introduction

The intermediary is not dead. In the world of financial and insurance products, customers generally see value in the services of their intermediaries. To build and maintain customer loyalty, intermediaries need to look beyond the obvious price-product-brand matrix: customers seek a meaningful relationship with their intermediary.

To mark its 20th anniversary, BZB-Fedafin, the Belgian association for banking and insurance intermediaries, asked PwC to conduct a survey on customers' relationships with their financial intermediaries. To gain insights on the future of intermediaries, we asked 1,495 customers in Belgium to weigh in on these relationships and reveal what aspects of their interactions they value most.

## By the numbers

The sample is highly representative of the population in Belgium: out of 1,495 participants, 60% are Flemish, 32% are from Wallonia and 8% from Brussels. We also covered various age ranges: 15% of respondents are between 18 and 34 years old, 43% are aged between 35 and 54, and 42% are 55+ years old. The split between male and female respondents is respectively 55 and 45%.





## 2. Executive summary

There's a lot going on in the intermediary market in financial services, both in banking and insurance:

1. We see a consolidation of the market: insurance brokers are growing and buying up smaller brokers, the number of physical banking branches is dwindling, etc.
2. Regulations and legislations in financial services are increasing (GDPR, Mifid2, etc.)
3. The fintech/insurtech landscape is big in Belgium, and getting bigger. Companies need to innovate to keep up.
4. What's the perceived value of the services provided by intermediaries? Despite the fact that customers are used to getting everything, immediately, and can easily switch if they're not happy, what they're looking for is meaningful relationships with their intermediaries.
5. Intermediaries need to go beyond the price-product-brand matrix and focus on trust, interaction and relevance to retain and grow customer loyalty and satisfaction.

### We see that clients are generally very loyal to their intermediaries. Why?

Customers don't limit their purchase decisions to factors like price or brand. They're also interested in having easy-to-understand information they trust, and they're cautious when it comes to money and finances: they want to be in control, protect their assets and rely on the competencies and reliability of their intermediary.

That's why this study focuses on three pillars, which bring us out of the usual 'price vs. brand' matrix to explore another set of customer priorities:

- **Trust:** customers have a lot of choices, and want meaningful relationships with those with whom they do business. Trust is key to building these relationships.

- **Relevance:** providing appropriate and comprehensive information in a clear and understandable way. Timely and relevant information is essential to responding to customer needs.
- **Interaction:** being there at the right time, through the right channels, with the right frequency play key roles in the relationship between customer and intermediary.

Our study shows that intermediaries score well overall on these three points.

However, we identified three main areas for improvement:

1. Customers don't feel that their intermediary informs them in a timely manner in case of new developments.
2. Customers don't feel they understand how their intermediary manages their products, such as a car insurance policy or a financial investment.
3. Customers don't feel they understand the complexity of their financial products.

### It's important that intermediaries evolve towards an interactive relationship with their clients.

We've identified three main areas where the intermediary can improve:

- **Efficiency:** strive towards higher efficiency; 'getting the job done'.
- **Experience:** improve the customer experience – fast, easy, friendly, with a human touch.
- **Engagement:** it's not simply a pension product, for example, but a journey towards retirement; a safety net for the future.

In the centre of these three areas lies the 'sweet spot'.

## How's the financial services (FS) market evolving?

Changes in the market continue to occur in rapid succession, and keeping track can be a full-time activity.

Legislation and regulations are constantly being implemented and updated: Markets in Financial Instruments Directive (MIFID), the General Data Protection Regulation (GDPR), Basel III, the EU's revised Payment Services Directive (PSD2) and many more. New players are disrupting the market by enabling autonomous processes on top of regular banking products, such as automated savings initiatives.

Market consolidation continues, and a decline in the number of people employed in the sector is one of the consequences.

At the same time, we're seeing an explosion in technologies and start-ups that are vying to take over value chains, in whole or in part.

There are just a few examples of the major changes sweeping the industry at an unprecedented pace. What does this mean for the intermediary?



# 3. About the study

A previous study was commissioned by BZB/Fedafin in 2014. The study explored customer segmentation based on loyalty, detailing how each segment should be treated and concluded that the digital revolution should be embraced to free up time for customers who seek valuable advice.

In this study, we aim to answer the following questions:

- Why is the intermediary an important link in the value chain, and how does this manifest itself from a customer standpoint?
- How can the intermediary evolve within the changing context in which they operate? What needs to be considered?
- What can the intermediary do to meet the challenges that lie ahead?

In addition, we examine the role of the intermediary within the constantly changing market and provide insights into how the role will change in the coming years.

Evolution's happening quickly, but this can work to the intermediary's advantage - as long as we understand how to develop meaningful relationships with the customer.



# 4. Customers of intermediaries are satisfied and loyal

Financial intermediaries maintain strong relationships with their customers.

We found that:

- 80% of respondents trust their intermediary. This number is dependent on the number of years the client has been with the intermediary: the longer customers have been with their intermediary, the more trust they have in them.
- 70% of customers have had the same intermediary for more than six years, and 50% of those for over ten years.
- Two thirds would recommend their intermediary to family and friends.
- 80% of customers feel that their intermediary treats them with respect.

Less than a third of respondents seek a second opinion when they're looking for information about new products, and half indicate that they definitely want to buy their next product from their intermediary.

Interestingly, for those who have both their banking and insurance products with the same intermediary, the certainty of buying the next product from that individual is even higher.

The purpose of this study is to understand why this is the case: why are customers loyal to their intermediary and satisfied with the service they receive?

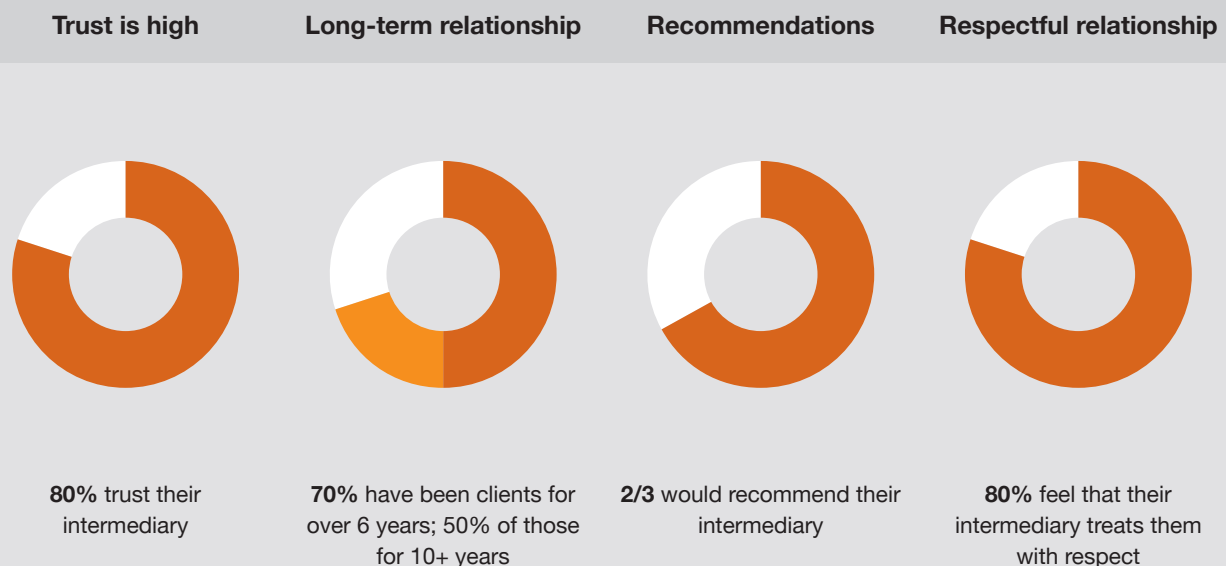


Figure 1



## Why the loyalty?

We looked into the factors that influence customer loyalty and what they value when making a decision, based on the following two aspects of our survey:

1. The importance of specific factors when getting information on a new product
2. The statements which hold true when customers make a purchase decision

We discovered that:

- The focus lies on information: getting reliable and understandable information is key to customers
- The competence and efficiency of the intermediary play an important role when it comes to evaluating options

Within the replies are clear signs of caution: customers feel the need to control their finances and protect their assets.

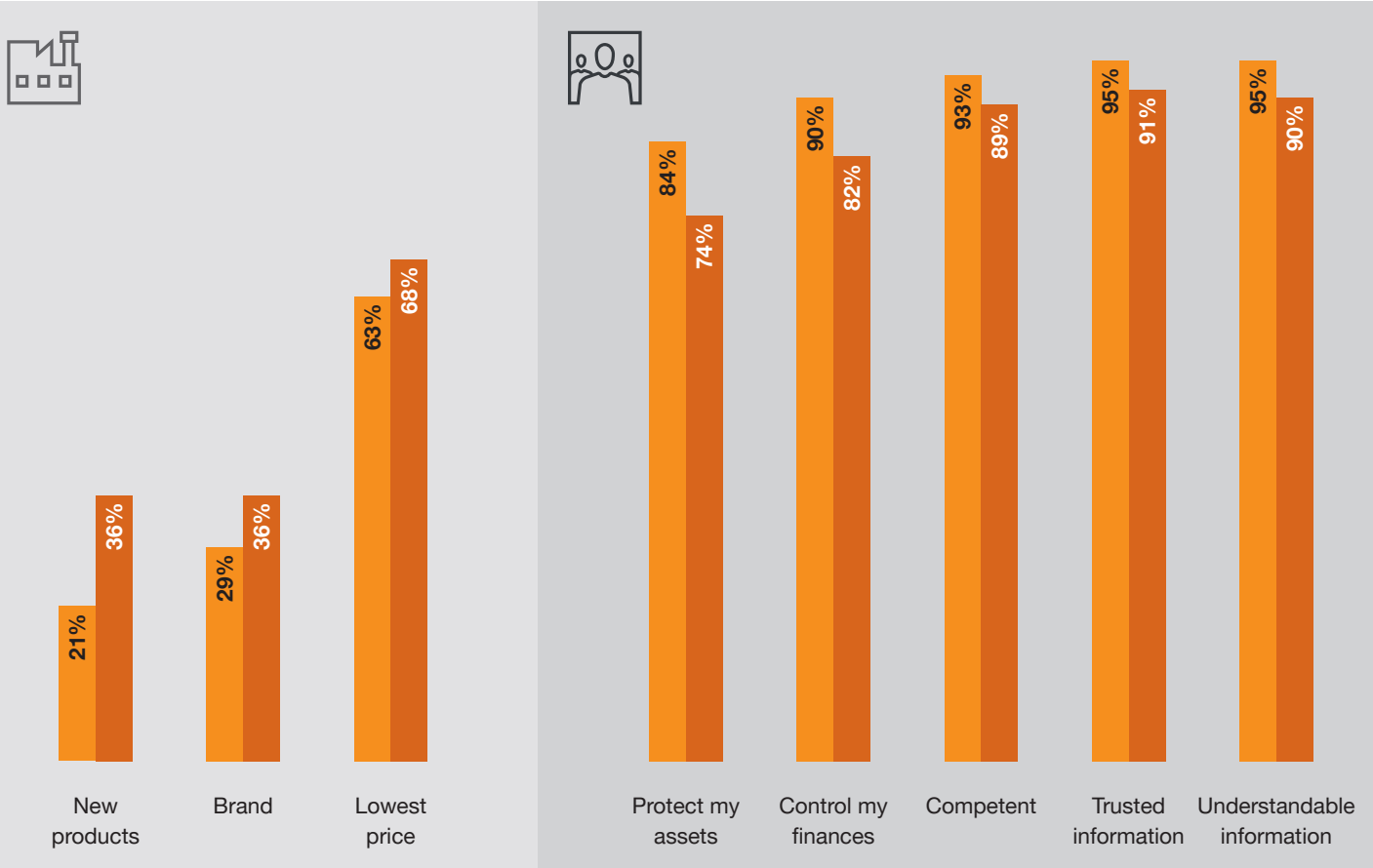


Figure 2

“Thinking about the way that you make decisions, please rate the extent to which the following statements are true for you”

“Please indicate the importance of the following statements when getting information on a new financial product”

18-55+  
18-34



Price and product novelty are not the most important drivers

It's interesting to note that price and product novelty aren't necessarily the most important drivers for customers when they search for information. Additionally, when we look at how people usually make decisions, we see that company branding is also of less importance.

The study shows that customers value the **'human touch'** (information, competence, etc.) much more than what institutions traditionally bring to the market, like low prices and new products.

Therefore, to improve the customer experience and enable intermediaries to focus on their relationships with clients, we need to dig deeper into what truly matters to customers.

Factors like price, product and brand recognition are obvious customer considerations. Therefore, this study focuses on the three pillars we've identified as differentiators for the customer with regard to the intermediary.



# 5. The three pillars of our study: what customers want in an intermediary



## Trust

Firm belief in the reliability, truth, or ability of someone or something



## Interaction

Communication or direct involvement with someone or something



## Relevance

The degree to which something is related or useful to what is happening or being talked about

Figure 3

These factors are the reasons this study goes beyond the well-known 'price vs. brand' matrix and delves into other aspects of customer loyalty: being at the right time, with the right information, via the right channels to respond to the customer's needs.

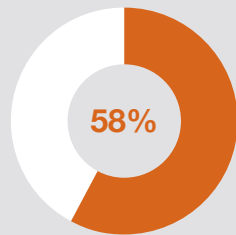
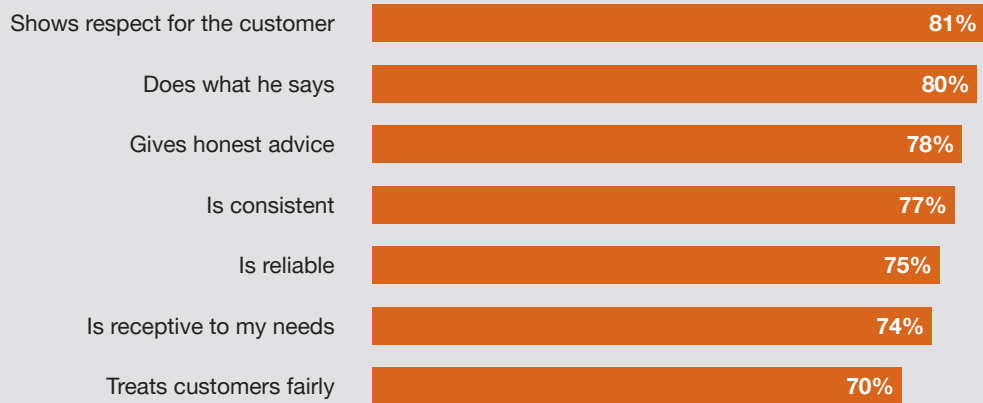
- **Trust:** customers have a lot of options, so they want meaningful interactions with their intermediaries. Trust is key to making them feel heard, understood and cared for.
- **Relevance:** providing clear and relevant information. Information and trust are top customer priorities.
- **Interaction:** frequency, duration and channels of communication play key roles in the relationship between customer and intermediary.

We'll now dig deeper into each aspect, to give more insight into what the survey tells us about how customers evaluate their relationship with their intermediary.



## 5.1. Trust

### Customers already have faith in their intermediaries



knew **personally** their intermediary or had him **recommended** by friends/family

Figure 4

#### What exactly does trust mean?

Different factors come into play when it comes to establishing trust. It's a delicate balance between various elements like showing respect, being consistent, reliable, honest – in short, establishing a two-way relationship and assuring the customer of the intermediary's good intentions.

26% want an intermediary they can trust, and 24% seek knowledge about financial products – these are way ahead of other numbers for the same question, the next one being 'out of habit/convenience' with only 14%.

The definition of trust also mentions the **ability** of the intermediary. We see this in the fact that 91% of respondents find it (very) important that their intermediary has the information they need to conduct their business. It's not only about the information provided to the client, but also about the extent to which the intermediary is knowledgeable and informed.



50% of the reasons why customers go to an intermediary are trust and relevance



94% of our respondents find it (very) important to receive the right information at the right time

## 5.2. Relevance

### Customers trust their intermediary's ability to provide them with the relevant information



Figure 5



**94%** of respondents find it (very) important to receive understandable **information**. They also need to get the **right** (relevant) information at the **right** time. We'll dive deeper into this below.

We also see that customers value how responsive and prompt the intermediary is in giving them the right information.

- 90% find it (very) important to be informed immediately of any problems
- 91% find it (very) important that their intermediary is responsive when contacted

### 5.3. Interactions

Although 10% of 18-34 year-olds would like to interact with their intermediary more often, we can safely say that overall, clients are happy with the frequency and duration of interactions with their intermediary.

Communication is not only about the timing of the interactions, but also the preferred channels of communication, which can differ depending on the purpose of the interaction.

- 52% of customers prefer face-to-face interaction with their intermediary.
- However, an email would suffice to receive a new offer, information, or an update on the status of a claim.
- The preferred duration of an interaction is 11-30 minutes.

A key point to tackle for intermediaries is **how to make the time to interact with customers two to five times a year.**

When we look more closely at the preferred communication channels per type/time of interaction, we see that:

- While 54% of respondents aged 35 and above usually prefer to interact face-to-face with their intermediary, this number drops to 44% for customers between 18-34 years old. So, less than half of the 18-34 segment prefers physical meetings, although this channel is still preferred across all age groups.
- Unsurprisingly, the digital channel is more popular among those aged 18-34, with an average of 28%. This drops to 22% for the older population. We clearly see that there are, however, certain types of interactions for which the digital channel is most popular, namely receiving offers and updates or getting information on a product.
- Finally, the third most preferred channel for interaction is by phone, with an average score of 12% for those aged 35+, growing to 14% for the younger population. This shows that the 18-34 group is willing to use other channels of communication, like the phone or even paper mail, when it comes to receiving updates or information on a product.

In short, the younger segment wants more interactions, and they're willing to do so through channels other than face-to-face.

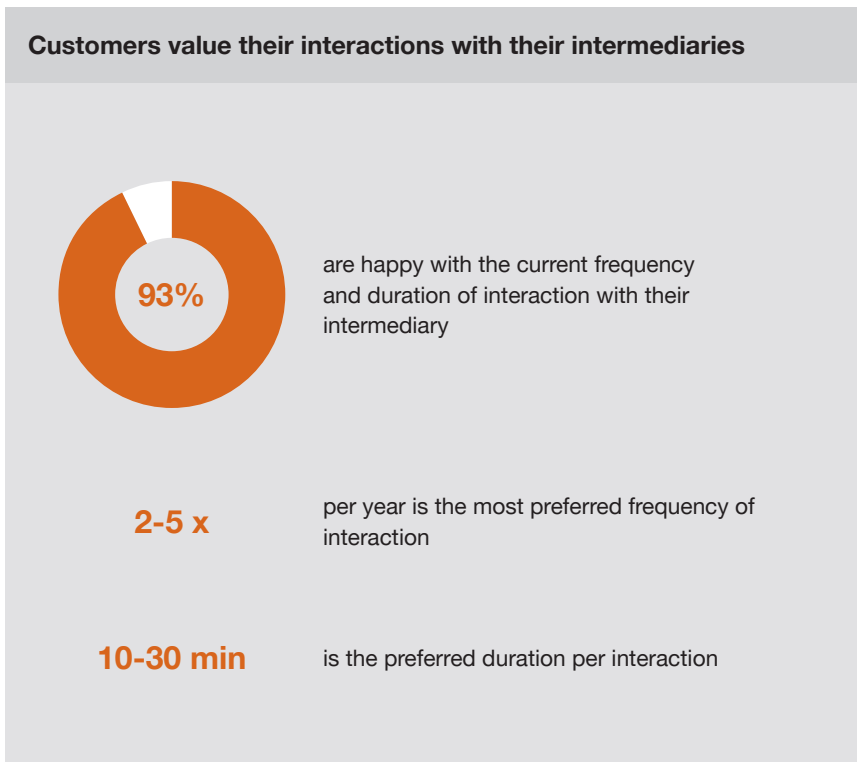


Figure 6

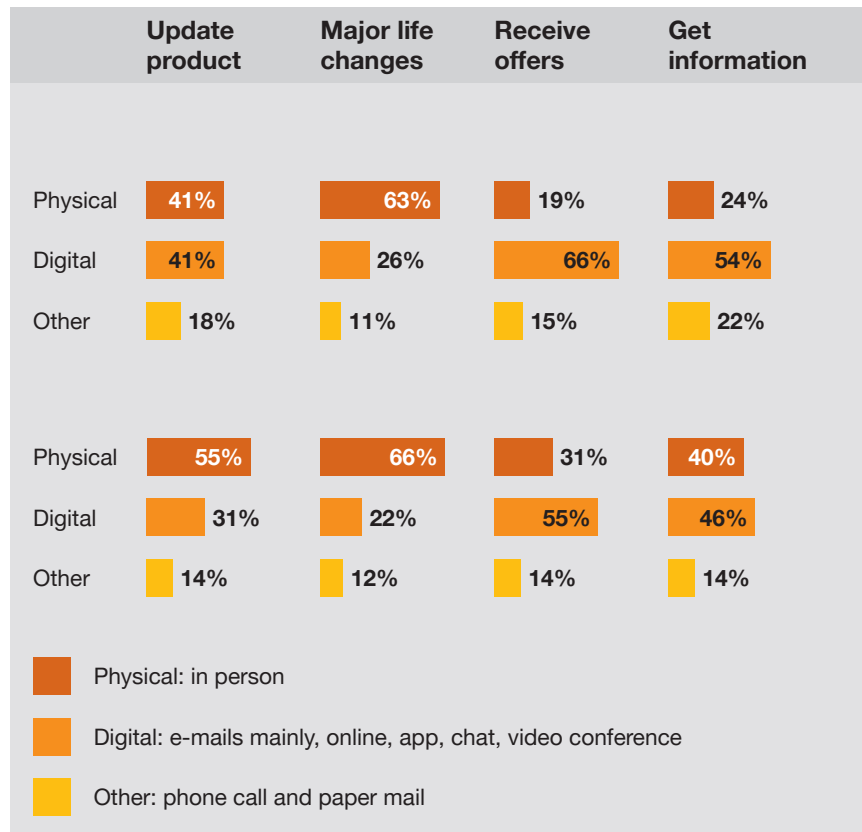


Figure 7

# 6. Areas for improvement

These are opportunities that can be used to strengthen the customer relationship:



Figure 8: Question: 'On a scale of 1 to 5, how much do you agree with the following statements about your interactions with your intermediary?'



Only 18% of respondents think that their intermediary informs them on time.

When asked if customers understand how business is managed by the intermediary, 82% admit they don't fully understand. Therefore, in addition to timely information, the customer should also be informed about the management of their products.

Additionally, 86% of customers can't say they fully understand the complexity of the financial products they hold. This is not necessarily negative, since customers trust their intermediaries' knowledge and relevance to help them see through the complexity of their financial products.

However, intermediaries can still take steps to guide customers in order to avoid unnecessary frustration due to this lack of understanding even though it's not always easy to strike the right balance. Each customer has different expectations, questions and needs:

- Some expect to be informed every step of the way.
- Others will ask for information from time to time.
- Still others need to be chased to ensure they're receiving updates and information.

Moreover, time is limited and providing tailored advice takes time.

What customers are looking for in an intermediary:

1. A more **meaningful** relationship. Because of the perceived complexity of the products, there's a need for someone who can act as a coach; who responds on time and suggests potential improvements.
2. A more **interactive** relationship. This increases customer loyalty.

If the intermediary fails to focus on these, their perceived added value will decrease.

The good news is that the intermediary can take steps to **evolve towards an interactive relationship with the customer.**



# 7. What should intermediaries do?

Intermediaries should focus on the following factors:



Figure 9

- Strive towards **higher efficiency**: ‘getting the job done’ as efficiently as possible. The focus here is to help the client manage their business/products in a faster and smarter way. In this case, the answer often lies in technology – whether it is provided by the financial institution, or if intermediaries need to look themselves for solutions.
    - Set reminders, or send automated communications.
  - Clients who want to understand the complexity of their products:
    - **Engagement**: involve experts, whether external or from your company. These experts could be readily available through technology like videoconferencing.
  - Clients who want to understand how the intermediary manages their products:
    - **Experience**: inform clients about the way the processes work. Just knowing what comes next fosters trust and has a positive impact on the client experience.
    - An outstanding client experience starts with an excellent **employee experience**. Involve employees in optimising business operations, empower them with the right technologies and training, and be open to their suggestions.
  - Improve the **client experience**: what makes a good experience? Speed, convenience/ease, consistency, friendliness and the human touch. This is how to build real connections.
  - **Involve and engage** clients, especially when it comes to their future. The intermediary isn’t selling a pension product, for example, but a path to retirement and peace of mind for the future.
- These are the main challenges we’ve identified and how to overcome them:
- Clients who want timely updates/answers:
    - **Efficiency**: send more emails. We see in figure 7 that in many cases, email’s an effective way to interact with customers.

## 8. Conclusion: what are the next steps?

With the help of technology and innovation, financial intermediaries can fulfill the customer's request for a better experience. An improved experience is no longer bound to just one link in the value chain, but to long-term advice in various domains.

Financial intermediaries are constantly proving their added value in the Belgian financial market: customers trust their relevant advice, knowledge and ability to help them navigate complex financial products. This leads to a client demand for more interaction in the relationship with their financial intermediaries.

In order to enhance this interaction, intermediaries should look for the sweet spot between improved client experience, advanced client engagement and maximized efficiency in each initiative that they are taking.

Building on their unique position, the time has come for financial intermediaries to move **beyond digital** and evolve together with clients towards a more interactive and meaningful relationship.



The bottom line is customers want more interactive relationships



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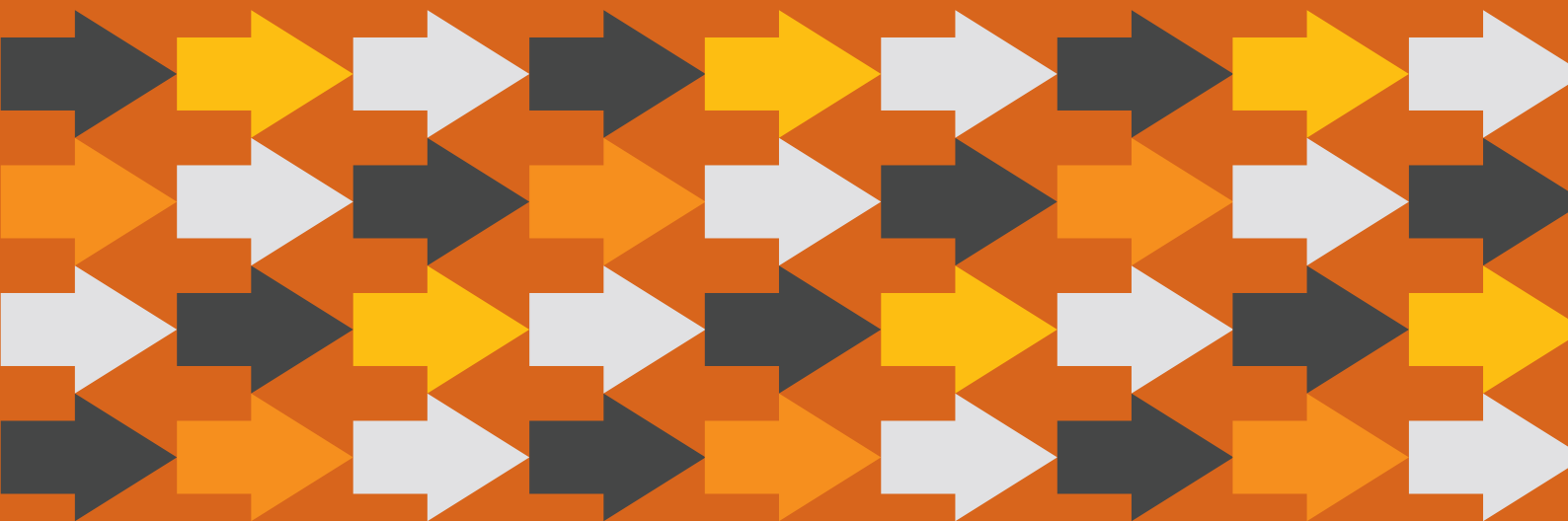
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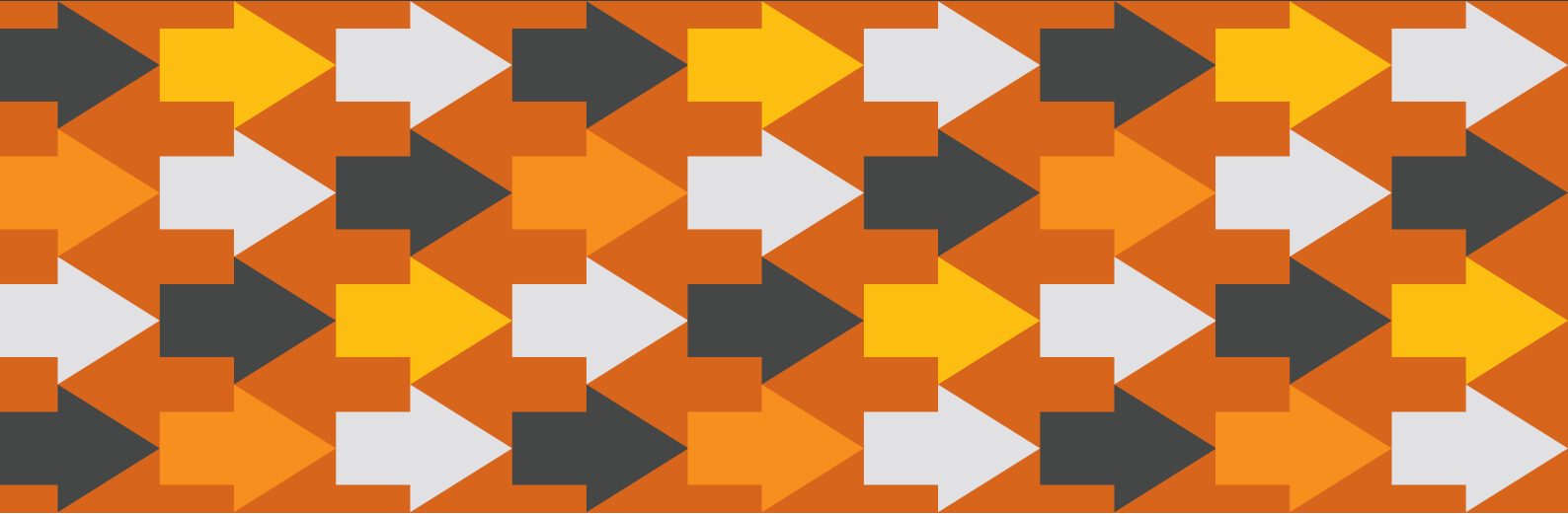


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