



News release

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New players in financial services market to push competition to higher levels: CII-PwC report

Mumbai, 05 November: The world of financial services is changing dramatically and winning in this new market will require players, particularly the existing ones, to unlearn and relearn the ground rules. The entry of new players, many of who will be challengers and disruptors, are likely to push this market to higher levels of competition. Market participants will be forced to focus on specialisation and differentiation in order to respond to an extremely diverse market.

The CII-PwC report “**Rethinking distribution: Smart solutions for smart customers**” lays out four overarching growth drivers, which are providing an impetus to change in the delivery and consumption of financial services: **demographic factors, technology changes, regulation and the entry of a substantial number of new, differentiated banks.**

As non-banking digital companies and new banks, premised on low cost–high tech models to deal with low value–high volume customers, make their mark in the banking universe, the delivery of financial services must be reimaged by the supply side.

This report was launched at CII’s Financial Distribution Summit 2015 by Nilesh Sathe, whole time member (life), Insurance Regulatory & Development Authority of India.

Shinjini Kumar, leader - banking and capital markets, PwC India said, "With public policy providing tailwinds to large scale basic banking access (new banks, PMJDY accounts, API enabled consumer on boarding ecosystem) and transformation of cash into digital, the market needs to respond with innovation and solutions. This will expand effective choices of savings, investment or protection for the new customer as well as existing customers whose behaviour and profile as well as expectations are altering fast and substantively. Good product design, differentiation, engagement and ease of delivery as also cost efficiency will be key in this exciting market.

V Ganesh, Chairman – CII Financial Distribution Summit 2015 & CEO, Karvy Computershare Pvt. Ltd. said, “In an ecosystem which is changing rapidly, technology is defining and shaping the way we do business with our customers; financial services players are investing in new age technology to differentiate themselves and provide customers with a superlative experience that encourages stickiness.”



In a financial services industry dominated by branches and agents, can new-age technology innovators steal a sizeable share of the market? Can service providers expect to broaden their market if they use a multi-channel approach to reach their customers? Is social media of any real importance to distributors? What difference will small finance banks and payments banks make to this ecosystem?

In this report, CII-PwC have attempted to answer these questions. The report has identified how the future will be different from what it is today and how financial institutions, distribution channels and agents can respond to this change to capture new opportunities.

Jamuna Rao Verghese, Senior advisor Financial Services, PwC India, said, “Providers of financial services and distributors need to understand what the future holds for them and reimagine their roles by embracing change. Ensuring a seamless experience to a range of consumers while building lean, cost-efficient structures will necessitate greater collaboration among market participants, including banks, insurance and asset managers, commodity and pension solution providers, authorised non-banks of different categories, and technology disruptors”.

The ability to harness transaction data on new customer segments possessed by payments and small banks, will allow cross-selling of comprehensive financial services to lower income customer segments through intelligent combinations of mobile and physical delivery channels. The upwardly mobile middle class, which has traditionally been the favoured customer of financial institutions, will see ‘choice’ expand, both in terms of products and service providers.

With digital becoming the increasingly popular media for sales initiation, simplicity in products and transparency in charges are expected to become a commonplace consumer expectation. In their other facets of life, consumers, particularly those using mobile phones, are responding enthusiastically to the app-based delivery of services, intuitively learning and responding to simplicity of design and communication by accepting the alternatives that work and rejecting many that do not.

The report suggests that **the proliferation of mass media and recent memory of high profile cases of fraud, mis-selling and money laundering in the financial services will pose key challenges to the market.**

It might be worthwhile to note that the Indian distribution architecture, with low legacy issues, may also leapfrog and innovate ways to reach out to hitherto excluded segments of the market, and we may see uniquely Indian distribution innovations in times to come.

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