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**Article**

## Lessons From Market Making: Customer Foresight in the B2B Sector and What We Can Learn From It

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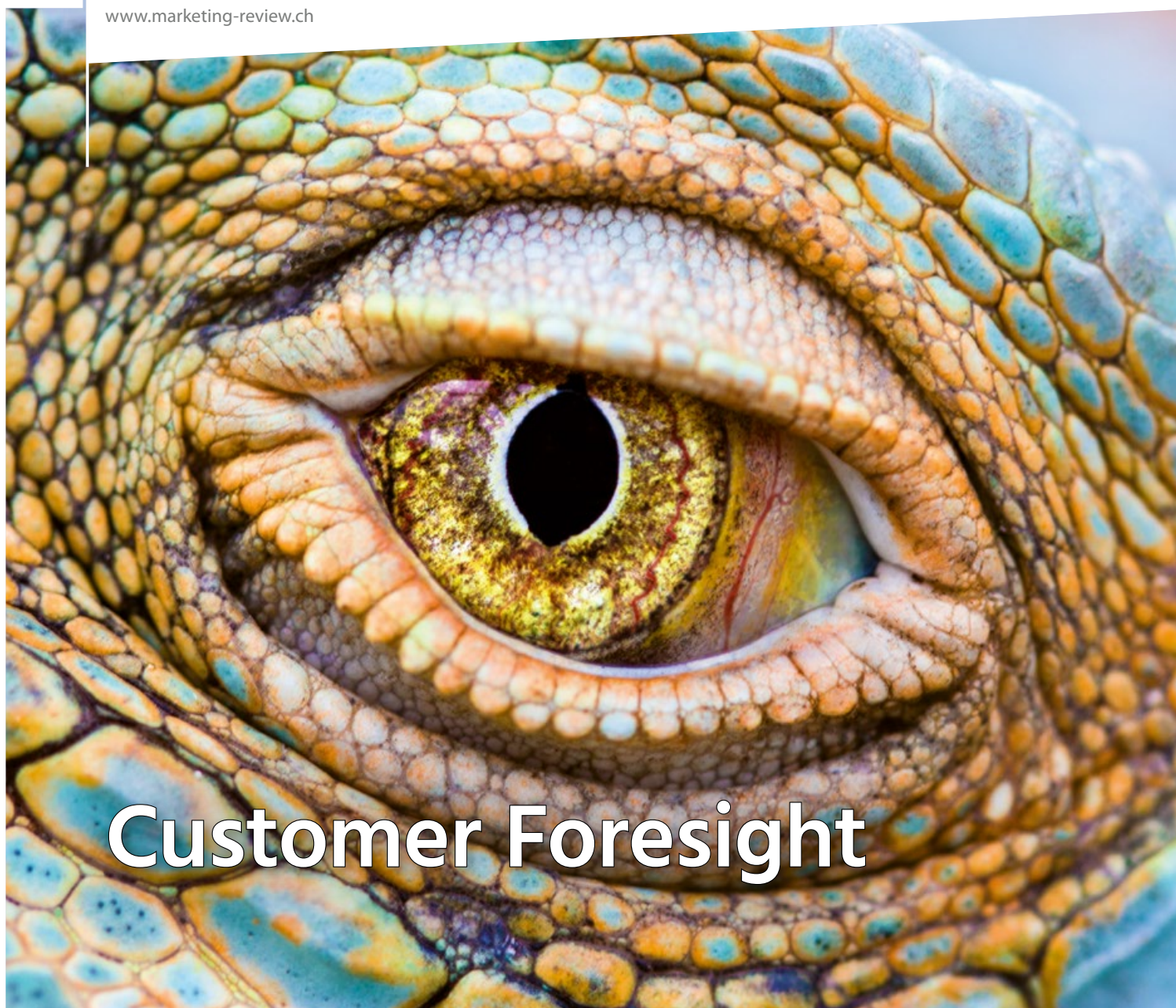
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# Marketing Review St. Gallen



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## Customer Foresight

# Lessons From Market Making

## Customer Foresight in the B2B Sector and What We Can Learn From It

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When thinking about customer foresight, most often the consumer goods sector comes to mind. The question what our future will look like – how we will want to live and consume – is affecting every sphere of our lives. But customer foresight is a core competency of every company, and this is also true in the B2B sector. Thus, we considered it fruitful to take a less often considered perspective and chose to approach this topic from the B2B angle. We talked with Dieter Goerdten, Head of Products and Solutions in the SIX business unit Banking Services (BBS), who was a driving force behind, and an important expert in, the development process of the scenario “Pictures of the Future – Future of Money”. Together we explored what customer foresight means in B2B markets. How is the scenario method “Pictures of the Future” best utilized to understand a business's ecosystem? And what learnings can we derive from customer foresight in the banking and finance industry for other customer foresight processes?

**The interview is conducted by Prof. Johanna Gollnhofer, Associate Professor at the Institute for Customer Insight und Birte Manke, Research Associate at the Institute for Customer Insight**

### Could you please introduce yourself and the SIX Group?

Consumers may have seen our logo on card readers while shopping or they may know us through the Swiss Stock Exchange, but SIX does much more: In essence, it is a provider of infrastructure and services in finance, mainly in the B2B sector. SIX offers many different platform solutions for the Swiss financial ecosystem (see the overview in figure 1). In a way, we can be compared to tracklayers. We are building infrastructures for critical players in the financial services sector so that banks do not have to do everything on their own. By doing so, we are reducing the costs for our clients and offering network effects. E-bills are a good case in point: if only a few people were using it, there would be little to no advantage in the concept. You would be able to send out a few e-bills but all the rest would still have to go out the conventional way. You only get a proliferation of channels: one more way to send out your bills. Now, the more people are using e-bills, the more benefit is being created by participating in the system because you can reach out to more people that way – the network effect – and at the same time the cost of a single transaction goes down because everyone uses the same infrastructure. We offer this type of central platform that allows many participants to send and receive bills, thus creating network effects and economies of scale.

Personally, I am heading the Products & Solutions Department of BBS, which was created in October 2018. Prior to that, I worked for several banks and in consulting and gathered work experience all around the globe. An economist by profession, I worked for Lufthansa for many years, but also in German development projects in Central America and in Africa before joining UBS in 1999.

### Customer Foresight in the B2B Market

#### What does customer foresight mean to you and in your work?

Customer foresight in the B2B sector is particularly challenging, but extremely important. In order to be able to offer relevant solutions to our clients, i.e. financial institutions, we need to understand their future needs and those of their customers. So we have to practice foresight in their markets regarding their customers. We then add value at

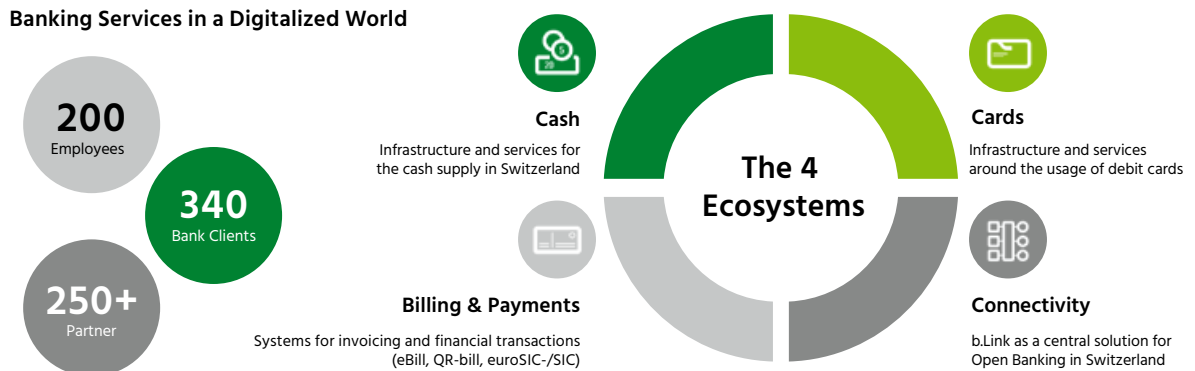
#### Dieter Goerdten

Head of Products and Solutions in the SIX business unit Banking Services (BBS)

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**Fig. 1: Overview of SIX's Services and Solutions**



SIX runs, develops and digitalizes the professional and private payment transactions in the Swiss Financial Industry. At the core are infrastructures and services for billing and payments and all forms of card-based and mobile transactions.

Source: SIX, 2020.

our end by asking ourselves: What is the emerging consensual view, how will financial institutions fulfil those needs in their markets – and how can we help them do that? It is essential that we find out how we can create offerings that reduce our clients' costs, provide additional value in their offerings to end clients, and/or create network effects, as in the case of connectivity or e-billing. B2B is an extremely long-term approach, because we have to create a future offer, sell it to banks – that have very long investment cycles – and only if we find a sufficient number of clients does it make sense to start production. So, any offer usually is quite some time in the making before it becomes visible to the end customer (see figure 2).

**Can you explain this with a concrete example?**

As I mentioned before, we offer a distribution platform for e-bills. They present billing information in an electronic format, and we would like to see more people using this form of payment as it is easy to use, reduces paper consumption, and bills tend to be paid

It is essential to know what is actually valued by consumers, and our clients should be able to focus on that. Why spend resources on anything else?

on time – which is beneficial to the biller. The struggle is to get the whole process running for all participants in the market, i.e., the shop that sends the bill, the businesses that connect the biller to our platform (we call them network partners), the banks, and, finally, the consumers who receive the bill via their online banking system and should be able to pay very easily. Therefore, we have to look at the entire journey of such a bill through the system. Of special importance in this context are the

user experiences of billers and receivers. One of the pain points was that billers were oblivious of who could receive an e-bill in the first place. So we fixed that by offering a register of all customers who are participating in the e-bill network. Today, a biller can make conscious decisions on how he sends bills to different users.

**Are there any special restrictions under which you operate?**

Our situation is unique in that SIX is owned by the banks, our clients. We are “user owned and user governed”. So we are very close to our clients, which is what everyone wants. We can ask them very directly what they need and what they want and can get inspired by their ideas. Given the variety of banks in Switzerland, there is usually not one clear demand, but many different views, quite often even contradictory ones. So we had to become experts at finding common ground, negotiating compromises and brokering deals. However, sometimes the proximity to banks can be almost too close for comfort, because

our customers can heavily influence our decisions or even block them through our Board of Directors. Therefore, it is sometimes a challenge for us to keep the freedom to invest and innovate while there is not yet a broad consensus among our customers. But otherwise we would run the danger of long discussions and, consequently, our offerings would be too late for the market.

**You applied a method called “Pictures of the Future”. Could you briefly explain this approach?**

At SIX, we have implemented, and are continuously developing, a scenario planning method called “Pictures of the Future”. The goal is to model different future scenarios by identifying relevant signals and projecting their development. We do not aim to ‘foresee’ the future. However, our scenarios can spark discussions around possible futures we want to prepare for and futures we may want to create.

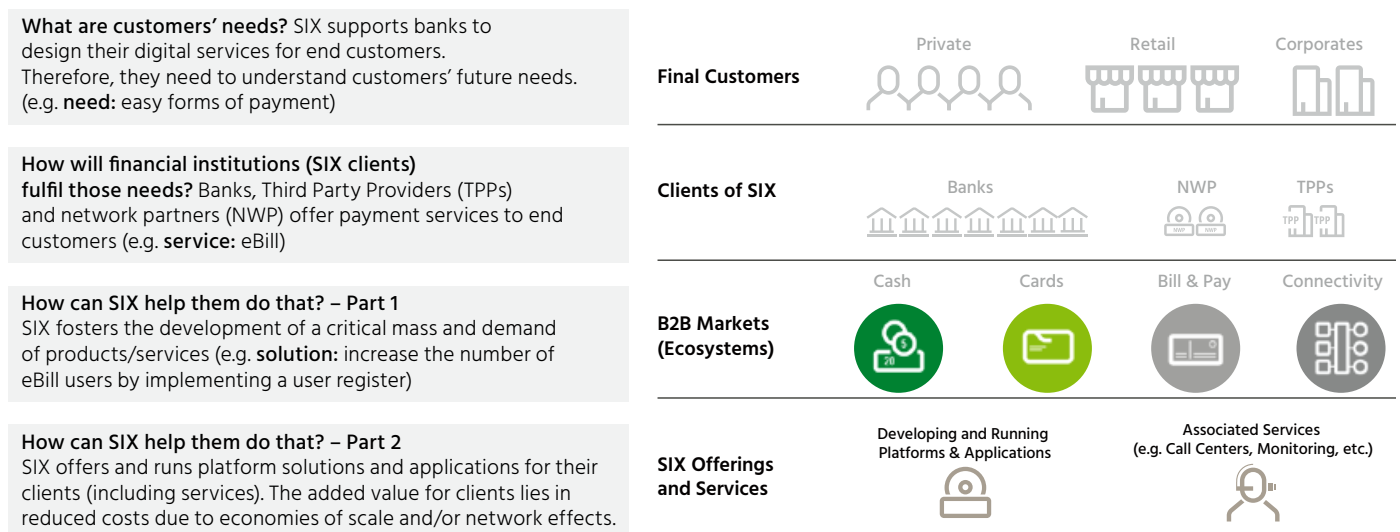
**This sounds like a holistic approach to customer foresight. Could you explain this in more detail?**

In our scenario project on the “Future of Money” we critically reflected on many root assumptions of our current lives and the role of money. Big questions were: What will happen to cash? Will consumers still use cash in the future? What are potential replacements? We concluded that cash will most likely become less relevant but will not vanish entirely. What does that mean for our clients, the banks? In the scenario process we reflected, for example, on the role of ATMs. Today, in any city center you usually have a fair amount of banks operating ATMs within short distance. If the usage of cash declines and all banks maintain their current numbers of ATMs, each transaction will become more expensive for the providers. Additionally, operating ATMs do not provide any differentiating value for customers – you do not choose your bank according

to the beauty of their ATMs. So we identified a business opportunity for us. As SIX, we could operate the ATMs in Switzerland on a large scale, create a network and thus increase cost efficiency for the banks. Currently, we do not yet have such a model here in Switzerland, but it already exists, for instance, in the Netherlands and in some Nordic countries. As this is a new model in Switzerland, we need to create this market.

But we didn’t stop at ATMs. There are many other things that banks currently provide which do not possess great potential for differentiation. Payments overall will not be a big differentiating factor for banks in 5–10 years’ time, including many processing and other back-end tasks. We believe that banks would not lose anything by centralizing these services. Quite on the contrary: they could shift resources to defining their future offerings and their interactions with the customers. Many services along the transaction chain could also be centralized – in fact, some

**Fig. 2: Overview of Elements of Foresight at SIX**



Source: SIX, 2020.

are already run by SIX, e.g., the card blocking center. There are not many differences in the questions and needs of the customers of different banks and the processes can easily be centralized. It is essential, however, to know what is

revenues generated. And then it takes even more time until you start making a profit in such a business. That is why we always need to be two steps ahead. Projects we start are usually long-term and capital-intensive bets.

It is a great advantage of the B2B market that you can start a joint process with your clients. In B2B we can co-create the future that we would like to live in.

actually valued by consumers, and our clients should be able to focus on that. Why spend resources on anything else? These are exactly the discussions we want to provoke during our scenario sessions. Ultimately, that brings us in a position of thought leadership and that is where we want to be in the future.

### **You talked about creating a market. How is this done?**

Creating a market, or market making, is a multifaceted process. You study the final consumers' needs. You try to become a thought leader in a particular field. This is what we do with the white papers we publish. We want to engage people in discussions about developments in the markets. Once we can see the consensus emerging, we start to have a clue where to place our offering. Then we talk to potential clients about our ideas; maybe we also try to model a pilot offering. In this way, we close in on our future offering until we reach a critical mass of clients who say: "Ok, I'm interested, I would purchase this solution." All this can only be achieved by a player of a certain size because our offering usually is very infrastructure-heavy. If we take the tracklaying metaphor again: you may need several years to build the rails, and in year five, you may have the first trains running on them and the first

### **Is market making only relevant for the B2B sector?**

When you introduce an innovation, you need to be sure that the market is existent in any business. However, you may have more opportunities to shape markets in the B2B business. The area I work in, payments, is changing rapidly at the moment: digitalization, new legal opportunities (e.g., the new European regulation on payments, PSD2), and emerging Fin-Techs. Nobody knows what the market will look like in 5–10 years' time and market making is a great challenge. Our "Pictures of the Future" are one piece in the puzzle called tomorrow.

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### **Scenario Methods Can Be Used to Gain an Understanding of a Complete Ecosystem**

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### **Why did you decide to do a "Picture of the Future of Money"?**

Ideas for relevant topics come from every direction and all players in the market. At the moment, a lot is changing in the area of payments. On the one hand, we are approached by banks that want us to solve specific issues for them. Much is triggered by current trends like digitalization and the opportunities that come

with them. On the other hand, we have to investigate the market on a long-term basis. The Pictures of the Future method was suggested to us by colleagues when we were discussing our perspectives in the cash ecosystem, as a solution that could integrate inputs from different perspectives. In the beginning, we were skeptical regarding the effort we had to put into the process and asked ourselves what we would gain from it. But then we just decided to give it a try and see what happens. We worked on this project for more than six months and we put a lot of effort into it – but it was worth it.

### **What were the reactions to your report?**

Overall, the reactions were enthusiastic. We got a lot more reactions and comments than we had expected. We were very surprised by this but it's great to see that the effort paid off handsomely. In a way, we also were lucky that the topic had a certain spin, fueled by discussions around bitcoin and libra. But it was great to see so many people referring to our paper. It has been cited in all kinds of places including Australia. Of course, social media played a large role in that and should be consciously used in order to disseminate such results.

### **What was the most important factor that made it successful?**

You have to offer something your audience wants and is able to digest. The topic is very complex, and people have precious little time. The majority of readers will only read the most likely scenario and the summary. So you have to offer enough food for thought in these sections. In this picture of the future, we also introduced human-centric stories to bring the topic closer to our readers' everyday life and made an effort to illustrate where necessary. Of course, this hasn't been my effort alone but the creation of very talented people at SIX,

and we have to thank all those who contributed with their views and ideas.

### **What is the value of this kind of work?**

When you open up the discussion with something like “The Future of Money”, you want to work on building a mainstream. In the beginning you have to be careful to introduce enough facts, evidence, and numbers. As long as people do not have facts and are only discussing their own beliefs, you cannot really agree on anything. With the scenario method you can shift the perspective to the likelihood of an option – and get people to agree on probabilities. Dissenting views are then not simply discarded but kept on the table. Participants can agree to disagree, without being excluded from the results. Once you get to this point, you can start to discuss solutions. We strive to become thought leaders in all the markets relevant for us. We are still far from this position, but we definitely have come one step closer to it in the market for cash. We have talked to relevant stakeholders, we appear on their map, and we have demonstrated that we bring specific competencies to the table. You cannot build a mainstream behind closed doors. It is a great advantage of the B2B market that you can start a joint process with your clients. That is a lot more difficult in the B2C market with its large numbers of end customers. You can interview them, watch them. But a continuous dialogue is much more difficult. In B2B we can co-create the future that we would like to live in.

### **What happened with the white paper? Did you launch any initiatives afterwards?**

We are in the process of making some of the conclusions more concrete in order to turn them into offerings. We launched an innovation sprint to deal with a couple of outcomes. We carefully dis-

cussed them with stakeholders in the market, banks, retailers. At the moment, we are about to launch a conceptual phase to define the potential future of cash in a village-type setting and with a central provider of the ATM network. It is incredibly interesting and rewarding and would probably not have been possible without the white paper.

### **We are currently living through the Corona crisis, which has led to a drastic decrease in the usage of cash. Did the work on future scenarios prepare you for this extreme situation?**

True, everything happened a lot faster and more extremely than expected. But with the development of the scenarios and our discussions about the topic we are better prepared for such a situation than we were half a year ago. However, if I could turn back time, I would have started even earlier with the scenario work.

### **What developments do you anticipate for the future? Will we return to cash?**

With the normalization of life, the number of financial transactions will normalize. Maybe we will have less traffic because of a recession, but that will be overcome eventually. However, the structural changes in our use of money – i.e., electronic and contactless payments preferred over cash – will not be reversed.

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### **Learnings From Customer Foresight in the Banking and Finance Industry**

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### **What do you think is important for successful foresight work?**

With innovation comes the need for new skills and talents. Successful foresight

work does not yield results if you do not include the right people to implement ideas and put the results into practice. In 2018, I took over the product management department with around 25 employees. Many of them did not have any particular experience in the areas of user experience, client journeys, or moderating skills. And we still are not particularly good at running the services which should come with the platforms we sell. In the case of ATMs, for example, you need to make sure that they are filled or emptied when needed, and there is a need for maintenance and security services. However, providing these services is a very different business from providing and operating platforms, which has so far been our core focus. These are two very different aspects of our offering and you need different types of people to run them.

With innovation comes the need for new skills and talents. Successful foresight work does not yield results if you do not include the right people to implement ideas and put the results into practice.

### **Is there something other companies can learn from the process?**

There are lots of co-creation processes implemented at the product level these days. But what about the strategic level? Companies need to start discussion processes on market strategies. I think this is very relevant for the B2B sector. However, it raises a lot of questions about competition and legal issues. Our world is growing ever more complex and sometimes confusing, so it's great to kick-start a discussion and incorporate a multitude of views. Of course, openness is essential for that and you must like to communicate a lot. But in the end, it is our future and we are in this together. So why not shape it together as well? 