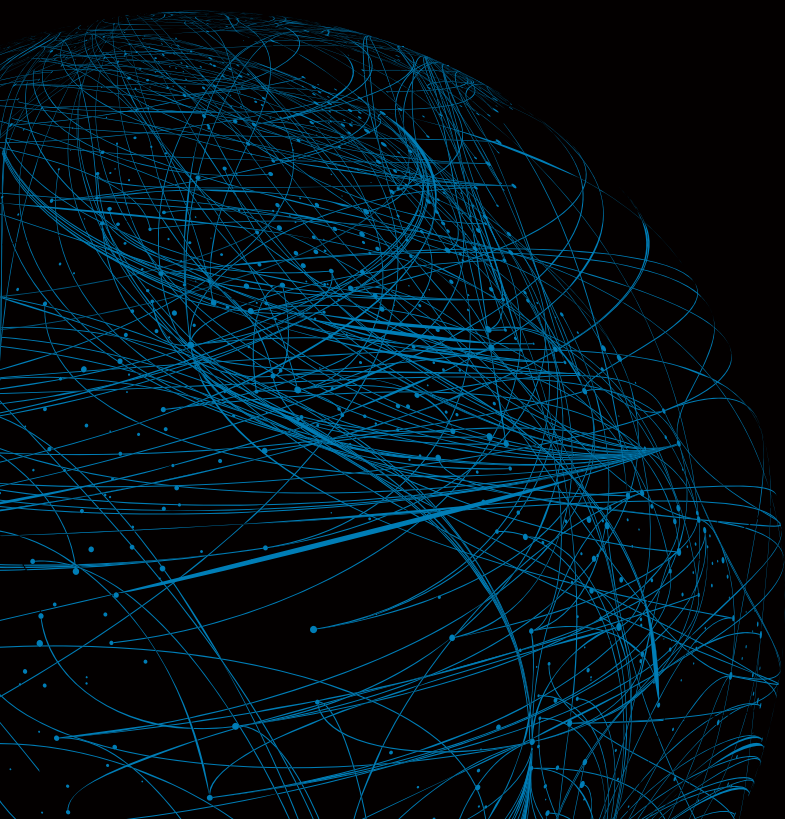




## The future of value transfer Trust and Identity



## The future of value transfer | Trust and Identity

Lasting sustainable and mutually valuable relationships – be they personal or commercial – are built on trust. As Deloitte outlines in its newly launched series on the [Future of Trust](#) - they are the connective tissue that bind together everything that we do: our relationships, our actions, our expectations of others. We expect institutions, businesses, and other organizations to deliver on their promises and behave responsibly. Likewise, we expect to be able to move around our communities safely, depend upon our relationships, and rely on certain truths.

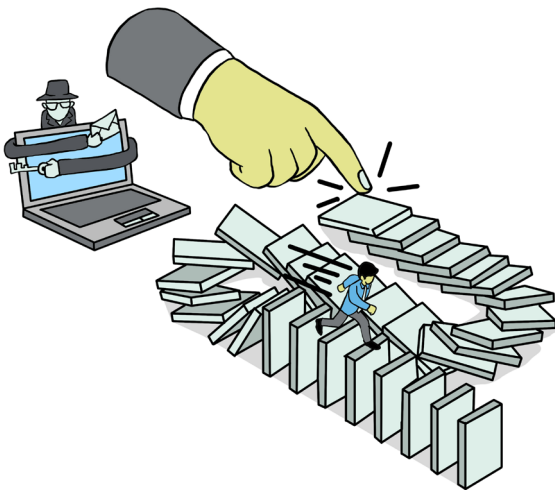
Achieving trust in the physical world of financial services is hard enough, with the sheer cost and logistical difficulty of establishing and maintaining trust providing an economic moat for incumbents and a steep barrier to entry for new players.

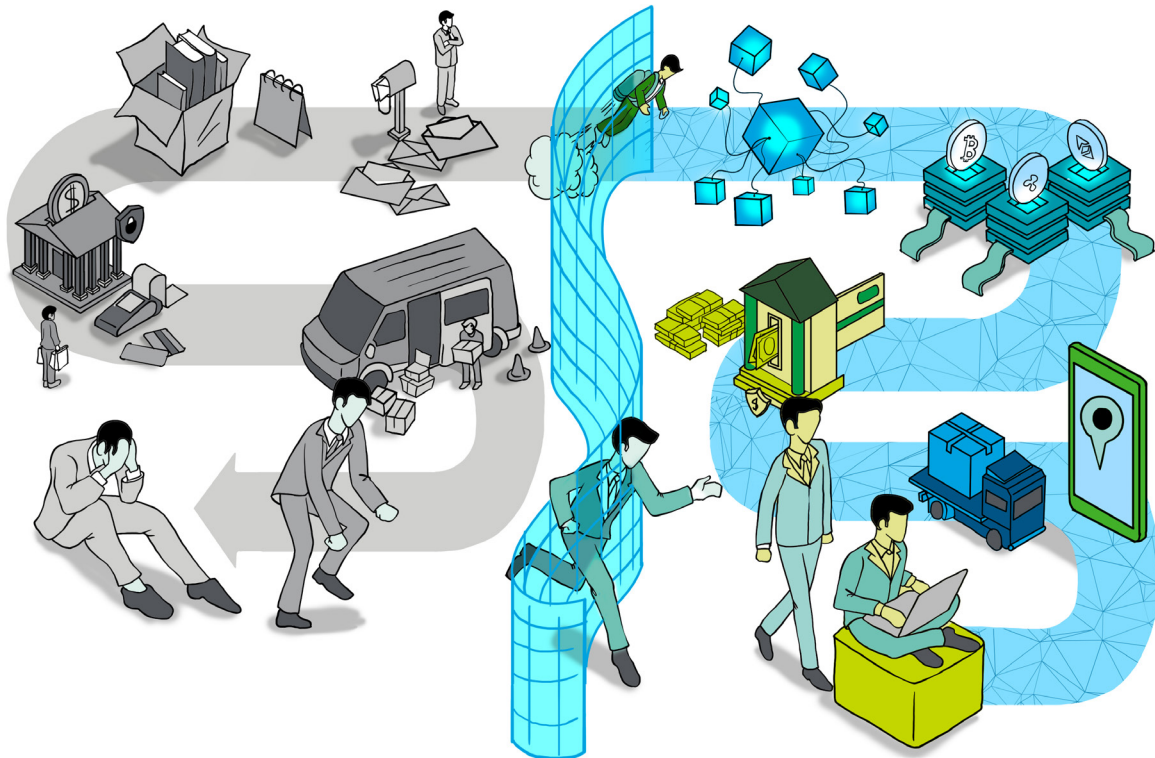
**Ironically, just as digitalization is removing the friction in many aspects of financial services, it is potentially making it even harder to maintain the levels of trust that participants have grown to expect, and the industry has strived to develop.**

Moreover, the move from traditional value chains to value webs will magnify the permutations and complexity of potential interactions and sequences, placing greater emphasis on trust and identity.

Solving for the challenge of trust in the digital financial services world will undoubtedly open the door to even richer and more diverse value webs, within which incumbents and new players alike, benefit from the speed and proximity that digitalization provides. As Stephen R. Covey, author of *The Speed of Trust* and leading authority on the subject, stated in an interview with *Forbes* magazine, “when trust goes up in a relationship, or on a team, in a company, in an industry, with a client, with a customer—speed goes up with it and cost comes down. Everything happens faster and everything costs less because trust has been established. That’s a dividend, a high-trust dividend”.<sup>1</sup>

Historically, cultivating trust in financial services has combined the carrot – in the form of reputational benefits, goodwill and customer loyalty gained from maintaining trust – with the stick – delivering accountability via legal penalties or regulatory sanctions for breaching it. In future value webs, where financial services will be increasingly decentralized, trust will need to be cultivated in real-time. This will be enabled through transparent and interoperable codes of practice and regulation combined with empowered customers armed with the ability to derive value from the access to their data, identity and choices. When choice is added to the validation and integrity equation, *empowerment and integrity become self-perpetuating*.





## Organizations will compete to enable value from choice

As industry lines continue to blur within value webs, customer empowerment could fundamentally change the growth opportunities within and across financial services business models.

The period of flux during the transition from hyper-personalization to customer empowerment creates opportunities for new players to enter through the consideration and incorporation of choice alternatives and for incumbents to protect their existing hold on customers by offering increased choice.

Indeed, providers of regulated financial services may have little option but to adopt this approach. There is a clear trend towards regulators and policy makers seeking to redress the balance of power between businesses and consumers by giving the latter greater control over who can access their data, as established in regulations and national infrastructure such as Europe's Payment Services Directive 2, Australia's Consumer Data Right and the Singapore Financial Data Exchange. Many of these are built on the broader base of principles outlined in Europe's pervasive General Data Protection Regulations, which have recently been taken a step further in China's Personal Information Protection Law, covering collection and transparency of usage in artificial intelligence and machine learning.<sup>2</sup>

Such regulations are becoming the global norm and we expect that many providers of financial services will increasingly shift their focus to value creation as a result of attempting to generate some return from their ever-increasing cost of compliance. But the transition to customer empowerment might not be solely driven by a regulatory imperative. Outside of financial services, new players are already seeking to gain a foothold in the market through greater customer empowerment – for instance, browsers that pay consumers for the value generated by their internet activity.<sup>3</sup> We expect that consumers will naturally begin to gravitate towards the players that give them greater control over, and the ability to derive value from, their data and choices.

## Empowerment – balancing push and pull

Building trust can also be achieved by enabling customers to feel they are in control and they have the power to create options to choose from, rather than creating the perception that customers are being controlled by pushing options on them.

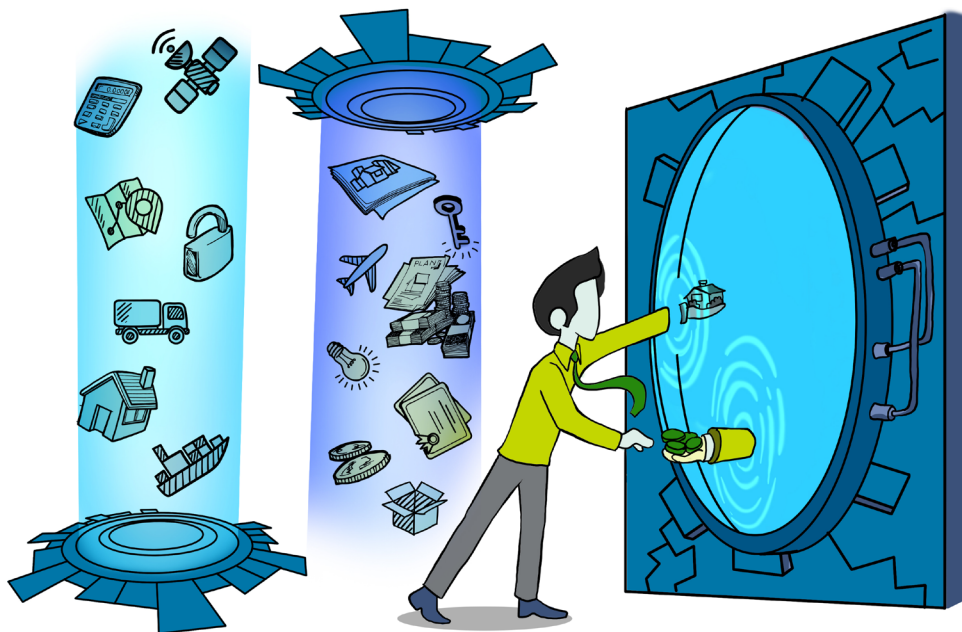
In a world where customers are suspicious of how businesses use their data, enabling choice through AI-enabled hyper-personalization as opposed to, facilitating choice through the pull of customer empowerment could have the unintended consequence of undermining trust and loyalty – the very outcome that choice is meant to create. Moreover, choice does not necessarily have to be exercised by opting out.

*If consumers are offered clearly defined benefits in exchange for sharing their data, they would likely be willing to do so.<sup>4</sup> Simplifying the consumer decision around data, helps shift the focus of participants beyond merely protecting consumer data – guarding against unrewarded participation – to creating mutual value from it – pursuing mutually rewarded alternatives.<sup>5</sup>*

In a world of increasing empowerment, there will be the added challenge for participants in the value web to ensure that consumers' capacity to choose keeps up with their increasing ability to do so. Various technologies can help support customers make decisions that are in their best interests. For example, online platforms can provide consumers with financial literacy through deploying techniques made popular through gamification and the provision of objective advice using robo-enabled analysis. By deploying biometric tools to gauge emotional reactions during decision-making, platforms can even protect consumers from making major decisions when they are not in the right state of mind.

**The true value of choice will create a virtuous circle within value webs.**

Attributing more value to choice will drive the value from the empowerment of choice, which in turn will drive responsibility and accountability for choice.





## Digital identity – combining empowerment and legitimacy

One of the core components of meeting the challenge of trust in both the physical and digital worlds is the legitimacy to enter a relationship – supporting the integrity on which relationship fundamentals are built. Much of the innovation in the financial services industry is focused on removing the friction that validating identity creates, largely in response to regulatory and policy imperatives.

Identity has become synonymous with validated integrity, but in a digitalized financial services ecosystem driven by empowerment, much more value could be unlocked by expanding the concept of identity to incorporate all elements of digital presence. Every decision a consumer makes can be captured in their digital identity – in other words, the notion of digital identity increasingly embodies the value created by activity in the digital value web. *The current challenge is determining how to create value and then monetize data, while the future challenge will be creating realizable and transferable value, thereby cutting out the need for monetization.* This is something that Big Tech have already realized and are taking steps to build upon.

In future value webs, we believe that digital identities will move from a static to a fluid concept, and will be attributed not only to individuals, but also to virtually all goods and services, effectively connecting the physical and virtual worlds and capturing the value of nearly all consumer choices, wherever they may be.

Creators of value will create digital profiles that incorporate the true and transferable value of the digital presence – blurring the line between value creation, capture and transfer.

The technology underpinning this is already here, and has given rise to examples that allow for the capture and transfer of the value of data embodied in digital identities through tokenisation, creating a world where enriched data components aligned with customer profiles are represented in non-fungible token-like representations. These tokens increase in value as more data is generated by activity and enhanced by adding AI and analytics, creating a web of transferrable value, linking capture and creation.

Existing providers of financial services are well placed to realize the full potential of tokenized digital identities through creating and operating enabling platforms built on established and recognized trust norms, underpinned by customer-empowered access to an ever-increasing array of value webs. This, combined with increasing security measures built on the principles of zero trust and supported by seamless authorization interfaces, should go a long way to reinforcing user confidence. But achieving this will require, in some cases, a rethink of business models – enabling value creation through empowering trusted shared access rather than restricting access under the veil of protecting increasingly outdated concepts of data ownership and providence.



## The future of value transfer must be built on the foundations of trust and identity

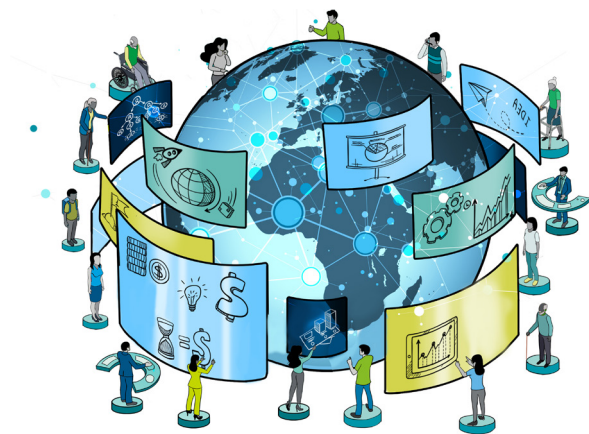
In this new world, the historical stranglehold on trust and identity by the financial services industry could well be eroded through increasing empowerment and the virtuous circle of trust created from that empowerment.

As momentum is created through the continuous feedback of consumers being incorporated into the development and refinement of products and services, a fly-wheel effect is likely to emerge, setting the base for exponential scalability for players, regardless of business model.

Regulators and policymakers will need to continue to challenge their historical bias in how they approach interoperability and transparency in order to achieve trust that supports the stability and smooth functioning of markets and financial services within them, while also promoting innovation and removing friction.

Incumbents and new players may need to take a step back and consider how financial services might be reshaped when trust and empowerment support the simultaneous creation, capture and transfer of value within a global value web. The shift in mindset needed for that transition is to acknowledge that financial products and services can, and will, be bought in digital form, and not just sold.

The opportunities are tremendous and missing them may be a monumental oversight. To ensure that does not happen, each player must commit to collective and collaborative engagement to help establish the sustainable future of value transfer.

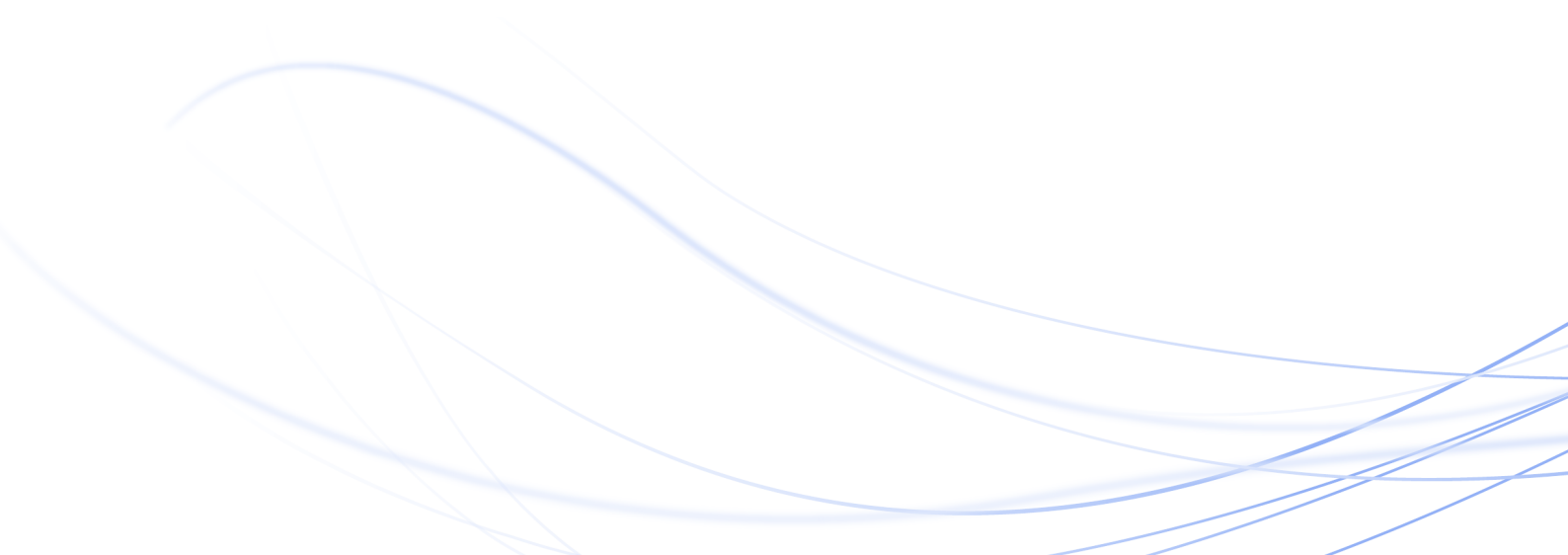


Learn more about what we believe the Future of Value Transfer will look like at  
[deloitte.com/futureofvaluetransfer](https://deloitte.com/futureofvaluetransfer)



# Endnotes

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