A $700 BILLION MISSED OPPORTUNITY

Ignoring women is costing financial services money

David Gillespie and Jessica Clempner

Over the past 10 years, achieving gender balance in financial services has remained a challenge across Europe and worldwide, with the industry still male-dominated, particularly at the senior level. While there are now more women in senior leadership roles globally than ever before, progress has been incremental, and there is still a long way to go — something made clear by Oliver Wyman's new Women in Financial Services Report 2020. Increasingly, this lack of gender balance is to the industry's commercial detriment.

HALFWAY TO SUCCESS

Within Europe, we are used to seeing high-profile female leaders in the sector, perhaps best exemplified by Christine Lagarde. In certain places, the situation on the surface appears positive. In the UK, for example, milestones such as Alison Rose's recent appointment as chief executive of RBS, and the 30% Club's role in achieving increased representation of women on FTSE 100 and FTSE 250 boards, have been profiled as heralding much-needed change.

However, the numbers tell a different story. Across Europe, representation on executive committees and boards has increased, now standing at 20 percent and 29 percent, respectively, according to Oliver Wyman. But the range is broad: from 33 percent female representation in Sweden, to just 6 percent in Greece.

A PANORAMIC APPROACH

It's clear that the work that got us this far is not going to take us to the next level. In the report, we also find that, to deliver the next wave of change, the industry needs to recognize that the impact of gender balance goes beyond the workforce. There is at least a $700 billion global revenue opportunity in better serving women as customers.

In the context of a rapidly changing and highly uncertain political and economic landscape, it is not overstating things to describe the situation as critical. Gender balance is recognized as vital to success. But at this point for many organizations, it is essential to a firm's survival.

To close the gap, capture revenue, and promote sustainable business, more needs to be done. This means taking a broader approach than has traditionally been the case and ensuring that the journey towards balance internally also extends externally to truly catering to women as customers.

THE REVENUE OPPORTUNITY

Women are arguably the single largest underserved group of customers in financial services. Despite playing increasingly influential roles as buyers of products and services, their needs consistently go unmet. As a result, firms are leaving money on the table by not listening to and understanding their women customers.

The scarce funding going to female-led companies in the small- to medium-enterprise (SME) space, and the historic bias toward a male career trajectory in wealth and asset management, have been well-documented. But our research also shows gaps in the way insurers, retail banks, and corporate and institutional banks are serving women as customers.

Lack of flexibility, combined with products and services that appear gender-neutral, but that in fact default toward men, can result in a gap in the way retail banks are serving women.

At the global level, our analysis indicates that $65 billion could be generated for banks through mortgage and other credit approvals to existing retail customers, if women were approved at the same rate as men.

This is along with $30 billion in net interest income through loans for female-led SMEs. Similarly, today, women invest more of their wealth in cash than stocks and bonds, compared to men. Wealth and asset managers could see $25 billion in new fees by helping women manage their investments in the same way as they do for men.

Furthermore, if insurers sold life insurance to women at the same proportion of their income as men, an extra $500 billion in new written premiums could be generated. In corporate and institutional banking, $80 billion of existing revenue could be at play if banks better managed their relationships with women clients and won share from competitors.

Redressing the gender balance is not just good for society or a particular firm, it is good for business, full stop.

To close the gap, capture revenue, and promote sustainable business, more needs to be done.

How The $700 Billion Global Revenue Opportunity Breaks Down

Insurance	
What if… insurers sold life insurance to women at the same proportion of their income as men?	**$500 Billion** of new written premiums could be created, even after accounting for differences in income
Banking	
What if… corporate and institutional banks better managed their relationships with women clients?	**$80 Billion** existing revenue controlled by women as clients could be captured from competitors
What if… retail banks provided women with mortgages and other retail credit at the same rate as men?	**$65 Billion** of new net interest income and fees could be created
What if… business banks provided women with SME loans ad the same rate as men?	**$30 Billion** of new net interest income could be created
Wealth and Asset Management	
What if… wealth managers invested women's wealth in the same way as men's in stocks and bonds rather than cash?	**$25 Billion** of new fees could be created

Note: Revenue for the insurance sector is not directly comparable to the revenue for the banking and wealth and asset management sectors. Based on the standards for these sectors, insurance revenue is reflected as written premiums, a large portion of which will be paid back to the policyholders in the form of benefits, whereas banking and wealth and asset management revenues are reflected as a mix of fees and net interest income (accounting for the cost of funds), which together are retained to cover operational expenses. The comparable insurance margin on written premiums is approximately 20 percent.

Source: Oliver Wyman analysis

CLOSING THE GENDER GAP ISN'T AN ADDED PLUS

Operating in such volatile and fast-changing times as they face today, financial services firms cannot afford to overlook women, in the workforce or as customers. In Europe, headwinds will only likely increase in the near term, with the possibility of recession all too real. Historically, when the economy takes a downturn, gender balance gets put on the backburner, seen as a "nice to do" rather than the "must do", as our analysis highlights.

At the very least, organizations would do well to recognize that increasing the proportion of women on leadership teams is likely to be a major contributor to crisis resolution in terms of increased cognitive diversity and enhanced creativity.

Cultural changes brought about by greater gender balance can aid not just internal decision-making, but also customer-product development as firms work to understand and reflect the needs of all stakeholder groups, including customers. This involves actively generating and looking at the data from a different perspective, then pulling this through into a reorientated proposition. This could be anything from life insurance that takes into account unpaid domestic work, flexible goal-based wealth advice, or mortgages with payment holidays for parental leave. Ultimately, these propositions will be better for all customers, not just women.

Similarly, in acting more on gender balance and bias, firms are likely to see a positive impact on everything from staff morale and talent influx, to brand and reputation. Internally, a gender-balanced workforce makes for a more effective business. Externally, firms will help to promote equality in society overall.

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