

INNOVATION: THE CASE OF CORPORATE BANKING SERVICES

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Abstract

This article aims to discuss the importance of innovation in corporate banking and the best practices used in the banking industry, as well as the best practices among new entrants, such as Large Digital Players and FinTech Companies. This paper is structured into the four main parts: the introduction and basic overview, secondly, a section on innovation among non-banking competitors, summary of the best corporate banking innovations in the past several years and lastly, shedding light on the real threats and opportunities for banks. I found that many banks are making innovation its priority, yet not all of them excel in this field. It is also prevalent that the corporate banking industry will be under attack of many new entrants, and the future of this sector will depend on its ability to bring innovative and smart solutions for its clients.

Keywords:

Corporate banking, innovation, non-banking competitors, products

JEL classification:

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1. Introduction and Overview

The banking industry has experienced an enormous amount of pressure to rebuild its own services. Banks that used to be the untouched masters of the universe are now more vulnerable than ever before. Banks have new competitors from many industries; they all have one thing in common, the effort to get a piece of the pie from the banks value chain. We have large players such as Amazon, Google and Apple for whom financial services are a complement to their core businesses. We have small enterprises, mostly financial technology start-ups such as Wonga, Kickstarter and Credit Karma that mainly focus on small pieces of the banks value chain. Banks respond to these threats mainly by being slightly more user friendly, rolling out online banking services, providing advisory services and many seminars and business hubs for information sharing. However, things are moving much faster. In 2015 there is no need for companies to use corporate banking products anymore; new company can be set up online for a few euros, get money from crowdsourcing sites, such as Kickstarter or peer to peer lending sites such as CircleUp, hire loyal employees through global freelancing platform called UpWork, rent IT solutions from Amazon, find manufactures on Alibaba and at the end, arrange your payments at Square. Obviously, if banks want to be part of the game they need to be even more customer centric and foster innovation to keep pace with the most cutting edge companies in the world.

Innovation is a very important part of today's business, and luckily we have a robust way of how to measure these innovative improvements (Trott, 2012). One of them is Innovation Sales Rate (ISR), which is simply a sales percentage of new products – innovative products. Another interesting issue is how companies are involved in the innovation processes. Taking this into account, we can see how many new ideas were born in one year, e.g. on average per employee how many ideas were created and what was the financial effect. However, counting every aspect of innovative performances is not an easy task at all; speed of innovative processes and quality of innovative managements are also very important factors.

My research methods consist of identifying a list of current innovative services coming directly from the banking sector while using parameters such us level of innovativeness, probability of successful commercial exploitation and familiarity for clients. According to Trott (2012) innovation is define as “...*management of all the activities*

involved in the process of idea generation, technology development, manufacturing and marketing of a new (or improved) product or manufacturing process or equipment” (p.15). I also identify innovative services coming from non-banking areas, presenting indirect competition, with same parameters. This kind of competition is a huge threat to the banking industry since they represent a breath of fresh air in a very conservative field. In explanatory study I mostly focus on non-financial innovative services in the corporate banking area. One of the reasons behind this is that this issue represents a *terra incognita* in banking research. What also matters is that corporate divisions are responsible for roughly half of the banking industry’s global profit. According to BSG study¹ made in 2014, what is striking is that every second corporate division showed declining economic profit. Would a lack of innovation be among the several reasons behind this negative trend?

2. The importance of Innovation in The Corporate Banking Industry

The banking industry, and especially the corporate banking sector are well known for its conservative behaviour. Banks should improve their services more, listening to customers’ needs and expectations if they want to survive a few more decades. Considering banks profitability in developed countries, even after economic recovery, banks are still roughly at a half of the pre-crisis level². Moreover, during these dark times, banks have been edged in core areas of their business, like savings and payments services. Many studies revealed that innovation matters to customers. In Successful Corporate Banking, a study made by Ernst & Young on 2013³, they interviewed executives and asked them how important innovative services are for them. They got a majority rating of 63 %, roughly the same as technology sophistication had. What is even more interesting is that in technology sophistication, banks real performance was evaluated by 55 %, but innovation only by 40 %. It is pretty obvious that in this area banks fall short of the customers’ expectations.

This prevalent issue, falling short of expectations, there are many rankings covering the problem of innovation among the companies for a long period of time. Most famously, rankings made by The Boston Consulting Group consist of a list⁴ of 50 of the world’s most

¹https://www.bcgperspectives.com/content/articles/financial_institutions_business_unit_strategy_global_corporate_banking_2015/

² http://ec.europa.eu/newsroom/fisma/item-detail.cfm?item_id=20190&newsletter_id=0&lang=en

³ [http://www.ey.com/Publication/vwLUAssets/EY_-_Successful_corporate_banking:_keep_customers_close/\\$FILE/Corporate%20Banking%20Survey.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Successful_corporate_banking:_keep_customers_close/$FILE/Corporate%20Banking%20Survey.pdf)

⁴https://www.bcgperspectives.com/content/articles/innovation_growth_digital_economy_innovation_in_2014

innovative companies spanning from 2005 to 2014. The number of banks in this list consisted of exactly zero. The same story can be said for the rankings made by Forbes magazine⁵. Among the 100 of the world's most innovative companies, none of the banks are represented.

3. Innovation Best Practices Among Banks Competitors

There are many banks investing in cutting edge products and having innovation as its main priority. Around 20 chosen banks in chart n. one represents the new face of the banking industry. Banks respond to new threats by supporting internal innovation hubs and promoting the best ideas among their most important services.

One trend is simply digitalisation: an increasing number of customers are content just to see their relationship manager through a tablet, smart phone or laptop. As a result, the banks' solution is to roll out more user-friendly mobile and online banking services. Branches were closed-down in an effort to save some money for digitalisation. But today's customers want more than just being able to check-in deposits and do some payments, they need something that is not only a tool for faster purchases, but to add more valuable services.

In the retail banking division, innovation goes mainly by providing better purchases and faster payments. One good example is bank **Garanti**⁶: one of Turkey's largest bank provides a free mobile app that uses GPS and Foursquare, it gives customers personalized offers based on their location and spending habit. **Bank of America**⁷ is well known for its cash back system from frequently used merchants. Banks are also just as helpful when you need to buy a house or a car: a mobile app made for **Commonwealth Bank of Australia**'s⁸ clients will give you extensive property details when you point your smartphone camera at a particular residence. **BBVA**⁹ has made a mobile app which helps you get more information about cars you want to buy based on TrueCar data. That helps overcome huge information asymmetry, which is very often part of car negotiations.

⁵ <http://www.forbes.com/forbes/welcome/>

⁶ http://www.garanti.com.tr/en/personal_banking/delivery_channels/mobile_sms_banking.page

⁷ <https://www.bankofamerica.com/credit-cards/cash-back-credit-cards.go>

⁸ <https://www.commbank.com.au/personal/home-loans/commbank-property-guide-app.html>

⁹ <http://newsroom.bbvacompass.com/index.php?s=17606&item=67159>

The last example of retail banks' innovative attitude is something very special indeed: **Fidor Bank**¹⁰, founded in Germany in 2009 is a so-called social bank that keeps pace with the most cutting edge companies in the world. It is a 100 % online bank where your interest rate could be set according to the number of likes you receive on your Facebook page. Besides classical banking products, Fidor also provides P2P lending, social trading and due to application of Ripple protocol, extremely fast currency transactions. In 2015 German banks are well known for its community building as well, something important in corporate banking too. Instead of hiring experts, they created an online financial chat groups and use the wisdom of crowds. Fidor Bank also deserves our focus because they brought Bitcoin to mainstream banking.

Table n.1: Selection of the most innovative attitudes in banking industry

| Company name | Example of innovation |
|---------------------------------------|--|
| Garanti | Woman Entrepreneur Support Loans, Mobile app |
| Finansbank | Advisory services |
| TSKB | Consulting services |
| ANZ | Business Hub |
| Wells Fargo | Innovation Grapevine, Digital Innovation Lab |
| BDC | Consulting services |
| Barclays | Local Clinics, Benefit consulting |
| Natixis | Staff motivations tools |
| The Royal Bank of Scotland | Ideas Bank |
| Wells Fargo | Innovation incubator |
| Credit Suisse | Advisory services |
| SEB | Start-up package, Letter of Credit |
| Rabobank | Crowdfunding |
| HSBC | Knowledge centre |
| Commerzbank | Credit information |
| Bank of America | Transaction data analysis, payroll services, cash back |
| Commonwealth Bank of Australia | Mobile app |
| BBVA | Auto services information platform |
| Fidor Bank | Social bank concept |

Source: author, banking websites

¹⁰ <https://www.fidorbank.uk/>

Top corporate banking innovations listed above in chart n. 1 differ in many ways: this section is divided into the four groups; Self-Strengthening Innovations; Customized Consulting; Time Saving Solutions, and Another Cutting Edge Services.

Self -Strengthening Innovations

Recently, innovation is a crucial activity for companies throughout the world. We have solid evidence that companies systematically invest in innovation and people's engagement performance is better than other companies;¹¹ many banks seem to be aware of this as well (Salazar, Barbosa & Rocha, 2014). For example, **Commonwealth Bank**¹² recently spent 4 million dollars while investing in an innovation lab at headquarters in Sydney. In the innovation lab employees get new tablets, real time data and cosy places for brainstorming. In the past several years something similar was also developed in **CHASE Bank, Citi** and **BBVA**¹³. These creative places are playgrounds for generating tons of ideas and building a bunch of prototypes. Moreover, technology enables them to share their ideas to other people and directly present to the company's upper management. Innovation centres are also places where employees collaborate with customers, partners and other experts. This activity is taken very seriously at **Capital One**¹⁴ too. They developed three innovation labs where more than 100 people are working full time in these positions. These attitudes are perfectly consistent with Human-Centred Design where you learn from customers' behaviour and requirements, and where you create a prototype of services and then you try to bring a solution to life. Very often, such activities were designed in cooperation with consultancy companies. For example, **Wells Fargo**¹⁵ was enhancing its companywide innovation capability in cooperation with Accenture Technology Labs.

The notion that treasure is very often hidden right in the firm seems to be known in BNP Paribas as well. In the past 8 years **BNP Paribas**¹⁶ has been granting its internal Innovation Awards in effort to honour employees who have harnessed their creativity and

¹¹ http://ec.europa.eu/enterprise/policies/innovation/files/workplace-innovation/euwin-london-engage-for-success_en.pdf

¹² <https://www.commbank.com.au/blog/introducing-our-new-innovation-lab.html>

¹³ <http://thefinancialbrand.com/52177/7-of-the-coolest-innovation-labs-in-banking/>

¹⁴ <https://www.capitalonelabs.com/#/about>

¹⁵ <http://www.forbes.com/sites/tomgroenfeldt/2014/08/27/wells-fargo-launches-fintech-innovation-lab/>

¹⁶ <http://www.bnpparibas.com/en/news/press-release/bnp-paribas-confers-2014-innovation-awards-10-teams-all-over-world>

inventiveness to come up with innovative and value-creating solutions for customers. Every year ten teams are chosen from thousands of projects all over the world.

Another bank intent to benefit not only from its employees but from a wide variety of communities such as students and customers as well is **Societe Generale**¹⁷. They developed a concept of open innovation that is based on the idea that banks employees, customers and students can generate many useful applications for banks and its customers. These events known as Hackathon lasts for two days and at the end of this event awards are given to the best projects.

Customized Consulting

Today's financial world is far more complicated than it was back in 2000. It seems that companies need more support in navigating through these times and banks are still behind these expectations. Even more so, a whole business world is more complex with companies expanding to the new industries and tackling new challenges.

Dealing with micro clients, many banks developed a complete package of consultancy services. The **ANZ Bank** from New Zealand have developed an ANZ Business Hub¹⁸ where customers are given a wide range of services starting with support in business plan settings and providing planning templates for developing strategies. The bank promises to help run your business in day-to-day operations, and moreover foster your growth to help you with innovation. In the Hub you also get access to vast sources of best practices among former successful entrepreneurs. You get offers to workshops when you can discuss issues such as marketing and finance planning.

Barclays, well-known British giant is a great example of forward-looking and an innovative way of thinking. This British bank was one of the first among banks providing comprehensive consultancy services. In business seminars and clinics¹⁹ you can get invitation to workshops and discuss important issues for yours business: how to handle your cash flow

¹⁷ <http://www.societegenerale.com/en/banking-explained/digital-banking/the-new-ecosystems-of-innovation/open-innovation>

¹⁸ <https://thesbhub.com.au/>

¹⁹ <http://www.barclays.co.uk/Seminars/FreeSeminars/P1242585910003>

or how to be successful in international trade. **Let's Talk** programme²⁰ is another example of consultancy service, which aims to help start a new business. Moreover, Barclays support you with specific industry and regions reports, and with marketing consultancy as well.

The shift from classical banking products to more consultancy services seems to be spread all over the world. **Finansbank**²¹ for example is a relatively new Turkish bank that has launched a comprehensive advisory service focusing on detailed sector analysis. For companies and investors with an investing appetite, the bank provides very detailed sub-sector research and reveals potential strong and weak points. The reason why this innovation has earned a mention is quality of the final products and individualistic solutions for clients.

Time Saving Solutions

At the time of growing competitiveness, banks aim to be even more customer-centric, while launching new products for saving the most valuable asset – time.

Someone would say there is no way to think about fleet management as about innovation services, but a considerable improvement is innovation too. **BNP Paribas** and its Vehicle Management Services²² overcame the era when they were only cars providers. Today they provide contract hire and vehicle maintenance, also fuel management and consultancy services. They are especially progressive in management of technological assets for which they were given an Innovation Award

HR is another area to where banks have recently expanded. **Natixis** offer a motivation and retention package²³. The French bank provides support in setting up an employee share ownership plan and helps to manage the company's staff savings. They also manage retirement savings, providing services vouchers and do a fleet management especially for employees.

²⁰ <http://www.barclays.co.uk/Seminars/BarclaysGetReadyforBusinessseminars/P1242586156553>

²¹ <http://www.finansbank.com.tr/en/banking/corporate-banking/project-business-management/Default.aspx>

²² <http://www.bnpparibas.co.uk/en/corporate-institutional/vehicle-management-services/>

²³ https://entreprises.natixis.com/jcms/abo_5837/en/motivate-and-retain-your-staff

Another Cutting Edge Services

Payroll services are widely spread especially among American and European banks. Two of them mastered these services enough to earn a position in the corporate innovation list.

Wells Fargo²⁴ have provided a full payroll services for a long time. They help simplify the process, provide tax services and give banking discounts as well. Moreover, they expand more in Human Resources services. The company provides an employee time-keeping system, benefits for employees, HR forms and assistance, and they optimize workers compensations premiums. Using the payroll services, they promise to dramatically save your time and reduce expenses.

Also **RBC Royal Bank**²⁵ provides payroll services at almost the same level of service as **Wells Fargo**, but additionally the largest financial institutional in Canada do a complete HR management for its clients. They provide a managed solution such as attendance processes, providing training and development, service anniversaries management, succession planning and many more. According to the company, this complete outsourcing should lead to reducing costs and overall improvement in employee service level.

Rabobank is very creative in matter of sustainability. In Circular Economy Challenge,²⁶ the company helps to create new business opportunities and cutting cost while using fewer raw materials. At the beginning there are five collective workshops in which all the participants have to draw up a business case. In this service Rabobank play a role of a connector between social responsible companies.

4. Innovation Best Practices Among Non-bank Competition

It took only few years for non-banking competitors to start being a huge threat for the traditional banking industry. For banks, there are two types of new competitors. Firstly, there are large digital players such as Google and Microsoft for whom financial services are a complement to their current businesses. The second group are financial and

²⁴ <https://www.wellsfargo.com/biz/payroll/>

²⁵ <http://www.rbcroyalbank.com/business/payroll/>

²⁶ <https://www.rabobank.com/en/about-rabobank/in-society/sustainability/circular-economy-challenge/afrap-circular-economy-challenge.html>

technological Start-ups, whose focus is mainly on particular pieces of the current bank's business. It is not an easy task to answer the question of which group is a bigger threat for the banking industry; when large digital players are able to create bundles to their other business that are difficult to replicate for banks, small FinTech start-ups are potentially able to leave banks out completely.

Table n.2: Selection of the most innovative attitudes threatening banking industry

| Company name | Competition type | Example of innovation |
|------------------------|----------------------|-----------------------------------|
| Wonga | FinTech | Short terms loans |
| QuidCycle | FinTech | Peer to peer lending, consultancy |
| Kickstarter | FinTech | Crowdfunding platform |
| Prosper | FinTech | Peer to peer lending |
| Paypal | FinTech | Payment solutions |
| Zopa | FinTech | Peer to peer lending |
| Google | Large digital player | Google Wallet |
| Motif Investing | FinTech | Investing platform |
| Facebook | Large digital player | Payment solutions |
| Walmart | Retailer | GoBank |
| Amazon | Large digital player | Amazon Finance |
| Microsoft | Large digital player | Payment solutions |
| Alibaba | Large digital player | Alipay |
| CircleUp | FinTech | Equity crowdfunding platform |
| LendUp | FinTech | Peer to peer lending |
| Lending Club | FinTech | Peer to peer lending |

Source: author, banking websites

Sixteen chosen companies in chart n. 2 crucially differ in matter of size and revenue, but they have one thing in common, they are all a threat to traditional banks, as we know. **Wonga** is a British payday loan company, awarded many times as winner of digital innovation²⁷ and alternative lender of the year²⁸. The company is well known for their simplicity. More interesting than Wonga's high interests business is what **QuidCycle**²⁹ do. They reward their clients if payments are made on time and if they agree to take at least two

²⁷ <http://www.theguardian.com/technology/2011/mar/25/mediaguardian-innovation-awards-winners>

²⁸ <http://www.credittoday.co.uk/browse/50/online-news>

²⁹ <https://www.quidcycle.com/>

hours of online financial education. This is a great way for heavily indebted people to clear their debt more quickly, showing that financial education is part of a business as well.

Popularity of Peer to peer (P2P) lending is growing rapidly. Companies such as QuidCycle, **Lending Club**³⁰ and **Zopa**³¹ provide solutions for many customers who do not want to use banks services. Peer to peer lending and Crowdfunding companies are getting clients, especially among small businesses and start-ups. In Lending Club, small companies can get as much as \$300 000, and APR starts at 5.9 % for best borrowers, to 29 %. The target audience for such companies are mostly unbanked or under banked small business. Part of Lend Up's business model is also not requiring a good credit score and providing free financial education.

Crowdfunding rewards are mostly product samples or simply a personal "thank you" on video, Facebook, or on their websites. In P2P lending, investors mostly get a percentage of the financial return. In this case, private investors are taking a risky investment that banks would never take. Banks response to this is to set up their own Crowdfunding platform, or establishing a partnership with a third party companies as Societe Generale did with SPEAR (Société Pour une Épargne Activement Responsable).

Another group of new competitors for traditional banks are large digital players such as Microsoft, Google, Apple or Facebook. In 2014 **Apple** introduced³² its payment solution, Apple Pay, which is digital wallet service and mobile payment for iPhone 5 and later models, including new version of iPads and Apple Watch as well. Innovation replaces the credit and debit card and allows Apple to collect data; valuable information about spending habits of many customers. Apple was not the first who was considering mobile payment solution as a potentially great source of payment information. Recently, another giant, **Microsoft** wants³³ to turn its mobile device into digital wallets. Three years before Apple, **Google** introduced its own mobile payment solution called Google Wallet³⁴. High expectations were set; the Google Wallet was designed as an open platform and doesn't charge users or merchants for access. But today's results are far behind ambitions that Google had.

³⁰ <https://www.lendingclub.com/>

³¹ <http://www.zopa.com/>

³² <http://www.macrumors.com/2014/09/09/apple-announces-applepay-payment-solution/>

³³ <http://bgr.com/2015/04/09/microsoft-payments-vs-apple-pay-vs-android-pay/>

³⁴ <http://www.merchantmaverick.com/ultimate-guide-accepting-mobile-payments/>

Someone could say it's a failure and Apple should not step twice into the same river. In an effort to do payments as easy as sending emails or messages, Google Wallet was integrated with Gmail so you could send money directly to your friends or family. The same payment feature was announced on **Facebook** via its Facebook Messenger³⁵.

All these innovative attitudes seems to be more threatening to PayPal than standard banks because they compete in the same field that standard banks have lost years ago (excluding Chase QuickPay). But Google seems to be threat for commercial banks for another reason. In 2013, Google announced a huge investment in the Lending club³⁶, as discussed earlier. But at the same time Google invested in the CircleUp as well³⁷. **CircleUp**³⁸ is a specific crowdfunding platform that allows small businesses to sell a portion of their business in the form of equity. Both these investments create the impression that Google wants to provide financial services and could be a real threat for commercial banks.

A new entrant on the market is also **Walmart**. American multinational retail corporation in 2014 officially announced partnership with Green Dot and developed a new service called GoBank³⁹. It would be offering basic checking accounts to consumers, when company's commercials say that GoBank was designed for people "who are fed-up with big bank and their big fees⁴⁰".

5. Discussion

When discussing non-banking competitions, one may think that rapidly expanding alternative financing solutions such as Peer to peer lending and crowdfunding may be already a big threat for the banks, but probably not yet. In survey made by Manta,⁴¹ only two percent of small businesses reported using Crowdfunding. Why are small businesses not yet involved in this

³⁵ http://www.nytimes.com/2015/03/18/technology/facebook-announces-a-payments-feature-for-its-messenger-app.html?_r=0

³⁶ <http://techcrunch.com/2013/05/01/readying-for-an-ipo-peer-to-peer-lending-marketplace-lending-club-raises-125m-from-google-and-others-at-1-6b-valuation/>

³⁷ <https://pando.com/2013/05/07/after-crowdfunding-10m-for-a-dozen-consumer-product-companies-circleup-raises-its-own-7-5m-series-a/>

³⁸ <https://circleup.com/press/>

³⁹ <https://m.gobank.com/###/>

⁴⁰ <https://m.gobank.com/welcome#checking-accounts>

⁴¹ <http://www.marketwired.com/press-release/small-business-owners-havent-caught-the-crowdfunding-craze-2003155.htm>

“revolution in financing”? For crowdfunding companies it is very hard to qualify for. CircleUp rejects 98 % of the companies because they don't seem to bring much profit⁴². Applicants that seem reasonable to them should have a good track record and being much further than in the idea stage. Another matter is that for many companies crowdfunding and P2P lending is too risky and they don't believe in technology in general. But probably the biggest reason is that P2P is simply more costly than standard bank loans. In August 2015, when standard SBA 7A loans range is from 5,5⁴³ % to 8 % in LendingClub, APRs is approximately 10 % more. Nevertheless, these FinTech companies benefits from different value proposition. They have significantly lower costs, while relying on the Internet to connect businesses and individuals. Moreover, crowdfunding platforms are not under such a regulation yet.

For corporate banking services, inspiration seems to be in big banks providing consulting services and customised solutions for clients businesses. Banks should learn how to play a bigger role during all the client's company life cycles. Developing hubs and expert seminars seems to be a good move for the beginning. Also, there should be no fear in expanding in markets such as HR managements and fleet management.

On the other hand, not all the services are fairly welcome by customers or not cost effective enough to keep it in the long run. Barclays CREDITFOCUS was a huge inspiration for many other banks but recently Barclays announced that the service was withdrawn from sale⁴⁴. This is a natural process when poor services are disappearing to make a room for better future services.

What really matters is data. If banks want to defend against large players such as Apple or Google, they should move forward in using customers' data. Another important matter is whether banks will adapt to cloud solutions. Cloud banking would be a powerful tool; moreover it would dramatically reduce time in all processes. **Bankinter**, for example, recently started to use Amazon cloud solution and they cut time for getting credit risk information from 23 hours on average to 20 minutes. As frequently mentioned,

⁴² <http://www.cnbc.com/id/100673584>

⁴³ <http://fitsmallbusiness.com/sba-loan-rates/#SBARates>

⁴⁴ <http://www.barclays.co.uk/Businessservices/BarclaysCREDITFOCUS/P1242558558384>

Commonwealth bank of Australia said that moving storage to the cloud cut their costs by half⁴⁵.

We also have a few best practices from banks that generate new innovative ideas from the very depth of the company or within cooperation with clients and customers. Even in the corporate banking industry, new products should be designed after the deep understanding of a client's need.

6. Conclusion

The banking markets are extremely competitive these days; banks compete with each other in matter of fees and interests rates, while both are getting to almost the same level. What makes banks better at performing is strengthening their core business and coming up with new innovative ways and services. According to many experts and best practices mentioned above, it seems that dealing with innovation being outsourced is a better attitude than creating innovation in the core of the bank. On the other hand, what seems to be a very useful tool for getting new ideas is developing internal hubs and having broader interaction with its client, while starting new services. This attitude is perfectly consistent with Human Centred Design methodology.

What really matters are customised consultancy services and quality of advisors. Banking is very much a service business, and service business is always about people. The account managers should be truly members of the client's team and always be able to find new solutions far ahead of the classical banking products. Moreover, they should make life easier for its clients; otherwise, it will be end of the corporate banking industry, as we know today.

In this paper I found that innovation truly matters while all the biggest and most profitable banks in the world have innovation its top priority. Contrary to this, there is not any clear evidence that innovation would be good for banks profitability. Fast data and flexibility will be very much the driving force in the next decade. Be ready for this challenge, banks should head to the cloud for solutions. It enables them to improve flexibility and increase efficiency.

⁴⁵ <http://www.forbes.com/sites/tomgroenfeldt/2014/06/26/some-banks-are-heading-to-the-cloud-more-are-planning-to/>

A potential extension of this work would be investigating the effect of innovation for banks profitability and market power.

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