Innovation monitoring
A tool for the digitally savvy financial services industry
Global financial players are beginning to embrace the paradigm shift in digital banking, and have also realized that the traditional financial services sphere is being revolutionized. In order to stay ahead of the “digital disruptors,” banks have realigned their innovation monitoring strategies.

Tech giants like Google and Amazon are proving to be revolutionary challengers. These firms are looking to raise customer expectations by providing a new digital experience. Specifically, they are still running in their current ecosystem, but with improved interoperability and point-of-sale simplicity.

**Do you know the latest digital trends in the financial services industry?**
Electronification, automation, biometrification—these are just a few of the topics that have compelled the financial services sphere to be digitally redefined by capabilities that push a digital driven approach. As banks and financial institutions realign their strategic vision for the future of the financial services industry, most have turned to investing and revamping their technological capabilities. In particular, financial services firms have an impetus to invest in Big Data analytics. The benefit of analytics for this industry lies in understanding clients better in order to deliver tailored and custom products.

**How are new entrants trying to get ahead?**
New entrants to the financial services industry are popping up to bring about a notion that challengers can defy the odds and take down the traditional behemoths of the industry. These rivalries are not just emerging in the FinTech space by startups which hone in on one particular area of the financial services value chain, but also by big players looking to redefine the entire model.

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The digital age
Financial services innovation, in part brought about by electronification, has reached a new tipping point in its development. In many ways banks, insurers, and firms alike are looking for new ways to improve the delivery of services to clients, implement state-of-the-art technologies, and automate various capabilities. These revolutionary technologies that have aided the mobile and digital revolution are elevating clients' expectations like never before. In order to stay abreast of this new wave of change, firms are rethinking their approach to manage innovation. Most firms are adapting to the innovation movements in their own way.

To effectively manage these “digital disruptors,” a clearly defined and strategically-oriented vision toward a digitalized service model is required. To achieve this, firms need to expand their scope toward the way in which they monitor the innovation ecosystem.

Figure 1. How are banks reacting to FinTechs?

Figure 2. The innovation landscape

Cashless optimization
- Cryptocurrencies
- Blockchain
- Unified payment interface
- Cloud computing
- E-commerce
- Real-time analytics
- Crowdfunding

Platform innovations
- AI & Machine learning
- Robo-advisers and HFT Systems
- Big Data analytics
- Wearable technology

Source: Medium
The value in digital innovation monitoring
The innovation landscape is undeniably changing. This in turn has resulted in a highly competitive market, where a means of differentiation is of paramount importance. Interestingly, the shifting digital landscape has created a paradoxical dilemma for banks and financial institutions. On one hand, they are being driven toward digital innovation in a complex manner by providing revolutionary technology to clients. On the other hand, simplicity has become the order of the day, due to customers preferring fast and easy transactions.

Going digital is one way to embrace the paradigm shift in the financial services industry, ensuring higher efficiency in various processes and an improved connectivity and customer experience. For banks in particular, transforming and innovating can also prove to be a rebuffing strategy due to the increased competition of Neo-Banks. For CEOs of banks, the good news is that innovative digital strategies can be applied to the full spectrum of their operations. Despite this, most banks are only in the preliminary stages of adopting a culture of digitally native strategies. The reason boils down to the fact that with the sheer amount of technological innovations in the market, it is often difficult to develop a concise and strategized approach.

Digitalization has been pushed to a revolutionary speed due to “digital disruptors.” Firms like Google, Apple, and Alibaba are all looking at ways to revamp traditional financial models by positioning themselves with the new payment methods that are transforming the market. Commercial players will also need to consider the evolving needs of the millennials. This generation of people born between the 1980s and 2000 are likely to vastly change the way firms serve their clients. In particular, the trend is shifting toward digitalized wealth management, whereby robo-advisers, biometric security, and gamification are all vital to appeal to the millennials.

To capitalize on the latest developments in the market, financial firms will need to understand the innovation ecosystem much deeper than before. This understanding and awareness will need to go beyond the realization that innovation is required to stay competitive in the market.

Payment developments
- Third party API
- P2P Lending
- NFC

Evolving customer preferences
- Augmented & Virtual reality
- Video banking
- Financial education
- Biometric identification
- Virtual identification
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### The innovation monitoring sphere

1. Market overview and monitoring

A comprehensive analysis of the firm’s operating ecosystem is fundamental to the innovation monitoring process. This includes determining the firm’s strategic innovation goals specific to their operations, business lines, and regional presence.

Across the value chain, trends in technology that affect financial services and consumer behavior are analytically processed, so that all the latest and revolutionary innovations are assessed. If the institution has a global footprint, the innovation monitor covers the full scope both locally and globally to meet the firm’s global objectives. A close analysis of the disruptive innovations in the market will be evaluated so that their value chain disaggregation can align the optimum benefits of scale and scope to the firm.

### 2. Information advisory structure

With the high volume of innovation in the market, an effective monitor will be able to filter through the vast amounts of developments to provide a customized approach that will address the most pressing innovations in the industry. To confront this digital dilemma, the scope of the innovation monitor will look at how digitalization and FinTech developments are evolving.

Banking, for one, has long been an integrated business with traditional one-stop banking models dominating the market. Now we have begun to see a disintegration of the value chain, whereby innovators are doing business not by recreating the universal banking model, but by developing niche services. To cultivate a robust digitalized strategy, firms will need to monitor and align their key capabilities for their forward-looking strategy to the innovative movements in the market.

As a result, the innovation monitor will address the opportunities from these technologies, which will require planning, investment, and a coordinated approach to developing the digital growth trajectory of the firm.

### 3. Impact assessment

To fully leverage the developments in the innovation monitor, it is necessary to analyze the impacts that valuable innovations could have on the firm. This phase is invaluable in addressing the firm’s capabilities and how these changes in the industry will affect the company. The added value here lies in addressing each sector in the financial services value chain and looking for a way to translate new technologies to help the firm differentiate themselves from competitors by providing high quality and high value-added digital functionalities for customers.

The impact assessment is the pivotal advisory service in the innovation monitor that will help to successfully drive useful change for the firm. Such a scenario analysis will highlight the unforeseen opportunities that create a strategic differentiator for the business.

### 4. Delivering value

Once the impact assessment has been conducted, the firm can begin to cherry-pick the most valuable innovations to tactically integrate into their service offerings or backend support.

The external innovation marketplace can often appear convoluted. Having a strategic approach to the available opportunities will help firms realize which innovations are of strategic value.

**Firms need to capitalize on seeing the end-to-end spectrum of the digital innovation market.**

Understanding the innovation market is all about fully harnessing the potential of digital movements to revolutionize traditional business models. For financial firms, it is less of a question about whether to innovate, but rather which innovation could empower the firm with the right cutting-edge tools and capabilities to stay competitive.

Finding the added value in a digital market being flooded by vectors of change is challenging for any financial firm. Therefore, the company must expand its capacity to monitor the innovative technologies. To manage the level of information available and the different business models offered, a strategic innovation monitor could be the key to navigating around the new innovation ecosystem.
Conclusion

• The rapid evolution of the digital financial services sphere has put great pressure on firms that have tried to monitor the developments.

• In most cases, firms have not yet deployed a clear and concise strategy toward how they watch, learn, and invest from innovative players in the market.

• The use of a keyword and long-term strategized innovation monitoring tool will offer a unique opportunity for global financial service players to stay ahead of the market.

• The innovation monitoring tool is an invaluable asset toward a proactive and holistic approach in analyzing the modernizing market.