

Innovate or die

Financial service providers now appreciate creating a brand is important, says **Margo Swadley**, but for innovation to follow, tough questions must be asked

With perhaps the exceptions of Egg, First Direct and Abbey, innovation has not flourished in financial services. This does not mean product innovation (of which there are lots of good examples), but real innovation, the type that is inspired by customer needs – think Google, the iPod or Green and Black's chocolate.

However, it is possible to detect a slight step-change in the industry towards innovation. This move is borne out of the realisation that consumers have changed and financial services organisations need to get in line with them.

Firstly, consumers are more switched on and savvy about the products they are offered. Secondly, it has been made easier for them to switch providers. Thirdly, there is more competitive pressure. Finally, in a related fashion, there is the notion of brand marketing.

Financial service providers have taken on board the idea, long held in fast moving consumer goods (FMCG), that creating a brand is important. And bound up with this are discussions about consumer insight and innovation; you cannot have one without the others at any stage of a brand's life.

MARKET TRENDS

The question, then, is how, when and in what ways companies should innovate. Perhaps the first area to look at is trends driving market forces.

There are arguably three core trends identified by Added Value likely to

impact on financial services, which may be termed New Trust, Fluidity and Multi-Faceted Individuals.

New Trust is all about financial services organisations meeting consumers' desires for transparency and providing adult-to-adult relationships based on truth not hype. Ethical considerations are likely to be paramount for consumers.

Fluidity implies exactly what the word means, namely less structures and boundaries in respect to the way that people live. The net result for financial services brands is their need to adapt to peoples' changing life stages and the blurring of their boundaries between work, life and play.

Tapping into this trend will require banks, in particular, to break their staid and traditional norms to provide flexible solutions that fulfil consumers' needs.

Multi-Faceted Individuals reflects a trend towards a multi-faceted society means consumers are looking at ways to balance the many roles they have in everyday life and the many, and perhaps, different jobs they will have.

TIME FOR A RETHINK

Financial service providers will need to rethink the assumptions they make based upon their customers' data (for example, if she earns this income at this age then she might like this...) and start to identify their customers and tailor offers to them more effectively.

For financial service organisations this raises two key issues: the need to establish who the customers are and their motivations; and to create and follow an innovation process that leads to clear outputs.

The process may not be linear – it may force a jump-change midway through a typical innovation journey with a great idea. With an innovation process it is possible to follow it through to establish the answer. Skipping



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ahead may seem like a great time and money saving exercise, but it will lose brilliant ideas, coherence and clarity along the way.

NO MORE EXCUSES

Innovation is a challenge in any market. But for too long financial service organisations have hidden behind excuses not to innovate, such as legislation or shareholder pressure. Food and pharmaceuticals are no less regulated and it does not prevent them innovating.

Every major organisation has shareholder demand to satisfy. Just because competitors do not appear to be systematically innovating does not mean they are not. Accept the idea that brand is becoming a growing concern in the financial service arena and history suggests innovation is not far behind.

Tough questions should be asked of the organisation. Does it have the right people with the right skills and experience to help it innovate? Does it know enough about its customers to identify areas that are ripe for innovation? Does it have the right company culture to support innovation?

Those that are fortunate may tick one or two boxes. But doing nothing is not an option. Innovate or die.

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