

# A STUDY ON SERVICE INNOVATIONS WITH RESPECT TO BANKING INDUSTRY

Dr. Shobha.N.S. M.COM, M.PHIL, PGDFM, MBA, FCMA, PH.D  
Assistant Professor  
Govt. R.C. College of Commerce & Management  
Race Course Road  
Bangalore-560 001

Shubha.N.S. M.COM, MBA  
Assistant Professor  
C.B.BHANDARI JAIN COLLEGE FOR WOMEN, Bangalore.

## ABSTRACT

The term “INNOVATION” means to make something new. Banks now no longer restricted to traditional banking activities but explored newer avenues to increase business and capture new market. What separates financial institutions that cultivate killer ideas from others who ruthlessly crush the creative spirit out of their employees? Why do most banking providers struggle with innovation while others, like Idea Bank in Poland, are putting ATMs in cars? Or Barclays, who has Pay@Pump, a contactless payment system that allows thirsty customers to get a pint of beer without waiting in line at the pub. If your bank or credit union struggles with innovation, you can turn that around. But only if you address some key issues first. Hence an attempt has been made in this paper to study the meaning of service innovation and various service innovations in the banking industry.

**KEY WORDS:** Innovation, Service innovation, Quality, Service, Customer Satisfaction.

## 1. STATEMENT OF THE PROBLEM:

The banking industry is facing continuous changes nowadays. At a time when financial industry analysts are seriously debating if Amazon will get into banking, the banking market is in a state of flux when it comes to technology.

The bank industry hasn't got stuck when it comes to new technologies but, every day the evolution is quicker and heavier, what evolves into a continuous out of date technologies. Mobile banking is nothing new, but it is now a “table stakes” experience, especially for younger bank customers, meaning it is a must-have for all banks. According to industry experts and analysts, if a bank does not have a solid mobile app, they are an also-ran.

Chris George, senior vice president of client strategy at NYMBUS, a core banking modernization company, states that “The big decision-makers are really leaning on the idea of, ‘Mobile technology is taking over and there is a digital-first movement that is taking hold in the marketplace’”.

Hence an attempt has been made in this paper to study the meaning of service innovation and various service innovations in the banking industry.

## 2. PURPOSE OF THE STUDY:

To study the meaning of service innovation and various service innovations in the banking industry.

## 3. OBJECTIVES OF THE STUDY:

The present paper is designed for following objectives:

1. To study the present scenario of banking Sector.
2. To study various innovations that will contribute to the development of banking product & services

## 4. SCOPE OF THE STUDY:

The area of study is limited to banking sector only.

## 5. METHODOLOGY:

Data has been collected through secondary source only

**Secondary Data:** Data has been gathered by visiting websites regarding banking sector

## 6. LIMITATIONS OF THE STUDY:

Reliance on Secondary data is the major limitation of this study.

## 7. REVIEW OF LITERATURE:

Rita Komaladewi, Marthin Nanere, Yuyus Suryana and Popy Rufaidah, in Service Innovation in Banking Industry; A literature Survey, have studied that Service Innovation in services industry based on the extensive literature review in which debates on several weaknesses and benefits of Service Innovation among the experts are prevalent.

A Study on Innovation in Banking and its Impact on Customer Satisfaction by Dr. Jitendra K. Sharma It was found that private sector banks were having an edge in terms of success in innovation.

Open Service Innovation in the Global Banking Industry: Inside-Out Versus Outside- In strategies, by Peter, Jose and John has observed that two banks' deployment of open innovation processes produced strong results including greater top-line growth and bottom-line efficiency gains, albeit by two distinctly different strategies, offsetting the many headwinds that crippled their peers during the past five years

## 8. INTRODUCTION

Innovations in Banking. The term “INNOVATION” means to make something new. Banks now no longer restricted to traditional banking activities but **explored** newer avenues to increase business and capture new market. Internet banking is also known as online banking, **Virtual** Banking and web banking.

Innovations in ten categories are recognized, including two overarching awards for Global Innovator of the Year. The categories are:

- physical interactions
- Phygital Distribution
- Digital Marketing
- Big Data, Analytics and AI
- Customer Experience & Engagement
- New Business Ecosystem
- Workforce Empowerment & Behavior
- Wallets & Payments

## 9. SERVICE INNOVATION IN BANKING INDUSTRY

Physical interactions

The benefit of this type of application is the ability to distribute expertise digitally, saving time for both the bank and the farmer. Instead of physical interactions, the mobile app leverages digital interaction on demand, personalized for each unique farm's needs.

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## Phygital Distribution

It is a co-working space that allows train passengers, often traveling on business trips, to make better use of their time while in transit, while also benefitting from Idea Bank services.

Idea Hub Express train cars, adopted for office work, feature tables, comfortable chairs and a screen for presentations. Travelers can also use the available office equipment (printers and scanners), phone chargers, Wifi connections, as well as coffee makers, and read a selection of newspapers delivered every day. Cars are open to all passengers holding a valid ticket, but Idea Bank customers have priority in taking the available seats.

Idea Hub Express is aligned with Idea Bank's corporate strategy of supporting SME owners in their daily chores, and it is a continuation of banking co-working project – Idea Hub. Idea Bank started its Idea Hub project in early 2015, with almost 30,000 visitors having stepped into these unique business banking centers.

The primary impact of this innovation has been on the overall Idea Bank brand, resulting in significant increases in visitors to the physical Idea Hubs. It has also served to position Idea Bank as the best banking solution for small businesses and entrepreneurs who need help starting their businesses.

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## Digital Marketing

DBS Sparks leverages digital content marketing instead of traditional advertisements to build trust and goodwill in the marketplace. The goal is to stand out from the competition in a highly commoditized industry and to challenge consumer's perception of the value of DBS Bank.

By using real customer stories and DBS employees, there was authenticity that was not possible in a traditional ad. In addition, the longer format (YouTube platform) also helped convey the stories with more depth versus a 30 or 60 second television spot while still keeping audiences entertained.

The Sparks Episodes 1-7 and their trailers have amassed over 100 million views and over 11 million digital engagements across DBS markets (Singapore, Hong Kong, Taiwan, Indonesia and China). In breaking views and engagements down per country, the bank realized that using the mini-series as a vehicle to introduce DBS worked well in the bank's developing markets (Indonesia, China, Taiwan), as evidenced by number of views and engagements in those countries. This may be an excellent vehicle for other banks with operations in higher unbanked and underbanked markets, where trust in banking is suspect.

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## Big Data, Analytics and AI

an artificial-intelligence-based tool that helps users change their financial habits for the better, saving them money, time and effort. Instead of looking at the past, the goal was to look forward and provide recommendations around what is expected to occur in the future.

Tips was created to leverage digital assistants such as Siri as well as financial services like Mint, providing the advantages of each: proactivity, analysis of financial behavior, machine learning, provision of recommendations for everyday tasks, etc. In comparison with similar services of financial recommendations, Tips in Sberbank Online also has features like collection of feedback, links that allow taking advantage of advice, and other tools.

The digital assistant accumulates feedback from clients and uses it for self-training. If a client says several times that he/she is not interested in the advice on a specific topic, the system decides if it is bad advice, or if the client is not interested in such advice. On the basis of this feedback, the digital assistant will continuously improve its advice targeting skills with respect to the broader audience. The objective is to make the digital assistant, at a certain abstract level, generate and provide clients with advice, without interference from content managers.

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## Customer Experience and Engagement

“My car”, which uses blockchain technology to create a seamless experience in car loans, from the instant the customer signs the order to the moment they drive their car off the dealer’s lot. This includes the car loan, insurance, the acquisition of a license plate and even breakdown assistance.

The My Car program makes the actual payment of a car hassle-free while reducing fraud. Blockchain technology is used to ensure a shared source of truth and central place of workflow. Every participant in the ecosystem profits from a faster and more secure flow: the customer, the car dealer, the distributor, the government, the insurer, and the bank.

The initial assumptions about the poor customer experience around buying a car, fraud and rationale for the project were confirmed:

- One car dealer mentioned that up to 50% of his customers can’t pay their car on their first appointment.
- A very low interest rate is often approved when a loan is for a (new) car. The order serves as proof that there actually is a car to sell when the payback of the loan stalls.
- All involved parties are waiting for the customer to move the process forward. By centralizing and automating the process, all parties to the transaction benefit.

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## New Business Ecosystem

**This system** integrates government, bank and accounting services to create an easy and intuitive new business customer (entrepreneur) user experience – reducing the new business establishment process from at least 10 days to less than 10 minutes.

Starting new business includes dramatic life changes and business issues that inexperienced entrepreneurs must solve, including challenges with both bank and legal forms that must be completed. In most cases, the process included at least 5 visits to financial institution, multiple forms and ~200 fields to be completed. The goal was to reduce the paperwork from dozens of forms to requiring only 6 fields to be filled in.

By using a state digital signature, opening a business bank account, signing up for accounting services and officially registering a new company could be streamlined for up to 90% of companies opening a new business. What was most important, mBank's mPower Business Starter brought together two separate e-government services into a single client journey, eliminating the need for separate portals and logins. This implementation was developed in co-operation with Polish government.

Further developments planned for 2018 include:

- Robo-advisory calibration and further enhancements based on production data
- Collaborative browsing with accounting advisors
- Mobile application version

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## Workforce Empowerment and Behavior

Increases employee engagement and entices them to learn anytime, anywhere through a Netflix-inspired digital learning process

To improve the training and learning processes, combining customization and personalization with digital accessibility, ISP identified as essential to design a new learning service that was flexible, user friendly, easily accessible and more and more customized to individual needs. The bank followed a J3 approach: Just in time, Just for me and Just enough.

To increase employees' engagement and improve the way training was developed, delivered and communicated, a digital portal was used. This was considered essential in reaching over 100,000 employees many of which were assigned to the more than 5,000 ISP branches. Learning is now available on smartphone and laptops, with employees able to access the tools with a non-mandatory approach and select digital contents based on digital self-planning and assessment of needs.

It is also the first time learning content is specifically created inside the Bank, with the set-up of the Learning Factory and Learning Media Lab – today run by 70+ digital learning specialists.

To deliver excellent content the bank created an ecosystem of institutions in partnership with ISP (top-ranked Universities, international Research Centers and top influencers), all collaborating to develop innovative content and knowledge to be used internally.

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### Wallets and Payments

It transforms a shopper's smartphone into a 'pocket checkout' so the retail customer can scan the items they want to buy as they pick them off the store shelves, initiating a mobile payment and leaving the business without needing to go through a long check-out line.

One of the pain points of purchasing that consumers constantly cite is the need to queue to make a payment for something; they increasingly want speed and convenience when shopping. Centered around a proprietary "Grab+Go" app, it allows shoppers to simply scan the items they want to buy as they select them, click checkout when they're done and walk out the store without visiting a cashier. Payment is taken seamlessly and invisibly in the background using pre-loaded card details.

Making 'invisible payments' is becoming increasingly commonplace in many of the mobile apps we buy goods and services through these days, including Uber, Deliveroo, Amazon's 1-Click ordering service, etc. Instead of entering payment details every time, they are instead stored in an app or online interface, with the authorization for the merchant to process payments incorporated into the purchase journey, seamlessly and invisibly.

Grab+Go is the first use of this way of purchasing in the physical retail environment – combining it with the ability for the user to scan and 'checkout' their own shopping, it brings another brand new way of paying (and) shopping. This may be the key to moving usage from plastic to the mobile device since unique value is provided

## 8. CONCLUSION

The past ten years have brought unprecedented innovation to the banking sector – from new customer channels and propositions through to new back office technologies and automation.

But, according to bank CEOs from around the world, the pace of technological disruption has only just begun to pick up true momentum. In a recent survey by KPMG International, almost half of the bank CEOs who responded said they expect major disruption in the sector over the next three years as a result of technological innovation.

The good news is that most bank CEOs seem to have the right attitude towards innovation.

Perhaps not surprisingly, therefore, bank CEOs also say they have big plans to support and encourage innovation over the coming years. Around seven-in-ten of the 120 bank CEOs we surveyed say they plan to increase investment into their digital infrastructure, emerging technologies and product and service innovations.

## 9. SUGGESTIONS:

- a) There is a need to improve the quality of service delivery in such areas as accuracy in customer accounts management and excellent and cordial banker customer relationship by public sector banks.
- b) The banks need to recast their strategies model for the different dimensions of service quality so that they can be able to choose the right dimension and instrument to offer competitive service for the sake of holding sustainable growth and profitability for the organization.
- c) The need for retail banking services provided by banks is to improve their speed and efficiency of service delivery in a secure environment.

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