



Opening an Account for Innovation in Banking Industry

Shwetha Ramakrishna

Banks today are facing rapid and irreversible changes across technology, customer behavior and regulation. The net effect is that the industry's current shape and operating models are no longer sustainable into the future. The combined power of these drivers of industry change – technology, customers and regulation – is increased by the fact that they are often closely interwoven.

Technological change creates new categories of customer utility, which in turn fuel further technological investment. Similarly, regulatory changes prompt both service and structural innovations, which together change the nature of the activities or entities that need regulating. And all the while, shifting attitudes and expectations are redefining the reality and perceptions of the industry's role and purpose in society.

Innovation offers a path to grow beyond the constraints of the business landscape. That's what innovation is supposed to do: overturn old market forces, infrastructure, business models and consumer tastes and replace them with a new playing field.

In many other sectors, there is a growing trend towards a more open style of learning, with the concept of 'innovation discovery' becoming commonplace – where those companies starting their innovation journey target specific leaders from which to learn and use various mechanisms to stimulate innovation within their own organization. Some of the banks are also doing this, particularly focusing on the general retail sectors. The most enlightened retail banks recognize that other industry sectors have a great deal to teach them about how to implement a structured innovation management and delivery process. Effective innovation processes systematically identify, develop and progress ideas from both inside and outside the organization.

Bank Innovation through Collaboration

Innovation has to be expanded beyond a single product group or business line, and even more importantly, innovation has to be more than brainstorming new ideas inside the bank. Today an increasing number of bankers have "innovation" somewhere in their job description, and they get to spend time at cool events put on by the likes of Finovate, Innotribe, Bank Innovation, and NextBank, trying to find the next big idea.

Processes are Driving Banking Innovation

Generally, innovation is perceived as a breakthrough product or technology; in banking however, it takes on an additional dimension – that of the process. The processes surrounding a new product or technology are as important as their features and could add significant value by way of cost saving, improved productivity and so on. In fact, most recent banking innovations have focused on improving the processes associated with the delivery of products and services, management of customer interactions and administration of back office functions. At the same time, product innovation has been limited to a small range of fundamental offerings. However, because banking products and processes are so intertwined, the lines between the two are often blurred.

Innovation of Internet-related processes has improved online banking adoption. Several banks around the world have caught on to this phenomenon and carved Web 2.0 spaces where they interact with customers, provide information, resolve problems, brainstorm and generally improve the banking experience.

Automated and integrated back-office systems have enabled banks to outsource or offshore routine administrative and customer service functions. Payment processes have been revolutionized by the introduction of chip-and-pin and contactless payment systems rendered cash redundant. Hong Kong's "Octopus" smart card, which is not only used for public transport, but also in restaurants and retail outlets.

Innovation Needs Organizational Support to Succeed

The banking industry is facing multiple pressures. On one hand, banks have to adapt to greater regulation, competition and consolidation, which are largely out of their control; on the other, they have to meet increasingly diverse and demanding customer expectations. Most realize that innovation is indispensable to their future growth and sustainability. Those with serious innovation intent must give it the best chance of success by laying the groundwork in the following manner:

Prioritize innovative actions that raise enterprise effectiveness by improving business processes move with agility, before the value of innovation and the bank's competitive advantage diminish. Ensure adequate modern technical infrastructure, which would not only use fewer financial and energy resources, deliver better performance and provide greater capacity but also help to incubate innovation

Intellectual Property and Patents in Banking:

*“Necessity is the
mother of all
inventions,
But, patent right
is the father”*

– Josh Billings

A patent is a set of exclusive rights granted by a sovereign state to an inventor or assignee for a limited period of time in exchange for detailed public disclosure of an invention. An invention is a solution to a specific technological problem and is a product or a process. Patents are a form of intellectual property.

The procedure for granting patents, requirements placed on the patentee, and the extent of the exclusive rights vary widely between countries according to national laws and international agreements. Typically, however, a granted patent application must include one or more claims that define the invention. A patent may include many claims, each of which defines a specific property right. These claims must meet relevant patentability requirements, such as novelty, usefulness, and non-obviousness. The exclusive right granted to a patentee in most countries is the right to prevent others, or at least to try to prevent others, from commercially making, using, selling, importing, or distributing a patented invention without prior permission.

Few patents from US Patent in banking which have made a notable change in banking industry are listed below:

US Patent No.	Filing Date	Title
US7761354 B2	13 Jun 2006	Banking Software Design Generator
US8205793 B2	31 Mar 2008	Banking Transaction Processing System
US8725577 B2	29 Aug 2013	Personalized Mobile Banking Transactions
US7822656 B2	9 Feb 2001	International Banking System And Method
US8191771 B2	11 Jul 2011	Banking System Controlled By Data Bearing Records
US8571188 B2	15 Dec 2006	Method And Device For Secure Phone Banking
US6760414 B1	10 Dec 1997	Personal Computer Banking System And Method
US6811078 B2	10 Jan 2003	Point-Of-Transaction Machine With Improved Versatility And Related Method

Source: Report by Srinidhi K – Innovation in Banking

Top tech companies, such as Google and Microsoft, among the top 10 patent filers. The following table shows the top 15 patent holding entities in the banking sector.

Rank	Organisation	Patent / Patent Application Related to Banking
1	IBM	2223
2	eBay	1217
3	Microsoft	1120
4	Bank of America Corporation	1096
5	Google	980
6	SAP	839
7	Visa	805
8	Yahoo	731
9	Trading Technology International	609
10	Amazon	564
11	JP Morgan Chase	453
12	Hewlett Packard	415
13	Oracle International Corporation	414
14	Accenture Global Services	399
15	Intellectual Ventures (III Holding 1 LLC)	377

Source: Article by Mr. Pedram Sameni, CEO, Patexia

The changing scenario is that several banks in the west have realized the importance of innovation and Intellectual property. So, the patents filed by banks is increasing year on year. Two banks (Bank of America and JP Morgan and Chase) figured in the top 300 companies which have filed for patents in 2013. In India most of the banks relies on banking software service providers for technology support, their focus to drive and build intellectual property needs a boost from their management to open account for innovation in a big way.

Banks around the world are in the midst of a transformation. More of them are reducing operating cost by downsizing, consolidating and integrating technology into their branches. The banks driving technologies and intrinsically keen to stay ahead through innovation in a customer centric world is trying to redefining how banking services fit into the 21st-century technology revolution.

Secondly, banks are keen to help their existing clients to grow at much faster pace, eventually banks grow only if their client's business grow and new entrepreneurs with new business models drive bank's growth. These banks are not only promoting game changing events and encouraging to expand business through innovation.

Innovation is driving technology companies to explore banking as an opportunity. The next competition for traditional banking firms are from non-traditional players who are open to innovation and has an appetite to quickly win in a new market

The Future of Banks



Innomantra Consulting Private Limited

Bangalore - Head Office

Level 9, Raheja Towers, M.G. Road,
Bangalore - 560 001, India

m : +91 98452 72555

d: +91 80 4125 3444

www.innomantra.com

Mysore - Registered Office

16/1, 'Faraday Labs', 2nd Main, 2nd Stage
Gokulam, Mysore- 570 002, India

m: +91 9342119667

d: +91 821 241 4556