

# Agile Innovation in the Finance Sector.

Thought Leadership

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## The challenge

Change driven by new technologies is a common phenomenon in economic history. The central trend that continues to shape the 21st century is digitalization.

The speed at which things change is increasing rapidly. Especially for established companies that were previously active solely in the offline world this is a challenge. 61 percent of companies are not technologically up to date.

It is especially paradoxical when considering the following aspect: one of the essential factors for an organization's success is the rapid adoption of new technologies. This is particularly pronounced in the finance and insurance industry. The possibilities of mobile technology, big data, or digital services are already all around us and crucial to the future of companies.

Still, banks and insurance companies are often infamously lacking behind and stuck to outdated processes and habits.

How can the gap between the current situation and the possibilities of the future be closed?

How do banks and insurance companies manage to get on board?


## Crypto Currency and Blockchain

### Competing with the Internet

Innovations like Blockchain have a fundamental, disruptive effect on the whole financial industry. Digital currencies, booking systems, or smart contracts have the potential to make some traditional financial services obsolete. In addition, especially in the financial sector, new players such as FinTechs and new business models can compete with established, large corporations. Due to their small size and their skillsets, these new actors are faster and better adapted to the changes in the digital world.

### Digital customers with different expectations

The transformation in the course of digitization has a fundamental impact on services: the expectations of customers are changing. Receiving an order the next day? Deciding which films to watch on TV? Talking to customer service via chat? All this is normal for the




customers now – and they expect the same flexibility from their bank or insurance. Therefore, it is not surprising that the user behavior no longer fits with the structures of established corporations.

### **With speed and flexibility into the future**

The challenge for many companies is to react to these changing expectations. It is especially problematic for the finance and insurance industry because it is subject to numerous regulations. It is essential for organizations to create flexible processes to respond to new demands. Product development should also be accelerated so that new products can change along with customer needs and not fall behind. To do this, companies must put a clear focus on the end customer throughout the entire product development process. The difficulty, however, lies here: How can this be implemented in large corporations and how can customer centricity become scalable?

## **The future of finance**

The future of the finance and insurance industry lies in continuous adoption to the needs and usage behavior of customers. There are different methods and possibilities to create proximity to the customer. So far, customer surveys have mostly been used in the sense of traditional market research. However, customer centricity in times of digitization does not mean evaluating questionnaires but rather entering into a real dialog.



## **The foundations for this are the four principles of Agile Innovation – for a fast, flexible and open innovation process:**

### **Openness over Secrecy**

Openness means a sustainable dialogue in a large network of different people. This includes end users, external specialists, employees of other departments or the general public as well as employees in innovation management. In this way, awareness and transparency can contribute to a better and faster implementation of innovations.

### **Prototypes over Finality**

Sometimes improvements are required to meet the needs of users better. Iterative loops, in which consumers can test and evaluate unfinished versions, i.e. prototypes, influence innovation processes positively.

### **Collaboration over Transaction**

Collaboration promotes innovation. It's not just about feedback from customers, but also about collaborative exchanges between companies and customers – and even across the ecosystem. The focus is on working together to solve a problem to achieve a better result that benefits everyone involved.

### **Adaptability over Resistance**


Change cannot be avoided in a world that is always changing. However, an agile approach is about not just reacting to change but acting actively. With flexible innovation processes and a corporate culture that promotes adaptability, companies can defy new challenges.

## From principle to practice

From the four principles, various approaches and methods can be derived to drive innovation in the financial sector. Industry leaders such as Deutsche Bank, Allianz or Postbank have taken the path in the right direction and are using collaborative methods to generate ideas. Fast and direct feedback is a fundamental aspect of innovation management and product development. In this way, the needs of existing or potential customers can be included in the development process. One way is to get immediate feedback from an anonymous crowd. Deutsche Bank used this method in its “TexxFactor Hackathon”. Participants were invited to ask the crowd over the internet about their needs and get feedback on the proposed product ideas. According to the feedback received, the participants could develop digital solutions for the financial sector, which correspond to actual customer needs and usage patterns. By prioritizing ideas early, resources can be allocated towards pursuing the truly relevant concepts. Compared to lengthy market research studies, feedback can be obtained within minutes. This speed also allows ideas to be evaluated in iterative loops.

Supercharged Feedback is a method of getting consumer feedback and insights – within minutes – directly via the innosabi platform. The software makes it possible to reach over 2 million people through various interfaces into existing online communities all around the world.

Allianz provides another example of collaboration with customers. The insurance company uses the community on its German platform Allianz Zukunftsgestalter, to actively involve customers in the improvement of processes and products. The Crowd Innovation method is particularly suitable when pursuing a more open and collaborative innovation and improvement process. Allianz customers give their feedback on new service concepts, products, and communication channels. They can even submit ideas for future services proactively. So, Allianz policyholders can contribute to the future products and services to better match their individual needs and expectations. This way, the insurer enables its customers to establish a positive interaction with them and becomes more than just a contact person for claims or complaints.



Another suitable method for agile innovation management is collaborative, virtual Prototype Testing. Following the principle of “Prototypes over Finality”, Postbank is testing new products in the form of click-dummies and wireframes with its customers. The bank can find out if the intended functions correspond to the needs and the usage behavior of its customers early on. This is especially important in the creation of digital products and services for the bank of the future. For this purpose, Postbank uses a model with several phases, very similar to the design thinking method. But instead of offline workshops with a handful of select customers, they do it digitally with a large number of participants. Members of the German customer community Postbank Ideenlabor can submit suggestions on how they imagine digital products or services. In the next step, the best ideas are selected from the submissions, and their usability is tested with virtual prototypes. Above all, the focus is on shaping innovations in a collaborative discussion at eye level with the customer. In this way, Postbank ensures that new products such as banking platforms and apps or services meet the needs of users – even before they are rolled out.

### **Crowd Innovation and Prototype Testing:**


The basic principle of Crowd Innovation is real collaboration as a community. Here, the idea of the collaborative creation of innovation is paramount. Innovation managers can also perform Prototype Testing for collaborative feedback discussions, including the generation of potential improvements and new ideas, or quantitative surveys about the prototypes.

## **A real customer focus is the key to success**

In our work, we have learned that customer centricity means more than just market research and quantitative surveys. Genuine customer centricity emphasizes a real exchange with customers. Collaborative development, discussion, and evaluation of ideas and innovations is an essential principle in agile innovation management – in all areas of a company. This is especially important when it comes to the market launch of new products.

In times of digitization and the increasing speed of change, flexibility is especially important. Fast, iterative feedback from existing or future users enables companies to pursue only the relevant ideas and drive them to market. Giving customers the opportunity to





participate in decisions improves not only their loyalty to a company but also promotes the company's overall image.

For establishing a permanent, ongoing exchange between organization and customer, a digital foundation that can be accessed by all relevant stakeholder groups is essential. Without the right digital foundation, making collaboration with customers scalable and goal-oriented is virtually impossible.

## **The path to true customer connections**

### **A checklist**

True customer centricity is only possible when collaboration is more than a single initiative. It must become an integral part of your innovation and product development processes. You can find out at which point your company needs to catch up with the following checklist:

#### **Interaction from beginning to end**

Can your customers participate in every step of the innovation process – from idea generation and prototype testing to the optimization of products, services, and business models?

#### **Customer centricity isn't a one-way street**

Do you have the possibility to guide information flows outward and create transparency? You, too, have to share information with your customers and reduce exaggerated secrecy.

#### **Listen and implement**

Are you able to react to customer feedback quickly and effectively? Customer centricity can only work if feedback is not only collected but also implemented in a structured manner.

#### **Customer insights in all areas**

Does collaboration with customers exist in your company as an organizational entity? Is there a one-stop shop for all departments to get in touch with customers to generate insights?

#### **Scalable and intelligent**

Do your initiatives reach all customers? Are the innovation projects and evaluation options of the customer feedback scalable for large amounts of data? Does your company have a digital infrastructure for customer collaboration?



## About

innosabi is for those who believe that better is always possible. Our Innovation Management Platform (IMP) enables seamless collaboration, adapts to your workflows, and scales with your needs. Companies like Coca-Cola, Danone, AstraZeneca, BASF, and Deutsche Telekom trust innosabi to accelerate progress and create lasting impact.

As part of the Questel Group, we go beyond innovation management – linking ideation, intellectual property, and commercialization to turn ideas into real value.

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