

# Chapter 5

## Customer Centric Innovation in Banking Sector

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### ABSTRACT

*Highly competitive business environments make innovation a key element for survival. Though there are many companies that have been market leaders, they failed. The main reason behind the failure is lack of innovation. This is why companies have to find new discoveries and strategies to survive. Even though innovation is generally defined as a creation of idea, it is more than an idea. It is a process that includes a series of steps that begin with imagination and result in the creation of something. Innovation provides solutions for requirements in a unique way. Before the imagination steps, companies have to understand deeply customers' needs or desires to define requirements of customers. In this chapter, the customer-centric innovation process explained in seven stages.*

### INTRODUCTION

Innovation seems as a key driving force of economy that may lead to the ruin of culture and nature by creating new knowledge, technologies and markets (Nooteboom and Stam, 2008). Innovation has a crucial role for all firms to survive, including banking sector. Banking sector is a high regulated and competitive marketplace that provides relatively same service, not more than the core banking service (Howcroft, and Lavis, 1986). When one bank develops a new product, it quickly spread in market and no longer provides advantage. Within the rise of start-ups and spreading of technology, banks have a new challenge, a risk of become an antique, beyond the risks natured to bank such as management of interest rate, liquidity vb. Becoming the innovator provides market advantage. However, one-time innovation isn't sufficient for banks. Instead of one-time innovation programs, banks required sustainable innovation methodology (Muller and Valikangas, 2005).

Many years, innovation assumed as a scientific or technological invention as a result of systematic research. However, within empirical innovation term, observation accepted one of the approaches to understand daily life in innovation stages (Sundbo and Toivonen, 2011). (Kelley and Littman; 2005)

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states that successful innovation has three pillars; business model, platform and customer experience. (Atkinson and Ezell, 2012) defines innovation with 7”I”s; inspiration, intention, insight, incentives, institutions, investment, and information technology. Understanding and coverage the need of customers is the key element of the success to make available in the marketplace (Dover, 1987). According to (Kelley and Littman; 2005), customer engagement innovation is a deep understanding of customer and user and using of those insights to develop meaningful connections.

In this paper, customer centric innovation process explained in seven stages. The first step of the innovation process is discovery. And, customer interaction is the key component of the discovery stage. Second step is objective. Companies need to define their problems that work on. Third step is ideation. In the ideation stage, participant should come up with fresh ideas by thinking differently. Fourth step is prototyping of the idea. In this stage, it is important to make idea into physical object for testing. Fifth step is testing. Test stage includes customer usability and requirement testing on the customers really need the idea? Sixth step is validation. After the testing customer feedbacks companies need to validate their ideas depends on the feedbacks. Seven and final step is implementation. In the implementation stage, companies have to follow agile methodologies to create the idea just in time to catch leadership. Beyond the finding idea, implementation of the idea also play important role, companies must be quick. Innovation is not one time action. It needs systematic approach and speed. Additionally, another important factor for innovation is organization culture. Innovation is a complex process that requires cross-functional organization support to achieve success. There are new methodology that startup apply naturally to make their ideas come true. This paper aim is to define steps of the customer centric innovation based on design thinking approaches might be useful for companies.

## **MANAGEMENT OF CUSTOMER CENTRIC INNOVATION PROJECTS**

Innovation is not only an idea; successful innovation includes execution (Govindarajans and Trimble; 2010). Moreover, it is creation of an idea with coordination and planning of products, services, brands, and technology inventions with new aspects (Mootee, 2013). Understanding of customer is complex, it requires systematic approach to interpret customer insights and understand their pain point to develop or re-develop a product or service. Design methodologies are the simple process that contributes substantially to organizations on building new product, services or strategies (Brown, 2009). However, general problem on innovation process is managerial process for bringing the idea to the market rather than lack of innovation (Allio, 2005). Design methodologies push team to creative thinking and turn the team into action more than planning with systematic approach. Additionally, design methodologies are flexible on reflecting customer’s intuition attitude, and experience by providing clear picture to organizations. Where as traditional business models are rational and static assumption that is aiming to find only one best solution, design methodologies are experience-based assumption that is aiming to find better options. Traditional business models have a planning based, however design thinking has an action based process (Liedtka and Ogilvie, 2011).

One of popular innovation workshop provides an idea turn to real in 24 or 48 hours is Hackathon. Hackathon is a special fun-filled workshop where a group of people working as a teams and builds a quick hack to solve some problem innovatively (Varma, 2015). (Varma, 2015) summarize advantages of hackathons as;

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