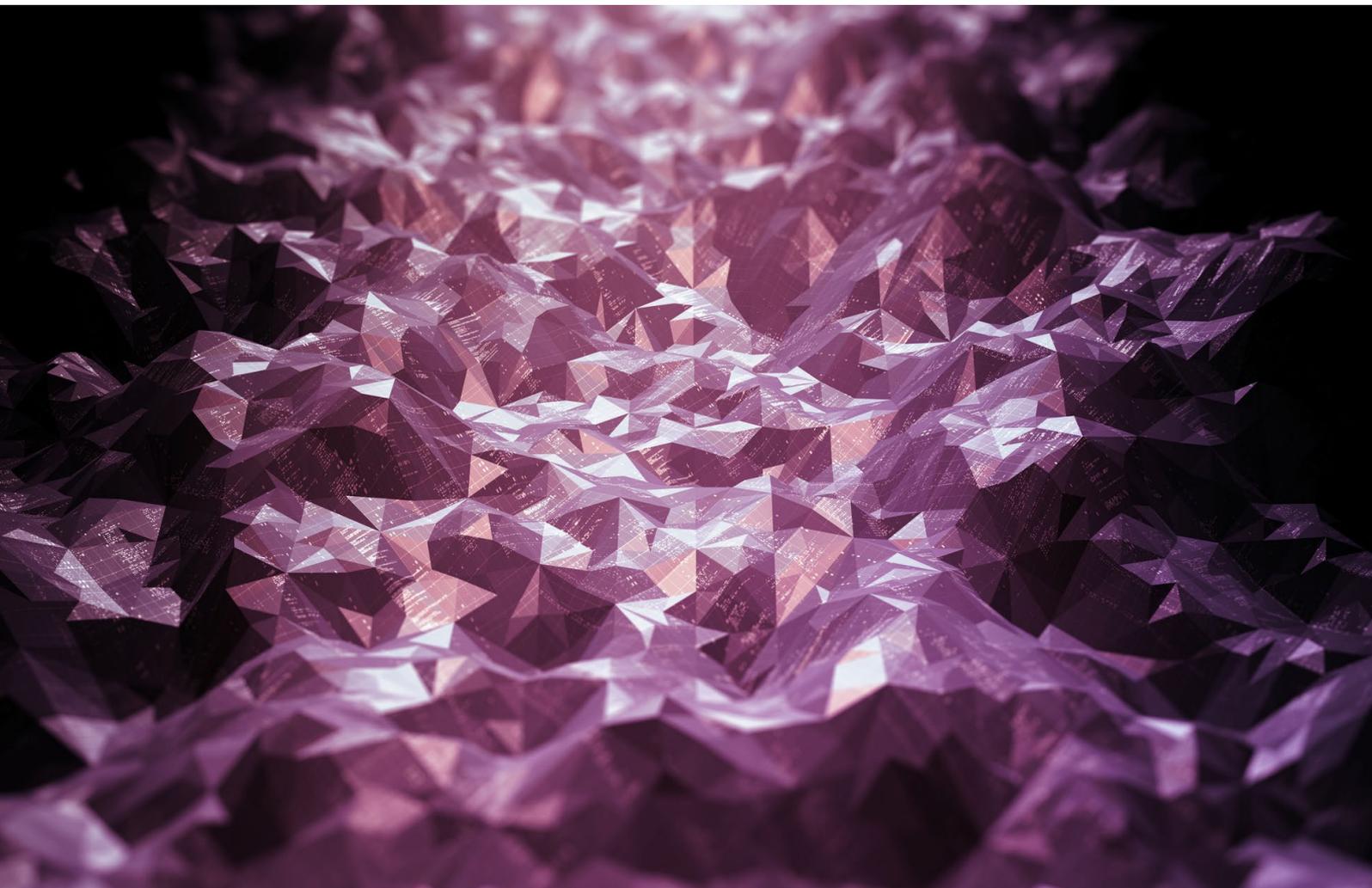


GAPCO

**ACCELERATING INNOVATION
THROUGH A DESIGN-LED METHODOLOGY**



THE MEGA TREND FOR 2020 WAS BEING DIGITAL-FIRST

New realities are continuing to shape the way we live and work; the biggest of these is that we are all now living 'digital-first' lives. From embracing new technologies, to exploring fintech partnerships¹, the innovation approach may vary, but it has undoubtedly rocketed to the top of the corporate agendas out of necessity. Many of the mega innovation trends have seen key players moving at pace, enhancing digital capabilities, and breaking new ground beyond traditional business models. In 2023, global spending on digital transformation will reportedly total \$6.8 trillion, as the pressure to be more innovative continues.²

Now in 2021, it is clear that being digital-first is no longer a trend but an expectation in today's evolving business landscape. To address this, we believe financial services organizations need to act proactively by accelerating their pace of innovation and thinking beyond their core services using a design-led approach.

CONSUMERS ARE DRIVING THE INNOVATION AGENDA

The customer has become the 'North Star' for any business that defines new products and services. Equally, consumers have come to expect a seamless digital experience at every service engagement and touchpoint. Incumbents and challenger banks alike are having to compete with the 'last best' experience a consumer receives, irrespective of industry.

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1. <https://www.fintechmagazine.com/banking/2020-year-digital-transformation-open-banking>
 2. <https://www.fintechfutures.com/files/2020/05/The-State-Of-Digital-Transformation-In-Financial-Services-2020.pdf>

COMPANIES ARE BEING FORCED TO INNOVATE AT PACE WHILST KEEPING COSTS LOW

The old adage that ‘you have to spend money to make money’ continues to be told with good reason. Together with income diversification and cost reduction, improving the ability to innovate at speed and scale remains vital for businesses today. A 2020 survey of financial services firms found that 26 percent of those surveyed acknowledged that digital transformation is never-ending and 40 percent were in the process of transformation.³ We believe that innovation must be viewed as a constant priority for organizations to maintain a competitive edge.

THE FINANCIAL ECOSYSTEM IS WIDENING, SCALING INNOVATION IS ANYONE’S GAME

Financial services are shifting from transactional providers, to being part of the socio-economic fabric. With the boundaries between financial services and other industries blurring permanently, consumers increasingly expect finance to be embedded at the point-of-need everywhere, anytime. This invisible layer has seen players like Stripe ‘tear down’ the payments space.⁴ For example, Stripe Billing enables more control over subscriptions, providing more options to pay with international bank debits that both improve the customer experience and the healthiness of the business using the platform.

Additionally, non-financial firms such as WhatsApp are offering an e-commerce platform for small business owners in emerging markets to make shopping easier.⁵ We’ve even seen the shift in branding perception, with Transfer Wise dropping

the transactional element on payment transfers to reflect the significant role they play in the financial ecosystem. The examples go on. Varo, a Visa sponsored payment program, specifically tackles financial inclusion. The program is aimed at those who have insufficient credit history to qualify for credit.

The reluctance of established financial giants to innovate will leave them staggering behind competitors, as innovative technologies become the norm. More companies are starting to shift their aim to be more digitally focused in the fear of being left behind. According to IDC, 55 percent of companies believe it is in their best interest to start adopting digital strategies or they will suffer financially and lose market share within a year.⁶

3. <https://www.fintechfutures.com/files/2020/05/The-State-Of-Digital-Transformation-In-Financial-Services-2020.pdf>
4. <https://www.cbinsights.com/research/report/stripe-teardown/>
5. <https://techcrunch.com/2020/12/08/facebook-adds-carts-to-whatsapp-to-make-shopping-easier/>
6. <https://www.seagate.com/files/www-content/our-story/trends/files/idc-seagate-dataage-whitepaper.pdf>

THE OPPORTUNITY

How organizations can deliver innovation at scale

Although innovation is a priority for most financial organizations, speed and cost of delivered outcomes remains a challenge. Based upon current trends and Capco's analysis of financial services firms, it takes most organizations an average of seven months and cost upwards of £250K to provide early validation for a concept before developing a minimum viable product (MVP). Understanding these challenges is the first step for organizations attempting to overcome such issues to build repeatable, valuable products.

Here are six common areas to address when looking to scale innovation:

1. Shift from technology-led R&D and innovation

Innovation and research and development (R&D) are still predominantly enabled by technology. However, there is no bigger driver for new product development than to capture the wants and needs of the customer. We believe organizations should be taking a human-centered approach to ensure the innovation addresses precisely what customers want.

2. Align with corporate strategy

It is still very common for innovation-focused initiatives to be completely detached from corporate strategy and established strategic imperatives. If innovation through experimentation and a quick iterative approach is not part of the corporate strategy, corporate buy-in is extremely difficult to achieve. This cultural shift is a huge factor of success. A 2020 report by Rainmaking found that less than half of the survey's respondents believed their company had a clearly defined innovation strategy.⁷

3. Invest in structured, repeatable processes

For innovation initiatives to be successful, organizations need to learn how to apply a logical, creative process to deliver solutions that are desirable for customers and viable from a business perspective. Many organizations can still benefit from utilizing the full power of structured user-centered methodologies to achieve this.

4. Qualify customer needs

A 2016 Harvard Business Review study found that building a highly relevant customer experience was seen as the most important digital priority for organizations.⁸ However, our industry observations demonstrate that many business leaders are still struggling with making strategic decisions that are truly research-led and unbiased. For many players, primary customer research is an afterthought when it should be the start of any process in building a successful product.

5. Focus on business outcomes

Innovation initiatives rarely focus on commercial outcomes. Design-led experimentation always starts from understanding why a specific task is important for a business and how it would help it to grow. Innovation is about balancing three things: desirability for customers, viability for the business' commercial success, and feasibility of implementation. Without all three, you're in trouble.

7. <https://discover.rainmaking.io/hubfs/Why%20crises%20call%20for%20innovation.pdf>

8. <https://hbr.org/resources/pdfs/comm/microsoft/Competingin2020.pdf>

6. Evaluate processes regularly

Strategic priorities change and not always within set project windows. To save time and money, organizations need to constantly validate the direction of travel of an experiment and establish clear milestones to either graduate it to the next stage or abandon it.

Design-led innovation is an emerging approach that assists organizations in developing new products and services to respond to changing market dynamics whilst overcoming many of the traditional challenges associated with delivering innovation at pace. This approach utilizes the key learnings of human-centered and outcome-driven

design. It enhances it by introducing a hypothesis-driven approach to innovate with multiple concepts and qualify the most effective solution for production at scale.

Capco's mature 7D innovation framework can help accelerate the development of new products and services, supporting the need for improved time-to-market for digital innovations. Capco has been successful in implementing the 7D framework from Discovery through to the Distribute phase when delivering innovations at scale across the financial services ecosystem.

THE CAPCO 7D DESIGN-LED INNOVATION FRAMEWORK

The Capco 7D Innovation Framework is a 7-stage workflow that has been designed to drive innovation within corporate environments. The framework has been developed over a number of years and has been fine-tuned to reflect real-life business constraints and challenges, while developing next-generation product and service concepts.

1. DISCOVER

Start with understanding the business strategy

The 7D Innovation Framework starts off by establishing an understanding of why the experiment is needed in the first place? What are the strategic imperatives and business priority areas that need to be addressed, in order to recognise success.

2. DEFINE

Define the scope and context of the experiment

Based on our understanding of the business priorities, we define the scope of the experiment, where we have the maximum potential to create value.

We kick-off our process by first engaging with client SMEs to better understand the details of the strategic focus area and the business positioning.

3. DIVERGE

Conduct research and analyze insights for opportunities

Our research process starts off by conducting secondary research to create a knowledge map of what insights are already existing in the market. This allows us to identify the gaps and establishes the scope of our primary research.

In a typical project we would start-off with qualitative research to define the hypothesis, which would be substantiated with quantitative surveys, before defining the Jobs-to-be-Done for the solution space.

4. DECIDE

Shortlist validated opportunity areas

In addition to the consumer and market research, key financial metrics are also projected in order to create a well-rounded view of each opportunity.

Based on a combination of research insights and commercial potential, a primary opportunity area is shortlisted. Utilizing the consumer research, the key JTBD are defined, which also help establish the scope for the experience design brief.

5. DEVELOP

Design potential solutions for opportunity areas

We go through a rapid experience design exercise to create potential solutions based on the highlighted Jobs-to-be-Done. By utilizing Lean UX methodologies, we take an iterative approach to validate design decisions before prototyping the preferred solution.

Depending on the engagement, we would also explore the technology scoping at this stage to have a clear view of the technical viability of the potential solution, if the business decided to proceed with it.

6. DEMO

Conduct formal UX and proposition testing

Once the preferred solutions have been designed and prototyped, we will use these assets to conduct formal testing across both the product or service experience, as well as the attractiveness of the overall proposition.

This is an iterative process, where we go through a number of rounds of revisions based on the audience and stakeholder feedback.

7. DISTRIBUTE

Create shareable insights for distribution and showcase

A key part of the 7D model is storytelling. As most experiments will need to be further evaluated by the business stakeholders to decide on which direction to take, we use our research findings and visual artefacts to create a compelling and engaging story, showcasing the experiment.

These assets can then be used in individual meetings with key business leaders as well as circulated to the appropriate groups to socialize the proposition within the business.

To discover how we are working with leading banks and other financial services firms to implement a design-led approach to innovation, please contact our team.

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

To learn more, visit our web site at www.capco.com, or follow us on Twitter, Facebook, YouTube, LinkedIn and Instagram.

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