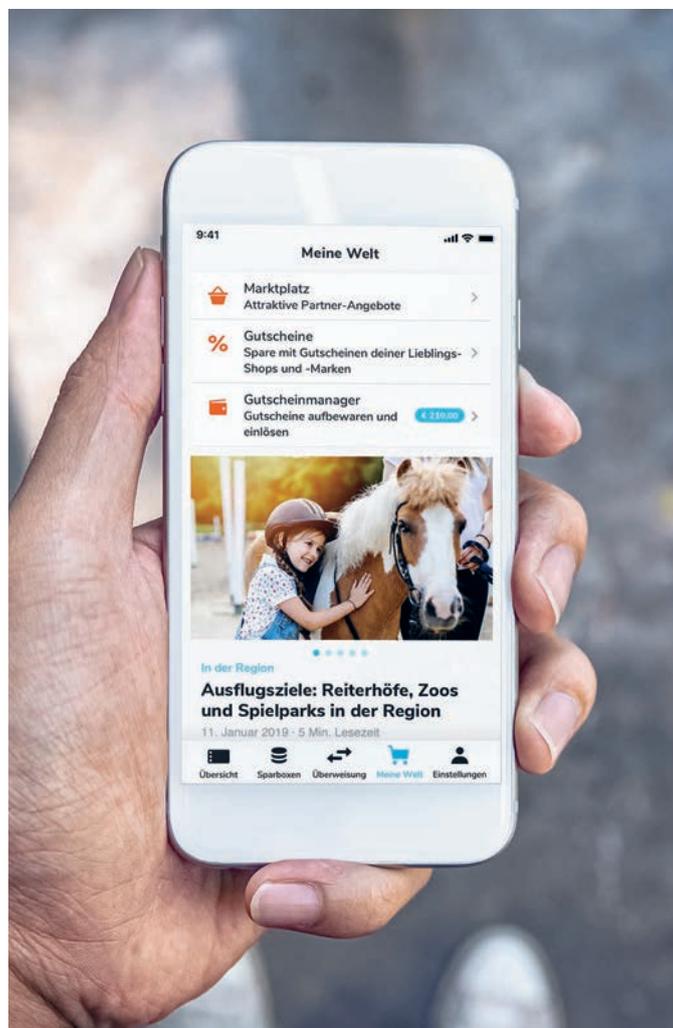


# SHORTER TIME TO MARKET: USING START-UP APPROACH TO TAP INTO NEW SOURCES OF INCOME



In the face of falling revenue in traditional business and the challenge of continuing to impress customers, banks are starting to expand their traditional business models. Nevertheless, only with modern operating models can market-ready product innovations quickly make their way to customers. Seven Sparda-Banks have financed COMECO, a start-up which has created a platform to meet that need: In just 18 months, the company developed an innovative mobile app and web application that combines banking and lifestyle.



For many financial institutions, simply overhauling existing business models will not be enough to remain profitable. Retail banking is under pressure because of shrinking interest margins and high administration costs, but also because of agile Fin-Techs within the market. To remain profitable in the future, in an environment that is rapidly changing, it is essential to tap into new sources of income – simply increasing fees is not a successful strategy. For institutions, this means developing everyday offerings that will impress existing customers and new target groups alike. These days, customers expect attractive, fun offerings that can be accessed using mobile devices, and which radically simplify banking services. In a field of agile competitors, the speed with which these offerings are brought to market is decisive for their success, but only a small number of banks

have the necessary operational structures, expertise and capacities to succeed in that respect. In addition, ongoing cost-cutting programs often leave little room for new developments, while regulatory requirements and monolithic IT systems also further slow the process, making it impossible to achieve the necessary innovative speed.

### SYMBIOSIS OF BANKING AND LIFESTYLE

In this context, a group of Sparda-Banks is forging a new path together. Instead of tackling business model innovation separately in the existing structures of the individual banks, they have invested in a new company. Supported by Horváth & Partners, start-up COMECO (Community Ecosystem) is able to operate more dynamically than a traditional banking organization. Its product range is aimed equally at internet-savvy existing customers and new customer groups, and will be implemented only using digital means. In the future, traditional banking business will serve as an anchor for tapping into new sources of income. From the initial strategic considerations, it took just 18 months before COMECO was in a position to present a market-ready innovative online banking platform in the form of TEO. Easy to use with a fresh design, the standalone TEO application complements the existing online solutions provided by Sparda-Banks – and has the potential to replace them entirely. It offers smart banking for controlling all accounts and transactions (multibanking), combined with helpful additional functions such as liquidity forecasts (“My financial weather”) and virtual savings moneyboxes for specific purchasing goals.

As a digital ecosystem, TEO also offers additional customer-specific partner offerings that go beyond traditional banking transactions. This “beyond banking” concept makes it possible to significantly expand points of contact with customers and to offer them tailored added value through the transparent usage of disclosed data. For example, active individuals could be offered information and discounts on products related to their sporting interests, while keen travelers might be presented with tips and special offers for their next holiday. In this way the application combines excellent banking features with a digital, customer- and region-specific marketplace for lifestyle products. Customer purchases of partner products that are completed directly in the app or which redirect to a vendor can generate new revenue streams in the form of commission-based income.

## ALIGNMENT OF AGILE DEVELOPMENT AND COMPLIANCE REQUIREMENTS

For banks, it is important to receive a precise description of a new product before implementation. An adopted scope is then used as the basis of the contract; this also helps in estimating the costs, maintenance requirements and necessary participants. "Traditional linear-approach models are not suitable for developing innovations and quickly delivering the results to the market. An incremental, agile method is best here," says Hendrik Rujner, Head of Operational Excellence Banking at Horváth & Partners. In light of this, as well as the manifold market and customer requirements at play, a particular development approach was chosen: COMECO is the platform operator and offers an innovation hub that makes it possible to develop new features and business ideas.



*The Sparda-Banks have succeeded in developing and implementing an innovative business model with a new operating model in the form of the start-up they have founded.*

During the development of the lifestyle banking application, the apparent incompatibility between the bank's New Product Process (NPP) and the agile development concept of a Minimum Viable Product (MVP) needed to be resolved: While the NPP encourages the precise formulation of functions, data usages or technology from an early stage, in order to minimize risk, the MVP involves only a rough sketch of an idea to start with. COMECO solves this problem, as the project team describes the bank-related business processes in great detail at an early stage, while initially only estimating features that are less relevant from a regulatory perspective but are connected with high customer value; these are then fleshed out during the maturation process.

TEO is enhanced on a continuous basis. The COMECO innovation hub bridges the contradiction between, on the one hand, agile development for the market, that takes into account the ideas

of customers, operators and stakeholders; and reliable release cycles on the other. It enables initial ideas to be discussed and tried out together, and then carried over to an implementable concept within just a few weeks – following the proven Horváth & Partners accelerator process. In addition, those involved in the process are trained in innovative methods such as design thinking and business modeling.

## SMART ARCHITECTURE COMBINES SECURITY WITH SPEED

In order to make "banking and beyond" possible from a technical perspective, the developer team united the banks' core system, which is crucial for data and transaction security, with an open banking architecture by COMECO. This allows online users to access all data quickly – whether it be the account information for their various bank accounts or partner offers within the ecosystem. A content management system (CMS) allows both regional offerings from the banks and offers within the ecosystem to be positioned based on need. Online editors also add articles tailored to specific groups via the CMS on an ongoing basis; these can then be read within the application. This means that the app displays regional and cross-regional information and offers that are tailored for the customer.

This new path forged by the seven Sparda-Banks shows how disruptive business model innovations within the services sector can generate real added value for the customer and thereby also tap into new sources of income. In this case, the extended operating model is the decisive success factor. For the Sparda-Banks, this means that they can quickly bring new ideas to market-readiness thanks to the COMECO dynamic start-up structure, and can impress their customers with the TEO lifestyle banking app. ■

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