

Capitalizing on Digital Transformation

Creating Value in Innovation in Corporate Banking

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Introduction: Innovation Is Now an Enterprise-Wide Initiative

Corporate banking is in a significant period of change. New technologies, changing client needs and expectations, and new market infrastructures are among the factors driving corporate banks in all regions towards digital transformation projects as the foundation for product innovation, new strategies and business models.

However, more than ever before, the way that banks approach these transformation projects will have a significant bearing on the degree to which its objectives are met. More traditional models of centrally planned or heavily technology-focused approaches are becoming less effective, and those organizations that continue to drive innovation from the top down should expect to fall behind more forward-thinking competitors, who consider innovation an enterprise-wide movement.

While technology is – and will remain – an important part of the answer, it is people that truly change organizations. The banks that ally cultural change with technology leadership place themselves in the best position to thrive in the future. Those that get this wrong will risk their future position in the value chain.

To understand exactly how banks, intermediaries, merchants and corporates are approaching – and benefiting from – innovation, ACI Worldwide and Ovum have partnered to create the Culture of Innovation Index; a genuinely global and cross-value-chain view on the factors that drive success.



It is a common misconception that banking is slow to react to change. Corporate banks might seem less agile, but they are cognizant of the opportunities afforded to them by payments innovation. In a transaction banking world, every transaction has its margin, and corporate customers seek services that can help them gain a competitive edge. Payments speed, transparency and insight are highly valued in the corporate banking innovation race.

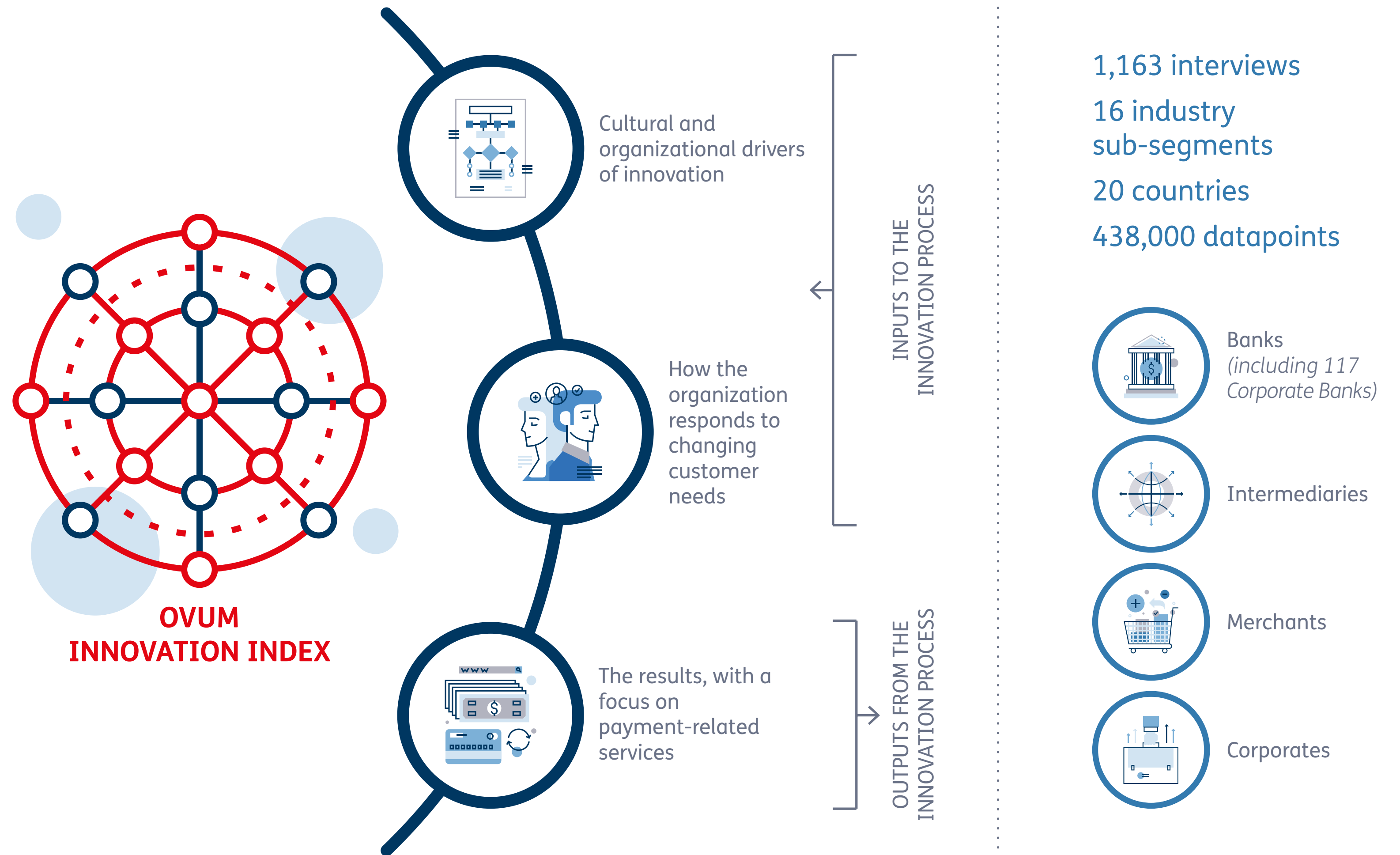
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The Culture of Innovation Index

The Culture of Innovation Index is built upon a global program of research spanning players from across today's payments ecosystem. Based on interviews with senior executives in 1,163 enterprises, we have scored each organization across a range of cultural, organizational and technology-centric factors. These span both the inputs to the process of driving innovation, as well as the outputs (in the form of new products and services).

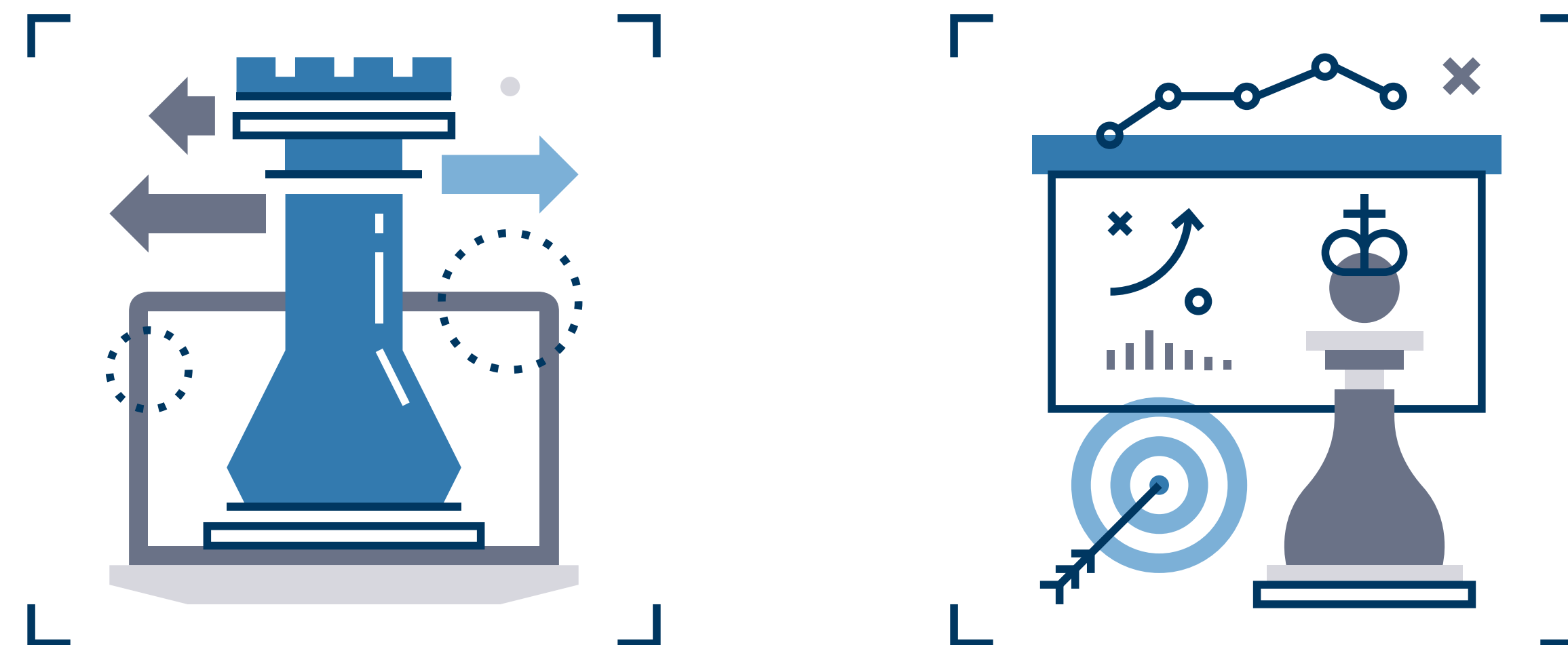
The aim of this is simple: to identify not only the factors that separate the most innovative businesses from the laggards, but also what this means in terms of product innovation. In essence, how will today's most innovative organizations convert their investments into future gains?



THE TWO TYPES OF DIGITAL TRANSFORMATION PROJECTS

The term “digital transformation” is widely used to describe a range of large-scale projects with a wide array of objectives and outcomes. In practice, these sit on a continuum between two extremes.

The difference between projects that are focused on digitizing existing products and processes, compared to those that are aimed at creating a truly digital business may seem small, but it is central to the shift emerging in the market between those organizations that are truly forward-looking and those that continue to operate with a more traditional approach towards product and service innovation.



SHORT TERM/TACTICAL:
Driving improvement in the current business and model

LONGER TERM/STRATEGIC:
Becoming a fully digital-led business

Optimize the existing business

New digital-led products, services and business models

Enhance the customer experience and core product

Agile in the face of competitive, customer and wider market change

Efficiency and improvement in the core product

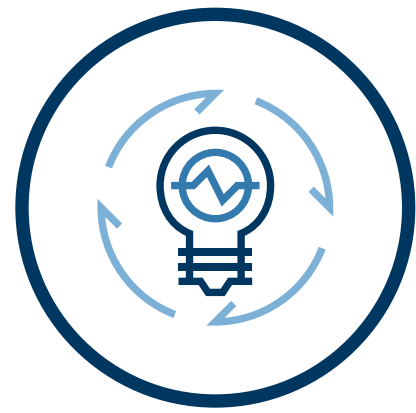
Creation of net-new sources of revenue



As a wave of investment hits the corporate banking industry, many institutions are looking to enable new customer-centric services underpinned by payments innovation. However, despite strategic intentions, some banks could fall into a tactical trap or lead with a technology-first approach rather than leveraging IT as an enabler to their customer value proposition. Increasingly, taking a platform approach for the delivery of high-value services, harnessing data, and standardizing processes will drive service differentiation around payments.

WHERE IS YOUR ORGANIZATION ON ITS INNOVATION JOURNEY?

The Culture of Innovation Index identifies five types of organizations as defined by their approach to innovation and business transformation.



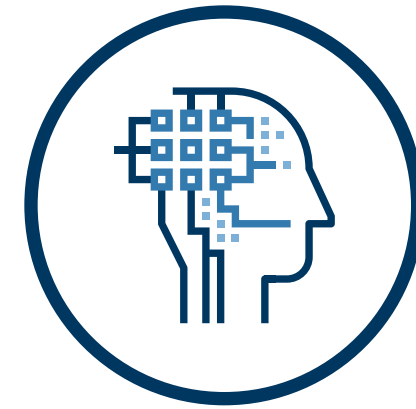
EMERGING

- Strong cultural and structural emphasis on innovation
- Clearly articulated technology strategy and focus on business transformation
- Behind the market in terms of execution and delivery



LAGGARDS

- Behind the curve in both culture and technology, often with a preference for outsourcing services
- Generally aware of the challenges they face, but not actively responding
- Falling behind the market when it comes to innovation in the customer experience



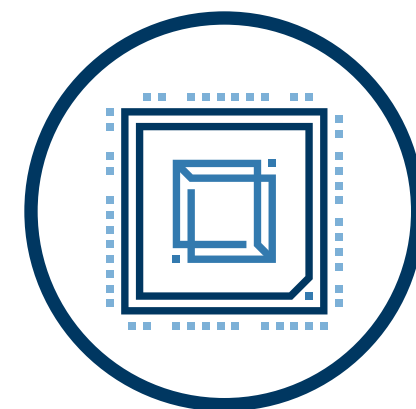
TRAILBLAZERS

- Digital-led or strongly digital organizations
- Business is structured around driving innovation
- Leaders in the adoption of technology and delivering new products/services



ADVANCED

- Strong focus on the importance of ensuring innovation is an enterprise-wide activity
- Clear strategy and roadmaps around technology adoption and product innovation
- Among the leaders in product development



TECH-LED

- Weak when it comes to an enterprise-wide approach to innovation
- Strong focus on investing in technology, but rarely market leaders in product innovation
- Ideas and technology strategy tend to be centrally driven

CORPORATE BANKING: EMBRACING THE OPPORTUNITY

Many corporate banks are quick to capitalize on new opportunities

Despite the huge changes in the technology and consumer landscape that have occurred this century, corporate banking had remained – until recently – relatively unchanged. However, many corporate banks are now seizing upon the opportunities for product and service innovation that initiatives such as real-time payments (both domestic and cross border), open banking, and advances in advanced analytics technologies in particular present.

Corporate clients are no less demanding than their consumer counterparts. Corporate treasurers have come to expect a similar (or higher) standard of service in their workplace banking interactions as in their private lives, for example, as well as enhancements to core cash and liquidity management services. Consequently, the willingness of even large corporates to move business to different banking partners, as well as working with third parties in niche areas such as FX, has also increased.

IT INVESTMENT GROWTH WILL FUEL INNOVATION

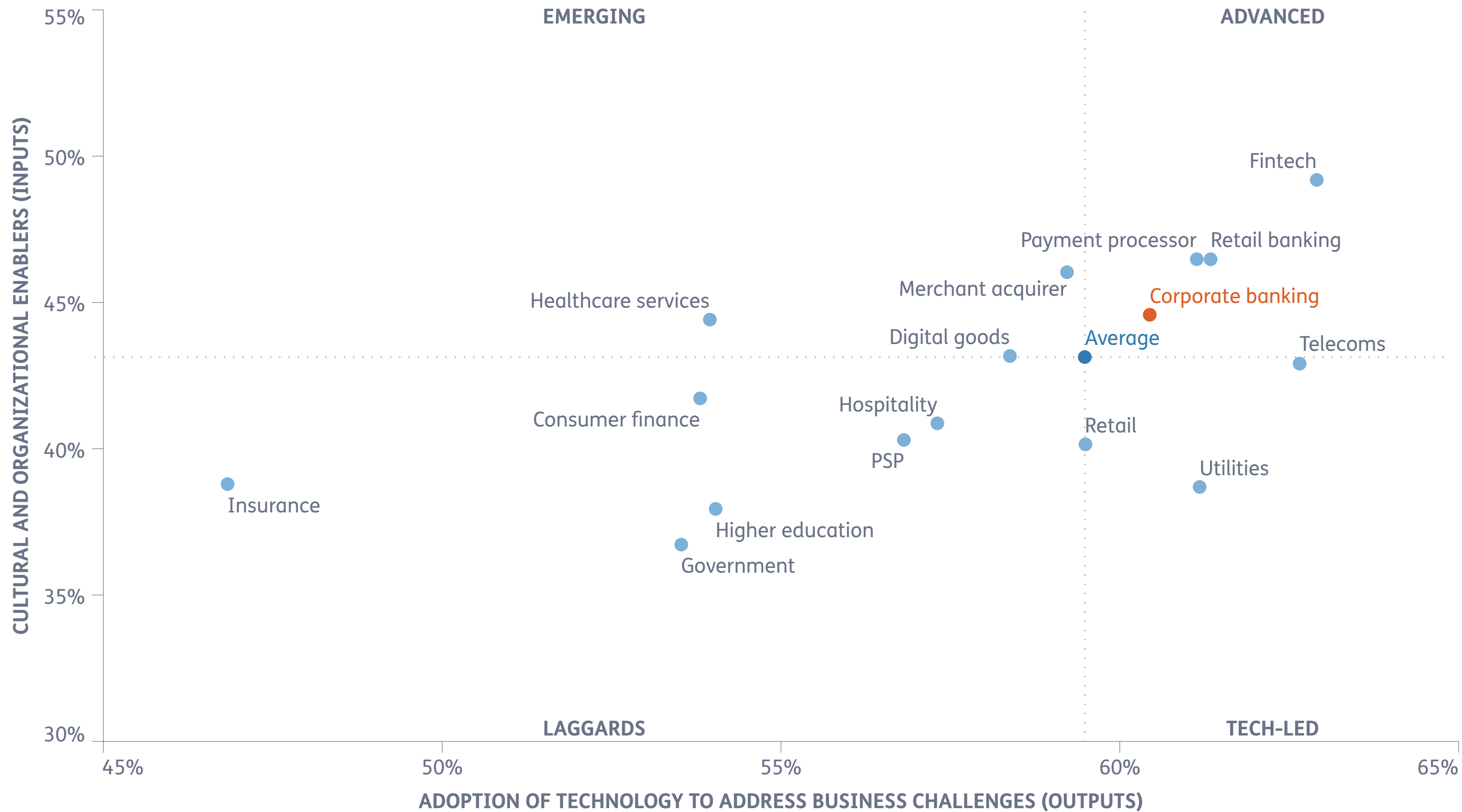
We have seen an acceleration in IT investment across this part of the industry in the past two to three years, and a growing number of

payments-led and whole-of-bank transformation projects aimed at delivering meaningful, revenue-generating improvements in corporate banking products and services.

The results of this can be seen in the Culture of Innovation Index. Across all of the verticals featured in the analysis, corporate banking emerges as one of the strongest performing. This reflects the fact that corporate banks in particular are now approaching the topic of how to deliver innovation with a real sense of urgency in many cases. This has been driven in part by the emergence of open banking and growing maturity of RTP as catalysts for the business cases to build out broader transformation projects.

It is worth noting that there are many large enterprises in the merchant and corporate sectors that are consumers of corporate banking services. Each of these business areas are positioned in the emerging, laggard, and tech-led groups, presenting corporate banks with an opportunity to potentially support customers looking to drive innovation in their own organizations.

CORPORATE BANKS ARE AMONG THE MOST ADVANCED ORGANIZATIONS FROM AN INNOVATION PERSPECTIVE



QUANTIFYING THE DRIVERS AND OUTPUTS OF INNOVATION

Innovation, by its nature, is highly subjective. However, by comparing enterprise attitudes, behaviors and outputs across a number of areas relating to the process of innovation and enterprise transformation, we have been able to provide a comparative view on where each sector is today.

Each enterprise has been scored across a number of individual input and output factors, with “best practice” delivering the highest score. These have then been combined to provide a blended total for overall inputs and outputs, both with a maximum score of 1.0.

CORPORATE BANKS ARE LEVERAGING EMERGING TECHNOLOGY TO DRIVE INNOVATION

Many corporate banks are investing heavily in areas such as cloud and artificial intelligence (AI) technologies in order to provide the platform for innovation. This is one of several areas that differentiates corporate banking from many other sectors in the Culture of Innovation Index.

CLEAR FOCUS ON INVESTING IN CLOUD TECHNOLOGIES

Corporate banks are among the most focused on taking advantage of cloud technologies (including containers, microservices and serverless computing). At a global level, 92% have either already made significant use of cloud or are planning to make further investments in 2019/20, including 94% in the Americas.

The degree to which cloud-native technologies are being adopted across a range of internal test and development work is another important factor here, as well as the growing focus on SaaS as the default option for new software procurement.

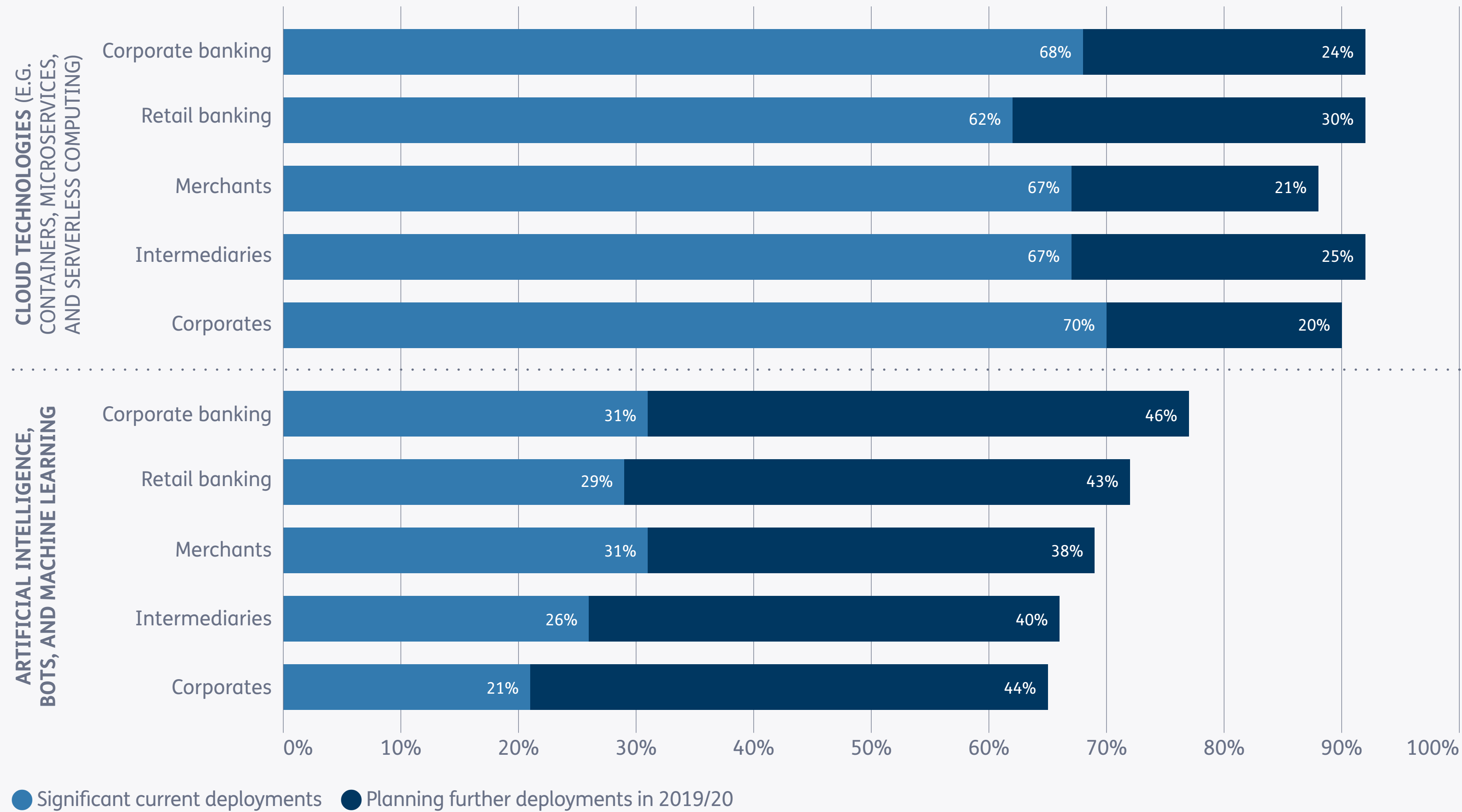
LEVERAGING AI TECHNOLOGIES IS A CLEAR FOCUS

When it comes to artificial intelligence technologies (including bots and machine learning), corporate banking is a leader. At a global level, 46% of corporate banks are planning to make significant investments in AI in the coming year, which will support a range of operational and customer-facing product and service enhancements. These span areas as diverse as intelligent process automation and enhancing the reconciliation process through to delivering a range of data-driven insight tools to customers.

PAYMENT SYSTEMS INVESTMENT IS THE FOUNDATION FOR INNOVATION

In many cases, payment systems investment has been key in creating the foundation for further innovation. Indeed, building these capabilities is at the core of many of today's payment transformation business cases. Removing complexity, addressing data and product siloes, and moving to more flexible architectures are all critically important in enabling the institution to deliver innovation on a continuous and iterative basis.

WHAT ARE YOUR PLANS TO USE THESE DIGITAL ENABLING TECHNOLOGIES OVER THE NEXT 12 MONTHS? (THOSE PLANNING FURTHER INVESTMENTS)



SOURCE: OVUM CULTURE OF INNOVATION INDEX

82%

82% of corporate banks reported that they plan to move mission-critical workloads into public cloud infrastructure in 2019/20. This is slightly behind the level seen in retail banking (84%), but nevertheless demonstrates the degree to which corporate banks are making visible strides towards embracing public cloud infrastructure.

EUROPE'S CORPORATE BANKS LAG BEHIND THE REST OF THE WORLD

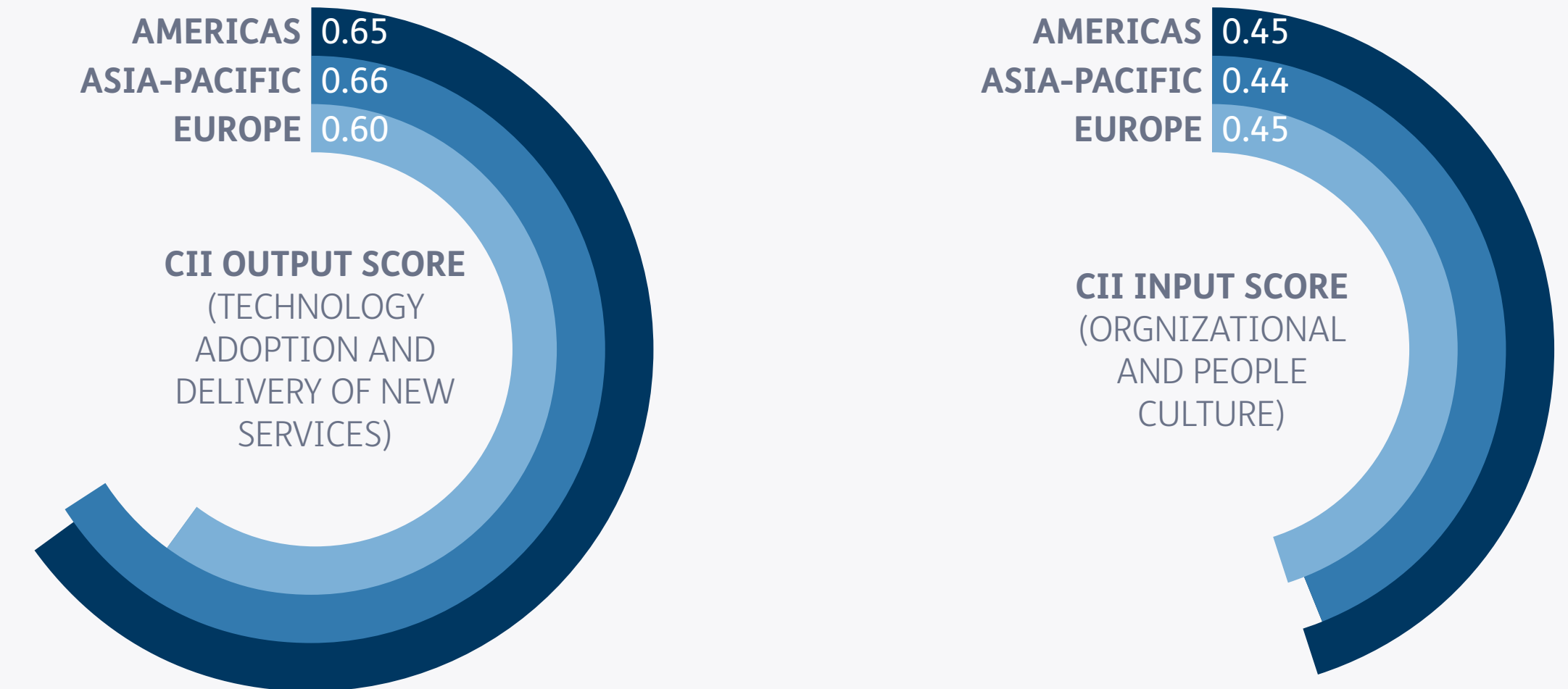
Corporate banking may be one of the more advanced verticals when it comes to both driving and delivering innovation, but there are important differences at a regional level.

Banks in Asia-Pacific and the Americas are ahead of their peers in Europe when it comes to outputs from the innovation process. In many cases, this is influenced by a greater emphasis on both cloud and AI technologies. For example, 96% of corporate banks in Asia-Pacific and 83% in the Americas plan to move more of their mission-critical workloads into public cloud infrastructure in 2019. The proportion in Europe is 70% which, while nevertheless high, is an important difference across the regions.



The difference between the corporate and retail sides of the banking house are stark when we consider Europe. The impact of PSD2 on innovation appears to be consumer-centric digital transformation, with the retail teams driving change in organizations. This alone is not problematic, but as the Index evidences, innovation must be enterprise-wide to drive growth. The result of this siloed approach to innovation appears to result in European corporate banks slipping behind global competitors. Many innovative corporate banks are using a digital-first approach to capture market share through improved digital services, and the need to mitigate customer attrition is potentially greater.

CULTURE OF INNOVATION INDEX OUTPUT SCORES (TECHNOLOGY STRATEGY, DEPLOYMENT, AND DELIVERY OF NEW SERVICES)



SOURCE: OVUM CULTURE OF INNOVATION INDEX

Unlike in areas such as retail and retail banking, where Asia-Pacific stands apart as a region to watch when it comes to product innovation, change is occurring across the globe in the corporate banking space, in many ways reflecting the international nature of the business.

THE INNOVATION GAP

Despite corporate banking as a sector performing strongly in the Culture of Innovation Index, there remains a high degree of variability between the IT and innovation strategies of individual institutions. Indeed, many are already beginning to fall behind their more innovative competitors.

Corporate banking has a high proportion of banks in the Advanced and Trailblazer categories compared to other verticals, with 32% in this group compared to 25% across all sectors, and 9% in the Trailblazer category (compared to 10% for all industries).

The highest concentration of the most forward-thinking institutions is in Asia-Pacific, where 39% fall into the Advanced category and 11% are Trailblazers. In addition, the proportion of corporate banks classified as Laggards is also lower than other sectors, reflecting both the focus on innovation, as well as the benefits that universal banks are delivering by replicating successful strategies in both their retail and corporate divisions.

The split between those that are actively innovating and those that are moving more slowly will result in growing competitive differentiators in the market. Those in the Advanced and Trailblazer groups should be expected to deliver innovation more rapidly than

others, in turn creating pressure for others around churn. Those banks classified as Laggards in particular should urgently review their technology strategies.

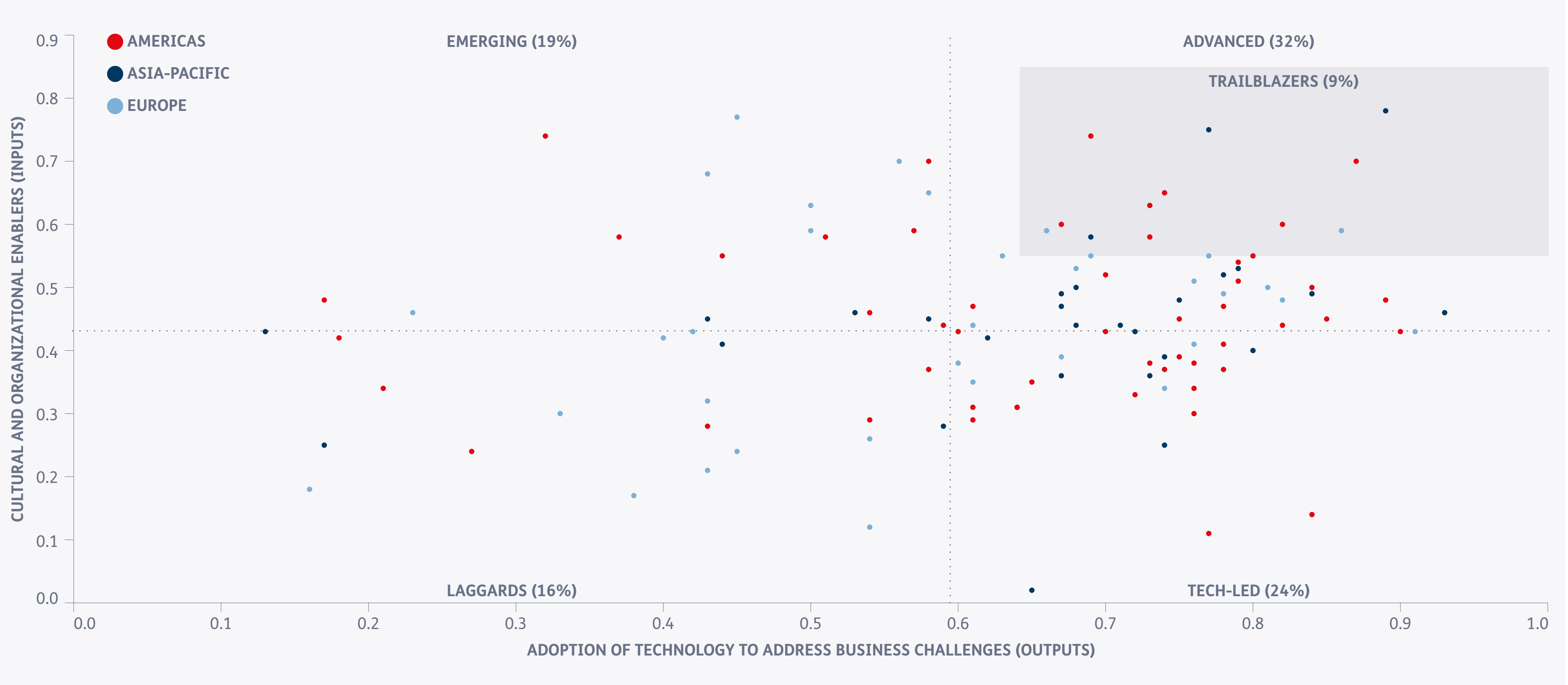
19%

Overall, 19% of banks are classified as being “Emerging” in the Index, reflecting a clear focus on the organizational inputs required for technology-driven innovation, but being behind the market when it comes to delivery and execution.

ACI UNIVERSAL
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The danger for corporate banks lies in failing to keep up with new competition. Fintechs are maturing and rapidly catching up on the complex nature of corporate payment use cases. Despite relatively few Laggards or Emerging institutions in the index, there remains a relatively large percentage of Tech-led banks. Corporate banks need to focus on their domain of expertise and value-added propositions that truly create new opportunities for their customers, such as more real-time cash, liquidity, and payment management capabilities.

THERE IS A CLEAR SPLIT BETWEEN INDIVIDUAL BANKS WHEN IT COMES TO THEIR STRATEGY AROUND INNOVATION

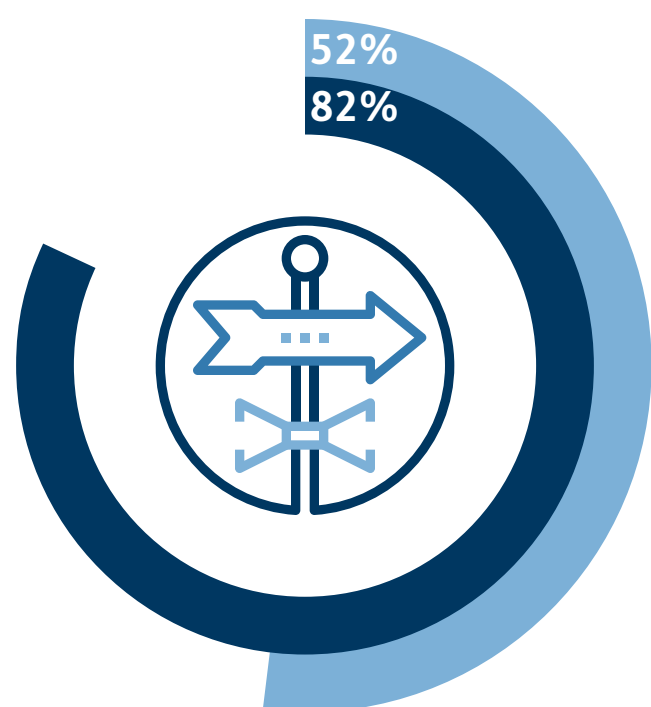


SOURCE: OVUM CULTURE OF INNOVATION INDEX

7 CHARACTERISTICS OF HIGHLY INNOVATIVE BANKS

There is no single path to enterprise transformation, but there are some emerging examples of best practice that we can identify from the Culture of Innovation Index. Among corporate banks, there are seven characteristics of the Trailblazer group – the most innovative enterprises – that stand out from the rest of the market.

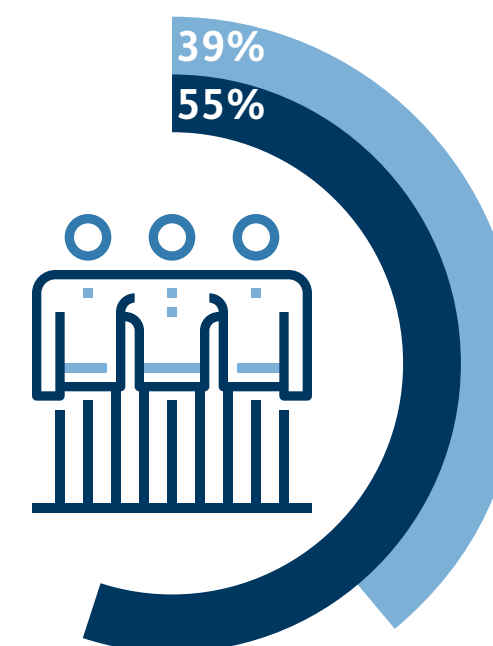
In practice the degree to which banks realize digital transformation will rest upon putting the right cultural and organizational pillars in place.



01: A STRONG CENTRAL FUNCTION TASKED WITH DRIVING INNOVATION

The presence and influence of central innovation and/or digital teams within the bank, with the resourcing, responsibility and senior sponsorship to co-ordinate and support innovation is becoming increasingly important.

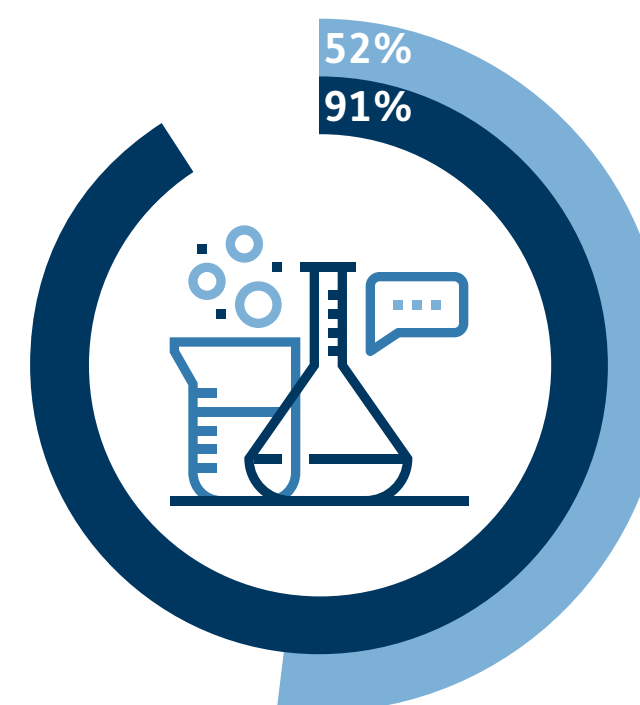
⌚ **82% of the most innovative corporate banks** report that there are teams in their bank directly responsible for leading the innovation process, compared to **52% across the whole sector**.



02: A CULTURE THAT ENCOURAGES INDIVIDUAL TEAMS TO BE INNOVATIVE

Cultivating talent and encouraging individuals from across the whole organization to participate in the process of shaping new product and service ideas is a leading source of new product ideas in the most innovative corporate banks.

⌚ **For 55% of banks in the Trailblazer category,** this is one of the top-three sources of new ideas, compared to **39% on average**.



03: TAKING ADVANTAGE OF EMERGING TECHNOLOGIES IS A HIGH PRIORITY

A focus on experimentation and testing new concepts is an important part of the wider innovation process, including building PoCs and launching pilots to test solutions leveraging technologies such as blockchain and AI.

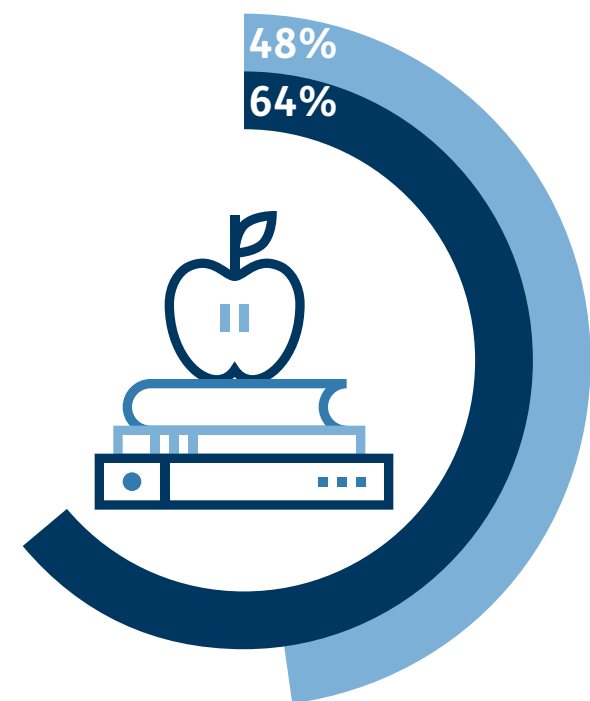
⌚ **91% of Trailblazer banks** report that these activities are given a high degree of importance by their institution, compared to **52% for the rest of the market**.



04: BRINGING INNOVATIVE PRODUCTS AND SERVICES TO MARKET IS A HIGH PRIORITY

The degree to which delivering new products and services is treated as a core company focus. This is either through external messaging and investment in these areas, or softer measures such as internal recognition, rewards and promotion.

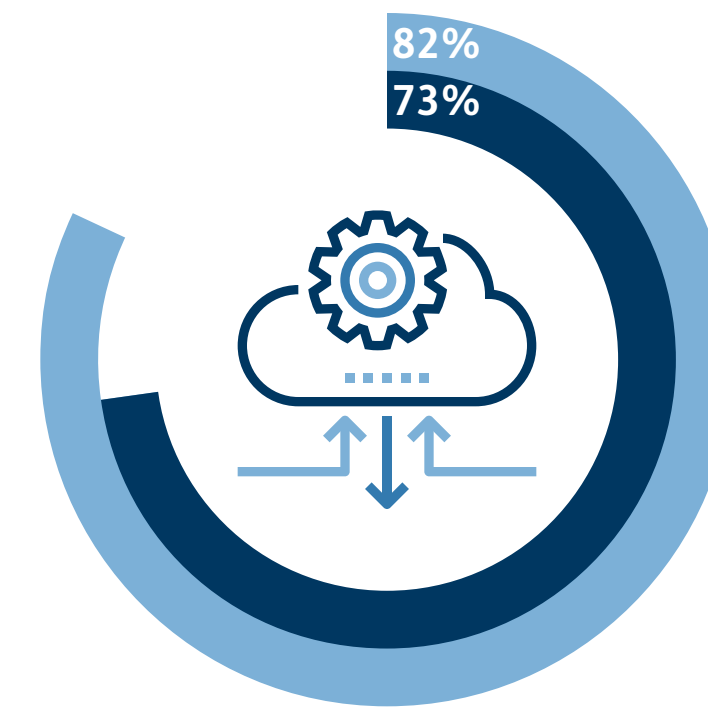
- ⌚ **100% of corporate banks in the Trailblazer category** report that this is a core business objective, compared to **56% on average**.



05: EMPLOYEES ARE TRAINED TO SUPPORT NEW PRODUCT/SERVICE DEVELOPMENT

The emphasis placed on ensuring that employees are given the opportunity to be trained and involved in the process of identifying product/service gap is an important element of driving change in the organizational culture around innovation.

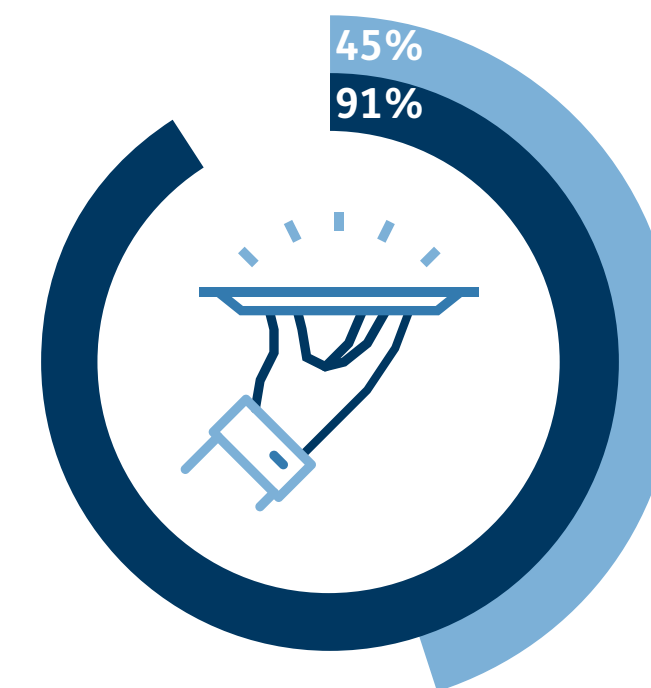
- ⌚ **64% of the Trailblazer corporate banks** seek to educate and invest in their employees to support innovation, compared to **48% on average**.



06: CLEARLY ARTICULATED CLOUD STRATEGY

This reflects the bank's stated plans (internal and external) around the use of cloud technologies, including the use of public cloud for mission-critical workloads. This is not just about using cloud in an infrastructure sense, but also around the use of containers and microservices-based architectures for software development.

- ⌚ All corporate banks in the Trailblazer group have a clearly defined cloud strategy (compared to 94% on average), and **73% plan to move mission-critical workloads** to the public cloud in 2019/20. This compares to **82% of all banks on average**.



07: AGILITY IN RESPONDING TO CHANGING CUSTOMER NEEDS

The expectations of the corporate customer are changing rapidly. The degree to which banks have the internal agility – both in terms of technology and mindset – to identify areas of improvement and then deliver rapid enhancements will play an important role in shaping the competitive landscape in the coming 12 to 24 months.

- ⌚ Within the Trailblazer category, **91% of corporate banks** see their institutions as being agile and responsive to customer needs, compared to **45% across the sector** as a whole.

Using real-time payments to create competitive differentiation

LEVERAGING RTP TO LAUNCH NEW SERVICES TOPS THE INNOVATION AGENDA

It is clear that leveraging real-time payments infrastructure to bring enhancements to corporate banking services is at the top of the industry agenda.

Unsurprisingly, given the development of both new domestic infrastructures across the continent and launch of SCT Inst in recent years, these efforts will be led by banks in Europe. In this region, 68% of banks see innovating around RTP as a top-three investment priority, and this rises to 86% of the very largest institutions (with \$200bn and up in assets). The emphasis in Europe on taking advantage of these new infrastructures is clear, and this will be a key market to watch when it comes to understanding the potential of RTP to underpin a range of new services.

ALONGSIDE SECURITY, CASH AND LIQUIDITY MANAGEMENT ARE HIGH ON THE AGENDA

The other leading priorities for the industry are to enhance security and fraud detection (a top-three priority for 46% of banks), enhancing liquidity management services (46%) and improvements to cash management (45%). Security has always been critical, of course, and the investments here will cover a range of different initiatives both inside the bank as well as to improve customer-facing services. It should be remembered that RTP is also an important catalyst for further investments to reduce the risk of fraud and financial crime.

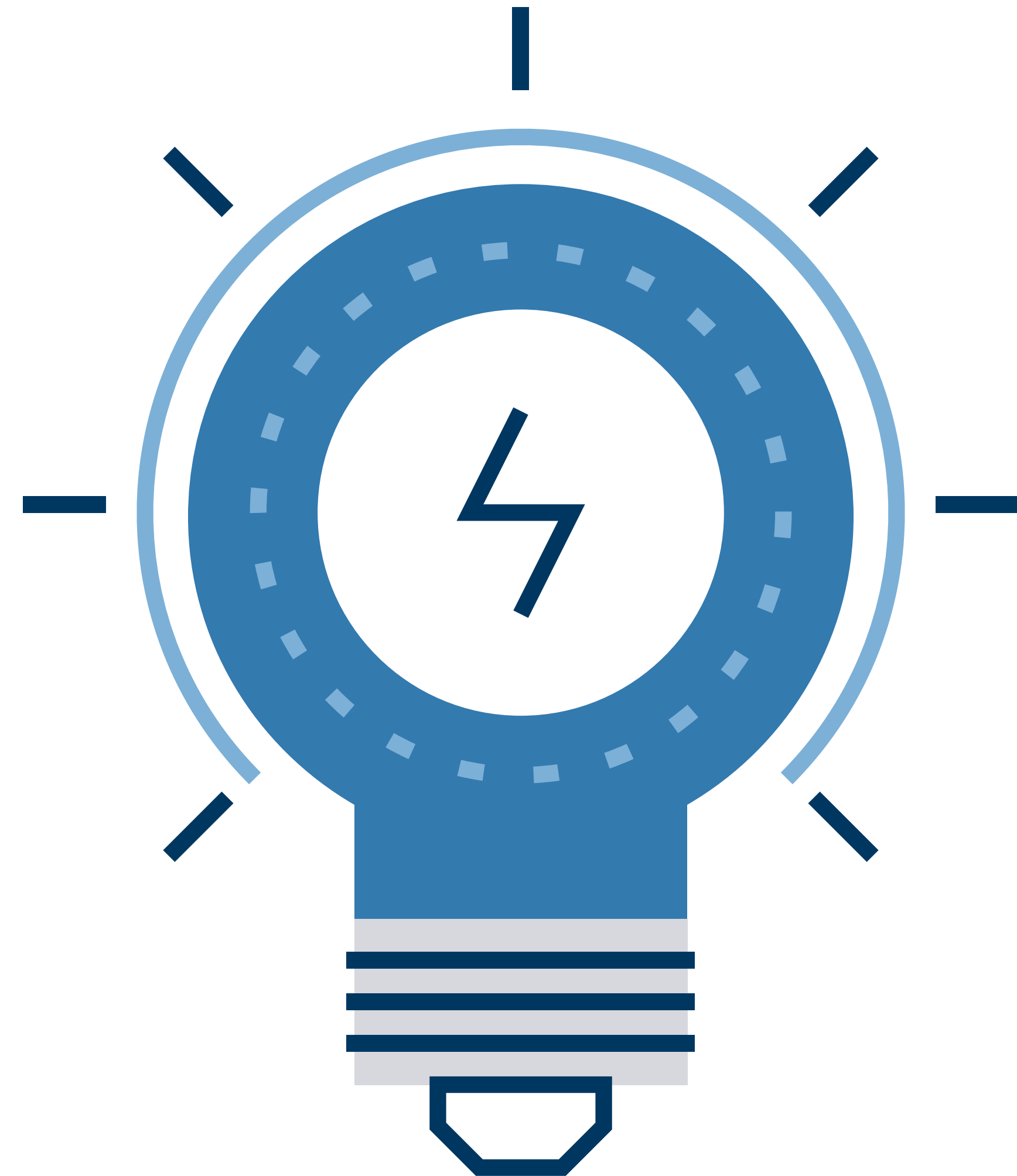
When it comes to both cash and liquidity management, the emphasis is on addressing a number of the central challenges facing corporate treasurers. Improving the visibility of cash positions (including across multiple providers), reducing the need for manual interventions in key

workflows (through improved reconciliation services or smarter routing for example), and bringing innovations such as virtual accounts to customers are all high on the agenda here. It is worth noting that RTP is also an important part of the enhancements that can be brought to these areas.

In addition, driving insights from transaction data is a core focus for 32% of banks. Clearly, this has the potential to emerge as a competitive differentiator in 2019/20.

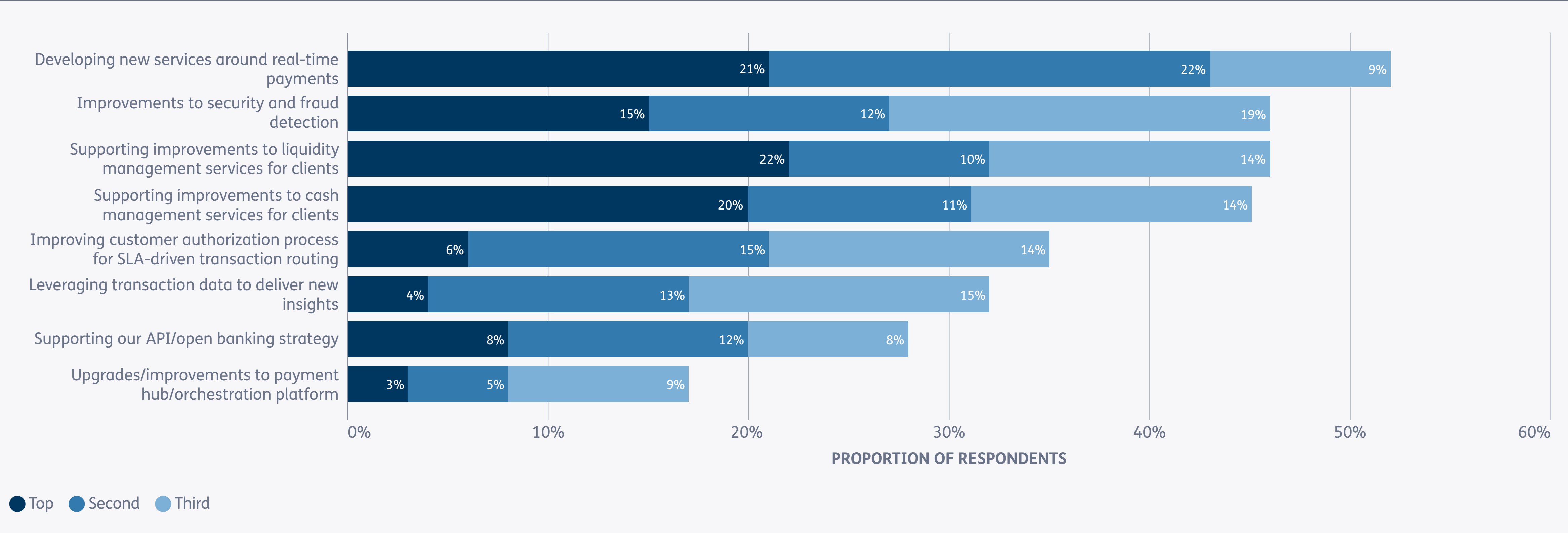


For corporate banks the goal should be to become a real-time bank across all its operations. Considerations here span core banking, liquidity management and changes to authentication and authorization processes. But with more and more real-time payments globally, real-time information is beginning to flow. Banks must be ready to manage new rich-data real-time payments in the ISO 20022 standard if they want to capitalize on the data potential. In corporate banking, fraud prevention and the associated customer experience is critical. With machine learning, the intelligent analysis and application of real-time data can be achieved.



INNOVATION LEVERAGING REAL-TIME INFRASTRUCTURE WILL BE AT THE HEART OF PRODUCT INNOVATION IN 2019/20

THINKING ABOUT YOUR INVESTMENT PLANS AROUND NEW PAYMENT SERVICES, WHAT ARE YOUR HIGHEST PRIORITY AREAS OVER THE NEXT 12 MONTHS?



SOURCE: OVUM PAYMENT INNOVATION SURVEY

OPEN BANKING WILL LEAD MANY TO EXPLORE PLATFORM-BASED APPROACHES

Despite the regulatory push around open banking being almost entirely focused on retail banking, the topic of open APIs and enabling wider access among clients to their transaction and balance data is becoming increasingly influential in the corporate banking sector. Indeed, 28% of institutions are focusing on their open banking strategies as a top-three investment priority for the year ahead. In Asia-Pacific, where the open banking conversation is developing rapidly across the region, this rises to 32%.

What is perhaps more significant is the degree to which open banking has helped to catalyze new thinking about product and service innovation among corporate banks. The influence of the developments in open banking and real-time payments over the past three to four years has been hugely important for banks. This is primarily in providing a clear need for investment in these areas but, more crucially, in strengthening the business case for what are often ambitious payment transformation projects.

OPEN BANKING IS CHANGING THE WAY BANKS APPROACH INNOVATION

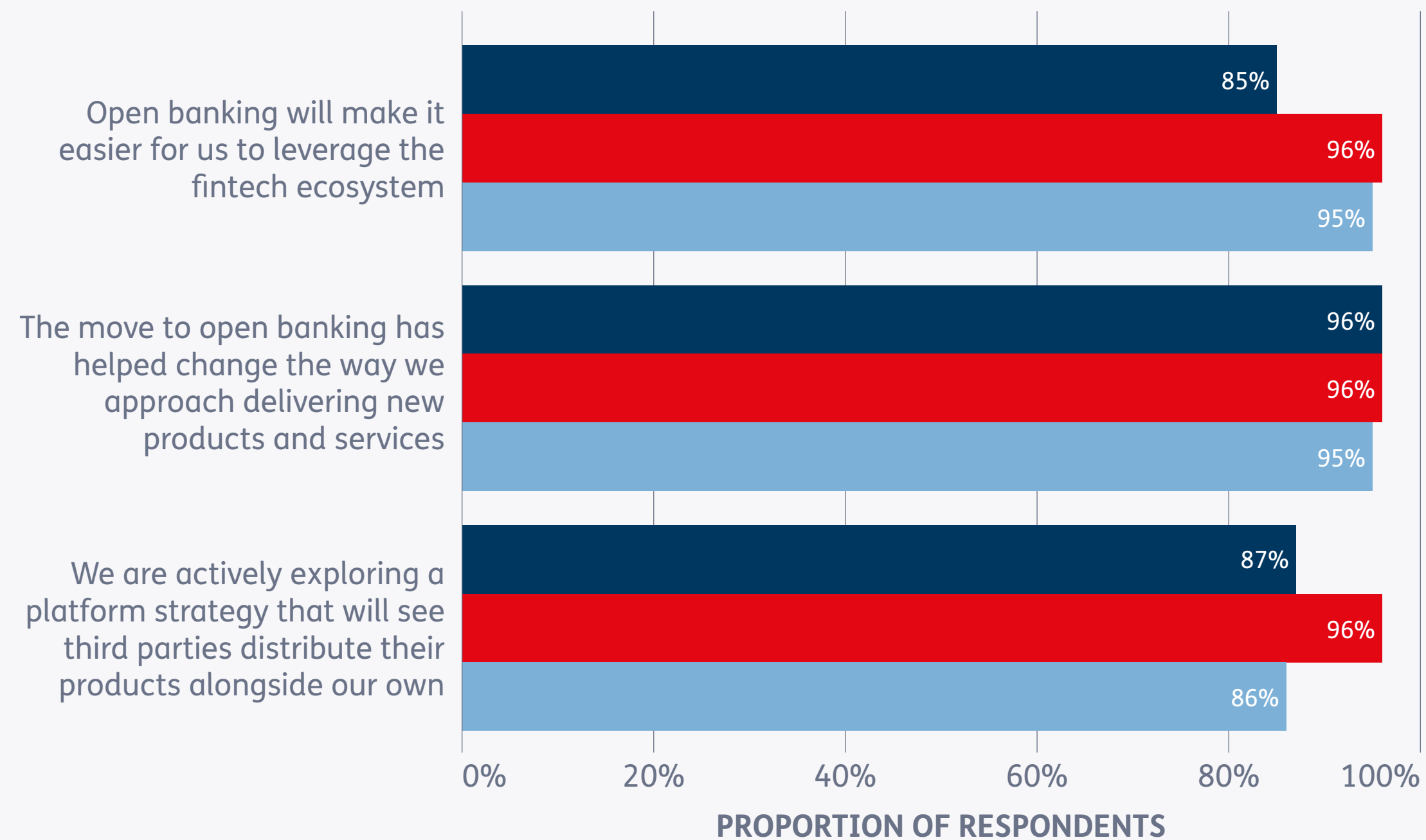
Indeed, 96% of banks report that open banking has helped change the way they approach delivering new products and services. More

revealingly, the investments made to facilitate open banking look set to drive rapid shifts in the competitive ecosystem. Across the industry, 91% believe that open banking will make it easier for them to leverage the fintech ecosystem, with 96% of those in Asia-Pacific and 95% in Europe holding this view. Interestingly, this compares to 92% among retail banks and demonstrates the degree to which open banking will change the nature of both retail and corporate banking.

Closely linked is the emergence of new thinking about platform-based approaches. Indeed, 89% of banks report that they are actively exploring a platform strategy, which will see them look to distribute the products and services of third parties alongside their own. Given the need to face up to growing client expectations as well as helping to win/maintain primary banking relationships with clients, this is a sensible approach. These activities are being more heavily driven in Asia-Pacific, where 96% of banks are active here, but the Americas and Europe are not far behind.

OPEN BANKING LOOKS SET TO CATALYZE A SHIFT TOWARDS PLATFORM-BASED STRATEGIES

PLEASE STATE YOUR LEVEL OF AGREEMENT WITH THE FOLLOWING STATEMENTS AROUND OPEN APIS IN BANKING ("OPEN BANKING"). ALL THOSE WHO AGREE



● Americas ● Asia-Pacific ● Europe

SOURCE: OVUM PAYMENT INNOVATION SURVEY

91%

Across the industry, 91% believe that open banking will make it easier for them to leverage the fintech ecosystem, with 96% of those in Asia-Pacific and 95% in Europe holding this view.



Trailblazer corporate banks demonstrate an advanced attitude towards open banking. The focus is not just how to meet regulatory criteria, but how to consume ecosystem services into their offering for their corporate customers.

Corporate customers are struggling with modern global trade that brings new complexities to their business. They look to their banking partner to deliver services that improve cash flow and access to credit, and to integrate partners that aid efficiency optimization and profitable growth across wide and long supply chains. Open banking and the platform possibilities it poses is the way to begin building towards this new era of business banking.

DRIVING GROWTH FROM DIGITAL TRANSFORMATION

The Culture of Innovation Index highlights the impact that different approaches around innovation can drive equally different product and service outcomes in practice.

The most innovative banks in the market have, or are putting in place, the building blocks for continuous improvement in the products and services they deliver to customers. Indeed, the Trailblazer banks will place their focus on two areas. The first is improving their fraud detection and security capabilities. Given heightened concerns about cybersecurity, there is a degree to which investing in this area is an absolute necessity; something reflected by the fact that 46% of all banks see this as a top-three investment priority.

However, enhancing security is also central to enabling value-added services to be developed around real-time payments. Without also investing in security, the degree to which banks can innovate is restricted. Consequently, it is no surprise that new services around RTP are a priority for 64% of Trailblazer banks.

OPEN BANKING IS AN INNOVATION DRIVER FOR CORPORATE BANKS

The other areas of focus for the Trailblazer segment are around building out their open banking strategies, and in enhancements to their payment

hub or orchestration capabilities. Clearly, having modern systems and architectures in the back office is critical to the ability of the organization to take advantage of many of these emerging opportunities.

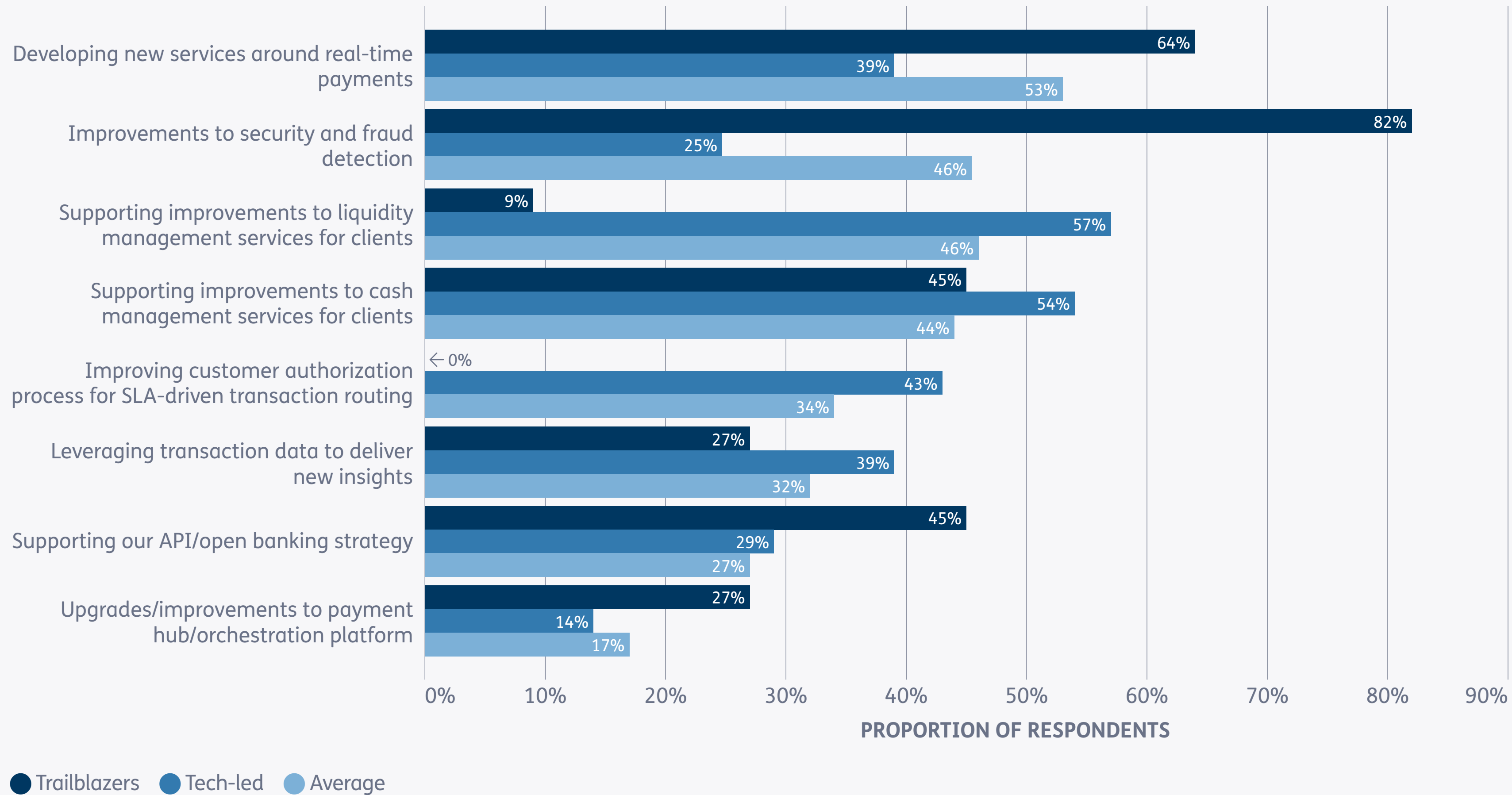
It is in these areas that the most innovative banks will create competitive differentiators in the coming two to three years. Ultimately, it is bringing new and enhanced products and services to market. This is the outcome of the process of innovation. The combination of the right cultural and organizational inputs allied to the right technology capabilities and strategy is what will enable many corporate banks to move ahead of the market.



Corporate transaction and retail banking are converging, as trends such as real-time payments and open banking present equal opportunity for businesses and consumers. With a view towards enterprise-wide efficiencies and future scalability, the corporate side of the bank must consider how to remain competitive with customer-centric innovations which take advantage of new payment types and banking models. With the corporate and merchant segments currently undergoing their own digital transformation journey, it is crucial that corporate banking providers act now to retain business and grow revenues and ensure they remain in lock-sync with their customer base.

THE BANKS THAT GET THEIR APPROACH TO INNOVATION RIGHT WILL SEE THE BENEFITS OVER THE MEDIUM TERM

Thinking about your investment plans around new payment services, what are your highest priority areas over the next 12 months? **(Retail banks)**



SOURCE: OVUM PAYMENT INNOVATION SURVEY

64%

New services around RTP are a priority for 64% of Trailblazer banks, compared to 53% of all corporate banks and 39% of those classified as Tech-led. This highlights the degree to which RTP will underpin a wave of new services.

82%

At the same time, 82% of Trailblazers are investing in enhanced security and fraud detection capabilities, demonstrating the critical role each plays in new RTP services.

NEXT STEPS – HOW TO BECOME A TRAILBLAZER

While many organizations feel that theirs does not have the necessary technology and/or financial resources to become a market leader, product innovation is now far less about IT investment than it used to be.

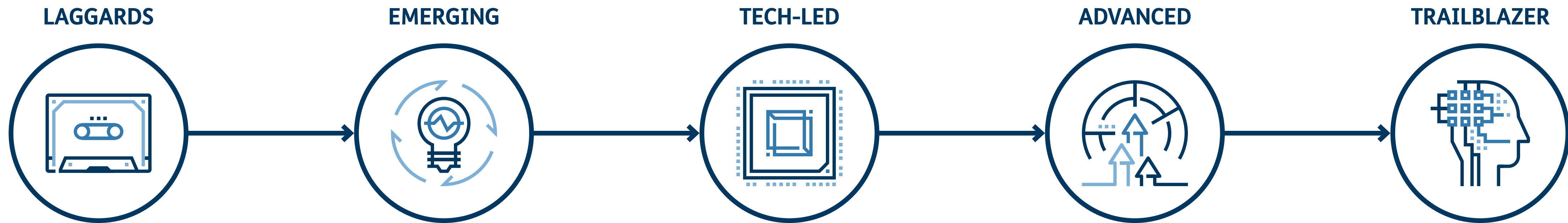
For those that see the opportunity in innovation (and understand the danger in lagging behind) there are some important steps that need to be taken in order to become a Trailblazer.



Corporate customers are playing a crucial role in driving their banking providers to develop value-added payment services. The potential efficiency gains from data-rich, real-time payments messages seamlessly integrated with corporate treasury and finance systems will drive value to their bottom line, while real-time, transparent information will help improve business decision-making.

It's crucial that corporate banks focus in these areas. An already competitive market is becoming disrupted by the entrance of agile fintech companies. For banks lagging in innovation, a key step will be removing some of the inefficiencies of siloed payment systems and processes. Tech-led innovators can create greater integration with their customer base with open-APIs while Trailblazers must ensure that innovation is not delivered at the expense of the security standards required for processing high-value transactions.





CHALLENGE

Banks in this category are behind the curve and risk losing their market position as competitors and new entrants offer superior products and services.

ACTIONS

- Take steps to determine your future strategy and business model.
- Consider whether your senior product and IT management has the skills and appetite to drive real change in the organization.
- View your IT function as a potential enabler and driver of innovation, rather than a cost center.

CHALLENGE

Those in the Emerging group typically have a strong culture within the organization around innovation, but have yet to convert this into a consistent series of outputs.

ACTIONS

- Ensure full alignment between IT, product and central innovation functions, restructuring the IT function if necessary.
- Encourage active collaboration across the whole organization, with strong executive sponsorship.
- Consider partnering with vendors or consultancies to test and launch new concepts.

CHALLENGE

IT investment and product innovation is typically led or managed by the IT group, with relatively little cross-company collaboration or input.

ACTIONS

- Build or enhance the internal functions that shape and coordinate the process of product and service innovation
- Ensure that activities around product development and opportunity identification are truly cross-organizational, and that employees are given the opportunity to participate and receive training where necessary.
- Bring together stakeholders from across the business to collaboratively shape a clear product strategy

CHALLENGE

Corporate banks in this group are performing more strongly than many in the market, but are still beginning to fall behind the most innovative competitors and some new entrants.

ACTIONS

- Invest time and resources in setting the right culture around innovation to ensure that all employees are encouraged to participate in the process
- Continue to empower IT groups to experiment with new ideas and technologies
- Take risks with new products and do not be afraid to fail. Learning from mistakes is essential to becoming truly innovative.



Discover use cases for innovation on real-time rails and open banking at every stage of the payments value chain.



Download the whitepaper
 “Get More From Real-Time Payments”.

Methodology

The purpose of Ovum's Culture of Innovation Index is to investigate how enterprises today consider the concept of innovation and how each organization is responding to the opportunities and challenges in today's market.

The research is based upon a global survey of 1,163 enterprises, which was conducted in 2Q19. These interviews covered a range of topics relating to two broad themes.

01: INPUTS TO THE INNOVATION PROCESS

The cultural and organizational drivers of innovation, particularly the way that the organization is structured with respect to identifying changing customer needs, competitive challenges, and new market opportunities.

02: OUTPUTS FROM THE INNOVATION PROCESS

The outcomes from the process, in terms of factors such as the adoption of and investment in emerging technologies, as well as specific product innovation relating to the business area in question.

THE CULTURE OF INNOVATION INDEX

Across the study, the responses to over 100 individual questions were scored and weighted to produce combined scores for each of the Input and Output categories. While the Input scores are fully comparable across each sector, the Output group includes a dedicated focus on product innovation relative to the specific business area.

Interviews: 117 were senior payments and payment strategy directors in corporate banks or corporate banking functions within universal banks.

COUNTRY COVERAGE

AMERICAS		ASIA-PACIFIC		EUROPE		ASSETS IN \$	
	52		28		37		
Argentina	1	Australia	5	Belgium	2	>\$200bn	14
Brazil	25	China	5	France	6	\$100bn-200bn	31
Canada	3	India	8	Germany	4	\$50bn-100bn	31
Mexico	2	Malaysia	4	Italy	4	\$10bn-50bn	43
United States	21	Singapore	5	Luxemburg	2		
		Thailand	1	Netherlands	3		
				Spain	1		
				United Kingdom	15		

Appendix

OVUM CONSULTING

Ovum is a market-leading data, research, and consulting business focused on helping digital service providers, technology companies, and enterprise decision-makers thrive in the connected digital economy.

Through our 150 analysts worldwide, we offer expert analysis and strategic insight across the IT, telecoms, and media industries.

We create business advantage for our customers by providing actionable insight to support business planning, product development, and go-to-market initiatives. Our unique combination of authoritative data, market analysis, and vertical industry expertise is designed to empower decision-making, helping our clients to profit from new technologies and capitalize on evolving business models.

Ovum is part of Informa Tech, a B2B information services business serving the technology, media, and telecoms sector. The Informa group is listed on the London Stock Exchange.

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help your company identify future trends and opportunities.

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Kieran Hines is Head of Industries at Ovum, leading the technology research and portfolio development across its three pillars: financial services (retail banking, corporate banking, payments, and insurance), public sector (government and education), and telecoms & media technology.

He also leads the Financial Services Technology team. Within this, his personal research area is payments, particularly bank technology strategy around areas including real-time payments, open banking and digital commerce.

ACI WORLDWIDE

ACI Worldwide®, the Universal Payments® (UP®) company, powers electronic payments for more than 5,300 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries, as well as thousands of global merchants, rely on ACI® to execute \$14 trillion each day in payments and securities. In addition, myriad organizations utilize our electronic bill presentment and payment services. Through our comprehensive suite of software solutions delivered on customers' premises or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience.

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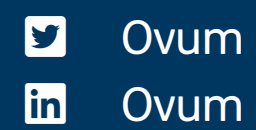


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