



**Research on model of financial service innovation process based on 2011-2013 date modules**

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**ABSTRACT**

*With the advent of globalization, the rapid development of IT technologies and the changes of financial regulatory system, Chinese financial industry is facing enormous challenges and opportunities. Thus, service innovation in finance becomes more and more important. Based on case studies, this paper discusses the innovation process of financial service innovation.*

**Key words:** financial service; service innovation; innovation process; process model

**INTRODUCTION**

The financial services industry has become one of the most important growths in the world economics. The economic pattern shift from the traditional industrial economy to knowledge economy gradually, which become a new growth model propeller and a the key industry of knowledge service industry. Also the degree of its development is often seen as the typical level in producer services development and the economic development of a country plays an important role in the domination.

Based on the empirical analysis of economic growth in 2011-2013, we can find that it founded in many other new countries over the past 3 years. Among this the fastest growth and the slowest growing countries, the index of growth rate is about 5 percentage points, only the financial development of this one will explain this gap to 20%. From the beginning of 2011 to the end of the 2013, developed countries in North America, Western Europe and other financial sector began a "revolution in financial services", which namely the financial innovation in Western countries. This wave of reform exerted a tremendous influence on the world economy and finance.

The Internet financial industry	The total amount of investment(US\$ M)	The number of cases
P2P	99.56	8
Financial IT service	704.79	29
Financial net sales	494.58	7
Financial search and consulting	51.00	10

**Fig1 . The data of cast enterprise data in Internet financial industry**

At the same time, the theory about the study of financial innovation is mainly from the macro level, industry level, so the financial service innovation study from the point of view of project level is still obviously insufficient. From the theory and practice of development in 2011-2013, the research on financial service innovation becomes significant. In this paper, we will base on the previous studies and combine with the project practice of financial innovation, explore the innovation process of financial service industry in 2011-2013.

**CHARACTERISTICS AND RESEARCH STATUS OF FINANCIAL SERVICES**

Different from the manufacturing code which provides products and different from the non knowledge services which have intensive common product, the provision of financial services products mainly have the following four characteristics:

**Invisible.** The first one is invisible (Intangibility). Financial service products is mainly regarded as a process rather than a object (Despite the service management and service marketing process have the possibility to make some tangible, intangible products, such as bank credit card). The nature of intangible services have great influence on the financial service innovation: To a large extent Innovation, service is a concept of "innovation", and it has no tangible production technology innovation in this link.

**Synchronization.** The second is the synchronization (Simultaneity) of the production and consumption. The process that the front desk staffs provide services to the customer is also a process of customer enjoys the service, so the financial service production and consumption are difficult to be separated in time. This requires customers to participate in the financial innovation process in a positive, cooperative attitude. As a bridge between the financial enterprise and customer tasks, the interaction between them and the customer, the front desk staff is the key factor to influence the financial innovation.

**Heterogeneity.** The third one is the heterogeneity (Heterogeneity). Because the financial services is in direct contact with the front desk staff and customers of the situation, in the absence of management services agreement (management agreement) and no suitable organizational learning environment, it will affect the customer easily for its staff changes.

**Knowledge-intensive.** The fourth one is the knowledge-intensive (Knowledge-intensive). The financial industry is the process to provide services to customers, which contains the latent knowledge transferring. The Knowledge transferring has decided that the customer resources are necessary for innovation of financial enterprises. Also, the customers' participation in the innovation process is the most prominent characteristic of financial innovation.

Because of these characteristics of financial services products, the industry is always the focus of empirical research service management in related field. Also, many scholars have done some research on service innovation, which starting from the study of the financial services industry. Based on a series of covering banking and insurance industry, this thesis will summarize the proposed period of service innovation evolution. Because each phase of the cycle and manufacturing product opposite to the life cycle sequence, the paper will provides a starting point as we understand the financial service innovation from the industry level.

#### THE FORWARD SERVICE INNOVATION PROCESS THEORY

Service innovation is to improve and reform the existing service process and service products. In the service process of new ideas and technology, The service enterprise will improve the service quality and service efficiency in order to create new value for customers, in the following years, and the enterprise's competitive advantage. Compared with the technology innovation, service innovation has the following main features:

Firstly, the service innovation is the innovation of customer oriented, among which, the customer demand is the starting point of innovation according to the data of 2011-2013.

Secondly, service innovation is more flexible, and don't need a united platform. The innovative dimensions are from much aspect.

Thirdly, we can see from the data of 2011-2013, the service innovation process involves complex interactions. including enterprise and customers, suppliers. There are lots of interaction between departments within the enterprise, because of service innovation.

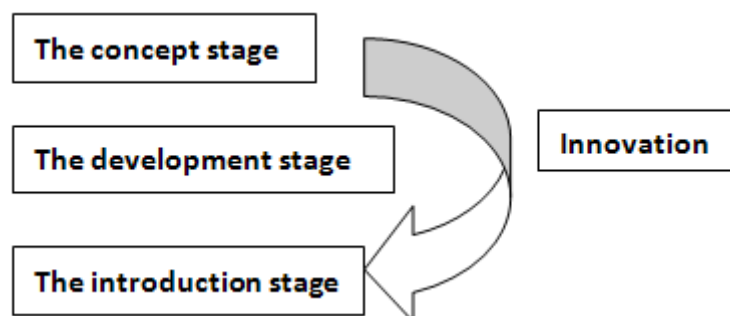


Figure 1. The model of innovation process

### THE MODEL OF FINANCIAL SERVICE INNOVATION PROCESS

In this study, financial service innovation process is divided into three stages: the concept stage, development stage and the stage, mainly by the service enterprise employees, the employees and customers' three participants. Though each participant participates in different stages, their objectives are different, as shown in figure 1.

**The concept stage.** In this stage, it mainly includes three parts, the generation of new service idea, the structure and development of the concept and the test of concept. The concept stage is shown in Fig2.

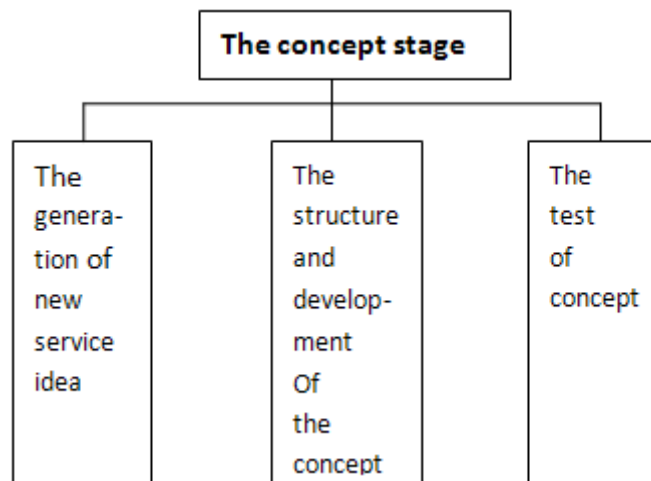


Fig 2. The concept stage

**The generation of new service idea.** According to the difference of trigger source, H.K.Tang divided the innovation model into two groups: one is the creative problem solving model, another is the new service development model. Similarly, the two cases are also financial enterprises: one is the specialized innovation produced in order to solve a particular problem of customers; the other is a new service development in enterprise strategic planning guidance.

Specifically, the source and the thought is mainly from two channels: internal and external. Internal channels include: the marketing department, front desk staff, and the background research and development personnel. External channels include: the customer, technology supplier. Mainly refers to information and communication technology (ICT), such as process innovation and the other, such as the laws and regulations of the government, competitor may also become innovative triggering factor. Service innovation ideas will be many, but not every idea is feasible, which requires optimizing many creative.

**The structure and development of the concept.** Any new service development process must start from the exact expression of the development and strategy of the concept. A great new service design starts from here and it guides the whole service innovation, and the new service development effectiveness and efficiency are also included."

**The test of concept.** The study found, most financial institutions have taken the new service evaluation committee to test and evaluate the service concept.

Evaluation committee will often invite some VIP customers and new service provider participation concept design inspection, test their reaction to the new service is the key concept of inspection. The concept of the testing of new service products is a carefully designed research technology, the potential users will assess from the following points: (1) whether the services were provided by the understanding of the financial institutions, (2) have good response to this service, (3) felt the service provides benefits to meet their own needs. Investigation of the procedures can help eliminate those who cannot attract customers of the product concept, but also help improve the concept of attractive products and increase the available customer benefits.

**The development stage.** In this stage, it includes three parts: business analysis, the design and operation of services, personnel training. The development stage is shown in Fig3.

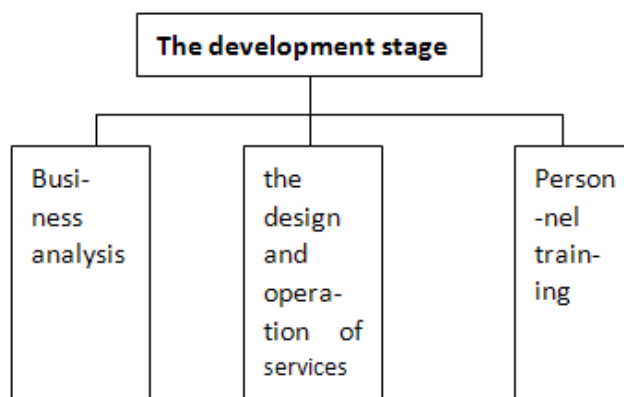


Fig 3. The development stage

**Business analysis.** After the reorganization of the new service concept, it moves into the business analysis stage. For financial institutions, business analysis is mainly on the new suit. This activity is mainly carried out by research of financial institutions, such as capital, bank insurance actuarial department etc. The front desk staff and customers at this stage almost no involvement.

**The design and operation of services.** The service delivery system is complete with the structure and development. The core activities of the service system development include: the customer's requirements of different level in the service concept; an exhaustive evaluation of the existing service system, identify improvement, supplement or new resources; comprehensive, detailed description of the design of the new service delivery process.

**Personnel training.** In order to make the whole stage of development is more complete, the entire employee must be familiar with the new service products. The results of the investigation show that, it is very important for new product success. Often a new service product failure is due to the fact that employees are not sales and transfer the enterprise services and have appropriate training.

**The introduction stage.** In this stage, it mainly has three stages: that are small scale test, market delivery system and tracking improvement. The introduction stage is shown in Fig4.

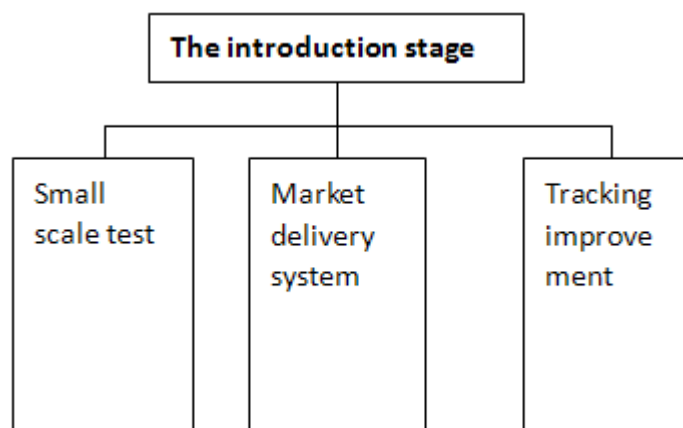


Fig 4. The introduction stage

This is the last phase of the financial service innovation process, including performance evaluation and longtime tracking improvement. According to the collection of all kinds of information services in the commercialization process, including customers, employees, competitor reactions, the evaluation of the new service is from different angles, such as the profitability evaluation, marketing means of evaluation, the customer satisfaction degree evaluation, service staff skills assessment, service environment and facilities evaluation etc. Through the evaluation of various factors, involving enterprises, we'd like to meet the service delivery process modification and adjustment in different degree, so as to improve customer perceived service quality. Because of the special structure of financial industry, financial service innovation is gradually extended from the top to the bottom. For branches in different geographic locations, the general should be readjusted according to the specific economic situation, and the tracking process may take up to 2-3 years. It is worth noting here is that, the projects in the process of innovation have the

multiple feedback loops. At some point, according to the customer and the front desk staff information feedback, it may adjust the front of one or several links, looking for a better solution. The new service is on the market, when the feedback problem and technology updates accumulated to a certain extent, it will lead to full upgrade the overall system innovation. In this stage, it mainly has three stages: that are small scale test, market delivery system and tracking improvement.

### CONCLUSION

With the advent of globalization, the rapid development of IT technologies and the changes of financial regulatory system, Chinese financial industry is facing enormous challenges and opportunities in 2011-2013. Therefore, service innovation in finance becomes more and more important in 2014 and the future.

The starting point of this study is to explore the financial service innovation. Based on the literature review and case study of 2011-2013, from the innovation of order and innovation participants proposed the innovation process model, the innovation phase is divided into conceptual stage, development stage and the stage; including enterprise innovation participants back office staff, front desk staff and customers.

The financial enterprise customer group can be subdivided, such as manufacturing and service industry, or large enterprises and small and medium-sized enterprises. Also, innovation process model should change, which is depending on the differences in the application of specific customers. In addition, based on the financial service innovation process and its inherent mechanism, it can continue to explore how to manage and control the process of innovation, such as new product development (NPD) and new service development (NSD) in the "stage gate management" technology, which are for further research provides extended space.

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