

Why Collaborating, Not Competing, is the Future of Banking Innovation (Bloomberg Briefs)

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Jean-Francois Denis, deputy head of cash management at BNP Paribas, discusses how co-developing products for corporate treasurers with up and coming fintech firms is the way forward.

The English poet John Donne famously wrote that "no man is an island." Established banks and new entrants alike would do well to heed Donne's message as new technologies and disruptive ways of working transform the corporate treasury landscape. Such change inevitably breeds both challenge and opportunity for service providers; the winners will be those that adopt a collaborative mindset and drive co-development.

The test facing service providers is simply stated: "Is my offer relevant?" In responding to this question, the starting point is of course the client. Increasingly influential in their businesses, today's corporate treasurers are eager for more control, transparency and simplicity. Simultaneously, they are looking for new growth drivers and increased efficiencies.

To achieve these objectives, treasury teams are revisiting their business models to examine how they can run their operations more effectively and more efficiently. Prompting this review of established models is the emergence of new players, such as fintechs, and new technologies. New ideas and more choice have in turn prompted established players, such as the banks, to respond and up their game.

Healthy competition is nothing new. What is new though is how service providers are actually not competing, but instead are co-developing. By way of illustration, a corporate client needs a transaction banking solution that is fit for purpose. Fintechs often have great ideas that address a specific part of the value chain. What's missing is that they need to anchor this idea within the entire end-to-end process.

Cue the banks.

Established banks can play the integrator role: creating the connections to enable all parties to work together to deliver a better service for the client. More than a simple sum of expertise, co-development is the true driving force behind innovation that matters because it enables the contributions of all stakeholders to be integrated into relevant business models that will generate new value streams for corporate treasury teams. We have embarked on several initiatives to illustrate this new collaborative approach. E-commerce, for example, is a fertile ground for innovation; there, we support effective, secure models that deliver a high quality customer experience and, ultimately, growth.

We are exploring entirely new business models that over time will replace the traditional ones.

E-marketplaces are a good illustration of this whereby they bring together buyers and sellers together on one online platform.

So today, we chose to focus on developing a growing number of e-marketplaces that welcome all merchants and facilitate customer orders and payment on their behalf. To achieve this, we are offering Credit Institution Agency status to online marketplace clients, providing the necessary support to enable marketplace operators to conduct their business and help them comply fully with the regulations issued by ACPR, the French Prudential Supervision and Resolution Authority. In France alone, around one third of French retailers wanting to sell online join a marketplace, and the activity reached an annual growth of 58 percent in the second quarter of 2015 as a result.

Another area of innovation is of course fintechs. While banks focus on designing and operating reliable factories that process millions of payments every day, fintechs bring innovative solutions to specific, sometimes micro, levels of the supply chain. We recognize the value that fintechs bring and are adapting our approach as a result. If a fintech offers a solution that brings efficiency to our setup, we'll look at ways we can work together with them. If another offers a valuable disruptive service, we'll create a new offering or model. Our level of co-development with fintechs varies from joint studies, to proof-of-concepts, to full product offerings.

Some innovation is clearly market driven, like the SWIFT Global Payments Innovation Initiative (GPII) that focuses on meeting client expectations on key issues including tracking, transparency, and pre-predictability of time and cost in cross-border payments. The initiative comes at a time when corporates and regulators are pushing for improved payment services and banks are rationalizing their correspondent networks.

In summary, the new world of corporate treasury is in many ways complex and challenging, but a simple goal for providers endures: deliver more efficient and effective responses to clients. To achieve this goal, co-development is king; no man, no bank, and indeed no fintech can afford to be an island.

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