

## Innovations in Banking - US - November 2014

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“Innovation is not only defined by new technology or new products, but by a new way of thinking as well. While the banking industry is certainly knee-deep in the work of utilizing new technology to develop new products, it is doing so in the context of the new ways people – and the industry – are looking at banking.”  
 – Robyn Kaiserman, Financial Services Analyst

### This report looks at the following areas:

- Where are the opportunities for innovation in the banking industry?
- How can innovation help banks ensure the relevance of branches?

Banks are under pressure to innovate – or at least they feel like they are. Young consumers are demanding more mobile features and less traditional banking options are offering them to them. Banks are responding by offering their own mobile features and also introducing new innovations in areas such as branch design and communications. Some have become actively involved in training young people in financial literacy and have developed innovative educational initiatives that will not only produce better-educated customers but begin building a relationship young people will carry with them as they become adults.

While there seems to be little danger that established customers will leave their traditional banks, there may be real danger that nontraditional banking alternatives will attract their fair share of new young customers as they enter the banking world. This is the reason traditional banks need to be concerned and to continue to expand their technological and service offerings; if they don't, they face the prospect of attracting fewer of the people they need for their future customer base.

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How can innovation help banks ensure the relevance of branches?

Issues

Implications

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Key points

Number of young people is increasing

Figure 8: US population by generation, 2009, 2014, 2019

Growth of mobile technology ownership

Banks are closing branches

Figure 9: Number of offices (including branches) of FDIC-insured savings and commercial banks, June 30, 2005-14

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Key points

Nontraditional bank options

Online-only banks

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Ally Bank

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Simple

Moven

Walmart/GoBank

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Figure 47: Downloaded mobile app, by generation, September 2014

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Responses about advanced banking activities (B):

Responses about using branch-based technology (D):

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### Key points

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Figure 59: Attitudes toward banking innovations, by gender, September 2014

#### Innovation may win young customers

Figure 60: Attitudes toward banking innovations, by age, September 2014

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### Key points

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Figure 61: How comfortable using new products/services – Any comfortable, by gender, September 2014

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