



MODEL OF NEW FINANCIAL SERVICES DEVELOPMENT

Mojca Nekrep, Ph.D., and Jože Glogovšek, Ph.D.



Introduction

- Innovation as the essential part of business success in financial sector.
- The share of financial intermediation, real estate and business services in Slovenia in 2009 > 20 % of GDP.



The purpose of the research

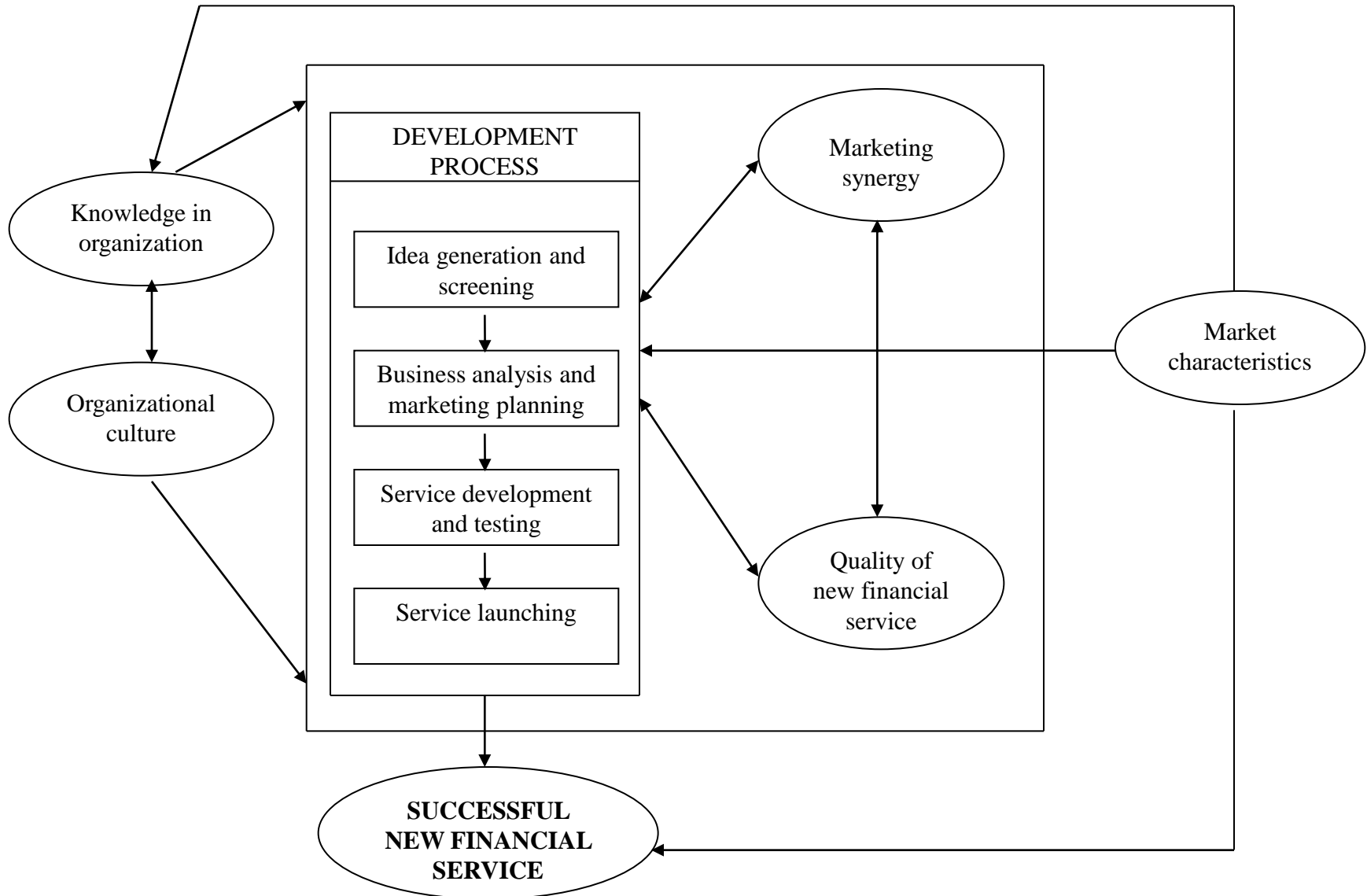
- To develop an innovation model for the development of new financial services.
- To establish, which activities of the development process and which factors are crucial for the financial services success.



Creating the model

- Find out the most important factors from previous research in the new financial services development:
 - Development process,
 - Market characteristics,
 - Marketing synergy,
 - Services quality,
 - Organizational culture,
 - Knowledge management.

The model



The model

- The model shows the interrelatedness between the new financial services development process, 4 internal and 1 external factors that influence the process implementation.
- The new financial services **development process** is the core of the model.
- It consists of four stages with several activities. The stages are:
 - Idea generation and screening,
 - Business analysis and marketing planning,
 - Services development and testing,
 - Services launching.

The model

- The **marketing synergy** and **services quality** affect the development process. They have a significant influence on each other, too.
- **Market characteristics** are an external factor with the impact on the development process and new service success. It has the influence on marketing synergy, services quality and knowledge.

The model

- **Organizational culture and knowledge management** are factors with a direct influence on development process, marketing synergy and service quality.
- Mutual effect between organizational culture and knowledge management is significant.



The research methodology

- Data for hypotheses testing collected using a questionnaire.
- Questionnaire for managers from marketing and development departments of financial institutions in Slovenia concerning successful and unsuccessful new financial services.



The research methodology

- Financial institutions in Slovenia included in the survey:
 - Banks and saving banks,
 - Insurance and reinsurance companies,
 - Pension funds,
 - Brokers.



The research methodology

- The limitation of the research was the market size – small financial market in Slovenia.
- From 186 questionnaires sent to financial institutions, 60 completed questionnaires were collected (38 for successful, 22 for unsuccessful new financial services).



The research methodology

- Four dimensions of innovativeness were identified:
 - Improvement of existing financial services,
 - New financial services for the financial institution,
 - New financial services for the financial institution and customers in the Slovenian market,
 - Completely new, unique financial services in world's markets.



The research methodology

- Each activity in stages of the development process represented an independent variable for further analysis.
- Performance of activities and factors affecting the financial services success was measured on the 9-point Likert scale.
- The success level was measured with different indices on 11-point Likert scale.



The research methodology

- Variables describing activities in development process, internal and external factors and success indices were combined into factors with a Factor analysis.
- The correlation and discriminant analysis were used for the hypotheses testing.



Hypotheses, data analysis and results



Hypotheses for development process

- H_1 : There is a positive correlation between the stages of the development process and success indices.
- H_2 : Market launching is the most important stage for the new financial services success.



Correlation analysis for testing H_1

- Correlation analysis between stages of the development process and success indices:
 - Individual stages of the development process have different influence on success indices.
 - The highest is correlation between service launching and success indices.

Correlation coefficients between stages in development process and success indices

Factor	Market share	Profit	Customer satisfaction	Employee satisfaction	New opportunities
Ideas (CC)	0.286	0.327	0.206	0.220	0.380
Analysis (CC)	0.374	0.340	0.285	0.327	0.373
Develop. testing (CC)	0.111	0.146	0.150	0.138	0.222
Launching (CC)	0.472	0.487	0.393	0.463	0.516

Results of correlation analysis for H_1

- The correlation between stages of development process and success indices is positive and significant for three of four stages (Ideas, Analysis, Launching). Hypothesis H_1 can be confirmed.

Discriminant analysis results for H₂

Factor	Value of discriminant coefficients
Service launching	0.804
Idea generation and screening	0.446
Business analysis and marketing planning	0.341
Service development and testing	0.160

Discriminant analysis results for H₂

- The most important stage of development process is service launching, the least important is service development and testing.
- The Hypothesis H₂ can be confirmed.



Hypotheses for influencing factors

- H_3 : There is a positive correlation between internal factors (marketing synergy and financial service quality) and external factor (market characteristics) and success indices.



Correlation analysis for testing H_3

- Correlation analysis between internal and external factors and success indices:
 - The highest is correlation between market characteristics and success indices.

Correlation coefficients between synergy, market characteristics and service quality, and success indices

Factor	Market share	Profit	Customer satisfaction	Employee satisfaction	New opportunities
Synergy (CC)	0.266	0.431	0.310	0.370	0.268
Market (CC)	0.481	0.532	0.458	0.587	0.514
Quality (CC)	0.269	0.341	0.398	0.447	0.412

Results of correlation analysis for

H_3

- Marketing synergy is positive and significant correlated with all success indices, the highest is the correlation with the profit.
- Market characteristics are a factor with the highest correlation with success indices. The factor affects the achieved employee satisfaction the most.
- Quality of new financial services is positive and significant correlated with all five success indices, the highest is the correlation with the employee satisfaction.
- Hypothesis H_3 can be confirmed.

Hypotheses for influencing factors

- H₄: Among the investigated factors (i.e. marketing synergy with existing sources in a financial institution, market characteristics and new service quality), marketing synergy has the greatest influence on success.

Discriminant analysis results for H₄

Factor	Value of discriminant coefficients
Market characteristics	0.985
Marketing synergy	0.528
Quality of new financial service	0.390

Discriminant analysis results for H_4

- The most important factor is market with its characteristics, the next one is marketing synergy and the least the quality of new services.
- The Hypothesis H_4 has to be rejected.



Hypotheses for influencing factors

- H_5 : There is a positive correlation between marketing synergy and new financial services development process, between service quality and new financial services development process, and between market characteristics and new financial services development process.



Correlation analysis for testing H_5

- Correlation analysis between stages of the development process and internal and external factors.

Correlation coefficients between the new financial services development stages and internal and external factors

Factor	Ideas	Analysis	Development and testing	Launching
Synergy (CC)	0.515	0.513	0.324	0.559
Market (CC)	0.459	0.425	0.345	0.603
Quality (CC)	0.279	0.388	0.397	0.488
Culture (CC)	0.469	0.560	0.525	0.313
Knowledge (CC)	0.432	0.468	0.594	0.333

Results of correlation analysis for H_5

- The correlation between marketing synergy, service quality, market characteristics and stages of new financial services development process is positive and significant for all stages.
- Hypothesis H_5 can be confirmed.

Hypotheses for influencing factors

- H_6 : There is a positive correlation between organizational culture and stages in the new financial services development process.
The correlation is the most significant in the stage of service development and testing.
The correlation between organizational culture and marketing synergy, and organizational culture and service quality is also significant.

Hypotheses for influencing factors

- H₇: There is a positive correlation between knowledge and stages in the new financial services development process.

The correlation is the most significant in the stage of service development and testing.

There is also a positive correlation between knowledge and service quality, and knowledge and market characteristics.

Correlation coefficients between internal and external factors

Factor	Synergy	Market	Quality	Culture	Knowledge
Synergy (CC)	1	0.580	0.529	0.481	0.362
Market (CC)	0.580	1	0.390	0.280	0.365
Quality (CC)	0.529	0.390	1	0.424	0.422
Culture (CC)	0.481	0.280	0.424	1	0.823
Knowledge (CC)	0.362	0.365	0.422	0.823	1

Results of correlation analysis for H_6

- The correlation between organizational culture and development process is positive. The first part of hypothesis H_6 can be confirmed.
- The strongest is the correlation with the stage of business analysis and marketing planning and not the stage of service development and testing. The second part of hypothesis H_6 has to be rejected.
- The correlation between organizational culture and marketing synergy and services quality is significant. The third part of hypothesis H_6 can be confirmed.

Results of correlation analysis for H_7

- The correlation between knowledge and development process is positive.
- The correlation is the strongest with the stage of service development and testing.
- The correlation between knowledge and services quality and between knowledge and market characteristics is positive.
- The hypothesis H_7 can be confirmed.



Conclusion

- Innovation activities of financial institutions in the Slovenian financial market are less developed than those in more developed financial markets.
- New financial services launching appeared to be the most important stage of the development process in Slovenian market.
- Market characteristics are the most important factor for the success of new financial services.

Conclusion

- The developed model presents a good theoretical framework for the assessment of the weaknesses in the innovation process in Slovenian financial institutions.
- The results of the study are useful for establishing the activities and support factors which financial institutions in the Slovenian financial market have not been able to develop.



Conclusion

- These activities and factors weaken innovation activities of financial institutions and the success of new financial services.



Thank You for Your attention.