



JP@JPNicols.com


425-522-3579

**NEXT
MONEY**

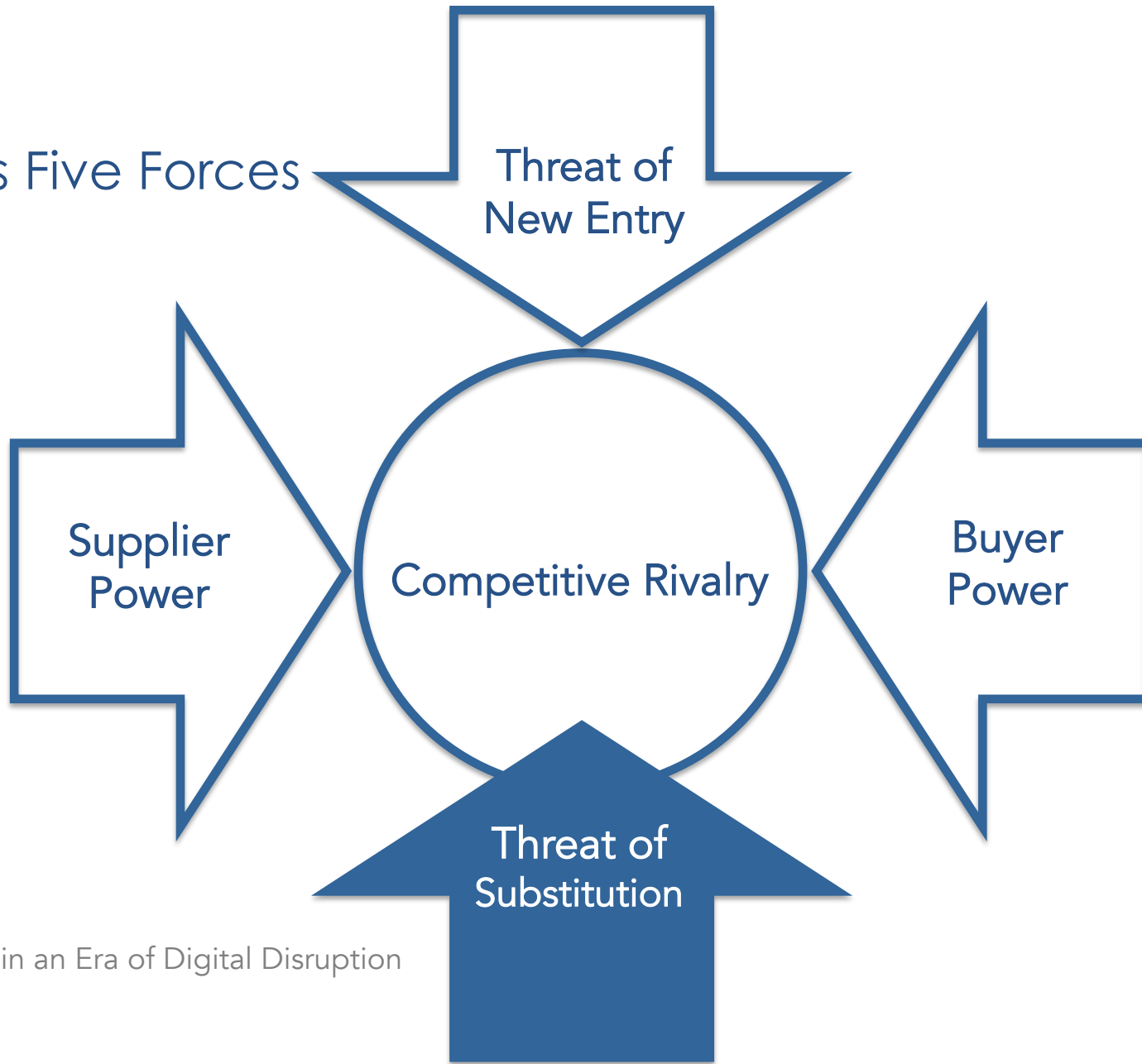


**BREAKING
BANKS**

jpnichols.com

- 1) Thriving in a World of Digital Disruption
 - 2) Leading Through Change
 - 3) Innovation 101
 - 4) Becoming Truly Customer-Centric
 - 5) Finding competitive white space
- 
- A hand holding a white marker is shown on the right side of the chalkboard, appearing to have just finished writing the fifth item of the list. The hand is wearing a blue and white striped shirt cuff.

Porter's Five Forces



Unbundling of a Bank



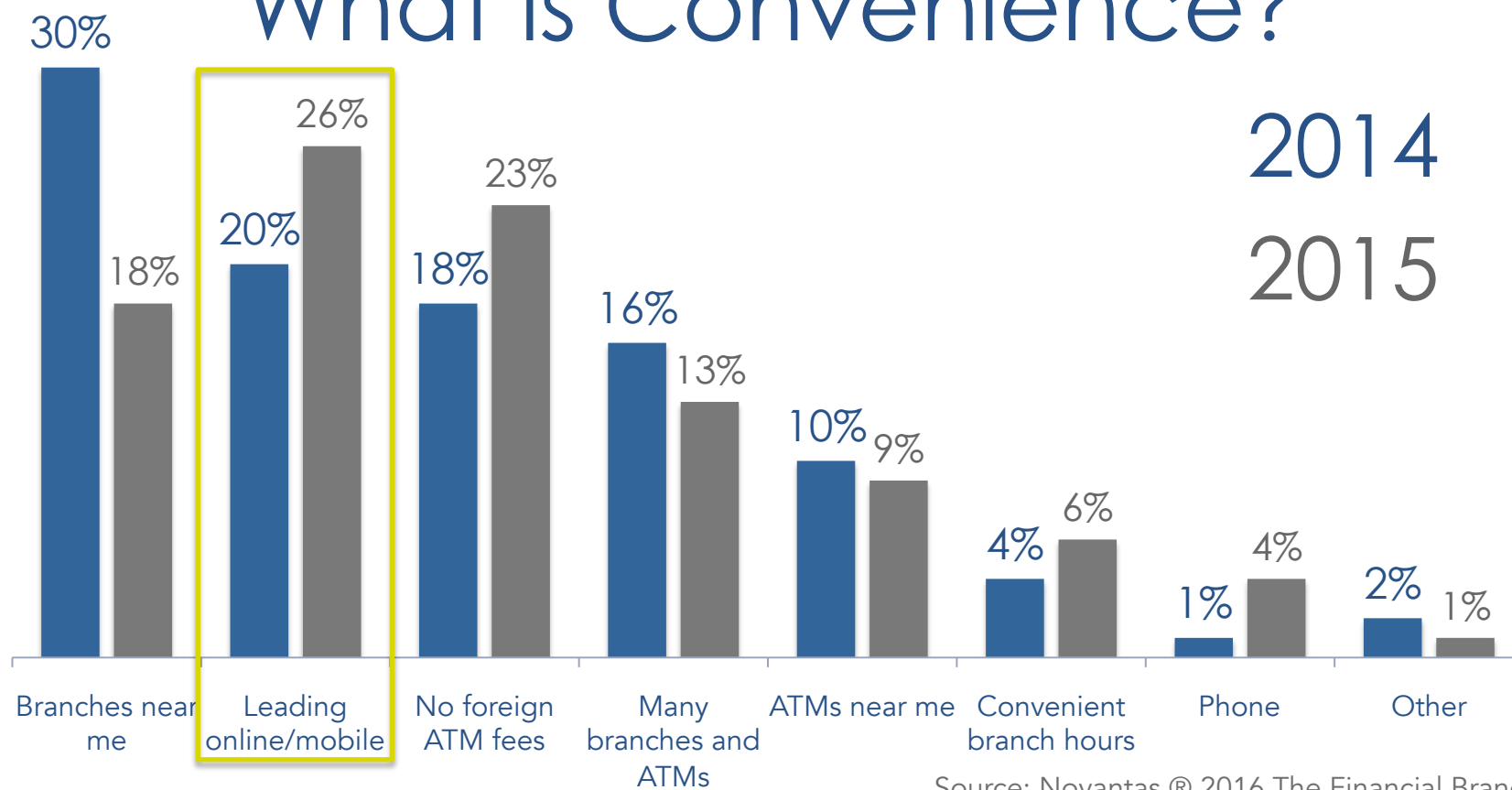
Short-term	 Square marketinvoice
Cash	 Dealstruck
Receivables	 FUNDBOX  BlueVine
Inventory	 taulia  Funding Circle
Long-term	 Kabbage
Vehicles	 OnDeck  CAN CAPITAL  REALTYSHARES
Equipment	 REALTY MOGUL
Real Estate	 FUNDRISE



- Reduced Friction
- Customer Experience

Equity/Other	
 INDIEGOGO	 KICKSTARTER
 SEEDRS	 crowdcube
 OurCrowd	 EquityNet

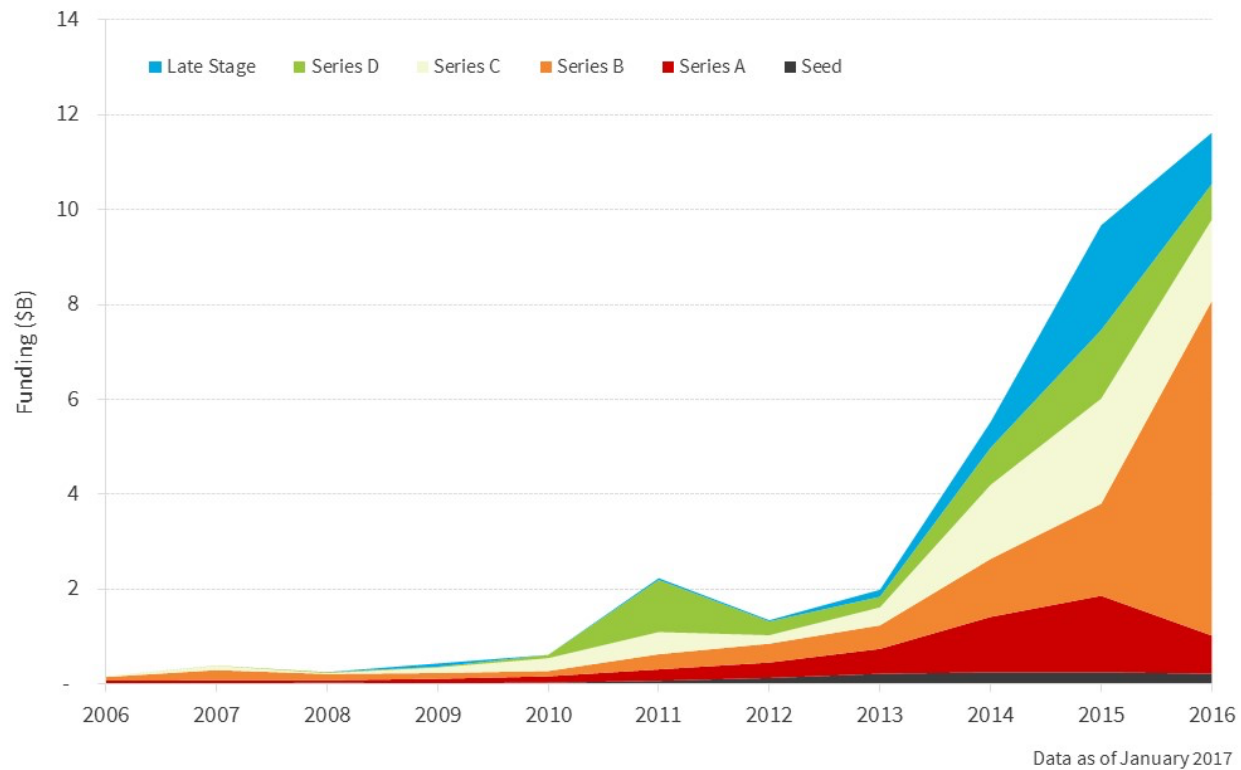
What is Convenience?



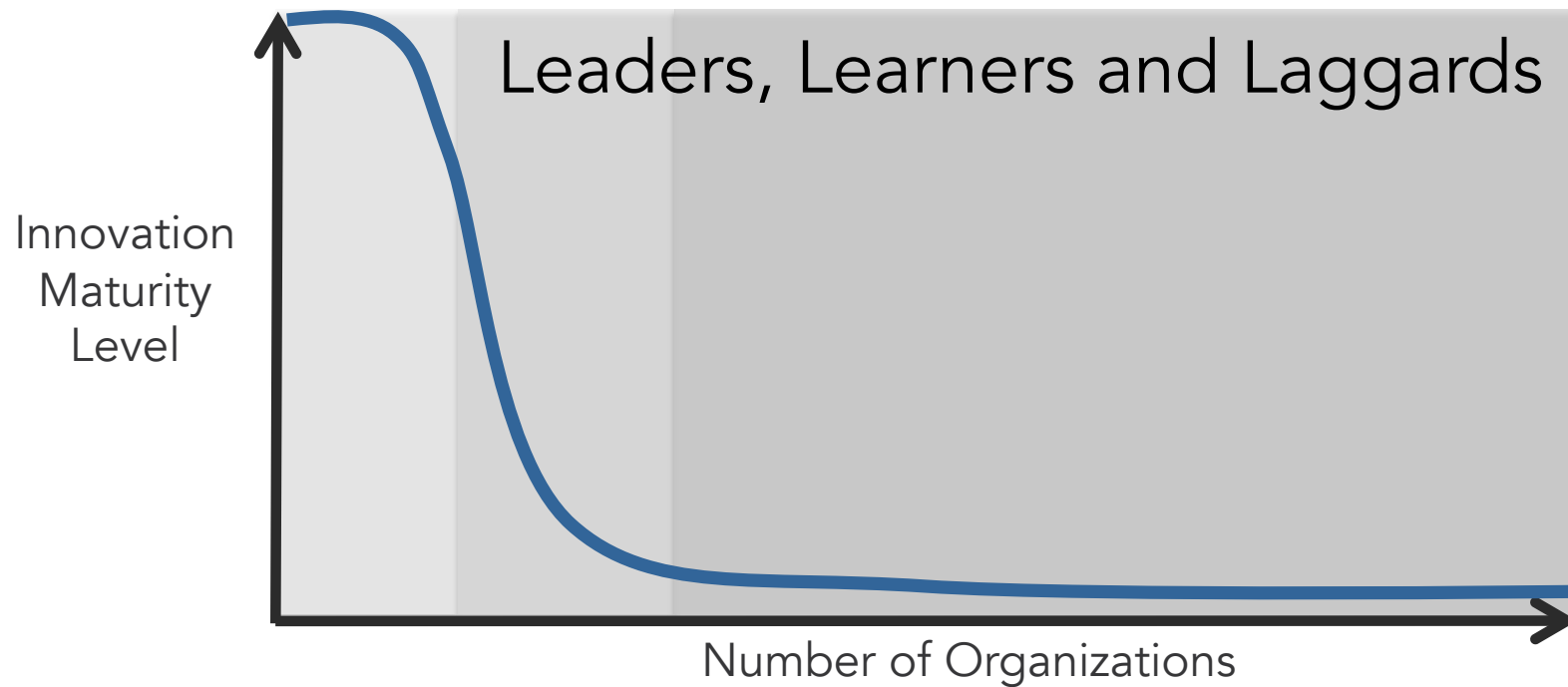
2014
2015

Source: Novantas © 2016 The Financial Brand

Fintech is Hot



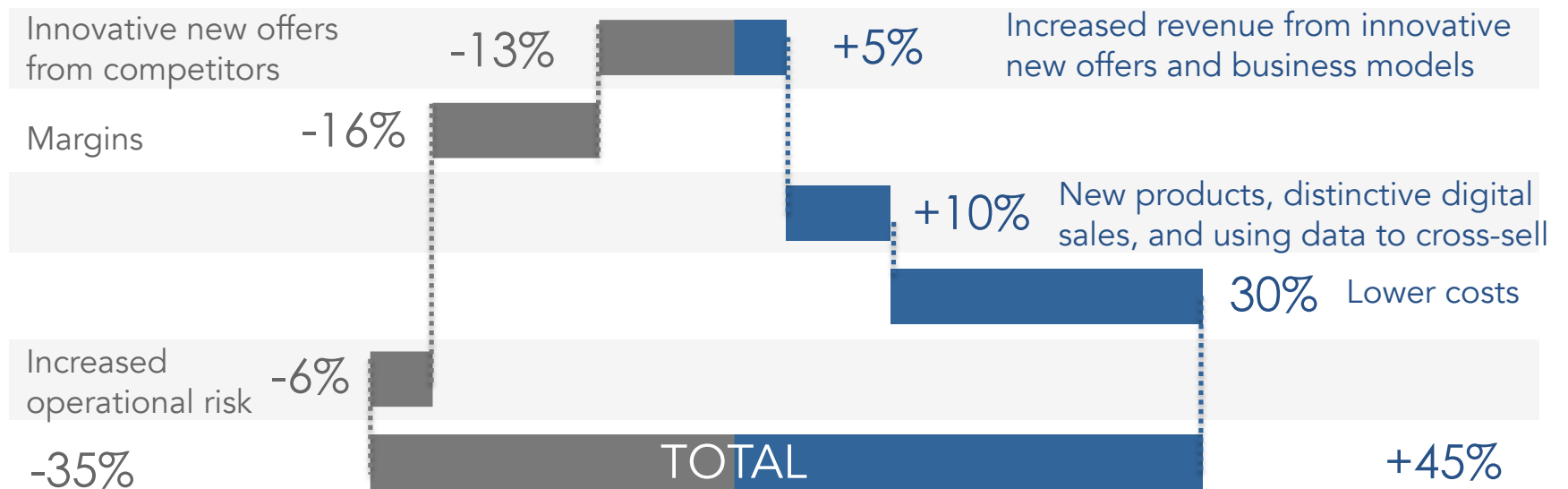
The Industry is Not





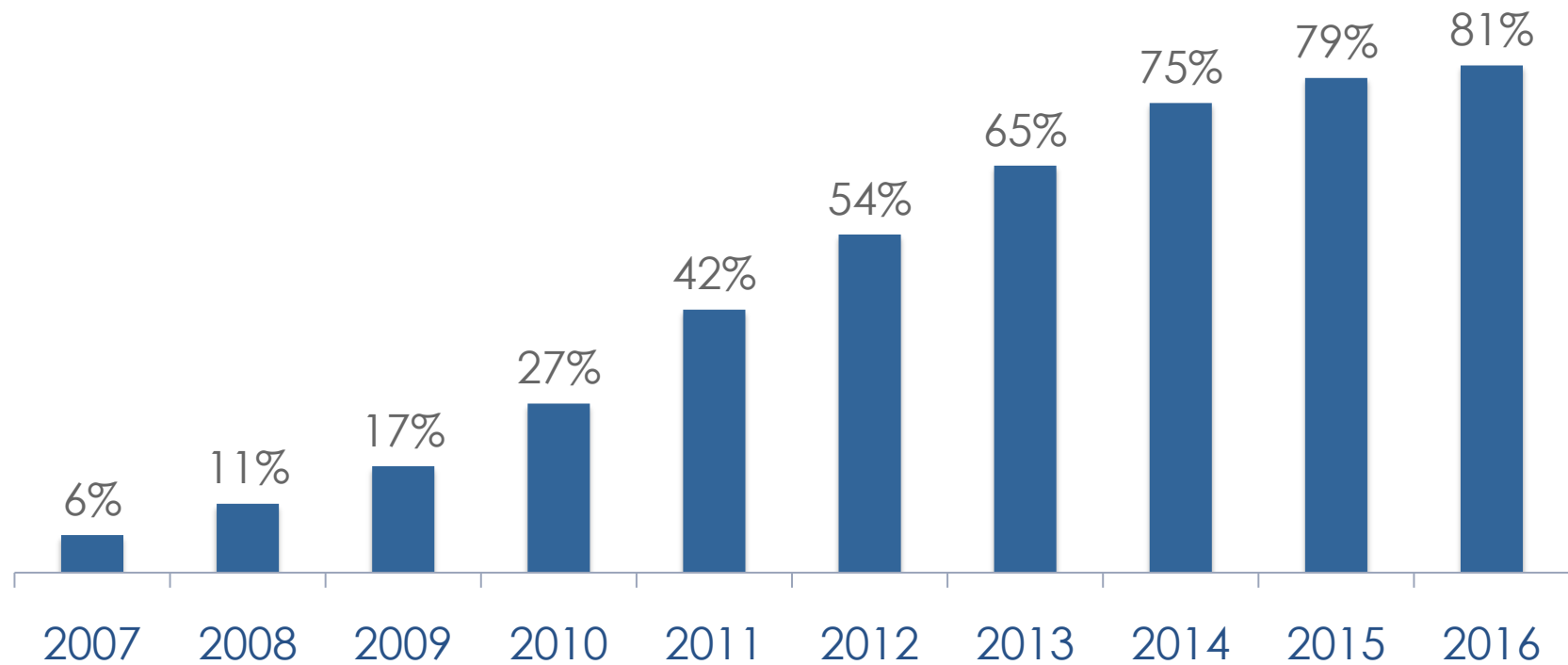
Digital Threat... and Opportunity

Impact of Digital - % Net Profit for Retail Bank



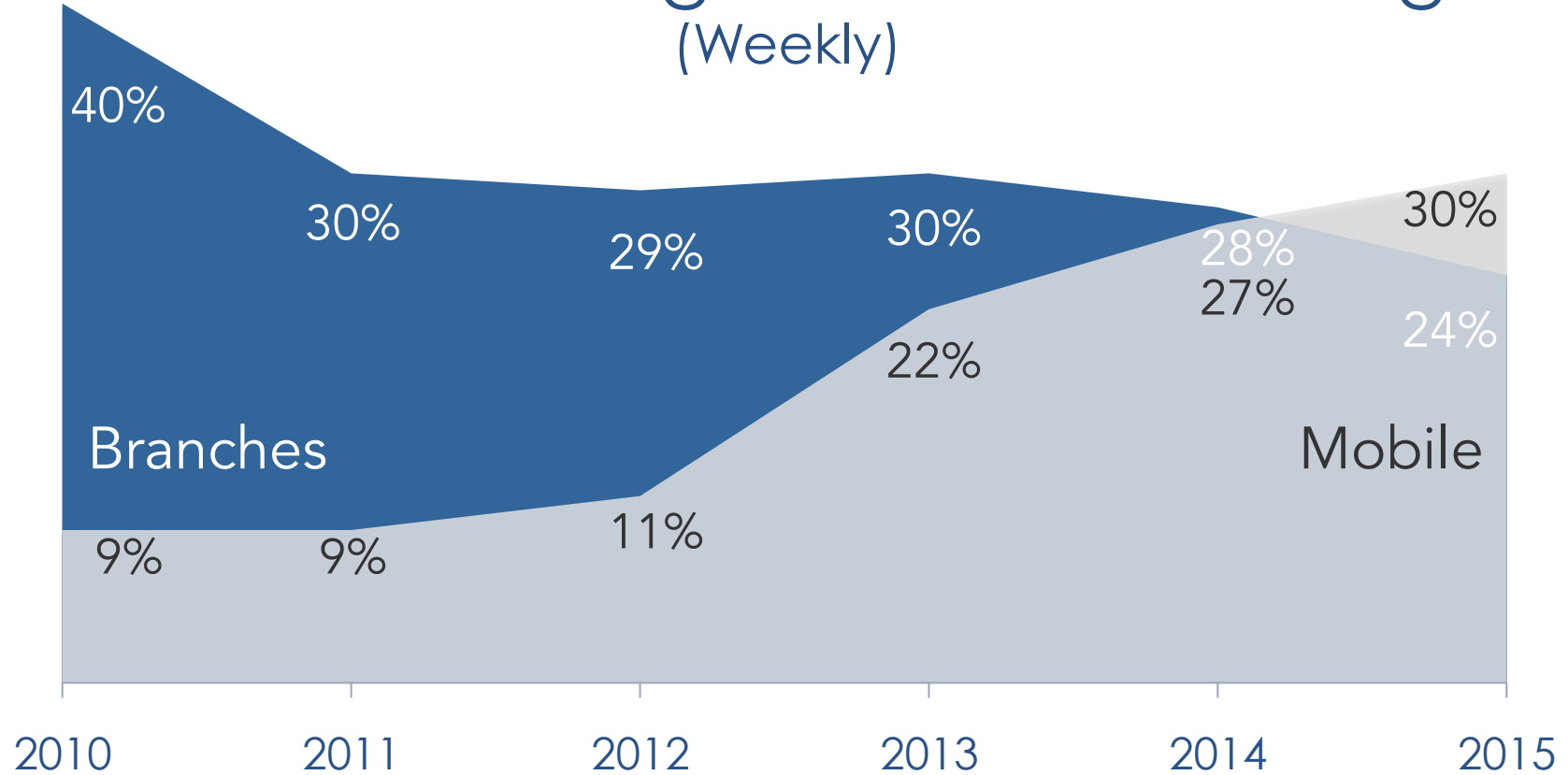
McKinsey Analysis, 2015

U.S. Smartphone Penetration

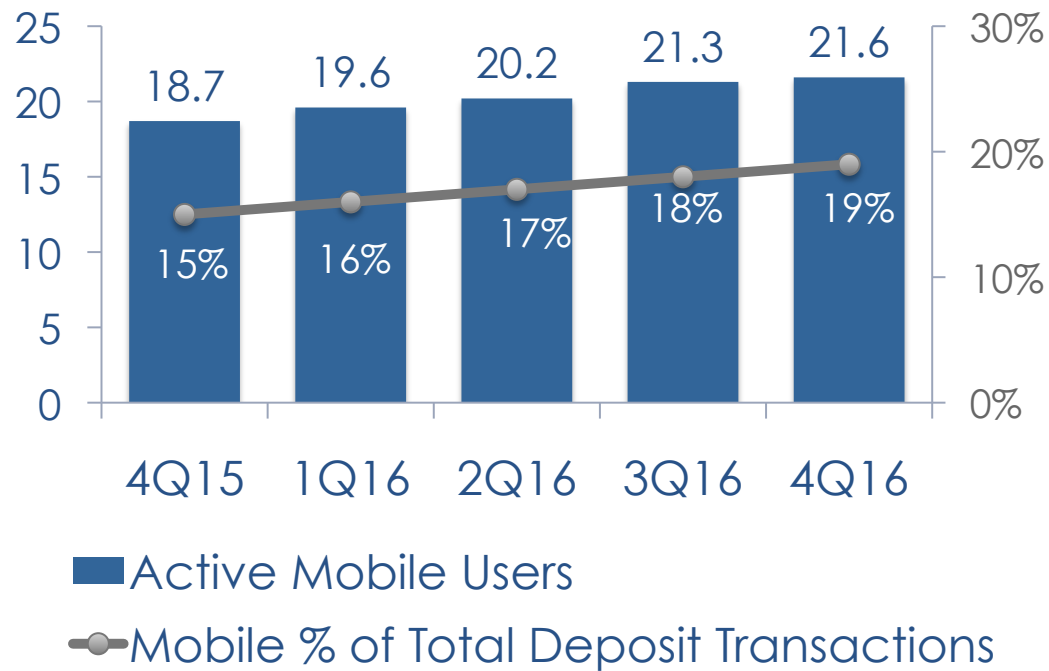


Source: comScore

Mobile Banking vs. Branch Banking (Weekly)



Bank of America 2016

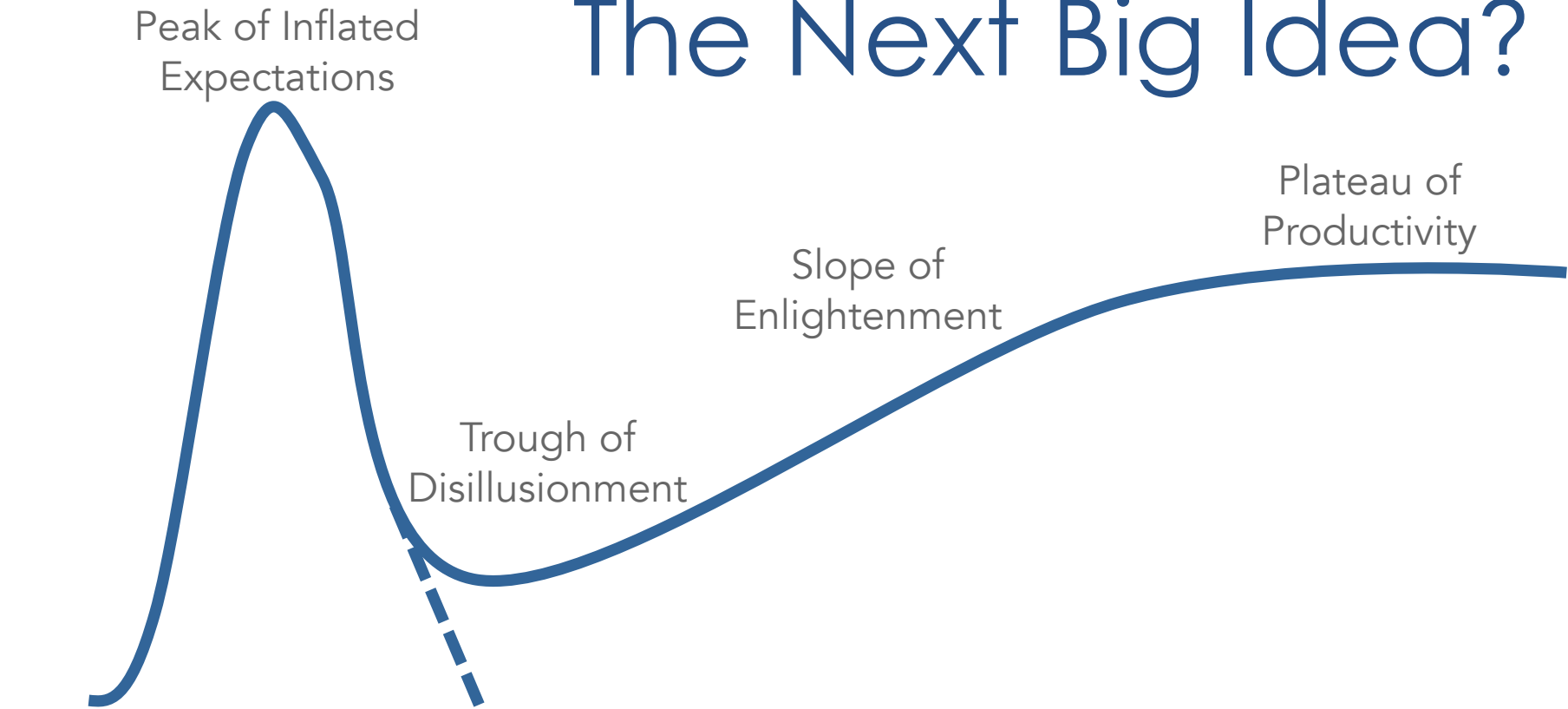


Weekly Mobile Interactions

12x

Weekly Branch Interactions

The Next Big Idea?



The Gartner Hype Curve, 1995

Technology Trigger

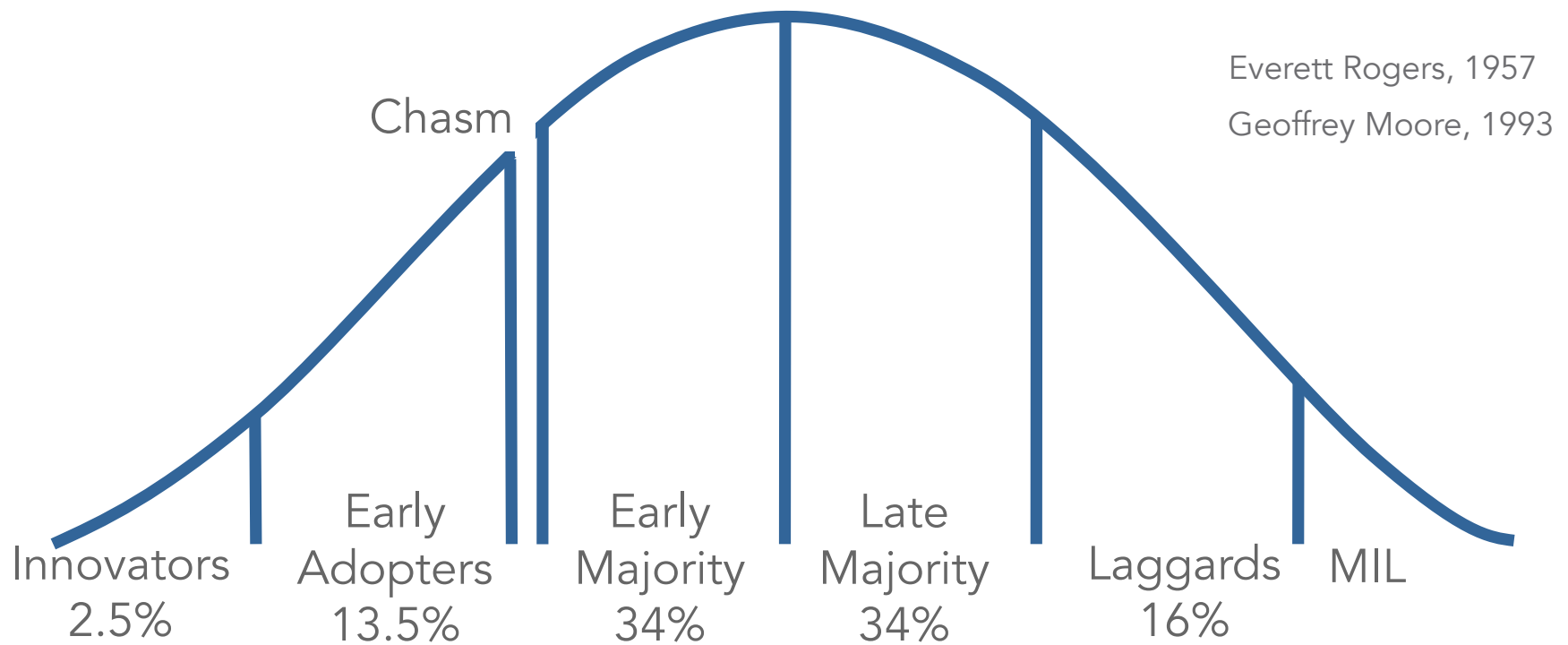
Peak of Inflated Expectations

Trough of Disillusionment

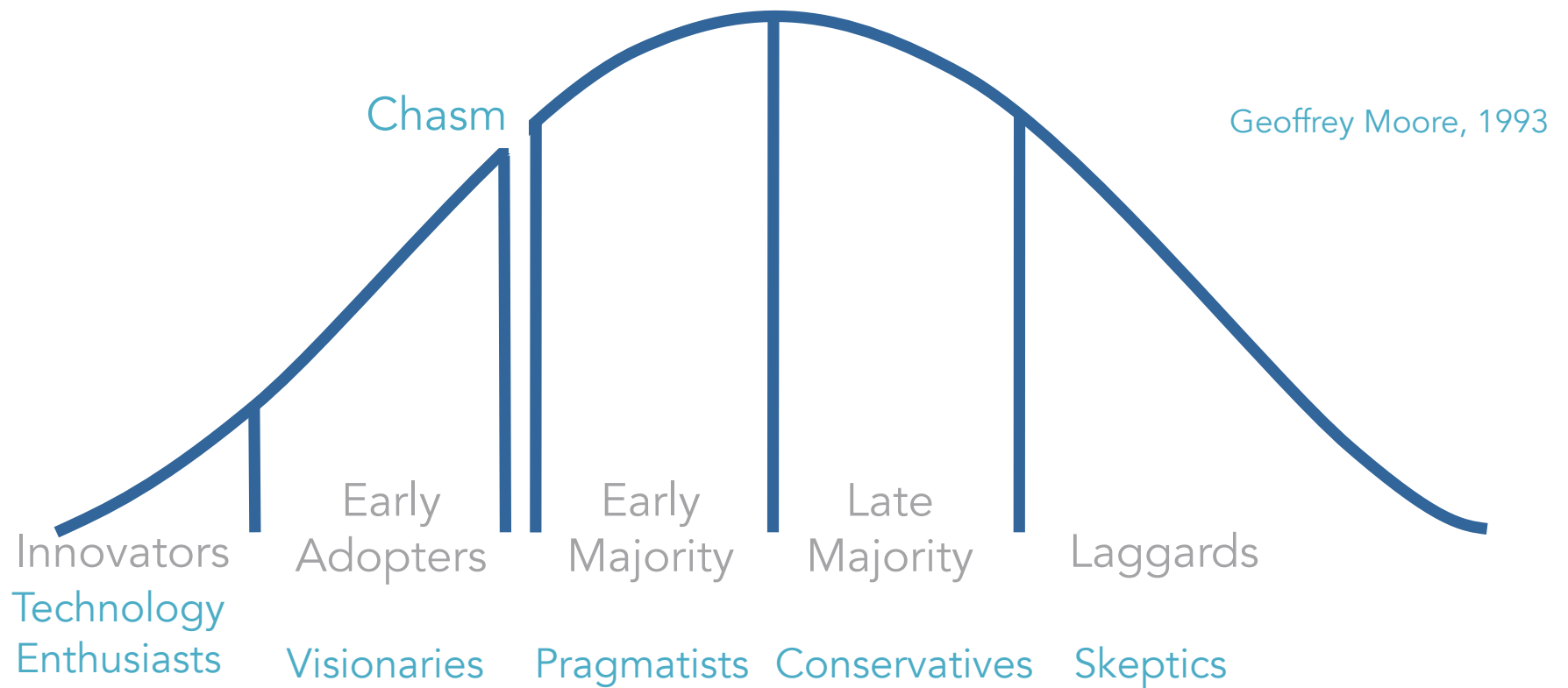
Slope of Enlightenment

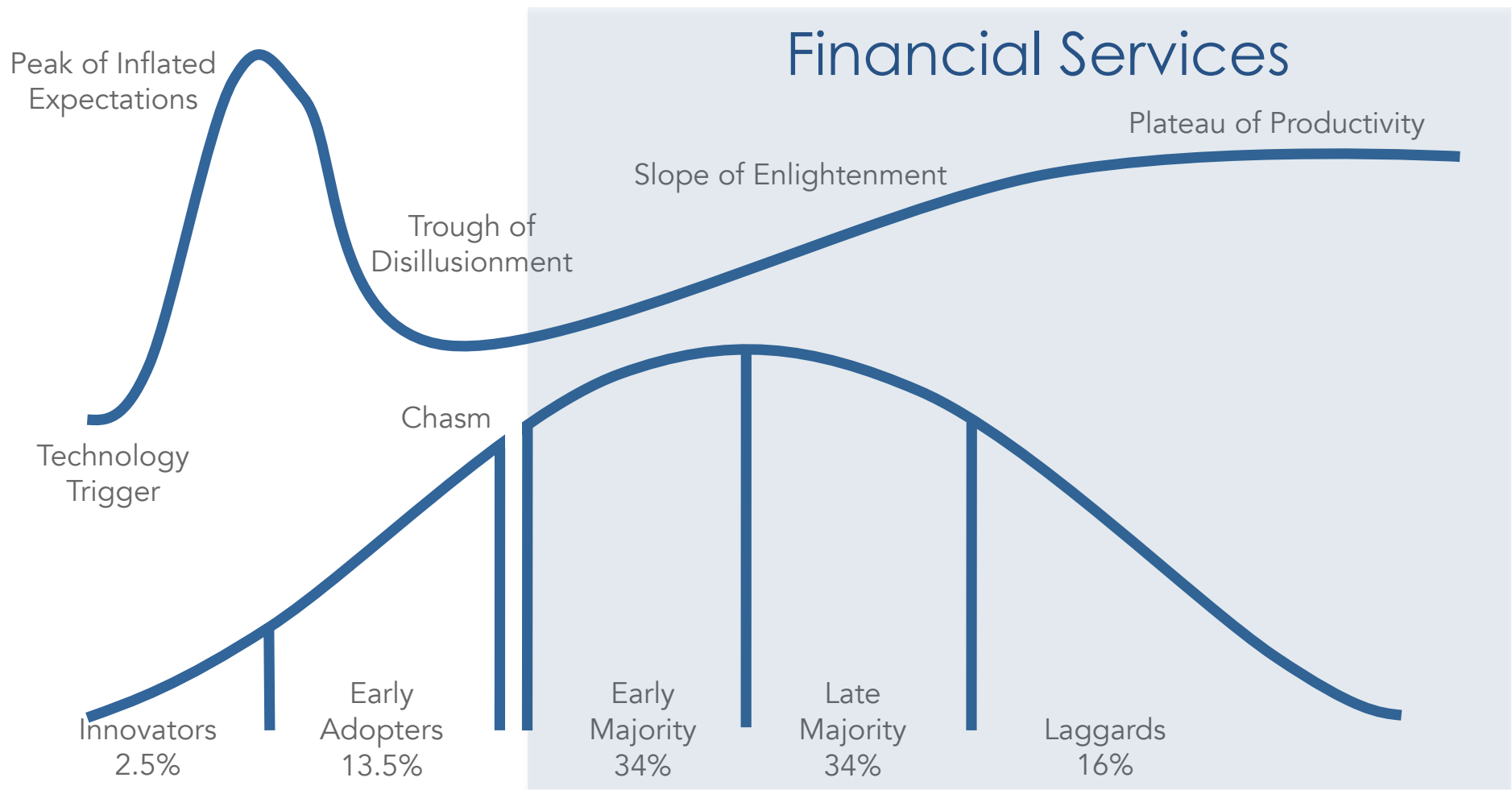
Plateau of Productivity

Diffusion of Innovation



Crossing the Chasm

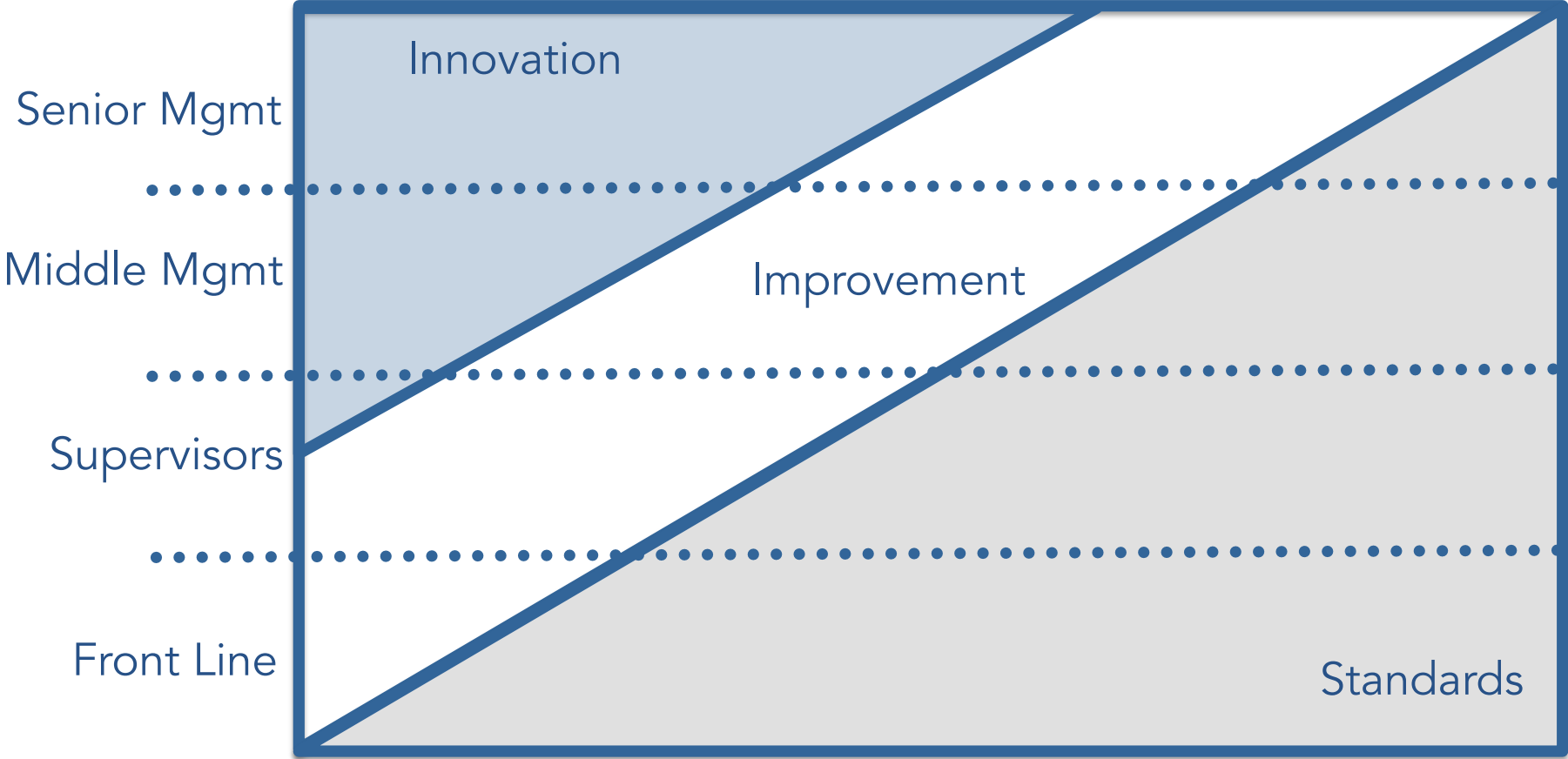




Banking in an Era of Digital Disruption

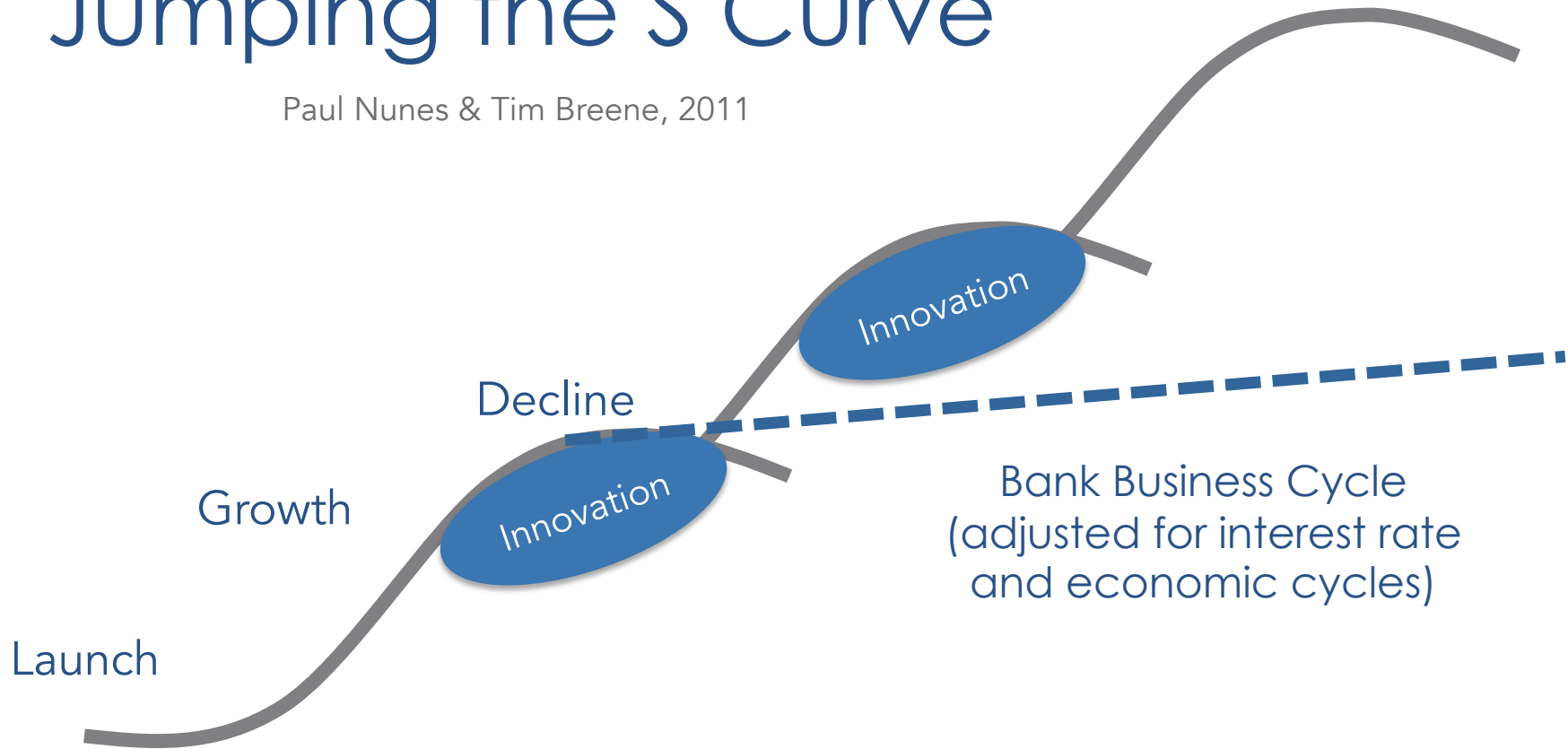
	Temperament	Role	Role Variant
Concrete or Abstract?	Cooperative or Utilitarian?	Informative or Directive?	Expressive or Attentive?
Observant (S)	Guardian (SJ)	Conservator (SFJ) <i>Supporting</i>	Provider (ESFJ): <i>Supplying</i>
			Protector (ISFJ): <i>Securing</i>
	Administrator (STJ) <i>Regulating</i>	Supervisor (ESTJ): <i>Enforcing</i>	
		Inspector (ISTJ): <i>Certifying</i>	
	Artisan (SP)	Entertainer (SFP) <i>Improvising</i>	Performer (ESFP): <i>Demonstrating</i>
			Composer (ISFP): <i>Synthesizing</i>
Operator (STP) <i>Expediting</i>	Promoter (ESTP): <i>Persuading</i>		
	Crafter (ISTP): <i>Instrumenting</i>		
Introspective (N)	Idealist (NF)	Advocate (NFP) <i>Mediating</i>	Champion (ENFP): <i>Motivating</i>
			Healer (INFP): <i>Conciliating</i>
	Mentor (NFJ) <i>Developing</i>	Teacher (ENFJ): <i>Educating</i>	
		Counselor (INFJ): <i>Guiding</i>	
	Engineer (NTP) <i>Constructing</i>	Inventor (ENTP): <i>Devising</i>	
		Architect (INTP): <i>Designing</i>	
Coordinator (NTJ) <i>Arranging</i>	Fieldmarshal (ENTJ): <i>Mobilizing</i>		
	Mastermind (INTJ): <i>Entailing</i>		

Kaizen Model

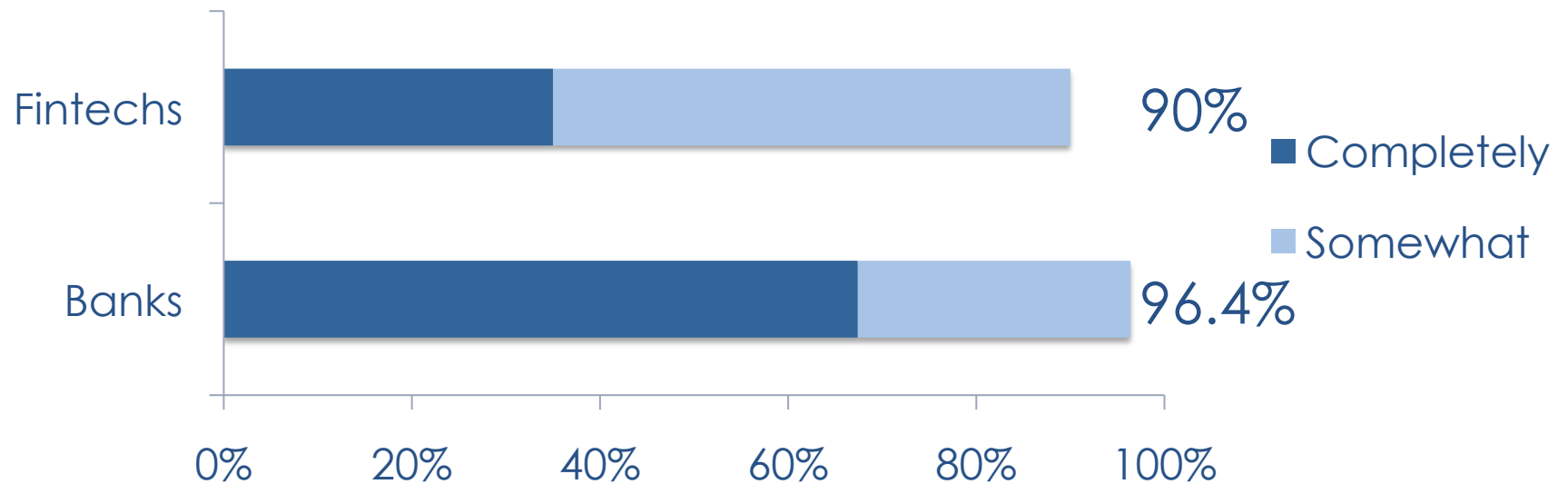


Jumping the S Curve

Paul Nunes & Tim Breene, 2011



Consumers Trust Banks ...and Fintechs



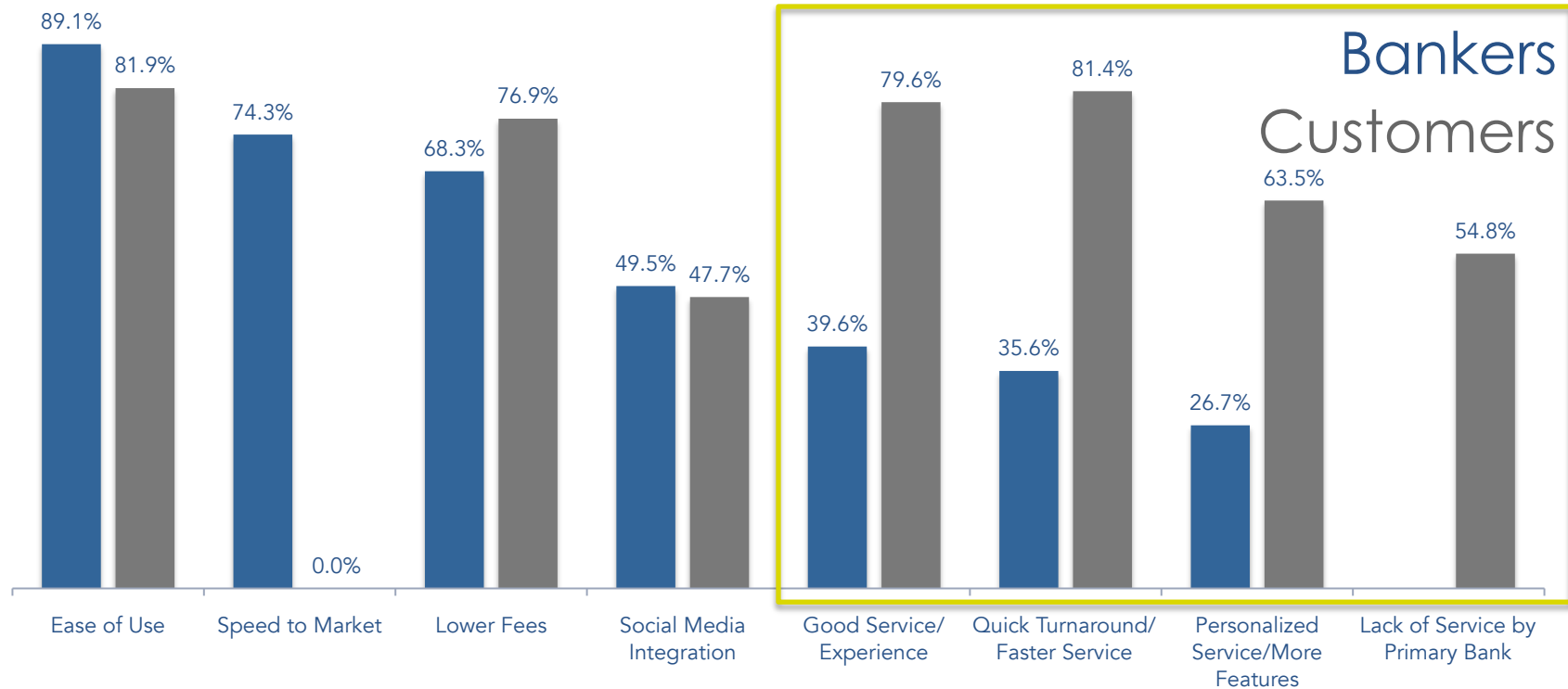
Capgemini/EFMA World Retail Banking Report, 2016

Willingness to Refer

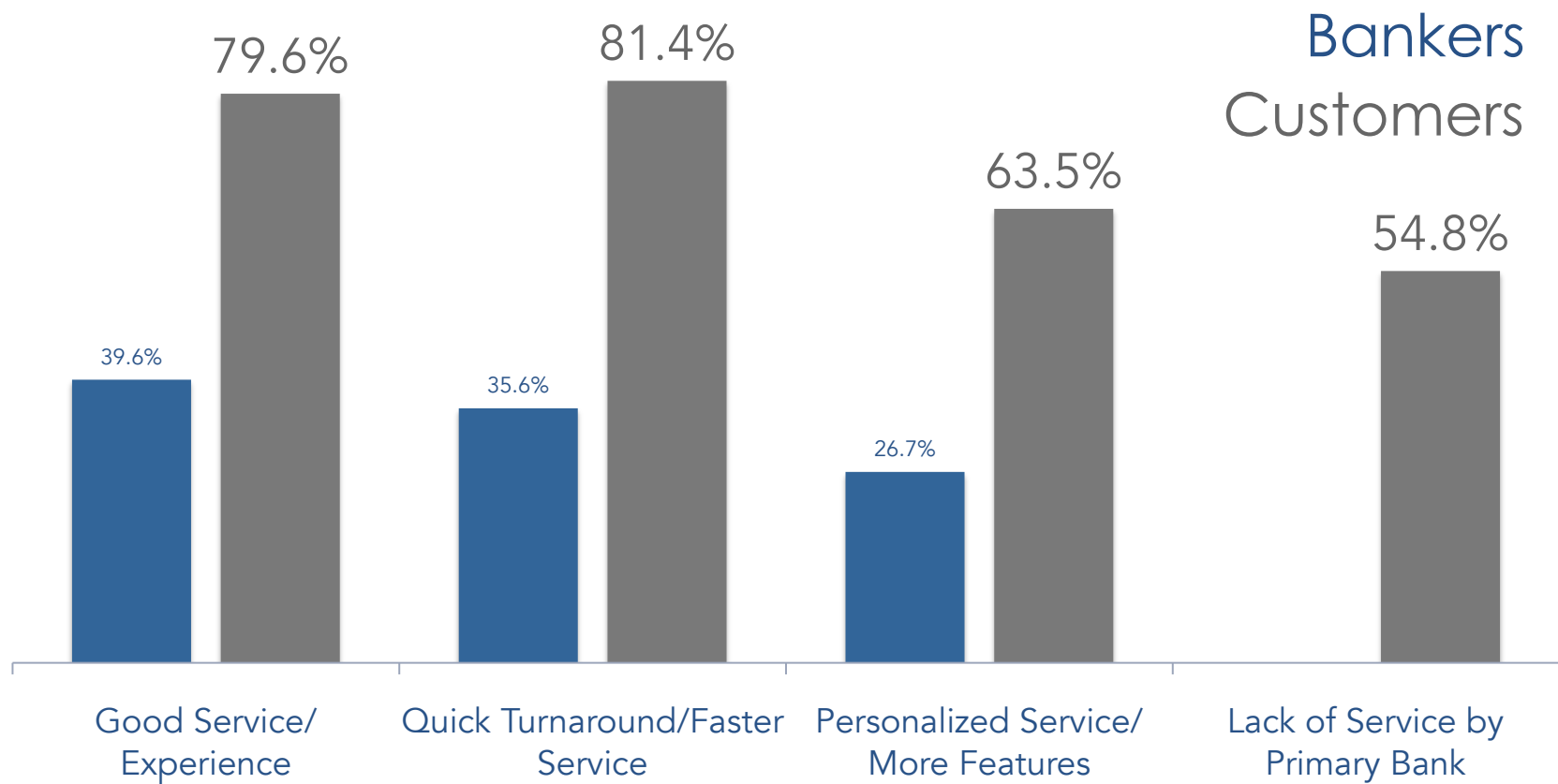


Capgemini/EFMA World Retail Banking Report, 2016 (North America)

Why do Customers Like Fintechs?



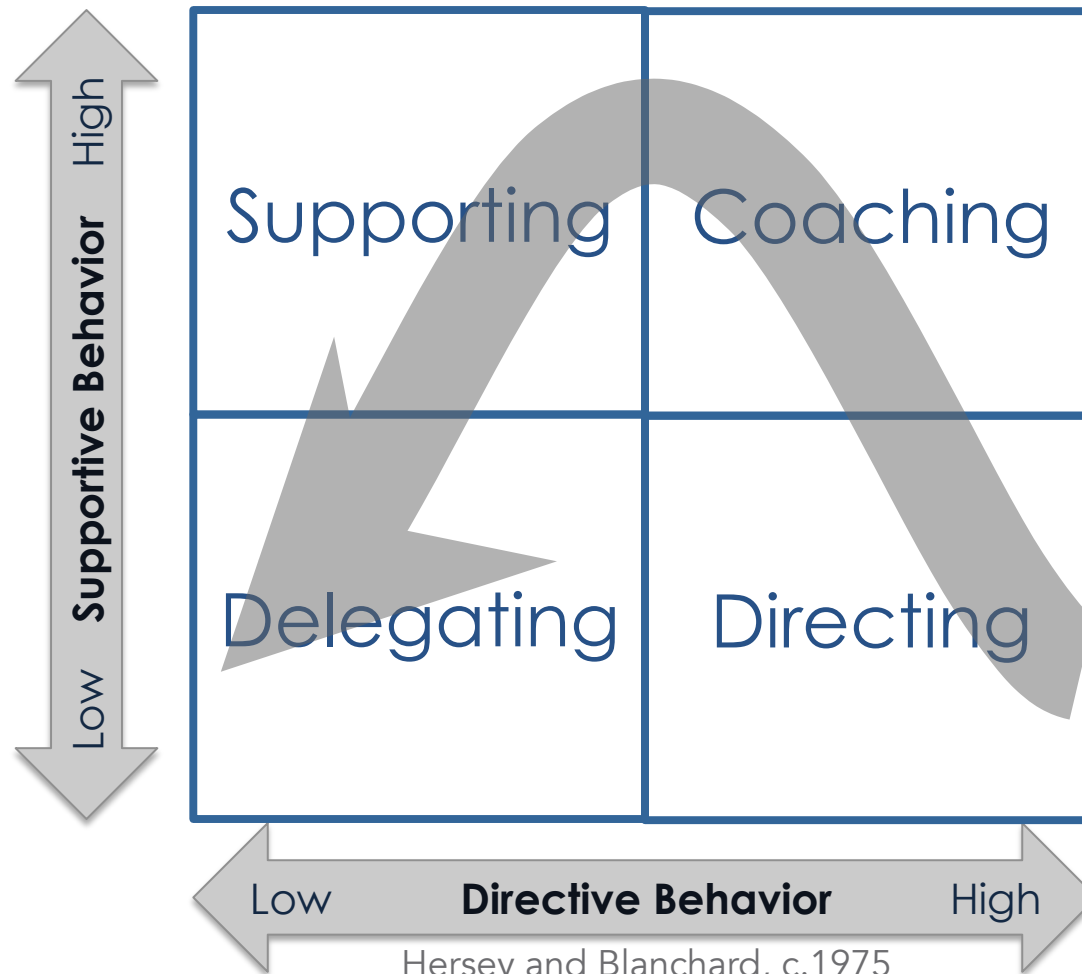
Capgemini/EFMA World Retail Banking Report, 2016



Bankers
Customers

Capgemini/EFMA World Retail Banking Report, 2016

Situational Leadership

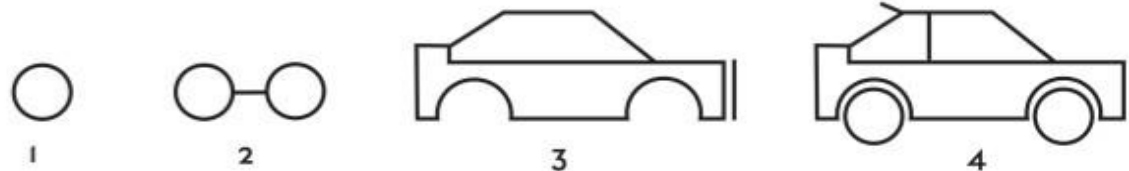


Hersey and Blanchard, c.1975

"See It"		"Own It"		"Do It"		
Clear, compelling case for change	Demonstrated leadership commitment	Clear WIFM for all	Concrete implementation plan	Skills, knowledge, tools in place	Reinforcement	<i>"It's working!"</i>
	Demonstrated leadership commitment	Clear WIFM for all	Concrete implementation plan	Skills, knowledge, tools in place	Reinforcement	<i>"It's not urgent"</i>
Clear, compelling case for change		Clear WIFM for all	Concrete implementation plan	Skills, knowledge, tools in place	Reinforcement	<i>"It's not real"</i>
Clear, compelling case for change	Demonstrated leadership commitment		Concrete implementation plan	Skills, knowledge, tools in place	Reinforcement	<i>"It's not worth it"</i>
Clear, compelling case for change	Demonstrated leadership commitment	Clear WIFM for all		Skills, knowledge, tools in place	Reinforcement	<i>"It's not going anywhere"</i>
Clear, compelling case for change	Demonstrated leadership commitment	Clear WIFM for all	Concrete implementation plan		Reinforcement	<i>"It's not possible"</i>
Clear, compelling case for change	Demonstrated leadership commitment	Clear WIFM for all	Concrete implementation plan	Skills, knowledge, tools in place		<i>"It's not for long"</i>

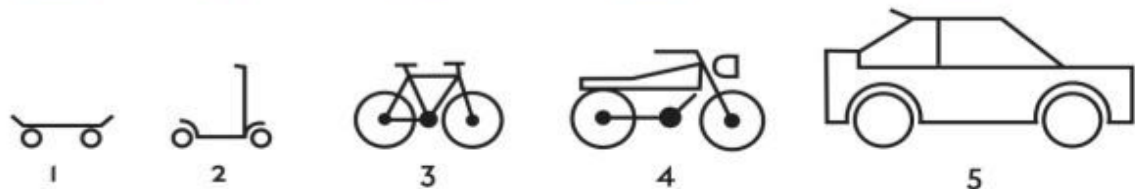
Minimum Viable Product (MVP)

Not this...



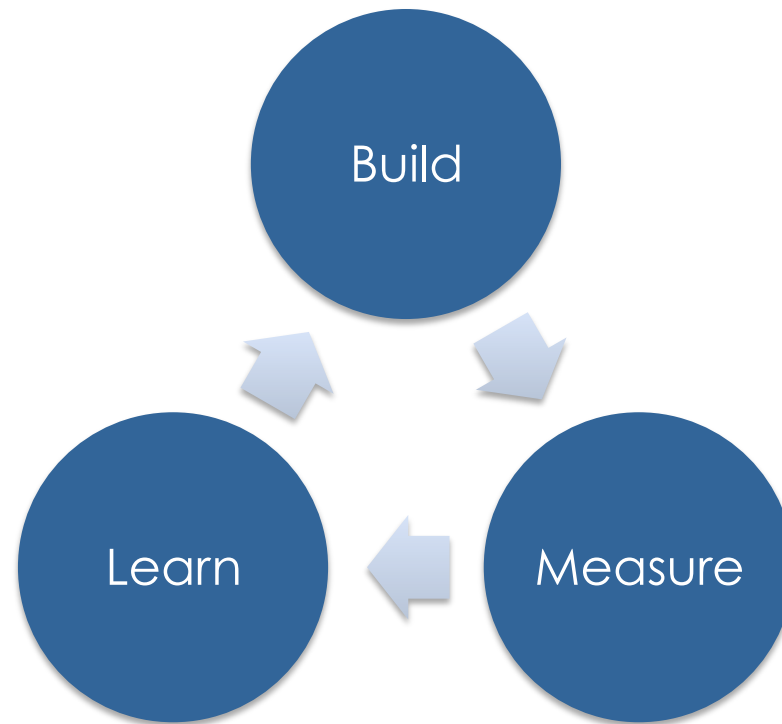
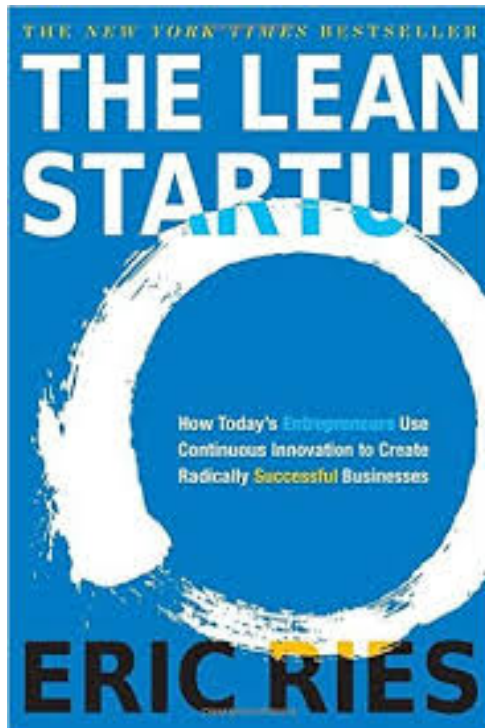
Must be able to test along the way

But this!

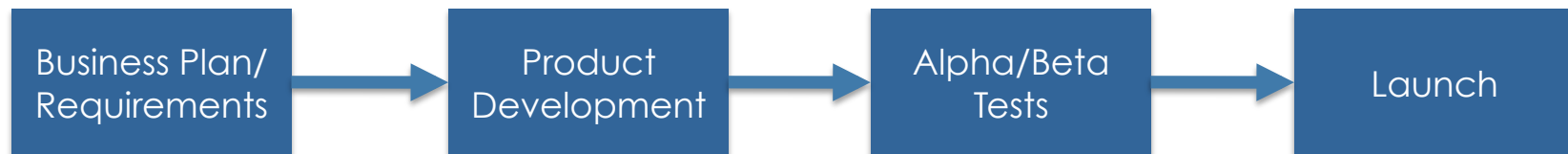


Iterations help build value at every stage

Lean Startup



The Lean Startup, Eric Ries, 2011



What does this mean to:

Sales?

- Hire first sales staff

- Build sales organization

Marketing?

- Create MarCom materials
- Create Positioning

- Hire PR Agency
- Create early buzz

- Create Demand
- Launch event
- “Branding”

Finance?

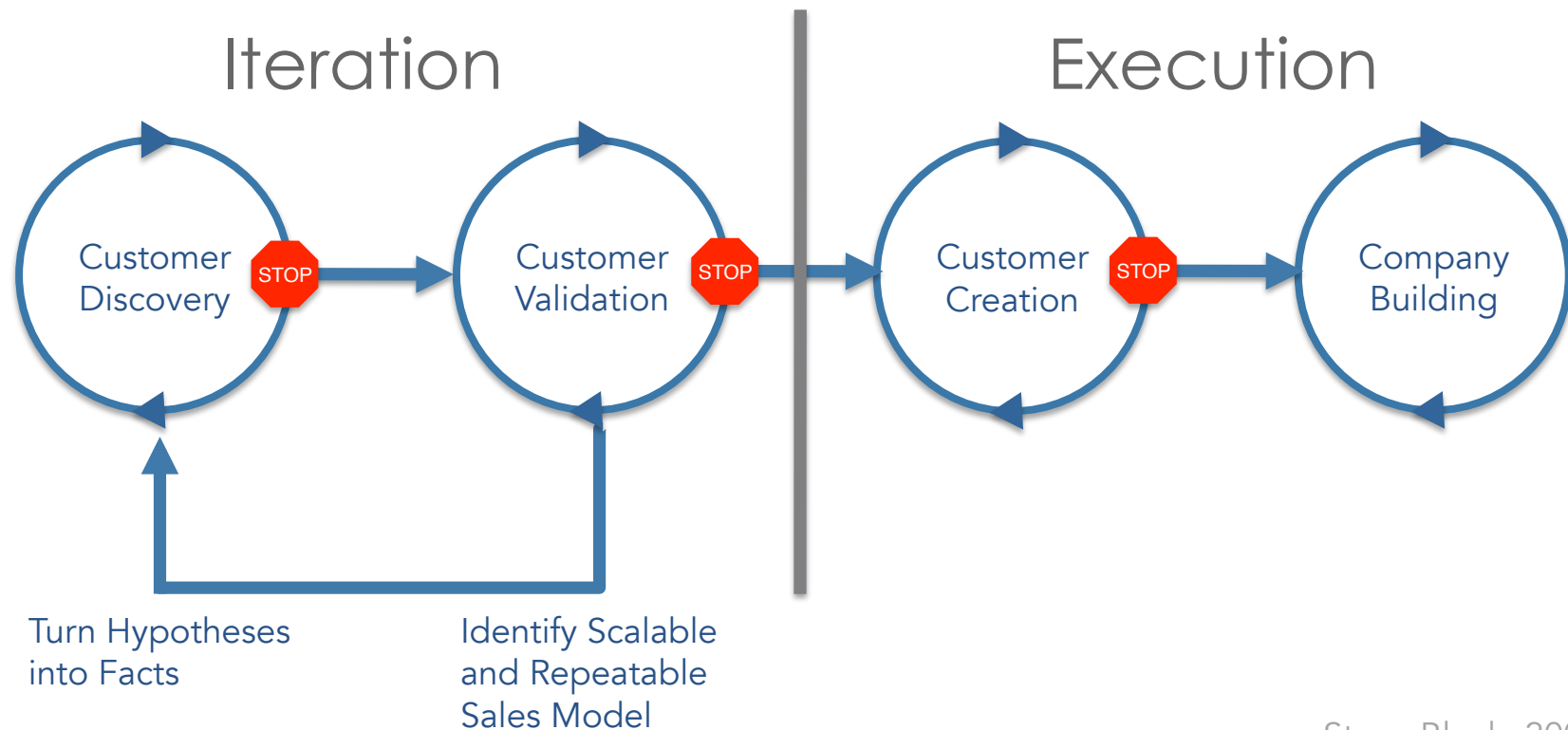
- Initial forecast: revenue and expenses

- Finalize budget

- Measure/report results

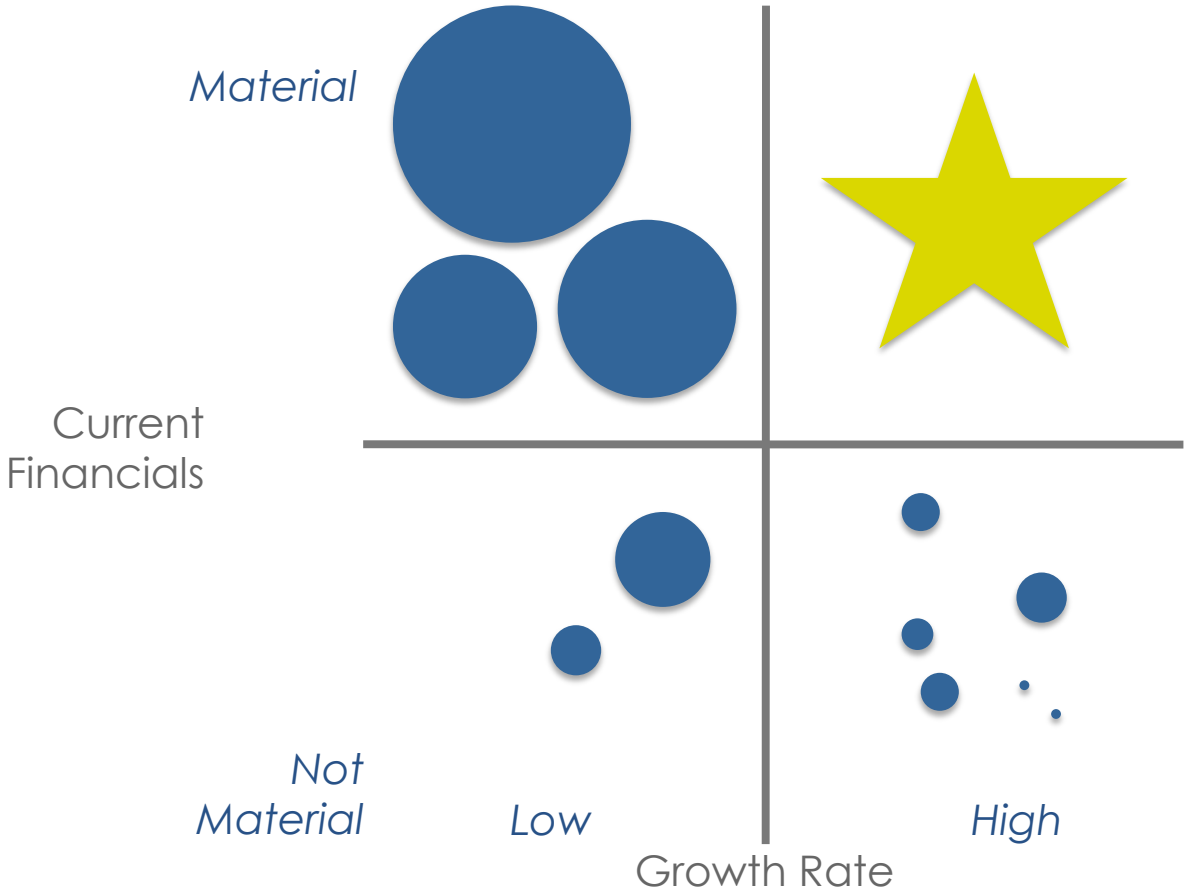
Adapted from Steve Blank, 2007

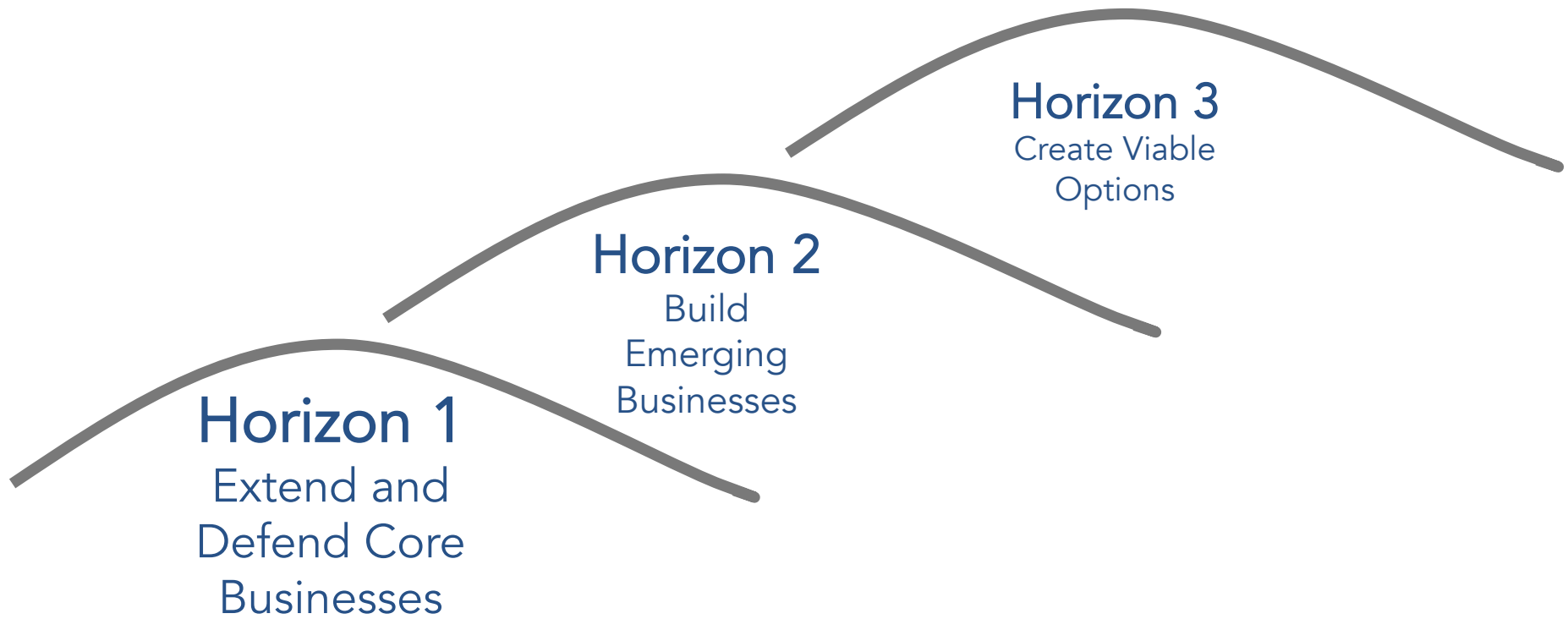
Customer Development

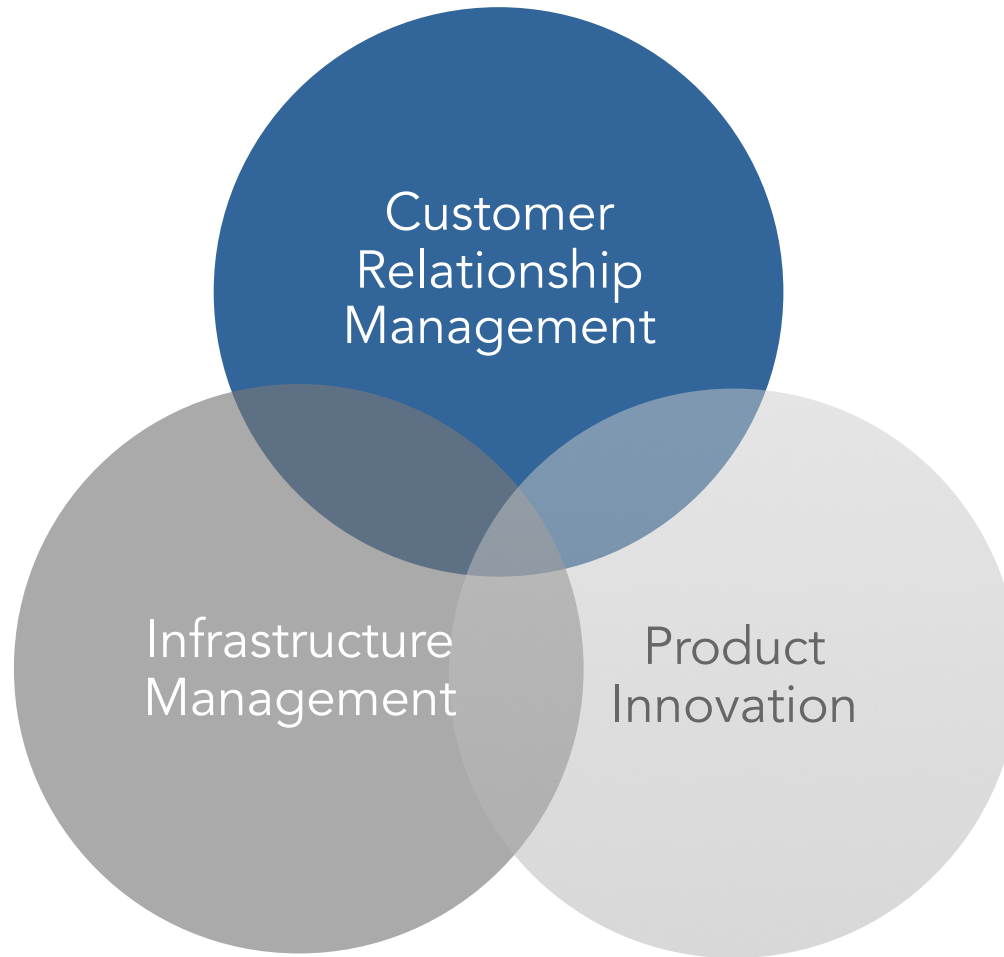


Steve Blank, 2007

Escape Velocity, Geoffrey Moore, 2011

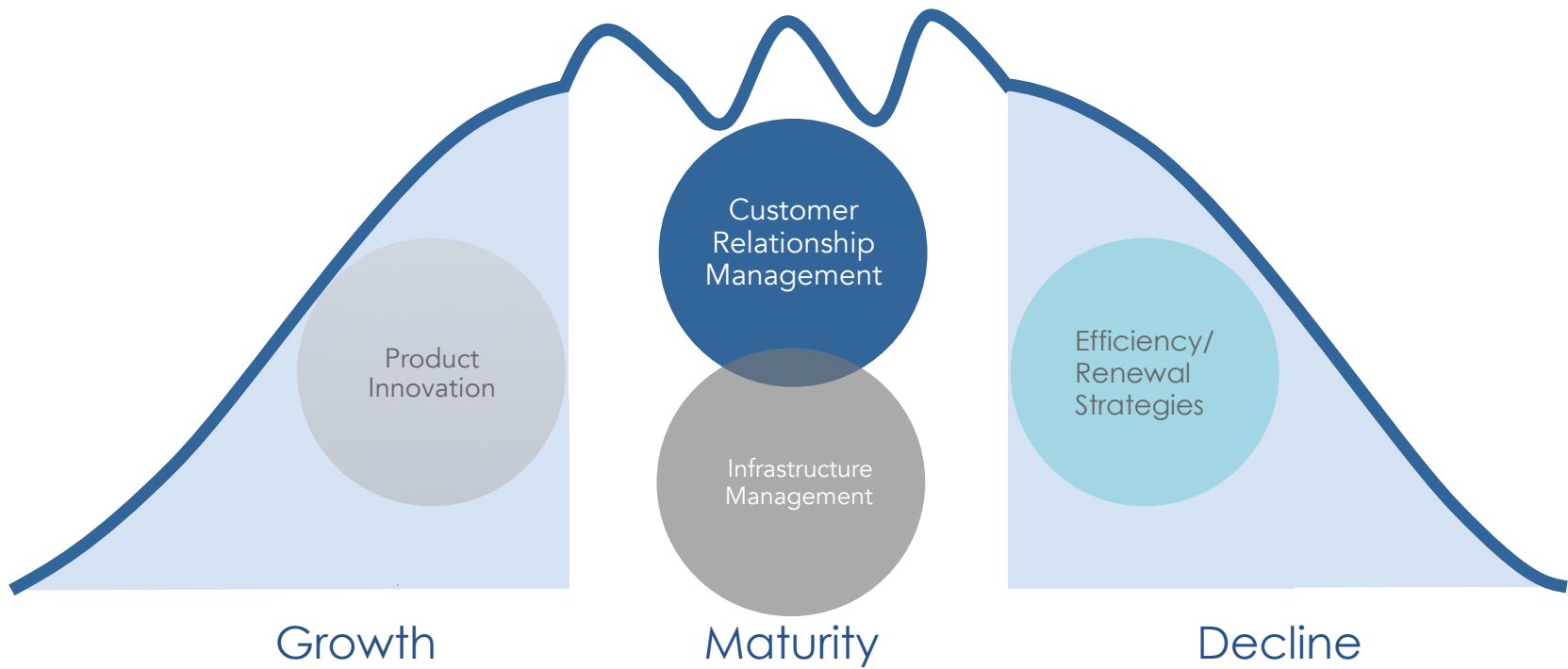




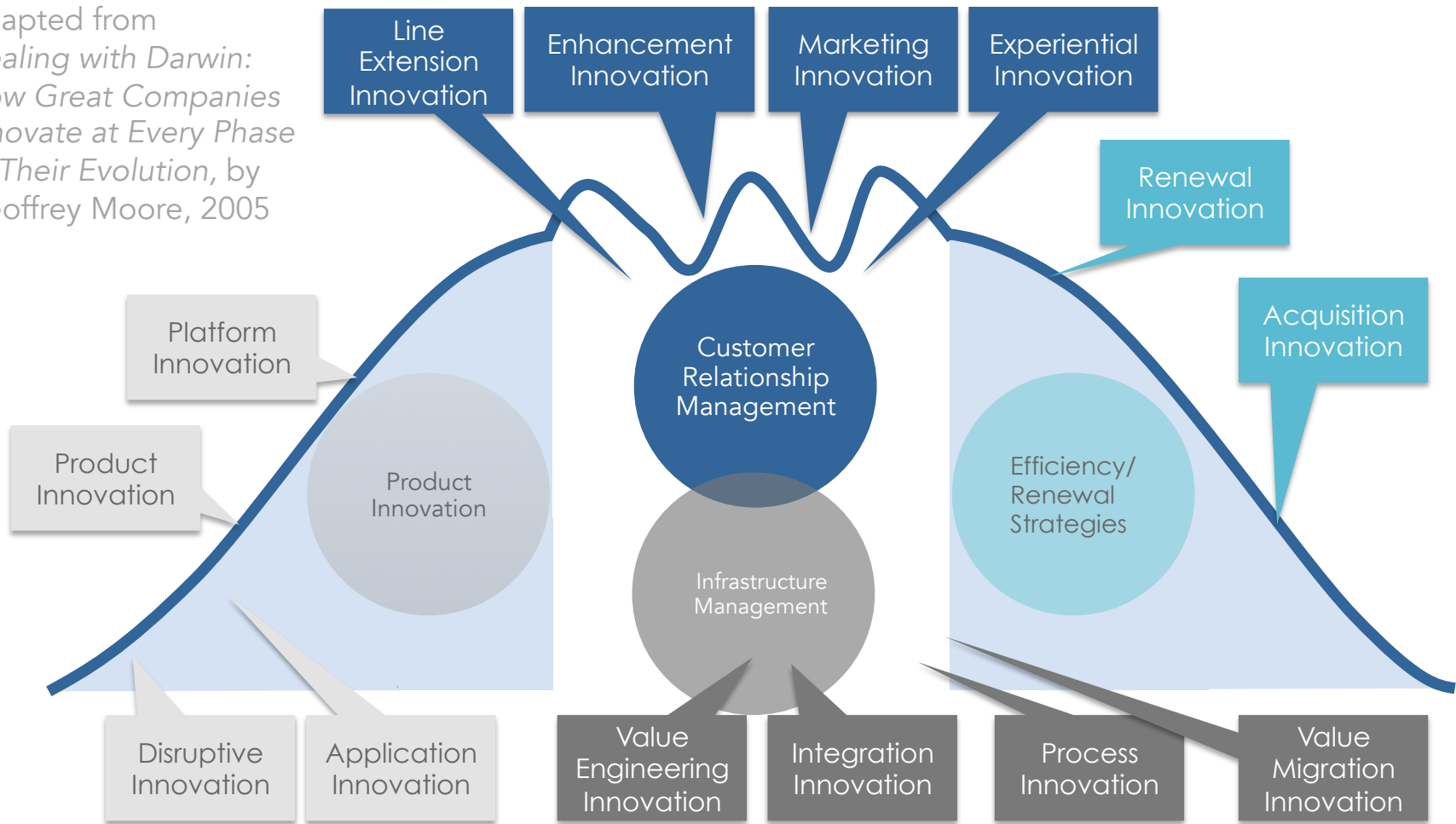


	Product Innovation	Customer Relationship Management	Infrastructure Management
Economics	Early Market entry enables premium prices and acquiring large market share; speed is key.	High cost of customer acquisition makes it imperative to gain large wallet share; economies of scope are key.	High fixed costs make large volumes essential to achieve low unit costs; economies of scale are key.
Competition	Battle for talent; low barriers to entry; many small players thrive	Battle for scope; rapid consolidation; a few big players dominate	Battle for scale; rapid consolidation; a few big players dominate
Culture	Employee centered; coddling the creative stars	Highly service oriented; customer-comes-first mentality	Cost focused; stresses standardization, predictability, and efficiency

Hagel and Singer, 1999



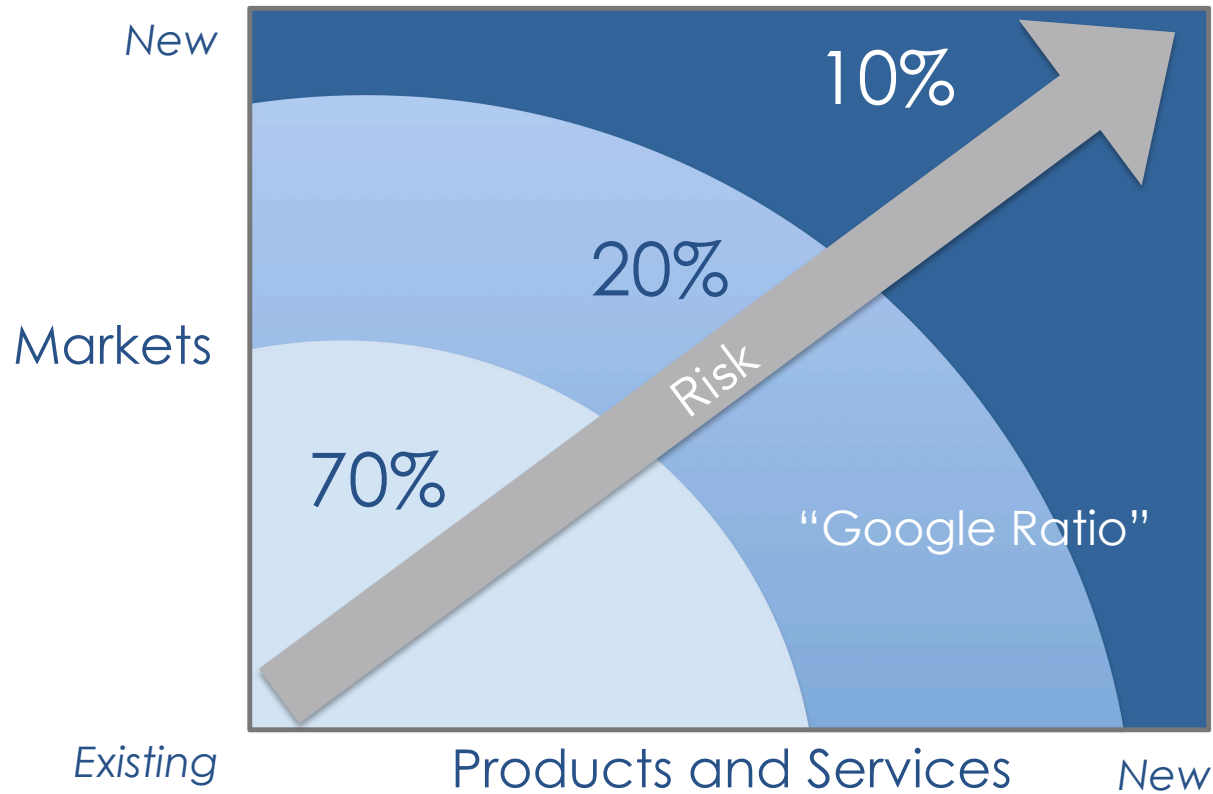
Adapted from
*Dealing with Darwin:
How Great Companies
Innovate at Every Phase
of Their Evolution*, by
Geoffrey Moore, 2005



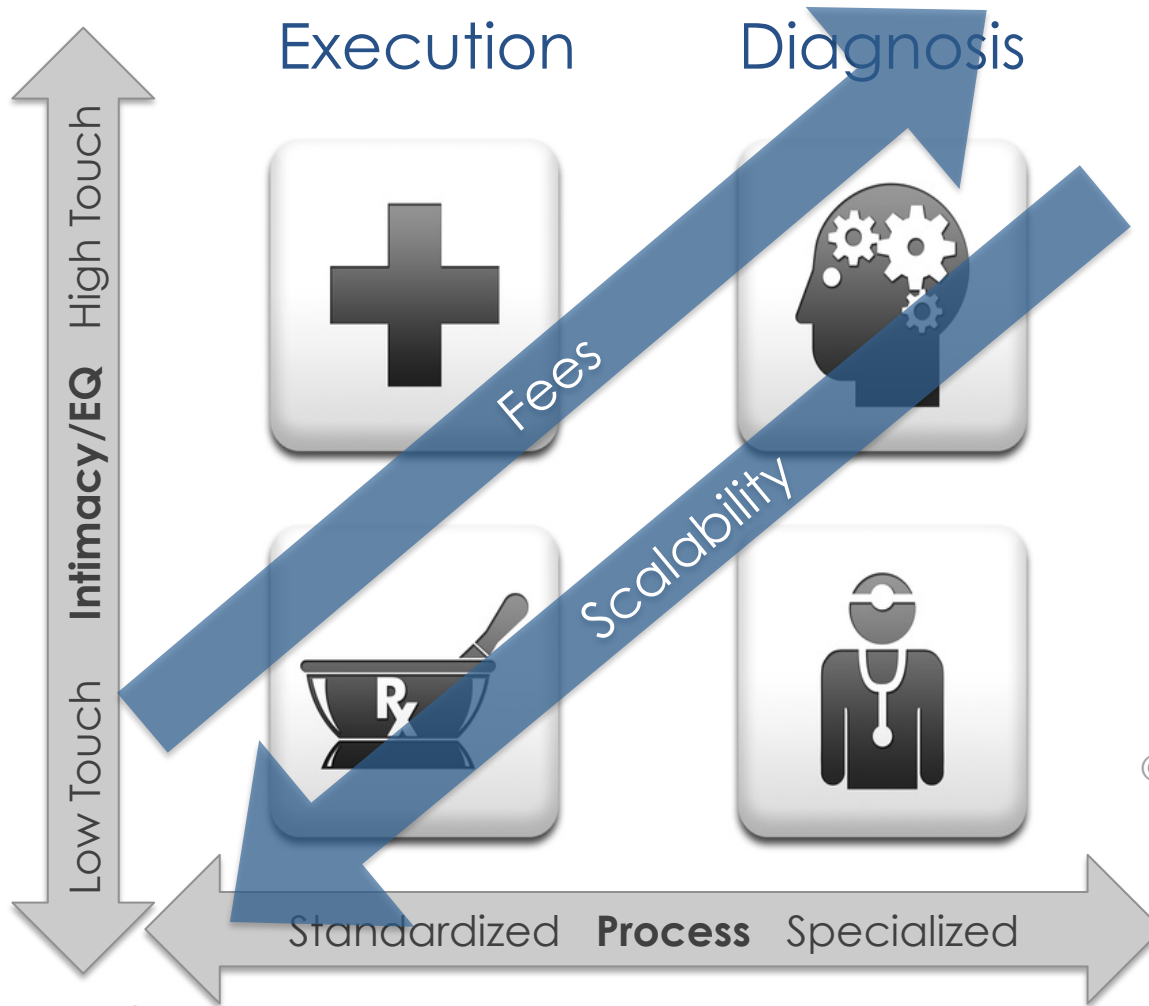
Product Leadership	Disruptive Innovation	Horseless Carriage, Napster, iTunes
	Application Innovation	Delivery vans, Desktop Publishing
	Product Innovation	Auto transmission, Hybrid engines
	Platform Innovation	Assembly line, Microsoft Windows
Customer Intimacy	Line-Extension Innovation	SUVs, ESPN2
	Enhancement Innovation	Anti-lock brakes, airbags,
	Marketing Innovation	Ford Mustang, Tesla, IKEA
Operational Excellence	Experiential Innovation	Lexus, Tesla, Uber, Disney
	Value-Engineering Innovation	Toyota, Hyundai, Flat screen TVs, computers
	Integration Innovation	Printer/scanners, Mutual funds
	Process Innovation	Toyota, Dell, IKEA
Category Renewal	Value-Migration Innovation	Uber, Salesforce
	Organic Innovation	IBM, Apple
	Acquisition Innovation	Cisco, Daimler (Car2Go)

Adapted from *Dealing with Darwin*, Geoffrey Moore, 2005

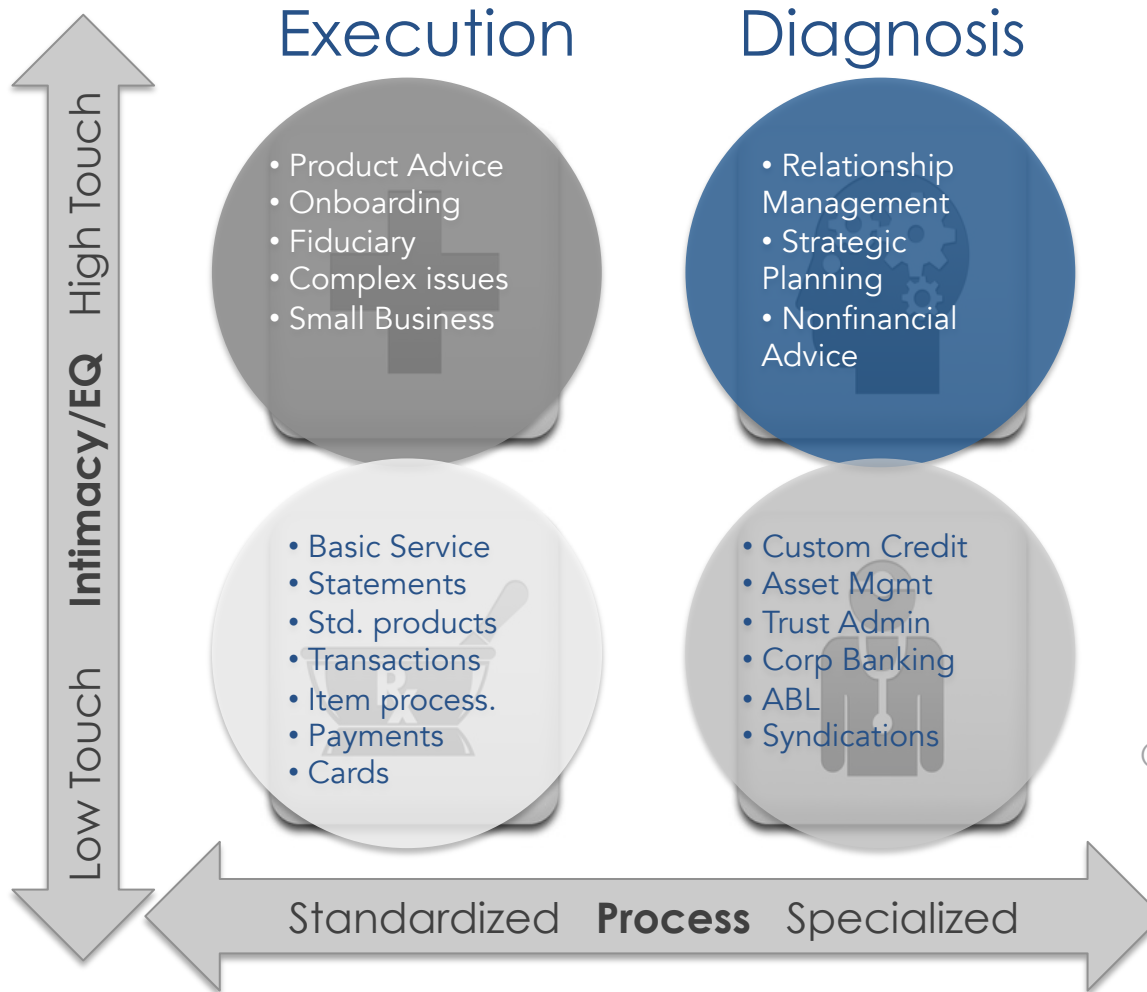
Innovation Investments



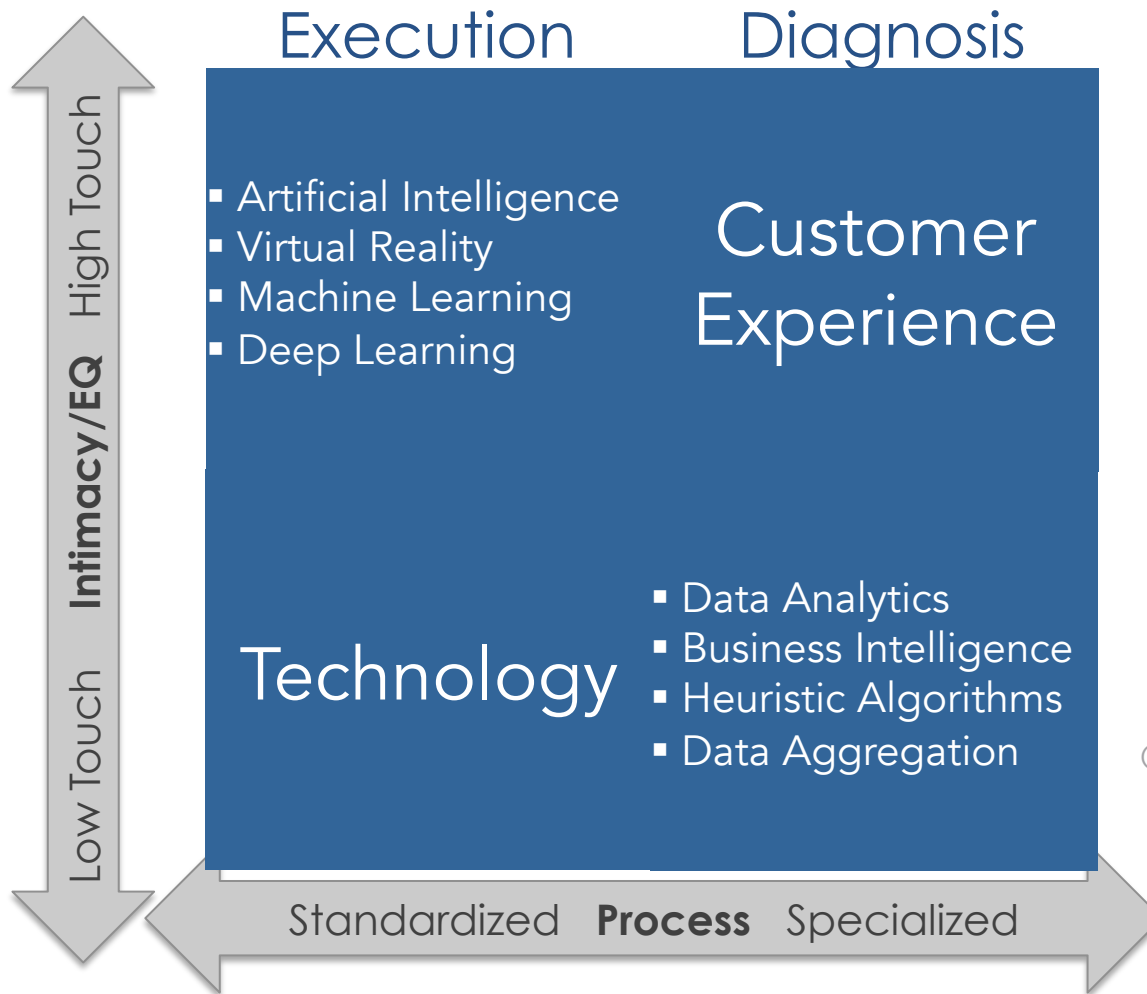
Monitor Group, 2012



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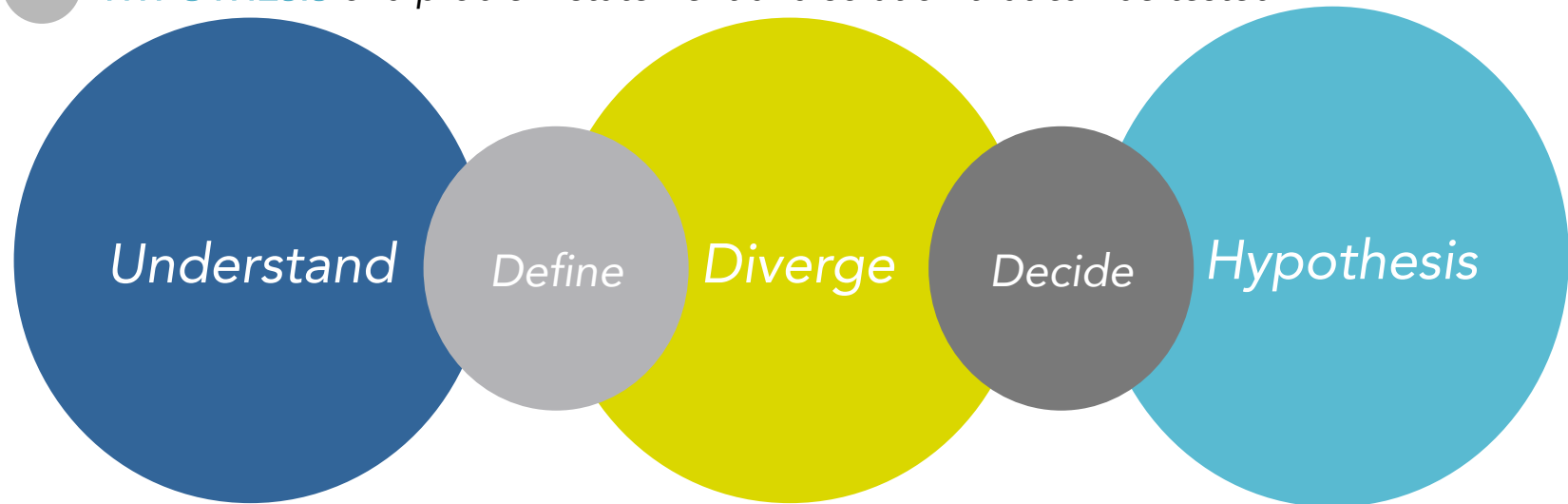


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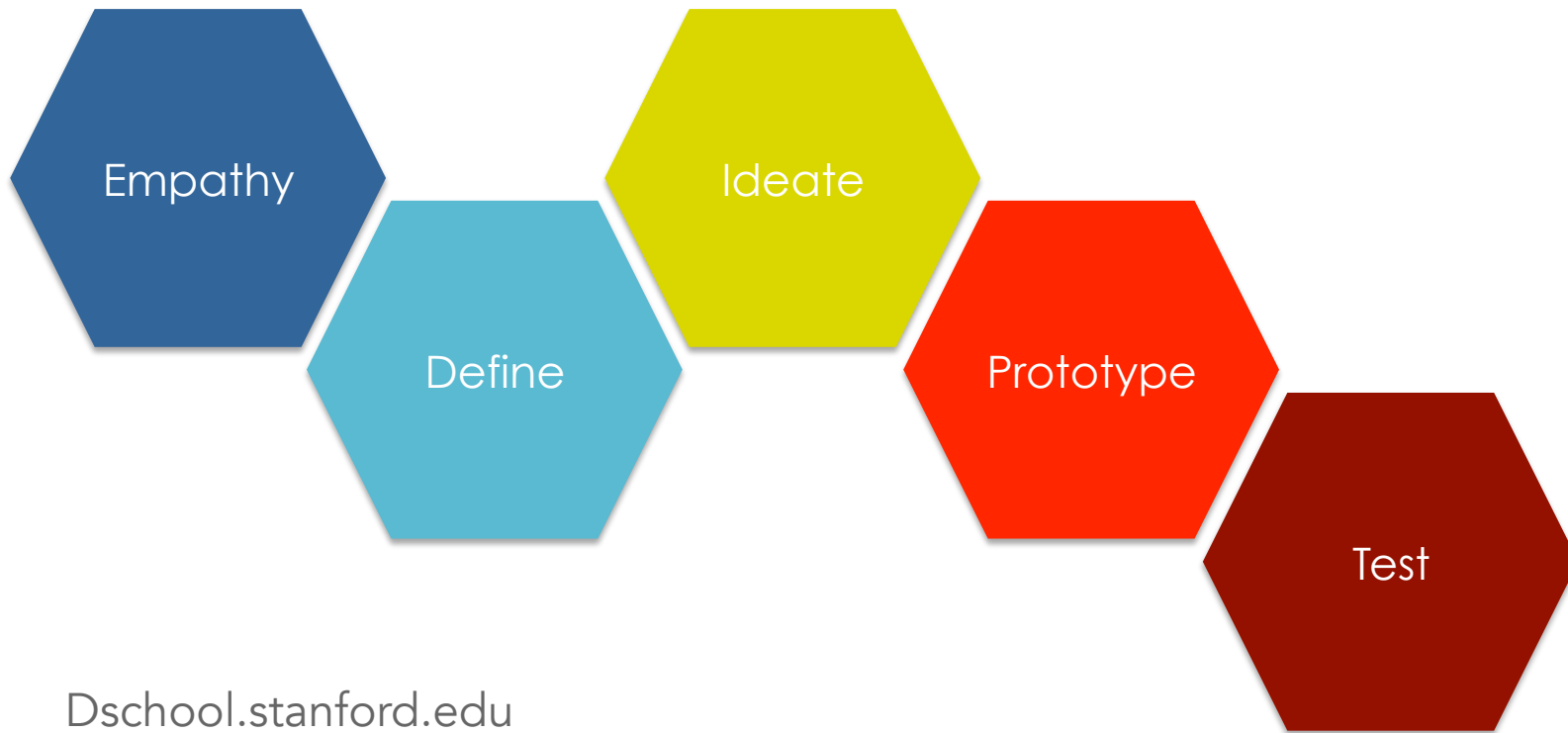


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- 1 **UNDERSTAND** user needs, business value and technology capacity
- 2 **DEFINE** the problem, key strategy and focus
- 3 **DIVERGE** from a single potential solution to create diversity of options to explore
- 4 **DECIDE** on the most promising ideas from the range of options
- 5 **HYPOTHESIS** of a problem statement and solution that can be tested



Design Thinking



Dschool.stanford.edu

Banking in an Era of Digital Disruption



JP Nicols

SOCIAL IMPACT



Self-transcendence

LIFE CHANGING



Provides hope



Self-actualization



Motivation



Heirloom



Affiliation/
belonging

EMOTIONAL



Reduces anxiety



Rewards me



Nostalgia



Design/
aesthetics



Badge value



Wellness



Therapeutic value



Fun/
entertainment



Attractiveness



Provides access

FUNCTIONAL



Saves time



Simplifies



Makes money



Reduces risk



Organizes



Integrates



Connects



Reduces effort



Avoids hassles



Reduces cost



Quality



Variety



Sensory appeal



Informs

Business Model - The Empathy Map

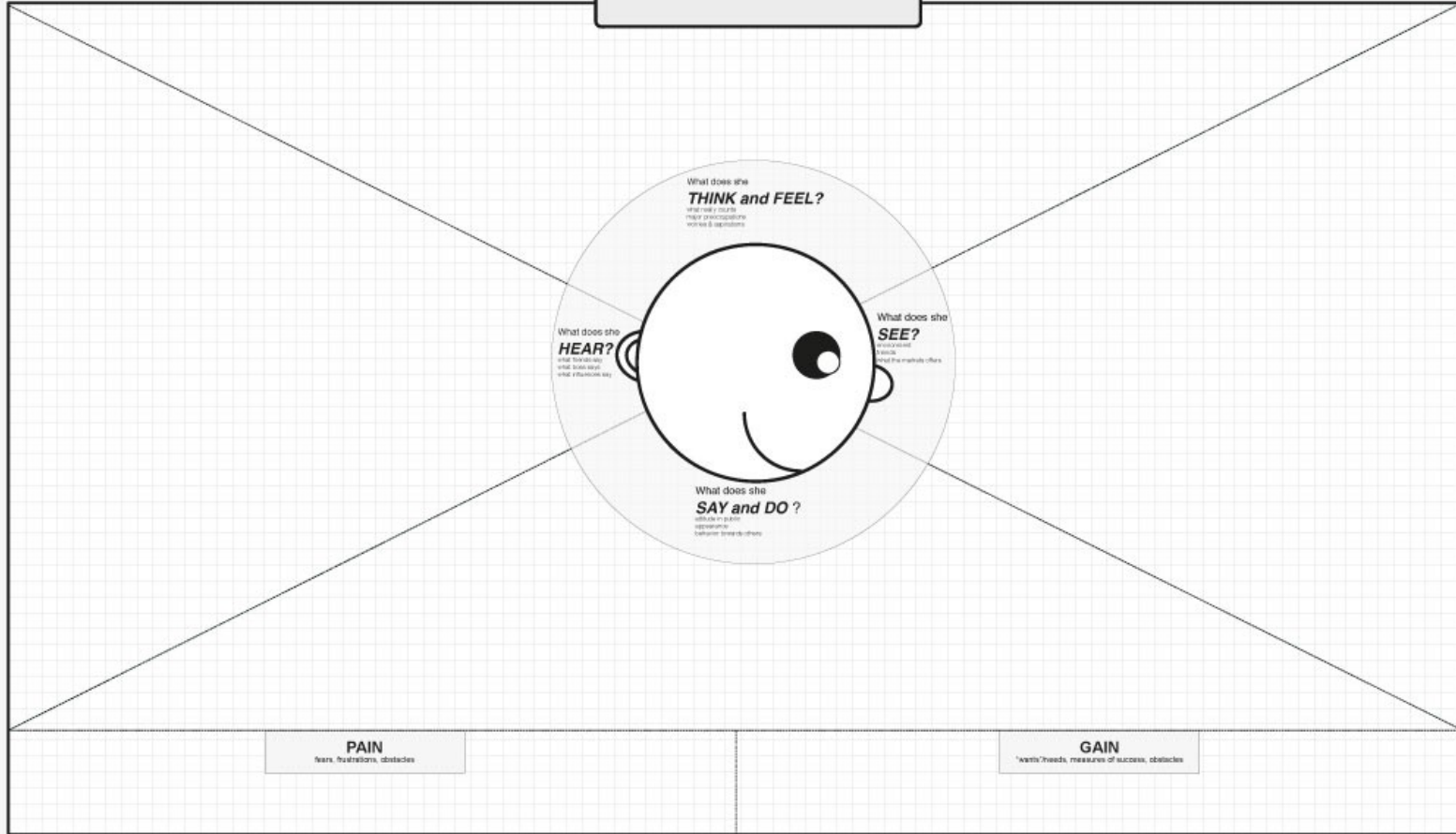
Designed for:

Designed by:

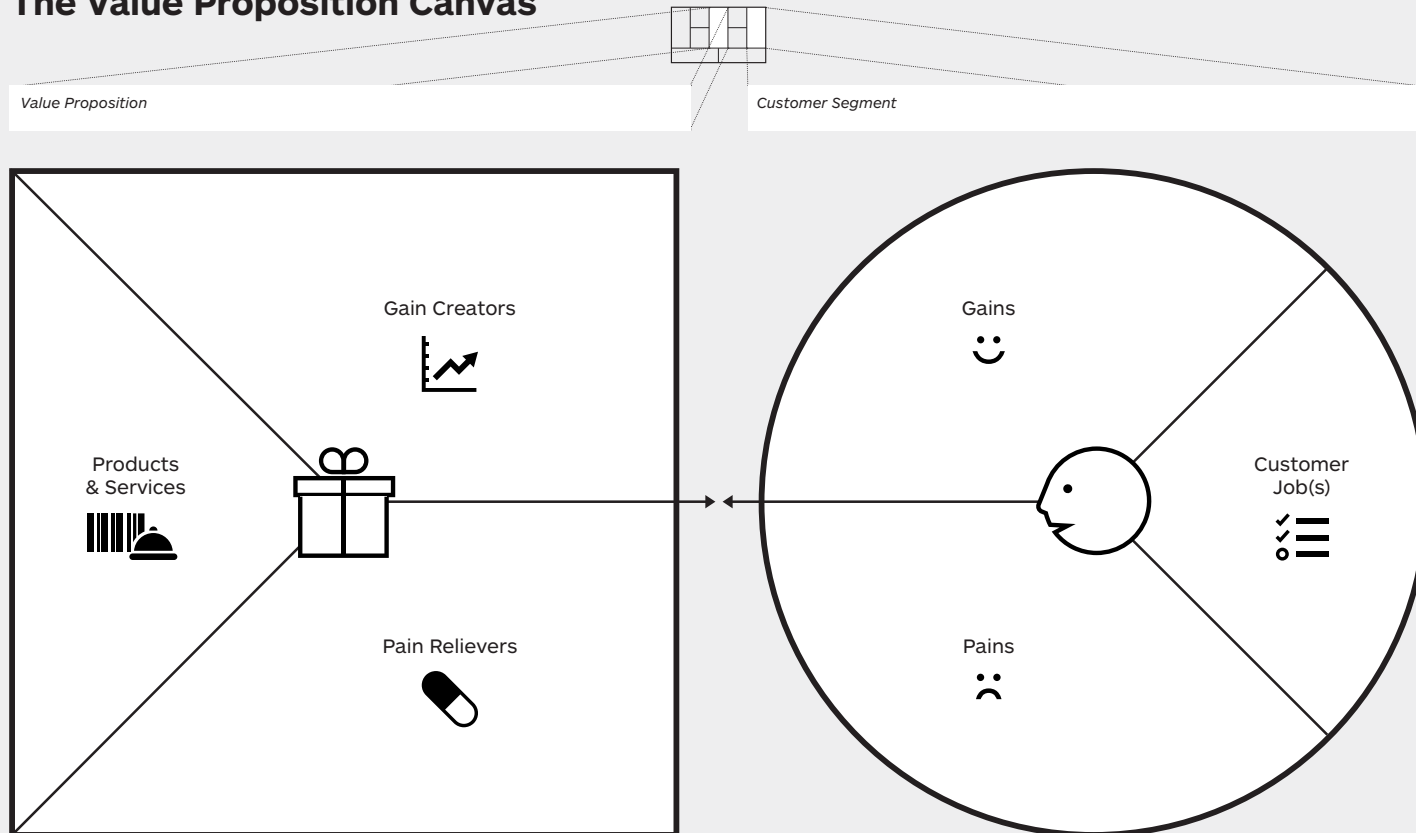
Date:

Customer Perspective:

Iteration:



The Value Proposition Canvas



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The makers of Business Model Generation and Strategyzer

Strategyzer
strategyzer.com

Mad Lib

_____ need to _____ because _____

Five Whys

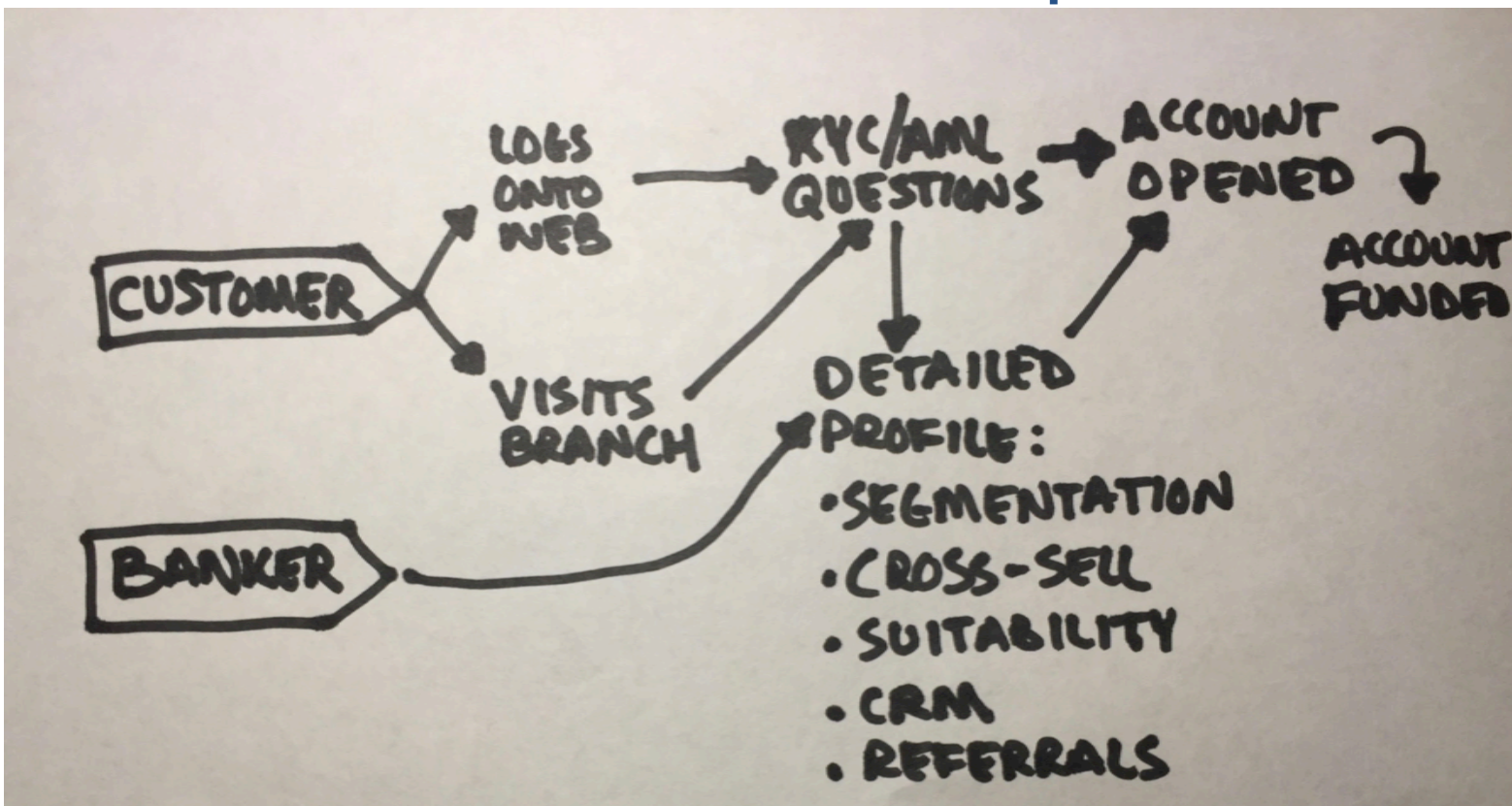
- Why?
- Why?
- Why?
- Why?
- Why?

How Might We...?

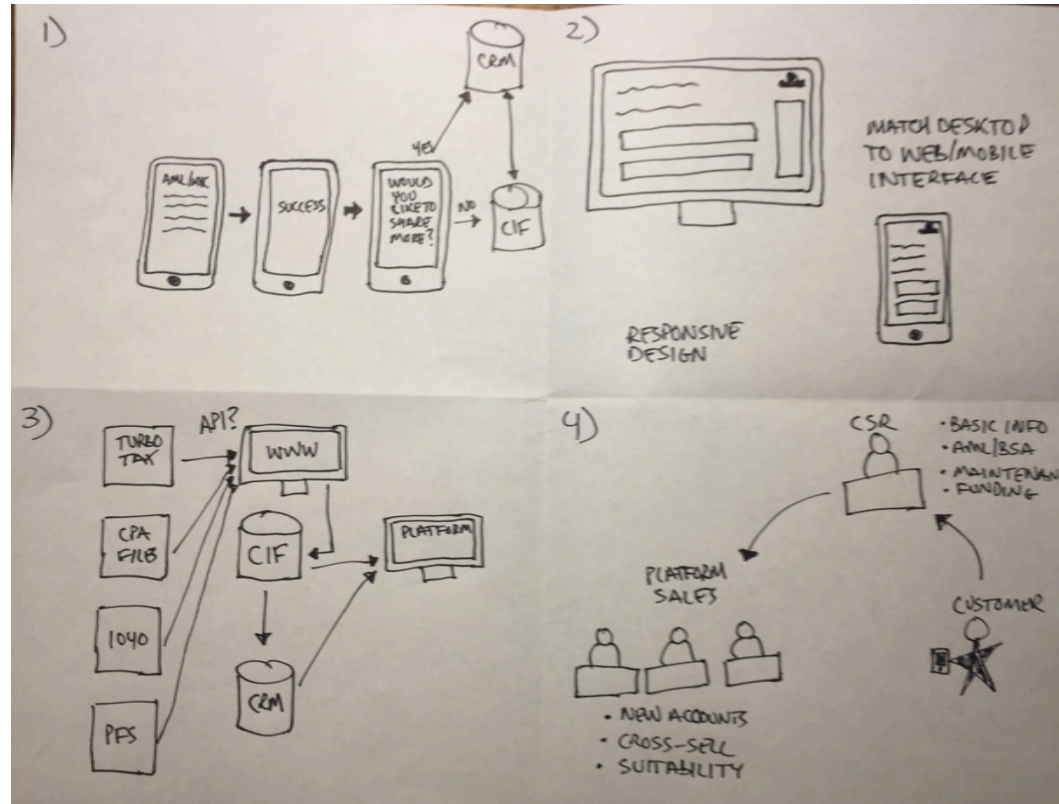
HMW...



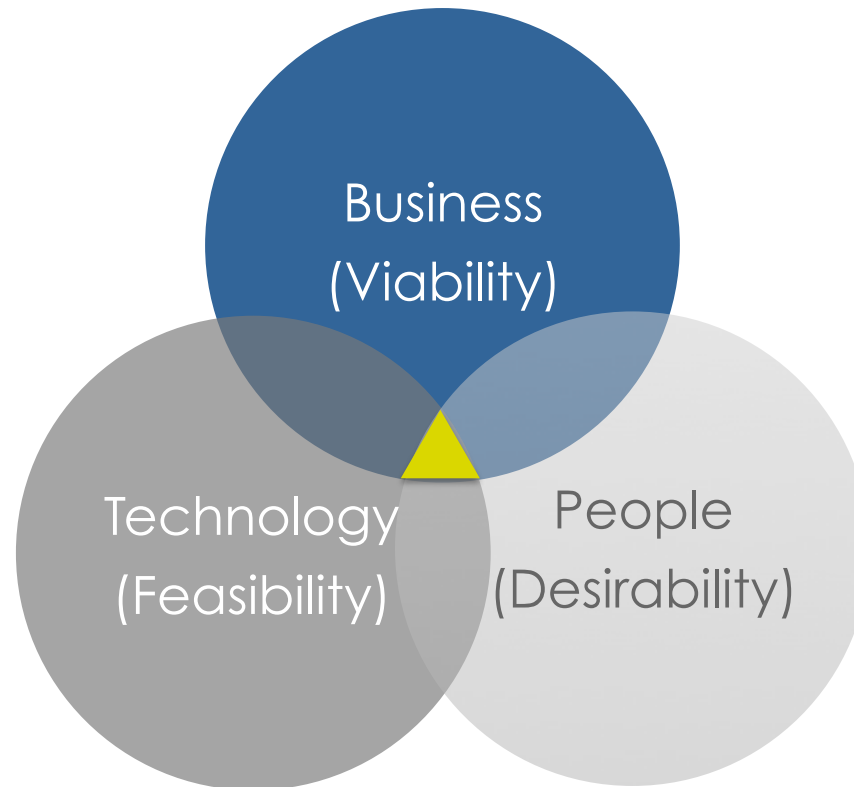
Process Map



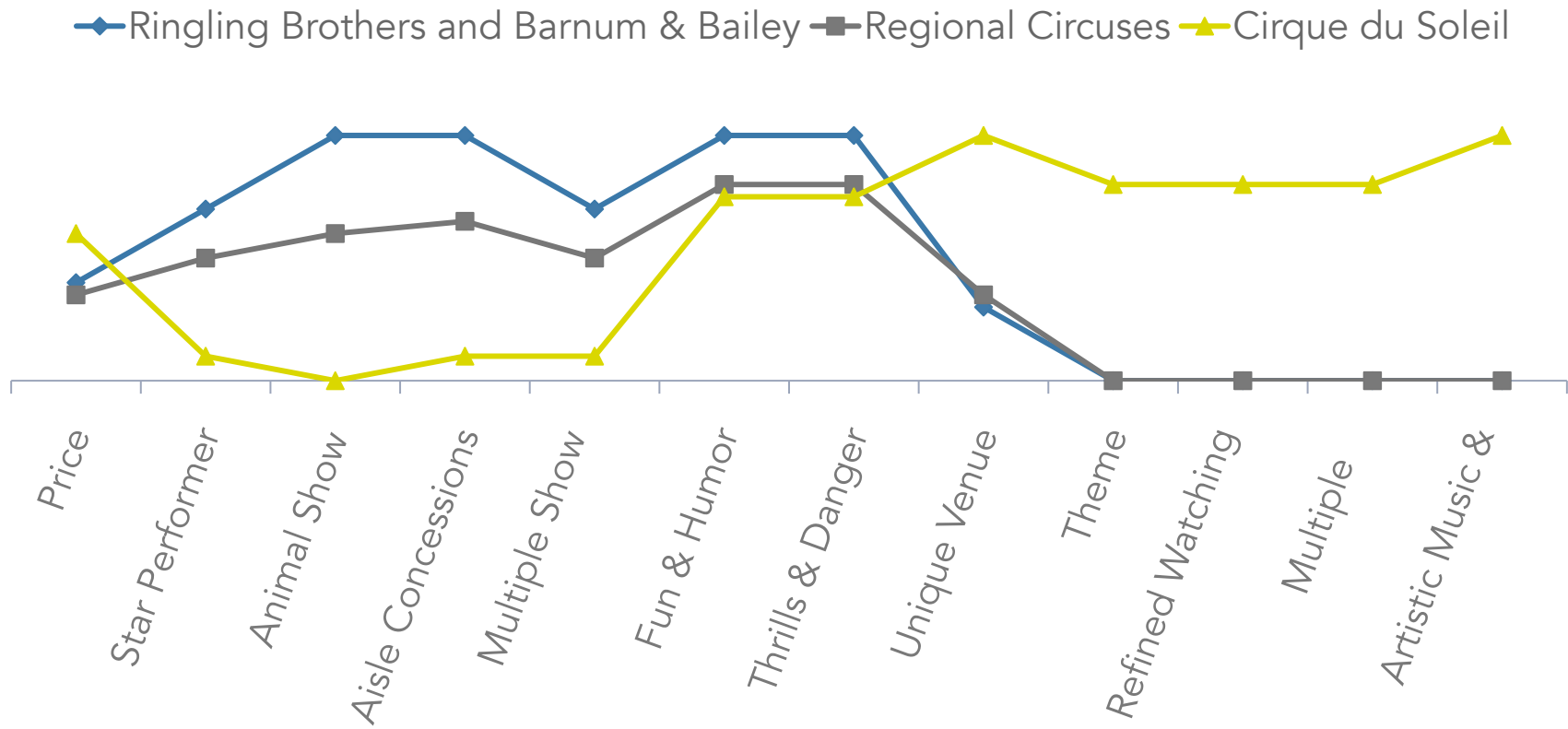
Solution Sketches



The Sweet Spot



Blue Ocean Strategy Map



SCAMPERR Model

- Substitute
- Combine
- Adapt
- Magnify
- Minimize
- Modify
- Put to other uses
- Eliminate
- Reverse
- Rearrange

The Business Model Canvas

Designed for:

Designed by:

On: Day Month Year

Iteration: No.

Key Partners



Who are our Key Partners?
Who are our key suppliers?
Which Key Resources are we acquiring from partners?
Which Key Activities do partners perform?

KEY PARTNER VALUE PROPOSITIONS:
Participation and expertise
Access to distribution channels
Acquisition of valuable resources
Acquisition of valuable resources and activities

Key Activities



What Key Activities do our Value Propositions require?
Our Distribution Channels?
Customer Relationships?
Revenue streams?

KEY ACTIVITIES:
Production
Distribution
Marketing
Customer Service
Logistics Network

Value Propositions



What value do we deliver to the customer?
Which one of our customer's problems are we helping to solve?
What bundles of products and services are we offering to each Customer Segment?
Which customer needs are we satisfying?

VALUE PROPOSITIONS:
Customization
Performance
Convenience
"Turning the job around"
Reliability
Price
Risk Reduction
Cost Reduction
Accessibility
Customization/Agility

Customer Relationships



What type of relationship does each of our Customer Segments expect us to establish and maintain with them?
Which ones have we established?
How are they integrated with the rest of our business model?
How costly are they?

EXAMPLES:
Personalization
Dedicated Personal Assistance
Self-Service
Automated Services
Communities
Co-creation

Customer Segments



For whom are we creating value?
Who are our most important customers?

EXAMPLES:
Mass Market
Niche Market
Segmented
Personalized
Multi-sided Platform

Key Resources



What Key Resources do our Value Propositions require?
Our Distribution Channels? Customer Relationships?
Revenue Streams?

KEY RESOURCES:
Physical
Intellectual
Human
Financial (Direct payments, royalties, debt)
Channels
Processes

Channels



Through which Channels do our Customer Segments want to be reached?
How are we reaching them now?
How are our Channels integrated?
Which ones work best?
Which ones are most cost-efficient?
How are we integrating them with customer routines?

CHANNELS MODELS:
A. Direct
B. Indirect
C. Multi-stage
D. Hybrid
E. Other
F. Other

Cost Structure

What are the most important costs inherent in our business model?
Which Key Resources are most expensive?
Which Key Activities are most expensive?

KEY COST STRUCTURE MODELS:
Fixed Costs (Salaries, rent, utilities)
Variable Costs (Raw materials, shipping, packaging)
Semi-variable Costs (Marketing, R&D)

EXAMPLES:
Fixed Costs (Salaries, rent, utilities)
Variable Costs (Raw materials, shipping, packaging)
Semi-variable Costs (Marketing, R&D)



Revenue Streams

For what value are our customers really willing to pay?
For what do they currently pay?
How are they currently paying?
How would they prefer to pay?
How much does each Revenue Stream contribute to overall revenues?

REVENUE STREAMS:
Fixed Fee
Usage Fee
Subscription
Licensing
Advertising

REVENUE STREAMS:
Fixed Fee
Usage Fee
Subscription
Licensing
Advertising

REVENUE STREAMS:
Fixed Fee
Usage Fee
Subscription
Licensing
Advertising

