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Global Transaction Banking

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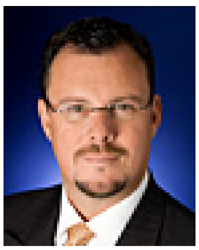
Innovation and Risk in the Financial Supply Chain



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Being innovative in an attempt to grab market share from competitors is something that corporates strive to do at all points in the business cycle. However, since the return to relative stability in the wake of the financial crisis, we are seeing the way corporate clients approach innovative technology and techniques has changed — risk thresholds have dropped, creating a danger that innovation will be stifled as a result.

Given tight budgets for internal investment, implementing a new and innovative solution can often be a make-or-break decision for the individuals involved. Financial services providers therefore need to take into account their clients' and potential clients' perspective and look to deliver solutions that meet their objectives without exposure to what they would consider to be elevated risks. In this respect, understanding and balancing a corporate's wants and needs with their risk tolerance is crucial.

Despite this risk aversion, financial supply chain (FSC) solutions are becoming more sophisticated. In addition, many providers are expanding their offering to bring in third-party logistics and other services in order to create a more comprehensive package. While the evolution of FSC solutions is to be admired, more complex solutions inevitably mean longer decision making cycles, adding an extra element of uncertainty and risk to implementation.

As a result, providers themselves need to think about their level of competency in all the areas of a proposed solution and not over-extend themselves by trying to implement something that is unnecessarily complex. Likewise, clients going through their evaluation and selection procedures need to ensure that all aspects of a proposed solution are in fact core competencies of their chosen provider.

Client Engagement

Due to high levels of risk aversion among some corporates, innovative solutions that have achieved rapid adoption are often smaller, less complex and lower cost than previous ones. Such initiatives tend to be about making measured enhancements and taking an evolutionary approach rather than seeking a wholesale overhaul in systems or processes. While there are still examples of revolutionary innovation taking place in today's market, current economic conditions are certainly leading to more conservative buying patterns in transaction banking.

As a result, engagement with clients in order to help them become comfortable with change is more important than ever. Deutsche Bank recently launched a new social media campaign aimed at widening interaction with clients by allowing them to directly influence and steer product development through engaging with our product, sales and service experts.

The initiative forms part of broader efforts to enhance the channels through which the bank interacts with clients and increase the overall user-friendliness of transaction banking solutions. This is innovation in order to simplify. We are committed to introducing a level of intuitiveness and accessibility that rivals the business-to-consumer space.