

Business Innovative Environment in the Romanian Financial Sector: The Case of ING

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Abstract: The purpose of this paper is to highlight the importance of innovation in businesses in the context of a broader meaning of innovation including social innovation and open innovation approaches. It focus also on the need that companies would have to invest in lifelong learning mostly with respect to the entrepreneurship education that can support creativity and innovation within any organization that aims for a short-run increase in their profits and mostly for a long-run sustainable competitive advantage. *In the first part of the paper*, we focus on companies.. According to the open innovation approach sharing ideas and knowledge can contribute a lot by generating more value added based on the increasing returns and positive network externalities. One person may generate 10 ideas; conversely, 5 persons may generate 50 ideas. From those 50 ideas the manager can use at least 3 of them. . This is how intangible assets in general and mostly intellectual capital and creativity should be enhanced. Furthermore, it will influence the consumers buying renewed products in a more profitable way. *The second part of the paper* highlights the importance of some best practices cases. Nowadays, with Internet banking, Euro Automatic Teller Machine (ATM) and credit cards, the final user has been granted options for the monetary transactions. People want their needs to be satisfied and this is one of the reasons why they have grown accustomed to demanding more and more from their banking services providers. *In the last part of the paper*, we discuss about the creativity models and ways in which these models might influence the workers and the leaders to come up with new ideas, to be creative and to generate larger profits. From a methodological point of view *the quantitative method (surveys)* and *the qualitative one* (in terms of interviews) had been used.

Keywords: business innovation, competitive advantage, open innovation, Internet banking, mobile banking solutions

1. Introduction

Nowadays, many companies have to catch up global development through improving the quality of the products and its relation with stakeholders and partners acting as much as possible on networking and mostly on electronic platforms of co-operation. Banks represent a distinct sector, which invests in new technologies in order to enhance the range of value-added by products and services. The implementation of the Internet banking service and mobile banking solution has changed dramatically the consumer's perspective regarding banks. *The Knowledge-based organizations and mostly the innovative business* understand the importance of education and workers' skills for maintaining a sustainable and competitive business.

We had taken into account the correlation between innovation, creativity, technology and bank products within the modern financial development framework.

2. Brief literature review

Innovation is one of the most important engines of a long-run smart, sustainable and inclusive development. Team buildings, creative meetings, private inquiries with employees, all contribute to assure a long-run sustainable competitive advantage. Innovation is present everywhere regardless if we talk about investment in people or creating a new business line, branding or rebranding, finding new source of earning money or decreasing the costs. Tom Peters (2010: 227) said that in a crowd market, branding is an essential element used to come forth. On one hand, innovation and creativity need also an anticipatory thinking that asks for analyzing the way ideas are implemented, while on the other hand, the retroactive thinking is trying to explain the effects one particular idea might have both on the short-run and long-run. Creative and innovative solutions are sought now more than ever. Karsten Nooack (2012) explains that creative thinking could be stimulated by using associative methods, analogies, illustrative methods or systematic procedures. Other authors, such as *Chesbrough (2003)*, present innovation as a new paradigm for enterprises which can be used as a sustainable long-term advantage, based on internal and external sources of innovation.

According to the *Innovation statistical survey (INCEE, 2011)* dedicated to the *innovative activities of enterprises in Romania, during 2008-2010*, the weight of innovative enterprises, during 2008-2010 was 30.8%, from which 16.5% are enterprises with non-technological innovation (figure1).

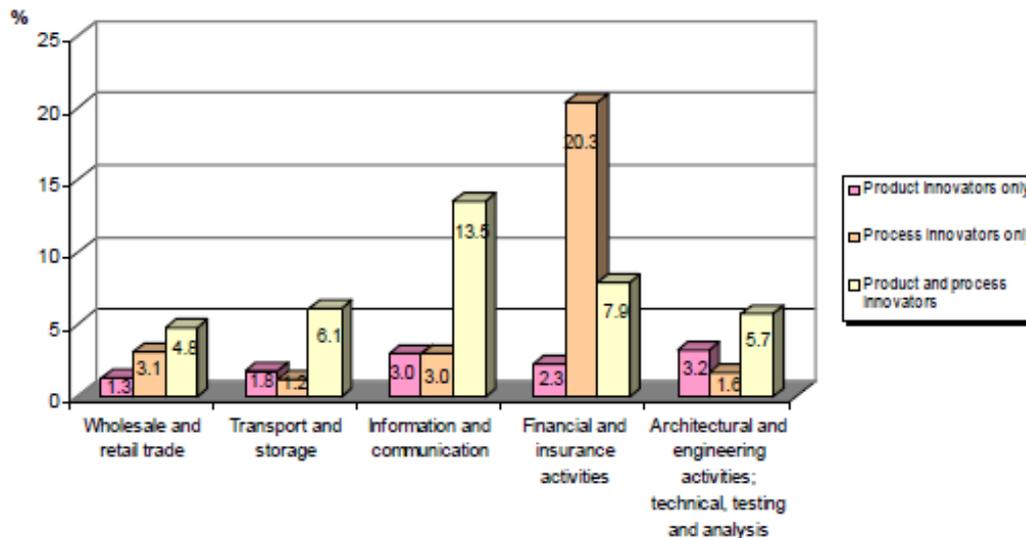


Figure 1: Weight of innovative and non-innovative enterprises in Romania in total enterprises, during 2008-2010

Source: *Innovation in industry and services during 2008-2010 / Inovareain industrie si servicii in perioada 2008-2010. Romania, INSEE, 2011, p. 45*

In Romania, in industry an important share in the total number of enterprises is held by the process innovators belonging to electricity, gas, steam and air conditioning supply economic activity 14.3% and product and process of innovators water supply; sewerage, waste management and remediation activities 11.2%.

In services the biggest share for product innovators is held by the section of by architectural and engineering activities; technical testing and analysis 3.2% and information and communication 3.0% while for process innovators is held by financial intermediation and assurance 20.3%. Information and communication held the biggest share for product and process innovators, too 13.5% (figure 2).



Source: *Innovation in industry and services during 2008-2010 / Inovareain industrie si servicii in perioada 2008-2010. Romania, INSEE, 2011, p.47*

Figure 2. Weight of successful innovators in all enterprises of services by types of innovators, during 2008-2010

As illustrated in figure 2 with respect to the process innovators in Romania the first position is held by financial intermediation and assurance with a percentage of 20.3%. Thus we decided to focus our case study on the financial services based on the expertise accumulated on *the ING Bank*. Small companies can be innovative if they use intensively their intellectual capital as an internal sustainable source of innovation. The employees can be stimulated to create through incentives, challenges, quality circles, brainstorming and other methods.

Another important role regarding the development and competitiveness is played by meetings inside the company focusing on discussions about the six hats procedures, access point, random stimulation, analogies, dominant's idea, design and branding. Trust building and team building can make the difference and can contribute a lot in the case of an innovative business mostly for developing informal communication and to get a broader meaning of innovation by including its social dimension in terms of open innovation and social innovation. Electronic platform of co-operation such as Sigma Nine assure the prerequisite for co-creation and co-working facilitating the fulfilment of more targets by gathering people with high skills and high expertise who can better contribute to find creative and innovative solutions to complex issues. There are many best practices examples of co-operation both on the microeconomics, mezzo (sector and/or regional level) and macroeconomic levels. The focus of this paper is on the micro level giving a special preference to the financial and banking system. Our case study takes into account the example of some relevant initiatives that had been taken on the ING Bank.

For example *ING Bank* developed a program named "*Go Smart*" as an internal competition that started in 2008, being open to all the *ING Bank* staff.

Its goal was to involve the employees in identifying current business problems, malfunctions or unexploited opportunities, and to come up with *out-of-the-box*, *original* and practical business solutions. Thinking out-of-the-box is known as creative and innovative way of thinking that can contribute mostly in the process of generating new ideas that might contribute to the business development. This way of thinking focus on the approach of the lateral thinking that had been promoted mostly by Edward de Bono (Edward de Bono, 2010).

The lateral thinking is very important for the creative and innovative management and mostly for the business development based also on talent management and on competence based decision making process. Edward de Bono (2010) considers that lateral thinking focuses on discovering ways to reach the main objective and to choose the best way to reach it. The managers can improve the work activity of their staff based on leadership and mostly on promoting the entrepreneurial spirit within an organization so as this organization to be able to become more competitive.

The "*ICEC*" is an *ING* innovation centre that supports businesses by working along with their employees in order to find new and innovative ideas about how to improve the *ING* customer experience. When a business' unit comes to the *ICEC* for support in developing innovative ways to enchant their customers, the visit always begins with a *Customer Journey*. A *Customer Journey* shows how technology can be used to delight *ING's* customers in the present.

Marketing department requires tends to favour client satisfaction rather than profit maximizing (Aaker, 2001). The first step for big companies is to start an inquiring report to analyze the targeted sector.

Under the pressure of reducing costs and remaining competitive, more companies are attracted to the efficiency of *e-commerce*. Related to the users and Internet providers, companies have noticed an increase of the importance of Internet, in the development of the business environment. As Gallo (2011) said, Steve Jobs was mindful with creative domains and hired young creative people to manufacture dreams.

The *ING Strategy* for long-term is "*building the Bank of the future*". This starts with a focus on the customer by restoring trust through transparency and fair pricing, excellent services and solutions, by improving efficiency as a competitive imperative edge under the regulatory cost pressure. Ian McDonald Wood (Rosca, 2006) said that network economy creates a significant value added through digital technologies, human and organizational connections.

Now, due to the technological changes in bank's services, IT systems are used at a large scale for the clients' benefit. This means that banks services could benefit from improved technologies and they can use new distribution channels, based on new technologies in order to obtain and to maintain next a long-run competitive advantage.

3. Innovation trends in *ING Bank*

Since *ING Bank* appeared on the market, it has received many awards: in 2003 it received a prize for interactive vocal phone call services for clients; in 2004 it was offered a bounty for "*SelfBank*". From 2005, *ING Bank* set out a purpose on long term to transform the Romanian subsidiary from a niche bank into a universal bank. At the end of 2010, *ING Bank* reached 1 million clients. Also, *ING Bank* was the 3rd provider for VISA Electron International Card with chip (EMV), with 1 million sold cards and the most used cards on POS

transactions. The main opportunities for ING Bank in 2012 were: the highest level of emotional loyalty on the market, higher availability of ING to invest in better products. Several potential competitive advantages were identified: best client service, best services, best Internet banking, transparent communications and being easy to understand. At the end of 2012, ING Bank finished its run with the following awards: “*Best European Bank of the Year*”; “*Best Global Structured Commodity Finance Bank*”; “*Best Bank in the Netherlands*”; “*Best C&EE Loans Mandated Arranger*”, “*Russia and CIS Loans Mandated, Arranger*” and “*Russia and CIS Loans Bookrunner*”. That revealed ING Bank as a competitive bank with a very good brand tracking.

In October 2013 ING Romania was rewarded with the prize for “Best Strike” at Cards 2013 Fest. This prize is offered for the most dynamic and useful debit card at shopping in 2012. In 2012 there were made more than 17.000.000 transactions with ING Visa Electron. At this fest, there were revealed the most important actions regarding financial services made by banks, cards processors, technology suppliers and others. ING Romania proved that the Self-Banking model conducted to a permanent education of the clients.

Also, in October 2013, ING Bank was rewarded for the best digital campaign in financial services, within the pale of Internetics Fest. This Festival promotes branding, marketing and online advertising through awarding interactive campaign, sites, promoting tools and creativity.

ING Bank is one of the most important players in banking products. It is also a leader in the insurance market. In July 2004, ING Romania launched “*SelfBank*”, a platform used by clients for banking services (money transfer, cash deposit, cash withdrawal, balance enquiry, credit top-up, and utility bill payment). Its advantage was to provide full and permanent access for clients (24h/7days), without wasting time queuing, while maintaining low costs.

After “*SelfBank*” release, ING provided “*HomeBank*”, a financial service available at any time and any place for online transactions. Since then, ING has reaffirmed a permanent engagement for Romania in order to respond to their client’s needs. The PR campaign dedicated to “*E-Banking*” platform was distinguished with “*Silver Award for Excellence*” within *PR Award 2012*. The new website gives details in a user friendly and creative way for the Internet banking. It is meant for all clients who search information in order to simplify their life and save time while conducting their financial transactions. During the ten years of activity, ING has proved to be an open bank, building the reputation that promotes quality and innovation.

Initially, it was electronic-banking, followed by „*Internet Banking*”, and recently in Romania „*Mobile Banking*” has been introduced.

All the three services offer almost the same facilities to the clients. The differences between them relate to the freedom of movement and the communication channel with the bank. Their benefits are: simplicity, commodity, security and lower prices. The costumers were not familiarized with this technology and for that, the bank pre-announced them regarding the upcoming product to inform about its benefits. This had an important role because it educated clients.

By working together for the same purpose in the Romanian market, banks attract customers with new products, more competitive, based on innovative IT solutions. With this aim, ING Bank attended in November 2012 the *International Conference Operations & IT 2012* where CEOs from around the world gathered for the first time for such an event. The break-out sessions focused on: sharing and building best practices that support customers and tackle security challenges; stimulation of innovative ideas and how to create an environment that inspires innovative entrepreneurship; increasing efficiency and operational excellence through the use of *Shared Services*.

ING came up with a new project – *HomeBank* for smart phones. “*Mobile Banking*” was launched at the beginning of 2012 using internal resources by a dedicated Romanian team. In October 2012, ING deployed a new technology – “*Contactless for MasterCard and Visa*”. With this card clients can easily pay up to 100 RON or 20 EUR without using a PIN Code. Payments over this limit will be made by using a PIN Code. This new product innovation uses a different technology in order to improve product benefits (Maarse, 2012).

One of the newest products is ING Pay, the first solution for mobile payments launched in Romania by a bank. This project started in 2008 as a pilot program.

In 6 month more than 300 clients used it, 91% of the customers made payments and 96% were satisfied about this service. But there were also some weaknesses, for example there was a lack of traders that accepted this payment method and the service was available only for Nokia terminals. In 2013, the market has changed and

about 3.800 POS terminals accepted contactless payments in Romania. ING Romania has provided 15.000 contactless cards and over 100.000 usual cards on the market.

ING Pay is a service available for Samsung and iPhone owners, because 69% of ING customers have these two mobile terminals. On Romanian telecommunication market, the number of smartphone users is significantly higher for these two companies. This is the reason why ING Bank invests in a new technology for smart payments. With the support of Oberthur Technologies Romania, an ITC developer, ING Romania provided for its clients an application for payment, only with a smartphone, without any card or PIN Code. This application is using Nera Field Communication (NFC), a wireless communication technology. For payments using a smartphone, the bank offers Samsung owners a micro SD card and an amplifier for NFC signal, and a special cover for iPhone owners. ING Pay is the most rapid payment method, it is addressed to all clients, it is one stop shop product, it is adapted according to the clients' appetite for risk (with or without PIN Code) and clients don't need a card or cash. Through ING Pay and Contactless Cards Technology, "ING steps into the future, providing its clients easier and more innovative payment solutions", affirmed Maria Cristina Matei, Head of ING Retail Banking. In order to understand the preferences of its consumers, ING Bank made a study about the new tendencies in mobile banking services, IIS "Financial Empowerment in the Digital Age". This study offers relevant information about mobile banking market, contactless technology and how consumers are using online payments. This ING International Survey was made in May 2013, in 12 countries exploring the answers of 1.000 respondents from every country.

According to this study, 37% of European citizens are using mobile banking and control money on their way and 62% are paying their bills on time thanks to this service. This level increases in Turkey, where 78% of respondents are paying bills through this service.

Among European countries, the Netherlands is on the first place with the biggest number of mobile banking users (41%), being the most developed country on mobile banking market, followed by Luxembourg with 37% and Austria with 30%, and Romania on the last place with 10%.

Turkey is the next mobile banking hotspot for these services, because of the largest share of Internet consumers (49%) who use mobile banking. Turkey has a great opportunity to grow as Internet access becomes more widespread. It is followed by Spain and the Netherlands with 44%, then by Poland and Luxembourg with 41%. The last mobile banking users are: Belgium (26%), France (25%) and Romania (23%). At European level, the average is around 37% consumers.

Polish citizens use most often the mobile banking for shopping. More than 77% of British people consider mobile banking as a useful way to control their money (they actually feel in control). On the second and third place is Italy with 71% of the population and respectively, Poland with 67%. On the other hand, half of Germans are not using mobile banking because of the payments' risk. Belgians are not using mobile banking because they do not have smartphones or tablets and Spanish people are very satisfied about the mobility on money transfer, using mobile banking. Regarding the confidence in contactless payments, 45% of Europeans consumers disagree with it. The highest level of mistrust is in France with 65%, followed by Luxembourg with 56%, Germany with 54% and Austria with 52%. At the further end is the Netherlands with 24% and Turkey with 34%. In Romania, the mistrust is present at around 41% of the respondents. If the perception of mistrust payments diminishes and clients are more confident in using mobile banking, adoption rates will certainly grow.

Respondents under 35 years old, who use social media very often, are interested in mobile banking with a 50% rate of acceptance while from the lower age group – the one with respondents over 55 years old – 23% accepts it. Moreover, around 40% of respondents between 18 and 34 years old are interested in the possibility to make payments using the social media networks. The country with the highest percentage of agreement is Romania with 57%, followed by Turkey with 51% and Poland with 42%. The lowest level of agreement is in the Netherlands with 16% and France with 19%. Overall, most respondents want to use social media for getting information about bank's products, staying in contact with the bank's representatives, finding tips for loans and savings. From this report we can conclude that the youngest age group is often seen to indicate future trends.

According to this study, the reasons why Europeans do not use mobile banking are the lack of smartphones (37%) and the fear of unsecured solutions (33%). Thirdly, 11% of the respondents believe that mobile banking does not offer something that cannot be done otherwise than interacting with banks. The security of the

payments is still a concern to the majority in four of the surveyed countries, but young people embrace this technology very well.

Regarding Romania, over 32% of Internet users answered positively at the question of using the mobile banking. This percentage is close to other countries such as France (25%) and Belgium (26%). About 50.000 Romanian citizens downloaded Mobile Home'Bank for their smartphone. These users interact more frequently with the bank.

At global level, ING Group announced an increasing profit from 800 million Euros in the first quarter, to 942 million Euros in the second quarter of 2013. The trend is positively, with 17.8% more than the previous quarter, but at the same time, with 15.1% less than the second quarter of 2012. These differences between 2012 and 2013 are due to "the costs of hedging on our capital position in Japan and the US" according to Jam Hommen, the CEO of ING Group.

In the second quarter of 2012, ING was mentioned in the ranking of "25 Best Multinational Workplaces in Europe". This revealed the importance ING shows to its employees. Moreover, the company sets three global priorities for business actions: performance management, development, efficiency and effective collaboration.

ING Bank started a new project in order to create a smoother communication with its clients. In doing so, the Customer Care Department in collaboration with IT and Products Department implemented a system for automation the phone interactions with the clients. This system includes two applications: (I) Voice Biometrics, for identifying clients through voice footprint previously recorded, (II) Voice Call Steering, for automatic understanding the reasons why the client calls and for forwarding the call according to the client's request.

At this time, the first application – Voice Biometrics is already tested. In order to work properly, this application must be calibrated through recording a large number of vocal footprints (different ages, different dialects, etc).

Considering innovation as a prerequisite, we tried to analyze and explain the correlation between innovation and its determinants based on *ING Bank* case study. Thus we conducted our own research that is described in the next paragraph.

4. Our research study

The objective of our study is to prove that innovation in products leads to a higher profit rate in the short-run and creates sustainable competitive advantages on the long run. The objective is to measure the Internet Banking utilities and to improve its characteristics in order to create a competitive product.

Seitz and Sticke (1999) in their paper „*Internet Banking*” demonstrate that companies who provide financial services use the Internet as a distribution channel. Online transactions are elements of efficiency, mostly because they tend to save time.

The qualitative stage of our study uses focus groups and interviews. These discussions were conducted in Bucharest in February-March 2013.

The *quantitative stage* of our study is based on *surveys*. The sample includes respondents between 20 and 60 years (Figure 3), with higher education and income levels as showed in Figure 4.

All the respondents use frequently at least one card and sometimes shop online. We have used quantitative methods for evaluating the relevant aspects of research. The main purpose of our research is to evaluate some market segments and how consumers rank products on the market.

We applied *the Likert scale* for quantitative measuring. When answering to a questionnaire based on *the Likert scale*, respondents mentioned their level of agreement or disagreement. The scale has 10 levels: beginning with very dissatisfied and ending with extremely satisfied. The respondents had to give a mark for a series of banking products. This is why a symmetric agree-disagree scale for a series of statements was used. Thus, the range captures the intensity of their feelings for a given item so the answers will be more specific and will not lack any piece of information.

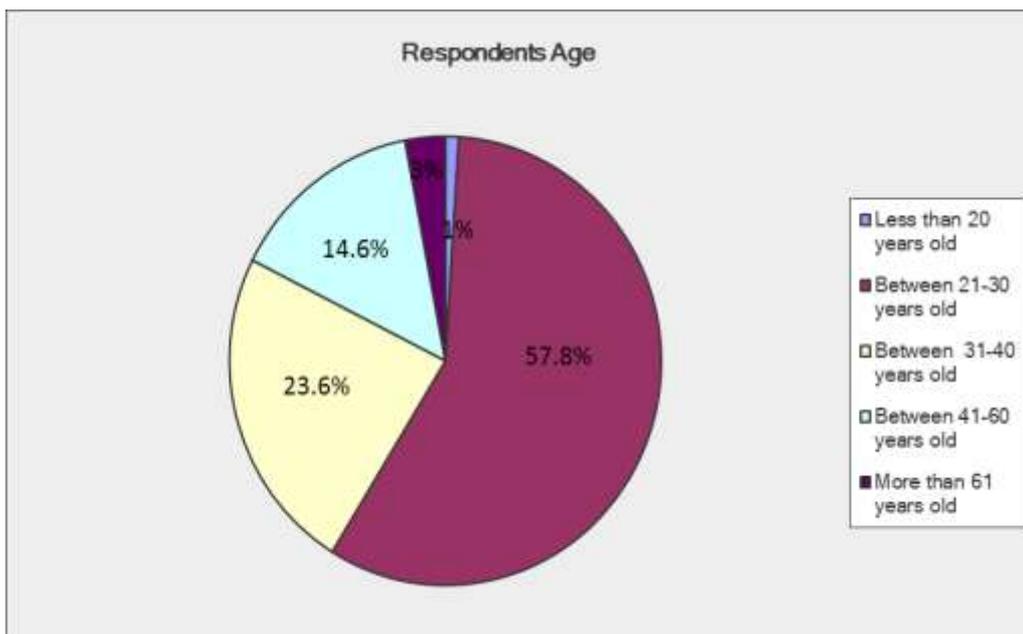


Figure 3: The sample structure with respect to age

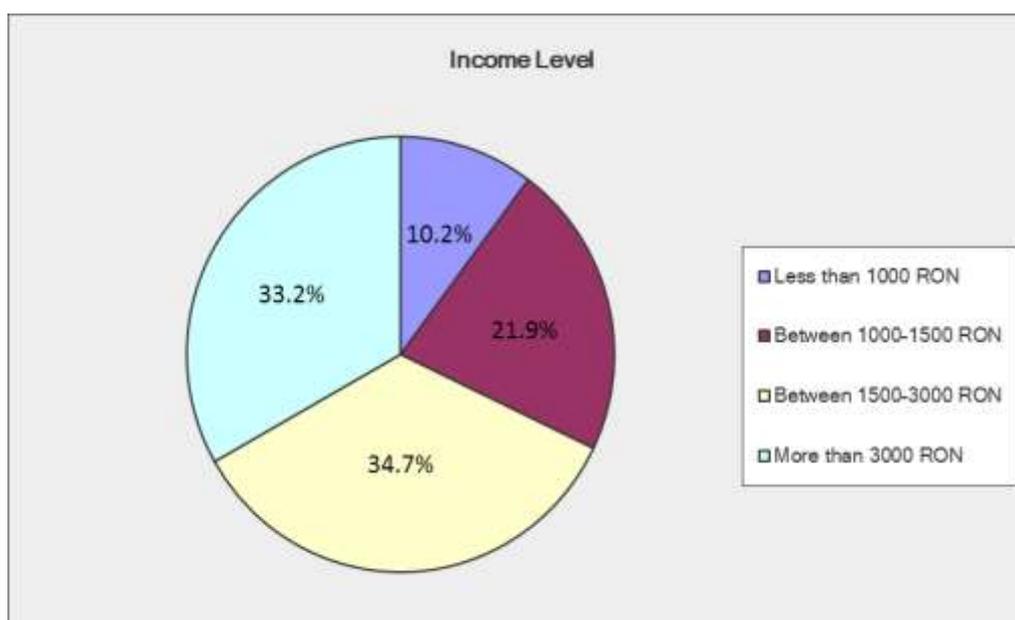


Figure 4: The sample structure with respect to the income level

In *the qualitative study*, we started from the following aspects: defining the characteristics of the market, identifying emotional and behavioural traits that influenced the consumer's decisions, trying to understand people's needs, discovering relevant behaviour patterns in buying decisions. Assuming a bank designs a new online payment method. In order to create this product, bank representatives search a group of potential clients (people who usually make online payments) and discuss with them about their experience on Internet shopping; what they like or dislike related to these services. Then, based on their feedback, the bank managers debate all the possibilities to sell this new product.

Beginning with these, in our measurement we focused on *interviews* with clients to identify their preferences on bank products and also in relation with other banks. We used a *Utility Test* in order to analyse the possibility to enhance products' utility and to develop new technologies.

The Utility Test is an important instrument of *qualitative on-line research* because its objective is to discover the inconsistencies between expectations and necessities of users in order to solve their problems. Moreover, companies have to invest in their brands because youth are sensitive to this high degree of loyalty. They will also advise others to do so. *Graham Brown (2011)* considers that these are often youth with passions – sometimes extreme.

Looking at the surveys, we used a *regression function* to analyze the dependence between innovation and its elements. We also used a *correlation function* to estimate the correlation index. Innovation is highly related to the *flexibility of Internet Banking* (with 9.55 score), simplicity in card use (with 9.66 score) and the possibility to make payments at the ATM (with 9.6 score). We have observed that consumers are sensitive to flexibility and simplicity in regard to these products.

Approx 56% of respondents intend to use accounts for savings, deposits or investments. In doing so, they tend to intensify the Internet Banking usage, especially because all these operations can be made electronically.

Consumers' focus has changed from a superficial evaluation of banks (based on their notoriety and size) to a qualitative one (based on both emotional benefits such as easy to work with, transparent, trustworthy and rational product features).

The interview meetings showed that clients prefer a safe bank even if it charges bigger fees. Our research illustrated that clients between 20 and 35 years are more open to new technology than others and use their cards more intensively. The next group of clients with ages between 36 and 60 years are more conservative and they use bank products in order to receive their salary or to create deposits. Thus it is clear that teenagers from 18 to 25 years must be targeted, because, in many ways they are integrated in social and financial life. *Deutsche Bank* analysts observed that the most users of e-banking are young people. Companies must reach their devotion in order to steady the relation Business-Client. This focus on companies to young people improves the products through technology. Nevertheless, products and services with bigger utility are regularly preferred and the utility/usefulness perceived accurately is usually the expression of a process of conception and execution, which took into consideration the needs of the target market (Gould, 1985). Afterwards they develop or create new technology to respond to the teenagers' wishes.

Teenagers represent an important sector of Romania's population. They have different reasons for using a particular product in favour of the others, whereas the adults tend to keep their preferences.

That is why large companies have made studies in order to analyze the teenagers in Romania so that they cater to their needs. Moreover, even *Graham Brown (2011)* confirmed that real innovation does not come from the product development departments or people with <innovation> in their job title, but from numerous social interactions and conversations with the market. Everybody wants to understand what makes good innovation, but very few people have asked why it happens and explored its social dimension.

Young adults, from 18 to 30 years, do not have enough time to go to the bank, to speak with financial consultants about new products. This is happening because they work, study and they do not have time for this. Also, they are always connected to their friends, through all kind of technology and social networks; companies must keep up to their demands.

Today's youth are the most likely to carry their bank in their pocket. A growing number of older adults are likely to join them in the coming year according to *Mountain View, Calif.*

From these surveys, it can be observed that about 73% of respondents are already using Internet'Banking. This fact influences the capability of the market to absorb new technology. For long term it educates the consumers and increases the efficiency of these services.

In fact, the Internet'Banking solution is correlated to the saving accounts, deposits and personal loans. Clients must be sure that they have control over their money and that they could use it anytime. Online checking of the account and payment for utility bills are the favourite transactions performed via the Internet banking service. Morken (2012) noticed that regardless of age, each customer expects to connect with their financial institution in their own way. Referring to the clients' satisfaction, about 90.9% of respondents are very satisfied with the easy way to make payments through Internet'Banking. At the same time, the possibility to make deposits at an ATM is a very important factor to clients' satisfaction, stated 87.3% of respondents. Also, the possibility to make payments on the Internet is very appreciated in number of 93.2% of respondents. About 73% of respondents are already using Internet'Banking. Moreover, about 90% of respondents are pleased with the flexibility of Internet'Banking services.

The advantages of using Internet'Banking rather than branches are the followings: time saving, comfortable payment solutions anywhere, anytime, modern payment solutions, full control over account, and safe payment solutions. Moreover, consumers were asked about possible improvements and the most frequent answers were: higher security, real time update for personal accounts transaction, more information about Internet'Banking, becoming easier to use, easier to authenticate and to acquire other products by Internet'Banking (as loans, credit cards), communicate directly with the bank. Because some clients feel unpleasant about the Internet'Banking token, ING Bank implemented a new way to spend less time on connecting to Internet'Banking. It is a new application for smartphones that allows client to log in one single time and since then they can stay online permanently, without proceeding log in again.

This revealed that Internet is a very useful instrument in money transactions. Starting from this point of view, bankers should invest in this technology to increase the satisfaction of respondents, because in all three cases the difference between satisfied and very satisfied is about 50%. However, regarding the Internet'Banking flexibility, the situation is different. About 60% of respondents are very satisfied with it, and this may be due to the services and products that clients could use through it. In line with these, it is the assistance of *Call Centre* which shows that 25% of respondents are unsatisfied. Some factors that influence the percentage of the *Call Centre* satisfaction are: a small number of employees, few actions to resolve the customers' problems, very low empathy for the clients, long time until answering and not a permanently open line for calling. The improvement in these elements could increase the percentage of clients' satisfaction with more than 10%.

Over all transactions performed through Internet banking, about 71% are checking online for accounts or transactions, 30% are paying utility bills, 29% are making RON transfers while 20% are making EURO banking transfers, 14% are recharging mobile phone cards, 9% are using it for loans administration. Observing these percentages, banks must invest in increasing transactions, because less than 50% of participants are using Internet'Banking for this purpose.

Internet'Banking is perceived more as a way of being permanently informed about accounts' situation rather than a channel for payments and transactions. The last year ascertained an increase of Internet users especially in product acquisitions via Internet. For checking accounts there are other services like Mobile Banking or Push Alert, which respond to this kind of necessities. Only 10% of clients are using Push Alert. Since the costumers are not familiarized with these instruments, the bank decided to inform all clients by email about it. In 2012, the electronic services market developed; thus it stimulated the on-line payments in order to commercialize various services or products. Until 2011, Internet payments were not very secure, but in order to respond to all clients' wishes, banks adopted 3D Secure and Verified Visa for transaction's security. Therefore, the following year, these transactions have grown to a higher level, more transparent, easier and more secure.

Last years, the virtual space developed very fast, producing new possibilities of informing and communicating between people. The business world won a lot of clients because it was easier to promote and sell products.

The digital technology has changed the way of building and expanding a business. E-commerce became an extensive field, offering a lot of possibilities not in the least expensive.

This fast expansion of e-commerce has created important opportunity for banking systems. More than 60% of clients chose a bank against another for commodity because it was closer to their house. For today's consumer it is very important to access their money whenever they want, including Internet options (*Wilson, 1996*). The ATM locator is one of the latest improvements. More than 40% of respondents are now using this service to find an ATM, while 20% are calling the Call Center to find it. This service is also provided by Internet'Banking Services.

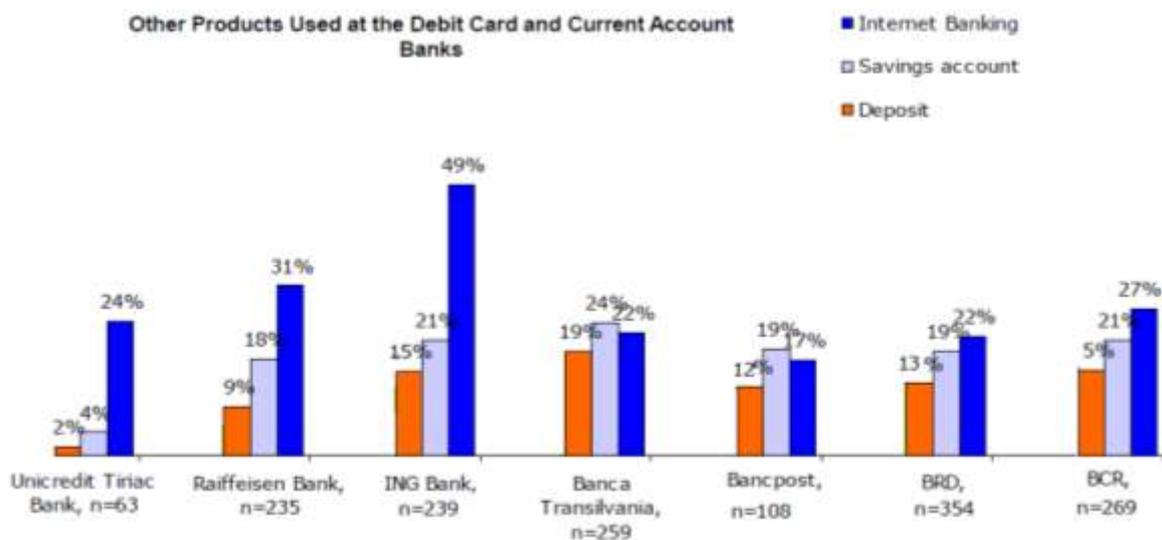
On the other hand, reliability is outrunning innovation by 10%. We can observe that confidence is a very important basic factor; it is a must-have element, while innovation is a matter of bank's choose, what clients receive from a bank in terms of quality and satisfaction.

Related to innovation, about 65% of respondents choose a bank because of Internet payments and cash in ATM. Furthermore, about 62% of clients are using Internet'Banking to pay bills, while 22% pay bills at suppliers. By studying this behaviour pattern, managers can attract some clients from the last category by using marketing and campaigns. As well, the bank could promote the *Direct Debit* possibilities for bills, spending less time on roads and avoiding crowds. About 16% of respondents are now using *Direct Debit* service. Only 6% of clients are paying bills scanning by mobile phone - this is the newest trend in mobile payments, and also the easiest. For the next question – What is the easiest way to pay the bills? –, the

customers answered as it follows: on the first place Internet'Banking, on the second place *Call Centre* and on third place, scanning the bills.

Regarding payments, about 50% of respondents said that the easiest way to pay the urban transportation fare is with a *Contactless Card*, without introducing the PIN code. ING Bank has already provided this product so it expects to increase this product usage. Also, an important number of respondents said that the POS is the easiest and safest way to buy tickets. So, we could predict that the number of people, who will use these two possibilities to pay tickets, will increase in the near future.

Companies should educate the consumers, by using PR activities to promote the benefits of the new product or technology. This affects the company's product portfolio and the long-term competitiveness. The banks, which understand that technology is the main channel to ensure development and attract clients, will be more competitive on the market. In Figure 5, we compare the competition between banks and their offers. Referring to Internet'Banking solutions, ING Bank stands ahead of other banks with 49% of this service attached to basic products.



Source: based on our research

Figure 5: Distribution of Internet Banking, savings account and deposit on the competitor banks

Starting from this overview, *ING Bank* focused on this young sector of clients and on adults who receive a salary or who want to save money.

To reach a new level in the top of the most wanted banks from Romania, *ING Bank* focused on developing the products that can address the client's requests. Accordingly, *ING Bank* began to invest in enhancing *Home'Banking* and promoted the debit card among its clients. Thus they sold a new package formed by a debit card and *Home'Bank*.

Clients want the ATM to provide all the services they need, instead of the office consultants, as *ONE STOP SHOP*. The *Self'Bank* is an *ING Office zone*, where clients can access all bank services 24/7 without any expenditures and wasting precious time at the bank. In *Self'Bank* clients can make withdrawals and deposits, can purchase new products and open accounts and can make all kinds of payments. The surveys reveal that 62% of respondents want to spend less time at banks offices.

Overall, *ING Bank* has an augment of the Gross Profit, which evolved from 84 Mil. RON, in 2009, to 232 Mil. RON, at the end of 2012.

This study helps different companies to redefine their developing strategy and think out this process for investing in new technologies.

5. Conclusions

Our findings showed that companies, especially banks, need innovation as a prerequisite for a long-term development. As you could see, the majority of innovations come in the form of new technologies in order to enhance the product's value. These variables as *Self'Bank*, *ATM with cash in*, *Internet'Banking*, *Mobile'Banking*, product's quality, and secured payments have a very strong influence on financial market. Moreover, these correlations determine bank efficiency.

Now more than ever, we need modern technique to stimulate creative thinking and also adequate environments in order to lead to innovation. Firstly, the necessity of innovation in financial markets was measured by the utility test of Internet'Banking. It was observed that this instrument was extremely important for consumers, banks and the indexed in gross profit. *ING Home'Bank* was recognised as the best electronic banking product, on a bench marketing study over online banking.

The necessity of innovation has been justified on the change of the consumer's preferences. In both cases, we observed the correlation between innovation and other issues about intellectual capital, creativity, intangible asset, and technology. More and more companies realized that if youth are correctly understood, they could become the most efficient instrument of a company. They are innovation agents because they are living on shuffle mode and never stop, and for that they are involved in the value chain from the product conception stage till the end stage, even the sales phase. But in order to enter their lives, companies must be flexible and take risks.

The evolution in ITC, that improves financial services and products, has a great potential to empower the clients and facilitate the access to higher products. However, these competitive and innovative services and products require an immediate accomplishment of the researched results. In other words, it is significant to stay alongside the trends in scientific research and developments, and to adapt and implement the solutions rapidly.

Long-term, the convincing and competitive advantage is represented by knowledge and competence management, followed subsequently by skilled employees. Within every filed (tech, design, marketing, managements), innovation requires creativity, knowledge and communication skills. In order to have qualified workers, companies must set the investment in consulting as a high priority element and the education as a constant process.

The research study analyzes all responses of interviewees, with the nexus on innovation. The possibility to make deposits at the ATM, the Self'Bank services, the easy way to make payments, payments being made via Internet, can be summed up in one word, *innovation*. This is the reason why consumers choose bank such as ING Bank. The expansion of these areas using intellectual capital and innovation ensure long-term competitive advantages.

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