*Maria Shipman*
*Ryan Prosser*
*Hanns Possu Gallego*
*Nathan Gunter*

# *Assignment A*

***The Innovations of Monzo Bank***

# What is Fintech? And Who are Monzo?

**FinTech = Financial Tech**

***"We believe in an alternative to the banking of the past***

*We're focused on solving problems, rather than selling financial products. We want to make the world a better place and change people's lives through Monzo."*

(2022, Monzo)

# The Extent to Which They Have Influenced The Internal Structures and Management Process?

## Monzo Utilise a Portfolio of Innovation Typologies (Satell, 2017)

### 1. Breakthrough Processes/Structures

- Diverse specialised teams – **Right people, right skills**
- **Slack**
- Testing Tuesdays
- Design input sessions – **Feedback Culture**

Image 1

# The Extent to Which They Have Influenced The Internal Structures and Management Process?

**Monzo Utilise a Portfolio of Innovation Typologies (Satell)**

**2. Disruptive Processes/Structures**

- No branches, Strictly digital
- **Transparent** by Default
- **NO** complex, opaque banking language – Language of the **USER**
- **Human** interaction 24/7
- Crowdfunding
- **Hackathons**

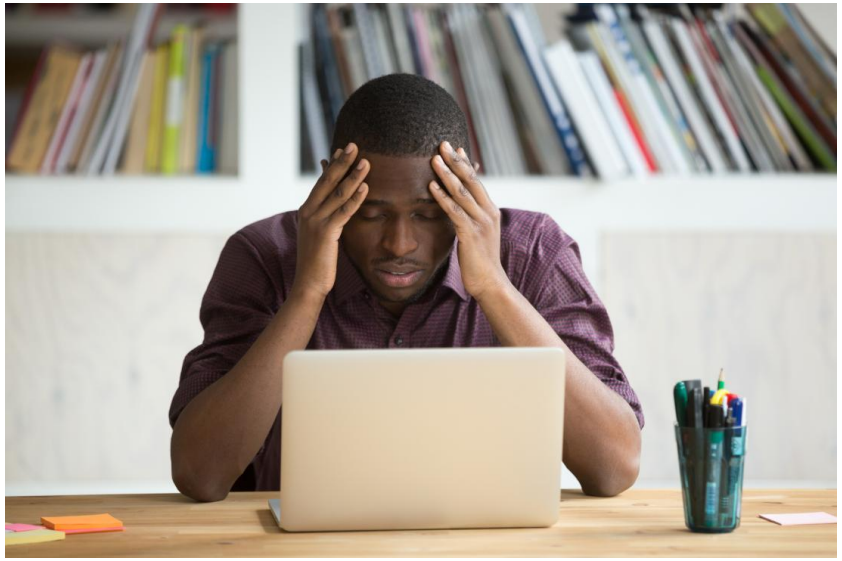


Image 2

Image 3

# The Extent to Which They Have Influenced The Internal Structures and Management Process?

**Monzo Utilise a Portfolio of Innovation Typologies (Satell)**

**3. Sustaining Processes/Structures**

- Product Roadmaps
- Marketing – Originally word of mouth → Paid marketing
- Scaling on call rota
- Blog, Community suggest features forums
- Open office events

Image 4

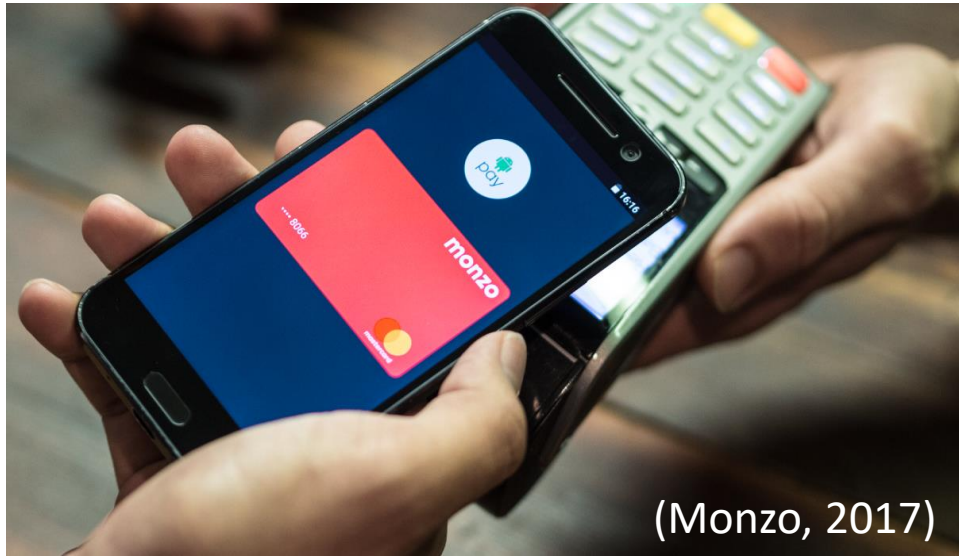
monzo

# The Extent to Which They Have Influenced The Internal Structures and Management Process?

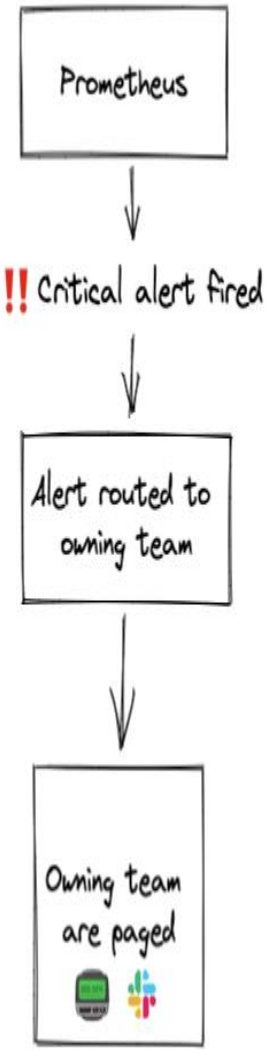
**<u>However</u>**

<u>Internally Monzo Exhibit Strong **Organic and Agile Structures** (Slevin and Covin, 1990), (Beck et,al 2001).</u>

- Open meetings
- Weekly team updates company wide
- E-mail transparency
- Flexible/Focussed decentralised, interdisciplinary teams
- Feedback culture – **'Hard on problems, not people'**
- Global and elastic team




(Monzo, 2017)



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# The Extent to Which They Have Influenced The Internal Structures and Management Process?

**Models of Innovation Exercised**

**Open Innovation (Chesbrough, 2003) + Doing, Using and Interacting (Jensen et al, 2007)**

- Share and exchange knowledge openly
- Customer need driven model/market Pull (Trott, 2016)
- Learn by doing for knowledge creation (Nonaka, 1991)
  - Community engagement
  - Suggestion forums
  - On the job problem solving – Monzo labs
  - Testing Tuesdays

Image 5

# Technologies

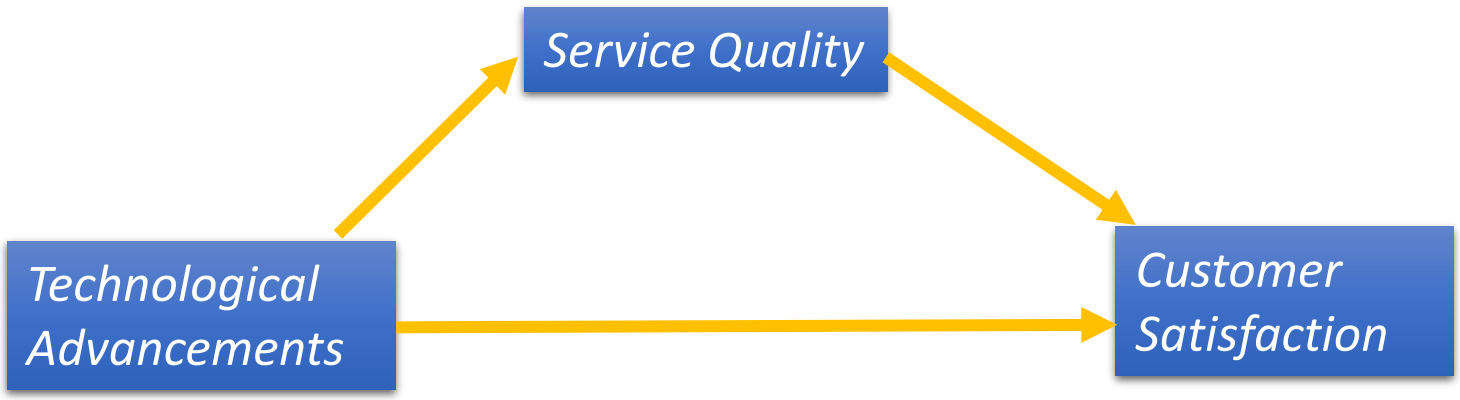
## - How this impact on how we do business?

*Monzo as Tech Company, believes that customer experience is powered by technology more than anything else.*

*(Venkatraman, Archana 2016)*

# CUSTOMER CENTRICITY

## Mediation Effect

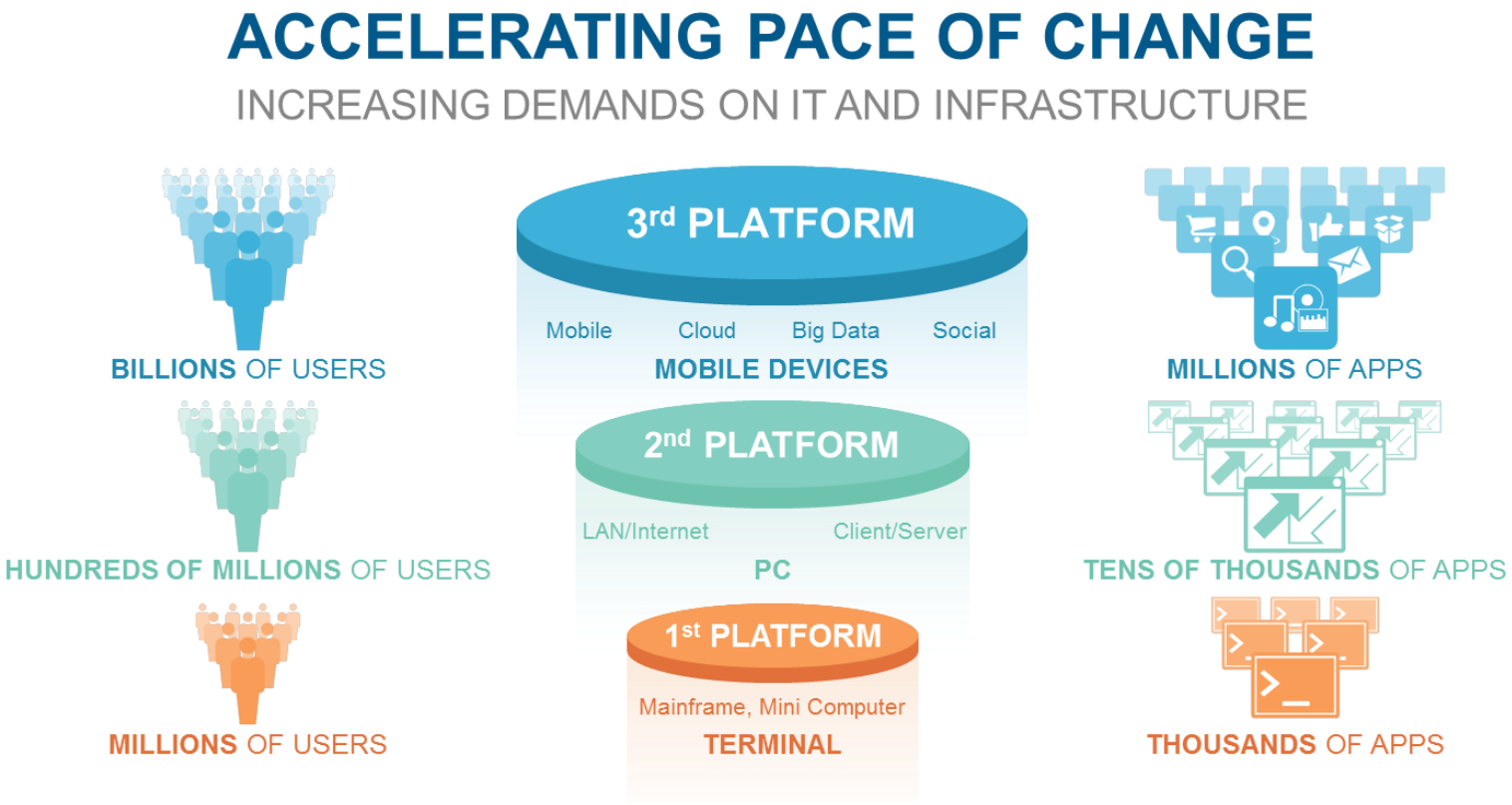



*Every day more bank customers have better acceptance to use technologies, and this became the main tool to offer services.*

(Mahajan, Kumar et al. 2021)

# Technologies

*Is Monzo a technology dependent company?*



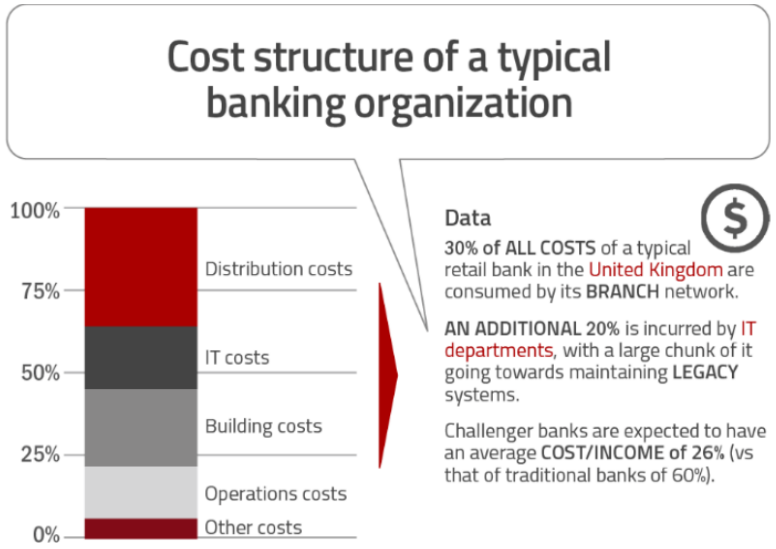

*Source: IDC*
https://www.dell.com/en-us/blog/advancing-3rd-platform-strategies-on-modern-infrastructures-in-2015/

*(Delua 2014)*

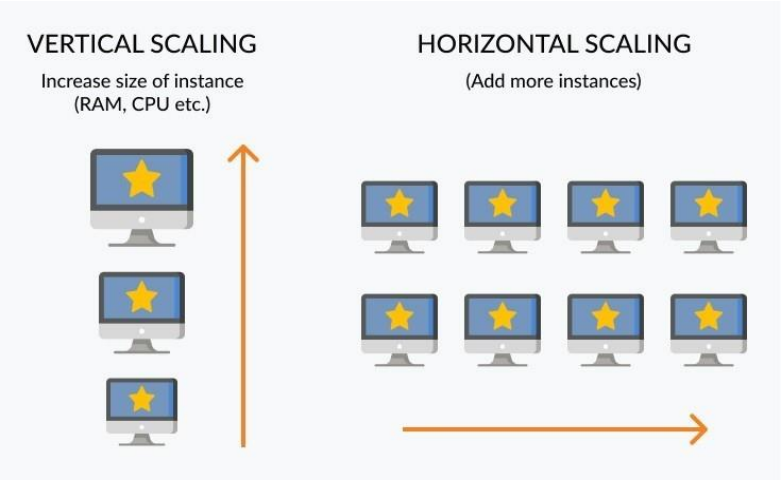
# Technologies

*"We're focused on solving problems, rather than selling financial products" Monzo.*

## *Main difference with traditional banking*




*Source: Burnmark, July 2017 The Financial Brand*




*Source:* Nutanix, January 2021 (Parmar 2021)

# Technologies

## - How technology can drive an innovation?

*"We're focused on solving problems, rather than selling financial products" Monzo.*

## How to run more than 1,600 microservices?

- *Scaling of infrastructure: Services delivered and available databases (AWS).*
- *Horizontal Scaling: add hardware rather than migrations to one big system.*
- *K8s (Kubernetes): automates and manage applications in containers.*
- *Go (programming language): high error handling, compatibility, easy for new people.*

*Source:* https://www.logicaldoc.com/blog/521-the-5-main-advantages-of-cloud-computing-in-the-smart-working-regime

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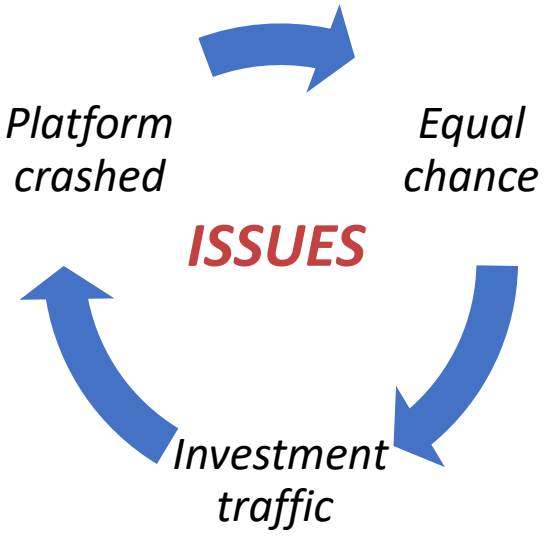
# Technologies

## In-App Crowdfunding




**OPTIONS**

- Partner's Platform
- Ballot System
- Web page
- App

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# Technologies

## In-App Crowdfunding (NPD)

**PROPOSAL**

What to achieve → Challenges and risks → Corrective actions

**CONSTRAINTS**

| | |
|---|---|
| Traffic | • Traffic Volume<br>• Money Transfer |
| £20 million | • Cassandra<br>• Another database<br>• Cassandra with Watermaker |
| Money availability | • Split system |
| System Crashed | • Keep the bank running |

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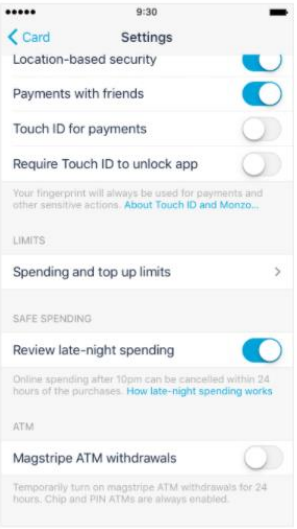
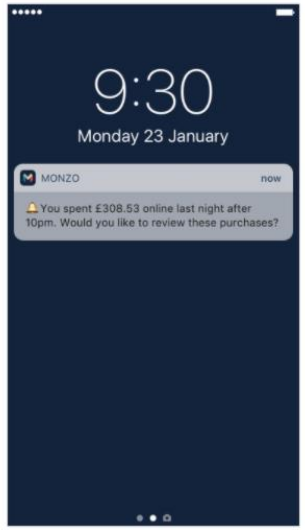
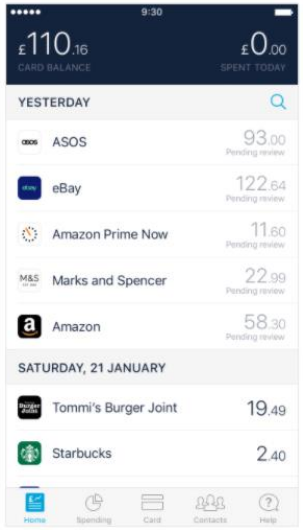
# Technologies

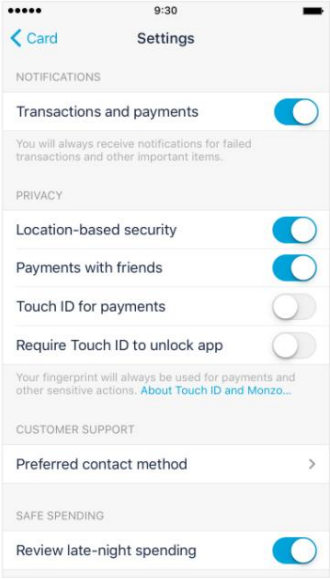
## Sustaining Innovation

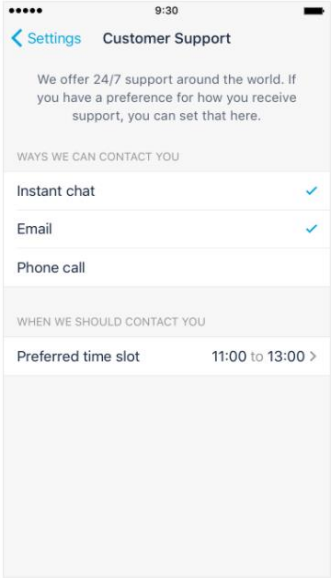
# App to support vulnerable people

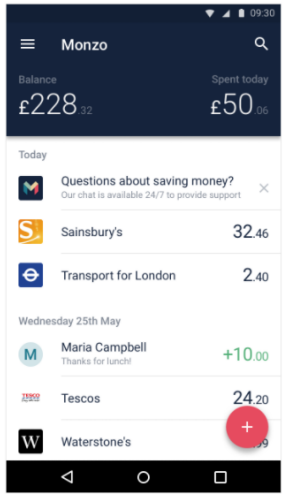


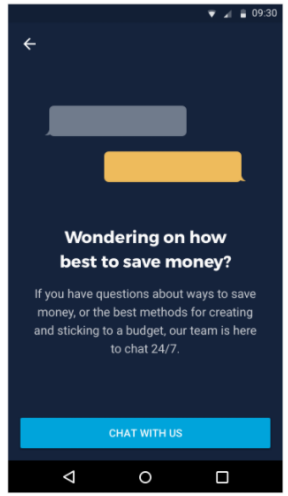



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Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Look for an increase in users***

- ***Monzo operates online only***
- ***Increase in users would indicate that Monzo is attracting new business***

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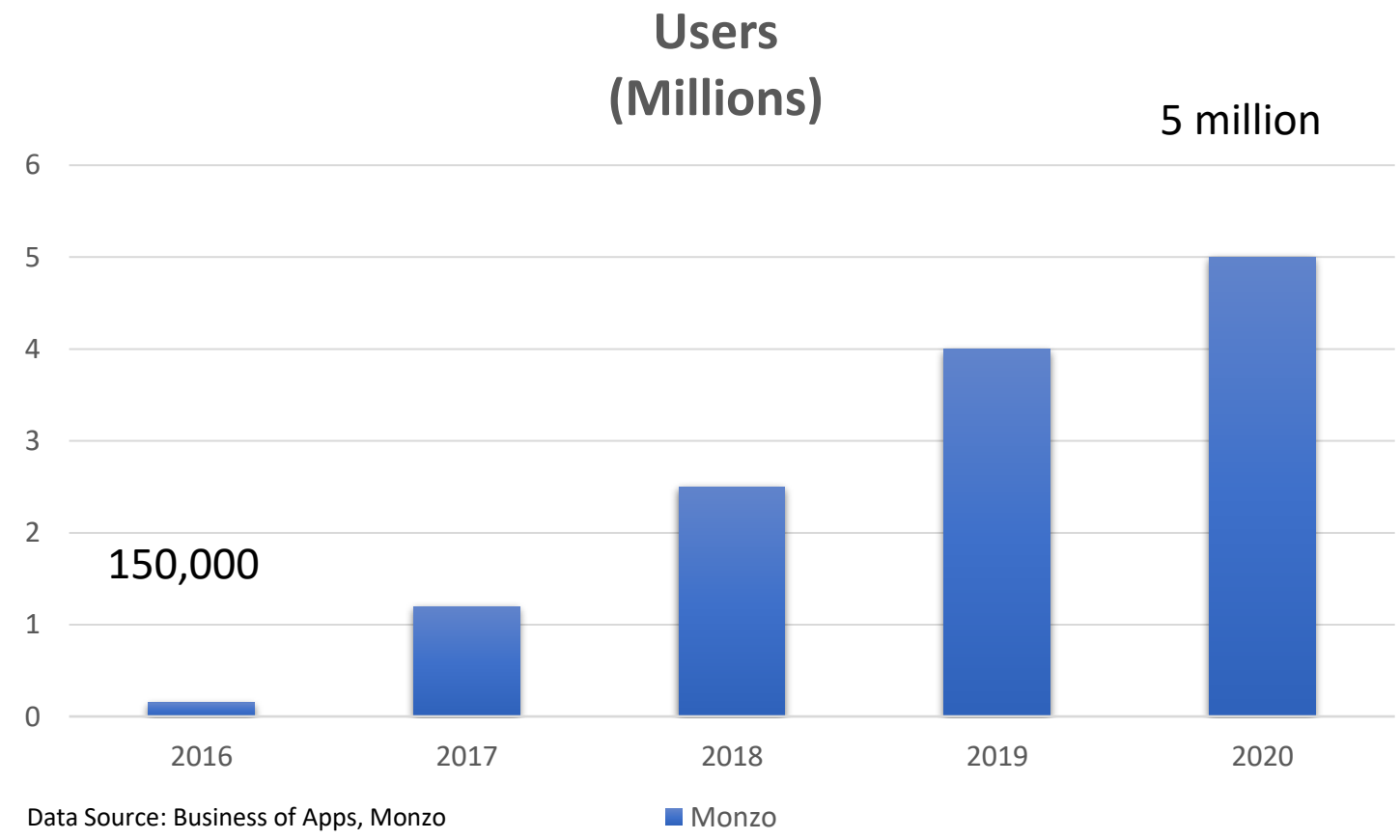
Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Monzo's user base continues to grow***




Data Source: Business of Apps, Monzo

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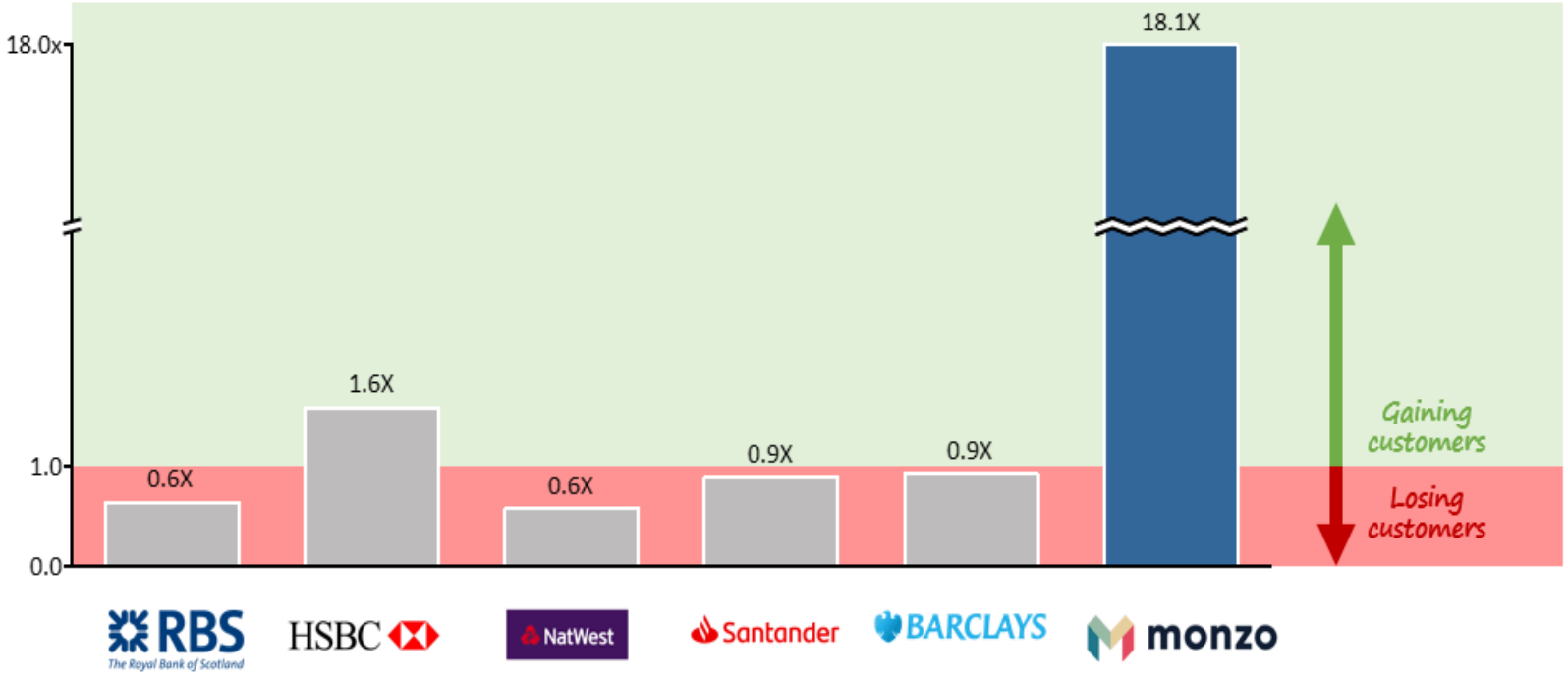
Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***There is a market shift!***

Current Account Switching - Ratio of Joiners/Leavers (Oct-Dec 2019)




Note: Data covers period 1 October 2019 to 31 December 2019 and measures Current Account Switching using the government's Current Account Switch Service
Source: Pay.uk Statistics

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Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Look for an increase in users*** ✓

***Look for a change in user activity?***

***Downloading the app is one thing, using it another***

- ***Increased customer deposits***
- ***Increased transaction volumes***

***These would indicate an increase in use***

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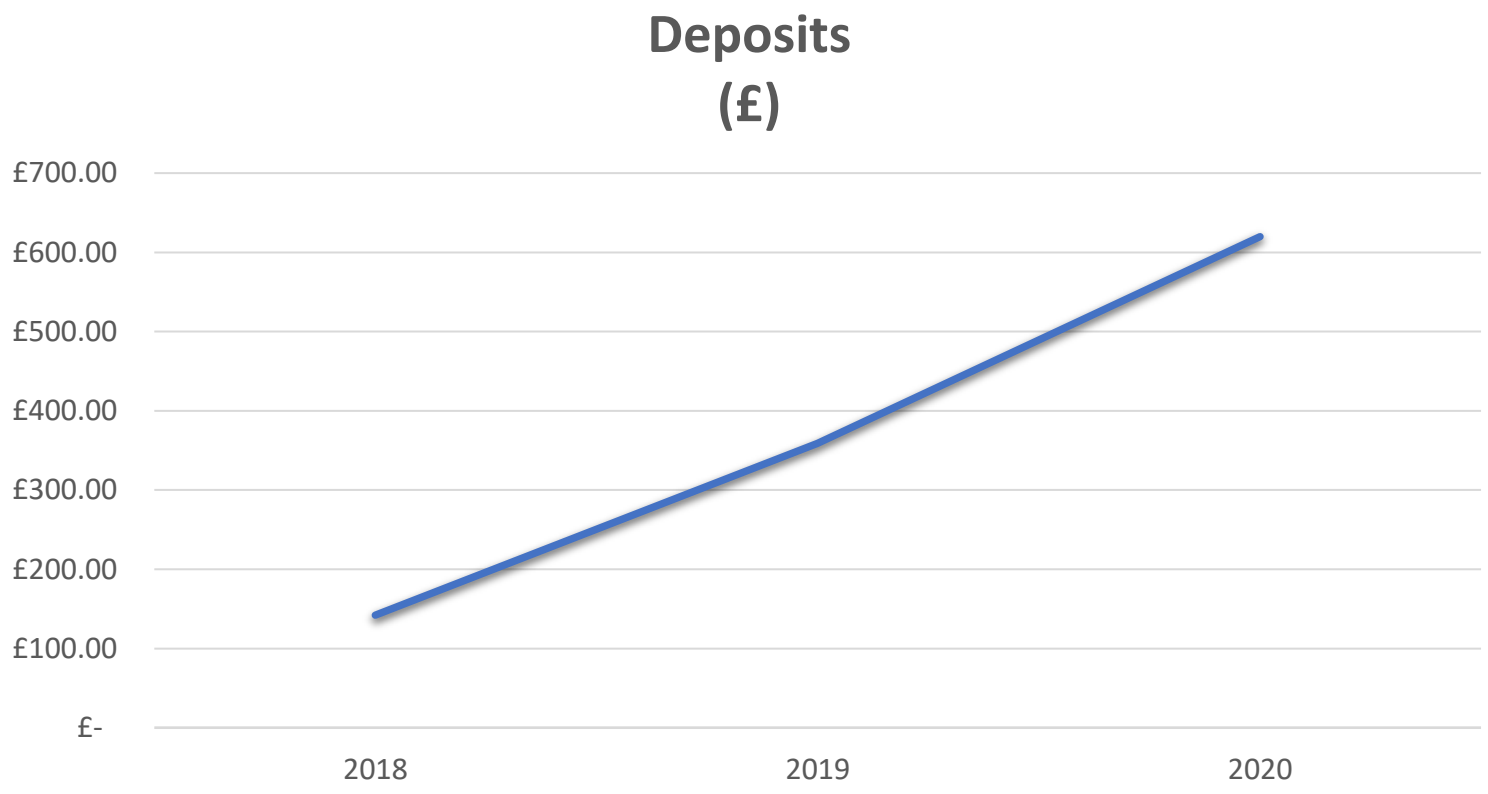
Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Customer deposits have increased year-on-year***




Data Source: Monzo

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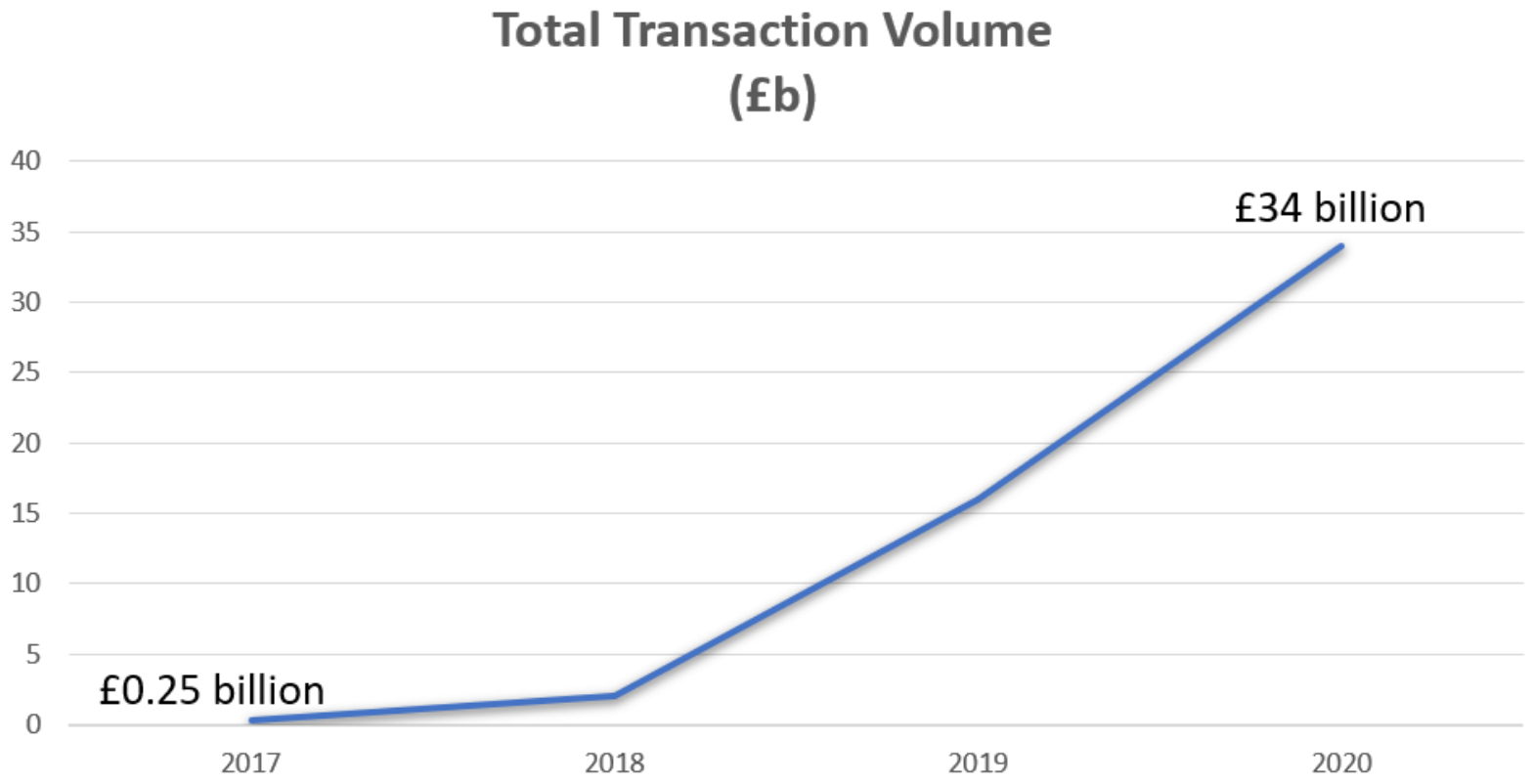
Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Transaction volumes have increased rapidly since 2018***




Data Source: Business Insider, Monzo

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Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Look for an increase in users*** ✓

***Look for a change in user activity*** ✓

***Look for a change in Revenue***

***The ultimate question - is Monzo generating more revenue?***

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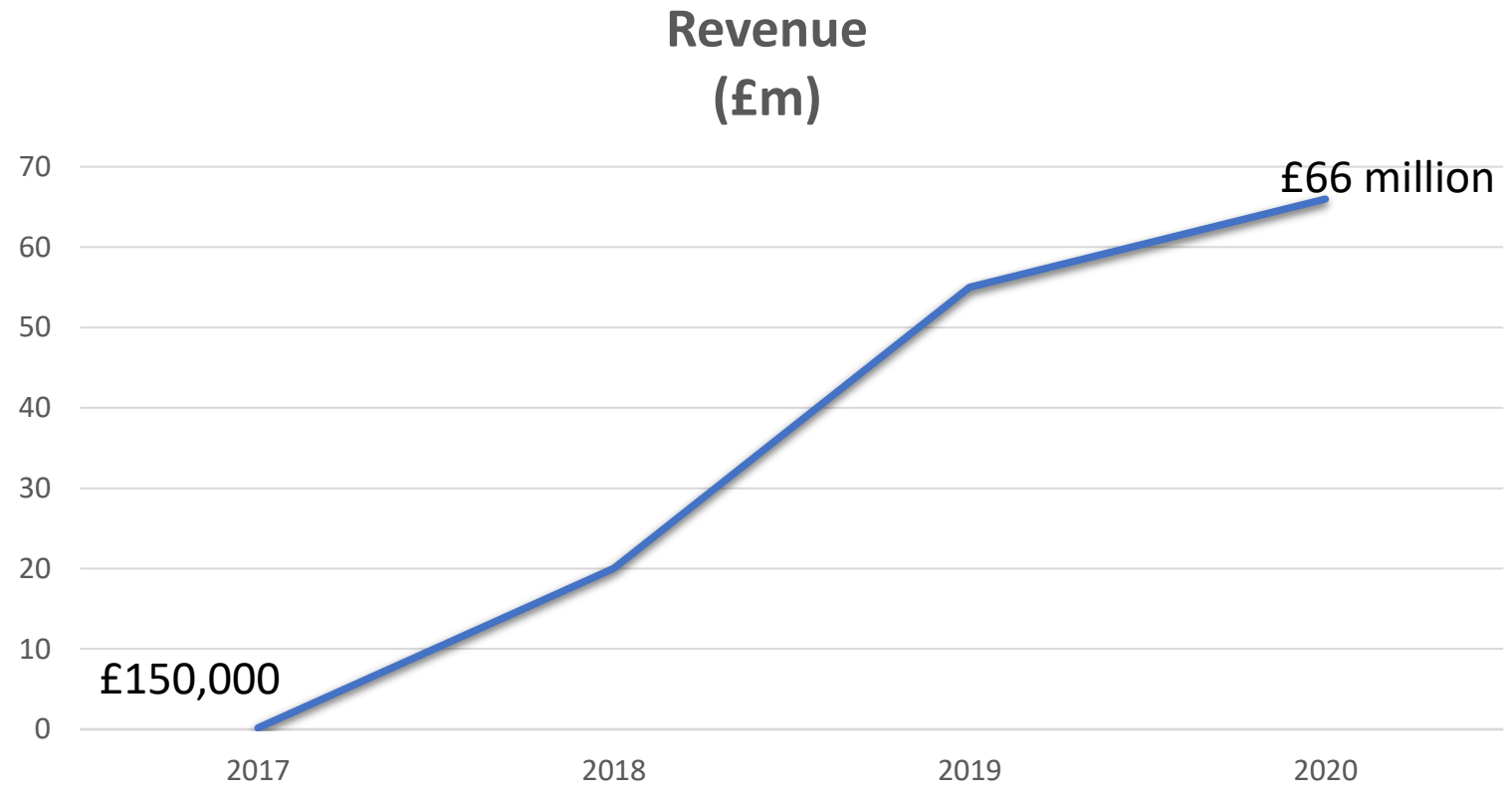
Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Monzo has seen year on year revenue growth***




Data Source: Monzo

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Consideration as to the outcome of innovation?

# *How do we measure the success of Monzo's innovation?*

***Look for an increase in users*** ✓

***Look for a change in user activity*** ✓

***Look for a change in Revenue*** ✓ ✓

***PROBLEM!***

***These are internal metrics. They only compare Monzo's performance to last week, month or year.***

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Consideration as to the outcome of innovation?

***How do we measure the success of Monzo's innovation?***

***How does Monzo stack up against the competition?***

Revolut

Get more from your money

monzo

Consideration as to the outcome of innovation?

# *Why Revolut?*

***Both companies launched at roughly the same time***

| | ***Monzo*** | ***Revolut*** |
|---|---|---|
| ***Launch Date:*** | ***March 2015*** | ***July 2015*** |
| ***HQ:*** | ***London, UK*** | ***London, UK*** |
| ***Industry:*** | ***Fintech*** | ***Fintech*** |
| ***Business Type:*** | ***Private*** | ***Private*** |

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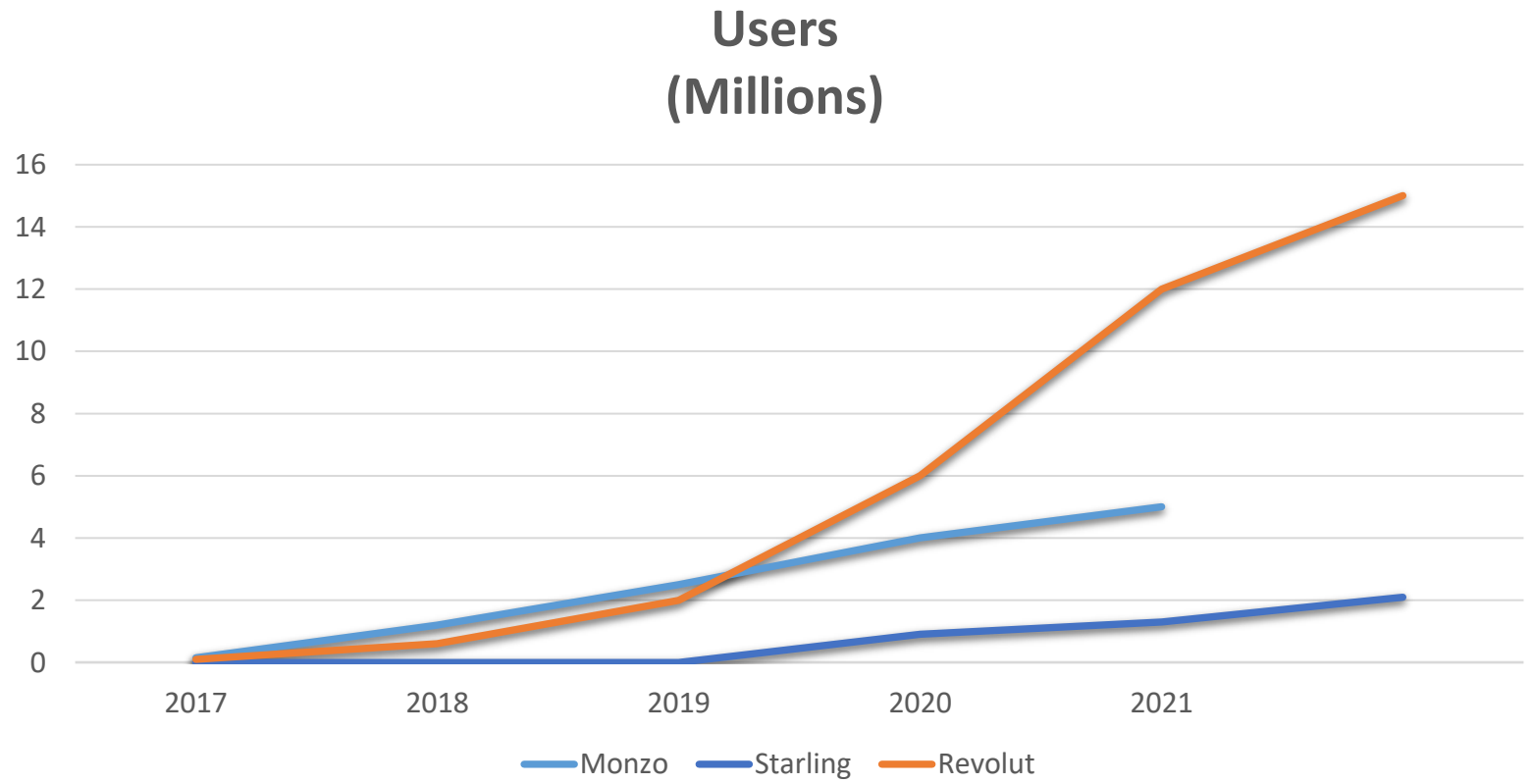
Consideration as to the outcome of innovation?

# *How does Monzo stack up against the competition?*

## *Look for an increase in users:*

## *Revolut out-performs Monzo*




Data Source: Monzo, Starling, Revolut, The Fintech Times

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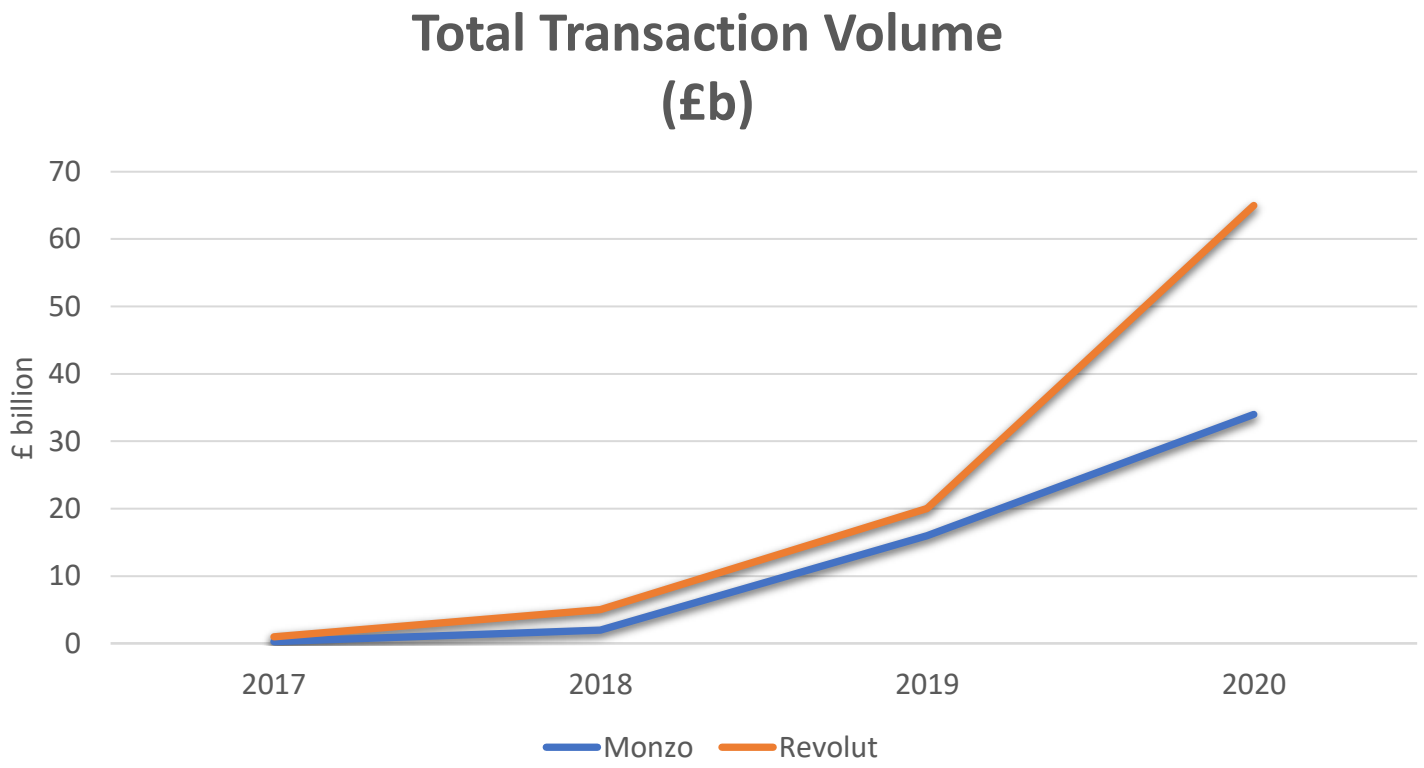
Consideration as to the outcome of innovation?

# *How does Monzo stack up against the competition?*

## *Look for a change in user activity:*

## *Revolut out-performs Monzo*




Data Source: Monzo, Business Insider, Revolut, Forbes

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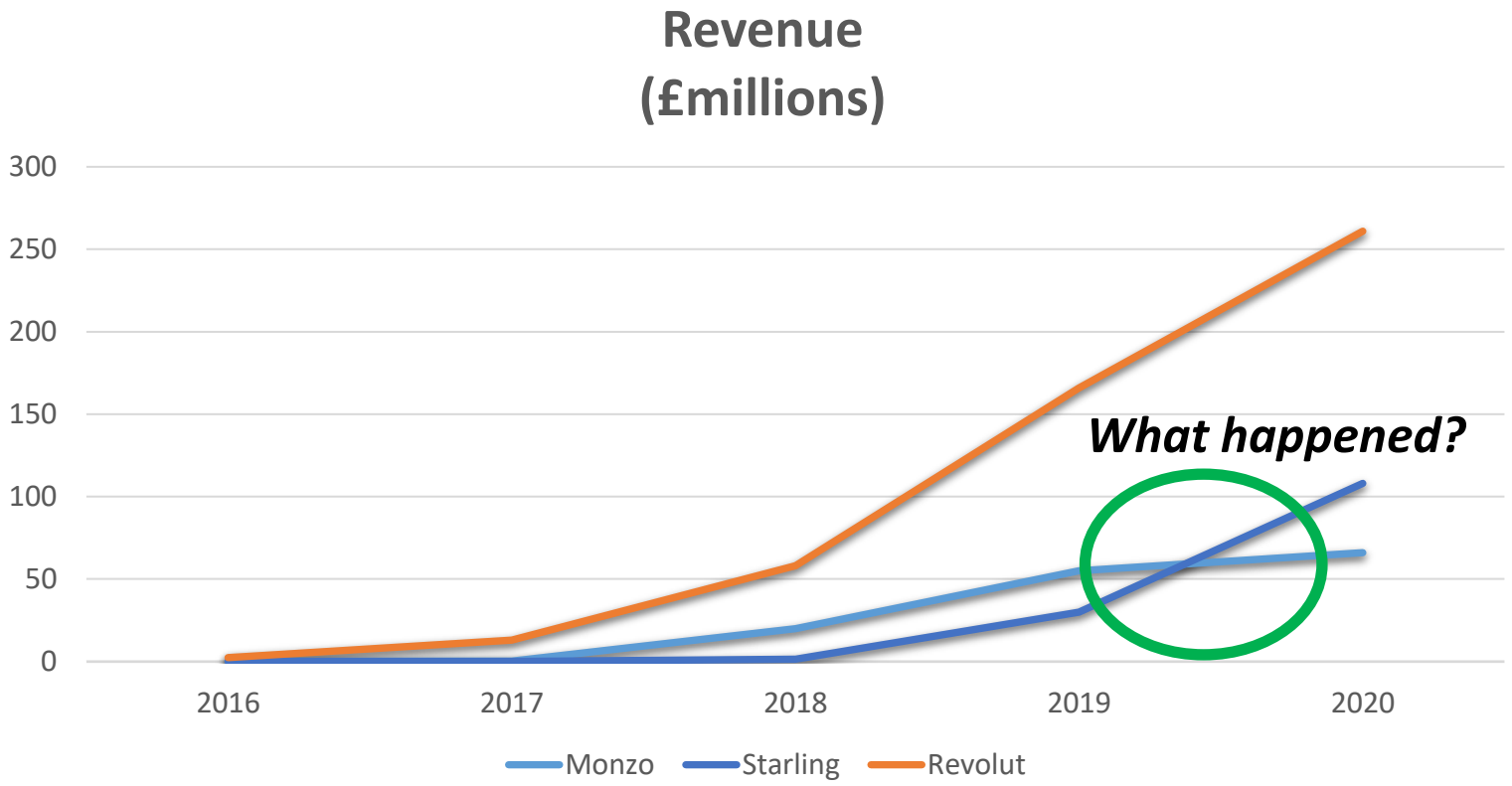
Consideration as to the outcome of innovation?

# *How does Monzo stack up against the competition?*

## *Change in Revenue:*

## *Revolut out-performs Monzo*




Data Source: Monzo, Business Insider, Revolut, Forbes

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Consideration as to the outcome of innovation?

# *Starling Bank's Come Back*

***How did Starling over-take Monzo?***

***Starling Bank capitalised on the disruption caused by the COVID pandemic by focusing on what customers needed:***

- ***One of the first banks to offer government "Bounce-Back" loans***
- ***Rolled out the "Connected Card" aimed at isolated customers***
- ***launched the long-awaited cheque imaging proposition allowing cheques to be cashed in without leaving the home***

***Starling focused their innovation on what customers needed***

***Monzo focused their innovation on "nice-to-haves"***

Source: https://www.elixirr.com/2021/02/starling-vs-monzo/

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Consideration as to the outcome of innovation?

# *Starling Bank's Come Back*

## *Starling Bank saw a massive change from 2020 to 2021*

| Key metrics | Q1-21 (ending Jun-21) | Q1-20 (ending Jun-20) |
|---|---|---|
| Total Revenue | £42.8m | £11.1m |
| Total Operating Expenses | (£32.7m) | (£19.4m) |
| Total Impairment Charge | (£2.8m) | (£4.8m) |
| PBT | £7.3m | (£13.1m) |
| ROE | 16.7% | (40.9%) |
| CET1 Ratio | 99.2% | 57.5% |
| Total Customer Deposits | £6,755m | £2,759m |
| Total Gross Lending | £2,335m | £836m |
| NIM | 1.39% | 0.90% |

***Starling Bank generated approximately £73 million revenue in 2020, a 421% increase year-on-year***

Source: Starling Bank

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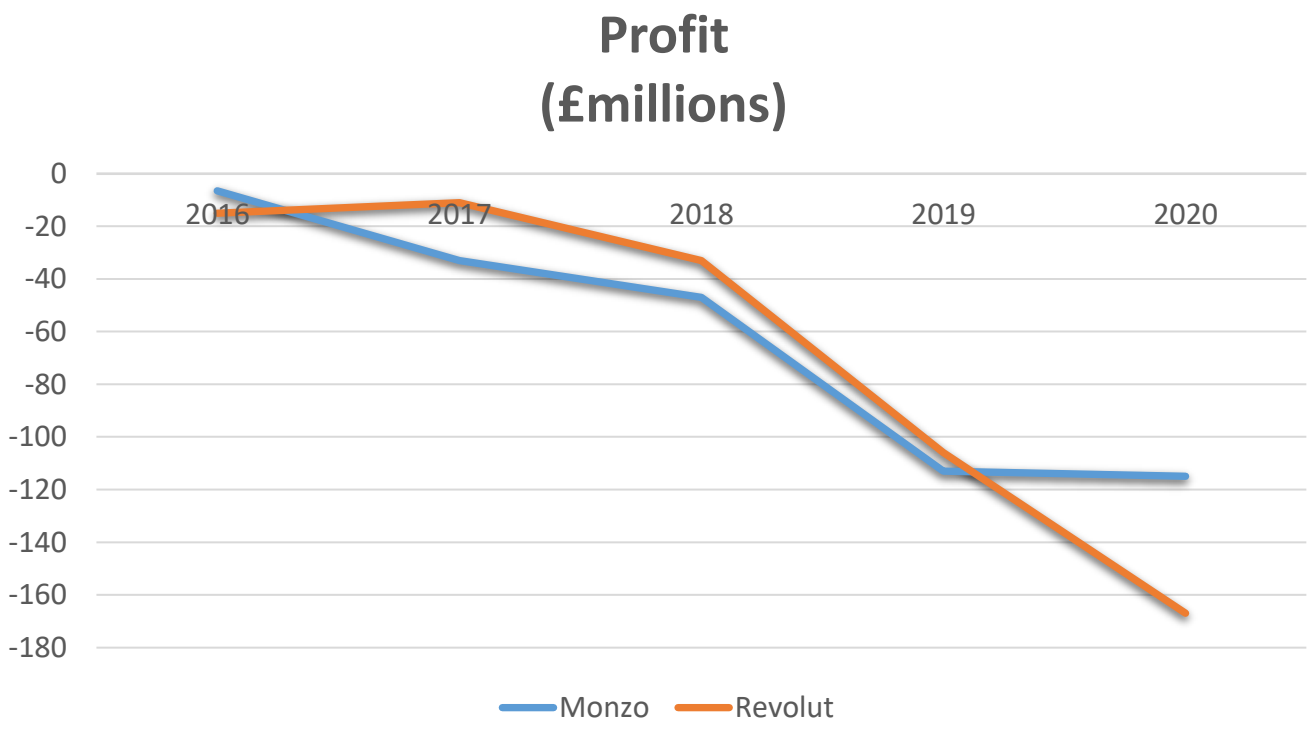
Consideration as to the outcome of innovation?

# *What about Monzo and Revolut?*




***Starling Bank is currently the only "contender bank" to become profitable***

Data Source: Business Insider, Monzo, Revolut

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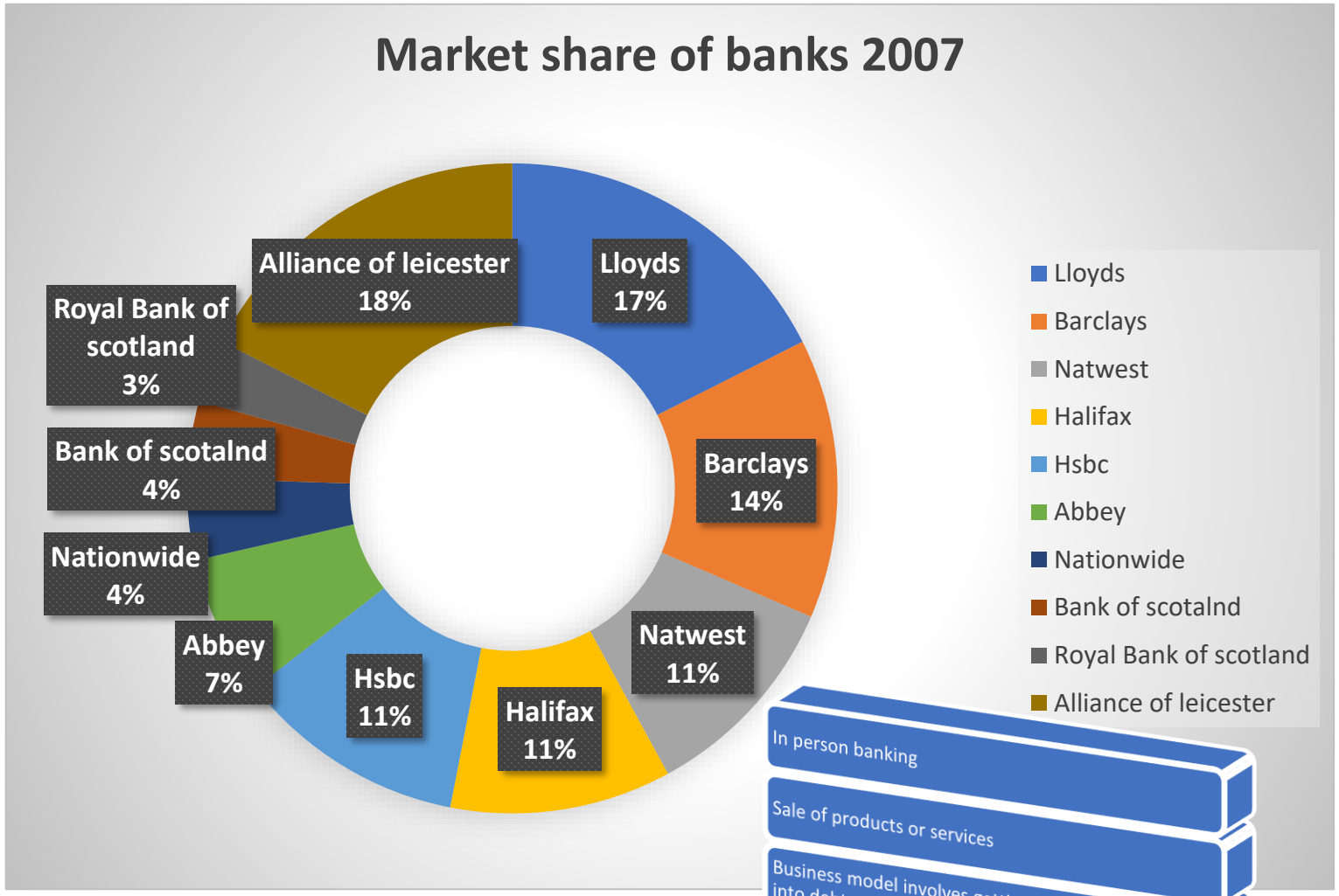
# The Extent to which the Company has shifted the market position?

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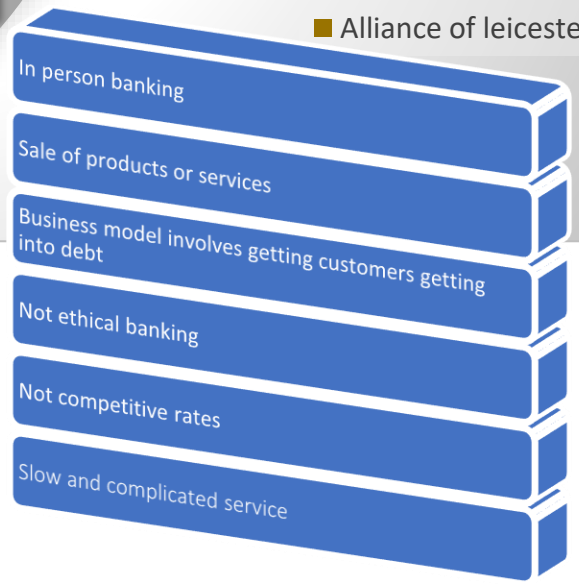


Maria Shipman

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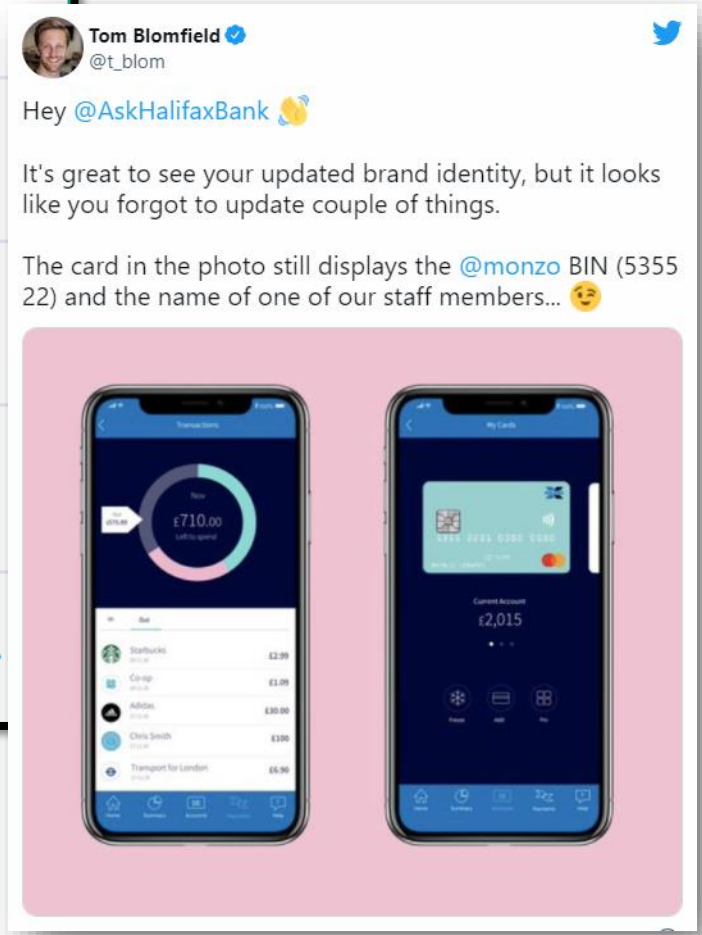
# Monzo market

The Extent in which the Company has shifted the market position?

## Best online banks 2022

| Mobile bank | Best for | Overseas fees | In-credit interest |
|---|---|---|---|
| Starling Bank | Everyday current account | None | 0.05% AER |
| Revolut | International payments | 1% – 2% on weekend currency exchange | None |
| monzo | Budgeting | 3% over £200 via ATM | None |
| monese | International students | 2% | None |
| Atom bank | Savings and mortgages | N/A | 0.75% – 1.85% |

(Murray, 2022)




(Blomfield, 2021)

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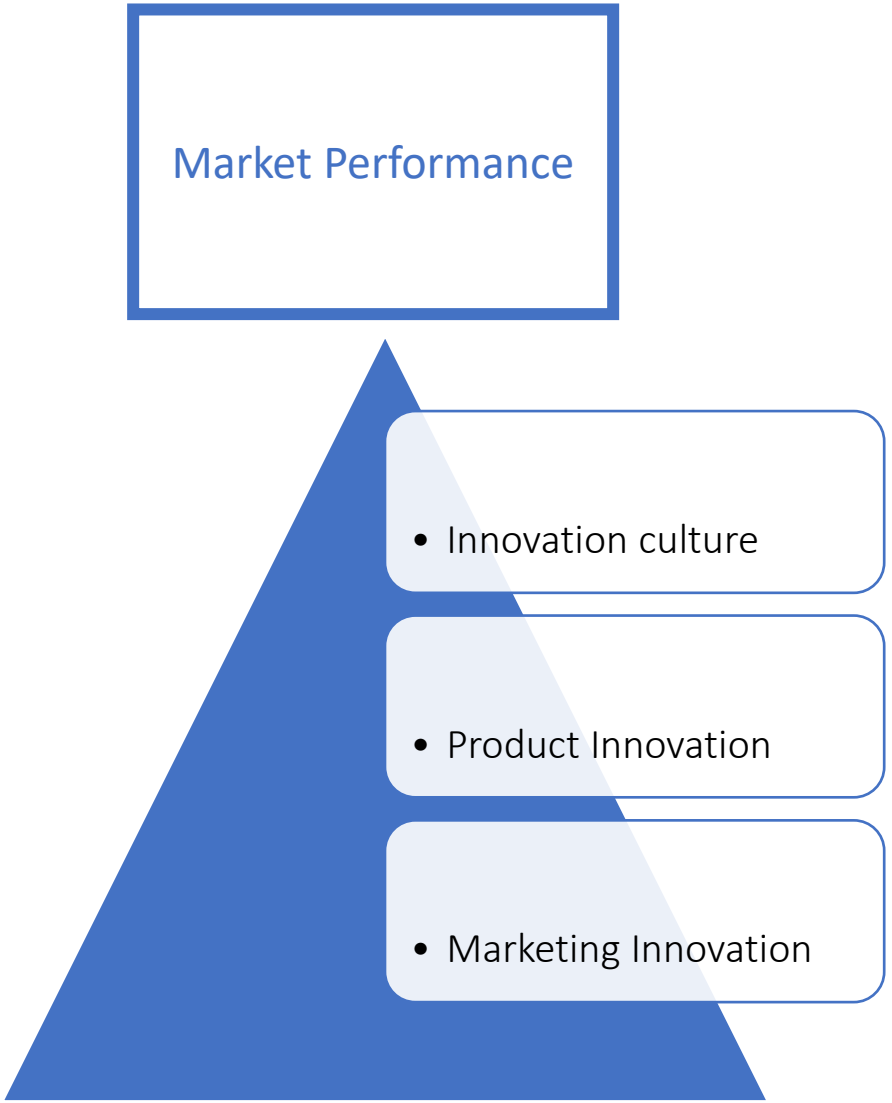
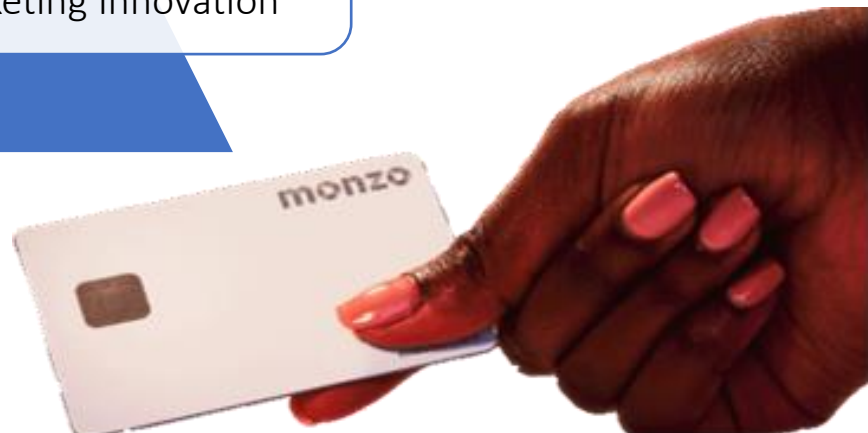
How does Innovation effect markets?

# The Extent in which the Company has shifted the market position?




(AKSOY, 2017)




Maria Shipman

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# FinTech markets, Looking forward…

**+1600**
FinTech firms in the UK, estimates suggest this will more than double by 2030

**42%**
UK's FinTech adoption rate. Global average is 33%

**82%**
of incumbents expect to in increase FinTech partnerships in the next three to five years

RELEVANT

(Victoria, 2019)

| Brand | Gains | Losses | Net Gains |
|---|---|---|---|
| Halifax | 33,327 | 10,585 | 22,742 |
| [illegible] Bank | 14148 | 1496 | 12,652 |
| Monzo Bank | 12451 | 3294 | 9,157 |
| [illegible] Bank | 18,081 | 9,746 | 8,335 |
| Bank of Scotland | 2,513 | 1,846 | 667 |
| Triodos Bank | 736 | 70 | 666 |
| Ulster Bank | 337 | 398 | -61 |
| Danske | 151 | 302 | -151 |
| [illegible] | [illegible] | 304 | -260 |
| [illegible] | [illegible] | 331 | -274 |

(Boyle, 2021)

1st ranking for customer care

Ranking 34 for users in the UK

100,000 users switching a month

## The Extent in which the Company has shifted the market position?

# Final Thoughts

## *Are Monzo's Innovations a Success?*

**Maria:** *As an early user of MONZO in 2017 I was impressed by how easy and convenient their app was to use. The information they provided was easy to understand, and they quick responded immediately to enquiries compared with my previous traditional bank, HSBC. I was impressed by their innovative approach to customer services. I believe they are succeeding at being innovative, marketing strategies and relying that profits will follow suit.*

**Hanns:** *Monzo is not just a bank; it has also helped break down a sizeable existing wall between traditional banking and many people. Their transparency and great effort to satisfy customers make them improve and innovate their technology day by day.*

***Nathan***: *Monzo hit the market with an innovative business model - user-friendly banking. Their focus on making banking and finances as clear and simple as possible has clearly worked as can be seen in their increase in new users. But this may have been at the cost of company stability and security.*

**Ryan:** *Depending on what metrics you are measuring they can be viewed as successful or unsuccessful. If looking at innovation capability, customer satisfaction and increasing market share, then they have exceeded in these metrics. However, if measuring commercial viability, they have come in short.*

*Any Questions?*

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# The Extent to Which They Have Influenced The Internal Structures and Management Process?

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