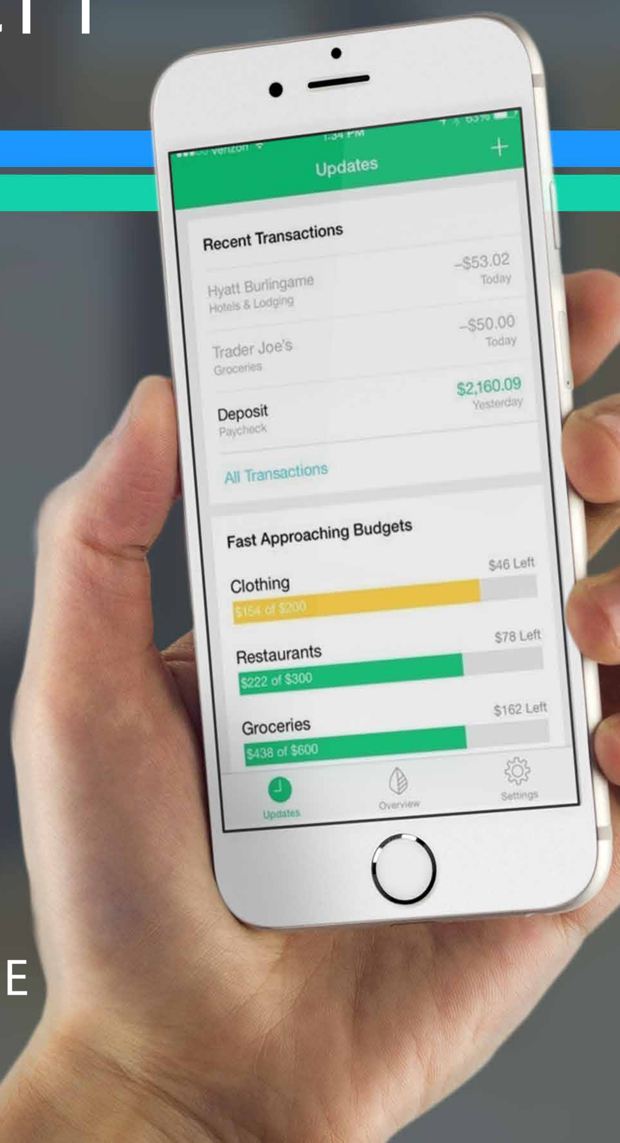
What Banks Can Learn About Mobile From Fintech



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Introduction

The recent investment surge in fintech firms — $17.4B globally in 2016 — is a strong indicator that banks need to start looking at these upstarts not just as competitors, but also as a source of inspiration.

The desire to make financial transactions and education easier for individuals and SMBs is one of the key forces driving the fintech revolution. It's no surprise, therefore, that the most successful fintech players focus so heavily on their mobile strategies.

As the industry moves in this direction, mobile should no longer be a concern just of the mobile or digital teams -- mobile should now be a part of the overall corporate strategy. In fact, four out of five banking executives worry they will lose revenue to independent fintech firms. Further, 54% of millennials in a recent survey said that they would consider switching banks if the other bank had a better app.

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The launch of Zelle, a peer-to-peer payment system that now counts 38 banks and credit unions as members, including the likes of Bank of America and JPMorgan Chase, demonstrates that executives understand both the threat and potential of fintech.

Despite recent innovation, banks still have a lot to learn from digital-first players when it comes to success in the mobile channel. As they learn and react, banking executives need to answer the following questions:

- How can we migrate more transactions away from the branch to our low cost digital channels (of which mobile is a growing piece)?
- How can we focus on mobile while still having an eye towards maximizing customer lifetime value?
- In which mobile strategies should we pour resources? Which will be detrimental?

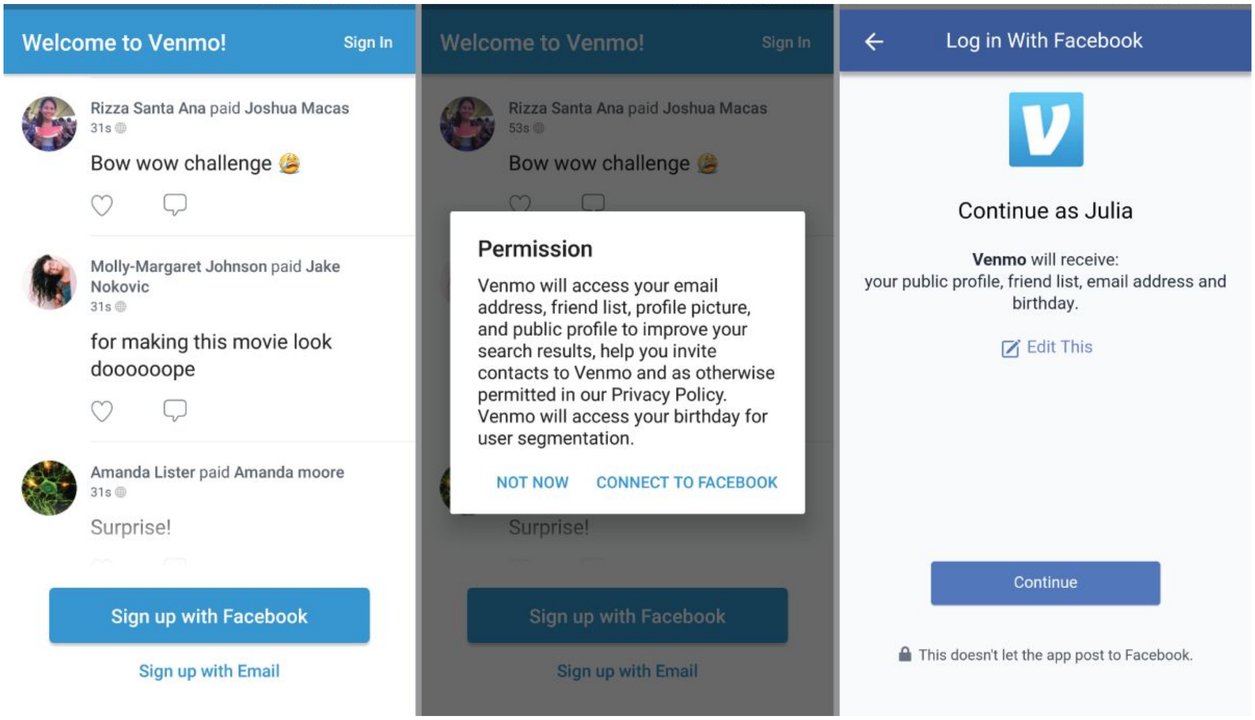
Answering these questions and succeeding in the new mobile world requires agility and low-risk innovation through experimentation.

Drawing from our experience working with hundreds of mobile innovators across industries and countries, we've identified four strategies fintech players are using to drive mobile adoption and create amazing user experiences. We explain how these strategies help them create more compelling offerings, and how the ideas behind them can help drive your mobile innovation agenda too. We also discuss how banks can adopt an agile “fail fast” approach that fintech companies often employ.

Venmo: Engaging users by incorporating social

Person-to-person payments grew 47% in 2016. Venmo, in particular, grew 135% over the same period, sparking fears that it might become the default way that people exchange money.

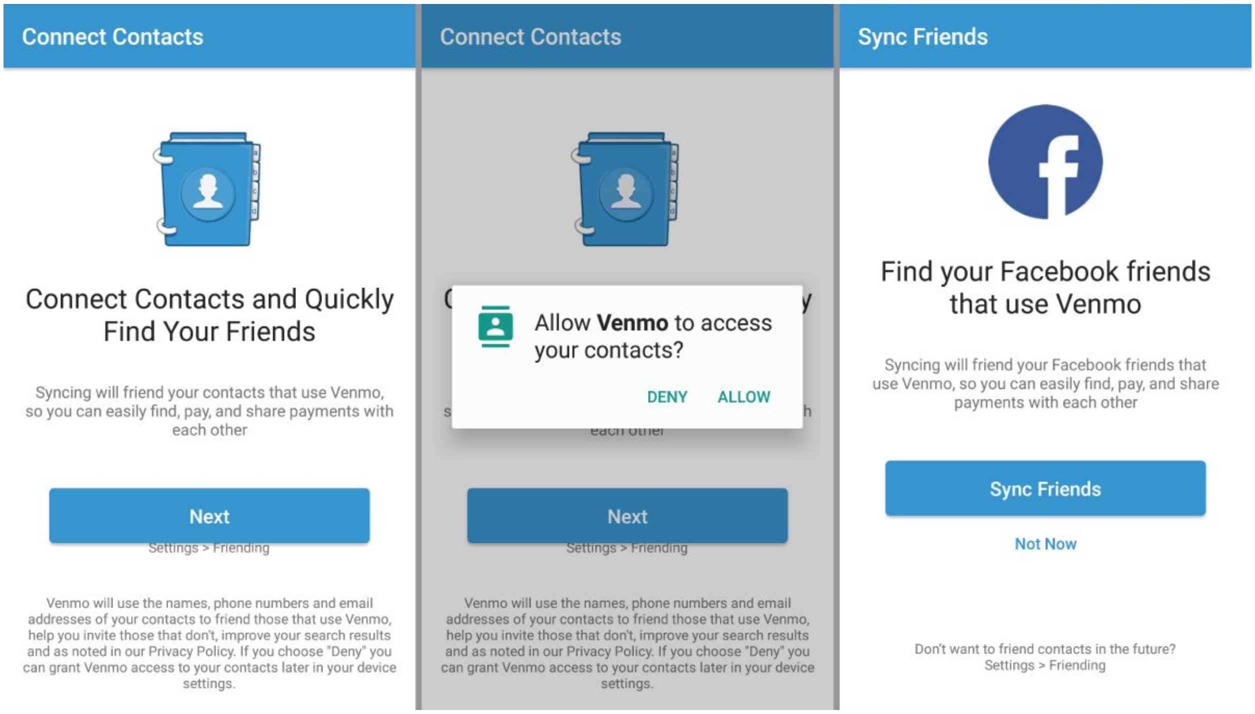
Because the app has such a strong focus on Millennials, social media plays a central role for Venmo. On the home screen, the main sign-up option is through Facebook, which gives Venmo access to valuable information about their users, including a list of their friends.



Source: Venmo

During signup, Venmo users are invited to sync the app with their contact list and Facebook account to quickly build up the number of users with whom they can use the app.

Venmo's social feed not only makes the app more fun to use while users leverage its core functionality (paying each other), it is also an engagement method that brings users into the app even when they don't have any payments to make.



Source: Venmo

How we spend our money used to be something that would be awkward to discuss with your social group (especially today's extended social network). Venmo is bringing about a change on this dimension.

Customers today are accustomed to (and to a certain extent even expect) social elements across all aspects of life. Traditional banks have not yet taken steps to bring social into their mobile engagement strategy -- but it's worth testing.

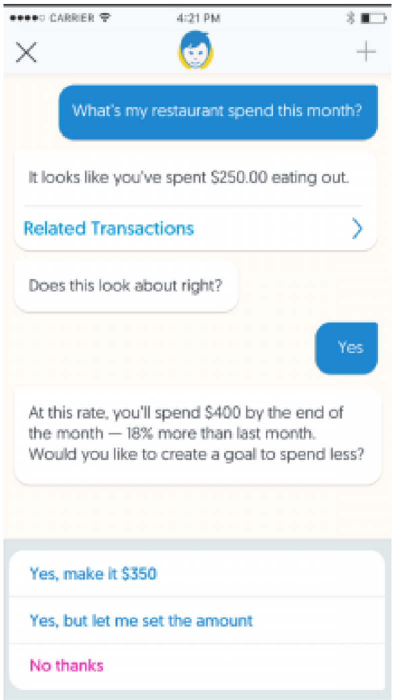
Varo Money: Guiding users with an AI-powered chat

Varo Money, which has raised more than $27MM and dubs itself the “intelligent mobile bank,” is focused on helping users manage their cash flow across accounts. Beyond aggregating financial accounts in one place (more on that later in the section about Mint), Varo hopes to help its users gain financial literacy. Users can interact through the app with an AI chatbot named Val, which can answer more than 1,000 questions about an individual’s personal finances.

AI chat is becoming increasingly common across consumers’ lives with Siri and Alexa leading the way. Banks should consider if and how to incorporate chat into their apps.

There are dozens of potential tests around in-app chat that banks should consider. Here are some:

- Overall introduction of chat
- Placement of chat window
- Onboarding flow for chat -- how to let users know about the new functionality
- Real human vs. AI based chat
- Reactive chat vs. Proactive chat (where an operator or AI invites a customer to chat.)



Source: Varo

As banks test incorporating chat into the app, there are numerous KPIs to consider. Does introducing chat reduce burden on the call center or the branch, thus savings costs overall? Does chat lead to higher or lower App Store ratings? Are we able to increase demand deposits or cross-sell additional products through chat-based recommendations?

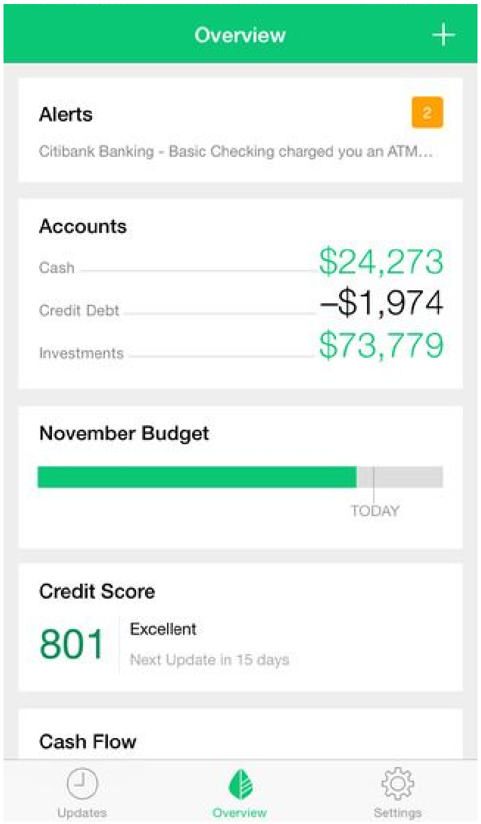
Mint.com: Providing a unified view across accounts

Consumers increasingly love having one place to go to manage each part of their lives. Need to book travel? Go to Kayak to search hundreds of sites at once. Need to buy just about anything? Amazon has you covered. Mint wants to be your one-stop app for all of your finances. The app enables users to track and pay bills, budget, stay on top of their credit score, get financial advice, and more.

Mint's whole model is built around helping users track, understand, and manage finances — for most people that's a daunting and frustrating task and having an app solve it like magic is an important benefit. And because bills are due at various times of the month, Mint has a built-in way to encourage frequent engagement.

Banks are certainly starting to see the value in providing their customers with more information through the apps. For example, many banks now provide users access to credit score information. Mobile teams should consider exploring other ways to make their apps a more necessary part of their customers' daily lives. For example, for the majority of banks that don't have a brokerage arm, is there a possibility of aggregating external account information within the bank's app? Can the mobile app be more prescriptive in encouraging users to pay bills on time or save for the future?

As with all of the other questions discussed throughout this paper, the only way to accurately answer these questions is through testing.

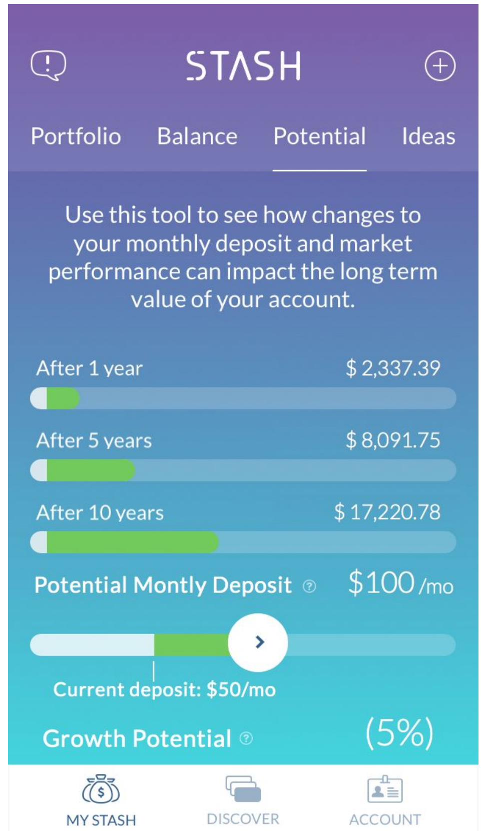


Source: Mint

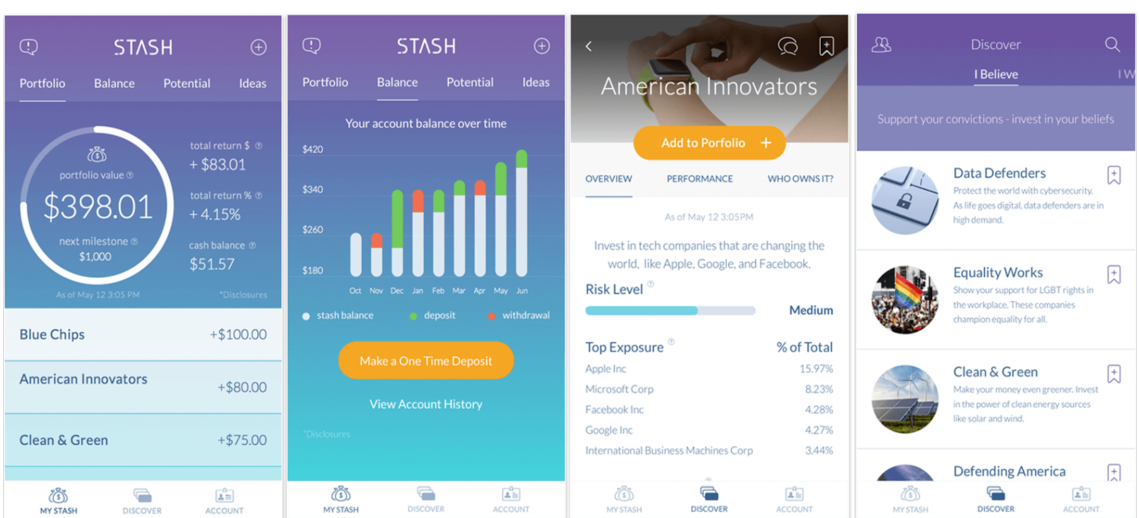
Stash: Speaking your consumers’ language

Stash describes itself as “*investing, simplified.*” Stash explains “Choose from a selection of ETFs, conveniently named so you can cut through the finance jargon and get to the heart of what each investment stands for.” The app has more than [30 investment themes](), like “*Activist*” and “*Techie*” that seek to match investments with users’ personality profiles.

Commenting on the app, Ryan Miyamoto, managing director of Derive Wealth, said “*Millennials don’t know the difference between a growth stock or value stock. But they know the difference between a techie or activist. By branding their investment offering with terminology their customer base understands, they can simplify the investment selection process.*”



Source: [Stash]()



What’s the lesson for banks? Even with the same offerings, there may be an opportunity to change how banks speak to their customers about various offerings, especially via mobile apps.

After testing messaging and seeing which types of users respond best to each type of messaging, banks can use technology like Apptimize Feature Flags to deliver customized language to different users. Removing the scary part of financial management and speaking to users in the language they can most relate to is likely to drive increased mobile engagement and larger and stickier financial relationships overall.

What Banks Need to Master Innovation

To innovate successfully on mobile, banks need tools that allow them to make changes in a way that is both efficient and low-risk. Apptimize believes the two technological necessities to fuel this combination are capabilities for A/B testing, and for feature release and rollback management.

Innovation with A/B Testing

While most organizations have many interesting hypotheses about which ideas might improve their apps, the only way to confidently understand the cause-and-effect relationship between a new feature and KPIs is by A/B testing it with a subset of users and comparing their performance to users who did not receive the change. While methods like user focus groups can be helpful initial steps in validating how users interact with a new idea, only testing in the real world can yield quantitative results that enable executives to act with confidence.

Risk Mitigation with Feature Flags

Given the high value of each customer, banks can't afford to release a feature that may hamper the usability of the app, potentially decreasing customer satisfaction and impeding transactions from occurring. The best way to release new features (after testing) is by using Apptimize Feature Flags, which enables mobile teams to roll out features in stages. If the bank detects an issue with the new feature, it can immediately turn it off without waiting to deploy another version of the app, app store approval, and for users to update their app.

How Can Banks Stay Relevant in the Age of Fintech?

Banks still have many advantages over fintech upstarts - namely more resources and deep existing relationships. To uphold those advantages, banks needs to become more agile, learn from successful new competitors and adjacent offerings, and adopt a test and learn mindset with their mobile strategy. Those who fail to adapt will find themselves rapidly losing share. In fact a Bain & Company and SAP report found that one third of banking lending revenue is at risk.

We've presented just a small sample of innovation ideas in this white paper. So where do you start? The first step is to collect all of these ideas and then prioritize the agenda for testing. Executives should prioritize tests based on the following criteria:

- **Alignment with broader corporate strategy:** while mobile is often on the bleeding edge of driving the business, mobile plans need to integrate with the rest of the business

- **New learnings:** Tests should generate a new learning rather than simply validating a known outcome

- **Economic impact:** Tests with large possible outcomes should be prioritized over those that are unlikely to substantially move the needle

- **Risk level:** While one key purpose of all tests is to reduce risk, just like an investment portfolio that contains securities of various risk profiles, some tests should be high risk and high rewards, while others should seek incremental improvements

Across all ideas, the ability to execute and analyze test efficiently and accurately is critical. The Apptimize platform has been developed specifically to help mobile product teams iterate and learn fast. We're excited to help banks leap ahead with their mobile strategies and compete and learn from fintech.

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