Building the future of mobile banking

Part I

In collaboration with:

WAVESTONE
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Introduction

Financial services institutions are still dealing with the after-effects of the financial crisis. Lately, they have been making a great deal of effort to comply with new regulations, stabilise their finances and, finally, regain customer trust.

Banks are fully aware of how the society around them is evolving and how it is impacting the way people want to bank. They all know that they have to adapt their offering as well as their organisation set up so that they can keep up with digital changes and new expectations, but it has been hard for most of them to tackle all of these challenges at the same time.

While digital transformation is strongly accelerating, banks need to completely reinvent themselves and go a step further than the evolution which has already been started by online banks.

Mobile, through its implied simplicity, transparency, immediacy and ability to deliver personalised experiences, has been identified as a key driver of transformation and is expected to disrupt the retail banking industry more than any other development.

In collaboration with Efma, Wavestone aims to provide an insight into the future of mobile banking, covering six pillars that address banks’ key areas of operation:

- Customer targets
- Acquisition strategy
- Customer experience
- Operating model and human resources
- Profitability
- Security and regulation.

Wavestone’s digital banks and Fintechs observatory
Our study, covering the individual and professional markets worldwide, is based on our online banking services benchmark, our digital bank and fintech observatory, banking case studies and several interviews with banking leaders. These resources are shared throughout the report, alongside analysis of more than 30 digital banks, including new challenger banks, digital banks, traditional banks, and approximately 180 fintechs.

This first report presents our findings and covers the first three operational pillars, all of which are focused on the customer: target markets, acquisition strategy and customer experience.

We will share the rest of the study in due course, covering all six pillars, before following up with a global report that brings together all of our findings.
Target markets

So far, online banks have primarily chosen to target a rather small but lucrative customer segment: the mass affluent market. We believe that in order to stand out and compete head-on with online banks, native mobile banks must adopt a different approach and target other customer segments. This should enable them to grow their customer base. Here are two areas of growth they may want to focus on.

Appealing to the mass market and millennials

Banks need to diversify their offering beyond day-to-day banking. This involves providing clients with a greater range of offers and services (including savings and investments, and mortgages), that cover all clients’ needs and means they don’t have a need to hold another account with a competitor.

If they want to grow their customer base, and appeal to millennials in particular, banks must also look to offer a unique customer experience. Millennials (also known as generation Y) now outnumber baby boomers and represent the largest target market for banks (80 million people in the US alone). While they are a natural target market for mobile banks due to their appetite for digital and mobile services (see figure 1), it’s so important that banks offer them the right experience. Millennials are twice as likely to switch banks compared to the rest of the population if they encounter a bad app¹.

Attrition rates are generally low in the banking industry, however acquiring young customers (such as millennials) is key to generating stability and increasing revenue over time. Banks are aware of the potential that this population represents and, as such, have started to make moves to target them. For instance, in December 2015, Customers Bank bought the disbursements business unit of Higher One and acquired its two million US student accounts.

Figure 1: Are millennials addicted to their smartphones?

* US Smartphone Use in 2015, Pew Research Center
** FICO
Source: Bank of America

¹ FICO
About us

Efma

A global non-profit organisation, established in 1971 by banks and insurance companies, Efma facilitates networking between decision-makers. It provides quality insights to help banks and insurance companies make the right decisions to foster innovation and drive their transformation. Over 3,300 brands in 130 countries are Efma members.


www.efma.com

Wavestone

Wavestone is a consulting firm, created from the merger of Solucom and Kurt Salmon’s European Business (excluding retails and consumer goods outside of France). Wavestone’s mission is to enlighten and guide their clients in their most critical decisions, drawing on functional, sectoral and technological expertise. With 2,500 employees across four continents, the firm is counted amongst the lead players in European independent consulting, and number one in France.

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