Mobile Banking - Trends & Pragmatic Innovation

“There's something happening here, but what it is ain't exactly clear … It’s time we stop, hey what’s that sound?”—Buffalo Springfield

That sound my friends, is the speed of change. Change that is rushing through the lobbies of half-empty branches. Change, where the mobile experience for consumers and business owners has been set so high by the likes of Amazon, Netflix, Youtube, and Square, to name just a few. Change set in motion by a onslaught of fintech companies, all with a mobile-first approach to design and end-user engagement. This is the kind of change that demands our attention.

If we’re going to take a serious look at Mobile Banking trends, we should consider what’s happening in the mobile finance space. The Tabby Awards, the most comprehensive awards program honoring the best mobile apps worldwide, can help us do just that.

“The Tabby Awards are excited to present the award-winning mobile apps and games from our 2018 award program. With all iOS and Android apps and games eligible and under consideration, winners were selected based on a combination of quantitative metrics and qualitative factors. The analytical evaluation component focused on app store user review scores submitted over the course of 2018 to measure user engagement.

The qualitative component – benefiting from the Tabby Awards expertise in judging app and game awards since 2012 – focused on user interface, design, and innovation.

Let that hang there for a minute. “focused on user interface, design and innovation.” Account holders are expecting better, smarter, more engaging experiences from their mobile devices, even in activities as commonplace as banking. Among the Tabby Awards’ myriad consumer interests and industries, CashApp by Square, Robinhood, and Discover Mobile were three of 2018’s top winners in the Finance category.

CashApp by Square

A brief storytelling exercise describes a CashApp experience and shares some of the benefits of using the P2P app that has caught on and closing in on Venmo.

> *It’s Friday. You wake up to a $15 Cash App notification. A pal paid you back for that pizza you shared. Your balance now reads $172.30.*
> *You use your new money to get $1 off coffee with your personalized Cash Card. You even hit up the ATM after.*
> *5:00 p.m. Direct deposit hits. Do you buy Bitcoin, or do you cash out instantly to another bank? With Cash App, you decide.*

Robinhood

Here’s what the AppStore says about the Editors’ Choice app:

> *Like the legendary outlaw it’s named after, Robinhood sounds too good to be true.* Free stock trading in a gorgeously designed interface *that’s tailored for iPhone and Apple Watch? It’s no scam—the company earns revenue on interest from uninvested cash. That makes this Apple Design Award winner a great way to start investing in stocks (there’s no minimum balance required) and a powerful tool in the arsenal of experienced traders.*

Discover Mobile
This customer review (perhaps a little overdone) in fact demonstrates what many end-users value.

> *I'm just so in love with this app. I logged in this morning to review my credit portfolio and I'm so thrilled at the updated breakdown feature! Detailing my total revolving debt, my number of inquiries, any late payments, (in the last year versus the last 7 years!!!- WOW) among others! You know what I'm most excited about though? The fact that I know Discover is likely already working on ways to improve on this feature and I already LOVE it so much! So I'm sure I'll be blown away when another update hits. Understanding my credit portfolio is super-duper important to me. I'm an AMEX employee and card holder (18 years strong and love my company 100%) but I recall when I chose to get this Discover card it was because you were the first plastic I knew of that would actually give a cardholder access to their Fico score for free!*

Accolades have been given to each of these apps for their ease of use, design and innovation clearly making them stand out in the market.

Within the banking community, here's a snapshot of the buzz around mobile:

- Conversational Banking— "Alexa, please transfer $100 from my checking to my savings"
- Mobile Finance and Financial Literacy—anything and everything related to educating/informing consumers to help make better financial decisions
- Financial Empowerment—personalized recommendations for card holders to use their credit more wisely
- Mobile Digital Issuance and Mobile Banking convergence—ways to manage cards and accounts in one location?
- Security Beyond Passwords—biometrics and multi-form factors for MFA

Not to be outdone (and certainly leading the charge in the fintech space) a spectrum of innovation leads the way including:

- Acorns (micro investing for the up and coming)
- Affirm (consolidated merchant lending)
- SoFi (portfolio of personal lending)
- Ellevest (investment technology for women)
- CreditKarma (credit score and personalized recommendations for ways to use credit more wisely and account aggregation)
- Wealthfront (financial planning and robo investing for millennials + account aggregation…reduce risk, reduce taxes, reduce fees)
- Oscar (health insurance for the masses)
- Cadre (institutional grade real estate investments now available to consumers)
- Kabbage (small business funding for the real world)
- Avidxchange (accounts payable software for small businesses that integrates with accounting systems like QuickBooks)

Acorns (one of my favorites from the group) provides a particularly interesting example of innovation in the fintech space. It's a super-cool mobile app that allows customers to set up recurring micro investments and round up card purchase to a pre-determined dollar threshold as a savings vehicle for long-term investing. So, if a user decides that they want to round up to the nearest dollar, every purchase at or above the threshold on a per dollar basis will get charged accordingly. For instance, $39.22 turns into a $40 charge with 88 cents going into an investment portfolio. Everyone knows the saying, “It all adds up.” After a year of round-ups users could very well save hundreds (or even thousands) of dollars, based on total spend without adjusting their normal behavior.

This application elegantly walks users through the process of investing while educating them throughout the journey. Something that would normally be reserved for high net-worth individuals is now accessible to a group of consumers who are eager to learn and save.

Acorns wants to help everyday Americans invest for the future, earn extra money, grow their knowledge and spend smarter!

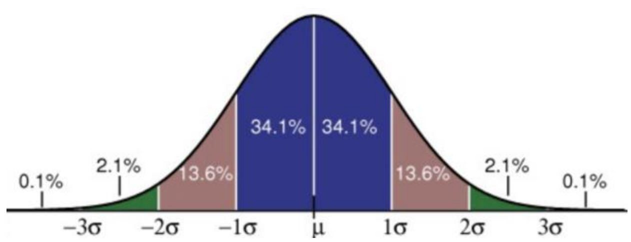
By now, you might be wondering, “What do I do with all this information? Should I ramp up my own offerings and try to compete? Should I just yield to the fintechs? Should I partner with them? How would I do that? Would they even be interested?” That’s a lot to consider and those are all good questions—but in reality, there is no silver bullet to answer them all, because as most banking professionals are keenly aware, each bank has their own set of circumstances and needs.

“Pragmatic Innovation” is a key approach to moving forward, and it calls for careful decisioning to make sense from all the hype and noise in the market. Striking a balance can be one of the most difficult exercises an institution can face. That balance can be won or lost on the battlefield. Jobs are secured or lost on this battlefield. Promotions and setbacks are realized on these frontlines.

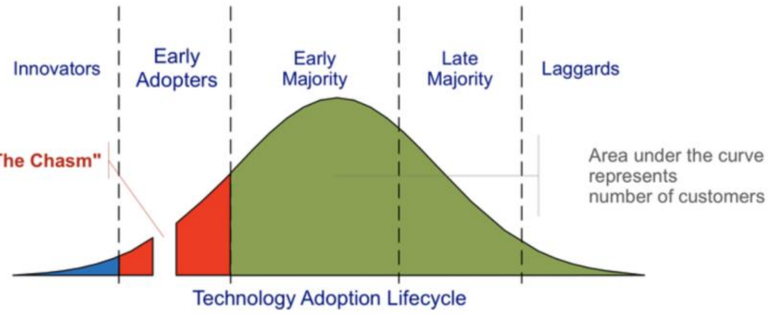
Remember your “stats” professor or TA talking about “Standard Deviations and Bell Curves”? I fell asleep for that part too, but now I understand the bell curve and it’s seemingly non-real-world-application actually delivers critical implications. Trust me. It all makes sense now, albeit some 20+ years later.

It states that, across a spectrum of data, one can assume that most of the examples are centered towards the "average," (masses) while relatively smaller sets tend to lie in one extreme or the other.

Distributed normally on a graph, it would look something like this, where 69 percent reflects the majority of the data:



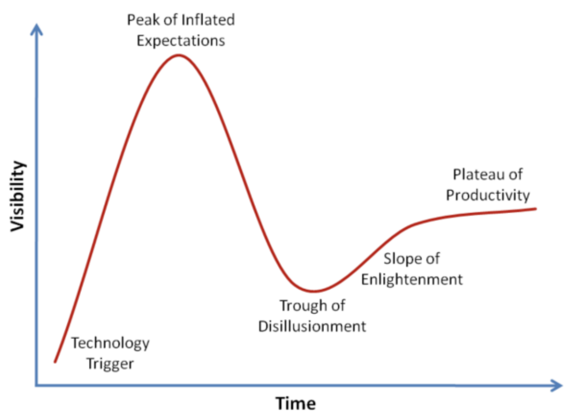
Banking industry professionals refer to this bell curve as the Technology Adoption Curve. In it, Geoffrey Moore makes a slight adjustment to the model by proposing that a gap or “chasm” exists between the first two groups who typically consume technology as soon as possible, and where adoption by the masses comes in a more normalized manner.



Diving a little deeper, the premise suggests that the Innovators must have the latest and greatest, bleeding edge technology (think back to Google Glass) no matter the cost (~$1,500 a pair). Early Adopters are quick to adopt but want a reasonable approach (think Merchant Funded Rewards and Mobile Wallet) to solving a business problem and receiving some initial validation from their peer group before moving forward.

The Early Majority (think of those days when half the folks were carrying around flip phones and half had an iPhone) require pragmatic application and validation by the previous groups. The Late Majority eventually joins everyone else, while the Laggards have to be dragged into the 21st century kicking and screaming.

Somewhere between the first two groups lies the “gap” where sometimes—or perhaps all too often—hype surrounding a technology (according to Gartner) traps many decision makers into adopting technology well before it crosses over into the mainstream (assuming it ever does). This “dreamlike” state is can produce an uncomfortable position to be in when making technology decisions based on trends, but it remains a force that must be reckoned with.



Gartner Hype Cycle

So where does an institution sit? What group does an institution's technology decision maker(s) fit in? Whatever the case may be, Pragmatic Innovation (a successful strategy to identify transformational opportunities with a more manageable financial commitment) is a drastically different opportunity and approach in 2018 than in years past. "Open Banking," and what seems like a hundred variations and interpretations of the concept, plays an integral part in the approach certainly.

One interpretation seems to keep coming up when speaking with banks—the in-flight model of leveraging "companion core" technology and testing innovation before, during, and after the hype occurs. It's the ability to roll out a "deposit acquisition" strategy to "up and coming" segments of the market that ultimately fuel the lending pipeline.

A "fail fast" or "win big" approach through Pragmatic Innovation now means scanning the market for promising technology, applying it through "Open Banking" to a relatively small group or test market, assessing results and yes, finally determining whether innovation gives way to adoption before rolling it out to the masses.

Who said you can't have your cake and eat it too?

So, where does this leave the banking industry? Forever in search of that magic bullet? Should institutions in our market go all-in, hoping that they get it right? Is the best idea to wait for a validating Chase or Bank of America Super Bowl ad, or that scathing e-mail from a board Member about how we don't offer the latest buzz feature before we react?

When it comes to trends in Mobile Banking (and really, trends in general) Pragmatic Innovation is a weapon for the battlefield that is most certainly real and being fought everyday by banks, fintechs, and financial services providers.

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