The Nexus for Retail Banking Apps

Stay Innovative or Lose Out to New Fintech Competitors
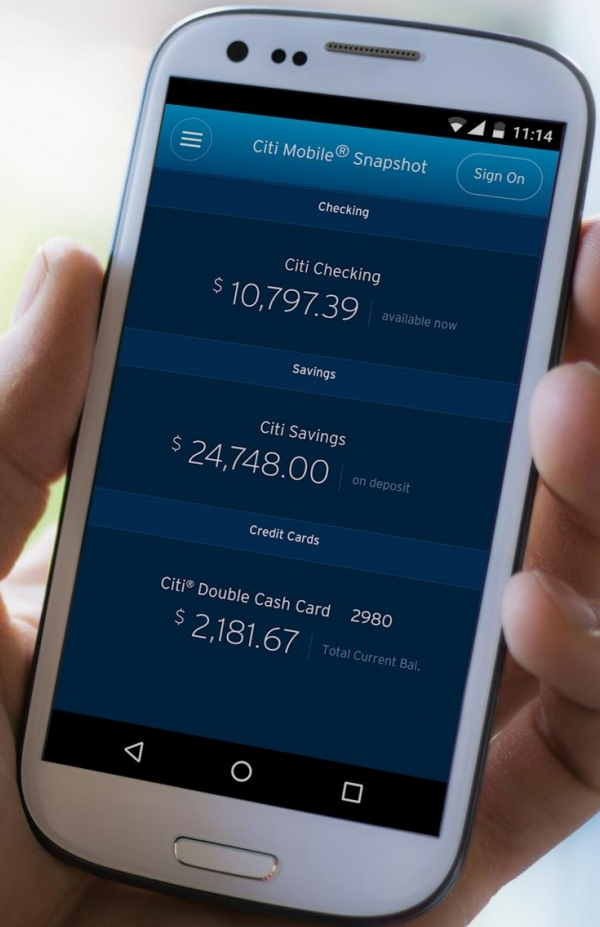
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Executive Summary

- The customer experience delivered by retail banks is becoming increasingly defined by their mobile apps. Some customers select or leave particular banks based on the quality of their mobile banking experience.

- Three of the top fintech apps rank higher by monthly active users (MAU) than all but the top four retail banking apps, demonstrating the appeal of user-centric apps providing services either not offered in their mobile banking app or superior to the experience of their mobile banking app. Retail banks should take these competitors seriously or risk losing out.

- Millennials make up the heaviest users of retail banking apps at 95% more sessions per month than those aged 45 and older in Q3 2016; however, the majority are not satisfied with the overall experience.

- Mobile user experience is of paramount importance to overall banking happiness. There are significant opportunities for retail banks to learn from the inroads forged by fintech apps in delighting users and catering to unmet demands.

- Staying at the forefront of innovation and removing friction to financial interactions are two major pathways to success for retail banks. Since mobile apps are at the core of the customer experience, mobile best practices should be at the core of business priorities for retail banks, lest they lose out to market disruptors.

The Technology Behind the Report

App Annie helps companies build better app businesses and is used by 94 of the top 100 publishers across the globe. From competitive benchmarking to international expansion, we deliver the data and insights needed to succeed in the app economy.

The information contained in this report is compiled from _App Annie Intelligence_, the leading market data solution for the app economy. To see how our app store data for download, revenue, demographic and usage estimates can help guide your critical business decisions, request a demo today.

EVALUATE & ASSESS

Identify market and investment opportunities by validating usage trends by country.

ACQUIRE & GROW

Identify high-performing creatives and keywords to optimize organic and paid user acquisition efforts.

DEVELOP & LAUNCH

Validate your app strategy and roadmap by analyzing the usage and demographic trends of key competitors by country.

ENGAGE & MONETIZE

Monitor active user and revenue growth to identify high performing publishers.

RETAIN & NURTURE

Increase retention and enhance app features based on user feedback and engagement metrics.

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Over 700,000 registered members rely on App Annie to better understand the app market, their businesses and the opportunities around them.

Mobile Apps Define Retail Bank's Customer Experience

App Annie

# Mobile Apps Are Central to Retail Banking
Users Turn to Mobile for Financial Interactions

More users than ever before are turning to mobile for their financial interactions, with iOS and Google Play combined Finance app downloads growing 45% in Q3 2016 year over year.

Looking specifically at retail banking and fintech apps, top retail banking apps command a larger base of average MAU than top fintech apps. However, the top three fintech apps, *Paypal*, *Credit Karma* and *Venmo* each have a larger user base than the fifth largest retail banking app, demonstrating the level of engagement fintech apps can command. Traditional banking has been disrupted by fintech apps by providing a better experience for stand-alone features that could be included in a banking app.

Venmo, a peer-to-peer payment app, has gained significant traction — processing $4.9 billion in payments in Q3 2016 alone, up 131% from the year prior. Parent company PayPal's latest partnerships with Mastercard and Visa reduces in-store friction in using *PayPal* for mobile payments and allows Visa debit card holders to instantly transfer money with either *Paypal* or *Venmo*. As fintech apps continue to gain users, retail banking apps will need to evolve or else risk losing out on further market share. In the case of transactions, this represents a significant revenue opportunity. Zelle is the banking community's effort to regain its losses by providing a peer-to-peer transfer app competitor to *Venmo*. We are interested to see how the two coexist and compete for users in 2017.

Top 5 Retail Banking Apps Versus Top 5 Fintech Apps by Average MAU*
United States, Q3 2016

*MAU across Android phone and iPhone combined
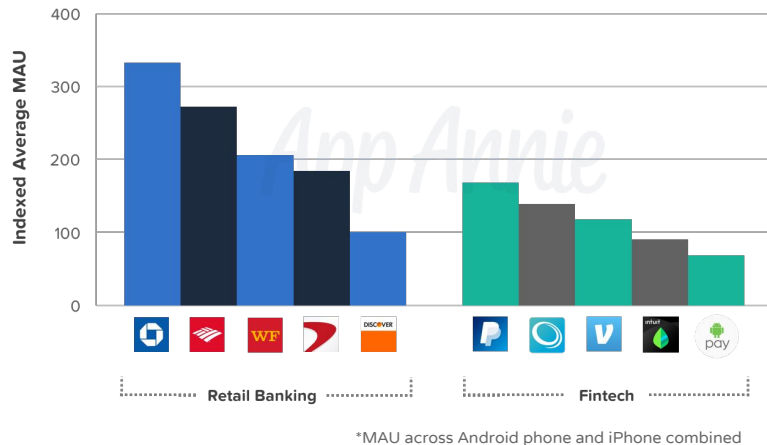
Retail banks are fighting back against peer-to-peer payments app *Venmo*, in hopes to regain a portion of the transfer market with the launch of Zelle in 2017.

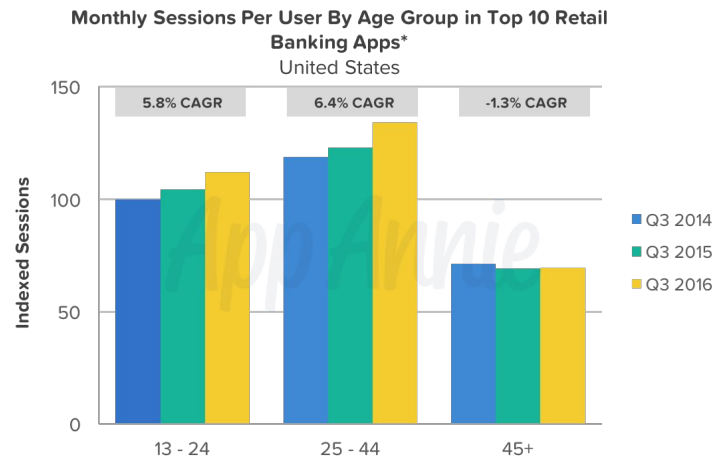# Young Users Drive Growth for Retail Banking Apps
Millennials Access Mobile Banking Apps More Than Any Age Group

Monthly sessions per user for the top 10 retail banking apps have grown for users under 45. As we'd expect, those aged 25–44 used banking apps the most often of any age group in Q3 2016 and have also experienced the greatest growth in monthly sessions, increasing 15% over the past two years.

Millennials now constitute the largest generation in the US workforce, totalling over 53.5 million and representing one in every three workers. Furthermore, they have immense financial impact — they're projected to spend $1.4 trillion collectively by 2020, representing 30% of all retail spend in the US. It is no mystery millennials represent a key target market for retail banks. However, according to a study by Jumio, 75% of millennial users are not satisfied with their mobile banking experience.

The demand for retail banking apps is present, but users are not being met with the experience they desire. This leaves a gap in the market for fintech apps to capitalize on. However, given retail banks' large customer base that can be converted to mobile app users, this threat can be mitigated. Banks need to prioritize their mobile experience and deliver the features and interface their users want and expect.

Users over 45 represent an area of opportunity showing largely flat growth in sessions over the past two years, contributing to a 95% gap between 25–44 year olds and those over 45 years old in Q3 2016. Traditionally not the first adopters, improvements in banking apps can help ease the transition to mobile for this age group. The key to mobile adoption is to make it easier and more convenient to bank than in the traditional channels many customers have been using.

Monthly Sessions Per User By Age Group in Top 10 Retail Banking Apps*
United States

Legend:
- Q3 2014
- Q3 2015
- Q3 2016

5.8% CAGR (13 - 24), 6.4% CAGR (25 - 44), -1.3% CAGR (45+)

*Top apps by MAUs in each age group for Android phones

Customer Satisfaction in Mobile Is Imperative to Success

App Annie

Top Fintech Apps Outperform Top Retail Banking Apps in Ratings
Users Express Greater Happiness from Fintech Apps

Fintech companies are often online or mobile-first in nature. They have a digital consumer in mind and typically focus on doing one thing extremely well. In this regard, they are succeeding with users. While the top retail banking apps on average tend to have higher MAUs — due in part to their large, established customer base — users are more satisfied with the overall experience delivered by the top fintech apps.

For the top 10 retail banking apps, "easy" was the #1 most frequently used word in 5-star reviews whereas "updates" was the #1 most frequently used word in 1-star reviews. This underscores the importance of providing an intuitive and problem-free app experience. The customer experience delivered by retail banks is becoming increasingly defined by their mobile apps.

Retail banks need to adopt mobile as the first screen and prioritize user experience or risk being passed by fintech market disruptors. This is paramount to retaining customers, as good mobile apps can be the reason users choose to leave a bank. According to a 2015 SNL Financial study, over 25% of users who changed banks did so due to a better mobile experience.

Top Retail Banking Apps Versus Top Fintech Apps* by Average Ratings
United States, Q3 2016

Fintech ★★★★☆ **4.2**

Retail Banking ★★★☆☆ **3.6**

*Top 10 retail banking apps versus top 10 fintech apps by MAU on iPhone

Mobile Apps Are the #1 Channel Likely to Delight Users
Retail Banks Need to Prioritize Mobile or Risk Being Left Behind

According to a study by Bain & Company, mobile is the most likely channel to delight retail banking customers. While online won't necessarily annoy a user, it is not as likely to delight them either. Of all customer touch points, retail banks should be betting on mobile apps. Mobile is eating the web, and banks should prioritize mobile apps in their user acquisition, user retention, customer experience and loyalty strategies.

Chase Mobile, Citi Mobile and Capital One Mobile are leading the pack with both high average MAUs and ratings at 4.5 and above during Q3 2016. Notably, Chase Mobile's 30-day retention rate was nearly two times the average 30-day user retention for Finance apps on Android phones in August 2016, proving they have prioritized attracting and retaining users through their app design and feature updates.

With millennials being the heaviest users of mobile banking apps, retail banks need to innovate or fear losing this demographic to fintech disruptors.

Percentage of US respondents, 2015
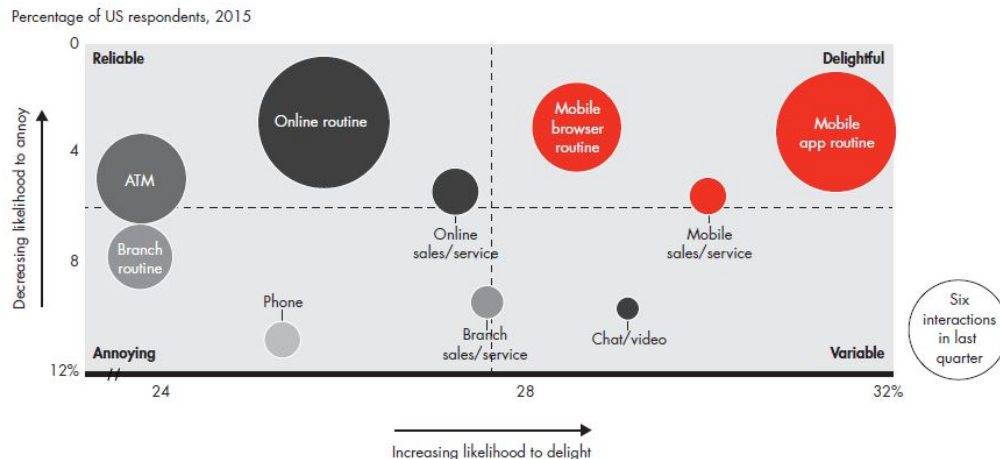
Source: Bain & Company

Best-in-Class: Citi Mobile and Acorns

App Annie

# Citi Mobile Significantly Grows Mobile App User Base
Strategic New Features Increases User Engagement

From March to September 2016, Citi Mobile's MAU grew 55%, coinciding with the new features released in its banking app between May and August.

Updates during this time included:

- Automatic payments for credit cards
- Linking to outside accounts to pay off credit cards
- Credit card locking feature
- Viewing statements
- Credit ratings (FICO scores)
- Saving or printing confirmation screens from payments

Bank of America has also seen success from adding FICO scores to its app. This is a core feature offered by fintech app *Credit Karma*, which subsequently helped it gain significant traction. Adopting best practices from competitive fintech apps and introducing new innovations are key factors to improving your user experience and ultimately expanding and retaining your customer base.

Citi Mobile, Growth in MAU*
US, March – Sept 2016

*MAU for Android phones only
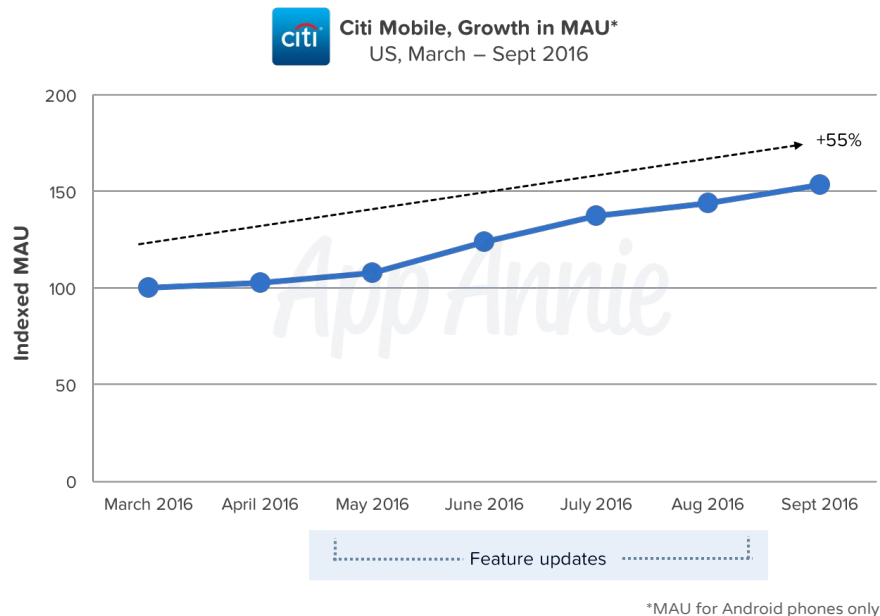
Acorns Delights Users
Intuitive Design and Unique Value Proposition Fuel Its 5-Star Ratings

Acorns allows users to invest small amounts of money through its mobile app. This plays well into two key value propositions not offered through traditional retail banking apps: easily investing small amounts of money and doing so within a streamlined mobile app. From analyzing the 5-star reviews during Q3 2016, we see Acorns has:

- Broad appeal for users who want to casually invest
- Ease of use
- Simplicity of design
- Automation — a key value proposition that drives real stickiness

Acorns is not the only fintech app seeing success in this space. Robinhood offers simple free stock trading in an easy-to-use interface. With user-friendly design at the core of its offering, Robinhood was awarded the 2015 Apple Design Award. This is the standard retail banks should be striving for — not only standing out against other banking and fintech apps, but also stacking up against some of the best cross-category apps.
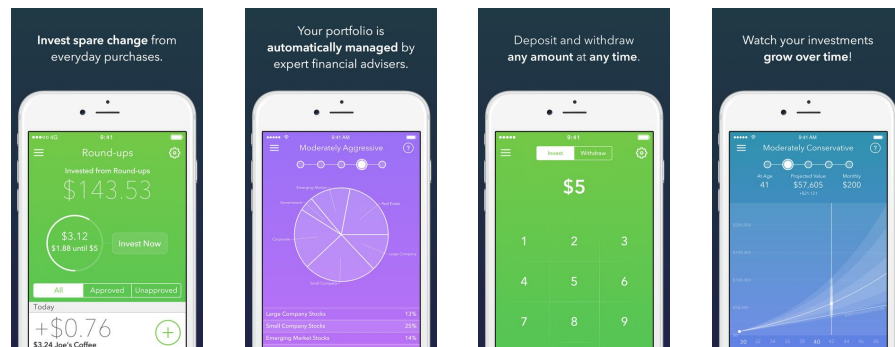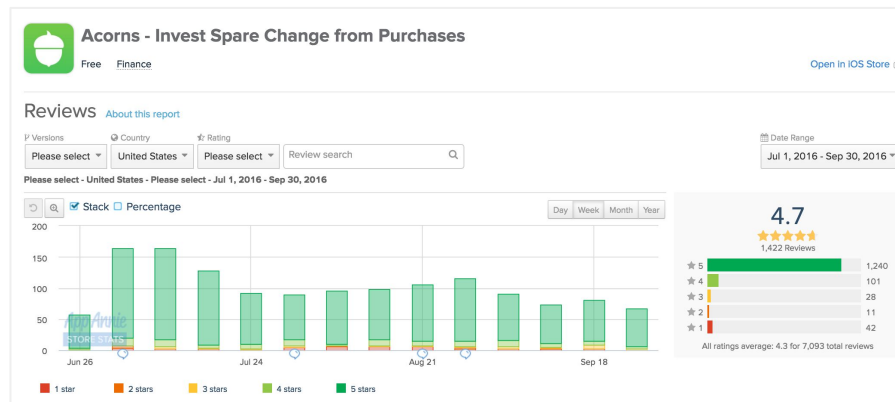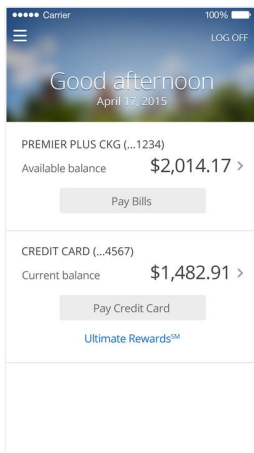
10 Key Strategies for a Best-in-Class Retail Banking App

App Annie

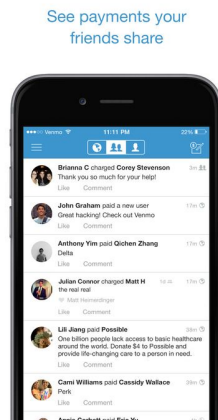# Remove Friction For a User Completing Financial Actions
The Key to Keeping Pace With Fintech Apps

Your App Should Not Be a Copy of Your Website

Prioritize the features that your users want in a mobile app. It is better to have a positive user experience than pack every feature into one app.

Make Financial Interactions Easier

See payments your friends share

Venmo removed the friction for small inter-bank transfers and made it easy to split expenses and transfer money on the go.

Prioritize the User Interface and User Experience

2015 Apple Design Award Winner
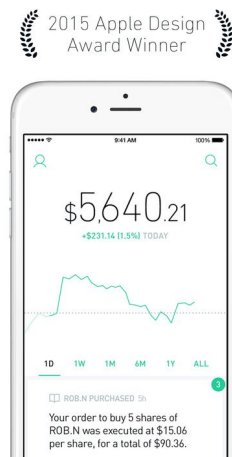
Retail banking apps are not solely up against other retail banks or fintech apps. Users are comparing your interface with all of the apps they use. It should be as easy and intuitive to navigate as *Instagram*.
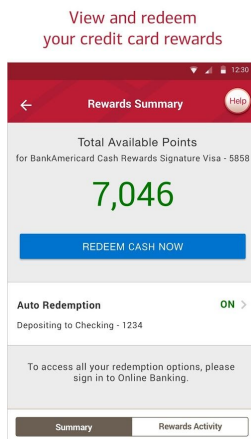
Make Users the Center of Every Decision
Our Mobile Devices Are With Us Constantly — Show Respect for This Level of Access

Establish and Reinforce Trust	Reward Users	Use Ratings and Reviews to Inform your Roadmap
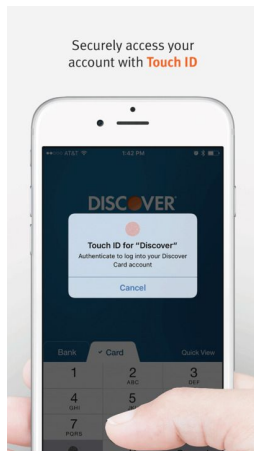
Discover Mobile prioritized Touch ID and was one of the first movers in the market, providing an enhanced layer of security for its users.

Provide incentives for consumers using the app in ways that saves the bank money — such as branch visits or virtual assistance. Leveraging existing loyalty programs such as rewards points can create stickiness.
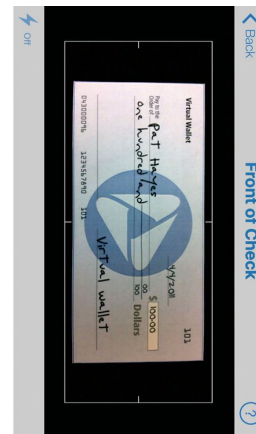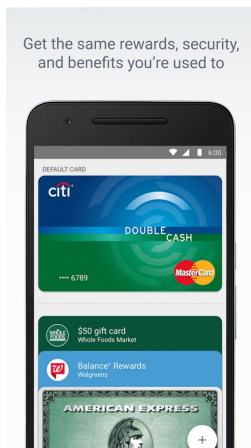
PNC received positive reviews after updating its mobile deposit capabilities— a feature historically in high demand by retail banking users.

Prioritize Innovation to Keep up with Market Disruptors
Leverage the Latest Technology or Lose Out to Fast-Moving Fintech Apps

| **Incorporate Mobile Payments** | **Partner with Innovative Apps and Services** | **Build Off Competitive Advantages Such as Scale and Trust** | **Provide Deeper Insights and Valuable Information** |

Whether creating a standalone service like *Chase Pay* or integrating into existing *Android Pay* or Apple Pay apps, mobile payments should be on your radar.
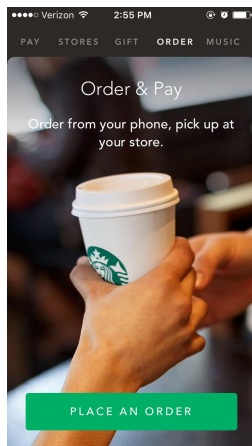
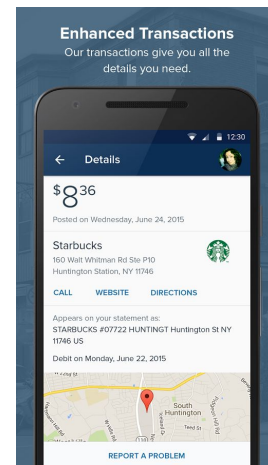*Chase Bank* partnered with Best Buy, Shell Oil and mobile pioneer Starbucks to increase its network for Chase Pay, its payment app due to launch in the months to come.

Launching in 2017, Zelle offers peer-to-peer payments functionality through a partnership of top retail banks.

Capital One provides enhanced details on transactions to keep users fully informed and vigilant against unwanted charges.

About App Annie

App Annie delivers the most trusted app data and insights for your business to succeed in the global app economy. Over 700,000 registered members rely on App Annie to better understand the app market, their businesses and the opportunities around them. The company is headquartered in San Francisco with 450 employees across 15 global offices. App Annie has received $157 million in financing, including from investors such as e.ventures, Greenspring Associates, Greycroft Partners, IDG Capital Partners, Institutional Venture Partners and Sequoia Capital.

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