



Meaningful Engagement In Digital Banking

Fintech Insight Series



Helping people lead better financial lives

Meaningful Engagement in Digital Banking

Fintech Insight Series

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Summary

Banks are not just competing with banks any more. The biggest disruptive threat retail banks face today is the risk of customer dis-intermediation. With tech giants as well as thousands of fintech and social media players placing themselves between banks and their customers, banks are at real risk of losing their power position as the number one go-to place for financial services.

This insight paper addresses the challenges that banks face to keep their leading position in the financial services market and offers four key strategies – based on meaningful engagement in digital banking – to help banks remain top of mind with their customers, by making a real impact on their financial lives.

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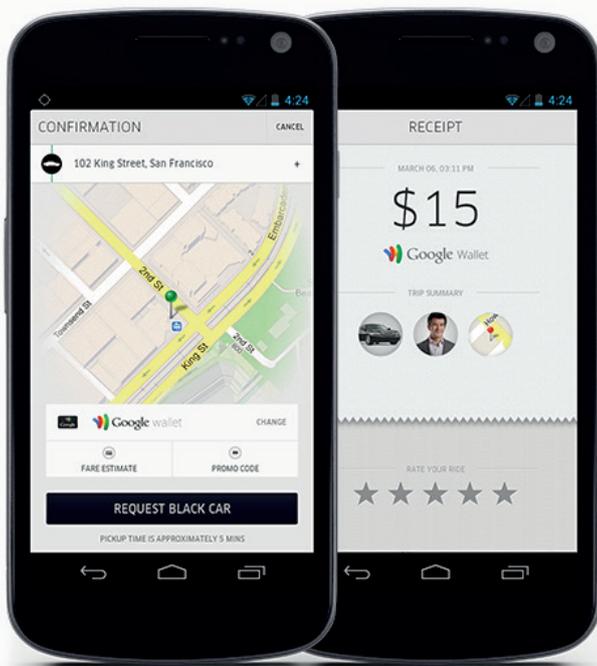
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Banks are not just competing with banks any more. Tech giants and social media leaders are moving in. No-one wants to spend their lunch break queuing at the bank. People don't enjoy hanging on the phone waiting for the next banking employee to become available. So, banking by smartphone and tablet has become the main way many of us manage our finances. In these channels, banks find themselves competing with players that are much better at engaging people digitally than they are.



The giants are moving in

Internet giants and mobile payment providers from Google, Amazon, Facebook and Apple to Baidu, Alibaba and Tencent all have the banking sector in their sights. These tech giants, and fintechs, are squeezing themselves between the banks and their customers - with the very real possibility of causing banks to lose their position as the number one go-to place for financial services. Most of them started by adding mobile payments to their core platforms. Now they are moving fast to land grab from other areas of the financial services sector. And the winds of change are blowing in their direction - people are increasingly sending each other money on social media, paying for services such as Uber within the app, and applying for loans and credit facilities at the point of purchase online.



Banks must start innovating now if they are to survive, they must learn lessons from Big Tech, fintech and social apps on how to build strong customer engagement. This insight paper will set out exactly what it takes to succeed in creating sustainable, **meaningful engagement**.

Banking is changing

Almost half (46%) of banking customers in the US now use mobile apps or laptops, but don't use branches or call centres - up from 27% in 2012, according to consultancy firm PWC's research. It has named these customers 'omni-digital'¹. A whopping 81% of these 'omni-digitals' own a smartphone, and 60% of these smartphone users report using mobile banking in some way, up from 36% in 2012.

Banks are forecasting that by 2020 customers will use their mobile to manage their current account a total of

2.3 billion times a year

- more than internet, branch and telephone banking put together.





WeChat

The future has already arrived in Asia. Alibaba's Alipay and Tencent's WeChat Pay enabled \$2.9 trillion in Chinese digital payments in 2016, a 20-fold increase in the past four years³. Nearly 300 million of the 700-plus million users of the WeChat social messaging app have added their bank information to WeChat Pay. WeChat introduced just one simple idea – its clever 'red envelopes' feature, based on the Chinese tradition of giving cash in red envelopes at events such as weddings and birthdays. This past Chinese New Year, more than 420 million WeChat users sent a total of 32 billion red envelopes⁴. This lured users into their payment ecosystem (away from traditional banks), and once they had a WeChat Wallet they were offered a host of other features, including a button to buy plane tickets, pay utility bills as well as their "wealth" section where they offer money market investment accounts

Google

Google, too, has entered the fray. Its new payment API makes it easier for consumers to use payment cards stored with Google. So, people can use a credit or a debit card saved in Android Pay, a payment card used at the Play Store, or payment details stored via Chrome in third party apps, mobile websites, and when they are using Google Assistant.

Amazon & Apple

Amazon and Apple are also taking up oxygen in the payments space, with 33 million of us using Amazon payment facilities. Ernst & Young predicts that Amazon is the tech giant most likely to become a dominant player in fintech⁵.



Apple Pay transactions in the UK have grown 300% in the last year, with 23 banks now supporting the service. Apple is building on that by letting people transfer money direct from its Messages app when its mobile iOS 11 launches in the autumn.

Millennials prefer social media

Social media platforms are just dipping their toe into the financial services waters, but people can already see the possibilities. 51% of respondents to an Edgar Dunn survey believe social media platforms will capture a larger share of online commerce spending⁶. Facebook users will be interacting with and paying businesses through conversation threads on Messenger, while users of mobile messaging service Snapchat can send money to each other via its Snapcash feature.

Banks have been able to rely on the inertia of lifelong customers – but that is changing. Millennials already say they prefer social media to banks for financial services.

73% of Millennials

claim they are more interested in new financial services offerings from the likes of Google, Amazon and Apple than from their own traditional bank⁷.

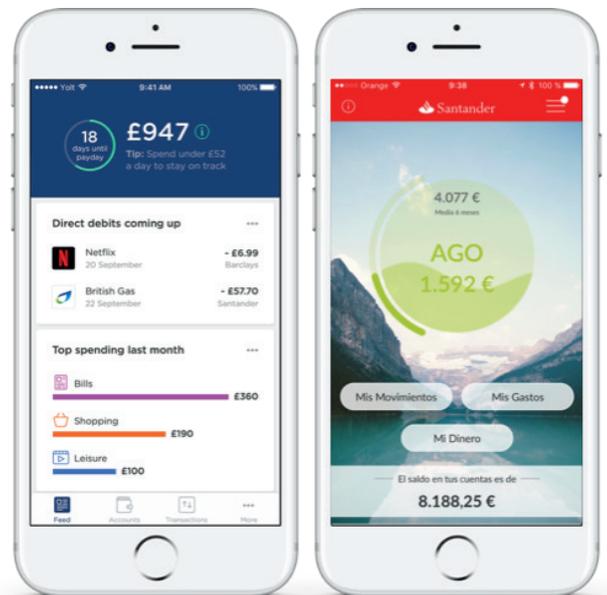


More of us are accessing financial services on the move, too. TSB bank research found that 45% of mobile or internet banking is done while customers are in front of the TV⁸. Around 18% is done at work, 11% while commuting – and 17% in bed.

Open data – open goal?

Open data in banking is coming. From 2018, the new European Payment Services Directive (PSD2) will grant third party providers access to banking customers’ online account data. Each person decides who can access his or her data. The intent of PSD2 is to drive increased competition, innovation and transparency across European payments and account information markets. Banks will have to make payment and aggregated account information available through APIs. This leaves the goal wide open for non-banking rivals such as Facebook, Google and Amazon, as well as the thousands of fintechs and app developers out there, to score with winning financial management and payment services apps on the back of bank data.

But PSD2 offers commercial opportunities for all players in the financial services industry – including banks. With all the noise about disruption and competitive threats, banks need to remember that they still have a competitive edge – most notably due to access to customers’ and financial data at scale. With PSD2 around the corner, this advantage is slowly eroding, so the time to utilise it is now.



Recently Santander launched their MoneyPlan app in Spain and ING launched their Yolt app in the UK, both state-of-the-art, notification-driven personal finance management solutions that aggregate financial data to provide a holistic view of people’s finances.

In the last year or so we have seen a lot of interesting moves where banks are testing “post-PSD2” customer experiences. For example, Santander Spain has launched its MoneyPlan notification-driven personal finance app that aggregates financial data to provide a holistic view of people’s finances. ING launched its Yolt money platform in the UK in June, offering beta users the chance to manage their finances via Android or iOS apps. And HSBC in the UK, Australia’s NAB and multinational business bank BBVA were among the first to open up their APIs to developers.

Turn threat into opportunity by developing sustainable meaningful engagement

Whether banks like it or not, the smartphone is rapidly becoming the main gateway to their customer base, and they find themselves in the race to become one of those 4-5 apps that people use every day. They also find that they are competing with players who are superior at digital engagement.

The good news is banks are well positioned to win because they have the data to build sustainable, meaningful engagement, but they need to move fast and get it right.

As banks embark on the journey of raising their digital engagement, one of the biggest mistakes they can make is to strive to drive up engagement without consideration for people's time

Banks that succeed in developing meaningful engagement will be those who do their homework and learn from past successes and failures across a number of sectors, from gaming to fitness apps. There is no need to re-invent the wheel. At the same time, banks need to remember that their key competitive advantage is access to their customers' financial data at scale – and using this data to enrich the experience is key to success. For most banks this means that they need to invest in consolidating and enriching transaction and financial product data to form the basis for effective digital engagement innovation.

There are four keys to developing meaningful engagement in digital banking – and all of them are about people: **Build positive financial habits, cater to long-term relationships, personalise the experience and maintain a contextual dialogue.**

To drive longer term meaningful engagement,

the focus must be on habits that drive real value and impact, designing for time well spent.



Winners

are those who succeed in developing meaningful engagement. That means making customers feel time spent on their banking app is time well spent and that it is making a real difference to their lives.



1. Build positive financial habits

The cornerstone to driving meaningful engagement in digital banking is to help people develop positive personal finance habits. Some technologies just hook us in – scientists say our brains release the feel-good chemical dopamine when we receive a social media 'like' or share⁹. Creating and sending out 'like'-able content that triggers social media-style sharing is the Holy Grail for marketers looking to develop a sticky app. The way to do this is to create an emotional connection, making people feel they are improving their life and learning something.

If a bank can leave its customers thinking "This was good use of my time" after every session, then we are onto something. Many successful businesses use the Nir Eyal Hook Model to create habit-forming loops.

Using consecutive hook cycles, products or services attract people back again and again. Recently, there has been a lot of talk about gamifying consumer platforms, Nir Eyal-style.

This is a good starting point to hook people in, but it is not enough. Even the most popular games soon burn out - the buzz around Pokémon Go has largely gone and the Angry Birds have flown.

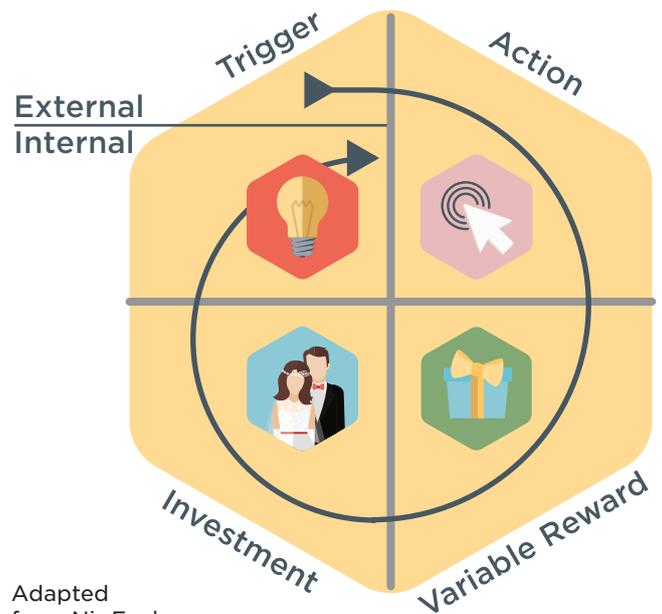
Habit-forming rewards can come in the form of excellent usability - for example, by removing hurdles for common tasks like checking balances and transferring funds. But beyond that, feeding customers insights that inform and educate is key. Tell customers something they don't know, like how their spending in bars or on bikes is trending compared to other people like them. Recommend products and financial advice that is relevant to them.

Immediate, tangible rewards are best, which is why personalised and relevant card-linked offers have the potential of developing strong habits by offering cash rewards.

Fitness and wellbeing apps such as Strava, Headspace and Fitbit, linked to wearable tracking technology, are good sources of inspiration for how to drive engagement in developing positive habits.

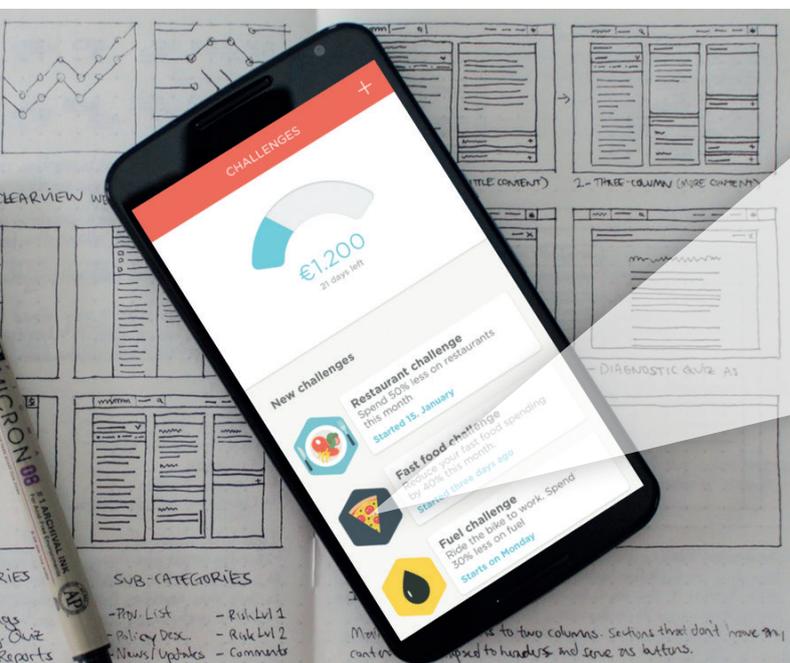
Rather than taking 10,000 steps a day, people might set a target of saving 10% of their income each month. Fitness app-style 'community reinforcement', such as when users share and compare their weekly goals and achievements with peers, works well here.

The Hook

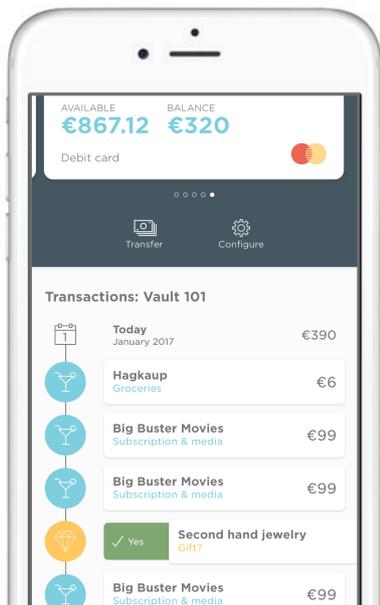


Adapted from Nir Eyal

In his book, Hooked: How to Build Habit-Forming Products, author Nir Eyal describes how to convert the 'external triggers' that make a person engage with a product into 'internal triggers'.



Meniga's Challenges concept is a good example of how this can be implemented in a digital banking context, where users are encouraged to take on spending and savings challenges tailored to their personal finance profile - helping them improve their financial health by making it possible to save money in small attainable increments.



Meniga's approach to transaction categorisation is designed to engage the user with a easy-to-use and habit-forming user experience - swiping right to confirm a category and left to change a category.

When Strava introduced a new yearly challenge at the beginning of the year, runners and cyclists who had been competing with each other on their weekly goals leapt at the chance and massively increased their mileage. Similarly, Meniga's Challenges module suggests personalised savings goals, such as a 30-day challenge to spend less money in restaurants, which will boost savings and drive people to build positive financial habits.

Sometimes, positive habits can be built out of the simplest of features. When Meniga launched its latest B2C app in Iceland, we optimised the user experience around engaging customers in transaction categorisation.

This way, we created a habit by asking people to confirm uncertain categories and re-categorise when necessary.

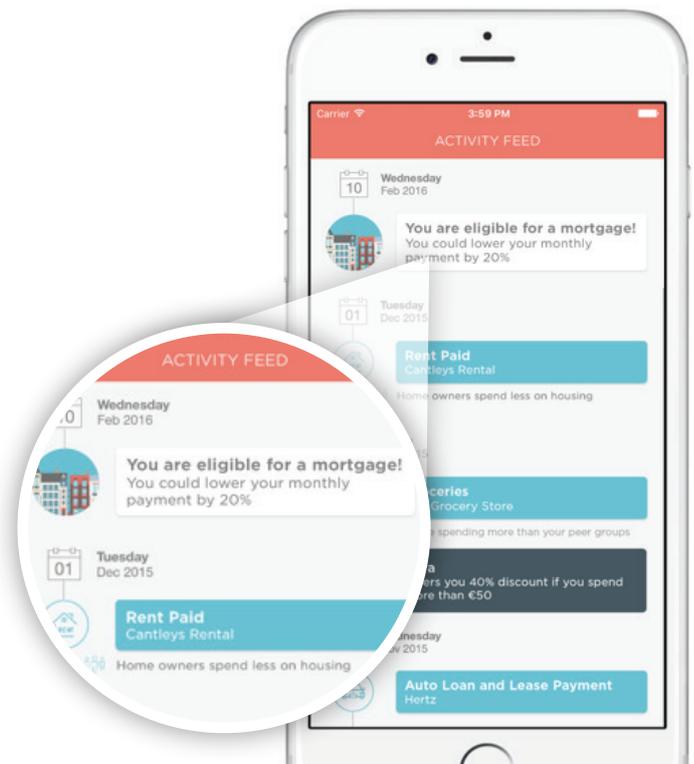
This resulted in more than 60% of the user base actively engaged in categorising – investing in making the product work better for them and increasing their spending awareness at the same time.

We have even received comments from highly motivated users complaining about too few categorisation confirmations.

2. Cater to long-term relationships

People tend to stick with the same bank for a long time – at least for now. Banks may not be able to rely on that in the future, as Millennials look for a better experience. Long-term retention is not just about frequent engagement. Banks need to be there for major milestones in customers' lives as their trusted advisor. Being there for customers with the right advice at the right time goes a long way to build up this trust.

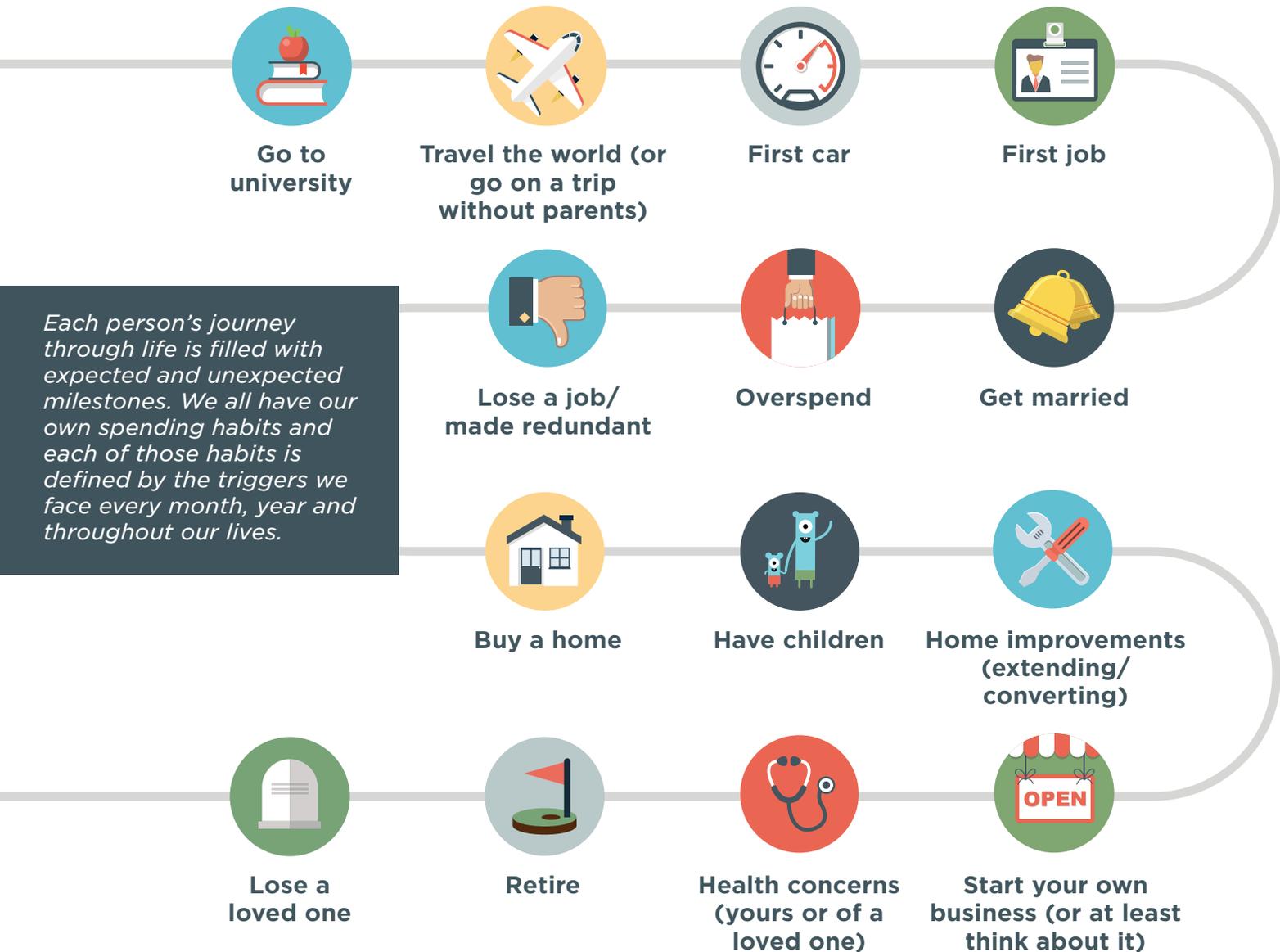
So, what does “being there” mean? When the customer lands their first job, the bank might send a message encouraging him or her to put some money into savings. When it comes to moving into a first home, the bank might send a message that renting can be expensive and perhaps they could look at a mortgage together to purchase an apartment. Settling down, the person might receive personalised messages such as the insight that they are spending 25% more on groceries than other couples and encouragement to accept a challenge to save on fast food.



Meniga's engagement platform, Dialog, enables banks to manage data-driven campaigns from within the bank and proactively send tailored messages such as advice, insights and product recommendations at the right moment in a person's life.

Later in life, as the person approaches retirement, the bank might send personalised advice about how to put retirement funds to good use, by using the bank’s pension fund or investment opportunities.

Some banks that have invested in developing budgeting functionality as part of their online bank tell us they are disappointed to find that only 15–25% of their customers are regular users of the feature. This does not mean that the feature is not important. If you omit it, you might be missing an opportunity to make a difference in people’s life when they most need it. We have also seen in our implementations that once people have taken a couple of hours to revise their budget, they consider themselves “budgeteers” even though they only track expenses through email without updating any plans.



Banks need to cater to people with different levels of motivation and ability to engage with their personal finances. More importantly, banks need to cater to people’s motivational peaks and troughs. We all go through different levels of motivation in our life. Based on the analytics we have from our B2C setup in Iceland, we see that in the first week of January, people are more motivated to take a good hard look at their finances. You wake up with a bad hangover but still motivated to make this year the best one yet. You are going to buy a gym membership (not always a sound investment), tidy up the storage and sort out your finances! Then February rolls in and you are back in the daily rut and struggling to pay off the credit card bill from holiday shopping. In Spain and Italy this motivational high is often linked with August after the summer holidays. In Brazil, for many people it is after the carnival. While budgeting tools might not drive frequent engagement, they need to be there for when the customer needs them.

If people feel their bank understands them and their financial situation well, they are less likely to look elsewhere and start afresh with a new financial provider. If people feel they are learning something that will help them improve their lives, they will keep on coming back for more. Make it easy for them – there should be no unnecessary hoops to jump through or hurdles to navigate – ease of use will make your app King of the Mountain.

Like Strava’s ‘New Year, New You’ challenge, it is also important to design financial challenges for motivational peaks and troughs. If you miss that moment, you might be missing an opportunity to make a difference in a person’s life when they most need it. At the same time, designing touch points that will get people interested when they are not in the middle of a big life change is equally important.

3. Personalise the experience

People have very different relationships with their finances - yet most banking apps look more or less the same. But to help people manage their personal finances better, banks need to develop digital environments that cater to different needs. This means providing relevant content for each user from within the app, making the customer feel like their bank actually knows them and understands their needs.

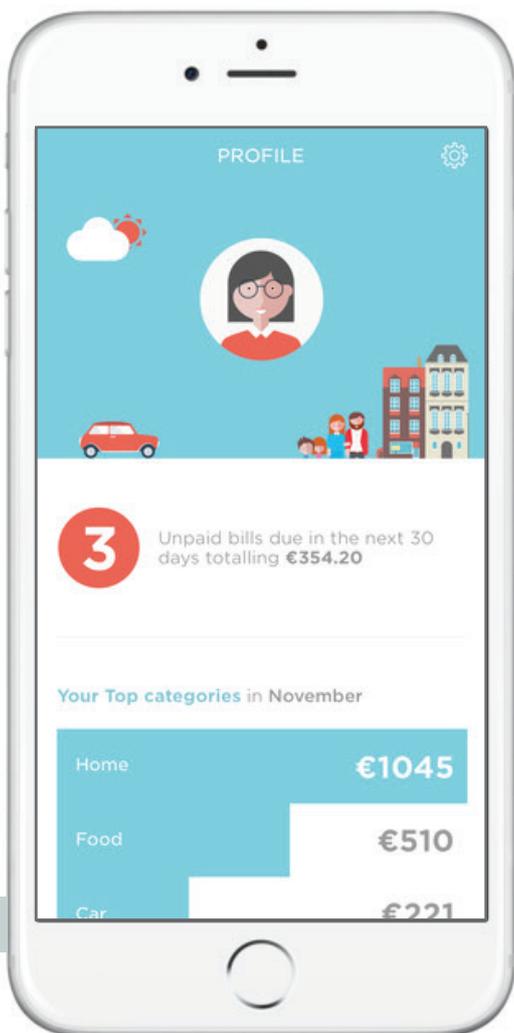
It is simplistic to break customers down into demographic groups by age or income, as banks have done in the past. A more effective approach to understanding the motivations of different groups of customers comes from the world of psychology.

The Big 5

The Big-5 personality traits can help us better understand why people react so differently to their financial situations. Psychologists believe that the five broad personality types are strong predictors for particular kinds of behaviour. The five traits are:

- Openness
- Conscientiousness
- Extraversion
- Agreeable
- Neuroticism

At the extremes, people displaying the ‘conscientiousness’ personality type tend to be efficient and organised – and good with money. In contrast, people who display ‘neuroticism’ are sensitive to unpleasant feelings and tend to be reactive with low measures of impulse control. People with this personality type tend not to be good with money and avoid getting to grips with their finances.



Meniga's Profile feature is a personalised snapshot of your customers' financial profiles - in info-graph format. Easy, fun and personal reporting, designed to deliver new and interesting insights every time your customers visit your digital environment.

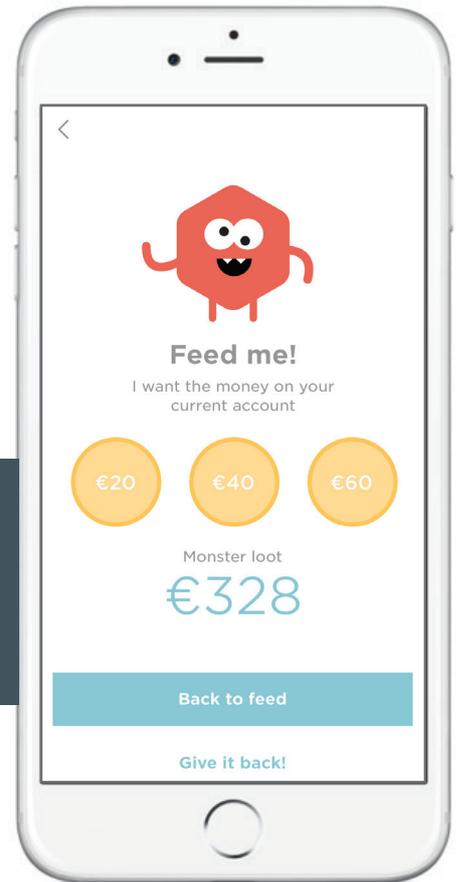
However, they do respond well to support with their financial situation. Meniga's super users belong to the first group of 'conscientious' people, but those who have a tendency to experience negative emotions such as anger, anxiety, or depression tend to be less actively engaged in their personal finances. Based on this insight and the fact that most online banking apps look the same, we have taken a different approach. Meniga has spent a lot of effort developing content, insights and challenges to cater for different personality types. For example...

The Money Monster

Meniga's Money Monster challenge is designed to help people save that usually don't like to engage with their finances and rank high on the Neuroticism scale. The Money Monster 'steals' small amounts of money from your customers' current accounts and moves it to their savings accounts.

Meaningful engagement will only come through breaking through the noise, beating the social media platforms at their own game and capturing people's imagination with personalised notifications that grab their attention.

Let them know they have hit their savings goal, that they can now apply for a mortgage or that it looks like something suspicious is going on in their bank account and they will engage with you.



Make a difference

At a glance, someone might see that a tenth of last month's paycheck was spent in bars or that they have succeeded in reducing this week's coffee shop spend.

As one person using the Meniga app said, "I know exactly how much I spend on gas, food and partying. Although I could do with improving the ratio between those three!" Another person managed to use the app to improve both their health and their wealth. She said: "I started categorising my candy spending in Meniga and eventually stopped buying it. Thank you for helping me save money and improving my health!"

Meniga provides an environment called Meniga Dialog where banks can develop content and functionality campaigns to provide a highly personalised digital banking experience.

Banks hold the key

Card-linked offers are another example of how banks can use data to drive a personalized customer experience. As the keepers of the keys to customer data, banks are in a strong position to do deals with merchants. Together with merchants, banks can use customer data to provide card-linked discounts that offer real monetary value via their digital banking app. The beauty of this approach is that the merchant funds a new revenue stream from merchant commission, while at the same time driving increased customer loyalty for the bank. A win-win for banks, merchants and customers.

This technology is set to have a real impact on society. Banks can help millions of people gain insight into their current financial situation and motivate them to improve it. People that have experienced this life-changing impact will become brand advocates for your services.

4.Maintain a contextual dialogue

A best in class banking app should be a digital environment for continuous dialogue between the bank and its customer. We are not just talking about transactional engagement like account transfers, payments and balance notifications. Instead combine these core banking functions with other types of services, such as easy-to-consume personal finance advice, targeted financial service product offers and personalised offers. This works even better if you are able to surprise and delight individuals with information and offers relating to them.



Test and retest

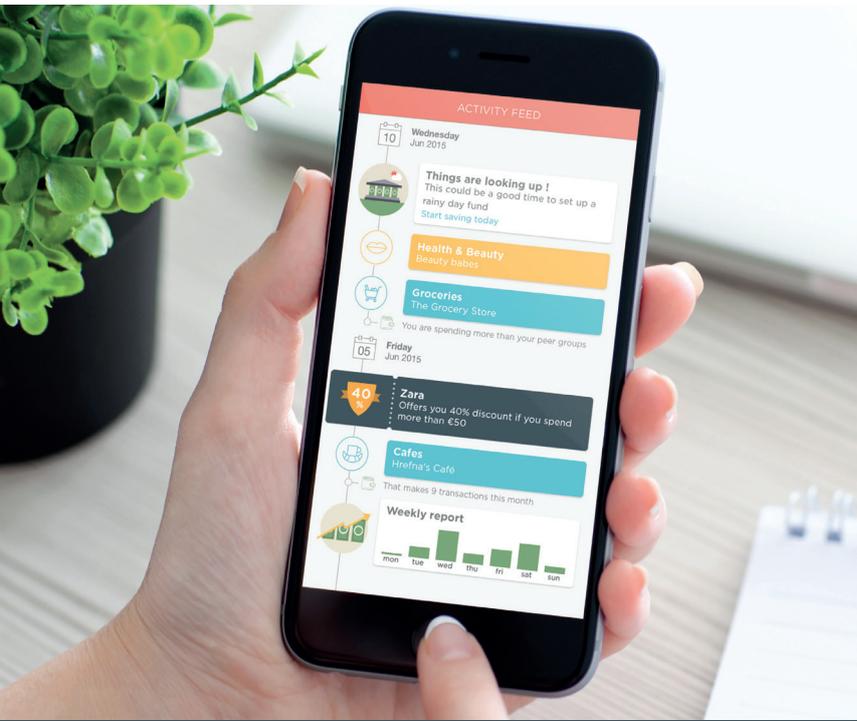
Time and money spent getting to understand your customers really well will reap dividends. You have to know for sure that the content you hoped would engage people is not turning them off. The only way to do that is to test and retest user responses to what you are providing.

This includes basic user testing, where you spend time going through functionality in a test lab. It is also good to test a potential new feature with A/B toggle testing, where you launch new functionality to a small segment and track people's usage through analytics. Then tweak it and tweak it again for maximum effectiveness. The big players, from Facebook to Amazon, not only carry out continual testing, but also constantly push out small trials of new features to see what works and what doesn't.

Activity feeds

Social media-style 'activity feeds' promoting additional financial services are a good method of keeping engagement going with customers. Activity feeds enable effective integration of multiple types of financial services and advice in a familiar environment. At the same time, the 'feed' format can help build a habit of checking in on a regular basis for new advice, offers and insights - transforming the banking app from a transactional tool into a virtual financial advisor.

Traditionally, banks have used branches, phone calls, emails and web inboxes to communicate with customers. In contrast, a financial activity feed is not only a contextual and personalised experience but it is also the best way to engage with customers through a device they are already using.



Meniga's financial activity feed is the perfect place for banks to engage with their customers. In the feed, banks can deliver personalised messages to their customers such as insights, advice, fun facts, tailored card-linked offers and product recommendations - all mixed with clearly categorised transactions.

Examples of personalised user events that can be sourced through the financial activity feed:

- Notifications of unusual spending & low-balance warnings
- Personal finance insights & insightful expense reports
- Playful event-driven info nuggets
- Personalised spending challenges
- Highly targeted & personalised merchant funded offers based on actual spending behaviour
- Tailored banking product recommendations for bank upsell & cross-sell opportunities

Meniga was originally founded in Iceland, a country of 300,000 citizens. We have been able to use this market as a testbed for some of our best ideas and as a result there are over 60,000 registered users of the Meniga.is platform - representing more than 30% of households.

When we launched our latest mobile app with the activity feed feature in Iceland, we saw a 100% increase in monthly active users and a fivefold increase in weekly active mobile app users.



You are eligible for a mortgage
You could lower your monthly payment by 20%
[Learn more](#)



Best day of the month
Money deposited in your account
[View transaction](#)



Keep up the good work!

DEC JAN FEB MAR APR MAY



Earn more interest on your cash
Transfer excess funds to savings account?
[Transfer funds to savings](#)



Grocery goal
You have finished 80% of your grocery goal for this month
[View transactions](#)



Why pay more than you need?
People like you spend 40% less on insurance
[Learn more](#)



Warning: Suspicious expenses
We have detected unusual spending patterns
[Investigate](#)



Competed goal
Congratulations! you've reached your goal Family vacation
[View goal](#)



December report

1 7 14 21 28



The grocery store
Wants to offer you 20% of all toys in their Manhattan store
[View transactions](#)



Weekly report

Mon Tue Wed Thu Fri Sat Sun



Things are looking up
This could be a good time to set up a rainy day fund
[Start saving today](#)



Go easy on the caffeine
25 times at Starbucks this month
[View transactions](#)



B42 current account
Psst, mind the balance on this account
[View account](#)

Meaningful engagement to keep your bank top of mind

Banks must re-think their approach to customers, using meaningful engagement as their silver bullet. Clearly people want to use banking apps, and well-designed apps offer a great opportunity for meaningful engagement.

With PSD2 in the wings, banks are under pressure to go live with projects for improved user experience. Banks know they need to act now if they are to stand any chance of not losing the race - but, at the same time, if a bank gets it wrong, it could have a long-term negative impact.



Only if users regularly and **happily** use the app will you be able to keep your bank top of mind when it comes to any financial service the user might want in future.

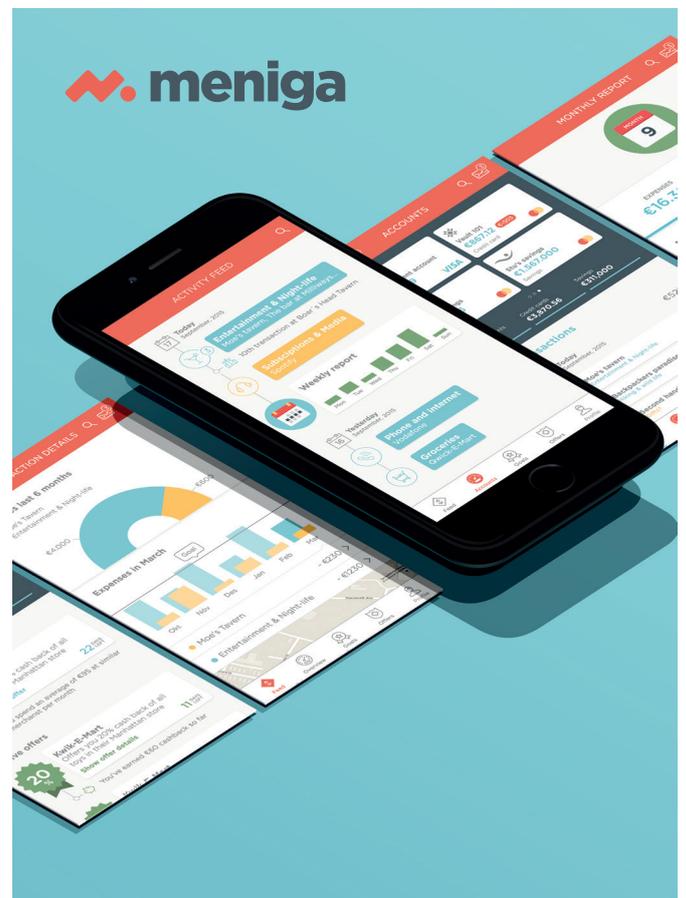


Building the digital bank of the future requires innovative thinking. Meaningful engagement with customers creates more frequent contact through digital channels and ongoing loyalty. It boosts revenue streams through cross-selling and upselling, and offers the chance to create new revenue streams. The most meaningful engagement is life changing. Banking apps that do best at engaging users will do so because they are offering people a real opportunity to change their lives for the better by getting to grips with their finances.

Meniga can help you build meaningful engagement with customers fast.

Contact us at info@meniga.com or +44 203 865 2663.

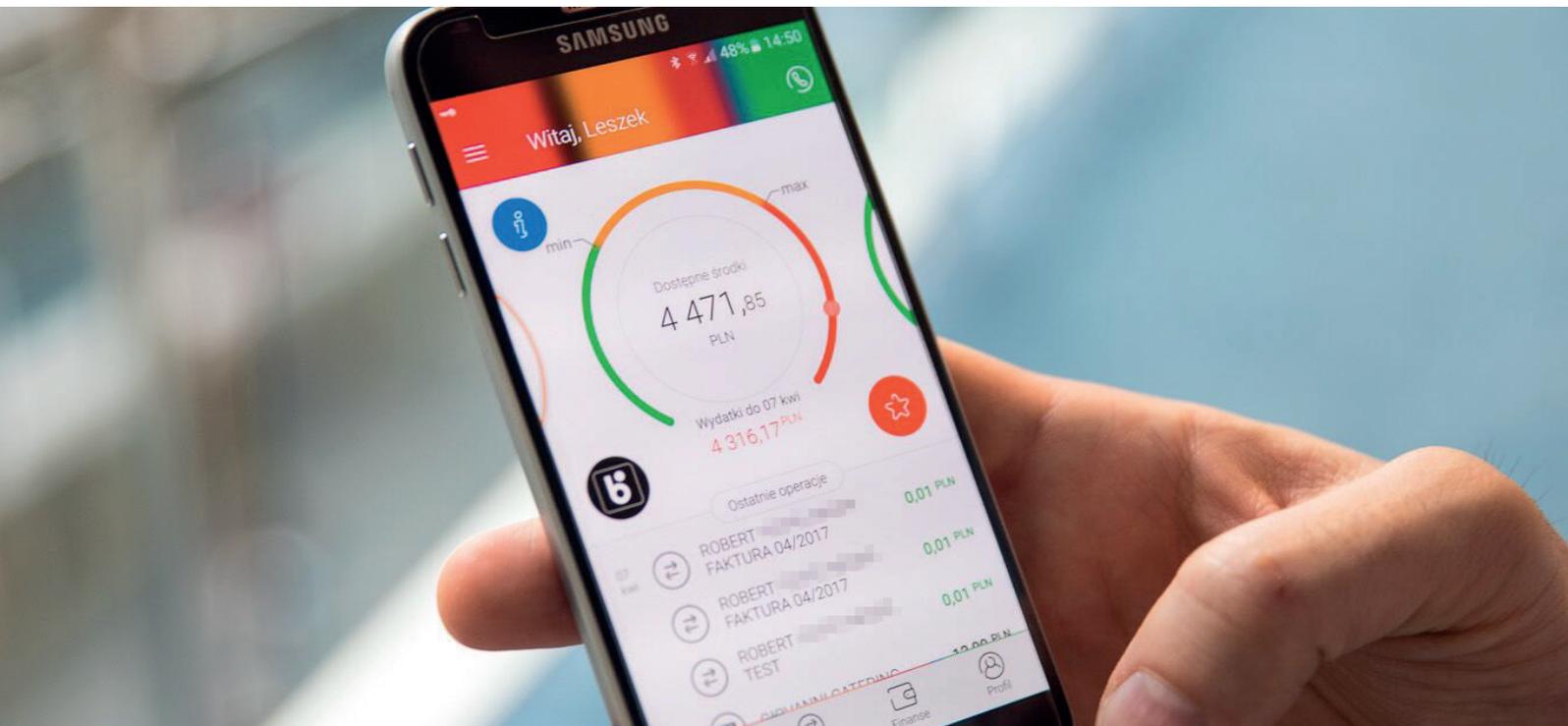
For more information visit www.meniga.com



A Case Study

mBank and Meniga drive digital engagement

mBank understood that banks need to provide a better user experience to drive engagement. It began innovating with this in mind several years ago. mBank – working in Poland, Czech Republic, and Slovakia – is the biggest Central European online bank with 5 million customers. It wanted to create new digital experience and drastically improve customer engagement online.



mBank worked with Meniga on a project to develop an online banking portal and mobile banking and payments. It focused on providing a fantastic, clear user experience when accessing its app's personal finance management features. Using social media features and integration with Facebook, it provided easy-to-use graphical representations of each user's financial position. It also added features such as video chat with mBank experts.

Clever, real-time marketing functionality allows mBank to market products and services to its customers at appropriate moments.

mBank has now realised its aim of putting banking at the heart of users' everyday activities.

References

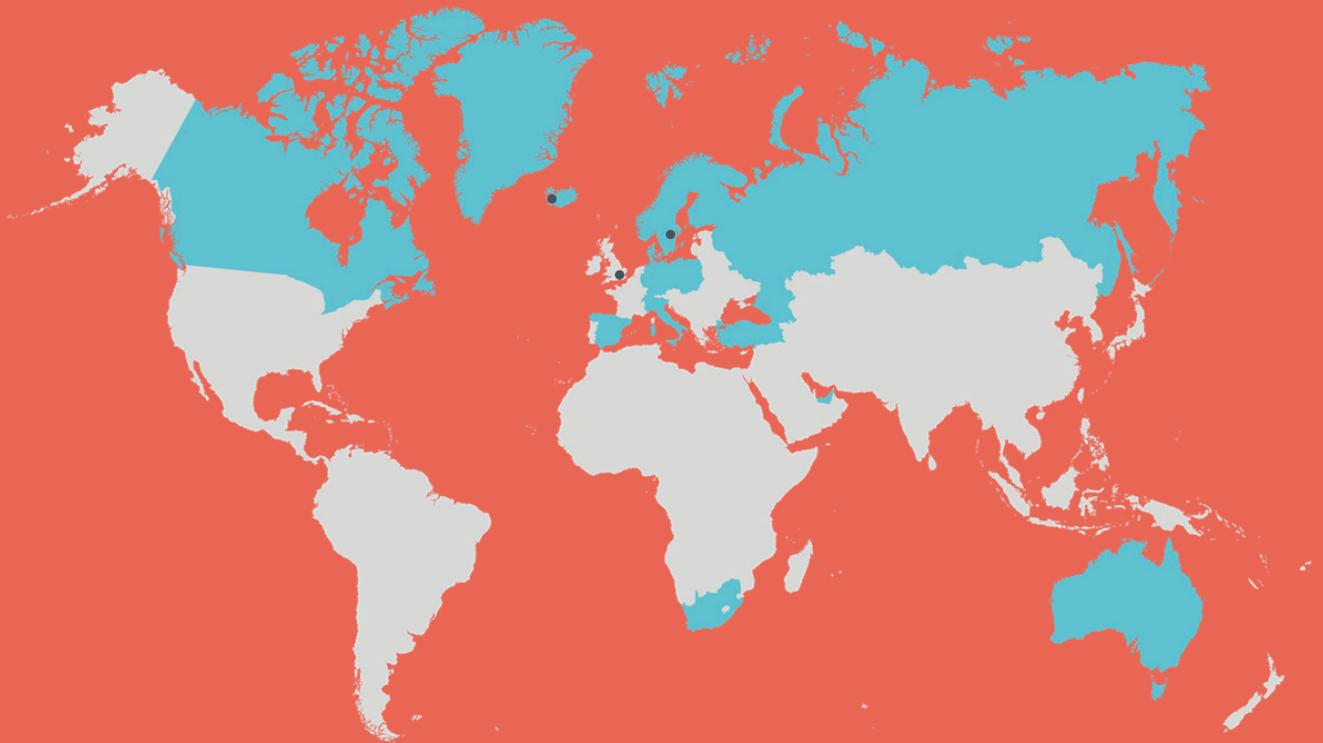
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- 9 <https://www.ama.org/publications/MarketingNews/Pages/feeding-the-addiction.aspx>

Meniga is helping leading banks worldwide build meaningful customer engagement and develop new revenue streams.

Meniga is a global leader in white-label digital banking solutions. Its award-winning products enable the world's largest financial institutions, such as Santander, Intesa, ING Direct, Commerzbank and mBank, to dramatically improve their online & mobile digital environment, enriching the user experience of over 50 million digital banking users across 20 countries.

Meniga has developed a framework for next-generation digital banking around advanced data consolidation & enrichment, meaningful customer engagement and new revenue opportunities. Meniga's offices are in London, Reykjavik and Stockholm. Meniga was awarded "Best of Show" at Finovate Europe, in 2011, 2013, and 2015, is featured on Fintech50 in 2014, 2016 and 2017.

Meniga was founded in 2009 and is headquartered in London, UK.



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