

# This Quarter in Digital

Q1 2023

DIGITAL EXPERIENCE INSIGHTS  
FROM ADVISORS PLUS



# Introduction

The turbulence that shook financial services in mid-March placed the customers' focus firmly on their providers, reemphasising the importance not just of communicating the safety of the institution, but in developing quality of service and user experience.

In this issue of **This Quarter in Digital**, we look at how business banking is changing. In many cases, providers offer a standard set of tools and experiences, but with businesses increasingly relying on digital services, providers are moving away from a one-size-fits-all approach, instead offering personalized and innovative experiences. We explore some of the tools and services businesses will be looking for from their financial services provider of choice, and how industry leaders are changing expectations.

Also in this issue, we look at pre-authentication innovations and how leading-edge providers are utilizing digital cards – and wallets – to shape behavior and build long-term relationships from the early stages of engagement.

Revolut is our featured fintech this quarter.



## In This Quarter

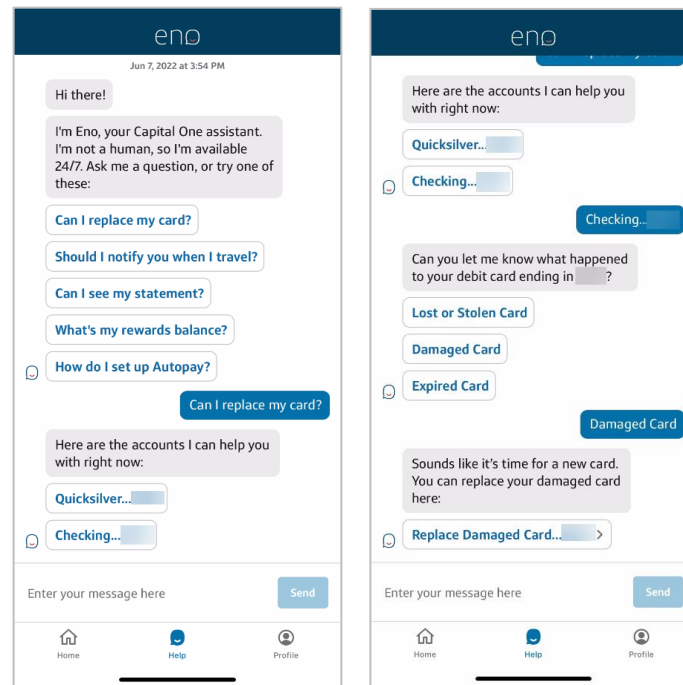
### Business banking in focus

The process of businesses migrating to digital banking has been a slow one, but demand has increased. Bank of America reported last year that 85% of its small- to medium-sized businesses (SMBs) are utilizing digital channels, with digital engagement increasing by 15% from 2021. Similarly, Citizens Bank reported that 86% of businesses now use digital banking channels.

More providers are delivering coherent platform approaches where SMB users can access similar capabilities to those they see in checking. Capital One, for instance, has launched its virtual assistant, Eno, to small business accounts. The chatbot provides users with conversational responses to a range of needs, including products and general financial education.

Personalization has become a major differentiator in consumer digital banking, and it's now making its way into business banking. Capital One has also added abilities such as account reordering and nicknaming as it looks to demonstrate its willingness to tailor the app experience for clients of different sizes and with distinct requirements. Across the market, however, there is a long way to go in terms of providing personalized business banking.

#### CAPITAL ONE HAS INTEGRATED PERSONALIZATION TO PARTS OF ITS SMB BANKING APP

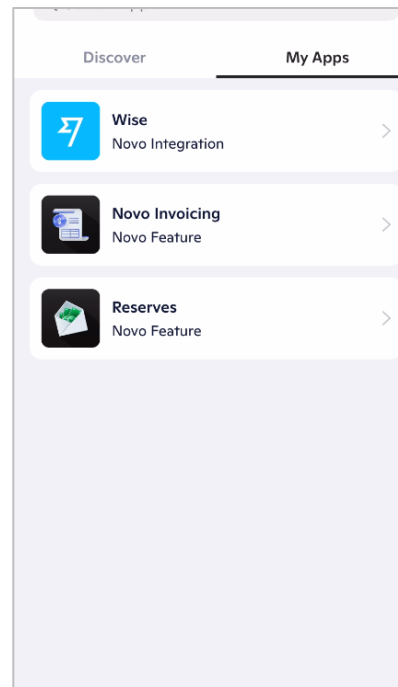
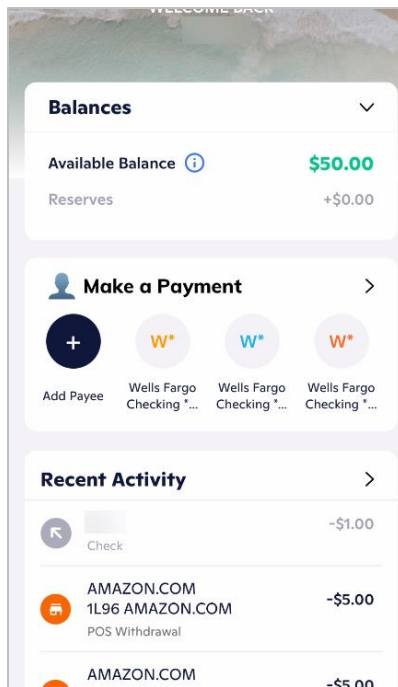


It's often the case that business banking apps provide few business-focused tools and services, with the likes of invoicing and payroll solutions mainly found within digital challenger apps.

These challengers are looking to lead the field in terms of displaying specialist services designed for modern businesses and their everyday requirements. Novo is a prime example. The provider recently enhanced its invoicing services: businesses can now select preferred payment methods, which will be displayed on the documentation, along with individual line items such as shipping costs, tax rates and any applied discounts and relevant invoice due dates.

Novo also provides a Profit First accounting feature, which allows the business to allocate profits to reserve accounts (pre-set as Income, Profit, Owner's Pay, Tax and Operating Expenses) before funds reach the business. The practice allows for disciplined bookkeeping and allocation of funds.

NOVO HAS MADE A NUMBER OF UPGRADES OVER THE PAST YEAR, INCLUDING TO ITS INVOICING SERVICES



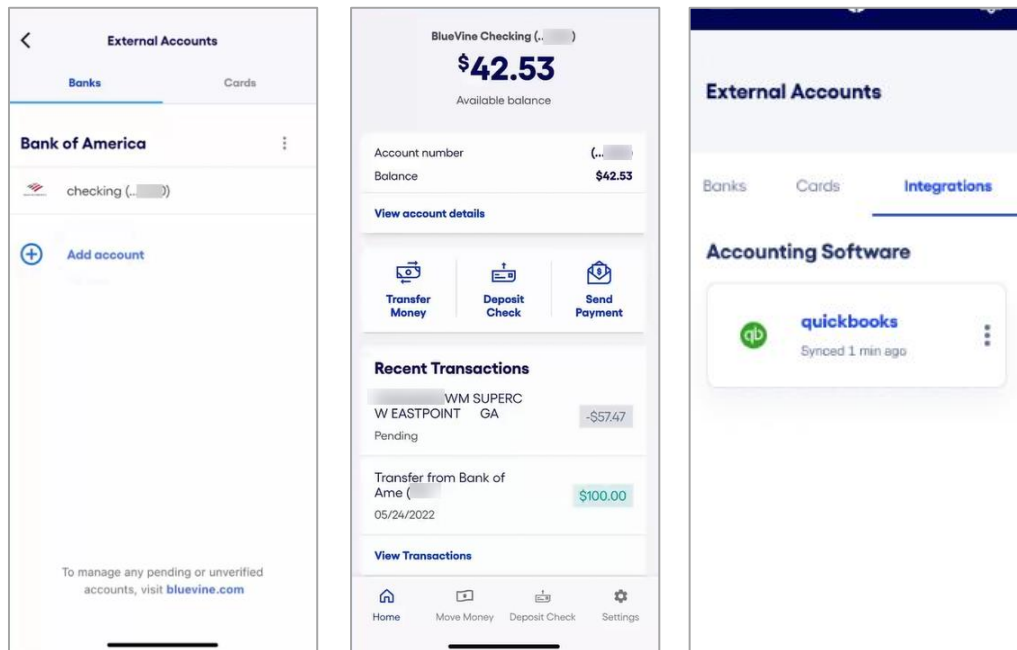
## Beyond the provider

Businesses require a variety of functions in order to run smoothly on a daily basis, as well as in making strategic plans for the future. Market-leading providers have realized the benefit in enabling businesses to connect and sync different types of accountancy integrations to their account through the app, providing a direct feed that simplifies expense reporting and other capabilities. BlueVine – which also provides account aggregation – facilitates product integrations. Users can link a host of third-party products, such as bill and payment management, transaction analytics software or a range of business operation services. Effectively, BlueVine is creating a single ecosystem for all its SMB clients' needs.

### WHAT DOES THIS MEAN FOR CREDIT UNIONS?

An increasing number of credit unions are examining entering the business card market. An important first step to market entry is identifying the ideal client footprint. Capital One recognizes that different sized business clients have different requirements and adjusts solutions to appeal broadly. Community institutions that do not have resources to serve a broad set of businesses will find more success in identifying specific business segments in their community and focusing solutions to that niche. Important offerings to a business card program include: digital solutions (online + mobile) for business employees, tools for the business to manage the account/cardholder settings and tools for the financial institution to efficiently serve the business. Additionally, community institutions' focus on driving success and growth in the local community is a message that is shared and resonates with many small businesses.

### BLUEVINE LINKS EXTERNAL ACCOUNTS AND FACILITATES PRODUCT INTEGRATIONS





Patterns have emerged that allow us to distinguish different types of providers in the market.

Traditional small business banking providers now prioritize omnichannel experiences, making it quick and easy to connect to physical touchpoints (such as booking appointments) and providing immediate position views in digital channels. More sophisticated providers have constructed digital experiences that support business growth, offering guidance and assisting business clients through challenges with online personal assistants and customizable accounting tools. Digital challengers – such as BlueVine – are pushing aggregation and centralization to facilitate ecosystems designed specifically for their small business customer and to better facilitate integrated sales and growth opportunities.

The differentiator will be found in how providers utilize data, however, as part of a natural transition from product-driven to broad segment targeting services. From there, leaders will implement fully personalized individual segmentation in which they will target and aim to meet each of their clients' various requirements.

## Roles played by SMB FIs and the services they offer



- Bespoke and proactive insights
- Behavioral and product recommendations
- Payment initiation
- Tailored communications

- External accounts
- Third-party financial products & services
- Non-financial services
- Dashboards

- Online security and data management
- Online support
- Modular servicing
- Advanced business tools

- Consolidated finances
- Monitor accounts
- Payment facilities
- Card provision and controls
- Access to digital lending

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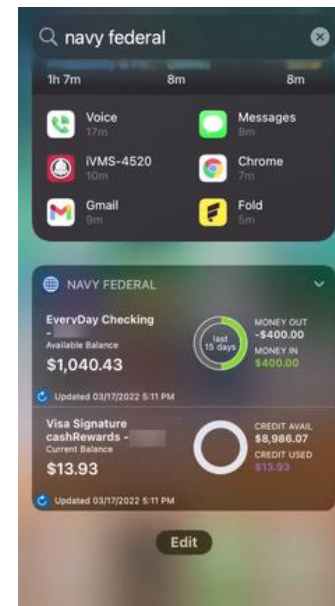
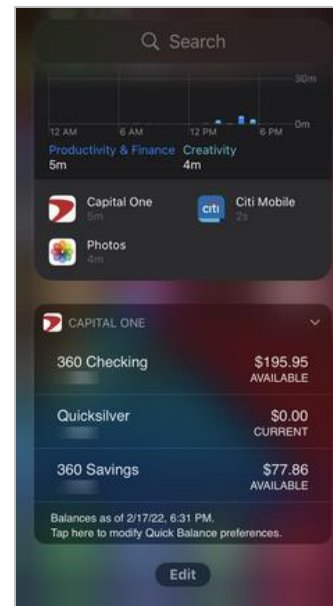
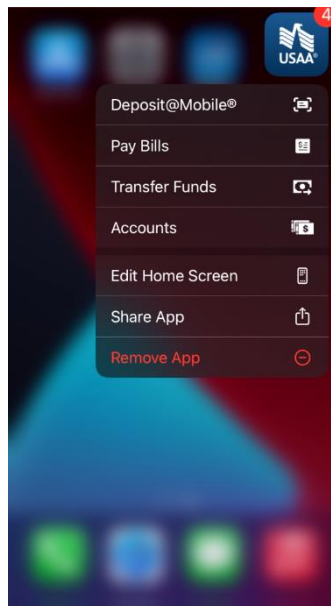
## In This Quarter

### Informing before login

Financial institutions are increasingly offering access to more functions and information before the user has logged in, leveraging native device capabilities.

Possession factors – authentication information known only to the user – have already been utilized with the phone screen login. As the app recognizes that it's the trusted device, elements of the banking experience can begin before the user has logged directly into the app. It's emerging territory, with just 24% of all U.S. retail checking providers tracked by the Digital Banking Analyzer offering widgets or information before their app is launched. There are good examples from established providers, however. USAA customers can begin bill payment and fund transfer journeys pre-login, along with viewing their most recent account activity. Navy Federal's pre-login widget provides more than numerical and text information, instead including graphical visualizations of checking account spend, along with card balances and credit availability.

USAA, CAPITAL ONE AND NAVY FEDERAL ARE AMONG PROVIDERS OFFERING PRE-LOGIN ACTIONS



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Fintechs are also looking to make their mark on the device's home screen. Chime users can check their spending and savings balance as well as receive transaction alerts on widgets without launching the app. The UK's Starling however allows users to choose from a list of app icon designs, offering a level of personalization at the front of the app.

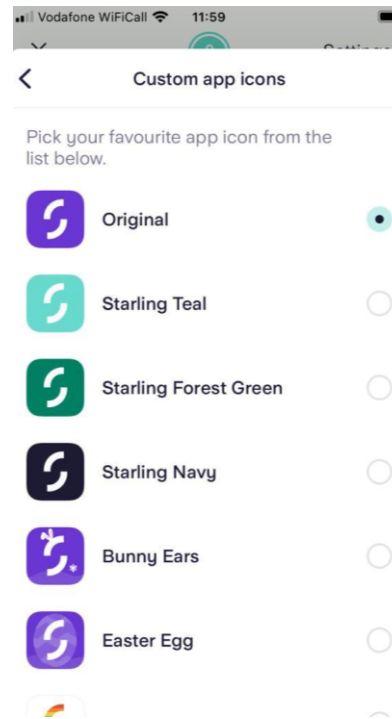
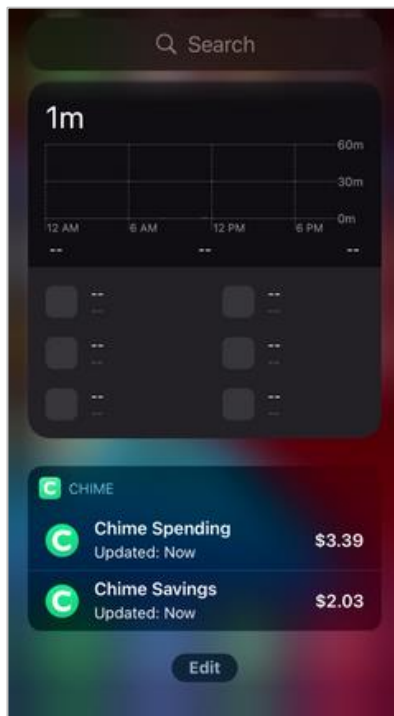
Providers have realized that, similar to embedded finance, the battle for market share in the digital world is not limited to the internal capabilities of their own apps or websites.

The ecosystems in which their digital channels sit contain opportunities than can be influenced, with the right consideration about the user experience.

## WHAT DOES THIS MEAN FOR CREDIT UNIONS?

An ever-present source of friction in a digital experience is the login. Biometric authentication improved the mobile login experience by delivering the rare combination of ease and security. The next evolution of user experience is completing low-risk banking tasks without logging in. Reducing a step in the process improves the cardholder's digital efficiency and thus experience. Here we see examples of functionality that lives before the login at various financial institutions...are other experiences good candidates to add to the pre-login list? A great place to start is by looking at the list of functionality cardholders are most commonly accessing and assessing the risk versus user experience improvement.

## CHIME OFFERS ADDITIONAL DETAIL IN WIDGET AND STARLING OFFERS VISUAL CUSTOMIZATION





## In This Quarter

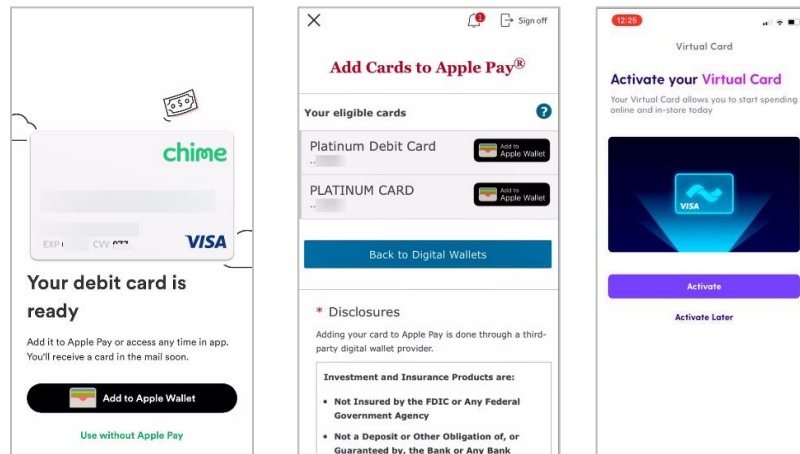
### Early digital card issuance can shape behavior

Digitally-originated retail checking customers are less sticky than those originated in branch, with retention levels for accounts opened digitally much lower than those opened in branch. In order to ingrain the relationship with the new member or customer, digital leaders are looking to establish daily activity through the likes of payments as early in the relationship as possible.

With nearly nine of out 10 U.S. consumers now using digital payments of some sort, digital card issuance and wallet integration is the perfect opportunity to embed regular engagement with a new provider.

Digital issuance allows providers to encourage regular spending as quickly as possible. Rather than wait for the physical card to arrive in the mail, leading providers offer the ability to add a newly-generated digital card to the wallet during the onboarding process. However, just 7% of U.S.-based retail checking providers tracked by the DBA encourage users to link their cards to their digital wallets during the onboarding process, and just 24% are doing so at a later stage in engagement. Chime, Wells Fargo and Revolut are among the providers excelling in generating wallet-ready digital cards as soon as an applicant has been approved.

#### CHIME, WELLS FARGO AND CURRENT ENCOURAGE WALLET INTEGRATION AS EARLY AS POSSIBLE



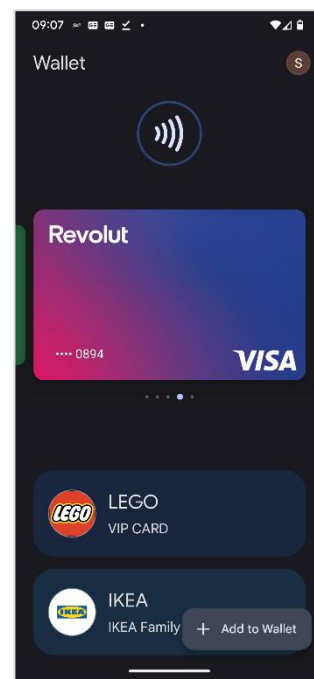
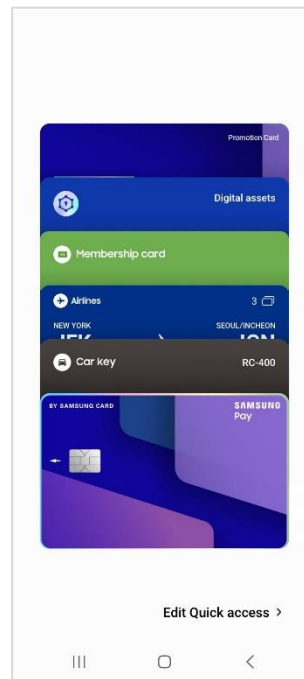
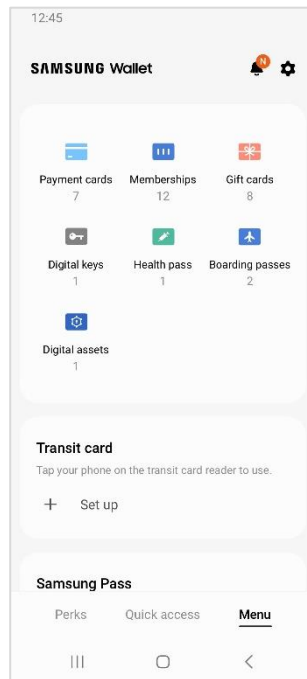
#### WHAT DOES THIS MEAN FOR CREDIT UNIONS?

Consumer expectations are increasingly being shaped by experiences in other industries. Many consumers have the option of grocery orders being delivered the same day, so the prospect of waiting 3-5 business days for their plastic card to arrive doesn't align with expectations. With less than 25% of U.S.-based retail checking providers offering cards digitally, digital issuance is a differentiating feature and a proactive way to introduce cardholders to the ease and convenience of digital wallets.

Smart, smooth and early digital wallet card provisioning is becoming increasingly important with digital payments augmented as the predominant payment method among consumers. Sitting at the front of the wallet as the card provider of choice is a goal that progressive providers are now working toward: as well as digital incentives and cashback schemes, those zeroing in on user experience are concentrating on the personalization of their card's visuals. Others are looking to take up more prime wallet real estate than their competitors, by offering users the ability to set up multiple digital cards with access to savings pots and other accounts.

And with more wallets looking likely to come onto the market and existing provisions becoming more congested, providers need to work harder to stand out in a crowd.

DIGITAL WALLETS HAVE BECOME INCREASINGLY BUSY, MEANING PROVIDERS MUST WORK HARDER ACROSS OPERATING SYSTEMS



## WHAT DOES THIS MEAN FOR CREDIT UNIONS?

Today, PSCU offers a digital issuance solution for existing cards that are lost/stolen. The power of the solution is to bridge the gap for the cardholder – one minute they have a card that is working, and then their existing card isn't working (after the lost/stolen). Digital issuance is a great way to give the cardholder immediate access to use their card in-store where contactless is accepted and online. Additionally, PSCU has partnered with Amount to deliver an end-to-end account opening solution focused on minimizing application inputs and delivering the card, digitally, after application approval.

## Featured Fintech

### Revolut

UK-headquartered Revolut is a brand that has become synonymous with the fast-moving and innovative neobank market. Once considered a leader in foreign exchange alone, aggressive expansion across product, service and marketing have set high expectations for a well-funded and resourced digital banking organization.

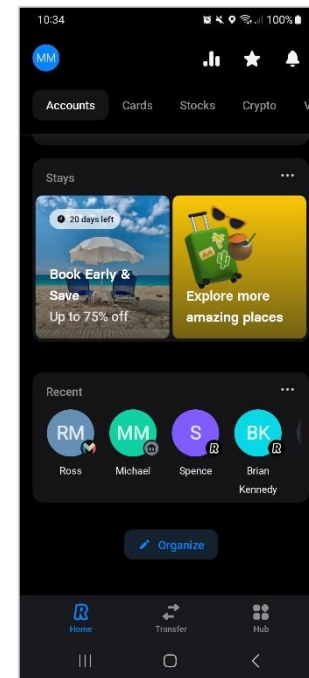
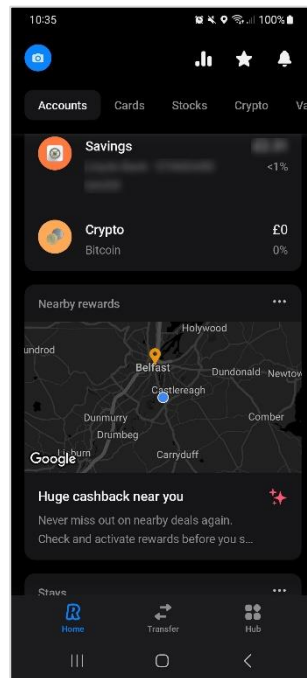
Setting a path to become a financial superapp, Revolut provides users with a range of services across its subscription tiers from sophisticated financial analysis, to trading, to rewards and early pay capabilities. Its card services are impressive, underlining personalization and control through the app. The savings tools are well constructed and contextual notifications immerse the user in everyday banking experiences.

Revolut's exploration for new services means experimentation is required in the live environment. As such, users are encouraged to be part of the development process.

That does add to how busy the app is: the homepage – while mirroring the Asian superapps in terms of design and layout – to some may lack a clear head navigation and could seem impenetrable for those looking for specific journeys rather than browsing.

However, like a number of the superapps, Revolut's homepage is suggestive of endless functionality, the management center of a wide range of everyday needs and tasks.

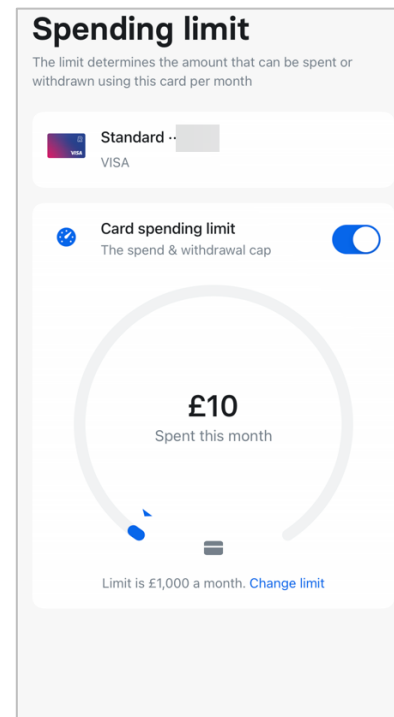
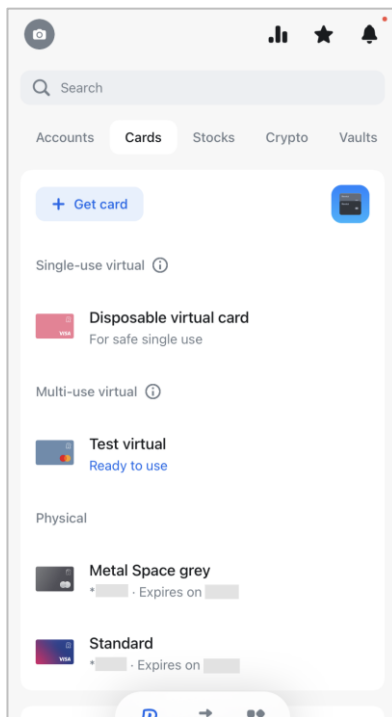
#### REVOLUT'S HOMEPAGE AND HUB SUGGEST ENDLESS FUNCTIONALITY



Revolut has also looked to embrace the rise in popularity of the subscription economy, and announced in January that an Ultra plan will join the current Standard, Plus, Premium and Metal tiers. Each level combines different product offerings (for example Premium and Metal users enjoy discounted international transfers and rewards), and service delivery from metal cards, free card delivery, and priority customer support. Each tier offers users access to Revolut <18 accounts, which are designed for six to 17 year olds with prepaid cards while advocating financial education.

The fintech's multifaceted in-app card functionalities are market-leading. Users can personalize both physical and virtual cards based on a range of designs and of course opt for the premium metal offering. Cards can be created and assigned to individual savings vaults, spend limits can be set against each card and notifications can be set up for every payment. Security is also underlined, with users able to utilize single-use cards, and virtual and physical cards can be frozen and reactivated easily through the app.

## REVOLUT'S CARD CAPABILITIES – FROM IN-APP MANAGEMENT TO SPENDING OPTIONS – ARE MARKET-LEADING

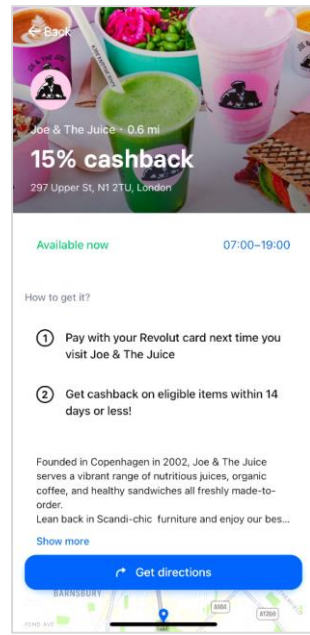
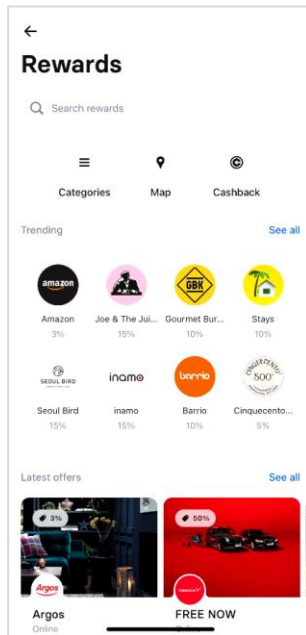
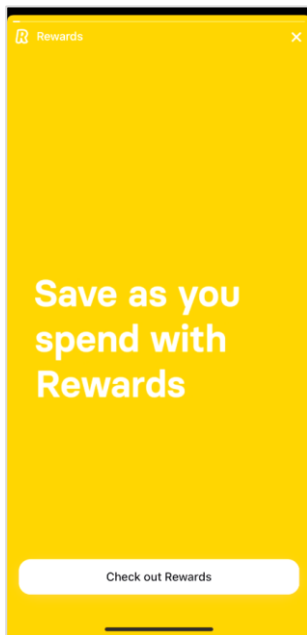


Recently, financial institutions have built digital platforms informed by ambitions to make banking enjoyable. Revolut is aiming to go a step further, making the brand a lifestyle choice as much as any other leading consumer experience provider. Innovative, fast-paced and on-trend marketing and design elements position its appeal to younger demographics. Driving the lifestyle superapp agenda, users can book travel through its Stays service, enjoying cashback as they do so and trade the latest cryptocurrencies while they shop. Positive brand identity encourages users to refer friends, a process driven through regular push notifications and in-app screen-takeovers. Rewards have become a key component of the Revolut competitive proposition, and feature heavily in the fintech's card service. Through partnerships with a growing list of brands users enjoy various discounts and cashbacks.

## WHAT DOES THIS MEAN FOR CREDIT UNIONS?

Revolut is using its branding to attract younger consumers through exposure to new and different brands. Credit unions offer an opportunity to leverage a similar branding and marketing message based on community. CUs can showcase and support local businesses to their cardholders and broader community. This is another great way to attract small business clients if the CU is involved in the business card market. Where CUs can show some difference versus Revolut is in the tiers of service and focus on a more uniform model of service. A message of equity among cardholders and a focus on the community are great messages to compete with fintechs.

## REVOLUT'S REWARDS HAVE BECOME CENTRAL TO THE BRAND'S OFFERING





# Conclusion

Businesses are increasingly looking to their banking and financial service providers for support across their operations, and leading platforms are reacting by adding more tools and capabilities specific to different client types. As the personalization of business banking services evolves and providers tailor platforms, data must be utilized to build relationships and inform providers about the capabilities that matter in order to create bespoke ecosystems.

At pre-login, financial institutions are looking to make their mark by expanding their presence onto a device's home screen through increasingly sophisticated widgets. Utilizing the phone's security protocols, providers are looking to make gains by bursting out of the app and cutting journey times.

Providers are also looking to establish themselves as new retail checking customers' financial provider of choice as early in the relationship as possible, by getting them spending through digital cards, quickly. Expect more developments in digital payments, as the wallet space continues to evolve.

We hope that the insights from This Quarter in Digital will help your credit union continue to digitally innovate while maintaining a focus on the financial wellbeing of your members.

Stay tuned for the next This Quarter in Digital.

## LOOKING AHEAD...

- Referral journeys
- ACH credit card payments
- Application form features



## ABOUT THIS QUARTER IN DIGITAL

The newsletter is produced by PSCU's digital banking advisory service within its [Advisors Plus consulting practice](#) in partnership with Curinos, a global data intelligence business serving financial institutions across lending, deposits and digital banking solutions. Images, platform and app screenshots, and analysis within this document are obtained from Curinos' Digital Banking Analyzer, a centralized platform of digital banking journeys that allows financial institutions to review digital banking capabilities in the market, and Curinos' services to help credit unions inspire their roadmaps and innovate digitally.

## ABOUT PSCU

PSCU, the nation's premier payments CUSO and an integrated financial technology solutions provider, supports the success of more than 2,400 financial institutions and processes nearly 7.7 billion transactions annually. Committed to service excellence and focused on continuous innovation, PSCU's payment processing, fraud and risk management, data and analytics, digital banking, strategic consulting and real-time payments platforms, along with 24/7/365 member support via its contact centers, help deliver personalized, connected experiences. The origin of PSCU's model is collaboration and scale, and the company has leveraged its influence on behalf of credit unions and their members for more than 45 years. Today, PSCU provides an end-to-end, competitive advantage that enables credit unions to securely grow and meet evolving consumer demands. For more information, visit [pscucorp.com](https://pscucorp.com).

