

Revolut

Marketing Strategy Report

4MIEIC02, Marketing

Daniel Pereira Machado	up201506365
Igor Bernardo Amorim Silveira	up201505172
Iván Alejandro Ávila González	up201811423
Maria Eduarda Santos Cunha	up201506524
Nuno Miguel Outeiro Pereira	up201506265

Index

Motivation and objectives	2
Environmental and market analysis	2
Pestel analysis	2
Porter's five forces	3
Customer needs	4
Competitors' offerings and respective positioning	4
Marketing strategy	7
Market segmentation	7
Target customer segments	7
Service positioning in the target markets	7
Market strategy	8
Marketing program	9
Core and supplementary products and services	9
Pricing	9
Service delivery channels distribution	11
Promoting the service or product offering	12
Process, people and physical evidence	12
Conclusion	14

1. Motivation and objectives

Revolut is a tech company dedicated to making banking easier and cheaper worldwide for its users as a neobank, i.e., an online bank.

We decided to choose this company not only because its services are very interesting but also since it is very recent in the market and developed by young tech entrepreneurs with fresh ideas and up to date mentality. Besides, we personally identify with the company's vision as we are interested in the financial area and as students we constantly struggle with finding the best option for saving money.

The timing for the services of this company is ideal considering there is a growing discontent concerning transaction fees and exchange rate commissions and, in today's world, people have been travelling more and more which increases the need for making international transactions easier and free of cost.

Our main goal is to make Revolut the portuguese consumers' first choice for neobanking.

2. Environmental and market analysis

2.1. Pestel analysis

A PESTEL analysis is a framework used to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact an organisation's performance. The result of which is used to identify threats and/or opportunities.

Political	Economical	Social
Political stability for all clients (Brexit scandal resolved with client migration to another branch); Low taxes - future company office.	Strong competitiveness of the sector; Logic of partnerships and fundraising; Loss of monopolies.	Behavioral changes of the masses (Notions of online identity changing); Better access to information.
Technological	Environmental	Legal
Open Banking; Digitalization; Data security.	No relevant information.	Respect for the legal framework of each country in which it develops and the

		internal rules; Network security and user data, respect of the RGPD.
--	--	--

Political - There is currently a positive balance between all political forces that may have a direct impact on the countries in which Revolut operates, with possible problems like the Brexit scandal effectively resolved by the company.

Economical - The overall banking industry and more specifically neobanking is a highly competitive sector with several players operating and a positive outcome in this environment can rely on the right partnerships.

Social - Possible customers are getting more acquainted with the *online* era and currently have the best access to information ever, which is a good opportunity for a neobank.

Technological - The current rate of digitalization of the world and the future of Open Banking is a massive opportunity for neo-banks since it facilitates their operations and services.

Environmental - This macro-environment does not play a relevant role in the sector.

Legal - It is crucial to have a strong legal department well prepared to be able to deal with big amounts of legislation data and to keep up with legal updates occurring in every operating country.

2.2. Porter's five forces

Porter's five forces is a tool that analyses the competition of a business. That analysis determines the competitive intensity and, therefore, the attractiveness (or lack thereof) of an industry in terms of its profitability. Those forces are: bargaining power of suppliers, bargaining power of buyers, threat of new entrants, threat of substitute products and competitive rivalry.

In terms of **bargaining power of suppliers**, we can point that money sources are dependent on the market. In the past few years, there was a multiplication of the actors at the Fintech market and also the banking market is currently being digitized.

Concerning the **bargaining power of buyers**, an important factor is that they have a lack of trust in new products and will not trust their money in a new online entity until it has proved to be reliable. Another point is that the users have more access to information about the competition and it is easy to compare the different services - if they receive a better offer, they will quickly change to that solution.

In regard to the **threat of new entrants**, there is one major positive point, being that a digital structure has lower costs than traditional offers, but there are some issues on the market regularization and on the customers lack of confidence in such a product.

On the other hand, there is also the **threat of substitute products**, mainly from traditional banks. These banks propose similar services (digital applications) and already have loyal customers ready for the digital era.

Finally and in conclusion, there is the **competitive rivalry**, where online banks are growing, improving their products really fast and conquering a big market share from the traditional services. Revolut's main competitor is N26, offering a very similar product.

2.3. Customer needs

Understanding who your customers are and what they want and need is extremely important to deploy a successful marketing strategy. The most dominating customer needs that Revolut intends to satisfy are:

- **Price:** Physical bank branches are expensive and, by eliminating them, startups like Revolut can offer almost all of their services for **free** or at extremely **low fees**.
An example of the high amount of physical banks and adjoining branches taking up space and monetary resources is Germany. There are around 500 branch banks in Germany, which in total have around 12.000 branches. If all of the expenses from having to maintain these buildings and paper work were eliminated, that would enable a lot of savings elsewhere, which in turn could result in the reduction or elimination of the user fees;
- **Functionality/Convenience/Efficiency:** By moving an old and traditional business entirely to an online bank operated by a mobile app, Revolut aims to help customers solve their problems or desires in a convenient and efficient way that would otherwise be a time-consuming process, limited to traditional banking hours and long lines;
- **Performance/Experience:** When trying to integrate in today's modern world and fast-paced youngsters, the application used must always be in compliance with the speed/experience expected by these users;
- **Transparency/Control:** Customers expect transparency and a feel of being in control from a company they are doing business with. The Revolut app provides this and is always very adamant on providing as much available information online as possible so users or prospect users might be up to date with all aspects of their service.

2.4. Competitors' offerings and respective positioning

For competitors' offerings and positioning analysis we chose to focus mainly on neobanks since those offer the exact equivalent to Revolut's service and we found that **N26** and **ActivoBank** were the most interesting options, **considering their space of operations and social media following**.

	Revolut	N26	ActivoBank
Location	Austria; Belgium; Bulgaria; Croatia; Republic of Cyprus; Czech Republic; Denmark; Estonia; Finland; France;	Austria; Belgium; Estonia; Finland; France; Germany; Greece; Iceland; Ireland; Italy; Liechtenstein;	Portugal

	Germany; Greece; Hungary; Iceland; Ireland; Italy; Latvia; Liechtenstein; Lithuania; Luxembourg; Malta; Netherlands; Norway; Poland; Portugal; Romania; Slovakia; Slovenia; Spain; Sweden; United Kingdom	Luxembourg; Netherlands; Norway; Portugal; Poland; Slovakia; Slovenia; Spain; Sweden; United Kingdom	
Number of users	4M+	2M+	-
Number of Facebook followers	158.000	214.000	149.000
Revolut data retrieved from https://www.revolut.com N26 location retrieved from Craft at https://craft.co/n26/metrics Number of Facebook followers retrieved from Facebook on the 23rd May 2019.			

In terms of social media, we decided to compare the number of followers on Facebook only since it is currently the social media channel with the most active users in Portugal (according to Van, <https://van.pt/redes-sociais-usadas-portugal/>).

Considering the space of operations and countries where both services are used, despite ActivoBank's lower figures, it is actually a lot more effective in terms of online popularity among its users.

How are these neobanks similar/different from Revolut?

Despite these companies being all neobanks, their services differ in some aspects, which is why we performed a brief analysis of the main points of parity and points of difference.

N26's value proposition is "Banking made simple".

It presents the following **points of parity**:

- Users are given up to \$200/month in ATM withdrawals for free;
- Different plans with added benefits;
- Free money transactions worldwide;
- Unlimited contactless payments worldwide for free.

And the following **points of difference**:

- N26: 1.7% fee on ATM withdrawals in currencies other than Euro.

ActivoBank's value proposition is "Simplification made into application".

It presents the following **points of parity**:

- No fees for online transactions;
- Different types of accounts.

And the following **points of difference**:

- ActivoBank: All accounts are free (no monthly payments);
- ActivoBank: Requires an initial minimum amount to open an account;
- ActivoBank: ≈€5 fee for payments outside the European Union.



In addition to the similarities and differences pointed out before, it is also important to note that although ActivoBank does not have paid for accounts, it charges more for services outside the European Union, while both N26 and Revolut aim at eliminating fees worldwide.

Despite them not being actual neobanks, we also believe it would be interesting to highlight the existence of other online banking services, such as Braintree by Paypal, WorldRemit, Curve or Transferwise. These companies provide services that work in similar ways to neobanks in the sense that they allow for online payments and transfers and even some payments in physical stores if their service is integrated there. They also aim at eliminating transaction fees which is why they could pose as competitors as well. However, these services do not provide users with an actual account, with its own IBAN and are not being as widely used as Revolut and N26.

All this considered, we do believe we should take some notes on TransferWise's marketing approach as it has caused it to gain increasing online popularity and, consequently, advantage over its own competitors, by appealing to the common citizen's discontent with big industries.

TransferWise's video campaign "Daylight Robbery - What would you do?" plays on human emotions to depict traditional banks as thieves and solutions such as the one provided by TransferWise as the hero. In the words of Nandini Jammi on her article entitled "Transferwise vs Worldremit" **"Playing Robin Hood gives it another strategic benefit:**

positioning itself against the massive banking industry, not just other money transfer services.”

3. Marketing strategy

3.1. Market segmentation

Our segmentation was done mainly considering some demographic and psychographic factors as will be seen ahead.

As demographic aspects we decided to take in account age, life stage and education, whereas as psychographic we considered lifestyle, interests and concerns.

Besides, we decided to follow a multiple segment marketing strategy due to the fact that we intended to reach people of various groups.

3.2. Target customer segments

Our goal was to reach students graduating or recently graduated/working, people looking into travelling online and people who use to do online shopping.

Considering psychographic factors, people regarded as experiencers, travelers and concerned about money saving are clearly our target as well.

3.3. Service positioning in the target markets

Our primary means of communication would be social media.

By taking advantage of customers’ behavior tracked data, we can show our propaganda mainly to people who:

- have been **looking into travelling**;
- made a **recent internet purchase**;
- looked online into banking.

We want to portray our service by **highlighting its main characteristics**:

- Portability;
- Efficiency;
- Security;
- Simple interface;
- No rates.

It is very important to always reinforce how innovative our product is and the **association between the idea of traveling and making the users’ life (or at least their finances) easier.**

In addition, as mentioned before, we think it is important to learn from our competitors so we would like to follow TransferWise's example by creating a series of metaphorical videos on Youtube of day to day situations that trouble users and that can be compared to something Revolut's service can fix for them. **Present generations are already prone to feelings of rebellion and revolution**, particularly towards big industries, which is why the Robin Hood factor could be particularly efficient. (We will get more into detail on other strategies in the section 4.4. Promoting the service or product offering.)

3.4. Market strategy

We have several ideas involving the implementation of different types of marketing.

The first one is modern **Digital Marketing**. In this case, the strategy is to **expose our service to specific social media users (FB,YT,TW,IG) based on their internet activity**.

Since young people are prone to rebellion, particularly towards big corporations, showing ourselves like the alternative could be efficient. In this line of thought, "Join the **Revolution**" could be a possible slogan, by playing on those feelings of rebellion, desire for innovation and including the company's name to create subconscious associations.

The next category is **Experiential and Relationship Marketing**. As to create a base of loyal customers and attract new ones, we would invite users to document and share in **short vlogs how Revolut has made their lives easier**, share their videos on the company's social media and reward them for it.

The last category is **Classic Marketing**. We have a few ideas:

- At the most touristic points of each city, show all of our partnerships and how easy it is to use our app;
- Promote affordability. For price sensitive customers this is probably the most important aspect;
- Provide an incentive. The first month the customer will be premium for free and also receive loyalty rewards.

We will get further on specific strategies in the section 4.4. Promoting the service or product offering.

4. Marketing program

4.1. Core and supplementary products and services

The core service is the **banking service**, which consists in an **online debit card with its own IBAN and all related services** such as money transfers, payments, deposits and so on.

Its main selling point is the **non-existence of fees for cash withdrawals and payments independently of the currency**.

Regarding supplementary products/services, Revolut offers:

- **Vaults** which are essentially the same as saving accounts for traditional banks;

- **Budgeting**, a tracking service to help with budgeting personalized by the customer according to their preferences, for example I would like to spend 10€ at most in restaurants/bars every month but I can spend up to 100€ for groceries;
- **Perks** is a beta service to earn perks by using the card;
- **Cryptocurrency** exchange service;
- **Mobile phone insurance** that works with global coverage against all accidental damage: all drops and breakages damage, including screen damage, all liquid damage, any damage caused by a third party and out of warranty breakdowns.
Its pricing allows for an average 56% saving compared to other mobile phone insurance plans;
- **Overseas medical insurance** can be either a pay-per-day overseas medical insurance or an annual policy. In the case of pay-per-day, it uses geolocation technology so the user only gets charged for the days they are actually abroad. These insurance mediation services are provided by Revolut Travel Limited, a member of the Revolut group and the prices for medical and dental coverage start from £1.00 per day. It is also possible to add family members or friends to the user's insurance plan so they are covered too;
- **Open banking API** which allows other apps to have Revolut payment integrated into them.

4.2. Pricing

Price is a crucial factor influencing the purchase decision, with a strong impact on a company's profits. Revolut's main objective is the **maximization of market share** and, as such, the company should aim to capture more of the market, handling price sensitive customers, leading to an eventual gain and building customer loyalty.

Our chosen market pricing strategy regarding the top goal for the company was to apply **market-penetration pricing**, setting low-pricing plans in order to quickly attract a large number of new customers, effectively increasing market share and sales volume while discouraging competition. Following this strategy, it is crucial to analyse more in depth the competitors' prices and offers and to calculate the relative low-pricing plans and offers.

Competitor #1 - ActivoBank

Pre-Paid Boost	Eletron Visa
Free	Free
Contactless debit card FREE Payments within Euro zone FREE Payments rest of the world 5,00€	Contactless debit card FREE Payments within Euro zone FREE Payments rest of the world 4,00€ + 0.50% + 3.00%
ActivoBank Table: Information gathered from: activobank.pt	

Both **ActivoBank's** offers that directly compete with Revolut are free but lack support for travellers who would highly benefit from better currency exchange fees abroad.

Competitor #2 - N26

N26	N26 Black
Free	9.90€/month
Contactless debit card FREE (€4,95 delivery fee) ATM cash withdrawals in Euro 5 FREE monthly Cash withdrawals other than Euro 1.7% fee Payments in any currency FREE	Contactless debit card FREE (€4,95 delivery fee) ATM cash withdrawals in Euro 5 FREE monthly Cash withdrawals other than Euro FREE Payments in any currency FREE Allianz insurance package
Information gathered from: n26.com	

From the analysis of competitor offerings, our pricing plans should be priced below or in line with the competitor. ActivoBank has a very limiting offer and so our paying plans will be considered against N26's plans analysis. With this in mind, if our current pricing plans were to exceed competitors' pricing due to extra unnecessary included perks, these should be removed in order to keep a market-penetration strategy and grow our customer base.

If we take into account our current pricing plans, some changes would need to occur in order to gather more customers quickly. Our suggested table is as follows:

Standard	Premium	Metal
Free	7.99€ 6.99€/month	13.99€ 9.99€/month
Free UK current account Free Euro IBAN account Spend in over 150 currencies at the interbank exchange rate No fee exchange in 29 fiat currencies up to €6,000 per month No fee ATM withdrawals up to €200 per month	Free UK current account Free Euro IBAN account Spend in over 150 currencies at the interbank exchange rate Unlimited exchange in 29 fiat currencies - no monthly limit No fee ATM withdrawals up to €400 per month Overseas medical insurance Delayed baggage & delayed flight insurance Global express delivery Priority customer support Premium card with exclusive designs Disposable virtual cards	Free UK current account Free Euro IBAN account Spend in over 150 currencies at the interbank exchange rate Unlimited exchange in 29 fiat currencies - no monthly limit No fee ATM withdrawals up to €600 per month Overseas medical insurance Delayed baggage & delayed flight insurance Global express delivery Priority customer support Instant access to 5 cryptocurrencies Exclusive Revolut Metal card

	LoungeKey Pass access	Disposable virtual cards 0.1% cashback within Europe and 1% outside Europe on all card payments LoungeKey Pass access Exclusive concierge service
Strikethrough text corresponds to perks eliminated from Revolut's original monthly plans.		

With our changes, we are able to drop the current pricing plans' prices in order to keep them in line with our competitors' but with a much better value for customer money. To do so, we have forfeited some of the unnecessary included perks on the paying plans, but still maintaining tremendous value for the payable amount, when in comparison to our direct competitors.

4.3. Service delivery channels distribution

Concerning distribution channels, we can distinguish between two different options: direct and indirect distribution.

Direct distribution is when a service is directly delivered to the customer, with no intervention from intermediaries. For this product this is not possible, since Revolut needs a service of digital distribution in order to make the product accessible to the final user.

Revolut uses the two main application stores: GooglePlay Store and AppStore (Apple). If we were to perform direct distribution, we would have to develop a PWA (Progressive Web App), so that users could access it directly on a web browser. Another possibility would be having our own operative system, but this is far from doable.

In terms of marketing practices, Revolut has a pure click strategy. Since it is just a digital platform, there are some advantages, such as: efficiency, speed, accessibility, autonomy, control and easy access to information. However, it lacks the personal contact and support.

Despite the pure-click strategy there is one specific situation where a different approach is needed: the delivery of physical cards. For this, there are two alternatives: creating Revolut's own delivery force or contracting a distribution expertise company to deliver it for us (outsourcing). Due to Revolut being a fintech company, with no experience or resources in distribution, the best option is definitely outsourcing.

4.4. Promoting the service or product offering

Understanding the different ways to promote a product or a service can help any company make the right choice for its business.

Promoting includes ongoing activities of advertising, sales and public relations. How it is done should be weighed very carefully as promotion is responsible to keep the product in the

mind of the customer. Furthermore, it helps stimulate demand for the product, which involves ongoing advertising.

Speaking to people about your business can be one of the most effective ways of promoting a product or a service, so we suggest doing **trade shows at colleges** as regular banks usually do, as it is a place frequented by people that belong to the market segment we intend to address.

We also recommend **offering low cost corporate gifts with revolut's logo** but with **great power in creating brand awareness** among possible customers and ensure a strong public image among existing customers.

Notwithstanding, we will not forget our primary means of communication, social media, and so we intend to bet on **regular ads on Instagram, Facebook, Youtube and Twitter**. In order to reach the maximum number of people and keep our brand in their minds, we would like to **create video advertisements that play with human emotions** with intention to gain popularity and propagation. These videos could play on the previously mentioned Robin Hood factor.

Refer a friend strategy would be very advisable to better penetrate the market, offering both parts benefits either by joining Revolut or recommend it. Another solution would be to invite users to document and share in short blogs how Revolut has made their lives easier, share their videos on social media and reward them for it.

4.5. Process, people and physical evidence

The services marketing mix includes three characteristics: physical evidence, people and process.

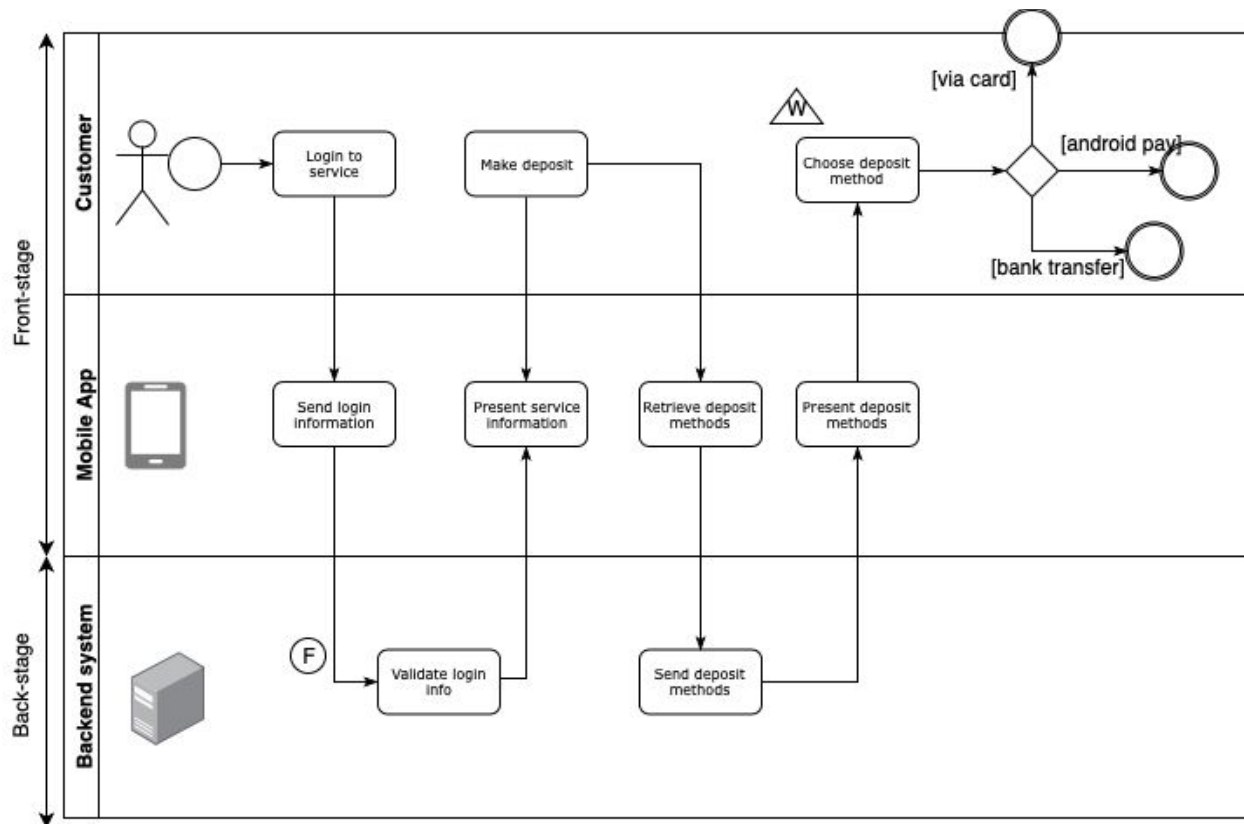
The **physical evidence** consists in what the client perceives as real in the service process.

The most important physical evidence is the **app interface**, since it is the first contact with the client, it should show how it works, be friendly, easy to use, include a modern and innovative design and demonstrate security. Another physical evidence Revolute delivers is a customized physical card.

In terms of **people**, since there is not direct interaction, we could say this is a self service technology but we actually find that the high customer participation co-creates value.

In order to improve the customer experience and reduce the feeling of loneliness while using the service, an excellent customer support team must be created as they will be the only contact with the clients. This customer support team will be the company's eyes, ears and mouth.

In the **process**, a service blueprint is required to better show how our application works. In the following blueprint we show the process of making a deposit up to the choice of method.



5. Conclusion

Revolut has proved to be a very promising company to market and advertise.

Its core and most supplementary products all seem to have a useful place in most people's day to day lives.

We feel very confident about our target segment as not only it corresponds to a significant percentage of the population right now but it actually promises to increase over the years. Not only this but because this segment corresponds to people spending a lot of time online and who have proven to increasingly share so much personal information as well (knowingly or not), marketing should become cheaper throughout the years as technology improves and targeting these people through social media becomes easier and easier.

After elaborating this marketing plan, we believe it has all the potential to truly become what we originally intended: "the portuguese consumers' first choice".

1.06.2019