Monzo: A Product Strategy Case Study

Contents

Key Takeaways

- **Built for scale** - Monzo's infrastructure uses a modular, fragmented services infrastructure (microservices approach), utilizing advanced tools like AWS and Kubernetes to ensure agility, resilience, and scalability.
- **Designed for virality** - Its intuitive mobile app, eye-catching 'hot coral' debit cards, and referral programs have not only attracted users but also encouraged them to share their positive experiences with friends and family, creating a viral effect that has propelled Monzo into the mainstream of modern banking.
- **Rooted in transparency and community** - Monzo stands out for its commitment to open communication and engaging with its user base. This approach has helped foster a strong sense of trust and loyalty among its customers, and distancing itself from traditional banking.

Introduction

The essence of any product is the feeling users get from it. For Monzo and other neobanks, the core tenet of that feeling is trust. That trust needed to take 2 forms though: users needed to trust that Monzo would provide them with the functionalities they would expect from a normal bank (namely if I leave my money here, can I trust you to look after it?), and at the same time, can users trust the startup bank to also represent the complete opposite of what traditional banks represent (frustration, time-wasting, lack of transparency).

In this case study, we look at how Monzo was able to address these two points, specifically looking at its technical product strategy and product marketing strategy, and how these helped Monzo shift the banking landscape.

I hope you enjoy the read.

The founding of Monzo

Monzo, a neobank (digital-only banking platform) based in the UK, has redefined the landscape of banking with its customer-centric approach and innovative technology. Founded in 2015 by Tom Blomfield, Jason Bates, Gary Dolman, Paul Rippon, Jonas Huckestein, it quickly distinguished itself by offering a seamless, intuitive banking experience.

The founding team had a strong mission driving them of simply *making banking better*, and they had the experience to help get them there with three of the five being early members of Sterling Bank (another neobank), and Tom Blomfield (CEO of Monzo) having founded another fintech company, GoCardless, incubated at Y Combinator in 2011.

"Tired of the way traditional banks do business, we believed we could build a real alternative. One that's totally transparent, treats people fairly, and caters to the way we all actually live our lives." - Tom Blomfield, CEO of Monzo.

Starting initially as a prepaid card combined with a digital app to track expenses, Monzo evolved into an official bank in 2017, and today boasts 7.5 million users, making it the UK's 7th largest bank by customer count.

Product Strategy

Monzo's success was never down to solely how good its marketing was nor just its technical architecture, but a combination of both sides of the business and the synergy between them.

Technical Product Strategy

From the beginning, Monzo was building to scale. The company's strategy involved the deployment of robust cloud-based solutions, agile software architectures, and the ability to generate insights from their data.

This approach was crucial for two main reasons:
- **Banking is a ubiquitous service:** Success in banking requires the capacity to handle large numbers of customers, and vast numbers of transactions per customer, efficiently. In addition, as we will see later, Monzo used referral systems to market the product. For any one user who refers Monzo to another two users, each one of them can refer another 2 users, and soon you get exponential growth. Whilst that's great from the marketing KPIs, it can be a real headache if your product infrastructure is not set up to handle that kind of exponential growth in demand from users.
- **Customer Attraction to Neo-Banks:** The primary appeal of neo-banks like Monzo lies in their ability to streamline and simplify banking processes, thereby eliminating common frustrations. If Monzo had encountered operational issues due to a high number of users, it would have contradicted this value proposition, deterring customers and

diminishing their trust and satisfaction. Once trust is lost in products, particularly financial products, it's very difficult to get back. So in other words, Monzo had no room for error.

Bottomline, this foresight of building to scale was necessary to prevent operational bottlenecks that could erode customer trust, a key factor for any financial service.

Amazon Web Services

"By using AWS, we can run a bank with more than 4 million customers with just eight people on our infrastructure and reliability team."
Matt Heath, Distributed Systems Engineer, Monzo

Amazon Web Services (AWS) is a comprehensive cloud computing platform, providing a wide range of services like computing power, database storage, and content delivery. It's known for its scalability, reliability, and flexibility, making it a popular choice for businesses of all sizes. By leveraging AWS's cloud infrastructure, Monzo could manage its banking services with a lean team, overseeing operations for millions of customers. There were 2 main angles for facilitating this:

First, regulatory compliance, as AWS's reputation for meeting the Financial Conduct Authority's (FCA) guidelines, such as through AWS CloudTrail, made it a trustworthy choice for hosting FCA-regulated workloads.

Second, Monzo adopted a technical strategy centered on a microservices and containerized architecture, leveraging the scalability and agility afforded by this design (i.e. a flexible system made of small, independent components that expand and contract with demand). By harnessing the power of AWS's cloud environment along with Kubernetes for streamlined container management, Monzo was able to efficiently operate a multitude of microservices, enhancing both performance and reliability.

The use of this architecture is like constructing with many smaller Lego bricks as opposed to one big "monolithic" brick. Each microservice is a separate 'Lego brick', small and manageable on its own. When combined, they form a larger, more complex structure. This modular approach enabled Monzo to efficiently build and adjust its digital banking services, piece by piece, to create a cohesive and flexible system, and adapt as it learned about user behavior and needs.

This infrastructure facilitated Monzo's ability to provide "real-time" banking services, a stark contrast to the traditional banks' slower processes, and supported Monzo's exponential growth in services and customer base. The microservices architecture also enabled rapid deployment of new features and quick adaptation to changing customer needs, underlining the importance of flexibility in product development.

[A more detailed journey of Monzo's backend architecture which can be found here].

Google BigQuery

"As a tech team we value simplicity, and with Google BigQuery we've created the simplest and most scalable setup we could imagine.For four or five years, banking conferences have discussed the need to bring all data together in one place for analysis.
With Google BigQuery, we're actually doing it."
- [Dimitri Masin](#), Head of Data at Monzo

One potential drawback of a microservices architecture, is that it can complicate analytics compared to a monolithic architecture - i.e. because data is fragmented across independently operating services, it can be more difficult to gather data and draw insights.

Google BigQuery is a fully managed, serverless data warehouse and analytics platform that allows organizations to analyze large datasets in real time. Monzo's utilization of Google BigQuery enabled them to consolidate their data, ensuring that all teams had access to the same up-to-date information. This unified source of truth not only simplified data access for new team members but also facilitated more efficient and scalable analytics, even as Monzo's user base continued to grow.

Furthermore, using BigQuery also reduced the gap between engineering, data, and business, as it enables non-technical staff to self-serve 85% of their business intelligence queries without consulting the data team:

"We do all of our analysis on the fly because Google BigQuery can execute such gigantic joins of tables at speed. That's an incredible advantage. We define and analyze segments as we think of them, instead of creating an ETL (extract, transform, load - a more traditional/time-consuming process to gather insights from data) process and realizing the next day that we want something else", Dimitri Masin (Head of Data).

For example, Monzo's data team set up dashboards via BigQuery for customer support, showing trending issues users had. They were able to identify the most frequently recurring problems by looking at customer behaviour on the app just before the put in the support request. This granular insight on user behaviour and where things were going wrong, allows them to reduce the number of support requests they received by 50% over 10 months. Again, the impact this alone would have on the trust and confidence users have with Monzo is significant.

What's interesting, is not just taking this strategy from a data and business-centric view, but also purely financially. "In other companies of our size you need a data engineering team of at least two to four people constantly on-hand to maintain and run day-to-day analytics infrastructure," says Dimitri. "Google BigQuery doesn't need a dedicated team to maintain it. In the two and a half years since we set up the solution, it's been so robust and so scalable that it's required no maintenance work whatsoever."

The bottom line is that Monzo leveraged Google's BigQuery to overcome the drawbacks of a distributed microservices backend architecture, giving them a single source of truth that even non-technical staff could leverage.

Opinion:
- One thing you may have noticed is that by leveraging services like AWS and BigQuery, the Monzo team was able to maximize their technical capabilities whilst minimizing the size of the team, which is often a startup's biggest expense.
- Despite Monzo doing this back in 2016/2017, as such services expand and improve, it's likely this lean set-up will be how most startups (and even more established companies) operate.

Other Points

Another notable mention is their commitment to a mobile-first approach. In contrast to many traditional banks, which transitioned from non-digital to digital services optimized for web/desktop computers before eventually focusing on mobile, Monzo prioritized mobile usability from the outset. This approach reflects a forward-thinking perspective on banking services, acknowledging the growing importance of mobile devices in modern banking. It's worth noting that even today, several major banks struggle to offer a seamless mobile experience.

Opinion:
- I think Monzo understood that when it comes to banking, users just want to get things done. And I think that's the sweet spot for mobile services in general - mobile apps are primarily for task-orientated activities (outside of social media that is). This is in contrast to more immersive activities like media consumption, in-depth research, or leisurely shopping, which often suit desktop environments better - e.g. it is why Amazon did not need to be mobile first. If traditional banks had adopted a mobile-first strategy earlier, they likely would have given neobanks like Monzo a better run for their money.
- I believe this also highlights the importance of building a flexible infrastructure from the ground up. Moving from non-digital to web banking to mobile-first, traditional banks were always on the back foot. But how we as consumers interact digitally is always changing, beyond mobile we're already seeing the application of VR and AI pins. It's easy to say banks should have been mobile-first from the beginning, but it is difficult to anticipate trends - so I don't think we should. Instead, I think it is about building a flexible infrastructure that can adapt to new use cases.

Product Marketing Strategy

User Experience

While UX/UI design is typically considered an integral component of technical product strategy, its role in Monzo's case goes beyond functionality. It plays a critical role in shaping the brand's identity and molding customer perception. Monzo's user-friendly design isn't just about ease of use; it serves as a psychological bridge connecting the simplicity of banking tasks with the overall user experience. This aspect of design has been instrumental in establishing a positive and enduring impression of the brand within its user base.

A great example is the onboarding process:

> "Our vision is to let new customers create a Monzo account in minutes— anytime, anywhere. We want our customers to start the process as they enter a queue at their local coffee shop and have an account created by the time their coffee is served."
> - Head of Marketing and Community at Monzo

It's worth remembering that the whole point of Monzo, and other neobanks, was to offer a new alternative to the frustrating processes of traditional banks, and so by that very premise, every activity done on Monzo needed to be easy, painless and frustration-free. During the setup process, Monzo faced high abandonment rates, particularly during online identity verification.

To address this, they partnered with Jumio, a software identity verification service. One significant insight during testing revealed that many new users abandoned the process when asked to take a selfie. Monzo recognized that users might not be in a suitable environment for taking a verification selfie, such as being at work or in a public place. To mitigate this, they implemented a strategy of sending reminder emails over the following days to encourage users to complete the process. This multi-touch approach, akin to the way Duolingo sends reminders to stay on track, significantly improved new account conversions.

Furthermore, Monzo's decision to leverage Jumio's backend infrastructure for identity verification, rather than building it in-house, resulted in a significantly faster verification process. Approximately 95% of accounts were verified within just 270 seconds. This accomplishment was crucial in achieving Monzo's goal of delivering a swift and effortless customer experience, especially when compared to the potentially lengthier verification processes offered by traditional banks.
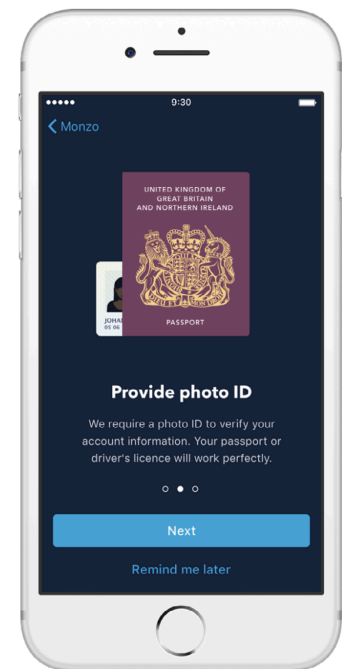
Marketing Campaigns

The Golden Ticket
One of Monzo's more famous marketing strategies was the golden ticket - a referral program to boost customer engagement and loyalty.

After launching their beta version in 2017, Monzo gave out "golden tickets" to existing customers. These customers could then give these tickets to their friends, who could skip the waiting list and get immediate access to the Monzo app. The idea was influenced by the gamification and waitlist-style referral system from Robinhood, a popular online trading platform. This method proved highly effective in building customer loyalty, as studies show referred customers are 18% more loyal than those acquired through other means (plus referred customers are 25% more profitable per year than un-referred customers).
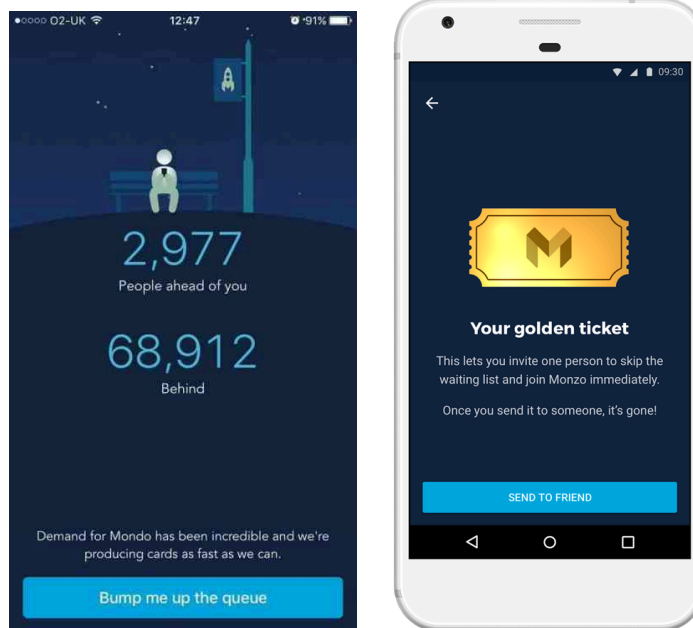
A screenshot of the waiting list to get the Monzo bank card when they were launching their beta in 2017/2018, and to the right a screen shot of the 'golden ticket' you could send to your friends to skip ahead in the queue.

The campaign was hugely successful with 40% of its signups in 2017 coming from the golden tickets alone, helping them push from 70k users in 2016 to 600k by the end of 2017. I think it is easy to stop here and believe that this cleaver marketing strategy was just that, clever marketing, but there are a few more nuances that are worth mentioning.

First, timing. The Monzo team did not push this campaign in 2016, when they were still perfecting the product. The campaign increased their number of users nearly ninefold, if they had done this any earlier when the product was not perfected, they would have dug their own

grave. So you have to give the leadership team the props for actually having the patience to push only when they were confident and ready - something a lot of other startups fail to do.

Secondly, trust. As previously touched on, trust is the core emotion for financial products, particularly for neobanks, who have to deal with the cognitive bias that e.g. only traditional banks are safe. But this is particularly important for referrals. It's one thing for you to take a chance, and leave your money with a new startup and things go wrong, it is a completely different thing if you told your friend or family member to leave their money in a startup, and things go wrong.

So the success of the golden ticket campaign was not just a testament to the clever marketing strategy itself, but it was another nod to just how good the product was, because people were telling their loved ones to join, which meant they had strong confidence in the safety and efficiency of the Monzo product.

66% of new customers joined us through word of mouth

People opening an account because a friend or family member told them about us.

Opinion:
- I genuinely believe that this idea of gradually building consumer confidence is such a core tenet of their success: build product → test on a few thousand customers → perfect product → viral marketing campaigns.
- It's also worth noting that Monzo never came out of the gates being a fully-fledged bank. They began as a prepaid card, users could see the benefits of digitalising their transaction history in a user-friendly way, without forking over all of their money, and allowed Monzo themselves to collect data, analyse, learn, plan and build upwards. They eased consumers into using their product as a bank, gradually building up users' confidence in them.

Design

Beyond just making the interface easier to understand and navigate, Monzo is well known for its creative design thinking. One of the best examples of this is Monzo's famous coral-pink cards.

From the beginning, the colour was chosen as a marketing strategy: "We mostly wanted it so when we went to a restaurant or something, people would ask about the card," head of design Hugo Cornejo. "Then when we realised people really liked it, we kept it." As a user of Monzo myself, I have to admit, I only came to know about it after seeing my friend's bright pink card, and asking about it.

"In order for any product that's customer-facing, design must happen. You might do it with care, you might do it as an afterthought. In our case, we know of the importance of it because of the hot coral card – people really like it, but it doesn't happen by accident. It was a lucky strike, but there's some reasoning and design behind it."

Throughout the app, you can tell the Monzo team has put a lot of thought behind their design - making it seem clean, modern and approachable. Given that their customer base is mostly millennials and Gen Z, who are used to and largely appreciate design, it definitely does not go unnoticed, and further cements the idea that Monzo is so diametrically different from traditional banks.

Transparency as part of its brand

Despite its success, it wasn't always smooth sailing for Monzo, and yet even when things did go wrong, they maintained their core value of transparency.

For example, during a sudden and unexpected outage (due to some changes to their backend service), Monzo did not hesitate to warn their customers not to use that app and in fact to "carry another card".

> "Because we jumped straight on it and put an immediate message out saying 'please carry another card out, we're having an outage and we're looking into it and will update you immediately', the PR that came back from it was really strong… From the depths of despair hope blossomed - people said this is a really good firm to be with."
> - Gary Dolman, the CFO of Monzo

Given the deteriorating trust consumers had in traditional banks since the 2008 financial crisis, which was epitomized by a lack of transparency, it was never going to be enough for neobanks to win by just having a more convenient user experience. Monzo knew this from the start, and their efforts in being an 'emotionally' superior product by simply being honest and transparent won consumers over.

Opinion:
- It may also be worth noting that the types of consumers a startup neobank attracts as its initial customer base, is always going to be those who are willing to accept some degree of risk/understanding that there will be teething problems.

- This means that the presence of these issues was never going to make users turn away (although obviously, this depended on frequency and severity of issues), but the point is that the initial customer base was looking for something - a bank they could trust, that would be honest with them, and that represented the opposite of what traditional banks stood for.
- This is a core part of their product marketing that deserves nothing but praise and serves as a great learning point for other startups.
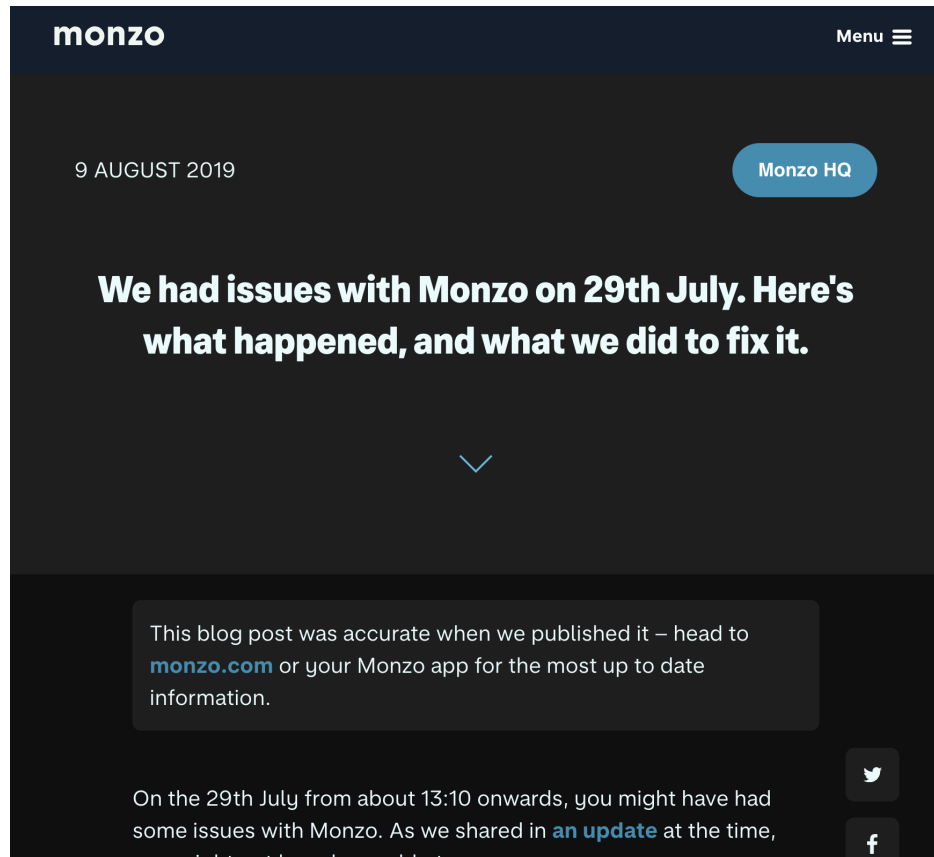
Culture and Leadership

The transparency and honesty that Monzo showed its customers, was not just a marketing strategy, but it was part of their culture. Culture is always top-down, and I think it's fair to say that the senior leadership had a strong emphasis on engraining their values into the roots of the company.

For example, Dolman, Monzo's CFO, attributes their success to the team's fearless approach to challenges - characterized by the *five finger push,* where not all attempts may succeed, but it's the one that breaks through that leads to significant achievements:

"Five finger push - four of those fingers won't break through, but the fifth will and it will break through to something big. It's not being scared to fail in certain aspects."

This philosophy encouraged not fearing failure in certain aspects, recognising it as an integral part of the journey to success. In its quest to create the "best current account in the world,"

Monzo showcased a blend of ambitious goals and technological advancement, while maintaining a unique focus and ignoring its competitors. Dolman emphasizes the importance of concentrating on their own strengths and innovations, rather than being preoccupied with what others in the field are doing - (the old adage of *competition is for losers [Peter Thiel]*). This strategy allows Monzo to stay ahead, with a firm belief in their ability to outperform and outpace the competition.

"You worry about your own game, not what the opposition are doing and let them catch up with you - not the other way round. You are constantly saying 'these are our ideas; this is what we want to do', and you have the courage to publish it.

What you are banking on is the fact that you are going to be able to do things better and faster than the opposition." - Gary Dolman, the CFO of Monzo.

These principles are not only pivotal to Monzo's success but also serve as valuable lessons for other sectors, demonstrating the power of positive leadership and a strong, cohesive company culture.