

# Retail Banking Apps in Europe

Consumers Have Spoken: Adapt or Else

*App Annie*

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## Report Summary

More and more retail banking interactions are happening on mobile platforms, and usage frequency is growing faster for these segments than for apps overall. In the United Kingdom and France, there were more than 2x as many sessions in the top 10 retail banking apps by monthly active users (MAU) in H1 2016 compared with the same period in 2014. In Germany the number more than tripled.

Individual usage in Germany and France continues to grow, with weekly sessions per user having more than doubled in Germany over the past two years. Consumers are still exploring the opportunities presented by mobile banking and continued education, awareness building and feature localization may lead to further growth in engagement.

Consumers aged 25–44 years access retail banking apps most frequently — they are a sweet spot of tech savviness and financial awareness. In the UK, users older than 45 are much less likely to access retail banking apps relative to other age groups. In fact, they access retail banking apps 85% less often per week than the 25–44 year-old age group — a much greater disparity than we see in Germany or France. This suggests there may be room to boost usage among older demographics in the UK. Mobile has opened the door to fintech. Between H1 2014 and H1 2016 in the UK, the total number of sessions in the top five retail banking apps from fintech companies increased by more than 2.9x. By focusing on — and optimizing — one or a few individual services, these apps have the potential to decouple the traditional full-service retail banking experience.

## Introduction

[Digitization has been transformative for retail banking](#). Instant person-to-person payments, contactless cards and the emergence of mobile payments have made traditional transactions less relevant. Beyond this, the rise of mobile has set consumer expectations for instant, innovative and effortless service available 24/7. [Mobile is now the first screen](#) for consumers and dissatisfaction with the traditional banking model has grown.

The demand for branch-based banking is simply not as strong as it used to be. A [recent Bain report](#) suggests that for every 100 mobile banking interactions globally there have been 16 fewer interactions in branch. UK bank HSBC has seen a [30% decrease in branch visits](#) since 2009 and RBS and Natwest have noted similar reductions. Banks have responded, and the [number of branches across Europe](#) is in decline. Société Générale, for example, [has stated](#) plans to reduce its domestic network by 20% by 2020.

It seems the competitive advantage offered by a large number of brick-and-mortar locations has decreased, opening the door to disruptive entrants built on new technology and digital efficiencies. The UK, for example, has seen an [explosion in applications](#) to open new banks. Metro Bank, [the first new High Street bank in the UK for over 100 years](#), plans to open only 110 branches by 2020, and mobile banking firm [Atom Bank](#) offers all face-to-face service via the Post Office. They are prioritizing branch-based contact for more complex interactions that can't be completed digitally. Even in Germany — a country traditionally more conservative in its adoption of new banking technology — mobile banking specialist [Number26](#) has been gaining attention.

[Nearly half of banking executives](#) surveyed by The Economist believe the traditional branch-based banking model will be dead in five years time. It's an exciting time for retail banks. As we will see, with change comes opportunity, but those that don't adapt will find themselves left behind.

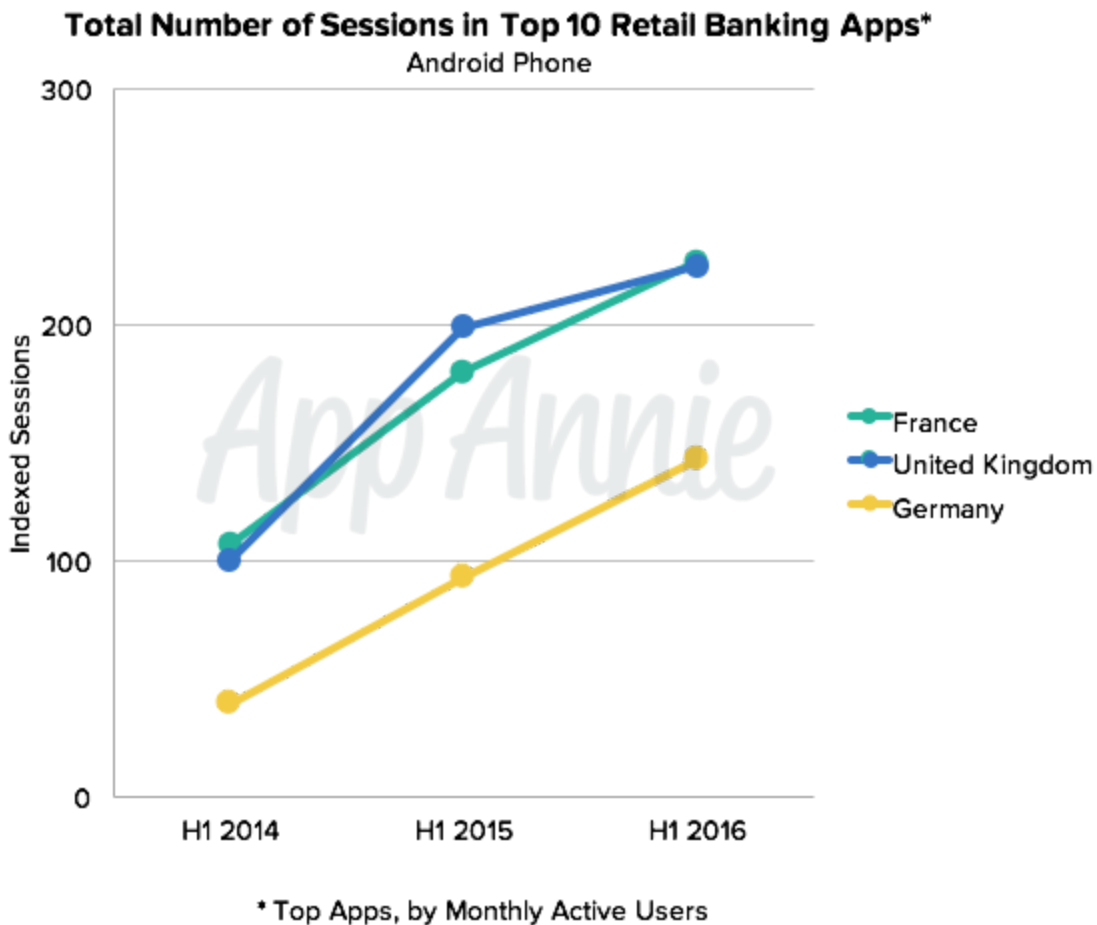
Using [App Annie Intelligence](#), we've analyzed user behavior in retail banking apps in the UK, Germany and France to help you understand how the industry is changing and how you can prepare.

## Consumer Engagement With Retail Banking Apps

### Use of Retail Banking Apps Continues to Grow

More and more retail banking interactions are [happening on mobile platforms](#).

In the UK and France, there were more than twice as many sessions in the top 10 retail banking apps in H1 2016 compared with H1 2014. In Germany the number more than tripled. For all of these countries, this was significantly faster than the growth in app sessions overall. Retail banking's share of app sessions is on the rise.

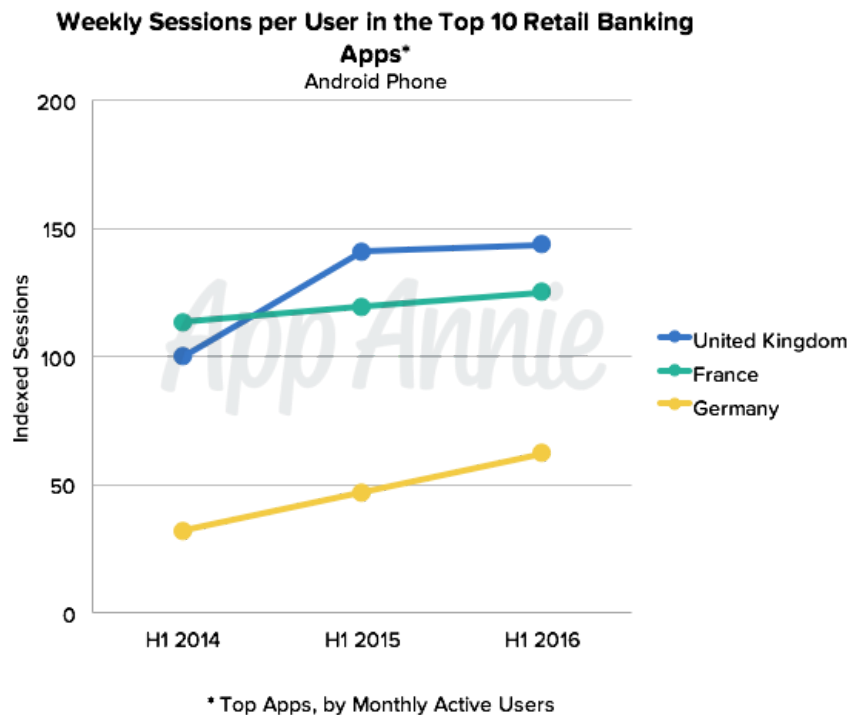


## Consumer Engagement Is on The Rise

Mobile banking is firmly established among UK users. It is [used more than online channels](#) and has become the standard for routine banking interactions. British bank Lloyds, for example, [estimates](#) 60% of mobile banking usage comes from customers simply checking balances and statements. As a result, we've seen weekly sessions per user in retail banking apps in the UK stabilize since last year — users have determined how banking apps fit into their lives, and their behavior is not changing.

However, in Germany and France, frequency of use continues to grow. Consumers are still exploring the opportunities presented by the platform and continued education, awareness building and feature localization may lead to further growth in engagement.

This is especially the case in Germany, where consumers have traditionally been less willing to adopt digital banking technology. Usage frequency is significantly lower than in other territories, but ongoing growth suggests mobile is making significant, rapid headway.



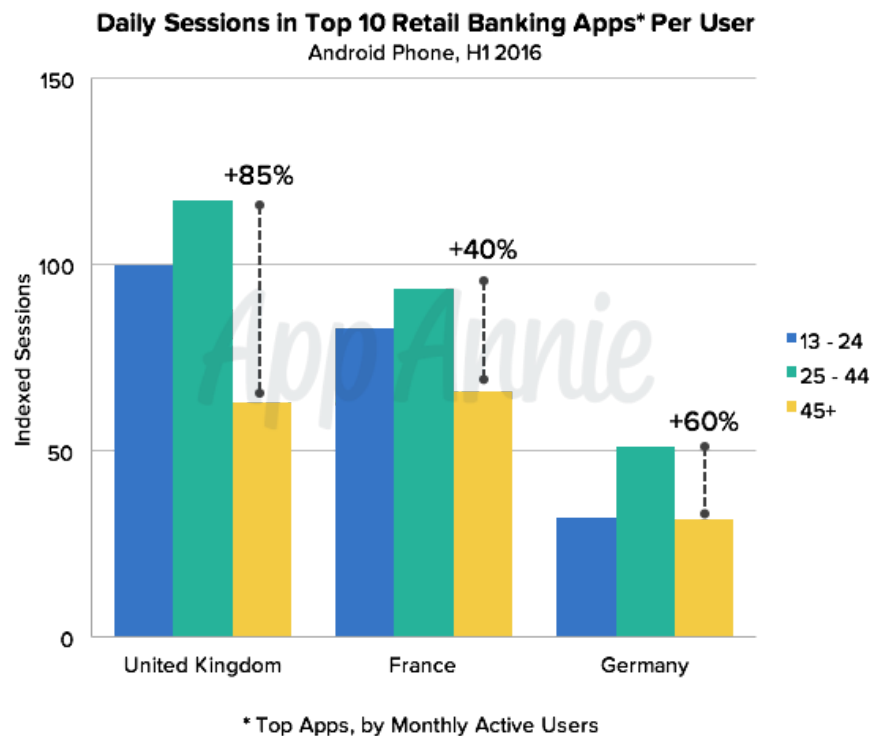
## Engagement Is High Among Younger Users

Retail banking app usage frequency is especially high among 25–44 year olds. But, [consistent with previous App Annie research](#), older users are yet to fully engage.

Surprisingly this disparity is greatest in the UK where the digitization of banking is already well established — this suggests an opportunity for UK banks to appeal more to older users.

High frequency of use among younger users is a promising sign; this is a challenging group that often presents a massive churn risk to retail banks. In 2015, [Gen Y showed the greatest dissatisfaction with banking services](#) and more than 50% planned to leave their primary bank within the next six months.

Meeting the mobile expectations of these younger consumers will become more important as their spending power increases and their app habits become even more entrenched. However, continued innovation from established players will be necessary to ensure young early adopters are not drawn to the many disruptors entering the market.

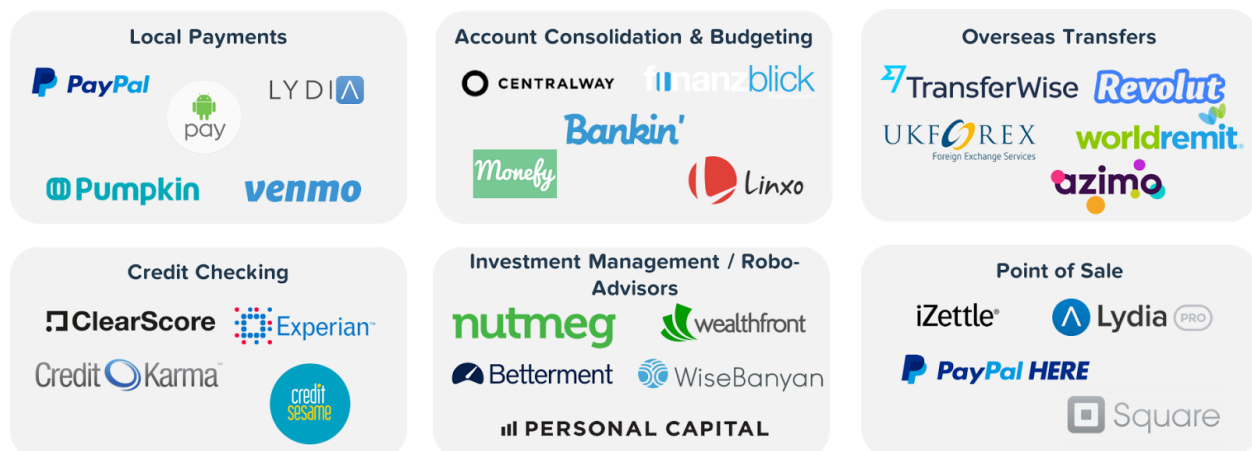


## Mobile's Rise Has Created Opportunities For Fintech

### Fintech Apps Target Specific Retail Banking Needs

A large number of fintech apps are now offering specialist services that would previously have been offered by a traditional, full-service retail bank.

[As we predicted](#) last year, there is a growing risk that traditional banking services will continue to be decoupled as consumers choose the most tailored and best value option for each of their requirements. Furthermore, [recent 'Open Banking' legislation](#) in the UK, and the [European Payment Service Directive 2 \(PSD2\)](#), will further [support the growth of the Fintech sector](#). From 2018 UK retail banks will be required to share data with third parties — a boon for companies offering service comparisons or account consolidation. Without continued investment in innovation, this could lead to a fall in engagement for established retail banks.



*Fintech apps offer many of the services provided by traditional retail banks*

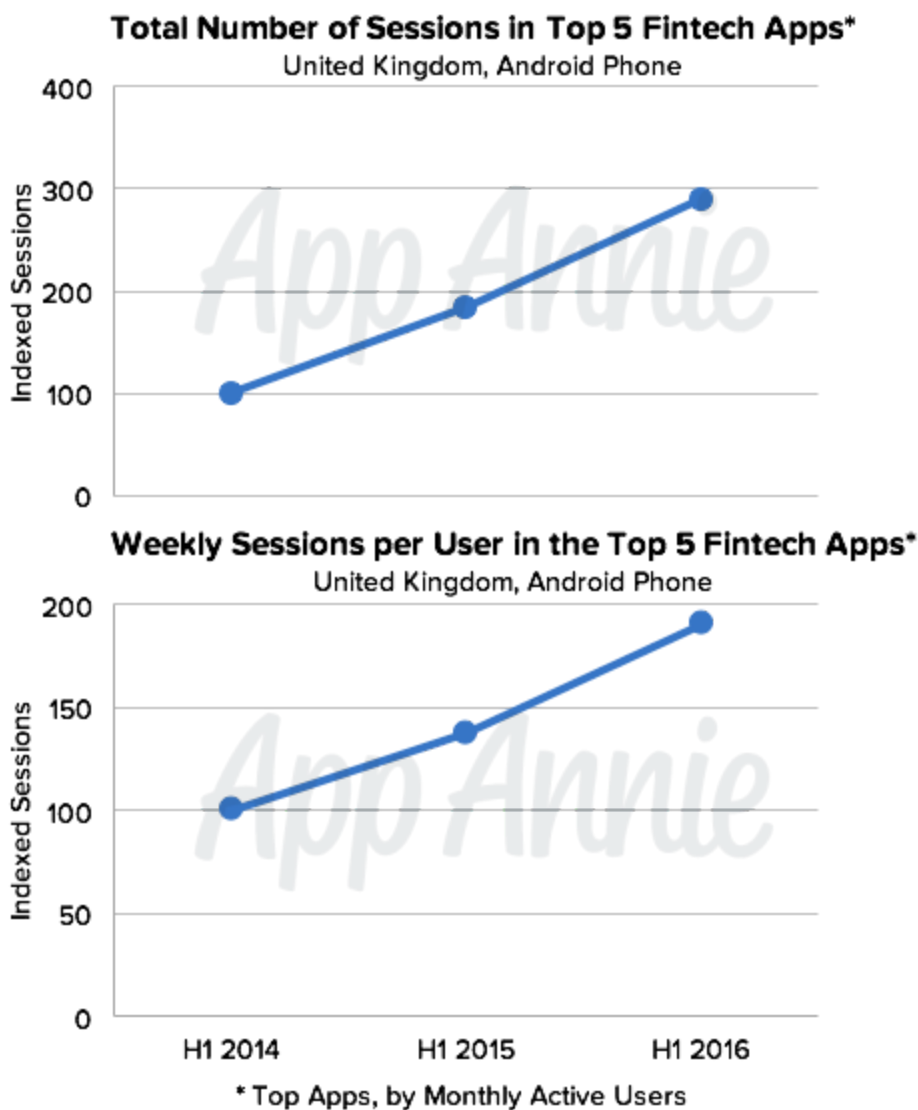
### Mobile Growth Has Opened the Door to Fintech

In H1 2016 in the UK, the total number of sessions in the top five fintech retail banking apps by MAU was 2.9x higher than two years previously. Over the same time period,



sessions per user increased by nearly 90% — a significantly faster rate of growth than for retail banking apps overall. Engagement is growing on a per-user basis, but it seems the acquisition of new customers is the primary driver of growth in this sector.

Currently, [63% of global banking customers](#) are now using fintech products or services. This is driven by the overwhelming perception that they are easy and quick to use, and provide a good experience. In fact, [more than half of banking executives believe](#) that within the next five years more payments will occur via fintech firms than through traditional banks.



## Established Retail Banks Must Adapt

### Traditional Retail Banks Are Adapting

There are a number of reasons retail banks should be excited by mobile technology. Research [suggests](#) banking customers that frequently use mobile and online channels are 40% less likely to churn than those who reported infrequent or less use. In addition, omnichannel customers — those who use both branch- and mobile-based services — tend to give higher loyalty scores. In addition, [Cisco recently estimated that](#) there is \$405 billion in untapped retail banking revenue to be generated over the next two years. This correlates with the opinions of bank executives [who believe](#) improving the customer experience is where technology is having the most impact on their businesses.

As we will see on the following pages, a number of established retail banks have seen these benefits and made significant advances in the adoption of mobile technology to improve the experience of their customers.

However, this level of innovation must be maintained to keep up with the constant introduction of new technologies and services. Retail banks will need to embrace development cycles that may be faster than they're used to, and existing products must be streamlined to ensure they are suited to mobile interactions.

## Key Innovations in Retail Banking

### Customer Rewards

- Services such as [Barclay's Blue Rewards](#), [Lloyds Bank's Choice Rewards](#) and [Nationwide's Simply Rewards](#) are integrated with the mobile apps.
- Bank of America offers cash back deals at select restaurants and stores for its mobile banking customers.

### Customer Services

- The [Barclays Video Call](#) app allows customers to have one-to-one, confidential conversations with advisors online or via their mobile device.
- Barclays also allows a range of customization options — such as assigning images and nicknames to accounts and cards — to personalize the experience and aid navigation.

### New and Improved Services

- Barclays [Mobile Cheque Imaging](#) allows users to deposit cheques into their account via their mobile app.
- Bank of America has recently added [Apple Pay support to its ATMs](#), and Chase and Wells Fargo will likely follow soon.
- RBS's app allows users to withdraw money from an ATM without a card.

### Budgeting

- [Spendlytics](#) from Santander takes on fintech budgeting apps directly by summarizing customers' spends by category and brand.
- Similarly, [App Générale](#) from Société Générale automatically categorizes spend into categories and allows users to set individual spend thresholds for each.

### Saving

- Russia's Alfa Bank allows users to [link their wearable devices](#) to the bank's [app](#). As their activity level increases, so does the interest rate on their savings.
- Nationwide's Impulse Saver feature lets customers transfer pre-configured amounts of money from their current account to their savings account.

### Branchless Banking

- [Atom Bank](#) is a UK-based, mobile-exclusive bank. With an app based on gaming software Unity, Atom features extensive customization, biometric login and 24/7 customer support.
- Germany's [Number26](#) is a purely mobile bank. Its app allows money transfer by SMS or email, and also integrates with [Transferwise](#) for international transactions.

## Looking Ahead

It's an exciting time for retail banks. Growth in mobile has caused a dramatic shift in consumer expectations, and banking technology has had to adjust accordingly.

Engagement in apps from retail banks has grown dramatically in the UK and France where the total number of sessions in the top 10 retail banking apps by MAU has more than doubled since 2014. In Germany, however, the change is even more exciting. Overcoming a longstanding resistance to banking innovation, Germany now sees more than 3x the retail banking sessions compared with 2014.

As mobile technology continues to grow in its role as the first screen for consumers, so will expectations for instant, effortless and always-on services. Fintech companies providing specialized retail banking services will thrive in this environment, as will the mobile-first banks like [Atom](#) and [Number26](#) that have been built from the ground up to make use of the mobile experience.

Established retail banks will have a more difficult time. They will need to continually adapt to the rapidly changing technological environment, ensuring they are delivering the innovation their customers are coming to expect. The UK's incoming [Open Banking](#) legislation, and the European [Payment Service Directive 2 \(PSD2\)](#), could prove especially challenging — it will serve to increase competition between existing players, while offering fintech companies more opportunity to consolidate and expand on existing banking services. However, many established banks have shown they are up to the challenge, and it will be interesting to see the opportunities that emerge as a result.

## The Most Trusted Partner in the App Economy

Over half of Google Play and iOS revenue combined is generated by App Annie customers.\*

### Banking



### Social



### Investors



### Platforms/ Mobile



### Entertainment / Media



### Other



\*App Store revenue made by App Annie customers across Google Play and iOS, as of January 2016, per App Annie estimates.



## The Technology Behind the Report

The information contained in this report was compiled from [\*App Annie Intelligence\*](#), the leading market data solution for the app economy. To see how our app store download, revenue, demographic and usage estimates can help guide your critical business decisions, [take a tour](#) or [request a demo today](#).

## About App Annie

App Annie delivers the most trusted app data and insights for your business to succeed in the global app economy. Over 500,000 registered members rely on App Annie to better understand the app market, their businesses and the opportunities around them. The company is headquartered in San Francisco with 450 employees across 15 global offices. App Annie has received \$157 million in financing from investors such as e.Ventures, Greenspring Associates, Greycroft Partners, IDG Capital Partners, Institutional Venture Partners and Sequoia Capital. Learn more at [www.appannie.com](http://www.appannie.com).

Report methodology and updates are available [here](#).