Nubank Analysis

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Table of Contents

[**Introduction**](#_dtjbk3u9zol2) **2**

[**The Industry**](#_e3r8pbe60zwi) **3**

[Global Fintech Industry Analysis](#_aw7wnu98qro4) 3

[**Where is Nubank Right Now?**](#_7onen6no3v79) **5**

[Innovation Analysis](#_3v5fekmeh8ng) 5

[Value Creation and Results](#_lt24xargss2s) 6

[Nubank & Data Science](#_tp8itejdywk9) 8

[Credit Card Application Model](#_i2dgrwsnxypc) 8

[Credit Limit Model](#_85yh3hv71lnb) 8

[Loan Lending Model](#_8ub8222dl2m2) 9

[Firm Level Strategy Analysis](#_7i01f3faw84x) 9

[**Recommendations**](#_sruh5i64jled) **11**

[**Works Cited**](#_1zvzurm5syw0) **14**

## 

## **Introduction**

Nubank is a Latin American based digital bank, offering many of the services that a traditional bank does, however operating completely virtually without the need for physical banking branch locations. They describe themselves as a "s*tartup developing simple, secure, and 100% digital solutions so you can have control over your money, literally in the palm of your hands.1*" The multitude of digital services that they offer, which mirror traditional banking companies, include: digital credit cards, credit management, digital ATM withdrawals, direct deposits, loans, and financial advising services. Geographically, they were founded in Brazil and focused on providing these solutions mainly to Latin America, where banks traditionally exploited customers with hidden fees and high costs and interest rates. Compared to these traditional counterparts, especially in the Latin American region, they are a low cost provider, and they were formed on the belief of having no hidden fees and low interest rates- focusing their goals on banking reimagined as a completely digital and affordable service. For consumers, this is Nubank’s value proposition: an all digital bank that allows consumers to have their financial and banking needs satisfied from the palm of their hand, and no hidden fees and a low cost structure simplify the banking process and allow users, especially those who were previously exploited by banks, to know that their money is safe and what it is being used for. This value proposition is more deeply explained later on, but to the populations of the nations Nubank is focusing on, the fact that they can have a simple, easy to use, convenience banking service from anywhere that does not exploit them with high costs or hidden fees is immensely valuable, and this value is transmittable to other markets, such as young users, as well.

Nubank generated a lot of intrigue for their unique digital structure and emergence in the fintech industry, and they raised 1.1 billion dollars in initial funding and obtained over 15 million users. However, they are currently still operating at a loss2. This loss can be attributed to recent expansion efforts, as they work to increase their geographic scope, moving into more Latin American countries and recently pushing a large expansion effort into Mexico. They want to serve unbanked populations, people who do not have access to traditional banking services or institutions, as well as the underbanked- people who are being exploited by banking companies who charge high fees and rates for limited services, or people who only have access to banking services that are limited in their offerings. Unfortunately, Latin American nations contain these populations in large numbers, and an example of this is the fact that Brazil would charge APR’s of 140% or more for credit cards3. This was particularly debilitating to poorer income users, who found Nubank as a necessary cheap alternative, but this exploitation was happening to all income levels, and all income levels served to benefit from a cheaper, simpler service. Nubank, again, was founded trying to solve the needs of these underbanked in Brazil, which is defined as those who were facing high and hidden costs for relatively poor banking, but the accessibility of their digital product is perfect for those who are unbanked as well, which is defined as those with no banking offerings near them. They also have potential to capture a younger market, even those who have access to traditional banking, due to their digital presence and focus and their ease of use. They are able to utilize their platform to manage risk through their extensive data science investments and model creations, making their cost of acquiring and identifying a customer much lower than a traditional financial service, allowing them to provide their low cost structure and have no hidden fees. Due to Nubank’s mission and offerings, our recommendations for the company center around their continued expansion efforts, both in geographic scope as well as expanding their scale and offerings.

## **The Industry**

### Global Fintech Industry Analysis

To understand Nubank’s role in banking and fintech, it is important to analyze the industry in which they are operating, and potentially disrupting. The industry in which Nubank competes in is global fintech. It can be characterized as an attractive industry as a whole, with threats that can be turned into opportunities for some firms. Utilizing Porter’s 5 forces we analyze the aspects of this industry that create a rewarding but challenging environment in terms of profitability. Beginning our strategic analysis with the threat of new entrants into global fintech, we conclude that it has a low impact on industry profitability. The number of banked people has been growing steadily, up 7% or 70 million people from 2014-20184 , slowly reducing the need for fintech solutions. Fintech solutions aim to solve an unmet need of a population of people who either don't have access to traditional financial services or are not being served by traditional financial services. However, two thirds of people, 740,000,000 total, who have limited access to financial services have a mobile phone.5 Although increasing access to mobile phones and internet access is a positive sign for customer acquisition of fintech products, high barriers to enter are still prominent. Providing financial services in many cases requires compliance with regulations (which varies globally), risk management tools that are costly, and facing further regulations once established in the market as the world changes. Typically, the demographic targeted for fintech is cost conscious and of the lower income brackets, thus achieving economies of scale is necessary to become profitable. Nevertheless, opportunities still remain globally as many countries face challenges. Fintech can provide solutions that traditional banks cannot because of the way they create profits. For example, there is a need to increase women’s financial inclusion in the Middle East and North Africa where only 35% of women have some sort of bank account6. Entering this industry can either be high-risk, high-reward or high-risk, low-reward which is a significant deterrent for many potential entrants.

Conversely, the threat of substitutes has a high impact on the profitability of this industry. Mobile phone companies have caught on to fintech services becoming some of the most dominating solutions to regional issues with wealth accrual among populations. An example is M-Pesa in Africa, which was developed by phone company Safaricom, that allows people to transfer money, receive money, and later provide loans, that are free with any phone plan and works through text message7. Because they are a phone company, they were able to escape many of the costly regulations they would have been subject to by the government. Traditional technology companies like Apple are developing no fee credit cards by partnering with financial institutions, in Apple’s case Goldman Sachs8. Additionally, international chat apps, like WeChat, are moving into fintech as well with money transfer options. Fintech companies generally tend to focus on providing one or a small few financial services in unconventional ways. If larger companies from other fields such as technology and mobile phone providers continue to move in, they could dominate. These larger companies ultimately have more resources and capabilities to provide more than just one or two fintech solutions for these populations with limited financial access and options. This industry can quickly turn into a saturated red ocean as the number of Fintech solutions/products become available from different providers. Financial services already include a broad range of products/services; fintech aims to create more of these that differentiate themselves in requirements, revenue structure, and platform from traditional banks. Nubank currently provides three services: credit cards, savings accounts, and loans for their home region in Brazil.

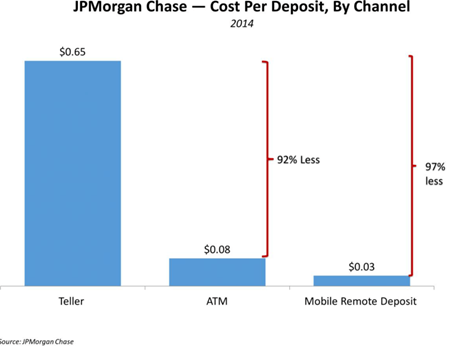
As internet access increases for the global population, switching costs for users are lowered, which affects buyer power. This is generally due to the lack of needing a physical space to provide banking services and therefore access to a physical bank as fintech brings in completely digital options. Most fintech companies focus on one or two products/services that meet the needs of a specific population, often becoming the regional power. Because these populations that utilize fintech to its fullest extent do not have the means, access, or several alternative options to other financial institutions, their buyer power is generally low. In regions where there are more fintech options, users can switch from one to the other digitally with virtually no repercussions; fintech is ultimately designed for flexibility. In those regions’ buyer power can be considered moderate, as switching still changes user experience that makes most reluctant to switch. On the supplier, or funding, side of this industry the impact on profitability is much higher. A vast majority of fintech companies are startups that require a certain amount of money in order to get off the ground. Popular options for funding include crowdfunding and venture capitalists. The amount of money a fintech company is able to raise will directly contribute to the effect they will have in a region and their capabilities.

The overall effect of these four forces drive rivalry to have a moderate effect on profits in this industry. There are 10,000+ fintech companies operating worldwide providing a vast amount of financial products/services to their target audiences. Majority of these companies are regionally based with specific product/service focus. Some examples include: Fintonic in Spain focused to track finances, Ant Financial by Alibaba in Asia focused on providing loans, and Nubank in South America focused on wealth and credit development. While there are key first mover advantages for some regions, other regions have yet to find a dominant player. Eventually for the regions that do find a dominant player, they will have to achieve economies of scope as users are able to accrue more wealth and require more than just one or two services. Nubank has managed to achieve economies of scale in its home region and it looks toward expansion as it utilizes its data science research to the fullest extent to achieve more users and usage, and this expansion into these areas will be a key feature of our recommendations later.

## **Where is Nubank Right Now?**

### Innovation Analysis

As mentioned before, Nubank’s main goal has been to solve the banking experience in Brazil. With around 55 million people in Brazil being underbanked,9 it is important to know more in depth why so many people are in this situation in the first place, and therefore why Nubank provides so much value. Almost 80 percent of the unbanked people in Brazil come from lower to middle class families10. With credit interest rates set high in Brazil, it is not viable for most of the populations to use the banking services available. With little consumer choice, banks set up parameters that favor themselves- exploiting people with high fees and rates, using confusing loan terms and providing poor service. If we were to look at this through a value proposition canvas lense, this would be the largest “pain” users are feeling right now in this country. This is coupled with the fact that these high interest rates do not correlate to a high quality experience- the “service jobs” aspect of the proposition canvas is also lacking as these banks provide poor or no service for many of the expected traditional banking needs. Underbanked consumers, who again are those being exploited in this system by paying high fees for limited banking options and services, have deposits that are less stable, due to them being poorer on average. This is why banks under-serve them, it is difficult for traditional banks to profit from them. Underbanked consumers also may have high default risk, so banks incur higher underwriting costs to service loans.

Nubank found this as a great opportunity to enter into the market with terms that are tailored to the people, driving interest in Nubank. With lower costs obtained by traditional banks, due to the economies of scale they can gain as a digital service, Nubank needs to generate less income per customer to reach profitability. As a result, they are uniquely positioned to serve underbanked communities. Nubank provides digital services that can serve the underbanked consumers by assessing risks costs efficiently by using proprietary data sources and internal model capabilities to provide insight on credit worthiness, while also appealing to them due to being easy to use and understand, as well as being affordable. This affordability is the biggest pain reliever that Nubank offers, especially for the communities they are trying to serve. The exhibit below shows JP Morgan’s cost per deposit between it’s bank tellers and mobile services. This provides a basic idea on how mobile services in the banking industry are so valuable. Instead of spending capital on physical branches, Nubank can reinvest capital into its technological solutions and provide incentives to customers because of its data science department dedication, which is mentioned later in this report.

The convenience of using digital financial services appeals in particular to millennials, as they are less likely than earlier generations to use traditional bank services, and they are trying to expand more into this potential market as we discuss later on. It is also relieving to their underbanked target market, who had to deal with confusing and complex systems. Through digital financial services, consumers can skip the long lines at branches. Research analysts at JP Morgan analyzed the ease of opening an account at different Brazilian banks and financial service providers. With Nubank, registration for an account took 20 minutes on the app, approval for a credit card was received within 1 day, and the card was delivered within 8 days. At incumbent banks, credit card approval varied between 1 and 21 days and the card was delivered within 8 to 31 days11. The innovative platform Nubank provides significantly outperforms traditional banks in cost and wait. This is a huge gain creator for Nubank, not only are they more affordable for consumers, but they are also more convenient and simpler to use, adding to their value.

### Value Creation and Results

Their services and offerings have created immense value for their consumers, translating into remarkable success early on. NuBank has managed to become the largest digital bank in Latin America in just 7 short years, highlighting the value they created. After its creation in 2013, NuBank was able to build a network of over 15 million users by creating value through platforming and social strategies. Their platform moving away from the traditional Brick-and-Mortar banking system was again a large reason for this success, as they fulfilled their promise to take away all of the unnecessary “complexity associated with traditional banking, and empowering Brazillians to take control of their own finances.” For users who do not have access to traditional banks, or were exploited by banks in the past, this created not only a way for their finances to be handled, but an easy and simple way in which they could be satisfied. Their platform also extends past online banking and creates an extensive rewards program to incentivize loyalty which leads into their long tail value, incentivizing not only users to continue to use them but also attracting more users, increasing their network effects once again.

More specifically than just appealing to unbanked or underbanked populations, NuBank particularly appealed to the millions of Brazilians who could not or did not have access to specifically the country's top 5 banks. They offered similar services, such as the NuBank “Purple Card” for the people without this access. This is a credit card that alleviated the massive interest rates upwards of 400% that people would experience while using other cards12. With the additional simplification and eradication of hidden fees, the card became a seemingly overnight success. It is now the 6th most used card in all of Brazil, highlighting the value that they were able to create. After the success and the clear need for banking alternatives, NuBank jumped at the opportunity to create high interest savings accounts (NuConta) which customers can easily use to pay bills or transfer money. Recently it continued its offerings by adding direct deposit to simplify paychecks and even made ATM withdrawal possible. Once the card systems were fully operational and the user base was growing, they tackled other traditional banking services. These include digital accounting to better manage money, personal loans, and even digital accounts and loans for small businesses (NuConta PJ). All of this was done at reduced price for the users, because of the reduced costs associated with being completely digital. They were able to better accommodate their users by changing the way loans were done, with full transparency, users can check up on dates and amounts at any time. They are able to use simulations from the app to project costs, pay at any time without fees.

The final component of their platform pertains to the means by which they attempt to maintain the users: an active and extensive rewards program, which was mentioned before. Users gain points as they use their cards or the online app, and unlike other rewards programs they promise no challenge using the accumulated points, no expiration, no solicitations, and use of rewards where people want to use them: Netflix, “iFood”, Evino, amazon, and music streaming services. This is a very similar platform to most banks that are currently out there, their key difference is that they are completely online and have operationalized internally a new system of risk management with AI. Consumers now only are not getting value from having their basic banking needs fulfilled, but also are gaining additional value with even more reasons to stay on with Nubank.

Long term, Nubank is trying to achieve the highest number of users possible. Their digital nature allows them to work with many network effects- the more people who have it, the more valuable it becomes as features like money transferring become more valuable, as well as the fact that more people will know about it overall. They do have the specific markets that they target, again those being underbanked and unbanked people specifically in Latin American nations, along with young people attracted to their digital nature, however to capitalize on their network effects and branding, they will accept all users. Their platform and integrated data analysis abilities, mentioned later, allow them to mitigate their risks serving traditionally risky banking consumers as well- meaning that they do not even have to turn away customers that other banks might be hesitant to serve. There are some language barriers for the service currently, limiting their acquisition of more and more users to certain geographic areas, however our recommendations address that point as removing these barriers will allow them to continue acquiring as many customers as possible. By leveraging their reduced costs by being online, they can promote new users joining. Reduced fees, removal of hidden fees, and simplicity of online banking entices new users to come over, particularly in their target markets. Nubank has succeeded in disrupting the banking system in Brazil through a changing mentality on industry standards. By fusing fintech and banking, they have created a system where the user can afford to have credit, loans, and savings accounts, ultimately shaping a positive view on digital financial services when compared to traditional banking, and their data science capabilities is a large driver of this success.

### Nubank & Data Science

As mentioned previously, Nubank’s value proposition comes in the convenience of their service as well as the low cost structure they are able to provide. In order to make online banking as simple and effective as possible for the population they are serving, Nubank has hired data scientists to develop different models that make automated decisions regarding their clients. These models ensure that people can use most of Nubank’s services for free, as their data analytics mitigates the risk of customers they give credit to, as well as allowing them to target consumers who will increase their revenue, spreading costs out over a larger population. The user only has to pay if they want to make a cash withdrawal from their account.

#### Credit Card Application Model

All new credit card applications are reviewed by an automated model that gathers available data from the applicant and divides them into three categories: green, yellow, and red. Green applicants are the ones that are automatically approved and will receive a new credit card in the period of a week. Yellow applicants are the ones that need further review and might get approved to receive a new credit card in the next 90 days. Red applicants are the ones that have been automatically rejected and are not eligible to receive a new credit card. Red applicants can submit a new application after six months. While all banks have some system to authorize users for credit cards and monitor risky users, Nubank’s data analytics approach allows them to mitigate risky customers more accurately, which is particularly important to them as they try to expand to as many users as possible. Their system is also unique in that they are able to communicate the result of the applicant easily and quickly, a feature unique to their digital structure but also providing value in its simplicity as many users are used to complex banking systems and bureaucracies that are hard to understand.

#### Credit Limit Model

Nubank also has to ensure that all of their customers have a satisfactory amount of credit. This means having a credit score that is not too high that they do not use most or all of it and not too low that they cannot use the credit card to pay for their monthly expenses. Nubank implements models that take into account the client’s monthly expenses and credit score to create two ways that the client can increase their limit. Proactive credit is automatic increases that happen over time that take into account how much the user has been spending over the past month. For users with a good credit history, the reactive credit model is used to reserve a determined amount of money that is automatically approved when the client requests an increase in credit limit. This form of credit building along with other monitoring techniques allow Nubank to create a feedback and monitoring system that prevents the company from losing money from users that spend more than they earn in a month. This is important to their business model, as managing their customers in this way allows them to reduce their costs as fewer customers default and they do not have to underwrite as many costs, and they can then share those savings to their consumers, allowing them to have their valuable low cost structure.

#### Loan Lending Model

In 2019, Nubank started testing loans for some users. For the customers that were eligible to get loans from Nubank, the feature appears automatically on the app. This was important in continuing developing their brand as a technological, digital bank able to provide the same services as traditional banks. Before getting a loan, the user can run simulations to see exactly how much each installment will cost and for how long the user will have to pay them for. The monthly payments are done automatically as long as the user has enough funds in their Nubank digital account to pay for the installment. However, if the user chooses to pay the installment before the due date, discounts are applied to the bill. Again, data science was key in this to allow Nubank to focus on which consumers to offer the loans to, mitigating the risk of defaults from consumers, and it allowed them to communicate who was eligible in a simple way, maintaining their value offering of being a simple and easy to use service. Moreover, by allowing the user to see exactly how much they would have to pay each month, Nubank reaffirms its commitment of being a completely transparent banking institution, with no hidden fees for its clients.

### Firm Level Strategy Analysis

After analyzing why Nubank is so attractive to much of the population that they target, we can begin the analysis of Nubank’s strategy by analyzing how they have captured their value creation thus far. Due to the innovative offerings and focus on data analytics aforementioned, it is clear that Nubank pride themselves on being a technologically advanced company. As further evidence to this, Fast Company named them the most innovative company in Latin America in 2019, and their brand identity is tied to this innovation as well as their ease of use.

We mentioned the markets that Nubank is focusing in on before, and it is visually represented in the exhibit to the right. Currently, they serve a narrow market- focusing on the unbanked and underbanked in Brazil and adjacent Latin American nations. While they do appeal to all users potentially, they are particularly valuable, again, to those who have previously been exploited by traditional banks or those who have had no access to banks at all. More interesting then their current market focus, however, is their desire to expand into broader markets. The populations they target to serve exist internationally, not just in Latin America, and they have been trying extensively to expand into other nations, such as Mexico, and serve similar populations there. They also are using their brand identity of being a technologically driven company to attract a broader demographic of users, particularly millennials. This expansion fits their goal of acquiring as many users as possible, expanding their brand and capitalizing on the network effects associated with doing so. As mentioned before, they are an obvious cost leader in the industry due to their low cost structure and no hidden fees, and due to the fact that this is one of their features providing the most value to consumers, they have no plans to change this aspect of their strategy.

Due to their current strategy and offerings, Nubank will be able to sustain a competitive advantage if their early successes are any indication. Fintech competitors are starting to emerge, with a similar focus on technology and similar payment structures. This includes competition in areas they are hoping to expand into, such as Bankaool in Mexico13. However, Nubank created a first mover advantage for themselves through their brand recognition. They are emerging as an industry leader in the fintech arena, and competitors will not have the brand name and recognition that Nubank has to achieve its economy of scale. This has allowed Nubank to gain a footing in Mexico and an advantage over competitors there, and they should see similar results in other expansion efforts due to their first mover advantage. They will have to continue to innovate and adapt to maintain this, however there is no indication that they cannot do this. They will be able to maintain their current cost structure as they expand, as their digital structure and cost advantages will not change, and they may actually be able to pass more savings onto consumers as they expand, due to capitalizing on their economies of scale.

If we look at their resources through the VRIO model, it helps further highlight their ability to maintain a sustainable competitive advantage. Their brand, technology, and innovative culture are the resources of Nubank we will analyze through this model. These resources are valuable, they are key for a fintech company to differentiate themselves in the industry and create value to consumers. Their fast adoption rate and growth rate are evidence for the value that they provide. They are rare, Nubank was viewed as such an innovative company because other companies were not implementing their level of data science, and these resources that they are implementing to make this possible are not accessible by other firms that have built in models and ways of doing things. This was imperative in Nubank emerging as the first fintech banking service in Brazil. They are hard to imitate. Other companies are trying to, but Nubank, as a first player in embracing this technology, has built a brand and reputation for innovation that cannot be interrupted by a duplicate. They have the network effects other companies cannot build, and they have a name users will recognize and want to sign up with due to their brand they built. Lastly, Nubank has organized and leveraged these resources to make a profit and value, evident in their fast expansion and their massive 10 billion dollar valuation in such a short time period. These resources will be important to levy in our recommendations that center around their expansion into other areas.

Overall, Nubank’s current strategy is tied very closely to their value proposition. Their innovation and data science capabilities allow them to operate as a cost leader in an industry where that alone provides huge value. Their capabilities, offerings, and brand have allowed them to gain a sustainable competitive advantage, and their being a first mover has also allowed them to capture key markets before competition emerges. They are also able to offer value to their target markets through their convenience and simplicity, and they are working to expand these offerings to a broader market. These expansion efforts, coupled with specific improvements to focus on in terms of their services, are the keys to our recommendations.

## **Recommendations**

Taking into consideration the whole analysis made, the team believes that the best next step for Nubank is to expand to additional countries in Latin America. More specifically, we believe that the company should continue its expansion in Mexico and once it establishes itself in this country, move on to the Carribean. This recommendation is mainly due to the fact that Latin American countries have a younger population with an average age of 31 years old14 who are traditionally an age group that is technologically savvy. Additionally, Latin America and the Caribbean have a population where 55% have access to the internet and mobile phones as of 2018, this number is continuing to grow. These regions also have banking oligopolies that charge rates anywhere between 36-400% on credit cards and loans15 Nubank can offer rates of less than half the regional average in different regions because of their digital nature. The established incumbents do not seek to improve their offerings or systems because it is what they rely on for profitability. Finally, Mexico has the highest population of unbanked people in the west hemisphere at 130 million16 making the country a very attractive market.

There are competitors in these regions, particularly Mexico, who has been named the battleground for fintech as they have such high numbers of unbanked people17. However, Nubank does have their brand recognition derived from being a first mover in Latin America. We would recommend they advertise extensively on their proven name and track record in these areas to win future consumers trust over competitors who have not been established in other areas. There is relatively no competition in other South American countries, so Nubank should not ignore these nations, however we think that Mexico provides a larger overall budget and competition is starting to develop more heavily there, making it imperative for them to permeate their market early. It is for this reason that we are focusing our recommendations away from South America, which we believe Nubank will permeate over time, and recommend they focus first in their continued efforts in Mexico and later the Caribbean. There is little competition in the Caribbean, so this expansion can be delayed as they allocate their resources to Mexico. Mexico provides Nubank with another advantage, its proximity to the United States and the large overall population of the country in general.

Therefore, we recommend they begin long term planning of eventually expanding into certain states in the US that have a high Hispanic and Latinx population, as well as target Portugal for a potential entrance into Europe. This is due to the fact that there is a natural migration from Mexico into the US, and the language and cultural roots of Nubank from Latin America will be familiar and attractive to these populations. The expansion into Portugal is also due to the language similarities and the fact that many Brazilians choose to immigrate to this country, but also its adjacency to Spain. Long term, the service can expand into Spain as, by that point due to their expansion into Mexico, they will have a fully operational Spanish version of the service. This is an interesting region because the expansion into these more developed nations will be different - there is not as high a population of unbanked people in the United States or Portugal. They will have to market on the ease of use and convenience of their products for these areas. Moving into these nations is a more long term recommendation, however they should begin transitioning some of their marketing efforts to appeal to more general users in preparation for this expansion. As they make this transition, they should also focus on their ease of use to potentially draw in older markets, as they are already appealing to young users who are confident in their ability to use a digital service.

The expansion into the United States should be prioritized before Portugal as this expansion could be facilitated by the fact that Nubank could offer services that make it easier for these communities to transfer money to their families in Latin America if they all were Nubank clients. As Nubank solidifies their standing in Mexico, we would also recommend allocating additional research and development money to ensuring these international transactions are easy and seamless, as this could be the backbone of beginning to market into the United States.

In order to make the company more globalized, another key recommendation is the necessity of making the service available in more languages, especially in English. As they have expanded into Mexico they have developed a Spanish version of their service, which shows they have the internal capabilities to do so. English should be a priority for the aforementioned migration into the United States, as well as the fact that many Caribbean Islands speak English as either a first or second language. We would recommend they make this language transitional priority a department within the company- many Carribean islands speak French, so that should be a priority, and if Nubank enters Portugal they should have a department ready to translate the service into any language there so that it can expand naturally throughout Europe as well.

Aside from expansion efforts, we also recommend Nubank to pursue lead users in order to improve their services. They are still a relatively young company, and as they expand into other nation’s their ease of use will be one of their largest marketing points. They should ask what lead users in all different nations are looking for, as well as survey users currently using their product and ask what they would like changed or improved upon. We would also recommend, due to their extensive data science department, introducing an AI system that can track the user’s use of the technology and see any points where users seem to struggle with. They also should invest and continue to develop their security systems. Nubank has had no issues with hackings or breach of privacy so far, but it would only take one hacking to release millions of credit card data and make people hesitant to trust them again. As they expand, this need to protect data and information will increase as the risk of someone hacking them or gaining access increases.

We would also recommend Nubank continue to develop digital services similar to ones existent in physical banks. One of the largest drawbacks to Nubank is the lack of face to face services that physical banking locations can provide. While depositing a check is virtually the same whether it happens digitally or in person, asking questions about a loan or seeking financial advice is harder to do digitally. This will be especially true as they expand internationally and deal with more languages. One way to address this is for Nubank to set up customer service centers in the unique regions they expand into, with these centers understanding the culture and differences and language in the region and more suited specifically to help those users in that region, to provide quality customer service internationally. Nubank should also continue to develop their AI, and introduce a feature similar to Bank of America’s Erica that can interact with a user and answer any questions they have. Nubank should also focus on expanding their offerings in regards to financial advice and recommendations, either by introducing something similar to a blog on their app and website or by hiring specialists to take questions over a chat room or through phone call. As they make these improvements and recommendations, they should be doing so in multiple languages, starting with Portugese, Spanish, and English, as the infrastructure of the company moving forward will have to center around being truly international. We are not recommending that Nubank open physical branches, as this would undermine their technological brand and digital advantages, this recommendation targets specific programs and services they can develop digitally to mirror and replicate those that are traditionally offered at physical locations.

Overall, Nubank has had tremendous success thus far by providing value to unbanked populations of Brazil through a variety of services that mirror a traditional bank. Their current strategy has focused on utilizing their value proposition to capture their narrow market in one nation and serving specific needs before eventually expanding into a broader market. This expansion is where our recommendations focus, as we agree with this strategy and recommend they are deliberate in the geographic locations they choose to go into and are conscious of the language and cultural differences existent in these different regions. Beyond their expansion efforts, we also recommend certain marketing transitions, which will also aid in their transition to new markets, as well as key services and features to focus in on, such as financial advice, security, and AI. Through these service improvements, as well as their international expansion, Nubank can continue their mission of serving different communities easily, conveniently, and digitally.

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