HOW BANKS CAN BUILD Generational Loyalty Through Apps

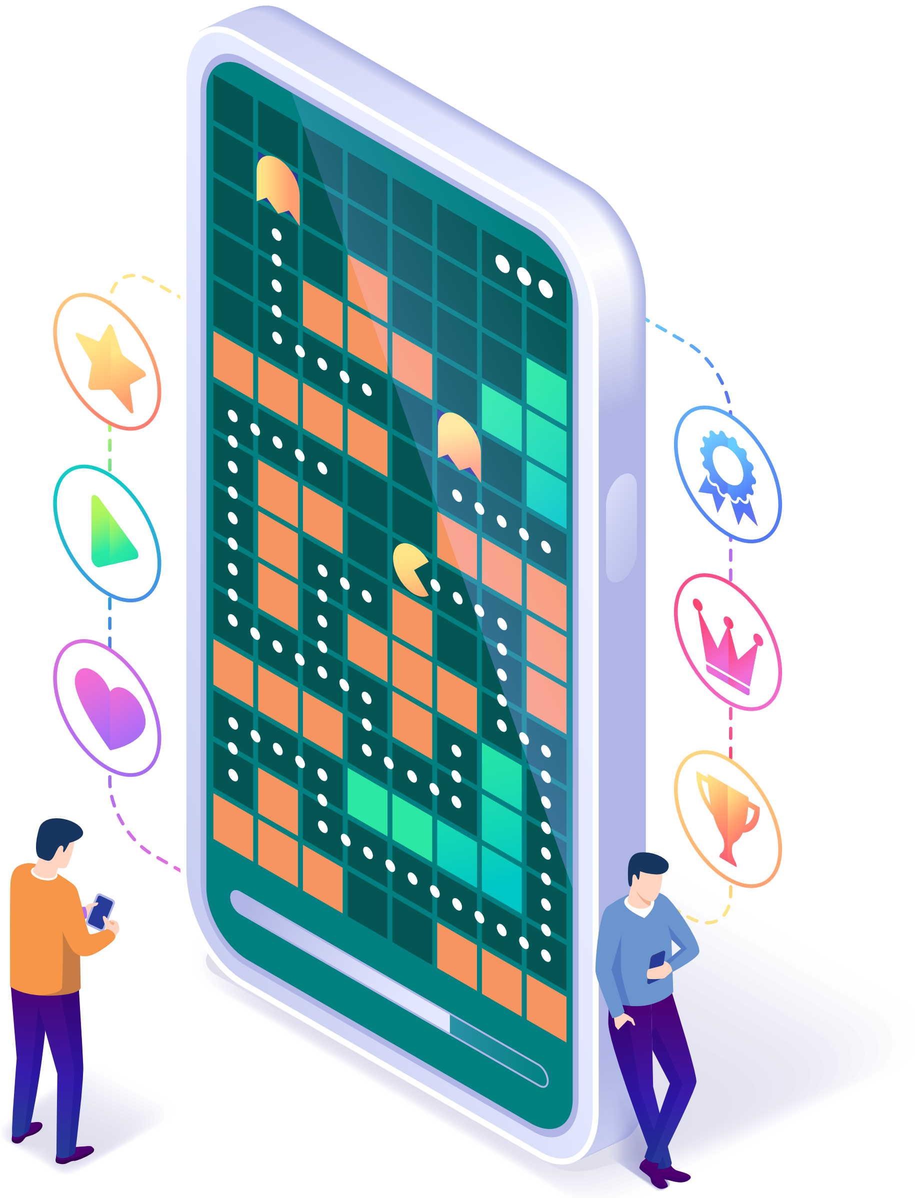
The business of finance is a crowded one these days. Traditionally, banks have enjoyed a near-monopoly in the sector due to a combination of tight regulation and long histories. These days though, challengers from the technology sector are disrupting consumer banking and have caught many big banks wrong-footed.

Back in 2017, a survey conducted by PWC revealed that 88% of banking leaders were concerned about losing business to standalone fintech competitors. It's safe to say that this trend has remained in place. JP Morgan CEO Jamie Dimon's 2021 letter to shareholders highlighted how big banks are facing increasing challenges from the fintech world.

How can traditional banks combat their new challengers? Integrating fintechs into traditional banking environments is one solution, albeit an expensive one. A better long-term solution would be to take a leaf out of the fintech playbook and focus on building generational loyalty instead.

Here's how banks can achieve this goal.

Offer Gamified Experiences



Children are usually underserved by the banking sector. Thanks to being dependent on their parents and older children not having credit histories, this demographic typically isn't the average bank's focus. However, children's bank accounts and apps offer a way for banks to build lifelong loyalty.

A few banks have offered savings accounts to children by linking them with their parents' bank accounts. However, a digitized age demands creative solutions. Every fintech app focuses on increasing user engagement, and one of the easiest ways to do that is to gamify a user's experience.

For instance, an app that offers you rewards and helps you chart a course through it will keep you coming back for more. Compare this to a traditional bank app that merely lists a string of numbers in bank accounts, and it's easy to see why there's a lack of appeal in them.

Banks can offer features such as allocating money into pots, goal setting, and rewards tied to those goals. For instance, a child can create a goal to save $50 in 6 months, allocate a part of their allowance to this goal pot, and receive a cash bonus or discount upon purchasing with the bank's retail partners.

Another option is to build a visual UI that allows kids to build their goals on a screen and move digital cash from one goal to another by dragging and dropping icons. All of these features will keep kids engaged and build brand recognition that will serve the bank well over the long term.

Appeal to Parents

Financial literacy is a sorely needed skill these days. A 2018 study by Northwestern Mutual found that 43% of U.S workers foresee outliving their pension. Schools and universities have begun addressing the problem, but the truth is that good habits take a long time to build.

Banks can offer financial literacy apps tied to children's savings accounts. For instance, a savings account can come bundled with a budgeting app and a children's debit card. Parents can allocate money from their bank accounts to their child's account, thereby removing the issue of physically handing over pocket money.

Once in the app, the child can create spending categories, view percentage spends, and remaining budgets. Paired with helpful videos and fully integrated parent and child bank accounts, parents will undoubtedly appreciate the intent behind the app.

By offering debit cards linked to savings accounts, parents can monitor their children's spending habits while allowing them the freedom to choose what to buy. These cards can come pre-loaded with features that prohibit purchases of products like alcohol. Additionally, parents can enforce spending limits on items such as games and clothing, or any other category they can think of.

The result is a well-rounded financial literacy experience that benefits children and helps them remain the bank's customers once they become adults.

Create Visual Experiences

Every app these days comes with built-in analytics dashboards that help users understand their consumption patterns. For instance, activity trackers have built-in sleep monitors which help consumers track their patterns. Personal spending apps offer the same functionality and help users expose trends in spending they might not be aware of.

Children are exposed to analytics on these apps from an early age. The challenge for banks is to create visual and highly interactive dashboards that can complement the gamified experience that their apps offer. For instance, a child might create a pot or a goal to allocate money to and might want to discover how they can increase their pot size efficiently.

By tying personal budgeting tools, money earned from interest, and other spending data, visually rich dashboards can help children learn good financial habits. They can also offer a feeling of fulfillment upon completion of a goal.

In addition, parents can monitor their children's spending habits easily and determine further action. A great user experience these days begins with analytics tied to visually rich dashboards, and banking apps are no different.

Social Budgeting

Peer pressure is a constant feature of a child's world. Why not use it to enforce good financial habits and build in-app engagement? Every social platform and app these days allow their users to share content and discuss information freely.

A bank can increase engagement and attract new users by allowing kids to share goals with their social network and build incentives to drive further engagement through the gamified experience. For instance, upon achieving a goal a child can share evidence of their reward (a discount coupon or additional cash) to Instagram or TikTok. This will incentivize other kids in their network to do the same.

While the prospect of children boasting about how much money they saved in a month might be a bit unrealistic, there's no doubt that incentivizing such behavior by offering tailored rewards is the way forward. Social sharing offers additional incentives to follow through on these actions.

The result is greater in-app activity that helps banks build a deeper database of their prospective clients. Once the child turns 18, the bank can reasonably predict that individual's quality as a customer thanks to a wealth of historical data. Banks don't have to rely on credit scores or billing history to determine customer quality anymore.

In turn, an 18-year-old who receives approval for credit from their bank will naturally feel greater loyalty towards them than another bank. After all, the other bank doesn't have the person's historical data and cannot arrive at a well-informed decision. Thus, the bank that offers children's accounts can differentiate themselves from their competitors easily.

Offer Creative Rewards

Banks have long offered goodies to kids to incentivize account opening. Typically, these rewards have been a physical piggy bank or perhaps a t-shirt. These days, the best rewards are digital, and banks have to rethink how they offer them.

For instance, banks can offer kids a wide range of choices to encash their rewards. Their options can include redeeming gifts at retail partners of their choice, receiving cashback, or additional bonus deposits. Tiering rewards will also offer kids incentives to keep returning to the app and monitoring their progress.

Achieving a goal can unlock more features within the app, such as a higher interest rate or free cash deposits, and so on. When paired with a visual dashboard that maps the user's journey, in-app engagement will increase considerably.

The Future is Now

Children have never been traditional customers for a bank but given the competition that traditional finance models are facing from fintech challengers, banks must think about customer retention and acquisition over the long term.

Building loyalty is easiest when there's great value on offer, and children's banking apps have the potential to change the way a bank acquires its customers. Given the long-term advantages for banks, following the steps outlined in this article is a no-brainer.

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