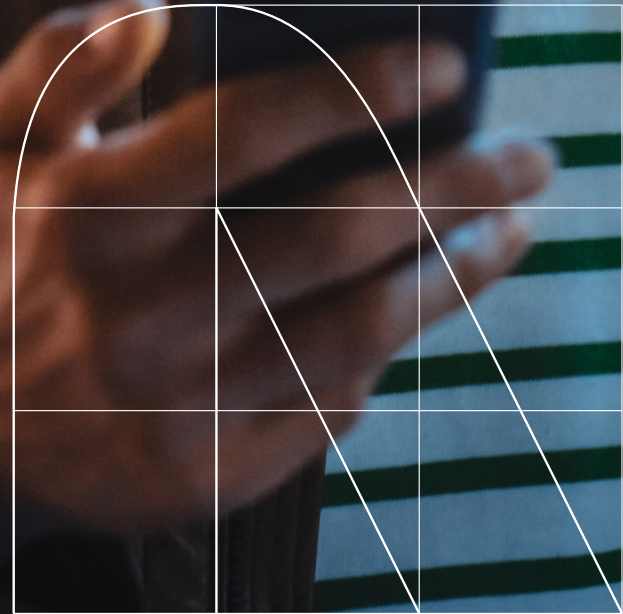# NTT DaTa

Retail Banking | 2024

Banking apps in the age of Consumer Duty.

What customers are saying and what banks should be doing.

Less talk.
More
apption.

If you are involved in the planning, development, and management of banking apps for customers, you are at the very heart of an industry that is changing faster than ever.

Banking apps are increasingly important for three key reasons. First, they are a natural part of the digital transformation of banking, a move that is streamlining operations and reducing costs. Second, they are essential as a customer channel and a key influence on maintaining the loyalty of existing customers and helping secure new ones. But there is also another, increasingly important reason as banks aim to comply with regulations that are more principle-based than prescriptive, such as Consumer Duty.

There is a new onus on banks to make it easier for customers to pursue their financial objectives; banks must act in good faith, avoid foreseeable harm, and support all types of customers, regardless of their level of financial education. And since apps are such an important part of the customer banking experience, the choice of an app development partner is key in meeting this objective.

With our telco roots, NTT DATA has a long track record of providing the right consumer experience directly to millions of customers. We have built on this and developed retail banking expertise. We combine it with a practical understanding of app design, technology, and data governance.

In short, we know what works in the world of banking apps and how to make it happen.

The aim of this guide is to bring together current research with our own advice and expertise. Over the next few pages, we will present findings from a comprehensive consumer survey conducted by independent research specialists YouGov in December 2023. These findings show what UK banking customers currently think of banking apps and their performance – and to this we will add the expert advice of our team on the issues raised by the research. In a single report, we bring you both the current state of play and some invaluable tips on how to respond to emerging customer demands: what users want, and how you can deliver it.

We hope you find it useful.

NTT DATA
London, January 2024

Less talk. More apption.

Banks invest a lot of time in discussing app development. NTT DATA has become known for getting things done instead of just talking about them. Making progress instead of just making noise. Hence this useful and concise guide full of practical tips and ideas that you can apply immediately.

Five ways to build better banking apps.

What you will learn from this report.

When a customer uses a banking app, it's because they have a task to do. Checking a balance, making a payment, managing their finances. If the app is useful, it will enable them to complete the task and get on with their day.

In the same spirit, this report brings you five areas of useful, actionable insight. We take five issues highlighted by our research, we share some of the key findings, and give our expert analysis on what they mean. This is not an academic paper. Like your customers, you have a job to do, and we have created a report that concisely gives you insights that will help you to do it as quickly, conveniently, and efficiently as possible.

About the YouGov survey:

The aim of the research was to identify what customers love and hate about banking apps and was conducted in December 2023 via an online survey using YouGov's nationally representative panel. The survey provided a final data set of 1,708 respondents who are 'regular users'* of banking apps, and is divided into three sections:

1 Problems users experience with banking apps.
2 Benefits of banking apps.
3 What future features users would like to see.

* All UK adults who use the mobile banking apps at least 1-3 days a month. Participants were selected regardless of their bank, and NTT DATA was not identified as the sponsor of the survey.

1.

Role of the app

What is the banking app there for, and how has this changed?

2.

Getting the basics right

What are the real, everyday requirements and how well are we meeting them?

3.

Features

Do users want sophisticated features? If so, which ones?

4.

Vulnerable customers

The heart of Consumer Duty – meeting the new emphasis on financial education

5.

Gathering data

Access to data underpins every aspect of app development: how well do we manage data, and how can we improve?

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The changing role of the app.

In the last decade, the banking app has matured from a useful occasional tool to a central component of every retail bank offering. But are banks evolving in line with their customers? Our research suggests that customers are content with the added convenience of banking apps: For example, 93% of all customers are happy with how it makes banking tasks quicker. But there is clearly still work to do – 22% of customers are at least sometimes unable to complete some banking tasks without using a desktop or calling the bank.
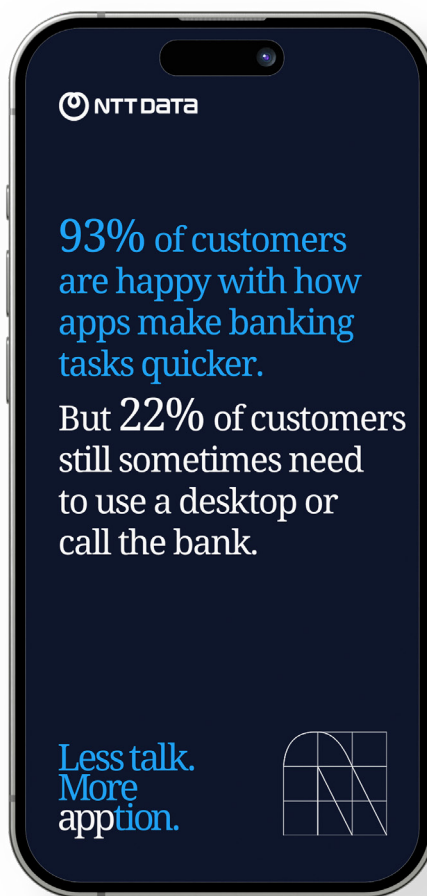
Build apps that are fit for everyone.

"Every bank we work with is determined to make the most of mobile banking. YouGov research shows that 37%* of UK bank customers use their app at least once a week – yet only 2%** visit their branch each week. Indeed, the number of bank and building society branches in the UK dropped by 40%*** between 2012 and 2022. But the fact that 22% of app users still sometimes need to use another channel to perform tasks is a source of concern with all the banks we work with. We expect this figure to change quickly but the onus is on banks to make their apps better, smarter, and easier to use for everyone."

Define your 'digital backbone' first.

We like to think of a 'digital backbone' – we work out what function is needed, what task the user needs to perform, and only then do we look at the way it is experienced on each channel, whether that is app, desktop, branch or phone. This omnichannel approach gives the best results in the long run and supports different segments of customers who have differing needs, however banks should also consider opti-channel approaches where the right channel or app focuses on specific demographics with relative functionalities."

⊙ NTT DATA

93% of customers are happy with how apps make banking tasks quicker.

But **22%** of customers still sometimes need to use a desktop or call the bank.

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Avoid replicating complexity.

"Conway's Law of Design states that any app or software system tends to mirror the structure of the underlying organisation. We see this all the time: banks may say that their apps have been designed from the ground-up, but the truth is that they usually follow the processes already used within the company. So, is an app there to help

the user perform a task? Or is it there to reduce traffic through traditional but more costly channels such as physical branches? If this sounds familiar to you, it's because we often see this in large banks with complex, time-honoured processes – and it is made worse by the huge amount of legacy tech still in use. The newer start-up banks, by contrast, are in a better position to shape themselves around the needs of the user – and their apps and systems are often better designed as they have evolved with a digital-first mindset focused on customer needs."

See open banking as an opportunity, not a threat.

"With open banking, we have the ability to leverage data across different products. That is making it much easier to offer all kinds of services from one app. Banks can use customer data to pre-approve where possible for greater customer convenience, and build complete financial ecosystems, aggregating a whole range of financial services, from international payments and insurance to cryptocurrency. This reduces barriers to entry for competitors – but also presents enormous opportunities to develop new app-based revenue streams amongst your own customer base. It also helps deliver the Consumer Duty promise – giving them a clear, holistic view of their financial world."

Use your app to differentiate and win new customers.

"To customers, many financial products appear similar – often distinguished mainly by terms, such as interest rates. As apps become more important, they can be the difference between winning and losing customers. Our research shows general satisfaction with the speed and convenience customers get from their banking app. But if that number falls a little, it can have a big impact on retention."

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Getting the basics right.

Apps can be very powerful and sophisticated – but there are some fundamentals that they need to get right first. More than nine out of ten banking customers surveyed (91%) expressed satisfaction at their ability to manage finances on the go, make payments easily and be in control of their finances. But if you dig a little deeper, it's not always seamless.

One in five users (20%) said that navigation was at least sometimes confusing, while 32% complained that they were at least sometimes unable to speak to an agent directly and 35% felt that security checks were at least sometimes more time-consuming and inconvenient than they needed to be. Are these numbers a source of concern? Do we really think we are executing our responsibilities against Consumer Duty if there is confusion in the journey? What can we do to ensure that our apps provide the everyday functionality in the right way?

Don't be blinded by big numbers.

"Our survey showed that 91% of respondents expressed happiness at the way their banking app put them in control of their finances. 91% sounds good – but is it good enough? Why did the remaining 9%* not say that they were happy? Our experience of banking organisations is that they tend to relax when they see figures like this – whereas we would urge that a continual improvement approach is always necessary."
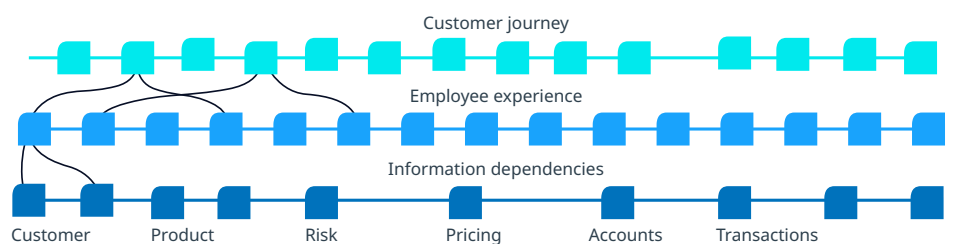
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*Breaks down as follows: 4% are unhappy with the way their banking app puts them in control of their finances, 3% are unaware and 2% do not have access to this benefit

Use pre-authentication to improve all channels.

"We're disappointed that more apps are not more closely integrated with other channels, such as call centres. Once customers are authenticated by the app, they should not have to go through further security clearance with the call centre. This is basically a telephony integration and security issue, and shows that many banks are still being channel-centric, not customer-centric."

Remember the 3 golden rules of service design.

"When you map out the customer journey within an app, we always recommend thinking in terms of three layers: CX, EX and data. First CX – the customer experience – the touchpoints that a customer uses to access a service or to perform a banking task. Then EX: the employee experience and the processes that need to be performed by people and systems within the organisation to make it happen. Then the third layer is data – getting access to the information required. We all know these elements are needed but thinking in terms of these three layers is very useful. They need to work together if an app is going to do what the customer wants."

Customer journey

Employee experience

Information dependencies

Customer   Product   Risk   Pricing   Accounts   Transactions

Move to the next level in app navigation.

"We are seeing a lot of change in the way app navigation is designed. With a growing recognition of different types of users, banks need the navigation to reflect the user's needs. One way of doing this is to allow the app to be personalised by the user. In the same way that users customise their mobile phones with widgets that suit their needs, banking apps can be personalised depending on how they view their finances. This is not about profile pictures and avatars – it's about putting features where people want them for maximum convenience and to suit their level of financial literacy. Not every user will want to use personalisation features in this way, but we've long since known that one size does not fit all."

"AI is increasingly useful in navigation design. Not only can we use it to put the most frequently used functions at the top of each user's home screen, but we can also use advanced large language models to give access to banking services. Different people use different terms to explain what they want. Using advances in Gen AI, customers can ask questions in their own way."

Keep up with biometrics development.

"All banks have to follow PSD2, a set of regulations for properly authenticating customers when they use online services. The built-in biometric authentication within Android or iOS offers strong customer authentication and is compliant with PSD2 – making it the easiest way for banks to build in security and the for customers to log on. But biometrics are constantly evolving and new biometrics techniques, such as voice and iris are emerging that will make apps even more secure and easier to use for all kinds of users."

20% of customers sometimes find navigation confusing.

32% of customers are sometimes unable to speak to an agent when desired.

35% of customers complain that security checks are sometimes too difficult and time-consuming.

Features – giving customers what they want.

While there are certain fundamental tasks that banking apps need to get right, banks are also highly aware of the need to differentiate. Adding new features – as long as they align with customer needs – helps to build awareness of a bank's brand and establish a reputation for innovation as well as helping to retain customers.

It is also important to remember that the novelties of 2024 may be the must-have features of every banking app in a decade's time. So, while innovative features such as third- party API integrations (with other financial institutions) or online stores, are perhaps only attractive to certain demographics in the short term, the banks that develop them first will gain the 'early-mover' advantage, leading to long-term gains in market share.

Think need first, not feature first.

"Many banks start by thinking of a great feature or new technology, and then working out how to include it in the app. What you should be doing instead is asking what functionality is missing and what customers are asking for. Only then should you ask yourself which technology is required. For example, when NatWest learned that 75%* of people want to know more about the environmental impact of how they spend their money, they integrated the Cogo carbon tracking feature in their app."

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Don't be satisfied with only basic personalisation.

"We regularly see that the app experience is influenced by only a few standard data points, such as age, credit score and the products being used. Very few banks try to incorporate anything more than this into their apps, which limits the way the app can bring individual benefits to users."

Prepare for the era of contextual banking.

"Our philosophy is that innovation starts with personalisation. Banks are gathering more and more valuable customer data – the real challenge is to use it to provide new and more useful ways of helping make customers' financial lives easier. The ultimate aim is true contextual banking – which means that the app is dynamically altered according to what matters most to each customer."

"For example, the layout of the app and the language used should reflect the user and their typical financial behaviour – whether this is controlled by AI or actively personalised by the users themselves. Either way, each customer has a unique window into the app, depending on their needs and preferences. The content also changes depending on what is happening in their financial world. Is a payment due in the next few days? Have buying behaviours changed recently? Is it possible to save money on an upcoming insurance renewal? Contextual banking – the combination of artificial intelligence with fully integrated customer data – makes it possible to create an app experience that is more useful than ever."
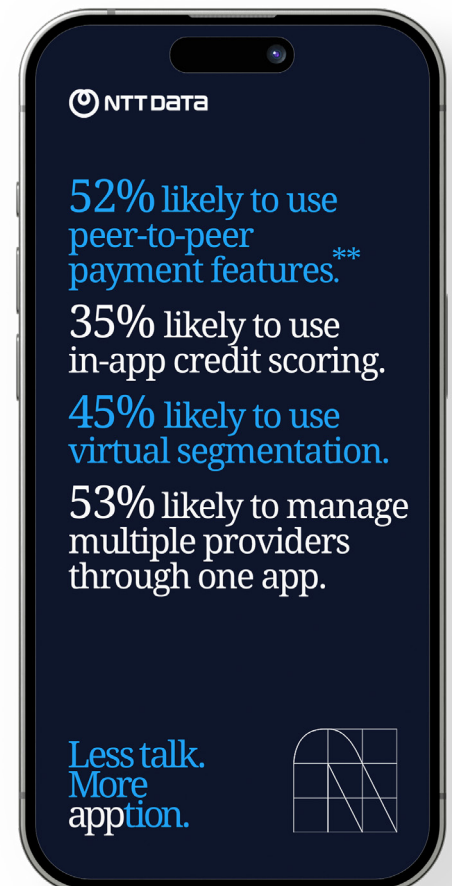
Give your chatbot the data it needs.

"Until recently, chatbots were often seen by customers as a frustrating and rather limited alternative to a real agent. But now AI language models have made them extremely powerful both in understanding customer questions and delivering clear, jargon-free answers. However, banks (and their customers) are often not feeling the benefit because the underlying customer data is not integrated. That's where the bottleneck is now. Unless the chatbot has access to the right data, the smartest AI in the world will still be of limited use to customers."

Consider PWAs and low-code platforms.

"The best way of developing new app features is to work natively on each platform, such as iOS and Android – but it is expensive too. PWAs (progressive web applications) are built using standard web platform technologies, and can then be installed on any device. PWAs are something of a compromise because there are some things you cannot do that you could do natively – but it is sometimes exactly what you need. For smaller banks with lower development budgets, it can be the perfect answer."

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52% likely to use peer-to-peer payment features.**

35% likely to use in-app credit scoring.

45% likely to use virtual segmentation.

53% likely to manage multiple providers through one app.

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* https://assets.website-files.com/6282da6433e6db7b35b86b74/62d7f12d22beba8037d2924e_cogo_Research-Insights.pdf
** Percentage of customers who would use the following features if made available in their banking app.

Vulnerability and financial education. Don't get caught out by Consumer Duty.

Some banks may see Consumer Duty as just another compliance exercise, but we believe this is missing the point entirely. Consumer Duty requires banks to offer fair value to customers, with particular emphasis on vulnerable customers – and as such it is an opportunity to re-examine how banks operate.

The design of banking apps is a central part of meeting Consumer Duty guidelines, and our research clearly shows that some groups are more affected by difficulties than others. It is clear, for example, that younger audiences are more likely to:

- **lack understanding of products and the charges associated with them.**
- **be offered unsuitable products and services.**
- **be unable to complete certain tasks on the app.**

Overall, 44% of customers said they were sometimes offered inappropriate products, which not only risks non-compliance with Consumer Duty – it will also impact customer satisfaction and commercial success in the long term.

Consumer Duty is therefore not just another compliance hurdle; it is an opportunity. It's a chance to re-design the customer app experience, thus appealing to a broader customer base and enjoying the loyalty and commercial success that follows from

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more accurately meeting the diverse needs of customers of all ages and backgrounds.

Do the right thing for your customers.

Banks have to start taking responsibility. They can no longer simply offer products and rely on customers to make a judgement on what they need. The remote nature of modern online banking also means there is often no friendly branch manager to talk customers through the options, so banks need to rethink how they fulfil their true duty to customers. We see three parts to this:

- **Make it understandable.**

"Even though efforts have been made in recent years to simplify documentation, we must go further. However, most content (T&Cs) is still written by technically minded banking experts: they are more interested in making the literature compliant than making it easy for customers to understand. But with Consumer Duty, we have regulatory pressure that is forcing them to think differently, starting with simplifying the language and reducing jargon."

- **Make it desirable.**

"The more forward-thinking organisations realise that it is not enough to offer education; they also need to create the desire to be educated, such as thinking beyond the usual PDF format for content delivery. GoHenry remains a shining case study of how younger customers can be educated via formats that they find more engaging, with snackable stories, videos and quizzes available directly through the app."
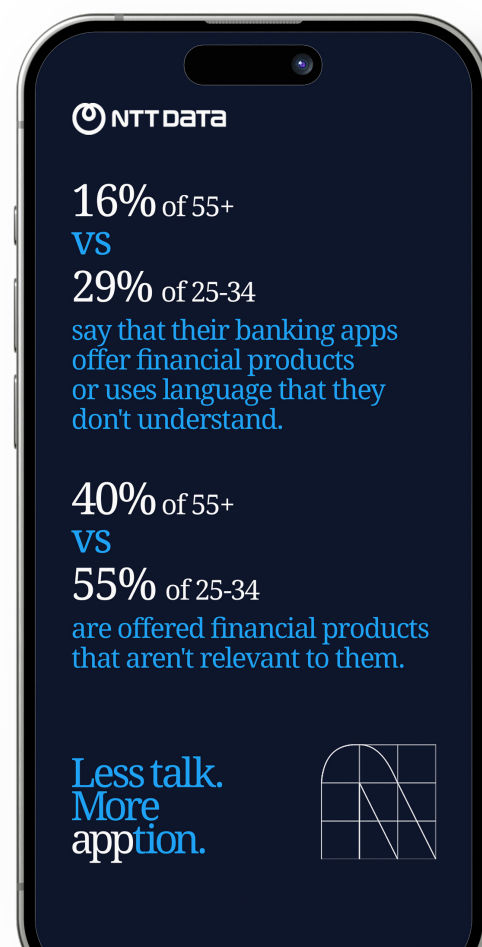
- **Make it inclusive.**

"It's not just about financial education: app design also needs to take all factors into account – including physical impairment and the fact that older customers, for example, are simply not as app-savvy as younger customers. We're proud that our own not-for-profit arm, the NTT DATA Foundation, continually promotes inclusivity

initiatives, such as the Integra-T app that breaks down communication barriers for people with disabilities. This is the spirit of Consumer Duty that banks need to include in their thinking."

Keep it simple?

"It costs money to add something to an app. Therefore, the received wisdom is that adding something gives you more value. But when you're dealing with lower levels of financial education, the opposite may be true. Adding extra options to something that is already confusing can only make it more confusing. The Consumer Duty regulations say you should make all reasonable efforts to 'enable customers to pursue their financial objectives' and 'avoid causing foreseeable harm'. This means helping them to understand the basics before adding extras."

"A feature that estimates your carbon footprint may be attractive to some customers – but may be a low priority for users with less money and lower financial literacy. So the time that you invest in adding this for your app is only going to frustrate and complicate. Once more, the ability to use data to only offer sophisticated features to the right demographic is the ideal solution."

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16% of 55+
vs
29% of 25-34
say that their banking apps offer financial products or uses language that they don't understand.

40% of 55+
vs
55% of 25-34
are offered financial products that aren't relevant to them.

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Gathering data: how do you really know your customer?

In the world of banking, a lot of attention is paid to designing better apps – a challenge recently complicated by the arrival of Consumer Duty regulations. But an unavoidable truth is that apps can only deliver more benefit to customers if they leverage data more effectively – which means banks have to think 'data first.'

21%
of customers at least sometimes don't understand products or financial language.

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Our research suggests that significant numbers of customers simply don't understand the information being presented. While this is a function of financial literacy and we can take steps outlined in the last section to improve financial education, it also tells us that we need robust data in order to direct the right level of information to the right people. NTT DATA has always taken an extremely practical approach to this challenge: good apps can only be built on foundations of good data habits and solid governance.

Unified customer profiles.

"The most successful and forward-thinking banks realise that all channels – whether apps, call centres or the local branches – need to be based on the same 'digital backbone'. And that means they all need to be able to draw on the same data."

"However, banks are plagued by poor data and this is mostly down to poor governance, often because data belongs to line of business, not to IT. As a result, data capture processes are inconsistent and data quality is therefore low. Once captured, it is also often stored in silos. Financial data is usually well managed because treasury has the core responsibility of managing the balance sheet – but customer data is fragmented and difficult to use."

"Consider how you are using Customer Data Platforms to break down the silos of customer data for a unified way to understand and support the customer better, whilst at the same time targeting them with the most relevant offerings. This is essential if you are going to provide truly useful personalised services, such as the way information, products and services are presented on the app."

Don't just use onboarding for compliance.

"Onboarding is seen as just a necessary regulatory exercise, but it shouldn't be. Most banks see it as something they have to do in order to show that they are pre-venting the wrong people from getting an account. Here at NTT DATA, we see the onboarding process as a way to learn more about your customers in order to offer them a more personalised service. Banks sometimes try to ask customers questions about their preferences via push notifications but these are often ignored; if you want to really get to know your customer, you've got to start at the onboarding stage."

Think outside the traditional form.

"Getting onboarding data does not have to be via a form. Banking apps can follow the example of other apps to make the gathering of data more engaging to customers. Using the action of 'swiping right' if you agree with something, for example, can be an effective way to gauge a customer's appetite for financial risk."

Learn as you go with in-app data capture.

"Customer and financial data is crucial. But often overlooked is the data that you gather from the apps themselves. How are customers using the apps? Every click, every swipe, will give you a better understanding not only of what your customers want, but how well you are helping them do it. The more in-app data you capture, the more you can drive optimisation – and we are often surprised at how much of this data gold dust goes uncollected."

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What are the practical steps you can take now?

Since the banking app is now firmly positioned at the heart of the customer experience, it touches on almost all activities of a banking organisation. Every bank will have many different stakeholders – from investment and compliance to marketing and operations – with an interest in its development. In short, it is a huge task.
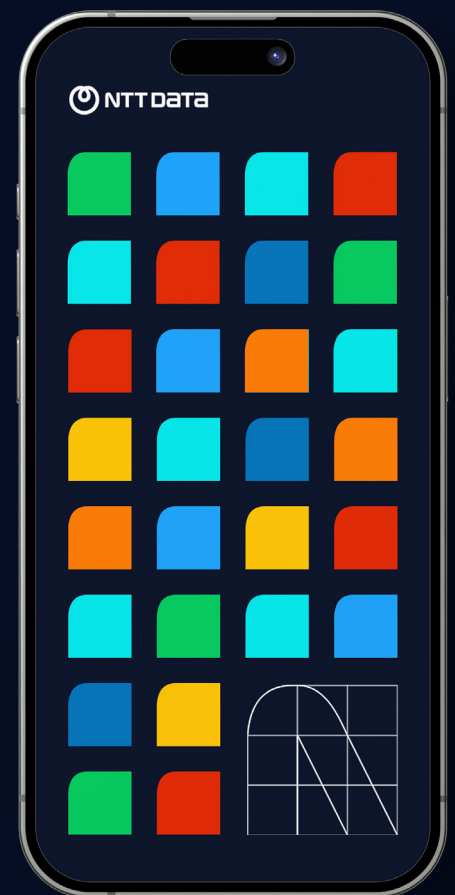
However, our experience shows that the best way to make progress is identify the small steps required to overcome the larger problems. We've worked for many different types of organisation and we are very familiar with the issues of data quality and how that links directly to the benefits that banking apps bring to customers – and then ultimately how this affects customer satisfaction and loyalty.

We bring a practical, step-by-step approach, which helps both in the short and long term. We can help you establish a data strategy that is necessary for the customer-centric, contextual banking that future customers will expect. Yet, we can also use our experience to help you correct more immediate issues, thus making faster improvements and picking up the 'quick wins' that will make a difference to customers now.

Of course, every bank is different, which is why we would like an opportunity to learn more about your specific challenges. We are confident that our banking sector experience, technical knowledge and can-do attitude will help you build apps that satisfy the regulators and delight your customers.

For more information on the practical steps you can take to improve the effectiveness and usability of your banking app, please contact our UK team at...

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