Why financial apps need social experiences

sendbird

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Introduction

The financial services market is more competitive than ever before as new fintech companies emerge to serve financial services niches and large technology companies like Google and Apple expand to offer digital wallets. More recently Facebook offers peer-to-peer payment functionality on top of its large and loyal social networks in certain markets which is only adding to the competitive pressures. The transparency required in this heavily regulated industry means switching costs are low so consumers can easily sign up for competitive services offering lower rates.

In a battle to win customer loyalty, financial apps must evolve to offer more than basic cash transfers. They need to consider opportunities to expand beyond the transaction into a personalized experience that engages and retains consumers.

It's no longer enough to digitize the financial transaction. Consumers expect the interactions that support the transaction to be digital as well, like conversations, financial advising and customer support interactions. In this report, we will discuss why a social experience is essential to the survival of financial apps.
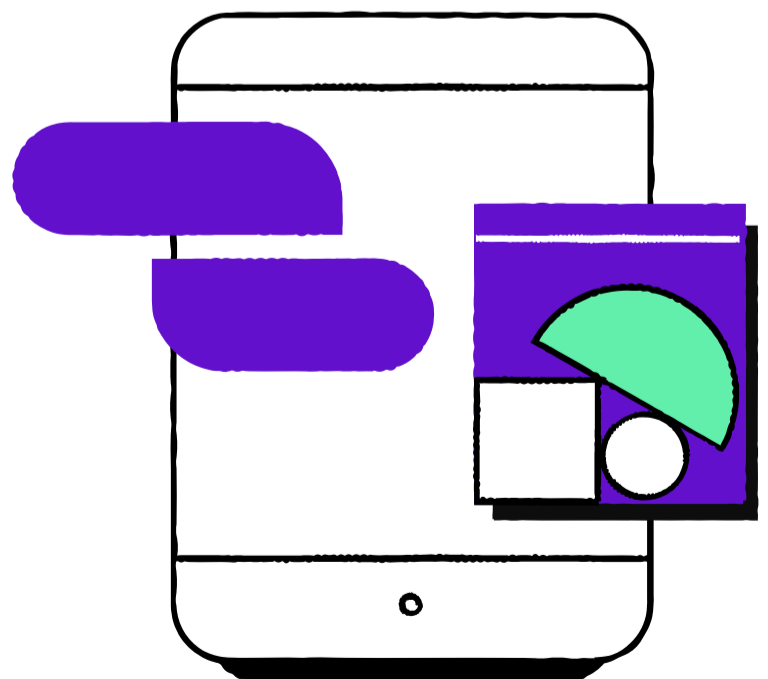
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Financial apps face a loyalty crisis

With the recent acceleration of digital transformation combined with a growing list of new players and services in the financial sector, it has never been easier for consumers to open a new financial account. Hence, more consumers are opening new accounts for specific financial purposes such as brokerage or lending rather than sticking with their primary account. This signals less consumer loyalty which also happens to coincide with a recent dramatic drop in consumer trust.

24% 27%	43% 29%
2018 2020	2018 2020
Opened a new account	**Consumer trust in their bank**
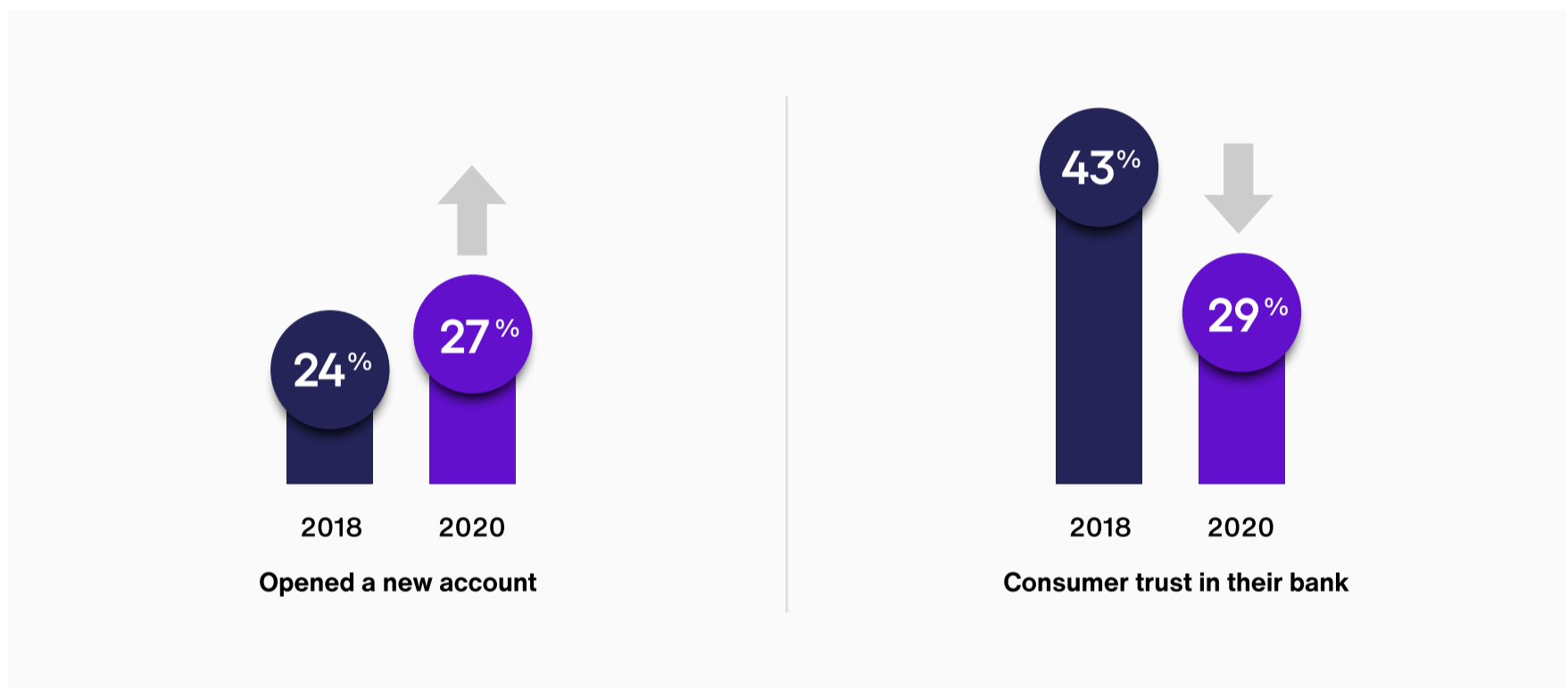
Source: Accenture Banking Consumer Study, 2020

This lack of consumer trust and loyalty in financial organizations makes building strong customer relationships even more challenging for all players in the financial sector.

When it comes to switching financial service providers, younger consumers say they can be swayed with a better digital experience such as a mobile app that supports activity and interactions that typically take place at a branch.

60% **72**%
Gen Z **Millennial**

would leave their primary provider if they found a bank or credit union with better digital services.

Younger consumers also say they are open to banking with new, nontraditional players like Apple, Google, Venmo and Facebook.

62% **80**%
Gen Z **Millennial**

would consider banking with nontraditional players.

Source: BAI 2021 Banking Outlook

These digital wallets and payment solutions certainly have a lead in the mobile, social payment experience youth now expect. The question remains if newer entrants like Facebook with Facebook Pay and Novi will emerge to earn the trust and loyalty the traditional banks have historically enjoyed.

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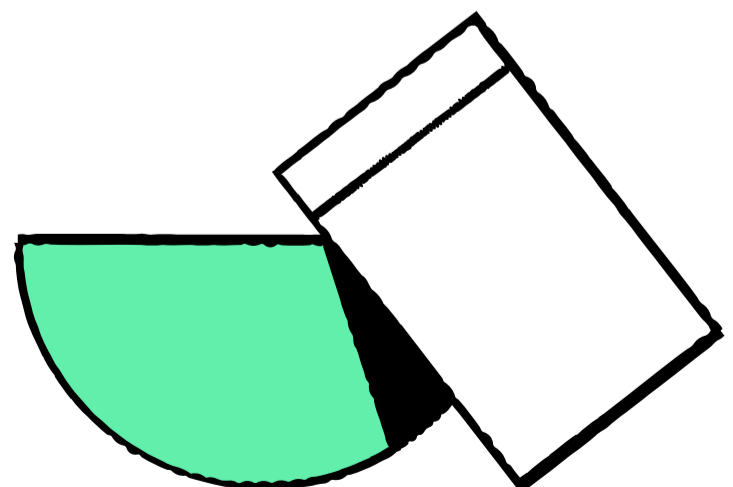
The costs of not building loyalty

According to Bain & Co., increasing customer retention rates by 5% can increase business profits by anywhere from 25% to 95%. That's because return customers tend to spend more with a company over time and as they do, the business' operating expenses decline for that customer. Return customers are also more likely to refer others to your service. Customer retention also pays off quicker than customer acquisition. A well-cited stat from Lee Resource Inc. reports that it costs five times more to acquire a new customer than sell to an existing one. Financial services organizations that do not offer a customer experience that engages consumers in a way that builds trust and loyalty have a lot to lose.

Increasing customer retention rates by 5% can increase business profits by 25% or more

$+5^{\%}$ $=$ $25\text{-}95^{\%}$

Customer retention rates

Business profits
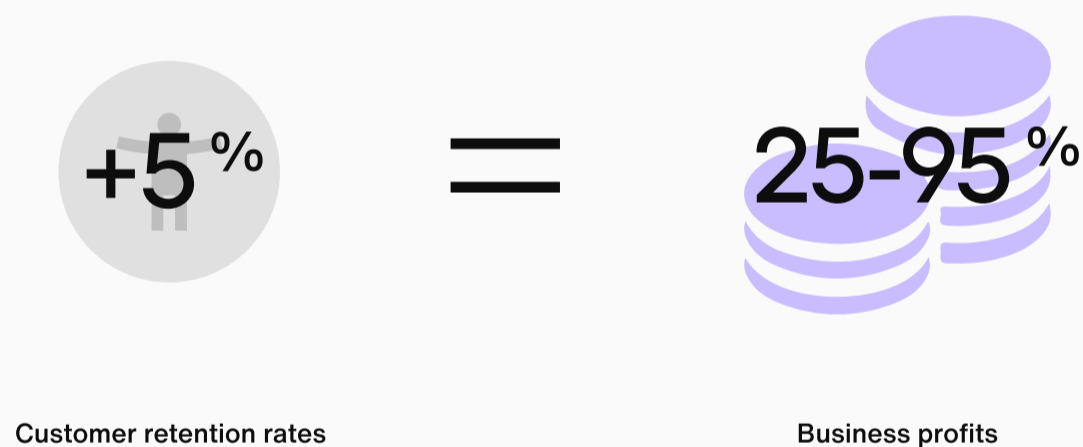
Costs 5X to acquire a new customer than to sell to an existing one

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5X

$$$$$

Keep existing customer

Attract a new customer
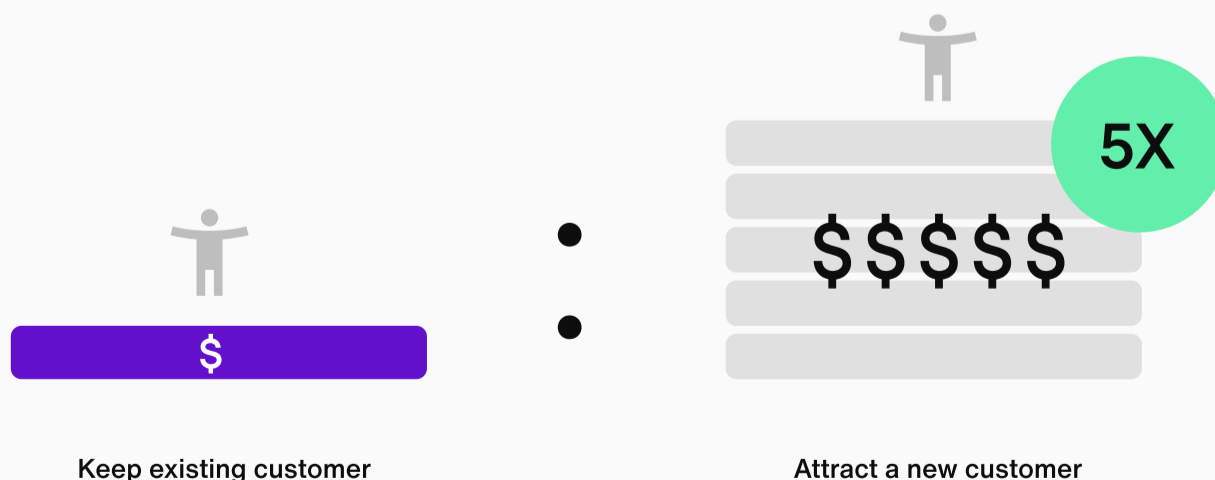
The benefits of engaging beyond the transaction

Financial apps that only support the transaction are at-risk for commoditization. The way to differentiate your service is through a more compelling customer experience than your competitors. Research studies show social experience where consumers interact with other people is a key component of the larger customer experience - all of which is positively associated with loyalty in the fintech sector. That's because social experiences create emotional connections with your customers. It taps into a larger human need for social reinforcement.

Fintech companies like Venmo, Paytm and PicPay understand the value of a social experience and have defined social as a key pillar to their strategy. Venmo was something of a forerunner to the social payment experience when it introduced notes and emojis to payments and requests, turning a frequently awkward experience – asking friends to pay you back – into a fun and social one. India's leading financial services company Paytm is developing what it calls "chat powered payments" platform. Brazilian fintech company PicPay allows its users to follow their friends and see what stores they are purchasing from and like the transaction.

> "We've always believed a lot in the power of social interaction.
> From the beginning, we didn't want PicPay to become a tool that people
> only use when they need to do something very specific, like transfer money.
> It was necessary to generate engagement."

Anderson Chamon, co-founder of PicPay

PicPay

Business objectives for social experiences in financial apps

Building a social engagement layer into your app achieves the following business objectives for fintech and financial services companies:

1. **Customer engagement**: Allowing your app users to securely connect and communicate with peers and your organization within your app while transacting adds richness to the overall experience. Embedding chat into your app can more than double the amount of time users spend in your app each session. For example, our customer PicPay reports that socially active users are 2.4 times more likely to continue accessing the platform.

2. **Customer loyalty**: The more time consumers spend using your app, the more they create a habit of using it. Long-term repeat usage combined with a positive social experience leads to loyalty. Customers want to do more than just transact. They want to engage with you, express their opinions, and share their experiences. Emotions (trust, familiarity, belonging and security) have the strongest correlation with loyalty according to research from Capgemini.

3. **Customer lifetime value**: Consumers with high emotional engagement associated with your brand are more likely to buy and spend more on your products and services. Our customer PicPay, for example, found that the network effects from its social experience increased the number of transactions and average spend. The fintech giant reports that users of the social function tend to spend 53% more than users that don't use it.

PicPay users who socially engage in the app spend

53% more than those who don't

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Use cases for social experiences in financial apps

Brands with the most engaged and loyal customers cultivate experiences that have meaning and go beyond the purchase and use of a product itself. Customers of these brands feel they are a part of something bigger. As social creatures, customers crave connection with organizations they do business with as well as connection to other customers of these businesses. That's why adding an engagement layer to your financial application is so powerful.

Here are the top use cases to consider:

Identity-based transactions - Allow consumers and merchants to create a secure and authenticated profile in your app. Identity adds a layer of security in that users can block other users and confirm a person's identity through both the chat and financial institution. This will build trust for peer-to-peer (P2P) and consumer-to-business (C2B) payments. Identity-based payments also allow users to search by who they paid instead of the date or exact amount paid. In other words, users don't have to remember where or why they spent $8.12 at the beginning of August to locate a payment trail like they do with transaction based organization of payments. Instead, they can simply search the name of the friend to find all the details they need about a transaction.

User-to-user chat - In-app chat between users provides the ability to have conversation and context around a payment with a peer or group of peers. For example, a colleague might add a note to a payment, "Thanks for grabbing lunch yesterday. Here's the $15 I owe you." It's the conversation that drives the transaction not the other way around. So why not start with the conversation rather than letting the conversation happen somewhere else? If the conversation happens on a different platform then it's a matter of time the payment will too.

Business-to-user chat - Consumers often have questions related to a purchase from a business. Supporting in-app chat between the consumer and a business around a payment made with your service engages both sides beyond the transaction.

Allowing questions to be answered by a merchant alongside the payment transaction all in one place makes it easier and faster for consumers to seek the support they need when they need it.

According to a recent [Forrester](#) study, chat through a business's mobile application emerged as this preferred channel among younger consumers for contacting businesses due to its speed and convenience. For example, a consumer might have a question about a recent payment to a merchant. With in-app chat built into the payment transaction flow, the consumer can ask the question alongside the payment. The merchant will be able to respond and all the context is recorded in the app.

Helpful notifications - Proactive messages automatically pushed to customers can bring them back to engage in your application. [Research](#) shows that consumers are more likely to open and interact with push notifications and in-app messages much more than email. These messages can help onboard a new customer or provide helpful tips that improve their experience with you. In-app notifications can also alert customers about an upcoming bill or payment.

Customer support - Your customers have lots of questions. In-app chat enables you to provide immediate answers within the app. Minimize reactive support tickets and phone calls with more timely in-app chat responses to resolve customer questions and challenges more quickly at the point of need.

90% of consumers [surveyed by HubSpot](#) look for an immediate response from brands when they have a question. And this group rates immediate response as important or very important from the businesses with which they deal. [Millennials](#) specifically prefer live chat as a way to contact brands for speed and convenience.

Advisory services - With the growing popularity and familiarity of video conferencing tools like Zoom, more consumers surveyed by [Accenture](#) say they would be more open to participating in video calls with a financial advisor instead of a face-to-face meeting. For customers who want personalized financial advice or guidance without the hassle of driving to the nearest branch and waiting in line, virtual advisory calls that are scheduled and conducted within the application provide a safe, convenient and contactless alternative.

Community - Connecting your users to each other at scale makes them feel a part of something larger. If you provide your customers with access to a community they relate to and resources that make their lives easier, they're more likely to be loyal. Members of highly engaged communities are inspired and fired up by their interactions with other members, and when they're fired up about something, they talk about it. Participating in these communities makes users feel like they're part of something and invite others to join, which can have a powerful network effect on your growth.

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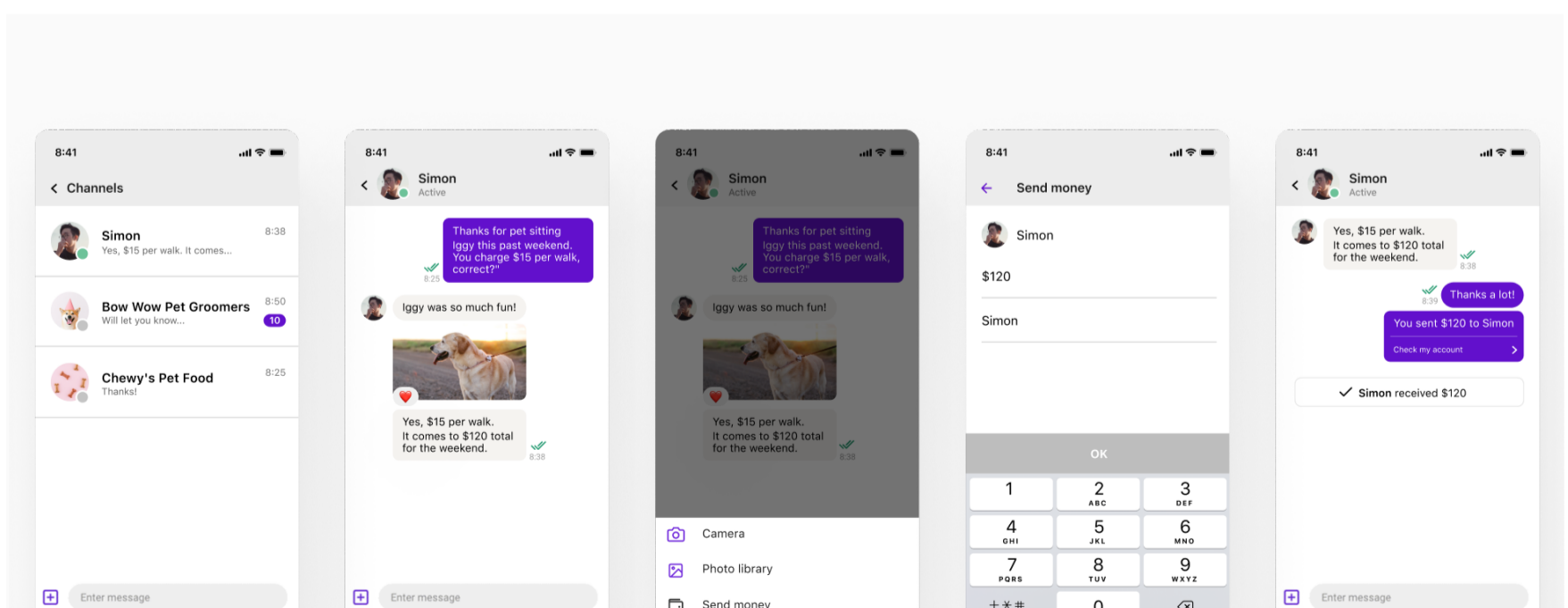# Social engagement features finance apps need to survive

1. Social Profiles

Social profiles give you an idea of who you're paying and makes the payment more personal and human. For the vendor, it's the start of building a relationship with the customer.
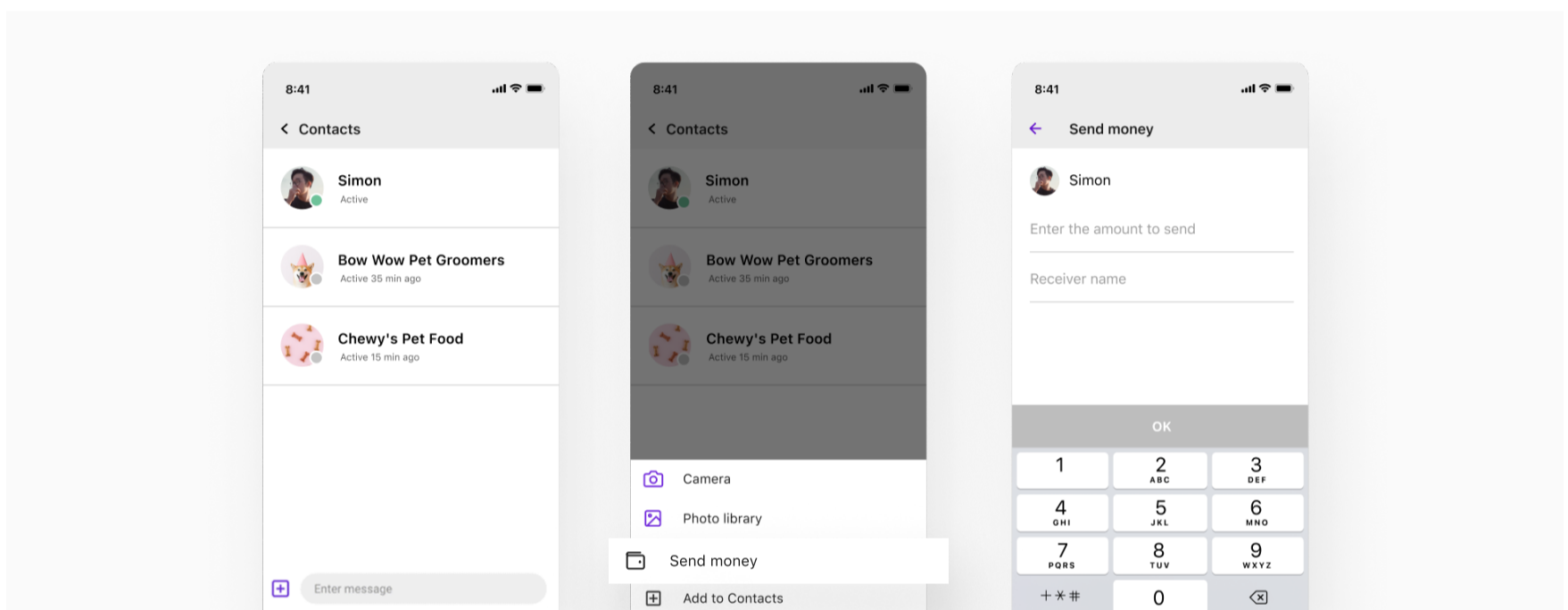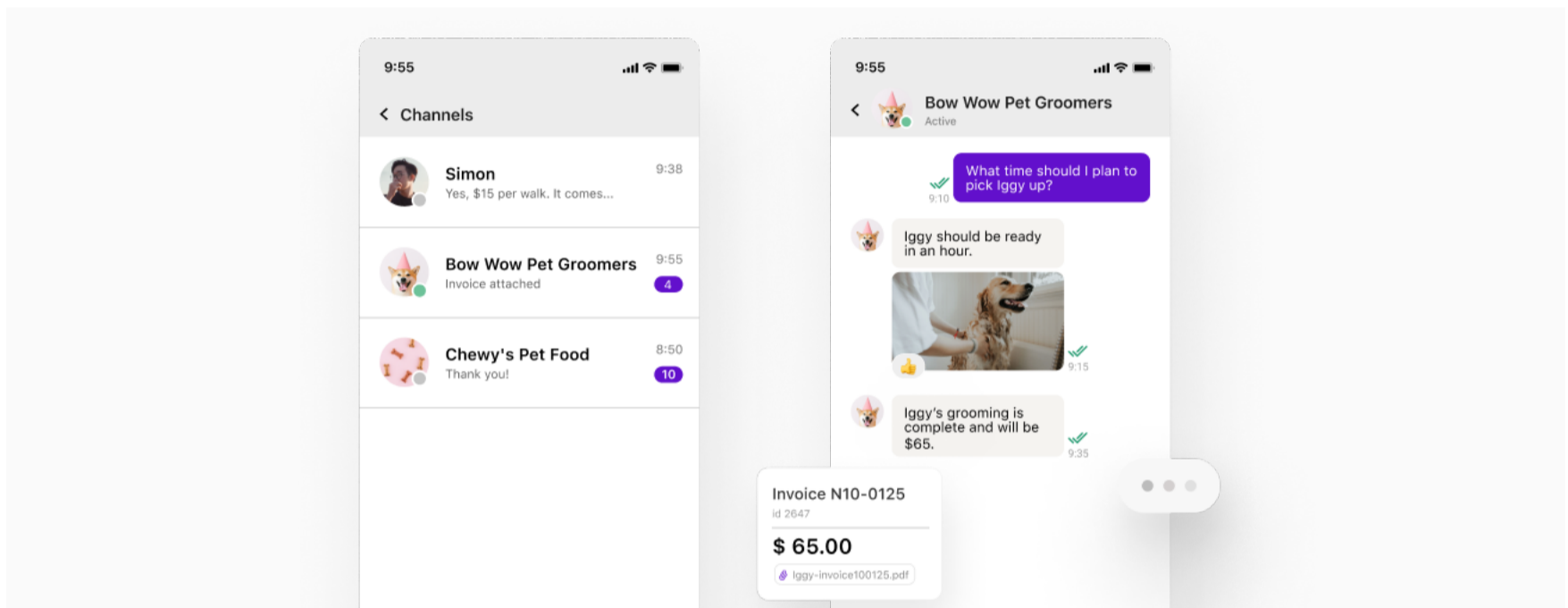

2. User-to-user chat

User-to-user chat gives context to peer-to-peer payments.

## 3. Business-to-user chat

Business-to-user chat provides a channel for consumers to ask questions of merchants as well as merchants to provide status updates and other important order information to consumers - all within the flow of a business transaction.
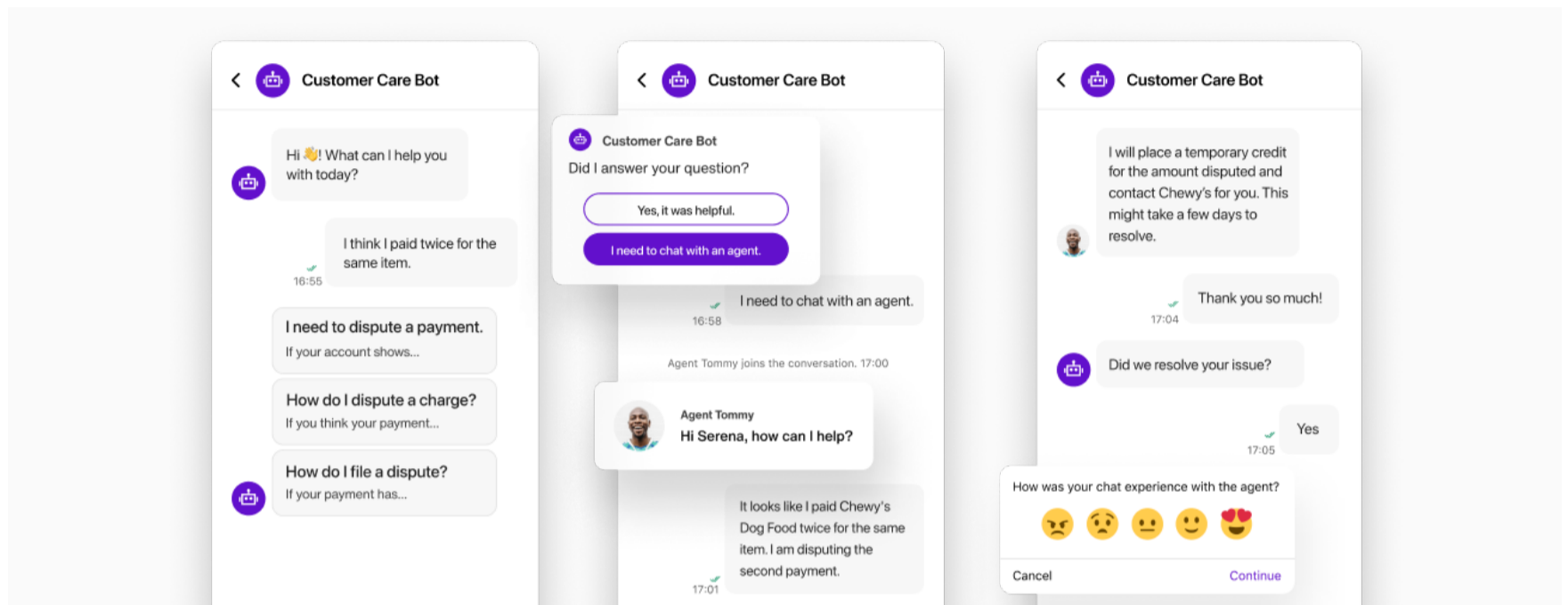

4. Notifications

Push notifications draw consumers back into your app for account updates, payment reminders, helpful tips, or new messages.
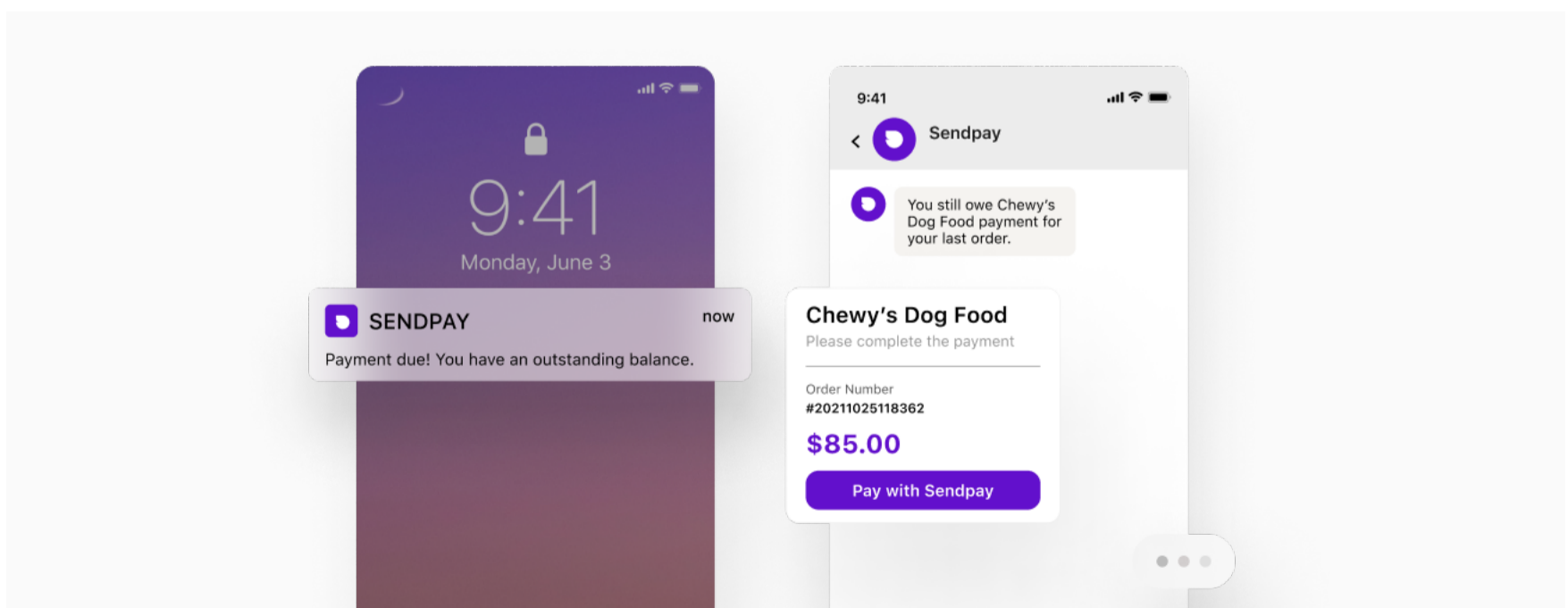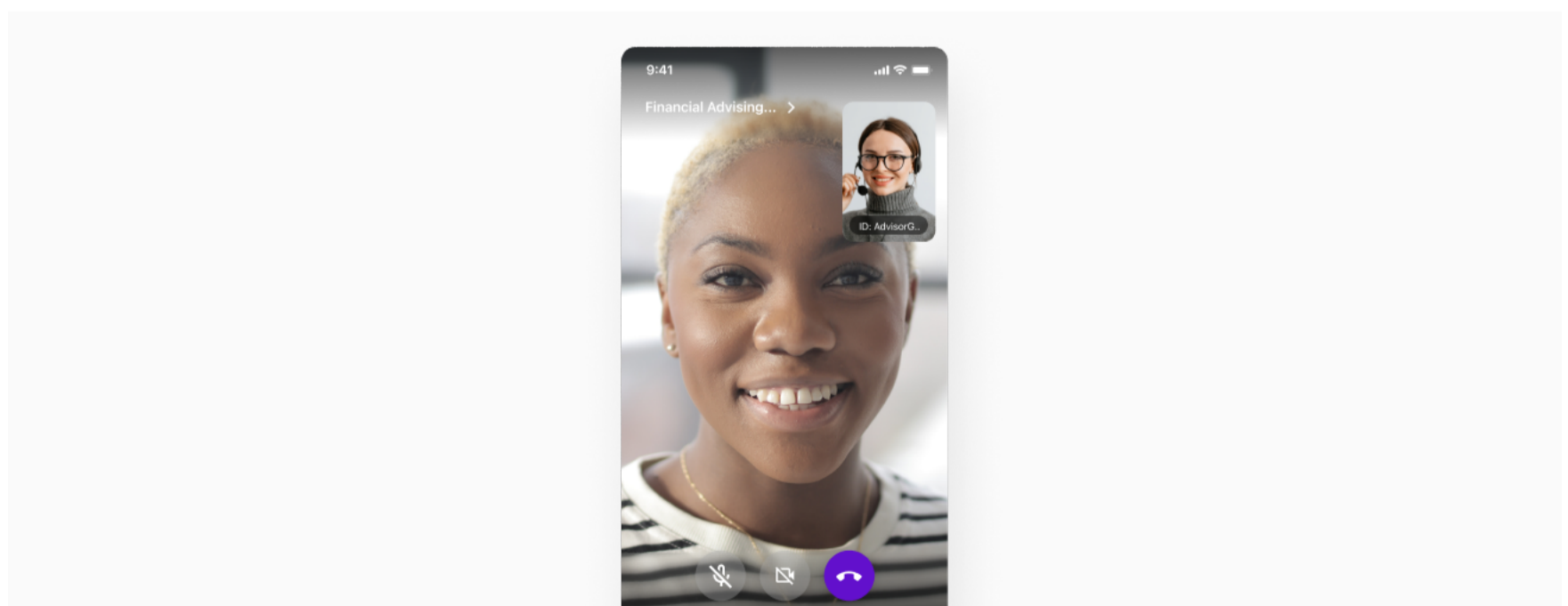
5. Customer support

Chat is a preferred channel among consumers to contact a business about an issue because of its speed and convenience.


6. Advisory service

Video calls can help you increase trust by letting your clients see your face more often, but also by being able to provide them more value in your calls by physically presenting client information.

7. Public group chat channel

Whether it's shopping for a deal or growing their assets, a community helps users create meaningful connections that help them gain new knowledge, find motivation, garner status, form friendships, and generally feel like they're part of something bigger.
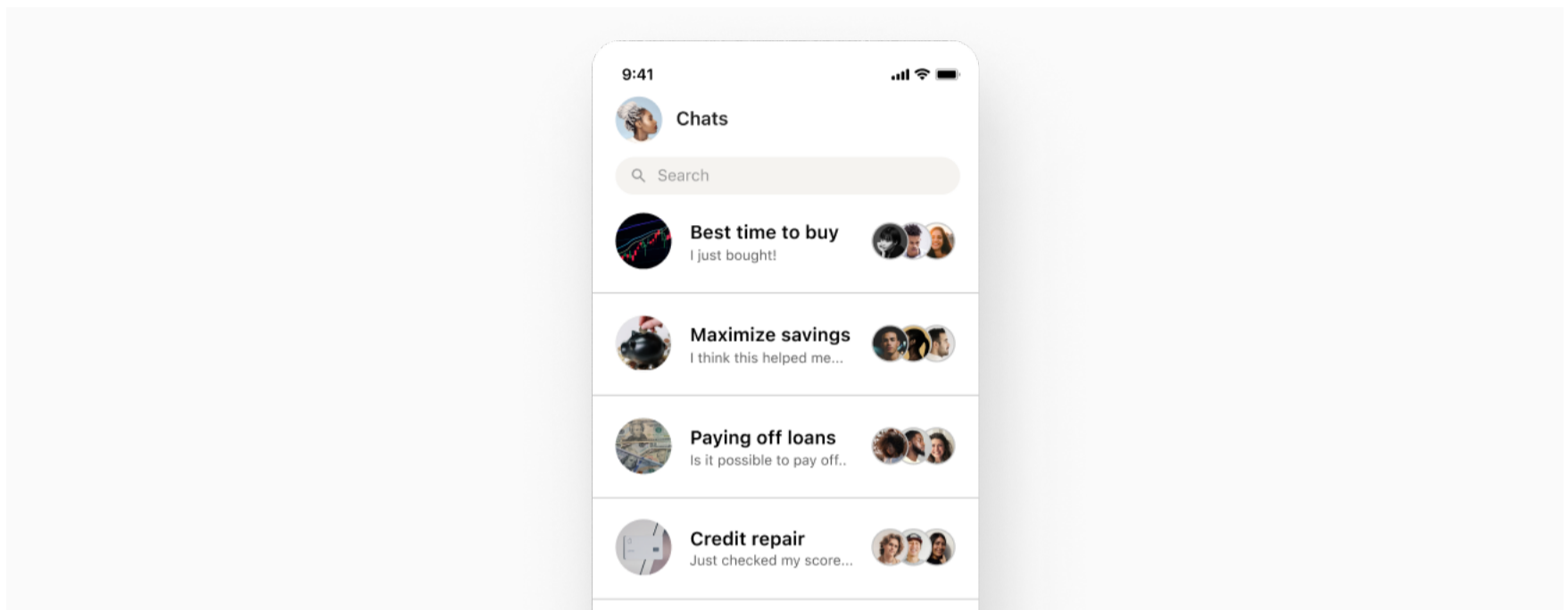
How Sendbird powers social experiences for financial apps

Simply slapping a social gimmick onto your product won't achieve long-term goals of building customer loyalty. It's not just about adding social features. It's about embedding a social layer where social is wired into the DNA of your product. To achieve this, it's vital that your platform provides users with the tools for authentic social engagement. This may sound like it requires a time-consuming overhaul of your app or existing product, but it doesn't have to. Today's API ecosystem makes it surprisingly fast and easy to implement a rich social experience within your application.

As an API-based service, Sendbird helps developers quickly and easily embed text, voice and video chat within their application. Sendbird's secure, reliable and scalable infrastructure gives developers more time to focus on innovating the front-end user experience in their application.

Digital payments platform Paytm partnered with Sendbird to transform its transactional payments into social payments. Paytm invested in what it calls an "identities-first approach" where users can simply tap on a contact's profile and instantly see a clear view of who they are, conversations discussed, what payments were made, when they occurred, and for what purpose. By using Sendbird APIs, Paytm delivered a secure and reliable social payments experience more quickly and efficiently.

"The MVP bar for chat is so high that we would have to invest significant resources with this product complexity, this feature complexity of real-time messaging... along with our existing complexities, Sendbird really offloaded all of that from us."

Abhishek Madan, Head of Product at Paytm Insider

Paytm

Contact us

To learn more about how Sendbird can help you deliver in-app social experiences that build loyal customers.

Request a Demo