

# On the Money: Finance Management Apps for Banking's New Generation

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## Abstract

*In this article, the author discusses how the advent of open banking has prompted new market entrants, offering money management apps that put customers in control, and how this competitive threat has given traditional banks the impetus to develop their own solutions.*

## Introduction

Getting better at money management is among the top five New Year's resolutions<sup>1</sup> made each year, with 32% of us vowing to save more and spend less. It is also one of the most commonly failed ambitions.

Many adults struggle with financial literacy – and not just at New Year. A study by Cambridge University and UCL<sup>2</sup> last year found that a high proportion of UK adults have difficulty with basic financial management. A separate study<sup>3</sup> found two-thirds of millennials had never been taught how to budget, and struggle to work out which financial products suit their needs.

But it's not just those with low financial literacy who want help managing their money. The new generation of banking customers is accustomed to having data at their fingertips. Before making decisions about everything from what to eat to where to go on holiday, the mobile information generation expects to be able to consult relevant data, get recommendations and compare alternatives. Why should financial decisions be any different?

There is a definite market demand for consumer banking solutions to help people gain better control over spending and saving, but the traditional banking sector has been slow to respond. However, the advent of open banking, allowing customers to share their financial data with third parties, has prompted new market entrants offering money management apps that put customers in control. This competitive threat has given traditional banks the impetus to develop their own solutions, and they have little time to lose.

### **Breaking up with High Street banks – today’s customers are fickle with their finances**

It used to be said that you were more likely to get divorced than to break up with your bank. Bank account switching has historically been low in the UK with the big four High Street banks enjoying strong brand loyalty. They can’t afford to be complacent, though, as this isn’t the case for younger customers. Over 80% (82%) of millennials<sup>4</sup> are open to switching banks, and just over half of them say they would switch to a different bank if it offered a better mobile app or other superior digital facilities.

Money management tools are high on the list of factors influencing the choice of bank for younger customers. Research by *Business Insider*<sup>5</sup> found that features such as being able to set spending limits, see all their accounts through a single interface and even being able to compare their spending habits with others are important to customers when choosing who to bank with.

The younger generation is typically far more open about its spending habits and prepared to share valuable data if doing so offers tangible benefits. These might include an app that automatically transfers money from one account to another to prevent it going overdrawn, that automatically sweeps any extra cash into a savings account or provides alerts when better deals on financial products become available. Automation that delivers the best customer outcome without them having to make any effort is a crucial feature across many money management tools.

As the market changes, both established and challenger banks must create and roll out these kinds of products faster than ever before to compete for increasingly ‘switchy’ customers, and money management tools are a key battleground for differentiation. This demands a swifter, more iterative approach to highly customer-centric product development. Being digital-first is no longer an option for banks, it’s a necessity.

### **Digital-first demands a different development approach**

Of course, just like New Year’s resolutions, saying you want to take a digital-first approach and actually achieving it are two different things. If you are a traditional bank, you have the challenge of integrating with legacy systems, and even relative newcomers to the industry need to have the right development platforms and approach to keep pace with a sector that’s becoming increasingly dynamic.

A company that anticipated the changing shape of customers’ money management needs earlier than most is thinkmoney<sup>6</sup>. Designed to take the stress out of budgeting, their current account holds money needed for regular bills

separately and tells customers exactly how much they have available to spend. This helps ensure that bills are paid on time, and gives users 24/7 visibility of their money situation, leading to improved credit scores and total peace of mind.

The thinkmoney account has proved very popular, but the company faced a conundrum. Positioned in between traditional banks and recent market entrants, thinkmoney has an opportunity to build on the advantages of both traditional brand heritage and recent-entrant agility, but it needed to innovate faster to consolidate its position, take advantage of the opportunities of open banking, and meet its customers' demand for fast banking services.

To solve this issue thinkmoney has entered a partnership with OutSystems<sup>7</sup> to create a digital factory enabling it to transform into a fully digital-first organisation. Using low-code rapid application development thinkmoney's digital factory brings together business staff and developers to deliver features such as biometric authentication, a streamlined account opening process that onboards new customers in minutes, and integration with the wider financial ecosystem. Across all these initiatives, consistently providing an exceptional customer experience is the critical consideration, which is faster and easier to achieve thanks to the capabilities of the OutSystems low-code platform, which delivers a six-fold productivity increase compared to traditional coding. By operationalising innovation in this way, thinkmoney has put a sound foundation in place to ensure it stays competitive as the industry develops.

### Customer experience is a top priority for 2019

Faster application delivery means more scope for innovation as new features can be easily tested and rolled out, ensuring continuous improvement of customer experience. Customer-centricity is a major focus for banks in 2019, and as the banking sector wakes up to the competitive benefits of helping customers manage their money better, the ability to quickly develop and bring to market new products that integrate seamlessly with legacy systems and the wider banking ecosystem will become critical.

Let's hope the end result will be more of us managing to achieve those New Year money-saving resolutions.

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