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A mobile future in private banking

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Banks should step up their digital game and offer wealthy consumers useful mobile applications.

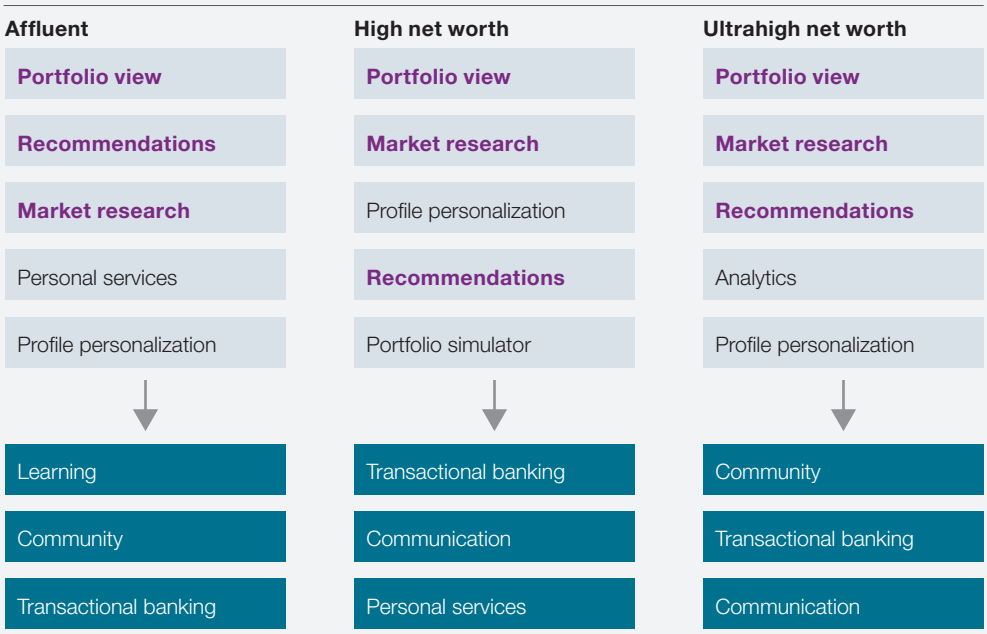
The second wave of the digital revolution has arrived in banking. Following the introduction of Internet banking, in the 1990s, we have now seen the rise of digitally born banks (Air Bank, mBank, Simple), disruptive technologies shaking up the payments world (Square, Stripe), and personal-financial-management software gaining ground (Mint, Nutmeg, Personal Capital). A closer look shows that these are mainly retail or mass-affluent offerings.

So what about digital services, especially mobile apps, for wealthy private-banking customers with financial assets of more than $5 million? When the digital revolution 2.0 started, the initial reaction of private banks was to wait and see. After all, personal contacts between a relationship manager and his or her clients are the underpinnings of private banking.

There was also a misconception that high-net-worth individuals are not digitally savvy, an illusion fostered by the fact that many wealthy clients are at least 60 years old. On the contrary, high-net-worth individuals have responded well to digital banking services and are increasingly assertive about what digital offerings they would like. For example, a McKinsey survey of wealthy customers suggests that they would welcome the opportunity to view their portfolios digitally as well as read market research and receive investment recommendations online (Exhibit 1).

Exhibit 1 **Wealthy customers want to view portfolios, read market research, and get investment recommendations online.**

Most/least important digital offerings in private banking



Source: McKinsey analysis

In response to such research and the fact that customers have already embraced online brokerage services (for example, Charles Schwab, E-Trade, and Saxo) for quite some time, banks have built comprehensive online offerings, starting with the personal computer. The leading players now have well-integrated offerings on the "big screen," where clients can find research, investments, and transaction and payments history on one site. Some banks, such as Credit Suisse Group and UBS, have begun to introduce mobile offerings.

However, most private banks' mobile offerings still have a long way to go. Banks often choose shortcuts in development—for example, putting PC-based content into a mobile app with only minor adaptations. In our view, this approach is unlikely to engage the customer, who may not take the time on a mobile platform to sift through all the product and research information a private bank offers.

Some bankers may ask whether a smartphone offering is even necessary, given the small size of the screen. Will the private-banking client really read an investment report there? Our answer is absolutely yes. The smartphone is *the* device that will increase customer loyalty, because it prompts frequent usage. Frequent usage forms habits, and habits are difficult to change.

It is much harder to switch banks if that means leaving a favorite app, one a user opens at least once a week. This is where the current digital offerings of many private banks fall short. In contrast to digital content designed for the personal computer, content designed to be read comfortably on a smartphone must be presented in a way that allows users to absorb it in "short bites, not long meals," when they are most likely to browse the device—for example, during taxi rides, commuting, flights, and boring meetings.

Satisfying the client requires a combination of the right content and uncluttered presentation. The following four suggestions can help private banks facilitate their customers' use of smartphones.

Log-in: More than five seconds, and you're dead

The standard way of logging in to a banking app involves a username and password. Often the username is a clunky, six-digit (or longer) number that is hard to remember. The password is alphanumeric; this takes long to key in on a smartphone. Customers may also have to use a security token. Such a log-in typically requires about 20 seconds, too long to encourage frequent usage. A log-in taking more than three to five seconds will discourage users from frequent use of an app.

A more user-friendly approach to logging in involves three steps:

1. **Link a device to the account.** A user would execute this step just once for a device, so programmers should apply a multistep security process. Such an approach enables a log-in without the user reentering the username every time.

2. **Read only.** Once the app is linked, opening must be possible with a code of just four to six digits; the app welcome screen would already display a numeric keyboard. Pressing Enter would be unnecessary, because the app would open automatically when the user enters the last digit. This sounds like a minor detail, but it is not—it makes all the difference if the bank hopes to encourage users to log in more frequently. Frequent log-ins are habit forming, as can be seen from how often people check their social-media accounts.

3. **Write.** For transactions or for viewing sensitive information, a second level of security (for example, a touch ID, a second password, or a token) can be applied. The additional processing time is acceptable, since most customers log in far less frequently to conduct transactions than to simply browse information. The best apps allow the user to set his or her own thresholds for second-level authentication.

Statement view: The big number in the middle

Reading a comprehensive financial statement on a smartphone is impossible, so don't expect that customers will even try. There will always be a quiet

moment at home when a customer can analyze all the details he or she wants, either on paper or on a personal computer or tablet. On a smartphone, banks should instead aspire to produce a much simpler statement with the client's current net-worth number prominently displayed. "How much money do I have in the bank?" is what everyone wants to know. Complement this with the year-to-date performance—the second thing every private-banking customer wants to know—and a few easy-to-read charts on current asset allocation (Exhibit 2).

Research: Produce news, not reports

Before the digital era, it was impossible to track how often customers actually read reports. This made it difficult to choose which topics should receive more or less coverage. In the online world, it is easy to track which reports customers are reading, because the bank disseminates them via the web and apps, making the measurement of traffic straightforward. While many banks have already put all their research reports online, none has created a habit-forming news flow for the smartphone. We think this will be a key to customer stickiness.

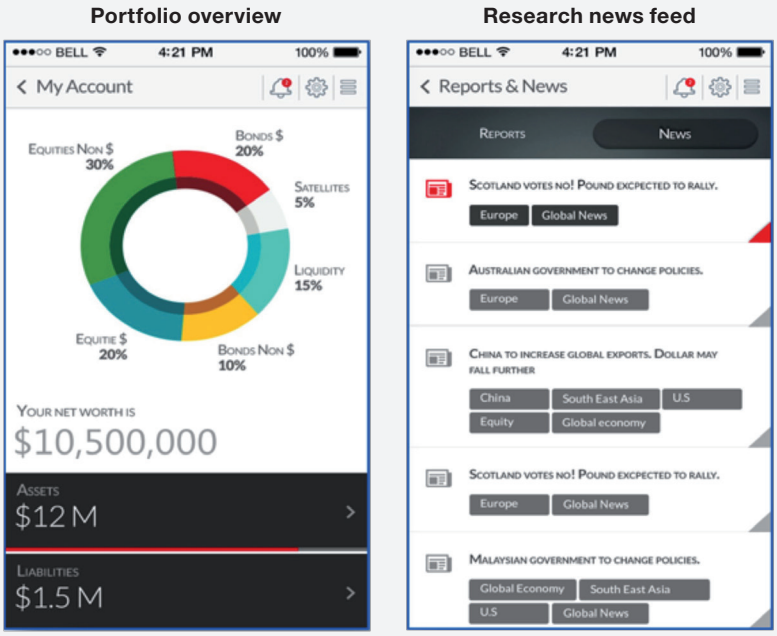
A private bank wants to make sure customers turn to it when they are seeking investment news. Customers typically look at their smartphones during downtime, when they want distraction or entertainment. Therefore, we suggest producing an easy-to-read, visually appealing daily or weekly "investment newspaper." For inspiration, look at the smartphone apps Flipboard and Yahoo News Digest.

Recommendations: Tell customers what to sell before telling them what to buy

Investment recommendations are a complex topic. The two biggest challenges are contact frequency (too much or too little) and the identification of offerings that are relevant to the customer's existing portfolio. Customers often ask, "Why is the relationship manager offering this product to me? Is it just because he has to sell it, or is it really meant for me?"

There is an even more basic question to consider. After a private-banking customer has completed an initial asset allocation with the relationship manager, the client is often fully invested in the agreed-upon strategic asset allocation. Hence, if the bank calls the

Exhibit 2 **A mobile-phone-based dashboard needs a simple display highlighting net worth.**



client to recommend the purchase of an investment, the client has to sell something first unless he or she has fresh money to put in. We therefore think contextual investment advice—counsel tailored to one customer—must be turned on its head: banks might first tell clients what has to be sold and only then what could be bought in replacement.

To accomplish this, private banks should consider creating an analytical capability that links investment recommendations to individual portfolios. In an ideal case, for example, suppose the chief investment officer downgrades stock A from buy to sell. All customers who own stock A would receive a push notification to their smartphones recommending that they sell their position and buy stock B or C instead. This is the granularity that digital recommendations must have. If done well, recommendations would work in tandem with the news-flow application. If the news-flow application reports, say, a weakening of the euro, then the push notification would make a concrete trade suggestion regarding how to adjust the portfolio in light of that news. Finally, the bank can then choose to enable direct in-app trading on that recommendation or to follow the standard path: a relationship manager making a call to discuss and confirm the trade so customers feel confident about their decisions.

By applying a rapid log-in, an easy-to-digest statement view, targeted news, and relevant recommendations, private banks position themselves to take advantage of the digital revolution, as their retail-banking counterparts have already done. Private banks that invest IT budgets in concrete, habit-forming digital approaches will reap the highest return on their digital investments. ■

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