What We Can Learn from Chase’s Digital Investments

13 April 2016 By: Mark Schwanhausser

One thing is clear when you evaluate the intent and the impact of Chase’s heavy investment in digital upgrades and innovation. This banking giant is playing an influential role when it comes to changing the role of the branch and how the bank as a whole aims to serve and satisfy customers in a mobile-first era.

There are two valuable sources of insight to put on your reading list: CEO Jamie Dimon’s letter to shareholders, and Chase’s recent investor day material. Among the noteworthy takeaways for consumer banking strategists:

Technology is the catalyst – and it’s not just mobile. Mobile is changing everything at an incredible pace, but Chase also is investing in online banking, ATMs, person-to-person payments, account opening, data mining, segmentation – as well as big data technology that can reduce fraud, reduce operational costs, and yield more intelligence that wards off problems and increases sales.

Digital engagement is a top priority. Chase aims to stake a claim as its customers’ primary bank – and success will hinge on the effectiveness of its mobile, online, and ATM channels. Mobile is a centerpiece, with its nearly 23 million mobile-banking users logging in about 80% more often than online users, hence the investments in features such as Touch ID on iPhones and quick account balance info in the app. But Chase also has made a huge investment in a long-overdue online makeover, which it is rolling out in stages to 33 million customers by September. That effort starts with making transactions more simple and the experience more consistent across devices, but it also dedicates space to notifications in the dashboard that will increasingly grow more personal and relevant and timely.

Branches are still critically important. Chase reduced its number of branches by 3.9% over the three-year period ending in 2015, it reduced about 100 million teller transactions since 2012, and it has eliminated about 12,000 transactional staffers since 2012. But the idea isn’t to force customers into self-serve channels. It is an effort to reduce transactions that customers would prefer to do without visiting a branch (like mobile deposit) and to optimize the branch network. Notably, Chase has added branches in growing markets such as Miami and San Francisco while cutting back in less profitable places such as Chicago and Phoenix.

Chase is taking aim at Millennials now – and it’s not relying on a mobile-only strategy. The bank reports that Gen Y opened 57% of the checking accounts for new and existing customers in 2015. Chase’s data corroborates Javelin’s evidence that young customers hardly limit themselves to the mobile channel. In the fourth quarter of 2015, 80% of customers under age 35 used ATMs, 79% used mobile banking, 53% logged into online banking, and 56% visited a branch. Mobile was the workhorse that accounted for nearly 58% of the quarterly activity, but online banking was second with a hefty 21%.

Data mining will be a key to success. Big data has many purposes in a bank, but it is critical to personalizing customer service, segmenting customers, and marketing to consumers, the affluent, and small business. For example, Chase aims to provide its wealth advisors with a fuller view of their clients’ finances and needs. The bank also increasingly will analyze its customers based not just on demographics and behavior but also on attitudes, values, and aspirations so it can more effectively offer personalized products, services, and rewards. In time, online customers will be able to review prequalified “Always On Offers.” More and more, the combination of segmentation and digital channels will drive sales.

Chase is ready to battle over aggregation. Dimon’s shareholder letter underscores the need to rethink how customers can authorize aggregators, personal finance apps, other FIs, financial planners and others to gather and analyze account information on their behalf. Dimon frames this as a consumer protection both in terms of security (the risk of a bad guy accessing accounts and stealing money) and privacy (third parties collect far more data than they need and use it ways that consumers can’t fathom). Dimon urges a move to a “push” model that would allow banks to serve up “only that information agreed to by the customer” – and do so without requiring customers to share passwords. Obviously, Chase can benefit from this data as much as anyone, so compromise will win out over confrontation. But look for plenty more debate on this topic in 2016.

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