

MX

Apple Card is Coming



70% 

of merchants in the U.S.
accept ApplePay

Apple is
on-pace to
surpass

10B



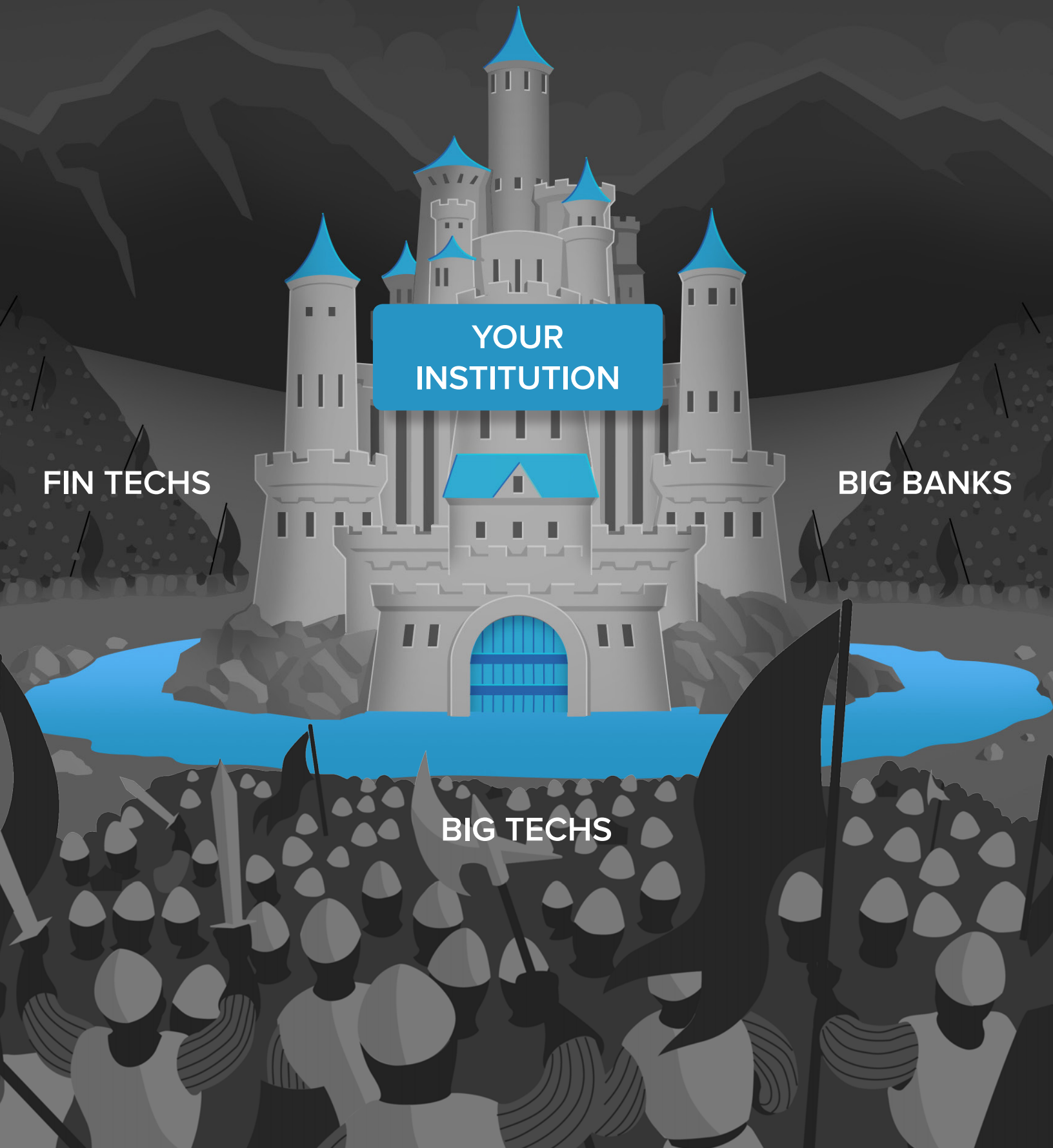
Payment transactions
this year

The Financial Industry is Changing

With technology lowering the barrier to entry in the financial industry, big tech companies have their eye on the pie and are quickly penetrating the space. Perhaps the most recent and relevant example is the new credit card service—Apple Card—by tech behemoth Apple. And it's no surprise that Apple decided to enter the consumer financial space with a credit card service. After all, credit cards are one of the most lucrative banking products. In fact, credit card banking is about “triple the profit [compared to] commercial banks overall.”¹

The partnership between Apple and Goldman Sachs signifies a huge shift in the financial industry. According to Joe Sullivan, CEO at Market Insights, “perhaps the most damaging part of this partnership is how consumers’ view of banking is changed.”² Sullivan goes on to say, “every time something like this happens, it continues to change the perception that consumers have about what a bank is...[the partnership is] redefining what it means to be a bank. And that has long-term implications for the industry.”² But what exactly does the teaming up of big tech giant Apple and Goldman Sachs mean?

Your Institution is Under Attack



**YOUR
INSTITUTION**

FIN TECHS

BIG BANKS

BIG TECHS



Music

A thousand songs in your pocket

In **8** Years, iTunes
Went from an
Upstart to the **World's
Largest Music Retailer**



What the Apple & Goldman Sachs Partnership Means



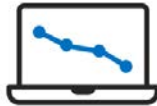
PC

A Computer in your Pocket

Before iPhone, PC Sales
Were Around **400M** a Year

Today PC Sales Are About
270M a Year

PCs Were the Only
Way to Access the
Internet



When it comes down to the Apple Card, it's not much different than credit card offers already out there. So how exactly will Apple Card remain competitive in an already saturated and highly competitive space? "One of the primary ways that Apple and Goldman plan to make the card competitive is by offering special features...Users will be able to track their spending, and purchases will be sorted into color-coded categories such as food and drink and entertainment. The card also [give users the ability to set] spending goals, manage card payments and track rewards." ³



Gaming

There's an app for that



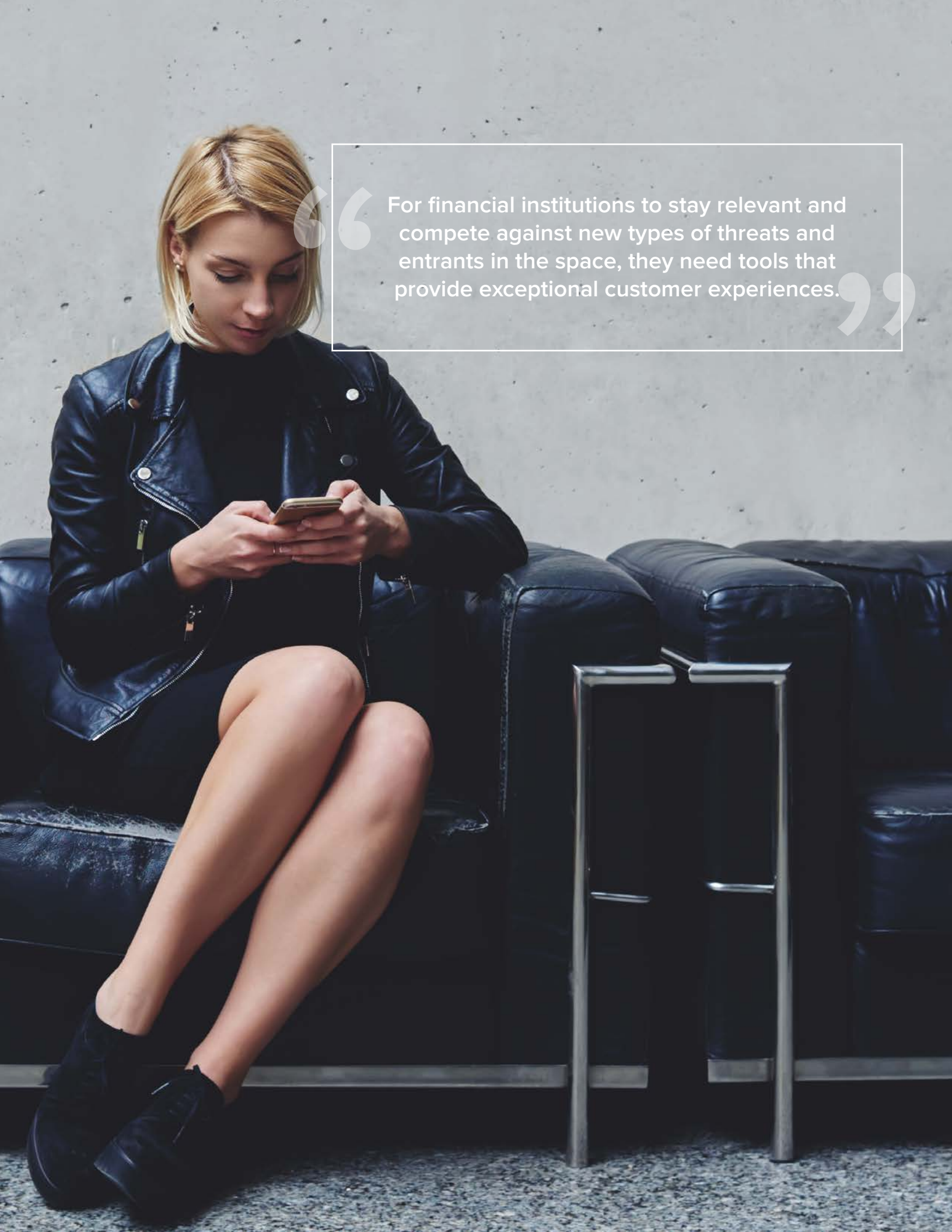
Pokemon Go Alone Has
Accumulated More Than
800M Downloads

Contrast with Nintendo's
Entire Mario Franchise

500M
in Total Sales



The credit card is ultimately aimed to "expand Apple's sources of revenue while also supporting Goldman's push into different retail offerings." ⁴ According to Market Watch, "the credit card..will help the two companies meet major goals. Apple will diversify its revenue base through the swipe fees it will earn, while for Goldman, the credit card fits neatly into the investment bank's push into consumer-facing financial services." ³



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For financial institutions to stay relevant and compete against new types of threats and entrants in the space, they need tools that provide exceptional customer experiences.

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The Impact of Apple Card to Financial Institutions

What does this mean for financial institutions, and what can they do to prepare for the ongoing disruption in the financial industry? According to The Financial Brand, “the partnership between Apple and Goldman Sachs ushers a new threat for banks and credit unions. And the credit card services is only the beginning. In fact, “it is the first step of what is reported to be a broader agreement to offer additional financial products down the road.”²

However, all is not lost. Several industry observers such as Ron Shevlin, director of fintech research at Cornerstone Advisors, suggest that the Apple Card product is average at best. He states, “there are a ton of 2% cash back cards already on the market, and a slew that do a whole lot better than that.” He doesn’t believe the new card has much of a chance unless Goldman Sachs “brings enough marketing heft and analytics capabilities to the table.”²

However, even though there are a “number of popular apps [that] already help people categorize their spending and manage their budgets, Apple could get a lift by providing a friendlier user experience.”⁵ Apple has built a world-class brand on providing an exceptional customer experience across all its products and services. The company is often viewed as the epitome of a delightful customer experience—and they intend to lean on that strength to compete against financial institutions.

It’s clear that Apple is playing the long game with no intention of slowing down. It has “its eyes set on dominating the digital payments space. The company announced...that it is on pace to surpass 10 billion payment transactions this year and that 70% of merchants in the U.S. accept ApplePay.”⁶ Additionally, some believe that the Apple and Goldman Sachs partnership is only the beginning. Joe Sullivan, CEO at Market Insights, “predicts more of these tech+banking

partnerships, which, he says, are about reach and combining customer bases.” He also believes that “telecomm companies are ripe for further bank deals.”² [For example,] “T-Mobile...has 76 million customers and is partnering with Bank Mobile to offer the T-Mobile Money banking account.”²

And although Apple’s privacy and security measures suggest that customers’ information will remain private, Richard Crone, a consultant in the payments industry, believes that “Goldman would be able to take [the data collected] and use it to better target other credit offers it provides customers. Apple and Goldman could even be poised in the future to offer customized financing offers at the point of purchase to these card holders.”



The Road Ahead: How MX Can Help

The financial industry is going through a fundamental shift—and the Apple and Goldman Sachs partnership is only one example. What makes Apple's new credit card product threatening is not so much its features, but rather the customer experience that Apple is known for and the love and loyalty users have for the brand. Traditional banking is a thing of the past. Today, for financial institutions to stay relevant and compete against these new types of threats and entrants in the space, they need tools that provide them with the type of deep customer insights that have consumers flocking to Amazon; and the sleek design and functionality that has so many swooning over Apple products.

In short, customer expectations have forever changed—thanks to tech giants like Apple, Amazon, and Facebook.

At MX, we build products and create solutions that help financial institutions provide customers with the delightful experiences they've come to expect. We can help you create a customer experience that rivals even the biggest tech giants, and turns your customers into raving fans. We'll help you deliver on all your customer demands—from a 5-star mobile app experience that's as good if not better than the best, to next-gen money management tools that leverage AI-assisted technology and machine learning to provide accurate and proactive notifications and advice. The best part is that these tools and solutions are available to you today. It's time to start building a superior customer experience that boost customer loyalty and helps you reach a wider demographic.

If you'd like to learn more,
visit **MX.com** or call us at **801-669-5500**.

1. <https://www.creditcards.com/credit-card-news/card-issuers-profits-slip-fed-report.php>
2. <https://thefinancialbrand.com/81319/apple-goldman-sachs-banking-credit-card-partnership/>
3. <https://www.marketwatch.com/story/what-consumers-need-to-know-about-the-upcoming-credit-card-from-apple-and-goldman-sachs-2019-02-23>
4. <https://www.cnbc.com/2019/03/26/goldman-sachs-hints-that-apple-card-will-be-rolled-out-internationally.html>
5. <https://www.cnn.com/2019/03/25/tech/apple-credit-card/index.html>
6. <https://www.forbes.com/sites/camilomaltonado/2019/03/25/apple-just-released-new-details-about-the-apple-card-with-goldman-sachs/#639fef81644b>

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