

The logo for Bank of Amazon features the words "Bank of" in orange and "amazon" in black, with the orange Amazon smile arrow underneath. The background is a grayscale photograph of a classical building facade with intricate carvings and the word "BANK" partially visible in stone.

Bank of amazon

Is Big Tech the
Future of Banking?

MX[®]

Could grow to more than **70 million** U.S. consumer relationships over roughly five years, rivaling Wells Fargo.

Amazon has built and launched tools & services focused on:



Payments



Cash Deposits



Lending

Aimed at increasing the number of merchants and customers in its ecosystem by enabling them to sell and buy more, and reducing any buying/selling friction.


Is Big Tech the Future of Banking?

The traditional banking model will soon be a thing of the past as innovations in technology continue to redefine what it means to be a financial institution. With a lower barrier to entry in the financial industry than ever before, tech giants and fintech disruptors are finding their way into this highly profitable space, and winning consumers hearts and minds along the way with delightful experiences.

Today, when you think of a frictionless customer experience, there's one company that comes to mind more than any other—Amazon. Amazon has built an empire on knowing what customers want, and making every part of the shopping experience effortless. And now that Amazon has its eye on the financial industry, banks and credit unions should take heed and prepare for what the future in banking might look like if anything like this actually comes to pass.

The reality of Amazon as a bank isn't as far fetched as it might seem to some, in fact "analysts have been predicting for years that Amazon would get into banking." ¹ Recently, "The Wall Street Journal reported that the online retail giant was even in talks with J.P. Morgan to offer checking accounts." ²

Amazon has a lot of power in numbers. The company "currently has 310 million active customer accounts, 100 million Prime customers, and five million sellers, a considerable ecosystem." ³ Furthermore, "the firm currently has 12 marketplaces: USA, UK, Germany, France, Canada, Japan, India, Italy, Spain, Mexico, Brazil, and China. Amazon Australia and Singapore are launching soon." ³

A woman with long brown hair, wearing a yellow knit sweater, is sitting at a desk. She is smiling and looking at a laptop screen. In front of her is a white coffee cup with a black handle. A smartphone is on the desk to the left of the laptop. The background is a blurred office or home setting with a lamp on the right.

“Amazon is not building a bank by the traditional definition, Amazon is building financial services products to increase participation in the American ecosystem.”

As of right now, “Amazon has built and launched tools and services mostly focused on payments, cash deposits and lending. These services aim at increasing the number of merchants and customers in its ecosystem by enabling them to sell and buy more, and reducing any buying/selling friction.”³ But “evidence suggests that Amazon is looking to further expand across the financial services ecosystem, including: checking accounts.”³ And “based on consumers’ self-reported levels of checking account deposits, banks could lose about \$100 billion in the wake of an Amazon checking account launch.”⁴

Amazon’s huge and loyal customer base makes it a serious threat to even the largest financial institutions. Bain writes that “Amazon’s banking services could grow to more than 70 million U.S. consumer relationships over roughly five years, rivaling Wells Fargo.” The Bain report goes on to state that “one-quarter of those using voice assistants like Amazon’s Alexa would consider using them for everyday banking.”²

Adding to the pressure, it seems that “consumers trust Amazon more than they do their banks: 65% of Amazon Prime customers said they would sign up for a bank account with Amazon [and] 43% of non-Prime customers and 37% of non-Amazon customers said they would.”¹ Furthermore, the number of people that said they would open an Amazon checking account are a “not-too-shabby \$72 billion in potentially displaced deposits.” And those consumers “have balances 2.5 times greater than the average.”⁴

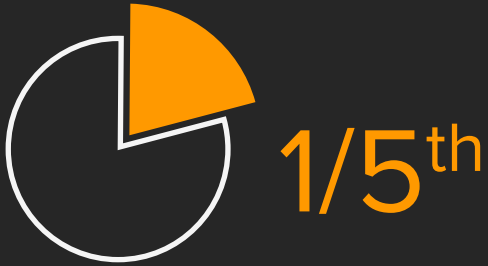
Amazon’s Ecosystem

310 million
Active customer accounts

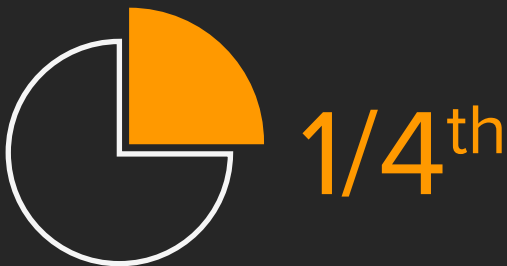
100 million
Prime customers

5 million
Sellers

12 marketplaces
USA, UK, Germany, France,
Canada, Japan, India, Italy, Spain,
Mexico, Brazil, & China



of U.S. survey respondents use voice assistants at home.



would consider using voice-controlled assistants for everyday banking.

The Amazon Advantage

When it comes to technology, financial institutions are very far behind. According to a Bain report, “traditional banks have “barely touched” technologies that are becoming ubiquitous in the American economy.”² And, unfortunately, as consumers become more and more tech-savvy, financial institutions continue to fall behind. The Bain report found that “nearly one-fifth of U.S. survey respondents use voice assistants at home while one-quarter would consider using voice-controlled assistants for everyday banking.”²

With their superior customer service, they can sell an ever-wide range of products to their loyal customers.

And while financial institutions are trying to catch up, Amazon is well positioned to dominate the financial industry, not only from a customer experience perspective, but also from a data angle. “Amazon... has a big opportunity in banking services given its immense data platform [which is] a critical advantage.”² And although financial institutions have a wealth of customer data, arguably the most out of any industry, they don’t know how to use it as effectively or efficiently as Amazon and other big tech companies.



Amazon and Big Techs Around the World

The concept of big techs entering the financial industry might not be as new as it seems. Amazon and other big tech companies around the world have already been dabbling in space for years. “In China, Alibaba has amassed the world’s largest money market fund, issued \$96 billion of loans in five years ... [and] sent \$1.7 trillion in total payments through Alibaba’s Alipay service last year, roughly five times the global payment volume that flowed through PayPal.”²

And in India “Amazon delivery staff already take cash deposits at people’s doorsteps. Amazon collects deposits from Indian customers through the Cashload feature in a version of Amazon Pay.” And the company allows customers to, “warehouse any surplus cash from their purchase in their Amazon Pay account. They can also deposit additional funds against future orders.”⁵

When it comes down to it, “Amazon’s close relationship with its customers may be more dangerous to banks than its size.”¹ Bain states that “[p]erhaps the greatest challenge to senior bank executives and board members is to recognize that Amazon has a completely different worldview focused on lifetime customer value, while most banks remain slaves to in-period ‘bad’ profits.”¹



How Financial Institutions Can Fight Back

The financial industry is undergoing massive changes—and Amazon’s ability to pose serious competition is only the beginning. With “Amazon approaching \$1 trillion in market capitalization... traditional banks and credit unions have good reason to worry. If Amazon wanted, they could become a major force almost overnight.”⁵

Amazon has become indispensable in most people’s lives because of its ability to use its abundance of data to create frictionless and delightful customer experiences. However, all is not lost. To remain competitive in this new financial landscape, financial institutions need to match, if not exceed, the customer value that Amazon and other big tech companies are bringing to the table. And they’re well positioned to do so. Financial institutions that use their wealth of data to delight their customers will remain relevant and win back loyalty.

With traditional banking now becoming a thing of the past, financial institutions must adopt a data-driven and customer-centric mindset. At MX, we help financial institutions access and act on their data more effectively, so they can provide customers with the truly delightful experiences they’ve come to expect. Now you can deliver on all your customers’ demands—from a 5-star mobile app experience to self-guided financial wellness solutions. Our products and solutions ensure that you remain competitive, rivaling even the biggest tech giants by turning customer interactions into meaningful relationships.

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



1. <http://fortune.com/2018/09/19/amazon-bank-account-prime-bain-survey/>
2. <https://www.cnbc.com/2018/03/06/amazon-could-become-the-third-biggest-us-bank-if-it-wants-to-bain-study.html>
3. <http://fintechnews.ch/fintech/bank-of-amazon-is-disrupting-the-financial-landscape/21954/>
4. <https://www.forbes.com/sites/ronshevlina/2019/01/21/an-amazon-checking-account-could-displace-250-billion-in-bank-deposits-but-it-wont/#4af4f8a9254a>
5. <https://thefinancialbrand.com/74543/amazon-bank-checking-account-regulators-charter/>

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