

Comparing Apple and oranges: How the Apple Card will disrupt banks and how banks can compete

Mehmet Sezgin - June 14, 2019



On March 25 Apple announced a dedicated credit card, the Apple Card, set to arrive in summer 2019. The news sent shockwaves. Mehmet Sezgin, CEO and Founder of myGini, argues Apple's announcement is a wake-up call for traditional banks to inject major customer presence. He shares his expert insight into the reasoning behind Apple's decision as it moves to services, compares the real capital industry offers and looks at the disruption it will cause.

"This is Apple Card, created by Apple not a bank", the slogan says. Really? I think it should have been called the Apple Mastercard from Marcus issued by Goldman Sachs under the license of Mastercard – but Apple has masterminded branding once again. It wasn't the only clever name

Apple and Goldman put their cards on the table

Purely from a business perspective, the mutual benefits are clear to see. Apple is looking to create additional revenue streams as it shifts parties will find a credit card is an excellent way to engage with customers. As many mobile banking services require monthly payments, additional promotions and engagement options.

Goldman is doing the operational and banking heavy lifting behind this. Goldman is a clean slate for Apple – an investment bank at its core entering the consumer business for the first time with a newly established Marcus brand that lacks experience in the consumer field. In a partnership, but it can start fresh and build a credit portfolio with a household brand such as Apple. It's a win-win for both businesses – but

Promises, promises?

No hidden fees and interest rates among the lowest in the industry – that's the promise of the Apple Card. Apple is signaling it's not in the dishonest ways, which is naturally a great position to take. It wants to be seen as the ultimate customer-friendly company, so it makes serious interest.

Will they be able to keep their promise? Time will tell, but there is reason for optimism. According to The Nilson Report, the percentage of interest rate has been declining over the years and is now about 28%. This means more people pay off their balances each month and leave. Moreover, as cards are convenience products, people tend to care less about such rates than they would, for instance, about consumer loans

'No fees' could be a tougher promise to keep. Apple proudly says there are no hidden fees. I hate hidden fees, too – no doubt we all do. But fees such as late fees which could apply here. So, while card fees or international fees could easily be gone, after an initial period of some late fees could make a comeback.

A wake-up call for banks about customer care

American cardholders have been suffering from dull banking apps with limited card functionality for years. The single biggest effect has been the realization that financial institutions need far better customer interfaces. This is a strong wake-up call that today's mobile banking apps need to appeal to modern consumers.

Apple's creation of far superior screens to manage card functionality and an all-round sophisticated visual interface is eventually going to succeed. Functionalities such as payment schedules, spending categories, instant notifications and location services will prove great tools for cardholders

Shopping is a feel-good experience – banks can take a lead

The Apple Card may provide a solution to many of the challenges banking apps are facing – but a customer-centric shopping experience involves more emotions and requires different parts of the brain to work. Most banking apps today cannot address these requirements and user-friendly functionalities. This leads me on to two areas where the Apple Card can drive more customer value.

1. Cashbacks are not enough to make you the card of choice

While the Apple Card will offer instant cashbacks for Apple store, ApplePay and physical purchases, when it comes to creative rewards, it offers a dynamic loyalty platform that can learn from user behavior and preferences and suggest further – not just Apple-related – offers and products. In a dynamic setting, coupled with AI tools, the loyalty engine could ensure customers receive frequent and relevant offers, full visibility and an all-round interactive experience.

2. Credit convenience for shoppers at the POS

Short-term credit provision at the point of sale (POS) is rapidly taking off – and what says ‘ultimate customer-friendly company’ more than purchase in a stress-free way, through their existing banking app? Fortunately, neither Apple nor competing banks need worry much about fintech providers can already provide these on a white-label basis.

The challenges ahead

Apple is not a credit card company and will have to work hard to attract millions of cardholders. Perhaps the biggest challenge for Apple banks. Apple currently charges 15 cents per ApplePay transaction and has locked its NFC antenna for its own apps. Now, banks might state bigger banks will want their own wallets to access the NFC antenna as they currently do with Android phones. Until now, Apple’s relation: neutral – now, they will have to work harder to keep it that way.

Apple is playing its cards right – but traditional banks can still compete

There is no comparison between Apple’s proposed user experience and some of the current banking apps out there. When the Apple Card other banking apps out of the water. But that doesn’t mean financial institutions can’t compete.

Personalized mobile apps are the natural progression for customer-centric banks – Apple has figured this out and it isn’t even a bank! To banks’ best friend. They can help these banks set up their own mobile presence, advise on enhancing the user experience and take the first shot – your move, banks!

Mehmet Sezgin

[myGini, Inc.](#)

Mehmet Sezgin is a global retail banking and payments expert. After working professionally in executive roles for 3 company myGini, Inc in San Francisco California in 2016. His last role was the director of global payments at BBVA i countries with 80 million cards and 1.5 million merchants. He was the founder/CEO of Garanti Payment Systems ar largest merchant and card coalition program with 11 banks and 1 million retailers. He served at MasterCard Europe Board for 14 year

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