



**C-INNOVATION**  
EMPOWERING STRATEGY

How has Chime managed to pull the rug out from under European entrants and consolidate as the fastest growing challenger bank in the U.S?



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The American underbanked market represents trillion dollar opportunity for financial institutions, and so it is not surprising why European digital banks have translated their overseas strategy to growth in a market where customers are increasingly comfortable with digital banking and alternative financial providers.



Global Findex database.

It is estimated the underbanked market is a \$100 trillion opportunity globally

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China and India represent the biggest opportunities in absolute terms

### United States

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Population: 327,2 million  
GDP: \$50,2 trillion  
7% unbanked population  
(14 million adults)

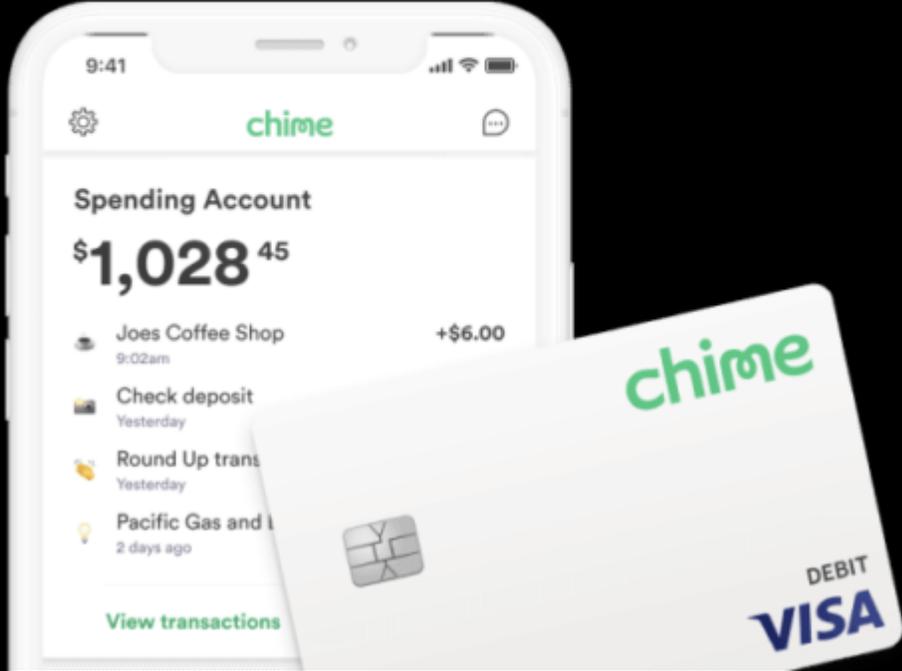
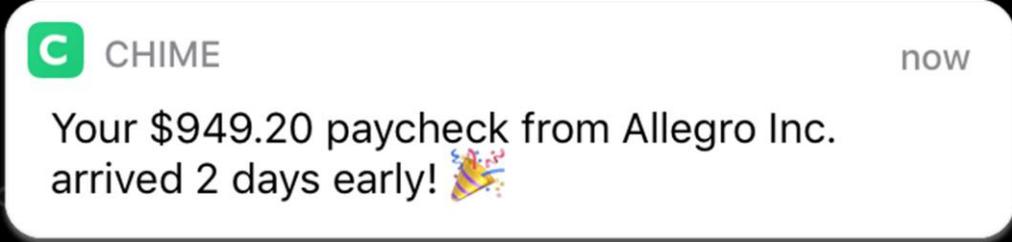
Source: Forbes . Sept 2020



Chime was founded in 2013 to cater to the underbanked population, the *"frustrated traditional bank consumer, bogged down by fees and extra charges"*. It does not have a banking license and instead offers a safe, transparent bank account that simplifies money management via partnering with FDIC-insured banks.

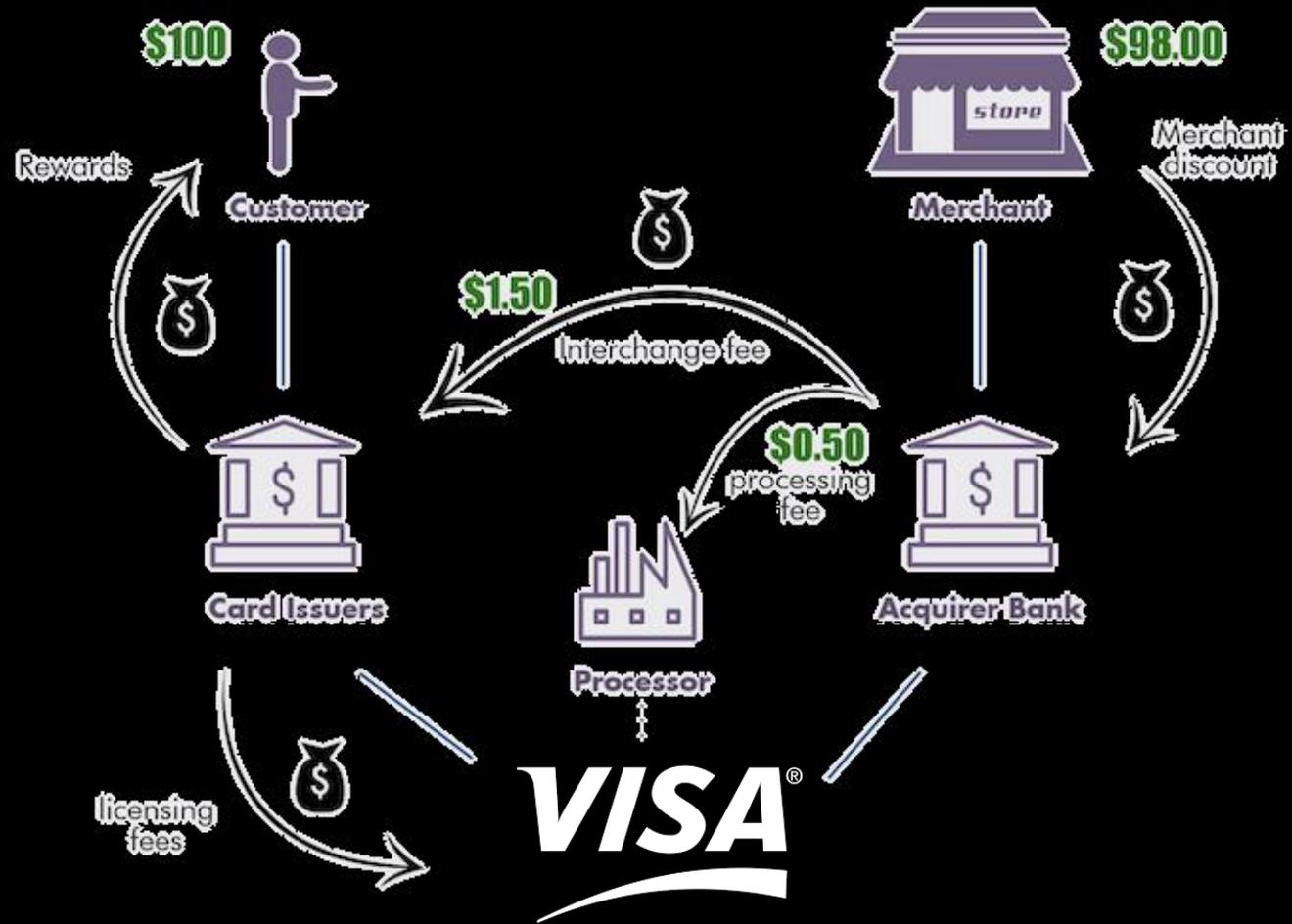


- 1** Provides banking services through partnering with The Bancorp Bank and Stride Bank, instead of having a banking license itself.
- 2** Proposition designed for millennials, who expect services to be personalized and mobile-first. Average customer earns between \$35,000 and \$75,000 a year
- 3** An interchange-based revenue model, which means it earns revenue from debit card transaction fees paid by merchants.
- 4** Has focused on building apps and constantly updating its platform with the latest products before customers knew they needed the upgrades.



The start-up makes almost all its money on interchange fees and an additional small fee is received for refereeing customer to other FinTechs like Lemonade and Root Insurance.

- Chime gets paid around 1% to 2% fees of the sale amount whenever a purchase is made using the Chime Visa debit card
- Typical customer make 40 transactions a month
- It processed more than \$30 billion in transactions last year, up from \$10 billion in 2018



A core suite of fee-free products and features are part of Chime's proposition. It focus to persuade customers to deposit their paycheck with them. When customers sign up for direct deposit they can access to key bank features, like the "Get Paid Early" function, which allows customers to receive payments two days faster than using traditional bank accounts, fee free overdraft and automatic savings

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We'll spot you on debit card purchases with no overdraft fees.



Eligibility requirements apply

**Say goodbye to hidden fees**

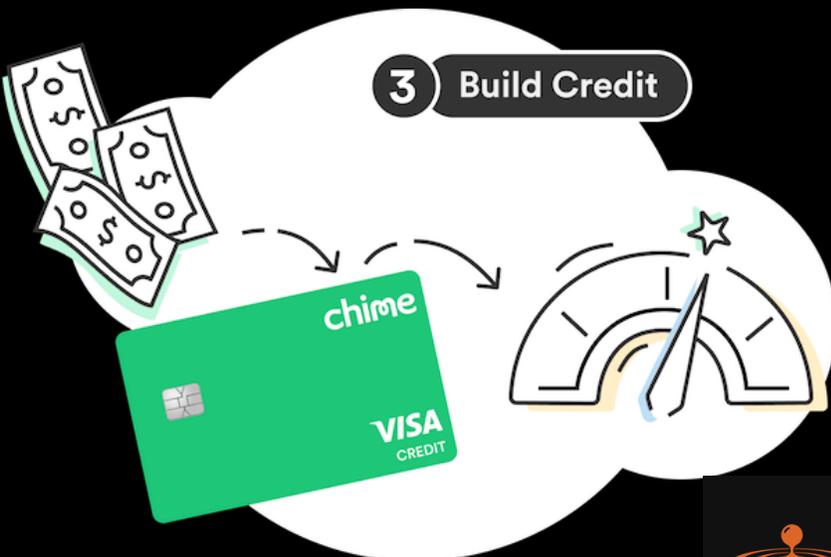
No overdraft fees  
No minimum balance  
No monthly fees



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👍 **Round Up Transfer** +\$0.45  
8:23 AM • Home Depot

🤖 **Save When I Get Paid** +\$94.92  
10:36 AM • Auto Savings from Direct Deposit



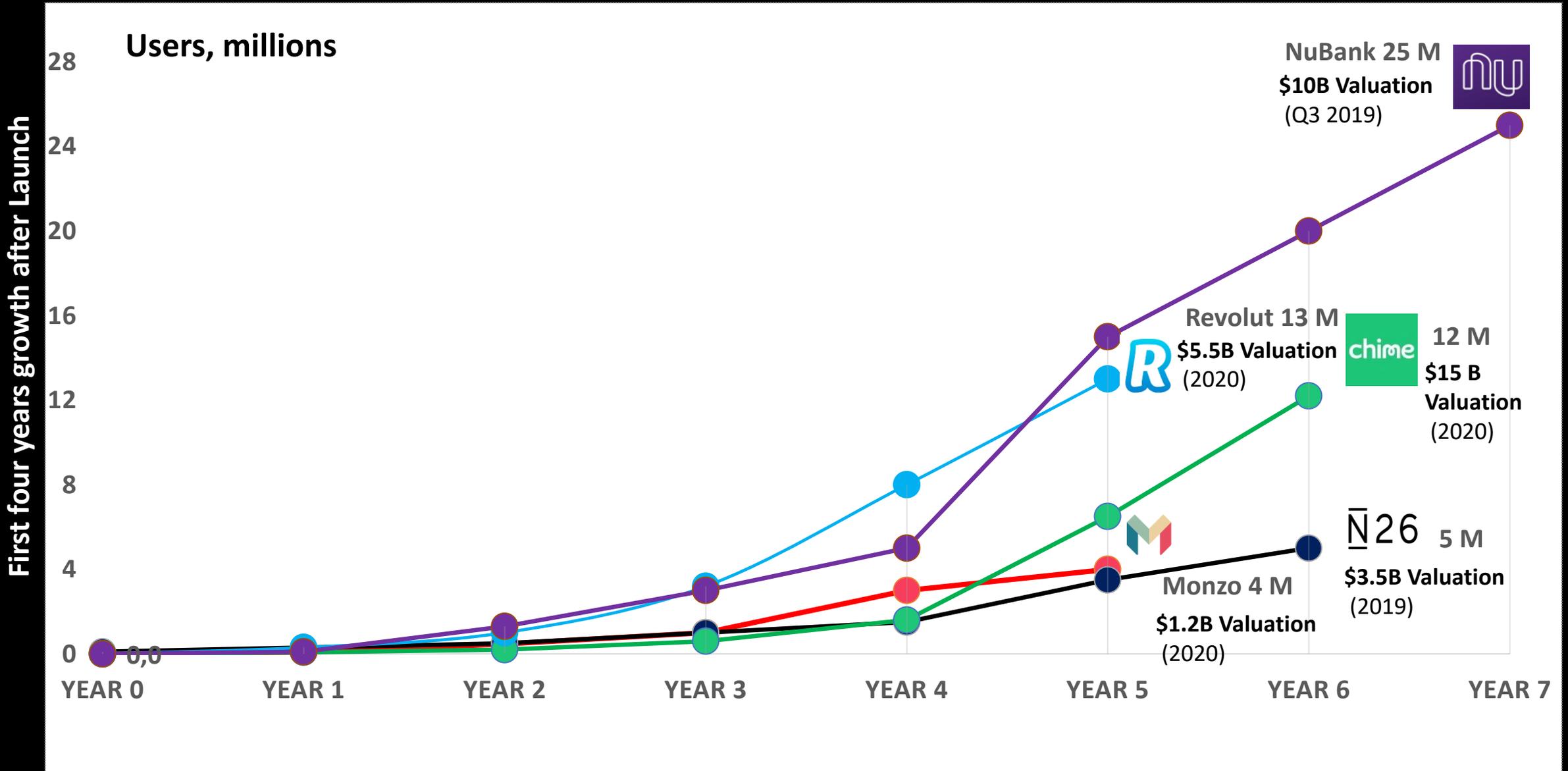
**Get a High Yield Savings Account**

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While Nubank and Revolut expand internationally, Chime is consolidating customer growth in the U.S. market. With an estimated 12m customers, about half of them uses the company for direct deposits.



Source: Startups newsroom. Chime 2020 number of customers is estimated. As Sept 2020

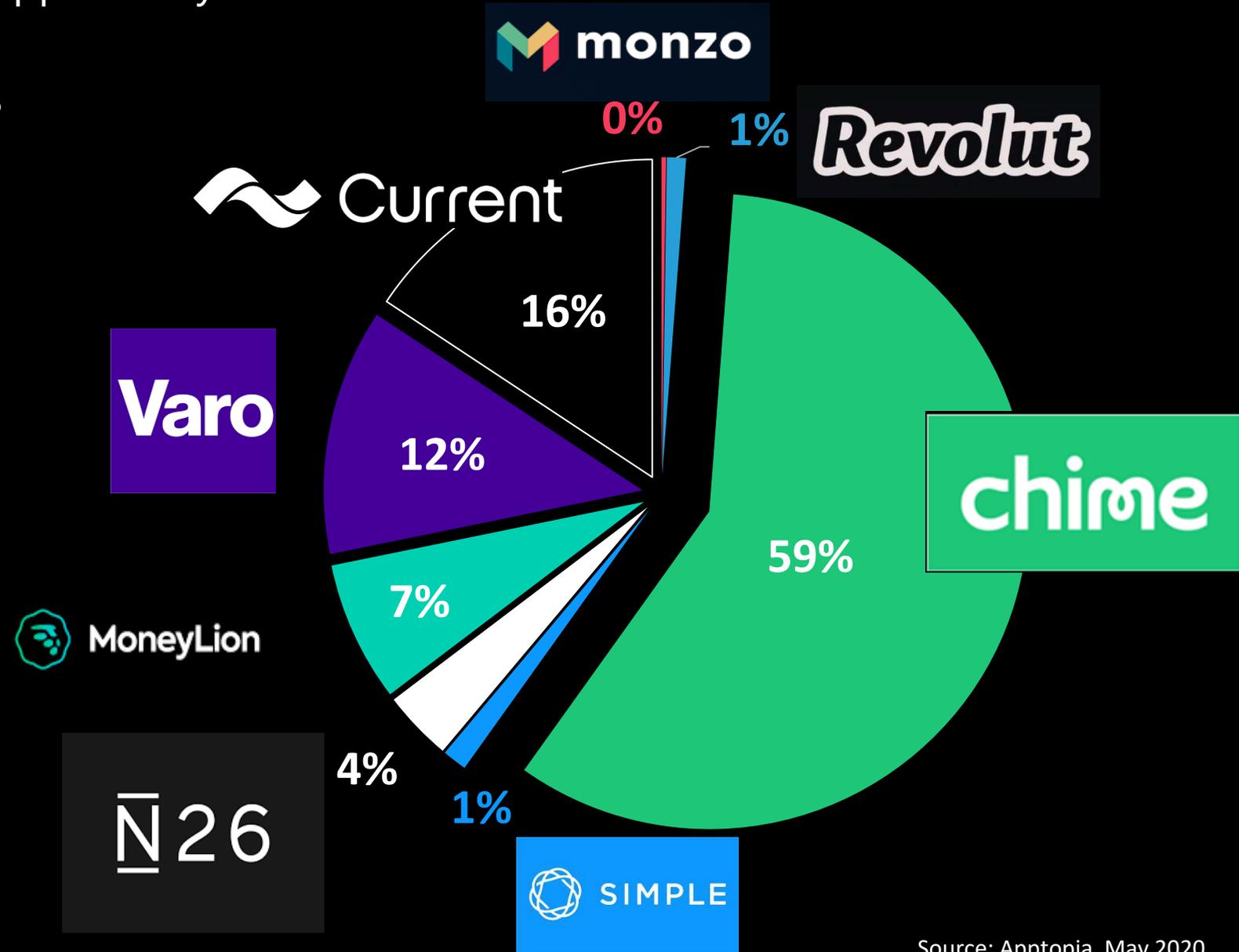


Although it's still early days, data shows European banks are lagging far behind local players like Chime, which now holds close to 60% of the US challenger bank market. The underbanked segment is a trillion dollar opportunity for financial institutions.

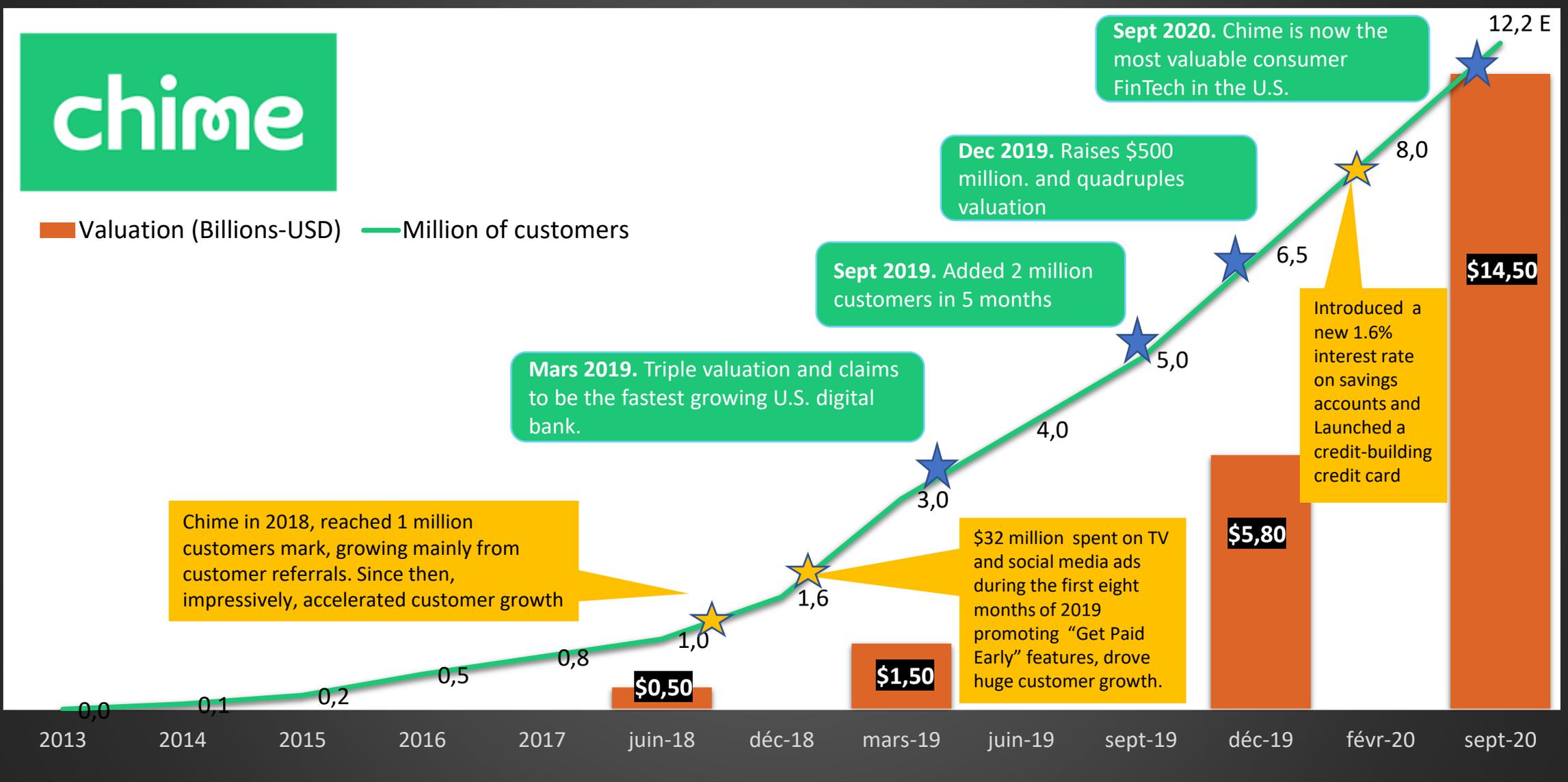
## Market share of digital banks in the U.S.

(Mobile apps Monthly Active Users)

- Monzo - launched its beta in the US in June 2019
- N26, followed, launching in July 2019
- Revolut went live late in March 2020



Chime has seen massive customer growth and a skyrocketed valuation over the last two years of life. 18 months ago it was at valued at \$1.5 billion, today it is the highest valued consumer Fintech in the U.S.



Source: Companies annual reports. As Sept 2020



Chime has converted its popularity in steadily building a loyal base of clients. Its strategy includes offering products for free, heavy spend on marketing and focusing efforts promoting features which better equip customers to use the card for shopping, like the "Get Paid Early" feature, which directly benefits Chime's interchange-based revenue model and customer loyalty.

1

~~Fees~~

- Offered products for free that banks have traditionally charged money for. All wrapped in an app!

2



- Massive growth has been reached by spending heavily on marketing
- \$32 million spent on TV and social media ads during the first eight months of 2019 drove huge customer growth.

3

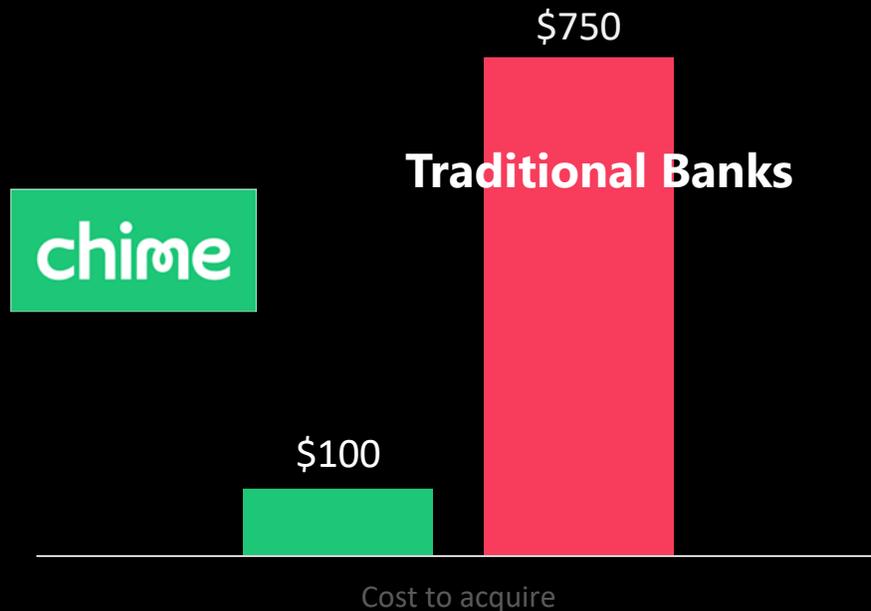


- Focus on promoting "Get Paid Early" features via ads
- It requires that customers sign up for direct deposit to access key bank features.

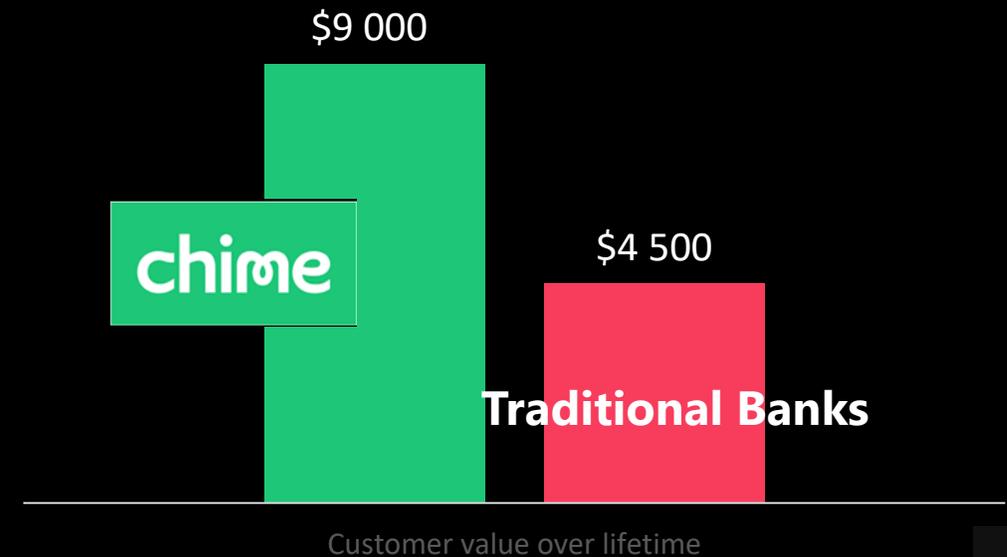


Chime's growth is strong, it also has claimed EBITDA profitability and could be "IPO-ready", in its CEO's eyes in around a year's time. Recently launched a credit card and also plans to move to more profitable products as personal loans.

### Costs to acquire a new customer (customer that signs up for direct deposit)



### Customer value over lifetime (Chime estimated over 10 years lifetime of customers for direct deposit\*)

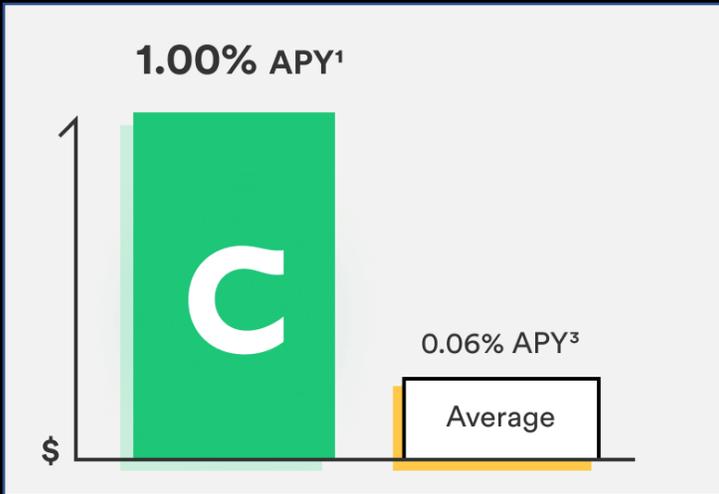


\* As a reference we took, New York digital bank MoneyLion, which targets customers in the Midwest of the US, and pays between \$40 and \$50 to acquire engaged customers who use at least three of the startup's products. Users are worth between \$1,200 and \$1,500 if they stay with MoneyLion for two years.

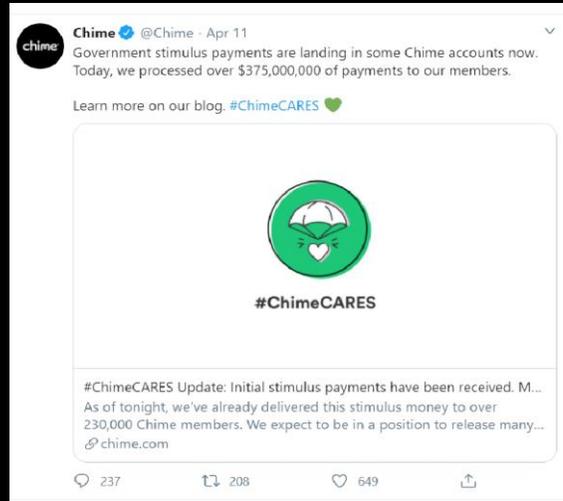


Additionally, the ability to very quickly build relevant offerings that cater to customers' needs has worked as a powerful driver of customer acquisition and loyalty among key untapped audiences.

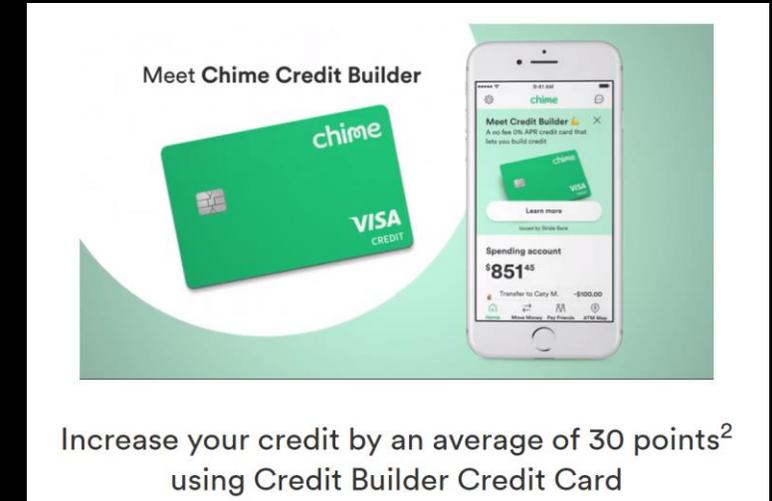
- Chime introduced a highly competitive interest rate on its savings account



- Made a concerted effort to ease consumers' financial burden toward the onset of the coronavirus pandemic in the US.



- Launched a credit-building credit card



- The combination of competitive savings and online checking account with clear benefits, as early direct deposits on paychecks, has helped Chime to pull the rug out from under European entrants.
- Over the course of the pandemic, Chime's savings balances reached all-time highs.

- Successfully distributed stimulus checks before most of the major US banks:
- It disbursed over \$1 billion in stimulus payments to over 600,000 customers
- It paid off in customer acquisition: In April, Chime surpassed its record for most accounts opened in a month.

- Another powerful driver of customer acquisition
- The card is designed to help customers build a credit history. It is especially useful in enhancing Chime's value proposition among younger consumers, those with lower credit scores, and the underbanked population.



# Final Remarks

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- 1. Chime's massive growth is mainly attributed to a combination of zero-fee alternatives to Wall Street banks, high advertising efforts and customer referrals. Also, its ability to build quickly relevant offerings that cater to customers' needs are a powerful driver of customer acquisition and loyalty among key untapped audiences.**
- 2. As Chime scales up, so will its costs, and it will need to find a way to bolster revenue, control expenses, and grow sustainably. The fact that a solid portion of their customers use it as a primary bank is a positive sign on its way to profitability.**
- 3. Winning in the U.S. will require more financial resources for European banks and a clear and highly differentiated product proposition. But the biggest challenge will most likely come from the U.S. consumer. They have shown an amazing level of complacency towards moving their primary checking account. For European digital banks, succeeding in the US market would be a major achievement!**

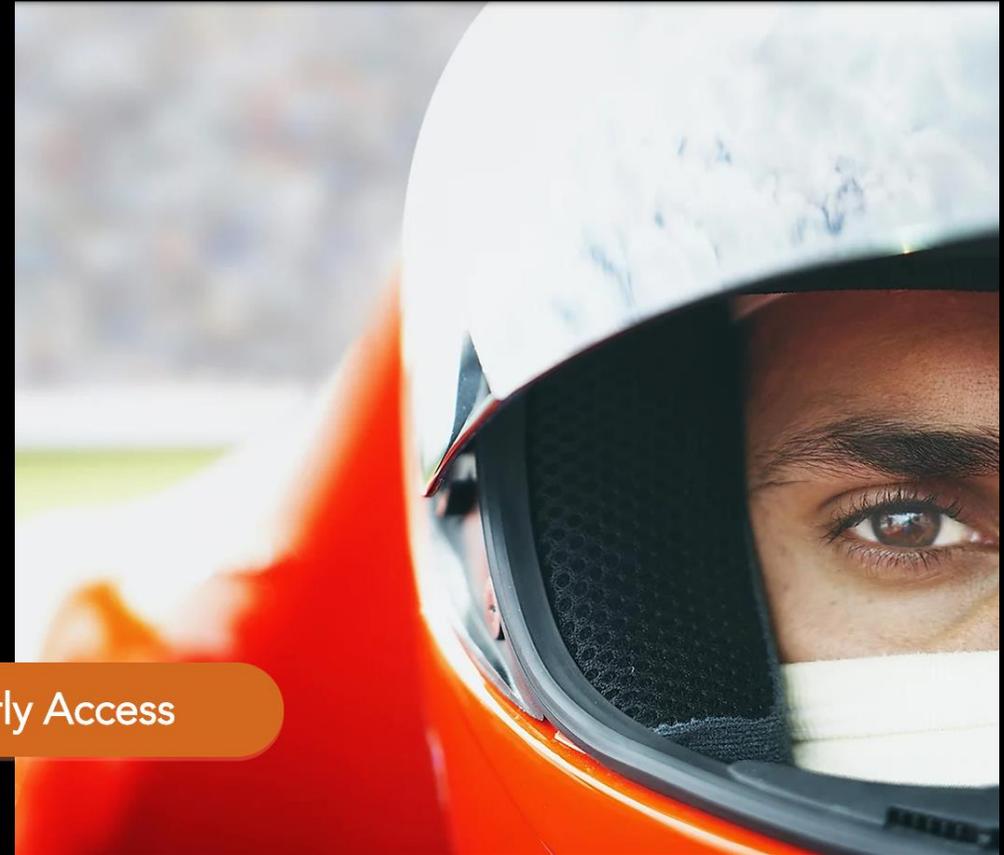




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