Cards and Payments: Innovation Designed Through Empathy

How to Succeed with Truly Customer-centric Technology
Introduction

Banks, retailers and other organisations looking to drive new revenue are searching for the “next big thing.” They want to bring innovations to market that make customers change their habits, abandon existing brand loyalties and flock to their new products or services. So, beyond the obvious attributes of mobile enablement and cloud-based delivery, what are the attributes of a product or service that will attract new customers? How do you truly get inside customers’ heads and understand what will drive them?

Most importantly, how do you avoid making assumptions about customers that are off target—and developing new products that miss the mark?

Fast Moving, Mobile World

People worldwide have adopted smartphones, mobile devices and a variety of e-commerce and m-commerce solutions at record rates. The adoption curve for electricity, telephones, televisions and personal computers stretched out over years. Not so with mobile devices.

The speed at which people have engrained these devices in their lives has sent banks, retailers and other organisations scrambling to develop new digital offerings. Whilst this general idea seems accurate—and is absolutely essential for growth—there is a risk that the assumptions organisations have made in their innovation processes are flawed. To be truly successful, gaining adoption in this new digital world requires “customer delight and advocacy”—which can only be achieved by understanding precisely what customers need and nailing the execution of solutions to meet those needs.

Today, more than half of the world’s population owns a mobile device.* So it’s no surprise that mobile is fast becoming the only channel for customer engagement and interaction. In the financial industry, global mobile banking users are predicted to more than double from nearly 0.8 billion in 2014 to nearly 1.8 billion in 2019.**

As a survival mechanism, most banks now offer mobile solutions to attract customers who want to check balances, make payments, transfer money and dispute transactions whilst on the go. Mobile also brings significant operational benefits for banks — reducing transaction costs, operational costs and resource needs as well as the number of ATMs and bank branches to maintain. But how do banks do more and deliver solutions that really “Wow” their customers?

In this extremely competitive environment, it isn’t easy for established banks and card issuers to abruptly turn the ship. Traditional banks are under threat like never before from challenger banking sources like PayPal and nimble start-ups who can more easily introduce new digital innovations quickly. To paraphrase Bill Gates: People need banking, but not necessarily banks. Many of the latest mobile solutions are focused on meeting the needs of “digital natives”—those Generation Y consumers that have never known a world devoid of digital. But that approach is short sighted. Nearly one-third of customers over the age of 65 today do some banking on their smartphones.***

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Still, digital natives and those who’ve become digital centric over the last decade are crucial to moving mobile forward. According to the 2013 Mobile Banking & Commerce Summit, 49 percent of consumers age 26 to 34 would switch banks for a better mobile experience. That doesn’t bode well for banks or other organisations that are just now joining the mobile party or making only incremental improvements customers already expect.

It’s also not enough to just enable online banking from a mobile device anymore. Mobile app users are more engaged with their bank than those who only interact through a website.* This is forcing banks to develop an immediate and responsive mobile app channel and continually look for the next big thing in mobile banking and payments.

*https://bankingappreport.adaptivelab.com


**Who is More Engaged with Their Bank?**

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<th>Daily App Users</th>
<th>Daily Website Users</th>
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<tr>
<td>39%</td>
<td>27%</td>
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Source: YouGov/First Data Corp - Digital Agenda, Sep. 2015

**Which Mobile Banking App Features Are Most Important**

- The ability to see a list of direct debits: 62%
- The ability to set up a new payee/payment: 60%
- The ability to see my full transaction history: 57%
- The ability to see a list of standing orders: 56%
- The ability to temporarily suspend my card: 41%
- The ability to manage SMS & email alerts from bank: 29%
- The ability to see loyalty points information: 20%
- None of these: 5%
- Don’t know: 9%

Source: YouGov/First Data Corp - Digital Agenda, Sep. 2015
The Cost of Assumption-based Solutions

There’s so much at stake when an organisation decides to innovate. Will the new technology work? Will customers change their habits and adopt the technology? Will it be the tipping point to attracting new customers and creating new revenue streams?

Most banks say they listen to their customers—and they do listen—but how effective is this engagement in developing truly needs-based solutions? Many organisations still develop solutions by making assumptions early on about what their customers want. They advance products they think their customers will embrace and then hope for widespread adoption. Often, this is due to a push from the C-Suite for quick solutions when there has been little engagement to get into the minds of customers and find out what the problem is that needs to be solved.

Making “early” assumptions can result in jumping to build a solution quickly without any effective mechanism in place to validate if this really solves the customer need. Today there’s a significant focus on mobile payments, enhanced by the launch of Apple Pay® in the U.S and then just recently in the U.K. There are many views and reports about just how successful Apple Pay® has been, with 47 percent of U.S. users reportedly disappointed with the customer experience when they used it at the point of purchase.* Because it was an Apple solution, people assumed it would work seamlessly. In reality, this wasn’t quite the case.

Contactless payments, introduced in 2007, is a good example of where the payment industry has been led by technology, instead of customer needs. Poor engagement, lack of user education and security concerns have made banking customers hesitant to adopt. Only when contactless payments were accepted on London Transport did we see adoption rates begin to surge in the U.K. In 2014, 11 percent of all contactless payments were made on London Transport.

To successfully innovate, you need to understand and deliver what the customer really needs, rather than assuming what they want. It’s important to ensure that you continue to engage with the customer, allow the process to evolve, and then deliver the best solution that best solves their need.

Being customer-centric is about listening and understanding what your customer’s real problem is and how that can best be solved.

What Being Customer-centric Really Means

Since customers are the ones you want to adopt your innovation, product development needs to start with them. Being customer-centric isn’t about trying to find a problem to fit a solution that’s already been developed. It’s about understanding what the customer’s real problem is and what is the best solution to solve that problem.

Identifying and understanding these needs is key to delivering an outstanding customer experience, defining your product strategy and determining where to invest and focus your efforts. Discovering what “delights” customers can lead to highly relevant, immediately adoptable innovations that can positively impact the customer experience and bottom line.

Today more than ever, banks need to differentiate with value-added solutions. But which solutions will truly delight your customers?

Contactless payments expected to rise 66% in the next 10 years

Source: UK Card Association

Differentiate with Needs-based Solutions

To delight your customers, you have to understand their needs. Banks already know their customers want to do more than view their balance online or fill out forms to dispute transactions. They also know their customers want an engaging, seamless experience across all channels—online, mobile or in branch. But what specifically do customers need? To answer this question it often takes more than customer surveys, focus groups, polls and other typical ways of soliciting customer input.

Both traditional quantitative and qualitative research methodologies provide limited value for developing true needs-based solutions. People are influenced by others’ opinions when participating in focus groups. Surveys and polls don’t uncover customers’ real problems and needs.

True success is achieved when overall organisation goals are aligned with identified and validated customer needs. The critical element for developing needs-based solutions is Design Thinking—tapping into what customers really need—whether that customer is a retail customer, a call centre agent or a cardholder. The result? Developing needs-based solutions that can improve adoption rates, enhance loyalty, establish trust, increase revenue and reduce costs.

Uncovering What Customers Really Need

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<tr>
<th>RESEARCH TYPE</th>
<th>TIMING</th>
<th>METHODOLOGY</th>
<th>OUTCOME</th>
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| Traditional Quantitative Research | During, post-product development     | Surveys, polls                                   | • Hard data without contextual factors to support or negate likelihood of adoption  
• High time and cost investment if product is not adopted |
| Traditional Qualitative Research   | During, post-product development     | Focus groups, talks with customers in branch or store | • Soft data influenced by others or environment to support or negate likelihood of adoption  
• High time and cost investment if product is not adopted |
| Innovative Design Thinking       | Pre-product, during and post-product development | Empathy-based, in-person interviews at home or place of business | • In-depth understanding of end-user needs  
• Ability to learn fast and pivot if necessary  
• Deliver what customers need and will adopt |
Empathy Drives Design Thinking

Design Thinking lets organisations put themselves in their customers’ shoes. By enlisting empathy—not assumptions—organisations can create new innovations that really resonate with their customers.

Satisfying customers is at the core of product development, rather than banks developing solutions based on their own needs or assumptions. Customers are engaged even before ideas are advanced or solutions are developed. Whilst this can feel like it is adding a little more time on the front end of a project, it will pay big dividends in the end as you increase your chances of first-time success.

Empathy drives this engagement with customers to truly understand what problems and challenges they face—and why. In-depth, one-on-one interviews are conducted with customers in their natural environment (home or place of business). This is where customers are most relaxed and willing to share how they really live or work, what their true needs are and how technology could make their lives, jobs or running their business better.

The empathy approach is enlisted very early in the product development cycle, allowing banks and other organisations to learn fast what their customers need and pivot in a different direction if the original idea doesn’t resonate with customers—saving significant time and cost. What we have learnt early in Design Thinking is then translated into innovative concepts that customers have already validated.

This approach is the opposite of building a solution and then seeking a problem for the solution. It leads to real understanding of what is important to customers, what they value and what solutions they will adopt.

Improved Outcomes

This approach helps organisations invest in solutions that truly delight their customers and minimises investment cost by avoiding full commercialisation of a product that ultimately fails.

Shifting to a Design Thinking approach requires cultural change for an organisation—allowing more time and accepting uncertainty in the early stages of product development. However, a little more time upfront has proven to be extremely valuable for organisations that have made the shift. It ultimately helps them determine with certainty what innovations should move forward.

For example, First Data worked on a design challenge project to improve the way customers report a suspicious transaction on their account (Transaction Not Recognised), aiming to reduce the time and costs associated with handling telephony inquiries. Rather than digitising the process and expecting their customers to adopt it, Design Thinking was employed early in the product development cycle to understand bank customers’ needs.

An empathy-based approach resulted in deep understanding of customer needs and demonstrated the need to respond to the emotional needs of the customer, rather than just digitally capture data to feed into the same old process.

What’s Most Important for “Transaction Not Recognised” Via Mobile App

- 50% Identifying the Transaction
- 19% Suspending My Card
- 18% Getting a Refund
- 11% Cancelling My Card
- 1% None of These
- 2% Don’t Know

Source: YouGov/First Data Corp – Digital Agenda, Sep. 2015
It’s far better to allow this minimal investment of time, resources and cost in the early stages than invest fully in solutions customers ultimately don’t adopt.

<table>
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<th>Minimal Investment</th>
<th>Maximum Investment</th>
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<tr>
<td>Needs-based Solutions from Design Thinking Approach</td>
<td>Assumption-based Solutions from Traditional Approaches</td>
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<tr>
<td>- Nominal investment in early stages</td>
<td>- Significant time spent developing products customers do not need</td>
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<tr>
<td>- Less investment in products customers may not need</td>
<td>- High cost investment with minimal returns</td>
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<tr>
<td>- Eliminates low adoption and usage rates</td>
<td>- Low adoption and usage rates</td>
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<tr>
<td>- Uncovers opportunities to develop products that delight customers</td>
<td>- Potential to repeat past failures</td>
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<tr>
<td>- Greater customer engagement and loyalty</td>
<td>- Risk of losing customers to innovative competitors</td>
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<tr>
<td>- Increased opportunity for revenue</td>
<td>- Lost trust and revenue</td>
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The Bottom Line: Delivering Innovation Customers Will Adopt

With so much at stake, organisations are reacting to deliver technology quickly, often making costly assumptions about their customer’s needs and how best to meet them. Significant amounts of time, resources and money are spent launching products with lower adoption and usage rates than organisations expect. In the end, the next big thing can often turn into the next big disappointment.

With Design Thinking and the empathy-based approach, you know up front why customers do things, what is important to them and what their real needs are. It drives a more focused product innovation strategy that ultimately removes time and cost from the process. It leads to innovation that customers will actually need, value and adopt.

How can your organisation move from assumption-based to needs-based innovation?

First, find a partner to undertake a Design Thinking project. Employ the empathy-based approach and work together to understand the true challenges your customers face. Whilst your competition continues to make assumptions about what customers need, your organisation can rise more quickly to the top and attract new customers that become the ultimate champions of your brand, products and services.

Design Thinking Pays off for Bank of America

Attracting new customers is an on-going focus for banks large and small. Bank of America is no exception.

To understand their target market—Baby Boomer-aged women with children—and get them to open new accounts, Bank of America partnered with IDEO, a design and innovation consulting firm. Together, Bank of America and IDEO travelled throughout the U.S., talking with people in the target audience as well as the general public and learnt most people round up their financial transactions for speed and convenience.

This insight fuelled Bank of America’s 2005 launch of its “Keep the Change” program, a service that rounds up purchases made with a Bank of America Visa debit card to the nearest dollar and transfers the difference from individuals’ current accounts into their savings accounts.

In less than one year, this program attracted 2.5 million customers, translating to more than 700,000 new current accounts and one million new savings accounts for Bank of America. Since the launch, the Keep the Change program has led to more than 12 million new customers and more than $3.1 billion in savings for them.*

*https://www.ideo.com/work/keep-the-change-account-service-for-ba/