

Banking Transformation:

DIFFERENTIATION FOUND THROUGH THE LOOKING GLASS

By

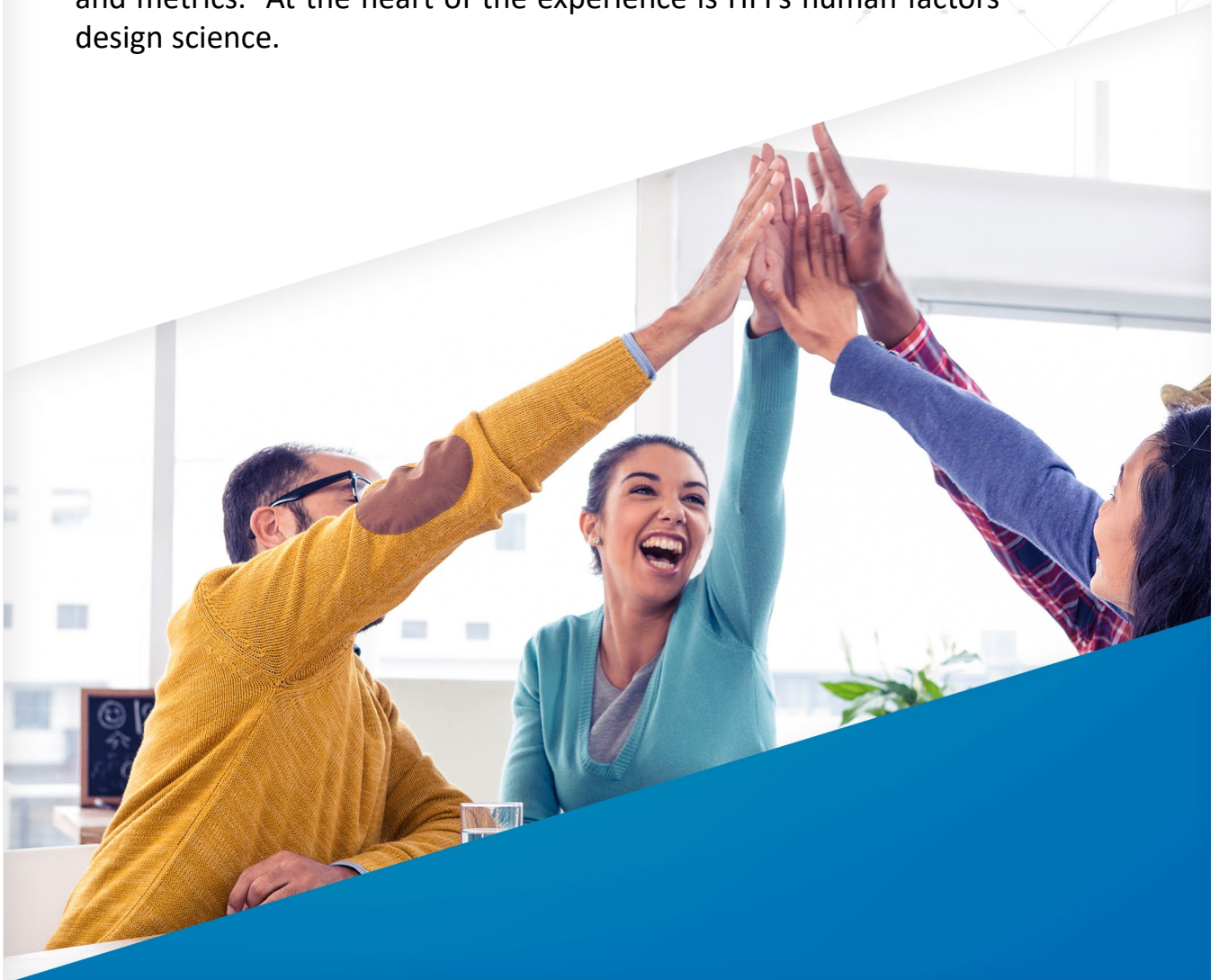
Eric Schaffer PhD, CUA, CXA, CPE

CEO of Human Factors International, Inc.



DELIVERING A DIFFERENTIATED BANKING EXPERIENCE.

HFI-CXI is unique because a differentiated banking experience gets reliably delivered. We begin with a deep understand of the user's ecosystem, mental model, drives, and blocks. Then, we build a differentiated user experience around that understanding. Finally, we deliver everything including technology, hosting, maintenance, and metrics. At the heart of the experience is HFI's human factors design science.



In banking, insurance, and all fintech there is a killer question that goes to the survival of your company. Why are you different? Why would a customer recommend you to a friend? In the past, that was based on a warm handshake and a comfortable game of golf. But that personal relationship is now being replaced with a digital ecosystem. A blizzard of touchpoints need to come together to deliver something easy, compelling, and somehow differentiated. This winning solution is found through the looking glass of customer centricity, and driven by human factors design science.

The challenge of differentiation is substantial. Any digital function can be quickly copied by competitors, and any offer can be matched. Therefore, they are never differentiators.

HOW CAN THE DIGITAL CHANNEL BE A REAL DIFFERENTIATOR?

You just
HAVE to try
that Bank!



**FUNCTIONS ARE
EASY TO COPY**

**DEALS ARE
EASY TO MATCH**



Companies are trying to make ease-of-use a differentiator, and there is still some time to make that work. However, the harsh reality is that EVERY institution is trying to make things easy, and the field of usability engineering is well established. I would say that usability is only 'Table Stakes'. If your banking experience tortures customers with technology, you just won't be in business. That is hardly enough. Let me give you FOUR practical ways in which your institution can differentiate and win in the market.

EMOTIONAL BANKING

ECOSYSTEM BANKING

**AI PERSONALIZATION
IN BANKING**

**A SUSTAINABLE CX
PRACTICE IN BANKING**

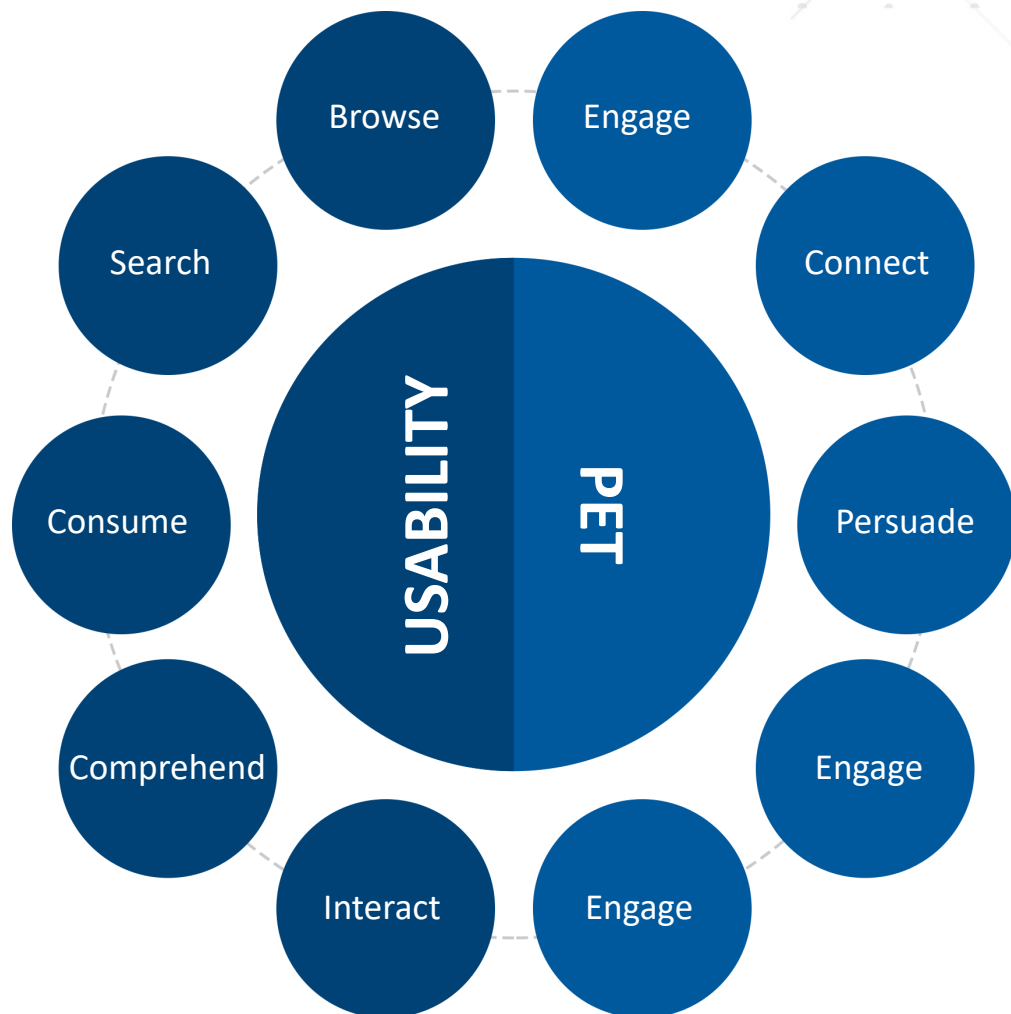
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Engineering performance and Persuasion




EMOTIONAL BANKING

We started talking about 'PET' (Persuasion, Emotion, and Trust). Just as there was an engineering discipline around making things easy, there evolved a discipline around engineering the emotional experience of design. There is a methodology for PET, and there are a load of tools that can be used to develop trust, and influence decisions.

Job Aid of PET Tools

Version 3.0

<h4>TRUST</h4> <p>Reputation</p> <ul style="list-style-type: none">• Domain Name• Famous People• Common People• Certifications• Awards• Testimonials• Peer Advice• Customer Service Comments• Credible Organizations <p>Good Design</p> <ul style="list-style-type: none">• Design Quality• Match Existing Design Knowledge• FAQ• Links <p>Fine Print</p> <ul style="list-style-type: none">• Citations• Extensive Content• Archives• Physical Address• Policies that Show Trust <p>Tone</p> <ul style="list-style-type: none">• Argue Against Self-Interest• Avoid a "Smarmy" Tone• Avoid Pushy Sales Language• Avoid "Too Good to Be True"• Use Subtlety 	<h4>EMOTION</h4> <p>Utility, Practicality and Drive Fulfillment Arousal</p> <p>Norman's Model of Emotional Design</p> <ul style="list-style-type: none">• Visceral• Behavioral• Reflective <p>Intrinsic Motivation</p> <ul style="list-style-type: none">• Optimal Level of Stimulation• Optimal Level of Dissonance• Optimal Level of Challenge• Goal Setting and Knowledge of Results	<h4>PERSUASION (cont'd)</h4> <ul style="list-style-type: none">• The Power of People We Like• Diffusion of Responsibility• Scarcity• Reason for Request• Over categorization and Correlation• Overestimation of Big Unlikely Events• Divestiture Aversion (Fear of Loss)• Feel Good Principal (History Revision)• Priming• Framing• Conditioning and Association <p>Validation after Experience</p> <ul style="list-style-type: none">• Scarcity• Expectation• Placebo Effect• Cognitive Dissonance <p>Pressure Compliance</p> <ul style="list-style-type: none">• Computer as Social Actor• Reciprocity• Pressure by People We Like• Obedience to Authority• Psychological Reactance• Momentum of "Yes"• Compliance Laddering• Commitment and Creating Fanatics
	<h4>PERSUASION</h4> <p>Common "Persuasion"</p> <ul style="list-style-type: none">• Facts: Comparisons, Tunneling and Repetition• Experience: Feedback and Simulation• Pay: Rewards and Discounts (Side Effects) <p>Impression</p> <ul style="list-style-type: none">• Contrast Principle• Decoy Strategy• Decidophobia (Paradox of Choice)• High Price Equals Good• Power of FREE• Social Proof• Social Learning	<h4>NAVIGATION</h4> <ul style="list-style-type: none">• PET Sort and Discovery Optimization• Seducible Moment

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We can measure increased engagement and increased conversions when we use these methods. But really, THAT is still not a sustainable differentiator. Every bank can create scarcity with an offer that expires or use divestiture aversion by giving a free trial. We can make fees seem lower. We can create trust. But, the differentiator comes when the emotional experience is focused on a specific relationship with customers. We want all touchpoints to align with a frame and unique position. And that position must resonate with the customer's drives, blocks, beliefs, and feelings. If you have every channel manager thinking something different about that connection, there is really no hope.

Your Aspiration and What Managers think it Means

“CREATING A WONDERFUL WORLD”

- High Status
- Latest Cool Technology
- Good Connectivity
- Friendly Call Center Service
- Safety in Disasters
- Personalized Relationship
- Social Connection
- Humanized Technology
- National Pride

To get a differentiated emotional connection there really has to be research providing a model of the customer’s needs and understandings. That model can then be leveraged into a differentiated position, and validated with testing. This finally becomes the driver for the design of every touchpoint.

CORE PERSUASION STRUCTURE

Relationship Theme

Fear

High Net Worth Investor



Financial mistakes can be catastrophic



Risk



Individuation



I am special (and important) and have unique investment needs

“We Understand What Drives You”

Investment solutions must be based on your needs, both explained and unexplained.



Social Learning



Social Validation



Power of People
we Like

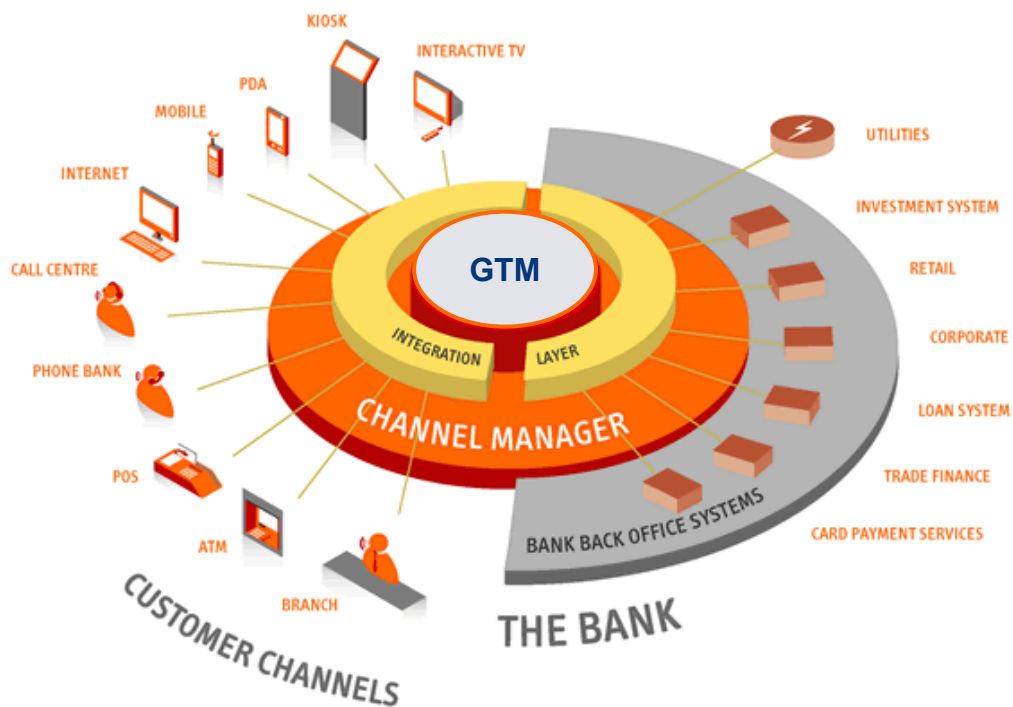
ECOSYSTEM BANKING



ECOSYSTEM BANKING

DARPA was first, creating a 'system of systems' for the American military. Apple's success was greatly about how their offerings fit together. But we still do not have a single bank that delivers a successful ecosystem solution. It must be clear to users which channel to use. And there should not be a blizzard of sites and applications that need to be understood and navigated. Currently, it is common to find a frightening level of confusion. We had one client who offered customers three separate facilities: 'cell phone banking,' 'telephone banking,' and 'speech banking.' Obviously, each team worked in a silo.

Model Customer's Mental Model of the Bank



We understand our customer's "mental financial system" and offer simple financial solutions that span seamlessly across how a customer borrows, manages, stores and protects their financial resources.

ECOSYSTEM BANKING

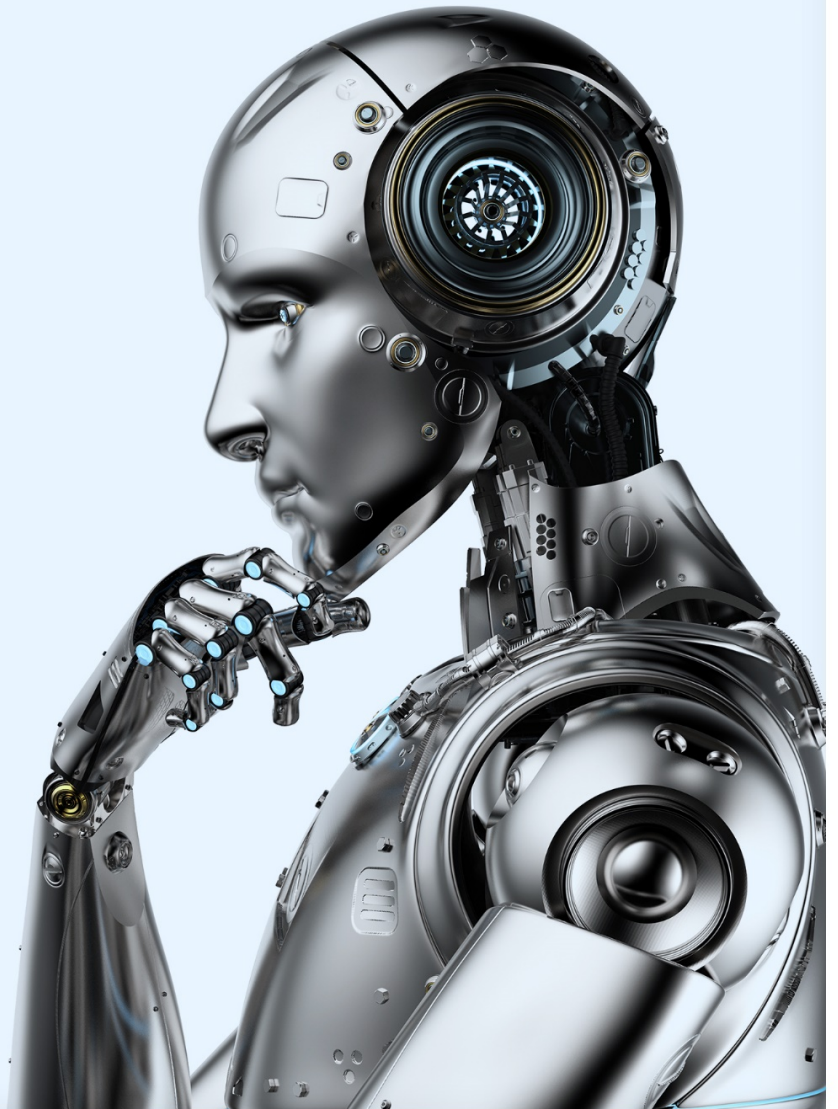
Once a channel is entered there should be a common ‘pervasive information architecture,’ meaning that the same language and structure should be used. If the site says ‘Pay, Save, Borrow,” the mobile applications, TV Banking, Voice Banking, and even the retail location should use the same language in the same order.



To be really successful, the process flow should also be consistent. Authentication and transactions should have the same tasks in the same sequence. There should not be unnecessary differences in the flow of work.

task	USSD	ATM	Mobile (WAP)	Internet Banking
Login	Enter CSP	Enter Secret PIN	Enter Card number and CSP	Enter Card number, CSP and Password
Get Account Balance	1. Account balance 2. Select Account	1. Balance Enquiry 2. Which Account 3. Display or Print	1. Balance Enquiry	<balances shown upon login>

AI PERSONALIZATION IN BANKING

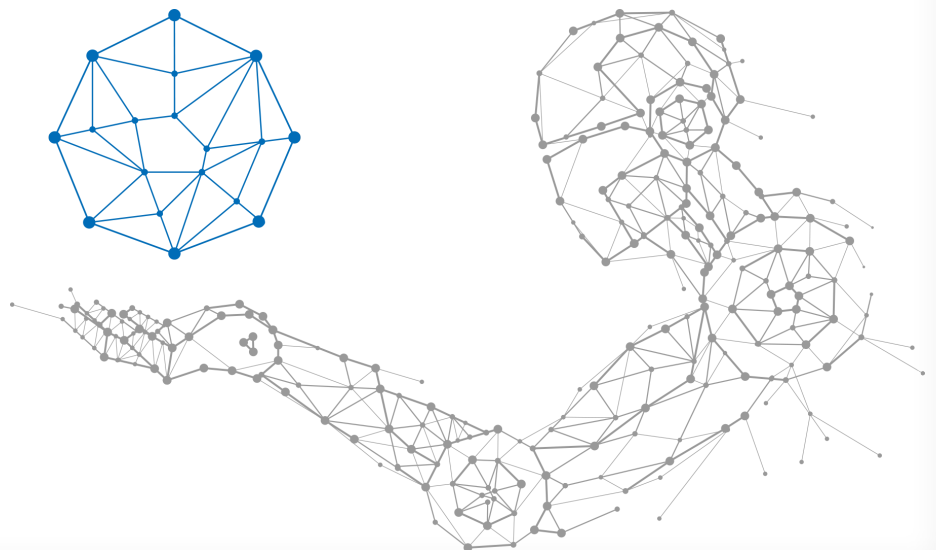


AI PERSONALIZATION IN BANKING

We can see how AI speeds risk assessment and improves outcomes. However, there is something far more powerful we can get from AI. We can learn how to dynamically adapt to our customers.

Bankers have spent a decade pushing for personalization. They did this because they experienced how a personalized approach increased conversion and share of wallet as a banker interacted with a customer. They pushed for personalized home pages, allowing the user to customize the dashboard to their exact needs. As predicated, few people used that customization, because actually, customers don't really care about designing their own banking experience. They would rather watch Netflix.

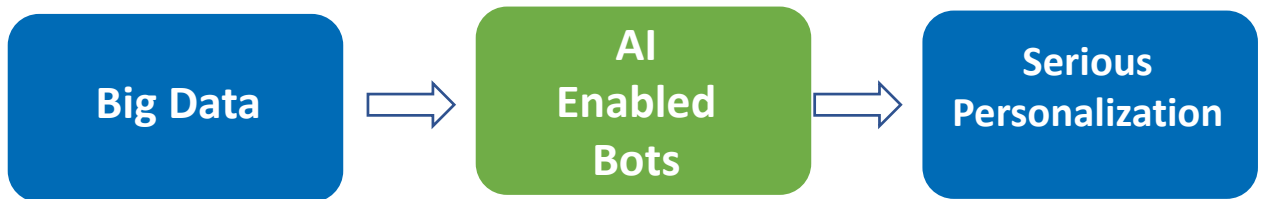
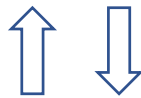
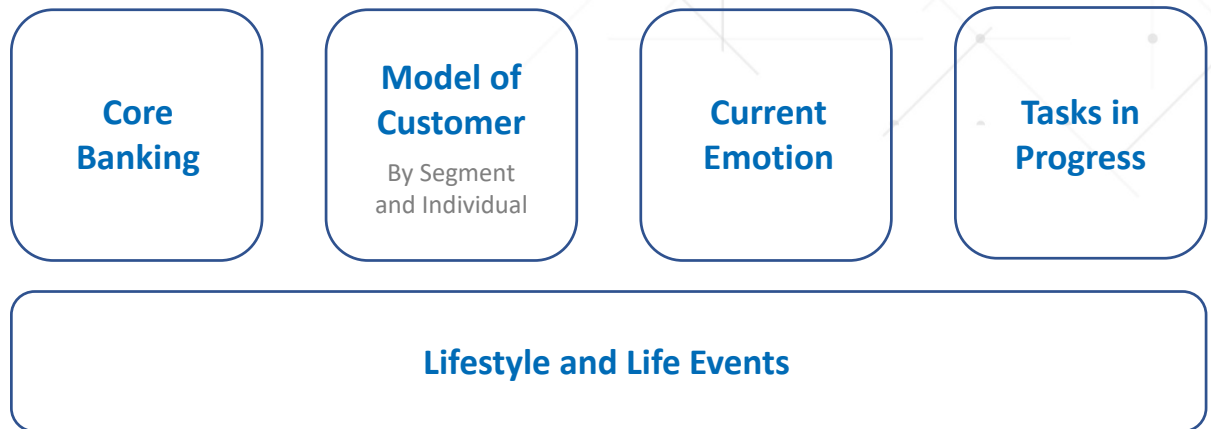
AI opens the possibility of real customization of the banking experience. This is a very new frontier and we are just now seeing our banking customers setting up frameworks to support this customization. But we have the prospect of adapting to the specific type of customer and adapting to the customer's current life stage and momentary interest. And beyond such 'next best action' adaptations we can adapt the interface to their current emotion and identify the persuasion engineering tools appropriate to each interaction.



AI SUPPORTS SERIOUS PERSONALIZATION

The Technology we NEED...

Customer Data



- Contextual Interaction
- Cross Channel Continuity
- Larger Interaction Units
- Next Best Action
- Persuasion Strategy
- Customized Approach and Tone

A SUSTAINABLE CX PRACTICE IN BANKING



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For over a decade, banking executives have been intent on succeeding at CX optimization. And yet the results have been disappointing. It is exciting to see a generation of executives emerging who understand what it takes to really be successful. The most difficult challenge always seems to be deploying CX capabilities in the organization. Human Centered Design is a challenging engineering profession based on three generations of work and billions of dollars in research. Reinventing this field cannot possibly succeed. However, obtaining staff for this work is not a trivial problem, and it is made worse by a blizzard of 12-minute videos on YouTube that teach people how to lie about being able to do human-centric design in job interviews.

Billions Worth of Research-Based Insights, Models, and Methods



A SUSTAINABLE CX PRACTICE IN BANKING

Hiring highly qualified practitioners will not solve the issue because that is like hiring hundreds of surgeons to make a hospital. It takes much more than just skilled staff to have a functioning CX Practice in an organization. I've spent almost 20 years learning how to do this work at scale (See 'Institutionalization of UX' from Addison-Wesley). It takes the right executive support, organization structure, governance, standards, methods, tools, and.... Well, you get the idea.

By having a strong practice at our core, Human Factors International, Inc. is a 'Customer Experience Integrator'. Not a 'Systems Integrator'. Sure, we can deliver, host, and maintain banking facilities. But we don't start with a technology stack. Instead, we begin by engineering a differentiated customer experience. We do this because it is the customer experience that creates real sustainable differentiation.



A SUSTAINABLE CX PRACTICE IN BANKING

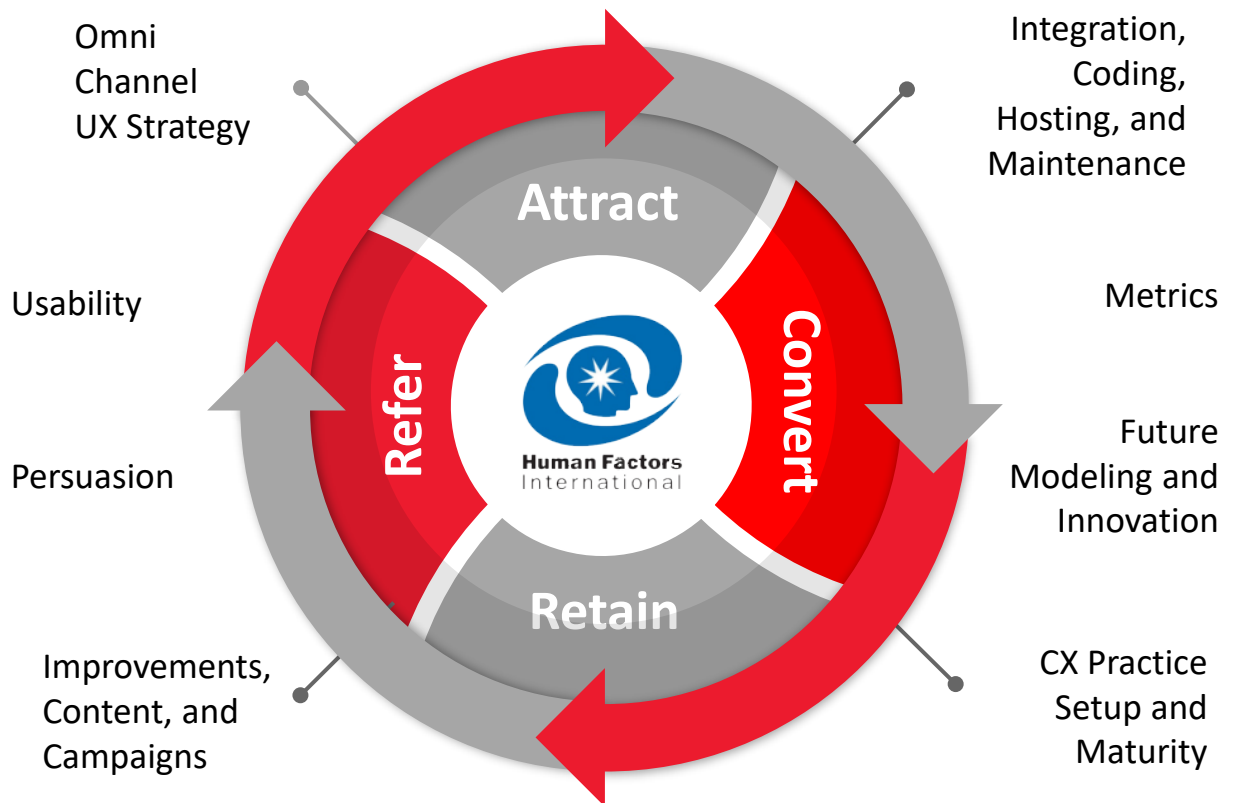
A REAL CX INTEGRATOR

CX STRATEGY AND SERVICE DESIGN

We Take Full Accountability For End To End CX Solution Delivery

Human Factors Design Science

Driven by Model of Customer Ecosystem

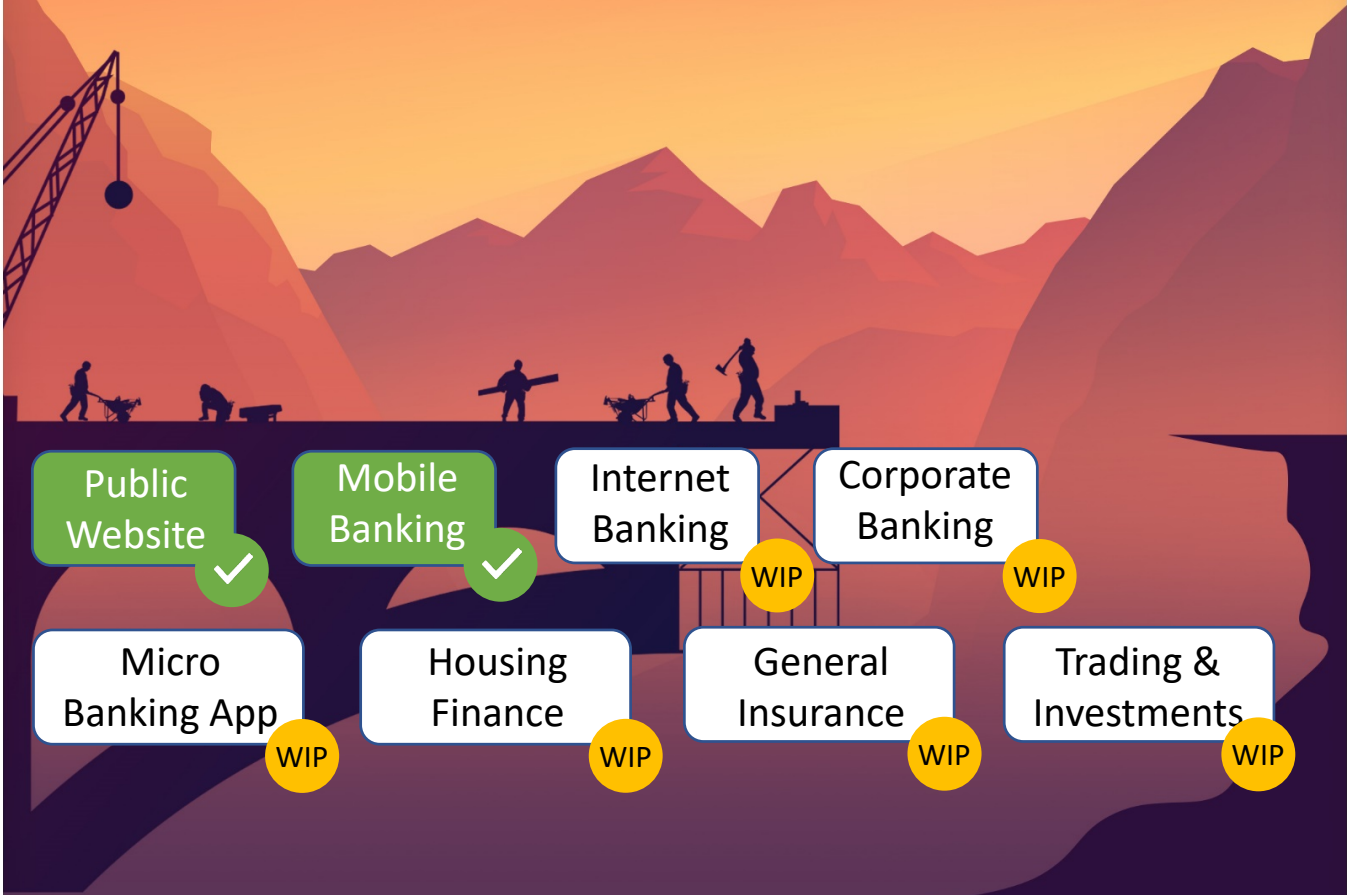


CAN YOU GET THERE?

There is a reason that banks, insurance companies, and fintech solutions have so often failed to deliver a great and differentiated customer experience. It is hard. Most of the time, it is not even possible to deliver the entire experience at once. No matter how large the digital transformation project, you generally must work by having a differentiated CX strategy, and then driving that into a series of channels.



HOW TO GET THERE FROM HERE



Public Website ✓

Mobile Banking ✓

Internet Banking

Corporate Banking

WIP

WIP

Micro Banking App

WIP

Housing Finance

WIP

General Insurance

WIP

Trading & Investments

WIP

VALUE OF SUCCESS

Human-Centered Design works. Again, and again,
we see the impact of design on business results.
That type of celebration is routine.



ADOPTED A SCIENTIFIC PROCESS TO UX REVAMP

- 01 **Expert review of existing designs**
- 02 **Identify stakeholder expectations**
- 03 **Customer research – Identify customer needs / barriers / drivers**
- 04 **Concept design with key user journeys**
- 05 **Validate designs through customer research**
- 06 **Launch & ROI measurement**

ADOPTED A SCIENTIFIC PROCESS TO UX REVAMP

Objective

- Measure impact of revised UI / UX based on identified metrics and analytics
- Analytics based inputs for continuous design refinement

FINANCIAL METRICS (COMPARISON WITH OLD APP)

72% more

Transactions / user

42% more

Value of Financial Transactions / user

2.05x more

Non Financial Transactions / user

18x more

Value of Bills Paid / user

75% more

Financial Transactions / user

2.5x more

IMPS Transactions / user

APP STORE RATINGS (COMPARISON WITH OLD APP)

11% better

For Design

15% better

App Stability

14% better

Perceived Resource Usage
(memory / battery)

25% better

App Usability

10% better

Perceived App Speed

Please read the Business Value of Design (McKinsey Quarterly October 2018)*. You will see how the differentiator in banking has changed to the quality of experience design. You will see that the market mostly rewards the very best offerings. And we must ensure that being the very best is not a function of luck. A differentiated offering cannot happen based just on the inspiration from one person. You might think this can happen only with a Steve Jobs, but I think that large scale banking solutions are more complicated than the Apple ecosystem. You can see how Apple, without an institutionalized design practice, is struggling to expand their footprint. The real leaders in the future of banking are NOT like Steve Jobs. Instead, they are the executives who know how to mobilize human-centric design resources to yield a differentiated competitive experience.