



# Confidence and capability:

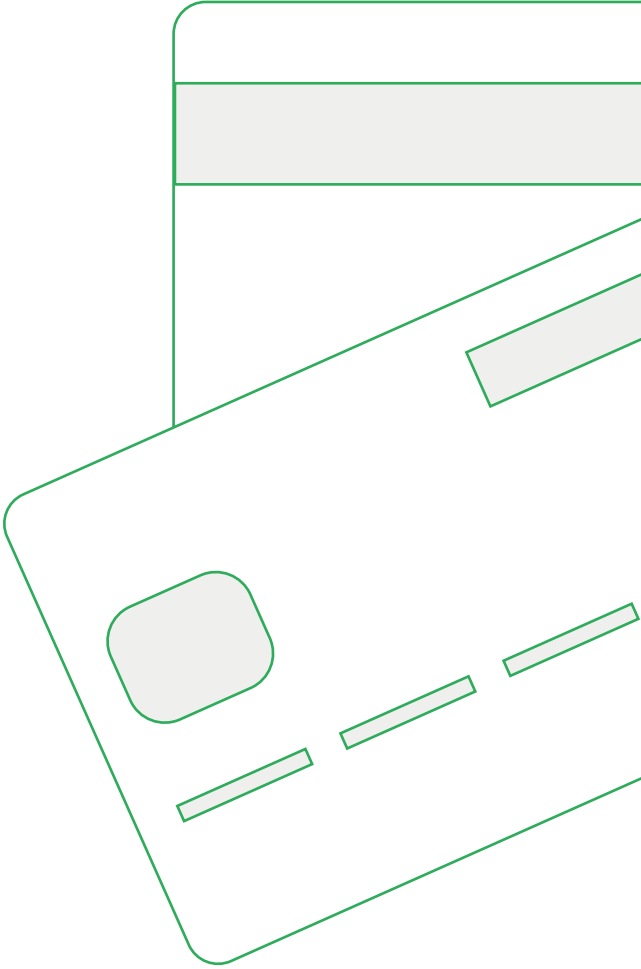
Enabling digital banking customers to make more of their money online



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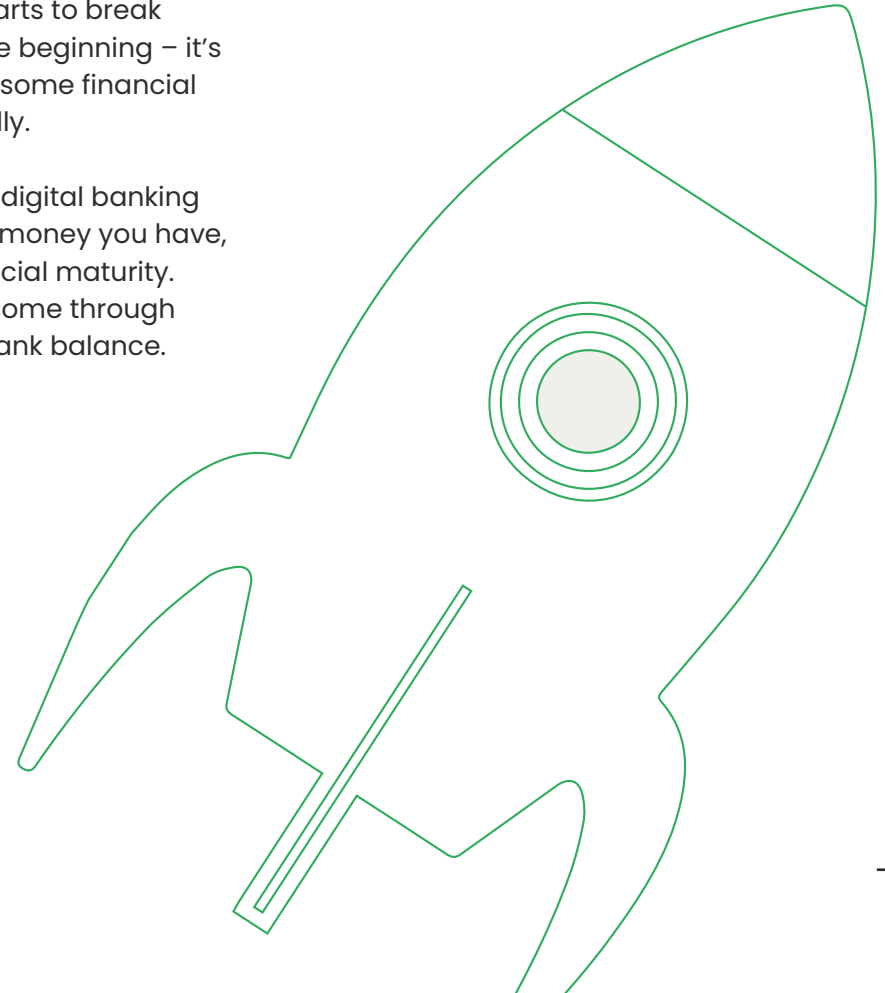
# Basic confidence has increased

Over the last year, many consumers across all demographics have been forced into gaining experience with technology. Although unsettling, repeated use has built a level of confidence in using both the device, and providers' platforms – a confidence that simply wasn't there before.

Customers have responded well to a small set of product features, allowing them to focus on getting things done – without friction or interruption. Day-to-day banking is accessible and easy.

However, when the financial need becomes more complex, this model starts to break down with people back at the beginning – it's just too hard to engage with some financial products and services digitally.

This illustrates that although digital banking may make you aware of the money you have, it doesn't increase your financial maturity. Financial naivety is not overcome through repeated exposure to your bank balance.



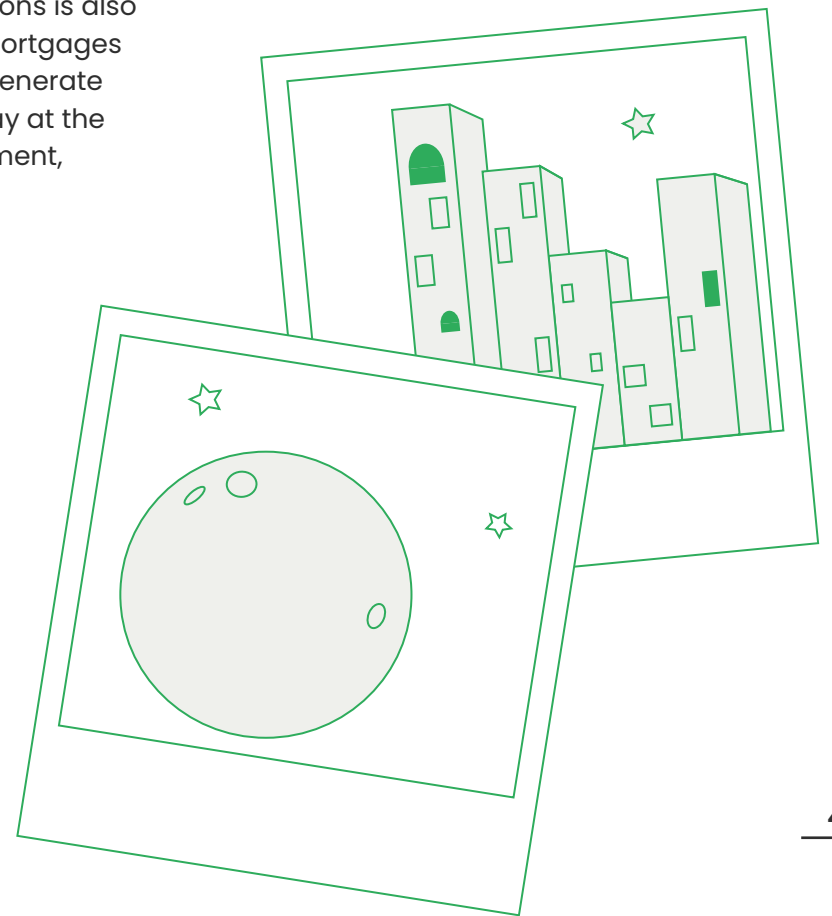
When it comes to higher-order financial decisions such as loans, mortgages and investments, banks have the opportunity to do more. People ascribe more psychological weight to them as they're complicated and have consequences. They need the space to stop and think.

Banks must consider how to balance moments of reflection against instant fulfilment if they want to increase the uptake and management of these products online and improve financial understanding in the process. They must also start creating digital-first product and service experiences or refactor existing content heavily to make them work online.

However, despite 44m UK consumers currently using mobile banking as a means to manage their finances, two thirds (**62%**) of consumers prefer not to turn to high-street banks to learn more about their personal finances. Instead, they are turning to friends and family (**20%**) and financial experts and online personalities (**19%**) for advice.

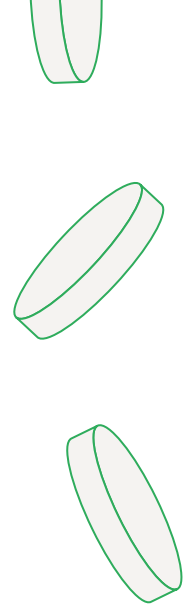
To enable real engagement and generate return for their customers, all banks must think about how to bridge the gap from a customer with low financial knowledge and maturity, unable to commit to a complex product, to an informed financially-healthy customer able to understand and take advantage of a bank's complete product and service range with confidence.

Creating deeper financial interactions is also in the interest of banks as loans, mortgages and other products and services generate high returns. If people only ever stay at the surface of digital money management, this presents a problem to banks' commercial models.



# Banks: build on the foundations

With the baseline adoption of digital and telephone banking rising across demographics, banks must think beyond everyday transactions and poor sales tactics. By raising the financial maturity bar, they will do their customers and ultimately their business a credit.



# 1 Security first

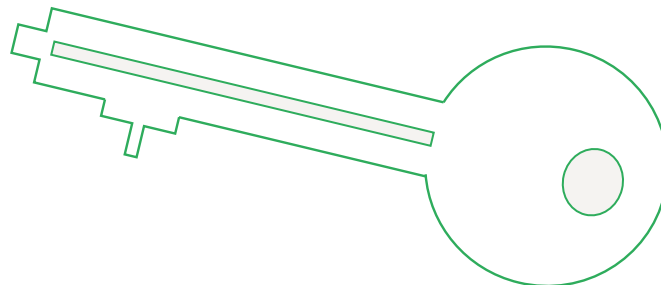
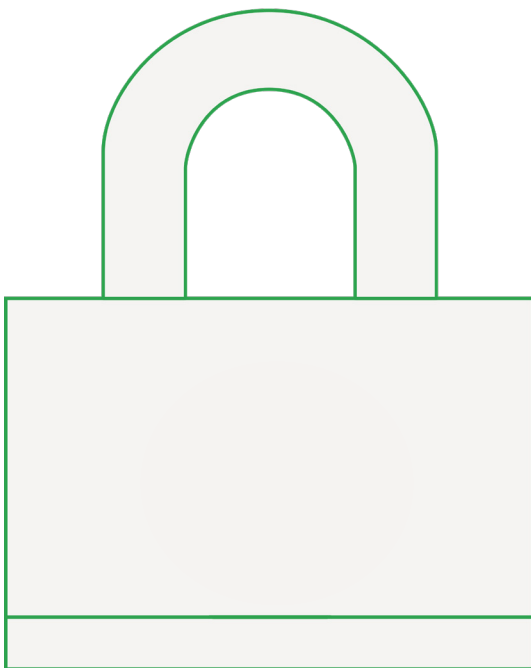
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For people to manage their money holistically online, beyond surface level transactions and tasks, providers need to hone in on security and tighten measures that instil confidence.

It's common for staff to receive anti-fraud training so that they're ready and able to identify unusual activity or changes in transaction patterns. Similarly, many banks, including First Direct, already distribute educational material on fraud and how to bank safely when online. This is table stakes for getting people to do more with their money digitally.

Around 36 million UK citizens have been targeted by scams this year, according to research by Citizens Advice and, although the older age group is more likely to be targeted, those under 34 are almost five times more likely to fall victim. Education can have an impact when introduced. The more people learn the less likely they're to fall foul of scams and the more likely they're to feel greater confidence when moving beyond surface level transactions.

Banks that do well in this area are clear about what types of communication a customer can expect to receive. It's important to be explicit as a bank, particularly in the current climate. Simple and definitive messaging like "We will only contact you via text" goes a long way.



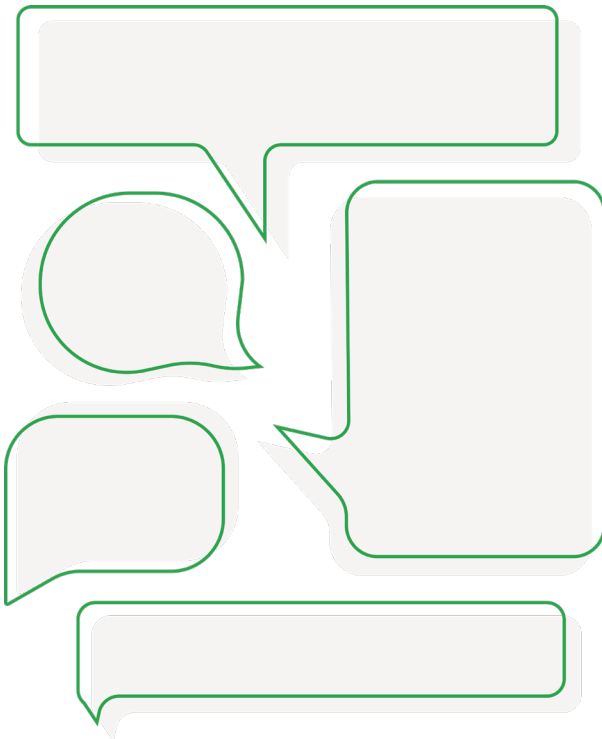
# 2 A question of language

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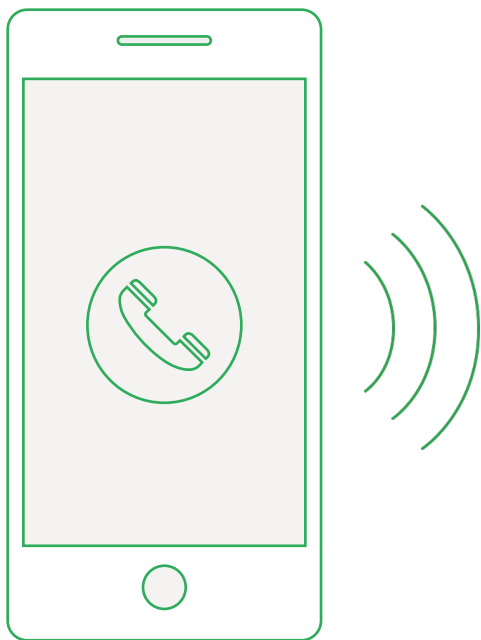
Within complex products and across entire digital ecosystems language and tone must be economical and familiar. Technical words can be difficult to process and are often unnecessary. Say it simply, or don't say it at all is a mantra to embody. To avoid falling into the jargon trap, have UX writers approach copy from the users' perspective.

Language is more fundamental to comprehension than the look and feel of an app or online experience. Clear instructional and educational information builds trust and financial literacy which is crucial when facilitating the completion of more complicated tasks.

Consider an approach to copy that encompasses everyday language. A bank's financial offerings should be easy to relay, particularly if they want their customers to better understand their money and advocate for the bank's approach to describing their products and services.



# Let people pick up the phone



Despite clear messaging and content being one way to boost confidence, comprehension and literacy, telephone banking is often more familiar to the elderly and vulnerable population. They know this channel well: it's immediate, authentic and reassuring.

Given the success with this group, banks should consider extending and improving their telephone offering for all. Challengers like Monzo and Starling have long embodied this practice with their social approach to real-time messaging.

However, this means stepping beyond real time messaging for challengers and rethinking the call centre models or automated services that many banks typically provide. This might also mean retraining staff to offer more comprehensive advice over the phone, in an approachable manner, as opposed to solving everyday transactional issues.

Even though people can be critical of call handling, telephone services have been known to outperform their digital counterparts. Take First Direct and their award-winning telephone banking service. Within seconds, you're through to an operator, trained to handle loan applications, mortgage queries and more.

Within this environment, it's also important to think about the customer experience. Avoid complex navigation systems, automated operators and poor-quality hold music. Don't expect customers to retain lots of information at once, consider if this information can be shared after the call to their app or email.



# 4 In-person banking still has value

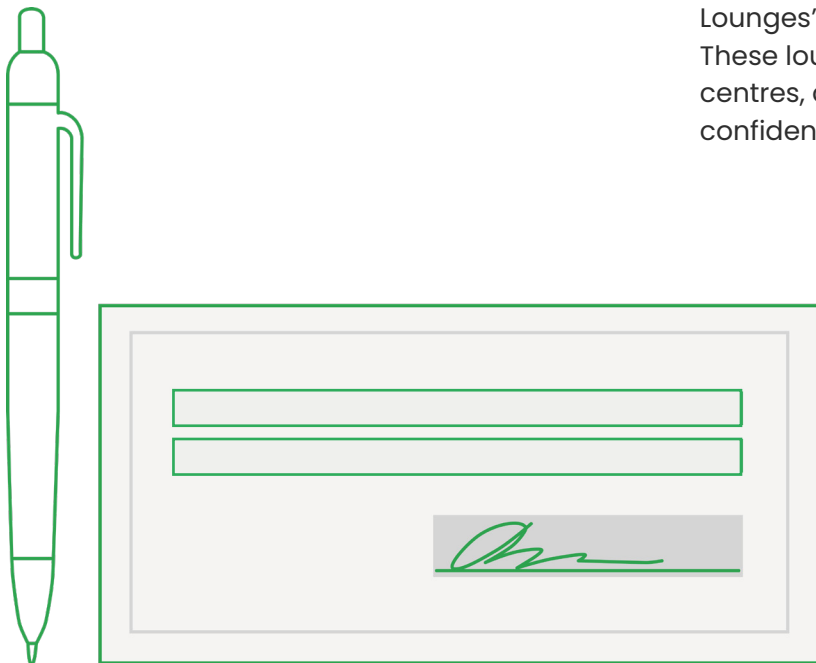
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Many consumers still value visiting bricks and mortar branches. Some are reassured by speaking to banking staff face-to-face, some prefer physical banking for complex transactions, while others just enjoy the opportunity to get out and about whilst being able to meet people. Metro Bank has built a customer engagement strategy around exactly this.

However, with many branches closing, banks could consider reimagining their remaining branches to create support hubs which offer drop-in services to raise digital literacy and financial maturity. Virgin Money has “Money Lounges” in towns and cities across the UK. These lounges function just like community centres, as well as regular branches, offering confidential advice and education.

Schemes to transform branches show a commitment to genuine customer engagement: finance of the future does have a physical element. However, banks still need to ensure these spaces complement their digital counterparts or risk providing a disjointed multimodal experience.

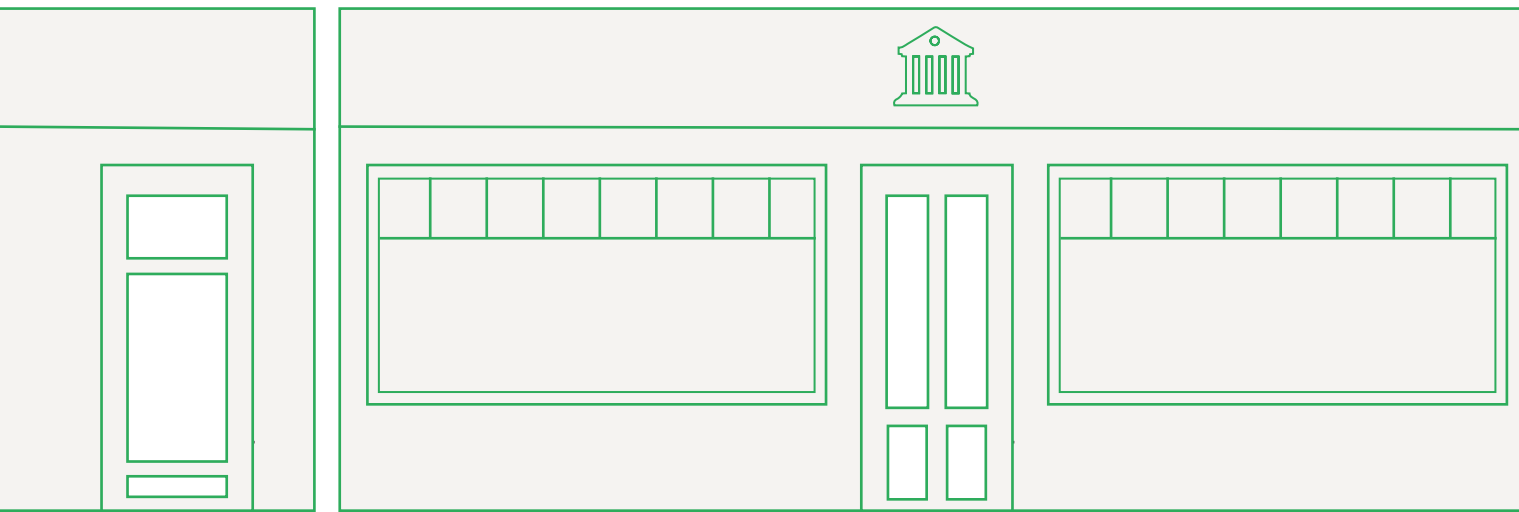
As challenger banks move towards looking to cash in on financial products, the Monzos and Starlings of this world may look to divert some of their marketing spend towards physical space to create brand value. Perhaps even by placing branches outside town and city centres and within communities, or by forging new partnerships with supermarkets or other retail spaces, creating financial advice hubs.





When creating the branches of the future, banks could consider offering rewards for sustained custom or incentives to complement any learning. For example, “we’ll provide you with 6 months free broadband and a device, if you manage your ISA online”. This could help raise digital loan and mortgage rates which, pre-pandemic, fewer than **20%** of people took out and managed digitally.

The bottom line is that people need to be motivated, have genuine financial understanding and see that it’s easy before they will start to manage more complex financial tasks online.



# Extend the personal touch to digital

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Customers value personal connection in terms of support, but this also extends to content geared towards heightening financial maturity: information that helps people understand their finances better, the products and services on offer and whether they're right for their situation.

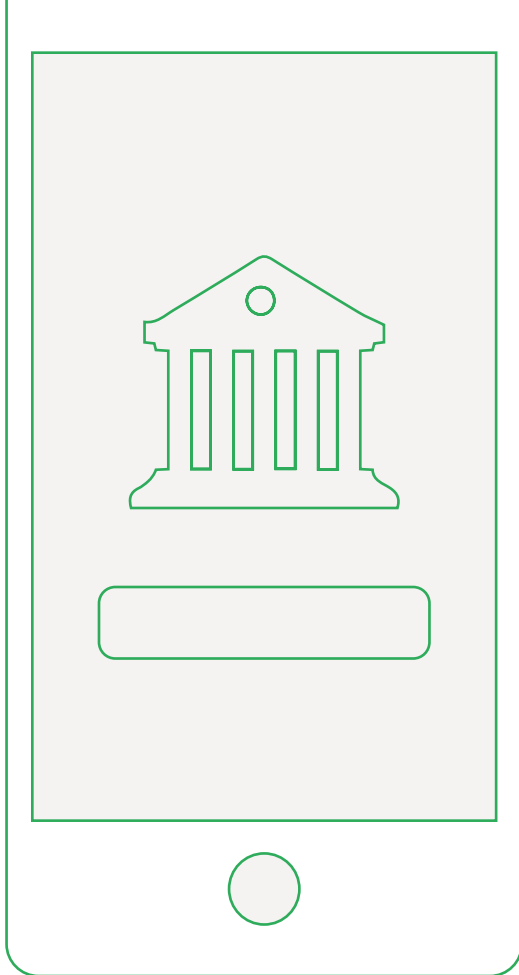
There's a huge amount of financial information available on any product, service or 'life event' but our research shows that people are just as likely to ask their family and friends for advice as go to their existing banking provider.

The question is can banks build a reputation for trust, and help customers understand their money better. Not, 'how does it work?' but, 'is it right for me?'

Existing banking content tends to be functional rather than educational, especially within the context of an app. Where available beyond the app, educational content can be found in blogs or links out to web-based product pages. However, this content tends to be generic and static.

Examples of popular topics might be 'how to save', 'making a budget', 'paying off debt'. These are good for the bank's SEO but are likely to be perceived within the bank as generic marketing content driving brand awareness not as an opportunity to help people learn about their money. For customers, they may (or may not) come across this content as they research products and services because it's often not connected to a wider customer journey.



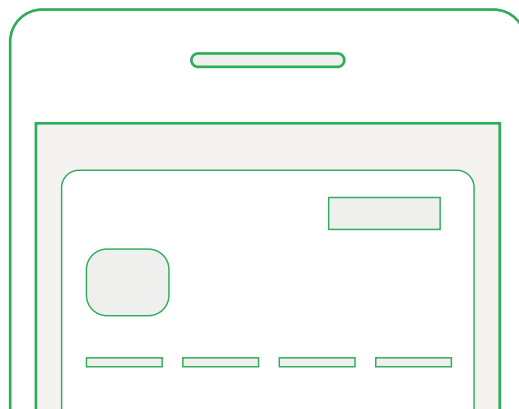


Educational content and new product and service offerings also need to be relevant to the customer. Offering accounting software to a personal account holder, or pet insurance to someone without pets isn't going to help people learn anything about their money and nor will they buy the products or services. Worse still it's a wasted opportunity, showing your customer how little you know them and how poorly their data has been applied.

If a bank is able to harness the available customer data it holds effectively and sensitively, it would be possible to provide relevant, situational messaging that boosts a customer's financial literacy over time whilst connecting them to relevant products and services.

Complexity occurs when a customer holds multiple bank accounts or financial products across providers. Many couples will hold individual accounts but have an additional joint account where larger financial transactions are made. Artificial intelligence (AI) can help establish a picture of the customer and their accounts and avoid making assumptions when key data is unavailable. Open Banking can help bring it all together by aggregating accounts into a single view.

This said, moving beyond smart recommendations is also important. Can it be easier for customers to manage these products successfully online? For example, reviewing mortgage debt and adjusting payments in line with available savings. It's worth stepping back to consider which financial products and services need to be overhauled to facilitate the types of actions that consumers might reasonably expect, perhaps those previously dealt with in-branch.



# The future of banking: voice user interfaces

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We are slowly moving to a time where the visual interface may not be the primary digital channel for many banking tasks. Voice assistants, both at home and through mobile devices (phones, watches, etc.) have already established a foothold in many users' lives.

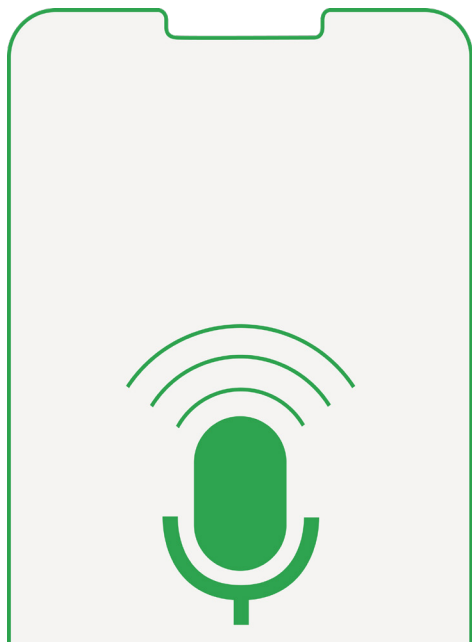
At present they are generally used for mundane tasks. However, this is slowly changing. Providers of web chat AI can move from keyboard or click to voice, if the user prefers. Moreover, more complex tasks are frequently being added by Amazon, Apple and Google.

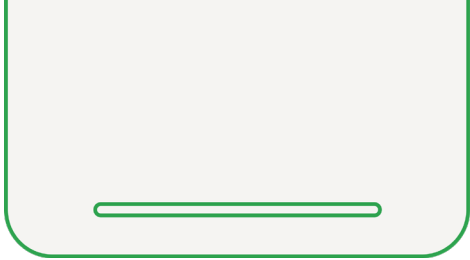
Asking Alexa for the balance on your current account, to transfer a sum of money from one account to another or to make a payment to a retail site can be achieved with relative ease.

This offers a number of advantages over the standard visual interfaces housed in browsers and apps. Given this, it's not hard to imagine more complicated financial needs being addressed with greater ease for more people through voice.

By following this model, consumers no longer have to learn how to use each provider's visual interface, which are often counterintuitive and contain terminology that is brand specific and alien to the average user.

Moreover, those that have previously struggled with using a visual interface, either through age, disability, or lack of exposure can simply state what is required by using their voice in a conversational way.





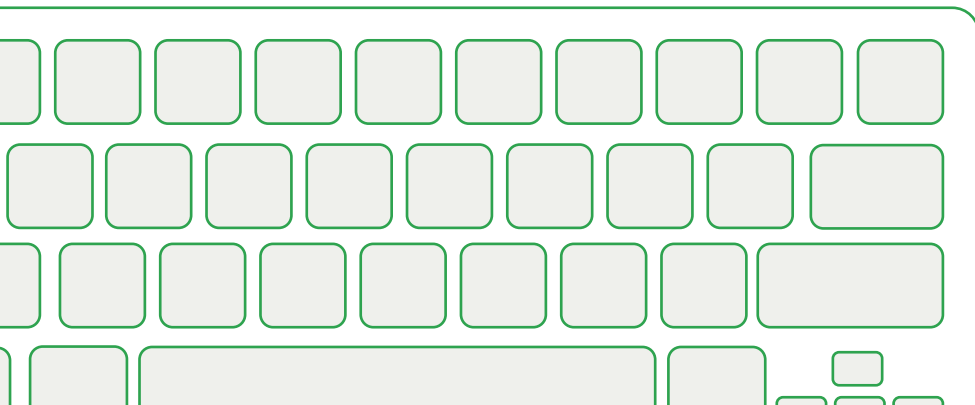
Of course, this raises questions about building trust and security into the processes and systems, while also raising other topics which have not had to be explored before:

- Should a bank have its own voice as part of its brand and also clearly delineate between general enquiries and those that are finance and education orientated?
- Where is the line for voice tasks between the simple and the complex?
- What will consumers be comfortable undertaking through this channel and what will be considered too much? Where will human support be needed?
- What kind of communication will be most instructive and help build confidence in a new digital channel with an ever greater need for the provision of financial education and an increase in the complexity of financial tasks to be completed?

Despite these questions, we recently collected a wide range of views from banking customers, on their thoughts about voice user interfaces. There was a great deal of positivity around how it could be used, and their levels of comfort.

For many, the voice interface has already established itself in their lives – the thought of going on to use it for banking seemed reasonable for the majority, as long as it was implemented sensibly, securely and in a simple-to-use fashion.

Today, before making this leap to voice user interfaces, pioneering remote advisor services like those offered by Lloyds Banking Group which blend the digital and physical might be a stepping stone for many banks.



# Four principles to promote confidence and capability

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Education is the need of the hour when it comes to complex financial products. Banks must pay attention to the needs they're failing to meet. This means starting to think like advisors, partners and educators and not people who manage surface level transactions digitally.

**1** Banks must educate people with a particular focus on those who have been marginalised. Banks have a responsibility to raise both digital and financial literacy and maturity together and doing so is in their interest. A limited range of digital banking tasks that people regularly complete without a deeper understanding of their finance, and the financial products and services they could use to their advantage, will cost banks' customers and ultimately business value.

**2** Harness different channels and reimagine the role they play in heightening financial maturity particularly when considering the most complex of financial needs. Banks should consider partners i.e. could supermarkets and banks work together, or grass roots community organisations. Reshaping other customer service flows, over the phone, via remote advice or even voice are other options worth exploring.

**3** Set out the options for banking and money management clearly, harnessing all available communications channels. Don't alienate customers by having them think it's digital or nothing. "Digital first" does not mean "digital only". From research we've conducted, some amounts of money, complexity and the decisions around it are currently too great for people to manage online but there is scope to change this.

**4** Messaging matters. If a bank's copy is full of jargon, there's no way of forging trust or understanding. This includes at an initial level when it comes to customers understanding their financial lives better and at a deeper level when grasping the complex products and services that can help them. Banks must speak to customers like human beings and pace the way they immerse them into information about personal finances, their options and the technology underpinning them.