Making Banking Fun – A Presentation Synopsis

MOROKU

Helping banks win by helping their customers win

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Synopsis

The Problem

As banking becomes more digitised, the general population is getting worse at it. Our preparedness for retirement and our use of credit for everyday living are at its lowest in recent history. Concurrently we are spending more time attached to mobile, often engaged in activities that seem more trivial.

As the internet has gained acceptance banks worldwide have built out digital strategies to serve customers cheaper and faster. During this evolution much of the risk management and personal connection inherent in the old world has been lost. Gone are the days when the local bank manager knew most of his customers and was able to guide them along their financial journey. The relationship has been dehumanised, the connection gone and many of the soft undocumented controls lost. With this many banks have lost a great deal of capacity to help build competence within the service offering and teach people the core skills needed to budget, save, pay off debt, plan for the future, select and use the right banking products.

The outcomes are becoming increasingly challenging globally. While most of us appear to be relatively good at short-term money management, other behaviours are more troubling. These include the lack of active and long-term savings in formal financial products, excessive reliance on credit (including to make ends meet), difficulties in choosing adequate financial products and uninformed financial decision making. In Australia the average savings at retirement is $130,000 a number that is meant to last for 20 years or more. Household debt is at record levels and Australians owe a $48.9 billion in credit card debt, around $2000 for every man woman and child and which at an average APR of 17% = $7.3bn in interest above the base rate. That's a lot of money that could be used for buying houses and fulfilling dreams. This story echoes across the world; An astonishing one in three American adults with a credit history are delinquent on their debt and the average family has $7,630 in revolving debt. Recent research indicates that when people get some money—a bonus, a tax refund, a small inheritance—they are, in fact, more likely to spend it than to save it. Yet when asked how they would cope with a $400 expense 47% of Americans, as surveyed by the Federal government, say they would have to borrow or sell something to cover it. The challenge was well described at a macroeconomic level by James Michael "Jim" Flaherty, PC, and Canada's federal Minister of Finance when he said

"Our economy is built on millions of everyday financial decisions by Canadians. Recent events have shown us that there are major risks and that financial literacy is an important life skill. Whether it is a question of saving for retirement, financing a new home or balancing the family Cheque book, improving the financial literacy of Canadians will add to the stability of our financial system and make our economy stronger"

In the meantime there has been a massive consumer shift to mobile. At the top of the application hit list are social media, games and most recently fitness. This growth has also collapsed technology and financial services into a new industry, FinTech, characterized by new technology companies like Moven and Square, which are providing financial services and capturing share.

The Opportunity

Play is used across the animal kingdom to teach life skills and it turns out that we are hired wired for play. At the centre of our brain, a reward pathway called the mesolimbic dopamine system. This circuit controls an individual's responses to natural rewards, such as food, sex, and social interactions, and defines motivation and incentive drive. In simplistic terms, activation of the pathway tells the individual to repeat what it just did to get that reward. It also tells the memory centers in the brain to pay particular attention to all features of that rewarding experience, so it can be repeated in the future. Not surprisingly, it is a very old pathway from an evolutionary point of view. The use of dopamine neurons to mediate behavioral responses to natural rewards is seen in worms and flies, which evolved 1-2 billion years ago. This neuroscience has been applied by management consultants across industries to harness performance. John E. Jones (author of 360-Degree Feedback: strategies, tactics, and techniques for developing leaders) summed it up well when he "*What gets measured gets done, what gets measured and fed back gets done well, what gets rewarded gets repeated*"

We do things we enjoy and get rewarded for and do less of the things we don't. Despite banking and financial health being important it's rarely fun or rewarding. It's boring, complex, hard and unrewarding in the short term and generally when we do it we do so under duress. *"Give someone your money"* Dale Carnegie famously wrote "*People rarely succeed unless they have fun in what they are doing*." This is because, in order to succeed, people need to be diligent and pay attention. If the task is boring it is hard to pay attention and follow through. Conversely if it is fun, people pay attention, learn and get the job done.

The Opportunity is to ensure that we build service and product offerings that are fun and rewarding. If we do this we have a very real opportunity to build a set of repeatable behaviours.

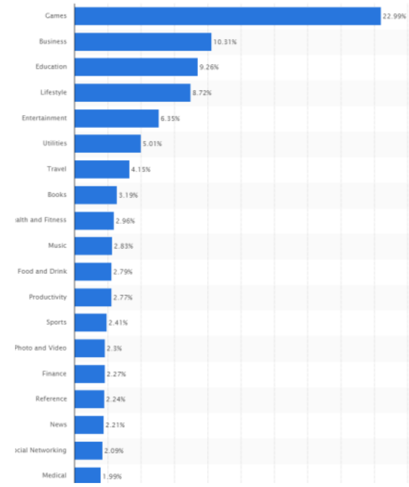
Customer Success replaces Customer Centricity

Banks exist to help people succeed in managing and growing their finances. Banks that do this the best can charge greater premiums and win more customers because they are centered on the value of helping customers win, not the pricing of a commodity (bank accounts, credit cards, mortgages etc). This is the promise of a customer centric bank; a bank that uses their customer's success as the lens by which they design products and measure their performance against the competition. The premise of a customer success strategy is that when customers succeed they are more likely to stay with the bank, take on more products as the win and are able to take on more complexity through their increased financial skill and are more likely to recommend the bank to their friends and family.

This is somewhat different from customer centricity. Customer centricity has got lost in building CRM systems that seek for opportunities to sell customers products. They are based on propensity models and NPS metrics that are used to measure the success of the bank and the products sold to customers. Along the way this has often ended up being a mega project to solve single customer view, costing millions of dollars and taking too long to implement.

Rather than taking on this large and complex systems integration project, a customer success project simply seeks to identify what success looks like across various life stages for the customer and then build products that are designed to help the customer master them. Examples here would be a mortgage product that is designed to help the customer pay off their mortgage, a credit card that is designed to help the customer avoid late fees, excessive fees and maxing out their limit.

What's working in Digital



The statistic shows the most popular categories in the Apple App Store ranked share of active apps. Gaming apps are the most popular apps based on availability, as about 23 percent of the all apps available fit in this category. Gaming is also the app category with the highest user engagement - users spend an average of 7.55 minutes in a gaming app session - and the most profitable app category. As of March 2016, Game of War- Fire Age and Clash of Clans each generated more than 1.2 million U.S. dollars in revenue per day, leading the list.

There is a screenshot of Clash of Clans below. There are three areas of game design that are worth noting and to which we should be very curious as we begin to unpack how they deliver the greatest engagement

Journey

Game designers are very good at thinking about the player journey, better than most channel designers. Channel designers often think about journey as the timeline between someone entering the channel and leaving. Perhaps they also think about a life moment or transaction. Game Designers think about all the quests, missions, challenges and levels the player goes on as they traverse the experience as a novice all the way to mastery and final completion and winning.

Design

When compared to banking applications there is a much different visual design. While banks attempt to protect branding because someone believes that's what customers need to associate trust, game designers think purely of engagement and getting players to do stuff. This drives visual design.

Mechanics

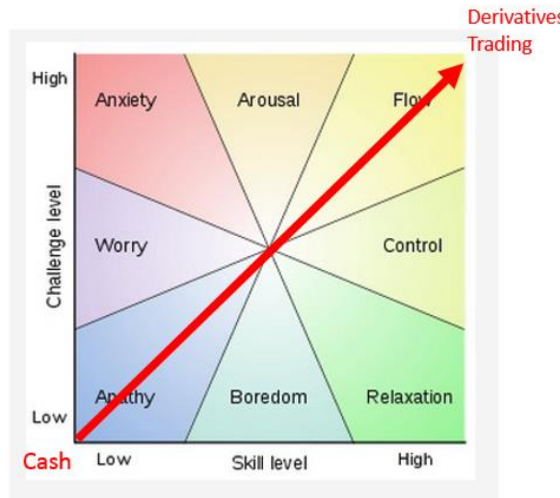
You will notice on the Clash of Clans a range of game mechanics that operate to motivate through reward and feedback to get the job done. You can obviously see

- Points
- Awards
- Avatars
- Notifications
- Progress
- Levels
- Missions
- Invitations

And maybe some more?

Game as a Design Construct

When people's skills are in balance with the challenges they face they are known to be in the flow. When they are in this flow, they are having fun, paying attention and making progress. As we acquire new skills we instinctively look for the next challenge, which in turn builds the next level of skill. This is how games work and is very useful model for mapping progression professionally and personally. We enter the front door and as we gain skills, the challenges rise and we get "In the Flow" and grow. This is highly appropriate to the journey of financial mastery and the nirvana of a fully created, purpose centered, banking relationship. One's first and often only entry into the world of finance is via a cash experience. For the half of the planet that doesn't have a banking relationship this may be the end of their journey, their skills adequately matched to handling cash but little else. At the other end of the spectrum we have the complex world of capital markets, derivatives and options trading where a high degree of skill is required in order to secure growth. The success of banks that seek to increase the number of products per customer is predicated on how to build competency in their customer base in a way that builds success and is constantly level ling them up to the next product. This is a principle of game theory.



Traditional economic theory posits that people make decisions by maximizing a utility function in which all of the relevant constraints and preferences are included and weighed appropriately. Traditional theory assumes that individuals have full information and are able to process this information, that individuals are rational decision makers, and that individuals' preferences are well-defined and constant over time. Behavioral economists and decision-making researchers have begun to question these assumptions, realizing that people make decisions in the face of incomplete information, limited cognitive resources, and often fall prey to decision biases.

As we investigate this further we identify a range of issues that get in the way of people making logical decisions. Logically we all know we should save more, spend less, review APRs etc. etc. but we don't

Category	Examples
Informational issues	Ambiguity aversion, Anecdotal evidence
Heuristics and biases	Rules of thumb, Status quo bias, Default effects
Intertemporal choice	Self-control, Procrastination, Hyperbolic discounting, motions
Decision context	Reference dependence, Choice bracketing, Framing effects, Choice architecture

Game as a design construct is important for two reasons

- It helps us counteract many of the above biases, not simply by simplifying but by reframing
- It helps the banker, designer player think about the overall journey to mastery and what is success

This second point is enormously powerful. Once we start thinking about success and all of the missions our customers go on in life we begin to ask a new set of questions that Personas and other traditional design frames don't. These include:

- Who are the players?
- How will we identify them?
- What are the challenges?
- What is winning?
- What skills do they have?
- What skills do they need?
- Who else is playing?
- What are the rules?

These questions when framed in a design methodology do more than just reward the customer. They provide the framework within which the rewards are delivered and begin to take a much longer view of the customer, their needs and lifetime value to the bank.

Designing a Digital Banking Experience with Fun at the centre

There are many things that are fun and rewarding. The challenge is to incorporate these contextually into a banking experience. Financial literacy is not enough. In particular financial education needs to be supplemented with numeracy skills and with approaches from the behavioural sciences and choice architecture to facilitate behaviours. The experience needs to be just in time and germane to a specific context to be effective.

To ensure we get to the outcome and drive repeatable and improved results a methodology is critical. Such a methodology should be aligned with 4 modern approaches to software development such as Agile, Lean, Human Centered Design and Game Design and be a constant work in progress, tuning in light of feedback.

- **Agile** is a set of principles for software development in which requirements and solutions evolve through collaboration between self-organizing, cross-functional teams. It promotes adaptive planning, evolutionary development, early delivery, and continuous improvement, and it encourages rapid and flexible response to change.
- **Lean** is a broad set of concepts that were made famous by the Lean Startup by Eric Reis. It is an approach to creating and new products and is centered on getting a desired product to customers' hands faster. At the heart of Lean is the Lean Canvas which helps scope the problem. Two definitions of Lean are used simultaneously:
  - Lightweight in terms of cost to reduce wastage
  - Leaning in – encouraging curiosity, spending increasing amounts of time

Lean Canvas is adapted from The Business Model Canvas (http://www.businessmodelgeneration.com) and is licensed under the Creative Commons Attribution-Share Alike 3.0 Un-ported License.

- **Design Thinking** is a formal method for practical, resolution of problems and creation of solutions, with the intent of an improved future result. The design thinking process typically has seven stages: *define*, *research*, *ideate*, *prototype*, *choose*, *implement*, and *learn*. Within these seven steps, problems can be framed, the right questions can be asked, more ideas can be created, and the best answers can be chosen. The steps aren't linear; can occur simultaneously and be repeated.
- **Game Design** is the art of applying design and aesthetics to create a game to facilitate interaction between players. Game design defines goals, rules, and challenges to produce desirable interactions among its participants and, possibly, spectators.

A Gamified Banking application design should incorporate all four of these approaches with

- Agile defining the software development process
- Lean defining the high level vision for the project and the filter by which decisions are made
- Design thinking defining the focus on the customer and validation of problems, opportunities and solutions
- Game Design defining the language used, the principle of customer success, the journeys being undertaken, the notions of winning, reward and motivation to build skills