

Five Ways to Expand the Appeal of Your Financial Technology Product

Financial technology (“fintech”) has tremendous potential – as a delivery channel for high-quality products and services – to help consumers improve their financial health.¹ While lower-income and non-White Americans are more likely to live in neighborhoods with few or no bank branches, they are more likely to rely on their smartphones as their primary method of connecting to the internet.² Yet, many fintech tools are not designed with the needs of underserved consumers in mind.

After conducting nearly 50 interviews with researchers, product owners and managers, and service providers from a range of companies and nonprofit organizations across the financial services industry, we identified the following strategies that firms are pursuing to expand the appeal of their products.



1. Give consumers reasons to trust you.

Trust, security, and privacy are significant issues, particularly among underserved communities, affecting willingness to adopt fintech products. The well-documented mistrust of banks³ can extend to other types of financial organizations, and negative experiences, including identity theft, can travel through social networks as cautionary tales. According to the Bureau of Justice Statistics, 42% of households experiencing identity theft had annual incomes below \$75,000.⁴ In a nationally representative survey conducted by Pew Charitable Trusts, the most common concern about mobile payments (cited by 70% of participants) was related to safety, specifically the risk of identity theft or loss of funds.⁵ Other Pew surveys have highlighted Americans’ lack of confidence in institutions’ ability to secure personal information and in their own abilities to understand what will be done with their data.⁶

Protecting personal information is critical. This extends to respecting consumer privacy, prioritizing data security, and communicating the steps you take to do so in ways that are transparent and understandable. Delivering these messages via trusted partners and channels can also help. Volunteer financial coaches at **Prepare+Prosper**, a Minnesota-based nonprofit that helps its customers build assets and financial capability, often begin describing new mobile apps to customers by highlighting their security features (for example: the ability to recoup funds if a phone is lost or stolen) to assuage data privacy and security concerns.

However, it is also important to balance security with usability. **Catalyst Miami**, a nonprofit organization that leverages third-party fintech products in their financial coaching program, shared that the log-in process, while an important security feature, can become a barrier to use if/when it is perceived to be too onerous. So, consider whether and what information can safely be provided within a mobile app prior to authentication to help boost engagement and usage.

¹ Throughout this brief, the terms “financial technology” and “fintech” refer to the full range of financial technologies that providers of all types are creating.

² “Life in a Banking Desert,” Terri Friedline & Mathieu Despard. March 13, 2016, *The Atlantic*
“U.S. Smartphone Use in 2015,” Aaron Smith. April 1, 2015, Pew Research Center

³ “Bank Efforts to Serve Unbanked and Underbanked Consumers,” Kristopher M. Rengert & Sherrie L. W. Rhine. May 25, 2016, Federal Deposit Insurance Corporation

⁴ “Victims of Identity Theft, 2014,” Erika Harrell. September 2015, U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Statistics

⁵ “Who Uses Mobile Payments?” May 26, 2016, The Pew Charitable Trusts

⁶ “Americans Conflicted about Sharing Personal Information with Companies,” Lee Rainie. December 30, 2015, Pew Research Center



2. Strike the right balance among sometimes conflicting – though entirely human – desires.

There is tension between the desire for easy, automated solutions and the desire for control. Other research has documented the importance of transparency and control for consumers who have little slack in their budgets.⁷ While automation can provide superior solutions, it can also cause anxiety for users accustomed to closely and manually managing their financial lives. One nonprofit practitioner observed that clients who use **Digit**, a smart automated savings tool, save more than clients who do manual savings account transfers. However, the nonprofit has also observed that the tool’s automation can worry some clients. One strategy to try to reduce anxiety and lower barriers for adoption is to explain features designed to mitigate the perceived risks of automation. In Digit’s case, for example, that might mean leading with a description of Digit’s overdraft refund policy or explaining that automatic transfers can be instantly paused with a text message.

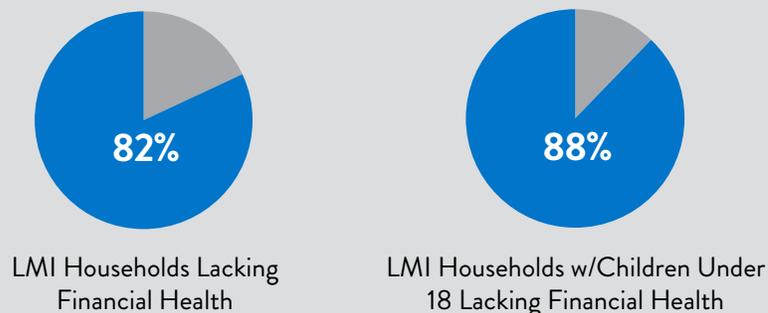
Practitioners have also observed a tension between the desire to be informed and in control, and the aversion to being overwhelmed with information or “constantly reminded that I’m poor”. A significant proportion of Americans (32-75%, depending upon the source) live paycheck to paycheck. For consumers in this financial situation, an app that sends alerts when account balances dip below a specific threshold may be frustrating, demoralizing, and/or patronizing. Yet, being aware of available account balances can also be important for daily financial decision-making. This is an instance where positive, non-judgmental, and playful messaging, coupled with customization options that enable users to decide what is right for them, can help financial products strike the right balance for a heterogeneous group of users.

The underserved opportunity

More than half of Americans (57%) are struggling financially, with low-to-moderate income and minority communities disproportionately impacted. According to CFSI’s Consumer Financial Health Study, while just under half of White adults (49%) are financially unhealthy, more than three quarters of Black (77%) and Hispanic (79%) adults are financially unhealthy.



Eighty-two percent of low-to-moderate income (LMI) households (those with incomes approximately at or below 200% of the federal poverty level) lack financial health, a figure that climbs to 88% when focusing in on the LMI households with children under 18 years old.



⁷“Mobile Financial Services; A Summary of Comments from the Public on Opportunities, Challenges, and Risks for the Underserved,” November 2015, Consumer Financial Protection Bureau



3. Understand and design for mobile usage patterns prevalent in financially struggling communities, including data plan interruption and phone sharing.

Access to data (and calling) plans can be limited or inconsistent among lower-income segments of the population, due to cost and affordability.⁸ One way to design for users who frequently experience service interruptions is to build offline functionality into apps. **Propel**, a start-up focused on serving the 47 million Americans who participate in the SNAP program (previously known as food stamps) deliberately designed their app, Fresh EBT, to work offline. It stores data, like a user's most recent balance, on the phone; so while the app cannot update when offline, a user can still see the last balance and other previously downloaded data when the phone is not connected to the internet.

Sharing phones with friends and family is another behavior that is more commonly observed among lower-income consumers, according to the providers we interviewed. Propel heard from SNAP recipients that it would be helpful to link multiple EBT cards to one phone, even though only one card is permitted per household. They heard from some users who were taking care of and shopping for elderly family members, while others shared a phone across households, and so they adjusted the app to meet this need.



4. Allow for alternative ID and transaction mechanisms for people outside traditional systems.

Many fintech tools require users to have social security numbers, bank accounts, and/or credit cards. However, for the millions of people who do not, those requirements become barriers to access.

Approximately 17 million adults in 10 million U.S. households do not have a bank account.⁹ Nearly a quarter of consumers do not have a credit card, a fraction that rises to 63% among younger adults, ages 18 to 35.¹⁰ While accurately estimating the number of U.S. residents without a social security number is challenging, the IRS has issued more than 21 million individual tax identification numbers (ITINs), since the program began in 1996, to enable those without social security numbers to file taxes.¹¹

The absence of traditional IDs and financial instruments can become barriers to access and adoption of fintech products and services if there are no alternative, user-friendly, digital options. One provider commented that this challenge frequently precludes mobile channels from delivering on their potential to serve as “on-ramps” for underserved consumers. Companies like **IDology** and **Jumio** are facilitating digital account opening for underserved consumers by providing identity verification technology that accepts alternative IDs and leverages a variety of non-traditional data sources for verification purposes. Accepting prepaid debt cards, in addition to credit cards and traditional debit cards, is another way apps can expand the universe of potential users.

⁸ “What Do Consumers Without Bank Accounts Think About Mobile Payments?” June 2016, The Pew Charitable Trusts

⁹ “2013 FDIC National Survey of Unbanked and Underbanked Households,” Susan Burhouse, Karyen Chu, Ryan Goodstein, Joyce Northwood, Yazmin Osaki, Dhruv Sharma. October 2014, Federal Deposit Insurance Corporation

¹⁰ “Understanding and Improving Consumer Financial Health in America,” Aliza Gutman, Thea Garon, Jeanne Hogarth, Rachel Schneider. March 2015, The Center for Financial Services Innovation

¹¹ “Unused ITINs to Expire After Five Years; New Uniform Policy Eases Burden on Taxpayers, Protects ITIN Integrity,” June 30, 2014, Internal Revenue Service



5. Build for our diverse population.

English-only apps can be off-putting or harder to adopt for those who are more comfortable in another language. One in five U.S. consumers speaks a language other than English at home, and more than 38 million speak Spanish.¹² While many also speak English well, more than 40% say they speak English less than very well.¹³ A quick glance through the app store reveals that a surprising number of leading financial apps do not offer a Spanish language version. This competitive landscape, coupled with consumer demand, points to an opportunity for fintech developers to differentiate themselves.

Health problems such as diabetic retinopathy and chronic arthritis have higher incidence among lower-income consumers and may impact their ability to use technology. Additionally, according to one estimate, 4.5 million Americans cannot afford eyeglasses, suggesting that lower-income consumers with impaired vision may not have the corrective lenses they need.¹⁴ Observing the vision challenges common among their customers, **Bee**, which provides mobile-first debit accounts with its issuing bank CFSB, responded by incorporating large buttons with large touch targets in their app. They found that this design choice also addressed challenges associated with arthritis, common among older customers, as larger buttons are easier to maneuver.

Making products work better for everyone

While these insights were derived from research about how fintech does and does not work for underserved consumers, they also have the potential for more widespread appeal. An executive at **KeyBank** recalled several instances where their research on underserved consumers uncovered feature ideas that, when tested with other customer segments, generated broad demand. This helped them craft the internal case to build those features, and it expanded the functionality of their offerings for all customers. As you reflect on the principles shared in this brief, consider that they may not only expand the appeal of your products for underserved consumers, but that they might just make your products better and more functional for everyone.



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^{12,13} “One in Five U.S. Residents Speaks Foreign Language at Home,” Karen Zeigler & Steven A. Camarota. October 2014, Center for Immigration Studies

¹⁴ “New Eyes 2015-16 Annual Report,” New Eyes 2015-16 Annual Report