BeHive Consulting

The BEHAVIOURAL SCIENCE of FINTECH

2022

Behavioural science can help **identify, understand, and ultimately offer solutions** to the many user-based barriers FinTech companies are facing today.

If you are looking for tailored behavioural science-backed solutions to the problems your FinTech product is facing, BeHive Consulting has FinTech experts who are happy to help.

Contact us here to discuss bespoke solutions for your product:
Email: ***info@behive.consulting***

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Summary

THIS REPORT WILL EXPLORE **THREE OF THE MOST COMMON BEHAVIOURAL BARRIERS** TO FINTECH ADOPTION AND THE UPTAKE OF PREMIUM SERVICES, SOME OF THE KEY PSYCHOLOGICAL AND BEHAVIOURAL CONTRIBUTORS TO THOSE BARRIERS, AND EXAMPLES OF BEHAVIOURALLY-INFORMED INTERVENTIONS TO OVERCOME THEM.

1

HABITUAL COMPLACENCY addresses the comfortable routines that keep us eating the same foods, using the same products, and managing and spending our money in the same ways as we always have. Overcoming the comfort of habit can be a difficult task, especially within an industry that, until recently, has been dominated by traditional, physical financial services.

2

LACK OF TRUST addresses the way consumers evaluate risk. Financial management decisions are consequential, and people will not use products that they believe pose a risk to their financial security. Establishing trust between the consumer and the product is essential for FinTech companies that wish to not only be a small part of the consumer's financial life, but to become their main financial management tool.

3

PERCEIVED VALUE addresses the product's uses, and the way those uses are communicated to and understood by the consumer. Offering a successful FinTech product involves uncovering consumers' wants and needs, testing features that satisfy those needs, and then effectively communicating the utility of those features to receptive customers.

Introduction

Personal financial management is easier than it has ever been. Digital technologies that allow consumers to easily, affordably, and conveniently track, move, and monitor their debts, investments, payments, and personal financial accounts are increasingly ubiquitous. FinTech companies represent many facets of the digital finance industry, including personal banking, digital payments, remittances, lending, investing, insurance, and cryptocurrency.

Compared with traditional banking methods, digital solutions provide a wider range of services and more accessibility, often at a cheaper cost. With the numerous benefits of FinTechs over traditional financial management, they are quickly becoming the dominant way for consumers to handle their finances.

FinTech companies today face two big practical challenges when it comes to their users: i) **initial user adoption**, and ii) encouraging existing users to **uptake premium services**.

INITIAL USER ADOPTION

Acquiring new users is an ever-present goal for FinTech companies. Although the lack of awareness of FinTech products may be a barrier to adoption for some consumers, it is often not the reason why consumers continue to use other financial management services.

Some consumers do not trust FinTech products to safely manage their money or do not perceive the benefits of switching. However, even for those consumers who recognise the benefits of FinTech adoption, comfort with their current tools can keep them from doing so.

Therefore, understanding the reasons why consumers are choosing alternative products, and how to encourage them to switch, is an important problem for FinTechs to overcome.

UPTAKE OF PREMIUM SERVICES

While, in general, consumers are becoming more familiar with using digital applications to manage their financial lives, FinTech providers still have growing pains to overcome. One of the main drivers of new users to FinTechs is the relatively low cost of their services compared to traditional banks or other financial institutions.

The focus on providing cheap, or even free, services leaves little room for generating revenue. As a result, FinTech companies need to consider other ways to monetize their products, such as selling premium versions or offering additional services.

Therefore, understanding how to motivate free users to become paid users is essential to any FinTech company.

HABITUAL COMPLACENCY

Habitual Complacency

Definition

Habitual complacency is the contentment with one's current state of affairs, the lack of desire to seek out alternative solutions to one's recurring problems, and the inaction caused by one's comfortable routines.

Introduction to Habitual Complacency

Financial management has long been dominated by traditional, physical financial services. This presents a problem for FinTech companies that are mainly driven by relatively new, digital technologies. Consumers who are used to managing their money using traditional services will be less likely to explore alternatives, even when cheaper, more convenient, and more efficient options exist. **Therefore, it is important for FinTechs to understand how to overcome and disrupt their potential users' habits around traditional financial services.**

Additionally, existing FinTech users may feel complacency as a result of contentment with a free, or close-to-free, version of a product. Once a user has become accustomed to using the unpaid version, they may be uninterested in learning, using, and ultimately paying for additional services, regardless of whether those services are beneficial. Often, simply making a user aware of a superior option or a useful service will not be enough for them to take action. **Instead, overcoming habitual complacency requires effectively framing the benefits of an alternative, requiring some effort from the user to maintain their complacency, and making sure to reach the user at the moment in which they are most receptive to changing their behaviour.**

Evaluating Habitual Complacency

To understand whether habitual complacency is a barrier for potential or existing users, the following questions should be answered:

1 **Awareness**

Are people aware the product or features exist?

2 **Recognition of need**

Do people believe the product or feature offers a better alternative to their current financial management tools?

3 **Intention**

Do people intend to switch from their current tools to the new product or feature in the near future?

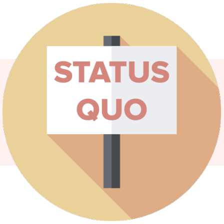
4 **Behaviour / Action**

Are the people who intend to switch to the new product or feature actually doing so?

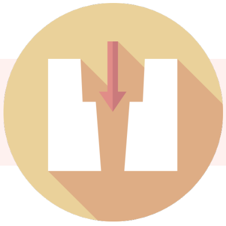
Habitual complacency may be a barrier if people are aware the product or service exists, also believe that it offers a better solution to their financial management problems than their current tools, and yet still do not make the switch.

Let's take a look at a few of the reasons why habitual complacency occurs, and some solutions to overcome it.

Key Contributors to Habitual Complacency



STATUS QUO BIAS

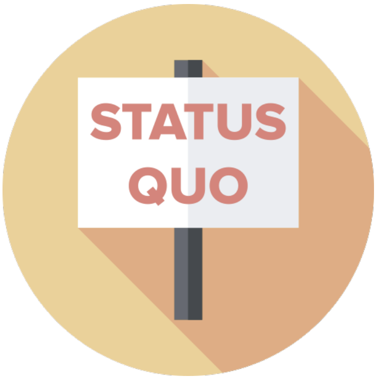


INTENTION-ACTION GAP

POWER OF FREE

IT IS IMPORTANT FOR FINTECHS TO **UNDERSTAND HOW TO OVERCOME AND DISRUPT THEIR POTENTIAL USERS' HABITS** AROUND TRADITIONAL FINANCIAL SERVICES.

Status Quo Bias



The status quo bias demonstrates that people often prefer to maintain the way things currently are. This bias is not an issue if the current state of things is objectively best, but this is often not the case.

There are two main ways this bias manifests. The first is a preference for inaction over action, such as sticking with the default choice on a questionnaire or simply refusing to make any decision at all. The second is adhering to a previously made decision, like staying with the same bank or stock portfolio for decades despite a changing economy and personal financial circumstances.

Status quo bias may be a barrier if:

There is effort or cost associated with changing behaviour. Even a small monetary fee, slight frustration, or minor inconvenience is enough to deter potential action.

The decision is perceived to be important and consequential, as is often the case with personal finances. People tend to put off making important decisions out of fear of making the wrong choice.

If a new decision or change in behaviour requires admitting a previous decision was wrong or less than optimal. If changing our behaviour implies that a past decision was a mistake, we are less likely to do so.

Intention-Action Gap

The intention-action gap shows that when we have the information and knowledge necessary to change our behaviour, and the desire to do so, it still may not happen. Many times we already know what is good for us, like eating less sugar, exercising more, or saving more money for retirement, but we just never quite get around to acting on that knowledge.

Even if a consumer is aware of the benefits of a FinTech service over traditional services, and they intend to eventually make the switch, they may never actually do so **unless there are significant, favourable circumstances to change their behaviour.**

Intention-action gap may be a barrier if:

There is a lack of sufficient opportunity to act on an intention. For instance, someone may intend to invest in the stock market one day, but may not have the funds to act on that intention.

One has the knowledge required to act, but not the belief that one is capable of acting. This can manifest as a lack of self-confidence in one's knowledge and ability.

The stated intentions are too vague. The intention 'I intend to exercise more often' is difficult to act upon because it is difficult to measure and easy to rationalise away, while the intention 'I intend to run 5 kilometres on Tuesdays and Thursdays starting at 7 pm' is more difficult to avoid.

Identifying the Intention-Action Gap

In order to identify if users or potential customers are victims of an intention-action gap, it is often best to ask them what their intentions and desires are and then compare their answers to their observable or self-reported behaviour.

For example, to understand the intention-action gap related to retirement savings, one could ask:

1

Stated intention

How much money do you intend to put aside for retirement savings this month?

2

Self-reported behaviour

How much money did you put aside for retirement savings last month?

Asking these two questions helps to gain an approximate understanding of the intention-action gap. Although, an even better way would be to compare a person's stated intentions with their actual, objective, and observable savings behaviour.

COMPARE A PERSON'S STATED INTENTIONS WITH THEIR **ACTUAL, OBJECTIVE, AND OBSERVABLE BEHAVIOUR**.

Power of Free

Free things are extremely motivating. Offering a service for free is a great way to encourage people to try it out, but it can be a double-edged sword.

Free shipping, free samples, free trials; all of these are ways that businesses attempt to utilise the power of free to promote their products. Whilst offering a free sample can be a great way to experience and become familiar with a product, it can also cause complacency. **If a user becomes accustomed to the free version of a product, it will be difficult to get them to consider upgrading to a premium version or to access additional paid features.**

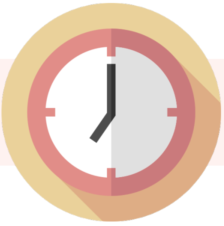
The power of free may be a barrier if:

- **Paying for a premium product or service requires extra behavioural steps compared to the free version,** such as requiring additional payment or entering personal details.

- **The paid version of a product or service is not perceived as worth the cost,** for instance, if it is too expensive.

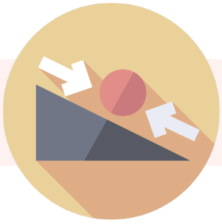
- **The free version of a product or service addresses all of the customer's or user's needs,** and the paid version adds little extra functional value.

Interventions to Overcome Habitual Complacency



TIMELY INTERVENTIONS

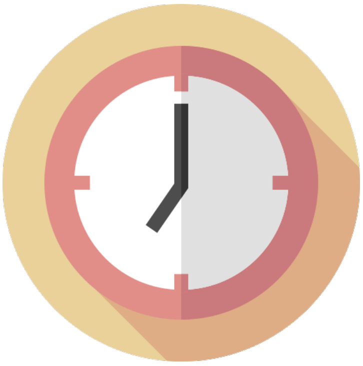
LOSS AVERSION



CREATING FRICTIONS

SIMPLY MAKING A USER AWARE OF A SUPERIOR OPTION OR A USEFUL SERVICE **WILL NOT BE ENOUGH** FOR THEM TO TAKE ACTION.

Timely Interventions



Overcoming complacency is often about reaching someone at just the right moment when the environmental context and the individual's state of mind are aligned with the target behaviour. A public service campaign reminding people to wash their hands after using the bathroom will be much less effective on a public billboard on the highway than on the inside of a bathroom stall. The same concept applies to FinTech services; identify the appropriate time and place to deliver messages and the odds of success will rise dramatically.

To encourage existing users to uptake additional services, do not overwhelm them with text and popups during the onboarding process. Instead, **inform the user of the additional services when they have the need for them**, such as introducing personalised savings goals once the user has made their first manual deposit or once they have set up a direct debit to their account.

Timely Intervention Examples

1

Target people when they are at the moment of change

People are most susceptible to changing their habits when a significant event, such as starting a new job, moving to a new town, or even having a brithday, disrupts their everyday behaviour. **By identifying appropriate moments of change, a product can more easily encourage new habits.**

- Ask users if they would like to upgrade to a premium account when they start receiving larger direct deposits.
- Remind users of premium features related to travel when they have transactions in a new country.
- Suggest a new savings account for individuals who have recently paid off a loan.

Timely Intervention Examples (Cont.)

2

Provide cues when they are most relevant

Notifications are likely to be ignored if they are not presented when most relevant to the user. Instead, deliver notifications and other messages when their content aligns with the user's needs and attention.

- Send notifications at the time of day when most people check their phones.
- Ask users if they want to upgrade to a premium account when they overuse limited free features.

3

Contextualize and reinforce the benefits of features when they are used or when they are missed

Make users aware of the benefits of a product's feature when they use it, or when they could have benefitted from a premium feature if they had had access to it. **Users may not be aware of the benefits they are receiving or could receive, unless they are made explicit.**

- At the end of each month remind users of how much money they could have saved on transaction fees if they had a premium account.
- Highlight how much time is saved when transferring money between personal accounts with premium features.

Loss Aversion

People fear losses more than they desire equivalent gains. In practice, this means that the disappointment that someone feels at losing €100 will be greater than the satisfaction they feel at gaining €100, even though the money in their pocket changes equally in both directions. While the actual change in circumstances does affect an individual's decision making and behaviour, **the way a message or fee is framed can make a big difference in how well that change persuades and motivates them to take action.**

For instance, imposing a small tax of $0.05 for each plastic shopping bag taken when checking out at the grocery store has a large impact on how many are used (42% reduction in one study), compared to a $0.05 discount for not taking one (no effect). The discount is perceived as a very small, negligible gain, while the tax is seen as a salient loss, and something to be avoided.

Loss Aversion Intervention Examples

1

Framing: Gains vs. Losses

Messages are more motivating when they present the relevant information to the user as a potential loss rather than a potential gain. **When encouraging users to use your product or pay for a premium feature, highlight the time, money, or other commodities that they are losing out on, rather than highlighting those same factors as beneficial gains**.

Gain Frame	Loss Frame
"Get access to free transactions with premium!"	*"Don't lose out on free transactions with premium!"*
"Receive €50 in your account if you invite a friend."	*"Invite a friend or you'll miss €50 in your account on us."*

Loss Aversion Examples (Cont.)

2

Automatic free trials

Providing new users with automatic access to premium features can encourage them to become more familiar with them and increases their feeling of ownership over them. As a result, users will feel a sense of loss when the free trial period ends, encouraging them to pay to maintain the premium features they already possess.

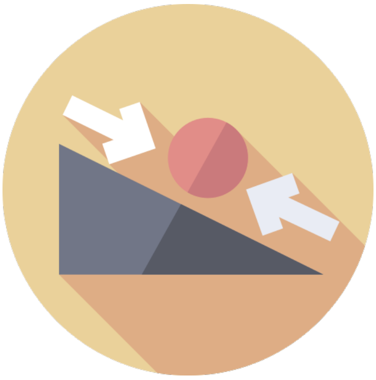
Gain Scenario

Offer unlimited ATM withdrawals once the user has upgraded to the premium version of the product.

Loss Scenario

Offer unlimited ATM withdrawals for the first month for new users, and remove that feature if the user has not upgraded to the premium version of the product.

Creating Frictions



Habitual complacency occurs when inaction is easier than changing one's behaviour. **However, if their current behavioural patterns are disrupted in some way, then an individual is more likely to break from their habit.** Often, one of the best ways to change a behaviour is to change how easy or difficult it is to perform it.

Some services, such as Spotify, use advertising to encourage unpaid users to become paid users. Requiring users to listen to advertisements between songs, videos or other services can be just enough of an inconvenience that people will pay to remove that inconvenience. However, if the barriers are too high, the tactic may be seen as unethical or too annoying, motivating users to abandon the platform, so **some discretion is required to find appropriate frictions for each product.**

Friction Intervention Examples

1

Limit action

Users who engage with certain features more often, such as frequently exchanging between foreign currencies within the app, have a higher level of engagement with and investment in the product than users who do not. **When a feature has a high level of utility for the user, setting a weekly or monthly limit on the use of that feature can encourage users to upgrade their account in order to remove the limit.**

2

Create small barriers

Small inconveniences can often be enough to encourage someone to change their behaviour or their environment to avoid it. Placing small barriers in the way of your users can encourage them to avoid them in the future. **However, only place barriers that are justifiable to your users, and that do not deter them from future usage of the product.**

LACK OF TRUST

Lack of Trust

Definition

Trust is one's perception of the reliability, efficiency, and security of a product, and one's confidence that the product will perform when needed and as expected, especially in consequential circumstances.

Introduction to Lack of Trust

Most FinTech companies lack any physical presence, like bank branches, that users can visit to interact with the company in person. This, bundled with a range of concerns around data privacy, financial protection, and regulatory accountability, leads many people to distrust or disregard FinTech companies as viable alternatives to their current financial providers. **These concerns are mainly unfounded, yet reassuring potential users of the safety of FinTech products remains important.**

Whether an individual trusts a FinTech product is informed by the way they evaluate risk. Past experiences with the FinTech product, or one similar to it, can both positively and negatively affect their risk perceptions around digital financial services. These past experiences can take the form of personal experience, social influences from friends and family, or exposure to external sources of information like social or traditional media. **Overcoming mistrust (if the product is trustworthy) is about correcting mistaken beliefs, providing reliable sources of information to do so, and associating the product with already trusted institutions and organisations.**

Evaluating the Lack of Trust

To understand whether the lack of trust is a barrier for potential or existing users, the following questions should be answered:

1 **Privacy**

Do users believe that their personal data and financial information is safe with the product?

2 **Security**

Do users believe that their money is secure with the product, or that there is a guarantee of reimbursement if there is an issue?

3 **Uncertainty**

Do users believe that the product will operate consistently and without issue, or that issues will be quickly and easily resolved in a fair way?

4 **Misconceptions**

What risks do users believe are associated with FinTech services, and how closely do they align with reality?

The lack of trust may be a barrier if people are concerned about the privacy of their personal data, the security of their money, the uncertainty of its functional utility, or if they have misconceptions of FinTech services generally.

Let's take a look at a few of the reasons why a lack of trust occurs, and some solutions to overcome it.

Key Contributors to the Lack of Trust

AVAILABILITY HEURISTIC

MISCONCEPTIONS AND LAY BELIEFS

LACK OF PHYSICAL PRESENCE

THESE CONCERNS ARE MAINLY UNFOUNDED, YET **REASSURING POTENTIAL USERS OF THE SAFETY OF FINTECH** PRODUCTS REMAINS IMPORTANT.

Availability Heuristic

Examples that more easily come to mind are perceived as more representative of a product than those that less easily come to mind. Events or experiences that are more recent, shocking, or emotional tend to be more easily recalled. As a result, consumers' risk perceptions may be skewed by memorable events, such as news reports of a user data breach, or even personally having a single bad customer support experience.

Negative events or experiences of other FinTech products can skew the perception of the industry as a whole, so often mistrust of a single product will extend to other similar products. In reality, the most memorable experiences are often not the most representative, so understanding what incorrect assumptions consumers have is key to building trust.

The Availability Heuristic may be a barrier if:

A negative, public event within the industry persists in the public consciousness. Scandals, like public data breaches, can taint perceptions of a product for a long time.

Consumers have few positive personal experiences with a product to overcome the pain or disappointment of a single negative experience. Therefore, it is important to facilitate repeated, positive interactions between the company, the product, and the users.

Misconceptions and Lay Beliefs

Lay beliefs are informally held beliefs about the way the world works, mainly influenced by the culture and people that surround those that hold them. In the realm of finances, people may hold lay beliefs about whether wealth comes from effort or luck, whether banks are inherently insecure, or whether one can beat the stock market.

Lay beliefs around FinTech, such as that only young people use these products or that it is easy to lose money, **may be foundational to users' misconceptions.**

Misconceptions and lay beliefs may be a barrier if:

There are beliefs that FinTech products are made only for specific types of people, for example, those that are tech-savvy and young.

The community in which a person lives is generally misinformed about financial management and FinTech services due to, for example, having low level of financial literacy.

Accurate information about the product is difficult to find or difficult to understand. Not having a simple explanation or summary of a product and its features in an easily accessible format prevents people from addressing their own misconceptions.

The Lack of Physical Presence

When choosing a financial management tool, consumers prefer to rely on the availability of an accessible, tangible option that they can resort to if something goes wrong. The idea of a physical location is appealing because it provides some psychological reassurance that there will always be a place to go with a human being available to assist them if they ever need it.

Comparatively, all-digital products may feel ethereal and out of reach. This problem can be exacerbated by difficult or inefficient mechanisms for addressing customer concerns, such as long wait times at call centres, or complicated online chat windows.

The Lack of Physical Presence may be a barrier if:

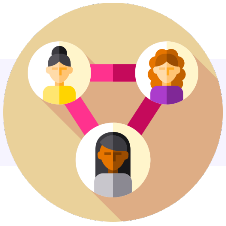
It is difficult or frustrating to reach a human being to solve issues with the product. Long wait times at call centres, unhelpful online chat windows, and difficult or complicated digital paperwork can exacerbate this problem.

A user has low confidence in their ability to use your product, or in using digital technologies overall, without assistance. People who have little experience with your platform or digital platforms generally will rely on public information and stereotypes more often.

A user has complex needs or the product offers complex services, such as loan management, necessitating more attention from the financial management service.

Interventions to Overcome Lack of Trust

COMPARATIVE JUDGEMENT



DYNAMIC SOCIAL NORMS

HIERARCHICAL COGNITIVE ASSOCIATIONS

TO SUCCESSFULLY **OVERCOME MISTRUST** ONE SHOULD CONSIDER CORRECTING MISTAKEN BELIEFS, PROVIDING RELIABLE SOURCES OF INFORMATION, AND ASSOCIATING THE PRODUCT WITH TRUSTED INSTITUTIONS.

Comparative Judgement

People tend to think in relative terms, especially in areas about which they know little, because they are better at making comparisons than making objective judgments of a product's quality. This means that consumers will use information or beliefs about similar products as a reference point from which to judge products with which they are unfamiliar. When a FinTech product is superior to alternative financial management tools, directly comparing the product to its alternatives helps inform consumers and correct any misconceptions they may hold.

To make an effective comparative judgement, **identify the characteristics or competencies of the product that are superior to the alternative, and then communicate them as clearly as possible through text or visualisations.**

Comparative Judgement Example

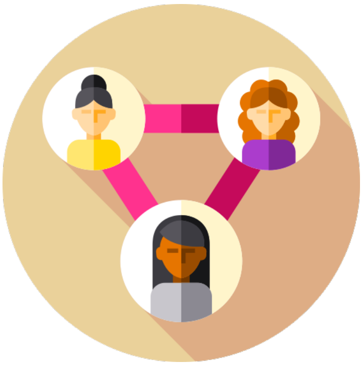
1

Comparative statements

Identify the areas in which the product outperforms leading competitors, and provide convincing data that makes the difference clear.

Least effective	*"This product keeps your money and data safe."*
Moderately effective	*"This product is safer than your traditional bank."*
Most effective	*"This product is 3x better at stopping card fraud and 2.5x better at stopping identity theft than your traditional bank."*

Dynamic Social Norms



When we are not sure what to do or how to behave, a critical source of information comes from the behaviour of others. Making people aware of the social norms surrounding an activity, such as using a FinTech product to manage one's finances, can sometimes be enough to increase awareness of the prevalence of the product and the trust in the activity (e.g. saying"65% of Hungarian consumers use FinTech services to manage their day-to-day finances").

However, this approach can backfire if there is not a significant portion of the population performing the activity. For instance, stating "5% of Hungarian consumers use FinTech apps" may not encourage, and may actually discourage, additional Hungarian consumers from adopting the product. When this is the case, it can be better to use information about the change in consumer behaviour over time (if the behaviour is increasing).

Dynamic Social Norms Example

1

Descriptive vs. Dynamic Norms

Descriptive social norms state the world as it currently is, and are good motivators when they demonstrate an overwhelming norm toward a certain behaviour. When aiming to encourage behaviour that is not yet taken by the majority, dynamic social norms can increase motivation by showing a change in behaviour over time. **Dynamic norms are especially effective when absolute user rates are low, but growth rates are high.**

Descriptive Norm

"6% of people aged 25-35 in your region have an account with us."

This norm will be ineffective if the action is not currently taken by a significant portion of the population, and may even decrease trust and motivation if the number is too small.

Dynamic Norm

"The number of users aged 25-35 that have an account with us has increased by 70% since last year."

If the user base of the product is growing, demonstrating growth over time shows consumers that the product is trusted by an increasing number of people, and that they should join the growing community.

Hierarchical Cognitive Associations

It can be difficult for consumers to trust new products from unknown companies, since there is little basis from which to judge the benefits and the associated risks. One of the best ways of overcoming this initial distrust is by creating a cognitive association between the product and more prominent organisations or individuals who are already widely trusted. In the case of FinTech, **getting the approval of government regulatory agencies, the support of well-known financial institutions, or the endorsement of safety rating organisations can transfer the public's trust in those institutions to the product.**

This is especially useful for overcoming the lack of physical presence of a FinTech product, since the associated organisations are likely to have a physical presence themselves.

Hierarchical Cognitive Associations Example

1

Security guarantees and endorsements

Explicit statements of association can be powerful when placed in a salient location on a website or platform. Providing details, such as the name of the associated institution and the type of relationship the product has with that institution, as well as placing well-known trust indicators, such as shield icons or the logo of the associated institution, reinforces the message.

Security Guarantee

"The funds you place into an account with us are covered up to €100,000 by the European Banking Authority."

Endorsement

"The European Banking Authority endorses this product as one of the safest places to invest your money."

PERCEIVED VALUE

Perceived Value

Definition

Perceived value is one's perception of the usefulness, effectiveness, quality, desirability, and cost of a product, either as it stands alone, or in comparison to competing products.

Introduction to Perceived Value

Consumers that do not believe a new product is useful, or that its utility is not greater than its costs, will not adopt it. Whether someone believes a product to be useful is a result of **functional, personal, situational, and comparative factors.**

Functional factors include the set of features that a product offers, the quality of those features, the utility that consumers derive from them, and the product's price.

Personal factors include consumers' previous experiences, their attitudes and preferences, the ability to understand and weigh the costs and benefits of, and their identification with, similar products.

Situational factors include the physical and digital context in which the evaluation of a product occurs, such as the design of a website or storefront.

Comparative factors include the competitive landscape in which a decision is made, what alternative products exist, and whether the consumer is aware of them.

Evaluating Perceived Value

Maximising the utility and desirability of a FinTech product can be achieved through 3 main steps:

1 Understand what features will be useful and desirable for your target consumers

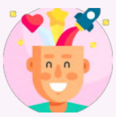
When asked directly, it can be difficult for people to state exactly what they want or need from a potential product. This is partly because they may lack the knowledge and experience necessary to do so, and partly because it is difficult to determine the value and utility of a product without using it first. Therefore, identifying the common sources of pain and delight, as well as the users' wants and needs, can help to determine which features to include and test in a product.

Consumers' stated desires

- *What features do consumers believe they want in a FinTech product?*
- *What features do consumers believe they need in a FinTech product?*

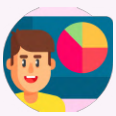
Common sources of pain

- *What problems, frustrations, or inconveniences persist for consumers in other FinTech products, or with traditional financial management institutions or tools?*



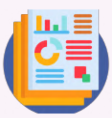
Common sources of delight

- *What features, solutions, or conveniences delight consumers in other FinTech products, or with traditional financial management institutions or tools?*



Consumers' usage patterns and intentions

- *For what purposes do consumers use their current financial management tools?*
- *For what purposes do consumers intend to use the FinTech product?*



Feature selection

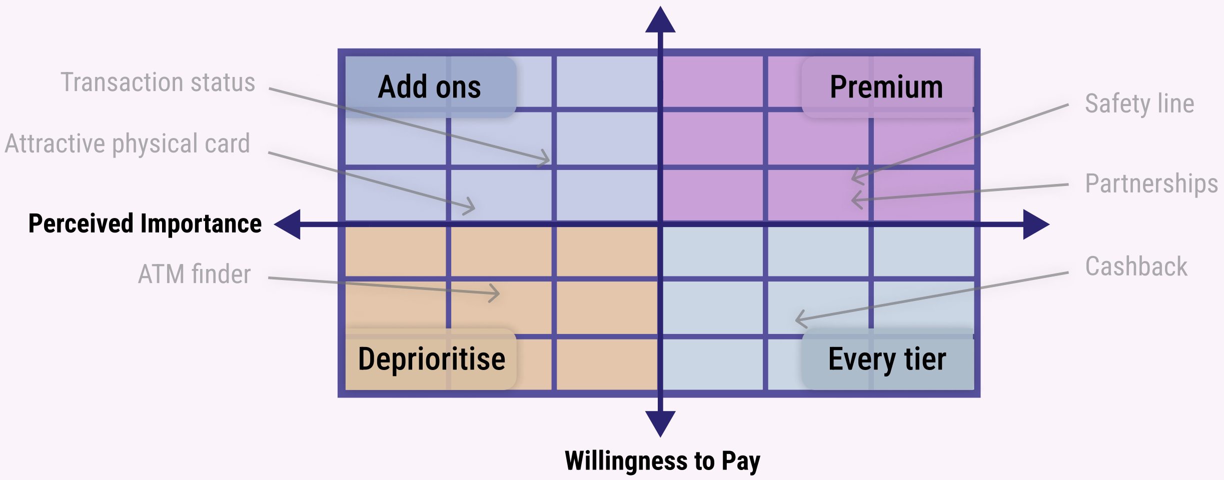
- *What features supplement, complement, or improve upon other FinTech products or traditional financial management tools?*

2 Test consumers' feature preferences and their willingness to pay for them

Once possible features for the product are identified, a quantitative analysis of those features can help to categorise and prioritise them for development and marketing. To create optimal feature packages for a product it is important to understand both what features consumers believe are important and how much they are willing to pay for those features.

By evaluating the ***i) relative, perceived importance of different features to target users, and ii) the target users' willingness to pay for those features***, a rough classification of features can be constructed into a feature placement matrix as follows:

Feature Placement Matrix



- **Include in the free version of the product** - Features that consumers believe are important, but for which they have a low willingness to pay.
- **Include as optional add-ons** - Features that are important to a subset of consumers, and for which that subset has a high willingness to pay.
- **Include in a premium version of the product** - Features that are both important to the consumer, and for which they have a higher willingness to pay.
- **Do not include** - Features that are not important to the consumer, and for which they have a low willingness to pay.

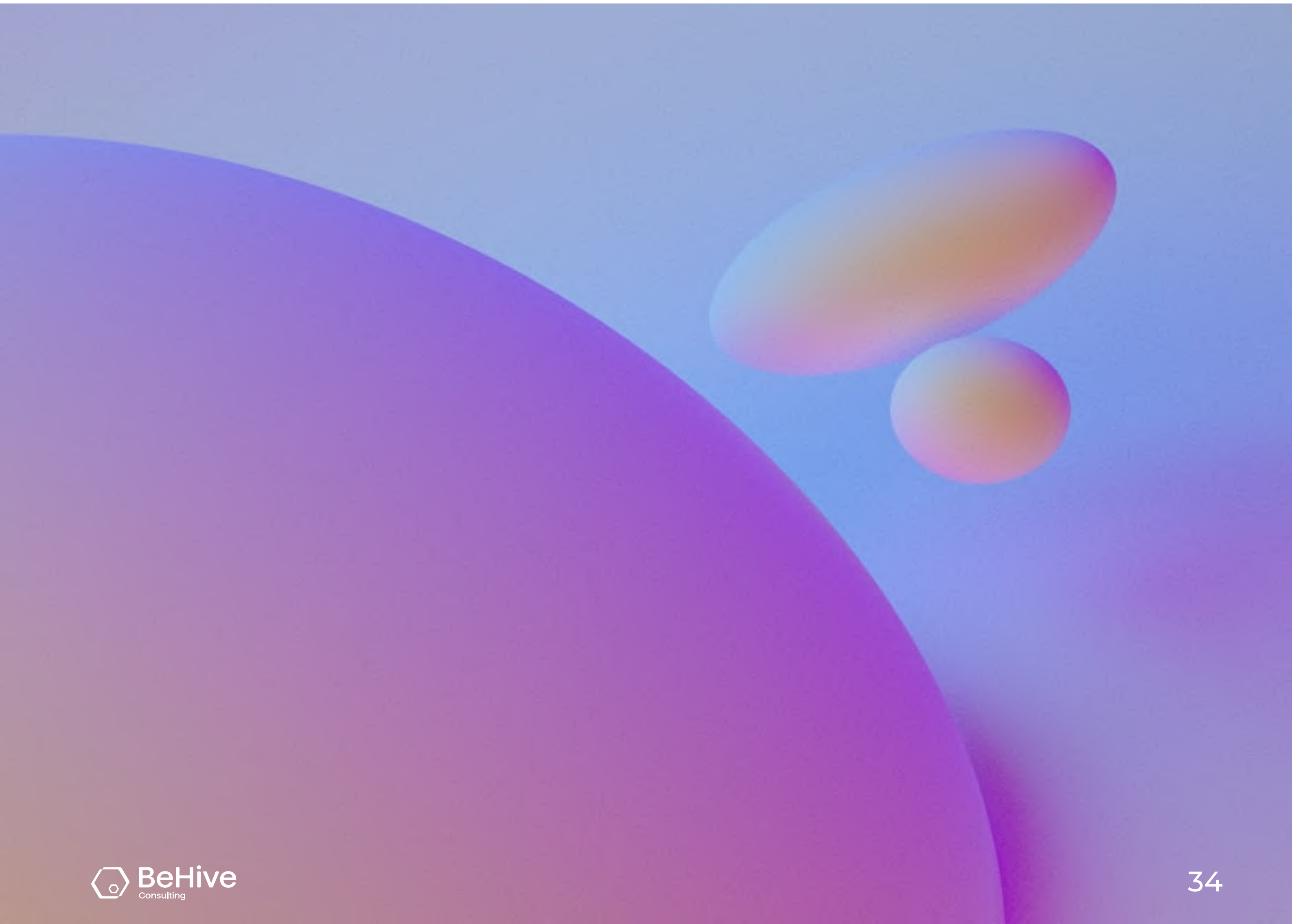
Additionally, different consumers may place more or less value on certain product features. Therefore, it may also be important to segment consumers based on their behavioural patterns as well as their familiarity with FinTech products in general.

3 Communicate features and prices to consumers to enhance their perceived value

The effort of determining which features to include, and at what price points, is wasted if consumers do not know about, care about, or understand their utility and value.

Perceived value is determined not only by the features and utility that a product provides, but also by the way in which that utility, as well as the pricing of the product, is communicated to the consumer. Generally speaking, consumers tend to believe that greater functionality (i.e. more features) equates to greater value. However, just as important as having a long list of features is the framing of those features, such as highlighting the features' purpose, or the goals that they can help the user to achieve.

Communication should therefore focus on the consumer-product relationship and the value that the product can provide within that relationship. This way potential users will be able to more easily see how the product will fit into and improve their lives.



Interventions to Overcome Low Perceived Value

BENEFIT APPEALS

COGNITIVE FLUENCY

DECOYS AND ANCHORING

PERCEIVED VALUE IS DETERMINED NOT ONLY BY THE FEATURES AND UTILITY THAT A PRODUCT PROVIDES BUT ALSO BY THE WAY IT IS COMMUNICATED TO THE CONSUMER.

Benefit Appeals

It can be tempting to simply list and state the features of a product to consumers, something known as an attribute appeal. This approach can motivate if the consumer is very familiar with the product, or the industry in which it is used, such as an automobile mechanic caring about engine specifications when deciding on which car to buy. However, if a consumer is relatively unfamiliar with a product or industry, such as those who are not financial experts deciding on a financial management tool, **it is often better to frame the utility of the product in terms of the benefits that it provides.**

Benefit Appeals Example

1

Attribute vs. Benefit Appeal

Attribute appeals, especially those that include industry-specific jargon, acronyms, or other confusing language, will be at best ignored, and at worst will be off-putting to people who do not understand them. **Instead, simplify and categorise features into broader, more relatable benefits, allowing consumers to more easily understand how the product could be of use to them.**

Attribute Appeal

- Earn 0.2% APY on your savings
- Exchange fiat currencies at the market rate
- 5 SWIFT transfers each month
- Trade securities with no fees
- Personal asset management tools
- Access to 3 cryptocurrency exchanges
- Exclusive personalized card
- Priority customer support
- Travel medical insurance
- Surcharge-free ATM withdrawals to £1000
- Flight delay/cancellation insurance

Benefit Appeal

- Easily save for your future
- Travel without worry at no extra cost
- Manage payments with ease
- Invest to reach your goals
- Develop smarter spending habits

* For customers who want more specific information from the benefit appeal, provide drop-downs that show the specific attributes that fall under each benefit. This prevents overwhelming the customer, but gives them the option to seek additional information if desired.

Cognitive Fluency

Cognitive fluency, also known as processing fluency, is the perceived ease or difficulty of understanding, discerning, or otherwise processing, information. When we feel it is difficult to understand something, we also believe it is riskier, harder to use, and has less value. Conversely, when we feel it is easy to understand something, we also believe it is more trustworthy, simpler to use, and has more value. Therefore, it is important when designing a product, and communicating the purpose of that product to consumers, to make sure that it is easy to understand and easy to use.

Increasing the processing fluency of target consumers can be achieved by **simplifying the language used to describe product features, using relevant images and icons to communicate purpose, and utilising familiar designs to ensure understanding.**

Cognitive Fluency Examples

1

Simplify language

The use of jargon, acronyms or overly complex language can reduce understanding and accessibility for people who lack the knowledge to easily understand it.

2

Use relevant icons

Simple, easy-to-understand visualisations and icons increase comprehension and convey meaning quickly.

Cognitive Fluency Examples (Cont.)

3

Integrate past experiences / Use existing design elements

Google Docs looks and feels like Microsoft Word for a reason, and it is not because it is the best possible design for a word processor. People already knew how to use, and were comfortable with Microsoft Word, so adopting a similar design allowed users to easily transition to the new product. Including similar graphic design, icons, actions, and gestures from other widely-used and similar products can help users more easily adopt a new product.

Decoys and Anchoring

The perceived value of a product can be influenced by the alternative options presented to the consumer at the moment of their purchasing decision. Characteristics such as price, functionality, and quality can all act as reference points from which people make comparative judgments of value. Even completely irrelevant information can significantly shift purchasing preferences when present in the decision making environment. Therefore, when presenting a product's price or its benefits, establish anchors that make your product appear cheaper or of higher quality, and provide decoys that enhance the perceived value of premium features.

Decoys and Anchoring Examples

1

Anchoring Effect

The value of a product is evaluated in comparison to some reference point. This reference point can be determined by:

- the individual's previous experiences with the prices of similar products,
- information in the immediate decision environment, or
- information that is completely irrelevant to the decision at hand.

By changing the reference point by which an individual judges a product's value, the amount they are willing to use and pay for the product can also be changed.

- When a user aims to place money into a savings account, provide some suggested amounts (the anchors). The higher the suggested amounts, the more money they are likely to deposit (to a reasonable extent).
- Compare the price of the product to the higher prices of similar products (the anchor) right before the user makes a purchasing decision.

2

Decoy Effect

When offering multiple options of a product, providing an additional, relatively undesirable option can change the perceived value of all of the other options. For instance, if a customer is offered the choice between a small bag of popcorn for €2 or a large bag for €6, they may choose the cheaper option if they aren't particularly hungry. But if a third option, a medium bag of popcorn for €5.50, is introduced, now the large €6 option becomes more attractive. You get a whole extra size for €0.50! The same logic applies when offering choices of different versions of a FinTech product. Offering a worse option at the same, or at a slightly reduced, price makes the more expensive option more appealing to the user.

No Decoy

The standard way to offer customers purchasing options is to offer distinct options that vary in price with the features they offer.

Basic	*Premium +*
• Feature 1 • Feature 2	• Feature 1 • Feature 2 • Feature 3 • Feature 4
€4/mo	**€8/mo**

Decoy Included

To drive more customers toward the higher tier option (*Premium +*), provide a decoy (*Premium*) for the same price, or a slightly lower price, that is objectively inferior. This increases the perceived value of the higher tier option due to the explicit comparison with the decoy.

	Decoy	
Basic	*Premium*	*Premium +*
• Feature 1 • Feature 2	• Feature 1 • Feature 2 • Feature 3	• Feature 1 • Feature 2 • Feature 3 • Feature 4
€4/mo	**€7.50/mo**	**€8/mo**

Conclusion

The barriers and interventions outlined in this report are generalized from scientific evidence and industry knowledge. While the interventions provided are based on scientific evidence, the effectiveness of these interventions requires knowledge of the specific product and the particular context into which they are implemented, as well as the users that will interact with them.

We hope you gained a better understanding of behavioural science and its applications to the FinTech industry through this report. For optimal outcomes, we recommend consulting with expert behavioural scientists. If you would like to understand how you can apply behavioural science in your work, we would be delighted to assist you and discuss personalised solutions - please contact us at **info@behive.consulting** or read more on our website.

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BeHive Consulting

BeHive Consulting is a behavioural science consultancy founded in Budapest, dedicated to bringing cutting-edge behavioural insights to organisations globally.

We are a multidisciplinary and international team of behavioural science experts. Our holistic approach to problem solving, combining academic rigour with an applied perspective and behaviourally informed design leads decision-makers and organisations to more predictable, competitive and human-centred outcomes.

Some of the intervention examples provided in this report are not lifted directly from academic and industry research, rather they were chosen to illustrate behavioural science concepts and to aid general understanding.

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