

CAPCO

CAPCO CONSUMER

SUPPORTING CONSUMERS THROUGH HUMAN-CENTRIC
SERVICE DESIGN USING MENTAL MODELS



In today's increasingly complex world, many long-standing consumer challenges remain unresolved. Despite exponential growth in the development and application of new technologies, banks and their customers continue to struggle with a range of fundamentally human challenges. While technology is a potent enabler of many solutions, designing services that fully address the needs of consumers requires a truly human-centric approach.

Successful service design seeks to strike the balance between customer outcomes and business efficiencies by considering the world from both perspectives. By weaving mental model methodology into service design approaches, banks can provide a consistent and high-quality experience across all channels, which is so crucial for customer trust, loyalty and retention.

WHY NOW?

As the cost of living continues to rise and with access to finance carrying a higher price tag due to increased interest rates, many customers are struggling.

Eleven million people have borrowed more compared to the previous year,¹ while 5.6 million adults have missed paying a domestic bill or meeting a credit commitment over three or more months in 2023.² Over a third of adults (36%) say they are not coping financially and 12.9 million adults show signs of low financial resilience.²

Financial services firms are themselves navigating turbulent business conditions, looking to reduce cost-to-serve and address increasing levels of fraud while also remaining competitive and delivering value and excellent experience to their customers.

However, a focus on tactical solutions and a reliance on superficial customer personas mean they are often lacking a deep understanding of how consumers really think and act, and how external and internal drivers influence their choices and behaviours.



UNDERSTANDING HUMAN MINDSETS: THE DIGITAL-PHYSICAL DISCONNECT

Years of digital transformations and the adoption of new digital-only products without a clear customer strategy on how these connect to legacy physical touchpoints, has given rise to a digital-physical disconnect which creates a challenge for high street banks and their fintech competitors alike.

Established banks and fintechs need to evolve if they are to ensure their relevance among younger demographics – but also cannot sacrifice traditional channels such as telephony and branch servicing, which are often more popular with vulnerable consumers.

Big banks are typically burdened with ageing legacy systems, and must countenance large scale transformations if they are to keep pace with more agile disruptors. Fintechs, on the other hand – by offering an exclusively online/digital customer experiences – are also at risk of underserving the 50% of adults who still conduct banking activities face-to-face at a branch.³

A common misconception in the digital era is that consumers are fixated solely on digital consumption, ‘cool’ features, and slick apps, when what they actually seek is a blend of convenience, efficiency, and personal engagement.

The modern consumer is proactive, choice-driven, and expects services to be personalised. They don’t want to wholly discard traditional touchpoints, but rather expect them to be elevated via digitalization to create a seamless journey.

62%

think experiences should flow naturally between both physical and digital spaces

72%

of customers want immediate service

62%

agree that personalised recommendations are better than general ones

Source: Zendesk CX Trends 2023⁴

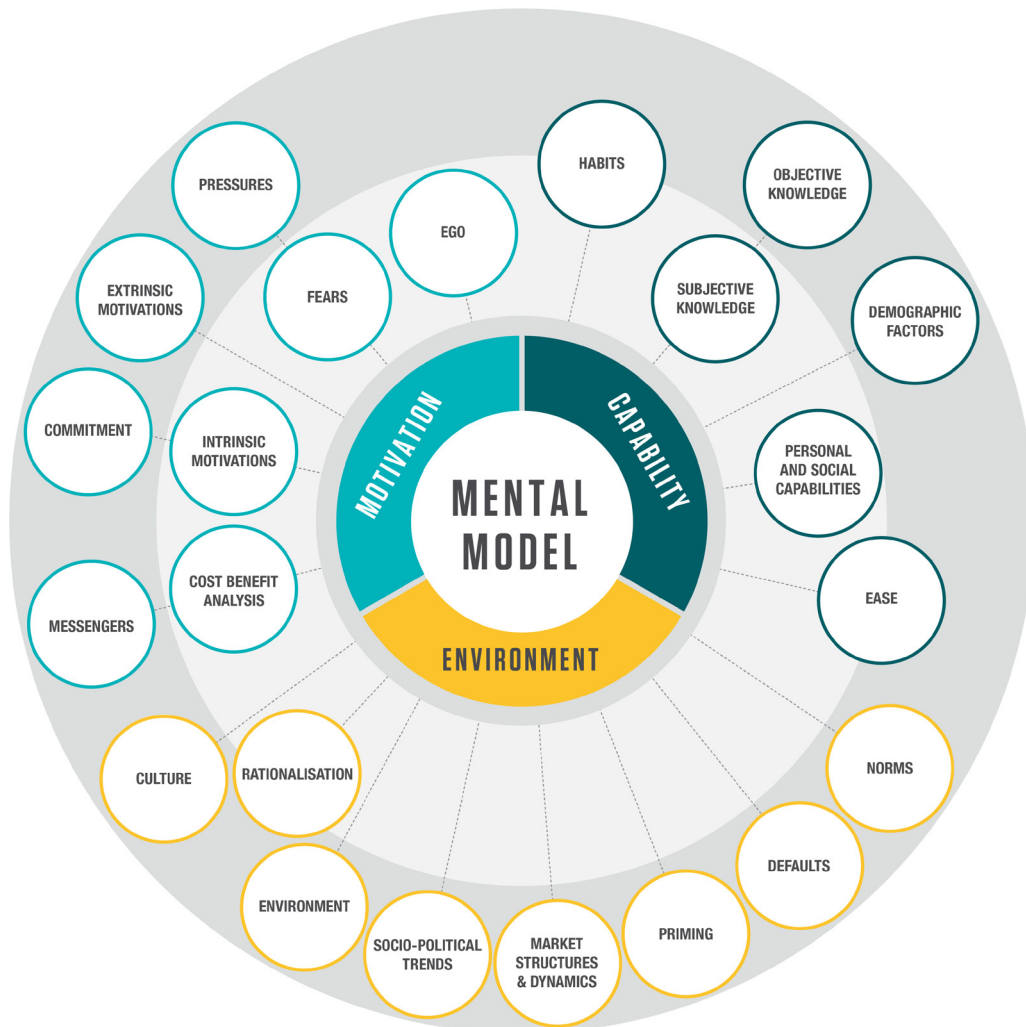
Embracing this nuanced understanding of the consumers shifts the focus from merely adding digital layers to banking services to re-engineering those services with the consumer at the heart of every decision.

CAPCO'S MENTAL MODEL FRAMEWORK

Our mental model framework looks at internal and external drivers that influence the ways consumers think and act. To support development of human-centric products, the complexities and interconnections between these drivers must be understood and analysed.

The model builds on a deep understanding of consumer behaviours and analysis of external influences such as macroeconomic trends, socio-cultural and environmental factors, in combination with internal drivers including existing skillsets, capabilities, attitudes, motivations and pressures.

This comprehensive research-driven model allows us to extract extensive and reliable insights on an individual. Classifying consumer ways of thinking and combining them with best practice service design approaches enables us to deliver improved services, products and experiences.





Through a better understanding of consumers, their habits and preferences, and the forces driving specific behaviours, firms can get far closer to their customers. The benefits include:

- **Improved customer engagement** – understanding what drives customers' thoughts and actions can guide product designs that truly recognize the needs of consumers, accompanied by clear communication that resonates with consumers and improves their understanding of products at hand.
- **Seamless service integration** – understanding drivers of consumer behaviours (those rational and those seemingly irrational, triggered by number of external and internal factors), helps design services that seamlessly integrate with consumers' financial lives, delivering value and convenience.
- **Increased customer confidence** – ultimately, better designed, more intuitive services help foster a sense of resilience and confidence in customers, empowering them to navigate the financial landscape in ways that best suit them.

Mental models have a wide range of applications and can help guide human-centric service design across several use cases, including:

- **Vulnerable customers** – supporting vulnerable customers, showing a deep understanding of the challenges they face with relevant services and the right support channels, thus making services more accessible for these individuals.
- **Savings and investments** – providing relevant information to the right types of customers and designing intuitive user interfaces that guide individuals towards making informed financial decisions.
- **Employee wellbeing** – improving employee wellbeing and engagement by delivering an employee value proposition that is relatable to employees and provides a nurturing working environment.
- **Banking and insurance fraud** – helping to understand the mindset of those most susceptible to fraud and scams, as well as helping to understand the mindsets of fraudsters, informing your fraud prevention strategy and communication strategy for your customers.

Below we outline two potential mental model use cases.

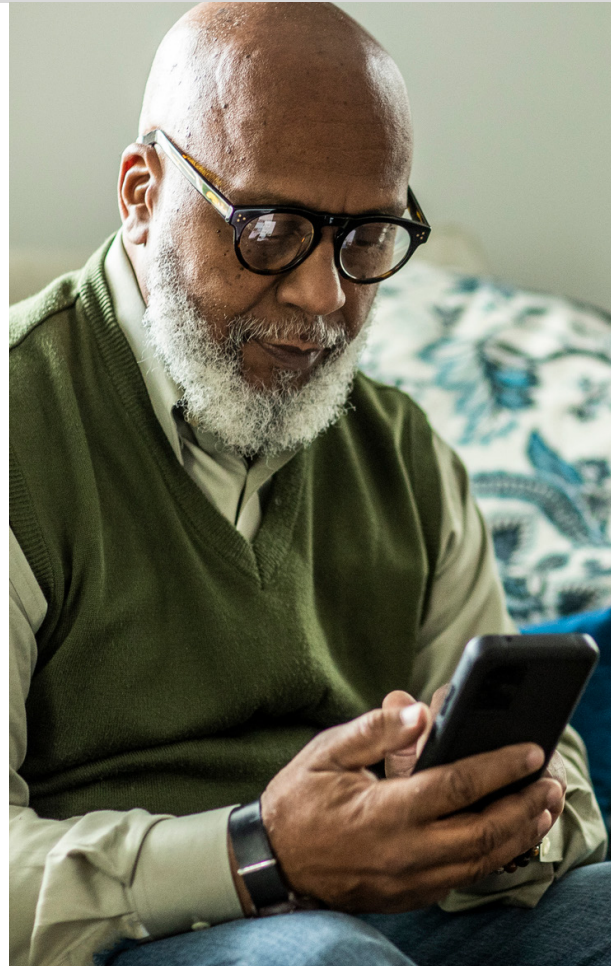
1. Empowering vulnerable customers

Being in a position of vulnerability affects the way that consumers engage with banks and other financial services providers and puts them at a higher risk of potential harm. Those in vulnerable circumstances may be less able to represent their own interests, have different needs, and be more prone to behavioural biases that affect decision making.

While the immediate experience of the different dimensions of vulnerability is incredibly personal, the everyday consequences of vulnerability are often similar across individual customers, impacting all stages of the customer experience journey across banking products and services from awareness through consideration and purchasing to everyday use.

Applying mental models methodology to better understand vulnerable customers can help firms develop relevant services with the right support channels. The ultimate goal should be to empower vulnerable customers, whilst demonstrating a deep understanding of the challenges they face.

- **Awareness** – nearly one in five (19%) customers in poor health say they are too anxious to shop around for financial products, so demonstrating the support mechanisms available to such vulnerable customers can give them the additional degree of comfort they need to start looking for suitable products and services.²
- **Consideration and purchase** – by offering clear and transparent communication through a variety of relevant channels, consumers are better able to make informed decisions; currently only over a third (36 percent) of all adults see financial firms' treatment of them as honest and transparent.²
- **Onboarding** – making initial interactions smoother and accessible across a range of channels will help engender more trust among customers.
- **Everyday use** – helping consumers to access and use the products is key, as is providing support through channels that are most suitable for them.



2. Supporting vulnerable victims of fraud

Developing mental models for specific customer groups, such as those most susceptible to becoming fraud victims, provides deep insights on customer profiles, pressures, motivations and triggers of behaviour.

Fraud and scam victims may experience not only financial loss but also emotional and psychological distress such as helplessness, embarrassment, shame, isolation and anger, so supporting them can be a challenging task.

Firms need a blend of preventative strategies that mitigate the risk of fraud in the first instance and reactive strategies that encourage disclosure and support victims.

- **Identification** – leveraging technology to proactively identify vulnerable customers before they fall victim.
- **Education** – providing targeted education and support to vulnerable customers, empowering them to improve financial literacy and digital skills.
- **Staff empowerment** – training and capability updates for customer-facing staff to empower them to support the needs of fraud victims.
- **Disclosure** – helping fraud victims report the crime and encouraging them to seek help.
- **Ongoing support** – establishing fraud-victim support channels to provide both support and education that prevent further victimisation.



CONCLUSION

Service design in financial services is not about creating multiple individual touchpoints. Its primary goal is an integrated service ecosystem connecting all aspects of the banking experience, from online account management to in-person consultations, with the end goal of creating a cohesive and frictionless journey for the customer.

In doing so, financial institutions can ensure that no matter how or where a customer chooses to engage with their services, they receive the same high-quality experience and personalisation in the most efficient way.

Recognising human-centric service design as a strategic imperative is crucial for financial institutions to remain competitive and truly fulfil the desired outcomes for their customers.

This can range from a comprehensive overhaul of the customer service model, creating new products and propositions, revamping operating models, as well as technology simplification, process automation, and other transformation modules to ensure that every touchpoint is designed with clearly understood user needs and preferences in mind.

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ABOUT CAPCO

Capco, a Wipro company, is a global technology and management consultancy focused in the financial services industry. Capco operates at the intersection of business and technology by combining innovative thinking with unrivalled industry knowledge to fast-track digital initiatives for banking and payments, capital markets, wealth and asset management, insurance, and the energy sector. Capco's cutting-edge ingenuity is brought to life through its award-winning Be Yourself At Work culture and diverse talent.

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