

Consumer Perspectives on Fintech



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Fintech leaders, from [PayPal CEO Dan Schulman](#) to dozens of start-up founders, are increasingly articulating the business imperative for investing in the long-term financial well-being of customers and rolling out product features that better meet the needs of lower-income groups. Over the last five years, [human insights researchers at Prosperity Now](#) have connected with consumers in low- and moderate-income (LMI) communities across the US through in-depth interviews and user tests on non-profit service innovations. Our research largely informs innovation in non-profits, but insights gathered can also help fintech developers seeking to serve LMI consumers.

In this insight brief, we raise the voices of people we've engaged with in research projects and share relevant commentary and recommendations to fintech developers on how to address challenges in building awareness, adoption and engagement. There are fintech companies who already do one or more of the items on this list, and we highlight a few of these examples. We look forward to seeing even more innovations for LMI consumers.

Research Insights from LMI Consumers	Design Recommendations
<ol style="list-style-type: none">1. Solutions that facilitate transactions and make them easy to track are in demand.2. Consumers seek referrals from trusted people and institutions.3. Options to take back control when needed are required.4. With such complicated financial lives, small hassles in fintech become major barriers.5. In technology or not, specific and tangible financial advice is still missing.	<ul style="list-style-type: none">• Think outside the box for customer acquisition by designing on-ramps• Pinpoint a product's prime purpose and target segment• Integrate people from the target segment throughout development• Design off-ramps to deliver a comprehensive customer experience

What We're Hearing

The following summary includes insights from multiple projects that engaged a wide variety of LMI consumers. Of note, the highlighted sentiments are predominantly from consumers in their 20s and 30s with household incomes under 80% of the median income for their city, some or no college education and U.S. residency since birth or for many years.

1. Solutions That Facilitate Transactions and Make Them Easy to Track Are in Demand

When LMI consumers talk with us about how fintech helps in their lives, they share stories about completing simple tasks like tracking transactions, making bill payments and viewing account balances. This suggests that fintech is welcome and helpful for transactional purposes, and adoption of fintech for these purposes are promising. When asked what they would like to manage with fintech, responses included: estimating take-home pay after taxes and employer deductions, calculating how to divide up an individual paycheck, paying bills (especially with companies that do not have online bill pay available), saving (in small and variable amounts), tracking spending, comparing pay across different jobs and estimating how much to take out in small dollar loans.

"A lot of people . . . don't have the mindset or the time to actually keep track of their books or keep track of their money, and then they turn what they spend into the pop up at the end of the month or they check their balance. Hey, I got 57 cents on my card, I'm broke . . ."
— 23-year-old male, New York City

The expressions of interest in fintech for tactical purposes is interesting because it may confirm that consumers find it easier to understand the benefit of a fintech product when there is a direct purpose. As Tyler Griffin from Financial Venture Studio, a fintech startup accelerator, shared with us, “I see a lot of products that look to combine the goals of surviving the day-to-day and strategically planning for the long-term. Consumers seem to view them as completely separate islands: apps for tactical things and apps for strategic things. It’s difficult to communicate the benefits of a product that does both. Doing so tends to muddle the message.”

FINTECH IN ACTION: FreshEBT

The success of FreshEBT shows that low-income consumers were hungry for tools that helped them track one crucial element of spending: their SNAP benefits. Over one million people every month use the app to know how much remains in their SNAP benefit for the month. Users also receive information on discounts and other ways to help stretch resources on a budget. The app is purely based on transactions from a single source—the SNAP benefit—and on tracking spending against a single line item, making it simple and easy to use. It also filled a gap in the marketplace where most states did not have user-friendly ways to track this information when FreshEBT came onto the market.

2. Consumers Seek Referrals from Trusted People and Institutions

“I’d probably trust the [online financial management] tool from my employer more. Just because I know it has to be really good for them to offer it.”
– 24-year-old Female, Houston

As a general matter, when talking about fintech in interviews, LMI consumers are quick to note that they care about the security and privacy of their data. However, we also hear indications that this skepticism can be assuaged with basic communication about the security of the product and referrals from trusted institutions—like a familiar non-profit, employer or bank.

When asked openly about web or mobile resources they leverage for their finances, consumers mostly talk about using online search engines or watching videos. Fintech products are rarely

independently identified as resources. However, when shown descriptions of a variety of financial services, LMI consumers often talk about how fintech could complement other services—especially one-on-one financial coaching or counseling. This suggests that clear and specific links from other supportive services are an important conduit for onboarding to fintech.

The appeal of referrals for fintech speaks to the crowded and fragmented nature of the fintech market. There are many options for consumers to choose from with little guidance on how to choose. As an interviewee we talked to in New York explained when asked if they’ve used any internet or phone apps, “I see it across the internet, but I don’t pay attention to the stuff . . . I need to know that it’s like a really certified thing. When I see it come across the screen or something, I don’t believe it.” For LMI consumers, who already have few supports on personal finance and complicated financial lives, referrals make it easier to become aware of options and to choose products for their finances.

FINTECH IN ACTION: EarnUp

EarnUp is a fintech company that helps indebted Americans manage loan payments and get out of debt. In 2017, EarnUp partnered with GreenPath Financial Wellness, a non-profit organization. The partnership was mutually beneficial. GreenPath was helping hundreds of thousands of lower-income people through financial counseling and education, but lacked a channel for long-term engagement. Conversely, EarnUp had a platform for long-term engagement, but lacked a channel to reach lower-income consumers. Through their partnership, EarnUp invested time in understanding the customer journey through GreenPath's services, engage deeply with their users and jointly defined metrics for success. By designing with the partner in mind, EarnUp completed a scalable and successful pilot of their app with GreenPath.

3. When Needed, Options to Take Back Control Are Required

With the success of automatic enrollment and escalation in 401(k) products, opt-out enrollment and default setting became a priority in financial services. While automation and default are beneficial in some settings, in interviews, LMI consumers share a level of anxiety around automation and defaults of financial tasks. We hear people say they see the benefit of automation and default setting related to their financial accounts, but there's the inevitable need to adjust when their paychecks change or expenses vary.

"I don't like that it's automatically withdrawing . . . because I kind of live paycheck to paycheck in a sense. To autopay would ruin my life if something is withdrawing at a time that my check is not in the account."

– 37-year-old female, New York City

The requirement for fintech to allow for customization and control comes out most clearly in fintech user tests we've conducted. For example, in a project with credit counselors at Lutheran Social Services of Minnesota (LSSMN), we tested a rudimentary financial back-up planner. At LSSMN, clients who dropped out of a Debt Management Plan program did so because they did not have enough support in a financial emergency (i.e. medical event, car or home repair, job loss). The back-up planner was to be a tool for clients in the program to assess options and plan potential actions in the event of a financial emergency. Client feedback included a desire to see pre-populated recommendations from a credit counselor in the back-up plan as well as options to come back to the tool and make updates at any time. The desire for pre-populated recommendations was likely related to feelings of being overwhelmed by the planning process while the desire for flexibility was likely related to recognition that finances and plans are likely to change.

FINTECH IN ACTION: Even

Fintech app Even is a great example of identifying and correcting a misalignment across expert and consumer preferences on automaticity. Even initially offered users the ability to automatically smooth their income and expenses—"evening" out any variable income flows. While it helped some customers overcome financial bumps in the road, others reported the app didn't provide the financial cushion when needed, because it couldn't predict all the variability their lives. Even eventually retired the automatic income smoothing feature in favor of one that lets the customer choose when to pull forward a part of their paycheck to meet upcoming expense needs. It now provides greater visibility into cash flow management while still giving customers the control they need.

4. With Such Complicated Financial Lives, Small Hassles in Fintech Become a Major Barrier

In interviews, we hear stories about how a fintech failed to work, required many steps to engage or was overly complicated to maintain. This insight may be common across all types of consumers, but our conversations indicate that there might be an acute sensitivity to “hassle factors” that then limit usage among LMI consumers. Many of the people we interview are intensely busy. They feel the pressures of balancing work (often with multiple jobs), family and businesses under immense resource constraints. In their financial lives, it means constantly juggling income, bills and debt payments. With so much going on, unless there is a strong and persuasive motivator, it’s most likely easier to let go of using a product than stick through the hassles.

*"The only thing is [the financial management app] wouldn't deduct it the way I needed it to. I know it sounds strange but . . . it wouldn't let you put all the bills in . . . and then instead of the next bill showing the minus \$300 that I paid . . . it would stay the same amount. Yeah, it didn't deduct.
– 33-year-old female, Ft. Lauderdale*

There are two key ways in which hassles limit usage of fintech. First are poorly designed user interfaces. As one interviewee in Portland shared, they felt their employer’s payroll website has trouble with passwords and the user interface is “crowded and strange.” As a result, they felt the website “can be really fickle sometimes, and [they] don’t visit too often.” Second is the time required for more complex tasks like setup, diagnostic assessments and learning content. In a project with WESST, a small business development and training organization in New Mexico, we sought feedback on a mobile business financial education app through user tests. Clients interviewed shared how their time was severely limited and if they were to use the app, they would need to break learning into manageable increments of time (e.g. 5 minutes chunks), work at a self-determined pace and have flexibility to pick up where they left off.

Non-profits that are deeply connected with LMI consumers often lack access to technologies that are designed with beautiful and relatively hassle-free user interfaces. The lack of well-designed technologies is a barrier to non-profits recommending and using technology with clients. However, we’ve observed some promising outcomes when there are technologies developed with the non-profit *and* LMI consumer experiences in mind.

FINTECH IN ACTION: EARN

The fintech non-profit EARN just crossed a major milestone: reaching 100,000 savers with their short-term savings product, SaverLife. One of the partnerships that has led to this successful milestone is a partnership with FreshEBT. Both organizations see value in helping customers leap from the two digital interfaces. Our hypothesis is that the trust FreshEBT has built with its clients makes it easier for customers to act on the SaverLife offer from their platform. EARN is expanding this digital-to-digital partnership approach, with recent offerings linking SaverLife users to the tax-time savings sweepstakes “Savers Win” and the fintech LendUp.

5. In Technology or Not, Specific and Tangible Financial Advice is Still Missing

"I would want something [an app] to help me manage my money. Tell me okay where is my money? Where should my money go? Not where do I want my money to go?"
– 27-year-old female, Houston

We consistently hear from LMI consumers that they are looking for tactical advice to better understand their dynamic financial situations and make decisions about their money. While many can explain the different ways they track their money, few feel that they have effective support to understand where they stand today, what tomorrow looks like and specific actions they can take to meet their financial goals. Examples of what is considered specific enough include having a prioritized to-do list with specific amounts to save and spend, a recommendation on which credit card to pay off first and notifications of surpluses with suggestions on which bills to pay down with the surplus.

For the most part, there is openness to receiving diagnostics and advice through electronic platforms, but it's important to note that many consumers really value a human connection. As [Philip Oreopoulos](#) of the University of Toronto notes, "personal interaction has the potential to increase trust in reacting to encouragement to do something unfamiliar. Analogous to responding to a doctor's or an accountant's advice, we are more likely to take action when we trust the person who is offering that advice." LMI consumers in our interviews want to know there are humans on the other end of the line and have the same expectations for successful delivery of advice whether in person or via technology.

Meeting consumer expectations on advice through fintech may be challenging because important aspects of LMI consumers' financial lives are not in mediums that are easily connected to technology platforms. For example, cash payments for spending is still very prominent. The most recent [report on consumer payment choice by the Federal Reserve Bank of Boston](#) finds that 31% of payments were made in cash. Anecdotally, we hear LMI consumers are spending (and saving) in cash and that means it is difficult to fully analyze and offer advice. Fintech apps we've explored either increase the burden on a user to manually enter the data or fail to include options for manual data entry. Our hope is that technology-enabled solutions to these gaps may be possible in the future, but in the current market, partnerships with financial counselors and coaches can help fill the gap and meet consumer demands.

"Yeah, [having a financial app come along with credit counseling] would be cool . . . because you can call someone and then they can give you their input or I'm pretty sure they have experience. They wouldn't be a credit counselor if they didn't."
– 27-year-old female, Ft. Lauderdale

Design Recommendations for Developers

With these insights, we offer some recommendations for fintech developers to enhance awareness, adoption and engagement. We hope these recommendations help fintech developers better understand and connect with LMI consumers.

Think Outside the Box for Customer Acquisition by Designing On-Ramps

When we talk about user experiences in fintech, the design of the app itself is the first thing that comes to mind. However, as highlighted above, LMI consumers are taking up and sticking with fintech products when they come through a trusted referral (either digital or personal) and there are few hassle factors in that transition. We believe there is enormous value to be had in thinking through more “on-ramps” to fintech for low-income consumers, leveraging non-profits, labor unions, churches, and other avenues of trust. These partnerships will require nurturing. Fintech developers will need to invest in building trust among potential referral partners, and providing additional marketing materials and support to front-line staff who may be introducing the customer to the product. Some non-profit partners may not have sophisticated internal technology themselves, and adjustments may be necessary to connect technology infrastructures between these referral partners and the fintech company. There remains much to explore to better understand the needs on both sides to get to a great customer outcome.

We recognize this is a longer-term investment strategy in customer acquisition. We also understand this looks different for newer startups and older financial services firms deploying technology inside legacy products. Startups may be able to easily incorporate on-ramps from trusted institutions in their journey maps and design as they are still nascent and flexible. For more established firms, design investments and decisions may have already been sunk into higher-earning customers and pivoting to incorporate on-ramps for LMI consumers at a later stage of development may be more difficult. For either type, we believe that on the other end of investing in these relationships will be customers who arrived at the product through trusted, guided channels and might offer a longer-term value proposition as “sticky” customers.

Pinpoint a Product’s Prime Purpose and Target Segment

The designation “LMI” is not a monolith. These consumers are a heterogenous group and fintech developers would do well to focus on a few target segments within it. For example, designing for young, LMI consumers who are likely to experience higher-income financial futures (e.g. a 25-year old graduate student in law school), leads to very different products than designing for those who are likely to experience limited income throughout their adult lives (e.g. a 25-year old restaurant worker without a college degree). Both may show up in the data as financially underserved, or struggling to pay bills day to day. Both have a market need and financial gaps that fintech can fill. However, they will have very different technology requirements, product features they desire and options for financial services.

As mentioned in the research insights, LMI consumers most easily understand fintech that help them with tasks associated with transacting and tracking money. Fintech companies, like FreshEBT, that clearly communicate the most important purpose for their app make it easier for consumers to understand the product and its benefits. To facilitate awareness and adoption, fintechs should follow this practice and focus on a specific purpose that aligns with a clear consumer need.

Integrate People from the Target Segment Throughout Development

The research insights highlight how the complicated financial lives of LMI consumers make it easy to give up a technology product when there are hassles. There’s so much to learn about the nuances of LMI consumers’ lives and of the technology constraints that may lead to frustrations with the product. Some fintech developers may be spending enormously on beautifully designed graphics, but these graphics are hard to load in places with intermittent or low-bandwidth data and on older models of phones with potentially outdated operating systems. Others may not spend enough on the user design, and

inadvertently create a clunky experience that turns users off from the start. For better engagement, design teams should reflect the diverse customer base and incorporate people from the specific target segment.

Fintech—just like the rest of the technology world—needs greater diversity in its staff. Staff from diverse socioeconomic, racial and geographic backgrounds are critical to embedding different perspectives into the design and delivery of the product. As noted at a [2016 roundtable hosted by the Consumer Financial Protection Bureau](#) with mortgage industry experts, organizations said they benefited greatly from the perspectives of their diverse workforce in understanding how consumers manage finances and how to enhance customer interactions. In fintech, the FreshEBT team includes people who have used SNAP benefits to feed their families. We believe that those involved in fintech for social impact have good intentions to design with dignity, and an important strategy to effectively implement those intentions is to involve staff with similar backgrounds to customers in design.

Similarly, even when staff come from diverse backgrounds, there is no substitute for robust user experience testing with LMI consumers in many parts of the country. Developers need to get outside of the largest major cities and work directly with LMI consumers in the middle of the country, in the Black Belt of the South and in border regions, among other places. In doing so, they should pay special attention to hassle factors, identifying the places where it will be easy for a busy person juggling multiple financial stressors to walk away from the technology product rather than continue to use it.

Design Off-Ramps to Deliver a Comprehensive Customer Experience

And finally, as the Fresh EBT, EARN and LendUp partnerships demonstrate, it's important for fintech developers to think about cross-referral relationships. A specific product may only impact one slice of a complicated financial life, but what other products can be tied in to a seamless customer experience to solve multiple facets of a person's financial life? Understanding what customers require beyond the tasks managed in one platform will illuminate opportunities for partnerships. Or, as PayPal's new Cash Card suite of products does, integrate multiple product features into a single user experience. The new PayPal offerings combine the existing PayPal product with a prepaid card experience, savings buckets and access to investment opportunities through a partnership with Acorns, another fintech company. This single user experience allows each company to do what they're good at while giving the customer multiple ways to address financial issues.

In developing partnerships, it's also important to consider how a user might move from one product to another. How might they transition across products? Where might they access customer support? Will customer service resources across the partners reference each other and direct users to the right place as issues arise? A comprehensive customer experience should include not only the on-ramp to a product, but also the off-ramp to referral partners.

Conclusion

It is an exciting moment, as the technology world gets ever more sophisticated at supporting LMI consumers in their financial lives. By raising the voices of LMI consumers that participated in our human insights projects, we hope fintech developers are able to identify challenges and opportunities for their products and inspire deeper engagements with LMI consumers and non-profits that are already rooted in communities across the US. We look forward to meeting more fintech leaders who are making choices to include LMI consumers and new partnerships in their development work and seeing a future where it will be easier for LMI consumers to predict cashflow, make decisions about savings and debt payments, and build stronger financial futures.

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