

Design Thinking – The Hottest New Trend in Banking

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Most banks and credit unions don't usually take 'the human factor' into consideration when developing their products and services. But several financial institutions are starting to do just that, using proven business management strategies to foster greater creativity and innovation.

It's called 'design thinking'.

Many who hear the expression “design thinking” mistakenly believe that it is all about aesthetics — something limited to “creative types” who specialize in graphic design. But that’s not the case. It doesn’t mean that aesthetics aren’t important, but a good-looking design that doesn’t meet consumer needs or solve consumers’ problems has no chance at success.

Rather than focusing solely on style, design thinking is about applying the principles of design to the way people interact with the world. It’s an iterative process in which you seek to understand the user, challenge your assumptions, and redefine problems in an attempt to identify alternative solutions that might not be instantly apparent using more conventional methods. Design thinking revolves around a deep interest in developing an understanding of the people for whom you’re designing products and services. It helps you observe and develop empathy with the target user.

This is the reverse of how banks and credit unions traditionally design products and services. Instead of focusing on the consumer experience, financial institutions tend to develop products to meet their own internal processes and operational efficiencies. They then tend to put a pretty wrapper on the product and call it a day.

Financial institutions then wonder then why so many consumers get frustrated — e.g., they abandon the online account opening half-way through the process. The online account opening doesn’t meet the user’s need or address their problem; they want to open an account without having to go to a branch. Design thinking, in theory, would solve that problem.

Growing in Popularity, But Not a New Phenomenon

Design thinking isn't a new concept. It's been around in some form since the 1960s. In fact, today you'd hard pressed to find a Fortune 100 company that doesn't incorporate at least some aspects of design thinking in how they bring products and services to market.

Financial services organizations? Not so much.

There are, however, some exceptions. BBVA launched a program it calls "Design Thinking for Leaders" to help the bank innovate and design for its customers.

Rob Brown, Head of Marketing, Design and Responsible business at BBVA, believes that design thinking gives the bank an edge. "All employees, regardless of their role, should begin to see themselves as a designer that contributes to improving the customer experience," Brown explains.

Capital One hired a former head of Google's Advanced Technology and Projects group and acquired consulting design firm Adaptive Path in 2014 to help fuel initiatives based on design thinking.

Design thinking is big with technology firms who tend to focus first on the consumer experience. This fact alone makes it likely that more banks and credit unions will be turning to design thinking, since they increasingly find themselves competing against both megatech and fintech firms.

"The banking sector is going through a period of disruption, but this not the end of the industry," says Dieter Staib, a partner with [Oliver Wyman](#). "Instead, this disruption marks the genesis of the banking sector's new DNA: a combination of changes in business models, agile execution, and design thinking."

How Design Thinking Works

Design thinking has four or five phases, depending on who you ask. Global design firm IDEO uses **a four-phase model**. Many others, however, expand the process to encompass a stage for testing.

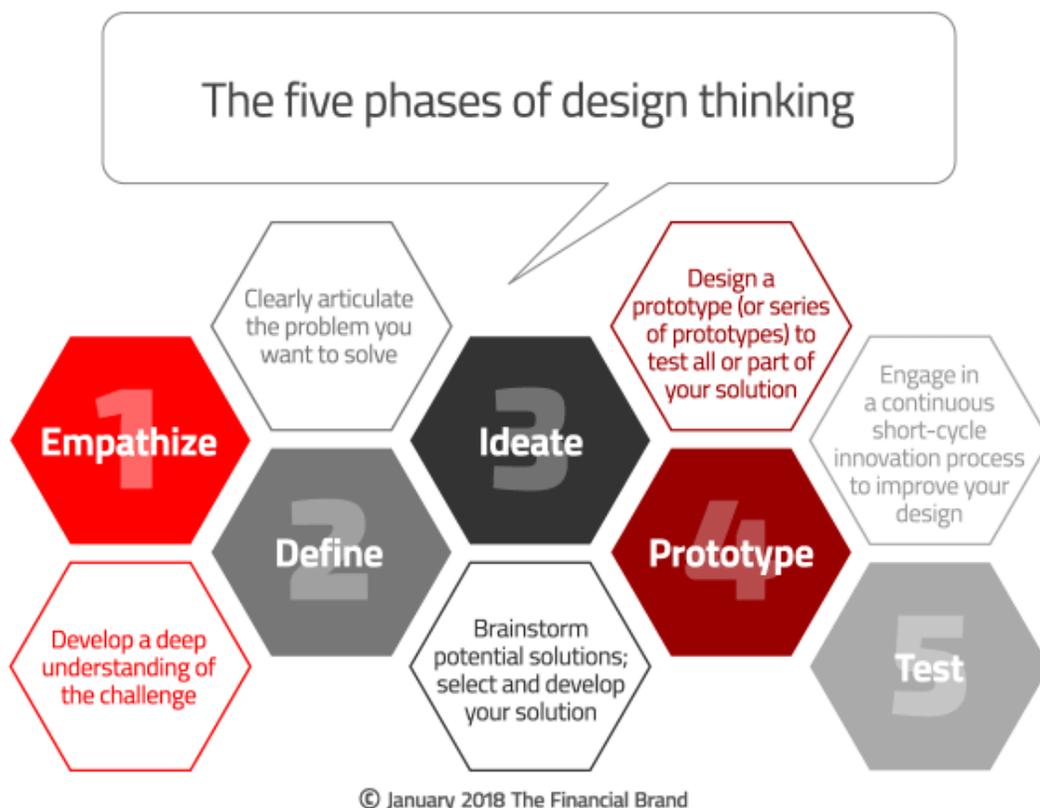
1. Empathize. Conduct research in order to develop knowledge about what your users do, say, think and feel. Imagine your goal is to improve an onboarding experience for new users. In this phase, you talk to a range of actual users. Directly observe what they do, how they think, and what they want. What motivates or discourages users? Where do they experience frustration? The goal is to gather enough observations that you can truly begin to empathize with your users and their perspectives.

2. Define. Combine all your research and observe where users' problems exist. In pinpointing your users' needs, highlight opportunities for innovation. Use data gathered in the "Empathize" phase to glean insights. Organize all your observations and draw parallels across your users' current experiences. Is there a common pain point across many different users? Identify unmet user needs.

3. Ideate. Brainstorm a range of crazy, creative ideas that address the unmet user needs. Give yourself and your team total freedom. No idea is too farfetched, and quantity supersedes quality. Bring your team members together and share ideas with one another, mixing and remixing as you build on each others' ideas.

4. Prototype. The goal is to understand what components of your ideas work, and which do not as you begin to weigh the impact vs. feasibility of your ideas through feedback on your prototypes. Make your ideas as real and tactile as possible (not always easy in a service industry like banking). Adapt your concept based on feedback, then prototype it again quickly.

5. Test. Return to your users for feedback. Ask yourself ‘Does this solution meet users’ needs?’ and ‘Has it improved how they feel, think, or do their tasks?’ Put your prototype in front of real people and verify that it achieves everyone’s goals. As you begin to execute your vision, you should try to continue testing along the way.



Empathy Is The Critical Factor

One of the central concepts in design thinking is empathy. Without it, design thinking might sound just like any other creative process.

The dictionary says empathy is about understanding, being aware of, being sensitive to, and vicariously experiencing the feelings, thoughts, and experience of another. It means putting aside your own ideas to understand why consumers think and behave the way they do.

In design thinking, you investigate what issues upset consumers rather than assume you know the answer. It’s about identifying pain points. You go to the branch and talk to consumers. You watch them interact with the tellers. You invite them to focus groups and let them play around with your mobile banking app. You listen

to their feedback, but you also observe their body language and facial expressions. You try — as close as you can — to feel what they feel.

Design thinking has nothing to do with facts such as demographics. It's about uncovering thoughts, feelings and motivations. *Why are consumers visiting the branch? Why didn't they use the mobile app?*

Uncovering raw consumer sentiment will often yield a product or service that consumers love. The Bank of Ireland's team of design thinkers met with people who had recently experienced a bereavement. Based on what they learned, the bank designed a bespoke concierge service to handle the administrative tasks and paperwork that grieving customers may be too upset to deal with.

Ryan Page, Head of Design for Card Partnerships at Capital One, believes that designing with what he calls "a human perspective" is key to developing solutions that truly connect and resonate with people.

"To develop a strategy in the absence of a strong human need or a perspective on how real people see the world, well, that's a strategy that won't be as powerful as it might be if its created in collaboration with design," **he says.**

When you don't use design thinking, you risk creating a product that — by all measures — may look great and might be technologically advanced... but ultimately fails. Consider Google Glass. The wearable product, released in 2013, was received with much fanfare. People thought it was "cool," but failed to gain favor with consumers. Why? Because the product solved what *engineers thought people needed, not what consumers actually wanted.*

Quick Iterations

When you understand the consumer problem you are trying to solve, you don't waste time creating something like Google Glass that won't work for consumers. You prototype, test to make sure it's the right design, change it if it's not. Rinse and repeat.

In the Harvard Business Review, Greg Petroff, Chief Experience Officer at GE Software, explains how the iterative process works at GE.

"GE is moving away from a model of exhaustive product requirements," **he says.** "Teams learn what to do in the process of doing it, iterating and pivoting."

Another key to design thinking success is that ideas can come from anywhere in the bank or credit union. But, some traditional financial institutions only allow innovation ideas to originate from top executives, notes Jim Van Dyke of Futurion. Those projects not only took longer to bring to market, but employee confidence in the project and overall moral was markedly lower.

If you think that your organization supports an ideas-can-come-from-anywhere approach, here's a test from Van Dyke. Identify ten innovations you are interested in, and poll employees about where these ideas came from. If only a few of these ideas came from employees who actually work with consumers, products or technology, you've got a disconnect and a problem.

And those employees generating ideas don't have to be subject experts. It's best to have diverse employees come up with ideas since they'll bring different ways of thinking to the problem.

To solve the innovation puzzle, some banks and credit unions have begun to set up "Innovation Labs". But these labs are often siloed, so they sometimes struggle making design thinking part of their everyday culture and processes.

"Innovation teams are often solutions looking for a problem," One bank executive told Futurion. "We don't have one, and I'm not sold on the value. The better way is to get the people in the business groups listening to the customers and getting things done."

Catherine Bessant, Chief Operations and Technology Officer at Bank of America, also doesn't believe that an innovation lab is critical to implementing design thinking.

"It's more powerful to capture innovation from 10,000 people than to put 10 people in a lab," Bessant told the Wall Street Journal.