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Executive Summary

This summary report addresses how digital technical infrastructures are managed and used in two retail financial products currently in use in the United Kingdom: peer-to-peer consumer lending and a local digital/paper hybrid currency system. The two products and their issuing firms, Zopa Limited (Zopa) and the Bristol Pound Community Interest Company (the Bristol Pound), respectively, are established leaders in their respective product areas: Zopa was established in 2005 and the Bristol Pound in 2010. Each of these firms seeks to disrupt an established financial market through the application of digital technologies and processes: consumer lending for Zopa and retail payment for the Bristol Pound.

The studies were run over approximately a fourteen-month period from October 2013 through January 2015 in which research teams from Lancaster University examined Zopa and Brunel University focused on the Bristol Pound. Extensive interviews, document analysis, questionnaires, observation of user interactions, and other participatory design methods were employed to investigate the ways that digital technologies were used in making exchanges through digital intermediaries. Our inquiries focused on the uses, resources, challenges, values, interpretations, roles and problems of using technology in accessing the financial services under investigation, which resulted in quantitative and rich qualitative data for all aspects surrounding the use of these systems.

This report presents the primary themes around managing and using innovative financial products. In the case of the Bristol Pound, the themes explain 1) our approach to investigating digital transactions as it emerged during the course of the study, 2) how the social and digital infrastructure shaped a sense of community and trust among Bristol Pound users, 3) the local connectivity, playfulness and mindfulness afforded by the Bristol Pound transactions, and 4) the complementary role of the physical and digital media of the currency. In the case of Zopa, the themes address 1) how design was harnessed to shape identity among Zopa users, 2) the transformation of user interaction from playfulness to prudence, 3) Zopa’s experimentation with social media as a source of data, and 4) the data-driven approach to Zopa’s operations.
1. Bristol Pound findings

1.1 Issues in researching design for digital transactions

There has been no previous attempt at examining transacting with digital media as an activity in its own right, and so there was a lack of consistent terms and structure in how to approach it systematically in our research. In response, we have recognised transactions as features of everyday life, embedded in the various settings in which they unfold (see [2]).

A useful analytical approach was to consider the work people do when they transact as a sequential description of the activities and artefacts involved. The transaction-related activities can be functionally grouped as pre-transaction, at-transaction and post-transaction, and although these activities do not always have clear boundaries, this is a useful breakdown for transaction work in that it loosely separates the transactional elements of preparation and alignment, settlement, and disengagement and closure. For more details on this approach see [3]. Further, it was useful to examine cross-cutting concerns spanning transaction work along three dimensions: a) the role of infrastructure in enabling transactions, b) interactions at the point of transaction, and c) the social context within which transactions are embedded. For more details on this approach see [1]. While this framework has proved to be a useful structuring mechanism for the discussion, and provided the concepts with which we could express our ideas for understanding digital transactions, it should not imply any restrictions to future research activities.

1.2 Community and trust

Our findings show that in the Bristol Pound community, a transaction is more than handing over cash or plastic, or just a mechanical exchange of money for something else. These digitally mediated transactions offered opportunities for rich social interactions through which individuals were able to express themselves as members of their community and make lasting connections based on trust [2]. One of the reasons that these sociable and relaxed interactions could occur is a plausible assumption held between parties that both buyer and seller subscribe to common collective ethical concerns and using the T2P system visibly demonstrated and reinforced such shared values and concerns. As both payer and payee negotiate issues of trust, effort and value around the transactions they conducted, they were effectively participating in what can be called a co-production relation. In co-production, power and responsibility is shared between parties to achieve a collective goal. At the level of the £B transaction, the co-produced achievement that arises from the collaboration of both payer and payee is not only that particular successful exchange of £B for a good or service, but also (as shown by our findings) the social bonding and community engagement that arises from the personal interaction. It became a priority to design digital transactions that preserve the connection between the digital and physical worlds with minimum disruption to the
practices of the traders and customers to allow not only rich social interactions, but effective collective outcomes [1].

1.3 Local connectivity, playfulness and mindfulness

In [2] our findings examined how the practices around making £B payments supported people in making connections, to other people, to their communities, to the places they moved through, to their environment, and to what they consumed. A prominent feature of the Bristol Pound is its connection with locality. Our findings suggest that the notion of "local" is interwoven with individuality, independence from central control, distinctiveness, regeneration, sustainability, diversity, neighbourliness and community. Designing for localism requires taking account of the underlying networks and foregrounding the identities of people and place, enabling users to make more local connections, build networks and make the best use of and derive the best value from those connections. The relatively slow, and in particular, the unpredictable speed of the transaction allowed its users opportunities to fill this time with ludic, or playful interactions and the searchable map (via the Google Maps API) on the £B website of the retailers that accept £B (electronically or as cash), was also reported as being used in playful games of searching out new places to visit and go shopping (see [2]). As participants conducted their T2P transactions, they reported that this type of payment itself, and the interactional demands that it imposes on them provided an opportunity to think about their purchasing practices and the broader impacts of their own patterns of consumption. £B users are concerned with supporting local businesses who source local products, therefore, we have an interest in supporting users who want to monitor their purchases as a way of ensuring they buy products within a specified radius. Taking this into account, we considered designs that support users in making ethical and responsible decisions by tracking the miles of the products they bought [1].

1.4 Complementarity between the digital and the physical

Money is becoming increasingly digital and mobile and yet our findings show the physical notes as playing a vital role in the everyday practices of the users. Both the physical and the digital forms of the currency are platforms for accessing and sharing information, however, our findings have shown how their affordances differ. The physicality of the printed currency affords a visibility that is independent of any financial transaction. Traveling with people, it can reach audiences outside the local area and can even be used to manipulate spending behaviour. The tangible and aesthetic qualities of the physical notes promote interest in the scheme itself and give visibility to their aims, e.g. through local artists’ work on the notes. Notes do not require a specific technology to use and users are familiar with their operation. Yet physical notes do not carry information about the transaction (who spent it, its origins and what it was exchanged for) in the way the digital form does. Affordances also affected how users choose between physical and digital transactions [see 3]. We saw that these were deliberate choices based on what the digital could offer, e.g. ways to track spending. Participants were also aware of the costs -- in either time or money -- associated with the different media and made their transaction choices accordingly. Designing digital infrastructure to support digital transactions should
complement the physical, rather than overtake it, such that users have opportunities to extend, rather than restrict, their potential for social interaction and developing new practices of use.

1.5 References


2. Zopa Limited findings

2.1 Design and Identity

Currently, the Zopa website design encourages an early choice between borrowing and lending on its front page, pushing users into two different sets of content, enacting a conceived separation of interests of borrowers and lenders rooted in differences of age, class, and geography. Recent re-designs have moved the site from a bare-bones, text-heavy site similar to that of many major banks to a more graphical, minimalist design in pastel colours, with a more structured flow of progression through site content. [1,4]

While Zopa has extensive data on its user base, including geographical dispersion of borrowers and lenders, it does not make this information available on the website. According to Zopa marketing staff, this is intentional, to elide geographic and related class distinctions between borrowers and lenders. Rather, Zopa has focused on the term “sensible” as the affective link connecting its users. This term attempts to establish a contrast between Zopa and payday lending firms, which have garnered negative press for high-risk lending. Testimonials and customer photographs are used to signal a sense of affiliation among potential lenders as prosperous, prudent and savvy. [1]

2.2 From Playfulness to Prudence

The 2006 Hulme and Wright study of Zopa [a] described the typical Zopa user in the company’s first few years of operation as “playful,” interested in exploring the possibilities of the firm’s technology as well as, if not more than, seeking to maximize a return on investment. Senior management believes that this playfulness, in the spirit of peer-to-peer technologies which tend to encourage experimentation through transparency of the mechanisms of their software, discouraged casual users and those less technologically and financially sophisticated – in short, much of the target market for a retail financial product [2,3].

In response to these perceived limitations of the product design, characterized by management as “unfair,” in 2013 Zopa substantially simplified and “black-boxed” their user tools, creating a much more standardized financial product. These changes are continuing, as part of an appeal to mainstream, middle-class investors rather than the especially technologically sophisticated. As Zopa’s product has simplified, its user base and amounts lent have grown by orders of magnitude, suggesting that, despite the assumptions of some peer-to-peer advocates, most potential users of financial technologies prefer lower burdens of technological and financial complexity. [5,6]
2.3 Limitations of Social Media Use

Zopa has made limited and selective use of social media as a source of data and as a set of channels of communication. Its forums, which were heavily used in the company’s first years and displayed prominently in its website architecture, have been downplayed and relatively hidden from view, correspondingly seeing much less use. As Zopa’s target demographic changed from young, tech-savvy people drawn to dynamic internet startups to a much more middle-aged, middle-class group interested in personal savings goals rather than experimentation and play, the firm has placed much more emphasis on television and print for their communications strategy. [4,6]

Contrary to the practices of other new digital financial firms, particularly short-term or “payday” lenders, Zopa has, after experimentation, chosen not to use social media data as part of their credit review and underwriting process for loans. Management believes that such data is less reliable than conventional credit bureau reporting and traditional methods of scoring loan applications. Zopa continues to manually verify each application as part of their underwriting process, though management acknowledges that such a practice may not scale as the firm continues to grow. [5]

2.4 Analytics

Despite Zopa’s distrust of social media data as part of the credit verification process, the firm makes extensive use of a vast range of data to underlie its website design, business processes, and marketing techniques. [4,5,6] The value of data for Zopa lies not so much in macro-scale decisions like those resulting in changes to the core product, but in constant corrections to user experience design and internal business processes and work flow, all in order to improve the “conversion ratio” – the percentage of site visitors who become borrowers or lenders. The data the firm collects – including monitoring clickthroughs on the site; their own customer research involving surveys of over 6000 customers, user interviews, A/B testing of website elements; and materials from third party market research firms – enables design elements to be extensively tested and rolled out onto the site on a weekly basis. As noted above, the tendency is to simplification, to prevent the process of interacting with the site from becoming overwhelming to an older and less technologically sophisticated audience than the firm’s early adopters. [5]

2.5 References


3. Conclusions

Developers of two new digital financial products have responded to the challenges of acceptance of technological and financial innovation by creating information and experience designs of increasing simplicity and opacity. Technological hurdles remain: in Zopa’s case, bank authentication requires leaving the website in the midst of account creation and may take up to several days to complete. For the Bristol Pound, lack of transaction confirmation does not delay or impede transactions but may interfere with the seamlessness of the experience. Neither firm relies on cutting-edge technology, but both operate in an environment where technological and financial literacy is relatively low, due in part to the firms’ strategies of reaching a broad, rather than elite early-adopter, potential userbase. Efforts to reach such a base have generally focused on streamlining, simplifying, and black-boxing the firms’ financial services and processes rather than on maximizing transparency, user customization, or radical departures from mainstream financial systems.