Visa Consulting & Analytics (VCA)

Creating a future-ready card payment product

Three key considerations for financial institutions when developing a lasting value proposition around payments cards

Competition in the payment card sector has never been more fierce. Fintechs are developing new card propositions to target niche customer segments; established issuers are refreshing existing propositions to maintain mass appeal; and every player is looking to drive engagement and loyalty with innovative new features, from assistance with personal financial management to gamified experiences.

With extensive and varied offers of new card value propositions, it is key for issuers to assess their portfolios to ensure they are keeping pace with the market and are capable of driving top-of-wallet behaviors. Meanwhile, for those wanting to launch new products, it is important to follow an evidence-based, data-driven and human-centered approach to product design.

In this paper, Visa Consulting & Analytics (VCA) outlines three key considerations for financial institutions when developing a future-ready card product:

Market research and data analytics

Human-centered design methodology

Sentiment analytics and voice-of-customer research

Specifically, this paper provides an overview of analytics tools and methodologies that can be deployed when building or refreshing a card product in today's market.

Consideration #1

Use landscape research and market insights to identify whitespace

When targeting a market niche, it is vital to understand the competitive landscape and analyze the products and associated features offered by other issuer. By scanning the market, issuers can understand how direct competitors differentiate, what the most innovative players are doing, and how to keep propositions relevant.

Understanding which features are most valued by consumers is fundamental. By analyzing where and how target consumers spend, it becomes easier to define the pillars of a value proposition or uncover key features to test.

To achieve this, landscape research builds a holistic view of a market and the consumers within it. Typically, it has four main components:

Competitive analysis

By studying what competitors are doing, an issuer can identify where its products can play and win and where they are currently falling short or are excelling in meeting consumer needs. Similarly, whitespace is revealed, which can signal the way to an innovative approach. This can help to define the product strategy and, in some cases, determine a complete value proposition.

Also, by conducting a comprehensive analysis of competitive offerings, an issuer can help distinguish "table stake" features from those that are differentiating. Another output can be a prioritization of features for testing later in the product development process.

Consumer trends analysis

Every year, an estimated 30,000 new products are introduced, yet 95 percent fail.[1] So, to maximize the potential for success, financial institutions should be familiar with current behavioral patterns and understand why certain products and services get adopted. A good way to do this, and to develop a nuanced market view, is to conduct a relevant and robust consumer panel research program.[2]

By understanding consumer trends, and how they vary by demographic segment, it becomes easier to develop a product that meets a need. Depending on attitudes within the given segment, an attractive offering could be a hands-on personal finance tool in a comprehensive digital suite or perhaps a reward structure that allows consumers to donate cashback to environmental initiatives.

1. MIT Professional Education, Why 95% of new products miss the mark (and how yours can avoid the same fate); https://professionalprograms.mit.edu/blog/design/why-95-of-new-products-miss-the-mark-and-how-yours-can-avoid-the-same-fate/
2. Several such research programs are available. For example, Visa has proprietary studies that track trends, such as the Visa Payment Panel report, an on-going study designed to monitor consumer payment behaviors across all payment methods (cash, check, ACH, debit, credit, prepaid, etc.), brands (Visa, Mastercard, American Express, and Discover) and merchant categories. This study captures self-reported consumer spending on a transaction-by-transaction basis from nearly 19,000 (US) or 8,000 (Canada) monthly diaries per year. Having been conducted now for over three decades, the Visa Payment Panel is a robust source for the behavioral patterns of consumers in payments.

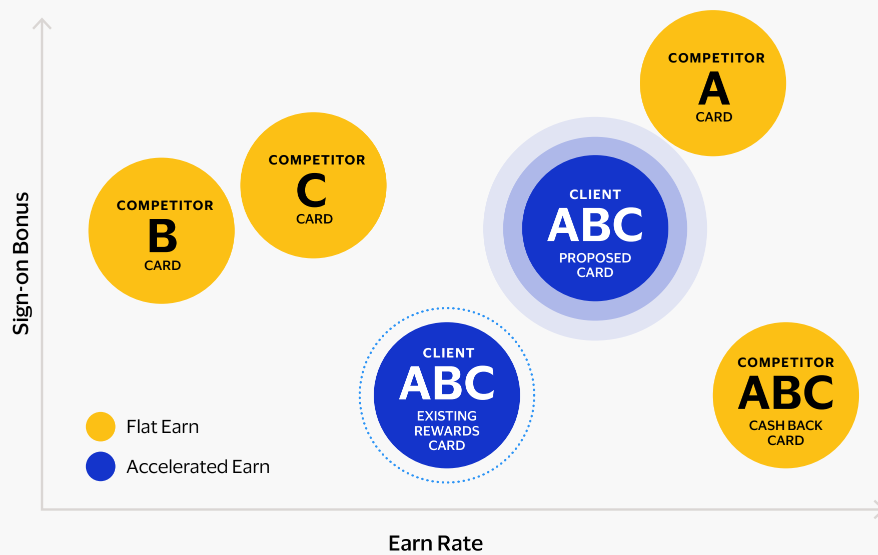
Value proposition comparison

It is useful to consider the interplay and the trade-off between sign-up offers and rewards programs. This can help financial institutions identify the sweet spot between an introductory promotional offer and an ongoing loyalty program – both of which can be central to a successful card proposition.

A comparison grid is an example of a schematic tool that can help identify whitespace. Competitive propositions are plotted on this grid, with the value of the sign-up offer on one axis and the value of the reward program on the other. Once all competing propositions are included, the whitespace becomes easier to identify.

The Client ABC card would represent a competitive sign-on offer and rewards structure when compared to top players

An example of a value proposition comparison grid



Spend analytics

Analyzing the day-to-day spend behaviors of target customers can help financial institutions understand consumer preferences and identify their preferred merchant segments. This, in turn, can inform core elements of the rewards structure and/or potential brand partners to include in the benefits program (perhaps in the form of annual or monthly statement credits).

For example, an analysis may demonstrate that affluent Gen Z consumers in a certain geography spend a disproportionate amount in food and grocery merchants. This indicates that a rewards program structured around quality food and drink could be particularly appealing to this demographic. Alternatively, if entertainment emerges as an important spend category, offering a rebate on a streaming subscription may be compelling.

Consideration #2

Use human-centered design methodologies to build a three-dimensional picture of the customer

Several methodologies can be used to get a clearer understanding of the preferences and behaviors of target customers.

Typically, these build on existing data sources while humanizing the product experience. Four of the most useful techniques are:

Journey mapping

Journey maps visually document the steps that users take through an experience (e.g., from logging into a payment card app, to checking on the status of rewards, to redeeming offers), and often include alternate journeys, such as errors flows, that can reveal pain points and opportunities for improvement.

In-depth stakeholder or target customer interviews can be used to develop these journey maps. These conversations can help explore unmet needs and validate design concepts, allowing researchers to gain a deeper understanding of why consumers prefer certain flows.

Persona construction

By constructing personas of target customers, data can be grounded within a compelling narrative.

Personas – with names and characteristics tied to a certain segment – can be used as guides during each stage of the product lifecycle. They can act as protagonists, who experience a strategy and/or a solution and bring to life the ways in which it is likely to be received. Then, once the product is ready for launch, personas can guide the go-to-market strategy and reveal optimal acquisition channels and messaging.

Design workshopping

Once a solid understanding of end users and needs has been developed, a design workshop is a useful next step. As an interactive, collaborative session focused on generating ideas, a workshop is a practical way to begin ideating solutions in real time.

Prototype creation

Developing prototypes – whether low-fidelity (e.g., paper sketches, digital outlines) or mid-fidelity (e.g., a mock-up of an app with some navigation and critical functionality) – allows researchers to assess the user experience and to test functionalities with people from the target market. By using prototypes, researchers can iterate at a lower cost as they build towards an optimal product experience, while also uncovering any design errors prior to launch. It is especially helpful in designing and validating any digital capabilities the product may incorporate.

Consideration #3

Use sentiment analytics and voice of customer techniques to identify the trends and features that matter most

There are multiple tools that can be used to uncover the features and trends that will be most relevant and appealing to the target customer segment.

Whether it be analyzing social media chatter or surveying the target population, these processes augment the findings from the previous two considerations. Examples include:

Sentiment analytics

By analyzing publicly available online forums and blogs and then applying computational linguistics and machine learning, financial institutions can obtain a large-scale quantitative analysis that can be blended with the nuance of qualitative detail.

This can reveal, for example, the way attitudes on personal finance are evolving. Analytics can therefore be used to identify the product features and benefits that are most likely to catch consumers' attention. Also, when developing a launch campaign for a new product, an analysis of discussions on social media can reveal the vocabulary consumers are using to refer to card products and experiences to help tailor marketing communications.

Voice of customer surveys

Targeted consumer surveys are a good way to understand financial preferences and behaviors among a particular cohort of consumers. These surveys typically focus on a combination of self-perception (e.g., how would you describe yourself), stated spend behaviors and preferences (e.g., how do you think you spend), and relevant product attributes (e.g., what do you think you want in a card product). The results can help develop the product experience, as well as honing in on potential features and attributes.

For this work to be most effective, a best practice is to spend adequate time designing voice of customer research programs. Question phrasing, response design, survey length and survey timescales should all be optimized to elicit results that are relevant and insightful.

Conjoint analysis

This is a research technique in which survey participants are presented with a series of "choice exercise" scenarios. By investigating the relative attractiveness of different product attributes and configurations, this approach can narrow the precise combination of features that is likely to be most compelling to the target market.

The first question maximizes understanding of consumer trade-offs

Which of these membership programs are you most likely to sign up for?

- ◯ Option A
- ✓ Option B
- ◯ Option C

The second question provides a more accurate sign-up estimate

If the option you selected above were actually available, would you sign up?

- ✓ Definitely buy
- ◯ Probably buy
- ◯ Might/might not buy
- ◯ Probably not buy
- ◯ Definitely not buy

Example of a conjoint analysis structure

Conjoint analyses are typically combined with voice of customer research. They enable researchers to probe a little deeper, finding out why survey participants respond as they do and learning more about the features that matter most to them.

How Visa Consulting & Analytics can help

In a world of rapidly changing consumer attitudes and preferences, where attention is spread across a saturated market, creating a new or refreshed card product can be a daunting challenge. However, the techniques outlined above can increase a new card product's chances of success from user adoption and financial viability perspectives.

VCA is equipped to help in several ways, connecting specialist product and technology teams with a financial institution's product ideation and execution processes. To this end, a range of data-driven, customer-focused solutions are available to support financial institutions' product strategy including:

- **Product design strategy with analytics**
- **Customer research for better experiential outcomes**
- **Data solutions, such as benchmarking analytics and portfolio optimization**
- **Persona development, journey mapping and prototyping**
- **Go-to-market experience design and product implementation**

About Visa Consulting & Analytics

We are a global team of hundreds of payments consultants, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital and more with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics, and machine learning, with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.

For more information, please contact your Visa Account Executive, email Visa Consulting & Analytics at VCA@Visa.com or visit us at Visa.com/VCA

Follow VCA on

