Digital Financial Innovation: Design Rhetorics, Spatiality, and the Challenge of Creating Community

John Carter McKnight
Lancaster University, UK
john.mcknight
@lancaster.ac.uk

Jennifer Ferreira
Brunel University, UK
jennifer.ferreira
@brunel.ac.uk

Adam Fish
Lancaster University
a.fish2
@lancaster.ac.uk

Mark Perry
Brunel University, UK
mark.perry
@brunel.ac.uk

ABSTRACT

We explore the ways that community is used as a means of enabling digital financial innovation in two very different organisations. These organisations operate outside of the traditional banking sector, utilising a peer-to-peer transactional model. Our analysis examines the implications for future digital financial service design.

Categories and Subject Descriptors

H.1.2 User/Machine Systems. K4.1 Public Policy Issues: Regulation. K4.4 Electronic Commerce. H5.2 User Interfaces: Evaluation/Methodology, Theory and Methods.

Keywords

Money, design, peer-to-peer, experience architecture, financial services, theory, legal aspects..

1. INTRODUCTION

The UK economy has a huge dependence on financial services, and this is increasingly based on digital platforms. Innovating new economic models around consumer financial services through the use of digital technologies is seen as increasingly important in developed economies. There are a number of drivers for this, ranging from national economic factors to the prosaic nature of enabling cheap, speedy and timely interactions for users. The potential for these new digital solutions is that they will allay an over-reliance on the traditional banking sector, which has proved itself to be unstable and risky, and we have seen a number of national policy moves to encourage growth in this sector. Partly as a result of the 2008 banking crisis, there has been an explosion in peer-to-peer financial services for non-professional consumers. These organisations act as intermediaries between users looking to trade goods or credit. However, building self-sustaining or profitable financial services within this novel space is itself fraught with commercial, regulatory, technical and social problems. In many of these cases, these peer-to-peer financial services are built around a notion of community, and these 'problems' are addressed through direct reference to the social aspects of the service. This paper examines two different innovative digital financial instruments that leverage 'community', via their user experience design and marketing rhetorics: the Bristol Pound (£B) and Zopa Ltd. Both attempt to shape the nature and interactions of their user base through visual and textual rhetorics of community. However, where £B invokes shared urban spatiality, Zopa elides geographic distinctions between largely London-based lenders and Northern UK borrowers in an attempt to build a community around values of financial prudence. This work situates these distinct approaches to the digital invocation of physical spatiality within larger contexts of the rhetorics and demographics of financial innovation in contemporary Britain.

2. TWO CASES

Based upon two person-years of field research, utilising interviews, surveys, ethnographic observation of producers and users, helpdesk call data, organisational datasets and documentation, multimedia content analysis, and design workshops, this paper examines the way that financial services shape and are shaped by issues of community among their users.

The £B is a local complementary currency in use in Bristol, UK (Population: 432,500). It is a digital/paper hybrid primarily used by supporters of local businesses in Bristol, UK, backed through co-operative principles as a Community Interest Company (CIC). It was launched in late 2012; as of mid-2014, there are approximately £B620,000 in circulation. £1 sterling is equivalent to £B1, and each £B is backed by its sterling equivalent held in a credit union. businesses in the city trade in £B on a voluntary basis: over 650 businesses are listed as members. Transactions occur in printed notes (denominations of £B1, £B5, £B10 and £B20), via SMS (Txt2Pay), or online. Anyone can exchange sterling for £B notes free of charge, but once sterling has been exchanged for £B notes, the notes cannot be exchanged back into sterling without a penalty charge. Payments by SMS and online require an electronic £B account. Membership of the scheme falls into two categories: *Individual* and *Trader*. Businesses may become trader members, and hence maintain a £B account, if they are locally owned and operated. Individuals may become members and granted accounts if they reside or work in Bristol.

Zopa is a commercial peer-to-peer (p2p) lending firm offering consumer loans and retail investment instruments entirely via a website. It is based in London, the largest firm of its type in the UK, with over £600 million lent since 2005. Zopa caters primarily to individual investors and consumer borrowers, who borrow and lend money exclusively via the firm's website. Aside from a customer service telephone helpline, interactions among lenders, borrowers and Zopa are mediated through Zopa's website (zopa.com). It engages in little mass-media advertising; thus the website is the primary means of corporate communication to potential and actual users. Zopa does not retain deposits, and as such, it is not subject to banking regulation. In 2014, p2p lending became regulated by the Financial Conduct Authority, pursuant to which Zopa website language and disclosures were revised to meet regulatory requirements and concerns, particularly in area of risk disclosure and distinction from financial instruments covered by governmental deposit insurance. However, Zopa is not a clearinghouse or "marketplace" for p2p transactions like eBay or file-sharing sites. It offers guaranteed rates of return on standardized loan products, which it self-insures against default. Thus, investment customers effectively purchase Zopa's experience in risk evaluation and management in underwriting, bundling, and maintaining reserves as an enabling service for their private lending.

According to Zopa's market research, its lenders are primarily men, living outside London, nearing retirement age, who hold Zopa loans as part of a diversified investment portfolio. Borrowers, meanwhile, are primarily late 20s, in the North of England, and borrowing for home improvement or automobile purchase. With borrowers, Zopa competes primarily on rate and the feature of being able to prepay without penalty; with lenders, despite a focus on higher interest rates than paid by high street bank current accounts, marketing is more complex and has shifted significantly over time from an altruistic, social platform to lending, to one that is more oriented towards financial rewards.

3. DESIGN, SPACE, AND COMMUNITY

The £B and Zopa both make appeals to community, and both utilise digital technologies to propagate this message and manage such community interactions while evolving towards a more simplified, "black-boxed," user experience. Where the £B's marketing and design are oriented towards an ideological vision grounded in the local, Zopa's ideology of the "sensible" attempts to elide geographic and class distinctions by creating a community of the financially prudent to distinguish users of their product from both users of traditional banking services and of high-risk "payday" loans.

At the heart of the £B's vision for a "fairer, greener, happier" city sits the orientation to the *local*. Localness here affects social, economic and environmental change–by choosing to use the £B, rather than sterling, users are exhorted to consciously evaluate the ethicality and impact of their purchasing decisions. This message is reinforced daily by users and the £B CIC on social media with hash tags #lovebristol and #golocal, while the £B website conspicuously and ubiquitously displays the messages "our city, our money", "love Bristol, go local".

Both physical and digital transactions in £B are tied to geographical location and in making payments to traders, users are practically–and very visibly–engaging with a business model that is locally owned and operated (from a shop, stall or farm), rather than controlled from a national or global headquarters. Accepting and using the £B is a clear differentiator that allows users to select from among the thousands of businesses and individuals that serve the Bristol region. Its use also sends signals about the business and the individual, and the values that they uphold. By accepting the currency, businesses are able to rapidly and simply communicate information to customers about how their business operates, and allows customers to signal their support of that model simply through making a transaction.

This role of place is institutionalized in the £B membership criteria. Primary producers can only obtain membership if their business model is seen to fit with the £B values and they operate within the local economy. The £B team takes membership very seriously, and decisions are considered on a case-by-case basis against how they would fit into the community of users; they are evidently very conscious of how expectations around place and member identity are highly interdependent. In interviews, £B users describe themselves, or are described, as having an identity that upholds common values in line with the scheme, such as ensuring that local businesses thrive and local communities are sustained. This reference to a unique identity appears to go beyond individuals and involve the locality or place itself. People within localities are described by users and the £B team as having particular characteristics, e.g. "*Bristol's get up and go spirit… Pride of place and their sense of togetherness*"[1].

The local is not meant to stand as a lone entity. The £B CIC actively builds connections between farmer, primary producer and seller, between individuals/businesses and the community/economy. The local is effectively represented as part of a larger group, the community of locals. Concerted efforts have been made to involve the under-privileged "high unemployment and little choice in food retail" neighbourhoods in the city and connect them into the local economy. As one interviewee explained how the act of buying a drink connects him "*Even if you're just buying a pint because you can pay at the [pub name] with £B you feel like you're part of something bigger than just going down the pub.*"

Currently, Zopa's website design encourages an early choice between borrowing and lending on its front page, pushing users into two different sets of content. This enacts a conceived separation of interests of borrowers and lenders rooted in differences of age, class, and geography, though not financial or technological literacy. While there is no structural barrier to the same person being a borrower and lender, and the Zopa team has expressed an interest in converting current borrowers into eventual lenders, Zopa's demographic research has been interpreted by the corporation as fundamentally dichotomizing the two groups, a view with profound implications for the user experience on the website.

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, colourful design with a more structured flow of progression through site content. This design transformation reflects a demographic change in the Zopa lender base, from an early-adopter group of predominately male, mid-30s, technologically sophisticated users to older users who the company believes seek reassurance of legitimacy and stability over the desire to manage their investment experience frequently and in detail. Thus over the first half of 2014, the site design was changed from one providing interactive tools, to one providing reassurance. This was done in part through the use of testimonials, endorsements, and indicia of mainstream-media attention, intended to create the desire to be part of a like-minded community of "sensible" borrowers and investors.

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 to a social class of users often stigmatized in a genre of press known as "poverty porn" for being

[1] http://www.youtube.com/watch?v=jAsEPMtLxIk

socially and financially irresponsible and dependent on the largesse of a "sensible" middle class. Testimonials and customer photographs are used to signal a sense of affiliation among potential lenders through visual and textual rhetorics of financial literacy, prosperity, and prudence. Zopa's focus on the disciplined working-class subject, however, contrasts with the expressed interests and self-descriptions of lenders, who focus on financial return, their own financial sophistication, and openness to financial and technological innovation, in which the backgrounds, bodies and values of borrowers are unified into a black-boxed financial instrument.

4. ENABLING INTERACTIONS

4.1 Transparency and Opacity

Our initial hypothesis was that peer-to-peer systems that exploit community-like features would be best served by a high degree of transparency in the interactions between parties. What we have seen is that there has been a relatively low degree of transparency in the ways that *digital* interactions and transactions have taken place–and that this has been less of a drag on the uptake and success of the systems than we would have expected. In the £B case, it is not clear at many levels whether Txt2Pay payments have been successfully received, how much money is left in users accounts, and where or how the money is held and managed by the Bristol Credit Union or £B CIC. This is not unique to users – the £B CIC is itself unable to access the full set of information about transactions. This is, in part, caused by the limitations of the systems that are used in the £B infrastructure, but this appears to be considered sufficiently unproblematic by users: the nature of localness and face-to-face interaction (and possibly the typically small size of transactions) appears to moderate some of the trust-based interactions. We have even seen transactions in which users send Txt2Pay payment messages to traders who either do not have their phones present or cellphone coverage is inadequate, and simply showing the 'sent' SMS message to the trader is accepted as payment; in practice, this is not in any way a guarantee of a real payment being sent! Zopa presents a similar paradoxical case: while initially, they presented users with a huge set of interactive tools to access and interrogate their lending portfolios, these tools have been slowly removed from their website. The rationale for this is that the changing demographic of users (young to older), the increasing focus on the financial (from social lending), and the changing product range (less choice, and 'safer' investments) means that this demand for analytic tools is lower, and has provided a cleaner, easier-to-understand user-experience (UX). There is an observable impact on community interactions–social interactions between lenders and borrowers are curtailed as there is less choice to make decisions around, while simultaneously, there is less potential for inter-lender interactions (as we had observed in online forums) as they explored the opportunities and options available to them. Community here is a diminishing resource, with the social nature of lending (cf. Hulme & Wright, 2006) transforming to one of increasingly anonymous peers.

4.2 Financial literacy and commoditisation

Many advocates of digital currencies and p2p financial instruments seek radical change of our financial systems, to enable users to better understand, and perhaps more importantly, take control of their financial affairs. However, what we have seen in our cases is that as these platforms have matured, they have become increasingly commoditised–simplified, packaged, and made less unique, at least in some aspects of their interaction. This is clearest in Zopa, where the product has been reduced in its interactivity and customisability, but aspects of this can also be seen in the £B's use. This is not to say that the £B has become a corporate financial instrument, as it still sits within an idiosyncratic and unconventional subculture of users. However, it has become used as a tool for marketing and promotional activities (and thus has also become commodified), in which £B users are implicitly seen as falling into a particular kind of person (ethical, green, community-minded, philanthropic) – and both become a target market, as well as using this as a marketing tool by appealing to users to see themselves as such. Similarly with Zopa, vast growth in its user base was directly related to a shift in the image of the community presented by marketing materials and supported by the website, from an individualist one of control and competition, to a more class-based image in which financialization was seen, not as empowering individual choice, but burdening ordinary people with a need for specialist knowledge and commitment to frequent oversight. It would appear that for the users of Zopa and the £B's services, we see not greater financial literacy, but less, masked, in part, by the very technological apparatus that might have been expected to enable it, but whether such literacy is individualist empowerment or a neoliberal burden is being actively contested in the marketing, design, and uptake of these two financial products.

5. 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 focusing on notions of community, and in doing so, addressing issues of physical spatiality and demographic diversity. One, the location-based hybrid digital/physical currency the Bristol Pound, invokes shared urban spatiality and co-presence while attempting to present its user base as less monolithic than that demographic information suggests. By contrast, a web-based p2p lending firm, Zopa, invokes shared values of the "sensible" to invisibly connect demographic differences between its borrowers and lenders and to differentiate its loan products form those associated with negative class stereotypes. In each case, demographic and other user data available to the firms is carefully selected, withheld, and shaped by conventions of digital technology design rhetorics to depict, if not create, an imagined affective community of users through which they shape both new economic models and new patterns of social interaction.

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