



Smart thinking

Hannah Prevett looks at the rise of wearables and a trailblazing UK FI's adoption of the technology

Apple isn't renowned for low-key product launches. Each time the tech juggernaut has released a new smartphone or tablet, images of snaking queues have been beamed around the world as fans clamour to be first to own said shiny new gadget. The UK launch of the Apple Watch this April was markedly different: though hotly anticipated by the media and a handful of super fans, it was a decidedly quieter affair. Just six trendy boutiques sold the watch and thousands of fans will have to wait until May or June to receive their order.

The reception amongst technology journalists has so far been lukewarm. There wasn't enough to differentiate it from its Android predecessors and the high price were two frequent criticisms. But whilst the jury's still out about the Apple Watch itself, it is nonetheless an important milestone in the evolution of wearables. "The launch is a catalyst. I wouldn't say it'll be the catalyst for a massive explosion in usage from customers, but given the popularity of anything Apple have released in the last ten years it means all banks are going to have to get an Apple Watch into their labs and start figuring out what they can offer," says Alex Kwiatkowski, senior marketing strategist, banking and digital channels at Misys.

Some banks are further along in their wearables journey than others. One real trailblazer in the UK is Nationwide Building Society, which was the first financial services company to launch a smartwatch app for Android in November last year, on which customers are able to check balances and schedule balance updates, and this summer it will release its Apple Watch version.

Daryl Wilkinson, head of group innovation, admits there's been a mixed response from customers so far. "We knew the audience would be smaller than for the traditional channels. We had some of our customers say, 'I'm not really sure why you provided me with a mobile banking app for a device I don't have,' and that's normal and expected. We also had some members who said, 'It's fantastic that you're delivering leading-edge innovation; I didn't expect it and it's really cool I can now do this on my smartwatch.'"

Nationwide is looking to extend functionality beyond providing balances, and recently ran a trial of its 'N.Bands' amongst 600 employees. "We said, 'we'll provide you with a chip in a rubber band and you can make contactless payments at contactless terminals both within the society and outside, whether it's at Starbucks, Pret or pretty much wherever you go.'"

The trial was a success: "We found that 95 per cent of users participating in the wearables payment trial said they found it much easier than paying with a chip and PIN and we also found that 81 per cent found the N.Band much more convenient than a contactless card," relays Wilkinson.



There were also a number of key learnings for Nationwide about how banking customers wanted to interact with wearables. “Their number one priority was the ability to manage parameters about payment capability via an app; they wanted to be able to adjust settings and set controls. The second must-have feature was the ability to turn off the function via an app and they also wanted to have spend limits and notifications around that,” he says.

What customers want

According to Santhosh Kumar Madathil, general manager, chief technology office at Wipro, banks must listen to consumer feedback if they’re to hit the spot with their wearable offerings. “A smartwatch that allows you to check your bank balance is probably one of the most obvious uses for wearable tech in the consumer financial services space. However, this could be used in future for much more complex transactions as well.”

“It all very much comes down to consumer behaviour and depends on how user-friendly the service is to the consumer. If it’s easier to pick up the phone to pay a bill or log on to a computer, the consumer will do that. Providing the wherewithal to do more complex actions on wearable technology is certainly an interesting and exciting area to explore, but the ease of use will ultimately determine the scale and longevity of user adoption,” he adds.

As with any new device that can hold and transmit large amounts of customer data, one of the principle concerns around wearables is security. “Undoubtedly there are concerns about data privacy, security, but this is no different to the resistance faced by technologies such as ATMs or card-related technology before they became commonplace,” explains Madathil. “As usage and familiarity with these technologies grows, so will users’ trust in them.”

But customers must also take some responsibility for the safety of their personal data, points out Kwiatkowski. “A smartwatch is like an extension of a smartphone and smartphone security from the bank’s side is pretty good, but not always from the customer’s side,” he says. “It’s become almost a given that people have things like anti-virus software on their laptop or PC but all customers also have a responsibility for downloading a similar application to their smartphones and their tablets. I’m not sure how many actually do that.”

Wilkinson says it’s also a matter of education. During the trial of the N.Band, participants were keen to know the answers to questions around security and being able to disable it if it were lost or stolen. “People are quite interested in the security component. I think that’s just because it’s new. When chip and PIN was released, there was quite a lot of education around that and it was similar to going digital with the television – again, there was a lot of education,” he says.

But the onus is also very much on banks to make sure security is belt and braces before any new apps are released, he adds.

“Security from the bank’s side is pretty good, but not always from the customer’s side”

“We go through the usual rigorous security testing procedures for these software capabilities. Banks are still the most trusted institutions and Nationwide, like all banks, is very careful about the capabilities we roll-out and what we tell our customers.”

Being ahead of the curve is likely to pay dividends for Nationwide as the land grab for digitally savvy banking customers really begins with the impending launch of Atom Bank, the new digital-only bank. “From a general business position, the benefit of being first to market with a product or a position that proves to be the right one is you’ve got an edge over the competition – you’ve got a foothold in the market which is growing, which is new. You were there first, you’ve established a presence and you can grow rapidly and defend your position,” says Wilkinson.

Another benefit of being an adopter is the ability to iron out any teething troubles before the mass market adopts the technology. And of course the message it sends to customers can’t be a bad thing, either. “We felt that for a small amount of expenditure, reusing the building blocks of what we’ve already produced on the mobile, we can do something that very clearly signals to the market that we are a modern mutual: we are supporting modern banking trends, we are being available where our members desire us to be and we’re not just offering one flavour of banking,” Wilkinson adds.