

N26

Product Case Study

Daniel Thomason

Product Manager
Economist
Entrepreneur



Contents

- Introduction
- Milestones
- Planning
- Post-launch considerations

Introduction

Feature
Assumptions
Targets



Recommended feature option

Account for freelancers and sole traders

Pros: extends N26's market out into the business area, positions N26 as more of a full-service bank, directly threatens competitor Holvi

Cons: segment is quite different to the personal banking market, potentially quite a demanding market compared with personal banking, requires new expertise to be developed across the whole organisation to support it

Integration of a loyalty program partner



Pros: increases customer stickiness, helps with current hyper-growth target, increases marketing reach via association with the partner, adds additional value for existing customers, should increase transaction volume

Cons: involves external stakeholder (increases complexity and slows down process), ties the N26 brand image to a partner (reputation risk)

Top-up using a credit card or similar

Pros: shortens the average time between user creating account and first transaction, improved user satisfaction, removes a source of friction from the registration and onboarding process

Cons: implicit message feels like N26 being an additional service that you 'top up' rather than the customer's main bank, potentially solving a non-problem if users don't find it difficult to use a regular bank transfer

Elevator pitch

We are building a rewards program for N26 customers through integration with a retail business partner. This program will allow customers to earn rewards points as they make transactions and use other N26 services. These points can then be redeemed for rewards with the partner, or for rebates on N26 offerings.

The main purposes of this new feature are: to increase transaction volume and switching costs for existing customers, and to make N26 more appealing to potential customers.

Key assumptions

- There is at least **one loyalty program partner** lined up and ready to go
- In principle, the N26 legal team has indicated that the **legal issues** surrounding implementing a loyalty program are **surmountable**
- Currently, N26's top **priority is growth**, both of users and transaction volume
- It is plausible to **request any resources** I consider useful for this project, so long as I can justify them

Targets

User engagement

- At least 10% of eligible users opt-in to rewards program
- Users engage with feature at least once per month
- Transaction volume increases
- User churn decreases

Unit economics

N26's overall microeconomic formula is: $LTV > CAC$. This feature should help with both sides of the equation:

- LTV should increase due to higher transaction volume and lower churn probability
- CAC should decrease due to N26 becoming more attractive to customers

Development effort

Assuming we can validate key assumptions about the feature to demonstrate potential value, aim for:

- With a 12-person product team, ship the MVP within 4 months, and a second version within 6 months (2 months after MVP release)

Milestones

In what order should features be delivered?



Begin with the end in mind

What does an ideal customer experience look like?

Ideal press release

1 December 2019

For immediate release

Another reason for customers to love N26: Earn rewards as you shop

Today N26 announced the launch of a new loyalty program in partnership with Acme Gadgets. Customers automatically earn reward points with every purchase, which can be redeemed for Acme products.

Customers can see their rewards balance and redemption options in the N26 dashboard, right next to their bank balance. To help customers maximise their rewards, N26 also shows customers how they can earn points faster with special promotions.

In the unlikely case that customers aren't currently interested in any of the Acme products on offer, they also have the option to redeem their points for N26 services like premium accounts or travel insurance.

N26 CEO Valentin Stalf says the new program is another step in embracing the company's mission of being a bank that customers love. "Customers want to be rewarded for their brand loyalty, but so many current programs are annoying to use. Our new feature makes the process pain-free, which is exactly what we want for our customers."

Ideal customer letter

Dear Georgie,

I wanted to write to tell you how much I love N26's new loyalty program. I have been a customer for almost a year now, and the main reason I like N26 is how easy and straightforward it makes dealing with my finances.

The new loyalty program is just as easy and simple, which is a big difference to programs from other companies like Deutsche Bahn. Plus for me it has made N26 go from a way to save money on fees to a way to get extra value when I buy things.

I especially like how your app helps me track my progress towards the reward I want. Thanks to N26, I've already been able to get a new phone charger to replace my barely-functioning old one. (At the moment I'm saving up my points for a Bluetooth speaker for my husband's birthday, but don't tell him!)

Keep up the good work, and thanks again for building such a great product!

Yours,

Holly Golightly

Functionality at each milestone

Note: these should be treated as hypotheses that need to be validated through user research!

MVP

From the press release and the customer letter, the absolute must-have features are:

- Points accrue automatically
- See current rewards points balance
- Redeem reward points for products
- View which rewards are available

v1

Nice-to-have features which will still contribute a large amount to customer satisfaction:

- Track progress towards a particular reward goal
- Get notifications on progress towards rewards

v2

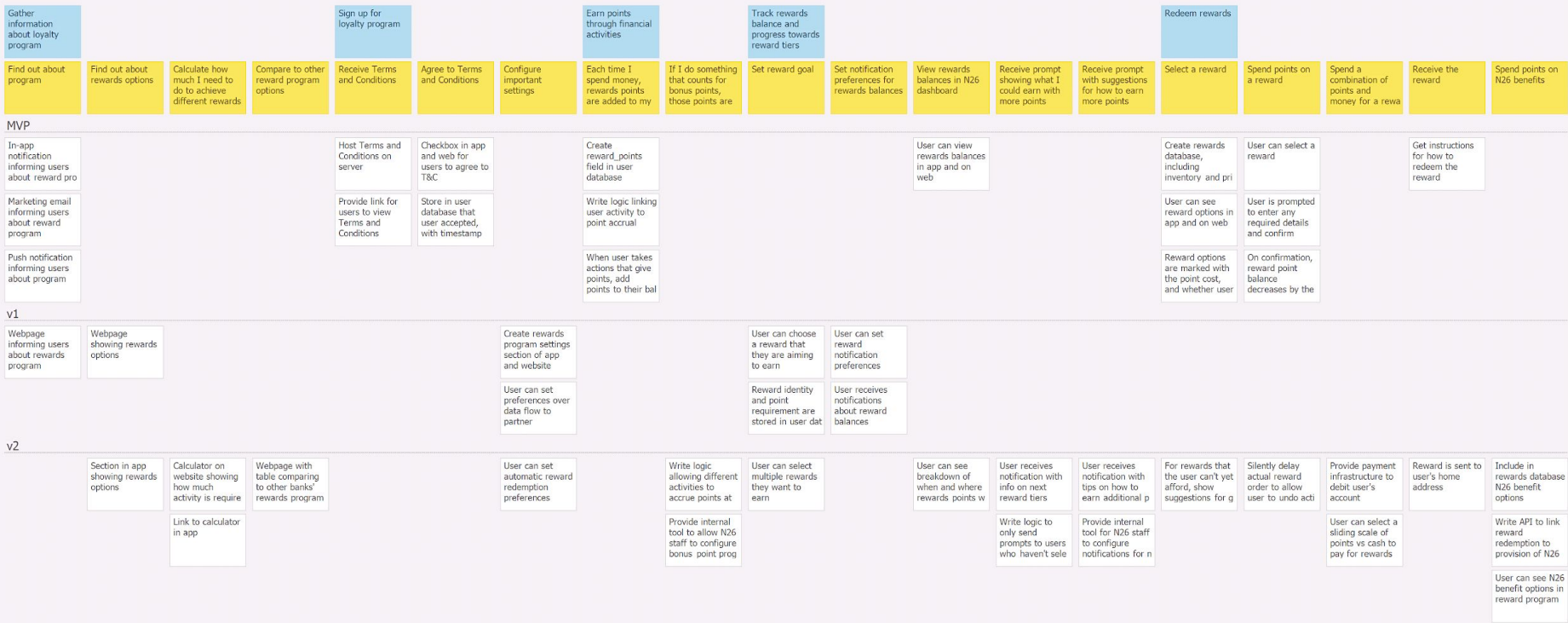
Additional functionality to fully round out the new product:

- Special promotions allowing customers to earn bonus points
- Redeem rewards for rebates on N26 services

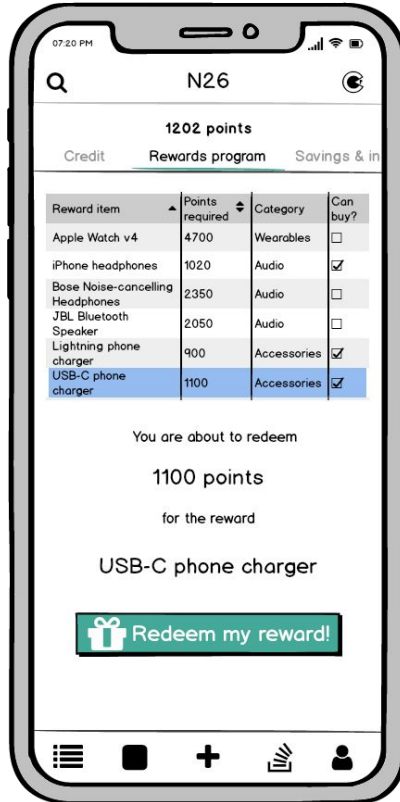
Story map

Note: white cards correspond imperfectly to individual tickets; some would still need breaking down further. Follow [this link](#) for a larger version.

N26 REWARDS PROGRAM



Wireframe: Rewards selection (in app)



Planning

Timeline
Resources
Measuring success



Hypotheses to test (examples)

| <u>Product stage</u> | <u>Assumption</u> | <u>How to test</u> |
|-----------------------------|--|---|
| Discovery | Users find products from Acme Gadgets interesting enough to join program | User interviews |
| Discovery | Users are interested in the concept of a reward program | 'Fake door' test with small proportion of users |
| Discovery | Users would change their behaviour due to the prospect of earning rewards | Rapid prototyping with user group, research online |
| Discovery | Users would be less likely to switch away from a bank with a rewards program | User interviews, research other companies' findings |
| MVP | Users want to see their points shown as a simple balance in the app | Clickdummy |
| MVP | Users primarily want to see rewards organised by product category and point cost | User interviews, A/B test |
| MVP | Users will find it acceptable to expend some additional effort to obtain their reward (e.g. visit a store in person to pick it up) | User interviews, 'Wizard of Oz' prototype |
| v1 | Users will respond to notifications about reward progress by changing their transaction behaviour | A/B test |
| v2 | Users would be interested in spending rewards points on N26 services | 'Fake door' test, user interviews, A/B test |

Involving stakeholders

| <u>Stakeholder group</u> | <u>Key input(s)</u> | <u>Type of involvement</u> | <u>When to involve</u> |
|---------------------------------|--|-----------------------------------|--|
| Legal | Legal restrictions on rewards programs, wording for Terms and Conditions, agreement with rewards partner | Accountable | Immediately – no point continuing without |
| Finance | Resource availability, accounting for rewards program in budget, confirming program fits with company business model | Accountable | Immediately, then check in at key milestones |
| Engineering | Confirm technical feasibility, design architecture, write the code | Responsible | Throughout |
| Design and UX | UX research, wireframes and mockups, understanding of user needs, keeping feature within brand design guidelines | Consulted | Throughout, but particularly during discovery |
| Executive | Sign off on product goals, budget and timeline | Accountable | Immediately, then check in at key milestones |
| Marketing | Shape messaging of how to communicate program to customers, confirm that the program fits with brand image | Consulted | Once discovery process has progressed to concrete idea |
| Operations | Opinion/needs of operations team, information flow to the operations team | Informed | Close to MVP launch |
| Customer Support | Predicting customer reaction, providing constant feedback about questions and difficulties customers have with the program | Consulted | When first customers see the feature, at the latest |

Team composition

Discovery phase

- 2x UX researchers
- 1x designer
- 1x FE developer
- 1x backend developer

Development phase

- 2x UX researcher
- 1x designer
- 2x FE developers
- 4x BE developers
- 2x native app developers
- 1x data analyst

Preparing for launch

- Key items required:

- Actual press release
- “What’s new” text for App/Play Store
- Sign-off from stakeholders with veto power
- Plan for dealing with post-launch issues
- Marketing material prepared
- Integration partner also prepared for launch
- Train customer service staff
- Thoroughly test product
- Double check all legal requirements are in place

- How to create excitement:

- Reach out to tech publications for coverage (e.g. TechCrunch, Product Hunt, Apple App Store)
- Have integration partner also promote the program
- Email teasers to customers in advance of launch
- Promotion giving away X reward points to customers who spread the word
- Hand out physical marketing materials at shopping centres
- Sign up all N26 employees and encourage them to share on social media

Key metrics at each stage

Discovery

- % of users shown the fake door to the reward program who click the button
- % users interviewed who would sign up for a rewards program
- % users who would be less likely to change bank if there were a rewards program

Development

- Speed of hypothesis testing and prototyping – how many ideas are tested per week?
- Progress relative to high-level timeline (not at ticket level, but in terms of reaching significant milestones)

Launch

- % of users exposed to rewards program who sign up
- Difference in transaction volume between users exposed to reward program and not (A/B test)
- Difference in churn probability for these two groups (A/B test)
- Frequency that users signed up for reward program interact with the feature

Post-launch considerations

Anticipating and managing risks



What could go wrong #1

Post-mortem, N26 Rewards Program

Cause of death: stroke induced by legal complications

Death induced by: veto by legal department

Notes:

Program showed every sign of meeting user demand, but key legal questions were not handled sufficiently far in advance of launch.

In a highly regulated environment, legal's decision to pull the plug is therefore unsurprising.

How to avoid this:

- Consult with legal early and often
- Be paranoid – ask more questions than you think necessary
- Double- and triple-check well in advance of launch that every ‘i’ is dotted and every ‘t’ crossed

What could go wrong #2

Post-mortem, N26 Rewards Program

Cause of death: starvation

Death induced by: resources being withdrawn after lacklustre user response

Notes:

While the program was well executed, insufficient customers knew about its existence, and those who did were not active enough to justify further investment of time or resources. Program was terminated without prejudice only a few months after launch.

How to avoid this:

- Validate customer demand for this program before investing any serious resources, and certainly well before launch
- Create plenty of hype around the launch to build as much momentum as possible
- Draw on marketing department's expertise as much as possible to spread the word

What could go wrong #3

Post-mortem, N26 Rewards Program

Cause of death: heart failure from excessive resource consumption relative to delivery

Death induced by: executive team reassigning team before project was completed

Notes:

The project was already running late after only two weeks; things went downhill from there. The discovery phase barely finished by the original launch deadline. No surprise that the patient was mercifully put down.

How to avoid this:

- Involve engineering from early on, to provide accurate complexity estimates and creative solutions to requirements that would otherwise take too long
- Check progress regularly against the plan, and act quickly to address any slippages: request extra resources, or cut the scope

Ongoing maintenance and refinement

Last important element: how do we ensure the ongoing success of the product?

- Plan time to address technical debt left behind (2-4 weeks)
- Circle back and polish what has been built: fix edge-case bugs, get the UI pixel perfect, make the user experience feel fantastic
- Decide whether: (a) there will be a dedicated team for this product, or (b) it will be folded into another portfolio. Assign resources appropriately.
- Document important decisions and systems for future reference (not just developers! PM, design, legal, everyone should be documenting!)