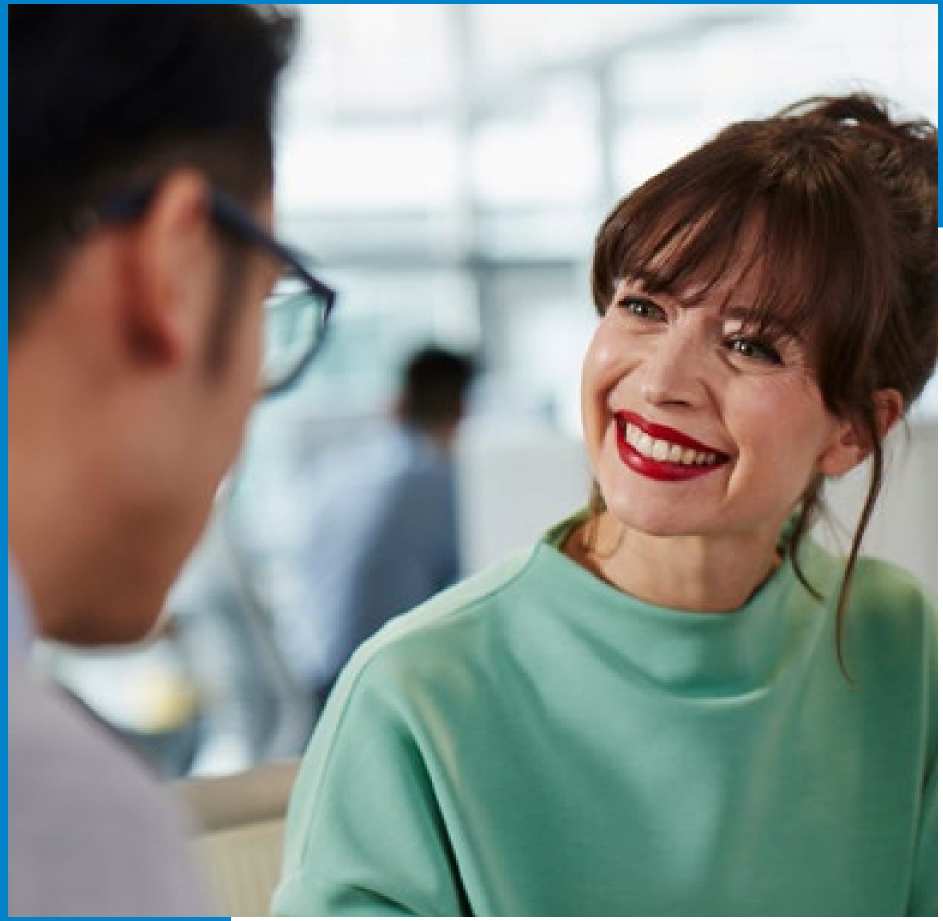
Wacom White Paper

How Consumer Channel Preferences are Evolving by Transaction Type

... and how businesses can keep up



wacom for Business

Agile digital workflows

Adapt to consumers channel preferences

The advent of paperless digital workflows has transformed how modern businesses conduct transactions – moving large swathes of business activities online or onto mobile devices and allowing transactions to be completed remotely. This has proven cheaper and more efficient for many organizations – leading many organizations to invest in digital-only workflows that are optimized for conducting remote transactions.

However, we are now seeing that "digital-only" may lead to a "digital disconnect" – a conflict between new remote-focused business processes and many consumer's preferences for conducting transactions in-person. This mismatch contributes to higher rates of customer churn, lower brand loyalty and reduced upsell opportunities, all of which cost businesses money.

So how can businesses take advantage of paperless digital workflows and accommodate consumer channel preferences, without breaking their budgets? By embracing the need for agile digital workflows that adapt to consumers channel preferences. And by gaining a deeper understanding of consumer preferences for engagement channels so that each channel can be optimized for the specific transaction types that customers expect it to support.

Identifying transactions *that aren't going remote*

To begin this process, each organization must identify which types of transactions require face to face support and which can be easily provided remotely. There are three key reasons why a transaction is best suited to in-person interactions –

1. The consumer must be in the same place to receive the goods or services, such as at a doctor's office.

2. The consumer must be present when signing a document to comply with legal requirements, such as notarization.

3. The consumer prefers to conduct the transaction in-person, such as signing a mortgage loan.

73%

The first two categories comprise transactions that are highly personal or high value enough to require face to face interactions. They may be completed through in-person digital workflows or on paper and are already well known to management teams. However, the third, varies by customer and therefore requires a deeper review.

Based on analysis of various consumer surveys over the last several years, a pattern in consumer preferences can be seen – customer channel preferences changes by transaction type. The more complex, expensive or high risk the transaction, the more likely consumers are to value the human touch, preferring to complete the transaction either on the phone or in-person. For example, a 2015 Accenture report estimated that 73% of consumers preferred human interaction when resolving issues or seeking advice[1]. Consumers preferred less interactive digital channels for simpler transactions like checking balances, researching products, or paying bills.

Human

- Face to Face
- Live Operator via Telephone

Mixed

- Automated Teller Machines (ATM)
- Mail
- Live Chat

Digital

- Online
- Mobile
- Email
- Automated Voice

The human-digital transaction spectrum

Other studies have identified similar trends. For example, a 2017 Wells Fargo survey evaluated consumer channel preference for engaging in financial transactions like mortgages, and loans. Respondents were more than four times as likely (17% versus 4%)[2] to have signed up for a credit card on a digital device (phone, tablet or laptop) than they were to apply for a home equity loan. Several reasons were identified for this resistance – concerns about security (50%), desire to review documents with another person (54%), concern about losing paper-work (26%) and difficulty reading terms and conditions (43%)[2]. However, 3 out of 4 respondents, also said they would be more willing to sign a loan agreement digitally if they have an advisor available in-person to walk them through it, suggesting that the human touch has not lost its critical role in improving the customer experience for high value transactions[2].

A 2013 Gallup survey, delved deeper into these issues within the banking industry, identifying consumer channel preferences by transaction types along a continuum from purely human (in-branch) to purely digital (mobile banking). They determined that more than 80% of consumers preferred to interact directly with another person when dealing with: opening accounts, applying for loans, seeking financial advice, reporting a problem or inquiring about fees or services[3].

These transactions constitute a smaller percentage of a bank's overall transactions; however, they are often the highest margin transactions where banking institutions achieve a disproportionate percentage of their overall revenue. In addition, consumers are more than twice as likely to be upsold through an in-person interaction, rather than a digital one[1], further solidifying the importance of investment in in-person transactions.

Key questions

1. Does this transaction generate a legal or financial obligation for the consumer?
2. Does this transaction require multiple steps that a consumer might find confusing?
3. Does the documentation created during this transaction need to be accepted by third parties?
4. Could this transaction be considered a milestone event in a consumer's life?
5. Does this transaction require review or agreement between more than one party?
6. Is there is a cost to the consumer if this is done incorrectly?
7. Does the transaction require ongoing annotation within the document throughout the transaction?

The human-digital transaction spectrum

The psychology

To identify which transactions benefit most from in-person interactions, it is helpful to understand why some transactions have continued to resist the push towards remote workflows.

Aversion to Risk

This is a tendency to avoid risk where there is any uncertainty regarding methods or outcomes.

Percieved Value

This reflects not just the monetary value of a transaction but also the potential legal or social ramifications.

Emotional Intensity

This reflects the impact of the transaction on the consumer's life, such as milestone events.

The greater the aversion to risk, the higher the value or the more emotionally invested they are, the more likely consumers are to want to conduct transactions in-person. When determining if a transaction is truly high-value, consider the key questions to the left.

Sensitive signature *face to face*

If the average consumer answers yes to these questions – the transaction may be best suited to being completed in-person. To see this in practice, here are a few examples of transaction that meet the criteria listed above.

Mortage loan

A mortgage application is a prime example of a transaction which incurs significant financial liability to a consumer, involves multiple third parties and can be considered a milestone event in the customer's life. Of the 10 million mortgages closed in the US in 2016, only 5,000 were closed electronically[4].

Medical procedures

While many healthcare records are being digitized, paper is still often the starting point for patient and physician data due to HIPAA privacy concerns and the need for documentation to be able to be regularly amended, reviewed and signed by multiple parties. Because of the multitude of parties involved, digitization is often the last step for healthcare paperwork rather than being built into the workflow.

Life insurance

A life insurance policy is a complicated transaction that often requires significant consultation and documentation throughout the buying process. In addition, it creates a financial liability for the purchasers and can be emotionally fraught since it involves considering the death of a loved one. Currently, these transactions are usually completed by agents who visit consumers at their homes or offices.

Passport application

A passport application creates a legal liability for the consumer, requires identity verification and can be considered a milestone event. In addition, there are significant bureaucratic requirements placed on the consumer by the issuing authority which are best suited to being completed in-person.

Optimized channel management includes *a mix of digital and human interactions*

Whether operating an insurance company or a retail bank, there are two critical activities that businesses engage in – acquiring and retaining customers. Retaining customers consistently yields the highest return on investment, making it critical for businesses across every industry. With the advent of digital technologies, many organizations have adopted remote, digital-only business technologies without a strong strategic understanding of their customer needs and preferences. It is now critical that a rebalancing take place, where businesses can move beyond this one-size fits all approach to a mix of digital and human interactions that maximize the lifetime value of each customer.

Product, outcome and experience

Experience Drives Loyalty

Consumers purchase products for three primary reasons – product, outcome and experience. Of these three, studies strongly suggest that experience is the largest single determinant in customer loyalty. Further, customer loyalty is critical in building a network of brand advocates that can drive down initial customer acquisition costs.

Therefore, providing a positive experience that is in line with the customer's expectations can help drive loyalty and revenue across the lifetime of the customer. Many customers express a willingness to pay more for personalized experiences and nearly two thirds of consumers believe that in-person interactions provide a better experience than digital channels[1].

In addition, the failure to deliver that positive customer experience, will have a corresponding impact on consumer loyalty. For example, in Gallup's survey, "How Customers Interact with Their Banks", respondents indicated not only strong preference for particular channels but also corresponding declines in customer satisfaction and Net Promoter Scores when they were not able to complete their transaction via their desired channel. For example, 83% of respondents said they wanted to complete a loan transaction in the branch[3]. Their customer satisfaction score for the transaction dropped by 14% and overall engagement dropped 9% when they were unable to complete their transaction in-person the way they wanted[3].

The ROI of Customer Loyalty

As many businesses struggle to deliver the experience customers expect, customer's brand loyalty is dropping as new providers offer similar products and prices with better user experiences. For example, in the banking industry, the rise of hidden defections, where a customer purchases a financial product from a competitor is nearly 36%[5]. Primary banks retain nearly two thirds of new transactions; however, this is heavily weighted towards low volume deposit accounts (78%) instead of high value products like loans (54%)[5]. A five-point increase in the win rate for loans could add up to as much as $5B annually among top US financial institutions[5].

For those businesses who are succeeding in an increasingly multi-channel world, they are seeing significant ROI gains. Multi-channel consumers consistently generate higher revenue for businesses than either digital or in-person only customers. In the retail industry, multi-channel customers drive 3.2 times the sales and 2.6 times the margin of their store-only counterparts[1]. Similarly, in the banking industry, multi-channel consumers are 1.4 times more likely to purchase additional products and 15% more likely to be an advocate for their bank than their digital-only counterparts[1].

Implications *for your business processes*

For businesses and their vendors, these trends in consumer preferences, suggest that there is a strong business case for investment in multi-channel workflows that include optimized channels for in-person engagement.

To achieve the desired gains, there are three key recommendations –

1. Avoid one-size fits all solutions – instead look for an agile solution that accommodates the full spectrum of customer preferences. Identify each customer interaction, its desired outcome and its optimal venue.

2. Emphasize a system where users can choose their channel and change their channel. Repetition of effort between channels is a critical consumer friction point to be addressed. In addition, consumer preferences change over time and some consumers will always be outliers, preferring a different channel than their peers. By integrating a solution that adapts to the user and allows them to change their mind, businesses can enhance consumer engagement, loyalty and advocacy.

3. Engage with vendors and partners to create dynamic paperless processes that are consumer driven and business friendly. The move towards paperless processes has coincided with the advent of remote digital transactions. However, these two ideas are related but not intrinsically linked. Digital transactions can be completed just as well in-person utilizing a modified workflow. Businesses do not need to sacrifice the gains of the digital world simply because customers may prefer to conduct transactions in-person. By working with vendors and partners, businesses can implement agile paperless workflows which allow consumers to conduct digital transactions face to face or remotely.

Conclusion

A unique workflow for in-person signing

The advent of digital technologies has revolutionized how many transactions are conducted, embracing a spectrum of digital technologies and workflow configurations. The disconnect that many businesses are feeling is a consequence of how this revolution has run rough-shod over some strongly ingrained consumer preferences. It is critical to embrace the distinctions between transaction types and their implications for business processes, moving away from the one-size-fits-all model of conducting transactions remotely to embrace the distinctions between transaction types and their implications for business processes.

In short, digital transaction management has reached a tipping point where the efficiency gains of conducting transactions remotely no longer outweighs the opportunity costs and lost revenue associated with sub-optimal in-person experiences. Moving forward, businesses can see significant ROI gains from investment in an agile document management workflow that accommodates variations in consumer preferences, including a unique workflow for in-person signing that leverages the benefits of going paperless without compromising the consumer experience.

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More human

More digital

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