



## **Research Paper**

The Evolution to Digital Communications

**fiserv.**

# The Evolution to Digital Communications

Consumers are now using smartphones and tablets to interact with businesses to transact, communicate and obtain information. Companies are accelerating efforts to extend their business offerings and operating models into these growing digital channels, while determining the best way to communicate with customers in a multichannel environment. To provide insight into the initiatives underway to meet digital consumer demands, Fiserv conducted a survey with a sampling of businesses representing financial institutions, billers and healthcare organizations. The research sought to identify trends in their key business initiatives planned for the next two years, including how these companies will address business and digital challenges, strategies and tactics.

The methodology involved two primary research approaches. First, a qualitative telephone study was conducted in 2013 with businesses including banks, investment companies, healthcare organizations, and billers (such as utilities and consumer finance billers). The respondents represented over 25 percent of Fiserv annual transaction print production volume, which includes bills, statements and notices. Survey questions focused on respondents' greatest overall business challenges, their most pressing issues related to transactional print, and their plans and intentions for converting from physical to electronic documents.

Next, the findings were benchmarked against a quantitative survey on "The Future of Multichannel Transactional Communications in the U.S.," conducted for Fiserv by InfoTrends. The study collected business and consumer perspectives on migrating to digital communications. The intent of this benchmarking was to help businesses learn the plans of others and gauge their progress in the digital channel evolution. The research findings are also being used by Fiserv to engineer, refine and deploy electronic communication strategies and solutions that best meet industry needs.

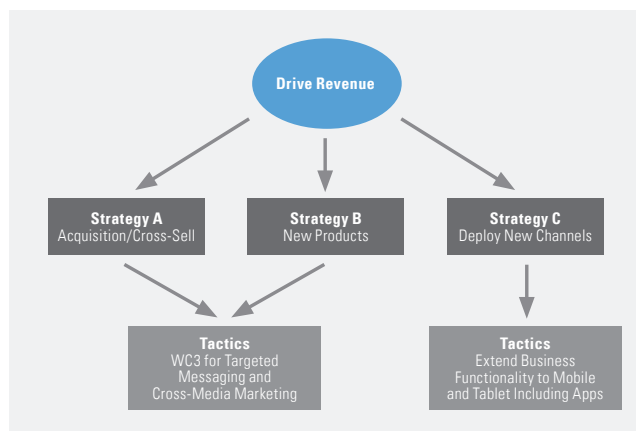
Overall, the research findings indicate that companies are using different approaches and moving at different speeds when adopting digital channels. While most are moving quickly to adopt digital channels for business functionality, they are often taking a slower and more measured approach to migrating transactional documents to digital channels. Many businesses and organizations are uncertain about how to best integrate digital channels with their existing communications and are challenged with influencing customers to transact with them online and communicate with them electronically. Their current business practices do not yet align with consumer preferences for digital communications. This creates opportunities to better address consumer preferences to drive greater adoption of electronic transactional documents.

### Revenue Growth and Cost Reduction: Key Drivers

The businesses and organizations surveyed reported that increasing revenue—whether by acquiring new customers or cross-selling additional products or services to existing customers—is their greatest challenge. Some financial institutions specifically cited the need to offset declining interest income by generating new fees, while billers are looking to secure future revenue by improving customer retention and cross-selling.

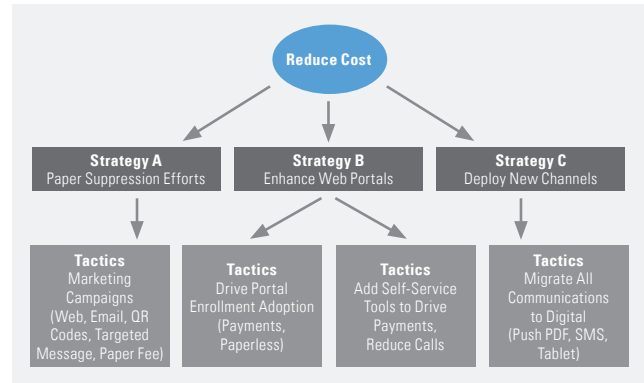
To achieve greater revenue growth, respondents are adding new channels for customer engagement and extending business functionality to digital devices such as mobile phones and tablets. Some respondents expressed interest in leveraging WC3®, the web-based production management tool from Fiserv. WC3 is designed to deliver targeted messages at an individual level for communicating product information and cross-selling new offerings. Use of WC3 supports a variety of strategies related to customer acquisition, organic growth and channel management (see Figure 1).

**Figure 1: Increasing Revenue is Greatest Challenge**



The next most often cited issue among respondents is the need to reduce costs. With that goal in mind, many are seeking to suppress paper communications and reduce postage expenses by enhancing web portals and deploying new channels that can increase the adoption of digital communications (see Figure 2).

**Figure 2: Reducing Costs is Another Key Driver**



A commonly cited obstacle to digital adoption is the fact that customers often view current enrollment methods for electronic bills and statements as cumbersome and not secure. For e-bills, the customer typically must register through the biller's web portal, which requires the creation of a user name and password. For e-statements, customers often must register first for the financial institution's online banking service. Respondents believe these methods create barriers to customer adoption of digital communications and are looking to enhance their web portals to make e-adoption easier and more inviting. They're also adding more self-service tools to drive online payments and reduce costly customer service phone calls. Many organizations are augmenting their paper-based communications by adding digital channels. The most aggressive organizations are working toward migrating all paper-based customer communications to digital channels, using tactics such as pushing PDFs via e-mail and delivering communications through tablets or SMS (text) messaging on smartphones. The robust messaging capabilities of WC3 can help organizations drive enrollment for electronic document delivery, by facilitating educational and marketing campaigns that build awareness and encourage use of online enrollment.

### A Broad Spectrum of Migration Strategies

Respondents recognize a need to migrate their existing business capabilities to digital channels and to leverage those channels more effectively for customer

communications. The speed of deploying strategies to achieve those goals varies greatly and tends to reflect each company's business model, the markets it serves and its customer demographics.

The organizations surveyed are taking four common approaches to digital migration: migrating their banking or biller functionality to all of their digital channels, exploring ways to suppress paper, deploying self-service tools through web portals and through mobile and tablet applications, or simply evaluating how to use and deploy digital channels (see Figure 3). Financial institution strategies include enhancing their online banking capabilities and adding mobile banking and remote deposit capture services. For billers, the effort often involves adding the bank channel to their bill payment functionality and improving their web portals to encourage greater participation and more electronic payments. Almost all of the organizations surveyed are simultaneously trying to reduce costs by digitizing transactional documents and encouraging paper suppression.

**Figure 3**

### Most Common Strategies to Migrate From the Physical to Digital

24%	migrate banking/biller functionality to all digital channels
24%	explore all methods to suppress paper
14%	self-service tools through web portal, mobile and tablet apps
14%	no strategies yet; still figuring out how to use and deploy digital channels

Many respondents are still in the evaluation stage of this initiative, especially when it comes to using digital channels for transactional documents. By contrast, the marketing departments within these organizations often are much further along in adopting digital channels than other functional areas. This suggests that many organizations have a fragmented approach to digital communications. Many respondents experience challenges in getting customers to enroll for electronic

services via their websites, to use self-service tools or to suppress paper bills and statements, due to the security and ease-of-use concerns cited earlier.

### Short-Term Initiatives for Transaction Communications

Surprisingly, while many organizations are seeking to eliminate paper, 21 percent of respondents are looking for ways to improve the look and readability of their paper transactional documents (see Figure 4). Many also are exploring ways to eliminate pre-printed stock to reduce costs, while continuing to use paper in some form. Nearly one-quarter would like to improve the targeted messaging included on their paper documents to cross-sell products, improve customer service or meet regulatory requirements, by leveraging the capabilities of WC3. Some respondents expressed interest in using quick response (QR) codes on transactional documents to drive paper suppression, facilitate online bill payment or link to information that improves customer service.

**Figure 4**

### Most Common Initiatives for Transaction Communications

24%	better use of targeted messaging on statements using WC3
21%	improve design of bills and statements
14%	electronify statements, bills, notices, etc.
7%	add QR codes to bills and statements

### Marketing Remains a Goal

Respondents continue to view bills and statements as effective vehicles for customer communications. This aligns with industry research that indicates consumers find content in bills and statements important enough to read. According to the InfoTrends survey, consumers spend 4 to 7 minutes on average reading a bill or statement, with the greatest amount of time spent reviewing financial services statements. When using transactional print for marketing purposes, respondents

often present offers for products and services that are relevant to the individual recipient. They also use this vehicle to educate customers about their digital channels, deliver information required by regulations and present messages designed to improve customer retention.

### Paper Suppression Varies by Industry

Among participants in the qualitative phone survey, the rate at which consumers are adopting paper suppression varies widely by industry (see Figure 5). The highest rate of paper suppression was found among consumer finance organizations (40 percent), while healthcare organizations reported a much lower rate of 13 percent. The average rate of paper suppression for all phone survey respondents was 24 percent, which is similar to the InfoTrends respondents' average rate of 21 percent paper suppression across all vertical markets.

Figure 5

#### Vertical Paper Suppression Rates

24% average paper suppression rate for surveyed clients

19% banks (DDA)

40% consumer finance

13% healthcare

19% utilities

Most respondents attempt to encourage customers to turn off paper during the account opening or signup process. Other marketing practices commonly used to encourage paper suppression include promotion via website banner ads, statement messages, e-mail, inserts, and call center or branch staff. All respondents require customers to enroll on their websites before they can turn off paper documents.

The two surveys noted similar reasons why customers don't adopt electronic documents (see Figure 6). General resistance to change is a common obstacle to e-adoption.

Some respondents cited customer concerns about the security of accessing account information online, and some noted the online signup process isn't easy to navigate, discouraging use. Customer demographics also can inhibit adoption, as older customers often prefer paper. In some industries, such as healthcare and investments, infrequent billing and statement generation and a general lack of face time with customers also can hinder digital adoption. In contrast, financial services providers tend to send bills and statements on a regular basis, creating more interactions with customers.

Figure 6

#### Most Common Perceived Consumer Barriers to Paper Suppression by Businesses

> Resistance to change

> Security

> Demographics of customer population

> Reminder to pay (billers)

> Archive/back-up copies

> Lack of incentive (charge)

> Lack of access to technology

### Financial Incentives Motivate Adoption

The survey revealed a fundamental disconnect between what drives consumers to adopt electronic communications and the marketing strategies used by businesses to encourage adoption (see Figure 7). According to the InfoTrends survey, the main reasons consumers would be willing to suppress paper documents are financial: They're charged a fee for paper, receive a cash incentive to discontinue paper, or receive loyalty points as a reward for moving to electronic documents. Less common reasons included greater access to more historical data online and delays in mail delivery.

**Figure 7**

### Top Client Messages Used to Drive Paper Suppression

- > Environmental/green
- > Promotional incentive/sweepstakes
- > Convenience
- > Charge for paper
- > Security/privacy

### Top Reasons Consumers Cite to Go Paperless

- > Being charged a fee to get paper
- > Cash incentive
- > Loyalty point incentive
- > Access to more online history of e-statements/e-bills
- > USPS slowing/delays of my mail

In contrast, the messages and strategies used by survey respondents to encourage the migration to electronic documents don't line up with what moves consumers to action. Most emphasize the environmental friendliness and convenience of electronic documents, and some offer inclusion in a sweepstakes or other promotions to those who suppress paper. Only one of the respondents is charging customers a fee for paper documents. Most respondents would not charge customers a fee, although a small number of them are considering this approach.

### Managing Access, Consent and Preferences

Most respondents provide online access to documents for 12 months; only a few provide access for three to seven years. Yet, consumers want online access to documents for three to seven years, which suggests an opportunity for businesses to expand online access to historical documents. Preferences tend to vary by document type: consumers generally want access to mobile, cable, Internet and utility bills and statements

for shorter periods of time, while financial services documents are desired for longer periods.

When obtaining and managing customer consent to receive electronic documents, most respondents don't differentiate among document types: Consent to receive one document electronically is consent to receive all documents in the same manner. However, findings show that more than 45 percent of consumers already can set delivery preferences by document type and another 29 percent have partial selectivity. For those that can select delivery preferences, the most common paper document to be suppressed is the statement. Investment services companies tend to have better preference management capabilities, allowing customers to select which documents to suppress.

Going forward, these limited preference management capabilities may be challenged to keep up with the growing adoption of digital channels and increasing consumer demand to choose the preferred delivery channel for different document types. The customer's consent to suppress paper is most often captured through an online banking or billing system, or via e-mail. Most respondents are not capturing or using customers' mobile phone information for this purpose and don't have a formal mechanism in place to refresh e-mail addresses or mobile phone numbers, which would be required to use those channels for digital communications.

Fiserv survey results reveal several opportunities for businesses to improve adoption of electronic documents, which can support the dual goals of driving revenue and reducing costs. Organizations will need to alleviate customer concerns about online enrollment for electronic documents by offering a process that is perceived as simple and secure. They will need to better align the messages they use to encourage e-adoption with the messages that resonate with customers and move them to action. Organizations also will need to enhance the tools and processes they use to manage consumer consent to receive electronic documents, and offer more flexibility in choosing which document types they prefer to receive in electronic form. By implementing these strategies, organizations can drive adoption of electronic documents, reduce operational costs and generate new revenue through new channels.

## About the Author

Chris Chronis, Director of Market Management, Fiserv, focuses on market and competitive intelligence and strategic planning. Prior to joining Fiserv in 2009, Chris spent 20 years in the financial services industry, including 14 years in the customer communications management segment where he focused on competitive intelligence, strategic planning and market and product development. He has been quoted in various industry publications, including *Bank Technology News*, *Insurance and Technology*, *Securities Industry News* and *Mutual Fund Market News*.

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