

Transactions to Interactions:

Why the financial services industry is leaving paper behind



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Digital banking has become a way of life for most consumers today — in fact, the majority of bills are paid electronically. And although the *method* of paying bills remains fragmented across multiple channels including mobile devices, computers and paper, consumers have embraced the speed and convenience of various digital channels.

By contrast, the complete opposite holds true for the way consumers choose to *receive* bills, statements and general correspondence, especially from traditional banks and other financial institutions. Most consumers still opt for paper statements and bills delivered in the mail — even when they primarily pay those same bills electronically. The United States Postal Service refers to these mailings as *transactional mail*, a category of First-Class Mail that is dominated by bills and other financial statements.

This Executive Brief looks at how transactional mail is used in the financial services industry, and the factors that influence the adoption of digital channels to replace physical mail. It also provides a snapshot of the future of digital communications.

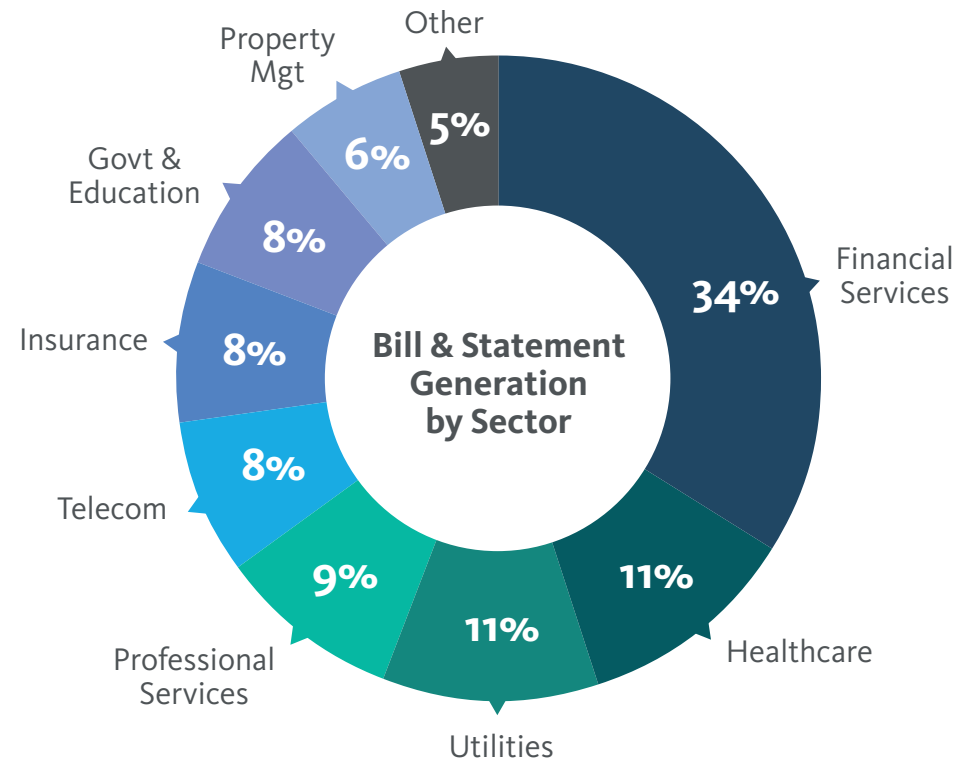
How Transactional Mail Stacks up for Financial Services

While digital interactions are replacing paper transactions in every area of our lives, banks, investment firms and other financial institutions still heavily rely on sending and receiving First-Class Transactional Mail. Currently, 67% of all transactional mail is paper bills sent to consumers' homes.

Checking and savings account statements and various consumer loan services including auto loans, mortgages and credit cards are a huge driver of transactional volumes. Research shows the industry generates approximately one-third (1/3) of all bills and statements in the U.S. and accounts for roughly three times as many bills as the next-largest industries: healthcare and utilities.

And although consumers still receive a lot of paper bills and statements, the amount of bills that they actually *pay* via "snail mail" has shrunk from 80% in 2001 to under 30% today.²

Financial services companies send the most paper bills and statements¹





Seventy-three percent (73%) of financial institution electronic bill pay users want to receive an alert when their bill is due. Yet, in most cases today, that reminder is still sent via paper.⁵

– Fiserv, Inc. 9th Annual Consumer Billing Preferences Survey, 2017

Factors Influencing Paperless Adoption

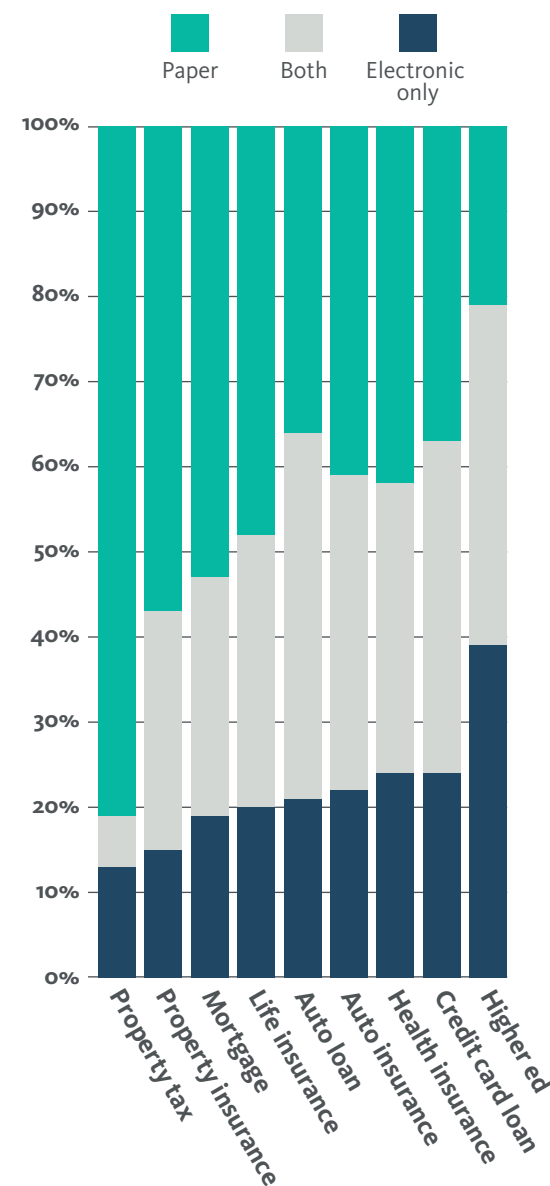
Despite the financial services industry's widespread efforts to influence the adoption of e-bills and e-statements, a variety of factors have caused the digital adoption rate to lag behind other industries. This section takes a look at those factors from both a consumer and institutional perspective.

Consumer influences

When looking at consumer behavior, there's an interesting contrast. Most consumers still opt for paper when it comes to receiving their *bills*, while a majority (61%) of checking account customers elect to receive electronic-only *statements*.⁴ Some of the reasons behind this include people relying on the bill in the mail as a reminder to pay, or feeling that paper in hand makes it easier to study credit card charges before pressing "send" on a payment.

In other cases, consumers are simply not motivated to sign up for electronic statements or they want a hard copy tax statement for the end of the year. These nuances are shaped by a variety of factors such as age and income levels, access to technology, overall convenience and concerns about account security.

E-billing adoption:
How does your institution compare?³



The lack of paperless adoption by consumers is also a direct reflection of how much (or how little) financial institutions have invested in digital technologies and in building their customers' confidence in digital interactions. The biggest questions in consumers' minds include:

- Is it personal?
- Is it immediate?
- Is it secure?

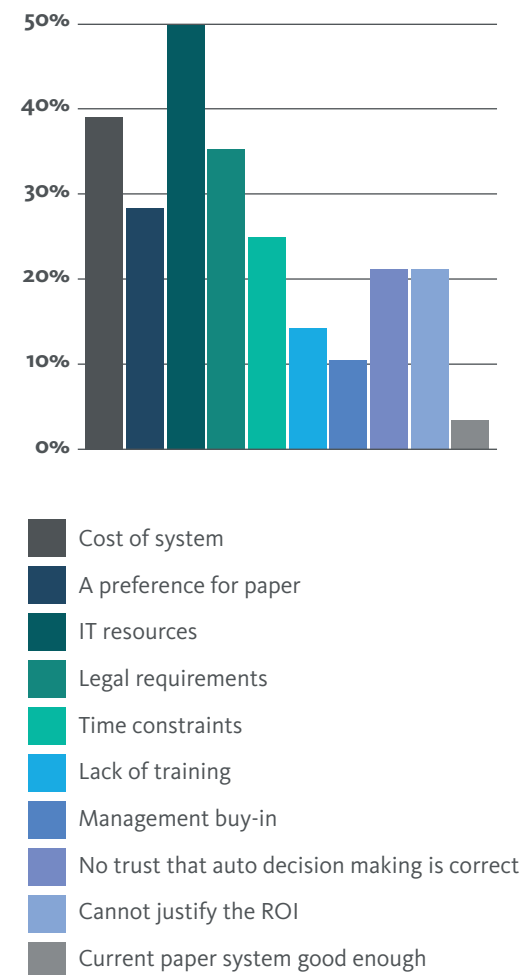
In general, today's digital banking experience can sometimes feel cumbersome. Customers often need to remember multiple user IDs and passwords, and use websites with different navigations and document retention timelines. Keeping it all straight can be overwhelming. The opportunity for financial institutions is creating easy and secure digital channels that break through customer inhibitions and compel them to leave paper behind.

Institutional influences

Making the switch from paper to digital is also a nuanced endeavor for the financial institutions sending the bills and financial statements. As discussed previously, there are a wide variety of reasons that many consumers prefer paper — and organizations that serve them want to meet their customers' needs and service-level expectations. But with 85% of banks stating that the implementation of a digital transformation program is a top priority for them in 2018, the push toward paperless bills and statements is going to intensify.⁶

Recent research shows that, in the financial services industry, the greatest obstacles to digital adoption (shown at right) are perceived IT resource requirements and the cost of systems, followed by legal requirements and a preference for paper.⁷

What are the major hurdles to converting paper processes to digital in financial services?



In recent years, high-profile data breaches have heightened consumer concerns around cybersecurity and the use of digital channels, while at the same time causing banks and other financial institutions to tighten regulatory compliance measures. Cybersecurity has become a top and evolving risk for enterprises today, so investments in the mitigation of that risk often go hand-in-hand with digital transformation strategies.⁸

According to Experian, e-commerce-related fraud attacks have risen by 30% in the past year.⁹ Each high-profile security breach, data leak or hacking scandal has amplified consumer awareness about the vulnerability of their personal information. In turn,

it's influenced the ways institutions interact with their customers, including both how frequently and the methods by which they communicate. Although these threats may appear as juxtaposition to digital transformation goals, forward-thinking CISOs continue to make innovation a top priority.

In a 2018 Deloitte survey of 51 of the nation's top CISOs, respondents rated mobile, cloud and data/ analytics as the top-three priorities for adoption at their companies in the next two years.¹⁰ At the same time, embedding cyber defenses into these new digital initiatives took top rank as the most important business issue with security implications.





How Banks and Financial Institutions Can Inspire the Move from Paper to Digital

As banks and other financial institutions focus on building more effective digital capabilities into their processes, consumer adoption of paperless bills and statements is essential for success. Here are seven ways that organizations can influence this important digital transformation.

1. Make it easy for consumers to go digital.

Offer opt-in right at the time a new customer signs up for services. Make it simple and straightforward with a persuasive push, avoiding paper delivery unless requested or required by regulation. Keep the sign-up process easy, by allowing forms to be completed online at any time in the customer lifecycle. Create seamless entry points to sign-up that can be completed over mobile, at customer kiosks, on the desktop and over the phone. Meet your customers wherever they are with the push toward digital interactions.

2. Be proactive.

Some banks and financial institutions have found success with making a hard push toward digital communications at the beginning of the client relationship — even administering fees for paper delivery and/or paper service support. It's important to know your customer base and also understand any special requirements that exist for the use of paper as you evaluate these methods.

3. Be persistent.

It's clear that not everyone will adopt paperless on the first contact. Consistent marketing campaigns — via email, text and even the snail mail you're driving customers away from — will keep the lines of communication open and keep adoption numbers on the rise. Be creative with color, adding an extra marketing piece that can be included with those outgoing statements. While focusing on creating digital touchpoints, you can improve your effectiveness with a well-formed mix between traditional and digital media techniques.

Offer discounts, giveaways or other incentives — and connect with your customers on social media through messages that resonate with each core audience. With 80% of households on Facebook or Twitter, promoted posts and ads are a great way to connect with your base.



4. Use personalized insights to create a demand for e-statements.

Allow customers to customize their statements and information needs based on their individual preferences and financial behaviors (e.g., spenders, investors, transactors, etc.). Meet them where they want (online, cell phone, apps, IVR). Leverage analytics to identify and present actionable information to customers to head off follow up branch visits, phone calls and even online browsing.

5. Use data analytics and fresh design to your advantage.

While traditional paper statements have been a signature of the financial industry for years, make your e-statements stand out with modern graphics, charts and other visuals that your customers will enjoy receiving in their inboxes.

Use the data you have to engage those who've already adopted digital bill-pay channels to try out e-statements. Have them vote on the best e-statement designs. Encourage them to share their experience using e-statements on social media — the bottom line is: make it fun and engaging. Draw from user-experience data across services to increase adoption and success of digital channels over time. Since one of the reasons consumers are slow to adopt paperless statements is that they need physical reminders to pay, ask them to sign up for push alerts via mobile instead of receiving hard copy statements.



6. Provide a secure archive of data, with the ability for your customers to access it anytime.

A big selling point for going digital is that your customers can easily and securely access and manage their financial data online — anytime, anywhere. Making that data secure, current and accessible for your customers to make significant transactions (e.g. doing their taxes, creating wills or applying for home loans) can go a long way in enhancing digital adoption.

7. Always educate and explain the advantage of new digital channels.

Providing good reasons to make a change makes it more compelling. Consumers like to know “why” they should make a change. Communicating about the advantages of a switch to digital helps pave the way for more consumers to adopt it. Some people connect with how many trees it saves, others with how much faster and efficient it is, others with how much it helps their bank keep overall fees down. You can augment your educational efforts with videos at physical touchpoints to promote adoption, or incentivize your call center representatives to help steer customers in digital directions and coach them on self-service avenues. Get all of your employees engaged in the movement to digital, and you'll accelerate desired outcomes.

Future Snapshot: The Digital Customer Experience

At Conduent, we send out billions of paper statements each year on behalf of our banking and financial services customers. However, there is a fundamental shift happening — leading our clients away from these transactional communications toward an experience-led, digital approach that's more individualized, immediate and intelligent.

As consumers continue to interact more and more on the small screen of their mobile phones and via text and social media, a natural evolution is underway in the financial services industry. Successful banks and financial institutions will take a customer-led approach to digital adoption, meeting consumers where they are and making it easy for them to manage their finances using technology.

When banking and financial services institutions communicate with their customers in ways that are more individualized, immediate and intelligent, they improve their customers' experiences and grow loyalty — and gain greater profitability in the long-run.

As a digital interactions company, Conduent is helping banks and financial services institutions forge digitally driven relationships with their customers. We're creating digital platforms and services to help clients manage millions of interactions every day for those they serve. We're leveraging the power of

cloud, mobile and IoT, coupled with technologies such as automation, cognitive and blockchain to elevate every constituent interaction, driving modern digital experiences that are more efficient, helpful and satisfying.

Partnering with banks and financial services companies, we're creating interactive online bills and statements that encourage engagement right at the source — and digital dashboards that provide a holistic, visually appealing view of all consumer channel interactions in a single, centralized instance.

At Conduent, we're dedicated to supporting our customers through every phase of their digital transformation — meeting them right where they are with value-added technology and solutions to help them deliver a better customer experience. Talk to us today about the next step in your digital journey.

About Conduent

Conduent is helping change the way the world works. By applying our expertise in imaging, business process, analytics, automation and user-centric insights, we engineer the flow of work to provide greater productivity, efficiency and personalization. We conduct business in 180 countries, and our more than 140,000 employees create meaningful innovations and provide business process services, printing equipment, software and solutions that make a real difference for our clients — and their customers.

Learn more at www.conduent.com

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