Digital evolution

The why; who; when; how

7 ways self-serve solutions should feature in financial services' customer journeys

esendex

Making business communication better

Contents

Introduction 04

Choosing the right communication strategy for the right customer 05

Digital versus traditional communications 06

Which demographics should financial services be targeting, and how should they be catered for? 08

Counting the cost of not choosing the correct strategy for customers 09

The importance of self-serve in the financial sector 10

What are the self-serve options available to financial institutions? 13

SMS 14

Email 16

Outbound voice with optional (IVM) 17

Bots 18

Mobile web apps 19

Interactive voice response 20

RCS (Rich Communication Services) 21

Web chat 22

How can Esendex help? 23

Using Esendex RCS / Mobile Journeys to boost engagement and collection rates in debt collection 24

Multichannel communication strategy for debt collection agencies 26

Conclusion 27

1 Introduction

Introduction

Are financial service providers at a tipping point in terms of delivering continued growth? Traditional distribution models like bricks and mortar branches are no longer providing the kinds of returns they need. What action can be taken?

Key to fixing this problem is to give customers what they want, rather than what they have - starting with how they want to interact with you.

Financial service providers have historically relied on expensive and slow non-digital communication methods which also frequently fail to garner many responses from their audience.

Financial institutions have to understand the preferences and requirements of each demographic that they cater for. They'll also need to understand and use age-appropriate communication channels, which encourage higher engagement rates - and in turn drive more revenue for the financial institutions.

Another key consideration for financial service providers for delivering continued growth (through internal cost saving) will be allowing their customers to serve themselves.

Not only will financial institutions benefit from a self-service approach to taking payments, processing loan applications and answering general enquiries (which would have previously required an agent to process them), but customers will benefit too. Greater levels of convenience will be enjoyed without the need to call the service provider or visit a branch.

In this paper, we'll be looking into each of these issues in more detail, and also looking at some of the options available for financial institutions to enjoy better interactions, save costs, and drive revenue.

2 Choosing the right communication strategy for the right customer

Choosing the right communication strategy for the right customer

While the range of tools and services available to financial service providers in the modern marketplace for B2C communications presents an opportunity, careful consideration must be given to how each customer is contacted.

Tools like SMS, Email, Interactive Voice Response (IVR), Mobile Web Apps, Bots, Social Media, and Rich Communication Services (RCS)[1] can be easily customised, and deployed with minimal effort by service providers.

Among the great benefits of digital communication channels is the ability to use real time data to select the most effective communication channel for each of their customers, and then track and measure the success of that communication journey. For example, the age and gender of the recipient[2], coupled with the purpose of the message, could determine that one channel would be preferable to another, but this assessment would be tracked and automatically revised if ineffective.

Digital versus traditional communications

There are significant benefits for both financial institutions and customers alike by adopting a digital, mobile focused, tailored communication strategy, when compared to a traditional one.

Financial service providers can expect:

- A reduced cost to serve each customer. The cost of sending a promotional campaign to 1000 customers through mail would be £500, compared to £38 through a digital channel like SMS[3].
- Higher rates of engagement. For the same campaign to 1000 customers we can expect a 2.5% response rate through mail, when compared to 10% through SMS. *Note: When we combine the above statistics the cost per response is £20 for mail, compared with 38p for SMS*[4].
- Increased collection rates. On average 4% of customers approached for payment through a mail prompt will pay, compared with 19% for a digital, mobile focused strategy[4].

1. RCS is expected to replace SMS as the default messaging app on Android devices by 2021. For more information visit https://www.esendex.co.uk/blog/tag/rcs/
2. To ensure compliance with the GDPR, you must ensure that your Privacy Policy makes it clear to people what data you collect on them and how it will be used
3. Source: Text Marketer
4. Source: Text Marketer
5. Source: Esendex

Customers can expect:

- More convenient communications which can be accessed directly from their mobile devices.
- Requests for data (e.g. loan applications) can all be done at a time and place which suits the customer, not the financial institution.
- No need to wait on hold for long periods of time, or visit a branch to speak to a representative.

Which demographics are most receptive to digital communication?

So what are the key demographics that financial institutions should be targeting to encourage growth?

According to Forbes, the percentage of smartphone owners who accessed financial services through their mobiles reached 43% in 2015, which was mostly driven by millenials (anyone born between 1982 and 2000). Millennials are generally considered to be more receptive to more modern forms of communication, which provides financial institutions with opportunities to be innovative in the way they provide services, and reduce costs.

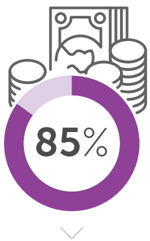
As mentioned already in this paper, careful consideration should be given to each customer demographic and how they are contacted. Research conducted in 2015 demonstrated that when communicating with an audience over the age of 65, postal communications are prefered, whereas customers in the 18-34 bracket are almost twice as enthusiastic about using mobile apps as any other age group[6].

We can also look to research conducted by Accenture[7], who have identified the “Nomad” customer persona as a key driver for the continued growth of digital services in the financial sector.

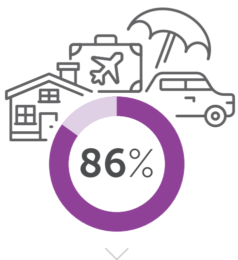
They found that: 78 percent of Nomads will use a tech firm such as Google or Amazon for banking; 74 percent for insurance; and 60 percent for investment advice.

They value digital innovation and embrace new ways of interacting with providers for accessing services. 28 percent say digital innovation is a top driver of loyalty to a bank.

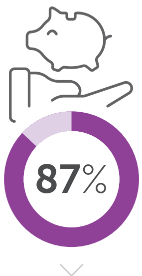
Nomads are comfortable with fully automated servicing and...



willing to use computer-generated advice for Banking



willing to use computer-generated advice for Insurance



willing to use non-regulated investment advice

6. Source: Marketing Sherpa
7. Source: Accenture

Counting the cost of not choosing the correct strategy for customers

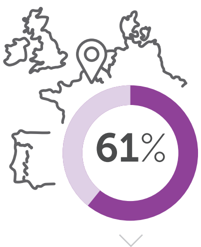
Failing to understand the needs of key customer demographics and respond to technological advancements could take its toll on financial institutions.

Financial technology (fintech) organisations are primed and ready to grow their market share, and win the hearts and minds of banking customers who are increasingly demanding more modern services. As the new players in the market, fintechs have been able to offer digital, mobile focused systems from the get-go, with no need to transition from traditional legacy systems.

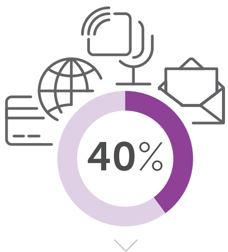
As a result of this, fintechs have enjoyed great success. In fact 61% of customers in Western Europe are already using some products or services provided by a fintech. Perhaps the most startling statistic surrounding fintechs though, is that 40% of revenues from UK financial institutions are at risk from fintechs providing more engaging B2C communication channels[8].

Financial institutions can also look to uncollected debt levels as an impetus for having better conversations with their customers. At the end of 2018 personal debts had risen in the UK to the highest level since before the credit crunch, reaching £239bn – with credit cards accounting for more than £70bn of the total[9].

With the Bank of England's warning to UK financial institutions that they face £30 billion in losses on credit cards, personal loans and car finance if interest rates rise[10] – the time to act is now. More effective, engaging customer communications are now essential. It could very well be a case of do or die if financial service providers fail to act.



Customers in Western Europe are already using some products or services provided by a fintech



of revenues from UK financial institutions at risk from fintechs providing more engaing B2C communication

8. Source: PWC
9. Source: The Guardian
10. Source: The Guardian

3 The importance of self-serve in the financial sector

The importance of self-serve in the financial sector

It's fair to say that the financial sector has reached its "Uber moment", in terms of how it interacts with customers. In much the same way as many passengers are starting to favour a taxi ordered and tracked on their mobile instead of hailing a traditional black cab, the almost ubiquitous ownership of smartphones among UK adults (85% according to Deloitte's 2017 study) presents significant opportunities for financial institutions to provide services directly to customers' pockets.

Many financial institutions are struggling to grow, cutting services or increasing costs for their customers to keep shareholders at bay. Branch-based service delivery has stopped being the principal driver of growth, illustrated by Bank of America reducing the amount of branches in the hundreds in an effort to focus on mobile, online and ATM based services.

Obviously this can't continue forever, so new ways to save costs and increase revenues have to be found. Therefore, adopting a self-serve business model for many forms of interaction with customers becomes less of an aspirational goal and more of a necessity.

Looking at payment collection as an example, we found that the average cost for a collections agent to take a payment from a customer was £1.25 (based on a cost per hour of £15, and a 5 minute call time).

Compare this with a self-serve telephone payment line cost of 67.5p per payment (7.5p cost of call, and 60p transaction cost). This represents a 46% saving per interaction.

As well as cost saving benefits for financial institutions, self-serve also presents significant benefits to customers. By deploying automated systems which can be accessed 24/7, and from any location, customers no longer need to visit a branch or speak with your contact centre agents.

Gartner estimates that by 2020, customers will manage 85% of their banking relationship alone, without ever interacting with a human[11].

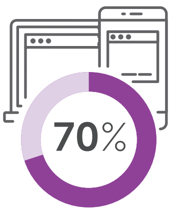
11. Source: Gartner

Financial institutions can take heart from the fact that there is evidently an appetite for mobile based services. A recent study[12] found that 70% of consumers expect a business to provide self serve facilities, and 40% actually prefer self service over dealing with a representative.

A further study[13] revealed that 63% of respondents are already using banking applications, and 28% use their mobile phones to transfer money and make payments.

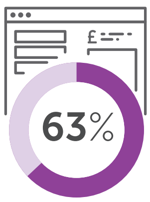
The future, then, appears to be self-serve - so what are your options?

A recent study found that...

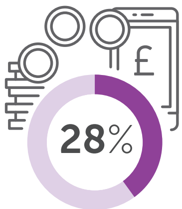


of consumers expect a business to provide self serve facilities

actually prefer self service over dealing with a representative



of respondents are already using banking applications



use their mobile phones to transfer money and make payments

12. Source: Superoffice
13. Source: Deloitte

4 What are the self-serve options available to financial institutions?

What are the self-serve options available to financial institutions?

So far in this paper we've covered many of the considerations that financial service providers need to take into account in order to have more effective customer interactions and provide self serve facilities.

Every day, 37.3 million people who have a smartphone in the UK use their device[14], so the opportunity to provide digital, mobile focused customer touchpoints in the financial sector has never been greater.

Here are some of the options available:

SMS

This might not seem an obvious place to start, as the amount of self-serve actions that can take place exclusively through SMS is limited, but text messaging is an extraordinarily effective way of prompting customers to take action.

With an unparalleled open rate of 95%[15], SMS can prompt payment of a bill, trigger a call-back at the convenience of the customer, provide updates on the status of an application, and promote new services that will benefit the recipient.

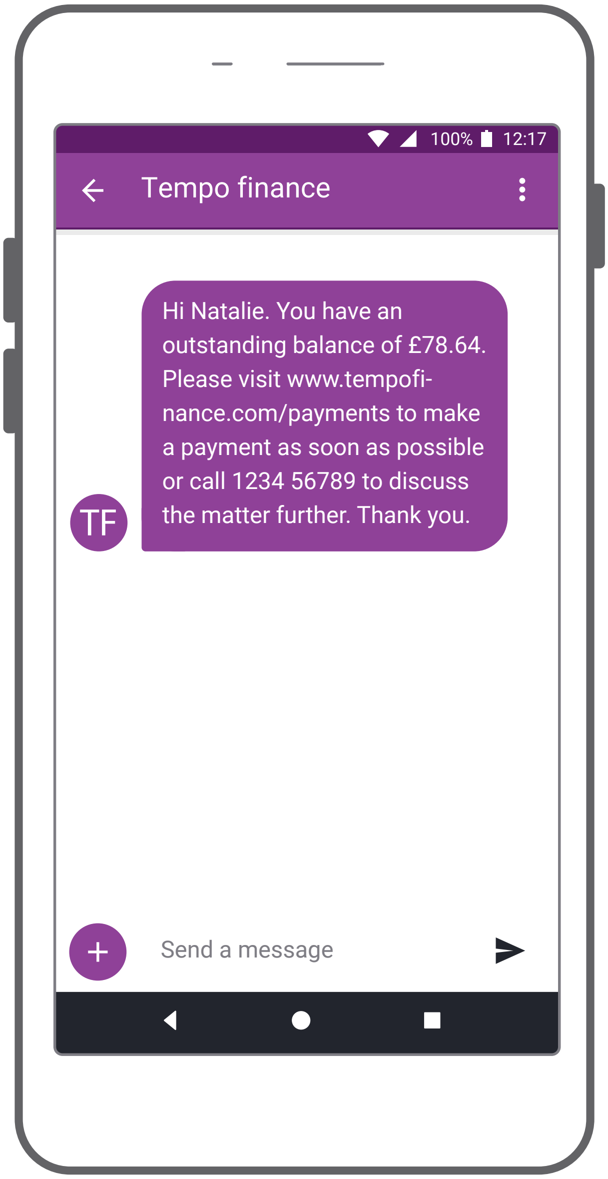
Studies have shown that businesses who engage with millennials via SMS can enjoy conversion rate increases of up to 100%[16]. In a further example, 77 percent of millennials (people aged 18-34) had a much better perception of businesses who offered SMS support for customer service than those that didn't[17].

SMS can also provide considerable savings in terms of internal resource usage. Systems like SMS Chat make it easy for in house agents to manage multiple conversations at the same time, as opposed to managing a single telephone call, one by one.

12. Source: Superoffice
13. Source: Deloitte
14. Source: Deloitte's State of the Smart Survey, 2017
15. Source: Esendex SMS Open Rates Survey 2018
16. Source: Webio
17. Source: Harris Poll, 2014

So what can SMS be used for within the financial sector?

- Collections
- Arranging payments
- Invitation to arrange a loan
- Balance/transfer updates
- Overdraft alerts
- Suspicious activity notifications
- Transaction verification
- Two factor authentication
- Marketing
- Appointment reminders/booking
- Customer satisfaction surveys



Email

Although email has suffered from over-use, a recent study by Forbes found that more than half of millennials aged 18 to 24 check their email before they even get out of bed, and 43 percent of millennials aged 25 to 34 do the same thing[18].

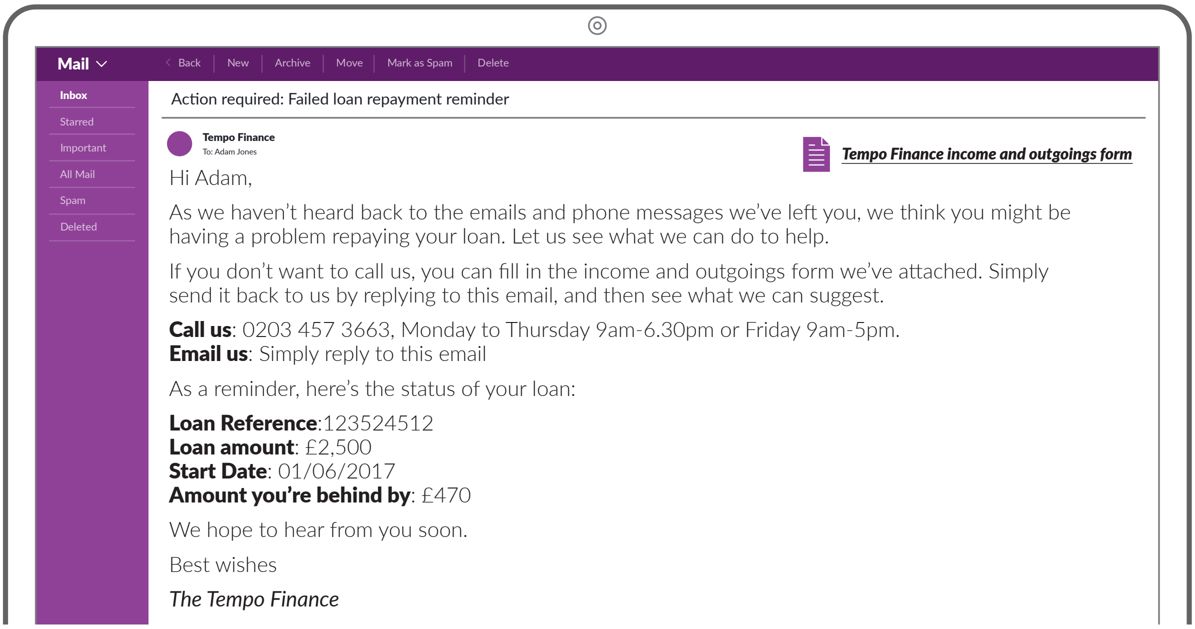
In fact 72%[19] of all consumers still say that email is their preferred primary communication tool when dealing with business. Couple this with a reasonable open rate of 20.97%[20], the very low cost of email, and the breadth of content an email can contain, and email remains a viable channel for financial providers.

Email also represents significant ROI for financial providers who are not only looking to employ a cost effective channel, but also reduce the amount of paper documentation they send through the post. In fact, financial institutions can expect on average a return of £38 for every £1 spent on email marketing[21].

As well as being able to send messages of a marketing nature, providers can also send "transactional" emails which have been triggered by a particular action. For example, the customer could have renewed an insurance policy, triggering a personalised email containing all required documentation. Or a debt collection agency could deliver discreet email reminders with unique details of how much the customer owes and integrated links to pay.

How can financial service providers use email?

- Customised balance/account updates
- Supplying important documents (contracts, policies, renewal notifications etc.)
- Marketing



18. Source: Forbes
19. Source: Marketing Sherpa
20. Source: MailChimp
21. Source: Wordstream

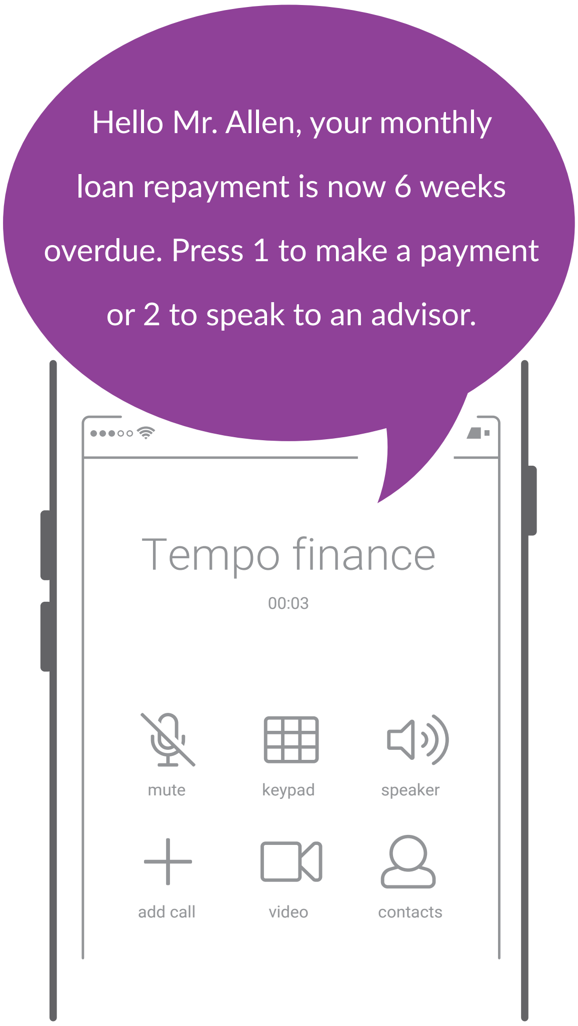
Outbound Voice with optional (IVM)

Voice broadcasting enables financial service providers to maximise engagement by initiating a telephone call to all customers at once. Recorded messages can be sent to a landline or mobile, and offer a flexible, memorable alternative to SMS and email.

If Interactive Voice Messaging (IVM) is also chosen, customers can engage with providers once the broadcast has ended by asking to speak to an agent, make a payment or leave a message.

Outbound Voice interactions also help financial service providers comply with TCF (Treating customers fairly) principles in that the cost of the interaction is absorbed by the provider, and in turn provides free of charge services for the customer.

Outbound voice also offers a wide variety of applications in the financial sector. As well as things like appointment reminders (and subsequent ability to reschedule), customers can receive customer service alerts, participate in surveys and even receive promotional or event information.



Bots

Bots are going to play a big part in the future of financial service providers who are looking to save on costs, by offering self-serve facilities.

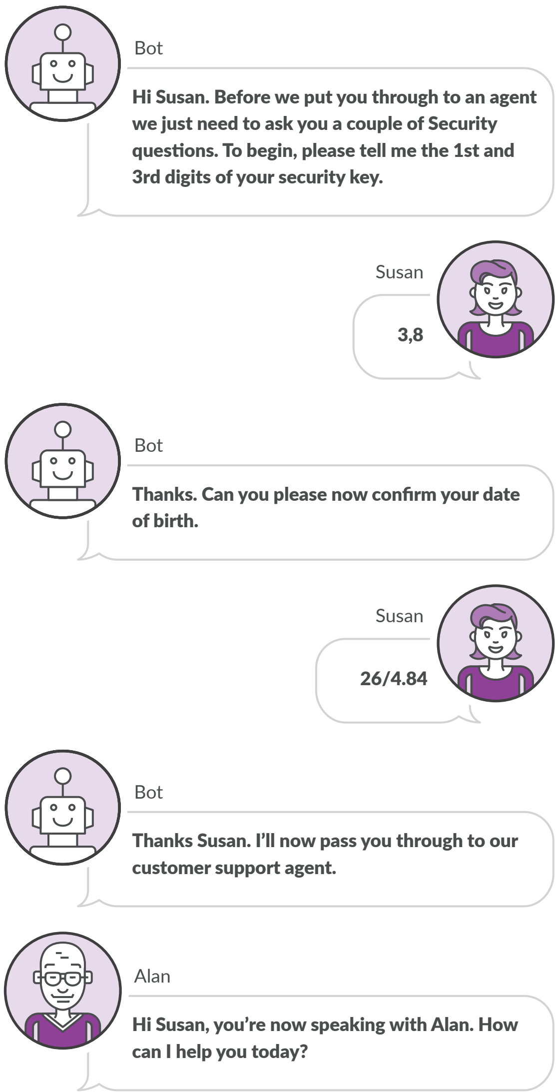
Contained within chat platforms like Facebook Messenger, bots allow customers to self-serve around the clock, and get useful, instant, automated responses to their customer touch points like making payments and dealing with FAQs. This in turn represents a benefit to the business by allowing human agents to focus on more complex customer queries.

Swedbank have already posted some extremely positive results about their bot Nina. Of the 40,000 interactions a month that Nina handles, 81% of the issues are resolved without the need to speak to an agent. This represents massive savings for Swedbank, and a better, more convenient customer experience[22].

60% of millennials are already using bots (with 70% of those having had a positive experience)[23], and of the remaining percentage who were not already using bots, more than half say they are interested in using them.

Here's a few examples of how bots can help in the financial sector:

- Customer identity verification before live chat with an agent
- Account queries/balance updates
- Frequently asked questions
- Bill payments



An example of a bot interaction

22. Source: Forbes
23. Source: Forbes

Mobile web apps

Mobile web apps go by many different names (e.g. Mobile Journeys from Esendex), but the principle remains the same. The customer receives a link (via SMS/Email) to a set of optimised web forms tailored for mobile phone users, which are hard to distinguish from a native or hybrid app.

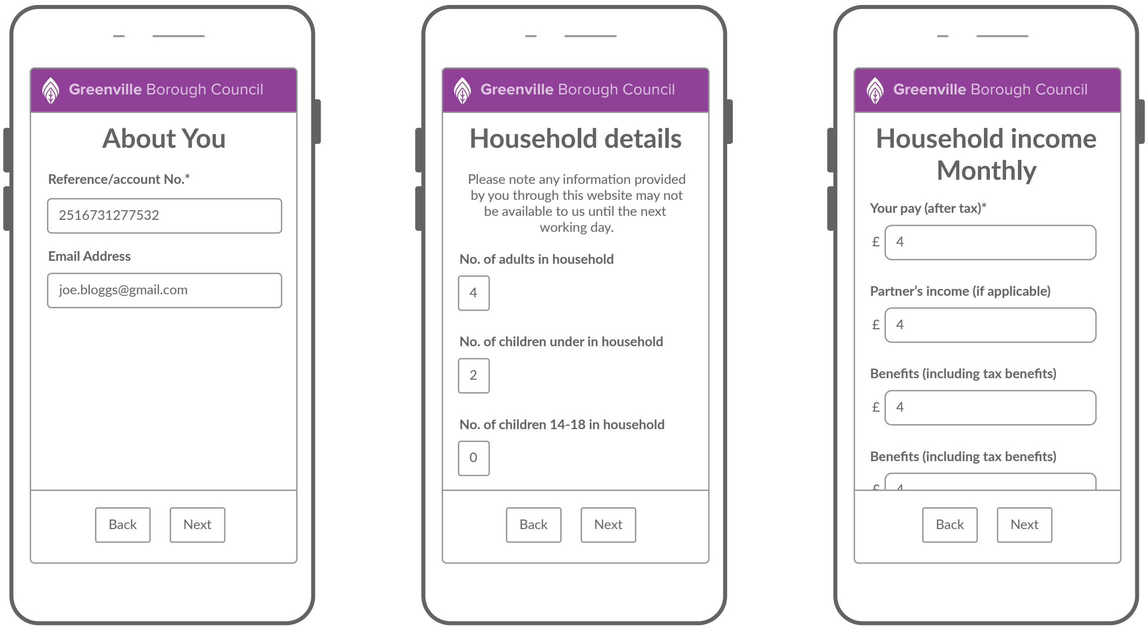
The only unclude elements that customers need to complete their journey, and reduce friction by making all interactions small-screen friendly. This yields a much higher click-to-completion rate than would be achieved through traditional web pages accessed on a smartphone (the average web form gets completed 12.6% of the time. Mobile Journeys average 46.5% click-to-completion)[24].

This statistic is of particular interest, when we consider that mobile web apps can be used in allowing customers to self-serve. The platform removes the need for human interactions for tasks like payment processing, updating data and renewing policies.

Financial service providers will also enjoy the unique nature of each mobile web app instance they send. By using providers' existing data, each journey can be personalised with customers' information which in turn increases the chances of journey completion.

Here's a few examples of how mobile web apps can help in the financial sector:

- Payment processing
- Customer satisfaction surveys
- Identity verification
- Data cleansing
- Secure file upload/download



Mobile Journey example

24. Source: Esendex infographic

Interactive Voice Response (IVR)

While interactive voice response might not be the favourite communication channel for the key millennial demographic (research suggests that they prefer text based communications like SMS, email and mobile web apps[25]), they still have a key part to play in allowing other demographics to self-serve.

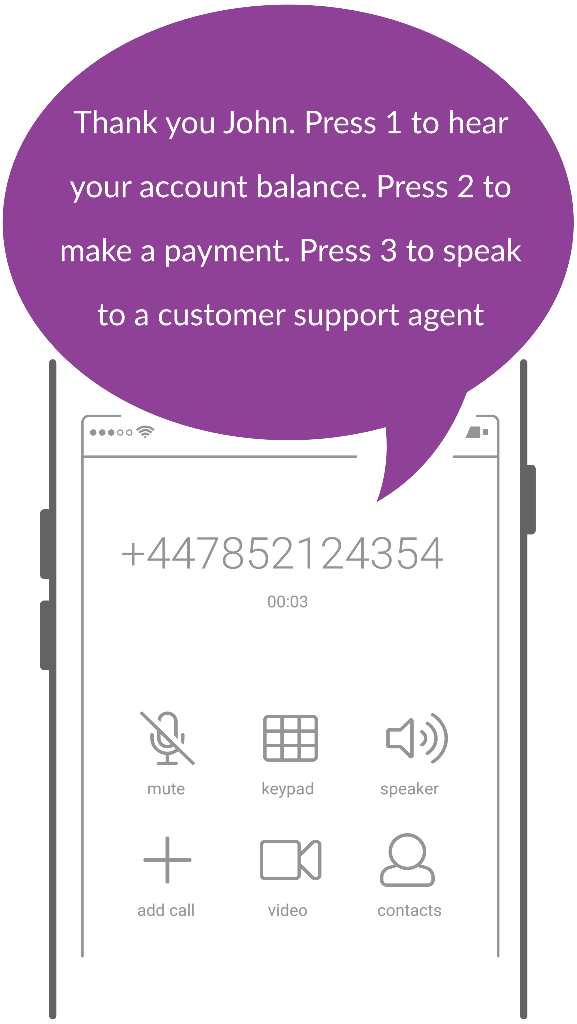
Financial service providers can see large resource savings in providing a system which allows customers to complete tasks via an automated phone call which would have traditionally required a human interaction.

As mentioned earlier in this paper, the cost to serve a customer through an IVR, when compared to a human agent, is significantly lower. For instance, a payment taken via a human agent would cost £1.25 compared to 67p for an IVR, saving 46%.

Almost every demographic has first-hand experience of interacting with an IVR, and that familiarity coupled with the 'always on' attribute of a self-serve system ensures IVR's continued usage.

Here's a few examples of how an IVR can help the financial sector:

- Account enquiries
- Making payments
- Policy renewals
- Simple customer service queries.



Example IVR message

25. Source: Forbes

RCS (Rich Communication Services)

RCS is designed to ultimately replace SMS as the default message app on Android devices over the next few years.

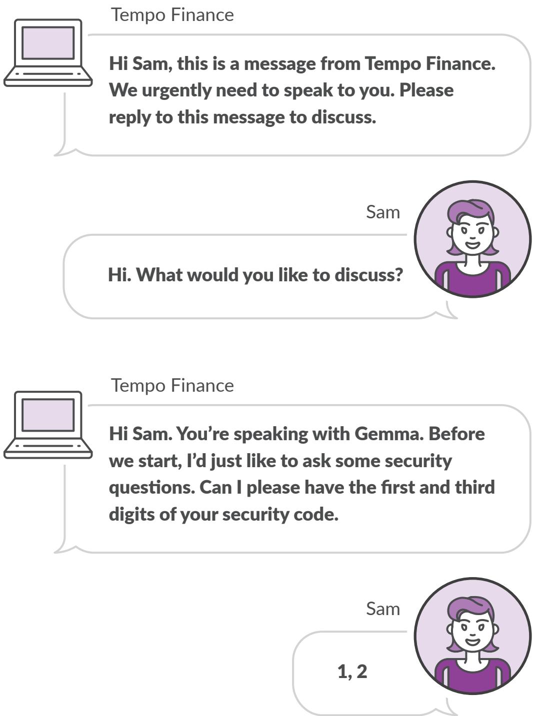
At the time of writing this paper RCS is supported by 50 mobile operators, but such is the excitement surrounding the platform that this number is expected to rise to over 200 by Q1 2019[26]. The current number of 159 million users is expected to rise to 1.05 billion in the same period.

RCS takes all of the best parts of SMS and gives it an upgrade for the modern marketplace. While still being able to capitalise on the magnificent 95% open rate of SMS[27], RCS brings much more to the party.

Financial services providers will be able to set up fully automated and branded interactions with their customers, using new tools like buttons, rich cards, and integrated payment facilities - all of which will appeal to the millennial demographic who are keen to use the latest tools to self-serve. Service providers will also be able to gain "verified sender" status, which will reassure their customers that their interaction is with a trustworthy source.

Here's a few examples of how RCS can help in the financial sector:

- Marketing
- Updating insurance claims (e.g. uploading photos and other details)
- Making payments
- Missed payment reminders with integrated payment processing
- Renewing policies
- Applying for loans/credit
- Fraudulent activity notification
- Arranging in-branch appointments
- Customer identity verification.



26. Source: GSMA
27. Source: Esendex 2018 Survey on SMS Open Rates

Web chat

Web chat is great for financial institutions who aren't necessarily looking a completely automated self-serve solution, but are looking for better ways to maximise their existing support resources.

When compared to a traditional communication channel like telephone support, which only allows support agents to manage a single conversation at a time, web chat provides the facility to manage multiple conversations at once from a single communication hub. Additionally, some web chat providers are now offering bot integration, so you can automate replies to frequently asked questions, further reducing the burden on your agents.

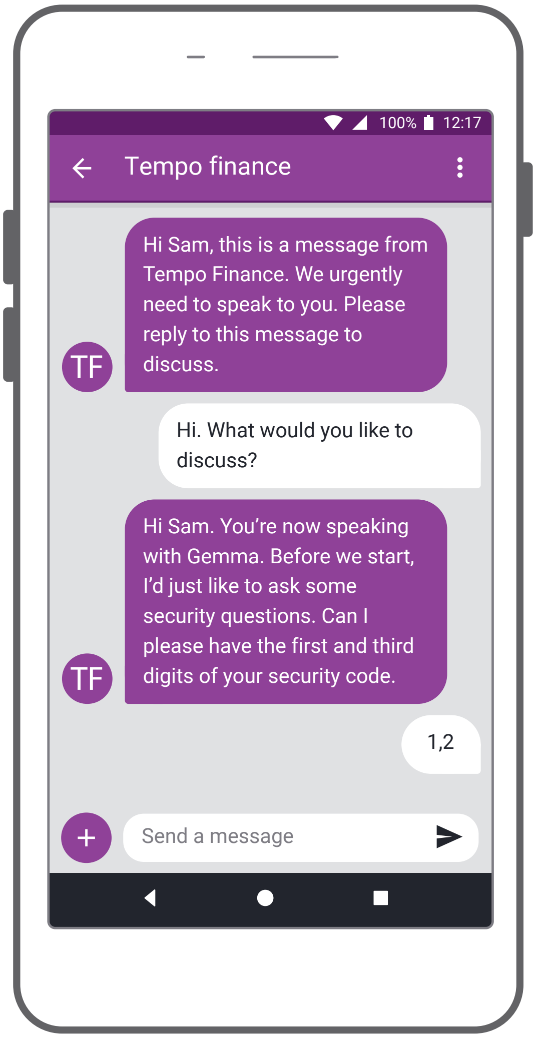
Although web chat has been on the block for quite a while now, its effectiveness as a tool to drive revenue for financial service providers can't be denied. In fact, 79% of businesses surveyed said that web chat has had a positive impact on developing new sales, driving revenue and improving customer loyalty[28].

Web chat is also extremely popular with financial service customers too, with 41% of consumers saying that web chat was their preferred method of interaction with businesses, and 51% saying that they would be more likely to use a service provider again, if they provided web chat for B2C communications[29].

The platform will also be of particular interest to the key millennial demographic, of whom 75% are reported to prefer text over talking[30].

Here's a few examples of how web chat can help in the financial sector:

- Customer identity verification
- Account queries/balance updates
- Frequently asked questions
- In-branch appointment arranging
- Arranging repayment plans.



28.Source: Saas Genius
29. Source: Source
30. Source: Inc

5 How can Esendex help?

How can Esendex help?

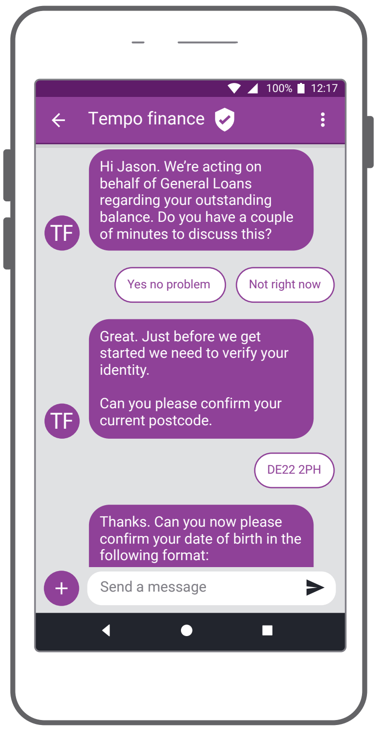
The following case studies offer an insight into how Esendex can help financial service providers have more engaging, self-serve interactions with their customers.

Using Esendex RCS / Mobile Journeys to boost engagement and debt collection rates

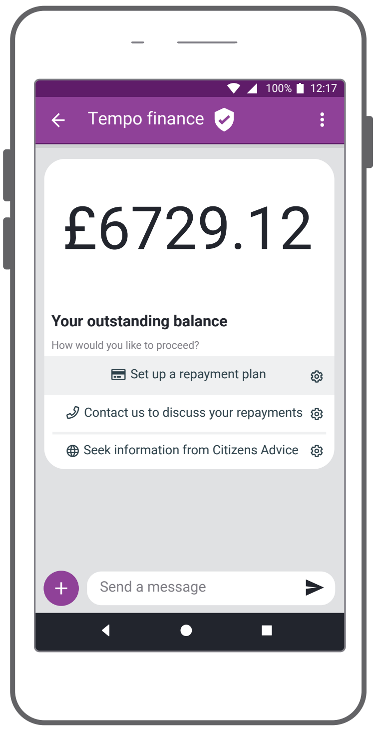
As we've mentioned earlier in this paper, RCS represents the next evolution of B2C SMS messaging.

While SMS has long been used to improve debt collection rates (by sending SMS reminders) RCS builds on that, by providing the means to make enquiries and payments from within a single conversation, without the need to visit a separate website or app.

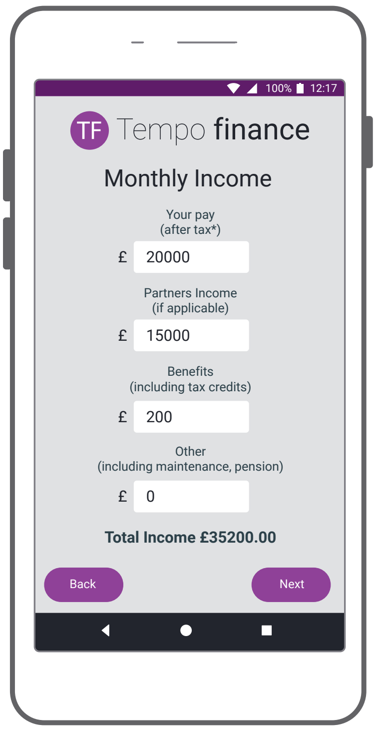
Here's an example of how RCS can provide a convenient self-serve means for debt collection:



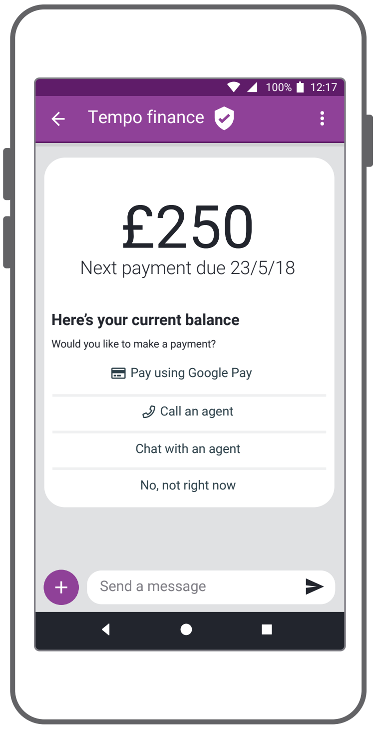
1. First of all, the customer's identity is confirmed by providing answers to a series of questions, which are asked automatically.



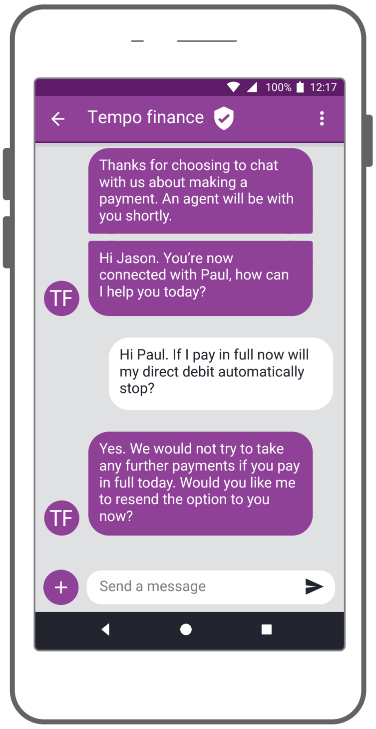
2. The customer is then provided with information about their balance. They're also invited to setup a repayment plan, or speak with an advisor.



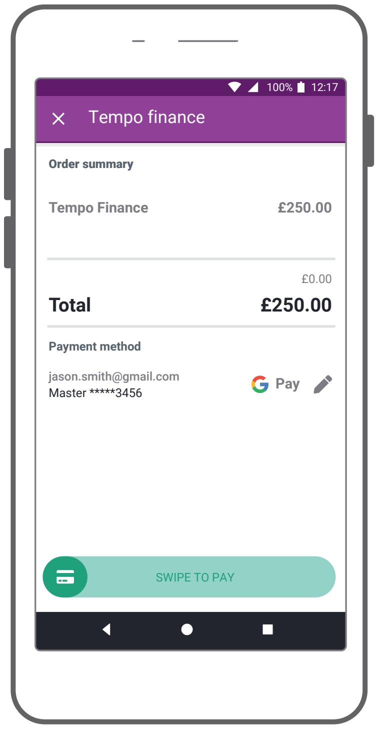
3. After selecting "Set up a repayment plan" the customer will then be taken to a Mobile Journey where they can complete an automated income and expenditure assessment, and commit to a repayment plan.



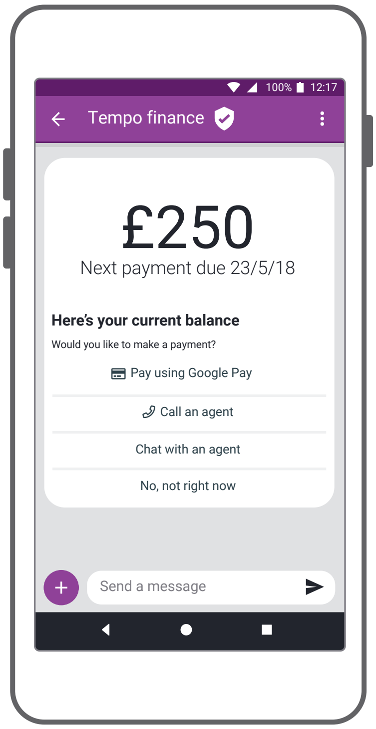
4. The customer can then view their agreed repayment schedule/current balance.



5. The ability to chat with a live agent within the RCS workflow is always available to the customer.



6. Payments can then be taken without having to leave the conversation, or if the provider prefers, payment can be taken via a linked automated phone serve, or by linking to a secure payment portal.



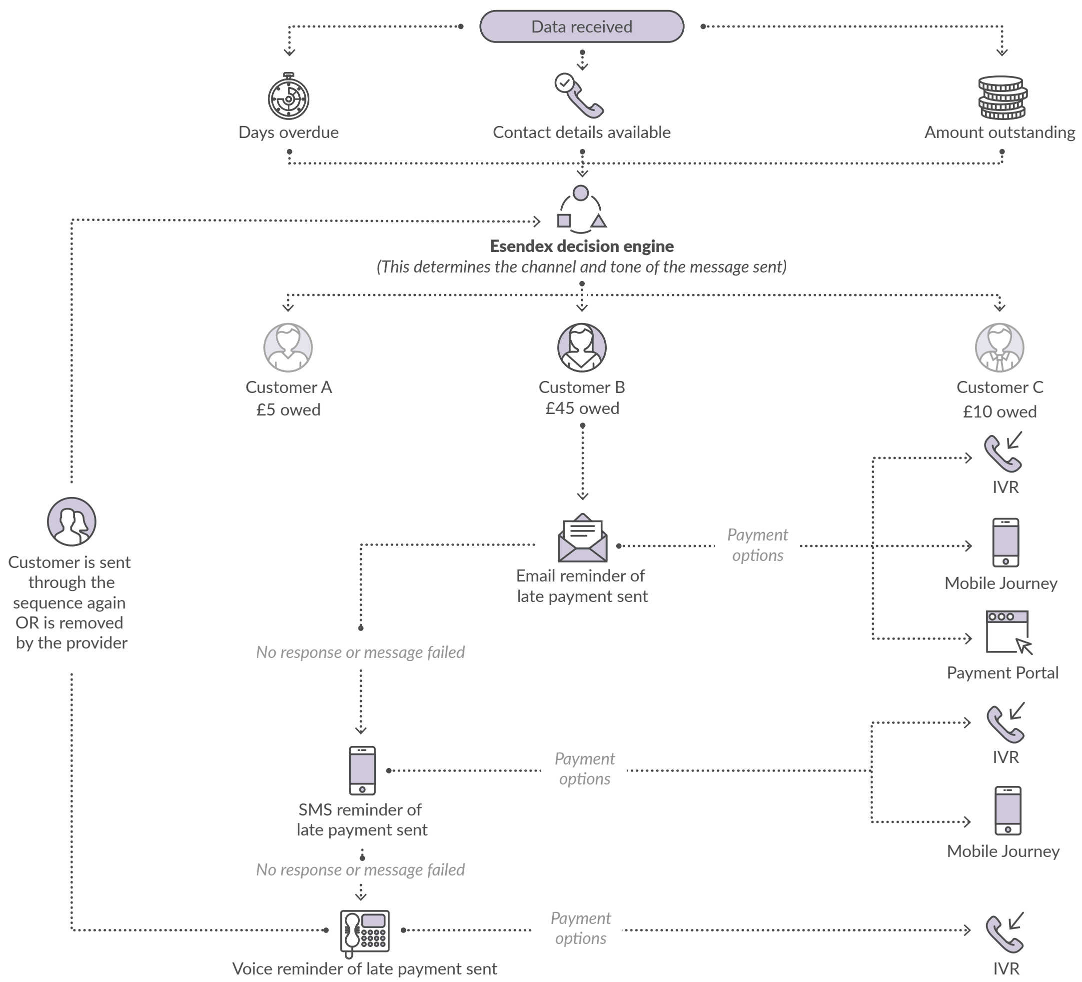
7. Thank you message, and payment reference

Multichannel communication strategy for debt collection agencies

In the 2015/16 financial year, Britain's SMEs wrote off a combined £5.8 billion, with the average business currently owed £62,957[31]. From banks to credit providers, having a low-cost, effective way of collecting debt is a major business goal. It's no surprise, then, that this is one of Esendex's most popular multichannel automations.

Working with companies with a robust CRM system, and a good understanding of their customers, Esendex can develop a personalised experience that's unique to each customer, and automatically adapts to changes in their circumstances.

In the example below we've illustrated a workflow that's generated a 15% increase in payment collection for an Esendex customer.



31. Source: Business Matters

6 Conclusion

Conclusion

Choosing the right communication channel, for the right type of customer, will be one of the most important questions that financial institutions have to address in the short term future. As mentioned earlier in this paper, applying a one size fits all approach is no longer fit for purpose.

It's essential that financial service providers better understand the ways that each of their customer demographics expect to be communicated with – especially the demographics which are expected to be the ones to drive future growth.

Moving to digital, mobile focused, self-serve platforms is undoubtedly going to be unnerving for some providers, but there is cause for optimism. Smart financial service providers will see the opportunities that making the switch from the old to the new affords. By embracing modern technologies, service providers can allow their customers to self-serve, and in turn reduce the cost to serve each of their customers.

Adopting a new digital communication strategy doesn't have to mean immediately disregarding old systems either. To make the transition from the old to the new more seamless, Esendex's systems can be easily layered over legacy platforms, meaning that from a technical point of view, extensive work won't be required to take the next steps.

Services like making payments, applying for loans and even simple customer service enquiries, are now all things which can be handled without the need for customers to have a human interaction. That's where technologies like SMS, Mobile web apps, RCS and IVRs will take over, and provide big cost savings and convenience for customers.

The main benefit of providing these new service platforms however, will be to improve customer satisfaction. Modern customers don't just want, but demand to be provided with all of the services they would receive in a high street branch, without the hassle of having to visit in person, or wait on hold to speak to a telephone agent. It's worth considering at this point the ease with which customers can switch to providers who do offer the convenient services they crave (especially in sectors such as banking), and the emergence of fintechs who have been offering many of these services since their inception.

The simple truth here is that happy customers stick around for much longer - and key to achieving this is through digital, mobile-focused communications, which are to the benefit of customers and financial service providers alike.

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