# FRICTIONLESS DIGITAL JOURNEYS

## Removing pain points and transforming the customer experience

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# IT'S TIME TO PRIORITISE THE CUSTOMER JOURNEY

Getting your customers into your business – especially via digital routes – is a high priority for businesses today. With McKinsey research suggesting that 85% of customers are lost as they try to strike up a relationship with a business online, it's easy to see why businesses focus so much energy on onboarding.

But what happens to those 15% that make it through the onboarding process? And how does this compare with the drop-out rates recorded by businesses?

In truth, many companies overlook the ongoing customer journey completely. And this often causes unnecessary friction and customer frustration.

The problem is, customers expect to continue doing business with you quickly and seamlessly. And if you don't enable that, they'll go to someone who will.

In this paper we explore what frictionless feels like - and when friction can be a positive.

"In moments of frustration, the risk of customers switching to a business that understands their desires is extremely high."

**85%** of customers are lost online

**27%** of consumers use a Smart Device

**74%** of consumers bank and buy online

## NO TIME FOR NEGLECT

As an example, we're used to streaming video services suggesting a new programme based on our viewing history. We expect our online shopping basket to be ready-stocked with the items that we buy regularly. So when firms put the onus on us to fill out lengthy forms, or when our mobile phone provider allows us to keep overspending instead of automatically switching us to a better tariff, we grow frustrated.

In those moments of frustration, the risk of customers switching to a business that understands their desires is extremely high. And more agile, innovative disruptors are always ready and waiting to swoop in and solve their problems.

The good news is that this disruption works both ways. Innovation is only ever short lived, so if you can take steps today to build it into your business, you have the means to win your customers back – and new ones.

## NOW IS THE TIME TO ACT

Consumer expectations are high today, but over the coming years they'll be higher still.

Companies that can employ the latest technologies to get a holistic view of the customer and deliver slick, cutting-edge services have a chance to deepen their share of wallet across different areas of a customer's life, serving their needs, their wants and their problems. And that's not all: by removing the points of friction, you're also removing the inefficiencies in your business. It's a win-win situation.

10% improvement in a company's customer experience score can translate into more than a $1 billion in revenue, according to Forrester. The same research also shows that just a 2% increase in customer retention has the same impact as decreasing costs by 10%.

Overall drop-out rate for online applications
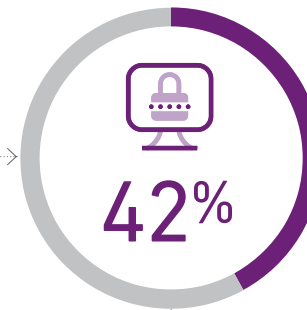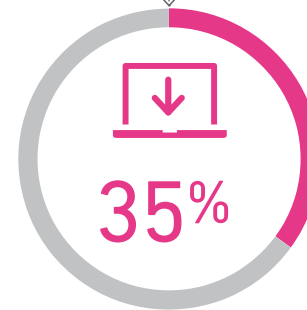
Dropping to 30% for 35s and older

**35%**

**42%**

**30%**

Our research found that 42% of Millennials would transect more online if there weren't so many security hurdles to overcome

## WHAT ELSE IS CAUSING CONSUMER FRICTION?

**20%**
of consumers dropped out of a recent application due to needing to provide identity documents

**19%**
dropped out because it took too long

**12%**
due to a loss of Internet connection during the application

# THE CAUSES OF FRICTION

**Customer friction is typically the result of a business that isn't truly working to serve the needs of its customers at an operational level. It's caused by departmental siloes, technology and data issues, and customer journey designs that no longer work in a digital era.**

## DEPARTMENTAL SILOES

Businesses know that the customer should be their main focus. When asked about their priorities for the coming year, 74% said improving the customer experience was of a high or critical priority, closely followed by improving customer trust and satisfaction (72%). But in reality, delivering what customers really want is often hard to achieve thanks to departments that focus on their own goals, failing to work together as strategically as they should.

This is an organisational problem that requires commitment to cultural change – instigated from the top down, and changed from the bottom up.

## 74%
Improving customer experience is a high priority for two thirds of global businesses

## 72%
Equally high is a desire to improve customer trust and satisfaction

**Digital transformation is a long journey, consisting of five small steps**

| Road to culture change | Breaking down silos | Flattening heirarchies | Questioning old and new | Agile working | Continuous upskilling | Digital first business |
|---|---|---|---|---|---|---|
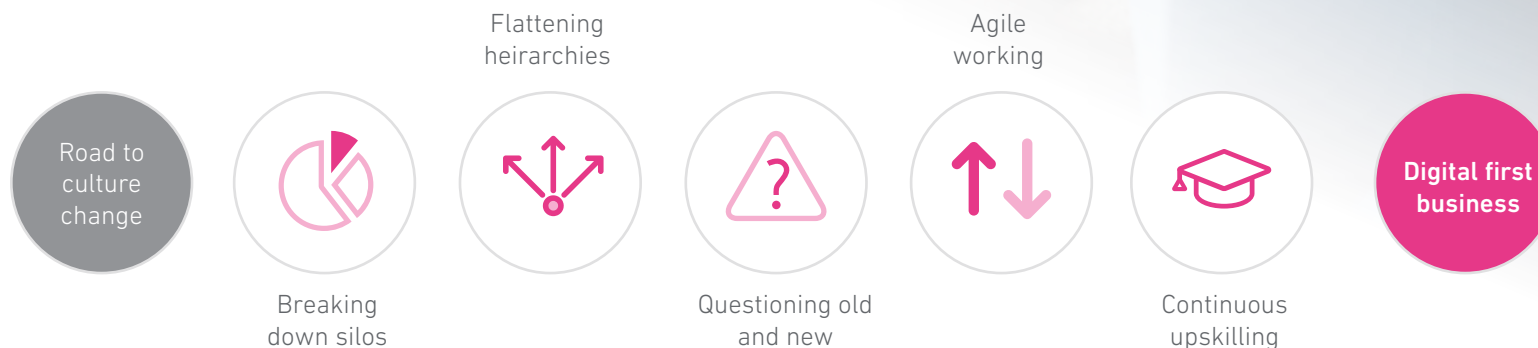
## THE 'DIGITAL SKIN'

The journeys that customers take in the digital world are often cut-and-pasted from a pre-digital era. Many businesses have simply taken the processes they designed for handling transactions in-branch and over the phone, and added a digital skin. But online, life is all about doing things quicker, faster, better – and these journeys have not been designed for that.

For example, if someone is applying for a loan on their mobile, they don't want to have to stop and look for lots of paperwork, or key in complicated information. Slick, simple and fast is the order of the day.

## FEAR OF CHANGE

In more established organisations, risk-averseness and fear of change are often the reasons why journeys remain unchanged. Risk professionals must avoid introducing new risks into the environment, and altering established customer journeys can seem contradictory to this – even if the objective is to improve the customer experience. Start-ups and FinTechs are often much more open to change as they have fewer constraints, yet by the same token they open themselves and their customers up to new risks.
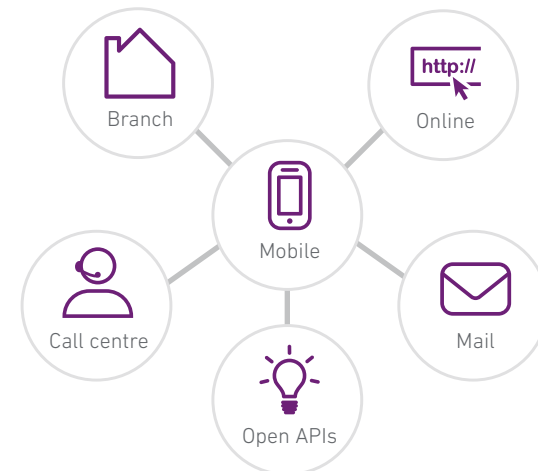
What's needed is a way to design efficient and intelligent risk management into the journey itself, to eradicate friction while protecting the business.

**Banking model of the past**

Branch

Call centre | Online | Mobile | Mail
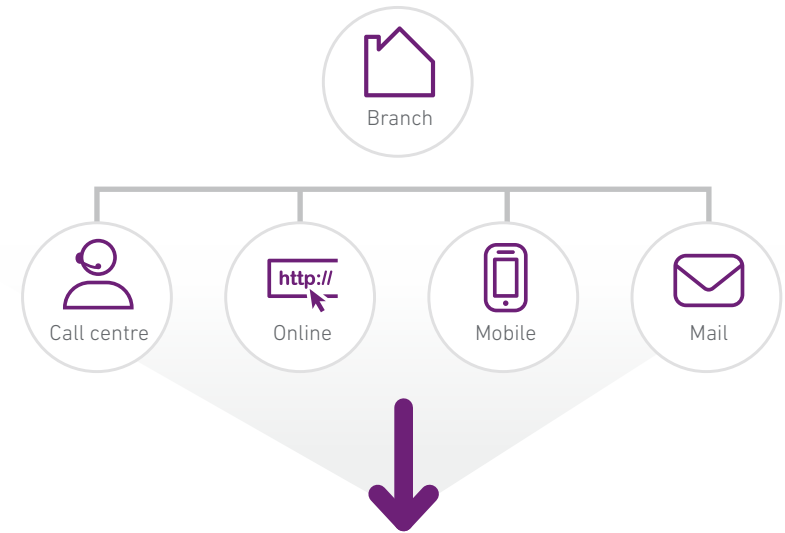
**Mobile banking as a new banking model**

Branch | Online

Call centre | Mobile | Mail

Open APIs

## UNCONNECTED AND LEGACY TECHNOLOGIES

Being able to see everything that you know about your customers, all at the same time, is vital if you want to give them a frictionless experience. And yet 63% of organisations admit that they lack a single customer view.

One key part of this problem is technology. Systems that are not fully integrated are unable to recognise and authenticate customers without cross referencing information manually, or requesting the same information twice. This could cause you to reject an existing customer's application for a product or service that they should be approved for, or you might ask them to provide the same personal information at different times during several customer service interactions.

Only integrated systems can help you achieve a single, trusted view of your customers to remove these points of friction.

## Core elements of digital transformation

Customer understanding

Performance management

Customer touch points

Digital Transformation

Process digitisation

Digitally modified business

Top-line growth

**72%**
of firms are burdened by a lack of single customer view

**99%**
see the opportunity for data to deliver a competitive advantage

**80%**
see the value in automation to improve data usage
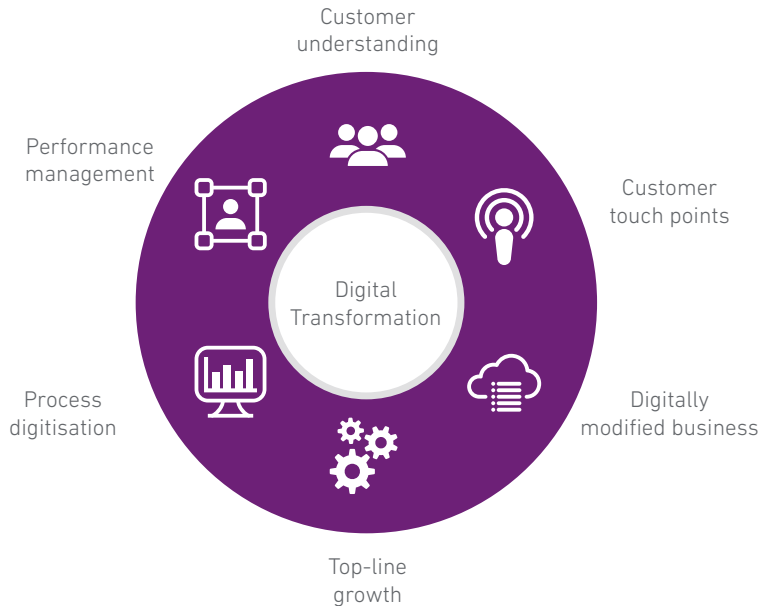
## THE DATA PROBLEM

In addition to old or disconnected technology, many organisations hold conflicting, insufficient or inaccurate data about their customers across the business.

For example, a bank may have a customer's name in a different format on their current account as compared to their mortgage. Or an insurance company may hold two sets of data for a single customer who purchased one product under their maiden name, and another using their married name.

Moreover, certain legacy technologies may not even capture customers' email addresses, mobile numbers or other data that was uncommon when the systems were deployed decades ago.

This makes it very challenging to identify and authenticate customers quickly, and it can even prevent genuine customers from being able to transact with you.

# HOW TO REMOVE FRICTION FROM YOUR CUSTOMER JOURNEYS

**To eradicate friction from your customer journeys, the first step is to accept that you will almost certainly need to redesign them completely.**

At its simplest, this redesign process starts with gaining an in-depth understanding of what your customers want and how your business should be able to deliver it. Armed with this insight, you can then map this onto your current customer journeys and identify points of friction, such as:

**20%**

Reaearch from McKinsey showed that increasing the satisfaction throughout the customer journey by 20% can lift revenue by 15% and lower the cost to serve by as much as 20%

# THE DIGITAL EXPERIENCE

## The application process

| Provide basic details | Provide financials | Product selection | Credit, fraud and ID checks | Application complete |
|---|---|---|---|---|

### Digital application

**40%** use their smartphone

**60%** use their laptop/iPad

**80%** consumers think it's important to have a mobile phone

### Main drivers are:

1. Ease of use
2. Speed of transaction
3. Convenience

**2 in 10** consumers didn't go on to complete the transaction

**1 in 3** consumers have made an online application for a financial product in the last 12 months

**70%** stated the reasons for their frustrations were mostly:

1. The need to provide identification
2. The application took too long
3. The need to provide too much information
4. Lack of internet connectivity

**15%** were frustrated with the overall user experience

## Enhancing the Digital Experience

**70%** consumers would like online advice during the application e.g. Chatbox, Live Chat

**1 in 2** consumers would prefer the convenience of their application pre-filled in with their data, including accurate income and expenditure

**90%** consumers use 3G/4G

**50%** will upgrade to 5G for a faster and more reliable connection
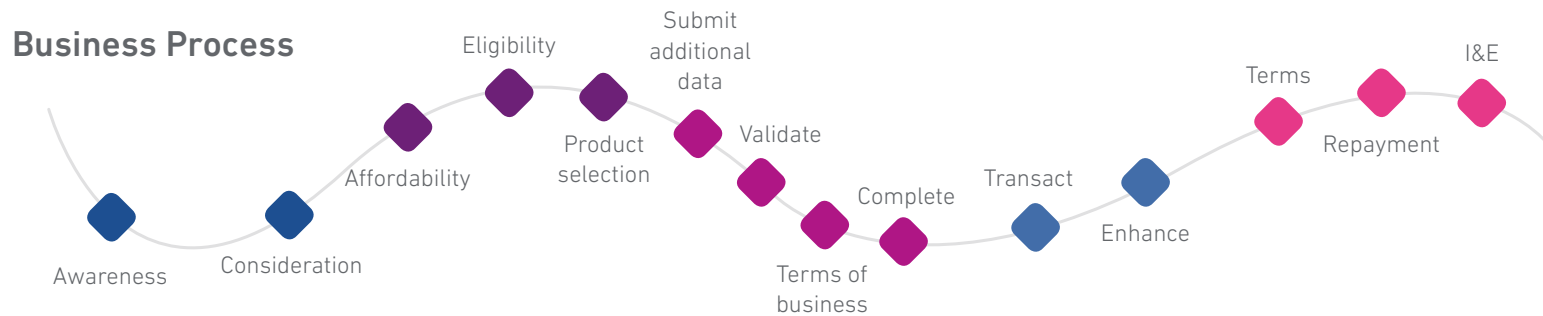
**Consumers demand a more personalised service:**

- Tailored rates specific to them
- Loyalty pricing

## A FRICTIONLESS DIGITAL JOURNEY

On the flip-side, by redesigning your journey, and in some instances re-sequencing parts of it you can create risk-free frictionless customer experiences. This modular approach looks like this:

### Business Process



Awareness · Consideration · Affordability · Eligibility · Product selection · Submit additional data · Validate · Terms of business · Complete · Transact · Enhance · Terms · Repayment · I&E

## THINK OMNI-CHANNEL, NOT MULTI-CHANNEL

If a customer receives a simple, fast and personalised interaction in one channel, they must receive it in and between all channels, if friction is to be completely eradicated. That means a seamless, friction-free experience within and between apps, over the phone, in a branch, using a virtual assistant or, for retail transactions, at the point of sale.

In this way, you're moving away from multi-channel communications towards integrated, omni-channel service.

Achieving this requires an infrastructure that delivers the same robust customer data and decision management tools simultaneously across all channels and to all frontline staff. This infrastructure must also allow your customers to access all their information on all their accounts via each channel.

### MULTICHANNEL

Interacting with customers across various channels
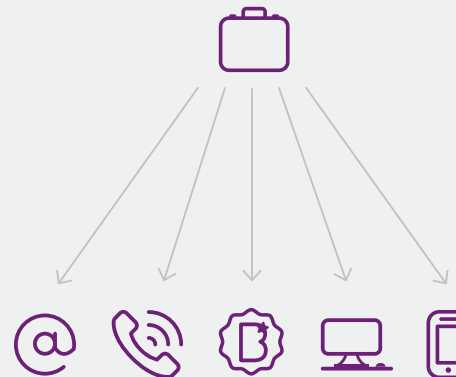


### OMNICHANNEL

A consistent customer experience across every channel

## TAKE ADVANTAGE OF THE LATEST TECHNOLOGIES

One of the key points of friction is the need to provide paper copies of information, such as bank statements.

By using open banking to bring through bank account transactional data, you not only avoid this paperwork, but you can verify a customer's income and outgoings to a much more sophisticated level – especially if you have the ability to aggregate and categorise this insight effectively. What's more, forms can appear to customers prepopulated with key data. This also reduces errors, as you're no longer relying on the customer to provide accurate information. Plus anything you already know about that person – such as a their financial history, including any missed payments – will come to light at the point of application.

### Helping you

**Reduce the cost to serve** –
by automating decisions and cutting admin and management time

**Categorise millions of bank transactions** –
in under a second (into 94+ categories)

**Make informed decisions** –
with rich analysis and depth of understanding

**Continual optimisation** –
with self-learning ability

### Helping your customers

**Digitise the process** –
without the need for paper statements

**Create a better customer experience** –
and make more personal decisions, fast

**Build a value exchange** –
with hyper-personalised conversations

**Make applications easier** –
by filling in forms automatically for customers

## MAKE SMARTER USE OF EXISTING CHANNELS

There is also great potential to reduce friction by offering customers innovative services over existing channels.

For example, a customer could send a text, or chat to their voice assistant, and be instantly notified whether a type of credit would be available to them and on what terms. They could be guided on how to boost their credit file, or pre-qualified for a mortgage while browsing properties for sale. They could see a car, take a photo of it, and get an instant insurance quote and finance plan. The opportunities that data delivers are endless and transformative.

### Examples of how you can advance existing channels:
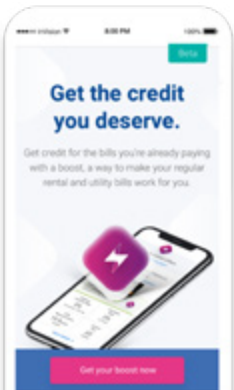


**Mobile**
By using mobile techs full capability you can better verify an individuals identity simply by entering a phone number, email and photo.



**Smart Device**
Through harnessing smart device technology you can offer your customers the ability to engage with their account across the life-cycle, as well as instantly prequalify themselves for a credit product.



**Credit score**
Innovative concepts such as Experian Boost, can offer consumers the potential to increase their credit score through consenting to share additional, non-traditional, data-sources.
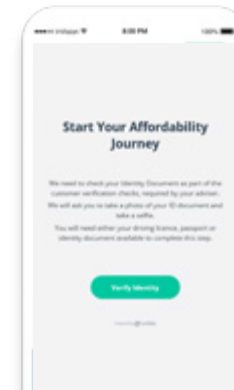


**Data mobility**
By offering an option to utilise an Affordability Passport® you can harness a unique web-based technology which allows you to offer customers a secure platform through which they can share transactional data from their bank accounts, providing you with a clear and comprehensive picture of their income and expenditure.

**Digital identities**

Consumers are already comfortable with the concept of a digital identity. Most social media sites, for instance, allow you to use your account ID to sign in quickly to other websites, so there's no need to fill in new forms.

Through trusted third-party systems and data resources, businesses can offer their customers their own, highly secure identities for faster, easier digital transactions. The ID contains data such as a customer's name, address, date of birth, bank account information and more, already verified. Customers only need a password and a second factor – such as touch ID or facial recognition – to authenticate themselves and use their digital ID. This delivers a great, friction-free customer experience, drives down drop-out rates, and is more cost-effective for you, as you don't need to run your own identification infrastructure.

## ID Mobile Verification
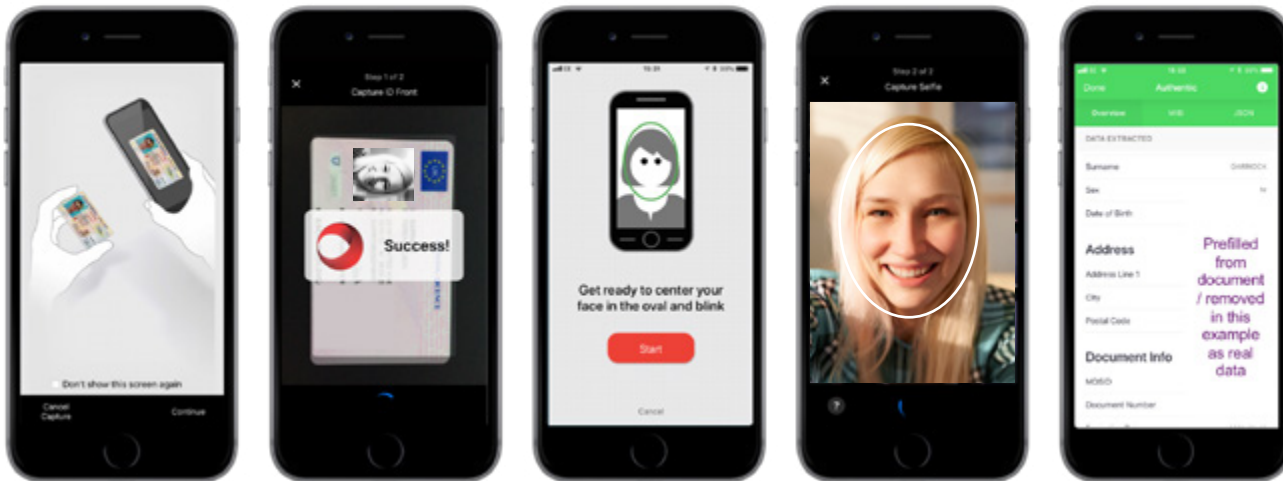
**Risk-based authentication**

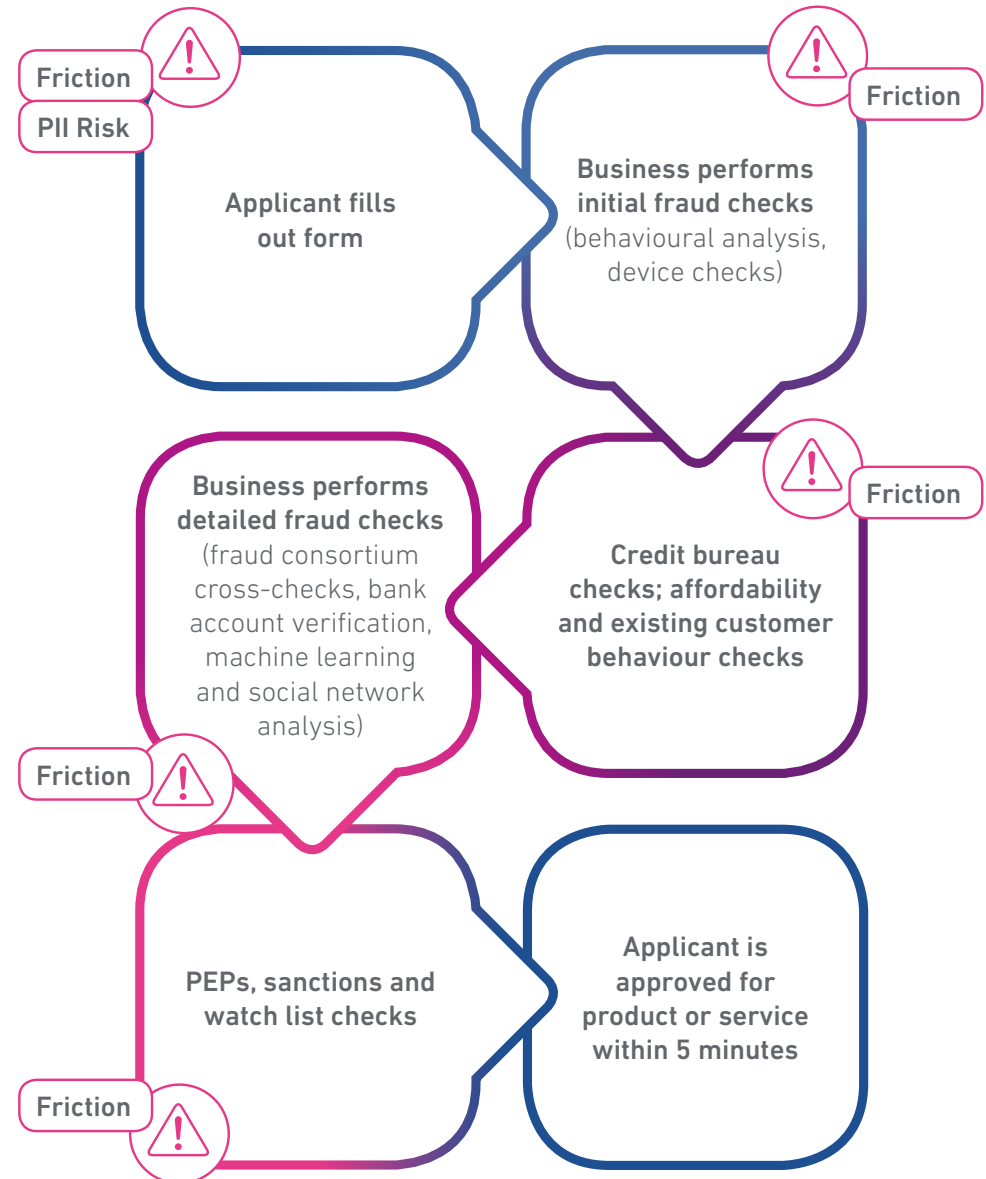One of the biggest sources of friction in the customer journey is the authentication processes that many financial services transactions depend on in order to prevent fraud.

Advanced, risk-based authentication solutions can overcome this friction. They work by hiding security throughout the customer journey, to seamlessly and quickly authenticate your true customers while building stronger fraud defences.

Risk-based authentication systems build on traditional customer data sources by analysing digital data, such as a user's device information, network characteristics, and behavioural biometrics such as toggling and keystroke analysis. All of this data is passed through a scorecard system to generate an overall measure of the confidence that you can have in your customer's identity.

Importantly, the right systems will do this dynamically – in real time, and at any point in the customer journey – and can be tailored to apply the right business response based on the level of risk detected.

Friction
PII Risk
⚠️

**Applicant fills out form**

Friction
⚠️

**Business performs initial fraud checks** (behavioural analysis, device checks)

⚠️ Friction

**Business performs detailed fraud checks** (fraud consortium cross-checks, bank account verification, machine learning and social network analysis)

**Credit bureau checks; affordability and existing customer behaviour checks**

Friction
⚠️

**PEPs, sanctions and watch list checks**

**Applicant is approved for product or service within 5 minutes**

Friction
⚠️

## THE VISION: YOUR CUSTOMER NEEDS YOU

Once you adopt the technologies that underpin truly frictionless, customer-focused journeys, you actually have the infrastructure to push information to your customers that will empower them to get more out of their lives.

For example, firms could help customers create 'set and forget' savings plans in order to meet their goals. Your system could analyse their spending data every day, and dynamically suggest ways to change it in order to help them stay on track.

In this way, you are not just delivering services; you are becoming a valuable partner in your customers' day-to-day lives.

In a highly competitive climate where it's so easy for customers to switch to another provider, those companies that can do this will have a far greater chance of customer loyalty.

Of course, all such opportunity is driven by consumer consent. Our research shows how this is likely to be given if the individual can see the value in doing so, therefore innovative services are ever more important.

"As we move to a consented world, you need to gain and manage consent, To do this effectively an intelligent open data platform will be essential."

**Lisa Fretwell, Managing Director of Business and Consumer Information, Experian UK&I**
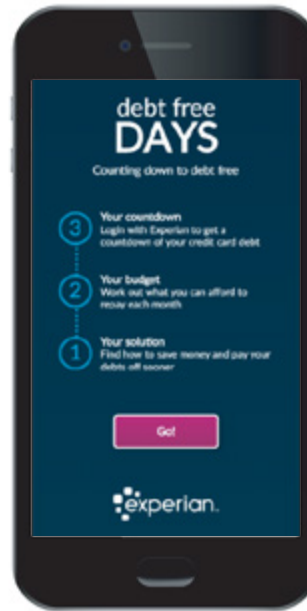


**1. Debt free days**

A personal finance management app can help your consumers better understand their financial position and reach a target to be debt free.
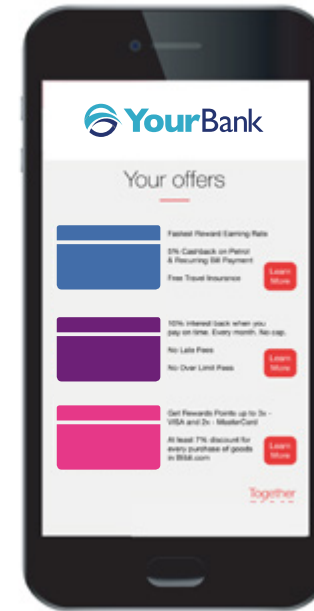


**2. Marketplaces**

Marketplaces can enable you to move into new territory, by bringing added value derived from partnerships, that will in turn bring new growth.
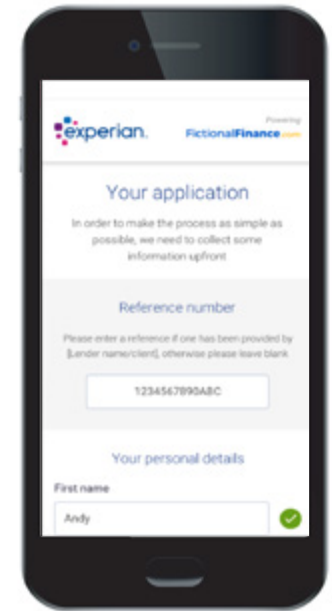


**3. Make applying easy**

By prepopulating a customers personal and financial details you can vastly reduce the time to complete, but also reduce the risk of error; 70% of details in a credit application can be prepopulated instantly upon consent of the consumer.

Innovative and value adding apps, such as these are all underpinned by an ability to aggregate data, normalise it and extract insight from it. Bank account transaction data, brought by Open Banking, can bring significant value into such apps, as well as enhance the entire lifestyle.

It isn't a benefit limited to Banks either; quite the contrary. Pre Open Banking the holding bank was the only one with access to such rich behavioural insights, now through the Open Banking initiative any approved provider can across it. Access, without an ability to consume and understand however, is not going to bring the benefit poised.
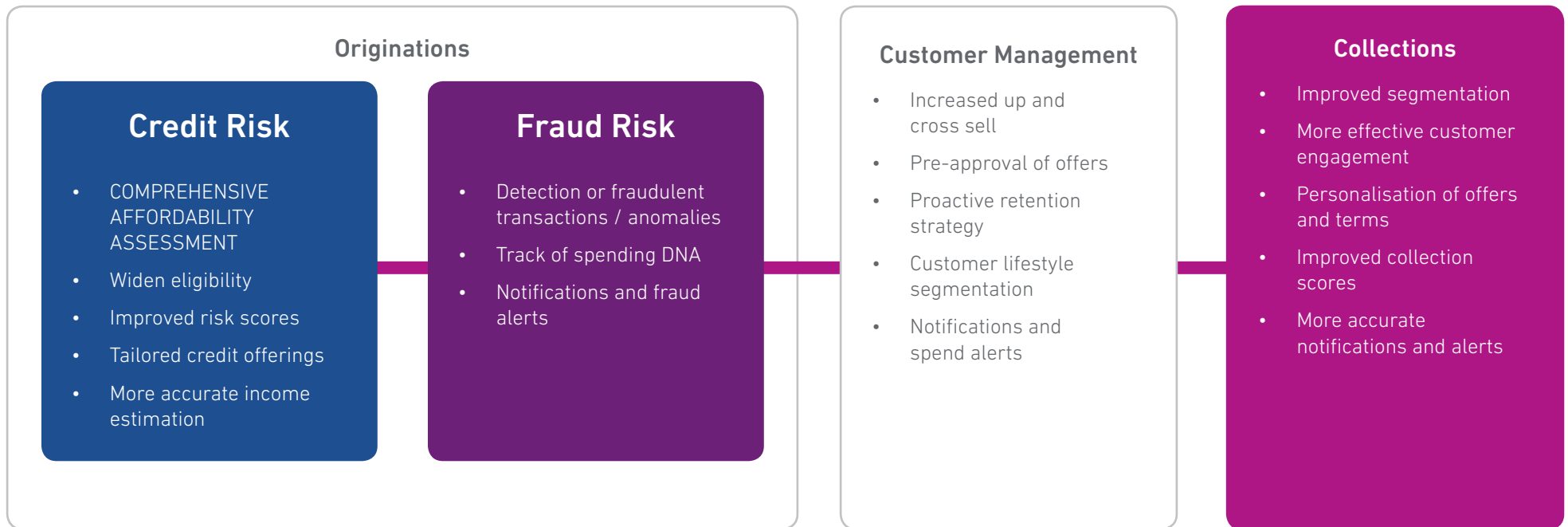
To be able to capatlise on the opportunity an ability to access, integrate and maintain the data is essential. From here the ability to depict and access triggers from it, in real-time. The in-life monitoring is a critical component of success.

### Originations

#### Credit Risk

- COMPREHENSIVE AFFORDABILITY ASSESSMENT
- Widen eligibility
- Improved risk scores
- Tailored credit offerings
- More accurate income estimation

#### Fraud Risk

- Detection or fraudulent transactions / anomalies
- Track of spending DNA
- Notifications and fraud alerts

### Customer Management

- Increased up and cross sell
- Pre-approval of offers
- Proactive retention strategy
- Customer lifestyle segmentation
- Notifications and spend alerts

### Collections

- Improved segmentation
- More effective customer engagement
- Personalisation of offers and terms
- Improved collection scores
- More accurate notifications and alerts
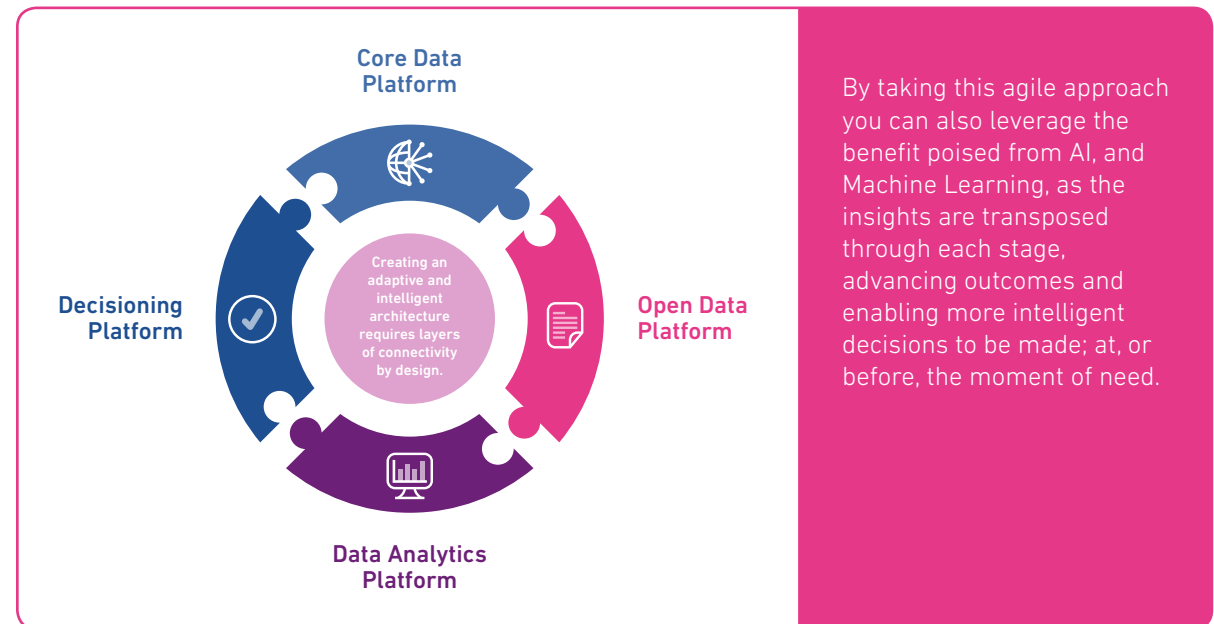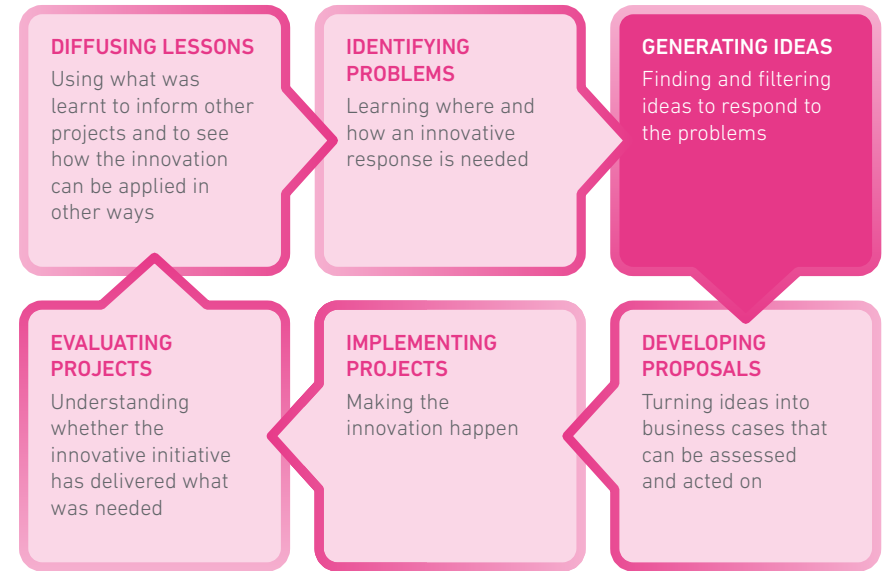
# TRANSFORMING YOUR DIGITAL INFRASTRUCTURE

**In order to abolish friction, redesign customer journeys and boost customer retention, you need to take steps to digitise your infrastructure.**

Through the right technologies underpinned by the right data, you can build truly frictionless digital journeys, in order to meet your customers' changing expectations. At the heart of this there should also be a culture of data sharing and insight that runs throughout the business. You also need an infrastructure of technology that allows for interconnection.

Today's currency is speed, scale and accuracy. It gores without saying there is more data accessible today than ever before. There is also the requisite technological and analytical power to better understand the data; as well as test the art of the possible from within it. From here you can better learn and produce better models and value propositions. The power comes down to the ability for linkage.

"Drawing on the largest and deepest data source in the market, Experian Credit 3D offers an 'on-the-spot' summary of key data points for faster customer decisions."

Importantly this can also help you across the innovation life-cycle.

**DIFFUSING LESSONS**
Using what was learnt to inform other projects and to see how the innovation can be applied in other ways

**IDENTIFYING PROBLEMS**
Learning where and how an innovative response is needed

**GENERATING IDEAS**
Finding and filtering ideas to respond to the problems

**EVALUATING PROJECTS**
Understanding whether the innovative initiative has delivered what was needed

**IMPLEMENTING PROJECTS**
Making the innovation happen

**DEVELOPING PROPOSALS**
Turning ideas into business cases that can be assessed and acted on

Core Data Platform

Decisioning Platform

Creating an adaptive and intelligent architecture requires layers of connectivity by design.

Open Data Platform

Data Analytics Platform

By taking this agile approach you can also leverage the benefit poised from AI, and Machine Learning, as the insights are transposed through each stage, advancing outcomes and enabling more intelligent decisions to be made; at, or before, the moment of need.
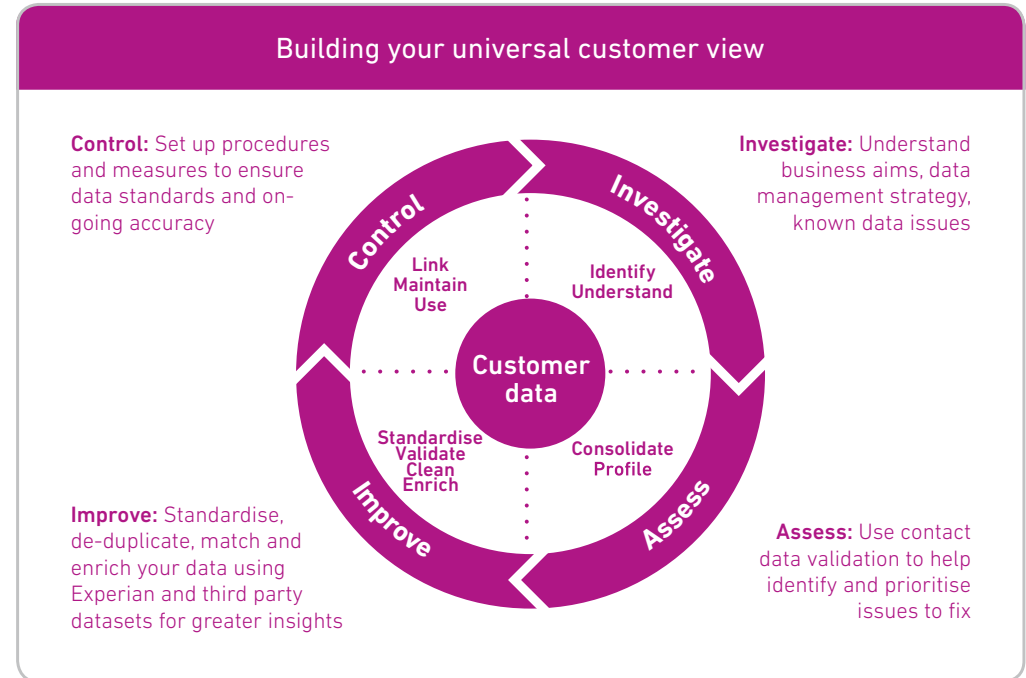
## START WITH DATA

According to Experian research, organisations believe almost a third of their data is inaccurate[4]. Information is often incomplete, spread out (31%) across multiple sources and difficult to manipulate for meaningful insight.

To eradicate friction in the customer journey, having good quality data is vital; if you can't trust your information, how can you use it for strategic business decisions? Duplicated accounts, incorrect phone numbers and old email addresses (or worse still) will only add friction. What you need is a trusted, 360 degree view of each customer.

However, this isn't always easy to do. Becoming a data-centric business means developing a strategy for the long term, and studying how your information can be improved and maintained over time. This means going beyond the data itself, and building a data infrastructure and a culture of ongoing data management. It's vital to adopt the right processes and get the right people on board for strong data leadership.

### Building your universal customer view

**Control:** Set up procedures and measures to ensure data standards and on-going accuracy

**Investigate:** Understand business aims, data management strategy, known data issues

Control — Link Maintain Use

Investigate — Identify Understand

Customer data

Improve — Standardise Validate Clean Enrich

Assess — Consolidate Profile

**Improve:** Standardise, de-duplicate, match and enrich your data using Experian and third party datasets for greater insights

**Assess:** Use contact data validation to help identify and prioritise issues to fix

4. Source: 2019 Global Data Management research.

## ADD ADVANCED ANALYTICS AND AUTOMATION

Advanced analytics such as artificial intelligence and machine learning, coupled with automation, can process customer data in real-time to deliver unparalleled insight across your business. These technologies can help you to steal a march on the competition and make your business a disruptor by helping you to become ever-more customer-centric.

For example, predictive analytics can pre-empt key customer life changes – from house moves to the birth of a new child – empowering you to be ready with a product or service to suit. Machine learning, meanwhile, can be used to further segment your customers according to their behaviours, attitudes and preferences, so that you can deliver highly tailored offers or pre-approve them for products. This leads to increased revenue and increased lifetime customer value, while driving more effective marketing campaigns.

**The cycle of consumer financial lives**

Help me be tax efficient

8

Help me spend my money wisely

2

1

Help me understand my financial position

3

Help me manage my credit/debt

7

Help me save for retirement

4

Help me save more/save in a better way

6

Help me protect myself and my family

5

Help me with life's big purchases

**How data driven insights can guide customers to take the best next action**

Growth

Targeting

Customer management

Improve the customer's lifetime value and optimise the best action in real time

Originations

Collections

# HOW NON-TRADITIONAL DATA AND AI CAN AUGMENT AND TRANSFORM DECISIONS

**Knowing a consumer's credit information at a single point in time only offers a snapshot of their financial behaviour. However, by using innovative trended and alternative data sources you can access an unparalleled set of insights, enabling faster decisions based on a more rounded picture of affordability.**

Access to extended trended and alternative data capabilities provides a more granular and predictive insight into a consumer's payment behaviour.

You can also access a new set of value-added data blocks to overlay into risk scores, containing summarised views of more than 50 key data attributes, evaluating payment behaviour over a period of up to six years. You'll also be able to combine rental, utilities, council tax, property and mobile data, to provide a view of predictive behaviour and affordability - all derived using advanced analytics.

Augmenting traditional risk scores with a view of detailed consumer behaviours over time is particularly valuable in making decisions on applications which are currently on the margins. Alternative non-credit data, including subscriptions and utilities data, can support the approval of applications from consumers with 'thin' credit files.

# CONCLUSION:

## We live in disruptive times, but this needn't be seen or realised in reality.

Technology companies are offering consumer banking services. Banks are offering retail incentives. Innovation is coming from everywhere, and consumers have never had more choice or convenience.

**Speed and scale will give competitive advantage**

Fast, easy interactions are what customers want from the companies they do business with. Companies that fail to deliver this will almost certainly lose their customers to a competitor. It's never been easier for a customer to switch, and never have there been quite so many others to switch to.

The good news is that in this climate of high customer demands and easy movement between suppliers, customers can come back as easily as they went away – as long as you offer them what they want.

**Innovation is realised through intelligent decisions**

Through the right data and the latest technologies such as AI and automation, innovation is just a few clicks away. Technology gives you the means to design innovative journeys that not only delight and surprise your customers, but which actually make you an integral part of their day-to-day lives... and that is where new loyalty can be found.

Working in this new way, however, does require transformation. It can mean completely rethinking how you deliver your services, from the ground up. It calls for cultural change, and it means commitment from the board. But through the right technology and the right data, you can drive the change forward – without a radical overhaul of your existing systems.

**You need the right tools, information and partner**

By working with the right technology and data partner, you can layer new thinking, new data and new capabilities into your business. You can make small changes today, and set the wheels in motion to transform how you deliver services to customers over time, with the ultimate aim of putting innovation at the heart of how you do business.

Importantly, data, AI, machine learning and automation will only be effective at building friction-free customer journeys if they are embedded and shared organisation-wide. This means saying goodbye to siloed working and building a culture of collaboration and connectivity across the business..

# ABOUT THE RESEARCH AND INSIGHT CONTAINED WITHIN THIS REPORT

## Research insights

Research contained within this paper, unless sourced otherwise, is an extraction from Experian research commissioned through 2018 and 2019. This includes research with third-parties including Forrester Consulting, as well as consumer research conducted on Experian's behalf through C Space. Additional data insights are derived from data sources such as National Hunter.

- Read from our research commission to Forrester Consulting **here**
- To read insight from our Global Data Management trends, **click here**
- For a full view of the UK Fraud trends, please read our **annual fraud report** – also see our Global Fraud and Identity report **here.**

For more information on any specific quotation, **please contact us**.

## About Experian

Experian unlocks the power of data to create opportunities for consumers, businesses and society.

At life's big moments – from buying a home or car, to sending a child to college, to growing a business exponentially by connecting it with new customers – we empower consumers and our clients to manage their data with confidence so they can maximise every opportunity.

We gather, analyse and process data in ways others can't. We help individuals take financial control and access financial services, businesses make smarter decision and thrive, lenders lend more responsibly, and organisations prevent identity fraud and crime.

For more than 125 years, we've helped consumers and clients prosper, and economies and communities flourish – and we're not done. Our 17,200 people in 44 countries believe the possibilities for you, and our world, are growing. We're investing in new technologies, talented people and innovation so we can help create a better tomorrow.

### Derek Garriock
#### Head of Strategic Design and Innovation

Derek Garriock is responsible for strategic design and innovation at Experian, delivering insight for customers and industries to power opportunities and design solutions through the provision of data and analytical tools, looking at innovative ways we can help organisations to manage credit risk, prevent fraud, target marketing offers, automate decision making and create a better tomorrow for consumers. Derek has been instrumental in designing our 'Omnichannel Customer Journey's' using consumer insight and Experian capabilities to create frictionless experiences, whilst stripping out costs and improving cross sale.

Learn more at **www.experianplc.com**

To find out more about our services, visit our website: **www.experian.co.uk/business**

The cycle of consumer financial lives

Growth

Targeting

Originations

Colelctions

Customer management

1 Help me understand my financial position
2 Help me spend my money wisely
3 Help me manage my credit/debt
4 Help me save more/save in a better way
5 Help me with life's big purchases
6 Help me protect myself and my family
7 Help me save for retirement
8 Help me be tax efficient

Improve the customer's lifetime value and optimise the best action in real time