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BUSINESS COMMUNICATION IN THE AGE OF DIGITALISATION

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ABSTRACT

Smartphones and tablets have revolutionised the channels of communication used by consumers to obtain information, communicate and transact with businesses. In the current multichannel communication environment, the companies need enhanced efforts to provide new operating and business models, in order to best communicate with the consumers. A survey has been conducted by Fiserv to study and highlight the efforts being made to tap the digital consumer demands. The sample taken for this survey consists of financial institutions, healthcare organisations and billers. This research examines the various strategies and tactics these businesses will follow over the next two years to meet the new business and digital challenges.

INTRODUCTION

Primary Research approach was used in this research methodology. Both, a qualitative telephonic survey, as well as a quantitative survey was conducted for the study. In 2013, Banks, Investment companies, healthcare organisations and billers such as utility and consumer finance billers were used for a telephonic survey. Representatives for 25% of the annual transaction print production volume of Fiserv which included bills, statements and notices were used as respondents in the survey. The survey included questions to understand the problems encountered in transactional [print, the overall business

challenges faced by the respondents, and regarding their plans for changing to electronic documentation from physical documentation.

Info Trends conducted another quantitative survey for Fiserv on “The Future of Multichannel Transactional Communications in the U.S.”. Through this survey, data was collected to ascertain the business and consumer intentions on adapting digital communications. The objective of this study was to help businesses understand the digital channel evolution and the efforts and progress of others in the same field. Fiserv will strategize and develop optimised solutions

for electronic communications needed by the industry based on the research findings. According to the research findings, it is observed that the companies differ in their approach and speed in migrating to digital channels for communication. Adoption of digital channels for transactional documents is careful and calculated in approach as opposed to the speed of digital transformation observed in business functionality. The major challenges faced by the business organisations in changing the traditional communication channels to digital ones are the uncertainties over the best approach for such integration and influencing and motivating customers for enhanced online interaction and electronic transactions. Immense opportunities exist to identify consumer preferences for migration to electronic transactional documents as there is lack of alignment in current business practices and consumer preferences for digitalisation.

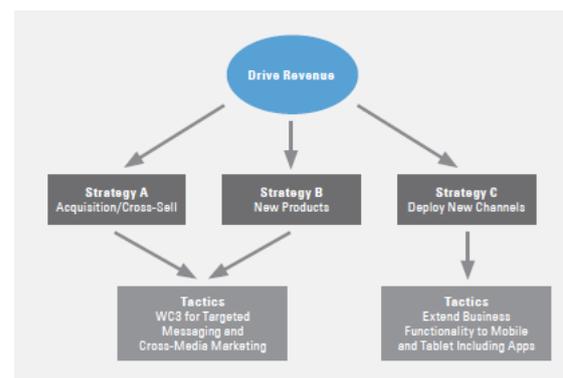
REVENUE GROWTH AND COST REDUCTION: KEY DRIVERS

The greatest challenge for the respondent businesses was to increase revenue by new customer acquisition and cross-selling additional products, services to existing ones. For financial institutions generation of new fees in order to compensate for the

declining interest income is needed while improved customer retention and cross-selling are the means for revenue generation by billers.

New channels for customer engagement and extended business functionality to digital devices such as mobile phones and tablets are being used increased revenue by respondents. Some respondents expressed interest in using WC3®, the web-based production management tool from Fiserv. WC3 delivers targeted messages to consumers to communicate product information and cross-sell new offerings. WC3 supports a variety of strategies related to customer acquisition; organic growth and channel management (see Figure 1).

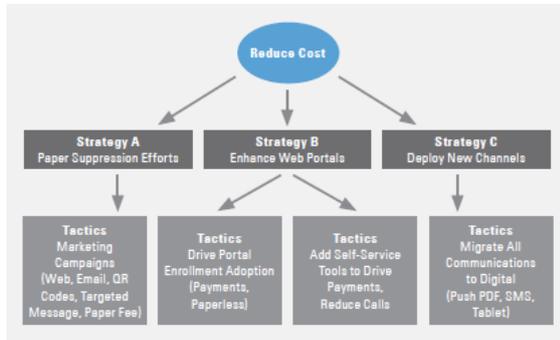
Figure 1: Increasing Revenue is Greatest Challenge



Another major issue among respondent business organisations is the need to reduce costs. Paper communications and postage expenses are being substituted by enhanced

digital communication using web portals and newer digital channels (see Figure 2).

Figure 2: Reducing Costs is Another Key Driver



Among the common problems encountered by customers during digital communication are the cumbersome enrollment methods for electronic bills and statements and the lack of security. E-bills requires the customer to register through the biller's portal to create a user name and password while E statements warrant the need to register with the financial institution's online banking service. Respondents claim that such processing hindrances discourage customers to adopt digital communications. The need therefore is for institutions to improve their web interface to make the digitalization process smoother. Efforts are also needed to add improved self-service tools for online payments, thereby ensuring reduced costs incurred towards customer service phone calls. While many organizations are adding digital channels to augment their paper based

communication the more aggressive ones are completely migrating all customer communications to digital channels through systematic use of emails, SMS or texting on smart phones, tablets etc. WC3 helps organizations increase electronic enrollment by facilitating consumer awareness through educational and marketing campaigns.

A BROAD SPECTRUM OF MIGRATION STRATEGIES

Respondents recognize a need to migrate their existing business capabilities to digital channels and to use them more effectively for customer communications. However, the speed of implementing such strategies greatly depends on each company's business model, the markets it serves and its customer demographics. There are four common approaches used for digital migration: migration of banking or billing functions to digital channels, promoting ways to discourage paper usage, promoting use of self-service tools through websites, mobiles, tablets etc. and increased understanding of digital channels (see Figure 3). Financial institution strategies include improving the online banking services and adding mobile banking and remote deposit capture services. Billers need improved efforts to involve bank

channels to the bill payment functions and improved web portals experience to ensure better participation, higher electronic payments. Organizations are focusing on reducing costs with digitizing of transactional documents and encouraging use of electronic platform instead of paper.

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 businesses are in the evaluation stage and are still figuring out ways to migrate to digital channels, particularly for transactional documents. However, the marketing departments of these organizations are better adapted to using digital channels for communication than other departments. This shows a fragmented approach within the organization. Many Financial institutions and organizations are experiencing difficulties in getting customers to enroll

electronically, using self-service tools on their websites in lieu of paper bill and statements, due to the security issues and lack of ease.

SHORT-TERM INITIATIVES FOR TRANSACTION COMMUNICATIONS

It is surprising to see that 21% of organizations are looking for ways to improve the look and design of their paper documents instead of using electronic channels (see Figure 4). Some are trying to reduce pre-printed stocks of paper to cut costs despite continuing paper usage in some form. About 25% of the respondents would prefer using WC3 to improve targeted messaging and cross sell products to customers. Quick response or QR codes were also preferred by organizations as a means to improved customer services, bill payments and discouraging paper usage.

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% Digitize statements, bills, notice, etc.

7% add QR codes to bills and statements

MARKETING REMAINS A GOAL

Industry researches show that consumers consider bills and statements as important sources of information and therefore are considered by respondents as important means of consumer communication. According to the Info Trends survey, consumers spend 4 to 7 minutes on average reading a bill or statement, spending more time reviewing financial services statement. Organizations use transaction prints for marketing purposes by providing targeted information on prevailing offers and services to individual recipient. These platforms are also used for dispensing information regarding digital channels, regulations, offers, schemes etc. This also helps in customer retention.

PAPER SUPPRESSION VARIES BY INDUSTRY

It was revealed through the qualitative phone survey that paper suppression rate by consumers varies among different industries (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. In accordance with the Info Trends survey that reflected a 21% paper suppression rate across all verticals, the average paper

suppression rate for phone survey respondents was 24%.

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 financial institutions participating in the survey encouraged customers to refrain completely from using paper during account opening or sign up process. Other marketing practices encouraging paper suppression include promotion via website banner ads, statement messages, and e-mail inserts. All respondents require customers to enroll on their websites before discontinuing paper documents.

Both the surveys revealed similar reasons for customer's hesitation for adopting electronic documents (See Figure 6). A common problem in E- adoption is a general resistance to change. While some respondents cited customer's concerns regarding online security while accessing account information online, others pointed

to difficulties in online registration processes as being the deterrents for digital channel adoption. Customer demographics are another reason cited by respondents as older customers prefer paper documentation. In industries such as healthcare and investment, irregular billing and statement generation, along with a general lack of face time with customers is regarded as a hindrance to digital adoption. In contrast, financial services providers send bills and statements on a regular basis, thus 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 the drivers of consumer adoption of electronic communications and

the marketing strategies used by businesses to encourage such adoption (see Figure 7). The Info Trends survey revealed the main reasons driving consumer behavior in E adoption are financial. As they are charged a fee for receiving paper documents like statements etc., there is an element of financial incentive in using E- statements. Some organizations also give incentives in the form of loyalty points. Among the less popular reasons are the delayed mail delivery systems and greater access to historical data online.

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

The approach used by survey respondents to encourage customers to use digital channels was not in sync with the customer's orientations. Most respondents lay emphasis on factors such as environmental friendliness and convenience of electronic documents, while some offer promotional incentives like inclusion in sweepstakes etc. in order to discourage usage of paper. While only one of the respondents was charging a fee for access to paper documents, some other respondents were considering employment of this approach to promote digital communication.

MANAGING ACCESS, CONSENT AND PREFERENCES

There is an opportunity for respondent organizations that are currently providing only 12 months access to documents, to improve online access to historical documents for at least a period of three to seven years as preferred by the customers. Preferences for time bound access vary by document type as consumers desire short term access to mobile, cable, Internet and utility bills and statements as against longer period access to financial services documents. Most respondent organizations fail to identify consumer preferences for time bound access in accordance to

document type and generally perceive consent to receive one document electronically as consent for all documents.

The finding, however show that 45% of customers have delivery preferences based on document types whereas 29% have partial selection preference. Customers having access to delivery selection mostly prefer paper suppression of statements. Investment services companies show better preference management capabilities, allowing customers to select which documents to suppress.

The speedy growth in consumers adopting electronic documentation services and their growing preferences in document selection for paper suppression, the limited preference management abilities of the respondents will be challenged. Respondents are mostly using emails and online banking systems for identifying customer preferences for paper suppression. However they are leaving out the customer's mobile phone information. Also they don't have a formal mechanism in place to update e-mail addresses or mobile phone numbers which are needed for such digital communications.

Fiserv survey results reveal several opportunities for businesses to improve adoption of electronic documents, in order

to achieve higher revenue and reduced costs. Organizations need to address customer concerns regarding online enrollment for electronic documents and security issues by providing simplified processes. Also there is need for alignment of E-adoption messages with consumer preferences.

Organizations also need to improve the tools and processes used to manage consumer consent and flexibility to receive electronic documents. By implementation of these strategies, organizations can promote adoption of electronic documents, reduce operational costs and generate new revenue through new channels.