

Visa Consulting & Analytics

Digital targeting and acquisitions in the new normal

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One of the lasting legacies of the COVID-19 pandemic is sure to be the **adoption of digital**.

Even before the pandemic hit, digitalization was at the top of the agenda of many businesses. That is hardly new. However, the sudden increase in new behaviors that have developed out of necessity during the crisis will serve as a powerful catalyst for digitalization in the payments ecosystem.

Visa believes this pandemic will pull forward several years' worth of digital transformation. During the critical first few months of COVID-19, ecommerce spending, excluding travel, surged to a positive 30 percent year-on-year growth¹ and has remained close to that level ever since. Industry analysts support this view. McKinsey & Company believes that the pandemic has accelerated digital adoption by five years,² whereas Bain & Company puts the figure at three years.³

If you think about it, the changes have been profound. Around the world, grocery stores had to shift to online ordering and delivery as their primary business. Schools and universities had to pivot to online teaching. Doctors had to deliver telemedicine. Across all industries, white-collar workers had to transition from an office-based to a home-based model. Meanwhile, in the world of financial services, a Fidelity National Information Services study identified a two-fold increase in mobile banking registrations and an increase of more than 50 percent in mobile banking volumes.⁴

For many banks, the initial emphasis may have been on getting better at enabling and facilitating digital payments. However, the considerations go much deeper than the actual payments, spanning, instead, the entire customer lifecycle and potentially touching every interaction, especially at a time when branches may be closed and digital marketing has become much more competitive.



In this paper, we focus on digital acquisitions and onboarding.

In this crucially important phase of the customer journey, which sets the tone for everything that follows, digital done right has the potential to increase efficiencies while also enabling a truly seamless, friction-free user experience. This is easier said than done:

- With an arms race underway in digital marketing, costs can quickly escalate, especially in search marketing, but also in social media marketing.
- With both fintechs and big techs setting the bar high on the quality of the user experience, consumer expectations are incredibly high.
- With many traditional banks burdened by legacy technologies and siloed working practices, agility and integration can be an issue.
- With many traditional propositions temporarily losing their relevance due to lock-downs, the need to pivot may have become acute.
- With the realities of the pandemic weighing down on other aspects of the business, such as credit risk management and remote customer servicing, securing backing for a digitalization initiative can be a challenge.

1. Visa Q3 earnings announcement

2. The COVID-19 recovery will be digital, McKinsey & Company, May 2020, <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days>

3. Bain & Company, Covid-19 Boosts the Trajectory of B2B Digital Payments, September 2020, <https://www.bain.com/insights/covid-19-boosts-the-trajectory-of-b2b-digital-payments-infographic/>

4. Fidelity National Information Services study, May 27, 2020, <https://www.cnbc.com/2020/05/27/coronavirus-crisis-mobile-banking-surge-is-a-shift-likely-to-stick.html>

Against this background, Visa Consulting & Analytics (VCA) asked our global team of digital advisors for their perspectives. Drawing on their collective experience working with dozens of top leading banks, they came up with seven key questions that any bank needs to ask itself as it embraces the opportunity of digital acquisitions and onboarding.



Question #1

Where in the digital journey do we start?

In our experience, many banks put far too much of their focus on the initial stages of digital acquisitions, thus overlooking much of the value that can be created further down the funnel.

Often, their emphasis is on getting the word out digitally (through awareness building or lead generation). They understand the techniques that are so critical at the top of the funnel (like search engine optimization, search engine marketing, social media marketing, word-of-mouth, referrals, and others). Then, when a prospect actually arrives on their website or app, they know what tools can be used to turn interest into action (like video demonstrations, product comparisons, user reviews, and the disciplines of conversion rate optimization).

It would seem that the focus is exclusively on persuading the customer to click the 'apply now' button. Then, at this stage, there is often a disconnect as too many banks revert to an online version of the application forms and application processes that were first implemented years, if not decades before.

At Visa, we believe that digitalization needs to extend seamlessly from acquisitions right through to the onboarding journey and beyond, incorporating techniques like apply-to-submit conversion optimization, instant decisioning on credit approvals, instant provisioning of digital credentials, and so on.

By adopting a more holistic view, a bank can maximize the potential for an interested prospect to actually become a customer and also maximize the potential for that prospect to become an active and engaged customer.

There is also an opportunity to partner with a few key online merchants who are likely to have a deep understanding of digital, insights into the needs and circumstances of their existing customers, and a strong strategic rationale to work with a financial services and payments partner.



Question #2

How disconnected is your existing process?

For many banks, in many countries, onboarding has been far from perfect.

Arguably, this has resulted from a poor customer experience in the payments industry, with prospects often forced to answer endless questions, go through rigorous Know Your Customer (KYC) checks, find ways to prove their income, and so on. Then comes the wait for the physical card to arrive. Then comes the need to activate it. Finally, they progress from being an interested prospect to being an active customer.

The situation is not ideal when selling to existing customers or when reaching out to new customers. With new to banking or thin file customers, the decisioning and onboarding process can be even more of a barrier.

This can be a difficult challenge to overcome, especially in countries with onerous regulation and/or those lacking digital KYC and credit scoring capabilities. However, for most banks in most markets, we believe that digitalization offers the opportunity to rethink and reinvent this entire process and, ideally, to transform it from a source of pain to a pleasant surprise.

Below are a number of questions we recommend considering as you digitalize your process:

Ask yourself to what extent you have embraced mobile first and implemented the much crisper, shorter screen layouts that are required.

- *Can the broader application process be more automated?*
- *Can instant decisioning be enabled?*
- *Can biometrics help with authentication?*
- *Are you making full use of digital KYC?*
- *Can the onboarding be integrated into your mobile app?*
- *Can the card activation process be digitalized?*
- *Also, can the onboarding processes for different products (mortgages, savings accounts, personal loans, etc.) be more integrated and less siloed?*

In addition, early digitalization can help you drive ongoing customer activation and engagement, especially with the type of co-branded programs that have traditionally suffered from low levels of engagement. With instant provisioning of credentials and instantly placing the new card into mobile wallets, a more powerful forward momentum can be generated.



Question #3

How do you define your dream customer?

In digital acquisition, specificity matters. It matters, because the more specific you can be about who you are targeting and what you are offering them, the more successful and effective you can become.

A useful technique is to first understand your very best existing customers, their defining characteristics and get granular information on why they use your products and what they like about your brand. These insights can then inform your entire digitalization approach.

Armed with this degree of insight, you can use lookalike audiences to target new customers through social media marketing with more precision. You can frame your search engine optimization and social media optimization activity with very specific search terms. You can narrow down your word-of-mouth campaigns to the most trusted micro-influencers, or even nano-influencers. You can bring far more potency to your referral programs. You can be sure that your website messaging is most relevant to the type of people you most want as customers. You can also reiterate and reinforce the key points at each stage of the onboarding process.

In addition, this level of specificity and customer centricity allows you to better pinpoint the hidden wealth within your business. This is an opportunity to emphasize exactly what it is that makes you different.

You can also concentrate on new to banking or thin file consumers with a tailor-made proposition, and use digitalization as a way to target and score them in new and more creative ways.

Ask yourself what opportunity there is to use non-traditional data sources, such as social media, for both your acquisitions and your decisioning. Try mining digital metrics, such as the age of someone's email account or the extent of their previous online experience. Consider whether it would be feasible to partner with an organization that has an existing base of customers who actively use a mobile app. If such an app can be harvested for behavioral data, you would have a brand new way of segmenting, scoring and pre-approving a traditionally hard to reach and hard to evaluate audience.

Undoubtedly, the matter goes beyond acquisitions and onboarding. By targeting particular types of customers, you can also bring more strength to your products, your value propositions, your customer lifecycle programs, and your credit risk and fraud management approaches.

Question #4

How close can you realistically get to a digital-only customer experience?

Imagine for a moment that you could not issue a physical card. How close do you think you can realistically get to a digital-only model? What do you need to do to get there?

The answer will depend on the specifics of your existing market environment, including the extent of online acceptance, the maturity of the contactless acceptance infrastructure, the availability of 'the pays,' and the relative importance of in-person acquisition techniques, such as events and pop-up kiosks at malls, in-branch sales, and so on.

It is also important to consider the future trajectory of the market and the power of its ecosystems. Mobile may be the current focus, but there are probably upcoming digital channels to factor in, such as watch payment, voice payment, pay-by-text, social platforms, and others.

By taking a digital first approach, you can often eliminate the need for any face-to-face or in-branch contact, while at the same time removing much of the traditional friction. In geographies where they are available, digital KYC checks can be particularly beneficial and transformative.

Similarly, you can integrate digital credential provisioning (card number, expiration date, and CVV2) as part of the onboarding process. You can also allow customers to add the card to their digital wallet the instant it is approved, so they can begin spending right away and populate card-on-file credentials. Even if they still choose to wait for the physical card to arrive, a slick digital experience will enhance the onboarding experience, while the related functionality (like messaging, video content and emails) will help with initial activation and ongoing engagement.

Remember also that the more digitalized the process becomes, the better and more granular analytics you will get. This is essential to understand the effectiveness of the customer journey. You get insights into the places where customers falter, where they dither, where they give up, what they find confusing, and so on. With the tools and capabilities to capture those data points in real time, you can tweak your user experience (UX) and payment journeys accordingly.





Question #5

Who will you choose as your digital benchmarks?

When plotting out your digitalization journey, it is always valuable to conduct some competitive or comparative analysis and see how other organizations approach acquisition and onboarding.

What is the best place to look for inspiration and insight?

The natural response is to compare yourself to your peers. Yes, they will always be an important benchmark. Nevertheless, your customers' expectations will have been set, not by other banks, but by the world's most capable digital businesses.

In the case of mobile apps, a majority of consumers say that they expect an onboarding process of less than a minute. Similarly, as part of an onboarding process, a majority of customers say they expect to receive one or more emails telling them more about the product/service and how to get the best of it. They also expect quick and easy access to how-to videos and animations that guide them through key features and benefits.

So, yes, do compare yourself to your peers, and be sure to scrutinize every phase of the funnel. Also, be sure to benchmark yourself against the new breed of nano or digital-only banks that have the luxury of designing the digital onboarding process from the ground up. But be prepared to go further and also look at analogous products/services from different sectors, such as a music streaming service or an ecommerce app.





Question #6

How will you structure your digitalization project?

Many banks conclude that in order to be successful with their digitalization initiative, they need to break free from the constraints of their existing organization and create a separate digital ecosystem.

The fact is that in order to succeed with digital, new insights, new disciplines, and new processes are all required, and often a new mindset is also needed.

Adjusting established processes and policies is not enough. Instead, you will need to start afresh. For example, a best-of-breed digital player will have a dynamic product offering, daily monitoring of all digital metrics, specific credit risk models for the online world, an organizational structure based on the cross-functional squad model, and more.

How realistic is all of this within your organization? Does your organization have the right culture? Or will it be necessary for you to carve out a separate and autonomous business unit?





Question #7

Are payments your gateway to more profitable relationships with clients?

Ultimately, the quality of your digital acquisition and onboarding processes will be determined by how much priority you assign to them and, to a certain extent, by how much you invest in them.

Especially in this post-COVID environment, this means banks will inevitably be competing with other considerations and priorities. It is therefore important for you to determine where payments fit within your wider business.

We believe payments lie at the very heart of the banking relationship. We know that payment solutions are often gateway products that entice new customers to a bank. They also cement relationships by providing a daily service, a daily link between the customer and the bank, and by serving as a daily reminder of the brand's promise. And, not only are payments the gateway product, but digital in payments often leads to digital in other lines of business too, resulting in even better relationships with your clients.

Ultimately, the winners in digital acquisition and onboarding will be those who care most about being successful, the enabling tools and techniques are readily available to anyone who wants to use them.





Even before the COVID-19 pandemic, there was a strong rationale for banks operating everywhere to digitalize their operations, their payment solutions, and their approach to customer servicing, including acquisitions and onboarding. Post pandemic, the logic is inescapable. To complicate matters, the ground keeps shifting as consumer behaviors continue to change, digital marketing techniques evolve, and third-party services (such as digital KYC or risk scoring) mature.

At VCA, we can work with you to explore these seven questions in far more detail and to help you map out and advance on your digital journey. For a more in-depth discussion on this topic, please contact your Visa account representative.

4. Loyalty Programs Market to Reach \$201 Billion by 2022, Beroe Inc., February 2019, <https://www.beroeinc.com/press/loyalty-programs-market-2022/>

About Visa Consulting & Analytics

We are a global team of hundreds of payment consultants, digital marketing specialists, data scientists and economists across six continents.

- Our consultants are experts in strategy, product, portfolio management, risk, digital, marketing and more, with decades of experience in the payments industry.
- Our data scientists are experts in statistics, advanced analytics and machine learning with exclusive access to insights from VisaNet, one of the largest payment networks in the world.
- Our economists understand economic conditions impacting consumer spending and provide unique and timely insights into global spending trends.

The combination of our deep payments consulting expertise, our economic intelligence and our breadth of data allows us to identify actionable insights and recommendations that drive better business decisions.



For help addressing any of the questions raised in this paper, please reach out to your Visa Account Executive to schedule time with our Visa Consulting & Analytics team or send an email to VCA@Visa.com. You can also visit us at Visa.com/VCA.

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