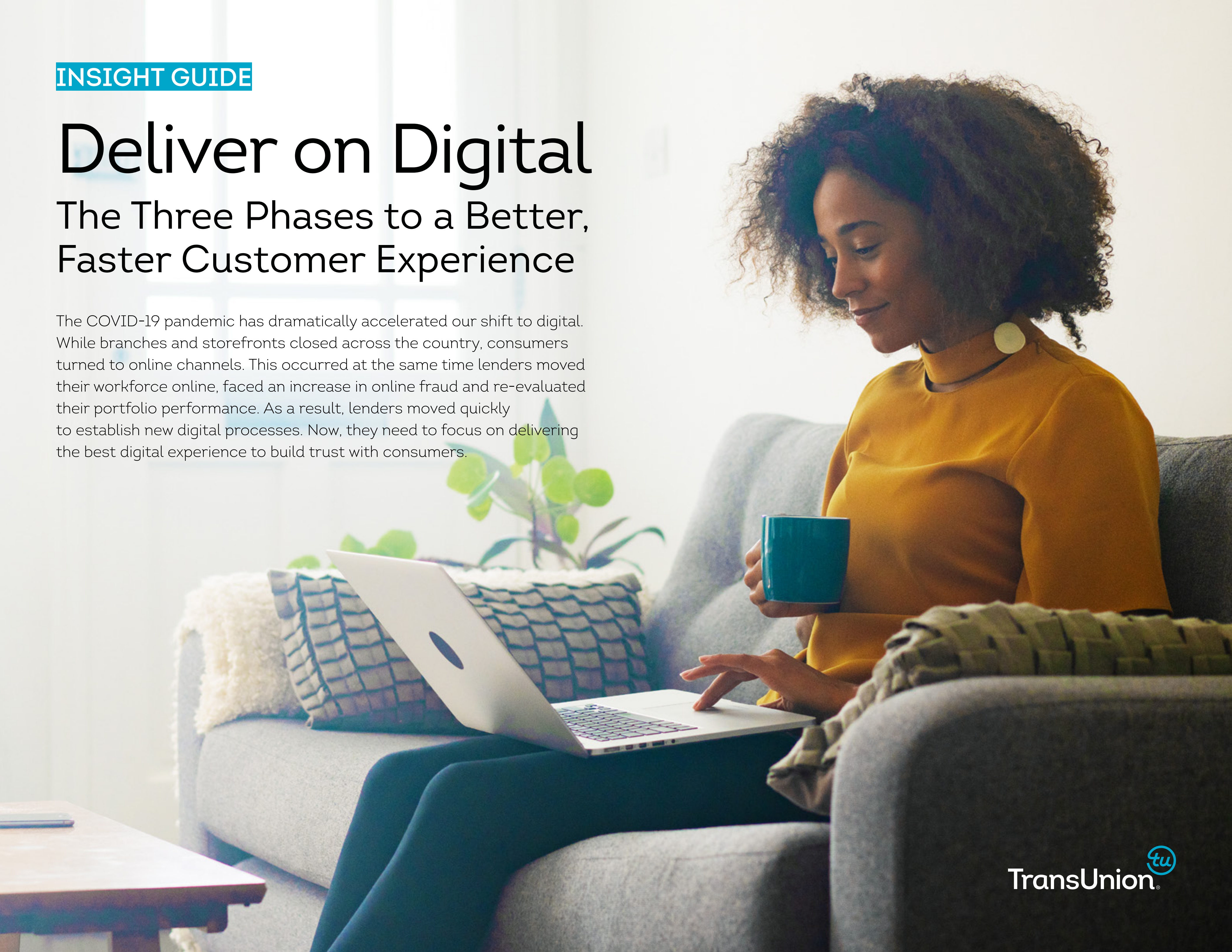
INSIGHT GUIDE

Deliver on Digital

The Three Phases to a Better, Faster Customer Experience

The COVID-19 pandemic has dramatically accelerated our shift to digital. While branches and storefronts closed across the country, consumers turned to online channels. This occurred at the same time lenders moved their workforce online, faced an increase in online fraud and re-evaluated their portfolio performance. As a result, lenders moved quickly to establish new digital processes. Now, they need to focus on delivering the best digital experience to build trust with consumers.



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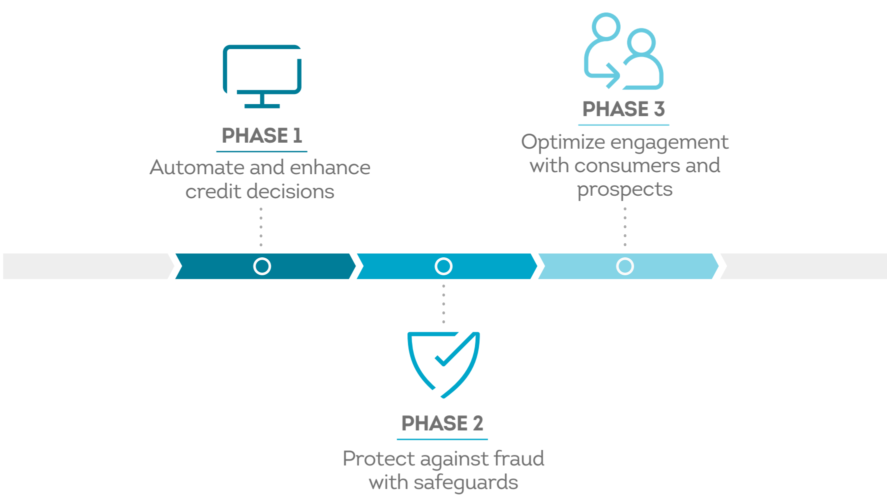
Prior to COVID-19, some lenders viewed digital as a shiny new object to attract younger consumers, but consumers of all ages are using online channels as they spend more time at home during the pandemic. According to Aite Group, **86% of senior Millennials, 83% of young Millennials, 72% of Gen Xers, 38% of Baby Boomers, and 17% of seniors log in to their financial accounts** on a smartphone at least once a week.[1] As digital becomes the new normal, consumers are demanding better capabilities from their lenders.

Why we created this guide

Financial institutions understand they need to optimize for digital. A 2020 eMarketer report found that more than half (52%) of U.S. financial services executives said their top priority after the pandemic is rethinking and digitizing client interactions. Lenders can benefit from understanding how to deliver on digital now while positioning their business for success in the future.

This guide will help you evaluate your current digital experience. We see the process for establishing a leading digital experience as linear. Put together, these three phases help you determine where you're leading and where you have gaps. At the beginning of each phase, you'll answer questions about your digital capabilities. If you answer yes to all the questions, you can jump ahead to the next phase.



PHASE 1

Automate and enhance credit decisions for a better customer experience

Lenders' first step is enabling a better customer experience using automated, intelligent decisioning. Thanks to the rise of instant online and mobile experiences, consumers expect immediate decisions. When consumers have to wait for decisions on loans or pricing, lenders risk losing the customer.

While nearly all (96%) banks offer online applications, less than one in five of these banks provide instant credit decisioning.[2] Financial institutions can no longer offer 24 or 48 hour response times – decisioning has to be instant and automated. This requires lenders to make more data-driven decisions and fewer "gut checks." Let's review what you need for automated credit decisions and how you can improve your approach.

QUESTIONS TO CONSIDER

Does your decisioning process deliver automated decisions?

Do you have a view into the efficacy of your underwriting policies?

Are you using the most complete and intelligent data possible to make lending and pricing decisions?

What we recommend

Trended credit data: As circumstances change rapidly during COVID-19, you need a better view into consumers' financial situations. Traditional credit data may show a consumer has paid their auto loan on time every month – but no detail beyond that. Trended credit data tells you whether the consumer consistently pays more than their minimum due, which means they have additional funds available for a new loan. This information gives you more confidence in the consumer's financial situation, helping you automate the decision and pricing of the application.

[1] Aite Group, The Rise of Digital-First Banking
[2] ABA Research, published by the Financial Brand, 2018

Custom analytics: Identifying opportunities for criteria improvement is vital. With analytics, you can drill down into your underwriting effectiveness. We recommend that you develop models or evaluate your existing lending strategies to identify opportunities for criteria improvement.

Automated underwriting: Even for institutions with automated credit rules in place, many applications require some manual underwriting, driving up cost and application abandonment. As more applications come from online channels, the goal is to increase the percent of automated approvals. Lenders can do this by using a highly flexible system that encourages change, allowing you to act on the new insights from trended credit data and test and validate with confidence.

Fraud detection: Digital applications are often riskier due to adverse selection and higher fraud risk. Without an automated process for fraud detection, lenders often slow account opening decisions with an expensive and manual process. We'll talk more about the importance of fraud safeguards in phase two, but it's essential at every phase of the digital journey.

PHASE 2

Protect against fraud with the appropriate safeguards

Lenders must balance consumers' very low tolerance for disruptions to their digital experience with the need for better authentication and verification to protect against fraud. With online fraud increasing 23% since the COVID-19 pandemic began, lenders need to implement better tools to manage risks now.[3]

It's not new for lenders to hear that effective authentication and verification is paramount to success in digital channels. But because lenders shifted so quickly to digital, many have assembled an insufficient collection of solutions from different vendors – which have not kept pace with the latest advancements. Lenders often have a high degree of manual intervention in their fraud prevention strategies, which can lead to greater friction for all consumers. As fraud continues to evolve, a comprehensive set of data and solutions is needed. Let's discuss the elements of a sophisticated fraud detection plan.

QUESTIONS TO CONSIDER

- Do you know which types of fraud you are dealing with most?
- Are you using best-in-class fraud prevention tools?
- Does your fraud management process include minimal manual intervention?

What we recommend

Digital identify proofing: As consumers apply online, lenders can no longer rely on digital processes that cobble together multiple solutions. To detect more potential fraud and automate screening, you need a best-in-class, comprehensive identity verification solution. The industry-leading solutions will simultaneously identify fraud schemes and remove friction from the application process, delivering a faster, safer experience for consumers.

Fraud alerts: With more consumers using digital channels for applications, lenders can't wait until they have losses to detect fraud. Using alerts to pinpoint fraud warning signals and minimize the hassle of system integrations, you can have greater certainty of catching fraud. Alerts help lenders approve more "good" customers – without adding friction into the application process.

Synthetic fraud protection: Synthetic fraud – which occurs when an identity is created from fabricated data elements or from a compilation of multiple real identity elements – has grown quickly. Since 2012, instances of synthetic fraud across all loan products have increased by nearly 7% each year.[4] With a tool that uncovers anomalies or suspect patterns in account openings, authorizations or associated trades, you can minimize threats from this fast-growing fraud type and confidently approve consumers.

Manual review tools: When potential fraud is uncovered in the application or account opening process, lenders should investigate quickly and accurately. With the right manual review tools, lenders can streamline reviews and investigate potential fraud using the most current data repositories of public and private records. Finding a comprehensive history on individuals and businesses in seconds can improve efficiency and reduce consumer delays.

[3] TransUnion traffic analysis, March 11-April 28, 2020
[4] TransUnion analysis

PHASE 3

Optimize engagement with customers and prospects

Beyond the application process, lenders need new ways to identify and engage qualified consumers online. Before the pandemic, the movement to online advertising and audience engagement in financial services was growing, but now lenders who aren't investing in digital ads risk losing growth opportunities to their competitors. A 2020 eMarketer report found that despite the pandemic, digital ad spending in financial services will grow 9.7% in 2020, reaching $19.62 billion.

Consumers bring their experiences from the non-financial sector to the process and expect a seamless experience. With a wide variety of tactics available – from targeted digital audiences to prescreened offers – lenders need to ensure their strategies offer easy ways for consumers to accept and apply for offers online. If an offer is presented digitally, but the application process is cumbersome, lenders will lose the customer and waste their marketing spend. Let's explore what you need to deliver relevant, digital experiences and offers that meet consumer expectations.

QUESTIONS TO CONSIDER

- Are your digital processes as seamless and safe as tech-savvy digital lenders?
- Can you identify qualified audiences and reach them with credit offers on the right channel at the right time?
- Do your fraud verification solutions include device-based authentication?

What we recommend

Marketing and audience solutions: To meet your prospects and customers where they are, you need to create and activate audiences with solutions that append, manage, enrich, build and deploy data. With the right digital marketing data and tools, lenders can target their ideal customer online when they are in market or likely to respond.

Credit education tools: As consumers struggle financially, digital credit management tools offer ways to attract and keep customers. You can deepen relationships with customers by empowering consumers to better understand and improve their financial health through credit scores, education and the ability to simulate score impacts.

Prequalification: Using prequalification solutions, you can introduce a digitally optimized acquisition capability. Prequalification methods can help you engage consumers earlier in the buying cycle, improving both lead generation and your customer's experience.

Device-based authentication: Most authentication methods are burdensome on good customers, making it harder for lenders to retain and cross-sell. With device-based authentication, you can recognize returning devices at log in to deliver a "friction right" experience.

As digital becomes the new normal, consumers are demanding better capabilities from their lenders. With the right solutions in place, lenders can deliver a great experience that is a win for their organization and consumers by automating and enhancing their credit decisions, protecting against fraud and optimizing engagement.

If you have questions about the three phases of a strong digital experience, contact us at **tu_info@transunion.com** or contact your TransUnion representative.

About TransUnion (NYSE: TRU)

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