

# Digital Transactions Drive the Future of Banking

How financial institutions can stay competitive by going paperless

Analysts have identified the trends that are shaping the direction of consumer financial products, and the consensus is clear: Consumers expect the bank of the future to be digital. These expectations are changing the face of banking—presently and permanently. Any financial institution that doesn't keep up with digital demand may well be doomed.

“2016 is looking to be one of the most transformative years in financial services in decades,” concludes a January 2016 report from the Bank Administration Institute (BAI). “Banks will need to embrace smart innovation not only to keep up, but also to truly differentiate themselves in a cost-effective manner.”<sup>1</sup>

## Always-available Banking Demands Increasing

Banks must embrace trending technology to remain competitive or risk becoming obsolete. Mobile payments have become a pivotal piece of the transition to digital banking, part and parcel with the increasing desire of

customers to conduct transactions anywhere, anytime.

Millennials in particular are driving this demand. The segment of the U.S. population born between 1982 and 2000, at 83.1 million, is now the largest in the U.S.<sup>2</sup> By 2017, their spending power will also exceed that of any other generation.<sup>3</sup> And they demand access to the services they use on the go. As an indicator of this mobile reality, a study by digital marketing firm SDL found that Millennials check their mobile phones an average of 45 times a day.<sup>4</sup>

Across all segments of the population, however, a recent study by Accenture found that 20 percent of banking customers are already fully digital users. This means that they prefer to look for, purchase, and use financial products online rather than at a branch.<sup>5</sup> “Having a user-friendly mobile app used to be a differentiator,” according to BAI. “Now it's table stakes.” In other words, banks that don't adopt digital technologies to meet rising demand risk losing their customers to those that do, and they possibly risk becoming irrelevant as well.

<sup>1</sup><https://www.bai.org/bankingstrategies/Strategy/Management-Issues/Top-Ten-Trends-for-Banks-in-2016>

<sup>2</sup><https://www.census.gov/newsroom/press-releases/2015/cb15-113.html>

<sup>3</sup><http://www.bloomberg.com/news/articles/2015-11-10/millennials-do-not-like-big-banks-and-all-those-fees-they-charge>

<sup>4</sup><http://www.sdl.com/about/news-media/press/2014/new-sdl-study-shows-millennials-are-more-likely-to-marketing-content-on-social-media.html>

<sup>5</sup>[https://www.accenture.com/t20150710T130243\\_\\_w\\_\\_us-en/\\_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub\\_17/Accenture-Banking-Consumer-Pulse.pdf](https://www.accenture.com/t20150710T130243__w__us-en/_acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Dualpub_17/Accenture-Banking-Consumer-Pulse.pdf)

At the institutions that succeed in the new competitive landscape, mobile banking and electronic transactions will continue to reduce the customer's reliance on paper. This shift will transform branches into an extension of the digital experience, rather than the other way around.<sup>6</sup> Not only will banks that wean themselves off of a reliance on paper attract and retain customers who prefer digital transactions, they will also be able to serve customers who don't live or work near a branch.

## Banking on Digital

The winner of *Global Finance* magazine's Best Digital Bank Award for 2015 was no newcomer to the industry. It was Citi, one of the largest banks in the U.S.<sup>7</sup> Among the digital strategies revolutionizing the way Citi does business are the use of small, unstaffed branches; making online forms easier to use by studying where some customers abandon them; and precisely targeting products to customers based on analysis of their transactions and other details.

"In order to be a bank and to be successful, digital has to be an integral part of that strategy," Citigroup CEO Michael L. Corbat told McKinsey & Company.<sup>8</sup>

Corbat has it right: customers increasingly expect to be able to bank not just anywhere any time, but also on any device. What's more, they want to be able to do more than simply check a balance on the go; they also want to be able to open new accounts, apply for loans, and perform other tasks that in the past could only be done at a branch.

Any bank that successfully makes these kinds of enhancements will have to put in place a well-developed digitization strategy. The cornerstone of a strategy to make paper transactions digital is a Digital Transaction Management (DTM) system.

DTM systems enable banks and other organizations to replace the traditional printing, faxing, scanning, and overnighting of documents required for opening

new accounts and other typical bank transactions with digital processes. These solutions also help banks automate workflows and approvals, providing significant competitive advantages beyond simply attracting and retaining more customers.

## DocuSign Leading the Way

The Digital Transaction Management platform and eSignature solutions from industry leader DocuSign help 50 million customers at more than 100,000 companies—including Citi, Citizens Bank, Comerica Bank, Pentagon Federal Credit, and Silicon Valley Bank, as well as credit unions and other financial institutions worldwide—complete their transactions quickly, affordably, and conveniently. At the same time, they help the companies implementing these solutions to streamline and enhance their own operations.

DocuSign solutions enable companies to create entirely digital workflows from the start of a transaction through to completion. For example, a banking customer might initiate a mortgage application from her mobile phone, using a digital signature. The application then moves through the digital approval process and returns to the customer for execution—all without going to paper.

Gone are the days when a lender has no choice but to overnight a stack of papers to issue a loan and a customer has to wade through it to find the places to sign. The entire package can be digital, from start to finish, resulting in a "wow" factor that keeps customers coming back for more. For the bank, going digital eliminates the need to rekey data, facilitates synchronization with customer management systems, and provides a host of other benefits that result in cost savings and greater security.

## Getting Started

Putting a DTM system in place starts with an assessment of what specific use cases would benefit most from going digital. "We often recommend that customers start by

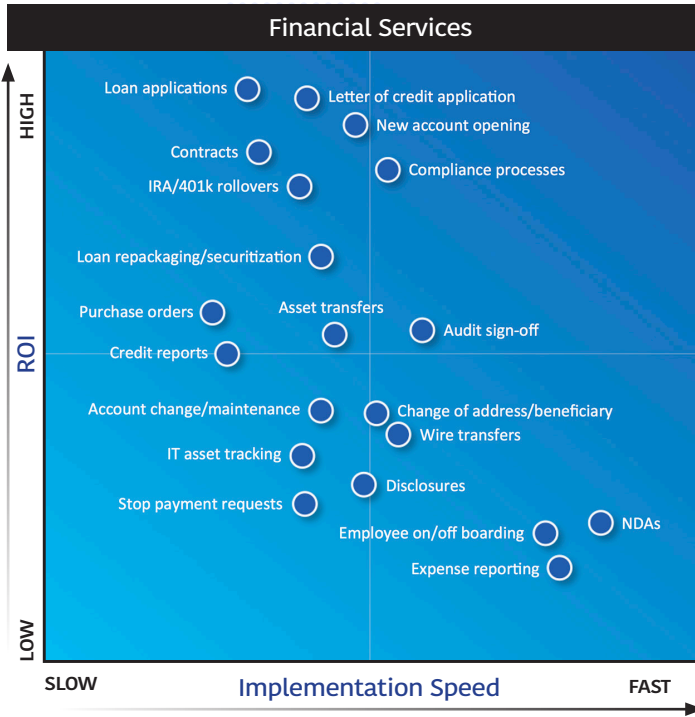
Customers expect to be able to bank anywhere, at any time, on any device.

<sup>6</sup><https://www.bai.org/bankingstrategies/article.aspx?Id=1e4c97e3-cf98-48cf-9442-45d55f8ba7b6>

<sup>7</sup><https://www.gfmag.com/media/press-releases/Global-Finance-Names-The-World-Best-Digital-Banks-2015>

<sup>8</sup>[http://www.mckinsey.com/insights/leading\\_in\\_the\\_21st\\_century/citigroup\\_on\\_engaging\\_the\\_digital\\_customer](http://www.mckinsey.com/insights/leading_in_the_21st_century/citigroup_on_engaging_the_digital_customer)

## Portfolio-Based Approach for Customer Success



Use cases that land in the upper right quadrant of a graph mapping ROI vs. implementation speed like this one make good candidates for first DTM deployments.

identifying potential opportunities for digitization, then consider the speed to implementation and ROI of each,” says DocuSign Director of Product Marketing Andrew Geisse. “Out of this typically falls a natural starting point.”

For example, one DocuSign customer, Bellco Credit Union in Colorado, went from paper to digital processes for executing unsecured business loan contracts. Building on

that success, the credit union then put digital processes in place for modifying existing vehicle and home loans.

A good DTM strategy should also allow for integration with back-office applications and processes already in place. Using DocuSign’s Open eSignature framework, for example, companies can add the ability to capture, track, and manage signatures from within an existing customer relationship management system. Institutions can also connect DocuSign solutions to the most commonly used cloud services using DocuSign-provided connectors.

### Deploying the Right Tools

Look for toolkits and APIs to further integrate a DTM system with existing systems. The eSignature REST API from DocuSign, for example, can aid in the development of Web-based applications that interact with multiple on-premise or cloud-based systems. Good documentation, developer-friendly technical support, and even sample applications should put IT teams on the right track for integration.

For institutions with security protocols that call for on-premise management of critical systems, some DTM solutions can be deployed as stand alone security appliances, enabling IT managers to keep encryption keys behind their own firewalls.

In essence, a good DTM system should be flexible enough for full customization to meet the needs of an organization—or work right out of the box, depending on the complexity required for a particular use. In either case, a DTM platform should enable the control of document custody through an easy-to-use interface. Using the interface, system administrators should be able to



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set user administration privileges and automate policies for document handling. The policies should define who within an organization gets what documents and when, as well as how documents are signed and how the signatures are authenticated.

## Realizing the Benefits

Organizations implementing a DTM solution can use paperless transactions to benefit in three key areas:

- 1. Increasing their bottom line through reduced costs.** Bellco, for example, cut annual processing costs by 50 percent using DocuSign.
- 2. Enhancing the customer experience.** Associated Bank reduced customer abandonments and achieved a boost in close rates with DocuSign.
- 3. Strengthening security and compliance.** State-of-the-art encryption practices, audit trails, and rigorous security certifications keep customer data safe.

Paper comes at premium. Printing, faxing, and the physical delivery of documents carry their own costs. What's more, papers must be physically located to keep them moving through processes such as approving loans,

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adding more processing time. And every time information has to be rekeyed into another system for processing and tracking transactions like applications, the possibility for error is introduced, potentially causing further delays.

A DTM system solves these problems with the following:

- A single streamlined digital workflow
- High visibility for every step of a process
- Time reduced from days to just hours or even minutes to process documents
- An average cost savings of \$15.68 per document (for DocuSign customers)

Increased efficiency also comes with freeing up employees from repetitive and time-consuming, paper-related tasks. Instead, when employees can leverage digital processes, they can spend time doing more productive tasks such as closing deals.

## Retaining Customers and Staying Secure

Bank customers who go paperless for such activities as applying for loans and opening new accounts benefit from the reduction in time required to process their transactions, of course. But the resulting enhancement to the customer experience also helps convince them to remain loyal to their institutions. That's why failing to provide this option hurts financial institutions' bottom line.

A Forrester Consulting report commissioned by DocuSign found that businesses lose up to 25 percent of potential new business to poorly managed transactions.<sup>9</sup> The report found that business gets lost when customers abandon inefficient onboarding processes, are unable to serve themselves, and are not presented with opportunities to use digital processes.

Transaction management also aids regulatory compliance and enhances security. In fact, electronic signatures offer even greater enforceability than pen and ink signatures. Properly captured, digital signatures are impossible to forge, leave an audit trail through every phase of the processing of a document, and carry bank-grade encryption. They also come with certificates of authenticity that cannot be tampered with, and provide a clear chain of custody at any given point in their journey through a given workflow. Multifactor authentication also adds additional layers of security.

Adopting digital transaction management isn't just about making smart decisions around innovation. It is vital to the future success of any banking institution and key to attracting the next generation of customers who demand digital options in lieu of or in addition to branch locations. Even more than that, it's about staying relevant and competitive in the digital age.

For more information about how to implement a DTM strategy and to learn how solutions provided by DocuSign can help, visit:

[www.docusign.com/finserv](http://www.docusign.com/finserv)

<sup>9</sup><https://www.docusign.com/whitepapers/forrester-study-digital-transforms-the-game-of-business-digital-transaction-management>