Path to purchase: Guiding customers through winding digital roads

The financial services industry has experienced a significant shift in customer expectations over the past few years. Once limited to the industry’s traditional set of one-size-fits-all products and services, customers are now increasingly wooed by disruptors’ tailored offerings and often seamless, digital purchasing experience. This trend will only grow stronger, especially as disposable income shifts toward younger, digital-focused customers. This demographic not only has a different set of expectations, for example almost exclusive use of mobile banking, but is also more comfortable with financial products and services provided by FinTechs and other non-traditional technology players.

On the surface, it appears that consumers are generally fine with the status quo. For example, in a recent survey we found that over 75% of customers described themselves as satisfied or very satisfied with their primary financial institutions’ customer service, mobile banking offerings, branch hours, and branch locations. However, digging deeper reveals signs of trouble: Customers that financial institutions are most interested in (millenials and wealthier individuals) are the same customers who are most likely to trust non-traditional players as providers of financial services. We also found relatively lower customer satisfaction ratings for traditional institutions in key areas like customized products (58%) and mobile offerings (57%).

Thus, while traditional institutions still enjoy high levels of customer trust today (partly due to customer inertia), to remain competitive in the future they need to become more customer-centric, analytic, and digitally focused. This need is most urgent in the customer acquisition process (i.e., path to purchase), where disruptors are best placed to take advantage of the customers’ migration from traditional touchpoints such as branches and call centers to digital ones like robo assistants and mobile platforms.
The case for change

In the old acquisition model, the customer went from one stage to the next sequentially, as depicted in the graphic below. In this relatively short journey a customer would typically become aware of a product or service, consider a few available options, and make a purchase. Due to high search costs, limited information was readily available (usually directly from the institutions) on products and services under consideration at each stage, and the scope of options under consideration was narrowed down in each consecutive stage leading to the transaction.

The old path to purchase

The proliferation of information technology in the past few decades changed the path to purchase in three fundamental ways. First, the number and complexity of available financial products and services (and their delivery channels) increased significantly. Second, customers gained access to a broader range of information on products and services from sources beyond the institutions’ control (e.g., customer reviews and independent editorial content), and to more tools that compare different products (e.g., product aggregators). Third, touchpoints along the path to purchase started shifting from physical (e.g., branches and call centers) to digital (e.g., websites and mobile platforms).

Today’s resultant path to purchase is no longer linear, but is instead complex and dynamic. After gaining awareness of a product or service, customers spend a longer time comparing available options that often grow in number and details rather than narrowing over time. As they gather new information from multiple sources and discover new options through research, customers bounce back and forth between different stages of the decision making process in an omnichannel journey. Additionally, peer reinforcement (usually through social media) plays a significant role in shaping decisions at each step of way. This new reality has turned conventional wisdom on its head: New customers are acquired and turned into loyal advocates through third-party product reviews (rather than direct interaction with the institution and its products), and existing customers can be sold on new products even in the course of logging a complaint.

The new path to purchase

Awareness  
Research  
Comparison  
Peer reinforcement  
Purchase
Although this transition started years ago, the pace of change has been relatively slow in the financial services industry. However, the recent influx of FinTechs and other non-traditional players into the industry has catalyzed the need for digital transformation of the traditional customer acquisition process, as these new entrants are acting nimbly to win the upcoming battle for customers’ wallets. They are operationally agile (due to their smaller size, strong CEOs, and flat organizational charts), and provide timely information and tailored products and services (given their digital roots).

To compete, traditional institutions need to embrace customer centricity, deliver on a digital platform, and leverage deep analytics. We call this unifying business philosophy the CAD Triangle (customer, analytics, digital). Applied to the customer acquisition process, the CAD Triangle (depicted below) will allow banks to direct customer traffic optimally to digital or physical channels, which will result in more effective engagement with customers at every touchpoint, and ultimately lead to a seamless path to purchase.

**The digital path to purchase**

**The customer’s first steps**

The vast majority of customers take the first step in their path to purchase on a search engine, so a successful digital strategy of course begins with search engine optimization (SEO). In prioritizing efforts to improve SEO, institutions must pay particular attention to two trends. First, search engine algorithms have rapidly evolved beyond showing results that merely contain the searched key words. Instead, search engines increasingly prioritize pages with relevant information. Therefore, to engage customers at the beginning of their journey, institutions should develop more editorial educational content which is typically sought at an early stage.

Second, as customer searches continue to shift from desktop to mobile platforms, it is crucial for financial institutions to have mobile-friendly websites and advertisements. This includes a manageable navigation structure that is narrow and shallow, and media content that adjusts automatically based on location, device and connection type.

The emphasis on SEO should not divert attention from other digital customer acquisition gateways that are typically neglected by traditional financial institutions. Most notably, the financial services industry has historically lagged behind others in acquiring customers via social media (e.g., Facebook and Twitter). As customers increasingly rely on peer experience and reinforcement to make significant purchases, financial institutions no longer can afford to ignore peer communication platforms.

An effective social media strategy improves customer acquisition rates both directly (via product launch campaigns and advertisement) and indirectly (by improving brand awareness and image). Thus, in addition to social media marketing efforts, institutions should engage customers on...
social media by following relevant discussions, providing timely response to concerns, and utilizing customer feedback to improve their practices. Given the short time it takes for an unfavorable story to go viral in today’s environment, speed is of the essence.

The most successful institutions in this area utilize dedicated command centers to track mentions of the institution on social media in real time and provide a quick response (e.g., immediate remediation, referral to appropriate internal staff, etc.) – including confirming customer satisfaction upon resolution of a problem so the last comment has a positive sentiment, and presents the opportunity to turn a detractor into an advocate.

A tailored experience
Customers who follow a link to an institution’s website should be directed to content that is personalized, engaging, and relevant, rather than to the institution’s homepage or any other general purpose destination. To that end, demographic information available in-house (in case of existing customers) or via third parties (e.g., search engines and marketing data providers) should be leveraged to create the right experience at the right time for individual customers. As a pillar of the CAD Triangle, analytics play a significant role in this process given the vast array of information needed to create customized content in real time.

Providing a tailored customer experience often also requires a remapping of existing touchpoints. In a traditional institution, touchpoints are static and do not follow the customer along the path to purchase (e.g., a bank teller). Digital touchpoints, on the other hand, are dynamic, enabling the institution to respond to customers’ needs as they arise. For example, a customer who is having trouble browsing a website or purchasing a product can be prompted by the system to engage with a customer service representative via call, text, or video chat. These on-demand touchpoints can be further customized by automatically providing relevant information to the representative facilitating the customer purchase (e.g., customer’s browsing/search history, or demographic information).

Remapping does not mean that physical touchpoints should be abandoned. Despite the rise of digital banking, the branch remains an important point on the path to purchase, especially for less tech-savvy customers, high net-worth individuals, and more complex transactions. However, remapping with an emphasis on enabling digital will allow an institution to focus on and invest in touchpoints that influence customers of the future, interact with them more effectively, and reduce redundancy.

A seamless purchase journey
Regardless of the number and type of touchpoints along the way, each customer’s path to purchase should be a seamless journey. Traditional financial institutions often struggle in this area, due to their siloed structure which impedes the flow of customer analytics and insights across the institution. For example, a representative responding to a customer call via phone might not be aware of a previous customer interaction with branch employees or social media team regarding the same product because web, branch, and call center teams work in separate operational siloes. This often leads to frustrated customers who have to repeatedly go over the same issue with different representatives.

To address this issue, institutions should remove operational barriers that exist not only between different channels (e.g., branch and web) and products and services such as deposit accounts, loans, and wealth management, but also within the same channel (e.g., digital marketing and online servicing teams). Relevant customer information obtained via different internal and external sources should be combined
and made available to as many customer-facing functions as possible. Analytics teams should play an active role in processing the otherwise overwhelming volume of data, and extracting useful business insights.

**Where to begin?**

Transitioning to a digital-focused customer acquisition model is a long process, and will require dedication of adequate human and capital resources. However, by prioritizing certain efforts, financial institutions can realize the benefits from this transition much earlier. For example, institutions should prioritize website/app testing and optimization in order to relieve the most pressing (and relatively easy to resolve) customer pain points. Pain points that must be eliminated include process-intensive graphics/videos and counterintuitive hierarchical structures.

These efforts can be guided by insights from customers’ digital interaction with institutions. For example, customer clicks on various points within a webpage should be tracked (i.e., “heat mapping”) to eliminate confusing design elements (such as those that are not intended to attract clicks but are nevertheless clicked on), and to promote desirable content that leads to transactions. Additionally, webpage-level statistics such as loading speed and compatibility with major browsers should be analyzed to weed out outdated media content and address browser-specific issues (e.g., auto resizing). The goal is to create a device-agnostic, scalable website that delivers a smooth user experience regardless of access mode (e.g., screen size, operating system, and connection bandwidth).

As an institution’s transformation progresses, it is important that optimization efforts be carried out continuously and incrementally. In addition to keeping up with the latest browser capabilities and content delivery methods, ongoing optimization helps institutions avoid complete website redesigns every few years.

Transforming the customer path to purchase is a long process. The good news for institutions that embark on this mission is that the benefits start arriving early in the process and at a relatively low cost, making this transition one of the best business investments available in today’s challenging environment.
Endnotes

1. An upcoming PwC Financial services digital publication will further detail this customer survey.
2. Traditional institutions are often built around a product-centric business model, as opposed to one focused on customers’ needs, and were generally born prior to the digital revolution (i.e., they are roughly 25 years old or older).
4. This includes both new customer acquisition and purchase of additional products and services by existing customers.
5. These costs include time and mental energy costs associated with searching for products and services.
6. Innovative financial solutions by non-traditional firms (e.g., peer-to-peer transactions) have played a significant role in driving this increase both within and outside the financial services industry.
7. For a more detailed discussion of omnichannel banking strategies (encompassing both digital and non-digital), see PwC’s publication, Making omnichannel work: The “to do” list for banks (September 2015).
8. See note 3.
9. While the CAD Triangle is naturally digital-focused, physical channels will continue to play a unique and important role in the banking industry, especially where more complex transactions are involved.
10. For example, a customer searching “home mortgage” is more likely to be interested in reading content that provides broad information on mortgages (e.g., the mechanics and income requirements) than to be directed to a specific product.
11. Namely, websites must be device-agnostic (i.e., optimized for the device on which the website is accessed), and mobile ads should be displayed at a lower frequency per page view and targeted based on local demographics.
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