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Bridging the Digital Divide

How can building societies deliver digital transformation *and* ensure positive outcomes for their non-digital members?

The digital divide

Most of us struggle to imagine life without digital connectivity. We Whatsapp friends, pay our bills online, scroll through social media, stream films and many of us now work remotely from home communicating via Zoom or Google Hangout. It's easy to think life is like this for everyone.

It isn't.

There is a danger that without careful consideration, the digital divide will disadvantage those members for whom a telephone conversation or branch visit is preferable or necessary. And yet these physical services are coming under pressure and becoming less cost-effective as the number of users dwindles. It presents traditionally face-to-face entities like building societies with a dilemma.

How can they control costs and deliver good value for money, and at the same time meet the needs of all their members?

Statistics and forecasts can seem contradictory

- A study by PwC and the Local Data Company found that 1400 bank and building society branches have closed in the past five years yet in many building societies, a digital alternative has been slow to emerge.

- Despite common perceptions of older people and technology, less than a quarter (24%) of over 65's prefer branch-based banking, according to a Smart Money People study of 2019.

- The 2020 Deloitte report Lasting lockdown habits: the new digital consumer? finds that between March and April 2020, six million people started using online banking for the first time. 62% of respondents who used online banking more during lockdown say they are likely to continue doing so at the same frequency once restrictions have been lifted.

- The ethical mission of building societies makes them attractive to the ethically-motivated Gen-Z digital-natives but the lack of convenient digital services could jeopardise the opportunity to attract these members-of-the future in the face of strong competition from challenger banks.

Overall, the trend toward digital continues relentlessly and requires a strategy that serves a diverse member base as well as protecting the viability of services for all. In stark terms, if building societies don't offer digital services, they risk alienating a large portion of potential members. If they cut physical services, they risk disenfranchising a section of society that needs and deserves equal access.

So, how can building societies proceed and what principles can help them navigate the digital landscape?

Does a digital-first approach mean digital only?

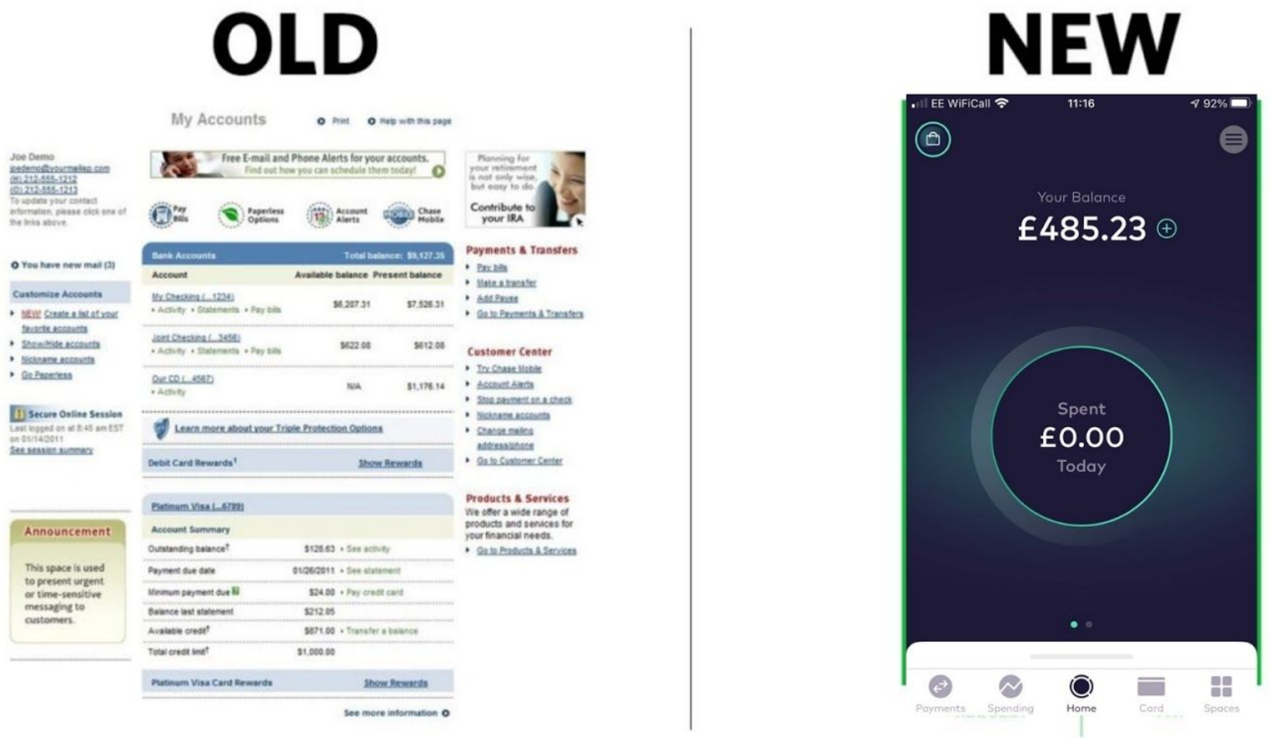
One misconception to challenge from the outset is the idea that a digital-first approach to debt management has to mean digital-only. This is the slippery slope argument; **if you go digital, all your members will have to go digital too.** This doesn't have to be true.

Digital engagement is often presented as an 'all or nothing' venture but research shows that digital preferences are much more nuanced and that there are factors within the control of organisations that can both extend digital engagement and make sure non-digital members are not excluded from the best service standards.

Taking a look at the digital experience of Millennials as an example can be illuminating and has lessons for all service providers. Millennials famously dislike using the phone, this is mainly because it's time-consuming (think call waiting times and exasperating menus). So, it follows that Millennials are prime candidates to migrate to organisations with a strong digital service offering.

This is largely correct, but if you look more closely, you will find that businesses with a strong digital infrastructure are often much better at answering calls quickly when compared to their more traditional competitors. It's a win-win for them. They attract the digital-natives but they also serve all members more quickly and these two factors are connected.

So, what are these companies doing right that enables them to serve both digital and non-digital members so effectively?



The answer is they make it easy.

22% of those currently not online at all would be encouraged if apps and websites were easier to understand * [Lloyd's Consumer Digital Index 2020]

The example above demonstrates the needless barriers that many websites or portals place in the way of engagement. Poorly designed interfaces are off putting, not *only* to those with low digital skills but also to digitally-savvy groups who value their time too much to tolerate confusing journeys that lack personalisation.

If you factor in admin anxiety or stress due to mental or physical health challenges, then you have a recipe for failure and when those disengaged individuals turn to the phone lines, there are too many like-minded people also trying to get through.
Lose-lose.

“I've tried phoning member services twice but have been cut off after waiting 20 minutes.”

“Are you incapable of answering a ringing telephone? I've been ringing the branch for three days.”

Closing the digital engagement gap– enabling and inspiring members

It's likely that some members will need support as they experiment with using digital services for the first time. A number of financial institutions are providing help with digital onboarding and ongoing skills-building exercises to help those currently disadvantaged by a lack of digital money management skills.

The advantages are far reaching, with digitally-disadvantaged individuals often being excluded from the best offers and prices (the highest digital skill cohort save 42% on their monthly energy bills compared to those with the lowest digital skills). They also bear the brunt of extra costs, in terms of the time and effort to access physical services.

In addition, digital skills can provide a lifeline for housebound members or those with physical or mental health conditions who find the high street a challenge. It can also improve independence and reduce reliance on others to perform everyday money management tasks.

The Lloyd's Bank Consumer Digital Index 2020 found that:

- ➔ 55% of people who are digitally engaged say it helps them feel more like part of a community
- ➔ 86% say it helps them worry less because it helps them keep track of their finances
- ➔ 55% find online money management less intrusive than face to face
- ➔ 2.7 million people can access the Internet but lack the ability to use it to its full advantage

Creating capacity

Digital engagement with members experiencing a period of debt can be maximised by making the process simple, accessible and inclusive without compromising intelligence or functionality. However, there still remains a small but important group of members who lack the skills, means or inclination to undertake tasks like money management online. Perhaps counterintuitively, their inclusion, which lies at the centre of the building society ethos, can be helped rather than hindered by extending digital services.
Here's how:

Automation and digital services will certainly help to control costs and create a more *elastic* capacity. How those savings and resources are distributed is entirely in the hands of each organisation. By utilising digital debt management to extend engagement and relieve pressure on physical resources, there is the opportunity to not only maintain services for the non-digital minority but to improve them. The reduction in costs could be diverted to supporting physical branches or to boosting specialist teams who support vulnerable members.

In the simplest terms, if a queue in a branch or on the telephone line reduces by 70% as people make use of online services then the remaining members get served more quickly.

It's a win-win situation.

Enterprise resilience

Finally, the COVID-19 pandemic has exposed operational weaknesses where essential processes came under pressure and were hampered or delayed by outmoded infrastructure. The buzzwords around digital transformation, once the domain of agility-focused technologists, is now front and centre for all organisations– *cloud-native, real-time processing, data, machine learning, always-on, everywhere*.

We have seen strategic changes implemented at an unprecedented pace. What we previously thought was ‘impossible’ has happened in the space of a few months. In many respects, the public has led the way with their rapid adoption of digital services during lockdown and beyond. Digital debt management presents an opportunity, not to do away with traditional services but to present members with a real choice where both options satisfy their highest expectations. No member left behind.

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We deliver smart and modern collections systems, built on decades of commercial, developmental and operational industry experience, that will break the cycle of dependency and expense that many legacy systems demand. Our mission is to dramatically improve on the status quo, both in terms of the speed, performance and cost-effectiveness of our products and providing a responsive, can-do service ethic for our clients.

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