

# SWITCH ON CUSTOMER ONBOARDING

How to improve the onboarding flow, compete and win in the new digital economy



## What you need to know:

- ✔ Auto dealers, and finance and insurance companies face rising fraud threats as digital channel use increases due to COVID-19.
- ✔ Significant money, time and resources are spent attracting consumers to websites and applications, so digital channels must offer a positive onboarding experience.
- ✔ This means balancing friction reduction with fraud prevention during the application process to minimise abandonment and increase loyalty.
- ✔ Next-generation, fully compliant fraud and identity verification solutions enable dealers to start and drive conversions, develop hybrid models for better fraud capture, understand customer behaviour, and discover new marketing and sales opportunities.





# Digital acceleration presents strategic challenges and new opportunities

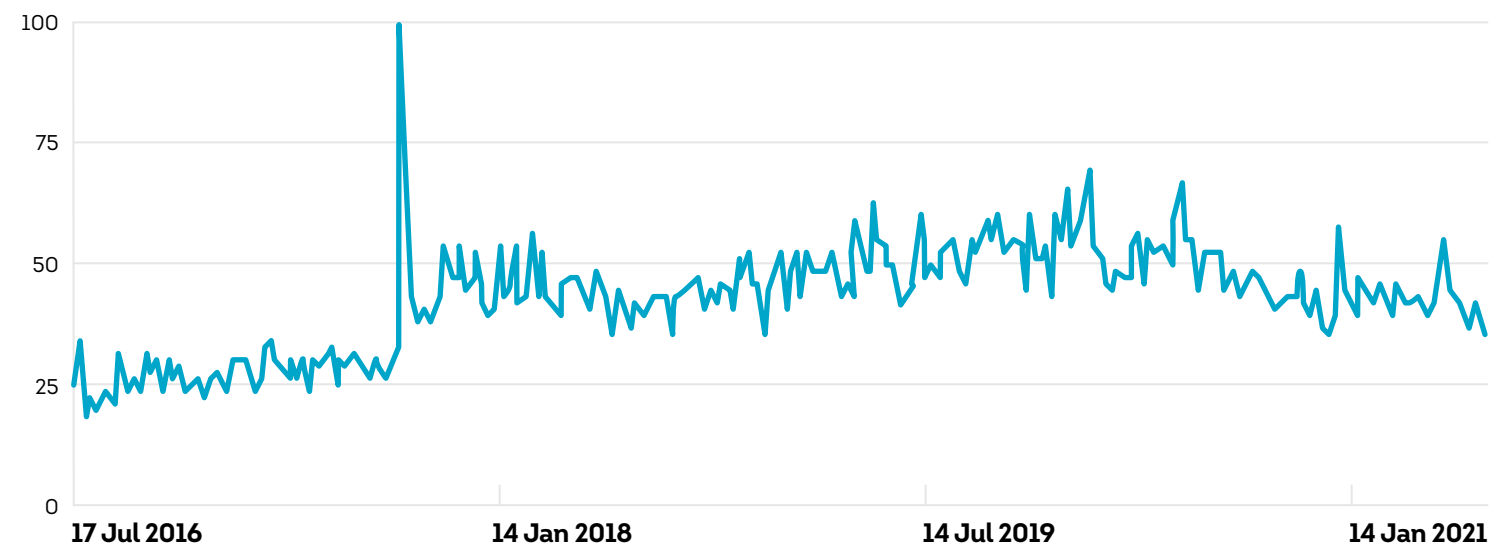
The early 2020s have marked a new watershed in digital. Lockdowns and travel bans in response to the COVID-19 crisis altered consumer behaviour, pushing more to bank, buy goods or access services online.

Even as we begin to emerge from the worst impacts, the behavioural changes of consumers pursuing digital and omnichannel purchasing options looks set to continue and grow.

As consumers opt for digital channels, they're increasingly adopting new technologies, such as facial recognition and digital wallets, and demanding better capabilities from the platforms and tools they use.

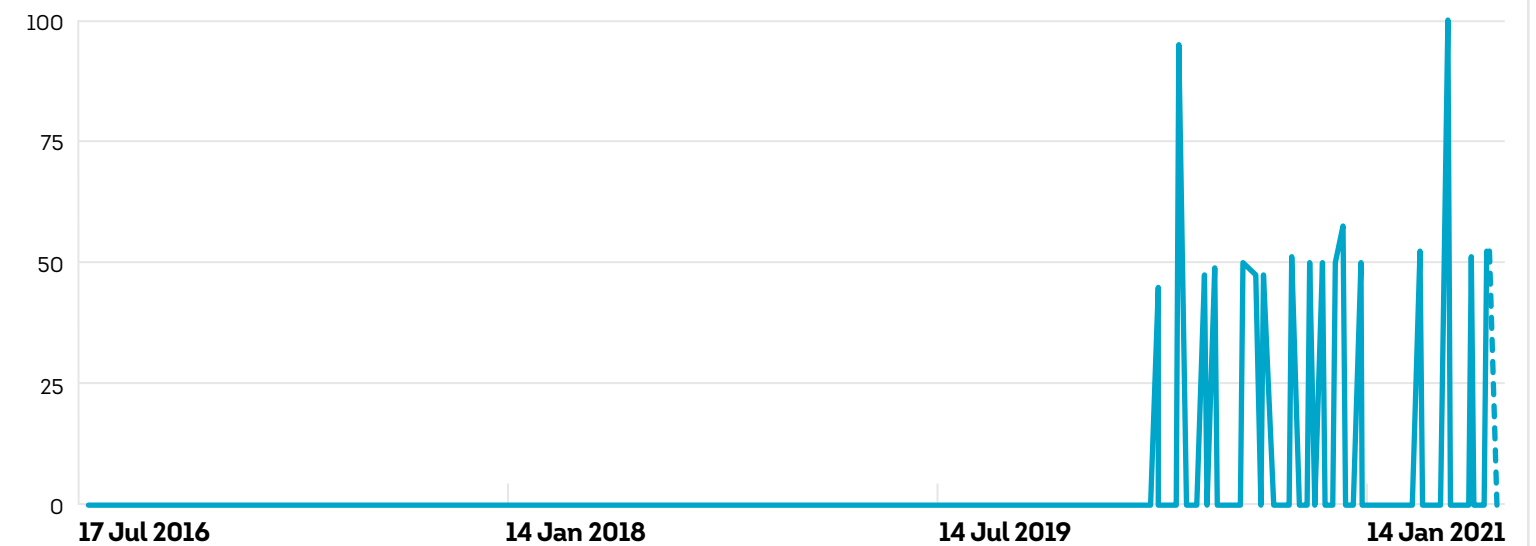
In the late 20th century and early 2000s, facial recognition was a futuristic fantasy – the preserve of science fiction films like 2001: A Space Odyssey and Minority Report (which portrayed retina scanning as an identifier for targeted out-of-home ads). Fast-forward to Apple's launch of Face ID on the iPhone X in 2017 – when Google Trends captures increased consumer interest in the technology (as shown in Figure 1). Meanwhile, Figure 2 demonstrates adoption; the spike reflecting increased consumer interest in its functionality as they used the tool during the pandemic. In just four years, a piece of revolutionary technology has become a trusted way for consumers to transact.

**Figure 1: Google Search Trends: Facial recognition system**



Source: <https://www.google.com/trends>

**Figure 2: Google Search Trends: iPhone facial recognition with mask**

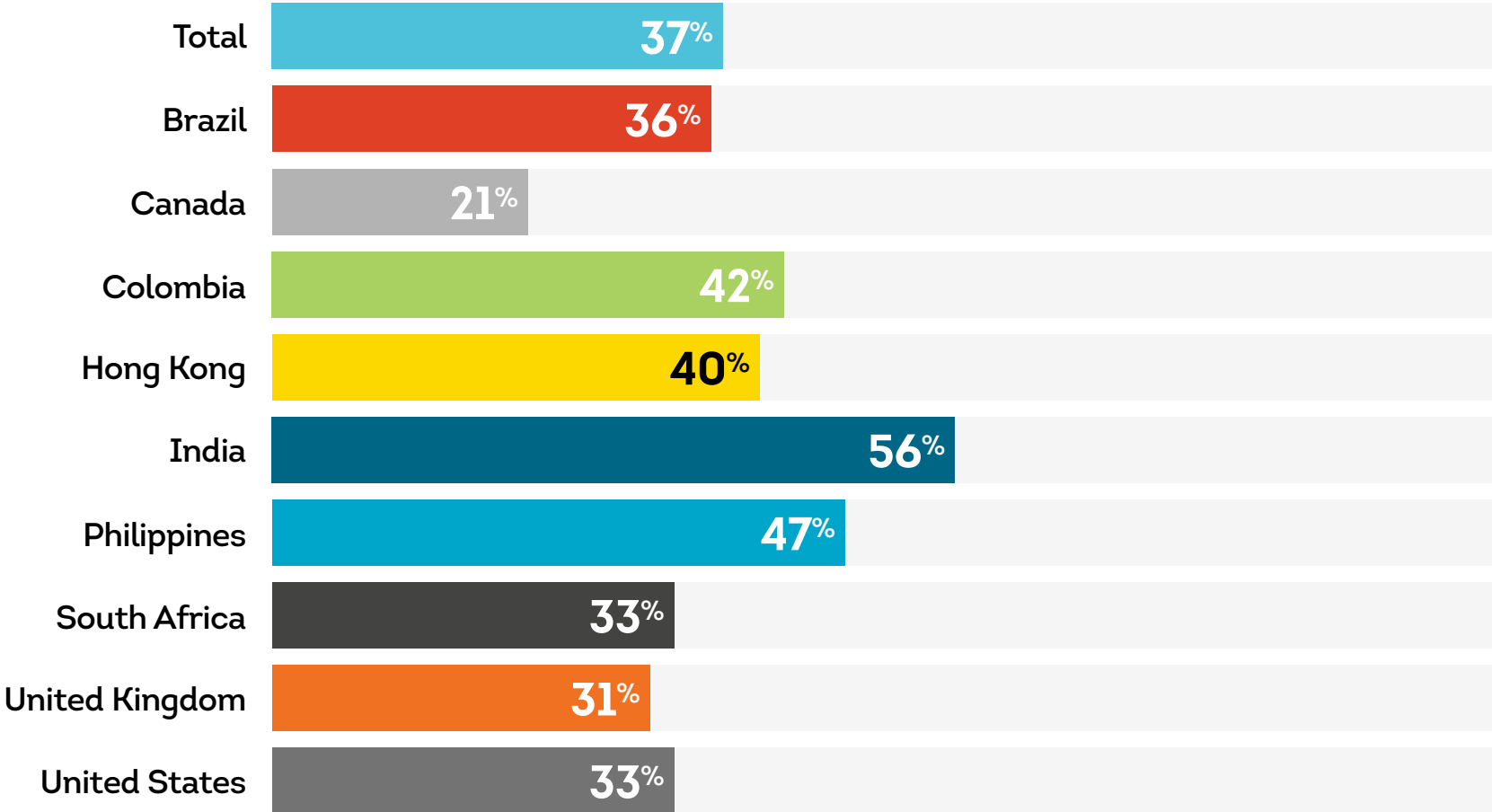


Source: <https://www.google.com/trends>



TransUnion research (Q2 2021) (Table1)<sup>1</sup> indicates one in three consumers globally are planning to apply for new credit or refinance existing credit (e.g., mortgage, auto loan/lease, credit card, personal loan, student loan) within the next year – with digital the dominant go-to channel for these transactions (Table 1). Critical for dealers, the TransUnion Auto Team has secured approval from most of the top banks for Auto Digital Onboarding outputs to stand as valid eKYC criteria. Integrating this solution now will give dealers a major competitive advantage in the future environment.

**Table 1: Are you planning to apply for new credit or refinance existing credit (e.g., mortgage, auto loan/lease, credit card, personal loan, student loan) within the next year?**



Source: TransUnion Consumer Pulse Survey Q2 2021

<sup>1</sup> TransUnion Consumer Pulse Survey Q2 2021



**Table 2: How would you prefer to apply for new credit or refinance existing credit?**

|                | Online via a desktop computer | Online via a tablet | Online via website on mobile phone | Via mobile app | In-person at a branch location | Via phone |
|----------------|-------------------------------|---------------------|------------------------------------|----------------|--------------------------------|-----------|
| Total          | 18%                           | 7%                  | 19%                                | 20%            | 26%                            | 10%       |
| Brazil         | 17%                           | 6%                  | 28%                                | 20%            | 22%                            | 7%        |
| Canada         | 27%                           | 7%                  | 17%                                | 13%            | 25%                            | 10%       |
| Colombia       | 14%                           | 2%                  | 15%                                | 13%            | 49%                            | 8%        |
| Hong Kong      | 20%                           | 12%                 | 14%                                | 22%            | 22%                            | 10%       |
| India          | 13%                           | 8%                  | 17%                                | 28%            | 22%                            | 11%       |
| Philippines    | 11%                           | 3%                  | 22%                                | 21%            | 33%                            | 11%       |
| South Africa   | 19%                           | 4%                  | 18%                                | 17%            | 33%                            | 9%        |
| United Kingdom | 24%                           | 11%                 | 19%                                | 20%            | 13%                            | 12%       |
| United States  | 21%                           | 9%                  | 21%                                | 18%            | 19%                            | 12%       |

Source: TransUnion Consumer Pulse Survey Q2 2021

To capitalise on this opportunity and drive growth, businesses need to focus on their onboarding flow (an integral part of the overarching digital customer experience (CX)) – as first impressions are critical. One study found 50% of consumers said they’ve dropped out of a previous credit application process due to poor CX.<sup>2</sup>

This guide explains how to create a smooth, seamless onboarding journey using rich data solutions, innovative technology, resilient infrastructure, and with an emphasis on a more traditional aspect of transactions – trust. Additionally, it suggests how transforming the onboarding experience is not an isolated activity, but one that unlocks business-wide collaboration and growth.

<sup>2</sup> TransUnion Consumer Pulse Survey Q2 2021

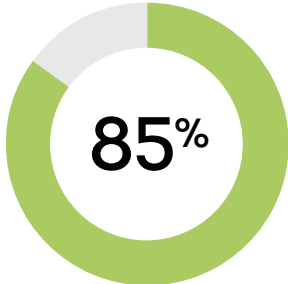






# Make gains with friction-right design

Optimising onboarding during applications means balancing consumer expectations against the need for identity verification, fraud prevention, proven creditworthiness and adherence to compliance.



**A 2020 Economist Intelligence Unit global report found 85% of business leaders believe smooth transactions are “essential to survival” rather than merely a competitive edge.<sup>3</sup>**

“These executives recognize the importance of ‘friction-right’ experience that reduces drag on good consumers and minimizes frustration during acquisition,” explains Shai Cohen, SVP – Fraud and Identity at TransUnion.

In the emerging economy, optimising onboarding processes will help businesses positively identify more good customers first-time in a secure, fast and customisable way. Equally, the tech stack should provide better insights to more accurately detect and act on fraud risks, and deliver cross-department benefits depending on the type of business and maturity of the market you operate in.

<sup>3</sup> New Dimensions of Change: Building trust in a digital consumer landscape, The Economist Intelligence Unit Limited, 2020

# The power of friction-right design: Five ways to boost acquisition efforts and performance

A friction-right approach includes layers of protection for businesses and consumers, and solutions and technology that analyse consumer data to calculate risk level. This allows businesses to tailor their fraud checks to the risk level, resulting in more secure, user-friendly customer interactions.

The objective is to optimise the onboarding journey, letting as many good customers as possible pass through in a minimal number of steps whilst simultaneously identifying potential risks, including fraud.

## Great friction-right design helps businesses:

### 1 Identify more good customers the first time

Modern identity verification solutions incorporate personal and device data. To support acquisition strategies, businesses should fixate on being able to ID more good consumers quickly and effectively the first time by minimising friction and building trust quickly. If fraud signals are present, customers should be shifted to different routes with appropriate friction.

An imprecise identity proofing process can result in higher review costs when consumers are referred for risk. Whereas superior fraud controls and processes can result in higher pass rates, higher revenue per customer, better consumer experiences, and in turn, more loyalty – leading to higher balances transferred to new accounts.

### 2 Better detect fraud threats

With around 17 unique TransUnion Africa datasets managed, TruValidate™ offers exclusive protection through our fraud prevention model. Together with POPIA-compliant data on every SIM card and mobile device in the country, this allows us to provide insights and services not available to other providers.

Leveraging a suite of identity solutions and fraud analytics to create onboarding flows that match risk requirements deepens insights into fraud threats and associated cost.

### 3 Enhance CX by delivering the same or better outcome with less effort

When there's confidence in application onboarding verification methods, CX can be strengthened with customer-centric solutions, such as document verification or facial recognition, which lower friction and accelerate users through the onboarding flow.

The digital 'fraudemic' is a media talking point, and through news stories and education efforts, consumers are becoming more aware of risks and the level of scrutiny and friction they'll encounter if they want to take out a loan, apply for a credit card or set up a new phone contract.

In terms of digital innovation, our research found consumers favoured advanced identity verification, such as one-time passcodes or facial recognition, in their financial services relationships. And in most countries, there's a consistent trend of younger generations more likely to want advanced identity verification. The implication is consumers expect businesses to bake robust security checks into aspirational and intuitive customer experiences.<sup>4</sup>

Another benefit for embedding these solutions into onboarding flows is they can act as a deterrent to fraudsters, moving them away from your ecosystem before they do damage.

<sup>4</sup> Maverick\* Research: Reckless Digital Acceleration Fails – Digital Sensitivity Differentiates, Gartner, June 24, 2021

**Table 3: In which situations would you want to be asked for advanced identity verification, such as facial recognition or one-time passcodes delivered via email or text?**

|                | ONBOARDING                              |  | LOGIN  |   | N/A               |
|----------------|---|--|--|---|-------------------|
|                | Applying for a financial product online | Creating an online account at a financial services company | Logging in to an existing online account at a financial services company | Changing account information at a financial service company | None of the above |
| Total          | 39%                                     | 43%  | 38%  | 38%   | 24%               |
| Brazil         | 41%                                     | 46%  | 38%  | 38%   | 18%               |
| Canada         | 34%                                     | 36%  | 33%  | 40%   | 36%               |
| Colombia       | 45%                                     | 36%  | 34%  | 30%   | 20%               |
| Hong Kong      | 39%                                     | 33%  | 32%  | 30%   | 29%               |
| India          | 42%                                     | 48%  | 38%  | 39%   | 13%               |
| Philippines    | 33%                                     | 46%  | 34%  | 27%   | 19%               |
| South Africa   | 42%                                     | 49%  | 47%  | 43%   | 16%               |
| United Kingdom | 42%                                     | 44%  | 42%  | 45%   | 22%               |
| United States  | 38%                                     | 43%  | 38%  | 43%   | 30%               |

Source: TransUnion Consumer Pulse Survey Q2 2021

## 4 Automate processes and redistribute resources

Solutions that enable a smooth and seamless onboarding flow present an opportunity to automate some manual processes. For example, a hybrid model that uses automated document verification checks can speed up the application process, removing drag and improving the fraud capture rate. The additional benefit is this may enable resources and budget to be deployed elsewhere.

## 5 TruValidate is designed to enable services through the same API

Even after the initial development. This means even if budget is a concern today, or there's a new security threat later, automated components can be added or configured for the existing integrated solution. This drastically reduces design and deployment time and enhances management flexibility.



# Not all CX-friendly solutions are built equally

Facial verification is a relatively new addition to the onboarding flow – it can reduce the trade-off between fraud and security, and support efforts to look and feel like a leading technology brand.

Research in 2020 points to the influential role biometrics (fingerprint, facial or voice recognition) will have: 85% of executives believed they'll be used to authenticate the majority of payments in the next 10 years<sup>5</sup>.

With lifelike 3D masks, deepfake video and photo editing software readily available, it's essential a facial recognition solution:

- ✔ **Makes onboarding convenient and doesn't create too much friction**
- ✔ **Is inclusive**
- ✔ **Prevents fraud – deterring fraudsters (who don't want to expose themselves) and accurately detecting fraud by being built to robust security and compliance specifications**

5 New Dimensions of Change: Building trust in a digital consumer landscape, The Economist Intelligence Unit Limited, 2020





# TransUnion's approach to building a facial recognition solution

TransUnion's facial recognition solution uses an inhouse SDK; its architectural design is vendor agnostic, working with Android, iOS (across the last three versions) and web to offer large consumer coverage. It supports the uploading and checking of:

- 1 Static selfies**
- 2 Real-time image capture – that enhances mobile-first onboarding design**
- 3 Video capture using visual and audible signals**

Our product teams' vision was to set a new benchmark for a truly low-friction solution with single frame checks. We identified the fraud risks associated with static selfies or video (it's simple to copy, spoof or intercept photos or modify metadata, videos can be manipulated, and lifelike latex masks can be used). As well, checks should be rigorous, ISO compliant and completed in under five minutes. We also wanted to offer an alternative to a multi-frame approach which places greater demand on and friction for consumers, potentially causing drop offs.

7 TransUnion blog: How to Identify Total Cost of Fraud to Optimize your Fraud Prevention Strategy







The advantages of using the same image are:

- ✔ **Zero extra effort for the user, reducing abandonment**
- ✔ **Zero extra code for image capture, simplifying complexity of the UI**
- ✔ **Zero extra data to transmit, reducing network traffic and associated costs**
- ✔ **Zero information for a fraudster on how the liveness works**

Detecting liveness by applying additional checkpoints to the existing selfie image allows incorporation of robust and verified liveness detection controls – often missing from processes for fear of overburdening the end user. This approach, however, allows the user experience to remain as friction-right as possible.

To quantify the completeness of single frame checks, it uses ISO accreditations for passive liveness detection – compliance in Level 1 and Level 2 of ISO 30107-3 should be the minimum requirement and verified by NIST approved laboratories.

In today's mobile-first world, the importance of compliance that covers iOS and Android, and integrates seamlessly into web flows, cannot be overstated. We're proud our single frame solution successfully reached Level 1 and Level 2 compliance with an Attack Presentation Classification Error Rate (APCER) of 0% during certification. This next-gen solution gives businesses confidence in great, friction-right experiences that deliver positive consumer outcomes.



# Configurable fraud and ID solutions add a new dynamic to optimisation efforts

During acquisition, different products or services require different levels of fraud and identity checks to ensure as many good customers are accepted the first time.

Configurable fraud and identity checks have the potential to move the dial for conversion rate optimisation – often seen as the domain of CRO or UX experts. Fraud and identity solutions offer performance transformation at scale through test and learn opportunities, and the chance to uncover previously hidden consumer trends and automation. Considerations when assessing solutions should include:

## Performance optimisation

The ability to change workflows (directly or working with the vendor) rules and scorecards, and choose components to iterate and optimise performance.

## Differentiated insights

Data and analytics connectivity should be maximised with advanced analytics and machine learning capabilities. Solutions should offer checks against global fraud databases across device intelligence, AML watch lists and document verification, and local fraud or credit datasets depending on market maturity.

## Streamlined, flexible and future-proofed services

A single API connection allows easy and quick integration with existing infrastructure. This should enable the right solution, such as an ID check, AML check, email verification or document verification, to be delivered at the right moment in the customer lifecycle and strengthen (not disrupt) the customer journey.



**Decision-makers<sup>7</sup> believe there will be a consolidation in companies offering fraud and security services in the next 10 years – taking a long-term view on your vendors approach should be part of procurement considerations.**

7 New Dimensions of Change: Building trust in a digital consumer landscape, The Economist Intelligence Unit Limited, 2020







# Thinking ahead – the future of onboarding

The COVID-19 crisis drastically changed our world and sparked new behaviours that continue to evolve. Then, as now, technology was at the forefront – both shaping and being shaped by those new behaviours. As consumers moved online, a positive onboarding experience became business critical. Those dealers and associated service providers that shifted gears, changed direction and accelerated their digital transformation gained pole position.

But merely adapting and accommodating is never enough. To constantly convert more good customers, satisfy emerging needs, cultivate long-term loyalty and successfully compete in a digitised world, your onboarding process must deliver:

—  
**Seamless, friction-right, device-agnostic experiences**

—  
**Mutual confidence and trust – in consumer identities and the safety of information shared**

—  
**Improved fraud capture rate as the threat of digital fraud evolves**

Onboarding experiences vary across countries due to market maturity around credit, compliance and demographics. For South African auto dealers, speeding customers through the application journey whilst meeting affiliate business partner and regulatory demands requires a sophisticated hybrid of world-class, global technology and on-the-ground, granular insights.

The rapid adoption of mobile and Open Banking in South Africa demonstrates the power of digital experiences to be more socially and financially inclusive. It also underscores the enthusiasm of South Africans to chase and embrace the opportunities of leapfrog technologies.

As a leader in the auto industry seeking to protect your lead and pull ahead of the competition, you must consider the importance and potential of digital onboarding to transform experiences, exceed expectations and enhance long-term customer loyalty.





## Make streamlined experiences and happy customers a reality

Do you want to unlock the potential of our onboarding flow and make your first impression count? We help businesses transform their onboarding flow through innovative data solutions and analytics. Work with us to realise your customer experience ambitions, improve fraud capture rates, and discover new ways to drive improvements that benefit teams across your business.

### About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing a comprehensive picture of each person so they can be reliably and safely represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things.

#### **We call this Information for Good®.**

A leading presence in more than 30 countries across 5 continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

