"The Amazon Effect" on Financial Services and What Institutions Can Do About It

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Since Amazon became a top retailer in the world, consumer needs for ease and immediacy in all brand interactions has only grown. Because of this, many once beloved brands that were late or unable to embrace digital adoption are now struggling to stay afloat. After the rapid decline of brick-and-mortar retail stores and the rising popularity of mobile apps that make ordering easy, there can be no doubt consumers require "on demand" status and instant accessibility from the brands they spend their dollars with.

This disruption is called "The Amazon Effect" by some, and while it has certainly changed life for consumers, it also holds implications for brands of all sizes– even for financial institutions. To keep up with this "effect," institutions are relying on new technologies such as instant card issuance and mobile payments to cater to changing consumer attitudes. This "on demand" consumer mentality also means big growth for businesses. In 2017, Amazon accounted for 31 percent of all ecommerce purchases while driving half of the overall retail growth in that year.[1]

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[1] "One Statistics Shows How Much of Retail Amazon is Dominating," Business Insider. http://www.businessinsider.com/retail apocalypse-amazon-accounts-for-half-of-all-retail-growth-2017-11. November 1, 2017

Amazon's savvy business moves aren't just to delight customers; focusing on customer needs served the ultimate business purpose of growing revenue.

1. When Super Saver Shipping was introduced, order sizes increased.
2. The introduction of 1-click ordering reduced shopping cart abandonment and increased order frequency.
3. The advent of Amazon Prime enabled purchasing decisions to begin with an Amazon search.
4. The introduction of Amazon Prime Now created two-hour delivery in many markets.
5. Now, Amazon has its sights set on food with the acquisition of Whole Foods and the launch of PrimePantry to dominate the grocery space.

Each of these tactics not only drove increased revenue, but also deepened overall consumer loyalty.

59% of consumers want personalized offers and service

"The Amazon Effect" in Real Life

You can see this "Amazon Effect" disrupting other verticals: patients can now visit a doctor, virtually. Vacations, restaurant reservations, and car services can now be booked "instantly" online, and streaming services have all-but replaced traditional cable. Even when it comes to non-app interactions, consumers want more, faster. Consider the following statistics:

- 81 percent of consumers now demand an increased response time[2]
- A two-second delay in webpage load time leads to a 20 percent abandonment rate[3]
- 59 percent of consumers want personalized offers and service[4]

With data such as this, it's easy to see how consumer attitudes have shifted to wanting instantaneous access to the things they desire, and financial services are no exception.

So, what can financial institutions do to cater to these new shifts in our economic culture?

[2] IBM Institute for Business Value Report, 2016

[3] "7 Scary Stats for Ecommerce Retailers," Shopify. https://www.shopify.com/enterprise/7-scary-stats-for-ecommerce-retailers . December 21, 2016.

[4] ibid

Instant card issuance attracts customers, supports in-branch banking, and enhances customer loyalty.

Attracts Customers

Going to your branch to get a replacement debit card instantly is important, because really, who wants to wait? It's an especially popular feature among the younger demographics. These consumers are at the forefront of the "on demand" economy, largely because they've never known life in a different way. 36 percent of millennials ask for instant issuance by name with 36 percent of millennial and 47 percent of 18 to 24-year-olds say instant issuance impacts their decision on where to bank.[5]

Even without millennial adoption, instant issuance is rapidly becoming an expected practice for financial institutions. By 2020, more than 50% of financial institutions will have an instant issuance solution. Other brand projections illustrate at least one competitor in any institutions branch footprint will have instant issuance.[6]

In a recent study, a quarter of respondents reported abandoning a transaction if same day shipping isn't involved[7], and this number will only rise. Having same-day instant issuance could mean the difference between a throng of new customers, and losing out on growing new accounts.

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Supports In-Branch Interaction

The rise of digital self-servicing tools has impacted the branch interactions institutions have with their accountholders. Sixty-seven percent of account holders now conduct business via online banking versus 57 percent of those who go in-branch.[8] Yet, despite the fast-changing technology landscape, branch banking continues to be important to both consumers and banks. As more and more banks re-evaluate their branch positioning strategy so that there are more meaningful and profitable engagements, instant issuance appeals as a way for branches to remain relevant.

Additionally, institutions with an instant issuance solution are often able to migrate low-value-added transactions, such as deposits and loan payments, to self-service channels, freeing up valuable branch employee time for more strategic (and profitable) interactions, such as loans or investment advice.

[5] Alte Group

[6] ibid

[7] "Same Day Shipping is Key to Fighting Amazon," Business Insider. http://www.businessinsider.com/same-day-shipping-key-to fighting-amazon-2017-2. February 13, 2017

[8] The State of Retail Banking – 2016 – Time Trade

Branches are still important even in the era of online self-service, which makes it even more important for institutions to deliver good customer service when account holders do come into the branch. As long as the banking industry continues to evolve with new technology—and a firm commitment to providing personalized service— it seems certain that branches will keep their doors open for the foreseeable future.

Enhances Customer Loyalty

Perhaps the biggest advantage of instant card issuance is its ability to delight account holders and inspire loyalty. There are more payment options available to consumers today than ever before, and with mobile payments disrupting the space, loyalty is critical to ensuring financial institutions survive. Because there's still a card behind every transaction, deciding on which card to use is driven by loyalty, and often loyalty is driven by who is the first to meet the need. Being able to put a fully functioning debit card in a new accountholder's hand is still an unexpected benefit, and they'll appreciate receiving their card immediately versus during the seven to 10-day waiting period. Instant action drives instant activation and usage, meaning institutions that have this capability have the best chance of keeping their card top of wallet.

After years of large-scale data breaches in the news, many account holders now want to know their institution is there for them, especially when they're at their most financially vulnerable.

Fifty-three percent of U.S. consumers received a replacement card because of fraud or breach in the past year, with six percent of cardholders switching financial institutions as a result of their card fraud experience.[9] It makes a difference in reinforcing brand trust if an institution is able to instantly print out a card for customers affected by a data breach.

Finally, instant issuance offers the ability to educate accountholders about the benefits of not just their card security and payment benefits, but other services such as online and mobile payments. Being able to educate via instant issuance drives an incremental lift in adoption of these products sooner versus later.

As Amazon's "customer first" mindset enabled the company to grow to astronomical financial heights, cultivating account holder loyalty has positive implications for institutional profitability as well. Instantly issued cards are found to lead to a 15 percent increase in activation, an average of five additional transactions on the card, and a 15 percent increase in account transactional volume.[10] Instant issuance can also trim costs by reducing operational costs associated with cards up to $1 per card and lead to a 53 percent reduction in fraud.[11]

By allowing customers to gain access to the goods they wanted, faster, Amazon created a new consumer paradigm, modified shopping behaviors, and created a large – and loyal – customer base. Like it or not, account holder attitudes are shifting, and it is up to the institutions that serve them to attract and retain their business. Amazon now corners over a quarter of the 2.5 trillion-dollar ecommerce business[12], so it doesn't seem like such a bad idea to model your institution on the ideals that made the brand such a success – ease, speed, and delivering an outstanding customer experience.

[9] Aite Group: ACI Worldwide study of consumers in 20 countries, Q2
[10] CPI Card Group
[11] ibid
[12] "One Statistics Shows How Much of Retail Amazon is Dominating," Business Insider. http://www.businessinsider.com/retail-apocalypse-amazon-accounts-for-half-of-all-retail-growth-2017-11 . November 1, 2017

Find out how Card@Once®, the instant issuance solution from Harland Clarke, can help your financial institution increase revenue, and engage and delight your customers.

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