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Customer Experience Drives E-Signature Adoption

No Waiting, Happy Customers, And Better Compliance

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EXECUTIVE SUMMARY

Electronic signatures are gaining momentum among businesses of all shapes and sizes due to accelerating consumer technology and the need to reduce both transaction costs and the time to close business. The technology has found traction particularly among banking, insurance, and home and auto lenders as these companies double down on their efforts to reach customers via the Web. The reason is simple: Customers, who are more comfortable with the Web and mobile apps, are now driving e-signature adoption; it's no longer just enterprises looking to reduce paper costs. Looking ahead, consistent attitudes and best practices within industries are required to kick the bottom out of the dam and push e-signatures toward becoming an accepted practice within an industry sector.

E-SIGNATURES ARE ON THE RISE — BUT BARRIERS REMAIN

E-signature market momentum is steadily growing due to rapidly evolving business process and workflow automation. The recent and significant connection between e-signature technology and an improved customer experience is accelerating adoption. But traditional barriers remain, including inconsistent acceptance across and within industries.

Adoption Is On The Rise As The Customer Experience Takes Off

Enterprises now incorporate plans to adopt e-signing into their customer experience initiatives. This was not always the case: In the past, e-signatures were treated either as a newly emerging standalone technology or as part of an enterprise content management (ECM) initiative. Lower risk, improved compliance and operations, reduced paper costs, and the ROI from shortening transaction times were previously the primary business drivers for firms to switch to e-signing — but they were insufficient to drive mass adoption. Forrester has found that:

- **Now customers want e-signatures.** In the past, business process pros missed the boat on e-signatures. They knew the technology was important, but didn't consider its role in improving the customer experience. Reducing the time and hassle to open an account, acquire new products, and create a “wow” factor when doing business are now prime considerations for including e-signatures in business process redesign.

“Customers were happy with the new software-as-a-service (SaaS)-based e-signature process. They wanted to come into the office and meet with the agent just once to understand the deal. They did not want to waste gas coming in a second time just to sign paperwork; by that point,

they had seen enough of our agents. Our challenge was with our field sales force; they were the ones with the change management issue — not our customers.” (VP operations, medium-size property and casualty insurance company)

- **Modernization, mobility, and demographics are pushing e-signature adoption.** In 2011, mobile support is largely a clumsy add-on to the customer experience. But by 2020, many processes will start from a mobile device and organizations are designing e-signatures into these processes.¹ Banks, for example, have a clear focus.

“We need to build a complete front office on the Web, and it needs to include e-signatures. Yes, our customers today can see their balance and pay bills, but they can’t really open an account or sign up for a new service. They need to be able to see and manage all of the documents and sign them. Now we are dealing with this issue.” (VP of process architecture, regional bank)

- **Compliance can have a positive impact on paper-based processes.** E-signatures improve the speed of signing documents and the consistency and transparency of the process. For example, one of the largest online insurers has a regulatory requirement allowing a new insured up to 60 days to return a signed form — enabling the insurance company to waive certain state requirements but exposing it to various risks for that 60-day period. E-signatures eliminated this exposure. In this case, e-signing made for a more compliant process and reduced the associated risks. Now, the extra focus on the customer experience gives companies an added impetus to use e-signatures to improve business processes and meet anticipated regulations.²
- **Technology increases the speed of order and cash flow.** Salesforce.com applications now allow e-signing, and its use is increasing. This provides substantial value to the customer relationship management (CRM) system, as it speeds up the order process and lands commissions for sales staff earlier. Improving order-to-cash helps all businesses.

“Insurance advisors want to get pen to paper as soon as possible to get the order into the pipeline. We don’t want to have a deferred signature process; having signing take place two or three days earlier does move the needle for us.” (Enterprise architect, large Canadian insurer)

Some Barriers Will Take A While To Overcome

Barriers to e-signatures are slowly lifting but still remain. Customers are increasingly on board, whereas historically they were by far the largest barrier. But organizations still have to deal with an overlapping and inconsistent regulatory landscape, as well as integration and tooling issues. In particular, the market is held back by:

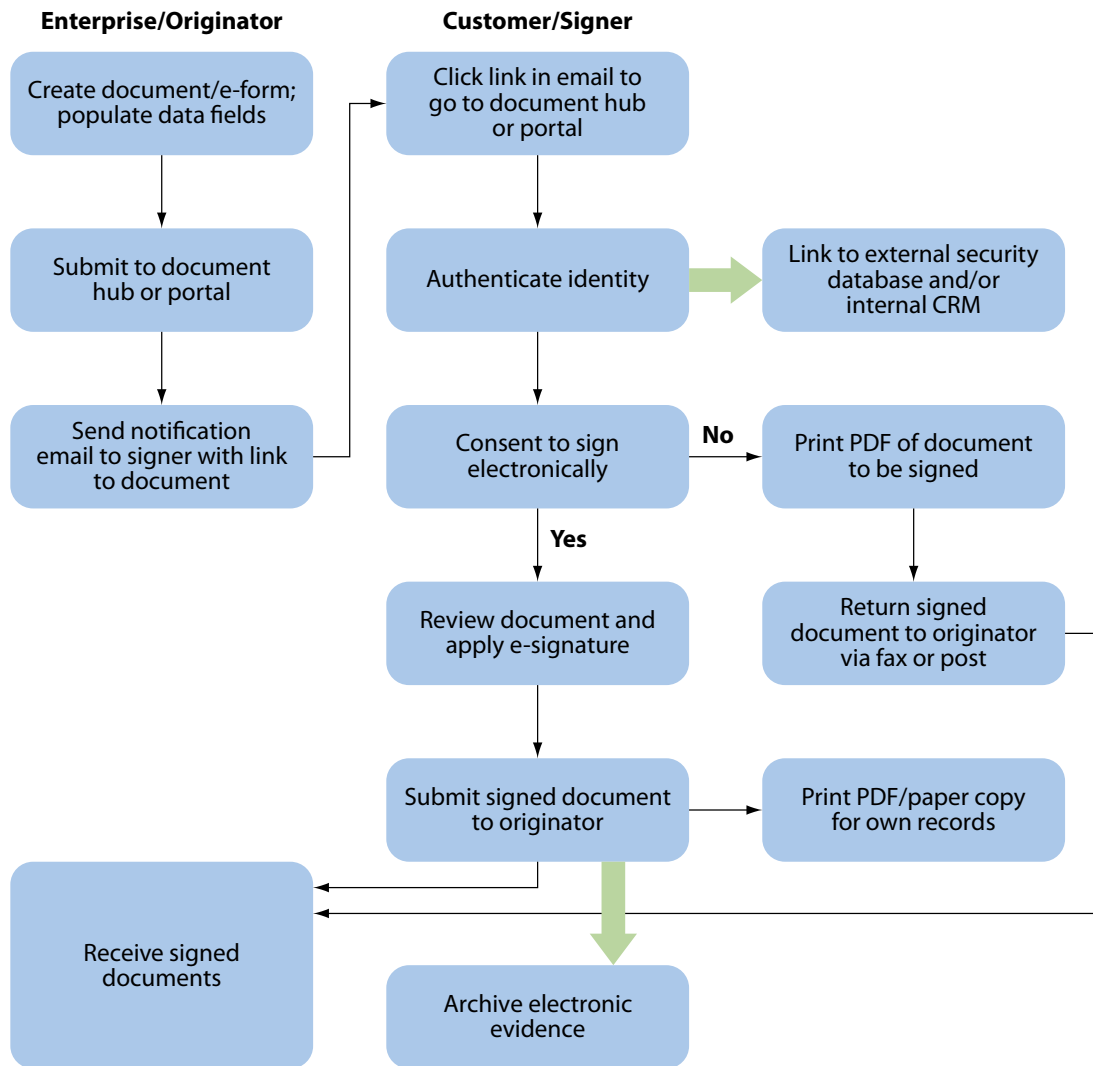
- **Overlapping regulatory guidelines.** E-signature regulations are inconsistent across geographies: Various countries and US states often regulate e-signing differently. Enterprises are often reluctant

to build solutions that may not be compliant across their entire business. As a result, it is difficult for them to reach the volume of transactions needed to fulfill a business case — or they risk incurring customization costs to meet different provincial requirements.

- **Documents with a downstream afterlife.** It may be relatively easy to gain acceptance for the signature process for an original set of signers. But what about when the documents are relevant to downstream processes that involve other, potentially unknown parties? Loan origination is an example: Documents are often repackaged and bundled for sale. Uncertainty about whether the signature method will be accepted and valid downstream may inhibit initial adoption.
- **Underestimating complexity.** The signing process is the keystone of executing a binding agreement. Yet the signature itself is only one part of the overall document or business process (see Figure 1). Replacing all paper-based processes with electronic ones and automating as many previously manual steps and procedures as possible is the real goal. But many enterprises start out thinking that you just plug in a device or build an app and start signing electronically. But then they realize how many system touchpoints there are and how much behavioral change will be required of internal staff.
- **Confusion about the tools to use.** A number of tools touch e-signatures, such as business process management (BPM) suites that manage the broader process and ECM systems that store the resultant documents and evidence for the signing process. But it doesn't stop there: E-forms, outbound document creation tools (DOCCM), and packaged apps create forms and templates that may require signing and may have some e-signature capabilities as well. Business process pros are often unsure which tool to leverage — and where.

“We have e-signature tools embedded in many solutions, but don't know whether we need to buy or expand our use of e-forms, e-signatures, BPM, or document output tools. How do these all relate to one another from a development and process standpoint?” (Business solutions architect, mutual insurance company)

Figure 1 Generic E-Signature Document Workflow



Source: January 15, 2010, "Market Overview: E-Signatures In 2010" Forrester report

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Source: Forrester Research, Inc.

Inconsistent Attitudes Are Not Helping

One barrier is the wide range of opinions about the use of e-signatures. Without a consensus on what is acceptable, e-signing will remain a niche application. For example, in financial services alone there's a wide spectrum of attitudes about and approaches to e-signing that range from not interested to an enthusiasm to completely redesign processes to bundle e-signatures with mobile and tablet interfaces. We found that:

- **Some banks want terms explained on paper first.** Some banks are completely tied to traditional printed documents and must be slowly weaned from paper; others have converted some of their products to use electronic means but need a nudge in the right direction to do the same for all of their products.

“We wanted the bankers to print out documents and use those to explain to customers what they were signing, but then sign on an e-pad. The goal was to get rid of paper in the workflow but still take advantage of its communication properties.” (Business analyst, medium-size bank)

“We decided not to have e-signing for web-based sales and to have slightly different processes for direct deposit account (DDA) and individual retirement account (IRA) openings. For example, we don’t print out paper for DDA, which is completely on the e-pad.” (Enterprise architect, large retail bank)

- **Most focus on lower-value transactions . . .** Most banks have no e-signature process at all, while others are dipping their toes in the water, starting with simple account openings for demand deposits and lower-value loans.

“We are not e-signing mortgage loans — just car loans. And we focus on how the signing process will work in the physical environment as opposed to the Web. Should we turn the screen around? Well, that didn’t work due to the security exposure. The big advantage is auditing. We used to have to call the customer back in when the wet signature process was executed incorrectly. Electronically, it just can’t be wrong — which is a huge savings in auditing.” (Branch systems project manager, retail bank)

- . . . **while others focus on rich web-based experiences.** The web is still the primary channel for e-signatures, with many banks just planning to roll out new capabilities. This bank is taking a pretty typical approach to leveraging e-forms:

“We are rolling out e-signatures as part of a workflow and forms project and using Adobe LiveCycle as the platform for forms. Based on the questions, we will dynamically generate the form and integrate it with a SaaS e-signature solution.” (IT architect, financial institution)

- **Larger banks are looking to completely revamp their processes.** Larger banks can take a broader and longer-term view than their smaller, less capitalized competitors — and some are doing just that. One money center bank is redesigning its processes to start from a tablet, where terms are discussed and shared with the client from a mobile app. The bank is using global consulting firm resources on the project and is wrestling with whether a standard-issue 9-inch tablet has enough real estate to support the apps, which have yet to be built. E-signatures will be one of a hundred use cases on the device.

- **Others look to eliminate annoying tactical systems.** There are easier ways to verify a signature than having a teller compare it with a signature card on file. Are they experts in handwriting analysis? Plus, what happens when there is a poor signature match or the transaction moves to the Web? One very small bank had 11,000 such signature cards in an image archive. To add a new one, the customer filled out a form and provided a signature, which was then scanned and archived. E-signatures could replace this system quickly by verifying the signature in real time using authentication factors from external databases or internal customer information systems. And one bank's motivation for implementing e-signing emphasizes just how archaic paper signatures are: It just wanted to relieve its treasury B2B sales force from shoulder injuries resulting from lugging around fully loaded briefcases of papers requiring signatures.

RECOMMENDATIONS

BUSINESS PROCESS PROS: GET SMART ABOUT E-SIGNATURE PROCESSES

The increasing interest in e-signatures will challenge business process professionals to come up with solutions. E-signatures are a fresh way to look at automating steps within business processes. Instead of trying to structure and control processes with a traditional mindset and BPM tools, consider designing the process for creative human factors. In particular:

- **Don't focus solely on eliminating paper — that misses the point.** Cost savings alone won't drive adoption — the customer experience will. Today, e-signature solutions are put in place by companies wanting to shorten revenue cycles and reduce costs of handling paper. All are fine goals, but demand will soon come from a growing customer base that is rapidly adopting an exploding number of consumer technologies.
- **Set the tools aside during initial phases of the project.** The greatest value comes from thinking about the business process. Don't focus too much on the old manual system; focus on the new process. Re-engineer the process first — then pick the tool. Focusing on the tool too early is a huge pitfall — avoid it.
- **Start by asking critical questions:** What sort of documents really need to be signed? Where and how do the documents need to be presented to the signer and returned to you? Are you subject to regulatory requirements that compel you to retain and securely store the (electronic) copies of the signed documents for a certain period of time? Do you have the IT expertise in house to run and maintain the solution, or are you comfortable with the documents being processed by and/or stored on third-party servers?

WHAT IT MEANS

E-SIGNATURES REQUIRE A BROADER MINDSET AND INDUSTRY LEADERSHIP

We have already passed the 10-year anniversary of Bill Clinton's signing of the E-SIGN legislation and are just beginning to see solid adoption. But there is a very long way to go. For example, e-signature solutions must provide more rigor around the signing process than the paper equivalent. Industry trade and support organizations such as AIIM, the National Association for Variable Annuities (NAVA), the Association for Cooperative Operations Research and Development (ACORD), or the Security Industry Association (SIA) and leading business process outsourcing, SaaS, and on-premises solution providers need to help with development and support and take a leadership role in order for broader adoption to take off.

ENDNOTES

- ¹ Forrester has predicted what business processes will look like in 2020 and contrasted that with the situation in 2011. Source: Craig Le Clair, "The Five Tenets Of Business Processes In 2020," *Craig Le Clair's Blog For Business Process Professionals*, September 16, 2011 (http://blogs.forrester.com/craig_le_clair/11-09-16-the_five_tenets_of_business_processes_in_2020).
- ² Forrester predicted fundamental changes in regulation due to the financial crisis of 2008. E-signature platforms allow changes to be made more cost-effectively. For a description of proposed changes, see the August 28, 2009, "Transparency Is The Next Step In Compliance . . . Bring On Enterprise Content Management" report.