



10 Steps to Eliminate Friction

and possibly save your
companies millions



wex™

What is friction?

friction noun

fric·tion | \ 'frik-shən \

Friction is hard to define. Every industry is different. Customer experiences are different. Employee experiences run the gamut. But friction can be considered **anything disruptive to what would otherwise be an optimal experience.**

Stop! Before you go any further...

If you're leading a company and every single process runs smoothly, and every operation is entirely automated, then this guide isn't for you. However, chances are, if you oversee the management or operations for your business, there are opportunities to improve processes. That's the nature of the beast: The annual cost of customer-related friction in the United States alone is estimated to be in the tens of billions of dollars.¹

In April 2023, in conjunction with global market research firm, Ipsos, WEX surveyed 700+ business leaders to learn more about their friction points and published the **"WEX Trends Report: How business inefficiencies impact performance."**

The majority of leaders reported at least some amount of money wasted due to friction. On average, leaders estimated annual losses of:

\$2,128,000

due to inefficient processes

\$1,440,000

due to poor integration between departments and systems

\$1,176,000

due to flawed payment and billing systems

We're in an era when consumers aren't just looking for ideal customer experiences ... they're expecting them with every interaction. In one consumer survey, 84% of respondents said they would not return to a brand after just one negative experience.²

Friction is taking a toll on the employee experience too. The WEX Trend Report revealed that the majority of leaders polled believe that outdated systems and inefficient processes contribute to lower employee retention and lower employee engagement.

So if you think your business or organization can save money by improving even one process, **this guide is for you.** At WEX, we're focused on simplifying business and removing complexities in payment processing.



In this guide, you'll learn:



What friction is



How to identify
friction within your
organization



How to eliminate
friction & grow your
business



**You only think about
friction when there
is friction.**

Jason Hancock, Senior Director Strategy, WEX



How others define friction



Friction is “anything that prevents or dissuades customers from buying your products or services.” ³

- Comcast Business

“Friction refers to points in the brand experience that can have a long-term impact on customers’ relationships with a business.” ⁴

- InMoment



“Friction occurs whenever a customer encounters resistance in the pursuit of their goals, wherever they may be. And almost every company has it somewhere in their customer experience.” ⁵

- McorpCX



“Friction is anything that slows the customer journey at any phase. Anything that causes your customer to hesitate, wait, or become frustrated or confused is friction.” ⁶

- Business.com



What does friction mean for...

Friction can take on a different set of pain points in a B2B (business-to-business) versus a B2C (business-to-consumer) environment. They also differ depending on where you sit in an organization. For example, C-Suite leaders tend to focus on profitability challenges, whereas middle managers are more focused on day-to-day friction points. These can range from issues of employee retention, or poor departmental or system integration to inefficient processes or procedures.

Let's examine friction as it pertains to these five primary audiences:



1. Finance

Finance professionals and, in particular, chief financial officers (CFOs), focus primarily on three things:

- Revenue coming in the door
- Expenses incurred running the business
- Cash flow and working capital

Smooth, seamless payment processing is a make-or-break proposition for CFOs. They need to know that funds will move from point A to point B as expected.



2. Human resources

Complexity is the enemy of HR professionals, including chief human resource officers and chief people officers. An HR professional's work covers a broad range of challenges including new-hire onboarding, employee development, employee relations, talent acquisition, employee benefits, and compensation. Simplifying these tasks with integrated systems and easy-to-use technology is vital.



3. Operations

Successful operations require clear procedures and processes. Operational consistency is key, especially when engaging in repetitive tasks performed for multiple customers. Remember that \$2,128,000 annual estimate of lost revenue due to inefficient processes? Operations feels the brunt of complex or outdated systems due to inadequately streamlined and automated processes.

What does friction mean for... (continued)



4. A small-business owner

About half of all businesses fail in the first five years.⁷ Why? Some common reasons are financial struggles, poor management, and ownership burnout. Streamlined payments and automated technology support small-business owners, alleviating some of those common causes of business failure.



5. Your customers

Friction is universal, unwanted, and can lead to decreased business, eventually leading to business disruption. If your customers are having trouble buying or using your product, then customer friction is impacting your business. And the same goes for employees: If your employees are experiencing friction, you can bet your customers are noticing.

“We’re expanding to meet the needs of the market, but improving our operational performance while growing rapidly presents lots of people challenges.”

A company vice president in our study



The C-Suite blind spot?

One particularly interesting finding from WEX's survey: Leaders at different levels of an organization identify different challenges when questioned about friction. That shows that leadership isn't always aligned on where the friction points are and can sometimes lack a common understanding of where the root of business inefficiencies lie.

C-Suite, for example, is most concerned about profitability challenges, while mid-level leaders cited employee retention and engagement as their top challenges. Let's look at the top three challenges based on leadership levels:



Managers-Directors



Employee engagement and retention



Disruption to business causes by inflation



Issues with receiving production materials / shipping delays

VP-Senior Execs



Employee engagement and retention



Inefficient processes, systems, or procedures



Preparing for unexpected business disruptions

C-Suite



Disruption to business caused by inflation



Preparing for unexpected business disruptions



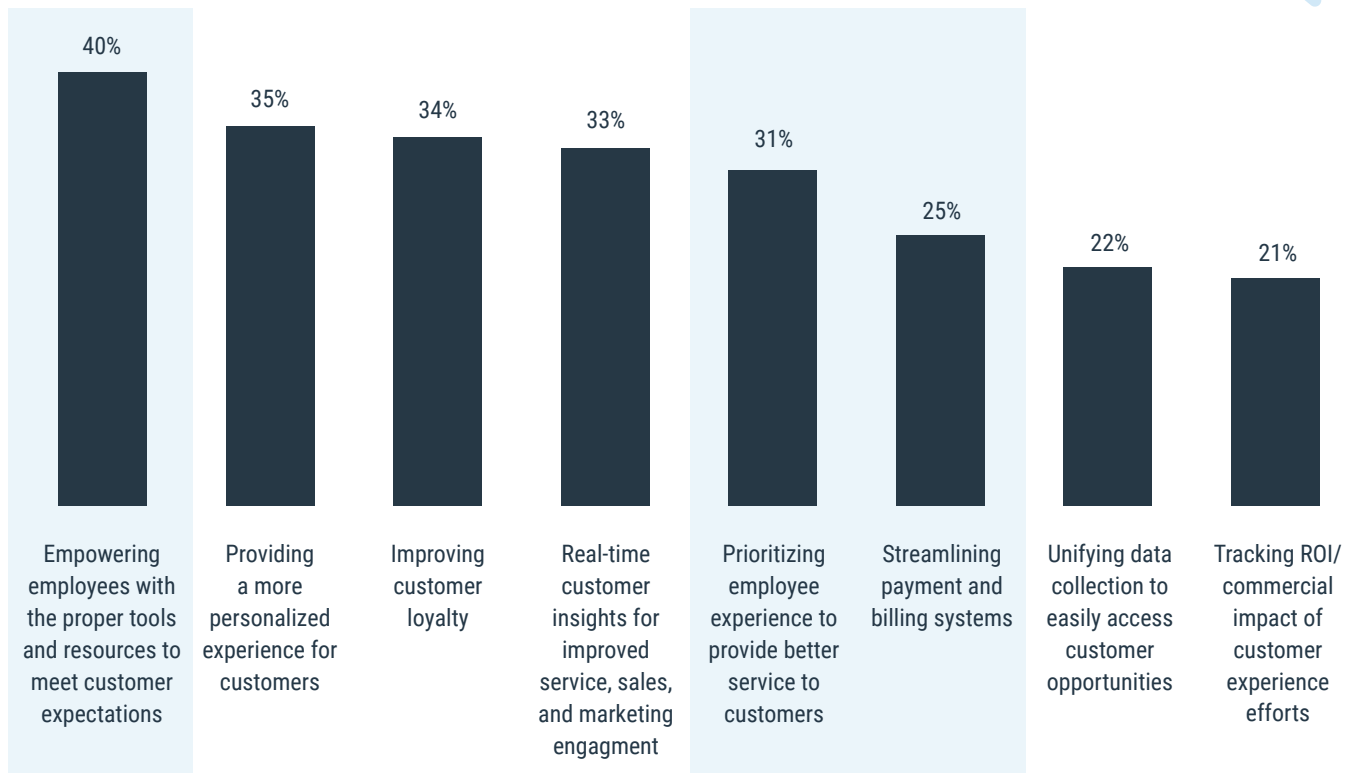
Not enough new or repeat sales

Let's talk priorities

While there are different perceptions of friction across those surveyed, there are also shared experiences. One area where there was consistency was a desire across the board to improve the customer experience.

To improve their customer experience, leaders are primarily looking to empower their employees with the tools they need to meet customer expectations

What areas of your customer experience, if any, are your company looking to improve?



WEX Trend Report - 2023

The Great Resignation didn't end. It endures.

In 2021, as much of the world found ways to live during a global pandemic, a new phenomenon emerged: the Great Resignation. The nation's turnover rate reached a 20-year high that November,⁸ and that year, a then-record 47 million Americans quit their jobs.⁹ While that felt to some like a passing news story, ask just about any HR representative and you'll learn that the great resignation is still very much impacting their work in the talent acquisition space.

The Great Resignation created a ripple that reverberates still today, signifying a lasting shift in worker expectations. In WEX's Trend Report, business leaders reported that employee engagement and retention were the top two friction points facing their business. Half of respondents described the phenomenon as representing a moderate to major challenge.

? Did you know?

- More Americans quit their jobs in 2022 than did in 2021.
 - 2021: 47 million
 - 2022: 50.5 million¹⁰
- Over one-third of U.S. workers are planning to leave their jobs in 2023.¹¹
- In our annual survey of WEX benefits clients, the three emerging topics were:
 - Employee engagement
 - Technology
 - Compliance



“We often have inefficient handoffs and teams pass the buck. We have very bad employee engagement and retention. Currently, we have over 100% attrition over the course of a year. YIKES!”

A senior vice president in our study



Your cost/benefit analysis

What is the cost of friction?

Internal friction due to employee dissatisfaction can be costly for your business. The impact of customer friction to your bottomline is also a heavy business expense. Costs vary, but here are a few examples:

- Acquiring a new customer costs **5x** what it does to retain an existing one¹²
- Unexpected customer churn costs U.S. brands **\$35.3 billion** annually¹³
- Poor customer service costs businesses **\$62 billion** per year¹⁴
- The cost of U.S. customers feeling like businesses aren't listening to them is **\$75 billion**¹⁵
- Between 2016 and 2021, customer retention losses have **increased 37%** due to poor customer service¹⁶

What are the benefits of frictionless service?

- **52%** of customers will pay more for a better experience¹⁷
- **One in four** customers will pay 10% more for a product if they know they'll receive excellent customer service¹⁸
- Increasing customer retention by as little as **5%** can increase profitability by as much as **95%**¹⁹
- Word of mouth produces **\$6 trillion** in global annual spending and 13% of all sales²⁰



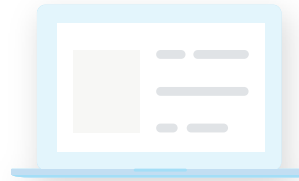
The buyer's journey

Let's say you're in a wedding and you need a pair of black socks. You don't need us to tell you your favorite brown socks won't work with black shoes, right? Once you choose a store or website, what potential snags could you run into on your journey to purchase your socks?



In-person shopping

- Poor eCommerce experience that requires you to visit the physical location when you don't want to
- Bad parking
- Lack of shopping carts or baskets
- Inadequate inventory
- Higher-than-expected prices
- Lack of customer service help
- Unclear store map or directional signage
- Long check-out lines
- Dirty store with disorganized shelves



Website

- Slow website
- Confusing buyer's journey
- Lack of a search bar
- Poor search results
- Too many pop-up ads
- Lack of service options on the site

How many of the above snags would you encounter before you gave up and went elsewhere for your purchase? Now, imagine what a frictionless experience looks like. If you're online, it's a simple one-click purchase to simplify the checkout process. If you're in a store, knowledgeable staff, tidy aisles, and self-checkouts create an inviting space so you can get what you need and get out.

What's your company's journey?

In our survey of business leaders, about two in five said inefficient processes, systems, or procedures and a lack of integration between different departments or systems were major to moderate challenges.

Channel your inner “undercover boss” and check out what processes or systems could be holding your business back. Look into:



Your web presence. How quickly can you make a simple purchase on your website versus that of one of your competitors.



Your brick-and-mortar location (if you have one). How does the store look? How accessible and friendly are your employees?



Your sales funnel. Where are prospects leaving the funnel? How are competitors beating you?²¹



Diversity, equity, and inclusion. Does your company foster an open culture for employee ideas across all lines of business and from a broad spectrum of demographics?²²



Your HR software. What are your company's retention rates? What's creating burnout? Are they leveraging their full suite of benefits? Explore the advantages of experienced employees.²³



Your public brand. What tenor are the majority of reviews your company receives on social media? How are employees rating you as an employer on sites like Glassdoor?



Your operational health: Survey your employees across all lines of business and levels. Are your employees experiencing inefficient handoffs, cross-department communication failures, or disconnected or disparate technologies?



“WEX employs a lot of smart people. The best in the business. How do we reach out to folks to see what they're thinking about, what their ideas are?”

Matt Dallahan, senior vice president of strategy and product development for WEX's benefits division.

Tech should work for workers, not workers for tech

The job market is tight, but you probably know that. By the end of 2022, there were nearly two job openings for every unemployed worker.²⁴ Meanwhile, the Great Resignation has been fueled by millions of Americans searching for better employment opportunities.

You're competing for the best talent, while your competitors are likely eyeing the talent you already have. As WEX's survey showed, maintaining outdated systems at your business could be contributing to employee turnover. Nearly three-quarters (73%) of business leaders

citing employee engagement and retention as primary business challenges suggest outdated technology is a contributing factor.

Additionally, when asked what areas of the employee experience they are looking to improve, the top response was empowering employees with the tools and resources they need.

Adopting technology that works for your workers, rather than making your workers work harder with outdated tech, can douse your retention worries and boost morale and engagement.

Here are 5 simple steps to evaluate and upgrade your technology:

- 1 Conduct a technology audit.** Engage in a comprehensive review of your organization's technology systems, applications, and processes. Identify areas that need immediate attention or require long-term planning, and survey your employees to learn which technologies or systems are slowing operations.
- 2 Set clear goals.** Develop clear and realistic goals based on the results of your technology audit. Ensure these goals align with your organization's goals.
- 3 Invest in your employees.** Implement a technology training program giving your employees the skills and knowledge they need to effectively use the technology you have.
- 4 Develop a tech roadmap.** The roadmap should outline your organization's technology goals, milestones, and timelines. You can also use this to track progress in achieving those goals.
- 5 Secure your data.** Ensure your data is secure, working with internal experts and any necessary outside resources. Data breaches can very quickly undo progress, so take steps to mitigate that risk.

Unlock your frictionless potential

Friction is a barrier to profitability for your business through employee turnover and lost customers. Fortunately, every action you take can make that barrier just a little bit easier to overcome, which will increase your revenue potential and give your customers exactly what they want.



Here are **10 tips** to do just that:



“We are a services company. One of our biggest challenges is the inefficiency of coordination between departments. Work often ends up getting repeated because of poor coordination.”

- C-Suite member survey response

1. Remove pricing barriers

Pricing is always going to be one of your customers' biggest determining factors when considering a purchase. Their ability to know and understand your pricing shouldn't be complicated. If you have “call our sales team for pricing” language on your website or in sell sheets, this makes your customer's experience more cumbersome. Consider pricing transparency to alleviate that barrier.

2. Align your teams

Far too often, teams are left to determine their own solutions or processes at a company. This lack of structure and resultant inconsistent processes can create service gaps that impact customer retention. Be sure you have the people and processes in place to keep teams connected, from the service they provide, to the language they use.

3. Listen to your customers

Expand your customer outreach efforts. And, just as importantly, take steps to hear from those who don't buy from you, too. What caused someone to buy? What caused someone to turn elsewhere? At WEX, we collect customer feedback in a number of ways, including:

- Advisory boards
- Annual surveys
- End-of-event surveys
- Sales/relationship manager feedback

From this feedback you can develop new products, services and systems in response to ever-evolving customer needs.

4. Listen to your employees

Regularly collect employee feedback. Employee surveys, one-on-one conversations, and a culture of open communication all help ensure your employees can share their experiences. Collecting and disseminating feedback requires a concerted effort, resources, and time, which all require a commitment from your leadership team.

5. Define your purpose... and communicate it

If your customers were asked what your company does, how quickly and accurately could they respond? How quickly and accurately could your own employees answer that question? Developing a company purpose that states what you do and, just as importantly, why you do it²⁵ is vital. Creating a clear purpose makes it easy for your employees and customers to publicly champion your company and help you build your business organically..

6. Identify automation opportunities

There are plenty of perks to automating processes, including time saved eliminating manual processes, more reliable data, and faster response times. With WEX, that means:

- Virtual cards save time and money once spent processing paper checks
- Increased access to data and controls over how, when, where, and how much is spent.
- Robust integrations and revenue generation between accounts payable departments and suppliers.

7. Be a trend-setter

You and your employees need to be sharper than your competition in finding new ways to meet customer needs and be at the forefront of industry trends. For example, as demand for electric vehicles rises, so too does the demand by fleet companies to support both gas-powered and electric vehicles. Build your technology bench to support this industry trend and you'll be in demand as EV adoption continues to grow.



“The human element can be the friction. In fleet, that can be a driver taking a wrong turn, accidentally putting gas in your spouse’s car, or filling with premium fuel. That’s what business owners are trying to remove.”

- Brian Fournier, Americas SVP & GM, Fleet, WEX



“Simplifying processes is not something you set and forget. It’s a continuous effort.”

- Brian Fournier, Americas SVP & GM, Fleet, WEX

8. Identify KPIs

Identify your measureables to gauge if your efforts to reduce customer friction are working. If your goal is to reduce wait times on request-for-proposal responses, the key performance indicators (KPIs) for that goal are clear. If the goal is to reduce wait times for your customer service center, your KPI would be wait times. Once you have identified your KPIs you can track and report on progress.

9. Re-invest in technology

Integrated systems for payments, human resources, and other departmental and cross-departmental operations can have a dramatic impact on the buyer’s journey and your employees in ways that are seen and unseen. WEX is a leader in removing friction - offering technology that simplifies the jobs of many of the employees you depend on.

10. Never stop looking for friction

Our last tip is a reminder to repeat the first nine tips routinely. Your pursuit of eliminating employee and customer friction needs to be never-ending. As your business evolves so do your customers’ wants and needs over time. Don’t stop looking for friction. Don’t stop reducing friction.





Conclusion

No matter your industry, all customers come to a business looking for one thing: a solution. That solution could be a repair so their car runs again, or a new coat for winter, or a haircut for an upcoming job interview. All of these purchases are solutions to problems.

Your goal in removing friction is to reduce the distance between point A (problem) and point B (solution). Those who create the path of least resistance to point B will be the champions of their industries. Those who make getting to point B an arduous task will be watching the free market work for their competitors.

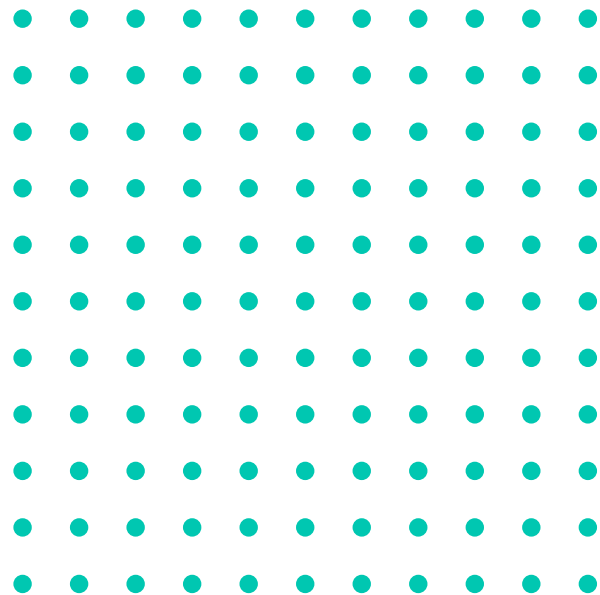
That applies to your employees' day-to-day journey as well. Ensuring your employees are best equipped to do their jobs in the most effective and efficient way possible with all the most up-to-date technology and tools will reduce attrition and as a result provide a better customer experience.

Removing these friction points and unlocking your business' potential is WEX's goal too. WEX's purpose is simple: It's working every day to simplify the business of running a business.

In WEX's survey, it's probably no surprise that business leaders identified these three areas as their investment focuses for the next five years:

- **Improving the customer experience**
- **Improving employee retention and talent acquisition**
- **Adapting quickly to global changes**

How would your customers describe their experience doing business with you? How would your employees describe working for you? The answers to these questions will help you make the best plan for your business' future.



Achieve your 'what if' with WEX

What if your business could reach its full potential? What if your company could reach its highest aspirations? In each area of your business, when you work with WEX, you will move closer to realizing those goals as your experiences evolve and opportunities to expand and grow become more achievable.

Finance

- Increased time for big picture thinking
- New form of revenue-generation
- Real-time visibility into payments.
- Easy-to-use virtual payments tracking replacing piles of paper receipts

Human resources

- Easily balanced tech stack and benefits offerings
- A quiet open enrollment, with employees who understand and use their benefits
- Executive leadership that understands the value of benefits and its integral role in employee retention

Operations

- Integrated systems
- Data integrity
- Reduction of manual tasks due to clear processes and customizable automated tools
- Streamline your fleet operations and related expenses with simplicity, insights automation -- including saving money on fuel.

A small-business owner

- Automated tools ensuring timely project completion
- Digital payments simplifying and streamlining supplier payments

Your customers

- Products and services delivered with minimal friction
- A brand they are loyal to and will share with friends and family

Skip the mundane tasks. Give work-caused headaches a day off.

Choose WEX.

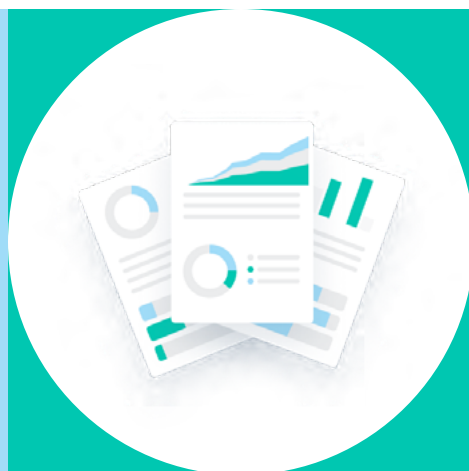
Learn more about how WEX can remove friction from your business so you can focus on business growth.

About our survey

Our survey of business leaders included findings of an Ipsos poll conducted on behalf of WEX between March 1-14, 2023. For this survey, a sample of 700+ business leaders in manager or above positions working in administration, finances, operations, sales, human resources, or other executive functions from the continental U.S., Alaska, and Hawaii was interviewed online in English. The sample includes 292 Managers, Senior Managers, and Directors, 151 Vice presidents, Senior Vice Presidents, and Senior Executives, and 259 C-Suite level leaders.

Statistical margins of error are not applicable to online non-probability polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding.

The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 4.5 percentage points for all respondents. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a credibility interval adjusted for design effect of the following (n=702, DEFF=1.5, adjusted Confidence Interval=+/-6.0 percentage points).



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About WEX

WEX (NYSE: WEX) is the global commerce platform that simplifies the business of running a business. We have created a powerful ecosystem that offers seamlessly embedded, personalized solutions for our customers. Through our rich data and specialized expertise in simplifying benefits, reimagining mobility, and paying and getting paid, WEX aims to make it easy for companies to overcome complexity and reach their full potential. For more information, please visit www.wexinc.com.

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