Five Mistakes to Avoid in Digital Account Opening

JIM BURSON
Managing Director
Cornerstone Advisors

SAM KILMER
Senior Director
Cornerstone Advisors

KALEB SEYMOUR
Director of Insights
Cornerstone Advisors

RON SHEVLIN
Director of Research
Cornerstone Advisors

COMMISSIONED BY
ncino

TABLE OF CONTENTS

OVERVIEW

Articles and reports exhorting bankers to deploy digital account opening (DAO) appear nearly every day. Bankers must read this content and think, "Duh!"

Banks and credit unions don't need to be convinced of the importance of digital account opening. In Cornerstone Advisors' annual *What's Going On In Banking* study, DAO has been at the top of the list of technologies mid-size financial institutions intend to add or replace for the past three years (Table A).

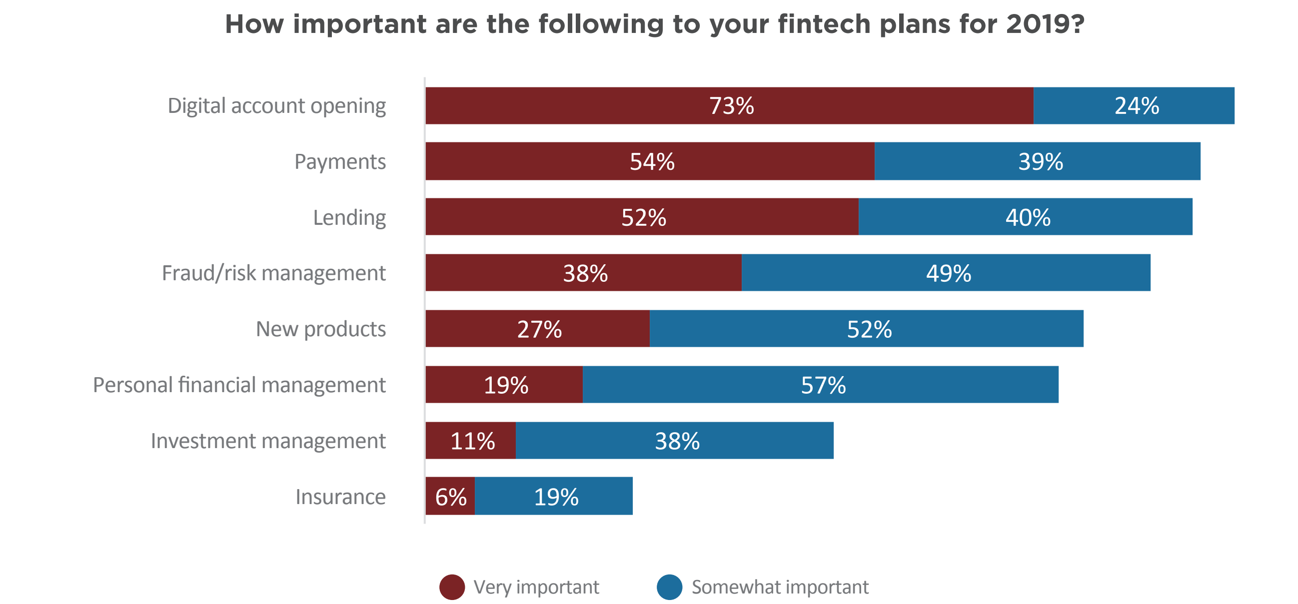
Table A: Top Five Technology Addition/Replacement Plans, 2017 to 2019

	2017	2018	2019
One	Digital account opening	Digital account opening	Digital account opening
Two	Commercial mobile banking	Consumer LOS	P2P Payments
Three	Commercial LOS	CRM	CRM
Four	Interactive teller system	Mortgage LOS	Commercial LOS
Five	Consumer LOS	Online LOS (tie) Interactive teller system (tie)	New account/teller system

Source: Cornerstone Advisors survey of 305 U.S. community-based financial institution executives, Q4 2018

In addition, nearly three-quarters of mid-size institutions cited digital account opening as "very important" to their fintech partnership, collaboration and investment plans for 2019 (Figure 1).

Figure 1: Fintech Priorities



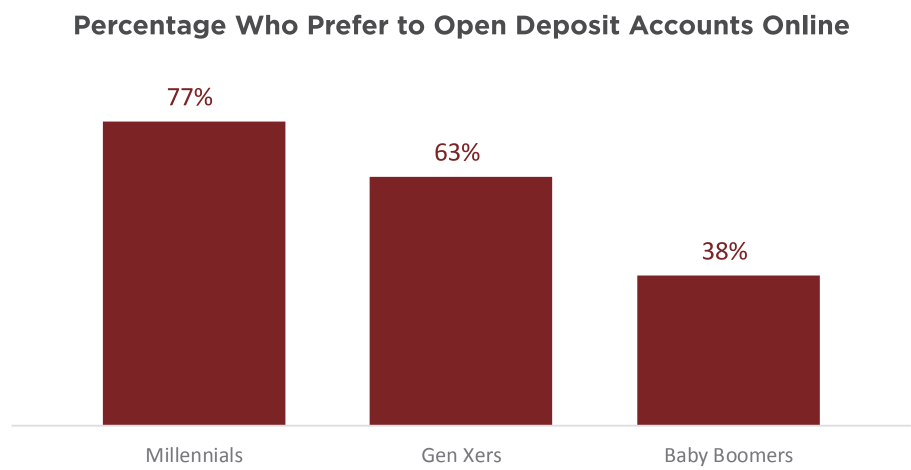
Source: Cornerstone Advisors survey of 305 U.S. community-based financial institution executives, Q4 2018

Why the focus on digital account opening? Three reasons:

- **The need for deposits.** The unprecedented expansion cycle in the economy has created strong loan demand across all sectors. With strong loan growth comes the need for funding. In the *What's Going On In Banking* study, half of bank and credit union executives cited growing deposits as one of their top three concerns for 2019. With loan-to-deposit ratios above or approaching 100% in many institutions, banks and credit unions can't afford to lose out on potential deposits due to ineffective or inefficient account opening processes.

- **Consumer preferences.** Roughly three-quarters of Millennials and two-thirds of Gen Xers prefer digital channels for opening deposit accounts, according to research from BAI (Figure 2). Interestingly, just three of five consumers who want to open accounts online actually do so. Why the discrepancy? According to The Financial Brand, "the reality is that many institutions—even if they offer some form of opening accounts online—don't allow someone to open their first account digitally due to identity verification concerns and fraud prevention, among other reasons."

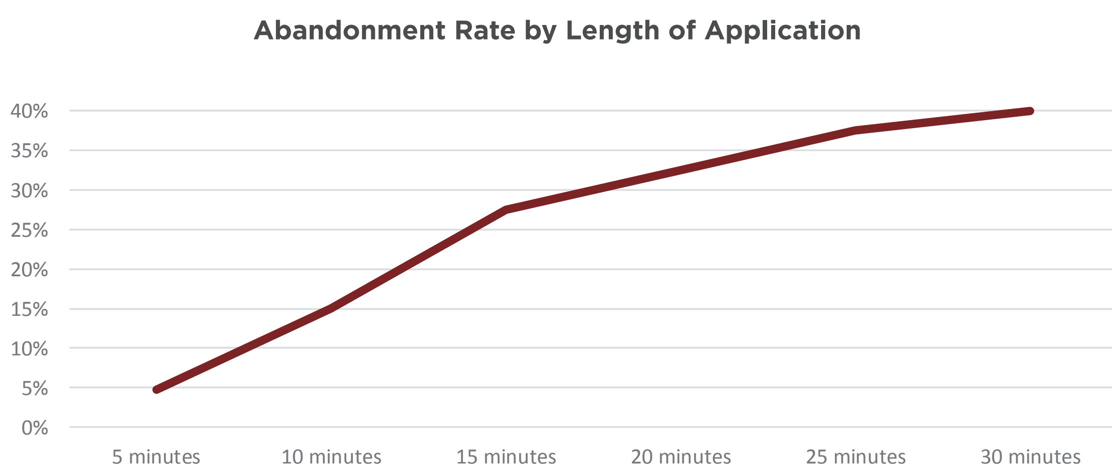
Figure 2: Preferred Channel for Deposit Account Opening



Source: BAI

- **The need for speed.** The [2016 Digital Banking Report] found a linear relationship between the amount of time a mobile application takes and the abandonment rate on the application. For applications taking five minutes, the abandonment rate was roughly 5%. That rate approaches 40%, however, as the application time reaches 25 to 30 minutes (Figure 3).

Figure 3: Abandonment Rate by Mobile Account Application Time



Source: Digital Banking Report

Once the purview of digital-only players with a high interest rate offering, digital account opening has become an ante for financial institutions of all sizes.

FIVE DIGITAL ACCOUNT OPENING MISTAKES

Banks and credit unions are warned that they must hurry up and deploy digital account opening tools:

> *"Not long ago, most financial institutions basically had the same digital account acquisition capabilities. Not anymore. Leading institutions are pulling away. Banks and credit unions that don't provide end-to-end digital account opening must upgrade quickly."*

This advice ignores two realities: 1) Few financial institutions truly have "end-to-end" digital account opening capabilities, and 2) Upgrading "quickly" may lead institutions to overlook key critical success factors of digital account opening deployment.

Achieving a "friction-free" account opening process is clearly essential to the digital account opening experience. But achieving a frictionless account opening experience is hard, and maybe harder than it looks for institutions jumping into the DAO waters.

Based on Cornerstone's experience with digital account opening deployment and supported by interviews with bank executives experienced with DAO implementations, we identified five common mistakes financial institutions make—and should avoid—when deploying digital account opening tools and technologies.

MISTAKE #1: UNDERESTIMATING THE COMPLEXITY OF INTEGRATION

Before deploying digital account opening tools, many financial institutions underestimate the need to: 1) Integrate their entire digital ecosystem; 2) Make up-front investments in architecture and integration talent; 3) Have well-functioning front-end points like marketing automation, identity verification and fraud prevention; and 4) Connect to back-office functions like account funding, the core and the digital banking platform.

Cobbling these systems together is painfully difficult, and the cost and time to do it right is often overlooked by institutions implementing DAO systems. Inadequately planning for integration in the DAO implementation process will extend the length of the effort and create delays.

Having a strong DAO partner can help ease the path, but it also requires collaboration across many technology providers. According to Barb Bowker, vice president of marketing at Pennsylvania State Employees Credit Union:

> *"You have to lead with customer experience and ensure the right players are at the table to build from the customer point of view including your technology partners."*

Complexity comes in many forms. While systems integrations are the most obvious, others include internal organization alignment, not having the requisite internal skills and capabilities, a desire to take a platform approach and bring other services and products to bear, and the creation of a unified brand experience across digital assets.

An additional aspect of frictionless DAO is the idea that an applicant can start or stop the account opening process in any channel. Institutions that look at DAO with this in mind will take an approach that addresses the complexity of both. While it is easy to say that the only difference between self-service and assisted-service is who's doing the data entry—the reality is that both must be driven by ease of use and speed to complete. There are nuances around items such as disclosure acceptance that must be acknowledged and addressed.

MISTAKE #2: UNDERESTIMATING THE NEED FOR MARKETING

Bank and credit union executives often anticipate an increase in application volume after deploying digital account opening systems. Many are disappointed by the volume they see, however.

Often, financial institutions are so focused on getting their new account opening system up and running that they overlook the marketing capabilities, analytics and product changes required to drive new volumes. The best account opening experience in the world won't compensate for uncompetitive products and pricing, and intentional marketing to drive awareness.

Driving new application volume requires relevant content with a powerful call-to-action delivered to the right person, in the right place, at the right time. It sounds simple, but the marketing delivery capabilities, resources required to create content, and analytics necessary to target customers are needed to effectively execute and drive growth.

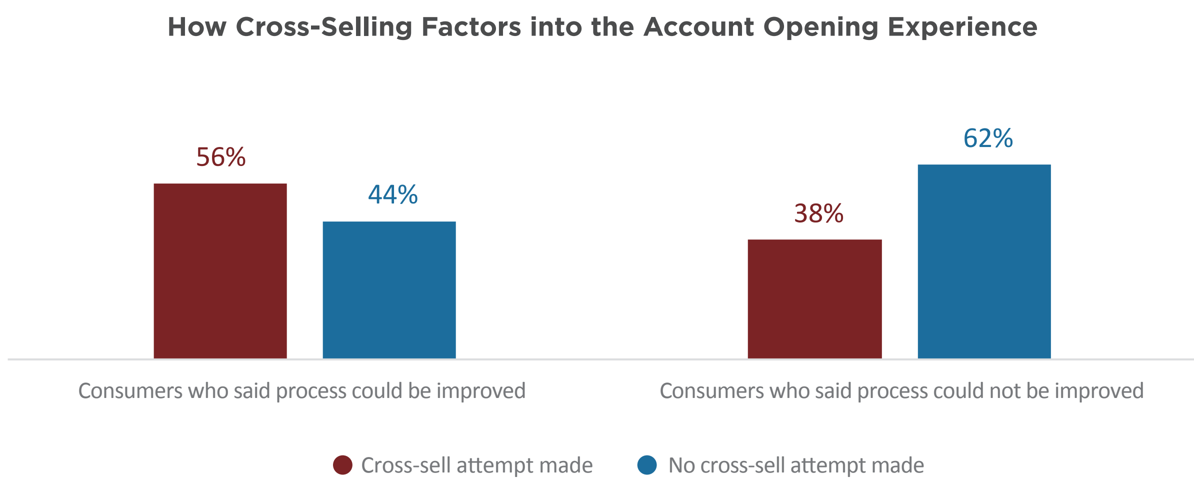
To effectively grow deposits, institutions need to ask themselves three questions about their basic products and pricing: 1) How are products priced compared to the competition? 2) Is there a relationship benefit for customers to obtain multiple products? 3) What kind of rewards programs can customers get from banking with us?

Some of these questions get into the strategic DNA of the institution, but the appeal of a product and a clear target market and target customer are particularly important when combining a competitive deposit market with a noisy digital environment. Institutions must be able to clearly articulate their offerings and allocate marketing dollars to the appropriate targets to drive traffic and convert leads to applications.

MISTAKE #3: NOT CROSS-SELLING ACROSS LINES OF BUSINESS

A Deloitte study found that three-quarters of consumers who opened a bank account (across various channels) said that the process could be improved. Of those consumers, more than half were the target of a cross-sell attempt during the account opening process. In contrast, among consumers who said the process couldn't be improved, just 38% received a cross-sell offer (Figure 4).

Figure 4: Fintech Functional Priorities



Source: Deloitte Consulting

According to the study:

> *"Consumers who actually considered a purchase based on a cross-sell attempt—the ones who showed a greater measure of attentiveness to the sales pitch—were also more likely to demand improvement. Together, these data tell us that cross-sell attempts at banks, at least those made during the account opening process, currently appear to be hit-or-miss, and should become more insight-driven."*

Many institutions try to replicate retailers' shopping cart experiences. While their intentions are good, most consumers don't care if their banking experience resembles a shopping cart. They simply want the ability to select multiple products within one application without re-entering the same data multiple times. Robert Bardusch, chief operating officer at Valley National Bank, commented:

"Point solutions may offer better one-off deposit capabilities but complicate the brand experience when you engage other technology partners for loans and digital servicing and want to offer a cross-product experience."

Unfortunately, as many shopping carts today limit customers to deposit products and basic account services, financial institutions are missing a huge opportunity for cross-sales of credit products and additional revenue. This gap is magnified for "relationship-centric" institutions as their digital origination capabilities are not aligned with their business models and the multi-application experience creates unnecessary friction to start a "relationship."

MISTAKE #4: SEPARATING APPLICATION PROCESSING AND ONBOARDING

A formal, digital onboarding process is quickly becoming the new norm. Onboarding activities typically include getting customers enrolled in digital banking, e-statements and rewards along with a thick welcome packet and friendly phone call.

Many institutions separate digital onboarding from the actual origination process, however. A well-designed experience should include enrollment activities in the application workflow. For example, when new customers leave the digital account opening workflow, they should be signed up for digital banking, e-statements, rewards and, ideally, have a digital debit card in their Apple or Google wallets.

Part of the reason institutions put a clear line between origination and onboarding is that various systems within the digital ecosystem are cobbled together with batch integration, which causes delays in the velocity of customer engagement as the customer must wait until the next day for enrollment (without manual intervention).

MISTAKE #5: FAILING TO CONTINUOUSLY MONITOR AND IMPROVE

Chris Tremont, executive vice president of virtual banking at Radius Bank, is a digital account opening veteran. He advises institutions deploying a digital account opening system to adopt a "fail fast and fix it" mindset similar to Silicon Valley startups:

"I'm not saying you should launch a half-baked solution, but if you wait until it's perfect, you're probably waiting too long to go to market. You have to have the guts and confidence to put it out into the market and then listen to the feedback and make improvements—quickly."

Constant monitoring of key data such as abandonment levels and the points in the application where difficulties arise should be monitored, but modifications must be made quickly. One banker we spoke with told us:

> *“Our old vendor required us to go through them for basic product and rate changes. How are you supposed to compete for deposits when it takes six weeks to change a rate on a deposit product?”*

A continuous improvement philosophy is vital to successful digital account opening and digital deposit growth. Set it and forget it doesn’t cut it in today’s rapidly changing digital world. Institutions must use data to keep a pulse on the customer experience and proactively remove friction as well as look for ways to innovate and improve the experience.

ACCOUNT OPENING MOMENTS OF TRUTH

While avoiding the common mistakes of digital account opening is important for financial institutions deploying a new or replacement system, focusing on five account opening "moments of truth" is a more positive way to look at the implementation effort.

1. **Data entry.** The digital account opening process should minimize customer data entry requirements.

2. **Account funding.** Funding should be a one-step process requiring minimal effort.

3. **Application abandonment.** Digital and human support should be available at every point in the process and enable applicants to stop and start at any time and in any channel.

4. **Application signing.** E-signatures and paperless document delivery should be provided, enabling applicants to avoid branch visits or follow-up phone calls.

5. **Instant approval.** Accounts should be opened and available for use immediately upon application completion with account number access and enrollment in digital banking, virtual debit card, and ability to add additional products or services.

Designing a successful account opening process requires some out-of-the-box thinking. According to Chris Nichols at CenterState Bank:

> *"If you ask bankers what it takes to satisfy the regulations to open an account, they will give you a long list of items including signature verification, multiple forms of identification, etc. The reality is that it takes very little information to get an account open. The risk for opening up a deposit account isn't for bad actors to move money in, but to move money out. As such, if you restructure your process to allow for the simplest account opening and funding possible, you can now go to work to reduce risk and satisfy the regulation. In other words, break the process into two or three steps, and get the account open as fast as possible."*

Financial institutions should track and measure a number of performance metrics as part of their DAO deployment efforts:

- **Completion rate.** The completion rate is calculated by dividing the number of submitted applications by the number of started applications. On mobile devices, a completion rate of more than 50% is excellent, between 30% and 50% acceptable, but below 30% is a warning sign of a complex process that has too many steps, takes too long, or requires data not readily available.

- **Time to complete.** The average time for a successful digital application submission varies by type of product. For checking accounts, a process that takes more than 15 minutes is a signal that extraneous information is being collected.

- **Resume rate.** The resume rate—the number of successful resumptions divided by the number of incomplete applications—indicates how successful the institution is at resuming the application at a later point. Frequently, a multichannel account opening application is not resolved in one session but is split across multiple sessions or devices. Generally, the longer the application, the more likely it is to be stopped or abandoned.

- **Products per account opening.** The measure of cross- and up-sell success is the number of products that are opened at each account opening session. This metric varies widely as many institutions include services (e.g., online and/or mobile banking) in their calculation of “products” sold during the account opening session.

DAO EXPERIENCE REQUIREMENTS

As a lens to evaluate success, Cornerstone developed eight key criteria to meet both financial institution and customer needs and expectations based on the moments of truth:

1 Ability to pre-fill data through integration
(e.g., ID scan, mobile carrier, social media)

2 Automated and seamless save and resume capability

3 Ability to leverage the same platform across channels

4 Ability to apply for multiple products across the institution's lines of business

5 Integrated back office processes to eliminate manual intervention and CIF verification

6 Ability to fund accounts through internal transfers

7 Integration with digital banking to facilitate onboarding

8 Sound risk management and compliance

CONCLUSIONS

Financial institutions don't need a lecture on the importance of digital account opening. What they do need is practical advice on how to get the job done and what mistakes to avoid.

While responding to the need for speed and deposits is important, financial institutions must not take too narrow a view of digital account opening. According to Cornerstone Advisors Partner Terence Roche:

> *"It's good that the top technology investment focus of community-based financial institutions is digital account opening. But if their view of digital account opening is strictly about 'opening' and doesn't include a hefty focus on digital marketing, contextual product offerings, data-driven campaigns and a tight, easy fulfillment process (i.e., the marketing tool is very tightly integrated with the account opening system), then it won't matter what investment they make—it won't work."*

Digital account opening is just one part of a future-ready organization's digital transformation journey.

ABOUT
CORNERSTONE ADVISORS

Cornerstone Advisors takes financial institutions from strategy to execution through an array of Solutions in areas including contract negotiation, delivery channels, fintech, lending, mergers & acquisitions, payments, performance, strategy and technology.

Cornerstone hosts executive roundtables and publishes GonzoBanker, a blog, and commissioned research on topics impacting the industry.

CONTINUE THE CONVERSATION

www.crnrstone.com
Cornerstone Advisors
@CstoneAdvisors
480.423.2030

ABOUT
NCINO

nCino is the worldwide leader in cloud-banking. Its Bank Operating System improves employee efficiency while enhancing the customer experience for onboarding, loans and deposits across all lines of business. Transforming how financial institutions operate through innovation, reputation and speed, nCino works with more than 1,100 financial institutions globally whose assets range in size from $30 million to $2.3 trillion. A proven leader, nCino is part of the Forbes Cloud 100 and was named the #1 "Best Fintech to Work For" by American Banker,

CONTINUE THE CONVERSATION

www.ncino.com
nCino
@ncino
888.676.2466

Have questions about this report?

Contact:

Ron Shevlin, Director of Research
Cornerstone Advisors

rshevlin@crnrstone.com
480.424.5849