ENHANCING CUSTOMER ACQUISITION THROUGH DIGITAL ACCOUNT OPENING

Gaining positive mindshare with a customer on first interaction can prove to be a game changer for any bank, heralding the potential for a long term and valuable relationship. And, many times, opening a new account at a bank is the first interaction for most customers. In this day and age, opening an account online is gaining popularity not only for the convenience it offers a customer, but also as a new channel of revenue for the bank. Needless to say, banks world over are striving towards reaching this "Digital Promised Land".

When removing friction from the customer journey is one of the top objectives of banks today, how can a bank make the digital account opening process quick, easy, and seamless across any channel or device or app?

Let’s look at some facts. An instant, intuitive and contextual digital on-boarding process has a higher completion rate\(^3\). Abandonment rates for Digital Account Opening (DAO) average around 85% and are even higher for completion rates\(^12\) on the mobile. According to a Digital Banking Report\(^1\), among the 230 financial institutions surveyed, only 48% of institutions indicated that the entire online account opening process could be completed online without the customer visiting the branch at all, and with a far lower rate of 24% on the mobile. Is your bank one of these 48%?
Digital Account Opening – Crossing the Barriers

Opening an account comes with many hues and characteristics, many of which are dependent on the geography the bank is operating in, Central Bank regulations, telecommunication maturity and market acceptance. A digital account opening process can be purely online in some cases, while some are restricted to the branch; while others are intertwined with branch processes or supported by assisted channels from third parties. Further, establishment of the identity of a prospect varies by country resulting in different processes that have evolved to protect the bank and customer and also catering to various product types – for e.g., a current account or a deposit or a loan. There is scope, however, to digitalize the workflow either in part or completely, creating opportunities for a better onboarding experience.

Based on a survey\(^{3}\) of 3,000 retail banking consumers who had opened accounts from January to May 2017; the proportion of usage by channels were: Branch - 57%, Online - 27%, Telephone - 10%, Mobile App - 5% and E-mail - 2%.

Digital Identity Verification

Identity management being the most critical challenge faced in digital account opening, it is important to capture the ID, be it a social security number or driver’s license online, access it and verify it instantaneously, and then store it in a secure manner. For e.g., banks can chose from a combination of components that make an individual uniquely identifiable, and also in compliance with regional regulations and guidelines (Figure 2).

Regulations specific to a bank’s geography outline KYC compliance requirements like Personal ID, Address proof, etc., which can be processed digitally using OCR. Banks can interface with national identity databases so that KYC processes are handled as STP. Prospective customers can scan and upload documents online resulting in traditional banking processes requiring a revisit or streamlining with the new process in many cases. Credit score, fraud, cross-border and security checks need to be conducted in real-time with only exceptions handled procedurally via the STP. Adequate online tracking and resolution mechanisms for the prospect and the bank to address when exceptions are identified are also required.

Figure 1: Typical Digital Account Opening Flow

IDENTITY MANAGEMENT BEING THE MOST CRITICAL CHALLENGE FACED IN DIGITAL ACCOUNT OPENING, IT IS IMPORTANT TO CAPTURE THE ID, ACCESS IT AND VERIFY IT INSTANTANEOUSLY, AND THEN STORE IT IN A SECURE MANNER
Challenges Posed by Legacy Systems

Banks on legacy systems find it even more difficult to manage changing customer channel preferences and expectations related to scale, performance and go-to-market time lines; and, they tend to restrain banks from using digital technologies to innovate on the account opening front as well. Typically, processes like online account opening, based on interfaces with multiple backend systems, can pose considerable challenges. Should the bank decide to go for a full transformation, or a partial but controlled transformation, or continue with legacy systems through smarter means on a short run, while planning for a longer term solution? APIs are a smarter option and can be a win-win for the prospect, the bank and its affiliates, given the nature of their reuse.

A Customer-centric User Interface is Prime

Prefilling information from data aggregators, minimized touch points, online chat, avoiding repetition of inputs — all come together to make the experience with the interface and DAO process richer. The goal is to make all aspects of customer touch points need-based, self-explanatory, intuitive and contextual. Based on the type of banking product being requested, corresponding APIs to the individual or corporate information aggregators can be enabled. Banks should automatically connect with credit bureaus, identity agencies, land record agencies to pull the needed data points based on the corresponding unique references like an SSN number, Tax ID, Aadhar number, CIN number, and so on.

Designing the user interface taking into account human behavior, contexts, manoeuvrability, advanced analytics to understand where a user has abandoned a process or spent more time on can help in refining the steps in a customer journey. The digital account opening experience must be optimized iteratively to make it perfect. Again, a bank can choose to formulate a customized on-boarding approach based on the customer segment or risks involved.

Review and Approval Processes

It is important for the review and approval process of account opening to be incorporated into workflows based on perceived risks or credit scores of customers. The key here is to continuously communicate and engage with the customer during the process.

New Account Funding

Some banks feel challenged when mandatory funding is required for opening an account digitally. How to provide STP for funding the account online, as the account is being opened is a common question. Instant new account funding is possible using Remote Deposit Capture (RDC), ACH direct debit, credit cards, online fund transfer, etc.

Security Concerns

In the age of data privacy regulations and the ubiquity of information, customers are increasingly getting worried about the data they share with the bank. Communicating about privacy policies and online guides and reassuring the customer about safety of their data, and adherence to global privacy standards can help develop trust. Additionally, banks can consider introducing a set of configurable parameters meant to reduce risk and exposure, such as giving customers the control of setting up transaction limits or authorization types.

The Last Mile

How can a bank complete a digital account opening journey effectively? When all digitized
procedures are successfully completed, the bank can share the account number with the customer instantly, promise to send the account e-kit, communicate information about pre-approved loans or any other product, based on the demographic and financial profile of the customer, all in a non-intrusive manner.

**Quantify the economic outcomes**

While a bank may invest to improve the customer experience, it may not be clear about what it actually costs and the value it generates. It is very important from the bank’s view to quantify the economic outcomes of differences in customer experiences; else the efforts end up having clear costs and unclear near-term results. Metrics like Improvement in Customer Effort Score, Reduction in Cost per Customer On-boarding, Count of digital applications...
initiated vs completed, Conversion Rate, Average Time to On-board, etc. are required. Banks need to define performance indicators and metrics, track them to the last value and consistently evaluate and refine the account opening performance\cite{5}.

**Omni-channel Solution – Resume and Save**

There are many definitions to an omni-channel customer experience today, however, the most widely accepted being that where a customer goes through a seamless brand experience across devices or channels. As depicted in figure 5, a customer can commence their on-boarding process in one channel e.g. on Internet browser on a laptop and, subsequently pick up where they left off from another channel like a mobile app, and close the transaction successfully.

**Using the power of AI**

Conversational AI tools such as chatbots can revolutionize customer acquisition, saving time and money in the process. They simplify the user experience and enhance customer support\cite{9}. By 2020, banking customers will manage 85% of their relationships with the enterprise without interacting with a human, predicts a leading analyst\cite{10}. A simple chatbot use case can be that of opening a lending product online, where the bot guides the customer towards the product most suitable based on eligibility.

To sum up, a competitive solution is needed to provide a seamless and always available channel for digital account opening. Saving costs while also improving time-to-market, it can help a bank compete with new technology entrants or fintechs while also adhering to changing regulatory mandates, and delighting discerning customers.

**References**

7. https://acuvate.com/blog/important-use-cases-ai-powered-chatbots-banking-industry/

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**Figure 5: Digital Account Opening Multi Channel On-boarding**

![Customer Touch Points](image)

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<th>Customer Touch Points</th>
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