RELAY

February 2023

Financial Services Customer Onboarding Transformation

How Feed Technology has Emerged as a Solution to the Onboarding Challenge

In this issue

Gartner®

Activation Has Become As Important As Acquisition

Financial institutions are expending significant time, money, and resources on the acquisition of new customers which makes guiding those customers through critical post-acquisition onboarding activities like card activation and account funding ever more important. In this newsletter we'll address:

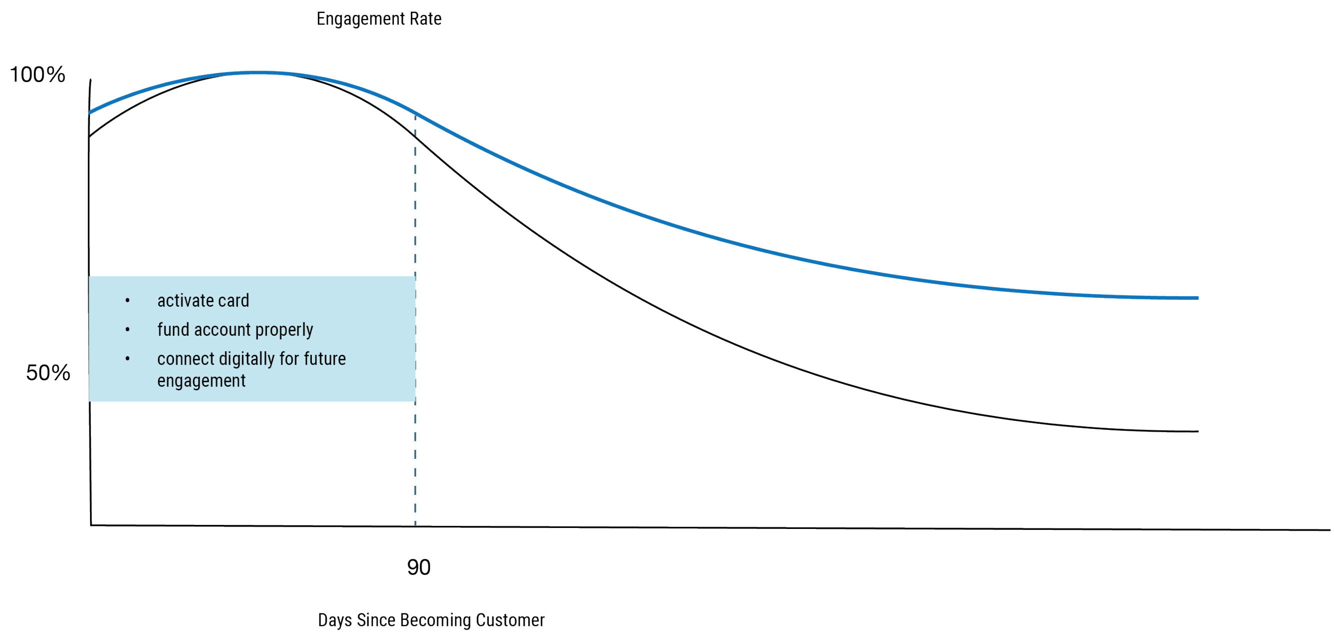
- How successful financial institutions are accelerating customer onboarding
- What causes acquired customers to disengage prior to activation
- Optimizing customer pull-through from the "buy" cycle to the "own" cycle

WHEN IS A CUSTOMER FULLY ACQUIRED?

Marketing executives at financial institutions are increasingly measured on successful onboarding rather than mere acquisition. Although the components and workflows of "onboarding" may vary across organizations, the business outcome of onboarding is universal: A customer is onboarded when their desired business value is realized. With the annual churn rates on new customers hovering in the 20-25% range[1], banks and credit unions are prioritizing procurement of tools and solutions to improve and accelerate customer onboarding.

[1] Howard Lax, "**New Customer Retention: A Fundamental in Retail Financial Services**." CustomerThink. July 12, 2016.

Figure 1. Engagement Across the Onboarding Lifecycle



Source: Relay Network

The 90-day window post-acquisition is an important timeframe identified by financial institutions as the sweet spot for these onboarding actions. In fact, one survey indicates that when customers don't become loyal users in those first 90 days, their renewal likelihood could drop to as low as 10%.[2]

Additionally, a recent BAI article went into more specifics noting, "it's important for new depositors to receive five to seven communications from their financial institution within the first 90 days."[3] But what do those key communications entail? Properly "onboarding" a customer today requires a clockwork of interactions.

Onboarding Outcomes

- Card activation
- Account funding
- Direct deposit enrollment
- Digital adoption of existing tools like banking apps and online banking portals

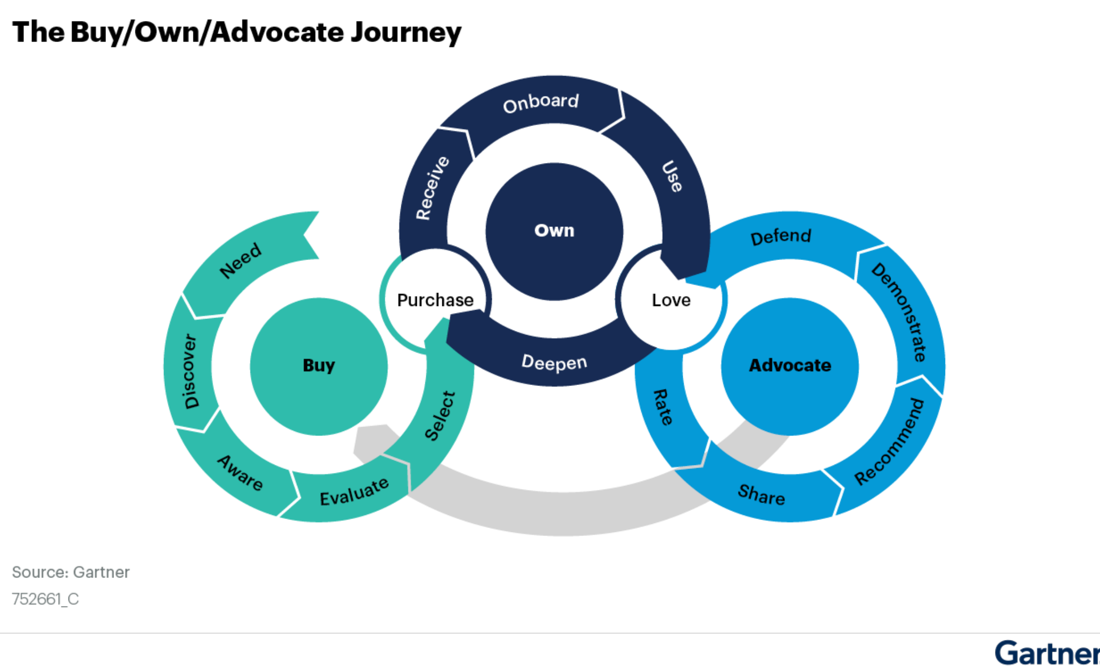
[2] Donna Weber, "**Orchestrated Onboarding: What it is and why you need it**." KickStart Alliance. January 30, 2019.
[3] J.J. Slygh. "**A CX That Plays for Keeps**." BAI. May 11, 2021.

BETTER ENGAGEMENT YIELDS BETTER OUTCOMES

Proactively delivering these experiences to each customer at the right time, channel, and format not only drives revenue for the financial institution in the near term but also sets the foundation for the future of the customer's relationship with the bank or credit union. Capital Performance Group found that households who set up direct deposit were 50% more profitable, households that leveraged tools like online bill pay were 100% more profitable, and households that were highly engaged with both direct deposit and online banking set up were 200% more profitable.[4] When financial institutions can efficiently inject experiences like these in a customer onboarding cadence, they, too, can realize outcomes like these.

The biggest known challenge to successful onboarding today sits at the intersection of the tools and channels financial institutions are using to drive customers to complete activation. In accordance with Gartner's Buy/Own/Advocate Framework[5] (below) from the research note "Use Gartner's Buy/Own/Advocate Framework to Map Customer Journeys and Deliver Better Customer Experiences," there are many new tools and technologies designed specifically for the "Buy" phase including, but not limited to, CRMs, CDPs, and other marketing automation tools, but there are few that really address the need for post-acquisition onboarding which starts in the "Own" phase. Recent research from Fintech Futures found, "about 80% of all financial institutions implemented new systems for creating digital accounts or improving existing ones"[6]. But what about investments in new

Figure 2: The Buy/Own/Advocate Journey



[4] Jim Marous, "**The Business Case for Onboarding**." April 27 2011.

[5] Gartner, "Use Gartner's Buy/Own/Advocate Framework to Map Customer Journeys and Deliver Better Customer Experiences." Augie Ray and Leah Leachman, G00752661, Refreshed 13 October 2022, Published 22 June 2021

[6] Fintech Futures, "**Why is digital customer onboarding so important in banking?**", March 29, 2022.

systems for engaging and growing those acquired customers? The truth is, financial institutions have relied on traditional channels like direct mail, email, and SMS for customer engagement. The problem is that these status quo channels have become increasingly less reliable in catalyzing customers to action. So, a financial institution can have the best "Buy" tools and technologies in place but if the right channels driving engagement at the right moment in the onboarding cadence are not present, then enabling a fully activated customer is that much harder. Coupled with the increased expectations from customers around accessibility and efficiency in completing tasks, along with their overall preference to engage using digital interfaces, banks and credit unions have a unique challenge to solve. As part of Gartner's "4 Key Strategies to a Successful Commercial Banking Onboarding Process", the second strategy that they present involves digitalizing the customer journey with a total experience approach. Gartner notes that "customers expect an intuitive and comfortable overall experience" and share some of the ways that the tools and applications should behave to enable that type of customer experience.

What makes a solution successful in driving these key onboarding actions for a new customer and can provide them with an "intuitive and comfortable overall experience"?

1) Accessibility

The first hurdle that financial institutions need to overcome is in getting customers to engage. When it comes to accessibility and engagement, traditional channels don't offer much flexibility in terms of their capabilities. Now, with the ubiquity of smartphones, digital connectivity is accessible for everyone, and when interacting on these devices, feeds are the engagement format of choice. Feeds have infiltrated the lives of consumers whether via social feeds or newsfeeds and have become the preferred format for consuming content. The scrollable nature of feed technology has ingrained behavior that drives high levels of engagement. Repeated use is not a side effect of a feed, but rather, a central tenet of its success. By serving a continuum of content in one channel, a feed streamlines any siloed processes and normalizes the cadence of experiences, thus preventing inadvertent spamming of customers across several channels.

The feed is a destination, rather than a channel, giving consumers the ability to scroll through a contextually relevant sequence of experiences. Recent Deloitte research validated that "banks' 'pull' approach versus a 'push' approach to digital service could be standing in the way of creating emotionally engaging digital interactions."[7] Rather than pulling customers into the app or portal where they are left to navigate through content on their own, banks and credit unions can push relevant content right out on feeds for customers to engage.

Feeds also reduce friction for customers, unlike other engagement channels that may require registration or credentials. The immediacy by which a consumer could access, absorb and interact with experiences in their feed plays a significant role in the success of the channel.

2) Actionable experiences

The key to the effectiveness of an engaging channel like a feed is the content delivered on it. In the case of onboarding, the content must be clear, concise and actionable. Customers want the process to be frictionless and efficient and therefore are more likely to take action in the case of card activation, account funding, and direct deposit set-up when the content is presented this way.

[7] Deloitte, "**Accelerating Digital Transformation in Banking**", October 9, 2018.

3) Timely and predictive notifications

The last component for a channel to be effective with onboarding is reaching customers in a timely manner with the right experiences to help to streamline the process. By notifying customers proactively and at a time that they are most likely to engage, customers will be more willing to complete the action to continue them through the process. And because the experiences populate one after the other on a feed, customers can scroll through to make sure they completed each action.

FEEDS, ENGAGEMENT, AND ONBOARDING SUCCESS

While consumers have adopted feeds as their preferred digital consumption format, many banks and credit unions have yet to leverage feed technology to engage with their customers. As larger tech firms develop new and effective ways to drive engagement with digital content, financial institutions are under the same expectations from their customers to provide them exceptional digital experiences they're accustomed to in their personal lives. If banks and credit unions explore opportunities to update the engagement interface to something that is preferred and familiar, like feeds, they have an opportunity to drive meaningful engagement.

Feeds are not meant to replace any existing tools within a bank or credit union's technology stack, but rather ensure customers are engaged, informed, catalyzed to action. Feeds take the best elements of the investments in CRMs, CDPs, and other content tools and uses them to deliver meaningful engagement to customers. With 4.3 billion people interacting with feeds globally[8], there is no denying that feed technology is the most effective consumer engagement medium today. It is time for the financial services world to leverage the power of feeds to drive customers through the onboarding process using a channel that is familiar and intuitive.

Banks and credit unions who have integrated Relay Customer Feeds to enhance their post-acquisition onboarding digital footprint have seen:

- 88% increase in debit card activation
- 46% increase in account funding
- 39% increase in direct deposits
- 42% increase in mobile deposits.

In the Gartner research note that follows, "4 Key Strategies to a Successful Commercial Banking Onboarding Process", the authors state that "customer-facing applications should be: responsive and load quickly; easy to navigate; accessible from different devices, including tablets and mobiles; able to provide in-depth information about the account being opened, including documents and responses needed, the account opening process requirements and timelines; and proactively enable customers to know where they are in the process." Feeds not only tick each of these functional boxes, but they also provide a powerful low-effort mechanism for driving post-onboarding engagement that enhances customer satisfaction, loyalty and lifetime value.

Source: Relay Network

[8] Statista. "Number of global social network users 2017-2021." S. Dixon. December 16, 2022.

Research from Gartner

4 Key Strategies to a Successful Commercial Banking Onboarding Process

Commercial bank customers want a superior customer experience and are moving to competitors that offer leaner onboarding processes. Bank CIOs can use four strategies to build an onboarding process that improves customer experience, reduces costs, mitigates risks and boosts revenue opportunities.

Overview

Key Findings

- Corporate banks find it hard to process complex sets of siloed internal and external data sources and this has led to an overreliance on labor-intensive data processing techniques.
- The customer journey typically has a low degree of automation, with a tendency to depend on paper and physical visits to open an account, and requires several touchpoints with customers.
- The back office typically has a high headcount, extremely manual processes, spends too much time analyzing structured and unstructured data, and relies on mainstream search engines for due diligence and risk investigations.
- The customer journeys are broadly hard coded, requiring IT support whenever changes to a business process or regulatory requirements must be incorporated.

Recommendations

CIOs responsible for financial services digital business strategy and innovation who want to build a forward-looking commercial banking digital onboarding platform should:

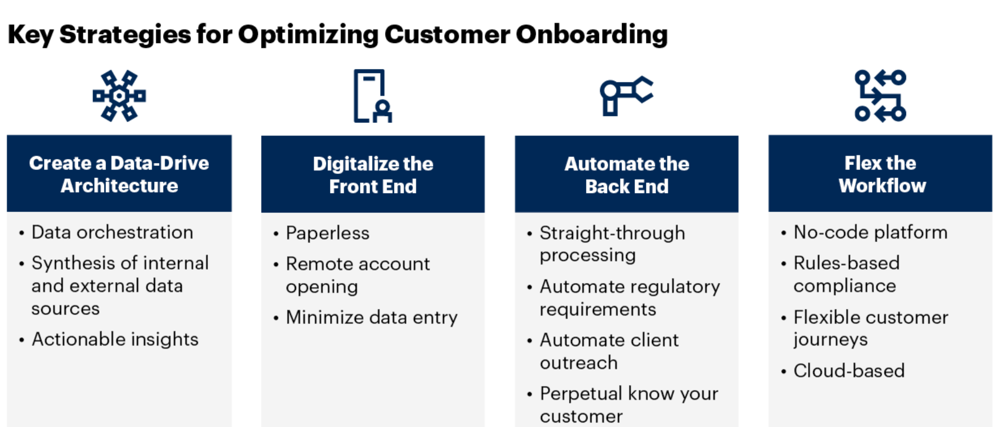
- Work with the chief data and analytics officer (CDAO) to create a data-driven architecture that enables information to flow seamlessly between different parties and systems involved in onboarding (external and internal). Integrate data gathered from accounts, subaccounts and product onboarding into one source of truth.
- Apply a total experience strategy that starts by digitizing the customer journey, removing paper and other friction points, and offering smooth online and in-person support.
- Automate end-to-end, back-office processes by building an hyperautomation roadmap that harnesses the power of data, robotic process automation (RPA) and artificial intelligence (AI) technologies to reduce onboarding times and operational costs.
- Deploy a low-code/no-code platform tool that can adapt and scale onboarding flows, change data points and business rules using the banks' governance to gain flexibility and independence from regular IT releases.

Introduction

Customer onboarding in commercial banks is a time-consuming process that can result in customer attrition and excessive operational costs. Customers who are used to one-click shopping and innovative customer experience offerings are increasingly frustrated by the commercial banking onboarding process, even when the process is somewhat digitized. Customers are also overwhelmed by requests for supporting documentation, which in many cases duplicate other data.

Commercial bank CIOs need to work with the business to define a customer onboarding strategy, review current capabilities and define a roadmap of change. Several banks are taking steps to address these issues. The 2021 Gartner FS Technology Survey shows that 74% of financial services technology leaders are implementing, replacing or upgrading their client life cycle management systems (CLM). It also shows that 77% of respondents expect to increase their spend in CLM solutions over the next two years. The survey indicates that senior leaders in corporate banking are prioritizing initiatives that boost customer and employee experience.

Figure 1. Key Strategies for Optimizing Customer Onboarding



Source: Gartner
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Gartner

Based on Gartner survey results, customer and vendor interviews and public case studies, we have developed four key strategies that commercial bank CIOs must implement to build a future-proof onboarding process that provides the biggest return (see Figure 1). They can help provide a delightful customer experience, improve time to revenue, reduce costs and open new revenue-generating opportunities. These strategies are interdependent and they are best implemented as a single program of work. They are not steps; they are strategies that are often implemented in parallel. However, the first strategy is truly a prerequisite on which the other strategies can be built.

Analysis

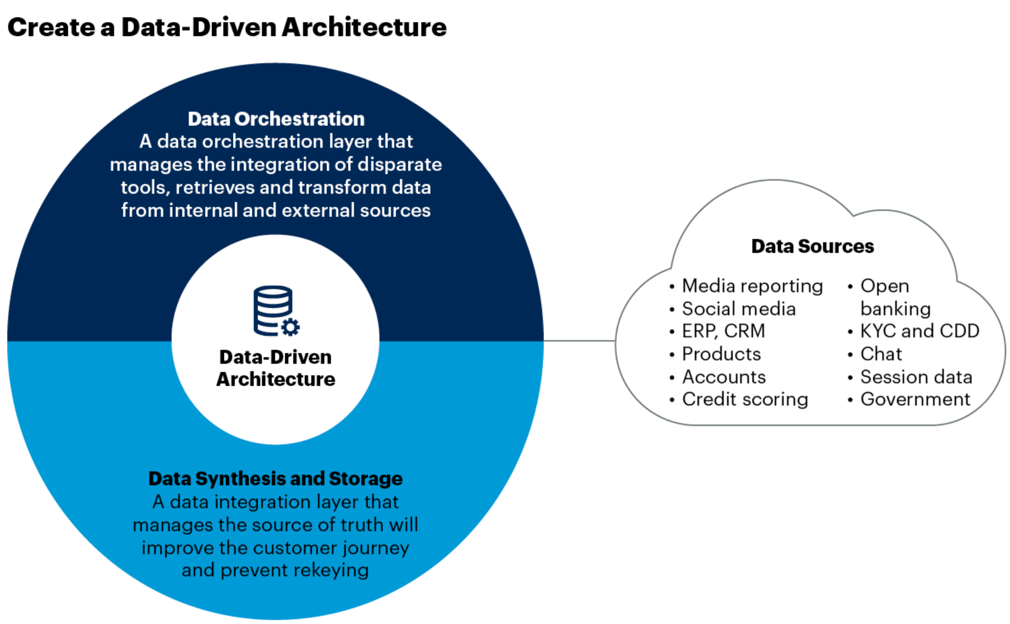
Strategy 1: Create a Data-Driven Architecture

The onboarding process is based on data gathering and data assessment. Banks want to obtain and analyze the maximum amount of customer information to assess their risk profile and understand their needs. But they want to limit the number of times they have to ask customers for data.

Two key components need to be optimized when designing the right architecture: data orchestration and data synthesis (see Figure 2).

- Data orchestration layer
  - Manages the integration of disparate tools, retrieves and transforms data from internal and external sources
- Data synthesis and storage
  - Manages the source of truth to improve the customer journey and prevent rekeying

Figure 2. Create a Data-Driven Architecture



Source: Gartner

Note: CDD = customer due diligence; KYC = know your customer

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The two layers to optimize when creating a data-driven architecture are data orchestration and data synthesis and storage. The data orchestration layer retrieves and transforms data from internal and external sources, while the data synthesis and storage layer improves the customer journey and prevents rekeying.

Banks must retrieve and synthesize several external and internal data sources, including the following sources:

- **Personal data** — Demographics, contact, biometric, professional, memberships, credit, criminal records, adverse media, social media (e.g., LinkedIn)
- **Business data** — Incorporation, structure, officers, credit, marketing, social and sentiment, sales, media coverage
- **Identification and verification (ID&V)** — Electronic ID databases, government sources, biometric databases
- **Other sources** — Maps, Wikipedia, web-crawled content, government and charity regulators
- **Credit sources** — Financial statements, credit ratings and reports, banking statements, trade checking
- **Fraud** — Global fraud databases, biometrics databases, leaked passwords databases, behavioral data, device information

CIOs must be able to create a single view of the customer by matching data points and choosing the most accurate data, particularly when different sources provide different values. To integrate the proliferation of sources listed above, CIOs should work with CDAOs to map data sources, trace sources where alternative versions of the truth might be available and use AI tools to select the best points. For example, when there are different data sources about the incorporation of a business, the company registry should be prioritized.

CIOs can approach data orchestration with an API-led master data management (MDM) strategy, where APIs manage the information flow and the MDM ensures the "right" data is being used by processing, organizing, cleaning and protecting it. The key enabler for managing data is a comprehensive MDM strategy and roadmap. MDM is increasingly viewed as mission-critical to achieving success in the digital age, evidenced by a 52% increase in Gartner client inquiries on MDM between 2020 and 2021.

Gartner observes that most organizations are actively investing in API developments to help with system integration all across the financial services industry. The Gartner FS Technology Survey reveals that corporate banks have used APIs and microservices to support 57% of IT change initiatives. By taking a developer-led, API-first approach and creating a set of platform APIs, commercial banks will gain consistency, not only for the onboarding process, but for subsequent interactions.

When it comes to data synthesis, distilling and organizing the data gathered during onboarding is key for further interactions. Organizations must monitor significant changes and business milestones, such as group structure and account ownership, to comply with regulations. Transaction data can be reused for lending and transaction monitoring purposes. Data must be kept in a master data storage repository where interactions with systems such as ERPs and CRMs are automated, and change management, workflow, and collaboration tools are available. A flexible storage layer will allow for real-time analysis such as risk simulations and credit assessments, and provide insights into which steps of the process customers find most challenging.

Strategy 2: Digitalize the Customer Journey

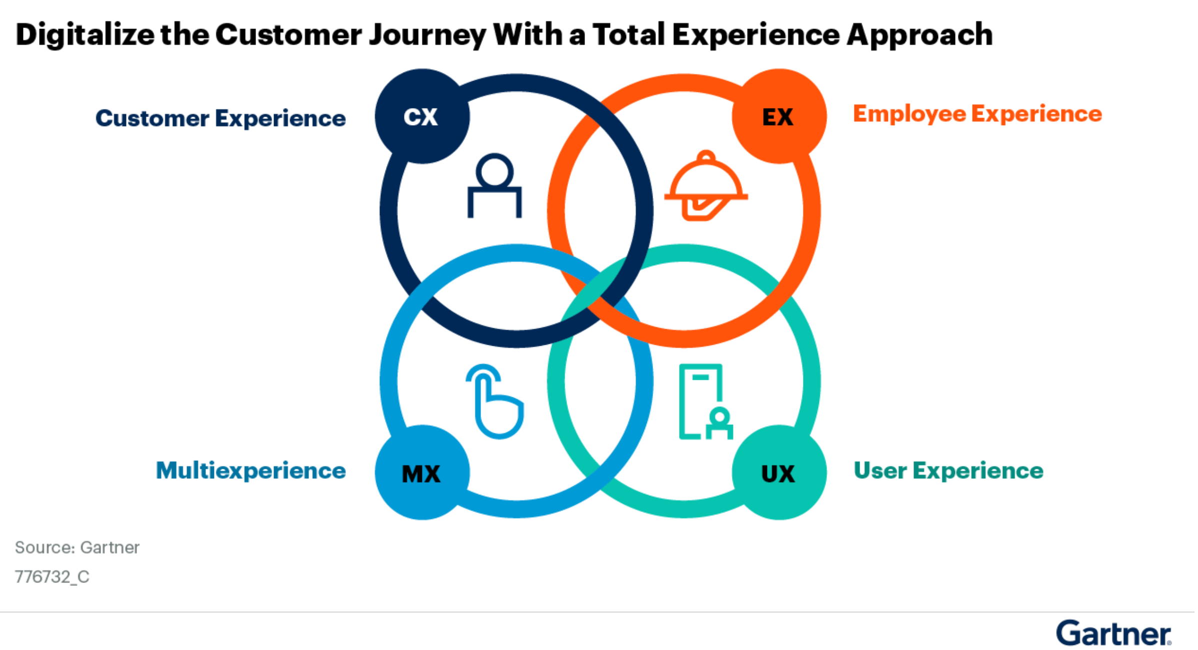
Some commercial banks are still using paper-based applications that are filled in at physical locations; others are using simple online forms and PDF fillable documents. Commercial bank CIOs should look at applying a total experience strategy to customer onboarding (see Figure 3). The 2022 Gartner CIO and Technology Executive Survey shows that 35% of surveyed CIOs are increasing their investments in total experience solutions (Figure 3).[2]

The total experience approach comprises customer experience, employee experience, user experience and multiexperience. Commercial bank CIOs should digitalize the customer journey with a total experience approach. This approach ensures that the customer's overall experience is comfortable.

Customers expect an intuitive and comfortable overall experience. Customer-facing applications should be:

- Responsive and load quickly
- Easy to navigate
- Accessible from different devices, including tablets and mobiles
- Able to provide in-depth information about the account being opened, including documents and responses needed, the account opening process requirements and timelines
- Proactively enable customers to know where they are in the process

Figure 3: Digitalize the Customer Journey With a Total Experience Approach



Commercial banks must also make the journey as simple as possible for bank **employees**, including:

- Relationship managers
- Back-office staff
- Compliance officers
- Customer service representatives

The platform must allow employees to put themselves in the customer's shoes. It should prioritize the case workload, ensuring focus on SLAs, providing transparency on outstanding items, and automating tasks as much as possible.

The **user** experience looks at customer-bank friction points. How much effort does it take to get what customers and the bank need? Customers are frustrated about excessive requests for information that the bank might be able to get from other sources; for example, unstructured data points from social media and public databases. Banks can enrich this information to prepopulate fields and reduce friction points. The data capture phase should be targeted at achieving a mutually exclusive, collectively exhaustive (MECE) framework where there is no overlap between information requests and no gaps.

Although some customers might prefer meeting in person, a **multiexperience** includes technologies such as video meetings, ID&V, and digital signatures, as a starting point. A fully virtual experience should be the target.

Table 1 shows a representative (but not exhaustive) list of ways to digitize the customer journey.

Table 1: Ways to Digitalize the Customer Journey

Activity	Description
Evidence gathering	Provide supporting documentation online using different devices. Provide the ability to connect to external data sources, accountancy software, personal and business accounts and e-commerce websites to retrieve business transactions (e.g., Fenergo, fino, Temenos).
Connectivity for personal details completion	Connect to internal and external databases such as FullContact, Global Database; global address databases (e.g., Fetchify, Loqate); geolocation, open API transaction retrieval (e.g., Envestnet | Yodlee, Nordigen, Plaid, TrueLayer).
Connectivity to business data registries	Connect to different structured data sources (e.g., country company registries, trade statistics, tax authorities, Dun & Bradstreet, FullCircl), to retrieve company documentation such as statements, group structure and company incorporation documents.
Credit bureau	Connect to credit bureaus such as Equifax, Experian, Orbis - Bureau Van Dijk and TransUnion, to obtain credit scores, personal information and business creditworthiness.
Identification and verification	Use electronic IDs as well as video meetings, selfie and document capture techniques (e.g., Experian, Jumio, MiTek, Onfido, WebID and CafeX), to avoid visiting branches and performing know-your-customer (KYC) checks.
eSignatures	Allow signing documents online for applicable documentation and jurisdictions to avoid physical visits and to replace wet signatures (e.g., Adobe Acrobat Sign, DocuSign, GetAccept, IDnow, signNow).
Adding up cross-sell products	Determine and suggest products for the customer based on suitability and customer insight.
Account setup	Set up direct debits, standing orders and instructions based on the previous bank. Set up different account features (signatory rules, user setup, internet banking, telephone banking) during the onboarding process using prediction techniques.
Simplified T&Cs	Condense T&Cs to make them customer-friendly and easy to understand.
Communications streamlining	Clarify questions/information needed by a virtual agent, webchat agent and co-browsing sessions. Give customers real-time support on completing the application and transparency on the application status.
Omnichannel accessibility	Give customers the ability to complete applications on different devices utilizing simplified login processes. Send timely reminders when actions are required through emails, SMS and app notifications to avoid bottlenecks.

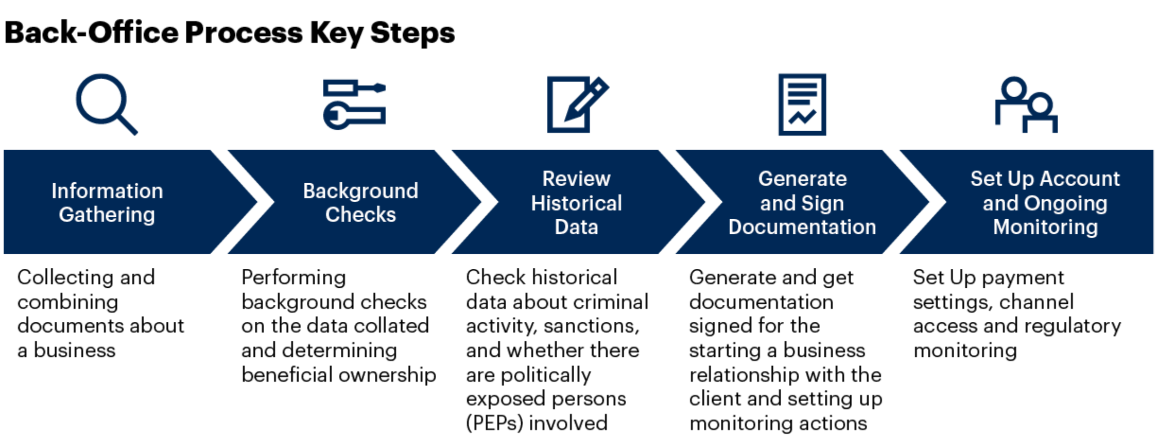
Source: Gartner (October 2022)

Strategy 3: Automate the Back End

The back office establishes a risk profile for a customer, determines whether an account will be opened for them, and if borrowing will be approved for them. Commercial banks should hyperautomate the process to minimize the time they spend in this process. The 2021 Gartner FS Tech Survey shows that in commercial banking, digital process automation (DPA) has been chosen as the top technology for both business model transformation and cost optimization. The goal in customer onboarding is to move as close as possible to a straight-through process (STP) that happens in real time (see Figure 4).

- **Information gathering** — Prioritize security, allow large and multiple files, and in different formats. If possible, implement natural language processing (NLP) technologies to make sense of the data. For example, text analytics, NLP toolkits, semantic search, text auto classification, RPA and intelligent document classification (e.g., DocuWare, Hyland, Microsoft AI Builder and OpenText).
- **Background checks** — Use natural language technologies to help understand unstructured text quickly and gain consistency between different applications, increasing the efficiency of processing complex applications. Hyperautomate know-your-business (KYB) checks, implement ultimate beneficial owner (UBO) visual discovery, perform several searches on a group of companies simultaneously and display visual ownership trees linked to official documents for the group across the globe (e.g., Dun & Bradstreet, Experian, IHS Markit [S&P Global], kompany, LexisNexis, Sayari Labs, SmartSearch).
- **Review historical data** — Make a judgment on the customer's risk classification based on searches around policy enforcement points (PEPs); sanctions; adverse media; regulators; environmental, social and governance (ESG) risks; stock exchange listings; and corporate registries. Move the lowest-risk cases that do not require human intervention forward. Refer other cases to employees; to optimize true positives and negatives ratio, leverage data science combining

Figure 4. Back-Office Process Key Steps



Source: Gartner
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external sources and internal blacklists. To reduce time and the noise of irrelevant information and improve auditing, deploy a system that can run several searches together and evidence the searches (e.g., Arachnys, Acuris Risk Intelligence, ComplyAdvantage, Fullcircl, Gazettes, Global Legal Entity Identifier Foundation (GLEIF), Refinitiv World-Check).

- **Generate and sign documentation** — Implement a system that allows the bank to manage agreements, including generation, negotiation, electronic signing (when permitted by the relevant regulators) and storage. This expedites the process and reduces risk from manual data entry and fraud (e.g., Adobe Acrobat Sign, DocuSign, GetAccept and signNow).

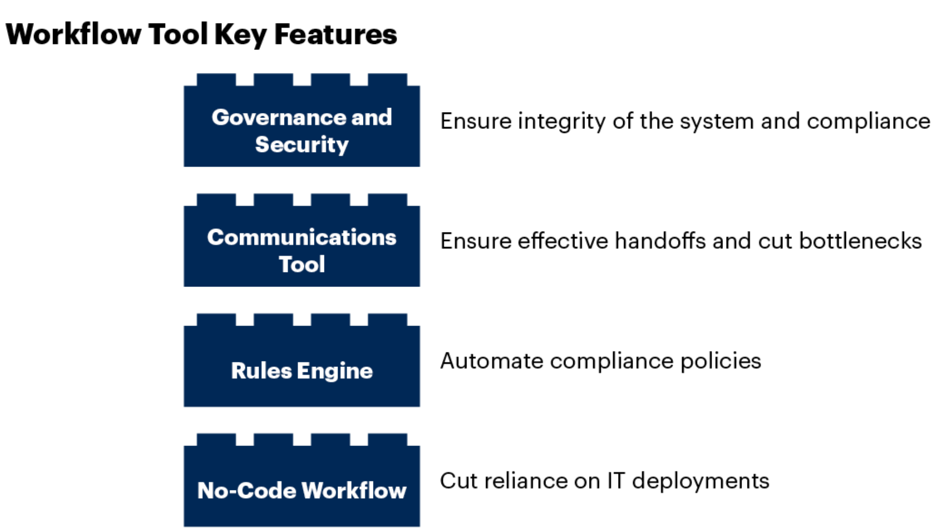
- **Setup account and ongoing monitoring** — Setup account signatory rule, product enablement and payment channel options by integrating to relevant systems using a set of platform APIs. Use a system that will monitor and flag changes in transaction monitoring, payment screening and entity screening, reducing regulatory compliance costs (e.g., ComplyAdvantage, Fenergo).

Strategy 4: Flex the Workflow

With more than 750 global regulatory bodies and a new regulatory update every seven minutes, according to Thomson Reuters,3 workflows are destined to change frequently. Typically, a commercial bank must go through the usual IT life cycle of periodically developing, testing and releasing changes, even for simple updates such as changing labels or adding a new question to the onboarding journey. As a result, banks can miss some of the regulatory mandates, risking fines from the regulator. This approach also makes the cost of system maintenance excessive.

Commercial banks need to invest in a configurable workflow management solution that allows orchestrating different touchpoints within client onboarding. Figure 5 shows what the system should do.

Figure 5. Workflow Tool Key Features



Source: Gartner
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- Allow for low-code/no-code changes including tailoring different stages of approvals, data points, labels and new information requests (sample vendors include Appian, Fenergo, i-exceed, Pega and VeriPark).

- Contain a rule engine that allows inputting regulations such as Markets in Financial Instruments Directive (MiFID), European Market Infrastructure Regulation (EMIR), Foreign Account Tax Compliance Act (FATCA), Common Reporting Standard (CRS), Financial Services Compensation Scheme (FSCS) by entity type, region and size. This will dynamically generate the data and documentation that needs to be collected, the KYC questions that need to be asked, and the risk assessments that need to be performed. The rule engine should be able to refresh data coming from other systems, and allow for simulations to test changes before they go live.

- Allow for easy communication between different departments and with the customer, so that appropriate automatic chasers are sent and clear visibility is maintained.

- Ensure strong governance and security including maker-checker processes and escalation management, so that changes to the system are properly reviewed, tested, quality checked and audited before releasing to live.

The bottom line: Commercial onboarding is becoming a strategic asset. New regulations such as open KYC and new business models related to open banking ecosystems will require a robust IT setup. By implementing the strategies listed in this research, CIOs can ensure that their onboarding process is kept relevant and future-proofed.

Evidence

[1] The **2021 Gartner Financial Services Technology Survey** was conducted online from October 2020 through December 2020. The 847 respondents included senior leaders who were either primary decision makers for their organizations' or business units' technology strategy or had a high level of influence in those decisions. The results of this study are representative of the respondent base and not the global financial services population as a whole.

[2] The **2022 Gartner CIO and Technology Executive Survey** was conducted online from 3 May 2021 through 19 July 2021 among Gartner Executive Programs members and other technology executives. The total sample is 2,387, with representation from all geographies and industry sectors (public and private), including 271 bank CIOs and technology executives. The survey was developed collaboratively by a team of Gartner analysts, and was reviewed, tested and administered by Gartner's Research Data, Analytics and Tools team.

[3] **Cost of Compliance 2021: Shaping the Future**, Thomson Reuters.

This research is also based on discussions with Gartner clients and vendors about commercial customer onboarding.

Source: Gartner Research, G00776732, Agustín Rubini, 20 October 2022

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