



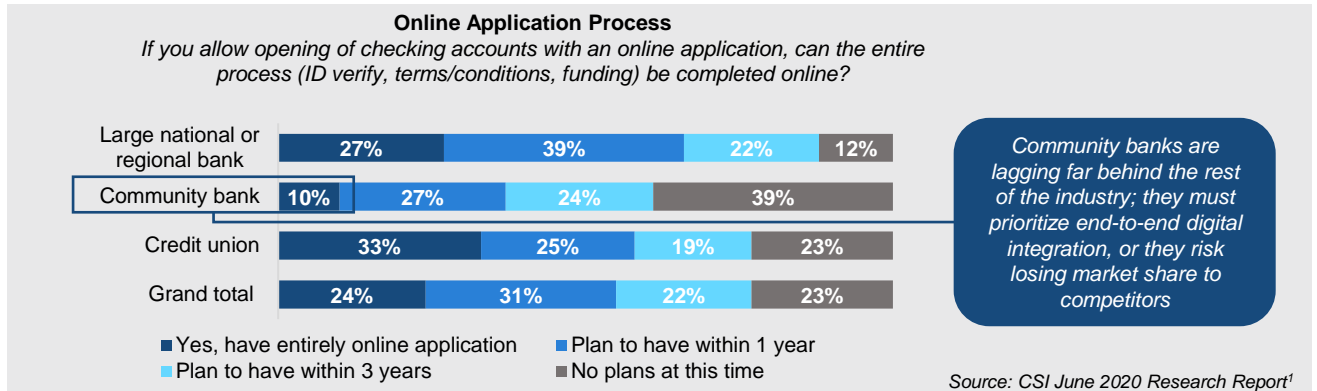
# Why banks need a digital account opening channel to grow

Digital transformation and why it matters today more than ever

“ It is no longer acceptable to simply check balances and transfer funds online – today’s consumers want to truly manage their funds online – open an account, pay bills, deposit a check – as if they were sitting across from their banker. ”

## The demand for digital

As consumers become increasingly accustomed to seamless digital online processes in almost every industry, the pressure is on for financial services to meet the high expectations of today's consumers when they log in to do their online banking. It is no longer acceptable to simply check balances and transfer funds online – today's consumers want to truly manage their funds online – open an account, pay bills, deposit a check – as if they were sitting across from their banker. The circumstances surrounding the COVID-19 pandemic have only accelerated the already pressing demand for banks to eliminate the branch-centric model and adopt an end-to-end digital-first strategy. Community banks must realize this and prioritize building an exceptional online banking channel, or they risk becoming irrelevant.



## The need for digital transformation is now

We are at the point where every community bank must offer innovative online capabilities to not only retain, but to grow their customer base – and that starts with digital account opening.

- The June 2020 Digital-First Banking Tracker<sup>2</sup> notes that online account openings increased more than 200 percent in April 2020, while mobile banking use rose 85 percent.
- Data from CSI indicates an increase of nearly 53 percent in mobile logins compared to the monthly averages from 2019, and digital logins in mid-April across the country were twice as high as previous peaks.
- According to a recent Aite report, more than half of all generations, including seniors and baby boomers, reported logging into financial accounts using a desktop or laptop at least once a week. More than 80 percent of millennials reported accessing financial accounts using a smartphone at least once per week<sup>4</sup>.
- The same report found that nearly 50 percent of millennials, along with 40 percent of Gen Xers, reported using electronic payments at least once a week<sup>4</sup>.
- A recent study from Boston Consulting Group (BCG) found that COVID-19 is changing the way consumers interact with banks, with 24 percent of consumers planning to use branches less, or stop visiting altogether<sup>5</sup>.

Technology is continually driving the need for digital transformation and contributing to the rising expectations for a seamless digital experience by consumers of all generations. To attract and retain customers, community banks must support digital transformation by prioritizing an end-to-end digital strategy.

## Key data points

**200%** Online account openings

**85%** Mobile banking use

April 2020 (reported increase)

**53%** Mobile logins

2019 vs. 2020 (monthly avg. increase)

**>50%**

Of all generations reported logging in to financial accounts using a desktop/laptop at least once a week

**>80%**

Of Millennials access financial accounts using a smartphone at least once a week

**50%**

Of millennials use electronic payments at least once a week

**40%**

Of Gen Xers use electronic payments at least once a week

**24%**

Of consumers plan to use bank branches less, or not at all

Source: CSI Digital Transformation White Paper<sup>3</sup>

## Why focus on digital account opening?

### The need to grow deposits

In Independent Banker's Community Bank CEO Outlook survey, more than half of community bank executives (53%) cited growing deposits as their greatest business challenge in 2020. Banks cannot afford to lose out on potential deposits due to ineffective or inefficient account opening processes<sup>6</sup>.

### Consumer preferences

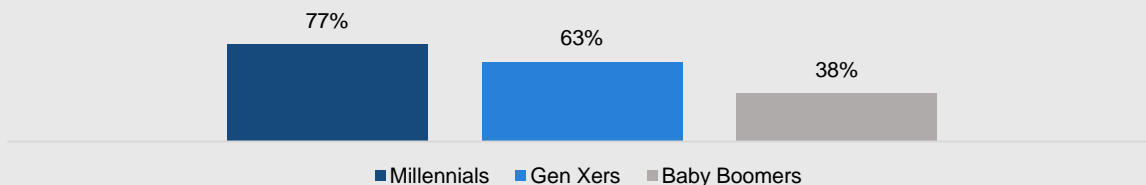
Roughly three-quarters of Millennials and two-thirds of Gen Xers prefer digital channels for opening deposit accounts, according to research from BAI<sup>7</sup> (figure below). However, only three of five consumers who want to open accounts online actually do so. According to The Financial Brand<sup>8</sup>, the discrepancy is due to the fact 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."

### The need for speed

The 2016 Digital Banking Report<sup>9</sup> 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<sup>10</sup>. In a recent Aite report<sup>4</sup>, 73% of senior Millennials and 60% of Gen Xers who started an online account application did not complete it, running into questions that required a branch visit or phone call. This presents an opportunity for community banks to reduce friction in onboarding and provide customers with online support to facilitate the opening process and lower abandonment rates.

The failure to deliver a fully digital account opening process means that banks and credit unions are losing out to competitors that offer users the ability to open accounts entirely remotely. If the online customer experience is poor, applicants may turn to other financial providers that enable them to complete the account opening process in a single sitting.

**Preferred Channel for Deposit Account Opening**  
Percentage Who Prefer to Open Deposit Accounts Online



Source: BAI<sup>7</sup>

## Critical components of an effective digital account opening channel

**Simplified data entry.** The digital account opening process should minimize customer data entry requirements. Capture and auto-fill basic personal identity information where possible.

**Digital application signing and ID verification.** E-signatures and paperless document delivery should be provided, so applicants can avoid visiting a branch to complete the process or any unnecessary follow-up calls that may make a consumer abandon the application. New technology allows for AI-powered ID authentication.

**Preventing application abandonment.** Ability to save and resume account opening at any point in the process and in any channel. Customer support should be available at every step of the process in case a customer has a question about the application.

**Instant account approval.** Accounts should be opened and available for use upon application completion with account number access and automatic enrollment in digital banking services. Banks should take advantage of the opportunity to cross-sell additional products or services at this step.

**Immediate account funding.** Funding should be a one-step process requiring minimal effort that consumers can see through in real-time (usually with either a credit card/debit card or with mobile deposit capture).

## What's your business strategy for digitization?

Before a community bank can effectively tackle their digital transformation process, there are a few key questions that must be answered to determine the right strategy. These questions fall into two categories that will shape the bank's overall strategy: business and brand.

### *Sample business questions include:*

- How can we best generate new sources of revenue? Are we focused on topline or bottom line? Growth vs. inefficiencies?
- Is there an opportunity to introduce new products?
- What is our asset/liability strategy and cost of funds criteria?

### *Sample brand questions include:*

- Does our current brand have a strong reputation?
- Is our brand name tied to a specific geography?
- Is our current brand limited in any way (i.e. segments served)?
- Do we need to create a new internet-only brand?

Answering these questions will help determine the most effective digital transformation strategy for your bank. Should you build a digital branch channel under your current brand name or introduce a new internet-only brand? A community bank might decide to improve their digital experience through building a robust website and application to expand their footprint or statewide reach. Other banks may decide to create a new internet brand because they want to have a broader reach to different market segments, and they can have distinctly different rates to cover their asset portfolio. Introducing a new brand demands a heavier investment, as well as increases in marketing spend, although, in the long run it might make more sense for your business.

## Key milestones in the implementation journey

- Establish the overall business goal (i.e. grow customer base and deposits, streamline process, expand geographic footprint).
- Agree on the digital transformation strategy (i.e. build on our current brand, or introduce a new, separate internet brand, or both).
- Information gathering with key stakeholders team, PMO office, and any other relevant parties.
- Review current technology and assess if new technology is needed to facilitate a responsive website and secure account opening online (must be compatible with core).
- Train current staff on new systems and potentially hire new roles to meet new digital needs.
- Consider introducing new products (i.e. Zelle) once digital account opening channel is secure.
- Build a digital marketing plan to engage clients.
- Generally achieved in 9 months.

## Next step: digital marketing to drive demand

While digital account opening is clearly essential to the future success of banks, it cannot end there. One of the most common mistakes financial institutions make when deploying digital account opening tools and technologies is underestimating the need for digital marketing.

Community bank executives often anticipate a significant increase in application volume after deploying digital account opening systems – and many are disappointed by the volume they see. Often, banks are so focused on deploying their new account opening systems as fast as possible that they overlook the marketing capabilities and analytics required to drive high new volumes. Driving new account application volume requires relevant content with powerful call-to-action delivered to the right targeted customer. Banks must be able to clearly articulate their offerings and the appeal of their products to a well-defined market segment– and allocate marketing spend to the associated targets to drive traffic and conversions.

# Success story: how bank X benefitted from prioritizing the implementation of a digital account opening channel

## The problem

A 100-year-old bank was determining how it was going to stay relevant in the next 5 to 10 years. In addition, the bank wanted to improve operating processes, technology, and marketing efficiencies. In the current market it was getting harder to acquire and serve the younger population without up-to-date technology.

## The solution

A specialized consulting firm, XpertSavers, was commissioned to partner with bank X to analyze their market vision for product distribution and their deposit goals. After the evaluation, XpertSavers developed a customized digital transformation plan and outlined the technology and tools required to accomplish those goals. XS introduced various Fintech companies to augment the strategy and worked with the bank to get stakeholder approvals. With Board approval, they designed the digital bank workflow, managed the responsive website development and recommended the best products for the new customer experience.

Marketing campaigns and analytics were required to efficiently manage the digital channel. XS partnered on creative and strategic deployment, making recommendations and improvements once the digital channel was launched.

## The result

XpertSavers managed the implementation and launched a standalone digital bank into the market in only 8 months. Bank X grew deposits 30% over the original goal and saved 40% on marketing efficiencies, while attaining a high level of customer satisfaction, service, and retention.

## What your bank needs to do next

Digital transformation, specifically digital account opening, is an inevitable next step for all community banks and credit unions. The financial sector was already being disrupted, but now digitization has moved to warp speed due to the impact of the pandemic and the propensity for remote working – and your bank must be prepared for this change. To compete in this digital age, banks must either build a separate online brand to expand their footprint and grow deposits nationally, or build a new digital branch channel under the existing brand with the most up-to-date, advanced technology.

## About XpertSavers

XpertSavers are financial services and digital transformation experts. The team comes from leadership positions in banking, marketing, information technology, product development and corporate strategy. They have a solid record of building internet deposit businesses, while meeting the rigorous regulatory and security demands of the financial industry. Additionally, they have a deep understanding of Fintech companies and know how to add value to building a banking business in the digital age.

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Katharine has extensive financial and digital research experience due to her background in investment banking and management consulting. Katharine worked in the Technology, Media and Telecommunications (TMT) group at UBS Investment Bank, where she advised on M&A transactions, leveraged buyouts, spin-offs, as well as general strategic advisory assignments for companies within the TMT sector. She has also worked as a management consultant at Affinity Group, advising investors and operators of growth-stage businesses on value-creation and ROI opportunities via data-driven brand strategies. Katharine graduated with honors from Georgetown University with a Bachelor's Degree in Economics.

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