WAUSAU
A DELUXE® COMPANY
TREASURY MANAGEMENT
ONBOARDING

DRIVING CUSTOMER CENTRICITY WITH PAPERLESS ONBOARDING

Streamlining customer onboarding enables banks to deliver a better customer experience, accelerate time-to-revenue, mitigate risk, and reduce costs, putting banks in a better competitive position.

Most banks rely on antiquated onboarding processes that are costly, inefficient, unresponsive, fragmented, and uncompetitive with the service from alternative providers, says Joanne Pollitt, principal executive advisor with CEB.

EXECUTIVE SUMMARY

Customer onboarding has a big impact on the customer experience a bank delivers, its time-to-revenue, its ability to mitigate risks, and its profitability. Yet most banks rely on antiquated onboarding processes that are costly, inefficient, unresponsive, fragmented, and uncompetitive with the service from alternative providers, says Joanne Pollitt, principal executive advisor with CEB. In the face of rising customer demands, more banks are taking a fresh look at their onboarding process.

This white paper details the importance of customer onboarding, the challenges with antiquated approaches to onboarding customers, and five ways to drive customer centricity in onboarding.

The Importance of Onboarding

The onboarding experience is a big factor in winning the business of commercial clients, Pollitt says.

- 21 percent of commercial clients cite a financial provider's reputation for delivering high-quality customer service as a top consideration when evaluating financial products
- 21 percent of commercial clients identify the ease in understanding, setting up and using new accounts and products as a top consideration when choosing a financial provider
- 28 percent of commercial clients cite a financial provider's reputation for reliably securing transactions and money as a top consideration when evaluating financial products

REASONS FOR PURCHASING PRODUCTS FROM A FINANCIAL PROVIDER

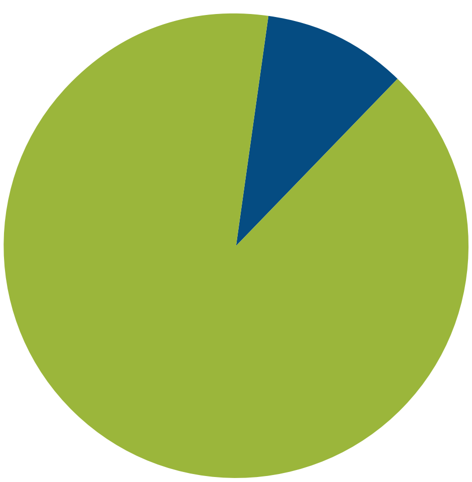
Percentage of Respondents

21%	**21%**	**28%**
Strong bank reputation for high quality and customer service.	Easy to set up, understand, and use new accounts and products.	Strong bank reputation for security and reliability of transactions and safety of money.

n=1,657.
Source: CEB 2016 Survey of Business Owners.
Note: Respondents were asked to select their top three reasons for purchasing a product from a financial institution.

Ninety-percent of commercial clients would consider switching financial providers for better customer service around onboarding account maintenance service requests and the handling of queries.

The onboarding experience also impacts customer attrition. Ninety-percent of commercial clients would consider switching financial providers for better customer service around onboarding, account maintenance service requests and the handling of queries.



WOULD CORPORATES CONSIDER SWITCHING TO A DIFFERENT BANK FOR BETTER CUSTOMER SERVICE AROUND ONBOARDING ACCOUNT MAINTENANCE SERVICE REQUESTS, AND QUERY HANDLING?

Percentage of Respondents

- **10%** NO
- **90%** YES

Source: Finextra; Pegasystems.

Banks lose customers and have trouble winning new business without a strong onboarding experience, Pollitt says.

"Businesses are demanding an onboarding experience that is fast and easy," Pollitt says.

Increasing customer expectations for the ease-of-use of financial products is placing even greater pressure on banks to improve their onboarding experience. Commercial clients are demanding the same experience as retail customers, much sooner than financial providers expected, Pollitt says.

"Businesses are demanding an onboarding experience that is fast and easy," Pollitt says.

Many commercial customers are turning to alternative options to enhance their onboarding process, such as online electronic commerce providers. Customers reported that alternative providers outperformed financial institutions in all but one of the key onboarding process areas, including:

- Resolving problems quickly and effectively
- Making it easy to set up, understand and use new accounts and products
- Offering digital access (e.g. mobile device, smartphone)
- Delivering an easy-to-complete credit decision process

The only area of the onboarding process where customers say that banks outperform alternative providers is the reputation of banks for securely and reliably managing transactions and money.

"Alternative providers are delivering a better experience in the eyes of commercial customers," Pollitt says. "Business are finding other places to purchase financial services that they used to get exclusively from banks. This is having a significant impact on banks' share of wallet."

With more alternative providers offering small business and middle market financial services, banks must improve their onboarding process or risk losing their grip on this valuable market segment.

3 Key Challenges to Onboarding

Banks face three primary challenges to improving their customer onboarding experience:

1. **Inconsistent and outdated processes:** "The customer onboarding process at many banks is not customer-centric and has not been adapted to changes in customer expectations. Most of these processes are also extremely manual and paper-based," says Pollitt. Similarly, many onboarding processes pre-date the current capabilities of supporting technologies. One bank CEB interviewed has been using the same onboarding technology and processes for 20 years.

In addition, a lot of onboarding processes also vary by client segment, line of business, and product, which can add another layer of complexity.

2. **Aging technology:** "The technology used for commercial customers lags the retail side of the house," Pollitt says. The legacy systems that many banks use for customer onboarding are not flexible enough for integrating or interfacing with front-and back-end systems, used for discovery, pro forma, proposals, approvals, data gathering, product setup, implementation pricing, and completion. As a result, information exists in multiple systems, with different standards, making it nearly impossible for decision-makers to access common customer data. For instance, Pollitt notes that, "a lot of banks have invested in CRM solutions, but are unable to leverage the data in their CRM to see the entire customer lifecycle."

3. **Compliance requirements:** Know Your Customer checks involve searches across internal and external systems. Antiquated onboarding processes make it hard for banks to cut through technology and information silos, and often require intensive manual searches and queries. "The number one complaint we hear from businesses is the amount of work they must do to become customers of a bank. The onboarding process at most banks does not provide a single source of truth where stakeholders can go to get the information they need," she says.

These challenges create headaches across the onboarding process:

- The preproposal and approval process is typically paper-based and highly manual
- Customers are asked for the same information multiple time
- Information is not stored in one place so there is no single source of truth
- Complying with constantly changing Know Your Customer regulations is burdensome
- Customers cannot see where they stand in the onboarding process
- The onboarding process is longer and more complex than customer expect

"The lack of transparency during the customer onboarding process can be very frustrating to businesses, as well as relationship managers, especially if it is a long sales cycle," Pollitt says.

5 Ways to Drive Customer Centricity

There are five things banks can do to drive customer centricity in onboarding. "These are all things banks can do without hiring consultants or making multi-million-dollar investments," Pollitt notes.

"The lack of transparency during the customer onboarding process can be very frustrating to businesses, as well as relationship managers, especially if it is a long sales cycle," Pollitt says.

1. **Update processes to mitigate attrition:** The first step in addressing customer centricity is to remove the friction and redundancies that drive customers to consider switching banks for better customer service around onboarding, account maintenance, service requests, and query handling.

   Elevate and address criticism from customers in the onboarding process, Pollitt says. Complaints frequently are not captured in a bank's customer relationship management system; banks often lose business when customer complaints go unanswered. "This happens more frequently than you think," Pollitt warns. In cases where a customer decides not to continue with a purchase, Pollitt says banks should arrange an informal and candid discussion between the customer and a relationship manager who is different than the one who originally handled the account.

   Conversations to address complaints should occur about 40 weeks after the customer initially agreed to purchase from the bank to provide the customer with time to reflect on the onboarding process. The bank relationship manager should not exert any sales pressure on the customer. Findings should be reported directly to the line-of-business manager. What's more, the sales team and back-office staff should be alerted of pain points identified by the customer, and any suggestions for improvement.

   Banks also can mitigate attrition by documenting current onboarding processes end-to-end to identify and remove any redundancies. It is not uncommon for banks to ask a customer for the same information multiple times within weeks of agreeing to purchase, Pollitt notes. Banks may be surprised at what an evaluation of their customer onboarding process uncovers. Pollitt notes that one bank discovered that three of the 14-steps in its customer onboarding process seemingly served no purpose.

TIP **Refresh onboarding processes to improve standardization and respond to current customer expectations.**

2. **Integrate:** Forty-five percent of banks must access between five and nine different systems as part of the onboarding process for commercial customers, CEB reports. Moreover, 29 percent of banks surveyed by CEB must access between 10 and 14 different systems as part of the onboarding process for commercial customers, and 13 percent of banks must access more than 20 different systems. Making matters worse, only 4 percent of banks can access most of the systems required for customer onboarding automatically via system-to-system integration; 96 percent of banks must manually access the systems required for onboarding.

   "With so many systems, the process takes a lot of time, even if you have the best employees involved," Pollitt says. Banks should integrate their customer onboarding systems. A large regional bank increased the level of automation for its customer onboarding process by 600 percent and reduced its process steps by 61 percent (from 28 process steps to 11 process steps) by automating and more tightly integrating its systems for onboarding commercial customers, Pollitt notes. Automating the customer onboarding process enabled the bank to significantly improve customer satisfaction and free up staff for value-added activities.

3. **Impact the client where it counts most:** Customer onboarding is critical to connecting the customer lifecycle (sales and marketing, onboarding, product delivery and lifecycle management) with legacy banking systems for customer information management, risk management, reconciliation, core processing, and treasury. But antiquated approaches to customer onboarding make it hard to get customer information into downstream systems in a timely manner. Pollitt says banks can bridge this gap with a business process management (BPM) logic layer that combines core processes, a rules engine, and an integration layer. "A BPM logic layer ensures that systems are getting updated at the right time," Pollitt says.

TIP **Leverage onboarding problems to anchor the business case for refreshing legacy technology and improving systems integration.**

4. **Balance competing priorities:** Banks are being pulled in different directions. On one hand, alternative providers set expectations of a fast and easy customer onboarding experience. On the other hand, changing regulations require banks to gather more Know Your Customer information during the customer onboarding process. "Businesses do not want to answer endless questions and they don't want to spend time on tasks that they do not perceive as valuable," Pollitt warns. Automation balances these priorities by providing the streamlined processes, efficiency and customization that customers expect, with the diversification of risk, governance, accuracy, speed and comprehensiveness that regulators expect, Pollitt says.

TIP **Derive business value from compliance by using the information you collect to identify customer need.**

5. **Provide guidance:** "Businesses buy again when they learn," Pollitt says. For instance, 22 percent of small business owners surveyed by CEB identified a provider's ability to deliver financial guidance and information as a top reason for purchasing again from a provider. Banks can provide their customers with these insights earlier using predictive analytics as part of the onboarding process. Banks typically use predictive analytics with customer data after the account have been fully onboarded. But using predictive analytics to process KYC information during due diligence enables banks to forecast business needs and communicate predictions and products to the customer. "Customers are not as loyal as they used to be, so anything a bank can do to improve loyalty is key," Pollitt says. Predictive analytics also increases cross-selling opportunities and enables banks to align their products to future customer needs, segment customers, and position themselves as consultative and proactive.

CASE STUDIES

LONG-TERM, POLLITT SAYS BANKS MUST REMEMBER THAT CUSTOMERS WANT OUTCOMES, NOT ONBOARDING.

- As an example, Pollitt cites a New England bank that reengineered its loan application process for small businesses. The bank uses predictive analytics to determine credit risk and automate funding for small business loans. Predictive analytics enabled the bank to reduce its time-to-decision to 20 minutes from 30 days to 45 days, and decrease the amount of information required from the customer to eight pieces of information from 55 pieces of information. The bank also automated the collection of customer information and the review of loan applications. The revamped loan application process – dubbed "the coffee-break loan" – is helping the bank stand out in a highly competitive market.

- Another bank embeds customer onboarding in the process of starting a small business. The bank offers an automated program that walks new business owners through the process of establishing a tax identification number, registering their business name, securing a business domain, setting up business e-mail, designing a business log, and marketing the business. As part of the interaction, the bank sells services in its business-ready program (such as deposits and invoicing) to the startup. Pollitt notes that this bank differentiates its customer onboarding process by making it disappear.

"The customer onboarding experience is more than a first impression," Pollitt concludes. It is critical to a bank's ability to win and retain commercial customers.

THE BOTTOM LINE

"The customer onboarding experience is more than a first impression," Pollitt concludes. It is critical to a bank's ability to win and retain commercial customers. The emergence of alternative providers promising a fast and easy customer onboarding experience is raising the stakes for the banks.

It is for these reasons that Pollitt says customer onboarding is "finally getting the attention that it deserves." The combination of new technology and emerging best practices makes it easier for banks to update their onboarding processes, integrate systems, connect the customer lifecycle with downstream bank systems, balance the competing expectations of customers and regulators, and provide customers with guidance and information during the onboarding process.

About WAUSAU Financial Systems

WAUSAU, a Deluxe Corporation Company, is a premier provider of payment and receivables processing solutions, helping businesses of all types move money faster. With its products, services and consulting, WAUSAU works with customers to speed check processing, electronic presentment, ACH payments, transaction processing, distributed capture and enterprise content management. WAUSAU holds the No. 1 market share position in retail and wholesale remittance processing solutions. WAUSAU processes more than $1 trillion in payments each year through its work with more than 650 organizations, and maintains more than 30 percent of all U.S. lockbox volume. The company works with 13 of the 25 largest financial institutions, 42 percent of insurance companies with more than 5 million customers and 24 percent of utilities with more than 100,000 customers. More than 200 financial institutions use WAUSAU's remote deposit capture service, and industry consultants Celent and Aite Group have ranked WAUSAU's remote capture functionality above all competitors.