fs viewpoint

www.pwc.com/fsi

How can financial institutions streamline and enhance customer onboarding to promote long-term, profitable relationships?

All aboard:
Delivering the onboarding experience customers demand

pwc

Executive summary

Financial institutions that get customer onboarding right focus on three overarching objectives: improving the customer experience, ensuring regulatory compliance, and enhancing operational efficiency.

J.D. Power & Associates indicated in its annual survey of retail-banking customer satisfaction that new customers are the least satisfied and the most likely to leave.

In fact, the report revealed that new customers are nearly **three times more likely to show attrition during the first 90 days** *of opening a new account.*

Source: Onovative, "Why your customer's first 90 days are critical to your bank's growth," January 2014.

Financial institution customers expect more.

Based on interactions with companies across a variety of industries, customers today have high expectations. When joining a new financial institution, they expect a streamlined, efficient, and personalized onboarding experience.

Love them or lose them

Financial institutions face challenges because of antiquated technology, lack of coordination across business units, and necessary compliance with regulatory requirements.

Financial institutions that lack a thoughtful and integrated onboarding process miss the opportunity to strengthen relationships with new customers. And many customers leave as quickly as they joined, seeking a better customer experience from competitors.

Some financial institutions get it right.

Financial institutions that get customer onboarding right focus on three overarching objectives: improving the customer experience, protecting their financial institution through thoughtful compliance, and enhancing efficiency and profitability.

Our approach

We believe a financial institution can achieve a significant competitive edge by assigning clear accountability for and ownership of the onboarding process across eight fundamental components:

- Governance and organization
- Experience design
- Process
- Risk
- Compliance
- Digitization and automation
- Data integration
- Analytics

Financial institutions that are "onboard" see four main benefits.

Benefits of thoughtful customer onboarding include higher customer satisfaction and lower churn, better insights into customers' preferences and desires, lower costs due to streamlined processes, and enhanced compliance with regulatory requirements.

Point of view

*The customer
onboarding experience
is harming the brand at
many financial
institutions today.*

63% *of banking and capital
markets CEOs see the shift in
consumer spending and behavior
as a threat to growth, a
significant jump from* **51**% *last
year.*

A broken brand promise

Whether commercial, retail, or institutional,
financial institutions invest heavily to attract
potential new customers. In doing so, they
design their marketing materials, promotional
offers, and other messages to highlight their
brand and attract new customers.

However, this brand-defining experience often
stops abruptly once the customer joins the
financial institution. The onboarding process
often involves stacks of paperwork, overnight
mailings, and redundant data requests. And
while some institutions have improved the
experience through the use of digital
applications, the experience still falls short.

Customers wonder why their onboarding experience at financial institutions doesn't match up.

Customer onboarding in other industries is
often as simple as downloading an app,
inputting a name and email address, and
clicking to accept terms and conditions.

Financial institutions often cite regulatory
requirements as the main reason for
complicated and cumbersome onboarding
processes. Although these requirements pose
challenges, we see many opportunities for
improvements.

First impressions matter

Customers want the ability to engage with their
new financial institution whenever and
wherever they want. As they interact with
financial institution employees, they want to be
informed about products and services that are
relevant to them without being annoyed by
irrelevant sales offers. Their initial experiences
also create expectations of what the future
holds for them as established customers.

Why now?

Regulators expect financial institutions to have
customer onboarding systems and processes
that meet or surpass regulatory requirements.
Financial institutions know they need to
improve the onboarding experience, but many
don't know where to start. In our view,
regulatory mandates can provide the business
case for improvements that will enhance the
customer experience while also satisfying
regulatory compliance requirements.

In this paper, we discuss our observations of
onboarding processes across the industry,
some of the common challenges that impede
progress, and our approach to overcoming
these obstacles and achieving success.

What is customer onboarding?

We believe a financial institution should begin by defining onboarding broadly.

At the outset, as shown in Figure 1, awareness starts when a potential customer, known as a "prospect," first develops an interest in a product or service. This stage includes the recognition of the need, consideration of potential providers, and research.
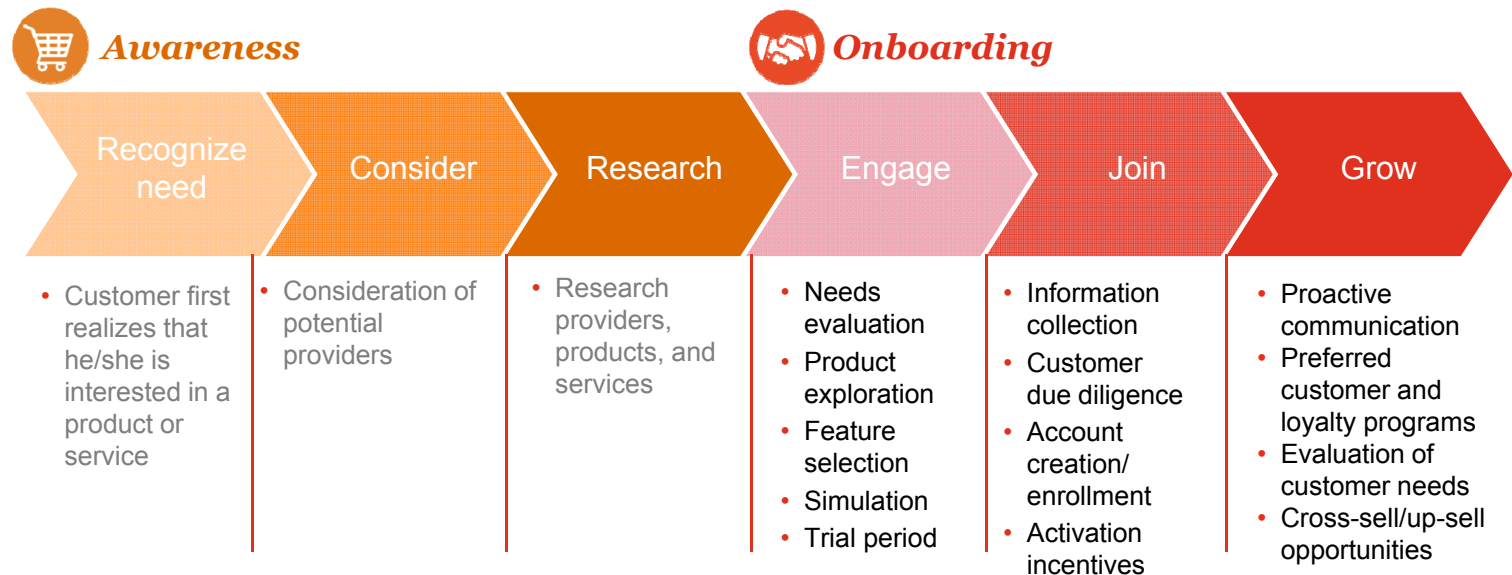
Onboarding itself starts when a prospect engages with your financial institution at a branch, through a call center, or online.

The onboarding process then extends through both the join phase and the opening of the account.

The initial relationship grows during the first six months after the account is opened. During this time, financial institutions should proactively communicate with the customer, offer preferred customer and loyalty programs, and provide interactive tools to help the customer continue to engage. The customer may also develop interest in additional financial products. The financial institution should proactively apply a needs-based approach to help identify which other products or services will benefit the customer.

Onboarding is also not a one-time event; it happens each time a customer gets an additional product or service.

Figure 1: Onboarding begins when a prospect first engages with your financial institution and extends past the opening of the account.

Awareness

Recognize need
- Customer first realizes that he/she is interested in a product or service

Consider
- Consideration of potential providers

Research
- Research providers, products, and services

Onboarding

Engage
- Needs evaluation
- Product exploration
- Feature selection
- Simulation
- Trial period

Join
- Information collection
- Customer due diligence
- Account creation/enrollment
- Activation incentives

Grow
- Proactive communication
- Preferred customer and loyalty programs
- Evaluation of customer needs
- Cross-sell/up-sell opportunities

We have observed differences in how financial institutions are adapting to changing customer interaction models and how they have addressed underlying processes.

We have seen financial institutions begin to improve their onboarding processes—but we have also seen many fail.

We have observed financial institutions grappling with the following areas related to customer onboarding:

- Customer interaction models

- Coordination

- Technology

- Analytics

- Underlying processes

Customer interaction models

We are seeing financial institutions experiment with new business and customer interaction models, such as video and text messaging. They are using digital capabilities to change how employees interact with customers. Here, digital technology is a tool for enhancing human interactions—not just an alternative channel.

Some financial institutions try to provide the customer with a consistent overall experience across channels, be they branch, digital, or call center. They consider factors such as communication methods, presence, security measures, and functionality.

Coordination

Lack of coordination is endemic throughout large organizations, and financial institutions are no exception. Leadership from each line of business, channel, and product have varying objectives, which makes building a coordinated, customer-focused onboarding approach challenging. For example, at many institutions, a customer cannot start engaging with the financial institution in a local branch and then finish the interaction online or through a call center.

Regulatory compliance is not exempt from this lack of coordination. Yes, regulators expect to see a consistent approach, but consider the realities: A company seeking 1) trading services from a bank's capital markets division, 2) 401(k) administration services from the bank's institutional advisory division, and 3) basic business banking services could experience *three different onboarding processes*, each with its own compliance paperwork.

We have also observed differences in the use of technology, analytics, and the underlying processes within financial institutions.

Technology

Underinvestment in onboarding technology has led executives to view onboarding as an inherently inefficient, problematic, and costly task to tackle. This has often resulted in a patchwork of quick fixes, rather than a strategic review and implementation of a well-rounded solution.[1]

Many systems are built on antiquated technology and cannot support the speed to market required by today's competitive marketplace. Few institutions comprehend the immediate value—and strategic necessity—that accrues from simplifying the technology stack and aligning technology to business goals.

Analytics

We have seen financial institutions struggle with the following issues related to analytics: data issues, level of analysis, and expertise of those performing that analysis.

Obtaining a single view of the customer has been the Holy Grail for financial institutions for decades. While they continue to collect more data, their ability to synthesize data into information and information into insight is still lacking. For example, we often see analyses that are not directly connected to the activities that touch the customer. This amounts to wasted efforts, because it's performed offline for general insights and not operationalized as part of the business model. We have also seen cases where data quality issues have rendered the conclusions drawn from analytics incorrect.

Underlying processes

A surprising number of financial institutions are still heavily reliant on inefficient paper-driven processes that create duplication, breed errors, and introduce privacy concerns. Many of these have failed to adopt readily available applications that convert paper-driven processes into digitized ones.

Some financial institutions have adopted e-signatures for the following types of transactions: member agreements, change of address, automated clearing house (ACH), and wire transfer, as well as debit card applications.[2] We consider these incremental steps along the path to developing more digital-centric processes, but note that most institutions have a long way to go.

[1] Aite Group, "Client Life Cycle Management and KYC: Things Can Only Get Better," April 2015.
[2] Forrester Research, "E-Signatures—A Few Simple Best Practices Drive Adoption," December 2014.

All aboard: Delivering the onboarding experience customers demand

Success stories

The following case studies provide concrete examples of how leading financial institutions are improving customer onboarding.

Turning paper into data	Taking advantage of data technology	Reducing friction across the process
Some financial institutions are re-engineering processes and digitizing paperwork to improve the customer experience:	A handful of institutions have set a goal to integrate and analyze data across institutional silos:	Some financial institutions are looking at their onboarding processes from the consumer's perspective:

Turning paper into data

Some financial institutions are re-engineering processes and digitizing paperwork to improve the customer experience:

- A global financial institution used workflow software to automate the onboarding process and integrate it with systems across departments and geographies. This resulted in a significant reduction in cycle time and an increase in throughput.

- A commercial bank serving business customers in emerging markets adopted a mobile app that decreases the number of fields the customer must complete. The customer's signature can be captured on a tablet.

Taking advantage of data technology

A handful of institutions have set a goal to integrate and analyze data across institutional silos:

- During onboarding at a US national bank, all customer data is entered into a universal system and shared across all business lines, regions, and segments. Some customer segments are flagged for further follow-up.

- A multinational bank allows prospective customers to open accounts online, leveraging third-party data such as credit bureaus for identification and authentication. Using this system, the majority of applications are eligible for straight-through processing.

- A major financial institution decided to analyze fraud and Know Your Customer (KYC) data for marketing purposes. Using predictive analytics, the firm identified new customer segmentation strategies and identified additional products and services for up-sell/cross-sell opportunities.

Reducing friction across the process

Some financial institutions are looking at their onboarding processes from the consumer's perspective:

- The hassle of switching automatic bill pay is one reason customers are reluctant to change financial institutions. However, one British bank maintains a dedicated onboarding team to assist new customers in transferring direct deposit payments to their new accounts.

- Several financial institutions use utilities or shared services centers to perform anti-money-laundering (AML)/KYC work. This allows them to streamline non-competitive processes and results in a smoother onboarding experience for customers.

- One financial institution appointed a global onboarding leader to oversee an end-to-end review of onboarding processes and implement solutions for simplification around the world. This resulted in greater coordination throughout the organization and greater focus on the needs of the customer.

We recommend that financial institutions perform a strategic review and implement a well-rounded solution that exceeds the needs of their customers, the business, and the regulators.

Make customer onboarding a priority

Financial institutions should not view their solution to customer onboarding as a series of quick fixes. Rather, they should perform a strategic review and implement a well-rounded solution that more than meets the needs of their customers, the business, and the regulators.

Focus on the needs of the customer

Before implementing any changes, financial institutions should understand the needs and expectations of their current and potential future customers.

Focus on the business

Before transforming customer onboarding, financial institutions should create an onboarding governance structure that spans the organization. Leadership should focus on how to make customer onboarding profitable, not just cost efficient.

Financial institutions should first simplify, then improve their core processes and technology by looking at how each process impacts customers. Financial institutions that fail to do this may simply pave over existing problems with new technology tools.

Take a proactive approach to regulatory compliance

Financial institutions should be especially careful to design onboarding processes that protect the financial institution while keeping the cost of compliance low. Financial institutions should not implement quick fixes each time a new regulatory requirement arises. Rather, they should align their processes with the long-term strategy of the organization. For example, financial institutions should build a single view of the customer to rapidly respond to various compliance requests.

In our view, financial institutions should also take full advantage of the information they gather during the onboarding experience. Consider the following example. In response to regulatory feedback, the compliance department of a major financial institution enhanced its KYC program. As part of this effort, a dedicated team spent months analyzing accounts to identify suspicious transaction patterns. The results helped demonstrate to the regulators that the accounts were compliant with AML regulations. Rather than stop there, however, the financial institution took advantage of insights from this KYC analysis to generate additional value for the business: The financial institution used its insights into customer travel patterns and foreign transactions to make targeted travel insurance and credit card offers.[1]

---

[1] For more information, please see our publication, "The extra mile: Risk, regulatory, and compliance data drive business value," www.pwc.com/fsi.

We have developed a process that helps financial institutions address eight fundamental components of customer onboarding.

Each of the eight components discussed in our framework has the potential to make a significant impact alone or as part of a broader plan. As a first step, financial institutions should begin by assigning clear accountability and ownership of the onboarding process.

Governance and organization

Experience design

Process

Risk

Compliance

Digitization and automation

Data integration

Analytics
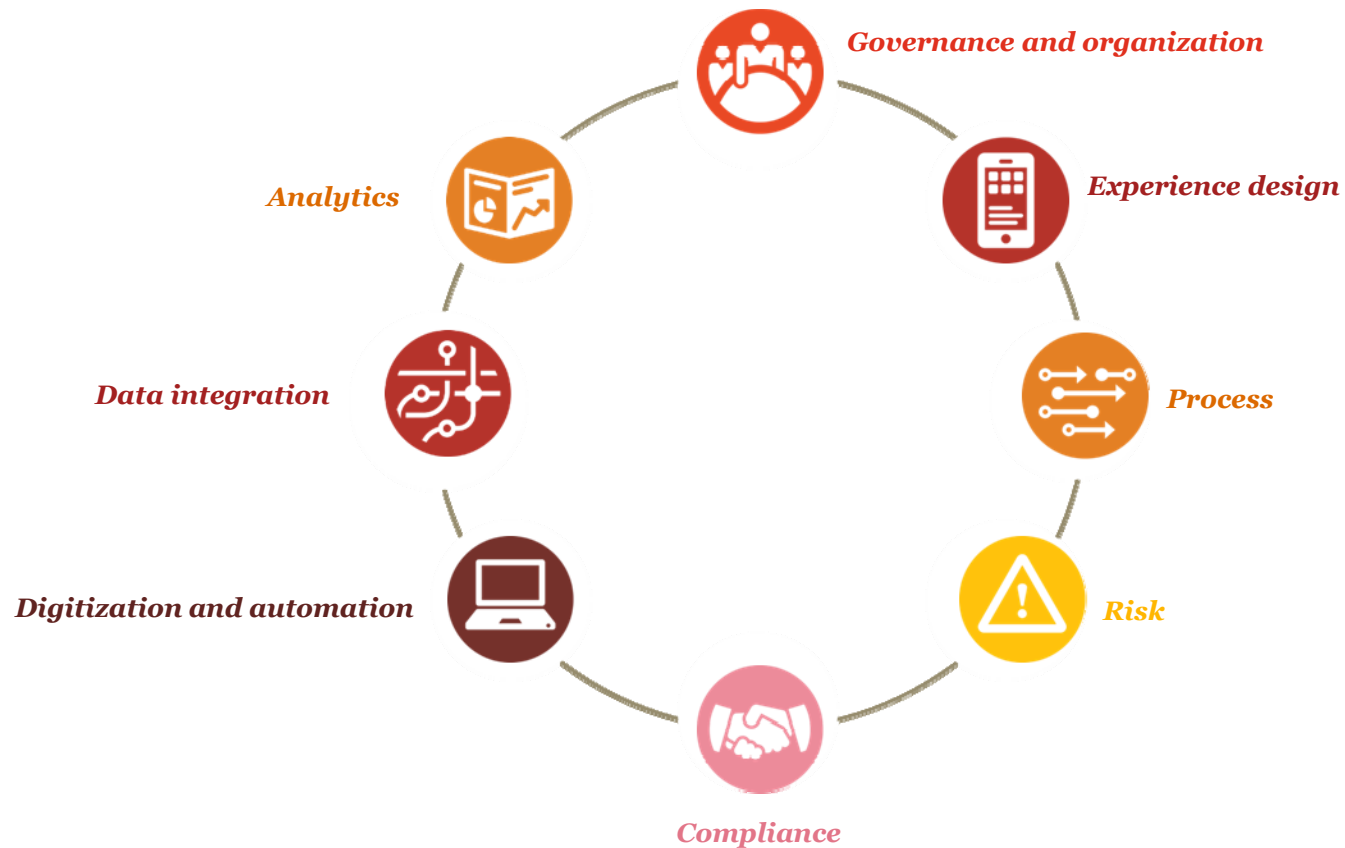
Our framework helps financial institutions implement and achieve an effective onboarding experience for their customers.

Financial institution executives should recognize that onboarding technology and processes serve multiple masters:

- The business wants to attract and grow relationships profitably while operating efficiently and effectively.

- The customer wants secure and convenient access to an important asset—their money.

- The regulator wants to confirm compliance with rules and regulations designed to secure the financial system and protect consumers.

Leading practices in customer onboarding

Governance and organization	• Establish clear ownership of the onboarding function. • Design company culture to meet customer needs, not just sales goals. • Establish shared teams to drive economies of scale, standardization, and controls for repetitive activities.
Experience design	• Offer the ability to complete, submit, and sign applications on mobile devices. • Ease transfer of direct deposits from the former financial institution to the new financial institution. • Allow application information—regardless of the channel in which it is acquired—to be accessible via other channels • Enable self-service capabilities that allow the customer to submit applications, track application status, receive alerts, and upload documents. • Flag high-potential customers for further follow-up and cross-sell opportunities. • Establish enhanced processes for more valuable customers.
Process	• Streamline processes to limit bothersome requests for customer information. • Simplify products and processes to deliver only what the customer wants and needs.
Risk	• Implement a common risk-rating methodology supported by a centralized risk engine and advanced data analytics.
Compliance	• Centralize regulatory oversight and compliance processes to check adherence and compliance locally and globally. • Integrate compliance teams and processes with the onboarding process to decrease duplicate information gathering. • Explore the strategic possibilities of using the risk, regulatory, and compliance data already owned to drive operational efficiencies, lower costs, and increase revenues.
Digitization and automation	• Eliminate the use of paper and increase the use of workflow software. • Aid workflow by processing documents uploaded by customers.
Data integration	• Capture data centrally and share it across the organization. • Integrate data to form a real-time 360-degree view of the customer. • Make cross-sell opportunity prompts personalized and context-aware. • Leverage third-party data and services for decision support.
Analytics	• Drive decisions based on customer lifetime value, social engagement, the customer journey, customer sentiment, and related customer data. • Integrate analytics into decision-making processes.

All aboard: Delivering the onboarding experience customers demand

Financial institutions that get it right can expect multiple benefits.

Customer loyalty and satisfaction

- Receive more referrals from satisfied customers who are significantly more likely to become net promoters.

- Attract and retain more customers.

- Increase sales of other products and services offered to existing customers who have a positive experience with customer onboarding. Keep in mind that 75% of all cross-selling occurs within the first few months of a customer's onboarding.[1] This makes first impressions crucial.

Customer insight

- Better understand customer behavior and preferences when data that is captured once per customer can be used across divisions.

- Improve performance by consistently capturing and monitoring key performance indicators (KPIs) across divisions.

Operational efficiency

- Centralize oversight to facilitate consistency and break down organizational silos.

- Streamline processes to increase productivity across the front, middle, and back office.

- Create a flexible component-based process (such as authentication, credit decisioning, and KYC) that can be leveraged across business units, products, and geographies.

- Improve accuracy and limit manual processing by shifting from paper to digital.

- Accelerate recognition of revenue by decreasing onboarding time.

Risk mitigation

- Help compliance teams better pinpoint high-risk activity when a single KYC profile includes data such as negative news and suspicious activity reports.

- Increase data integrity and provide an audit trail of customer interactions by storing compliance data centrally.

- Adhere to risk scoring policies by standardizing risk assessments where possible and allowing for local customization where required.

---

[1] Onovative, "Why your customer's first 90 days are critical to your bank's growth," January 2014.

Enhancing the onboarding experience for customers is complicated by numerous regulatory requirements.

Financial institutions with a global footprint must be especially mindful because differences across jurisdictions can make standardization across the organization complex and daunting.

We recommend that financial institutions:

- Create consistent structures and processes while allowing sufficient flexibility for local and/or regional requirements where appropriate.

- Identify and empower leaders to own and manage risk across business areas and locations.

Regulatory requirements

Every financial institution answers to various regulators within key business markets, in addition to complying with the applicable legal and regulatory requirements within the jurisdictions in which it operates.

The following regulations/standards should stay top-of-mind:

Regulations/Standards	Requirement
Know Your Customer (KYC)	Requires an understanding of the sources of customers' wealth and potential future activity to lessen the potential for financial crimes.
Foreign Account Tax Compliance Act (FATCA)	Aims to confirm that people and entities with US tax obligations report those obligations to the IRS. FATCA is complex—for example, one FATCA tax form has 31 categories into which a company could fall.
The Common Reporting Standard (CRS)	CRS is similar to FATCA, but is a multi-jurisdictional tax information reporting regime. CRS is based on tax residency, not citizenship.
EU Anti-Money Laundering Directive IV (AMLD IV)	Prescribes a more risk-based approach to evaluating AML threats and is more aligned with the approach taken in the United States.
Financial Industry Regulatory Authority (FINRA) 2111 (Suitability)	States that firms and their associated persons "must have a reasonable basis to believe" that a recommended transaction or investment strategy involving securities is suitable for the customer.
Truth in Lending Act	Focuses on promoting informed use of consumer credit by requiring disclosures about terms and costs associated with borrowing.
Markets in Financial Instruments Directives (MiFID)	Aims to increase competition and consumer protection in investment services by aligning actions with the customer's risk tolerances.
Data privacy rules[1]	Limits the transfer of nonpublic personally identifiable information.

[1] For more information, please see our publication, "Closer to fine: Separating data privacy from information security," www.pwc.com/fsi.

Financial institutions face additional challenges such as distractions, silos, and exhaustion.

Overcoming many of these challenges requires clear ownership of the onboarding process and setting tone from the top.

Challenge	Possible solutions
Distractions	
Onboarding often receives lip service but no funding. Why? Because other initiatives appear more compelling or critical, whether it's a regulatory compliance activity or a new product promising incremental revenue.	• Appoint a senior onboarding leader to spearhead the onboarding initiative, and empower him or her to align organizational incentives and gain support from all stakeholders. Stakeholders should include representatives from the lines of business, as well as IT and other key functional units.
Silos	
Technology and processes match organizational silos and do not promote collaboration, efficiency, and standard practices.	• Use KPIs strategically to create alignment and organizational support. • Gain agreement that the development of shared components will drive organizational success, and acquire funds to drive progress toward this goal.
Exhaustion	
An unfocused and disjointed program can create frustration and slow organizational progress before positive momentum is established.	• Establish a credible roadmap that includes key milestones to help keep the institution on track. • Focus on quick wins to show progress and help sustain momentum.

Financial institutions that do nothing risk losing existing customers and failing to attract new customers.

Financial institutions can lose existing customers and fail to attract new customers due to inefficient onboarding processes.

Banks that fail to provide a good customer experience during onboarding risk losing the customers they just worked so hard to gain. Customer churn costs financial institutions, because customer acquisition costs are rarely recouped.

For example, according to Aite Group, banks that fail to migrate paper-based onboarding processes to web and mobile platforms will be left behind in their efforts to improve the client experience, reduce costs, and meet regulatory requirements.[1]

Financial institutions also risk losing potential customers who researched products but then decided to take their business elsewhere. According to a study from Javelin Strategy & Research, only 53% of applicants were able to successfully open and fund their account online. The other half abandoned the process, were forced into a branch, couldn't open the type of account they wanted, or faced other issues.[2]

In our view, financial institutions can prevent these forms of attrition if they provide both prospective and existing customers with a better onboarding experience.

Financial institutions that fail to tackle improvements to the onboarding process will also forego the potential benefits of doing so.

In our view, financial institutions that fail to act will forego the following operational improvements:

- Unified view of the customer across divisions and functions.

- Increased productivity due to streamlined and flexible component-based processes.

- Improved data accuracy.

- Accelerated recognition of revenue by decreasing onboarding time.

Further, financial institutions could face regulatory penalties for noncompliance.

All aboard

In today's increasingly competitive market, financial institutions that fail to improve the onboarding process will forego long-standing customer loyalty, sacrifice cost-reducing measures, miss out on opportunities to leverage data across regulatory compliance programs, and experience lower revenue growth.

[1] Aite Group, "Multichannel Client Onboarding: Anytime, Anywhere, Any… How?," May 2013.

[2] The Financial Brand, "Online Account Opening Frustrates Customers, As 1 in 4 Abandon the Process," October 2011.

Competitive intelligence

Our observations of industry practices.

We have observed financial institutions at various levels of maturity when it comes to the customer onboarding experience.

	Financial institution A	Financial institution B	Financial institution C	Financial institution D
Governance and organization	The customer onboarding process is differentiated by commercial and retail lines of business (LOB), with each LOB maintaining its own project and process governance. Onboarding decisions are made independently within each LOB. Onboarding is currently performed in each country or region. There is a multi-year project to create a global onboarding platform.	Leadership appointed a global, cross-LOB onboarding executive-level "czar" who oversees all aspects of the customer onboarding process. The institution created onboarding shared services locations to take advantage of economies of scale and low-cost labor.	The customer onboarding process is governed and managed by an operations group that sits in a shared services organization. Onboarding decisions are made by shared services senior leadership, with clear ownership defined.	Leadership appointed a cross-functional retail team, including risk, compliance, customer experience, sales, and operations, to oversee proposed onboarding policy and procedure updates quarterly. A global, cross-LOB board focuses on short- and long-term onboarding improvements.
Experience design	Current systems and processes prevent the organization from providing customers with a good onboarding experience. The organization is focused on trying not to make it any worse, as opposed to looking for areas in which to improve.	A single customer experience owner exists in one LOB, with the desire to extend it across the firm. Customer onboarding specialists provide a personalized onboarding experience based on customer segment. Specialists also focus on reducing onboarding time by completing due diligence up front.	The customer onboarding portal does not allow customers to upload or enter data. All transactions are handled by advisors. E-signature functionality was recently implemented to help simplify the onboarding experience and make it more user-friendly. The institution has not achieved the results it expected, as adoption of the functionality has been less than 10%.	The system provides the onboarding branch team with automated outreach reminders within 14 days of a new account opening. Customers opening accounts online have a very different experience than those who open an account in a retail branch. For example, after a customer opens an account online, the financial institution does not have a process in place to follow up with the customer.

◗ Leading ◗ On par ◗ Lagging

All aboard: Delivering the onboarding experience customers demand

We have observed financial institutions at various levels of maturity when it comes to the customer onboarding experience.

	Financial institution A	Financial institution B	Financial institution C	Financial institution D
Process	The financial institution is slowly moving to a common global onboarding platform that includes standardized processes where applicable and country-specific procedures when required. The institution uses a mix of automated and manual procedures that adds complexity and limits flexibility.	The financial institution standardized the onboarding process across LOBs and countries of operation based on a best-in-breed solution.	The institution recently purchased an account opening tool to add efficiencies to the customer onboarding process. A new platform will increase straight-through processing capabilities for the customer onboarding process. End customers do not have the ability to complete any onboarding documentation themselves online. The process is manual and completed by an advisor.	The financial institution has standardized the onboarding process for call centers and branches but not for other channels.
Risk	Both manual and automated controls are in place to help mitigate risk during customer onboarding. A dedicated risk group monitors transactions to help verify that the firm stays within risk parameters.	A single customer risk-rating methodology has been implemented. The financial institution is migrating toward a global minimum-risk standard that allows flexibility to meet local standards required by each country.	Customer suitability checks are performed manually on an account-by-account basis. Advisors are required to build a risk profile for customers upon account opening, but no standardized approach exists for advisors to regularly update their customers' risk profiles.	The financial institution centralized processing on questionable behavioral and financial history exceptions. When an existing customer wants to use a new service or obtain a new product, a new risk assessment is started, instead of using and updating the existing risk assessment from another LOB.
Compliance	The organization is implementing a new global KYC solution to standardize data collection and monitoring processes. Compliance representatives work with onboarding specialists to help verify that regulatory changes are built into the onboarding process.	The financial institution is in the process of developing operational centers of excellence for KYC processes.	The institution is currently in the process of implementing an AML/KYC compliance vendor solution. Frequently, compliance violations are not identified until after the customer has been onboarded, leading to customer and advisor frustration.	Centralized processes for communications and follow-up on missing or incorrect KYC elements are in place across all LOBs.

Leading On par Lagging

All aboard: Delivering the onboarding experience customers demand

We have observed financial institutions at various levels of maturity when it comes to the customer onboarding experience.

	Financial institution A	Financial institution B	Financial institution C	Financial institution D
Digitization and automation	The process of opening accounts is semi-automated. Paper documents are scanned and stored when possible.	The firm is consolidating many onboarding systems into three global systems. Paper documentation is still in use, though the organization is making plans to phase in electronic records.	E-signature has been implemented to help automate the customer onboarding process, but it has not been widely adopted (less than 10%). Limited automation exists for customer onboarding, leading to high operating costs.	Documents are manually scanned and uploaded. No digital experience exists. Limited advancements are planned.
Data integration	Customer data is gathered primarily at account opening through account-opening forms, KYC checks, tax forms, etc. Relationship managers work with higher value customers to keep records up to date, but lower value customers' information is rarely updated unless requested by the customer. Systems are not integrated across the bank. As a result, a retail banker cannot see if the customer also has an institutional banking relationship.	The firm simplified many disparate systems down to a few strategic systems. The strategic systems that remain support KYC data collection. A single customer view exists in one LOB, with the desire to extend it across the firm.	Data that is gathered and entered when onboarding a new customer remains in silos and is not shared across business units or systems. Lack of automation results in the need for shared services employees to key in customer data multiple times into various systems.	A new account opening process collects key behavioral and financial data. However, data is not integrated and shared with other systems.
Analytics	Data inconsistencies result in minimal analytics capabilities. Projects are underway to improve data quality and data analytics capabilities.	The organization has begun a data consolidation effort that will allow it to improve the use of analytics during the onboarding process. The organization is developing a data analytics strategy to be able to determine customer profitability.	The use of analytics during the customer onboarding process is very limited. The organization has begun discussions on ways to use data analytics more prominently in the onboarding process.	The organization has a robust customer satisfaction program in place that provides insights across all LOBs. The organization leverages key performance indicators (KPIs) quarterly.

Leading   On par   Lagging

All aboard: Delivering the onboarding experience customers demand

A framework for response

Our recommended approach to the issue.

We have developed a framework to help financial institutions assess their current capabilities and develop a tailored onboarding improvement strategy.

Each of the eight components discussed in this framework has the potential to make a significant impact alone or as part of a broader plan. As a first step, financial institutions should begin by assigning clear accountability and ownership of the onboarding process.

Governance and organization
Establish clear ownership of the onboarding function to help promote a managed experience from application through relationship expansion.

Experience design
Transform customer pain points into a differentiating customer experience.

Analytics
Apply insights to uncover opportunities for profitable growth.

Process
Streamline processes by eliminating activities for which customer or organizational value cannot be clearly attributed.

Data integration
Aggregate and use data as an asset to deliver a superior customer experience.

Risk
Effectively manage risk through a standardized risk-rating methodology coupled with monitoring and feedback loops.

Digitization and automation
Strive for paperless processes and business rules that achieve straight-through processing.

Compliance
Develop a robust compliance function.

Governance and organization: Establish clear ownership of the onboarding function to help promote a managed experience from application through relationship expansion.

Figure 2: The entire organization is aligned to achieve successful onboarding and to support the relationship manager who interacts directly with the customer.
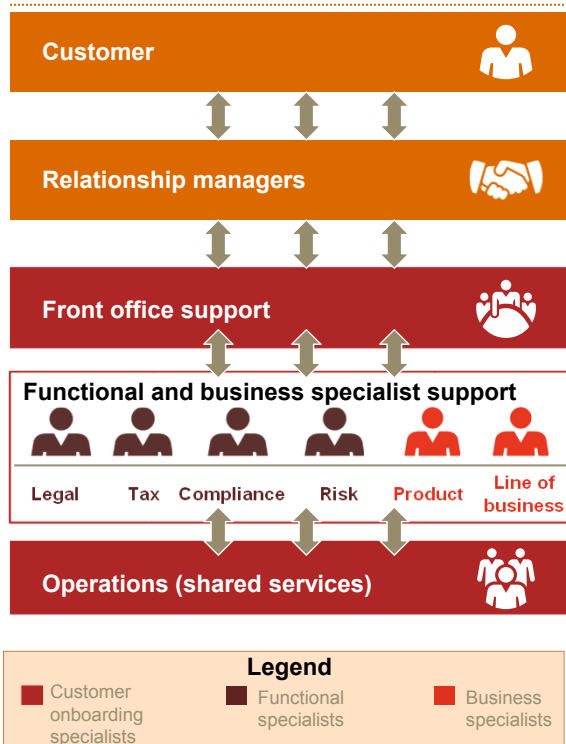
We recommend that leadership focus on the following governance activities related to onboarding:

- Build a governance organization that can adapt to changing business priorities.

- Determine funding procedures for redesigning the organization and gaining buy-in from other C-suite executives.

- Promote a culture of learning, accountability, and continuous improvement related to customer onboarding.

- Redesign the structures, policies, procedures, systems, tools, and staffing to support the end-to-end onboarding approach from both business unit and functional views across the organization.

From an organizational perspective, leadership should appoint and oversee customer onboarding specialists (see Figure 2). These specialists should participate in the early stages of the onboarding process with relationship managers. They should also help confirm that the appropriate information is collected all at once from the customer. This reduces the number of customer touch points and improves the customer experience. Ultimately, these specialists will own the end-to-end process, identifying when and how cross-functional expertise (from legal, tax, compliance, and risk) and product and line of business expertise should be engaged at the right time.

Future vision

- Clear ownership of the onboarding process and customer experience.

- Unwavering focus on customer centricity with alignment of goals across functions.

- Onboarding goals and incentives aligned to drive desired behaviors.

- Shared services organization supports due diligence operations across business units, enabling standardization of processes and cost reduction.

- Agreed-upon metrics, goals, and service-level agreements drive accountability across the end-to-end onboarding process.

Key considerations:

- Who is responsible for the end-to-end onboarding process?

- Are onboarding investments being deployed to the most productive and/or strategic initiatives?

- Are onboarding priorities clear? Have individual groups been aligned?
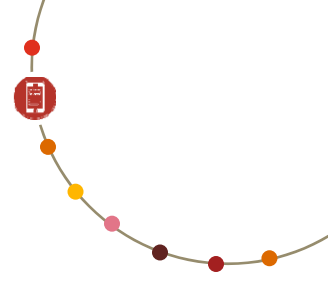
Experience design: Transform customer pain points into a differentiating customer experience.

We recommend that financial institutions begin by examining the onboarding process from the customer's perspective.

Understanding how customers feel throughout the onboarding process is necessary to redesign customer interactions that address common customer pain points. As discussed later in the analytics section, this should be done for all customer segments, including commercial and small business.

Key considerations:

- How effective is the current customer engagement strategy?
- Who should own customer touch points?
- How can we apply a test-and-learn approach to develop an optimal engagement strategy?
- Do we truly understand what the customer values? Do we have the insight to enhance the customer experience?

Future vision

- Clearly defined touch points (such as at product sign up; account activation; 30-, 60-, 90-day check-ins; life events; pre-scheduled; and transaction-driven).
- Enhanced customer insight (including unknown needs, preferences, and segmentation/differentiation) leading to increased cross-sell opportunities.
- New and creative ways of engaging customers that may improve intimacy and/or lower onboarding costs.

Illustrative pain points	What customers want	What financial institutions can do as part of the onboarding process
"It's a hassle" Applications are complicated and time-consuming.	Give me simple and convenient services that save me time and are secure.	• Deliver convenient mobile capabilities, such as account opening and co-browse. • Integrate communication across channels, such as branch, email, online, social media, and phone. • Capture data once and use it to pre-fill forms when possible. • Deploy Lean principles to minimize actions that add no direct value to the customer.
"Undervalued" I get impersonal treatment and little recognition.	Offer me products and services for who I am, wherever I am.	• Tailor advice and products based on an understanding of customer needs. • Enable advisors to put the customer first. • Differentiate service levels based on customer lifetime value.
"In the dark" I am not in control and not empowered to make decisions.	Provide access to easy-to-understand information anytime, anywhere, so that I feel empowered to make decisions.	• Build self-service tools (such as status reporting) into application processes. • Present relevant and easy-to-understand product information. • Increase transparency to the customer.

Process:
Streamline processes by eliminating activities for which customer or organizational value cannot be clearly attributed.

We recommend that financial institutions begin by streamlining processes that directly impact the customer. In doing so, they should focus on onboarding goals such as increasing efficiency and improving the customer experience.

We also recommend that operational processes be aligned with a flexible technology platform and that staff be trained to understand how processes feed into the technology.

Future vision

- Standardized core processes are aligned to onboarding goals.

  – Few manual steps, redundancies, and rework. Paper forms only when necessary.
  – Management and staff focused on value-added conversations.
  – Visibility into where the customer is within the onboarding process.

- Key performance indicators (KPIs) measured and monitored to determine process improvements throughout each onboarding phase (engage, join, grow).

- Utilities or shared services centers used to consolidate specific, non-competitive processes such as KYC.

Key considerations:

- Are our onboarding processes aligned with our brand statement and what we represent?

- How consistent is our onboarding process across products, channels, and regions?

- Have we optimized the process with a goal of eliminating unnecessary or redundant steps?

- Where is there the greatest ability to create scale?

- Where can reusable services, such as identification, authentication, and credit decisioning, be built and leveraged consistently across products, channels, and regions?

Risk:
Effectively manage risk through a standardized risk-rating methodology coupled with monitoring and feedback loops.

Figure 3: By analyzing and incorporating data from multiple sources, financial institutions can better understand customer behavior and associated risks.
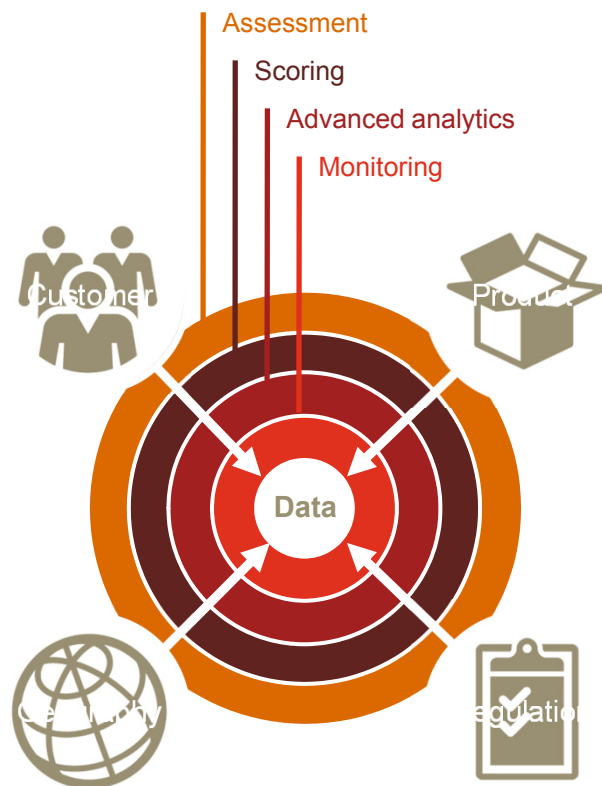
When a customer opens an account, the business is the first line of defense protecting the institution. It is important to keep in mind, however, that risk assessment is not a one-time event. Understanding the customer and how the customer's risk profile changes over time is also critical. We recommend ongoing monitoring based on periodic refreshes of a customer's transaction and interaction history to identify new risks to the organization.

As shown in Figure 3, a complete customer profile should incorporate data from multiple sources, such as products, geography, and regulations. As risk monitoring capabilities improve and technologies that enable deeper analyses evolve, organizations will be better prepared to both manage risk and identify opportunities.

Future vision

- Risk assessment methodologies are standards-based and applied consistently across divisions and countries, yet tailored as needed.

- A global, cross-divisional risk scoring engine calculates customer risk scores.

- Advanced data analytics assess impacts (and opportunities) resulting from additional customer information.

- Enhanced name list screening and regular negative news searches using big data and social media information.

- Intelligence function created to perform portfolio monitoring analytics and to adapt and learn from feedback loops.

- Integrated product suitability monitoring capabilities.

Key considerations:

- What risk parameters should be established?
- Are risk management priorities clearly defined?
- What proactive measures are in place for risk management?
- How can risk management information benefit other divisions?

Compliance: Develop a robust compliance function.

Each financial institution answers to various regulators within key business markets, in addition to complying with the applicable legal and regulatory requirements within the jurisdictions in which it operates.

We recommend that financial institutions gain a complete understanding of the compliance requirements related to understanding customers in each of the applicable jurisdictions. However, understanding new and complex compliance requirements often requires highly skilled customer-facing staff. In some cases, this entails new responsibilities for employees for which new training may be required.

The changing compliance environment should be viewed as an opportunity to build a compliance competency that is integrated further into the onboarding process and yields better information from customers.

Future vision

- Central compliance and governance with rationalized and standardized operating procedures across the organization to collect compliance data consistently in a standardized format.

- Collect compliance data at the optimal points in the onboarding process; centrally store data while ensuring data integrity and providing a comprehensive, standardized view to risk management teams.

- Leverage data across regulatory programs so that data elements are collected once, easing the burden on both the financial institution's staff and the customer.

- Compliance controls tracking to ensure adherence to new/updated customer onboarding regulations.

- Reduce risk in the customer onboarding process and improve compliance with regulations such as FATCA and KYC/AML by standardizing activities across divisions and geographies.

Key considerations:

- How can compliance data be reused in other areas of the organization?

- What regulatory requirements require customized processes due to local regulations? What can be standardized?

- How can the customer information gathered for regulatory compliance be leveraged for customer insight?

Digitization and automation: Strive for paperless processes and business rules that achieve straight-through processing.

We recommend that financial institutions strive for digitization and automation. In doing so, every step in the onboarding process should be scrutinized against the following key objectives:
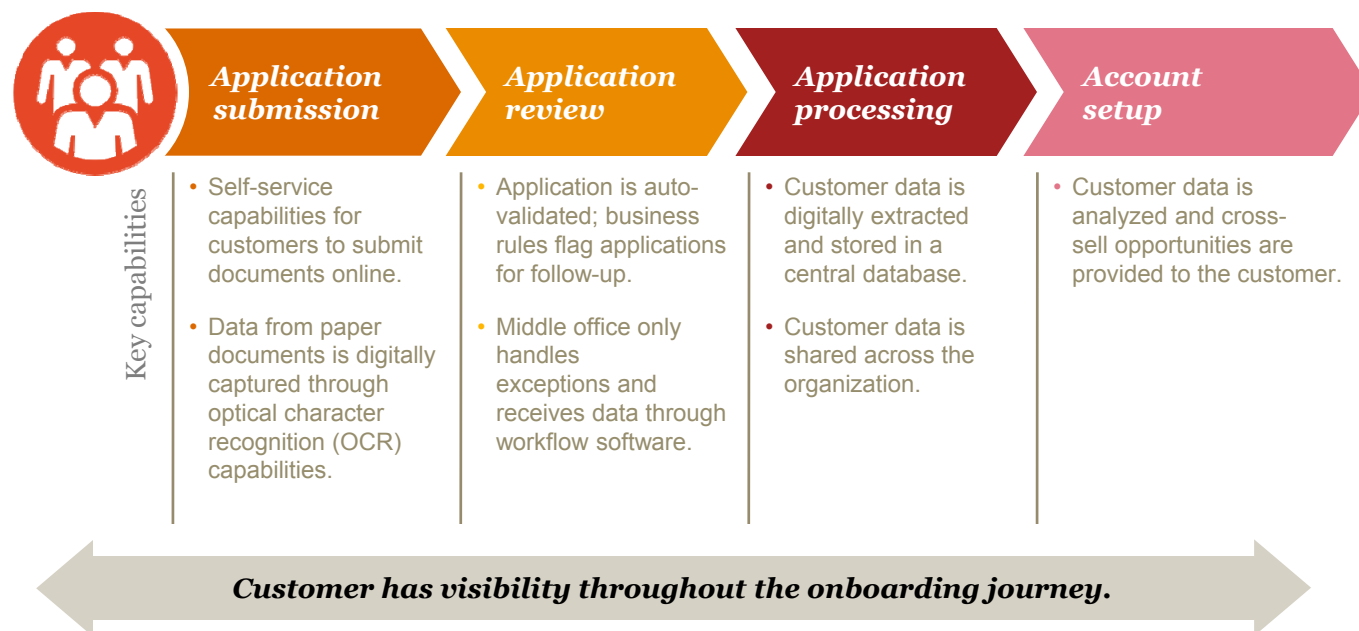
- Minimize leakage.
- Increase straight-through processing.
- Eliminate paper.
- Create process control and consistency.
- Measure process efficiency and effectiveness.

Future vision

- Common, reusable services across products and lines of business.
- Real-time process transparency.
- Digitization at the point of capture.[1]
- Analytics applied throughout the onboarding process to drive customer insight and manage risk.

Figure 4: Future-state design is characterized by automation of critical processes and extraction of relevant data that can be used across the organization.

Customer

Application submission	Application review	Application processing	Account setup
• Self-service capabilities for customers to submit documents online. • Data from paper documents is digitally captured through optical character recognition (OCR) capabilities.	• Application is auto-validated; business rules flag applications for follow-up. • Middle office only handles exceptions and receives data through workflow software.	• Customer data is digitally extracted and stored in a central database. • Customer data is shared across the organization.	• Customer data is analyzed and cross-sell opportunities are provided to the customer.

Key capabilities

Customer has visibility throughout the onboarding journey.

Key considerations:

- How can you use digital applications as part of your core operating model?
- What is the downstream implication of manual intervention?
- Do redundant tools drive unnecessary complexity and spend?
- Does the platform provide clear measurement of onboarding performance?
- How can you make sure you are still engaging your customers while driving improvements with automation and digitization?

[1]For more information, please see our video, "Upping the ante: Building trust and being relevant in the digital age," www.pwc.com/fsi.

Data integration: Aggregate and use data as an asset to deliver a superior customer experience.
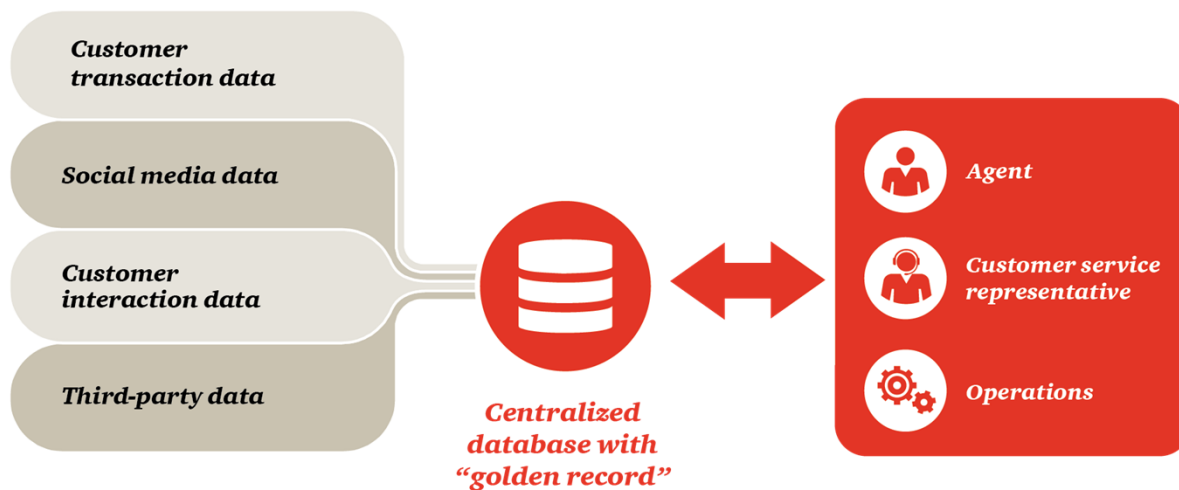
Financial institutions collect an immense amount of data. However, that data is frequently scattered and rarely analyzed effectively to yield productive customer insights.

We recommend that financial institutions integrate traditional internal customer data with external sources such as social data, news, Internet traffic, and advertising activity (see Figure 5 for more details). In our view, the resulting centrally stored "golden record" will provide a holistic view of the customer and enable the financial institution to deliver personalized experiences in real time.

Future vision

- Robust household view of customers across all products and lines of business for cross-sell/up-sell opportunities.

- Improved targeting of messages and personalization of products based on the customer's unique preferences, lifestyle, and interactions.

- Increased speed of analytics and ability to deliver responses to customers in real time vs. batch.

- Data quality standards reinforced in both design and business as usual.

- Data steward function aligned to uncovering customer value amidst increasing volumes of data.

Figure 5: Relevant data is extracted from old and new sources and stored centrally as a "golden record," allowing multiple users to pull quality data and see a holistic view of the customer.

Customer transaction data

Social media data

Customer interaction data

Third-party data

Centralized database with "golden record"

Agent

Customer service representative

Operations

Key considerations:

- What is the maturity of the organization with respect to use of shared data?

- What is the measure of data health? Does the organization have a method for measuring data quality and its impact on the business?

- Has the organization progressed from transaction measurement to behavior and interaction measurement?

- Is the organization's data available to inform personalization and other analytically driven operations in real time?

Analytics:
Apply insights to uncover opportunities for profitable growth.

In the digital world, it is no longer acceptable to deliver a one-size-fits-all strategy. Delivering a personalized strategy requires an institution to first understand what the recipient values and what he/she is willing to pay for.

As shown in Figure 6, multiple inputs from voice of the customer analyses serve as sources for analytics and can help improve customer onboarding.

Future vision

- Analytics competency made up of resources with both data and business knowledge and supported by advanced analytics software.

- Data-driven decision-making framework to influence profitable outcomes.

- A proactive approach to data that can predict customer behavior rather than react to it.

- Cross-channel data sources support analysis of interactions, not just transactions.

Figure 6: Using various analytic methods, financial institutions can better understand the needs of their customers.

- Who are your target customers?
- What do they value?

- What is the personality of each customer segment?
- Can you walk in their shoes?

Segments

Personas

Adaptive conjoint analysis

Customer

Surveys

Predictive analytics

Social listening

Journey maps

Touch point maps

- How do you discover unmet customer needs?
- How can you become more relevant for customers?

- What do customers value in interactions?
- How do you uncover hidden satisfiers/dissatisfiers?

Key considerations:

- Do we know what our customers are saying about the onboarding process?

- Who is the target customer? Do you attract a fair share (or more) of those customers?

- What do target customers value? How do you create experiences that tap those values?

- Which prospects want to join? Which customers want to expand their relationship?

- How are customers solving their problems without engaging the financial institution?

- How are you adapting to changes in customer behavior? How do you track this?

Appendix

Select qualifications.

Select qualifications

Project and client	Issues	Approach	Benefits
Customer onboarding global design and implementation— Global investment bank	A leading global investment bank recognized that its decentralized onboarding model was leading to increased risk and redundancies. In addition, inconsistent processes were driving a poor customer experience and higher costs. The bank wanted to create a standardized onboarding model to be adapted across divisions and geographies to reduce AML/KYC risk and reduce costs.	PwC helped the bank develop a lower cost operating model by streamlining technology platforms and processes and by revising the organizational structure. The project team assisted the bank by: • Leveraging extensive industry knowledge and peer benchmarks to help develop the target state. • Helping to build a business case to support migration from a fragmented model to a centralized shared services environment. • Helping to develop a shared services model with employees across various geographies.	The client benefited in multiple ways: • Reduced costs by more than 30% over a period of three to five years through the creation of a global customer onboarding center. • Developed a new organizational structure that reduced the average onboarding time by 30% to 50%, and improved customer satisfaction metrics. • Rationalized systems from more than 20 down to four.
End-to-end client onboarding process digitization roadmap development— Regional bank's wealth management division	A regional bank's wealth management division sought to improve the customer experience by making onboarding a key differentiator while maintaining operational efficiency. The bank faced various internal issues, including data accuracy, management of paper forms, low productivity, a high re-work rate due to errors, and many manual activities, that resulted in onboarding complexity.	The PwC team helped the client perform an assessment to understand current performance and customer pain points. The team identified multiple improvement opportunities, such as automating manual steps, using smart pre-filled e-forms, using secure document transfers and electronic signatures, and integrating platforms to facilitate straight-through processing. Identification of detailed capabilities allowed the team to develop a phased digitization roadmap that delivered an enhanced end-to-end client onboarding experience.	As a result of the engagement, the client realized the following benefits: • Faster account funding with reduced errors. • Limited paperwork, which enabled easier tracking and improved compliance. • Enriched client experience. • Increased time spent on revenue generating activities. • Lowered cost required to onboard new clients.
Utility design and launch— Consortium of financial institutions	A consortium of financial institutions was looking to develop a single source of standardized data and processing standards to serve the industry. This included customer onboarding data and processes. The challenge was to design and implement an agreed-upon strategic solution that met the needs of all parties in the consortium.	The PwC team supported the consortium by doing the following: • Helping to create a utility solution that aligned the interests of each party with the proposed operating model, solution design, and overall business case. • Helping to develop the entire operating model. • Setting up the program management office, and helping select the business process outsourcing solution. • Supporting the launch of the first product.	Our efforts helped the consortium successfully launch the utility and realize the following benefits: • Alignment on vision, scope of services, and deal terms across all stakeholders. • Between 30% and 50% reduction in operating costs relating to customer reference data and onboarding. • Improved customer experience by reducing multiple, contradictory requests from banks. • Improved risk management and improved regulatory compliance for member banks.

All aboard: Delivering the onboarding experience customers demand

www.pwc.com/fsi

"All aboard: Delivering the onboarding experience customers demand," PwC FS Viewpoint, August 2015. www.pwc.com/fsi.

About our Financial Services practice

PwC's people come together with one purpose: to build trust in society and solve important problems.

PwC serves multinational financial institutions across banking and capital markets, insurance, asset management, hedge funds, private equity, payments, and financial technology. As a result, PwC has the extensive experience needed to advise on the portfolio of business issues that affect the industry, and we apply that knowledge to our clients' individual circumstances. We help address business issues from client impact to product design, and from go-to-market strategy to human capital, across all dimensions of the organization.

PwC US helps organizations and individuals create the value they're looking for. We're a member of the PwC network of firms in 157 countries with more than 195,000 people. We're committed to delivering quality in assurance, tax, and advisory services.

Gain customized access to our insights by downloading our thought leadership app: PwC's 365™ Advancing business thinking every day.

Follow us on Twitter @PwC_US_FinSrvcs