

**Bankjoy**

Community Banks and Credit Unions

# **Online Account Opening: Strategic Opportunities for Driving Growth**



# **Community banks and credit unions are under pressure to deliver better digital experiences, while improving profitability.**



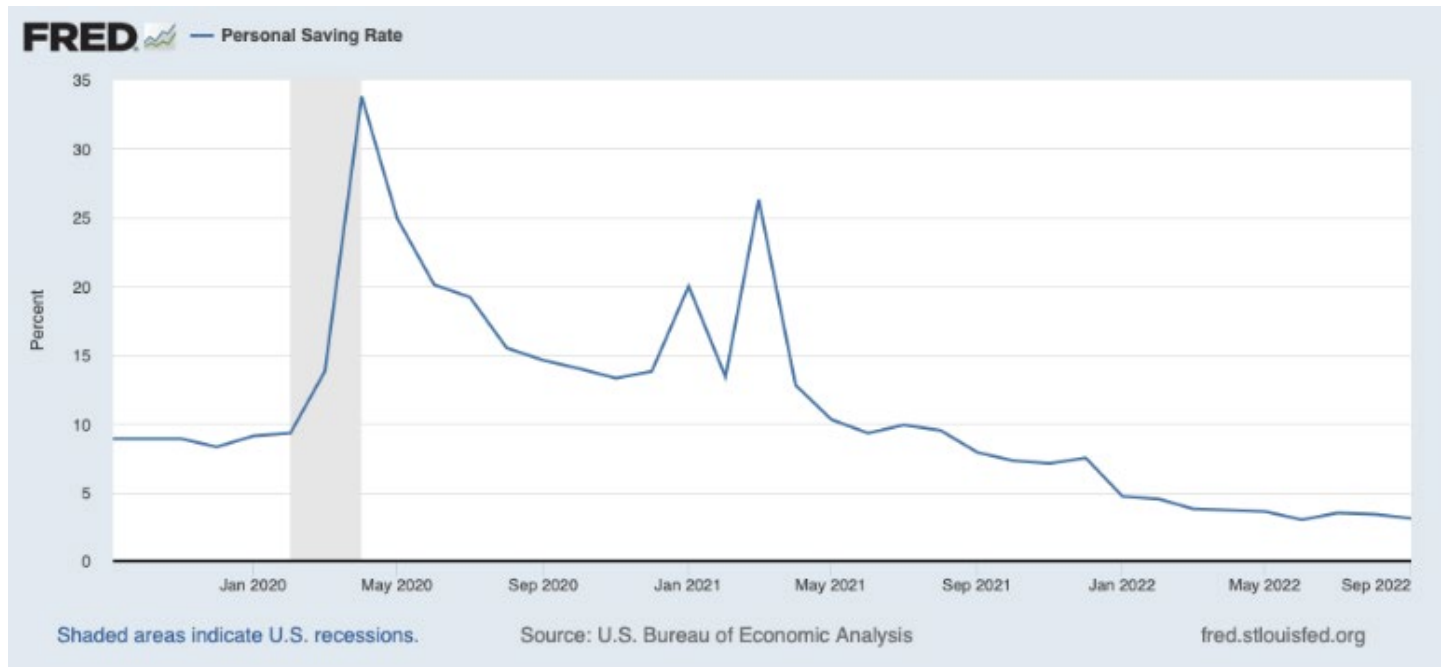
**A critical success factor centers on optimizing online account opening (OAO). In today's economy with high inflation and rising interest rates, OAO is strategically important for more than just attracting new customers or members. Online account opening can help grow deposits, enabling financial institutions to access low-cost funds to meet an expected increase in demand for consumer loans.**

# The deposit growth boom is over

Financial institutions (FIs) need to prepare for an economic ‘perfect storm’ of two major trends colliding.

First, consumer cashflow is growing tighter as prices rise, and more people are likely to turn to personal loans and auto loans. Now is a pivotal time for FIs to capture those loan opportunities.

At the same time, however, consumer savings are declining. Pandemic-driven stimulus checks and slower spending of 2020-2021 are becoming a distant memory. This means deposit balances will be falling just when FIs would have liked to use those funds to generate profitable loans.



Personal Saving Rate, The FRED Blog, Sept 2022 (4)

Many institutions may have a high level of deposits on hand right now, but that situation is changing rapidly. In early 2022, the U.S. Personal Savings Rate was projected to drop 3% by the end of the year.<sup>1</sup> And the Fed noted that this decline “could foreshadow a slowdown in deposit growth at banks.”<sup>2</sup>

By the second quarter of 2022, the impact was already apparent. Deposits at FDIC-insured banks had fallen \$370 billion, the first quarterly drop since 2018.<sup>3</sup>

**Modernized online account opening provides a strategic opportunity in the current economic environment.** It empowers FIs to more cost-efficiently attract and onboard new accounts, which in turn, increases the deposit base and enables more profitable lending.

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***“Consumer savings are declining. Pandemic-driven stimulus checks and slower spending of 2020-2021 are becoming a distant memory.”***

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## Rising competition requires frictionless account opening

Consumers now have more choices than ever about where to keep their money. They can shop around for the best deposit rate, but predominantly people are looking for the best digital experience – and that starts with account opening.

## Rising competition... (cont.)

More than 70% of consumers are now willing to open an account via app or website,<sup>5</sup> and 73% of FIs say online account opening is the most requested digital banking feature.<sup>6</sup>

***“Financial institutions must respond to the demand for seamless digital account opening or face significant abandonment of new account openings to more efficient players.”<sup>9</sup>***

— The Financial Brand

Not just any OAO solution will do.

Even among banks and credit unions that offer some form of OAO, the

process can still be too long or complicated, resulting in high abandonment rates. Up to 70% of people who try to open an account online abandon the effort because it's not simple enough.<sup>7</sup>

The OAO experience needs to be as quick and easy as consumers have grown to expect from fintechs and Big Tech. Only 20% of traditional FIs make it possible to open an account online in 5 minutes or less (the bar set by tech-savvy competitors).<sup>8</sup>

## Focus on the most desired OAO features

As community banks and credit unions look to add or optimize online account opening, there are many aspects to consider. First, the solution needs to offer the features that consumers want most. Studies show the most desired OAO features include:<sup>10</sup>

- Ability to easily set up direct deposit
- Push notification updates on progress with the application process
- Ability to chat with a live agent (if they need help)
- Provide a list of information needed at the beginning of the process (especially for loan applications)
- Easily fund a new account with debit card, payment app, or mobile deposit

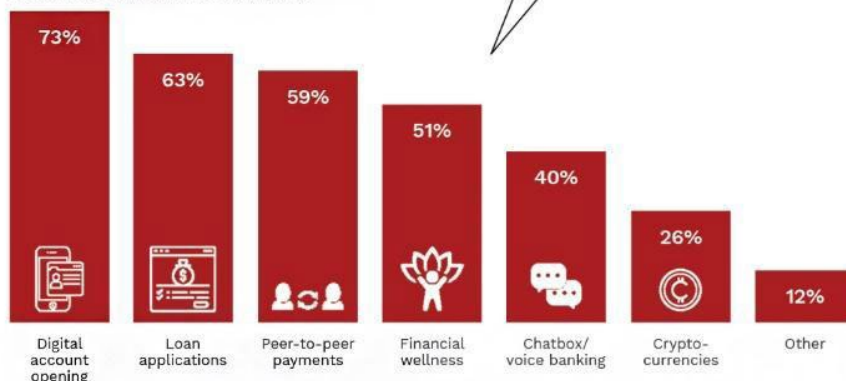
For new loan accounts, best-of-class OAO also provides the flexibility to submit supporting documents by uploading photos, and save and resume an application at any point in the process. Another success factor is seamless integration between online and mobile, to support users who might start an application on their phone and want to finish it later on their desktop (or vice versa).

## Embed seamless security

Often what sets apart OAO solutions is how they handle security during the account opening process. For users, the experience needs to offer simple ways to capture personal information, verify identity, and provide electronic signature. But the process must also engender trust by using the latest technologies to keep their identity and personal information secure.

### Digital and mobile banking features being requested

What digital and mobile banking features are your customers or members asking for?



THE FINANCIAL BRAND © September 2022 SOURCE: Alkami

## Embed seamless security (cont.)

Having a robust infrastructure for identity verification and Know-Your-Customer (KYC) helps FIs deliver a more competitive experience, and equally important, reduce the risk of application fraud. For example, new customers could upload a government-issued ID such as a driver's license, as well as a selfie photo taken with their mobile device. The system would use facial recognition to verify the person's visual identity against the license, and use license data to populate certain fields on the application to speed the process and minimize data entry required.

If an existing customer or member wants to open a new account, they should have the ability to sign on to online or mobile banking, and the OAO system could auto-fill application fields.



For faster approvals of online applications, leading solutions use a powerful decisioning engine that leverages a range of data to build a risk score. For instance, the system might look at KYC data, personal ID, email address, phone number, and IP address to assess risk for both the user and the device associated with the online application.

## Avoid some common mistakes in online account opening

Transforming account opening with a digital solution is not only about technology. Institutions need to look closely at the overall customer experience, as well as internal impacts that could hinder success. Here are a few common pitfalls to avoid:

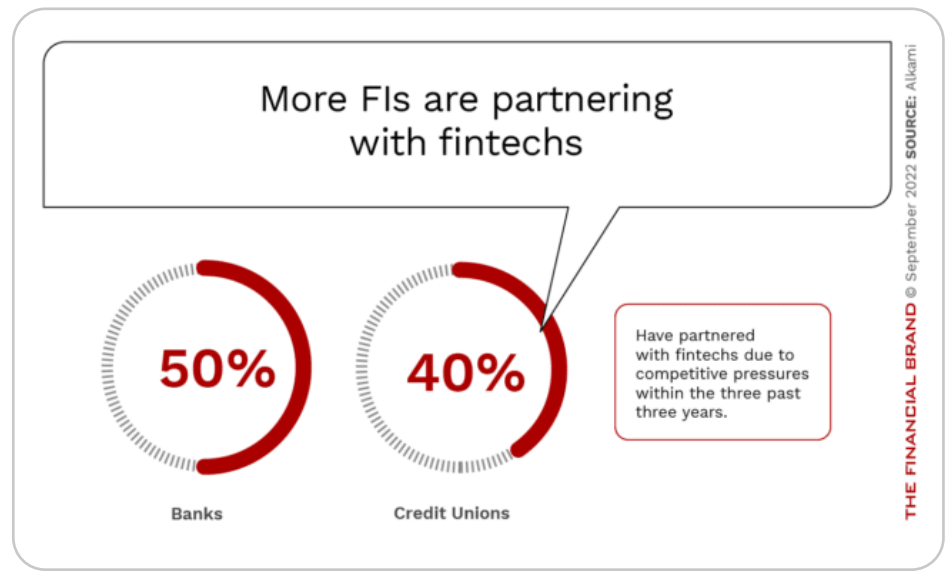
- **Mirroring the in-branch process.** Online account opening doesn't mean taking paper documents and digitizing them into online forms. It means reimagining the process to give new customers or members a simple, well-designed experience that makes a great first impression.
- **Making it hybrid, not fully digital.** When people choose to open an account digitally, they now expect to complete the process there. Requiring them to provide documents or signatures in person adds complexity and inconvenience they wanted to avoid in the first place. In rare cases it might be necessary, but the typical experience should be digital end-to-end.
- **Providing a one-size-fits-all experience.** OAO should not be generic or make customers wade through lists to find a certain product they want. The experience needs to demonstrate the organization understands its target audiences, and make it easy for people to find and apply for what they need, in just a few steps.
- **Siloing the effort with the digital team.** Online account opening influences the overall customer experience and impacts how internal teams operate, so the effort should not be done in isolation. Involve key stakeholders from teams across the organization, such as CX strategy, products, marketing, and compliance. Cross-functional collaboration can help innovate processes for a more customer-centric solution, and put metrics in place to measure the impact of change.

Regardless of feature-set and system design, the burning question for many FIs is: how quickly can we deliver optimal OAO? Can we do it in time to capitalize on rising loan demand?

# Accelerate time to market with a fintech partner

As the current economic trends gain momentum, FIs have a window of opportunity for taking action. Large institutions may have the resources and infrastructure to build and evolve an online account opening solution in-house. But community banks and credit unions may face more roadblocks trying to do it on their own.

To speed time to market, many smaller organizations are partnering with third-party solution providers like Bankjoy. 29% of FIs are already handling OAO through fintech partnerships, and another 42% said they were “very interested.”<sup>11</sup>



Four Essential Digital Trends for Banks in 2023 (and Beyond), The Financial Brand, Sept 2022 (13)

## Put strategy into action

**Using outside solutions can be a major advantage due to the speed of implementation and scalability.”<sup>12</sup>**

— The Financial Brand

The simultaneous rise in interest rates and expected consumer loan demand create a pivotal opportunity for community banks and credit unions. But funding loans may be costly unless FIs can continue to grow deposits in a challenging economy.

As the Fed notes, “Banks may have an incentive to raise funding elsewhere to fund loan growth if the owners of deposit accounts begin to spend their balances down rapidly.”<sup>14</sup> Delivering frictionless online account opening can help to provide a steady flow of new deposit accounts, particularly with digital native generations who expect seamlessly easy mobile interactions.

There’s never been a better time for traditional FIs to innovate their digital experience. Digital-only neobanks have seen a steep decline in account openings, contributing to a downward trend in OAO overall. Analysts project that total annual growth is expected to drop below single digits by the end of 2026, “creating an environment ripe for competitive disruption.”<sup>15</sup>

Key to disruption is having the capabilities to compete more effectively and profitably – and that’s where Bankjoy can make a difference. We’ve helped dozens of financial institutions rapidly implement the latest digital banking capabilities, including optimized online account opening and online loan applications.

**Need to speed the path to digital excellence? [Contact us today](#) to see a demo.**

## SOURCES

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- 2,14 Understanding Bank Deposit Growth during the COVID-19 Pandemic, June 2022
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The image features a vibrant blue and purple gradient background. In the upper left, there is a large, semi-transparent blue circle. In the lower right, there are several overlapping semi-transparent purple and pink circles. A thin, light blue line forms a rounded rectangular border on the left and bottom edges. The word "Bankjoy" is centered in a bold, white, sans-serif font.

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