

Next-Generation Client Onboarding

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onboarding in the
German banking sector?*



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Published by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft

By Thomas Hamele and Oliver Dathan

August 2018, 36 Pages, 19 Figures, Softcover

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Preface

Dear readers,

I am pleased to announce the results of the first PwC study on next-generation client onboarding. This study takes a look at the digitisation of the onboarding process at German banks serving private and commercial customers. To do this, PwC, with the support of Avoka GmbH, developed an online self-assessment that analyses the client onboarding process and benchmarks the digital maturity score of all participants.

I would like to sincerely thank the experts who participated in the study and provided insights into the onboarding process of their financial institution. My special thanks go to Christian Brüseke (Avoka), Michaela Fleischer (N26), Stefan Seyler (Deutsche Apotheker- und Ärztebank eG), and Sascha Braun (Kreissparkasse Ludwigsburg), who were willing to do personal interviews for this study.

The results of the study show that digital onboarding is firmly established in the German financial sector. Direct and private banks, as well as young, innovative market participants, are leading the way in digital client onboarding – a challenge that has to be tackled above all by established market players, as innovation leadership and time-to-market leadership have never been so important in the financial sector as today. Large banks, in particular, bear a special responsibility towards their customers, due to the great trust and reputation that they enjoy in the industry. Joint cross-industry onboarding initiatives, internal transformation projects or close collaboration with leading consulting firms are part of successful digitisation strategies of leading companies. In the next evolutionary stage of digital onboarding, all customer interaction channels merge into a single channel that is accessible from all devices. This study will explain how the next generation of client onboarding can be implemented.

I wish you an insightful read and I look forward to your questions and suggestions.

Berlin, July 2018

Oliver Dathan

Business Consultant, After Sales & Services



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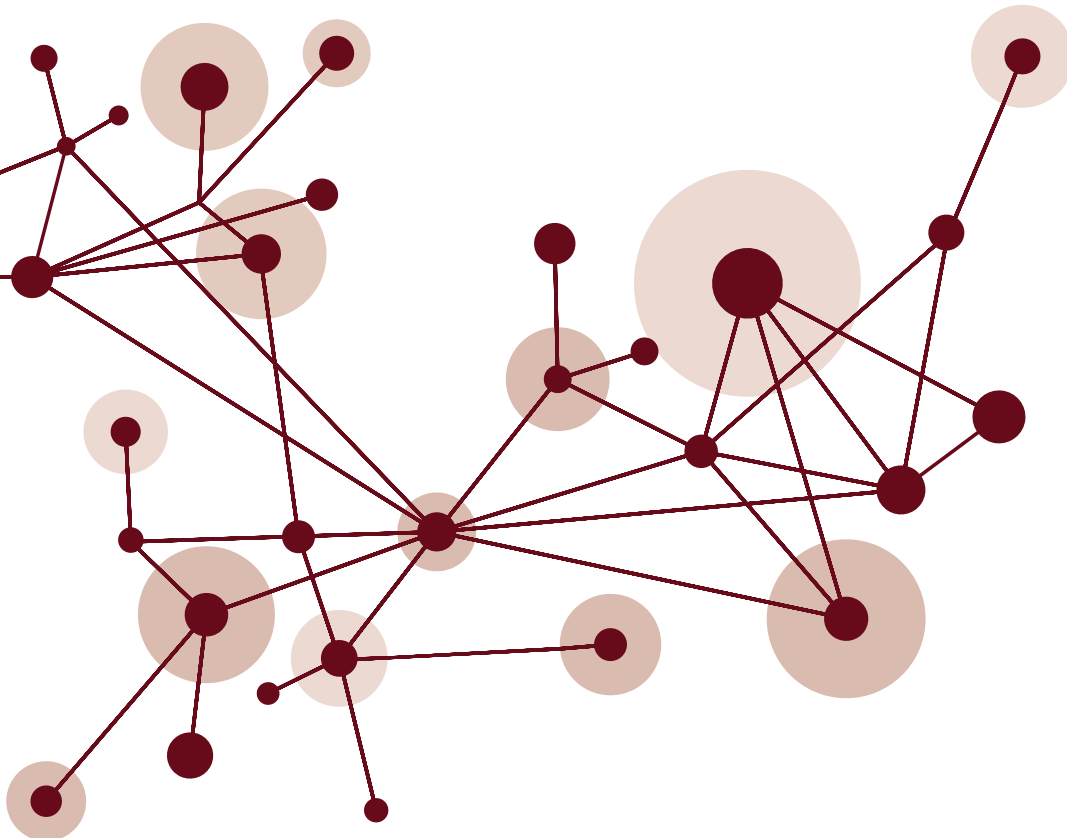
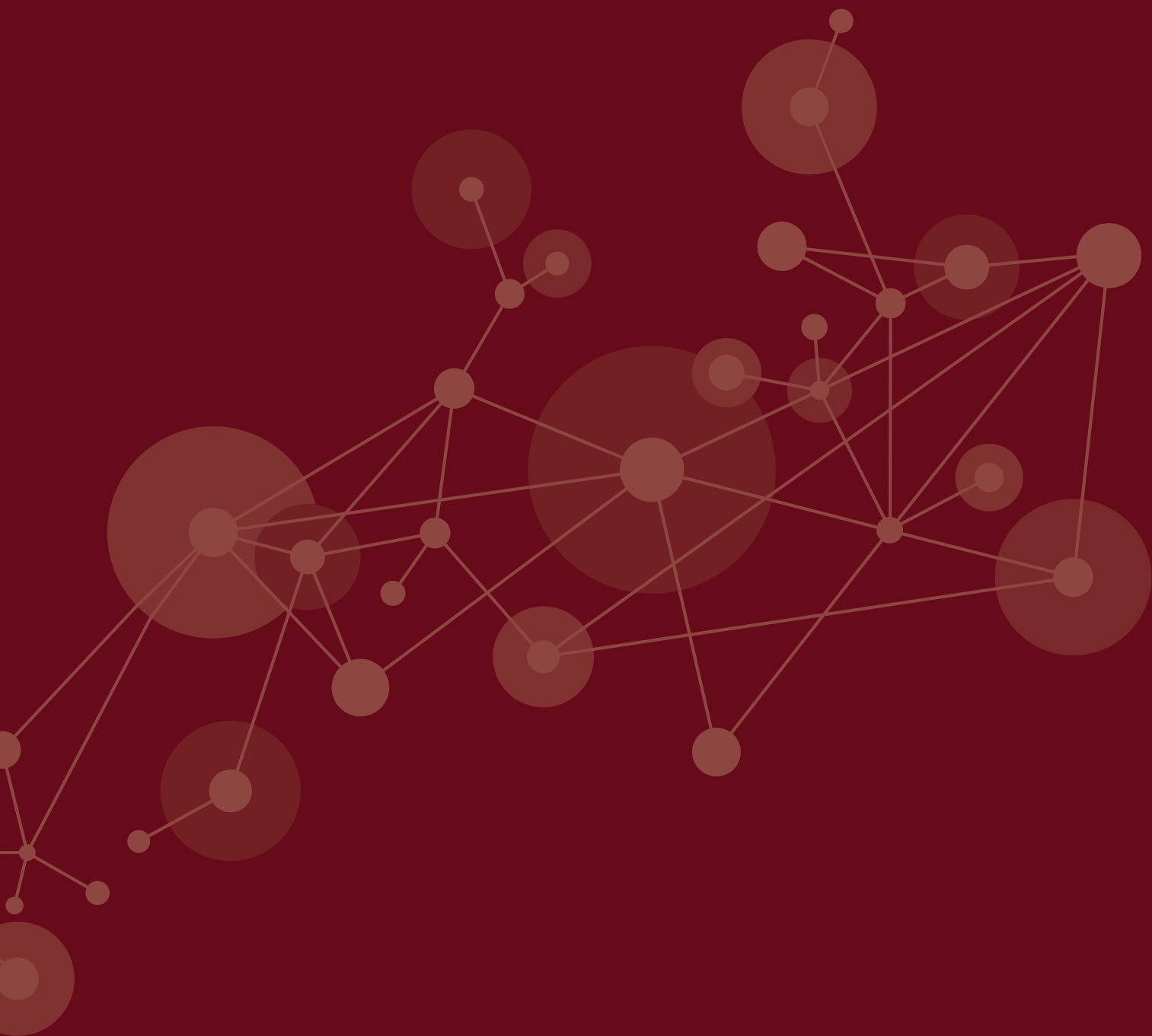


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A Client onboarding is an important topic for banks

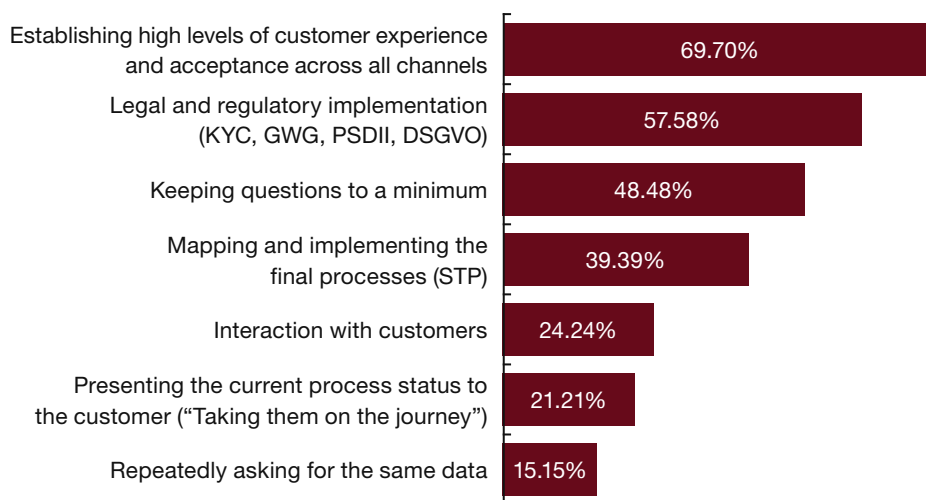


Leading platform vendors such as MyTaxi, Uber or AirBnB are setting new standards for innovative and streamlined onboarding solutions that today's clients expect from their bank. But not only the demands and needs of the customers are to be taken into account in regard to onboarding. Financial institutions also need to offer a personalised digital customer experience. "Digital customer proximity" is therefore both a challenge and an opportunity for the banking sector. Thus, we asked the study participants specifically about the three greatest challenges in digital client onboarding.

Fig. 1 Current challenges in client onboarding

Currently, what are your top three challenges in client onboarding?

Multiple answers were possible.



The biggest challenge for study participants is to ensure a positive customer experience and high acceptance across all interaction channels (70%), because today's customers are more willing to take their business elsewhere if their current bank does not fulfil their requirements for services such as mature mobile banking, flexible financial services and personal advice. Dissatisfied clients will terminate the application process and opt for the product of a competitor. The customer experience therefore has a major impact on the conversion rate. Similarly to a job interview, the first impression is decisive.

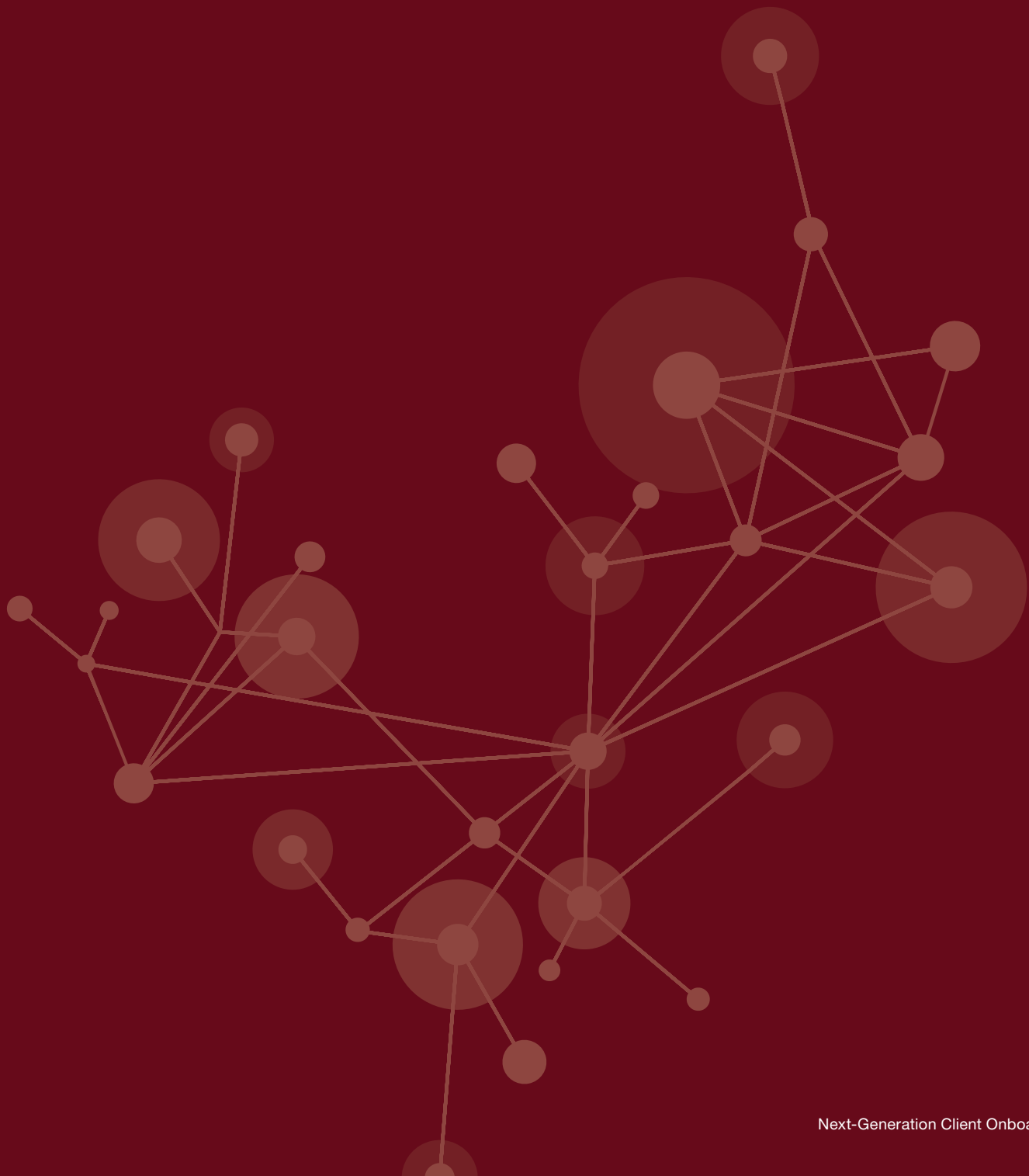
Another major challenge for respondents was to reduce the number of questions (49%) and to avoid repetitive questions (15%) during the application process. An intuitive and efficient onboarding process is therefore a characteristic of first-class banks. By optimising the onboarding journey, eg, with a customer touchpoint analysis, financial institutions can identify such pitfalls early on and measurably increase the conversion rate. Digital customer assistance systems aid the user in data entry and keep them informed about their onboarding status via a progress bar. For 21% of the study participants, the visualisation of the progress in the application process is one of the top three challenges.

Being able to open an account and select products from a PC or mobile device at any time – which both saves time and simplifies the process – are important success factors in digital onboarding. Above all, the strategic benefits gained from utilising this as a customer interaction channel for advertisement and cross-selling are immense. Where marketing campaigns begin, onboarding solutions must be integrated into a final process of segmentation, targeting and positioning (39%) to turn leads into clients with high customer lifetime value. Holistic solutions already process customer data in onboarding and make it possible to plan analytically sound marketing campaigns.

Complex transaction systems, back office processing and specialised web applications are a final part of the process and must meet the high standards of the industry. In addition, strict legal regulations (58%) must be met, which, while representing a constant challenge for IT and business processes, at the same time create new market conditions and promote the liberalisation of the market. For example, the Payment Services Directive II (PSD 2) makes it easier for payment, robo-advice or PFM service providers to move into the financial sector and provide access to the banking infrastructure.



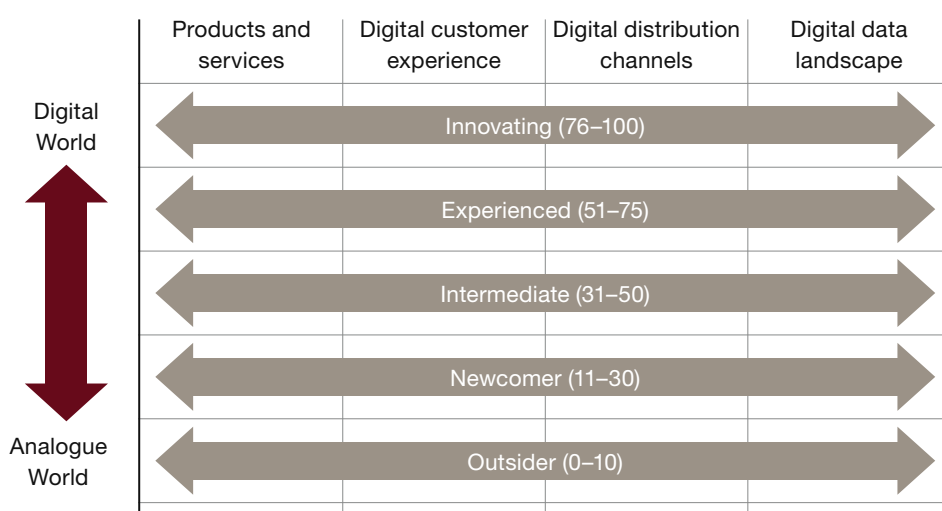
B The digital client onboarding maturity model



How mature are German Banks in digitising their client onboarding process? Which banks are leaders and how do they differ from their competitors? To answer these questions, experts on this topic from German private and commercial banks were asked to rate their bank’s client onboarding. For benchmarking purposes, PwC has developed a self-assessment based on a standardised online questionnaire with the support of Avoka GmbH.

On the way to next-generation onboarding, onboarding goes through different maturity levels of digitisation. Digital onboarding is a complex, multidimensional process. Only the determination of the overall degree of maturity of all dimensions allows for a final comparison of the analysed banks.

Fig. 2 Digital client onboarding maturity framework



Dimensions:

1. Digital products and services: The scope of the digital product and service portfolio, as well as the time needed for onboarding
2. Digital customer experience: The dynamic nature of the application process, smooth switching between devices, digital assistants, digital identification and verification procedures
3. Digital distribution channels: Digital management of distribution channels, survey of customer profiles for marketing and sales purposes
4. Digital data landscape: Use of external data to meet legal requirements as well as for business processes and marketing purposes

From the index values of all answers, the following five maturity levels were derived:

1. “Outsider” (0–10): The lowest level of digital maturity. Client onboarding is an analogue process.
2. “Newcomer” (11–30): The portfolio of online products is minimal. The implementation of further steps falters.
3. “Intermediate” (31–50): Digital distribution channels are used for a large number of products and services.
4. “Experienced” (51–75): Digital customer experiences and sales channel optimisation are established functions.
5. “Innovating” (76–100): Digital processes with a strong benefit and customer focus are fully integrated.

C Digital client onboarding in the German financial sector



The study focuses on cooperative banks, major banks, direct banks, private banks, savings banks and automotive banks. The online survey was completed by 41 experts from a total of 26 financial institutions. Three other experts volunteered for interviews and provided insights into their bank's client onboarding, as well as their future potential and challenges. The following figures show the composition of the study participants as well as the focus customer groups of the analysed banks.

Fig. 3 Bank types represented in the study

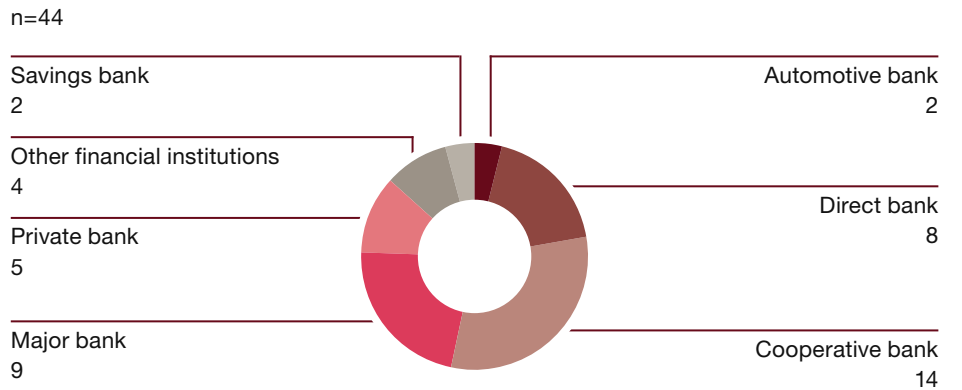
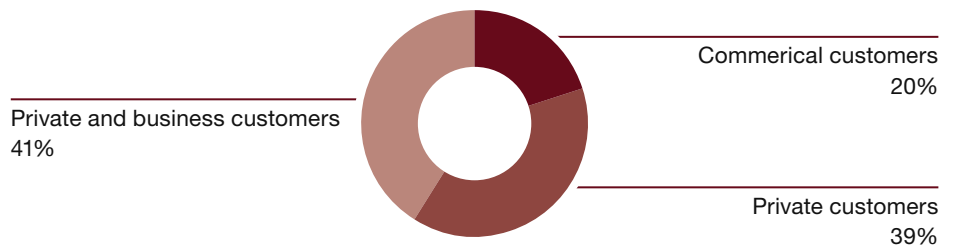


Fig. 4 Focus customer groups of the participants



1 Digital products and services

Today's consumers expect their bank to digitally close contracts for their products and services. The advantages of digital customer onboarding are obvious: quick and easy operation from your home PC or mobile device, without the hassle of waiting or wasting time. We interviewed the study participants about which digital banking products and additional services they offered and inquired about the time needed to onboard new customers. The study responses indicate that cooperative banks ("intermediate"), private banks ("intermediate") and direct banks ("experienced") have the largest digital product and service offering and less time is required in comparison to automotive banks ("newcomer"), major banks ("newcomer") and savings banks ("newcomer").

Current account (61%), call money (46%), instalment credit (46%), credit card (39%) and savings plan (34%) are the most common online products, followed by credit (32%), fixed deposit (32%), savings bond (20%), mortgage lending (27%) and home savings contract (22%). The time it takes for the online onboarding of a product is on average under ten minutes for half of the banks and under an hour for a quarter of them. Online account switching is the most frequently mentioned additional service (77%).

Sascha Braun

Department Director Real Estate Center, Kreissparkasse Ludwigsburg

We want to promote digitisation in such a way that it primarily benefits the customer and supports our strengths, such as proximity to our customers and personal contact. This means that we will continue to be there for our customers personally, also by remaining in the local area with our branch network in the future. Our customers appreciate that, and this is an important aspect that differentiates us from our competitors. Growing customer needs, technological innovation and stringent legal requirements require determination to digitally transform customer interaction without compromising customer proximity. Successful lighthouse projects for the development of new digital products and services of the Kreissparkasse have proven this and are in high demand by our customers.

Fig. 5 Duration of the online onboarding process for new customers

How long does the onboarding process for new customers take?

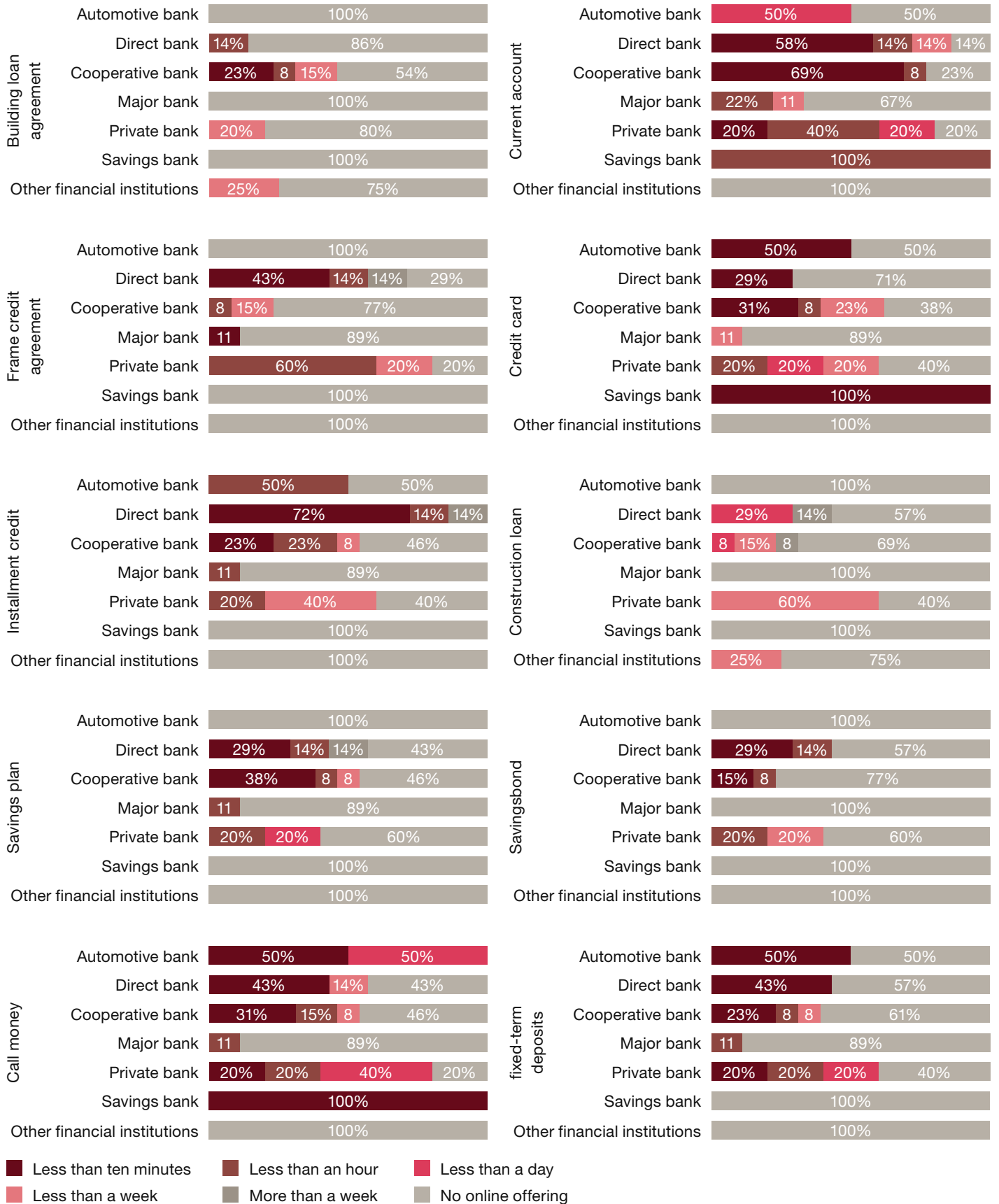
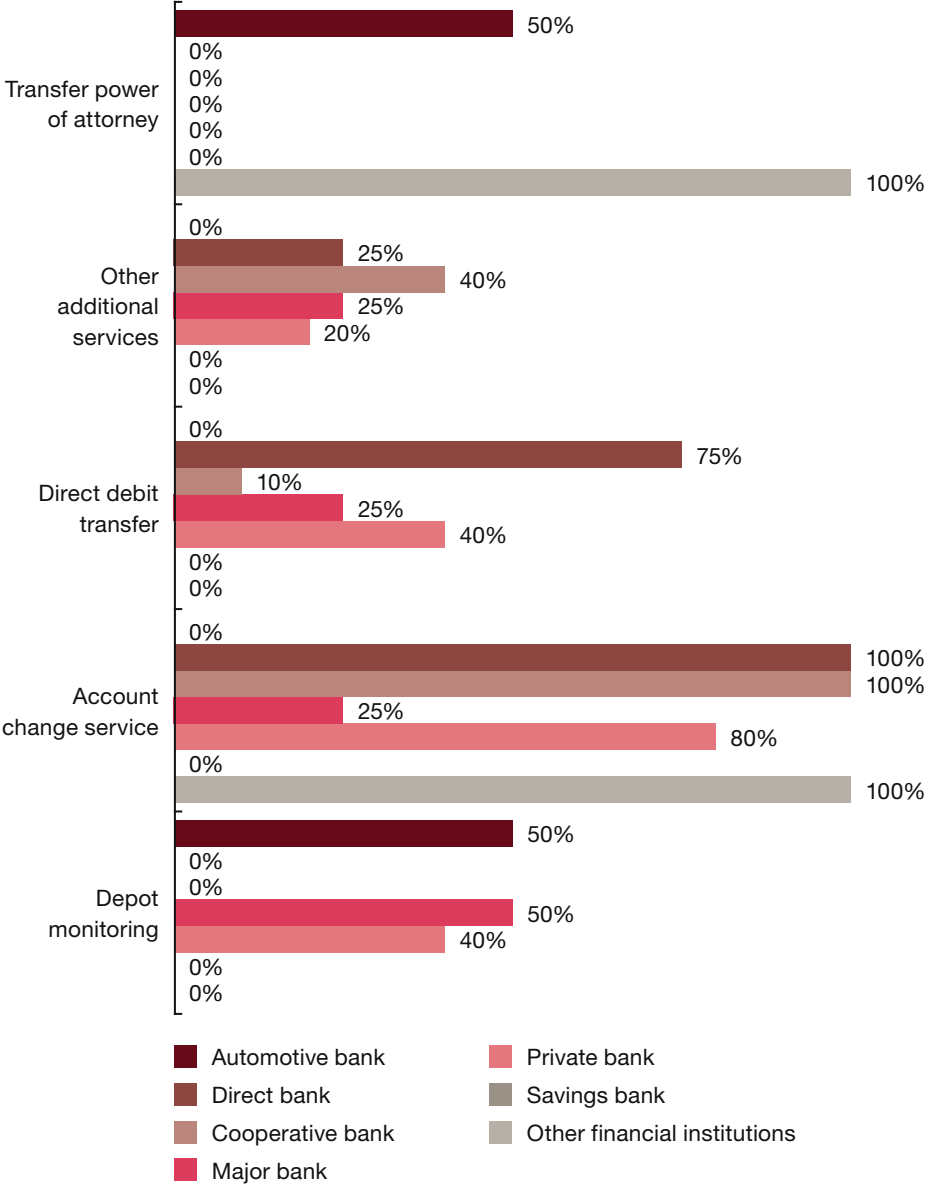
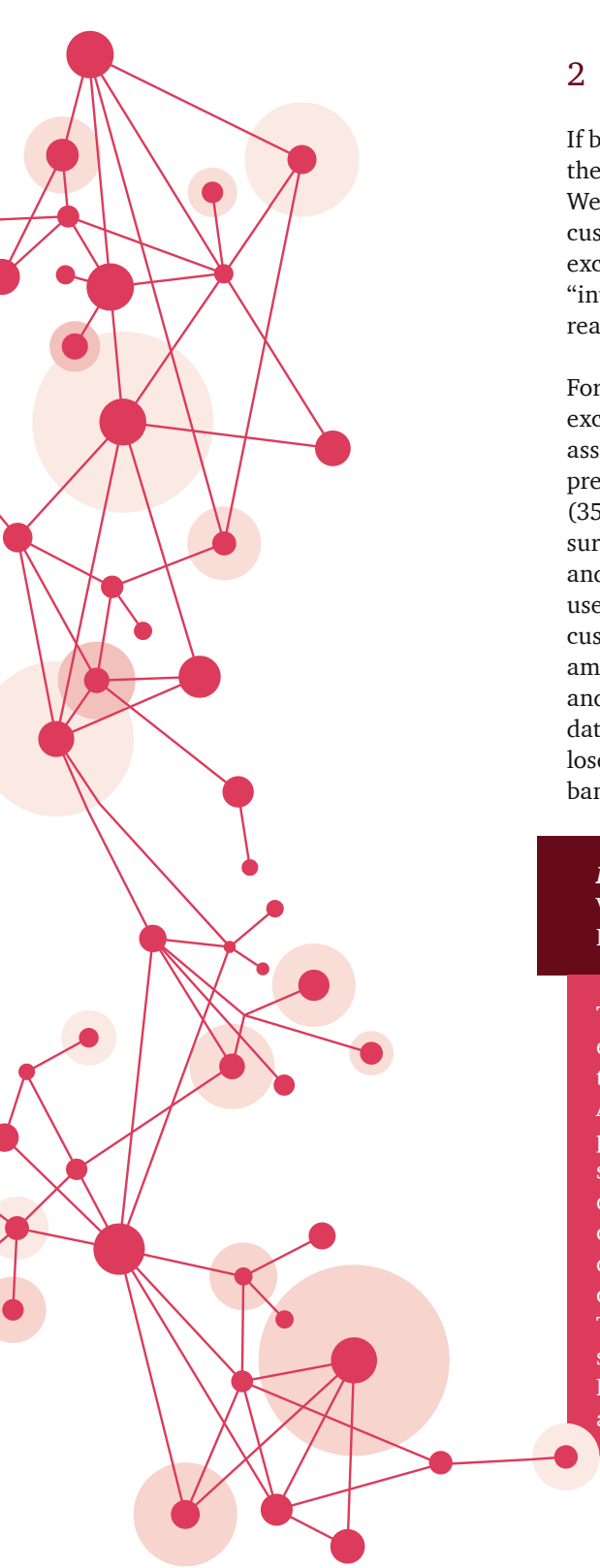


Fig. 6 Additional services provided online

Which digital additional services can be completed in online onboarding?
Multiple answers were possible.





2 Customer experience

If banks are able to impress their customers at the relevant contact points of their customer journey, they will be rewarded with loyalty and additional sales. We therefore asked the study participants about which success factors for the customer experience are most relevant for a smooth digital onboarding. With the exception of the major banks (“newcomer”), all banks reached the maturity level of “intermediate”, with direct and private banks leading the group. None of the banks reached the maturity level “experienced”.

For 76% of respondents, onboarding is possible with a PC or mobile device. Without exception, this applies to private, direct and savings banks. Advanced digital assistance systems such as text-to-speech or chat bots were apparently unable to prevail among the institutes surveyed, while progress bars (62%), chat windows (35%) and auto-correct functions (41%) are well established. According to the survey results, the majority of the online onboarding routes behave dynamically and adapt based on the user’s input. The dynamic response is independent of the user’s device. In general, business customer portals are more static than private customer portals. Video identification (79%) and postal identification (77%) are among the most common verification options for natural persons. Savings banks and automotive banks do not provide their customers with the opportunity to save data in the application process, so that in the event of cancellation, they inevitably lose the data they enter – a service that is more commonly established with direct banks (50%), private banks (50%), cooperative banks (33%) and major banks (33%).

Michaela Fleischer

Vice President Operations & Outsourcing Management, Outsourcing Officer,
N26 Bank GmbH

Technology is the DNA of N26. N26 stands for unique usability. The customer experience starts with our smooth onboarding process and brings full transparency, control and banking in real time to a digital product offering. All processes are entirely digital and executable via PC or mobile app. Our products and services are supported to 100% by mobile devices. A walk to the store is not necessary at any time. Nevertheless, a high degree of digitisation does not necessarily mean that customer interaction has to suffer. Our customers have various ways to communicate with our customer service: directly in the app with chat features – for both iOS and Android – via e-mail or via phone. Often our customers have an account with another institute. The new Payment Services Directive PSD 2 opens the way for new services, specifically to fulfil the needs of customers that are clients of several banks. PSD 2 is therefore an enrichment for innovative banks from which customers also benefit.



Fig. 7 Use of different devices during onboarding

Is the onboarding process possible on different devices?
Multiple answers were possible.

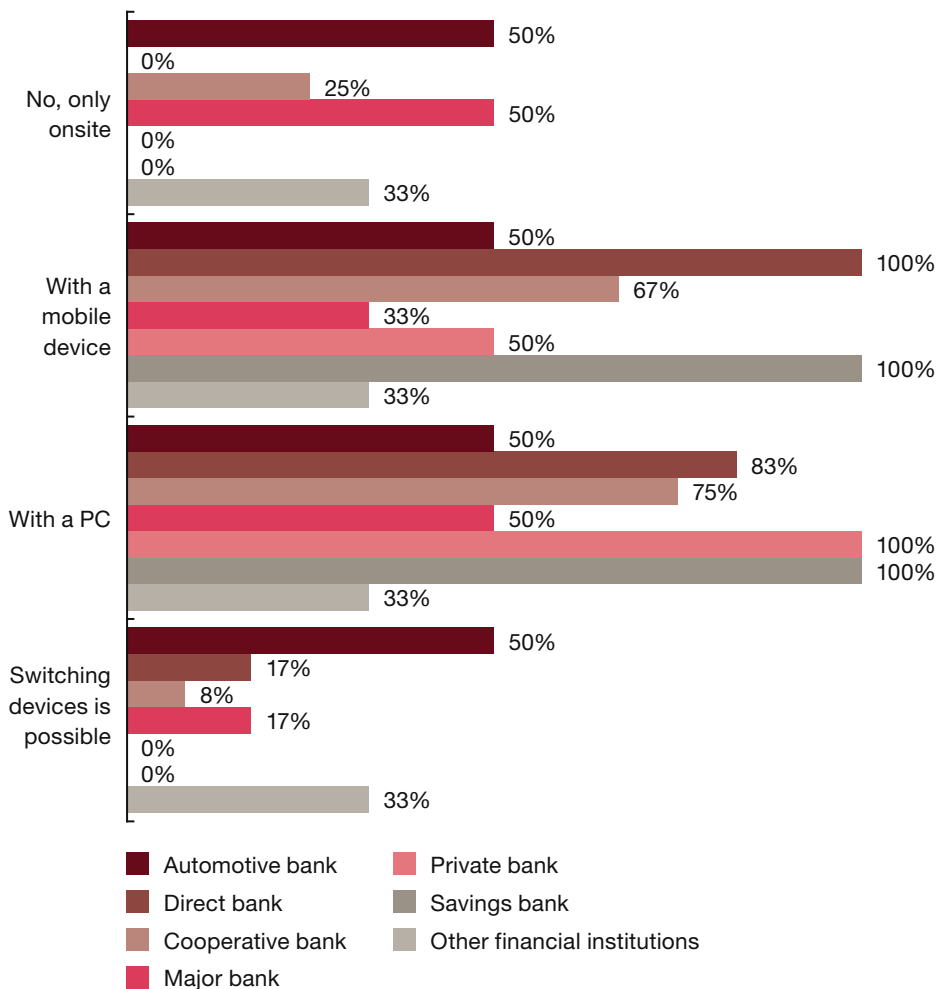


Fig. 8 Dynamic structure of the onboarding process

Does the onboarding process react dynamically to user inputs?
Multiple answers were possible.

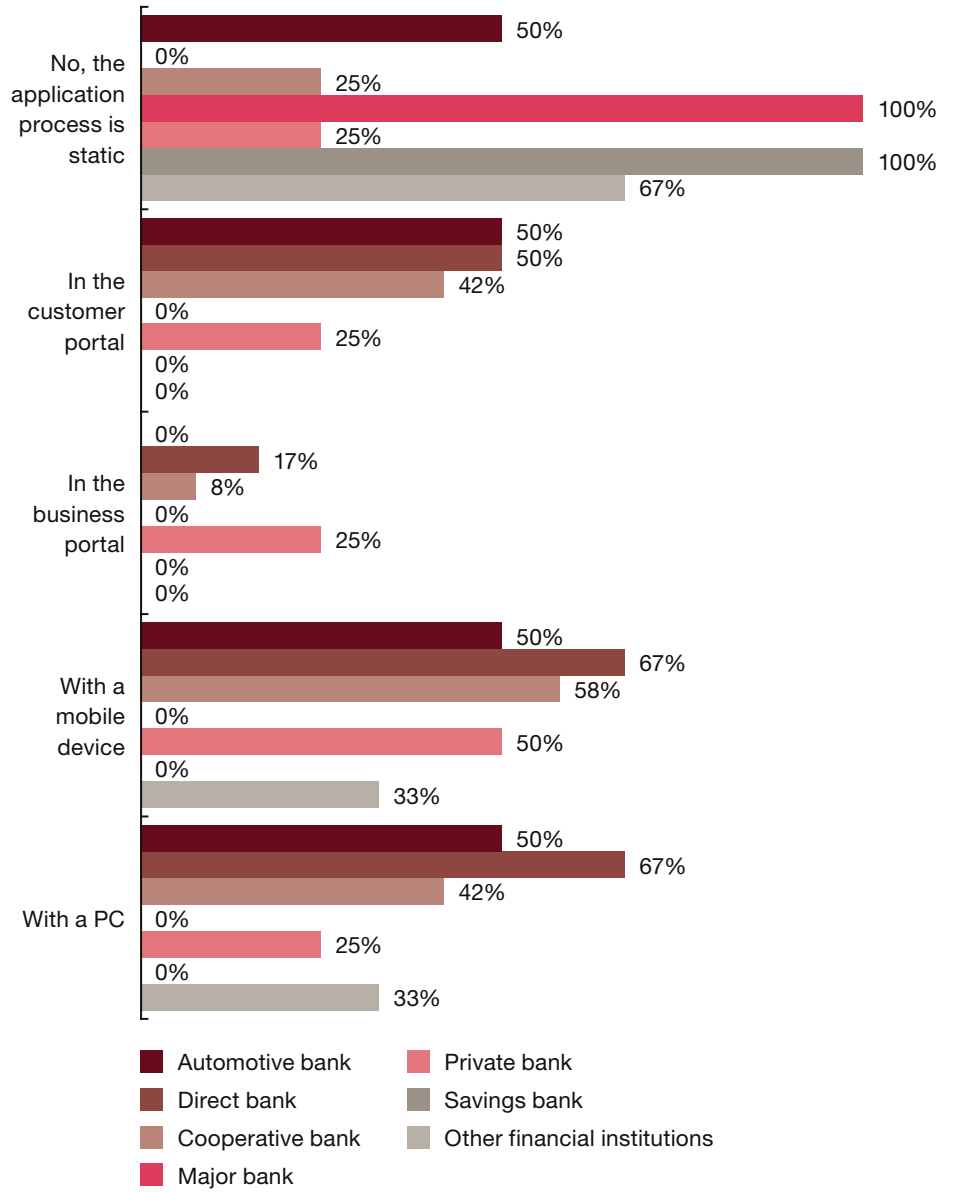


Fig. 9 Digital assistants

Are users aided by digital assistants during the online onboarding process?
Multiple answers were possible.

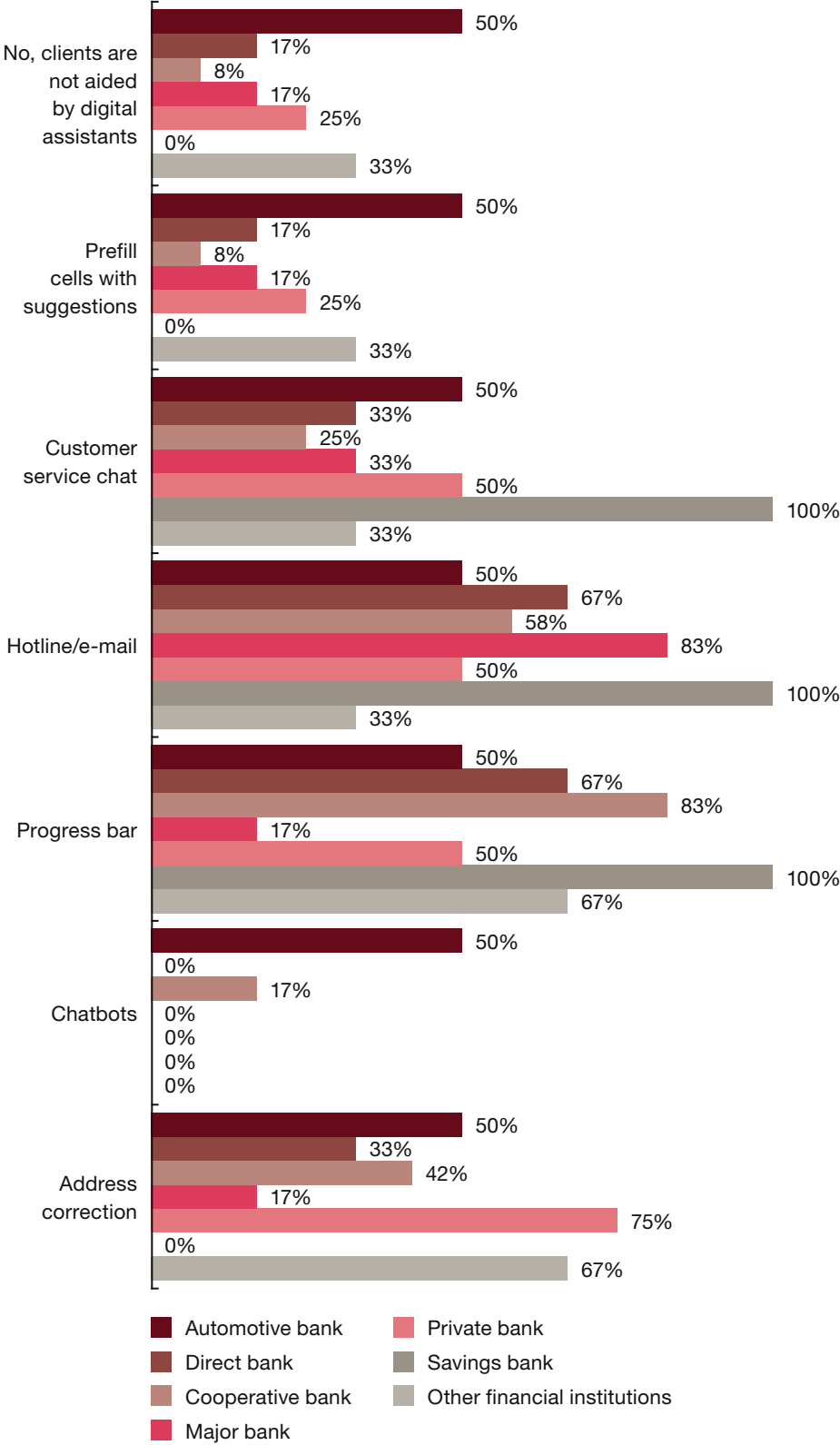
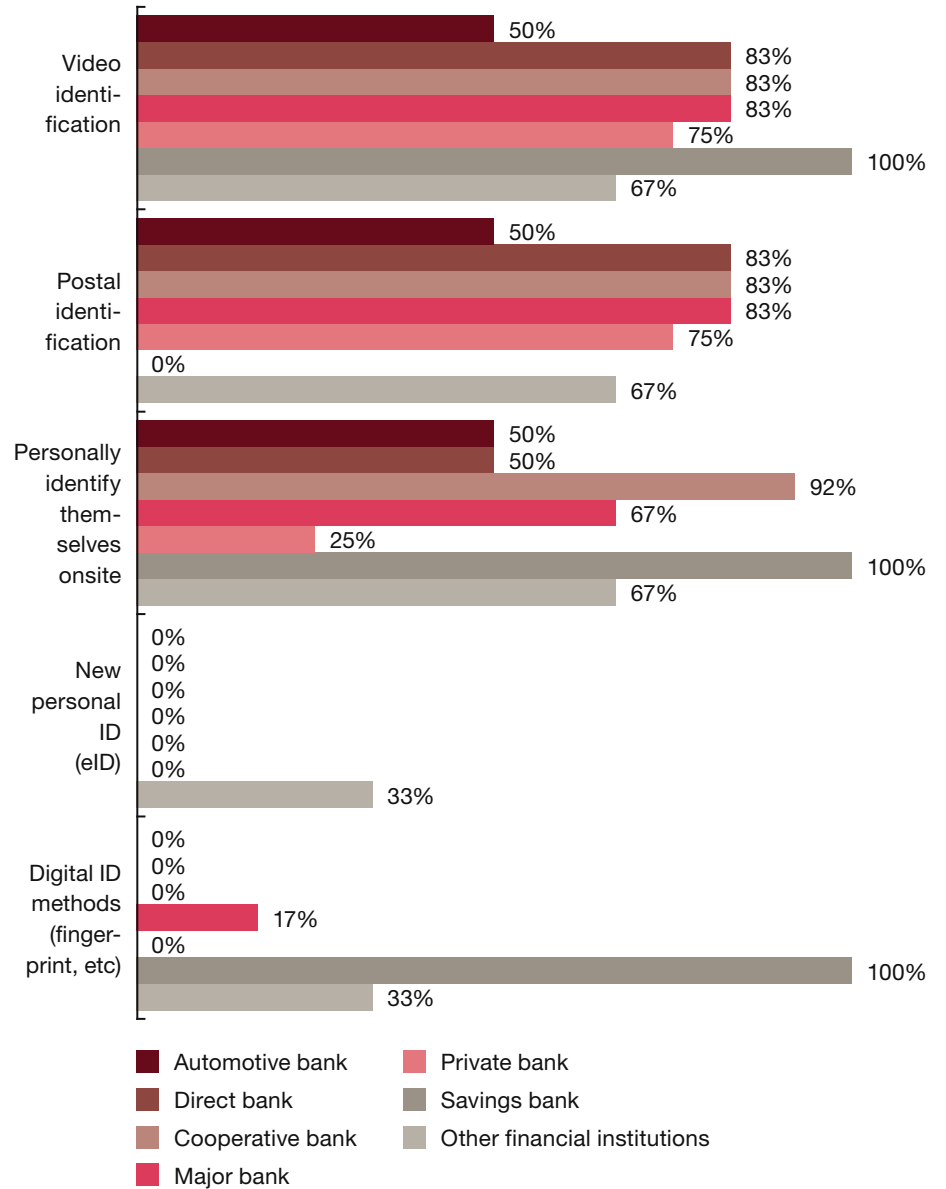


Fig. 10 Options for identification and verification

Which options do customers have to identify and verify themselves?
Multiple answers were possible.



Nowadays customers have a variety of new options to leave their signature.

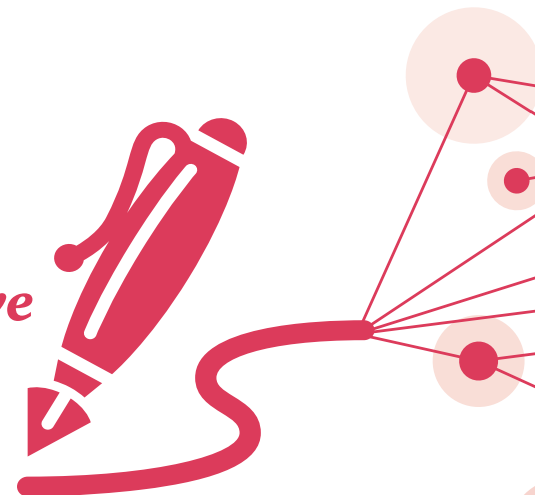


Fig. 11 Options to sign documents

Which of the following options do your clients have to sign documents?
Multiple answers were possible.

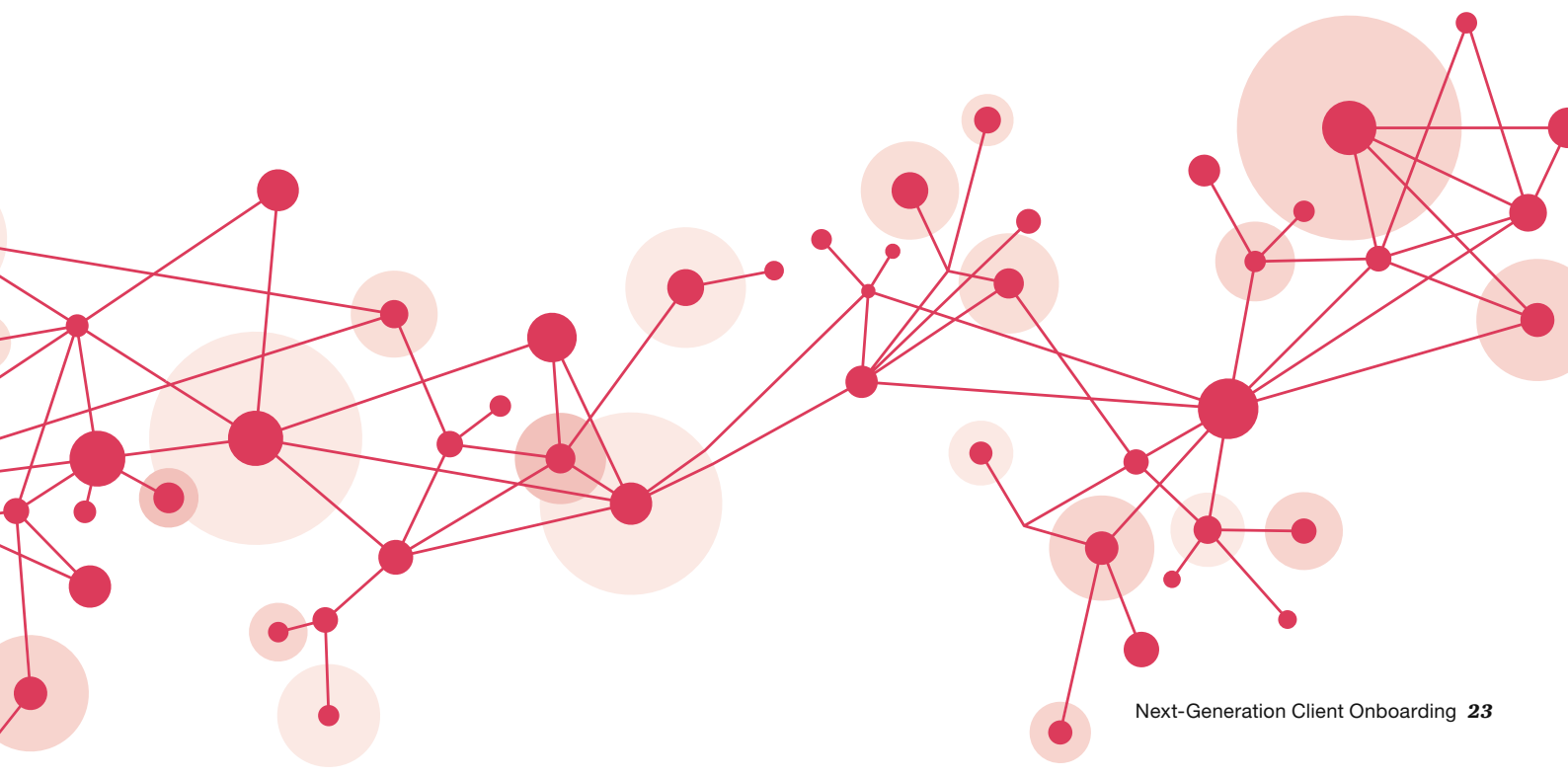
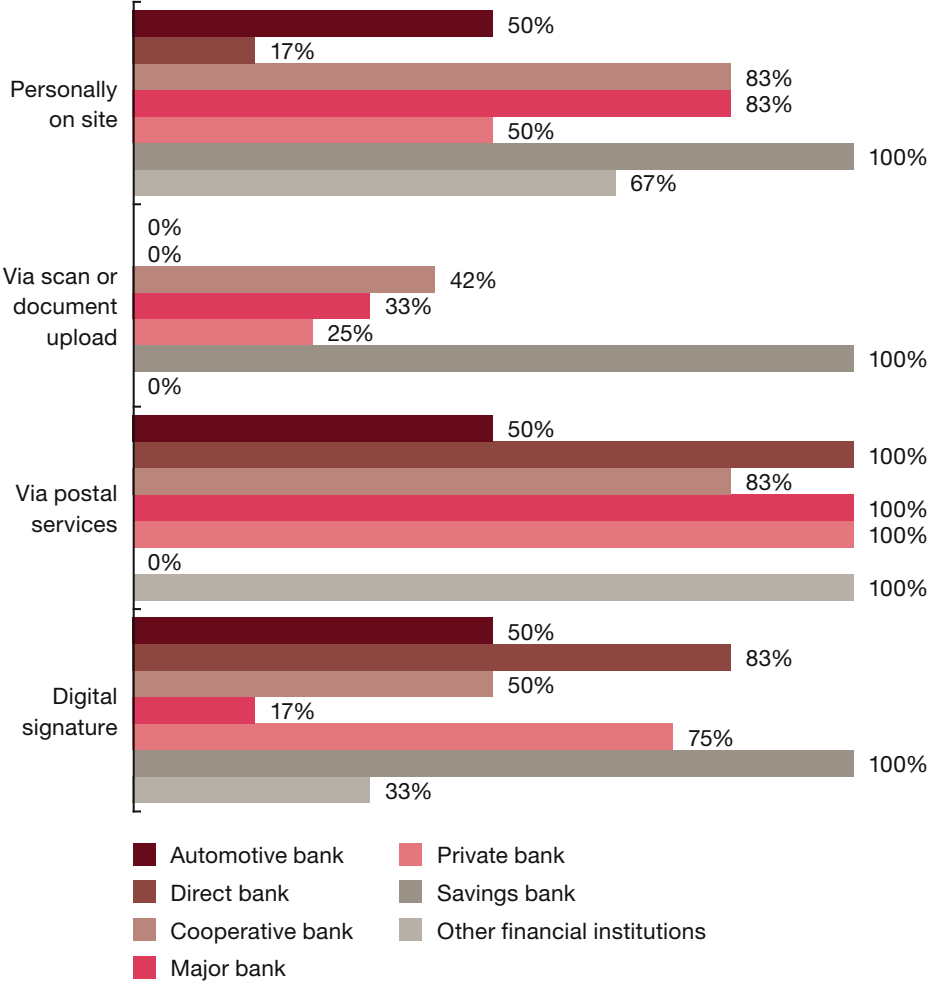
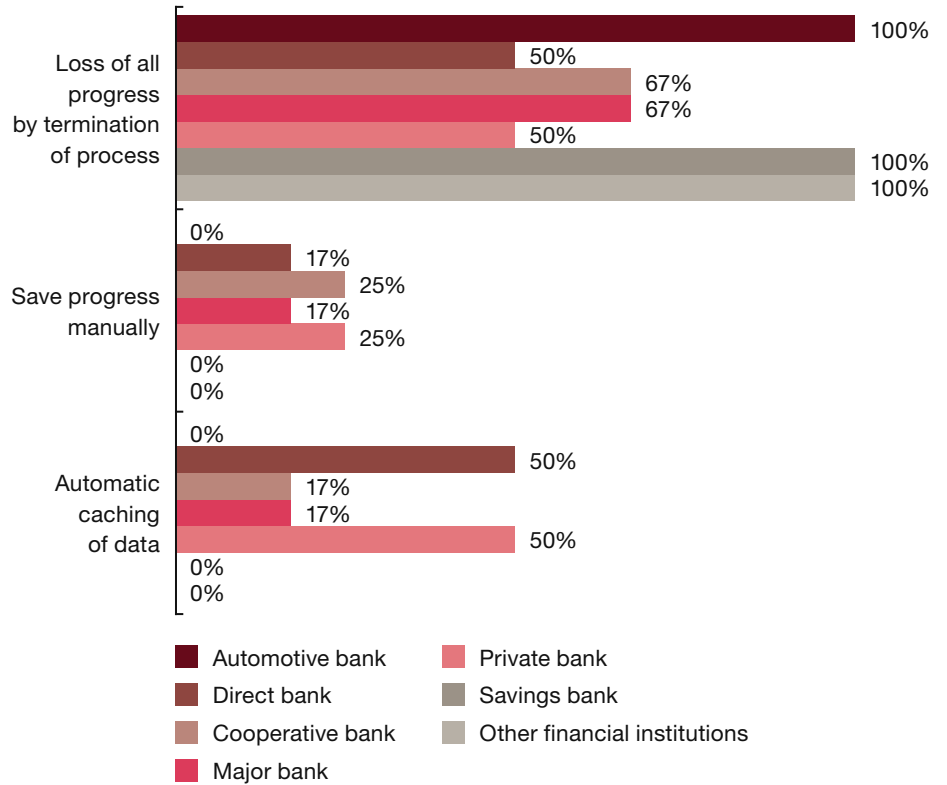


Fig. 12 Save and resume

Can the online onboarding process be terminated and resumed at a later point in time?
Multiple answers were possible.



3 Digital sales channels

As part of the online distribution channel, onboarding has a significant impact on the conversion rate of financial institutions. Digital distribution channels optimally realise their potential if they are consistently managed and optimised. Sales channel analysis reveals immediate deficits in onboarding and makes an effective contribution to new customer acquisition. To identify potential pitfalls in the customer journey at an early stage, digital customer touchpoint analytics deliver detailed, real-time information about how users interact with the web application or even whether the process is cancelled midway. Sales channel analyses are commonly established among most participants. Direct banks (“experienced”) and saving banks (“experienced”) hold the leading position, followed by automotive banks (“intermediate”) and private banks (“intermediate”). Cooperative and major banks were classified as “newcomers”.

Abort rate (55%), conversion rate (61%) and click path (45%) analyses are the key performance indicators (KPIs) most commonly used in sales channel analysis. Half of the respondents said they also use the results for process optimisation. Real-time data is used by participants to create customer profiles (50%) and for sales controlling (34%).

Stefan Seyler

Director Munich, Deutsche Apotheker- und Ärztebank eG

Due to its special focus, Deutsche Apotheker- und Ärztebank's early contact with focus customers is particularly important. This is mainly built up by personal conversations. Developing mutual trust with our customers already begins during their studies, long before the actual customer acceptance process. In addition to our mobile banking app, we have developed apps specifically for students of medicine, pharmacy and dentistry to help them learn. Our day-to-day operations are very advisory-intensive, especially when lending to start-ups. Unlike in the private customer business, this complexity cannot be solved entirely via digital interaction channels. In the private customer segment, students and employees of the academic health professions, general practitioners and pharmacists, as well as retired health professionals are among our focus customers.



Abb. 13 Use and availability of user data

Is user data analysed in real time and used for sales controlling?
Multiple answers were possible.

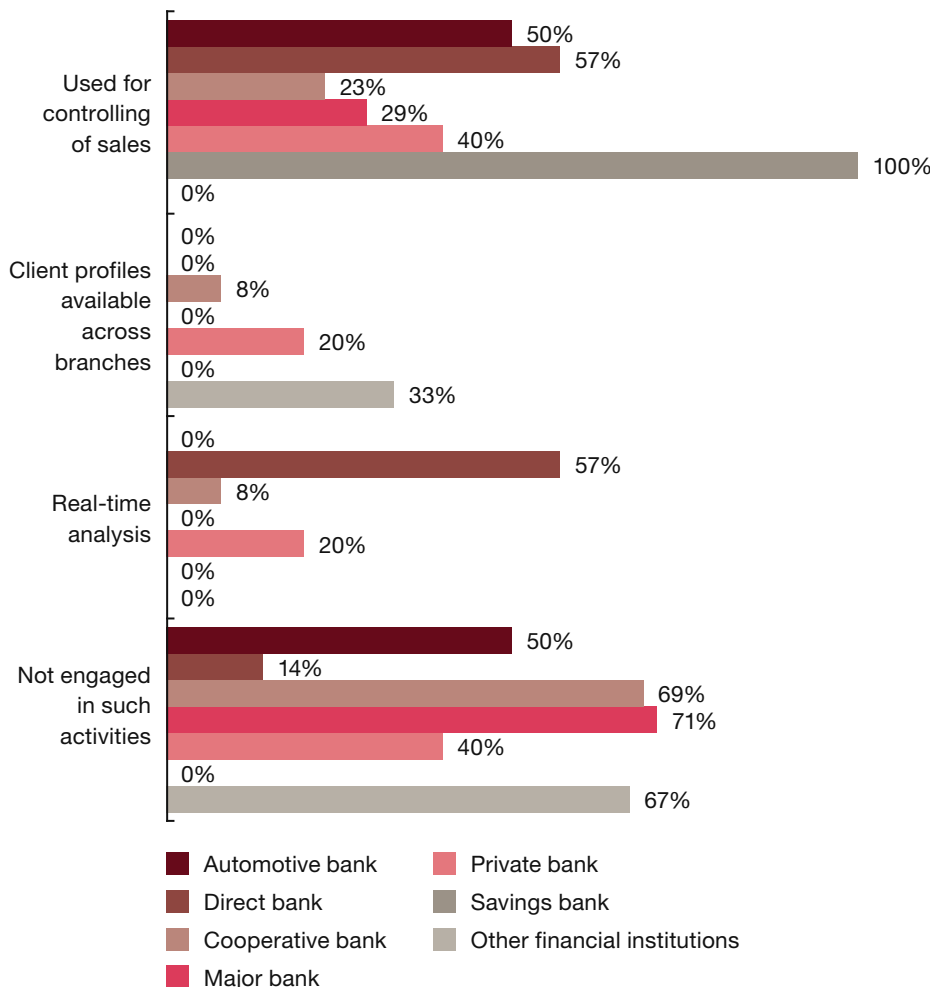
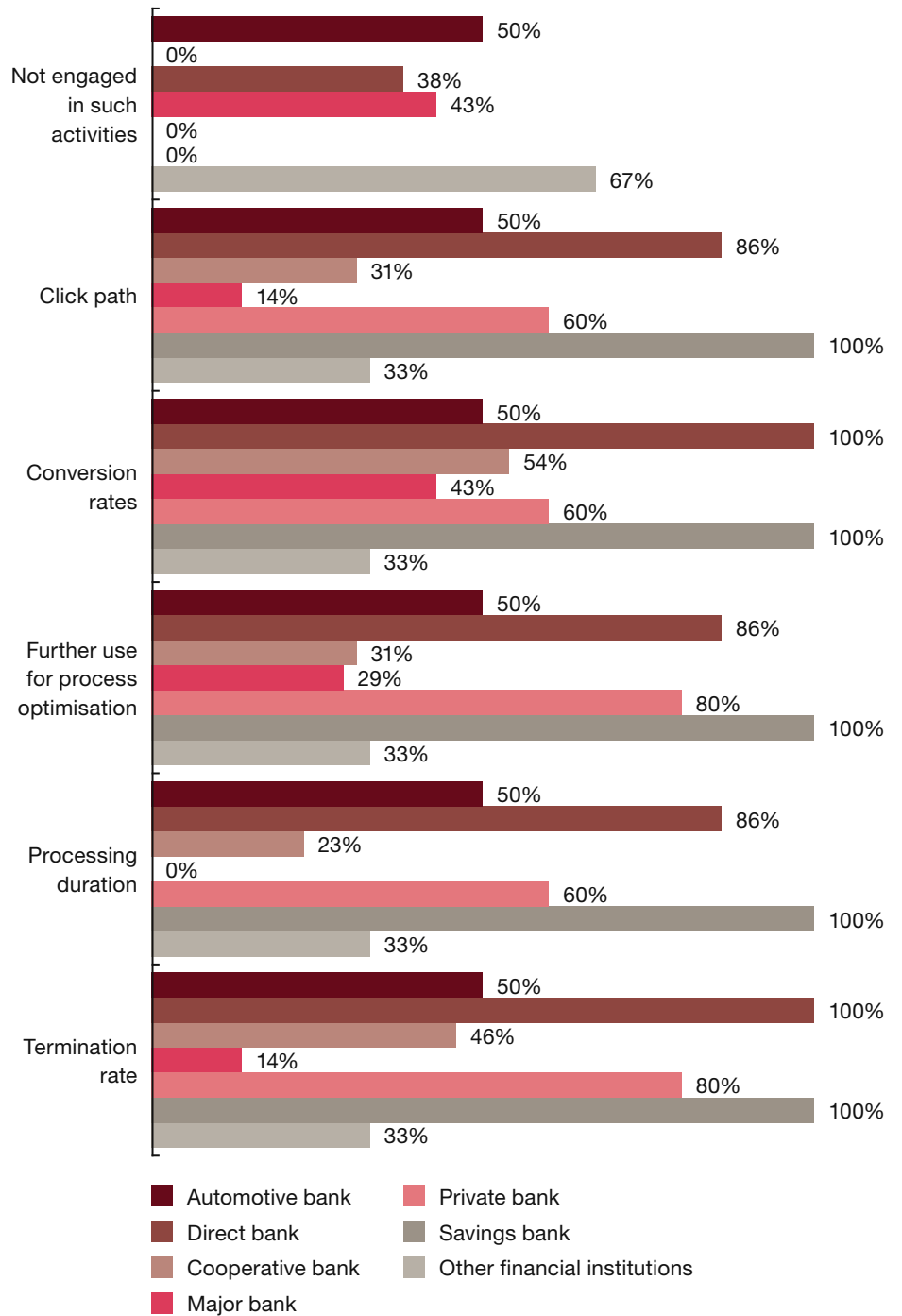


Fig. 14 Analysis of performance indicators

What KPIs are analysed and processed in the client onboarding process?
Multiple answers were possible.

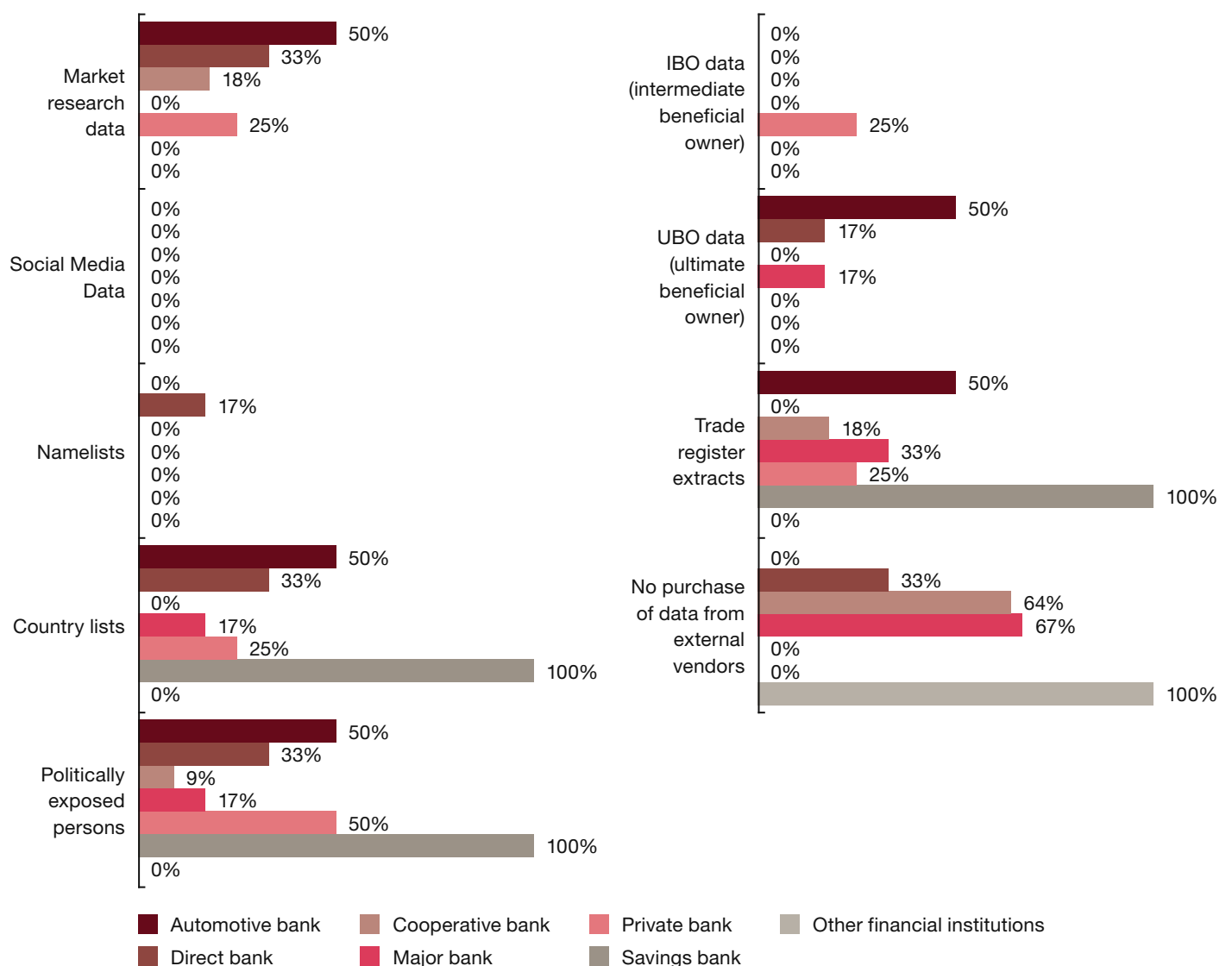


4 Digital data landscape

Due to structures that have developed over time, a large number of systems are in operational use. Half (52%) of the financial institutions surveyed purchase third-party personal information. This serves their own business processes to fulfil legal requirements or to strategically plan marketing and sales tasks. The most commonly externally purchased data is data on politically exposed persons (24%), commercial register extracts (21%) and market research data (18%). None of the participants mentioned social media data.

Fig. 15 Purchase of third-party data

Which data is purchased (automatically) from third parties? Multiple answers were possible.



In a heterogeneous data landscape, quality criteria such as completeness, transparency, consistency and integrity can only be implemented with great effort. Complex products, the purchase of external data, outsourced IT services and demanding business processes lead to new data protection risks in dealing with customers, employees and supervisory authorities. As transaction speed increases, a fully integrated data landscape is the foundation for smooth client onboarding.

Legal requirements must also be met. For many participants, the EU General Data Protection Regulation was considered to be a major challenge (39%) at the time of our survey (January 2018), while 29% saw the potential as unknown. Only 16% saw a strategic opportunity in the new General Data Protection Regulation. Participants' evaluation of the Payment Services Directive (PSD 2) is shown in another graph, below. At the time of the study, half of the respondents saw it as an opportunity to further develop the business model. For a minority of participants, this legal requirement was considered a challenge (21%).

Fig. 16 Potential of the EU payment guideline PSD II

What potential do you see in the EU payment guideline PSD II?

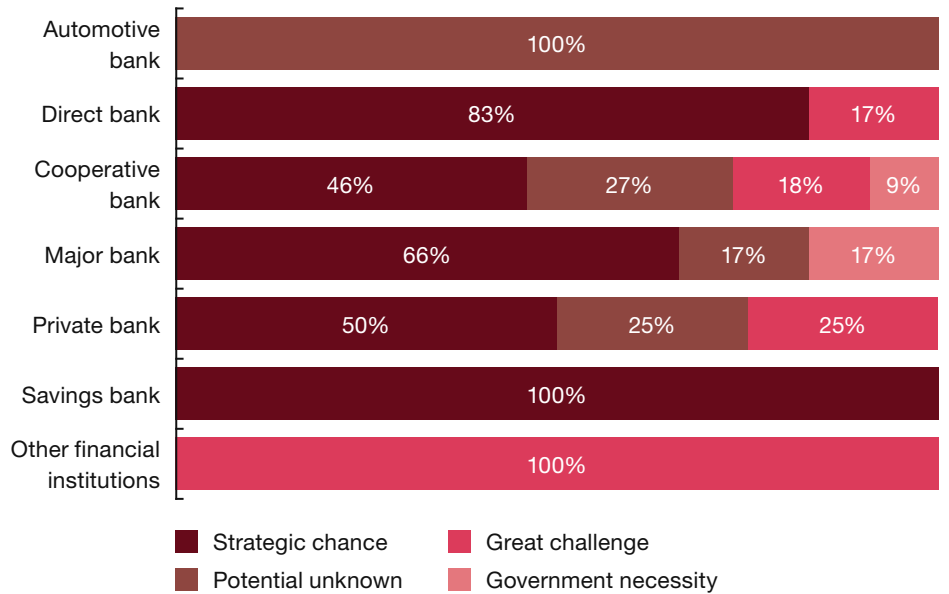
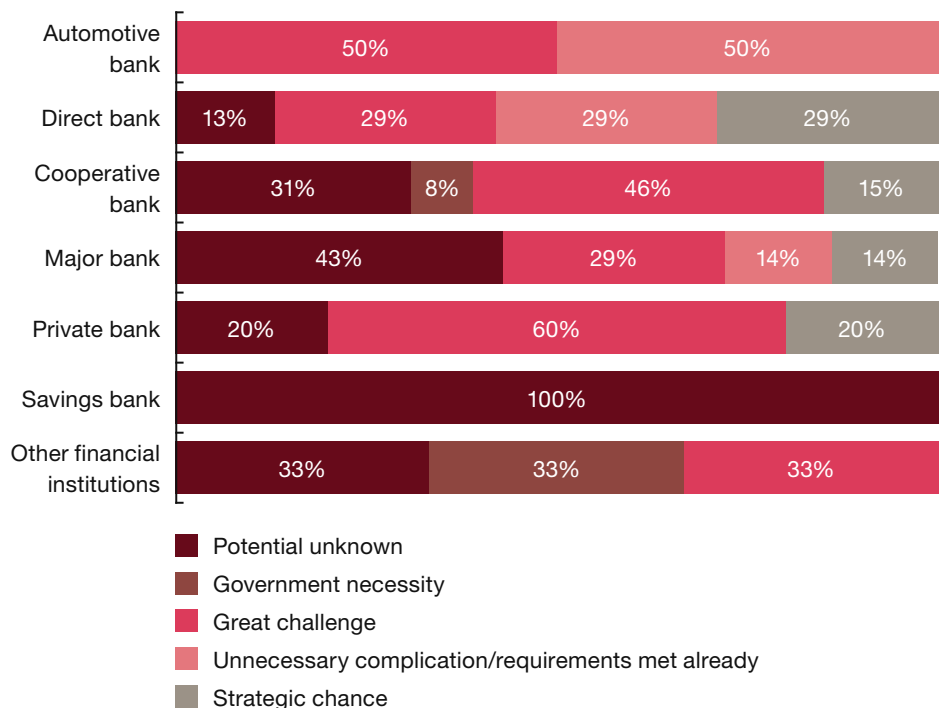


Abb. 17 Potential of the new EU General Data Protection Regulation (EU-GDPR)

What potential do you see in the new EU General Data Protection Regulation (EU-GDPR)?



D How can next-generation client onboarding be implemented?





As an effective strategy, onboarding has evolved into a multichannel process. All online and offline channels and apps merge into a single channel for the customer that is accessible from all devices. If the onboarding systems are separated, the existing IT infrastructure and existing IT processes cannot be cost-effectively adjusted, as scalability quickly reaches its limits.

Christian Brüseke

General Manager Central Europe, Avoka GmbH

For most German banks the problem lies in the scalability of their IT processes: in the past few years they have been able to quickly develop some innovations, but now they are faced with the difficulty of implementing them in the core applications. Even if the new front end looks good for the customer, there is a large gap between it and the back end. Complex, obsolete and non-transparent IT components hinder new mobile processes. Even if modern applications are used in the front end, they cannot assist financial institutions on their path to digital transformation, as long as core applications are not simultaneously modernised in the background.

In order to connect more functions or apps in the front end as quickly as possible, financial institutions often resort to transitional and workaround solutions – but this is the biggest mistake they can make in this process. The result is a patchwork in the back end which grows continuously and causes the basic problem to go from bad to worse.

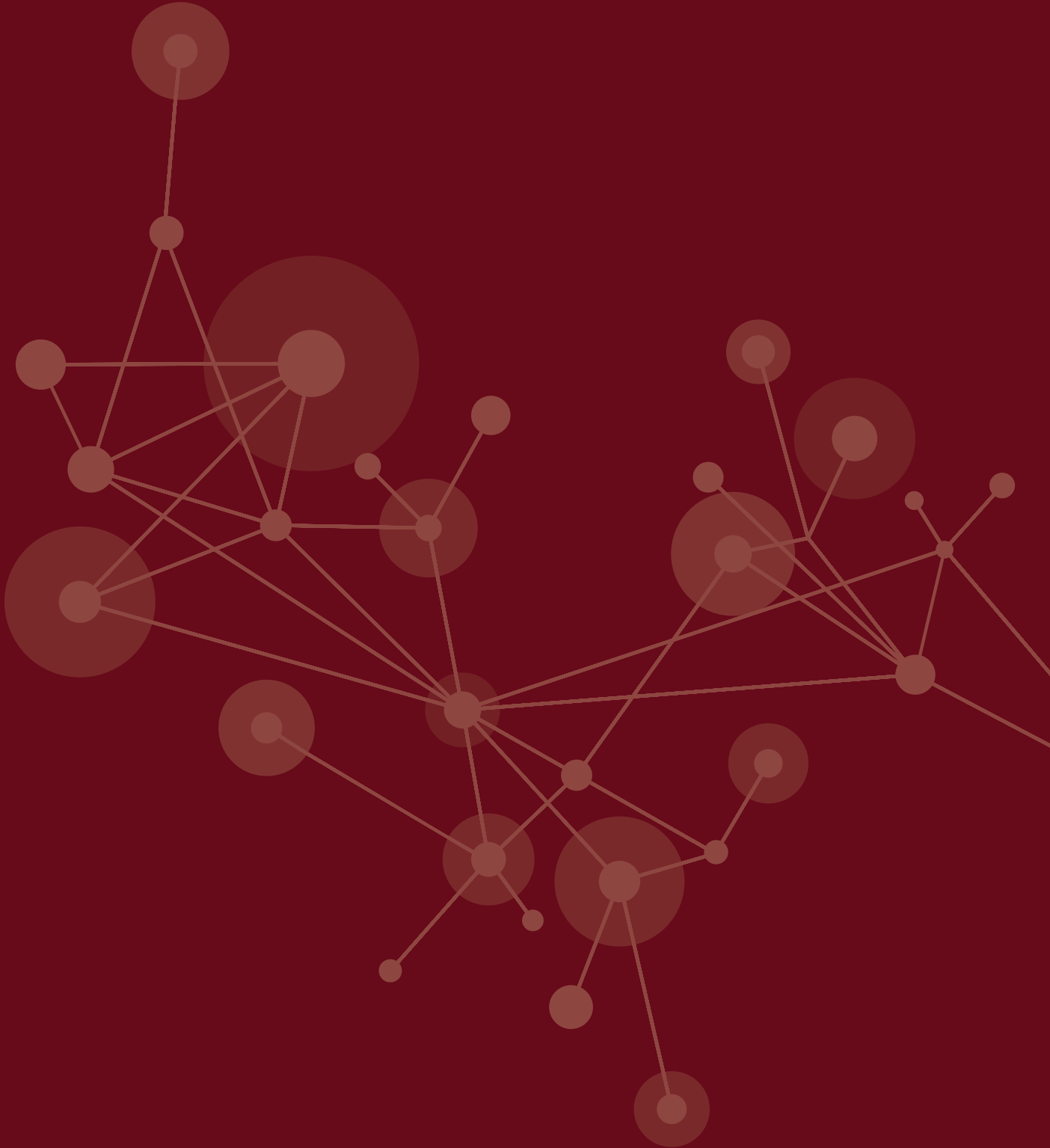
The orchestration of all interaction channels requires a software solution that can serve all channels and interact with the back-office systems at the same time. Such an onboarding platform builds a bridge between the numerous customer channels and the IT systems in the sales process.

The responsive design web interface adapts to the respective device and displays forms without errors. Of course, all functionalities are adapted to the respective device. For example, the ID card can be uploaded to a laptop as a file; the smartphone turns on the camera for recording.

The Save and Resume feature allows applications to be completed at a later time. The onboarding can be started on any user terminal and resumed on another device without data loss. User data does not need to be recorded multiple times, and data from all channels is consolidated and stored securely. To ensure that the solution fits seamlessly into the existing IT landscape, application programming interfaces (APIs) ensure the connection to the core banking system as well as to the core applications and ensure the integration of services from external third-party providers.

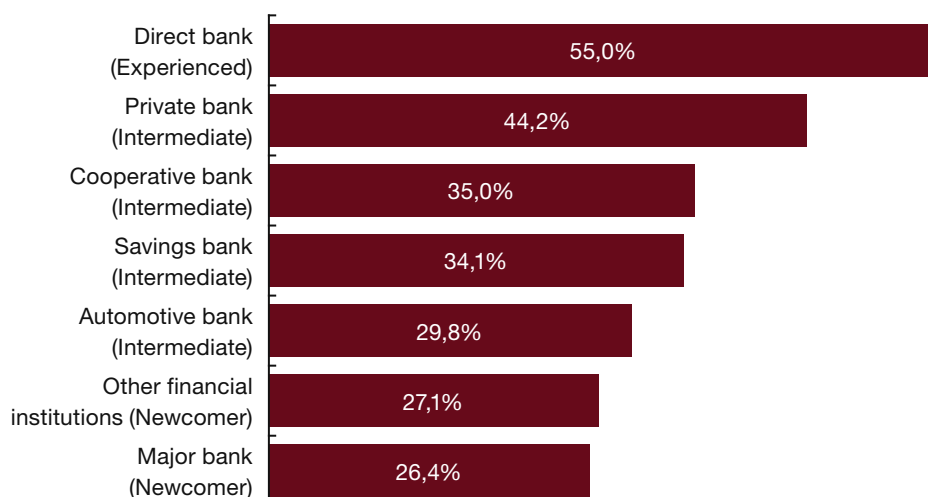
In order to securely manage the personal data collected during the transaction, integrated encryption management is used. This also ensures that the data is deleted from the system after the process. In this way, the requirements for data protection and compliance can be met in a customisable manner.

E Results



Digital client onboarding is firmly established in the German financial sector. For most of the banks surveyed, base products and additional services are available digitally, but batch processes and lengthy verification procedures often slow down the process. Going to the branch is only rarely necessary and usually only required for particularly advice-intensive products. Direct and private banks are leading the way in comparison to the digital client onboarding maturity of other financial institutions; cooperative banks, savings banks and automotive banks operate in the midfield.

Fig. 18 Comparison of digital client onboarding maturity scores



The industry is ready for next-generation client onboarding. Above all, this stage will focus on digital customer perception and the merging of all customer interaction channels into a single channel. Consistent digital transformation often fails due to organisational structures that have developed over time or the limitations of current IT systems – a big advantage for medium-sized but also young and innovative banks.

New legal requirements are seen by respondents as an obstacle, but also as an important stimulus for business development. Recent transformation projects are proving that a rethink in the industry is beginning to help cope with growing competitive pressure and rising customer expectations.

Fig. 19 Comparison of digital client onboarding maturity scores

	Products and Services	Distribution Channels	Customer Experience	Data Landscapes	Total Results
Automotive banks	Newcomer	Intermediate	Intermediate	Newcomer	Newcomer
Direct banks	Experienced	Experienced	Intermediate	Experienced	Experienced
Cooperative banks	Intermediate	Newcomer	Intermediate	Intermediate	Intermediate
Major banks	Newcomer	Newcomer	Newcomer	Intermediate	Newcomer
Private banks	Intermediate	Intermediate	Intermediate	Intermediate	Intermediate
Savings banks	Newcomer	Experienced	Intermediate	Newcomer	Intermediate
Other financial institutions	Intermediate	Newcomer	Newcomer	Newcomer	Newcomer

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After Sales & Services, Applications & Emerging Technologies

Digitisation of customer services is a prerequisite for long-term successful customer relationships and a customer-centric corporate culture and organisation.

Our goal is to orchestrate your customer services along the entire customer interaction chain and connect them in a holistic digitisation approach with systemic, strategic, operational and analytic CRM components to form a closed loop – the cornerstone of a 360-degree view of the customer. This enables you to build and intensify customer relationships across industries.

Our experts have a wealth of experience and the mentality to make your project a success. From the initial business approach assessment to the implementation of the solution, we have mastered the art combining our expertise in business and technology with our vast experience to offer you the best possible service.

About us

Our clients face diverse challenges, strive to put new ideas into practice and seek expert advice. They turn to us for comprehensive support and practical solutions that deliver maximum value. Whether for a global player, a family business or a public institution, we leverage all of our assets: experience, industry knowledge, high standards of quality, commitment to innovation and the resources of our expert network in 158 countries. Building a trusting and cooperative relationship with our clients is particularly important to us – the better we know and understand our clients' needs, the more effectively we can support them.

PwC. More than 10,600 dedicated people at 21 locations. €2.09 billion in turnover. The leading auditing and consulting firm in Germany.

