



Digital Account Opening – Is It Table Stakes?

mobile banking digital banking artificial intelligence

Summary: During the pandemic, many community financial institutions added digital account opening to service their customers for PPP and EIP. Yet, should you invest in digital account opening now that branches have opened up? We help to answer that question by explaining certain customer expectations around digital account opening, the lower incremental costs involved, and the developments of AI making this process more streamlined.

The golfer with the lowest PGA 18-hole score is Jim Furyk. He made his mark on golf history with a 58 at the 2016 Traveler's Championship. Nine other golfers have come close to his achievement at 59.

Javelin Strategy & Research recently published a scorecard of a different kind — this year's Small Business Scorecard, which had some interesting findings. Ian Benton, Senior Analyst of Digital Banking at Javelin reports, *"Only half of the top 24 US banks offer digital account opening for small businesses, but it should be table stakes."* He further notes, *"Banks that force business owners to call a banker or visit a branch not only will fall behind competitors but also popular fintechs that are poaching customers from banks."*

Fintechs are definitely standing at the ready, but so are community financial institutions (CFIs). Due to the necessity stemming from the pandemic, PPP, and EIP (economic impact payments), several CFIs now have [digital account opening](#) functionality. We found a list of many financial institutions, CFIs among them, who were able to [serve their customers during the pandemic by opening an account totally online](#). Still, many rely on other channels (coming into the branch, calling the IVR system, etc.) to complete the opening of the account and onboarding the customer.

While most CFIs rely on vendors for this functionality, one \$2B asset CFI in CA actually started building its own online portal before the pandemic, which came in very handy during last year's remote banking surge.

Whether you have digital account opening or not, here are some considerations in planning for it.

The trend is likely to continue. More than one in four businesses open checking accounts either online or through a mobile device. This past year allowed many businesses to get their feet wet with digital banking. The efficiency and convenience of it will likely stay on top of mind for them. Since business owners are consumers too, it is worth sharing that a recent Cornerstone Advisors' survey found more consumers (49%) rated mobile account opening as an excellent experience versus those who opened one online or through the branch. Further, as new (and likely younger) business owners need financial services, they will already be well-versed in all things digital and expect digital account opening.

Incremental onboarding costs decrease. While the initial investment can be costly, the incremental costs for digital onboarding are much lower than in-person. While we didn't find data for business customers, retail customer onboarding costs are known to decrease more than 57% from an average of \$280 to \$120 and drop even lower in the ensuing years.

AI developments improve the process. Artificial intelligence (AI) is embedded in everything these days to facilitate customer experiences and digital account opening is no different. As AI technology continues to

improve, it will be easier to provide a streamlined process for all commercial customers. The challenges of specific customer questions could be met with an AI chat feature that then leads to a personalized chat session or phone call, if immediate help cannot be provided through AI.

We have heard of several CFIs that are providing digital account opening, whether end-to-end or using some of the elements. Since you are close to your customers, you know what they want and need. Yet, as we normalize after this past year, digital account opening may become table stakes. So, if digital account opening isn't in the plans yet, make sure that you build it in before your customers find it somewhere else.

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ECONOMY & RATES

Rates As Of: 07/16/2021 05:38AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	-0.04
6M	0.05	-0.01	-0.04
1Y	0.08	0.00	-0.03
2Y	0.25	0.00	0.13
5Y	0.81	-0.08	0.45
10Y	1.33	-0.14	0.41
30Y	1.94	-0.14	0.30
FF Market		FF Disc	IORR
0.10		0.25	0.15
SOFR		Prime	ORER
0.05		3.25	0.08

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