

Customer Onboarding in Banking

The digital revolution has significantly impacted the banking industry, transforming the way banks operate and serve their customers. One crucial aspect that has seen significant evolution is the customer onboarding process.

Customer onboarding in banking is the process of acquiring, verifying, and activating new client accounts. Over 63% of customers leave digital banking applications due to complicated onboarding. A shorter onboarding process can increase client retention by up to 50%. Banks that use a digital-first onboarding experience have a 20% faster time-to-revenue. Personalization and e-KYC lead to lower drop-off rates while also enhancing user happiness and compliance levels. Efficient onboarding is critical to banking success.

This article provides a comprehensive overview of Customer onboarding in banking, explaining its importance, steps, necessary documents, challenges, and benefits of digital transformation.

What is Customer Onboarding in Banking?

Customer onboarding in banking is a critical process that involves integrating new clients into the bank's system, helping them understand and utilize available services effectively. This process kicks off when a customer decides to open an account with a bank and continues until the customer becomes familiar with the bank's products, services, and procedures.

This process is not a one-time activity but an ongoing process that needs to be sustained through proactive communications. The onboarding process plays a pivotal role in forming a solid foundation for a long-term customer relationship.

It allows banks to respond to customers' queries, build trust, and demonstrate their capacity to meet their short- and long-term needs.

What is KYC Client Onboarding?

KYC client onboarding is a part of the customer onboarding process where banks verify the identity of their customers and assess their suitability to avail of the bank's services. It involves checking personal details and financial history and conducting anti-money laundering checks.

Why is Customer Onboarding Important for Banks?

Customer onboarding holds immense significance for banks due to the following reasons:

- 1. Regulatory Compliance:** Banks have to follow stringent regulatory requirements during the customer onboarding process. Proper onboarding ensures all the required information is gathered, reducing the risk of non-compliance and subsequent penalties.
- 2. Fraud Risk Reduction:** Banks are prime targets for fraud. A well-executed customer onboarding process can deter fraudsters and help catch suspicious activity before it affects the business.
- 3. Enhanced Customer Experience:** Onboarding is the first real interaction a customer has with a bank. A smooth onboarding process can enhance the customer experience, leading to long-term customer satisfaction and loyalty.
- 4. Increased Customer Loyalty:** A well-executed onboarding process improves the customer experience, increasing customer loyalty.
- 5. Cross-selling Opportunities:** During the onboarding process, banks gather information about the customer's needs and problems. This is a great opportunity to introduce them to additional products or services that can address those issues.

Steps of the Customer Onboarding Process in Banks

The customer onboarding process demands a systematic and chronological approach.

This process can be broken down into the following steps:

- 1. Pre-application:** This step involves the initial interaction with the prospective customer, understanding their needs, and offering the right product or service.
- 2. Application:** The customer fills out an application form to open an account or avail of a service. This form collects essential details about the customer.
- 3. Identity Verification:** Banks verify the customer's identity using KYC (Know Your Customer) procedures.
- 4.** This usually involves checking a government-issued ID and other supporting documents.
- 5. Account Opening:** Once the identity is verified, the bank opens the customer's account.
- 6. Product Enrollment:** The customer is introduced to various banking products and services. They are enrolled in the services they choose to use.

7. **Funding:** The customer deposits an initial amount to activate the account.
8. **Finalization:** The bank finalizes the account setup, provides the customer with account details, and guides them on how to use their account.
9. **Welcome and Follow-up:** The bank welcomes the customers and continues to engage with them to ensure they are satisfied with the services.

Documents Required for Customer Onboarding Process in Banking

The customer onboarding process in banking requires certain documents for identity verification and regulatory compliance. The primary documents usually include:

- A government-issued photo ID (like a passport or driver's license)
- Proof of address (like utility bills or a lease agreement)
- Social Security Number (for customers in the United States)

Challenges in New Customer Onboarding For Banks

Banks often need help executing this process effectively, despite the critical importance of customer onboarding. Some of the major issues include:

- **Long Procedures:** Traditional onboarding often involves lengthy procedures, including paperwork and manual checks, leading to extended waiting times for customers.
- **Regulatory Changes:** Banks are subject to frequent regulatory changes. These changes often require modifications in the onboarding process, increasing complexity.
- **Multi-department Involvement:** Onboarding involves several departments within a bank, leading to process delays and inefficiencies.
- **Disorganized Data:** The data collected during onboarding is often unstructured and disorganized, making it difficult to manage and use effectively.

Benefits of Digitising Customer Onboarding in Banking

With the advent of digital transformation banks can streamline their customer onboarding process and reap numerous benefits:

- **Increased Efficiency:** Digital onboarding allows customers to carry out the entire onboarding process online, increasing convenience and reducing the time taken.
- **Cost-Saving:** Digitizing the onboarding process can significantly reduce operational costs, including manpower and resources.
- **Improved Customer Experience:** Digital onboarding offers a seamless, hassle-free experience for customers, which can lead to higher customer satisfaction and loyalty.
- **Data Management:** Digital processes allow for better data management, with all customer data stored securely in a central repository.
- **Enhanced Security:** Digital onboarding employs robust security measures such as encryption and multi-factor authentication, enhancing the safety of customers' sensitive data.
- **24/7 Accessibility:** Digital onboarding allows customers to initiate the process at any time, from anywhere, offering greater accessibility.