# NEXT-GEN COMMERCIAL BANKING TRACKER®

MARCH 2022

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## FEATURE STORY

PNC Bank on the challenges of client onboarding in a remote business world

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## PYMNTS INTELLIGENCE

How FIs can streamline and digitize the corporate onboarding process to start off with strong client relationships

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# NEXT-GEN COMMERCIAL BANKING

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ACKNOWLEDGMENT

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# EDITOR'S LETTER

Every banking customer must undergo onboarding when beginning a relationship with a new financial institution (FI), and these onboarding processes set the tone for the remainder of customers' banking relationships in many ways. Creating a seamless onboarding process has long been a goal for banks welcoming individual customers, and many FIs are making headway as they pursue new technologies that can help them start these relationships off on the right digital foot.

Individual banking customers are not the only ones eager to streamline onboarding, however. Businesses also are increasingly interested in easing the process, with many looking to digital banking channels to meet their financial needs due to the significant logistical challenges wrought by the pandemic. A growing number of business owners also have been exposed to financial innovations in their personal lives, and these experiences have altered their perceptions of what constitutes a satisfying and engaging banking relationship in their professional roles as well.

Unfortunately, it has become evident to businesses that all too many FIs are ill-equipped to offer the seamless onboarding experiences they crave, even though corporate clients rely on opening accounts quickly so they can attend to more pressing business matters. The average bank contacts its customers 10 times during the onboarding process, with FIs touching base via phone calls, emails and even in-person meetings before finally setting up accounts. All told, onboarding can take 16 weeks to complete, and the interactions required leave the process vulnerable to frictions, frustrations and errors.

Research shows that even banks offering relatively timely account setup have work to do when it comes to creating smooth onboarding. One survey of United Kingdom business owners found that while 88% reported that onboarding with an FI took no more than a week, roughly half still were required to visit physical branches and sign paper documents to complete the process. Digital bank customers fared better — 23% had their accounts up and functioning within a day — but even non-digital-only banks can benefit by embracing fully digital onboarding.

The March edition of the Next-Gen Commercial Banking Tracker® examines the challenges FIs face in offering smooth digital onboarding for corporate customers and the frictions that continue to prevent businesses from realizing truly fast and seamless experiences. It also details how investments in technologies such as artificial intelligence (AI) and wholly digital onboarding solutions can help FIs tackle onboarding pain points to ensure their prospective corporate clients do not take their business elsewhere.

Thought Leadership Team
PYMNTS.com

Feature Story

# PNC Bank On The Challenges Of **Client Onboarding In A Remote Business World**


## THE ACCELERATED DIGITAL SHIFT OVER THE PAST TWO YEARS HAS BROUGHT CONVENIENCE BUT ALSO INCREASED FRAUD RISK TO THE WORLD OF BANKING.

Nowhere is this more evident than in serving the complex needs of large companies, and banks that work with these clients must begin with an onboarding experience that ensures a secure journey. They also must provide the seamlessness and user-friendly features that businesses have come to expect from their banking partners as digital-first interactions become the norm.

"What we're seeing now is that our business clients are mirroring the same expectations [as consumers] — the desire for interconnected and immediate experiences — as it relates to their business banking experience," Lane Levengood, director of strategy and planning for commercial banking at PNC Bank, told PYMNTS in a recent interview.

Fulfilling those expectations is not always as easy as it seems. Levengood said enabling digital tools and solutions is essential for onboarding banking clients in the remote landscape, especially to help provide a seamless end-to-end experience for a client. Those solutions must be product-agnostic and customized for each client and situation, however.

Additionally, he said it is important to provide clients with a roadmap for the onboarding process to align expectations between parties. This helps clients understand where they are in what can be a complicated process, including what information they already have provided and their next steps.

 

## THE CHALLENGES OF REMOTE ONBOARDING

Providing customized and friendly experiences is easy when banking partners can meet face to face, but in the remote world it is much more difficult. One of the biggest challenges to electronic onboarding, said Levengood, is vetting new clients and verifying who they are.

"Just as employers thoroughly vet candidates to fill a job opening, banks need to know prospective clients and understand their businesses before allowing them to open an account," he said. "While complying with [know your customer (KYC)] and [anti-money laundering (AML)] requirements can make the account-opening process long and complex for businesses, it's critical to prevent and mitigate risk for the institution."

He said the biggest challenge in remote onboarding is capturing KYC information for new clients. Traditionally, this has involved the exchange of many emails and the manual completion and scanning of multiple documents. A lack of digital data and document controls can exacerbate those back-and-forth exchanges, especially in the cases of missing digits in tax ID numbers or fields left blank. One way or another, banks must obtain the information, but too many distracting exchanges can lead to friction for prospective clients.

To address this, Levengood said PNC implemented a more streamlined and secure process that starts with previously captured information to avoid any unnecessary data re-keying. From there, prospective clients receive a link to provide dual-factor authentication to enter a secured site, where they submit information and upload documents with data and documentation controls to help ensure their data is accurate and complete.

He said this exchange of information is fully secure and accessible only by the appropriate individuals at the prospective client company and at PNC. As an added level of convenience, any document-signing requirements can be handled by electronic signature with automation of indexing and secure file storage. As a result, he said, the automated onboarding experience that previously took days to complete now takes only minutes to finish.

"Onboarding is one of the first impressions that banks make on their clients, so a great experience right out of the gate is critical," Levengood explained. "This is also true for onboarding existing clients to additional products and services in which they are interested."

## THE FUTURE OF ONBOARDING

Looking to the future, Levengood said he expects that banks will be required to leverage partnerships with FinTechs and use tools such as AI, machine learning and process automation. These tools help improve the client experience with every interaction, a necessity as the use of electronic channels and devices continues to proliferate.

"Delivering an experience that is streamlined, secure and convenient is important to maintaining client satisfaction and securing trust and loyalty over time," he said. "Gone are the days of onboarding products in siloed operations that don't share data and are fraught with disconnected manual processes with little transparency."

The days of onboarding new clients face to face in a sunny corner office may be largely over, but it still is possible to give those new prospects an easy and reassuring experience. To attract and maintain business customers, banks will need to make certain of it.

# Q&A

**ANDREA ZAND**
Co-founder and head of client success
FISPAN

### How has the pandemic affected the onboarding process for corporate banking customers?

Digital adoption is obviously no surprise, and more automation is needed. During the pandemic, everyone's been remote, so this has been a major driver for our clients and [for] getting their clients up and running in a timely fashion. This has also accelerated a lot of expectations for the bank's clients. Their thoughts are at the forefront of what's needed for successful onboarding.

What they're offering is where marketing and media meet the actual experience of the client and having that being exposed to the pandemic. So, then this hybrid of individualization and customization comes into play. We're looking at moving to more digital and automated experiences. This becomes a client-focused experience, where maybe at the beginning, or traditionally, banks' interaction with their clients were quite detached or robotic.

### What are some of the unique considerations banks must take into account when onboarding business clients? How can digital tools or solutions streamline the process?

When there's a lot of paperwork flying around, you have to get it right. You don't want to take too much time because then the client gets really disinterested. A lot of client churn happens at that point, too, so they need to make sure that experience is really positive for them going forward.

Accelerating features and offerings to enhance the experience is now a major need to keep up not only with client expectations but with the way the world is shifting. The pandemic really made banks look inward at their product offerings and the client's overall experience. If their product has been stagnant for the last few years, it just accelerated this timeline to say, 'What other features can we offer? What other enhancements do we need?' Collecting data from the clients became super essential during the pandemic. The use of data and other tools like AI also became an ally so that they can get some of this content in, quickly ingest it and then turn it around and offer a new feature or product.

**Can you outline some of the challenges that come with onboarding business clients in today's banking environment?**

The convenience of digital onboarding comes with the need to have a lot of other security and functionality around it like high-end encryption, compliance with some of the standards like ISO and [General Data Protection Regulation (GDPR)], KYC and knowing where the data flows, constantly doing security reviews, constantly doing all of your penetration testing to make sure that your product is contained and no one's actually trying to infiltrate or gain access to your data.

We see a lot more of this hyper-individualized experience where before it felt robotic. This personal touch now is almost requested in the onboarding experience because of the pandemic. And because everyone was in front of their laptops, [they had] a need to connect and be heard. This is a challenge, but it's obviously an opportunity. This now has become a challenge, but a necessary challenge, and it's now having a benefit to it.

People are so used to digital consumer tools, so they're expecting it from their banks, too, and this just kind of goes back to the client feedback that we're getting, and that comes up in onboarding as well. They get frustrated if the flow doesn't make any sense, or if it lacks flexibility, and if it's not tailored to their needs, or if it doesn't have the dark mode that they want to operate in.

When they pick up the phone, they don't want to talk to a chatbot. They want direct contact, want to be heard, want needs met, want my consideration for how their business does business to be a concern. For banks, we like to be an extension of our client support, and we cultivate deep relationships with them to the point where we're getting updated on so-and-so's niece had a kid or something. So, now it's becoming a really in-depth relationship, but they're looking for that. They want to know that if they're shaping the product that they're using, or taking the time to give feedback, it's an exchange.

**What trends do you foresee for the future of business banking? How can a smooth onboarding experience set businesses up for greater satisfaction and loyalty in the long run?**

I think that they're going to look a lot more at the distant relationships that they had previously with their clients and gain a lot more insight. The willingness to gain a lot more insight to connect with them to really shape the roadmap going forward is going to be the trend for the next few years with banks. Like what, really, is our product offering? Are we really happy? Are there areas of improvement? Can we do deeper integrations? What's working and what's not working?

I just think that any predictive behavior that they can gain access to, they will. We certainly focus a lot more time on the data we're collecting. Now they're asking all these questions. They want to know who the admin at the company is, not just the decision-makers. They want to know who the person using the product is, they want to know what products you're using, they want to know what the trends are saying, and they want to know what payment products are successful.

This is new, and the banks can't really collect this data; they haven't set it up internally. So, they're leveraging other FinTechs like FISPAN and other companies to do this. So, I think this is going to be a pretty big game-changer for the industry moving forward.



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PYMNTS Intelligence

# Why The Onboarding Process Is Key To **Customer Retention In Corporate Banking**



## THE PANDEMIC IRREVOCABLY SHIFTED THE BANKING EXPERIENCE, NOT JUST DIGITALLY BUT ALSO COMPETITIVELY.

As competition has intensified from a plethora of FinTech companies and online platforms delivering increasingly innovative financial experiences, customers' expectations of their banks have grown accordingly. The evolution of digital banking on the consumer side also has a powerful impact on businesses' expectations of corporate banking.

As banks compete to meet the ever-growing demands of a more digitally sophisticated customer base, one area for improvement stands out: the onboarding experience. Digital companies such as Amazon, Apple and Google have set the standard for perceptions of what a seamless onboarding process should be, but FIs traditionally have made it difficult for customers to open accounts. Most company onboarding experiences still rely heavily on manual, time-consuming tasks and may require steps such as visiting brick-and-mortar locations and providing paper copies of documents. Corporate banks are no exception, and too many still pose hurdles for customers attempting to interact with them, leading to significant dropout levels in the account-opening process.

Opening a corporate bank account should be as fast and seamless as possible so that clients can focus on more pressing business needs. This month, PYMNTS Intelligence takes a close look at how businesses' banking expectations are shifting as they migrate more of their financial operations online. It also explains why retaining corporate clients in this changing landscape means enabling speedy, simple and comprehensive digital onboarding.

## THE ONBOARDING STRUGGLE

By removing the face-to-face element of the customer experience, the pandemic highlighted for businesses the need to focus on the less-visible aspects of providing excellent service. Improving behind-the-scenes processes to reduce friction has become a potent selling point. Today's corporate customers, in particular, need faster processes with fewer steps and trips required during account setup. If they do not find these features at one institution, they will not hesitate to seek them at another.

One study found that banks contact customers approximately 10 times during the onboarding process via back-and-forth emails, telephone interactions and face-to-face meetings, delivering a friction-filled and error-prone customer experience that can take up to 16 weeks to complete. This process is not only a significant time drain for both parties but also a major expense for FIs, with banks investing as much as $20,000 to $30,000 to onboard a new commercial banking client.

Many digital banks offer online-only account setup with the ability to sign documents electronically, but cumbersome onboarding is still all too familiar to business banking clients. One recent report of 400 U.K. business owners who had opened corporate banking accounts in the prior 12 months revealed that while 88% completed onboarding within seven days, half of these business owners were required to visit physical branches and sign hard copies of documents. Slightly more than half also said the bank asked them for more information up to five times before being able to open an account. Digital bank customers fared better, with 23% having their accounts up and running within 24 hours, but customers did not necessarily associate digital banks with greater onboarding speed. Nearly one-third of business customers surveyed said they had previously abandoned account opening due to the process taking too long, yet most went on to open accounts at global, regional or local banks. This outcome suggests that all corporate banks — not just digital ones — can succeed in achieving customer satisfaction with onboarding speed.

## HOW BANKS CAN STREAMLINE ONBOARDING

Many of the steps that complicate or prolong onboarding have to do with banks' need for compliance with KYC and AML regulations. One culprit may be that banks are using inefficient verification tools and secondary source data that require physical corroboration. This problem is the reason many banks are prioritizing investments in AI-enabled data analytics features for corporate digital client onboarding.

Minimizing or eliminating the need for customers to visit physical locations is another important way in which banks can improve their onboarding processes. Digital banks are not the only ones that can provide fully online account opening, as many physical banks offer this option, too. A fully digital onboarding process also can increase overall speed from start to finish, even aside from ruling out trips to branches.

As competition in corporate banking continues to heat up, banks cannot afford to give up one-third of their customers to slow onboarding processes. Partnering with FinTechs or other third parties to digitize onboarding may be the preferred strategy for commercial banks to streamline the process easily and completely without further delay.

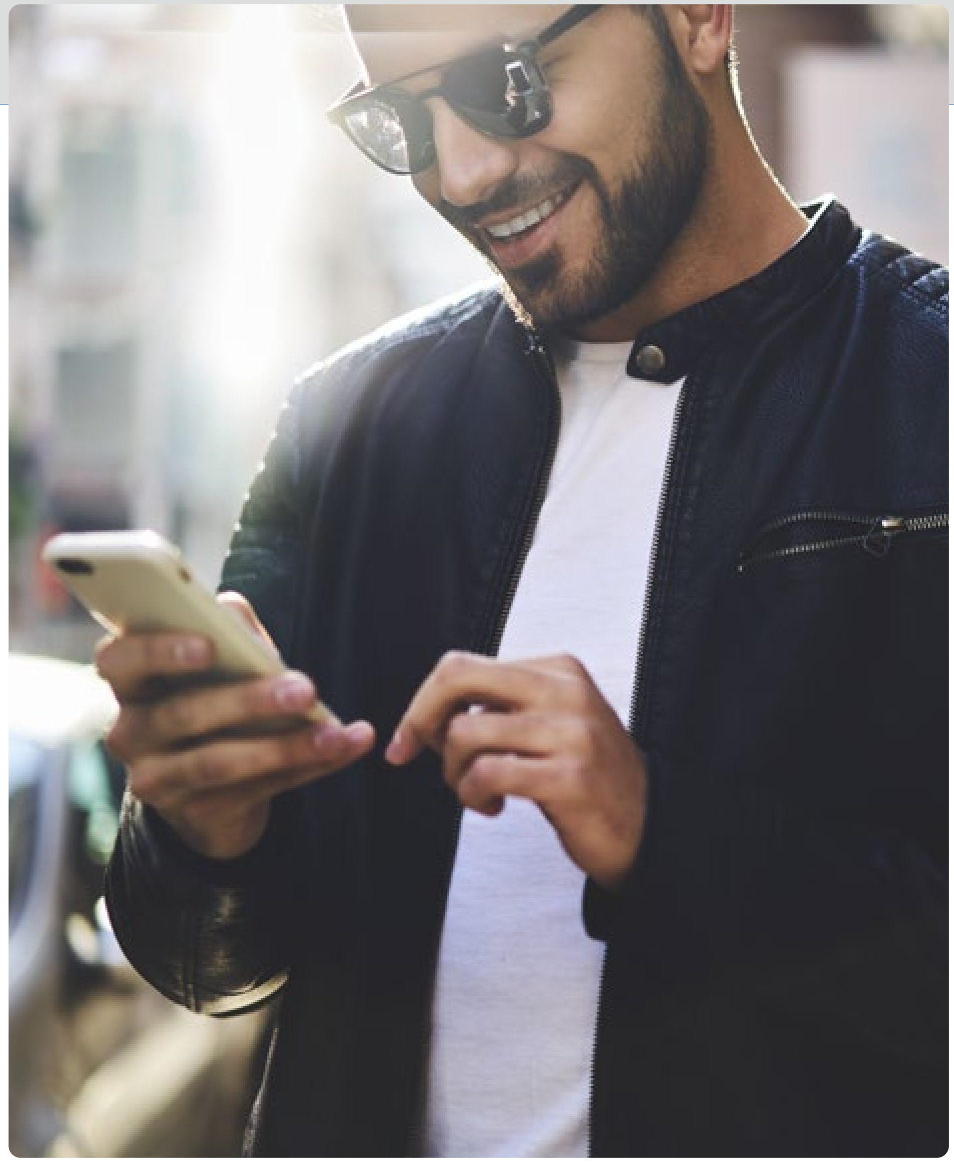
# NEWS & TRENDS

## IMPROVING BANKING **CUSTOMER SERVICE**

### THE DIGITAL TRANSFORMATION IN BANKING MUST CENTER ON CUSTOMER EXPERIENCE

With 84% of banking customers planning to keep the same level of digital banking after the pandemic subsides, the digital banking shift is here for the long haul. Maintaining solid relationships in a digital environment can be difficult for traditional banks, however. Banks that work to strengthen digital customer experiences can cement relationships for the long term, but a recent study revealed that banks often struggle to deliver high-quality digital experiences because they lack a customer-centric strategy.

Four key initiatives can help banks solidify customer relationships in their digital transformations: continual tool improvement and refinement, optimal onboarding, transferring human relationships to digital channels and offering constant value with content and data. Studying how customers are using digital tools and collecting their feedback can permit a process of continuous improvement that can help capture customer loyalty. Ensuring a smooth and seamless onboarding process is one of the



most important initiatives, as account openers who fail to engage with services within the first month likely never will. The idea that digitization can strengthen human interactions may seem contradictory, but social media presence, for example, can allow loan officers to find and connect with new prospects. Finally, adding value by creating personalized content based on data analysis can provide the kind of exceptional digital experiences that will ensure traditional banks' ability to thrive.

## BIG BANKS LEAD SURGE IN MERCHANT SERVICES SATISFACTION

The ongoing digital transformation has made small businesses increasingly reliant on their payment processors, and new research suggests that commercial banks are stepping up to meet these needs. A recent study found a surge last year in businesses' satisfaction with their merchant services payment processors, led by larger banks.

The study showed a notable rise in overall customer satisfaction with merchant services, up 23 points on a 1,000-point scale. Researchers attributed the results to industrywide efforts to simplify fee structures, improve customer support and speed up payment processing for small businesses. Larger banks historically have trailed FinTechs in delivering low-cost, user-friendly payments solutions, but Bank of America and Chase Merchant Services showed some of the highest gains, taking the top two spots in the survey.

Driving the overall increase were specific jumps in satisfaction with the cost of service and with service interactions. Small businesses indicated improvements in their ability to manage and control payment costs as well as fewer problems with point-of-service (POS) terminal hardware and software. Also, more than one-third of small businesses said they are receiving payments faster than expected, up 10% from last year. Nearly three-quarters reported that their providers made positive changes in response to the pandemic, including benefits such as discounted products and services, updated fraud controls and faster funding turnaround times.

## REAL-TIME PAYMENTS CAPABILITY IS DECIDING FACTOR IN BUSINESS BANK CHOICE, STUDY FINDS

More than two-thirds of businesses say the most significant factor in their choice of where to bank is an FI's real-time payments capability, according to a new survey. Of some 260 corporate decision-makers polled, 85% said real-time payments capability topped their list of requirements when choosing a banking partner. The result marked the first time that real-time payments capability emerged as the deciding factor, outweighing lowest-cost financing. The two most common applications cited for real-time payments were accurate cash flow management and the ability to handle payments requiring immediate action.

Notably, 81% said real-time payments capability would be "transformative" to their firms' payment processes, and 83% said they expect their banks to provide their businesses with more self-service capabilities. Respondents most frequently named security as the area needing improvement in their current treasury management platforms.

# CONSUMER-DRIVEN **COMMERCIAL BANKING TRENDS**

## EMBEDDED FINANCE TO EXPLODE BY 2025, FUELING BaaS OPPORTUNITIES, REPORT FINDS

Embedded financial technology will generate $230 billion in revenue by 2025, up tenfold from $22.5 billion in 2020, according to a recent report. This increase will fuel a proliferation of banking-as-a-service (BaaS) opportunities for FIs to provide non-FIs with a wide range of financial services, including payments, lending and insurance.

Embedded finance, or the integration of financial services into nonfinancial websites and apps, is driving the BaaS opportunity by allowing brands to offer compelling and increasingly popular financial products directly to their customers. One example is the Lyft debit card, which features customer experience improvements such as seamless account onboarding and integration into Lyft's driver app. The FIs supporting these offerings handle both the money movement and the compliance requirements for the products.

The report revealed that 11% of banks have a BaaS strategy, 8% have one in development and 20% are considering whether to proceed with one. From a revenue standpoint, the report estimated that a sponsor bank supporting one million consumer accounts and 300,000 commercial accounts could garner more than $40 million in annual revenue, translating to approximately $15 per consumer account and $71 per commercial account.



## CONSUMER DEMAND DRIVING ADOPTION OF APIs, BaaS

Digitization is redefining how banks interact with customers by automating processes and freeing up resources to improve and personalize customer service, according to Matt Naish, head of product strategy at FISPAN. Naish told PYMNTS in a recent interview that the proliferation of application programming interfaces (APIs) and their adoption by FIs is critical to meeting the growing consumer demand for online banking products.

Approximately 47% of banks and credit unions invested in or developed APIs in 2021, up from 35% in 2019. Naish asserted that FIs innovating via APIs in partnerships with FinTechs could achieve a quicker time to market, gaining a competitive advantage in shaping open banking and BaaS offerings.

Naish explained that APIs no longer are just about moving information from one computer to another, and banks can use them to enable new digital experiences. Commercial entities that adopt BaaS have an opportunity to cement customer loyalty among both individual consumers and commercial clients, he noted.

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# ABOUT

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PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

FISPAN

FISPAN's contextual business banking platform makes it simple for banks to offer commercial banking services embedded within ERP and business applications. FISPAN enables banks to provide a best-in-class commercial banking experience by removing friction and adding value to the systems clients rely on to run their businesses every day.

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