

**SIGNICAT**

ON-BOARDING REPORT

# The battle to on-board:

Why 40% of consumers abandon  
banking applications



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*Why 40% of consumers abandon banking applications*

OSLO, 21TH MARCH 2016

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## **Executive summary**

Retail banks are facing a growing battle for consumers' business. Competition from each other and from challengers threatens to overturn their once dominant position and this has forced traditional banks to change the way they do business. Many are focusing on digital-first services with the aim of both reducing cost and increasing customer engagement while others are offering non-financial services in the hope that this will increase stickiness.

One area that many have not considered sufficiently is customer on-boarding. Banks must comply with Know Your Customer (KYC) and Anti Money Laundering (AML) requirements and are therefore mandated to know the identity of potential customers. This process is largely administrative and requires personal information to be shared, as well as several proofs of identity. While much of the process can be completed online, throughout the majority of Europe these proofs of identity need to be originals rather than scans and either need to be presented in person or sent through the post. This is even true of European countries where electronic identity schemes are in existence. The combination of KYC requirements and presenting physical proofs of identity takes considerable time to complete with visiting a branch or posting information being particularly time-consuming.

Anecdotal evidence points to painful processes for consumers with tales of frustration, anger and eventually abandonment. A recent survey found that 23% of UK consumers ranked banking as the most frustrating sector for customer services.

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Banks spend a massive amount of money attracting new customers, and encouraging existing customers to apply for additional services. Poor on-boarding is undermining the work they are doing to attract customers at the last hurdle, impacting the sales of new products and ultimately reducing revenues. Put simply, if banks continue to make it difficult for consumers to apply for services, they will not.

Signicat wanted to separate fact from anecdote and commissioned an independent survey of 2000 consumers to explore experiences of applying for financial products with traditional banks. How long does a typical application take? Is it a positive or negative experience? Do they have existing credentials which could accelerate the process? And what needs to change to improve conversion?

### Key results

The results revealed some startling trends. Bank processes are clearly out of alignment with consumer expectations:

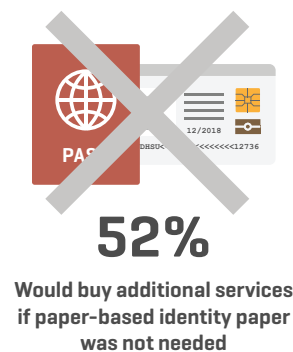
- 40% of consumers have abandoned bank applications
- More than 1 in 3 [39%] abandonments were due to the length of time taken
- A third [34%] were due to needing too much personal information

### And the abandonment rate is increasing

- Those who have applied for a product in the last 12 months have abandoned more than those who last applied more than 12 months ago [45% vs 26%]

### The solution is relatively clear-cut. Consumers want applications to be processed entirely online, including identity verification for KYC

- 55% of respondents would be more likely to apply for a financial product if the process was 100% online
- Over half [52%] would buy additional services if paper-based identity paper was not needed
- 97% of consumers have verified physical identity papers but cannot use them to accelerate on-boarding



Consumer dissatisfaction with current on-boarding processes is clear, and this dissatisfaction manifests itself in abandoned sign-ups.

Consumer dissatisfaction with current on-boarding processes is clear, and this dissatisfaction manifests itself in abandoned sign-ups. Banks have the ability to rectify this relatively simply and in doing so could increase the number of customer accounts substantially. New customers would not be the only benefit; existing customers will be far more likely to purchase additional products.

Consumers want to move to digital and they want to be able to verify their identity online. The data shows that 97% of consumers have access to either a driving license, passport or utility bill that could form the basis of a digital identity, reducing the requirement to present personal information physically, accelerating the on-boarding process.

By listening to consumer demands and becoming truly digital, banks could go a long way to resisting the competition and perhaps to increasing revenues and customer base.

Understanding where and why consumers are abandoning and what steps they can take to accelerate the on-boarding process, banks can protect and grow market share, increase revenues and boost customer satisfaction.

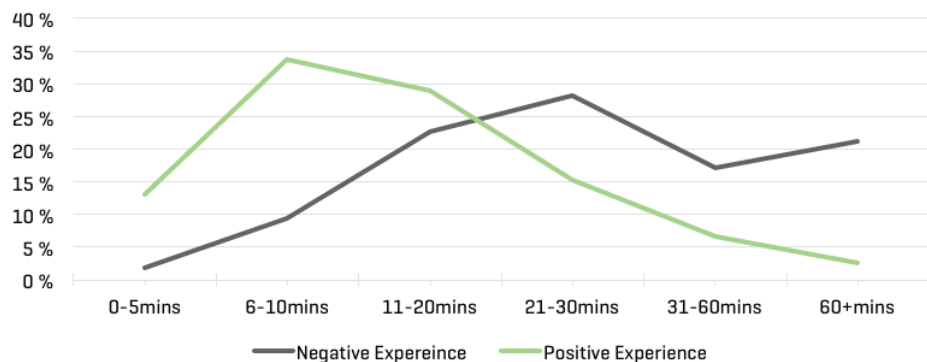
Average on-boarding time  
  
**18.45 min**

### On-boarding is frustrating and time consuming

On average, respondents submitted 1.7 financial applications in the last 12 months. 84% of all applications were for bank accounts, credit card, insurance or savings accounts. The average time taken by all respondents was 18.45 minutes but this was dramatically different when the results were split into those who had a positive experience and those who had a negative one. The on-boarding process is taken to mean the time taken to complete the online portion of an application, and does not include time needed to submit physical documents – clearly this could extend to several days.

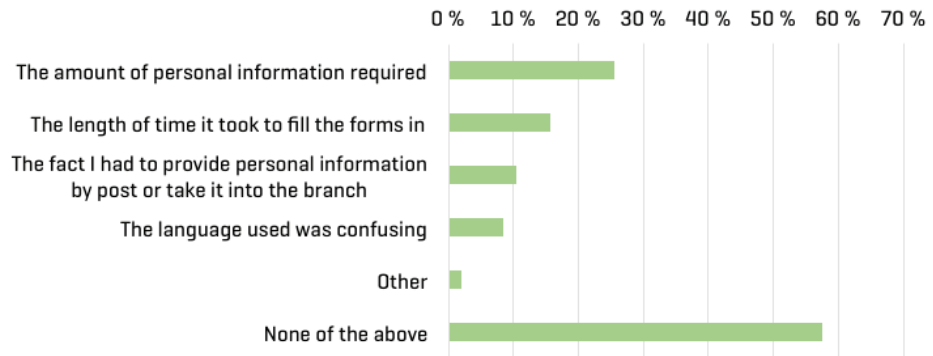


Application time and user experience



The above chart clearly shows that people with positive experiences had a far quicker on-boarding journey than those with negative experiences. In fact the average time for the negative proportion was almost twice the overall average at 34.71 minutes. The extra time taken, as well as the amount of personal information required, is a clear factor in leaving these consumers with this negative perception.

## What frustrated you about the process?



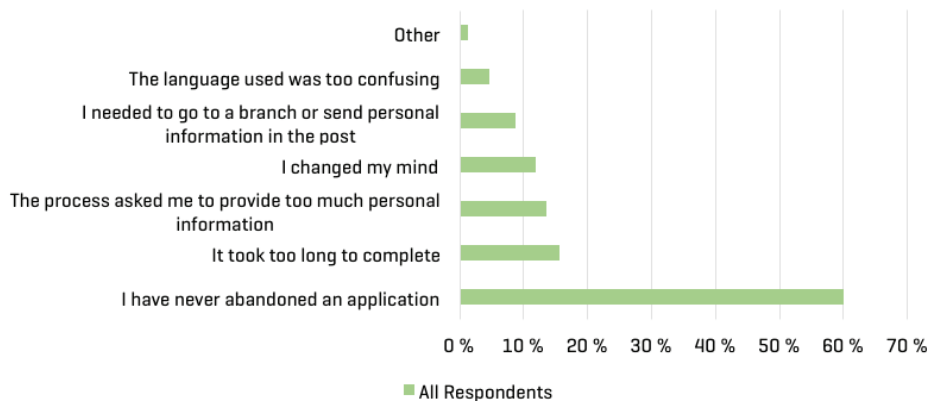
Consumers experience simple, efficient signup processes in every other facet of their daily lives and the extra rigor needed to buy a financial product – based on KYC requirements – seems to leave many less than happy. That said, the fact that some on-boarding processes take twice the average should give cause for concern.

### Customers regularly abandon applications and this is increasing

This dissatisfaction with the on-boarding process means many consumers will simply give up. While the majority (60%) of consumers have never abandoned a sign up process, this majority is not as large as expected and still means that four out of ten people have, at some point, become frustrated enough to give up.

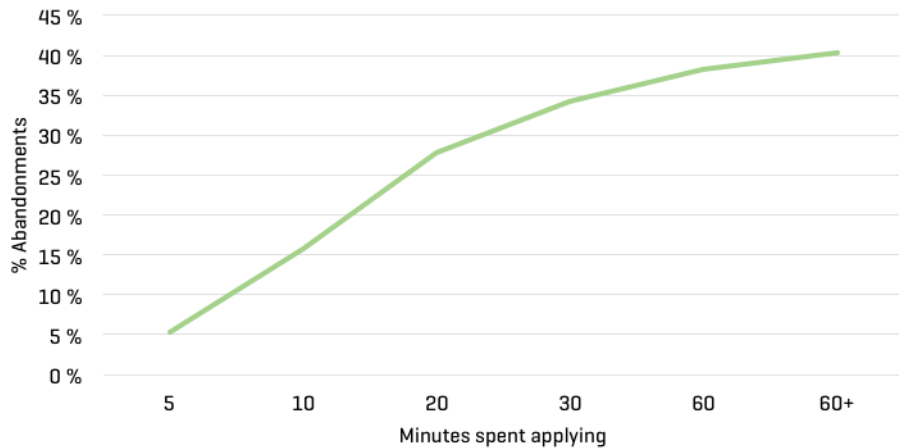
To provide context, financial services' abandonment rates are above the leading sector, gaming, which returns a 25% abandonment rate, and on a par with travel, at 38%. Although banking is on a par with other sectors, those sectors do not invest close to the amount that banking does in customer acquisition.

## Have you ever abandoned an application and why?



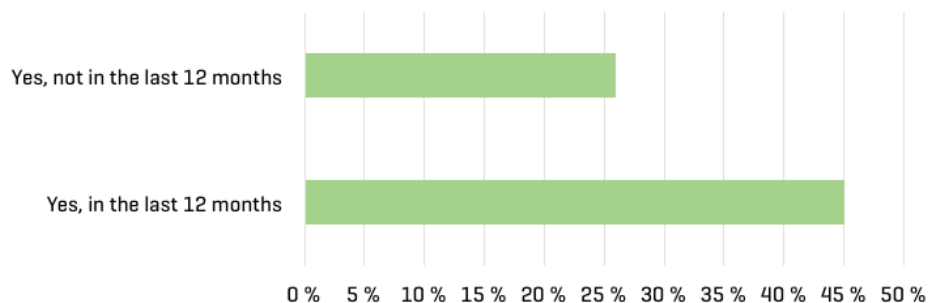
The reasons behind abandonment seem to be the same whether consumers had positive or negative experiences – the length of time taken and the amount of personal information. It is when we look at when the process was abandoned that the data becomes more interesting.

## At what point did you abandon? [all respondents]



The average time taken to apply is 18.45 minutes. Based on abandonment rates, which corresponds to 25% of all respondents – an enormous percentage of potential customers. The abandonment trend is on the increase. Data for those who have never abandoned an application cross-referenced against those who have applied in the last year points to an almost doubling (26% vs 45%) of the proportion of abandonment.

## Have you abandoned an on-boarding process?

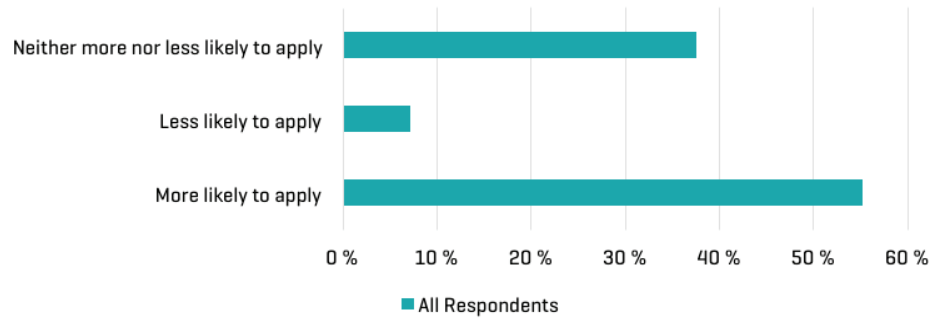


Given the broader shift to digital registration – and the ease of Facebook login-type services – it is clear that the trend of increased abandonment is only going to continue to gather pace unless banks take action. Banks are already under pressure from challengers with 29 new banks applying for UK banking licenses as of the five years to the end of 2015.

### Consumers do not want to be forced offline

The question of how to accelerate on-boarding must be looked at. Clearly losing 40% of potential customers is a situation that banks will want to address. When asked if a 100% online application would encourage consumers to apply more, the answer was a resounding “yes”.

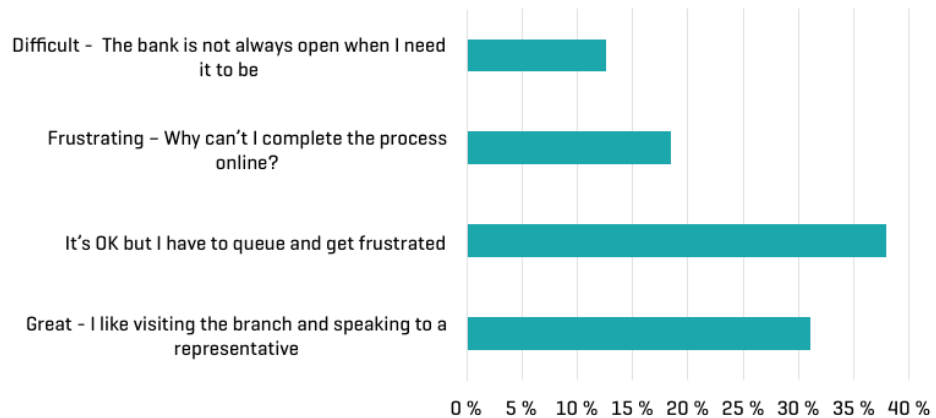
## If you could complete the application online, would you be...



55% of all respondents would be more likely to apply if the applications could be completed online and that number rises to 64% in those with negative experiences of applying. Taken as a whole, 93% of all respondents felt either neutral or positive by moving to a 100% online process. The data points to a desire from consumers to move to entirely digital processes and this is reflected in customers' experiences of in-branch interaction.

When taken overall, rather than as a part of the on-boarding process, 68% of all respondents were unhappy with how branches operate with 56% expressing frustration. The proportion of dissatisfied customers increases markedly in those with negative experiences to 78% - nearly four out of five people.

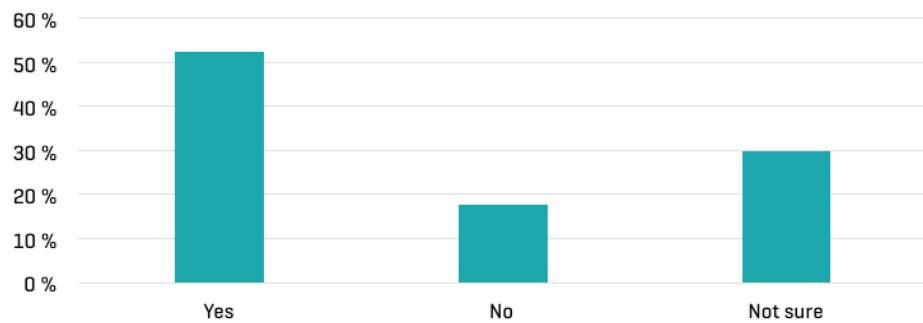
## How would you describe your in-branch experience?



### It is all about proving yourself

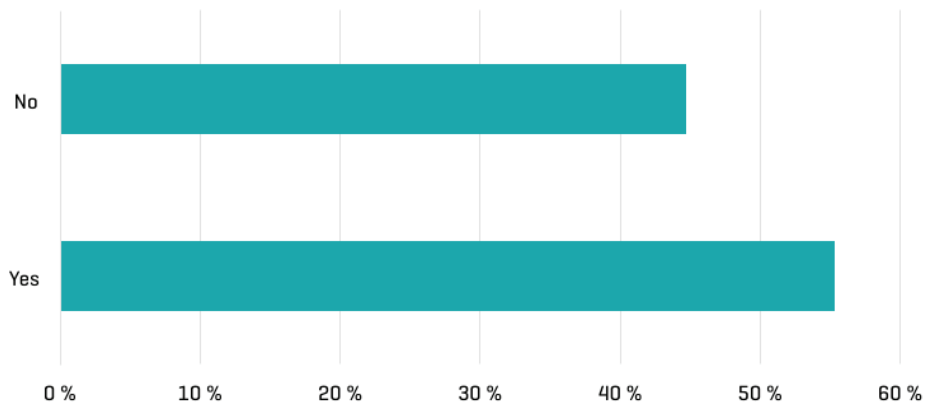
Moving processes online goes some way to relieving the frustrations felt due to time taken but another source of negative feeling is the need to verify identity or provide too much personal information. Again, if pushed, consumers have voiced a preference for moving this to an online process.

### Would you be more likely to apply for additional services if paper-based ID was not needed?



55% of all consumers surveyed would be more likely to apply for additional services if paper-based ID was not needed. Indeed the majority (55%) of respondents stated that they would be happy for banks to have access to their identity credentials (passport, driving license, government ID, etc.) if it speeded up and simplified registration.

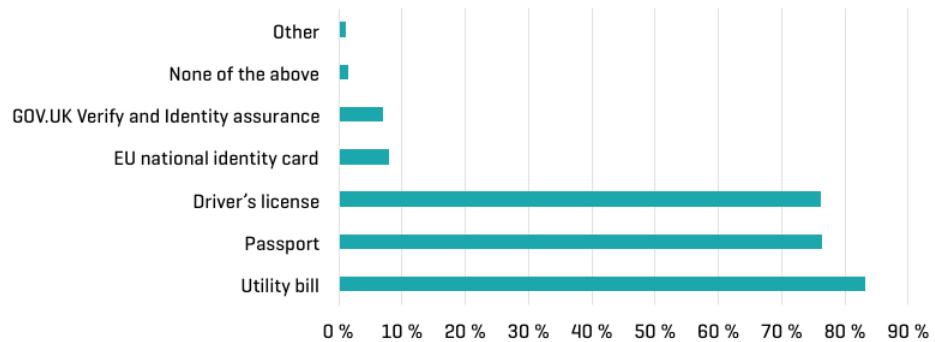
### Would you be happy for regulated banks to have access to your ID information?



The research also found that almost all respondents (97%) had access to at least a driving license, passport or utility bill. If these documents were digitized then consumers the on-boarding process could be simplified as the applicant would no longer need to present these documents. A digital identity becomes a real option for overcoming on-boarding frustrations. As they are already verified, these documents can be used as underlying proof of identity and the fact that nearly all respondents have at least one of them means that adoption will be relatively simple.



## Which forms of ID do you have access to?



## Recommendations and conclusions

### Recommendations

On-boarding is going online. Many banks now allow applications to be processed online up to a certain point. In order for this to move to 100%, identity needs to be verifiable online which is the biggest problems for banks to resolve.

An ideal situation would be a universal digital identity scheme, allowing any consumer to prove their identity online, however such a scheme is unworkable for a multitude of reasons. A more pragmatic solution is for banks to gain access to digital forms of existing identity – for example passports, driving licenses, utility bills or government identities. This would circumvent the need for consumers to produce paper based identity and would be relatively simple to implement across multiple geographies. If validated, existing ID is used and no further checks are necessary to determine identity.

If established, such a process would address the meaning 97% of consumers that have access to either a driving license, a passport or a utility bill, providing near total coverage of consumer prospects.

### Conclusions

Consumers are clearly frustrated with current on-boarding processes. The data shows that the time taken to apply and the way personal information needs to be provided are the two major reasons why on-boarding processes are abandoned.

Negative or positive perceptions of the process also play an important role in on-boarding. Those with negative experiences may well spend longer in the application process but these consumers are the ones more likely to apply for more services if the process was taken online.

Indeed, all respondents expressed a strong desire to move processes completely online and have stated that this would make them more likely to apply for additional services. It is not just a case of moving to digital to please frustrated customers, digital has the potential to increase the number of applications, and thus revenue.

The major barrier to a 100% online application process is identity verification. Historically this has been difficult online and requires either posting or presenting identity documents in a branch. The in-branch experience is hugely frustrating for customers with almost three out of every four customers unhappy with the service. Consumers have expressed a clear desire to do away with paper-based identity verification and are, in the main, happy for their identity to be accessed by banks if it speeds up the registration process.

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Financial services are changing. Traditional banks need to change if they are to withstand the challenge from start-up banks and to win the battle for the consumer. To date, banks have been focusing on providing both new products and a digital service to customers, but this will be for nothing if consumers are abandoning the on-boarding process before they are exposed to new systems and products.

If banks fail to address the pain caused by the on-boarding process, customers, revenue, reputation and eventually market position will be sacrificed.

### Key takeaways

- Customer frustration with on-boarding process is high and this is leading to increasing levels of abandonment and lost custom for banks
- Frustrations are born from the inability to complete these processes online and this is a result of the current need to validate identity with physical documents
- Nearly all respondents have access to a legitimate form of identification
- If existing forms of identity are reused as the basis of digital identity much of these frustrations and barriers to on-boarding customers will be remove

### Methodology

The survey was conducted by Red Bricks research in March 2016 and consisted of an online questionnaire with 2019 UK based respondents, all of who had a UK bank account.

## About Signicat

Based in Trondheim, Norway, and founded in 2007, Signicat is the first and largest Identity Assurance Provider in the world, providing regulated markets with the technology to create mutual trust between organizations and their potential customers.

With Signicat, service providers can build and leverage existing customer credentials to connect users, devices and even 'things' across channels, services and markets transforming identity into an asset rather than an obstacle. By ditching manual, paper based processes and replacing them with digital identity assurance, customer on-boarding is accelerated and access to services is made simple and secure. Service providers can rapidly grow market share, easily acquire new customers, and ensure compliance with financial, privacy and data protection regulations including AML and KYC.

Signicat has the technology to connect the market, the expertise to scale the systems, and the experience to build the trust.

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