

# take the fear out of online account opening

## Let the ROI Do the Talking

Despite living in a digital world, many banks and credit unions are still hesitant to offer digital account opening. Concerns about costs, fraud, and a steep learning curve are front and center. But how long can the digital features that applicants expect today be ignored?

While many do provide some form of digital account opening, only about 24%<sup>1</sup> offer a true, end-to-end mobile account opening experience. Only 29% of Americans prefer to bank in person.<sup>2</sup>

Despite most Americans being on board with digital banking, many financial institutions still have concerns. Let's look at some of the top concerns we hear from banks and credit unions when we discuss adding a digital account opening channel.

## fear of fraud

- **Identity theft:** Ensuring the security of accountholder information and preventing identity theft is a significant concern. According to the 2024 Bank Director Technology Survey, 65% are much more concerned about this type of fraud in the digital channel than they were just one year ago.<sup>3</sup>
- **Fraud decisioning:** Strict KYC and AML regulations cause many financial institutions to have a lack of confidence in the fraud decisioning process. Valuable (and costly) resources are often devoted to manual reviews.



## operational challenges

- **System integration:** Many banks and credit unions are fearful that their existing systems will be difficult to integrate with modern digital solutions.
- **Complexity of the process:** If the digital account opening process is too complicated or time-consuming, it can lead to high abandonment rates.

## fear of the unknown

- **Uncertainty:** The rapid pace of technological change can create uncertainty about the future, making institutions hesitant to invest in new technologies.
- **Employee resistance:** Staff may be resistant to change, preferring familiar processes over new digital methods.
- **Volume:** Many financial institutions are concerned that they lack the marketing staff needed to drive application volume.
- **Economic climate:** Adding to the hesitancy many financial institutions have around digital investments are fears about inflation, changing interest rates, and global instability.

These concerns are valid. The shift toward digital is making the growth in online account openings bittersweet. The potential for more applicants is weighed against an increase in operational costs to perform manual reviews, and the potential for new fraud. However, with the right KPIs in place and ROI models to work with, the benefits far outweigh the risks.

## key ROI factors to consider

- **Increased deposits and revenue:** Digital account opening platforms can attract more users and expand your footprint, leading to higher deposit volumes. These deposits can then be used to fund loans and improve profitability.
- **Efficiency cost savings:** Automated processes reduce the need for manual intervention, lowering operational costs and improving efficiency. For a designated employee who



65% of banks are **much more** concerned about fraud than they were a year ago.

is paid an hourly wage of \$20 per hour plus 40% of the hourly rate in employment costs (benefits, taxes, etc.), each 30-minute manual review will cost the financial institution \$14. If there are 1,000 applications sent through manual review, the cost is \$14,000.

- **Enhanced customer experience:** A seamless, intuitive digital account opening process can improve accountholder satisfaction and retention, leading to long-term profitability.
- **Faster onboarding:** Automatic approvals and quick onboarding processes keep engagement high, increasing the likelihood of account funding and usage.
- **Balance security and convenience:** Clunky authentication questions are the source of 40% of abandoned applications.<sup>4</sup> Automating the identity verification process can make it easier to acquire more qualified applicants and cut manual review time dramatically.
- **Consumer preferences:** A significant percentage of consumers, especially millennials and Gen Z, prefer digital banking solutions.



Clunky authentication questions are the source of 40% of abandoned applications. Automating the identity verification process can make it easier to acquire more qualified applicants and cut manual review time dramatically.

## KPIs you can use to evaluate

- **Annual revenue from new users:** You can calculate this by subtracting the interest paid on deposits from the interest earned on loans or investments, then multiply by the number of new users.
- **Value of automatic approvals:** Users who are automatically approved are more likely to engage with services immediately.
- **Conversion rates:** Can be determined by calculating the number of successful account openings divided by the number of applications started.
- **Abandonment rates:** Divide the number of incomplete applications by the total number of applications started.
- **Fraud costs:** Compare any direct fraud costs starting at the launch of the account opening platform to the costs incurred before installation.

- **Marketing campaigns:** [Digital outreach](#) can be used to grow organically and reach a market segment that would otherwise be left untouched. Successful campaigns can drive millions of deposit dollars that, even at a higher interest rate, can still add significant new revenue opportunities.
- **Time to onboard:** The average time taken to complete the account opening process. Industry research shows that an auto-approved and funded user is five times more valuable to a financial institution than one who is manually onboarded.
- **Deposit growth:** Track the growth in deposits from new accounts opened online to glean insights into the financial impact of digital account opening.

For budget-conscious and resource-constrained community and regional financial institutions, manually reviewing every account application and closely inspecting documents isn't the best use of your employees' time or talents. Not only is manual decisioning expensive and time-consuming, but your accountholders experience delays while their information is being processed – which can cause them to abandon their applications and open accounts elsewhere.

Investing in a digital account opening platform, coupled with a sophisticated and layered security approach, not only [enhances the accountholder experience](#) but can also drive substantial financial benefits for your institution.

Digital account opening isn't slowing down (in fact, quite the opposite), and you can no longer rely on branch visits or manual reviews for account opening. Instead, you must offer an experience that rivals that of today's biggest brands. [Jack Henry™ can help](#) you provide a full-service, forward-thinking, secure digital experience that leverages the trust and relationships you have built over time.



Track the growth in deposits from new accounts opened online to glean insights into the financial impact of digital account opening.

# see the proof in the numbers

[Get in touch](#) with us to discover how much a seamless account opening experience can bring to your institution.

For more information about Jack Henry, visit [jackhenry.com](https://jackhenry.com).

## **sources**

1. [\*True Digital Account Opening Totally Eliminates Need for Branches\*](#), The Financial Brand, accessed October 2024.
2. [\*U.S. Consumer Banking Statistics 2024\*](#), Forbes, accessed October 2024.
3. [\*2024 Technology Survey\*](#), Bank Director, accessed October 2024.
4. [\*DON'T ABANDON ME: Reducing Friction in Online Account Opening with Digital Identity Verification\*](#), Cornerstone Advisors, accessed October 2024.