

# five keys to exceptional acountholder experience

---

jack henry™



# contents

- 03** introduction
- 04** remove friction from new account opening
- 08** make borrowing easy
- 11** accelerate your digital transformation
- 13** upgrade your payment options
- 15** bring accountholders closer to their money
- 19** sources



## put people at the center of banking

Improving accountholder experience is the top priority for 67% of banks and 70% of credit unions for the coming year.<sup>1</sup> It's no surprise. Digital technology has made transacting so easy for people that anything beyond simple is irritating.

Even when dealing with a beloved brand, 59% of customers will leave after several bad experiences and 17% after a single bad experience.<sup>2</sup> That's why banks and credit unions must be focused on delivering a stellar experience.

We've identified five key areas where community and regional financial institutions can significantly improve the accountholder experience.

**59% of customers will leave after several bad experiences**

and 17% after a single bad experience.

**Improving accountholder experience is the top priority for 67% of banks and 70% of credit unions for the coming year.**

chapter 1

# remove friction from new account opening

---



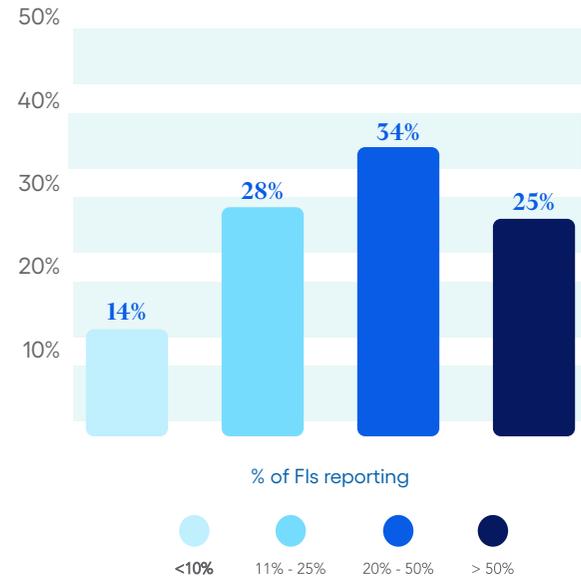
## remove friction from new account opening

The volume of new deposit accounts opened per branch is on the decline, although Chime, the largest neo-bank in the U.S., proves that a user-friendly and well-designed digital account opening process is a key to deposit success. Chime has over 12 million active accounts and an estimated 30.7% account growth for this year.<sup>3</sup>

Unfortunately, more than a quarter of mainstream banks and credit unions are seeing 50% or more of their online account applications abandoned, with another third of them losing 26%-50% of their potential new accounts.<sup>4</sup> For community financial institutions, the key is to provide a fast, seamless digital account opening experience.

Some banks and credit unions simply add an online element to their existing analog processes. They still require physical signature cards and the same Know Your Customer (KYC) and Customer Identification Program (CIP) processes. These institutions need to reconsider their approach and look for technology partners that can provide a good balance of security and accountholder ease of use.

Over the past year, what is the abandonment rate for deposit applications started in digital channels?



<sup>4</sup>"Don't Abandon Me: Reducing Friction in Online Account Opening with Digital Identity Verification." [Cornerstone Advisors](#), 2021

**to streamline the application experience, consider implementing:**

- **Account opening platforms with configurable workflows.** The ability to configure a variety of workflows for different products, account types, and other relevant applicant characteristics is essential to providing an excellent experience. For example, consider separate workflows for—
  - » Accountholders with a long-term history at your institution vs. brand new applicants.
  - » Applicants entering the new account process through a pre-authenticated channel like digital banking vs. an unauthenticated individual.
  - » Applicants for transaction accounts vs. those opening a certificate of deposit.
- **A modern platform with open APIs and tight fintech integrations.** Look for an origination system that allows you to integrate the best identity verification and funding tools available, while maintaining a smooth connection with your core provider.



**Banks have to redefine the process of online account origination** to ensure that traditional verification methods such as credit score, KBA questions, clunky ID scanning, excessive KYC questions, international passports, and ACH micro-deposits do not contribute to abandonment rates.

<sup>5</sup>"Don't Abandon Me: Reducing Friction in Online Account Opening with Digital Identity Verification," *Cornerstone Advisors*, 2021



- **Deep reporting across the account-opening workflow.** It's important to track the number of account applications started and the subsequent abandonment rate, but to truly improve the applicant experience, it's essential to identify the exact areas of friction in your application process and address those points with adjustments to the workflows or your ID verification decisioning rules.
- **Leverage multiple data sources for ID verification.** Clunky authentication questions are the source of 40% of abandoned applications.<sup>5</sup> Update your process with modern identity verification solutions – especially those relying on multiple data sources – to make it easier to acquire more good applicants.
- **Account funding alternatives to micro-deposits.** By eliminating micro-deposits for ACH funding, financial institutions increase funding and lower abandonment rates by nearly half, according to a recent Cornerstone Advisors study.<sup>6</sup> Focus on front-loading the identity verification process, so when the applicant is ready to fund the account, the funding process is simple and fast.

To compete for new deposits and depositors, it's essential to reimagine the new account experience with today's digital-first lens. Remove leftover friction from outdated processes and add streamlined solutions that enable you to seamlessly acquire new customers.

## How better identity verification can help can help with abandonment rates

Cornerstone Advisors reports this statement from a large bank: “Our last system had over 90% abandonment. We had to find a new solution to address that. In the old system, we had twice as many customers abandon us when we had them use trial balances for ACH funding. By changing the identity verification process up front, we eliminated that point of friction.”

<sup>5</sup>“Don't Abandon Me: Reducing Friction in Online Account Opening with Digital Identity Verification,” [Cornerstone Advisors](#), 2021

chapter 2

# make borrowing easy

---



## make borrowing easy

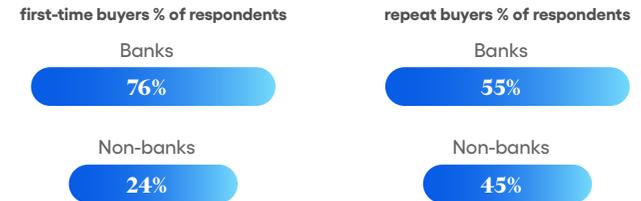
Loans are currently in high demand. Now that PPP funds are exhausted, businesses are seeking financing for both short- and long-term working capital, equipment, and more. Considering the current net interest margin compression, getting more of these loans on the books is a priority. To do this, you need to reduce the time and expense of loan processing.

And with interest rates at historic lows, there is also a surge in mortgage and refinance loans. While most buyers prefer to borrow from a bank or credit union rather than a fintech, more than half are now comfortable with a fully digital experience.

This situation opens a door for fintechs and challenger banks to capture market share with fast and intuitive lending technology.<sup>7</sup> While rate always matters, a recent survey shows that an exceptional consumer experience beats best rate as the primary reason new borrowers chose their lender.<sup>8</sup> So, how do you deliver what matters most to the borrower?

### First Time and Repeat Buyers Show Clear Differences in Needs and Behaviors

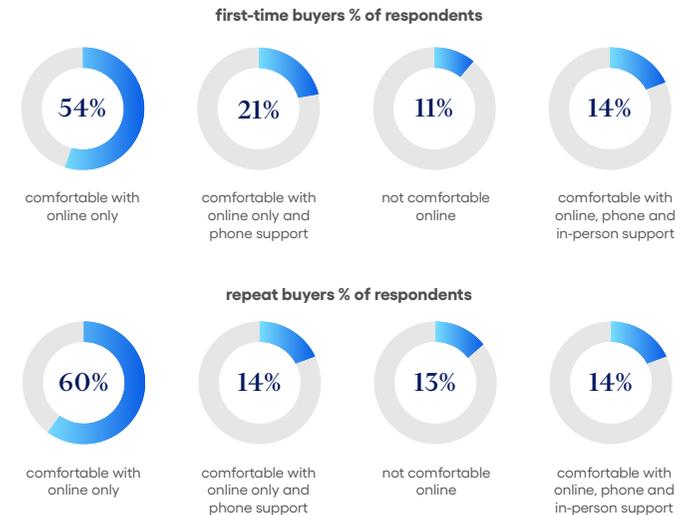
#### Choice of Lender



#### Primary Reason for Choosing Lender



#### Comfortable with Digital Mortgage Propositions



<sup>8</sup> McKinsey 2018 Retail Banking Customer Experience Survey

**consider adjusting your lending program to accommodate the following:**

- **An omnichannel approach.** Ensure that your borrowers feel comfortable and receive accurate and timely information, whether they're completing the entire process online or working in combination with loan officers over the phone or in-branch.
- **Core-connected loan origination.** If your loan origination system (LOS) isn't core-connected, you are vulnerable to keying errors by way of dual-entry which can tarnish the applicant's perception of your financial institution right from the start. Twenty-three percent of respondents to a McKinsey survey noted that their mortgage provider should prioritize getting things right the first time<sup>9</sup> when upgrading the mortgage application process. Accuracy matters more than the ability to easily compare products or to choose your own loan officer.
- **24/7 access to the status of a borrower's application.** Bring transparency to the lending process to keep both applicants and lenders informed of next steps, improving communication and overall experience.
- **Consolidate multiple loan origination systems into a single platform.** With one platform, you break down the walls between commercial and consumer lending. A good experience with a business loan today will often lead to a consumer loan down the road, and vice versa. A full-featured platform also enables a wide array of products that will service a borrower's needs as they inevitably change over time.



chapter 3

# accelerate your digital transformation

---



## accelerate your digital transformation

In a 2020 study by CUInsight, financial institution executives were asked to rank their concerns and spending priorities. Nearly 66% of respondents rated “expand/improve digital channels” as their top priority and their most critical initiative moving forward.<sup>10</sup>

They know that people expect to use whatever channel happens to suit them. Today’s consumer uses an average of three methods to contact the companies they do business with. They’re using phone, email, live chat, mobile apps, and online methods to communicate,<sup>11</sup> and they expect to have a similar, streamlined experience across all channels.

Today’s executives also understand the importance of offering a wide variety of solutions, whether they are created in-house, offered by your primary technology provider, or by third-party fintechs. The critical requirement is the ability to easily connect these solutions to your core, and to add or remove services rapidly as consumer needs and your business strategies evolve.



- **Be sure your technology provider supports open banking.** A flexible platform means that you can find and implement integration opportunities that are in your best interest, allowing you to quickly, easily, and inexpensively embed or build the functionality that you need to stay relevant. Open APIs and standard industry tools for modification make this flexibility possible.
- **Look for partners using the FDX standard.** While many fintechs offer software development kits (SDKs) to allow financial institutions to build connections from the fintech to the core provider, these SDKs rarely use industry standard coding languages and data-sharing practices. Look for partners using the Financial Data Exchange (FDX) standard to ensure best-in-class data security and seamless integrations for your applications.
- **Bring personal service to the digital experience.** When your accountholders reach the edges of self-service in the digital environment, ensure that a personal, human connection is available. One way to accomplish this is with an authenticated, augmented chat service.
- **Use technology to offer personal service outside of the branch.** Core-connected phones, tablets, and laptops allow you to securely bring a digital “mobile branch” to personal meetings at any location.

chapter 4

# upgrade your payment options

---



## upgrade your payment options

Payments is another area targeted for a digital makeover. Executives know that accountholders want payment choices. Today, 60% of consumers expect merchants to offer a way to pay in-store without interacting with a card reader.<sup>12</sup> Digital wallets are frequently used for food delivery (like DoorDash), and rapid person-to-person payments are extremely popular.

Disruptors like Venmo, PayPal, Square, and Stripe are poised to make continued inroads into the payments world. A report by Accenture projected banks losing as much as 15% of payments revenue to non-bank players by 2025.<sup>13</sup> Community banks and credit unions need to be sure their payment offerings provide a top-flight experience. They must take concrete steps to acquire and retain their accountholders' payment business.



- **Use a payments hub.** Scalable payment solutions that simplify payments across channels enables accountholders to move money from a single app – yours.
- **Faster payments.** Offer solutions such as Zelle® or Real-Time Payments® so your accountholders can use their trusted institution when in need of fast payments. Bring personal service to the digital experience.
- **Offer education in the use of new payment options.** Many banks and credit unions assume that digital activities like contactless payments only appeal to a younger demographic – the pandemic has shown us that this isn't true. Currently, more than 48% of baby boomers use digital banking.<sup>14</sup>
- **Consider cryptocurrency.** Many of your accountholders are likely already engaged in cryptocurrency transactions. Mastercard's New Payments Index reports that 40% of consumers plan to use cryptocurrency in the next year.<sup>15</sup> Allow them to transact through your digital platform without risk to your balance sheet by embedding a crypto partner. (This is not difficult if you are taking advantage of open banking technology.)

chapter 5

# bring acountholders closer to their money

---



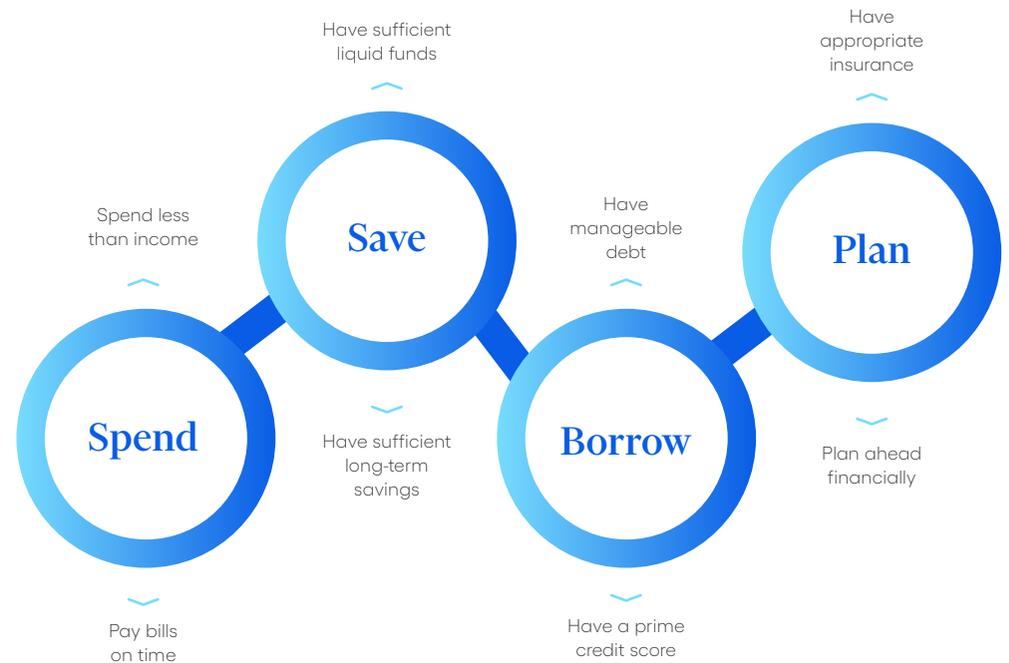
## bring accountholders closer to their money

Before the COVID-19 pandemic, Jack Henry™ surveyed accountholders between the ages of 25 and 55. Respondents were asked how they feel about their current financial situation, their relationships with their banks or credit unions, and about their personal interactions, digital interactions, and routines with money.

The research found that a staggering 76% of respondents live paycheck to paycheck. Twenty-seven percent have no savings whatsoever. Only 47% of respondents said that they are somewhat or completely financially confident – which leaves tremendous potential for financial institutions to make a lasting difference in the lives of the remaining population.<sup>16</sup>

These findings correspond a with U.S. Financial Health Pulse® report that more than two thirds of Americans are struggling to stay financially resilient.<sup>17</sup>

## 8 Indicators of Financial Health



<sup>16</sup>"2018 Customer Service Expectations Survey," Gladly, 2018

**With over 70% of Gen Z'ers** believing that brands should help them achieve personal goals and aspirations,<sup>18</sup> there's never been a better time for banks and credit unions to redirect their accountholders from disjointed third-party apps to their digital banking platform for a fuller view of their finances. Institutions should provide tools to help accountholders succeed:

- **Account aggregation capabilities.** Give accountholders the ability to see their entire financial life using a single platform – yours – rather than sending them to fintechs like Mint that use the data to upsell solutions that may not be in their best interest.
- **Financial health and credit scores with personalized recommendations.** Make it easy for your accountholders to see how much they're spending, and on what, while providing insight on current saving/spending habits that will foster alignment with long-term goals. This, along with bite-sized bits of advice, can help improve their position.
- **Data breach and ID protection.** Adding these services to your lineup can bolster your non-interest income while giving accountholders peace of mind and a feeling of security.

- **Automated savings, fractional investing, and roundups.** With consumers looking to fintech apps and megabanks for this ability today, it's essential to add these capabilities, which can improve accountholders' long-term financial outlook, while keeping them engaged with your bank or credit union.

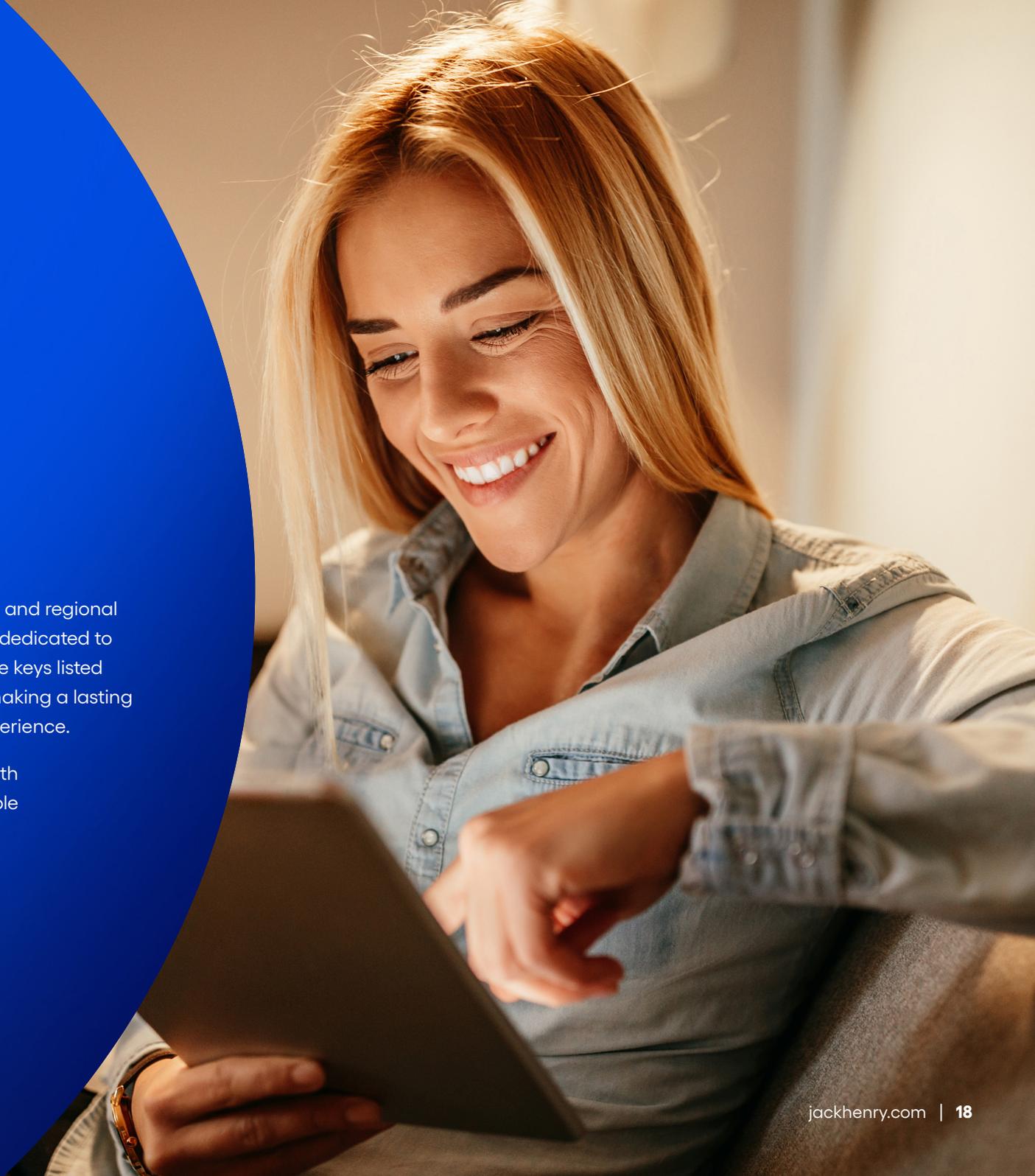




## win on experience

The world is a better place with community and regional financial institutions in it, and Jack Henry is dedicated to helping you succeed. By focusing on the five keys listed above, you can take measurable steps to making a lasting difference in your customer or member experience.

Improve the lives of your accountholders with the experience-focused capabilities available across the Jack Henry family of solutions.



# improve the accountholder experience

Learn more about how Jack Henry can help you deliver a superior experience today.

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



## sources

<sup>1)</sup> Ron Shevlin, "[What's Going On in Banking 2021: Rebounding from the Pandemic](#)," Cornerstone Advisors

<sup>2)</sup> "[Experience is Everything: Here's How to Get it Right](#)," pwc, 2018

<sup>3)</sup> "[Chime is the No. 1 Neobank in the U.S.](#)," Insider Intelligence, June 2, 2021

<sup>4)</sup> "[Don't Abandon Me: Reducing Friction in Online Account Opening with Digital Identity Verification](#)," Cornerstone Advisors, 2021

<sup>5)</sup> "[Don't Abandon Me: Reducing Friction in Online Account Opening with Digital Identity Verification](#)," Cornerstone Advisors, 2021

<sup>6)</sup> Ibid.

<sup>7)</sup> Akshay Kapoor, Ayush Madan, Rohit Singh, "[Competing on Customer Experience in US Mortgage](#)," McKinsey & Company, December 10, 2019

<sup>8)</sup> Ibid

<sup>9)</sup> Ibid

<sup>10)</sup> Michael Carter, "[5 ways COVID-19 is influencing how credit unions must approach digital and payments](#)," CUInsight. August 7, 2020

<sup>11)</sup> "[2018 Customer Service Expectations Survey](#)," Gladly, 2018

<sup>12)</sup> Phillip Bruno; Reet Chaudhuri; Olivier Denecker; Tobias Lundberg; Marc Niederhorn, "[How payments can adjust to the coronavirus pandemic – and help the world adapt](#)," McKinsey & Company, March 31, 2020

<sup>13)</sup> "[Banks Risk Losing US \\$280 Billion in Payments Revenue by 2025](#)," Accenture, September 19, 2019

<sup>14)</sup> "[Digital banking users in the U.S. 2018-2022, by generation](#)," Statista, November 23, 2020

<sup>15)</sup> "[Mastercard New Payments Index 2021](#)," Mastercard, May 4, 2021

<sup>16)</sup> Jack Henry. 2019 Modern Consumer Survey

<sup>17)</sup> "US Financial Health Pulse® 2020 Trends Report," [Financial Health Network](#), 2020.

<sup>18)</sup> Alice Phaneuf, "[The personal finance management market is growing as banks digitize](#)," Business Insider, August 20, 2020