Fintech and e-money customer onboarding benchmarking report

A PIF research report in association with

Know who you're dealing with

Contents

Foreword from PIF

PIF is the not-for-profit industry body representing organisations who are regulated under e-money and payment services legislation and who operate in the high-growth prepaid fintech sector. Our mission is to inform and facilitate the best possible understanding of prepaid fintech with regulators and policy-influencers, policy makers and government and to help our members build safe, sustainable businesses.

We have produced this report to share insight on how the prepaid fintech sector approaches customer onboarding and KYC.

PIF, in collaboration with, identity verification specialist, HooYu, has gathered real-world data from PIF member organisations to understand the efficiency of customer onboarding processes in conjunction with the KYC tools and approaches used.

Industry perspective

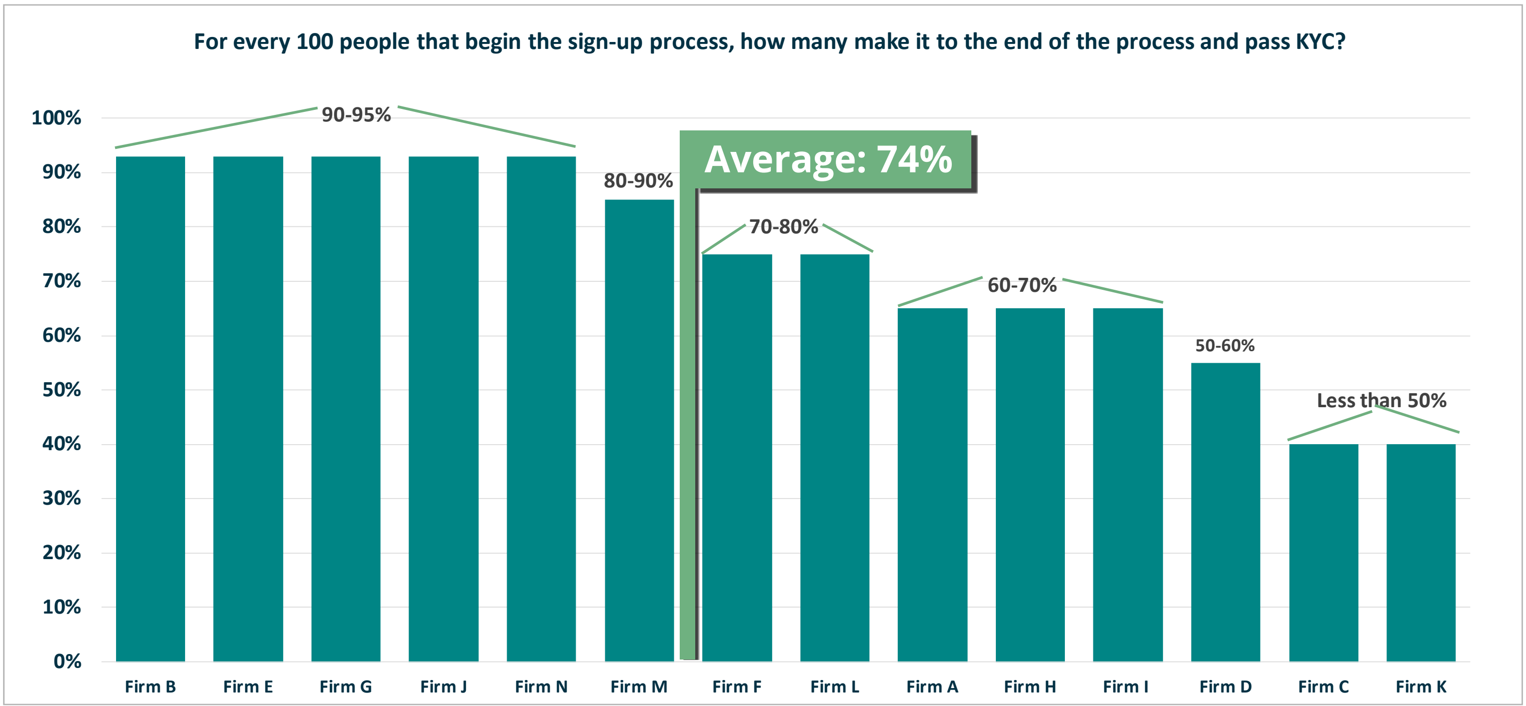
E-money and fintech firms need account holders to engage on a habitual basis in order to generate revenue. But what if that account holder never makes it past the initial first few stages of sign- up? As an industry, how do we create a great user experience whilst ensuring we capture elements to enable AML compliance?

The data we have collected from e-money and fintech firms uncovered a rich source of expertise in how (some) businesses are constantly striving to improve the customer onboarding process. As we present our findings we also share the perspective of industry practitioners who have volunteered their own viewpoints on KYC and customer onboarding.

METHODOLOGY:

For the purposes of the benchmarking exercise, PIF gathered anonymous data from a sample representative of the sector, with firms varying in size, e-money/payment service product offered, and business model. We surveyed fintechs providing a single solution and those offering centralised products across multiple brands. These firms make up a representative view of the industry and all responses received have been processed in accordance with PIF's Privacy Policy and PIF Antitrust Guidelines.

1. What % of fintech & e-money onboarding processes pass KYC?



- Overall, these numbers suggest some generally well thought-out onboarding processes.
- However, our research reveals inefficient onboarding processes where some firms are losing more than 50% of their applications.
- The average onboarding success rate of 74% means that over a quarter of customers are falling by the wayside.

Industry perspective: *Emily Baum*

"One explanation for a lower onboarding success rate could be that some firms are relying on legacy systems and processes to acquire new customers and spending less money on the customer experience"

Industry perspective: *Kim Roberts, Suits Me*

"Our conversion rate optimisation efforts are paying off and we're seeing great growth from our direct to consumer model as well as the referral model from partners"

SUITS ME.

2. How long do KYC processes take to complete?

- In order to comply with the 2019 Money Laundering Regulations, firms are required to confirm that the customer has provided a real name, address and date of birth. One of the main tools to perform KYC is database checks.
- Database checks are generally performed programmatically in real-time taking less than a second to complete and verify the identity information of the customer before they are onboarded.
- However, not all customers pass database checks, with the limitations of this form of KYC well known in terms of match rate and geographic coverage.

Industry perspective:

Julian Brand, PPS

"It's important to ensure that very strong and reliable CDD (KYC) checks are performed on a Risk-Based Approach in a way that simultaneously maximises onboarding rates and the prevention of financial crime. At PPS we work with many fintechs, challenger banks and e-money issuers. We work with our partners to ensure that they use multiple financial crime prevention technologies and that they do so in a pragmatic but effective way that increases AML compliance and minimises financial crime risks. Not onboarding enough "good" customers is a business risk but it is by far outweighed by the risk and impact of on-boarding "bad" customers."

PPS | an Edenred company

PIF perspective

"Many fintech and e-money firms go beyond database checks to confirm customer identity and deploy further technologies such as digital footprint analysis, ID document validation, geo-location, fraud history analytics and facial biometrics. For a fuller insight into range of KYC technologies that fintechs and e-money providers use, please see the report previously published by PIF and HooYu[1] "

- Where the database check fails, this can often add some time to the KYC and customer onboarding process. There are winners and losers when it comes to how firms deploy further KYC technology. The illustration on the following page shows how long it takes our survey respondents to complete KYC when the database check process fails.

1. https://hooyubusiness.com/new-report-how-prepaid-fintech-firms-are-striving-to-get-the-balance-right-between-compliance-convenience/

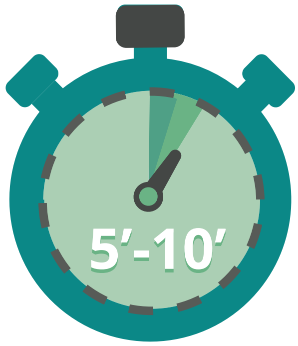
WHERE YOU CAN'T USE A DATABASE TO VERIFY NAME, ADDRESS AND DATE OF BIRTH, HOW LONG ON AVERAGE DOES YOUR KYC PROCESS TAKE TO COMPLETE?

FIRM
G, A

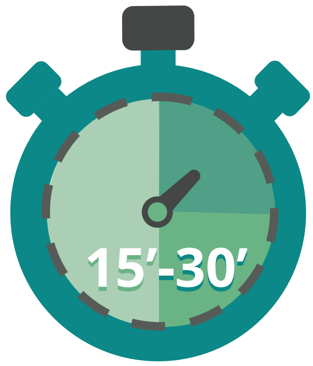
LESS THAN 5 MINUTES

FIRM
F

BETWEEN 10 AND 15 MINUTES



FIRM
K, N



BETWEEN 15 AND 30 MINUTES

FIRM A, L	FIRM B, H	FIRM C, D, E
Up to half a day	Up to a day	Longer than a day

- The response to this question reveals an extreme divide from programme providers. 14% of firms reported less than 5 minutes to deliver further KYC processes to allow the customer to be safely onboarded.
- However, the average time taken across all firms is up to half a day, indicating that after the initial process, further checks prove to be time consuming and potentially risk the loss of the customer during sign-up.
- Worryingly, over a third of firms take longer than a day to complete onboarding.

Industry perspective: Simon Bradley, *Accomplish Financial*

"The digital onboarding process is becoming a key differentiator, where FinTechs and e-money issuers are currently leading the way where it comes to offering a more streamlined process. Leveraging KYC and RegTech solutions in a smart way has the ability to drive real change and value for customers. It's time that customers feel wanted with a secure and straightforward sign-up process instead of feeling like seals having to jump through unnecessary hoops"

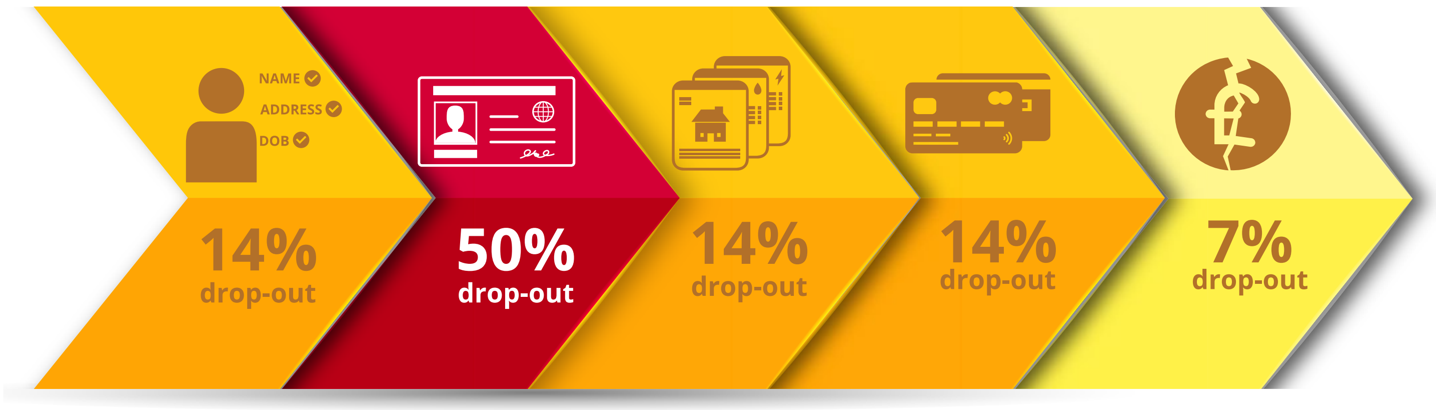
Industry perspective: *Pavle Ljujic, Pannovate*

"Perhaps the fact that some firms take so long to complete customer onboarding comes down to cost whereby some firms are reticent to pay the additional cost for document verification. Instead they seem content to go the longer route which involves scanning, emailing, manual review and a barrage of to & fro with the end user. This would explain the additional time frame of more than a day for completing the KYC process where database checks fail."

3. Where do customers drop out in the onboarding process?

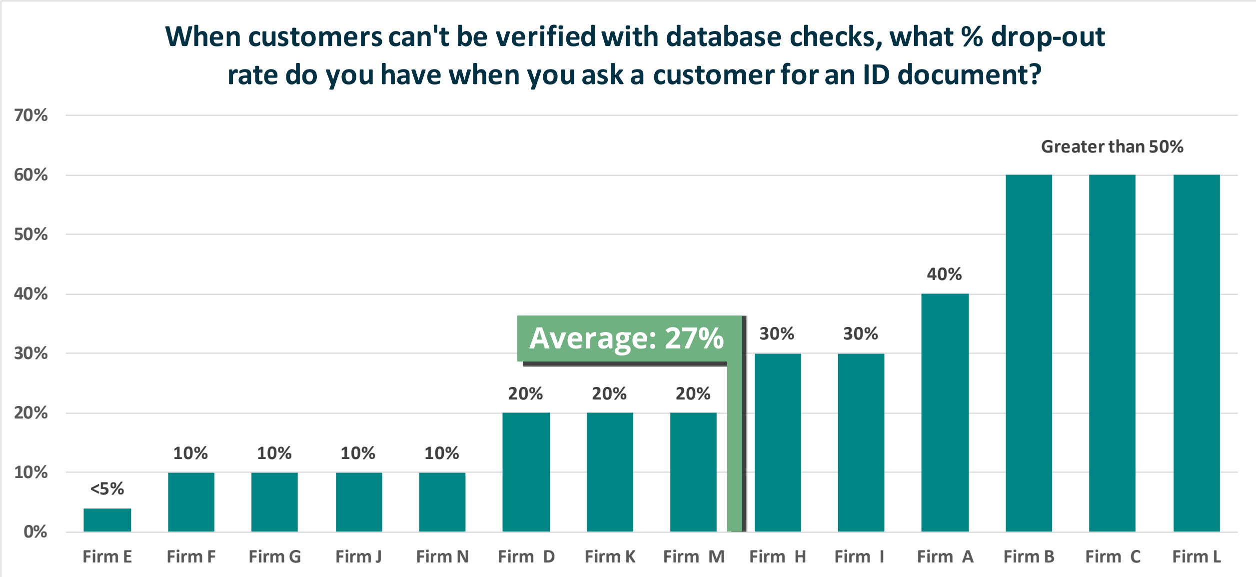
- The response to this question was a strong majority with half of respondents saying the highest drop-out was when they asked the customer to provide an ID document.
- This is surprising given that integrated ID document capture and validation is now a common technology integrated into onboarding processes.

AT WHAT STAGE DO YOU SEE THE HIGHEST DROP-OUT DURING CUSTOMER ACQUISITION?



14% of firms see most drop-out when the customer is asked to provide name and address details	**50%** of firms see most drop-out when the customer is asked to provide an ID document	**14%** of firms see most drop-out when the customer is asked to provide an address document	**14%** of firms see most drop-out during the payment process	**7%** of firms see most drop-out when the customer is asked to evidence Source of Funds

4. What % of customers drop-out when asked to provide an ID document?



- Again, another picture of digital divide that shows that some firms have implemented ID document validation in a way that minimises abandonment.
- However, several firms are operating a "leaky bucket" losing over one in two customers during onboarding because they haven't optimised the capture and validation of ID documents.
- The average level of abandonment at this stage of customer onboarding is 27% of customer applications.

Industry perspective: *Chris Ellis, Bowsprit*

"What we are probably seeing here is sub-optimal implementation of this kind of technology where UI and UX tools are not being harnessed alongside the document capture and validation tech to help push the user through a smooth digital journey."

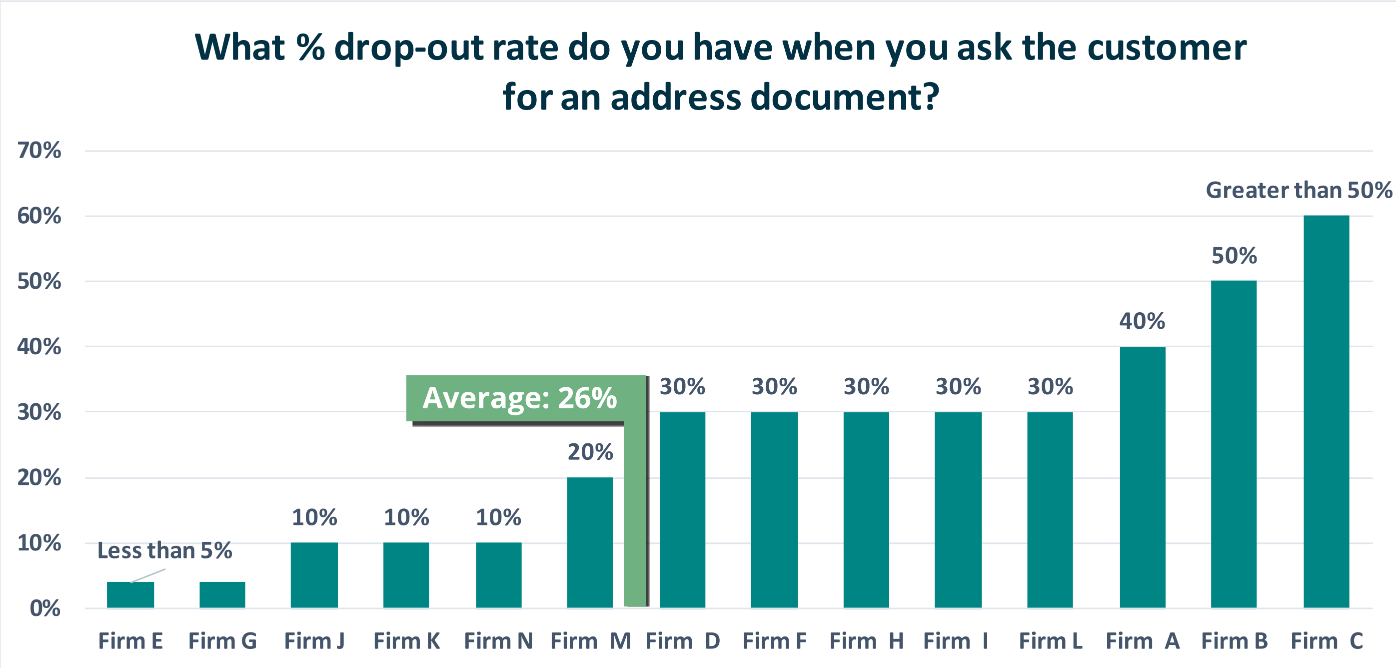
BOWSPRIT INTERNATIONAL

Industry perspective: *James Lynn, Currensea*

"We iterated over and over again on the onboarding process, reducing the drop off rate through continuously finding and neutralising pain points. With a poor onboarding journey, your cost of acquisition goes through the roof. We spent over six months re-iterating through the journey to get it better and better – and is it finished? No, it is constantly being reviewed to make it better and better."

currensea

5. What % of customers drop-out when asked to provide an address document?



- Most firms replied that their customer drop-out rates when asked for address documentation is 30%.
- Across all firms, the average customer drop-out rate when asked for proof of address was 26%.
- The graphic above shows that the majority of firms are suffering above average drop-out levels, with the average being lowered by the performance of some firms who are enjoying less than 5% drop out at this stage of the customer onboarding process.

Industry perspective: ***Alan Smith, Maneta***

"The levels of drop-out at point of proof of address closely mirrors that of when customers are asked for a copy of the proof of identity document. The key to a great customer experience is that the customer is taken through a flow, a journey that is designed with good UX that gives them tips and guidance through the process"

maneta

Industry perspective: *Suits Me*

"Proof of address can be a stumbling block, some British nationals don't have a passport or a driving licence"

SUITS ME.

Industry perspective: *Jill Trembeth, Lerex Technology*

"Building a slick onboarding process is vital. Being mindful that most people won't have documents to hand when they fail KYC, as they are not expecting to need them. Ensuring the process is effortless so customers can complete easily is of high importance at Lerex."

Lerex Technology

6. How do firms expect to improve levels of new customer acquisition?

One of the goals of this research was to spotlight the level of importance that firms place on refining and improving the customer onboarding journey. The wide variance in onboarding success rates and differing magnitudes of drop-out at different stages of the journey indicate that not all firms curate the customer journey as well as others.

In this next section we ask firms about the tactics they are pursuing to grow customer numbers.

	More	Less	About the same	Not applicable
Outdoor advertising	28.6% (4)	7.1% (1)	7.1% (1)	57.1% (8)
PPC (Google Ads) and other programmatic advertising	42.9% (6)	7.1% (1)	50.0% (7)	0.0% (0)
Affiliate marketing	50.0% (7)	0.0% (0)	35.7% (5)	14.3% (2)
Improving SEO and digital presence	71.4% (10)	7.1% (1)	21.4% (3)	0.0% (0)
Social media	78.6% (11)	0.0% (0)	14.3% (2)	7.1% (1)
Streamlining the effectiveness of current customer onboarding	85.7% (12)	0.0% (0)	14.3% (2)	0.0% (0)

- These tactical choices to grow customer numbers reveal a significant shift from the traditional route of print advertising on commuter routes. With the changes in the environment and customer behaviours due to Covid-19, the shift to digital marketing spend is clear.
- Social media has proved effective in the payments space with the challengers focused on ensuring a communicative and accessible brand, versus the traditional brands that have focused on transit advertising and print.
- Improving the availability of their product and the consumer's ability to find it by search engine optimisation, and generally increasing their digital presence ensures that those searching online have a higher chance of coming across the brand.

- Overall, the most common area of focus for growing customer numbers was reviewing the customer onboarding process. This result was interesting, perhaps because the questions were leading to this, but it could be that in taking our survey, respondents tuned in to the value of reviewing their customer onboarding process.

Industry perspective:
Countingup

"Streamlining the effectiveness of current customer onboarding makes a lot of sense considering the cost related to reviewing this and the potential improvements that can be made to onboarding clients and turning them into revenue generating clients."

Counting up

Industry perspective:
Suits Me

"We actually improved this stage of the funnel when we optimised the application page, we used to ask for too much information that wasn't needed. We condensed it down and ran A/B testing and now it's performing much better."

SUITS ME.

Summary

Acquiring a new customer is one of the most expensive elements of running a programme. Print advertising, online placements and comparison sites have typically driven customer acquisition. But they come at a cost, with the aim being to attract a customer that will transact enough over 3 years to repay the investment.

Yet many firms are still falling short in the race to refine their customer onboarding journey to the point where it is an asset in the battle to win new customers and grow market share. There is already a digital divide opening up between fintech and e-money firms – those that have invested time and money into redesigning the customer onboarding process and implementing the right KYC and onboarding solutions, and those that still use legacy systems and processes.

The business case is simple, even for smaller firms that onboard less than 10,000 new customers a month. For example, a programme onboarding less than 10,000 per month and losing 10% every month, equates to 12,000 applications potentially lost every year. Add that to the acquisition costs for drawing customers to the programme in the first place, the cost of doing business for smaller firms can be prohibitive.

HERE ARE FIVE STEPS TO GET YOUR CUSTOMER ONBOARDING ON TRACK

1. **Look at your funnel metrics –** This report is designed to encourage firms to review their onboarding funnel and get stuck into the metrics of customer onboarding and points of abandonment to see where improvements can be made.
2. **Onboarding is about UI and UX as well as KYC -** Look for a solution that offers more than just the KYC technology but also the UI and UX tools to build the customer journey.
3. **Make a business case –** Once you have a handle on how many customers and how much revenue you are losing, look at the cost of your new KYC and onboarding tools as a means to win customers that you would otherwise have lost.
4. **Cater for permutations of the customer journey -** Don't just think about the happy path, the onboarding journey needs to be flexible. Customers need the flexibility to be able to start, pause and resume account opening when it's convenient for them, on whatever device they are using, with whatever documentation they have at hand.
5. **Get the balance right between compliance and convenience –** Your new onboarding journey can delight your user, your CEO and your head of compliance. Customer onboarding journeys should be customisable and configurable to obtain more or less identity confidence based on the risk rating you see in each new application.

Appendix 1: About PIF

PIF stands at the forefront of the payments industry, proudly representing the companies and organisations that are improving the financial lives of many millions of people and businesses.

As a not-for-profit industry body, PIF's coherence and knowledge offers the industry a vital ally. In today's increasingly competitive and highly regulated marketplace, PIF helps its members and the industry to grow effectively, responsibly and compliantly.

WHY JOIN PIF?

Ever-changing rules and regulations – PIF advocates for members in its dialogue with regulators, law makers and government and acts quickly when regulatory proposals or change are viewed as inappropriate or disadvantageous for members. PIF helps firms to tackle the complexities and identify the opportunities regulation can bring.

Building awareness, improving trust – PIF acts swiftly to help prevent misperceptions and negative press from harming the reputation of the industry. PIF provides a supportive environment for fintechs to spotlight their business and their commitment to building a safe and sustainable marketplace for e-money and payment services.

Knowledge, experience and expertise – PIF is run by the industry for the industry. Members benefit from many years of combined industry experience, from learning about what has worked (and what hasn't) to identifying new opportunities to grow through market insights, practical guidance, benchmarking reports, online resources, events and focused working groups.

Discover more at **www.prepaidforum.org/join**

Appendix 2:
About HooYu & customer onboarding

Know who you're dealing with

HooYu is a global customer on-boarding platform that provides KYC, UI & UX tools to deliver customised mobile or desktop digital journeys.

A unique blend of identity verification tools

The HooYu approach is to blend ID document validation, digital footprint analysis, geo-location and facial biometrics with traditional database checks and PEPS & sanctions screening.

Behind all our proprietary KYC technologies is an identity confidence scoring engine that enables regulated entities to use HooYu on a Risk-Based Approach. In this way, high-risk customers can be mandated to offer more evidence of identity than low risk customers.

UI & UX to create the verification journey

The HooYu digital on-boarding journey combines clever UI & UX with a range of KYC tools. Key UI & UX considerations such as dynamic customer prompts, device language detection, reminder messages, white label customisation, logic steps to reduce friction, and customised journeys all help to maximise the success of customer account opening processes.

To see the HooYu verification journey and learn how you can build and configure your digital KYC journey please email info@hooyu.com or visit www.hooyu.com