

# MANTL

## How to determine ROI for online account opening



# OAO: The digital point of departure

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Online account opening (OAO) is a way for banks and credit unions to build relationships with customers digitally. It allows new and existing customers to open checking, savings, CD, or money market accounts without ever visiting a branch or speaking with a live person.

OAO may seem like an accessory to your institution's branch operations, or a nice-to-have feature for especially digital-loving customers. But many banks and credit unions are investing serious time and resources into the deployment of complex OAO solutions.

## *So why are banks and credit unions investing in this?*

It's because they understand that OAO is more than just another digital tool. Unlike other banking software, OAO can change the math – from lowering cost of deposits, to reducing compliance overhead, to minimizing fraud losses, and more. Creating a digital front door to your bank or credit union, and installing the right processes at that point of entry, is indeed a way to build relationships with customers digitally. But it's also a way to build your institution's future. Money-center and digital-only banks have spent many years (and many billions of dollars) testing the hypothesis that customers want digital banking. With proof of concept now complete, smaller institutions can gain parity on the digital front by partnering with vendors who understand the opportunity and can deliver best-in-class results.

High-performing OAO solutions have been shown to deliver a 20% (or greater) lift in new account sign-ups with no additional marketing spend required, with net new customers representing around 60% of those sign-ups. Community institutions looking to grow should find that a performant online solution is, by far, the most-cost effective option.



The percentage of primary checking accounts opened in-branch  
dropped from **56%** in 2018 to **36%** in 2020

# How does OAO boost acquisition?

How can OAO solutions create a 20% lift in booked accounts, if the institution doesn't dedicate any marketing spend to drive traffic to applications? To understand this question, consider the customer's point of view.

Most (if not all) customers, before beginning a relationship with your institution, will visit your website on a computer or mobile device. It's simply how business is done in the digital era. Your website represents a convenient hub of basic information for customers, who may want to know when your institution was founded, where your branches are, or what interest rate you offer on savings accounts. But no matter their level of interest or the reason for their curiosity, your website is a likely stop on their way to becoming a customer.

It's not absolutely imperative that you capture the customer while they're on your site, as many of them may soon visit one of your branches. But not all of them will, and an OAO solution gives the segment of customers who would rather open an account online the option to do so. These customers are then free to visit a branch at a later date – to withdraw cash, deposit a check, apply for a loan, or even open another account.

However, once a customer clicks "Apply," that's only the beginning of the OAO process. It's at this point that high-performing solutions begin to differentiate themselves from less effective products.

The effectiveness of a given solution can be measured using **four metrics**:



**Submission Rate**



**Approval Rate**







**Conversion Rate**



**Funding**

$$\text{Submission Rate} \times \text{Approval Rate} = \text{Conversion Rate}$$

# The difference between low-performing and high-performing OAO solutions

		Low-performing solution benchmark	High-performing solution benchmark
	<p><b>Submission Rate</b></p> <p>Out of all the applications that are started, how many are successfully submitted?</p>	<b>30%</b>	<b>55%</b>
	<p><b>Approval Rate</b></p> <p>Out of all the applications that are submitted, how many are approved and booked?</p>	<b>30%</b>	<b>65%</b>
	<p><b>Conversion Rate</b></p> <p>Out of all the applications that are started, how many are approved and booked? <i>(submission rate x approval rate)</i></p>	<b>9%</b>	<b>35.8%</b>
	<p><b>Funding</b></p> <p>Among all the new accounts that are booked, what is the average dollar value of their initial deposit?</p>	<p><b>Checking: \$100</b></p> <p><b>Savings: \$1,000</b></p>	<p><b>Checking: \$5,000</b></p> <p><b>Savings: \$20,000</b></p>

# Standard features of high-performing solutions

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- Sub-three minute time to open an account for new customers
- ~30 second time to open an account for existing customers
- Read + write integration with institution's core
- Support for real-time product configurability
- Support for multiple funding methods
- Ability to automate significant (90%+) number of fraud/risk decisions
- Numerous data sources for fraud/risk decisioning
- Secure multi-tenant architecture

# What's in a high-performing solution?

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A high-performing OAO solution can transform your institution's customer acquisition economics. Part of the magic is a great submission rate; this is accomplished by making it effortless to apply for an account, so that a high proportion of customers who start an application actually follow through.

A good solution will also result in a higher approval rate. This is because advanced KYC and AML automation is baked-in, allowing legitimate applicants to be approved much more quickly and accurately. At the same time, OAO platforms have been shown to actually reduce fraud by using additional data sources and tools. With less fraud and fewer false positives, your institution can expect a higher approval rate, and ultimately a higher conversion rate, too.

Finally, opening accounts online does not mean accepting low initial funding amounts. Bringing in higher initial deposits helps your bank or credit union by amplifying the impact of every new customer relationship. Through smart product design, the best OAO solutions are able to encourage high initial funding amounts and make it more likely that the new account will be used as the customer's primary (in case of checking) or will fund in the tens of thousands of dollars (in the case of savings and CDs).

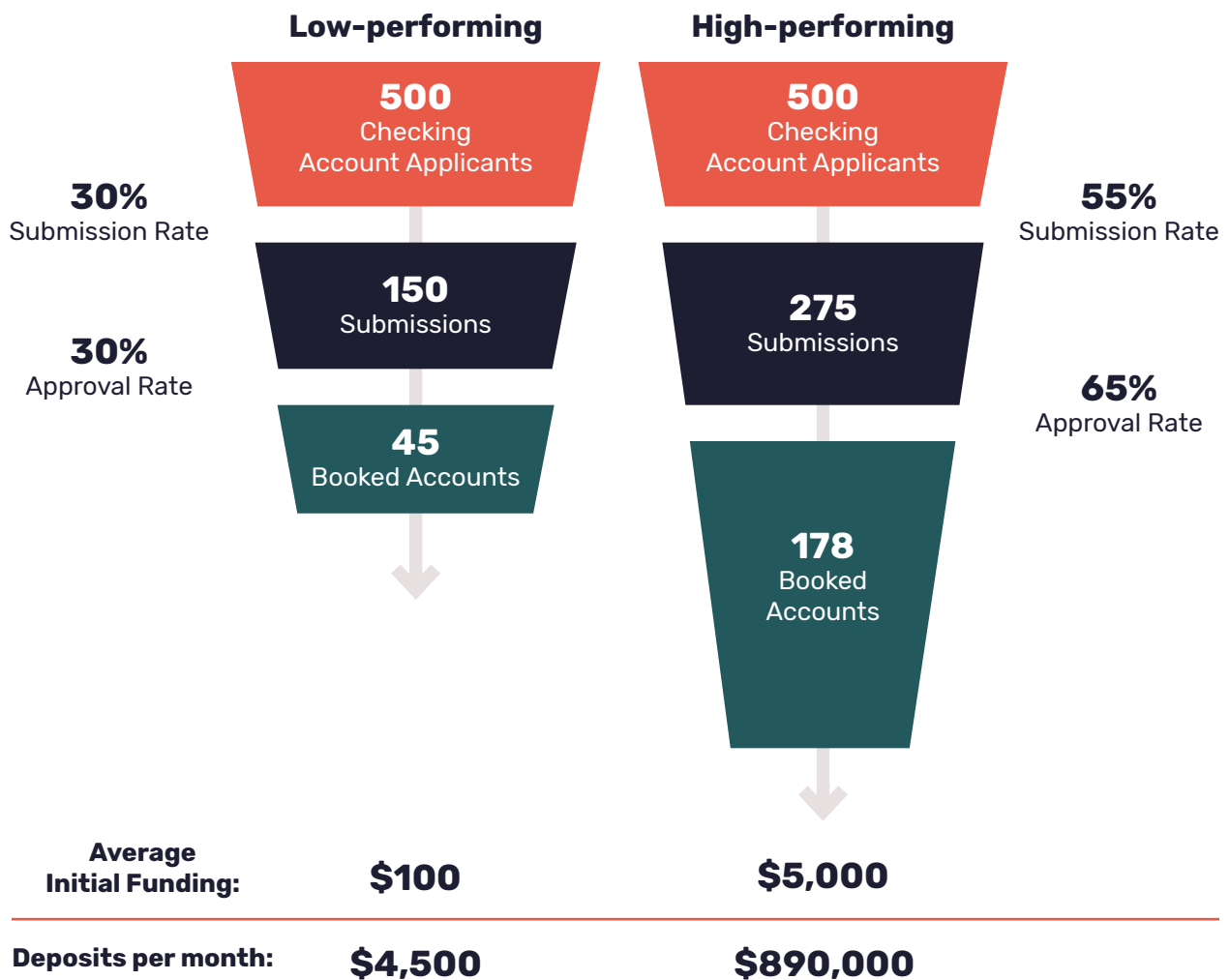
Of course, actual conversion rates and funding amounts vary depending on a handful of institution-specific variables like strategy, risk tolerance, and level of automation. Most OAO vendors will use data to show how each of these variables affects conversion and funding, and will consult with your bank or credit union to fine-tune your approach.

## Customer spotlight:

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With a combination of checking and savings products, Quontic Bank has been able to raise more than \$5 million of deposits per month online.

# Increase new accounts by 3.5x with a high-performing OAO solution



Compared to a low-performing solution, a high-performing solution can generate:

**3.5x as many accounts**  
**200x as much in deposits**

# Understand the benefits

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In addition to boosting account and deposit growth, OAO solutions offer operational benefits that can transform how your bank or credit union onboards customers.

## KYC & AML

High-performing solutions automate 90% or more of KYC and AML decisioning. This means that your compliance team can spend more time on manual reviews of tricky cases, while still enjoying access to detailed analytics and reports on the decisions that the system automated. In addition, other processes like the sending of adverse action notices can be automated.

## Fraud

High-performing solutions leverage an abundance of data sources – along with additional metadata obtained from the customer – to assess the fraud risk of every applicant with greater accuracy than solutions that rely on one or two data sources to cover all indicators of fraud. Banks and credit unions who use high-performing solutions should see a 60% or more drop in fraud.

## Demographic mix

Some institutions are reluctant to adopt OAO because they fear that it will only bring in young or unprofitable customers. In reality, customers who apply for accounts online aren't demographically different from branch-visiting customers; In many cases more than half of online applicants are 40 or older, and a significant amount of existing customers will use OAO to open additional accounts.

## Analytics & support

The success of an OAO initiative depends on finding a solution that will accommodate the needs of your bank or credit union. A vendor should understand your institution's culture, risk tolerance, and growth plans before working with your team to adapt best practices accordingly. Furthermore, you should look for ways to use analytical tools and leverage ongoing vendor support to measure results and tweak the platform on a regular basis.

# Assessing the cost

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Online account opening is by far the most cost-effective way for banks and credit unions to build customer relationships. Nevertheless, any solution will come with a cost, and fees for implementation, API calls, partner integrations – and for the software itself – can add up.

If your institution wants the results that a high-performing OAO solution can deliver, how should you try to justify the associated costs?

## What does it take to compete?

The reason that OAO is so important for community banks and credit unions in the first place is that the money-center banks (and, increasingly, digital-only banks like Chime) have been pouring billions into digital banking technology every year. In fact, [research](#) has shown that banks comprise 4 out of the top 10 companies globally in terms of technology budget. Two of these banks (JPMorgan Chase and Bank of America) even spent more on technology in recent years than Facebook did, and many large banks today are spending around 10% of their yearly revenue on technology.

As it stands, community banks and credit unions are in direct competition with these players. Even if a behemoth bank like Chase doesn't have much branch presence in a particular geography, they capture market share by using digital advertising to drive users to their own high-performing OAO platform. These banks know the power of opening accounts online, and aren't afraid to spend lavishly for the privilege. For community banks and credit unions, using a low-performing OAO solution – or not offering OAO at all – is akin to letting these outsider banks capture customers in their market unchallenged. OAO, in other words, has become “table stakes” for competing in the banking industry today.

**“ Sometimes a new product or an investment should simply be considered table stakes – meaning there's no need to do analysis at all. Think about banks adding the capability of opening new accounts digitally, for example. ”**

**- Jamie Dimon**

*CEO JPMorgan Chase, 2021 letter to shareholders*

## What's the alternative?

Other than online account opening, what avenues for growth does your institution have access to? Community banks and credit unions looking at alternatives to OAO may soon realize that the cost of such options can be high, with less potential benefit to the institution.

Depending on the market, the cost of opening and operating a branch can range from \$10,000 to \$25,000 per month, including facilities, staff, and other overhead. For this investment, your institution is likely to see less return, year over year, in terms of new accounts. This is because fewer customers are opening primary checking accounts in-branch than ever before.

In fact, research has shown that in the space of two years, the percentage of primary checking accounts opened in-branch dropped from 56% in 2018 to 36% in 2020. Online and mobile openings took over, each increasing by 10%. Without a doubt, the COVID-19 pandemic accelerated this shift – but how likely is it that customers will return to pre-pandemic habits after more than a year of conducting most of their business digitally?

Even in today's digital-loving world, branches will continue to play an essential role in solidifying (and even amplifying) your institution's presence. Much of the potential value of an OAO platform actually depends on tapping into the latent, in-footprint demand, and the 20% lift in new accounts that an OAO platform can generate is tied to your branch network's ability to drive interest in your brand. It may even make sense to build new branches in a post-pandemic world – but doing so without offering customers the ability to open accounts online almost certainly won't.

## The verdict

The costs of using an online account opening vendor are typically offset by the benefits that a high-performing solution can deliver. And, as the landscape of financial services evolves to become ever-more-digital, the ability for customers to open accounts themselves via a laptop or mobile device will only become more valuable.

**For more information on MANTL's online account opening platform, visit [mantl.com](https://mantl.com).**

MANTL is a banking technology firm offering the leading account opening software. Our platform empowers regional and community banks and credit unions to grow up to 78% faster. These institutions play a critical role in our economy and we're passionate about preserving that. Launched in 2017, MANTL customers have raised billions in core deposits to date. MANTL is a privately held company headquartered in New York with the backing of prominent venture capital investors.

Learn why MANTL is the top choice for modern online account opening among community banks and credit unions.

**Visit: [www.mantl.com](http://www.mantl.com)**

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