



# Digital Retail Onboarding in CEE

Best Practices and Factors for Success

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**Introduction:**

# **Digitization and the Future of Onboarding**



New customers are the lifeblood of retail banking and it's never been easier to win them... or lose them. In the past, financial institutions could expect lifelong loyalty from customers – some of whom signed up as children and stayed customers throughout their careers and into old age. Those days are gone.

Consumers now have more choices than ever before, and the advent of digital onboarding has made it unprecedentedly easy to try out new banks and bank-like services. Even before the pandemic, the rise of digital-first challenger banks posed a major challenge to incumbents. But the changes in customer behavior caused by global lockdowns have made one lesson very clear: banks need to digitize or they will decline.

In Central and Eastern Europe (CEE), as in the rest of the world, this lesson has been felt keenly. Banks were faced with a dramatic overnight change in the behavior of customers who had previously relied on services delivered in branch or over the phone. Even holdouts who insisted on banking in the traditional manner were suddenly forced into using digital platforms and financial institutions needed to satisfy these new demands.

Although most banks had at least made a start on the digital transformation journey, the pandemic forced them into an urgent fight for survival. The pandemic has pushed forward digital development by several years, with plans – which were already in existence but not prioritized or funded – brought forward at the same time. This period of change offered opportunities for trailblazers, as well as traps and pitfalls for slow movers.



In November 2020, Keith Jordan, VP of Mastercard Labs, said that the pandemic sparked a huge jump forward in both “technology and thinking” that resulted in up to 15 years of progress taking place in little over six months.



If you're not digital-first today, you're pretty much going to be dead in the next few years

**- Jordan concluded during a talk at the FintechOS Annual Summit.<sup>1</sup>**

The situation may sound alarming, but in fact it is a huge opportunity for incumbents to take a leap forward before neobanks exploit their head start.

Customer onboarding is one of the most important aspects of any digitization drive. If a bank does this right, it will be able to bring on new users and gain measurable ROI.

Research from the digital identity firm Signicat<sup>2</sup> suggested that individual banks are losing an estimated



**5.7 Billion**

each year due to poor onboarding, with



**63% of Europeans**

reporting that they abandoned a bank sign-up process in the past year.

This is the worst figure since Signicat began their research in 2016 and an increase of 23% from 2020.

This paper will examine the state of digital onboarding in retail banking across CEE and set out lessons that can be applied not only across the region, but the rest of the world.



Based on our experience so far in the Central Eastern Europe region, successful onboarding includes several factors: a good strategy, good advice, compliance with local laws and regulations, access to products and great technology.

**Todi Pruteanu**  
VP Ecosystem at FintechOS<sup>1</sup>



As a result of the pandemic, onboarding customers digitally, securely, and seamlessly is vital for organizations to continue doing business. Billions are spent on clever marketing and compelling products every year by the smartest people in the business—and it works, with millions of potential customers starting applications for financial products. Yet it is vital that the industry takes note of where they can improve the onboarding experience, in order to turn these applicants into actual customers.<sup>2</sup>

**Asger Hattel**  
CEO at Signicat

**Context:**

# **Retail Banking in Central and Eastern Europe**



Banks in Central and Eastern Europe (CEE) have been investing heavily in digitization for many years, whilst there is also a thriving fintech scene bringing new products and solutions to market.

In a report published in May 2021<sup>3</sup>, S&P Global said retail banking in CEE was “in the fast lane”, with financial institutions across the region “progressing well” in their digitization programs.

The combination of digitally-savvy workforces, widespread access to technology and “sound income” buffers has allowed banks in CEE to accelerate digitization to a speed that “outpaces many European peer countries,” S&P continued.

But although the analytics firm praised the sector’s embrace of mobile-first and digital-first services, it had a warning for both incumbents and challenger banks.

“All banks will need more digital investment over the next few years to keep up with rapidly rising customer expectations, in our view,” it wrote.

“For digital frontrunner banks, this means safeguarding their competitive edge, while for laggards, the viability of their business models is at stake.”

The region benefits from good connectivity, with 4G coverage at more than 90% and impressive internet speeds contributing to a business-friendly technical infrastructure.

Hungary was placed in the top 10 of the Worldwide Broadband League<sup>4</sup>, with an average internet speed of 99Mbps – a figure which outstrips the Big Five nations in Europe.

Elsewhere in the economy, there is also optimism about the future, with



**64% of CEOs**

in the CEE region telling PwC that they believe global economic growth will improve in 2021<sup>5</sup>.

The number of people that are unbanked differs significantly between each country in CEE.



**Just 2%**

of the population in Estonia are unbanked, whilst in Romania



**some 45%**

do not have a bank account<sup>6</sup>, the worst figure in Europe.

Yet across the region, there is widespread positivity around digital banking. A survey conducted as part of Mastercard's Evolution of Banking 2020 study<sup>7</sup> found that half of all people from the region said they conducted financial transactions digitally, either online or through an app, compared to just 39% of Western Europeans.

Pawel Rychliński, president of the CEE division at Mastercard Europe, highlighted historical reasons why consumers in CEE have welcomed digital banking.



In CEE, the development of mobile banking applications has progressed further in terms of their innovation, functions and consumer adoption

Mr. Rychliński told The Banker<sup>8</sup>. “The reasons for this can be debated, but certainly one of the most important factors is the fact that banking in CEE, after the political and economic changes in the early 1990s, started almost from scratch.”

This relatively recent start allowed banks to build with current technologies without the difficulties caused by legacy systems.

“That is why in CEE countries, contactless technology, or the usage of online and mobile banking, was so quickly and seamlessly adopted by consumers,” Rychliński added.

The number of people in CEE that have accessed one or more online services has



**risen by 15%**

since the start of the pandemic, according to the COVID-19 Digital Sentiment Insights survey by McKinsey & Company.<sup>9</sup>

The most widely used online service is banking, which was accessed by 58% of consumers, and the sector popularity was “no surprise” to McKinsey because the sector has been “investing significantly in digitization for several years already prior to the pandemic.”

So what are banks doing in CEE to win new customers and what can the rest of the world learn from their onboarding innovations?



**Successes:**

# Onboarding Wins



# UniCredit

Headquartered in Milan, UniCredit is the world's 34<sup>th</sup> bank by assets and has a strong presence in the CEE region. It responded to the pandemic by launching an ambitious digitization program which saw its customers' adoption of mobile banking apps increase by 5%.

Although its customer onboarding process differs across countries, all the systems are guided by the same ambition to achieve 100% digital onboarding processes in every geography.

Its greatest success in this field came in Croatia, where the onboarding process allows customers to open a bank account in just



**8 minutes<sup>10</sup>**

This is a significantly faster time than could be achieved with manual legacy processes and is based around an infrastructure powered by standard software and IT components that are known internally as “Lego blocks”.



In order to respond to local regulations, customer expectations and market conditions, each local UniCredit entity is able to choose which of these blocks to use in its onboarding process. This allows Unicredit to benefit from the economies of scale granted by working on an international level whilst leaving the flexibility and adaptability to tailor the onboarding journey to local needs.

The success of UniCredit's onboarding process shows the benefits of having basic building blocks that can be used to provide standardized services which can be rolled out at speed, yet still retain enough flexibility to be customized quickly when needed.

# Luminor Bank

The third-largest bank in the Baltics, Luminor Bank has its headquarters in Tallinn, Estonia, with branches in Latvia and Lithuania.

In May 2020, it launched a new onboarding process using technology from Ondato which allowed customers to complete KYC steps during signup by taking a picture of themselves and uploading an ID document.<sup>11</sup>

Prospective clients of the bank can either take a screenshot of their face during a video call or upload an image, which is then analyzed and compared against their ID.<sup>12</sup>



It was possible to become a client remotely before; however, the new solution shortens opening the account

**Jevgenijs Kazanins**  
Head of daily banking products  
for the Baltic States at Luminor



In the past, customers at traditional banks would have to file photo ID to identify themselves during onboarding and may even have been required to visit a branch so a human could verify their image.

Luminor's selfie-enabled onboarding process shows that technology can remove laborious manual work within the bank and make life significantly easier for new customers, who can complete the sign-up process remotely in a secure, simple manner.

# Tatra Banka

Tatra Banka holds a leading position in its market in Slovakia, with more than €15 billion of assets under management.

The bank wanted to build an onboarding process which would allow it to welcome new customers, particularly students and other members of young, digital-native demographics.

Tatra Banka now operates a fully digital customer onboarding process which is designed for mobile.

The onboarding system is powered by the Digital Onboarding Toolkit (DOT) created by Innovatrics, which features advanced biometrics including facial recognition and liveness detection.



It has slashed the time taken to open a new account by



of all new accounts are opened via the app, including **50%** in the target group of students.<sup>13</sup>

The success of its customer onboarding process demonstrates the need to incorporate all the stages of the journey in the digital experience.

**Best Practices:**

# **An Onboarding Checklist**



One-size-fits-all solutions no longer cut it today, because experiences must be customized to suit each client. But there are several qualities an onboarding journey must have to succeed. Here are six of them.



## Fast

Clients don't want to mess about with endless options and scroll through pages and pages of unnecessary information. The onboarding process should be streamlined, quick, and straightforward. Every second counts in onboarding, because any failure to keep the client's attention could result in them failing to complete the sign-up process. Industry figures show that up to 40% of people abandon onboarding<sup>14</sup>, especially if they have to fill in onerously large amounts of personal information or spend a long time filling in forms. Make the process fast and more customers will sign up.

customers are getting stuck or are abandoning the journey, then something is wrong and it must be fixed. A lot of delays for the user are caused by badly designed and confusing processes. The design of onboarding must enable complete customer self-service and any pause or break should be seen as a sign of a problem.



## Digital-First

A bank could have the best designed start to an onboarding journey in the industry yet still lose new customers by making one simple mistake: asking them to come to the branch to complete a step in the process.



## Optimized

The success of a journey should be closely analyzed to make sure it's as effective as it can be. If there's a point at which many

Onboarding should be digital-first and available on whatever platforms prospective clients are likely to use. When onboarding business customers, a desktop-based onboarding journey could be most appropriate. If a bank is aiming to attract consumers, they will demand a mobile journey which can be completed from any location.



## Personalized

Banks may already know their customers before they even start onboarding. If so, this information should be incorporated in the journey. Finally, data from onboarding questions should be used to personalize later parts of the process – for example using the applicant's name when asking for further information.

Users expect personalization starting from the moment they first make initial contact right the way through their onboarding journey and then onwards into day-to-day banking.

This can involve a small touch like greeting users by name when they log on, but should also include customized experiences which reflect their own needs as well as the legislative framework of the country they live in.

If a bank is working across territories, it could re-use standardized parts of the journey. But these elements should be customized and modified in order to meet the desire for personalized services among today's consumers.



## Frictionless

There are going to be trickier parts of any onboarding journey, but it's important to make them run smoothly. Take KYC, for example. If a bank needs to scan passport images or other government-issued documents, it should make sure the system is working effectively and is robust enough to cope with poor-quality images or other imperfections.

Friction is the enemy of good onboarding, so every obstacle should be removed from customers' paths. They should never be asked the same question twice, for instance, and autocomplete should be used to fill in information they have already provided. Going to a branch is a huge break in the process, but other small "seams" can be an issue too and even having to wait for verification creates friction.

Process phases:

# The Four Elements of Onboarding





In a study prepared for the European Commission,<sup>15</sup> PWC drew up a four-part structure which typifies onboarding processes.



## Application

The act of applying to become a client. In this phase, the new customer supplies an ID and undergoes KYC and AML checks.



## Verification

At this stage, the documents and information provided by the customer are checked and analyzed.



## Collection

The gathering of data about the new client to reveal their unique attributes and needs.



## Management

This stage may be repeated and involves managing the data submitted by the client.



**Future-Forward:**

# The FintechOS Solution



FintechOS's low code platform allows banks to deliver cutting-edge digital solutions in weeks, not months. Onboarding journeys are just part of our offering.

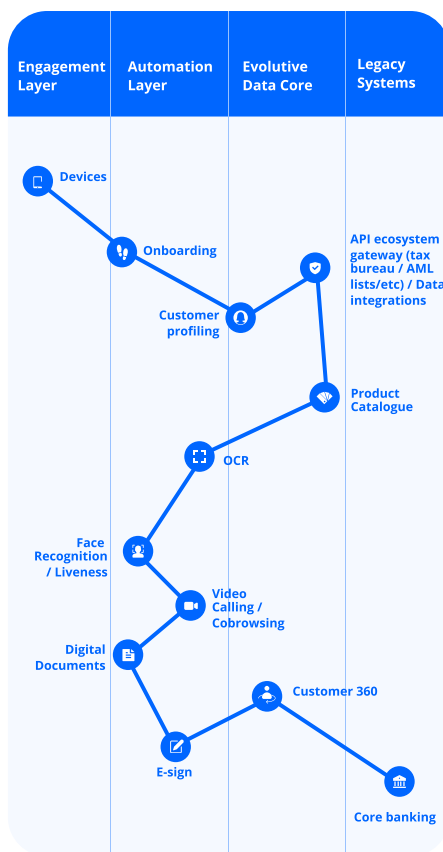
Today's customers are looking for financial services that fit their lifestyle. Flexibility, ease of use and personalized offerings are becoming the gold standard.

**FintechOS Lighthouse**, our customer-centric platform for banking, brings smarter products, personalized experiences, and reduces cost with end-to-end digitization.

Lighthouse is designed to build end-to-end customer journeys that are fit for the future. Our customer journeys are built with Automation Blocks, which are pre-built modules that allow banks to put together a journey that best suits their customer in a fast and reliable way.

Lighthouse can empower challenger banks with the abilities they need to take on the big players, or give incumbents the tools that can satisfy the demands of digital-first customers. Banks that use Lighthouse can self-serve using the Innovation Studio, which features a low-code paradigm that greatly reduces the time needed to make unique offerings or to design new products.

Banks are using FintechOS to build customer-centric solutions that are data-driven, modular and personalized.



## Conclusions:

# Building For Tomorrow

The stakes are high for banks in the CEE region. Fast-paced digitalization is taking place across the sector, offering huge rewards to the winner.

Onboarding is a powerful tool for all banks that are racing to win new customers.

The future of onboarding lies in building customer-centric, data-driven and easy-to-use journeys which make signing up for a bank account as easy as opening up a social media profile.

FintechOS is here to help any banks that want to get started on their own journey to better onboarding. Visit us at [FintechOS.com](https://www.fintechos.com) for details.



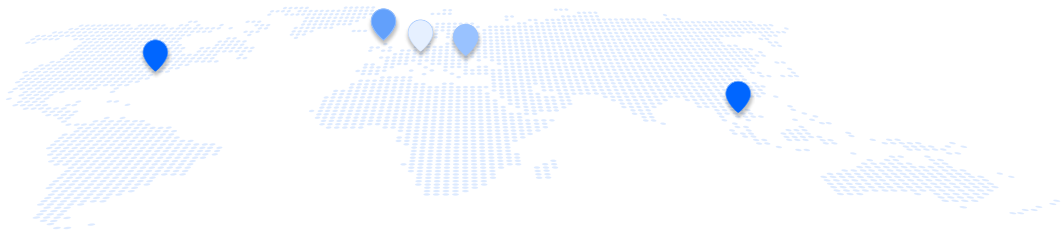
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# Our platform supports more than 40 clients all over the globe

We enable banks of all sizes to fully digitize their banking stack to offer innovative digital financial products with unparalleled user experiences.



**We'll help you roll out digital journeys in 4-6 weeks**

[Book a demo now >](#)

## fintechOS

FintechOS is driving a paradigm shift in the way financial products and services are created by making banks and insurers truly customer centric. Our tech integrates seamlessly with existing IT systems and our low code tools quickly empower organizations to design personalized customer experiences. These capabilities free our customers to tailor products, services, and interactions to a segment of one, increase ROI and decrease time-to-market.

- UK:** WeWork Marylebone, 119 Marylebone Rd, North West House, Marylebone, London NW1 5PU
- Netherlands:** WeWork, Weesperstraat 61-105 1018 VN Amsterdam
- Romania:** Oregon Park, Building C, 2nd Floor, 46-48 Pipera Road, 2nd District, Bucharest, Romania