Digital approach to customer onboarding in commercial banks
Commercial banking, which has generally lagged in adopting newer technology, is now laser-focused on innovating customer experience. Many consider it a competitive differentiator. Since onboarding is one of the first impressions customers get of their banks, it is a critical component of their experience. Banks are now embracing digital to meet customer expectations and craft unique experiences, while striving to automate and improve client onboarding efficiency.

This paper focuses on client onboarding in commercial banking wherein banks open accounts enabling clients to utilize different products and services. We focus on the different stages of onboarding to understand the boundaries, business processes, underlying systems, associated challenges and potential opportunities in the context of new digital paradigms and rising customer expectations.

Onboarding overview
In commercial banking, client onboarding is the process by which a bank determines whether to do business with a client, and on what terms and conditions. Banks conduct a detailed examination of related risks, set up operational modalities around products and services, and prepare related legal contracts and documentation.

This is an extremely complex function, because the clients tend to be large businesses with elaborate structures, and the process typically requires multiple elements:

- Customer Research and Qualification
- Risk Assessment & Credit Underwriting
- Complex Contract & Commercial Negotiations
- Executing Legal Documentation & Contract
- Manage Associated 3rd Parties/Vendors/Agencies
- A/c Openings, Product Set-up, IT Integrations
- Detailed Customer Due-Diligence
- Complex Decision Making
- Local & International Regulatory Compliance
- Multiple Banking Products and Services
- Continuous Relationship and Communication Management
- Coordination Across Units (sales, Ops, risk, IT etc)

This complexity results in longer onboarding cycles. In many instances, the same client needs multiple onboardings—one for each line of business—because the underlying systems and processes are not integrated and operate in silos.

The onboarding process
Whether onboarding a new client or a new service for an existing client, it is important to consider the inherent complexity of the process, from end to end. Different departments capture the data than those who exchange, retrieve, or analyze information. The process is further complicated (even dramatically different) when banks operate across jurisdictions with different regulations and market practices.

The entire customer onboarding process can be segregated into two blocks: Customer onboarding and product/service onboarding.

Problem Statement
In the banking relationship, onboarding clients is the first step of the customer journey. It takes several weeks—or months, in some cases—due to complexities, compliance challenges and inefficient processes, leading to sub-optimal customer experiences, a higher cost for onboarding, and loss of revenue for banks.

Onboarding processes are rarely structured to consider and provide for the customer. They tend to be bogged down by technological, procedural and regulatory issues. Until recently, most banks viewed customer onboarding as a back office function, and only a few considered it as a real competitive differentiator.

Since 2008, global financial institutions have been fined $26 billion collectively for not complying with anti-money laundering (AML) and know your client (KYC) sanctions. At the same time, banks are adding stringent controls, contributing to increases in overall onboarding cost, resulting in a double-whammy for banks. The current onboarding processes are largely manual, error-prone, incomplete, ineffective, and expensive.
in customer behaviors, banks need to focus on customer-centric onboarding to strengthen their competitive advantage, drive revenue and lower cost. This requires an innovative digital approach.

Digital onboarding will help banks keep up with the evolving demands of the marketplace, and streamline underlying processes and systems to be more flexible, adaptive, and efficient.

To build and implement this new onboarding process successfully requires equal consideration of features and business functions, and an incremental and iterative roll-out. If done well, digital onboarding will

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**Key challenges**

To establish an effective client onboarding framework—one that improves customer experience and addresses bank-related issues—there is a number of challenges associated with current processes that must be understood from the customer’s perspective and the bank’s perspective.

**The way forward: Digital customer onboarding platform**

With the rise of digital economies and changes

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![Figure 3: Framework for building digital customer onboarding process](image)

**Figure 2: Approximate amount spent by banks on client due diligence/KYC and onboarding in selected countries.** Source: “Thomas Reuters KYC compliance: The rising challenge for financial institutions,” 2019.
maximize return on investment and customer impact by driving process efficiency, improving data quality, increasing service consistency and strengthening risk management capabilities.

To conclude

Reimagining the corporate client onboarding experience can be complex and challenging for banks, but there are ways to make a difference. The common ambition is to leverage service design principals to reduce complexities, and transform underlying processes to improve customer experience. But the transformation roadmap will be unique for each bank. It will depend on context, pain-points, priorities, and size and scale of onboarding operations.

A combination of digital intervention, adopting new technologies and embracing hyper-automation are equally important to enable a new approach. It is important to have a clear vision of the objectives, balancing quick-wins and gradual implementation.

References
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