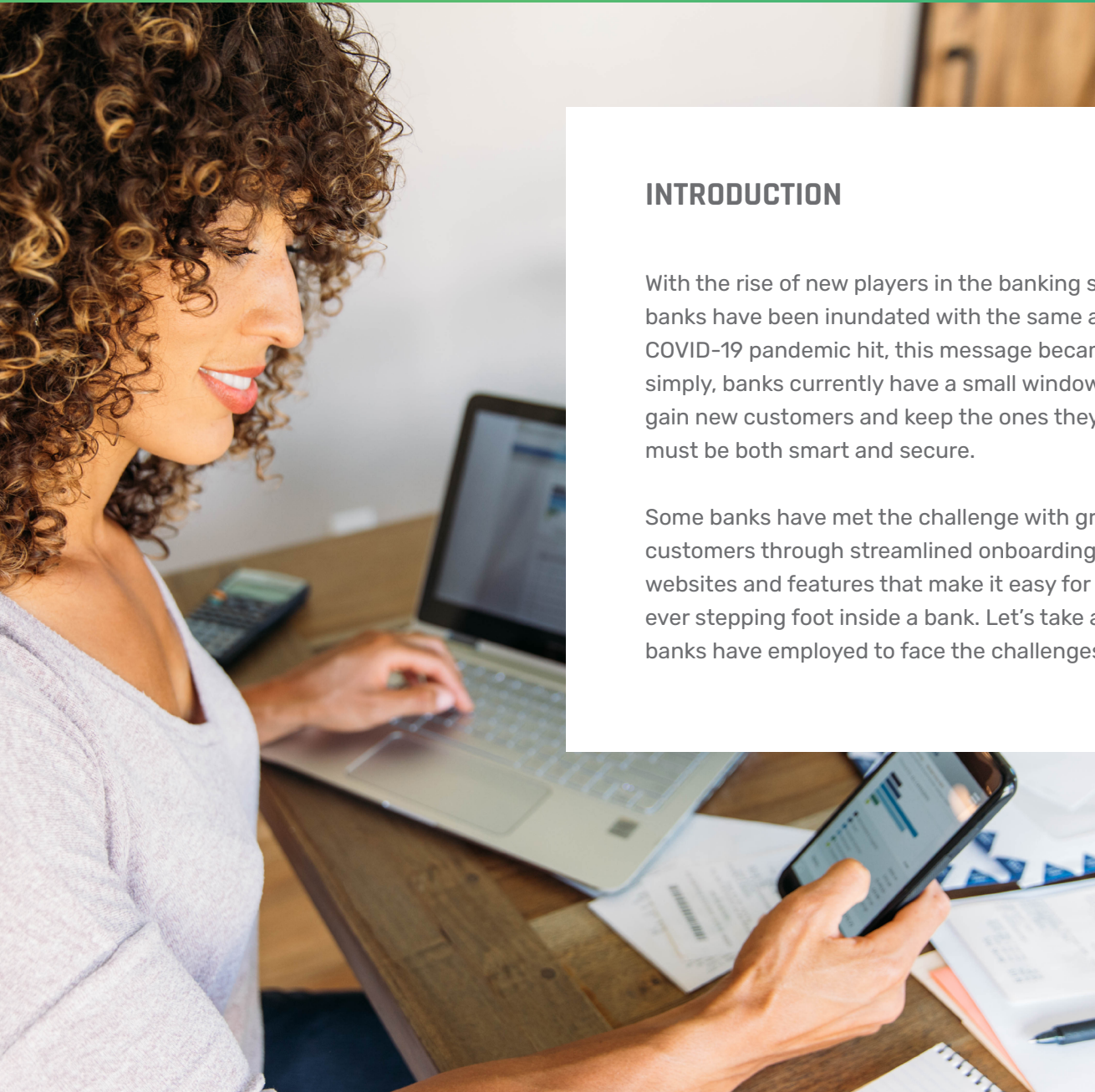




BANKING ON INNOVATION

6 Ways to Fight Off
Challenger Banks and
Future-Proof Your Business





INTRODUCTION

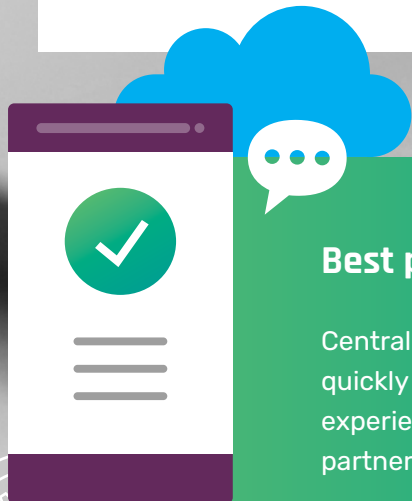
With the rise of new players in the banking space over the last few years, traditional banks have been inundated with the same advice: innovate or die. But when the COVID-19 pandemic hit, this message became an immediate call to action. Quite simply, banks currently have a small window of opportunity to innovate in order to gain new customers and keep the ones they have. The challenge is that the innovation must be both smart and secure.

Some banks have met the challenge with great success, focusing on attracting new customers through streamlined onboarding experiences and creating powerful apps, websites and features that make it easy for customers to manage their money without ever stepping foot inside a bank. Let's take a look at the best practices that successful banks have employed to face the challenges of a rapidly changing world.

1. Keep an Eye on the Tech Giants

When we talk about new players, we don't just mean challenger banks (small retail banks) and neobanks (online-only banks). The true threat to traditional banks are the large technology firms – new players in the financial space who are goliaths when it comes to innovation. In their [2020 Consumer Banking Report](#), EPAM explained how “ubiquitous banking” – enabling access to funds right at the point when and where you need them – will be critical in the future as customers become more comfortable doing their banking from within social media, on their devices and through voice technology like Alexa. Sure enough, companies like Apple, Google and Amazon have been jumping on the opportunity to integrate banking into their offerings.

Still, trust is paramount to consumers, and traditional banks have a significant edge over tech companies ... for now. Successful banks are taking advantage of this short window of opportunity to streamline online onboarding and expand their digital offerings.



Best practices:

Centralize your innovation efforts on enabling new customers to quickly and easily onboard from their phones, integrate the banking experience with social media and voice technology, and look for strategic partnerships with tech companies that will enable ubiquitous banking.





2. Balance Fraud Prevention vs. Friction

Many banks spend millions of dollars on marketing to drive new customers to their site to start an application, only to have up to 68% of customers abandon the onboarding process out of frustration. Customers want to be able to apply quickly with a minimal number of clicks and a simple, intuitive user experience. It's critical to keep bad actors out of your company, but it should not be at the expense of an easy onboarding experience for legitimate customers.

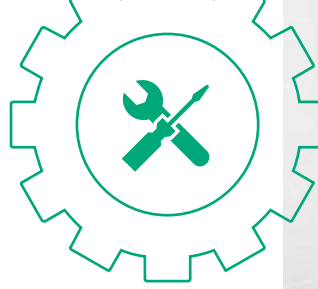
Smart onboarding solutions keep friction to a minimum through fraud deterrence before fraud detection. For example, Jumio's Identity Verification solution lets the consumer take a picture of their photo ID and a selfie right from their phone to verify their identity. While this is a quick and easy process for legitimate customers, fraudsters typically abandon the process as soon as they learn they would have to take a selfie.

“The challenger banks not only required the fewest clicks, but needed significantly fewer than even the best scoring traditional bank. It took 5x as many clicks to open an account with First Direct, than it did with Revolut.”

THE UX OF BANKING

Best practices:

Evaluate the number of clicks and total time it takes a new customer to complete your onboarding experience. Determine the points at which they abandon the process, and then look for ways to reduce the friction. This case study does a great job of describing the experience people want versus the actual experience many banks are offering. Remember that it's better to prevent the fraudulent application from ever being processed in the first place, so look for solutions that are designed to deter fraud as well as detect it.



3. Honestly Assess When to Buy vs. Build

According to CBInsights' report 'Gradually, Then Suddenly' in Financial Services, the two things that make business faster are technology and data. But even as we embrace digital transformation, many banks still prefer to build technology in-house rather than buy the best solution.

The problem is that IT teams are always spread too thin with multiple projects, and it typically takes 18 months to design, develop, test, refine and release an effective solution – at which point the solution is already outdated. DIY thinking puts these banks well behind the competition and provides a golden opportunity for new players who can innovate quickly and gain tremendous market share.



Best practices:

Carefully evaluate the actual cost of ongoing feature development and maintenance that will come from building your own solution, as well as lost opportunity costs while you wait for it to be ready. In most cases, buying the best solution today is much more cost-effective than building something yourself.



4. Harness Insights from Third-Party Services

Even if you decide to build your own solution, you can cut down dramatically on onboarding time and vastly improve identity verification accuracy by harnessing the near real-time insights offered by third-party service providers. For example, with Jumio, you can perform address validation, proof of address and driver's license lookups on the fly. You can tap into credit bureaus and known fraud databases, and you can look for anomalies, such as comparing the IP address versus the address on their ID. You can also ping identity affirmation databases to check out the age/ownership of the phone number and email address, all of which are fraud signals that can help determine an identity score that determines whether the user is who they claim to be.



Best practices:

Carefully plan your identity verification criteria, and be sure to use services that can provide rich insights and quickly help you get to a yes/no decision with minimal wait time for your customers.



5. Never, Ever Skimp on Security

In the rush toward digital transformation, some banks moved too quickly to provide features like online onboarding and opened themselves to security risks. Whether you buy a solution or build your own, security is paramount to maintaining your reputation and avoiding expensive fines and lawsuits.



Best practices:

When looking at buying a solution, find out how the vendor ensures your customers' data is protected. How long do they store the data? Is it encrypted in transit and at rest? What kind of security certifications do they have? If you are building your own solution, you must be fully prepared to comply with regulations such as GDPR and CCPA. Make sure you do a full security audit of any solution you build or buy, well before any of your customers use it.

6. Stay Ahead of the Compliance Curve

We've seen the headlines all too often where banks (and their executives) are fined millions of dollars for not having a robust anti-money laundering (AML) compliance program. Consumers are more and more willing to bank online, apply for a loan right from the website where they're making a purchase and pay through social media – as long as they trust that their bank is keeping their money and identity safe. You need to keep their trust by ensuring your compliance program stays ahead of the criminals and that you stay out of the headlines.



“As Monzo continues to grow and pursue new markets, we know that Jumio will scale with our business and continue to provide an essential service – helping Monzo create the best-possible experience for our banking customers while fighting financial crime.”

HEAD OF FINANCIAL CRIME, MONZO

But compliance is complicated, and some banks have an army of analysts working full-time to prevent the bad actors from getting through. They often have upward of a dozen solutions to address the various aspects of compliance, including identity verification, risk assessment and AML screening. A better approach is to use a mature compliance platform that handles everything from onboarding through ongoing customer due diligence to keep criminals from destroying your reputation.

Best practices:

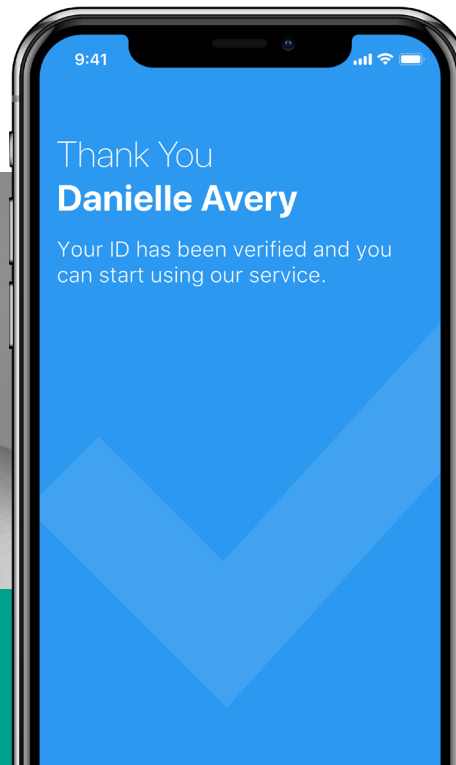
Look for an end-to-end compliance solution like Jumio's [KYX Platform](#), which is securely managed in the cloud, uses machine learning to ensure better catch rates with a lot fewer false positives and was built by compliance experts with regulatory experience who understand your pain points. Make sure you work with a company that treats you as their partner, not their paycheck, and is responsive to your needs.

Regulations keep changing, and it's critical to build a relationship with a compliance vendor who will stay ahead of the curve.



SUMMARY

It can be a daunting task for a traditional bank to develop and execute a strategy that will attract more business, keep bad actors out while streamlining the process for good customers, ensure security and compliance, protect the bank's reputation and maintain their customers' all-important trust that their money and data are safe. Jumio has helped banks all over the globe successfully meet this challenge and take their businesses to the next stage of growth as a result. [Schedule a demo today](#) to see how Jumio can help you stay ahead of the competition and future-proof your business.



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