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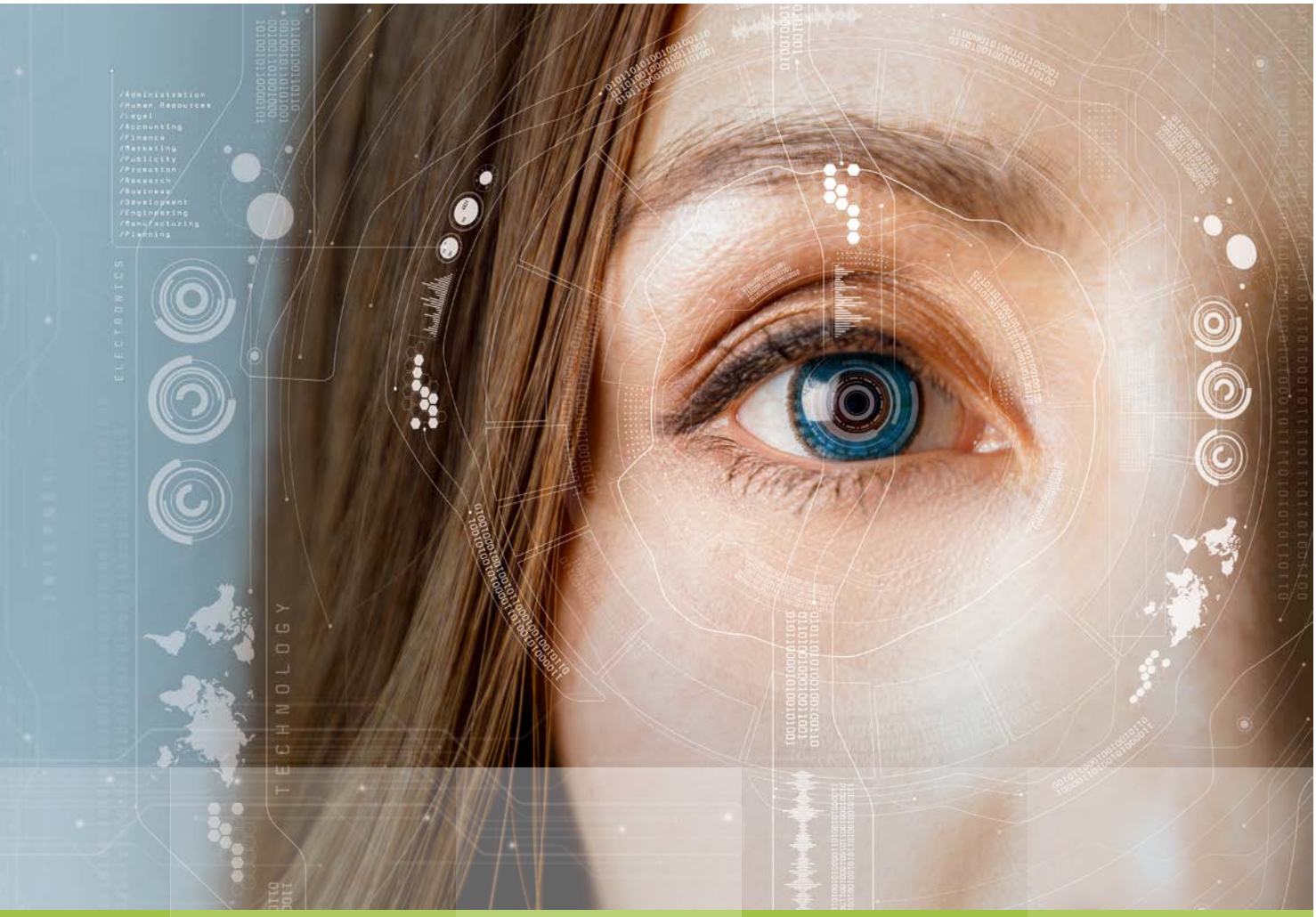

Digital Onboarding and Digital Identity

Identity is often siloed, with customers needing to have separate relationships with each organisation they deal with and each organisation keeping a separate (and likely different) digital version of the customer. This creates massive friction and risk. Still, digital identity, when properly utilised, can become a core enabler of how the business functions and create new layers for service.

CleverAdvice

Best Practices in Business Onboarding – How Nexi Developed an End-to-End Digital Onboarding Process and Extended it to Italian Banks

About Marco Fava: Marco Fava is Managing Director at CleverAdvice. With over 20 years of experience in the payments industry, Marco helps issuers in improving their Open Banking strategies and use case profitability, commercial payments strategy, customer journeys, digital onboarding, and conversion rates. Marco speaks regularly at conferences across Europe.

Marco Fava ▪ *Managing Director* ▪ CleverAdvice

In the last few years, digital onboarding has spread significantly throughout financial services and beyond due to features including ubiquitous access, lower variable costs to onboard every customer, and anytime availability.

Service providers appreciate the ongoing benefits offered by these features as they more than offset the one-time costs required to set up the digital onboarding process and develop the IT platform.

Advantages of digital onboarding vs traditional onboarding

There are several advantages of digital onboarding over and above traditional face-to-face onboarding and they include extended reach to more prospect customers – even cross-border – at no additional cost, potential to widen the product offerings to address customers with geography-specific needs and requirements, reduced variable onboarding cost as the system handles the entire process versus onboarding in-branch, where the bank personnel physically interacts with the customer. Anytime availability is an additional feature that benefits both customers and service providers – the former enjoy the flexibility of not having to adapt their schedule to office hours, while the latter have higher chances of getting more customers. It should be noted that anytime availability is not an option for a staff-handled process as extending branch opening hours, even slightly, will be difficult and costly to implement.

Digital onboarding for acquiring services – Nexi Payments

In 2016, CartaSi (now Nexi Payments) – the largest payments providers of issuing and acquiring services in Italy – was lagging in ecommerce acquiring.

Their market share in the online space was much lower than the one they enjoyed in face-to-face acquiring services where CartaSi was serving more merchants than all other acquirers combined. In particular, most small and medium-sized merchants were turning to the competition – mainly PayPal – to acquire online payments transactions. That was largely due to the need of visiting a bank branch and going through a cumbersome, paper-based, and largely manual process. Also, it took a long time (3-5 weeks) to activate the merchant so that it could start accepting transactions.

Private equity funds Advent International, Bain Capital, and Clessidra had recently acquired control of CartaSi and were keen to boost their presence in online payment acquiring, an area where they expected strong growth. That was particularly the case for Italy, where the share of smaller enterprises was – and still is – among the highest in Europe.

They hired CleverAdvice to achieve their goal. We recommended to design and structure an end-to-end onboarding process, with an intuitive and user-friendly customer journey aimed at attracting small and medium-sized merchants but, at the same time, inexpensive to maintain for the acquirer with respect to a physical process.

Structure of the digital onboarding process

Right at the beginning, the digital onboarding process clusters the merchant into a specific category aimed at narrowing down the options applicable later on in the process and having the merchant focus on those that are relevant to its profile. ➔

This results in a more user-friendly customer journey, constantly tuned to customer-relevant fields, and in a 15-minute end-to-end onboarding time. Besides, the merchant may stop along the process at any time and resume it in one or more subsequent sessions.

The process aims at onboarding the highest number of merchants and it is extended to a wide variety of them, including merchants with a website but not ready to sell online and even without a website/domain. This provides an opportunity for Nexi to have a 'foot in the door' and finalise the service agreement when the merchant is ready to sell online.

Signing a contract agreement for acquiring services is a requirement under the Italian finance regulation. Part of our effort was allocated to move away from the cumbersome ongoing practice built around a paper-based contract set requiring the merchant to fill-in and sign three agreements. We replaced it with a single paperless contract where we cut all unnecessary fields. The merchant then inks the agreement with a digital certificate issued during the onboarding process. We also limited the merchant's document inputs to those strictly mandatory to comply with KYC and AML regulations. This further lightens the merchant's effort and maximises conversion.

Merchants welcomed the digital onboarding process since it went live in mid-2017, which has led to a large increase in affiliated merchants (+200% YoY over the last couple of years) and is continuing to do so.

Also, merchants appreciate that within 1-2 days they can accept payments with no restriction. Activation timing cannot be further reduced due to several mandatory back-end checks mandated by strict KYC and AML regulatory of the Italian regulation. This is unrelated to onboarding techniques.

An important characteristic of this digital onboarding process is related to how potential disputes between Nexi and the merchant are handled from a legal point of view. In the event of a dispute, the merchant will need to prove that Nexi was not up to its obligations and that a merchant executive actually signed the acquiring agreement. This is unusual for an agreement digitally signed remotely, where the responsibility to prove the facts usually stands with the service provider. We embedded this acquirer-friendly feature by designing the process with a specific structure and flow. Not only this is beneficial for Nexi, but also comes at no additional cost.

Benefits to banks affiliated to Nexi

As part of its core business, Nexi Payments offers payments issuing, acceptance services, and banking solutions to a few hundred banks. Nexi-affiliated banks benefit greatly from the digital onboarding solution as it is flexible enough to make their merchant customers feel they are onboarding through their bank. Also, during the digital onboarding journey, individual banks may apply a variety of tailor-made discounts/promotions/coupons to stimulate merchant acquisitions.

About CleverAdvice: CleverAdvice is an independent professional services firm focused on the payments industry and active member of the European Payments Consulting Association (EPCA). Areas of expertise include Open Banking strategies and use cases, Digital onboarding, Customer journey, Strong Customer Authentication, Commercial cards and payments, Instant payments, Conversion at checkout, and Customer retention techniques.

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