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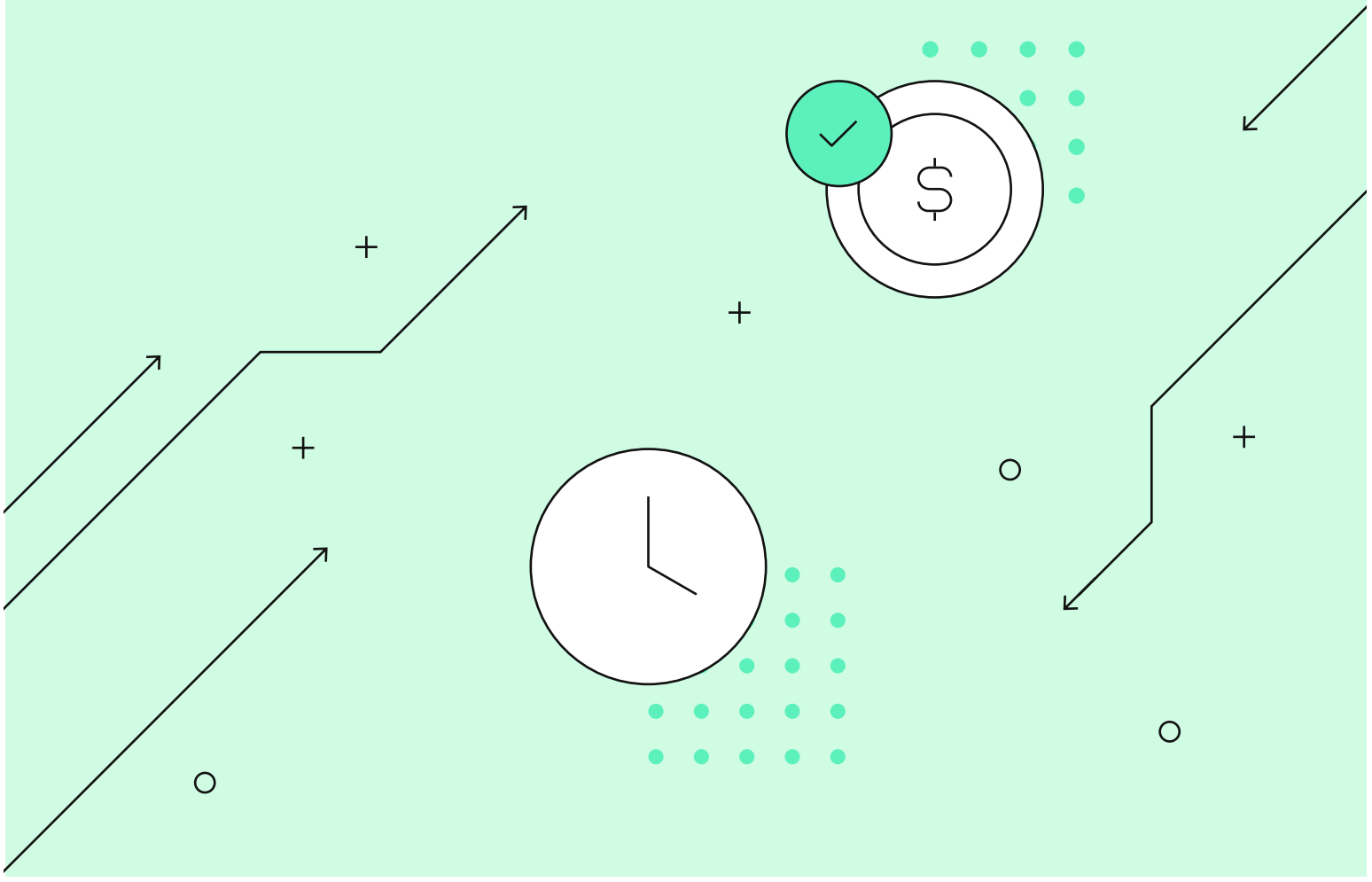
plaid.com

5 ways to optimize your business with Plaid

How Plaid makes it easier for companies to deliver fintech services



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OVERVIEW

More and more companies are integrating financial technology into their products and services to powerful results. From providing users with greater value, to increasing engagement and loyalty or even creating new revenue streams, businesses are discovering an array of benefits that speak to their bottom line.

In the following report, we look at five ways in which integrating financial services through Plaid technology can do just that, enabling companies to:

1. Increase conversion
2. Save money
3. Streamline operations
4. Maximize time
5. Build user trust

If you're a decision maker and looking for ways to make your business more competitive in this fast-changing space, this one's for you.

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1. Increase conversion

Speed up onboarding to improve conversion and encourage use of your app or service

Savi

Savi is a platform that helps borrowers enroll in loan forgiveness and reduced repayment programs. After switching to Plaid, their user drop-off rate fell from 2.8% to 0.7%. What's more, users who connect their loan data with Plaid go on to become paying customers 25% more than those who enter it manually.

From wealth management to loan underwriting or even ecommerce payments, consumers are connecting their financial accounts to a wide array of apps and services. To comply with the Nacha's WEB Debit Account Validation Rule, these accounts must be validated as legitimate, open, and able to receive an ACH transfer before their first use.

Traditional means of account validation such as microdeposits and voided checks, however, typically take days to complete—if a user ever completes them at all. Data shows that the drop-off rate for microdeposits can be as high as 49%. Manual entry of account details is also prone to error, requiring potential users to locate then correctly input their routing and account numbers.

3.2x

After switching to Plaid, digital bank Chime saw 3.2x higher conversion rates.

This creates a 'leaky funnel' that can have a significant negative impact on your ROI. One Plaid customer, for example, saw as many as 65% of their newly opened accounts go unfunded within the first 30 days before switching to instant account verification with Plaid.

The latter allows users to connect their financial accounts in seconds rather than days, which has been shown to increase conversion 3.2x over. To do so, they simply select their financial institution from a list, then enter their account's username and password—or verify it biometrically via their bank's native mobile application, where applicable. Known as App2App authentication, this lowers drop-off even further and increases conversion by an additional 10-15%, according to Plaid data.

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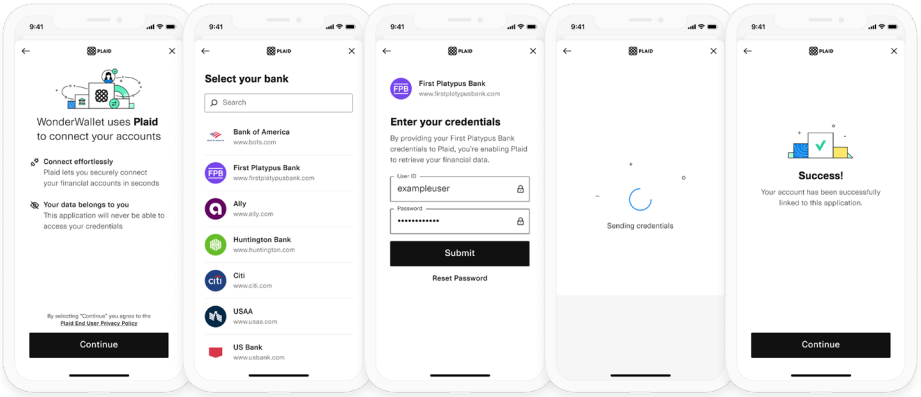
Ziggma

Ziggma simplifies portfolio management. 81% of its users who connect their investment accounts with Plaid return to the app within a week—3.2x more often than users who don't. They also spend 4.3x more time on the app.

"When users connect their accounts with Plaid, they have more skin in the game."

ULRICH EBENSPERGER
CEO, Ziggma

INSTANT ACCOUNT CONNECTION WITH PLAID



With the onboarding experience friction-free, users are more inclined to become active customers. And that means an increased bottom line.

- For some Plaid customers, the average initial-funding amount for new users grew nearly 5-fold after integrating with Plaid.
- Others have seen users transact 3x more when they connect their financial accounts using Plaid.

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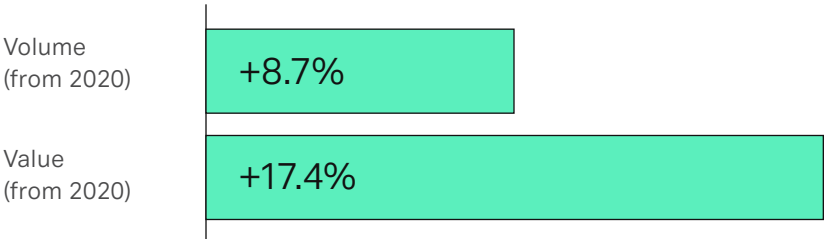
2. Save money

Make cost-saving ACH transfers easy for you and your customers

ACH use for account funding and transfers is growing rapidly. NACHA studies show that internet transactions have become the ACH network's fastest-growing segment with year-over-year growth of 13.3%.

Likewise, 2021 saw an increase of +8.7% in total network volume, boosted in part by the popularity of digital wallets and push-and-pull peer-to-peer payment apps like Venmo and CashApp, to which credit cards are often less adept.

TOTAL ACH NETWORK VOLUME AND VALUE, 2021



Source: Nacha

Credit cards are generally expensive, too, costing up to 3.5% of the purchase sum in interchange, assessment, and processing fees. In 2020, US merchants paid a total of $110.32 billion in these charges.

These numbers are only set to grow: After hitting pause due to the pandemic, Visa and MasterCard are now poised to raise their rates, for a net annual increase of around $330 million in merchant fees for MasterCard alone.

Moreover, credit cards are known for causing involuntary churn, particularly when it comes to subscription services. Think lost or stolen cards, changes to billing addresses, maxed-out credit limits, or expired cards. These types of declines can constitute up to 40% of a business's overall payment churn, with reports showing that related losses total upwards of $40 billion every year.

Alto Pharmacy

Alto is a digital pharmacy that increases the accessibility of prescription medications to patients in over a dozen major US cities—and growing. Using ACH powered by Plaid, Alto saves an average of $50 on every transaction of $1,000 or more. That translates to monthly savings of tens of thousands of dollars.

"The credit card fee on a $10,000 transaction is a very meaningful dollar amount for a business like ours. We needed to find a way to save money on fees while giving patients more flexibility about their payment options."

JAMIE KARRAKER
Co-founder and CTO, Alto Pharmacy

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0.5%

ACH procesing fees are as low as 0.5%, versus up to 3.5%—and growing—for credit cards.

Plaid-powered ACH transfers mitigate these issues and more:

- **ACH costs substantially less.**
  ACH transfers are generally much cheaper than credit card payments, with processing fees as low as 0.5%.

- **ACH offers little-to-no churn.**
  ACH processing decline rates are a mere 1-2%, as opposed to 15% for credit cards.

- **ACH carries a low risk of fraud.**
  According to a Federal Reserve Payments study, ACH has traditionally had the lowest fraud rate of any payment type, at just 0.08 basis points. This translates to important savings: A 2020 study found that merchants lose $3.36 for every $1 of fraud, as they're liable for more than just the cost of the initial sale after chargeback.

With Plaid, your customers can start transferring funds via ACH in a matter of seconds by simply entering their account credentials or authenticating their account biometrically via their bank's native mobile app, where applicable. Plaid connects to over 12,000 financial institutions in the US, Canada, UK, and Europe and works with any ACH processor, including Dwolla and Sila.

Using one of Plaid's partners allows sensitive account and routing numbers to be tokenized for better security. In addition, you can easily mitigate return risks thanks to a Plaid balance-check, which confirms sufficient funds to avoid NSF, overdraft, or chargeback fees—a step that users appreciate.

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BlueVine

BlueVine offers digital banking and financing to small and medium size businesses. Plaid helps them make loan decisions 4x faster than a competing platform, by providing frequent, reliable, and accurate financial data. In fact, when BlueVine applicants use Plaid to connect an outside financial account, they complete that step of the application process 150% faster compared to the manual method.

"We wanted a more efficient solution—so we went with Plaid."

HERMAN MAN,
Chief Product Officer, BlueVine

20%

Digitizing loan underwriting can reduce operational costs by up to 20%.

3. Streamline operations

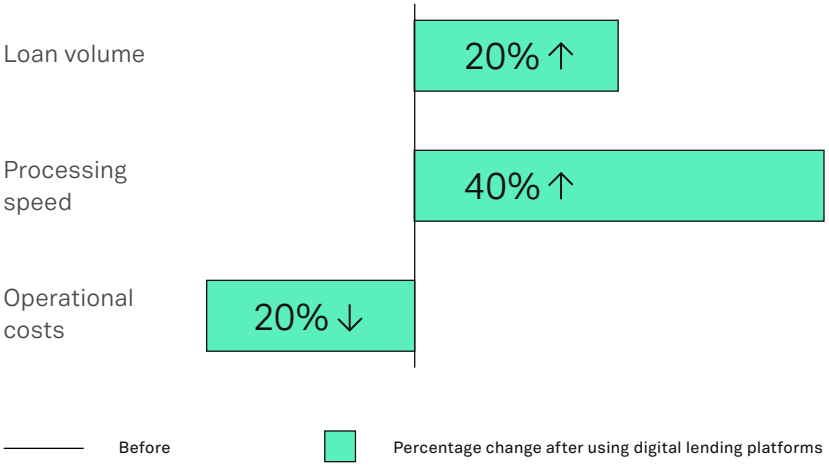
Go paperless to speed up customer experiences and reduce operational costs

These days, one of the biggest enemies to efficient business comes from a prolific but unassuming culprit: paper. Slow, laborious, and expensive, paper-based onboarding and application flows are ripe for fraud and lead many consumers to abandon the process shortly after they've begun. This is true for all sorts of things, from salary direct deposit sign-ups to identity authentication and, especially, loan underwriting.

That's because lending is a complex mixture of credit-risk decisions, operational processes, regulatory adherence to KYC norms, fraud checks, and more. This has traditionally made the final decision on approval or decline a lengthy process filled with copies upon copies of documents, including months' worth of pay stubs and bank and investment statements.

Plaid's data aggregation provides the necessary technology to do away with this type of papertrail. The value is in the data: According to a study, digital lending platforms can drive up loan volume by as much as 20% and processing speed by up to 40%, all while reducing operational costs by 20%.

BENEFITS OF PAPERLESS LENDING



- With Plaid, credential-based authentication across use cases cuts out the paper and allows companies to redirect employee time to more important tasks, like growing their business or improving their customer experience.
- For loan underwriting, consumers can easily share things like cash-flow data, as well as income status and assets, for a more accurate view of their financial picture.

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SoLo Funds

SoLo Funds is a peer-to-peer lending platform that helps people solve short-term cash flow challenges. Implementing Plaid took just one week of time and 30 lines of code.

"Plaid makes life easier for our team. It frees up engineering time that we can put toward our long-term business goals."

JON BLACKWELL
Chief Product Officer, SoLo Funds

4. Maximize time

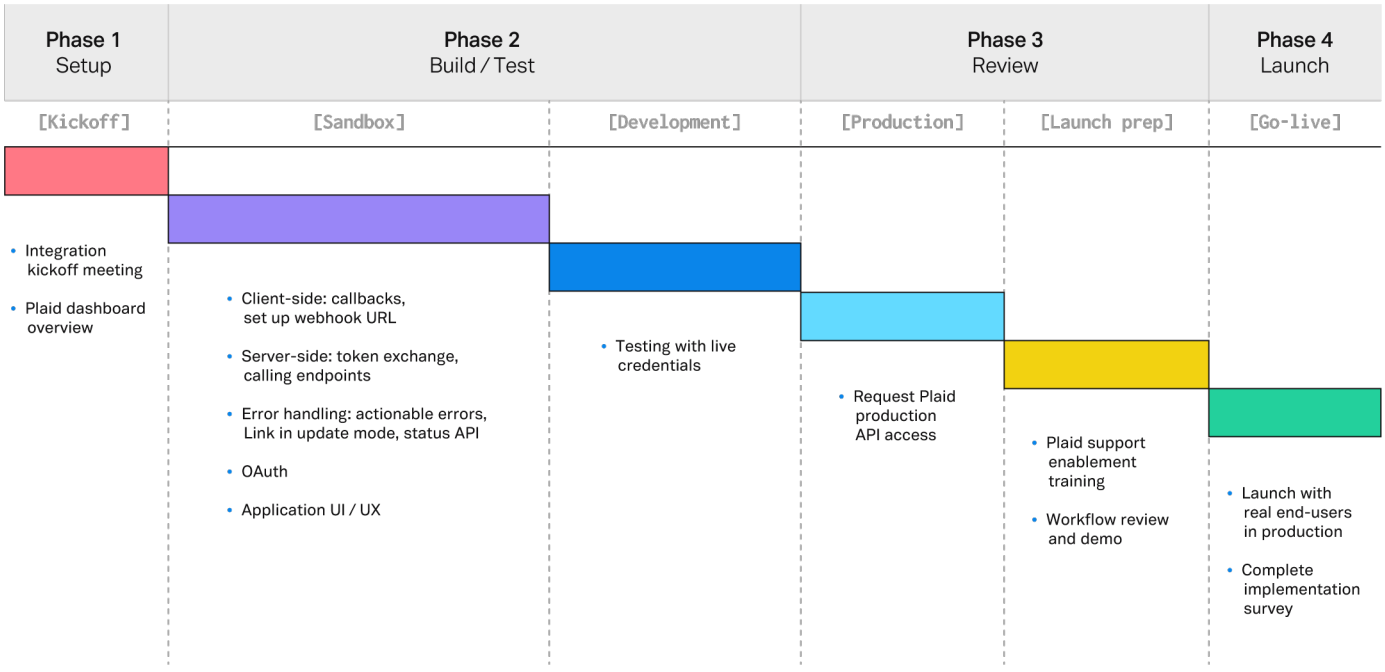
Implementing Plaid is fast and easy, letting you concentrate on what matters most

When it comes to integrating new technology, many companies hesitate based on the assumed time commitment and resources required to complete the implementation process, which is often slotted in further down the roadmap when no other major projects are in play.

Implementing Plaid, however, can be done in parallel with a range of other priorities, thanks to a dedicated Implementation team who ensures a light lift. Playbooks and resources bring together first-hand implementation experience with expertise across a wide range of use cases, delivering increased time to value.

- Successful Plaid implementations (front-end Link integration and back-end API integration) typically follow the four-phase sequence outlined below and can be completed in as little as three engineering weeks.

PLAID IMPLEMENTATION PROCESS



Purpose Financial

Purpose Financial's brand Advance America is one of the largest providers of personalized financial services in the US. They implemented Plaid in just 33 days.

3 wks

Plaid implementation can be completed in as little as 3 engineering weeks.

- Ongoing integration management is equally easy: Plaid provides account management focused on expansion and business alignment, technical account management for continued technical success and product-roadmap alignment, and ongoing support to assist with day-to-day troubleshooting, Zendesk ticket resolution, and general issue management.

This breadth of pre and post-integration support means less time spent on technical implementation and more time to grow your business.

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Unbanked

Unbanked is bringing blockchain to the masses. With Plaid, Unbanked users can quickly and easily connect their outside financial accounts to start transacting with crypto. After integrating with Plaid, Unbanked reduced fraud by 6x.

"By using Plaid to connect Unbanked accounts with outside financial institutions, we've prevented millions in losses."

IAN KANE
Co-CEO, Unbanked

44%

Identity fraud accounts for 44% of all cryptocurrency fraud.

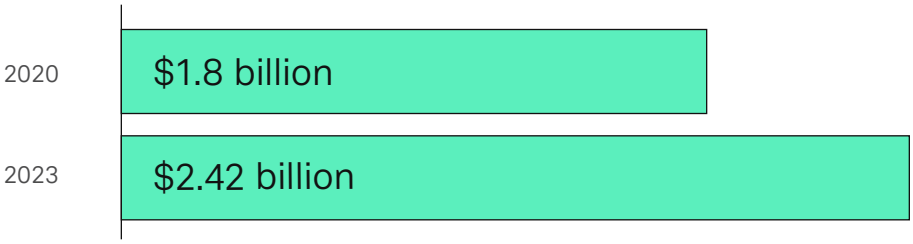
5. Build user trust

Strengthen security and reduce fraud to bolster user trust

Nearly 18 million Americans were defrauded through scams involving digital wallets and peer-to-peer payment apps in 2020. Globally, the numbers are equally alarming, with fraud costing businesses and individuals over $5 trillion every year.

Synthetic identity fraud—or a combination of real and fake personal information used to create a profile for fraudulent purposes—has emerged as the fastest-growing type of financial crime in the United States, according to the Federal Reserve. It can come in many forms, from a user who has taken over another account to a person providing a stolen card, ID, or bank account.

PROJECTED GROWTH OF SYNTHETIC IDENTITY FRAUD FOR UNSECURED US CREDIT PRODUCTS



Source: Aite Novarica

For example, 44% of fraud in cryptocurrency can be attributed to identity fraud, with a 2020 study finding that 56% of all crypto exchanges had weak Know Your Customer (KYC) processes or none at all. The impact of such figures goes beyond stolen money and data. It can also mean potential lost customers: One of the top factors limiting crypto use is the fear of losing one's money (46% of consumers according to a study).

With Plaid, you can reduce these risks and limit the possibility of bad actors by confirming direct ownership of the financial account being connected and ensuring the user's identity and account details match. Plaid provides the name, address, email, and phone number of the account holder, offering a critical piece of a KYC check during the onboarding process.

Wave

Wave provides accounting, invoicing, payments, and payroll software on a comprehensive platform built for small businesses. When users choose a Plaid-powered account authentication experience, Wave experiences 60% less confirmed fraud.

$5T

Fraud costs businesses and individuals over $5 trillion globally every year.

Additional protections can further counter potential fraud and build trust in your brand:

- Plaid's ID Verification helps keep you compliant with ever-changing Know Your Customer and Customer Due Diligence regulations. This is done using a combination of tools, including: database verification of basic ID information against hundreds of authoritative and government data sources, physical ID document verification, and selfie/liveness verification to confirm users are who they claim, all aided by a sophisticated neural network to detect fraud. Most new users can be verified in less than a minute, globally.

- For ongoing compliance, Plaid's Watchlist Screening detects if a user is on any government watchlists, Politically Exposed Person (PEPs) lists, or sanction lists—all of which are updated daily. With cutting-edge watchlist search algorithms, ongoing re-scans, and smart false positive reduction, it reduces manual reviews while helping maintain compliance.

- Together, these two products allow users to verify their identities quickly and easily, without being incorrectly flagged by the watchlist screening.

Given that 95% of consumers are more likely to remain loyal to a brand or organization they trust, measures such as these to boost security are essential for long-term business growth.

Plaid powers the digital finance solutions that enable millions of people to live healthier financial lives. Trusted by 6,000+ of the world's leading companies and connected to 12,000+ financial institutions across the US, Canada, UK, and Europe, Plaid's mission is to unlock financial freedom for everyone.

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