

Neobanks must address customer service issues to appease their growing client base

Article

The news: Neobanks must focus on customer service to stand out among the crowd and catch up to incumbent banks, [per](#) American Banker.

It's hard to get human help: With approximately 400 neobanks at the start of 2022 serving more than one billion customers, the digital challengers must become fluent in customer service.

- But less than half (47%) of 3,400 neobank customers surveyed by J.D. Power felt it was convenient to reach a customer service representative, as opposed to 61% of 6,500 direct bank customers.
- Neobank users reported the most points of pain when seeking problem resolution services via email or secure online messaging.

Acquiring customers is easier than keeping them: Well-funded after a generous 2021, neobanks are now pushing hard to attain profitability by attracting more customers. They are approaching the task in a few ways.

- **Acquisitions:** Neobanks are acquiring customers through mergers of other firms or clubs. For example, **Bunq** recently acquired **TriCount** to become the second-largest neobank in Europe, and **Greenwood Bank** acquired social club The Gathering Spot to foster community in addition to banking services.
- **New products:** Neobanks are adding more products to pique new customers' interest. US-based **Step** added crypto and stock investing for teens. Canada-based **Neo Financial** will add mortgages this year, and UK-based **Starling** added lending.

Neobanks are flush with customers and new products. But more customers and more offerings add complexity to customer relationships. Neobanks must recognize when to shift their strategy from customer acquisition to investing in customer service to satisfy these more profitable relationships.

What can they do? The digital approach to banking may be convenient and efficient, but taking a digital approach to problem resolution isn't always the best choice. In addition to email and secure online messaging, a customer service phone line and a live-person chat function go a long way. Some banks even take it a step further.

- "Voice differentiates us and allows us to serve different types of customers, even those who aren't digitally savvy and even though we are a digital bank," Tamara Lewis, head of customer operations at US-based neobank **Varo**, told American Banker. The bank sets service-level timing expectations and shifts focus between email, phone, and chat channels depending on client demand.

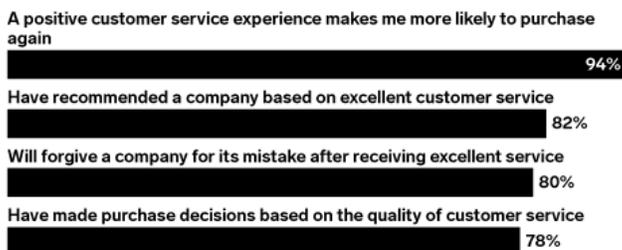
- New York-based **NorthOne** sets times for its customer service representatives to call the customer, eliminating hold and wait times.

Affinity banks attract niche customers, and face niche customer service demands. Affinity neobank **Majority**, which focuses on immigrant customers, established meet-up centers in the Miami and Houston areas that are staffed with employees who speak their customers' native languages.

The big takeaway: Neobanks continue their push for profitability through new customer acquisition and new product offerings. The few that are focusing on improving customer service issues to keep profitable clients loyal will be the standouts. Incumbent banks can exploit this opportunity by doubling down on providing premier customer service in addition to their digital offerings. Highlighting their availability, responsiveness, and reliability in urgent situations will help them win over frustrated neobank customers.

Attitudes and Behaviors of Consumers Worldwide After Their Customer Service Experience, Feb 2022

% of respondents



Note: ages 10-58

Source: Salesforce, "Fifth Edition State of the Connected Customer," May 13, 2022

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