



CX TREND SNAPSHOT

Winning the Future Battle with Neobanks

Transform traditional banking to meet the increasing customer demand for empowerment, shared values, and guidance.



Successful digital transformation outcomes come from making the right choices for your business based on **what matters most** to your customers.

This Customer Experience Trend Snapshot showcases what financial services customers value about neobanks and the customer experience initiatives that traditional banks should **prioritize to win** in the future.

Banking isn't traditional anymore

The rise of neobanks highlights a rapid change in the financial services industry.

By revolutionizing the concept of convenience and connecting with customers in new intimate ways, these organizations are poised to challenge traditional banks.

The logo for Chime, featuring the word "chime" in a lowercase, rounded, green sans-serif font.

13.1M
subscribers

The logo for Varo, featuring the word "Varo" in a bold, purple, sans-serif font.

4.0M
subscribers

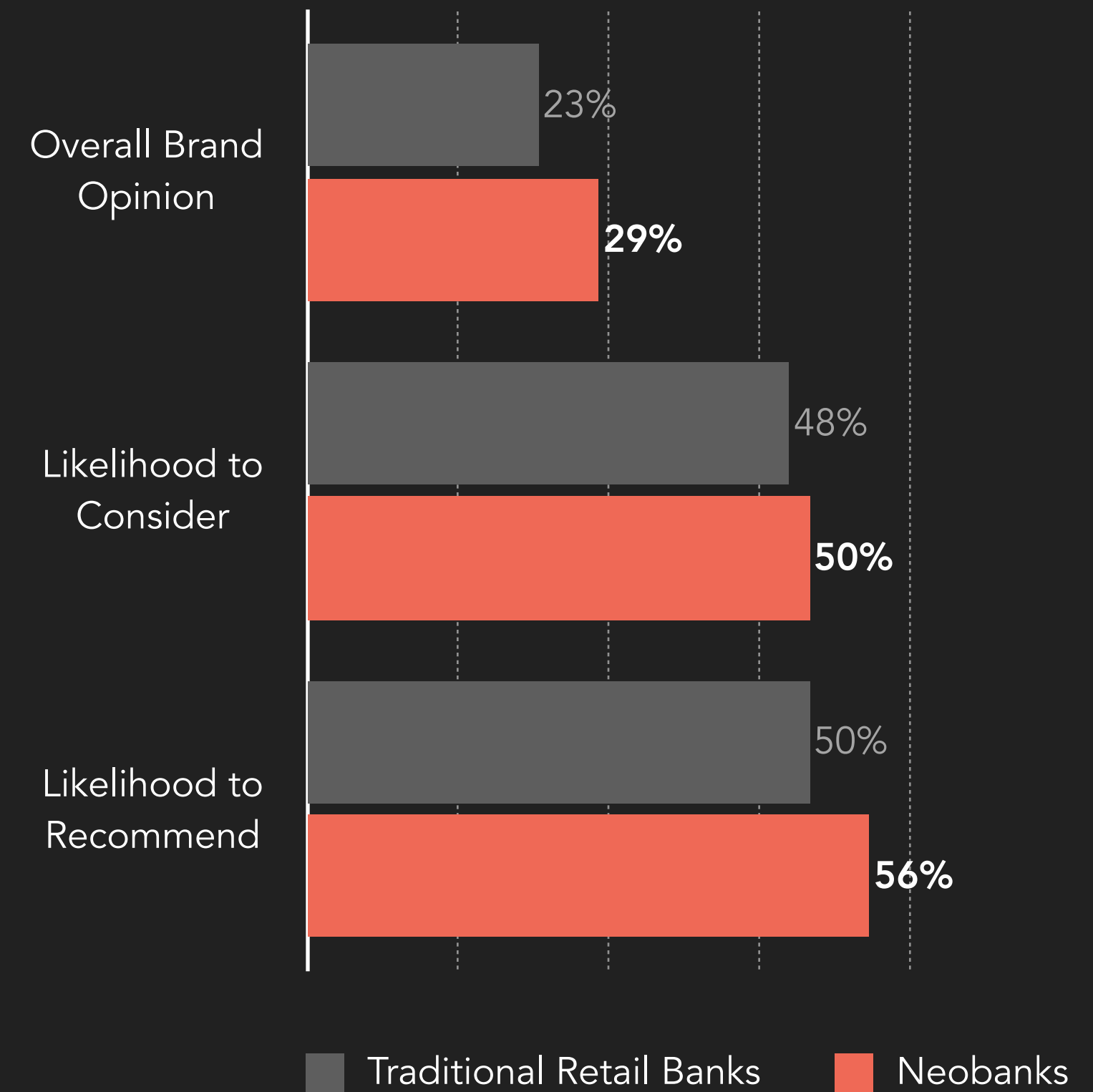
The logo for SoFi, featuring the word "SoFi" in a blue, sans-serif font, followed by a blue icon consisting of a 3x3 grid of circles of varying sizes.

2.9M
subscribers

Neobanks are rising rapidly

In just a short time, neobanks have gained a loyal following, with high opinions.

Accustomed to 24/7 online services, people are quickly adopting the same expectations when banking.



Unlock Digital Transformation

Neobanks are challenging traditional banks by changing the idea of what a bank is and where it's located.

Financial services leaders must transform their business strategies to meet the increasing demand for empowerment, shared values, and guidance.

Winning the future battle against a new breed of banks requires strategic digital transformation. Traditional banks must examine what's driving customer advocacy and create digital experiences that connect with today's financial services customers on a human level.



07 Today's Landscape

13 Neobank Leaders

17 How to Win

20 Our Method

21 Take Action

THE RISE OF NEOBANKS

Today's Landscape

A new generation of finance

Financial institutions are racing to keep up with a new generation of customers and clients.

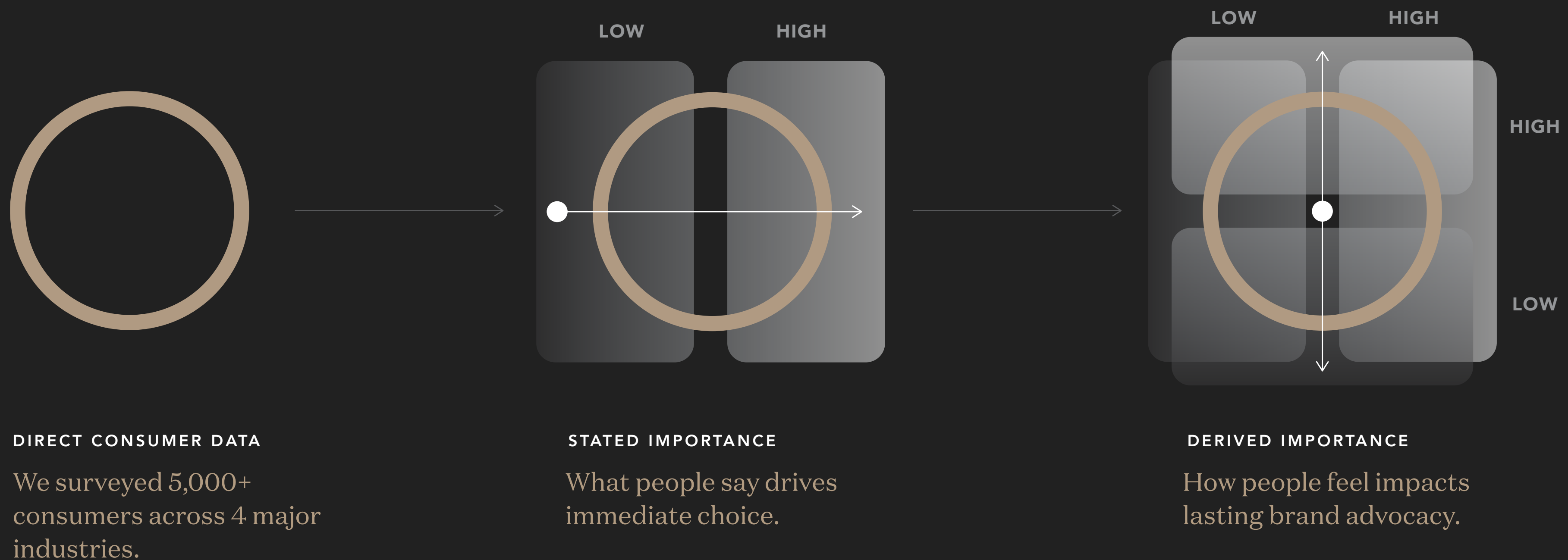
People expect privacy and security. Mobile banking and investing are widely used. And tech native Millennials are set to become the wealthiest generation in history, pressuring brands to digitize to stay relevant.

Financial services companies, managing people's important assets, must develop genuine partnerships through digital means.



Reconciling what we **say** with how we **feel**

We cross-referenced what people say is important when choosing a brand with the attributes that influence their likelihood to recommend a brand. We organized attributes into two groups: **stated importance** (what people say) and **derived importance** (how people feel).

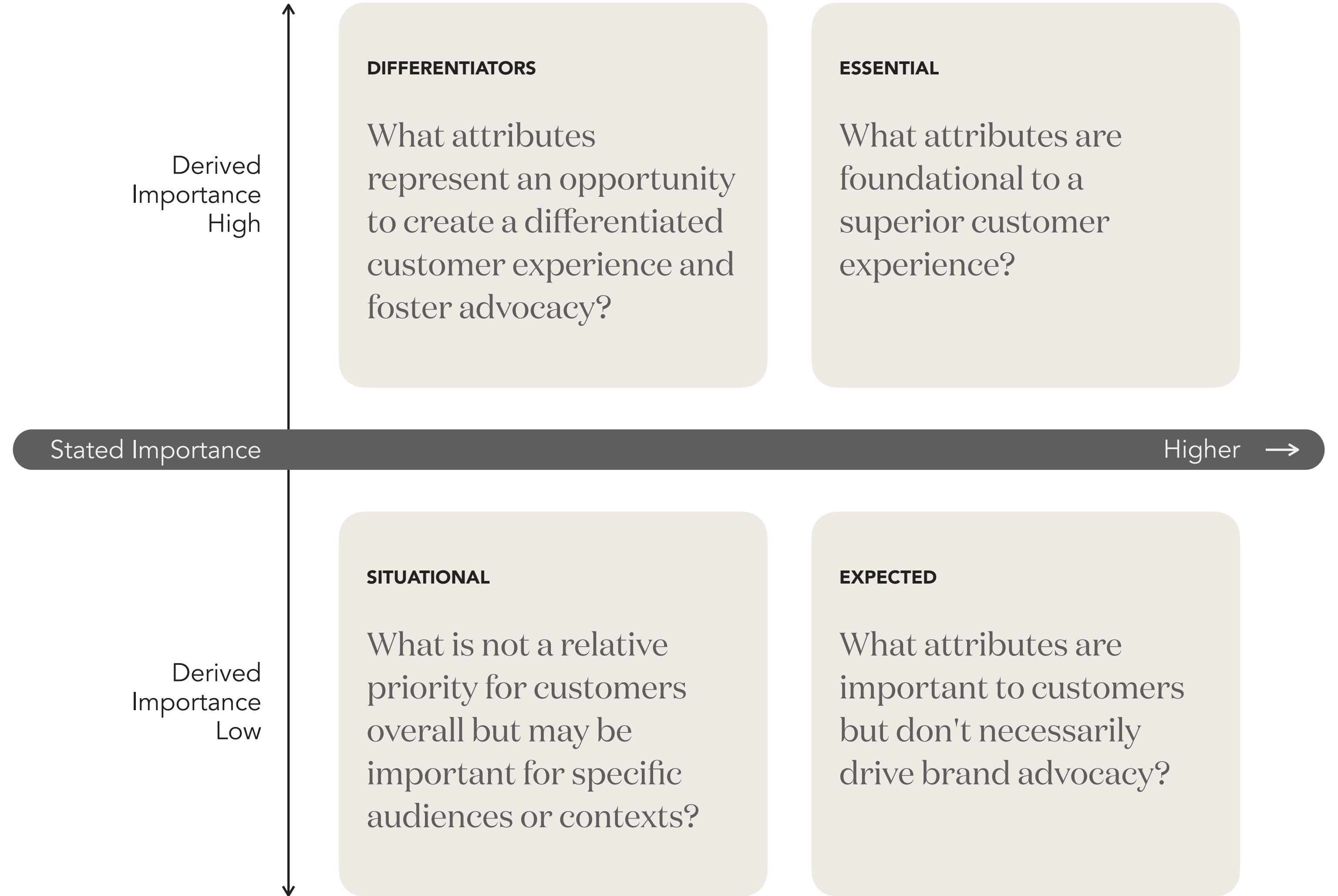


CX Attribute Framework

Aligning experiences to what really matters

We've created four customer experience categories—Expected, Situational, Differentiators, and Essential—based on the relationship between what drives customer choice and what drives advocacy.

Essential and Differentiators have a high derived importance. These CX attributes represent the greatest opportunity for digital transformation.



Essential CX Attributes

Neobanks are catching up fast.

When examining how both traditional banks and neobanks stack up against Essential customer experience attributes, it's clear that quality and communication are important to double down on.

There's also a significant opportunity for traditional banks to show their customers they care.

ESSENTIAL

What attributes are foundational to a superior customer experience?

	TRADITIONAL RETAIL	NEOBANKS
Is high quality	Above Average	Below Average
Easy to bank with	Average	Below Average
They can be trusted to protect my personal data	Average	Below Average
Is a company or bank I trust	Average	Below Average
Provides outstanding customer service	Average	Below Average
Prices and fees are reasonable	Average	Below Average
Makes financial products easy to understand	Average	Below Average
They run their business ethically	Average	Below Average
They are easy to contact and communicate with	Above Average	Below Average
Helps me make the most of my money	Average	Below Average
I am never charged for anything I don't expect	Average	Below Average
Cares about me as a customer	Average	Above Average ★

HOW DO I COMPARE TO OTHER BRANDS?

Relative Performance within Retail Banking



Below Average



Average



Above Average

CX Index Financial Services Scorecard

Neobanks are gaining loyal customers as traditional banks slip on key customer experience attributes.

By analyzing how both traditional banks and neobanks stack up against Differentiator CX attributes, it's easy to see that neobanks deliver superior customer experience through empowerment, a sense of pride, shared values, and guidance.

DIFFERENTIATORS

What attributes represent an opportunity to create a differentiated customer experience and foster advocacy?

	TRADITIONAL RETAIL	NEOBANKS
Is constantly improving		
Empowers me		★
Gives me a sense of pride		★
Helps me live my best life		
Gives me confidence in my financial decisions		
It is easy to change my privacy settings		
Shares similar values as I do		★
Guides me/helps me with decisions		★

HOW DO I COMPARE TO OTHER BRANDS?

Relative Performance within Retail Banking



Below Average



Average



Above Average

CURRENT CASES

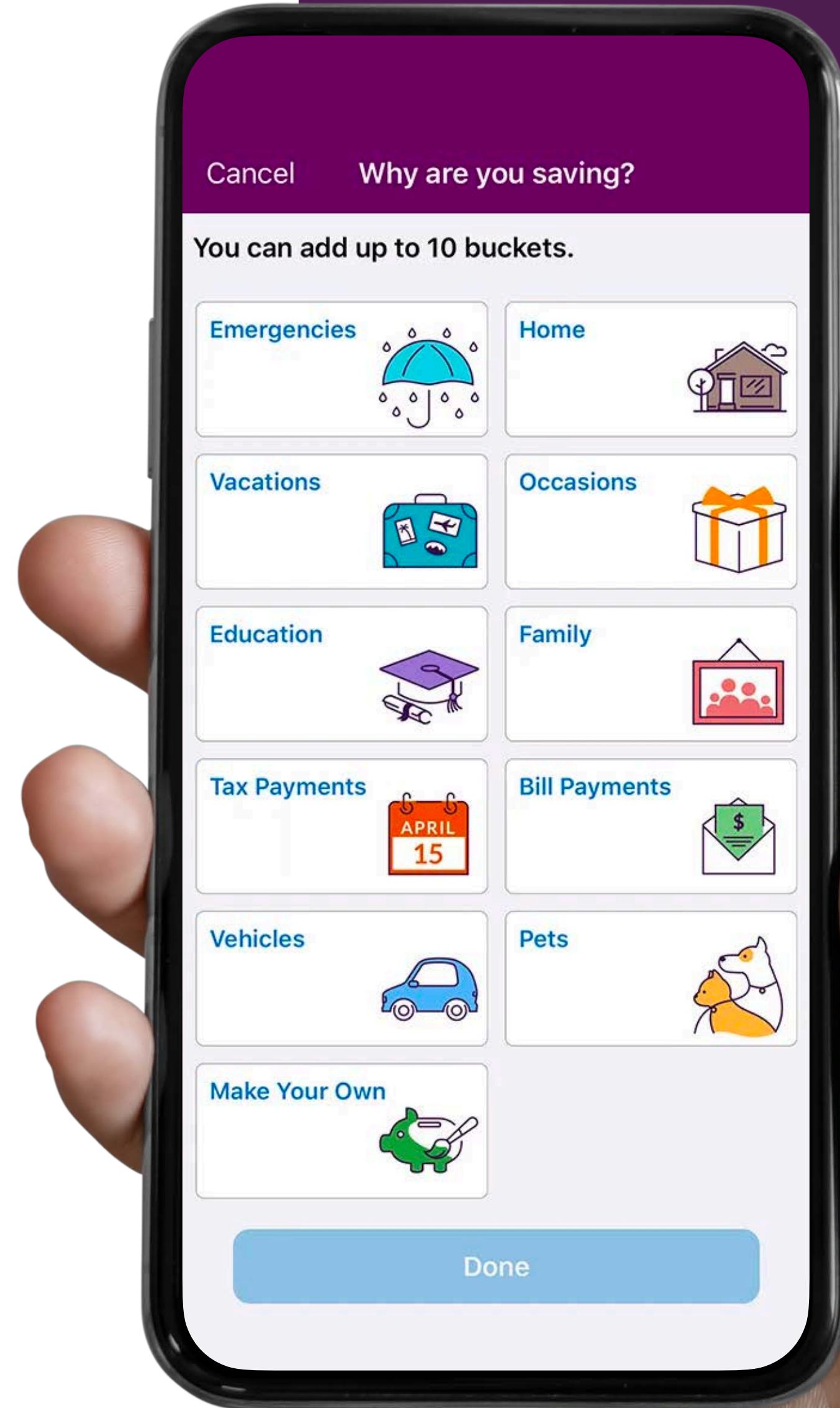
Neobank Leaders



Sense of Pride

Ally Bank, known for prioritizing innovation, is hyper-focused on creating new experiences that best serve its customers. They lead publicly through radical transparency and constant communication of their business operations and decision-making.

This in turn has created a loyal customer base who are not only using the service but also regularly expressing the pride they have in their decision to bank with Ally.



CUSTOMER SENTIMENTS



"@Ally is my favorite bank. I have been with them since 2013 & have had a great, customer centric experience. Just got a notice that they are stopping all overdraft fees. I've been lucky that hasn't happened to me in a long time, but I know that helps a lot of people."



"I love Ally bank, it's completely online and you can use any nationwide atm with no atm fees! The app is super nice too. I've been using it for 4 years now, 10/10 would recommend."



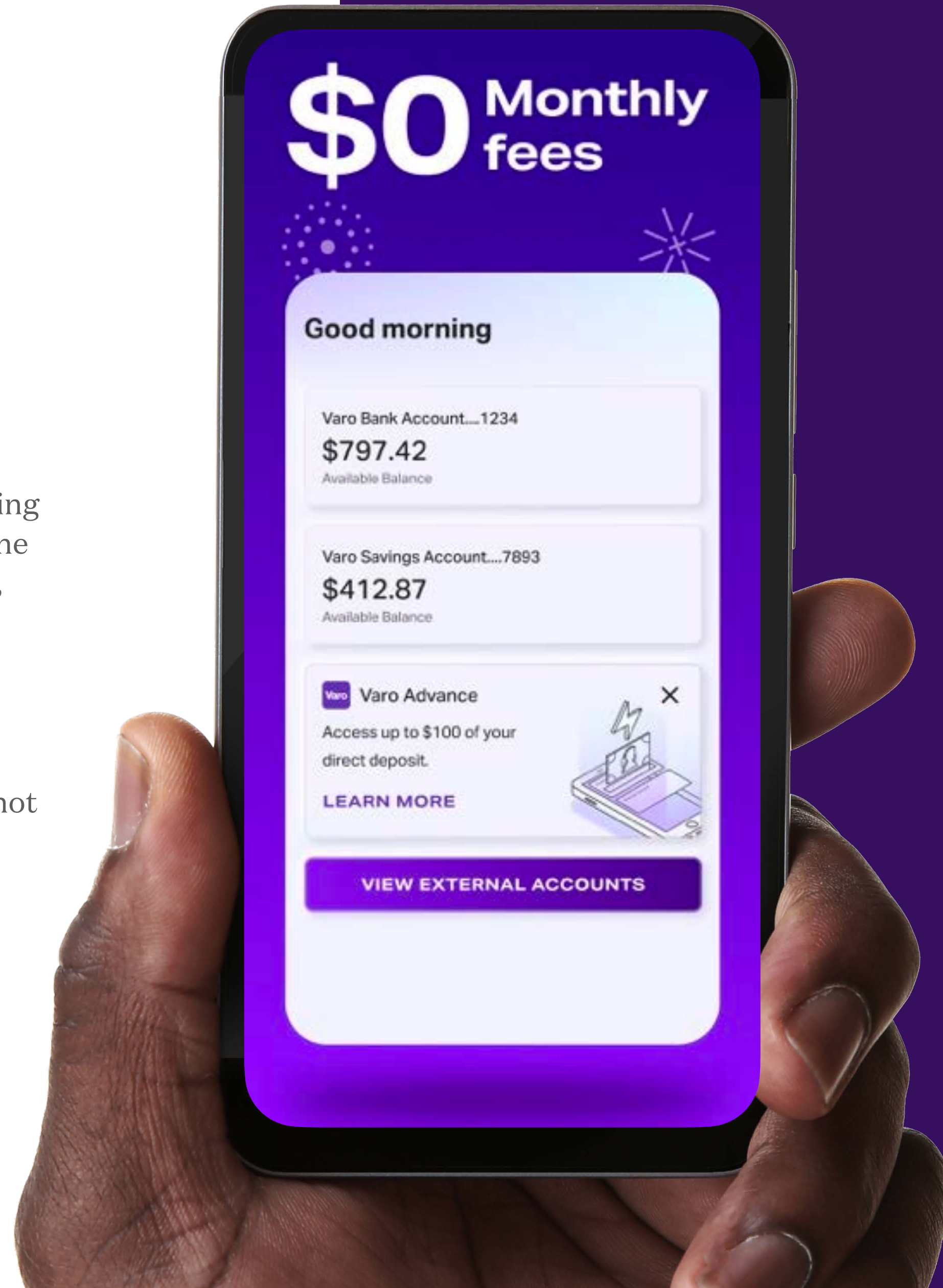
"#AllyBank 🙌🙌 your COVID 19 fee adjustments list almost brung me to tears. Over half of them don't impact me but Just awesome what your doing for the community."

Varo

Shared Values

Varo is on a mission to redefine access to banking for all Americans. Their charter is to give anyone access to banking regardless of their situation, something legacy banks can't provide.

Varo prioritizes inclusion in its product and company culture. They say they're open to everyone. But their values don't just stop at saying things, they've put them into action by not charging as many fees as other banks do.



CUSTOMER SENTIMENTS



"VARO is the Best bank ever. They will hold your hand if needed...no matter what they follow up and see you to home plate."



"I love Varo bank had Varo bank for almost a year they are so wonderful friendly and respectful people I get my direct deposit on time every month I never had a problem with Varo bank p.s thank u Varo for my Financial needs u guys have been awesome."



"VARO bank is great! They are straight up pros with anything banking. They make sure you understand your accounts, investments, how to invest, where your \$\$ make best sense. You can trust them to have your best interest in mind."

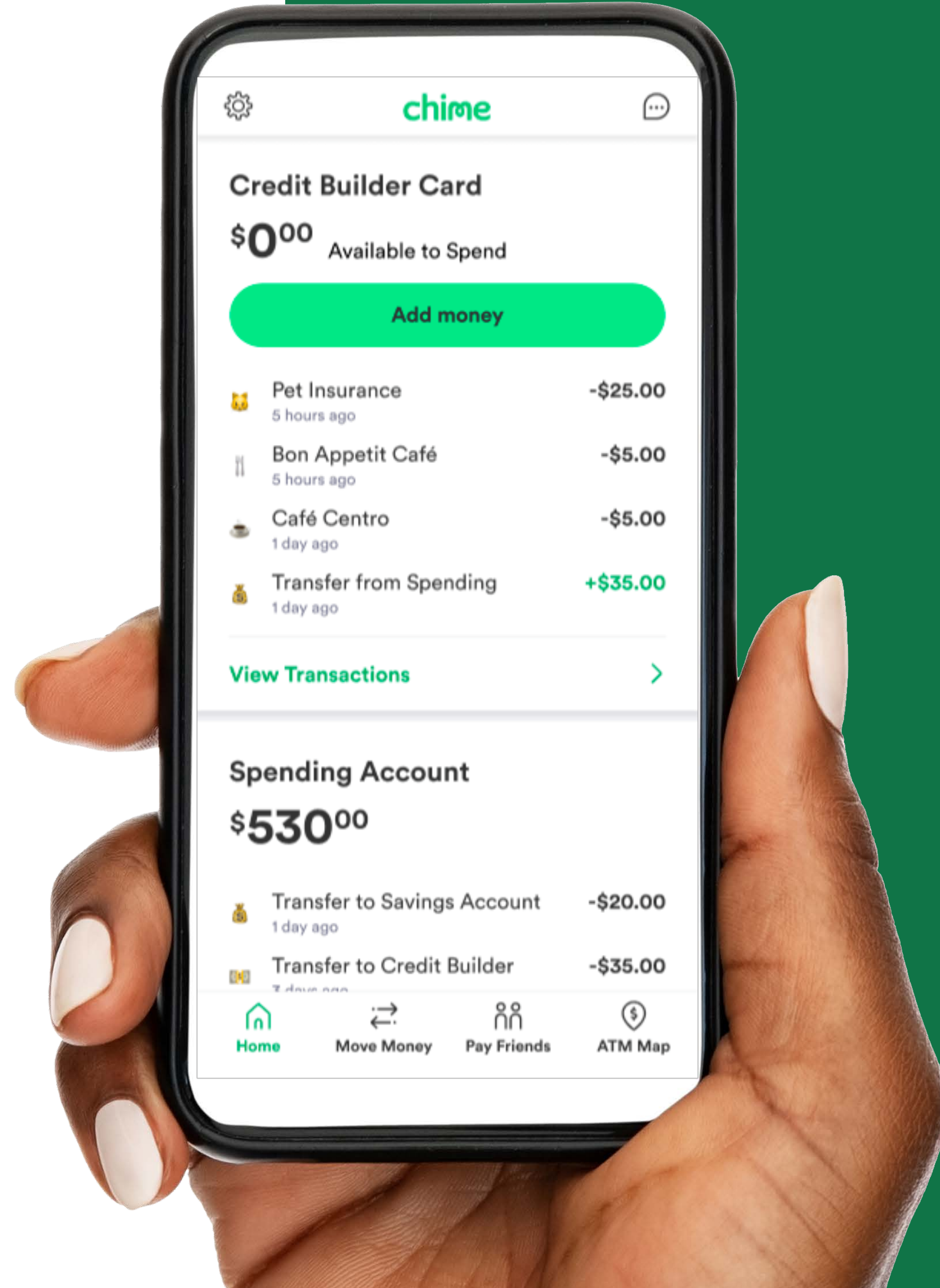


Guidance

Chime has created “Credit Builder,” a no annual fee, no interest credit card that helps people build up their credit over time in a debt-proof way.

The Credit Builder Card is integrated right into the Chime app, so people can easily move money to the Credit Builder Card while tracking their spending and ensuring they’re not spending more than they’ve allocated.

The experience guides people to use their credit card responsibly and learn good habits, all without fear of going over their balance and negatively affecting their credit score.



CUSTOMER SENTIMENTS



“The credit builder has helped me improve my credit score slowly but surely and that is HUGE for me, I love how easy it is to check my score too! @Chime is by far the BEST mobile banking. That’s just a few of the MANY reasons #WhyIChime”



“Credit Builder helped me get my soccer mom vehicle”



“I’ve been a chime customer for 3years and I love it, Credit builder has helped me buy my first car and has made my life so much easier.”



“I’m lovin Credit builder because I can directly use my own money to reconstruct my credit. I’ve seen an extreme difference.”

BRAND ADVOCACY

How to Win



Connecting with today's customers

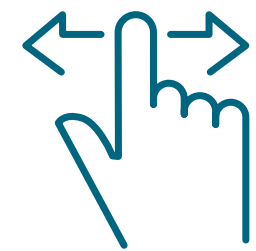
Traditional banks have a tremendous opportunity to win the battle with neobanks, but the time to act is now.

In the future, people will expect frictionless, secure digital experiences that intuitively guide them through every aspect of their financial lives.

Focusing on key CX initiatives results in meaningful digital transformation.



Critical CX initiatives for your future customers



Frictionless Digital Experience

People want access to their finances at every moment. This requires a mobile app that delivers a frictionless digital experience from anywhere.

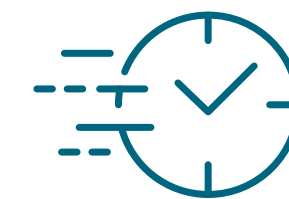
- **MOBILE-FIRST DESIGN**
- **SEAMLESS INTEGRATION**
- **24/7 SUPPORT**



Biometric Security

Leveraging the latest biometric technology increases security while also making access easy.

- **FINGERPRINT**
- **FACIAL RECOGNITION**
- **VOICE RECOGNITION**



Rapid Onboarding

Traditional bank onboarding is notoriously difficult. Simple, streamlined onboarding gets people started in seconds.

- **FULLY DIGITAL ONBOARDING**
- **PERSONALIZED SERVICE**
- **STREAMLINED "PAPERWORK"**



Intuitive Guidance

Making important banking decisions is hard. Create an experience that intuitively guides people and opens up new financial opportunities.

- **SPENDING ALERTS**
- **INVESTMENT ADVICE**
- **DIGITAL LEARNING**

CX Index Methodology

In August 2021, Hero Digital commissioned a study of 3,011 participants to understand what mattered most to them in a customer experience. The research study was conducted by Material. Respondents are reflective of the U.S. internet population (18-64), weighted back to U.S. Census data.



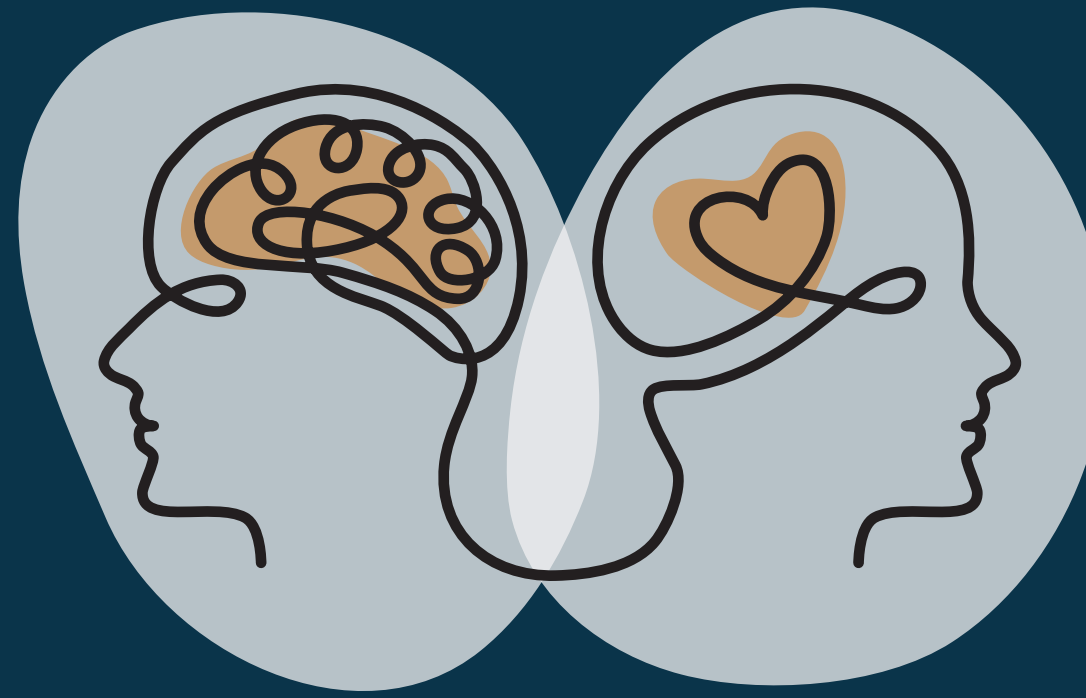
Results were analyzed by industry sub-sector and rolled up by industry:

Financial Services Industry: Retail Banking, Investing, Mortgage

Consumer Goods Industry: Grocery, Apparel, Mass Merchandise

Health & Wellness Industry: Healthcare, Wellness Brands, and Pharma

To calculate derived importance, advocacy was measured and benchmarked across a representative sample of 52 individual brands, ranging from more traditional businesses to recent tech entrants.



Logic tells you one thing. But what do your customers really feel?

Connect with us to prioritize customer experiences that directly impact customer choice and brand advocacy.

truthandbeauty@herodigital.com

CONNECT WITH AN EXPERT

H

Truth Beautifully