

CX Benchmark Top 13 Neobanks in India

SPEAKERS:

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Manoj Menon

Hi there, and welcome. I'm Manoj Menon, MD and founder of Twimbit. And today's conversation, we are going to focus on customer experience in neo banking. Clearly, neo banking is one of the biggest trends in the financial services industry across Asia Pacific, and neobanks thrive on providing great customer experience. And I'm thrilled to have my colleague Varnika Goel, who led a major research effort to study the customer experience in India's top neobanks. Varnika, great to have you. So what is this study, Varnika? How did we go about doing this study, in terms of doing customer experience benchmarks for neobanks in India?

Varnika Goel

Thank you very much, Manoj, great to be here. So what I did was, we're studying the neo banking environment, and we studied the entire landscape in APAC, and now we've culled it down to India. And in India, we understood that there are about 25 plus neobanks, catering to both retail business SME sector, out of which we identified that a few of them are still in the beta testing phase. And a few of them have come out with their propositions, are doing very well in the market. So we actually went about and opened real bank accounts with each one of them. And based on that, we shortlisted our Top 13 through which we could actually test out our entire end-to-end customer journey and comment on their customer experience.

Manoj Menon

Oh, fantastic. So you looked at all the neobanks - 25 plus, you narrowed it down, brought it down to about 13 of them. How did you come up with the 13? You must have used a framework?

Varnika Goel

Definitely. We had a seven-parameter framework. We've categorized the entire customer experience in these seven parameters. We started from the very basic, of whether we are getting the mobile app, and how app storage is for that app, and how easy it is to download and get started with. Whether it's available in both operating systems of Android and iOS. Then we moved on to the ease of account opening. So we were talking about how easy, how many steps does it take to actually open an

account? What inflection points are there? And what are questions that the customer needs to answer to finally complete its account opening process. Then the third was about KYC authentication, which becomes the primary aspect of opening an account, where you have to do your identity verification. What was the process involved? And does it involve multiple interventions? Did it involve in-person intervention, or was it completely virtual? And then we talked about identity documents. Does the customer have to upload their identity documents, physically verify identity documents? And then we finally went about how much time does it take to activate an account? Is it a completely digital process and gets activated within the app? Or do we have to go to a branch to complete our identification? And then finally, our account activation happens. And then once all of that is over, when the customer is all-in, what kind of innovative features do you provide? Is your debit card cool enough to flaunt? Does your debit card provide you enough features that you can do a facial payment or a biometric payment? Your virtual card, is right away in your hands at the time of activation? And then finally, what innovation are you doing in services? Are you providing some analytical dashboards, or you're doing some gaming theories? Do you have some kind of an emoticon-led intuitive interface? And what services, that you're providing just beyond the basic bank account? So this was the overall framework that we went about.

Manoj Menon

Wow, that's pretty cool. So such a complicated exercise across all the 25 plus, and from there, you narrowed it down to 13, and did a deep dive on the 13. So, out of curiosity, the fastest to open a bank account, can I open a bank account, like in less than 5-15 minutes and without even going to the bank? Is that possible today, and how many such banks do that?

Varnika Goel

So I would say 5-10 minutes. That's a near-term dream. I do believe that account opening will become as frictionless as happening in 10 minutes. But definitely, the fastest that we could achieve was between 18 to 20 minutes, which was a completely digital exercise with no human intervention. End-to-end activation would allow you to start making payments doing UPI Scan & Pay, and you would have your virtual debit card. So that was the fastest that we had seen so far. And I think in that respect, it was one of the most frictionless experience. So what we found that - it was available to us in Walrus, it was available to us on Slice, it was available to us in Fampay, and it was also available to us on Finin.

Manoj Menon

Excellent. So, what are some of the other key findings you'd like to walk us through?

Varnika Goel

So what we saw was that in ease of account opening, irrespective of the number of steps, right, we do feel that an ideal should be about 8 to 12 steps that customer needs to go through to stay engaged and

at the same time, complete that entire process. But, however, the steps do not define that it is a completely digital experience, and also it is a completely efficient process. There were certain banks that we found out that were having less number of steps like, like you see, Paytm was just four steps, Neo was just four steps. However, there were multiple human interventions with respect to their KYC, which actually led to disrupting the customer journey, and it was not completely digital. At the same time, Finin and Slice had about 14 steps, but we could complete the end-to-end process digitally without any human intervention. And this was also subject to the kind of KYC process that they were giving out to the customers. If they were giving out a limited KYC process, then, they pay more emphasis on the fact that they engage the customer, get them on board, and start transacting with them. And later on, when the customer wants to go ahead with a full KYC, they can facilitate that digitally. However, there were certain banks, which preferred that the full KYC is done before they start accessing the service and start transacting with the bank. So it's also a business model approach that we understood through our process. And it differed that the partner banks that these neobanks were operating with, actually defined that, what kind of customer or remediation or kind of customer onboarding process they want to get engaged with. So that was one of the interesting insights.

Manoj Menon

Excellent. So what you're saying is that is more number of steps, but 100%, digital, fewer steps, but it needs a physical intervention through a video or something. And it's really dependent on what the bank decides is its approach, and increasingly, Finin, Slice, Instapay and Walrus are really pushing for complete end-to-end digital onboarding.

Varnika Goel

Yes, that's true. So that's the reason what we felt was that ideally, a bank should have 8 to 12 steps that keeps the customer engaged and at the same time ensures that there is a digital onboarding process that's completely frictionless. So that's what we set as a benchmark for these banks. Another thing that we found out was the KYC authentication, this is one of the biggest disruption in the customer journey. So, a lot of times, what happens is that either you have to update your KYC multiple times. You have to go through a physical KYC to complete, and that increases your average time taken to open the bank account. Then what kind of methods are provided. Even if it's a digital process, and you're able to do an in-app video KYC and, for your account, that also increases the time taken because dependent on the bank and when the customer executive is available to complete your process. So here we also felt that the banks who had a complete, limited KYC process were able to engage the customer and onboard them much faster as compared to the other banks who are going for a full KYC update. However, from a process standpoint, we still felt that Paytm and Airtel are having a robust KYC process which they ensure that the customer has multiple choices, and ensures that video KYC and at-home KYC from a physical agent are going to the, one of their authorised centers. All options are available for the customer so that the customer feels that at any point, they are not stuck, and they still have an option to open the bank account.

Manoj Menon

Excellent. From KYC to uploading the documents is a, I think this is the most painful part for most people.

Varnika Goel

Yes, we actually feel that when Aadhaar system was instituted, it was a centralized system. And all banks should ensure that once the Aadhaar number is updated on the app, it auto-fetches the details for the customer. And the customer does not have to physically upload their Aadhaar again, to verify it. This includes, this actually increases the number of steps as well for your authentication, and also involves a two-factor authentication.

So once you put in your Aadhaar number, the Aadhaar number is verified, then you upload your Aadhaar card, then you get an OTP from the Aadhaar system. You have to update the OTP. And then finally, the bank also sends from their site to secure it, and then you have to fill in that OTP as well. So ideally, I feel that this is something that can be centralized. The details should be auto-fetched. In most cases, we didn't feel that the banks are doing this. So that's a recommendation from our side. That the banks should start integrating that centralized database with the KYC authentication and do it just through a selfie picture, which verifies the identity of the customer. In most of the cases, we feel that PAN card is important for disclosing your eligibility for taxes. So that is definitely something, again, can be integrated with the centralized database because this information is available. So we don't feel that the other customer needs to upload this document onto the platform, can be verified through an OTP.

So these were some of the things. However, what we found, that few of the banks came out to be winners because they were using only these two identity verifications, where others were also asking for a driver's license, or a voter's ID, a passport or even your bank account, previous bank account statements just to ensure the credibility of the customer.

Manoj Menon

And how easy is it for, let's say, people in rural India to open a bank account. Is still 20 minutes, 18 to 20 minutes on a mobile device? If they are predominantly doing it on mobile devices, it's still not that easy enough. Now imagine concentrating on your mobile for 18- 20 minutes. I can do it on Instagram, but maybe not for anything else.

Varnika Goel

Yes, definitely. So one of the things, so, both at Airtel & Fino are rural-focused banks. So what they did was to ensure that they get mass liking in the rural market. They use their branch correspondent network. And with that branch correspondent network, they try to educate the customers on how to open an account, completely digital. And they have these network effects that each person who opens an account becomes a network agent and starts spreading that word and educating others to open the account, which is why they have a very huge penetration in the rural market as compared to being famous with the millennials or the urban customers. And this is something similar, that SBI YONO has also done. They've also used their branch correspondent network. However, SBI YONO, is now a part of SBI. And it doesn't operate as a separate entity, so we haven't evaluated them as one of the neobanks. But that has actually led to capitalizing a mass youth population in the rural markets.

Manoj Menon

Fantastic. Ok, so, shall we look at the benchmarks? The overall summary benchmarks of all the banks and how you said there is also some innovative features. But yeah, we could look at the benchmarks?

Varnika Goel

Definitely. So what we've done is we've used a Harvey ball analysis to benchmark them in all the seven parameters. What we found most interesting was that the ease of account opening and KYC uploading identity documents, while they're the most crucial steps. What the banks really need to work upon is beyond that, when it comes to the debit card features and, at the same time, innovations services. We did not find a lot of customizations or innovation happening in these two areas. So debit cards were pretty standard for most of them, which were, although they were different, they were more from a portrait than a landscape. It had, the debit card numbers are now not displayed on the top, but it is displayed behind. They, they have a plain, quirky feature. And they are Tap and Pay ones, you can do biometric fingerprint payments as well. So all of that features are there.

In some of the cases, for example, Walrus - it gives you a black card, and also lets you customize your signature. So that's why we gave them full points on that. However, we didn't see things like customization based on sustainability, environment-friendly, being biodegradable, which is actually something which has been promoted outside of India by other neo banks. We also didn't see the options of metal cards versus plastic cards. In some of the cases, who want to be completely virtual, for example, Airtel payments bank have only a virtual debit card. And we also saw that some of the banks are actually charging for their debit card, if you need a physical card, so that you can look at it two ways. One is that they want to promote it completely virtual, but at the same time, because they have a design, which is different than a traditional design. They want to make it a premium product and actually charge for that debit card.

Manoj Menon

In the next slide, I think you have the other some of the other banks, in the next slide, which we know we didn't get a chance. So maybe it'd be great to talk briefly about a couple of them, each of them and know what really stood out for each of them.

Varnika Goel

Definitely. For, for Fampay, since it is a teenage-based product proposition. What's interesting for them is that they are providing a prepaid card. But with the prepaid card, they are customizing the rewards and discounts which are more centred towards the teenage group and how they can use it. And they also have, like a game called Streak, which these kids can play amongst themselves, set their spending and savings goals and actually have their own environment within the app itself to manage their expenses. And this can again be integrated with the parents, because the parents are the ones who are doing the top-ups to their cards, so they can actually see how their children are doing their spending and saving activity.

What we liked about Finin was that they have an analytical dashboard called Fibo, which does a category-wise split of how you're spending, and which category you're spending, and how it is different from your previous month. So they do a Delta analysis for that.

For Fino, what it, stood out was, like I said, they had a very frictionless experience for the rural population. They're actually very focused for the unbanked. So they're trying to make sure that as much unbanked population, and youth can come and access, even the government-based propositions have been integrated in the app and are being sold through their app. Then that's similar for the India Post Payments Bank, they're using the same branch network effect to reach out to the rural and the masses.

For InstantPay, we felt that they have different propositions for different customer segments, which actually stood out for us and account opening process were extremely easy, and frictionless, so diverse, something interesting. For Kotak 811, the feature that completely stood out for me, and there was nothing else that I would say was extraordinary., was the customized debit card. You can customize the debit card as per your liking. It is the same landscape card, but you can add a picture, you can use your own, your own poster, your own graphical image, your, even your own image on your card. So that's something stood out for us. For Neo, again, it was debit card features. Their debit card is quite cool and quirky. And it comes up with all Tap & Go features. They also provide a virtual card in the app itself. For NSDL Jiffy, we felt that they have an XML-based uploading documents which, actually, is linked to the central database of the government. So, which is where they are accessing the data and you only have to update your Aadhaar and bank card once, for them.

Then with Paytm, like I said before, the KYC authentication process is actually, they've covered all the spheres of KYC authentication with no stone unturned. So, in this case, they're actually making sure that the customer has all the possible choices to make sure, they want to go for a limited KYC account

or they want to go for a full KYC account. For Slice, we felt the design is super cool, quirky, aesthetically beautiful. Once you go on the app, and the time taken to activate the bank account is just between 18 to 20 minutes. So it's pretty simple and easy.

And for Walrus, we felt that their draconian attack game, theory-based game was actually very interesting, where they actually tried to make a virtual environment for their customers to attack, with banking activities like a game. So that makes it super interesting. Also, they have a very limited number of steps, like I said, it comes between 8 to 12. And you can have a limited KYC account at, just between 8-12 steps. So that's very easy and frictionless. And they have a customized black card, you can customize your signature.

Manoj Menon

So, if you go to the previous slide, you rated some of the established banks like Kotak, digibank, Neo, NSDL, you have rated them very poorly. So is it because they are not as, looking for growth with these new segment of customers, as compared to these neobanks?

Varnika Goel

See, there are two things with them. One, they are still operating under their traditional mindset that they want to skim through their customers before going full out. So they do not acquire the customers in the first, first attempt. They first try to evaluate the customer, conduct their KYC on a physical level, and then onboard the customer. At a lot of times, we felt that the digibank and Kotak per se, that while we were trying to open an account, it was the average time taken for us to go through that entire process to more than 10 days, which was actually a journey disruption for us because there were banks like Walrus and Slice where we were able to have our accounts in 20 minutes. So the comparison was huge. It is also dependent upon the partner banks, some of the banks come from PSUs, like NSDL, and India Payments Bank. Where we felt that the intervention was low, as compared to other banks, they were still not providing that level of frictionless, which we were expecting from the other banks itself.

Manoj Menon

Excellent. Varnika, what are your top recommendations to some of these banks?

Varnika Goel

So, as my top recommendations, I would say, number one, what we felt most of these banks were lacking was a virtual assistant who can help the customer to navigate through the app once they're in it. And also address queries, and which is not pre-mediated. But it's actually a virtual conversation happening. Then we felt that there needs to be more contextualized recommendations, right now the recommendations are based on only their analytical dashboards. So this can actually get better, as

in when the customer increases his interaction with the bank. Then what we said, that third party products, while Paytm and Airtel have a great way of integrating third party products, but not others are doing and this is one of the biggest area of revenue for other banks beyond earning from deposits or debit transactions and other payment transactions.

And then we thought that, targeted based incentives rewards, making it more personalized, making sure it's more customer journey-centric than like product-centric. So have those, because that will keep the customer engaged. And it also gets integrated with other lifestyle services, that the customer. So strive towards creating a one-stop-shop than making the making the customer jump between different apps to fulfill its transactions.

Manoj Menon

Thanks very much Varnika. That was an incredible walkthrough of this report. And I'm sure we can go into more detail and appreciate you taking the time. Maybe for the next session -look out for our detailed conversation on what are the top five innovative features or applications from these neobanks. And we'll delve into it, a little bit more detailed so that we can understand how these banks are transforming customer experience. And in that process, embedding financial services more seamlessly into our lifetime. So, thanks and do look up our report on our website -twimbit.com. Thank you.

Varnika Goel

Thank you, Manoj, it was great. Thank you.

Thank you