

# THE NEOBANKS

Reformulate interaction with customers





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With no branches and less bureaucracy, neobanks have emerged in the world of finance in recent years as a response to the demands of digital customers, who are looking for quick, effective and secure ways of interacting with banks. What makes them successful?

Neobanks are considered the new revolution in the financial industry and are estimated to grow at a compound annual growth rate of 13.7%, which will drive this market to reach US\$190 billion by 2026, according to the report [Global FinTech Marketplace: Technologies, Applications, and Services 2021 - 2026](#).

Although there are much more optimistic forecasts, such as one from the German portal Statista, which indicates that the sector's market size **could grow "at an average annual rate of 47.7% until 2028, reaching a value of US\$722.6 billion"**.



By 2021, according to Statista, transactions through neobanks in developed markets such as the United States are expected to total US\$820 billion in value. [\(Graph source: Statista\)](#).

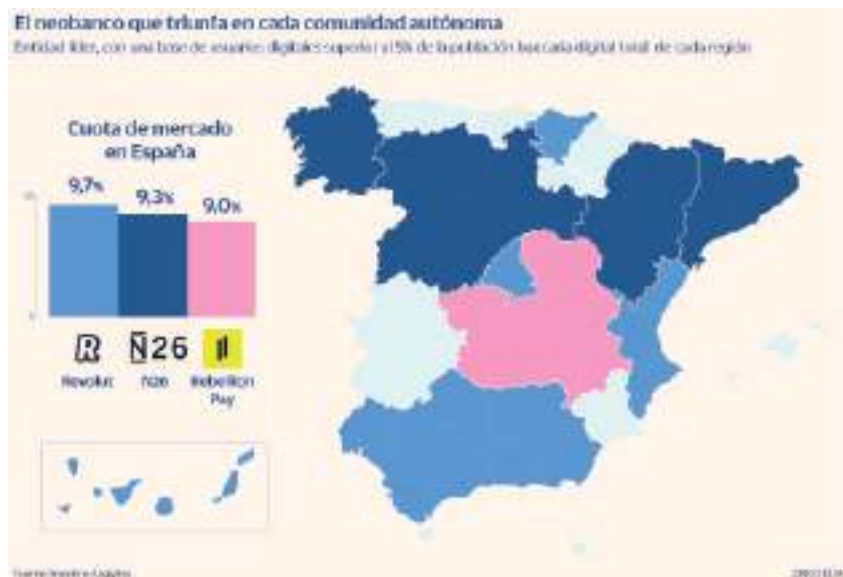
With around 39 million users worldwide, neobanks are imposing new dynamics on people's relationship with these services, closing the access gap and creating differentiated products that allow consumers, for example, to receive remittances from anywhere in the world in less time and at lower rates.

As millennials become increasingly important players in global consumption and their financial muscle drives the market transformations, the banking industry had to evolve from traditional schemes to one based on digitalisation and simplified processes.

## The paradigm shifts

An example of the transformation of global banking occurred in recent days when Brazilian firm Nubank raised US\$2.6 billion on 9 December in an initial public offering in the US, making it the most valuable bank in Latin America without having a single physical office.

Neobanks have found allies among young millennials, leveraging on their consumer trends to capture up to 29% of digital banking in countries such as Spain, where they are on an expansive run.



Among the characteristics that have helped them to impose themselves on the traditional offer is the ease with which they allow their users to bank through technology, by eliminating physical and obsolete processes.

"Banks' behaviour is changing in terms of convenience, transparency, pricing and customer service. As customer behaviours and expectations change, so do business and operating models," says the UK-based consultancy PwC.

## Simplicity and flexibility demand automation

Digitally savvy users, many of them digital natives, are demanding agile responses from banks that only process automation, artificial intelligence and highly trained staff can provide.

This scenario has given impetus to firms such as Preventor, which help these financial services companies to offer identity verification tools based on facial or voice recognition in order to prevent fraud in the processes.

The digitalisation of these processes allows the estimated time for opening a savings account to go from around 15 minutes to an average of 60 seconds thanks to the adoption of digital and identity verification tools to securely onboard a customer.



## Competitive digital experiences and innovative products

Opening a savings account or starting to save through a mobile app has never been easier and this neobank boom has attracted the attention of the world's leading investor and venture capital groups.

In 2020, US-based SoFi, which offers personal loans or credit cards through its digital solutions, [was one of the neobanks that raised the most capital through funding with some US\\$2.5 billion](#), followed by Australia's Judo Bank (US\$1.7 billion) and Russia's Tinkoff Bank (US\$1.6 billion).

In addition to changes in user habits and disenchantment with traditional banking, the financial support that neobanks have received from investors, and their future bet on these companies, is what today has put them in a privileged position as they compete side by side with traditional players.

## The challenge of sustainability

Despite their reach and the millions of dollars in investment funds they generate, many of these entities still face the challenge of generating investment models that compensate their high valuations with their profitability. In this regard, the Irish consulting firm Accenture published a report [showing that neobanks in the UK lost between £5 and £15 per customer in 2019](#), with the exception of OakNorth.

At the time, the report analyzed this as being in response to "weak revenue streams" and "increased spending on customer acquisition", with Accenture Strategy managing director Tom Merry suggesting that "neobanks will need to turn rapid customer acquisition and cost-to-serve advantages into profits".

Many neobanks have understood the scale of this challenge and are fine-tuning their strategies to achieve sustainability by focusing on customer experience, saving millions in marketing costs and gaining popularity through word-of-mouth, as has happened in many cases in Latin America.

But this good experience is only possible to the extent that they continue to work on generating reliable processes with full traceability, as well as strengthening their communication channels and reducing the response to a few steps thanks to automation, and continue to strengthen their applications so that they do not lose the ease of use and above all the efficiency that their users demand.

To address this issue Jaime Ramirez, founder and CEO of Preventor, and Gaston Peralta, VP of Business Development at DataPro, present the webinar **Neobanks: Reshaping the way banks and their customers interact**.

They will discuss the technology roadmap for establishing a digital neobank, how to create simplicity and flexibility for all, how to automate processes and resources in order to meet the demands, and the tools to quickly launch highly competitive digital experiences and innovative products.