

Showroop Pokhrel

Eldar Safarov

William Wu

Sankalp Panigrahi

Ana Guzman

Minkyom Kim

Neo Banks: Products and Customer Sentiment

Globally, the number of digital-only banks (Neo Banks) has increased rapidly since the financial crisis. In the UK alone, there are currently six major players - Monzo, Revolut, Starling, Monese, N26, and Atom and the Bank of England expects to receive at least 130 applications for licenses before the UK leaves the EU. Thus, in a market that is quickly oversaturating and has ample of substitutes, strong product differentiation, better service delivery and branding become more crucial than ever for Neo Banks

Key Theses:

- 1. A Market of Substitutes:** Neo Banks continue to offer niche substitutes to saving, lending and investment products in ways that are less costly, more transparent and flexible compared to traditional banks. However, within Neo Banks, there is blurry product differentiation and this poses challenge in customer acquisition as the number of players in the market increases.
- 2. Not all Banks are Equal:** Analysis of customer reviews indicate that Monzo is the only bank that has consistent customer satisfaction across most of its products and services, while others seem to be doing a better job at select few and performing worse at others. To some extent, this explains the popularity and growth of Monzo and also underscores areas of improvement and opportunities for the incumbents and new entrants respectively.

Methodology

Customer reviews of all the six banks in the sample were scraped from Trustpilot and analyzed using Natural Language Processing (NLP) frameworks to find:

1. The features/products that is popular among the customers
2. Overall sentiment (between -2: strong negative and +2: strong positive) towards given product or feature

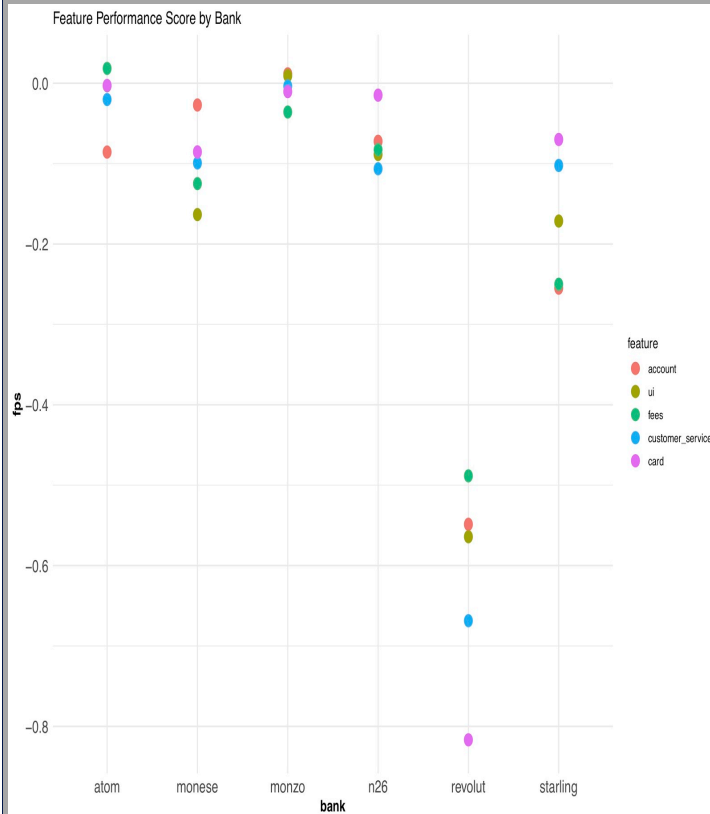


Figure 1: Comparison of consumer sentiment across a common set of features for the six banks in the sample

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