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SOMETHING
THAT YOU FEEL

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One of the slightly unexpected knock-on effects of the 2008 financial crisis was the decision to open up the banking market, which had become totally dominated by the “big four”. It’s still far from easy to set up a new bank, but it’s an awful lot easier than it used to be, and that has seen the launch and growth of a number of “challenger banks” hoping to carve out a niche based on FinTech efficiencies and, in some cases, differentiated service.

We spoke to Paul Ford of Starling Bank, which received its banking licence in 2016, about the culture of customer obsession which he believes has led to Starling being voted “Britain’s Best Bank” for three years running, and now holding £4.7 billion of deposits with over 2 million customer accounts (both personal and business).

Being a challenger

What does it mean to be a “challenger”? We’ve seen similar trends in markets such as energy and telecoms, and what challenger brands often bring is a combination of slick marketing, a low cost base, and innovative technology. Done right that can create a compelling proposition, for the right kind of customer. But who is the right kind of customer, and what is Starling aiming to achieve?

“We’ve got a strategy of changing banking for good. If you look at the way that banking is going, customers want banking at their fingertips. Where we’re trying to get to is that effortless, painless, experience where it’s 24/7 – if you need your bank, we’re there.”

It’s easy to fall into stereotypes, so when we think of a bank which prioritises

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digital channels we might assume that their customer base has a younger, perhaps urban, demographic. In fact the average Starling customer is almost 37, and only 23% are based in London.

“There’s a huge array of different types of customers, not just the tech-savvy. A lot of customers now are very open to this type of banking.”

The truth is that most of us are now very comfortable to do the majority of our banking digitally, as long as it works and as long as we trust the company we’re dealing with. That might present a challenge—the traditional banks and building societies have had decades or centuries to establish a reputation, so how can the challenger banks compete?

Building trust

Many of us, as customers, have probably at least dipped our toes in the water to try out a challenger bank, perhaps by downloading an app to see how it feels, but moving your main account is a different question:

“We realised that the big challenge within FinTech is trust. People have it as a second account, but they might not completely trust it.”

Starling aims to hit the sweet spot between tradition and innovation by making sure that many of its senior people, like its founder Anne Boden, have an established banking pedigree. They’ve also relied on traditional advertising campaigns more than some of their competitors, and that may help account for their more balanced demographic mix. They’re aiming, as we’ll return to at the end of this article, to build a reputation as a proper “grownup” bank, not just a challenger. This means that many of their customers use Starling as their main bank (the average personal customer deposits over £1,500 a month).

An important moment for Starling in terms of its business customer proposition came during the pandemic, where it made the decision to offer loans to many businesses who needed them to survive. In total Starling lent over £1 billion to 45,000 different businesses through its “Bounce Back” Coronavirus loans.

“That’s why we could justify doing the Bounce Back and the Coronavirus loans, because people need to keep their businesses afloat, so we’re helping them. If we end up with a percentage of customers that aren’t totally loyal, then that’s okay, because we did the right thing by trying to get the funds to them and the government desperately needed facilitators for those funds.”

Where many organisations might focus on acquisition, by grounding their approach in doing the right thing for customers Starling is hoping to build a relationship of trust with the kind of customer who will show loyalty in the long term. With higher than average retention figures, it looks like it may be paying off.

“You see companies that start off as a challenger focus on just getting numbers in the door, thinking they’ll get to a retention strategy later. That often doesn’t work out the right way. With Starling it’s a lot more calculated, and doing the right thing by the customer is part of that process.”

We’re big believers, as readers will know, in the idea of a loyalty strategy—finding and keeping the right kind of customers. Customers won’t trust you until you have shown yourself to be trustworthy, and one of the best ways to do that is to demonstrate trust in them.

A loyalty strategy only works if you’ve found the kind of customers who will reward your trust with loyalty, and if you are able to deliver a consistently excellent experience. That, in turn, requires an excellent foundation of good products and slick processes combined with a culture rooted in wanting to do a good job for the customer.

Agility

When it comes to processes, there’s no doubt that the challenger banks often have an advantage, particularly when it comes to technology:

“We’re quite lucky we own our own platforms, and we have our own software, so we can change things really quickly and for very little cost compared to many others.”

"As a brand, we want to challenge, we want to be creative."

But having good, adaptable, software platforms doesn’t deliver a good customer experience on its own, that also requires a philosophy of customer-focused innovation. Many organisations talk about being customer-led, but in reality hide behind the perceived cost or difficulty of making a change when it comes to it.

Another good example of Starling’s ability and willingness to respond quickly was their introduction, during lockdown when many customers were self-isolating, of a second debit card with its own PIN that customers could give to a helper, volunteer, or family member so that they could buy shopping for them:

“We turned that around really quickly, within seven or eight weeks of the pandemic kicking in, and I think that’s just an example that when we get feedback from customers we can help, and we can do it quickly.”

To introduce that kind of innovation, at that kind of speed, and to do it safely, is unquestionably very impressive. How do they do it?

“I think where we do things a little bit differently is our engineers are extremely engaged with our experts and the people that talk to customers. We regularly bring engineers together with agents to review customers’ journeys directly, which brings it to life and adds the sentiment into it. That’s the key thing for me, that if we’re looking at some of these processes, it’s great having data, but let us bring that to life

with the sentiment and the emotion that comes with the process.”

Many companies talk about customer centricity, or about using a design thinking approach to embed an understanding of customer needs into their product development, but in practice this is often hamstrung by the distance between colleagues.

“...the big thing for me is that we have the right people, and we've done a really good job in terms of recruiting so far. It's just building on what we've already done and keeping that family feel.”

Bringing together customer-facing staff, data and sentiment from customers, and the engineers who are designing journeys to meet customer needs in a collaborative environment is crucial to make this kind of innovation work. As Paul points out, it's not

always about fixing problems:

“Let's reflect upon that.

This works really well, why did it work well? Where else can we apply that, because customers seem to love that part of the process? It's a more collaborative way of working.”

Customer obsession

Culture is something we come back to again and again in Customer Insight, and there is nothing more important when it comes to improving the customer experience. There's never a shortage of ideas for making the customer experience better, whether those ideas come from customers or frontline staff, but the culture in which those ideas land makes all the difference.

“One of the first things I noticed was how engaged people were about collecting feedback, being able to make improvements, and being part of that change. As a brand, we want to challenge, we want to be creative. It then embeds itself into the culture, which is great because it makes these types of changes really easy because there are so many ideas coming through.”

What are the essentials to build a culture that's receptive to customer-led change? An essential starting point is to have good data, so that you have an accurate picture of the customer experience as it exists right now:

“I came in at a great point where we started building what is now a very big contact centre and a hub for all customer information. We've got great data, we've got great MI. I'm not the most exciting person to talk to sometimes because I absolutely love customer data!”

Data is the starting point, but to work with it you need to understand customers more deeply. That's why you need the emotion, you need the sentiment, you need an understanding of the customers that generated that data in order to

create a better experience. You also need to have the right kind of people:

“You've got to have these customer-obsessed people that really love to do the right thing for the customer, and really listen to our customers. Looking at customer service in isolation, the big thing for me is that we have the right people, and we've done a really good job in terms of recruiting so far. It's just building on what we've already done and keeping that family feel.”

Culture and leadership

A cynic might say “that's all very well, at the moment, but will it scale?” So, acting as devil's advocate, I put that challenge to Paul—how do you retain this collaborative approach and fleetness of foot as you get bigger? Surely it's going to get harder?

He believes that the secret is that senior people in the business are open and personable:

“I've never seen a CEO have so much personal contact with people across the business. That culture filters down. Every week we'll have conversations with her on a personal and professional level, and that does carry through. It's an incredibly friendly place to work.”

If you're reading this, you probably already believe that happy employees create happy customers, and that's ultimately good for long term profitability. One thing we know from the employee surveys we do at TLF Research is that employee engagement and customer satisfaction is not a one way street, it's a virtuous circle. Employees like being able to create happy customers, and one of the best things organisations can do is get

them the right information, and then get out of their way while they make improvements.

“People listen to the customer regardless of what area they're in, and I think that's a unique thing about Starling, because you can easily get separated if you work in an area that doesn't deal with customers directly. Everyone wants to do the right thing for the customer.”

The human touch

It's vital that people throughout the business are focused on customer needs, but it's at the point of interaction that empathy is most important, particularly when customers are stressed or frustrated. This has come to the forefront through the pandemic:

“Empathy and honesty run throughout everything at the moment. Even though a lot of customers are unhappy and frustrated, it's someone showing empathy and thinking how you would feel if you were in that situation, that just allows us to be more human. That's what we do as a bank, we're not bots behind screens, we're people based in Cardiff, based in London, and we try to get to their level, even if we're not able to help them.”

This view might come as a bit of surprise, after all aren't FinTechs all about high technology and ease of use, not empathy? Well, the truth is that good systems are part of creating an empathetic customer experience (in fact good

systems depend on customer empathy in design), and restricting the channels available to customers only increases the importance of empathy:

“We don't have branches. People can't walk in and meet us, so we have to make sure that our communications that are digital and via the phone are beyond what people would expect. Otherwise we won't build trust. There's the human element – self-service can be quite a cold experience, which is very business-driven as opposed to customer-driven.”

We see again and again with our clients that customers are quite happy with self-service, as long as it's easy to do what they want, for most day to day transactions. It's when the emotional stakes are raised, perhaps because they're anxious that they've been a victim of fraud, or in the case of bereavement, or because something has gone wrong, that they need that human interaction.

“It's a differentiator. Customers may not use the call centre for most interactions, but when you do, you really want people to be there.”

The long term

So what does the future hold for Starling Bank? I asked about their strategy and targets, and how those have been affected by the past year. The answer, in a nutshell, is a loyalty strategy:

“We've grown much faster than we had originally planned, and we now make a profit. We need to keep growing, but not beyond our means – we need to keep the quality. We need to continue doing a really good job and we'd rather stay smaller for longer, and do it properly, than just get



Paul Ford
Head of Customer Service at Starling Bank

Paul has extensive experience in people management, systems change and Lean Six Sigma, and is passionate about Voice of Customer.

<https://www.starlingbank.com/>

the customer numbers that are disloyal. We want to get those customers that do deposit highly, that use their account for the right things.”

When does Starling Bank move from the ranks of the challengers to become a fully established bank? And can they do it without losing what makes their culture special?

“I think if we keep being the grownup in the room within the challenge of the FinTech arena, we will break out of that arena into the big bank arena, but we'll still have that trust base.”

It's not easy to make that transition, as many organisations have found over the years, but focusing on a culture that is grounded in delivering for customers may be the key. There's no question that customers will be the first to tell you whether or not it's working:

“The culture in Starling is something that you feel. The reviews you see on sites like Glassdoor show that people are extremely proud to work for Starling, and that really does come through to customers.”