

Engineering Customer Service Excellence

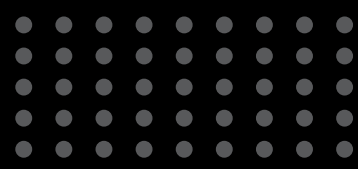
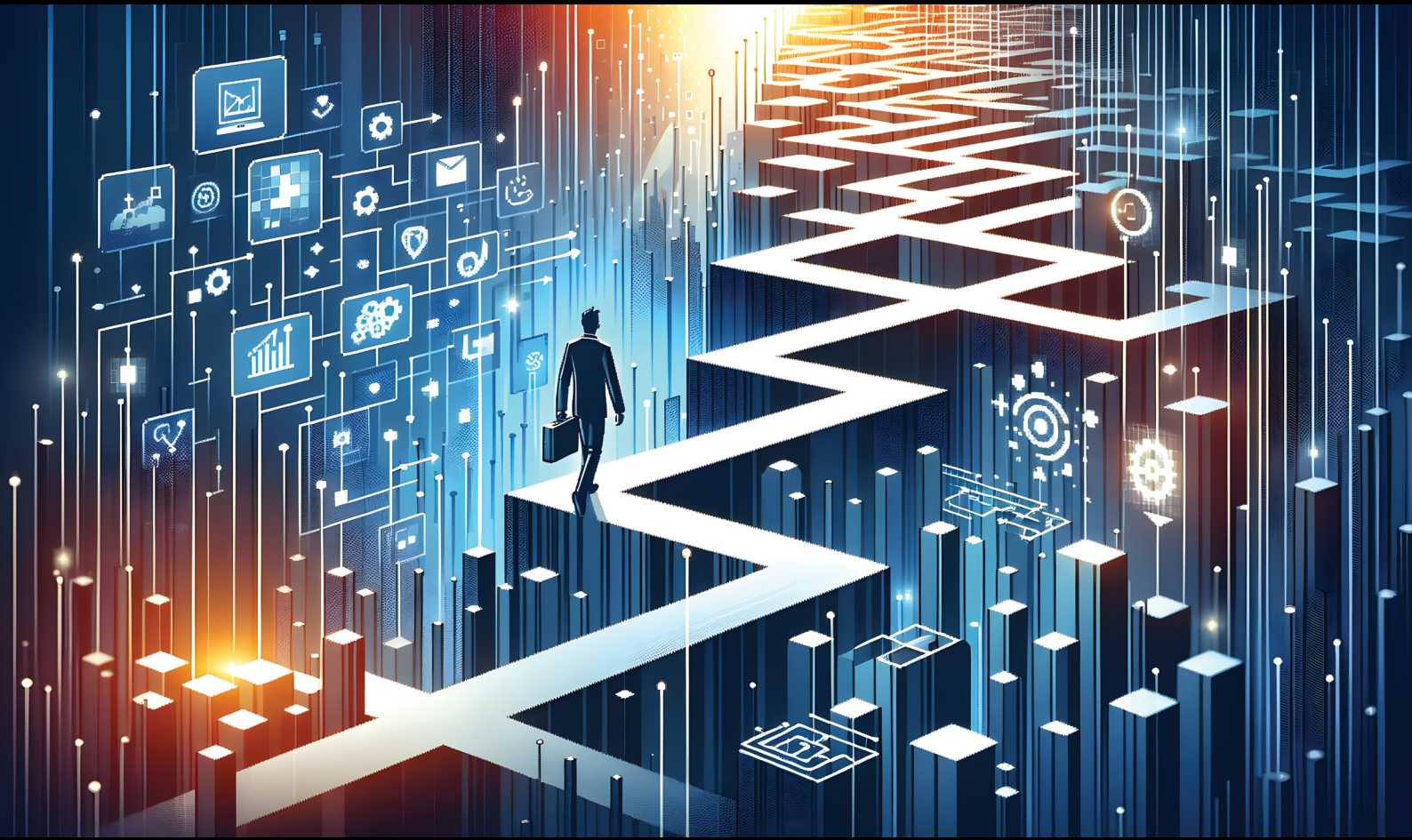


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Executive Summary

Delivering excellent customer service is a critical differentiator for banks in today's fiercely competitive landscape. By striving to meet the requirements of different customer segments, banks can establish stronger customer relationships and forge lasting links with loyal customers. Providing seamless digital experiences, ensuring constant availability of support, and providing a personalized experience for the customer are fundamental to effective customer service principles. Rapid responses and intuitive self-service options are fast becoming essential components of a modern customer journey, but how far should banks be going to prioritize these elements?

This paper considers how banks can provide an exceptional customer experience for their customers, and the many advantages of doing so. The benefits of effective customer service are well-documented: higher customer satisfaction and retention; stronger competitive positioning; enhanced brand reputation, and improved operational efficiency. However, many banks are beset with challenges when attempting to deliver outstanding customer service. For these banks, the path is obstructed by outdated legacy systems that inhibit agility, fragmented data that limits actionable insights, and the difficulty of aligning long-term customer service ambitions with short-term cost constraints and organizational hurdles.

Core modernisation offers opportunities for banks to build flexible, scalable systems capable of meeting customer needs while competing with agile, rapidly innovating fintechs and digital-first banks. Data-driven insights powered by artificial intelligence and machine learning open doors for strategic decision-making and deep personalization within the customer journey, but caution must also be taken. Such opportunities are dependent on banks committing to robust data management practices and ensuring their underlying data is clean, actionable and integrated.

It is important for banks to recognize that exceptional customer service can only be achieved if customer service agents feel empowered to provide customers with the experience they want. Through providing the right tools, continuous training, frontline empowerment and effective feedback mechanisms, banks can ensure technologies, such as cloud-native cores and artificial intelligence, can serve their ultimate purpose. Such efforts go a long way towards building customer loyalty and a strong brand image, and help banks keep pace with evolving customer expectations.

As customer experience continues to evolve, it is essential that banks remain agile, proactive, and open to exploring innovative approaches. Digital transformation must be seen as a strategic priority in order to enhance overall customer experiences; by committing to modern technology options such as cloud-native core banking platforms like Engine by Starling, banks can position themselves not just as service providers but as trusted partners in customer journeys. The path to exceptional customer experience is not simple, but the rewards are significant.

Customer Service Fundamentals: Defining Excellence in Financial Services

The “What” & “Why” of Customer Excellence

Most banks spend decades digitally transforming and accommodating their customers’ needs, however, there is still a gap when it comes to understanding the drivers for customer satisfaction and the delivery of truly excellent service.

In today’s dynamic landscape, it is essential for banks to deliver an extensive range of customized products and services that are accessible around the clock and ensure a seamless customer experience across all channels and touchpoints. Digital banks, like Starling Bank in the UK, have disrupted the banking industry in part because of their ability to serve customers cost-effectively while delivering excellent customer satisfaction. Established banks around the world are embarking on digital transformation programmes in order to better compete and improve their services to customers.

This paper will outline the approaches banks can take to deliver customer service excellence, and provide examples from Starling Bank and how its technology and learnings can be leveraged by other organizations.

Customer service excellence can be approached with two distinct lenses, both of which are vital for fostering customer satisfaction and loyalty:

- 1. Right levels of access to personalized and helpful products and services:** It is important to offer customers an intuitive and efficient self-service experience. Customers should be able to effortlessly access the services they need through user-friendly digital platforms. This not only enhances the overall experience but also enables the bank to operate more efficiently as customers can self-serve, and helps identify opportunities for growth through up-selling and cross-selling products.
- 2. Providing efficient and effective customer support:** When customers require additional support that is beyond the self-serve capabilities, the quality of the interaction can significantly influence the customer’s perception of the bank. Whether a customer is dealing with a transaction problem or seeking detailed information, the bank’s ability to resolve issues swiftly and satisfactorily is paramount.

Evolving Customer Expectations

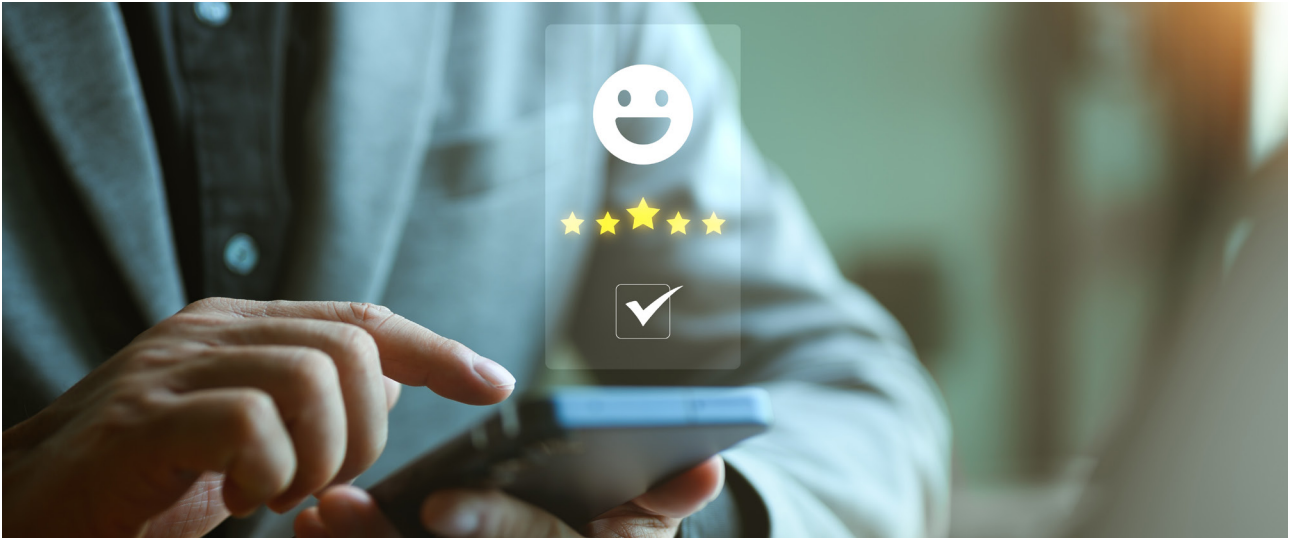
- 1. Seamless Digital Experience:** A modern customer wants to experience a user-friendly banking app that not only performs the tasks of day-to-day banking easily but that also provides the ability to self-serve where possible to solve their problems quickly.
- 2. Real-time Customer Service:** According to an EY report, the quality of customer service and the response time determine the bank's impression more than 70% of the time. The more the activities are automated, the more sophisticated the servicing quality needs to be. As per a recent survey conducted by HubSpot, ~70% of customers expect to receive a response within 5 minutes if reached through chat, and ~65% expect to receive a response within 5-10 minutes if reached through email.
- 3. 24/7 Access & Support:** The banking app should be available at all times allowing the customer to access and manage their finances as and when necessary. When customers do require additional support, quick and efficient touchpoints and response-times, whenever the customer requires, adds to overall customer satisfaction.
- 4. Personalization:** Personalized experiences are highly valued. As per a recent report published by Zendesk, 72% of customers rate personalization as "highly important" for financial services while 77% of business leaders recognise that deeper personalisation leads to increased customer retention.



“The financial services enterprises that are driving accelerated growth and success today are the ones who are finding fast lanes through technology, data, and processes to leverage and expand their ecosystems, and to sense, predict, and respond to customer experience opportunities”

Ajay Vij

UK, SVP – Industry Head, Financial Services, Infosys



Why Banks Should Care About Improving Customer Service

Customer retention is key. An EY report released in November 2023 states that for companies that increase customer loyalty by just 7%, the customer lifetime value (CLV) can increase by 85%.

Effective customer support systems ensure customer satisfaction which in turn:

- 1. Increases customer retention:** Quick and satisfactory support systems play a pivotal role in customer retention, saving on the cost associated with frequent customer acquisition. A study by Bain & Co. reveals that increasing customer retention by just 5% can lead to a profit increase ranging from 25% to 95%.
- 2. Greater competitive advantage:** The strategic approach of focusing on excelling customer service provides a competitive edge in the banking landscape and increases revenue. A Qualtrics study reveals that 89% of companies with 'significantly above average' customer experiences perform better financially than their competitors.
- 3. Brand reputation:** Loyal customers build trust, and good customer service automatically spreads a good image through word of mouth. According to a study by Invoca, effective personalization in customer interactions showed 49% of customers feel valued, and 47% showed more likely to choose that company for their business.
- 4. Operational Efficiency:** Streamlined support reduces costs by minimizing the time and resources needed to resolve issues.

Overcoming Challenges: Why Banks Struggle to Deliver Excellence

Challenges Faced

While global banking leaders have certainly prioritized customer front-end transformation such as improving app experiences, most efforts at achieving customer service excellence are hindered by legacy systems, data issues, and reliance on manual processes among other factors. Consequently, as per a Deloitte report, two out of three banks reported an inability to assess the context of a customer's situation beyond a single moment.

Some major challenges include:

- 1. Transformation Objectives:** It is important for banks to establish the right objectives when embarking on programmes to improve their services. If banks focus primarily on cost-cutting rather than enhancing customer service, they risk degrading the overall customer experience. This short-sighted approach overlooks the potential of customer service excellence to drive differentiation, revenue and long-term cost savings through increased loyalty and satisfaction.
- 2. Technology Roadblock:** Complex and inflexible legacy systems in banks create inefficiencies, slow operations, and hinder technological integration and advancement. Modernizing these systems with next-gen core technology can streamline processes, improve operational efficiency and allow banks to invest more in servicing customers better and delivering personalized experiences.
- 3. Data:** With existing legacy systems in banks effective data management is difficult and results in a fragmented and incomplete view of the customer. This leads to less personalized customer experiences as banks struggle to understand needs and utilize data for tailored services. It is also fundamentally harder to effectively leverage more advanced technologies like AI and machine learning to further improve efficiencies and servicing capabilities.
- 4. Lack of Personalization:** Many banks have carefully designed an adaptable, iterative improvement process, yet most of them inadvertently overlook the most vital aspect of the process: the customer. There is a tendency to prioritize technological solutions in the attempt to digitize customer journeys and "improve" the customer experience. However, customers may become wary and agitated if they lack access to human interaction when a critical issue arises.



The Trade-off Between Cost & Satisfaction

In the banking industry, the trade-off between cost and customer satisfaction is a crucial matter. Conventionally, customer service has been perceived as a cost centre, leading many banks to focus on minimizing expenses in this area as much as possible. However, this perspective overlooks the significant impact that customer satisfaction can have on long-term profitability and competitive advantage in the market.

Investing in customer service excellence can significantly boost customer retention, strengthen trust, and foster loyalty, leading to positive word-of-mouth and revenue growth. Satisfied customers are more inclined to buy additional products and services, thereby increasing their lifetime value.

If the focus remains on cutting costs instead of providing service quality, it can result in dissatisfied customers. This will lead to higher churn rates and negative reputational impacts. Poor customer service experiences can drive customers to move to competitors, impacting market share.

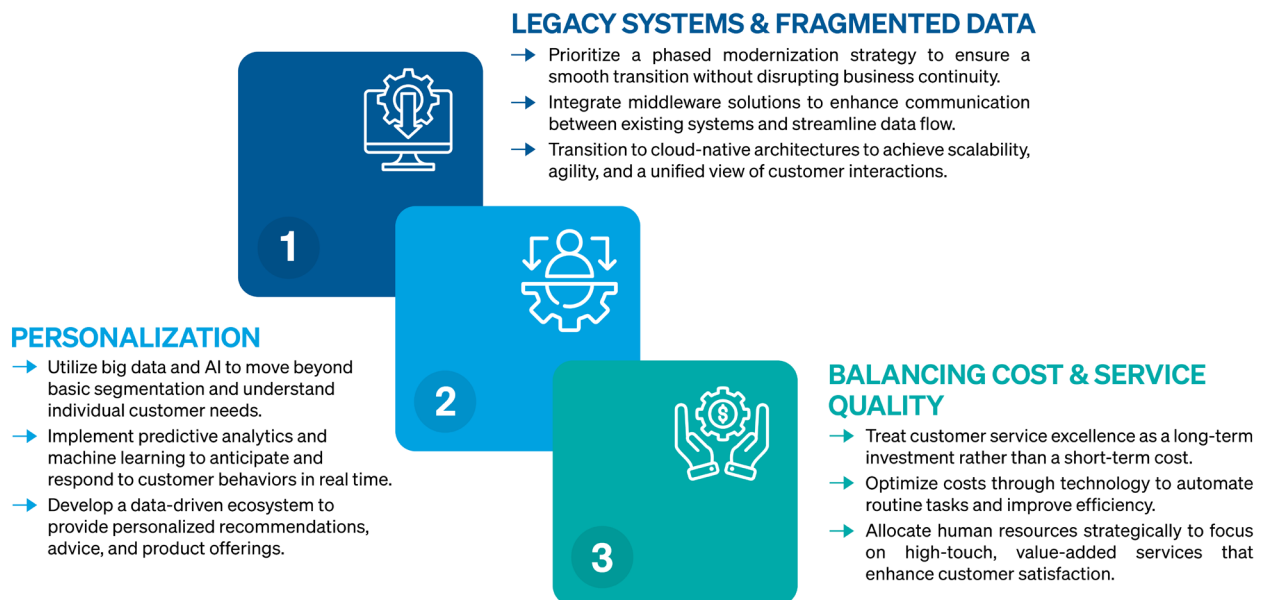
Thus, banks must strategically balance cost and satisfaction, recognising that investment in customer service is not just an expense but a critical driver of long-term success.

Customer Excellence: Approaching the Challenges

Establishing Best Practices

Achieving customer service excellence is not easy. Banks must first define their transformation objectives clearly. This involves not only setting clear service goals but also understanding the operational challenges that can impede these goals. Some strategic approaches to addressing these challenges include:

ESTABLISHING BEST PRACTICES



Harnessing Modern Solutions

The adoption of next-generation core banking technologies is key as it is the technological backbone necessary for banks to meet the ever-evolving expectations of today's customers. By leveraging advanced technologies, banks can transform customer service into a competitive advantage.

- 1. Leveraging Next-Gen Core Technologies:** Next-generation core banking platforms are pivotal in driving service innovation. 46% of consumers globally consider online or mobile banking as their primary banking channel. These platforms enable banks to break free from the constraints of legacy systems by offering modular, cloud-native architectures that support rapid deployment of new features and services. This flexibility allows banks to quickly adapt to market changes and customer demands, facilitating a more dynamic and responsive service model.

- 2. Enhancing Self-Service and Customer Journeys:** Empowering customers through self-service options is a cornerstone of modern customer service strategies. Banks should invest in creating intuitive digital experiences that allow customers to seamlessly view and manage their finances across multiple channels, such as mobile apps, in-app messaging, email, and push notifications. By providing these options, banks can enhance customer satisfaction, improve retention rates and also reduce operational costs by decreasing the reliance on human agents for routine interactions. As per a McKinsey report, 81% of the customers show greater satisfaction when using well-developed digital banking channels.
- 3. Data-Driven Insights and Personalization:** Modern banking platforms are designed to capture and process vast amounts of data in real time, enabling banks to offer highly efficient experiences. Utilizing AI and machine learning, banks can turn data into actionable insights, predicting customer behavior and proactively addressing needs before they arise. This data-driven approach improves the overall customer experience and supports strategic decision-making by providing executives with a comprehensive view of customer trends and preferences. According to the study conducted by the Harris Poll, 63% of customers expect personalisation as a standard service offering.






A Focus on AI

Artificial Intelligence (AI) is redefining the customer service landscape by offering new ways to enhance efficiency, accuracy, and personalization in banking.

Strategic Deployment of AI: AI should be regarded as an instrument to enhance, not replace, human capabilities. Banks should consider the 'co-pilot' approach whereby its strategic deployment can significantly enhance customer service by automating routine tasks and enabling 24/7 support without replacing the human touch. For example at Starling Bank, the use of AI to provide call summaries to agents so that they can focus more on servicing the customer. Starling also does not employ a chatbot approach or IVR, instead it focuses on empowering customer service agents to speak directly to customers.

The value of AI also lies in its ability to enhance complex decision-making processes. For instance, AI can be used to evaluate large databases to identify fraud patterns, support in the customer onboarding process or provide agents a view of suggested financial products or services that may suit a group of customers, thereby delivering superior customer service and driving business growth. As per a survey conducted by Deloitte Digital, 41% of the respondents reported implementing GenAI in marketing, sales, and customer service.

AI in Enhancing Customer Interaction: The integration of AI in customer interactions allows for more intuitive and efficient service. For instance, AI-powered chatbots can manage a high volume of inquiries at once, delivering rapid resolutions and allowing human agents to concentrate on more complex tasks. Moreover, AI can enhance customer interactions by providing agents with real-time insights and suggestions based on customer data, thereby improving the quality of service. However, it is important to recognise that most customers still prefer to interact with a human agent when facing difficult or complex problems, and customer service excellence in the context of AI should focus on finding the right balance between efficiency measures and providing high-quality touch points. According to a PwC report, 75% of customers expect personalized experiences from their financial institutions, and AI-driven personalisation can lead to a 10-15% increase in revenue.

Case Study	
<p data-bbox="169 378 280 412">Situation</p> 	<ul data-bbox="512 378 1409 741" style="list-style-type: none"> • Starling Bank in the UK is a highly successful digital bank which has consistently ranked at the top for customer satisfaction since its launch in 2017. • Delivering customer service excellence is one of Starling’s differentiating factors and fuels its growth, profitability and high customer retention. Starling Bank is one of the few banks in the UK that offers 24/7 human customer support. • However, Starling recognized the potential of AI to support greater customer service efficiencies.
<p data-bbox="169 799 280 833">Approach</p> 	<ul data-bbox="512 799 1409 1413" style="list-style-type: none"> • Starling Bank has incorporated AI as an important support mechanism to augment and enhance the employee experience: • Starling has the right foundations to make the best use of AI and new technologies, with a single, cloud-native system built on modern architectural principles that provides agility and scalability to leverage data and give employees a user-friendly and consistent view of the customer. • Integrated AI models and machine learning techniques into its customer service operations. • Automated routine tasks and real-time summaries of customer calls and chats, streamlining interactions and equipping agents with immediate insights. • Maintained a focus on human interaction so that customers are always able to speak to a person. AI is used to augment, not replace human capabilities.
<p data-bbox="169 1473 256 1507">Impact</p> 	<ul data-bbox="512 1473 1409 1832" style="list-style-type: none"> • Significant reduction in the amount of after-call work, allowing customer agents to focus more on engaging with customers and addressing complex issues. • Increase in efficiency and improvement in the overall quality of service which has enhanced the customer experience. • Starling’s agents are often able to solve customer queries on first contact and agents have saved on average 5 minutes per call when looking at the overall call handling time thanks to the tools available to them.

Empowering Teams and the Employee Experience: Uniting the Front and Back Office

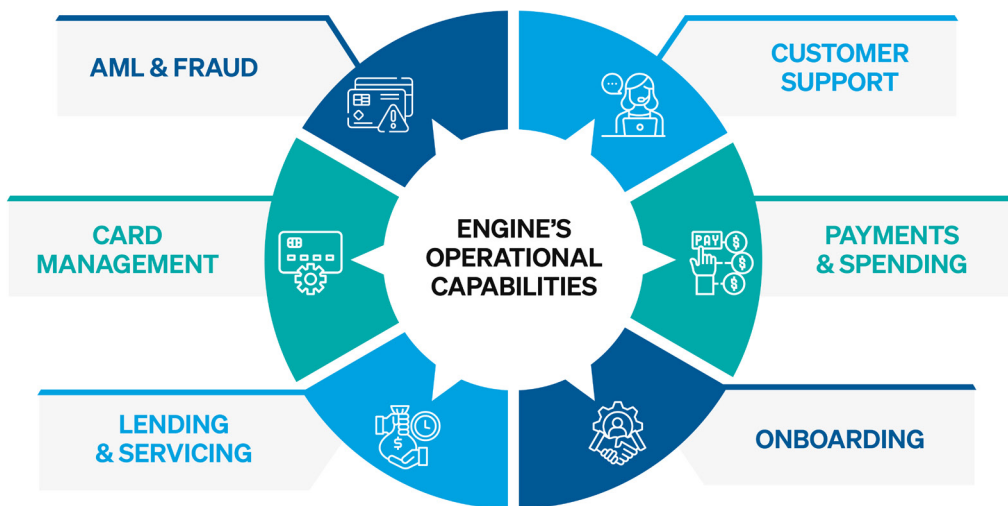
Delivering a 360-degree Customer View

Employees are the backbone of ensuring and achieving customer service excellence. It is essential to empower employees with the right tools and information so that they can perform to the best of their ability and better support customers. A holistic approach that unites the front and back office is vital to delivering a seamless customer experience, and prioritizing the employee experience. This approach has been pivotal to Starling Bank’s success in the UK, the bank is able to run on one single, cloud-native platform (Engine by Starling), that provides employees a single operating interface to deliver key services.

Integrated Technology and Tools:

Providing a comprehensive view of customer interactions across all channels is essential for delivering consistent service. Solutions like Engine by Starling’s Management Portal equip employees with a single, unified platform that presents all customer data and touchpoints. This technology not only streamlines workflows but also empowers employees to make informed decisions quickly, resulting in more personalized and efficient service to customers.

OPERATIONAL CAPABILITIES | ENGINE



Continuous Training and Development:

Technology alone is undoubtedly not enough; employees must be continuously trained to utilize these tools effectively. Banks should implement ongoing training programs that focus on enhancing employee technical skills and improving customer interactions. A survey by PwC found that 85% of digital banks in Europe have implemented continuous learning initiatives, providing access to online courses, certifications, and workshops for their employees. Over 90% of employees at these banks reported increased job satisfaction due to these learning opportunities. By fostering a culture of continuous learning, banks should ensure that their people are equipped to meet customer needs and adapt to new technologies & strategies.

For example at Starling Bank, the bank aimed to enhance its system capabilities by improving the capture of customer information related to complaints, while simultaneously ensuring a seamless and efficient experience for both customers and agents. Rather than simply delivering an e-learning module or video to explain the new process, Starling prioritized face to face training for all staff. This approach not only covered the technical aspects of the change but also emphasized its underlying purpose, coupled with additional training on effective complaint resolution. As a result, teams benefited from a more tailored learning experience and were better equipped to support customers.

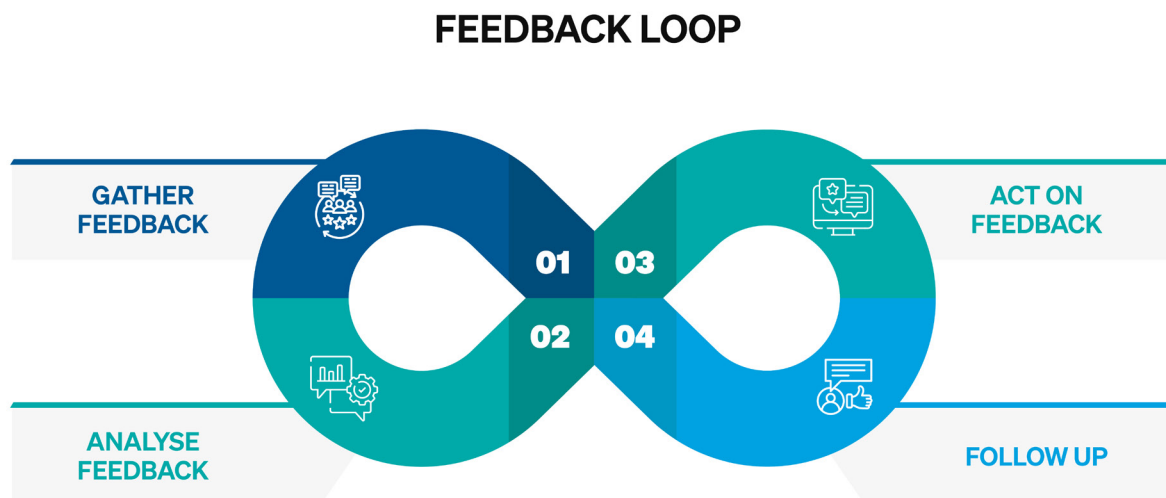
Performance Measurement and Feedback:

To maintain high service standards, banks must establish robust performance measurement frameworks that focus on customer outcomes rather than just operational metrics. Feedback loops and performance reviews should be performed regularly to identify areas for improvement and celebrate successes. By focusing on metrics like Net Promoter Scores (NPS), customer satisfaction, and first-contact resolution rates, banks can ensure they are meeting their service excellence goals.

Another example at Starling Bank includes the focus on coaching and feedback, using a structured approach featuring regular, scheduled check-ins with line managers. Staff members receive more 'off contact' time than is typically seen in other customer contact centers, and these sessions may involve performance reviews, discussion on resolution improvements, customer outcomes, process related improvements or focused coaching aimed at enhancing the customer experience.

The Feedback Loop: Mechanisms to Listen, Feedback, and Effect Change

Feedback mechanisms and continuous improvement are crucial for maintaining customer service excellence and should be embedded in the culture of the bank. Banks need to establish mechanisms that allow them to listen to both customers and employees and implement changes quickly.



Empowering Frontline Employees:




Frontline employees are a bank's most valuable resource. They interact directly with customers and understand their needs to identify service gaps. Banks should empower these employees by providing channels for them to share feedback and suggestions for improvement. Empowering frontline employees to actively share feedback and participate in the implementation of solutions leads to a significant increase in employee engagement. This heightened engagement often translates into improved service quality, resulting in a more positive customer experience.

Agility in Implementing Changes:

Banks must be agile in implementing changes based on feedback. This requires a streamlined decision-making process that allows for rapid enhancements and improvements. By fostering a collaborative environment, cross-functional teams can work together to address issues and develop new solutions. This way, banks stay ahead of customer expectations and maintain service excellence.

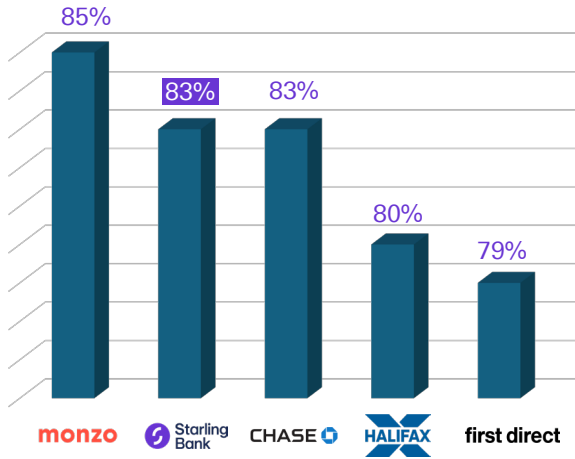
Case Study: Starling Bank

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Case Study	
<p>Situation</p> 	<ul style="list-style-type: none"> • Starling continually strives to be at the forefront of service excellence, delivering value to customers and providing employees the tools and support they need. • The bank must maintain clear feedback loops and cross-functional collaboration to ensure it can address evolving customer needs.
<p>Approach</p> 	<ul style="list-style-type: none"> • Starling has a set of company values that flow through the organization. One of these core values is “Listen” and its products and features are rooted in listening to the customer. • The bank fosters collaboration between customer service, product development and engineering teams to effectively maintain feedback loops and balance proactive and reactive development of innovative solutions to customers. • Leveraging feedback and collaboration, Starling developed pioneering features like ‘Hide Payment References’ which directly addressed specific customer concerns. As well as utilizing customer behavior analysis and usage patterns to launch features like “Bills Manager.” • Starling ensures its customer service teams are empowered and highly trained and measured on metrics that reflect customer satisfaction.
<p>Impact</p> 	<ul style="list-style-type: none"> • Starling can rapidly launch innovative products and features that directly respond to customer needs. • The UK Competition and Markets Authority Customer Satisfaction Survey (2024) showed 79% of customers would recommend Starling’s personal current account services to friends and family. • 83% of customers said they would recommend Starling’s online and mobile banking services to friends and family. Starling was ranked 2nd among all banks. • Starling Bank ranked in top 6 (highest ranked digital bank) in the UK Customer Satisfaction Index (UKCSI), 2024.

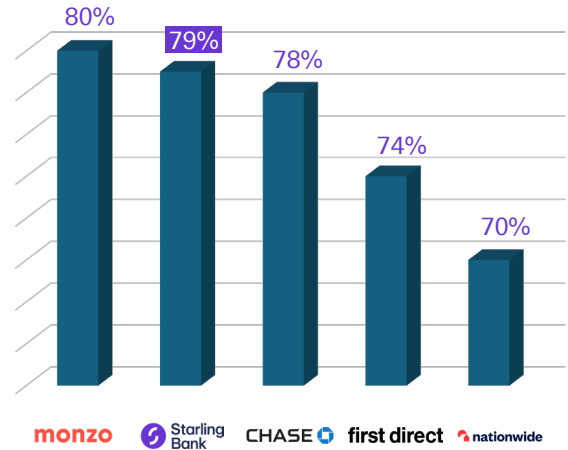
Online and mobile banking services

We asked customers how likely they would be to recommend their provider’s online and mobile banking services to friends and family.



Overall service quality

We asked customers how likely they would be to recommend their personal current account provider to friends and family.



Source: UK Competition & Markets Authority: Customer Satisfaction Survey (2024), Personal Banking

UK Customer Satisfaction Index			
Rank	Organisation	Sector	Score
1	 TIMPSON Great Service by Great People	Services	86.0
2	 Nationwide	Banks & Building Societies	85.2
3	JOHN LEWIS & PARTNERS	Retail (Non-food)	85.0
4	 Jet2holidays Package holidays you can trust	Tourism	84.4
5	 Waitrose	Retail (Food)	84.4
6	 Starling Bank	Banks & Building Societies	83.9
7	M&S	Retail (Non-food)	83.6
8	 M&S - FOOD -	Retail (Food)	83.6
9	 monzo	Banks & Building Societies	83.6
10	 GREGGS	Leisure	83.4
11	 YORKSHIRE BUILDING SOCIETY	Banks & Building Societies	83.4

Source: The UK Customer Satisfaction Index (UKCSI) 2024, Starling continues to be the highest listed digital bank.

A Whole Bank Approach: Becoming Truly Customer-Centric

Achieving customer-centricity requires a holistic approach that involves every part of the bank. In summary, customer service excellence should be viewed as a strategic priority that permeates all levels of the organization:

Unified Vision and Leadership Commitment: Leadership plays a critical role in delivering service excellence. Executives must set a clear vision and have the right objectives for transformation programmes and ensure that this vision is communicated across the organization. By aligning all teams around common goals and empowering them with the tools they need to prioritize customers, banks can create a culture where exceptional service is the norm.

Modern Technology as a Foundation: Banks should invest in moving to cloud-native, core banking technology to provide the modern architecture needed to better serve customers while also benefiting from cost efficiencies. This is as well as the prudent use of GenAI solutions as a co-pilot. Banks can leverage these technologies and advanced analytics to gain deeper insights into customer behavior, improve personalization, predict future needs, and deliver targeted solutions that enhance customer satisfaction and loyalty.

Fostering a Customer-Centric Culture: Beyond technology, cultivating a culture that values customer service is crucial. This involves training employees to prioritize customer needs, encouraging feedback, and recognising outstanding service. A strong customer-centric culture can differentiate a bank in the competitive landscape and drive long-term success.

Continuous Improvement and Adaptability: The journey to customer service excellence is ongoing. Banks must be willing to continuously assess and refine their strategies, focus on empowering front-line employees that are closest to the customer and leverage data and feedback to adapt to changing customer expectations.

About Engine by Starling

Engine by Starling is a cloud-native, SaaS banking platform that delivers all the capabilities to run a highly competitive and cost-effective digital bank. Engine is the technology arm of Starling Bank, one of the world's leading digital banks. Born in the cloud and delivered as a fully-managed service, the platform is modular, entirely API-based and a proven technology at scale. Engine simplifies core banking modernisation by offering a complete set of digital features and capabilities that can be configured rapidly. Engine already operates a broad range of banking products for millions of customers, and the technology is designed to support and scale with ambitious financial institutions looking to transform their customer experience and back office operations. Using Engine's capabilities and real-world experience running the UK's leading digital bank, Starling, banks around the world can take advantage of cloud-native technology; quickly launch fully-featured products, re-platform existing business and deliver best-in-class banking experiences.

About IBS Intelligence

Established in 1991, UK-headquartered IBS Intelligence (IBSi) is the world's only pure-play Financial Technology research, advisory, and media firm, with a global coverage, and a 360° portfolio of intelligence offerings. As an Analyst firm, we take pride in covering 400+ FinTech vendors in-depth – the largest by any global research firm in this space. IBSi's iconic annual Sales League Table has been the industry-acknowledged barometer of global Financial Technology vendor performance for 20+ years, covering 100+ leading technology participants, across 20 system types. Every year.

