



EXPANDING THE FINANCIAL FRONTIER:

# What Banks and Fintechs Need to Know to Grow Market Share

Key findings from Galileo's *2021 State of Consumer Banking and Money Survey*

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# Introduction:

## Redefining the Future of Finance

How, where and why people ‘bank’ and what this means for the future of financial services

**The way financial services are delivered to people and businesses globally is at a tipping point.** Driven by rapid payments technology innovation and shifting consumer behaviors, the intersection of data, technology and finance has never presented greater opportunities for businesses looking to change how money moves around the world.

What's more, the opportunity is no longer limited to banking institutions. Non-financial businesses of all kinds are deploying innovative new user experiences and financial solutions that are redefining the future of financial services—including how, why and where consumers keep their money.

Galileo's 2021 State of Consumer Banking and Money Survey polled 1,000 U.S. adult consumers ages 18-64 to better understand consumer decision-making and habits related to their money. The data can help financial services providers and non-financial businesses alike deliver financial experiences that respond to evolving consumer demands.

*“The financial frontier is rapidly and dramatically transforming right before our eyes. Consumers are looking for financial experiences that meet them exactly where they are: on their devices, using various applications, accessing their money both traditionally and digitally, and doing more with their money. Across this industry there is a massive opportunity to bridge the gap among all consumers and deliver highly valued engagements for those who use traditional banking and those who prefer digital.”*

—Seth McGuire, Chief Revenue Officer, Galileo



Galileo's survey reveals where consumers keep their money, and why and how they use their accounts across a variety of traditional, digital and prepaid options. It also unearths how financial innovators can build a roadmap to a better financial future for everyone, including:

- **Why consumers choose and switch financial providers;**
- **The correlation between provider satisfaction and consumer behavior; and**
- **Opportunities for embedded finance and the future of fintech.**

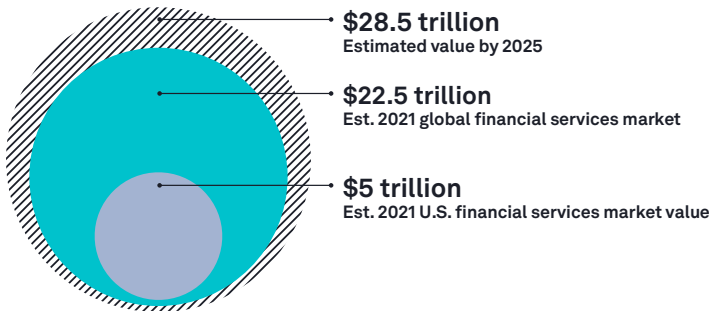


# A Global Snapshot: Market Opportunities Today and Tomorrow

The financial ecosystem is bigger than ever—and growing rapidly.

The global financial services market—valued at approximately \$22.5 trillion at the end of 2021—is forecasted to reach \$28.5 trillion by 2025. But we haven't even scratched the surface of this immense and dynamic opportunity.

## Global Financial Services Market



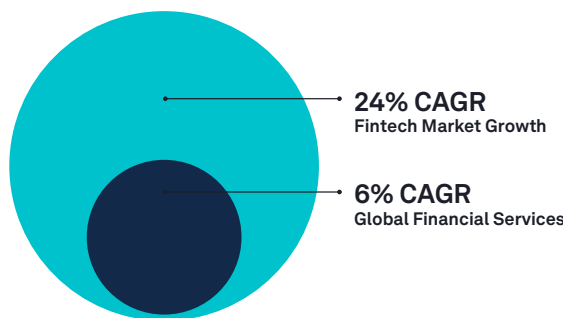
Leading this growth is massive investment in fintech—a market that's expanding roughly four times faster than the rest of financial services—and one estimated to be as large as the entire current U.S. financial services market at roughly \$5.5 trillion.

Everyone from major banks to emerging startups are making fintech investments. These investments span a wide variety of use cases that support an expanded, but also fragmented financial ecosystem.

Source: The Financial Services Global Market Report 2021 (The Business Research Company)

## Market Growth from 2021 to 2025

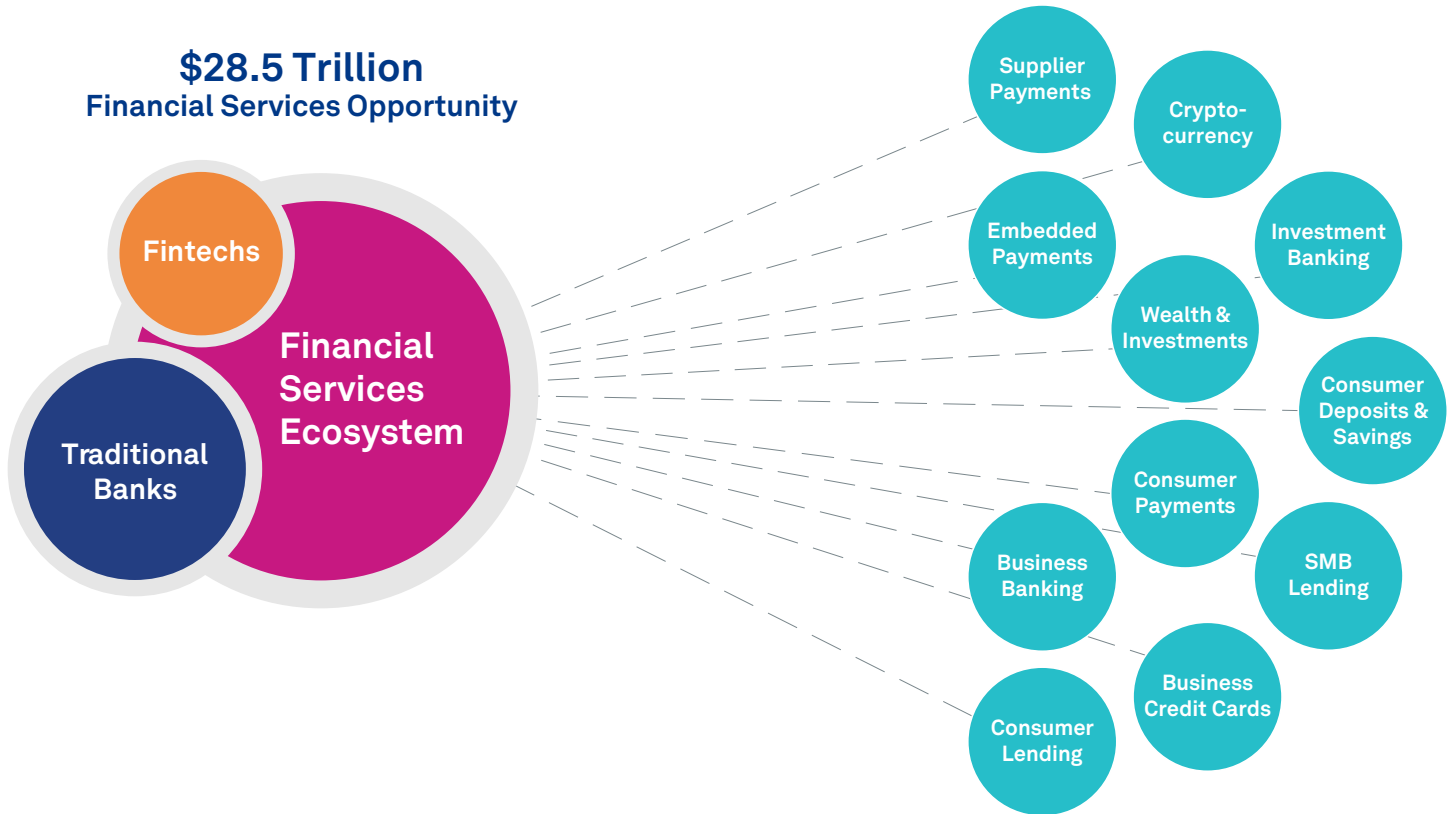
As our market research demonstrates, it's clear that the consumer mindset has changed and so has their behavior. Consumers are using more providers than ever to meet their financial services needs. As they embrace digital banking options—both out of preference and necessity—they are also growing more comfortable with a wider variety of digital financial services.



**4X**  
faster  
fintech  
growth

Source: Research & Markets, Global Fintech Market Report 2020-2025 - Competition, Forecast & Opportunities

# A Bigger Ecosystem Means More Opportunity



This adoption of new technology opens access to more players, which is spurring more innovation. As companies compete for their piece of the financial services pie—an opportunity that used to be exclusive to traditional players—it’s clear that the real opportunity is about encouraging growth through greater access to the financial services ecosystem.

Providers of all types are creating new use cases across every sector of financial services, expanding existing markets and building new ones. Services from new providers and reimagined solutions from established players will reach more people and businesses than ever before, ultimately giving greater access to valuable financial services.

*“[Banks] don’t have to do all of this alone. There are ways to partner with non-traditional players in ways that are accretive to both the traditional bank and the fintech. And we’re starting to see more and more of that.”*

—Sherri Haymond, EVP, Digital Partnerships, Mastercard





# How and Where Consumers 'Bank'

Consumers are using more financial tools than ever—and digital is closing the gap.

As digital banks and accounts have gained significant market share in recent years, consumers now see choices that go well beyond checking or savings, or simply having multiple accounts with one traditional bank. They've redefined and unbundled "banking" to include a much broader list of individual tools, activities and providers, but few studies have evaluated how these various account types co-exist within the consumers' mindset.

Our market research first looks at how consumers have unbundled their financial services, what types of financial services consumers are using most and where consumers are actually keeping their money.

We asked consumers about their usage of the four account types below, including which providers they use for their primary and secondary financial services providers and how they're using each provider. It's important to note that most consumers use multiple providers across these categories:



**Traditional banks:** established community, regional and national banks and credit unions with physical locations



**Digital-only banks:** banks that do not have any physical locations



**Prepaid accounts:** payment card accounts, which include physical and virtual prepaid cards



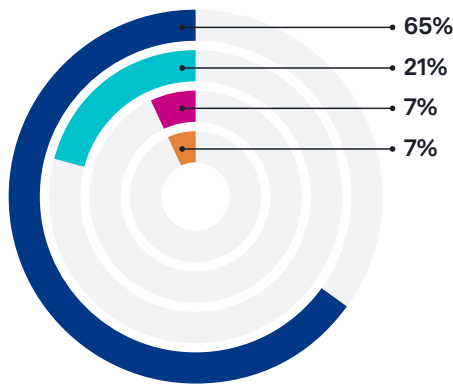
**Stand-alone digital accounts:** stand-alone payment services such as PayPal and Venmo

While most consumers still use traditional banks as their primary provider, **digital-only banks continue to gain more share, especially as a secondary provider.** It should come as no surprise that use of stand-alone accounts, like Venmo and PayPal, surge into the second-most used spot as a secondary provider.

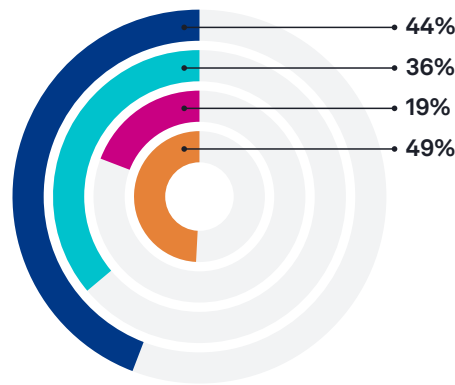
We expect these account types to gain even more users who view them as their primary provider as they continue to offer more banking services. However, banks still have an opportunity to hold on to their majority position, and even win back consumers if they expand their digital capabilities.

Even though many digital-first services have a head start, the playing field has leveled. Traditional banks now have access to all the tools and technology they need to deliver first-class digital and mobile experiences. The data also shows that a significant percentage of consumers still count on traditional banks as their primary and secondary providers. For consumers who use a digital bank as their primary provider, more than one-third (36%) also use a traditional bank as their secondary provider.

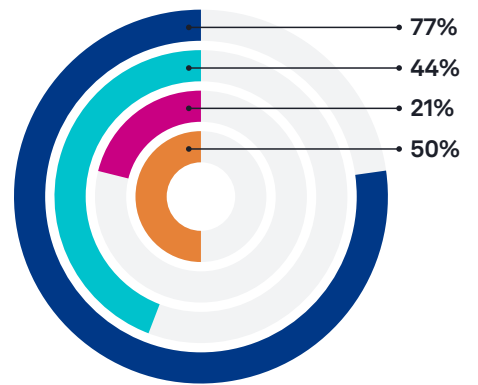
### Primary Provider Usage



### Secondary Provider Usage



### Provider Usage (combined)

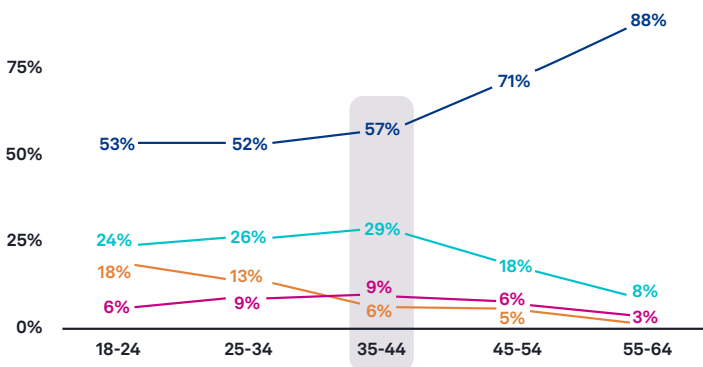


Legend: Traditional bank (dark blue), Digital-only bank (teal), Prepaid account (magenta), Stand-alone digital account (orange)

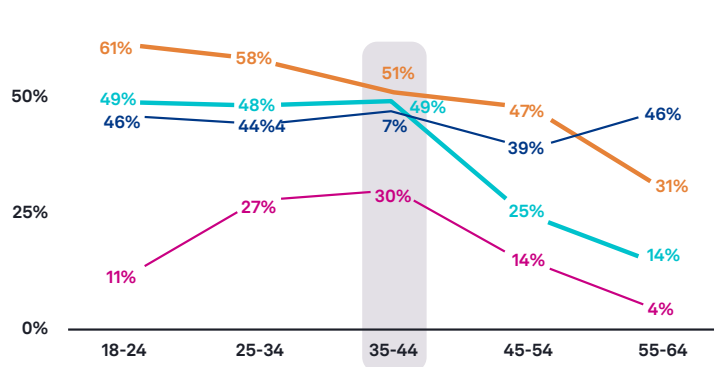
### Where Digital Dominates

When we look at consumers' use of financial providers by age, it's clear that traditional banks are favored by older users as a primary account. However, age is not much of a factor when it comes to consumer use of traditional banks as a secondary provider. Digital is gaining traction across all age groups, especially as a secondary account. Even among 55+ consumers, nearly one-third have a stand-alone digital secondary account.

### Primary Financial Provider By Age



### Secondary Financial Provider By Age



Legend: Traditional bank (dark blue), Digital-only bank (teal), Prepaid account (magenta), Stand-alone digital account (orange)

Consumers age 35-44 are using all types of accounts and have the most users (29%) of digital-only banks as their primary account than any other age group. Prepaid usage also surges with this age group for secondary accounts. This aligns with many other life-stage trends as consumers in this age group move into the prime of their spending and saving years. Many consumers in this age group are parents, may own a home or other investments and are advancing in their career and earnings potential. Similarly, this preference for digital banking for this demographic—one with immense spending power—demonstrates an opportunity for digital-only providers to offer more services targeted at this demographic. To that same extent, traditional banks should ensure their digital experiences can keep up to retain and attract more consumers in this age group.

## Where Consumers ‘Bank’ Isn’t Always Where They Keep Their Funds

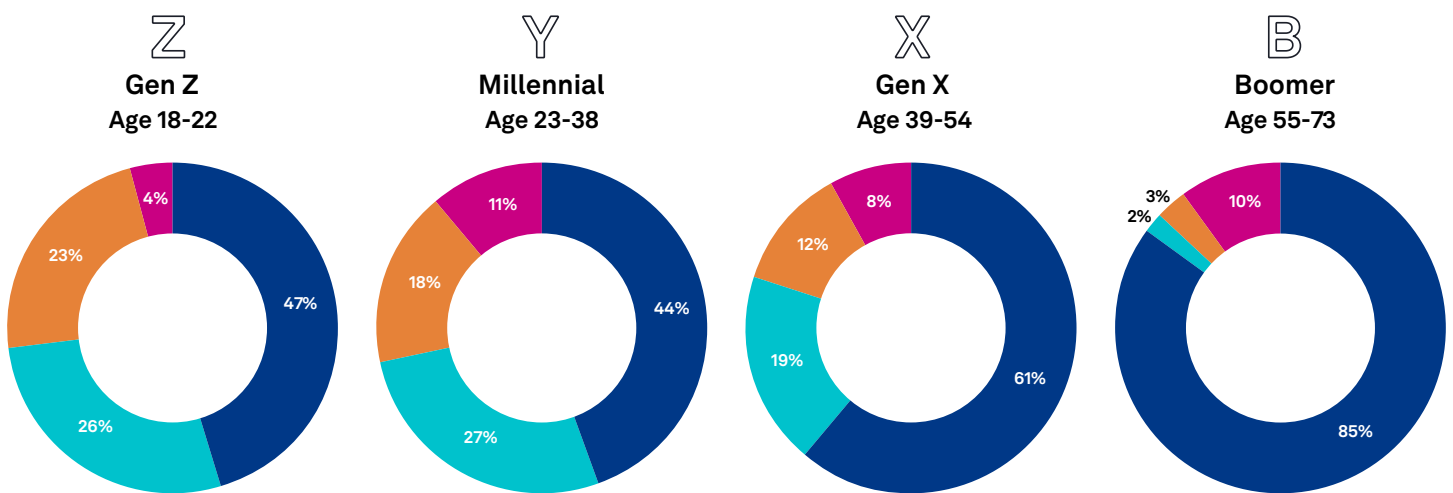
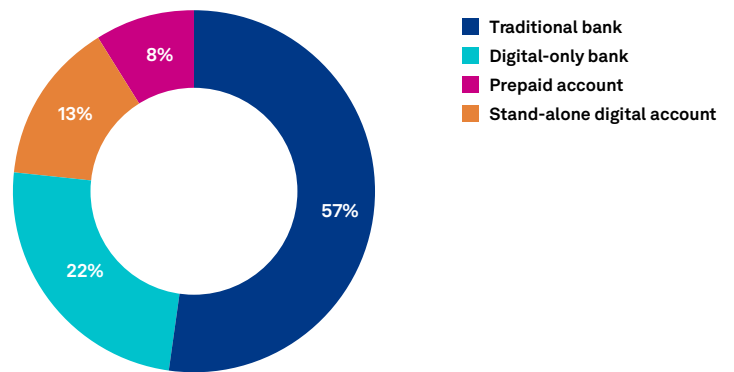
We also found an interesting disconnect between where people ‘bank’ and where they’re actually keeping their money. While 77% of consumers choose traditional banks as a primary or secondary provider, only slightly more than half (57%) of their funds are kept in a traditional bank account.

The other 43% of funds are circulating among various providers as more people use digital accounts for common use cases such as segmenting their income, managing their budget, investing funds or sending money to family and friends.

As these funds move among account types, there are opportunities for traditional and fintech players to demonstrate key benefits, such as convenience and security, and offer differentiated or complementary services.

When we look at this data across generations, Boomers and Gen X still keep the majority of their funds in a traditional account, as you might expect. But Millennial behavior is strikingly similar to Gen Z. As these two digital-first generations age, all providers should expect to see an acceleration of these usage trends. Millennials, now in the height of their earning years, **keep 56% of their funds in some kind of digital or prepaid account**—nearly the same proportion as Gen Z.

Share of funds



Share of Funds by Generation

■ Traditional bank ■ Digital-only bank ■ Prepaid account ■ Stand-alone digital account



## Consumers Are Using Traditional and Digital Accounts in Similar Ways

The lines are also blurring when it comes to how traditional and digital accounts are used. While traditional banks are still likely to be used for traditional banking activities—such as paying bills, depositing wages or saving—more than ever, so too are all other account types. At the same time, ecommerce is a key source of growth for non-traditional account types, as consumers favor those choices to shop online.

We also see that this varies by consumer group. Digital-first consumers, for example, are using digital accounts to conduct those same activities that were once reserved for traditional bank services: paying bills, depositing wages and “saving.” When we look at this savings behavior for stand-alone digital accounts and prepaid, it’s a great example of how the consumer mindset has shifted. Here, consumers may be thinking of “saving” as more of a way to set aside funds than to actually earn interest. In fact, 50% of consumers who use stand-alone digital accounts as their primary provider use them for “savings” while 40% of consumers using prepaid accounts as their primary provider cite savings as a key use.

Consumers cite savings as one of the key uses for stand-alone digital accounts (50%) and prepaid accounts (40%) when those accounts are primary.

As our market research demonstrates, it’s clear that the consumer mindset has changed and so has their behavior. Consumers are using more providers than ever to meet their financial services needs. As they embrace digital banking options—both out of preference and necessity—they are also growing more comfortable with a wider variety of digital financial services.

### How Consumers Use Their Primary and Secondary Accounts





# Why Consumers Choose Financial Providers and What Drives Satisfaction

## Security and privacy drive choice, but convenience drives satisfaction.

Regardless of which providers consumers use the most, the top factors they consider when choosing a primary provider are generally aligned with those factors that keep them satisfied with their chosen provider. There are two key exceptions that all providers should note:

1. While security and privacy are top priorities in selecting a provider, convenience has the biggest influence over satisfaction. This has big implications for long-term usage and retention.
2. Alignment of values is a factor that has an outsized impact on satisfaction but far less influence on provider choice. Providers shouldn't underestimate this opportunity to manage and promote their brand values to current customers.

### The Top Four Factors

It's clear that two of the top four factors—security and privacy—are table stakes for any financial services provider to compete, but providers who deliver convenience, specifically by being faster and easier for consumers to use, and have lower fees will have a competitive advantage. Banks in particular should focus on improving these areas that digital providers have largely mastered.



Security



Privacy

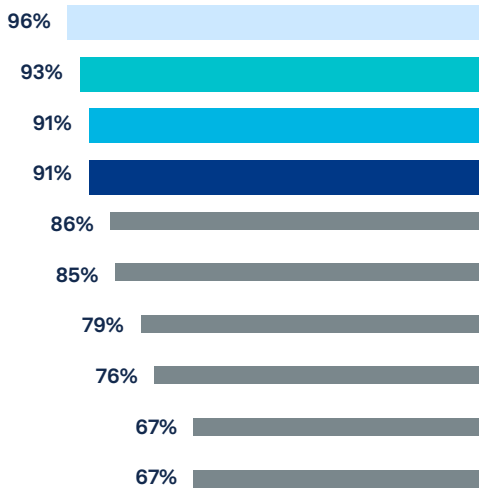


Convenience



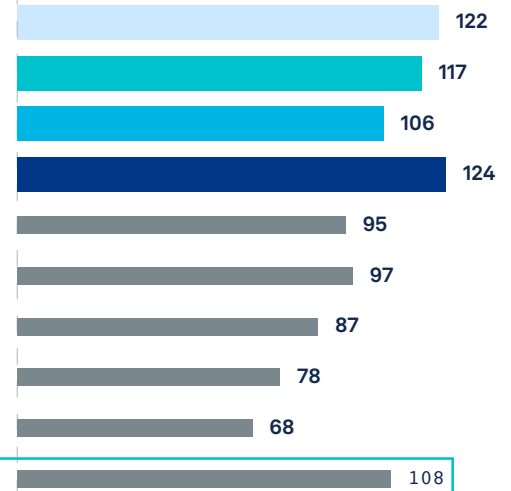
Lower Fees

## Factors when Choosing Primary Provider



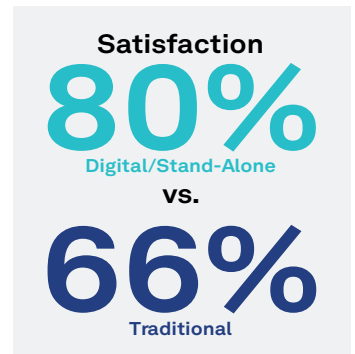
Security of my account and funds  
 Privacy of my personal information  
 Lower fees  
 Convenience – it is faster and easier  
 Access to cash (via ATM or other method)  
 Online features  
 Mobile app features  
 Access to a local, physical location  
 Rewards/points  
 The provider's values align with mine

## Key Drivers of Satisfaction (index)

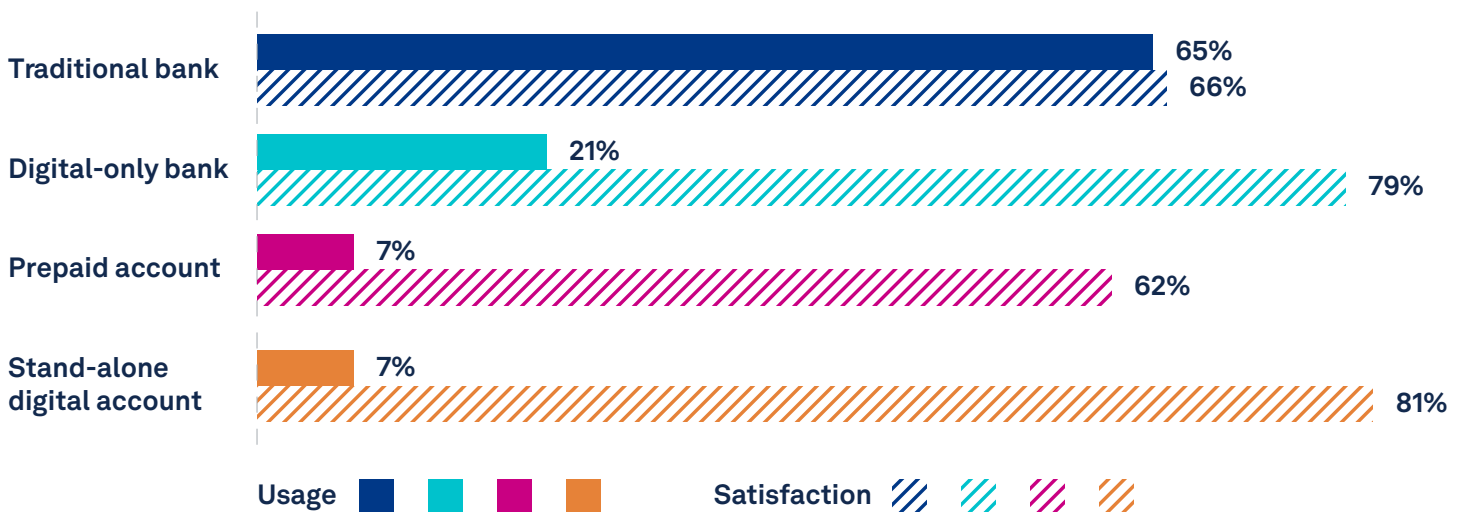


## Digital Customers Are More Satisfied

When we look at how consumers feel about their primary provider, digital banks and stand-alone accounts have cracked the code and this data aligns with the top driver of satisfaction: convenience. Around 80% of consumers who use digital banks and stand-alone digital accounts—across all generations and income levels—are satisfied with their provider, compared with only 66% of traditional bank users. This naturally explains, at least in part, the market growth among these providers. Understanding the connection between the convenience of digital solutions and satisfaction can help all providers up their game.



## Primary Provider Usage & Satisfaction

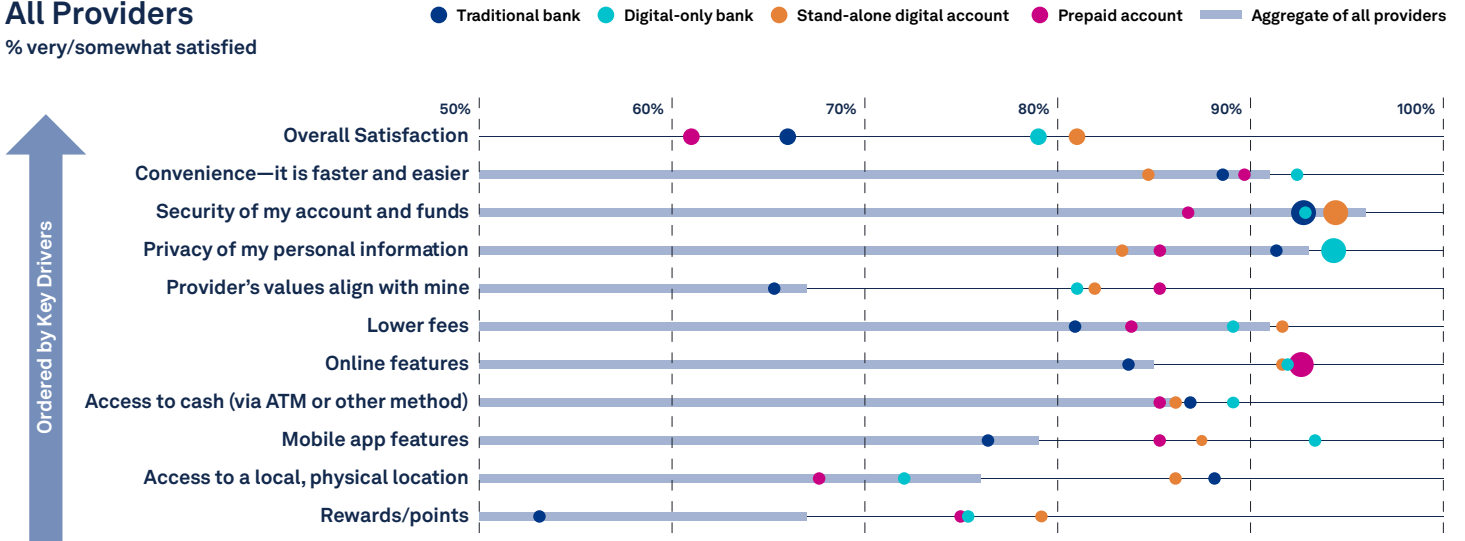


## Dig Deeper: Factors by Account Type

Now let's look at the satisfaction drivers across each account type. As we've seen, digital providers outpace the competition in nearly every factor and are perceived to meet or beat traditional banks on key factors like security and privacy. But traditional banks still perform well in those two areas, as well as other key factors like convenience. Traditional bank satisfaction is weighed down most notably by rewards, as well as challenges with fees, online and mobile app features, and values alignment. Prepaid outpaces competitors for online features but underperforms in most other categories—physical locations and access to cash in particular. Prepaid outpaces competitors for online features but underperforms in most other categories—physical locations and access to cash in particular. Users of stand-alone accounts are most satisfied with the security of their funds.

### All Providers

% very/somewhat satisfied





# The Digital Shift: Why Consumers Are Motivated to Switch

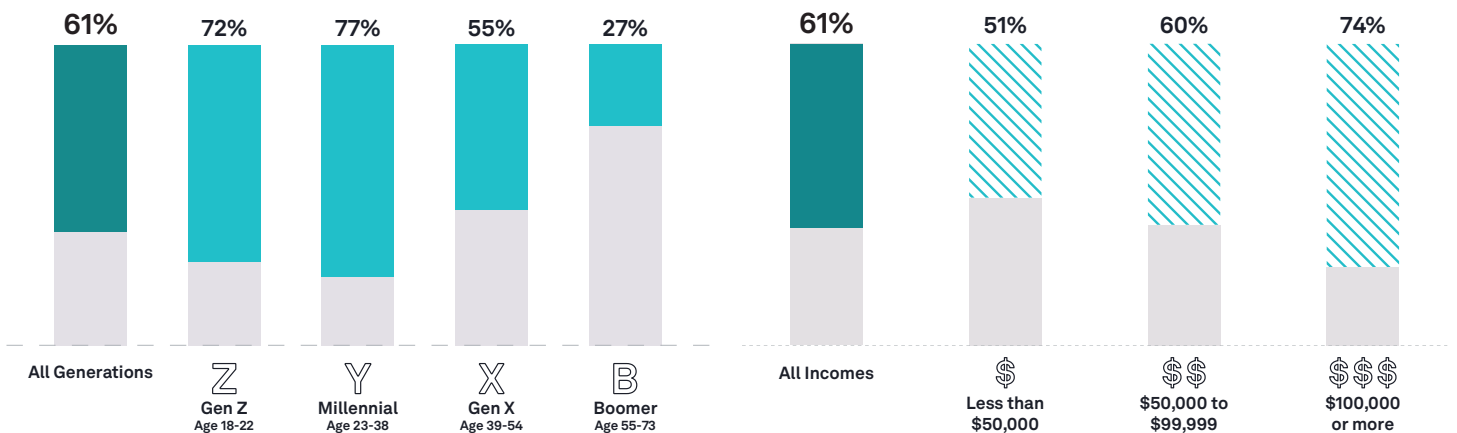
## Consumer desire to switch to digital-only banks is growing.

A whopping 61% of consumers say they are somewhat or highly likely to switch their primary provider to a digital-only provider in the next year. Not surprisingly, younger generations are leading this trend.

61% of consumers say they are somewhat or highly likely to switch their primary provider to a digital-only provider

## Consumer willingness to switch to digital-only banks is growing across all generations and income.

Highly/somewhat likely to switch to digital-only provider:



Notably, higher earners are also more likely to switch to a digital-only provider, which may reflect their access to and comfort with technology, as well as their use of a wider variety of digital savings and investment accounts.

But this data doesn't mean banks should expect a mass exodus just yet. As we've shown, there's a large (and growing) market for consumers to have multiple crossover accounts, and banks still have time to deliver on digital experiences to boost satisfaction and retain their base.

We also must not overlook the imperative for inclusive growth. Expanding access to digital financial tools is essential across all income levels. Not only is it a market opportunity, but expanding financial services access means that more consumers will have the support they need wherever they are on their financial journey, which translates to increasing financial health and giving consumers opportunities to start businesses, build wealth or save for their kids' college.

*“Digital is table stakes. But the good news is that everyone can deliver on digital. All the infrastructure, the technology and the ability to do it is there. The differentiation and decisions providers are making along the way are where it gets really interesting.”*

—Seth McGuire, Chief Revenue Officer, Galileo



## Digging Deeper: What’s Behind the Motivation to Switch to Digital

When asked why they would switch to a digital-only provider, consumers again cited convenience, having all their banking needs in one place, 24/7 access and their familiarity with conducting other tasks online.

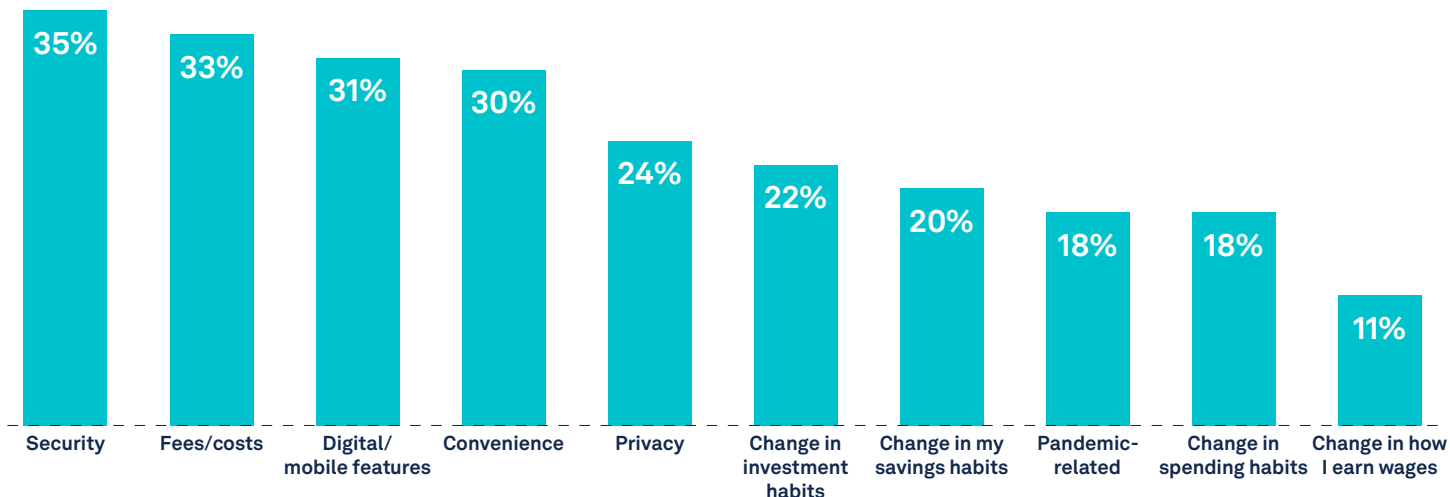
But there are limitations. When asked why they would not use a digital provider, consumers cited lack of confidence in security and shared the impression that problems will be harder to solve over the phone/online, and they were reassured by the ability to visit an in-person banking location in case of a problem or other need.

## Behavior and Intent: Does The Past Predict the Future?

It’s interesting to note that intent to switch isn’t always aligned with actual switching behavior. In fact, most consumers didn’t switch providers in the 12 months preceding the survey. For those who did switch (18%), security was the primary reason, aligning with the top factor for choosing a provider. Despite the much-reported impact of the pandemic on banking habits, it’s clear that other factors are having a substantial impact on consumer behavior.

Looking forward, 31% of consumers said they were very or somewhat likely to change their primary provider in the next year, primarily in search of lower fees, but rewards, security and convenience all contribute to their motivations.

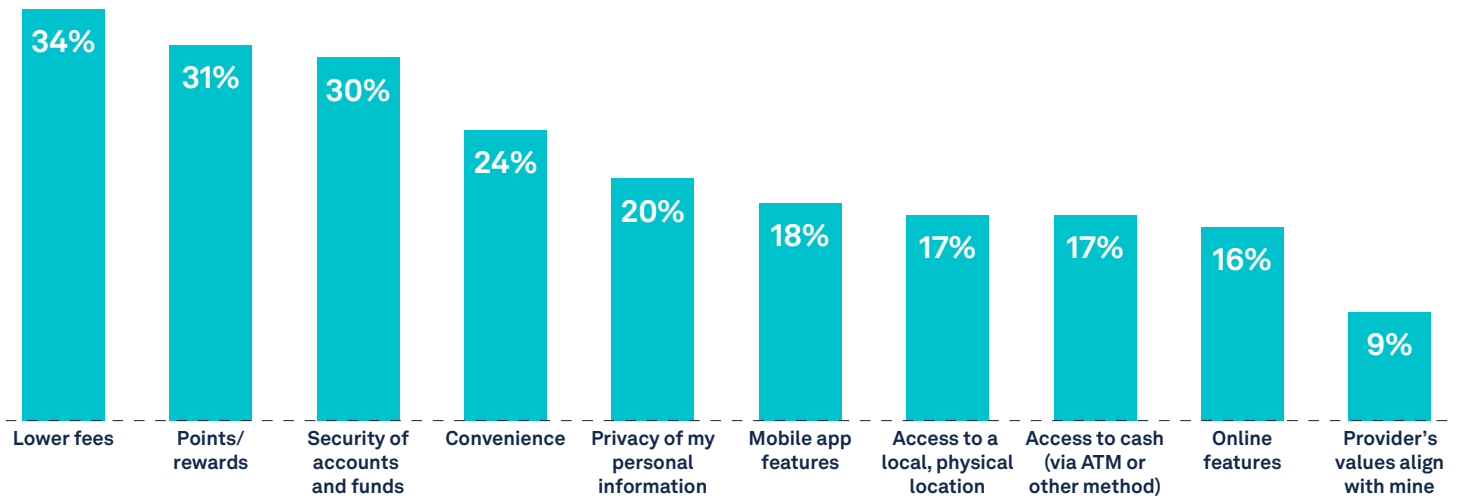
## Reasons for Switching in the Previous 12 Months



## Fees, Rewards and Security Are Top Motivating Drivers to Switch

Generation Z and Millennials are both the most likely to switch to a digital provider and to make a change to their primary provider in the next year.

### Motivations to Switch in the Future



### TOP REASONS FOR CHOOSING OR SWITCHING PROVIDERS

- 1 SECURITY
- 2 PRIVACY
- 3 LOWER FEES
- 4 CONVENIENCE
- 5 ACCESS TO CASH



WHY PEOPLE  
**CHOOSE**  
PROVIDERS



WHY PEOPLE  
**SWITCH**  
PROVIDERS

- 1 LOWER FEES
- 2 REWARDS/POINTS
- 3 SECURITY
- 4 CONVENIENCE
- 5 PRIVACY

**Bottom line?** While the top drivers will vary for each target market, every one of these criteria can create an opportunity for banks and fintechs to drive account acquisition and retention.



# Opportunities for Embedded Finance and the Future of Financial Services

## Embedded finance is about more than just payments.

Fintech-as-a-service is redefining the entire financial services market and even what it means to be a fintech. There are immense customer acquisition and revenue opportunities that embrace one key trend: Anyone can offer financial services if they do so in a compliant way that aligns with what consumers want.

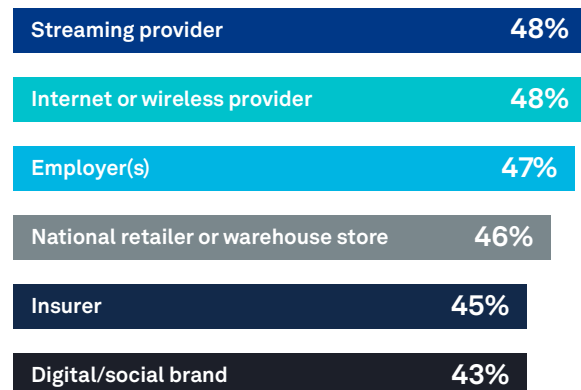
Based on our research, this starts with providers' ability to deliver on security, privacy and convenience. Of course, these factors have always mattered, but convenience has taken on new meaning and weight. Consumers clearly aren't as "sticky" as they once were, and they are more likely to switch providers simply because it is faster and easier to do, thanks to rapid digital innovation across the entire ecosystem.

### Consumers Are Ready To 'Bank' With Non-Financial Providers

Consumers' craving for convenience extends well beyond financial service providers. In fact, convenience is the top reason consumers are increasingly more comfortable conducting financial activities through non-financial providers, including those that traditionally were outside the financial services fold.

What's more—consumers are most willing to do so with companies they already trust with their data and that deliver some kind of ongoing or recurring interaction.

#### Likelihood to use non-financial company for banking activity % very/somewhat likely





The embedded finance market is set for 10X growth. Industry estimates project that by 2030, the market value of embedded finance will increase to a staggering \$7.2 trillion—twice the current value of the top 30 banks globally.<sup>1</sup>

More than half of consumers would be willing to pay bills through their streaming, internet or wireless providers, or via an insurer. This example demonstrates a key component of the embedded payments experience—a convenient, seamless interaction that aligns with a consumer’s lifestyle and behaviors.

	Streaming Provider	Internet or Wireless Provider	Employers	National Retailer or Warehouse Store	Insurer	Digital / Social Brand
1	50% Pay bills	57% Pay bills	46% Pay bills	46% Pay bills	55% Pay bills	44% Pay bills
2	38% Pay day-to-day expenses	41% Pay day-to-day expenses	45% Get cash	44% Shop (pay local businesses)	40% Get cash	42% Pay day-to-day expenses
3	35% Shop (pay local businesses)	39% Get Cash	45% Deposit wages	39% Get cash	39% Pay day-to-day expenses	38% Transfer money to a friend
4	35% Get cash	35% Deposit funds	43% Pay day-to-day expenses	37% Pay day-to-day expenses	38% Deposit funds	38% Get cash
5	33% Transfer money to a friend	32% Shop (pay local businesses)	42% Deposit funds	33% Deposit funds	30% Shop (pay local businesses)	33% Shop (pay local businesses)
6	31% Deposit funds	31% Deposit wages	31% Transfer money to a friend	29% Transfer money to a friend	28% Transfer money to a friend	32% Deposit funds
7	25% Deposit wages	28% Transfer money to a friend	30% Shop (pay local businesses)	27% Deposit wages	27% Deposit wages	29% Deposit wages

## The Value of Embedded Finance

Organizations of all types are leaning into embedded finance to deliver the types of integrated, mobile and connected experiences that consumers increasingly demand. Embedded finance will deliver financial services directly in a non-financial ecosystem, right where and when consumers want it.

The embedded finance market is set for 10X growth. Industry estimates project that by 2030, the market value of embedded finance will increase to a staggering \$7.2 trillion<sup>1</sup>—twice the current value of the top 30 banks globally. Financial services providers that move into this space are poised to tap into this growth.

<sup>1</sup> Simon Torrance analysis; Matt Harris, Bain Capital Ventures, August 2020.



# Looking Ahead: The Future of Fintech— 2022 and Beyond

The financial frontier is changing right before our eyes.

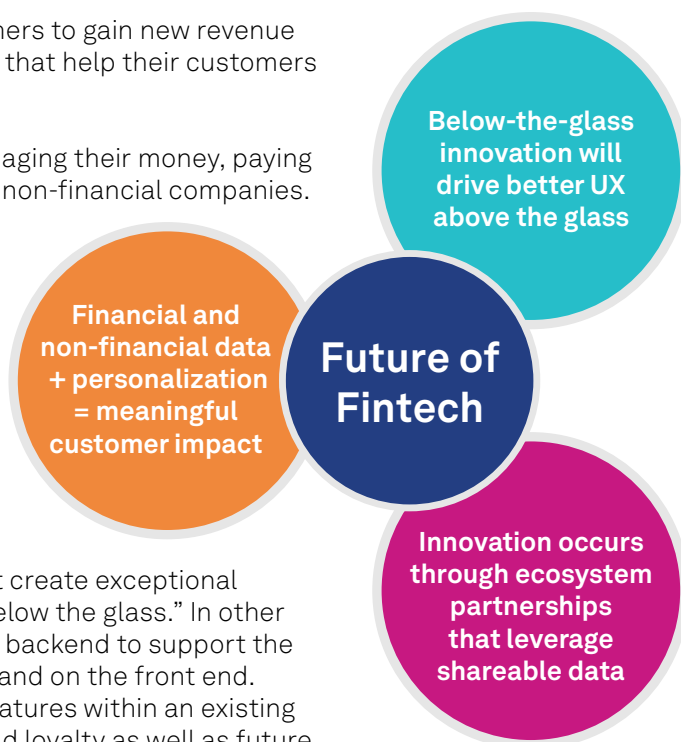
There are immense opportunities for banks, fintechs and others to gain new revenue streams by offering and embedding digital financial services that help their customers manage their financial lives.

One trend is clear: Consumers have a ready appetite for managing their money, paying bills and earning rewards through existing relationships with non-financial companies.

There's also a major opportunity for traditional financial institutions and fintech firms to reach more people by partnering with the non-financial businesses consumers already entrust with their data through embedded finance.

These constantly evolving experiences are not only about user experience and user impact, but about the future of fintech and financial services.

All providers can and should deliver on digital, and they must create exceptional features and experiences “above the glass” by innovating “below the glass.” In other words, you must have sophisticated, agile technology on the backend to support the kind of seamless, personalized experiences consumers demand on the front end. And for many consumers, getting comfortable with digital features within an existing account could be the first step toward higher satisfaction and loyalty as well as future adoption of additional solutions.





# Put These Insights to Work for Your Business

Galileo is a leading financial technology company and our platform, open API technology and proven expertise enable fintechs, emerging and established brands to create differentiated financial solutions that expand the financial frontier.

Let's talk about how we can help you build a secure, scalable, future-proof program to capture your share of the \$28.5 trillion financial services market opportunity. Our team is your trusted guide to bringing your most innovative ideas to life. We enable digital banking solutions and integrated support for physical and virtual payment card issuance, mobile push provisioning and more across many industries and geographies.

We're headquartered in Salt Lake City, and have offices in Mexico City, New York City, San Francisco and Seattle.

**Let's get started.**

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