EXPANDING THE FINANCIAL FRONTIER:

The Digital Shift:
Why Consumers Are Motivated to Switch Banks

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

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Why Consumers Choose Financial Providers and What Drives Satisfaction

Security and privacy drive choice, but convenience drives satisfaction.

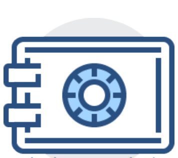
Regardless of which providers consumers use the most, the top factors they consider when choosing a primary provider are generally aligned with those factors that keep them satisfied with their chosen provider. There are two key exceptions that all providers should note:

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.



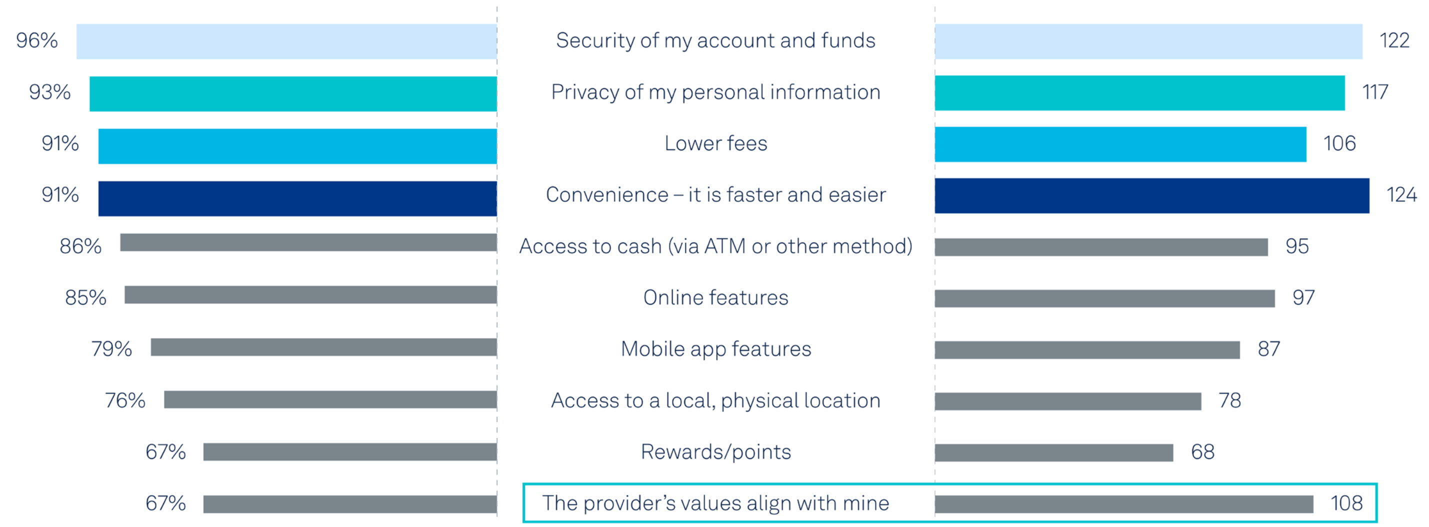
Security

Privacy

Convenience

Lower Fees

Factors when Choosing Primary Provider / 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.

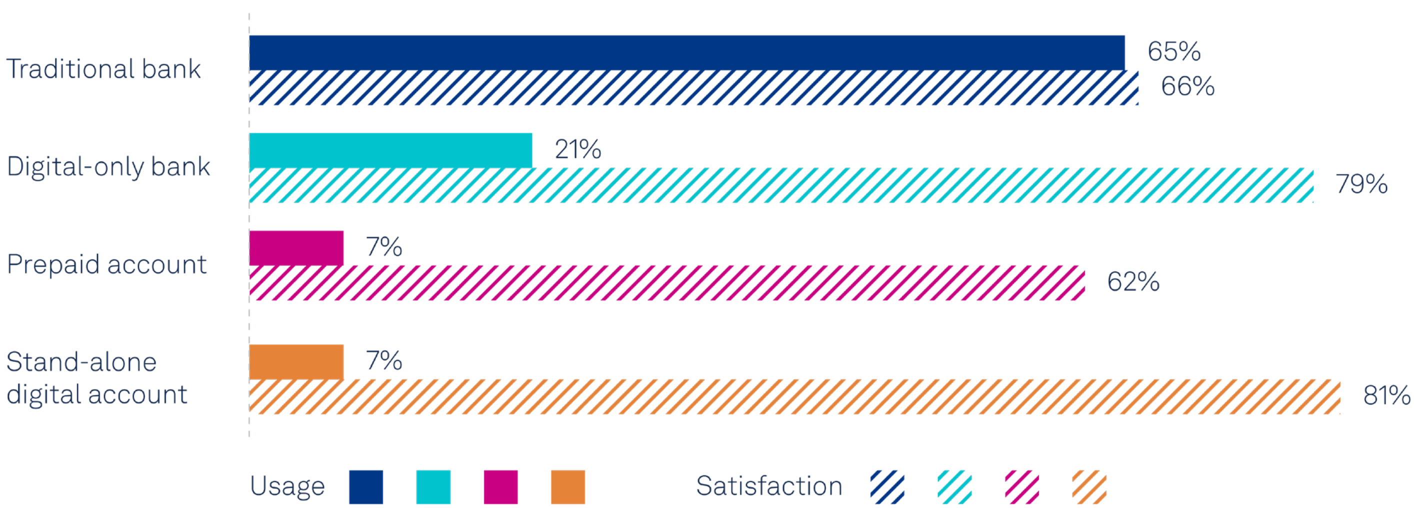
Satisfaction

80%
Digital/Stand-Alone

vs.

66%
Traditional

Primary Provider Usage & Satisfaction

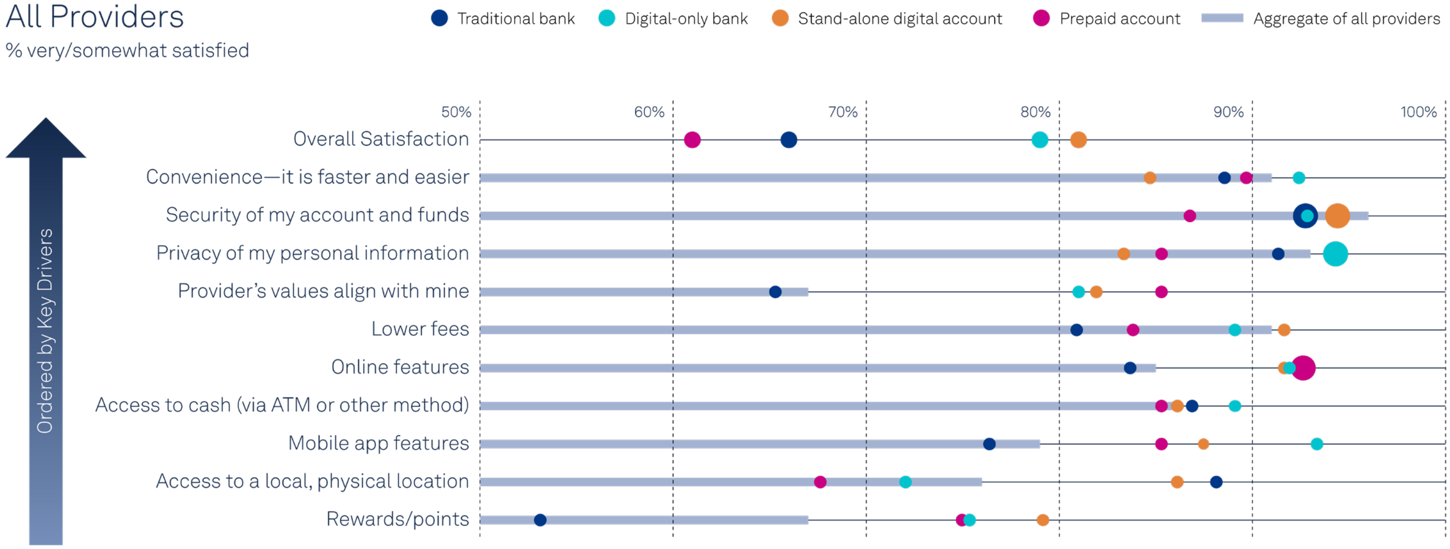


Dig Deeper: Factors by Account Type

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. 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

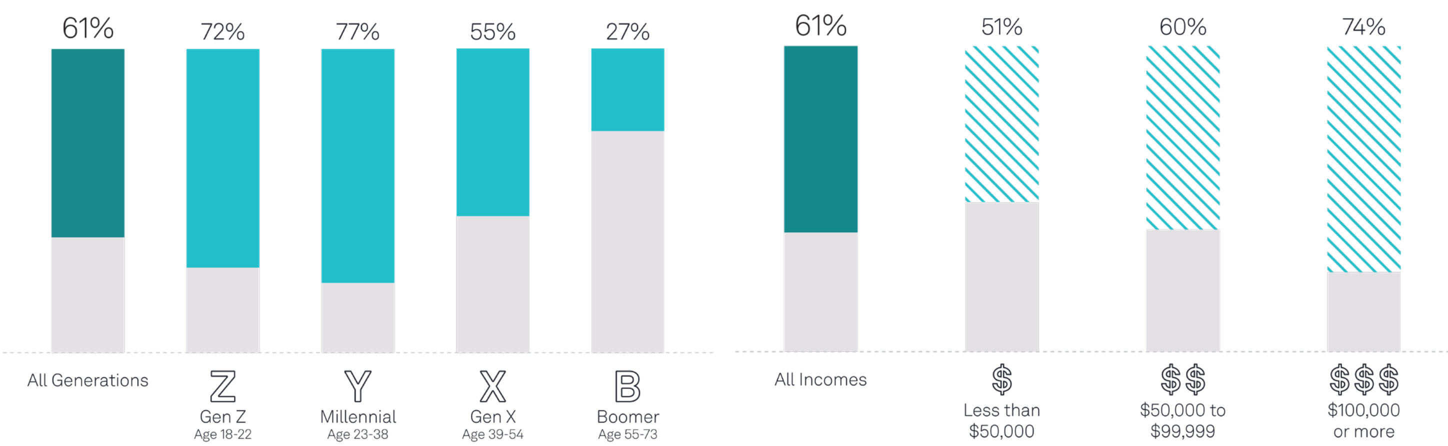
Consumer desire to switch to digital-only banks is growing.

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.

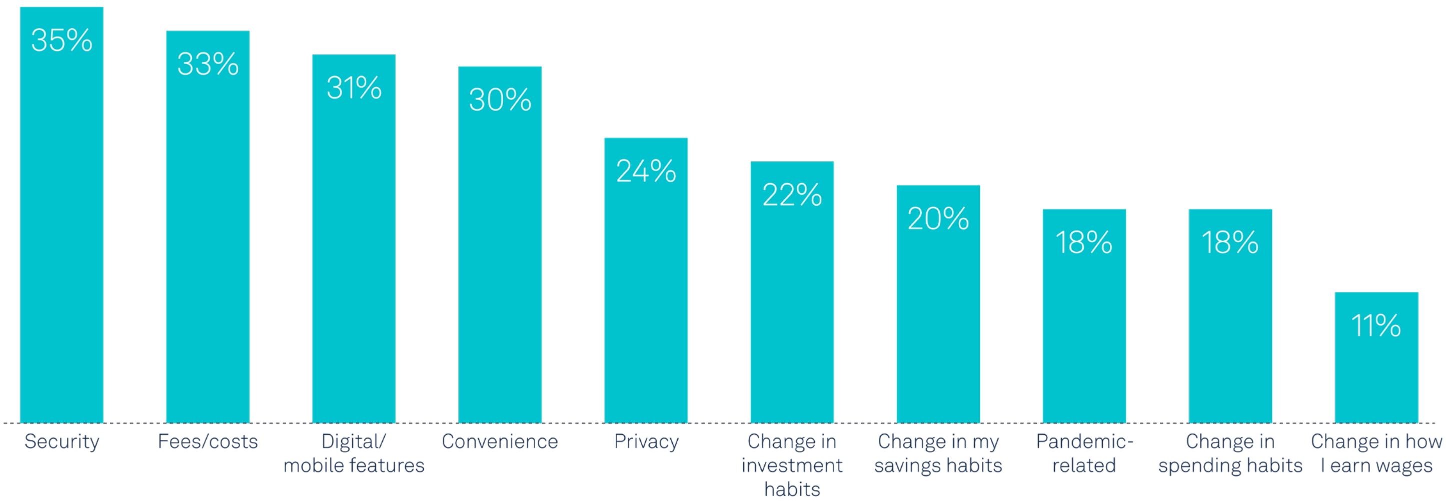
But there are limitations. When asked why they would not use a digital provider, consumers cited lack of confidence in security and shared the impression that problems will be harder to solve over the phone/online, and they were reassured by the ability to visit an in-person banking location in case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

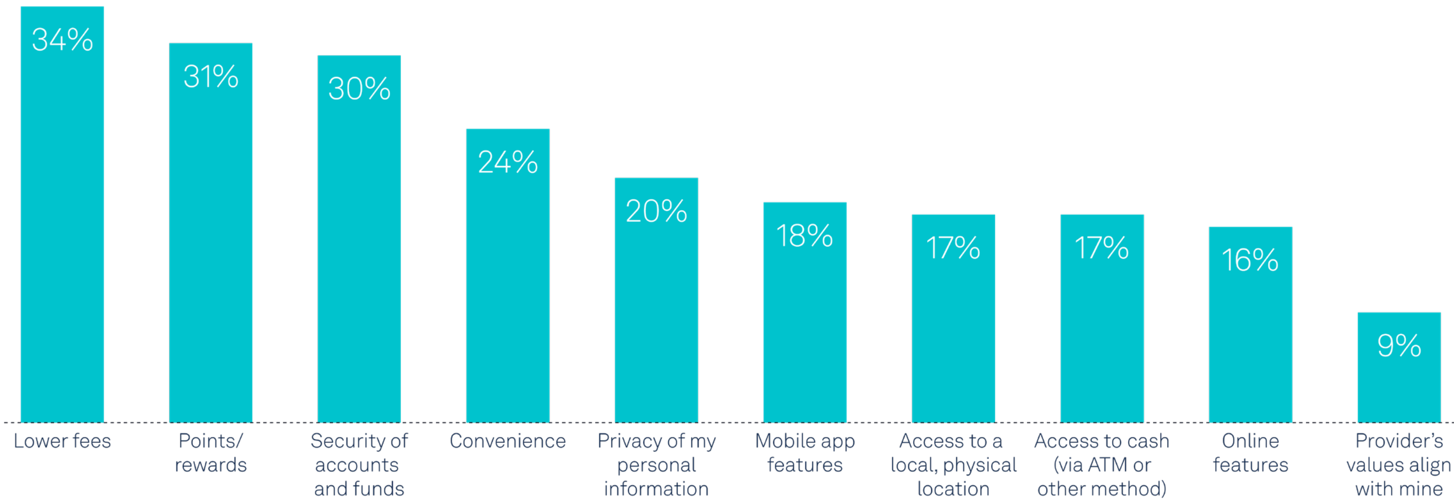
Reasons for Switching in the Previous Twelve Months

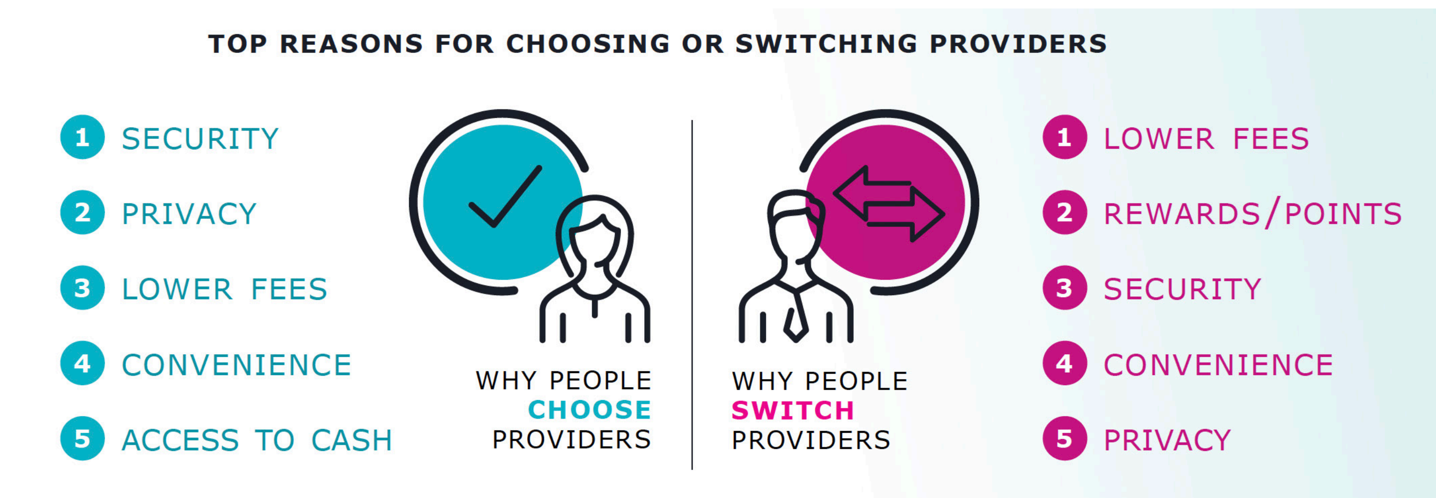


Fees, Rewards and Security Are Top Motivating Drivers to Switch

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





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.

GALILEO FINANCIAL TECHNOLOGIES

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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