



THE GALILEO CONSUMER BANKING REPORT BY DATOS INSIGHTS

Winning Market Share in an Era of Consumer-Curated Financial Services

The bank and credit union's guide to driving customer-centric ROI



Introduction

Financial services are being redefined as banks and credit unions look to what's next. But financial institutions (FIs) need to do more than react to current trends. How they anticipate and adapt to their customers' evolving needs will determine their long-term viability.

And consumers' needs are no doubt changing in a lot of different ways, across all generations—some expected, some surprising. How consumers 'bank' continues to shift, but the market is still heavily fragmented. This is both an opportunity and a threat for FIs.

[We've known for years](#) that consumer's desire to switch to digital-only banks is growing. In 2021, 61% of consumers said they were likely to switch their primary provider to a digital-only provider. Those same respondents said they already keep 35% of their funds in digital accounts.

Three years later, the impact is showing. Nearly half of the checking accounts opened in the United States in the [first half of 2023](#) were opened with digital banks and fintechs. As of [April 2024](#), the top 20 fintechs in the world have 3.8 billion customers, the top 20 banks have just 2.7 billion customers.

"The fastest-growing financial institutions are those rooted in technology. If you are not a digital bank, you are not in this ecosystem. The top 20 fintech companies serve 3.8 billion individuals worldwide, while the top 20 banks - only 2.7 billion."

- Brett King, author, founder and futurist

New consumer market research, conducted by Datos Insights in collaboration with Galileo Financial Technologies, uncovers key insights about how consumer banking behaviors are changing now, and in the very near future, and implications for institutions that don't evolve along with them. In short: If you don't respond, someone else will, and your institution will miss out on revenue from existing customers, and potential new ones.

The cost of doing more of the same is steep. Banks are losing share as digital-first competitors grow. At the same time, your existing customers are going elsewhere for products or services you could be offering, or offering something better, and you may not even know it.

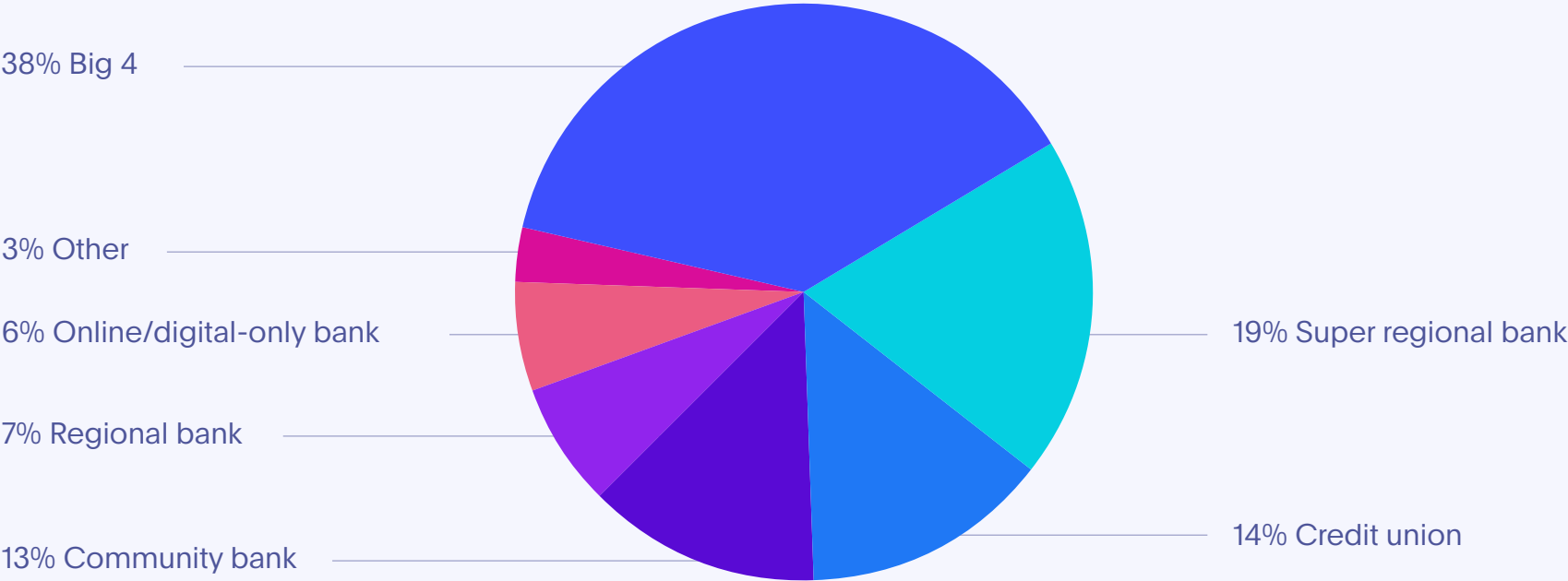
Bank and credit union leaders should use this data to inform growth plans and market strategies, but they must also improve visibility to how these trends are unfolding within their own customer base. Pairing this research with a data-driven approach will help FI leaders gain actionable strategies to:

1. Strengthen their position as consumers' true primary financial institution.
2. Drive stronger customer acquisition to enhance their lifetime value.
3. Offer more personalized products and services that meet consumers at the point of need.
4. Create data-driven solutions through intelligent interactions to defend against digital-first challengers.

What's Happening Now: The State of Consumer Banking in the U.S.

There are more than 9,000 banks and credit unions in the U.S., but the research shows the “Big 4 Banks” still have the lion’s share (38%) of the consumer market, while the rest is spread out among other banks, credit unions and digital-only banks. Surprisingly, 66% of Gen Z primarily bank at a Big 4 or super regional bank, while older millennials and Gen Xers are the biggest users of online banks. The market remains split.

Q. Which type of firm do you consider to be your primary bank or financial services provider that you use to manage most of your day-to-day finances?



Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Bank definitions can be found on page 23

The Good News: Most people are generally satisfied with their primary FI

Consumers of all ages are still turning toward traditional FIs, and they report that they are generally satisfied with the experiences they have with their primary FI. They generally trust their FI, feel secure and feel their needs are being met.

"I generally have a positive experience when interacting with my primary financial services company."

"My primary financial services company is very helpful whenever I need help."

85%

agree or strongly agree

80%

10%

neither agree or disagree

13%

3%

disagree or strongly disagree

4%

2%

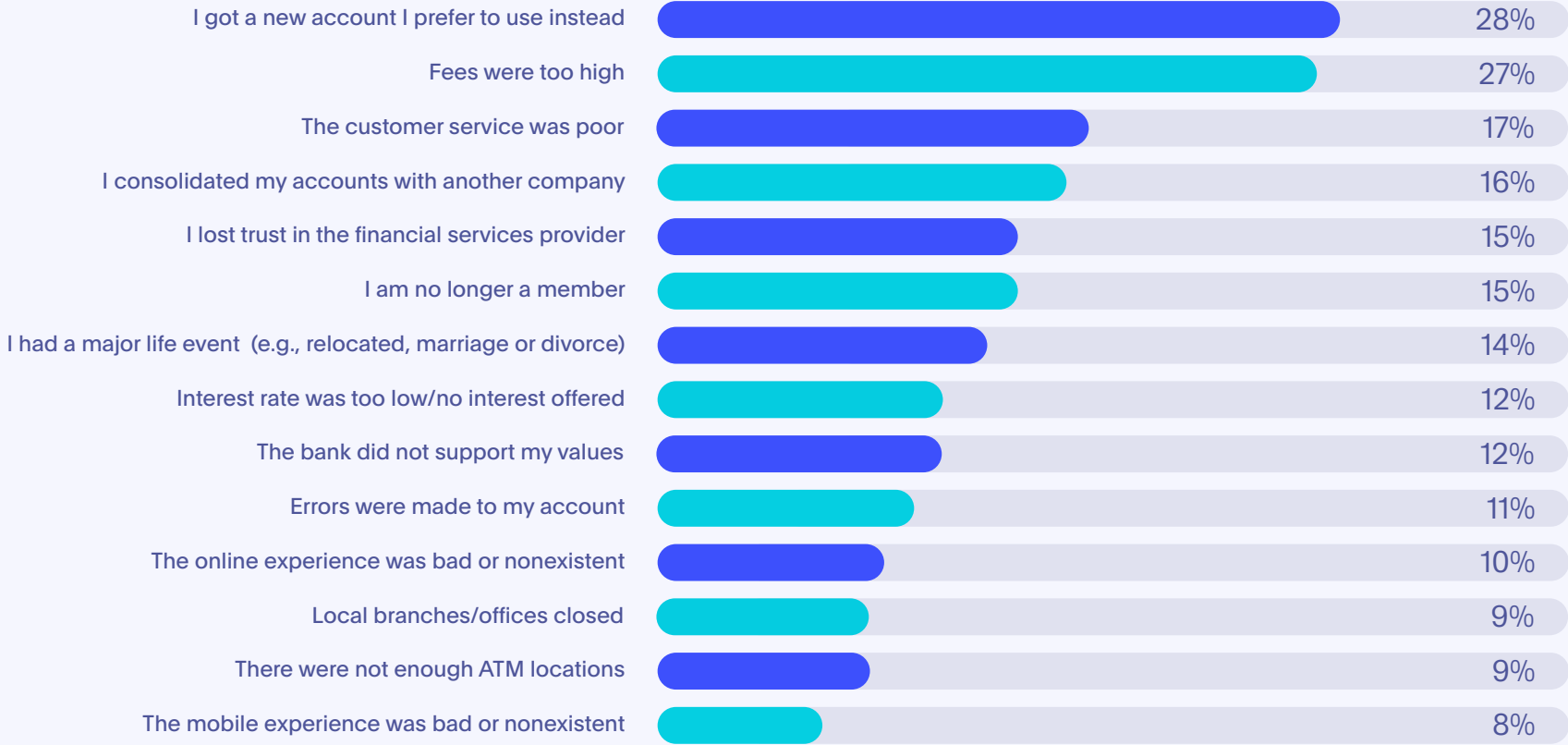
N/A or don't know

3%

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Why People Close Accounts

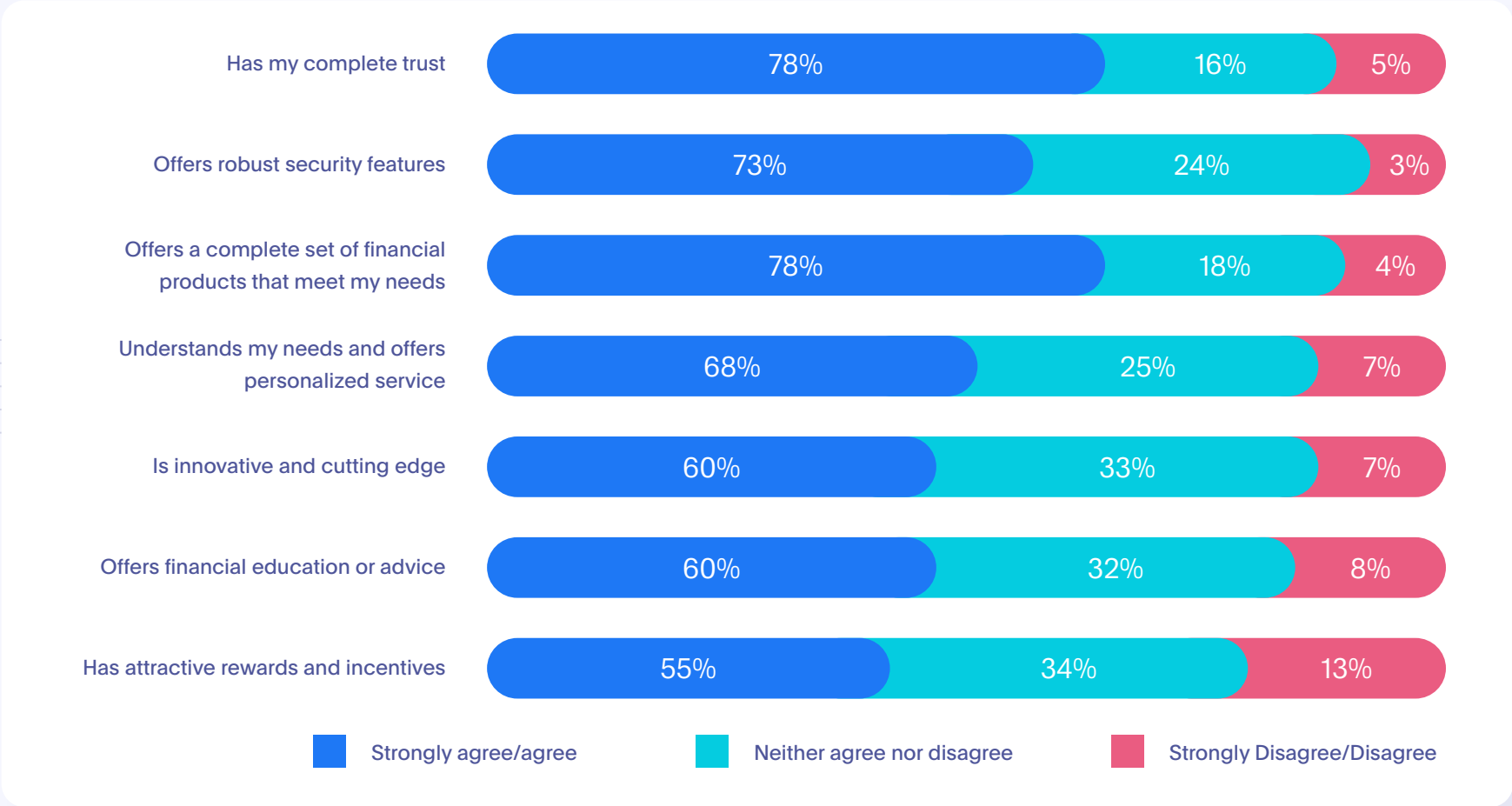
Q. For which of the following reasons did you close your account(s)? (Select all that apply)



Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

While most customers agree with an array of satisfaction drivers, the number of consumers who aren't aware of or convinced that their FI delivers in key areas is significant. From attractive incentives to being innovative and cutting edge, there is an abundance of opportunity for banks and credit unions to improve these perceptions with real solutions.

Q. When thinking about your primary financial services company, how much do you agree or disagree with each of the following statements?



Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

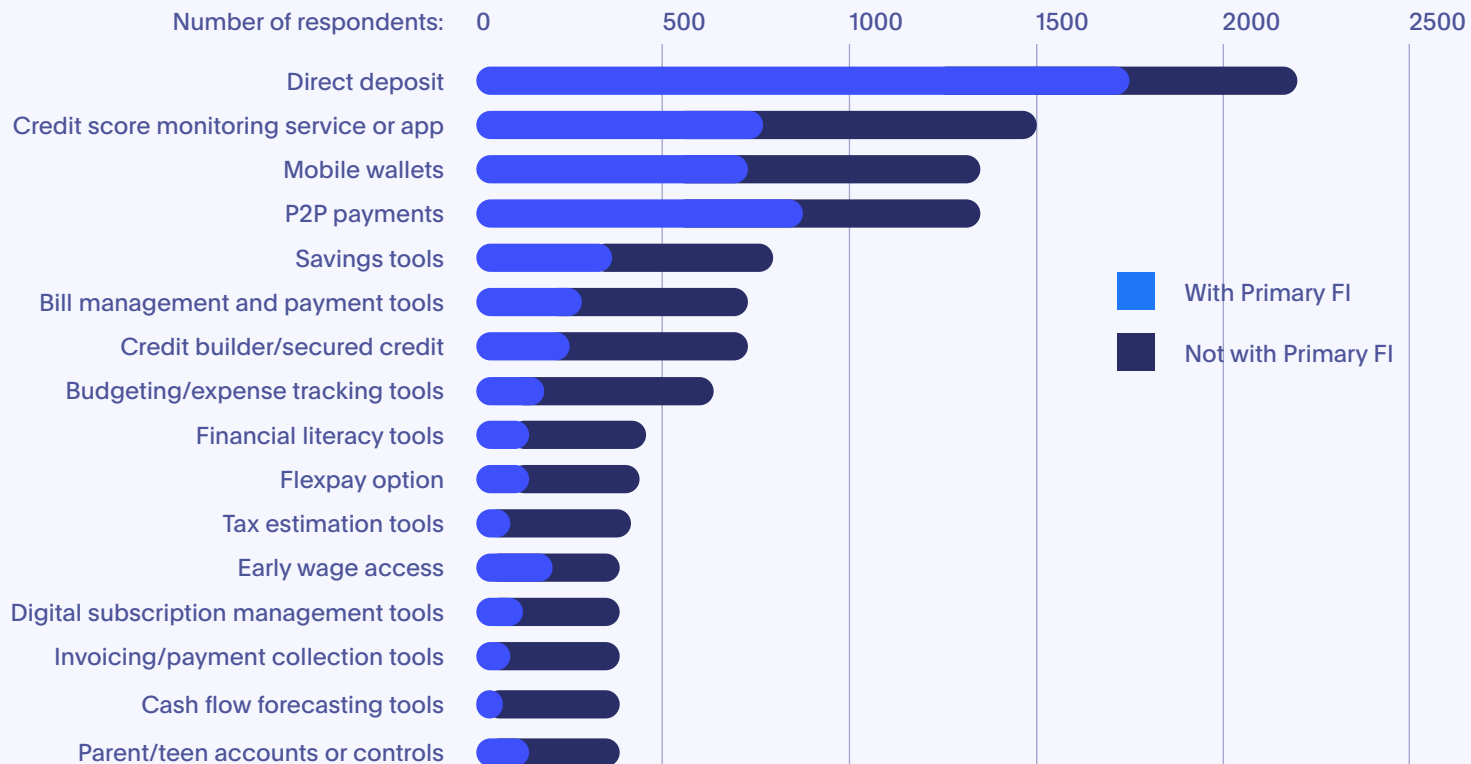
The Satisfaction-Value Disconnect

CUSTOMER SATISFACTION MAY NOT TRANSLATE TO FUTURE REVENUE AND RETENTION

Even among satisfied customers, the status of “primary” doesn’t mean what it used to. Across all age groups, customers are curating their own suite of financial services both within and outside their primary FI, and the primary probably doesn’t even know it. What’s more, customers are using other FIs for key financial services **even when their primary FI offers that same service.**

Across all generations and providers, consumers are using at least two key financial tools or services outside their primary FI to meet their needs.

Q. Which of the following financial tools or services are you currently using with your primary financial services company?



Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

On average, Gen Z and Millennials use more than six financial tools or services. And they are using more than half of these tools outside of their primary FI.

Average Number of Financial Tools or Services by Generation

	With Primary	Outside of Primary
Gen Z	3.1	3.2
Younger Millennials	3.2	3.7
Older Millennials	3.1	3.3
Gen X	2.6	2.4
Younger Baby Boomers	2	1.6
Older Baby Boomers	1.6	1.2

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Why are consumers using providers outside their primary FI?

It's no surprise that almost half (45%) of consumers who hold funds with a secondary provider do so in an investment account, or that 29% are seeking a better interest rate in the current market, but convenience is the next biggest driver. As digitally-enabled FIs put highly-relevant financial services right at the customers' point of need, they make it increasingly easy for customers to choose their own suite of financial service providers. Being at the point of need requires data that can be used to create nimble, timely, hyper-personalized experiences.

While digital banks account for only 6 percent of all primary FI relationships today, remember neobanks aren't just favored by low earners and young people just starting their financial journey. Galileo's research shows Gen X is the largest user of digital banks as their primary FI (12%).

45% For investing

29% For better interest rates

26% Money in multiple accounts for convenience

20% A financial advisor recommended other products

11% Don't have what they need at primary FI

10% Better rewards/cash back program

Do you know who your gig workers are?

UNIQUE NEEDS, BIG OPPORTUNITIES

One fifth of banked U.S. consumers engage in gig work

20% have provided gig work in the past year

FIs should pay special attention to consumers who work in the gig economy. They may look like an average personal banking customer, but their needs are decidedly different. Not only do they use a wide variety of financial tools and services, but they over-index for specific services that their primary FI may not be offering to them today.

Q. Do you use any of the following financial tools or services?

Gig worker financial tool/services usage vs. non gig workers



Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Financial leaders need to bolster their customer retention, acquisition and activation strategies to grow their card portfolios, expand their programs and boost deposits. To achieve this goal, FIs must fundamentally change the way they acquire, retain, and grow customers to maintain market share and grow.

Customers might like you, but they're still looking elsewhere to meet all their needs.

Even satisfied customers have issues, which is where existing customers pose a threat to growth. Many consumers still don't think their FI understands them, is innovative, has good rewards or is quickly available on digital channels.

People may be generally satisfied with their primary FI, but gaps exist.

- 22% don't agree their primary FI meets their needs (product-wise)
- 33% don't agree their primary FI understands their needs or offers personalized service
- 40% don't agree their primary FI is cutting edge
- 47% don't agree their primary FI has attractive rewards and incentives
- 44% don't agree that their FI delivers timely advice via digital channels

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Many banks are still falling short on the innovation curve



Online/Digital Only and Big 4 bank customers are more likely to strongly agree that their provider is innovative and cutting edge



Integrated multichannel experiences are a must

Customers want to be met in their time of need through their preferred channel – online, via app, in-person, but rarely over the phone. In fact, more people (about one-third) still go to a branch monthly, than call customer service (only 19%). It's clear many needs still can't, or aren't, being met online or via app. At the same time, customers are pushing banks in that direction – the majority (60%) prefer to bank without any human interaction at all.



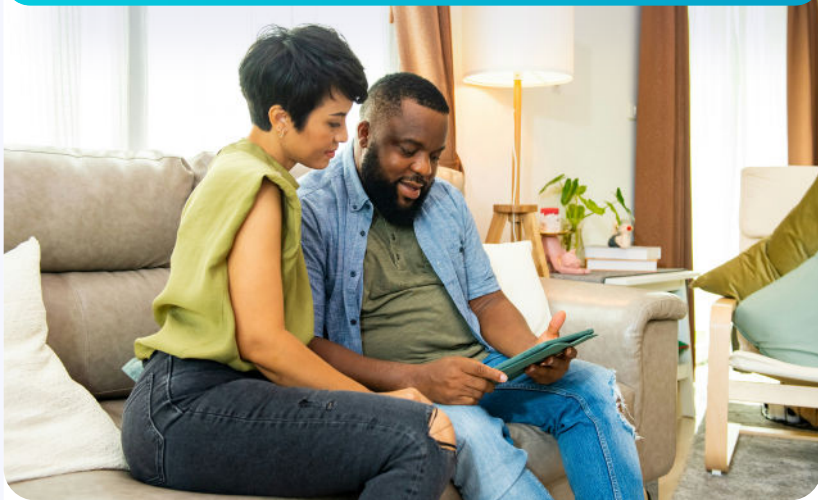
Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

More people visit a branch (**33%**), than call customer service (**19%**) at least once a month.

People log in online (**66%**) or via mobile app (**72%**) at least monthly.

Nearly **60%** are logging into accounts via mobile weekly vs. **44%** on computer.

Your customers don't want to talk to you. Embrace the DIY (do-it-yourself) service model.



60%

of people said they prefer to do everything without human interaction. But many banks have not made enough of their services digitally available.

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Virtual assistants are favored by younger generations.

42% of younger millennials have used a virtual assistant to conduct financial activities – more than any other generation.

Unfortunately, most banks are still only using legacy chatbots that can't anticipate or solve complex needs, damaging the customer experience. Until banks level-up to intelligent digital assistants, adoption here won't accelerate.

FIs still aren't nailing the digital or the omnichannel experience.

Both traditional and digital-first banks have made it easier to open accounts, but you still can't do everything in one app. This means there's a lot of data in a lot of different places, and FIs aren't consolidating this data into meaningful, targeted offers that drive value.

Don't focus on retention without ROI.



FIs may be spending money to add to a customers' product mix, but they may fail to monetize that customer. Is your customer acquisition and retention strategy delivering key KPIs—revenue, expense, operating profits? If not, it's time to realign your strategy.

Customer retention can produce an exponential increase in profit.

Beware of product-need misalignment.

Banks can't afford to waste time and money offering products that customers don't want or are already getting elsewhere. More importantly, banks that can't recognize a customers' immediate need miss a big opportunity to meet that need before a competitor does.

And yet, switching is hard, so while customers might not leave your FI, they might stop adding value if they do complete most of their financial activities elsewhere. FIs need to fill the gaps by offering their customers highly curated offers at the point of need and at exactly the right time. Only data-driven strategies will enable this.

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Trends to watch for—by generation



Gen Z is banking everywhere and their value is growing.

Gen Z are using traditional banks as their primary FI, and they aren't all running to neobanks. As the oldest in this generation approach their late 20s, they are getting more valuable each year as they obtain more wealth and evolve their financial needs. Today, they are the most likely to meet their needs with a large number of financial tools. This may make them harder to retain in your ecosystem, but it also opens opportunities to help them consolidate.



Don't assume all millennials bank the same.

Millennials think and act like both Gen Z and their older Gen X counterparts. They are both digital bankers, and also heavy users of traditional banks (a tone set by their parents). When asked about virtual assistants, 42% had conducted a financial activity via a virtual assistant device (more than any other generation). Again data-based personalization will help banks decode this generations varied needs.



Don't overlook Gen X.

Gen X is the generation that is best known for being ignored or forgotten really shouldn't be. Especially now. Gen X is just starting to become the recipients of the biggest transfer of wealth ever and what they choose to do with that wealth will have immense impact on all types of FIs. Today, Gen X represents the biggest share of digital bank users but are also using traditional banks for many services.



Baby boomers are the richest generation on record.

Baby Boomers account for one-fourth of all consumer spend – doing their part to keep the economy running. Those 55+ (older Gen X and Baby Boomers) now own 74% of all investable assets. This generation has their money all in one place but that's rapidly changing as the wealth transfer picks up momentum over the next 5-10 years. Experts estimate that \$30 trillion to \$70 trillion in assets owned by Baby Boomers today is being transferred to heirs. When this happens, banks should be ready for how this money will move.

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

CHALLENGES AND OPPORTUNITIES

How traditional banks can defend against digital-first challengers that are taking a data-based approach.

Maximizing customer lifetime value requires FIs to more deeply understand their customers and what they need right now.

By personalizing experiences and offers, data-driven FIs can insert themselves into customers' ever-evolving needs and slow or stem the adoption of competitive products.



Challenge No 1:

Customer attrition is happening one service at a time.

Banks are increasingly making it easier to open accounts or use new services, particularly through digital channels. But that doesn't mean customers are closing accounts elsewhere at the same time. Instead, customers have more accounts spread across more FIs and it's getting harder for banks to own all or most of the pie.

Opportunity:

Personalization is paramount, and achieved with data you already have.

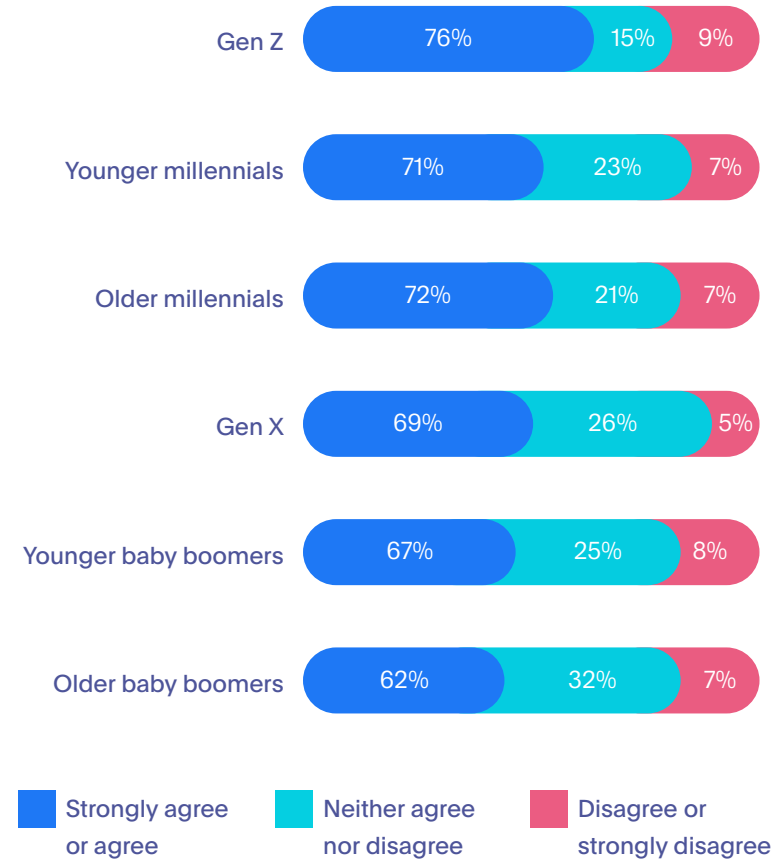
Putting your data to work for you and your customers is the only way to put your FI at the point of need. Data from Accenture says 91% of consumers are more likely to shop with brands that provide offers and recommendations that are relevant to them.

- While **63% of those consumers surveyed this year** by Datos and Galileo believe products offered to them are tailored to their financial situation, there's still plenty of room for growth.
- **37% of consumers** said they don't feel offers are tailored to their financial situation and older generations feel less well-served than younger generations.

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Q. When thinking about your primary financial services company, how much do you agree or disagree with each of the following statement:

My primary FI understands my needs and offers personalized services, advice or products



Challenge No. 2:

Customers expect a multichannel experience, but they also want to be left alone.

Customers engage with their financial providers across many different channels. But those interactions aren't ubiquitous, and consumers can't always achieve their goal in their preferred channel. Consumers don't necessarily want to talk to you, but they expect you to know them, and to meet their needs.

60% want to interact with their FI **without** human interaction

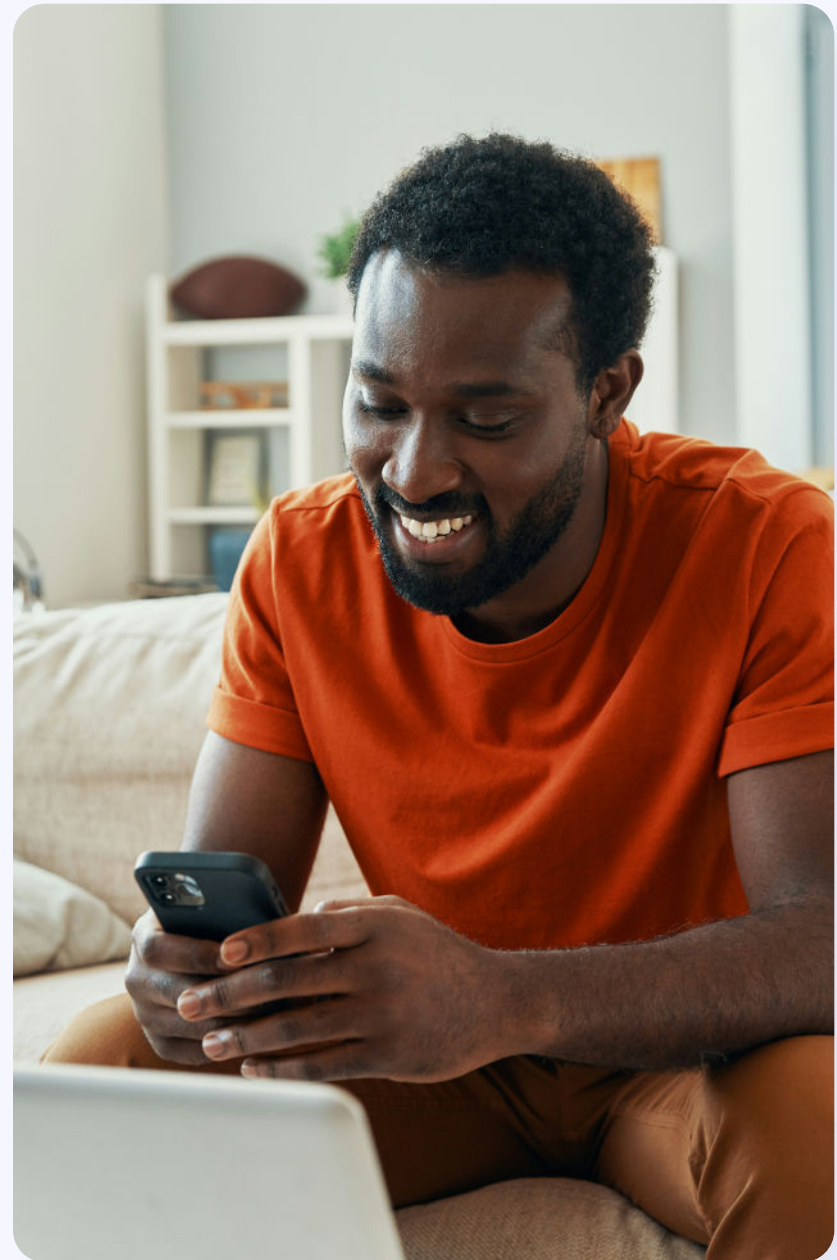
Opportunity:

Intelligent and autonomous experiences

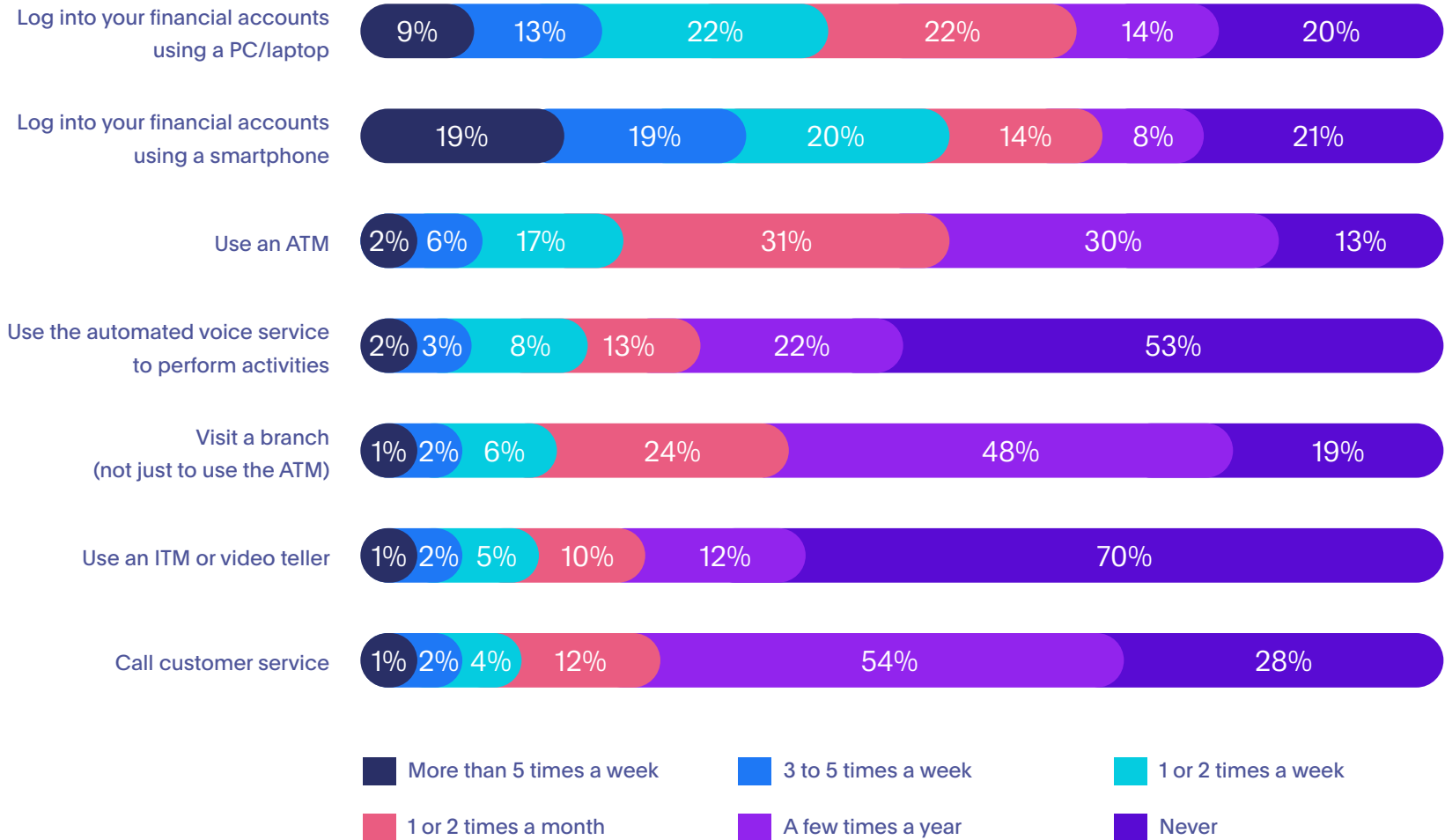
Transforming the customer experience through seamless digital interactions is paramount to long-term success. Customers want to control their 'low contact experience' and it's happening on mobile today. FIs need to use AI and enable smart, automated experiences on mobile first.

21% of consumers have conducted a financial activity using a virtual assistant device

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024



Q: On average, how often do you do the following financial activities?



Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

HOW GENERATIONS INTERACT

Percentage of consumers who have used a virtual assistant to conduct a financial activity



Gen Z

35%

Younger Millennials

42%

Older Millennials

38%

Gen X

23%

Younger Baby Boomers

10%

Older Baby Boomers and Seniors

5%

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

Challenge No 3:

Everything hinges on data and trust.

It shouldn't be a surprise that people keep their money with the FI that they trust—80% of customers who keep most money with their primary FI say it has their complete trust. But trust is both paramount and easily broken.

21% of consumers say they never log in to their financial accounts on computer or phone—mostly because of data trust

27% don't agree their primary FI offers robust security features

Trust is still an issue, even when people keep most of their money with their primary FI.

21% are neutral or disagree that their primary FI has their complete trust

15% closed an account over lack of trust

Consumers who strongly agree that their primary FI has their complete trust and/or are innovative and cutting edge appear more likely to keep most of their assets/money with that FI.

Source: Galileo Consumer Banking Report by Datos Insights, Q1 2024

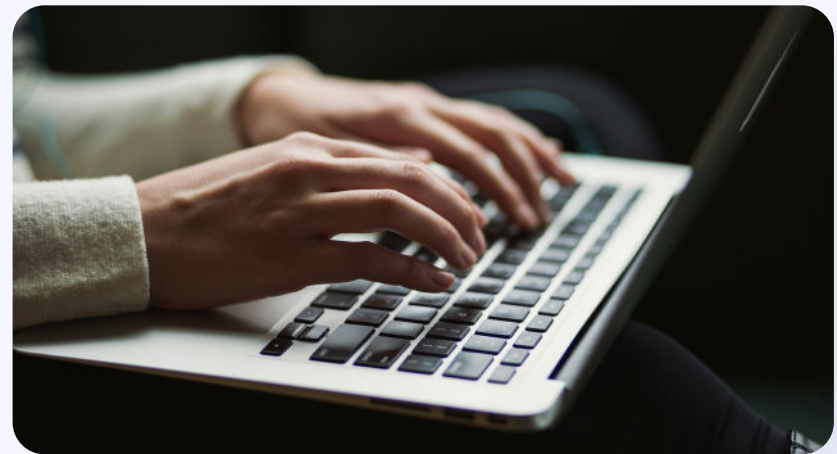
Opportunity:

Data-Driven Visibility

In today's rapidly evolving financial services ecosystem, banks and credit unions can't rely on the outdated growth model of rushing to acquire customers without consideration for what value they present. The thread to close that gap is usable data.

Greater visibility into how customers engage with your financial services, and even more importantly where they are not, will help banks form a better customer acquisition and retention strategy. It will also inform their digital banking roadmap, helping them justify investments in core banking moderation that is desperately needed to first understand and then keep up with today's customers' needs.

There is an immense market opportunity to connect financial products in one banking environment, but across different channels. Some large market shifts are already well established, providing a springboard for FIs to launch from. Other trends are forthcoming and are likely to have a transformative effect on the market and competitors in the coming years. The key is staying one step ahead.



CONCLUSION

Putting data into action: How to use this research to retool your customer expansion strategy

This research serves as a market snapshot of what FI customers want and how they bank. Luckily, you have the data to determine if your customer acquisition and retention strategies are working. You have it in every digital interaction a customer is making on one of your channels. And customers are willing to give data for something in return—[83% of consumers](#) are willing to share their data to create a more personalized experience.

If the data you have isn't accessible, or is spread out across different organizational silos, then by the time you piece it all together, your customer might not be there waiting. They might still consider you their primary FI, but as the research above suggests, most of their banking activities and funds might be served elsewhere.

Taking a data-driven multichannel approach can close this gap.

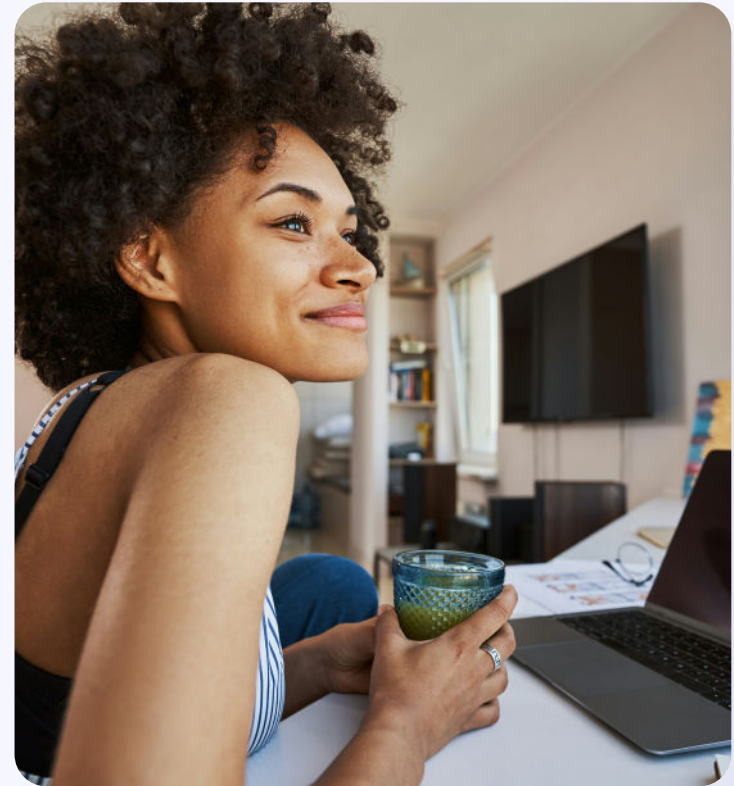
Gaining access to usable customer data that shows how they are interacting across different product segments in real time allows FIs to be ready when customers have an immediate need (so they don't look elsewhere).

The gaps are quickly widening between the legacy FI systems and those that are reacting in real-time to customer behavior. FIs can't forge a path to growth on systems that don't give them the tools to help customers conduct more financial activities in one ecosystem.

A data-driven, API-centric and cloud-based platform approach flips this equation by allowing FIs of all sizes and digital maturity the ability to adapt with their customers—instead of the other way around. Meeting customers where they are, with the experiences they expect, is the competitive differentiator that all FIs need to create meaningful growth from their existing customer base.

Methodology:

This report is based on a study Datos Insights conducted in Q1 2024 of 2,500 consumers in the U.S. Those qualified to participate in the study have a relationship with a financial institution and participate in a research panel. The pool of consumers who answered questions to determine their qualification for the study was in proportion to the population of their country for age, gender, income, geographic region, and race.



About Galileo's Next-Gen Digital Banking Platform

Through its Cyberbank digital banking platform, Galileo empowers financial institutions to deliver seamless and innovative customer-centric banking experiences. From advanced API integration to customizable banking solutions, Galileo's cloud-native Cyberbank platform is designed to drive FI efficiency, security and growth.

CYBERBANK CORE

The API-centric and microservice-based back-end technology that FIs need to power everything from account opening to mobile banking apps and deposits. This one-of-a-kind digital banking backbone enables FIs to augment or replace their old core banking systems and dynamically create and deliver tailored financial products and services based on individual customer needs and behaviors.

CYBERBANK DIGITAL

Build exceptional, empathetic, customer-centric experiences at every touchpoint, enabling financial products and services to be delivered through a financial institution's existing digital channels or by creating a new digital channel. Deliver tailored financial products and services through any point of interaction of the customer's choice, enabling bank's to incrementally modernize or, leverage the Cyberbank Core platform.

CYBERBANK KONECTA

A customer experience platform—built on an AI-powered engine—enables FIs to deploy intelligent digital assistants (IDAs) to support their customer base. These IDAs are powered by an empathy engine that supports a positive and delightful customer experience, provides standardized 24/7 self-service options, along with text, call and video supported handoffs to bankers/agents. The empathy engine uses a combination of machine learning, natural language processing and AI.

PAYMENTS AND CARD ISSUING

Galileo's flexible, secure modern payments processing platform allows FIs to effortlessly incorporate debit and credit programs, digital payments, virtual cards, accounts receivable and payable solutions, and more through easy-to-use APIs, documentation, sandbox environments, and third-party connectivity.

TECHNICAL AND OPERATIONAL EXPERTISE AND MANAGEMENT

Technology and expertise come together with the most robust team of BaaS experts in the market. FIs gain new ways to operate faster, smarter, and more cost-effectively with intelligent automation and have access to a liquid workforce that works anywhere, anytime on projects with varying durations. FIs can count on Galileo for any of the financial and technical operations services they need, including security, compliance, risk management, customer service, and more.

About Galileo Financial Technologies

Galileo Financial Technologies, LLC and certain of its affiliates collectively comprise a financial technology company owned and operated independently by SoFi Technologies, Inc. (NASDAQ: SOFI) that enables fintechs, financial institutions, and emerging and established brands to build differentiated financial solutions that deliver exceptional, customer-centric experiences. Through modern, open APIs, Galileo's flexible, secure, scalable and fully integrated platform drives innovation across payments and financial services. Trusted by digital banking heavyweights, early-stage innovators and enterprise clients alike, Galileo supports issuing physical and virtual payment cards, mobile push provisioning, tailored and differentiated financial products and more, across industries and geographies.



BANK DEFINITIONS

Big 4 - Top four by asset size.

Community Bank - A locally focused bank that provides personal and small business banking services within a specific community or region.

Credit Union - a member-owned nonprofit cooperative financial institution.

Regional Bank - \$10B to \$100B assets.

Super Regional Bank - > \$100B assets except the 4 largest.

Online / Digital Bank - Online or digital ONLY bank (usually has no branches).

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Learn more at www.galileo-ft.com