



Google & Financial Institutions - Possible New Partnerships

business customers fintechs digital banking

Summary: Google recently announced an expansion of its banking partnerships in digital banking services. We explore some of the benefits to consider in fintech partnerships.

Google was founded in 1998 and 4Ys later, it was used as a verb on a popular TV show. In 2006, it was officially introduced in the Oxford English Dictionary. Now, Google is making headlines again with banking partnerships.

The tech giant plans to offer digital bank accounts through Google Pay, offering budgeting tools via an FDIC or NCUA-insured account. Recently, partners include community banks, marking an expansion of earlier agreements with a large multinational bank and a credit union.

On the one hand, it's another example of tech giants honing in on traditional bank territory. Apple recently introduced a credit card, while Amazon has reportedly spoken to banks about offering checking accounts.

But in Google's case, it appears to be a friendly intervention. Unlike some other partnerships, where traditional financial institutions (FIs) play a behind-the-scenes role, FIs that partner with Google will be able to market their brand front and center to consumers.

It's an interesting model because many FIs have been trying to walk the delicate balance between competition and collaboration with tech companies. From what we can tell, partnering with Google offers these institutions several opportunities:

- **New deposits.** Having access to new customers through Google gives FIs deposits, which is helpful these days as deposits dedicated for PPP loans or prompted by COVID-19 inspired savings could soon disappear.
- **Younger customers.** Google definitely has a younger customer base than most traditional FIs do. This is a way for FIs to forge relationships with younger, tech-savvy consumers. If you start early, you can have these customers through their financial life cycle. Checking accounts may be commoditized, low-hanging fruit, but, higher-yielding services such as loans can result later.
- **Innovation halo effect.** Simply being aligned with Google can provide a benefit too. Emmett Higdon at Javelin Strategy & Research stated that FIs are hoping for something that experts call "an innovation halo effect." These FIs would be perceived as more innovative just in working with Google.
- **Customer experience.** Most customers these days are looking for seamless digital access to financial services. Having these types of partnerships allows FIs to leverage more advanced technology to keep their customers connected and happy.

Many of the details of these recent Google partnerships are still being ironed out. Questions remain about data privacy, for instance. But these newly announced agreements are an important reminder that FIs may want to be on the lookout for beneficial opportunities to partner with fintech companies. These types of partnerships may allow you to scoop up profitable and long-standing customer relationships, while still remaining grounded by your community roots.

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