



What You Can Learn From Digital-Only Competitors

🔖 [fintechs](#) [digital banking](#) [competition](#) [neobanks](#)

Summary: For CFIs to successfully compete with digital-only competitors, they first need to understand what draws people to such non-traditional banking in the first place. We dive into who is switching to neobanks and fintechs, as well as what services you can provide to retain these customers.

After Atari brought video games into people's homes in the early 1970s, the company's game consoles dominated the market for the next decade. Though the company continued developing new games and consoles until 1990, Atari's products began losing popularity in the early 1980s, when Nintendo and Sega came into the home gaming market. These more sophisticated consoles and games quickly caught consumers' attention. By 1984, Atari's gaming division was sold off and has since changed hands multiple times. While Atari continues to operate to this day, its products never managed to regain the same popularity or fanfare as when Atari first came to market.

Being first to do something doesn't guarantee success, and failing to keep up with consumers' ever-changing preferences can be fatal for any business. As more and more people turn to fintechs and digital-only banks for their financial needs, community financial institutions (CFIs) need to stay on top of the products and offerings that are attracting people to these organizations.

The Appeal of Others

Digital banking has become the preferred way of banking [for 78% of people](#). Mobile banking is the most popular ([preferred by 41% of people](#)), followed by online banking (preferred by 37% of people). The ability to easily transfer money between accounts is a major appeal for consumers, along with the ease of depositing checks remotely and being able to check account balances and statements — all of which are available at most traditional financial institutions these days.

But what has attracted many people to the offerings of fintechs and digital-only banks are lower fees, advanced warning when fees will be levied, and a greater sense of personalization.

While lower fees are a major draw for users of both neobanks and digital-only banks alike, there are some distinct differences that CFIs should be aware of. The 2022 US Direct Banking Satisfaction Study by J.D. Power found that users of neobanks tend to be [lower-income women](#) who keep low balances and typically do not invest, while individuals drawn to digital-only banks are typically more invested in the specific institutions they choose as their provider. They also keep larger amounts of money with online providers.

An Ongoing Edge

The good news for CFIs is that even though many people are attracted to the lower fees and flashier offerings of digital-only competitors, traditional financial institutions still have advantages that can be leveraged. A large portion of consumers who use online-only financial offerings — [43% of digital-only bank customers and 46% of](#)

[neobank customers](#) — believe that their providers are unable to meet all of their needs because they don't have physical branches.

One way you can woo these customers is by easing up on fee revenue reliance and shifting to alternate sources of income, like offering [financial account subscriptions](#) for additional personalized services — things such as access to credit reports, wealth management services, or even [earned wage access](#). With many fintechs and digital-only banks [struggling to generate enough](#) to cover their operating costs, now is the perfect time for you to double down within their own organizations on many of the services and factors that drew customers to digital-only competitors in the first place.

Beyond the additional services that digital-only banks offer, you should also consider implementing the co-creation approach that many online financial institutions have taken in order to design features and develop product offerings. Instead of turning to the same few customer groups for input about everything from customer service to product needs, Forrester's recent customer experience study found that CFIs should take a page from their online competitors' books and involve customer feedback in every stage of development.

Fortunately for CFIs, many customers still see value in the personal connections that financial institution branches provide. But successfully competing with digital-only banks will necessitate combining that real-world presence with the very factors that initially attracted customers to online competitors to begin with, from greater product personalization to lower fees.

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ECONOMY & RATES

Rates As Of: 04/13/2023 11:41AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.02	0.17	0.60
6M	4.98	0.04	0.22
1Y	4.64	0.04	-0.07
2Y	3.97	-0.06	-0.46
5Y	3.51	-0.07	-0.49
10Y	3.45	-0.02	-0.43
30Y	3.68	0.03	-0.28
FF Market	FF Disc	IORR	
4.83	5.00	4.90	
SOFR	Prime	OBER	
4.80	8.00	4.82	

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