



Consumer Skepticism Has Neobanks Scrambling to Differentiate

09 February 2021 By: Emmett Higdon

In recent years, dozens of new so-called neobanks have come to market, looking to disrupt the banking landscape by offering simple, digital-only accounts that emphasize customer-friendly pricing, product positioning, and communications. Neobanks aim to be more accessible and innovative than traditional banks, and market themselves as such. Many offer features that big banks do not, including free overdraft coverage, and early access to payroll and stimulus payments. Javelin has found that 1 in 10 Americans has a relationship with these emerging providers. However, few of these relationships are consumers' primary banking relationship. A majority of neobank account holders (83%) have primary relationships with top 20 banks. Unseating these big bank incumbents will be difficult for neobanks, as they lack multi-channel access, 24/7 servicing, and flexible money movement features that consumers have come to rely on. In response, some neobanks are seeking bank charters to offer more services, while most new neobanks target narrow niche populations with highly personalized offers.

Key questions discussed in this report:

- What attracts consumers to neobanks?
- Are consumers likely to adopt a neobank as their primary institution?
- How are neobanks changing consumer expectations for a primary bank?
- How do neobanks generate revenue with free accounts?
- What long-term threats do neobanks pose to traditional banks?

Consumer data in this report is based on information gathered in Javelin surveys administered online in June 2020 to a random-sample panel of 10,762 consumers. Data was gathered and weighted to reflect a representative sample of the adult U.S. population.

The margin of sampling error in the 2020 survey is $\pm 0.94\%$ at the 95% confidence level. The margin of sampling error is higher for questions answered by subsegments.

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