



WHAT IS A BANK?

WHAT U.S. CONSUMERS THINK ABOUT THE KEY ISSUES DRIVING THE CONNECTED ECONOMY

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INTRODUCTION

How has the rise of FinTechs and BigTech firms shaped U.S. consumers' perceptions of banks? PYMNTS surveyed 1,278 U.S. consumers in February 2020 to better understand their views on which institutions qualify as traditional "banks," the types of financial services consumers expect such institutions to offer and which of those services they actually use.

Our analysis is based on a census-balanced sample of consumers who bank with a wide variety of financial institutions (FIs), including national, regional and community banks, credit unions (CUs), digital banks without brick-and-mortar branches and PayPal. Our survey deals chiefly with surveyed consumers' relationships with their primary FIs and which financial services they use through them.

THIS IS WHAT WE LEARNED.

CONSUMERS SEE BANKS FIRST AND FOREMOST AS INSTITUTIONS FOR STORING AND SAVING MONEY.

The Cambridge English Dictionary defines a bank as “an organization where people and businesses can invest or borrow money, change it to foreign money, etc., or a building where these services are offered.”¹ We asked consumers to define banks, and they did so in much the same way, with 98.8 percent of them characterizing such institutions in one of three ways. Our research shows that 36.8 percent characterize banks as institutions that store money securely, while 34.9 percent characterize them as institutions for saving and earning interest on deposits and 27.1 percent characterize them as institutions that provide loans and make investments.

Consumers’ perceptions of what a bank is change depending on their age ranges, however. Generation Z consumers and bridge millennials are the two generations most likely to see banks as institutions that store money securely, with 51.2 percent and 44.4 percent defining them as such, respectively. This compares to just 25.3 percent of seniors and baby boomers who say the same. These consumers are far more likely to define banks as institutions for saving and earning interest on deposits or that give loans and make investments.

¹ Author unknown. Meaning of “bank” in English. Cambridge English Dictionary. 2020. <https://dictionary.cambridge.org/dictionary/english/bank/>. Accessed March 2020.

TABLE 1: HOW PERCEPTIONS OF FIS’ ROLES IN CONSUMERS’ FINANCIAL LIVES VARY ACROSS DEMOGRAPHICS

Share of consumers who agree with select definitions of the word “bank,” by generation

DEFINITION	An institution that stores money securely	An institution for saving/earning interest on deposits	An institution that gives loans and makes investments
TOTAL	36.8%	34.9%	27.1%
Generation Z	51.2%	32.3%	20.7%
Millennials	42.9%	29.1%	22.9%
Bridge millennials	44.4%	28.9%	20.0%
Generation X	42.4%	29.0%	23.2%
Seniors/baby boomers	25.3%	44.2%	34.4%

Source: PYMNTS.com

CONSUMERS SAY BRICK-AND-MORTAR BRANCHES ARE STILL ONE OF THE MOST IMPORTANT SERVICES BANKS CAN PROVIDE.

Consumers who use digital banks as their primary FIs are like most other consumers in that they value access to checking accounts above all other financial services. What makes digital bank users unique is that they are far more likely than customers who bank with other FI types to say they value online and mobile banking options as well as ATM access, but have no interest in physical bank branches. Our research reveals that 11.1 percent of digital bank customers say ATM services are the most important service banks can provide. This suggests digital banking consumers see a need for the same services as others but have different demands in terms of how they want to access such services.

TABLE 2: BANK SERVICES THAT CONSUMERS INDICATE AS BEING THE MOST IMPORTANT
Share of consumers who cite select services as the most important ones banks can provide, by primary FI type

INSTITUTION	TOTAL	National bank	Regional/local bank	Credit union	Digital bank/PayPal
Checking accounts	63.1%	64.6%	63.7%	61.3%	55.8%
Savings accounts	11.9%	13.4%	10.3%	11.3%	13.6%
Have physical branch locations that I can visit	11.0%	7.9%	16.1%	14.2%	0.7%
Provide ATM services	3.5%	3.5%	2.1%	3.3%	11.1%
Ability to access services with mobile device	2.3%	2.4%	0.7%	1.7%	6.7%
Ability to access services online	2.0%	2.1%	1.5%	1.1%	5.0%
Make loans	2.0%	1.6%	1.9%	3.6%	1.3%
Safe deposit boxes	1.8%	1.5%	2.3%	0.7%	2.6%
Currency exchange	1.2%	1.0%	1.0%	1.9%	2.3%
Wealth management	0.9%	1.6%	0.5%	0.0%	0.9%
Other	0.3%	0.5%	0.0%	0.9%	0.0%

Source: PYMNTS.com

CONSUMERS UNDERSTAND THE DIFFERENCE BETWEEN TRADITIONAL BANKS AND THOSE THAT PROVIDE BANKING-LIKE SERVICES.

We see high levels of consumer awareness for all types of FIs and digital and online banks, but the majority of consumers do not consider FinTechs, BigTech firms, PayPal or digital banks to be banks – at least not in the traditional sense. They do say that these FI types offer banking-like services, however. Our research shows that 79.1 percent of consumers are aware of PayPal, for example, while 78.4 percent are aware of BigTech firms. Among consumers who are aware of these two types of institutions, only 14.8 percent and 23.4 percent, respectively, consider them to be actual banks. Consumers are more likely to say these institutions are not banks but still provide products and services similar to those offered by banks, with 35.7 percent and 45.7 percent saying so, respectively. There are also 47.3 percent of consumers who are aware of digital and online banks, which 31.1 percent of aware consumers consider to be traditional banks.

FIGURE 1: CONSUMERS' FAMILIARITY WITH BANKS, CREDIT UNIONS AND DIGITAL AND ONLINE BANKS

Share of consumers expressing awareness of select institutions who do or do not consider them to fit the definition of a traditional bank



CONSUMERS ARE STILL MOST LIKELY TO USE TRADITIONAL BANKS, BUT MANY WOULD ALSO USE BANKING-LIKE PRODUCTS FROM NON-TRADITIONAL FIs.

National and local banks are the two most common types of FIs from which consumers would like to use financial products and services, but digital players like PayPal and digital banks that lack brick-and-mortar branches also appeal to many. Our survey shows that 64.2 percent of consumers are either “very” or “extremely” likely to use or already use national banks, and 60.1 percent feel the same toward local and community banks. This compares to 34.2 percent who would be “very” or “extremely” likely to use or already use banking-like services from PayPal and 27.5 percent who would be “very” or “extremely” likely to use or already use banking-like services from digital and online banks — not quite as many as would use national banks, but still considerable portions of the population.

TABLE 3: CONSUMERS WHO ARE “VERY” OR “EXTREMELY” LIKELY TO USE SELECT TYPES OF FIs
Share of consumers who say they are likely to use select types of FIs

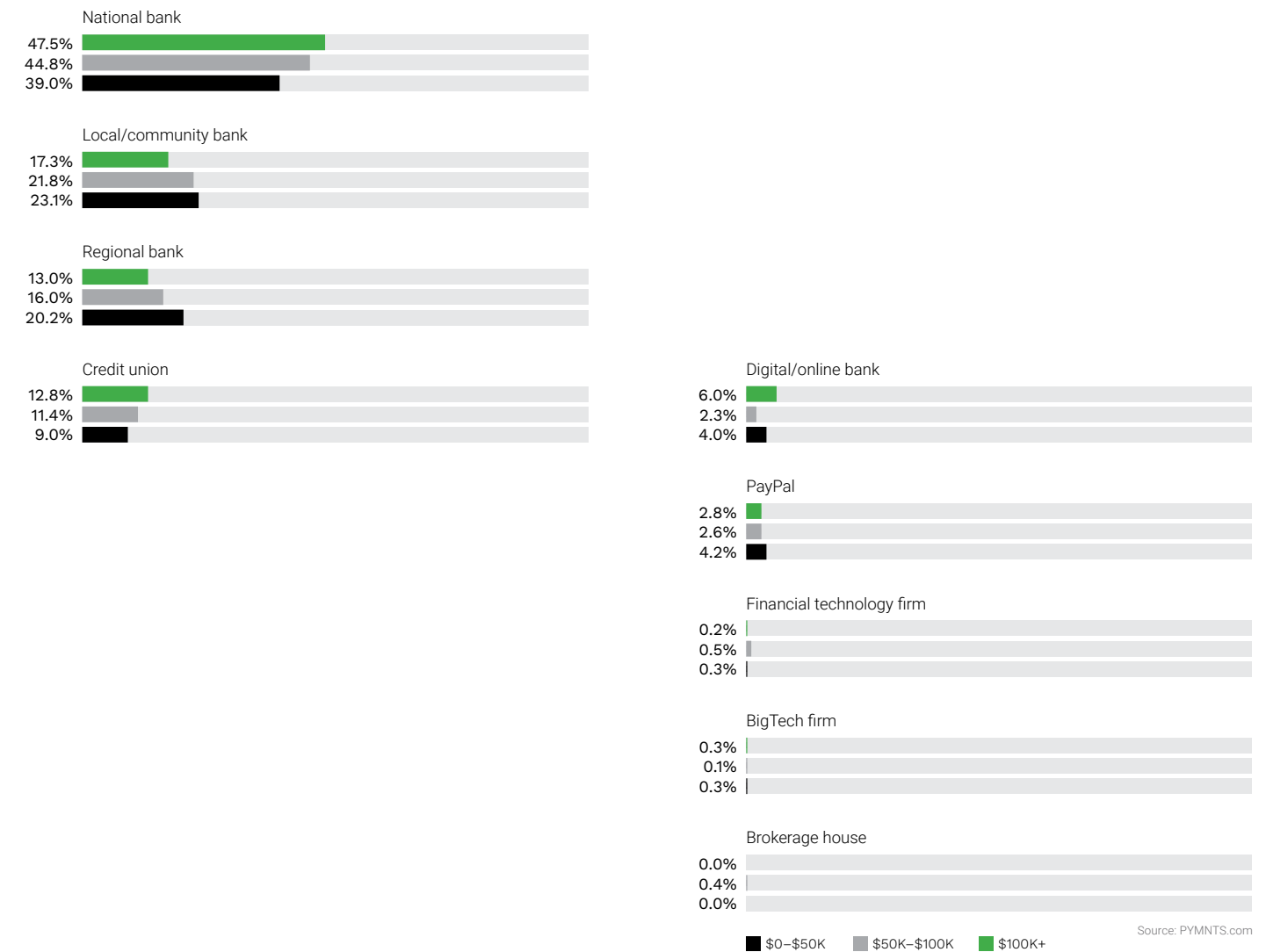
LIKELIHOOD	Extremely likely to use/ already use for banking services	Very likely to use for banking services	Somewhat likely to use for banking services	Not at all likely to use for banking services
National banks	44.1%	20.1%	10.2%	6.2%
Local/community banks	37.8%	22.3%	11.9%	4.1%
Regional banks	29.9%	24.6%	14.5%	3.0%
Credit unions	31.7%	17.4%	10.3%	4.0%
PayPal	23.9%	10.3%	9.6%	6.7%
Digital/online banks	15.5%	12.0%	9.7%	4.6%
BigTech firms	8.3%	5.9%	7.5%	10.9%
Financial technology firms	6.0%	4.5%	5.3%	1.5%

Source: PYMNTS.com

MORE AFFLUENT CONSUMERS BANK PRIMARILY WITH NATIONAL BANKS, CREDIT UNIONS AND DIGITAL BANKS. LOWER-INCOME CONSUMERS BANK PRIMARILY WITH REGIONAL AND COMMUNITY BANKS AND PAYPAL.

National bank customers, CU members and digital bank customers are most likely to be from the highest income brackets (earning more than \$100,000 per year), while local and regional bank and PayPal customers are most likely to be in the lowest income bracket (earning less than \$50,000 per year). Our research shows that 47.5 percent, 12.8 percent and 6 percent of high-income consumers use national banks, CUs and digital banks as their primary FIs, respectively. National banks are used by 39 percent, CUs are used by 9 percent and digital banks are used by 4 percent of consumers in the lowest income bracket, by comparison. Among consumers in the lowest income bracket, 23.1 percent use local banks, 20.2 percent use regional banks and 4.2 percent use PayPal. Our survey shows that just 17.3 percent, 13 percent and 2.8 percent of consumers in the highest income bracket use these institutions as their primary FIs, respectively.

FIGURE 2: CONSUMERS' LIKELIHOOD OF USING VARIOUS TYPES OF FIs
Share of consumers who currently use select types of FIs, by income



BRIDGE MILLENNIALS, MILLENNIALS AND GEN Z ARE THE GROUPS THAT ARE MOST LIKELY TO USE DIGITAL BANKS AND PAYPAL, SUGGESTING THESE INSTITUTIONS ARE LIKELY TO GROW MORE THAN OTHER FI TYPES AS THESE GENERATIONS COME OF AGE.

Preferences for FI types shift between generations, with bridge millennials being the most likely of all generations to bank with both national banks and digital and online banks. According to our survey, 48.2 percent of bridge millennials’ primary FIs are national banks, and 8.1 percent of them use digital and online banks as their primary FIs. This compares to 46.4 percent and 7.3 percent of millennials who bank primarily with these institutions, respectively. Bridge millennials are also the second-most likely generation to use PayPal and FinTechs as primary FIs, behind millennials. Our research shows that 6.3 percent of bridge millennials and 8.1 percent of millennials bank with PayPal, while 0.9 percent of bridge millennials and 1 percent of millennials use FinTechs as their primary FIs.

TABLE 4: DIFFERENT GENERATIONS’ LIKELIHOOD OF USING VARIOUS TYPES OF FIs
Share of consumers who currently use select types of FIs, by generation

GENERATION	Generation Z	Millennials	Bridge millennials	Generation X	Seniors/baby boomers
National banks	45.2%	46.4%	48.2%	47.7%	39.2%
Local/community banks	23.0%	13.7%	16.1%	21.5%	24.3%
Regional banks	10.3%	12.3%	10.6%	14.2%	21.7%
Credit unions	10.0%	10.3%	9.8%	10.8%	12.4%
Digital/online banks	6.8%	7.3%	8.1%	3.6%	1.9%
PayPal	4.7%	8.1%	6.3%	2.0%	0.3%
Financial technology firms	0.0%	1.0%	0.9%	0.3%	0.0%
BigTech firms	0.0%	0.9%	0.0%	0.0%	0.0%
Brokerage house	0.0%	0.0%	0.0%	0.0%	0.3%

Source: PYMNTS.com

THERE IS A GAP BETWEEN THE SERVICES THAT CONSUMERS EXPECT BANKS TO PROVIDE AND THE SERVICES THAT THEY ARE USING WITH THEIR PRIMARY FIs.

The products consumers believe institutions must offer to be considered banks in the traditional sense are not always the same products they actually use. We see a particularly strong disconnect between the share of consumers who say banks need to provide loans and currency exchanges and the share who use them, for example. Our research shows that 70.9 percent of national bank customers believe banks must provide loans, but only 30.4 percent of them actually use loans. We also see 43.2 percent of national bank customers saying banks must provide currency exchanges, even though just 7.2 percent of these consumers actually use such services.

TABLE 5: SERVICES CONSUMERS BELIEVE BANKS SHOULD OFFER VERSUS THOSE THEY ACTUALLY USE

Share of consumers who believe banks must provide select services versus the share who use those services, by type of primary FI

SERVICES	Checking accounts	Savings accounts	Make loans	Provide ATM services	Ability to access with laptop/computer	Ability to access with mobile device	Currency exchange
SERVICES USED							
National bank	94.7%	74.8%	30.4%	73.5%	68.6%	52.2%	7.2%
Regional/local bank	95.5%	72.8%	31.8%	71.1%	63.7%	43.5%	4.2%
Credit union	95.2%	92.9%	40.3%	66.8%	67.1%	44.5%	5.2%
PayPal	60.1%	51.3%	12.1%	44.3%	53.1%	47.2%	2.8%
Digital/online bank	91.5%	73.7%	9.1%	59.2%	74.5%	74.6%	2.0%
SERVICES THAT MUST BE PROVIDED							
National bank	96.0%	91.4%	70.9%	78.9%	61.4%	56.3%	43.2%
Regional/local bank	97.2%	93.7%	75.5%	77.8%	60.1%	46.7%	40.5%
Credit union	96.9%	90.8%	75.8%	72.8%	41.9%	47.8%	32.5%
PayPal	65.0%	77.4%	39.0%	60.7%	40.0%	49.8%	49.2%
Digital/online bank	89.5%	89.0%	53.8%	70.8%	59.7%	54.8%	22.1%

Source: PYMNTS.com

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