

Meet the key players in the digital account opening race

Article



Today, account opening is surging back after a slump during the coronavirus pandemic, and digital account opening (DAO) activity in particular is poised to benefit. However, banks will face stiff competition from neobanks and big tech companies that are raising the bar for digital account opening and count millions of customers among their existing client bases.

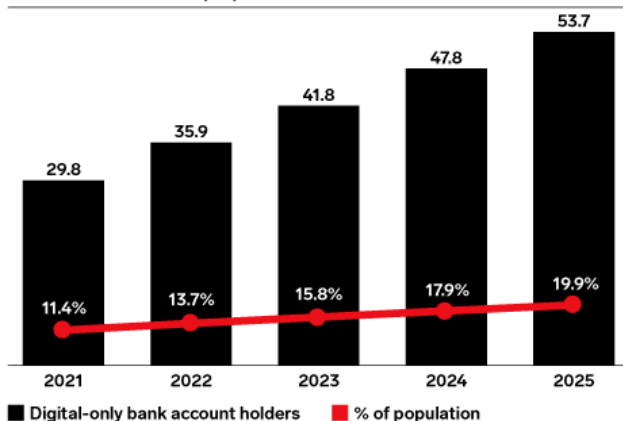
The digital account opening field includes the different categories of financial account providers, and the third-party solutions providers that offer turnkey solutions to parts of the process.

Incumbent banks

As legacy players in the space, incumbents are experienced in the banking regulatory environment, and have established and trusted brands. But they also face challenges that vary according to their size and resources. Larger institutions have the staff and colossal technology budgets to build and maintain their own DAO solutions. In many cases, though, they are running gigantic operations on cumbersome legacy technology. Smaller banks and credit unions, on the other hand, may be more dependent on partnering with third parties, and even be fairly new to digital account opening. Half of all community banks and credit unions used DAO to field less than 5% of their new checking account applications in 2019, per Cornerstone Advisors data.

US Digital-Only Bank Account Holders and Penetration, 2021-2025

millions and % of population



Note: individuals who have at least one account at an FDIC-backed digital-only full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps or over the phone
Source: eMarketer, May 2021

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Digital-only challenger banks

Digital-only neobanks, such as Chime and Varo, were born online and have no legacy technology infrastructure to drag them down—but also no branches to fall back on. For that reason, they have been forced to focus on their digital customer experiences, including account opening. And these digital upstarts are on the rise: There will be 28.9 million US

digital-only bank consumers with at least one account in 2021, per projections from eMarketer. That number is expected to hit 47.5 million by 2024.

Big tech companies

Apple launched a credit card in 2019, and despite shunning the label, Venmo is looking increasingly like a neobank. Meanwhile, Google’s “Plex” bank accounts—Google digital user experiences built on top of accounts provided by incumbent partner banks—are slated for a full rollout this year. Between their deep existing relationships with hundreds of millions of consumers—and the data advantages those relationships bring with them—and their ability to design top-of-the-line digital user interfaces, these companies threaten to completely realign consumer expectations of what digital account opening should look like.

Third-party solutions vendors

Banks have a choice when they implement their DAO solutions: They can either choose to design their own solution, or they can turn to third-party providers to supply some or all of the pieces of the process. Interest in collaborating with fintechs to tackle DAO is very high. Asked how interested their institution would be in fintech partnership for various capabilities, 29% of financial institutions said they were already handling DAO through such partnerships, and another 42% said they were “very interested,” per Cornerstone.

To learn more about what's next for DOA, Insider Intelligence subscribers can read our recent report:

Report by Greg Magana Jun 17, 2021

Account Opening in the Next Normal



