

Google's threat to neobanks gains severity with Google Pay update

Article

The tech titan has rolled out a batch of new features, including options for finding deals at Safeway and Target, paying for public transit, and monitoring spending to anchor Google Pay more deeply into users' lives, [per](#) TechCrunch. Among these updates is an enhanced "Insights" tab that offers users of Google's "Plex" bank accounts the ability to check their balance, view upcoming bills, and set alerts for larger transactions. Google is now also automatically

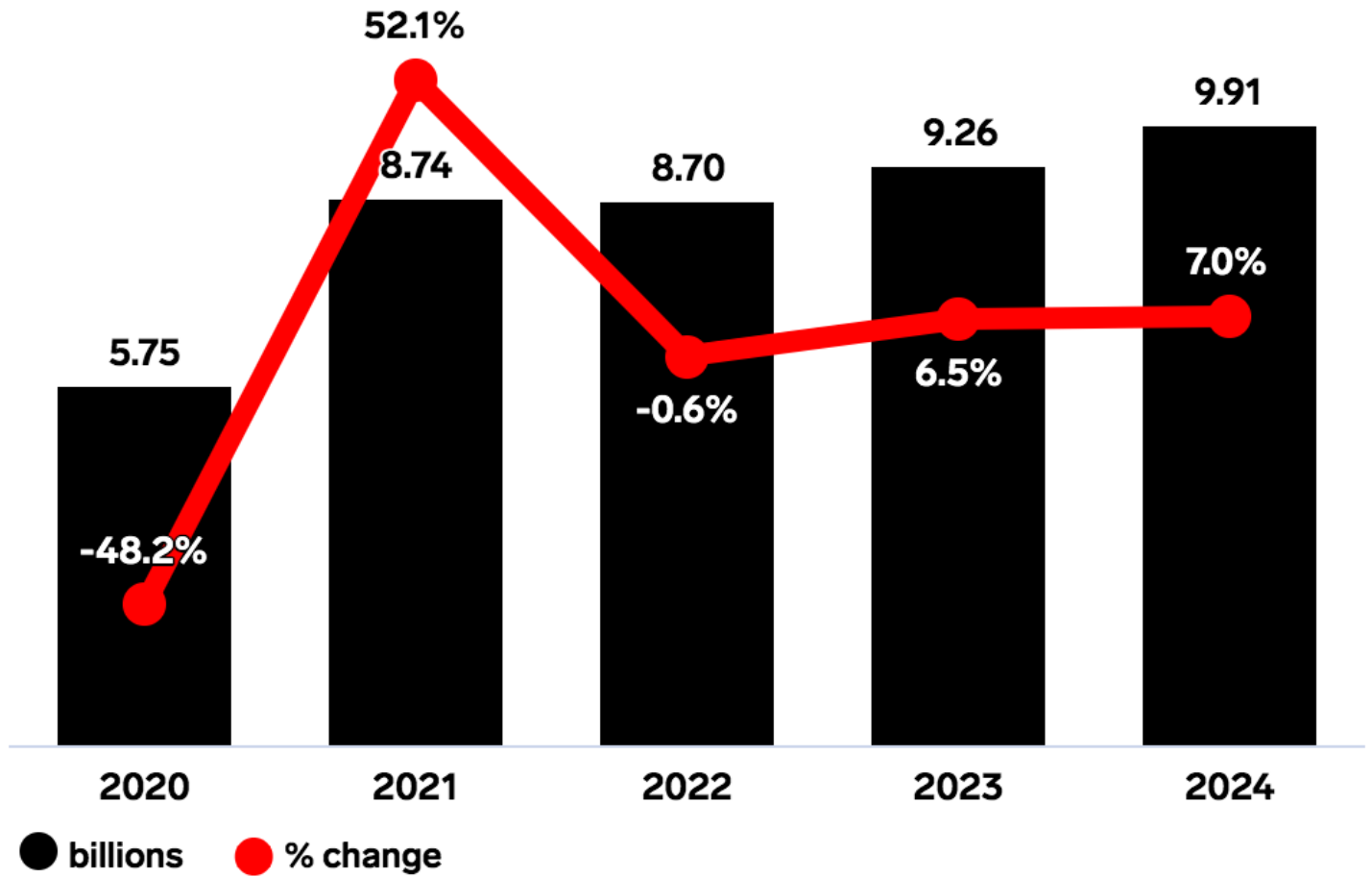
categorizing customers' transactions, enabling users to track their spending by category or by specific business.

Google Pay's upgrade comes as another major brand, Venmo, fleshes out its banking services. Venmo parent company PayPal said in its Q4 2020 earnings that the mobile payments app will get a slew of upgrades, including support for buying and selling cryptocurrencies, a savings feature, and budgeting tools, [per](#) TechCrunch. And these are just the most recent additions to a corpus of features, including a debit card (launched in 2018), a credit card (launched in October 2020), and a mobile check-cashing feature, which debuted in January this year.

As tech powerhouses with huge brand recognition deepen their banking plays, on-target customer acquisition and retention strategies will be absolutely critical for US neobanks. A full-on push into banking services by companies like Google and Venmo has the potential to be catastrophic for neobanks like Chime and Varo. Neobanks lack the same brand recognition as their incumbent bank counterparts, but they seek to differentiate by leveraging their digital prowess into best-in-class digital customer experiences. But Google and Venmo have even more expertise in crafting digital user experiences, and they enjoy titanic brand recognition and existing user bases that they can market to cost-free. Venmo's current user [base](#) comes in at a colossal 70 million, and as far as Google goes, there are an estimated 131.2 million US Android [users](#), to say nothing of the consumers who use the Google search engine. As the banking services from these two giants ascend, it'll become increasingly important for neobanks to market aggressively to keep customer acquisition [growth](#) strong and to maintain facets of their offerings—such as early wage [access](#) or high savings [rates](#)—that drive customer retention by keeping their existing clients happy.

Digital-Only Bank Account Openings

US, 2020-2024



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