

Accelerating digital transformation in banking in 2022 will continue industry upheaval

Article

What we've noticed: Insider Intelligence's **Banking Trends to Watch in 2022** report [identifies](#) three key areas of digital transformation that will further upend the banking industry in the

new year.

Which 2021 developments portend 2022 changes? Incumbents and digital challengers alike have prioritized enhancing personalized offerings for their customers.

Meanwhile, big tech companies have grabbed a foothold in embedded finance through payments, and could potentially venture into banking.

Finally, Western financial institutions are poised to offer consumers super apps like those popularized in the Asia-Pacific region, which will provide wider product breadth than has been available previously.

What does this mean for 2022? Here's a look at three big trends that will shake up banking in the new year:

Big tech companies have used embedded finance, via payments, as an “on-ramp” to financial services. This entryway lets non-financial companies roll out financial products and services to their own customers.

- Tech companies are well-established now in payments: **Apple Pay** and **Google Pay** have respective market shares of **43.4%** and **25.0%** in proximity mobile payments, a **nearly \$247 billion market**.
- Venture capital firms **invested nearly three times more money in embedded-finance companies** in 2021 versus 2020, per PitchBook.
- Big tech companies are also expected to show continued interest in banking—despite Google's decision to pull the plug on **Plex**. However, they will likely attempt to do so by **partnering with established financial institutions (FIs)**.

Meanwhile, **hyper-personalization is gaining traction** in banking and wealth management. This includes:

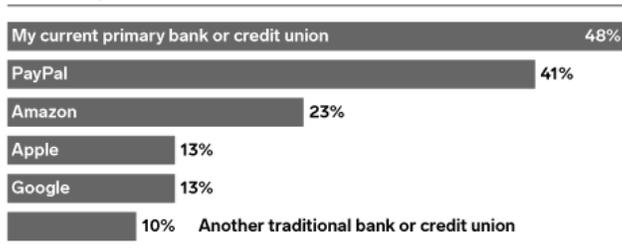
- The emergence of niche FIs like **Daylight**, which caters to LGBT customers.
- Incumbents operating AI-powered services to give bespoke experiences to their customers. Examples include **Bank of America's Erica** and **Chase's Digital Assistant**.
- **Unmet demand among the aspiring affluent consumer demographic**. They're in a bind: Their financial needs must be addressed, but they haven't accumulated enough funds to work with advisors.

Finally, **Western consumers are getting closer to amassing super apps**, which are digital platforms that conveniently bundle a wide range of services.

- This operating model is already available in the Asia-Pacific region via companies **Ant Group** and **Tencent**.
- Super apps **allow people to avoid decision-making overload from separately available services**. A Deloitte study for the US found that approximately one-third of consumers feel overwhelmed by the quantity of options available to them.
- **PayPal** and **Revolut** are among the most likely to deploy super-apps in 2022 that break through with consumers, but they will need to add even more features if they want their products to attain breadth as significant as their Asian counterparts'. **Block's Cash App Pay** is another potential super app to watch out for.

Select Providers that US Digital Banking Users Would Trust to Provide Them with Banking Services, March 2021

% of respondents



Note: select providers shown

Source: Insider Intelligence, "The Banking Digital Trust Report 2021," May 2021

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