AUG 18

Will Paige

Goldman Sachs' Marcus still on a costly hunt for ever-elusive maiden profit

Article

What we've been noticing: Despite extensive investment amid a wider diversification push, **Goldman Sachs'** consumer banking business has yet to turn a profit.

The context: Goldman Sachs launched its digital bank **Marcus** in 2016 to expand its revenue streams by offering savings accounts to retail customers.

- It has since grown to offer small businesses loans, checking accounts, and a credit card with **Apple Pay**.
- Since launching, Marcus has struggled for consistent leadership, with three different executives heading the division since 2021.

How's it performing?

Successes: In an intensely competitive market, Goldman's internally built consumer banking business has achieved some notable milestones.

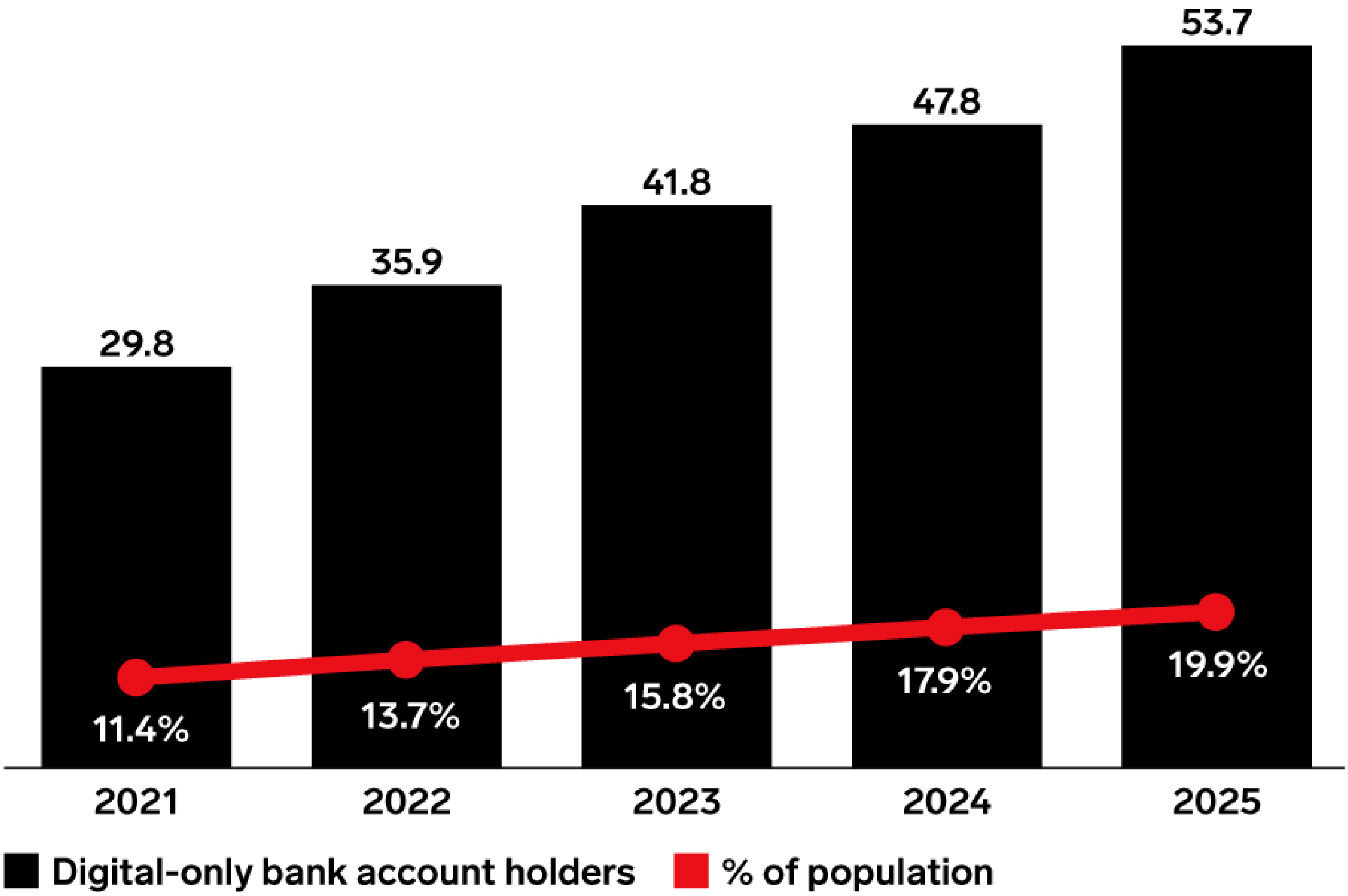
- The consumer business has generated **more than $100 billion in deposits** and has over 14 million customers.
- It brought in **revenues of $1.5 billion in 2021**, a number the bank says could hit $4 billion by 2024, according to the Financial Times.
- Partnerships with **Apple** and **General Motors** have also built its presence in the payments space and helped it reach new customers.

Failures:

- It has yet to generate a profit. Goldman expects to see **$1.2 billion in losses this year** from its consumer banking operations.
- No timeframe has been given on when Marcus could move into the black and management is reportedly reviewing the bank's spending plans, per the Financial Times.
- Goldman has had mixed success in diversifying its revenue mix, which is broadly still dominated by investment banking and global markets.
- The banking giant has also faced regulatory scrutiny over its consumer banking unit. The Consumer Financial Protection Bureau (CFPB) is looking into Goldman's credit card business.
- Marcus has not been helped by some products, such as its robo-advisor, failing to attract customers and delays for various product launches, including its app.

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: Insider Intelligence, May 2021

268420 InsiderIntelligence.com

The big takeaway: Marcus has successfully built up a large customer base in a competitive market already filled with high street banks, neobanks, and rival **JPMorgan's** digital bank

Chase. But its failure to break even despite extensive investment over six years raises concerns.

Marcus faces the same problem as many **rival neobanks, with less than 5% of them breaking even.** In theory, recent services added to Marcus, including a robo-advisor and more personal investment tools, should bolster engagement, generate top-line growth, and possibly cut losses. But Marcus' failure to tie various products seamlessly into one brand has led to confusion and customer dissatisfaction, stunting uptake.

Goldman's decision to create products in-house is both ambitious and hugely expensive. It could save time and money by following the lead of Morgan Stanely and focusing more on acquisitive growth. Regardless of bottom-line woes, Goldman's vast resources and market-leading investment banking business will allow it to sustain losses and persevere with consumer banking if it views it as a venture with long-term potential.