

# Apple's encroachment on the financial services sector shouldn't scare financial institutions

Article

**What we're watching:** Apple's move into financial services could be a threat to traditional banks and fintechs. But it could present new opportunities for these financial institutions (FIs)

to set themselves apart, [per](#) Banking Dive.

**Moving in:** Apple made waves in the financial sector earlier this year with the [launch of its high-yielding savings account](#) in partnership with **Goldman Sachs**.

- The accounts boast a generous 4.15% APY, no fees, and no minimum deposits or balance requirements.
- The offer, available to Apple Card holders, tops off an entire ecosystem of financial management tools for users which includes a digital wallet, Apple Pay Later, and Apple Cash, all accessible on an Apple iPhone.

Apple has also built consumer trust through fraud detection methods like multifactor and biometric authentication—an important part of digital banking.

**Is Apple a threat?** The Big Tech firm has a massive user base, and the relationship it's built with those users, especially younger generations, has caused them to [trust the brand with their financial lives](#).

- In the first month after Apple launched the savings accounts, it gathered more than \$1.2 billion in deposits, per Crone Consulting. That's more deposits than 92% of all US banks and credit unions.
- Analysts at Crone Consulting suggest that banks and fintechs must be willing to collaborate with Apple by making Apple's financial capabilities compatible with their own. Though FIs will face transaction costs associated with the capabilities, they should view them as an investment. FIs that avoid collaboration are likely to lose out on revenues and access to Apple's customers.
- Challenger banks are also likely to feel pressure from Apple. These more specialized banks are nearing the end of their runways, like **Daylight**, which recently [shut its doors](#), and **Kinly**, which was scooped up by competitor **Greenwood**. But Cornerstone Advisor analyst Ron Shevlin believes these banks should feel threatened by all players in the financial services sector.

**How can FIs compete?** The first step for FIs is to pause and take a deep breath. The hype around Apple is less about its financial solutions and more about its Big Tech brand name. Banks and fintechs still have a place in the market.

- Apple’s financial tools live in a closed ecosystem, which may be valuable to some consumers, but not all. FIs can focus on adding value in pieces, in a way that lets consumers engage with solutions that fit their needs and opt out of others.
- FIs must also focus on differentiating themselves, not just from Apple, but from all other competitors. The trick is to define a value proposition and stick to it. Changing course too many times confuses customers and may cause them to disengage.

**The bottom line:** Apple is in a position to gain some market share in the financial services sector, but FIs should analyze Apple’s distinctive approach and seize opportunities in gap areas. Consumers are attracted to the Big Tech firm because they are familiar with the brand. But Apple isn’t a bank. FIs should ensure their offers encompass today’s digital lifestyle, but they should also hammer home to consumers that they’re the financial experts.

**Leading Providers US Digital Banking Users Would Trust Most to Provide Them with Banking Services, 2021 & 2022**

% of respondents

	2022	2021
PayPal	42.2%	40.7%
Current primary bank** or credit union	41.9%	48.0%
Visa	32.8%	31.7%
Mastercard	20.3%	20.6%
Apple	19.2%	13.0%
Amazon	19.1%	23.3%
American Express	12.9%	16.0%
Venmo*	12.3%	-
Discover	12.0%	11.8%
Another traditional bank or credit union	9.9%	9.9%
Walmart*	7.0%	-
Microsoft	5.1%	6.0%
Another "digital-only" bank	3.1%	5.1%
Alphabet (Google)	2.9%	13.5%
Meta (Facebook)	2.2%	3.3%
TikTok*	1.5%	-
Klarna*	1.3%	-
Other	0.7%	0.8%
Uber	-	0.7%
Lyft	-	0.6%

Note: \*newly added in 2022; \*\*primary bank could include either a traditional bank or a digital-only bank

Source: Insider Intelligence, "US Banking Digital Trust Benchmark 2022," Aug 2022

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