

# Four banking trends we're tracking for 2023

## Article

**The news:** Banks and financial institutions are facing a great deal of uncertainty as 2022 comes to a close. Inflation is skyrocketing, rates are rising, and consumers continue to demand personalized, digital solutions to help them weather the storm. As the new year kicks off, we're [counting down the trends](#) that will emerge through the uncertainty and offering predictions for 2023.

**Trend 1:** Gen Z breaks into the financial mainstream.

- Gen Z is the new desirable demographic for banks and financial institutions. Firms must act now to nab these digitally native customers.
- This will be tricky, however. In 2023, half of the Gen Z population will be adults, but banks will need to also focus on the younger half of the cohort to instill brand loyalty as early as possible.
- **Prediction:** Banks will level up their social media strategies to attract Gen Z through channels that those consumers already consult for financial advice.

## **Trend 2: Privacy controls become “need-to-have.”**

- Financial institutions that prioritized consumer data protection in 2022 have set the precedent for the coming year. These firms have won consumer trust and now tower over their competition.
- Those that dragged their feet will now need to catch up to be considered. Expect these firms to spend time and energy on campaigning their new privacy-focused products and services.
- **Prediction:** Major US banks will up the data privacy ante with 50% of the top 20 banks allowing consumers to manage third-party data access to financial information via mobile.

# Companies That Act Now on Privacy Concerns Will Set Themselves Apart

## Consumer Concerns About Data Privacy<sup>1</sup>

I'm concerned about the amount of data mobile apps/services collect about me

61%

Technology advances are making my personal data less secure

54%

## What Consumers Think Companies Should Do<sup>2</sup>

Communicate how personal data is shared with or used by third parties

46%

Provide simple methods to control the amount/type of personal data shared

43%

Note: <sup>1</sup>n=6,500; those responding "strongly agree" or "slightly agree"; <sup>2</sup>ages 18+ in Canada, France, Germany, Italy, Spain, Sweden, the UK, and the US

Source: <sup>1</sup>Mobile Ecosystem Forum (MEF) and Assurant, "8th Annual Global Trust Study" conducted by On Device Research, June 15, 2022; <sup>2</sup>EY, "Decoding the Digital Home 2022: Are Consumers Comfortable in the Digital Home?," June 15, 2022

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### Trend 3: Neobanks are nearing the end of their runway.

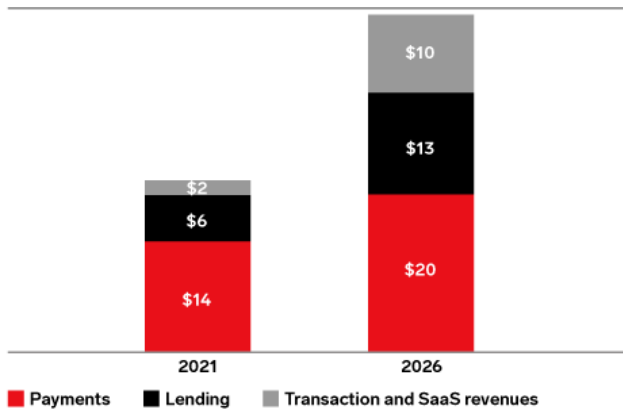
- Digital challengers faced a lack of funding in 2022 as investors favored profitability over growth. For most neobanks, profits remained elusive and the economic climate grew increasingly harsh.
- In the coming year, neobanks will need to turn to new sources of revenue, like lending and credit cards, to flirt with profitability. Otherwise they face being culled from the ecosystem.
- **Predictions:** Neobanks that can't cut it in 2023 will be scooped up by fintechs, incumbent banks, or other neobanks. Conversely, those that can cut costs and increase efficiencies to reach profitability will emerge stronger than ever.

#### Trend 4: Embedded finance hits growing pains.

- Embedded finance saw a banner year in 2022, specifically when it came to payments. This year, we expect new avenues of embedded finance to take off, like embedded lending, as the constricting economy will force consumers to increase their borrowing.
- But 2023 will also be painful for some areas of embedded finance. Some partnerships between providers and brands are likely to end unprofitably, and banking as a service will struggle as interchange fees evaporate with the economic slowdown.
- **Predictions:** Incumbent banks will lean into white-label credit cards as a service, well-funded fintechs will develop full-stack embedded finance platforms, and other fintechs will tap into low-code and no-code solutions for payments, lending, and deposits.

**US Embedded Finance Revenues, by Segment, 2021 & 2026**

billions



Note: includes consumer payments, B2B payments, consumer lending, buy now, pay later (BNPL), point-of-sale (POS), B2B lending, transaction revenue, and software-as-a-service (SaaS) revenue  
Source: Bain & Company, "Embedded Finance: What It Takes to Prosper in the New Value Chain," Sep 12, 2022

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**Continue reading:** See what else our banking analysts are anticipating in the new year in our [Banking Trends to Watch](#) for 2023 report.

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