

Global Banking & Securities

How US customers' attitudes to fintech are shifting during the pandemic

Recent surveys of US consumers reveal some shifting attitudes towards banks and fintechs after more than six months of the COVID-19 crisis.

by Alexis Krivkovich, Olivia White, Zac Townsend, and John Euart



Beyond its devastating impact on human health and the economy, the COVID-19 pandemic has reshaped much about the day-to-day lives of people across the globe. In this post, we highlight some observations on how the experience of living through a pandemic has influenced US financial decision makers' willingness to use fintechs (see sidebar) for their financial needs. Among the highlights:

- the southern US states are fintech strongholds, both in terms of overall fintech accounts and growth since the start of the crisis
- fintechs are catching up with traditional banks in terms of customer trust
- Black fintech users are more satisfied with their fintech accounts than with traditional banks

These observations are based on the US results of surveys McKinsey conducted monthly between March and November of this year, measuring financial sentiment, behaviors, needs, and expectations among household financial decision makers in 30 countries.¹

1. Forty percent of US financial decision makers say they have a fintech account

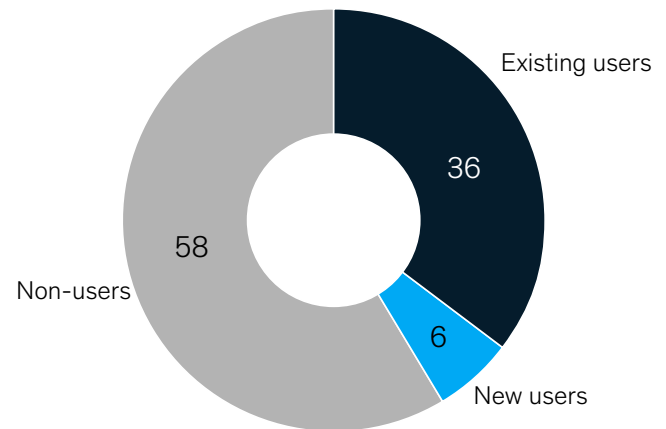
Forty-two percent of respondents surveyed between May 25 and November 8 said they use at least one fintech. Among all financial decision makers surveyed, more than six percent reported becoming a fintech user since the start of the pandemic.

Exhibit 1

Fintech has hit the mainstream: Four out of ten US financial decision makers report having a fintech account.

Respondents using financial technology during COVID-19, %

All financial decision makers



Q: Which of the following types of financial technology companies do you currently use or have an active account with (i.e., used with the past 3 months)?
Source: McKinsey Financial Insights Pulse Survey

This article focuses on a broad subset of fintech firms offering disruptive technologies directly to consumers. We asked consumers which of four types of financial technology firms they currently use—general banking, payments, investments, and lending. Fintechs can include start-ups looking to challenge incumbents, as well as new digital businesses launched by traditional financial institutions.

¹ Latest wave conducted November 8, 2020. N = 14,348 total. Financial technology users (aggregate of survey waves 7-16) N=5,639. Payment N = 2,336; lending N = 688; investment N = 1,419; overall banking N = 3,349. Sampled and weighted to match US general population 18+ years. Margin of error for wave-over-wave changes is +/- 3 percentage points for all financial decision makers, and larger for sub-audiences.

2. All fintech types—payment, investments, lending, and overall banking—have grown since the crisis began

More than 24 percent of consumers use a fintech banking platform, making it the most-used of the four types. These general banking platforms also saw the greatest total absolute increase in users: 6 percent of total consumers opened an overall banking fintech account during the crisis. Despite lagging in growth terms, payments accounts are the second-most-used financial technology type, with about 16 percent of consumers using at least one account.

Despite significant growth in e-commerce transactions during the pandemic, consumer payments fintechs have not seen a big bump in usage. The fintechs benefiting most from growth in transactions (e.g., Stripe, Adyen, Braintree) do not—for the most part—have direct-to-consumer relationships.

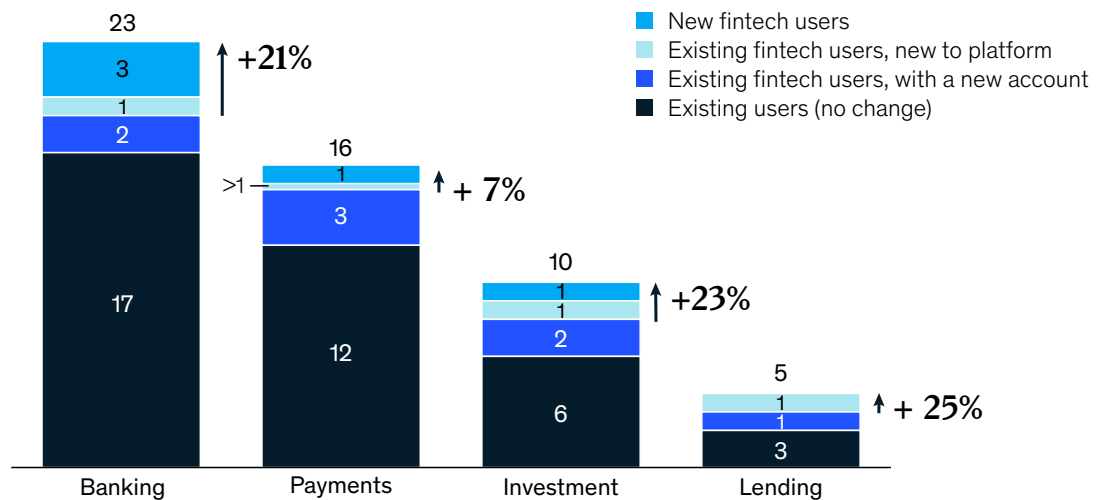
Investment and lending platforms have smaller numbers of total customers, but have grown by the highest percentage during the COVID-19 crisis—with increases of 23 percent and 25 percent, respectively, in users.

Exhibit 2

No single fintech type dominates the landscape—and all have grown since the start of the crisis.

Financial technology usage increase by platform¹

% of respondents using financial technology, by platform type



¹Q: Did you begin using or open a new account with any of the following types of financial technology companies since the COVID-19 crisis began?
Source: McKinsey Financial Insights Pulse Survey

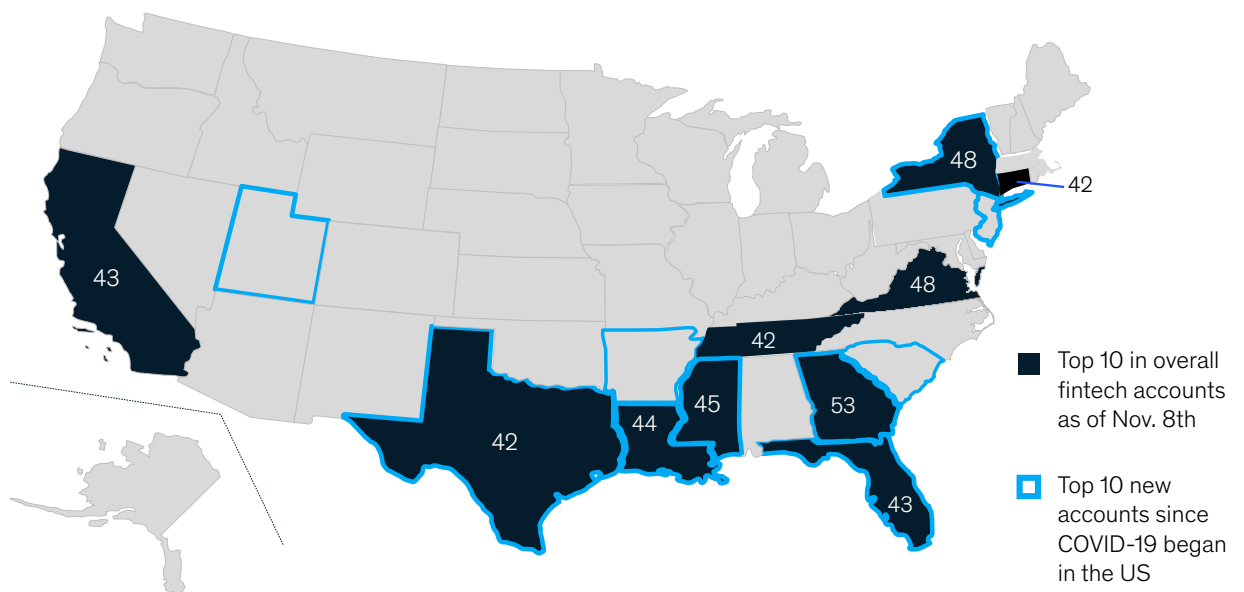
3. Fintech is thriving in the US South

Eight of the top ten states by percentage of financial decision makers that report having a fintech account are in the South, with New York and California rounding out the list. Growth in the number of customers reporting having a fintech account over the pre-COVID-19 base has also been significant in the South.

Exhibit 3

The US South is a fintech stronghold.

States with highest fintech penetration and new usage since COVID-19 began, %



¹Q: Which of the following types of financial technology companies do you currently use or have an active account with (i.e., used with the past 3 months)?
Source: McKinsey Financial Insights Pulse Survey

4. The young use fintech the most, but older generations are joining them in larger numbers

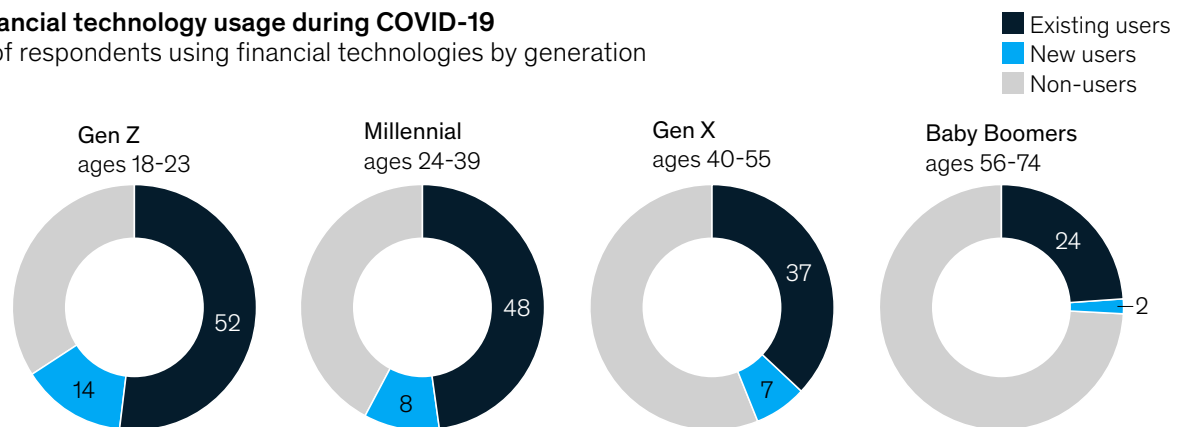
Gen Z and Millennials had the most fintech accounts overall. Gen Z saw an increase of 14 percentage points of new users (or a 27 percent increase) and Millennials saw an increase of 8 percentage points (or a 17 percent increase). A substantial number of Baby Boomers—26 percent—rely on some sort of fintech account, contradicting the general perception that digital tools are exclusively for younger people.

Exhibit 4

Gen Z and Millennials use fintech the most, but older financial decision makers have accounts as well.

Financial technology usage during COVID-19

% of respondents using financial technologies by generation



¹Q: Which of the following types of financial technology companies do you currently use or have an active account with (i.e., used with the past 3 months)?
Source: McKinsey Financial Insights Pulse Survey

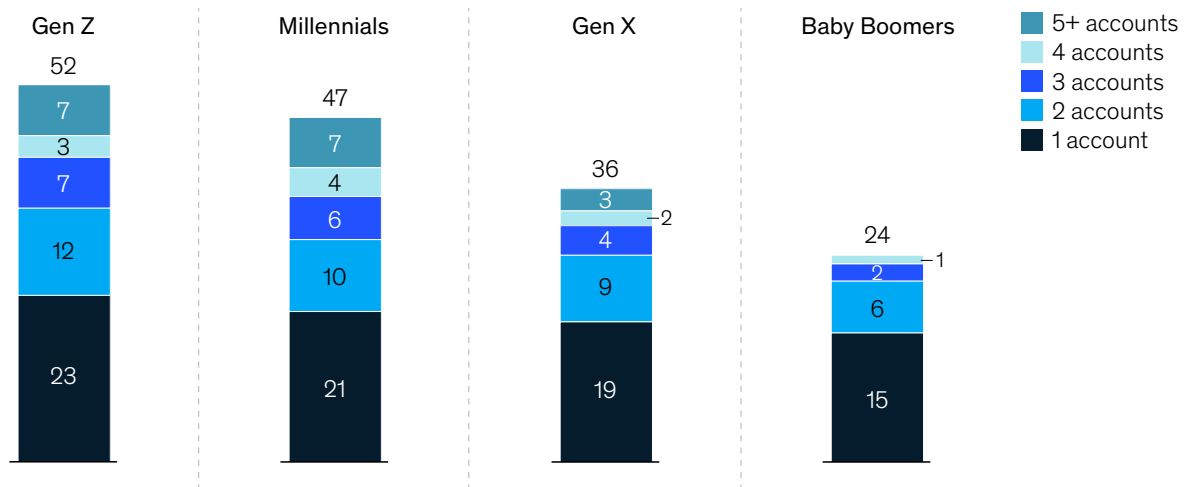
5. Younger users tend to use multiple accounts, whereas older generations are more likely to use one

Older generations appear to turn to fintechs as point solutions, while younger generations use multiple fintechs to approximate a more traditional banking relationship. Gen Z are also the most frequent multi-account users of fintech, with 29 percent (or over half of Gen Z fintech users overall) using more than one account. Nearly two thirds of Baby Boomer fintech users have only one account.

Exhibit 5

Younger and older generations use fintechs differently; younger users tend to have multiple accounts in their wallets.

Number of financial technology accounts per user,¹% of financial technology users



¹Q: Which of the following types of financial technology companies do you currently use or have an active account with (i.e., used with the past 3 months)?
Source: McKinsey Financial Insights Pulse Survey

6. Few non-fintech users had their minds changed by the crisis: only 7 percent overall say they are more likely to open an account in future

It appears that the pandemic has swayed very few non-fintech-users to change course. The convenience of being able to transact at a distance has failed to motivate them to consider opening fintech accounts. Only 7 percent of respondents—across all age groups—that did not hold digital accounts prior to the crisis said that COVID-19 has made them more likely to open one in the future. At the same time, more than half of fintech users who opened an additional account during the crisis said that COVID-19 has made them more likely to use fintechs in the future.

Exhibit 6

Fintech preaches to the converted: Very few non-fintech users say COVID-19 has made them more likely to open an account in future.

COVID-19 crisis impact on current likelihood to use financial technology¹

Percent of respondents “somewhat more likely” or “significantly more likely” by user type and generation

	Fintech users that did not open a new account since crisis	Fintech users that opened a new additional account since crisis	Fintech users who opened their first fintech account since the crisis	Non-user	Total
Gen Z	43	60	50	24	41
Millennial	26	59	47	15	29
Gen X	20	55	37	8	17
Baby Boomer	9	39	29	4	6
Total	19	57	41	7	16

¹Q: [AMONG ALL CONSUMERS] Generally speaking, has the COVID-19 crisis made you more or less likely to work with a financial technology company than you were before? Are you now...

² % is the number of respondents in each category that responded with “somewhat more likely” or “significantly more likely”

Source: McKinsey Financial Insights Pulse Survey

7. Decision makers in all income brackets opened new fintech accounts throughout the crisis

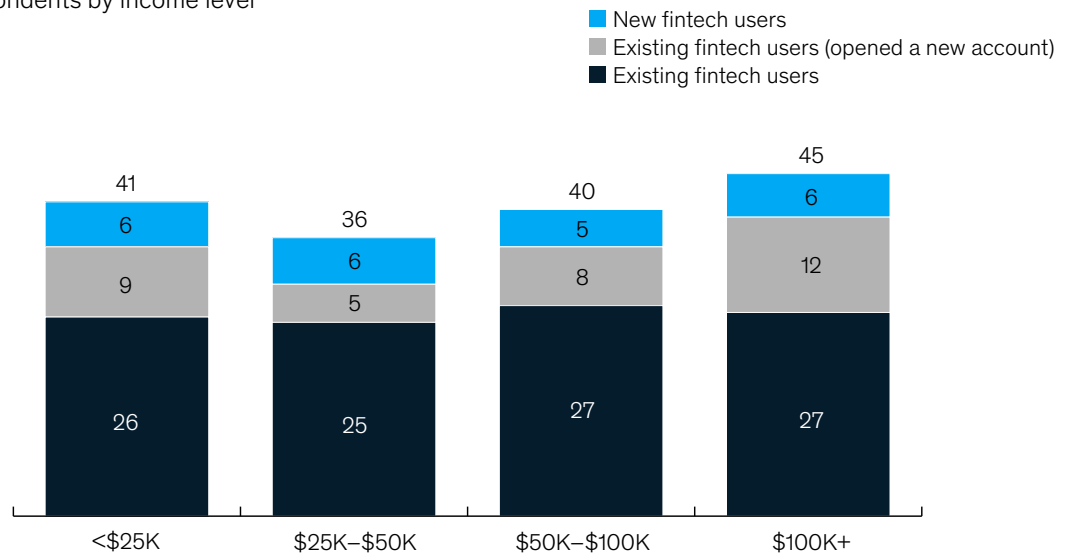
All income groups saw existing users open new accounts and each had a similar percentage of total decision makers open accounts for the first time. Total penetration is greatest among the highest and lowest income groups—suggesting a bifurcation of many fintechs’ strategies for those income groups. Forty-five percent of financial decision makers who report having income above \$100,000 use fintechs, the most of any income group, while 41 percent of those that make less than \$25,000 use one.

Exhibit 7

New fintech accounts have come from every income bracket since the pandemic hit.

Financial technology usage by income

% of respondents by income level



Q: Did you begin using or open a new account with any of the following types of financial technology companies since the Coronavirus crisis began?
Source: McKinsey Financial Insights Pulse Survey.

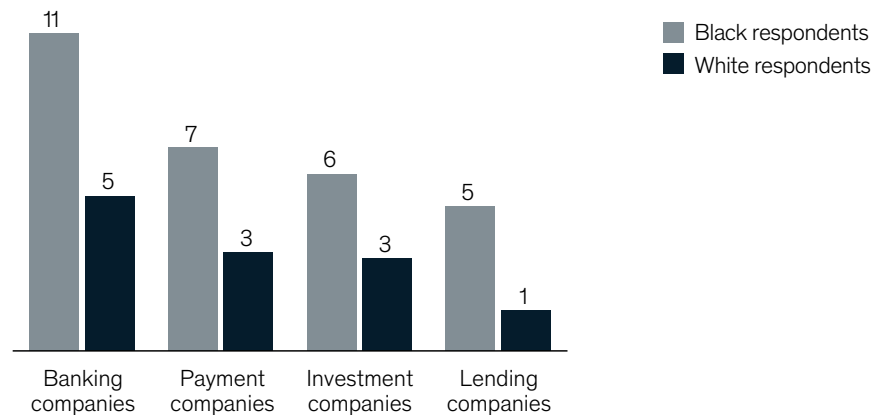
8. Since the start of COVID-19 in the US, Black financial decision makers have been opening fintech accounts at an accelerated pace, and are more satisfied with fintechs than with traditional financial services providers

Since the start of the crisis, a larger percentage of Black decision makers have opened fintech accounts than white decision makers (the only two demographic categories with enough data to report). Roughly 56 percent report being very satisfied with their financial technology providers. Black financial decisions makers are six percentage points more likely to report being very satisfied with their fintech accounts than with traditional banking channels. wholeheartedly embrace digital shopping for its double benefits of convenience and safety.

Exhibit 8

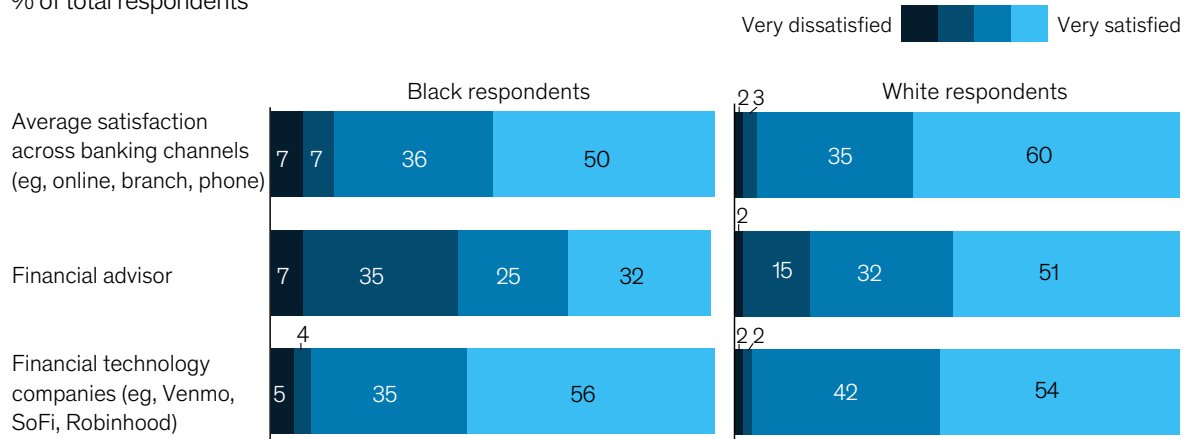
Black financial decision makers have been opening fintech accounts at an accelerated pace during COVID-19, and are more satisfied with fintechs than with traditional providers.

New fintech accounts since start of COVID-19 crisis¹
% respondents that have opened a new account



Satisfaction across financial services channels

% of total respondents



Note: For Black respondents, n = 891; for white respondents, n = 8,986.

¹Q: Did you begin using or open a new account with any of the following types of financial technology companies since the Coronavirus crisis began?

9. Traditional banks and fintechs have similar levels of customer trust—which could be good news for fintechs

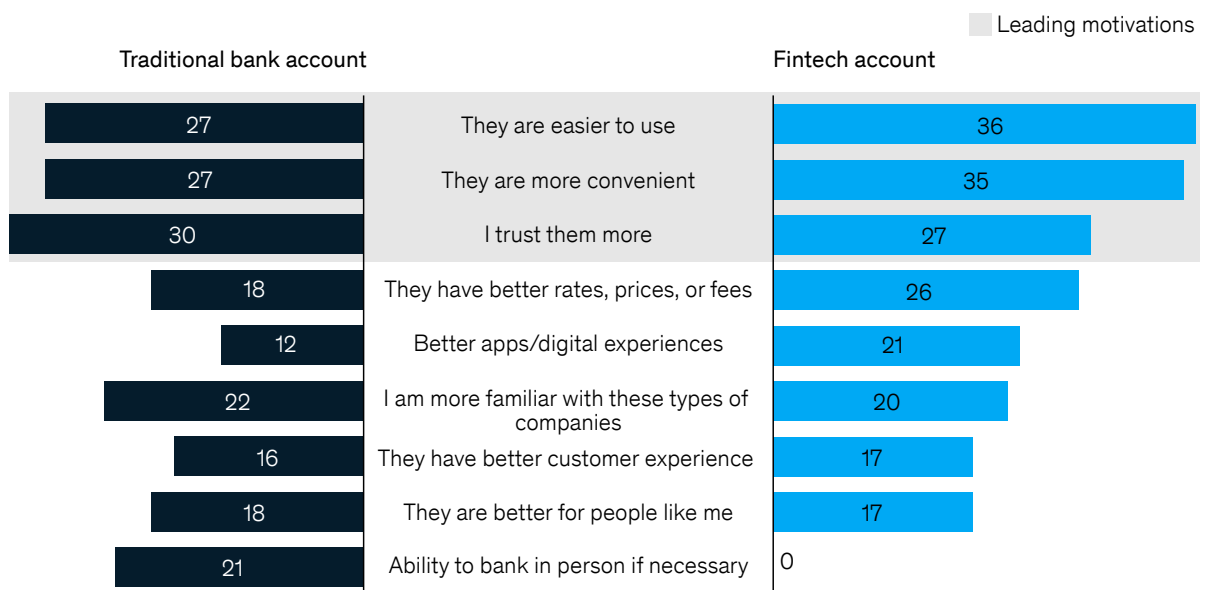
We inquired about financial decision makers' preferences for financial technology versus traditional firms. Not surprisingly, the primary factor for considering a traditional bank was trust (30 percent of responses). A similar share of respondents (27 percent) indicated they trusted financial technology companies more than banks; so far, so equal. But, fintechs surpassed banks in a number of other areas (e.g., convenience, ease of use, and digital experiences), suggesting traditional players' incumbent advantages may be eroding.

Exhibit 9

Customers trust traditional banks and fintechs roughly equally—which might be good news for fintechs.

Motivations for using financial technology firms and traditional companies¹

Percent of respondents considering opening an account with a financial technology and traditional company over the next 12 months



¹Q: Why would you consider using a [financial technology company] and why would you consider using a [traditional financial services company]?
Source: McKinsey Financial Insights Pulse Survey

Alexis Krivkovich is a senior partner, Olivia White is a partner, and Zac Townsend is an associate partner, all in McKinsey's San Francisco office. John Euart is a consultant in the New York office.