Center for the Digital Future

The Future of Money and Banking

April 2018

digitalcenter.org

Center for the Digital Future

The Future of Money and Banking Study

Jeffrey I. Cole, Ph.D.
Director and Founder, Center for the Digital Future at USC Annenberg

Brad Berens, Ph.D., Chief Strategy Officer
Sergio Godoy, MBA, Ph.D., School of Communication, Pontificia Universidad Catolica de Chile
Phoebe Schramm, Associate Director
Michael Suman, Ph.D., Research Director
Liuning Zhou, Ph.D., Project Manager

Written by Harlan Lebo, Senior Fellow

Analyses (text in green boxes) by Brad Berens

Production editing by Monica Dunahee

Student Interns:
Melissa Andrews, Matthew Byun, Joshua DeAnda, Safia Kartoum, Ivan Kwong, Sarah Lau, Sarina Levin, Qiyuan Miao, Jaclyn Patterson, Olivia Shipp, Cam Vernali, Xiran (Emily) Zhou

Center for the Digital Future

The Future of Money and Banking Study

Copies

You are welcome to download this report at www.digitalcenter.org.

Attribution

Excerpted material from this report can be cited in media coverage and institutional publications. Text excerpts should be attributed to the Future of Money and Banking Study conducted by the Center for the Digital Future at USC Annenberg.

Graphs should be attributed in a source line to:

The Future of Money and Banking Study
Center for the Digital Future at USC Annenberg

Reprinting

Reprinting of this report in any form other than brief excerpts requires permission from the Center for the Digital Future at USC Annenberg

Questions

Email: info@digitalcenter.org

Center for the Digital Future
USC Annenberg School for Communication and Journalism
11444 West Olympic Blvd, Suite 120
Los Angeles, CA 90064
(310)235-4444
www.digitalcenter.org

Contents: The Future of Money and Banking Study

Center for the Digital Future

The Future of Money and Banking Project

Facing immense changes in customer behavior and unconventional new competitors, American banks are at an inflection point where they will have to embrace change before others disrupt their industry. That's why we started the Future of Money and Banking Project to explore the intersection of banking and digital technology, how that collision affects customer behavior today, as well as how it may change behavior tomorrow. This document represents just a small part of our findings.

The issues are complex and urgent. For example, the 82 percent of Americans who have a bank account are either somewhat or very satisfied with their banks; this looks like good news. However, digging under the surface, 46 percent of Americans who have a bank account would consider switching banks. While Americans are satisfied with their banks, they do not feel *loyal* to their banks.

This distinction between satisfaction and loyalty shows that how Americans think about their banks has shifted from trusting relationships between customers and their banks to customers viewing banks as commodities, like toothpaste or blue jeans. Technology has had a lot to do with this shift.

Banks started removing humans from their businesses as far back as 1969, when the first ATM debuted at the Chemical Bank in Rockville Centre, New York, letting customers accomplish basic banking tasks without seeing a friendly and familiar teller. Today, 89 percent of Americans who have at least one bank account use ATMs. More recently, online and mobile banking have accelerated the shift by removing still more human interactions: checking your balance, paying bills, sending money, and more can all happen online or on a smart phone with no need to talk with a human. These days the bank is just another app on your smart phone.

Forty-seven percent of the respondents in our study chose their bank in part because it had a branch that was nearby. Forty-three percent would consider a bank with no physical branches at all. Among the people who would consider switching banks, a whopping 63 percent would make the switch to get lower fees or better interest rates. In other words, many customers don't think one bank is distinguishable from another.

In this context, it's no surprise that respondents would consider banking with companies that we don't usually think of as banks – Starbucks, 7-Eleven, Costco, Facebook, Amazon, and Walmart. Amazon was the most popular banking alternative, considered by 35 percent of respondents and an eyebrow-raising 53 percent of 25 to 34 year olds. (See "Death Star Scenario: Amazon Prime Bank" on page 49.)

The Future of Money and Banking Project exists within and expands the Center's comprehensive, longitudinal "Surveying the Digital Future" study that started in 1999, as well as the World Internet Project, which examines the impact of the digital revolution on a global scale in 32 countries (see Appendix 2).

We hope this report becomes your first step into a partnership with us to explore these issues in more detail.

Jeffrey I. Cole, Ph.D.
Director and Founder, Center for the Digital Future at USC Annenberg
Founder and Organizer, World Internet Project

Center for the Digital Future
The Future of Money and Banking Study

This report represents only a sample of findings from the Center's survey of American's behavior and views about money, banking, and technology – including many of the overall responses and a selection of specialized findings based on factors such as age and gender.

The full study includes 56 major issues, all of which can be analyzed based on:

- Age
- Gender
- Income
- Education
- Region of the country
- Residence in urban vs. suburban settings
- Race/ethnicity
- Children in household vs. no children in the household
- Comparison of any these variables

For information about digging deeper into our findings, insights, and conclusions, please contact the center at info@digitalcenter.org or (310) 235-4444.

In brief: a portrait of Americans and their money

Americans over 18 with bank accounts who use online banking	92%
Customers who use their mobile phone for online banking	72%
Customers who cite online or mobile services as a reason for choosing their bank	37%
Shoppers who prefer merchants who accept apps for payment	41%
Customers who…	
…are somewhat or very satisfied with their bank	82%
…would switch banks for better online or mobile services	33%
Customers who say that because of digital technology….	
…privacy will be at a much higher risk	61%
…they won't need cash anymore	32%
…bank branches will be replaced by electronic services	40%
…banks will no longer be necessary	22%
Customers who said online banking and payments should have lower fees than those at traditional banks	73%
Customers who do not use online banking, and who cite concerns about security as a reason for staying offline for financial services	49%
Customers who would consider using an online-only bank with no physical office	43%
Customers who would consider moving their banking to a non-traditional banking company, such as Amazon or Google	58%
How customers secure online financial transactions (often/very often)	
Avoid online transactions on Wi-Fi	36%
Avoid automatic account payments/charges	43%

Will banks do anything about the disruption coming their way?

Kodak, bookstores, and record labels could see they were going to be disrupted, yet ***wouldn't do anything to adapt. Will banks do any better?***

By Jeffrey Cole

One of the most powerful things to come out of the Center are the lessons we have learned from 18 years of studying and tracking internet use around the world.

At the top of the list is the hard-learned lesson that companies facing intense disruption almost never turn themselves around when they are profitable. Disrupting short-term profits to make the changes necessary to transform the direction of the company is too painful and strongly inhibited by shareholders' immediate interests.

One example of this is Kodak, which invented digital photography and knew what was coming to its film business. But Kodak was making so much money it couldn't turn away from that business.

Another example, the music industry, was wedded to forcing consumers to spend $17 when they only wanted two songs (not 12) and would not accept that eventually consumers would buy only those two songs. They wouldn't adapt their core business, and they sat by as it was disrupted by illegal downloading, then legal downloading, and now streaming.

Based on several of the findings included in this report from our first Future of Money and Banking Study, we strongly believe that retail (consumer) banking will be one of the next major industries that is disrupted by major external forces. Those banks are so profitable that they will focus on their short-term profits rather than their long-term viability.

Banks know what is coming, but they will not do anything about it until it is too late.

What is coming is competition from established and new online players, giving consumers options they never had before. The banks are not ready – and are unlikely to make themselves ready – for that competition.

Despite the highly publicized and questionable practices of Wells Fargo, and the fact that many Americans (and Brits) blame banks and Wall Street for the great recession, we don't hate banks. A large majority (78 percent) is satisfied with their banks, and an impressive 46 percent are very satisfied, while only 10 percent are dissatisfied. That's the good news.

The bad news for banks is that with all that satisfaction comes no loyalty. Only 11 percent think it would be very difficult to switch banks. In the beginning of mobile phones, far more people felt it would be very difficult to switch carriers: look what has happened in that industry.

---

*Companies facing intense disruption almost never turn themselves around when they are profitable. Disrupting short-term profits to make the changes necessary to transform the direction of the company is too painful and strongly inhibited by **shareholders' immediate interests**.*

Banks have never had to work very hard for their money and therefore have rarely gotten to know their customers or provided very good service.

An entire generation of people under the age of 30 have never thought of banks as places where they put money to make money; they have seen one percent interest rates almost all of their adult lives. They believe banks make their money trapping their customers into unfair and onerous fees whose costs far exceed any expense to the bank.

The banks' own practices are coming back to hurt them. In order to give their customers what they wanted (and to save money), banks provided ATM networks and online apps. But those very services eradicated any personal relationship with the bank.

Already, most customers under the age of 40 have moved to online banking. They do most of their banking through their computers, iPads, and especially smartphones, and they report that they rarely visit bank branches. Anyone who has visited a branch sees fewer people than in years past and a customer base largely over the age of 60.

As most customers are comfortable with (and prefer) online banking, and as most banks' online services look the same, it's an easy sell to get customers to look at online companies they know and trust as alternatives to their banks.

Will the bank of the future be a different kind of bank?

We could not ask consumers about their willingness to bank at new Fin-Tech (financial technology) companies yet to be created (or not well known), since there would be no established trust. We did ask about their willingness to bank at:

- Amazon
- Google
- Walmart
- Starbucks
- Gas stations
- Post office
- Fast food chains
- Facebook

Without being able to evaluate their offerings (since they are not yet in the business) and being able to compare fees and services to their banks, 35 percent of consumers indicate a willingness to bank at Amazon, 28 percent at Google, and 24 percent at Walmart. Far fewer were interested in Starbucks or Facebook. *(For more on Amazon's possible role in banking, see page 49.)*

We believe the great faith in Amazon and Walmart (and to a lesser extent, Google) comes from customers being very familiar and comfortable with these businesses, trusting them, and associating them with great value.

Banks, like bookstores 20 years ago, know they will ultimately do battle with Amazon (and others). They understand that Amazon will use its vast resources to create an efficient, low cost, online alternative. And it will. But Amazon's method is to do far more than efficiently compete: Amazon will completely disrupt the financial services industry as it did to retail with Prime Memberships, Dash Buttons, Alexa, and the Amazon Go Market.

Banks know what is coming. They are making early efforts to combat the coming threat. They're bringing digital experts into the bank, changing their services, and trying belatedly to be more customer-friendly. These are good, if modest, efforts.

However, our work strongly suggests that even though banks do know what is coming, their high profitability will not allow them to disrupt themselves – to change quickly enough to preserve their importance to their customers' finances.

Banks are likely to be the next major industry to learn the painful effects of digital disruption.

Note:

In this first year of the Future of Money and Banking Project, we surveyed 1,000 Americans who have bank accounts to get a sense of how digital technologies affect their attitudes and behaviors about their money and their banks. We did not include Americans who do not have bank accounts – the "unbanked" people who, according to the FDIC, accounted for seven percent of the population in 2015.

So, when we talk about Americans in this report, we mean "Americans with bank accounts." Anyone interested in the story of unbanked Americans should read Lisa Servon's 2017 book, *The Unbanking of America: How the New Middle Class Survives*.

1. Where do you keep your money?

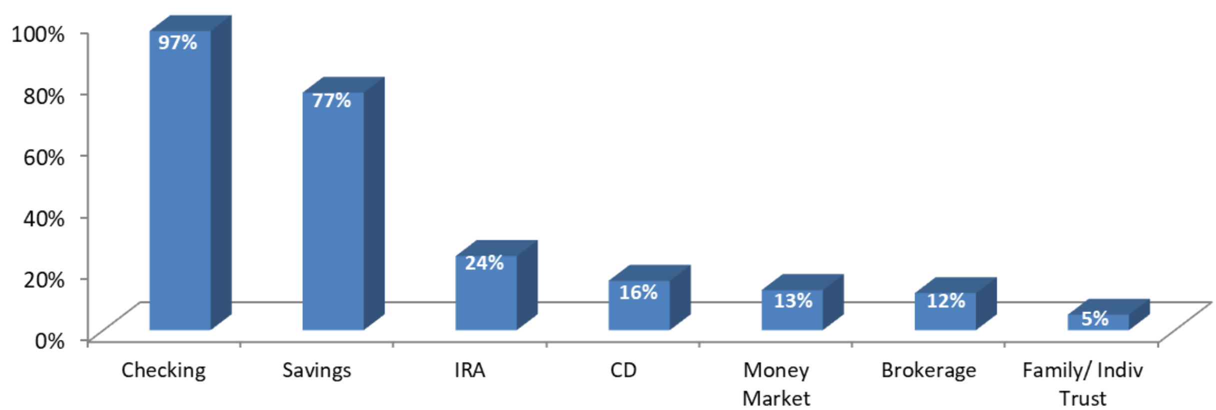
The Future of Money and Banking Study conducted by the Center for the Digital Future asked a broad range of questions about how Americans who have a bank account manage their money and use financial services.

The first of these questions explores the basic issue of where Americans who have some form of banking account keep their money.

With multiple responses possible, the study found that almost all respondents maintain a checking account (97 percent), while a smaller but still-substantial majority have a savings account (77 percent).

Respondents also maintain a variety of other types of accounts. About one-quarter of respondents have an IRA. Smaller percentages own a CD (16 percent), or maintain a money market account (13 percent), brokerage account (12 percent), or trust fund (five percent).

What kind of bank or credit union account(s) do you have?
(All respondents)



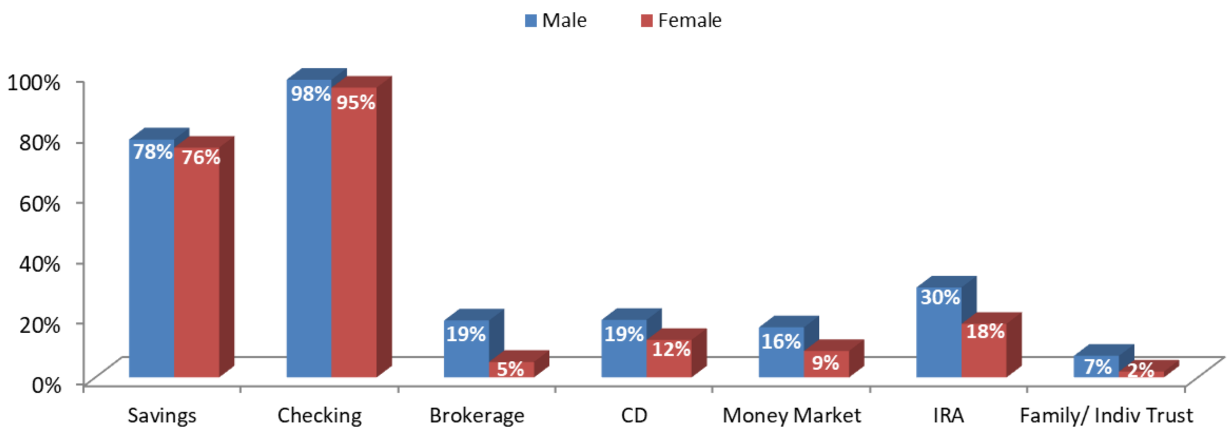
(Q1-R1) (multiple responses possible)

2. Where do you keep your money? (men vs. women)

Nearly identical percentages of men and women maintain savings or checking accounts, but larger percentages of men have all of the other types of accounts explored in the Future of Money and Banking Study.

For example, almost four times the percentage of men compared to women maintain a brokerage account (19 percent vs. 5 percent).

What kind of bank or credit union account(s) do you have?
(All respondents)



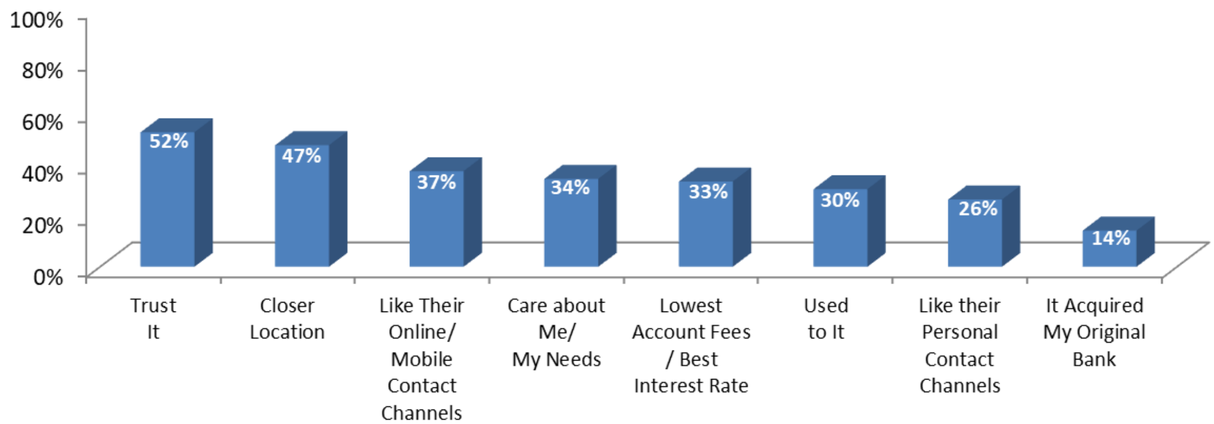
(Q1-G1) (multiple responses possible)

3. Why did you choose your bank?

Most respondents selected their bank for reasons that are conventional in the financial industry: 52 percent chose their bank because they trust the institution, while 47 percent because of its close location.

However, a notable 37 percent said they chose their bank because they like the online or mobile services it offers – more important than fees, personal services, or any other reason other than trust or location.

Why did you choose the banking institution(s) that you use?
(All respondents)

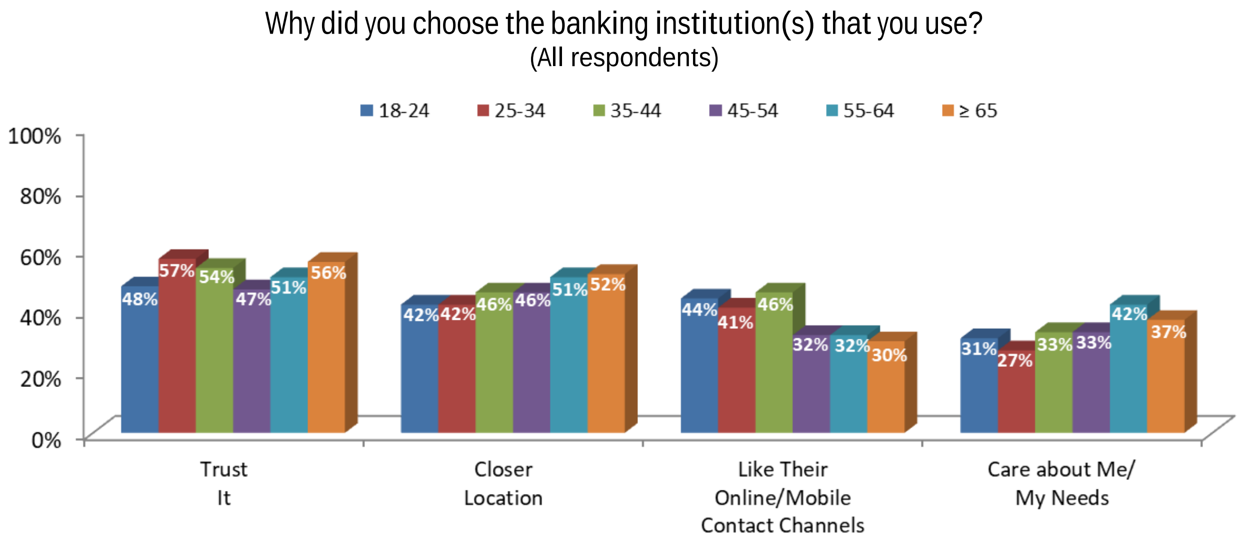


(Q4-R1) (multiple responses possible)

4. Why did you choose your bank? (by age)

The largest percentages of respondents in all age ranges cite trust as a reason for choosing their banking institution.

Notable is the increase in the importance of closer location as age increases.



(Q4-A1) (multiple responses possible)

4. Analysis: In the previous chart, 34 percent of our respondents chose "I like the way they care about me and my needs" as a reason for selecting their banks. However, once you separate the answers by age groups some differences come into focus – particularly for the 25 to 34 year olds.

Those ages 25 to 34 are distinct: this group has the most functional and least emotional relationship with their banks. They care less about their banks caring for them than any other age group (15 percentage points less than their parents aged 55 to 64).

Trustworthiness is still the most important factor for 25 to 34 year olds by 15 percentage points over location, while location and digital services are nearly tied at 42 and 41 percent. Least important for this group was the idea that the bank cares about them and their needs. Also, the 30 percentage point difference between the importance of trust (57 percent) and the importance of caring (27 percent) was largest for this age group. (By contrast, there was only a nine percentage point gap for those 55 to 64.)

Moreover, this age group is more open (63 percent are somewhat or very likely) to using online-only banks that have no physical branches at all: 11 percentage points higher than the next highest age groups (18 to 24 and 35 to 44, both at 52 percent) and 45 percentage points higher than senior citizens (see questions 30-32). This suggests that for 25 to 34 year olds trust means something different than it does for other age groups: it's less personal, less about the bank as a place, and more akin to reliability (the way you trust that your car will start in the morning).

Another point worth noting in this chart is that, despite a very high use of online banking overall (see questions 21 and 22), most Americans 45 and older wouldn't choose their bank on the basis of their online and mobile services. This makes sense when we look at the increasing importance of location with age, but it's curious since even those 65 and older have been using online banking for quite some time, with 61 percent using online banking for between 6 and 20 years (see question 22).

What does this high use of – but low importance for – online and mobile services among Americans 45 and older mean? One answer might simply be that older Americans think that online and mobile tools are pretty much the same from bank to bank and therefore not a factor when selecting a bank.

Another answer might be that for older Americans trustworthiness in banks is more associated with place than it is for younger Americans: it's less about the brand and more about the branch. As you'll see in question 8, Americans 55 and older are the least interested in switching their primary banks, perhaps in part because of a higher value that they place in their bank's location when compared to younger age groups.

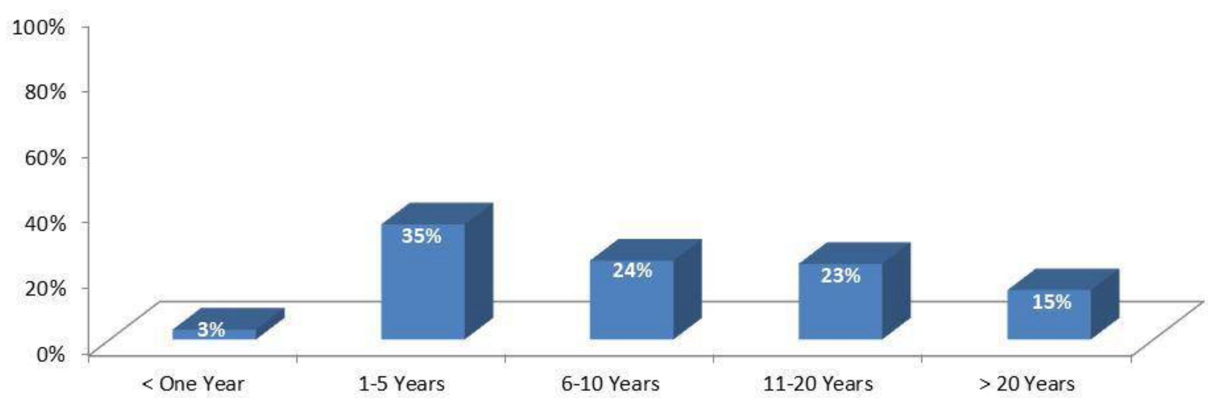
– Brad Berens

5. Length of relationship

Most Americans have long-term relationships with their bank. Sixty-two percent of respondents said they have been with their primary bank for six or more years; 15 percent said they have been with their bank for more than 20 years.

However, almost forty percent of respondents to the study said they have been with their primary bank only five years or less (38 percent).

How long have you been with your primary bank?
(All respondents)



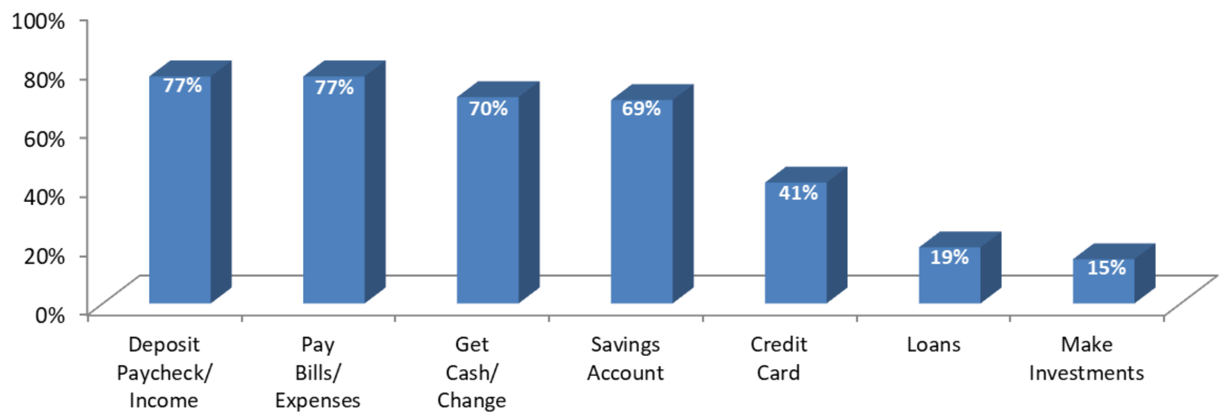
(Q5-R1)

6. Banking services

Large percentages of respondents – 69 percent or more – use their bank for basic financial services: paycheck deposits, bill paying, cash withdrawals, and savings account.

A smaller percentage relies on their bank for their credit cards (41 percent), while even smaller numbers have loans (19 percent) or make investments (15 percent).

What services do you use your bank(s) for?
(All respondents)



(Q6A-R1) (multiple responses possible)

Note for #7, 8, 9, and 10 about switching banks:

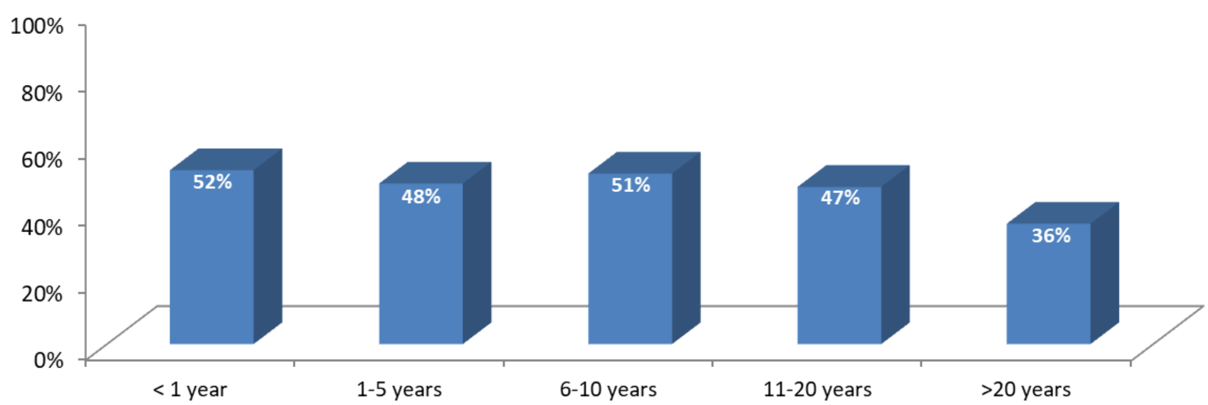
The study found that 46 percent of Americans would consider switching their primary bank.

7. Would you switch banks?

Not surprisingly, in general the longer respondents are with their primary bank, the less likely they are to switch.

For example, 48 percent of respondents who have been with their primary bank for 1-5 years would consider switching – this compared to 36 percent of those who have been with their bank for more than 20 years.

Would you consider switching your primary bank?
(All respondents - yes)



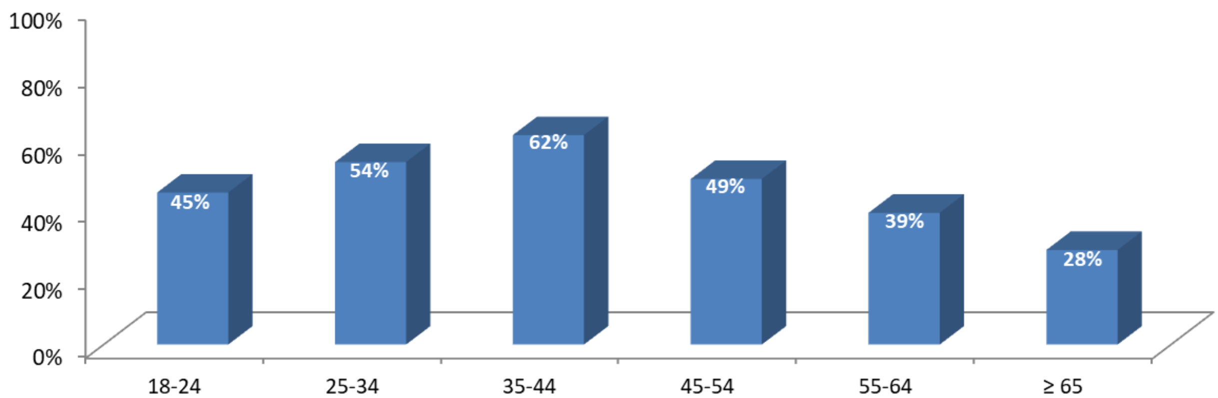
(Q7-R1)

8. Would you switch banks? (by age)

Respondents' interest in changing banks increases as age increases until ages 35-44; 62 percent of that age group said they would consider switching primary banks.

However at age 45 and above, the percentage who would consider changing banks decreases; 28 percent of those age 65 or older would consider switching their primary bank.

Would you consider switching your primary bank?
(All respondents - yes)



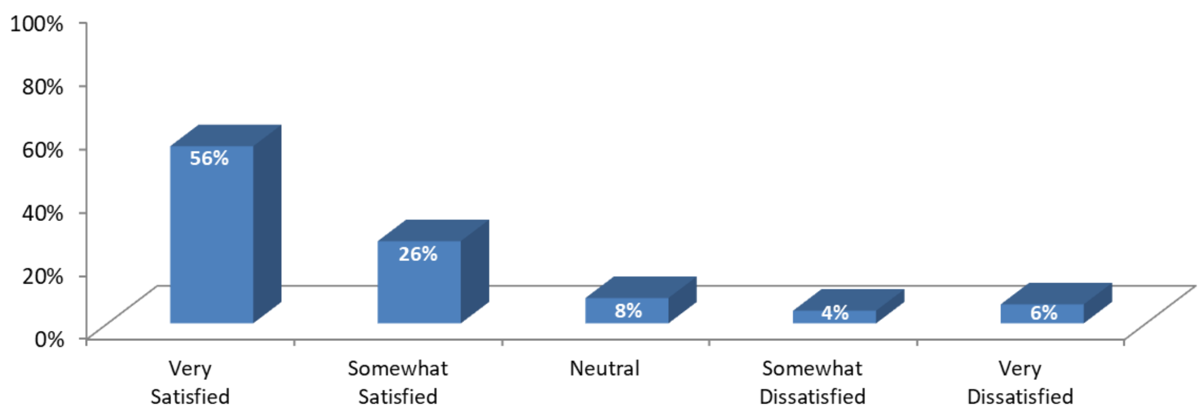
(Q7-A1)

9. Are you satisfied with your bank?

Even though some respondents said they would consider switching financial institutions (see question 6), a large majority – 82 percent – said they are somewhat or very satisfied with their primary bank.

Only 10 percent of respondents expressed dissatisfaction with their bank.

How satisfied are you with your primary bank?
(All respondents)



(Q6B-R1)

10. Satisfaction vs. consider switching

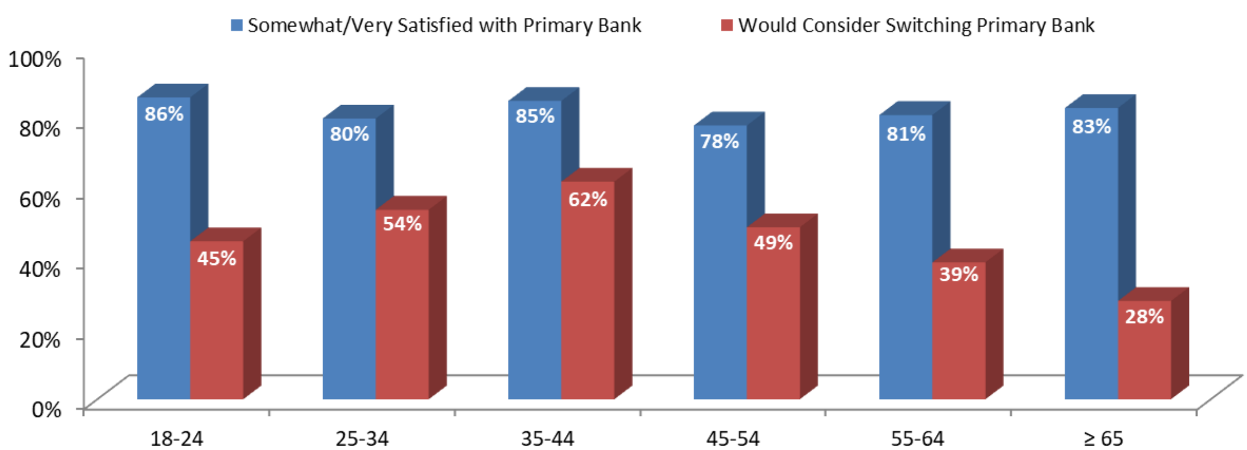
Comparing responses about satisfaction with a primary bank to the possibility of switching banks shows that large percentages of respondents in most age ranges would consider leaving their current financial institution, even though larger percentages said they are satisfied with it.

For example, 62 percent of respondents age 35-44 would consider switching banks, even though 85 percent in that age group are satisfied with their primary bank.

The largest difference between satisfaction and considering a switch was reported by those age 65 or older, with 83 percent satisfied with their bank and only 28 percent who would consider switching.

The smallest difference was reported by those age 25-34, with a 26 percentage point difference between those who were satisfied with their primary bank (80 percent) compared to 54 percent of those who would consider switching their primary bank.

Bank satisfaction vs. willingness to switch
(All respondents)



(Q6B x Q7-A1)

10. Analysis: Eighty-two percent of our respondents are somewhat or very satisfied with their banks, but 46 percent of these same Americans would consider switching banks. As we discussed in the introduction to this report, there's a difference between satisfaction with your bank and loyalty to that bank. This chart starkly highlights that difference, particularly among some age groups.*

For Americans 65 and older, satisfaction and loyalty are closely connected since we see high satisfaction and low consideration for switching (a 55 percentage point gap). High satisfaction may engender loyalty and/or vice versa for this group.

The story is different for Americans between 25 and 54 years old, where the gaps between satisfaction and consideration shrink. The most striking example is in the 35 to 44 demographic: satisfaction is high at 85 percent, but at the same time consideration for switching is the highest among all age groups at 62 percent. This is a narrower gap (23 percentage points) than what we see in other age groups.

Simultaneously being satisfied with your bank and being willing to switch suggests that this is a satisfaction without much enthusiasm. It's an old kind of satisfaction: not the Rolling Stones kind, but closer to the Latin roots where satis and facere combine to mean, "to be made enough."

Banks want to be more than just enough to their customers because the excess over "merely enough" is what makes banks personal rather than a commodity, and personal is what creates customer loyalty.

One of the paradigmatic movie examples of personal banking is the Bailey Building & Loan from It's a Wonderful Life. In contrast, for a large chunk of Americans today their choice of bank is more like which gas station they frequent to fill up their cars: mere habit rather than affection.

** These overall numbers are not shown in the chart on the previous page.*

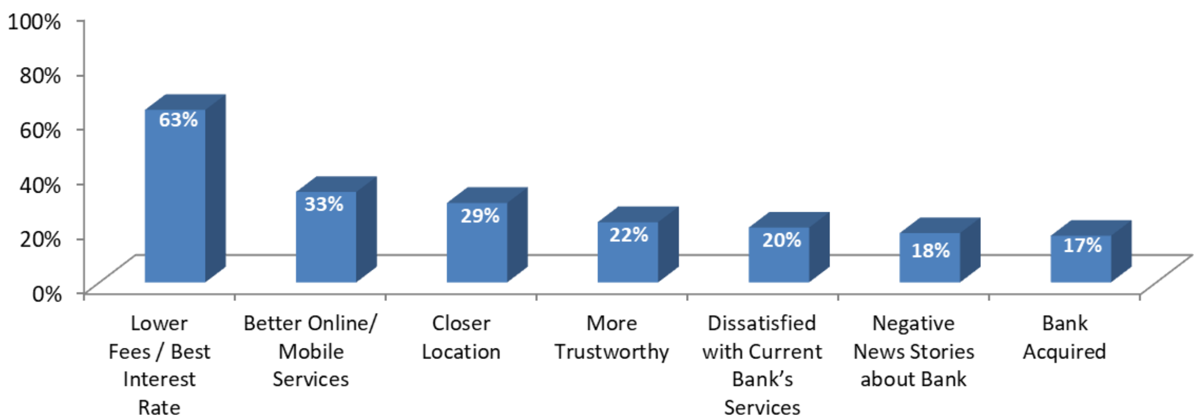
11. Why would you change banks?

By far the largest percentage of respondents who would consider changing their primary bank cite lower fees or the best interest rate as a reason they might make a switch.

As with those who chose their current bank for a specific reason (see question 3), the next largest percentage would consider changing banks to get better online or mobile services (33 percent) – a percentage even higher than those who switch to bank at a closer location (29 percent).

A notable 18 percent of respondents would consider a switch because of negative news stories about their current bank – perhaps a reflection of recent unethical practices of some large financial organizations featured in the news.

What are the reasons you would consider switching your primary bank?
(Respondents who would consider switching primary bank)



(Q8A-R1) (multiple responses possible)

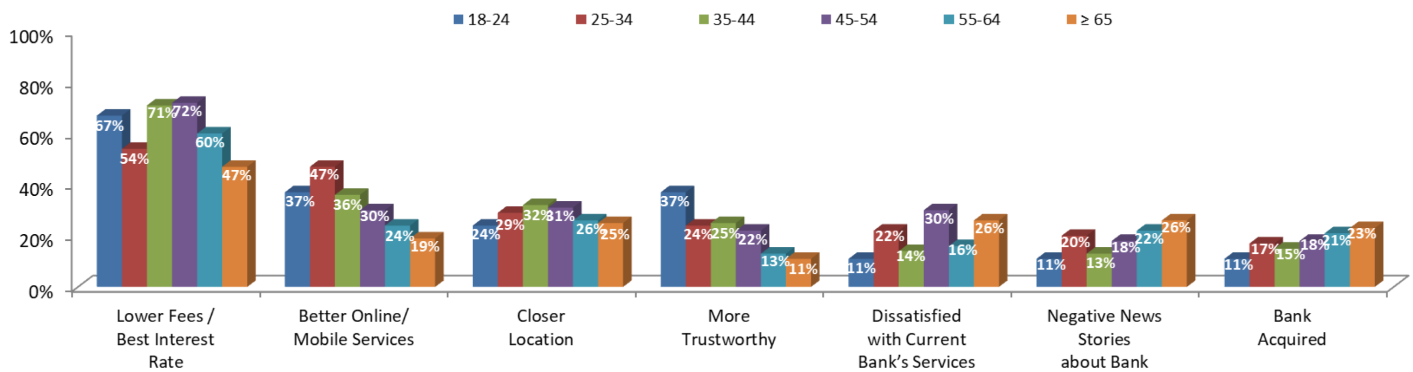
12. Why would you change banks? (by age)

Views about switching banks vary considerably by age. For example, modest and similar percentages in all age ranges said they would consider switching banks based on location (from a low of 24 percent for those age 18-24 compared to a high of 32 percent among respondents age 35-44).

However, much larger differences are reported among those who want better online or mobile services in responses (47 percent of respondents age 25-34 compared to 19 percent of those age 65 or older).

Note the wide difference in views about switching banks because one institution is more trustworthy than another; the younger the respondents, the more important this factor is.

What are the reasons you would consider switching your primary bank?
(Respondents who would consider switching primary bank)



(Q8A-A1) (multiple responses possible)

12. Analysis: Although lower fees or better interest rates are the most popular reason that our respondents of all ages would consider switching banks (see question 11), there's a high degree of variation once you break things down by age.

At 72 percent, the 45 to 54 year olds are most interested in shopping around (because of lower fees or better interest rates). The 65 and older group is least interested at 47 percent, 25 percentage points lower. At 71 percent, the 35 to 44 year olds are roughly the same as those 45 to 54, which is consistent with the banks-as-gas-stations portrait of them that we saw in the analysis for question #10

In the "More Trustworthy" breakdown, in the overall population only 22 percent choose this as a reason to switch banks (question 11). However, for the youngest respondents trust is a much bigger issue at 37 percent. When you compare this response to that of their grandparents (65 and older) at 11 percent, the difference (26 percentage points) is even more vivid than the difference between the youngest respondents and the overall population (11 percentage points).

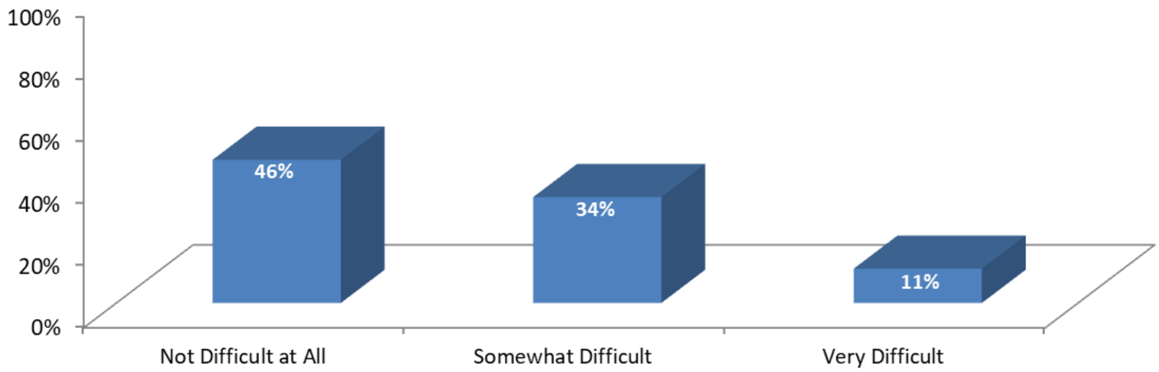
Looking at trustworthiness as a reason to switch, the percentage of the youngest respondents who would switch is more than three times the percentage of our oldest respondents. A little history makes the reasons behind this clear: during the 2008 financial collapse, "the Great Recession," the youngest respondents ranged between nine and 15 years old. For those respondents who were teens at the time, even if their families went unscathed by the collapse they were probably aware at some level that risky behavior by banks had resulted in people losing their homes and their savings.

This question is one of many that bring into focus how vague and generally unhelpful the category "millennial" can be. Millennials were aged 19 to 35 at the time we conducted this survey; that label roughly combines our youngest two groups (18 to 24 and 25 to 34). Millennials weighed bank trustworthiness at 27 percent, 8 percentage points lower than the youngest group and much closer to the values of respondents 25 to 50 years old. The millennial label, in other words, obscures differences between younger Americans and their older siblings when it comes to their attitudes towards money, banks and more.

13. Is it difficult to change banks?

Do respondents believe that changing banks is difficult? Americans are split over the perceived difficulty, with 46 percent saying that switching a primary bank is not difficult, while 45 percent said it is somewhat or very difficult.

How difficult do you think it is / would be to switch your primary bank?
(All respondents)



(8B-R1) (Note: 9 percent responded “don’t know”)

14. Would you switch banks – if convenient?

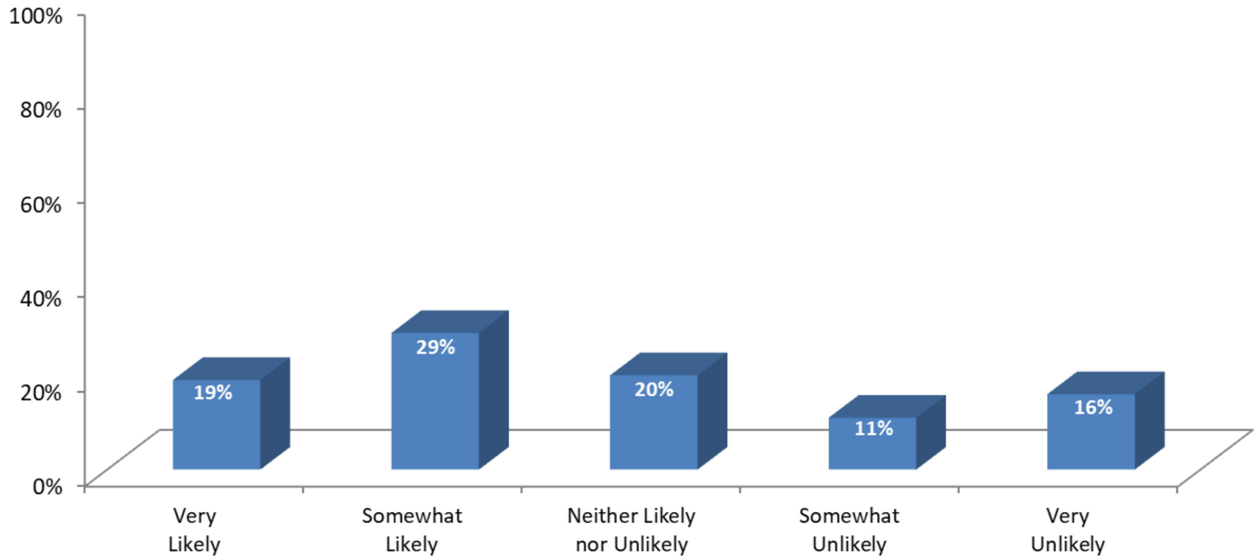
Even though more than 80 percent of respondents said they are satisfied with their current financial institution (see question 9), large percentages of respondents would consider switching banks if the process was made simple for them.

Almost half of respondents (48 percent) would consider a switch if a new bank made the process easy and convenient.

Almost one-fifth of respondents (19 percent) said they would be very likely to switch if the new bank made the process simple.

Relatively low percentage of respondents said they are somewhat or very unlikely to switch if the process was easy and convenient (27 percent).

If a new bank could make it easy and convenient for you to switch, how likely would you be to switch?
(All respondents)



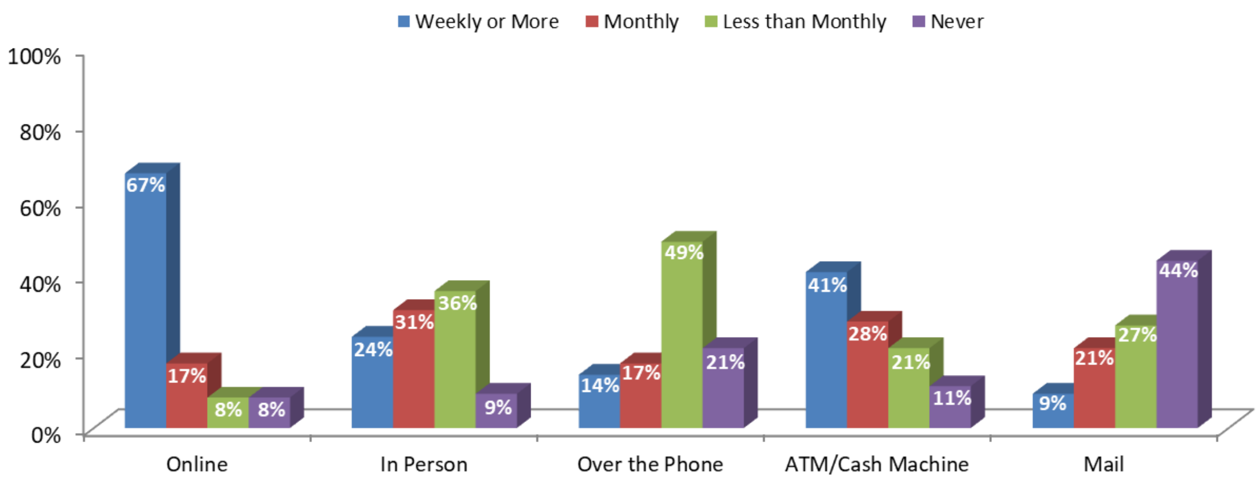
(Q8C-R1)

15. How frequently do you interact with your bank?

Respondents interact with their banks on a regular basis with a variety of methods – digital, ATMs, and the more traditional – but comparatively more customers interact through digital methods.

Of those who connect with their bank online, 67 percent do so weekly or more, in contrast to 24 percent who interact in person with their bank weekly or more.

How frequently do you interact with your primary bank / credit union?
(Based on type of interaction)
(All respondents)



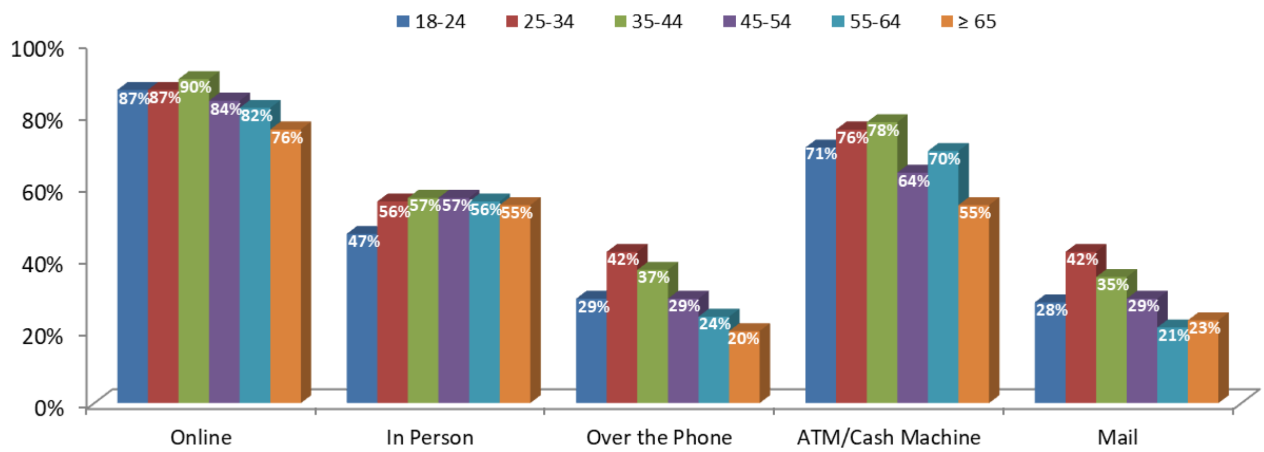
(Q10A-R1)

16. How do you interact with your bank? (by age)

Interaction with banks online and in person at least monthly shows surprisingly consistent percentages across age groups.

There is more variation across age groups interacting with banks at least monthly by phone, ATM, or mail.

How frequently do you interact with your primary bank / credit union?
(All respondents – monthly or more often)



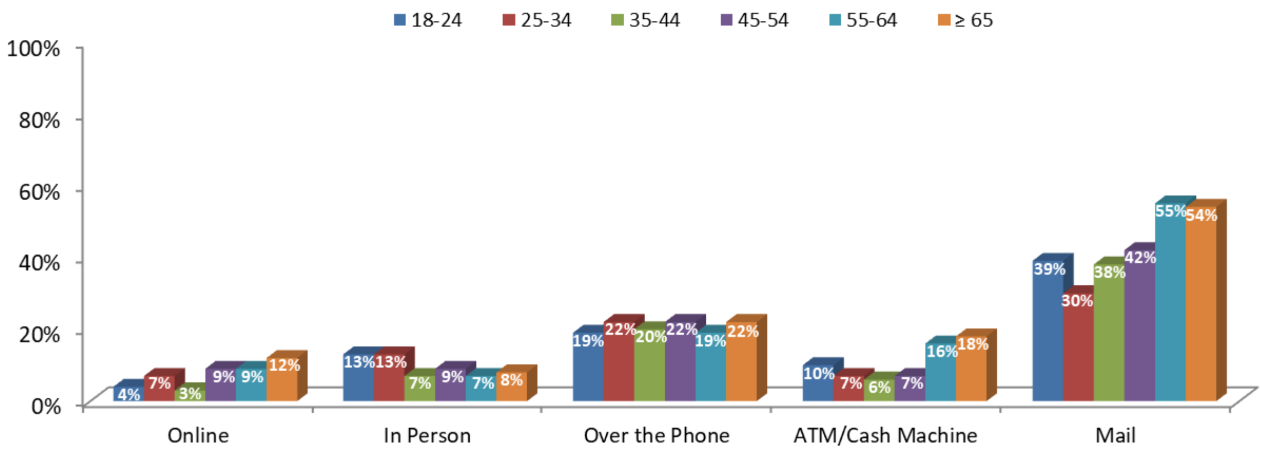
(Q10A-A1)

17. How do you *never* interact with your bank? (by age)

Which methods of interacting with banks are never used by notable numbers of people?

Mail is the method that people of every age group never use to interact with their bank.

How frequently do you interact with your primary bank / credit union?
(All respondents – never)



(Q10A-A3)

Note for #18 and 19 about reasons for not using ATMs:

The study found that 11 percent of banking customers said they never use an ATM.

18. Reasons for not using ATMs

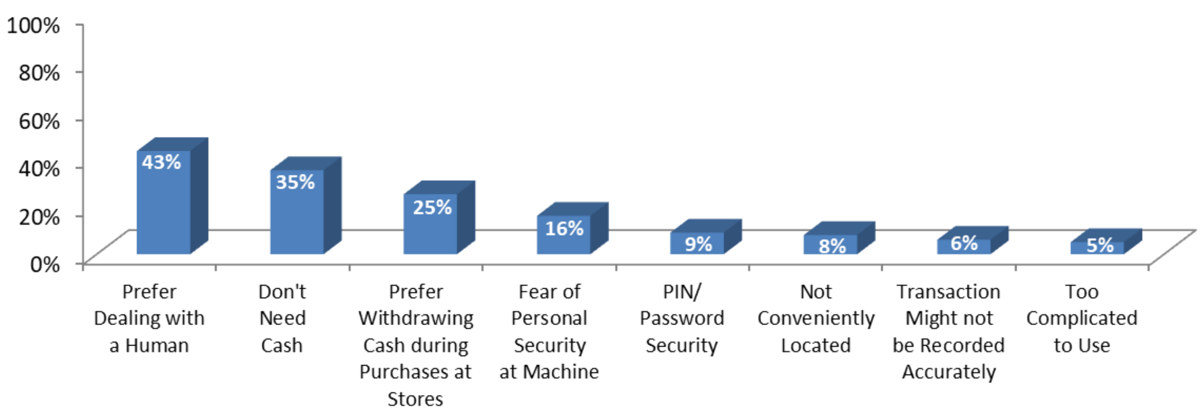
Automated teller machines have been an integral element of the financial services industry for more than 30 years, so why do some banking customers *not* use ATMs?

The preference for the human element in banking transactions is the primary reason: 43 percent of ATM non-users said they prefer dealing with a human.

The changing needs of financial transactions also plays a role: 35 percent of ATM non-users said they don't need cash.

Two other reasons were cited by more than 10 percent of ATM non-users: one-quarter said they prefer withdrawing cash while making purchases in stores, and 16 percent have concerns about their personal security while at an ATM.

Why don't you use ATMs?
(All respondents)



(Q10B-R1)

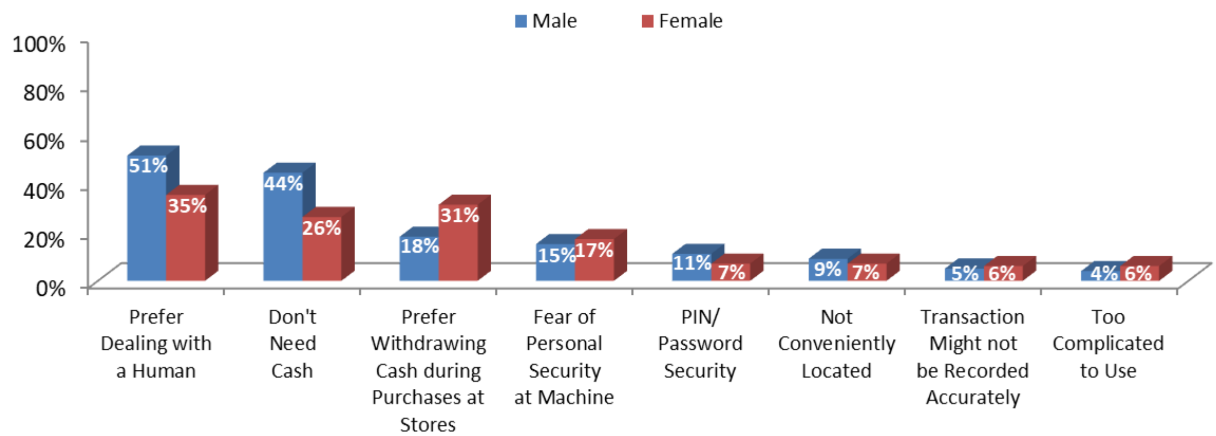
19. Reasons for not using ATMs (by gender)

Men and women express some major differences in their reasons for not using ATMs.

More men (51 percent) than women (35 percent) said they do not use ATMs because they prefer dealing with a human. More male than female ATM non-users said they do not need cash: 44 percent of men compared to 26 percent of women.

Almost one-third of female ATM non-users (31 percent) said they prefer getting cash when they make a store purchase – this compared to 18 percent of men.

Why don't you use ATMs?
(All respondents)



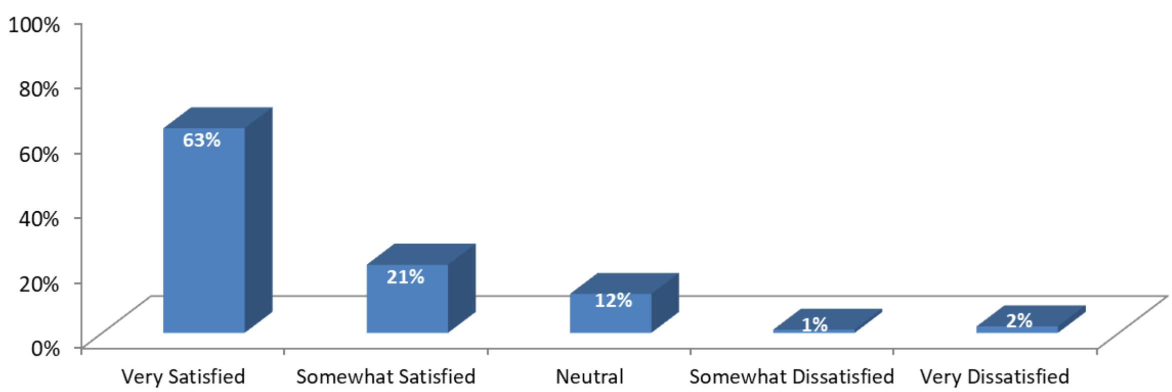
(Q10B-G1)

20. Satisfaction with the in-branch experience

Those banking customers who still deal directly with bank tellers are in large part satisfied with the experience. Overall, 84 percent of respondents who interacted with bank staff were either somewhat or very satisfied with the experience.

Only three percent of respondents who interacted with bank staff reported some level of dissatisfaction.

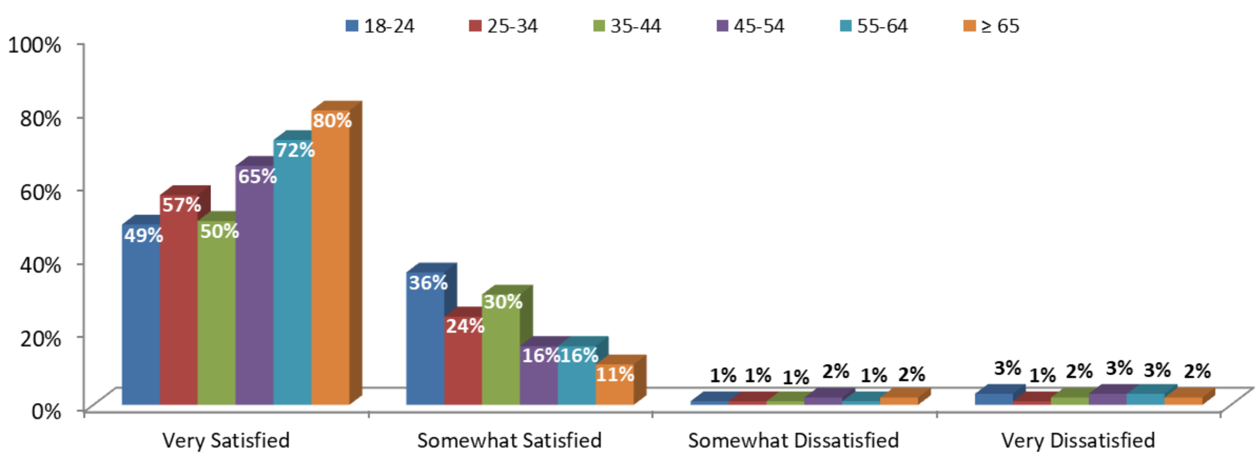
How satisfied were you with your experience with the bank teller?
(Respondents who interact with person in bank)



(Q10D-R1 and Q10D-A1 below)

However, looking at this question by age range shows differences in views. Ninety-one percent of respondents age 65 and over were somewhat or very satisfied with their in-bank experience – this compared to 88 percent (age 55-64), 85 percent of respondents age 18 to 24, 81 percent (age 25-34 and age 45-54), and 80 percent (age 35-44).

How satisfied were you with your experience with the bank teller?
(Respondents who interact with person in bank)



Note for #21-33 about online banking:

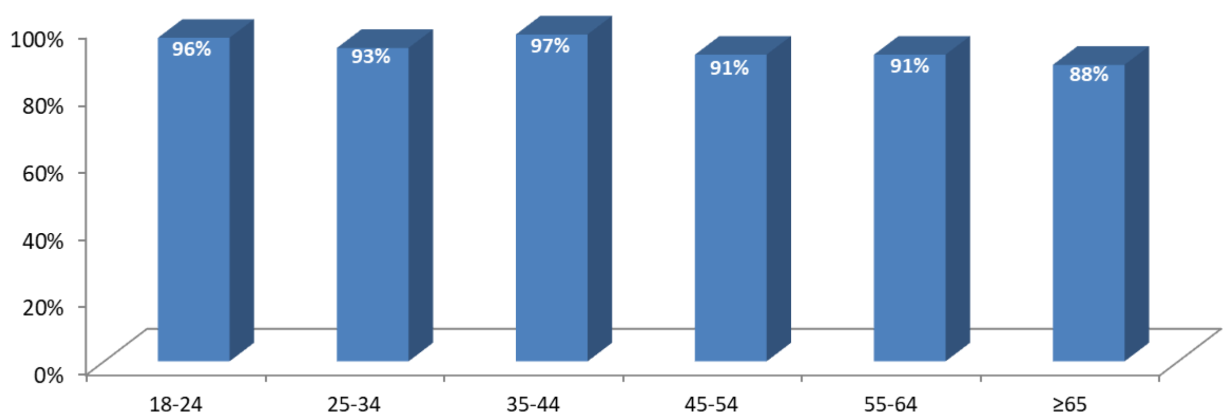
The study found that 92 percent of Americans over 18 with bank accounts use online banking.

21. Online banking

Very large percentages of respondents in all age ranges use online banking, including 91 percent or more of all Americans under age 65 who have bank accounts, and 88 percent of those age 65 or older.

Among the youngest adult American banking customers, the use of online banking is near-universal (96 percent of respondents age 18-24).

Do you use online banking?
(Respondents who use online banking)

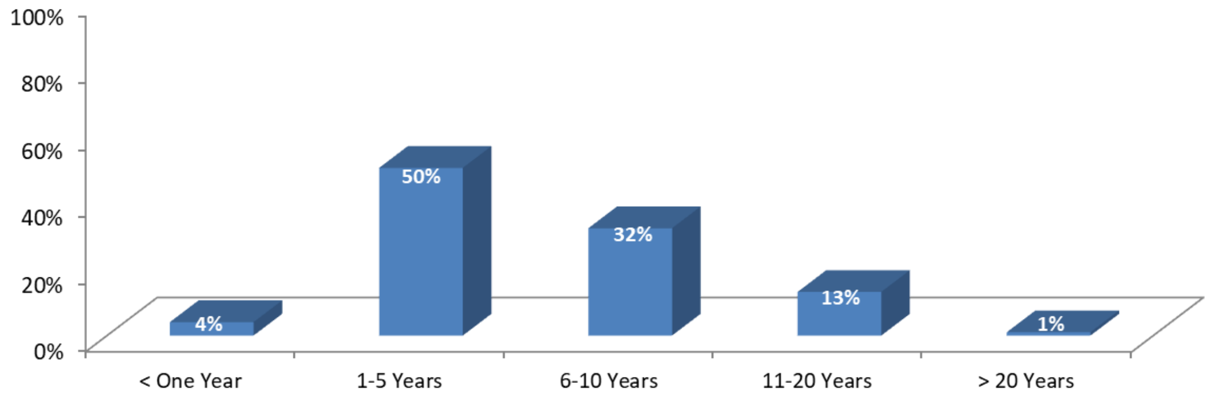


(Q11-A1)

22. Online banking (years of use)

Many Americans are veterans of online banking. The study found that 46 percent of respondents have been using online banking for six years or more – 14 percent of them for 11 years or more.

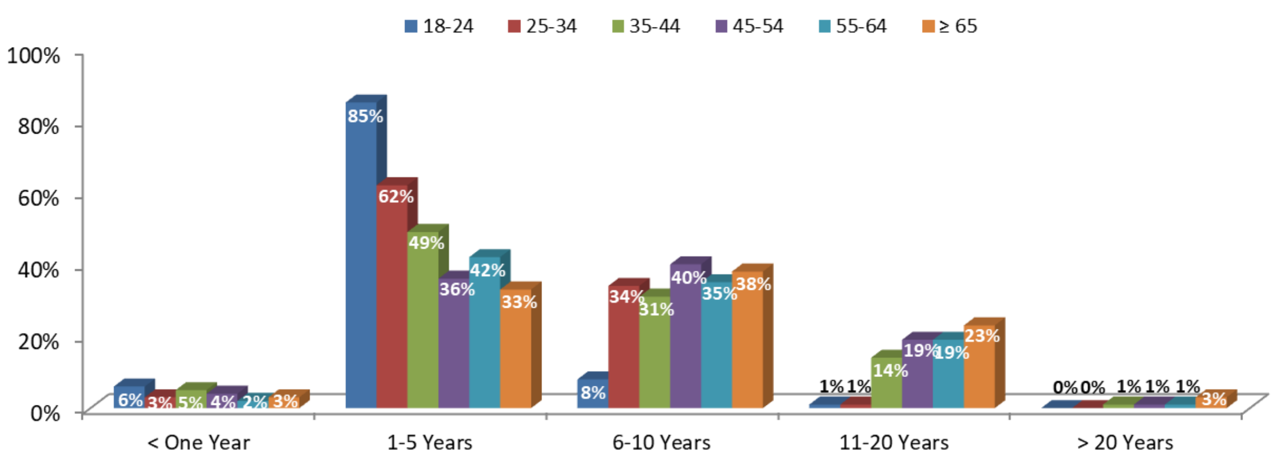
How many years have you used online banking?
(Respondents who use online banking)



(Q11-R1)

For young customers, a large percentage of respondents ages 18-24 who use online banking – 85 percent – have been doing so for 1-5 years. In all other age ranges, at least 30 percent of respondents reported that they have used online banking for 6-10 years.

How many years have you used online banking?
(Respondents who use online banking)



(Q11-A2)

22. Analysis: The bottom chart on the previous page shows that nearly 90 percent of our youngest respondents (18 to 24 years old) have had online banking for much of their banking lives: up to five years. In addition, nearly 90 percent (not shown in these charts) have also used mobile banking for between one and 10 years.

For this group it has always been an option to check their bank balances or move money online while hiking or sitting in Starbucks. They have no dim memories of standing in line at a branch waiting to talk with a teller or queuing up waiting to use an ATM. They've always been able to grab their computers or whip out their smart phones to get banking tasks done on the fly. Given their age range, this is not surprising.

What is surprising is that this group is not overwhelmingly open to using online-only banks that have no physical branches, which we explore in question 35. Fifty-two percent of 18 to 24 year olds say that they're likely or very likely to use online-only banks, which is a smaller percentage than the 63 percent of 25 to 34 year olds who would consider it and equal to the 35 to 44 year olds (also 52 percent).

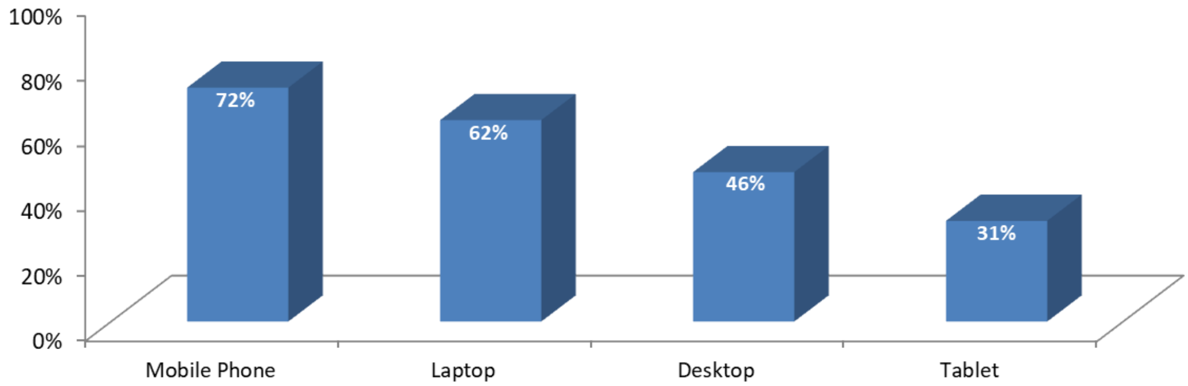
Another thing the bottom chart brings into focus is that older Americans overwhelmingly use online banking. Despite a clichéd story about older people being technology-resistant Luddites, when it comes to banking they embrace new options. Ninety-four percent of our respondents 65 years and older have used online banking for between one and twenty years. This group is least likely to use online-only banking (18 percent), which you'll see in question 31.

Even though they're completely comfortable with online banking, Americans still want to preserve the option of going into a bank branch once in a while even if they don't often exercise that option. As you'll see in question 25, 76 percent of Americans go inside their banks at least once a year.

23. Online banking and digital devices

Several types of digital devices are used for banking by large percentages of online customers; mobile phones were the most commonly used device (72 percent).

What device(s) do you use for online banking?
(Respondents who have used online banking for at least one month)

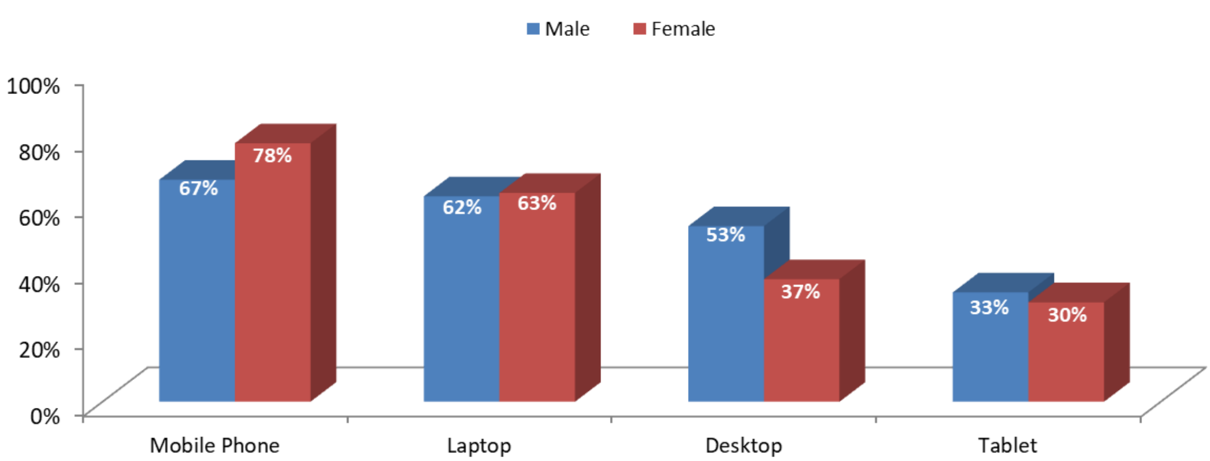


(Q12-R1) (multiple responses possible)

24. Online banking and digital devices (men vs. women)

Women are more likely than men to use their mobile phone for online banking (78 percent of women who bank online vs. 67 percent of men), while men are more likely than women to use a desktop computer (53 percent of men vs. 37 percent of women)

What device(s) do you use for online banking?
(Respondents who have used online banking for at least one month)



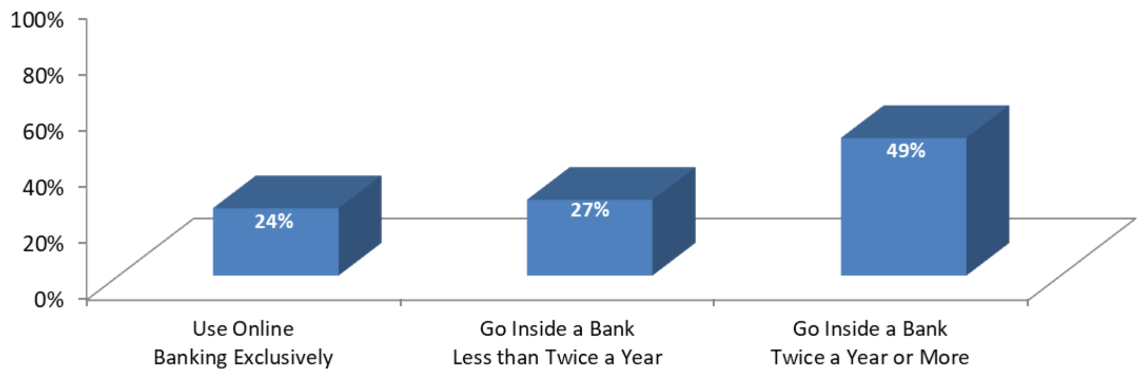
(Q12-G1) (multiple responses possible)

25. Going inside the bank vs. banking online

Even though a large percentage of customers uses online banking (see questions 21-23), 76 percent of respondents still go inside a bank at least sometimes, and almost half still go inside a bank to see an employee at least twice a year (49 percent).

However, almost one-quarter of banking customers use online banking exclusively (24 percent).

Do you use online banking exclusively, or do you still go inside a bank to see a bank employee at least twice a year?
(Respondents who have used online banking for at least one month)



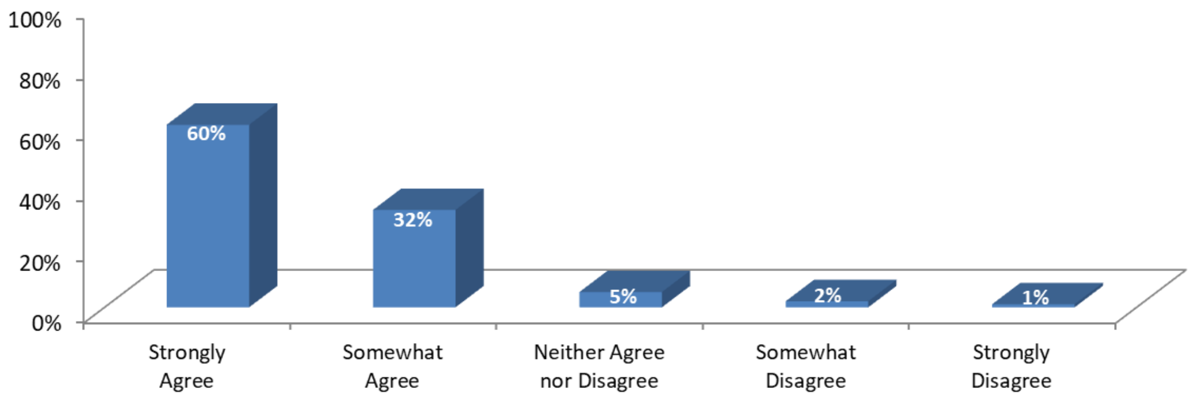
(Q14-R1)

26. Is online banking easy to navigate?

Almost all users of online banking (92 percent) said their digital banking service is easy to navigate.

Only three percent of online banking customers somewhat or strongly disagree with the statement, "online banking is easy to navigate."

Statement: Online banking is easy to navigate.
(Respondents who have used online banking for at least one month)

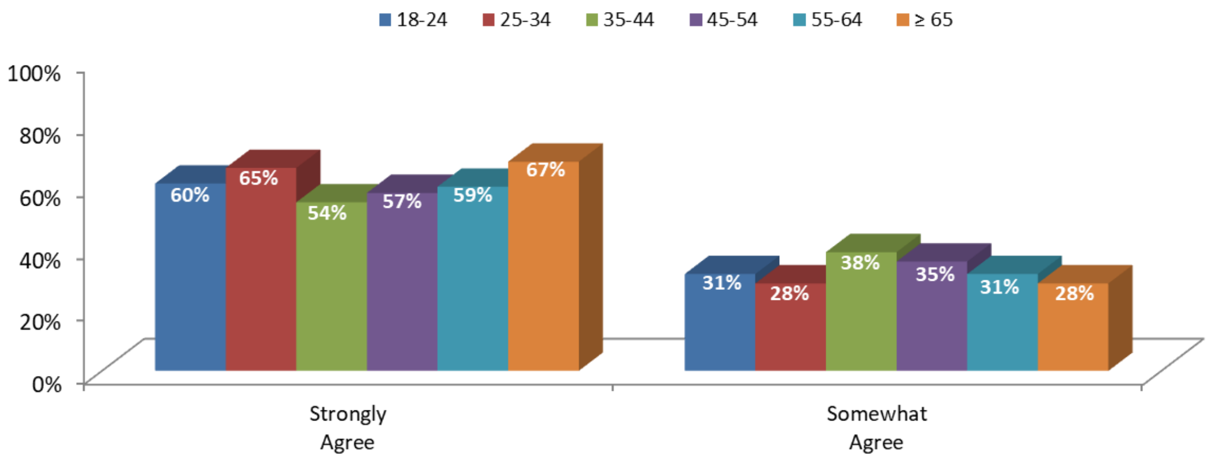


(Q15-R1)

27. Is online banking easy to navigate? (by age)

More than 90 percent of online banking customers in all age ranges somewhat or strongly agree that their digital banking services is easy to navigate. Perhaps surprisingly, the largest percentage of agreement with this statement was for online banking customers age 65 or over (95 percent).

How much do you agree or disagree with the following statement:
Online banking is easy to navigate
(Respondents who have used online banking for at least one month)



(Q15-A1)

26 and 27. Analysis: On the surface, the fact that more than 90 percent of our respondents across all demographics find online banking easy to navigate seems like good news, but there's a lurking downside. This suggests that there are no real differences among the different banks' online offerings, at least when it comes to ease of use.

Ease of use also applies to mobile banking. When we asked our respondents what problems they encountered, 70 percent of them answered that they have had no significant problems with mobile banking.

These are more reasons why we believe Americans increasingly think of their banks the way that they think of their toothpaste brands rather than as trusted partners and financial advisors.

As we saw earlier (questions 7-10), despite being satisfied with their banks, Americans are surprisingly open to switching banks. If all banks have easy-to-navigate online services, and if bank account holders most frequently interact with their banks online and via ATMs (questions 15 to 17) then perhaps Americans don't see much difference from one bank to another.

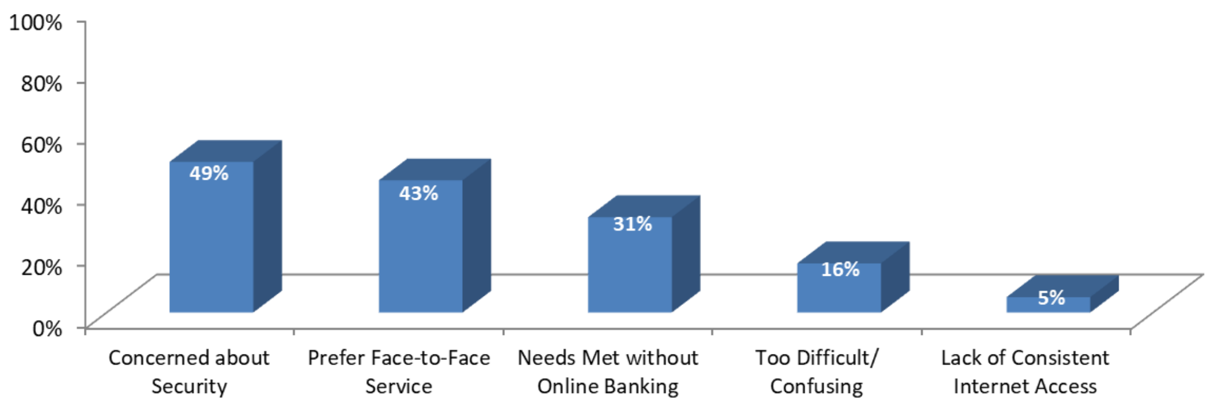
28. Reasons for not using online banking

Of respondents who said they never use online banking, almost half said a reason they did not use the service is because of their concerns about security (49 percent).

Forty-three percent said they never use online banking because they prefer face-to-face service, while almost one-third said their needs were met without online banking (31 percent).

And even though online banking has been offered in various forms for almost two decades and more than 90 percent who use it find it easy to work with (see questions 26 and 27), 16 percent of respondents said they do not use the service because it is too difficult or confusing.

What are your reasons for not using online banking?
(Respondents who have never used online banking)



(Q16-R1) (multiple responses possible)

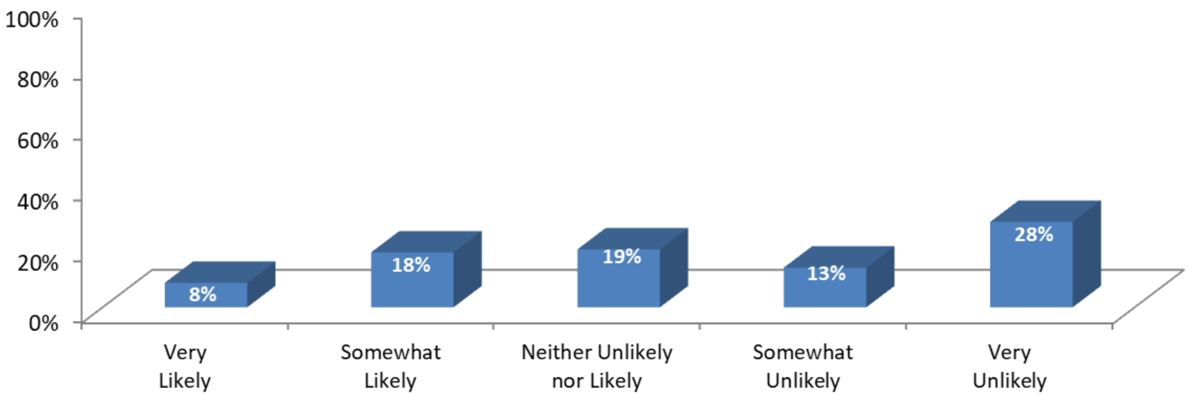
29. Will you start using online banking?

Non-users of online banking are likely to stay that way.

Of the eight percent of respondents who have never used online banking, only 26 percent of them said they are likely to start using the service.

Forty-one percent said they are somewhat or very unlikely to use online banking.

How likely are you to start using online banking within the next year?
(Respondents who have never used online banking)



(Q17-R1)

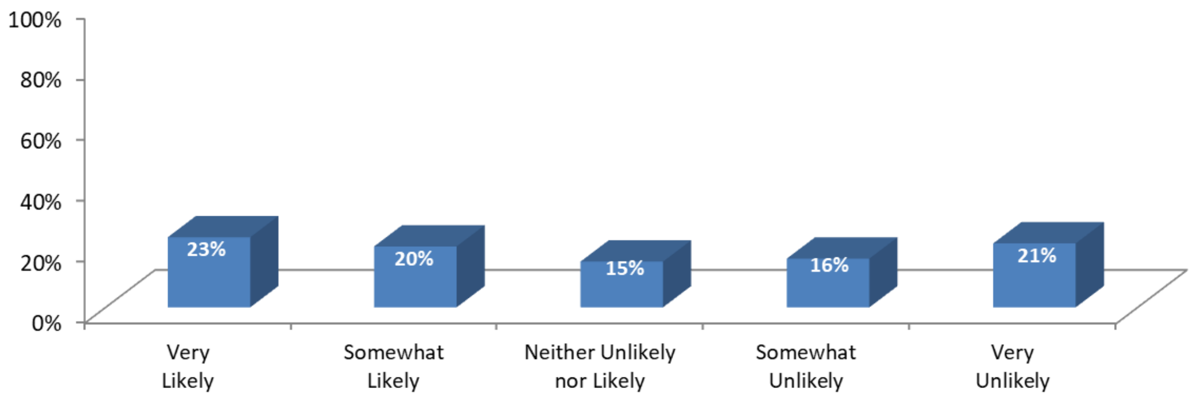
30. Would you use online-only banking?

Would Americans use a bank that solely provided online services with no physical branches?

Assuming the fees for online banking were not higher than for a traditional brick-and-mortar branch, a large percentage of respondents – 43 percent – said they were somewhat or very likely to consider an online-only bank.

However, more than one-third of respondents – 37 percent – said they were somewhat or very unlikely to use an online-only bank.

How likely is it that you would consider using a bank that had only online services (no physical branches) if the fees were not more expensive?
(All respondents)



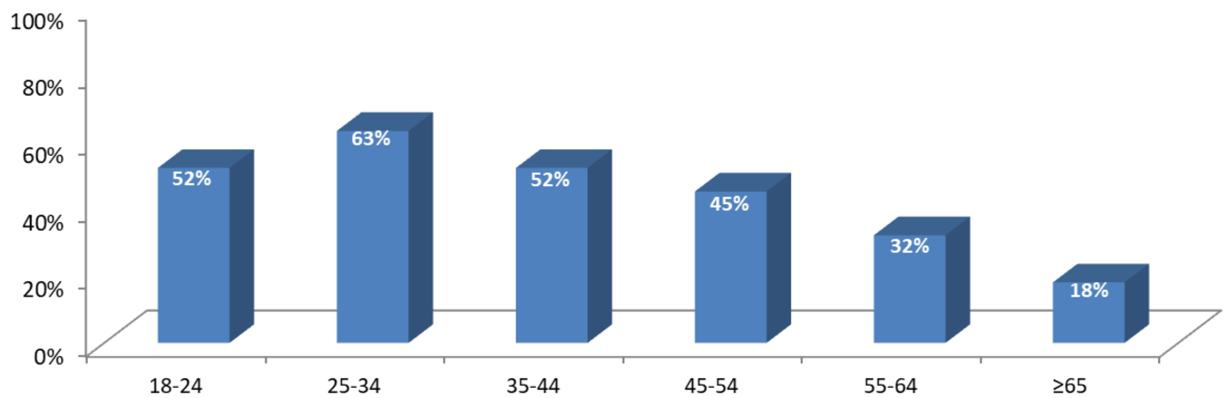
(Q18-R1)

31. Online-only banking (by age)

Even though more than 90 percent of Americans in most age ranges use online banking (see question 21) and consider it easy to navigate (see questions 26 and 27), age has a direct relationship to willingness to use banking as an exclusively online service.

The likelihood of using online-only banking decreases with age, beginning with age 25-34 (63 percent), and steadily declining to 18 percent of respondents age 65 or older.

How likely is it that you would consider using a bank that had only online services (no physical branches) if the fees were not more expensive?
(All respondents – very/somewhat likely)



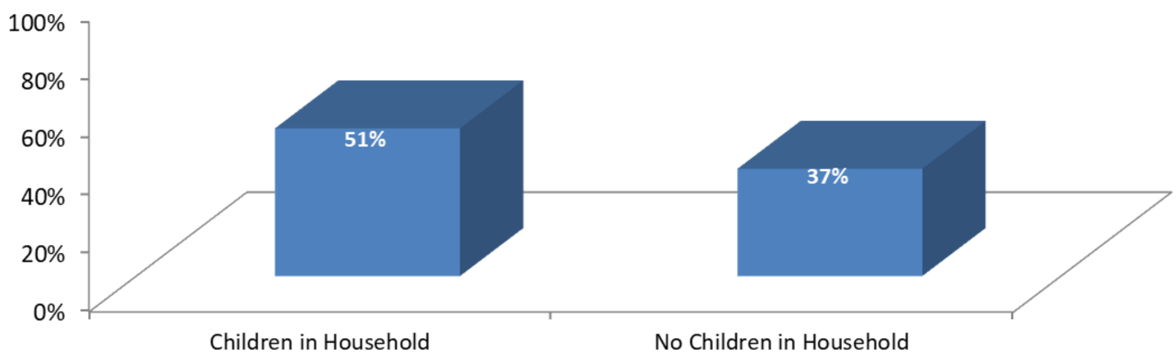
(Q18-A1)

32. Online-only banking (children in the household)

Do children in the household affect interest in online-only banking?

Slightly more than half of respondents with children in the household (51 percent) said they are somewhat or very likely to consider online-only banking – significantly more than the 37 percent of respondents with no children in the household who would consider online-only banking.

How likely is it that you would consider using a bank that had only online services (no physical branches) if the fees were not more expensive?
(All respondents – very/somewhat likely)



(Q18-C1)

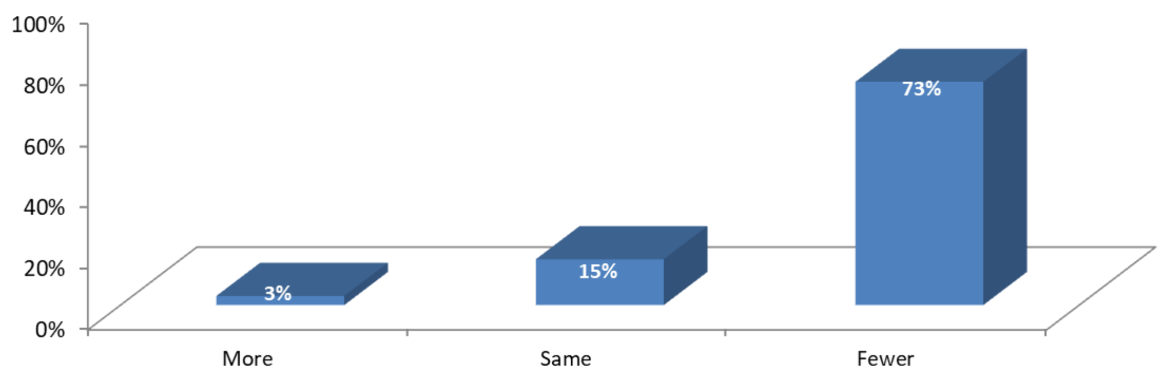
33. Should online-only banking incur fewer fees than traditional banks?

Fees are the primary consideration for those who might consider switching banks (see questions 11 and 12), so particularly notable are respondents' views about fees for online banking.

A large percentage of respondents – 73 percent – said that online-only banking should incur fewer fees than traditional brick-and-mortar financial institutions.

Only 15 percent said that fees for online-only banking should be the same as fees for traditional banking, while three percent said there should be more fees for online banking.

Should online banking and payments incur
fewer fees, the same amount of fees, or more fees than more traditional methods?
(All respondents)



(Q19-R1)

34. Would you bank with a non-banking company?

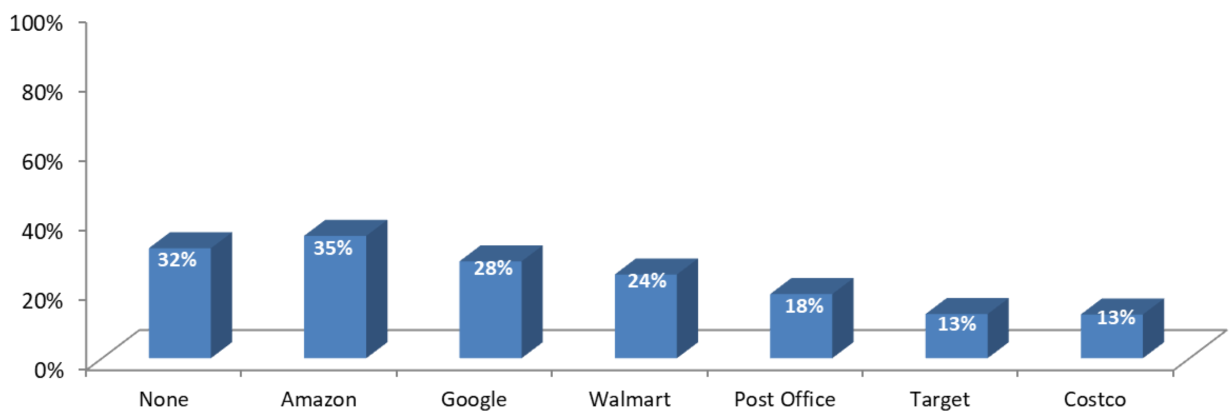
Large percentages of Americans are satisfied with their current bank (see question 9), but significant percentages of respondents – 58 percent – would consider banking with some companies that have no experience in financial services.

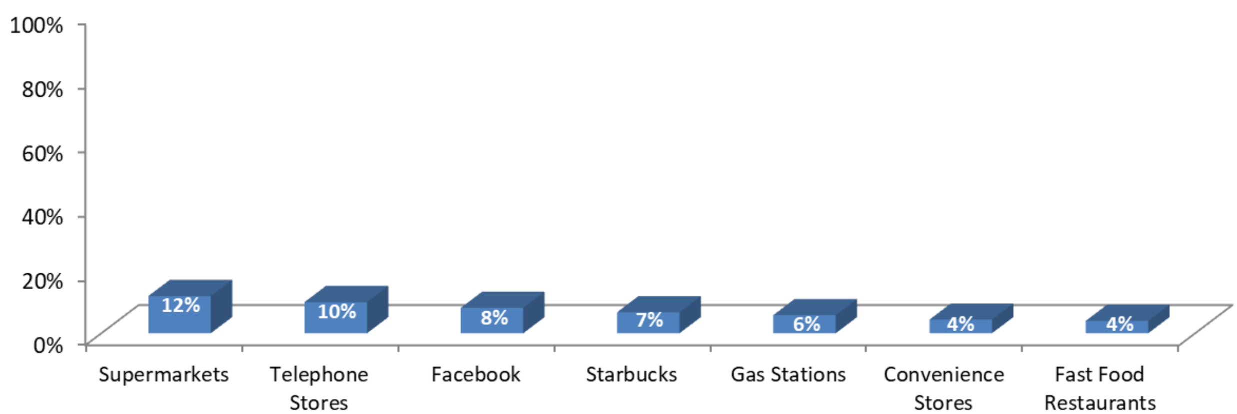
When asked which companies they would consider for their banking needs (if deposits had the same guarantees as traditional banks), 35 percent said they would consider banking with Amazon. Twenty-eight percent would consider using Google, and 24 percent would use Walmart.

Notably, almost one-third of respondents said they would not bank with any of the companies that had no experience with financial services in the study's list (32 percent).

And even though postal services in some other countries offer a variety of financial services, in the United States only 18 percent of respondents would use the post office for their banking needs.

Which of the following non-traditional banking companies would you consider banking with (if they had the same federal guarantees of your money available at traditional banks)?
(All respondents)





(Q23A-R1) (multiple responses allowed)

34. Analysis: The charts on the previous page and the next page may represent the most intriguing findings from the first Future of Money and Banking survey. Only 32 percent of our respondents said "none" when we asked if they'd consider banking with non-traditional banking companies. When we flip that number around we see that 68 percent of respondents are at least open to the idea of banking with a company that doesn't have a "Bank of" on the sign above the door.

When we dig into the demographic differences, the numbers become startling.

The 65 and older group are the least interested in this idea with 58 percent choosing "None," which is a 26 percentage point difference from the total population. So, the senior citizens drag down the averages across the population for this question.

For example, only 12 percent of 65 and older Americans would consider banking with Amazon, which leads the pack with 35 percent of the overall respondents willing to consider banking with the ecommerce giant. In contrast to 12 percent of older Americans, 47 percent of 18 to 24 year olds, 53 percent of 25 to 34 year olds, and 44 percent of 35 to 44 year olds would consider banking with Amazon.

When we dig into the reasons why respondents would consider a non-traditional bank the top choice was "I already go to these other places and I like them." This suggests that Americans perceive financial services to be a generic commodity that many different kinds of company can provide rather than a specialized portfolio of skills and expertise. To put it mildly, this is bad news for traditional banks.

Amazon poses a particular threat to traditional banks, which we explore in detail in the section, "Death Star Scenario: Amazon Prime Bank" on page 49.

35. Bank with a non-banking company: reasons

Why would Americans bank with non-banking companies?

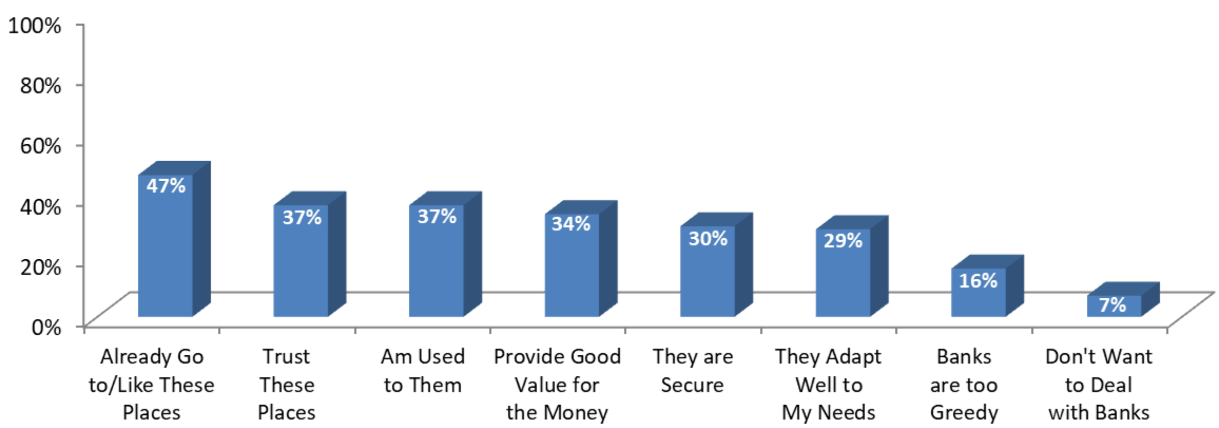
Familiarity was the reason cited by almost half of respondents; 47 percent said a reason they would bank at a non-banking company was because they already like or use those organizations.

With multiple responses possible, 37 percent also said that they would bank with a non-banking company because they trust those companies or because they are accustomed to these organizations.

Respondents also cited non-banking companies because they are a good value (34 percent), they are secure (30 percent), or because they adapt well to customers' needs (29 percent).

Consumer reaction towards banks motivate some respondents to use a non-banking company for their finances: 16 percent said banks are too greedy, and seven percent simply "don't want to deal with banks anymore."

Why would you consider these non-traditional banking option(s)?
(Respondents who would consider non-traditional banking)



(Q23B-R1) (multiple responses possible)

Death Star Scenario: Amazon Prime Bank

By Brad Berens

If Amazon decided to move into the world of commercial banking, would the company then revolutionize how people relate to their money as profoundly and irrevocably as it has already changed how people read?

Why do I pose this question? A provocative finding from this study inspired it (see questions 34 and 35): when we asked if Americans would consider doing their banking with companies that weren't traditional banks, *the top selection was Amazon at 35 percent*. (Google was next at 28 percent.)

As we explored the implications of this finding, it became clear that Amazon could have as devastating an impact on banks as it has on bookstores.

Amazon has no plans (or at least no public plans) to provide financial services to consumers. However, given that customers trust Amazon with an ever-increasing amount of their purchases, why shouldn't they trust the company to help them manage the money they spend there?

The easiest way to see this potential threat to traditional banking is to apply the three-part strategy that Amazon has used over and over again:

Part 1: Innovate around a product or business and reduce costs to customers.

Part 2: Transform the product itself.

Part 3: Turn the transformed product into a platform that others can also use. (#3 was famously the case with Amazon Web Services.)

Transforming the bookstore

With books, Amazon (Part 1) created an online store for physical books with a better selection than any offline bookstore, subsidized prices to make the books cheaper than at any offline bookstore, and offered speedy or sometimes free delivery.

Then (Part 2), Amazon launched the Kindle, which transformed physical books into digital books at a broader scale with a greater selection than any of the previous ebook companies (like the Sony Reader or the Rocket eBook). Amazon also provided free wireless connectivity for instant downloads and an endless storefront to create awareness at the bookstore where millions already shopped: Amazon.

Finally (Part 3), Amazon opened up the Kindle platform for authors to create new, Kindle-first works that might not have any paper-book equivalents at all.

From Whole Foods to Whole Everything

Although it's still early days, Amazon's acquisition of Whole Foods seems to be following the same strategy.

We already know that once the deal closed, Amazon immediately (1) reduced "Whole Paycheck's" famously high prices; added Echo (Alexa) and Kindle devices, pickup lockers, and popup stores to the larger Whole Foods stores, and began applying its legendary logistical expertise to home delivery.

Next (2), it's widely expected that Amazon will integrate Alexa and the connected home with users' Whole Foods kitchens and grocery lists, transforming how people think about and buy their food when Alexa reminds them that they're low on milk, or that based on the ingredients they already have in the house they can make a bouillabaisse with just two more things that Whole Foods can deliver in an hour.

Then (3), Amazon will add still more services to their Whole Foods retail locations, both Amazon-owned and independent, but powered by Amazon's logistics. For example, the company has already started edging into the pharmacy business, and it will add even more services. The rest of the pharmacy business finds Amazon's rumored entry to be so alarming that it has precipitated pre-emptive action like CVS's bid to acquire Aetna for $69 billion.

Towards the future and Amazon's No-Fees Prime Bank

With banks, Amazon can deploy the same three-part strategy.

1. *If Amazon enters the consumer-facing financial services market, presumably as another included benefit of Amazon Prime membership, then the first thing that Amazon would do is create small branches at the larger Whole Foods locations for the slender percentage of people who prefer to do their banking face to face in real life.*

The second innovation would be revolutionary: Amazon would reduce costs to customers by eliminating all overdraft, monthly service and out-of-network ATM fees.

A no-fee policy would attract millions of "unbanked" Americans who cannot afford bank fees and instead use payday lenders and check cashing services. (University of Pennsylvania Professor Lisa Servon brilliantly explores this in her 2017 book, *The Unbanking of America: How the New Middle Class Survives*.)

In addition to the unbanked, millions of "banked" Americans would promptly switch to Amazon Prime. Our research has found that lower fees or interest rates are the number one consideration (63 percent) when people think about switching banks. The distant second-most-popular reason for switching was better online or mobile services at 33 percent.

It might not sound believable that Amazon would eliminate the fees that other banks find addictive, but remember that Amazon has a long history of operating parts of its business unprofitably in order to drive higher transaction activity elsewhere. For two examples, Amazon sold the Kindles at a loss for years (and may still), and it loses money on Amazon Prime two-day shipping. However, Amazon makes up for that loss because Prime members buy nearly twice as much annually as non-Prime customers.

A no-fees Amazon Prime Bank would attract more members to Amazon Prime itself, dramatically increasing transactions across Amazon and Whole Foods. Amazon Prime Bank would also make money the way conventional banks did in the past, by investing the money and making it grow. Amazon would also use the increased exposure to its customers to drive their attention back to Amazon and the purchasing opportunities that await them there.

2. *Amazon would then transform how its bank works compared to conventional banks.*

One early change would be to link Alexa to every Prime Bank customer's bank account, making conversational bank queries and transfers easy. For the few sorts of transactions that require a face-to-face meeting – for example, getting something notarized – Amazon could deliver a notary to wherever the customer is, rather than insisting that customers come to a small physical branch at their local Whole Foods. Amazon could also create drone-powered moving ATMs that would fly to wherever the customer is, dropping from the sky to provide the requested cash and then zooming away.

Amazon could also transition a great deal of banking into virtual reality, creating an always-open virtual bank where customers could manage their different accounts, send and receive money, consult "face to face" with virtual bankers to get financial advice or apply for loans and mortgages without leaving their homes or offices.

3. *Finally, Amazon would turn its new bank into a platform for helping its customers with other financial tasks.*

Amazon would either launch its own credit service – not Visa, MasterCard or American Express, but a new AmazonCard – or (less likely) it might acquire Discover. At the time of this writing, Discover has a market cap (per Google) of $27 billion, or roughly twice what Amazon paid to acquire Whole Foods.

If Amazon launched or acquired a credit service, then doing so would save the 1.43 percent to 3.5 percent commission it currently pays on every transaction. According to Statista, Amazon's ecommerce revenue was just under $136 billion in 2016, and two percent of that is around $2.7 billion. Even if Amazon spent a billion dollars marketing its new AmazonCard, the credit service would pay for itself in just a few years.

In addition, Amazon would then have insight into all the data surrounding AmazonCard members' purchases outside of Amazon.

If Amazon provides its customers with the usual banking services and credit cards, then it's likely to launch additional, complementary services, perhaps under an umbrella "Amazon Money" brand.

These services would include Amazon versions of money management software like Quicken or QuickBooks, as well as mortgage services and 401Ks or IRAs for people who currently don't think they can have them.

If Amazon is managing so much of its customers' finances – purchases, savings, credit cards, online bill pay – then it might also provide free tax preparation to its customers. As Alexa's artificial intelligence matures, it could automatically recognize business expenses, medical expenses, tax deductions and more as customers made them over the course of the year, eliminating the tedious paper chase the disorganized multitude face a few weeks before every April 15th.

CPAs might find their businesses shrinking rapidly if Amazon can automatically organize and file its customers' taxes in the background, depositing any returns directly into the right Amazon Prime Bank account. In just a few short years we could find ourselves saying, "Alexa, please file my taxes."

The biggest impact of this hypothesized Amazon Prime Bank would be on Bank of America, Wells Fargo, Chase, Citi and others. If these banks want to avoid the grim fate of Borders Books & Music, then they will need to reexamine both their lockstep, undifferentiated product offerings as well as their predatory reliance on charging their customers incomprehensible and unpredictable fees to drive profit at the expense of loyalty and service.

Today, Americans have limited options when it comes to banks. They can go to one of the global banks, to a local independent or credit union, to one of the small, innovative mobile-first banks like Chime or Simple, or they can be unbanked and rely on payday lenders and other expensive but predictable services.

If Amazon launches its own bank, then people will have a truly viable alternative with scale and benefits that other banks simply cannot match.

The best thing for the big banks is if I'm completely wrong in these predictions.

But I don't think I am.

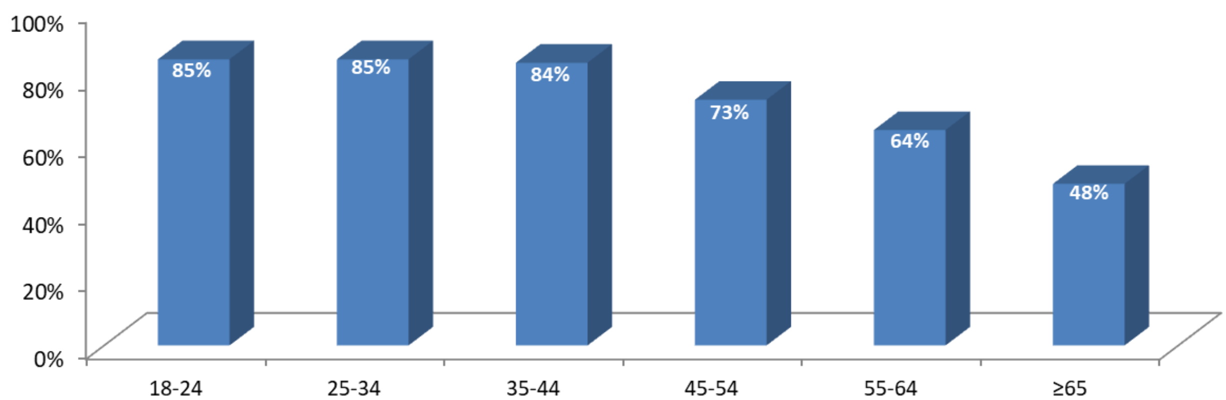
Note for #37-41 about mobile banking:

Overall, the study found that 72 percent of Americans with bank accounts use mobile devices for banking.

36. Mobile banking

Exploring the use of mobile devices for banking based on age shows very large percentages of respondents in all age ranges under 45 use mobile devices for online banking – 84 percent or more. But those percentages decline moderately for respondents age 45-54 (73 percent) and age 55-64 (64 percent), and drop below half for respondents age 65 or older (48 percent).

Do you use online mobile banking?
(Respondents who use online banking)



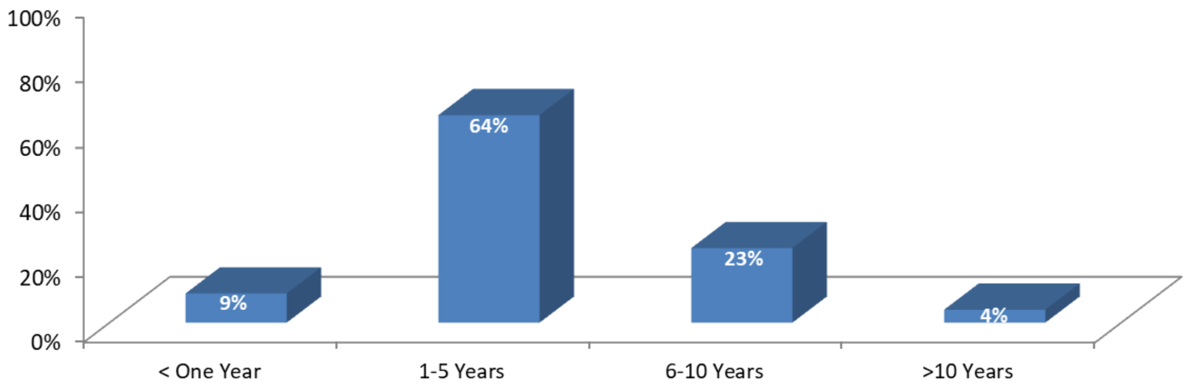
(Q24 A1)

37. Mobile banking: years of use

Compared to the use of online banking (see questions 21-23), a smaller percentage of Americans are experienced users of mobile banking.

Twenty-seven percent of respondents who go online for their finances said they have been using mobile banking for six years or more. This compares to 73 percent of respondents who have used mobile banking for five years or less.

How many years / months have you used mobile banking?
(Respondents who use online banking)



(Q24-R1)

38. Mobile banking: reasons

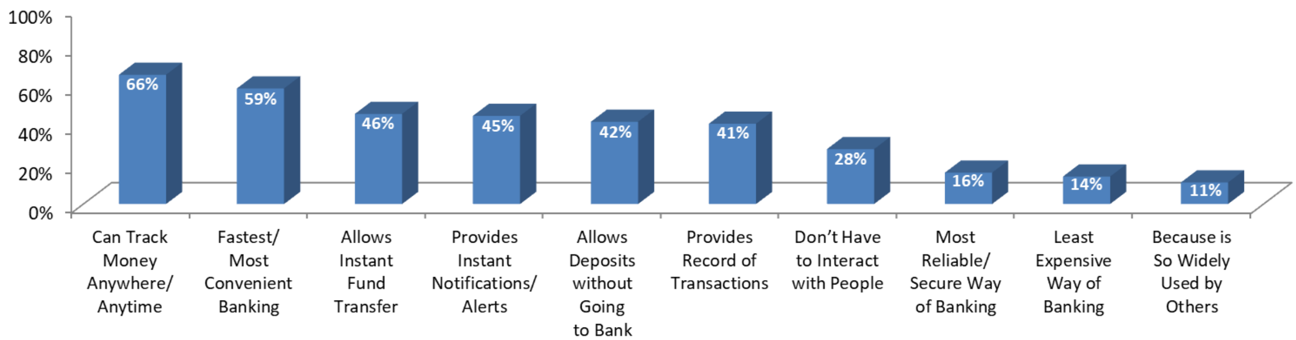
Large percentages of mobile banking customers report several reasons for using those services. The largest percentage – 66 percent – said they use mobile banking so they can track their money wherever they are.

Another 59 percent consider mobile banking the fastest and most convenient way to conduct their financial transactions. Almost half (46 percent) said they like the ability to transfer funds instantly, while 45 percent cite the notifications and alerts they receive as their reason for using mobile banking.

Other reasons for using mobile banking cited by more than one-quarter of respondents were the ability to make deposits without going to the bank (42 percent), the record of transactions the service provides (41 percent), and not needing to interact with people (28 percent).

Notably, only 16 percent consider mobile banking to be the most reliable and secure way to conduct financial transactions.

Why did you decide to use mobile banking?
(Respondents who have used mobile banking for at least one month)



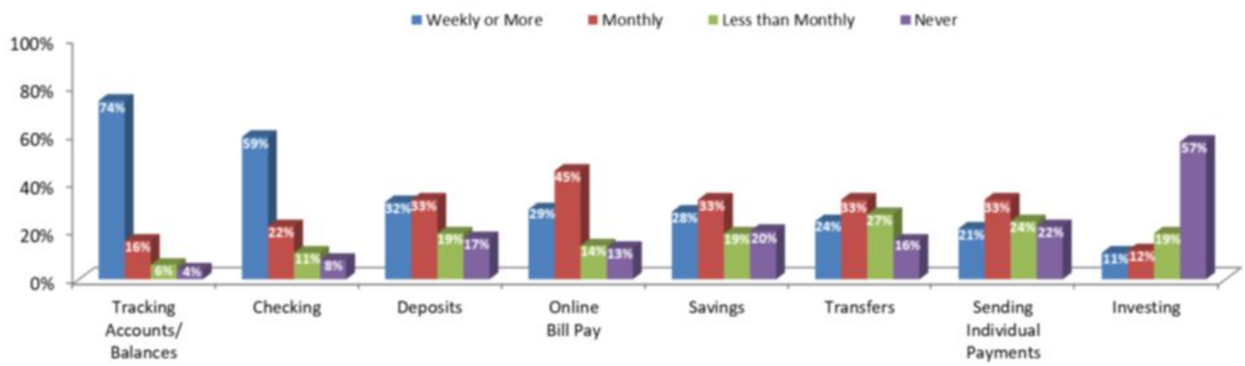
(Q25-R1) (multiple responses possible)

39. Mobile banking: how often?

Mobile banking customers are active users of some online services. The study found that 74 percent use mobile banking weekly or more to track their accounts and balances, while 59 percent use mobile banking for their checking accounts at least weekly.

Almost one-third of mobile banking customers (32 percent) go online to make deposits at least weekly, and 29 percent pay bills online at least weekly.

How often do you use the following online services through mobile banking?
(Respondents who have used mobile banking for at least one month)

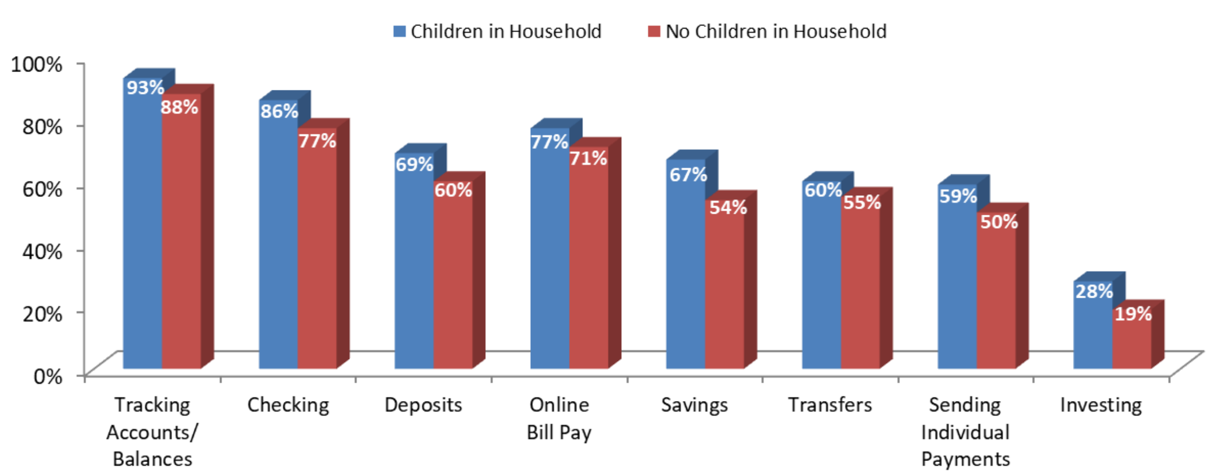


(Q26-R1 and Q26-C1 below)

40. Mobile banking (impact of children in the household)

Mobile banking is a resource for Americans with children in their households. Compared to respondents with no children, more respondents with children in the household use all of the principal financial services through mobile banking.

How often do you use these online services through mobile banking? (Monthly or more)
(Respondents who have used mobile banking for at least one month)



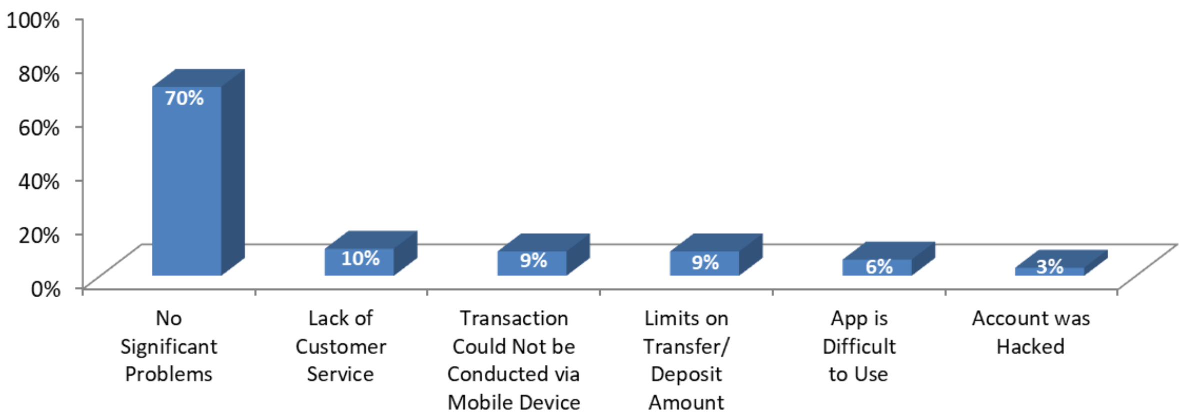
41. Mobile banking: problems

In general, mobile banking customers are happy with that service: 70 percent said they had no significant problems with mobile banking.

Much smaller percentages reported negative experiences, the largest of which was the lack of customer service (10 percent). Other mobile banking customers said the transaction they needed could not be conducted on a mobile device (nine percent), while the same percentage was unhappy that their financial institution imposed limits on transfers and deposits that could be made with mobile banking.

Three percent of mobile banking customers said their account was hacked.

What problems, if any, have you encountered with mobile banking?
(Respondents who have used mobile banking for at least one month)



(Q28-R1)

42. Digital payment alternatives

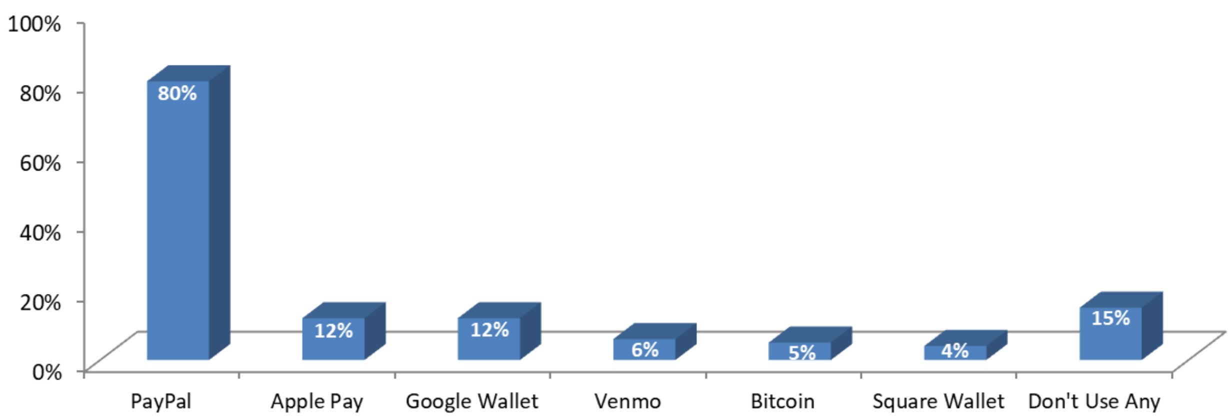
What payment methods do Americans use besides cash and credit cards?

PayPal is by far the most common choice as an alternative to cash or credit cards. PayPal is now used by 80 percent of respondents who are familiar with alternative payment methods.

Much smaller percentages reported using Apple Pay or Google Wallet (12 percent), Venmo (six percent), Bitcoin (five percent), or Square Wallet (four percent).

Fifteen percent of respondents who are familiar with alternatives to cash or credit cards do not use those services.

Which, if any, payment methods in addition to credit card and cash do you use?
(Respondents familiar with at least one payment method)



(Q32-R1)

43. Analysis: The dominance of PayPal (with 80 percent of respondents using it) shows a gap between how much the media covers Silicon Valley payment darlings like Square Wallet – as well as payment innovations from established companies like Apple and Google – and the reality of relatively tiny uptake by Americans. The frequent magazine covers featuring Square (and Twitter) CEO Jack Dorsey don't correlate to use.

On the other hand, plenty of Americans no doubt use "Square" but don't realize that they are doing so until they receive an email receipt from Square later: for customers it's an invisible technology.

We can also see differences in how different age groups prefer different payment alternatives (see the chart on the next page). Outside of PayPal, for example, Google Wallet is the preference for respondents aged 25 to 35 by a 12 to 25 percentage point margin. While Venmo is a small player with just six percent of the overall population, the 18 to 24 year old group uses it at 16 percent: more than twice the overall rate.

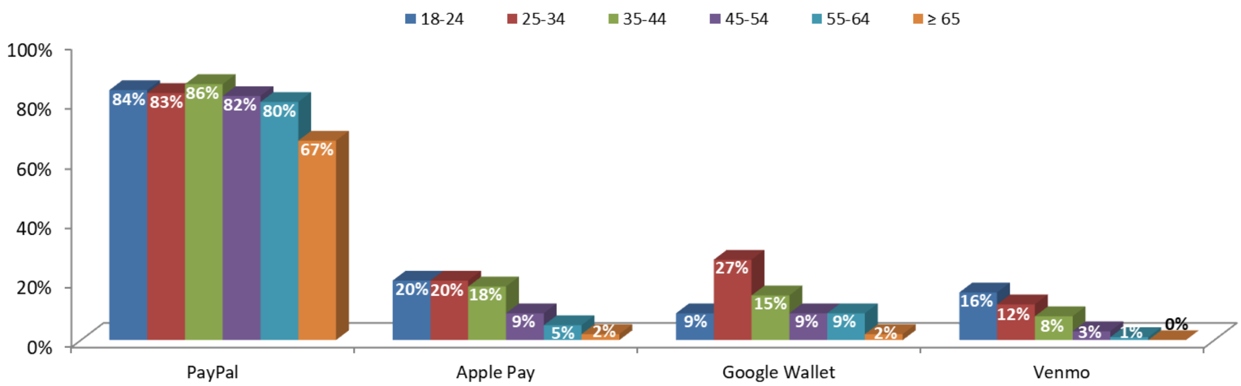
The larger lesson is that 85 percent of Americans pay for things using methods aside from cash or conventional credit cards: 94 percent of 18 to 24 year olds do this, as do 90 percent of 25 to 44 year olds. What we've seen about our respondents' attitudes toward banks – increasingly seen as commodities and with no loyalty or passion – may also be true of credit cards. Americans are playing the field rather than focusing on one card or another. Without more substantial differentiation, the days are over when American Express, for example, could build its entire brand around the tagline, "membership has its privileges."

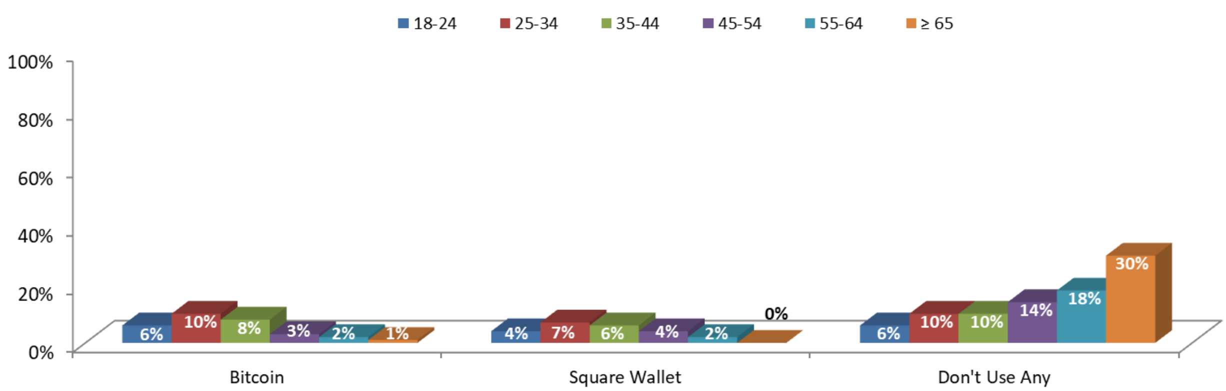
43. Digital payment alternatives (by age)

PayPal is used by large percentages of respondents in all age ranges, but other alternative payment methods are preferred by younger users.

For example, Apple Pay is used by 20 percent of respondents age 18-24 and 25-34, but is used by only two percent of those age 65 or older. And Google Wallet is used by a substantially higher percentage of respondents age 25-34 than any other age group (27 percent).

Which, if any, payment methods in addition to credit card and cash do you use?
(Respondents familiar with at least one payment method)





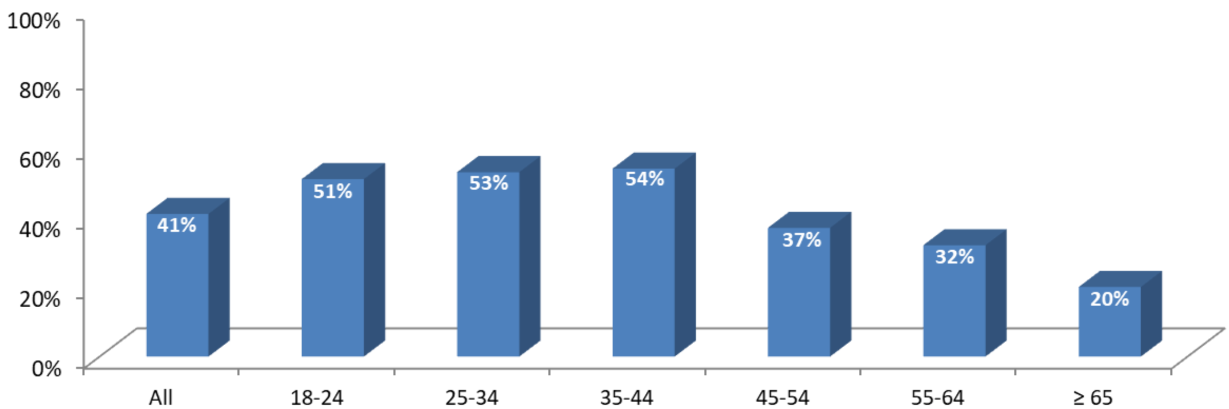
(Q32-A1)

44. Purchasing and payment apps

A large percentage of Americans who use digital payment methods – 41 percent – said they prefer to buy from merchants who accept payment apps.

While this preference for payment apps increases as age decreases, it is particularly significant to note preference for digital payment is not an interest of only the youngest customers. More than half of respondents under age 45 who use digital payment for purchases prefer to buy from merchants who accept those alternative payment methods.

Do you prefer to shop and buy at merchants who accept payment apps?
(Respondents that use a payment method in addition to credit cards and cash)



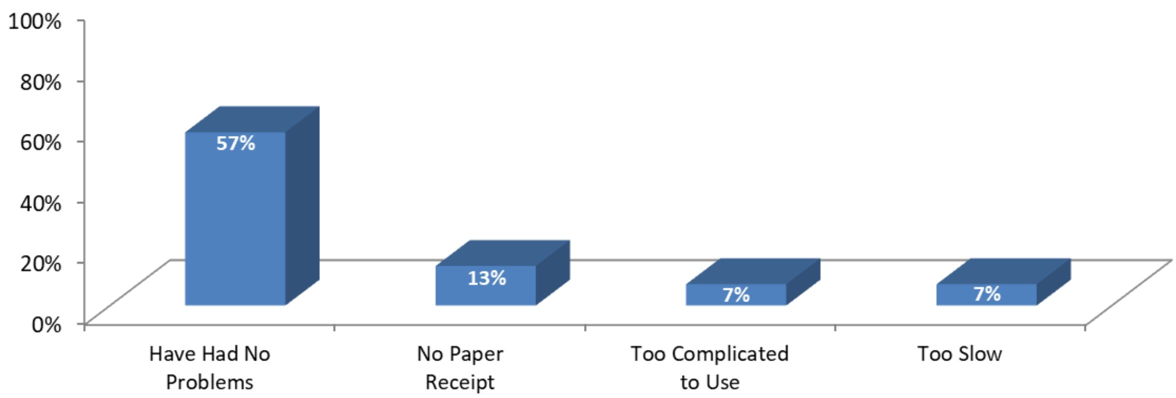
(Q35-A1)

45. Problems with payment apps

Most users of online payment apps have no problems using these apps (57 percent) or report only minor inconveniences, such as not receiving a paper receipt (13 percent).

Very small percentages said the apps were too complicated to use or too slow (seven percent for each).

What problems, if any, have you had when using payment apps?
(Respondents that use a payment method in addition to credit cards and cash)



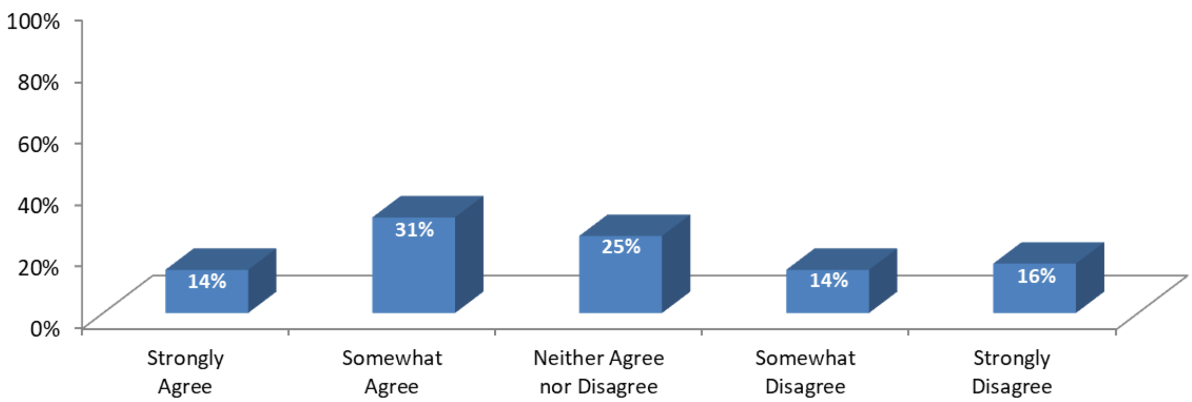
(Q36-R1) (multiple responses possible)

46. Payment apps and security

Less than a majority feel secure linking those payment systems to their credit cards and bank accounts.

Forty-four percent of respondents somewhat or strongly agree that they would feel secure linking their bank accounts and credit cards to payment apps. However, a smaller number (30 percent) said they do not feel secure with these links.

I feel secure in linking my bank account and credit cards with the payment apps.
(All respondents)



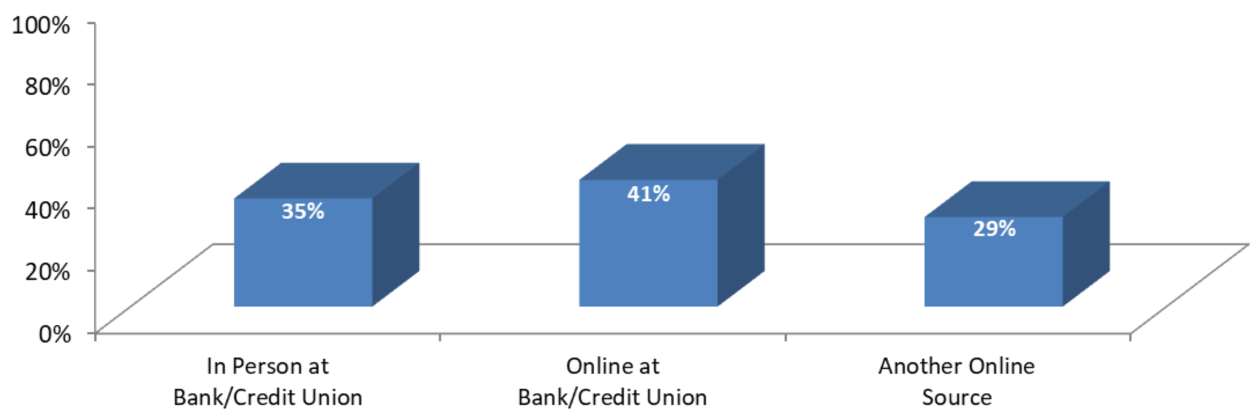
(Q38-R1)

47. Online loans

Most respondents who have applied for a loan in the last year – 70 percent – applied for the loan online, either through an online mechanism at the bank (41 percent) or at another online source (29 percent).

Only 35 percent of loans are applied for in person.

How did you apply for your loan?
(Respondents who have applied for a loan in the last 12 months)



(Q39B-R1) (Multiple responses possible)

48. Views about the future impact of digital technologies on banking

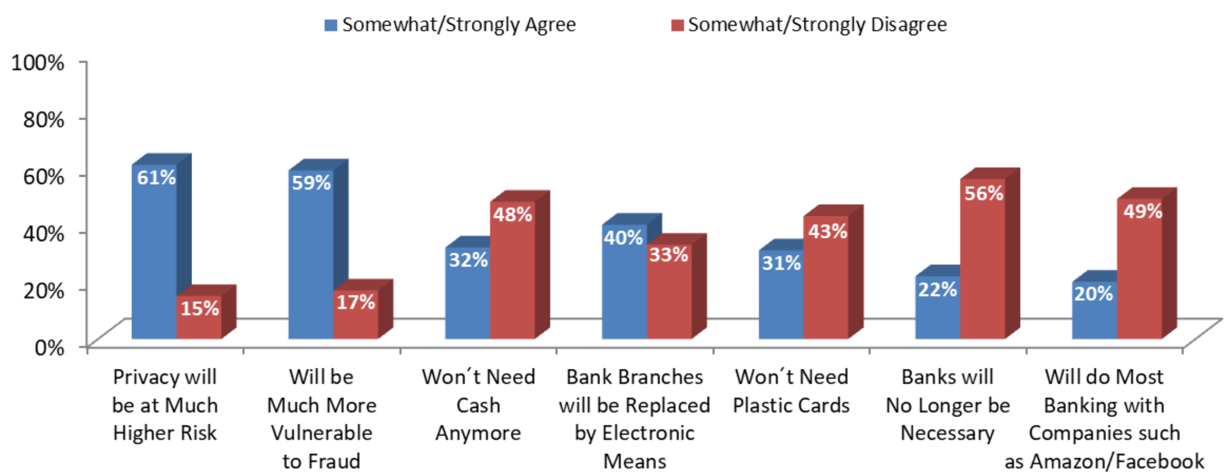
How do Americans view the future effects of digital technology on their banking?

Respondents report a wide range of views, both positive and negative, about how digital technology will affect banking. Security – or the loss of it – is a likely effect; 61 percent said that digital technologies will affect banking by putting privacy at much higher risk, while 59 percent of respondents said they will be more vulnerable to fraud.

Some respondents also believe that digital technology will change how they conduct transactions: almost one-third said they won't need cash (32 percent) or plastic cards (31 percent).

And notable percentages think that digital technology will transform banking itself: 40 percent somewhat or strongly agree that bank branches will be replaced by electronic services, 22 percent said banks will no longer be necessary, and 20 percent said they will do most of their banking with traditionally non-banking companies like Amazon or Facebook.

Views about the future impact of digital technologies on banking
(All respondents)



(Q45-R2)

48. Analysis: Americans have embraced online and mobile banking, but that doesn't mean that they don't worry about the risks. As you'll see in the chart, the biggest concern that Americans have about how digital technologies will change banking in the future is that along with increased convenience comes increased risk: their finances will be increasingly vulnerable to invasions of their privacy and to fraud.

We've seen in question 34 that many Americans are open to banking with non-traditional companies, but that does not mean that Americans think that banks are going away entirely. In question 48, when we asked if they think that in the future "banks will no longer be necessary," more than half of American – 56 percent – disagreed.

On whether or not we'll need cash in the future, more Americans think that cash will still have a place in our lives than those who don't, and it will be interesting to see whether this opinion changes over the next handful of years as mobile payments become increasingly common. Already, riders can't pay for Uber or Lyft rides with cash: if you don't have a smart phone you can't use the services.

Likewise, in a December 25, 2017 New York Times article, Andy Newman related how a growing number of restaurants and coffee shops in Manhattan have gone entirely cash free. Visitors to China can receive funny looks when they attempt to pay for lunch with cash rather than a credit card or the ubiquitous WeChat payment app.

As opportunities to use cash constrict, the perceived use for cash might also decline. (See question 59 for more on this.)

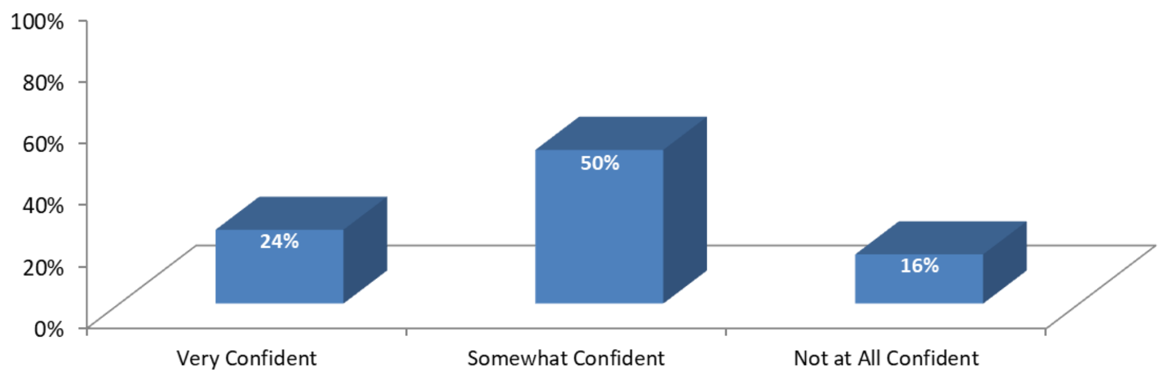
49. Online financial transactions and protection of personal information

How well-protected is personal information when customers bank or invest online?

Although 74 percent of respondents express some level of confidence about the protection of their personal information when banking or investing online, less than one-quarter of respondents (24 percent) express the highest level of confidence – with 50 percent being only somewhat confident.

Sixteen percent are not at all confident that their personal information is protected while they bank or invest online.

If you banked or invested online, how confident would you feel that your information would be protected?
(All respondents)



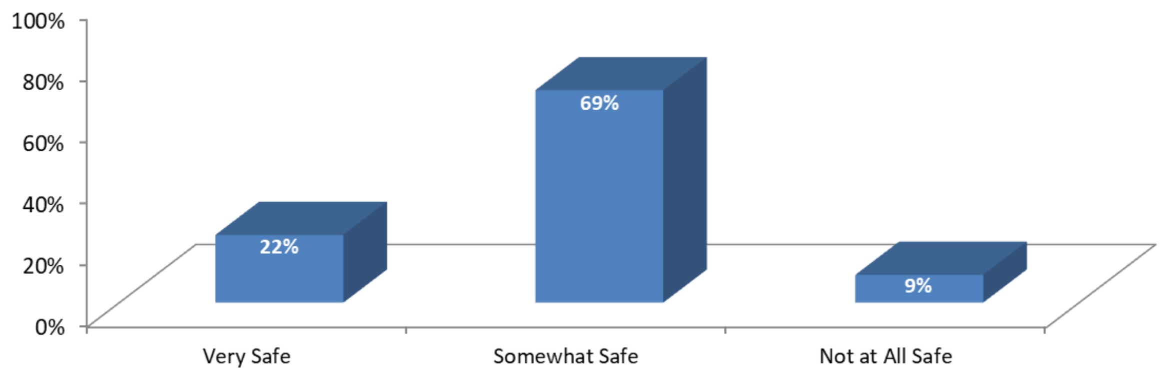
(Q46-R1)

50. Are your online transactions safe and secure?

Given the concerns reported about protecting personal information (see question 49) and worries about online fraud while banking online (see question 52), it is not surprising that only one-quarter of respondents feel very safe and secure about making online financial transactions.

Sixty-nine percent said they feel somewhat safe, while nine percent do not feel safe at all when making online financial transactions.

In general, how safe and secure do you feel about making online financial transactions?
(All respondents)



(Q52-R1)

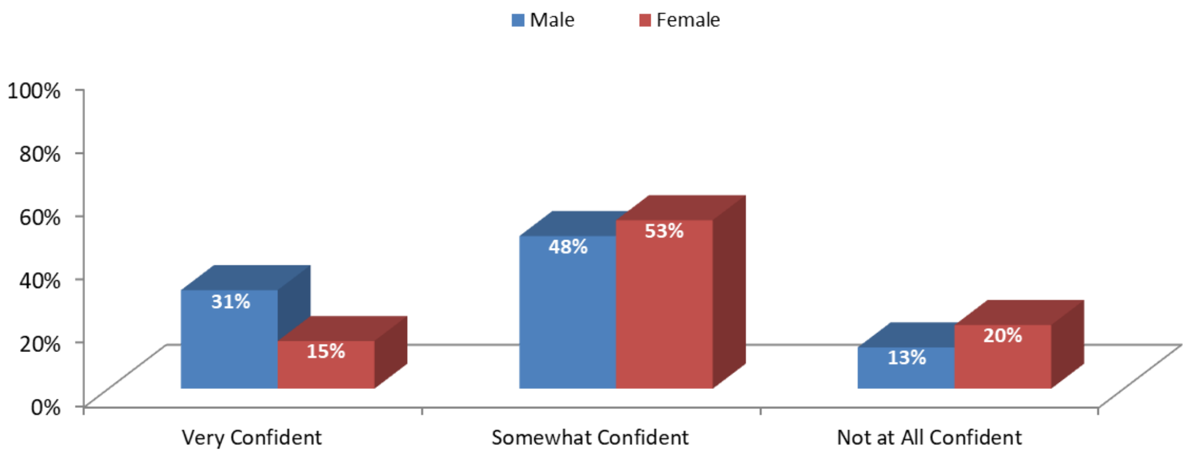
51. Online financial transactions and protection of personal information (men vs. women)

Men and women express notably different levels of confidence about the protection of their personal information while banking or investing online.

Overall, 79 percent of men compared to 68 percent of women report some level of confidence in the protection of their personal information. However, more than twice the percentage of men compared to women express the highest level of confidence (31 percent of men vs. 15 percent of women).

At the other extreme, more women than men have no confidence that their personal information is protected while they are banking or investing online (20 percent of women vs. 13 percent of men).

If you banked or invested online, how confident would you feel that your information would be protected?
(All respondents)



(Q46-G1)

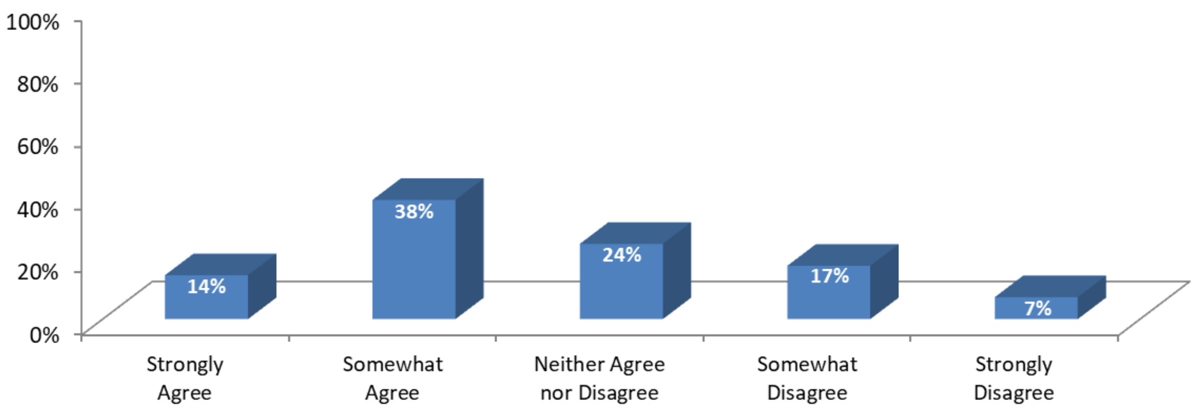
52. Concerns about online fraud and theft

Concerns about protection of personal information while banking or investing online (see question 49) translate into specific concerns about vulnerability to fraud or theft.

More than half of respondents (52 percent) somewhat or strongly agree that online banking makes them vulnerable to becoming a victim of fraud or theft.

Only 24 percent believe they are not vulnerable to fraud and theft while investing or banking online.

I worry that online banking will make me vulnerable to being a victim of fraud or theft
(All respondents)

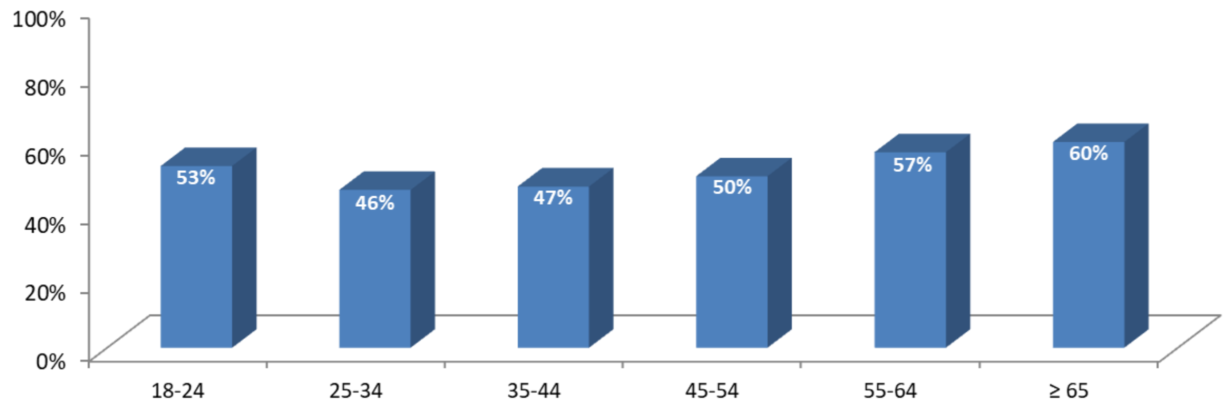


(Q49-R1)

53. Concerns about online fraud and theft (by age)

High levels of concern about vulnerability to fraud and theft while banking online are reported by Americans of all ages – more than 45 percent of respondents in every age range.

I worry that online banking will make me vulnerable to being a victim of fraud or theft
(All respondents – somewhat and strongly agree)



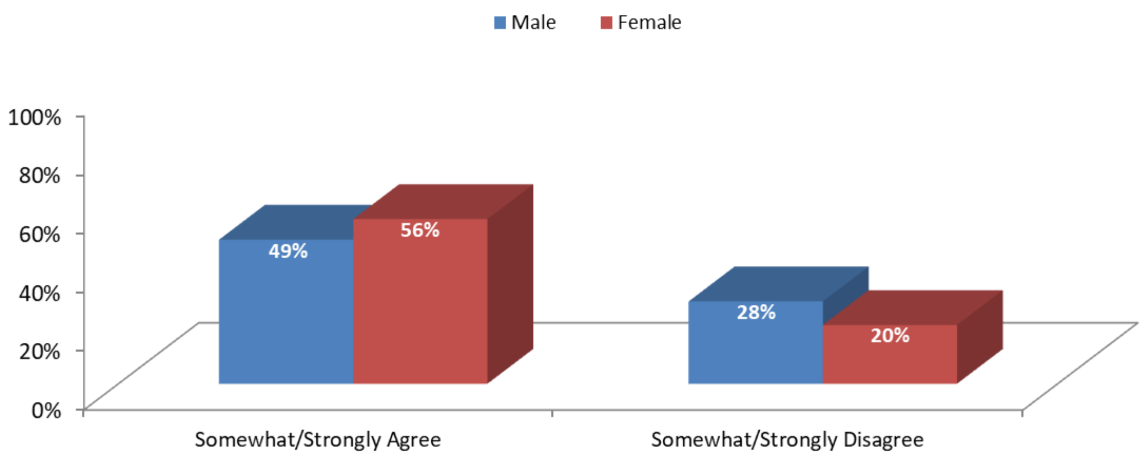
(Q49-A1)

54. Online banking and protection from fraud and theft (men vs. women)

As with concerns about protection of personal information while banking and investing online (see question 49), men and women report different levels of concern about their vulnerability to being a victim of fraud or theft while banking online.

More women than men believe they are vulnerable to fraud or theft while online banking – 56 percent of women vs. 49 percent of men).

I worry that online banking will make me vulnerable to being a victim of fraud or theft
(All respondents – somewhat and strongly agree)



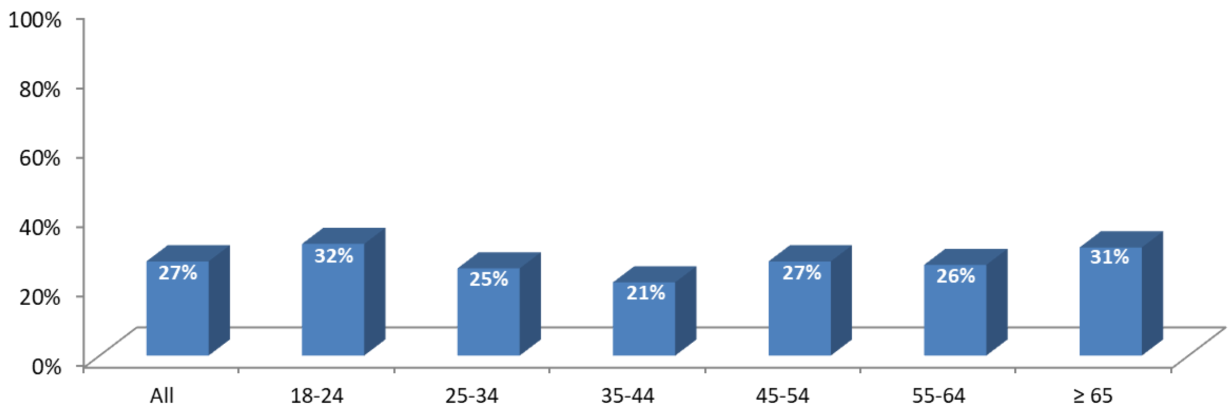
(Q49-G1)

55. Online banking and protection from fraud and theft

Given the large amount of information that is circulated by banks about customer protection against fraud and theft, it is perhaps surprising that more than one-quarter of respondents (27 percent) were unaware that online banking receives the same safeguards as accounts in traditional banks.

Americans of all age ranges report a lack of knowledge about protection of online bank accounts, in particular the youngest (32 percent of those age 18-24) and oldest (31 percent of those age 65 and older).

Are you aware that online bank accounts are as protected from fraud and theft as in-person bank accounts?
(All respondents – no)



(Q48-A1)

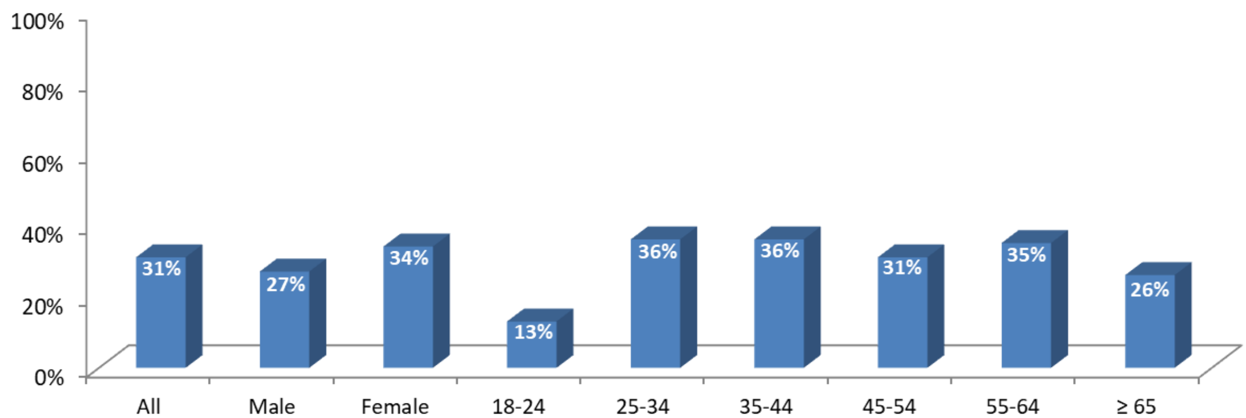
56. Victims of fraud or theft while online

Concerns about online crime (see questions 52-55) are well-founded: almost one-third of respondents (31 percent) said they have been a victim of fraud, theft, or error because of an online financial transaction.

In all age ranges except age 18-24, more than one-quarter of respondents who use online banking said they have been victims.

More women (34 percent) than men (27 percent) said they have been a victim.

Have you been a victim of fraud, theft,
or error as a result of online financial transactions?
(Yes)
(Respondents who used online banking for at least one month)

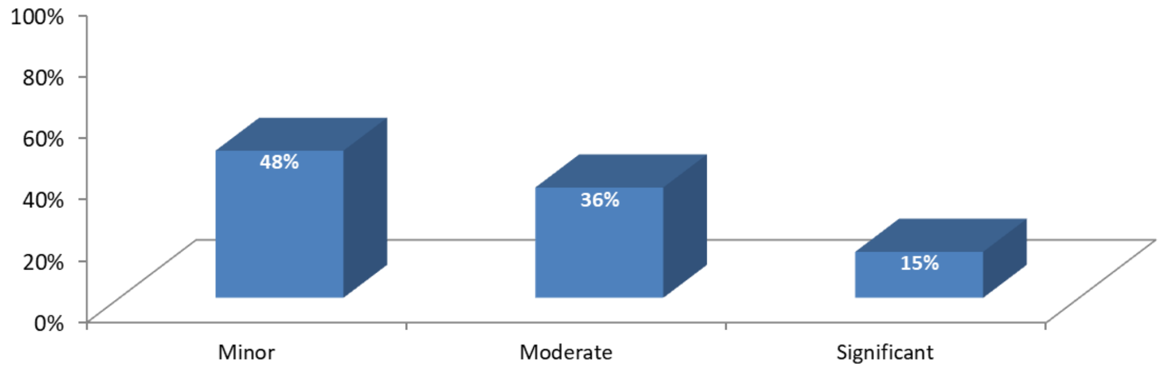


(Q50-R1)

57. Victims of fraud or theft while online (effects)

The impact of fraud, theft, or error in an online financial transaction has more than minor effects for many online banking customers; of respondents who were affected by a fraud, theft, or error in an online transaction, more than half (51 percent) said the impact was moderate or significant.

What was the impact of that fraud, theft, or error?
(Respondents that have been a victim of fraud from online transaction)



(Q51-R1)

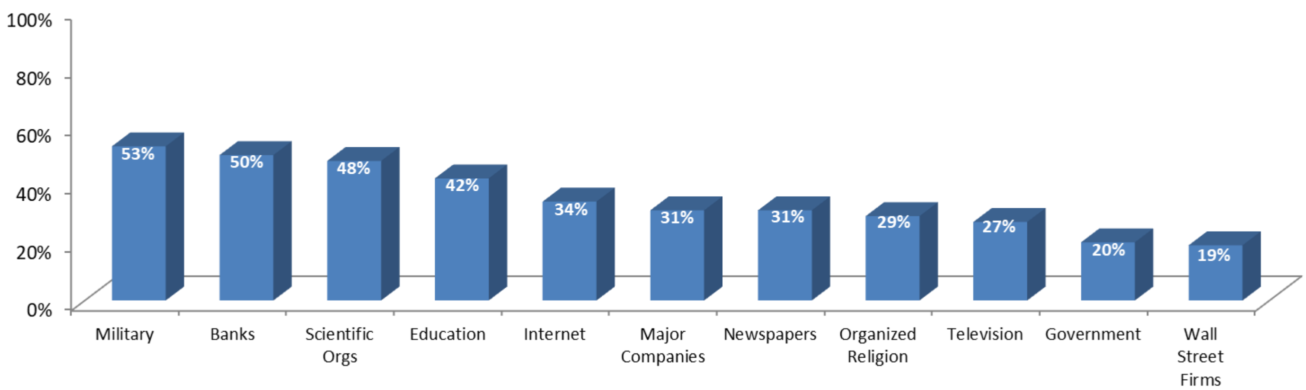
58. Confidence in banking leadership compared to other institutions

Do Americans have confidence in the organizations that manage their finances, offer their digital services, and run the government?

When asked to rank on a scale of 1 to 5, their confidence in people running a variety of institutions (5 = total confidence), 50 percent of respondents ranked banking with a four or five – only the military received a higher percentage of top confidence rankings. Thirty-four percent gave the same ranking to the internet.

By comparison, a ranking of 4 or 5 was given by 31 percent to major companies, 20 percent to the government, and 19 percent to Wall Street firms.

Confidence levels in the people running companies and the government
(All respondents reporting 4 or 5 on a scale of 1-5: 5 = total confidence)



(Q53-R3)

58. Analysis: Throughout this report, we've seen a paradox: our respondents are highly satisfied with their banks but at the same time they are very willing to switch banks, primarily in order to chase reduced fees. This, along with other data points (for example, the nearly universal confidence that online and mobile banking are easy to navigate), suggests both that Americans think that all banks are pretty much the same and also that for Americans, bank choice is not a profound choice.

Our banks are not identity markers, not brands for which we feel a particular affinity. We're more likely to have an out-loud preference for Adidas over Nike, for Mac over Windows, for Shell over Chevron, or for Peet's over Starbucks than we are to prefer Wells Fargo to Bank of America. "Where do you bank?" "Wherever is closest to my house."

It comes as a mild surprise, then, to see that banks in aggregate are second only to the military and only a little bit ahead of the scientific community when it comes to American confidence in the leadership of the people in charge of major institutions. Americans have more faith in the people running banks than they have in those leading education, the internet, newspapers, big corporations, organized religion, television, the government, and Wall Street firms.

Indeed, the fact that we included Wall Street firms as distinct from banks in the question might have framed the issue for some respondents so that they discounted the events of the 2008 Great Recession from their evaluation of banks. From this perspective, Wall Street firms like Lehman Brothers caused the Recession, while banks are just where people have their paychecks electronically deposited.

59. Views about a cash-free society

How would we respond if America became a cash-free society?

(See the charts on the following page)

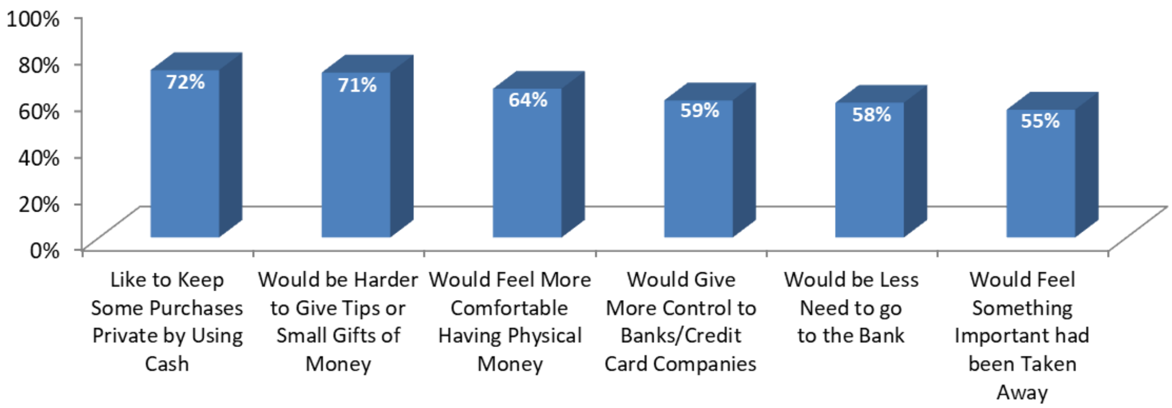
Respondents identified more negatives than positives about the prospect of a cash-free society. As with many other issues in the study, privacy is the primary concern when considering the issues of a cashless culture: 72 percent of respondents somewhat or strongly agreed that a cash-free society would be a problem because they like to keep some purchases private by using cash.

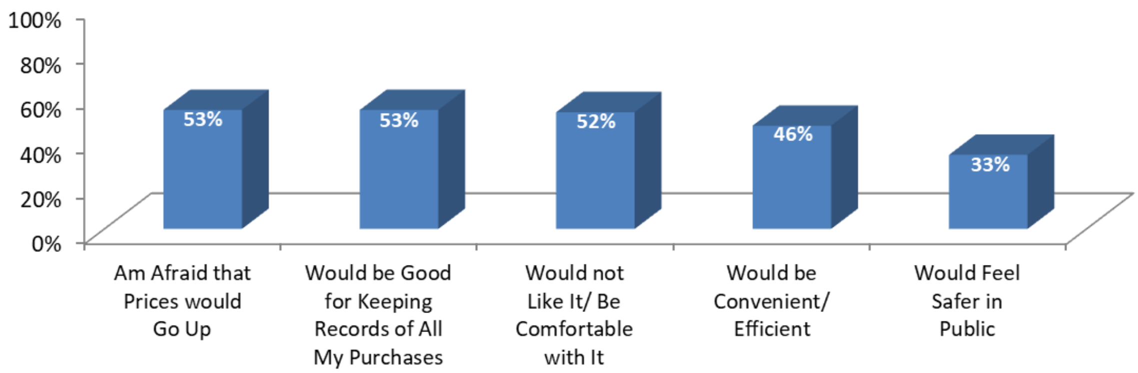
Large percentages of respondents reported a range of other personal concerns, such as a cash-free society would create difficulties giving tips or small gifts (71 percent), they would feel something important had been taken away (55 percent), or they would simply "not like it or be comfortable with it" (52 percent).

Significant percentages of respondents also agreed that a cash-free society would raise other broader issues: 59 percent said that a cashless culture would give more control to banks and credit card companies, and 54 percent were afraid that prices would go up.

However, respondents also reported benefits in a cash-free society: 58 percent said that if we no longer used cash, there would be less need to go to the bank. Additionally, 54 percent said a cash-free society would be good for record keeping and taxes, 46 percent said it would be more convenient and efficient, and one-third said that without cash, they would feel safer in public.

How would you feel if we no longer used cash in society?
(All respondents – somewhat/strongly agree)





(Q55-R2) (multiple responses possible)

59. Analysis: Generally, our respondents had a balanced and nuanced sense of the pros and cons of giving up cash, including the tradeoff between giving up privacy and gaining convenience.

For example, on the negative side, 59 percent of respondents worried that the absence of cash would give banks and credit cards more control, but 58 percent see that they would have less need to visit their banks' physical branches. Fifty-three percent of respondents worry that without cash prices will go up; on the other hand, 53 percent think without cash it would be easier to keep records of all their purchases.

Some of the possible downsides become more vividly imaginable when we go beyond the absence of cash by itself and think through how different sorts of companies and services might collaborate on data collection and analysis.

In a cashless society, surveillance by governments, corporations – including banks – and other people becomes harder to avoid. The over-the-counter hemorrhoid cream for which you might have quietly paid cash at the pharmacy becomes a matter of record with your bank, credit card company, health insurance company and any other entity that might track and share your data.

The issues around what companies and individuals have access to financial and personal information in a cashless society range from helpful to creepy to downright sinister if corporations – or, more precisely the algorithms and artificial intelligences that corporations deploy – use that data to create predictive profiles of customers that can be uncannily accurate. This is already happening.

For example, in his 2014 book, The Power of Habit, Charles Duhigg relates how a father discovered that his 17-year-old daughter was pregnant because Target sent her coupons for baby clothes and cribs. The data-mining team at Target had figured out that changes in shopping patterns – for example, buying more unscented skin lotion than usual – could indicate that a woman was entering the second trimester of a pregnancy. The angry father turned apologetic when, after he'd chewed out the manager of his local Target, his daughter confessed that Target was right.

Cashlessness enables corporations to shift how they interact with their customers from individual events to continual monitoring. For example, at the 2018 Consumer Electronics Show in Las Vegas, the auto insurance company Allstate exhibited new sensors. If Allstate customers attach these sensors to their cars and demonstrate that they are safe drivers, then they can receive discounts on their car insurance. Customers can also sign up for helpful hints from Allstate about how to drive more safely based on the data Allstate gleans from the sensors. Whereas Allstate previously interacted with its customers only when they paid their bills or had an accident (the individual events), with sensors and surveillance Allstate is watching the customer every time he or she is behind the wheel. This is potentially helpful but also disturbing.

Purchase data and chronic monitoring in a cash-free society might result in a dystopia where corporations become a handful of "Little Brothers" (in contrast with "Big Brother" from Orwell's 1984), aggregating and analyzing the everyday choices and movements of citizens.

There's little incentive for most corporations – including banks – to self-police when it comes to personal data, which means that it will ultimately fall to governments to protect the privacy of its citizens. The European Union is doing just that with a new (and somewhat draconian) General Data Protection Regulation (GDPR) that goes into effect in May of this year. It will be instructive to see if other countries follow the EU's lead, and also whether big data-collecting companies pre-emptively change their practices in order to avoid gigantic fines as these sorts of privacy protection for citizens potentially spread across Europe..

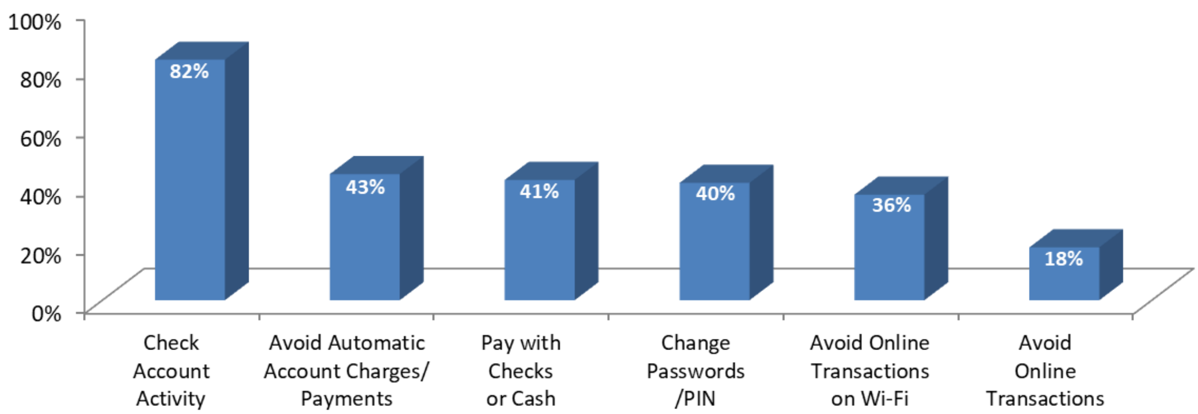
60. Protecting online transactions

How do Americans protect their financial transactions? The Future of Money and Banking Study looked at five possible actions used by respondents to keep their transactions secure.

By far the largest percentage of respondents keeps their financial transactions secure simply by checking their account activity – a strategy done often or very often by 82 percent. Smaller percentages said they avoid using automatic account payments (43 percent), change their passwords and PINs (40 percent), or avoid Wi-Fi for online transactions (36 percent).

A much smaller percentage said they keep their finances secure by simply avoiding online transactions (18 percent).

How often do you take the following actions to keep your financial transactions secure?
(All respondents – often and very often)



(Q56-R2) (multiple responses possible)

APPENDIX 1 | Research Methods

Research Methods – Future of Money and Banking Study

- 15 minute, self-administered online survey was used
- N=1,007 consumers were sampled from March 14th to March 21st, 2017. The sample was drawn from InnoPoll, a proprietary opt-in online survey panel with nationally representative sampling capabilities. It was screened based on nationally representative breakdowns on gender, age, and race/ethnicity, and completed interviews were allowed to fall out naturally based on the survey qualifications.
- The survey was conducted in English and sampled nationally.
- Survey Qualifications:
    - Age 18+
    - Has a bank account
    - Live in the US
    - Pass quality check
- Final breakdowns of gender, age and ethnicity:
    - Final total completes: N=1,007

Gender		
Male	534	53%
Female	471	47%

Age		
18-24	119	12%
25-34	171	17%
35-44	156	15%
45-54	199	20%
55-64	176	17%
65+	186	18%

Hispanic Descent		
Yes	155	15%
No	847	85%

Ethnicity (multiple responses allowed)		
White/Anglo/Caucasian/Middle Eastern	823	83%
Black/African American	128	13%
American Indian	24	2%
Other	41	4%
Don’t know	9	--
Refuse to answer	7	--

APPENDIX 2 | Center for the Digital Future

The Center for the Digital Future at USC Annenberg is a think tank that explores current issues and coming trends in the digital realm. The Center was created in 1993, and tracks the global evolution of digital technology and platforms, studying their impact on users and non-users.

The Center is best known for the Digital Future Project, the first and longest-running longitudinal research study that explores the views and behavior of American users and non-users of digital technology. Each year exploring more than 100 major issues in five general subject areas, the Digital Future Study is the most comprehensive study of its kind.

The first Digital Future Study report, "Surveying the Digital Future," was published by the Center in 2000; in August 2017, the Center published its 15th annual report of findings.

The Center for the Digital Future created and manages the World Internet Project, which coordinates similar research on digital technology conducted in 32 partner countries. The Center also conducts customized and propriety studies, consulting, and marketing research to support global companies, government leadership, NGOs, and policymakers.

The Center is based in the USC Annenberg School for Communication and Journalism at the University of Southern California. Until July 2004, it was housed at UCLA in the Anderson Graduate School of Management.

Director Jeffrey I. Cole, Ph.D.

The Center for the Digital Future is directed by Jeffrey I. Cole, Ph.D., a scholar on communication issues who has taught and conducted research on the faculties at USC and UCLA since 1978.

New projects

In 2016, the Center launched a new series of topical surveys on Americans' behavior and views about specific industries, including transportation, digital money and banking, sports, and health.

Emerging Issues

The Digital Future Study is not restricted to investigating a particular method of accessing the internet. The project also explores many aspects of change on the internet and its evolving applications; such as social networking, unwanted attention online, bullying, the cloud, and online dating.

For more information about the Center, visit www.digitalcenter.org.

Center for the Digital Future at USC Annenberg
11444 West Olympic Blvd, Suite 120
Los Angeles, CA 90064
(310) 235-4444

digitalcenter.org
info@digitalcenter.org