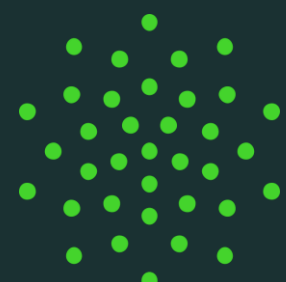


# Affinity Banking

The intersection of digital  
banking and financial inclusion



PREFACE:

# How we define **underrepresentation**:

The movement toward polyculturalism in recent years has proven that representation is broader than just race, gender, or sexual orientation. This renewed commitment to equity as a direct response to exclusion of certain groups has underscored the need to reevaluate leading practices within all industries — financial services being among the most critical.

Addressing this underrepresentation necessitates looking at how groups who share common identity drivers (or **affinity groups**) define *themselves* and *their own needs*— such as groups that connect around:

- Race
- Gender
- Vocation
- Ethnicity
- Nationality
- Age
- Sexuality
- Religion
- Education
- Income
- Social values
- Political beliefs
- Geography
- Socioeconomics
- And more...

**A HIGHER BOTTOM LINE:**

# Banks should continue to make progress in addressing inequities.

Firms are in a position to impact almost every corner of the economy, proactively rebuild trust, and transform not just financial services, but also our collective human experience, aspiring to what can be called a “higher bottom line.”





of Americans surveyed believe banks have a responsibility to support diverse and underserved communities\*

#### CULTURAL TRUTH:

**Digital banking is pushing financial services to catch up with society's demand for representation.**

As **shared values** become the influencing factor in selecting products and services, negative interactions become more likely to drive consumers to seek services that better reflect their identity and affinities.

Today, with more options and lower satisfaction than ever, US. consumers are now **2.6x more likely to transact with banks associated with high humanity.**

THIS IS CRITICAL BECAUSE:



One in six Americans surveyed feel unwelcome purchasing banking products due to their race, gender, socioeconomic and/or sexual orientation.

## WHY THIS MATTERS

The shift from incumbent banks to digital challengers is expected to continue as underrepresented groups look for new places to put their money.

**31%**


**Of Americans surveyed are interested in switching to a bank supporting diverse and underserved communities**

**+44%**

**Likelihood of Black and Hispanic customers surveyed to select a bank based on personal values COMPARED TO THE AVERAGE CONSUMER**

**\$1.04T**

**Potential available market of annual investible assets in retirement and wealth acquisition funds for those looking to switch\***



While there is broad interest in switching, needs vary across underrepresented groups:

### LATINO AMERICANS + DEBT

Having experienced a disproportionate rate of job loss and income insecurity due to the Coronavirus Pandemic (COVID-19), almost half of Latino (46%) consumers surveyed worry about **debt** – by far the highest of any affinity group.

### BLACK AMERICANS + RETIREMENT

Black consumers surveyed are almost two times (1.76x) more likely to worry about having enough in **retirement** than current job security.

### WOMEN + EDUCATION

Almost one in five women surveyed worry about the financial realities of **educational debt** for both themselves and their children, which is +80% higher than their male counterparts.

### RURAL COMMUNITIES + FINANCIAL ADVICE

Almost half of rural consumers surveyed find it difficult to **find financial professionals** for support resulting in approximately \$400bn of unadvised investment funds.

### ASIAN AMERICANS + DIGITAL BANKING

A third of Asian consumers surveyed go to self-service financial tools for advice – but are 20% **less familiar with digital banking** than the average American.



Which has created a market for Affinity banks, founded by and for the underrepresented:



Asian-American Communities



Lesbian, gay, bisexual, transgender, and queer (LGBTQ)+ Communities



Black Communities

**MAJORITY**

Immigrants in the US



Women-Owned Businesses



Black Business Owners



US Immigrant and Refugee Communities

**Aspiration**

Eco-Conscious Communities



Latino Communities



Underrepresented and Underserved Small Business Owners



Our conversations with affinity bank founders and leaders shed light on how they are seizing the opportunity to address marginalization directly...

We are seeing a digital banking revolution, but none are curated for Asian-Americans, and few are for immigrants. We want to serve these underrepresented populations that are overlooked by traditional banks.



**Ken Lian**  
CEO & Cofounder,  
Cheese

**Kelly Ifill**  
CEO, Guava



Not only have legacy banks underserved Black communities for decades, but they have also undervalued the financial opportunities available in these communities. There is not a single solution to closing the wealth gap, but digital banks can help by providing broader access to core services and capital, especially where incumbents fall.

People join because of identity – who they want to be, who they want to show.



**Andrei Cherny**  
CEO, Aspiration

**Billie Simmons**  
Chief Operating Officer,  
Daylight



I wanted to solve my own problems while transitioning in America. I keep having to use my dead name for certain financial activities, essentially 'outing' myself.



**Tene Raymond**  
Marketing Lead, Kinly

We see creating community as a core tenet to our mission - we want to create an ecosystem that feeds reinvestment into our community. A big part of that involves building financial education into our system.



**Magnus Larsson**  
CEO, Majority

We are living in an era with more people moving across borders. Our company is founded on the principle that it should be easy to thrive and succeed in a new country. While immigrants come from many different places, they share similar problems - getting access to financial services and managing their cross-border life, all at a fair price. That's why we built a digital banking solution for immigrants.

Given the particular difficulties that immigrants, and specifically refugees, face in establishing financial relationships in the United States, we seek to eliminate as much friction as possible in our user journeys - even if that means we take on more costs to avoid additional difficulties for our customers.



**Aman Quadri**  
Chief Strategy Officer,  
Fair

Small business owners deserve a better way to bank. BetaBank is committed to building a digital bank that provides small business owners an unbiased and efficient way to access the flexible capital their businesses need to thrive.



**Seke Ballard**  
Founder, BetaBank



These banks strive to differentiate themselves by their value-driven design, with rewards and features built to benefit the affinity groups they serve...

"We have a lot of people who sign up because it helps the LGBTQ+ community. **We need to help the community through our products.**"



**Billie Simmons,**  
Founder and COO, Daylight

1

### Transparency

**Feedback on financial footprint,** and how spending activities impact the community and suggestions to improve

### Aspiration

Aspiration's Impact Measurement (AIM)<sup>1</sup> gauges the social impact of your purchases through their app.

2

### Philanthropy

**Directed donations** to organizations that benefit underrepresented groups

### C;heese

Cheese Giveback<sup>2</sup> is a charitable fund partnering with Asian social organizations.

3

### Advocacy

**Values-based business models** for transacting with companies and engaging communities

### Daylight

Up to 10% cash back is offered for spending at LGBTQ+ allied businesses<sup>3</sup>.

...and the credibility and agility to expand their services beyond transactional banking, diversifying their revenue streams in the process.

AFFINITY BANKS WILL LOOK TO CONTINUE TO EMBED THEMSELVES WITHIN THE GROUPS THEY SERVE BY:



Connecting members across the community.



Using their platform to scale beyond banking.  
*(e.g., insurance, health care products)*



Rewarding members who engage with the community.



Embedding financial wellbeing and education into the user experience.



Creating new opportunities for impact investing.



### SO WHAT?

What does the affinity market mean for incumbents and aspiring challengers in the days ahead?

## OUR PREDICTIONS

01

Incumbent's risk losing up to 10% market share to digital challenger banks if they do not seriously serve underrepresented affinity groups.

*INCUMBENTS:* WHICH AFFINITY GROUPS CAN YOUR BRAND AUTHENTICALLY SERVE BETTER?

*CHALLENGERS:* HOW CAN YOU FURTHER DEPOSITION INCUMBENTS AMONG AFFINITY GROUPS?

02

Digital challenger banks will likely evolve from **exploratory customer acquisition to retention due to values** and maturity of the offering.

*INCUMBENTS:* WHERE DO YOUR VALUES MOST INTERSECT WITH YOUR CURRENT AND TARGET CUSTOMERS? WHERE DO THEY MISALIGN?

*CHALLENGERS:* HOW CAN YOU CONTINUE TO BUILD PENETRATION, RETENTION AND SHARE OF WALLET WITH YOUR TARGET?

03

Aggressive Merger & Acquisition and Joint Venture markets could emerge **with incumbents trying to inorganically buy challengers** for their capabilities and value propositions.

*INCUMBENTS:* WHAT IS THE RIGHT PLAY FOR YOU BETWEEN EXTERNAL PARTNERSHIP/ACQUISITION VS. INVESTING INTERNALLY?

*CHALLENGERS:* SHOULD YOU LOOK TO INCUMBENTS FOR NEW ADVANTAGES OR WILL THAT DAMAGE YOUR PROPOSITION?

04

Affinity banks will strive to move beyond being transactional banking providers, **becoming linchpins of the affinity groups and communities they serve.**

*INCUMBENTS:* WHERE AND HOW CAN YOU UNIQUELY DEMONSTRATE VALUE WITHIN COMMUNITIES?

*CHALLENGERS:* HOW CAN YOU BE SEEN AS PROVIDING IRREPLACEABLE VALUE BEYOND JUST BANKING SERVICES?

05

Market relevance and brand strength of incumbents could be eroded, **as customer stickiness will be driven by feel and personal values (ethos).**

*INCUMBENTS:* HOW CAN YOU APPEAL MORE TO SHARED VALUES? IS A PART OF YOUR BUSINESS A "COMMON ENEMY?"

*CHALLENGERS:* HOW CAN YOU PROVE COMMITMENTS AND VALUES IN A WAY THAT IS AS DISRUPTIVE AS YOUR BUSINESS MODEL?

Creating lifetime value for the market and customers requires banks to be proactive in:

### **Properly aligning brand, purpose, and profit...**

...to create a business model that benefits both clients and communities.

### **Adopting a multidimensional segmentation strategy...**

...that evaluates customers needs and values holistically.

### **Implementing features and rewards...**

...that align with customers' values and directly benefit their peer community.

### **Designing human experiences...**

...through inclusive innovation and embedding affinity values systematically.

### **Looking beyond banking...**

...and leveraging digital platforms to offer diversified non-bank products which are desired by customers.



Let's talk!



## Nick Cowell

Digital Banking Strategy  
Monitor Deloitte  
*nicowell@deloitte.com*



## Menes Etingue Kum

Customer Strategy & Applied Design  
Doblin | Deloitte Digital  
*metinguekum@deloitte.com*



## Julius Tapper

Head of Inclusive innovation  
Deloitte Ethos  
*jutapper@deloitte.com*



## Lola LeGrand

Digital Banking Strategy  
Monitor Deloitte  
*llegrand@deloitte.com*

### **SPECIAL MENTIONS:**

*Tim O'Connor, Gys Hyman, Brandon Parrott-Scheffer, Olivia Mikkelsen, Matt Cloud, Darren Chow, and Tara O'herlihy*



## Disclaimer

This presentation contains general information only and Deloitte is not, by means of this presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional adviser.

Deloitte shall not be responsible for any loss sustained by any person who relies on this presentation.

### About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.