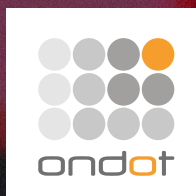


Whitepaper

How Millennials and Gen Z can power
growth for financial institutions

JUNE 2020



It's no longer just millennials



For a long time, digital-first customers were the “young” customers who were the future of the bank or credit union, but not today’s high value accounts. That has changed.

It's no longer just millennials who want to use digital tools. A majority in every generation now sees digital as a primary channel for interacting with their financial institution. But more importantly, those young, digital-first customers are no longer the future of banking - they are the present. Millennials (25-39 years old) and adult Gen-Zers (18-24) represent over \$3 trillion in spend⁹ and Millennials are more likely than other generations to have multiple products with their financial institution.¹²

THE DIGITAL GENERATION GROWS UP

It's hard to believe that older millennials are approaching 40 years of age. But they are still digital-first, and particularly mobile-first. They have never known anything except a digital world and are comfortable embracing new technologies that make life easier or provide instant gratification. Younger consumers are driving demand for a new breed of digital banking with highly engaging, no-friction simplicity – every step of the way.

If the customer experience isn't easy and appealing from the get-go, these digital-native audiences won't stick around. Millennials and Gen Zers will be dominant segments in banking for years to come, making it essential for financial institutions to get the digital experience right to compete and win.

DIGITAL-NATIVES ARE INFLUENCING CHANGE

First, let's look at the landscape. Millennials are a sizeable force, comprising over a quarter of the total U.S. population.² That's more than 83 million people – and 97% use mobile banking,³ spending 79% of their banking time online or using a digital banking app.⁴ This generation is three times

more likely to open a new account using their phone⁵, and they want fast, digital convenience to solve service issues.

They can also be more fickle and demanding than other generations. Digital experiences must be simple from start to finish. 43% of millennials have abandoned mobile banking when a process took too long or seemed too complicated.⁶ And 45% of this segment say they would switch banks or credit cards if a better option came along.⁷ They are 2.5 times more likely to switch financial institutions than Baby Boomers, and 1.5x more likely than Gen X.

Now add in Gen Z adult consumers. Every month, over 50% of this segment use digital wallets and over 75% use other digital payment apps or P2P apps.⁸ Gen Zers are rapidly redefining social engagement (as evidenced by the meteoric rise of TikTok). As a result, they expect highly engaging experiences which, in turn, influences their product and service provider choices.

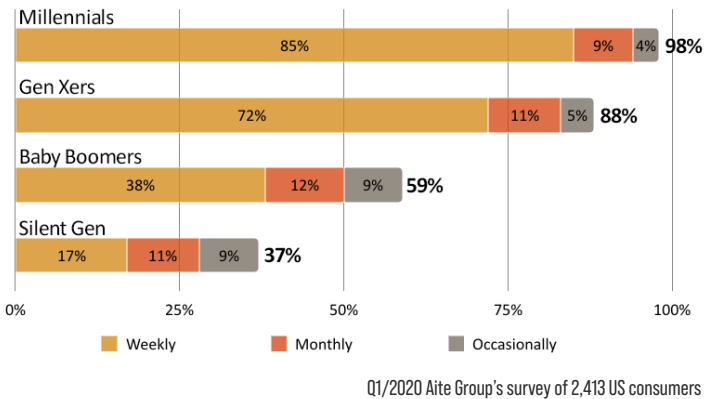
YOUNGER GENERATIONS BRING BIG VALUE TO BANKING

Digital native generations are shaping the future of banking. And rightfully so, given they represent tremendous current and future value. Spending power of millennials is estimated at over \$3 trillion⁹ and Gen Z is \$143 billion.¹⁰ Also consider that these generations stand to inherit about \$30 trillion of wealth from their baby boomer parents, peaking in the next 10 years.¹¹

Millennials are actively proving that value in how they engage their financial institution. They often have more products than any other generation, with 21% using five or more products.¹² Savings is a big focus for them, trying to juggle heavy student debt while affording life milestones like marriage, kids, and home buying. As an example, in 2019, Bank of America reported having 16 million customers aged 25 to 41, holding nearly \$200 billion in savings.¹³

P2P payments are also on the rise, thanks largely to younger generations. 79% of Gen Zers make digital payments at least once a month, preferring P2P and business-to-consumer (B2C)

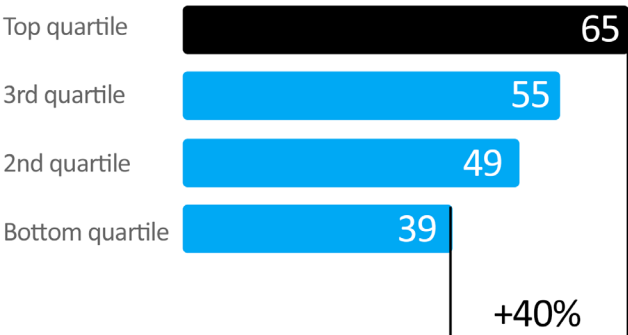
How often do you login to Mobile Banking



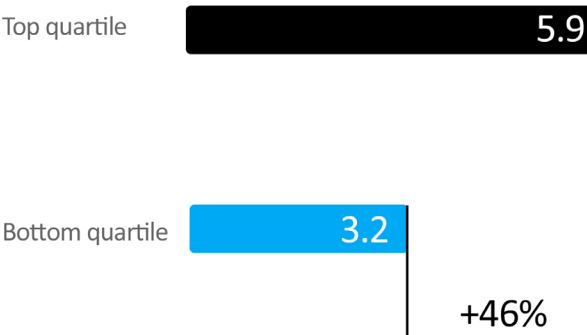
Gen Z are early adopters, but they can be **fickle**. Issuers need to make card apps as compelling as possible, or younger consumers will move on.¹⁵

Real differences in customer satisfaction

% of customers rating 9 or 10



Deposit compound annual growth rate - 2014-17



01 ONBOARDING

People can apply, get approved, and start spending - all in just a few taps, right on their smartphone.

02 SELF SERVICE

In moments of high tension, like when their card is lost or stolen - people need quick reassurance and control.

03 PAYMENTS

Payments are the most common and frequent interaction customers will have with you.

digital payments over other payment methods.¹⁴ With tech giants like Google and Amazon gaining traction in the payments space, banks and credit unions need to deliver more innovative digital experiences to stay competitive.

KEY AREAS OF OPPORTUNITY FOR DIGITAL BANKING

To meet the needs of young consumers, don't think in terms of features, think about experiences. Consumers want every interaction to be easy, intuitive, and frictionless across the entire journey. Digital-natives, in particular, demand simplicity or they will look elsewhere. Clean, modern design is also essential to attract and win younger generations.

And the whole experience must be mobile-first, not just digital. For most financial institutions, that's a tall order. Too many common banking needs require numerous steps, in too many places.

So where should you focus? Here are three critical areas for targeting digital transformation...

1. Onboarding

MAKE IT SIMPLE.

You won't even have a shot unless your digital banking experience is ultra-simple, right from the beginning. Look at the Apple Card. People can apply, get approved, and start spending - all in just a few taps, right on their smartphone.

SIMPLIFY DECISION-MAKING.

Millennials want instant gratification in one, informative click. Gen Zers take it a leap further, wanting apps that can predict and provide what they need without having to make manual selections. It signals an opportunity to

show existing customers you know them by integrating predictive intelligence to make offers more personal and account opening faster.

INCREASE VISUAL APPEAL.

Younger consumers expect digital experiences to be entertaining as well as educational. It's time to innovate models that help customers manage money in more visual and engaging ways.

2. Self-service

HELP CUSTOMERS HELP THEMSELVES.

Especially in moments of high tension, like when their card is lost or stolen - people need quick reassurance and control. In this case, for example, make it easy for customers to turn off the card, report the loss, and get a digital replacement, all in one place, right away.

MAKE IT SEAMLESS TO MANAGE MULTIPLE PRIORITIES.

Customers have interconnected financial needs (e.g., many millennials focus on paying down debt while accumulating savings). Giving people intuitive, integrated digital tools for managing money and budgets can reinforce that your institution cares about what matters to them.

3. Payments

STREAMLINE THE EVERYDAY.

Payments are the most common and frequent interaction customers will have with you. A winning digital experience enables them to use their money, understand their spending, and manage their cards, all in just a few taps.

EMPOWER CARDHOLDERS.

Millennials have had more financial headwinds than other generations, including student loans and two major

MOBILE-FIRST EXPERIENCE

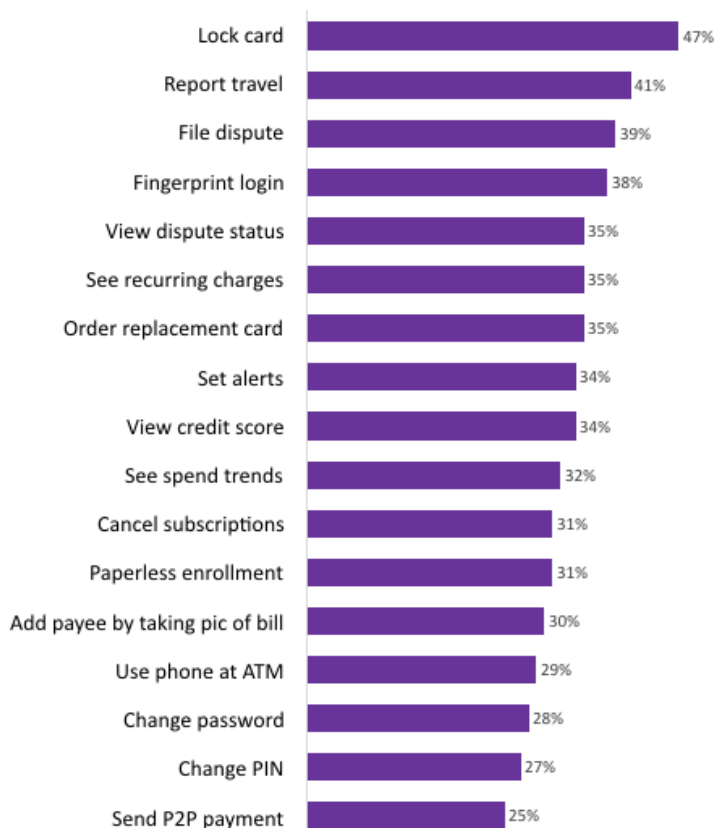
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recessions. As a result, they want to feel in control of their money and spending, with 73% saying they stick to a budget.¹⁸ They will be more comfortable choosing a top of wallet card that helps them be aware of their spending and feel in control. Offering spend insights, budgeting tools, alerts and card controls can help build their loyalty and wallet share.

THE INNOVATION IMPERATIVE

Digital transformation is on everyone's agenda. But to compete and win with important customer segments like Millennials and Gen Z, banks and credit unions need to think beyond features. Now is the time to take cues from digital-savvy consumers, to transform everyday banking into simple, yet rich experiences that drive deeper engagement and lasting relationships.

Features most in demand from consumers



<https://www.businessinsider.com/banking-industry-trends>

“Gen-Z expects to be able to solve anything and everything from their mobile device, and that includes banking.”¹⁶



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