

# THE MARYLAND BANKER

THIRD QUARTER 2009



THE OFFICIAL PUBLICATION OF THE MARYLAND BANKERS ASSOCIATION

# Marketing to Generation Y

*They're your bank's future*

By Christina P. O'Neill



Generation Y, born between 1979 and 1999, are your bank's future. They've already surpassed Baby Boomers in numbers and will exceed them in annual income by next year. They're "digital natives," the first generation to grow up with computers, but they're also a social generation. How well you provide their favored technology and how you use it to communicate with them will determine your success in recruiting and retaining them as customers.

For boomers, technology was an end in itself, says Larry Cohen, director of the Consumer Financial Decisions group at SRI Consulting Business Intelligence. But for Gen X and Y, it's just another medium

of exchange that they learn quickly.

The way Gen Y communicates and consumes information is an essential part of who we are, says Cobey Dietrich, director of advertising and public relations at Bel Air-based A.Bright Idea LLC. "Their computer will be their window to work, socialization, and online banking."

"Their social network defines their lives," says Anita Newcomb, president and founder of A.G. Newcomb, a Maryland-based management consulting firm focusing on the banking sector. These social networks will be critical elements of banks' marketing strategies to reach this valuable customer segment. At present, there are almost 60 banks with a presence

on Facebook, she says, but there's more that banks could do to attract Gen Y.

Tony Coretto, managing partner of PNT Marketing Services Inc. in Long Island City, NY says institutions may start distinct, co-branded spinoff sites targeted to Gen Y, with snappier design than a "plain-vanilla" banking site.

But the ease of establishing a long-term web-based banking relationship with Gen X and Gen Y also gives them more opportunity to research the competition. "Banks have to adopt a different strategy of communication," he says. Gen Y will be suspicious of a standard corporate line. Communications must be relevant and targeted. "If you're not on Facebook,

you're missing on an opportunity to provide information on your services, but you don't want to be overtly pitching or advertising."

### Getting the message right

When First United Bank and Trust Co. redesigned and updated its web site, the bank's chairman drew from the ranks of bank employees under age 30. The Oakland, MD-based bank is now investigating an entry into mobile banking by next year – to be led by a Gen Y'er – and is contemplating establishing a presence on a medium such as Facebook or YouTube. "We're not there yet," says **Rick Thayer**, senior vice president and director of marketing. "We're a community bank and we are fairly conservative. We're still in the process of understanding the commitment we make by going out there at all, refreshing the content on the web site, and making sure we have the message right." Additionally, he says, as First United investigates mobile banking, it will want to make sure to offer the most secure site available.

What does Gen Y want? Immediacy, individualism and social interaction, Thayer says. When the bank redesigned and rebuilt its web site, it incorporated practical financial calculators such as the Lunch Savings Calculator, the Rent vs. Buy calculator and the Cool Million calculator. "We added more content, so when they visit the web site, it's not just static," he says.

A. Bright Idea's Dietrich says Gen Y's understanding of technology is innate – and their thirst for constant new information requires that banks constantly refresh their web sites with new information to attract a generation that uses web products such as del.icio.us and RSS feeds. Clients with web sites five or six years old that aren't getting any new traffic are very likely not refreshing the site with information Gen Y wants, she says.

A. Bright Idea's client, Slavia Federal Savings Bank, came to the agency for marketing support. Founded in 1900 in Baltimore, it built its reputation as a "heritage bank," good for stability and strength. However, Dietrich says, the concern was that the bank might appear too traditional for Gen Y.

The agency developed the tag line, "Discover Today's Slavia," to refresh its

image and updated the bank's web site to a clean, fresh and functional look. It markets opportunities for first-time homebuyers – the upper end of the age bracket for Gen Y. It also utilized a nontraditional approach with radio personality endorsements in the Baltimore market with a campaign featuring regional talk show host Ed Norris, whose show targets men aged 18 to 49.

### Helping Gen Y help itself

Another bank, the super-regional PNC Bank, teamed with IDEO, a research firm, to do in-depth ethnographic studies across the United States and South Korea, to determine what differentiates them from other age cohorts. Researchers visited customers at home, asking about their money management strategies and what they wanted to see in financial service tools.

Gen Y customers want help to help themselves, says **Michael Ley**, vice president of e-business and payments for PNC. Services have to be simple, clear and on-demand because some of the day-to-day money management concepts haven't been taught in school, he says.

PNC Bank's Virtual Wallet program, in development since late 2007, was launched in August of last year. It calls the checking account the Spending account; a short-term savings account with a lower interest rate is the Reserve account, and a long-term savings with a higher rate is the Growth account. Customers can move money between accounts by using a money-bar slider.

"We found that there are many customers trying to [aggregate information] on their own," Ley says. "They have a checking account in which they might have tucked away \$200 as a reserve. We tried to visualize that and put it in a context they can understand. The Virtual Wallet represents how these folks think about their money."

### Two-way communication: Are you ready for this?

Gen Y wants the capability of critiquing customer relationships, and sharing that critique with their friends. "It's essential for a bank to enable users to critique their interface with the bank. But few banks are thick-skinned enough to put those critique comments on line," Newcomb says.

## Marketing to Gen Y and Their Parents

About 11 million U.S. households domicile children who can no longer be claimed on their parents' taxes. Larry Cohen, director of the Consumer Financial Decisions group at SRI Consulting Business Intelligence, calls them Boomerangs. "A lot of entry level jobs don't pay enough to support living independently – or to support the lifestyle to which children have become accustomed at their parents' house," he says. "Also, parents are more open to having children stay in the home, compared to previous generations."

However, he notes that there is considerable pent-up demand for household formation. "The speed with which households form increased in the 90s and dropped off a cliff in 2000. It has remained at a lower level since," he says.

Some adult children may remain Boomerangs into their 30s, an adult child dependency pattern Cohen regards as not optimal for either child or parent. Having a Boomerang at home compromises parents' ability to save for retirement or to downsize their living quarters. Then, there's the wear and tear on the car, and health insurance. If the child living at home doesn't have a job that pays for health care and they get sick, parents won't let them go without, he says.

A good bank product for Gen Y might be to construct a long-term nest egg, to start on the down payment for a house, or to pay down school or other debt, he suggests. Another vehicle could help the parent save for retirement. Alternatively, a bank could develop a product for Gen Y children linked to their parents, in which a parent could match a percentage of what the child puts in the growth fund.

Corporate transparency has become a critical element of the value proposal, particularly since September 2008, the height of the financial panic on Wall Street, Newcomb says, “Gen Y wants total transparency in disclosure of fees and terms, and they want to align their values with the values of companies [they perceive are] like them. They will combine their social and civic beliefs with action.”

That said, Gen Y is also more entrepreneurial than any other customer set, and seem set to become the small-business owners of tomorrow. They’ll need some help to get there, though. “They are well-educated but financially illiterate,” Newcomb says. “They need products and services that facilitate their banking wisdom. For example, products that help them develop a pattern of saving, because they haven’t been savers.”

### **Greed is good – NOT**

“Gen Y is socially conscious, and want their bank to be, too,” says SRI’s Cohen. Gen Y has been exposed to the big financial scandals and implosions of the past eight years. “This is a time of great velocity. For this generation to have this exposure at a time when they are becoming independent, it will have long-term impact,” he says.

Of all groups surveyed, Millennials – those aged 18 to 24 – present the lowest level of confidence that Social Security will be there for them. But while they believe they’ll have to work longer, they also want to not only do well, but to do good. “Many have a responsible streak and a strong sense of civic duty,” says Cohen. “Gen Y may be first to say greed is not good.”

### **Making it stick**

Research has determined that it’s five to 10 times more expensive to recruit customers than retain them. Community banks’ challenge will be how to keep Gen Y customers who move away from their home region when they leave college, Newcomb says.

Gen Y is a natural for time-saving online applications that aggregate all their financial information into one convenient place, promoting “sticky” behavior that results in customer retention.

“Sticky behavior makes accounts ‘stick’ with banks, and makes them harder to disentangle. Rather than a

retention strategy, it can be a growth strategy,” notes Coretto. “If you’ve got a customer you want to keep, enroll them in direct deposit payroll, online bill payment, or automatic transfer payments to their credit card or mortgage. Anything that is a link that would have to be severed if the customer changes banks is one more reason to stay with the current bank.”

How hard is it, really, to sever those links? “The perception is often greater than the reality,” Coretto says. Filling out forms, providing identification, setting up direct payroll deposit by providing your employer with a voided check from the new account (and usually waiting a pay cycle for the direct deposit to activate) takes maybe a couple of days. Once a seamless system is in place, “customers are loathe to disrupt that.”

Young consumers who have tie-ins to Quicken or account aggregation sites such as Mint.com or Yodlee.com, have even more reasons to stay with their current bank, rather than pull out and replace all their bank-related links. Once a customer has these financial linkages in place “a bank has to do something egregiously bad to drive them away,” Coretto says.

### **Acceptance**

While Gen Y are the early adopters of new technology, bankers say older demographic groups are also adopting new technology at a quicker rate than in the past, placing banks which offer new services earlier a competitive advantage as the adoption rate accelerates. For the late-comers, new services become a “me-too” and profitability is not what it could have been with an earlier adoption rate, says First United Bank and Trust’s Thayer, who sees the day when mobile banking will be yet another free service, used as way to increase sales and retention.

He cites research that shows that customers who regularly use online bill pay are up to 95 percent less likely to leave compared to others. Customers who don’t use online bill pay are 43 percent more likely to leave. A person who uses a debit card is 1.5 times more likely to buy another banking product than someone who just uses checks.

As Gen X and Y research mortgages and other loan products, they can comparison shop within their respective online

communities, comparing rates and points, and getting advice from their online community rather than the bank.

It’s a far cry from a generation ago – or even more recently – when talking about money was considered taboo. “Given the community ethic that has arisen with Facebook, LinkedIn, Twitter, and other social networking sites, there is an entirely different attitude about sharing personal information,” Coretto says. “The advice comes from the community, not a third party like a bank.” That leads to commoditization of financial products and services unless banks can make their messages relevant to the community, Coretto says. ■

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