Understanding the New Age Wave: Gen Y

Marketing Info and Ideas

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Insights Into What Makes Gen Y Tick

Are young adults today so different than their parents and grandparents?

Yes and No. From the impact of growing up "digital" to going through recessionary times, the influences are different, even extraordinary. According to a Pew Research Study in 2015, 24% of teens go online "almost constantly," facilitated by the widespread availability of smartphones.

Yet, there are still the same interests, peer pressures, dreams and struggles that come with merely maturing, aging, and experiencing life.

The Gen Y group is ambitious, optimistic, grew up with major brands, are searching for a career that inspires and pays well, consider getting married and having kids. Basically, like their parents, they want balanced lives complete with well-paying jobs at good companies that provide flexible work options, as well as opportunities for raises, bonuses, and/or promotions.

Really, young adults pretty much all are going through life's events and will need financial services to make their lives work! However, to influence their decision of which financial institution to use, it does help marketers to understand how they communicate, what they think, and how they make decisions. In essence, what makes this version of young adults respond to marketing offers and brand experiences?

Jason Dorsey, author of Y-Size Your Business, published in early 2015 wrote, "Gen Y often has a feeling of entitlement. However, that is not true for everyone in my generation. In fact, we are witness to a dislocation between the Gen Yers and Millennials who have their stuff together and those who are struggling to gain real-world traction. Gen Y is NOT tech-savvy. We are tech-dependent. We often don't know how technology actually works, only that we can't live without it. Gen Y loves instant gratification. We are notorious for not being able to wait in line – especially when getting coffee! Gen Y is known for having big expectations but not always knowing or valuing the steps involved to reach those expectations."*

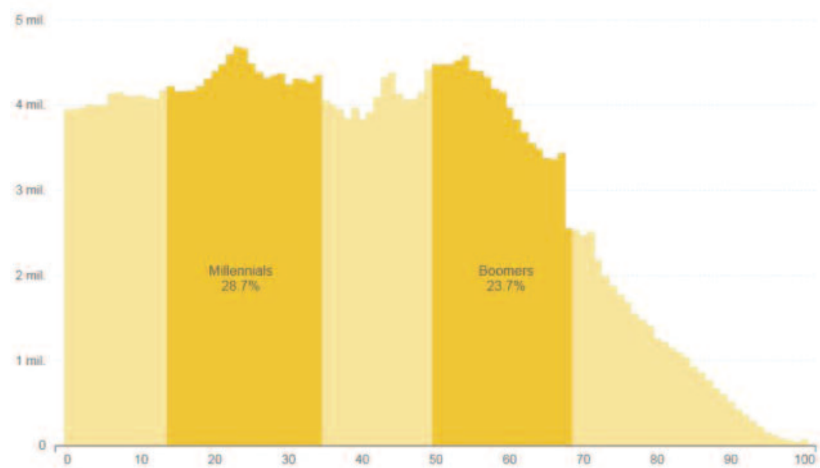
What does this mean for financial services as an industry?

In trying to reach teens and young adults, Dorsey had provided some insights to an e-book for The Center for Generational Kinetics that:

- Gen Yers may expect their parents to help them, but as they mature, members of this generation are having to rely on themselves more and more.
- Technology is how Gen Y wants to connect with professionals, firms, and financial information.
- Instant access to their ongoing financial progress is essential to Gen Yers.
- Gen Yers pay attention to how global events affect their investments.

U.S Estimated Population by Age

Millennials make up the largest share of the U.S. Population



Notes: Here we define millennials as being born between 1980 and 2000 and baby boomers between 1946 and 1964
Source: US Census Bureau Monthly Population Estimates (June 2014). Credit Alyson Hurt/NPR

*(*Cite: Jason Dorsey, Gen Y Is Ready to Invest … Are You Ready to Advise Them? The Center for Generational Kinetics in 2012)*

Gen Y Insights

The Pew Research Center published a study in 2010 called, “The Millennials: Confident. Connected. Open to Change.” Insights into this generation, defined as millions of 18-29-year olds, included:

- They get along well with their parents.
- They respect their elders.
- They are becoming more educated with more enrolled in college, 39.6%, than in the past.
- They place parenthood and marriage far above career and financial success.
- They are wary of human nature with 66% saying you can’t be too careful.
- They are less skeptical of government than their parents.
- They are the least overtly religious, not joining formalized religion, yet pray about as often as their elders.

Additional key pieces of information:

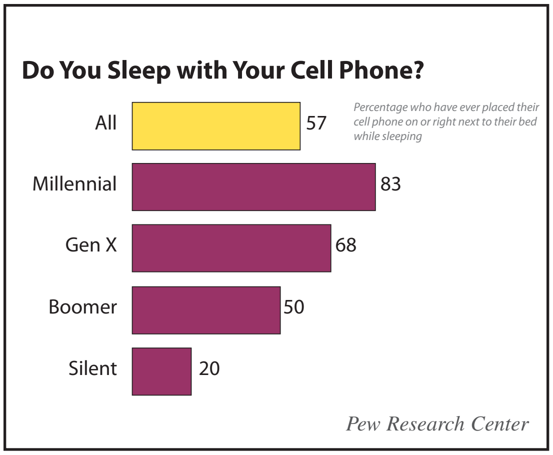
- 37% are unemployed
- Only 21% are married, yet one third are already parents
- Only 1 in 6 were raised by both parents

Regarding use of connecting, social media, email and the Internet:

- 75% have set up a profile on a social networking site
- More women (33%) than men(24%) social networking users visit a social networking site several times a day
- 83% sleep with their cell phone by the bed
- 65% say television and 59% cite the internet as their main source for news
- From television, 43% use cable news stations while 18% use network
- Online for news and information, one-fifth (20%) mention Yahoo, 18% cite CNN, 10% Google and 7% MSN

About Finances:

- 77% worry that they are not saving and investing enough
- 36% depend on family members for financial support
- 20% feel that owning a home is one of the most important things in their lives



They Think Differently

While every generation has unique aspects that effect how youth behave or adapt to changes, the majority of Gen Y or Millennials, have become the first digital natives. While the Boomers and Gen X have been impacted by the changes in technology, those generations adapted to new technology as it became popular and available.

In approaching this generation, here are some insights from Micah Solomon, a customer service consultant and author in the Forbes Signature Series eBook, Your Customer Is The Star: How To Make Millennials, Boomers And Everyone Else Love Your Business:

- Millennials expect technology to simply work–so you’d better make sure that it does.
- Millennials are a social generation—and they socialize while consuming (and deciding to consume) your products and services.
- They collaborate and cooperate–with each other and, when possible, with brands.
- They’re looking for adventure (and whatever comes their way).
- They’re passionate about values–including the values of companies they do business with

What this means for your credit union is the ability to attract Gen Y/Millennial financial relationships will be heavily dependent on technology in a way that it provides seamless access to their money into their technology habits.

From a Pew Research Report, “It’s not just their gadgets — it’s the way they’ve fused their social lives into them. For example, three-quarters of Millennials have created a profile on a social networking site, compared with half of Xers, 30% of Boomers and 6% of Silents. There are big generation gaps, as well, in using wireless technology, playing video games and posting self-created videos online. Millennials are also more likely than older adults to say technology makes life easier and brings family and friends closer together.”

Gen Y's Impact on Membership	Average Client CUs
All Retail Mbrs	48,799
Total Retail Mbrs 18-30	8,986
Percentage	19.14%
When did the Gen-Yer Open Their First Account?	
Under age 13	14.1%
Between ages 13-17	16.1%
After age 18	69.8%

Gen Y May Get Start Their Financial Start At Your Credit Union...Or Not!

What do you know about your Gen Y members? Do you know if your youth marketing is working or do you even have any youth marketing in place? I have always been a big proponent of children's savings programs and teen programs for their ability to engage parents with the credit union. Yet, often I hear a client's concern of what the impact really is of low balance children's savings accounts and then low balance checking accounts for teens as they get their first jobs.

To address the issue:

- First, I found that most young adults follow their parents' advice about where to do their banking.
- That led to wondering how many young people already had relationships at our client credit unions before age 18.
- Which meant using MCIF (database software analysis), to see that for larger credit union clients, 30% on average of the young adults opened account prior to age 18!
- Finally, what did this have to do with youth marketing? And each of those credit unions mentioned (see chart above) had some form of youth savings account or program to encourage young memberships.

So while it is good to attract more members ages 18-30, it is also a good practice to have them "financially" grow up doing their banking in the credit union!

From another Filene Research Institute study in 2014, young Americans aged 23 to 35:

- 66% of Gen Yers have at least one source of outstanding long-term debt whether student loan, mortgage, or car loan
- 30% have more than one source of long-term debt

In today's fast-paced marketplace, teens and young adults, ages 13 and up, have parents opening accounts to give their child access to a lifetime of credit union membership. For products, the key is to have a convenient and simple debit card product for teens and young adults for every day expenses instead of carrying cash. When the youth turns 16 and may need to direct deposit a paycheck from a part-time job, the credit union is the perfect place to start their money management.

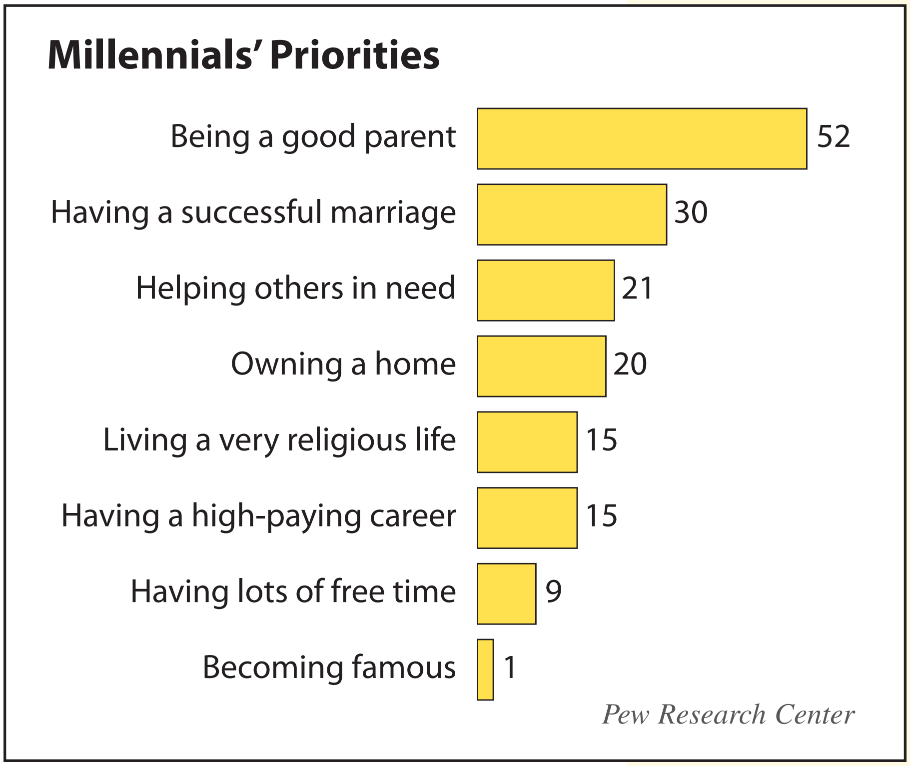
A key element in having a student or youth account is to consider something different than calling it a "checking" account. The youth of today are no longer writing checks because of the proliferation of debit transactions and services like PayPal.

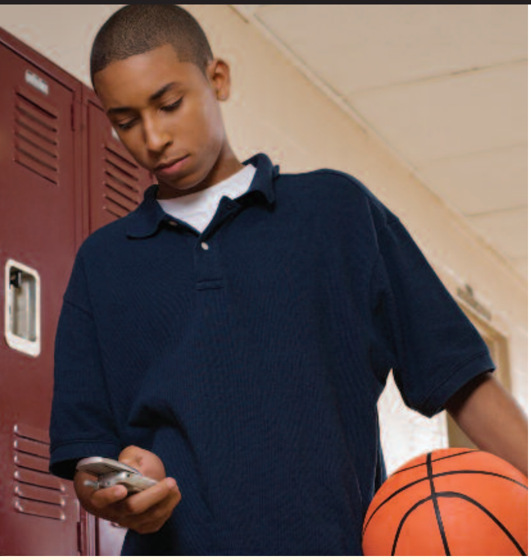
The benefit of having this joint account with a parent is that it provides flexibility for easy transferring of funds as well as more opportunity to build the credit union relationship. Also, the importance of being on the account allows parents to see the teen's transactions.

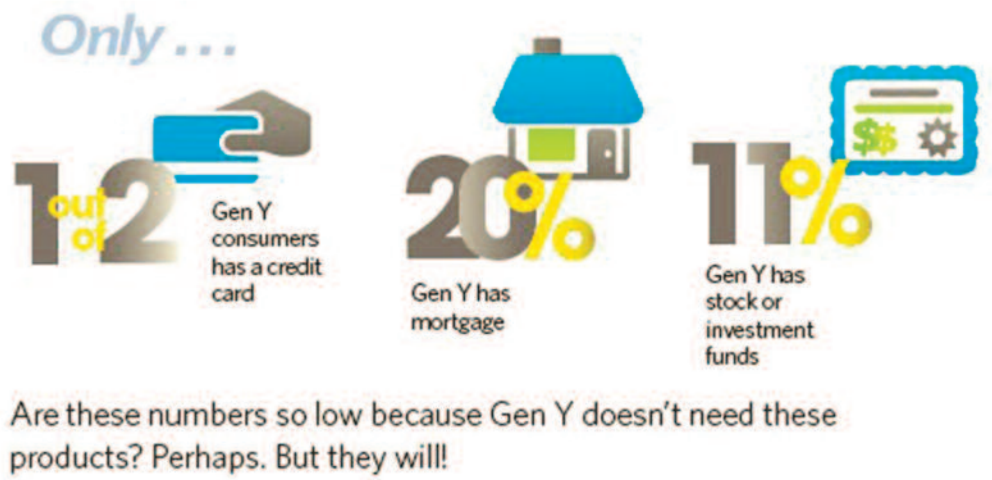
One way is to create a branded solution for your teen program to market to parents for which can be developed to add more financial education and products designed with the teen in mind. And, by creating a branded debit card, it offers a young adult the ability to have their own style of account, different than mom and dad's account.

With the proliferation of mobile apps, alerts can be sent to the teen's or young adult's smartphone such as low balance level or a due date on a loan. Gen Yers that fall into the category of college students or new to the job market are often living paycheck to paycheck and have a high demand for financial alerts. Educating young adults about setting alerts starts them on the path to better management of their money.

A way for a young adult to start building credit is by properly using a credit card. Create a student credit card program to allow two options, one a small line of credit depending on the age of the young adult and a secured credit card using a savings balance as collateral. As the young adult uses the credit card, the reporting to a credit bureau will help establish his/her credit score.







Cite: Javelin Research and Strategy, Gen Y: How to Engage and Service the New Mobile Generation, 2012 from Generation Y: Why They're Worth a Second Look, Harland Clark

It's predicted by 2025 three out of every four workers globally will be millennials…

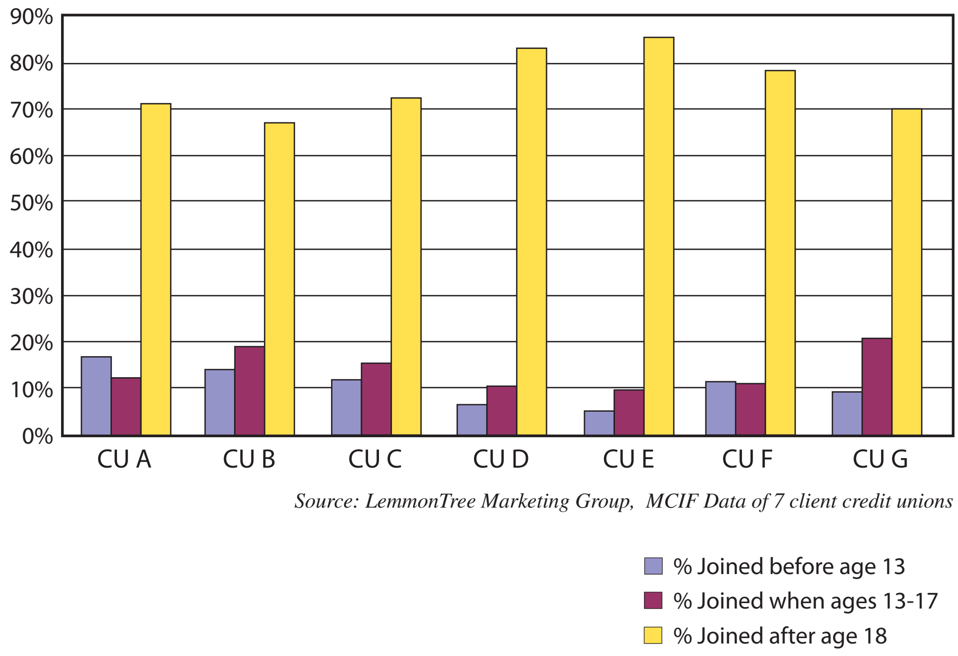
- Millennials are significantly more likely to transact with their bank through mobile apps than other age groups
- 34% of millennials leave their banking institution because account fees are too high
- Two-thirds of millennials expect to self fund their primary source of income in retirement through retirement accounts and other savings
- 73% of millennials are more likely to be excited about a new offering in financial services from Google, Amazon, Apple, Paypal or Square than a traditional financial institution

Cite: Coming of Age: Young Adults in 2015, By Manpreet Nat, Research Associate, Filene Research Institute & James Marshall, The Cooperative Trust, April 9, 2015

Do You Have Gen Y Engaged? Pull the Data!

A review using MCIF database analysis of several credit union clients revealed some interesting aspects of the relationships developed with Gen Y. The first chart shows the percentage of young adults in Gen Y according to when they opened their first account. What's significant is that the average for larger credit unions, asset sizes from $250 to $500 million, was closer to 20% while adding in smaller asset size clients ($100 million and less) was a little over 18%.

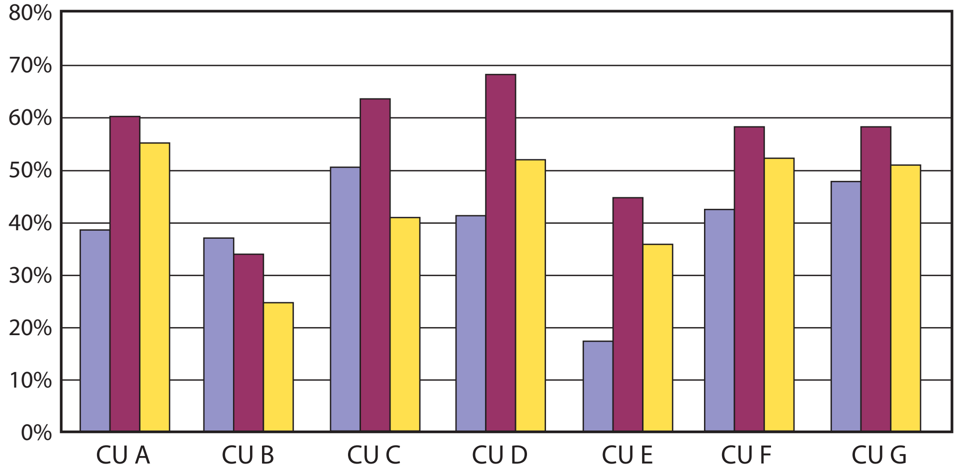
Gen Y, Ages 18-30, by Age Range of Joining CU



Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

For Checking accounts, the most important finding was the higher penetration of among those who joined their credit unions when they were ages 13-17. In the chart below, almost every credit union had more penetration of checking for those joining their credit unions as a teenager. Also, most had a high penetration of checking for members who joined or accounts were opened as children (ages 0-12).

Gen Y Penetration of Checking by Age Range of Joining CU

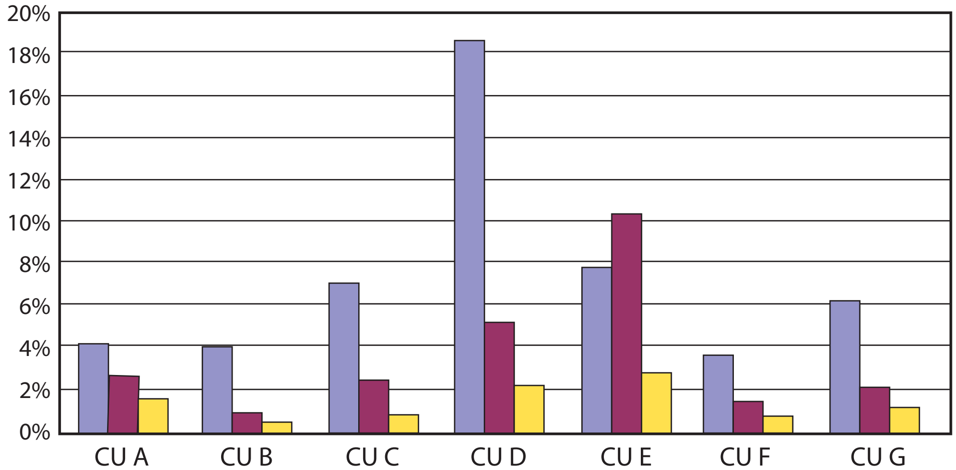


Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

% Joined before age 13
% Joined when ages 13-17
% Joined after age 18

CU D in the chart below had a certificate product which allowed add-on deposits, so it had acquired a large percentage of young member business. Interesting finding was that the penetration of Certificates was higher with early joiners (as children) probably due to parents starting the savings habit.

Gen Y Penetration of Certificates by Age Range of Joining CU

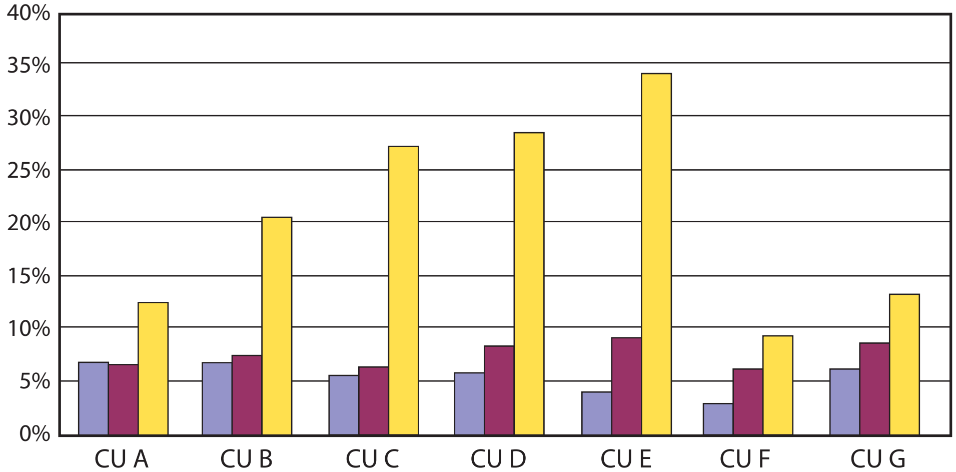


Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

% Joined before age 13
% Joined when ages 13-17
% Joined after age 18

Auto loan penetration was greatest with those young members joining after age 18. For most credit unions, indirect lending has attracted a lot of young members. In addition, a couple of the credit union clients had young military members, which is usually characterized by getting new vehicles.

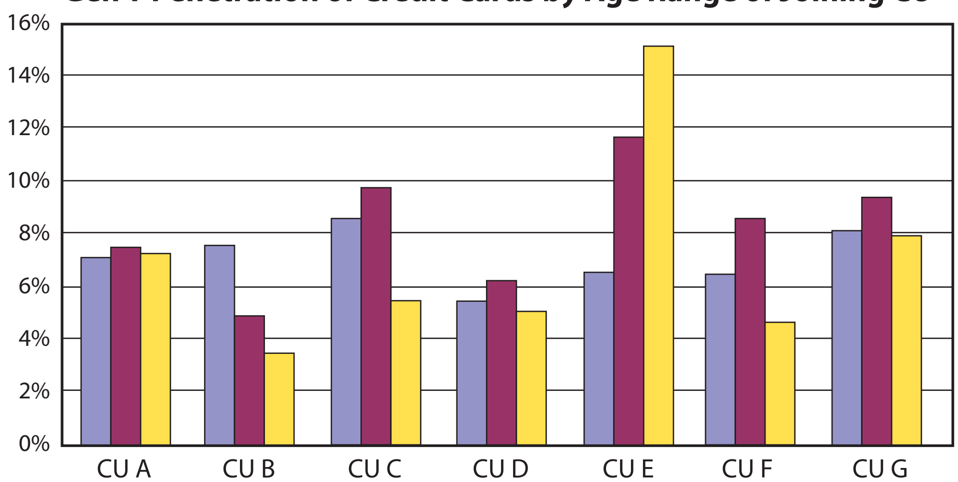
Gen Y Auto Loan Penetration by Age Range of Joining CU



Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

A final product reviewed was credit cards to see if there was anything significant about those members who joined in their early years. Below is a chart the shows the impact of getting young people to join by at least age 13 because there was a significant penetration of credit cards in almost every credit union with members who joined in that age range. In most of the credit unions reviewed, the Gen Y members who joined before age18 were more likely to use the credit union's credit card.

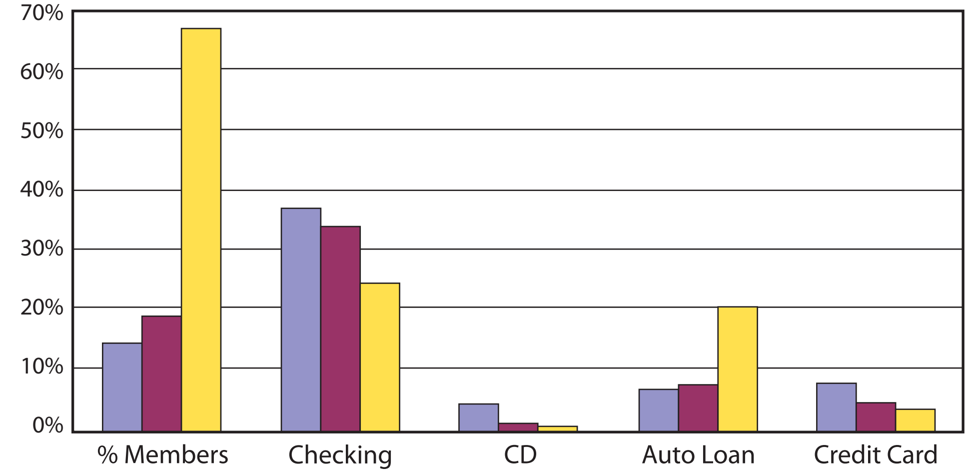
Gen Y Penetration of Credit Cards by Age Range of Joining CU



Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

To add some individual credit union perspective, below is a chart from one credit union client that is over $300 million in assets. The far left bars represent the percentage of members that are currently ages 18-30 broken out with respect to when they opened their first account. The next four sets of bars are product penetration of those groups for Checking, Certificates, Auto Loans, and Credit Cards.

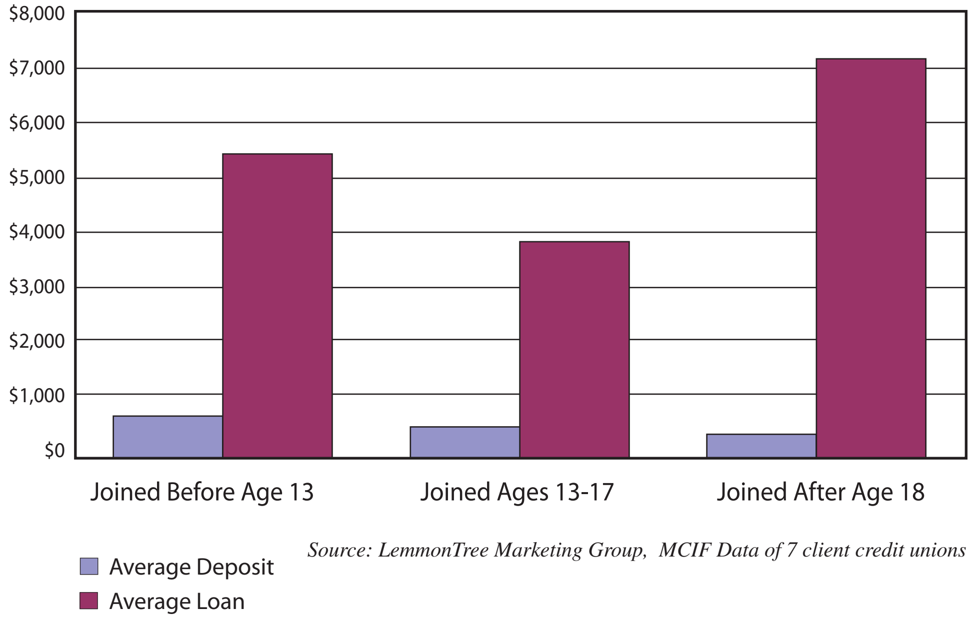
Penetration of Products for Gen Y, Ages 18-30 for CU Client $300 Million in Assets



Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

As an indication of the impact of youth programs and/or having parents open accounts at a young age. The aspect of introducing young children and teens to money management should be reviewed from various angles. Below is the average deposit and loan balance according to when Gen Y members actually started their memberships. Deposit balances are higher at this client credit union for members who joined under age 13. The average loan balance was higher for the Gen Y member joining after age 18.

Average Deposit & Loan Balances for Gen Y, Ages 18-30, for CU Client $300 Million in Assets



Source: LemmonTree Marketing Group, MCIF Data of 7 client credit unions

Where will marketers find young Gen Y?

The connection to their smartphones makes it critical to have a presence in social media. For teens, the idea is not to try to attract them to "Like" your credit union on Facebook or follow you on twitter, but to use those social networks for providing good money management information. With the visual aspects of all the social media including photos and videos, you can tell better stories about handling money, credit, and saving. A post about protecting one's identity or how credit scores impact how much interest the person pays for a loan, are ways to give valuable info in short sound bytes with a photo or video to engage the young adult.

Key Findings for the Next Generation

There does seem to be a sweet spot with those young people who join the credit union between ages 13-17. Having the ability to use MCIF database analysis to review some statistics about current Gen Y members helps to confirm the value of getting children and young teens into the credit union membership. From the high penetration of checking, certificates and credit cards, getting young members involved as early as possible will result in more product penetration as they grow up.

While credit unions that were analyzed have youth programs or special children's savings account mentions, those with more tools, newsletters and promotional messaging have an edge. The importance of having a marketing program is to attract the parents and give them a reason to open children's accounts.

How to Position Your Credit Union

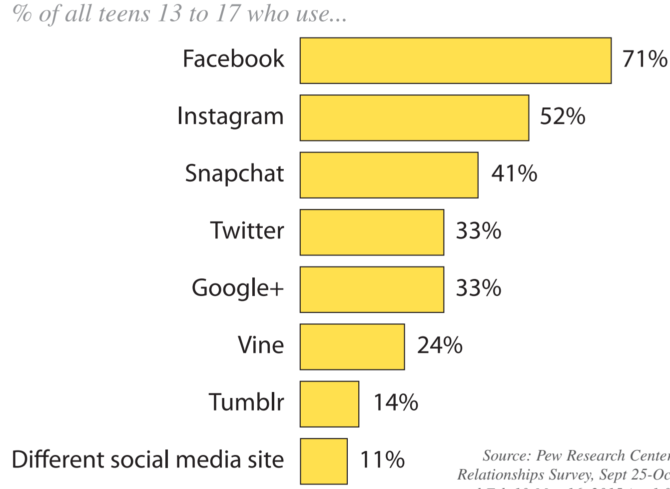
Understanding a diverse group of young adults that has grown up in the digital world makes every marketer question the messaging and the channels used to reach them. Yet, to effectively get them into your credit union's fold can potentially mean a lifetime of value.

To find them, make sure to get involved with high schools and middle schools in your field of membership. As our statistics show, client credit unions have attracted more checking accounts and deposits when young adults joined before the age of 18. Another key target is local community colleges, trade schools and universities. Since Gen Y is attending college at a higher percentage than their parents and grandparents, being near campuses and involved with students offers a means to be accessible.

Consider that Gen Y wants to have a voice, wants to participate, yet turns to their parents for advice, you really have two markets to address with multiple channels in play!

Facebook, Instagram and Snapchat
Top Social Media Platforms for Teens

% of all teens 13 to 17 who use...



Source: Pew Research Center's Teens Relationships Survey, Sept 25-Oct9, 2014 and Feb 10-Mar 16, 2015 (n=1,060 teens ages 13 to 17

More Tips…

For Parents:

- Provide resources, financial literacy, and engagement for teaching their kids about money management
- Incorporate young adult programs and children's savings programs to enable parents to start their kids learning about money which also gets them into your credit union family at the youngest ages.

For Young Adults:

- Provide online tools that offer two-way communication, quick answers, tips and information on how to make the most of their money.
- Don't be afraid to use television advertising on cable networks that attract the young adult demographic of 18-29, even up to age 35.
- Upgrade your mobile banking platform and make sure to educate young adults on how to best use the alerts and tools for their personal banking.

Final marketing tips in terms of marketing mediums of advertising, direct mail and online:

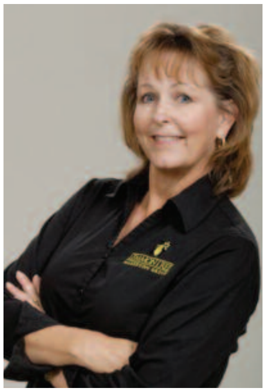
- Direct mail and promotions must not be too slick or may be dismissed.
- Gen Y does not care for fluff, aim for more substance.
- Online, make sure to send good offers in email but more importantly on your website and even Facebook.
- The key is to have a way for them to easily apply online 24-7.
- The Internet is now increasingly carried in their pockets on mobile phones, so mobile banking, e-alerts about accounts, and mobile site easily read on the smaller device have to be in place.

A final note about reviewing and recognizing their consumer power. While the Boomers made a significant impact through their lives, Gen Y is larger, digital and making an impact right now. The marketing planning you are doing right now may be to ramp up what you have in place, whether educational programs, microsites to attract them with resources, or specialty products for their lifestyles.

- What are you doing today that you can build into something more robust as the place for the family to do their banking?
- What youth debit card account options do you have?
- And what financial education, resources, and money savvy tools do you have to attract parents to open accounts for their kids?

Get moving with Gen Y to maximize their lifetime relationship with your credit union!

About this Paper



To better understand how credit unions are positioned with Gen Y, Nicolette Lemmon, President, LemmonTree, asked her team of MCIF data analysts headed by Dennis Koepke, VP, to pull together statistics from actual credit union data. Along with research from a variety of sources, this whitepaper addresses the importance of getting parents to open accounts for their children. Having worked with clients to raise awareness of the lifetime value of each member, the LemmonTree team has developed youth marketing strategies and tracked results.

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