KIDS, PARENTS, GRANDPARENTS AND MTV

by Steve Brown

Music Television ("MTV") launched 27Ys ago, with an original idea to play music videos. The very first video it showed was "Video Killed the Radio Star," which to this day makes us smile. Over the years, MTV has updated its programming to continue to capture key customers its advertisers are trying to reach. While perhaps not as hip and cool as MTV, community banks have also updated their own programming in an effort to capture new customers that range in age from the very young to the very old.

While there is no universally agreed upon breakdown as to the exact age range of specific generations, we provide some guidance below. In so doing, we will also define and explore each key customer segment and offer suggestions to assist community bankers in capturing more of each cohort.

The first group is the "Greatest Generation," aged 75Ys and older. This sector came of age during the Great Depression and World War II, so they have seen it all. They include some very wealthy people, but they are also worried. Surveys show this group worries most about fraud, health and terrorism. Banks should build product offerings around these three themes, focusing on fraud protection, healthcare savings and deposit products that help widows (who have outlived their husbands) manage their money. This group has well-established bank account relationships, is usually on a fixed-budget and may lack some mobility, so banks will have to work hard if they want to capture this group.

The 2nd segment is the "Silent Generation," aged 62Ys to 74Ys old. As with the 1st, these are good savers. Focus efforts on safety, security, convenience and explain the value of any offerings. They also respect the past and like to socialize, so themes focused on patriotism, held in settings where groups can get together are best. Finally, this group loves to read. Offering a book of the month subscription for opening an account can be effective in landing new customers.

The 3rd group is the "Baby Boomers," aged 43Ys to 61Ys old. Much has been written about the massive wealth transfer expected for this group, but analysis shows most of that (55%) will remain within the wealthiest 2%, so many people will be left out of the gold rush. Here, banks should also know 67% of Boomers are behind in saving for retirement, 25% have no savings at all and only 25% think they will have enough money to retire anytime soon. This group is most worried about retirement and having a financial plan, so they are ripe to buy life insurance, long-term care and establish better savings habits (thru banks offering financial training programs).

The 4th group is "Generation X," aged 27Ys to 42Ys old. They are tough to capture, because they are skeptical of traditions/institutions, consult peers about major decisions, regard jobs as contracts, maintain a detachment in business relationships and enjoy buying/selling things. Gen X lives in real-time and has a much higher expectation of commitment. Service, online capabilities, technology and financial assistance are all key services these customers want from their banks.

The last group is "Generation Y," aged 19Ys to 26Ys old. They are the ultimate technology generation and can multi-task like nobody's business. They have a short attention span, don't use branches, love cell phones/text messaging, don't have a check book and want to use a single card to do everything. Banks seeking relationships in this group should know that 68% are also being supported by their parents, so focusing marketing efforts on bringing them into the branch with their children is critical. To make it easy on the parents, give away iPhones or iPods and pitch an online integrated account platform, financial planning and an automatic investment program for added convenience.

No matter what generation you might be targeting, it could be time to consider updating your bank's programming to have the best opportunity to capture new customers - regardless of age.

BANK NEWS

M&A

First Arkansas ($487mm, AR) will purchase Greers Ferry Lake State Bank ($63mm, AR) for an undisclosed sum.

Downgrade

MBIA and Ambac, the world's largest bond insurers, had their "AAA" ratings cut by S&P (to "AA"). The cut affects more than $1T of guaranteed securities roughly $30B of which is held at banks.

Before Congress

Regulators briefed the Senate Banking Committee and said while banks are in relatively good health; challenges remain due to housing and general economic weakness. Of particular concern, regulators said loan loss allowances were well below levels of previous downturns and not keeping pace with delinquencies. Banks with residential A&D concentrations were said to be of immediate concern.

BofA

The FRB approved the $4B purchase of Countrywide.

Nat City

The bank was served with an MOU by the OCC that focused on increasing lending standards, oversight and capital.