Fostering Commitment

by Steve Brown

Aside from humans, there are a number of animals that mate for life. Swans, black vultures, gibbons, turtle doves and beavers are among those animals highly committed to their mates. Unfortunately for bankers, studies show customers aren't nearly as monogamous. In fact, research repeatedly shows customers aren't shy about switching banks for reasons that include: better rates, lower fees or superior product selection to name a few.

One area of particular concern to banks these days is attracting and keeping younger customers--the so-called Millennial or Gen Y market that many Baby Boomers and Gen Xers find so incredibly hard to predict and understand. This younger crowd is ambitious and tech-savvy and they have high expectations. While these customers haven't completely abandoned traditional banks, there's a sense that banks have to work harder than ever to earn and keep their business.

Consider a recent report from Accenture that shows younger bank customers are nearly twice as likely as older customers to consider switching to a branchless bank and to consider banking with major technology players if those companies offered banking services. Among consumers ages 18 to 34, 40% said they would consider banking with Google, 37% would entertain banking with Amazon and 34% would think about banking with Apple. We don't anticipate a mass exodus happening tomorrow, but over time banks are going to have to do more than rest on their laurels if they want to attract and keep younger customers.

Studies have also shown that younger customers make fewer trips to traditional branches than their older banking counterparts. So the question becomes what are banks going to do to entice younger customers to come into the branch and do business with us, as well as keep attrition rates low? The short answer is to give them more of what they want.

It goes almost without saying that younger customers expect banks to offer mobile banking and other high-tech capabilities. But beyond this, it turns out that younger customers want more advice-type services from their bank than you might think.

According to Accenture, 55% of respondents age 18 to 34 said they would like their bank to help with the "heavy lifting" of car-buying and provide discounts in that process. More than half of the younger respondents (57%) said they would welcome more help from their bank in the home-buying process. And 68% of younger respondents said they'd welcome real-time analysis of their spending, including "safe-to-spend" forecasts. Not surprisingly, two-thirds of young respondents said these types of advisory services would make them more loyal to their bank. While this is a retail customer analysis, we would venture to day business owners likely also want more help from banks on all matters financial.

Consider another survey by Novantas that explored the role and usage of personal financial management tools. Here, 46% of bank account shoppers under 30 said they were interested in these types of capabilities, vs. 21% of those shoppers ages 50 or older. Many banks don't currently offer these tools, leaving customers to turn to third-party sites to get help organizing and categorizing their spending.

As these surveys show, banks might gain more traction with the younger crowd by offering more of what these customers say they want. After all is said and done, it may be difficult to build solid and long-lasting relationships, but taking actions now might help discourage current customers and prospects from fleeing into the arms of another financial services provider and instead increase their commitment to you.

BANK NEWS

Too Difficult

A survey by Genworth Financial finds 45% of American adults feel the complexity of financial products is too difficult to understand and 37% say they just don't have the time to research banking or financial products.

Payment Fraud

The Fed reports that the top 3 payment types with the highest number of fraud losses by percentage of financial institutions with attempts or losses are: debit signature (82%), debit PIN (48%), checks (42%), credit cards (12%) and ACH debits (8%).

Innovation

If you are trying to reinvent your bank or innovate more, consider Deloitte research of global company executives in developed countries finds the top three sources for innovation are company employees (66%), external partners (61%) and company research and development teams (57%).

Interest Rates

The ECB said it expects interest rates in Europe will remain low through 2016, while the BOE signaled U.K. rates may rise as early as the end of this year and the Fed indicates U.S. rates will likely begin rising in mid-2015.

Boomerang

The New York Times reports 20% of people in their 20s and early 30s is currently living with their parents and 60% of all young adults receive financial help from parents. This compares to only 10% living with parents a generation ago and few that received financial assistance.

Small Biz

A survey by the Kauffman Foundation finds 67% of small business owners say they are paying an appropriate amount in taxes.

M&A Targets

A survey by Deloitte finds the main ways company executives typically identify M&A opportunities is through an internal business development or M&A team (40%), speaking with other company CEOs and executives (33%), working with advisors (29%), at industry related conferences and events (29%) and through investment banks (20%).

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