Planting Roots With Gen Y

by Steve Brown

Plant enthusiasts are often on the lookout for interesting new species, but this can also carry risk. The giant hogweed for instance, is one plant you don't want to deal with, despite its unique size and impressive flower head. You see, the plant is an extremely invasive species originally from Asia and Eastern Europe that has made its way to North America. If you should ever encounter this weed in your travels, resist the temptation to take it home to your family. Although it looks pretty, it can pose a serious health hazard for humans leading to severe skin and eye irritation, painful blistering, scarring and even blindness.

Clearly, presenting a loved one with poisonous flowers isn't a great way to show your devotion. Likewise, banks need to search for better alternatives when courting Millennials. This group of customers is poised to become the largest for banks in the years ahead, so growth opportunities are bountiful.

This is critical for banks because at present, many Millennials are on the fence about their banking relationship. This means they will probably need additional incentives to stay in the relationship going forward. Consider a recent white paper by the consulting firm Capgemini that says 50% of Gen Y customers are not sure they will remain with their primary bank over the next 6 months. Further, more than 5% of these customers say they are likely to switch banks vs. 4% across all customer segments.

Based on the demographics, banks need to be thinking seriously about ways to bring Millennials in and keep them as long-term customers. As you're having conversations on how to do this effectively, keep in mind the importance this segment places on cost and value. Indeed, fees, interest rates, quality of service, internet banking service and convenience are the top five factors Gen Y considers when deciding to stay with or leave a bank, according to Capgemini.

Clearly mobile banking has to be a part of your line-up, but serving the younger generation adequately involves far more than mobile banking alone. Capgemini research shows that Millennials prefer banks that charge lower fees. It is a no-brainer that customers of any generation prefer not paying for services, but most people also understand that there is no such thing as a free lunch. Banks need to have product offerings that are of value to this demographic and then communicate that value to them in order to keep the fees intact. Some examples might include student accounts, tuition loans, auto loans and home loans to help young customers build credit. While most banking products are similar between institutions, be sure to highlight not only the quality and value, but also the portability of your bank's services. Remind customers that wherever they are, your bank's services will always be delivered with the personal touch of a home town bank. This will go a long way in convincing young customers to stay with you as younger clients build credit and manage debt.

Banks should also continue to explore social media as a means of engaging customers. You can publish articles and provide tools to help Millennials manage their finances and if you're not using Twitter regularly it's worth looking into (some banks have found it useful for interacting with customers efficiently).

Research shows that Millennials need a reason to bank with you, so make sure you are cultivating the seeds in a way they are sure to blossom. Under the right conditions, Millennials will be willing to plant their roots with you for the long term.

BANK NEWS

Worker Pool

Research by EBRI finds the distribution of civilian American workers ages 25+ was as follows in 2012: 73.8% were ages 25 to 54, 19.2% were ages 55 to 64 and 7.0% were 65Ys+. Of note, 25Ys ago the respective percentages were 83.1% (-11%), 12.7% (+51%) and 4.3% (+63%).

Money Fund Risk

Banks may want to let customers know that the SEC allows mutual funds to deny investors access to their money for up to 10 days or charge customers a fee of as much as 2% to redeem if assets decline sharply. The approach is meant to discourage runs, but it also increases the risk to investors. Banks seeking deposits should take note of this perhaps as it may come in handy when approaching customers.

More Investing

A survey by Bank of America Merrill Lynch finds 33% of affluent investors ($50k to $250k in investable assets) say they have not invested enough this year and 51% said they did not save for retirement at all this year.

Not Moving

A survey by the Demand Institute finds 63% of Baby Boomers say they plan to stay in their current home when they retire. Of those who said they plan to move, 42% said they would buy a smaller home, 32% said they would buy a larger home and 26% said they plan to buy a the same size home.

Retirement

A study by EBRI finds 72% of people who have money in an IRA or defined benefit plan say they are "somewhat confident" or "very confident" they will have enough money to live comfortably in retirement. This compares to only 28% who have no such plan.

King Dollar

The dollar has jumped to a 4.5Y high, as investors have flocked to the safety of the US amidst the gathering strength of the economy.

Branch Innovation

An Efma-Infosys study finds global banks rate the following as the highest value branch innovations: analytics led cross sell suggestions by advisors (80%), financial planning tools (67%), 360 degree view of customer entering branch (53%), touch screens and tablets for use by advisors and customers (43%) and technology led advisory services such as video conferencing (35%).

Customer Access

PayNet reports online and mobile banking activity has reached 50% of all bank customer interactions these days.