Three Approaches To Attract Younger Customers

by Steve Brown millennials Gen Z startup

Summary: Community financial institutions (CFIs) face an aging customer base, while managing rising competition from larger banks and new challengers. To maintain their relevance and continue to prosper, CFIs need to attract a younger clientele. We look at what CFIs can do to win over the younger generations.

The famous giant tortoises of the Galapagos Islands are reported to live for more than 100Ys on average. Yet scientists have no way of precisely measuring their age and rely on educated guesses, based on factors such as “wear and tear” to the animals’ shells.

Similarly, there is no precise average customer age for community financial institutions (CFIs), but there is a general consensus that the CFI customer base is getting older. This is not surprising given the backdrop of an overall aging US population. By 2030, a fifth of all Americans will be 65-plus – and several are likely to be living on reduced incomes and facing growing financial pressure from rising health and social care needs.

While the aging US population is an issue facing all businesses, CFIs have an advantage — they can capitalize on the boost to their popularity from the pandemic. Many CFIs helped individuals and small businesses when their primary financial institutions couldn’t or wouldn’t. In fact, one in ten of both older millennials and Gen Xers switched to a new banking provider to get COVID-19 funds, according to the 2020 FIS PACE study. This timely support brought in some younger customers for CFIs then and can motivate others now.

So, how can CFIs leverage their community appeal and attract more young customers to shift their customer age profile? We offer **three approaches** to get you started.

1. Tap into the parent/teen (Gen Z) relationship

There are an estimated 25MM teenagers under the age of 18 in the US who are potential banking customers. The megabanks and challenger banks are currently blazing the trail in this market. But, this demographic represents a major strategic opportunity for CFIs.

To capitalize on this opportunity, CFIs will need to ensure they can provide the necessary digital tools not only to teenage customers, but also to their parents who want to exert a degree of financial control. These tools can include banking features such as virtual wallets and cards, cashback rewards, or specialized teen accounts, with perks that meet or exceed the offerings of the challenger banks. Signing up customers when they are teens makes it easier for them to continue into adulthood.

2. Appeal to startups

One way that CFIs can cast their net wider and explore profitable, young customer niches is to target startups. According to one survey, a third of the people who resigned from their jobs in the last six months plan to start new businesses. Of course, many of these startups are founded by young entrepreneurs. Statista reports that 36% of millennials have "very high entrepreneurial spirit" followed by Gen Xers at 33%, Gen Zers at 29%, and boomers at 25%. Many of these new businesses start with very little capital, but can still be successful. One-third of profitable small businesses in the US launch with less than $5K. So, identifying, targeting, and engaging with newly launched businesses could provide your institution opportunities for growth.

To target startups effectively, CFIs should prioritize specific sectors with the highest promise. For example, growing demand for home care and health support services has led to a boom in health and medical startups. Other fast-growth sectors, such as ed-tech (education technology), ag-tech (agriculture technology) as well as the emerging fields of advanced manufacturing robotics and environmental sustainability, are likely to attract increasing numbers of young entrepreneurs.

3. Offer multiple channels of financial education

Financial education allows your institution to connect directly with potential customers about their needs. Interestingly, 26% of entrepreneurs look to the internet for advice on their business, while only 19% turn to colleagues and 11% ask family. Whether it is an online video on how to apply for a loan or a start-up checklist to help organize new businesses, having valuable online tools will attract young business owners.

However, your efforts shouldn't only be online. A July 2021 Northwest Mutual survey found that almost a quarter of Gen Z respondents were either working with a financial advisor or intend to do so. Making connections with this demographic through in-person seminars or community events could answer their questions about finances and the future, while attracting a new, young customer.

While there are many ways to reach out to younger customers, these three approaches give you a solid start. Now is the time to assess your customer base and ensure you support your customers of today and tomorrow.

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Treasury	Yields	MTD Chg	YTD Chg
3M	0.05	0.00	-0.04
6M	0.07	0.00	-0.02
1Y	0.17	0.02	0.06
2Y	0.48	-0.02	0.36
5Y	1.19	0.00	0.83
10Y	1.57	0.01	0.65
30Y	1.95	0.01	0.30

FF Market	FF Disc	IOER (Interest on Excess Reserves)
0.08	0.25	0.15

SOFR	Prime	OBFR (Overnight Bank Funding Rate)
0.05	3.25	0.07