

How
GenY



Driving
Financial
Industry
Change



HARLAND CLARKE®

MARKETING SERVICES

Intro



Financial marketers are being put to the test as fairly predictable generations of customers give way to the less familiar and less predictable. Pre-Baby Boom generations have been in retirement for years, and their pattern of drawing down assets continues. Now, Baby Boomers themselves are busy liquidating assets to fund college educations, weddings and their own retirements. Generation Xers have well-established careers and saving/investing habits to match.

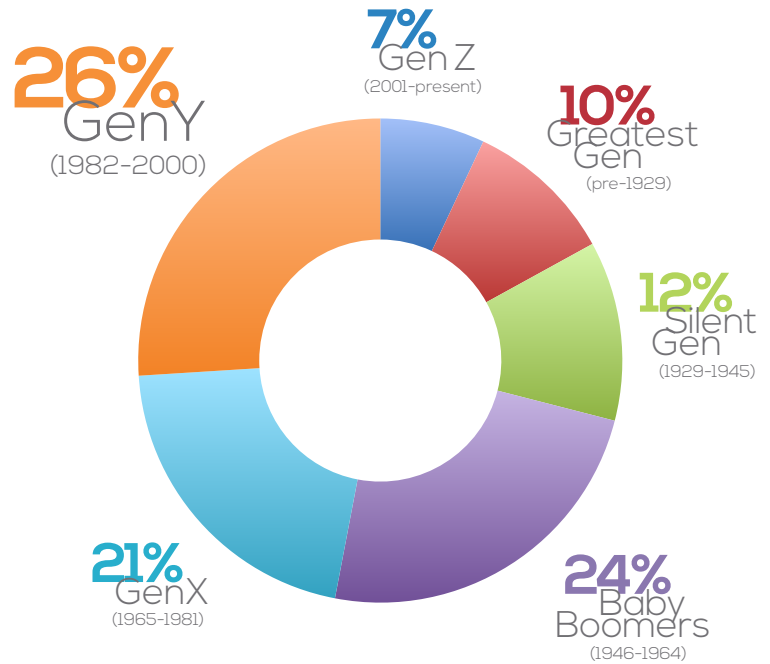
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The "next frontier" is Generation Y, the biggest generation since the Baby Boomers. Gen Y already has a strong presence where consumer spending is concerned, and that's expected to increase sharply over the next five years. With an eye toward future profitability, financial institutions (FIs) have begun courting Gen Y customers. There are differences between Generation Y and previous generations in terms of banking wants and needs. Because of the group's size and affluence, the stakes for financial institutions are very high.

Harland Clarke Digital has conducted extensive proprietary research in efforts to understand Generation Y's expectations of financial institutions and banking habits. Unless specifically noted otherwise, charts included are the products of Harland Clarke Digital research. We present this information to clients that they might adequately address the incredible business opportunity that Generation Y represents.

»» Who is Gen Y?

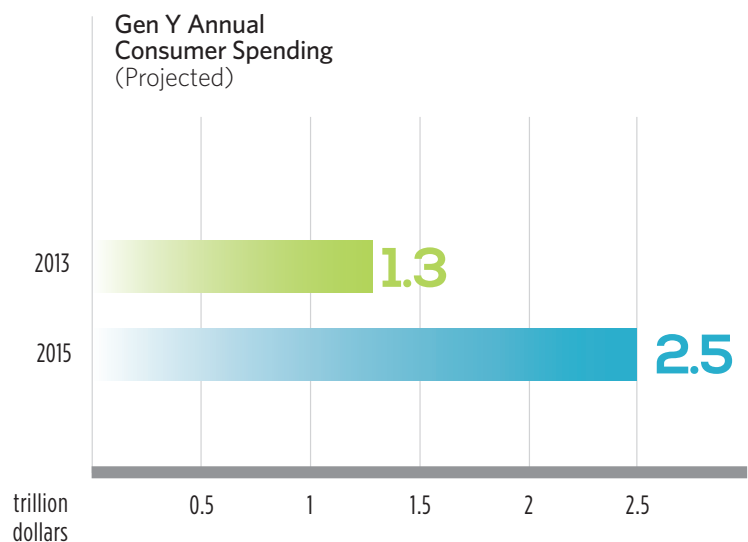
At 80 million strong, Generation Y — also known as Millennials — is notable for its sheer size. It represents 26% of the U.S. population, which is even larger than the Baby Boom generation (24%). Born between the years 1982 and 2000, Generation Y is taking a prominent place in American society in general, and specifically as a consumer group.



All figures based on 2010 U.S. Census Data.

»» The Gen Y Opportunity

From a marketer's perspective, Generation Y is a group that no business can afford to miss. Though still young, Gen Yers already account for \$1.3 trillion of annual consumer spending, which represents 21% of total U.S. consumer spending. By 2015, the group's spending is projected to surge to \$2.5 trillion annually.

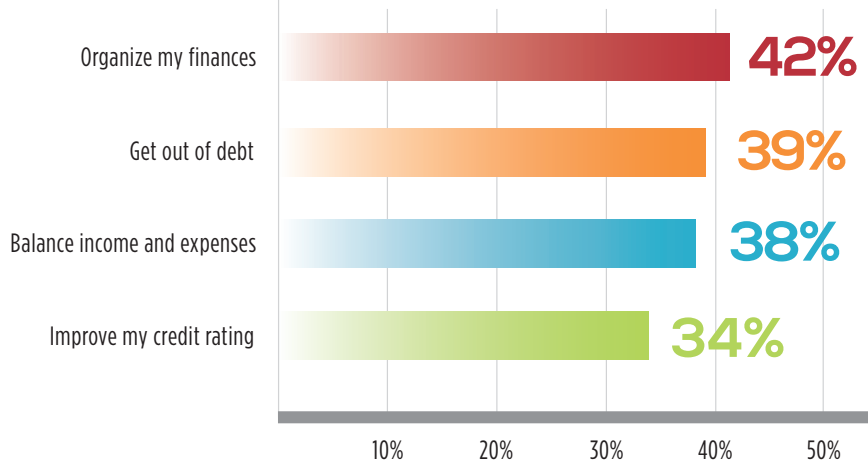


Source: Javelin Strategy and Research 2009

»» Gen Y's Financial Goals Differ from Previous Generations

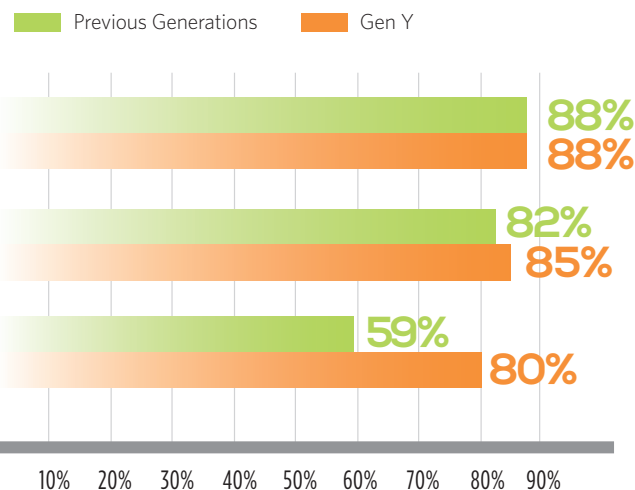
The financial goals of Generation Y members differ significantly from those of their predecessors, whose top priority was to “save/invest for retirement.” Generation Y’s top challenge is to “organize my finances”(cited by 42% of respondents), followed closely by “getting out of debt” (39%), “balance income and expenses” (38%) and “improve my credit rating” (34%).

Top Financial Goals and Challenges for Gen Y



»» What Gen Y Values Most in a Financial Institution

Most Important Bank Features and Services

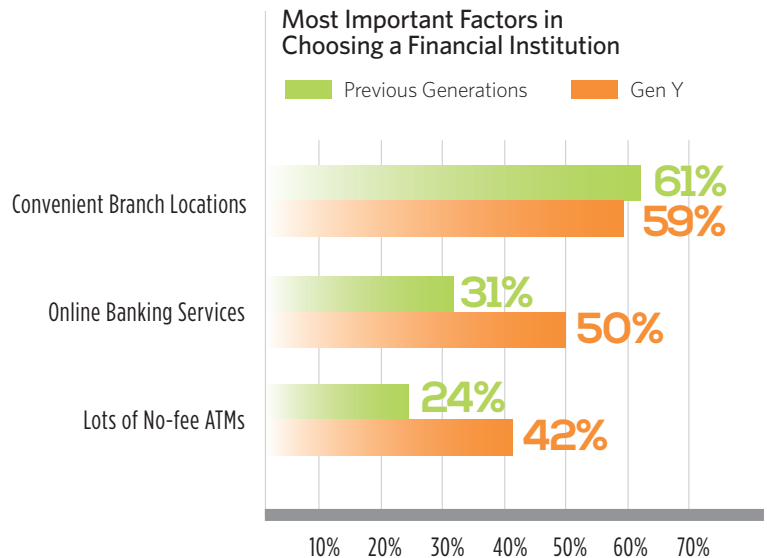


Banking features that are generally most important to Gen Y are ease of doing business (88%), unlimited account access (85%) and online banking (80%). These responses were similar to previous generations. However, older consumers gave online banking a lower priority at 59%.

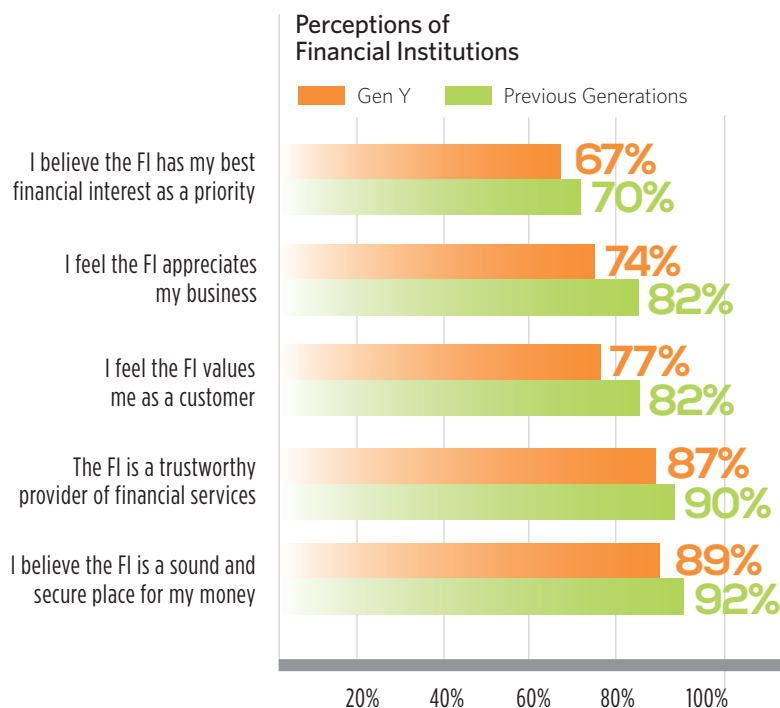
»» Convenience is Important when Gen Y Chooses a Financial Institution

When actually deciding where to bank, Gen Yers considered convenience of branch locations (mentioned by 59% of respondents), online banking services (50%) and no-fee ATMs (42%) as very important. Online banking services were again a greater motivating factor for this group than previous generations of whom only 32% called online banking a high priority. In fact, **between 60% and 70% of Gen Yers conduct most of their banking transactions online.** Older consumers were also less likely (24%) to be swayed by no-fee ATM access.

Although Millennials use branch locations less often than previous generations, they still want them to be convenient – which should come as no surprise.



»» How Gen Yers See Their Current Financial Institutions

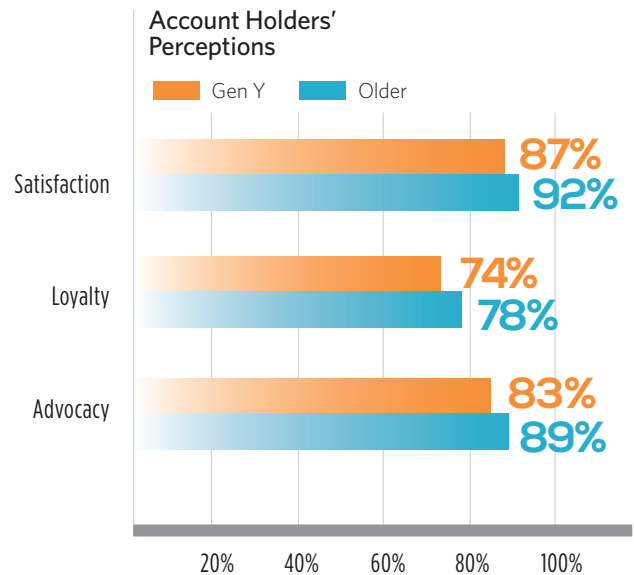


Gen Yers' feelings toward their financial institutions are similar to those of previous generations, although Gen Yers are a bit more skeptical. Eighty-nine percent believe their financial institution is a secure place for their money and 87% trust their FI to provide the services they need.

There is a bit of a drop-off when Gen Y participants were asked how their FI feels about them. Seventy-seven percent indicated that they felt "valued as a customer" and 74% felt their FI appreciated their business. Sixty-seven percent felt their FI had their best interests at heart. So, while Gen Y's perception of financial institutions as safe harbors for their money may be changing, **there is still work to be done in building relationships with these young consumers.**

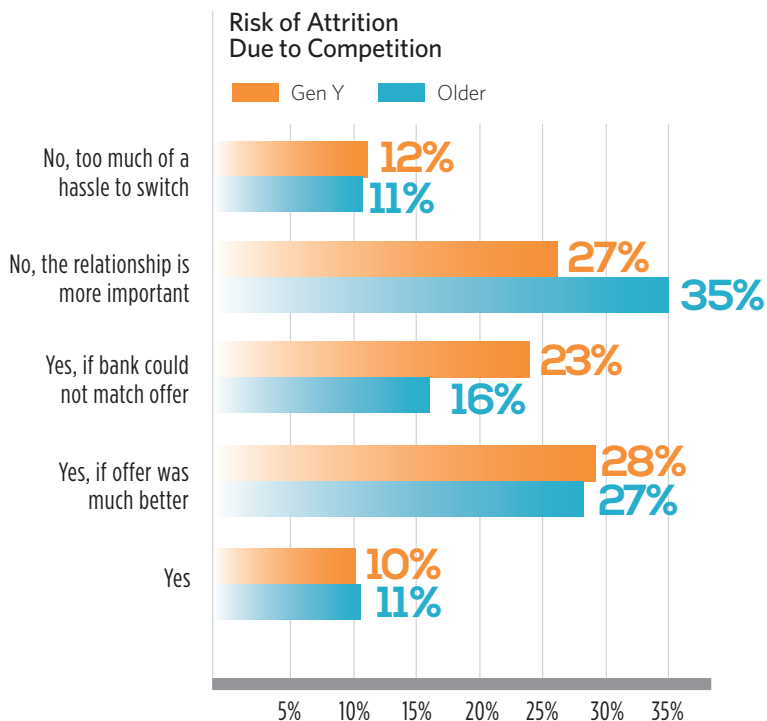
»» Gen Y Account Holders are as Satisfied as Everyone Else with Their Financial Institutions

When asked about satisfaction with their financial institution relationships, 87% of Gen Yers said their relationship with their FI was “excellent” or “good” – compared with 92% of older respondents. Gen Y’s loyalty to and advocacy for financial institutions are also several percentage points lower. The good news is that the hearts and minds of Gen Y can be turned. Like other respondents, Gen Yers would welcome efforts to treat them as individuals and show appreciation for their business.



»» Satisfied, but Willing to Switch to a Competitor for a Better Deal

If another institution offered you a “better” deal on a financial services, would you switch?



Most Gen Y consumers bank where their parents bank; however, there are certain circumstances — a household move, marriage and major service problems — that would prompt them to change financial institutions. In addition, when asked, 23% of Gen Yers said they would leave a financial institution that refused to match a better offer from another institution. That’s a significant difference from consumers of previous generations, only 16% of whom said they would leave for a better offer. **Gen Yers may put less emphasis on relationships with financial institutions than getting what they perceive as good deals.**

»» Gen Y Tools of Engagement

Several group characteristics suggest that marketers take a fresh approach to this important group of consumers. Gen Yers are tech-savvy, highly informed and demanding. They are hugely impacted by technology, having grown up in the era of Google, Facebook and Twitter. They embrace new technology and will change the world through their use of technology. For example, though many Gen Yers were unaware of Personal Financial Management (PFM) tools or whether their FI offered them, those who were aware use them to a greater extent than previous generations.

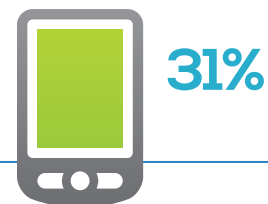
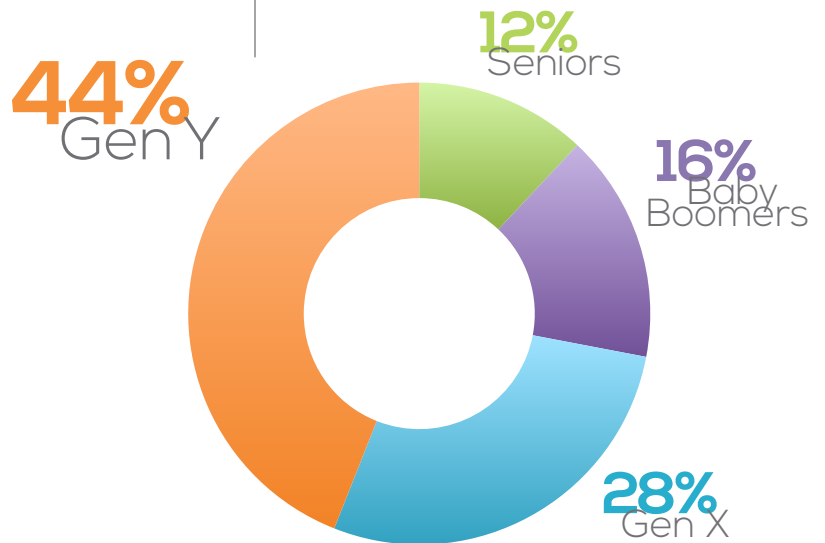
Mint.com and Quicken are the preferred PFM tools Gen Y uses to consolidate all accounts in one place, organize finances, create budgets and monitor spending, manage debt, and pay bills.

Mobile Banking

Gen Yers have a high level of interest in mobile banking. Although fewer than 5% of Gen Yers conduct most of their transactions via mobile device, the number of users is growing rapidly. In 2010, Gen Y was nearly twice as likely as an everyday consumer to be a mobile banker and **31% reviewed account balances more than eight times per month via mobile banking.**¹

¹ Javelin Strategy & Research, *Gen Y: How to Engage and Service the New Mobile Generation*, 2010

Current Users of Personal Financial Management Tools



For more information about how Harland Clarke can enhance your institution's Generation Y marketing and online presence, please call **1.800.351.3843**, email us at contactHC@harlandclarke.com or visit harlandclarke.com.