Financial Institutions Generational Segments and How to Communicate and Build Relationships

One size does not fit them all across generations.

If financial institutions want to build a broad base of engaged and loyal accountholders, they must embrace individualized experiences. But first, they must understand how different generational segments approach financial services concerning money management, so they can deliver the content for products and services that will appeal to their varied expectations.

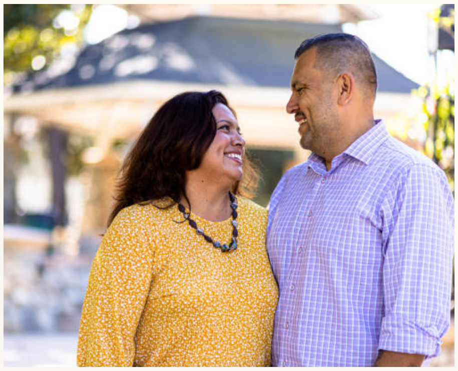
Let's start simple. Six generational segments exist, which as a starting point, is one of the most accessible yet least active methods for communicating products and services to different audiences. A generation is a group of people born within a similar period (about 15 years) who share a comparable age and life stage and are shaped by a particular period's events, trends, and developments.

The Silent Generation (1928 – 1945) While some of the Silent Generation used the Internet and social media, they still liked to be reached via traditional media such as direct mail. The message, visuals, and offers must appear on digital and traditional marketing channels. How to communicate with the Silent Generation?

- Family values, a sense of family and belonging
- Savings and financial security, leaving a legacy
- Create straightforward layouts and direct messaging

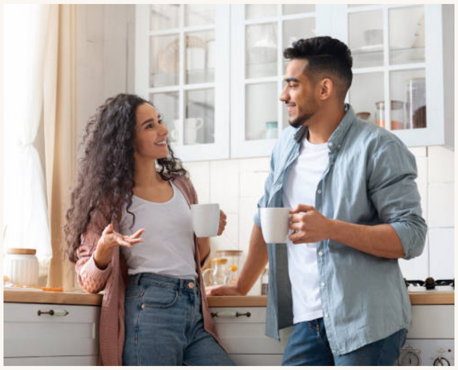
Baby Boomers (1946 – 1964) Baby Boomers prefer stability and security and tend to be very loyal to brands that build trust over the years. How to communicate with them? A financial institution that utilizes consistent messaging and value propositions performs well with the Baby Boomer generation.

- A money management support program that keeps them engaged
- An institution that offers multiple banking services and product options
- Products that offer incentives for adoption



Generation X (1965 – 1979) Many of this generation are not saving for their retirement or children's college education as planned. Gen X wants advice and is entering the most financially challenging time. Money management programs and incentives to save are appreciated. Gen-X loves to support a cause, so share the financial institution's community and charitable outreach with Gen-X account holders. How to communicate with Gen X?

- Savings or reduced rates (what's the real advantage for adoption))
- Supporting a worthy cause (community, environment)
- Lifestyle nurture (messaging like "We've been with you all along." We are here to help you succeed" "We're in this together")



Generation Y / Millennials (1980 – 1994) While this generation is very nimble and searches many options before deciding, they are also drawn to loyalty programs. 77% of millennials participate or are willing to participate in loyalty reward programs. How to communicate with them?

- Focus on innovation and stay on trend
- Offer and emphasize reviews to show reliability and trustworthiness
- Provide social media content as they are active social users
- Offer loyalty rewards

Generation Z / The Net Generation (1995 – 2009) This generation's buying power is a massive $44 billion growing. They want to be educated about the financial system. Gen Z is very tech-savvy across all digital channels. They want to understand, so the content must be measurable, quick, and authentic in "snack-able size" content that immediately captures their attention and proves the value added to their lives. How should we communicate with them?

- Use data insights to deliver the best propensity, next-best product
- Reviews and testimonials resonate with these generations
- Provide a unified user experience with a 360° experience (app, mobile, online, in-branch)
- Messaging should be to-the-point (precious seconds whether they will engage with you)

Generation Alpha (2010 – Present) is not quite forming households yet, as they are under 20 yrs old and are likely living with their Millennial parents. But, like Gen Z, they have grown up tech-savvy, online, and socially connected.

While everyone has unique personalities and responses, by utilizing generation as a basis for segmentation, financial institutions can begin to target evident patterns driven by generational differences. Many financial firms have focused their marketing efforts on attracting the younger segments, especially Millennials and Gen Z. The so-called neo-banks are concentrated in these segments, too, as their affinity for using digital channels is appealing. The challenge is that these two youngest segments control only 6% of total consumer net worth. In the short term, and by that, we mean the next 10-20 years, financial institutions must continue establishing and maintaining healthy relationships with baby boomer households that comprise more than half of consumer net worth. The opportunity to connect with a lower cost-to-serve population makes an excellent long-term business model.

Households led by Baby Boomers form the largest generational segment at 35% of all households, followed by Gen X (26%) and Millennials (24%). As the Silent Generation (1928 – 1945) in 10 years will largely be gone, unfortunately, we will not focus on them further within this article. But, highlight the Gen Z-led households, many of those people still live with their Gen X and Boomer parents, and Gen Alpha under 20 yrs old live with their Millennial parents. Just note that the Silent Generation primarily prefers a branch with limited online banking channel use. And that the Silent Generation remaining assets will likely pass down to their descendants.

To begin with a personally relevant experience for communicating and educating generational accountholders about managing their money doesn't mean attending seminars. Remember, most of these generations are used to obtaining knowledge online, so creating an educational curriculum for your account holders that is available when needed is critical. Online money management and learning should be broken into bite-sized chunks, and if offerings cause or persuade your accountholders to seek out advisors for more information, that creates moments for relationship-building that need to be taken advantage of.

The best financial institutions in 2023 and beyond will be defined by how well they have built relationships with their account holders by the following:

How well do accountholders trust that their financial institution is giving them accurate advice? Accountholders want to know that advisors are knowledgeable. They want to understand how the financial system works and their options.

Caring means being treated with relevancy and personally, not just as another account number. **They expect respect for being an accountholder with the financial institution.** When they need help, whether in person, on the phone, or virtually online, they don't want to wait, and they don't want to have to explain themselves 2-3 times as they are transferred from representative to representative. Don't just tell them their relationship is essential to you. Show them through your behaviors and actions that they are important.

Accountholders demand clear communications about everyday banking tools, planned product needs, or unexpected life event helpful products. They do not want "surprises" in working with your financial institution. What are you providing to help them? Fees and how to avoid fees must also be transparent.

All of the **continuing life stage changes will likely result in greater demand overall for loans**, but reduced overall savings may also occur due to higher inflation rates taking a more significant portion of budget income for the next few years. Financial institutions will continue to fight to capture low-cost adoption deposits due to higher interest rates being the most attractive in years to maintain their financial health for a loan-to-deposit percentage.

Generational **marketing should be something other than a single-data approach to communication** that recognizes and utilizes generational archetypes, patterns, or paradigms. Data considering behaviors, actions, and past life events will significantly affect how FIs deploy an individualized experience for each accountholder.

Digital channels will be preferred for routine transactions across most generational segments. But they will need to better connect with human channels, for it's the human channels where relationships are built with the financial institution and foster loyalty.

Human channels will be critical, but the branch channel of the future will undoubtedly look different than today: less a transactional site and more a place to become informed and seek advice. The breadth of products people want to discuss will be broader than today, and account holders will want representatives to be better educated. No one wants to seek advice only to realize they know more than the advice-giver. Your call center staff needs to be accessible and not buried behind multiple layers of call tree selections. Like in branches, the person who answers the accountholder's call must be knowledgeable.

Look for insights into which channel accountholders are considering their 'primary' channel for engagement. The mobile channel is the primary channel for all segments except Baby Boomers where mobile dominance declines with age. The branch is still the direct channel for interactions @32% for the Baby Boomer segment. Online banking is a digital channel of choice for Baby Boomers @27%. Gen X uses the mobile channel 40%, Millennials 58%, and Gen Z 63%.

Across all segments, there are some common themes by 2030. Every generation will have lived through roller-coaster economies, whether driven by more traditional cyclical economic changes or self-inflicted bubble-bursting events.

They all will utilize digital channels to search for financial knowledge, options, and adoption. They want to be informed and want financial institutions to make it easy for them to connect, engage, and evaluate online, as they will have methods for completing transactions digitally and with help from human relationships digitally or in a branch.

While generational segmentation is not the most sophisticated form of data insight for personalization, it is a straightforward way to integrate core data to enhance insights. **Build a digital accountholder experience that is as individual as their lives, behaviors, and actions are.** As your insights grow and you utilize vast amounts of the account holder's data, remember that your view of their financial life is limited and third-party data is just as essential to building a complete financial picture to drive communication messaging. In the long run, insights into their needs based on all their current money management events will help the financial institutions reap the rewards of delivering an individualized accountholder experience.