THE FINANCIAL BRAND

What Gen-X And Gen-Y Really Think About Banks

September 10, 2013 | Subscribe Free

If Gen-X and Gen-Y consumers could create their own "bank of the future," what would they create? And how would that differ from what banks think?

By Andrea Simon, Ph.D., Corporate Anthropologist and Founder of Simon Associates Management Consultants

What do today's consumers really want from their financial institution? More technology? More mobile apps? More integrated asset management? Banks and credit unions would love to know, as they scramble around looking for ways to deepen relationships with Gen-X/Y.

We know that adults on the younger half of the spectrum are beginning to accrue wealth, either inheriting it from their parents or grandparents, or building their own portfolios. And with today's new technology channels, these generations that have grown up digital will certainly leverage technology to help with the crucial financial decisions now facing them.

> *Consumers want all the sophistication of big banks and their cool systems, with all the warmth and familiarity of a local credit union.*

Simon Associates recently conducted ethnographic research with both consumers and banking executives. We found that consumers don't necessarily want high tech solutions in isolation; just as important, they want support, advice, and more knowledgeable people speaking to them than they currently experience in their banking interactions.

Meanwhile, our colleague Carmen Effron from C.F. Effron worked with bankers at various wealth management divisions. They all assumed that the "high tech" without the "touch" would work great.

Based on the research we recently finished, this is a dangerous path to follow. If financial institutions do not understand how to attract and create the right teams internally, as well as the right technology solutions, Gen-X/Y consumers will take their business to institutions that do. Case in point: This is how banks lost a majority of the baby boomers' wealth to brokers.

*(**Read More:** Gen-Y 'Turned Off' By Banks, Worried About Finances)*

Build Your Own Dream Bank

To better understand how Gen-X and Gen-Y think about their core financial concerns, we worked closely with a dozen middle-income consumers to help us create an imaginary future bank that would best serve them as they begin to accumulate wealth. Everyone in the group had investable liquid assets greater than $500,000.

In a separate session, in contrast, we asked 17 financial executives how they would need to configure an imaginary institution by 2020 to successfully attract emerging Gen-X and Gen-Y investors.

We used very specific problem-solving games and collaborative play to tap into new, innovative thinking and help participants articulate their vision for the preeminent Gen-X/Y bank of the future. People tend to generate tons of ideas when they engage in game play, delving into their subconscious mind and finding their real feelings.

What Did Gen-X and Gen-Y Want?

As the games progressed with the Gen-X/Y group, the theme that kept emerging was that banking is still a people-to-people business, and what was needed most was someone to guide consumers through their life transitions — from earning money to saving it, investing it, inheriting it and enjoying it. They crave the peace of mind that comes when someone they trust is guiding them and helping them watch over their finances.

Rather than being nostalgic for another time (that maybe never existed),

People in our session were all doing well. They had jobs, investable assets, managed their budgets and healthy lifestyles. But as they each spoke about their "Better Bank," it became clear that the challenges of managing money for Gen-X/Y are not getting any easier. Instead, what this group was imagining, playing with and dreaming about was:

- A way to get back to the kind of bank where they felt they "belonged," a place that had the knowledge and advice they were looking for.
- A place that could educate them on how to best protect their assets and use them wisely.
- A guide that could help them design a sound budget and a workable plan for an uncertain future.

*(**Read More:** Gen-Y After The Recession: Fewer Homes, Fewer Cars, Less Debt)*

Most bankers would say they do this now. However, consumers don't agree. In their own words consumers said they wanted the following:

- "All the sophistication of the big banks and their cool systems, with all the warmth and familiarity of the local credit union."
- "Smart ways to manage the money I am inheriting from my parents."
- "A place you can trust."

It was all about feeling appreciated, not being treated as a number or an account. "What happened," a consumer questioned, "to the comfort of knowing the banker who managed your money versus the frequent turnover in the banks today?"

"I'm fed up with the inability of [bank] staff to answer questions, or the many times I have to tell them my name and account information all over again. Privacy is important," she said, "but perhaps it can be combined with someone who knows your name and appreciates your business."

Research conducted by Cisco Systems bears this out. Their study shows that 69% of U.S. consumers "would provide more private information for more personalized service." Additionally, brick-and-mortar banks are still important to U.S. consumers. According to Cisco, 46% of U.S. consumers would open an account with a bank that was completely virtual; more than half still want and need branches.

*(**Read More:** Why Gen-Y Opens Accounts In Branches And Not Online)*

Conversely, what did bank executives think Gen-X/Y wanted? In bankers' own words:

- "Integrated technology for all bank and wealth statements, bill paying, deposits, stock and mutual funds transactions; both self-directed and advised." For this group, integration meant interconnecting their consumers' mobile, tablet and Internet devices.
- Ability to "play" financial games and use social networks to work with peers to compare financial decisions and to give rewards.
- Creation of an on-line financial community with social media being the substitute for old-fashioned word-of-mouth.

When consumers were asked if these points were of great interest, they said no, except for the idea of receiving rewards for being a loyal client of the bank. There is a gap between what Gen-X/Y say they want and what bankers are focusing on.

How then can banks capture the hearts and wallets of today's Gen-X and Gen-Y consumers?

This much we know: up and coming generations of investors want a bank they can trust, that knows them by name, and that can help them invest their money wisely. They're also far more willing to buy an investment product from a bank (75% vs. 63% of baby boomers, according to the 2012 LIMRA "Bank On It" consumer study), with a similar patterns emerging for life insurance.

Therefore, if banks are going to capture the wealth that Gen-X and Gen-Y will accumulate in the very near future, they need to figure out how to engage them in very personal ways –
maybe thought were no longer relevant.