



THE UP & COMING IMPACT OF GENERATION Y ON RETAIL BANKING



By Nathan Carmon

Partner, Financial Services
Brulant Inc.

Common belief within retail banking circles is that online banking and bill pay adoption is slowing and will continue to slow over the next 10 years. As a result, spending on the platform and attracting new users and bill pay adopters is languishing. However, looking at the numbers, by generation, there will be significant growth in online banking usage within the Gen Yers (born 1976 to 1990). This group of users has a significantly different set of expectations than their parents. Understanding and meeting these expectations will be key to acquiring the next generation of wealth.

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In the "US Online Banking: Five-Year Forecast," Forrester predicts that online adoption will continue to grow 55% over the next 5 years. More importantly, however, they predict that Gen Yers usage will grow 136% during the same time period.

By 2011, Gen Yers will make up 33% of all online bankers. The implications of their behaviors and expectations will have a significant effect on those retail banking institutions that "get" this generation.

GEN YERS

Gen Yers have a different relationship to technology than the other powerhouse generation, Baby Boomers. While Boomers grew up with telephones, writing thank you letters and mailing them, putting dinner in the oven and waiting, watching TV and listening to LPs, setting the aperture on a camera - Gen Yers have a completely different relationship to media, and the pace of social change is profound.

This group is interconnected in more ways than we can track. They maintain multiple networks online and through their cell phones; IM, text messages, LinkedIn, Facebook, and MySpace are a few "hot" platforms today. They share and broadcast information to broader groups real-time on an ongoing basis. They think nothing of leveraging these virtual relationships as a surrogate for face-to-face interaction, and these social networks are having an effect on where Gen Yers spend their time and money.

THE OPPORTUNITY

Attracting these individuals will require change. Tap into these social networks, advertising and providing services within sites like Second Life (i.e. does your Online Banking allow ATM usage in Facebook?) Leverage rich media applications to connect with users virtually to help with product selection and online banking training. Allow the social network to share the number of reward points they have with each other, and provide feedback on your reward offerings.

Collecting e-mail is still a necessity, but you also need to be collecting IM names and cell phone numbers. Then relate them together and allow Gen Yers to customize and personalize their use for their lifestyle and convenience. This will allow retail banks to interact with their customers in a different way...Can you imagine an IM and text center instead of a phone center?

The online banking platform, struggling to implement alerts, will need to provide support for IM and text alerts, cell phone enabled payments, histories and self service. 63% of 25 to 34 year-olds own a cell phone and 80% of cell phone users have incomes of \$75,000 or more.

Tapping into social networks and the next generation platforms present another huge opportunity for retail bankers to acquire and deepen relationships with the largest growth opportunity and potentially most loyal and profitable segments for the foreseeable future.

