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How can we attract more millennials?

That's a question most credit union CEOs are struggling with today. And if you spend more than a couple of minutes Googling, you'll realize there are many, many answers to this question. They can't all be right, can they?

What if I told you that's not even the right question?

Imagine for a moment a master chef who decides to open a food truck. He spends his entire life’s savings on state-of-the-art equipment. He develops a magnificent menu. Then he parks his rolling five-star restaurant in front of his house and waits for customers to show up.

That seems to be the approach most credit unions take with millennials. They launch all the cool new products and services that millennials allegedly want. Then they wonder why their websites aren't blowing up with activity.

In the meantime, GAFA (Google, Amazon, Facebook and Apple) and their disciples have figured out that millennials expect to be engaged on their terms. How else can you explain the proliferation of Apple Stores in upscale malls across the country? More to the point, how else can you explain the crowds of people who fill those Apple Stores on a daily basis.

So the right question isn’t How do we attract millennials?

The right question is:

How do we engage millennials on their terms

(i.e. when, where and how they want to do business)?

Consider indirect auto lending. Say what you want about the financial merits of indirect lending, but there’s one thing nobody can deny. Indirect lending puts your credit union right where the consumer needs it, right when the consumer needs it.

This is exactly why we started Credit Union Lending Cooperative (CULC). The whole idea is to apply an
engage them on their terms approach to personal loans and in the process, grow deposits and membership. It's a simple concept from the consumer perspective.

A consumer visits one of the many lending websites that are so popular among millennials. (Our initial launch is with Lending Tree, but we'll be expanding that quickly.) Once the consumer applies for a personal loan, CULC qualifies the loan and then matches the consumer to one of our member credit unions for which that consumer qualifies as a member. The loan is approved within mere seconds and just like that, one of our credit unions has a new, highly desirable member.

When the loan funds, it funds into a share account at the credit union. The borrower can access the funds instantly by enrolling in online/mobile banking. Or they can wait a couple of days for their debit card. Now the credit union has a young new member then can grow a relationship with.

I'm not suggesting that CULC is the silver bullet for engaging millennials. The whole point is, there is no silver bullet. Millennial engagement requires a multi-faceted approach, but most important of all, it requires innovation.

Don't let your credit union be the food truck that never goes anywhere. Put the pedal to the metal on innovation and your credit union will stay relevant for decades to come.

Additional information is available at www.yourculc.com.

About the Author:

Mike Joplin is the co-founder and CEO of Credit Union Lending Cooperative, a CUSO created to help credit unions compete directly with marketplace lenders. He has over 35 years experience in commercial banking and consumer finance. He has launched numerous successful financial services organizations, including a number of CUSOs.
“Where are the millennials?” This question has been echoing throughout the credit union industry since this age group (18-36 year olds) was first seen on the horizon in the post-9/11 landscape.

After the Great Recession of 2008, millennials were expected to flock to credit unions due to their well-documented distrust of banks. Yet, it hasn’t happened. There are estimated to be 71 million millennials but too few are becoming credit union members. About a third of older age groups (Baby Boomers, Gen-X, etc.) are credit union members but only about 25% of millennials are.

This is a problem since the conventional wisdom is that once a young person becomes a member, he or she is liable to stay as a credit union member for a long time.

How then does a credit union go about attracting more of this group?
One way is to study your existing millennial members.

A three-pronged approach to studying this group will yield the most useful results.

1. **Research internal data about millennial members**
   Mining existing internal data is the first step since this is data your credit union already possesses. The effort to execute this step is greatly facilitated if your organization has an enterprise data warehouse. After grouping the data into relevant age groups, compare these key pieces of information between the groups:

   - Products owned
   - Average balances
   - Number of transactions
   - Channel usage (branch, online, etc.)
   - Own or rent
   - Marital status and children
   - Geographic location
   - What was their first product … how did they acquire it (i.e. mobile banking, branch, online)

2. **Research external data about millennial members**
   “Big Data” is an analytical resource that is becoming increasingly available to credit unions. Credit unions are
securely pooling their data to create “data lakes” that also incorporate 3rd party data sources like census data, motor vehicle registrations, credit agency data, and social media. Querying the data lake with the same questions as in step 1 will yield benchmarks against which to compare your internal data.

Other external sources of information are the numerous articles, blogs, and podcasts published in the last few years about credit unions and millennials. Organizations like the Filene Research Institute and Best Innovation Group have been publishing excellent information about this age group for years.

Yet, data from these first two can reveal only so much. The final step is how to answer the question for your credit union specifically.

3. **Ask the millennial members themselves**

Armed with the data from steps 1 and 2, you need to reach out directly to these members in interviews, focus groups, and surveys. These methods will uncover the nuances of millennial opinions, attitudes, and motivations that uniquely apply to your credit union. Typical questions might be:

- Why are you a credit union member rather than a bank customer?
- What is it about this credit union that made you decide to become a member rather than join another credit union?
- Why do you think your friends who are not members have not joined a credit union?
- What further products and services do you wish your credit union would offer?

Armed with the results of this three-pronged approach, the credit union will be better prepared to tailor campaigns to attract this elusive and essential group.

**About the Author:**

**Peter Keers** leads Partner Management at OnApproach. He has over 30 years of management reporting, information systems, and project management experience. He has held leadership roles in both business and IT for Fortune 500 companies in the financial services and medical device industries. He has led major projects in business intelligence, technology infrastructure, e-commerce, and sales force automation.

Pete has written extensively on subject analytics in the credit union industry. He holds a MBA from the University of Minnesota with an emphasis on Decision Support Systems.
How do you define your competition? Is your biggest competitor the other credit unions in your town or the community bank down the street?

Or does your real competition come from the institutions that are much, much larger?

Let’s start with some statistics:

- 25% of CFIs have vanished since 2008
- In 1995, megabanks with more than $100 billion in assets controlled 17% of all banking assets. By 2005, their share reached 41%. 2015 it was 59%.
- The six largest issuers represent 2/3 of the credit card market spending over $22 billion on rewards programs.

Make no mistake about it, the mega banks are targeting your members. They have fiscal and personnel resources that allow them to attract consumers with a big incentive, and then keep them with strong ongoing value propositions across their product portfolio.

To add to the challenges that credit unions are facing, I was recently told that the average age of credit union members was 48, and the average age of a credit union borrower is 3-5 years older than that. There’s clearly a struggle to compete with the mega banks and attract younger members.

But it’s not all bad news:

- 78% of consumers believe it’s important to bank locally
- 1 in 3 millennials are open to switching from their megabank

There is clearly opportunity for credit unions to turn this tide. Your members crave a real banking relationship, a trusted partner, and a genuine community connection that mega banks can never provide. A credit union’s advantage is that you know your members and market in ways that national players never can, and it’s up to you to capitalize on this opportunity.

To start, look at your business objectives. Focus your strategy on being relational, not transactional. Credit unions are great places for young adults to get their financial start for many reasons. They offer low fees and interest rates, bringing a stable credit history within reach. Perhaps more importantly, credit unions are
formed in and support the communities in which they live. Members have genuine relationships and are not just an account number. Those kinds of offers should more than ring true to the millennial generation.

Once your strategy is clearly defined, utilize platform and technology solutions that create compelling engagement and drive stronger relationships with each interaction.

**Offer Products and Services They Expect**

We're in a new era of member engagement. Consumers, especially the younger generations, are not judging your products and services against the bank or credit union down the street. You're being judged against the best customer service they've experienced in any industry. Modern consumers expect relevant, contextual engagement and instant access to benefits.

Technology is important, but it’s also table stakes at this point. Millennials expect online and mobile banking, peer to peer technology, fee-free checking and … rewards. In fact, 88% say rewards for basic banking activities is a top priority in choosing where to bank.

**Provide Compelling Incentives**

If rewards are required to compete then how do you stand out? If your credit union is going to take the time and resources to invest in a rewards program, choose wisely. One-size-fits-all points programs won’t have the impact you’re looking for and can’t provide a positive impact on your bottom line.

Awards must be achievable, and rewards must be valuable. In other words, don’t make the cardholder jump through hoops to earn a small number of points, and definitely don’t make them search through a catalog for the toaster of their dreams. Allow them to earn points quickly and redeem them for rewards that they’re excited to receive. The more engaged your cardholders are with the program, the more valuable your new currency and the more loyal the members.

**Be Where They Are**

Now more than ever, you are forced to find ways to build relationships outside of branch meetings. Real-time, relevant communication on mobile devices via chat and messenger are paramount to providing the type of engagement that young members expect.

Finding a technology partner that can work with your credit union to provide this type of engagement to build and nurture your member relationships gives you the power to exploit the weaknesses of national banks and beat them at their own game.

**Opportunity Abound**

Take advantage of your unique differentiator and find a technology partner that delivers a program of value to your members in your market. No longer will you be worried about “dying of old age” as your members continue to age, you'll be busy brainstorming new relationship-building offers and initiatives to roll out to your younger generations!
About the Author:

Dwayne Spradlin is the CEO of Buzz Points, which uses powerful points-based incentive programs to drive customer engagement and revenue for retail banks and credit unions. He brings substantial experience in technology-driven and high growth organizations. As the former CEO of the Health Data Consortium, a nonprofit in Washington DC, the former CEO of InnoCentive Inc. and President of Hoovers (a Dun & Bradstreet Company), Dwayne has a strong history of driving innovation, growth and revenue for technology companies. His analytic insights have helped organizations use incentives to drive behavior, and as Buzz Points’ CEO, Dwayne leverages that expertise to support community financial institutions in building stronger relationships with their local businesses and customers. He holds an MBA from the University of Chicago as well as a BA in Applied Mathematics.

About Buzz Points:

Buzz Points® is a holistic platform solution that allows credit unions to engage cardholders, build relationships and drive revenue by offering rewards for debit cards, credit cards and account balance activities. Our incentive-based member engagement and revenue platform connects consumers, local businesses, and credit unions. Results from partner credit unions have proven that the innovative platform boosts revenue and customer engagement. Buzz Points is more than a “points program”, it drives revenue by building relationships and bringing communities together.
I recently attended a Credit Union conference focused on marketing to, and engaging Millennials. The event was well attended by executives, managers, and front-line staff from three generations: Baby Boomers; Generation X; and Millennials. A number of presenters, representing all three generations, spoke about what makes a Millennial a “Millennial”; what they think; how they act; what they want; etc. Meanwhile, a number of Millennial attendees listened intently, plainly stifling eye rolls. I didn’t get the impression these impending eye rolls were the result of laziness, narcissism or entitlement; negative characteristics often attributed to Millennials. Rather the subdued frustration appeared to be the result of something deeper. I am not an expert on the subject, but in my experience few individuals like being pigeonholed or reduced to a generational moniker.

...focusing too heavily on understanding and meeting the needs of one specific generation is a mistake. A mistake that in the best case results in wasted resources, and in the worst case can have a negative impact on corporate culture in general.

Clearly there are generational norms and these norms differ from one generation to another. There is a wealth of data, both empirical and experiential, to support the existence of positive and negative generational differences. But what is to be done about it? How do we use this data to improve business outcomes? A simple Google search of “Millennials” illustrates how much time and energy is being put into finding ways to understand and meet their needs. (By the way, it’s a lot.) It is easy to get wrapped up in the Millennial conversation; believing that vast resources must be expended in order to attract and retain millennial employees and consumers. I would argue that focusing too heavily on understanding and meeting the needs of one specific generation is a mistake. A mistake that in the best case results in wasted resources, and in the worst case can have a negative impact on corporate culture in general.

While discussing how to meet the needs of Millennials in our space, we had to ask ourselves: Where do we find the resources to create and implement a program specifically tailored to Millennials? What do we do about our Boomers and Gen Xers who will likely feel neglected and alienated? How do we keep them happy while pouring resources into engaging and satisfying Millennials? And, how do we plan for Generation Z? (Yes, Gen Z is already a thing.) At Centennial Lending we keep it simple. While we understand the growing impact of millennial employees and consumers, we decided to take a balanced approach; endeavoring to maintain the positive elements of our institution’s enduring culture while implementing programs that focus on the positive attributes of Millennials while also providing benefit to our entire team.

- **Recognition:** Millennials have been referred to as the “trophy generation” having received trophies for simple participation. As with many of the characteristics attributed to Millennials this concept is
used in the negative to create division. In my experience the reality is more complex. While there may be generational differences in the form, frequency and type of recognition individuals received I’ve found the most if not all members of the team want to be recognized. Some prefer it be done annually in a private meeting where they are given a raise while others may prefer to receive public praise on a regular basis. Still others may be satisfied with an email or a high five when they perform well. In any case, effective recognition must be earned.

At Centennial Lending we’ve implemented a Kudos program which allows individuals to recognize other members of the team. Team members receiving Kudos can choose to have them read during all staff meetings or can accept them privately. In any case this program decentralizes a portion of the recognition responsibility while legitimizing the feedback; team members trust the recognition they receive from other team members. Additionally we are implementing a new program which allows managers to better track team performance and provide and record real time recognition. This program also allows for additional coaching, constructive criticism and accountability, all of which further legitimizes the balance of our recognition efforts. Centennial Lending has historically offered competitive pay and a bonus program which continues to provide financial recognition to all members of our team. This is most effective with those who are less concerned about non-financial recognition. In this case we have maintained our traditional recognition model while instituting additional opportunities for recognition to be delivered.

• Community Outreach and Volunteerism: Research indicates Millennials concern for their communities and corporate responsibility continues to increase. Centennial Lending has a long standing tradition of community outreach and volunteerism which happens to coincide with this concern. We are fortunate to have a significant number of employees who are actively committed to corporate responsibility and their communities.

Our social committee, on which all three subject generations are represented, organize and drive a variety of activities designed to keep staff engaged while also driving community outreach efforts. Community outreach efforts include fund raising events for our local humane society, food banks, and other non-profits. Additionally, we have individual team members who sponsor specific efforts and are provided company time and space to support these efforts. Centennial Lending offers its employees 8 hours of paid volunteer time each year, leads a number of volunteer initiatives and provides communication platforms and support to any team member who is interested in driving their own community outreach effort. Combined, these efforts exemplify the shared values of our generationally diverse staff and allow us to provide additional purpose and fulfillment to any team member who seeks it.
**Employee Engagement:** We completed our first employee engagement survey in 2017. In general, the results were very positive, but we did identify three areas in which our team wanted to see improvement: internal communication; feedback, training and development; and breaking down silos. In response to these results our leadership team invited our employees to form committees tasked with tackling these problems. The committee meetings are facilitated by a member of the leadership team, but project planning and implementation is driven largely by the employees. Participation in these committees has been great, with representation from all departments and all three subject generations. Most importantly, we are already seeing results.

Specifically our employee led committees have: begun design and production of a web based communication portal; arranged and managed a number of social events and are working on process improvements designed to reduce the impact of silos; and have designed and implemented one-on-one meetings between managers and their team to ensure time and space for feedback to be shared.

Interestingly, if not somewhat expected, the generational response to these efforts has been mixed. While some of our Millennials appreciate the recognition and embrace engagement, others opt out of public recognition efforts and choose to stick to their duties as assigned. Likewise we have a substantial number of Boomers and Xers who are highly engaged; having embraced regular recognition and who actively drive volunteerism and community outreach efforts. Certainly, there are segments of our team who adhere to more traditional generational norms, but we have minimized potential negative impact by not focusing on a particular set of generational norms. At the very least, most employees and consumers regardless of generational status, want the opportunity to be heard, to be recognized, to be engaged and to be rewarded for their effort.

As with all corporate culture endeavors our results have been mixed and there is much work still to be done. Overall we have found success by focusing not on “Millennials,” but on the shared values of our collective team. Much of what we read and hear tells us to do otherwise, but we have made a conscious decision not to overreact in our attempt to meet the needs of a particular generation. We’ve opted to take a simple and balanced approach to adaptation; focusing on generational similarities as opposed to differences. We respect and understand these generational differences, but have found pigeonholing people while placing too much emphasis on appeasing a particular group is inherently divisive. Alternatively, we’ve found that a thoughtful and reasonable approach focused on positive attributes shared by myriad generations allows us to bridge generation divides while expending fewer resources.

**About the Author:**

**Nick Klausner.** I care a great deal about people, the cooperative ideal, adaptability, and accountability. These principles guide my work as a communicator and strategic leader. I’m fortunate to have found a place in the credit union space; an industry which endeavors to perpetuate these ideals.
Millennials have surpassed baby boomers and now account for roughly 80 million people in the U.S.

More importantly, Millennials have massive buying power, spending roughly $60 billion per year, which is projected to reach $1.4 trillion by 2020, and will comprise 75% of the global workforce by 2025.

In contrast, the average age of credit union members in the U.S. is 47 years old, and 74% of non-members between the ages of 18-24 either don’t know anything, or have limited knowledge, about credit unions. This underscores the need for credit unions and CUSOs to expand their efforts to reach a younger generation in anticipation of future demand and trends.

Here are five strategies that credit unions and CUSOs can implement to attract millennials and reverse the increasing age trend among members:

1. **Adopt More Mobile Accessibility and Online Offerings:** Millennials want convenience, practicality, and ease of use. They like to do things on the go, with as little effort as possible. In fact, roughly 45% of millennials say they only use their phones for all banking-related transactions and are 2-3 times more likely to want mobile apps to manage their accounts. Digital channels provided by credit unions should be user-friendly, easy to navigate, and able to sync with other apps and offline channels. Credit unions that lack some of the in-house capability to develop this type of technology can explore partnerships with CUSOs, technology vendors and FinTech providers.

2. **Meet Their Payment Expectations:** Millennials engage more in making mobile payments than in any other type of financial service. They are avid users of e-commerce systems and mobile P2P payment solutions (PayPal, Venmo, Google Wallet, Apple Pay). Offering mobile payment solutions that are compatible and user-friendly is key to targeting this generation.

3. **Provide Support for Life’s Changes:** Millennials undergo many life transitions in a short timeframe. These include pursuing an education, starting careers, getting married, buying a home, having children, and planning for retirement. Credit unions can make borrowing easy and accessible for millennials and provide them financial education and guidance through social media and other online platforms without charging the high fees financial advisers do.
4. **Improve Member Experience:** Experiences matter more than products to millennials. 71% of millennials say they would prefer to go to the dentist than listen to advice from banks. Credit unions should focus on creating a culture that attracts millennials by making everything easy and straightforward (i.e. change customer service avenues from traditional phone call to online chat or social media).

5. **Foster a Collaborative Approach:** Fostering innovative, “out of the box” solutions is essential to achieving success with millennials. To promote new ideas, organizations need to create collaborative channels of communication across and within their organizations. To do so, credit unions can start including millennials in the development of products and services by getting them on credit unions boards (or advisory boards) and including them in new product development and decision-making processes. Bottomline, millennials want to work for organizations that foster innovative thinking, while developing their own skills as leaders.

As a large generation with increasing buying power, millennials present a significant opportunity for credit unions. By understanding their needs, wants, and desires, credit unions can attract and retain millennial members long-term.

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**About the Author:**

**John Dearing** is a managing director at Capstone, the leader in strategic mergers and acquisitions for CUSOs. The firm focuses on helping credit unions and CUSOs grow by developing, evaluating and implementing proactive initiatives for growth. John can be reached at 703-854-1910 or JDearing@CapstoneStrategic.com.
Cross-selling to Millennials

How to leverage opportunistic moments to sell additional products and services

Account openings at branches continue to be important moments for cross-selling products and services. Cross-selling is a powerful revenue-maximizing opportunity that consumers have come to expect and appreciate when done well.

Cross-selling is one of the best approaches to engaging with one of the largest generations in history, the millennials, who are heading into their prime spending years. With their unique approach to researching and buying products and services, millennials (defined as individuals born between 1983 and 1999) are reshaping how business is conducted — they have high expectations for exceptional cross-selling and personalized communications.

To stand out among millennials, financial institutions (FIs) must transcend the typical “Do you want fries with that?” approach.

The Millenial Cross-Sell Potential

Millennials are heading into their prime spending years, and they are reshaping the global economy with their unique approach to buying products and services. Millennials are the first generation of “digital natives,” who shop and buy differently, having instant access to price comparisons, product information, and peer reviews.

Branches continue to play an integral part in acquiring new customer accounts, including checking account/DDA/debit card accounts, mortgages, and credit cards. While some millennial customers may begin an application online, many prefer to make an in-branch visit to complete the process. This creates an excellent cross-selling opportunity.

FIs who do not take advantage of communicating and cross-selling during the four key sales steps may not meet the expectations of their customers and could potentially watch them walk out the door for a competitor or a fintech alternative.
Millennials have a significantly higher cross-sell rate, with nearly 40% signing up for additional services (an average of 2.2 additional accounts) due to prompting, communications, and promotions by their FI. This is significantly more than generation X (24%) and baby boomers (5%).\(^2\)

These millennials want to be contacted by their FI:
- Younger and higher-income millennials are more open to contact.
- 25% prefer frequent contact (6–12 times per year).\(^2\)
- Contact of four times per year improves satisfaction, and cross-selling during the first 90 days, as many as seven times, is effective.\(^1\)

### Incidence of opening additional accounts at account opening\(^2\)

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<td>Millennials</td>
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<td>Gen X</td>
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<td>Baby boomers</td>
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### Additional accounts opened in response to bank prompting\(^2\)

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<td>Gen X</td>
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<td>Baby boomers</td>
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While cross-selling at account opening may appear to be a successful tactic, FIs need to keep in mind that millennials are less loyal than older customers. About 27% of millennials will switch FIs within two years, a percentage that increases with household income.\(^2\)

Furthermore, they prefer to keep all of their financial accounts in one place and will switch to accommodate that.
“By cross-selling and up-selling to those already on your client roster, companies can sell more products and services, reduce the cost of sales, enhance customer loyalty and drive revenue.”

– Dun & Bradstreet

Customers want all accounts at same bank

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Furthermore, millennials show a higher interest in learning more about their FI's complete line of financial management offerings, which creates an additional opportunity for cross-selling and customer stickiness.

Interest in use of personal financial management tools

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As a result, FIs need to continue to nurture younger customers with ongoing contact and cross-selling to earn their loyalty.

Products and services that millennials obtained at account opening

- Credit card: 52%
- Automobile: 22%
- Retirement: 20%
- Mortgage: 19%
- Student Loan: 17%
- ID Theft Insurance: 15%

Better Cross-Selling

A customer's FI — their first choice for additional products — has a competitive advantage, but it needs to be proactive in order to maintain its top-of-mind position.
FIs need to exceed the usual random approach when onboarding millennial customers, and develop a cross-sell strategy, based on customer segmentation and modeling, that creates an ongoing, authentic dialogue to encourage them to discuss their financial needs.

FIs should use a multichannel approach, executed concurrently, that ideally is based on a consumer segmentation analysis:

- **Personalized and trigger-based marketing on websites and email** is adaptable and flexible, and can be implemented quickly.
- **In person branch contacts** are useful, particularly for more complex financial products and services.
- **Mobile channels** are important for effective onboarding and cross-selling, and underutilized tactics such as mobile ads and SMS messages should be considered.
- **Online videos** play an important role in education and increase the attractiveness of an FI's services. Using the word “video” in email subject lines boosts open rates by 19%, increases click through rates by 65%, and reduces “unsubscribes” by 26%.

“Reconnecting with the new account holder early ... with a personalized thank-you note, text message, or email is a good way to begin the onboarding process.”

– Phoenix Synergistics

**Embed cross-sell messages on channels that appeal to millennials**

Mobile is a key channel for millennials, who consider being nimble and innovative important bank attributes. Younger generations embrace new financial technology such as mobile wallets and P2P (peer-to-peer) payment apps.

---

95% or more of millennials say they want their brands to court them actively.

— Accenture
Compared to their older peers, millennials’ debit card accounts are often linked with a mobile wallet

**Millennials** 59%  
**Generation X** 45%  
**Baby Boomers** 9%

**Millennials are drawn to mobile wallets and P2P payment apps.**

**I use my bank’s/credit union’s mobile wallet**

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**I use my bank’s/credit union’s P2P payment app**

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Mastercard can help you define the millennial segment and enhance your crossselling efforts to effectively target this key consumer segment.

For maximum effectiveness, FIs should employ an end-to-end cross-sell strategy for millennials inclusive of the following aspects:

- Best-in-class branch sales and cross-selling processes
- Insights and analysis on millennials, their habits, and their motivations
- Products and services specific to millennials
- Multichannel marketing and communication strategies, including offers and messaging

For more information contact Mastercard.com

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The charts and insights by Phoenix Synergistics contained in this white paper are drawn from a much larger and detailed report prepared by the company. This report, titled "Onboarding Programs: The Consumer Perspective Report F250," is available for sale by Phoenix Synergistics. Please contact Mark Sutin at mark.sutin@phoenixmi.com or 609.261.6332 for more information.  
3Mintel 2017.  
To remain relevant, listen to borrowers, not your gut.

"Many established, successful market leaders failed simply because they gave customers more of what they asked for." That's just one perspective of many on why Blockbuster failed to remain relevant as the world around it went digital.

Hindsight being what it is, it's easy to see now what Blockbuster did wrong then. Doing it differently is how many digital companies, both legitimate startups and incumbent spin-offs alike, are achieving such fast – and vast – success across verticals today.

History is a great teacher. Is your credit union accepting of the lessons we can learn by looking into the past?

Experiences From Digital Brands Reframe Expectations

So many incumbent companies across verticals have crashed and burned because they ignored what mattered to customers in a new world where digital capabilities are capable of changing anything.

In Blockbuster’s case, the concept of “movie night” was being completely blown apart by new business models that delivered DVDs to the doorstep and new technology that enabled streaming films from the couch. What's more, movie watchers were enjoying immediacy, pay-as-you-go affordability and customizable experiences from all kinds of digital brands. The movie rental industry had to keep up.

Digital Companies Reject Confirmation Bias

Was Blockbuster’s leadership blinded to the new market realities by hubris? By inertia? Whatever the institutional block, it seems they could not hear what the next generation of movie “goer” was telling them.

It's not uncommon for successful legacy firms to fall into the confirmation bias trap. Dictionary.com, another iconic market disruptor, defines confirmation bias as the tendency to process and analyze information in such a way that it supports one’s preexisting ideas and convictions. Rather than opening their eyes to the
changing world around them, incumbent leaders allow focus groups and other research to “confirm” what they “know” about their customers. In other words, they find data to support their existing theories, which does nothing to help them transform for the next phase of their businesses.

From Movie Borrowing to Money Borrowing

Fast-forward to 2018, and jump to an entirely different vertical – financial services. What shifts are happening within the borrower experience? What expectations exist that, if not met or exceeded, may lead to the traditional lender’s demise?

Look at the next generation of borrowers. What's important to Millennials, and behind them, Gen Z? How should credit unions with a desire to grow their lending portfolios in the digital era be planning now to provide what borrowers want?

Let’s take a look at three of the emerging expectations consumers have of players in the lending universe.

1. Speed. For the most part, consumers expect the lending process to take several days. But that's changing – quickly. Millennials are buying their first homes in a marketplace of popular apps that advertise during the Super Bowl and pump out a steady stream of quirky social content. Can your members buy a home or refinance a mortgage in minutes? If not, you'd better be able to clearly articulate your difference, or perhaps more smartly, get yourself in a position to accelerate that lending cycle dramatically.

2. Technology. The 2018 Borrower Insights Survey released by Ellie Mae found 70 percent of Millennials surveyed used an online process for all or part of their last mortgage application. And while the survey also indicated Millennials value face-to-face interaction with their lenders, it's certainly not needed for every step. Take the appraisal process, for instance. Do consumers really need a human appraiser when real-time automated valuation models (AVMs) work (and, importantly, satisfy regulators)? Are you taking full advantage of the technology, connectivity and data available inside the credit union space? How else will you deliver that high-tech borrower experience digital consumers want?

3. Altruism. Millennials want to do business with companies that do good. Seventy percent are willing to pay more for a product that makes an impact on issues they care about. This is certainly in the credit union wheelhouse. Are you capitalizing on that by promoting the alignment of the credit union philosophy with the borrower’s preference for do-gooders?
These three expectations alone signal great opportunity for credit unions willing to listen to what borrowers are already saying. Those that become great at telling the credit union story while also mobilizing the technology to say “yes” to an applicant faster will be in the best position to remain relevant in a digital world.

By paying attention to what matters most to members – young and seasoned – and not looking for evidence that supports your own preexisting theories, you will safeguard your credit union from becoming the Blockbuster of lending.

About the Author:

Omar Jordan  has more than 15 years experience in the loan origination business and has launched multiple successful lending companies and technologies. He is an active member of the Iowa Mortgage Association, the Iowa Credit Union League, the National Notary Association and the Mortgage Banking Association. Prior to founding LenderClose, Omar was a top producer at HSBC Finance where he was recognized on a regional and national level with multiple top flight and president’s awards. Omar enjoys family time with his wife and daughters, in addition to giving back to the community.