# Millennial Expectations: a discussion about mobile and personal banking

Moderated by Daniel Curren
Duffey Petrosky Advertising Agency
September 24, 2015

Report prepared by
Daniel Curren
October 2015

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# Foreword

## Overview

The perceived need of the millennial generation to have immediate results led to the search for a mobile financial product that would attract and suit the desires of this age group. The concept of "instant gratification" was directly addressed as the baseline of millennial reasoning.

Overarching concepts concerning the decision-making process, brand loyalty and value were discussed in the context of financial institutions. Specific questions concerning desired features in a mobile banking application, and the relationship between in-branch and online banking, were also considered. Mitigating factors such as the Great Recession and the widespread increase of student loan debt were also contextual factors highlighted throughout.

## Background

This focus group was conducted with an eye toward exploring the millennial age group to discover what type of mobile banking applications CU Solutions Group could offer credit unions for remarketing purposes. Furthermore, the group sought to understand what young accountholders look for from their financial institution's mobile application, and what specific features are most important.

The focus group was ultimately conducted with the intent of funneling the discussion from a very general line of questioning concerning millennial beliefs and approach to technology and finance, to more specific and practical usage behaviors. The individuals selected to participate in the focus group were self-identified millennials who were also employees of CU Solutions Group. It should be noted that this element presents the risk of bias for several reasons:

1. All participants are employees of a credit union serving organization. They are likely better educated about credit unions and products surrounding mobile finance. Additionally, most show a strong affinity to credit unions in general, and it can be hypothesized that this group may be more forgiving of perceived credit union shortcomings in the digital financial space due to long-standing loyalty.

2. As employees in a professional office setting, most participants are college graduates. The conversation circled back to student loan debt on several occasions, which was a noted baseline for financial decision making. While this can prove true of the greater millennial population, it should be noted that this may be an unrepresentative population in terms of a) education, and b) financial sophistication.

# Findings

## Values and the Decision-making Process

The first line of discussion focused directly on the concept of instant gratification and the millennial affinity for online, mobile and self-service applications. Participants defended this behavior as a logical response to the level of technology and information with which they were raised. They acknowledge the desire for quicker information and cite examples such as "Googling" a topic as soon as it piques their interest, or searching multiple online vendors to research a product.

They equate this instant access to value rather than impulse. In their line of reasoning, if such information is readily and easily available, it would be more of a shortcoming *not* to access it. To this end, the group described these behaviors and inclinations as "granting more access," "providing reliability," "having more knowledge" and "maximizing" knowledge and efficiency. These were all described as values in the context of convenience and service, and the importance of time and reliability were reintroduced by members on several occasions.

The Great Recession and student loan debt were discussed by participants at length and are a marked variable in the financial decision-making process. This wasn't discussed much in terms of online banking or mobile applications, but was, however, brought up in the context of brand loyalty and reliability. Overdraft protection and lower/fewer fees are not overlooked by this group as many are hyper-conscious of what they consider to be unfair business practices.

Customer service was a hot topic issue and brought up several times throughout the discussion. Several participants reported leaving financial institutions if they felt that their business wasn't appreciated or if they were charged too many fees. Several participants reported that they now drive a greater distance to bank with another financial institution rather than one that is close to home because they were not happy with the service. In this sense, most agreed that service trumps convenience, but we will later see that several statements were made that can potentially contradict this idea.

## Convenience and Satisfaction: The Balancing Act

There is a willingness to give up some desires so long as they're made up for in other areas. For example, one participant reported still belonging to the same credit union after moving some 50 miles away after graduating college. She feels that her credit union provides excellent online and mobile applications, so she is able to manage her account remotely and is able to have at least limited access to the physical entity through shared branches.

In the off event that she needs to access the main branch, she is willing to make the trip so long as she is completely satisfied with everything else. It was agreed upon that overall convenience and satisfaction are part of a fluid formula with many variables. They are willing to give up some things as long as something else takes its place.

Despite this, there still appears to be minimum-level thresholds that need to be maintained — specifically in terms of mobile. Most agreed that with the rise of more and more independent third-party services that allow easy and convenient online payments, peer-to-peer transfers, budget and tracking tools and the like, the amount of choice has exploded. This has led to the expectation that all financial institutions, at the very least, have some basic mobile application. It was suggested that "everyone has a mobile app; convenience is a given."

When asked directly what they expect to see in a mobile application, it was generally agreed upon that while "special perks" and "bells and whistles" are nice, they're not going to make or break the deal. As long as they're able to make simple account transfers and check balances wirelessly, they have at least a base level of satisfaction. It was, then, more a question of how intuitive and consistent the mobile application is with the financial institution's online portal and "brick and mortar" location. To this end, consistency and continuity were discussed as important values.

Participants expressed the desire to have an easy and seamless transition from their credit union's mobile application to their online portal. They expressed the desire for things to be simple, intuitive and "in the same places." It was forwarded and agreed upon by the majority of participants that mobile applications are more important than online portal accessed by laptop or desktop computer. It should again be noted they spoke about online and mobile access as a given. If a credit union did not possess these base levels of digital access, they were not even a part of the conversation.

Dissatisfaction was expressed with the lack of consistency in some smaller financial institutions. Several participants related that user information (login and password) and overall functionality varied from desktop/online and mobile applications. There was also some agreement within the group that even when some credit unions *do* adopt some type of mobile application, they are too quick to "declare that they are done and then step back."

Several cited that after new updates to mobile operating systems, their financial institution's mobile application began having problems. They agreed that simply introducing a mobile application is not enough; the financial institution needs to commit to maintaining it full time. The group considered themselves to be forgiving so long as their minimum expectations were met: an online account portal and mobile application that works consistently and grants at least basic access to their account. Specifically, autopay, mobile check deposit and account transfers.

## Increased Reliance on Digital

In terms of finance, the increasing value that this age group places on access and reliability is related to their increasing reliance on mobile technologies in general. As the group discussed simple processes like making purchases or performing account transfers, they often spoke completely in the context of digital, never discussing the process of filling out a slip, writing a check or using cash.

One of the real drivers identified is the increased reliance on debit cards and mobile payments. This places less emphasis on the branch and more on mobile. Participants were in general agreement that cash is an increasing rarity and that they rely almost entirely on debit cards and autopay for paying bills and making transactions. In the absence of physical money, it can become increasing difficult to track account balances, and it becomes more and more important for accountholders to be able to access this information quickly and conveniently. This is another example of how accessibility and convenience equates to good customer service for the group.

The group, however, still reported a desire for branch access, though it seems to be more out comfort — comfort that as a last-resort situation, they have access to a live representative. In fact, several reported they have not visited a physical branch in years. Participants often equated the physical branch to peace of mind more than a practical option, citing examples like, "If I am banking completely in the cloud and lose my debit card, I might have to wait seven to 10 days to receive a replacement." Whether or not a physical branch will be able to deliver a card more quickly, the perception still exists that having the option to visit a physical location is a sort of fail-safe.

## Beware the Slippery Slope

Participants suggested on several occasions that they held a high level of loyalty to their credit union. It should be again noted that this is a potentially biased population as all members of the focus group are employed with a credit union service organization. Nevertheless, several participants held the same narrative of belonging to the same community credit union for the majority of their lives.

It is crucial to understand, however, what this level of "loyalty" entails. It was submitted and agreed upon by several members that, "the credit union is just a place where I put my money," suggesting that places where a void existed were taken care of by other vendors and accounts. If their credit union did not offer the level of access and ease that they desired, they'd keep the account open, but only as a secondary or savings account.

One member replied that, "As a member, I'm very loyal. It would take a lot for me to just up and move my money, but it doesn't take a lot just to try [another financial institution] out." This sentiment was echoed several times by other participants and is a potential pitfall. While individuals are reluctant to completely leave a financial institution, they are very willing to try something new. This can lead to increased comfort with a new institution and increased likelihood that they will regress from the institution that does not meet their needs.

# Conclusions

## Getting it Wrong on Instant Gratification

The premise of instant gratification is symptomatic of more underlying issues. If we continue to approach the subject from this basis, we run the risk of casting ourselves into a purely reactionary position. To reinforce the concept of disruption, we must instead strive to understand the millennial line of reasoning to drive predictive behaviors and desires.

Henry Ford is often quoted as saying, "If I'd asked people what they wanted, they would have asked for a better horse." This sentiment reinforces the idea that rather than react to seemingly impulsive behavior, it is more important that credit unions and credit union service organizations get in front of these issues and strive to anticipate future needs.

## Same Words, New Meanings

Perhaps one of the most revealing findings of this study is the fundamental shift in terms and definitions being used by this age group. Multiple studies have shown a renewed desire for "good customer service," but with a deeper qualitative analysis, it can be shown that what constitutes good customer service is different from how it has been traditionally described.

Ease, convenience and service with a smile are not the same in-branch as they are online. When this group discussed the importance of good service, they often spoke in terms of convenience, access and continuity among channels. Items like overdraft protection and lower fees were still discussed as positives that credit unions often have over banks, but there are now new variables added to the equation.

It must stay top-of-mind that with this generation, good customer service now includes at least a basic level of online or mobile self-service capability. Access and continuity among channels are now part of the equation. If some credit unions do not factor these items into their approach, they will increasingly take damage to their perceived customer service and may not understand why.

## New Values Driving Behavioral Change

Again, we see a dichotomy in the reliance to access and convenience when coupled with the desire for fairness and "good customer service." On several occasions, participants reported the willingness to inconvenience themselves by driving further to access a branch that delivers good service, but they then equate that service to accessibility and convenience. There are many new variables at play that can lead to overall financial institution satisfaction with this generation, and while many do not expect that all variables will be met completely, there appears to be some threshold for all areas that, if not met, is a "deal breaker."

The shown increased reliance on digital transactions correlates directly to the desire for more access. If online, digital or mobile systems fail, it leaves much of this generation with virtually no access to their money. Just as an older accountholder might be lost without access to the branch, many of these individuals are lost without access to online and digital channels.

As the millennial population continues to grow and advance into adulthood and even younger generations enter the financial space, we can hypothesize that this maxim will only become more steadfast. Credit unions need to continue to meet their members "where they are," and this is, without question, increasingly in the digital space.

Credit unions must be aware that while many accountholders are reluctant to close an account as a matter of inconvenience, they are very willing to try something new. This can prove to be a double-edged sword. For credit unions who currently hold said account, if they do not meet the needs and desires of their accountholder, they may start to lose share of wallet and lending opportunities to other institutions. On the other hand, if the credit union *does* provide exemplary products, services and online accessibility, there is a better opportunity to entice young accountholders to new products and services.