

# Mindsets — Keys to Millennial Banking Success

By Christian Goy

They are roughly 75 million strong, between the ages of 18 and 34 in the U.S., technologically savvy, hyper-connected and social media vanguards. Millennials represent one in four of those with a checking account according to the latest BBVA study, and at least 71 percent of them¹ would rather go to the dentist than listen to what their banks have to say. Even more concerning is that more than half (52 percent) feel that their bank doesn't offer anything different than other banks, and one in six is very open to switching banks in the next six months².

In addition to that harsh truth, millennials are living longer with their parents, aren't buying cars and are postponing marriage. And these are only three examples that have a direct impact on banking as it lowers the demand for new and existing homes, apartments, furniture and home-related services that are financed through credit, argued senior BBVA economist Marcial Nava. Not to mention all other products like insurance and auto loans, which are equally impacted from this newly adopted social and economic lifestyle.

Faced with all these challenges, how do banks market to such a seemingly uninterested generation?

Most banks today still believe that identifying one's demographics, psychographics or lifestyle provide a clear understanding as to why a specific bank brand is selected. But in order to understand why consumers buy and continue to buy a product, marketers should consider redefining their audience not by who they are, but by how they select brands.

We know that the decision to become a bank's customer is not made in a vacuum. It doesn't just "happen" online or offline. Each product, service or brand is surrounded by a set of elements that play a vital role in a consumer's decision process to become a customer or not. This idea is based on the principle of behavioral economics, which suggests that multiple elements — cognitive, social, environmental and economic — play a role in one's decision process, how consumers decide what to spend their money on and how they choose between competing brands — in our case, banks.

<sup>&</sup>lt;sup>1</sup>2014 Scratch – Millennial Disruption Index

<sup>&</sup>lt;sup>2</sup>2015 Behavioral Science Lab — Millennial Banking Study

### HOW?

Our millennial banking study found that defining customers by who, what, when and where has little or nothing to do with why a particular bank is chosen or will continue to be chosen in the future. The study highlights why and how millennials engage with banks and how behavioral economic principles not only help banks better understand what really influences the decision process, but how they create lasting brand loyalty.

Millennials select their primary bank and its services for a known and finite number of reasons based on their perceived needs. These needs shape the mindset and perceived experiences on each decision element and become the driving forces behind loyalty. Understanding these forces can make banks proactive in satisfying their current customer base and a strategy that can result in a powerful selling proposition to attract new customers.

### **DECISION ELEMENTS**

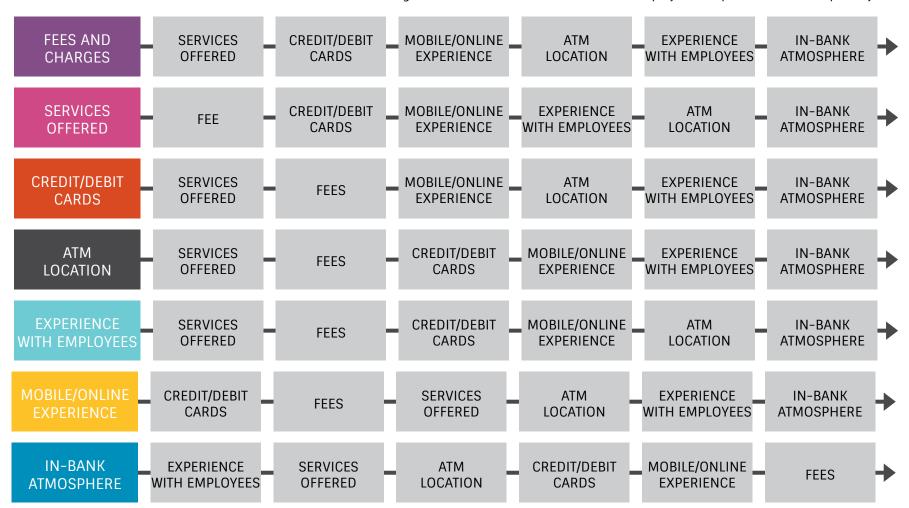
Our study indicates that seven elements play a role in a millennial's decision process in choosing the bank they believe is right for them:

ELEMENTS	MEANING
Fees and Charges	Cost of banking services
Services Offered	What the bank can do for customers
Credit/Debit Cards	Features and benefits of your cards
Mobile/Online Experience	Ease and efficiency of off-site banking
Location of ATMs	Number and convenience of ATMs
Experience with Employees	How bank employees make me feel
In-bank Atmosphere	What the physical location "feels like"

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### **DECISION MINDSETS**

The table below displays seven different mindsets. Millennials begin their decision process with one of seven different banking features, dividing the millennial universe into seven different decision mindsets. Each string of elements shows the role each element plays in the process to select a primary bank.



Defining the millennial banking universe by decision mindsets has several advantages. It allows us to clearly identify why one bank is chosen over another. We can also identify that some mindsets need more complex banking services than others, which, interestingly, has little or nothing to with their demographics or psychographics.

## **LOYALTY AND SWITCHING**

We further know between nine and 17 percent of millennial banking customers are likely to switch primary banks in the next six months. The likelihood to switch, however, varies by decision mindset, with those driven by the *Experience with Employees* being twice as likely to switch as those driven by *Services Offered* or *Debit/Credit Cards* (see table below).

	FFF0 C	050/4050	DEDIT/ODEDIT	ATA 4	EVENEUENIOE	MODILE/ONLINE
	FEES & CHARGES	SERVICES OFFERED	DEBIT/CREDIT CARDS	ATM LOCATIONS	EXPERIENCE WITH EMPLOYEES	MOBILE/ONLINE EXPERIENCE
Market Share	32.1%	22.8%	12.6%	11.3%	10.2%	9.3%
% Likely to Stay	84.8%	91.3%	91.2%	84.3%	82.6%	85.7%
% Likely to Switch	15.2%	8.7%	8.8%	15.7%	17.4%	14.3%
BrandEmbra (Scale 0—10						
Likely to Stay	73	76	75	59	77	78
Likely to Switch	36	59	54	41	34	57

<sup>\*</sup>In-banking atmosphere decision mindset too small to include.

### LOYALTY AND SWITCHING

BrandEmbrace takes into account all the facets of a brand experience and how they add up to produce a loyal and engaged customer or not. *Those Likely to Stay* have high and relatively similar BrandEmbrace scores for their primary banks. *Those Likely to Switch* have much lower BrandEmbrace scores but not equally low (see bottom of table on page 5).

Because of their market share size, the biggest risk of churn comes from millennials in the *Fees and Charges* and the *Experience with Employees* mindsets. For these millennials, a significant decline in BrandEmbrace is required to switch, making them more likely to withstand poor performance in other areas before they switch. Millennials in the *Services Offered, Debit/Credit Cards, Mobile/Online Experience* and *ATM Locations* mindsets are fewer in number but are more likely to switch with a far smaller decline in BrandEmbrace.



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## **BANKS AND BANKING SERVICES**

Different decision mindsets are attracted to different primary banks. This becomes clear after removing the effect of bank size and observing customer primary bank indices. = Above Average = Below Average = Below Average

DECISION M	INDSETS					
BANK	FEES & CHARGES	SERVICES OFFERED	DEBIT/CREDIT CARDS	MOBILE/ONLINE EXPERIENCE	ATM LOCATIONS	EXPERIENCE WITH EMPLOYEES
HSBC						
Citizens						
BMO Harris						
Univ FCU						
BB&T						
ВоА						
TD Bank						
Huntington						
Citibank						
Capital One						
Wells Fargo						
Credit Unions						
USAA						
Regions						
Ally						
Navy FCU						
SunTrust						
PNC						
US Bank						
Chase						
Fifth Third						



### **BANKS AND BANKING SERVICES**

When looking at banking services, some segments are more likely to use more complex banking services. Millennials belonging to the *Debit/Credit Cards* and *Employee Experience* segments seem to utilize more complex products and services offered by their banks than individuals belonging to the *Fees and Charges* and *Mobile/Online Experience* segments.

DECISION MIND	SETS					
BANKING SERVICE	FEES & CHARGES	SERVICES OFFERED	DEBIT/CREDIT CARDS	MOBILE/ONLINE EXPERIENCE	ATM LOCATIONS	EXPERIENCE WITH EMPLOYEES
Direct Payroll						
Personal Loan/ LoC						
CD						
Auto Loan						
Home Loan/ Mortgage						
Financial Advice/Counsel						
IRA/401K						
Home Equity Loan						



# **DECISION MINDSET DEMOGRAPHICS**

Though demographics and lifestyle are not directly attributed to why millennials chose a certain bank, our study indicates that there are demographic differences among the decision segments.

DECISION MIND	SETS					
DEMOS	FEES & CHARGES	SERVICES OFFERED	DEBIT/CREDIT CARDS	MOBILE/ONLINE EXPERIENCE	ATM LOCATIONS	EXPERIENCE WITH EMPLOYEES
Children <18						
Higher HH Income						
Employed						
Age 18—24						
African American Lack						
Hispanic/Latino						
Asian American						
Attend School						
Single						
Age 25—29						
Married						
Divorced/ Separated						

## **METHODOLOGY**

The study was conducted during the first quarter 2015 in two phases - (1) qualitative: two three-hour sessions with millennials having been primary bank customers for at least six months; and (2) quantitative: 480 nationally representative primary bank customers, aged 18-30, completing a 12-minute online survey using our proprietary MINDGUIDE and BrandEmbrace methodologies.



# For more details about the study, MINDGUIDE or BrandEmbrace, contact:

Ron Mundy ron@behavioralsciencelab.com
Tim Gohmann tim@behavioralsciencelab.com

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behavioralsciencelab.com

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