A report from the Economist Intelligence Unit

Making millennials "Sticky"

The changing role of the CMO in the financial services industry

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Confident. Connected. Open to change. That's how the Pew Research Center describes the millennial generation in its definitive 2010 study *Generation Next*. The members of this group experienced their formative years during the current millennium and now range in age from their late teens to early 30s. This is the "echo" generation, poised to surpass their boomer parents and grandparents as the most educated, diverse and influential consumers ever. And as they begin to inherit wealth they may also become the most affluent group of consumers in history. In a subsequent (2011) Pew study on the so-called Boomerang Generation, 77% of young adults polled said they were upbeat about their future finances.

Chief marketing officers (CMOs) in the retail sector have flooded millennials with social media, mobile apps and individualised products and services. But CMOs at financial institutions are significantly behind the curve, according to a global survey of executives carried out by the Economist Intelligence Unit (EIU) in July 2012 and sponsored by SAS. Although they've been slow to adopt these strategies, many are learning how to engage customers as individuals via social and mobile media.

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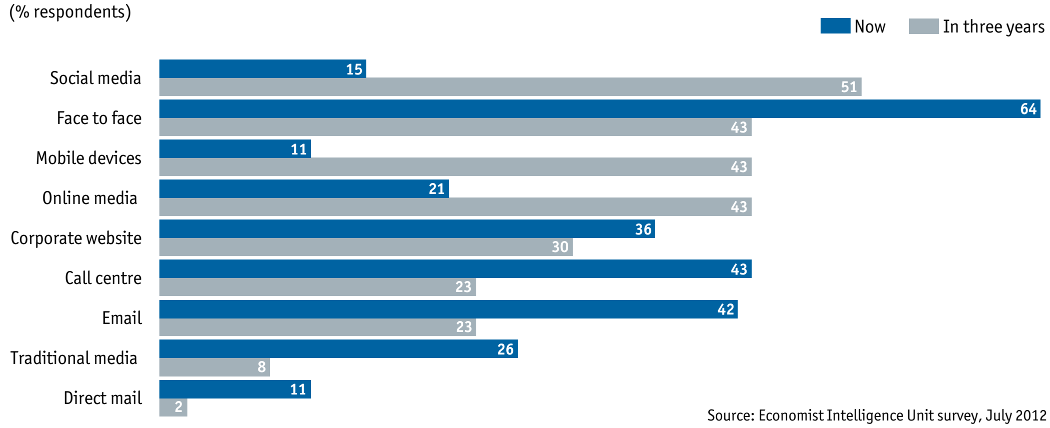
The most effective channels for customer engagement in financial services, now and in three years

(% respondents)



Source: Economist Intelligence Unit survey, July 2012

Opportunity knocks

When young people first encounter the financial services industry, banks have typically been their point of engagement. That hasn't changed: that initial bank account still symbolises entry into the mainstream economy. What has changed is that this contact no longer easily becomes that customer's default bank. Millennials are much less "sticky" than their parents.

News of a bad experience spreads rapidly throughout social networks, making millennials both recipients and dispensers of influence. Calling customer service is a little-used option for a continuously connected generation with access to real-time recommendations from people they trust. At a minimum, millennial consumers tend to "vote with their feet" and head elsewhere after a bad experience. But dissatisfaction often goes beyond individual action. Millennials can become either brutal critics or influential advocates, depending on the quality of their experience with a brand.

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>
> Bradley Leimer, vice president, online/mobile strategy, for Mechanics Bank

The good news is that banks already have products and services that can meet the needs of millennials if those products and services can be simplified, personalised and delivered through the right channels. This cohort tends to seek financial advice, and current needs for mobile payment tools and short-term credit will broaden into the full array of financial products as millennials' incomes grow. Indeed, many of life's transitions are still ahead of them: college graduation, first car, family formation and first home—and if the 2011 Pew study findings come to pass, a majority will have enough money to lead the kind of life they want. They will also likely inherit considerable wealth from their parents and grandparents. Each of these transitions involves financial events and opportunities for engagement with the banking industry at a time when boomers are drawing down their savings. To seize these opportunities, banks need to deliver products and services that create real value while conveying the authenticity and integrity that millennials seek when they engage with brands.

Making messages "stick"

Millennials outdistance older generations by a wide margin on every indicator of technology use. They connect to the Internet on the go, engage in social networks and seamlessly revert to cellphone-based text messaging when they're offline. According to Pew, eight-in-ten sleep with their mobile phone on or beside their bed.

These facts make social media and mobile apps obvious choices for bank marketers, and the most innovative firms now strive for real-time customer engagement. As Jim Marous has written in his blog, *Bank Marketing Strategy*, the goal of these firms is to provide event-driven suggestions for solutions based on transactions and life events to build broader and deeper engagement with individual customers. They need to interpret customer data to generate behavioral insight, but they must also use this insight to provide value to the customer. Mr Marous, who is senior vice president, corporate development, with digital agency New Control, adds that "these strategies not only support the real-time requirement of this segment, but use channels preferred by millennials to deliver 'pull' as opposed to 'push' marketing".

The EIU survey suggests that financial service providers are beginning to move in this direction. They certainly realise that these channels are becoming much more important. Although only 15% of providers rate social media as one of their most effective customer engagement channels today, that figure jumps to 51% when they're asked to predict what their channels will look like three years from now. The importance of mobile devices made a similar jump—from 11% to 42%. And more than half of financial CMOs predicted they would have more influence over digital marketing (online, mobile, social) in the years to come.

Avoiding social-media pitfalls

It is a mistake for bank marketers to try to use social media as a megaphone to talk about themselves or to leverage these new connections as a one-way channel for cross-selling.

While CMOs clearly recognise the importance of social media, they haven't yet mastered the art of delivering their marketing messages to new audiences. "Banks often fail at social media", says Bradley Leimer, vice president, online/mobile strategy, for Mechanics Bank, "because the industry doesn't fully embrace its basic tenets: transparency, authenticity, participation, personalisation, continuous engagement. It's not a campaign, it's an ongoing interaction with customers and prospects to shape the perception of the brand—one conversation at a time."

For example, it is a mistake for bank marketers to try to use social media as a megaphone to talk about themselves or to leverage these new connections as a one-way channel for cross-selling. Those approaches can annoy people in an environment designed for conversations. The solution is to use a more casual tone, adapted for the specific channel involved. This can mean using humour or trying to empathise with an individual customer's situation. Addressing the most common complaints can create immediate customer value and segue into ongoing advice that provides the foundation for relationship-building.

Wrapping their heads around this new way of thinking will pay big benefits. In his book *Bank 3.0*, Brett King asserts that "banking is no longer somewhere you go, but something you do". Bank marketing experts interviewed for this story agree, but they stress the need to balance new channels with personal interaction. "A critical part our relationship approach is knowing how our customers want to connect with us", says Maria Coyne, executive vice president of the branch network at KeyBank. She gives the example of small business customers who build a relationship with the bank through loans, and then start using payment services to boost revenue. "The solution we offer might be high-high tech", Ms. Coyne points out, "but that solution got its start from a personal conversation between the banker and the business owner. I think all banks are in the hunt for the right mix of high-tech and high-touch".

Mr Leimer of Mechanics Bank adds that this approach can also save costs. "I have seen a great deal of innovation in this space," he says. "The companies that are doing this well are not necessarily selling products but are creating engagement and planting a seed for future revenue." That's the recurring theme of advice from a wide range of bank marketing experts: winning over millennials now when they have limited income is key to keeping their business as they ramp up their spending power. ■

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