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InFocus

New job, new journey: Supporting millennials' changing banking needs

Top takeaways

Millennials just entering the workforce must quickly make a lot of routine financial decisions, as well as plan for longer-term financial goals and needs. They want guidance but don't think banks, in general, understand their needs, perspectives, and motivations.[1] Banks, therefore, may miss out on a potential long-term growth opportunity to support millennials' everyday financial needs, as well as important life events.

Millennial financial needs are rarely about products; rather, they are often a function of four dimensions: money mental models, jobs people need to get done, moments of financial pressure, and life events.

Banks can support the financial needs of newly employed millennials by understanding their goals, pain points, and interaction preferences, and designing data-driven, post-channel experiences that improve customer engagement and drive sustainable growth.

A next-generation data architecture and advanced analytics capabilities are key to helping banks meet customers' expectations in-context, at the right moment, and on a customer's preferred endpoint.

It's an exciting time for Evan. He has landed his first full-time job and is looking forward to joining fellow millennials (those born between 1981 and 1996[2]) on the journey from college graduate to young professional. But Evan is also feeling a bit overwhelmed: There are a lot of financial decisions he has to make in just a few weeks. Where should he direct-deposit his paycheck? Should he sign up for a health savings account? How much of his salary should he allocate to the company's 401k plan? Which credit card should he choose—one that offers cash back or one that offers travel miles?

Evan is also thinking about longer-term financial goals and needs: travel, purchasing a house, returning to school for a graduate degree. But first things first: How does he want to pay for his celebratory lunch? Mobile app like Venmo?

Starting a job means adjusting to a new phase of life. Evan wants guidance as he makes important financial decisions, but who is he likely to go to for advice? His parents and trusted friends, sure. The professionals at his bank? Maybe, maybe not. He is generally satisfied with the day-to-day services his bank provides—he will probably direct-deposit his paycheck there—but he doesn't know if his bank understands the needs, perspectives, and motivations of newly employed millennials like himself. Unfortunately, this means that banks may miss out on a potential long-term growth opportunity to support Evan's—and other young millennials'—everyday financial needs and important life events.

How can banks better understand and support the financial needs of newly employed millennials, communicate to and connect with these customers, and capture their share of this lucrative market micro-segment? By understanding their goals, pain points, and interaction preferences (see sidebar on page 4), and designing data-driven, post-channel experiences that improve customer engagement and drive sustainable growth.

"My bank is not really helping me, but they're there for me to talk to if I have any problems; because right now they're kind of just holding my money… So they're not really helping me do the work, and they're not helping me to reach my goal. And there's nothing really helpful that they're doing to help me earn additional money."

–Kavita D.

Interactive “missions” explore banks’ involvement in millennials’ financial journeys

How do we know what kind of engagement newly employed young millennials want with their bank? We asked. Through an online research campaign, Deloitte Pixel™ engaged 40 individuals in five days of interactive “missions” to better understand the financial decisions millennials make when starting a new job; recognize the goals they are planning for; and identify pain points that create friction in their daily financial transactions.[3]

Mission 1: Understanding personal goals

Takeaways:

- *Goals focus on upward mobility.* Buying a home was the most common goal, followed by paying for trips, going back to school, and getting promoted.
- *Participants need help.* Sixty percent reported little or partial confidence in planning for and achieving their goals. Thirty-five percent explicitly said they need help.
- *Savings plans are a priority.* Sixty-eight percent asked for help figuring out how to pay for their goal or with creating a savings plan.
- *Their bank isn’t top of mind for support with goals.* Only 33 percent would consider working with their bank to achieve their goal.

Mission 2: Capturing real-time interactions

Takeaways:

- *Branded credit cards are popular.* Eighty percent of all interactions used credit cards; many of these were issued by a brand, not traditional lenders, and they offered rewards.
- *Rewards-maximization planning is elaborate.* Participants regularly described detailed plans to maximize their points and cash back.
- *App-based payments are superseding cash.* While 15 percent of interactions used alternative payment methods (PayPal, Venmo, Apple Pay® mobile payment solution) only 10 percent used cash or checks.

Mission 3: Understanding financial decisions when starting a new job

Takeaways:

- *Trusted advice from family and friends reduces decision fatigue.* For the 80 percent of participants who described family or friends as the most helpful in financial decision-making, they reported a substantially easier decision-making process than those who relied on other sources.
- *Many mentioned a need for better tools.* Participants felt under-informed about the long-term impacts of their financial decisions and asked for personalized tools to help guide them through the process.
- *Bricks could still beat clicks.* While many participants asked for online tools, more than a few complained about a lack of physical bank branches where they could speak to someone face-to-face.

Mission 4: Big-picture finances and their most daunting decisions

Takeaways:

- *Many millennials fear commitment and the unknown.* Participants are uncomfortable about committing to choices today that make them miss out on future, possibly better, alternatives. And even if they worked with a bank in the past for a big decision (e.g., a mortgage), they may not do the same again if a better-suited alternative is available.
- *A referral means I can trust the bank.* Many participants chose their bank or financial institution exclusively based on recommendations from family, friends, or coworkers.
- *Participants demand personalized expert services in context.* They asked for trusted advisors who "get them" and their life stage **at that moment**, not just a generic solution based on age, income, personas, products, etc.
- *They want to know "What's in it for me?"* Participants seem trained to expect incentives when selecting a bank or financial product.

Driving next-generation growth, one millennial at a time

Millennials' financial needs are rarely about products; rather, they are a function of four dimensions: money mental models, jobs people need to get done, moments of financial pressure, and life events (figure 1).

The stepping-stone for changing how banks engage with their customers—and how millennials think about their banks—is to design experiences that meet clients where they are, across these dimensions. The following principles can guide banks' steps to improve customer engagement and drive next-generation growth, one millennial at a time:

- Customers are thinking about their needs, not necessarily your products.
- The post-channel experience is the new omni-channel.
- Be a customer-intelligence-led business.

Figure 1. Millennial customer financial needs in context

1. Customers are thinking about their needs, not necessarily your products.

Banking needs are prompted by life needs—big and small. While many banks have embraced customer journeys, they often construct them around a banking product. Typically, though, the product journey is secondary to the life-need journey customers are on: buying a home, taking a trip abroad, or even going out to lunch.

Banks should think about users, uses, and usage of banking products in the context of serving those motivations and aspirations and uncovering new value. Then, when thinking about the life-need journey the customer is on, consider these strategic choices:

- **Get out of the way.** Banks should keep it simple, recede into the background when they aren't needed, and allow moments to happen without interference or friction. Don't overstep; be there only when they ask for help. And learn to coexist with third parties. For example, make payments as smooth as possible by allowing customers to use a multitude of payment options to help fit their need of the moment: Card, mobile, in-app payments, third party, and wearables.
- **Address a pain point.** Understand the life-need journey from the customer's lens and consider touchpoints as opportunities for the bank to solve issues and remove complications. Consider where the bank could introduce solutions to alleviate friction or jump a hurdle, or use data to provide customized suggestions.
- **Help guide the journey.** In most cases there is lead-up time involved between inception of a customer's need/desire and actual fulfillment of the same. Be with customers along the way; keep them focused on the end result. Create little wins, one millennial says, on the path toward the big goal. Case in point: As millennials approach the home-buying stage of their lives, help navigate the greater need with guides, walkthroughs, and advice. Show support by offering insight into affordability and home buying/ownership implications, savings plans for those thinking longterm, and repayment modeling to help better understand purchase decisions.

"My credit card saves me 5%, it's a no-brainer. I always try to have a credit card that will save me money in every category."

–Jason E.

2. The post-channel experience is the new omni-channel.

"Omni-channel" is a term born of the retail industry to describe bringing together distribution models that were built upon different inventory and infrastructure. But as physical inventory gives way to digital and information products, the concept of "channels" loses relevance. This is particularly true in financial services, which almost exclusively offers information products. Banks, therefore, should design customer experiences that are untethered from channel thinking—what we call "post-channel" experiences. These experiences should be continuous and intuitively guided by the customer across all endpoints of their journey. An effective post-channel experience extends beyond modality (e.g., two-dimensional print, digital) and delivery technology (e.g., mobile, web, AR/VR) to better reflect human behaviors and preferences.

By reconciling two somewhat contradictory design principles, banks can create captivating, post-channel customer experiences to encourage engagement when life needs overlap with banking needs.

- **Design the best journey possible.** Offer thoughtful and deliberate navigation to endpoints that are designed around customer insights. Consider the advantages of each mode of interaction (e.g., when in-person interaction is needed or preferred) and the defining aspects of varying bank-customer engagements to curate well-designed stepping-stones through the entire customer journey.
- **Allow customers to design their own journeys.** Provide flexible options so customers can drive their own journeys. Leverage data intelligence to allow customers to interact and fulfill their needs on their own timeline in their own way.

Offering customers a carefully carved pathway requires understanding how, when, and where each endpoint should come into play. Yet, also remember that customers won't always stick to the bank's intended path. For a truly customer-centric design, customers must be able to jump between endpoints easily whenever and wherever they choose.

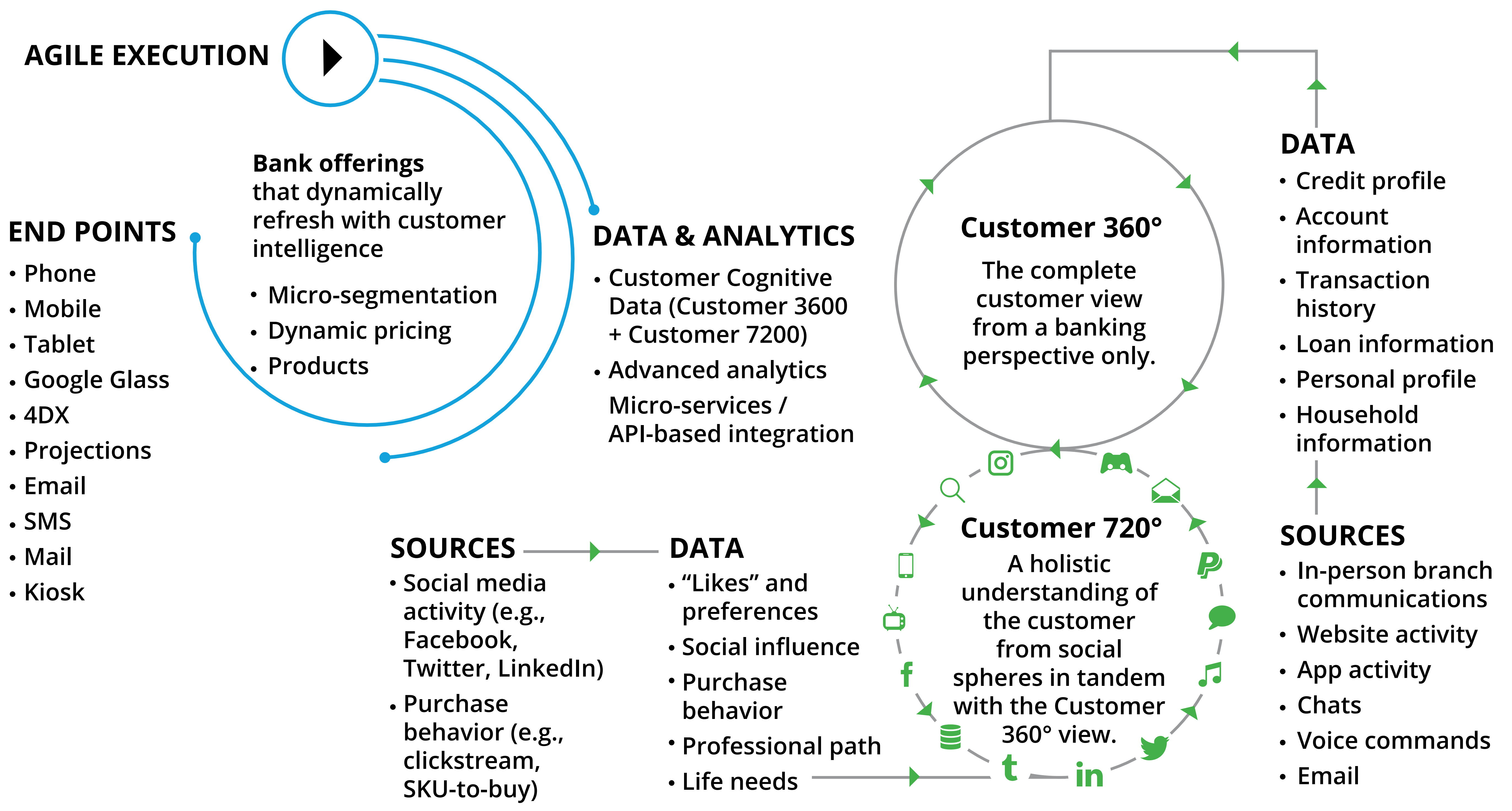
"If my bank had a tool that let me understand what my spending habits are and helped me figure out how much should go in my savings account per month to get to my goal, that'd be awesome! I'd trust it more than third party apps because it already has all my information and best shows my purchasing habits since it details everything I purchase."

–Lili M.

3. Be a customer-intelligence-led business.

At every endpoint within every journey, **customers want their banks to be sentient and engaging** (understand who they are; focus on their life needs and goals, always on, anywhere, in real time); **trusted and transparent** (be appreciative of their trust and reward loyalty, grounded in science and algorithms, and sensitive to their human emotions and rational motivations); **and modern and frictionless** (be aware of banking activity on any platform, automated and invisible when possible, and capable of seamless transitions between machine-based tools and human-based services). A customer-intelligence-led operating model based on next-generation data architecture and advanced analytics capabilities is critical to help banks meet these (as-yet unarticulated) expectations in-context, at the right moment, and on a customer's preferred endpoint (figure 2).

Figure 2. Data intelligence makes offering personalized and appreciated services and products possible



If banks want to attract and retain millennials' business from first job to first home and beyond, they can employ analytic capabilities that can provide data intelligence to:

- Predict customers' next life events and needs to guide personalized banking product recommendations
- Develop a deep understanding of customer context and lifestyle to craft meaningful touchpoints
- Recognize and capitalize on the delivery methods best suited for each type of endpoint messaging.

"Personalize something that's realistic for my situation, to the area I live in, my income, my family, my savings. The personalization reassures me that this is a practical decision for me and not just a generic solution."

–Chris S.

What's next?

If you want to learn how your banking organization can better understand the financial needs of newly employed millennials, communicate to and connect with these customers, support their everyday financial needs and important life events, and capture your share of this influential and growing market, we should talk.

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[3] Deloitte study; Next generation growth—One millennial at a time.

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