



Millennial Banking Insights and Opportunities

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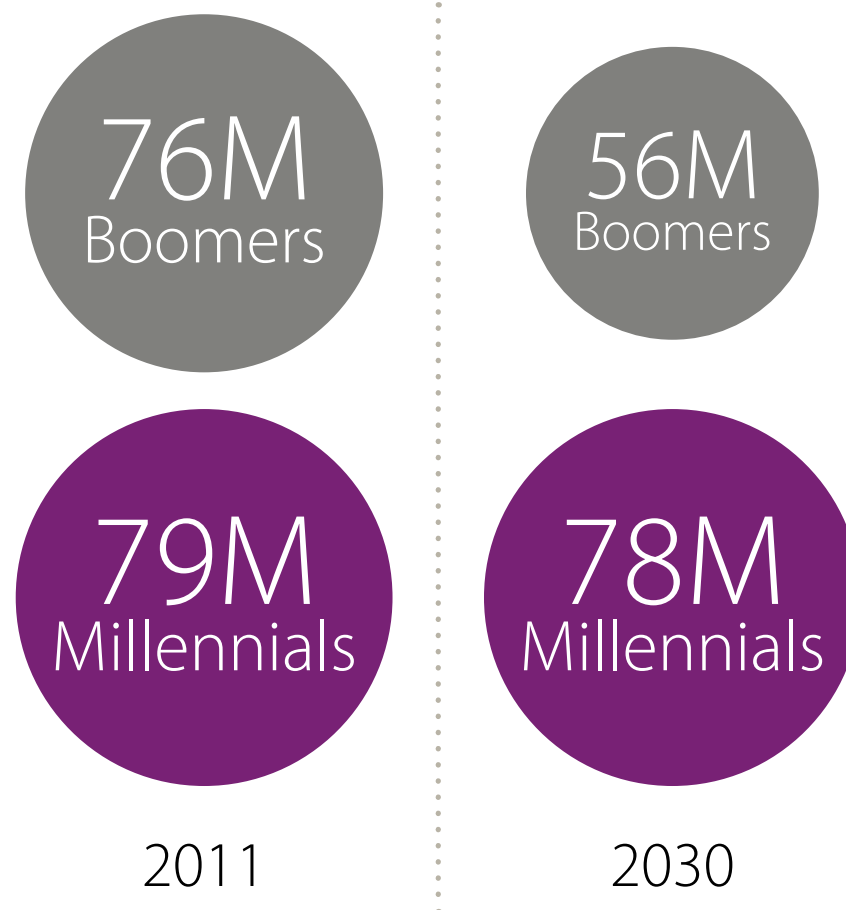
INTRODUCTION

Millennials, the generation born between 1980 and 1994, now outnumber Baby Boomers. Millennials are a demographic that's rapidly maturing in terms of their economic strength, social influence and political power. They represent the greatest challenge—and growth potential—for banks today.

This FICO report, the second in our series, continues our exploration of the generational differences to help banks stay competitive. Based on the results of a recent survey, this report highlights the rise of alternative banking services such as mobile payment and peer-to-peer lending, and also examines consumer preferences for communicating with banks across multiple digital channels.

More Millennials than Baby Boomers

Largest population cohort* *in U.S. history*



7% larger than the baby-boom generation

*U.S. Census Bureau, 2012

NON-TRADITIONAL BANKING > ALTERNATIVE PAYMENTS

Over 50% of Millennials are already using or considering payment companies like PayPal or Venmo.

INSIGHT

Millennials are more likely to consider non-traditional payment companies. They see value in the convenience, mobile support and ease of use. Conversely, the consideration of non-traditional payment providers decreases with age. For all age groups, customer satisfaction with a primary bank has no significant impact on consideration, with an equal number of satisfied and dissatisfied consumers now using non-traditional payment companies.

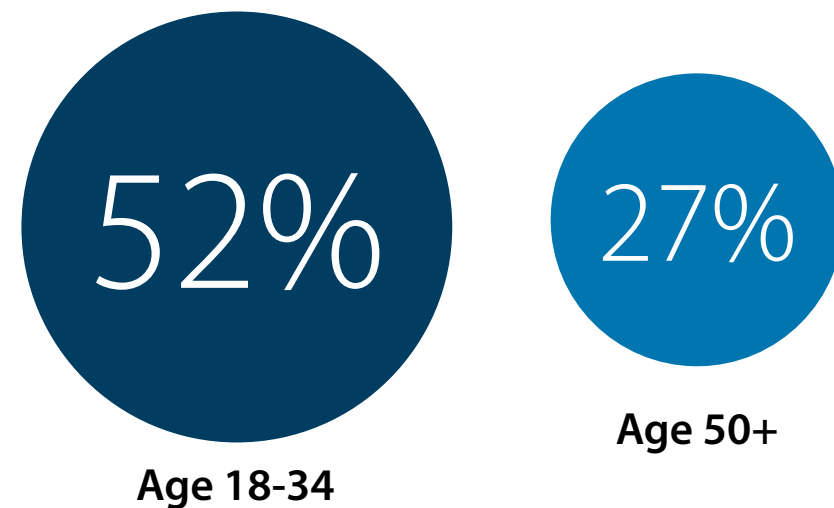
OPPORTUNITY

Millennials' higher consideration of non-traditional banking overall is an area to watch in the future as the generation ages and as more new non-traditional products emerge. Banks that haven't done so already should be looking to include easy ways to transfer money between non-account holders via their digital channels (online and mobile apps).

Watch this video on Millennials and Alternative Payments.

Young and Connected

Already using or very likely to use non-traditional payment companies in the next 12 months.



Question: How likely are you to consider the following types of companies for banking related needs in the next 12 months? Base: 18-24 (n=76), 25-34 (n=143), 50+ (n=503).

NON-TRADITIONAL BANKING > ALTERNATIVE PAYMENTS

Mobile payment (Apple Pay, Google Wallet and others) usage is still low, but poised for rapid growth in the near term, especially among Millennials.

INSIGHT

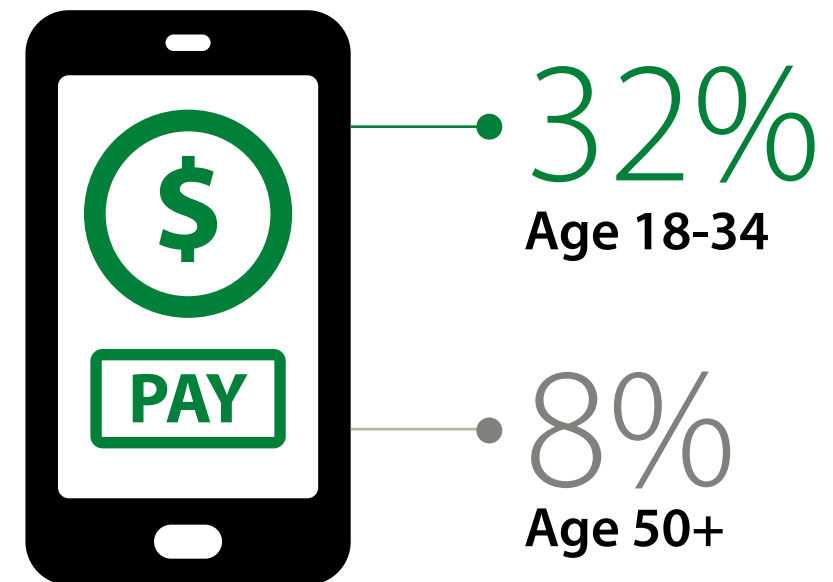
While mobile payment usage is still low across the board, younger demographics (18-34) are twice as likely to already be using mobile payments vs. the 35+ demographics, and much more likely to start using mobile payment in the next 12 months.

OPPORTUNITY

While there's currently no overwhelming demand for mobile payment services, the trend is clearly moving toward increased focus by the providers. Banks that are not already supporting mobile payment services should be rolling them out in the coming year, to stay competitive and earn Millennials' loyalty and business.

Young and Mobile

Already Using or Very Likely to Use Mobile Payment Providers in the Next 12 months.



Question: How likely are you to consider the following types of companies for banking related needs in the next 12 months? Base: 18-24 (n=76), 25-34 (n=143), 50+ (n=503).

NON-TRADITIONAL BANKING > PEER-TO-PEER LENDING

Compared to the age 50+ demographic, Millennials are over 10X more likely to consider the use of peer-to-peer lenders.

INSIGHT

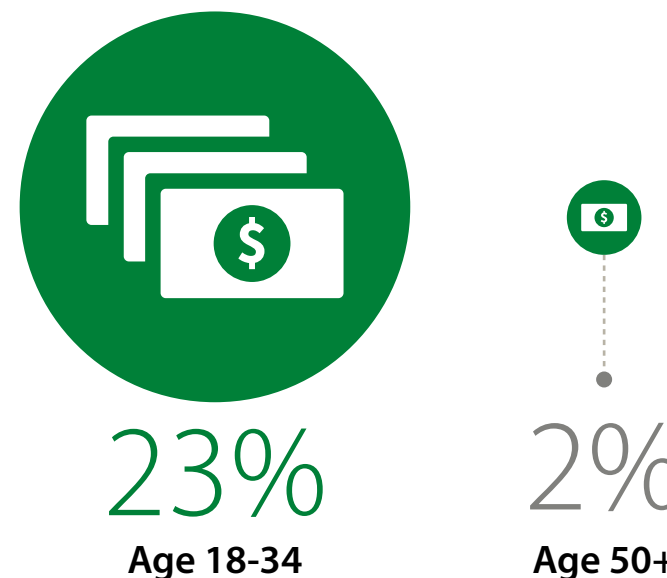
While overall usage of peer-to-peer lenders remains low across surveyed demographic groups, Millennials are much more likely than other groups to consider these services in the next 12 months, especially when compared with the 50+ age group (where they're over 10X more likely). Gender is also significant, with surveyed males twice as likely to consider peer-to-peer lending versus surveyed females.

OPPORTUNITY

Not surprisingly the generation that is coming of age in the sharing economy would be considering peer-to-peer lending. Peer-to-peer lending is a small but rapidly growing service with consideration by many customer demographics, but especially by male Millennials. As peer-to-peer lending becomes more prevalent, more consumers will seek self-financing options.

Young and Entrepreneurial

Already Using or Very Likely to Use Peer-to-Peer Lending in the Next 12 months.



Question: How likely are you to consider the following types of companies for banking related needs in the next 12 months? Base: 18-24 (n=76), 25-34 (n=143), 50+ (n=503).

NON-TRADITIONAL BANKING > COMPARISON

The non-traditional banking revolution has already begun, but banks still have time to join.

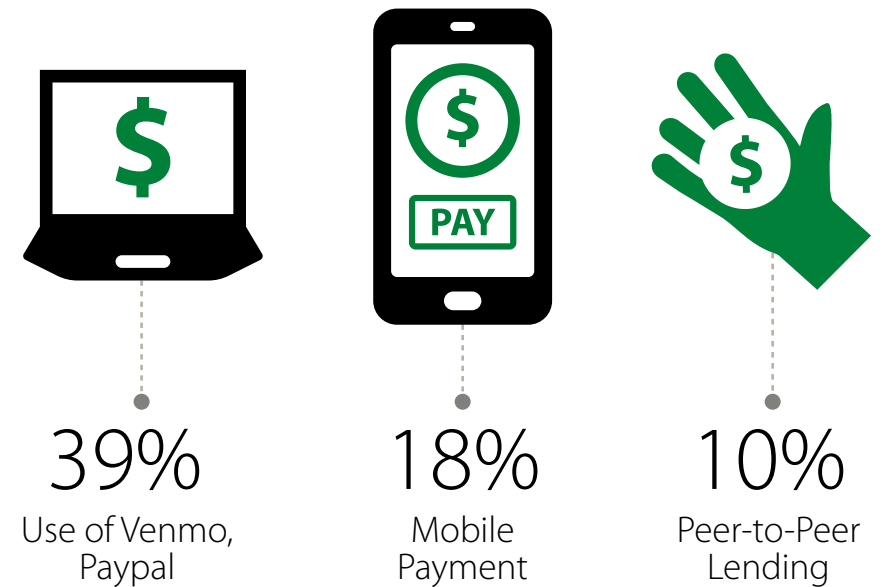
INSIGHT

While many of our surveyed consumers expressed interest in looking at non-traditional banking providers, the majority is still evaluating them versus using them, and their traditional bank ranks higher in most categories due to familiarity.

OPPORTUNITY

Currently, most consumers are more concerned with having their traditional banking needs met by their primary bank rather than satisfying those needs via alternative payment providers. But the trend is clear: alternative payment will become part of the mix, primarily among Millennials. Consumers are looking for the most convenient service for them and with such a wealth of options banks need to be agile and ready to move as behaviors shift.

Alternative Payment Usage and Consideration Among Ages 18-50+



Already Using or Very Likely to Use Alternative Payment in the Next 12 months.

Question: How likely are you to consider the following types of companies for banking related needs in the next 12 months? Base: 18-24 (n=76), 25-34 (n=143), 50+ (n=503).

COMMUNICATIONS AND MARKETING > RELEVANCY

Many consumers believe that their bank doesn't send relevant marketing materials.

INSIGHT

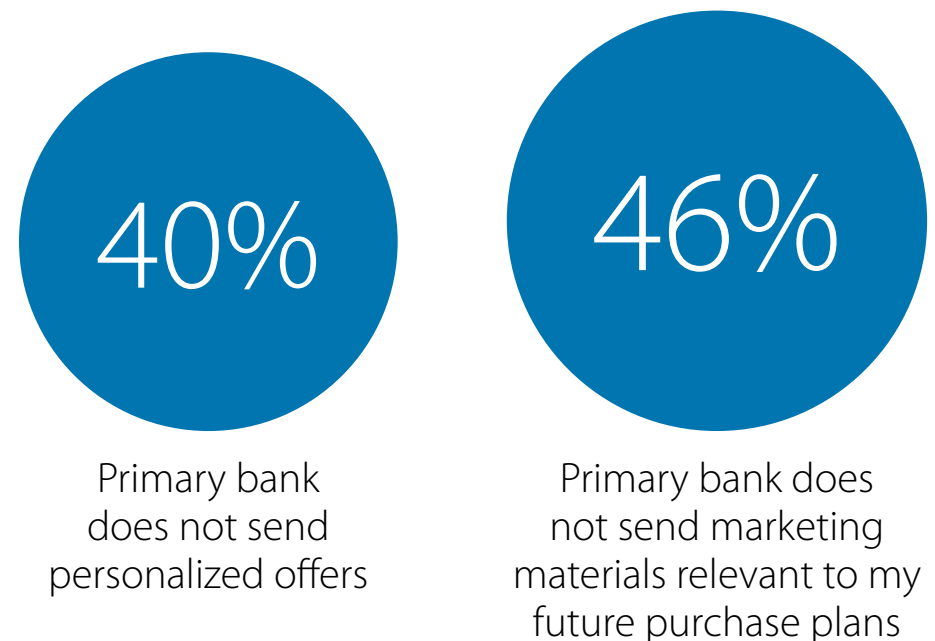
As one would expect, survey respondents across all age groups want to receive relevant and personalized communications from their banks on a timely basis. However, nearly half of the consumers surveyed don't believe they receive personalized or relevant offers.

OPPORTUNITY

Nearly 75% of consumers said they don't receive too many offers from their bank, so they are open to more communication. Based on the survey results, banks are not taking advantage of the rich transaction and life stage information they possess to make the right offers to their customers. Connecting data from product silos and managing the customer vs. the account represent a large opportunity for better customer engagement.

Watch this video on Millennials and Direct Mail.

Banking Communications Lack Relevancy



Base: Total (n=984) - Q36: [New Question in Wave 2] Thinking again about [PRIMARY BANK], how much do you agree or disagree with the following statements?

COMMUNICATIONS AND MARKETING > PREFERRED CHANNELS

43% of Millennials don't think that their bank communicates to them through their preferred communication channels.

INSIGHT

Millennials not only like to receive consistent communications from their bank, but they're also more receptive to those communications when they're sent via preferred channels such as mobile apps, texting, the bank website and telephone.

OPPORTUNITY

Banks must deploy a multi-channel approach to their customer communications with Millennials. The key to a differentiated experience is understanding customer preferences and matching how each customer chooses to interact with their bank. The analytics and automated communication tools are available to deliver those experiences at scale today, and banks need to leverage them.

Preferred Communication Channels



Email



Text Message



Bank Website



Mobile App

Base: 18-24 (Wave 2, n=76), 25-34 (Wave 1, n=147; Wave 2, n=143), 35-49 (Wave 1, n=287; Wave 2, n=262), 50+ (Wave 1, n=557; Wave 2, n=503) - Q18B: For each of the following types of information you might receive from [PRIMARY BANK], what would be your preferred way of receiving each type of information?

COMMUNICATIONS AND MARKETING > DIGITAL CHANNELS

Millennials conduct the most banking-related activities via digital channels

INSIGHT

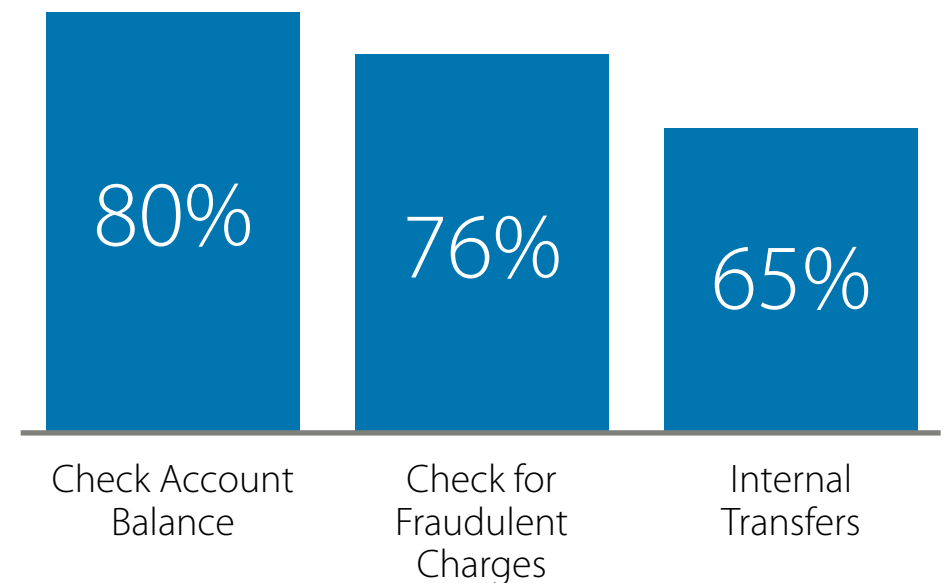
Millennials are more likely to conduct common banking-related activities via digital channels than other surveyed age demographics. The most common digital banking activities include checking account balances, checking for fraudulent activity, transferring funds and performing account maintenance.

OPPORTUNITY

Millennials, relative to other generational demographics, are more digitally focused, but almost everyone has integrated digital activities into their lifestyle. Banks must continue to build upon and innovate via digital channels, leveraging automated communication technology to personalize and enhance these interactions.

Watch this video on Millennials and Notifications.

Top Digital Banking Activities



Base: Total (n=984); 18-24 (n=76), 25-34 (n=143), 35-49 (n=262), 50+ (n=503) - Q17: For each of the following account activities with [PRIMARY BANK], A) How do you typically conduct each activity? Q18: For each of the following types of information you might receive from [PRIMARY BANK], A) How do you typically receive each of the following types of information?

COMMUNICATIONS AND MARKETING > IT'S NOT ALWAYS MOBILE

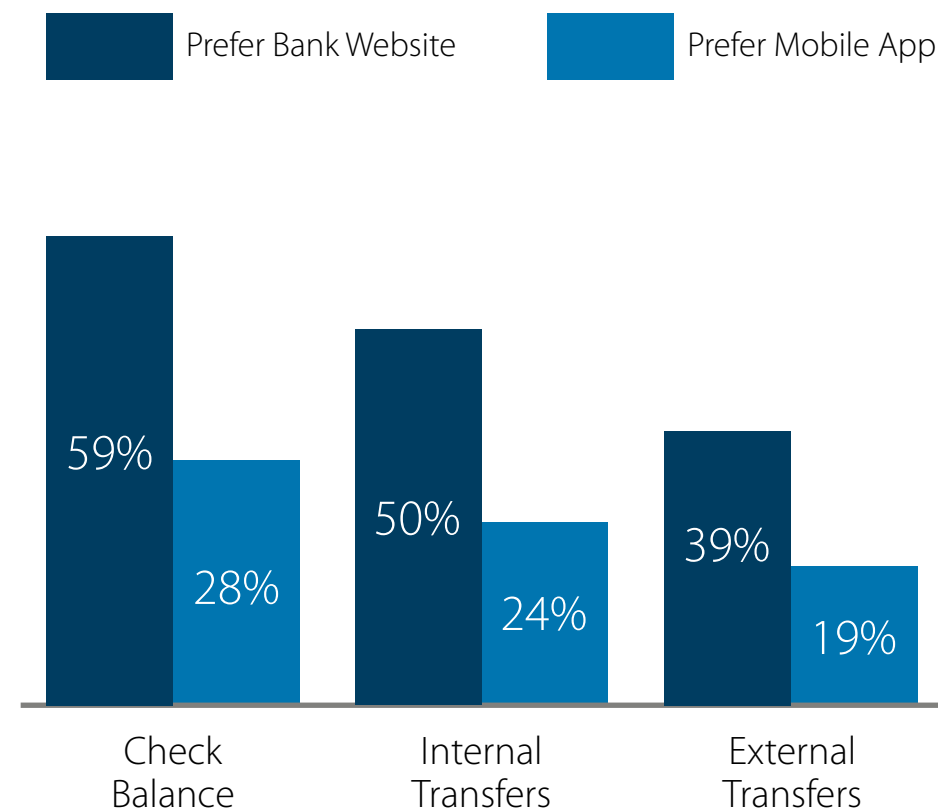
Mobile Apps: Not for all Millennials

INSIGHT

Millennials (at 26%) are far more likely to use a bank's mobile application than Generation X (12%) or Boomers (3%). However, when looking at the preferred way that Millennials want to transact with their bank, the website plays a more important role. Interestingly, 30% of Millennials with smartphones don't use any banking apps (from their bank, or 3rd-party banking apps). Of those that don't use banking apps, 45% said they prefer not to conduct banking-related activities on their mobile device.

OPPORTUNITY

One might expect a text heavy generation like Millennials to exclusively prefer SMS or mobile app notifications for communications, but that isn't always the case. Often email trumps both text and mobile app notifications as the preferred digital means for push notifications. Banks need a comprehensive and analytic-based communications infrastructure to understand each consumer, and deliver the right messages via the right channels.



IN CONCLUSION

This is an exciting time for the banking industry, with an unprecedented convergence of new technologies, services and customers that collectively represent tremendous opportunities for growth and success in the financial services sector. Alternative banking may still be in its infancy, but it has the potential to grow rapidly, especially as the Millennial generation enters its prime and pushes these services to the forefront of its banking agenda.

Among the insights gained, we now know that:

- Over 50% of Millennials are inclined to consider alternative payment providers.
- Millennials are 10X more likely to consider the use of peer-to-peer lending.
- Texting is the preferred communication channel for 1 in 4 Millennials, but they still use email, websites and other channels.

FICO is your partner as you prepare to deliver the right customer experience to Millennials. We're working hard to be your #1 source for the knowledge, tools and strategies that can help you adapt and prosper in a new "Millennial age" of digital banking.

For more information download **Options and Opportunities**, the first report in the FICO Millennial Banking Trends research.

Watch other videos about Millennial banking attitudes and:

Alternative payment options

Customer service

Marketing and direct mail

Fees

Loyalty

Communication

HERE TO HELP YOU SUCCEED

FICO prides itself on having transformed entire industries and revolutionized the way risk is managed and products are marketed. FICO helps the world's top banks, leading insurers, retailers, pharmaceutical businesses and government agencies accelerate growth, control risk, and meet regulatory and competitive demands.

Our unmatched portfolio of research expertise, proven experience and industry leading technology is ready to help you achieve all of your bank's marketing, sales and customer service goals, whether for Millennials or any other demographic group.



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