



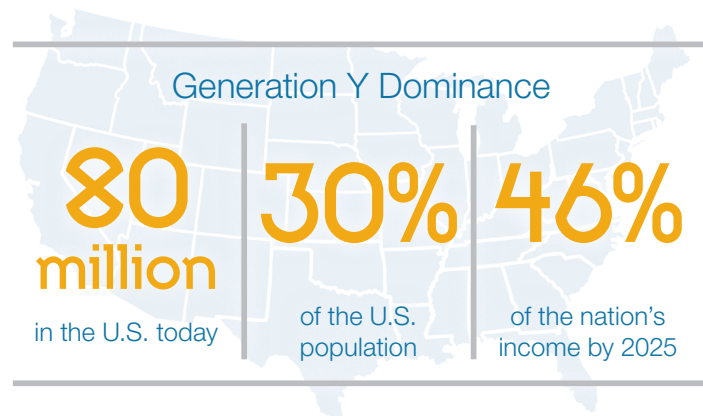
BEYOND THE BRANCH SERIES

Increased branch automation requires new concepts and strategies for branch services. This means looking at the entire institution, including the diverse aspects of branch transformation examined in our full “Beyond the Branch Series”—available at www.co-opfs.org/branchtransformation.

Sticks, Bricks and Gen Y

Despite their reputation for techno savvy, members of Generation Y still value the person-to-person contact that they can find in a financial institution branch.

With all their unique and heavily promoted characteristics—tech savvy, achievement-oriented and attention-craving—when it comes to financial services, Generation Y’ers are in many ways not all that different from Gen X’ers and Baby Boomers. While they love their smartphones and tablets, and spend hours surfing the Internet and sipping coffee at Starbucks, they still feel most comfortable dealing with a credit union or bank that has a branch conveniently located near where they live or work, according to market research.



Roughly defined as consumers born in the late 1970s to early 2000s, Gen Y is a market force to be reckoned with. In a recent report, Javelin Strategy & Research predicted that by 2025, “Gen Y will account for 46 percent of the nation’s income, making them a critically important consumer segment for banks and credit unions.” Today, there are approximately 80 million Gen Y’ers in the U.S. and they make up about 30 percent of the U.S. population, according to Wikipedia.

Now in their household formation years, Gen Y’ers have a distinct market advantage with their intuitive use of social media and Internet services for online research, comparison and analysis. Yet, they also still like the touch, feel and personal contact of the real world. Speaking at

a recent credit union conference, Portland, Ore.-based marketing consultant Bryan Sims told attendees that young adults consider physical branches just as important to them as they are to Gen X’ers and Boomers.

Still Into Sticks and Bricks

The availability of a sticks-and-bricks branch is a critical component to attracting and serving the Gen Y marketplace, according to TheFinancialBrand.com. Although they grew up in the digital era, Gen Y’ers still regularly seek person-to-person contact, reinforcing their desire to at least have the opportunity to visit a branch to conduct their business.

In fact, TheFinancialBrand.com points out that, based on its research, Gen Y consumers are more likely to visit a branch, drive up to an ATM or contact a call center than any other age segment. Whether a bank or credit union, they prefer to conduct transactions in person at branches at a rate 2.5 times greater than consumers over the age of 65, although the older customers are often thought of as the heaviest users of branch services.

Having a sticks-and-bricks branch that they can reach out and touch may also be more attractive to Gen Y’ers because, for many, their financial status was severely impacted in 2008 by events far away on Wall Street. According to a recent Bloomberg article, members of Gen Y have benefited the least from the economic recovery following the Great Recession. Average incomes for this generation have fallen at twice the rate of the general adult population and are likely to be on a path toward relatively lower numbers for at least another decade.



“Many are struggling to stretch their paychecks and they’re hungry for better ways to stay on top of their finances,” says Mark Schwanhausser, director of Multichannel Financial Services at Javelin Strategy & Research, quoted in an article on TheFinancialBrand.com. “They are developing their financial footing and they need some hand-holding.”

You can’t hold hands without human contact. As much as they seem to enjoy surfing the net and texting, Gen Y’ers appreciate good personal service and they value convenience, since both factors fit in with their busy days and multitasking world. This is where the convenience of a sticks-and-bricks branch and the comfort of customer service from a flesh-and-blood human become so important.

According to a report from RedPrairie, a global supply chain and retail technology provider based in Alpharetta, Ga., while Gen Y’ers are more comfortable making online purchases than perhaps their parents, they actually prefer to be inside a retail store talking to a helpful human sales associate. Whether shopping for a new computer or a new place to put their money, personal attention and exceptional care make all the difference to Gen Y’s when they select their preferred products and services. Just ask Apple or H&M clothiers. Coupled with convenience and service in the real world is the “affinity factor”—or brand loyalty—a powerful and positive human force that comes from the touch and feel that defines and builds an emotional connection on a more visceral level.

These foundational attributes in the real sticks-and-bricks world—service, convenience, affinity and caring—are key, indisputable factors for Gen Y’ers when making decisions. It’s natural that they would prefer to do business with a financial institution that has a branch with friendly tellers near where they work and/or live that satisfies most—if not all—of their lifestyle and financial requirements.



Gen Y still highly values convenient branches, despite widespread use of new-technology channels.

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