

Winning the Trust and Loyalty of Younger Generations



Millennials and Gen Zs are the first digitally native cohorts, and now the largest demographic groups. With 60% of these potential members willing to ditch their current financial institution for one that offers a better digital experience, credit unions that embrace newer technologies can gain an edge.

Millennials and Generation Z make up the largest demographic in the United States, but credit unions often struggle to capture the attention of these digital natives. This is likely because these generations have shown waning loyalty to their parents' financial institutions. Less than half of Gen Z and Millennials used the same financial institution as their parents in 2021,¹ a drop from 2020 when 61% of Gen Z and 54% of Millennials reported sharing a bank or credit union. They are also quick to move on if an experience doesn't meet their expectations.

The younger generation's high digital expectations coupled with the fact that credit unions are behind large banks and digital banks in terms of innovation has resulted in a decline in credit union membership. A recent survey found that only 26% of Gen Z (ages 18 to 24) use credit unions, and only 14% of Millennials (ages 25 to 34) say they're members.² Both generations are more likely to choose a large bank or online financial institution and the gap has only increased in recent years.

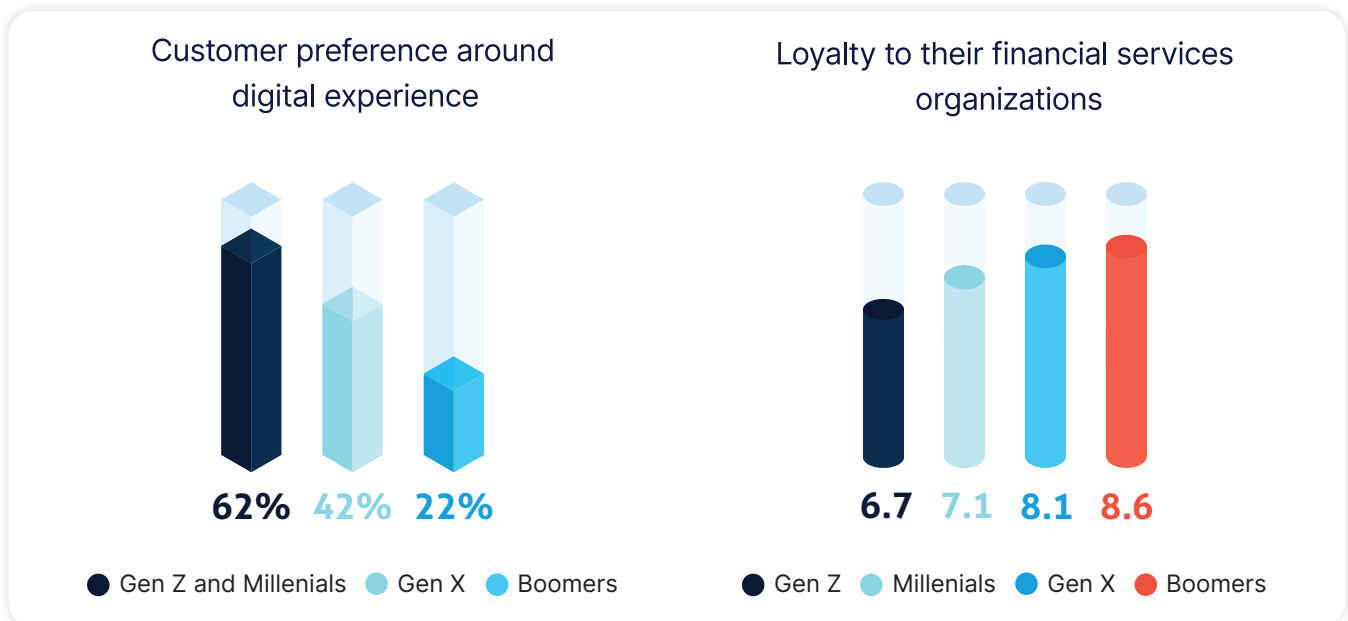
These findings underscore expectations for quick and effortless digital experiences. But delivering these experiences isn't always fast and easy, especially when a credit union's development and IT resources are spread thin.



Differentiating with digital experiences

Younger generations expect digitally enabled experiences that make them feel understood in the moment of relevance. While credit unions are known for creating high-touch, personalized experiences for their members in person, translating this capability to digital experiences isn't always easy.

Differentiating requires credit unions to align with the changing consumer preference around digital experiences. For example, 60% of Gen Z and millennials admit they would ditch their financial institutions for better mobile apps or digital experiences, compared to 42% of Gen X and only 22% of Boomers.¹ On a scale from one to 10, Baby Boomers rated the likelihood of still being at their financial services organization a year from today as 8.6 and Gen X as 8.1. Millennials rated that likelihood at 7.1 and Gen Z at 6.7.²



Younger generations are also more likely to bank with multiple financial services organizations, making it more difficult for their primary financial institution to gain additional business from them. Fifty-seven percent of baby boomers and 59% of Gen X say they only use one financial services organization, compared to 44% of Millennials and 40% of Gen Z.³

Credit unions also know that once you lose a member, it's challenging – and expensive – to win them back. Using the right technology can allow you to re-architect your digital experience around your members' needs to capture and keep their interest.

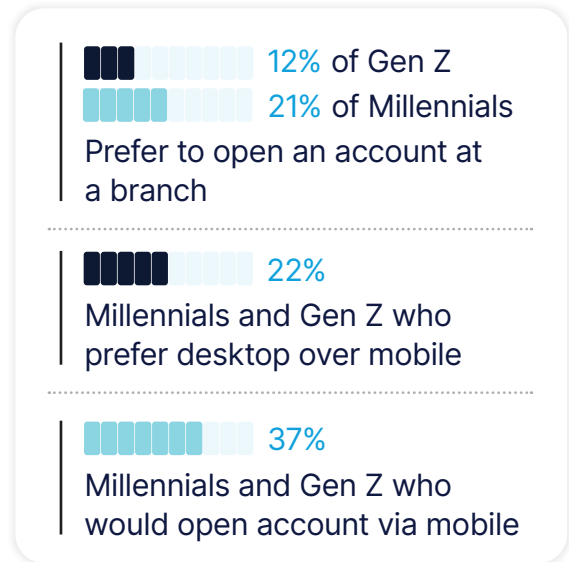
Creating a digital and human connection that drives loyalty

Forging a connection that drives loyalty requires understanding what younger generations want from a credit union and putting that in the context of a digital experience. For example,



Gen Z and Millennials have different account opening preferences than their parents or grandparents.³

- ③ Only 12% of Gen Z and 21% of Millennials want to open an account at a branch compared to the 38% of Gen X and 58% of Baby Boomers.
- ③ Even digitally, only 22% prefer a desktop experience over mobile for new account opening.
- ③ The majorities want to use mobile applications. Over one-third of respondents (37%) say they want to open new accounts using a mobile app.



Favoring desktop and mobile apps is a departure from the preferences of older generations, many of whom still want in-person, branch interactions.

Knowing these new digital preferences is only the first step in capturing the next generation and increasing their loyalty. It's also necessary to take a step back to ensure all the technologies work together to achieve a cohesive experience. Many credit unions aren't doing this today, and are instead implementing stand-alone technologies to meet the evolving needs of younger generations, making it harder to create the fully integrated experiences their members are looking for.

Using an engagement banking platform to meet the needs of younger generations

Younger generations are restless with their existing financial institutions, with only one-third of Gen Z reporting their financial institution is effectively meeting their needs. An engagement banking platform can eliminate disjointed member experiences by plugging into your core banking systems, integrating with the latest fintechs, and providing ready-to-go apps for all the various lines of credit union business.

An engagement banking platform can also help your credit union improve the digital experience such that it aligns with the younger generations' expectations. This will ensure the differentiation you need to compete in the future while also lowering costs and improving conversion rates.



The Backbase Engagement Banking Platform

For example the, Backbase Engagement Banking Platform provides a banking experience that is built around the end user. With a platform technology and modular building blocks, the seam-less member experience is retained when different channels and products are added on.

- **Digital Onboarding.** Allows you to improve your digital account opening and product origination experience by digitizing the process, decreasing the time it takes to complete, and eliminating the need to come into a branch, which in turn decreases dropoff rates.
- **Digital Banking.** Provides members with a personalized experience at every touch point and across all of their accounts so they can better manage their money and improve their financial wellness.
- **Digital Lending.** Helps process loans faster, improve loan conversion rates, and avoid friction in the member experience.
- **Digital Assist.** Gives employees the ability to respond to member needs faster, freeing them from multiple system logins and providing a 360-degree view of the member.
- **Digital Engage.** Allows your marketing team to use notifications, SMS, email and nudges to engage with members by personalizing your marketing content so it is contextually relevant.

“The power of an engagement banking platform is that it gives you the flexibility to make it your own - on your own timeline. You can go to market quickly with one product or line of business, and then continue to add on additional products and lines of business for a super-app type of experience where everything is in one place. This gives you the ability to provide the great experience your members are looking for, regardless of their generation.”

— **Kathryn Vargas**, Sr. Product Marketing Manager, North America at Backbase

1. [“Fighting the current: Young Americans reject the banks they’re born into.”](#)
Moneywise, June 16, 2022.

2. [“Gen Z and Millennials Favor National and Online Banks, Survey Shows — What Does That Mean for the Future of Credit Unions?”](#)
Yahoo, February 6, 2022.

3. [“BAI Banking Outlook: A look at Gen Z Banking Habits and Attitudes.”](#)
YBAI, 2022.