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EXPLORING THE BUSINESS POTENTIAL OF

GENERATION Z

In case you haven't noticed, there's a new generation of bank prospects ready for your attention. Americans born after 1995 - dubbed Generation Z - are starting to leave the comfort of home for college. Over the next decade, they'll be finding work, getting married, having their own kids and seeking a financial partner to help them fund a productive lifestyle.

Question: *Is your bank or credit union prepared to fine-tune its marketing messages and communication strategies to pursue their business? If not, here's why you should be.*

Understanding Our Youngest Bank Consumers

Each generation is shaped by unique experiences, values and demographics that influence buying behaviors. Although its youngest members are still in their formative years, understanding Generation Z's brief history may help financial institutions better hone their marketing programs to anticipate this age group's longer-term financial characteristics and needs.

As of 2015, Generation Z represents 26 percent of the U.S. population. The most racially and ethnically diverse age segment in American history, Gen Zers already possess \$44 billion in purchasing power.¹ Gen Z is the most culturally connected, educated and, possibly,

hardened generation of all time. They have never known a moment without instant communication. At the same time, they were born into a world seemingly in perpetual crisis from terrorism, global recession, gun violence, climate change and the oppressive debt of higher education. Such turmoil can't help but influence perceptions of life and spending.

Financially speaking, Gen Zers are knowledgeable:²

- **84 percent** of Gen Z parents said they have talked to their children about "money, saving and investing."
- **57 percent** of Gen Zers report that saving money is "very important" to them.
- **38 percent** have taken a class on financial management.

Sources:

¹ chiefmarketer.com; "4 Things CMOs Need to Know About Gen Z"; November 10, 2015

² TD Ameritrade; "Generation and Money Survey: Understanding Tomorrow's Investors"; June 18, 2014

Source links: [for your reference]

¹ http://www.chiefmarketer.com/4-things-cmos-need-know-gen-z/?hq_e=el&hq_m=2489875&hq_l=4&hq_v=aac8aaefa3

² http://www.amtd.com/files/doc_downloads/research/Gen-Z-and-Money-2014-Research-Report.pdf



What Makes Gen Z Tick

While only time will tell, Generation Z appears to be growing up faster than previous generations. Many young people today hold distinct sentiments about their employment future and personal roles within society.

In coming years, a more detailed portrait of Generation Z will evolve. Right now they appear to be ...

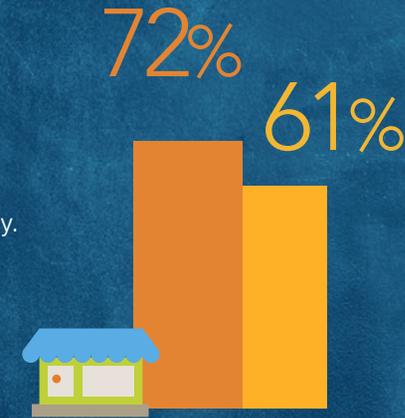
... **pragmatic in nature**. Among first memories, the oldest Gen Zers have witnessed the personal trauma of the Great Recession via unemployed parents and older siblings returning home after college.

... **zealous consumers of information**. Born into a culture where data is only a click away, they have quickly learned the value of money and the importance of educated decision-making.

... **serious shoppers**. To them, purchasing is not taken lightly. Major acquisitions will only occur after exhaustive market research and personal opinions from friends and family - often through social media channels.

Entrepreneurship appears to be in their DNA:³

- 72 percent of high school students want to start a business someday.
- 61 percent would rather be an entrepreneur than employee after graduating college.



Others have expressed desires to give back to their communities:

- 60 percent said they want to make an "impact" on the world, compared to 39 percent of their predecessor, Generation Y.
- 25 percent are already involved with volunteering.



Sources:

³ Business Insider, "Millennials Are Old News — Here's Everything You Should Know About Generation Z"; June 25, 2014

Source links: [for your reference]

³ <http://www.businessinsider.com/generation-z-spending-habits-2014-6>



Media Usage

Also known as Digital Natives, members of Generation Z are accustomed to being flooded daily by promotional messages from multiple sources. For Gen Zers, digital multi-tasking is a way of life. They are constantly juggling priorities. From a bank marketer's perspective, capturing their attention to promote products and services will be a challenge to be pursued on multiple communication fronts.

Foremost is mobility. Astonishingly, more than nine in 10 Gen Zers over age 12 own a mobile phone. Seventy percent of Gen Zers have more than 10 apps on their smart phone. More telling, one-third claim to use a banking or budgeting app.⁴

Implications for Bank Marketers

Considering their tender ages, Digital Natives have shown a surprisingly mature level of financial acumen. According to one VISA poll, more than four in five Gen Zers had a bank account in their name. Not surprising, most school-age account holders are not big savers with only 29 percent having \$1,000 or more in their accounts. More urgent, however, debit cards serve as this age group's preferred method for daily purchases.⁴

Sources:

⁴ VISA; "Generation Z: Insights into the lifestyles and aspirations of young Australians"

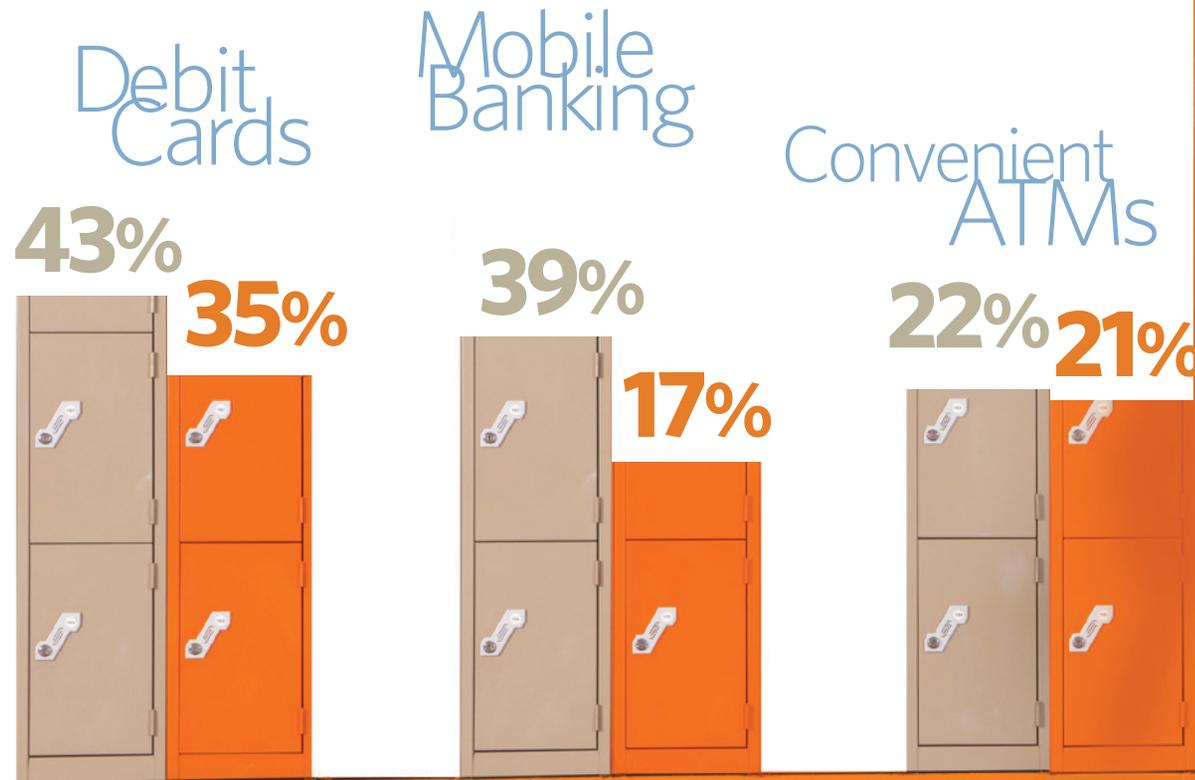
Source links: [for your reference]

⁴ http://www.visa.com.au/aboutvisa/mediacenter/include/GenZ_report.pdf

Bank Features Important to Gen Zers

By far, debit cards and mobile banking are the two most important features to Gen Zers age 17-20. According to a 2015 TD Bank survey, 74 percent of fledgling bank consumers describe their debit card as “essential,” compared to 56 percent of other age groups. Similarly, 41 percent of Gen Z account holders described their bank’s mobile app as “essential,” compared to 22 percent of other respondents.⁵

■ Generation Z
■ Other Age Groups



Source: TD Bank, 2015, The Financial Brand. Chart represents percent of consumers who ranked a financial feature as either first or second on their list of bank priorities.

Sources:

⁵ thefinancialbrand.com; “Get Ready ... Gen Z is About to Rock the Banking Industry”; October 19, 2015

Source links: [for your reference]

⁵ <http://thefinancialbrand.com/54828/generation-z-banking/>



First Love. Although initial feelings may fade with time, the TD Bank poll also showed that Gen Z bank customers are currently smitten with their primary financial provider, often their first real financial relationship.

- **82 percent** said they were either “very satisfied” or “extremely satisfied” with their day-to-day banking experiences.
- **93 percent** rated their bank’s debit program as either “excellent” or “very good,” compared to 84% of Americans overall.



As early market entrants, financial institutions that allocate a portion of their annual promotional budgets to acquire new Gen Z checking accounts could find themselves ahead of the pack over the next few critical years. On the flip side, banks and credit unions that don’t engage Gen Zers in some basic relationship at an early age could find themselves on the outside looking in.

Gearing Up for Gen Z

Make no mistake, in many ways Generation Z has the same life ambitions as previous generations. When asked to list their prime fiscal goals, most Gen Zers said they wanted to buy a car, fund college and purchase a house. At this very moment, our youngest consumer segment is forming attitudes about money and financial institutions.

If Generation Z is not already on your organization’s radar screen, put them there. Learn what makes this up-and-coming demographic tick and what your marketing department can do to enter *their world*. The future is here. You might as well embrace it.

For ideas to help your marketing team identify the financial needs of Gen Z and other demographics, call [1.800.351.3843](tel:1.800.351.3843), email contactHC@harlandclarke.com or visit harlandclarke.com/MarketingServices.