EBOOK

The Generation Game

The FinServ guide to the greatest wealth transfer in history

Optimizely | Hero DIGITAL

Contents

Get ready for the greatest wealth transfer in history

In the next decade alone, Baby Boomers will hand down as much as $8.8 trillion in assets to the generations that follow (Wealth-X, "A Generational Shift: Family Wealth Transfer Report" 2019). Without a doubt, this represents the greatest wealth transfer in history. It also represents a huge shift in customer expectations, because these generations do not bank in the same ways. For example, Boomers have historically been very loyal to their banks. In contrast, Gen X customers tend to be a bit more skeptical of their financial institutions. And the expectations of Millennials and Gen Z are heavily influenced by technology brands, including the growth of emerging financial technology (fintech) companies.

So the big question we're facing today is: how do financial institutions provide the best digital experiences and connect with younger customers, while continuing to engage their existing aging audiences?

Optimizely's partner, Hero Digital, recently produced a report exploring these differences and how banks should be reacting to them. Their report, called "From Boomers to Zoomers: Preparing Banks for the Greatest Generational Wealth Transfer in History", reveals what matters most to customers and what this means when it comes to creating meaningful connections across the generations. The report was closely followed by a dedicated webinar in partnership with experts from Optimizely.

Now, this ebook combines the learnings from both. It will bring you up to date with the impact this transfer of wealth will have on the banking industry, how expectations differ by generation, the essential attributes that will keep banks competitive, and how to stay relevant in the digital space.

01

How Generations Differ in Their Expectations

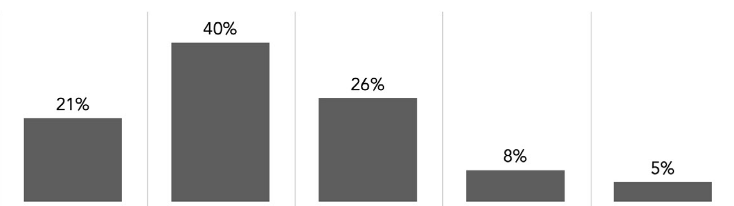
Boomers, Gen X, Millennials, Gen Z… all differ in their banking preferences and in what they expect from financial institutions. In the context of an historic transfer of wealth between generations, it has never been more important to understand and adapt to these different audiences.

Digital preferences

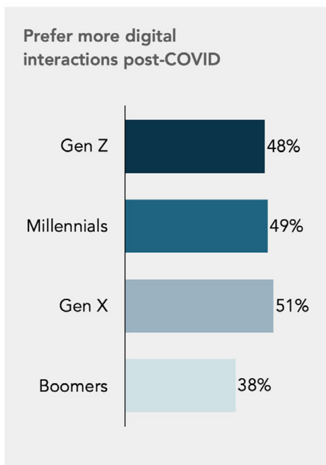
When it comes to digital access to financial services, the report from Hero Digital showed that these preferences are clear cut. As expected, Boomers are least likely to favor online access, with just 38% preferring more digital interactions post-COVID. That figure rises to around 50% for the other three segments. So we see that online experiences will continue to play a critical role in setting yourself apart from the competition.

At the same time, the figures show that there will always be a place for physical branches. Many customers still prefer to undertake certain transactions in person, such as opening a new account or taking out a loan—the kind of areas where they feel they might need a little bit of handholding and some face-to-face reassurance.

Interaction preference (Indexed to average)



Generation	Entirely digital	Mostly digital	Equal mix	Mostly in-person	Entirely in-person
Gen Z	109	110	88	62	94
Millennials	121	93	105	85	59
Gen X	88	105	93	132	95
Boomers	82	91	114	121	152



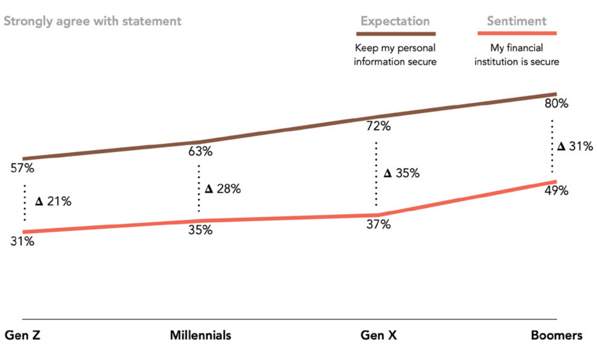
In response to these differences in expectation, many financial institutions are starting to introduce smart branches featuring digital touchpoints such as flat screens. This approach not only enhances the physical experience with a more tailored service, but also helps Boomers to become more comfortable with technology.

Ultimately, the human touch has a part to play when you're talking about something as important as a person's finances.

Security is the most important expectation across all generations

When it comes to understanding what matters to banking customers overall, Hero Digital simply asked one simple question: what do you expect from your financial institutions? As you would expect, the attribute that jumped out the most strongly was security. After all, everybody wants their money to be safe and secure.

At the same time, we also see a major gap between expectations of security and actual customer perceptions.



— **Gen X** has the biggest gap between expectation and sentiment (**35%**) indicating that trust may be more of an issue for this age group.

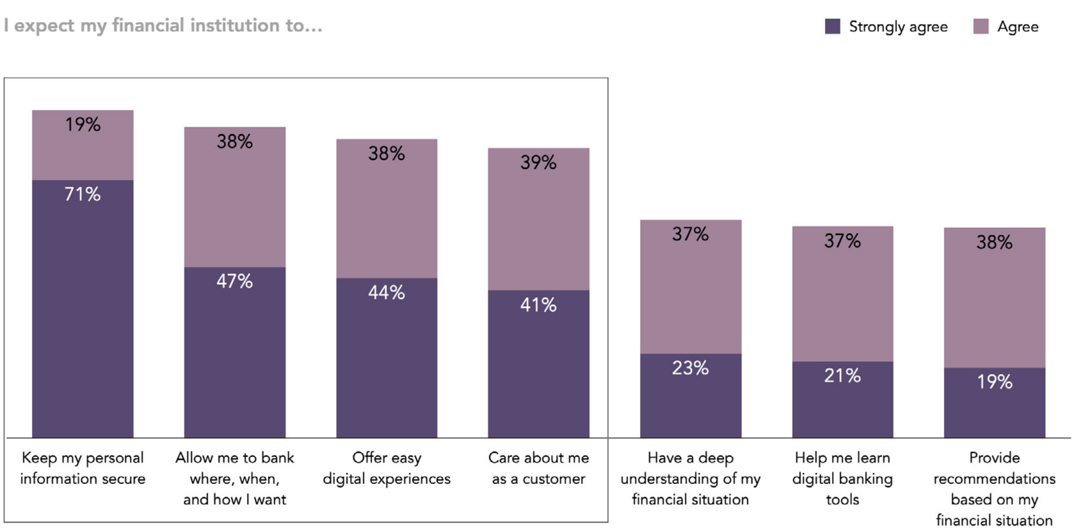
— **Boomers** have by far the highest expectations for security, with **80%** saying they strongly agree that they expect security. They also have the highest level of trust but still have a **31%** gap between expectation and sentiment.

The report shows that Boomers have the highest expectations by far, with 80% strongly agreeing that security is fundamental. Even so (and despite being the segment with the highest level of trust in their banks), research shows a 31% gap between the expectation of security and the feeling their financial institution meets that expectation.

Gen X shows the largest gap between expectation and believing that expectation to be met (35%). This indicates that trust may be more of an issue for this age group.

90%

of customers expect security from their financial institutions

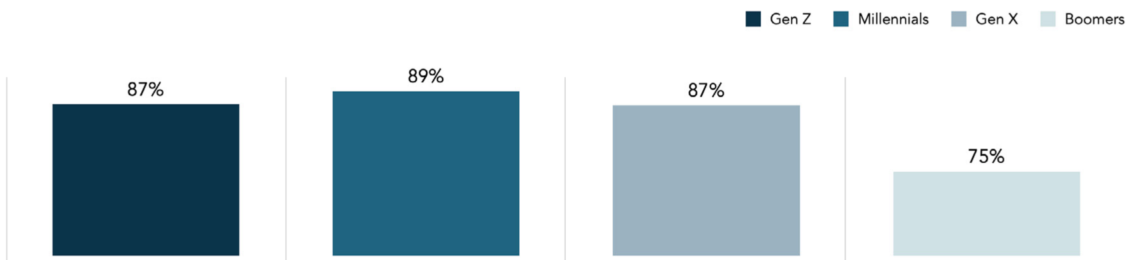


Top expectations for financial institutions (% strongly agree/agree)

1. Keep personal info secure (90%)
2. Flexibility to bank how I want (85%)
3. Easy digital experiences (82%)
4. Care about me as a customer (80%)

Expectations for digital experiences (and convenience in particular) are being set by interactions with companies outside the customer's primary bank

Have at least one fintech account



Type of fintech	Gen Z	Millennials	Gen X	Boomers
Payment services	81%	85%	84%	73%
Investing	28%	23%	17%	8%
Consumer banking	15%	25%	20%	7%
Budgeting	19%	19%	11%	5%

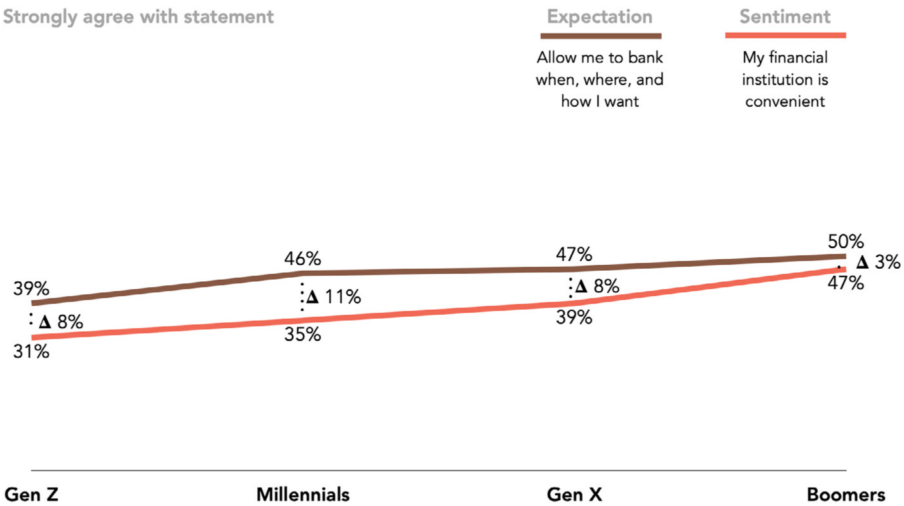
Convenience also features high on the list of the attributes deemed most important by customers, with 85% of customers placing an importance on being able to bank when, where, and how they choose.

Our experts discussed how customer experience expectations are heavily influenced by interactions with companies outside the customer's primary bank—especially technology brands, including the emerging fintech companies. In fact, the vast majority of banking customers in these segments hold at least one fintech account, with payment services being the most popular.

As industries evolve to meet new expectations, customers are being inundated with ever more convenient, and ever more easy, interactions, whether that's shopping with Amazon or traveling with Uber. This explains why 82% of banking customers across all generations choose ease of interaction as another important attribute.

Expectations for convenience are largely being met by financial institutions making this a priority to remain competitive

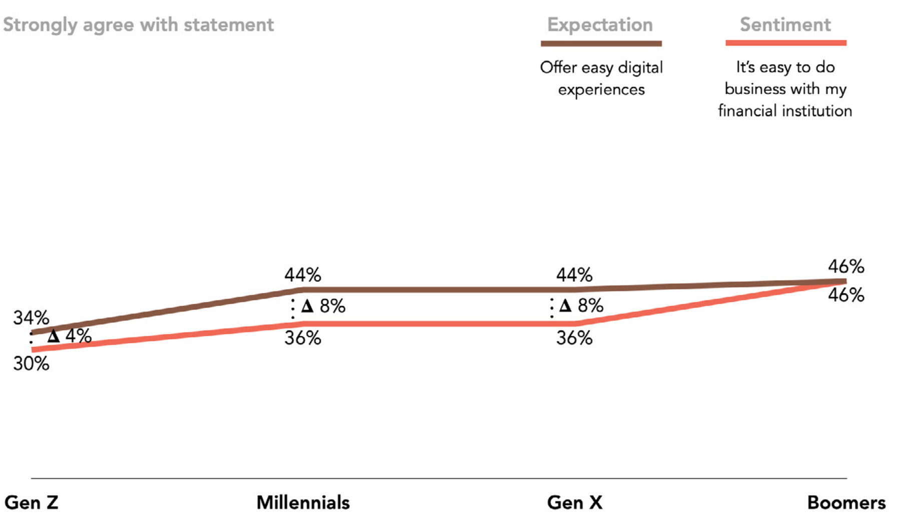
Convenience



- The concept of "convenience" will differ based on preferred interaction style.
- **46%** of **Millennials** expect convenience, only **35%** strongly agree that their financial institutions are meeting this. This is also the generation who is most likely to prefer interacting entirely digitally.
- **Boomers**, who are most likely to prefer in-person interactions, are relatively satisfied with the convenience their financial institution offers.

Overall, ease of interaction has the smallest gap between expectation and sentiment for all generations

Ease of Interaction



- Most customers have similar expectations around easy digital experiences with the exception of **Gen Z** who are at least 10 percentage points below other generations
- **Boomers** expect ease and are most likely to say their financial institutions are meeting that expectation. For **Boomers**, there is no gap between expectations and sentiment for ease of interaction

What do you care?

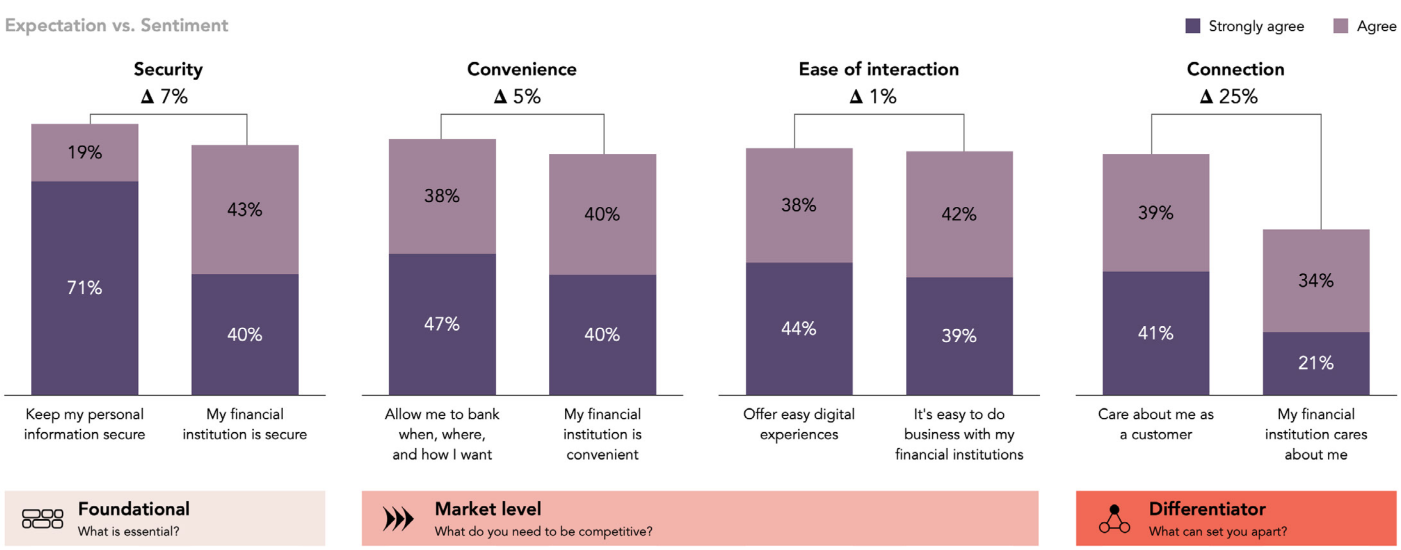
We hear a lot about personalized one-to-one experiences as a kind of holy grail in the digital world. Yet when it comes to brands actively showing they care about their customers, we don't see anything like the same level of focus.

Yet the research from Hero Digital shows that 80% of people expect their banks to care about them as customers, ranking almost as highly as attributes such as easy digital experiences.

In fact, while 80% of customers across all generations agree that their financial institution should care about them as customers, only 55% believe this is actually the case. Unlike security, convenience, and ease of interaction, we see a much larger disparity between expectation and sentiment.

This gap creates an opportunity for banks to truly differentiate themselves.

"According to the report, customers rate a feeling of connection (or caring) almost as highly as convenience and ease of interaction. Yet many financial institutions aren't living up to this."



02

Different expectations. Meaningful connections.

Different generations agree on some of the most important attributes they expect from their financial institutions, most notably in terms of security. Yet they also diverge in a number of areas, most notably in the feeling being connected to and cared about by financial institutions. By understanding the attributes each generation really cares about, you open a clear path towards connecting in authentic and enduring ways.

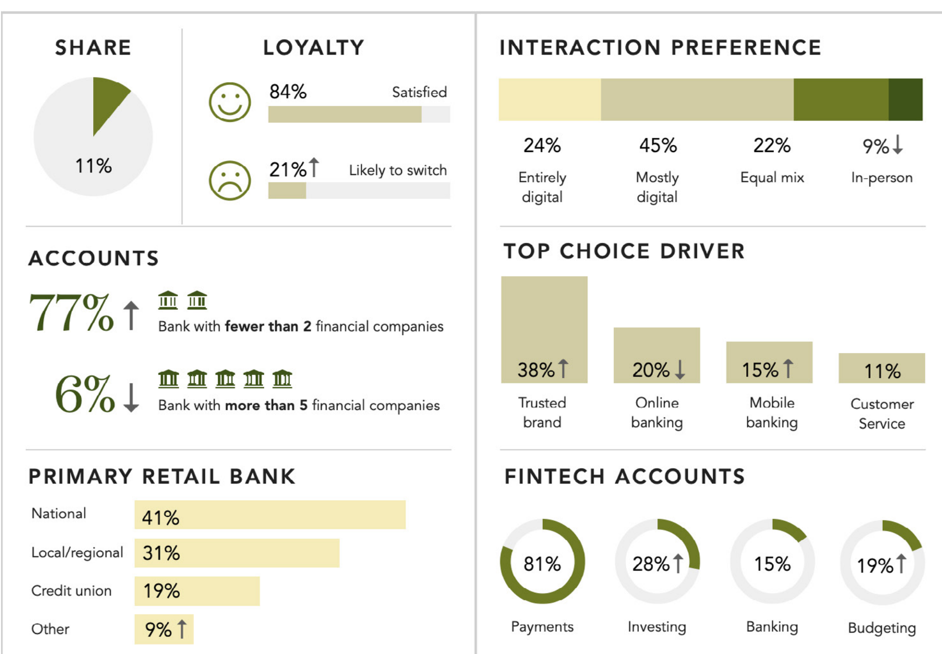
Gen Z: Connect via authenticity

Gen Z is the blank slate generation. These people are just starting out on their financial journey and they're looking for trusted brands to help them navigate life.

Typically, they only hold accounts with a single financial institution. At the same time, this is the most likely generation to switch providers. With generally lower expectations of their financial institutions, we see a strong drive for wanting to choose brands they can really trust. The Hero Digital report bears this out, finding that trust is actually the number one driver in this segment, ranking above online banking, mobile banking, and even customer service.

> "38% of those asked chose trust as the first thing. So we can see a real need for a genuine connection, even with their financial institutions."

Another key takeout is that Gen Z prefers digital interactions, preferably via a mobile device. This isn't all that surprising, since many hold fintech accounts even as their primary bank.



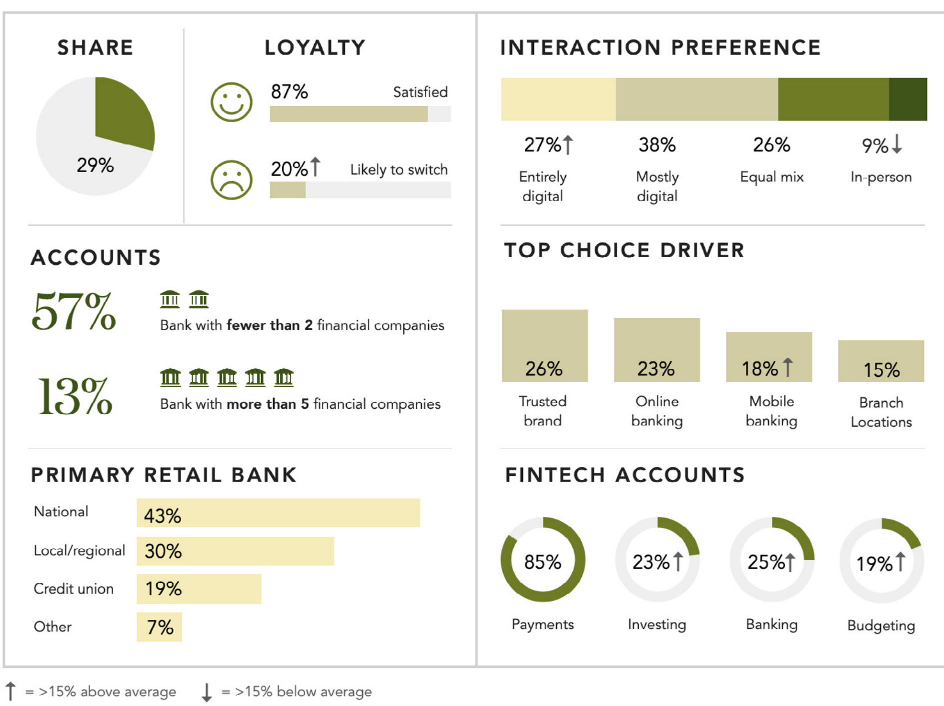
↑ = >15% above average ↓ = >15% below average

Millennials: Connect via digital

As the most likely generation to prefer digital-only interactions with their financial institutions, Millennials have grown up heavily influenced by tech companies. Today, they expect their banks to offer the same levels of convenience and ease to which they've become accustomed throughout their digital lives.

At the same time, Millennials display the widest gap between expectation and sentiment when it comes to convenience. Remember – that's the difference between what they want from a brand and what they think they're actually getting. So there is a big opportunity for digitally-savvy banks to differentiate themselves through the ease and convenience of their digital offerings.

It's worth noting that, while we often think of Gen Z as the truly digital generation, it's actually Millennials who place a greater emphasis on digital. They show a heavy use of fintech overall, with one in four confirming they use a consumer banking fintech as their primary banking institution.



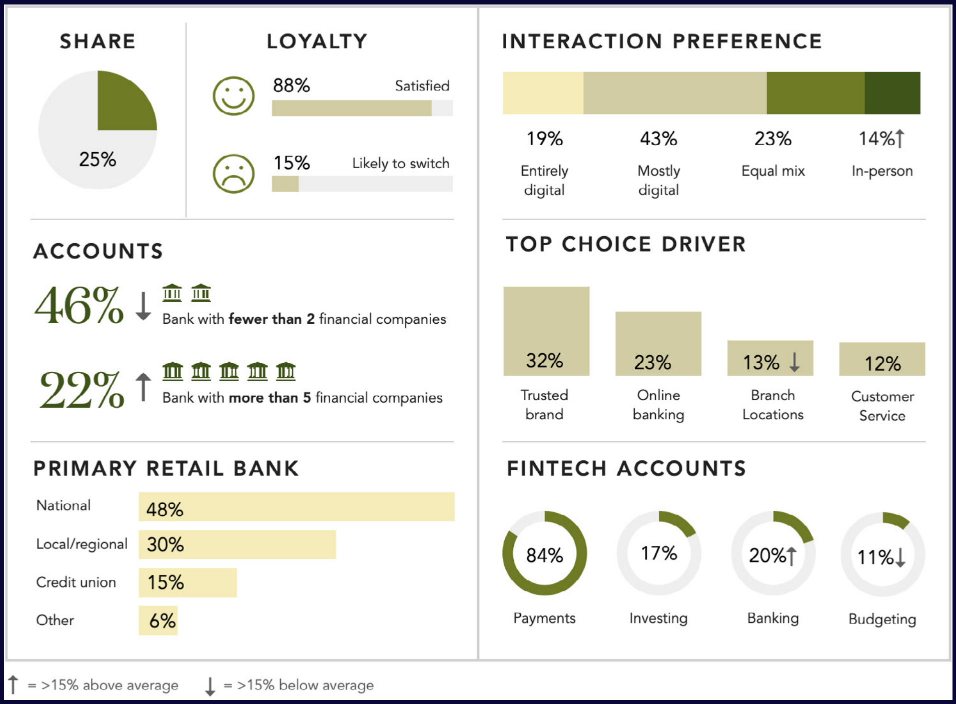
> "Online banking is nearly as important to Millennials as the brand itself when they're choosing a bank, with mobile banking ranking higher than with any other generation."

Gen X: Connect via trust

Not dissimilar to Gen Z, it's all about trust for Gen X. After all, this is a generation that's lived through a number of financial shocks and will naturally be more skeptical of banks. We see this in the Hero Digital report, which shows a chasm between expectation and sentiment when it comes to both trust and connections with their financial institutions.

Once again, the responses also overturn a common misconception. It's easy to assume that older customers put high value in trustworthy relationships. The report, however, shows that Gen X still prefers digital interactions, albeit at a slightly lower level than Gen Z or Millennials. They're simply more likely than younger customers to also place a greater importance on banking in person.

> "Gen X is more likely than other generations to choose a bank that is a trusted brand and is also more inclined to bank with national brands over local / regional institutions or credit unions."



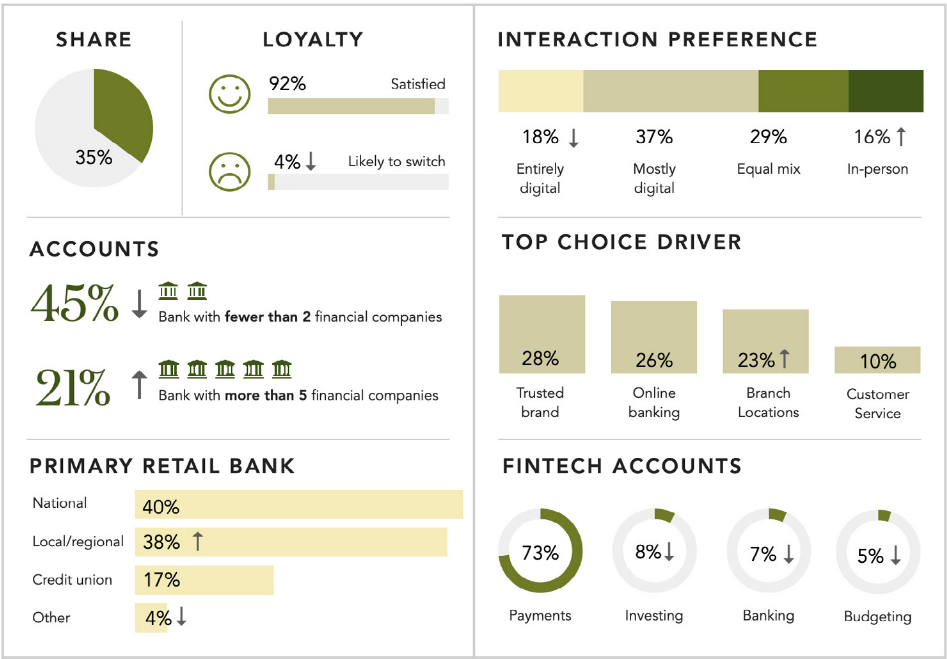
Boomers: Connect via relationships

Of all the generations, Boomers are generally the most satisfied with the current status quo. A huge 92% of the Boomers spoken to by Hero Digital agree that they are satisfied with their financial institution. In stark contrast, a mere 4% say they are likely to switch.

Boomers need to know they're being protected, taken care of, and considered. In other words, they're looking for a relationship with a trusted institution.

It's important to note that Boomers are also likely to hold accounts with multiple institutions. That means their expectations are not only influenced by their experiences with your brand, but also by their interactions with other financial institutions, including fintech. For example, you might be surprised to learn that 73% of Boomers told Hero Digital that they have a PayPal account.

The big differentiator, then, is looking at the strength of your relationships with these customers and how you can nurture and develop them both online and in-branch.



↑ = >15% above average ↓ = >15% below average

03

A Closer Look at Connecting to Younger Audiences

The financial services sector is evolving to put customer needs at the forefront, just as retail did 10 years ago. How do you go about creating meaningful connections, especially with younger generations, who set higher expectations in terms of online banking and digital experiences?

The exponential growth of fintech is showing the way, with many younger consumers using a day-to-day banking app in addition to a number of fintech apps that offer specialized services, such as buying currency or managing stocks.

> The financial services sector is evolving to put customer needs at the forefront. And a big part of this is looking at the way fintechs are interacting with younger generations. So what can you learn and how can you evolve based on this?

Traditional banks don't need to see this shift as a threat (if you're willing to learn from what's happening)

The reason fintech has become so successful is simple: it puts the needs of customers up front and center. Dedicated apps make payment, investing, and consumer banking incredibly convenient, offering a truly customer-centric approach to banking.

This creates brand affinity among younger customers. And as the report shows, brand affinity is often lacking in the financial services space, especially among the younger generations. Traditional banks will need to follow this lead, driving innovation through an in-depth understanding of the needs and pain points of ALL their customers.

From omni-channel to omni-product experience

We see that Gen Z and Millennials are using different apps to manage different transactions or investments. They are also connecting to their banks and accessing their accounts and information in different ways: browser, mobile banking, and, yes, physical branches too...

How do you bring together this fragmented approach into a seamless, convenient, and relevant experience within a single platform?

> While you explore new kinds of products and experiences that will appeal to Gen Z and Millennials, remember these new forms of connecting can't come at the expense of other relationships with other generations.

Remember that it's not just about connecting to audiences in general. And it's not just about focusing on younger audiences. What really counts is connecting to the right audiences that fit with your longer-term business vision.

Explore ways of developing products that move forward with the digital times, but don't forget to integrate the touch points that remain important to older generations with more traditional expectations.

From provider to partner

With the onset of COVID-19, more and more institutions came to the realization that digital was really core to their business.

Alaska USA Federal Credit Union didn't see its website as a primary driver, but digital has now evolved into a core component of its business.

It started to focus on bringing younger generations into the fold. The company created a large learning center that offered the relevant next steps and information to visitors based on their search intent and how they approached the website.

Customers were able to find answers to questions and benefit from a learning experience. And along the way, Alaska USA Federal Credit Union was able to build a level of trust and position itself not just as a seller of financial services, but as a partner on its financial journey.

04

The 5 Key Steps to your Digital Strategy

As the greatest wealth transfer in history gets underway, you need a plan to adapt. We will now go through a five-point strategy that takes you through segmenting audiences, gaining a better understanding of their online behavior, optimizing the user experience, understanding the role of personalization, and finally maintaining a relationship over time.

The 5-Point Plan

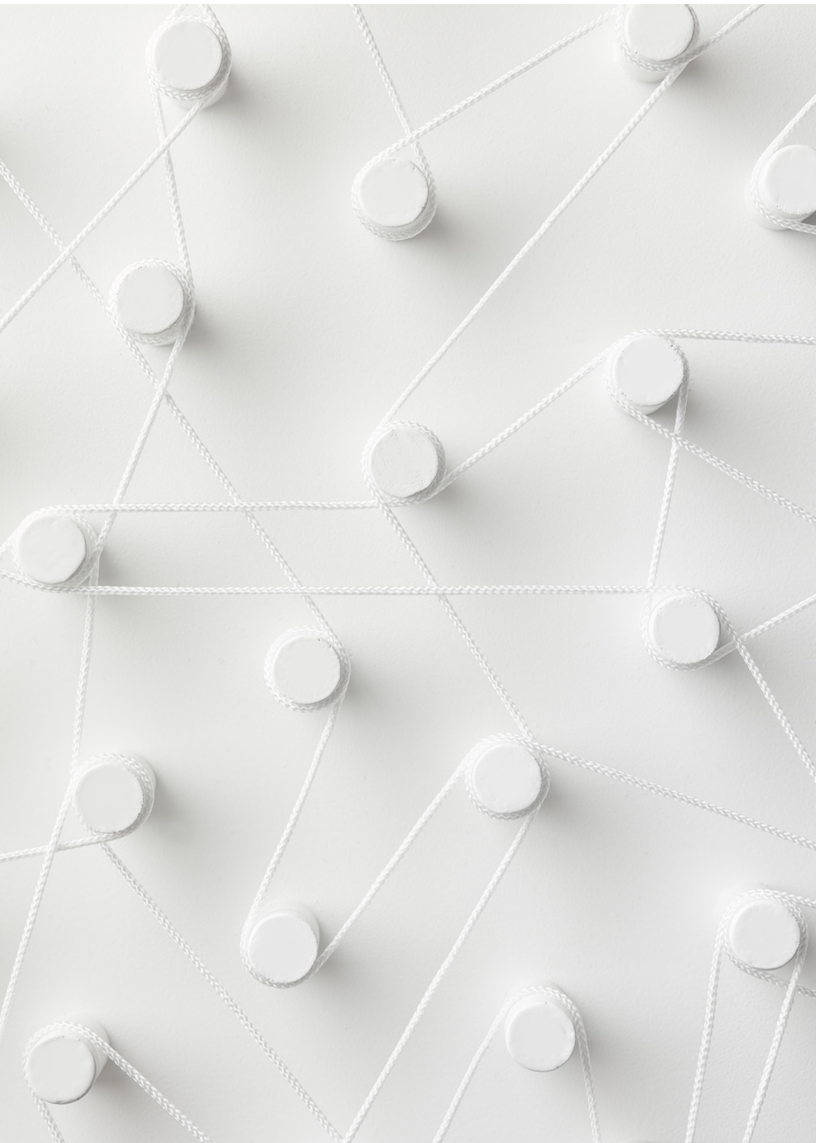
Curate: define your audiences.

Capture: collect data to gain a deeper understanding of your audiences.

Experiment: hone and continually fine-tune your user experiences.

Personalize: create more relevant, more targeted interactions that drive loyalty.

Retain: stay connected to audiences as their needs change over time.



1

Curate an audience

Before you can start to understand what your audiences want and how they behave, you first need to know who they are.

You need some sort of framework. And we see that framework in the four pillars of security, convenience, interaction, and connection. This allows you to start mapping out your audiences against those expectations.

One of the ways to begin curating your audience is to use a tool that provides visitor intelligence on those users who are viewing your website. Visitor intelligence tools track known and anonymous users and their first-party activity so you can aggregate, segment, and activate in other channels. Gaining visibility into what your users are interested in and what is converting is crucial to being able to define the audience you currently have.

2

Capture data about the audience

The next step is to start gaining a deeper understanding of customer behavior, starting with the basic demographics, and then digging deeper to gain truths about each specific generation.

That means thinking beyond the sort of demographic and firmographic data that we're used to—the 'Mike is 44 years old and lives in Minnesota' kind of approach. You also need to capture activity data: how your customers are interacting with the site, what content they are looking for, what they are clicking on.

As you gather data and build profiles, you should consider a tool that will help you in collecting, storing, standardizing and normalizing all this data. Some organizations will do this within a CRM or marketing automation tool. More digitally mature organizations employ a Customer Data Platform (or CDP). No matter which path you choose, the important step is to just get started. The more data you're able to collect, the better you'll be able to serve your audience. Because, the data provides you with the understanding you need to add value both to their experiences and to your business, whether in terms of transacting cross-selling or up-selling.

For example, many people share the common misperception that Boomers are reluctant to use digital, if they don't avoid it altogether. But we can see from the research this just isn't the case anymore. There are plenty of 70+ year olds out there who use Uber, Amazon, PayPal, etc. on their phones. In fact, the study shows us that more than half (55%) prefer mostly or entirely digital interactions with their banks. COVID has clearly been a driver for this, changing behavior in ways that are now here to stay.

3

Experiment on audiences

As you curate audiences, gather data and deepen your understanding, the next step is to evaluate behavior and figure out how best to engage with your customers. The differences between the generations make experimentation even more important.

You experiment on the basics - figuring out the kind of colors, imagery, headers etc. that appeal to different segments. But experimentation also allows you to go far deeper and optimize your site, developing and then continually refining the best possible user experiences shaped by those different needs.

"We have seen how certain audiences place more focus on trust and security. Others are more digital savvy and rank flawless experiences more highly. Experimentation is the key to making sure that you adapt each user experience to meet the expectations of each specific audience."

4

Create personalized experiences

Personalization is a buzzword right now, but what does it actually mean when it comes to banking? Is it adding a customer's first name to the header of an email? Or is it going as far as combining data with sophisticated algorithms, machine learning, and natural language processing to generate a bespoke content experience for each individual?

The questions to ask here are: what kind of personalization are banking customers looking for? How do you attract people to come to your digital property and then provide the right level of customization that builds trust and loyalty?

In financial services, personalized financial recommendations might be a logical approach, combining CRM and customer data to suggest products that represent a good fit with a customer's profile.

Yet going back to the research, we see that personalization may not be a dealbreaker since expectations are lower. There may even be a little hesitancy here, a reluctance to allow a third party to dig deeply into their financials even if it's an AI robot.

How can you use personalization effectively?

With that in mind, personalization might be best approached from a marketing standpoint. Because there are such different needs and core drivers across the generations, there is a need to personalize your messaging and the products that you offer to each. So rather than one-to-one personalization, it's about how you position yourself to different audiences and meeting their needs along the way.

As a very simple illustration, let's take the hypothetical Mike from Minnesota. The data shows that he is really interested in mortgages. He doesn't need to buy a car, he isn't investing in stock, and he isn't interested in a savings account. So you serve Mike mortgage content, not information on car loans investment accounts.

In short, personalization is about getting to know what kind of content interests customers, creating rich and useful content in that area, and then serving it to offer a really compelling experience.

5

Transact and retain audiences

10-year loans. 30-year mortgages. Financial institutions are great at thinking in the long term. The final step of a digital strategy for the generations should be familiar territory: looking at ways to maintain relationships that endure over different life stages.

Take a 22 year-old who opens a checking account. Ten years later, she's looking at her first mortgage. In another few years, maybe it's a college fund for her own children. And so on.

How do you move with your customers from one stage to the next, staying connected to cross-sell and up-sell as their life progresses?

Looking at your audience data and the data from their experiences, where do you see opportunities to convert a particular audience, a specific age group? For example, you might be strong on convenience and that's a good fit for Boomers, who value that attribute and need to refinance.

If you want to sell mortgages to a Gen X audience, how do you start building the trust this generation values so highly so when the time comes, they're ready to show some loyalty? On the other hand, Millennials are looking for the best deal, so it doesn't matter that they have a checking account with you. You simply show them the best rate on mortgage loans to see if you're going to acquire them.

05

Ready to make history?

The financial services industry is about to face the greatest wealth transfer in history. It can't ignore evolving customer behavior across the different generations. Yet industries have a way of evolving to meet customer needs. We've already mentioned the likes of Amazon, Uber, and PayPal to name just a few.

Preparing to adapt means getting the balance right between what matters to your existing customers, while at the same time creating meaningful connections with younger generations.

A number of common factors need to come as standard in the shape of the four foundational pillars we have looked at: security, convenience, ease of interaction, and trust all need to be addressed at some level across all generations. If you're not hitting those then you're probably going to fall behind.

What really matters is how you're going to move ahead

That takes an awareness of what each different generation expects from their financial institutions, and how that drives differences in behavior.

By mapping this understanding against your overall business strategy, you can then identify the areas you need to be targeting to stand out and accelerate growth.

Considerations in planning for what's next

Foundational

Ask: What is essential?

- Are all your systems, including any personal customer data, secure?
- Do my customers trust that their personal and financial information are secure?
- For Gen X and Boomers especially, are there any specific security concerns tied to digital tools?
- Is there anything additional you can plan for (products or marketing) to reinforce the essential message of security?

Market Level

Ask: What do you need to be competitive?

- Are your digial offerings on par with your competitors?
- Are your digital offerings on par with other industry players such as fintech?
- Is your online banking interface and functionally enough to attract and retain customers who rank convenience as one of their top priorities?

Differentiator

Ask: What can set you apart?

- How can you create a genuine connection with Gen Z through digital beyond transactional activities?
- Have you planned a roadmap of digital features that are on par with Millennials' expectations?
- Is Gen X happy with the level of security they get from you? Can this be used to set you apart from less established competitors?
- As branches become less of a focus, how can you maintain strong relationships with Boomers?

Let's Continue the Discussion

Thank you for taking the time to go through this guide. We are all witnessing the greatest wealth transfer on record. At the same time, banking is becoming a lot more nuanced as different generations look for different attributes and experiences. If you're interested in following up on anything or everything you've just read, we're here and happy to discuss.

Click here to schedule an informal chat

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