corporate insight

CONSULTING INSIGHTS

SUMMER 2014

In This Issue

Understanding Today's Mobile Investor
Page 02

Millennial Participants Disappointed by Retirement Plan Websites
Page 03

Mobile Landscape 2014: Competition Drives Creativity
Page 04

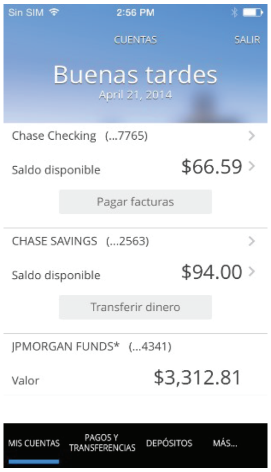
The Millennial Shift: Study Available
Page 06

www.corporateinsight.com

Millennials' Unique Demographics and Implications for the Financial Services Industry

The Millennial Generation, or Generation Y, is the largest and most diverse generation in the history of the United States. Its roughly 80 million members represent nearly a quarter of the country's population. Among that group, minorities – and women of all races – will play a larger role than in Generation X and the Baby Boom.

The portion of the Millennial population age 18 to 29 defined as "White" is 9% lower than in the general population age 30 and over. An increase in the Hispanic population (+6%) accounts for most of the difference.[1] Meanwhile, Millennial women are graduating from college at higher rates than their male counterparts. These young, successful females are challenging the traditional model of the male breadwinner as they steadily close the gender wage gap.



Chase Spanish Language App

The financial services industry has historically underserved those two key demographic groups. Financial institutions may need to shift their messaging and their service organizations to better address the needs of these two significant segments of the Millennial population.

Hispanics: Bilingual & Mobile

Hispanics account for nearly 20% of Millennials, a larger percentage than in any previous generation.[2] Though Hispanic Millennials earn less on average than young people from other backgrounds, they are rapidly growing in economic might. A 2013 Nielsen study found that over the last decade there has been an 89% increase in Hispanic Millennial-led households earning between $50,000 and $100,000.[3]

While mobile usage is a defining characteristic of the entire Millennial generation, this is especially true for its Hispanic members. Nielsen research found that Hispanic Millennials were 6% more likely to own a smartphone than non-Hispanic Millennials. They're also more likely to bank via a mobile device.[4]

Many Hispanic Millennials utilize alternative financial products – especially alternative banking and credit products – instead of traditional institutions, which suggests the industry could be doing a better job communicating with Spanish speakers. While Hispanic Millennials typically prefer to consume media and interact with businesses using English, the Spanish language is still prevalent in many aspects of their lives. It's often the primary language they use with friends and family, and they view its preservation as very important for future generations.

In 2013, Corporate Insight analyzed the public and private websites of several large national banks to analyze their Spanish language resources and found that few banks offer a full Spanish language experience. In fact, just one of the major national banks we track – Chase – provides its mobile banking app in Spanish. Clearly, the industry could be doing better to connect with Hispanics.

(Continued on page 2)

1 "Millennials: A Portrait of Generation Next." Pew Research Center. February 2010.
2 2011 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation. September 2012.
3 Gil, Monica, Juan Carlos Davila. "Understanding Latino Diversity." Nielsen. August, 2013
4 O'Connor, Clare. "Debt Free, Smartphone Savvy, Big Spenders: Hispanic Millennials Are Retail's Holy Grail." *Forbes*. December 12, 2013.

Understanding Today's Mobile Investor

Since 2004, Corporate Insight's Brokerage Website Audit service has helped firms identify strengths and weaknesses in their online offerings with a focus on improving the user experience they offer prospects and clients. Crucial to that analysis is a clear understanding of investor needs and preferences. With that in mind, we surveyed over 1,000 retail investors in 2003, 2007 and 2011 to identify the website features that mattered most to them, which we then factored into our benchmarking scores and recommendations to clients.

For our 2014 Investor Survey, we have significantly increased the size of our survey sample to over 1,500 respondents, all of whom were required to have a brokerage account that they logged into at least once in the past six months. We also expanded our questions to better analyze client satisfaction, financial advisor-client relationships, product ownership, interest in "next-generation investing" business models and other key dimensions of the brokerage customer experience, including mobile investing. Our survey results help illustrate the technological and demographic shifts that firms must be aware of to understand their targeted clients' needs.

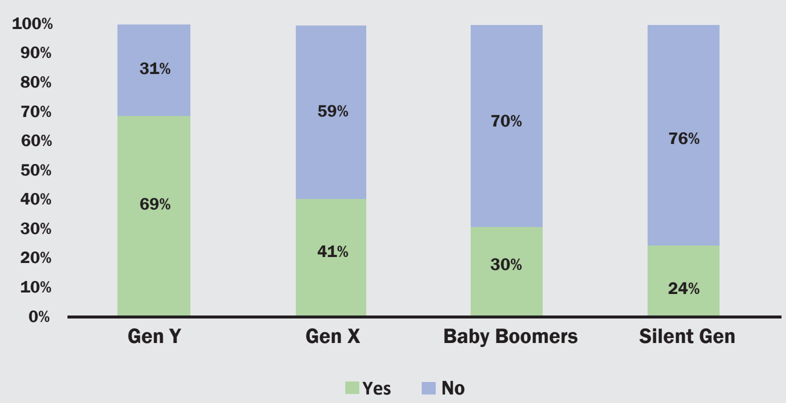
Age Impacts Mobile Usage

Since the launch of the iPhone in 2007, interest in mobile investing has steadily grown. Major self-directed firms like E*TRADE and TD Ameritrade reported that mobile orders averaged 11% and 13% of all orders in Q1 2014, up about 50% over the same time last year. This is consistent with broader financial services industry trends,where mobile platform traffic continues to increase year over year.

Recognizing the growing popularity of mobile investing, we dedicated a section of the survey to the topic. First, we asked investors whether they had logged into their brokerage account via a mobile device in the past 12 months. We then followed thisup with questions about the activities they performed via mobile, as well as the importance of different mobile platform features.

Thirty-seven percent of the investors we surveyed indicated that they had accessed their account via a mobile device in the past 12 months, up from 28% in our 2011 survey. As expected, age proved to be an important driver of mobile usage. We divided the sample by generation, including Generation Y (aged 18 to 31), Generation X (aged 32 to 48), Baby Boomers (aged 49 to 67) and the Silent Generation (over 68 years old). Sixty-nine percent of Gen Y investors (also known as Millennials) accessed their brokerage account via mobile. This percentage steadily decreased with age, with just 24% of Silent Generation members accessing their account via the mobile channel in the past 12 months.

Mobile Access per Age Group



(Continued on page 5)

(*Millennial Demographics* continued from page 1)

Women: Growing in Economic Power

Women now account for nearly half of the U.S. labor force, and the wage gap between Millennial men and women is historically narrow. The older half of Millennial women are more likely to hold a bachelor's degree than men, while the younger half are more likely to be enrolled in college than their male counterparts. The trend of women acting as the primary earner shows no sign of slowing, and may very well become the new status quo. In fact, women already fill that role in 40% of households with children.

The retail financial services industry will no doubt be impacted by the rise of the female consumer, especially the wealth management industry. More than two-thirds of current financial advisors are male and most are over the age of 50. Many will have little in common with successful female Millennials, which could pose difficulties from a new client acquisition standpoint.

Insurers will also need to adjust to the growing economic clout of women. Firms have traditionally targeted male household heads for life and property and casualty policies. Advertisements depicting a conventional nuclear family with a male breadwinner and female homemaker may not resonate as strongly with this emerging market segment and could alienate working mothers.

Conclusion

Generation Y's unprecedented diversity presents major challenges to financial services marketers, eliminating the notion of a one-size-fits-all advertising approach. Firms will need to use more targeted marketing techniques that allow them to place a personalized advertisement in front of a prospective client. To better engage this unique generation, financial institutions – especially brokerage firms – should actively recruit young female and Hispanic employees. Full-service brokerage firms should also implement programs geared at building the next generation of advisors, as Raymond James and UBS have done. Those firms that adjust their communication tactics and recruit a younger and more diverse workforce stand to gain an edge when competing for Millennial clients. ci

1 "Millennials: A Portrait of Generation Next." Pew Research Center. February 2010.
2 2011 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation. September 2012.
3 Gil, Monica, Juan Carlos Davila. "Understanding Latino Diversity." Nielsen. August, 2013
4 O'Connor, Clare. "Debt Free, Smartphone Savvy, Big Spenders: Hispanic Millennials Are Retail's Holy Grail." *Forbes*. December 12, 2013.

Millennial Participants Disappointed by Retirement Plan Websites

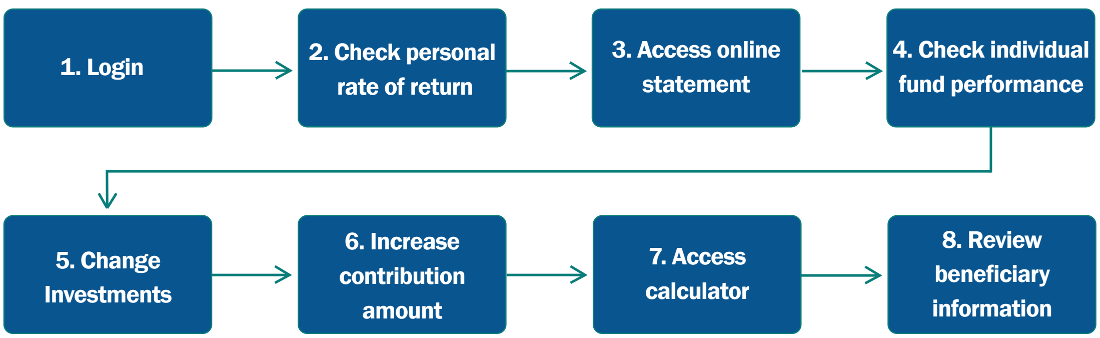
Compared to financial services firms like auto insurers, banks and brokerages, retirement plan providers face a unique challenge when it comes to Millennials. While they may already have millions of Gen Y customers, these relationships are often tenuous since it's the employer – not the plan participant – who chooses the provider. However, these existing relationships with younger clients present a distinct opportunity as retirement plan providers can focus their efforts on retention rather than acquisition.

One of the key attributes that define Millennials is their use of technology. They live and breathe all things digital and are early and enthusiastic adopters of new devices, apps and software. With that in mind, one of the most important things providers can do to create a lasting relationship with their younger clients is deliver an exceptionally user-friendly online experience. So how well are plan providers meeting that objective today?

Methodology

To help answer this question, we recently fielded a small comparative usability testing study assessing the effectiveness of retirement plan provider websites in serving Millennial participants. We recruited 24 participants aged 22 to 33 years old and had them complete a series of tasks common to the defined contribution plan participant experience, such as checking one's personal rate of return or changing contribution levels, on four leading retirement plan websites – Fidelity's NetBenefits, J.P. Morgan's RetireOnline, TIAA-CREF and VALIC.

We designed our test to mimic a real-world scenario, with tasks ordered in such a way that each built on, or was in some way related to, the information obtained in the previous task. We were particularly interested to see how intuitive it was for users to move from one task to the next, both in terms of the main menus and alternative navigation features such as related links.



Retirement Plan Website Usability Testing

To access our full study, **User Insights: Retirement Plan Websites Disappoint Millennial Participants**, please click here.

A "Frustrating" User Experience

After they completed the eight tasks, we asked participants to choose at least five words or phrases to describe their experience with the website. We supplied a list of 24 terms, including ten positive words (e.g., well organized), ten negative words (e.g., unintuitive) and four more neutral words that fell somewhere in between (e.g., comprehensive). The word cloud accompanying this article portrays the results of this exercise. Although there are nearly as many positive and negative terms, the cloud is dominated by large (i.e., the most frequently used) negative words. In particular, 15 of the 24 participants described their experience as "frustrating."

In addition to the word cloud, participants completed a ten-question System Usability Scale (SUS) survey. This standard questionnaire determines an individual's perception of an interface's usability, both in terms of ease-of-use and learnability. SUS scores above 68 are considered above average.

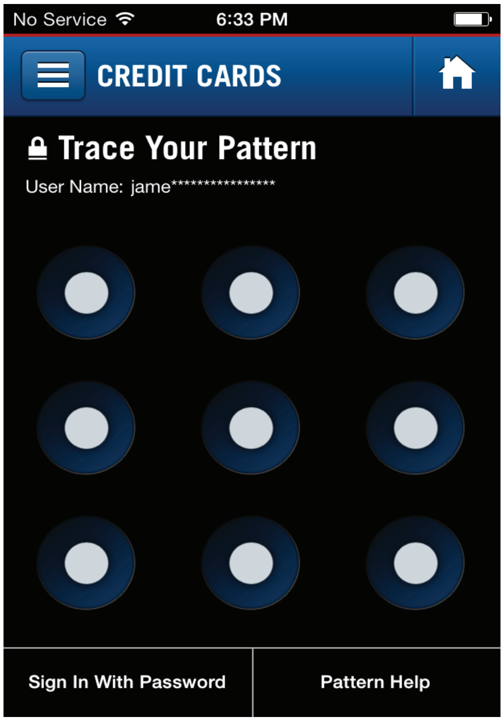
The DC plan websites we tested had an average SUS score of 54.7, which is significantly below average and notably lower than any of the other interfaces we have tested for our previous User Insights white papers. While these grades are certainly telling, it's important to remember that these averages are the result of testing only six individuals per firm. Additional testing is needed to produce scientifically valid results. Still, the results from both the word cloud exercise and the SUS survey suggest that retirement plan websites could do a better job serving young participants.

(Continued on page 5)

Mobile Landscape 2014: Competition Drives Creativity

The rise of the smartphone and tablet are changing the way people connect to the Internet. In just five years, the share of Internet traffic from a mobile device in the US went from just over 1% to nearly 30%. Mobile gives financial institutions a chance to deepen relationships with customers and connect with groups like Millennials or the underbanked who have traditionally been hard for the industry to reach.

Corporate Insight has been tracking mobile finance since 2011, following developments among leading financial services firms and exploring such key topics as tablet design, money movement, security and more. Our research suggests the pace of mobile development has accelerated, with firms investing heavily in both mobile design and functionality. In just the last year, we've witnessed the introduction of new research tools and transaction capabilities, from P2P payments to multi-leg options trading. Firms revamped existing apps, often with iOS 7 standards in mind. They also added altogether new apps (with renewed interest in Android tablets) or mobile sites (with early adopters embracing responsive design). Clearly, mobile has become a critical industry priority.



Capital One SureSwipe

New Security Options Emphasize Accessibility

One interesting trend we've observed is in the area of mobile security. When it comes to logging in from a mobile device, firms are increasingly giving clients the power to set custom security preferences, choosing the balance they want between convenience and security. In 2012, USAA's Quick Logon was the only alternative login feature available from the nearly two dozen firms we track. In the last year, though, a diverse set of firms, including BarclayCard, Capital One, Citi, Discover, and Scottrade, has introduced related functionality, either authenticating the client's identity with a numeric passcode or swipe pattern, or offering a pre-login view of basic balance details.

It's crucial to recognize that all of these features are optional. No clients are forced to change their login credentials or process. This trend is toward empowering clients to choose the security level they prefer, not raising or lowering security standards across the board.

Leveraging Smartphone Capabilities

Firms are also enriching their mobile offerings by developing new mobile-exclusive capabilities. Early mobile websites and apps were simply slimmed-down versions of firms' full websites, but today's smartphone enables more powerful features that make use of such hardware as the built-in camera or microphone. Mobile check deposits are a prime example. With recent additions from firms like KeyBank and TD Ameritrade, mobile check deposit is now available from 90% of the banks and 58% of the brokerages Corporate Insight tracks.

Firms are also experimenting with other creative uses of the camera. For instance, U.S. Bank has partnered with Mitek Systems for Mobile Photo Bill Pay and Balance Transfers. USAA also expedites account opening by capturing a blank check for an initial deposit or the applicant's driver's license to loadpersonal data.

A growing number of firms use the microphone to assist with navigating ever more complex mobile apps. Some firms also use both the camera and microphone in concert. This year, American Express introduced video chat and Esurance added video auto claim appraisals, the first forms of mobile video customer service we've seen.

Leaders, 2012 & 2014

Comparing our Mobile Leaders reports from 2012 and 2014 underlines the high level of investment that's occurred in this crucial channel. While most of the 2014 leaders were also highlighted in our 2012 study, all have made major additions to their platforms in the intervening years. From a mobile capabilities standpoint, the financial services industry as a whole is much stronger today than it was in early 2012. Many more firms are active in the space, supporting multiple devices and expanding mobile functionality.

As financial institutions steadily raise the bar for their mobile capabilities, it takes creativity to stand out. Strong account information, money movement, research and trading remain core requirements, and most firms have invested in those areas in recent years. The leaders treat their mobile platforms as much more than a simplified version of their standard website, adding advanced visualizations, taking advantage of native functionality like the camera and embracing other best practices. ci

Mobile Finance: 2014 Trends & Innovations

For our review of the latest trends and innovations from Mobile Monitor's ongoing coverage, please click here.

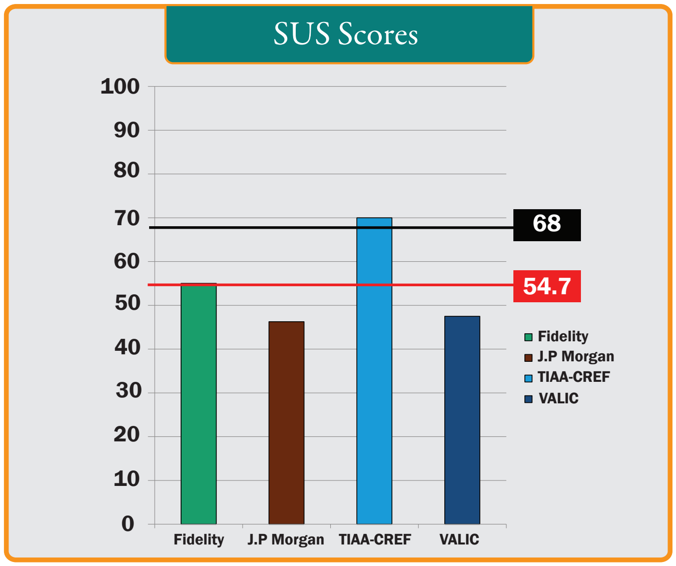
For more information on the **Mobile Leaders report** and other **Mobile Monitor research**, please contact Dan Wiegand at dwiegand@corporateinsight.com or (646) 432-5483.

(Disappointment in Retirement Plan Websites, continued from page 3)

Building Long-Term Relationships

Millennials will soon become the biggest segment of the workforce and thus the core of the DC plan participant population. This puts plan providers in a unique position to connect with these savers and potentially develop long-term relationships with them. Unfortunately, our test results suggest that retirement plan websites are not furthering this goal.

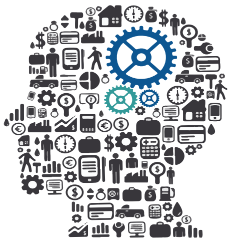
Our advice to providers? Test your participant website with real users before, during and after you engage in any major site development project. You should also benchmark your capabilities and overall usability versus competitors. With insights from this kind of user research, you will be better equipped to deliver an exceptional experience to participants and create greater brand loyalty down the road. ci



Corporate Insight's User Testing Services

Should you feel that user testing is right for your company, **Corporate Insight** is here to help. We can:

- Collaborate with you to design a study that tests the key features of your website or mobile app, and/or the platforms by your key competitors
- Recruit participants that represent your target audience.
- Provide you with a detailed analysis of test sessions.
- Assist you with your existing usability efforts by moderating tests you have designed or hosting tests at our facility, conveniently located above Grand Central Station in Midtown Manhattan.

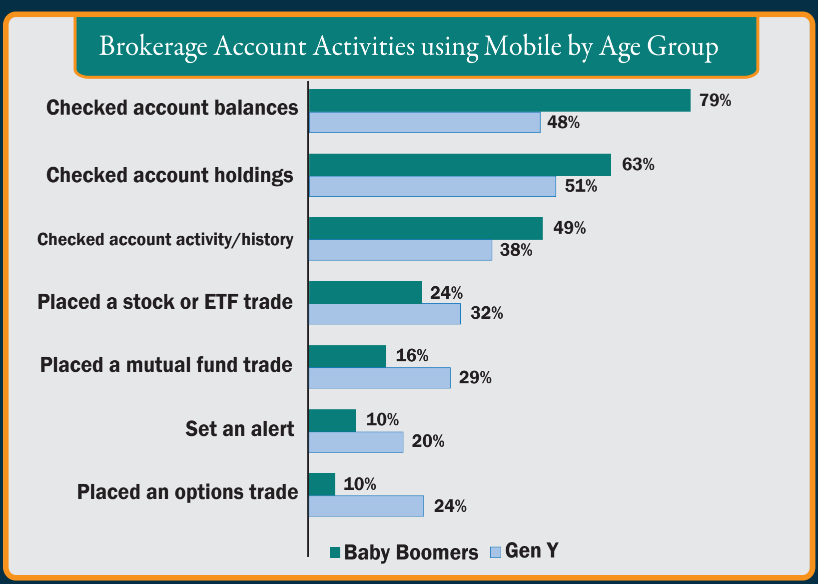


For more information, please contact Alan Maginn, Director, User Research, at (646) 454-2661 or amaginn@corporateinsight.com.

("Today's Mobile Ivestor" continued from page 2)

Different Generations Perform Different Tasks via the Mobile Channel

Age also plays an important part in the types of activities investors perform via the mobile channel. For instance, we found that Generation Y investors are more likely to place trades via a mobile device than Baby Boomers. This difference is more striking given that young people trade less frequently overall than older investors. The likely explanation is that younger investors are significantly more comfortable performing financial transactions on a mobile device. They're accustomed to using their smartphone to deposit checks, pay bills, shop and even transfer money to friends. Trading is the logical extension of these behaviors. In contrast, many Baby Boomers have been trading online since the 1990s and have come to see the website as the venue for placing orders.



While Millennials are more likely to place a trade via a mobile device than older investors, they are significantly less likely to check their account information. This trend is consistent with our findings for website usage. Age is correlated with investable assets, which may explain why younger investors are not as prone to check their account balance as older investors. Simply put, they have less to worry about than their older peers and thus don't see the need to monitor their accounts as closely.

Closing Thoughts

A 2014 Pew study found that almost a quarter (24%) of Millennial respondents cited technology use as the main factor distinguishing them fromother generations – by far the most common answer.[1] Adoption of the smartphone is perhaps the defining characteristic of this generation's affinity for technology. For brokerage firms that want to succeed with Generation Y, a top-notch mobile experience will be critical. That means providing access to an effective order entry process in addition to essential account information monitoring features. ci

For more information about the survey report and our **Brokerage Website Audit services**, please click here for a preview or contact Grace Lei at (646) 929-5148 or glei@corporateinsight.com.

1 "Millennials: A Portrait of Generation Next." Pew Research Center. February 2010.

THE MILLENNIAL SHIFT

Study is Now Available

Corporate Insight is pleased to announce the release of a comprehensive study that analyzes the opportunities and challenges that financial services firms face in serving the Millennial generation. This study, The **Millennial Shift: Financial Services and the Digital Generation**, explores the attitudes and behaviors of Generation Y consumers and highlights the most effective tactics for marketing to and serving this important demographic group.

In the study, **Corporate Insight** offers a portrait of the unique financial needs of the 80 million-member Millennial generation, using in-depth online and mobile user experience research, proprietary consumer survey data, and targeted interviews with Millennial subject matter experts in the financial services, marketing and technology fields. The study analyzes four major industry segments – banking/credit cards, brokerage/investing, insurance and retirement plan services – and provides actionable recommendations for firms operating in each segment.