

THE MILLENNIAL SHIFT

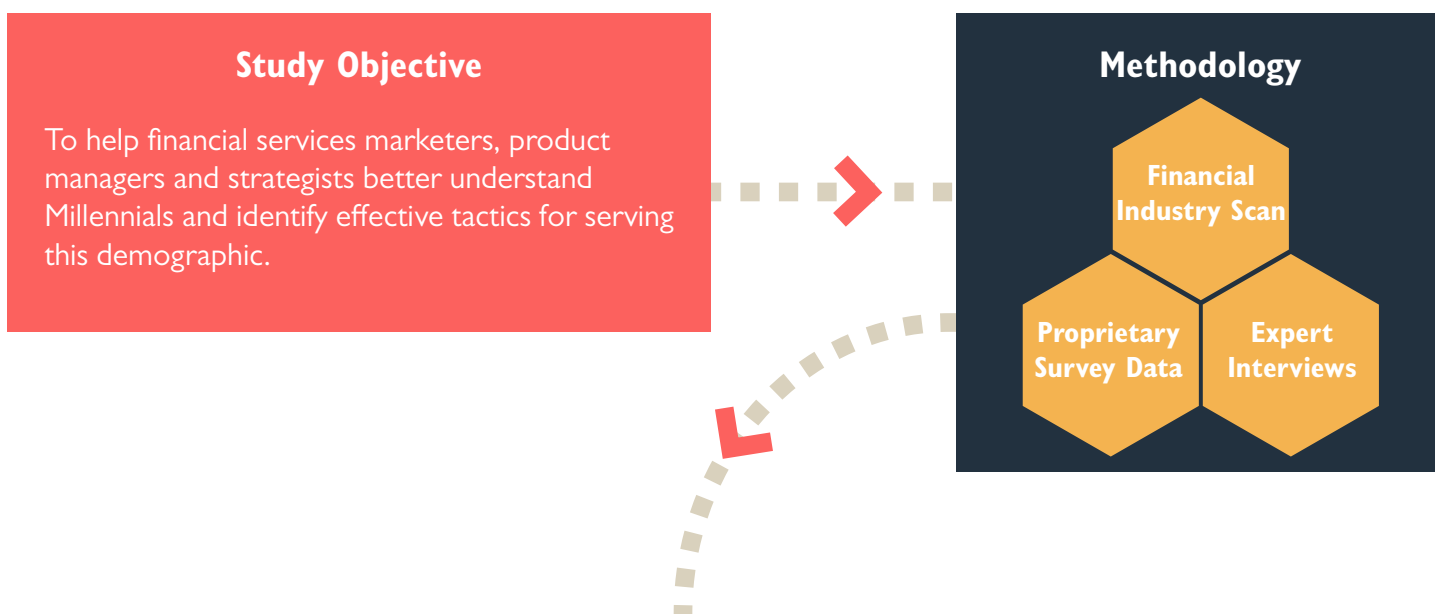
Financial Services and the Digital Generation
Study Preview



With 80 million members, the Millennial generation is the largest generation in the history of the United States. Millennials already possess a direct annual spending power of \$200 billion, a number that will increase substantially as they enter their prime earning years and inherit wealth from their Baby Boomer parents.

While this represents a potentially huge opportunity for financial services firms, Millennials also pose a clear challenge to the industry's traditional marketing strategies and business models. Millennials take a skeptical view of financial institutions, one shaped by the financial crisis and subsequent economic malaise. They have different preferences from their Boomer parents, particularly when it comes to financial products, technology and the way they interact with companies.

Marketing to and serving this young generation represents a major challenge for financial services firms, but one they cannot afford to ignore given the sheer size and future economic muscle of this group.



Five Questions the Study Addresses

- 01** How do Millennial attitudes/behaviors differ from those of earlier generations?
- 02** What financial product features do Millennials value?
- 03** Which financial services firms seem to be effectively targeting this group and why?
- 04** What are the most effective ways to use technology to market to and serve Millennials?
- 05** How can financial institutions use education, gamification, social media and other innovations to connect with these consumers?

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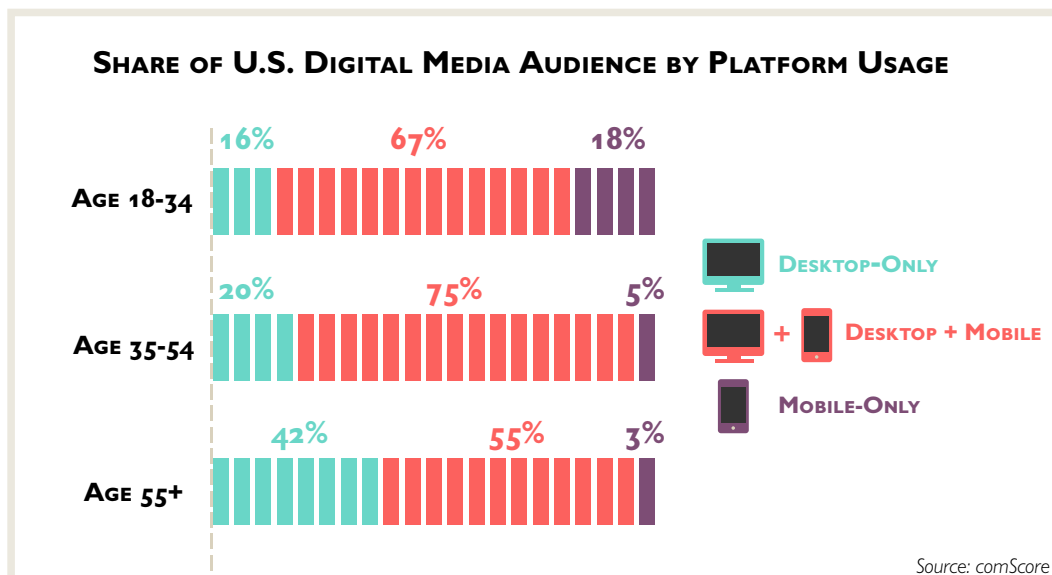
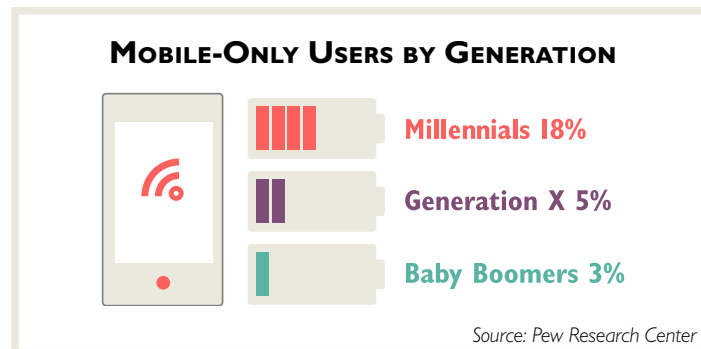
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STUDY EXCERPTS

THE “MOBILE-FIRST” GENERATION

Millennials and mobile devices go hand in hand, so financial services firms must make mobile innovation a priority if they want to win and retain Generation Y customers. Over the past two decades, financial institutions have shifted the way they serve consumers from a branch/telephone-centric model to a PC/website-centric model. We are now witnessing the beginning of another significant shift, where mobile will become the primary means of interaction between consumers and financial services firms. Millennials are a key reason for this change. Those institutions that master mobile finance stand to gain a meaningful competitive advantage when it comes to the Millennial market.

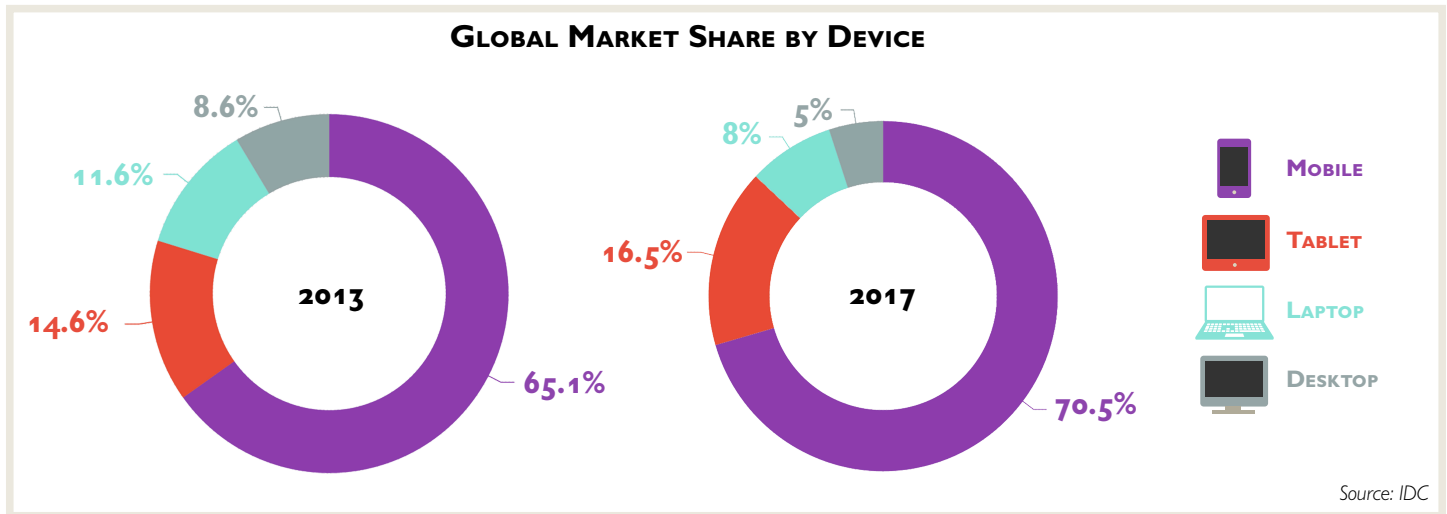
Millennials are driving the shift from a PC-centric world to a mobile-first world. Millennials are early technology adopters. They cite their use of technology as the distinguishing trait of their generation, more so than any other behavioral attribute.¹ Their strong preference for mobile is the defining characteristic of this generation’s technology habits. Not only do a higher percentage of Millennials own smartphones than any other generation,² but 18% are mobile-only Internet users versus 5% of Generation X and 3% of Baby Boomers.³



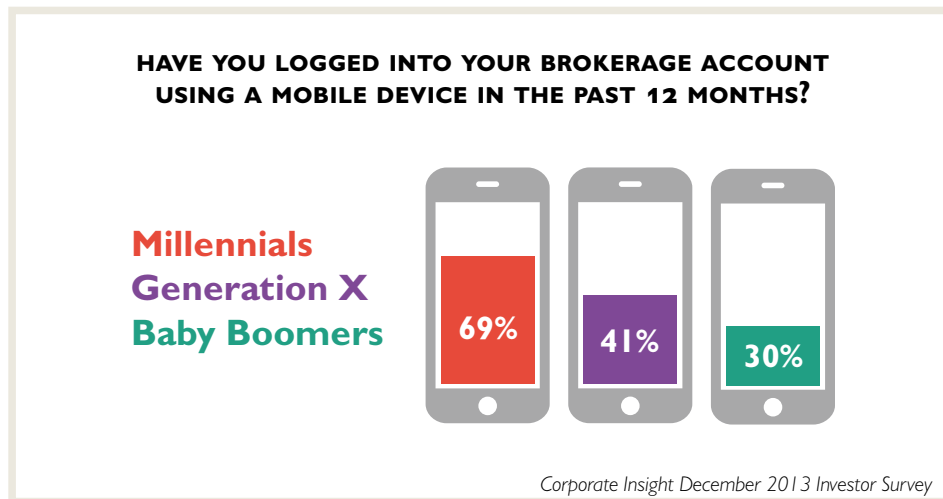
¹ "Millennials: A Portrait of Generation Next." Pew Research Center. February 2010.

² "Mobile Technology Fact Sheet." Pew Research Center. January 2014.

³ Lella, Adam. "Why are Millennials So Mobile?" comScore. February 7, 2014.



The mobile customer experience will become the critical competitive battleground for financial services firms. Millennials don't just use their mobile device for social networking, shopping and entertainment. They also use it to manage their financial lives. A case in point: while only one-quarter of the U.S. population, Millennials already account for 43% of all mobile banking and finance usage.⁴ Corporate Insight's own consumer survey data corroborates this finding. In our December 2013 survey of online investors, 69% of Millennials indicated they had logged into their account using a mobile device in the past 12 months, versus 41% of Generation X and 30% of Baby Boomers. In terms of the importance of the mobile platform, 51% of Millennials said that their brokerage firm's mobile capabilities were "very" or "extremely important" to them, versus 36% of Generation X and 19% of Baby Boomers.



Wearable devices will spur new kinds of mobile interaction. ABI Research predicts that 90 million wearable devices – like activity trackers, smartwatches and smart glasses – will ship in 2014 alone.⁵ Wearable technologies won't replace the smartphone anytime soon, but they will augment it. Given the Millennial consumer's fondness for innovation, financial institutions must keep a close eye on the wearable trend and look for opportunities to introduce apps that take advantage of new devices. Wells Fargo, Discover and Fidelity are already testing beta versions of Glassware (the term for applications developed specifically for Google Glass), while Fidelity also recently released a demo of a new smartwatch app.

⁴ "The Future of Account Opening." Andera. January 2014.

⁵ "Ninety Million Wearable Computing Devices Will Be Shipped in 2014 Driven by Sports, Health and Fitness." ABI Research. January 30, 2014.

The Millennials' preference for mobile means firms must rethink their advertising. As Millennials choose mobile devices over PCs and televisions, financial services marketers will need to prioritize the mobile channel when planning where and how they advertise to Generation Y. Fortunately, mobile advertising offers certain key benefits relative to traditional broadcast, print and even online outreach. For one, Millennials are rarely separated from their smartphones. Further, messages can be personalized and targeted by taking advantage of a device's many built-in sensors, such as geolocation functionality.⁶ These two attributes should allow firms to craft more timely and meaningful advertisements, as well as collect data about the habits and preferences of their target audience and the effectiveness of their ads.

New client acquisition will also move to the mobile device. Millennials don't just expect mobile account management; they also want the ability to begin a relationship with a firm via the mobile channel. According to account opening technology vendor Andera, in 2013, approximately 24% of online applications for banks and credit unions began from a mobile device, up 800% over 2010. While specific figures are unavailable, Andera notes that "online account openers are more likely to be under 25 than the average applicant" and are generally wealthier than the average applicant.⁷

Millennials truly are the "Mobile-First" generation. Financial services firms must deliver an excellent mobile experience if they want to compete for Generation Y customers. At the most basic level, this means supporting both Android and iOS devices and offering cutting edge resources for both existing and prospective clients.

⁶ Powell, Frank. "Five Advantages of Mobile Marketing Over Online." *Mobile Marketer*. February 24, 2010.

⁷ "The Future of Account Opening." Andera. January 2014.

BUILDING RELATIONSHIPS THROUGH EDUCATIONAL CONTENT

When it comes to Millennials, the retail brokerage industry faces perhaps the biggest challenge of any financial services industry segment. Saddled by billions in college debt and widespread under-employment, most young adults are not concerned with playing the financial markets – they’re focused on just getting by. As one market researcher we interviewed put it, “Millennials look for things that will make them happy *right now*. They feel that nothing is truly certain when it comes to their finances.”

Those Millennials fortunate enough to have money tend to be very conservative with it. This makes sense given the wild market swings of the past two decades, but it poses an obvious growth problem for the industry. The fact that young adults are skeptical of “Wall Street” only makes it harder for brokerage firms to recruit new clients and help them get on the right path financially.

Surveys suggest that members of Generation Y feel unprepared to manage their finances and to make their own investment decisions. This is where effective financial education can play a powerful role in bridging the gap between brokerage firms and young people. Good educational content empowers the individual by demystifying the markets and helping them to make better financial decisions. Strong educational resources also enable the investment firm to position itself as a helpful resource to those who are just beginning to learn about investing.

Our proprietary consumer survey data suggests that Millennials want education from their financial services providers. In particular, 60% of the Millennial investors we surveyed said it was “very” or “extremely important” that their brokerage firm offer educational content on the basics of investing, versus 47% of Generation X and 40% of Baby Boomers. Granted, these were individuals who already have a brokerage account, which puts them in a small minority of the Millennial population, but similar differences were observed in our 2013 survey of defined contribution (DC) plan participants. Here, 47% of Millennial plan participants said that access to retirement and investing educational content from their plan provider’s website was “very” or “extremely important” versus 40% of Generation X and 31% of Baby Boomers.

Additional data supports the idea that Millennials want more education when it comes to investing. Only 19% of high net worth Millennials state that they have a high-level of financial and investment knowledge.⁸ A full 70% of Millennials wish they learned basic investing in school.⁹ This represents an opportunity for brokerage firms – Millennials self-identify investing education as an immediate need.

When it comes to education, most retail banks, brokerages and asset management firms do a mediocre job, relying on static articles and a handful of financial calculators to teach consumers about complex personal finance and investing topics. That said, there are exceptions – including industry leaders like Fidelity and TD Ameritrade – who provide a much richer array of content that should resonate with younger people. Below, we review some of their Millennial-oriented resources.

⁸ “Millennials and Money,” Merrill Lynch, May 2013.

⁹ “Millennials and Money,” Wells Fargo, February 2013.

FIDELITY INJECTS SOME HUMOR INTO FINANCIAL EDUCATION WITH MONEYFIRSTS

A major trend in financial education is the increasing use of interactive multimedia, or rich media. Examples include videos and microsites like Fidelity's MoneyFirsts that deliver engaging videos that straddle the line between education and entertainment. Created through a partnership with LearnVest, this microsite attempts to speak directly to Millennials, not through trendy language (“#YOLO”) or by dumbing the content down, but by showing pictures of young people – rare in financial services marketing – and addressing personal finance and planning from the standpoint of someone in early adulthood. The site is geared toward teaching the emerging investor how to use financial products and services to reach both their near-term and long-term goals.

MoneyFirsts understands that Millennials are probably not as concerned with retirement as they should be. Rather than preaching about the subject, the site focuses on the goals that Millennials might actually want to save for, like travel, buying a first house or starting a family. This kind of relevant content can help financial institutions appeal to young people.



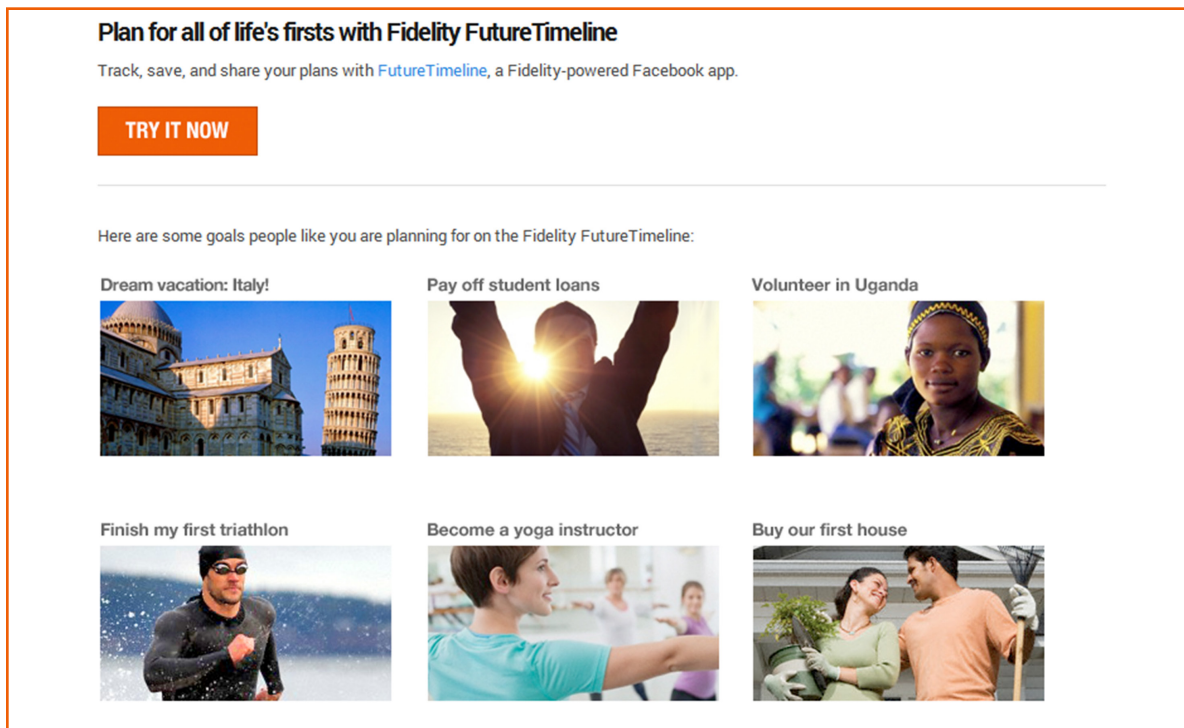
Fidelity MoneyFirsts Sitelet

MoneyFirsts also includes practical tools, like a “Couples Financial Compatibility Quiz,” that provides users with a more interactive experience, improving the effectiveness of the underlying educational material. It’s also a nice counter to the “gray beards on a beach” model of financial advertising.

Fidelity includes videos that use humor to increase engagement, but not to distract from the overall message that personal finance is a topic to take seriously. “Annie’s Financial Firsts” is a series of videos featuring Annie, a young, curious financial novice, speaking with a Fidelity representative about various investing topics. The videos use unconventional settings – like going through a buffet line to learn about ETFs or relaxing in a hot tub to begin the retirement savings conversation – to hold the viewer’s attention. Annie asks questions that any curious Millennial might ask a representative, and adds a bit of humor to make the conversations entertaining.

We believe “Annie’s Financial Firsts” represents the kind of tone and direction that broad, publicly available educational content should take to engage Millennials. Striking the sweet spot between entertainment and education could lead to social sharing of engaging content.

Fidelity attempts to leverage their Financial Timeline app for Facebook throughout the MoneyFirsts sitelet. The app encourages individuals to begin planning for their financial goals and share them using social media. The app might be a step in the right direction, but ultimately it’s not entirely engaging. Facebook is mostly a backwards-looking environment. Users post pictures of events that happened already and provide updates about what’s happening right now. It might be difficult to break out of that mode, even though Fidelity’s “green line” sets up nicely with the idea of the Facebook timeline.



Fidelity’s FutureTimeline Facebook App

Fidelity’s MoneyFirsts is an attempt at segmenting education for Millennials, an approach we think makes a great deal of sense. When it comes to personal finance and investing, Millennials don’t share the same concerns as their Baby Boomer parents. To ignore their feelings would be a mistake.

TD AMERITRADE EMBRACES A CURRICULUM-FOCUSED APPROACH WITH ITS NEW EDUCATION CENTER

TD Ameritrade recently debuted a new private site education center built around interactive content. The center attempts to include some element of gamification, though with mixed results. The firm provides three levels of information: Rookie, Scholar and Guru. Clients can select from multi-lesson courses, or pick and choose the videos they want to watch. At the end of a course, clients take quizzes to confirm they have learned the information presented in the videos, an industry best practice. For passing a course, the firm awards points. Clients can’t do anything with the points yet, but we expect this to change in the months to come. Clients can also earn badges for meeting certain requirements, though the firm does not make the requirements clear.

My Education: Essentials

Essentials

Overview

Portfolio Management

Rookie


Scholar

Guru

Achievements

Favorites


Portfolio Management Essentials



Rookie Essentials ▶

30%


1h 12m 2150 Points



Scholar Essentials ▶

31%

1h 33m 2525 Points



Guru Essentials ▶

0%

1h 40m 2800 Points

Search Education Go

My Progress

[Essentials: Portfolio Management Scholar](#) ▶

31%



[Continue](#)

My Points

Points

1850

My Achievements

[View all achievements](#)

TD Ameritrade Essentials Lesson Plan

The educational content included in TD's center is an excellent resource for self-directed investors. Portfolio Management Essentials lesson plans are the first step. Each lesson plan (Rookie, Scholar, Guru) takes over an hour and educates users on creating and managing a portfolio, while gradually introducing more complex topics. The Rookie level covers investing for retirement and the basics of investment products. The Scholar level discusses creating and managing a portfolio. The Guru Portfolio Management Essentials course covers generating income from investments and reducing portfolio volatility. Additionally, clients can pick and choose individual lessons about topics on which they need to brush up.

Topics: Overview

Overview

Investing Strategies

Technical Analysis

Portfolio Management

Stocks

Bonds

Options


Mutual Funds & ETFs

Futures

Forex

Tool Demos

What's New




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Diversification is important for every investor's portfolio. In this video you'll learn how you can diversify by investing in assets that move opposite of each other. This can help reduce volatility and balance your profits and losses during bear m

[Start Video](#)

Featured Education



Making Retirement Income Last ▶ ☆

3m 27s ○ Not Started 100 Points

Many retirees worry about not saving enough for retirement or outliving what they do have saved. This video will help you work through this...

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My Progress

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31%



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Points

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TD Ameritrade Lessons Overview

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Corporate Insight (CI) provides competitive intelligence and user experience research to the nation's leading financial institutions. For over 20 years, Corporate Insight has tracked new developments in the financial services industry through our Monitor research and custom consulting services. We are known for our detailed, objective research, unmatched expertise, and emphasis on the actual user experience. There are no assumptions in CI's work – we use live accounts at the firms we track to benchmark their effectiveness and give our clients unparalleled competitive intelligence.


Corporate Insight is continuously tracking and identifying best practices in online asset management, banking and investing, insurance, annuities, mobile finance, active trading platforms, social media and other emerging areas. In the process, we have helped our clients across financial services stay on top of industry trends and improve their competitive position.



TO LEARN MORE ABOUT THE STUDY PLEASE CONTACT US:



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