At roughly 77 million strong, the millennial consumer demographic presents a paradox to many in the financial services industry. Millennials are an enormous pool of potential customers, but they’re also famously hesitant to trust large institutions, a category that many financial service providers fall under.

At the same time, a big issue facing this generation is the state of the economy and the job market. Millennials make up one of the least financially stable consumer segments. This cascades into the fact that most don’t follow the pathways previous generations have taken to homeownership and other major life events.

Despite the fact that millennials face financial struggles in terms of quickly moving their careers forward and planning for retirement, there are many reasons to engage this market. Financial service institutions need to understand four key factors to successfully penetrate this hard-to-reach generation.

MEET THE UNDERBANKED GENERATION

Millennials have made an unprecedented shift in the approach to establishing relationships with financial service institutions. According to data presented by the Federal Deposit Insurance Corporation, around 25 percent of consumers between 25 and 34 were underbanked in 2013. Meanwhile, 30 percent of those younger than 24 find themselves in the same situation.

One of the primary reasons that some underbanked millennials don’t have a traditional account is pretty straightforward: They don’t have enough money. However, this is hardly the case for the entire demographic, many of which are increasingly adept at saving. Fifteen percent of underbanked millennials said they avoid opening a savings or checking account because they prefer not to deal with banks or distrust these institutions, which is potentially a sentiment about the fees associated with credit and debit cards.

Millennials are not the only underbanked segment of the population. More than two-thirds of families are fully banked but, 20 percent are underbanked, meaning banks have existing products to cater to millennials. These products can’t be the only options, however. To reach millennials, the focus must turn to mobile phones.

IT’S ALL ABOUT MOBILE

Having grown up with the Internet, millennials have witnessed incredible technological innovation, and they’ve largely been part of it. Currently, 85 percent of millennials are smartphone owners who check their phone 43 times per day, which is equivalent to about 14.5 hours of smartphone usage on a weekly basis.

Another 72 percent of millennials are active mobile bankers, and 38 percent pay bills using their mobile device. The most affluent millennials, those with liquid assets between $250,000 and $1 million, are even more likely to use digital banking options.
MILLENNIALS ARE A DIFFICULT SELL for traditional financial services. The reasons why are as varied as the individual demographics that make up this target audience. But in essence, millennials are changing the patterns followed by previous generations and adopting new financial habits to better suit their lifestyle.

To reach this younger target audience, banks need to gain a better understanding of millennials’ banking preferences and market their financial services accordingly. By learning more about the current research on millennials, financial institutions will be able to accomplish four key objectives:

**Segment The Underbanked Population**

**Focus Products And Services On Mobile Platforms**

**Change Preexisting Attitudes Towards Prepaid Credit Cards**

Knowing more about millennials’ banking habits will help financial institutions accomplish important marketing objectives such as identifying leads, increasing conversion rates and optimizing communication channels.
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It’s no longer a choice for financial institutions. They must use digital channels to engage millennials and provide access to their products and services. But offering mobile products is not enough. Banks that want to reach this mobile-dominated generation need to recognize the importance of mobile phone numbers as a new form of personal identification. While the mobile devices these individuals use may change from year to year, their cellphone numbers rarely do, making these numbers a consistent, reliable identifier. Financial service providers can capitalize on this fact and use it to achieve better outreach and cross-sell for the millennial market.

THE SHIFT TO PREPAID CREDIT & ALTERNATIVE LENDING
In addition to mobile adoption, financial institutions need to rethink their perception of prepaid credit and alternative lending. According to research done by the Federal Reserve Bank of Philadelphia, there’s mounting evidence that millennials are the greatest proponent of general-purpose reloadable prepaid cards.

Traditionally, prepaid cards have correlated with low-income and underbanked populations, but there’s increasing proof that more affluent segments are adopting this alternative banking solution while also hanging onto their checking accounts. In fact, the group with the highest usage rate of prepaid cards is households headed by individuals between 18 and 48 with annual incomes of at least $50,000.6

Additionally, millennials are leading the way in leveraging alternative lending funds. 14% of millennial small business owners have used alternative lending services, more so than 1% of Baby Boomers and 3% of Gen-Xers.7 Understanding what drives millennials to seek funds is key to unlocking this market.

The issue for financial service providers is figuring out how to categorize and approach this market. Admittedly, millennials comprise a fairly mixed-income demographic, but their adoption of alternative financial sources is challenging the definition of underbanked populations, especially since a substantial portion still utilizes traditional banking resources. Properly segmenting this market is further complicated by the fact that millennials are taking a different path than previous generations to major life events.

As the hangover of the Great Recession slowly fades from the immediate consciousness of millennials, there will likely be a greater chance for financial service providers to establish relationships. What lenders need is a clearer understanding of how to proceed with the millennial market.

7 http://money.cnn.com/2014/12/18/smallbusiness/alternative-lending-millennials/
Knowing more about the millennial market means the big question hanging over financial service providers is how to develop a sound strategy to both identify and nurture prospective millennial consumers. It’s clear that millennials have been the object of heavy research, but despite that fact, few financial service organizations have the necessary data to effectively engage millennials. The reality is that this generation is different from its predecessors and financial service providers need to adapt their strategies.

Financial institutions must narrow their focus to three things: motivation, products and channels. Banks must clearly understand the wants, needs and preferences of this generation so they can present the right products at the most relevant times and through the most effective channels.

**IDENTIFY LEADS BASED ON THEIR UNIQUE NEEDS**

Millennials are a diverse demographic whose members are at very different points in their lives. As we saw above, some are not financially capable to sustain a bank account, while others are purchasing their first homes.

You need a better understanding of your audience to effectively generate, score and convert new leads. Banks must start using customer contact information like mobile phone numbers (and
the corresponding phone data attributes, including line type, carrier, whether it is a prepaid plan and Do Not Call Registry status) to identify leads and determine which products are most attractive to specific segments. The next step is developing marketing collateral that speaks to this demographic’s unique wants and needs.

CREATE A MOBILE FOCUS
Mobile is the ultimate communication channel for this generation. Banks should leverage millennials’ always-on behavior to keep them updated and informed of their options, whether it’s by email, phone call, mobile app or text. However, there’s no one-size-fits-all method of communicating. Some millennials want to communicate with banks through email and text; others may only want access to 24/7 support provided by a mobile app and call center. Millennials want options and contact, but they want both on their own terms.

Financial service providers need to adapt customer lifecycle management to fit millennials’ communication needs. By sharing consumer identity data across the organization, reaching out through the right channel and offering multiple methods of digital communication, banks are more likely to maintain a lasting connection.

ADAPT TO THE NEW TRENDS IN ALTERNATIVE FINANCING
While you should be taking advantage of the underbanked market to provide a branded experience, you should also prepare for risk mitigation. This includes incorporating a layered identity assessment strategy into your fraud mitigation workflows and risk algorithms. Also, create upsell opportunities for prepaid users and potentially transition them to higher-value, low risk products.

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Successfully marketing to the millennial generation isn’t about understanding one group’s wants and needs. It’s recognizing that this demographic ranges significantly in terms of financial standing, communication behaviors and product preferences. By using the right information and connecting via the right communication channels, financial service providers can reach millennials effectively and create lasting customer relationships.

**ABOUT WHITEPAGES PRO**

Using Whitepages Pro data to perform a householding analysis, financial service institutions can more accurately identify millennials who may be inclined to certain banking products, such as a home or auto loan.

Armed with the best mobile phone coverage, Pro gives banks and insurers keen insight into the consumer market. This allows them to identify potential marketing opportunities and highlight the convenience of mobile apps and other digital tools.

Our data verifies whether an address accepts mail, if a telephone number is on the national Do Not Call Registry and the types of mobile plans that millennials use. With Pro, you’ll be able to leverage preferred channels throughout the customer lifecycle to keep millennials informed of your products and services.
Put Whitepages Pro to work for your business.

Contact us to learn more.