THE NEXT GENERATION OF BANKING

A WHITE PAPER FROM FIRST NATIONAL BANKERS BANK

A WORD FROM THE AUTHORS

Working on this project has been quite the eye-opener. It has made me really think about things I normally would have pushed aside that I had felt in the past "don't affect me" or "aren't really my responsibility." Someone has to help shape the financial landscape, and as young people one of the main goals I see most frequently is "making a difference." Well, here's a golden opportunity. There may have been similar publishings to what we've studied, but I believe ours offers something different – we've distinguished that young people steered its ideas and fruition and are not just being the ones researched. My involvement in this project has changed how I think about and approach difficult topics, since I've so frequently felt that my opinion or thoughts are inherently "wrong" since I'm a young person with less life experience. I'm tired of feeling written off or having my opinion assumed or stereotyped, so this was my opportunity to explore the input I want to express to the world – or, rather, a much smaller fraction of the world, and I'm ok with that. Sowing the seeds can lead to greater things.

There's much more to this issue than surface level or that a whitepaper can address further than merely just scratching the surface. There's a need for commitment to change and develop, and this is something we need to constantly communicate to our customers and lead them if we have any hope of shaping the future to benefit the younger generations. It's not just about bank profitability or measurable metrics, it's about creating and fostering real, substantial change to an industry that is arguably one of the most obstinate – for the benefit of the consumers it affects.

-*Kayla Harvey*

Working with this team over the last several months was rewarding as it was fascinating. As a numbers guy in banking, I am drawn to the statistics and data behind what makes our generation tick. These statistics, in turn, give us insight into the psychology driving our generation's banking habits. Statistics may vary depending on how accurately a given sample size represents the population as a whole. But I believe you will find one thing glaringly obvious: banking customers in 2024 cannot be treated as one in the same. They exhibit vastly different needs and expectations. The purpose of this paper is to apply market segmentation to what we believe to be the most vital contributing factor in banking tendencies: age.

I am truly thankful to my colleagues for their spectacular efforts and for allowing me to play a small role in this project. I hope the reader will find value in this white paper, equipping them and their institutions with the tools necessary to flourish in the bright future of banking.

-*John Milam*

A WORD FROM THE AUTHORS

This white paper is the result over one year of conversations and brainstorming in the making. What started out as an idea from one employee has blossomed into what you are about to read. Our group has taken a deeper dive into what a bank is and the services and products it provides to benefit its customers. Banking is very different from how it was twenty years ago, and one can be sure it will look different twenty years in the future. It is up to community banks to anticipate these changes and educate themselves on how they can provide relevant products and services to the upcoming generations. I tend to get caught up in the day-to-day tasks of my job, so this group allowed me to have a broader understanding of the role community banks play in their economy and the importance of keeping those local banks in business. I hope those who read this paper find it insightful and that it provides a thought-provoking perspective on the future of banking. This is only the start of the conversation for those community banks looking to provide relevant and efficient services for upcoming generations and to secure their future in the areas they serve.

-*Rachel Gravois*

Looking back at all of our time and work put into this project, I am very proud of what we have created and produced. Working alongside people my age each step of the way was fun, inspiring, and motivational. Being able to come together to think about our future, how it will impact us, and how we can and will impact the future is a special thing.

The financial services industry is one that is always changing and evolving, same as us! Change is good, but change can be scary. Evolving is a part of life and is part of every industry's process to remain afloat. I am so happy we were able to provide our input and conduct research on such an important topic. Now go, read it for yourself…you might learn a thing or two about us young folk.

-*Elise Gasperecz*

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EXECUTIVE SUMMARY

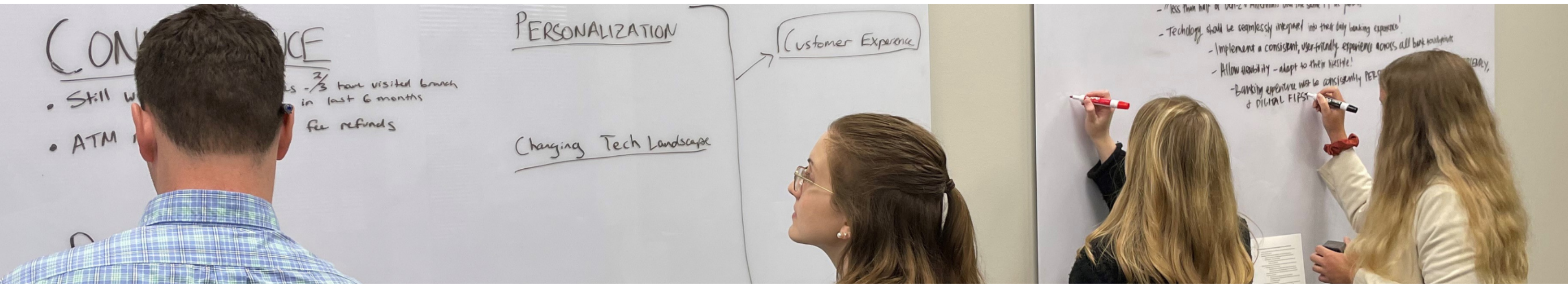
How to Attract and Engage Younger Customers in the Financial Industry

Community financial institutions are at a crossroads. For decades, they have perfected their delivery of financial services, providing their customers and their communities with an extremely high level of personalized service. Community banks have made it their prerogative to perform transactional services on behalf of customers. However, due to the expansion of online banking, mobile banking and faster payments, the opportunities for transactions to occur outside of the physical branch have exponentially grown. Most bank customers now find it more convenient to bank at a time and place of their choosing with whatever device they have in their hand. The idea that good self-service can beat great personal service is perplexing to most community bankers; yet, the vast amount of data and research on this subject proves that good self-service is in fact what customers desire most.

This is particularly true when it comes to young millennials and Gen Zs. These individuals have grown up, literally since they were babies, with a digital device in their hands. They have a well-honed expectation of what an online mobile experience should be. They are exposed to this experience every time they use a mobile device for entertainment, gaming, booking travel purchasing online, staying in touch with family and friends, etcetera. When a financial institution's online banking or mobile app is outdated, their expectation is violated. They do not want to adapt to an older digital experience, rather, they require a new and enhanced sleek design with effortless usability. Their expectations of a digital experience are high, but not unreachable. If an organization's digital presence does not match that expectation, they simply abandon and move on.

Young potential customers already heavily use apps such as Venmo or Cash App for their basic transactional needs. If young millennials and Gen Zs do not open accounts at financial institutions, then who are those institutions future customers? Without a significant focus on younger individuals now, the customer funnel will shrink into non-existence. This is a significant issue right now for community banks, as to whether they are filling the top of the new account funnel with sufficient younger potential customers to offset the loss of super seniors and baby boomers in the coming years or not.

The focus is on examining the issue of what it takes for a financial institution to attract a young prospect, get them to sign up for an account, and more importantly, keep that account. It will lay the foundation for why this issue needs to be at the forefront of bankers' minds and provide tools and techniques to attract and keep younger customers.



INTRODUCTION

For the purposes of this work, community financial institutions are defined as banks that are $5 billion of assets or less. While this document does not specifically reference business accounts, the fact that many young millennials and Gen Zs would in fact be opening businesses neither takes away from nor enhances the points made in this white paper.

This document is the result of an effort undertaken by a group of young bankers who work at First National Bankers Bank (FNBB), a correspondent financial institution with approximately 700 financial institution relationships across the Southeastern U.S.

The FNBB bankers primarily involved in this process include:
Elise Gasperecz – Marketing Support Officer
Rachel Gravois – Credit Review Specialist
Kayla Harvey – Assistant Controller
John Milam – Compliance Services Internal Auditor

Additional young FNBB bankers who contributed to this white paper also include:
Madison Cleary – Investment Operations Specialist II
Justin Hartnagel – IS Audit Officer
Justin Pitre – Loan Operations Specialist II

The above team researched the issues and gathered industry statistics related to the stated problem. Assisted by Chief Innovation Officer David Peterson, the group brainstormed options for how financial institutions could remediate the challenge of acquiring and keeping new younger customers. Further, multiple options for how the remediation could bring positive results. This white paper highlights the problem backed up by industry data and statistics, the source of which are documented in appendix A.

The behaviors of young millennials and Gen Zs clearly indicates they are mobile based and use mobile phones to engage and be engaged. Many younger potential customers are drawn to gamification.

It is likely that a true gamified banking experience would be a valuable tool in attracting and keeping younger customers. However, the reality is that any true gamification of the banking experience would require direct interfaces with the core systems driving transactions at virtually every financial institution. This brings the issue of open APIs (Application Programming Interfaces) and other technical issues severely limiting the ability for financial institutions who have invested significantly in online and mobile technologies to be able to integrate a third-party gamification module to directly interact in real time.

In the future, the above limitation may be less burdensome, but rather than make a recommendation that has little chance of being implemented in the next three to five years, the group pivoted to an alternative concept of rewards targeting the younger customer segment and provided solutions to be implemented without any delay.

TERMS AND CONCEPTS

Young millennial and Gen Z - For the purposes of this white paper, the terms young millennials and Gen Zs are used. While the millennial generation is generally thought to begin in 1980, this document uses the dates of 1988 to 2010, which spans across both the millennial and Gen Z demographic timeframes.

Neobank – Any entity that does not have a bank routing number (issued by LexisNexis on behalf of the American Bankers Assoc.) but offers online / mobile banking. The deposits and related transactions are passed through one or more actual financial institutions, and the Neobank keeps a shadow ledger for its customers. These entities are not themselves FDIC (Federal Deposit Insurance Corporation) insured.

Shadow Accounts – A virtual ledger is maintained of an account balance each customer of a neobank represents of the total amount that is on deposit at one or more financial institutions.

Note: The need to account for those younger than the young millennial and Gen Z age frame need to be targeted as well in order for financial institutions to be fully sufficient for future growth.

THE YOUNG MILLENNIAL AND GEN Z CHALLENGE

The idea of opening a bank account and conducting transactions through a financial institution has historically passed from the older generations. It was common for children and teens to accompany a parent to the bank on routine branch or drive-through visits. Many high schools required students to complete courses with education on basic money management. By many of today's gathered metrics, the present younger American generations utilize a traditional financial institution far less than their baby boomer, Gen X, and older millennial parents.

The results show that around half of younger potential customers under the age of twenty have some type of relationship with a traditional financial institution.

Fidelity 2022 Teens and Money Study Fact Sheet	Based on sampling of 2,014 teenagers 13-17 years old (April 2022), 49% have opened bank accounts or already had bank accounts.
QoD: What % of 14-22 year olds have a bank account? - Blog (ngpf.org)	Based on Raddon Research Insights, 57% of 14-22 year olds have some kind of relationship with a bank/credit union.
Whitepaper: Gen Z + Millennial Consumer Perspectives on Banking	47% of Gen Z respondents claimed to have an account with a traditional FI.

There is a longstanding idea that eventually we "become" our parents or much like the generations that come before us. Concepts and cycles historically tend to repeat themselves as time and generations evolve. Therefore, it can likely be inferred that younger millennials and Gen Zs will eventually come to similar conclusions and experience a change of perspective over time and life experience. A study published by the ABA (American Bankers Association) Banking Journal shows that in a survey of approximately 4,400 adults across all demographic ages, 5% did not hold a single checking or savings account within the household. In comparison to the near 50% of younger generations, would this not support the generational claim of today's young people eventually opening a traditional bank account?

Breaking the generational cycle is not a new concept, but specific considerations must be taken to account for the dominance of technology and social media as they relate to banking and payments in comparison to prior generations:

- Previous generations did not have access to alternative payment options that today's young millennials and Gen Zs have, such as Venmo, Cash App, and many other "Peer to Peer" platforms.
- Many young millennials and Gen Zs have physically grown up with technology and advanced mobile devices. They are experts in ascertaining whether a mobile application would represent a compelling experience to these "digital native" generations. A 2015 study conducted by Microsoft concluded that millennials have an average attention span of around twelve seconds, while their Gen Z counterparts hold an average of eight seconds.
- Social media now dominates how younger people consume information and entertainment. Platforms such as TikTok, YouTube, and Instagram constitute a significant portion of time spent on mobile devices. The experiences on these and other similar platforms drive an expectation of the level of engagement.

Therefore, is the challenge a mere lack of interest from the younger generations or that the banking industry needs to foster a new approach to appeal to these generations?

The challenge is twofold: Banks must engage younger prospects to see the need for a banking relationship, and then the bank must entice the prospect to make the decision to bank at their specific institution. If younger people have access to the aforementioned mobile apps like Venmo and that seems to work for them to send and receive money to their satisfaction, then would there be a reason for them to look to a traditional financial institution at all?

The payoff of attracting a younger prospect is the option of cultivating a long-term relationship. Research suggests a strong inertia effect of where people bank. Overall, adults keep their accounts at the same institution for fourteen or more years. The number is less for millennials but still significant at ten or more years.

Older generations have thought of banking as a commodity. With the technological advancements of financial services, there are many other options to consider. Consider a young person that decides to seek a traditional banking account; they may encounter neobanks, which tout slick marketing campaigns and engaging mobile applications. This further exacerbates the problem for a traditional bank looking to attract and retain younger customers.

Another factor to consider is that younger prospects in the Gen Z demographic are more likely to spread deposits or transaction activity amongst multiple companies. However, is this concept truly negative? Or should financial institutions focus on establishing a single bank loyalty with a customer or purely having a fraction of that customer's activity through an account?

Establishing even a single account relationship with a younger customer provides an institution the ability to explore more of its brand and services and grow additional wallet share. However, it is clear there are two primary areas where bankers are likely to fall short of the younger generations' expectations: marketing and technology. Specific recommendations for both of these areas are addressed later in this document.

The Issue of "Why?"

The full explanation of why younger people do not utilize traditional banks as much as previous generations is not fully known. This document does not attempt to ascertain root causes of this issue. In contrast, the question of why a traditional financial institution should be keenly aware of the trend of younger prospects not looking to banks for accounts is extremely important. For each super senior or baby boomer that institutions lose, his or her place needs to be filled. If the issue is about number of accounts, it would be considered a one-to-one relationship. Yet, if core deposits are the primary concern, then the issue escalates. One study suggested that the average young millennial and Gen Z would have only 8.17% as much to deposit as an older established customer. This means you need a little more than twelve younger customers to equal the same deposits as losing one older customer, even decreasing that proportion down to ten younger customers is still a daunting task.

The alternative is to take no specific action to attract new younger customers. Some Gen X customers will acquire more deposits, so the deposit difference may only require ten younger customers to cover core deposit loss. In the absence of a marketing campaign targeting younger customers, a bank would only attain 2.5 younger customers for each older customer lost. Over time, the loss of older customers will increase and without a concentrated effort to attract ten times the younger ones, the loss will eventually reach a tipping point where the customer counts and deposits dip to critical or perhaps unsustainable levels.

Action is needed. The start of change to meet this challenge is to examine the expectations of younger customers, particularly as it relates to technological expectations.

WHAT YOUNGER CUSTOMERS EXPECT

The young millennial and Gen Z populations present a unique opportunity for community banks to examine how and why traditional financial institutions are chosen (or not chosen) for money management and transaction purposes. What millennials and Gen Zs were exposed to in their formative years, how parents and other influential adults discussed financial matters and perhaps, most importantly, the opinions of friends and other peers directly factors into the actions of any particular young prospective customer. An analysis of available data suggests that some general assumptions can be made regarding the expectations of the young millennial and Gen Z populations.

First, a financial institution (FI) must accept that young millennials and Gen Zs have expectations about what a relationship with a financial institution entails. If that expectation is not currently in line with the way the FI currently operates, the bank should consider ways to change that individual's perception in a positive way prior to attempting to win a new account. Even younger prospects who have a favorable disposition to a traditional banking relationship have formed expectations about what the digital banking experience should entail. Young millennials and Gen Zs are not tech adopters but rather tech critics. This demographic has honed in on expectations from others digital apps and interactions they have previously experienced. If an FI's technology does not reach or exceed that expectation, these customers will not hesitate to quickly abandon the experience.

So if perception and experience are so vital, what are some specific factors/features that these individuals might be looking for? Consider the following summarized elements:

Not Digital-Only Banking… – Young millennials and Gen Zs prefer to use digital options first in performing transactions at a time and place of their choosing with whatever device is in hand. However, it is interesting to note although there have been numerous internet only banks over the years, very few last for more than a couple of years. Research shows younger customers still want to have physical brick-and-mortar branches that are reasonably accessible. Why is this? It is not necessarily for conducting day-to-day transactions, but rather these customers prefer face-to-face interaction for certain situations such as:

- Credit card fraud/disputes
- Discussing a loan with an officer
- Receiving financial education
- Receiving expertise to solve a digital banking problem

A research study by Gallup found that two thirds of younger customers have visited a branch in the last six months. Since most community banks have an existing branch network, they have an inherent advantage over any internet-only bank. However, community banks must properly utilize marketing and advocacy tactics to ensure the younger customers they seek are properly informed.

…But Digital Platforms Must Meet Expectations – Young millennials and Gen Zs are extremely familiar with using mobile apps and know how to use them quickly to find what they want. This requires that the technology powering the apps is constructed in such a way as to make this speedy access a reality. Consideration must be made to place options where fingers can reach, order steps in an efficient, logical order and eliminate any unneeded keystrokes. Many legacy mobile applications do not take these important usability factors into account. In addition, mobile banking should also be a compelling experience. This means aesthetics matter, even down to how "entertaining" the app is to use.

Although both of the previously mentioned factors are vital to a positive customer experience, there is a delicate balance between new digital features and usefulness/efficiency. For example, mobile remote deposit capture is now a feature that all financial institutions' mobile apps contain, yet very few younger customers actually ever receive checks to deposit. As this feature tends to be underutilized, a community bank may not want to consider spending a large amount of effort in making this feature more streamlined, but perhaps look into making person-to-person payments easier, more efficient and fun.

Personalization – Usability is not the only factor in a customer's experience; younger prospects are also looking for online tools specifically tailored to them. Younger customers are used to being able to fully customize their digital experiences. They can adjust colors, backgrounds, avatars and many other aspects of the online experience. They can further tailor what content they want to see, making their digital experience unique to them. Therefore, it would be safe to assume that these customers would have an expectation that a mobile banking app from a traditional financial institution would give them the same level of customization.

Other types of customizations these customers would potentially look for specifically in a banking app include spending, analysis and budget tools. This would provide customers with specific, customized financial awareness. The digital experience might include features that could:

- Automatically analyze and detect recurring monthly bills, subscriptions, etc.
- Build a basic budget representing spending and income norms
- Include an option to enable the setting of spending goals
- Notifications on dollars spent and when budget items will be exceeded by additional transaction activity
- Provide a tool that would allow for the user to present a proposed purchase at which point the system would analyze the aforementioned spending and income trending and advise as to whether this would exceed budgets and/or trigger overdrafts

"Free" Banking – Since 1980, banks have marketed free checking accounts as an incentive to attract new accounts. However, what "free" means in reality is there is no monthly account charge, UNLESS the account holder violates one of the conditions outlined in the agreement. Common conditions include a minimum or maximum number of certain types of transactions (i.e.: checks written, signature debit transfer). This leaves many customers with unexpected monthly service charges on an account they thought was "free."

94% of younger prospects say not paying monthly account fees is a top priority. The challenge for financial institutions is to consider ways to reverse the scenario. In other words, how can banks stop punishing customers for non-compliance with conditions but do this in a way to not create additional risk for the bank? One possible avenue is to consider ways to make fees and their elimination an option for the customer to control. Financial institutions should ensure the customer is educated clearly and up-front on monthly fees and what situations would entail a fee but give credits to customers for desired behaviors. Converting the conditions listed above into credits against monthly service charges puts customer in charge of how much, if any, they pay in fees.

Thus, it "gamifies" the banking experience, which aligns with the digital experience familiar to young millennials and Gen Zs. With this feature, it would be possible that all fees, such as using a foreign ATM, incurring an overdraft or accessing a specialized service (like the printing of a cashier's check), could all be offset by customer behavior while also minimizing undue risk and creating additional business for the bank.

Customer Experience – Virtually everything contributes to the Customer Experience. To just name a few elements, consider:

- The "vibe" of a retail branch on the very first visit
- The account opening experience
- Usability and comprehensive nature of digital banking technology
- Social media presence
- Easy access to support
- Availability of problem-solving resources

These and many other elements make up any customer's attitude towards their experience with an institution. It is critical that any financial institution attempting to focus on acquiring new younger customers thoroughly examine these experience elements and change any that do not lead to a positive customer experience. Failure to do so will likely result in account closures. One study found that when millennials are dissatisfied with their bank, they are more likely to switch banks. According to a study performed by The Balance, millennials are 2.5x more likely to switch banks than baby boomers and 1.5x more likely to switch banks than Gen X.

It would also be counter-productive to attract younger customers only to lose them due to not meeting expectations. This would be a waste of money for the bank, and in addition, it would create dissatisfied customers who tend to be quick to highlight negative experiences on social media, further reducing a financial institution's chances for long-term success. Customer experience and perception is not only key but vital for the future of community banking.

Rewards **-** As documented in the Free Banking section above, younger prospects do not want to pay monthly fees for banking services. However, they do want rewards. The reward model has proven to be well received by young millennials and Gen Zs. In fact, studies show that 83% would switch banks for better rewards.

Truly gamifying banking could be the ultimate goal for financial institutions to retain younger customers. Consider an app where:

- Customers are presented with an initial game-oriented user interface
    - "The game is on, you control what, if anything, you pay this month…"

- Customers can see what the monthly service charges are for the account
  - All of the services the institution provides for that fee are clearly and easily seen
- Customers are shown what their historical spending and deposit pattern will generate towards eliminating service charges
- The app is constantly refreshed, showing any new fees incurred
- Customers are presented with activities that would reduce their fee (i.e.: "Each signature debit transactions you perform credits $.50")
- Other fun game elements can be incorporated such as adhering to pre-selected budget spending limits or promoting the institution to family and friends
- At the end of the month, the monthly charge amount is assessed against the account, and the amount can decrease all the way down to $0.

While the above bullets would, in theory, put a fresh twist on banking and the customer experience, one must also consider achieving a gamified app similar to what is described above may not be feasible for most financial institutions (too complex, expensive, etc.). One alternative would be to create a rewards program specifically tailored to be attractive both in look and feel and create a positive outcome in its use for younger customers.

DO COMMUNITY FINANCIAL INSTITUTIONS MEET OR EXCEED EXPECTATIONS?

Much like each young millennial or Gen Z is an individual person, each financial institution represents a unique entity for how they approach marketing, advocacy and technology. In general, the smaller the financial institution, the more likely they have limited marketing resources, often employing not even one full time resource dedicated to marketing. Advocacy, the ability to promote the institution using a variety of elements and events as a structured activity may be non-existent. Further, smaller financial institutions are more likely to use a digital platform provided by their core solution. While most core ancillary products deliver a solid set of basic online features, the solutions that truly deliver a digital experience that exceeds expectations generally are offered by third party vendors specializing in the online banking experience. These third party solutions cost more, and the cost and issues of integration to core systems often lead financial institutions to settle for the easier path of offering their core's digital platform. This leads many younger customers to be introduced to a lack luster digital experience.

The ability to harness the types of marketing and advocacy messages that are delivered to the very places where younger prospects tend to gather is a key element of messaging to the right prospects at the right locations. Furthermore, another element is the need to form the "right" message. A marketing campaign generally oriented to acquire new accounts may have content and graphics that do not appeal to younger prospects. Younger prospects are generally oriented towards "doing good.

It is important for a financial institution to focus messaging on how the bank positively impacts communities and the people and businesses within.

The ability for any financial institution to gauge where they stand in the areas of marketing, advocacy and technology can be ascertained by examining a list of key competencies across three categories:

MARKETING

- Does your content have fresh, eye-catching visuals?
- Is your content length appropriately sized?
- Do you have opportunities for younger customers and prospects to interact and join on the conversation?
- Are you appropriately using humor?
- Are you marketing in the places where younger prospects are listening?
- Are you using social media to share information and educate your customers?

ADVOCACY

- Does your institution emote a strong and fun brand image?
- Do you promote your organization's values in a strong way?
- Do you use ads to develop your brand's involvement in the community?
  - Are ads customer-focused?
- Do you engage in storytelling?

TECHNOLOGY

- Does your digital platform render and work on all popular computers and handheld devices?
- Is your mobile app user friendly?
  - For example, self-examine your mobile app: Is the option to open up the menu located where the average finger can reach it?
- Have you fully deployed an automated online account opening app?
  - This includes the entire process, including Know Your Customer (KYC), electronic signatures and funding the account
- Can customers fully personalize their digital experience?
- Does your digital platform have chat options for support that are not driven by a chat bot?
  - Can your chat "listen" to a text inquiry and ascertain the intent of the user?
    - Does the chat generate a response appropriate to the intent or does the chat session transfer to a live operator?
  - If your chat is provided by a live operator, can you have an operator live and chatting inside of sixty seconds?

The above list of key competencies is by no means comprehensive. Depending the size, type and location of your institution, your key competencies may be different. For example, a financial institution located near a college or university has a different challenge in messaging than one located in a deeply rural community. In general, the more you are able to answer the questions listed above confidently, the closer you will be to effectively acquiring and keeping younger prospects.

RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS

The industry of banking requires all generations to participate in order to succeed and excel. However, in order to grow and continue, there is one generation bankers must appeal to and focus their efforts: the younger generation, Gen Z and millennials. To effectively capture this generation, bankers need a strong, well-rounded marketing strategy.

A successful marketing strategy is made up of several different stages: promotion, conversion, education, advocacy, and retention. To break through or talk directly to the younger generation, bankers must promote using fresh, eye-catching visuals across all content. The content length should be bite-sized and interactive! This is make or break, especially true with Gen Zs. Gen Zs want to join in on the conversation and collaborate. Additionally, do not be afraid to use humor! A brand can seem more genuine and relatable, which is especially effective with Gen Zs.

When it comes to conversion, meet them where they are with digital solutions! Mobile is key. "52% of Gen Z say they always bank through a mobile app" (*Anatomy of…*, 6). Mobile applications should be at the center of the bank's marketing plan. Furthermore, applications should have 24/7 support and access to P2P (peer-to-peer payments). 35% of millennials and 29% of Gen Zs wish their mobile app had 24/7 support, while 23% of millennials and 21% of Gen Zs wish their mobile app had P2P. Check deposit should be offered as well; 36% of millennials and 30% of Gen Zs want it.

Financial literacy and education is becoming more and more important each day. In today's world, it seems to be on every banker's mind, but how do you properly educate the younger generation? Through what they grew up on, social media. For example, "only 31%" of respondents in a survey conducted by Vericast in June 2022 "turn to their financial institution for financial advice" (*Anatomy of…*, 3). Gen Z already look to social media as a source of and for information. Why not educate them there? Social media is the platform where bankers' messaging needs to include useful, educational information, not just "advertising" statements. It should be clear the product/service solves a problem.

There is a huge opportunity for financial institutions to concentrate on financial education not only for younger generations but across all generations.

Advocacy: what makes a good ad? How does a financial institution appeal to the younger generation efficiently? Advertisements should display a strong, fun brand image. Millennials especially tend to judge financial institutions in terms of image and values; in order to reach this audience, strong branding is imperative. In addition, millennials and Gen Zs are both very receptive to marketing offers from financial institutions. For example, "49% of Gen Z and 65% of millennials surveyed are very or somewhat receptive to marketing offers from financial institutions" (*Anatomy of…*, 7-8). Therefore, it is essential for banks to target these demographics. What is the best way to reach this target audience? Email. Sending offers via email is the highest method of delivery for both millennials and Gen Z.

Retention: Once acquired, how does a financial institution retain these young customers? Your marketing strategy should have a rewards program. "According to Vericast's September 2022 Awareness-to-Action Survey, millennials and Gen Z have the greatest tendency to make the jump, with 53% of millennials and 42% of Gen Z changing financial institutions in the past two years" (*Anatomy of…*, 3). Banks *must* reward the loyalty of Gen Zs and millennials, if not, bankers can wave goodbye. One proposed rewards program a financial institution can implement is Cash Back Community: Spend Local, Earn Local. Financial institution would partner with local businesses and offer exclusive offers and deals within these places. This program is a win-win because money is put back into the community. Members of the Cash Back Community could reach higher statuses depending on the variety and amount of local business visited.

Personalization is crucial to retention rate as well. According to Vericast's Awareness-to-Action Survey in November 2022, "70% of people rate personalization as 'highly important'" (*Anatomy of…*, 2). Marketing elements from beginning to end of customer experience need to feel personalized or able to be personalized.

We are on the precipice of what the New York Times calls "The Greatest Wealth Transfer in History." From now until the end of 2045, millennials and Gen Zs will inherit an estimated thirty trillion – a staggering amount unprecedented in human history, even adjusted for inflation. The chaotic, yet inevitable truth is millennials and Gen Zs hold the key to the future of banking. Though these groups may not have deep pockets at the moment, the paradigm will soon be flipped. In the changing landscape of banking, failing to adapt to the needs of millennials and Gen Zs could render community banks irrelevant. By the same token, community banks have an opportunity to thrive as they integrate with the tech-centric lifestyle of younger generations while enhancing the hallmark of community banking: its personal, relationally driven approach to business.

With the rise of digital banking, it is easy to forget the necessity for the human element of financial services. After analyzing and quantifying the characteristics and expectations of millennials and Gen Zs, it is easy to reduce them to a series of statistics and data points. Yes, they may prefer a web page or a mobile app to carry out the mundane tasks of everyday banking, but they are humans – and humans inherently desire to feel valued and respected. Fortunately, nobody can deliver on that like trusted community banks, which means promotional efforts should focus on this personality by appealing to humor and emotion that is relatable.

Community banks are not currently known for its cutting-edge tech, but that's okay. Thankfully, community banks do not have to reinvent themselves to gain and retain young customers. At the end of the day, the services and products are all the same. The only difference? Millennials and Gen Zs require an elevated and streamlined presentation that decrypts the convoluted nature of banking.

Millennials and Gen Zs want simplicity. For them, reliability and mobility are non-negotiable. Streamlining websites and mobile apps to combine functionality, convenience, and visual appeal will satisfy this need. Implementing a rewards program enhances the experience, keeps them engaged, and solidifies their loyalty. They want personalized banking that recognizes and tracks their financial goals.

Lastly, they want the trusted relationships that go along with community banking. Bankers who will go to bat for them and personally vouch for their character. Embracing millennials and Gen Zs means laying the foundation for building a better future. Educate and guide them in building financially security. Invest in their future, and it will pay dividends.

CONCLUSION

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