APITURE®

BANKING THROUGH THE AGES

Attracting Gen Z and Millennials:

Seven Essential Strategies for Community Banks and Credit Unions

Welcome to *Banking Through the Ages*, a new series from Apiture designed to provide insights and analysis about Americans' banking habits and preferences. We've partnered with The Harris Poll—a market research and analytics company that has been tracking the sentiment, behaviors, and motivations of American adults since 1963—to ask consumers about where and how they bank today. The results reveal important generational differences that will help financial institutions better attract and serve consumers of all ages.

In *Attracting Gen Z and Millennials: Seven Essential Strategies for Community Banks and Credit Unions*, the first paper in our series, you'll learn specific steps your institution can take to win a growing share of these younger consumers. Securing more Gen Z and millennials is essential, not only to provide your community or regional institution with a strategic advantage today, but to ensure your future growth and relevance in a highly competitive market.

FINANCIAL INSTITUTION BREAKDOWN

Primary large bank customers
n=1,249

Primary community bank customers
n=287

Primary credit union members
n=360

Primary online-only bank customers
n=108

Methodology

The Harris Poll conducted a survey of 2,004 consumers on behalf of Apiture in February 2024. All respondents are located in the United States and are ages 18 and older.

The sample is weighted to be nationally representative of the following dimensions: age, gender, education, race, region, income, size of household, political party affiliation, and marital status.

The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 2.8 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest.

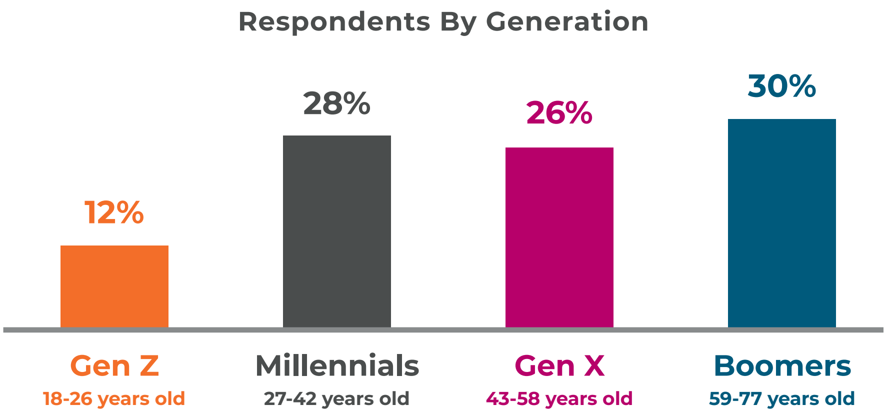

Figure 1: Survey Respondents by Generation

Attracting Gen Z and Millennials

As the youngest American consumers, Gen Z and millennials represent an important market segment for financial institutions of all sizes. Gen Z includes true digital natives. These consumers were raised with smartphones, social media, and internet connectivity, which has profoundly shaped their interaction with and expectations of financial institutions. Likewise, millennials grew up during the rise of the internet and witnessed the advent of social media and smartphones. As a result, they are highly proficient with digital technologies of all kinds, which has significantly influenced their banking habits and preferences.

Like older consumers, Gen Z and millennials are most likely to choose a large, national bank. However, they indicate an openness to switching institutions, and banks and credit unions that cater to the specific preferences of younger consumers can win a greater share of this strategically important group. Read on for seven imperatives that will help entice Gen Z and millennials away from larger banks.

Setting the Stage: Where Americans Bank Today

Nearly three quarters of Americans have an account with a large, national U.S. bank, including Chase, Bank of America, Wells Fargo and Citbank—with 66% identifying one of these banks as their primary institution.

74% **of consumers have an account with a large bank**

66% **consider a large bank their primary financial institution**

CHASE	BANK OF AMERICA	WELLS FARGO	citibank
30%	25%	19%	12%

Although a larger share of consumers has chosen one of these mega-brands, other types of financial institutions also play a significant role in Americans' lives, with more than half (52%) of consumers indicating they have an account with a community bank, credit union, or online-only institution.

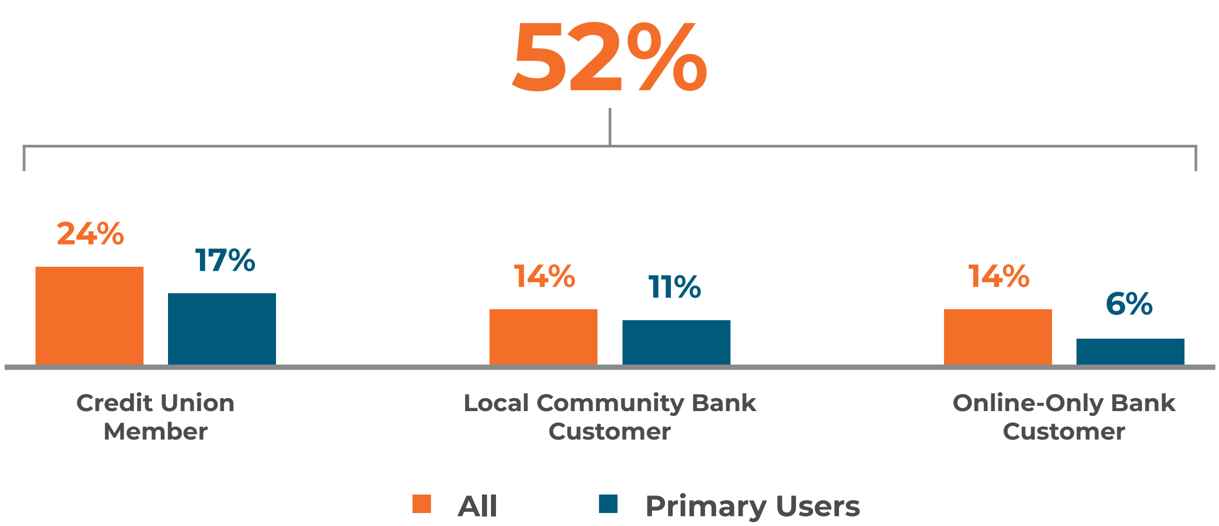

Figure 2: Non-Large Bank Account Holders by Institution Type

Among the youngest adults, 79% of Gen Z and 69% of millennials have chosen a large bank as their primary institution.

These consumers are least likely to hold an account with a community bank, with only 2% of Gen Z and 6% of millennials considering a local bank their primary institution. Credit unions have captured 11% of Gen Z and 15% of millennials, while 8% of Gen Z and 10% of millennials have a primary account with an online-only institution. Millennials are more likely than any other age group to bank with an online-only bank.

What type of bank or credit union do you consider your primary institution?

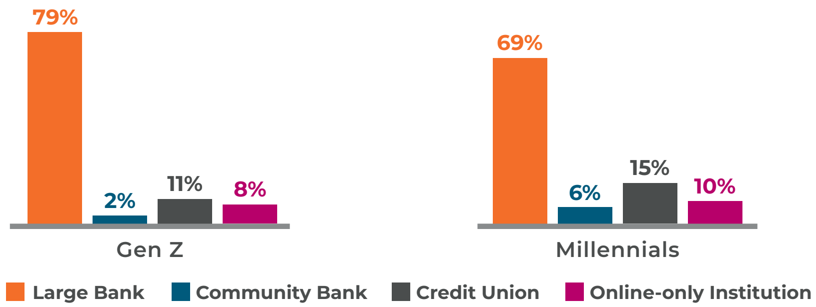

Figure 3: Gen Z and Millennials by Institution Type

Younger Consumers Are Least Satisfied

Overall, Americans report high levels of satisfaction with their primary financial institution; however, Gen Z and millennials are less satisfied than their Gen X and baby boomer counterparts.

How satisfied are you with your primary financial institution?

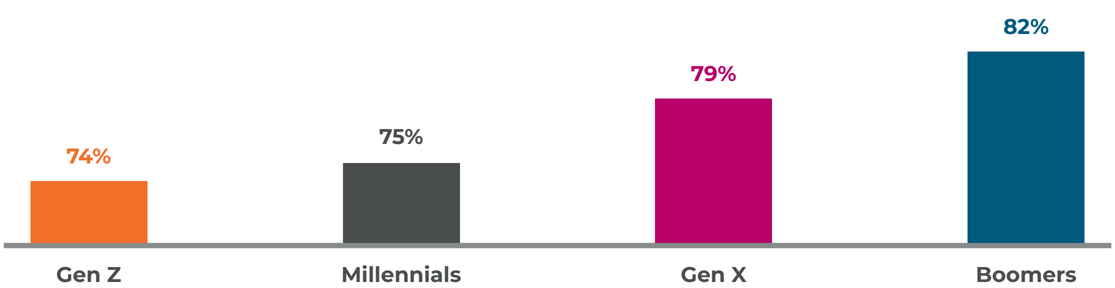

Figure 4: Financial Institution Satisfaction by Generation

This is good news for community and regional institutions that want to attract young adults. In fact, 50% of Americans across age groups are open to switching their primary financial institution—and they are most open to switching to a smaller provider.

"I would be open to switching my primary financial institution to a..."

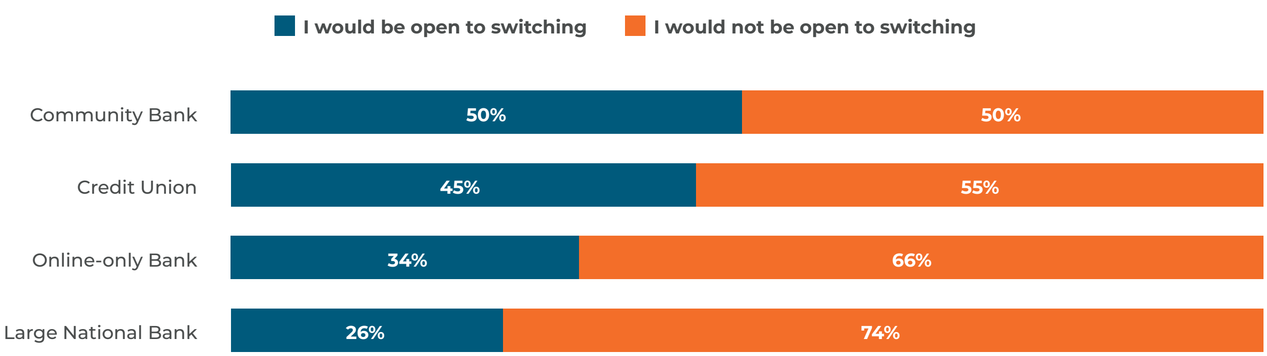

Figure 5: Consumer Openness to Switching Primary Institution

Gen Z and millennials are even more open to switching than older Americans, with about half reporting a wilingness to switch to a community bank, online-only bank, or credit union.

Willingness to Switch Primary Financial Institution *(I would be open to switching my primary financial institution to a...)*	Gen Z & Millennials	Gen X & Boomers
Local Bank	52%	49%
Online-Only Bank	50%	25%
Credit Union	47%	47%
Large Bank	39%	20%

Figure 6: Openness to Switching - Younger vs. Older Consumers

The Physical Location Paradox

When asked to weigh in on the importance of branches, the majority of Americans report that their institution needs to have physical locations. However, this importance is waning among younger consumers, with 57% of Gen Z and 60% of millennials stating that branches are an imperative, compared to 65% of Gen X and 76% of boomers.

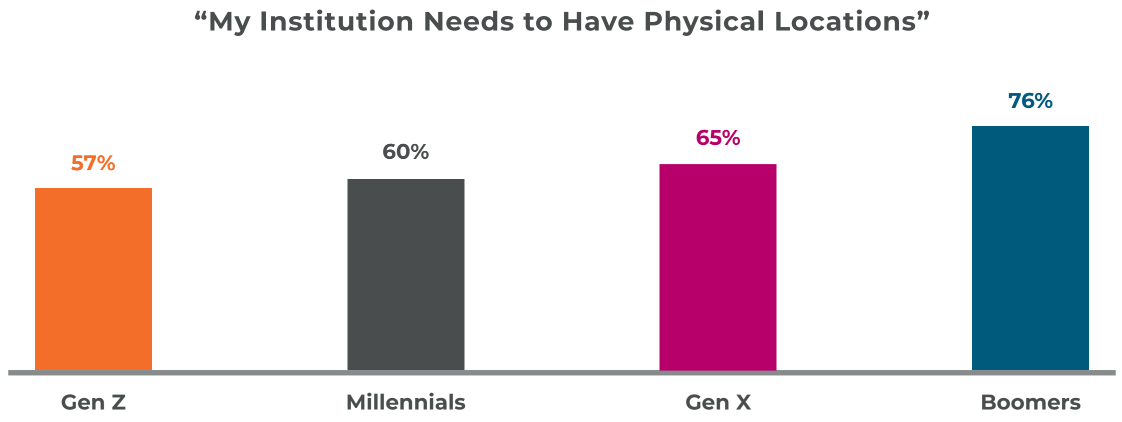

Figure 7: Need for Branches by Generation

Despite this sentiment, 45% of Gen Z and millennials do not remember the last time they went to a physical branch, compared with 25% of Gen X and boomers.

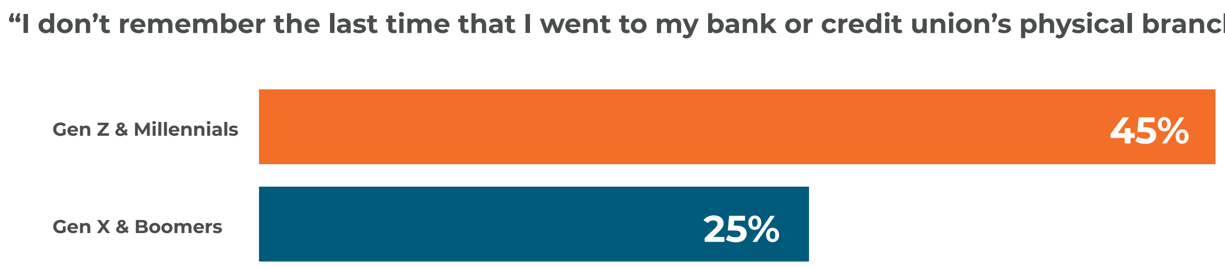

Figure 8: Last Branch Visit - Younger vs. Older Consumers

In addition, across generations, half of Americans would not change where they bank if their institution closed all its physical locations.

If your bank or credit union closed all of its physical branches tomorrow, how would you feel?

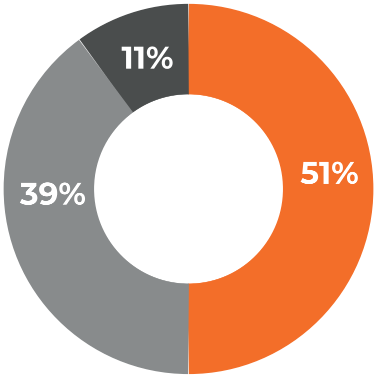

Figure 9:
Reaction to Branch Closures

50% of Americans

*would **not** change where they bank*

- I would find a new bank or credit union
- I would be annoyed, but it wouldn't impact where I bank
- I would not care at all

This physical location paradox has clear implications for traditional community banks and credit unions. While branches remain important, their value relative to digital channels is likely to decline as digital natives represent a greater share of the population.

Given this backdrop, here are the key steps that community and regional banks and credit unions can take to bolster their share of young adult account holders.

1. Provide a Modern, Highly Available Digital Experience

To appeal to Gen Z and millennials, it is essential to provide a highly intuitive online and mobile banking solution that gives these consumers the ease of use they've come to expect across their digital lives.

A majority of the youngest American consumers—including 80% of Gen Z and 81% of millennials—report that digital banking is at the core of their banking preferences. And modern digital banking technology is the most frequently cited factor they consider when choosing a financial institution, with 53% of Gen Z and 51% of millennials identifying it as a top need.

Choosing a highly available solution is also essential, as downtime can significantly impact customer and member churn. Younger consumers expect online and mobile banking solutions to be available around the clock. Currently, 51% of Gen Z and 58% of millennials are satisfied with the digital banking availability of their financial institution.

2. Deliver In-demand Features

Your institution must also ensure that your solution has the comprehensive feature set that younger consumers expect. Easy-to-use bill payment options and mobile check deposit are important across age groups and are an essential component of building loyalty. However, Gen Z and millennials use some features much more frequently than older Americans, including:

- **Making payments using peer-to-peer payment services like Zelle®**
- **Transferring funds between accounts**
- **Budgeting and expense tracking**
- **Monitoring credit scores**

To succeed with younger consumers, these features must be available and robust.

Frequency of Financial Tasks Performed Digitally

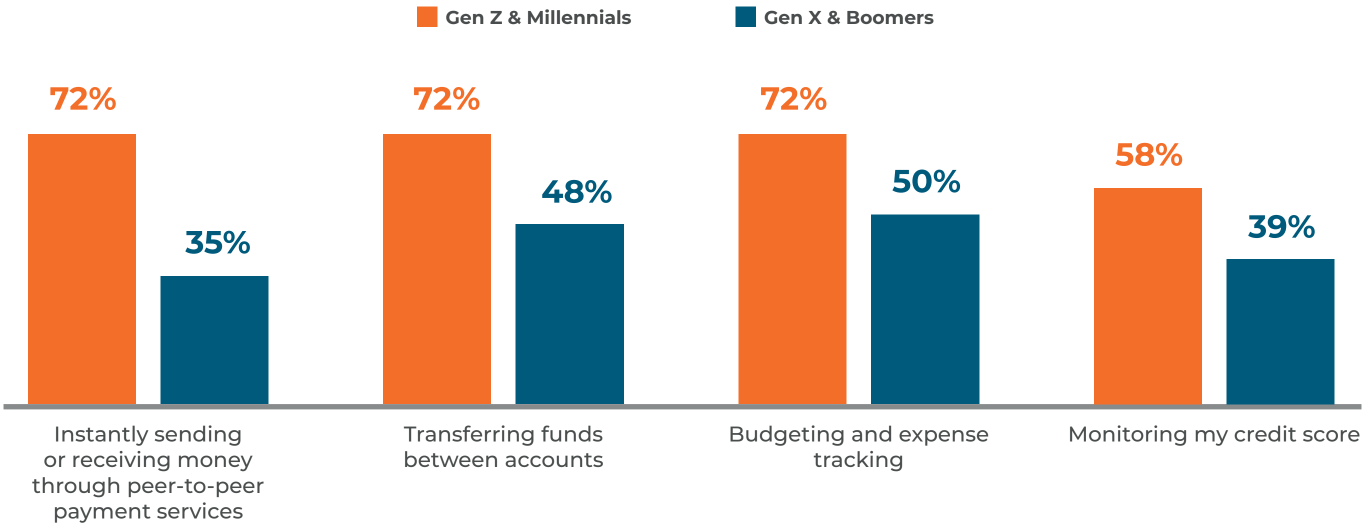

Figure 10: Digital Task Frequency - Younger vs. Older Consumers

For example, community institutions can appeal to younger consumers by going a step beyond simply providing access to account balances and credit scores. Instead, offer more comprehensive financial wellness tools, with capabilities like the following:

- **Allow account holders to track self-selected spending categories, set spending limits, set up alerts, and view spending breakdowns.**
- **Provide the ability to run simulations so customers and members can see the credit score impact of actions like paying off a loan or borrowing money.**
- **Enable account holders to link all their financial accounts, including those with other institutions, in one location for a consolidated financial snapshot.**

Gen Z and millennials are also more likely than older generations to want a digital solution that is integrated with digital wallets, as well as a solution that is compatible with wearable devices. Offering these capabilities will help capture a growing number of younger Americans.

Integration with Digital Wallets

25% of Gen Z
22% of Millennials
vs.
14% of Gen X
7% of Boomers

Compatibility with Wearable Devices

13% of Gen Z
7% of Millennials
vs.
3% of Gen X
1% of Boomers

Young adults have come to expect a highly personalized digital experience through their social media feeds or their Amazon shopping suggestions, and they expect the same when it comes to banking. A range of solutions is available today that empowers even the smallest community banks and credit unions to deliver a more personalized experience by using data to observe, get to know, and engage with account holders digitally:

- **Intuitive, no-code toolkits** can identify how consumers are using your institution's online or mobile banking solution and enable you to deliver in-channel guidance and tailored advertising messages to drive engagement.
- **Data and marketing tools** are also available that consolidate financial data from a wide range of sources—including the core, digital banking platform, and other partners and providers—and generate insights about defined audiences to support your institution's marketing efforts.

Take advantage of these tools to ensure you can provide the targeted messaging and personalized experience that appeals to younger consumers.

Providing outstanding customer service is also a must to attract and retain this group. Forty-three percent of Gen Z and millennials highlight exceptional customer service as a top factor when selecting a financial institution. Banks and credit unions that go beyond a traditional call center by providing a range of digital support options—such as chat, video, or messaging, as well as screen sharing with a support representative—will appeal to these consumers.

45%
of Americans
have experienced a security or privacy issue with their banking provider.

3. Demonstrate that Your Institution Is Highly Secure

Demonstrating that your institution can effectively protect consumers' financial information is essential to establishing trust with Gen Z and millennials. Forty-five percent of Americans report that they have experienced a security or privacy issue with their financial institution, with identity theft/fraud, data breaches, and phishing attempts topping the list of security and privacy issues they have experienced. This has led to a highly security-conscious population.

Gen Z and millennials are clear that they want a highly secure banking experience:

- 60% of Gen Z and 54% of millennials consider security a top factor when choosing a financial institution.
- 81% of Gen Z and 87% of millennials think their bank or credit union should invest more in cybersecurity.
- 83% of Gen Z and 86% of millennials expect their bank or credit union to use two-factor authentication.

Younger consumers are also likely to identify security concerns as a reason for having accounts with multiple institutions. More than a quarter of Gen Z and millennials say they spread funds across multiple accounts to mitigate risk from fraud.

Security is a top consideration when choosing an institution

60% of Gen Z

54% of Millennials

identify top-notch security as a top factor when choosing a financial institution

28% of Gen Z & Millennials

cite spreading funds across multiple accounts to mitigate risk from fraud as a key reason for holding accounts with multiple institutions

vs. 18% of Gen X & Boomers

4. Ensure Your Institution Is Discoverable Online

When pursuing Gen Z and millennial account holders, you must also ensure these customers are able to discover your bank or credit union where they are spending their time—online. A digital account opening option that enables consumers to open and fund an account within minutes is an imperative, yet many institutions still require a branch visit to establish a new account.

Compared to Gen X and boomers, younger consumers are more open to establishing an account digitally, without visiting a branch location. In fact, 41% of Gen Z and 38% of millennials consider this a top need when choosing a financial institution.

41% of Gen Z

38% of Millennials

consider digital account opening a top need when choosing an institution

Implementing an embedded banking strategy is another way to attract new Gen Z and millennial consumers online. This involves establishing partnerships with nonfinancial entities and incorporating specific financial services capabilities—such as opening an account or viewing account balances—into these partners' products or software. In doing so, you can gain exposure to new customers or members that may not otherwise be exposed to your brand.

For example, a bank or credit union could embed its digital account opening functionality into the student portal of a local community college. When students log in to the portal to register for classes or pay their fees, they can also open a new high-yield savings account. Once an account is established, the students can check their account balances from within the portal, without separately logging in to their checking or savings account, and can easily make tuition payments.

The approach offers students the benefit of convenience and efficiency, while the financial institution gains access to a new pool of potential account holders, without expanding its branch footprint. Consider how your institution can broaden its reach by embedding banking capabilities into other software that Gen Z and millennials in your target market use frequently.

5. Appeal to Younger Consumers with Next-Gen Technology Tools

2023 was the year that artificial intelligence took center stage as Large Language Models like ChatGPT became available, and extensive media coverage created broad awareness of potential AI use cases. Younger consumers are the most open to using AI-based tools. As new technology solutions come to market that can support your financial institution, consider taking advantage of these options to appeal to Gen Z and millennials.

Among newer technologies, Americans are most likely to envision using AI-powered financial assistants within the next five years—and more than a quarter of Gen Z and millennials can imagine using these assistants within one year.

Consumers also envision applications of augmented or virtual reality to support their banking activities. Almost 40% of Americans, for example, can imagine using this technology for financial education—such as interactive financial learning, including simulations and games using special glasses—in five years. And, 22% of Gen Z and 17% of millennials can imagine this use case within one year.

Likewise, younger consumers can envision using augmented or virtual reality for interactive banking experiences, meaning they would interact with financial information through immersive experiences, like viewing transactions in a virtual environment with special glasses. Twenty percent of Gen Z and 15% of millennials can imagine using this technology in one year.

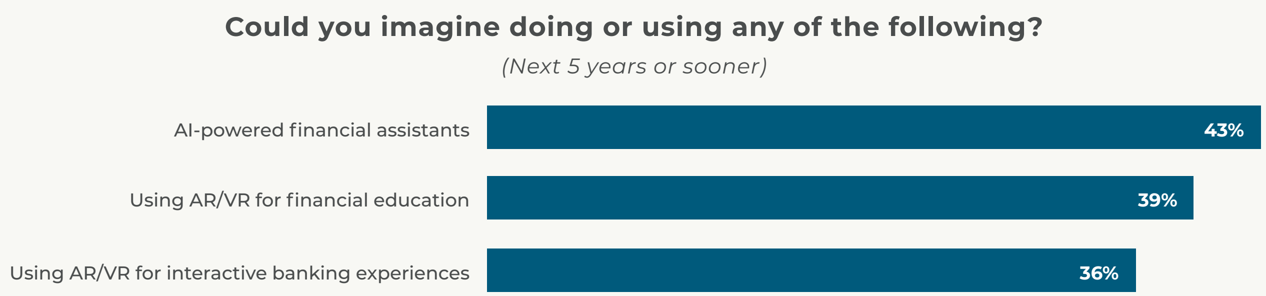

Figure 11: Consumer Perception of New Technologies in Next 5 Years or Sooner

Younger generations are more receptive to using newer banking technology than Gen X and boomers. Nearly 60% of Gen Z and millennials report a willingness to use newer technologies like AI-powered financial education tools and to allow AI to make budgeting, saving, and spending recommendations or to automatically allocate funds to savings based on spending patterns. Gen Z and millennials are also more receptive to interacting with AI-staffed customer support instead of real people. Take advantage of these tools when available to help your institution differentiate among younger adults.

Younger Generations Are More Receptive to Newer Banking Technology

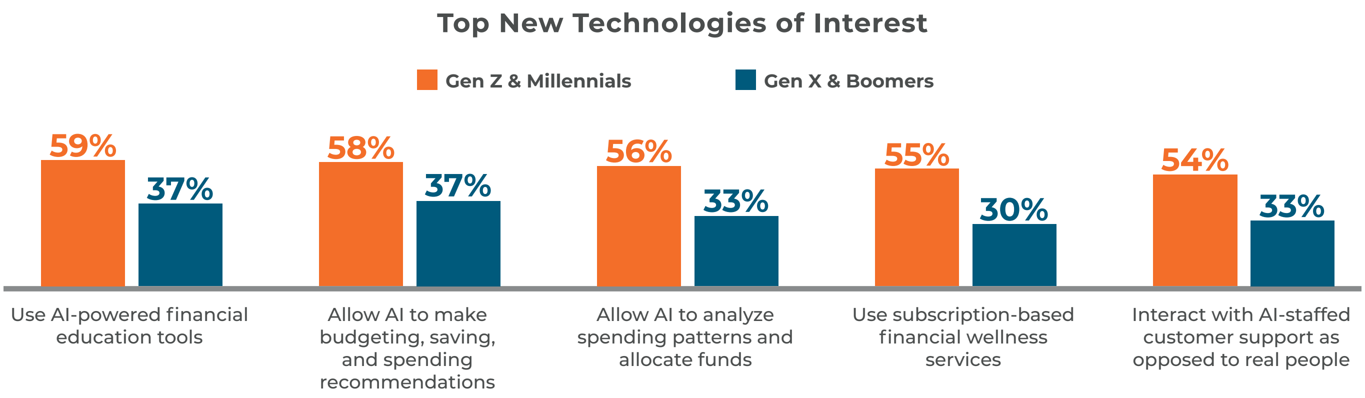

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Figure 12: Receptiveness to Using New Technologies - Younger vs. Older Consumers

A sizable portion of consumers—including 30% of Gen Z and 21% of millennials—do not have credit union accounts because they simply aren't aware that membership is an option for them. Credit unions must focus on building awareness with this segment.

Lack of CU Awareness Is an Issue for Youngest Consumers

30% of Gen Z

21% of Millennials

"I don't know any specific credit unions."

6. Share Your Institution's Values and Ethical Practices

Community banks and credit unions stand out among consumers for their commitment to ethical practices, with 56% of community bank and 53% of credit union customers reporting that they are satisfied with their primary institution's commitment to ethical practices.

Satisfaction with Primary Financial Provider

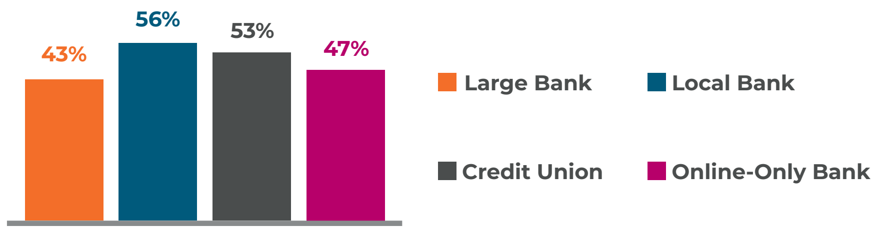

Figure 13: Commitment to Ethical Practices

Younger Americans are particularly interested in this topic. In fact, 28% of Gen Z would consider switching away from a large bank to a community bank or credit union due to ethical or moral alignment with the smaller institution's practices.

To attract and retain Gen Z and millennials, share information about your institution's practices, such as social responsibility and sustainability initiatives and policies, ethical investment practices, regulatory compliance, and confidentiality and data protection policies.

7. Make It Easy for Consumers to Switch

Once a Gen Z or millennial has an account with your bank or credit union, you must make it as easy as possible to move functions like bill payments, direct deposit, and subscription payments to your institution to secure the primary banking relationship.

Intuitive tools are now available that help consumers make these changes in a few simple steps, exclusively through a mobile banking app. By making this easy for consumers, particularly for Gen Z and millennials who have high expectations when it comes to a simplified banking experience, you can overcome a significant barrier to switching.

A Focus on Younger Generations Is Vital

Attracting and retaining Gen Z and millennials is essential for community and regional institutions to not only survive but to thrive in a competitive and rapidly evolving financial landscape. As the most digitally savvy Americans, these consumers demand modern, intuitive banking experiences. Offering in-demand features, ensuring a seamless digital account opening process, and maintaining high security and ethical standards are crucial strategies. Ensuring account holders can easily switch critical functions like bill payment and direct deposit will also help financial institutions secure a primary relationship. By focusing on this demographic, community banks and credit unions can ensure sustainable growth, foster long-term loyalty, and remain relevant as the market evolves.

About Apiture

Apiture delivers award-winning digital banking solutions to banks and credit unions throughout the U.S. Our flexible, highly configurable solutions meet a wide range of financial institutions' needs, from leveling the playing field with larger institutions to supporting growth through innovative data intelligence and embedded banking strategies. With our API-first approach, our clients can maximize the capabilities of their platform while preserving a seamless user experience. Our exclusive focus on digital banking, and a team with hundreds of years of collective experience working at U.S. financial institutions, means we're dedicated to meeting the unique needs of our clients while providing a level of support that's unmatched in the industry. Apiture is headquartered in Wilmington, North Carolina, with offices in Austin, Texas.

To learn more, visit www.apiture.com