# Digital Solutions for the Millennial Profitability Problem

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Millennials are the largest generation in history, surpassing even Baby Boomers at more than 75 million members. Banks typically target this enormous group as two distinct populations: younger Millennials (18-24) and older Millennials (25-34). Four common characteristics of these two groups challenge banks as they try to profitably serve the Millennial generation: high use of digital channels, high use of traditional channels, low use of credit, and low loyalty. Most institutions have invested millions of dollars in mobile channel upgrades to better meet the needs of 45% of Millennials who prefer to manage their accounts through a mobile device.

In targeting older Millennials' more traditional product needs and services, though, many banks have copied what resonated with Boomers and Gen Xers in the online channel and delivered it virtually unchanged to mobile devices.

This lack of mobile optimization has resulted in disconnected digital experiences that frustrate Millennial customers, whose expectations have been raised by app-driven economy stars like Venmo, Uber, and Airbnb. Product sales and servicing interactions that should be seamlessly handled through digital channels often fail to connect customers with appropriate answers. Millennials are too often forced offline to complete applications, get simple questions answered, or understand what services their bank offers. Banks must triage these digital experience gaps and better connect existing sales and marketing resources with their mobile apps and sites to offer clearly the personalized insight, advice, and product solutions that Millennials are missing today.

**Key questions disussed in this report:**

- What makes Millennials a profitability challenge for banks?
- What are the key attributes of and misconceptions regarding the Millennial generation?
- Why is a single, uniform approach to targeting Millennials ineffective?
- What can traditional financial services providers learn from nonbanks' approach?
- How do Millennials' banking habits and preferences differ from those of other generations?
- How can banks earn the loyalty of younger Millennials?
- What gaps in digital banking today continue to steer Millennials to offline channels?

**Companies mentioned:** Airbnb, Bank of America, Capital One, Chase Bank, Circle, clearXchange, Credit Karma, Facebook, Google, Lyft, Mint, Moven, PayPal, Simple, Square Cash, TaskRabbit, TD Bank, Uber, Venmo, Wells Fargo, Zelle

The consumer data in this report is based on information collected from several Javelin surveys that targeted populations representative of the overall U.S. population in proportions of gender, age, and income:

- A random-sample panel of 3,182 respondents collected online during July-August 2016. The overall margin of sampling error is +1.74 percentage points at the 95% confidence level.
- A random-sample panel of 10,639 respondents collected online in May 2016. The overall margin of error is +0.95 percentage points at the 95% confidence level.
- A random-sample panel of 3,195 consumers with mobile phones or smartphones from June to July 2015. The overall margin of sampling error is +1.73 percentage points at the 95% confidence level.

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