



ABA BankersNews

Article Reprint

July 31, 2007 Volume 15, Issue 16
[Feature Story]

Generation Y The Challenge Is Gaining Their Trust

By Patrick Dalton

First of two parts

Known as Generation Y, the 70 million young people who represent the future of banking are self-confident, optimistic and techno-savvy. But gaining their trust will be a monumental challenge.

Born between 1982 and 1997 -- depending on which demographer you're using -- Gen Y is a leery group whose outlook has been shaped by corporate scandals, political malfeasance, a 50 percent divorce rate and the tragedies of Columbine and 9/11. "They're a generation that doesn't trust, so the notion of a bank saying 'Trust me' carries no weight," says Rich Weissman, president and CEO, DMA Corp., Portland, Ore.

"Their experience is one in which the world is not trusting -- from home life with their folks getting divorced, to school because kids get shot, to the world at large because there's a 9/11, to corporate America because [CEOs] wind up in jail, to politicians because they wind up in scandal," Weissman explains. Their attitude is: "I'm going to evaluate things for myself. I don't trust what people say."

That lack of trust carries over into branding.

"Baby boomers were heavily influenced by what I call the 'Martha Stewart-ization' of America," he says. "Things had to be of the highest quality ... and the brand dominated in terms of how we went about purchasing. We define ourselves by the brand that we purchase and the brand that we wear and own."

(Weissman will speak at the ABA Marketing Conference, Sept. 16-18 in Baltimore. For more information, call 1-800-BANKERS.)

That's not true necessarily of Gen Y, Weissman says. Take the boxy Toyota Scion, for example.

"Baby boomers don't buy that car; Gen Y does. And it's not because it's cheaper. You can buy a Toyota Corolla or other cars of that ilk for the same price [as a Scion]," he says.

"When we look at Gen Y's purchasing behavior, compared to Gen X and the baby boomers, we see that it's not about pricing," Weissman says. "It isn't that they're buying cheap versus expensive, or downscale versus upscale. Again, a Toyota Corolla is priced the same as a Scion, and they're both made by Toyota. But there's something about that [Scion] product that is different in how it's been marketed and the values behind it that make Gen Yers different from other cohorts."

Other examples include Old Navy clothing, which has a feel that differs from that of Gap clothing, and West Elm home furnishings and accessories.

"[West Elm] deals exclusively with the Gen Y group," he says. "Again, it's not because it's necessarily cheaper, but it has those kinds of values that appeal to them."

Some other Gen Y characteristics are:

- **They're the most educated generation in U.S. history.** "Almost 65 percent of them go to college after graduating from high school. That is an extraordinary number," Weissman says. "America has never had numbers like that. And of those going to college, 85 percent attend full time."
- **Technology is central to their everyday living.** "The computer, the cell phone, instant-messaging -- their communications are more along the lines of electronic communications than even the telephone," he says. "They spend more hours instant-messaging and text-messaging than they do talking."
- **They have a feeling of entitlement.** That's because "they grew up in a very healthy economy," Weissman says.
- **They embrace multiculturalism.** "They're much more tolerant. They're into multiculturalism," he says. "They're much more internationalists, and they see the world in a much bigger perspective than the generations before them."
- **They network socially in a variety of ways.** "Things like MySpace, Facebook -- that's how they network," he explains. "They think outside of the immediate group that they see day to day. They're much more involved in media -- interactive media. Look at 'American Idol,' reality TV. It's remarkable when you look at what Gen Y watches on TV. Very little of it is pre-prepared. Most of it is reality stuff. It's at the moment, it's real people."
- **They've learned about debt at an early age.** "Because of the cost of college today, many of them are ... walking away with their bachelor's degree and a huge debt on their shoulders," Weissman says.

He points out that from a financial viewpoint, Gen Yers have easy access to credit and are heavily solicited for credit cards and similar financial products. But research shows that they don't really understand banking services.

"[Financial education] hasn't been a part of their education, and a true understanding of debt and investment, how you create wealth and get yourself out of debt is not something they have readily available," Weissman says. "They haven't learned it. Their parents didn't teach it to them. They didn't learn it in the high schools. When they were in college, that was not part of the curriculum. There was one study that shows only a quarter of them understand how credit card interest works. What does it mean if you pay only the minimum? What's a fee?"

The younger members of Gen Y also are naive about their earning expectations, he says. A Charles Schwab national survey of teenagers, ages 13 to 18, found that, on average, they believe they'll be making more \$140,000 a year in the future. They think that is how they'll pay off the debt they accumulate during college.

Weissman points to another study that found that only 14 percent of Gen Yers know how income tax works.

"Although they are highly educated generally, they are coming out of college with debt, confused about how financial services operate, and have these expectations about what they will earn that are out of proportion with what the real world has to offer," he says.

While educating them will be a challenge for financial institutions, most Gen Yers establish relationships with banks while they are in college. For example, one study shows that almost 70 percent of all college graduates already have a checking account.

"They already have some of the basics. But they just don't understand them, and their expectations are unreasonable, so we have to help them," Weissman says. "Financial education is key, and we must do it with absolute honesty. They can sniff dishonesty a mile away."

Next: Marketing to Generation Y.