

Starting A Union With Gen Z

HOW CREDIT UNIONS CAN APPEAL TO GEN Z

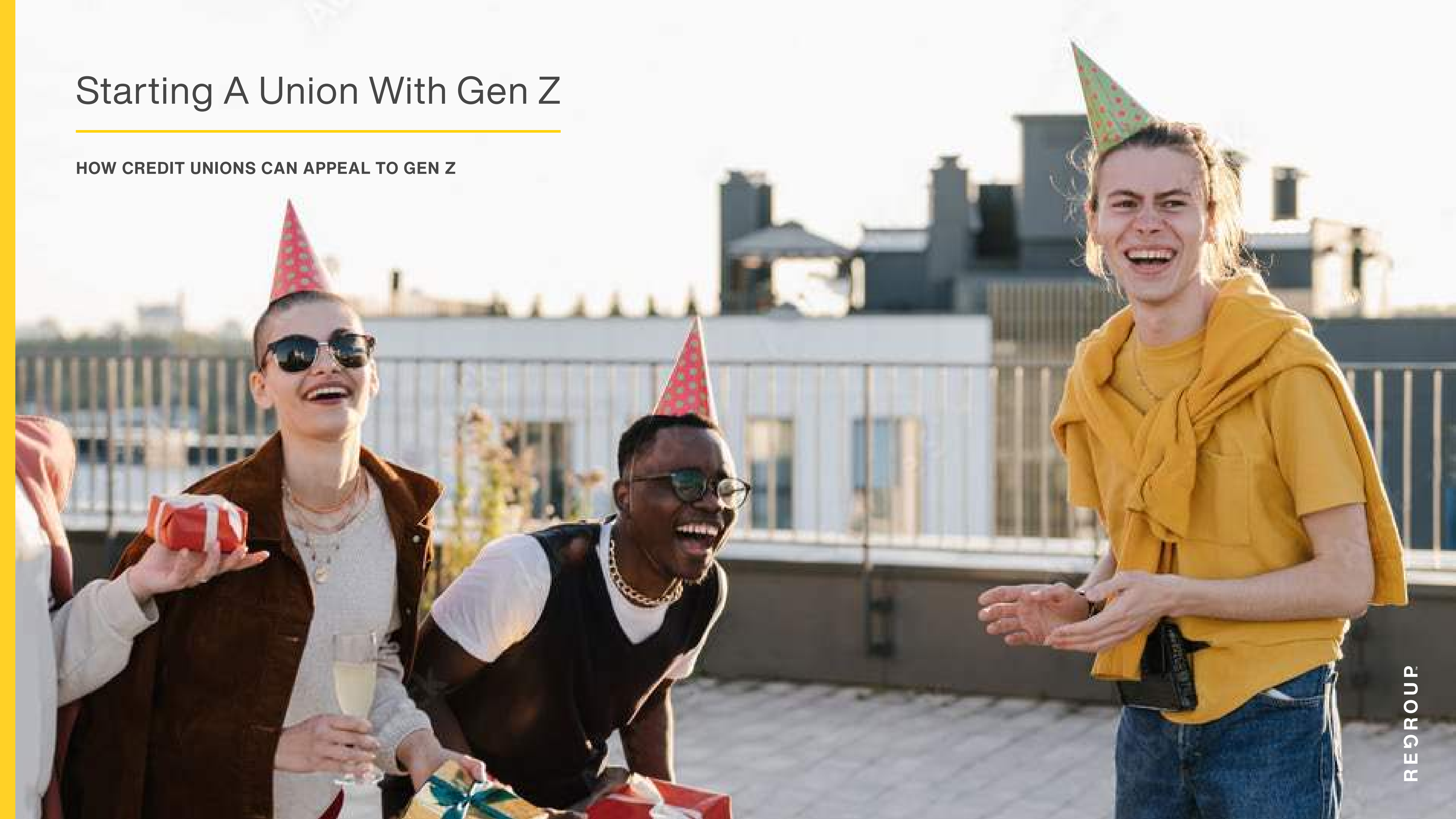


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An Introduction To Gen Z

In 2022, young adults hail from two different generations. The 25-35 crowd is made up of “Young Millennials,” while 18- to 24-year-olds make up “Older Gen Z.”

Gen Z current spending power is already \$143 billion. By 2034, Gen Zs will be the largest generation of consumer spenders ever in the U.S. at 78 million people.

As the young adults of now, with such anticipated future spending, every financial institution wants to win over Gen Z. So, what should Credit Unions know about appealing to Gen Z? This whitepaper will explore:

- **The Many Financial Relationships Of Gen Z**
- **What Traditional Bank Users Think Of Credit Unions**
- **What Gen Z Expects From Financial Institutions**
- **Gen Z Post Pandemic**
- **How To Be Heard By Gen Z**

To answer these questions, REGROUP conducted focus groups in November '21. Participants were older Gen Zs and younger Millennials between 19 and 35 years old.

Here are our findings, which shed light on what young adults of today actually expect in a financial relationship.



79%*

of Gen Zs and 75% of Millennials use a person-to-person app once a month.

47%*

of Gen Zs use a digital wallet 1 to 5 times a month.

Source: [*\(Billtrust.com\)](https://www.billtrust.com)

The Many Financial Relationships Of Gen Z

This generation uses a combination of financial solutions from traditional banks and CUs to online-only banks and pay apps. Gen Zs add FIs only if the FI benefits them. So what does benefiting Gen Z look like? Some benefits mentioned were paychecks released 2 days early or a 24-hour grace period for overdrafts.

Some of our participants already used Credit Unions for their lower auto loans, discounts on insurance, help restoring their credit or ease of getting a personal loan. If it benefits them, they will add it.

This generation banks from their smart phones. It's important that their FIs facilitate banking with digital wallets (Apple Pay, PayPal, Google Pay) or person-to-person (P2P) apps.

Our focus groups reflected this with the majority using P2P apps and digital wallets. Popular wallets and apps were Venmo, PayPal, Apple Pay, and Zelle.

IMPLICATIONS

Do not assume that a Gen Z will switch their banking to a CU. It is more likely they will add a CU to their tool box of FIs if the CU benefits them.



“I send my rent through Venmo. Everyone has Venmo. It’s easier and goes right to my bank account. I have never had an issue with Venmo.”

What Traditional Bank Users Think Of Credit Unions

A number of our audience banked with traditional banks and were satisfied with them for their service, technology and low fees.

Traditional bank users have heard CUs offer friendly service, better rates, and low fees. However, they think CUs are small community banks without the services, branches, ATM networks, hours, and mobile app functionality of big banks. These are the “CU myths” that are important to overcome.

For these participants, the benefits of CUs were not enough to switch from their traditional bank to a CU. We also learned that the non-CU users in our group were unsure about how to join a CU or how CUs differed from banks.

IMPLICATIONS

Take advantage of the opportunity to educate Gen Zs about CUs and dispel the myths. CU myths include confusion about size, financial expertise, digital banking technology, membership, and limited ATM networks.

More education about benefits of a non-profit, member-owned CU is needed to change these misperceptions. Your website home page and Q&As can help educate potential members. Social media posts that dispel the myths should also be used to reach this audience.



“Credit Unions are small-town, community-type institutions. They don’t have the reach of larger banks.”

What Gen Zs Expect

CONVENIENCE

Traditional bank & CU users want branches within proximity to home or work. Busy Gen Zs like online-only banks for 24/7 banking and customer service.

Our group liked the convenience and personal service of visiting a physical branch, even though they conduct most banking online or on mobile apps. They want their FI to have both online and physical banking options.

Online-only users (Chime and Ally were mentioned) did not have time to visit a branch due to long work hours or children at home. With their online-only bank, they can conduct 24/7 banking including with a real person. They consider this a major benefit.

IMPLICATIONS

Gen Zs have come to expect that they can get help whenever they need it. CU's would be wise to investigate their options for extending access. Weekend and longer weekday branch hours, extended call center hours and/or an online chat function could help to address this issue. In addition, through the CO-OP shared banking network, CU's could let their members know about other branches in the area that their members could visit for extended hours.



“One of the biggest things is their mobile app. How friendly is it? How easy to use?”



What Gen Zs Expect

ACCESS TO ATMs

There is a perception among both traditional and CU members that CUs offer limited access to ATMs. Importantly, even CU members didn't realize that their CU is part of a large ATM network that doesn't charge extra fees.

IMPLICATIONS

To appeal to this generation you need to meet them where they are with the digital tools, after-hours access (even if virtual), and large ATM networks.

Most CUs have the resources to meet Gen Z's needs, but Gen Z doesn't know about them. We need to educate non-members and remind members of:

- The CO-OP ATM network – an ATM network that's larger than almost any bank's
- The Locator API – helps members easily locate an ATM near them
- Overdraft protection programs



What Gen Zs Expect

MINIMAL COSTS

Gen Zs tend to be very practical with their money and look for FIs to help them save money and spend less. CU members and traditional bank users acknowledged that CUs are known for offering lower rates and fees.

CU users were proud of the fact that their CU was approachable and was flexible in helping them get better rates and lower fees. Some traditional bank users said they would consider a CU the next time they needed a loan.

2-day early payday feature, 24 hour grace period and cash promotions are enticing, and incentives can be the benefit that attracts Gen Zs to a FI. Remember that benefits are very important to this crowd.

Participants were especially irritated by penalty fees for withdrawing money outside their bank's ATM network and overdraft fees.

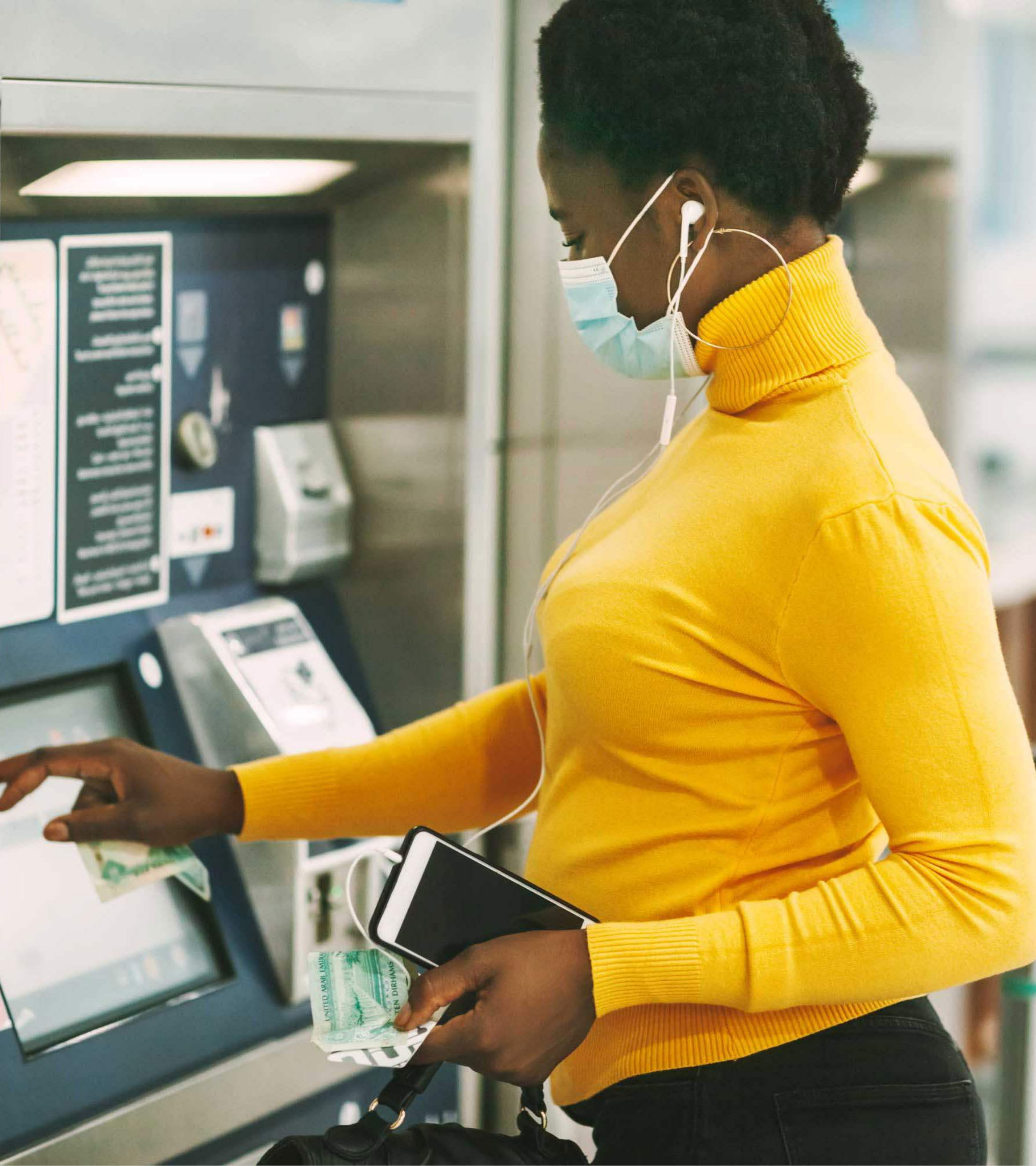
IMPLICATIONS

You need to translate the benefits into WIIFM (What's in it for me?). If you want Gen Zs attention, you need to focus on how your service will personally benefit them or WIIFM (what's in it for me). They need to know not just about rates, services, etc., but how these CU benefits help them solve a particular need.



“Chime gave me money to join and the main benefit is they allowed me to get paid two days earlier.”





Gen Z Post Pandemic

Gen Zs were hit harder than any other generation in the workforce during COVID-19. Many lost their jobs and their education plans were upended. As life begins to return to normal, this generation is ready to get back to their lives and go forward with their plans.

Gen Zs are practical about money. They seem to be focused on saving and spending their money wisely. One Bank of America report found that 52% of Gen Zs say they already plan to own a house by age 30.

IMPLICATIONS

Focus on life-stage advice and solutions. CUs have the tools to aid Gen Z life-stage events. CUs' commitment to financial education, lower loan rates and easier personal loans makes them perfect for young adults. CU marketing should emphasize this.

How To Be Heard By Gen Z

DO NOT PANDER TO THEM

This age group is accustomed to receiving a wide array of communications and can spot a disingenuous message a mile away.

PURPOSE-DRIVEN MESSAGES MAY NOT INFLUENCE THEIR DECISIONS

A study by Mark Beal from Rutgers University indicated that 91% of Gen Zs ages 13-24 across the U.S. said they will research a company or brand to ensure they operate in a purposeful way before buying their product.

One would assume Gen Zs would favor CUs because they are non-profits and committed to giving back to the communities they serve. Our participants did say it was “nice” that CUs were nonprofit and member driven. However, this wasn’t enough to influence their decision when choosing a FI.

THEY IDENTIFY BEST WITH PEOPLE AND SITUATIONS RELEVANT TO THEIR OWN

While presenting different creative ideas to our focus group, we discovered that Gen Z wants to see people like them in advertising. They like seeing people who represent them in relatable situations to their own lives.



“In deciding where I am going to bank, I don’t need emotions, I need good rates and customer service.”





Summary

If you want Gen Zs to consider your CU, communications should be direct, relevant, and benefit them personally. Based on our research, Gen Zs don't want to be pandered to. They do want information that is straightforward, inclusive, and relevant to their own situations.

While Gen Zs care about important issues in the world, if you want them to consider your product or service, it will still need to benefit them directly.

At the end of the day, to appeal to young adults, CUs will need to focus on what Gen Zs actually care about: what benefits them. This audience is responsible with their money so CUs have many benefits they can bring to Gen Z's table.

Currently these benefits aren't widely known. Going forward, the benefits of joining a CU need to be promoted to educate the Gen Z audience.

About REGROUP

**WE ARE A FULL SERVICE, INDEPENDENT, WOMAN-OWNED
BRAND TRANSFORMATION AGENCY IN MICHIGAN**

REGROUP helps brands solve complex customer experience challenges through deep research and innovative marketing strategy. Our teams collaborate to realign systems, processes and brand experiences around a unified and well-defined purpose.

We have worked with credit unions for many years, helping them increase membership, grow wallet share and deliver on their brand promises. From brand development to integrated media campaign execution, REGROUP is the perfect partner to help your credit union's marketing efforts.

Are you ready to REGROUP?

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