STATE OF THE INDUSTRY:

FINANCE

evok advertising

Though the following State of the Industry Report is updated annually, at evok, we felt it was vital to include an additional update in the wake of the COVID-19 crisis and how it is affecting the financial industry.

COVID-19 Impact on the Financial Industry

INTRODUCTION

The beginning of 2020 started strong with unemployment rates at 3.6%, interest rates low and mortgage refinancing soaring due to competitive lending rates. Once the pandemic struck the United States, everything changed. In a relatively short period of time, the global spread of COVID-19, or Coronavirus, impacted nearly every sector and business within it, and the financial industry was not immune. With direction from government officials to Americans to take shelter in efforts to flatten the curve, financial institutions must adapt and find innovative ways to effectively communicate with their members and customers through the stay-at-home/ social distancing period.

On March 26th, The Morning Consult released an updated U.S. Index of Consumer Sentiment—a combined measurement of how people view their own financial situation along with how they view the economy in general—score of 89.19, a record low.

Noah Smith, a Bloomberg Economics writer, predicted on March 17th in the New York Times that *"COVID-19 will cause a recession deeper and more severe than the Great Recession."*

The following section of the State of the Industry Report covers developments on the pandemic in relation to the financial industry, what you can continue to do to ease the mind of members and customers alike, and how to overcome these unprecedented challenges. Additional information will be updated periodically at evokfinancialmarketing.com and via our monthly newsletter—we encourage you as a brand marketer to sign up—we respect your privacy.

DEVELOPMENTS AND OPPORTUNITIES

Government Relief Programs and Community Support

When the Paycheck Protection Program (PPP) for small businesses passed through Congress, most financial institutions were busy immersing themselves learning about the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Some institutions began building landing pages with new messaging and online applications in an attempt to become a preferred Small Business Administrator (SBA) lender. Others began a series of communication efforts with current business customers and members to help prepare them to submit an application—small businesses was biting at the bit.

In a 2016 study, researchers at JPMorgan Chase Institute found that the median small business had a cash balance that would last just 27 days; the median retailer had a cash buffer that would last 19 days; the median restaurant would last 16 days.

In a 2018 survey, 21% of small businesses said they would fail after a month without any cash flow—an additional 34% said they couldn't last more than one to three months.

Information was coming from Congress slow, and some lenders felt from the SBA even slower. At the time of this publishing, the SBA has released multiple rounds of clarifications on loan structure and forgiveness requirements, and borrowers are still in the dark, gathering information from the SBA website and interpretations from financial institutions, Chambers of Commerce, outsourced payroll/human sesource providers and accountants alike—information is murky.

Dianne Owen, Executive Vice President Marketing of FAIRWINDS Credit Union shared, *"We decided that we were capping off the SBA loans at $50 million dollars, and on our first day we far exceeded that number and reevaluated our cap to continue to assist our members and support the community."* The credit union stressed that accurate information was the key to getting funded faster, as well as identifying a plan to keep detailed records on how the funds are spent. The program was so well needed that a second wave of small business loans were funded and available to some businesses who did not receive funding the first time around.

As the "new normal" is established across the United States, communications with your customers and members regarding financial relief options is crucial. Many banks and credit unions have offered additional relief programs like skip-a-pay without affecting your credit and interest-free personal loans. This helps build member confidence in your institutions, strengthening your relationship in a time of need.

Communication and Management

While the virus outbreak has limited face-to-face interactions, it's times like these that test the strength of your relationships with customers, and how you will maintain their trust through digital efforts. Informing and educating customers with timely updates on how you're handling the situation and how they can access your services remotely is crucial. This is an opportunity to encourage consumers to utilize your online banking features, mobile app and ATM locations—a strong digital infrastructure, accessible to customers and members is essential and what will ultimately be a factor in creating a divide between institutions.

Communication goes beyond just staying in touch with your customers during the pandemic—remember to coordinate with your branches regularly to keep everyone apprised on the latest developments. Communication across your crisis communication team, branch managers and regulators can help keep your bank or credit union in harmony across all locations.

Consumers have positive attitudes toward brand communication during the COVID-19 pandemic overall with 43% of consumers stating that it's reassuring to hear from brands they know and trust, and only 15% saying they do not want to hear from brands at this time.

Embracing and Advancing Technology

With widespread branch closings and adjusted operating hours across the country limiting in-person transactions for customers and members who were once dependent on branch visits, the need for more robust digital banking platforms is crucial for financial institutions. While the increased use of online and mobile banking features may be challenging your infrastructure, the lessons learned during this time could be an opportunity for banks and credit unions to reevaluate their digital offerings.

To remain competitive in today's landscape and beyond, we will begin to see more financial institutions embracing the use of data and AI systems to drive marketing strategies with a particular focus on digital products and services. We will witness what telehealth and virtual doctor visits have done for the healthcare industry now emerge in the financial sector as a difference maker, with video/chat banking and remote advising taking prominence, while pushing compliance limitations and guidelines. In uncertain times, innovation inspires engagement and, ultimately, loyalty.

The Role of Trusted Advisor

Due to financial uncertainty for many caused by the loss of employment or unforeseen emergency expenses, the need for advice or account services will increase as more consumers seek navigation through uncharted waters when COVID-19 recedes.

While online lending site Better.com saw 27,000 mortgage refinance applications in the first 18 days of March (compared with 18,000 in February and 4,500 in March a year ago), millions of consumers may be unable to make payments on home loans in the weeks/months to come.

Financial institutions that get ahead of this trend and truly offer their members and customers sage advice and providing sound programs to protect their homes and financial future will benefit by establishing and strengthening a "trusted advisor" reputation in the marketplace.

Executive Summary

In an industry with more than 11,000 U.S. financial institutions and new payment technology products continually entering the market, the banking space has become increasingly crowded and highly competitive. Traditional banks and credit unions must push the envelope to stay in, or ahead of, the game. With the outbreak of COVID-19, institutions must also make sure the customer's journey is seamless for online banking as digital banking platforms continue to grow out of necessity.

In 2019, total venture capital funding for private U.S. fintech (financial technologies) reached $18 billion and we expect this trend to continue. Though large national banks like JPMorgan Chase, Citigroup and Wells Fargo continue to be popular among businesses and U.S. consumers, fintech and digital companies such as Chime and Ripple are aggressively capturing market share. These business models are attractive among digitally minded Millennials and Gen Zers, making now the time for traditional institutions to transform themselves from "big bank" to more modern, consumer-centric businesses with a focus on digital and mobile.

Technological advances also bring with them cybersecurity risks and the chance of accounts and credit cards being compromised. Though consumers are aware of potential risks involved, most place a high level of trust in banks, so financial institutions must be proactive about integrating authentication processes and blockchain banking into their business models.

Updated annually, this state of the industry report covers areas of focus inclusive of trends, opportunities and more. Based on these findings, this report also includes our predictions for emerging opportunities, and what we at evok envision is next for the industry and our clients thriving in the space.

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TECHNOLOGY IN THE INDUSTRY

Technology in the Industry

INTRODUCTION

The financial technology, blockchain and crypto spaces have undergone a radical transformation and evolution in recent years. There were new alliances formed, acquisitions—such as Visa acquiring Plaid for $5.3 billion—and financial institutions like HSBC and JPMorgan announcing new developments. Though some large companies have the resources to implement innovative technology and new ideas, many are being surpassed by fintechs and start-ups whose sole purpose is to provide sophisticated tech-based financial services to modern consumers. To remain relevant to digital-minded consumers and to compete within the marketplace, traditional financial institutions must lead with banking technology rather than simply adapting.

SITUATIONAL OVERVIEW

65% OF BANKS AND 76% OF CREDIT UNIONS

said fintech partnerships will be important to their business strategies in 2020

Banks that use blockchain could

REDUCE INFRASTRUCTURE COSTS UP TO 30%

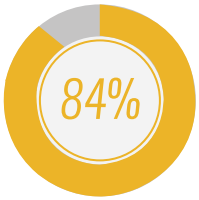
AI expected grow into a

$126 BILLION INDUSTRY BY 2025

OVER 44 MILLION

people use blockchain technology

84% *of C-level executives believe it is important to leverage AI as a component of strategic planning*



of companies say AI allows for competitive advantage

OPPORTUNITIES

Blockchain and Banking

Enabling perks including expediting process payments, reducing the cost of transaction processes, and creating new products and services that could spark alternate revenue streams, blockchain technology has the power to revolutionize the entire financial industry. Blockchain has already fueled billion-dollar cryptocurrency projects, most notably Bitcoin, and will continue to reshape the way consumers and bankers think about money.

What exactly is blockchain? To put it simply, it is a technology relying on a global network whose participants jointly manage a shared database while transactions are securely recorded on a public digital ledger. Blockchain is said to be tamperproof due to its decentralization, cryptography and consensus protocol. To access the data, a person would need to hack every computer involved in the chain. This high level of safety and security is crucial when exchanging data, information and money.

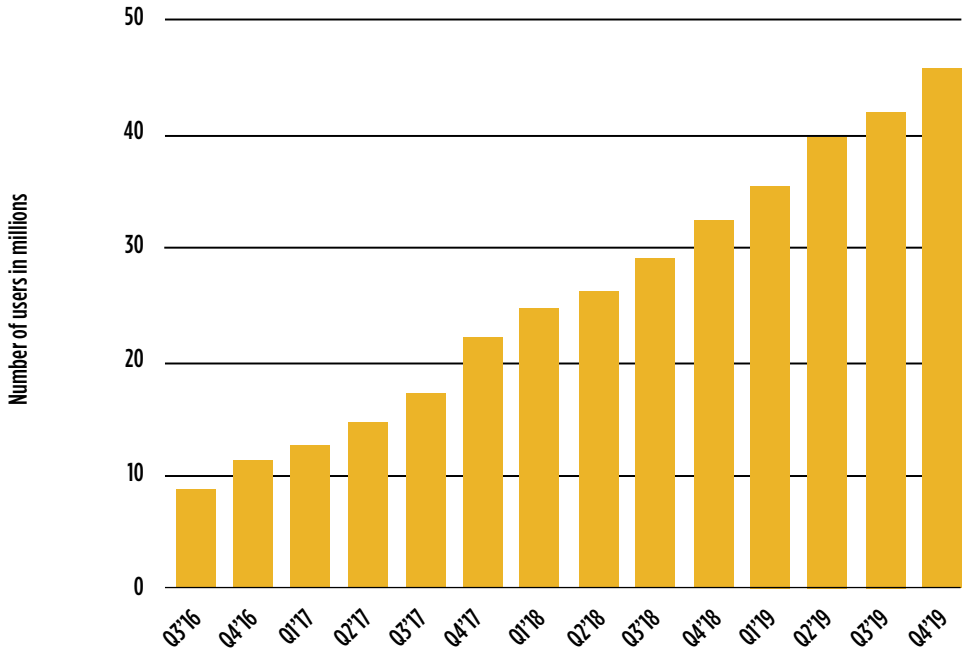
Though blockchain is often used synonymously with Bitcoin, not all blockchains are cryptocurrencies. Digital marketing companies for instance have already started using blockchain technology to increase transparency, provide better data and improve privacy, among other things. Advertisers in turn are able to acquire loyal consumers at a lower cost to their clients.

Studies routinely show that as long as you ask permission at the onset, users are more willing to share personal information—especially if there's a reward in return.

There are a number of ways that blockchain directly affects the way advertisers market to consumers. To start, blockchain ledgers are transparent—more so than traditional search engine networks—which could enable advertisers to better target a client's consumer base and build more trust with both clients and consumers.

As consumer privacy concerns get resolved, advertiser trust will further increase. This is because blockchain allows users to decide how much personal information they want to reveal. Studies routinely show that as long as you ask permission at the onset, users are more willing to share personal information—especially if there's a reward in return.

With the increased use of blockchain, the fraud verification industry will see rapid growth. Online advertising is complicated in regard to ensuring media is bought and delivered as intended, but blockchain makes this process more transparent. Fraud verification companies will be crucial in using blockchain to help evaluate how advertisers could stop hackers and bots from stealing advertising money from brands. Blockchain will also help advertisers in verifying who, how and where ads will run.



The graph above depicts the number of blockchain wallet users from 3rd quarter 2016 to 4th quarter 2019. As you can see, the user growth is consistently increasing, reaching more than 44 million in 2019. That is more than a 40% growth in one year and it shows no signs of stopping.

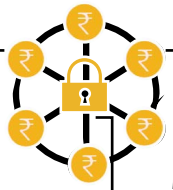
BLOCKCHAIN & BANKING

Developed as a tracking database in 2009, blockchain is now drawing interest from established players in the banking industry. Here's what you need to know about this potentially disruptive technology:

What is Blockchain?

Blockchain is basically a distributed and shared database of transactions that facilitates exchange of value. It's like a giant global spreadsheet which eliminates the need for third parties to validate transactions, reducing intermediary fees and increasing transparency.

Key Benefits?



DECENTRALIZATION

No single entity holds control over the system. All members of the blockchain are equally responsible for enforcing and approving all the transactions.

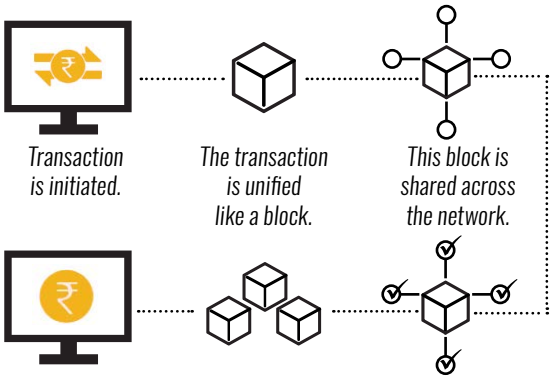
TRUST

All transactions are recorded transparently on a distributed ledger, hence the trust levels among stakeholders are high.

SECURITY

Every transaction in a blockchain is verified by all the members of the network which restricts manipulations and improves security.

How Does it Work?



Integration of Artificial Intelligence

Artificial intelligence (AI) is prevalent in our daily lives. At a basic level, AI refers to machines that take on tasks and activities that once required human input and intelligence. Virtual assistants, robots and chatbots are carrying out intellectual tasks once thought possible only by living, breathing humans.

AI has already impacted the financial industry and banks are actively seeking new means of creative AI implementation. Institutions now have access to large amounts of consumer data that includes detailed demographics, website analytics and records of both online and offline transactions. It is now a question of how AI can help make use of that information.

One way is by empowering financial industry advertising. AI enables advertisers to observe consumer habits and draw conclusions faster. Many advertising platforms including Google and Facebook offer "similar targeting" or "lookalike" audiences that allow advertisers to serve ads to people who have similar characteristics to your ideal customer or credit union member. Consumer patterns can be identified and, sometimes, inform advertisers how likely it is that a campaign will fail or succeed. This could mean saying goodbye to some of the traditional marketing techniques like A–B testing, higher performing digital campaigns and less creative revisions overall. That, in turn, can translate into less human hours involved in campaign creation. AI also enables advertisers to observe consumer habits and draw conclusions faster.

Financial Technology in the 21st Century

Fintech has become an industry game changer, helping businesses grow and giving millions of users instant access to their funds. As financial institutions, organizations and government entities continue to make improvements to their technology and customer experiences, fintech remains key to an organization's success.

Mobile technology is one of the most promising forms of fintech as it offers payment companies a means of acting more like banks and consumers optimal convenience. Payment systems such as Venmo, Cash App and Zelle threaten traditional banks by cutting out the middleman.

Credit unions and banks will also benefit consumers by implementing online chat or similar digital interactions for common inquiries and services that can be handled by members. For those who require additional assistance, institutions should connect self-service tools with customer service centers for a seamless transition from the online interface to an employee. If the consumers' needs move to requiring speaking to a representative, the information that has already been provided should be available to the contact center, so they do not have to repeat themselves and risk growing frustrated.

Even before COVID-19 spread across the United States, digital account opening was becoming more of the norm for many consumers. Forbes stated that it was the most popular technology for the third year in a row with a third of banks and credit unions expected to upgrade their systems in 2020. Credit unions and banks owe it to users to have a safe, quick and seamless process. Instead of approaching the application from a compliance standpoint, financial institutions may want to consider redesigning their process to allow for simple account opening.

Finally, banks and credit unions must empower their employees with a 360-view into consumer information through CRMs. Not only could this help resolve any issue faster but it creates opportunities to personalize the service or even upsell. Taking it one step further, applying AI could provide recommended actions, products or solutions to employees to enhance the experience and help. For example, if a representative notices that the consumer has almost paid off their car loan, they could offer ideas of what to do with their funds after they no longer have that bill, like investing in a high-yield interest account or a first-time homebuyers fund.

WHAT'S NEXT: CLOUD COMPUTING AND STRENGTHENED SECURITY PROCESSES

According Forbes, a quarter of financial institutions had plans to implement cloud computing in 2020. With the adoption of artificial intelligence tools, banks and credit unions may need turn to third-party data sources. Housing that data in-house will be difficult, making cloud computing a requirement.

Fintech's future depends on increased security and authentication methods to keep consumer identity protected online. Gone are the days when cybersecurity was seen as an external, reactionary threat. Instead, financial institutions will rely on their individual internal approaches to adapt to changing cyber threats.

FINANCIAL EDUCATION

Financial Education

INTRODUCTION

April is dedicated to Financial Literacy Awareness, with July 1st being National Financial Freedom Day. At the same time, only 21 states require high schoolers to take a personal finance class in order to graduate. While this is an increase from 2019, without coverage even halfway across the country, we are doing a disservice to our students where the class is not available. However, lack of financial education in schools leaves financial institutions with an opportunity to gain market share by offering free webinars, YouTube, Instagram Stories, useful tips and classes on topics like how to create a budget, money management strategies, or saving and investing.

Taking educational content one step further, segmenting messaging by your audience's life stages, product needs and other context clues allows for more engaging, customized marketing. With more and more consumers expecting tailored content and personalized advertising experiences, the marriage of technology and data allows financial institutions to elevate strategies to match customer demand.

SITUATIONAL OVERVIEW

two-thirds
of Americans can't pass a basic financial literacy test.

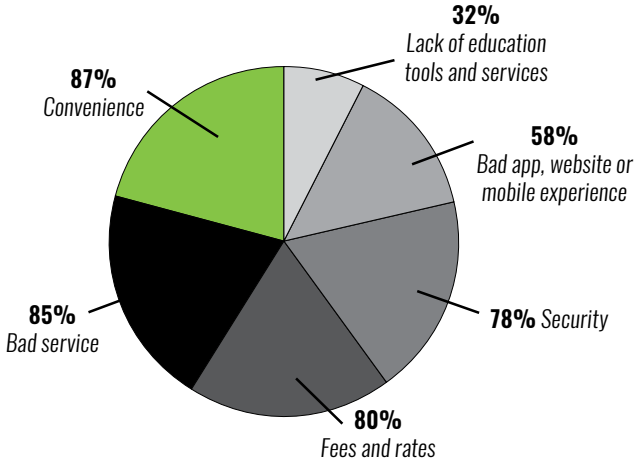
36%
of financial institutions use personas to segment, target or deepen their understanding of consumers

37%
of U.S. households have credit card debt.

10-30%
Institutions can expect a 10–30% lift in revenue from personalizing the customer journey

93% of financial institutions
offer little or basic levels of personalization technology within digital platforms

TOP REASONS WHY PEOPLE LEAVE THEIR FINANCIAL INSTITUTION



REAL-WORLD RESULTS

FIFTH THIRD BANK

offers **Finance Academy**℠ *for high schoolers with a goal to improve financial literacy and educate 450,000 students over the next 3 years.*

OPPORTUNITIES

Financial Literacy

While it might start at the high-school level, widespread lack of financial education tends to continue throughout college—students getting into credit card and student loan debt without a plan on how to pay it off—and well into adulthood. Most US consumers don't understand the basics of credit card and debt management or how to make responsible fiscal decisions. There are countless paid financial courses available, as well as those you can take for free online, but it can be difficult to cut through the clutter and to know who's behind these programs.

What if instead consumers knew they could rely on their financial institution for free advice? With 50% of consumers being interested in financial education services and only 27% of banks currently offering them, a great opportunity exists for banks to launch comprehensive programs or courses that will teach consumers, create a sense of community, and strengthen brand image and partner relationships.

These programs might consist of webinars, podcasts, social media posts, blogs, newsletters, and video or text tips on topics such as:

- Budget creation
- Debt-paying strategies
- Improving credit score
- Intro to IRA—How to open, why it's important, etc.
- Whether to invest in stocks or cryptocurrency
- 401k tips
- Investing 101—When to start, why to do it, etc.
- Whether to combine debt or finances upon marriage
- Homebuying tips and benefits of mortgage pre-approval
- Building an emergency fund

As more banks and credit unions offer these types of programs, tips or courses, consumers will see them as trusted advisors and educators rather than purely lenders. This could slow or halt the pattern of consumers switching from one financial institution to the next. April is Financial Literacy Month which is the perfect time to roll out new education programs for your communities. All in all, banks and credit unions will get the chance to be perceived as valuable partners who provide useful, sound education information.

"At *FAIRWINDS*, a vital component of our mission to improve financial well-being. We encourage all of our crewmembers and membership financial freedom by saving more money, eliminating debt, building wealth and living generously. We are committed to exceptional banking experiences."

Dianne Owen, Executive Vice President, Marketing, FAIRWINDS Credit Union

Consumer Engagement and Customization

While consumers look to banks for impeccable service, privacy protection, low fees and limited penalties, they also value engagement. A good way to customize digital experiences and improve engagement is by creating marketing personas and then building strategies based on the findings.

Personas are model customers that brands create behind the scenes to hyper focus on key attributes, behaviors, motivators or goals of prospective target consumers. To create personas for specific products and services, institutions need to rely on primary research from actual consumers. Narratives should describe attitudes, opinions, goals, behaviors, financial literacy, diverse stages within the debt cycle, technology adoption and motivators.

Research-based personas can maximize relevancy and provide banks with insights to help guide product and service strategy. The result? Increased customer engagement and higher overall profit for financial institutions.

Marketing for Different Life Stages

Beyond financial literacy basics and engagement, it's imperative that financial institutions consider stages of life when creating and executing marketing plans. With so much emphasis on transparency, today's consumers want to be seen as real people and as individuals. They seek out brands that are sensitive to their unique struggles, needs and desires.

In a survey of more than 10,000, six out of 10 people foresee a lifetime event occurring in the next three years—and this number increases to nine out of 10 for Millennials. With so many lifetime events, from student loans or purchasing a car to homebuying or marriage, banks and credit unions can tailor marketing strategies and tap into diverse markets.

An effective way to tap into these different markets is through custom, hyper-personalized recommendations. Banks can use contextual data, like someone's recent web browsing history, in real-time to form a personalized relationship. For instance, imagine someone is searching for online homes. That data can be used to set up ad parameters specifying age range, gender and household income to target consumers interested in moving.

Through a platform such as YouTube, advertisers can create short, targeted videos highlighting mortgage options or what to expect when closing on a home. The videos can be displayed via both instream (videos streamed before, during or following a video that someone is already watching) and outstream (videos that live in traditionally non-video environments such as social feeds or within editorial content). Institutions would only pay if a viewer watches 30 seconds of the video or engages with it—clicks on a call-to-action or companion banner.

This type of video marketing would display ads to consumers that they are actually interested in and, in turn, financial institutions could increase lead conversion and actual sales while decreasing consumer annoyance and distrust. Tweaks to the ad campaign can be made in real time to eliminate aspects that are not performing well.

Focus on the consumer's digital experience and prioritize engagement to gain the trust of Gen Z and younger Millennials who are now making their own financial decisions, often for the first time in their lives. Financial institutions that educate consumers, earn their trust and offer a promising solution will be top of mind when they need banking help.

WHAT'S NEXT: BILLBOARD ADVERTISING AD TRIGGERS, DATA MATCHING AND GEO-FENCING

As contextual advertising grows, digital marketing will stretch to the realm of out-of-home advertising. Smart billboards equipped with cameras will have the ability to track number of views, how long the viewer is there and trigger different ads based on specified conditions, such as traffic speed. Our agency leveraged this technology for *FAIRWINDS* Credit Union, creating a digital billboard on a busy interstate that displays three different messages depending on how fast cars are moving.

FAIRWINDS Credit Union Billboard Creative

POWER OF MOBILE BANKING

Power of Mobile Banking

INTRODUCTION

The expansion of mobile banking means fewer customers than ever before visit branches and rely on tellers. A recent U.S. internet banking survey revealed that only 20% of consumers would rather pay a visit to a physical bank location than do their business via digital channels. In the last 10 years, more than 9,000 bank branches have shut down, with this number expected to rise.

To accommodate consumers, banks and credit unions should look at branches as a place to showcase branding and visibility and look to mobile for strengthening digital offerings and improving app user experiences.

SITUATIONAL OVERVIEW

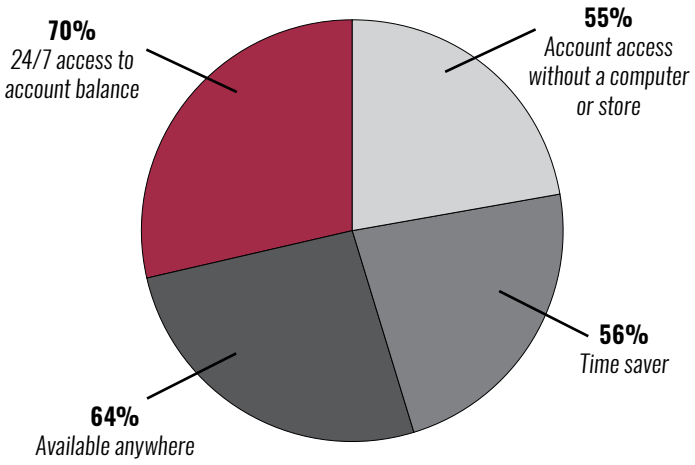
15% **of customers prefer mobile banking** *over traditional online.*

80% *of people use mobile banking nine days a month.*

91% *of mobile users prefer apps over going to a physical branch.*

Mobile banking customers bring **72%** *more revenue than branch-only customers.*

WHY CUSTOMERS PREFER MOBILE BANKING



Of 150 graduate students at the University of Florida, only **2%** *had been in a bank branch in their adult lifetime.*

OPPORTUNITIES

Mobile Apps

Mobile usage in the U.S. has increased almost 25% in the past year, and the trend shows no sign of slowing down. Along with the rise of mobile banking comes the increased use of mobile apps. Nearly one-third of Americans use their mobile banking app more than any other phone app they have. In fact, Cash App, Venmo and Zelle offered to help the US government send COVID-19 pandemic stimulus payments to consumers in 2020. While consumers enjoy the convenience of banking through an app, they continue to welcome enhancements in navigation, features, speed and overall usability.

Institutions can keep customers engaged and loyal to their brand by regularly showing them an expanding range of mobile app services. In recent years, customers have abandoned their banks due to lack of personalization. Today's consumers are accustomed to tailored mobile experiences in general. Banking should be no different, no matter the target demographic.

While affluent customers might be the ones who purchase the most financial products and services, Millennials are quickly moving up in the ranks. Gen Zers and Millennials both prefer mobile payment transactions whether through apps, wallets or PayPal, and Gen Zers tend to use different payment apps when splitting purchases with their friends. When developing and updating mobile apps, keep this in mind to avoid missing out on any potential customer groups.

Investment Apps

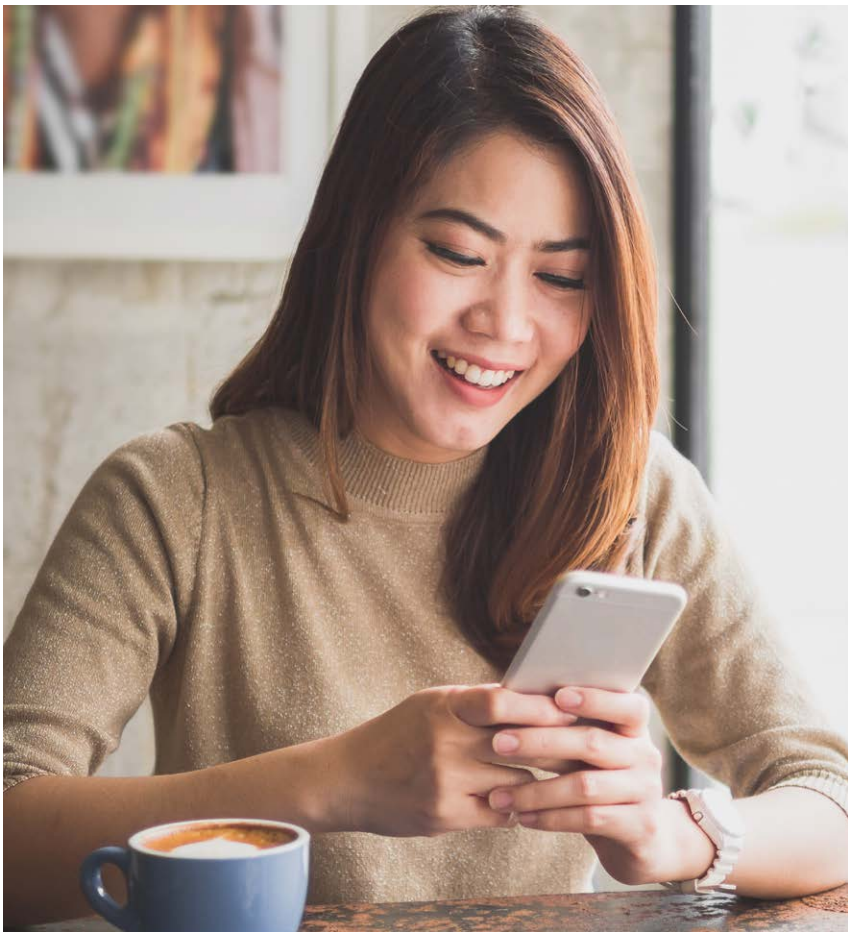
Investment apps are another noteworthy trend in the digital finance space. These apps rely on micro-investing to enable users with zero to little experience to save and invest in small quantities. They appeal mostly to Millennials seeking convenient, simple ways to begin saving and multiplying their money. With low barriers to entry, a common tap-swipe-buy interface and simple automation, investment apps have proven a goldmine for fintechs.

An advantageous aspect of micro-investing apps is that they allow users to bypass brokerage account minimums, which typically require thousands to start, and therefore allow them to start investing with less capital. All that's required for users is to download the app, create a profile so the app can recommend investment categories, and then link to a bank account. Consumers should be using these apps to learn more about investing rather than with the intent of getting rich quickly, but regardless, their continued popularity shows that easy, accessible financial apps present a unique opportunity for financial institutions.

Mobile Payments

In 2019, only 26 percent of all transactions were paid for in cash. That means almost three-fourths of all transactions were handled with alternative payment methods, including contactless payment options like Apple Pay and Google Pay. Combined with the worry of germ spread amidst COVID-19 outbreaks worldwide, mobile payments are expected to surge as the preferred option for consumers. In fact, the percentage of issuers who are interested in contactless payment options has nearly doubled year-over-year in 2019, with 10% of surveyed issuers already offering contactless cards and another 70% planning to do so within 2020/2021. National and regional banks make up 95% of those that plan to go contactless by the end of 2020.

Customer Journey



To ensure mobile users have ideal experiences and are efficiently led down the funnel, institutions must map a customer journey. Traditional marketing funnels may follow a similar path—discover, research, consider, commit and sign up. On mobile, that translates to a discovery beginning with perusing online, clicking on a pay-per-click ad and reading a blog. The user may then sign up for an email and begin shopping on competitors' websites and scoping out local banks. They might compare products, see which promotions are going on, assess community involvement and check out reviews. Finally, they will select and sign up for a bank. Though the marketing funnel and touch points are more complicated than they were a decade ago, users can now go through this entire process without leaving their couch.

Financial institutions should look for drop-off points along the customer journey and see them as a chance to improve user experience. Customer journeys should be about the end user rather than about products. To gather data for a customer journey, institutions can utilize mobile analytics tools, Google Analytics, internal customer service teams and existing consumer feedback.

Keep in mind that a bad digital experience can be costly and can turn away potential customers. Leverage mobile design and usability to keep it simple by providing a seamless, efficient experience.

At iTHINK Financial, we utilize all available data to better understand our digital customer journey and its impact at the branch level. This includes UTM codes, tracking our online ads down to conversion (calls, Contact Us, Loan apps by product type), but also layering Google Analytics and total sales data through other channels, since we know much of our business comes in organically after an online experience."

Stephen Johnson, Director—Marketing & Business Development, iTHINK Financial

WHAT'S NEXT: AUTOMATED ADVERTISING MODELS

Advertisers have the ability to leverage programmatic media buying to target consumers based on online behavior—search history, device and app usage, and type of forms filled out. This is linked back to third-party data like the US Census and Experian, and qualitative data such as PRISM and Mosaic, which allows for complex persona targeting. Combined with geo-targeting technology, advertisers can tap into location, usage and time of day as well. With such detailed data, advertisers can connect with consumers at the right moment with the right offer.

MILLENNIALS, GEN Z AND BANKING

Millennials, Gen Z and Banking

INTRODUCTION

Millennials, ages 24 to 40, surpassed baby boomers in 2019 to become the largest generation in the US, as well as the largest segment of today's workforce with over 80 million members. As one of the main targets of financial marketing for years, we have learned this generation values inclusion, diversity and social responsibility—the greater you can connect with them, the greater chance they'll bank with your institution. However, there is another generation to keep our sights on—Gen Z. As the higher-end of Generation Z hits the ages of 16 to 23, they will begin making their own financial decisions, making them the next major audience for institutions seeking membership growth.

SITUATIONAL OVERVIEW

WHY MILLENNIALS SWITCH BANKS:

- *Relocated (41%)*
- *Marital status changed (14%)*
- *Job status change (6%)*
- *Dissatisfied with institution (20%)*
- *Inconvenient locations (6.8%)*
- *Switched after bank/credit union was acquired or merged (5%)*
- *Attracted by new bank's products (3.5%)*

More than

two-thirds

of Millennials distrust financial services.

21%

of Millennials have paid a bill via check.

77% *of Millennials say their phone is always with them.*

Millennials are:

2.5x *more likely to adopt new technology like Venmo or mobile deposit.*

3x *more likely to open a new account with their smartphone.*

Gen Z

$143 Billion

holds up to $143 billion dollars in spending power

FICO SCORES

637	629
Gen Z	Millennials

75% *of Gen Zers use other digital payment apps or P2P apps monthly*

OPPORTUNITIES

Loyalty and Reward Programs

Past loyalty and reward programs often centered around money—spend more, get a better discount. Though free checking, unlimited withdrawals and deposits, overdraft protection, complimentary ID theft protection and no ATM fees are still desirable bank attributes, Millennials and Gen Zers are interested more in experience, engagement and convenience.

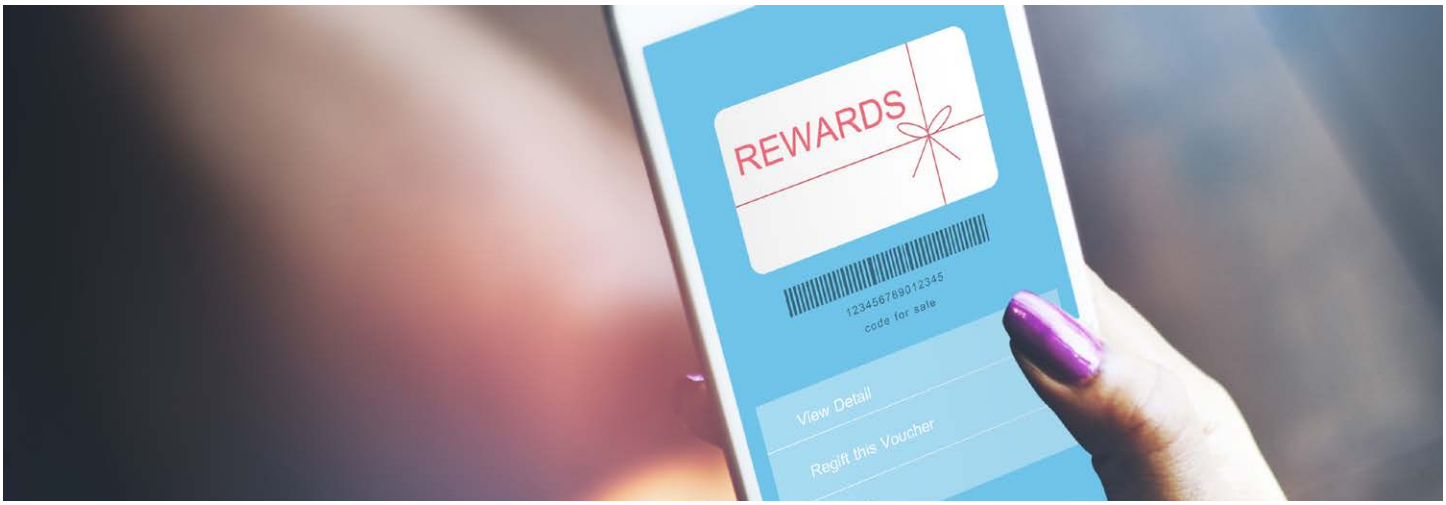
Institutions might consider inviting younger members to vote online for their favorite debit card designs, hosting trivia contests, inviting them to a budgeting workshop, or drawings for exclusive music festivals, concerts or sporting events. Additional loyalty programs that may resonate with Millennials and Gen Z include:

- Referring a friend or family member and receiving $100 Visa gift card if that person signs up
- Getting a $10 Starbucks gift card for every fifth deposit over $200
- Offering discounts on merchant-funded programs (e.g., a paid membership to Costco, BJ's or Sam's Club)
- Getting a custom loyalty discount card
- Earning points for free ride sharing credit

Changing the Status Quo

Occasionally, Millennials and other digital-centric customers need to visit ATMs and local branches, making this another creative engagement opportunity for banks and credit unions. Instead of the traditional bank run, banks and credit unions can elevate the experience. Opportunities include in-branch giveaways, promotions on bank receipts and financial literacy workshops or tips.

Using social media as a platform to let personality shine through, as well as showcasing employees making a difference for the community, institutions can paint themselves in a new light. At the community level, banks can launch sponsorships with local high schools and colleges. This could mean putting your logo on a Jumbotron, being part of the half-time announcements or show, sponsoring a large play or even a job fair. The bottom line is to bring out the personable side of the bank rather than only focusing on which services your institution can offer.



Digital Budgeting Tools

Though third-party budgeting tools like Mint and Acorns already exist, hometown banks and credit unions can offer their own, similar digital budgeting tools to reach Millennials and Gen Z. These budgeting tools should be personalized and allow consumers to input goals and expenses on a mobile app that tracks their progress, recommends ways to minimize interest payments, creates spending categories, and provides graphs and other visual aids to help chart their course. Apps could also send alerts to remind users when a bill payment is due or send text countdowns when a user is approaching their goal.

WHAT'S NEXT: STRATEGIC PARTNERSHIPS

Banks and credit unions can stay relevant and ahead of the curve by forming strategic partnerships with fintech firms. From rewarding members for "social boosting" your institution by recommending it to friends and family, to partnering with big data firms to create personas and map a more efficient, defined mobile customer journey, the adoption of fintech better positions financial brands to stand out from the competition.

Evok Advertising is America's premier boutique advertising agency specializing in financial marketing, headquartered in Orlando with offices in Tallahassee, Memphis and Los Angeles.

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