Capturing Young Members:
10 Things You Should Be Doing Right Now

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Executive Summary

Young Members Are Critical to the Success of Any Financial Institution. Is Your Credit Union Doing Enough to Capture the Hearts and Minds of Today's Youth? The Top Ten Things You Should Be Doing Right Now.

The Reason:

Every financial institution wants to be there when a young person is ready to open her first credit card or get his first car loan. Consumers in the early stages of adulthood can be extremely profitable and presumably result in many more years of relational banking. Early affinity to a brand can lead to a lifelong relationship. "There's lots of evidence that the brands you are emotionally connected to as a child you remain connected to as an adult," says Rachel Geller, a partner and chief strategic officer at youth-oriented agency The Geppetto Group in New York.[1]

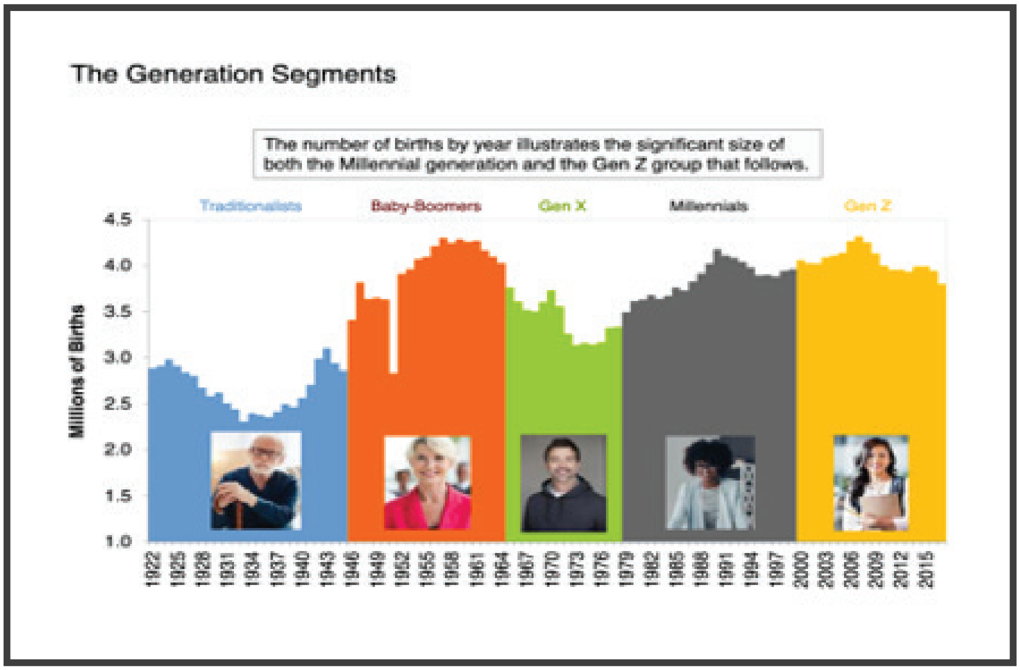
Consumers under the age of 25 present a host of opportunities for credit unions both now and well into the future.

There are now two generational categories for people born between 1996 and today.

Generation Z, the cohort born between 1996 and 2010, is composed of over 72 million people who account for 27% of the American population. The generation following Gen Z is tentatively called Gen Alpha and is expected to grow to 43 million by 2026.[2]

Generation Z will soon become the most pivotal generation to the future of retail, and many members will have huge spending power by 2026. To capture a piece of this growing cohort, retailers and brands need to start establishing relationships with Gen Zers now.[3]

In a 2019 presentation to credit unions, Raddon presented the below infographic that does a tremendous job illustrating the size and scope of this generation.



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Additionally, the aging of the American credit union member is a challenge faced by almost all credit unions. The average age of a credit union member is 47 years old, well past the prime borrowing years and well into the declining ROM (return on member) years.[5]

Beyond the most obvious financial viability considerations lies a more nuanced, yet still important, reason to court very young members. Those young consumers represent the canary in the proverbial coal mine. They hold the key to how you will be doing business in the next 10 to 20 years. As Rob Brezsny put it, “If you are over 45 and don’t have an under-30 mentor - mentor, not mentee - you are going to miss fundamental shifts in thinking that are happening right now.” Studying this group is the best way for you to make your long-term strategic plans.

In fact, Morgan Stanley thinks the impact of younger generations on financial services is just beginning. In a recent article, the firm states. “As Gen Z ages into the key 25-to-40-year-old sweet spot for borrowing, they will combine with Generation Y (a.k.a. the Millennials, ages 22 to 37) and could reshape the financial industry in their tech-savvy, mobile-first image.”[6]

The Problem:

What many banks and credit unions fail to take into consideration is that, by the time teens are ready to get their first credit cards or car loans, the time to win their business has most likely passed.

In fact, according to American Banker, one-fifth of Gen Z members have had savings accounts since before they were 10 years old. Forty-eight percent of them have some type of payment app on their phones.[7]

Jim McNeal, a retired professor of marketing at Texas A&M University who heads a youth marketing consultancy called McNeal & Kids, explains that American children become "brand-conscious" at about 24 months, and by 36-42 months, they make the connection that a brand can say something about their personalities — that they are strong or cool or smart. "They have learned brand names from Mom and from TV, and use them to identify products that they like," says McNeal.[8]

The fight for young members is a fierce one and is usually won when a child is not yet 10 years old. If your credit union doesn't have an active plan in place to capture the business of consumers younger than 25 years old, then it is time to act.

Here are ten things your credit union can do to ensure you actively recruit and retain the young people needed to make your credit union vibrant and successful.

1. Engage moms

Parents are the number one influence of which brands their children will use into adulthood and particularly of where they will do their banking. Moms are often the driving force behind where their children open their first accounts.

"Kids are getting older younger," says Carol Herman, a principal at strategic and creative consultancy The Acme Idea Company in Norwalk, Conn., and a 20-plus-year veteran of Grey, where she worked for clients including General Foods, Kraft and Playskool. "We've always known that kids are impressionable and brand-conscious, but it's dribbled down."

"We're a brand-conscious society, and kids are following in their parents' footsteps," says Phyllis Ehrlich, SVP of promotions marketing for the Cartoon Network.[9]

We have conducted several teen panels for various banking conferences, and almost 95% of the teen participants stated that they opened their first account where their parents told them to. Several explained that their parents simply opened the account for them and they started using them when they were old enough.

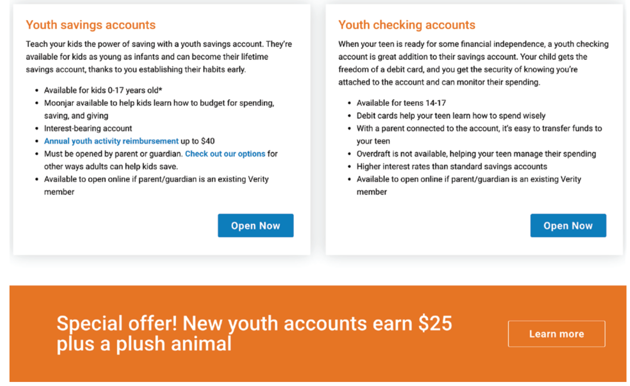
How do you reach parents?

Start offering assistance on day one of a child's life.

New parents will register at places like Pottery Barn Kids or Target for things like diapers and baby strollers. Remind your members that they can easily '"register" at your credit union for a baby's first savings account. Have information about your UTMA (Uniform Transfers to Minors Act) accounts readily available on your website. Family and friends can deposit money into the account as a gift for the newborn. That money can then be used to start the college fund for the child.

Offer incentives for opening kids accounts.

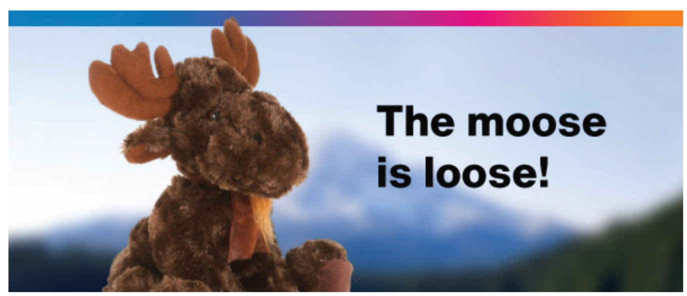
While working at Verity Credit Union, we launched three different offers for young members. Each account gave an annual activity reimbursement. Our messaging to parents included an empathetic nod to how expensive kids' activities - from scouts, to gymnastics, to violin lessons, to soccer - can be. And we wanted to help parents with what matters to them. Each year, a parent could submit a receipt for their child's activities - from volleyball to SAT texts - and be reimbursed up to $40 annually. After the first year of offering this account, the credit union's annual age of new members dropped by a full three years.[10]



Case Study, Verity Credit Union, 2020

Verity Credit Union, a $600 million credit union in Seattle, Washington, does a youth promotion at the end of each year that offers plush animals as a gift for referring new members. "Last year we had a penguin, this year it is a moose," says Heidi Cleveland, Chief Marketing Officer. "The child opening the accounts gets a stuffed animal as well as $25 deposited into their account. It is always a hit with our members because it is fun to walk into the branch and see the display of plush toys. Most people are in the holiday shopping mood so it's an easy sell."

The credit union can count on a boost of about 100 new members each time they do the promotion, "which helps with our end-of-year focus on meeting our growth goals," says Cleveland. "This year was more of a challenge, since we don't have the branch traffic due to COVID, but we launched a strong email campaign and still managed to come close to meeting our goal."



Looking to add a moose to your family? You're in luck!

Although your child already has a youth account, we wanted to let you know about a special referral offer. If you refer another parent to open a youth savings or checking account for their child, you will get a coveted plush moose for your child.

The referred child will also get a plush moose and $25 deposited into their youth savings account to get them started. Details at veritycu.com/youth

Offer Art of Allowance workshops.

Parents want to raise money-smart kids, but when it comes time to start allowances, many don't know how to proceed. Additionally, parents often like to connect with like-minded peers to discuss with and learn from others.

We have facilitated several online workshops that bring credit union parents together to learn about best practices when it comes to raising money-smart kids and to talk with their peer about the challenges they have faced and overcome.

We received this feedback from Callie Bloem, a 2020 workshop attendee: "I've always known I wanted my young daughter to grow up with an understanding of money and encourage smart spending habits, but I didn't know how to get started. After attending the Art of Allowance workshop, I feel less overwhelmed and like I have a solid game plan."

Credit union employees can also attend these workshops in order to equip themselves with relevant information to have at hand when communicating with members.

2. Start a kids club

There are plenty of off-the-shelf programs that your credit union can offer. Third-party vendors make them easy to launch and maintain. A good kids club will have the following:

Fun characters for your youngest members. In their article "When Does Brand Loyalty Start?" AdWeek cited a study on brand loyalty and children that found that children are drawn to and often create brand loyalty to businesses that have colorful, engaging characters coupled with real-life positive experiences.[11]

Interactive, interesting material for the middle school set. By the time kids enter middle school, many have had exposure to basic financial concepts but no formal instruction. And while they've started using money, they likely haven't had many opportunities to put their knowledge to the test.

Courtney Fulmer, Chief Experience Officer at SECNY in New York, has used The Money Mammals program for five years. She says, "The Money Mammals program has really helped us engage with parents, teachers, and students. It's not just about teaching kids to save, but to find value in how and where they use money. Plus, they make it easy for us to run by providing updated content, electronic components, and branded materials to help better prepare our young members for the future!"

Aerik Radley of SECNY FCU adds, "I've done it both ways. I've lived in the world where we made everything ourselves, and I've used a vendor-partner. I highly recommend letting someone else design your kids' program content and be responsible for its upkeep. It allows your staff to focus on community relationships, and you can just get more done that way. It is far more sustainable."

Because children in this age range are financially supported by their parents, the middle school years offer a low-risk opportunity to help them take their first steps toward building a strong foundation of financial literacy. Prepare them for financial independence by teaching them core concepts and skills, and discuss the more advanced topics that they'll encounter as adults.[12]

3. Focus on experiences - Make your branches fun to visit

Capturing the hearts and minds of young people means creating pleasant memories of your credit union. The quickest way to do that is by making your branch fun to visit when mom or dad has to run an errand. (And yes, sadly banking is an errand for almost everybody.) Things that make branches fun include: Digital kids corners, handing out stickers or suckers, tellers who can talk with kids, coloring contests, and fun displays.

Chiphone Federal Credit Union has a corner with Money Mammals puppets for younger kids to play with and Black Hills Federal Credit Union has a corner with iPads and fun, interactive money smart apps.

At Verity Credit Union, we had a teller who would build large displays using nothing but colored Peeps. It was a huge hit with kids who liked to come to the branch at Easter time and marvel at the sugar-coated decorations.

In a recent study, CivicScience evaluated consumers' branch usage and found that Gen Zers are the heaviest users of branches, often visiting them several times a week.[13] Interestingly, the study found that Gen Zers report being offered a snack - from a lollipop on up - 44% more often than people who visit their financial institutions on a less frequent basis.

This is not just a statistical anomaly. CivicScience asked participants explicitly if being offered small snacks was important to them and learned that for two out of five Gen Zers, it's at least a little bit important to get free food when visiting a branch.

4. Have an app (or two)

While Gen X grew up with computers and Millennials grew up with cellphones, Gen Z has grown up with smartphones, intelligent voice assistants like Siri, and messaging apps like Snapchat.[14]

Members of this generation are sometimes referred to as Digital Natives because they have not really known a world without digital connectivity and apps. International mobile intelligence company, RankMyAPP, says this about young consumers and apps: "Staying updated about what's happening with the young audience is fundamental for businesses to reach their expected success, and to do this, there's nothing better to do than to develop an app that appeals to the youngsters and also provides exactly what they're looking for in an app."[15]

The advice it gives is, "Try to invest in a good design, vibrant colors, interactive games, and connection links with social sites for your app to be readily visible amongst the young audience. [...] In general, if you wish to chase down your young audience through apps, you need to keep in mind that the service demand required for this audience should be provided with quality. So, this way, you don't only retain the young audience for your business, but also capture new customers in different audiences."[16]

5. Hold regular focus groups of young people and parents

If you don't periodically talk to young consumers, then you will probably miss the subtle – and sometimes not-so-subtle – shifts in thinking and in consumer behavior. If you don't know what "orange is sus" means, or you've never been to the elite side of TikTok, then it's time for you to interact with young people.

In addition to young people, talk to parents. They can give you tremendous insight into their kids' buying behaviors. For example, as a mom of three teen daughters, I can tell you that most suburban teen girls start going to the mall alone at age 12, and by 13 they are wanting debit cards. I have driven many vanloads of girls to the mall and listened to them as they compare their debit cards. Spoiler: Aesthetic matters.

Some credit unions take the focus group idea one step further and have teen ambassador programs. Ambassador programs get teens involved in several different ways, including regular feedback sessions, assisting at community events, and providing testimonials.

Case Study, SECNY Federal Credit Union, 2020

SECNY Federal Credit Union, a $220 million credit union in Syracuse, NY, relies on research and feedback from employees and members when developing or enhancing products. "When we were answering the question, 'how do we help young members use financial tools responsibly?' we turned to parents for the answers," says Aerik Radley, Director of Marketing & Education. "We surveyed a focus group of parents of teens. We learned a great deal about what parents needed from their financial institution. One result of that focus group was a redesign of the parameters of our debit card. We now allow teens who have a joint checking account with their parents to receive a debit card at age 13. The feedback from parents has been very positive." Radley also uses the credit union workforce to drive institutional innovation. "We have White Board Wednesdays, where we take a moment out of our busy jobs and simply discuss ways to make our products and services better for our members."

6. Engage your young employees

A young employee is one of the most overlooked assets a credit union has. If you have any employees under the age of 30, then you should be asking their opinions on a regular basis. You should know what types of accounts they use, what they like and dislike about your products and services, and what they would do to make the credit union more relevant to people their age and younger.

7. Provide a scholarship

Scholarships are great ways to gain the attention of potential teenagers, as well as build loyalty with your current college-bound members. Scholarship opportunities provide natural word-of-mouth marketing for your credit union as schools, parents, and students pass along the information to other college-bound families.

8. Sponsor school / sporting / community activities

There is no shortage of volleyball, baseball, football, soccer, gymnastics, and dance teams to support. Often with relatively little investment, you can have your credit union's name displayed on jerseys or gym walls or announced at games.

9. Provide media where and when teens want it

You must meet people where they are at," advises James Robert Lay, Founder and CEO of Digital Growth Institution and author of the best-selling book Banking on Digital Growth.

Teens have all sorts of questions about investing, credit reports, using a debit card, applying for student loans, and renting their first apartments. They want financial advice and educational content.

In order to save more and avoid debt, Gen Zers have pursued financial education opportunities at a higher rate than their elders. Thirty-five percent of them have attended a financial education program or seminar, compared with only 12% of Millennials. In addition, 56% of Gen Z members reported having discussed financial matters with their parents within the past six months.[17]

Credit unions must appeal to Gen Z as trusted sources of financial advice. That will require delivering advice on relevant topics — saving and spending habits, paying down college debt, strategically building credit history — through the digital channels that these young consumers already use for financial activities.[18]

"In order to meet teens where they are at, you must do two things," comments Lay. "First, you must re-envision your idea of community. In the past, we would advertise at movie theaters, or at football games and we could reach a lot of people and be considered an active member of the community. But young people are congregating less often in places like this and more often online. In addition to that, you must resist the temptation to project your own world view on to younger people. You might think that everyone is hanging out on Facebook, for example, because that is where you and your friends are. But young kids are not on Facebook. They are on TikTok or Discord."

At every teen panel we have facilitated to date, at least half of the students said they watch YouTube videos on a regular basis and expressed that they would watch tutorials about banking and wise money habits via YouTube or other means. Short, educational clips on YouTube or on your website can provide a much-needed service for your young members (and maybe even some of your not-so-young members).

10. Make sure your services for young people are hitting the mark

Step back and take a critical look at how your products and services line up with those of your competition. Is your peer-to-peer payment method as easy and engaging as Venmo? Does your investment services CUSO allow small dollar investing like Robinhood? Does your checking account offer higher dividend rates on low-capped balances like some of the big credit unions?

Gen Zers have grown up mostly in a post-recession world, watching their parents and older siblings grapple with the fallout of the 2008 economic crisis. The pandemic put their school, their jobs, and their social lives on hold. These formative experiences help explain two of Gen Z's most important financial habits: a strong inclination for saving and an aversion to debt.

With the economy still in flux and the pandemic failing to cease, it can be assumed that members of this generation will continue to evolve their attitudes about money and the products they value based on the role those products and services can play in their lives.

For instance, they have a clear preference for financial products that help them live within a budget — 46% of Gen Z members say they already use or are likely to use a prepaid card, compared with 35% of millennials. Similarly, 49% of Gen Zers already use or are likely to use no overdraft accounts, compared with 19% of the general population.[19]

Conclusion

In conclusion, the recruitment and retention of members under the age of 25 should be a strategic pillar for your credit union. Young members will improve your product mix, profitability, relevancy, and longevity.

If you want assistance in launching, improving, evaluating, or maintaining any of the ten steps above, then please contact John Lanza or Shari Storm. Our combined years of credit union experience can help you improve your young member engagement strategy

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John Lanza helps parents raise money-smart kids He is the Chief Mammal of Snigglezoo, author of The Art of Allowance: A Short, Practical Guide to Raising Money-Smart, Money-Empowered Kids, host of The Art of Allowance Podcast and creator of The Money Mammals Saving Money Is Fun Kids Club and the upcoming Art of Allowance Project for credit unions nationwide. An expert on youth financial literacy, John's work has appeared in the NY Times, LA Times, The Wall Street Journal, The His & Her Money Show and The Money Jar podcast. You can find out more about John and his programs at www.themoneymammals.com.

Shari Storm

Shari spent 16 years as an executive at a Seattle credit union, where she oversaw marketing and IT.
Her proudest accomplishments at Verity Credit Union included being named an Innovator of the Decade by Net.Banker, heading up the successful Verity Mom campaign, and participating in Filene's prestigious i3 program.

Her first book, Motherhood is the New MBA: Using Your Parenting Skills to be a Better Boss was published by St. Martin's Press. With over 20,000 copies sold, it has been translated into Mandarin and purchased for publications in four countries. The book has received tremendous press, including Time and Redbook magazines, Martha Stewart's radio, BusinessWeek online, the Costco Connection and the cover of the Metro News New York, to name a few.

Shari has been named a Woman of Influence by CU Times. She has been featured in American Banker, Credit Union Journal, CU Times, Credit Union BUSINESS, Credit Union Management, and The CEO Report.

She is now the CEO of Category 6 Consulting, which specializes in developing strategy with a strong focus on marketing, staff development, and fintech.

Shari received her undergraduate degree from University of Washington and her MBA from Seattle University. She is also a graduate of the three-year CUES CEO Institute.