

## Top 10 Reasons Young Consumers Will Transform Retail Banking

The Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, recently conducted a study of 1,055 U.S. consumers to explore their evolving financial priorities, service expectations from banks, and interaction preferences. While consumers have faced significant financial strain due to a deteriorating job outlook and dwindling asset values, they have also embraced new technologies, such as video, and adopted online behaviors, such as social networking, at an astonishing rate. These trends are particularly true for Gen Y consumers (also known as "Millennials," and for the purposes of this survey defined as people born between 1980 and 1992) and Gen X consumers (those born approximately between 1960 and 1979).

The survey clearly shows that the rise of these younger generations will have a profound impact on retail banking, providing the next opportunity for revenue growth. In fact, Cisco IBSG estimates banks can increase revenues 5 to 10 percent by delivering next-generation advisory services that utilize personal financial management (PFM) tools, video, and virtual communities of interest. Follow are the top 10 findings of the survey:

1. **Gen Y's top concerns:** Debt reduction, expense management, and financial education are key priorities for younger consumers in the post-crisis era.
2. **Gen Y needs help managing its finances:** More than one-third of Gen Y and Gen X consumers believe they need assistance managing their financial affairs, while less than one-fifth of boomers/silvers feel the same way.
3. **Gen Y receives financial advice from friends and family, not just banks:** Gen Y values advice from friends and family three times more than boomers/silvers do.
4. **Gen Y values advice from professional advisers:** More than one-third of Gen Y prefer using professional advisers as their source for financial advice, ahead of peers, personal research, or automated tools.
5. **Banks are well positioned:** 85 percent of Gen Y are satisfied or very satisfied with their current financial services provider.
6. **Gen Y comprises active users of new technologies:** Gen Y and Gen X have exhibited substantially higher adoption of new online tools and channels relevant to receiving financial advice. More than 50 percent own a webcam compared to less than one-third of boomers/silvers. In addition, 20 percent of Gen Y visit YouTube multiple times a day (5 times more than older generations), while 97 percent of Gen Y use mobile phones.
7. **Gen Y is interested in receiving automated advice:** 40 percent of Gen Y use PFM tools (primarily those offered by their banks) to manage expenses, reduce debt, and maximize long-term savings.



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8. **Video interaction is compelling:** Nearly 40 percent of Gen Y are interested in interacting with an adviser via video, as compared to 17 percent of boomers/silvers.
9. **A virtual financial services community is important:** Gen Y is four times more likely than boomers/silvers to have posted a question about financial matters to a blog or online forum.
10. **Willing to change banks:** 26 percent of Gen Y are generally satisfied with their current banks, yet are willing to switch, as compared to 13 percent of boomers/silvers.

Based on the survey results, Cisco IBSG recommends banks develop an advice-on-demand capability by focusing on three areas:

1. **Build or acquire PFM capabilities to help customers gain control:** Build capabilities to personalize advice on an Internet platform. Also, provide PFM functionality on a mobile platform that enables real-time alerts, reviews, and decision making.
2. **Improve consumer intimacy enabled by high-definition video capabilities in the branch and at home:** Introduce the opportunity to interact with centrally located financial services experts over video in branches that have a large percentage of high-net-worth (HNW) individuals and / or small to medium-sized business (SMB) owners. Expand video-enabled advice to consumers' homes and mobile devices when technology becomes more prevalent and adoption rates increase.
3. **Develop an online financial services community** comprised of family, friends, and peers, centered on the common objectives of better financial management.

Younger consumers represent a new and important growth opportunity for proactive banks. This is good news for banks that have struggled to scale the delivery of advice cost-effectively to market segments beyond HNW individuals. The potential is significant, with an opportunity to increase retail-banking revenues by an estimated 5 to 10 percent.

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#### More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

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