

ASIA PACIFIC Millennial Banking Trends and Challenges

**Millennials in APAC:
Why do they matter?**

**Millennials love quirky
personalization**

**Asian Millennials to
have US\$6 trillion in
disposable income
by 2020**

**Are Millennials
really as bad at
saving as you
think they are?**

**Millennials may be
spooked by credit
cards**



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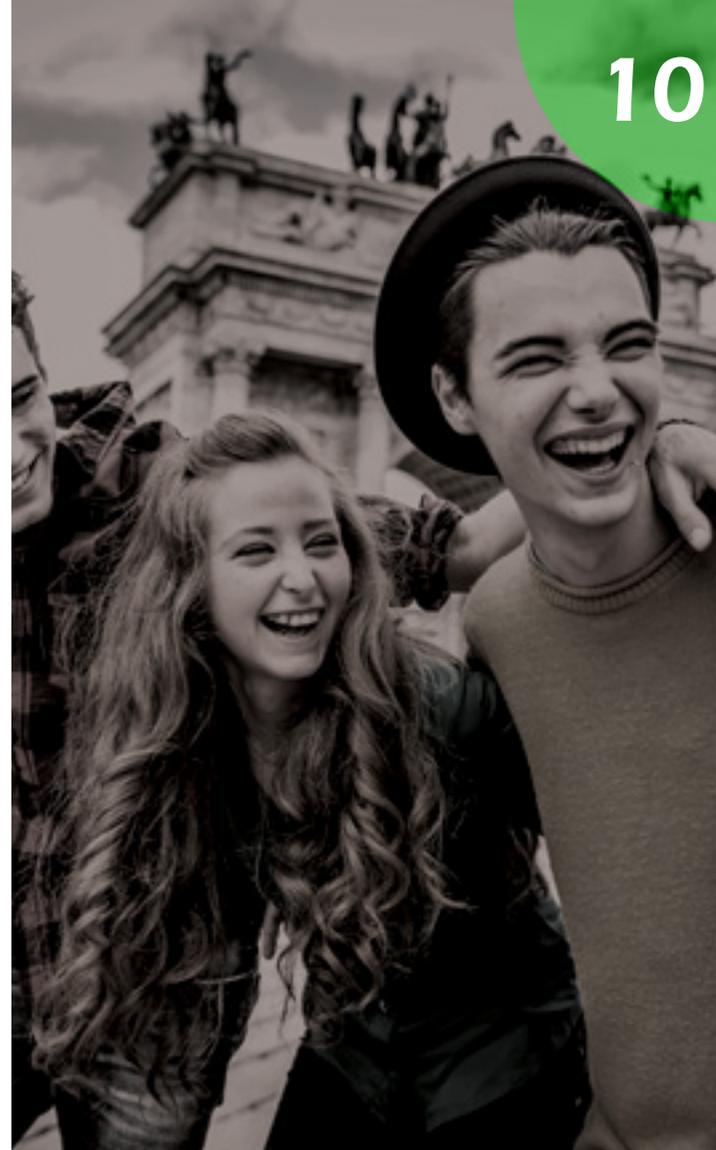




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Millennials: The Untapped Growth Engine for Banking

Millennials currently comprise one-fourth of the total workforce population in Asia Pacific. They also represent the fastest growing source of spending power regionally with an estimated disposable income of \$US 6 trillion by 2020, and are all set to become the most influential demographic framing future trends in banking.

Yet, they also remain a largely misrepresented and misunderstood consumer segment.

**Millennials
are set to
become the
most influential
demographic
in APAC**



Don't Buy the Millennial Hype

Many perceive Millennials to be the “Me Me Me Generation”—technologically fluent, iPhone-wielding, under-35-year-old job hoppers who crave instant gratification and are free and easy with their money. But there's much more to them than the stereotypes imply.

It is essential for banks to gain a thorough understanding of this emerging superclass, and how their behaviors, requirements and priorities will drive new trends in banking markets across the region.



2. Millennials to Credit Cards: No thanks!

25% of Millennials believe credit cards might worsen their financial standing

Millennials find the idea of credit quite stressful. Their attitude towards credit cards is apparently complex. 25% of Millennials believe credit cards might worsen their financial standing, according to a Facebook study. Yet 46% say they primarily use them as a strategic tool to build credit history; without a substantial credit history, it is much more difficult to take out a home mortgage, for instance.

3 Things to Know About Your Millennial Audience

We've pulled together a handful of the highlights that cut through the hype and uncover their financial behavior. Here's what you need to know:

1. Millennials Spend, Millennials Save

According to a survey by CBRE Research, Millennials have far more in common with Baby Boomers when it comes to the core needs of buying a home, career planning, spending money on leisure or saving for a rainy day.

The survey which covered 5,000 young respondents between the ages of 22 to 29 from the Asia Pacific region revealed that 2/3rd

of a millennial's income is spent on leisure activities while 1/5th is saved.

65% of Millennials also said they aspire to buy their dream house, although 63% still live with their parents due to soaring property prices.

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3. Millennials and Mobile- A Match Made in Heaven.

That their digital media consumption habits are vastly different from their Baby Boomer parents is now widely known. A study conducted by TNS revealed that Millennials in the Asia Pacific region spend an average of 2.8 hours per day glued to their devices. In fact, the mobile device is steadily overtaking the World Wide Web as the key digital channel used by Millennials to access financial services.

It is therefore not surprising that many Millennials have come to expect even traditional branch-only-services, like depositing checks to be available on their smartphones.

Furthermore, they expect banking services to be more seamlessly integrated into other apps and services and not just an isolated capability.

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How Banks can achieve Cut-Through to Win Millennials' Hearts (& Dollars)

For incumbent banks with a long history of operating a certain way, the stakes are particularly high as more and more Millennials come of age as customers.

Here are some the key trends that banks need to embrace in order to win over this unique customer segment:

Seamless, Fast, 24x7x 365 Access

The busy, multitasking Millennial expects a banking experience that is seamlessly embedded within their lifestyles, increasingly consumed through mobile and/or any other channels of their choice. Not only that, they constantly flip between touchpoints

depending on multiple factors such as the timing of interaction (time of the day), purpose of interaction (query resolution vs. notification), mode of interaction (phone banking vs. online chats), etc.

To enable a frictionless, channel agnostic experience across every possible touchpoint and interaction moment, streamline their systems and deliver the same structure and feel across channels. It is imperative to clearly understand consumer usage habits through the optimal use of behavioral statistics and data analytics, and address the missteps that tend to happen when a customer hops from one channel to another.

The consumer thus doesn't have to re-authenticate his identity each time his call is transferred to a different department. Similarly, he can start a process on his tablet at the breakfast table, continue on his smartphone while commuting on the bus, and conclude it in a branch at lunch, picking up where he left off as he transitions from one channel to another. To win Millennials over, banks need to become the omnipresent, invisible and efficient hand that facilitates seamless banking regardless of when, where and how they choose to transact.

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Innovation in the Payments space

The mobile generation expects true innovation in the payments space. It expects a better ability to live life without unnecessary overhead, and enjoy experiences like eating out, holidaying, sending a gift or saving money on a shopping spree rather than worrying about the associated utilities like the process or mode of payment.

One click purchases on ecommerce sites, embedded payments on Uber or linking up with friends to send money on the go are examples of what they have come to expect. The growing popularity of C2C commerce and P2P transfers has accelerated the need for swift individual payments, and led to the rise of the likes of PayPal as well as digital wallets like Kashmi in Singapore.

To differentiate themselves, big banks need to identify gaps in existing payment platforms and extend their value proposition by offering the latest in mobile banking innovation and real-time payments service to their consumer base. In fact, some banks in Asia Pacific have already launched P2P payment solutions like Zelle, DBS PayLah! and OCBC Pay Anyone to win over Millennials.

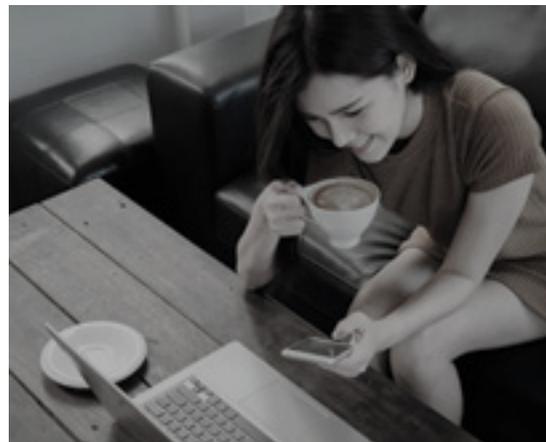
Banks can leverage big data analytics to crunch new sources of “alternative data” (mobile records, DTH recharges, social media presence, click behavior, granular customer-payment and spending behavior etc.) to provide competitively priced loans to Millennials with “thin files,” meaning borrowers with no built up credit record.



Easy access to funds is what Millennials value as they consider pursuing higher studies, buying their first property or starting up their own business. Traditional bank loans might need a strong financial history or proof of steady income stream, which would be unlikely for Millennials without a salaried job.

Rather than solely looking at credit histories, banks can leverage big data analytics to crunch new sources of “alternative data” (mobile records, DTH recharges, social media presence, click behavior, granular customer-payment and spending behavior etc.). This will in turn enable them to develop credit risk models and provide competitively priced loans to Millennials with “thin files,” meaning borrowers with no built up credit record.

If banks want to target Millennials, they should take into consideration this generation’s lifetime value as a customer over the present net worth, and provide them with the flexibility they need in financial products.



Hyper-Personalization- The New Normal for Millennials

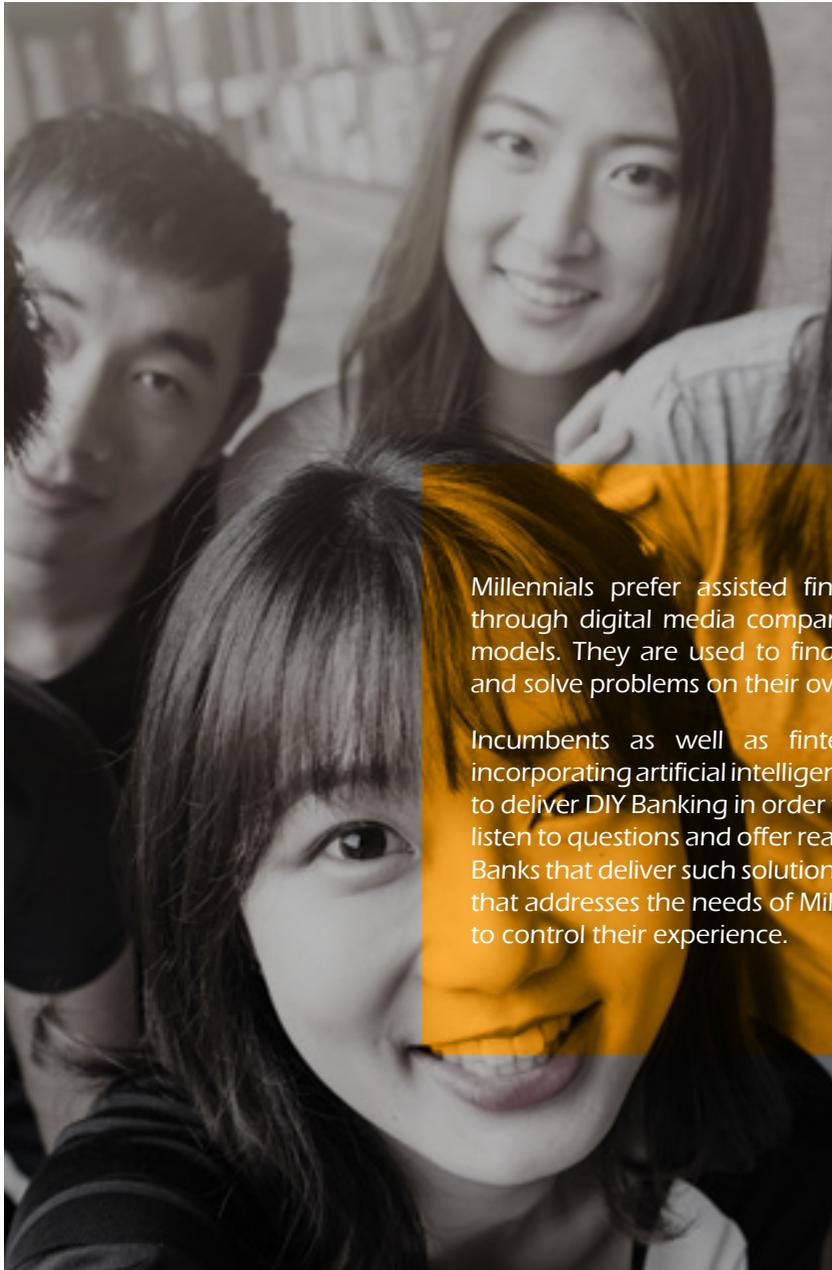
Millennials have grown up in a time of mobility and are constantly giving us signals about their likes and dislikes, their life events, their aspirations, their goals, the most intimate details of their personal lives, 24 x7. Companies like Facebook, Amazon and NetFlix have done a great job of using big data and analytics to identify what Millennials want even before they know it & customize the entire consumer experience. Such proactive, personalized interactions are now givens, and Millennials expect the same conveniences from banks.

Banks need to invest in predictive analytics, smart algorithms and advanced tools such as mobile application analytics, location intelligence etc. to enhance personalization. These tools can be used to predict what customers are likely to buy next & when. Banks can then strategically design and enhance the customer experience with timely, value-added offers. The same approach can be adopted for pricing and cross-selling offers as a way to manage attrition.

To address Millennials’ sensitivities to bank fees, smart financial institutions can build data driven models that look at the long-term profitability, attrition risk and historical fee waiver requests on a given account, and then make a decision to proactively waive a fee or provide reactive fee refund offers.



Digital Do-It-Yourself (DIY) Advice through AI & Advanced Analytics



Millennials prefer assisted financial advisory delivered through digital media compared to traditional advisory models. They are used to finding answers to questions and solve problems on their own in real-time.

Incumbents as well as fintechs and neobanks are incorporating artificial intelligence and advanced analytics to deliver DIY Banking in order to interact with customers, listen to questions and offer real-time personalized advice. Banks that deliver such solutions can create an experience that addresses the needs of Millennials and enables them to control their experience.



Final Thoughts

To lead in the era of Millennials, banks must now harness the very same disruptions in technology that many believe are a direct threat to the incumbents. With their vast data reserves and new digital tools, banks can play a much bigger role in the lives of Millennials; become a trusted partner who understands them, looks out for them and helps them make better financial decisions as they unleash their greatest earning potential.



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