



# Millennials and Collections:

Create and Implement **Strategies That Work**



# Introduction: The Generational Shift

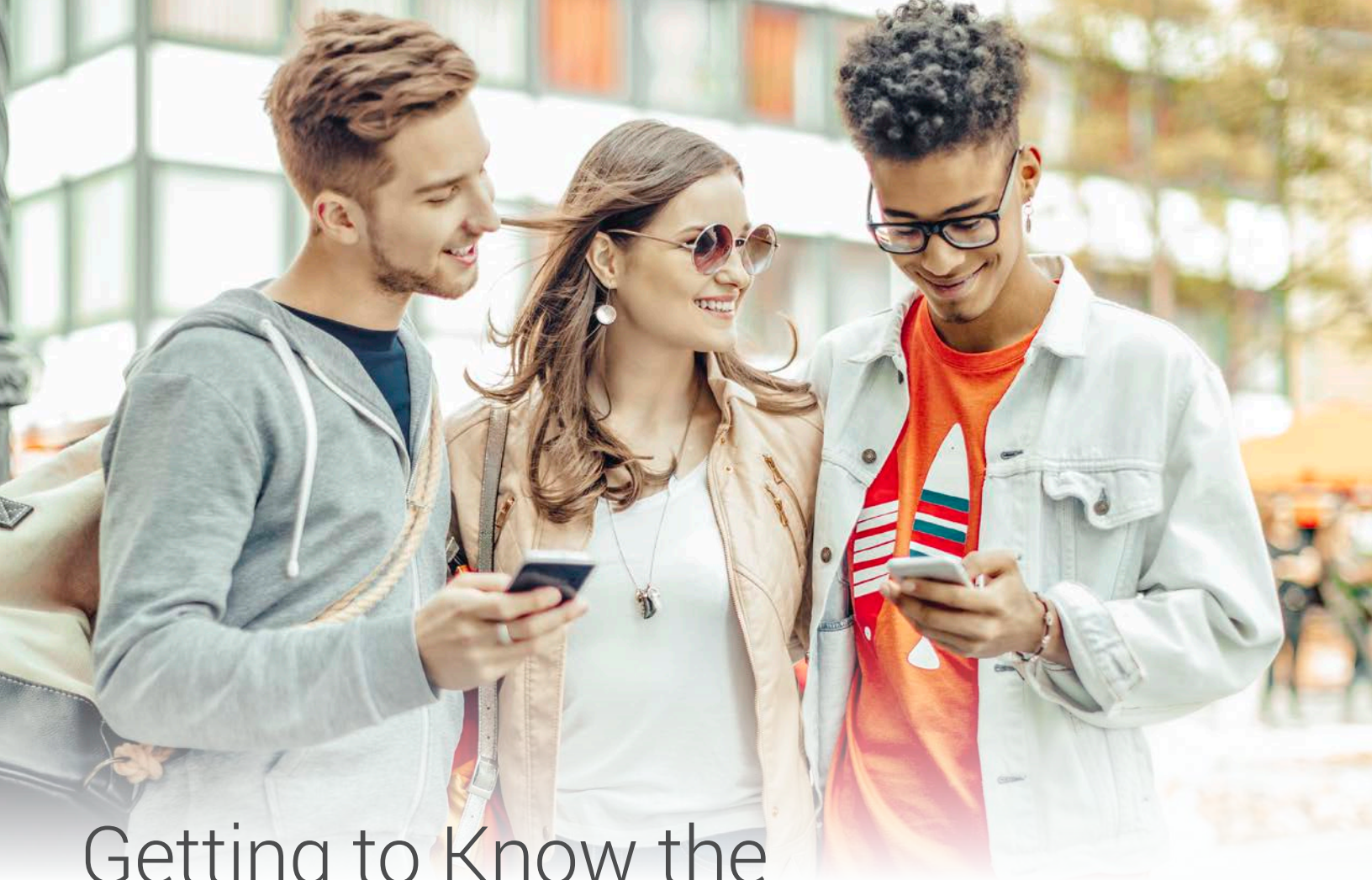
When it comes to collections, credit unions and collection agencies need to work together to create and implement strategies that appeal to the millennial generation. In this way, the development of a relationship based on trust and transparency will translate to long-term credit union memberships.

The millennial generation has officially surpassed baby boomers as the largest segment of the U.S. population. Today, there are nearly 71 million millennials in the United States. With regard to collection strategies, credit unions need to recognize their tendencies and habits, as they're quickly becoming the most powerful consumer group. This presents a major opportunity for credit unions to grow their memberships. As the population demographics continue to change, it is critical that credit

unions and collection agencies revisit their collection strategies to ensure they are attracting, engaging and satisfying the growing millennial membership market.

**But what exactly characterizes the millennial generation and how do organizations capitalize on their preferences?** What can credit unions and collection agencies do to implement effective strategies to earn their trust and membership?

<http://www.experian.com/assets/consumer-information/articles/article-creditunionjournal-millennials.pdf>



# Getting to Know the Millennial Generation

Commonly referred to as the “connected generation,” millennials encompass the population born between 1980 and 2000.

They value life experiences, transparency and loyalty and are tech-savvy and accomplished in using digital tools. They are frequently labeled the most educated generation but respond poorly to authority and have an overwhelming “fear of missing out” (FOMO). Above all else, however, they fear the burden of debt.

Despite their highly educated status, millennials tend to lack financial

literacy and practical money management skills. Regardless of their proficiency with technology, they are often perceived as naive and inexperienced. Their hesitation to connect with credit unions is thought to be a direct result of their generation’s inability to relate to the messaging and goals of financial institutions: as of an Experian study conducted in 2015, millennials held only 5% of all accounts at credit unions.

Complicated by increasing concerns regarding data security and overall transparency, credit unions are faced with a unique challenge when it comes to engaging millennials in order to earn both their trust and their business. By partnering together to effectively resolve these issues, credit unions and collection agencies can provide reassuring strategies and technological tools to help millennials overcome their concerns.

# How to Connect

How can credit unions maximize recoveries on defaulted loans without sacrificing the growth and maintenance of millennial memberships?

# 1

## Make it Techy and Accessible

According to a recent survey conducted by the Pew Research Center, millennials are the most detached generation from traditional institutions but are considered trailblazers of digitally-forward platforms and solutions. They demand digital payment services that cater to their preference for convenience and ease and prefer to communicate through email and texts. In general, they hate inefficiencies and missed opportunities for technical solutions to make life easier. Case in point, millennials are four times more likely to connect with their banking institution electronically.

Millennials want a full spectrum of “on the go” services available to them through the power of digital: They want easy services that don’t require a lot of their time and make their lives easier and more efficient (a user-friendly mobile app, online bill payment, consumer portals, web chats, etc.). That being said, the key to connecting and collecting from millennials is to reach them through the channels in which they communicate most frequently and to offer solution-based options with easy accessibility. Their lack of financial literacy is a prime opportunity for credit unions and/or collectors to act as financial counselors who help educate them while offering rational resolutions to their debt challenges.

# 2

## Establish a Positive Corporate Culture

Millennials prioritize a corporate culture that values employees, their communities and their members. They want to know that their credit union not only treats their employees well (good benefits, career opportunities and ethical business practices), but they want to see evidence of a commitment to the local community and random acts of kindness. Support of local fund-raising efforts, giving

back to the less fortunate and sponsoring local youth sports team are just a few examples of the type of corporate social responsibility that will resonate with this generation and lead to increased memberships. Accredited collection agencies that have been recognized for ethical business practices and good corporate citizenship can have a major impact in reinforcing a credit union’s positive, member-friendly image.

<https://thefinancialbrand.com/64369/millennials-mobile-banking-digital-engagement-trends/>

# 3



## Develop Relationship-Based Strategies

Millennials value experiences over material possessions, such as houses, cars and investments. Therefore, credit unions and collection agencies that implement relationship-based strategies, aimed at providing a positive and memorable experience, will be effective in attracting this group of consumers. Financial institutions that are responsive and communicative with their members,

showing that they value input and reacting accordingly, will be most successful. By understanding their values, satisfying their needs, and making life easier and quicker for millennials, credit unions and collection agencies alike have an opportunity to transition from a business to a trusted resource for financial information and guidance.

# 4

## Cater to Them

Credit unions and collection agencies need to develop products that are “millennial-friendly” – in other words, products and strategies that take into account the characteristics and tendencies of the millennial generation. For example, most current banking products are marketed to people who already have an established credit history. Instead, credit unions who want to attract this new source of members need to create products that focus on educating

<https://www.getcloudcherry.com/blog/credit-union-millennials/>

and empowering millennials by focusing on what matters most to them (for example: small balance, low transaction cost savings accounts, preloaded debit cards, and credit builder loans). Finally, credit unions should implement a strategy that focuses on financial literacy – an area in which millennials fall short. In providing realistic and pertinent financial advice, they will be effective in winning both their loyalties and their business.



# Conclusion.

Credit unions will successfully enhance their recovery performance while simultaneously maintaining their millennial memberships if they expend the time and effort to understand the millennial generation's unique challenges.

Further, credit unions have the potential to capture a significant market share of this demographic if they can effectively attract them, connect with them and entice them with services and products that work with their preferences, wants and needs. Many young millennials are unaware of the core principles of the credit union system. However, by partnering with a collection agency that is responsive to this generation's needs and offers solutions that will not

only make their lives easier, but will also leave them feeling empowered and validated, a relationship based on trust and transparency can grow. By offering products that are catered to their lifestyles, being a committed community partner, embracing technology and establishing a responsive and well-respected reputation, credit unions are well-positioned to nurture a rewarding and lucrative relationship with this new group of members.

Millennials have replaced baby boomers as the most powerful consumer group. Credit Unions that educate them, respond to their input, help them make a difference, and make their lives easier will earn their trust and their business.

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