Millennials, Gen Z, & the Changing Face of Collections:

New Strategies for These New Audiences

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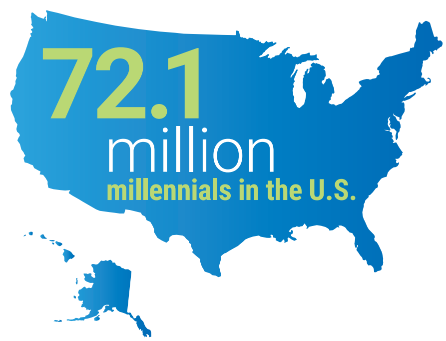
Introduction: **Generational Shifts**

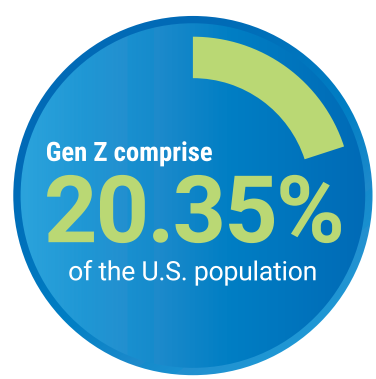
As millennials and Gen Z continue to increase in influence, credit unions need to create and implement strategies that will appeal to these younger generations. The development of relationships based on trust and transparency will translate to long-term credit union memberships.

The millennial generation (born between 1981 and 1996) has officially surpassed baby boomers as the largest segment of the U.S. population. Today, there are an estimated 72.1 million millennials in the United States. Just as millennials are fully entering their adulthood, the oldest members of Gen Z (born between 1997 and 2012) are now entering the workforce. Comprising 20.35% of the US population, members of this ethnically diverse generation are on the cusp of their financial and cultural influence

Credit unions need to recognize the tendencies and habits of these younger generations, as they're quickly becoming the nation's most powerful Consumer group. This presents a major opportunity for credit unions to grow their memberships, and a component of that value proposition necessarily includes collections. It is critical that credit unions ensure they are attracting, engaging, and satisfying this growing market.

So what exactly characterizes the millennials and Gen Z, and how do organizations adapt to their preferences? What can credit unions do to implement effective strategies to earn their trust and membership?





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The "Connected" Generations

Millennials and Gen Z's came of age just as mobile devices, online platforms, and social media gave them the power to share their stories, and to be influenced by the stories of distant people and institutions.

Despite (or maybe because of) this digitally native worldview, they value quality life experiences, openness and transparency, and personal and corporate accountability. 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 are risk averse and fear the burden of debt, even as they find themselves entering adulthood carrying debt levels unheard of in previous generations

Interestingly, both millennials and Gen Z tend to lack financial literacy and practical money management skills needed to address these fears. 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 distrust of 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, as well as a general lack of understanding of their unique mission and goals, credit unions are faced with a tremendous challenge when it comes to engaging millennials and Gen Z – 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 overcome these concerns.

> Brands targeting Gen Z need to look beyond the confines of traditional segmentation, the ultimate priority always has to be on alignment that helps us cultivate relationships with youth culture - not just organize it.
>
> **Gregg L Witt, author "The Gen Z Frequency: How Brands Tune in and Build Credibility"**

Millennials & Gen Z: 4 Ways to Engage

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

1 Embrace & Optimize Technology

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.

In Gen Z, this reliance on technology is even more startling. This shouldn't be surprising, as this is the first generation to grow up in a world where high-speed internet, WiFi, smartphones, social media, and constant connectivity are just facts of life. This "always on" technological environment is clearly shaping Gen Z Consumer behaviors. For example, **95% of teens report they have a smartphone or access to one, and more than 32% of Gen Z transactions happen on a mobile device.**

Both generations want – even demand – 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.). And they want these experiences to be fast, accessible, and intuitive.

The key to connecting and collecting from these generations 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 Uphold a Positive Corporate Culture

According to a recent Deloitte survey, millennials and Gen Z are "channeling their energies into holding themselves and others accountable. They're the people most likely to call out racism and sexism, and to shun companies and employers whose actions conflict with their personal values."

This focus on accountability is a hallmark of these connected generations. **They believe in the power of individuals to create change, and they are vocal and active in their expectations of authentic, honest, and positive corporate citizenship.** It's the same level of personal responsibility they expect from themselves, and from the older generations they see as the stewards of the businesses and institutions they interact with today.

Because of this, millennials and Gen Z 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. But beware insincere window dressing. The only thing millennials despise more than bad actors are cynical attempts to appear to care about the community just for profit's sake, and Gen Z is even more skeptical than their older counterparts.

This scrutiny also extends to the companies a business chooses to partner with. 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.

3 Develop Relationship-Based Experiences

Millennials and Gen Z 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.

Interestingly, at least from what we see at this point, members of **Gen Z tend to be more interested in saving money than millennials were at that same age.** They seek to extract the most return from their dollar, while millennials strive to extract the most positive experience from every interaction. This level of pragmatism leads to a much more conservative spending approach by Gen Z. Value – and not just value-added – will be the watchword for organizations seeking to win their business.

These distinctions are not inconsequential, and the individuals in these generations cannot be treated as if they all share the same beliefs, goals, and values (especially with the many choices they have at their literal fingertips). A standard inside-out marketing and business approach will not break through the noise.

Rather, financial institutions that are responsive and communicative with their members, showing that they value input and reacting accordingly, will be most successful. By understanding each individual member's values, satisfying their needs, and making life easier and quicker, credit unions and collection agencies alike have an opportunity to transition from just a business to a trusted resource for financial information and guidance.

4 Address Their Needs & Challenges

Credit unions need to develop products that are "youth-friendly" – in other words, products and strategies that take into account the characteristics and tendencies of these younger generations.

For example, most current banking products are marketed to people who already have an established credit history. While this works well (at least on paper) for the financial institution, it often boxes out potential members who don't have a long track record of credit worthiness, or worse yet, who find themselves in default on their obligations.

Instead, credit unions who want to attract this new of source of members need to create products that focus on educating and empowering millennials and Gen Z by focusing on what matters most to them, and what they are capable of embracing and utilizing successfully (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 and their Gen Z counterparts often 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 growing their memberships if they expend the time and effort to help meet the unique needs of millennials and Gen Z.

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 adults are unaware of the core principles of the credit union system. However, by partnering with a collection agency that is responsive to these generations' 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 cater 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. Gen Z is just starting its journey to financial independence. 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.

Let's **Get Started!**

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