

Banking preferences of millennials

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Abstract

Previous studies show that millennials prefer banking with nationwide banks as opposed to using smaller regional or local institutions. As the current customer base ages, the smaller financial institutions will need to find a way to attract millennials. This paper examines the reasons for millennials' banking preferences. Surveys were administered to bank customers that were thirty-five years or younger asking about their banking needs and satisfaction with the services their current institutions provide. The data suggests that, surprisingly it is not better quality services or greater use of technology that attracts millennials to the nationwide banks, but it is simply their generation's reliance on recommendations from others that draw them to the larger institutions.

Keywords: Consumer, Banking, Services, Preferences

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Introduction

In a previous paper (Bexley and Sherrill, 2015) found that millennials prefer nationwide banks to either regional or local financial institution. The data did not show evidence that this was due to social media offerings or mobile applications where the nationwide banks might have more resources employed and thus have a strong customer offering. It was also noted that the younger generation had little interest in mortgage services. This may negate the need to have a personal relationship with their financial institution and eliminate one of the benefits from a smaller regional or local institution. While the findings showed a marked difference in bank preference for millennials it did not address the reasons why.

In this survey an attempt was made to answer these questions. How do millennials choose their financial institutions; what are the ATM usage tendencies; and what is their satisfaction level with their current financial institution offerings. This data may be particularly relevant to local and regional banks and credit unions in order to obtain customer from the millennial generation.

Literature Review

While there is substantial literature on millennials, there is basically a void on the specific reasons for selecting a financial institution. In the Microsoft First Global Survey of Millennials and Banking Channels (Javelin Strategy and Research 2008) indicated that most millennials go online for their needs with a caveat that more detailed transactions required a visit to a physical location. Also, they touch on, as an afterthought, that friends and family might have an influence. Millennial Disruption Index (2014) surveyed some 10,000 millennials over a three-year period and concluded that banking will have a seismic change due to millennials. Brent Johnson (2015) concluded that banks did not properly “court” millennials because of all their student debt so the banks should change their attitude. Cisco Corporation (Teller Vision, 2010) hinted at social media being a major factor in bank selection, but concluded that social media and banking were not a good mix.

Methodology

Each student in a commercial banking class was tasked with administering a number of surveys to individuals thirty-five years of age or younger. The students were instructed in the proper methodologies for confidentiality when using human test subjects. The completed surveys were collected by the class professor.

The survey consists of five questions about banking preferences. One question addresses the type of financial institution that the customer uses. One question asks how the respondent chose their financial institutions. Two questions ask about ATM usage, and the final question addresses the level of satisfaction that the respondent has with the offerings of his current financial institution. In addition, participants were asked to identify their gender and if they were under twenty-five or in the age range twenty-five to thirty-five. The survey is shown in Appendix 1.

Results are calculated for the entire population and then by gender, by age group, and by type of financial institution. Since the subsample and the population consist of different numbers of observations, we employ a chi-square test to determine if the response frequencies of the subsets are significantly different statistically from the expected frequencies based on the overall population responses. A p-value of .10 or less indicates that the subsample frequency is different from the population frequency at a statistically significant level. In some sub-samples, the number of observations is quite small and the results of the chi square test may not be valid.

Survey Participants

A total of 366 completed surveys were received. The respondents are split evenly between male and female respondents. 183 (50%) of the respondents are male and 183 (50%) are female. The ages were split into two groups; under twenty five, and twenty-five to thirty-five. 63% of the respondents are under twenty-five and the remaining 36.6% are in the twenty-five to thirty-five age range. Table 1 shows the overall results by survey question. Consistent with an earlier study by the authors, the findings indicated that the majority, 51% of the respondents utilize a nationwide bank as their primary financial institution. 32% use regional or local banks, 14.75% use credit unions, and only 2% use internet only banks.

Further, an analysis was made on the type of financial institution used by gender and by age range. These results are shown in Table 2. There are no significant differences in the choice of financial institution based on gender. Nor are there any significant differences in the type of financial institution used between the two age groups.

The subsequent tables use the gender, age, and financial institution type data to analyze the answers to the remaining questions. The goal is to determine if there are differences based on the type of financial institution used, age, or gender and to get a better understanding of the banking preferences of millennials.

Financial Institution Selection Criterion

Respondents were asked to identify how they chose the financial institution that they use. They were only allowed to select one option from the following choices: friend or family recommendation; it was the one used at my college; based on interest rates; based on no/low fee ATMs; based on number of ATMs; based on credit card rates; based on mobile apps; based on geographic location of branches; or other. Table 3 shows the results of this question.

62.57% of the respondents indicated that they chose their financial institution based on a recommendation from a friend or family member. 16.67% made their choice based on branch locations. 6% chose their institution because it was used at their college and 5% based on interest rates. Only slightly more than 1% made their selection based on either number of ATMs or ATM fees. Credit card rates and mobile apps were the criterion for 1.37% and 1.64% respectively.

Fifteen respondents or 4.1% selected other. The main reason (12 respondents) given for other is that the respondent chose the institution because they either currently work there or had previously worked at the institution. Only one respondent made their selection based on a special promotion. One respondent indicated their intuition was chosen by their employer and one respondent indicated office hours were their criterion.

Examining the selection criterion based on gender shows no statistically significant differences. Slightly more females rely on recommendations from friends or family and slightly more males consider branch locations but neither of these differences are significant.

However, when the selection factors were examined by age range there were no statistically significant differences. The under twenty-five age range relies on recommendation from friends and family at a higher rate, 73.28% while the twenty-five to thirty-five age range only relies on recommendation from friends and family 44% of the time. The younger age range only considers interest rates 2% of the time while the twenty-five to thirty-five age range uses this criterion 10.45% of the time. And, in a somewhat surprising and counter-intuitive result, the younger age range selects a financial institution based on mobile apps 0% of the time based on our survey data, while the older age range finds mobile apps relevant 4.48% of the time. The twenty-five to thirty-five (older age range) also selected branch locations 24.63% of the time which is higher than the under twenty-five group who considered this 12% of the time which is consistent with the overall population. These differences are all at statistically significant levels of less than .10 as measured by a Chi-square test.

The study also analyzed the selection criterion used to select a financial institution based on the current type of institution used. We find that the selection criterion used by those who bank at nationwide institutions follows the overall population. The majority, 62.57% rely on recommendations by friends and family. The other criterion are also selected at the expected rates.

There was one statistically significant difference in selection criterion for those who use local or regional banks, interest rates are used in the selection process less than one percent of the time versus the expected 5% rate.

Not surprisingly the findings indicate that those who use an internet only bank make their selection based on mobile apps 42.86% of the time versus the expected 1.64%. We also see that those who use an internet only bank only rely on friends or family recommendations 14% of the time versus the expected 62.57%. However, it should be noted that it is a very small sample of respondents who use an internet only bank as their primary financial institution and that these results are inconclusive.

We find only one statistically significant difference among those who use credit unions; they use interest rates as a selection criterion at the highest rate of any group, 16.67% of the time versus the expected 5%.

ATM Usage

An examination of ATM usage by asking if the respondent uses an ATM and if so how often. Table 4 shows the results to the question, “do you use an ATM?” 74.86% of the respondents use an ATM. Again, there was no difference based on gender. Males and females use ATMs at the same rate. There was a slight difference between the age ranges. 78% of the under twenty-five group uses ATMs while only 68.66% of the twenty-five to thirty-five group does. However, these results are not significantly different from the expected.

The only significant difference seen in ATM usage is when the data is sorted by type of financial institution used. Only 62.9% of those who use a credit union use ATMs. The respondents who use the other types of institutions use ATMs at the expected rate.

If the respondents answer “Yes” to using an ATM they are then asked “how often do you use an ATM?” These results are shown in Table 5. Note that the sample size is different for this table as these are only the respondents who answered “Yes” to question three on the survey. 27.37% of the respondents use an ATM once every other week, followed by 26.28% that use an ATM once a month. Only 18.61% of those surveyed use an ATM on a weekly basis, and 15.33% more often than that. 12.41% of the respondents use an ATM less regularly than once a month.

There were no significant differences in these patterns when examined by gender. Women have a higher rate of using ATMs every other week but this difference is not statistically significant. Likewise, we see no difference in patterns between our two age ranges. The twenty-five to thirty-five group uses ATMs more than once a week at a slightly higher rate, but again this is not statistically significant.

Examining the ATM usage by bank type produces no significant differences. Those who use a credit union have a lower rate of using an ATM more than once a week. And those who use a regional or local bank have a lower rate of using an ATM only once a month, but once again, these differences are not statistically significant.

Satisfaction with Current Financial Institution

The last question on the survey asks the respondents how well their current financial institution is meeting their expectations regarding the quality of the services offered. They can select from one of three options: exceeds expectations, meets expectations, or does not meet expectations. The results for this questions are shown in Table 6.

Overall 65.85% of the respondents find that their current institutions meet their expectations. 29.78% find that their institutions exceed their expectations and the remaining 4.37% feel that their current institution is not meeting their expectations.

Both genders respond consistently with the overall population. There are no significant differences. Similarly, the two age ranges respond consistently with the overall population and with each other. There are no marked differences in satisfaction levels between the age groups.

However, the findings indicate several differences in satisfaction levels when the data is examined by type of institution used. Those who use a nationwide bank indicated that their institution exceeded expectations only 19.79% of the time, lower than the norm. This is a statistically significant difference from the expected value. The users of nationwide banks selected meets expectations 73.8% of the time which is greater than the norm and again, this is a statistically significant difference.

The results for those who use regional or local banks was the exact opposite. 40.68% indicated that their current institution exceeds expectations, which is much greater than the norm. Only 55.93% selected meets expectations, which is much lower than the norm. Both of these differences are statistically significant.

The other two institution type categories did not have major differences. The results for those who use internet only banks are consistent with the overall responses. 40.74% of the respondents who use credit unions answered that their current institution exceeds their expectations. This was a marginally statistically significant difference, the p-value was .1046 or slightly above 10%. Those who use credit unions also had lower values for meets expectations and does not meet expectations but neither of these differences are significant.

Conclusion

The results should be good news for regional and local financial institutions. The examination of how millennials make their banking choices and the results suggest that it is not the areas where a nationwide bank would have an advantage that are the deciding factors for the millennials. It is not the number of ATMs, the number of branches, nor the mobile apps that the bank has that attracts millennials. Instead, it is the recommendation of friends and family that is the most highly relevant factor in their decision making process.

The results also indicate that those who use a local or regional financial institution are much more satisfied with the quality of the services that their institution offers than those who use a nationwide bank. These results suggest that if the local and regional institutions can attract the millennials in the first place, the millennials will not be dissatisfied with the quality of the offerings and service, and will not switch to a larger institution based on service quality shortcomings of the smaller institution.

Given these results, local and regional institutions may want to consider a referral rewards program to attract millennials.

References

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Table 1: Overall Results: This table shows the overall results from the administered survey by questions and by the age range and gender. N is the total number of respondents per category and the percent is the percent of respondents who chose that answer.

	N	%
Gender		
Male	183	50.00%
Female	183	50.00%
Age		
< 25	232	63.39%
25-35	134	36.61%
Institution Type		
Nationwide Bank	187	51.09%
Regional or Local Bank	118	32.24%
Internet only Bank	7	1.91%
Credit Union	54	14.75%
Other	0	0.00%
Selection Method		
Friend, family recommendation	229	62.57%
Used at college	22	6.01%
Interest rates	19	5.19%
No/low ATM Fees	5	1.37%
Number of ATMs	4	1.09%
Credit Card rates	5	1.37%
Mobile Apps	6	1.64%
Branch Location	61	16.67%
Other	15	4.10%
ATM Usage		
Yes	274	74.86%
No	92	25.14%
ATM Usage Frequency		
More than once a week	42	15.33%
Once a week	51	18.61%
Every other week	75	27.37%
Once a month	72	26.28%
Less than once a month	34	12.41%

Table 1 continued

	N	%
Quality of Services Offered		
Exceeds	109	29.78%
Meets	241	65.85%
Does not meet	16	4.37%

Table 2 Type of Financial Institution Used: This table shows the results to the first survey question, “What type of financial institution do you use?” Respondents were only allowed to select one option. Note that there was an “other” category but no respondents selected “other”. N is the total number of responses. The percent is the percent of respondents in the subsample who chose that selection. The P-value from a Chi-square test is shown in parenthesis. This indicates if the percent of the subsample is different from the expected results based on the overall population with statistical significance. P-values of .10 or less are considered to be statistically significant differences.

		Type of Financial Institution Used				
		N	Nationwide	Regional/Local	Internet	Credit Union
Full sample						
	N	366	187	118	7	54
	%		51.09%	32.24%	1.91%	14.75%
By Gender						
	Male	183	50.27% (.8563)	33.33% (.7968)	1.64% (.8215)	14.75% (1.00)
	Female	183	51.91% (0.8563)	31.15% (.7956)	2.19% (.8259)	14.75% (1.00)
By Age						
	< 25	232	49.57% (.7165)	34.05% (.6461)	1.29% (.5648)	15.09% (.9115)
	25-30	134	53.73% (.6010)	29.10% (.5034)	2.99% (.4690)	14.18% (.8719)

Table 3: This table shows the results to the second survey question, “How did you choose your bank?” Respondents were only allowed to select one option. N is the total number of responses. The percent is the percent of respondents in the subsample who chose that selection. The P-value from a Chi-square test is shown in parenthesis. This indicates if the percent of the subsample is different from the expected results based on the overall population with statistical significance. P-values of .10 or less are considered to be statistically significant differences.

		How Financial Institution Chosen								
		Friend or Family	Used in College	Interest rates	No/low ATM Fees	Number of ATMs	Credit Card rates	Mobile Apps	Branch Location	Other
N										
Full sample										
N	366	229	22	19	5	4	5	6	61	15
%		62.57%	6.01%	5.19%	1.37%	1.09%	1.37%	1.64%	16.67%	4.10%
By Gender										
Male	183	59.56%	5.46%	6.01%	1.09%	1.64%	1.64%	1.64%	19.13%	3.83%
		(.4950)	(.7967)	(.6904)	(.7879)	(.5906)	(.8012)	(1.000)	(.4746)	(.8777)
Female	183	65.57%	6.56%	4.37%	1.64%	0.55%	1.09%	1.64%	14.21%	4.37%
		(.4903)	(.8023)	(.6755)	(.8012)	(.5252)	(.7879)	(1.000)	(.4570)	(.8803)
By Age										
< 25	232	73.28%	6.03%	2.16%	1.29%	1.29%	0.86%	0.00%	12.07%	3.02%
		(.0068)	(.9906)	(.0653)	(.9396)	(.8245)	(.5766)	(.0500)	(.1237)	(.4937)
25-30	134	44.03%	5.97%	10.45%	1.49%	0.75%	2.24%	4.48%	24.63%	5.97%
		(.0002)	(.9864)	(.0360)	(.9151)	(.7301)	(.4909)	(.0663)	(.0436)	(.3762)
By FI Type										
Nationwide	187	62.57%	6.01%	5.19%	1.37%	1.09%	1.37%	1.64%	16.67%	4.10%
		(.2143)	(.5623)	(.6373)	(.3720)	(.3297)	(.1084)	(.9754)	(.7269)	(.6045)
Regional/Local	118	60.17%	9.32%	0.85%	1.69%	0.00%	2.54%	0.00%	21.19%	4.24%
		(.6406)	(.2146)	(.0392)	(.7947)	(.2541)	(.3835)	(.1617)	(.2640)	(.9474)
Internet	7	14.29%	14.29%	14.29%	0.00%	0.00%	0.00%	42.86%	14.29%	0.00%
		(.0093)	(.3673)	(.2900)	(.7555)	(.7809)	(.7555)	(<.0001)	(.8669)	(.5846)
Credit Union	54	55.56%	1.85%	16.67%	3.70%	0.00%	3.70%	0.00%	11.11%	7.41%
		(.3224)	(.2098)	(.0016)	(.2104)	(.4402)	(.2104)	(.3433)	(.2980)	(.2747)

Table 4: This table shows the results to the third survey question, “Do you use an ATM?” N is the total number of responses. The percent is the percent of respondents in the subsample who answered in the affirmative. The P-value from a Chi-square test is shown in parenthesis. This indicates if the percent of the subsample is different from the expected results based on the overall population with statistical significance. P-values of .10 or less are considered to be statistically significant differences

		Do you Use an ATM	
		N	Yes
Full sample	N	366	274
	%		74.86%
By Gender	Male	138	75.41% (.8891)
	Female	136	74.32% (.8896)
By Age	< 25	182	78.45% (.3154)
	25-30	92	68.66% (.1652)
By FI Type	Nationwide	146	78.07% (.4032)
	Regional/Local	90	76.27% (.7581)
	Internet	4	57.14% (.2864)
	Credit Union	34	62.96% (.0649)

Table 5: This table shows the results to the fourth survey question, “How often do you use an ATM?” Respondents were only allowed to select one option. N is the total number of responses. The percent is the percent of respondents in the subsample who chose that selection. The P-value from a Chi-square test is shown in parenthesis. This indicates if the percent of the subsample is different from the expected results based on the overall population with statistical significance. P-values of .10 or less are considered to be statistically significant differences.

		How often do you use an ATM						
		N	More than Once a Week	Once a Week	Every other Week	Once a Month	Less than Once a Month	
Full sample		N	274	42	51	75	72	34
		%		15.33%	18.61%	27.37%	26.28%	12.41%
By Gender								
	Male	138	16.67% (.7251)	18.12% (.9023)	22.46% (.2821)	28.99% (.5598)	13.77% (.6973)	
	Female	136	13.97% (.7160)	19.12% (.9020)	32.35% (.2955)	23.53% (.5471)	11.03% (.6852)	
By Age								
	< 25	182	12.09% (.3293)	17.58% (.7800)	28.57% (.7797)	28.57% (.5898)	13.19% (.8071)	
	25-30	92	21.74% (.1561)	20.65% (.6670)	25.00% (.6566)	21.74% (.3853)	10.87% (.6945)	
By FI Type								
	Nationwide	146	13.70% (.6539)	15.07% (.3613)	30.14% (.5493)	29.45% (.4872)	11.64% (.8192)	
	Regional/Local	90	21.11% (.2025)	21.11% (.6019)	24.44% (.5857)	18.89% (.1571)	14.44% (.6173)	
	Internet	4	25.00% (.5954)	50.00% (.1126)	25.00% (.9158)	0.00% (.2337)	0.00% (.4520)	
	Credit Union	34	5.88% (.1376)	23.53% (.4920)	23.53% (.6338)	35.29% (.2655)	11.76% (.9142)	

Table 6: This table shows the results to the final survey question, “How well is your financial institution meeting your expectations regarding the quality of the services offered?” Respondents were only allowed to select one option. N is the total number of responses. The percent is the percent of respondents in the subsample who chose that selection. The P-value from a Chi-square test is shown in parenthesis. This indicates if the percent of the subsample is different from the expected results based on the overall population with statistical significance. P-values of .10 or less are considered to be statistically significant differences.

		How well is your financial institution meeting your expectations?			
		N	Exceeds	Meets	Does Not Meet
Full sample	N	366	109	241	16
	%		29.78%	65.85%	4.37%
By Gender	Male	183	30.05% (.9474)	66.12% (.9492)	3.83% (.7632)
	Female	183	29.51% (.9473)	65.57% (.9493)	4.92% (.7722)
By Age	< 25	232	29.31% (.9021)	66.38% (.8934)	4.31% (.9715)
	25-30	134	30.60% (.8601)	64.93% (.8476)	4.48% (.9592)
By FI Type	Nationwide	187	19.79% (.0116)	73.80% (.0568)	6.42% (.2993)
	Regional/Local	118	40.68% (.0279)	55.93% (.0518)	3.39% (.6413)
	Internet	7	28.57% (.9447)	71.43% (.7576)	0.00% (.5718)
	Credit Union	54	40.74% (.1046)	59.26% (.3434)	0.00% (.1172)

Appendix I

QUESTIONNAIRE

MILLENNIALS BANKING PREFERENCES

We respect your privacy and do not want you to put your name on this form nor does it involve any purchase or obligation on your part. Your responses will be very helpful in a research project. Please take a few minutes to respond to the following questions by placing an “X” following the appropriate answer.

For the purpose of this questionnaire, a millennial is defined as a person under 35 years of age.

Sex: Female____ Male____

Age group: Under 25 years of age ____ 25-35 years of age ____

1. What type of financial institution do you use? (Check only one)

- a. Nationwide bank____
- b. Regional or local bank____
- c. Internet only bank (Ally) ____
- d. Credit Union ____
- e. Other, Please specify: _____

2. How did you choose your bank? (Check only one)

- a. Friend, family recommendation ____
- b. It was the one used at my college____
- c. Based on interest rates ____
- d. Based on no/low fee ATMs ____
- e. Based on number of ATMs ____
- f. Based on credit card rates ____
- g. Based on mobile apps ____
- h. Based on geographic location of branches ____
- i. Other, please specify: _____

3. Do you use an ATM? Yes ____ No ____

IF YOU ANSWERED “YES” TO QUESTION 3. GO TO QUESTION 4. IF YOUR ANSWER WAS “NO” GO TO QUESTION 4.

4. How often do you use an ATM?_____

5. How well is your financial institution meeting your expectations regarding the quality of the services offered?

- a. Exceeds expectations ____
- b. Meets expectations ____
- c. Does not meet expectations ____

THANK YOU FOR TAKING TIME TO ASSIST US WITH OUR RESEARCH.