GENERATION Z

BANK CUSTOMERS OF THE FUTURE

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GET TO KNOW THE CORE CUSTOMERS OF TOMORROW

- FOREWORD

Generation Z is the generation today aged between 18 and 25. They are the banks' core customers of tomorrow. We need to get to know them better, so that we can continue to service bank customers according to what they need – and not what we think they need.

At the Financial Institute we asked anthropologists from Made DESIGN to study and define Generation Z. The young customers were asked directly how they defined good banking advice, what they thought about their bank, the criteria they used when they chose a bank, and what would make them change bank.

The results of this survey are very interesting. We are sharing them in this publication to give you an insight into your future customers' perspective, and how you can continue to give the best advice, far into the future.

You can read about trust, nervousness, dreams, the first experience of the bank, the bank as piggy bank or social security office, and good and bad experience with banks.

This can all serve as a source of reflection and inspiration.

We hope that you will be inspired to find new ways of approaching Generation Z as a target group, and to discuss this topic with your colleagues – and perhaps get ideas for new business concepts.

I would like to thank the anthropologists from MADE Design, whose qualitative approach gives us deep insights into this special customer segment's preferences.

Arm yourself with plenty of curiosity and get ready to meet Generation Z.

Enjoy your reading!

Søren Laursen,
CEO
The Financial Institute

ANTHROPOLOGISTS' SUMMARY

This publication is the result of a qualitative survey of young people aged 18-25 and their relationship with their bank. Generation Z is new in the financial market, and is an interesting target segment, since they are the bank customers of tomorrow. Generation Z are on the brink of living their dreams, and have a natural need to borrow money in order to fulfil the dream of a new car, a new home, or travelling the world.

One of the most important, and surprising, conclusions of the publication is that Generation Z is an overlooked generation – an overlooked customer segment. Most banks will probably claim that they focus on their young customers, but the survey clearly shows that this is not how the young people themselves see it. Most of the 53 young people interviewed in the survey describe how they have never been contacted by their bank, and if the bank does get in touch, it is usually about something negative – such as an overdraft on an account. For many young customers, the personal banking relationship is thus a negative relationship.

The publication describes a generation who use the bank in different ways, depending on where they are in their lives. When you are in your early 20s, on a student grant and studying full-time, you use your bank as a piggy bank. These young people save up money (from their student grants and student jobs), and withdraw their savings when they want to spend their money. Yet when the young people need a loan, the bank's role will change. It is interesting to note that many young people describe how nervous and worried they are, the first time they need to borrow money from their bank. This is because they are afraid that the bank will refuse their application. In this phase of their lives, the bank becomes a kind of social security office, where the young man or woman turns up at the bank like a person on benefits visiting the social services. This is a surprising finding, and there are not many other customer relationships where the customer becomes a social security client in this way. The banks must take care not to turn their young customers into benefit clients, which could contribute to pushing the young people out of the bank, in favour of other types of loans (such as payday loans and car loans from car dealers).

News headlines tend to focus on Generation Z as a generation of digital natives who are disloyal to their bank and only go for the best offer. This survey points to a more nuanced understanding of this situation. The young people are newcomers in the financial world, which makes personal trust extra important when it comes to borrowing money. You need to trust your adviser, before you borrow money from the bank. The face-to-face meeting is vital to creating this trust.

This does not mean that Generation Z are not digitally literate. Generation Z use the bank's digitised services, but when it comes to financial advice, the vital aspect is trust.

For Generation Z, a bank is two things. On the one hand, a bank is about access to money, and on the other, financial advice about money. Access to money concerns being able to see how much money we have in the bank, being able to pay for things, transfer money, and withdraw money from the bank. Financial advice is advice on how to invest our money, and how to borrow money. When it comes to accessibility, Generation Z is a highly digitised generation. They use all of the bank's digital tools, and they use many different digital media in their everyday lives. When it comes to advice, on the other hand, Generation Z is more analogue. They wish to build up a trusting relationship with their adviser before they get any advice. For this generation, access to money is digital, while advice is analogue.

PURPOSE OF THE PUBLICATION

Generation Z is a study of the bank customers of the future. The publication gives deep insights into the relationship these young people from Generation Z have with their bank, and what the bank must be aware of, in order to attract and retain this customer segment.

Numerous surveys and articles consider Generation Z's use of technological solutions and media such as Insta-gram, Snapchat and Facebook, as well as new solutions such as Tumblr and Whatsapp, which have grown at lightning speed. Yet very little has been studied and written about Generation Z and their relationship with the banks. This publication focuses on the relationship between the young person and his or her bank.

Bank, rather than banking institution, is the term used in this publication, since this is the term which the young people themselves use to describe their bank.

WHO ARE GENERATION Z?

Generation Z are known as the digital natives. They are the first generation that does not remember a world without Internet access. They have grown up in a time during which one technology has quickly become outdated and been replaced by something new. They are self-taught and can quickly learn new skills – digital and analogue – using e.g. How-to videos on YouTube.

Generation Z are in the process of breaking free from mum and dad by leaving home and gaining financial freedom from dependence on their parents. Even though they are scoring the first real points as adults by moving home, banks and banking matters are not something that interests them or that they think about a lot.

Opinion is divided on when Generation Y became Generation Z. One view is that Generation Z is those born after 1995, while another view is that this generation came on the scene after 9/11 2001. In this survey, Generation Z is young people who in 2015 are aged between 18 and 25, and were thus born in 1990 or later.

Curling children

Generation Z grew up as what is popularly called "curling children" or serviced children. Curling children seldom encounter problems or opposition because their parents over-protect them and brush away any problems in their path. Parents keep on brushing away obstacles and problems even though little Suzie is now 23 and has left home.

Curling children are accustomed to a high service level, and they usually do not need to make any contribution in return for being serviced by their parents. One of the characteristics of curling children is their need to be seen and acknowledged by others, as their parents have done for them, since parents quite naturally consider their son or daughter to be a wonderful young person. So the young people have grown up with parents who admire them and are happy to tell the whole world how many A grades their offspring got in their "A" levels. Young people are accustomed to being the centre of attention, according to Bent Hougaard, MSc (educational psychology). (Source: *Curling-forældre & service-børn*, see bibliography). The close relationship between the young people and their parents is also reflected in the survey. This is spotlighted in the chapter "Parents are the young people's first bank", which reveals how the young people use their parents as a bank, or intermediary between themselves and the bank.

Generation Z is also a generation of children from divorced families, where they are caught between a mother and a father who want only the very best for them and do everything they can to give their children the best possible start to their adult lives. This was the situation of many of the young people interviewed in this survey. In terms of their choice of bank, this means that the young people have to choose to follow either mum or dad, if the parents do not use the same bank.

Crisis generation Z

Generation Z has grown up in at time when society has never been more prosperous. Yet the financial crisis has blemished the rosy picture of infinite opportunities for what you can and will accomplish in life. The bank failures in the wake of the financial crisis, increasing youth unemployment in Denmark and the rest of Europe, and crazy stories of irresponsible investments or loans, have left a strong mark on how the young people think, Programmes such as *Luksusfælden* on TV3 have taught them about good and irresponsible financial habits, and that payday loans should be avoided. Generation Z has learnt from the mistakes of previous generations, and they have been in the front row as observers of how difficult it can be to rectify the reckless economic priorities and choices made by previous generations. (Source: *Generation Z*, see the bibliography).

Generation Z has become a crisis generation who are highly aware of what financial recklessness can lead to. As a consequence, they take a very sceptical view of the financial world. The young people are extra cautious when it comes to taking financial decisions. They consult people they trust, and who they know from experience wish them well, which is usually close family members. So for this generation, trust is key. Several of the following chapters will show how this is expressed.

How the survey was performed

The survey is based on 53 interviews with young people aged 18 to 25, which took place in April and May 2015. Fourteen of these were in-depth individual interviews in the young people's own homes. The rest of the interviews took place as eight focus groups with four to six participants. Focus groups and individual interviews took place in Thisted, Aarhus, Kolding and Copenhagen, in order to capture any geographical differences among young bank customers, which did not prove to be the case. Whether the young people come from Thisted or Østerbro in Copenhagen, they have the same opinions, concerns and experiences.

Recruitment for the interviews showed that young people do not talk about their financial circumstances unless they are reasonably secure. All of the young people who took part in the interviews had good control of their finances. The majority of them did not have bank loans and managed on their income, whether it was based on work, a paid apprenticeship, or student grants and loans. It would have been interesting to hear from young people whose finances were more constrained. Unfortunately, it was not possible to recruit anyone in this category, even though they received a gift token as a reward for their participation.

The young people were recruited based on a strategy of speaking to customers of small, medium-sized and large banks, in order to reflect the young people's view of the banking world based on the Danish banking market's structure.

The survey was conducted by the innovation company MADE Design for the Financial Institute.

THE OVERLOOKED GENERATION

No bank would be likely to say that they do no focus on their young customers. Often, this focus is expressed as different offers and products for young people, with the offer of slightly higher interest, a free Visa/Dankort (debit card), foreign currency without conversion charges, etc. The young people know that the banks have these offers/products, and also name these as reasons for their choice of bank. Yet they do not know what the products for young people actually consist of. In many cases, mum or dad has told them that this is a good deal for them, while they are young.

None of the young people in the survey consider themselves to be interesting customers for the banks, even though the banks have products targeted at this segment. This is because the young people are only very rarely contacted by their bank. Besides the standard products for young people, they do not feel that the bank pays them any attention. In many ways, they are an overlooked generation.

This chapter is about how the young people see themselves as customers, and their relationship with their bank.

Meet Tobias...
Tobias, aged 22, lives in Aarhus, is taking a BSc in business studies and is a customer in the same bank as his parents.

Tobias does not spend much time on his finances and does not budget either. He takes things as they come and uses his account balance to budget. Yet Tobias does try to avoid spending more than he has in his account, and it usually seems to balance at the end of the month. To manage his balance and make sure that he does not spend too much, Tobias checks his mobile bank a couple of times a week.

Tobias did not know that he had an adviser at the bank until recently, when he saw a name in his mobile bank, and the adviser has never contacted him. Tobias very rarely visits his bank branch, but went to the bank once, to get a new credit card. He does not know whether he met his adviser there, and if he did, he was not introduced to him. Tobias thinks that it is a bit strange to phone up a bank adviser he does not know, but it would be great if his adviser were to get in touch with him. For him this would signal: "We know that you're our customer, and we focus on you!"

Tobias describes his relationship with his bank:

“I use the bank as the place where I have my money. Otherwise it doesn’t mean much to me. It’s not the bank that matters to me, but the money I have there. I use my bank to get my pay into my account, and that’s it.”

I know that I am not an important customer.
Concerning whether young people see themselves as an important customer, very few of them saw themselves in this way.

Usually the answer to the question: "Do you think you're an interesting customer for your bank?" was answered with: "Me? No, definitely not!", often followed by a laugh and a grimace to the interviewer to emphasise how ridiculous this question was. The young people do not consider themselves to be of value to the bank, since they describe themselves as having low incomes and not being interested in substantial loans at this stage of their lives.

Lars, aged 25 and from Copenhagen, believes that his bank views him as follows: "My bank see me as a number, but a number with just one figure."

The bank rarely contacts you

Most of the young people have never been contacted by their bank. If they have been contacted, this was usually because their account was overdrawn. Several of the young people say they are scared that their bank might call them up.

Anne Sofie, aged 21 and from Kolding, said:

“If you get a call from your bank, you think – oh no, it must be something serious!”

Casper, aged 25 and from Aarhus, emphasised that his contact with his bank was negative: "My adviser only called because I had an overdraft, and there was a real problem."

Very few of the young people had been contacted by the bank for no specific reason. Yet in the cases when this did happen, it was a good experience which showed the young people that their bank was interested in them, even though their only income was a student grant or apprentice allowance.

Charlotte, aged 21, from Herlev, has been contacted by her bank:

“When I left upper secondary school a man called to ask when I was going to continue my studies. So instead of replacing my student account with another account while I took a gap year, he made sure I could keep the account until I started studying. It was great that they kept tabs on when things were happening in my life.”

The young people would actually like to have more contact with their bank. Whether this is a call from their adviser once in a while, or more structured meetings, such as an annual status meeting, is less important. The young people would simply like to have contact with their adviser, who can help and guide them.

The young people's descriptions of their experience with banks show that the banks are reactive, rather than proactive, towards them. As a rule, the banks only react when the young people themselves get in touch – to get a new Dankort when the old one got left behind in a bar somewhere, or when their account is overdrawn. The young people are actually very careful not to spend more than they have, but they are not given any credit for this. The bank's attention is usually focused on the occasions when their expenses have been higher than expected, so that their account has been overdrawn. The bank does not contact them or pay attention to the changes in the young people's lives which make it relevant to involve the bank, such as when they leave home or buy their first car.

The young people do not know who their adviser is, or what they can use their bank for

The young people find it difficult to contact their adviser, one reason being that many of them have no idea whether they have an adviser – and if they do, they do not know who this is.

"I don't know who my adviser is, and whether I even have one?" says Anne Sofie, aged 21 and from Kolding.

Several of the young people only know their adviser because they have had a letter from the bank about who their adviser is, or they have seen a photo of their adviser via online banking. The focus group interviews made it clear that several of the young people who did not have any relationship with their adviser were envious of the young people who did have an adviser who took an interest in them as a customer and person.

Malou, aged 23 and from Copenhagen, describes a good experience with her adviser:

> "My adviser held a meeting for which he'd made a PowerPoint show, and he'd gone to a lot of trouble – it was great that he was ready to help me."

William, aged 24, comments on Malou's story: "I wouldn't mind having an adviser like Malou's."

Many of the young people do not know which services the bank can offer them, and several of them are in doubt about the purpose of having an adviser. The bank is a practical necessity, to give them access to their money.

Isabella, aged 22 and from Aarhus, says: "Sometimes I wonder whether you even need a bank, since I don't use it for anything."

William, aged 24, from Copenhagen, adds:

"What do you need an adviser for? Perhaps it's just due to my own ignorance that I don't know."

Money is important, but the bank is not

As stated in the introduction, Generation Z is a crisis generation. A generation with close experience of the financial crisis, and which still remembers it in detail. This awareness was expressed clearly in the survey, when we met young people who were highly aware of the importance of healthy finances, and who were keen to avoid getting into the red.

As their bank account balance drops, the young people slow down on their spending, so they do not go into the red, while others have a debit card which cannot be overdrawn.

Henriette, aged 19 and from Kolding, says:
"I'm really scared of having an overdraft! When my balance falls to DKK 400-500, I stop spending any money at all. For me, having money in my account gives security."

Casper, aged 25 and from Aarhus, says:

> "I have a card that I can't overdraw, since I know I can't handle it. I once had an overdraft that's now become a bank loan. Together with my friends and family I found out that it was probably best not to have a Dankort. This was a decision I took without my adviser."

Money is extremely important for the young people, but which bank they use is of less importance. The bank is just the place to store and distribute the young people's available funds. Laura, aged 19 and from Aarhus, puts it very concisely: "It's really weird that we don't think more about where our money is, since we love having money."

The bank does not wish me well

The young people are very sceptical towards the banks and their ability to give advice. Especially the consequences of the financial crisis have made the young people aware that the bank's recommendation is not always the best. The young people are highly aware that the adviser is also a seller – and perhaps even more a seller than an adviser. Since many of the young people do not have a relationship with their adviser, they are naturally more sceptical than those who do have a relationship in which the adviser has proved that the bank has its customers' interests at heart.

William, aged 24, from Copenhagen, is sceptical about his adviser:

“I’m worried about whether my adviser just wants to sell something, or wants the best for me.”

William does not have any relationship with his adviser and has never been contacted by him – only once, when he was 18, and they had a chat about the future, but nothing else happened.

Charlotte, aged 21, from Herlev, also assumes that her bank is not really interested in her, and instead just wants to make money from her:

“They want you to be overdrawn, so they can earn lots of money on interest.”

Emma, aged 25, from Copenhagen, on the other hand, has a very different relationship with her adviser, Tommy, with whom she is in regular contact:

“When we need to borrow money for a new car, I trust Tommy to give us the best offer, which he has also done.”

Even though Emma knows that Tommy also has to make money for the bank, they have still established a bond, and Emma feels that Tommy protects her interests in the best way. This was confirmed when Emma and her boyfriend got offers for car loans from other banks, since Tommy's offer proved to be the best.

Young people do not know enough about finance, but would like to learn more

The young people find finances hard to understand. Several of them have difficulty with financial concepts and what interest entails, and how to best arrange their financial affairs.
Signe, aged 21 and from Aarhus, lacks any fundamental understanding of finances, which are totally incomprehensible to her:

“I asked my mum what a budget account is – she was quite indignant that I didn’t know.”

The young people would like the bank to give them some instruction in managing their private finances, as they would like to have a better understanding, to avoid making the wrong choices, with negative financial consequences for them.

"It would be great to learn something about interest, as I'm completely ignorant about it," says Rosa, aged 19, from Aarhus.

Laura, aged 19 and from Aarhus, says: "They should take in small groups of young people and tell them about the opportunities open to them, and what the bank has to offer – as a kind of instruction."

The young people enter a whole new world when they leave home and have to learn to manage their own finances. This major step towards independence and being a proper adult involves a good deal of uncertainty when it comes to finances. Basic facts of life, such as how much food costs, are something many young people learn the hard way, when they get to the 23rd of the month and all their money has been spent.

Charlotte, aged 21 and from Herlev, describes this:

"Right now, I spend a lot of time on my finances, since I've just left home, and need to learn that food costs money, and there are lots of other expenses too when you live alone. It's best to have some money left for food in the last week of the month."

Young people do not budget, but use their account balance as a budget
Most young people do not budget, but use their account balance as a budget. They have an idea of their expenses for e.g. rent, gym subscription and phone bill, etc. Now and then they have an unpleasant surprise when e.g. their electricity bill arrives. After all their fixed expenses are deducted at the start of the month, they manage their spending on a more relaxed basis, but make sure they do not spend too much.

Lars, aged 25 and from Copenhagen, manages his day-to-day finances in this way:

"I check my balance, divide it by 30 and then I know how much I have per day."

Malou, aged 23 and from Copenhagen, says:

"Sometimes I'd like to have a budget ... since electricity bills and insurance often come as a shock."

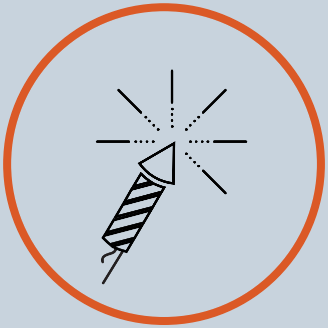
SOLUTION PROPOSALS

This chapter has described how Generation Z is an overlooked generation. The young people do not see themselves as important bank customers, and they do not feel that they are seen by the bank either. The young people's only contact with the bank is usually negative, but they are interested in building up a more positive relationship with their adviser.

There are several ways that the bank can build a more positive relationship with the young people, so that the bank comes to play a greater and more relevant role in the young people's lives. To illustrate this, here are five specific examples of what a bank can do in relation to the young target segment.

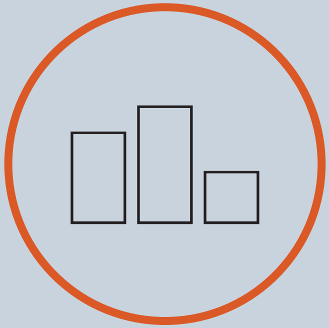
Living on a student grant:
To make finances relevant for the young people and show how the bank understands and acknowledges them, the bank could arrange various different events. These events could be based on the young people's current circumstances, such as an event where the bank focuses on the art of living on a student grant. This event could show how to shop economically on a student grant, and how to budget successfully – how much rent can they afford to pay, and what is a realistic food budget?

South America calling:
Another event could focus on saving up for a dream trip. For this event, the bank could join forces with a travel agency, which could present the fantastic travel experiences waiting for the young customers in South America, for example. The bank could also show how much the young people should save up each month to have enough for a big foreign trip, and which payment cards and insurance they should arrange for the trip.



Praise me:
When a young person has an account in credit on the last day of the month, send a "Wow - well done" message, or get the mobile bank app to give a little firework display. Or even give five stars when the young person logs in to see how the budget worked out this month. Praise the young people who are good at managing their finances, rather than only contacting them when they are overdrawn.

Grab the phone:
Many young people hardly know whether they have an adviser, and if they do, they do not really know them. Get the advisers to introduce themselves to their young customers. Call them up or invite them to come to the bank. Letters are considered to be less personal and do not give young people an idea of who their adviser is. Naturally, this contact should not end with the adviser's introduction of himself or herself. The contact between the adviser and the young person should be ongoing, so that the young person can see that the adviser is interested in them and is there to help.



Account balance as a budget tool:
Create an app to make it easy for young people to use their account balance to manage their budget. This app could help young people to divide their available income into equal portions, so they know how much they have available to spend.

PARENTS ARE YOUNG PEOPLE'S FIRST BANK

For young people, the financial market is unknown territory, and the bank is never at the top of their mind, so when they need help, they do not turn to the bank. Young people's finances have become a family affair, so that young people turn to mum and dad or other close relatives, such as grandparents, for advice.

This chapter is about how parents are the young people's first bank.

Meet Nanna ...
Nanna, aged 22, lives in Østerbro in Copenhagen and is taking a BSc in business studies at Copenhagen Business School. Nanna uses the same bank as the rest of her family.

Nanna has a lot of faith in her parents when it comes to finances. When she needs help, she goes to them. Whether this is advice on her financial affairs, or ordering a MasterCard, mum and dad will fix it. Nanna's finances are closely related to her parents' affairs. They hold power of attorney to her accounts, and all three of them have the same adviser.

If Nanna needs to borrow money, she goes to her parents. They have always said that she should come to them first, since it would worry them if she were to take a bank loan. Nanna also thinks that it is much easier to borrow from her parents, rather than the bank, which charges interest.

Nanna has never considered changing bank, since her parents manage this. But if her parents moved to another bank, she would probably go with them.

Banking relationships are based on trust, and trust takes time
The young people consider it important to have faith in their bank. Since many young people have not had very much contact with their bank, their faith in the bank is often based on their parents' experience with the bank. It is the rule rather than the exception that young people have the same bank as their parents, since they have inherited faith in the bank from their parents. Only the young people who have built up a trusting relationship with their own adviser also have confidence in their bank.

Alexander, aged 23, from Thisted, is very happy with his adviser, and has built up a relationship of trust:

“Katrine is lovely and has been my adviser ever since I started to earn my own money. She’s an adviser you really look forward to seeing. Now she’s been away for almost two years, as she’s had children, and I haven’t wanted to go to the bank to talk to another adviser while she’s been away. The others don’t know me at all. Katrine knows me and my finances, and I really trust her.”

For Filippa, aged 21, from Kolding, it is important that she and her family use the same bank. Filippa likes the idea that the bank knows who they are as a family. She says: "It matters that my family also use the bank. I meet my grandma in the bank, when we happen to be there at the same time, and the staff know who she is. This makes it really nice and friendly."

Family members are used as advisers and bank, rather than the bank

When the young people are asked who they go to when they need financial advice, most of them reply that they always go to their mum or dad, or another close relative, such as their grandfather. The young people do not first turn to their adviser, since they may not know who this is, and do not have any ties to this person. The young people consult the people they trust and who they can see are able to manage their own finances. Some of the young people also often have several advisers in the family, with mum and dad answering questions about everyday finances, while grandpa takes care of matters regarding investments.

Laura, aged 19, from Aarhus, has two close relatives she uses as advisers: "For any small matters, I go to my dad if I need help. For bigger things like shares, I go to my granddad, since he knows all about that."

They only contact the adviser if the close relatives cannot answer their questions, or concerning practical matters, such as a new Dankort or opening an account which their parents have recommended.

Mathilde, aged 21 and from Kolding, describes this well when she says: "I talk about finances with my mum, and practical matters with my adviser."

Signe, aged 21 and from Aarhus, says:

"I go to my mum and dad when I need financial help, and if they say 'ask the bank' that's what I do."

Since confidence in the bank is through the parents, and as parents are the young people's closest advisers, mum and dad will also accompany the young person to any (rare) customer meetings (especially the first few meetings). Bringing mum or dad along to the bank gives the young person security in a world that can be difficult to understand, and where an inexperienced customer may be afraid of agreeing to something it would be better to refuse. The young people's hearts have to be won through their parents, whose opinion of the bank is a crucial factor.

One example is Lars, aged 25 and from Copenhagen, who wanted a loan of DKK 40,000 for a trip to Australia. Lars took his mother along to the bank to arrange the loan, and he says:

"I could just as well have been my mum's shadow, since she handled everything."

It is also important for the young people that they do not wish to be a nuisance. So they do not contact the bank to sort out minor problems – they leave this to mum and dad since they have lifelong experience when it comes to finances.

Charlotte, aged 21, from Herlev, is afraid of being a nuisance if she contacts the bank:

"It would be good to know who my adviser is. I think I'd be more inclined to call them, even about small things. I just think I'm a nuisance, or not important enough, so it's easier to go to my dad."

Young people tend to stay with the bank they inherited from their parents. The young people think that if their parents have confidence in their bank, they can also put their trust in the same bank. Banks are thus handed down to the next generation. Most of the young people we spoke to used the same bank as their parents.

Young people choose the same bank as their parents

On the other hand, the young people also think that having the same bank as mum and dad is an advantage for their own creditworthiness. The idea is that if the bank can see that mum and dad have good control of their own finances, this will rub off on the young person, ensuring him or her premium terms and conditions.

Several of the interviewees pointed this out, and Nanna says:

“If you want to borrow money, I think it’s good to have the same bank as your parents.”

Have you got it sorted out?

Many young people describe parents who are worried about how much their children spend. The young people are not always truthful about their spending, either, if it does not match their parents' expectations of prudent financial management. The young people describe how their parents are very explicit about their views of good and reckless finances.

Thea, aged 23, from Aarhus, says that she only tells her parents about her spending when she has spent her money on something sensible: "It's ok to buy a new computer for my studies, but a night out is not something I tell them about. I know all about worried parents, when they think you've been spending too much. They prefer me to save up some money."

The young people are accustomed to parents who worry about how their children manage their finances. When Anne Sofie, aged 21, from Kolding, talks about finances with her mother, her mother often expresses concern:

“My mum worries about my finances, and keeps saying Anne Sofie, get a job.”

The young people describe parents who are very interested in knowing how their finances are going. Parents also have a great wish to help their children to navigate the often overwhelming financial landscape.

Many parents have power of attorney to their children’s accounts

As Nanna's story in the introduction to this chapter shows, it is not uncommon for parents to hold power of attorney to their children's accounts. This does not bother the young people. On the contrary, they feel a sense of security, since mum and dad can always take control if necessary. According to the young people, there is an unwritten rule, however, that their parents do not monitor them and their consumption.

Without having spoken to the young people's parents, it can be assumed that, like their children, mum and dad have learned from the financial crisis how bad things can get. The parents have probably also heard and seen several chilling examples of young people who have got into serious financial difficulties because they were not aware of the consequences of taking out a payday loan. Parents probably also get reassurance from being as involved as they are, to convince themselves that their children's finances are in good shape, as a sound foundation for their adult lives.

Close relationships can make you change bank

Changing bank is not a key concern for the young people. Even negative experiences, where they felt really unfairly treated, were not enough reason to move to another bank. In these situations, the young person will first attempt to get another adviser in the same bank.

Susanne, aged 23 and from Thisted, had a negative experience with her adviser, but still stayed with the bank:

"It's hard to leave the bank, even after a bad experience. Because that's where you've always been. You know the bank, and it's a safe feeling. We've talked about getting another adviser in the bank we use now because the lady we have now does not see us as adults."

Young people will typically change bank if they are dissatisfied with the bank, combined with a close relation who intermediates the contact with a new bank. Malthe, aged 24, from Aarhus, was a customer in a bank that he never heard from. He did not even hear from his bank when he had an unauthorised overdraft of DKK 14,000. Malthe's father recommended his own bank and adviser, and he then changed bank because:

"I don't want to stay with a bank I've never had any contact with."

Lukas, aged 22 and from Aarhus, had a similar story to tell, as he changed bank because he also had a bad experience with the bank, and a close relation who intermediated contact with a new bank. Lukas believed that he paid excessive charges for his Dankort, and this was a shame, since there were no charges in another banks.

Lukas says:

"I changed bank because I thought it was silly to pay for a card I could get for free in another bank. My granddad recommenced his bank, and he had a good relationship with the adviser, so now he and I have the same adviser. I picked my bank based on a personal relationship, rather than checking out lots of banks."

Lukas' and Malthe's change of bank is thus due to dissatisfaction, combined with a close relative's positive banking experience, which gave Malthe and Lukas the trust and confidence to choose the new bank.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SOLUTION PROPOSALS

This chapter describes how Generation Z rely on their parents when they choose bank. They opt for the same bank as their parents and stay with this bank for some years – or potentially the rest of their lives. The young people typically only change bank if they have a negative bank experience and also have a close relative who recommends another bank. It is thus also clear that if the young person does not use the same bank as his or her parents, the parents will to a great extent be able to influence the young person to pick the same bank as themselves.

Banks should take advantage of how Generation Z listen to their parents so much when they need good financial advice, and when they choose their bank.

Here are three examples of what could be done to get more young customers, or retain existing young people.

Training for parents:
The bank could offer various courses for parents, to make mum and dad even better advisers for their children. These could be online courses, courses at the branch, or material in various special-theme packages. The different programmes could be: When your child leaves home; When your child travels the world; When your child lives on a student grant, etc. Extending this helping hand to parents would probably reinforce their positive view of the bank, and this approach would also affect their children.

Family bank:
Since young people's finances are so closely related to what their parents advise them to do, the bank could use several initiatives to support this. This might be family meetings, to which the bank invites the young person together with mum and dad. The adviser could then describe what the bank can do for them as a family. Another option is to make sure that everyone in the family has the same adviser.

Take your child with you to the bank:
A bank could offer parents extra good benefits for their child if they bring the young person with them when the parents change bank. Even though most young people use the same bank as their parents, there were also young people in the survey whose parents had changed bank without them taking their children with them to the new bank.

NEW WORLD REQUIRES NEW TRUST

When people meet a new and unknown world, they will not yet have built up a relationship of trust. The new world will be unfamiliar and uncertain. How does it work, and how should one act in this new world?

The financial world is unknown territory for these young people. Some of them have not taken out their first loan yet, while others have borrowed money for their first car, foreign travel or home. But for all of them, this is all still relatively new. Many of the young people are not familiar with the financial mechanisms and have only limited insight into financial conditions. They do not know much about interest, mortgage credit and technical taxation issues. But first of all, this is a whole new world for them.

Meet Josephine …

Josephine, aged 21, is training to be a designer and uses the same bank as her parents. Josephine is concerned about her finances and is very careful not to overdraw her account. Josephine has a student grant and has taken a student job in order to bolster her finances. She has a small savings account besides her normal account, and sometimes she transfers money over from it to cover her overdraft, even though she does not like doing this.

Josephine is concerned about her finances, but does not spend very much time on this on a day-to-day basis. As Josephine says, she knows nothing about interest, loans and tax. She thinks that personal finances are very complicated. When she has questions about her finances, she calls her mother, who tries to help her. Josephine would like to have a better understanding of financial matters. She once had a meeting with her adviser, where they spent time on setting up a budget. The adviser showed Josephine how to set up a budget, and now she is trying to keep to it, but this is not going very well. She says:

“Even though you’ve set up a budget you soon forget it, so it’s not much use.”

A new world requires trust

As previously described, the financial world is not particularly transparent for many young people, and they find it hard to understand its products. It is difficult to have confidence in an unknown and unfamiliar world. Confidence must be built up over time. The young people have not yet built up this confidence in the financial world.

Due to this lack of confidence, the bank needs to spend extra time on building trust between the bank and the young person, before the young person will dare to trust the bank and its products. Personal contact with the adviser thus plays a vital role for many young people, since primary trust in the bank, and the new world of finance, has to be established through the adviser. To a great extent, this trust can be established on the basis of human relations, and the adviser is thus key to the young person's positive perception of the bank's products.

In an interview in his flat, Malthe, aged 24, described the importance of the personal relationship to him:

"I moved from Danske Bank to Sydbank, as I didn't have any contact with my bank, and it's important for me to have a bank where I'm in contact with a person. It matters a lot to me that I have a person I trust, and whose face is familiar. How could I borrow money from someone I don't trust?"

Trust = time x bandwidth
It takes time to build trust between people. We all know this, and it naturally also applies to the relationship between the young person and the adviser. All of the young people in the survey described how the personal meeting is the best way to build up trust, since this meeting is an opportunity for one-to-one dialogue. In principle, this confidence can also be built up virtually, or by telephone. But this just takes much longer.

Once the young person has confidence in the adviser, it will seem harder for the young person to change bank.

Andreas, aged 25, from Thisted describes the relationship with his adviser:
"I've always been with the bank in Bedsted and have had my adviser for many years now, and I think I'll continue to have the same adviser, since I trust him. I have confidence in him, and I can talk to him about my future. Even though I might move to Aarhus, I think I'll stick with the same bank."

Accessibility requires a little trust, while advice requires a lot of trust
We can generally say that a bank offers its customers two services. One is access to money and the other is advice about money.

Access to money concerns being able to see how much money we have in the bank, being able to pay for things, transfer money, and withdraw money from the bank. Advice relates to financial advice concerning investments and loans or, in other words, the financial planning of our lives.

It is apparent from this survey that young people generally have great confidence in the banks' media which provide accessibility. This concerns the bank's digital solutions – online banking and mobile banking – which are used by all of the young people in the survey. Use of this media varies from a few times a month to several times a day, and the common denominator is that the young people have great confidence in this media, since they are accustomed to using digital media in their everyday lives. They use different social media on a daily basis, and thus also have confidence in the banks' digital platforms.

Even though the young people have confidence in the practical use of the bank to ensure accessibility, getting advice from the bank requires considerably more trust. As stated, trust in the adviser must be built up, and this takes time.

Emil, aged 23, from Copenhagen, mentions this aspect when we discuss the opportunity to take out a loan via Skype:

"I wouldn't borrow money via Skype. I need to see and talk to my adviser face to face. You need a foundation of trust when you borrow money, and you can't build that up via Skype."

All of the young people in the survey express a need for the first loan to be based on a foundation of trust. If they have built up this trust in the adviser, they can take out a loan via Skype – but otherwise not. Gry, Astrid and Josephine mention this.

Gry, aged 20, from Thisted: "I would never take a million-kroner loan by telephone. You really need to get down there and see them in person."

Astrid, aged 24, from Copenhagen: "You can't really build up a close relationship via Skype, but if you know your adviser really well, and have built this up over ten years, I think you could borrow money via Skype. This just requires that you have built up a good and trusting relationship."

Josephine, aged 21, from Kolding: "I think it's really important to discuss things like this face-to-face. If I'm taking a loan for a house or flat, I need to go and see the person. I wouldn't do this via Skype, since it's not the same. I think it's because you have more faith in the person when you can see them in real life."

Advisers who "do a bit extra" create trust In the interviews, the young people describe how an adviser can gain their trust as customers. Here, they often give examples of advisers who have gone the extra mile. When advisers do more than is expected of them, this is viewed as a declaration of trust from the adviser to the young person, and the young person will reciprocate with confidence in the adviser. Here, Jonas and Lukas describe this.

Jonas, aged 24, from Copenhagen:

"I had a really good experience with my adviser. She gave me a youth account with a card four months before I actually started my studies, and before this was actually permitted. I think it was really cool of my adviser to do that."

Lukas, aged 22, from Aarhus: "I went on a trip to Brussels and lost my suitcase. I bought some new clothes on my card, as I thought there was insurance on my card. When I got home, the bank said they weren't sure that I was covered, while I said I thought they had told me I was. My adviser said they would cover the amount, due to the uncertainty. This shows how they were very committed to me as a customer. They showed confidence in me, and they value me as a customer. This was good service to me as a customer, and this will definitely play a role when I need to borrow money."

An adviser can thus help to create a trusting relationship with the young person by doing something extra. This does not have to consist of large gifts, but can be actions that demonstrate extra attention or trust.

Advisers who "use themselves" create trust

Another way that advisers can build up this trust is when advisers use themselves in the dialogue with the young person. A lot of the young people spoke very positively about advisers who opened up and told personal stories about themselves. This does not mean that advisers should reveal everything about their private lives. The young people would just like to relate to the adviser as a person, and not only as an adviser. This instils confidence and enables them to relate to the person, rather than the bank.

Emma, aged 25 and from Copenhagen, says:
"I think the good relationship I have with Tommy is due to how, when I call him, he chats about how he's just been on a motorbike trip to Copenhagen, and what he did over here. He chats about himself, without too many private details, and I think that's pretty cool."

Benjamin, aged 23 and from Kolding, also describes how it is positive to see the adviser step out of the banker role:

"My adviser is good at talking about himself, so he's not just a cold man in that chair. He tells us about his son and his house. This makes him more than just a banker, as he's also a human being."

The point is that young people – probably like most people – find it easier to relate to and identify with people who resemble themselves. In other words, a person who shows that he is human, like anyone else. This does not mean that the adviser must be on private terms with the young person. The adviser can be personal, without being private.

If you can always get hold of your adviser, this creates trust

If the adviser is always available and responds quickly, this helps to build confidence. It shows the young person that they are in focus, and that they are important. This helps to create confidence. On the other hand, if you cannot get hold of your adviser, this leads to mistrust and is perceived as arrogance, and that we are less important as a customer.

Julia, aged 24 and from Aarhus, says: "If my adviser doesn't answer you really start to wonder whether you should change bank."

Emma, aged 25 and from Copenhagen, says:

"I can always get hold of my adviser, and if he isn't available, he calls back straight away. He can quickly give me the offer I need."

The strongest adviser relationship will win

One of the periods in our lives when banks play a particular role, and when banks are chosen or rejected, is when a young couple set up a home together. Some couples stay with their respective banks, but many combine all of their financial activities in one bank.

This survey clearly shows the important role played by confidence in the adviser during this phase. When young people set up a home together, they often combine their financial activities in the bank where they have the strongest relationship with the adviser.

Emma, aged 25 and from Copenhagen, says:

"My boyfriend has moved to my bank and now we both have Tommy as our adviser. My boyfriend sorts out our finances, but that also means that I don't talk to Tommy much any more. My boyfriend does. My boyfriend used to be with Danske Bank, and he could never get hold of his adviser, and when he did speak to the bank, it was a robot he spoke to. I really liked my adviser, Tommy, so you could say that my strong banking relationship won over my boyfriend's weak banking relationship."

Astrid, aged 24 and from Copenhagen, says: "If my boyfriend and I were to combine our finances, my adviser would be the clear winner. My boyfriend does not have the same relationship with his adviser."

Josephine, aged 21, from Kolding:

"My boyfriend doesn't have a close relationship with his adviser. Not the way I do. I've never heard my boyfriend talk to his adviser. I think that if we were to pick just one bank, it would be mine. It's the same with my brother and his wife. They've picked his bank, since he had a closer relationship with his adviser than she had with hers."

It is thus vital for the banks that they build up strong and trusting relationships with the young people. This will increase the chances of not only retaining the young man or woman when they take out their first loan, but also of recruiting their boyfriends or girlfriends, when they set up home together.

You go through the front door of the large bank, but with the local banks you take the back door

In the interviews, the young people themselves can only name the larger banks such as Danske Bank, Nordea, Jyske Bank and Sydbank as the banks they know. They also name one to two small local banks from their own local area.

As shown elsewhere in this publication, in conjunction with special phases in life – start of studies, a new job, leaving home – changing bank can be relevant for the young person. Young people say that they would typically start with their own bank, if they needed to take out a loan. They would perhaps also ask one or two other banks. Often, however, they would end up taking the loan from their own bank. They typically obtain other offers from the large, nationwide banks they know from advertisements and commercials. Even though they would like to get offers from a local bank, they do not know whom to contact.

Emil, aged 23 and from Copenhagen, puts it this way:

"When you google bank, only the large banks pop up. These are the banks you know. To choose a small bank, you need to have a personal relationship with them."

The young people do not know the small local banks – besides the one they may use themselves – so they do not contact them if they are thinking of taking out a new loan. As a rule, they only contact a local bank if a close acquaintance or family member has recommended the bank to them. Contact with the small local banks is thus established through relationships of trust, while the larger banks have a brand with which the young people are familiar, which makes them contact these banks.

Astrid, aged 24 and from Copenhagen, gives a fine summary of the difference between the large banks and the local banks:

"You can go in the front door of a major bank, since you already know them. But with a small bank, you need to take the back door. You're uncertain of what they stand for, and what they can do. They don't have a big sign up, like the large banks. If you choose a small bank, it's because it was recommended by a friend or family member."

The bank failures in the wake of the financial crisis have had a lasting impression on the young people. When they are asked which bank they would switch to if they could not stay with their current bank, most of them respond that they would choose one of the large banks. Several of the young people do not have confidence in the small banks, and are afraid that their money might not be safe, if they chose a smaller bank.

Tobias, aged 22 and from Aarhus, describes his view of the small banks: "If I were to change bank tomorrow, I'd pick Nordea, since they are the next-largest. They know what they're doing, or that's my impression, at any rate. I don't know what could happen in a small bank; it's like a dinghy in the open sea, while Nordea is more like a container vessel."

Local banks' only asset outside the local area is trust

Local banks do not have a brand outside their local area. Sparekassen Thy is not known in Copenhagen, unless you have a good friend who uses this bank. A local bank only has value for the young people who know the local area in question.

Andreas, aged 22 and from Aarhus, says:

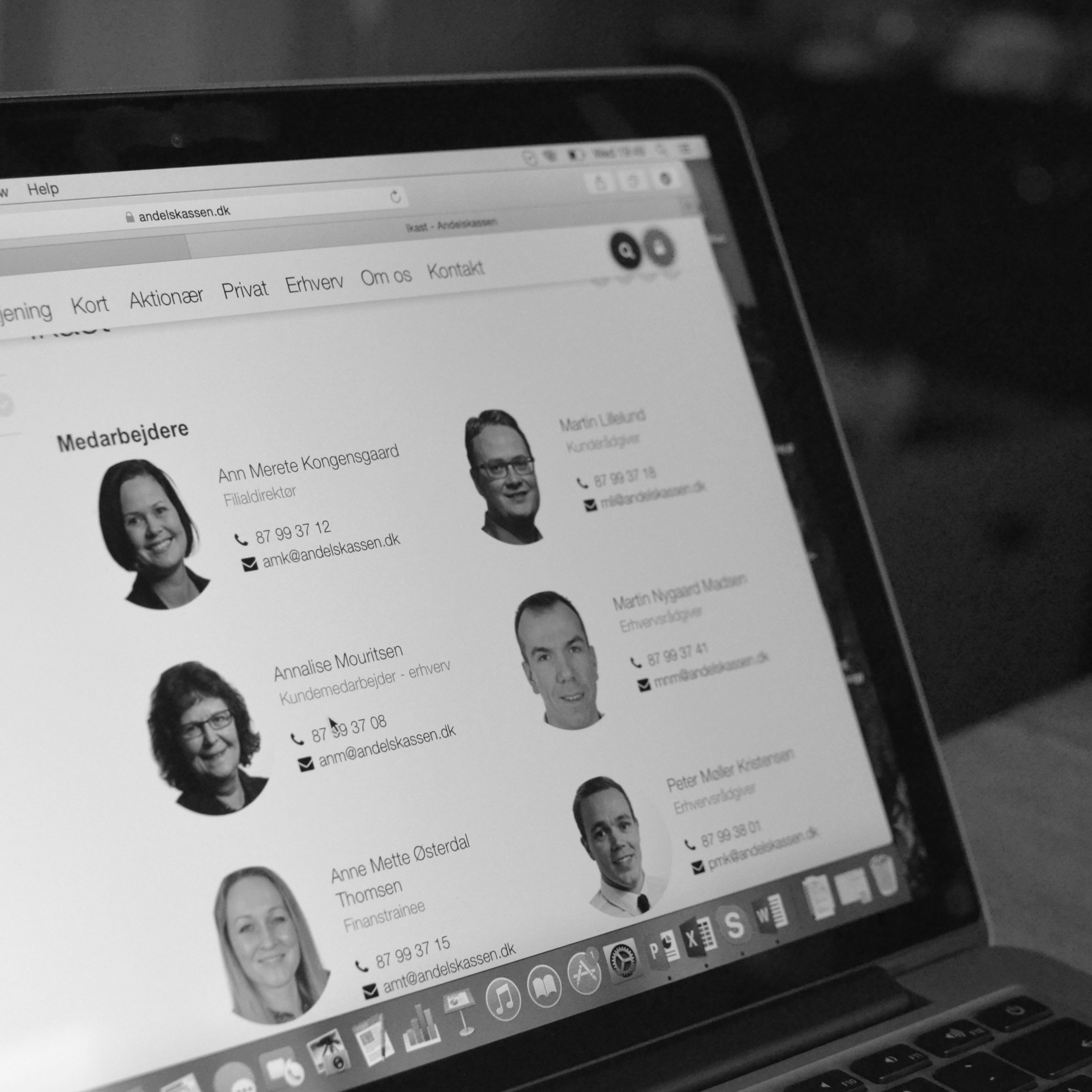
"If a local bank opens in Aarhus, I wouldn't choose it, for what could it do that my current bank can't? Being local is not a benefit in itself."

The only asset held by local banks outside their local area is trust, and the only way of transferring this trust to new customers is through existing customers who already trust the local bank. If a local bank is to recruit new customers outside its own local area, this must take place through existing customers who can recommend the local bank to new customers. This also emphasises the importance of the local banks' ability to maintain the trusting relationship with local customers who move away from the local area.

All of the young people in the survey are open about changing to a bank recommended by a close friend. The best advertisement for a local bank outside its own local area is when a close friend speaks positively about his or her local adviser.

William, aged 24 and from Copenhagen, says:

"One of my friends is with Djurslands Bank, as that's where he's from. He talks very positively about the bank, especially his adviser. This means that if I were to change bank, I might consider this bank. I'd never heard of this bank before, and would probably never have heard of it, if it hadn't been for my friend."



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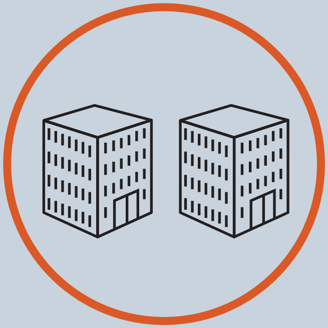
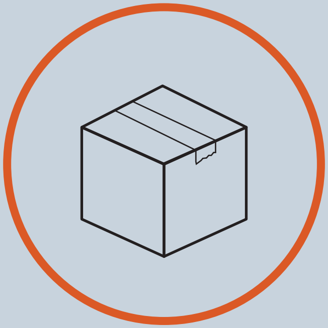
SOLUTION PROPOSALS



In this chapter, the focus is on trust, and how a bank can gain the young person's trust. The relationship of trust is vital, since the bank can then retain the young person as a customer, and thereby attract new customers. Here are a few examples of how to gain the trust of both new and existing customers.

Loyalty programme:
The road to the young people is through trust. A loyalty programme might therefore be a good idea. Based on their own positive experiences with the bank, the young customers should be encouraged to bring more new young customers to the bank. To give them an incentive to describe why their particular bank is better than the competitors, the bank could reward the young people with a bonus, special advantages, or a gift, whenever they manage to recruit a new customer.

Relocation concept:
A relocation concept could be developed for when young people are to move away from home. A relocation concept could e.g. consist of a handover meeting, if the young person wishes to move to a branch in the new town or city. The new adviser, the current adviser and the young person could sit down and review the young person's finances, to create trust between the young person and the new adviser in the new branch. Another idea could be for the bank to inform the young people who have moved away that once a month, on a specific day, they will be available at a particular café, so that the young people can pop in for advice. A third option is digital meetings, so that young people can more easily maintain contact with the bank, even though they may have moved to the other end of the country.



Leaving home package:
To reduce the risk that the young person replaces the local bank with another, typically larger, bank, when they move away, the bank must be there for them. To ensure a good experience for the young person, the bank can help them with advice when they move away – set up a budget with them, help them to get the best insurance, etc. If the young person feels that the bank sees them and is ready to help them, he or she will be less likely to change banks.

Boyfriend/girlfriend bonus:
To attract new customers to the bank, it could be a good idea to offer a boyfriend/girlfriend bonus or package. The package could include some special benefits for anyone who gets their boyfriend/girlfriend to switch to their own bank. This might be extra good interest on a savings account, or a housing loan on attractive terms.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FINANCIAL ADVICE IS EXISTENTIAL

Young people aged 18-25 are at a stage of their lives where their future is unknown. They may have completed upper secondary school, have commenced higher education, be in a practical training scheme, or already in their first job. The future lies at their feet, and the first steps towards adult life have been taken.

In this survey, it was soon clear that the young people to a great extent perceive the financial advice they receive as existential advice. The financial opportunities which the bank makes available to the young people can have a great influence on their dreams and wishes for the future. Financial advice is therefore not just about interest and loan terms, but even more about making dreams come true. Financial advice is existential, since it concerns the young people themselves and their future.

Most of the young people in the survey spend a lot of time thinking about their financial situation. Their finances determine what they can do in their lives, which is why finances are existential.

Meet Andreas ...
Andreas, aged 19, lives in Thisted. Six months ago, Andreas completed his agricultural training and since then he has worked on a farm just outside Thisted. Ever since he was a young boy, Andreas' dream has been to be a farmer. He loves the life in the country and hopes to able to buy his own farm one day.

Andreas is working hard to save up to be able to buy his own farm in a few years' time. Every month he transfers DKK 4,000 to a savings account, and he has already saved DKK 100,000. Andreas is working hard to make his dream come true, and last week he worked 97 hours.

Andreas says: "This was naturally a lot of hours, since this is our high season, but I work minimum 200 hours per month on average. I love my work and I'll do everything to get my own farm one day."

In the interview, Andreas describes an experience with the bank that he has thought about a lot:

"I've always been with this bank, and when I went in to talk to my adviser about my dream of being a farmer, she said that if I wanted to be a farmer, she couldn't lend me the money. She extinguished my dream and I was really disappointed. That same day, I went home and found another bank."

If my bank can't help to make my dreams come true, I'll leave!
The first loan a young person gets at the bank will be used to make a dream come true. This might be the dream of a car, a motorbike, a trip abroad, or a new home. The loan is a means to achieve plans for the future.

In this survey, it is clear that young people are likely to drop the bank if they encounter an adviser who is not willing to help the young person achieve these dreams. Instead, they find another bank that is ready to make the dream come true. There are examples of young people who are refused a car loan by their bank and turn to another bank or car dealer instead.

Alexander, aged, 23 says:

“I had the down payment on a car, but had to borrow the rest of the amount. My bank adviser didn’t think it was a good idea, so I couldn’t borrow the money from the bank. Instead, I got a loan from the car dealer. They just needed to see an account statement and my payslips. That’s all!”

It is thus important for the young people to be met on their own terms, and that the bank helps them to fulfil their dreams. This does not mean that the young people are not prepared to listen to good advice and let the dream wait a little, if it is unrealistic.

Alexander, aged 23, describes another experience with a bank:

“I considered changing bank six months ago, as I wanted to borrow the money for a house. I wanted to put my money in real estate, so I could get something back from it, instead of renting all the time. My bank adviser spent a lot of time on understanding my situation, but concluded that it was silly to buy a house, since I have a little tax debt. I considered changing to Danske Bank, and they actually said that I could get a loan from them. I didn’t do this, however, as I thought about his detailed review of my financial situation, which gave me a good insight into my finances.”

This example emphasises how, if the bank cannot grant the loan, the adviser must go through all the details and specify the financial consequences for the young person in the specific situation.

An example of poor advice, where the dream is rejected in an unfortunate way, is illustrated by Benjamin's story. Benjamin is 23, works as a carpenter, and wants to purchase a rental property:

"I wanted to buy a rental property that I could refurbish and rent out. When I came down to my bank, they said that I couldn't borrow the money, since my loan-to-value ratio would be too high according to their rules and diagrams. I had the money for the down payment, but I couldn't borrow the rest. So I changed to Jyske Bank, and they were ready to lend me the money. I think that was bad advice.
Good advice is when you look at the person, instead of a diagram, and say: 'Listen, you're 22 and with that loan-to-value ratio you can't borrow the money to buy a house.' They need to consider my situation and understand me."

Benjamin's example expresses a theme that is often referred to by the young people in the survey interviews. Many young people experience how, when they try to loan money, they face rules, diagrams and boxes that they do not fit into. The young people want to be seen as they are, in their own unique situation in life, and not be pressed into a form which determines how much and whether they may take a loan at all.

Melanie, aged 24, says: "When we had the house, I was on a student loan and my boyfriend was a carpenter. We wanted to buy a car, and our adviser thought this was a bad idea. He showed us various diagrams and said it wasn't possible. So we went to a car dealer and got a loan there. This was no problem. It was a bad bank experience, since now we had finally found the car we wanted to buy. The adviser should have been better at saying how we could get it."

This example shows how it is important for the young people that advisers show them opportunities, rather than limitations. If you cannot buy the car you want right now, they should show how you can get to buy your dream car. How much do you need to save up to be able to buy the car, and how much cheaper is a bank loan rather than a car dealer's financing, and what is the smartest thing to do?

A life change requires advice

Young people need their advisers most when they face a life change. They may be moving to a new town or city to study, making a big trip abroad, buying their first car, or setting up a home with their boyfriend or girlfriend. These life changes often present a new financial situation, and therefore require the bank's financial advice and assistance.

Julia, aged 24 and from Aarhus, says:

"I'm thinking of moving to Copenhagen, and it's part of the package that you sit down and review your financial situation, and how things will work out. And yes, you might end up changing bank."

When the young people face a major change in their lives, they will typically reflect on their financial situation, and this is when they are likely to change bank. It is therefore important that the bank is especially aware of these changes in the young people's lives.

The first bank loan increases trust in and loyalty towards the adviser and the bank

In the following chapter, "From piggy bank to social security office", it is found that the relationship between the young person and the bank changes character when the young person takes out his or her first loan. The bank changes from being a piggy bank, where money is saved up, to being perceived as a type of social security office, where the young person now comes to ask for a loan. This makes the young person feel like a client applying for benefits at the social security office.

During this survey it became clear that the first loan taken by the young person is of vital significance to the future relationship between the young person and the adviser, and thereby the bank. If the first loan application experience is positive, the young person will be very likely to apply for the next loan from the same bank. The first loan experience – if it is positive – is a confidence- and loyalty-creating event.

Malthe, aged 24, from Aarhus, says:

"The first time I borrowed money was DKK 5,000 to buy a motorbike. I had the rest of the money myself, and even though I was on a student grant, the bank adviser did not warn me against this. She just said that we could sort it out together. It was really ace that she took it that way."

Stephanie, aged 21, from Thisted, describes the first time she and her boyfriend wanted to take a loan:

"The first time we went to the bank to borrow some money, it was because everything was in chaos. We were moving, our car was broken and our insurance company suddenly wanted a lot of money. Our adviser said that we could sort it out together. So we sat down, and she set up a budget and we got it all under control. That was a really good experience, and next time we need a loan, we'll definitely go down to her again."

The above examples show how the first loan experience is vitally important for the young person. They are nervous and uncertain about whether they can borrow the money they need, but if they have a good experience, and are seen and heard by the adviser, this will be an event that can create a lot of confidence. The first loan is thus not just a loan, but to a great extent also a social event that helps to create trust, or the opposite, in the adviser.

The good adviser
The survey shows that a good relationship with the bank depends on the adviser. When the young people were asked to describe good or bad experiences with the bank, they typically described good or bad experiences with an adviser. The adviser is thus of vital significance to the young person's relationship with the bank.

We might assume that young people would prefer to have young advisers, but this assumption is refuted. In fact, several young customers stated that when they were assigned to the youngest adviser in the bank, this indicated that they were not an important customer. The important customers have the experienced advisers, and the non-important customers have the youngest advisers.

Johan, aged 21, from Kolding:

“You know that if you get the new young trainee as your adviser it’s because you’re not an important customer. The important customers have the rather older and experienced advisers, while we young people get the young and inexperienced advisers.”

William, aged 24 and from Copenhagen, says:
"I wouldn't be able to take it seriously if I had an adviser who was my age or younger. I'd prefer someone with experience, and he'd need to be at least 35."

It is thus important to emphasise that being a young adviser is not in itself considered to be an advantage among the young customers. The good adviser is a person with strong financial expertise (experience) and also the ability to understand the young people's needs. Experience (age) is not considered to be sufficient either, without the ability to understand the young people. The worst thing the experienced adviser can do for the young people is to take a parental role. Melanie, aged 24 and from Thisted, has an opinion on this:

“My adviser is around 50 and I think sometimes that he can seem a bit too old and wise and find it difficult to understand my situation. If I want to buy a car, he’ll always set it up so he ends up saying that it’s dangerous to borrow so much money. He’s a bit dad-like and worried on my behalf, and how I need to be careful about taking on too much.”

In brief, the perfect adviser is experienced, but also has the empathy to understand the young person’s situation.


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SOLUTION PROPOSALS

This chapter has described how financial advice is existential for the young people. Money is about dreams and-plans for the future, and it is important that the bank understands this. The bank must therefore seek to be more personal and less institutional. Here are three suggestions for how the bank can do this in relation to the young customer segment:

My future:
Draw up a plan with the young person to describe the young person's dreams for the future. The plan should help the adviser to be ready to give help and advice on any change in the young person's life. This might be when the young person leaves home or is thinking of investing in property. The plan would also help to show the young person that we as a bank are here for you and are accompanying you on the journey towards your goals and dreams. The plan could be uploaded in online banking, so that the young person can make adjustments if there are any changes. The plan could also pop up automatically every half year in online banking, so that the young person is reminded to update the plan.

Concepts for young people:
The bank could target its products more specifically at the young people, so that there is not just one overall product for all young people, but several products aimed at the young people's different profiles. This might, for example, be products for young people with a dream of starting up their own business. The bank could offer them some special services to help them to achieve their dreams and visions. This might be products for designers, health professionals, craftsmen, etc. Targeting young products even more sharply at the young people would show greater understanding of their situation and dreams for the future.

The first loan:
If the bank manages to make the first major loan experience a good experience, this will help to retain the young people's loyalty. Young people are often nervous about their first major bank loan. Is this the right decision? Can they pay back the debt? Are they being cheated? Will they be allowed to take a loan? There may be many questions that can make the young person uncertain. If the bank and the adviser make sure that this loan is a good experience, the young person will be more likely to also take the next loan from the same bank. The bank could thus have first-time borrower packages with especially good interest terms and special attention from the adviser.

FROM PIGGY BANK TO SOCIAL SECURITY OFFICE

In Denmark, people are not so willing to talk about money. And Generation Z is no exception. Most people do not like talking about their private finances, and they rarely tell others how much they earn, or how much they owe the bank. If they have payday loans, they do not discuss their finances at all. For Generation Z, debt is taboo, as it reveals what you are like as a person. According to the young people, if you do not have control of your finances, you cannot control your own needs. If you cannot control your own needs, you are irresponsible.

This chapter is about the change which occurs when young people progress from happy-go-lucky piggy bank customers into nervous social security clients in the bank. According to this survey, the young people are quite nervous about their first loan. They are nervous about whether the bank will allow them to borrow the money. This is like the social security client who is nervous about whether benefits will be granted. Even though the young customers are still customers, this resembles a client relationship, with the bank as the social security office.

Meet Louise ...
Louise, aged 24, studies at the University of Southern Denmark and lives with her boyfriend in a flat in Kolding. Louise's income is her student grant and a student job, where she is a driver for meals on wheels for senior citizens. Louise uses a bank in her home town, Rødekro – just like her parents.

For Louise, talking about money is a very private thing. In fact, she would rather answer intimate questions about herself that say how much she owes the bank. Louise describes how she once had to go to the bank to ask for a loan. She felt very uncomfortable about having to go to the bank to borrow money. She was nervous as she did not know what the bank would say. Fortunately, the adviser said "we'll sort it out, no problem".

This was great and after this episode Louise had more confidence in her adviser, and she says: "She helped me in a difficult situation, and I'm really happy about that."

The bank is my piggy bank
As stated, initially the bank is like a piggy bank for the young people. The bank is just a practical place for the young people to keep their money, as they continuously withdraw and deposit their money.

Andreas, aged 22, from Aarhus, describes his relationship with his bank as follows:

"I use the bank as the place where I have my things. It's not the bank that matters to me, but the money I have there."

As stated, the young people are very nervous about asking for a loan. What if you are not good enough for the bank to lend you money? What if your application is rejected, and you cannot get what you want?

Isabella, aged 22, from Aarhus, describes this relationship with the bank. Isabella was in financial difficulties and needed to borrow DKK 9,000 from the bank in order to get by.

Isabella says:

“Before I went to the bank I was really nervous, as this was my last chance to get the money. I was scared they would say no.”

Isabella's fears turned out to be unfounded, since everyone at the bank was kind and helpful, she says. They even advised her to take a student loan, rather than a bank loan, as this was much cheaper for her. Isabella was very surprised that they were so willing to help. The point is that Isabella was nervous and worried before going to the bank, since she felt that they controlled her future. Just like social security recipients, who can be worried that their benefits will be withdrawn.

David, aged 23, from Thisted, describes a similar experience of the bank as social security office:

“I was really nervous before going down to ask for DKK 100,000 for a car. I didn’t think we could borrow anything, but then she said it was a great idea. I felt lucky in some way or other. Lucky because they were willing to lend me the money. It was cool to come down there and be treated like an adult.”

The young people who have been to the bank to get a loan have generally been received surprisingly well, especially in view of their general nervousness and fears that the bank will refuse the loan.

Taking a loan is typically the first time that a young person is in real contact with the bank and the services the bank has to offer. It is therefore important to make the first loan experience a good one, since otherwise the young person will turn to another bank for the loan. The loan experience must be good, so that the young person will be more likely to use the same bank for the next loan, even if it may not be the very best offer they receive. A positive loan experience will create trust between the young person and the bank.
Stephanie from Thisted describes her first, positive loan experience:

“When we needed a loan it was because everything was in chaos, as we were moving, the car was broken and suddenly the insurance company wanted a lot of money.
Rather than just lending us the money we asked for, our adviser said that since you’re taking a loan, maybe we should set up a budget for you, too? I think that was really nice of her. That was something extra, which helped us a lot.”

The best version of myself! No holey tights!

When we go to the bank to ask for a loan, we are not just disclosing our financial situation. For the young people, it is just as much themselves as people that are being evaluated. When they go to the bank, they make sure to be the best version of themselves. They dress well, and prepare their sales pitch.

Isabella, aged 22 and from Aarhus, describes how it is important to pick the right clothes for a visit to the bank:

“I don’t wear holey tights when I go to the bank. You have to show that you have everything under control.”

When young people go to the bank to borrow mo Charlotte, aged 21, from Herlev, describes this:

"If I had to go to the bank to ask for a loan I wouldn't know how to say it. I would have lots of excuses for needing to borrow the money. Just as I judge people who borrow money, the bank lady will probably also judge me, even though she is used to it."

It can be hard for the young people to know what they need to prove to be able to take a loan. Even if they do not have any debt and manage their finances well, many of them believe they are the type of customer that cannot get loans. They feel they need to make an extra effort at meetings with the bank where loans are discussed. Several of them are surprised that their bank is actually willing to lend to them.

SOLUTION PROPOSALS

This chapter has described how Generation Z has a relationship with the bank in which they adopt the role of client. When the young people take out their first loan, the bank becomes a social security office, by which they are afraid of being rejected. They are afraid that the bank will prevent them from living the life they wish to live. Here, two solutions are presented to give a more relaxed relationship between the bank and the young person, and for how the bank can lose the image of social security office.

Guide to your first loan:
In view of the young people's many misconceptions about what is required of them to be able to take a loan, it might be an idea to create a guide describing what the bank expects of a young person wishing to apply for a loan. The guide could also describe what is discussed at the bank meetingwhen a loan is applied for.

It's normal to borrow money campaign:
To eliminate some of the many misconceptions about borrowing money, the bank could run a campaign with focus on how normal it actually is to have a bank loan. The campaign could be based on some fun facts about borrowing. For example: "Did you know that we can see if you take a payday loan? Borrow from us instead. We're not loan sharks, and we can help you." or "Did you know that such a high percentage of young people in Denmark have a bank loan?" and so on.


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