Meet "Generation Why?"

This big, young generation is changing the world

Change alone is eternal, perpetual, immortal.
—Arthur Schopenhauer

Although it may not be apparent at a glance, the entry-level employees joining your credit union for their first job and the bright young people competing for management slots upon completing graduate programs mark a transition in the workforce. So, too, do the college age young people and recent graduates you're trying to attract to your membership.

Say hello to the members of "Generation Why?" They bring with them attitudes about work and life distinctly different from those of their predecessors. They also rely on different sources of information and make consumer decisions in different ways than do their elders. These facts mean that both managing them and marketing to them will require change. They're a group willing to question everything (hence their name) and to demand personalized attention rather than one-size-fits-all solutions.

Although boundary dates vary somewhat depending on the source, Generation Why (also dubbed the Echo Boom, Generation Y, Millennials) generally includes those born after 1980. Much as the assassination of President Kennedy and the Challenger accident were defining events for members of the Baby Boom and Generation X cohorts, respectively, the terrorist attacks of September 11, 2001 serve as a defining event for Generation Why. They are old enough to remember and have been affected by the events of 9/11, but most were still in school rather than involved in careers at that time. Children too young to remember 9/11 will likely be placed in a separate generational group not yet defined.

Aside from the "Where were you when…" moments or major defining events, generations are shaped by a variety of other shared influences ranging from prevailing economic conditions and social attitudes to dominant technology. For members of Generation Why, childhood occurred in a time of economic expansion and during a period when society was placing renewed emphasis on home and family. If the stereotypical Generation X youngster was a latchkey kid with major responsibility for raising him- or herself, the typical Generation Why member was a cosseted child with "helicopter parents" constantly hovering to help smooth the way.

Which raises an interesting point. Unlike members of the immediately preceding generations, Generation Why members tend to have close, positive relationships with their parents. They are likely to view parents and grandparents as valued advisors. In the workplace, this can translate to working well with an older mentor who is willing to teach skills they are eager to learn. In membership recruitment, it signals that a reference from Mom and Dad (or Grandma and Grandpa) can be key to gaining their business.

Your Father's Credit Union

Credit union members are swiftly graying. Based on research by both CUNA and DHA, well over half of all credit union members in the United States today are at least 45 years of age. Based on data from the U.S. Census Bureau's 2004 American Community Survey, only about 36% of the nation's population is 45 or older. Only about 5% of adult credit union members are from 18 to 24 years of age.

With aging members growing more interested in reverse mortgages and home equity loans and savings products to help protect and grow their hard-won earnings, bread-and-butter consumer loan products may become a tougher sell. A logical new market for these products, of course, is the 18- to 24-year-old member. However, despite respect for their parents, 21-year-old Generation Why members don't necessarily want the same things from a credit union their father does.

While children's accounts and club programs for youngsters have been a feature of the credit union landscape for years, young members haven't always moved from these programs to active adult membership. Based on comments provided on member surveys DHA conducts, some young adults view these accounts as relics. They are half-forgotten accounts a parent or grandparent started for them, which they will eventually close.

With that in mind, here are five characteristics of the Generation Why market that are likely to affect their financial product usage and some strategies they suggest for attracting membership from this group.

They ask questions and they expect answers.

Boomers included among the parents of this group included "Question Authority" among their mottoes; Gen X parents with children in this age group exhibited a strong skeptical side. Perhaps that made it inevitable that their children would take little at face value.

They will ask about the reasons behind rules. They will also ask for specifics about product features. And, they'll expect your answers to reflect their realistic concerns. It's not that Generation Why resents structure. In fact, its members are more likely to be criticized for lack of creativity in the absence of structure. They grew up with schedules full of organized, adult-supervised activities cheered by parents striving to keep their offspring safe. Some observers maintain that these young people actually appreciate having guidelines and parameters set out for them.

However, that doesn't mean they're blindly obedient to the rules. As the product of a child-centered era, Generation Why members have always been valued and respected. Their opinions and abilities have always counted with their parents and they expect them to count with others as well. While they may be polite, you will have to earn their respect.

Keep in mind that they are trying to learn when they ask questions about products and services. Good answers will make them better members in the long run.

They don't respond well to one-size-fits-all approaches.

This is the most diverse generation to date. They expect products and services that honor that diversity. Approximately one-third of its members are non-Caucasian, based on 2000 Census data. Approximately one-sixth of them are the children of at least one immigrant parent. Based on analysis of birth records by Steven A. Camarota, Director of Research at the Center for Immigration Studies, births to immigrant mothers have climbed from 9% of the U.S. total in 1980 to 23% in 2002. The study also indicates that a significant portion of U.S. births, nearly 10% of the total in 2002, were to illegal aliens. Children of illegal immigrants, as well as children of immigrant groups with less education than the national norm, are likely to grow up economically disadvantaged, creating another source of diversity.

Beyond basic demographic factors, however, members of this generation value self-expression. They want to stand out and be as special as their parents have always told them they are. Think of them as individuals who are conscious of their image and creating a personal "brand." Further, they are accustomed to selecting from an array of choices. Look at their home entertainment experiences as an example. Dozens of television channels compete with video games, the Internet, DVDs and other media for their time and attention. And thanks to technology, they can partake of these offerings on their own schedule.

With that history, it's hardly surprising that they're impatient with organizations that don't provide flexibility. Look for ways you can offer services whenever they need them and adapt existing products or adopt new ones that will allow you to address their needs. Examples may be very small loans, used vehicle loans, low-limit credit cards, student loans and even small business loans for enterprising teens and young adults.

Continuing interest in learning

This group has great expectations for the future and tremendous confidence in their abilities. However, they acknowledge there are things they don't know, and they prefer to work with those who are willing to teach them skills that will help them realize their great potential.

They understand the importance of money. They're quite capable of changing jobs for a small raise in the hourly rate—or financial institutions for a miniscule change in rates or fees—if financial incentives are the only consideration. However, they also evaluate factors such as a comfortable environment, the respect they receive and learning opportunities provided. In some situations, these considerations may weigh more heavily than money in the decision-making process.

Generation Why members have been a marketing target since their toddler days. As a result, they are extremely adept at spotting sales pitches. They will not be fooled by overblown claims for token incentives, and it will take more than a trinket to secure their loyalty. Credit unions have always believed in educating their members. Continue and extend that philosophy by developing programs that provide young people new opportunities to expand their financial knowledge at times and through media that fit their lifestyle.

In addition, this group may respond well to live, participatory marketing events. "Reality" television programs show the opportunity to take center stage attracts many of us. Try combining some fun, a learning opportunity and the chance to win prizes and be in the spotlight to involve younger members and potential members with the credit union.

Multitasking with media

Generation Why members have grown up with cell phones, e-mail and the Internet. They have integrated these technologies into every aspect of their lives, achieving the ability to instantly connect with family and friends while obtaining information on any topic in the process.

Positive word-of-mouth has always been valuable to marketers. Today the buzz a product or service generates has become exceptionally important as either positive or negative comments circulate

almost immediately, not only to friends and family, but also to extended communities of interest that come together in chat rooms or read Web logs.

For marketers, this generation's use of media poses some additional challenges as well. Its members demonstrate their diversity in their selection of programming. With baby boomers, a single television spot on a top-rated show might reach most of the demographic. Thanks to cable and satellite television Generation Why's viewing habits are more diverse. Research also has shown that this group prefers the Internet. However, no one source receives their complete attention. A 2004 Kaiser Family Foundation study found 8- to 18-year-olds averaged 6.5 hours of recreational media use per day, but their media exposure was more than 8.5 hours daily because they were using multiple media for at least one-fourth of the time.

Their simultaneous use of multiple media makes an Internet centered strategy useful with this group. When they hear a radio spot or view a commercial on cable television that provides a Web address for more information, they may well follow up immediately.

Extended adolescence

Observers tell us that Generation Why members are more sophisticated than their predecessors as a result of the times in which they've grown up. They also point out that group members expect career success and are likely to arrive on the job with a career plan mapped out.

They also appear more determined to achieve balance between work and their personal lives than their predecessors. However, Generation Why members face significant financial hurdles as they begin to establish households of their own. Without parental support in some form, most will find it difficult to achieve their goals.

Many new college graduates have significant debt from student loans and credit card purchases. According to The College Board, for 2005-2006 the average total cost of tuition, fees, room and board at a four-year public institution is \$12,127; at a four-year private nonprofit institution, it is \$29,026. These costs represent an increase of 44% for public institutions and 31% for private ones in current dollar figures. Attending a two-year public institution is less costly, at \$2,191 for tuition and fees alone in the current year, but that expense still represents an increase of 33% over the past five years in current dollar figures.

However, failing to get an education beyond high school can be more expensive in the long run. Those members of Generation Why who choose not to attend college are likely to find career options and earning power seriously limited. Census 2000 found that 52% of the U.S. population 25 or older had completed at least some college and that 24% held at least a bachelor's degree. Among younger adults, those 25 to 29 years of age, 56% had completed some college and 27% held at least a bachelor's degree.

Based on data from the Census Bureau, the Internal Revenue Service and other sources, The College Board reports that in 2003 a full-time year-round worker with a four-year degree earned a median income of $49,900, or 62% more than a full-time year-round worker with only a high school diploma, for whom the median income was $30,800. Median incomes for those with master's degrees and professional degrees were, respectively, roughly two and three times the average for high school graduates.

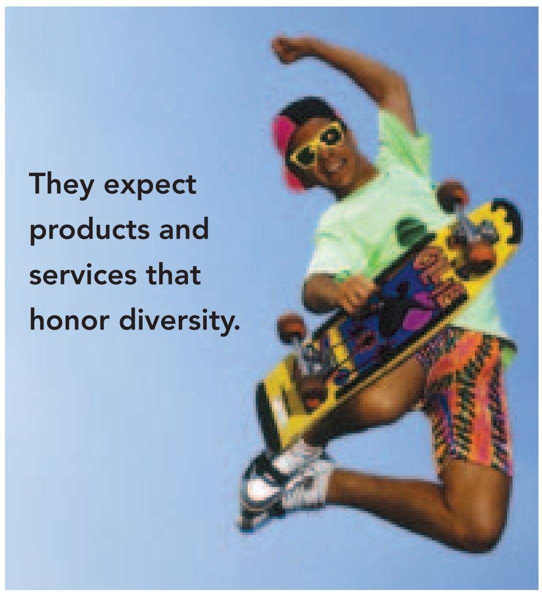
Housing expenses also make financial life more difficult for young adults, which can also serve to prolong their dependence on parental support. The rental market has typically been the initial choice for young people because of barriers presented by down payment requirements and because mobility is often highly desirable. However, in many markets rental rates are beyond budgets already strained by loans for education expenses.

Nationally in 2004, a full-time worker needed to earn nearly $32,000 annually to afford the rent for a modest two-bedroom home while paying no more than 30% of income for housing according to the National Low Income Housing Coalition (NLIHC). FEMA, in providing rental assistance grants to evacuees from Hurricane Katrina, used a national average fair-market rent figure of $786 per month.

Of course, "national averages" for things like housing costs are largely academic figures. There is wide variation when specific communities are considered. For example, the NLIHC found a range of wage requirements from $19,365 in West Virginia to $47,486 in the District of Columbia to meet its housing standard.

By the same token, RealFacts, a research organization specializing in the multifamily housing market, found that the average rent for a two-bedroom, two-bath apartment in its database (with representation mostly from the Pacific Coast and Southwestern states) was more than $1,040. In some areas, the average was substantially more. For example, in Irvine, California, the average rent was more than double the $786 national average figure.

Based on the 2004 American Community Survey, more than half of the households headed by people under 25 years of age had incomes of less than $25,000 in the preceding 12 months (in 2004 inflation-adjusted dollars). In other words, only 41% had incomes capable of meeting NHLIC's national housing wage, and depending on their place of residence, many in that minority were probably forced to spend more than 30% of their income for housing. In fact, Census 2000 data showed gross rent expenses for almost two of five householders younger than 25 year of age were at least 35% of household income.



Undoubtedly these high costs help explain why a 2004 *Time* Poll of 18- to 29-year-olds found that 39% felt they had not truly reached adult status. Even among respondents over the age of 21, more than one fourth did not consider themselves adults. Their survey responses acknowledge that much of the reason for this perception is economic.

Roughly one-fourth of the survey respondents lived with a parent or grandparent, and only about half agreed that they were fully financially independent. The majority (55%) described their employment as "a job" rather than "a career." Only slightly more than half said their employer provided them with paid health benefits, which can be considered a characteristic of a career-oriented position, and which most (63%) find essential to job satisfaction.

Well over half of the *Time* survey respondents had attended college and nearly one-third of those over 21 had earned at least a four-year degree. A slight majority of those who attended college reported leaving with debt for their education that averaged about $25,000. Even those who were at least 26 years of age were likely to report lingering educational debt.

Because of the extreme expenses that come along with higher education, and because of Generation Why's propensity to plan ahead, reaching the younger members of this generation (and their protective parents) now with advice on saving for future educational expenses would be wise.

Offering younger members the opportunity to compete for scholarships could also help spur membership from Generation Why. Or consider offering an education club account as a means to build deposits to a Coverdell Education Account or State 529 plan, or as an adjunct to these plans that will provide emergency access to funds for non-education expenses. Credit unions can consider the option of crediting cash-back incentives on a credit card to an education account as well.