

The impact of today's financial crisis on Generation Y

Generation Y will not share in the staggering monetary losses that both baby boomers and Generation X are destined to experience. The loss of financial investments by these two older generations is unprecedented and exacerbated by the fact that they have far fewer years to try to get them back.

Generation Y will feel the pain in other ways.

When overhearing a new Gen Y hire here at Media Logic discussing how much he had in his 401(k), he replied, "I got my first account statement just the other day. I lost money. Already. I've put in \$186 and it's dropped to like \$131." With little time to amass assets, Generation Y will be hurt much more profoundly by the deteriorating job market than any immediate monetary losses.

New college graduates will have a difficult time finding work and those already in the workforce will be the target of layoffs. As children of helicopter parents, this generation was already choosing to live at home with mom and dad deeper into their 20s and relying on their parents for support in all areas of life – much longer than the two generations that came before. What was once a choice will now be more of a necessity because a larger percentage of Generation Y will be unemployed for a long stretch of time.

The financial future for Generation Y will be shaped by their ability to remember the lessons offered by this crisis. There will be many. However, let's take a step back before looking forward.

A new generation: Destined for financial instability

Generation Y was well on their way to financial ruin before the economic meltdown. They had been entering adulthood with little understanding of financial products and yet there was a sea of products and services awaiting them. They had been raised in an environment where credit seemed to be a *right* (versus a privilege), and one which we all exercised... quite freely. School loans were de rigueur, while starting salaries across industries were stagnant for more than a decade, leaving debts with little chance of rapid repayment. All the while the financial industry continued to focus on innovative products and services that helped us spend money more easily and in more places.

Generation Y

- Also referred to as Millennials
- Includes individuals born between 1978 and 1990¹
- 77 million members strong, as compared to 48 million Generation Xers and 78 million baby boomers
- \$324 billion in spending power²
- Due to Generation Y's multi-diversity, minorities will make up 1/3 of the U.S. population by 2016²

Many of these same factors had also facilitated the early financial strain felt by Generation X. Both generations left the nest ill-equipped and uninformed when it came to sustaining their financial well-being. Ironically, the financial crisis may serve as a timely lesson for Generation Y and act as a catalyst of positive change.

Crisis that leads to positive change

With a poor job market expected nationwide and a slowly recovering housing market, things will only become increasingly tenuous for the average citizen. As the strain gets more acutely personal for each of us, all segments will be forced to get smarter about the workings of our own finances. We will search out answers, research options and ask more questions at the point of sale.

The GI Generation withstood the Great Depression and became ardent savers and frugal consumers. Consumerism has become far too accessible for Generation Y to leave behind and begin a life of passionate saving. Instead, Generation Y will rely on their information-gathering skills and proclivity for “get on with life” tools to transition from financially uninformed to financially astute – or at least judicious decision makers. This generation was born into the information age. No age group is more efficient and effective at uncovering information and getting to the truth.

Generation Y: Give it to me straight

Those financial institutions that can dispense valuable advice and accurate information will be highly sought. To appeal to Generation Y, the advice and information will need to be:

- Straightforward and honest, stripped of any marketing language.
- Easily digestible. Today’s technology offers a variety of ways to serve up content that will be more readily consumed by Generation Y. Webcasts, podcasts, video, automated slideshows and motion graphic presentations are a few examples of the platforms that serve up information the way Generation Y wants it.
- Filtered, vetted and delivered by their peers. Before making a decision or coming to a conclusion, members of Generation Y seek information from a variety of sources, especially their peers. Peers provide the real scoop in a real-world context. Financial institutions shouldn’t put their 20-somethings in charge of their company’s content, but they should, for example, provide opportunities for their Generation Y customers/prospects to post user-generated information, offer virtual forums that solicit open discussion, acknowledge e-opinion sites that log product critiques and beta-launch the appropriate products with a Generation Y user base.
- Relevant to life stage. Age no longer equates to life stage. Adults are going to school, entering the workforce, getting married, leaving home, starting families at vastly different ages from their peers. A 25-year-old who is single living in NYC has vastly different needs from a married 25-year-old with a young child at home.

Credit Curse

- The median credit card debt of low- and middle-income people ages 18 to 34 is \$8,200³
- The average college debt for recent grads is more than \$20,000 and rising³
- People between the ages of 25 and 34 make up 22.7% of all U.S. bankruptcies (but just 14% of the population at large)³

- Accessible through face-to-face communication. Yes, Generation Y is connected. They like the Internet. They like to text. But they also desire the perceived security of human interaction at the moment of product selection and purchase. They understand the gravity of financial decisions and a face-to-face consultation provides peace of mind.

High schools across the country are already beginning to require personal finance classes for their students. This financial acumen coupled with many years to exercise their acquired knowledge will likely result in immense financial power for Generation Y – a power that is expanded by the sheer size of this generation.

Generating Generation Y brand allegiance: Difficult but possible

Capturing a piece of the Generation Y market share won't be easy. Generation Y, however, are much more likely to become brand advocates as compared to Generation X, whose members attempt to remain resolutely independent and perceive brand loyalty as fruitless. This underlines the two biggest differences between the two generations:

1. Generation Y is wholeheartedly optimistic, while Generation X is distrustful.
2. Generation Y acts in numbers, as a community, as a force. Members of Generation X see themselves as independent agents.

Members of Generation Y are willing to advocate for brands because they believe in the companies they support and they are able to compel companies to deliver on their wants. Furthermore, as a result of Generation Y connectedness, they can make or break brands overnight. They like to share information, good and bad. Trends spread nationally (even internationally) much more often than before.

Brands that attempt to find a middle ground, that try to appease a broad prospect universe, will have a hard time appealing to Generation Y. Generation Y is made up of many niche communities and subcommunities. Prior to the introduction of Internet-amplified social networking, those with niche tastes were often alone in their adoration. Now it's possible to find a whole online community that shares and affirms your unique tastes. Generation Y has come of age in this new paradigm and expects to find products and services that are tailored to their own unique lifestyles.

This doesn't mean marketing materials should be flooded with product choices and options hoping that targets can find the product right for them. Successful marketing initiatives will be segmented and customized based on relevancy to the audience, highlighting three good choices instead of a dozen mediocre ones. Generation Y doesn't have the patience to weed through clutter.

Brand Obama

Barack Obama's campaign machine supplants Apple as *the* example of successful Generation Y marketing. Every aspect of the campaign – targeting, positioning, messaging and media – worked in concert to energize, empower and enable young voters.

In large part due to Barack Obama's campaign, more young people went to the polls in 2008 than in any election since 1972, when the voting age was lowered from 21 to 18.⁴

Design aesthetics are important to this generation. For Generation Y, how a company presents itself from a design standpoint says something about that company's level of credibility. Remember, this is a generation that relies on the Internet for information and news. With a glut of misinformation available, the presentation of news is often one of the first filters they use to help determine the credibility of the source.

The importance of aesthetics extends to product design or usability as well. Generation Y expects products and services to work logically and efficiently – especially products with technology at the core. They will be quick to dismiss products and services that offer a poor experience. No generation has had more comfort with emerging technologies. To resonate with this group, brands must offer an impeccable experience along with a complete command of web 2.0 technologies.

Channels of communication will also say a lot about a company's credibility and earnest desire to capture the Generation Y market. Finding Generation Y isn't hard. They consume a ton of media. And then they share it and talk about it and mash it up and make it their own. For Generation Y, the media is the message – they are one in the same. Remember that all of these new media outlets are their turf (in many instances, these media outlets are their own creations). To play in this space, marketers must provide true value and offer an enhanced experience.

Ultimately, a brand that seems effortless and an organic reflection of a company and its culture is what will draw the attention of Generation Y. This generation mocks contrivance. Generation Y wants to support companies that share their strong civic and global responsibility. They want products that help them express their uniqueness and they expect these products to come with perks that reward them for their loyalty. They will then prove their loyalty through advocacy, and hopefully a lifetime of partnership.

*To talk about how to capture
your share of the Generation Y
market, contact us*



Contact Suzanne Gunther at
866.353.3011
or visit www.mlinc.com/testdrive
and let's get started.



¹The birth years that define Generation Y fluctuate slightly depending on source

²<http://www.slideshare.net/brassMEDIA/gen-y-financial-services-presentation/>

³<http://articles.moneycentral.msn.com/Investing/HomeMortgageSavings/WhyGenerationYIsBroke.aspx>

⁴<http://thecaucus.blogs.nytimes.com/2008/11/05/youth-turnout-up-by-2-million-from-2004/?scp=1&sq=youth%20vote&st=cse>