

J.D. POWER

Banking Industry Insight
September 15, 2020

Millennial Customers Stressed by Personal Finances, Moving Banks for Better Interest Rates and Fees

- *Millennials¹ are more likely than older customers to be stressed about their personal financial condition, with 41% having high or moderate stress.*
- *Almost one in five Millennials (19%) are dissatisfied with their current personal financial condition, and struggle with managing their finances.*
- *Concerningly, 23% of Millennials say their bank's support to help them make better financial decisions is poor or just okay.*
- *16% of Millennials have switched banks in the past 12 months, four times that of older customers (4%).*
- *20% of Millennials intend to switch banks in the future, motivated by non-competitive interest rates (36%), high fees (20%) and inconvenient branch locations (19%).*

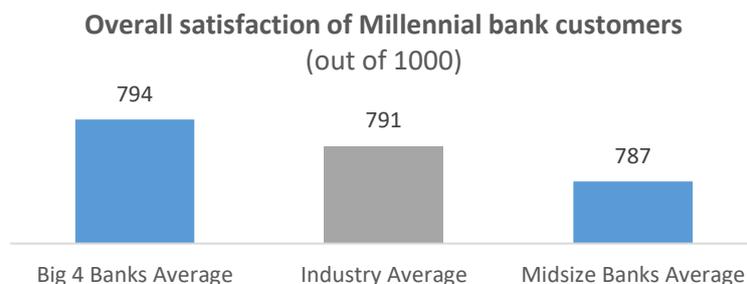
Millennials account for 32% of Australian bank customers and are a valuable age group with which banks can develop longer-term relationships. For banks to remain relevant to Millennial customers, they must acquire a deeper understanding of the banking behaviour of this generation.

In addition, Millennials have been particularly affected by the COVID-19 pandemic, highlighting a need to understand the financial health of Millennial customers and the financial wellbeing support offered by banks. J.D. Power explores Millennial customers using findings from the 2020 Australia Retail Banking Satisfaction StudySM and a pulse survey conducted during the COVID-19 pandemic. Following are the key findings.

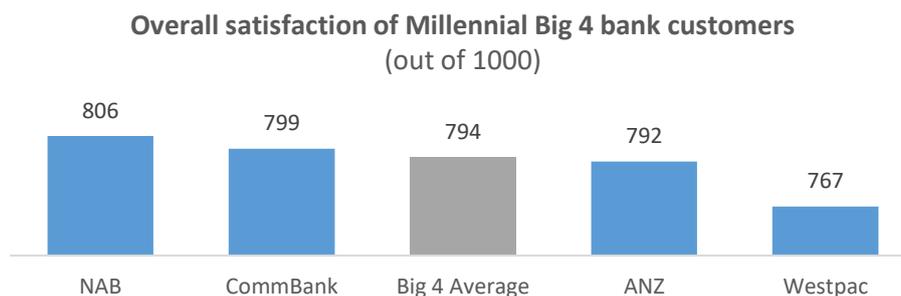
¹ J.D. Power defines Millennials as being under 40 years old.

Millennials are more satisfied than older bank customers

Millennial bank customers have an overall satisfaction score of 791 (on a 1,000-point scale), compared with 771 for customers aged forty and above. Customer satisfaction is higher for Millennials who are customers of the Big 4 banks (794) than for customers of midsize banks (787), which is in direct contrast with overall customer satisfaction across all generations that sees highest satisfaction with midsize banks (785) vs. the Big 4 (768).



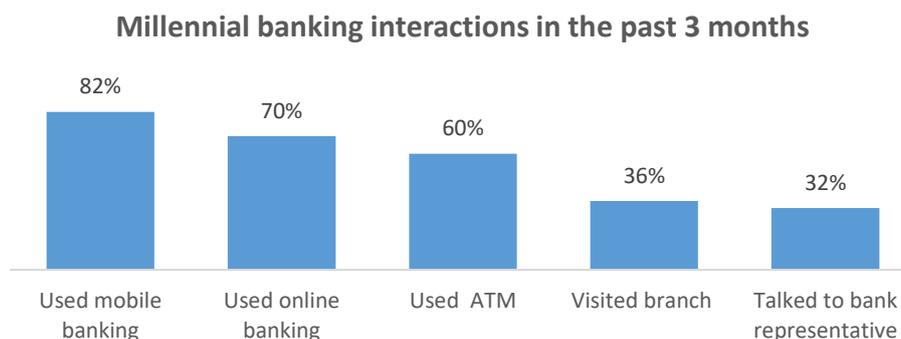
NAB ranks highest in Millennial customer satisfaction among the Big 4 banks in Australia with an overall score of 806, followed by CommBank (799), ANZ (792) and Westpac (767).



Millennial digital banking and payments

Digital banking

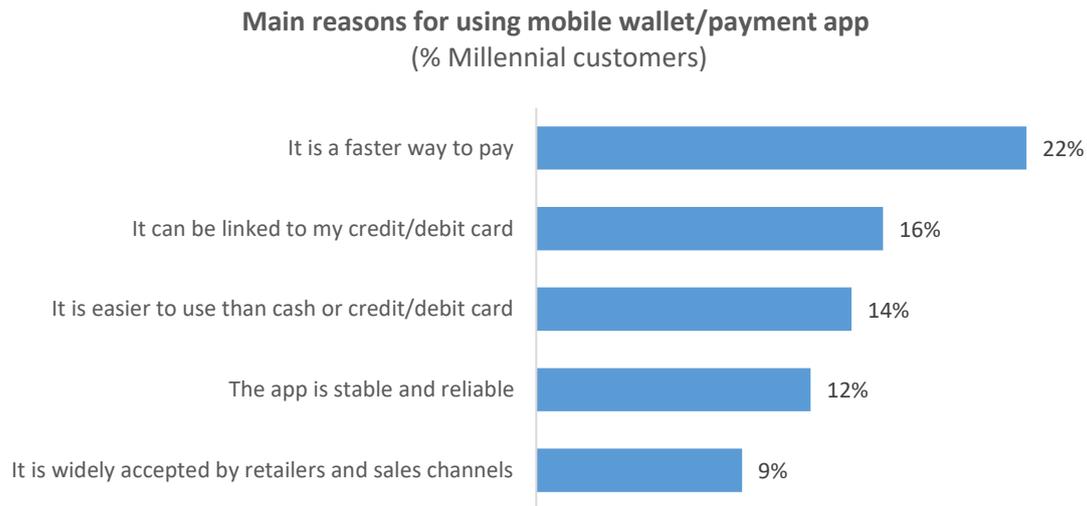
There is high usage of digital channels for Millennial banking interactions, with 82% of Millennials using mobile banking and 70% using online banking in the past three months.



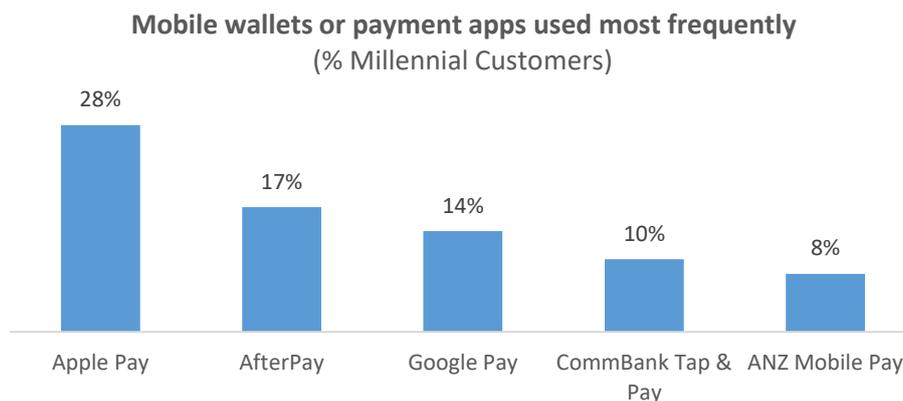
Mobile satisfaction for Millennials is 19 points above that of customers aged 40 and above (845 vs. 826, respectively), but lower for online satisfaction (829 vs. 847, respectively).

Mobile wallets and payment apps

Mobile wallets and payment apps are used by 43% of banking customers, with Millennials more than twice as likely to use than older customers (64% vs. 31%, respectively). Mobile wallets and payment apps are primarily used by Millennials because they offer a faster way to pay.

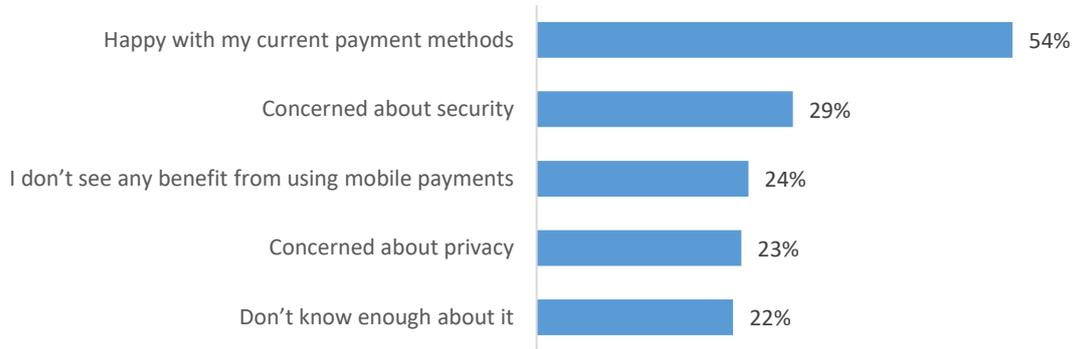


The most frequently used mobile wallet/payment app for Millennials is Apple Pay, used by 28% of Millennial bank customers, followed by Afterpay (17%) and Google Pay (14%).



For those Millennial customers not using mobile wallets and payment apps, this is primarily because they are happy with their current methods of payment with no incentive to change payment behaviour.

Reasons for NOT using mobile wallet or payment apps (% Millennial Customers)

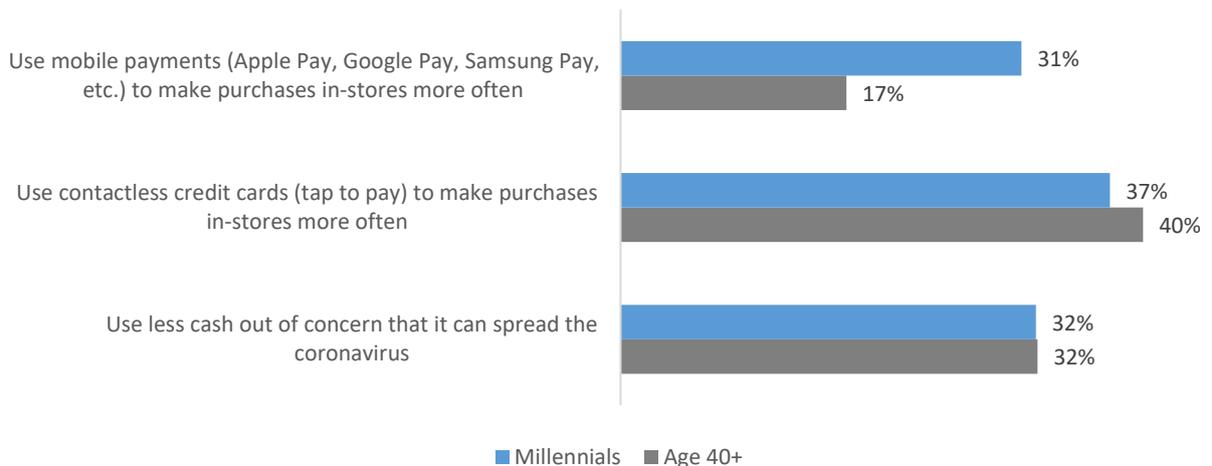


“A lack of motivation is the main reason for Millennials who do not use mobile wallet or payment apps to ignore these payment types,” said Bronwyn Gill, head of banking and payments intelligence at J.D. Power Australia. “While banks invest in providing access to mobile payment technology, the marketing of these services and communication of their benefits is lacking. This is a missed opportunity among a digitally receptive customer base.”

COVID-19 encouraging mobile payment

With many Australian businesses currently discouraging or not accepting cash payments, customers are using digital payment alternatives. All age groups have increased their use of contactless credit cards and younger Australians, in particular, are increasing their use of mobile payments for in-store purchases. Nearly one-third (31%) of Millennial customers are using mobile payments more often than before the pandemic².

Changes to how you bank and make payments due to the COVID-19 pandemic

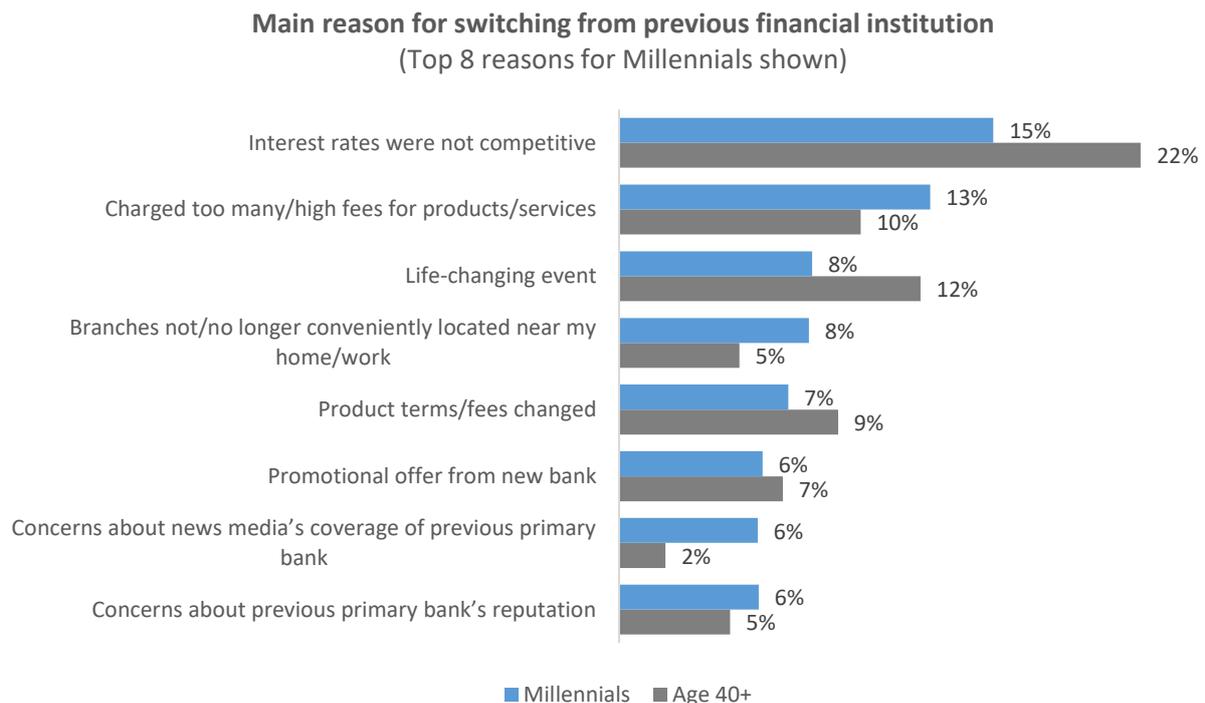


² J.D. Power Australia Financial Services COVID-19 Pulse Survey June 24-July 13, 2020

Millennials will switch banks for a better interest rate and lower fees

Millennials switching banks

Millennials are more likely to switch banks, with 16% having switched in the past 12 months, four times more than older customers (4%). The main reasons for making the change away from a bank is due to interest rates not competitive (15%) and charged too many/high fees (13%). Branch locations near home or work is important to Millennials, with 8% changing banks if branch locations aren't convenient. Life changing events is also the reason for 8% of Millennials moving banks.



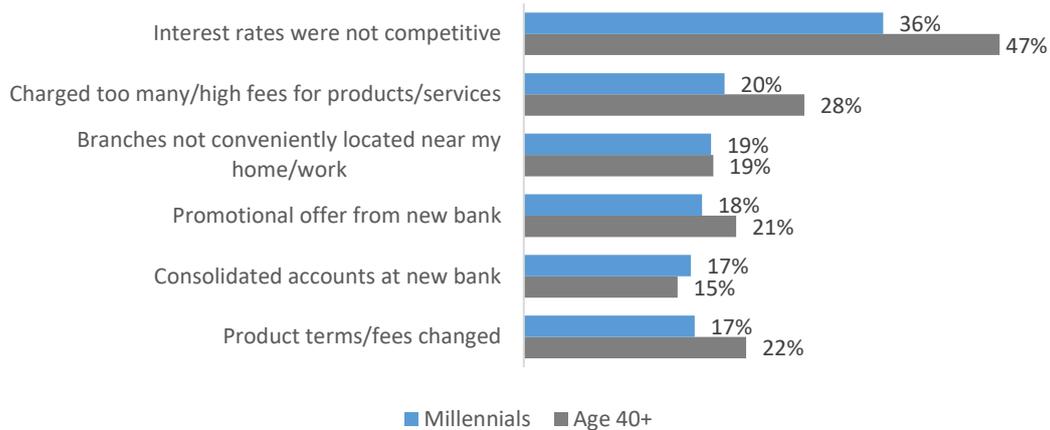
Worth noting given banking scandals that have made headlines in recent times, Millennials are more likely to move away from their bank than older customers because of concerns about news media's coverage of their bank (6% vs. 2%, respectively) and the bank's reputation (6% vs. 5%, respectively).

Intent to switch banks in the future

Millennials also have higher intention to switch banks, with 20% intending to switch away from their current bank to another in the next 12 months, almost three times as likely as older customers (7%).

The main reasons Millennials intend to replace their bank are interest rates are not competitive (36%), charged too many fees (20%) and inconvenient branch locations (19%). Although interest rates are the primary reason for intending to switch banks, this is not as important to Millennials as to older customers (47% of customers).

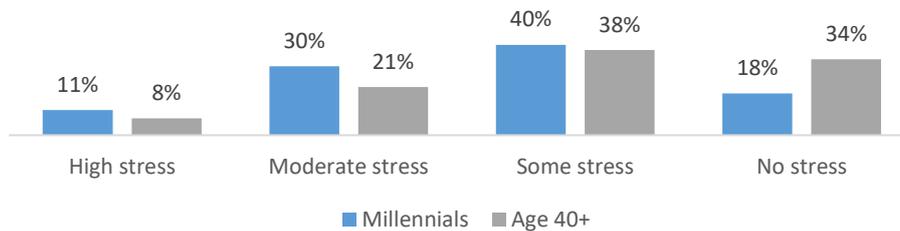
Top reasons for Millennials to intend to change banks



How Millennials view their personal financial situation

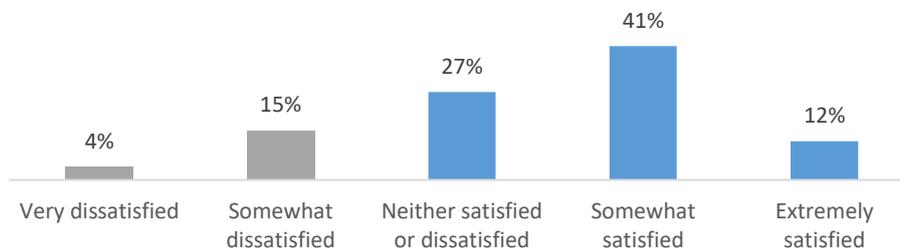
Millennials are more likely to be stressed about their personal financial condition than older customers, with 41% having high or moderate stress compared with 29% of customers aged 40 and above.

Stress caused by finances



Almost one in five (19%) Millennials are dissatisfied with their current personal financial condition.

Satisfaction with current personal financial condition (Millennials)

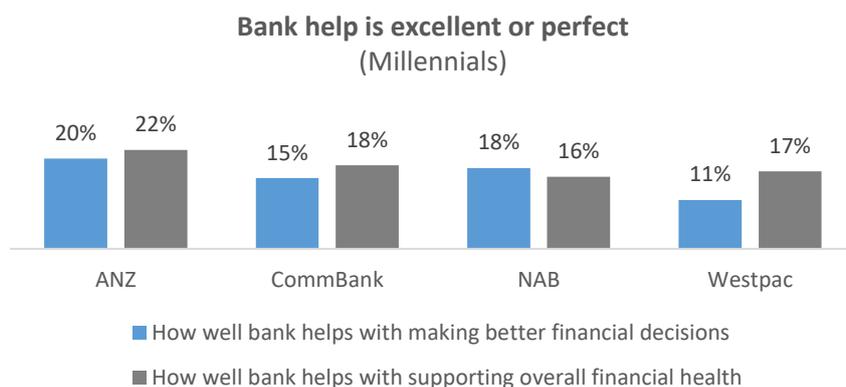


Millennials who are “not satisfied with their financial condition” struggle with managing their financial lives in a variety of ways. Millennials are however better at keeping their level of spending within household income (42%) compared with customers aged 40 and above (34%). Despite this, only 44% of Millennials pay the full balance on their credit card or did not have a credit card balance, less than for customers aged 40 and older (62%).

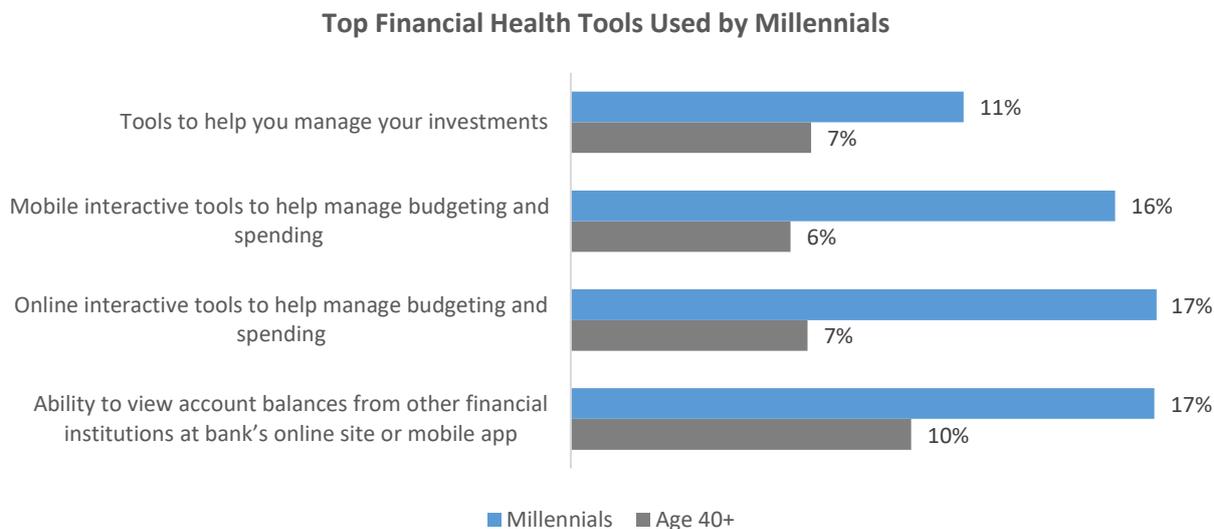
Supporting the financial health and wellbeing of Millennials

Concerningly, when it comes to support provided by banks, 23% of Millennials say their bank’s support to help them make better financial decisions is poor or just okay.

Of the Big 4 banks, ANZ has the highest proportion of Millennial customers saying that the bank’s help with making financial decisions is excellent or perfect (20%), and support of overall financial health is excellent or perfect (22%).



Millennials are more likely to use financial health tools than older customers, particularly mobile and online interactive tools to help manage budgeting and spending.



Support during times of crisis

In recent times Australia has faced drought, bushfires and the COVID-19 pandemic, all of which have strained the finances of Australian communities and households. The Big 4 banks hold the lion’s share of customers, and their support has been crucial during these crises, and continues to play an important role as the pandemic prolongs.

One in four (26%) of ANZ Millennial customers say their bank’s supports of the community during and after a crisis was either excellent or perfect, followed by 22% of NAB customers, 17% of CommBank customers and 13% of Westpac customers.

“Millennial finances have been hardest hit by the pandemic and it will take time for their personal financial condition to recover,” Gill said. “Banks have an important role to support the financial wellbeing of Millennials, which will establish customer relationships built on trust that will see them remain loyal into the future. With a customer base that is much more likely to switch banks than any preceding generation, this is the perfect opportunity to genuinely support and build lifelong customers.”

What Millennial customers should think about if considering switching banks

1. Is your bank increasing or decreasing your level of financial stress?
2. Does your bank provide useful tools to manage your budget and spending?
3. Are you with a bank that can help you as you go through different stages in life?
4. Are you satisfied with your bank’s mobile offering?
5. Is there the opportunity to get a better interest rate or to save on fees?
6. At times when you want to speak to someone in person, does your bank have conveniently located branches?

Methodology

This J.D. Power Banking Industry Insight is based on the J.D. Power 2020 Australia Retail Banking Satisfaction Study and complemented by a pulse survey of 1,957 adults in Australia from June 24 through July 13, 2020.

Now in its fifth year, the study measures overall satisfaction in six key factors: channel activities; convenience; product and fees; communication and advice; account opening; and problem resolution. The study is based on responses from 5,584 retail banking customers and was fielded in May-June 2020.

Find out more

This J.D. Power Banking Industry Insight was authored by [Bronwyn Gill](#), head of Australia Banking and Credit Card Intelligence at J.D. Power. Please contact us at the numbers below to connect with Ms. Gill, or to learn more about the underlying research.

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