Addressing the Generational Shift Among Cardholders: Strategies for FIs to Successfully Engage Millennials

“The ‘Millennial’ generation is projected to surpass [in 2015] the outsized Baby Boom generation as the nation’s largest living generation.” — Pew Research Center

EXECUTIVE SUMMARY:
Millennials — defined in the context of this paper as those born between about 1981 and 1997 — are more than 75 million strong, making them the largest and most influential generation in the U.S. since the post-World War II “baby boom” generation. The sheer generational size and, in turn, long-term spending power of the millennials make them an attractive target audience for a spectrum of industries and marketers. According to Sarbjit Nahal, Head of Thematic Investing Strategy at Bank of America Merrill Lynch, millennials “are the most important group in terms of the workforce, and by 2018 they’re going to overtake the boomers. By 2025, we’re looking at over $8 trillion worth of annual net income.”

Financial institutions (FIs), like stakeholders in many other industries, have struggled to connect with millennials. But it is imperative that they do so — and soon. The TSYS Portfolio Profitability Model predicts that the current generational shift, as aging baby boomers earn and spend less and millennials earn and spend more, will create huge opportunities over the next decade for FIs who are prepared for this shift.

Graph 1: Projected Population by Generation

Source: Pew Research Center tabulations of U.S. Census Bureau population projections released December 2014
Studies have shown that millennials aren’t very impressed with the current financial industry. A recent survey from the Millennial Disruption Index found that 71 percent of millennials “would rather go to the dentist than listen to what banks are saying.”3 And 33 percent “believe that [in five years] they won’t need a bank.”

Traditional FIs must take note of these long-term trends and cater their services and marketing to this valuable generation — or risk being left behind by digital-oriented providers (FI and non-FI) that leverage advanced digital and mobile technologies. Proper use of analytics and building an advanced digital engagement strategy can help payment card issuers stay competitive and strengthen their portfolio over the long term.

This report looks at key insights that can help issuers capture long-term portfolio growth from millennials, who will represent most of tomorrow’s card transactions.

This report will highlight the TSYS Portfolio Profitability Model, which divides customer segments into three core classifications based on their profitability for FIs: Future Profits, Peak Profits and Legacy Profits. It then delves into key insights about millennials and the strategic implications of each classification. The report concludes by providing three strategies for how FIs can better engage millennials: 1) implement the use of data and analytics; 2) design an advanced digital engagement strategy; and 3) build and develop a compelling rewards strategy.

THE TSYS PORTFOLIO PROFITABILITY MODEL
The TSYS Portfolio Profitability Model is an analytics tool created by TSYS® that examines card portfolios using a variety of dimensions, including profitability by cardholder age. Historically, card accounts have shown an increase in profitability as young cardholders mature, but then a decline after they reach age 50. Across most card portfolios, cardholders can be divided into three general categories, each with its own unique characteristics: Future Profits, Peak Profits and Legacy Profits. The Future Profits category is composed of younger consumers, aged 20-34 years old, who are still professionally establishing themselves while building their credit profiles and creditworthiness. Both today and historically, bank profits are heavily derived from the two remaining consumer categories: Peak Profits and the Legacy Profits.

Peak Profits are those aged 35-49 years old who are in their prime earning and spending years and who thus represent the greatest profitability for FIs per account. It’s a category in which approximately every 15 years each generation will pass through.

Legacy Profits are those aged 50-64, who provide banks with profitability based on that category’s spending power but may yield less profitability per account on average when compared to Peak Profits. Profitability from Legacy Profits tends to diminish as cardholders reduce debt and begin to prepare for retirement. The TSYS Portfolio Profitability Model curve (see graph 2) illustrates how these categories align with the cardholder journey, beginning when one activates his or her first card around age 18 to when usage diminishes as one nears retirement. The curve peaks in between, reflecting the time period when cardholders have the highest levels of spending and revolving credit.

Graph 2: TSYS Portfolio Profitability Model, 2015

In 2015, the profit categories identified in the TSYS model aligned almost perfectly with today’s generations: millennials as Future Profits, Gen X as Peak Profits and Boomers as Legacy Profits.

Source: TSYS AnalyticsSM
The Generations Defined

- **Generation Z**
  - Born: 1998 to 2010s
  - Age in 2015: 17 and under
- **The Millennial Generation**
  - Born: 1981 to 1997
  - Age in 2015: 18 to 34*
- **Generation X**
  - Born: 1965 to 1980
  - Age in 2015: 35 to 50
- **The Baby Boom Generation**
  - Born: 1946 to 1964
  - Age in 2015: 51 to 69
- **The Silent Generation**
  - Born: 1928 to 1945
  - Age in 2015: 70 to 87
- **The Greatest Generation**
  - Born: Before 1928
  - Age in 2015: 88 to 100

*No chronological end point has been set for this group. For the purpose of following a cleanly defined group, millennials are defined as those ages 18 to 34 in 2015.

Source: Pew Research Center, 2016

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**THE RISE OF MILLENNIALS: THE GENERATIONAL SHIFT’S IMPACT ON LONG-TERM PORTFOLIO GROWTH**

TSYS has determined that 2015 was a unique year, in that the categories identified in our profitability model aligned almost perfectly with today’s generations: millennials as Future Profits, Generation X (Gen X) as Peak Profits and the baby boomers as Legacy Profits. Furthermore, 2016 is the first year that millennials will enter the Peak Profits category. Despite today’s Peak Profit category consisting almost wholly of Gen X, those aged 35-49 years old, by 2030 this category will be entirely composed of millennials. The question is when millennials will represent a majority of Peak Profits. TSYS Analytics™ — taking into consideration U.S. Census Bureau population projections — predicts it could be as early as Labor Day 2022. The TSYS Portfolio Profitability Model forecasts that millennials will make up the majority of both the Peak and Legacy Profits groups between 2028-2046 (See graph 3). This means FIs will heavily depend on millennials as a main revenue source for more than a 32-year period.

Despite that today’s Peak Profits consist wholly of Gen X, those aged 35-49 years old, by 2030 this category will be entirely compromised of millennials.

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**Graph 3: Peak and Legacy Profits Population Over Time (By Generation %)**

Source: TSYS analysis of the U.S. Census Bureau population projections released December 2014

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#GenShift2022
From our experience, some issuers’ portfolios are heavy on baby boomers, indicating a marketing shift is needed in the near future. In order to reap benefits from the 2022 generational shift, it is critical for marketing teams at banks to understand how tech-savvy millennials engage with brands. The millennials are digital natives — the first generation to have grown up with Internet-enabled devices and digital technologies — and thus expect on-demand engagement with brands. They also have a low tolerance for poorly designed user experiences.

According to eMarketer’s latest U.S. mobile phone banking usage forecast, about 59 percent of 18-34 year-old mobile phone users accessed their bank, credit union, credit card or brokerage account via mobile browser, app or text messaging on their phones at least monthly in 2015. Millennials’ high use of mobile devices allows them to be constantly connected to their friends and family, even while eating dinner at a restaurant or shopping.

And, millennials have a higher likelihood and willingness to share their brand preferences over social media or online. In other words, a glowing review or the sharing of a terrible customer experience is just a click away.

Strategic Imperative for FIs: While mobile is millennials’ preferred platform today, they have shown quick adoption of the latest and most compelling technologies. FIs that invest in the right technologies and create a frictionless experience on par with brands that millennials already love will be in the best position to win with millennials long term. Since peer-based ratings and reviews and social networks heavily influence millennials’ decision-making, FIs should consider offering social tools to support their connectedness and willingness to share their experiences.

Millennials: Who Are They?
One of the largest and most influential generations:
• Born: 1981-1997
• ~75-80 million strong
• 35 percent of today’s labor force

Behaviors:
Millennials are “digital natives,” who expect to find information and transact online via mobile devices.
• Rewards matter
• Low brand loyalty
• Highly connected having social profiles
• Share experiences and opinions via social channels
• Customer ratings and reviews matter

Digital Engagement:
Mobile is the platform of choice.

Impact on FIs:
80 million Americans are on the brink of making significant financial and banking decisions that will affect the rest of their lives — as well as banks’ profitability.

Source: Pew Research Center

#GenShift2022
For card issuers, that means millennials are likely checking out their websites and trying to better understand any card or product offer before signing up. Issuers who want to appeal to millennials will therefore need to make it easy for them to navigate their website and mobile app, while also providing clarity around product terms and conditions so millennials feel comfortable signing up.

Furthermore, millennials seem to maximize the advantage of rewards and loyalty programs by redeeming points at a high rate and then dropping a card after reaping the benefits. This can cause issues if initial incentives designed to recruit new cardholders rely on longer term relationships for overall account profitability. Some tech-savvy users are very adept at exploiting flaws in a rewards program. One extreme case is that of Ben Schlappig, who Rolling Stone magazine profiled and called “a master of flying around the world—at no cost to himself.” In his popular blog, “One Mile at a Time”, he outlines how he accomplishes this through manipulating credit card loyalty rewards tied to airlines (see more on page 10). Clearly, if not managed properly, this behavior doesn’t help an issuer’s profitability.

There is, however, some positive research around millennials’ brand loyalty. While they may not be as brand-loyal as older generations, a Boston Consulting Group study found that U.S. millennials engage with brands much more extensively and personally when they do engage. Engaging more deeply means “liking” a brand’s social media posts, posting reviews and following brands they adore on Twitter or Instagram.

Younger millennials in particular believe that “brands say something about who I am…. “ One such example is millennials gravitating toward more local and specialized products, such as craft beers, which are increasingly being acquired by major brewing companies. The behemoth beer makers are trying to appeal to the millennials in an authentic way while also trying to grow these craft brands. At the same time, they fear that the craft beer brand’s association with a big conglomerate will push millennials away.

Yet, risks abound: One bad experience can make it very difficult to win back a millennial. A bad experience could be a negative interaction with a company’s customer service line, such as being rerouted four times to have a simple question answered.

**Strategic Imperative for FIs:** FIs that want to build brand loyalty among millennials must shift away from transactional interactions and move toward creating experiences that will develop lasting customer relationships. This means finding unique and engaging ways to fit into millennials’ digital lifestyles and offer them the tools they expect, whether dedicated mobile apps or educational materials via social feeds or streaming video. Providing them with more convenient services — such as 24-hour mobile deposits — and personalized offers built around their unique preferences and personal spending habits are other potential ways to win over millennials.

Another critical factor for acquiring, engaging and retaining millennial cardholders is an enticing card rewards program. For those issuers who don’t currently offer a rewards program, now would be a good time to do so. Analytics can help issuers determine which offers, rewards and channels are most effective in attracting, engaging and retaining younger customers.

**Insight #3: More Apt to Use Alternative Payment Solutions**

Many payment industry reports suggest millennials are credit-averse, showing that 18 to 29-year olds have fewer credit cards. However, that finding is specific to the younger segment of the generation. There are several factors impacting their lower credit card adoption rates, such as the federal Credit CARD Act of 2009, which prevents Americans under age 18 from securing cards. As millennials age, it can be expected that typical life milestones — such as purchasing a home or starting a family — will require financial tools such as credit cards to help them adjust to new spending needs. Furthermore, many of the mobile payment apps they rely upon today require either a debit or credit card to fund transactions.

However, Aite Group forecasts that credit card growth will be fueled by the younger millennials as they reach adulthood, but tempered by the aging of the baby boomers. Aite anticipates that by 2018 there will be an additional 10 million cardholders and 23.6 million cards.

Millennials have shown gravitation toward alternative payment solutions. A survey conducted by credit-scoring company FICO found that “twice as many millennial respondents (32 percent) report that they are likely to use mobile wallet services like Apple Pay® or Google Wallet™ in the next 12 months as those who are 35 and older (16 percent).” Additionally, the survey found that “56 percent of the younger millennial segment (18-24) report that they are already using or very likely to use alternative payment services like Venmo and PayPal.” The FICO survey also notes that one area of expected payment growth driven by millennials is the use of peer-to-peer lending services, with 23 percent saying they will consider such services — more than 10 times the level of boomers and twice that of Gen X.
Addressing Generational Shifts Among Cardholders

STATS & FACTS ABOUT MILLENNIALS

Digital Engagement: How Millennials Use Their Mobile Devices for Banking

- Verify balance: 86%
- Make their bill payments: 43%
- Verify recent transactions: 70%
- Make deposits: 39%
- Contact customer service: 14%
- Verify investments: 11%
- Transfer funds: 44%

59% of millennials aged 18-34 use their banking app on a daily basis.5

59% of 18-34 year-old mobile phone users accessed their bank, credit union, credit card or brokerage account via mobile browser, app or text messaging on their phones at least monthly in 2015.5

U.S. Adult Mobile Phone Banking Users and Penetration by Generation, 2014-2019

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Note: excludes virtual wallet services (e.g., PayPal, Google Wallet)

More Millennials Switch Banks

- 18% of millennials switched their primary bank within the past 12 months.7

Net Change in Credit Card Holders and Cards, 2013-2018

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<tr>
<th>Generation</th>
<th>Change in number of cardholders, 2013-2018 (in millions)</th>
<th>Change in number of cards, 2013-2018 (in millions)</th>
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<td>Young Gen Yrs/Millennials</td>
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<td>Gross</td>
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<tr>
<td>Seniors</td>
<td>(4.5)</td>
<td>(11.2)</td>
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<tr>
<td>NET</td>
<td>10.8</td>
<td>23.6</td>
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</tbody>
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18% of millennials will use credit cards by 2018.10
Millennials are digital natives, so technology plays a significant role in supporting their attitudes. The 2015 U.S. TSYS Consumer Payment Choice Study found that of the respondents who reported using their mobile banking app on a daily basis, 59 percent were millennials (aged 18-34). Further confirming this, Bank of America’s Year-End Snapshot reveals that “three in five (59 percent) millennials use their bank’s mobile banking app, the highest users of any generation. Of those millennial banking app users, most (72 percent) access the app a few times a week or more, nearly three-quarters (74 percent) receive mobile banking alerts, more than three in five (65 percent) use the mobile check deposit app, and more than two in five (41 percent) would consider or have already used their smartphone to make a purchase at checkout.”

18 percent of millennials switched their primary bank within the past 12 months compared to just 10 percent of customers 35-54 and 3 percent of people 55 and older. 7

Strategic Imperative for FIs: Digital and mobile technologies are clearly central to how millennials interact with brands, and increasingly so with banks. As millennials are lured by alternative payment solutions, whether Apple Pay, Venmo or many others, the bottom line is that millennials want access to banking, money-management tools and paymentsthat match their digital lifestyles. In order to compete, FIs must offer millennials digital and mobile technologies to support their always-connected lifestyles. Such offerings could include online tools and mobile apps for accessing accounts, managing money, or making payments on time.

THREE STRATEGIES FOR FI MARKETERS
So, how can marketers at FIs leverage these key insights into millennials’ (“Future Profits”) financial preferences and behaviors and best prepare for the dramatic generational shift underway? Here are three strategies:

Strategy #1: Implement the Use of Data and Analytics
To win millennials over, FIs must understand the generation. Marketers should use data and analytics to assess the state of their current portfolio and determine how they can adjust future product and service offerings to better engage millennials. Big data and analytics provide meaningful and actionable insights. And most FIs have a treasure trove of data available to them — they just have to be able to access and analyze it.

According to an Accenture consumer banking survey, “86 [percent] of consumers trust their bank over all other institutions to securely manage their personal data.”

Many FIs already use data to improve their efficiency, but it has become increasingly important for them to use it to understand their customer segments and which product attributes, rewards and marketing communications will resonate most with each one. Advanced analytics platforms, some using newer machine learning technologies, allow FIs to examine their portfolio distribution and better understand their cardholder composition today — helping them identify generational differences among baby boomers, Gen X and millennial customers. Additionally, analytics can be effectively used to benchmark against industry portfolios to understand how an FI compares to its competitors.

Some key questions:
- How does my customer base compare to my competitors’ customer base? What are competitors doing to attract different generations or maintain more balance?
- Is my portfolio heavily composed of one generation? In other words, is the portfolio heavily skewed toward longer-term success with millennials and missing out on near-term profits from other segments?
- Who are the users of my current products, and does my company offer the right product mix to attract millennials (e.g., affinity programs, rewards products and redemption options, and appropriate marketing tactics/channels)?

Garnering these insights allows FIs to strategically plan to replace profits from aging portfolios and prepare to shift product offers or reward strategies to appeal to younger generations who will become tomorrow’s Peak Profits. Underscoring the importance of understanding millennials is the reality that this segment wants and expects personalization. Thus, it’s important to avoid crafting a “one-size-fits-all” strategy for this generation, given the different life stages represented within a generation spanning 17 years (inclusive of 81 and 97) — the needs of the younger millennials are different from those of the older ones.

Some key recommendations on how to leverage analytics:
- Acquisition: Identify attributes indicative of good and ideal millennial customers. This could include analyzing transaction records, income, account balances and behavioral and demographic data.
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- **Deepen Customer Relationships**: Use analytics to better understand existing customers and their specific needs in order to build and enrich long-term cardholder relationships. For example, FIs should understand millennial customers’ service and communication preferences to provide them with more relevant future offers.

- **Test New Product Offerings**: Try out rewards and exclusive offers, whether card partnerships with a particular airline or hotel or providing double points for gas or groceries. Testing ensures that cardholders value those offers and, in turn, allows FIs to achieve their goals.

- **Marketing Messages and Education**: Craft targeted and relevant marketing messages. Provide effective cardholder education and communication using analytics-powered marketing tools.

According to IBM’s Big Data & Analytics Hub, TD Ameritrade segments their millennials into multiple groups based on unstructured and structured data. The brokerage firm looks at transaction data (e.g., deposits) and behavioral data (e.g., online browsing) to categorize millennials into three distinct segments: mass affluent, potential high net worth and high net worth. The IBM hub says that “according to the bank, 65 percent of the high net worth millennials use financial advisors, compared to 40 percent of the mass affluent and only 33 percent of the potential high net worth category.”14 This type of data insight allows TD Ameritrade’s investment advisors to better tailor and craft their marketing messages to those millennials who should be the most receptive.14

Those FIs that leverage data and analytics can expect improved engagement with existing and prospective cardholders as they create more relevant and profitable programs and offers. Analytics will be essential for designing card offers that capture millennials’ attention and, in turn, give those cards “top-of-wallet” status — even if that wallet is a mobile one.

**Strategy #2: Develop an Advanced Digital Engagement Strategy**

FI marketers should focus on improving their digital engagement strategy to enhance customers’ experiences regardless of how they interact with the FI. Advanced digital engagement is foremost about investing in high-touch, personalized and authentic online customer experiences across an array of devices and channels, whether smartphones and tablets or social media. An effective digital engagement strategy can help build relationships as well as provide ease of doing business — a top priority for millennials.

It is especially important that FIs focus on digital engagement with millennial consumers, who embrace mobile devices and social networking more than any older generation. To millennials, mobile isn’t a new or distinct channel; it is just an expectation, and the omnichannel experience is simply the way they go about their browsing, shopping and purchasing.

New Innovations Appealing to Millennials

**Instant Credit/Accounts** – Gives millennials the convenience and instant gratification they crave with virtual card issuance, offering immediate spend capability using technology that issues or replaces a payment card via a smart phone or generated in a branch, retail outlet or remote kiosk.

**Ultra Personalization** – Avoid the one-size-fits-all approach when marketing to millennials. Instead they prefer very specialized offers and products such as credit cards that include customizable features, exclusive deals and targeted savings. Picture passwords, scented credit cards, and BLE (Bluetooth Low Energy) beacons that provide proximity offers are some examples.

**Pull vs. Push Marketing** - Develop marketing strategies that focus on actively building relationships with millennials that will attract them to your brand. Using both online and offline methods — from social media to personal customer service — execute an outreach strategy that is collaborative, inspires loyalty and motivates them. This includes creating opportunities that allow for their feedback.

**Digital Identity for Credit Approval** – As solutions for digital identification such as online driver licenses and national ID cards gain the potential for wider acceptance, it will be important for FIs to consider how they will embrace this technology for credit approval process as a convenient solution offering that can attract millennials.
A collaborative study by The Economist’s Intelligence Unit and SAP Software Solutions found that 82 percent of retail bankers “agree or agree strongly that in the next five years mobile will become the number one channel for millennials and younger consumers.”13 The 2015 U.S. TSYS Consumer Payment Choice Study also found that millennials are the most active generation on mobile devices. Specifically, 59 percent of those aged 18-34 use their banking app on a daily basis compared to only 41 percent of the other age groups. The study notes that millennials most often use FIs’ mobile apps to verify their account balances, view recent transactions and make bill payments.12 As mobile app adoption continues to grow, so will account balances, view recent transactions and make bill payments.12

Given that millennials are generally quick to adopt new technologies, FIs will want to tailor their digital engagement strategies to the ever-evolving technological world. Tomorrow’s millennial cardholders will have access to technologies and services not yet imagined, perhaps starting with new mobile applications and wearable devices. FIs can create an advanced digital engagement strategy by assessing their current product portfolio and building solutions that integrate the various digital tools millennials want to help them make better financial decisions. That could entail integrating features such as personal financial management software; customized alerts for low balances, withdrawals or payment due dates; and statement notifications.

An advanced digital engagement strategy extends beyond product offerings and includes understanding consumers’ preferences. The 2015 U.S. TSYS Consumer Payment Choice Study found that the most preferred communication channel of the survey respondents was email. And most millennials prefer to receive marketing and special offer communications about once per week.12

While the vast majority of millennials engage in social media activity, they do not necessarily want to be an FI’s “friend” on Facebook. Younger segments of millennials are more frequently using social applications such as Snapchat, Periscope and Pinterest for chatting, live video streaming and sharing ideas.

When Bank of America started to develop a financial education resource, it found that millennials who are facing significant financial decisions, such as buying homes or paying down student loans, are most receptive to topics around “Better Money Habits.” The bank set out to identify the most effective and trusted channels for delivering this content.

A recent Ad Age article by Meredith Verdone, an enterprise marketing executive for Bank of America, discusses the bank’s marketing communication channel planning: “We’ve worked with Pinterest to provide specific content on the financial side of personal milestones, from planning a wedding to renovating a home. Through their ‘pins,’ Pinterest users show what they aspire to, and this ‘intent’ is a powerful signal to allow us to provide more useful content. Meanwhile, millennials’ desire for on-demand video led to a partnership with Vice News on a web-based, mobile-friendly show in which experts discuss the various digital payment options for consumers of all ages, with 58 percent of survey respondents saying they have a rewards program attached to their most preferred payment type. This indicates that loyalty and rewards programs are even more important when consumers are choosing between multiple credit cards and not just one payment form over another.

When looking only at the respondents who said their most preferred payment type was a credit card, 86 percent said there was a rewards program for their card.12 Credit bureau Equifax echoed the importance of card rewards by conducting interviews with individual millennial cardholders: “Rebecca, a city planner, says she has several credit cards and considers opening new cards based on the initial short-term rewards or points, discounts within certain industries and online purchase incentives.”17 Aite’s survey also finds that 48 percent
of the younger millennial segment “use credit cards as often as possible to maximize reward points,” compared to just 28 percent of Gen X who report doing so.\(^\text{10}\)

Millennials love rewards so much that they are even willing to pay for them. According to Jason Dorsey, a researcher on millennials at the Center for Generational Kinetics, “To millennials, loyalty programs are not just about freebies, but being part of a special club or experience. Members are willing to pay to get the extra benefits and feeling of being special.” Dorsey acknowledges that millennials think differently. “It’s a fast way to get status, access, and benefits that they might otherwise not be able to get.”\(^\text{18}\)

Given the importance of rewards among today’s young adults, FI marketers should build a compelling rewards strategy that attracts millennials while meeting program metric goals. They should avoid creating a promotion just to attract millennials, only to find out the program wasn’t successful due to the high rate of reward redemption and high expense of the rewards offered. One extreme example is that of one millennial who traveled the world leveraging points to secure first-class flights and hotels, all while blogging about it via his blog, “One Mile at a Time.”

He maximized the travel rewards associated with his cards as well as the introductory offers and incentives — specifically the bonus points and rewards.\(^\text{19}\) This was not a brand-loyal customer, but someone seeking points by activating multiple cards, none of which would achieve top-of-wallet status.

Thorough planning can ensure the creation of the right rewards strategy that supports customer acquisition and retention while also achieving profitability for the card issuer. So what is the most compelling category of rewards: travel, merchandise or cash-back? The TSYS study found that cash and cash equivalents were the most preferred types of rewards.

While millennials love rewards, what seems to really attract them to a card is a recognizable and beloved third-party brand or organization. An increasingly popular card acquisition strategy is for issuers to co-brand their cards with colleges and universities or with a company that already holds a relationship with these consumers. One can assume that an issuer’s goal is to increase the cardholder’s credit line and then switch them to another card product as the cardholders mature — or introduce them to other products within the bank.

**CONCLUSION**

Those FIs that better understand how millennials approach financial decisions and transactions and use this insight to deepen relationships will be in an enviable position. To achieve such a position, issuers must recognize that millennials truly represent the lion’s share of future revenue.

The three strategies offered in this whitepaper will help propel those FIs that are interested in shifting their portfolios to capture increased share from millennials. In summary, strategy #1 suggests that FI marketers should use data and analytics to assess the state of their current portfolio and to determine how they can adjust future product and service offerings to better engage millennials. Next, strategy #2 suggests that FI marketers should focus on improving their digital engagement strategy to enhance customers’ experiences regardless of when or how they interact with an FI. And, lastly, strategy #3 emphasizes the role of rewards to consumers of all ages — especially millennials.

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Graph 4: Migration of the Generations Through Age Groups Over Time

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<th>Future Profits</th>
<th>2015</th>
<th>2020</th>
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<th>Peak Profits (per Account)</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
<th>2035</th>
<th>2040</th>
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<tr>
<td>35 to 39 years</td>
<td>Gen X</td>
<td>Millennial</td>
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<td>40 to 44 years</td>
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<td>45 to 49 years</td>
<td>Gen X</td>
<td>Gen X</td>
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<tr>
<th>Legacy Profits</th>
<th>2015</th>
<th>2020</th>
<th>2025</th>
<th>2030</th>
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<td>50 to 54 years</td>
<td>Gen X</td>
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<td>55 to 59 years</td>
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<td>60 to 64 years</td>
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<tr>
<td>65 to 69 years</td>
<td>Gen X</td>
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<td>70 to 74 years</td>
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<td>75 to 79 years</td>
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<td>80+ years</td>
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*Source: TSYS analysis of U.S. Census Bureau population projections released December 2014*
Addressing Generational Shifts Among Cardholders

SOURCES


#GenShift2022
About TSYS

At TSYS® (NYSE: TSS), we believe payments should revolve around people, not the other way around. We call this belief People-Centered Payments®. By putting people at the center of every decision we make, TSYS supports financial institutions, businesses and governments in more than 80 countries. Through NetSpend®, a TSYS Company, we empower consumers with the convenience, security, and freedom to be self-banked. TSYS offers issuer services and merchant payment acceptance for credit, debit, prepaid, healthcare and business solutions.

TSYS’ headquarters are located in Columbus, Ga., U.S.A., with local offices spread across the Americas, EMEA and Asia-Pacific. TSYS is a member of The Civic 50 and was named one of the 2015 World’s Most Ethical Companies by Ethisphere magazine. TSYS routinely posts all important information on its website. For more, visit us at www.tsys.com.

About the Author

Jeff Hampton currently serves as the director of product marketing at TSYS, in the Issuer Product Group for both the North American and European markets. His team’s responsibilities include market and pricing research; packaging and launching new products through outbound content marketing efforts that articulate value, create demand, and enable sales; as well as managing marketing operations and metrics across those efforts. In 2015, his Product Marketing team earned four platinum MarCom awards followed by two Gold Hermes Creative awards in 2016 from the Association of Marketing and Communication Professionals (AMCP) honoring excellence in integrated marketing and product launches.

Hampton has been with TSYS for more than 19 years — spending time in both the Issuing and Merchant segments of the company — and has held previous management positions in the areas of market research, product, documentation, and client relations. He earned his Bachelors of Science degree in Technical Communications from the Mercer University School of Engineering.

Contributors

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