

# Regional and community banks can attract younger customers with digital experience

Article

**The news:** Regional and community financial institutions (FIs) should focus on their digital experience to snag younger generations not yet sold on a bank, according to a [study](#) by

Alkami.

The study included 1,500 US participants who have a bank account and use digital banking and was weighted according to the 2020 US Census for age, region, gender, and ethnicity.

**By the numbers:** The study reveals links between a quality digital customer experience and customer stickiness.

- **Only 27% of regional and community customers** believe their relationship will grow with their institution over the next year, as opposed to **51% of neobank customers**, and **53% of fintech customers**.
- But 40% of current regional and community customers would be willing to try, use, or engage with more products if they had a satisfying digital banking experience.

Regional and community institutions have room to grow when it comes to new customer acquisition and competing with neobanks and fintechs.

- 45% of baby boomers and 38% of Gen Xers use regional and community FIs, versus 16% of Gen Zers and 18% of millennials.
- 40% of millennials and 38% of Gen Zers use neobanks, fintechs, and Big Tech compared with 6% of boomers and 21% of Gen Xers.

**The digital experience:** By focusing on developing a better digital experience, regional and community institutions can nab younger generations that haven't found their primary financial institution.

- 25% of Gen Zers and 21% of millennials don't think or are unsure if they'll be with their primary FI in one year.
- And these generations are quicker to make a change. Almost half (48%) of all Gen Zer and millennials have opened an account with a new financial provider due to a frustrating digital banking experience, the study found.

**What to do?** Our "[US Gen Z Financial Behaviors](#)" report found that the cohort desires opportunities to improve their financial literacy but fears traditional banking institutions misunderstand their needs.

- This gives neobanks and fintechs that lead with a digital approach an advantage, but younger customers will respond to FIs that are honest and transparent while offering a strong digital

experience.

- With bank tech spending expected to increase steadily over the next few years, regional and community banks would be well-suited to focus on attracting these younger customers by developing exceptional digital channels: Regional banks, community banks, credit unions, and neobanks will make up 48.5% of [total US bank tech spending](#) in 2024.

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**State of Digital Transformation at Their Bank  
According to US Community Bank Executives, Nov  
2021**

*% of respondents*

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Our bank has very clear objectives and a path forward to digital transformation

48%

We seem to have a plan but are struggling to execute that plan in a timely manner

30%

Digital transformation is a buzzword and I think we need help figuring out where to go

18%

I don't think digital transformation is necessary for our institution

4%

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Source: Wipfli, "State of Community Banking," Jan 19, 2022

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