The New Banking Value Proposition
How technology is leveling the playing field for credit unions and threatening the big banks
August 2012
New technology and changing customer expectations

- Ten years ago customers’ bank choices were clear—if you wanted accessibility and convenience you chose a large bank, if you valued personal service and lower fees, a small bank or a credit union was your best bet.

- But online and mobile banking options mean accessibility isn’t confined to larger banks; credit unions are providing customers with remote banking services – closing the convenience gap and enhancing their value proposition, as larger banks struggle to positively differentiate themselves.
As a group, large banks claim the most customers, but more than a third use a community bank or credit union.

**Type of Primary Bank**

- **Large national bank**: 42%
- **Regional bank**: 21%
- **Community bank**: 13%
- **Credit union**: 21%
- **Other**: 18%
- **None of these**: 1%

**Base**: Those who have a banking relationship

**Q5**: Now, please think about your primary bank. Your primary bank is the bank where you maintain your household checking account from which you pay most of your bills. In which of the following categories does your primary bank belong? My primary bank is a...
Contrary to anecdotal evidence, customers don’t feel all banks are the same; many believe banks can differentiate themselves and personalized service is just one of those ways.

**Banking Needs**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Agree (%8-10)</th>
<th>Mixed (%5-7)</th>
<th>Disagree (%0-4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All banks are pretty much the same</td>
<td>16</td>
<td>36</td>
<td>48</td>
</tr>
<tr>
<td>I expect personalized service for my banking</td>
<td>45</td>
<td>43</td>
<td>12</td>
</tr>
</tbody>
</table>

**Base:** Those who have a banking relationship  
**Q11:** How much do you agree or disagree with each statement about your banking needs?
Consumers have long-standing ties to their banks, but credit union customers have the most enduring relationships.

**Average Tenure with Primary Bank - By Bank Type (Mean)**

- **Overall**: 14.5
- **Large National**: 13.5
- **Regional**: 14.3
- **Community**: 14.8
- **Credit Union**: 16.9

*Base: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union. Q6: Approximately how long have you been with your primary bank?*

Nearly a third of credit union customers have been with their respective credit union for more than 20 years.
Credit unions also surpass others banks in *strength* of the relationship

- Large national banks are seen as much less valuable to their customers compared to Credit Unions/Community banks

**Value you Receive from Bank (%8-10)-By Bank Type**

- Overall: 63%
- Large National: 56%
- Regional: 52%
- Community: 72%
- Credit Union: 85%

*Base: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union  • Q9: How would you rate the value you receive from your primary bank?*
For many, online services are a key element of banking convenience...and this provides another area of potential differentiation.

Importance of Online Services to Convenience

- **Agree (%8-10)**: 43%
- **Mixed (%5-7)**: 39%
- **Disagree (%0-4)**: 19%

*Base: Those who have a banking relationship ● Q11: How much do you agree or disagree with each statement about your banking needs?*
Credit union customers value physical branches less, and online services more, than customers of other banks.

**Importance of Bank’s Performance on Technology-Related Needs (%8-10)- By Bank Type**

<table>
<thead>
<tr>
<th>Activity</th>
<th>% Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Banking</td>
<td>64%</td>
</tr>
<tr>
<td>Mobile Banking</td>
<td>20%</td>
</tr>
</tbody>
</table>

- **Bank convenience means having a lot of ATMs**
- **Banking convenience means having a branch close to where I work or live**
- **Banking convenience means having a lot of good online services**

**Base:** Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union

- **Q11:** How much do you agree or disagree with each statement about your banking needs? **Base:** Those with a banking relationship.
  - **Q7:** How often do you interact with your primary bank for the following,
Customers of large banks and credit unions are the heaviest online banking users.

Online Banking Usage by Primary Bank Type

- **Overall**: 64%
- **Large National**: 70%
- **Regional**: 50%
- **Community**: 46%
- **Credit Union**: 73%

Base: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union. Q7: How often do you interact with your primary bank for the following?
Credit union and large bank customers give their banks high marks for providing innovative technologies

Performance on providing innovative technologies (%8-10 Excellent)

Overall: 47%
Large National: 49%
Regional: 36%
Community: 38%
Credit Union: 60%

Base: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union
Q10: Please rate your primary bank on their performance on the following items.
Credit unions are satisfying their customers when delivering access to remote services.

**Performance on access to online/mobile banking services (%8-10 Excellent)**

- **Overall**: 66%
- **Large National**: 66%
- **Regional**: 53%
- **Community**: 55%
- **Credit Union**: 85%

**Base**: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union

**Q10**: Please rate your primary bank on their performance on the following items.
The only perceived weakness for credit unions (and for community banks) is convenience of branches/ATMs.

Bank’s Poor Performance on Convenience-Related Attributes
(%0-4)-By Bank Type

- Overall: 13% (10% Convenience of physical branches, 8% Convenience of ATMs)
- Large National: 11% (8% Convenience of physical branches, 7% Convenience of ATMs)
- Regional: 9% (7% Convenience of physical branches, 7% Convenience of ATMs)
- Community: 15% (17% Convenience of physical branches, 11% Convenience of ATMs)
- Credit Union: 16% (11% Convenience of physical branches, 11% Convenience of ATMs)

Base: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union

Q10: Please rate your primary bank on their performance on the following items.
But technology and changing attitudes are closing the convenience gap.

Bank’s Excellent Performance on Technology-Related Attributes (%8-10)- By Bank Type

Despite being tagged as less technologically-savvy, credit unions are above the curve.

Base: Those who have a banking relationship with a Large National, Regional, Community bank, or Credit Union.

Q10: Please rate your primary bank on their performance on the following items.

Access to online/mobile banking services
Innovative technology
Key Takeaways

Banks of all sizes have the opportunity to differentiate themselves with good service—including online and mobile options: While Credit Union customers report the strongest relationship with their bank, there is an opportunity for banks of all sizes to differentiate themselves from the competition, providing convenient access to online and mobile services is an opportunity to shine.

Credit Unions are uniquely positioned to benefit from the remote banking revolution: Despite a reputation for being less technologically savvy, Credit Union customers (who often have less access to physical branches and ATM’s than larger bank customers) are primed to value online and mobile services. Most (85%) say they’re happy with the online and mobile service their Credit Union provides.

Remote access to banking services is changing what bank customers value: With over half of all bank customers using online banking services, and smartphone usage nearing ubiquity, remote access to bank services is increasing. Credit Union customers in particular say they value and expect online services as a part of a convenient banking experience.
About this study

- **Independent Research:** Conducted through the CMB Consumer Pulse

- Data collected from 1,433 consumers, age 18+ in the United States through panel company, Research Now

- The online sample is weighted to reflect US Census age and gender distributions, as well as online banking services usage (as determined by Pew Internet Digital Differences study data from May 2011)

- Data was collected through a 15 minute online questionnaire in February, 2012
Consumer Pulse Team

Jim Garrity  
*Managing Director, Financial Services*
Email: jgarrity@cmbinfo.com

Christine Gimber  
*Account Executive*
Email: cgimber@cmbinfo.com

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