

TO: Michigan Credit Union League
FROM: The Glover Park Group
DATE: August, 2018
RE: Insights from focus group research

The Glover Park Group conducted six focus groups to gauge awareness and attitudes towards credit unions in Michigan as part of a follow-up study from 2017 research in the state. The following memo reflects preliminary insights and recommended areas to explore further in upcoming survey research. Focus groups were conducted among Millennials and Parents ages 30-50 in Canton, Grand Rapids, and Northern Michigan.

KEY FINDINGS

- 1. In light of limited knowledge, we have room to redefine credit unions' reputation given the malleable nature of current views - especially among younger generations.** Limited knowledge means credit unions can be pigeon holed as parochial institutions with fewer resources, but the research identifies powerful ways forward.
- 2. Credit unions tend to be seen as the friendlier, more personal option compared to banks. But if we want to use these character traits to our advantage, we need to link capability to character.** Whether people are looking for a loan, mortgage, credit card or checking account, rates and fees topped the list of priorities people look for when they select a financial institution.
- 3. Showing parity on technology is particularly important with younger generations, who are used to having everything at their fingertips** – from checking their balance and their credit score, to making deposits and transferring funds. Traditional services like branches and ATMs are increasingly obsolete among Millennials – if we want to stay relevant, we have to overcome perceptions that credit union technology is akin to “a 1995 website” or “AOL back in the day.”

4. **Given the current environment – where hacks and breaches feel like regular occurrences – we also need to show parity with banks on security.** Security is a strength for banks – people trust them to identify a breach and take quick action to rectify damages. Particularly among older generations that have heightened sensitivities to breaches, we need to provide reassurances that credit unions have the resources necessary to provide the same protections and surveillance against bad actors.
5. **Messaging needs to offer specific details about better savings – including how our rates and fees compare to banks, and information on our unique structure and ethos that enables us to give money back to our members.** Without these specifics, we risk triggering skepticism that “better rates and fees” is a cover-up for hidden penalties like minimum balances, overdraft fees, limitations on transferring funds, and membership requirements.

DETAILED FINDINGS

CREDIT UNION AWARENESS + BASELINE PERCEPTIONS

Audiences lack detailed knowledge of credit unions, leaving room to influence opinions and increase consideration. People know the term credit unions but struggle to articulate what distinguishes a credit union from a bank. Existing views of credit unions are grounded in perceptions of the customers they serve (younger, less financially stable) and their community, local feel. Beyond that, most admit they don't know much about the services they offer or their unique value – although better rates and fees are top of mind for some, especially older parent groups.

“I'm just not super knowledgeable, to be honest, about credit unions and the main differences between them and banks.” – Grand Rapids, Millennials

Banks and credit unions both instill a sense of trust, but for different reasons: Banks offer convenience and security, while credit unions offer a more intimate relationship. Banks are generally on good footing with their customers – people value them for their convenience, reliable service, and financial security. The trust that people associate with banks is rooted in their ability to fulfill customers' intrinsic financial needs. However, people are not emotionally tied to their bank – they rely on them for a service, not a relationship.

In contrast to banks, emotions associated with credit unions are more focused on perceptions of their character rather than the services they provide – and non-members assume there is more of a relationship between institution and customers. Before learning more about credit unions, people describe them as the friendlier, more engaged neighbor. People associate them with a family orientation and a more personal touch.

"I don't stress about banks they just make everything easy." – Detroit, Millennials

"If a bank was my neighbor, we would be acquaintances, not friends. But I'm fine being acquaintances – it is just a business relationship." – Grand Rapids, Millennials

"If a credit union was my neighbor, they would come over and ring the doorbell more often than a bank." – Grand Rapids, Millennials

INCREASING CONSIDERATION

As we seek to increase consideration, a key challenge for credit unions will be finding a way to instill a sense of trust that stretches from character to capability. When audiences are in the market for a new primary financial institution or service, their focus is on interest rates, convenience and security. A friendly institution is a nice to have but not a need to have, and falls secondary to other considerations when people look for the best option to fit their needs. We also have to tread lightly on character – if we don't balance talking points about their personal touch with a discussion of tangible benefits and services, we risk triggering questions and potential skepticism. Some start to question what credit unions are trying to hide by leaning into their character, rather than playing up their value offering on key attributes like access and convenience.

"Credit unions try too hard sometimes – they are the neighbor with all the lights and inflatables at Christmas time. They are a great and friendly neighbor, but they try too hard and it makes you wonder why." – Detroit, Millennials

There is an opportunity to leverage trust and character to our advantage if we can convincingly connect these attributes to "being on your side." Despite a general sense of contentment with banks, some skepticism emerges about whether they are in your corner. People grow frustrated with constant sales pitches for services or loans they don't feel they need, and complicated language around rates and fees that can feel deliberately misleading. Banks are seen as profit-driven institutions, and customers are frank about the need to play by their rules to keep them on your side. In contrast, after learning more detailed information about credit union benefits on rates and fees – as well as their parity with banks on access – messages about their character become more compelling. People start to connect their trustworthy reputation and personable touch with prioritizing customers over profits, and helping you reach your financial goals – an area where some feel banks fall short.

"Banks are not necessarily in my corner – they are happy as long as I pay them" – Detroit, Age 30-50 Parents

The relationship with my bank is "you scratch my back, I'll scratch yours." – Detroit, Age 30-50 Parents

"I like [the statement that says] they are small enough to know your name – it means they have taken the time to know who you are and they are invested in you." – Detroit, Millennials

"[The statement about trust is appealing because] it indicates a partnership when I put my money with them." – Detroit, Millennials

To increase consideration of credit unions, we also need to have a clear message about how they can better meet customers' financial priorities compared to banks. Our communications should extend beyond character and trust, and focus on savings that credit unions can provide through lower fees and higher interest rates. Across various financial services – from checking accounts, to credit cards and loans – people routinely prioritize rates and fees when they consider the best institution to meet their needs. To our benefit, credit unions tend to be associated with better savings despite limited knowledge and awareness – we should lean into this perception and reinforce it with specific data points to bring our claims to life.

"Credit unions probably offer better rates if you're looking for a car loan, or home loans, or just other perks that you don't get from banks." – Grand Rapids, Age 30-50 Parents

But communications around savings is often not compelling enough to convince people to switch from a bank to a credit union – we also have to show parity with banks on convenience / access. Depending on the generation, convenience can mean different things.

- For Millennials, this means up-to-date technology, including mobile apps and online banking services. Innovations have made going to the bank or ATM obsolete for most Millennials, so we have to win the debate on technology if we hope to encourage credit union consideration among the next generation.
- Parents age 30-50 also value technology, but look for a balance with traditional services too (ATMs, branch locations and hours, and nationwide presence – especially for frequent travelers). To make the switch, people have to believe that credit unions are the best option to help them save money, while also feeling assured that using a credit union over a bank doesn't involve sacrifices on convenience.

"A credit union app would be like a 1995 website versus a modern-day website...just older, like it reminds you of AOL back in the day." – Grand Rapids, Millennials

"I think about a local bank when I hear the term 'credit union.' Local is a bad term for me because I travel a lot for business and I can't always be near a credit union." – Grand Rapids, Age 30-50 Parents

Given the current environment where data breaches are a common occurrence, we also saw concerns about security rise to the forefront – a new trend from last year’s research, and another area where credit unions need to show parity with banks. People commonly associate national banks with best-in-class security. They feel confident that a bank is monitoring their accounts and has swift processes in place to address fraud. However, given the local nature of credit unions, some question whether they can offer the same assurances. Communications on security are particularly effective with older generations, who have heightened concerns about breaches; Millennials, in contrast, are less compelled by talking points on security – they expect all financial institutions to offer these services, so it doesn’t set credit unions apart.

“Banks shut down fraud right away by calling and texting me about a suspicious purchase.” – Grand Rapids, Age 30-50 Parents

“My biggest concern is the cyber theft and the hacking when I look for all of these services – a savings account or a credit card. My biggest concern is identity theft and the subsequent nightmare that comes from it.” – Grand Rapids, Age 30-50 Parents

“Credit unions are not as good on fraud protection and security...they don’t have as many resources to insure everything.” – Detroit Millennials

As we saw last year, membership is a less dominant concern in Michigan than we’ve seen in our nationwide research. Instead of questioning whether they are eligible to join, people worry about finding the best credit union to fit their needs among the range of options available to them. There is a sense that credit unions are a large network with a great deal of variation between institutions. People worry it is an arduous process to find the best credit union for them personally, especially compared to banks that are better known and require less first-hand research.

“A credit union is like a lonely little bank here and there with a group of members that supports them – it’s a one off bank. It doesn’t feel like their network is connected, so they all do their own thing.” – Detroit, Millennials

“It is extra work to find the right credit union for you – with banks you know the top five or ten banks you can consider, but with credit unions you have to do your own research.” – Detroit, Age 30-50 Parents

MESSAGING

As we consider the most effective messages to communicate the unique benefits of credit unions and increase consideration, statements on outcomes, technology and trust are most resonant among both Millennials and Parents.

- *Outcomes:* Messaging that focuses on what a credit union enables you to do, rather than just what a credit union does, is most powerful. Speaking to how a credit union allows you to meet your goals through savings and loans and gets you there faster due to the business model, resonates. This is about outcomes, not outputs.
- *Technology:* Alleviates concerns about access and convenience, especially among younger generations that have grown accustomed to having all of their financial information at their fingertips, and the ability to complete transactions on the go.
- *Trust:* When paired with information on savings and convenience, trustworthy character becomes more than just a “nice to have” – it becomes a point of assurance that a credit union is on your side and there to help you meet your financial goals.

Throughout our messaging, it will be important to offer examples to back up our claims, as well as transparency about specific policies. After messages, people are left with questions about the specific benefits of credit unions – they are clearly compelled by claims about better rates and fees, but they want details about how credit unions can afford to offer these savings. Reactions to the Michigan specific proof points in the messages is generally positive, but people are skeptical of how true those numbers may be, or if they’ve been inflated.

Some are left wondering if the benefits of a credit union come with hidden penalties – whether that’s a high minimum balance, restrictions on transferring funds, overdraft fees, or membership requirements. If we lean into the ethos of credit unions – putting customers over profits or shareholders, and owning a piece of the pie – and describe our membership structure, we can combat skepticism that better savings come with hidden penalties.

“After reading some of this, my first question about would be why? Why are your interest rates lower? Why can you save me money? You say that, but what’s the reason?” – Grand Rapids, Millennials

“I’m looking for the catch. It sounds too good to be true.” – Grand Rapids, Millennials

NEXT STEPS

Building off preliminary focus group insights, our next step in the research process is to conduct an online, statewide survey among 600 non-members in Michigan. Survey research will focus on similar lines of inquiry as the focus groups, allowing us to quantify insights and refine our messaging and strategic approach. We envision roughly half of the survey to repeat questions from last year's research so we can track changes in knowledge and attitudes over time. The remaining questions will offer a chance to dig deeper into new lines of inquiry – informed by focus group learnings (like new sensitivities around security) as well as recent nationwide research.