

Allegiance Finds That the CU Difference Resonates in Tough Times

By Eileen Courter – October 2008

SOUTH JORDAN, Utah – Data just compiled by Allegiance suggests efforts to tout the credit union difference are resonating with consumers, many looking for a safe financial haven in troubled economic times.

The information seems to support credit union advocates who see the current environment as an opportunity during which credit unions can shine by offering consumers some shelter just as umbrella manufacturers prosper during a stormy season.

The Allegiance “Pulse of America–Retail Banking” survey looked at consumer engagement—that is, the extent to which banks and credit unions have captured the emotional segment of consumer relationships. Findings reveal that from the fourth quarter of 2007 until October this year, the percentage of members engaged with their credit union jumped from 46% to 60%. Banks remained virtually flat at 32%.

A couple comments from people interviewed for the survey reflected the concerns people are facing and the thinking behind growing attachment to credit unions.

One bank customer said, “If huge banks and investment firms can be fine one day and failing the next, I can’t be sure if my own bank will be around a year from now.” That compared to a credit union member who observed, “They [credit unions] are always forthcoming with new financial information or services they are providing. This makes me feel they are looking out for me and my finances.”

Translated into what all this means for credit unions, the researchers cited a number of spinoffs:

Credit union members purchase almost one full product more than banking customers when a credit union is the primary financial institution.

Higher engagement means the average member stays with a credit union 1.5 more years.

Higher engagement also means the average member is willing to travel five extra minutes to do business with a credit union.

When a member has a compelling positive experience at a credit union, they will tell 22% more people about the experience than bank customers.

Credit union members are twice as likely to convert people to switch financial institutions.

The largest gap between credit unions and banks appeared when consumers were asked whether doing business with their financial institution saved them time and money. Credit union members strongly agreed 56% of the time, compared to 36% for bank customers.

One credit union member stated, “They always have the best auto loan rates, and we have three vehicle loans with them. Obtaining the loans was quick and easy with preapproval online.” That contrasted sharply with a bank customer who said of their bank, “They charge a high monthly fee for no reason.”

The smallest gap between credit unions and banks occurred when consumers were asked whether their financial institution provides a variety of services to meet their needs. Fifty-one percent of members strongly agreed compared to 39% of bank customers.

When asked whether doing business with a credit union or bank gave the consumer less stress and worry about the future, 41% of credit union members strongly agreed compared to 25% of bank customers.

While the study indicates those two areas show room for improvement, credit unions still lead and are seen as positioned for growth in the current tough times.