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## Credit Union Usage & Considerations: Trends & Key Motivators



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# Introduction

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The following customized research services are also available: competitive intelligence, member satisfaction and perception surveys and financial service reviews.

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This issue of MarketSmarts will discuss the results of the 2011 Motivators and Barriers Study conducted by Ipsos ASI for BC and Ontario credit unions. The first section of the report discusses current credit union usage and awareness trends, while the second section discusses brand health of credit unions, bank and virtual bank brands. The third section explores the key motivators of credit union usage among all Canadians and among non-members of credit unions. Finally, the last section identifies opportunities credit unions can capitalize on.

The findings in this report examine credit unions in BC and Ontario at a macro level. Insights and implications are based on the system and not individual credit unions. Individual credit unions have their own unique opportunities and barriers, as well as varying strengths and weaknesses in their respective markets. Not all recommendations apply to a specific credit union or region and caution should be used in interpreting these findings.



# Credit Union Usage and Consumer Awareness

## BRITISH COLUMBIA

The 2011 Motivators and Barriers Study found that 38 per cent of British Columbians use credit unions for some or all of their banking. The chart below identifies the percentages of those who are exclusive users of credit unions and those who are repertoire users;

those who use a credit union as well as another type of financial institution. Since the 2007 study overall usage of credit unions has declined two points while the percentage of primary credit unions has declined one point.

### BC credit union and bank user trends

|                      | CU 2007 | CU 2011 | Bank 2007 | Bank 2011 | Virtual 2007 | Virtual 2011 |
|----------------------|---------|---------|-----------|-----------|--------------|--------------|
| Exclusive            | 11%     | 10%     | 36%       | 39%       | 1%           | 1%           |
| Repertoire           | 29%     | 28%     | 45%       | 43%       | 21%          | 20%          |
| Primary              | 26%     | 25%     | 69%       | 69%       | 4%           | 4%           |
| Short Term Rejectors | 8%      | 8%      | 5%        | 5%        | 2%           | 3%           |
| Long Term Rejectors  | 24%     | 22%     | 12%       | 12%       | 1%           | 3%           |
| Aware / Non-Trier    | 27%     | 31%     | 1%        | 1%        | 66%          | 61%          |
| Not aware            | 1%      | 1%      | 0%        | 0%        | 9%           | 12%          |

Source: 2011 Motivators and Barriers Study and 2011 Products and Services Study

There has been little change in how informed British Columbians say they are about credit unions. Being informed refers to how knowledgeable consumers are regarding credit unions in terms of what kinds of services they offer, how they function and how they differ from other financial institutions. Almost half the population or 47 per cent of British Columbians say they are either “very informed” or “somewhat informed” about credit unions while nine per cent of the population is “very” uninformed.

## ONTARIO

Sixteen per cent of Ontarians currently use credit unions for all or some of their banking. Since the last study, overall credit union usage has increased by one point. Primary credit union usage in Ontario has also increased by two points. A negative trend affecting Ontario credit unions is the increase in

exclusive usage of banks. Exclusive “bank” relationships have increased from 41 per cent to 47 per cent, indicating a possible trend towards consolidation of finances (as bank repertoire usage has declined), possibly at the expense of virtual banks whose repertoire usage has declined by six points.

In Ontario, 29 per cent of all consumers are “very” or “somewhat informed” about credit unions, an increase of three points from 2007; but 25 per cent remain “very” uninformed, unchanged over the past four years. Thirty per cent of Ontarians cannot identify (unaided) any differences between banks and credit unions, which negates many of the positive and unique qualities that credit unions possess.

In both provinces the main difference between credit unions and banks identified by all consumers is “membership”.

### Credit union knowledge amongst non-members

| Knowledge of Credit Unions - Ontario | Primary FI Credit Union | Exclusive (Sole Users) | Multi-User (Repertoire) | Never Used (Non Members) |
|--------------------------------------|-------------------------|------------------------|-------------------------|--------------------------|
| Very informed                        | 29%                     | 43%                    | 12%                     | 1%                       |
| Somewhat informed                    | 42%                     | 38%                    | 49%                     | 12%                      |

| Knowledge of Credit Unions - BC | Primary FI Credit Union | Exclusive (Sole Users) | Multi-User (Repertoire) | Never Used (Non Members) |
|---------------------------------|-------------------------|------------------------|-------------------------|--------------------------|
| Very informed                   | 31%                     | 36%                    | 20%                     | 4%                       |
| Somewhat informed               | 43%                     | 36%                    | 47%                     | 19%                      |

## DEMOGRAPHICS BY TYPE OF FINANCIAL INSTITUTION

The following two charts highlight the percentage of primary customers within four age groups for credit unions, banks and virtual banks. Compared to banks and credit unions, virtual banks have

the highest proportion of their primary customer base within the 25-34 age group as well as the combined 19-24 and 25-34 age groups.


### Primary customers by age

| BC – Primary Customers | Credit Unions | Banks | Virtual Banks |
|------------------------|---------------|-------|---------------|
| 19-24                  | 7%            | 12%   | 3%            |
| 25-34                  | 15%           | 18%   | 31%           |
| 35-54                  | 42%           | 44%   | 57%           |
| 55+                    | 35%           | 26%   | 9%            |

Source: 2011 Products and Services Study

| ON – Primary Customers | Credit Unions | Banks | Virtual Banks |
|------------------------|---------------|-------|---------------|
| 19-24                  | 9%            | 13%   | 12%           |
| 25-34                  | 17%           | 19%   | 32%           |
| 35-54                  | 41%           | 43%   | 50%           |
| 55+                    | 33%           | 26%   | 6%            |

Source: 2011 Products and Services Study



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## LOW SWITCHING BEHAVIOUR

Switching statistics have remained virtually unchanged over the past four years, indicating slow to minimal switching behaviour. In Ontario, just three per cent of the population indicated they had switched in the past six months. Of those who switched in Ontario, the number one reason was service followed by fees and rates. In British Columbia the story is similar as three per cent of consumers switched financial institutions. The top three reasons for switching were service followed by fees and rates (identical to Ontario). Credit union decision makers are reminded that the dissatisfied pool of customers willing to switch their banking relationship is very small. Given this, credit unions must ensure that everything is being done to inform the public of the benefits of membership, the services available at credit unions and the knowledge and expertise of credit

union staff. If credit union awareness and familiarity are low, then consideration of credit unions as an alternative when a switch is being contemplated will be low as well. As a general response to the above trends, retention and consolidation strategies should remain front and center in BC, while Ontario credit unions should consider consumer awareness programs. As a system or individually, credit unions have a large untapped market and unlimited potential to attract new members, but first and foremost overall awareness and familiarity need to improve.

## SWITCHING CAMPAIGNS

Low switching behaviour has spawned a variety of switch campaigns among the banks, including TD Canada Trust, CIBC and RBC Royal Bank. TD Canada Trust encourages consumers to “Switch and get up to \$250.” The offer was available from August 1, 2011 to



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September 14, 2011. To earn the \$250 a new customer was required to open an Infinity or Select Service chequing account and be approved for one of the bank's premium credit cards. It should be noted that the fees for the Infinity account are \$14.95 per month (\$179.40 per year) and fees for the Select Service account which includes unlimited transactions and a premium TD credit card are \$29.95 per month (\$359.00 per year). Business owners could also receive a bonus of up to \$600 by switching banks before September 30, 2011. To receive the full incentive the business must have met the following requirements:

- Open a chequing account or Community/ Not-For-Profit account;
- Apply for and receive a TD Business Travel Visa Card;
- Apply for and receive a new Business Line of Credit; and
- Utilize the bank's credit/debit Payment Processing Service.

These services are designed to solidify the banking relationship as quickly as possible.

RBC Royal Bank is also promoting a program aimed at getting non-customers to switch to the bank. Various media promotes a \$300 offer and the promise of non-RBC ATM fees being refunded. The catch is the new customer would have to

sign up for an account that offers the ATM fee rebate including the RBC VIP Banking (unlimited non-RBC ATM fee free transactions) or RBC Signature No Limit Banking which offers three non-RBC ATM fee rebates per month. The VIP account has a monthly fee of \$30 or \$22.50 if the client holds other eligible products (investments, a credit card, and mortgage or HELOC). The Signature account has a monthly fee of \$13.95 or \$9.95 after multiple product rebate.

To earn the full \$300 gift card a new RBC customer would have to sign up for the following:

- Open an RBC Signature No Limit Banking account, RBC VIP Banking account or RBC No Limit Banking for Students
- Open an RBC Visa Infinite Avion card
- Open an RBC High Interest eSavings account
- Switch to RBC using CustomSwitch
- Set-up direct deposit payroll or pension direct deposit into the new account,
- Pay two online bills
- Set up paperless statement

Like the TD Canada Trust promotion,

deadlines apply to different segments of the promotion which allow time for the customer to switch bits and pieces of their banking relationship over time.

Both the TD Canada Trust and RBC Royal Bank promotions require a significant commitment from new customers by asking them to move a fair amount of business in order to earn the full rewards. More importantly, the business is not related to large deposits or mortgages (the services that are harder to move), but relationship building and fee based services.

## **BANKING RELATIONSHIPS**

Another possible reason why switching is not that common is because approximately 50 per cent of British Columbians and Ontarians already have two or more banking relationships. According to the study, primary credit union members in BC have an average of 1.81 banking relationships while secondary credit union members have on average, 2.77 banking relationships. In Ontario, the statistics are almost identical with primary credit union members having 1.85 banking relationships and secondary credit union members having an average of 2.77 banking relationships. In both provinces, the number of banking relationships increases with age.

## **IMMIGRATION AND CREDIT UNION AWARENESS**

Twenty six per cent of Ontario respondents who relocated to Canada say they had heard of credit unions before they moved to Canada. A full 90 per cent of respondents who relocated to Ontario had not set up a banking relationship prior to moving to Canada, making this market an ideal target for future membership growth. Similarly in British Columbia, 88 per cent of immigrants had not set up a banking relationship prior to moving to Canada. Banks also make this market a priority as evidenced by the number of programs available to assist new Canadians in setting up their banking relationships.

To help the transition, CIBC offers a variety of services with discounted fees including:

- Free CIBC Everyday Chequing Account
- \$45 refund on a safety deposit box (if a chequing account is opened).

The RBC Welcome to Canada Banking package includes:

- Free Day to Day Banking for 12 months - with 15 free debit transactions per month

- An RBC Rewards Visa Gold card or any other eligible credit card, no credit history required
- One year free safe deposit box and exclusive cell phone offer

Scotiabank offers newcomers to Canada:

- A special auto loan program
- Free small safety deposit box for one year
- Free chequing account for one year.

Scotiabank is also holding a contest to promote the branded StartRight, Program for Newcomers. Newcomers to Canada can win up to \$10,000.

Overall the account benefits may seem insignificant, but the perception is important. New immigrants may well be looking for deals and discounts as many will be struggling to find work and paying relocation expenses.

## WHY I JOINED A CREDIT UNION?

Respondents to the 2011 Motivators and Barriers Study who have accounts with credit unions shared why they initially joined a credit union.

In support of building awareness programs in Ontario, 30 per cent of members who deal with credit unions and other types of financial institutions initially joined because of familiarity.

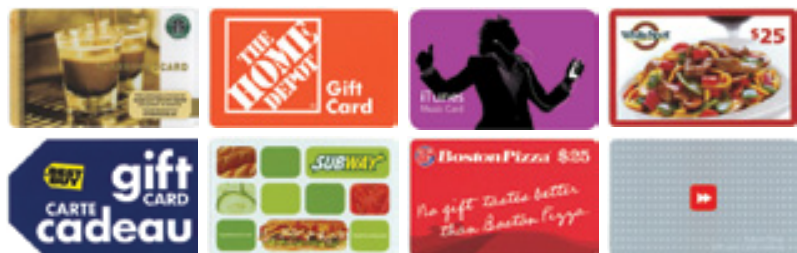
- 42 per cent joined because of more or better services
- 26 per cent due to better rates or fees, and
- 18 per cent because of convenience

Just four per cent initially joined because they said they did not like banks.

Credit union members in Ontario who only use a credit union for their banking joined due to more or better services (32 per cent), convenience (29 per cent), better rates and fees (25 per cent) and familiarity (21 per cent). Significant

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however, is that 15 per cent of exclusive credit union members joined because they do not like banks.

### **WHY I JOINED – ONTARIO**

Among exclusive Ontario credit union users, some of the reasons why members initially joined have shown some directional changes from 2007 to 2011. Although still the top mention, the proportion who said more/better services has shown a decrease, while convenience showed an increase over this time period.

Promoting convenience can also be added to the mix for credit unions in Ontario who are considering membership campaigns. Better rates and fees (as a reason why a member initially joined) also increased 15 points over the past four years indicating that the current economic times are forcing some to seek higher deposit rates and lower transaction fees. While many are looking for higher rates on savings, a low rate environment makes free or low cost banking one of the easiest ways to earn or save a few extra dollars each month. For credit unions that offer free chequing there may not be a better time to promote the service.

### **WHY I JOINED – BRITISH COLUMBIA**

British Columbians are not much different than their Ontario counterparts when asked why they initially joined a credit union.

- 28 per cent of repertoire users joined because of more or better services
- 27 per cent due to better rates and fees
- 26 per cent due to familiarity
- 26 per cent due to convenience

Just 9 per cent of repertoire users said they don't like banks.

Much like Ontario, 20 per cent of sole credit union users in British Columbia indicated they joined because did not like banks. The main reason cited by sole credit union users was familiarity (30 per cent) followed by more or better services (25 per cent) and better rates and fees (25 per cent). There has been a notable decrease from 2007 to 2011 in the proportion of exclusive credit union members in BC who mention more/better services as the reason they first joined a credit union.

## **TAKING NEW BUSINESS ELSEWHERE: NON-MEMBERS**

Even though non-credit union members mention lower costs less frequently than they did in 2007 as the reason to take existing or new business to a new financial institution, it is still one of the reasons in both BC and Ontario, along with improved service. Promoting lower costs and better service remains a viable strategy especially when wealth is declining due to volatile markets. Just as penny pinching came back into vogue two years ago when the markets crashed, recent market turmoil may have the same effect. If consumers can't earn enough money from investments to cover expenses, then they may look elsewhere for ways to cut costs.

## **LAPSED MEMBERS**

Once a member leaves a credit union, they are unlikely to come back. In British Columbia only eight per cent of lapsed members are very likely to re-join a credit union. The percentage drops to three per cent in Ontario. Although 20 per cent of lapsed members in BC and 16 per cent in Ontario are somewhat likely to re-join a credit union, the incidence of switching is so low that lost members are very unlikely to be enticed back into the system.

The top reason for leaving a credit union in both BC and Ontario is inconvenience. Given the popularity of electronic banking and the ability to use online and mobile services as well as national networks of ATMs, credit unions should make all members aware of the different ways they can bank with the credit union. It is especially important to inform members of all the financial institutions where they can use their debit cards surcharge free (for ATM transactions). Member research conducted by Central 1 clearly indicates that members are not aware of the financial institutions where they can use their debit cards "ding free". This fact should not be taken lightly considering inconvenience is by far the number one reason lapsed members left their credit union. Moreover, RBC Royal Bank is promoting their RBC VIP Banking as part of their switch campaign. The banking package refunds the network fee charged by other financial institutions when a customer uses their debit card at an ATM. If RBC Royal Bank is promoting the service, they also understand that convenience is an important service attribute that must be properly addressed.



# Brand Health

The preceding discussions were presented to show the overall bank and credit union market share of the general population and why members originally joined their credit unions. This discussion included immigrant's knowledge of credit unions before they arrived in Canada as well as the reason why lapsed members closed their accounts. The next few sections will outline the process Ipsos ASI used to discover the Brand Health of the credit union systems in BC and Ontario and how the credit union brand compares to the banks and virtual banks. Using the Equity\*Builder Model, Ipsos ASI conducts a Brand Health Assessment which assigns a score to each brand. The score is then compared to other brands in the same category.

In 2005, the model was first applied in BC to measure and understand the Brand Health of credit unions. The credit union brand was compared to the “bank” brand and the “virtual bank” brand.

This approach was replicated in BC and Ontario in 2007 and again in 2011.

Brand Health is derived from three main pillars. Brand equity, which contributes approximately 70 per cent to a brand's brand health score, and the pillars of price and involvement, which each contribute approximately 15 per cent to the overall Brand Health score. Within each pillar, specific attributes are measured and the composite of all the scores derives the brand's health.

Overall brand health score trends

| 2011 Brand Health Scores | Banks |      | Credit Union |      | Virtual Banks |      |
|--------------------------|-------|------|--------------|------|---------------|------|
|                          | BC    | ON   | BC           | ON   | BC            | ON   |
| Overall                  | 138↑  | 155↑ | 119↓         | 96↓  | 101↓          | 108↓ |
| Users of the brand       | 160↑  | 171↑ | 202↓         | 178↓ | 164↓          | 222↓ |

For year over year scores please refer to the full reports.

**OVERALL BRAND HEALTH – ONTARIO**

In Ontario, banks have the strongest Brand Health score followed by virtual banks and credit unions. Both virtual banks and credit unions have shown a decline in Brand Health score from 2007 to 2011, while Brand Health scores for banks have increased over the same time. Among users of each brand in Ontario, the Brand Health scores for both credit unions and virtual banks have dropped, while for banks, the Brand Health score among users has shown an increase. Despite a drop in Brand Health score, virtual banks have the highest score among their users. On a positive note, even though credit union Brand Health scores among users have declined somewhat, they are still significantly higher than those who do not use the brand and higher than the Brand Health score amongst users of banks. The softening of Brand Health scores for both credit unions and virtual banks among their respective users in Ontario is driven primarily by a decrease in the equity score among their users. More specifically, a significant drop in uniqueness

perceptions for both credit unions and virtual banks has pulled down the overall equity score for both types of financial institutions among their user base.

**OVERALL BRAND HEALTH – BRITISH COLUMBIA**

Among British Columbians, the Brand Health score for banks has improved from 2007 to 2011, while the scores for credit unions have declined slightly. This momentum for increased Brand Health for the banks over the past few years is due to improved equity and customer satisfaction ratings. The Brand Health score for virtual banks has also declined, but just slightly. Banks show the strongest Brand Health score, followed by credit unions and virtual banks. Among users of the individual brands in BC, there has been a significant increase for banks and a significant decrease for virtual banks. The Brand Health for credit unions remains higher among its users compared to banks and virtual banks but did decline somewhat.

## Three Pillars of Brand Health

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### Brand Equity – 70 per cent

- Familiarity
- Uniqueness
- Relevance
- Popularity
- Quality
- Substitutability

### Category Involvement – 15 per cent

- Category Sensitivity

### Price Perceptions – 15 per cent

- Price Comparison
- Price Evaluation

Although the change in overall Brand Health scores has been small in some cases, the high level system issue for credit union leaders in both provinces is the increase in the overall Brand Health score for banks amongst the general population and users, while Brand Health scores amongst the total population and users of credit unions have declined. Declines are slight but improved bank scores begin to narrow the gap between the two brands for user scores and widen the gap for overall population scores. At a regional level and possibly credit union level, the results may be different; but from a high level perspective, the overall trend is negative. BC and Ontario credit unions do have access to regional statistics and may access this information by contacting the Research Department of Central 1 Credit Union.

It should also be noted that the Brand Health score for credit unions in BC is highest amongst those who are 55 years of age and older. The difference between this older group and those who are 18-34 is significant but narrowing. The Brand Health for credit unions also trended higher among British Columbians aged 18-34 and 35-54. Communication efforts targeting younger British Columbians may have helped improve the overall Brand Health position of credit unions outside the core base of older adults. While the gap has narrowed from those 18-34 to those 55+, this

is also partly due to lower Brand Health scores for the older group. The Brand Health score for credit unions in Ontario is also significantly higher among the 55 and older age group, compared to Ontarians aged 35-54 and those aged 18-34.

## BRAND EQUITY

As noted in the side bar, Brand Equity is a metric calculated within the Ipsos ASI Equity\*Builder Model and is comprised of inputs from the ratings for five equity measures including popularity, uniqueness, relevance, familiarity and quality as well as a substitutability score which is a yes/no measure. The Brand Equity score contribute 70 per cent to the overall health of the brand.

## BRAND EQUITY – BRITISH COLUMBIA

From 2007 to 2011, the Equity Index score for banks amongst the overall population in BC has improved, while for virtual banks, the Equity Index score has fallen. The Equity Index score registered for credit unions declined slightly from 2007. Banks in British Columbia have the strongest Equity Index score, followed by credit unions and virtual banks at a distant third.

## BRAND EQUITY – ONTARIO

Equity Index scores for credit unions and banks in Ontario have not shown any significant shifts between 2007 and 2011, while the Equity Index score for virtual banks has dropped. Banks have the highest Equity Index score among the three types of financial institutions, with virtual banks ranking second followed by credit unions.

Again the big picture is that Brand Equity scores for banks have improved over time while the score for credit unions has declined, although slightly.

## BRAND – BRAND USERS

Amongst users of the brand, the Brand Equity scores for credit unions in both provinces is higher than the banks but are on the decline. Scores for the banks are on the rise, narrowing the gap between users of the brands and expanding the gap for the total population.

virtual banks decline with age. The difference between the scores for the age groups in both BC and Ontario are considered significant while only the difference between the 55+ age group scores for the banks is considered significant.

## BRAND EQUITY COMPONENTS – BRITISH COLUMBIA

Among all British Columbians, banks have shown an increase on almost all components of Equity from 2007 to 2011. Quality registered the largest increase. Banks have seen significant increases on all components of equity with the exception of familiarity (which held constant over the same time period).

Among all British Columbians, credit unions performed at or above norm on four of the five pillars of equity and have shown an increase from 2007 to 2011 in uniqueness and quality perceptions. Among users of the brand, the brand performs strongly on all components of

### Overall brand equity trends

| Equity Index       | Banks |      | Credit Union |      | Virtual Banks |      |
|--------------------|-------|------|--------------|------|---------------|------|
|                    | BC    | ON   | BC           | ON   | BC            | ON   |
| Overall            | 159↑  | 207↑ | 124↓         | 62↓  | 50↓           | 76↓  |
| Users of the brand | 218↑  | 252↑ | 336↓         | 268↓ | 182↓          | 371↓ |

For year over year scores please refer to the full reports.

As with Brand Health scores, Equity Index scores for credit unions in BC and Ontario increase with age. Equity scores for banks also increase with age while Equity scores for

equity, particularly relevance. The weakest component of equity for credit unions is popularity. Virtual banks in BC perform below norm on all components of equity except

uniqueness, and all components have either shown a decrease from 2007 to 2011 or trended lower in 2011.

## **BRAND EQUITY COMPONENTS – ONTARIO**

Among all Ontarians, there has been little change from 2007 to 2011 in the different areas of equity; credit unions fall below the norm in four of the five areas of equity, with the exception of uniqueness, which performs at the norm. Among users of the credit union brand in Ontario, credit unions perform above the norm in most areas, particularly on relevance. Even though banks have shown little change in equity components, they still perform above the norm.

The only area where virtual banks perform above the norm among Ontarians is on uniqueness. All other areas of equity fall below the norm. There has also been a directional decrease from 2007 to 2011 in the areas of quality, relevance and uniqueness. This may be due to the growing use of online banking and mobile banking amongst the total population. If uniqueness is tied to being “virtual”, then perhaps virtual banks are losing some of their differentiating status due to online banking and mobile banking becoming mainstream, and availability increasing at major banks and many credit unions.

## **PRICE INDEX**

The higher the Price Index score, the more price is contributing to a healthier brand score. As noted earlier the Price Index score contributes approximately 15 per cent to the overall health of a brand.

## **PRICE – BRITISH COLUMBIA**

Among all residents in British Columbia, banks have shown an improvement in Price Index score from 2007 to 2011, yet still register the lowest Price Index score among all three types of financial institutions. While confusing, a low Price index score is not as favourable as a higher Price index score. Neither credit unions nor virtual banks have shown a change in Price index score from 2007 to 2011 and both are near par with each other on this metric.

Among bank users in BC, banks have shown a significant increase in Price Index score from 2007 to 2011, although the score registered is still the lowest among all three types of financial institutions. The Price Index score registered by users of credit unions and virtual banks is very similar and neither has shown a significant change from 2007 to 2011. However, an improved score for banks has implications, as the incidence of switching due to price may decline.

## PRICE – ONTARIO

In Ontario, virtual banks register the highest Price Index score, despite a drop from the score seen in 2007. Credit unions follow closely with the second highest Price Index score, which has held steady from 2007 to 2011, while banks rank third with the lowest Price Index score, despite an increase in score from 2007 to 2011.

Among bank users in Ontario, virtual banks continue to register the highest Price Index score, followed by credit unions. Banks have the lowest Price Index score among users, despite an increase in score from 2007 to 2011.

see credit unions as more costly than other types of financial institutions available to them. For banks, it is the 35-54 year old age group that are more likely than their younger and older counterparts to think banks are more costly compared to other types of financial institutions. For virtual banks, 35-54 year olds are less likely than their younger and older counterparts to think this type of financial institution is costly compared to other types of financial institutions available.

Banks have been adjusting their fees and simplifying accounts over the last few years and this may be the reason users of the brand gave the

### Overall price index trends

| Price Index        | Banks |     | Credit Union |      | Virtual Banks |      |
|--------------------|-------|-----|--------------|------|---------------|------|
|                    | BC    | ON  | BC           | ON   | BC            | ON   |
| Overall            | 96↑   | 94↑ | 123↓         | 120↓ | 128           | 126↓ |
| Users of the brand | 102↑  | 97↑ | 130↓         | 123  | 135↓          | 133↓ |

For year over year scores please refer to the full reports.

## PRICE – BY AGE

Those aged 35-54 see banks as being the most expensive brand in BC. Younger British Columbians and the oldest group also see banks as the most expensive but not at the same level as the middle aged. There are no significant differences in price comparison across the three age groups for credit unions although the trend is for older British Columbians to see credit unions as less expensive.

In Ontario, the younger demographic (18-34) is more likely to

banks a more favourable score. It is a little distressing that banks have begun to improve their Price Index ratings. It has been a long standing belief that credit unions and virtual banks owned this space. While credit unions still perform well, any narrowing of the gap should be viewed as a threat.

## SUBSTITUTABILITY

A final measure of the Equity Index is a measure of substitutability. For each type of financial institution, respondents were asked to indicate

if they felt there was another type of financial institution that is quite similar to the one being discussed. The higher the score the more able a consumer would feel the brand can be substituted by another provider. From the perspective of Brand Health, a brand wants a low substitutability score.

In both provinces, banks have the highest substitutability scores amongst the total population and users. Credit unions rank second followed by virtual banks.

In Ontario, the substitutability scores among credit union users and general population have declined while the score for virtual banks (for users and general population) have increased. This should be seen as good news for credit unions as virtual banks may be losing some of their uniqueness. In BC, the substitutability scores for virtual bank users have also declined but remained the same for the total sample.

## **SATISFACTION AND APPRECIATION**

Primary credit union users in BC and Ontario are much more likely to be completely satisfied and to feel completely appreciated than their primary banking counterparts. The trend for both provinces shows a narrowing gap between the brands for these two measures. Appreciation scores for Ontario credit unions (combined scores for somewhat appreciated

and completely appreciated) increased by seven points. The improvement came from less people feeling somewhat unappreciated and moving to the somewhat appreciated level. Also, the gap between the banks and credit unions for completely satisfied in Ontario only closed by two points and currently sits at 27 points overall. In BC the gap between the banks and credit unions for completely satisfied was 28 points in 2007 and is now just 16 points, a drop of 12 points.

Ipsos ASI notes that the improvement in satisfaction and appreciation scores for banks in BC is significant and is a major reason why banks overall Brand Health has improved over the past four years.

Another potential trend, which should be viewed with caution due to small sample sizes, is younger British Columbians and Ontarians are less likely than their older peers to be completely satisfied with their primary banking (banks, credit unions and virtual banks) relationships. Satisfaction tends to rise with age leading one to think that younger people are either harder to please, have higher expectations or simply don't receive the same level of service older members do from their primary financial services provider. It is a discussion that deserves to be held among credit union leaders to ensure that younger members receive the same level of service and consideration older members of society may receive.

## Relative Brand Strength of Specific Attributes

Respondents to the 2011 Motivators and Barriers Study were asked to rate a wide variety of key image attributes relating to financial institutions and their relative importance as motivators and barriers of conducting business with credit unions. The key image attributes tend to fall within two categories, operational or intuitive and emotional attributes.

The following chart highlights the ratings of the attributes and indicates which is considered a strength or weakness by brand. If the box is shaded orange, then the attribute is considered a weakness compared to the other brands; if the box is shaded green, then the attribute is considered a strength relative to the other brands. No shading means the attribute is considered neither a strength nor weakness.

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**MarketShare**

## ATTRIBUTES: BRITISH COLUMBIA

In British Columbia, credit unions have relative brand strength against their banking peers for profit sharing and contributing to the well-being of the community. Banks have strengths in the areas of branch locations and investment products/services offered, while virtual banks' strengths include low fees. Credit unions also rate well for a variety of emotional attributes. In fact credit unions have more attribute strengths than both banks and virtual banks.

| British Columbia – Total Sample   |               |       |               |
|---|---------------|-------|---------------|
| Top 3 Box % - Key Image Attribute (Weakness or Strength)  | Credit Unions | Banks | Virtual Banks |
| Operational – in order of importance  |               |       |               |
| Have branch locations near my work  | 41            | 60    | 17            |
| Share their profits with their customers  | 54            | 5     | 5             |
| Have low fees and service charges   | 32            | 17    | 30            |
| Are environmentally conscious   | 36            | 25    | 25            |
| Offer all of the investment products and services I need  | 46            | 57    | 21            |
| Have branch locations near my home  | 52            | 70    | 19            |
| Contribute to the well being of the community   | 52            | 34    | 8             |
| Emotional – in order of importance  |               |       |               |
| Being practical, organized, efficient, safe, in control   | 42            | 52    | 21            |
| Being harmonious, fitting in, involving, belonging  | 35            | 15    | 7             |
| Being selfless, giving, caring of others, sensitive   | 26            | 10    | 4             |
| Being progressive, innovative, leading edge   | 30            | 22    | 39            |
| Experiencing authenticity, the real thing   | 20            | 19    | 5             |
| Protecting the environment, animals, nature   | 30            | 14    | 10            |
| Being free, relaxed, calm   | 28            | 12    | 13            |
| Being independent, individualistic  | 30            | 13    | 28            |
| Promoting personal health, well being, long-life  | 17            | 9     | 3             |
| Being decisive, assertive   | 16            | 33    | 11            |
| Being conservative, traditional   | 21            | 55    | 5             |
| Being trendy, prestigious   | 11            | 15    | 24            |
| Attributes that are neither a strength nor weakness for any brand is not included in the above. |               |       |               |

## ATTRIBUTES: ONTARIO

In Ontario among the total sample, credit unions have strengths in the areas of profit sharing and contributing to the well-being of the community, but are weak in the area of access (i.e. locations of branches, access to ATMs) and providing a full range of online tools and services. Credit unions in Ontario also excel in emotional attributes: being harmonious, fitting in, involving and belonging as well as being selfless, giving, caring of others and sensitive.

| Ontario - Total Sample  |               |       |               |
|---|---------------|-------|---------------|
| Top 3 Box % - Key Image Attribute (Weakness or Strength)  | Credit Unions | Banks | Virtual Banks |
| Operational – in order of importance  |               |       |               |
| Have branch locations near my home  | 23            | 78    | 22            |
| Share their profits with their customers  | 38            | 6     | 7             |
| Have branch locations near my work  | 20            | 69    | 19            |
| Provides convenient access to surcharge-free ATMs   | 15            | 42    | 17            |
| Contribute to the well being of the community   | 37            | 40    | 13            |
| Have low fees and service charges   | 24            | 17    | 35            |
| Are innovative financial institutions   | 33            | 40    | 43            |
| Are environmentally conscious   | 23            | 26    | 28            |
| Offer all of the investment products and services I need  | 31            | 64    | 24            |
| Provide a full range of online services and tools   | 34            | 75    | 50            |
| Emotional – in order of importance  |               |       |               |
| Being practical, organized, efficient, safe, in control   | 36            | 53    | 23            |
| Being harmonious, fitting in, involving, belonging  | 23            | 15    | 7             |
| Being free, relaxed, calm   | 20            | 13    | 16            |
| Being selfless, giving, caring of others, sensitive   | 19            | 9     | 5             |
| Being progressive, innovative, leading edge   | 19            | 28    | 41            |
| Experiencing authenticity, the real thing   | 17            | 20    | 6             |
| Experiencing personal success, achievements, accomplishments                                    | 19            | 27    | 10            |
| Being independent, individualistic  | 28            | 14    | 28            |
| Protecting the environment, animals, nature   | 12            | 14    | 12            |
| Being decisive, assertive   | 13            | 32    | 11            |
| Being spontaneous, creative, fun, social, outgoing, excitement                                  | 7             | 7     | 11            |
| Being trendy, prestigious   | 6             | 15    | 25            |
| Being conservative, traditional   | 27            | 53    | 5             |
| Attributes that are neither a strength nor weakness for any brand is not included in the above. |               |       |               |

As a reminder, the attributes listed at the top of the two sections of the charts have the strongest correlation to Equity while those at the bottom have a weaker correlation to Equity.

Similar to the total population, non-members in British Columbia believe that credit unions have strength in the area of profit sharing and contributing to the community, yet have weaknesses on accessibility by mobile/smart phone and offering a full range of online services and tools. Banks have relative brand strength in the areas of locations near work and offer all of the investment products and services needed. Virtual banks have four brand strengths including low fees and service charges, allowing convenient access through mobile or smart phone, being environmentally conscious and providing a full range of online services and tools. Where credit unions excel is in heart or emotional attributes while banks and virtual banks have relative brand strength in areas that are smart or functional.

Among non-members in Ontario, credit unions have relative brand strength in sharing profits with their customers, while banks and virtual banks both have a weakness for this attribute. Moreover, sharing profits with their customers emerges as the top driver of equity for credit unions among non-members. There are three weaknesses suffered by Ontario credit unions: branch

locations near work, providing convenient access to surcharge free ATMs and providing a full range of online services and tools. Weaknesses for virtual banks include being welcoming, having branch locations near work, contributing to the well-being of the community and educating customers on managing personal finances.

#### Top Drivers of Equity for Credit Unions – Non-members

A top driver of equity can be interpreted as an attribute that is owned by that brand and is closely associated with one particular brand. Among non-members in British Columbia, credit unions are most closely associated with their approach to customers including:

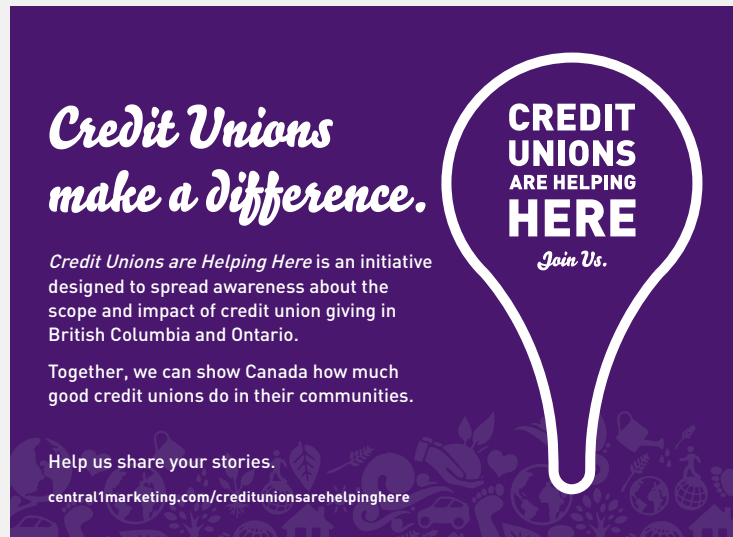
- valuing their business
- treating them with dignity/respect
- contributing to the community
- profit sharing

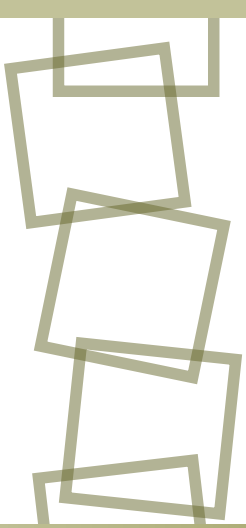
Banks are associated with more functional attributes such as offering investment products/services, branch locations and knowledge.

Among non-members in Ontario, credit unions are most closely associated with personality attributes, such as:

- being welcoming
- treating you with dignity/ community
- are ethical in their business practices
- value and appreciate your business

Banks in Ontario dominate the attributes offering investment products/services and branch locations as well as provide convenient access to surcharge free ATMs.





A wide variety of research services are available from Central 1's Research department. They include dues funded projects such as the annual **Products & Services Study, MarketSmarts, CI Update** as well consulting services such as **Member Surveys, Financial Service Reviews, Mystery Shopping and Benchmarking programs**. The department also produces the **Annual Research Package**, which includes over 100 competitive intelligence services, along with a comprehensive retail banking service charge review.

Customized research services are also available on a fee for service basis.

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# Motivators to Credit Union Membership

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The 2011 Motivators and Barriers Study provided respondents with an opportunity to evaluate a variety of statements related to the attributes previously discussed. It is one thing to say an attribute is strong, weak or indifferent, but an entirely different thing to make the move to join a credit union or bring additional business to a credit union. By asking these specific questions, we get a feel for the percentage of non-members who would at least consider joining a credit union if they knew credit unions delivered on specific attributes.

The top four motivators in both BC and Ontario that non-members say would lead them to join a credit union include:

| Statement   | BC  | ON  |
|---|---|-----|
|   | <b>Top 2 box – very or somewhat likely to take business to a credit union if they knew...</b> |     |
| Share their profits with members                                    | 57%   | 58% |
| Enable access to your accounts surcharge-free at ATMs across Canada | 56%   | 56% |
| Offer a wide range of products and services                         | 47%   | 46% |
| Have online and mobile banking                                      | 45%   | 48% |

Many credit unions deliver upon the above four attributes so why isn't there a flood of consumers opening new accounts? This is a question for credit union staff whose expertise lies in communication and marketing. A recent study conducted by Central 1 about credit union patronage rebate programs found that only 58 per cent of credit unions that pay patronage rebates issue a press release about their programs. Sharing profits with members is the number one motivator for a non-member to join a credit union yet 41 per cent of credit unions that offer patronage rebates do not inform the local media of this benefit. While Centrals across Canada may issue press releases on behalf of credit unions, the chances for coverage would improve dramatically if hundreds of credit unions also issued local press releases to community and provincial newspapers within their trade areas.

Additionally in British Columbia there has been a significant increase in the percentage of non-members who would consider a credit union if they were aware they could access their accounts surcharge-free at ATMs across Canada (49 per cent to 56 per cent). In Ontario the percentage has held steady at 56 per cent for this attribute. This fact should not be lost on credit unions as RBC Royal Bank has been promoting surcharge free ATM access for several months. Credit unions that offer rebates for all or even some non-credit union ATM surcharges should be aggressively promoting that service to their members as well as other consumers. Credit unions are also reminded that the most common reason given (unaided) for why lapsed credit union members left their credit union was lack of convenience. This result is similar to the results in 2007.

## Top 3 reasons why lapsed members left their credit unions

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### BC

- Inconvenient
- Prefer to deal with a bank
- Poor customer service

### Ontario

- Inconvenient
- Service related
- Prefer to deal with a bank

Another popular attribute that leads consideration is the knowledge that credit unions donate a percentage of profits to the local community. While banks and credit unions donate millions of dollars annually to local causes, many consumers may be unaware of the specific contributions of credit unions. A unique program being developed by Central 1 will help BC and Ontario credit unions spread the word of charitable giving. Credit Unions are Helping Here is an initiative that promotes credit union giving in British Columbia and Ontario under one brand. This initiative provides a tool that allows credit unions to track their contributions online and see how their individual initiatives, combined with other credit unions, add up to a significant amount. Credit Unions are Helping Here will provide credit unions with branded tools to use when promoting their community endeavours while establishing a single consistent brand for credit union contributions. For more information on this initiative please contact [marketing@central1.com](mailto:marketing@central1.com).

While the above attributes lead to general overall consideration of credit unions by non-members, other attributes lead consumers to consider taking new or existing business to a new financial institution. The top two motivators include lower costs and improved customer service. These two attributes, however, have seen sharp declines over the past four years.

## OPPORTUNITIES – BRITISH COLUMBIA

Some areas of weakness are opportunities for credit unions, especially if the service is available and the perceived weakness is a perception issue. BC credit unions suffer a relative weakness for accessibility through mobile or smart phones and providing a full range of online services and tools. These aspects of accessibility are more important for non-members and represent a potential motivator if credit unions can effectively communicate the availability of services including mobile banking and Interac® e-Transfer. Credit unions can take pride in being market leaders and innovators but must also take advantage of the unique opportunities that come with being first to market with leading edge banking technology.

It will be vitally important that credit unions continue to promote mobile banking and Interac® e-Transfer and other aspects of accessibility. Promotion and awareness campaigns directed to younger British Columbians will help improve consideration of credit unions as a banking alternative among youth and young adults.

## OPPORTUNITIES – ONTARIO

Current perceptions of Ontario credit unions are still aligned with those seen in 2007, with strengths

in the areas of profit sharing and contributing to the well-being of the community, yet weaknesses in areas relating to accessibility – particularly branch locations (close to work, close to home), convenient access to surcharge-free ATMs, and offering a full range of online services and tools.

Accessibility then becomes a key motivator for Ontarians to consider credit unions. By promoting access to ATMs and mobile banking, credit unions begin to close the accessibility gap that currently exists between banks and credit unions. Services (more/better services) and low fees/better rates are the other key motivators to consideration of credit unions among Ontarians.

Collectively as a system, it makes sense to collaborate on as many accessibility and convenience issues as possible, as well as tackle other gaps such as offering a variety of useful online tools. Communications in both BC and Ontario will play a major role in overcoming negative perceptions and lack of understanding of what credit unions are, what they offer and what benefits are available as a credit union member.