The Credit Union Evolution:
Strategic Insights for Engaging Today's Members

May 2024

Table of Contents

Overview of Current Challenges in the Credit Union Sector

As the financial sector races to keep up with technological advancements and evolving consumer expectations, credit unions face significant challenges. Recent research by *Zogo Finance* suggests a critical challenge among younger generations, with more than 75% of university students unfamiliar with what a credit union is, and many millennials perceiving credit unions as outdated or inaccessible. This underscores the pressing need for credit unions to enhance their visibility and modernize their image.

75%
students unfamiliar with CU

Zogo Finance: Suggests a critical challenge among younger generations, with more than 75% of university students unfamiliar with what a credit union is

12%
drop in member engagement

Gallup: While credit unions once enjoyed a robust Net Promoter Score (NPS) premium of +29 percent in 2014, it fell to +17 percent by 2021

Moreover, Gallup's studies over the years illustrate a decline in member engagement and loyalty. While credit unions once enjoyed a robust Net Promoter Score (NPS) premium of +29 percent in 2014, it fell to +17 percent by 2021. This trend of decreasing engagement and advocacy highlights the critical importance of understanding and adapting to shifting market dynamics.

Survey Overview: Assessing the Credit Union Landscape

The Sogolytics surveys conducted in 2023 and 2024 provide context for the challenges faced by credit unions by capturing evolving consumer behaviors and economic uncertainties. Preliminary data indicates that despite economic fluctuations, most members report no change in their confidence in their financial institutions, suggesting a stable trust base. However, many members feel only moderately prepared or unprepared for future economic downturns, expressing cautious optimism about their financial situations in the upcoming year.

This survey analysis is intended to guide strategic planning, enhance service offerings, and improve member engagement by equipping credit unions with actionable insights to adapt to evolving member needs and strengthen their position in the financial landscape.

Methodology of Data Collection

The surveys conducted in 2023 and 2024 by Sogolytics were strategically designed to capture evolving trends in consumer behavior at financial institutions, ensuring consistent tracking across the two years.

2023 Survey

The 2023 survey engaged 1,315 participants across a balanced cross-section of U.S. demographics with 28 comprehensive questions in multiple-choice, ranking, and open-ended formats. This ensured a wide spectrum of data from various age groups, gender distributions, and residential settings–rural, urban, and suburban.

2024 Survey

In 2024, the survey was refined to 23 targeted questions, maintaining crucial areas for year-on-year comparisons. It utilized multiple-choice, ranking, and Likert scale questions to gather in-depth feedback from 1,005 individuals, ensuring demographic consistency with the previous year.

To facilitate valid comparisons, several questions were consistently presented in both surveys, enabling direct analysis of shifts in consumer preferences. This methodical approach provides a robust framework for understanding changes within the credit union sector, supported by detailed demographic insights.

Distribution of Financial Institutions Across Two Years

The comparison of customer distribution among various types of financial institutions for the years 2023 and 2024 reveals significant trends and shifts in consumer preferences. It highlights how different financial institutions have either maintained or changed their positions within the market landscape over the designated period.

Consumer Preferences for Financial Institutions: 2023 & 2024

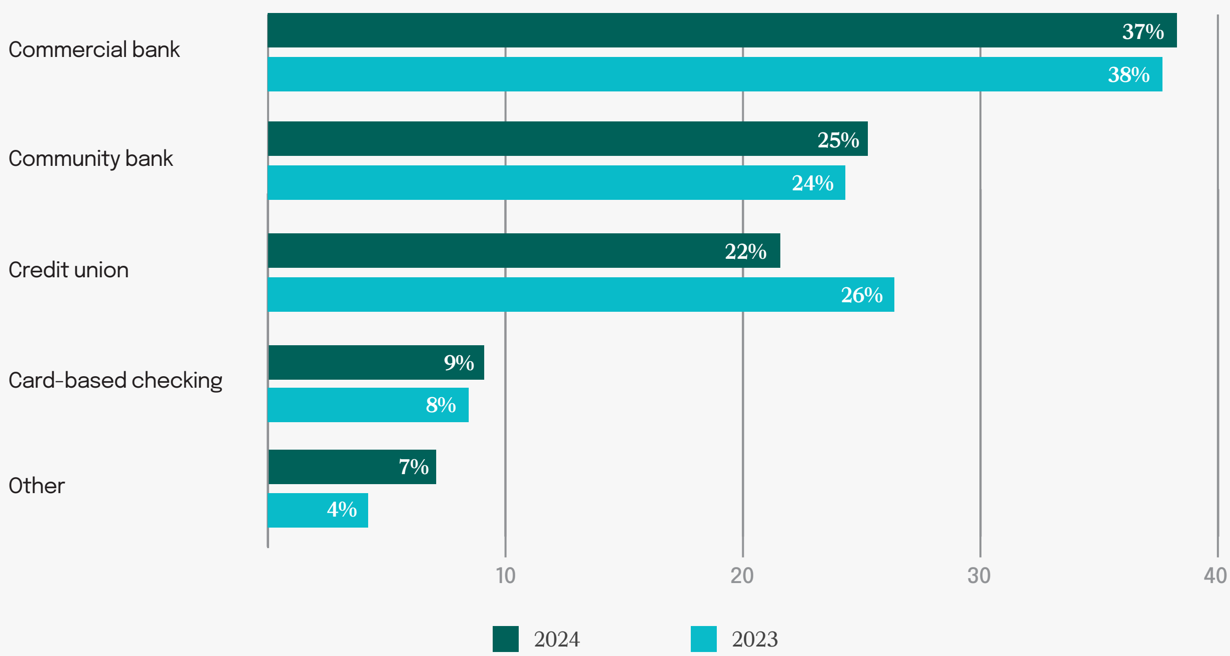

Figure 1: The bar chart shows the distribution of primary financial institutions used by survey respondents in 2023 and 2024. Respondents could select multiple top choices, indicating their preferences for different types of institutions over the two years.

As credit unions navigate competitive pressures and shifting consumer demands, addressing common misconceptions is crucial to understanding their impact on market presence and customer perception.

Key Observations

- **Stability of Commercial and Community Banks:** The shares of commercial and community banks have remained relatively stable, indicating a consistent trust and preference for traditional banking structures
- **Credit Unions' Decline:** The decline in credit union usage could be influenced by several factors such as perceived competitiveness in terms of technology, rates, and services offered compared to traditional and emerging financial institutions.
- **Rise in Alternative Services:** The increase from 4% to 7% in the *Other* category could reflect a shift towards niche banks or innovative financial products that are not mainstream.

Addressing Myths and Building Trust in Credit Unions

Credit unions face common misconceptions that can impact member trust and engagement. Addressing these myths head-on is essential for building a stronger reputation and deeper trust among current and prospective members. Here are the key myths revealed by the 2024 survey data along with evidence to counter these misconceptions:

Accessibility	**Myth:** 49% of respondents believe that credit unions have limited accessibility due to fewer branches and ATMs. **Fact:** Many credit unions are part of extensive ATM networks and partnerships, offering a range of physical and digital banking solutions, which rivals the accessibility of larger banks.
Service Range	**Myth:** 37% perceive that credit unions offer fewer services compared to banks. **Fact:** Credit unions provide a full suite of banking services, including checking and savings accounts, loans, and more, often with more favorable rates and lower fees.
Financial Stability	**Myth:** 24% doubt the financial stability of credit unions and 20% are under the misconception that deposits in credit unions are not insured. **Fact:** Credit unions are subject to strict regulatory oversight and are insured by the National Credit Union Administration (NCUA), ensuring they offer the same level of security as banks. The NCUA insures deposits up to $250,000 per depositor, mirroring the FDIC's protection for banks.
Customer Service Quality	**Myth:** 23% believe credit unions provide lower quality customer service than banks. **Fact:** Credit unions typically score higher in customer service ratings than most banks because they are member-focused, operating to serve their members rather than maximize profits.
Loan Services	**Myth:** 17% mistakenly think that credit unions are only for savings and do not offer loans. **Fact:** Credit unions provide a variety of loans, including personal, auto, and home loans, often with more competitive rates than many banks.

Respondent Views on Credit Union Misconceptions: 2024

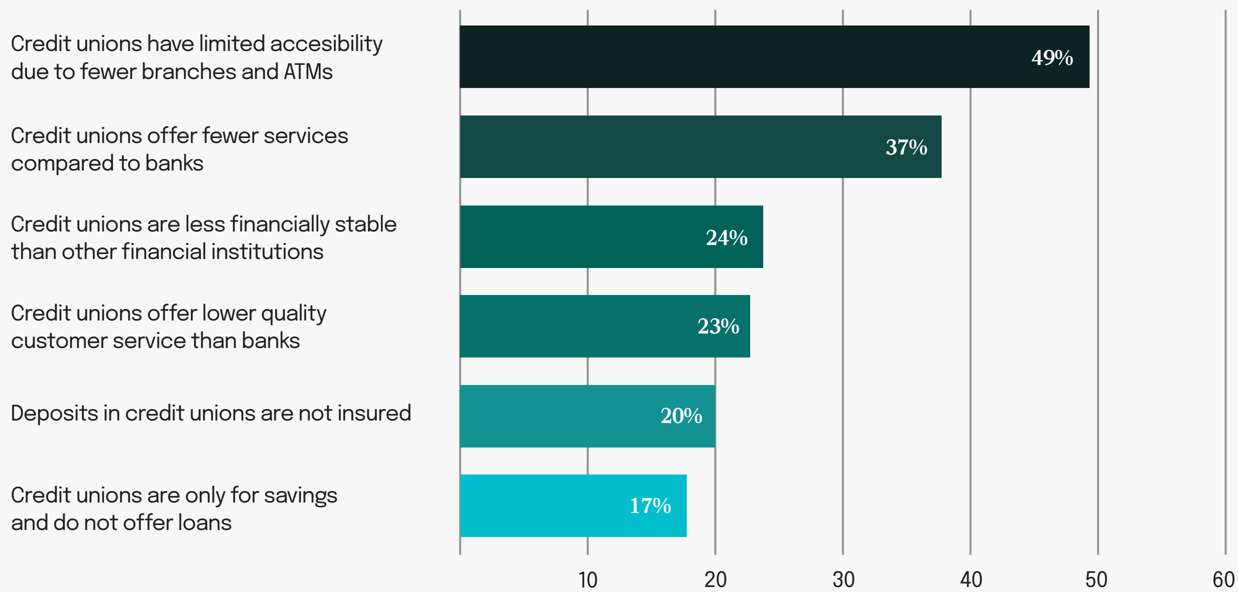

Figure 2: The bar chart highlights common misconceptions about credit unions. Respondents indicated whether they believed each statement was true or false. The percentages show the proportion of respondents who hold each misconception.

Strategic Actions to Enhance Trust:

- **Financial Stability:** Credit unions should openly share financial performance data and success stories, demonstrating their robustness and reliability.
- **Transparent Pricing and Fees:** Clearly communicate any fees associated with services, enhancing trust by dispelling doubts about hidden charges.
- **Strong Security Measures:** Highlight investments in security technology and regular updates to security protocols, reassuring members about the protection of their financial data.

By directly addressing myths and enhancing operational transparency, credit unions can effectively enhance their reputations and demonstrate that they are safe, transparent, and reliable options for their members. This strategic approach not only boosts member confidence but also attracts new members looking for trustworthy financial institutions.

Key Factors Influencing Trust in Financial Institutions: 2024

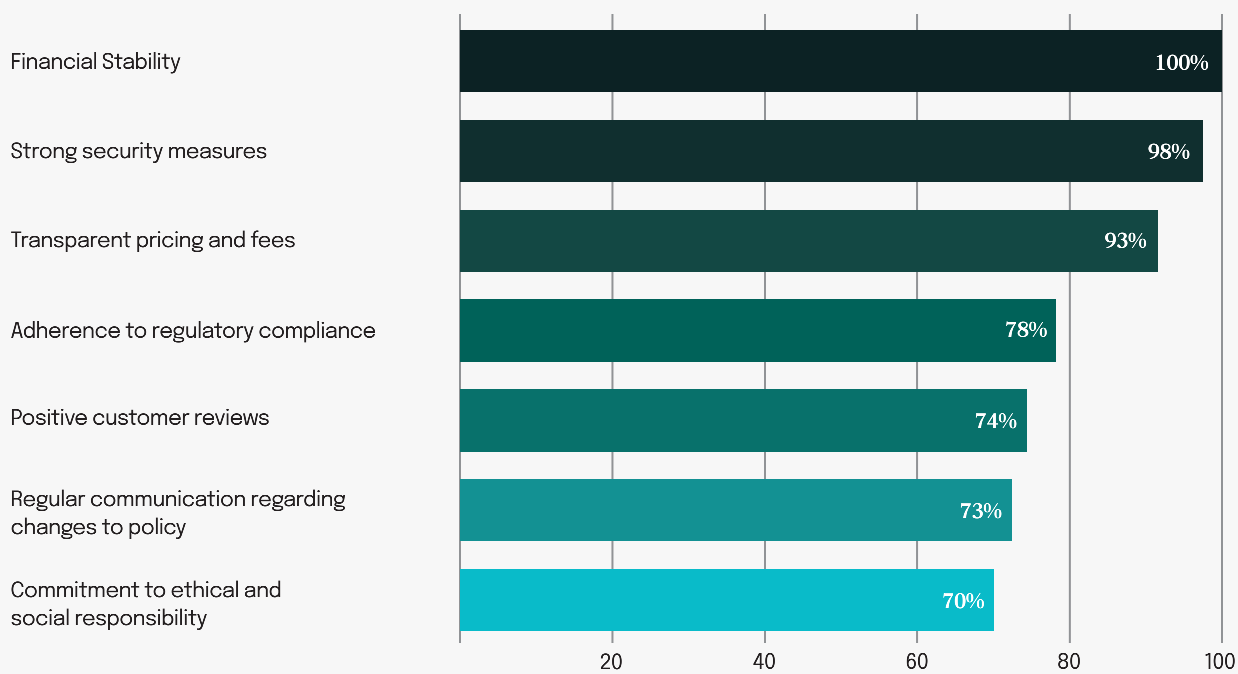

Figure 3: The bar chart shows the key factors influencing trust in financial institutions among survey respondents in 2024. Respondents rated the importance of each factor, with percentages indicating how many consider each factor important.

Consumer Preferences and Trends in Financial Institutions

Having addressed myths and clarified misunderstands about credit unions, the focus now shifts to the adaptations for staying competitive. This section analyses the shifts in banking methods, prioritized financial services, and institutional values, providing strategic insights to help credit unions meet modern consumer expectations effectively.

Consumer Banking Preferences: Methods of Banking

In 2023 and 2024, the ways in which people preferred to conduct their banking activities highlighted clear trends. With a notable shift toward digital solutions, traditional methods remain crucial for a considerable segment of customers.

Banking Preferences of Consumers: 2024

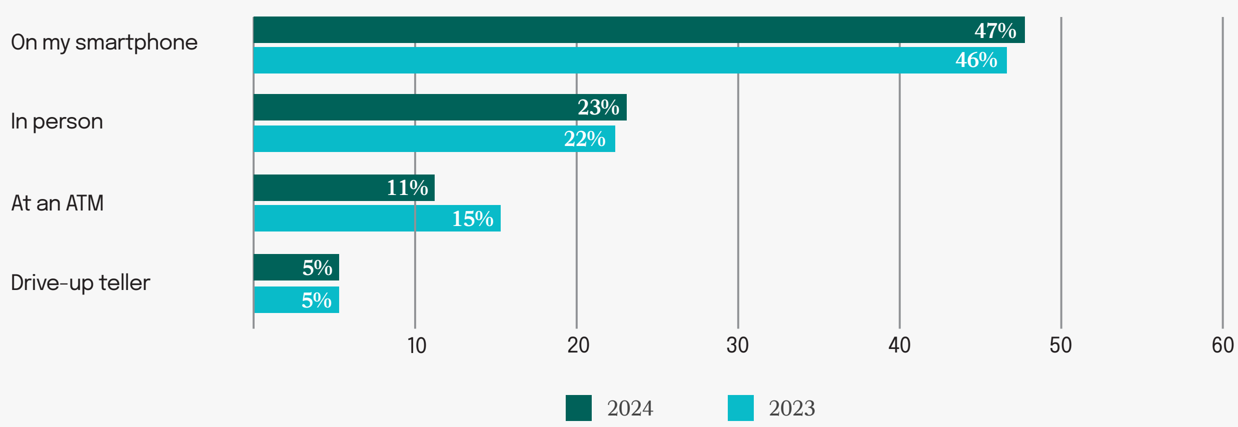

Figure 4: The bar chart shows the banking preferences of consumers in 2024 compared to 2023. Respondents were asked how they primarily conduct their banking. The percentages indicate the proportion of respondents who prefer each method. Note that while the chart displays the top preferences, the total percentages for all options would add up to 100%.

Younger generations are increasingly adopting mobile banking, reflecting a broader trend toward digital, on-the-go banking solutions. However, despite this digital shift, **there's still a notable preference for in-person banking among both the youngest and older age groups, underscoring the enduring importance of personal interactions in banking.**

Key Trends Across Age Groups:

- **Preference for Mobile Banking:** Younger consumers' preference for mobile banking showed a robust increase from 2023 to 2024. In 2023, 50% of those aged 18-24 and 45% of those aged 25-34 preferred using mobile apps for banking. By 2024, this preference had notably strengthened, with 55% of the 25-34 age group and 65% of the 35-44 group opting for mobile banking.

- **Stable or Increasing In-person Banking in Older Age Groups:** Preference for in-person banking slightly increased among the youngest and oldest groups, indicating a sustained value in face-to-face interactions for these demographics. Notably, 25% of 18-24 year-olds used in-person banking in 2024, up from 19% in 2023.

- **Decline in ATM Use Among Younger Consumers:** ATM preference among younger consumers declined between 2023 and 2024, indicating a shift towards more digital banking methods. In 2023, 22% of those aged 18-24 and 26% of those aged 25-34 used ATMs, which decreased to 18% and 16% respectively in 2024.

Key Financial Services Valued by Consumers in 2024

In 2024, consumer preferences highlighted the importance of both traditional and digital banking services. The top five financial services that were most important to consumers as seen in Figure 5 below were checking accounts, savings accounts, digital banking (online, mobile), credit cards, and personal loans.

Financial Services Valued by Consumers in 2024

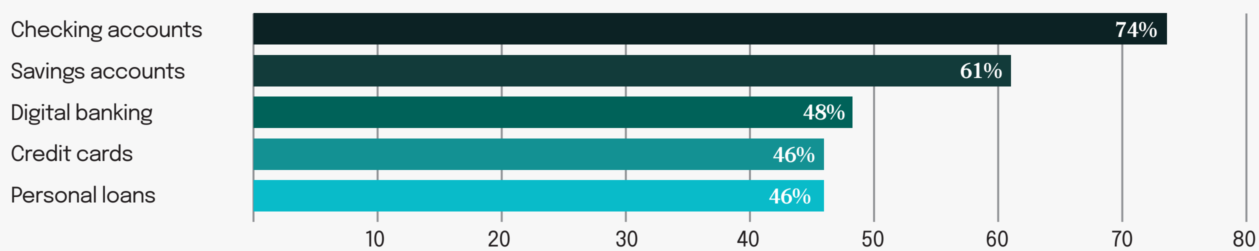

Figure 5: The bar chart shows the key financial services valued by consumers in 2024. Respondents were asked to select all the financial services that are most important to them. The percentages indicate the proportion of respondents who value each service, with multiple selections allowed per respondent.

The high valuation of checking and savings accounts demonstrates the ongoing need for basic financial services. However, the significant emphasis on digital banking underscores the necessity for financial institutions, especially credit unions, to enhance their digital offerings to meet consumer expectations.

To stay competitive and meet these evolving needs, credit unions should focus on improving digital capabilities alongside maintaining robust fundamental banking services.

Importance of Institutional Values in Choosing a Financial Institution

In 2024, the survey highlights that consumers prioritize transparency, customer service, and ethical practices when selecting their primary financial institution.

Key Values Consumers Seek in Financial Institutions: 2024

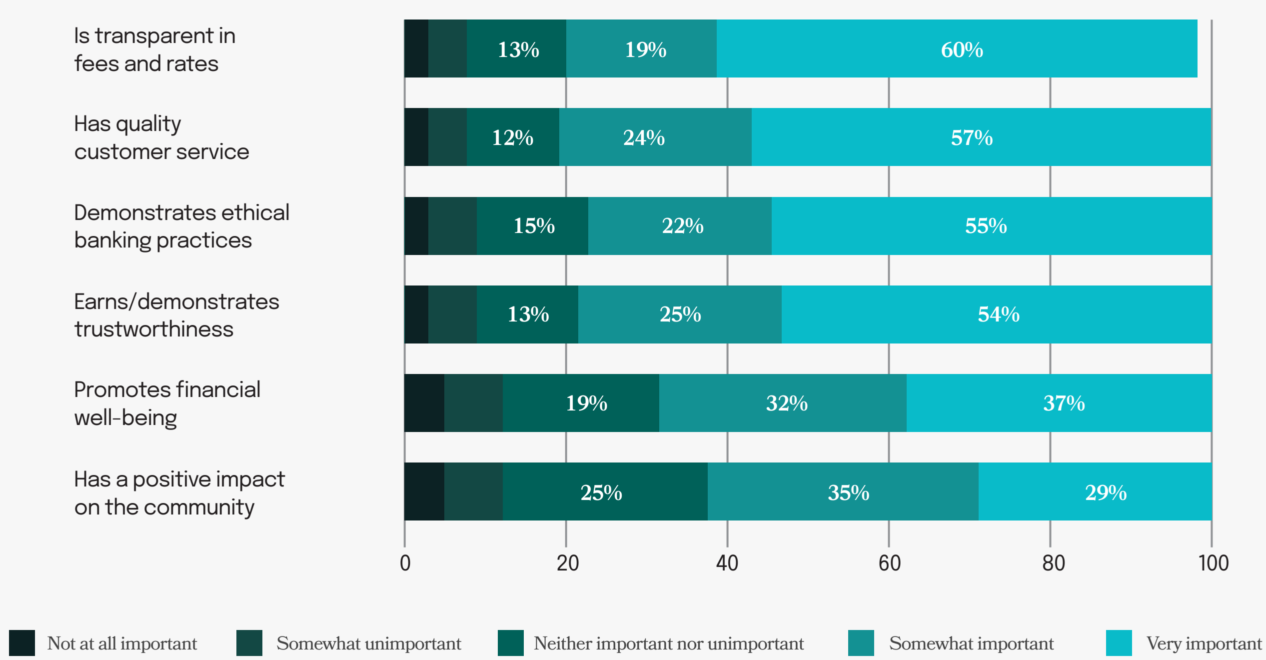

Figure 6: The bar chart shows the key values consumers seek in their primary financial institutions in 2024. Respondents rated the importance of each value, with the percentages reflecting the distribution of these ratings.

Year-Over-Year Comparison Among Younger Customers

Trustworthiness continues to be a critical value, particularly among younger consumers (aged 18-24). In 2023, a combined **74% of young adults found trustworthiness important** (Somewhat important: 30%, Very important: 44%). In 2024, this figure slightly decreased to 60% but remained a top value (Somewhat important: 23%, Very important: 37%).

This decrease suggests a diversification in the factors influencing the banking choices of young consumers, possibly due to evolving digital trends and increased awareness of other institutional values such as transparency and customer service. This underscores key areas where credit unions can focus their efforts:

Key Areas of Focus:

- **Enhance Transparency:** Credit unions should prioritize clear communication about fees and rates, using digital tools that simplify financial management for members.
- **Improve Customer Service:** Credit unions need to maintain responsive and accessible customer service, optimizing interactions across digital and traditional channels to meet diverse member preferences.
- **Strengthen Ethical Practices:** It's vital for credit unions to actively demonstrate their commitment to ethical banking and community involvement, which are highly valued by younger consumers.

By addressing these areas, credit unions can better meet the expectations of younger consumers, fostering loyalty and enhancing their competitive edge in the financial sector.

Factors Influencing the Decision to Leave a Financial Institution

Understanding why customers choose to leave their financial institutions is crucial for credit unions aiming to improve retention rates. The survey data from 2023 and 2024 (Figure 7) reveals the primary reasons that might prompt customers to switch, providing insights into areas that require attention.

Reasons for Leaving a Financial Institution: 2023 & 2024

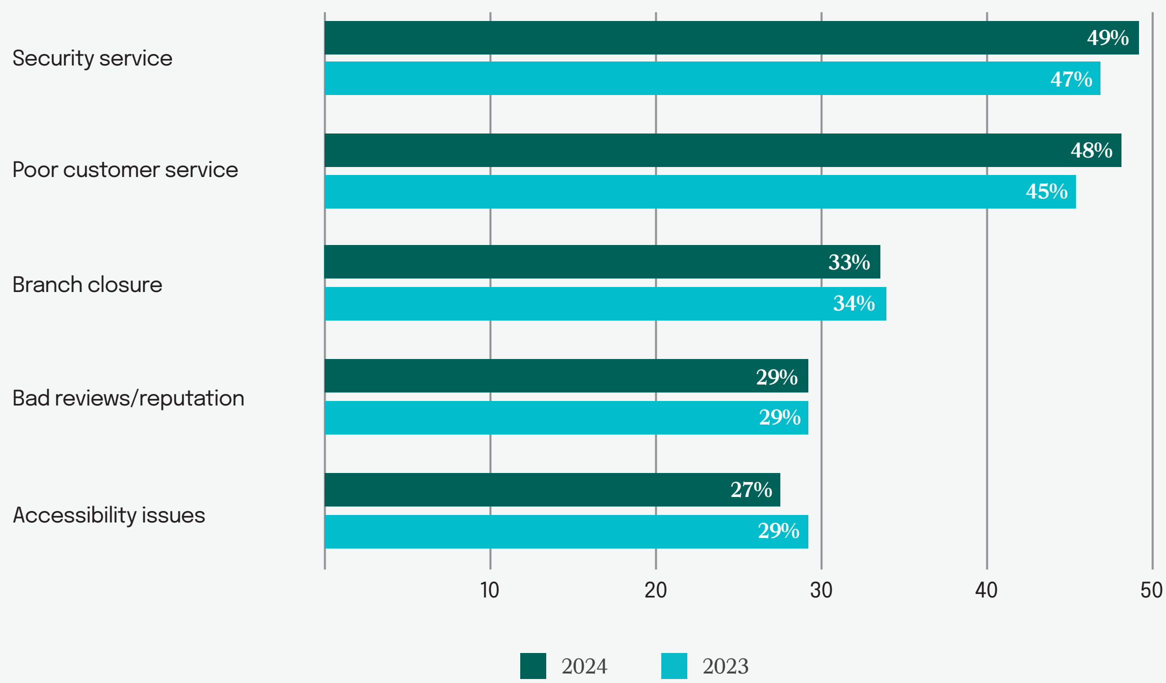

Figure 7: The bar chart shows what would make consumers leave their financial institutions in 2023 and 2024. Respondents selected all applicable reasons. The percentages indicate the proportion who cited each reason, with total exceeding 100% due to multiple selections.

Strategic Responses to Key Factors Influencing Customer Retention

Member loyalty is essential for the growth and stability of credit unions. This section highlights crucial factors that impact retention and proposes effective strategies to strengthen member loyalty, thereby enhancing the competitive standing and ensuring the enduring success of credit unions.

- **Security and Service:** The leading reasons for leaving both years relate to security issues and poor customer service. This consistency underscores the critical importance of ensuring robust security measures and exceptional customer service. Credit unions must prioritize data protection and enhance the quality of customer interactions to build trust and satisfaction.
- **Branch Accessibility:** The closure of branches and general accessibility issues are significant concerns, indicating that while digital banking is essential, the physical presence of branches still matters to many customers. Ensuring that branches are accessible and meet the needs of the community can help maintain member loyalty and prevent churn.
- **Competitive Rates:** Competitive interest rates are crucial for retaining customers. Credit unions should focus on offering rates that are attractive in comparison to other financial institutions. Ensuring that their rates are among the best available can help in maintaining member loyalty and reducing churn.
- **Reputation Management:** Negative reviews and reputation issues are consistent concerns among those considering leaving an institution. Credit unions should proactively engage in reputation management by monitoring feedback across various platforms, addressing concerns promptly, and showcasing positive customer stories and reviews. Reputation management will not only counter negative perceptions but also reinforce the credit union's commitment to its members and community.

By prioritising these strategic actions, credit unions can effectively address the main reasons members might consider leaving, thus enhancing loyalty and reducing turnover. A proactive approach to security, service, rate competitiveness, and reputation management will position credit unions strongly within the competitive financial services market.

Factors Influencing the Choice of a New Financial Institution

When customers consider switching their primary financial institutions, several key factors influence their decision-making process. This section examines the dynamics that drive customers to seek out new banking options, highlights the attributes they prioritize when selecting a financial institution, and explores the sources they rely on for finding new financial products or services.

Consideration for Switching

A moderate level of openness exists among consumers, with 30% indicating they are *somewhat* or *very likely* to consider switching institutions. This demographic represents a target audience for financial institutions seeking to expand by offering enhanced support or resources that address economic challenges.

30%
of the consumers

somewhat or very likely to consider switching institutions

Important Factors in Choosing a Financial Institution

Consumer priorities when selecting a financial institution have shifted significantly, as evidenced by surveys from 2023 and 2024.

Important Factors in Choosing a Financial Institution: 2023 & 2024

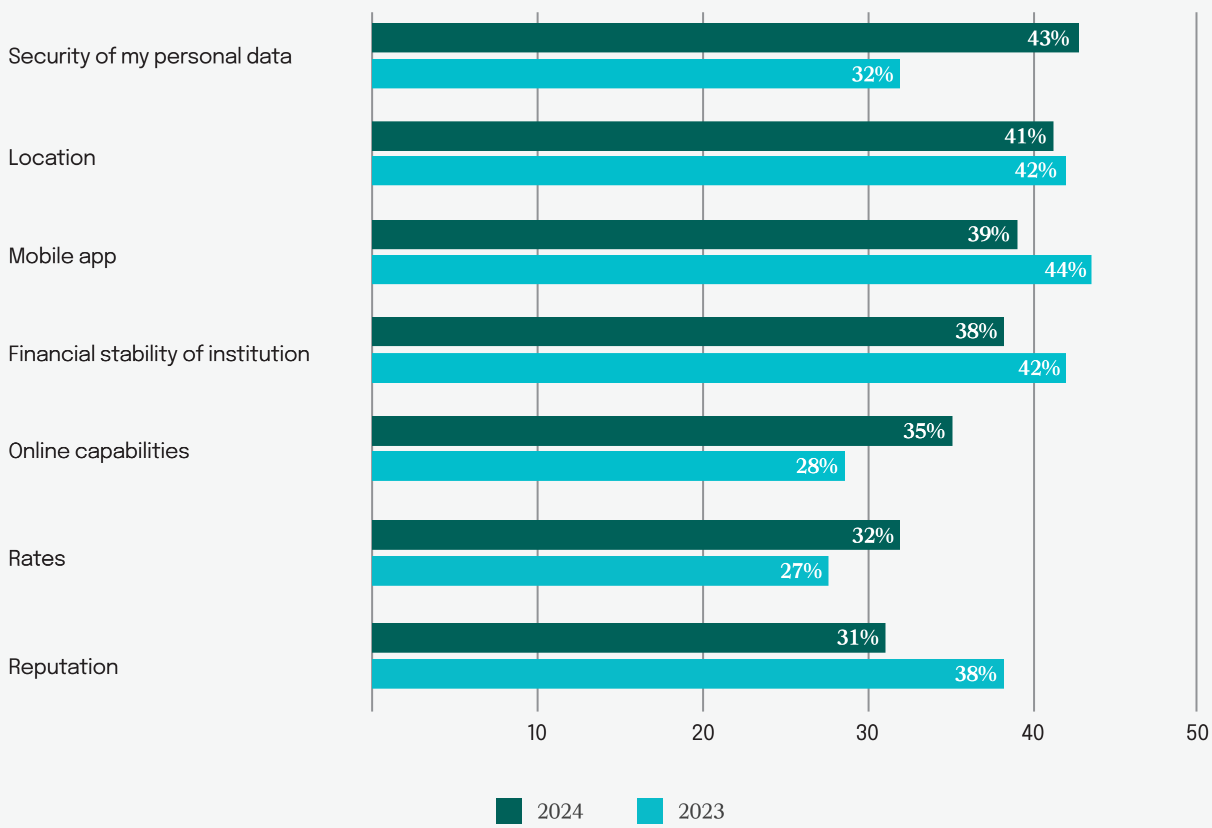

Figure 8: The bar chart shows the important factors consumers consider when choosing a financial institution in 2023 and 2024. Respondents selected all applicable factors. The percentages indicate the proportion who consider each factor important, with totals exceeding 100% due to multiple selections.

The data indicates a growing concern for personal data security, which has become the most significant factor as of 2024, surpassing even the convenience of mobile apps and the physical proximity of banking locations.

Attributes like mobile app usability, while still important, have seen a slight decrease as top-of-mind concerns, possibly due to the maturation of mobile banking technologies and evolving functionality expectations.

Implications for Financial Institutions:

To align with these evolving consumer preferences, financial institutions, particularly credit unions, should focus on:

- **Enhancing Data Security:** Strengthening cybersecurity measures to protect personal data, thus building trust and appealing to security-conscious consumers.
- **Emphasizing Stability:** Communicating financial stability to reassure customers in an uncertain economic environment.
- **Maintaining Robust Digital Offerings:** Continuously improving mobile and online banking platforms to meet high expectations for convenience and accessibility.

By addressing the key factors effectively, financial institutions can better attract and retain customers, adapting to their changing needs and preferences in a competitive landscape.

Engaging the Younger Generation

Attracting younger consumers is crucial for credit unions focused on securing future growth and maintaining relevance. As digital natives, younger demographic prioritizes technology, transparency, and social responsibility. Understanding and addressing their unique preferences is essential. This section investigates strategies for credit unions to effectively reach and market to younger customers by analyzing their banking preferences, sources of financial advice, and social media engagement.

Sources of Financial Advice for Young Consumers

Understanding where young consumers, specifically those aged 18-24, seek financial advice reveals key insights into their preferences and behavior changes over time. The data from 2023 to 2024 reveals a significant move towards more formal and digitally driven sources of financial advice among younger consumers, particularly with professional financial advisors and social media. While the reliance on online searches and friend/family referrals remains strong, indicating a continued appreciation for personal connections and expert advice, **the use of social media as a source of financial advice saw a notable jump from 13% in 2023 to 34% in 2024.**

Sources of Financial Advice for Young Consumers (18-24): 2023 & 2024

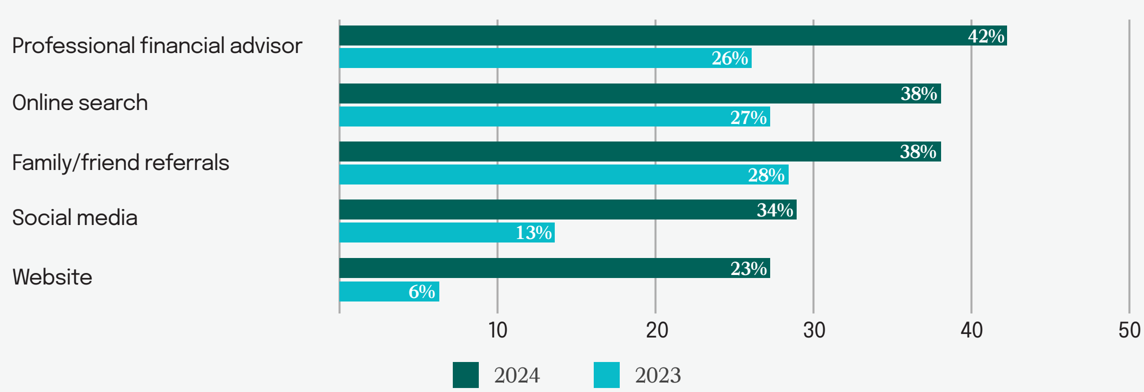

Figure 9: This bar chart shows where young consumers aged 18-24 are most likely to seek financial advice in 2023 and 2024. Respondents selected all applicable sources. The percentages indicate the proportion of respondents who cited each source, with totals exceeding 100% due to multiple selections.

Strategic Implications for Credit Unions:

Credit unions aiming to engage younger consumers should consider:

- **Enhancing Digital Engagement:** Strengthening online resources and optimizing search engine presence to cater to those who rely on online searches.
- **Building Trust with Expertise:** Offering easily accessible financial advisory services, possibly through digital platforms to meet young adults' growing interest in professional advice.
- **Leveraging Social Media:** Increasing activity on social media platforms to provide financial education and advice, connecting with young members where they are most active.

By focusing on these key areas, credit unions can effectively meet the evolving needs of younger consumers, helping to build trust and establish long-term relationships with the next generation of financial service users.

Social Media Usage Among Younger Customers

Understanding the social media habits of younger consumers is crucial for credit unions aiming to enhance their digital engagement strategies. Figure 10, seen below, is a detailed breakdown of the usage patterns for this age group across various social media platforms, based on the 2024 survey responses.

Social Media Activity of Young Adults (Ages 18-24): 2024

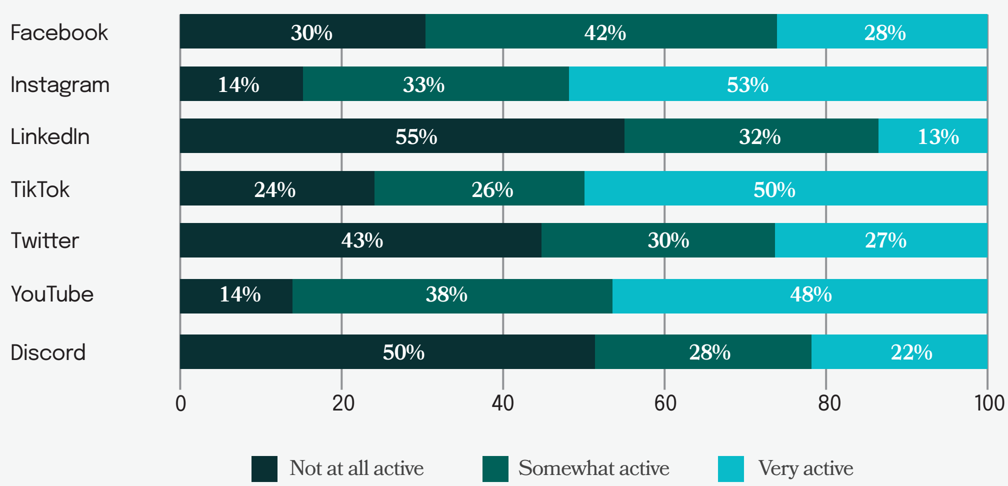

Figure 10: The bar chart shows the social media activity levels of young adults aged 18-24 in 2024. Respondents rated their activity on various platforms as not at all active, somewhat active, or very active. The percentages indicate the proportion of respondents in each activity category for each platform.

This data reveals a strong preference for visual and video-centric platforms like Instagram, TikTok, and YouTube among the younger demographic, with high percentages of very active users. In contrast, more professional or text-heavy platforms like LinkedIn and X (Twitter) show lower engagement rates. Facebook exhibits a moderate level of engagement.

To effectively connect with younger audiences, credit unions should focus their social media strategies on the platforms where this age group is most active. Emphasizing visually engaging content on Instagram, TikTok, and YouTube can boost engagement. Additionally, **tailoring content to be relevant, engaging, and interactive can help maintain the younger population's interest and foster deeper connections.** This targeted approach on preferred platforms will help credit unions increase their visibility and relevance among younger consumers.

Valued Content Among Younger Consumers

Understanding younger consumers' preferences for specific types of content is crucial for credit unions aiming to engage this demographic effectively. Seen below are the content types valued by individuals aged 18-24, based on the 2024 survey responses.

Preferred Content Types Among Young Adults (Ages 18-24): 2024

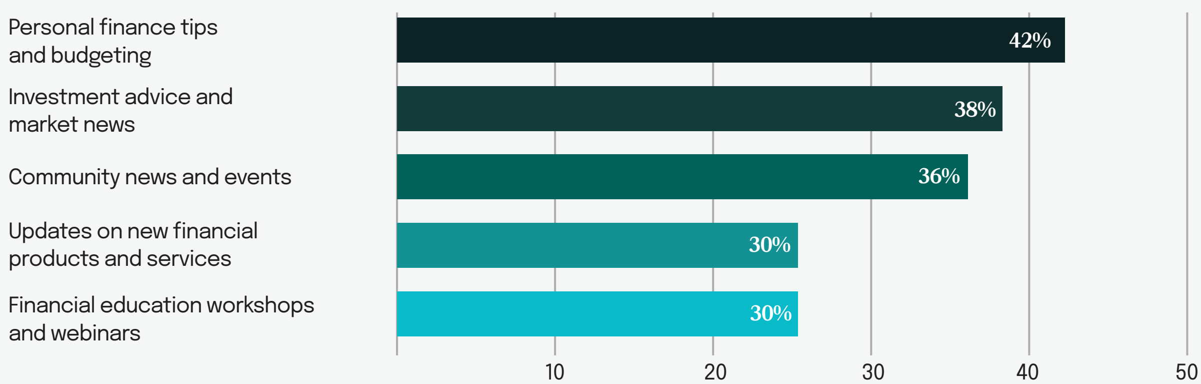

Figure 11: The bar chart shows the types of content young adults aged 18-24 find most valuable from their financial institutions in 2024. Respondents selected all applicable content types and the percentages indicate the proportion of respondents who value each type, with totals exceeding 100% due to multiple selections.

The survey data reveals that younger consumers are interested in practical advice for personal finance management, insights into investment opportunities, and information about community activities. The preference for informative and engaging content provides valuable direction for credit unions in shaping their communication strategies.

Conclusion and Looking Forward

This report captures a transformative phase for credit unions marked by the need to modernize in the face of technological advancements and evolving member expectations. Key findings indicate that there's an urgent need to enhance credit union knowledge and awareness among younger generations and reverse the trend of declining engagement and loyalty. Moreover, credit unions must adapt their strategies to meet the shifting preferences of members who increasingly seek financial advice from digital platforms, including professional advisors and social media.

As the landscape changes, credit unions are called to focus on maintaining robust security measures, offer competitive rates, and manage their reputations proactively to retain their members. By addressing these areas, credit unions can forge stronger relationships with their members, ensuring long-term loyalty and sustainability in a competitive financial market. The insights provided by this report offer a roadmap for credit unions to navigate these shifts and emerge stronger, more connected, and prepared for the future.

References

CU2.0. Millennials and Gen Z Don't Know What Credit Unions Are.
https://cu-2.com/credit-union-awareness/#:~:text=Zogo%20Finance%2C%20a%20startup%20geared,unions%2C%20but%20not%20by%20much.

The Financial Brand. Customer Engagement at Credit Unions Is Slipping: Here's How to Reverse the Trend
https://thefinancialbrand.com/news/customer-experience-banking/how-credit-unions-can-regain-customer-engagement-edge-158886/

Credit Union National Association. Awareness group: Let's build a brand platform for CUs.
https://news.cuna.org/articles/112091-awareness-group-lets-build-a-brand-platform-for-cus

Service Credit Union. Convenient access to your Service Credit Union account from anywhere .
https://servicecu.org/atms/

Idaho Business Review. The truth behind 5 credit union myths.
https://idahobusinessreview.com/2022/10/20/the-truth-behind-5-credit-union-myths/

Experian. What Is the Difference Between the FDIC and the NCUA?
https://www.experian.com/blogs/ask-experian/fdic-vs-ncua/

Heritage Financial Credit Union. The Advantages of Credit Union Loans Over Bank Loans.
https://heritagefcu.com/advantages-of-credit-union-loan-over-bank-loans/#:~:text=rates%20to%20borrowers.-,Personalized%20Service,the%20satisfaction%20of%20their%20members.

sogolytics

To learn more about Sogolytics and how we can help you to conduct your own research, connect with our team today!

Email

info@sogolytics.com

Phone

+1 (800) 646-0520

Website

www.sogolytics.com