

# Credit Union Satisfaction Index 2015



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**CFI** Group



American Customer Satisfaction Index®

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## EXECUTIVE SUMMARY

In its third measurement year, CFI Group finds that the Credit Union Satisfaction Index (CUSI) continues to reveal an exceptional level of satisfaction among credit union members. The CUSI 2015 score of 87 represents a 1-point improvement on its 2014 rating as measured by the CFI Group-patented American Customer Satisfaction Index (ACSI) methodology. CFI Group uses the ACSI not only to provide a satisfaction score to measure members' sentiments, but also to quantifiably determine which aspects of the credit union relationship matter most in determining overall satisfaction levels. This knowledge equips credit union executives with the analytical tools needed to properly allocate resources so they can continue to maintain high levels of satisfaction and ultimately improve their bottom lines.

The results of the CUSI 2015 study highlight the evolving landscape of financial institutions, most notably the growing presence of online and mobile banking, as well as the importance of other differentiating factors such as reward programs and local community involvement. Although the market is changing, the study also indicates that credit union members continue to value the availability of physical branch locations.

Modern and comprehensive online banking capabilities, including mobile options, are now essentially a requirement for credit unions.

- *Online & Mobile Banking* has more influence on satisfaction than any other aspect of the credit union relationship.
- The proportion of banking being conducted online by credit union members continues to rise, with 82% reporting that they completed at least half of their banking electronically in 2015.

The importance of branch locations is not going away, as the consumer appetite for a local and convenient branch remains strong despite the growing utilization of web-based banking.

- A mere 11% of those surveyed indicate they consider branch locations to be of *Little or No Importance*.
- Credit Union members continue to highly value the traditional personalized service provided by local branches.

As more credit unions enter the market, effective loyalty programs and increased community involvement play an important role in acquiring and retaining members.

- More than half (52%) of respondents consider their local credit union's community involvement to be *Important* or *Very Important*.

Nearly a quarter of those surveyed (24%) said their credit union offers some sort of loyalty rewards program, and 47% consider these programs to be *Valuable* or *Extremely Valuable* compared to just 2% who said they find no value in their credit union's rewards program. Additionally, members enrolled in a rewards program have a CSI score of 87, two points higher than those whose credit union does not offer such a program.

## INTRODUCTION

Credit union member satisfaction has consistently been among the highest of all customer bases measured by CFI Group and the ACSI across a multitude of industries. Historically, credit unions have achieved this gold standard in the financial world by providing tailored services to their members. As memberships and assets have grown over the last decade, credit unions have displayed an impressive ability to keep up with rapid technology changes such as online banking while continuing to provide members with the friendly, personalized service the industry was founded on.

As evidenced by the CUSI score of 87, credit union member satisfaction remained very strong in 2015. After a moderate dip last year from its inaugural score of 90 in 2013, the latest measure shows a 1-point rebound in 2015. This result suggests that the 2014 decline was more of a settling of positive sentiments after a large swell in credit union membership rather than a negative trend in satisfaction.

To provide continuity and help identify developing trends over time, the CUSI 2015 study again asked credit union members to rate various aspects of their credit union experience. These survey components included: branch staff/convenience, online & mobile offerings, products & services, rates & fees, communications, ATM interactions, and contact with call center representatives. Survey respondents were also again asked to rate their overall level of satisfaction as well as their likelihood to recommend, increase their business with, and remain a member of their credit union. In addition, the CUSI 2015 examined the key drivers of satisfaction and the desired business outcomes affected by satisfaction.

The CUSI 2015 study also included new survey questions designed to shed light on the importance of credit union ATMs, reward programs and community involvement on member satisfaction.

### ABOUT THE ACSI METHODOLOGY

The American Customer Satisfaction Index ([www.theacsi.org](http://www.theacsi.org)) is the only uniform, national, cross-industry measure of satisfaction with the quality of goods and services available in the United States. A key distinguishing feature of the ACSI methodology is its patented scientific approach to customer satisfaction measurement.

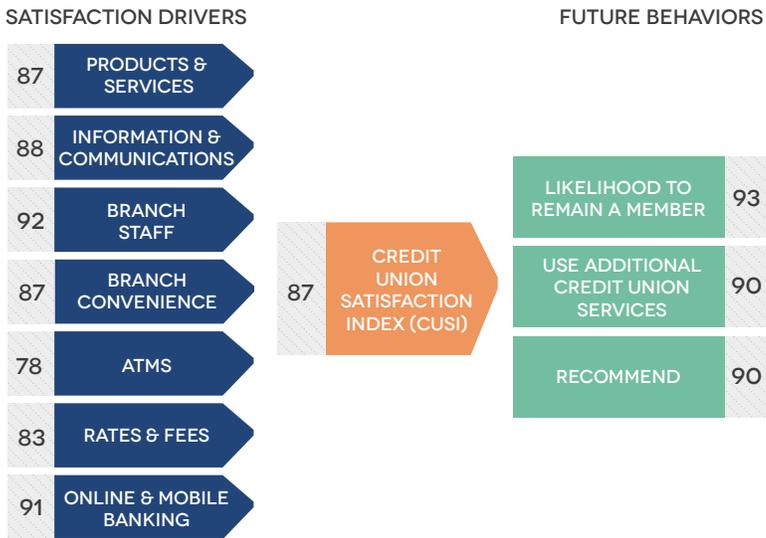
When applied to your organization, the unique cause-and-effect methodology of the ACSI shows how satisfied customers are today, and how satisfaction leads to desired results. This one-of-a-kind methodology also gauges satisfaction with specific elements of the customer experience that influence overall satisfaction and future success.

The ACSI is an important indicator of economic performance, both for individual firms and for the macro economy. As such, the national ACSI score has been shown to be predictive of both consumer spending and stock market growth, among other important indicators of economic growth. Perhaps most revealing, however, have been the linkages discovered between aggregate ACSI growth, aggregate corporate earnings growth (among S&P 500 companies), and average Market Value Added (MVA), which measures a firm's success in creating wealth for shareholders.

### Key Driver Impacts

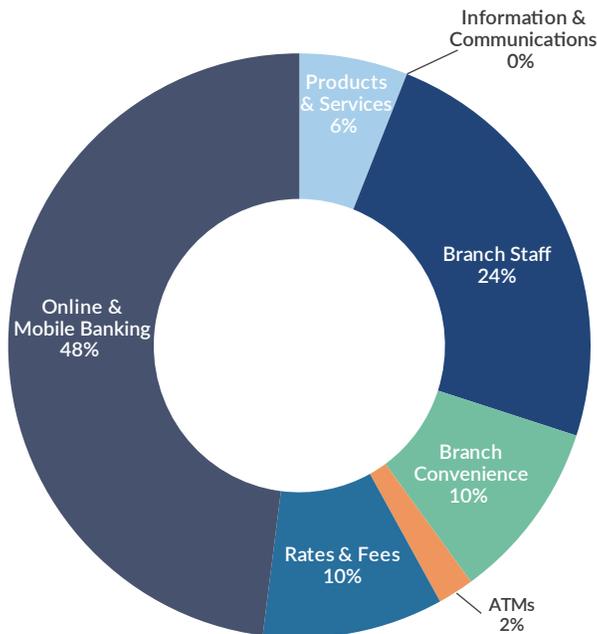
The seven key drivers of member satisfaction in 2015 are displayed in Figure 1 below. Improvements in these areas will have a direct impact on the CUSI score, which in turn will drive member loyalty higher, increase the number of recommendations given, and enhance the likelihood that members will use additional credit union products and services in the future.

Figure 1: CFI Group Credit Union Satisfaction Index Model 2015



Using the ACSI methodology, “impacts” are calculated for each driver of member satisfaction. These impacts identify which components of the credit union experience exert the most leverage on satisfaction, helping executives optimize resource allocation. Aspects of the member experience that score lower but have a relatively higher impact represent key opportunities for improvement if credit unions want to drive satisfaction higher and increase desired business outcomes such as member retention. Figure 2 displays the relative impacts of satisfaction based on the 2015 data.

Figure 2: Relative Driver Leverage to Improve Member Satisfaction



Consistent with the prior year's results, *Online & Mobile Banking* stands out as the leading driver of member satisfaction. As more and more credit union members engage in online and mobile offerings, members' expectations will continue to rise, making it increasingly important that credit unions maintain and continually improve this aspect of their business. With an exceedingly high 2015 score of 91 on a 0-100 point scale, significant improvements in the *Online & Mobile Banking* rating itself are not tenable. However, because *Online & Mobile Banking* is a high impact driver, overall satisfaction is sensitive to decreases in the component score so credit unions must continue to strive for excellence in this area.

While the appetite for electronic banking remains strong, credit union branches continue to play an important role in member satisfaction. The *Branch Staff* (24%) and *Branch Convenience* (10%) components together account for over a third of the overall leverage on satisfaction, clearly indicating that physical branch locations still serve a vital function for credit union members. In particular, the CUSI 2015 results underscore that branch location continues to impact member acquisition. Although the relationship between the availability of branches and credit unions' electronic banking offerings is evolving, it remains apparent that the two satisfaction components will continue to complement one another well into the future.

*Rates & Fees* appears to have become more of a driving force in 2015, now accounting for 10% of the overall impact on member satisfaction. After registering minimal impact in the CUSI 2014, its increase reflects the competitive nature of the market and the savviness of members who do their homework prior to joining a bank or credit union.

Unlike *Rates & Fees*, the leverage of *Products & Services* on credit union members' satisfaction diminished somewhat in 2015. This decrease demonstrates that credit unions across the board have done a fine job of bringing competitive products and services to the market, but because these offerings do not dramatically differ across institutions, this aspect does not have a significant impact on overall member satisfaction.

As with *Products & Services*, the *Information & Communications* component fell to a minimal impact level in 2015. Its score of 89, indicates that members' needs in the area of *Information & Communications* are already being met or exceeded and that further increases in performance are unlikely to significantly move the needle of satisfaction.

The CUSI 2015 model includes a new standalone *ATM* component. Despite being rated relatively lower than the other drivers of the model, the *ATM's* capacity to significantly impact member satisfaction is minimal.

The credit union landscape is continuously evolving, as evidenced by some of the changes from the CUSI 2014 results in terms of various drivers' relative impact on member satisfaction. Online and mobile banking continues to play a key role in member acquisition and retention; without a significant presence in this area, a credit union will face an uphill battle to stay competitive in the marketplace. Although individual credit unions can certainly experience a variation from these aggregate results based on local market or customer characteristics, credit unions that measure customer sentiment across the full member experience will be most equipped to allocate resources in a way that best serves their specific members' needs and ultimately improves their own financial performance.

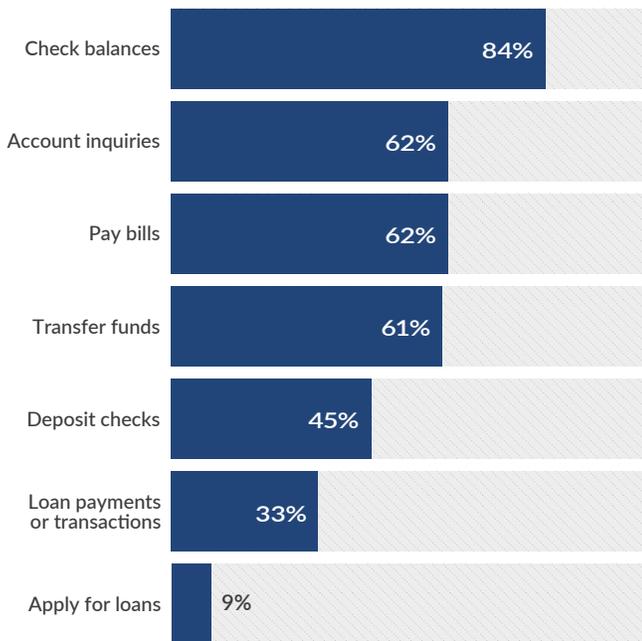
## BANKING CHANNELS

### Online & Mobile Banking

Consistent with previous years' results, *Online & Mobile Banking* remains the highest impact driver influencing satisfaction in the CUSI 2015. With the rapid growth of technology over the past decade, individuals are now accustomed to having their financial institutions provide them with an intuitive and comprehensive range of online banking capabilities. Credit unions that rely on traditional brick-and-mortar locations as the main avenue for their members to conduct business with them will likely fall by the wayside as other institutions cater more and more to the convenience-seeking public in the future.

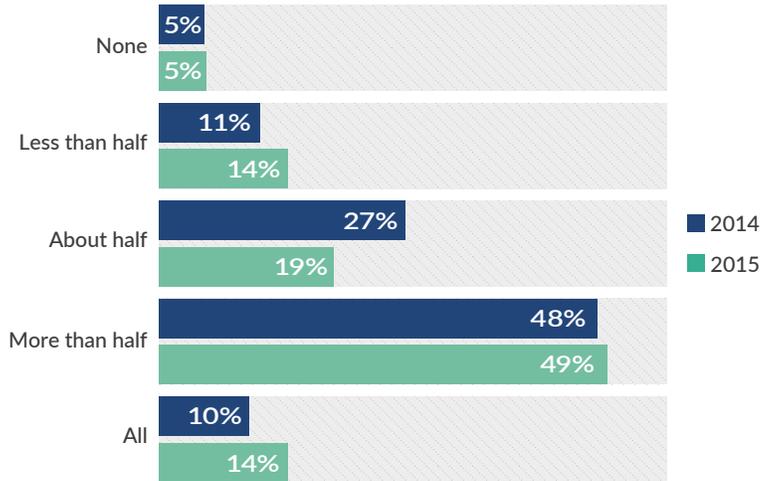
With a CSI score of 91, a 1 point improvement from the CUSI 2014, credit union members are generally very pleased with their credit union's *Online & Mobile Banking* offerings. To gauge the remote usage rates of members for a variety of banking activities, respondents were asked to indicate how often they carry out specific tasks remotely. As shown in Figure 3, more than half of respondents surveyed indicated they check account balances, pay bills and transfer money online at least once a month. In particular, the ability to check account balances remotely has become an essential capability for credit unions as only 11% of respondents indicated they never carry out this task online.

Figure 3: Remote Online & Mobile Activities



Further demonstrating the magnitude of online banking usage, the CUSI 2015 study included a new question asking credit union members to estimate the proportion of banking they conducted online. The result was compelling—63% said they did “more than half” or “all” of their business online, while just 5% responded that none of their banking was conducted remotely (see Figure 4).

Figure 4: Proportion of Banking Conducted Online



While it may be common knowledge that online products and services have become important factors in the financial marketplace, these results underscore the extent to which online banking is now a mainstream activity.

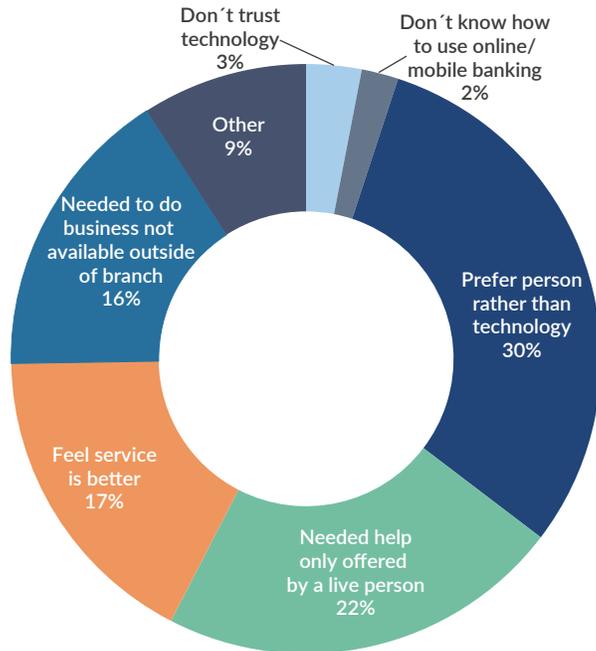
### Branches

With so much attention devoted to online and mobile capabilities, it can be easy to jump to the erroneous conclusion that branches no longer play a key role in the acquisition and retention of members. As the results of the CUSI 2015 show, however, branches are still a vital part of the credit union experience. In fact, the results indicate that credit union branches should be viewed as a complementary component to online banking rather than strictly an alternative option.

When credit union members were asked how an increase in online and mobile options over the next three years will affect how often they visit a branch, nearly two-thirds of respondents (64%) indicated they expect to visit branches with the same frequency as they do now. Only 11% expecting to visit branches significantly less often in the future. Providing further credence to these projections, respondents were also asked how their frequency of branch visits compares to that of three years ago when online banking options were far fewer. The results showed that 54% have not changed their branch visit frequency during this time; in fact, 15% reported they visit branches more often now than they did three years ago.

Those who conduct business at the branch itself were asked to provide the primary reason why they chose to visit the physical branch location. The results, shown in Figure 5, show that the majority of responses relate to a preference for the branch experience rather than a lack of awareness or understanding of the online options. Just 2% said they did not know how to use the available online or mobile banking options, while 30% simply preferred conducting transactions with a live person rather than using technology alone.

Figure 5: Primary Reason for Visiting a Branch



The percentage of respondents age 50 or under who expressed 'interacting with a person' as the primary reason for their branch visit dipped only modestly to 26% vs 30% in aggregate, illustrating that age is not the driving factor behind this data. Despite a rise in online banking access, these results speak to the persistent desire for members to have the option of interacting with people directly at a physical branch location.

Previous CUSI results have shown that the branch plays a crucial role in the acquisition of new members, a trend that continues to be seen in the 2015 data. Respondents cited a convenient location as the primary reason for becoming a new member of their credit union 16% of the time in 2015. This figure compares to the just 2% of respondents who said the credit union's web and mobile banking capabilities accounted for the main reason for joining.

The CUSI 2015 results also show that branch proximity continues to be important to credit union members. Nearly two-thirds (62%) of all those surveyed said that it was either *Important* or *Very Important* that a branch be near their work or home. Another 28% said that it was *Moderately Important*, leaving just 11% who feel that having a branch nearby is of little or no consequence to them. Backing up this sentiment, nearly half of all respondents (49%) said they live within three miles of their nearest branch.

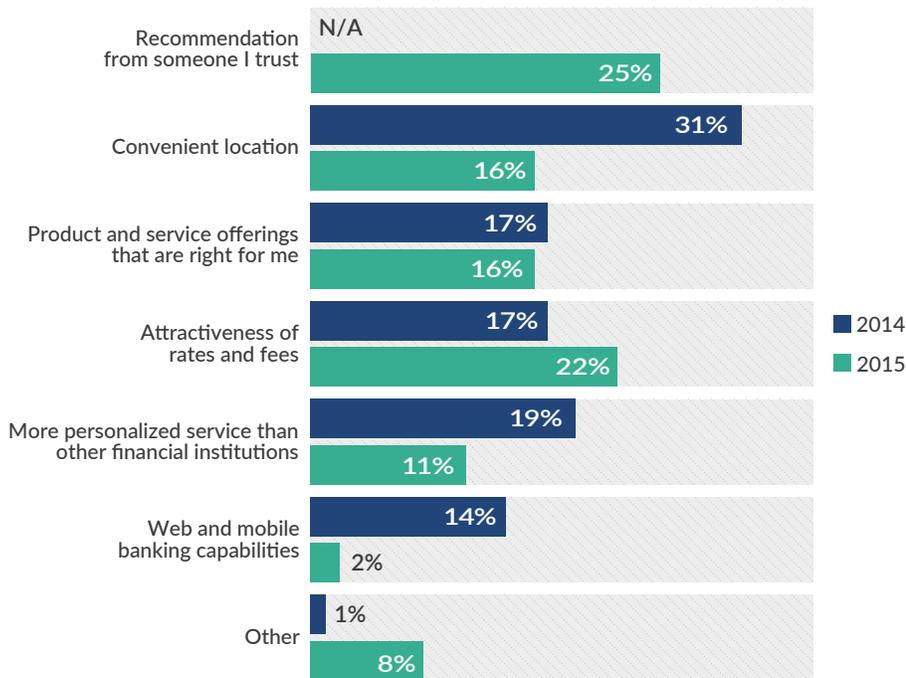
The CUSI 2015 results clearly show the prominent role that physical branches still play in the banking industry today. As this study points out, the availability of branches is about more than serving the needs the older customers who have not yet adopted a willingness to engage in online banking. Rather, branches continue to be viewed as the fundamental pillars of the institution. While having comprehensive online offerings is important, many credit union members still want the option of conducting at least a portion of their business in person at a nearby branch.

## Rates & Fees

The *Rates & Fees* of the credit union also play an important role in the relationship a member has with their financial institution, accounting for a larger share of the impact on satisfaction in 2015 than in prior years. The good news for credit unions is that the relatively larger impact for this driver is accompanied by a very strong score of 83, a point higher than in the 2014 measurement. Comparing this aspect’s performance to that of banks, Rates & Fees received a much lower rating of 71 in CFI Group’s 2015 Bank Satisfaction Barometer. In the future, credit unions should strive to maintain this clear advantage over banks in the area of Rates & Fees, particularly as individuals gain more research tools at their disposal to compare rates when selecting a financial institution.

*Rates & Fees’* influence on new member acquisition is apparent in the CUSI 2015 study as well. As shown in Figure 6 below, nearly a quarter (22%) of all respondents cited the “attractiveness of rates and fees” as the primary reason for joining their credit union.

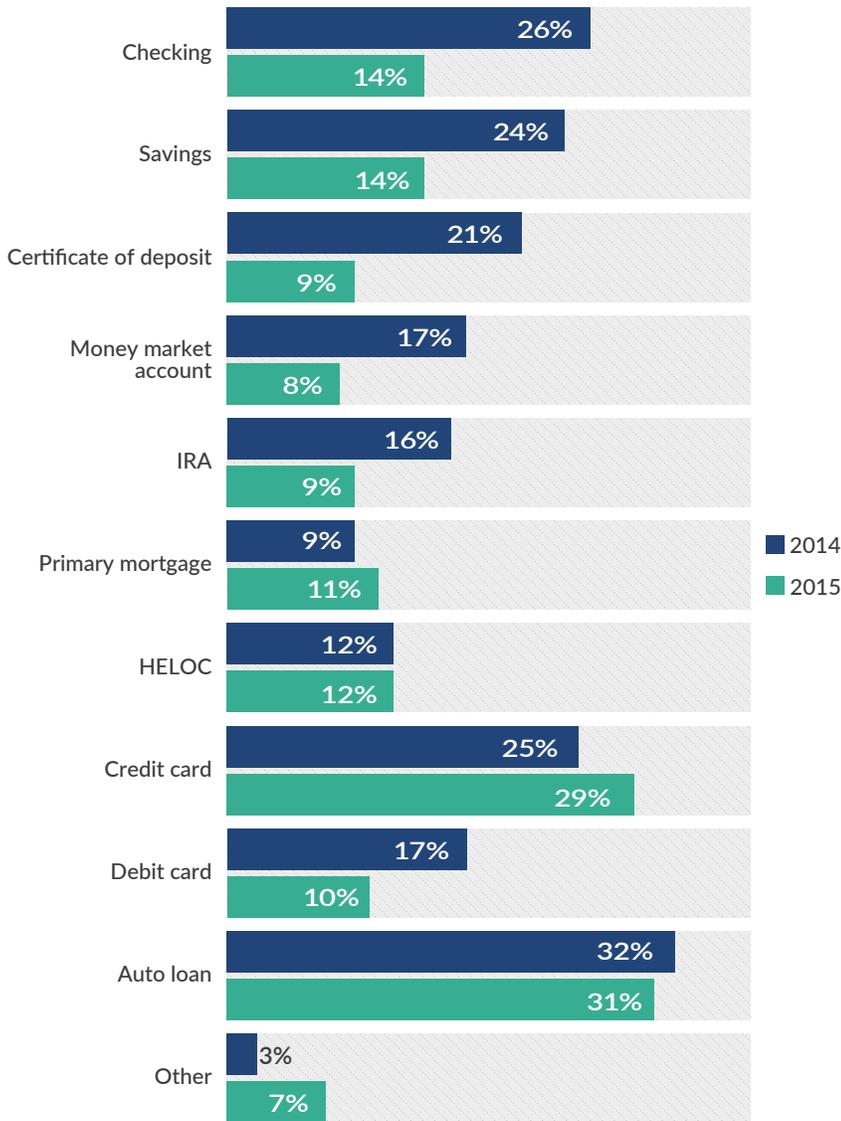
Figure 6: Primary Reason for Becoming a Member



## Products & Services

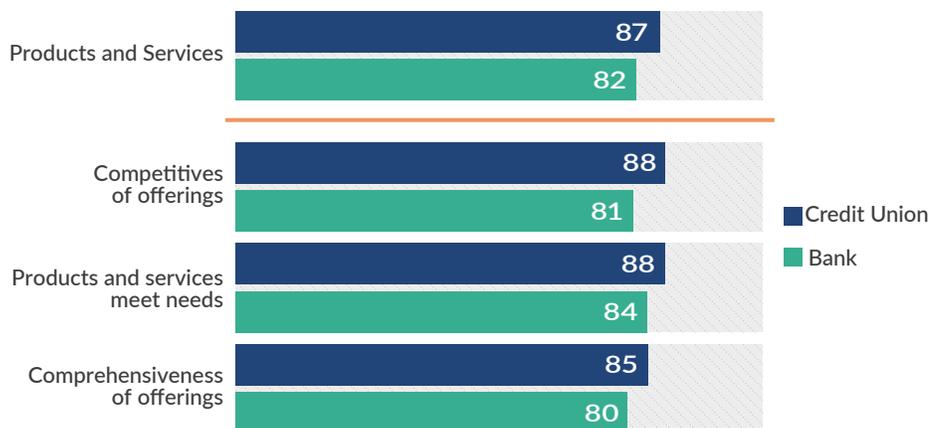
The CUSI 2015 study finds that *Products & Services* had a moderately less significant impact on member satisfaction last year, signaling somewhat of a relaxing of consumer borrowing and investing. While 30% of respondents indicated they plan to sign up for additional services within the next year (consistent with 2014 results), the planned services members said they were intending to add were far more limited this year (see Figure 7).

Figure 7: Products & Services to add next year (asked of the 30% who indicated they plan to add Products & Services next year)



Compared to CFI Group’s 2015 Bank Satisfaction Barometer, the *Products & Services* offered by credit unions are more favorable than those offered by banks (see Figure 8).

Figure 8: Products & Scores for banks and credit unions



Despite a modest decrease in the percentage of individuals indicating they plan to add multiple products or services, this aspect of the credit union remains important with 16% expressing that “suitable product and service offerings” are the most important factor in joining a credit union (shown in Figure 6 above).

Today’s competitive marketplace requires that financial institutions carry a variety of *Products & Services*, giving consumers the ability to maintain a variety of accounts and loans within a single organization. Credit unions should also market their comparative strengths of personalized services and competitive rates as valuable complements to their full suite of *Products & Services*.

### ATMs

The CUSI 2015 model introduced *ATM* as an independent component, measuring the *ATM*’s impact on credit union satisfaction for the first time. While the resulting impact was found to be minimal, its score was only moderately lower than all other aspects of the credit union relationship. Of the individual attributes that make up the *ATM* score, the “number of *ATM* locations” was rated the lowest at 72. This result is not surprising given the credit union structure and the general lack of prevalent *ATM* availability compared to other banking institutions. However, the lower *ATM* ratings can be countered with the aforementioned personalized services of local branches and the online capabilities offered by credit unions which allow members to conduct activities like check cashing and fund transfers electronically rather than at an *ATM*.

### Information & Communications

With a high score of 88, credit unions are largely meeting the *Information & Communications* needs of their members. While this aspect of the credit union-customer relationship is important, its direct influence on satisfaction has subsided in the past year.

The pronounced impact of *Information & Communications* in 2014 was largely attributed to the improving economy which led to a surge in consumers seeking out information related to loans and investment options. As economic growth has tempered, individuals’ need for such communication has followed suit, with *Information & Communications* having less of an impact on member satisfaction in 2015.

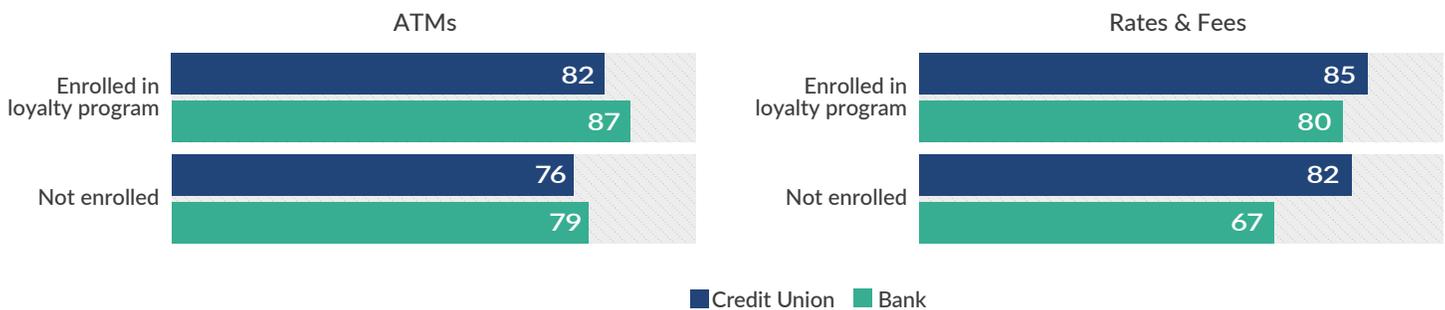
## LOYALTY PROGRAMS AND COMMUNITY INVOLVEMENT

In 2015, new questions were added to the CUSI questionnaire to examine the role that credit union loyalty rewards programs and local community involvement have on member satisfaction.

In terms of loyalty programs, only 24% of credit union members confirmed that they are enrolled in such a program. Perhaps more telling, 36% of respondents said they were not sure if they were a part of a loyalty rewards program or not, highlighting a need for credit unions to improve their marketing and communications about loyalty reward programs.

Of those who knew they were enrolled in a loyalty rewards program, 82% said they find value in the benefits of the program. Nearly half (47%) said their program waives ATM or overdraft fees. Other popular perks offered by loyalty programs include credit card bonus points, free cashier’s checks or money orders, and merchant discounts. As shown in Figure 9 below, members who were a part of a loyalty reward program gave higher ratings for several other drivers of satisfaction, most notably Rates & Fees and ATM, than did members who were not part of any loyalty reward program.

Figure 9: Rates & Fees and ATM scores for those with loyalty programs vs. those without



The CUSI 2015 study shows that a market for credit union loyalty programs clearly exists, and that credit unions should embrace the opportunity to utilize these programs as competitive differentiators during this early stage of program development in the industry.

Seeking other factors contributing to credit union member satisfaction, the CUSI 2015 also included questions related to the importance of their financial institution’s involvement in the local community. The results showed a relatively high degree of significance, with 80% of respondents indicating that community involvement carries importance. Individuals’ preference for this type of community engagement is currently being met, as 88% of those surveyed said their current institution is at least “somewhat involved” in the local community.

Credit unions that stay engaged with their current and potential member bases through community service campaigns and valuable rewards programs set themselves apart from the competition. The results of the CUSI 2015 clearly reveal an appetite for such engagement, and reaffirm that the personal, tailored service provided to its members is still an advantage that community-based credit unions have over big banks.

## INDUSTRY CHALLENGES AND OPPORTUNITIES

### The continued balancing of branches and online banking

Credit union executives today face the challenge of balancing personalized service that has been the cornerstone of the credit union industry for decades with the emerging necessity of providing members with a comprehensive and intuitive suite of online offerings. While on the surface these two factors may seem at odds with each other, innovative credit unions that research their member bases to understand their specific wants and needs will be much better-equipped to optimally structure their offerings to serve their community.

As evidenced by *Online & Mobile Banking's* consistently high impact on satisfaction, overall member satisfaction and retention is sensitive to the remote capabilities offered by credit unions. While as a whole credit unions are performing well in this area, the nature of the rapidly growing technology sector makes continued investment in online capabilities crucial to staying competitive. However, credit union decision makers need to be careful to avoid tilting the scales too much in the direction of online resources at the risk of leaving behind the fundamental services provided by branches. The convenient online tools offered by credit unions should be considered a complement to the products and services offered within physical branch locations. While a segment of the population may be comfortable with an online-only model, the CUSI 2015 data show that the majority of respondents still consider having a nearby branch to be an essential aspect of joining and remaining a member of a credit union.

### Uncovering what matters most to your members

The CUSI 2015 provides key insights on the credit union industry as a whole, and offers valuable information that credit union stakeholders can use to make well-informed decisions. Credit union executives who take the added step to gather data from their current or potential future members will gain the knowledge needed to determine the optimal resource allocation for their institution. The distinctive nature of many credit union customer bases means that priorities can vary, and the most important element of the member relationship for one organization may be more or less influential than for another. Gaining direct feedback from each credit union's own members is a priceless tool needed to transform educated guesses into tailored solutions.

## CONCLUSION

The Credit Union Satisfaction Index 2015 demonstrates the continued importance of Online & Mobile Banking as consumers become increasingly comfortable and dependent on carrying out basic banking functions remotely. The 2015 data also reaffirms that the personalized service offered by credit union branches still resonates with the majority of members and needs to remain a hallmark of the industry.

The CUSI 2015 also uncovered the value of credit unions offering loyalty rewards programs and demonstrating community involvement. These points of differentiation may not be the driving force behind member acquisition and retention, but they serve as valuable add-ons that can set a credit union apart from its competitors.

Finally, gaining an understanding of the wants and needs of their customer base provides executives with key insights needed to determine resource allocation and areas for future investment.

### **About CFI Group ([www.cfigroup.com](http://www.cfigroup.com))**

Founded in 1988, CFI Group delivers customer experience measurement and business driver analysis from headquarters in Ann Arbor, Michigan and a network of offices worldwide. As founding partner of the American Customer Satisfaction Index (ACSI), CFI Group is the only company licensed to apply ACSI methodology in both the private and public sectors within the United States. Using patented technology and top research experts, CFI Group helps companies maximize return-on-investment by analyzing every aspect of the customer experience, identifying key business drivers, benchmarking performance, interpreting results, and recommending key areas for business improvement.

### **About The ACSI ([www.theacsi.org](http://www.theacsi.org))**

The American Customer Satisfaction Index (ACSI) is the only uniform, cross-industry measure of customer satisfaction proven to predict financial results. Founded at the University of Michigan's Ross School of Business, the ACSI is a leading economic indicator of consumer spending in the United States.



The ACSI measures more than 230 companies and organizations across 43 industries, representing close to half of the U.S. economy. Nearly 20 years of data from the ACSI show that customer satisfaction is an indicator of financial results on both macro and microeconomic levels, including shareholder value and cash flow volatility. The U.S. Federal Government also uses the ACSI as the gold standard of satisfaction measurement for its agencies.