What motivates Millennials to switch financial institutions?

KASASA®

Study conducted by The Harris Poll

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EXECUTIVE SUMMARY

How committed are Millennials to their financial institution? And what would motivate them to switch?

In this study, commissioned by Kasasa and conducted online by The Harris Poll, Americans ages 18+ were asked about their perceptions of financial institutions, as well as the factors that influence where they conduct financial business and what they look for when seeking a new institution.

The results shed light on opportunities to capture market share among Millennials (18- to 34-year-olds). Armed with reliable data and insight, community financial institutions can tailor their strategy to meet consumer demand and build profitable relationships.

In short, the playing field for brand recognition is more level than might be expected, and the chief motivators for switching are well within the reach of community financial institutions.

This study revealed that:

- More than 8 out of 10 Millennials (83%) would switch banks if one offered more or better rewards (e.g., high interest rate on checking, cash back on purchases, ATM fee refunds) than another.

8 OF 10

Millennials would switch for **BETTER** rewards.

- Nearly two thirds (65%) of Millennials would be more open to switching to a community bank if it offered mobile services (e.g., a mobile app, mobile check deposit).
- 64% of Millennials would rather do anything than switch financial institutions.
- Nearly half (46%) of Millennials say locally owned (i.e., not a chain) is important when choosing a bank/ financial institution for their everyday banking needs.
- 41% of Millennials say it is important to conduct banking at the same institutions as their parents or family members.

41%

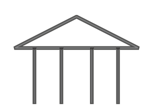
of Millennials say it is important to conduct banking at the same institutions as their **PARENTS OR FAMILY MEMBERS**.

I. FAMILIARITY

While large national banks command greater recognition than community financial institutions, the playing field levels out against regional banks. This should be welcome news for community banks and credit unions who must optimize smaller budgets to cover geographic areas similar to those covered by regional institutions.

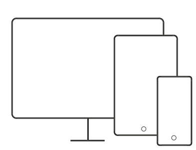
More than half (56%) of Millennials are very or somewhat familiar with local credit unions, and just over half (51%) are very or somewhat familiar with local community banks.

This level of recognition by Millennials is equal to or better than the recognition experienced by regional banks and online-only banks. Only large national banks fare better, as might be expected.



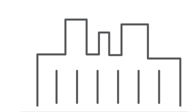
51%

say they are familiar with **REGIONAL BANKS**.



41%

say they are familiar with **ONLINE-ONLY BANKS**.



82%

say they are familiar with **BIG NATIONAL BANKS** (**MEGABANKS**).

What motivates Millennials to switch financial institutions?

The gap between community financial institutions and megabanks is significant, but it may translate into an opportunity. Community banks and credit unions may be able to raise that awareness with strategic advertising and marketing — especially if they can find ways to target consumers with low recognition of community financial institutions. Said another way, local banks and credit unions must find ways to differentiate themselves by partnering with a nationally recognized brand.

Of course, brand recognition only "opens the door" to new consumers. The remainder of this study examines how to compel them to walk through it — namely switching behavior and preferences.

II. SWITCHING CONSIDERATION

The large majority (82%) of Millennials expressed an openness to changing financial institutions. However, as any community banker will tell you, getting consumers to take action and open an account is a much more difficult task.

Of those who would consider changing institutions:

- 6 in 10 (61%) would consider using a local community bank or a credit union if they were changing financial institutions (49% would consider local credit unions and 37% would consider local community banks).

- 63% would consider using a big national bank.

With large national banks holding only a nominal advantage in consumer preference, the question becomes, "What must community financial institutions do, or offer, to compel the switch?"

III. SWITCHING MOTIVATORS

In a confirmation of previous data collected in the 2015 Consumer Banking Insight Study*, rewards prove to be the most sought-after perk offered by community financial institutions. More than 8 out of 10 (83%) Millennials would switch banks if one offered more or better rewards (e.g., high interest rate on checking, cash back on purchases, ATM fee refunds) than another.

Fees are also an issue — with an overwhelming majority (93%) of Millennials saying no-fees banking is important when choosing a bank/financial institution for their everyday banking needs.

93%

say **NO-FEES BANKING IS IMPORTANT** when choosing a financial institution.

9 out of 10 (90%) Millennials say convenient location is important when choosing a bank/financial institution for their everyday banking needs. This bodes well for community financial institutions — with their local presence and coverage of areas that may be underserved by larger regional or national banks. However, the preference for convenient locations is only part of the picture; convenient technology or the lack of can be a deal breaker for Millennials.

IV. THE IMPORTANCE OF TECHNOLOGY

More than three quarters (77%) of Millennials would only consider a financial institution that offered online banking as well as in-branch options. This confirms a preference among younger consumers for the ability to manage finances at home or on the go, via mobile device or personal computer. And considering that nearly two-thirds (65%) of Millennials would be more open to switching to a community bank if it offered mobile services such as a mobile app or mobile check deposit, community financial institutions must find ways to offer technology conveniences that compare to those available at regional and national institutions.

V. DOES SWITCHING REALLY HURT THAT BAD?

If so many Millennials are open to switching, especially for the right rewards and tech, why don't more of them do it? The answer seems to be a resistance to the perceived inconvenience or pain of switching: 64% of Millennials would rather do *anything* than switch financial institutions.

64%

of Millennials **WOULD RATHER DO ANYTHING** than switch financial institutions.

**About the survey: Online survey of 1,002 U.S. adults (ages 18+) commissioned by Kasasa and conducted by The Harris Poll, January 5-9, 2015.*

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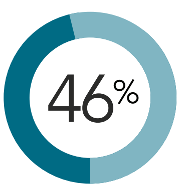
More to the point, nearly a third (31%) of Millennials indicate they would prefer to stand in line at the DMV than switch banks/financial institutions. Community banks and credit unions would be well advised to evaluate the customer experience throughout the institution. Look for ways to invite consumers into a hospitable environment — including mobile and online portals. Give them a compelling reason to switch using banking products that they want.

VI. OPPORTUNITY TO CAPTURE BUSINESS

A significant portion of consumers, especially Millennials, are aware of community financial institutions and nearly half (46%) of Millennials say locally owned (i.e., not a chain) is important when choosing a bank/financial institution for their everyday banking needs.



of Millennials say **LOCALLY OWNED** is important when choosing a bank/financial institution.

In fact, 41% of Millennials say it is important to them to conduct their banking at the same bank as their parents or other family members. This may indicate an opportunity for existing account holders to supply referral business via their social networks.

And yet, despite a willingness to switch, 51% of Millennials have never changed financial institutions. Fortunately, the resistance to changing isn't insurmountable, with a full 48% of Millennials holding accounts at more than one type of financial institution. This kind of multi-institution usage could help to lessen the perceived pain of switching, especially if community institutions can find ways to offer competitive rewards, products, and services — eventually becoming the institution of record for Millennials, as well as their family and friends.

ABOUT THE STUDY

Methodology: The 2016 survey was conducted online within the United States by The Harris Poll on behalf of Kasasa from April 8-12, 2016 among 2,090 adults ages 18+, among whom 569 are 18-34 year olds ("Millennials"). This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For complete survey methodology, including weighting variables, please contact Mary York Cox (for contact information, see below).

ABOUT KASASA

Kasasa is an award-winning financial technology and marketing technology provider. Based in Austin, Texas, with 350 employees, Kasasa helps more than 750 community financial institutions establish long-lasting relationships with consumers residing in their local markets through its branded retail products, world class marketing capabilities, and expert consulting. The company reinvented checking and is now reinventing lending through its latest patent-pending offering, Kasasa Loans™.

FOR MORE INFORMATION

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