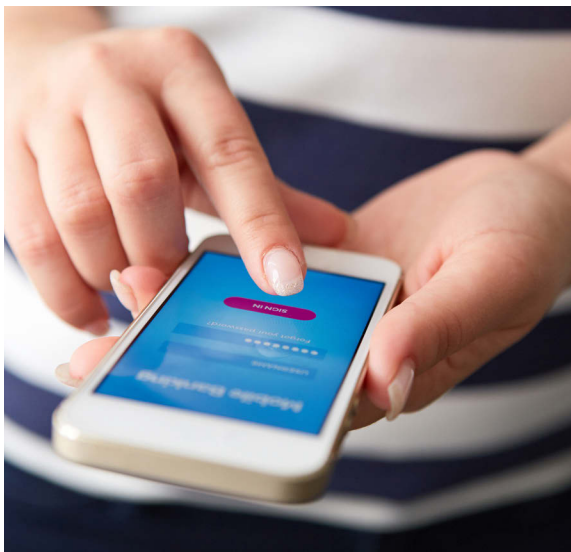


**ABOUT THIS STUDY**

To provide continuity and help identify developing trends over time, CFI Group's CUSI 2016 study asked credit union members to rate various aspects of their credit union experience. Survey respondents were 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 2016 examined the key drivers of satisfaction and the desired business outcomes affected by satisfaction.



# CREDIT UNION SATISFACTION INDEX 2016 (CUSI)

**ABOUT CFI GROUP**

Since 1988, CFI Group has delivered customer experience measurement and business insights from its Ann Arbor, Michigan headquarters and a network of global offices. As founding partner of the American Customer Satisfaction Index (ACSI), CFI Group is the only company within the United States licensed to apply ACSI methodology in both the private and public sectors. Using this patented technology and top research experts, CFI Group uncovers the business drivers and financial impact of customer experience.

Table of Contents

INTRODUCTION.....3

CREDIT UNION SATISFACTION INDEX.....4

FOUR CREDIT UNION OPPORTUNITIES ..... 5

1. MEASURE THE EXPERIENCE ..... 6

2. TARGET MILLENNIALS .....10

3. LOWER DEPOSIT ACCOUNT RATES .....12

4. IMPROVE APP PROCESSES .....14

CONCLUSION.....16

## 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 on which the industry was founded.

With a CUSI score of 84, credit union member satisfaction dropped 3 points from 2015 to 2016. The results suggest that the decline may be related to continued consolidation in the industry. Despite strong performance indicators, credit union satisfaction appears to be slightly softening. In this study, we offer four recommendations for boosting credit union satisfaction and boosting growth in 2017.

### 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.

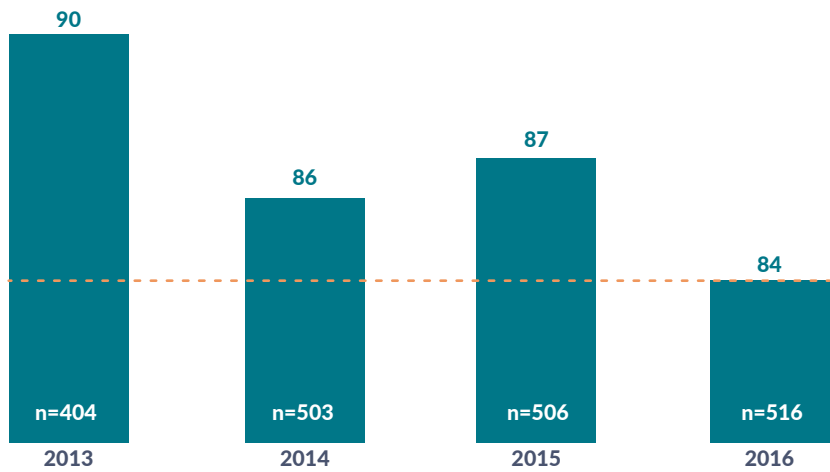
To provide continuity and help identify developing trends over time, the CUSI 2016 study again asked credit union members to rate various aspects of their credit union experience. These survey components included: branch staff/convenience, online & mobile offerings, products & services, rates & fees, 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 2016 examined the key drivers of satisfaction and the desired business outcomes affected by satisfaction.

## CREDIT UNION SATISFACTION INDEX

By almost any measure, 2016 was a terrific year for credit unions. According to the Credit Union National Association (CUNA), by mid-2016, credit unions were experiencing year-over-year (YOY) membership growth of 3.8%, the fastest growth rate seen since 1988. Total credit union membership was at 104 million, roughly one-third of the entire U.S. population. Meanwhile, YOY loan portfolio growth was at a 10-year high of 10.5%, as other key metrics remained strong: loan-to-savings (78.1%), ROA (0.79%), and capital adequacy ratio (10.9%).

But there is a concern. Credit Union Satisfaction Index (CUSI) is at a 4-year low of 84, as measured on a 0-100 scale. CUSI is a combined measure of a member’s overall satisfaction, satisfaction compared to expectations, and satisfaction compared to an ideal experience. The three-point drop from 87 in 2015 to 84 in 2016 is a considerable dip, particularly since all other traditional credit union metrics are up.

Figure 1: CUSI Score by Year



This combination of strong credit union performance and lower member satisfaction is not necessarily unusual. Typical performance metrics indicate past performance, while member satisfaction predicts future performance. As credit unions grow, as has been the case recently, the challenge of delivering excellent member experiences also grows. This challenge is particularly acute due to added growth coming from an increase in acquisition activity in 2016.

The lower CUSI score of 84 serves as a wake-up call to credit unions. Even as credit unions celebrate a strong 2016, they must also be on guard to protect against member attrition and low new-member growth in 2017.

Results from this year’s Credit Union Satisfaction Index study highlight four opportunities for credit unions to protect against this attrition and manage continued growth in 2017.

## FOUR CREDIT UNION OPPORTUNITIES

Our analysis of the 2016 results outlines four opportunities for credit unions to grow. Each of these opportunities involves a managerial shift that involves continuing current practices while simultaneously developing new practices.

Figure 2: Four Credit Union Opportunities

			CONTINUE TO MANAGE	BUT ALSO DEVELOP	CREDIT UNION OPPORTUNITIES
1	MEMBER RELATIONSHIPS	75% of all respondents have recommended their credit union to others	FINANCIAL RATIOS	ENGAGEMENT METRICS	MEASURE THE EXPERIENCE
2	MEMBER SEGMENTS	65% of Millennials plan to add services with their credit union within the year	BOOMERS AND GEN XERS	MILLENNIALS	TARGET MILLENNIALS
3	REVENUE SOURCE	86% of Millennials joined primarily for reasons other than interest rates	DEPOSIT ACCOUNT FEES	DEPOSIT ACCOUNT RATES	LOWER DEPOSIT ACCOUNT RATES
4	CLOUD BANKING	75% of Millennials have applied for a loan online in the past year	TOOLS AND FUNCTIONALITY	INTERACTION AND ANTICIPATION	IMPROVE APP PROCESSES

- 1. Measure the Experience:** In addition to managing key financial ratios, develop member engagement metrics to provide a holistic view of performance.
- 2. Target Millennials:** Maximize value from Boomers and Gen Xers, while also further developing Millennials as a customer segment for future growth.
- 3. Lower Deposit Account Rates:** Limit fees, deliver fee transparency, and be generous with fee cancellations; in return, Millennials will accept lower deposit account rates.
- 4. Improve App Processes:** Current availability and functionality for online banking and apps are not enough; you must continue to develop apps to be intuitive and seamless.

Start with these four opportunities to strengthen member satisfaction and continue to grow in 2017.

## 1. MEASURE THE EXPERIENCE

In addition to managing key financial ratios, develop key member engagement metrics to provide a holistic view of performance.

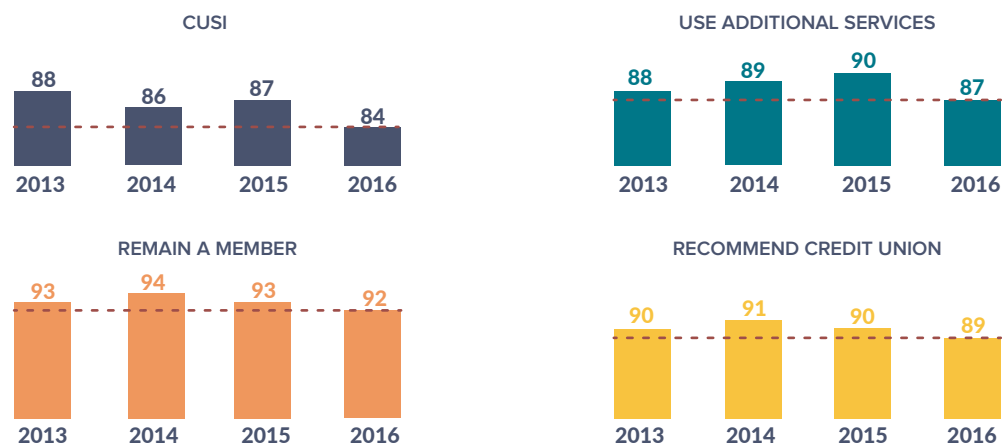
Credit union executives use a variety of financial measures to gauge performance. Some of such metrics include:

- Demographics (e.g., assets, surplus funds, memberships, and loans)
- Growth (e.g., asset growth, membership growth, and savings growth)
- Earnings (e.g., total asset yield, operating expense, and loss provisions)
- Capital adequacy (e.g., net worth/assets)
- Asset quality (e.g., delinquencies/loans, bankruptcies, and chargeoffs)
- Liability (e.g., loans/savings, loans/assets, and liquid assets/assets)
- Productivity (e.g., members/FTE, borrowers/members, and avg. shares/member)

Indices and ratios are critical for good credit union management, but missing are leading indicators of member experience, satisfaction, and behavior. For example, our study shows that 75% of credit union members have recommended their credit union over the past year, and 32% of credit union members join primarily because someone they trust recommended the credit union to them. An increase in members recommending the credit union obviously generates incremental revenue through an increase in new members.

Our experience using the American Customer Satisfaction Index (ACSI) modeling demonstrates that member satisfaction is a key predictor of future credit union financial performance. Member satisfaction (CUSI) should be included in the portfolio of metrics used to manage credit union growth. In addition to member satisfaction, three other measures of member future behavior should be tracked: the likelihood to remain a member of the credit union, the likelihood to use additional services, and the likelihood to recommend the credit union to others.

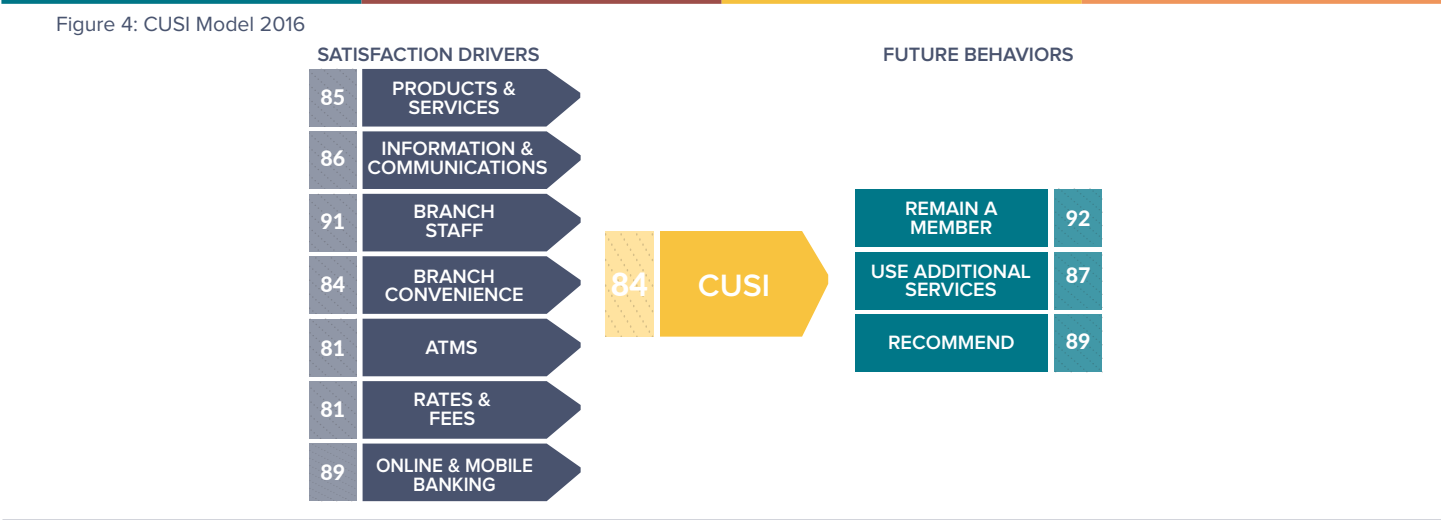
Figure 3: CUSI and Future Behaviors



CUSI and the three measures of future behaviors are at their lowest point for the 2016 study, despite the strong credit union financial performance. Credit unions that capture these measures are alerted to the warning signs when there is a problem with the membership base and, consequently, with future financial performance.

SCORES

To get a more complete picture of the member experience, credit unions should measure across the elements and touchpoints that work together to make up the member experience with a credit union. In our work analyzing survey data across a variety of credit union clients, we have identified seven *Satisfaction Drivers* that cover the vast majority of the experience members have with a credit union. We organized these drivers into a model where the drivers have an influence on CUSI, and CUSI has an influence on the three *Future Behaviors*.



Each of these seven drivers plays a role in shaping the credit union member experience. By capturing and scoring member feedback for each driver and modeling the results, a credit union can determine how members experience that element or touchpoint. These scores can then be monitored on a quarterly basis alongside operational and financial metrics. And as with operational and financial metrics, managerial adjustments can be made to address drivers that begin to show a dip in score, enabling the credit union to identify and fix problems before they escalate.

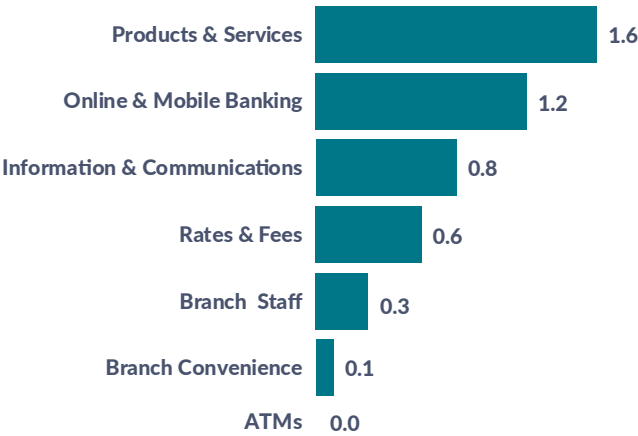
IMPACTS

*Satisfaction Driver* scores are helpful, but the natural question that arises is how much weight each driver should get when evaluating the influence it has on CUSI. If you are going to measure the member experience, you should also build into your system an analytical approach for determining how much weight each driver should be given. Your method should tell you how much you can expect CUSI to increase if a particular driver score increases.

One approach to determining the relative influence of a *Satisfaction Driver* is to model the data. We apply the proprietary ACSI modeling to calculate Impacts for the *Satisfaction Drivers* to determine their influence on CUSI. Impacts tell you how much CUSI will improve if the *Satisfaction Driver* score goes up. For every 5-point score increase in a driver, CUSI is projected to improve by the amount of the *Impact*.

For example, this year’s measure shows that the *Online & Mobile Banking* driver has a 1.2 *Impact* on CUSI. This means that if a the score for *Online & Mobile Banking* improves from 89 to 94, CUSI will improve from 84 to 85.2.

Figure 5: Impact of Satisfaction Drivers onto CUSI



Generating *Impacts* from a model is useful because the results quantify the influence that a driver has on CUSI relative to the other drivers, which helps a credit union effectively allocate its operational resources. For example, the *Impact* of 0.0 for *ATMs* does not mean that *ATMs* are not important. It simply means that near-term improvements to the *ATM* experience for members will have very limited influence on overall CUSI. Similarly, the 1.2 *Impact* for *Online & Mobile Banking* shows that that driver has twice as much influence on CUSI as does *Rates & Fees* with an *Impact* of 0.6

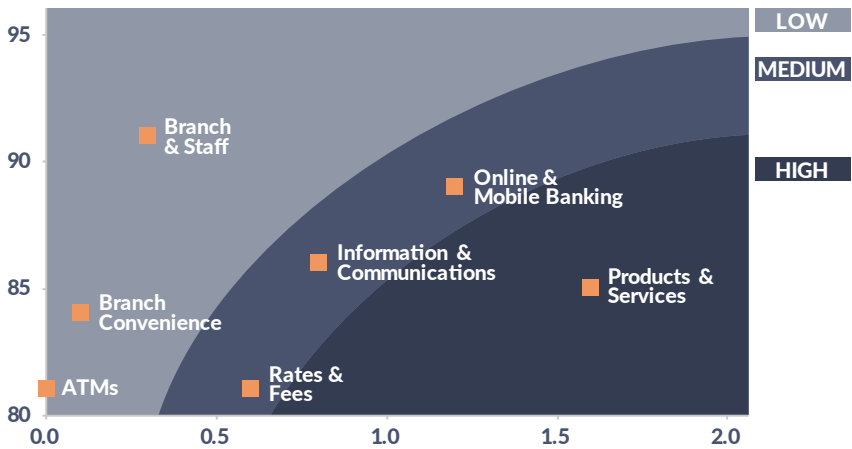
Credit unions that apply advanced modeling analytics to measure and manage the member experience are able to design specific strategic improvement plans that allocate operational funds in areas that have the largest influence on the future behaviors of members.

Best-in-class organizations value the power of looking at the combination of *Scores* and *Impacts* to provide the operations team with a sense for what can be improved and how much difference it will make on member experience.



We call this combined view a Priority Matrix. By showing scores on the vertical axis and Impacts on the horizontal axis, the Priority Matrix provides a view of the member experience and the areas where a credit union can have the greatest leverage in boosting member satisfaction with the credit union.

Figure 6: Priority Matrix



To aid in visualizing the relationship between the drivers, we can insert high, medium, and low priority arcs. The arcs underscore how a driver with a low score can be important to address even if it only has a moderate Impact on CUSI. For example, *Rates & Fees* has a moderate Impact of 0.6, but it is a medium priority because of its relatively low score of 81. If its score were 90, it would be a low priority because there is less room for improvement.

The Priority Matrix for 2016 makes it easy to categorize the seven drivers into the three priorities:

LOW	MEDIUM	HIGH
Branch & Staff	Online & Mobile Banking	
Branch Convenience	Information & Communications	Products & Services
ATMs	Rates & Fees	

The main takeaway, though, is that some form of consistent, quarterly member experience measure provides a critical complement to the standard operational and financial measures currently used to evaluate performance.

## 2. TARGET MILLENNIALS

Maximize value from Boomers and Gen Xers, while also further developing Millennials as a customer segment for future growth.

Credit union executives think carefully about member generational segments in designing products and services. Each generational category is in a different life stage and has different needs and expectations for a credit union.

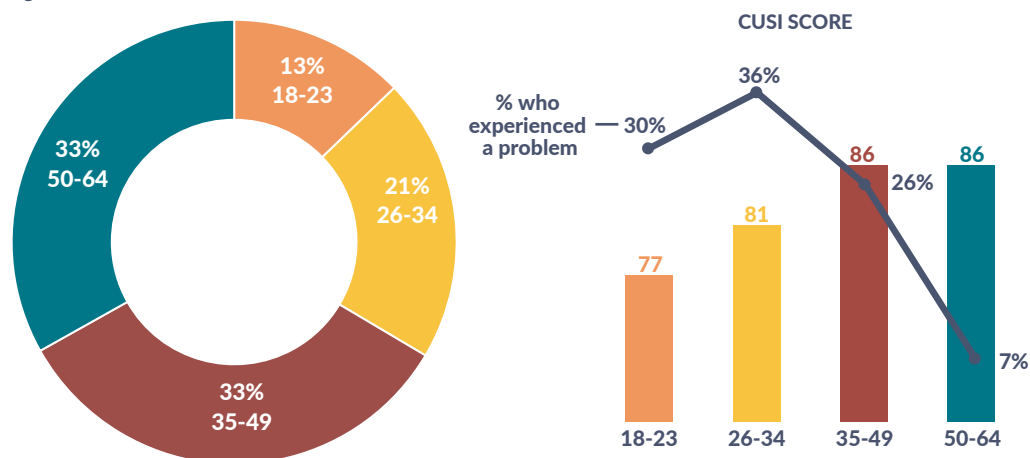
In our analysis we look at four primary generational segments:

- Younger Millennials (age 18-25)
- Older Millennials (age 26-34)
- Gen Xers (age 35-49)
- Boomers (age 50-64)

Gen Xer and Boomer members make up two-thirds of the credit union respondents. Much of the credit union experience is currently geared to meeting the needs of these two groups as evidence by the relatively high CUSI for both Gen Xers and Boomers.

Millennials, on the other hand, are less satisfied with their credit union experience. Younger Millennials (13%) and Older Millennials (21%) make up one-third of the credit union membership, but their low CUSI scores (77 and 81, respectively), indicate that credit unions are not sufficiently addressing the needs of this younger generation.

Figure 7: Respondents by Age



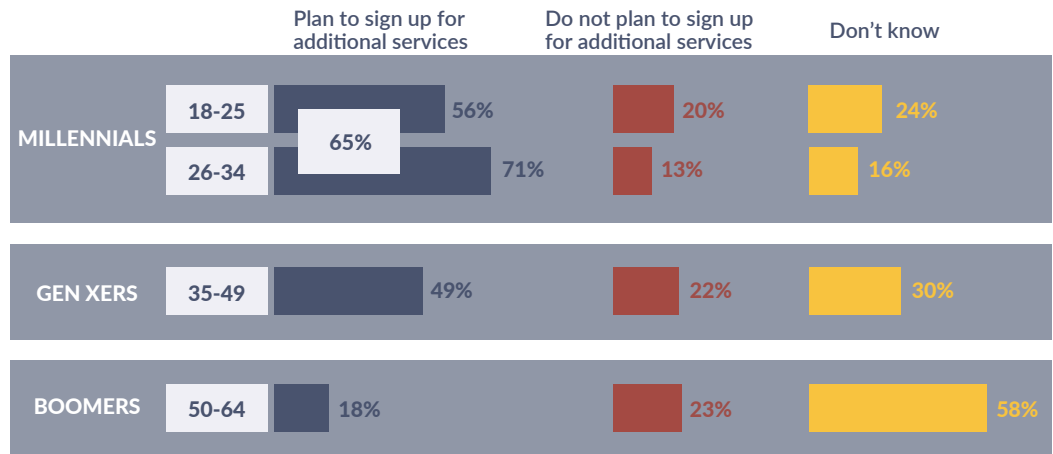
One reason CUSI is higher for Gen Xers and Boomers is that a greater percentage of Millennials tend to experience a problem with the credit union. 30% of Younger Millennials and 36% of Older Millennials say that they experienced some type of problem with their credit union over the past year. Just 26% of Gen Xers and 7% of Boomers, meanwhile, reported experiencing a problem during that same time period. Half (51%) of the problems that Millennials experience are related to incorrectly assigned fees and deposits not being registered on time. Minimizing these types of problems for Millennials can go a long way toward improving their CUSI score.

Relatively low CUSI scores for Millennials is concerning because Millennials represent future growth in services. 56% of Younger Millennials and 71% of Older Millennials (65% combined) plan to sign up for additional services within the next year, compared to 49% for Gen Xers and just 18% for Boomers. Lower CUSI scores for Millennials translates into lost future revenue as Millennials are less likely to add these additional services if they are dissatisfied with their credit union experience.

The top services Millennials plan to add include a checking account, savings account, credit card, and CD or money market account.

An additional 1 in 4 Younger Millennials and 1 in 7 Older Millennials do not know now if they will sign up for services, suggesting that they may be persuaded to add services if given a compelling reason to do so.

Figure 8: Do You Plan to Add Products Next Year?



To capture this future revenue stream, credit unions need to focus on Millennials and deliver an exceptional member experience. Any account evaluation for Millennials must incorporate the future revenue potential this segment represents.

### 3. LOWER DEPOSIT ACCOUNT RATES

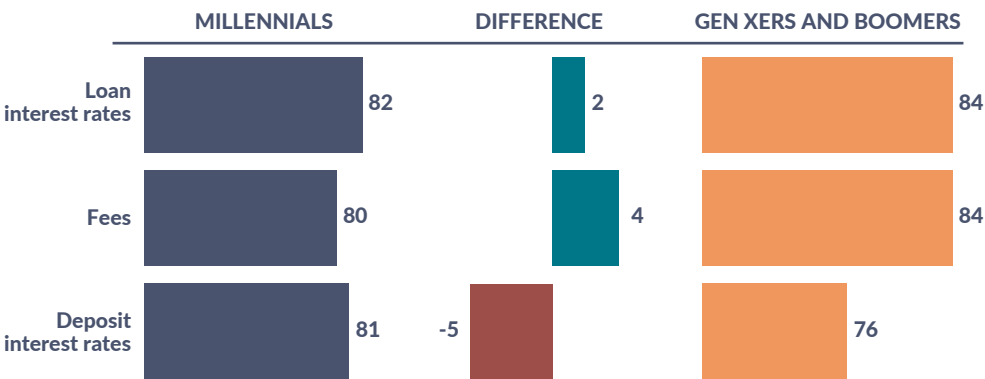
Limit fees, deliver fee transparency, and be generous with fee cancellations; in return, Millennials will accept lower deposit account rates.

Each year CUNA produces the Fees Report. The report evaluates credit union practices and lists the fee amounts for a variety of fees, such as fees for non-sufficient funds, ATM surcharges, overdraft protection, debit cards, and mobile banking.

Last year CUNA estimated that checking account fees alone represented 40% of all credit union fee income. And all fees combined make up a full 14% of a credit union’s gross income. According to CUNA director of research Jon Haller, “While credit unions want to be low-fee financial institutions, they depend on fees to cover costs, offer quality products, and provide a higher level of service than their competitors.” (Credit Union Times)

But there’s a problem with this fee-extracting strategy. These short-term gains are coming at a cost, especially among Millennials. Millennials rate their credit union fees at 80, which is a fairly high score but below the 84 from Gen Xers & Boomers. Meanwhile, Gen Xers & Boomers give a relatively low 76 for deposit interest rates, compared to the Millennials’ score of 81, which is a full 5 points higher.

Figure 9: Rate & Fees



This difference between Millennials and Gen Xers & Boomers is a reminder of how segments have different satisfaction drivers. The key action point here is to better understand each segment in order to package products and services that meet their needs. Millennials bristle at high, complicated, or hidden fees, so much so that they are willing to forgo higher checking or savings deposit interest rates in exchange for a less onerous and more forgiving fee policy. The experience with fees has also dipped across all age groups. From 2015 to 2016, the score

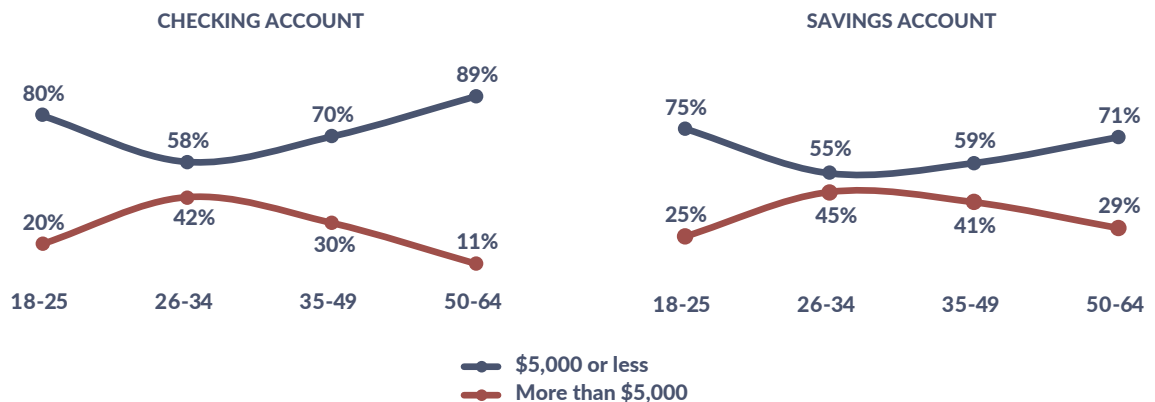
for fees dropped 4 points for Young Millennials (18-25) and slipped 2 points for the other three age groups. Fees are a concern for all members, not just Millennials. Meanwhile, scores for deposit interest rates edged up 1-2 points for all groups except Young Millennials, which saw a slight 1-point dip from 2015 to 2016.

Figure 10: Rates &amp; Fees YOY Change

	MILLENNIALS		GEN XERS	BOOMERS
	18-25	26-34	35-49	50-64
Fees	-4	-2	-2	-2
Deposit interest rates	-1	+2	+2	+1

As Younger Millennials (18-25) become Older Millennials (26-34), the average balance of the checking or savings account grows and peaks before edging down as a Gen Xer or Boomer. A credit union's excessive fees and low satisfaction for Young Millennials will result in forfeited checking or savings deposits later when they become Older Millennials.

Figure 11: Deposit Account Average Balance



Cutting back revenue generated from fees for future revenue gain is a complicated and risky move, particularly at a time when credit unions seem to be trending toward more and higher fees. Credit union executives must continue to weigh the incremental gains from fee revenue against the longer-term revenue loss resulting from the dissatisfaction generated from the fees. Based on the analysis of this study, many credit unions have the opportunity to reduce deposit rates while retaining Millennial members if they reduce the fee-related frustrations Millennials experience.

## 4. IMPROVE APP PROCESSES

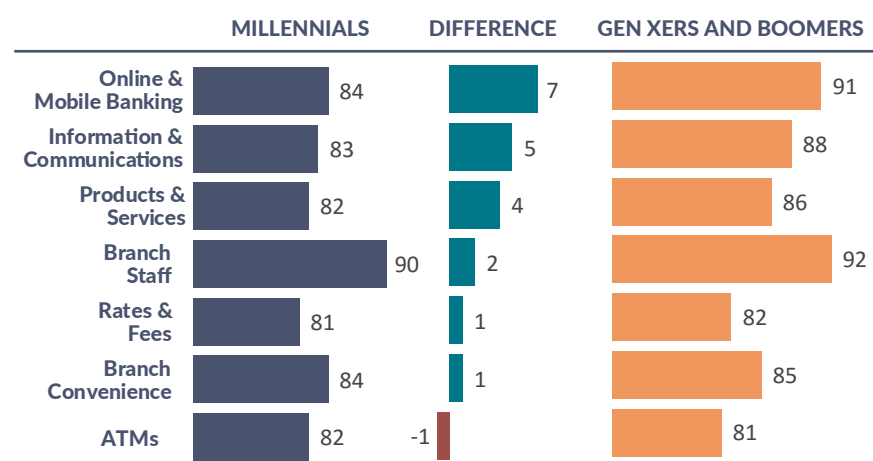
Current availability and functionality for online banking and apps are not enough; you must continue to develop apps to be intuitive and seamless.

The most significant disruptions that credit unions face are the steadily increasing expectations for mobile banking. These expectations are being shaped daily by apps and experiences that members have with other industries, such as retail. And these relentless demands for exceptional mobile and online experiences are being largely driven by Millennials.

Millennials are digital natives who have high expectations for what they can accomplish with a mobile device. In his *The Millennial Mind* report, Jim Marous notes that 71% of Millennials would rather visit the dentist than visit a bank. And while the physical branch or ATM experience remains important to members, it is with banking in the cloud where credit unions have the most opportunities for growth.

Our study highlights the digital experience gap between Millennials & Boomers. The differences in scores for these two groups for *ATM*, *Branch Convenience*, or *Branch Staff* are only 1-2 points. However, the Gen Xers & Boomers’ score of 91 for *Online & Mobile Banking* is a full 7 points higher than the Millennials’ score of 84.

Figure 12: Satisfaction Driver Score Differences



When asked what they would like to see added to their credit union’s app, Millennials mentioned ease and speed (e.g., “Simpler interface,” “More accessible,” and “Real-time device notifications”), as well as more powerful features (e.g., “Fingerprint login,” “Loan services and comparing information,” and “Something which I can connect with everything.” Gen Xers & Boomers tended to be more content with the app (e.g., “Nothing, it is new to me,” “Nothing that I can think of right now,” and “The app has everything I need for my banking needs”).

Scores from 2015 to 2016 changed significantly for both ease of use and comprehensiveness of the mobile app. Scores for Older Millennials dropped 5-6 points from 2015, while scores for Boomers actually jumped 4-5 points.

Figure 13: Online &amp; Mobile Banking YOY Change

	MILLENNIALS		GEN XERS	BOOMERS
	18-25	26-34	35-49	50-64
Ease of completing activities	-1	-5	-1	+4
Comprehensive mobile app	No Change	-6	-2	+5

Much of this experience gap can also be explained by the level and frequency of use. Millennials are much more active in conducting their banking remotely. For example, 71% of Millennials apply for a loan online at least every few months, while that number is only 34% for Gen Xers & Boomers.

Figure 14: Remote Activities At Least Every Few Months

	MILLENNIALS	DIFFERENCE	GEN XERS AND BOOMERS
Apply for Loans	71%	36%	34%
Make Loan Payments	74%	26%	48%
Deposit Checks	90%	25%	64%
Pay Bills	86%	15%	70%
Transfer Funds	93%	11%	82%
Check Balances	99%	10%	90%

Credit unions know that mobile apps are critical for continued growth; that is not new. But it is a healthy reminder that Millennials have significantly higher expectations for the ease of use and comprehensiveness of the mobile app than do Gen Xers and Boomers. Credit union executives must relentlessly develop iterations of the app and streamline the processes that continue to make it simpler, easier, and more convenient for active Millennial users.

## CONCLUSION

2016 has been a great year for credit unions. There is much to celebrate. But the drop in member satisfaction score from 2015 to 2016 is a warning sign. CUSI is a leading indicator of future performance, and credit unions need to be prepared to allocate resources to shore up satisfaction levels for current members.

In this report we have identified four initiatives credit unions can pursue in order to boost member satisfaction and grow: measure the experience, grow Millennials, decrease deposit rates, and continue to improve app processes.

Most importantly, credit unions should measure the experience. Banking in the U.S. is experiencing seismic shifts as consumers grow more comfortable with cloud banking and alternate banking models such as Bitcoin and blockchain solutions. If credit unions closely measure and follow their members, they can anticipate changes in the perspectives of their members and preemptively act to retain their member base. Well-designed member satisfaction measurement systems allow credit unions to get an early read on the impact of a policy change without having to wait until the change impacts the financial metrics.

Next year when we conduct the Credit Union Satisfaction Index 2017, we hope to see CUSI rebound back to the high member satisfaction levels that credit unions typically enjoy with their member base.