Credit Unions and Millennials: Divided or United?
Credit unions face a unique set of challenges in a world of ever-changing technology, increasing expectations and fast-paced innovation.

“We live in an instant gratification world. While historically the credit union philosophy has resonated with Generation Y’s philanthropic bent, credit unions need to focus not just on their mission, but also on their delivery. By leveraging technology to deliver on their mission, credit unions can bridge the digital divide and unite members of all generations.”
- Larry Edgar-Smith, Temenos, SVP, Product Evangelism
Traditional challenges

Credit unions exist in 100 countries around the world, serving nearly 190m members.

They are affected by the same disruptive forces experienced by mainstream financial services providers, among them the burden of remaining compliant in the face of regulatory change, the rise of competition from technology companies and changing expectations. These are challenging times, especially for smaller credit unions, who see their sustainability pushed to breaking point.

Over the past few years, the increasing numbers of channels through which financial services are available has correspondingly raised the expectations of credit union members. Today people demand standards of speed, services and experience on a par with those they receive in industries such as e-commerce.

On top of the traditional challenges seen by financial services companies, credit unions must cope with one extra. By definition such organisations are co-operative, owned by their members; consequently, budgets for innovation and investment in rapidly-evolving technology can be limited. The issue is compounded by the fact of an ageing member population.

Credit unions are run on a not-for-profit basis and the restraints this imposes can affect advertising, marketing and even branches. The result is a dated look and feel, a brand that is unengaging and low-quality mobile and online experiences. A recent article from n>genuity states:

“In millennial eyes, there is no dignity in being known as an ‘old brand’\(^1\). So although they may thrive with their longevity with their older member – this is not something that would gain millennials’ business\(^2\).”

Although the world’s population is growing younger, the customer base of credit unions is getting older – at an average of 50 years of age, according to the National Credit Union Administration\(^3\). In the United States, just 27 per cent of millennials (defined as those who reached adulthood around the turn of the century) belong to a credit union; for adults over the age of 36, that figure rises to nearly 50 per cent (source: FDIC, NCUA).

27% of the nearly 79.5 million Gen Y-ers in the United States are credit union members

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\(^1\) http://tsys.com/ngenuity-journal/millennials-and-credit-unions-an-unlikely-pair.cfm
\(^2\) http://tsys.com/ngenuity-journal/millennials-and-credit-unions-an-unlikely-pair.cfm
\(^3\) http://tsys.com/ngenuity-journal/millennials-and-credit-unions-an-unlikely-pair.cfm

Credit unions commit to providing superior service and helping members to improve their financial situation – areas to which banks are now directing their attention. Indeed, a recent survey by the Economist Intelligence Unit found that many banks cite customer experience as the number one driver for investment in technology.

Compared to credit union members, bank customers are unhappy and mistrustful of such institutions. Even so, a recent report by the ASCI (see figure 1) found that “despite strong member satisfaction and negative consumer sentiment towards banks, credit unions’ market share of key profit drivers like mortgages and credit cards is in single digits.”

It is here that real opportunity lies for credit unions, because younger members bring with them increased demand for loans, credit cards and mortgages – in other words much-needed value. Yet when asked why they aren’t members, many millennials admitted to not knowing much about credit unions. The same report showed “nearly half have no idea if they can become a member and, more alarmingly, a full quarter assume they are likely ineligible to become a member.”

In fact, the question may soon be whether millennials require a bank or credit union at all. With the rise of peer-to-peer lending, technology companies offering competitive services, new payment options and even the possibility of making payments via social media, 33 per cent don’t expect to need a bank in five years’ time.

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5 http://www.millennialdisruptionindex.com/
To bridge the gap – and reach those more likely to take out more profitable products – credit unions need to understand what is important to potential younger members and what they expect from a financial services provider. It is true that they share a lot of common values.

At least 61 per cent of millennials feel a responsibility to make the world a better place⁶ and it’s a credit union marketer’s job to take advantage of this insight by highlighting information which demonstrates that by being a member they are affecting their local community in a positive way.

Members trust credit unions over large banks because their money is circulated within a niche community. This appeals to millennials because, typically, their generation enjoys feeling “authentically” connected and it chimes with their sense of making a difference.

Rewards are important to millennials and encourage additional spend and increased loyalty. Offering younger members discounts, vouchers or points is something that would come naturally to a credit union considering the way in which they work. In the US this has taken off already.

Research has shown that young people prefer their communications with brands to be two-way. This means that credit unions need to invest in multiple channels of engagement to offer contextual, relevant communications. Such interaction should include social media, as 71 per cent say they engage in activity daily.⁷

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⁶ http://www.extracreditunionmarketing.com/credit-union-millennial-marketing/
Satisfaction levels and shared values do not alone provide the customer-centric service that younger members expect. To achieve that level of progress requires new technology; everything from customer analytics and predictive modelling to digital channels and targeted engagement via social media.

There are advantages for both sides in investing in the right technology. Embracing payment platforms, for example, could lower costs to members in jurisdictions where they are normally charged for use. Apps and gamification can assist younger people learn to manage their money, while gaining their trust and therefore increasing loyalty.

Results of a recent study by Cornerstone Advisors, in partnership with the Center for Financial Services Innovation (CFSI), shows that this is working. “Compared to non-members in the same age range, Gen Y credit union members are financially healthier”⁸. Achieve one millennial’s trust and they are likely to recommend you to others. “If you do a good job with us, you’ll get all of our friends,” said Jason Dorsey of the Center for Generational Kinetics.

Being able to build and manage products and get them to market quickly, while offering them to customers at the right time, encourages members’ spending within the credit union system – increasing wallet share and customer value.

And it’s paying off. Between 2013 and 2014, nearly 2m millennials became members of credit unions – a two per cent increase compared to the previous one year period, according to the Washington DC-based Credit Union National Association (CUNA). As at February 2015, 28 per cent of credit union account holders are millennials⁹. The potential – and the potential gains – remain enormous.

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⁹ https://www.mainstreet.com/article/7-reasons-millennials-are-turning-to-credit-unions-instead-of-banks/page/2