

2015 CONSUMER BANKING INSIGHTS STUDY

KASASA

by BancVue®

▶ 2015 Consumer Banking Insights Study

EXECUTIVE SUMMARY

Banks are constantly aiming for improvement — adding better products and cutting-edge technologies, boosting customer service, launching major marketing campaigns, building more locations. But do those actions drive business? Which improvements are likely to draw more customers? Which are a waste of time or money?

The *2015 Consumer Banking Insights Study* set out to answer those questions by gauging Americans' habits and preferences when it comes to choosing and using a financial institution. The study was conducted online by Harris Poll on behalf of nearly 300 community financial institutions offering BancVue's Kasasa® brand of checking accounts in January 2015, among more than 1,000 U.S. adults, ages 18 and older.

Several key findings from the *2015 Consumer Banking Insights Study* are essential knowledge for CFI leaders who wish to grow and meet the changing needs and preferences of their customers and members:

- ▶ If everything were equal, 2 out of 3 U.S. adults (66 percent) would rather bank at a community bank or credit union than one of the big national banks.
- ▶ When choosing a bank, features like free checking, ATM fee refunds and access to the latest banking products are more important to 71 percent of U.S. adults than the banking institution that provides them.
- ▶ 34 percent of consumers who don't have an account at a CFI say they do not use a local community bank or credit union because they haven't thought about it or are unaware of their options.
- ▶ Six in 10 U.S. adults who have never switched banks (61 percent) believe that it would be at least somewhat difficult to switch. However, only 19 percent of consumers who have switched banks said it was at least somewhat difficult.
- ▶ 88 percent of Millennials — and nearly the same number of all consumers (86 percent) — would prefer to do at least some banking in person rather than by phone, online or mobile app.
- ▶ The monthly service fee tops consumers' list of most-hated bank fees (31 percent) followed by ATM withdrawal fees (26 percent).

ABOUT THE 2015 CONSUMER BANKING INSIGHTS STUDY

Nearly 300 community financial institutions offering BancVue's Kasasa brand of checking accounts teamed up to conduct the *2015 Consumer Banking Insights Study*. The study was conducted online by Harris Poll on behalf of Kasasa, from January 5-9, 2015. The study polled 1,002 U.S. adults ages 18 and up to gauge their banking and checking preferences, feelings and behaviors.

Figures for age, sex, race/ethnicity, education, region and household income were weighted where necessary to bring them in line with their actual proportions in the population. Propensity score weighting was also used to adjust for respondents' propensity to be online.

ABOUT BANCVIEW

BancVue® is the innovative leader in branded, community-powered banking products proven to drive profit and growth for community financial institutions. Their flagship Kasasa® suite provides a comprehensive strategy that integrates breakthrough products with world-class marketing and unprecedented access to training, compliance, research, support resources, and customized consulting. This full-circle approach gives local institutions the power and resources of a national product brand that enhances their unique, existing brand and service advantage. With nearly 750 clients, BancVue is helping community financial institutions thrive even as the industry landscape presents new challenges and competitors. Learn more at BancVue.com.

FOR MORE INFORMATION

Sarah Eigner
Communications Strategy Group
303.726.5454
seigner@csg-pr.com

*Throughout this report "megabank customers" are checking account holders who consider one of the big national banks to be their primary banking institution, and "CFI customers" are those who consider a local community bank or a credit union to be their primary banking institution. "Consumers" are defined as U.S. adults ages 18 and up who have a checking account at a financial institution.

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I. CONSUMERS WOULD PREFER COMMUNITY FINANCIAL INSTITUTIONS TO BIG BANKS, IF EVERYTHING WERE EQUAL

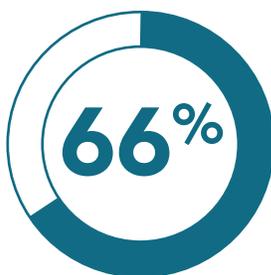
If everything were equal, 2 out of 3 U.S. adults (66 percent) — including 59 percent of megabank customers — would rather bank at a community bank or credit union than one of the big national banks. However, lack of products and awareness is holding many consumers back.

Almost one-third of megabank customers (31 percent) want to use a local community bank or credit union but feel that those institutions lack the products they need. Indeed, among CFI customers who have switched institutions, 26 percent said they did so because they weren't satisfied with the products their bank offered.

While lack of products is a weakness for CFIs, most U.S. adults agree that personal service is a strength. Fully 64 percent of consumers think community banks and credit unions have better personal service (any interaction with another person face-to-face, over the phone or online) than the big national banks.

Additionally, 34 percent of consumers who don't have an account at a CFI say they do not use a local community bank or credit union because they haven't thought about it or are unaware of their options, suggesting a major need for stronger outreach and marketing efforts on the part of CFIs. When asked why they don't use a CFI, far more Millennials (18 percent) said they were unaware of their options when compared to other age groups (8 percent of those ages 35 to 54 and 7 percent of those ages 55 and up).

Though 38 percent of consumers without a checking account at a CFI have considered opening a checking account at a local community bank or credit union, only 23 percent say they are at least somewhat likely to switch their checking account to a local CFI in 2015. Moreover, 1 in 4 megabank customers say they sometimes feel guilty for banking with a big bank.



66% of U.S. adults would rather bank at a community financial institution

than one of the big national banks, if everything were equal.

II. CHOOSING A BANK: WHAT MATTERS?

Whether they use a megabank or a community financial institution, Americans are looking for the same things from their financial institutions. The 2015 Consumer Banking Insights Study found that, for 71 percent of U.S. adults, features like free checking, ATM fee refunds and access to the latest banking products are more important when choosing a bank than the banking institution that provides them. The study also found that Millennials care more about rewards when choosing a bank than other age groups.

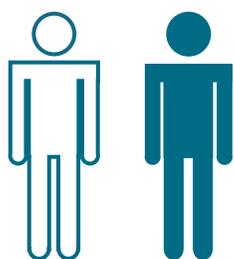
Nearly 1 in 2 U.S. adults (45 percent) would switch banks to earn higher interest rates, and a similar amount (41 percent) would make the move for lower fees. Additionally, 51 percent of consumers say rewards are a very important or important factor when choosing a bank, especially to Millennials (67 percent).

Further, 78 percent of consumers say cash back options are at least somewhat important when choosing a bank. Among Millennials, 91 percent identified cash back options as at least somewhat important. Additionally, 71 percent of consumers say a recognizable brand name is at least somewhat important when choosing a bank.

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When it comes to choosing a bank, 93 percent of consumers say few or no fees on checking and savings accounts is a very important or important factor. Fully 1 in 4 consumers feel scammed by bank fees. Megabank customers (36 percent) are more likely to feel scammed than CFI customers (14 percent). Similarly, megabank customers (23 percent) are three times more likely to see more or higher fees as a disadvantage of where they bank compared to CFI customers (7 percent).

The monthly service fee tops consumers' list of most-hated bank fees (31 percent), followed by ATM withdrawal fees (26 percent), overdraft fees (20 percent) and minimum balance fees (15 percent). Megabank customers are considerably more likely to say that lower fees would encourage them to leave their current bank (50 percent) when compared to CFI customers (32 percent).



Nearly 1 in 2 Americans

would switch banks for higher interest rates.

Despite the evolution of the banking industry and inclusion of online-only and non-traditional banks, the majority of U.S. adults (86 percent) would prefer to do at least some banking in person rather than other ways, such as by phone, online or via mobile app. Seven in 10 U.S. adults don't trust online-only banks to look out for their best interests. Additionally, 88 percent of Millennials would prefer to do at least some banking in person and more than 2 in 5 Millennials (42 percent) want to receive financial advice in person rather than other ways, such as by phone, online or via mobile app.

Consumers also agree that the branch shouldn't die, and the convenience of a local branch is still valuable, even to Millennials. More than 4 in 10 U.S. adults (44 percent) say it's not at all likely that they will no longer need to go to a physical bank location five years from now. When it comes to location, Millennials are even more likely than their older counterparts to say it is valuable to bank at an institution with a local branch nearby (86 percent compared to 74 percent of those 55 and up).

III. OVERESTIMATING THE DIFFICULTY OF SWITCHING

The majority of U.S. adults (70 percent) have never switched banks but nearly a quarter (23 percent) have researched what to do if they wanted to switch, and 11 percent have threatened to switch banks but did not. Six in 10 U.S. adults who have never switched banks (61 percent) believe that it would be at least somewhat difficult to switch. In reality, only 19 percent of those who have switched said it was at least somewhat difficult.

Current megabank customers are less likely than CFI customers to have switched primary banks in the past (26 percent vs. 37 percent); however, more than a quarter of megabank customers (26 percent) and 19 percent of CFI customers have researched what they would need to do if they wanted to switch banks.

61%

6 in 10 (61%) of those who have never switched believe switching would be at least somewhat difficult

81%

But 4 in 5 consumers (81%) who have switched say it was not difficult at all

IV. 2015 CONSUMER SATISFACTION

Overall, consumers feel positive about their primary bank (83 percent). Similarly 86 percent of consumers trust their bank, and 76 percent feel very loyal. While 70 percent of consumers think their bank has their best interests at heart, CFI customers (79 percent) are more likely to feel this way than megabank customers (60 percent). Similarly, 92 percent of CFI customers believe their bank is open and transparent with changes, compared to 78 percent of megabank customers.

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