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# Research Report

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## Maine Credit Union League

### Top line Report: Generation Y Financial Institution Focus Groups

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## Groups and Participation

Four focus groups were conducted; two in Portland at the Market Decisions facility on January 24<sup>th</sup>, 2008, and two in Bangor, Maine at the Ramada Inn on January 29<sup>th</sup>, 2008.

Participants were Generation Y consumers (between the age of 18 and 26) and were screened at the Market Decisions facility to represent a cross-section of people in this demographic – from college students to those holding jobs after high school to those who are considered working professionals. The objective of these groups was to build mind share with this consumer group about selecting credit unions as their primary financial institution.

The Portland groups took place at 5:30 pm with 9 participants in attendance and at 7:30 pm, also with 9 participants. The Bangor groups were held at 5:30 pm with 11 participants and at 7:30 pm with 5 participants.

There were no significant differences in the comments made between the Portland and Bangor groups. Any noteworthy differences between participants may be attributed to age and life experience, i.e. marriage and fulltime employment, versus single and in school.

## Last Choice of a Financial Institution

The groups began with a discussion about the last time the participants changed primary financial institutions and was broadened to include any time the participants added a financial institution. Most of the participants had made a change in their primary financial institution or added an additional institution within the last year to three years. Only a few of the participants had no experience with changing their primary or adding an additional financial institution due to having been at their original financial institution since they first opened their accounts. The groups were almost evenly split between bank and credit union members.

## Perceived Differences between a Bank and a Credit Union

The majority of participants were unfamiliar with any significant differences between banks and credit unions. The perception of banks being bigger and more corporate was shared by many in the groups. Credit unions were seen as smaller, but more personable among participants.

Participants felt that both banks and credit unions offered similar services and products with the primary differences being that credit unions made it easier to get approved for loans. The overall convenience of banks, branch locations and ATMs was seen as the biggest advantage of having a bank, while credit unions were seen as superior in customer service and having slightly better rates on loans. Credit unions were also perceived to be more forgiving towards individuals when it came to certain things, such as overdraft protection. Banks were seen by many as doing nothing to help out the individual when overdraft fees were incurred. Credit unions were seen as more

understanding towards these matters and more willing to forgive these fees if the account holder came in and explained his or her circumstance.

### Services and Products Currently Used at a Financial Institution

When discussing what services the participants were using at their financial institutions, most had checking and savings accounts. A majority had debit cards and a few had credit cards. A few of the participants shared their experiences of applying for loans at their financial institution. The majority of the participants that had applied for a loan described a pleasant and speedy experience with credit unions, while those with banks described a more formal process that often included needing a co-signer on the loan.

Participants also discussed how they interact with or access their institution. Some preferred to walk in and interact with a teller while others preferred the convenience of the online capabilities. Most agreed that online services were good for checking balances and transferring money, while some stated that the interpersonal aspects of a face to face meeting were important to them when depositing their checks. Drive up service was the least utilized option with some participants expressing concern with other customers able to hear their transaction take place in the building.

### Important Factors in Selecting an Institution

Participants listed various factors that were and could be instrumental in selecting a primary financial institution. After the list was compiled, participants were asked to determine which factors were very influential in their decisions and which were not. The factors that were considered influential included branch and ATM locations, friendly customer service and free accounts (free checking and no ATM fees). Factors that did not play a major part in decisions included interest rates (some felt they did not have enough money in their accounts to have that be a factor), parents having an account there and variety of services offered. It is noteworthy that those respondents that were older mentioned interest rates and their parents' experiences with a financial institution as being influential to their decisions.

### Media Awareness

All of the participants were familiar with the social networking sites MySpace and Facebook, and most were familiar with the "Portland Phoenix" in Portland and the "Edge" in Bangor as alternative newspapers. These sources were not seen as good places to get information about products and services but were popular for keeping in touch with friends and looking for local entertainment listings.

### Sources Used to Search for In-Depth Knowledge on Major Purchases

Most of the participants indicated that they use the internet for the majority of their in-depth research on a subject with many of the participants reading user reviews about the products they were looking for. “Google” was the preferred search engine to begin their search of user reviews and articles about a topic. Some participants indicated that “banner ads” were something that they noticed while online. A web banner or banner ad is a form of advertising on the World Wide Web. This form of online advertising entails embedding an advertisement into a web page. It is intended to attract traffic to a website by linking them to the web site of the advertiser.

### Role of Parents, Friends and Media Sources in a Decision Making Process

Parents and friends played a very limited role in the overall decisions the participants made. Their parents’ experience concerning financial matters was seen as helpful but not a major influence. The friends of participants were not considered to be a very significant source of information about financial institutions. Negative experiences friends had shared with them about their financial institutions were able to be recalled quickly, primarily concerning checking and overdraft fees, and many in the groups had heard similar stories.

Most of the participants did not feel that ads on television were an influence on their decisions to use a product or service. Ads in general were discussed. Most participants were able to recall some ads they had seen and most agreed that ads that were humorous were more memorable than those that were not. Ads including celebrities, both national and local, were not seen as an influence to use a product. Ads involving their age demographic and activities they might engage in were also not seen as a reason to motivate them to use a product or service. Although they are the most memorable, humorous ads were not seen as desirable for a financial institution.

### Products and Services

Participants were given sheets of paper with brief descriptions of services; participants were asked follow up questions, such as: “What are your first impressions of the service?” “What do you like, what do you dislike?”

- Mobile banking – this was generally disliked. Concerns over security of connection and cost incurred from their service providers were the main reasons.
- Text updates for more information about credit unions – this was seen as intrusive and a waste of their allotted texts. Some interest was expressed if the service was provided “on demand” for ATM locations.
- Home banking and bill pay – this was easily understood and used by most of the participants.

- Additional online services – participants that used online services were intrigued by the additional services offered. These services, however, were not seen as crucial or a deciding factor in choosing an institution.
- Surcharge free ATMs – The idea of no charges at ATMs was popular and important among most of the participants. The overall number of available ATMs for credit unions within Maine was seen as small compared to banks.
- Shared branching – The concept of shared branching was interesting to the participants. Some of the participants using credit unions were aware of this service. The participants liked having the choice when traveling, but preferred the branch closest to their home or what they considered to be their home branch.
- Rewards Checking – Most participants liked the idea of getting rewards for services they were already using. Some felt that higher interest rates wouldn't benefit them due to the relatively small amount of money they kept in their accounts.
- Debit Card Rewards – Most participants liked this idea, although many agreed it took too long to acquire the points needed for the prizes offered. The majority agreed cash back would be the desired reward.

#### Recall of Bank or Credit Union Promotions

Participants were able to recall some of the promotions and offers that bank and credit unions made available. Promotions like free iPODS, keep the change (a Bank of America promotion) and “refer a friend” bonuses were mentioned. The perception of these giveaways and promotions were generally viewed in a positive manner, although some of the participants thought it would be nice if there were offers for current customers.

Participants were generally unable to think of any promotion or giveaway that influenced them to buy a product or use a specific service. Overall giveaways and promotions were perceived as nice things to receive at the time of signing up for an account but not anything that would have ultimately motivated them to go to one institution or the other.

#### Importance of Community Involvement

Participants in the groups viewed community involvement in a positive manner. Some viewed events sponsored by banks as a less sincere attempt to get involved locally, whereas credit union sponsorship was perceived as a more sincere attempt to get involved in the communities they were located in.

Some participants were able to recall events like the Beach to Beacon run as local community events that were sponsored by credit unions. With the exception of TD BankNorth and the Boston Celtics, occurrences like concerts and local sporting events were not generally recalled as places they had seen banks or credit unions as sponsors.



### Designing Their Own Account

Participants were asked to imagine a scenario in which they had to make a change in their primary financial institution. They were asked to consider the top three things they would want in a new account, or primary financial institution, and list them. The services that were seen as the most desired were free services (surcharge free ATMs and free checking), easy online capabilities, friendly customer service, competitive interest rates on loans and accounts, rewards system for checking and debit use, and expanded hours to accommodate schedules.