

**REPORT**

# Channel Delivery for Tomorrow

Ben Rogers, Research Director, Filene Research Institute

## ACKNOWLEDGMENTS

---

This report owes much to the generous contributions of many research partners. I particularly wish to thank Barb Lowman and Brian Bellhorn at Fiserv for helping me tame transaction data, Rob Rubin at Novarica for looking beyond transactions to shopping trends, and Dorian Stone and his team at McKinsey for sharing an analyst's trove of insights. Finally, my thanks to Corinne Sherman at the Pennsylvania Credit Union Association for asking the right questions.



# Table of Contents

|    |   |
|----|---|
| 4  | <b>EXECUTIVE SUMMARY</b>                                    |
| 7  | <b>CHAPTER 1</b><br>Trends in Channel Usage                 |
| 13 | <b>CHAPTER 2</b><br>Emerging Channels and Technologies      |
| 16 | <b>CHAPTER 3</b><br>Leveraging Current Channel Structure    |
| 26 | <b>CHAPTER 4</b><br>Conclusion                              |
| 27 | <b>APPENDIX</b><br>Channel Preferences by Age and Frequency |
| 30 | <b>ENDNOTES</b>   |
| 32 | <b>LIST OF FIGURES</b>                                      |
| 33 | <b>ABOUT THE AUTHOR</b>                                     |
| 34 | <b>ABOUT FILENE</b>   |

# Executive Summary

## Overview

Consumers are interacting with financial institutions in new ways, with mobile channels the fastest growing. Yet sometimes people want the personal touch. Credit unions can only offer so many delivery channels, and this report helps prioritize.

When most of us first opened a credit union account, mobile phones didn't exist, much less apps, remote deposit capture, home banking of any kind, or, for that matter, the Internet. Now we can manage finances online without leaving the house. Or on the road, using a smartphone or tablet or watch. Today's banking world is anywhere, anytime, with any device. And we love it.

Well, some of us. For every early adopter there's a member who doesn't even like call centers, much less the credit union kiosks where you interact with tellers via video screen. These members like to talk to real people in a real branch and get real cash.

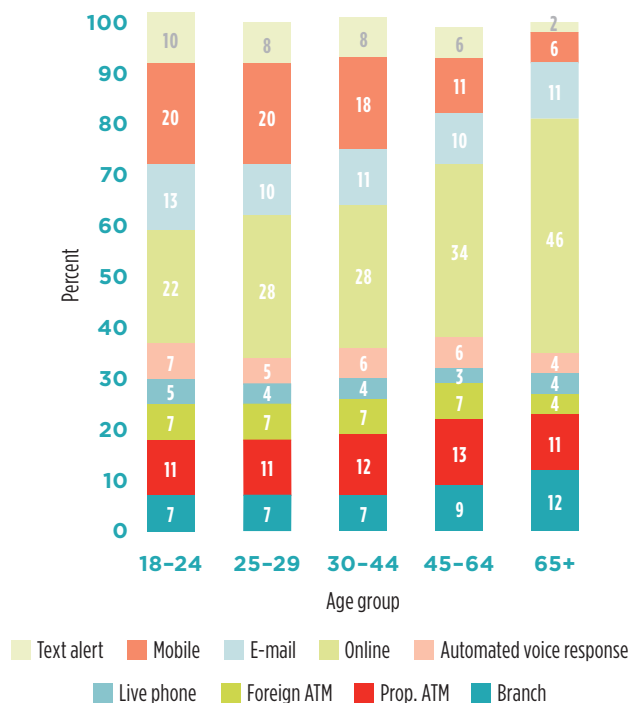
Members' banking-delivery inclinations are all over the map, and credit unions are feeling the pressure to implement myriad channels and please everyone. But you know what they say—you can't be all things to all people, and that's what this research addresses. It reviews changing delivery-channel preferences, efficient technologies, and the trade-offs credit unions must make to best serve their members' current and emerging needs.

## MEET THE AUTHOR



**Ben Rogers**  
Research Director, Filene  
Research Institute

**SELF-REPORTED SHARE OF TRANSACTIONS BY AGE AND CHANNEL**



Source: Filene analysis of data from McKinsey & Company, 2013.  
Note: Columns may not total 100% because of rounding.

## What Is the Research About?

Filene Research Director Ben Rogers looks at channel delivery from four slightly different angles, using proprietary data from McKinsey & Company, Novarica, and Fiserv, along with national data from Gallup. Using those disparate sources and expert interviews, he details preferences and forecasts their likely evolution.

Fiserv finds that members increasingly use digital channels for low-value transactions and finding information but prefer to get financial advice in branches. And while mobile activity accounts for only a small share of transactions today, this activity grew more than 90% in 2012 and may account for the majority of balance inquiries within three years—and eventually the majority of balance transfers and check deposits.

## What Are the Credit Union Implications?

The trajectory for mobile channels alone has huge implications for credit unions. Since, as Rogers observes, it can take years to launch a new channel, it behooves credit unions that do not already offer mobile to at least examine its potential for their membership.

It's important for credit unions to understand national trends and to consider them in light of their own member demographics, institutional profile, and strategies. Especially if your resources are limited, you can't—and shouldn't—offer all channels. It's better to have 5 A+ channels than 20 mediocre ones, so you have to select those with the best fit now and several years down the road.

If that means phasing out some channels, consider offering incentives to members for using preferred channels, setting defaults to encourage their use, and offering live demonstrations for first-time users.

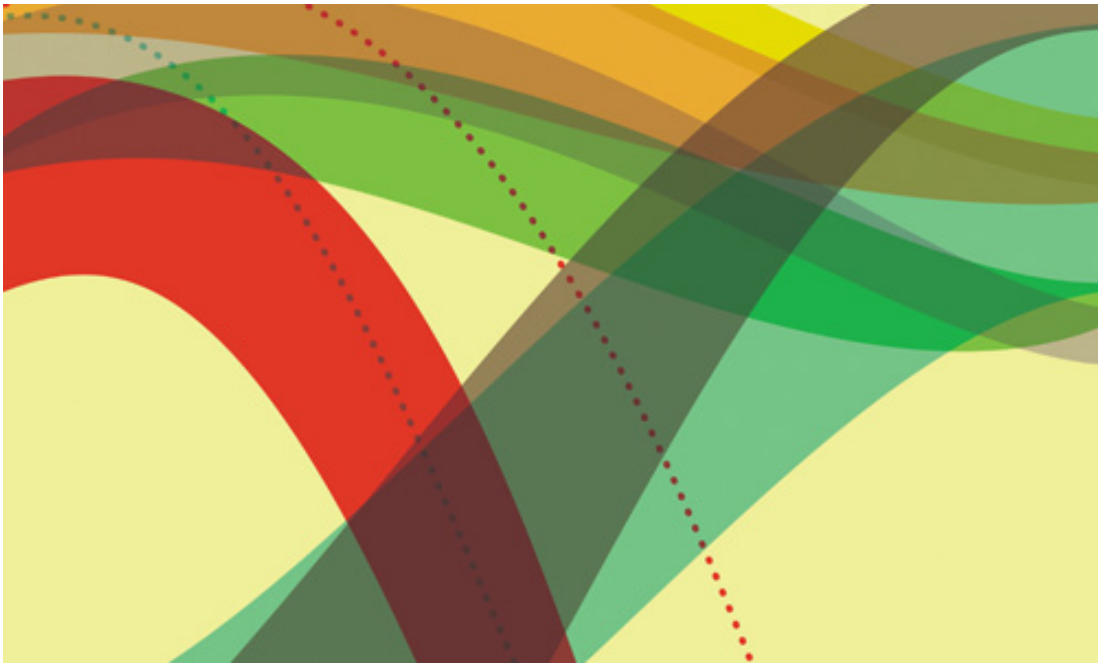
Aside from the move to mobile, some key trends to consider include:

- ➔ Digital delivery—online as well as mobile—is not only growing strongly in consumer preference, it's an affordable channel for information dissemination and low-value transactions.
- ➔ Credit unions that do not offer excellent digital channels are unlikely to become primary financial institutions for young adults.

- As critical as digital is, branches remain important for establishing member relationships and handling high-value transactions.
- Operating branches is costly, so branch activity must focus on high-value services rather than straightforward tasks.

The bottom line for your bottom line? Push low-value transactions to digital channels. Disseminate information digitally, too. And save your human resources primarily for high-value transactions.

# Channel Delivery for Tomorrow



## CHAPTER 1

---

# Trends in Channel Usage

## Introduction

Today's credit union members stand in front of a financial buffet, and it's "all you can eat." If they want to do business exclusively in a branch, they're welcome—often encouraged—to do so. A big helping of online banking? Please do. Phone service or ATMs? Have another. They can load their plates any way they like, and they can come back for seconds and thirds. Mail, chat, interactive voice, e-mail, mobile. It's a good buffet.

Credit unions support these channels through their own dizzying array of networks: proprietary branches and shared branches, expensive online and mobile banking, call-in lines at the credit union or at service partners. In this channel delivery buffet business, selection is important, and the neighborhood is full of other buffets with tempting fare.

This report aims to do three things:

- Show how consumers are changing the way they interact with financial institutions.
- Outline technologies that can help credit unions push low-value transactions and information toward low-cost, effective channels.
- Help credit unions decide how to prioritize their channels to deliver the three things members need: high-value transactions and advice, low-value transactions, and information.

All channels can be part of an effective strategy, but the declining need for face-to-face transactions puts pressure on credit union leaders to get members to use low-cost channels as much as possible. That brings efficiency. But efficient channel design has the added benefit of preparing credit unions for a future in which members *want* to interact with their credit union in convenient ways.

As with a buffet, adding an attractive new dish does not mean that members will take that instead of another. Instead, they will often supplement by adding both dishes to their plate. Credit unions' strategic challenge over the coming years is to build mechanisms that make the right channels for the right transactions available to their members.

## Research Preferences

Managers must pay attention to preference data, which currently show strong preferences for branches for activities like opening an account, applying for a loan, and seeking financial advice. These activities are complex and often emotionally fraught. The payoff for getting them right is large in terms of trust, loyalty, and cross-selling opportunities. The penalties for getting them wrong are large for the same reasons, which explains why financial institutions should continue to push these high-value moments to well-trained, helpful humans.

While the current data show a strong preference for branches in many traditional activities, they can disguise trend lines that show steady (and occasionally quick) erosion of branch preference in transactional activities like deposits and withdrawals. In a business like credit unions, it often takes years of planning and implementation to offer new services, so effective leaders plan today for the delivery channels members will prefer in three years. They also cannot wait until members are clamoring for a service, because those members may well defect in the time it takes to launch the service.



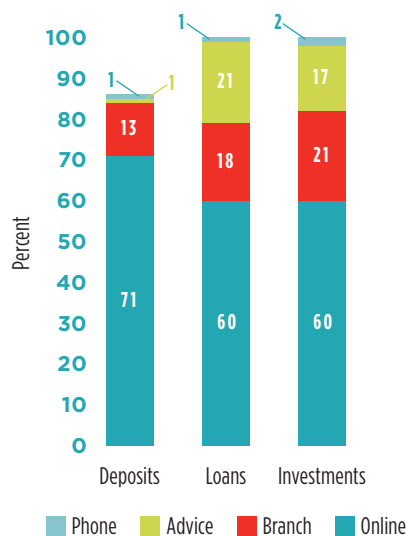
# Shopping for Services: How Do Consumers Choose Accounts?

Members shop, members open accounts, and members transact within those accounts. A channel delivery strategy needs to recognize those disparate activities and provide ways for members to complete all three in a way that is both convenient and effective.

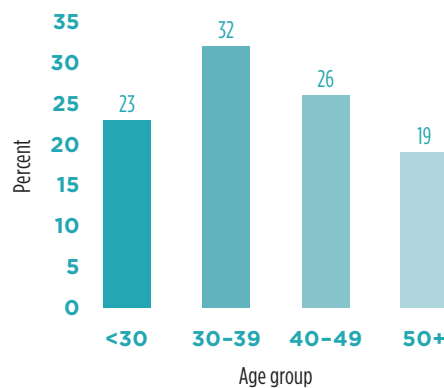
Shopping for loans, deposits, and investments is almost entirely an online endeavor for today's consumer (see Figure 1). According to a 2012 product shopping survey by Novarica, 71% of shoppers prefer researching deposits online, and loan and investment shoppers also prefer the online channel (60% each). For deposits, the branch is a distant second (13%). Borrowers in search of loans slightly prefer personal advice (21%) over in-branch discussions (18%), while customers considering investment decisions slightly prefer in-branch discussion (21%) over personal advice (17%). Preference for research over the phone does not rise past 2% in any category.

Between one-quarter and one-third of young adults prefer to open checking accounts online (see Figure 2). The preference is lower among under-30 consumers and peaks among 30- to 39-year-olds, suggesting that younger, less financially experienced adults feel better opening accounts in person. Although these online-preferring customers are in the minority, they still represent a sizable segment, and this segment is likely to grow as online account opening becomes more convenient and consumers more comfortable trusting their financial lives to digital channels.

**FIGURE 1**  
RESEARCH PREFERENCES BY PRODUCT AND CHANNEL



**FIGURE 2**  
KEY CONSUMERS PREFER TO OPEN CHECKING ACCOUNTS ONLINE



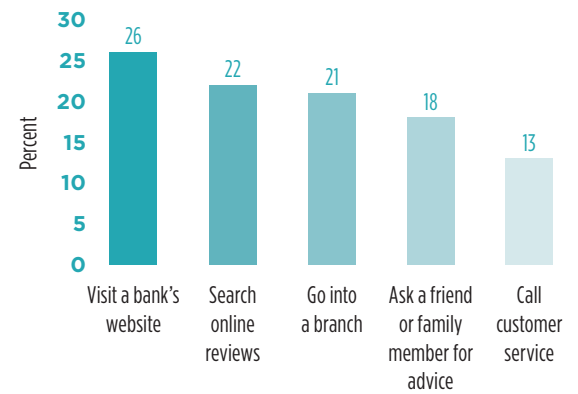
Source: Novarica Bank Shopper Insight Report, 2013.

Source: Novarica Bank Shopper Insight Report, 2013.

Regardless of how a new account is actually opened, the road to account opening winds through a thicket of fact-finding activities. Figure 3 shows the most common steps shoppers take on their way to the new account. The activities are not mutually exclusive, meaning a consumer visiting a financial institution's website prior to purchase might also search online reviews or ask a friend for advice. And even though none of these steps represents a majority of shopping activity, most shoppers use at least one—meaning credit unions need to offer information in these channels *and* provide simple calls to action that get shoppers to become buyers.

FIGURE 3

ACCOUNT SHOPPERS: EXPECTED ACTIVITIES PRIOR TO OPENING



Source: Novarica Bank Shopper Insight Report, 2013.

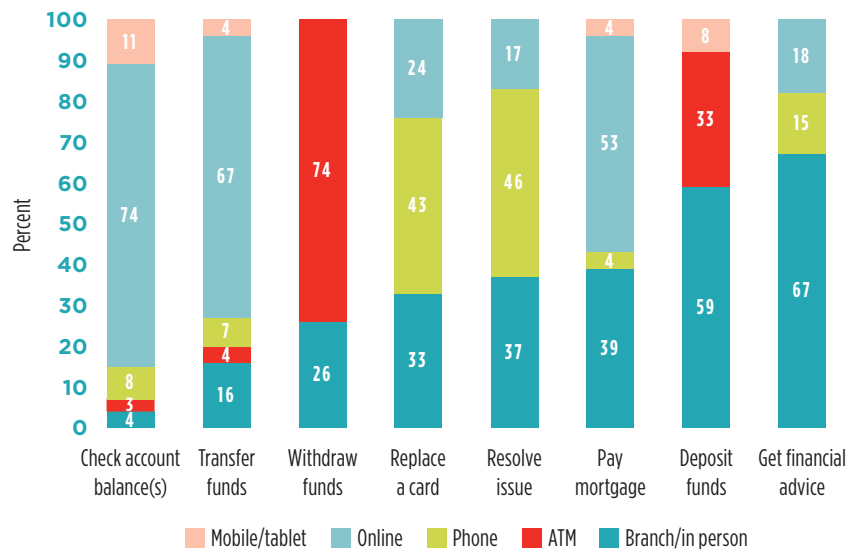
## Using Services: How Do Consumers Interact with Accounts?

The delivery preference for information and low-value transactions is increasingly flowing to digital channels where members can check their balances, pay bills, and transfer funds at will (see Figure 4). Members still overwhelmingly prefer getting their financial advice in the branch and making their deposits there, too, although ATM deposits and remote deposit capture are making inroads in that area.

The small shares of mobile/tablet activity in Figure 4 should be considered carefully, as mobile usage for financial transactions grew by more than 90% in 2012 (see Figure 8). US consumers now own more than 125 million smartphones and 50 million tablets, and one in every three minutes spent online is spent away from desktop and laptop computers.<sup>1</sup> Mobile interaction will continue to grow smartly; within three years it may even account for a majority of balance inquiries and eventually the majority of balance transfers and small check deposits.

FIGURE 4

INFORMATION IS DIGITAL, BUT TRANACTING IS (STILL) PHYSICAL



Source: Novarica Bank Shopper Insight Report, 2013.

*US consumers now own more than 125 million smartphones and 50 million tablets, and one in every three minutes spent online is spent away from desktop and laptop computers.*

The proliferation of channels has led to an increase in transactions. Between 2009 and 2013, the average number of items per member of one widely used credit union processor rose steadily from 50 per month to 65, an increase of 30% (see Figure 5). In this analysis, an “item” is any inquiry or account transaction (deposits, withdrawals, payments). The growth was led by digital channels, which rose by 14.5% in the 12 months through May 2013, and ATM/debit usage, which grew by 9%.<sup>2</sup> Whereas Figure 4 uses a survey methodology to report how consumers say they want to transact, Figure 5 uses actual transaction data to show that usage volume at branches is still quite strong, although it is growing less quickly than digital and ATM usage.

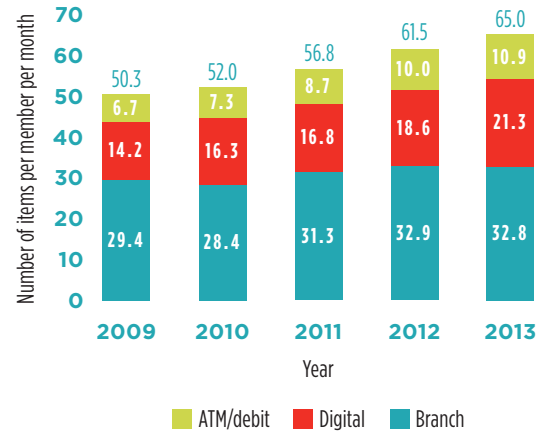
Using observations of the channel usage of more than 3 million members, since 2009 the average monthly branch volume per member (number of items or inquiries processed per member per month) has actually grown nearly 12% to 32.8 per month (see Figure 5). This analysis counts each interaction as a separate item, so a member depositing three checks, making a loan payment, and checking a credit card balance would be counted five times, even though she made only one teller visit. Branches in this large sample of credit union members still process the most items and inquiries per member by far.

*At the buffet, when you offer more, patrons consume more.*

But growth trends matter, too. During the same period, average digital items and ATM/debit items have both risen dramatically as members shift their usage to lower friction channels. Digital channel usage (online, mobile) rose 50% to 21.3 items per month. And the well-established ATM/debit channel rose fastest of all: 63% to 10.9 items per month.

At the buffet, when you offer more, patrons consume more. And that increased usage will not slow. Instead, as channels proliferate, gross transactions will continue to grow, and it is the credit union’s job to keep up with members—while enticing them to shift their habits toward lower-cost channels.

**FIGURE 5**  
**MORE CHANNELS, MORE USE**



Source: Fiserv, 2013.

Note: Data are monthly averages for the previous 12 months ending in May of each year.

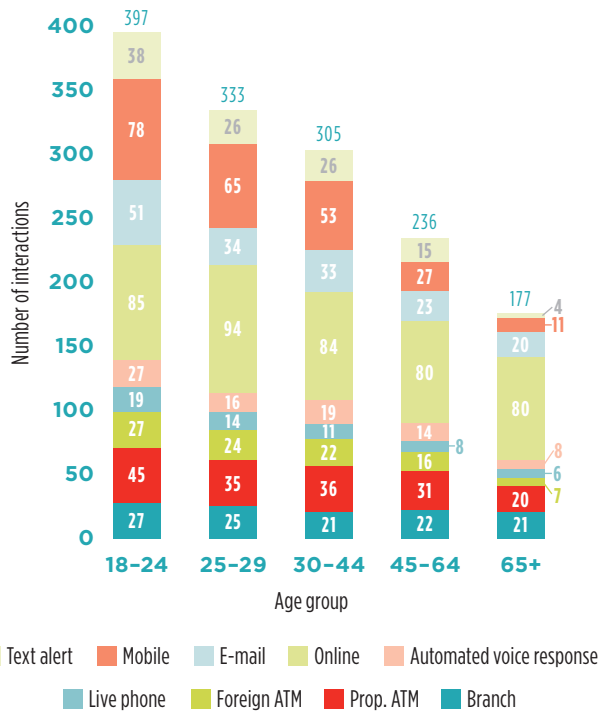
# Channel Use by Age

When it comes to the financial buffet, young adults eat the most. Further deflating rumors that young adults only care about online and mobile, data from McKinsey & Company confirm that this essential cohort actually uses more of everything: branches, mobile, online, ATMs. So they may be using mobile more, but they're using everything else more, too.

Figure 6 uses survey data from 6,030 respondents about their use of different channels. What is immediately clear is that consumers younger than 30 are hyperactive users of various channels, using more of each than any other age group. Indeed, 18- to 24-year-olds interact with their financial institution twice as often as 65+ retirees. Reasons may include their comfort with technology, their learning curve as they establish banking habits, and the fact that they are mostly making smaller transactions and therefore need to track them more closely. For more detailed data on channel preferences, see the appendix (page 27).

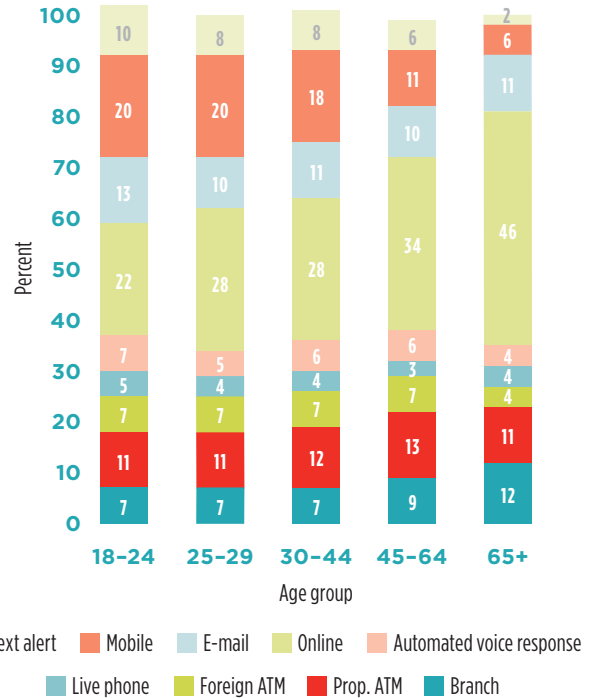
A weighted preference view like that shown in Figure 7 takes consumers' reported use of channels and transforms it into preferences. Most apparent from this view is that older

**FIGURE 6**  
SELF-REPORTED YEARLY INTERACTIONS BY AGE AND CHANNEL



Source: Filene analysis of data from McKinsey & Company, 2013.

**FIGURE 7**  
SELF-REPORTED SHARE OF TRANSACTIONS BY AGE AND CHANNEL



Source: Filene analysis of data from McKinsey & Company, 2013.  
Note: Columns may not total 100% because of rounding.

consumers are entirely comfortable with online banking and indeed prefer to interact online. Consumers younger than 30 not only tend to interact much more often with their financial institution, but they spread their transactions across ever more channels to do so.

## CHAPTER 2

---

# Emerging Channels and Technologies

Mobile and online channel usage is on the rise, while traditional branch usage is in flux. Credit unions that want to capitalize on this shift need to build capabilities in emerging channels that replicate or improve upon traditional branch functions.

## Face-to-Face vs. Bit-to-Bit

At the heart of many credit unions' attachment to personal channels is the belief that trained employees are the best ambassadors and are most able to cross-sell products and offer advice. While that may be true in some cases, it's also true that even good employees can be inconsistent, and it's hard to replicate great employees and consistently get them in front of the right members. Selling to members is also rife with pitfalls. McKinsey & Company analysis published by Filene shows that the most significant positive "moments of truth" available in financial services are when customers receive good financial advice and proactive proposals appropriate to their needs. The flip side: Receiving bad financial advice or an inappropriate product offer are two of the worst moment-of-truth experiences.<sup>3</sup> Further complicating efforts to provide consistent, positive moments of truth is the reality that member-facing employees often have the shortest tenure. This constantly forces credit unions to fill knowledge gaps and perpetually train new employees.

*Even good employees can be inconsistent, and it's hard to replicate great employees and consistently get them in front of the right members.*

To account for the dual challenge of selling appropriate products and doing so in a cost-effective, scalable way, credit unions in the future will increasingly rely on personal financial management (PFM) software. But basic PFM features like account aggregation and budget tracking only appeal to a small percentage of members. PFM will finally reach its full potential when it goes from simple reporting to relevant advice.

“There’s a hierarchy of needs around PFM. It’s like a Maslow’s pyramid,” says Filene researcher and Aite Group analyst Ron Shevlin. “At the bottom level is oversight: Where is my money and where is it going? At the next level is insight: How am I doing? At the top level is foresight: What should I be doing?”

*PFM will finally reach its full potential when it goes from simple reporting to relevant advice.*

## Mobile as the Nexus

The rapid rise of smartphones and the matching rise in mobile banking transactions are too powerful to miss or dismiss. Even if mobile is not yet the preferred method for transactions, it is quickly becoming the preferred method for getting information. Transaction preference—including remote deposit capture, intra-account transfers, and person-to-person payments—will follow over time.

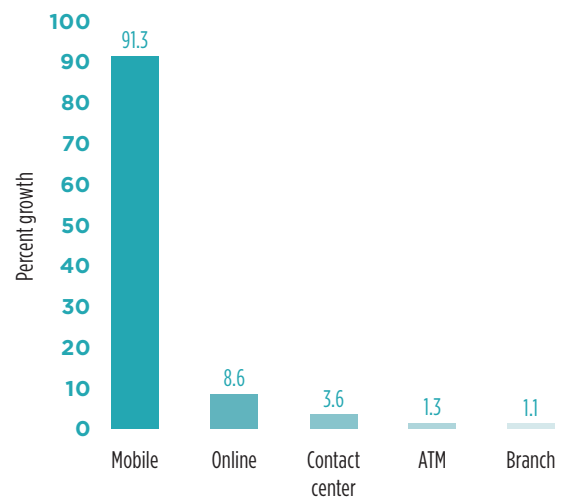
Figure 8 shows that year-over-year transaction growth rates at physical locations (branches and ATMs) were outpaced by remote contact centers and online channels in 2012. And growth rates in the mobile channel dwarfed all of them.

Although members are not yet using all the same functions on smartphones and tablets that they do in traditional online banking or in the branch, their use of those mobile channels is heavy and likely to grow. Consider data on how tablet and smartphone owners are using their devices to change retail shopping behavior (see Figure 9).

Several well-backed ventures are racing to become dominant as mobile-only banking services. Simple, GoBank, and Moven are three of the best known. And while any traditional credit union would be hard-pressed to replicate their entire business model, these mobile-only

FIGURE 8

CUMULATIVE ANNUAL GROWTH RATE BY CHANNEL, 2011–2012



Source: Accenture, 2012.

FIGURE 9

SHARE OF SMARTPHONE AND TABLET USERS PERFORMING RETAIL ACTIVITIES



Source: comScore, 2013.

services do offer a variety of customer-friendly features that credit unions should strongly consider as they craft and update their mobile offerings:

- ➔ Whenever you buy something with Moven's debit card or NFC sticker, the transaction receipt (which users see whenever they swipe/tap) comes with an automatic update of your budget in natural categories, like eating out, gas purchases, and entertainment. It asks users to reflect every time they spend: "Am I spending more responsibly this month than last month at this time?" If users don't have to log in to see their budgets update with every transaction, they're more likely to act on that knowledge.
- ➔ GoBank's mobile app includes a feature called "Ask the Fortune Teller" that allows you to input a purchase price as you're considering any item. The fortune teller looks at your income, upcoming bills, and account balance and gives you a thumbs-up or thumbs-down. You are not, of course, obligated to listen to the fortune teller, but this is one step closer to real-time financial advice.
- ➔ Simple improves on the standard mobile balance dashboard by tracking how often paychecks flow in and how often scheduled bills and debits flow out. So instead of an account balance that could change at midnight tonight, the app offers a "Safe to Spend" amount that helps users stay in the black without manually tracking upcoming debits and credits.

*Several well-backed ventures are racing to become dominant as mobile-only banking services. Simple, GoBank, and Moven are three of the best known.*

In addition, each service provides ways for users to send personal payments directly to others, without a check and without a card.

Credit unions and their providers should look to these kinds of advances to stay at the center of the mobile wave and especially keep the attention of young adults, who are most likely to consider mobile-only or mobile-heavy financial services.

## Displacement on the Horizon

Competing against traditional opponents—national and local banks, other credit unions, online banks—is hard enough. But new competitors are increasingly using the same channels as credit unions to capture transactions and revenues that were previously reserved for financial institutions (see Figure 10). And even when a revenue stream does not seem to be in immediate danger of disruption, the more insidious long-term threat could be that new entrants will steal attention, engagement, and eventually loyalty from the credit union.

FIGURE 10

EMERGING DIGITAL SERVICES

|                                 | Service   | Examples   |
|---------------------------------|---|--|
| Credit advice and management    | Online and mobile-oriented firms show consumers credit reports and scores, offer advice, and finish up with cross-selling.  | Credit Karma<br>www.creditkarma.com<br>Credit Sesame<br>www.creditsesame.com   |
| Bill management and bookkeeping | Usually reserved for the wealthy, private banking-like services are easy to offer in the Internet age. Account aggregation paired with bill-pay functions and automated advice allows consumers to bypass your online banking.  | Finovera<br>www.finovera.com<br>Manilla<br>www.manilla.com<br>doxo<br>www.doxo.com   |
| Digital wallet                  | One of the most anticipated, and most complicated, promises of the mobile revolution is the idea that we'll soon keep all our payment methods in one digital, easy-to-access place. Nobody has cracked the code, but some of the most sophisticated companies out there are trying. | Google Wallet<br>www.google.com/wallet/<br>Apple's Passbook<br>apple.com/ios/whats-new/#passbook/<br>Lemon Wallet<br>www.lemon.com |
| Social network banking          | Nearly every aspect of traditional banking—from payments to borrowing to communal savings—has gone social. And innovators are either connecting savers and borrowers directly or using existing platforms like Facebook and Twitter.  | Serve (sending money)<br>apps.facebook.com/serve_fb/<br>Prosper (peer-to-peer lending)<br>www.prosper.com                          |

CHAPTER 3

# Leveraging Current Channel Structure

## Branches Are Not Dead

Rumors of the branch's demise have been greatly exaggerated. "The statistics are kind of tiring," says Aite's Ron Shevlin. "I'm sick and tired of hearing that branch volume is down so branches are dying. If I were to lose 30% of my body weight I'd be in better shape, not dying. Branches are not dead, nor do any of the statistics that show declining usage mean that they're dying. The branch is here to do certain things for certain people."



Branches are still extremely important. A 2011 study of 12,000 banking customers found that:

- 74% opened their most recent account at a branch.
- 59% had performed a branch transaction in the past month.
- 52% said that branch location was the top reason they selected their financial institution.
- 27% of those who opened an account online said branch location drove their decision.<sup>4</sup>

### *Rumors of the branch's demise have been greatly exaggerated.*

Analysis of performance data shows that 70% of credit unions that added at least one branch during the 2007–2012 downturn grew membership during that time. Those that did not expand their networks or closed branches were much more likely to lose assets and membership.<sup>5</sup> Correlation and causality are hard to tease out in such a broad analysis, but it's clear that growth in branching goes along with growth in other important areas. “Financial institutions will stop building branches when it stops being profitable to do so,” says Jeffrey Pilcher of *The Financial Brand*.

Branch concentration is important, too. According to Bancography studies from 2004 and 2009, network effects mean that financial institutions with denser branch networks gain a disproportionate share of deposits. For instance, an institution that owns 15% of the branches in a market might capture 20% of deposits, while another institution with 5% of the market might only have 3%.<sup>6</sup>

But it is equally true that branches in the traditional mold—with an extended, often understaffed teller line—must become more efficient and evolve to support more high-value transactions like loan applications and financial advice, and fewer low-value transactions like simple deposits and withdrawals. The consensus from experts and leading credit unions at Filene's Future of the Branch colloquium is that the future will bring small and micro branches that complement existing networks and can grow with less capital expenditure. These smaller footprints will force credit unions to prioritize high-value transactions and advice, encouraging members to take low-value transactions and queries to digital channels.

## **Channel Costs and Considerations**

Research cited by Gallup shows that a typical customer call to a call center in the United States costs \$7.50 on average. A similar call handled by an overseas agent—a route not available to most credit unions—costs about \$2.35. But that same call to an automated voice

response (AVR) system reduces the cost to just 32 cents. The cost considerations of even phone service, not to mention in-branch service, are enormous.<sup>7</sup>

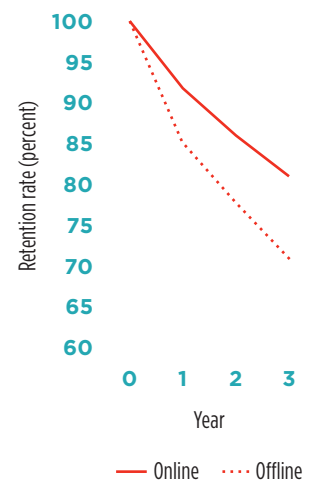
Filene analysis paints a similar picture for midsize to large credit unions. A cost accounting of a consortium of credit unions showed an average cost of \$204 to open a consumer checking account in a branch, four times more than the \$49 average cost to open that same account over the phone.<sup>8</sup>

The same research shows that deposit costs can vary from \$3.58 on average for an in-branch deposit all the way down to just \$0.06 for an ACH deposit.<sup>9</sup> Using these numbers, a credit union that processes 50,000 branch deposits per year could save \$35,200 per year by migrating 20% of its branch deposits to the ACH channel.

At Filene’s Future of the Branch colloquium, Filene Research Fellow and Harvard Business School Professor Dennis Campbell shared two intriguing findings: (1) banking customers who use online channels are always more actively engaged with their institution, and (2) they always cost more to serve than those who don’t use online channels.<sup>10</sup> Converting members to active online users doesn’t lead to a drop in service costs, because when those members become more engaged, they tend to use even more channels. It’s like members are standing at that all-you-can-eat buffet: They don’t substitute a more expensive transaction for a less expensive one—they use both.

So should we despair or seek to keep members offline? Of course not. Campbell also presented banking data showing that being an active online user has important loyalty effects. Over a three-year span, offline customers abandoned a case study bank much more quickly than those with online relationships (see Figure 11). Even if it’s not easy to change the habits of existing members, credit unions must ensure that *new* members have and use the latest digital tools. Doing so will engender loyalty and contain service costs.

**FIGURE 11**  
**CUSTOMER RETENTION FOR OFFLINE AND ONLINE CUSTOMERS**



Source: *The Future of the Branch: A Research Colloquium in Chicago* (Madison, WI: Filene Research Institute, 2012), 3–4, [filene.org/research/report/Future\\_Branch](http://filene.org/research/report/Future_Branch).

## Preferences Are Real but Malleable

Channel preference data from Gallup (Figure 12) show that banking customers, when asked how they *prefer* to conduct business, overwhelmingly prefer human channels. The Gallup data here largely parallel the preferences revealed in the Novarica data from Figure 4.

These data, while helpful, reveal a behavioral quirk: When asked, customers almost always say they want much more than they actually use. To get a more useful view of your own membership’s preferences, Dennis Campbell encourages managers to ask members for

FIGURE 12

DIFFERENT NEEDS, DIFFERENT CHANNELS

| Percentage of customers who prefer using channel to:   | Human channels        |                 | Mixed channels |      |      | Digital channels       |        |        |        |
|--|-----------------------|-----------------|----------------|------|------|------------------------|--------|--------|--------|
|  | In person at a branch | Using the phone | ATM            | Mail | Chat | Automated voice system | Online | Mobile | E-mail |
| Open or close an account   | 81                    | 7               | 0              | 1    | 0    | 0                      | 11     | 0      | 0      |
| Apply for a loan   | 83                    | 7               | 0              | 0    | 0    | 0                      | 9      | 0      | 0      |
| Seek financial advice  | 79                    | 11              | 0              | 2    | 0    | 0                      | 8      | 0      | 1      |
| Report a problem or annoyance  | 50                    | 39              | 0              | 0    | 0    | 1                      | 9      | 0      | 1      |
| Inquire about a fee or service charge  | 46                    | 41              | 0              | 0    | 0    | 1                      | 10     | 0      | 1      |
| Make deposits  | 64                    | 1               | 19             | 2    | 0    | 1                      | 12     | 1      | 0      |
| Withdraw money   | 47                    | 1               | 47             | 1    | 0    | 0                      | 4      | 0      | 0      |
| Learn about products and services  | 37                    | 10              | 0              | 13   | 0    | 0                      | 38     | 0      | 2      |
| Request a loan payoff amount   | 27                    | 24              | 0              | 6    | 0    | 2                      | 37     | 1      | 2      |
| Receive statements   | 4                     | 1               | 0              | 58   | 0    | 0                      | 34     | 0      | 3      |
| Request specific account information (e.g., balance inquiry, transaction history, check image) | 30                    | 17              | 2              | 3    | 0    | 3                      | 43     | 1      | 1      |
| Transfer funds   | 32                    | 9               | 5              | 0    | 0    | 2                      | 51     | 1      | 0      |
| Pay bills  | 16                    | 3               | 1              | 17   | 0    | 2                      | 60     | 1      | 1      |
| Receive alerts   | 5                     | 7               | 0              | 29   | 0    | 1                      | 41     | 3      | 15     |

Source: Gallup, 2013.

preferences using conjoint analysis. Rather than giving members every channel option and asking which they prefer for various interactions, conjoint analysis asks respondents to choose between limited, discrete options. For example, “Do you prefer coming into the bank to meet with one of our tellers or having access to our 24-hour ATMs?” In responding, members are forced to make a real-world trade-off that provides helpful information to managers.

More powerfully, channel delivery leaders should analyze transaction and traffic data from their own systems. Tracking how members are voting with their feet—how much they’re using available channels and how that usage changes from year to year—is more revealing than relying on their stated preferences.

Surveys help you see what current members want but rarely what members *will* want. If you were to run a survey at your credit union listing all options, it would likely look similar to Figure 12. But Aite's Shevlin argues that the current member base is often skewed to an older population, which still relies on human interface and human interaction. "But the vast majority of new account opening is skewed to younger people," he says. As such, member satisfaction in doing business through branches camouflages the desires of one of your most important constituencies: prospective members.

### *Surveys help you see what current members want but rarely what members will want.*

And preferences are malleable. Gallup's own analysis shows that, despite their stated preferences, banking customers often use channels they do not prefer. For example, "requesting account information" sees a 30% mismatch between stated preference and actual channel used. Inquiring about a service charge: 25% mismatch. Making a deposit: 16% mismatch.<sup>11</sup>

Credit unions' steady success in convincing members to use direct deposit, e-statements, and ATM deposits means that newer technologies like mobile deposit and online account opening can succeed—as long as members are convinced of the value of the new channel and as long as the new channel is as or more convenient than the old channel.

## **Trade-Offs**

In searching for the right mix of channels, credit union leaders must be comfortable making trade-offs. "The number-one obstacle to service excellence is actually an emotional obstacle. A culture that can't bear being bad at something can't have sustained excellence," according to Harvard Business School Professor Francis Frei.<sup>12</sup> Channels are no different than service: If you want to be great at online and mobile, you need to be prepared to underinvest in branches. If you want to be the best at branches, you should be willing to let your online offerings lag those of your peers.

Design your channels to make the trade-offs for you, to promote behaviors you want to encourage. For branches, that could mean shrinking the teller line and making consultative spaces more prominent. For mobile, it could mean better-designed interfaces that offer informative data visualization, easy alerts, and speedy check deposit. Over time, existing members will feel the pull of the right channel. New members will get it right away.

## Channel Investment Questions

Use these questions to judge the value of investments in new or expanded service channels:

- Will this investment enhance the member experience more than other channel upgrades we could undertake right now?
- Will this investment help us maintain competitive parity? Against which of our nearest competitors?
- Will this investment build member trust?
- Will this investment allow us to better sell to existing members? How?
- Will this investment help us acquire new members? How?
- Will this investment help us achieve competitive differentiation? Against which of our nearest competitors?
- Will this investment allow us to reduce branch service costs? How?
- Will this investment allow us to reduce call center costs? How?
- Will this investment generate revenue above its costs to install and maintain?

Even credit unions dedicated to current members' needs have to acknowledge the way that young adults search for and choose financial institutions. To win over digital natives, the most important inbound demographic, credit unions need to understand their needs. Filene researcher Rob Rubin conducted in-depth interviews and observations with 24- to 30-year-olds who were actively looking for a new banking relationship. As they searched, it became apparent that financial institutions that want their business need to:

- Be a visible presence where this target looks for products and services (e.g., Google and Yelp) or socializes (e.g., Facebook).
- Provide convenient ATM access near target members' homes, schools, and work; 86% disqualified institutions without nearby ATMs.
- Enable banking anywhere; 100% of respondents wanted mobile banking applications.
- Deliver easy answers to banking questions through mobile/online channels.
- Maintain a credible web presence; 43% of interviewees immediately disqualified institutions without a "good" website.<sup>13</sup>

Senior managers and boards of directors need to set clear channel expectations and then be comfortable accepting the trade-offs that investing in one but not another brings. While credit unions often hesitate to make service trade-offs, business success in a competitive environment demands it. "Are you trying to serve members and do it with not much regard to profitability? Or are you a credit union that's going to make bottom line decisions and say, 'I understand that we're going to have upset members?'" asks Pilcher of *The Financial Brand*.

# Making Sense of Channel Trends

Channel data, even good channel data, are only as good as their context. And different credit unions will see these same data in different ways. More important than just seeing the trends is the imperative to identify your strategy and map channel trends (and trade-offs) to your strategy.

Figure 13 is a guide for mapping out an appropriate channel strategy for your credit union. The categories stem from Michael Treacy and Fred Wiersema’s seminal 1997 business strategy book, *The Discipline of Market Leaders*, which also informed Filene’s 2011 report, *The Future of Member-Facing Technologies in Credit Unions*.<sup>14</sup>

Traditional channels like branches and voice-to-voice interaction lend themselves to **customer intimacy**. Customer intimacy means more than just service, however. It means building the ability to segment your membership and offer different segments products that meet their needs.

**Operational excellence** makes cost and efficiency core drivers of business strategy. Credit unions that excel here will push all transactions, even high-value product purchases and financial counseling, to lower-cost channels like online account opening, mobile banking, and ATMs.

**Product/service leadership** puts innovation at the forefront of the value conversation. The credit unions that can actually create or quickly adopt new channels (think remote deposit capture or interactive chat) are valuable for members who want the latest and are willing to pay for it.

When credit union leaders decide which approach best matches their strategic plan, they can decide more easily which trade-offs are necessary.

**FIGURE 13**

## CHANNEL STRATEGY FRAMEWORK

| Operational excellence   | Product/service leadership  | Customer intimacy   |
|--|---|---|
| Processes are optimized and streamlined to minimize cost and provide hassle-free service. Efficiency demands few branch or human interactions. The payoff for members comes in convenient and fast electronic service and, ideally, better rates on loans, deposits, and other services. | A focus on the core processes of invention, product or service development, and market exploitation. This approach requires making product and delivery innovation the core value proposition, and it assumes members are willing to pay a premium for those innovations. | An obsession with the core processes of solution and relationship management. Often an employee-heavy approach, the payoff for members comes when the credit union suggests appropriate products and acts in their best interest. |

## Building on Your Channel Persona

“The idea that we need a consistent user experience doesn’t make any sense to me. Credit unions need to only create or support the transactions or interactions that are best suited to that channel. It’s too expensive to build out every channel,” Shevlin says. If we are to take seriously the argument that credit unions, especially credit unions with fewer resources, must make trade-offs, we have to agree not to build out every channel. In practice, that means neglecting or abandoning some channels in order to invest in the channels that will truly differentiate your credit union for current and prospective members. “To effectively differentiate themselves, they will have to prove that they are better in certain channels than other credit unions or other institutions,” Shevlin adds.

*Credit unions need to only create or support the transactions or interactions that are best suited to that channel. It’s too expensive to build out every channel.*

Another reason credit unions cling to human-oriented interactions is the belief that employees rather than algorithms are best equipped to understand individual needs. And the imperative to understand individual needs has never been higher, as consumers come to expect to do business with firms that remember their preferences and offer suggestions specific to their needs. First Data reports that 58% of banking customers expect their bank to do a better job of considering their individual circumstances.<sup>15</sup>

Few current members get excited about changing the way they do business with their credit union. So, while you can make gradual changes with current members, it is easier to start good habits with new members. Gallup offers three ways to do that well:

- ➔ **Offer positive incentives for using the preferred channel (or, sparingly, disincentives for the less preferred).** Customers in one survey would be willing to switch channels for interest rate bumps on loans or deposits.
- ➔ **Set positive defaults to encourage preferred channel usage.** When members are opening accounts or making changes, set up electronic communications as the default while informing them that they can switch out of the default if they like. Most never will. Consider a fee schedule that offers service tiers, with “unlimited, anytime, anywhere” options as the most expensive.
- ➔ **Provide a technology concierge to walk members through their first interactions with low-cost channels like mobile and ATM.** An initial human demonstration will assuage concerns and prove to most members that electronic channels are often more convenient and faster.<sup>16</sup>

## A Breakdown of Channel Use Preferences

Using Gallup data and Filene's categories, consider reframing how you serve members. Overcoming an existing member preference requires an equal or superior alternative channel, a persuasive argument about why members should switch to your preferred channel, and patience.

### High-Value Transactions and Advice

- **High-value transactions:** To open or close an account, apply for a loan, or seek financial advice, about three out of four customers prefer interacting in person at a branch.
- **Complaints and product inquiries:** To report a problem or inquire about a fee or service charge, customers prefer using a branch or interacting with a live call center representative.

### Low-Value Transactions

- **Deposits:** To make deposits, customers prefer using a branch. Customers who want to withdraw money prefer using a branch or an ATM.
- **Balances and transfers:** To request specific account information or transfer funds between accounts, most customers prefer going online, although a number of customers also prefer using a branch.
- **Statements and bills:** Not surprisingly, to receive statements and pay bills, mail and online are the preferred channels. More customers prefer to receive statements by mail, while customers prefer the online channel to pay bills.

### Information

- **Gathering information:** To learn about new products and services or request a loan payoff amount, the most preferred channels are going online, using a branch, and speaking to a live call center representative.
- **Alerts:** To receive alerts, customers prefer using multiple channels, including online, mail, and e-mail.

Source: *Filene analysis of 2012 Gallup data (Daniela Yu and John H. Fleming, "How Customers Interact with Their Banks," Gallup Business Journal, May 7, 2013).*

The recommendations below acknowledge the immediate need all credit unions have to leverage existing assets, like branches and employees, to their fullest; but they also recognize the long-term need to build a channel delivery system that is economically sustainable, able to serve existing members, and attractive to potential members.

## Large Branch Networks (10 or More Branches)

Credit unions with large proprietary branch networks live with opportunities and challenges on both sides. On the one hand, they have significant brand equity in their large



networks and, as larger institutions, have the resources to supplement their branch systems with supplementary channels. On the other hand, their connection with members may depend on a large, expanding network and they must continuously leverage their branch investments to make them pay off.

## **Medium-Sized Branch Networks (4–9 Branches)**

Credit unions with medium-sized branch networks feel most keenly the strategic challenge of growing *through* additional branching or *in spite of* additional branching. Credit unions in less populated areas or low-competition areas may capture significant market share with fewer than 10 branches, but in large or competitive markets, it may not be enough to differentiate the credit union. Credit unions with medium-sized networks can use shared branching to great advantage by promoting the network to current and prospective members as a core advantage. Even more than credit unions with larger networks, medium-sized-network credit unions must be ruthless in seeking efficiency from existing branches and pushing members toward digital channels that allow the credit union to act bigger than it is.

*Credit unions with medium-sized branch networks feel most keenly the strategic challenge of growing through additional branching or in spite of additional branching.*

## **Small Branch Networks (Fewer Than 4 Branches)**

Credit unions with the smallest branch networks live with resource constraints that force them to be the most creative. Those that serve SEGs should prioritize ways to serve member clusters without overcommitting to fully staffed branches. Those with community charters should consider new buildings that are close to existing branches to capture the cluster advantages of denser branch networks. They also should emphasize the advantages of shared branching to members while focusing on digital and payment channels that keep the member's brand loyalty, and show potential members that a small credit union can offer digital services that compete with those of larger banks or credit unions.

The following are effective ways to interact with members who are visiting branches less often or not at all:

- Targeted e-mail.
- Intercept after home banking login.
- Intercept before logout.
- Use bill-pay data for marketing.
- Integrate member use data into customer relationship management system.
- Trigger-driven messaging.

## CHAPTER 4

# Conclusion

In the electronic banking world, members have so many options within credit unions and elsewhere. They can deposit with a mobile phone, withdraw cash with their grocery bill, pay their mortgage on a laptop in their bedroom. But they still want and demand access to people and advice in branches and on the phone, and they still want to make big decisions in person and sign loans with real people in the room. The buffet is spread.

*Despite steady use and preferences for branches, the strongest growth right now is in mobile and online services.*

Digital delivery is essential to the future of credit unions. Despite steady use and preferences for branches, the strongest growth right now is in mobile and online services. That growth, coupled with the cost advantages of distributing information and low-value transactions in digital channels, means credit unions need to seek out and adopt digital channels. Those that do not will not be compelling enough to be the primary institutions for the millennials and digital natives who are now choosing their institutions.

*Branches must be more efficient and branch leaders must be free to focus more time on high-value behaviors like advice, product sales, and resolving complex issues.*

Branches remain important and are not going away. They will continue to be an important cornerstone for most credit unions, as places where members establish relationships and manage important transactions. But employee costs and infrastructure are credit unions' largest operational expenses, meaning that branches must be more efficient and branch

leaders must be free to focus more time on high-value behaviors like advice, product sales, and resolving complex issues. More straightforward tasks like deposits, transfers, balance inquiries, payments, and even account opening must move to lower-cost digital and phone channels. Actively selling the right channels to members will lower or contain costs over time. And lower costs are not just a worthy stand-alone goal but a tool for returning more economic and service value to members in the future.

Credit unions must match the right transactions with the right channels in order to be sustainable. Good strategy acknowledges trade-offs, and credit unions cannot afford to invest equally in every channel. Most credit unions should focus strategically on digital channels, which will only increase in importance when it comes to attracting and retaining members over the next three years.

## APPENDIX

# Channel Preferences by Age and Frequency

*How frequently do you or does anyone in your household do each of the following:*

Speak in person with an employee at one of these locations: inside a branch office, at a walk-up window, at a drive-through, or at a satellite office (e.g., supermarket, kiosk)

|                            | 18–24 years (%) | 25–29 years (%) | 30–44 years (%) | 45–64 years (%) | 65+ years (%) | Average (%) |
|----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|-------------|
| 4 times per week           | 3               | 2               | 1               | 1               | 1             | 1           |
| 1–3 times per week         | 11              | 10              | 8               | 9               | 7             | 9           |
| 1–3 times per month        | 31              | 31              | 31              | 33              | 35            | 32          |
| Less than 1 time per month | 39              | 42              | 46              | 44              | 48            | 45          |
| Never                      | 16              | 15              | 15              | 13              | 10            | 13          |

Use a network ATM at a branch office or elsewhere but do not talk to an employee

|                            |    |    |    |    |    |    |
|----------------------------|----|----|----|----|----|----|
| 4 times per week           | 8  | 4  | 4  | 3  | 1  | 4  |
| 1–3 times per week         | 17 | 16 | 17 | 14 | 9  | 15 |
| 1–3 times per month        | 38 | 36 | 35 | 34 | 29 | 34 |
| Less than 1 time per month | 23 | 30 | 27 | 26 | 28 | 27 |
| Never                      | 14 | 14 | 16 | 23 | 33 | 21 |

How frequently do you or does anyone in your household do each of the following:

Use an ATM not owned by the financial institution

|                            |    |    |    |    |    |    |
|----------------------------|----|----|----|----|----|----|
| 4 times per week           | 4  | 4  | 3  | 2  | 0  | 2  |
| 1-3 times per week         | 12 | 9  | 9  | 6  | 3  | 7  |
| 1-3 times per month        | 18 | 19 | 18 | 17 | 9  | 16 |
| Less than 1 time per month | 34 | 34 | 33 | 30 | 24 | 30 |
| Never                      | 32 | 35 | 37 | 45 | 64 | 44 |

Speak on the phone with someone who works at a branch office or call center

|                            | 18-24 years (%) | 25-29 years (%) | 30-44 years (%) | 45-64 years (%) | 65+ years (%) | Average (%) |
|----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|-------------|
| 4 times per week           | 3               | 2               | 1               | 0               | 0             | 1           |
| 1-3 times per week         | 6               | 4               | 3               | 2               | 1             | 3           |
| 1-3 times per month        | 14              | 11              | 10              | 8               | 7             | 9           |
| Less than 1 time per month | 48              | 50              | 53              | 59              | 61            | 55          |
| Never                      | 30              | 34              | 33              | 31              | 32            | 32          |

Use the automated telephone system (using a touch-tone menu or automated speech recognition) but do not talk with someone

|                            |    |    |    |    |    |    |
|----------------------------|----|----|----|----|----|----|
| 4 times per week           | 6  | 2  | 3  | 2  | 1  | 3  |
| 1-3 times per week         | 8  | 6  | 7  | 5  | 2  | 5  |
| 1-3 times per month        | 16 | 13 | 15 | 11 | 9  | 12 |
| Less than 1 time per month | 31 | 35 | 35 | 31 | 23 | 31 |
| Never                      | 39 | 43 | 40 | 52 | 64 | 49 |

Log into your account on the company's website

|                            |    |    |    |    |    |    |
|----------------------------|----|----|----|----|----|----|
| 4 times per week           | 22 | 26 | 22 | 22 | 24 | 23 |
| 1-3 times per week         | 32 | 33 | 30 | 27 | 24 | 28 |
| 1-3 times per month        | 23 | 23 | 25 | 24 | 21 | 24 |
| Less than 1 time per month | 11 | 9  | 12 | 10 | 8  | 10 |
| Never                      | 12 | 9  | 11 | 17 | 23 | 15 |

Receive e-mail from the financial institution

|                            |    |    |    |    |    |    |
|----------------------------|----|----|----|----|----|----|
| 4 times per week           | 9  | 5  | 5  | 3  | 3  | 5  |
| 1-3 times per week         | 21 | 12 | 12 | 7  | 5  | 10 |
| 1-3 times per month        | 37 | 41 | 37 | 33 | 26 | 34 |
| Less than 1 time per month | 19 | 25 | 27 | 31 | 33 | 28 |
| Never                      | 15 | 17 | 19 | 25 | 33 | 23 |

How frequently do you or does anyone in your household do each of the following:

Log into your account on a mobile device (e.g., smartphone or tablet)

|                            |    |    |    |    |    |    |
|----------------------------|----|----|----|----|----|----|
| 4 times per week           | 22 | 17 | 15 | 7  | 3  | 11 |
| 1–3 times per week         | 26 | 24 | 17 | 9  | 3  | 13 |
| 1–3 times per month        | 17 | 18 | 16 | 9  | 6  | 12 |
| Less than 1 time per month | 12 | 12 | 12 | 10 | 5  | 10 |
| Never                      | 23 | 28 | 40 | 65 | 84 | 53 |

Receive text messages on your mobile device (e.g., smartphone or tablet)

|                            | 18–24 years (%) | 25–29 years (%) | 30–44 years (%) | 45–64 years (%) | 65+ years (%) | Average (%) |
|----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|-------------|
| 4 times per week           | 11              | 7               | 8               | 4               | 1             | 5           |
| 1–3 times per week         | 11              | 8               | 6               | 4               | 1             | 5           |
| 1–3 times per month        | 13              | 12              | 8               | 6               | 3             | 8           |
| Less than 1 time per month | 17              | 12              | 15              | 11              | 5             | 12          |
| Never                      | 48              | 61              | 62              | 76              | 89            | 70          |

Source: McKinsey & Company, Customer Experience Banking Research, 2013 (n = 6,030).

# Endnotes

- <sup>1</sup> ComScore, “2013 Mobile Future in Focus,” [www.comscore.com/Insights/Presentations\\_and\\_Whitepapers/2013/2013\\_Mobile\\_Future\\_in\\_Focus](http://www.comscore.com/Insights/Presentations_and_Whitepapers/2013/2013_Mobile_Future_in_Focus).
- <sup>2</sup> Analysis consists of items per member per month on one Fiserv core processor. Credit unions represented range from \$3 million (M) to \$889M in assets, with aggregate membership of 3.5 million as of June 2013. Each year in the analysis of Figure 5 represents the 12 months ending in May of that year. For example, 2013 comprises the average monthly transactions from June 2012 through May 2013.
- <sup>3</sup> Mark Meyer and Ben Rogers, *Customer Experience and Credit Union Opportunities: A Collaboration with McKinsey & Company* (Madison, WI: Filene Research Institute, 2010), 31, [filene.org/research/report/mckinsey](http://filene.org/research/report/mckinsey).
- <sup>4</sup> *The Future of the Branch: A Research Colloquium in Chicago* (Madison, WI: Filene Research Institute, 2012), 25, [filene.org/research/report/Future\\_Branch](http://filene.org/research/report/Future_Branch).
- <sup>5</sup> Momentum, Inc., “Performance Analysis: Branch Network Expansion,” 2012, 5, [static.squarespace.com/static/50ca2af5e4bo496d86727cc2/t/515fo68de4bo875140cc7343/1365182093357/Are%20Branches%20Really%20Dead%20Industry%20Report.pdf](http://static.squarespace.com/static/50ca2af5e4bo496d86727cc2/t/515fo68de4bo875140cc7343/1365182093357/Are%20Branches%20Really%20Dead%20Industry%20Report.pdf).
- <sup>6</sup> *The Future of the Branch*, 2012, 26.
- <sup>7</sup> Daniela Yu and John H. Fleming, “How Customers Interact with Their Banks,” *Gallup Business Journal*, May 7, 2013, [businessjournal.gallup.com/content/162107/customers-interact-banks.aspx?version=print](http://businessjournal.gallup.com/content/162107/customers-interact-banks.aspx?version=print).
- <sup>8</sup> Joseph Prunty, *Credit Union Processing Efficiency and the Impact on Net Income* (Madison, WI: Filene Research Institute, 2011), 3, [filene.org/research/report/Processing\\_Efficiency](http://filene.org/research/report/Processing_Efficiency).
- <sup>9</sup> *Ibid.*, 5.
- <sup>10</sup> *The Future of the Branch*, 2012.

<sup>11</sup> Yu and Fleming, “How Customers Interact with Their Banks.”

<sup>12</sup> Peter Tufano, John Lass, Frances Frei, and Dorian Stone, “Credit Union Financial Sustainability: A Colloquium at Harvard University” (Madison, WI: Filene Research Institute, 2011), 15, [filene.org/research/report/cusustainability](http://filene.org/research/report/cusustainability).

<sup>13</sup> *The Future of the Branch*, 2012, 18.

<sup>14</sup> Michael Treacy and Fred Wiersema, *The Discipline of Market Leaders: Choose Your Customers, Narrow Your Focus, Dominate Your Market* (New York: Basic Books, 1997); Ron Shevlin, *The Future of Member-Facing Technologies in Credit Unions* (Madison, WI: Filene Research Institute, 2011), [filene.org/research/report/member\\_tech](http://filene.org/research/report/member_tech).

<sup>15</sup> First Data 2013 Global Universal Commerce Consumer Tracker Study, [www.firstdata.com/downloads/thought-leadership/Global\\_Tracker.pdf](http://www.firstdata.com/downloads/thought-leadership/Global_Tracker.pdf).

<sup>16</sup> Daniela Yu and John H. Fleming, “Banks: Get Your Customers to Go Digital,” *Gallup Business Journal*, May 14, 2013, [businessjournal.gallup.com/content/162383/banks-customers-digital.aspx?ref=more](http://businessjournal.gallup.com/content/162383/banks-customers-digital.aspx?ref=more).

# List of Figures

|    |                  |   |
|----|------------------|---|
| 9  | <b>FIGURE 1</b>  | RESEARCH PREFERENCES BY PRODUCT AND CHANNEL                       |
| 9  | <b>FIGURE 2</b>  | KEY CONSUMERS PREFER TO OPEN CHECKING ACCOUNTS ONLINE             |
| 10 | <b>FIGURE 3</b>  | ACCOUNT SHOPPERS: EXPECTED ACTIVITIES PRIOR TO OPENING            |
| 10 | <b>FIGURE 4</b>  | INFORMATION IS DIGITAL, BUT TRANSACTING IS (STILL) PHYSICAL       |
| 11 | <b>FIGURE 5</b>  | MORE CHANNELS, MORE USE   |
| 12 | <b>FIGURE 6</b>  | SELF-REPORTED YEARLY INTERACTIONS BY AGE AND CHANNEL              |
| 12 | <b>FIGURE 7</b>  | SELF-REPORTED SHARE OF TRANSACTIONS BY AGE AND CHANNEL            |
| 14 | <b>FIGURE 8</b>  | CUMULATIVE ANNUAL GROWTH RATE BY CHANNEL, 2011–2012               |
| 14 | <b>FIGURE 9</b>  | SHARE OF SMARTPHONE AND TABLET USERS PERFORMING RETAIL ACTIVITIES |
| 16 | <b>FIGURE 10</b> | EMERGING DIGITAL SERVICES   |
| 18 | <b>FIGURE 11</b> | CUSTOMER RETENTION FOR OFFLINE AND ONLINE CUSTOMERS               |
| 19 | <b>FIGURE 12</b> | DIFFERENT NEEDS, DIFFERENT CHANNELS                               |
| 22 | <b>FIGURE 13</b> | CHANNEL STRATEGY FRAMEWORK  |



# About the Author



## Ben Rogers

Research Director, Filene Research Institute

Ben Rogers manages and edits a large pipeline of economic, market, and policy research related to the consumer finance industry. As the Filene Research Institute's research director he speaks widely on credit union topics and has authored nearly 20 Filene reports, including much of the Institute's young-adult research.

Ben served as director of the Institute's CU Tomorrow project, and previously as editor of *The CEO Report* and chairman of the National Directors' Convention. He has been cited in the *Wall Street Journal*, *American Banker*, the *Credit Union Times*, and the *Credit Union Journal*. Ben holds a master's degree from Northwestern University and a BA from Brigham Young University.

# About Filene

Filene Research Institute is an independent, consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues affecting the future of credit unions, retail banking, and cooperative finance.

Deeply embedded in the credit union tradition is an ongoing search for better ways to understand and serve credit union members. Open inquiry, the free flow of ideas, and debate are essential parts of the true democratic process. Since 1989, through Filene, leading scholars and thinkers have analyzed managerial problems, public policy questions, and consumer needs for the benefit of the credit union system. We support research, innovation, and impact that enhance the well-being of consumers and assist credit unions and other financial cooperatives in adapting to rapidly changing economic, legal, and social environments.

We're governed by an administrative board made up of credit union CEOs, the CEOs of CUNA & Affiliates and CUNA Mutual Group, and the Chairman of the American Association of Credit Union Leagues (AACUL). Our research priorities are determined by a national Research Council comprised of credit union CEOs and the President/CEO of the Credit Union Executives Society.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: "Progress is the constant replacing of the best there is with something still better." Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) not-for-profit organization. Nearly 1,000 members make our research, innovation, and impact programs possible. Learn more at [filene.org](http://filene.org).

*"Progress is the constant replacing of the best there is with something still better."*

—Edward A. Filene



612 W. Main Street  
Suite 105  
Madison, WI 53703

*p* 608.661.3740  
*f* 608.661.3933

Publication #312 (10/13)