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Think You Know What Financial Shoppers Want? Think Again

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By Paul J. Lucas

Think you know what consumers are looking for when they shop for a financial institution?

Guess again.

J. D. Power and Associates recently released findings on how people shop for a new bank. The main drivers in bank selection are: brand image, advertising and conveniently located branches.

These drivers seem counterintuitive in the age of remote banking options online, on the phone and far away from teller lines.

But as the ways people bank continue to rapidly change, the ways consumers choose a bank are not catching up. Even more surprising is that fees and interest rates drive only 4% of bank selection decisions. Ouch.

To further complicate the subject, the things that make people change banks aren't the same things that drive their selection of a new bank. The survey found that the main reasons consumers start shopping for a new primary financial services provider are:

* Life circumstances(move, divorce, etc.): 28%

* Concerned about fees and rates: 17%

* Unmet expectations: 13%

* Desire for better customer service: 8%

* Advertising (offers, promos, etc.): 7%

So, 17% of shoppers start looking for a new bank because of dissatisfaction with rates and fees, but only 4% of them choose their new bank because of rates and fees.

Why does that happen?

Because shoppers are swayed by brand image, advertising and bank branches in convenient locations. Perhaps this disconnect helps explain why more people are changing banks more often.

How did they choose which institutions to shop? The selection drivers lead me to believe that brand awareness is the key, and of course that's heavily driven by brand image. The big banks get strong awareness by buying it.

According to Forbes.com, Bank of America spent roughly $2 billion on marketing in 2010. I'll make a rough guess that that's more than the entire credit union industry spent on marketing last year, by a long shot.

And that's just one bank.

The banking industry spends around 5% of income on marketing. If the credit union industry spent 5% using smart, targeted creative we could increase awareness, making us more competitive against banks.

Instead of spending more, however, many credit unions have cut the very things that sustain brand image: advertising, branch maintenance and member services staff. It's a downward spiral that left spinning long enough can take a credit union out of the game.

While those of us in the credit union community know that CUs offer better service and lower costs than banks, it's brand image that counts. The more credit unions that commit to building an impactful brand image, the more competitive our industry will be in the financial services marketplace.

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Information on the J.D. Power and Associates study can be found at:
http://www.bankrate.com/financing/banking/bank-shoppers-ignore-rates-fees/#ixzz1RMZ9NPql