BANKING THROUGH THE AGES

Battling the Big 4 Banks:

Strategies for Community Institutions to Win Across Generations

This report is the second in our *Banking Through the Ages* series, designed to provide insights and analysis about Americans' banking habits and preferences. We've partnered with The Harris Poll—a market research and analytics company that has been tracking the sentiment, behaviors, and motivations of American adults since 1963—to ask consumers about where and how they bank today. The results reveal important generational differences that will help financial institutions better attract and serve consumers of all ages.

In *Battling the Big 4 Banks: Strategies for Community Institutions to Win Across Generations,* you'll learn important differences among consumers who have chosen a large, national bank versus a smaller bank or credit union or an online-only financial institution.

Though dominant in market share, large banks lag when it comes to customer satisfaction rates, and their customers indicate a willingness to switch to a community bank or credit union. In this report, we'll share how community institutions can capitalize on their unique strengths to win a growing share of consumers in a highly competitive U.S. market.

FINANCIAL INSTITUTION BREAKDOWN

Primary large bank customers
n=1,249

Primary community bank customers
n=287

Primary credit union members
n=360

Primary online-only bank customers
n=108

Methodology

The Harris Poll conducted a survey of 2,004 consumers on behalf of Apiture in February 2024. All respondents are located in the United States and are ages 18 and older.

The sample is weighted to be nationally representative of the following dimensions: age, gender, education, race, region, income, size of household, political party affiliation, and marital status.

The sampling precision of Harris online polls is measured by using a Bayesian credible interval. For this study, the sample data is accurate to within +/- 2.8 percentage points using a 95% confidence level. This credible interval will be wider among subsets of the surveyed population of interest.

Respondents By Generation

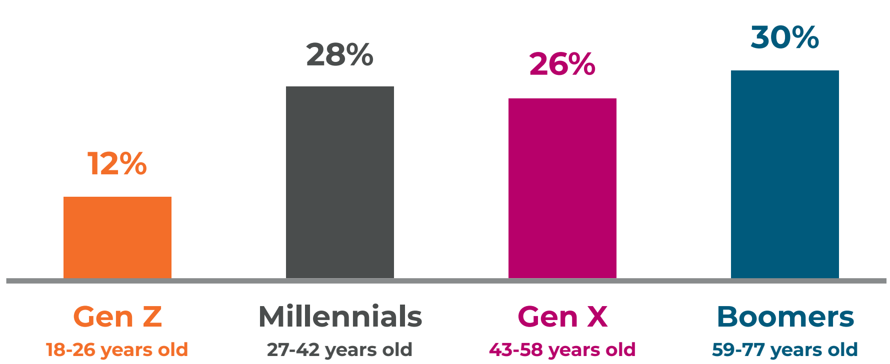


Figure 1: Survey Respondents by Generation

Where Americans Bank Today

Nearly three quarters of Americans have an account with a large, national bank—including Chase, Bank of America, Wells Fargo, and Citibank—with 66% identifying one of these banks as their primary financial institution.

74% of consumers have an account with a large bank

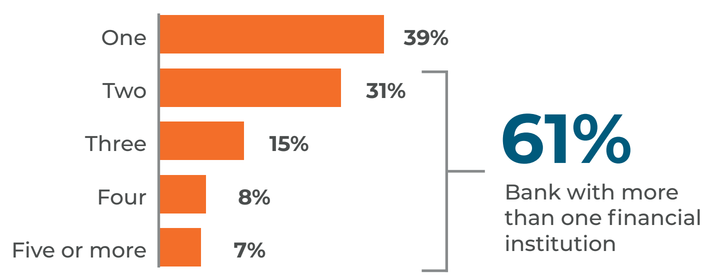
66% consider a large bank their primary financial institution

CHASE	BANK OF AMERICA	WELLS FARGO	citibank
30%	25%	19%	12%

Despite the dominance of the "big four" banks, nearly two-thirds of U.S. consumers (61%) bank with more than one financial institution, averaging nearly three accounts per consumer.

This means that more than half of consumers hold an account with a community bank, credit union, or online-only institution, either as their primary institution or as an additional banking relationship.

How many financial institutions do you currently have accounts with?



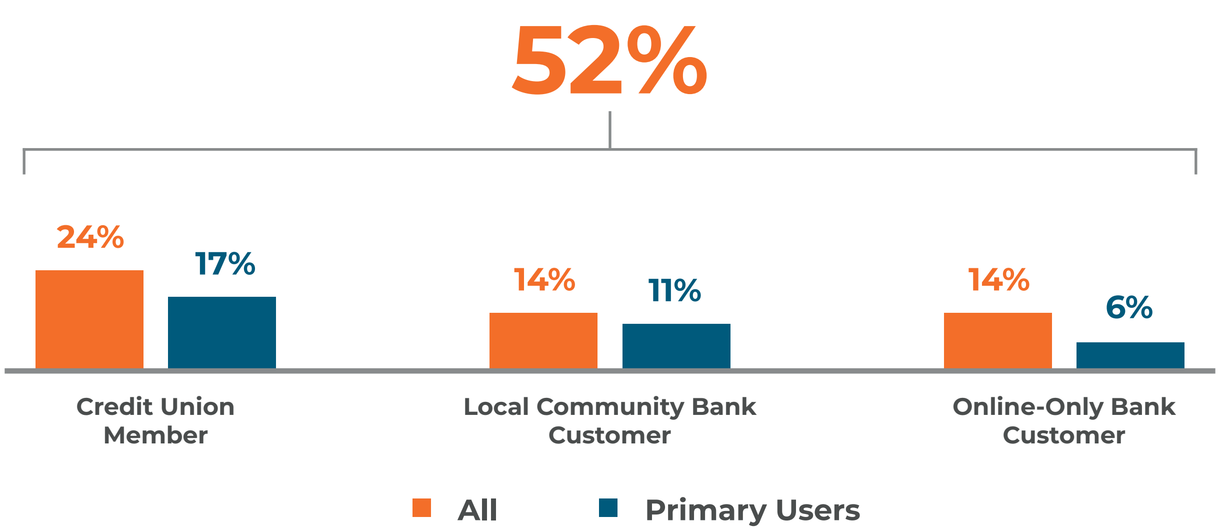
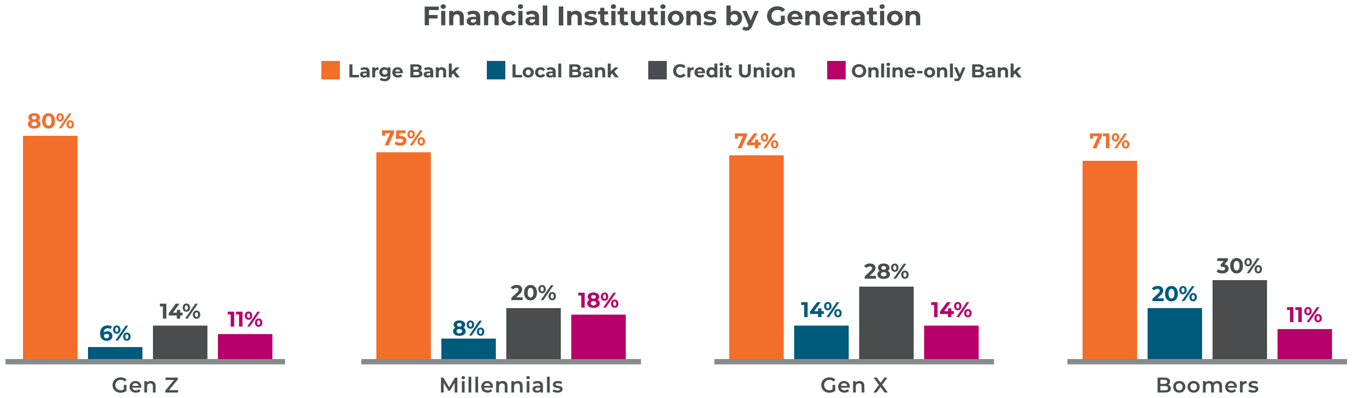


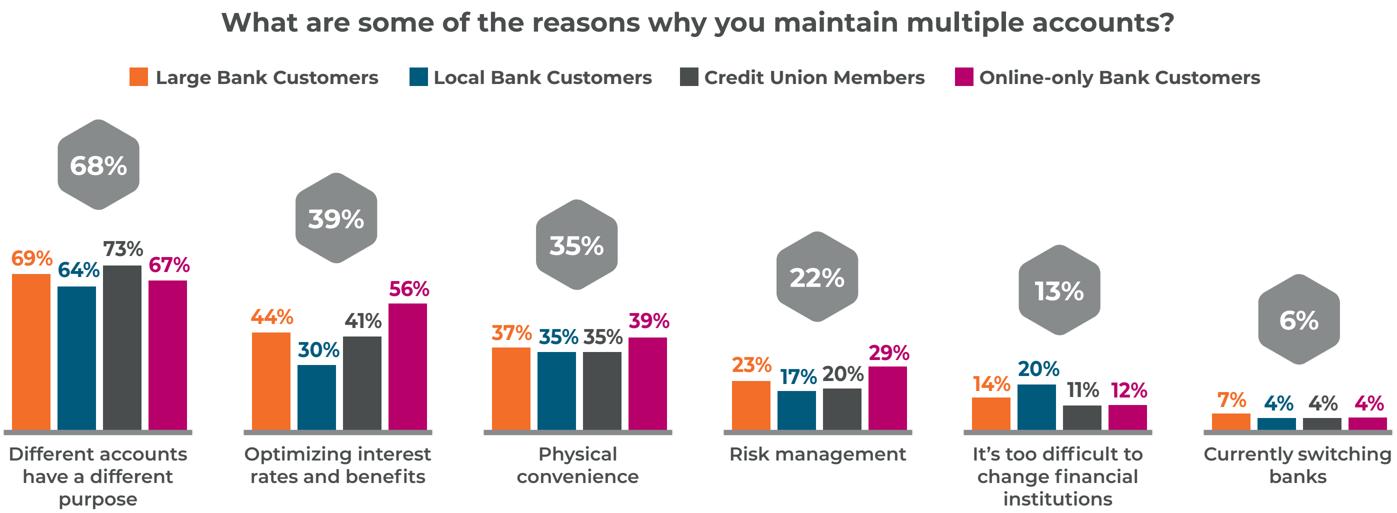
Figure 2: Non-Large Bank Account Holders by Institution Type

When it comes to generational differences, Gen X and boomers are more likely than younger consumers to have a relationship with a community bank or credit union. Gen Z is the least inclined to bank with a smaller financial institution.



Consumers have multiple financial institution relationships because accounts serve different purposes, according to 68% of respondents. Thirty-nine percent cite a desire to optimize interest rates, including 56% of online-only institution customers. Likewise, risk management is a top reason for multiple financial relationships for online-only institution customers, with 29% citing this reason compared to 22% of consumers overall.

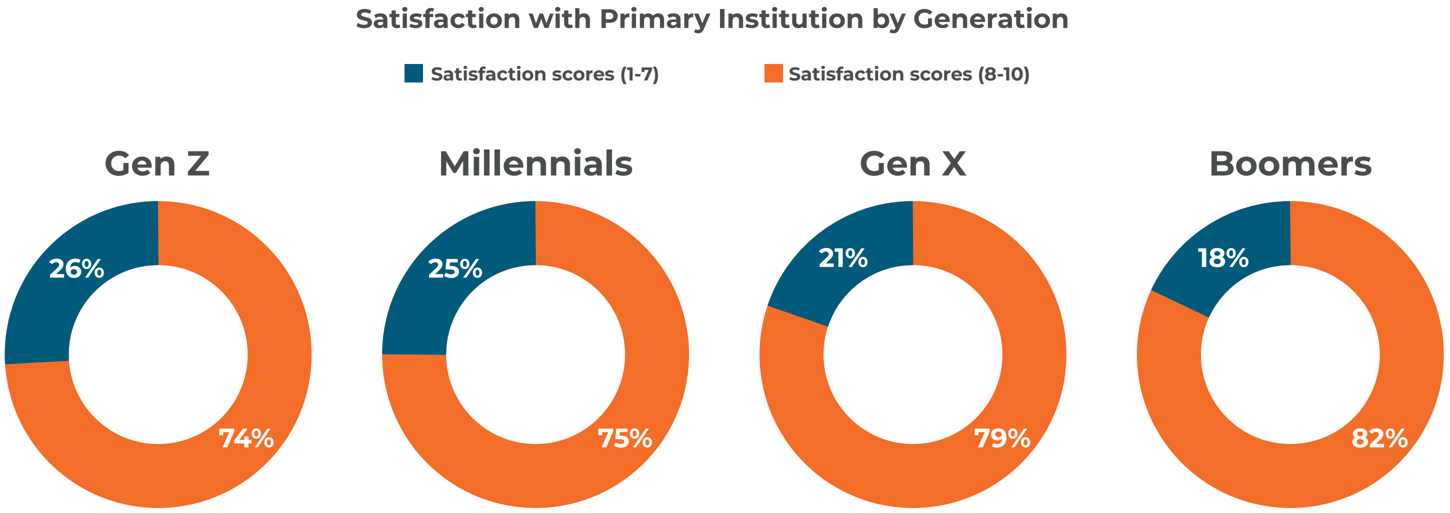
Inertia also plays a significant role, with 14% of large bank customers and 20% of community bank customers saying it is too difficult to change financial institutions.



Younger generations—41% of Gen Z and millennials—are more likely to hold multiple accounts to maximize interest rates. This group is also more concerned about security than older consumers, with 28% of Gen Z and millennials indicating they spread funds across multiple accounts to mitigate risk from fraud, compared to 18% of Gen X and boomers who do so.

Banking Satisfaction and the State of Switching

When it comes to overall satisfaction, 8 in 10 Americans are satisfied with their primary provider. However, younger Americans are the least satisfied, with about a quarter of Gen Z and millennials reporting lower satisfaction than Gen X (21%) and boomers (18%).



79% of Americans

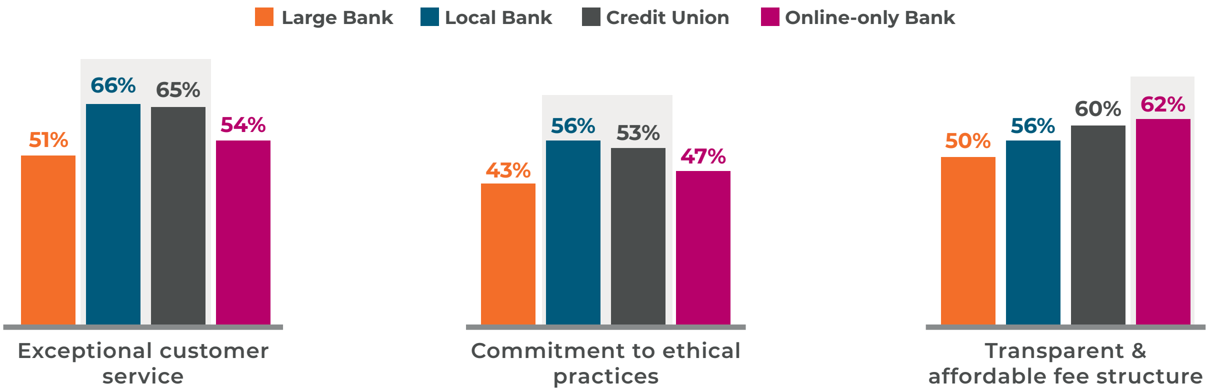
are satisfied with their primary financial institution

When comparing institution types, smaller institutions receive higher satisfaction scores than large banks. Credit unions lead at 88%, followed by community banks (82%) and online-only institutions (78%). Large banks perform worst at 76%.

Satisfaction by Primary Institution	% Satisfied (Top 3 - Scores 8-10)
Credit Union	88%
Local Bank	82%
Online-only Bank	78%
Large Bank	76%

Several factors contribute to higher satisfaction rates for community banks and credit unions, including the ability for these institution types to deliver exceptional customer service and their commitment to ethical practices. For online-only financial institutions, providing a transparent and affordable fee structure influences greater satisfaction compared with other institution types.

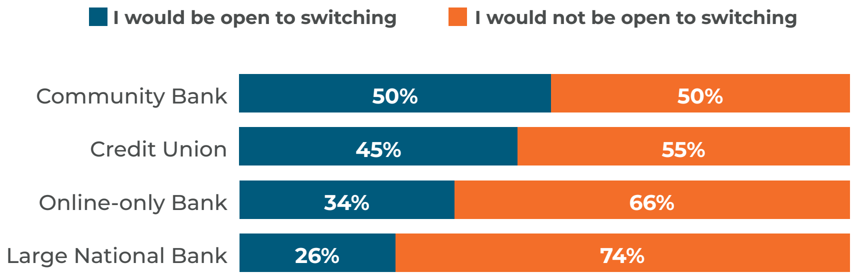
Satisfaction with Primary Financial Provider



Americans Are Open to Switching

Despite generally high satisfaction rates overall, consumers report a willingness to switch financial institutions. They are most open to moving to a community bank, with 50% of consumers indicating they would switch to this institution type, compared with 45% who would switch to a credit union and 34% who would switch to an online-only institution. Americans are least open to switching to a large bank, with only 26% reporting a willingness to do so.

"I would be open to switching my primary financial institution to a..."



When viewed by generational preference, younger consumers are most open to switching financial institutions. This generational difference is particularly pronounced for online-only banks, where 50% of Gen Z and millennials say they would switch, compared to 25% of Gen X and boomers.

Top Switching Motivators

Consumers cite a number of reasons for choosing a smaller institution.

Reasons for not banking with a large bank	% Selected
Prefer a smaller financial institution	31%
I've always banked with a smaller community financial institution	26%
Concerns about high and unclear fees	24%
I don't trust any large national banks	21%
Concerns with their ethical practices	17%
Security and/or privacy concerns	15%
Limited personalized customer service	13%
Uncompetitive interest rates	13%
Prefer digital-only banking options	7%
Concerns about downtime	6%

When large bank customers are asked what would motivate them to switch to a smaller provider, they most often cite better interest rates (54%), lower fees (49%), and closer proximity to branches (36%). Personalized customer service is also a motivator to switch for 28% of consumers, while 22% cite an enhanced digital banking experience as a key factor.

Banking Motivators *(What would cause you to switch from...)*	*...a large national bank to a smaller bank/credit union*
Better interest rates	54%
Lower fees	49%
Closer proximity to branches for in-person services	36%
More personalized and responsive customer service	28%
Enhanced digital banking experience and technology	22%

There are important generational differences when it comes to switching. More traditional benefits resonate with older consumers, including lower fees (54%) among Gen X and branches (50%) among boomers. Gen Z consumers are motivated by a highly personalized digital experience (33%) and an authentic and ethical experience (28%).

Significant Banking Motivators Among Generations

33%
Gen Z
"A highly personalized digital experience"

28%
Gen Z
"Ethical or moral alignment with the smaller bank's practices"

54%
Gen X
"Lower fees"

50%
Boomers
"Closer proximity to branches for in-person services"

When choosing a new financial institution, Americans identify top-notch security measures (60%) and fee transparency (56%) as top factors influencing their selection. Other leading contributors to their choice include convenience (53%), digital banking availability (52%), and exceptional customer service (51%).

Top Factors When Choosing a Financial Institution

(Top 2 - Scores 9-10)

60% Top-notch security measures

56% Transparent & affordable fee structure

53% Convenient accessibility

52% Online banking site & mobile app availability

51% Exceptional customer service

In addition to identifying accessibility of branches and ATMs as a leading factor when choosing a financial institution, a majority of Americans agree with the statement, "My financial institution needs to have branches near me." This is especially true for primary community bank customers, 85% of whom agree with this statement, compared with 68% of primary credit union members and 67% of primary large bank customers.

Older consumers are more likely to want branch locations, with 65% of Gen X and 76% of boomers considering them an imperative, compared with 57% of Gen Z and 60% of millennials.

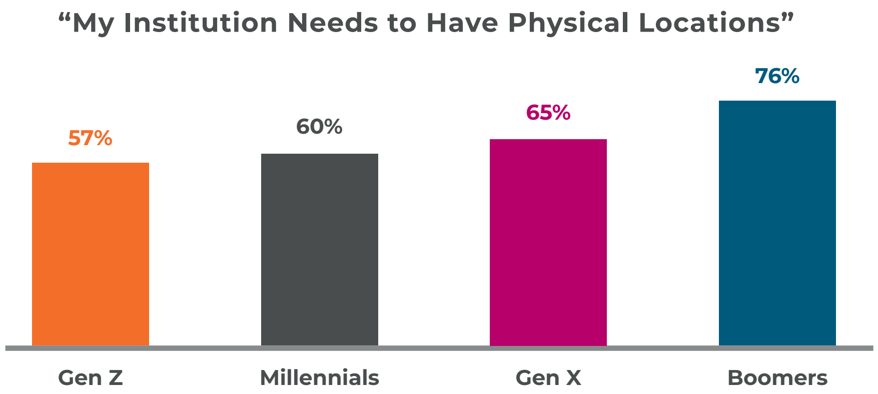


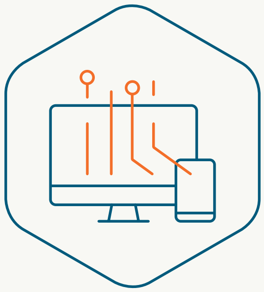
Figure 7: Need for Branches by Generation

Despite this preference for physical locations, 25% of Gen X and boomers do not remember the last time they went to a branch. For Gen Z and millennials, this percentage rises to nearly half.

"I don't remember the last time that I went to my bank or credit union's physical branch."

Figure 8: Last Branch Visit - Younger vs. Older Consumers

Digital banking is important to consumers, with 63% of consumers agreeing that their financial institution's digital banking capabilities are more important day-to-day than physical branches. While this is particularly true for Gen Z (72%) and millennials (67%), a majority of older consumers have also embraced digital, with 65% of Gen X and 57% of boomers stating that digital capabilities are more important than branches.



72% Gen Z

67% Millennials

"My financial institution's digital capabilities are **more important to me** day-to-day."

In addition, fifty percent of Americans say they would not change where they bank even if their financial provider closed all of its physical branches.

If your bank or credit union closed all of its physical branches tomorrow, how would you feel?

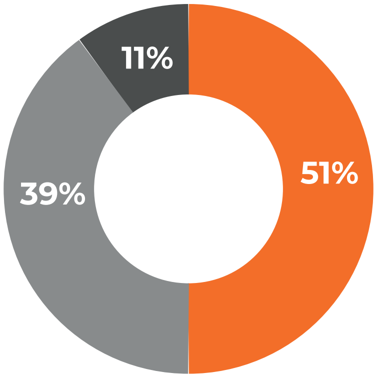


Figure 9:
Reaction to Branch Closures

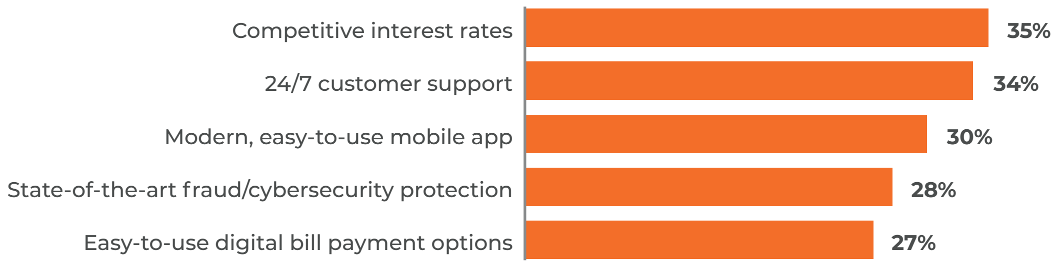
50% of Americans

*would **not** change where they bank*

- I would find a new bank or credit union
- I would be annoyed, but it wouldn't impact where I bank
- I would not care at all

When asked which factors are more valuable than physical locations, consumers identify competitive interest rates (35%), 24/7 customer support (34%), and a modern, easy-to-use mobile app (30%) as most important, followed by strong security (28%) and bill payment options (27%).

"In today's day and age, I would rather have a financial institution with______than a physical location."



Key Takeaways for Community Banks and Credit Unions

Community financial institutions who take advantage of their unique strengths can position themselves as the go-to alternative to national banks. Consider the following strategies.

1. Capitalize on Strong Service and a Local Connection

Community banks and credit unions outperform large banks in overall satisfaction, primarily due to exceptional service and commitment to ethical practices. For example, among community bank customers, 93% say they "appreciate the personal touch of a community bank." Likewise, 93% of credit union members "appreciate that credit unions often collaborate with members to find personalized solutions."

Consumers choosing smaller institutions also value the local connection provided by a community institution: 86% of credit union members and community bank customers agree that their institution's commitment to local initiatives aligns with their values.

By highlighting these strengths, community institutions can attract consumers looking for institutions that provide personalized service and that show a genuine interest in their financial success. Marketing campaigns should include testimonials showcasing personal experiences and stories that highlight community involvement as well as ethical banking practices.

2. Invest in Digital

Offering a modern online and mobile banking experience is essential for community institutions to compete with large banks. A majority of consumers agree that digital capabilities are more important than physical capabilities, such as branch locations, and 83% say they prefer banks or credit unions that offer a modern digital banking experience.

Community institutions can level the playing field with large banks by choosing a digital banking provider that offers fully featured, intuitive solutions, including a digital account opening solution to enable consumers to open and fund a new account without visiting a branch location. This is especially important when targeting Gen Z and millennials who visit branches less frequently than older consumers.

Given the importance of customer service, community banks and credit unions should prioritize solutions with robust digital support options, providing consumers with a range of options, such as voice, text, video, chat, and screensharing, when questions or challenges arise.

The strongest digital banking solutions also deliver a highly personalized experience by leveraging modern data analytics tools. These options enable financial institutions to build engagement with consumers through on-screen marketing notices, tips, and tutorials to educate, cross-sell, and drive engagement. In addition, data analysis tools can enhance institutions' advertising campaigns, enabling them to deliver the right marketing offer at the right time based on a given consumer's unique needs.

Digital banking uptime is also an important consideration for community institutions when evaluating different providers since more than half of consumers say digital banking availability is a top consideration when choosing a financial institution.

3. Prioritize Security to Build Trust

With 60% of Americans identifying top-notch security as a leading factor influencing their choice of financial provider — and 28% noting they would rather have a financial institution with state-of-the-art fraud and cybersecurity protection than physical branches — it is critical for community banks and credit unions to demonstrate a strong security protocol.

Almost half of Americans say they have experienced a security or privacy issue with their financial institution. To build trust, community institutions should be transparent about what they are doing to reduce risk and inform their account holders about ongoing scams.

Choosing partners that have appropriate fraud and risk protocols in place is also essential. For example, community banks and credit unions should ensure their digital banking solution can monitor for and flag fraudulent transactions in real time, before funds leave the financial institution.

4. Highlight Competitive Interest Rates and Fees

Better interest rates and lower fees are strong motivators for consumers considering switching from large banks. In fact, excessive fees are cited by 45% of Americans as a barrier to choosing a financial institution, making it the number one deterrent, followed by poor customer service (34%) and security concerns (33%). Community banks and credit unions should communicate competitive benefits such as low loan rates or reduced fees in their marketing narratives. Transparent communication about these benefits on websites and in advertising efforts can play a strong role in attracting new and retaining existing account holders.

5. Implement a Targeted Branch Strategy

Despite the growing importance of digital channels, physical branches continue to play an important role for community institutions as they work to deepen relationships with consumers. In fact, 79% of primary community bank customers and 70% of primary credit union members say they are looking for a local connection with their institution. A balanced approach, where community banks and credit unions maintain strategic branch locations for service and community engagement, while heavily investing in digital touchpoints, can cater to different generational preferences. Marketing messages should communicate the availability of support services and banking expertise both online and in-person to maximize options that meet diverse customer needs.

6. Make Switching Easier

Fourteen percent of large bank customers say it is too difficult to change financial institutions. However, with modern tools, community institutions can make this process easier. For example, changing direct deposits has historically been a deterrent for some to change their bank or credit union due to the traditional, paper-based process. However, some modern digital banking solutions enable consumers to connect their payroll accounts to their financial institution and adjust direct deposits in seconds rather than waiting multiple pay cycles. Community institutions offering this streamlined process can deepen their relationship with account holders as they work to solidify a primary banking relationship.

7. Appeal to Generational Preferences

Gen X and boomers, who resonate with lower fees and convenience of branches, are more likely to choose a credit union or community bank today compared with younger consumers. Although large banks have a stronghold on younger Americans, Gen Z and millennials are the least satisfied with their existing provider, representing opportunity for smaller institutions.

To capture a growing share of these sought-after younger populations from larger banks, community institutions must appeal to features that are most important to these consumers. Eighty-five percent of millennials and 84% of Gen Z say that the ability to complete banking activities, track spending, and access finances digitally is non-negotiable, and features like biometric authentication, integration with digital wallets, and compatibility with wearable devices are more important to them compared with older generations.

Outreach to Gen Z and millennials might include social media awareness strategies that highlight unique offerings and share stories about local impact.

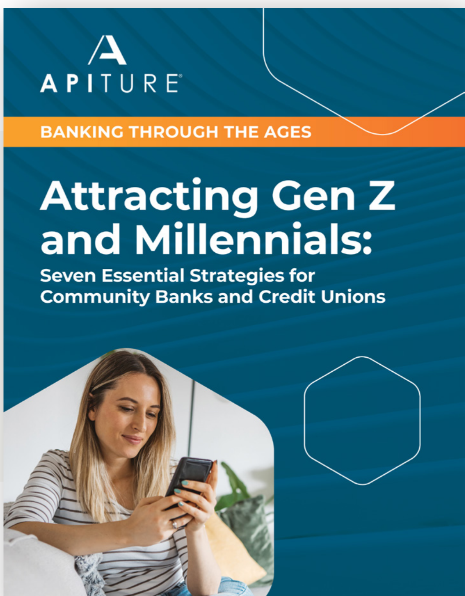
Notably, credit unions face a unique challenge in that 30% of Gen Z and 21% of millennials do not know of any specific credit unions for which they are eligible for membership. This is also true for 16% of Gen X and 20% of boomers. Creating awareness across generations through local marketing initiatives is essential for credit unions to attract new members.

Conclusions

Community banks and credit unions are uniquely positioned to capitalize on the shifting preferences of consumers across generations. By emphasizing their distinct advantages in personalized service, ethical practices, and local community involvement, these institutions can differentiate themselves in the market despite the dominance of larger banks.

A significant portion of consumers prioritizes digital capabilities over physical branches, making an investment in digital an imperative. By adopting modern, user-friendly digital banking solutions, smaller banks and credit unions can level the playing field with large banks' sophisticated digital offerings. Still, community institutions should take advantage of their strong local presence, maintaining a balance between digital investments and strategic physical locations.

By leveraging their core strengths and embracing technology advancements, community banks and credit unions can effectively challenge larger banks while deepening relationships with a growing number of consumers.



For additional insights about appealing to Gen Z and millennials, see Part 1 of our *Banking Through the Ages* series, *Attracting Gen Z and Millennials: Seven Essential Strategies for Community Banks and Credit Unions.*

About Apiture

Apiture delivers award-winning digital banking solutions to banks and credit unions throughout the U.S. Our flexible, highly configurable solutions meet a wide range of financial institutions' needs, from leveling the playing field with larger institutions to supporting growth through innovative data intelligence and embedded banking strategies. With our API-first approach, our clients can maximize the capabilities of their platform while preserving a seamless user experience. Our exclusive focus on digital banking, and a team with hundreds of years of collective experience working at U.S. financial institutions, means we're dedicated to meeting the unique needs of our clients while providing a level of support that's unmatched in the industry. Apiture is headquartered in Wilmington, North Carolina, with offices in Austin, Texas.

To learn more, visit www.apiture.com