

The Banking & Payments Show: Why Gen Z will swipe right on credit unions

Audio

On today's podcast episode, we explore the problematic relationship between credit unions and Gen Z.

- In our “Headlines” segment, we discuss an article from PYMNTS.com that revealed only 4% of Gen Z consumers bank with credit unions.
- In “Story by Numbers,” we consider what credit unions can do to capture Gen Zers’ attention while working with tight marketing budgets, and which programs have helped Gen Z consumers manage their finances.
- In “Actual CEO,” we discuss with our guest CEO what she is currently doing to engage with Gen Zers at her credit union. Listen to the podcast with host Rob Rubin and Tansley Stearns, CEO of Community Financial Credit Union.



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Episode Transcript:

Rob Rubin:

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Tansley Stearns:

I think for credit unions, two things fundamentally. One is we can't let ourselves off the hook. We have to have stronger expectations for results and engaging with the next generation driven through technology. And secondly, we've got to listen and seek to understand, and that challenges our own assumptions which is really hard for human beings.

Rob Rubin:

Hello, everyone. And welcome to The Banking & Payments Show, a Behind the Numbers podcast from eMarketer. Today is October 17th. Autumn foliage has peaked. I'm Rob Rubin, GM of Financial Services and your host today. If you enjoy this podcast, please leave us a review and give us a five star rating. We'd love to hear from you. The title of today's episode is Why Gen Z Will Swipe Right on Credit Unions. Joining me today is actually one of my favorite people that I've ever worked with. A fellow Dave Matthews fan who I'm so excited to have on the show, CEO of Community Financial Credit Union, Tansley Stearns. Hey, Tansley.

Tansley Stearns:

Hey, Rob.

Rob Rubin:

How are you?

Tansley Stearns:

Oh my gosh, so great. And it's such an honor to be here with you. You and I have had a lot of fun over the years.

Rob Rubin:

Yeah, we sure have. And I'm super excited that I get to have you on the show. Before we get into it, Tansley, we'd like to ask you a few quick fire questions for our audience to get to know you. So first, where are you from?

Tansley Stearns:

I grew up in Hillsdale, Michigan, which is a tiny town. The bottom of Michigan, right where Michigan, Ohio, and Indiana come together.

Rob Rubin:

You taught me something, which I've used over and over again. And this summer I was actually in Traverse City and I used it, which is when I asked people from Michigan where they're from, I raise my hand.

Tansley Stearns:

That's right. We love that. We carry our maps with us here in Michigan.

Rob Rubin:

That's right. So, important question. What team do you think will give Michigan trouble this year? Because it doesn't seem like anyone has yet.

Tansley Stearns:

Ohio State always does.

Rob Rubin:

Yeah, yeah, yeah. Is that the last game of the season?

Tansley Stearns:

It is. And it's at home in November and I have season tickets, but the debate in my family is about whether or not you go because November in Michigan is not a lovely time of year.

Rob Rubin:

Yeah. You got to be a real fan.

Tansley Stearns:

Yeah. You got to be a real good fan, and you got to be real hearty. So I'm in.

Rob Rubin:

All right. My final question is how many Dave Matthews concerts have you seen? Do you know?

Tansley Stearns:

I do, but Rob, it's one of the few things I'm not transparent about. I have not shared that number with anyone, so it's a number that doesn't come onto your show.

Rob Rubin:

All right. There you go. Well, that was a lot of fun. We have a lot to cover. So let's jump into it with our first segment, the headlines. In the headlines, we chat about a story as it relates to our episode. And for today, I want to discuss an article in payments.com. And the headline is that only 4% of Gen Z consumers bank with credit unions. And that is a problem. According to Callahan & Associates, there's roughly 130 million US consumers that are credit union members, and that's like 30% of the population, but obviously Gen Z then is indexing low. So what I really want to spend the headlines talking about is how can credit unions win the hearts and minds of Gen Z consumers?

Tansley Stearns:

I think we really have to challenge ourselves to accept that when we talk about service, which is something credit unions have hung their hats on for a lot of years, that the next generation believes service and experience to be something that's technologically driven. My daughter MacKenzie just turned 13, and-

Rob Rubin:

Wow.

Tansley Stearns:

I will tell you... I know. I don't know how that happened.

Rob Rubin:

I can't even believe that.

Tansley Stearns:

I can't either. And she's been using an iPad since she was one, which makes me a terrible mom, and it demonstrates that this next generation is going to demand an experience that's driven through technology. Now, that doesn't mean in my estimation that branches are dying. It does mean that every part of that experience needs to be connected and seamless and technology forward. The other thing that I believe to be true is that we have to understand the next generation to serve them better. And as we mature, including myself, we don't have the same understanding as the next generation does.

So what we talk a lot about at Community Financial is listening and using listening as a superpower. And it's remarkable when you listen to the next generation and hear what their needs are, how you can better respond. I think for credit unions, two things fundamentally. One is we can't let ourselves off the hook. We have to have stronger expectations for results and engaging with the next generation, driven through technology. And secondly, we've got to listen and seek to understand. And that challenges our own assumptions, which is really hard for human beings.

Rob Rubin:

Right. So you see that young consumers tend to be very brand centric, and they tend to be influenced by big brands. And one of the things that we see is that the big financial institutions, the big banks in particular, they do a lot of advertising, both top of funnel, promotional, performance-based advertising. They have it all. So in that sort of model, how can a credit union really be heard?

Tansley Stearns:

I think first of all, we have to take marketing and storytelling seriously. Traditionally it's been the thing that we always cut, particularly in economic times like this, and we have to challenge ourselves to be better at it. When you think about the brands that younger consumers are engaged with, they're spending time, energy, and effort getting it right. And it's scientific. I've spoken to so many boards over the years that will talk about marketing as "That's just another pretty picture. It doesn't really matter." Seeing marketing as a fundamental driver of the business is a shift we have to have from the top down. And the good news I think is that in this age, because of digital technology, we really have an opportunity even with much smaller budgets to be able to carry those messages forward. But they can't just be the typical thing.

Going out and spraying and praying on one social media channel that, "We are the financial institution that is cooperative and we've been around since 1932," that's not going to cut it.

So getting the messaging right, being able to find the right channels and focusing in with something that's creative and clever is something that is within all of our reach. There's this really great brand that's out of Colorado called Hooch Booch. And this a young woman during the pandemic, she lost her job and she decided that she was going to start a kombucha company with alcohol. So, strong kombucha and she's killing it. And I actually asked her to be on a panel for credit unions because so often the concern is, "Well, gosh, I'm a one person marketing shop. How can I do this?" Here's this young woman who started and she's the only person doing all parts of the business, and she was able to grow that with very few resources. So I do believe that really technology has democratized the way that we can tell our stories. So it's within our reach.

Rob Rubin:

So with that one, having marketing within your reach, one of the other challenges that not just credit unions but smaller financial institutions really face is the amount of effort being put into the digital experiences of the products. And credit unions who are smaller are beholden to others to do a lot of the product development. So how's it going in terms of credit unions being able to keep up with the offerings that big banks are providing in terms of digital experiences?

Tansley Stearns:

One of the things that you and I used to do together that I think is such a powerful tool is what we called live observational research, right?

Rob Rubin:

Yeah. Listening.

Tansley Stearns:

Yeah, listening. Being able to watch somebody use your website. Every time you and I would do those, you would have the leaders of the organization. They're a little skeptical. They've got a prediction about what's going to happen. Every time, they were wrong because the way that we use technology as folks that are bankers is so different than what the average human being will do. So being able to watch that, I think, is a really inexpensive way because doing

that is a super cheap investment. And you and I saw time after time that incremental, small changes to the website, to the mobile app could make monumental changes to the way that members used it and really drive adoption and growth.

And I think the same is true in terms of product development. Again, doing a listening session, grabbing a focus group, going into a high school or even a middle school and being able to talk to students, talk to parents, listen and not do what they say, but what I want people to understand is I'm not saying, "Hey, ask a student to design the product." Ask the student what their biggest problems are and being able to marry that with your subject matter expertise is really the sweet spot to me.

Rob Rubin:

Right,. And also to listen. I think that's what we learned is to listen to what they're saying. And in terms of what we were doing, we were listening and watching. So we were trying not to be directive. We were trying to just listen and watch. And in fact, I'll just say that I've done that a lot and if I think about my memory of what I can remember, it was a particular occasion with a credit union actually. And I've done them for big banks, is that we were watching a woman who was a respondent and she was looking for a new account. And she was really having a hard time, not really of her own doing, but her circumstance was hard. And it was kind of difficult to get through the exercise with her because it was hard. She was shopping for a financial product when she probably wasn't going to be able to get a financial product given her circumstance. And it was hard to watch.

And the thing that I remember at the end is the CEO of the credit union was back there and when I asked, "Are there any other questions I should ask her? Anything else we want to learn?" She just said, "Am I allowed to meet her?" And she came out and she said, "I want to help you." And I think that in some cases, that is a brand attribute or a quality that credit unions carry around personal service. And I don't want to say that that's something that Gen Z consumers, because of their digital affinities, don't care about. We do find that a lot of Gen Z consumers actually like to go into bank branches or credit union branches. So I think that was a really good conversation that we just had about credit unions. I wasn't expecting to raise that memory of mine, and now I'm feeling a little verklempt.

Tansley Stearns:

Right. We are moving times. It's watching people... Because I think what's interesting is that for most of us, we think, again, going back to brand, of a financial institution as being stodgy and boring or even a little frightening. Fundamentally, the tools are enablers for people's dreams and can sometimes be the things that get in the way of those dreams. So it is really emotional.

Rob Rubin:

Right. It sure is. Thanks, Tansley. We definitely covered the headlines in great detail and really focusing in on how credit unions are going to be able to win the hearts and minds of Gen Z consumers. So thank you. And on our second segment, which we call Story by Numbers, we pick a number or two that helps us dig deeper into the episode's topic. And today for Story by Numbers, I picked two numbers. Not really numbers but ranges of numbers, but I picked two numbers from articles that we published recently and this is the range. It's 10.4 to 7.5, and it's the percentage of revenue allocated to marketing in 2022 and 2023, and it's a decline. It's from Gartner's 2023 CMO spend and strategy survey. So I get it. The pressure to allocate money to marketing is super difficult when there's a lot of other really difficult choices to make.

And what we found in our research is that it's top of funnel campaigns that have been cut or delayed. In other words, when you have a marketing budget, you're still maybe spending money on performance, but you're not really doing the top of funnel. So one of the things that we found, which we talked about in a previous episode, is that if you stop doing top of funnel marketing, your performance marketing doesn't perform as well because they don't know who you are. So what do you think credit unions can realistically do to capture Gen Z's attention if... And I know we talked about a little bit, but they are working with even tighter marketing budgets. So if you have any anecdotes or things that are breakthrough ideas for credit unions...

Tansley Stearns:

One of the things that I believe to be true, whether it's in good marketing times or bad, is that credit union budgets are always woeful quite frankly because as compared to the big guys, we just don't have the same resources.

Rob Rubin:

We are not a profit based organization.

Tansley Stearns:

No. So what we've talked a lot about is how you extend brand through partnerships. So for example, at Community Financial, one of the partnerships that we built was with a local artist. His name's Tony Roko, and he was actually someone that worked in a Ford plant and had all this talent, and somebody saw him one day out drawing and said, "Gosh, there's more for you." So he's become a bit of a legend here in Metro Detroit, and he's built an art walk actually in our hometown of Plymouth where the credit union is headquartered. So we talked to him and the city about doing a second round of the art walk, and as we began that conversation, we started talking about debit cards. And it's my belief that obviously we want our brand on the debit card. And when you think about what can really bring to life somebody's day is having some art in their wallet, and every time they pay having something that's beautiful to connect with.

So he actually designed three pieces for us that we've been able to bring to life. So we couldn't do that on our own. It's great for Tony. He's got his art and people's wallets all over the state of Michigan, which is fantastic. And it's great for us because it's a different way for us to bring the brand to life. Similarly, we've forged a partnership with the folks Keith and Evan that are on Bargain Block on HGTV, and we're doing both some work on the homeownership side on making that more affordable, as well as they also designed some debit cards for us. So those are not national folks, but they are influencers and they meet a lot in our market. And I think in each market, a credit union could think about, "Who might we partner with? Who might extend our brand? Who might amplify our story?" So I think that's one way with a smaller budget to be able to do even more.

Rob Rubin:

I think it's really fantastic guidance for all credit unions and any kind of small institution that's trying to make noise. It starts locally and build from a local base. Our second number is 66%, and this is the percentage of Gen Z adults who have started saving for retirement, and that's really great. It sounds great. It came from a recent survey of over 5,000 adults from the Transamerica Center for Retirement Studies. But now that student loan repayments are about to resume, the retirement savings is going to take a backseat because there's only so much to go around. Others studies have indicated that Gen Z consumers are actually very anxious about savings and having enough money for everyday expenses. So what programs have you seen that help Gen Z consumers manage their financial lives?

Tansley Stearns:

I have been dreaming about this since I thought about becoming a CEO 20 years ago.

Rob Rubin:

I know. That's why I wanted to put this question in.

Tansley Stearns:

So when I got here and I had the opportunity to have a bit more influence, one of the things that we dove into quite quickly was answering this question. And the great news and one of the reasons I came to Community Financial is that we have 50 student-run branches across the state of Michigan. So we've got really close and tight connection with the schools, and we are providing financial literacy. The challenge is, and we all know this as human beings, is that knowledge does not necessarily equate to behavior change. So you can know something and not necessarily do the right thing. I know that drinking Diet Coke is not necessarily great for me. I continue to do it every day. Well, the same is true with the financial literacy. And what we know that makes financial literacy much more actionable and answer to your question is that it's relevant, and it's bite size and it's something small that people can do that leads to longer term behavior change. So as we looked at those kinds of solutions, we actually ended up partnering with Greenlight.

We're the very first credit union in the country to offer Greenlight as a benefit of membership. And I've been using Greenlight for years with MacKenzie just simply because as a mom, when I first started giving her allowance and she had chores to do, she would come to me at the end of the week and say, "Hey, Mom, where's my allowance?" And I would go look, and I never have any cash. And I felt really lousy as a parent. So Greenlight allows you to set that up electronically. It allows her to have a debit card. I can set a lot of limitations on the debit card. Only have certain vendors where she can use it, have only certain amount of funds she has available, and some real life consequences. So if she has her chores and she doesn't do all of them, I can pivot on how much she's getting that week. And it goes into buckets for save, spend, and give. So going back to your question about how we continue that path towards savings, what's really exciting is that because she's had it set up that way for years now, she's got a pretty significant savings. And the story I love to share is that this year when Taylor Swift came to Detroit and she came and told me, "Hey-"

Rob Rubin:

She saved enough?

Tansley Stearns:

She had and she bought her own ticket. I told her we could go, Mommy would buy her ticket, but she had to buy her own and she did. So it works!

Rob Rubin:

Oh, my. Well. That's great. So I want to just transition. So I think that in Story by Numbers, we really talk about the challenges that not just credit unions but smaller institutions have with small budgets, and that you can, by focusing locally, really try to do some things that aren't on a national scale but can make a big difference and an impact in your local market for the brand. And then something which is both near and dear to both our hearts is financial literacy, and where credit unions and what you've done with Greenlight really plays a big role. And I think it's a great transition to our final segment, which normally we call Pretend CEO, where we have people who are on who aren't CEOs. I give them a scenario and I ask them to pretend to be the CEO. But you are the CEO, so it's now called Actual CEO for today.

Tansley Stearns:

We've shifted the segment.

Rob Rubin:

We have. I wanted to end the show with a conversation about the different ways that you're engaging with Gen Z consumers at your credit union. So we did touch upon a little bit of those things, but maybe we can expand upon that. How do you start a student branch? What is a student branch?

Tansley Stearns:

Yeah. Well, I love the question because we're actually challenging ourselves to think about that differently. The way that we've done that for years is really the students apply for jobs. I actually last year got to go in and interview some of the students, and they would play different roles. We'd have somebody that was a teller and someone that was in charge of marketing, and they would do that for a period of time. We're really re-imagining that now because-

Rob Rubin:

So the branches are like in the student unions?

Tansley Stearns:

Yeah, exactly. So they would be at the school and the students can one day a week come and visit us. What we know though is that we were really running those the way a credit union was run probably in the eighties or early nineties. So what we're actually doing now that I think is a great exercise and could be super powerful for other credit unions is inviting the students and the schools to reimagine that experience and the branch and the credit union of the future. And what I love about this is I took some time when I first got here last year to meet the superintendents of the schools where we have a presence, and interestingly, many of them were fairly new in their tenure, similar to me.

And all of them shared the passion that you and I have for financial literacy, and they really did echo my sentiment, which is that financial literacy alone isn't enough. And they're all wanting to drive innovation as a competency within the schools. So they're very eager to partner with us to be able to have this real practical approach to innovation and driving that. So I think it's a wonderful opportunity for credit unions to be a resource for schools that have such limited resources themselves, and thinking about how they extend that and co-create, I think, is a wonderful way to engage the next generation.

Rob Rubin:

Have they had any new or innovative ideas that you're really thinking about implementing that are even simple ones?

Tansley Stearns:

We're a little bit early stage, but I think one of the ideas that we've been percolating on is even just on the small business and entrepreneur side. Being able to have some contests in the schools where folks are coming up with new ideas for small businesses. For the credit union to be able to provide those entrepreneurs some investment in their idea and even some of the banking solutions along the way. So I think there'll be more next year if you'll invite me back. And I think what I would say is there's a real hunger and appetite to co-create, and I think there's a dual benefit to the credit union. Certainly some of the things you're asking about on the product side and on the engagement side with members, credit unions really are in the war for talent as well. And it's tough to attract people. It's very unusual that someone graduates from university and dreams of working at a credit union.

I hope to change that. And in the meantime, as we engage in the schools, as you've got interns, as you've got folks co-creating, as they work in a student run branch, that really is the talent of our future. And in fact, I love to tell the story actually, our chief people officer, Cathy Meyers, her first job with Community Financial 40 years ago was in a student run branch and now she runs our HR practice. So you have this opportunity, I think, to engage students, and not only the way that the organization can change and be relevant for the next generation, ensuring that we have the talent that we need to get there as well.

Rob Rubin:

That's great. Do you see any other kinds of technology innovations? One of the things that we hadn't touched upon is a lot of credit unions are dipping their toe in the crypto space.

Tansley Stearns:

Yeah, we're not doing anything with crypto. I'll be frank about that. I do think though, we are testing a lot with our members. So we know that not every digital technology is going to resonate. So what we want to do from a technology forward standpoint is really find some of the FinTech partners that can walk with us that can test some things that we think are important. Greenlight's a wonderful example of that, and we have some others like Pocketnest and SavvyMoney.

Rob Rubin:

What is Pocketnest?

Tansley Stearns:

Yeah, so Pocketnest is really a really interesting story. So the woman that started it was someone that did investing, and she had lots of her friends that were coming to her and asking for advice on that. So she's really tried to bring that to the everyday consumer so that all of us can learn more about how to invest, how to make investing easier through digital technology. So we think that that's a really good opportunity for us as well. So I think the strategy to me is about who is your target market? For us, we think a lot about moms, about students, and about teachers because we've got these student run branches, and we've got this trifecta of a segment that influences one another. So choosing technology that is going to meet their needs. Greenlight's a great example.

Moms are going to love it because it helps them with all the problems that I mentioned earlier. Students love it because it gives them access to their money. MacKenzie loves to be able to see how much she has. She loves to use her debit card. And teachers love it because now you've got students that have stronger financial acumen. So what I'm not suggesting is that every credit union run out and get Greenlight. What I am suggesting is if you understand your target market, you understand their needs by listening, that can drive those best technology choices because, getting back to your point, we don't have unlimited resources. We can't do everything, so making those right bets, I think, is the really important thing.

Rob Rubin:

Tansley, this has been so much fun.

Tansley Stearns:

I love it.

Rob Rubin:

I'm definitely going to have you back.

Tansley Stearns:

Thank you.

Rob Rubin:

Really, you are one of the best advocates for credit unions that I know. So I'm so happy that we were able to do this episode and to talk about credit unions. So thank you again. I want to thank everyone for listening to the Banking & Payment show, an eMarketer podcast sponsored by Affinity Solutions. And also thank you to our editor, Todd. In today's episode, we did reference three recent articles about Gen Z and finance, and I put links in the show notes for everybody. Our next episode is on Halloween. Ooh. So be sure to check it out. We'll see you then. Thanks again, Tansley.

Tansley Stearns:

Thank you, friend.

Rob Rubin:

We'll speak to you soon.

Tansley Stearns:

Can't wait.